Light

# Sustainability Report 2010

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## Our Commitment to Rio de Janeiro

*The well-organized and systematic pacification of communities in risk areas of the city of Rio de Janeiro, followed by the creation of Peacekeeping Police Units, has restored basic citizens' rights to thousands of community members.*

### INVESTING IN EFFICIENCY

Light invested approximately R$ 63,5 million in 30 Energy Efficiency Program projects in 2010. Half of this investment (R$ 38,1 million) has gone to projects in low-income communities, in accordance with the requirements established by ANEEL.

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### VIDEOS

See our highlights in 2010 in four documentaries, and the message from Chief Executive Jerson Kelman:

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# Profile

Light is present in a service area comprising 31 municipalities and home to approximately 11 million people in the state of Rio de Janeiro. Headquartered in Rio de Janeiro City, Light Group comprises Light S.A. (parent); Light Serviços de Eletricidade S.A. (Light SESA), a distribution and supply company; Light Energia S.A. (Light Energia), a generation and transmission company, and Light Esco Ltda (Light Esco) and LightCom, both wholesale and service companies. GRI 2.1, 2.2, 2.4, 2.5, 2.7, 2.8.

With 4,070,591 customers, we are a publicly traded company listed on BM&FBovespa's Novo Mercado market. As of December 31, 2010, our shareholders' equity consisted of 203,934,060 no par value common shares. Our year-end market value was R$ 5.19 billion. GRI 2.6

The Company's year-end ownership structure is as follows: 52.13% of our shares are held by our Controlling Shareholders and 47.87% are free float, of which 15.02% are held by BNDESPar and 32.85% by minority shareholders. Our Controlling Shareholders are Companhia Energética de Minas Gerais (Cemig – 26.06%), Luce Empreendimentos e Participações S.A (LEPSA – 13.03%) and Rio Minas Energia S.A (RME – 13.03%).

Power distribution output in our franchise area last year was 22,384 GWh. Consumption in 2010 rose with economic growth in Brazil and economic reactivation in our service area. Better distribution of wealth and greater access to credit helped increase purchasing power and consumer spending, especially on home appliances.

The aggregate length of our power distribution lines as of December 2010 was 56.7 thousand kilometers – 50.9 thousand kilometers above and 5.7 thousand kilometers underground. Our transmission lines measure an aggregate 2.0 thousand kilometers. The Company's infrastructure further includes 87 transmission substations and 114 distribution substations. Our installed generation capacity is 855 MW. GRI 2.3

Turning to our economic and financial results, net retained earnings in 2010 were R$ 575.2 million.

Investments in 2010 were largely in improving our distribution systems and reducing losses, both essential ingredients to ensuring quality of service, energy efficiency and customer safety. Another focus of our investments was the expansion of the Group's generating capacity.

Sustainable development initiatives also grew in 2010 and involved 3,693 employees and other strategic stakeholders.

We strengthened our partnership with government and private organizations in the State of Rio e Janeiro, especially as part of the ongoing initiatives in low-income communities in Rio de Janeiro City, and particularly in areas protected by Peacekeeping Police Units. As part of our efforts to foster social development across the State, we also invested R$ 75 million in cultural, sporting and social projects throughout our service area in 2010. Our role has gone beyond that of a corporate citizen; Light has been an inseparable part of the history of Rio de Janeiro for over a century and has set the standard for sustainable development. GRI SO1S01

## Our mission

To be a leading Brazilian company, committed to sustainability and reputed for excellence in service to customers and the community, for creating value for shareholders, and for being a great place to work.

## Our values

Focus on Results, Merit, Courage and Perseverance, Ethical Conduct, Solidarity and Happiness.




# Message from the Chief Executive

Brazil's power sector is currently experiencing a period of exciting growth and significant developments. The unregulated market has continued to evolve, there has been growing investment in renewable energy and mergers and acquisitions have consolidated companies into large business groups Companies are pursuing gains of scale and seeking to minimize risk by diversifying into multiple segments of the utility sector. The Federal Government has aided this process by providing funding through the Brazilian Development Bank (BNDES). These developments should continue over the coming years until major players are fully consolidated and able to compete on a global scale.

In this environment, we have worked to strengthen our presence in the utility market by capitalizing on synergies deriving from our joint operations with Cemig in the distribution, generation, wholesale and services segments, as well as synergies existing in our corporate and management processes. We are also conducting joint studies to identify and evaluate opportunities for group expansion.

Light's governance practices continue to play a key role in building a positive outlook for employees, partners and shareholders and ensuring their engagement in meeting challenges as they unfold over the coming years.

Corporate sustainability continues to be a priority and is present in our new planning cycle for 2011-2014. Light has continued to engage stakeholders in discussing and developing sustainability strategies that balance the economic, environmental and social dimensions of our operations. Light's commitment to sustainability is documented in our mission and values, Governance Handbook and Code of Ethics. In recognition of this commitment, we have been named to the BM&FBovespa Sustainability Index (ISE) for the fourth consecutive year. We are also participants in the United Nations Global Compact. GRI 1.1

This new chapter in our history has coincided with Brazil's economic rise and Rio's renaissance. In 2010, power consumption in Brazil was 419,016 GWh, up 7.8% from 2009 as a result of GDP growth of 7.5% for the year, greater access to credit, and higher temperatures in early 2010. According to Brazil's utility regulator, ANEEL, installed generation capacity increased 5.7% over 2009. Over the past 10 years, Brazil's generating capacity has grown 50%.

Growth in power demand has placed considerable pressure on the grid, the regulator and utilities. We believe our sustainability hinges on our ability to develop a strategy that addresses the resulting long-term opportunities and challenges. We need to look beyond the immediate signs from the market and understand the political, social and environmental implications for our business and service area.

For more than a century, Light has played an important part in Rio de Janeiro's development and the economic, urban and social transformations affecting Rio de Janeiro and its metropolitan area. The current growth cycle, the Growth Acceleration Program (PAC), the Sate's Peacekeeping Police Unit program and the two largest sporting events in the world – the 2014 FIFA World Cup and the 2016 Olympic Games – will generate economic and social investment and development in our service area.

The outlook is one of significant opportunities and enormous challenges. Projects to be developed over the coming six years are expected to generate investments of R$ 78 billion and an added load of 1,555 GWh in our service area in 2016. With an important role to play in this context, Light has invested heavily in modernizing our above and underground distribution systems and generation facilities. We have also created and are leading Rio Energy 2016, a program for the development of efficient energy projects and the infrastructure required for the sustainable development of the State of Rio de Janeiro.

Economic reactivation in our service area and greater purchasing power among the poorer classes of the population, combined with peacekeeping action in communities, have enabled Light to develop intensive initiatives in these areas. Through social, cultural and environmental programs, coupled with substantial grid investments and our Energy Efficiency Program, Light has helped improve the living quality of low-income communities and has played a decisive role in drawing these communities into modern, civilized society and into citizenry. In 2010, the Efficient Community Project invested R$ 38 million for the benefit of 300 thousand community members. This effort significantly reduced electricity theft in the communities covered by Peacekeeping Police Units and added 74,675 new bill-paying customers in 2010.

The year was also marked by important legal and regulatory developments, including proposed changes to the Tariff Review method, revision of the Electric Power Terms and Conditions of Supply Regulations and changes to the Social Tariff Rules. Through our participative and proactive approach, Light assisted these processes by identifying important opportunities and improvements, enhancing the sector's understanding of the issues involved and adapting the changes proposed to the interests of stakeholders.

Going forward, we have the challenge of keeping our workforce motivated, committed and trained, continuing to deliver on our commitment to excellence in service and the development of society in our service area, expanding our presence in the Brazilian power sector and preserving our economic and financial balance. We believe sustainable growth is not a choice, but a necessity.

***Sérgio Barroso***
*Chairman of the Board of Directors*




# Message from the Chairman

2010 was a year of major challenges for Light. The changes in our ownership structure towards the end of 2009 resulted in a change of Senior Management. Our new management team took over on March 2, 2010, amid a spate of power outages, largely concentrated in the South Zone and Center of Rio de Janeiro. With the need to provide a quick response, and with the new managers sharing the same office environment, the team worked in unity from their first day in management – not only among themselves, but also with Company leadership.

A crisis management plan was promptly developed to reduce the dissatisfaction of affected consumers and the consequent damaging repercussions in the press, and to prepare the way for a longer-term agenda. The issue was handled transparently and, as a result, no "*Light could not be reached for comment*" lines were seen in the press. This prevented an impending wave of negative coverage and minimized adverse press articles to a handful.

Light's initial response ranged from simple actions, such as replacing manhole chamber buoys, which were constantly stolen for their valuable copper parts, to strategic changes, such as insourcing underground system maintenance services. The decision to insource was not because of an ideological preference, but because we realized we could perform maintenance services more completely, better and cheaper if they were insourced. This was proven true by the resulting improvement in service quality.

For our remaining third-party service providers with a proven capability to provide quality services, we established new requirements for qualification and working conditions. In exchange, Light entered into new, long-term contracts with higher unit prices. We adopted the slogan "All People are Our People" as a way of indicating that Light has the same respect for, and expects the same commitment from, third-party crews and employees. These long-term relationships with service providers will be continually monitored to ensure they effectively deliver the expected increased reliability and productivity.

The following months were spent developing a system restoration plan, initially focusing on the underground system, where the most critical problems lied, as dramatically perceived by the community when an underground chamber exploded, causing severe burns to a tourist couple.

Improvements were carefully planned and included replacement of aging and faulty equipment, system segmentation, chamber monitoring and other preventive and fault anticipating action. Meanwhile, we launched a communication campaign clearly explaining that Light recognized the need to improve its services, knowing that consumers tend to tolerate faults when they see a genuine effort to improve, but are exasperated when they feel a utility company is resistant to outside criticism and incapable of self-criticism.

Our underground distribution system is the largest in Latin America, and not everything that had to be done could be done in 2010. Restoration work will therefore continue throughout 2011. Our overhead distribution systems were also improved. About 530 km of distribution lines prone to tree branch damage during wind storms were replaced with modern, safe and compact spacer cables.

To improve system reliability in our service area, Light has invested considerably in building, expanding and modernizing substations and transmission lines. Six new substations are currently under construction (three in the Baixada Fluminense region, two in the South Zone of the state Capital and one in Itaguaí). Another nine substations are under expansion. Light's improvement investments also included modernization of three transmission lines spanning a total distance of 21 km. These investments are in preparation for the 2014 FIFA World Cup and 2016 Olympic Games, two global sporting events that will make our service area visible to billions of spectators around the world.

Last year, unlike the not-so-distant past, the consumer market in our service area kept pace with the growth of Brazil's overall economy. The market grew approximately 4.2% compared to the previous year, with positive performance in all segments. Lower income classes saw not only an increase in buying power, but also, and for the first time in several decades, a positive and concerted effort by the government to formalize economic activity. This was the result of the government reestablishing policies to ensure harmonious social interaction and utilization of urban infrastructure.

Much of the credit is due to the State Government's success in regaining control of 'risk areas' formerly held by criminals, and reestablishing civilization, without which, fraud and electricity theft are allowed to run rampant to the detriment of power supply quality, reliability and safety. Fraud also cheats customers out of lower electricity rates, the State out of tax revenue and Light out of business revenue. But the worst consequence of these practices is waste. Those who steal electricity are generally wasteful of it.

Every year, 5 thousand GWh of electricity are illegally abstracted from power lines in our service area, enough to supply power to the entire state of Espirito Santo. Although risk areas account for only 40% of these losses, with the other 60% dissipating throughout the rest of our service area, they offer the best opportunities, in terms of cost/benefit, for collective normalization operations that both add value to the Company and contribute to the universalization of citizenship. Security is, of course, a necessity for these operations.

The successful implementation of Peacekeeping Police Units (*Unidades de Polícia Pacificadora – UPP*) has now opened a previously closed door for expansion of the legal supply market. In the wake of State pacification operations, Light has entered secured communities with the triple objective of assisting government authorities through new investments, improving power supply quality and eliminating fraud.

Investments in UPP-protected areas have also included system reconstruction (replacement of utility poles, cables and transformers, and installation of electronic meters), household installation repairs and replacement of lamps and refrigerators, all aiming to make electricity bills affordable. Seven communities were benefited in 2010, including Chapéu Mangueira, Cidade de Deus (City of God) and Cantagalo.

Light has also continued to implement advanced technology as in recent years. New electronic meters installed overhead on utility poles allow Light People to perform readings, disconnections and reconnections remotely and without risk. This solution is being implemented broadly, and not only in areas protected by Peacekeeping Police Units, but the pace of deployment has been slower than desirable because of the limited number of approved electronic meter manufacturers and their production and installation capacity constraints. Nevertheless, the effects of these technology investments can already be seen in our loss indicators, which have fallen for the third consecutive quarter.

*To improve system reliability in our service area, Light has invested considerably in building, expanding and modernizing substations and transmission lines.*

To enable electronic metering to be deployed on a larger scale, Light has channeled substantial research and development resources to developing a smart metering system acceptable by the Brazilian Institute for Metrology, Standardization and Industrial Quality (INMETRO). Six patent applications have been made at the Brazilian Industrial Property Institute (INPI) as a result, and three companies have initiated production of prototypes for testing. Technological developments in electronic metering are, however, only the tip of the iceberg. The bulk of our investment has gone to research in collaboration with Cemig toward development of smart grid technology, which, as well as providing other benefits, will allow customers to receive real-time information on electricity consumption and result in predictable changes in consumption patterns. This R&D project, budgeted at R$ 65 million, benefits from synergies with studies coordinated by the Brazilian utility sector regulator (ANEEL), the Ministry of Mines and Energy (MME) and the US Government, through the U.S. Trade and Development Agency.

Throughout 2010, Light took significant steps to improve our relationship with customers by being proactive and responding appropriately to extended outages affecting areas with high population density (such as the city center and shopping malls). In these cases, Light agents visit customers door-to-door to answer questions and receive claims for losses and damages. This has prevented customers affected by power outages from claiming damages in court.

We also created a new emergency service, called "Light Now", which allows customers to send SMS messages reporting power outages. Our Call Center was also modernized and, as a result, has exceeded ANEEL's reachability requirements. These improvements were recognized in a recent ranking prepared by the weekly news publication Exame, in which Light ranked first for customer service quality.

In generation, our hydroelectric facilities have been maintained to high availability standards and were operated at their full capacity of 855 MW throughout 2010. The expansion of our generation business gained momentum when construction work reaches full steam at the 25 MW Paracambi Hydropower Dam site, which is scheduled to begin operating by the end of 2011. Also on schedule is the Lajes Small Hydropower Project being developed within an existing structure belonging to the Lajes complex, where our largest hydropower facilities are located. Extensive environmental engineering went into designing the new penstock in such a way as to avoid deforestation. A crane was erected to handle the pipe segments and the penstock joints were designed to be welded from within to avoid contaminating the surrounding environment. The Itaocara Power Plant project has also made progress and is currently awaiting the last environmental permits required to begin construction.

Unregulated power sales increased 86% in 2010 (120 aMW of conventional power and 19 aMW of incentive-backed power) compared to 2009. As of the end of 2010, Light had 47 customers in the unregulated market, including large industrial facilities, shopping malls, hotels and businesses in general throughout Brazil, but largely clustered in São Paulo and Rio de Janeiro. Light created a local wholesale, retail and service subsidiary (LightCom) in São Paulo last year to improve our operating performance in that market. We also developed energy efficiency projects for Petrobras (new research Center), Fundação Oswaldo Cruz, Rede Globo (Projac) and other companies.

*Throughout 2010, Light took significant steps to improve our relationship with customers by being proactive and responding appropriately*

Light has actively contributed to improving the regulatory environment in the power sector. Through technically supported interaction with authorities, we successfully reversed a number of unwarranted or excessively onerous penalties in 2010. In addition, Light made substantial technical contributions to ANEEL Public Consultation No. 40, which will support the definition of a set of assumptions and criteria for the highly controversial 3rd Tariff Review Cycle. For Light, the 3rd Cycle begins in November 2013.

Our project portfolio currently includes two wind farms under environmental assessment in Ceara, Northeastern Brazil, which should be developed once their power output is sold in auctions or under contracts in the unregulated (market-regulated) environment. In addition to these projects, Light is continually alert to new opportunities for investment in hydro, wind, gas, waste and solar generation projects.

A task force was created last year to promptly respond to incidents involving technicians or the public in general. This has helped minimize the suffering of victims and improve the Company's image. But not everything was a bed of roses and, lamentably, fatal injuries did still occur. In addition to continuing personnel development, leadership development and technical training programs, in 2010 the Light Academy faced the challenge of training newly hired crews as part of the grid maintenance insourcing process. All Company managers were reevaluated on their skills and the results were input into our succession mapping program. Skills assessments were also extended for the first time to all company employees.

Our variable compensation policy again fulfilled its mission of ensuring each individual's efforts are channeled to meeting corporate goals, a practice that has been fully incorporated into all Company activities.

In our relations with investors, which at the year-end consisted of minority shareholders holding 32.85% of our shares and BNDESPar, with 15.02%, Light organized and participated in a number of conferences and road shows in Brazil and abroad. Thanks to these initiatives and, of course, our projected operating and financial results, our shares appreciated 15% in 2010, a great deal more than the 1% appreciation of the

Ibovespa index or even the 12% appreciation of the electric utilities index (IEE) last year.

Investments in generation, distribution and corporate operations were R$ 700.6 million, eclipsing our previous record. Dividends paid throughout the year were also a record in our recent history, at R$ 795 million.

In accounting, the challenge was to prepare our financial statements in accordance with International Financial Reporting Standards, applying accounting rules that are complex and often difficult to apply in Brazil and especially the Utility Sector. Under the newly adopted reporting standards, cash flow, as measured by EBITDA, was R$ 1.585 billion and Net Income was R$ 575 million. These are comfortable levels with which to honor our commitments to consumers, suppliers, creditors, governments, employees and shareholders.

Light's positive results would not have been possible without the harmonious and economically favorable environment provided by federal, state and municipal authorities, whose joint efforts have brought about significant progress in Rio de Janeiro.

Running a utility company in Brazil – where prejudice still remains against companies earning profit on the provision of public services – is no easy task. But we are confident of our success, as we have created the conditions necessary and sufficient to achieve our triple objective of: (a) providing consumers with quality services at reasonable costs; (b); generating profit for shareholders and (c) providing our employees with a wholesome environment in which to perform their duties.

Although we have surmounted the immediate obstacles, there is still much to be done, especially in terms of increasing productivity. To achieve this, we know we can count on the competence, dedication and performance of our more than 11,000 Light People (3,693 company employees and 8,010 third-party employees).

***Jerson Kelman***
*CEO*


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# About this Report

We are pleased to present our Sustainability Report for the fourth consecutive year. Prepared in accordance with Global Reporting Initiative (GRI) guidelines, this publication reports our economic, financial, social and environmental performance.

This report is for the period from January 1 to December 31, 2010 and includes consolidated information on all five Group companies: Light S.A (parent), Light SESA (distribution and supply), Light Energia (generation), Light Esco (whosale) and LightCom (whosale). The changes in Group structure with the creation of LightCom are also addressed in this publication. Light's Sustainability Report is published annually. Our last previous report, for 2009, was published in 2010. GRI 2.8, 2.9, 3.1, 3.3, 3.6 3.8 3.11

In 2009, as part of our Strategic Planning, Light pursued a comprehensive program for engagement of our strategic stakeholders (academia, class associations, customers, communities, financial community, suppliers, the press, the government, our regulator, group companies, experts, nongovernment organizations, partners and shareholders).

In total, 61 stakeholder representatives, selected by our Sustainability Working Group, discussed and identified topics they believed to be material to the Company's sustainability. As a product of the stakeholder engagement process, we developed a Materiality Matrix containing 29 material issues validated by stakeholders and Senior Management, broken down by High (7 issues), Medium (13 issues) and Low (9 issues) Materiality.

In 2010, as part of our continuing stakeholder engagement process, Light representatives, including Senior Management, met with an "Expert Panel" to discuss the issues identified as being of "High Materiality" in the previous year's Materiality Matrix. The topics discussed in the Expert Review were: Incorporating the needs of our various stakeholders into our Strategic Planning; Investment in eliminating losses; Investment in energy efficiency; Providing quality services to customers; Quality service vs payment of electricity bills; Occupational safety; and Management of service providers.

Our guest experts were Alexandre Diogo (Chairman, Brazilian Customer Relationship Institute/IBRC); André Urani (Chairman, Institute for Labor and Social Studies/IETS*);* Armando Strozenberg (Chairman, Euro RSCG Contemporânea); Cesar Vianna (Health and Safety Manager, Corporate Management Committee Foundation/FUNCOGE*);* Claudio Sales (Chairman, *Acende Brasil);* David Zylbersztajn (Chief Executive, DZ Negócios com Energia) and Paulo Ferraz (Chief Executive, Grupo Bozano).

This year's Sustainability Report presents the guidelines established by Company Management and the issues and concerns that arose during the year, supported by our stakeholders' perceptions of the sustainability challenges and opportunities facing Light and our industry, as determined through stakeholder engagement.

The combined result of these various phases and process, including the perceptions and advice of internal and external stakeholders, supported the preparation and relevance of the information in this report. GRI 3.5

A correlation of the topics discussed by the Expert Panel with the chapters of this publication is given in the GRI Summary. GRI 1.2, 4.15, 4.16, 4.17

As denoted by the "GRI-Checked" icon, this Sustainability Report has been GRI-checked as meeting the requirements for Application Level A, including the 30 indicators specific to utilities. The financial and economic disclosures in this report are based on current Brazilian Generally Accepted Accounting GRI 3.9, 3.11, 3.13

This report aims to enhance our relations with strategic stakeholders. Employees from all five Group companies were engaged in gathering and validating information during the nine-month process of preparing this report. GRI 4.14

Requests for additional information or requests for clarification on this report can be sent to the following communication channels: website: www.light.com.br; email: comunicacao@light.com.br; Address: Av. Marechal Floriano, 168 - Centro - Rio de Janeiro - RJ CEP 20080-002. GRI 3.4




# Commitments

## Commitment to sustainability is part of our management approach, our Mission and Values, and our operating ethics and accountability

To us, sustainability is more than pillar in our management model. It is a commitment to managing our business in way that ensures the economic, human and social development of our stakeholders while protecting the environment.

Light's commitment to sustainability is present across our Organization. It is documented in our Mission and Values, Governance Handbook and Code of Ethics, which govern our operating ethics and responsibility. Under our corporate policy, which is fully implemented in the Company's day-to-day activities, our processes and practices are required to be sustainable. Important statements of company policy include our Environmental Policy, Corporate Social Responsibility Policy and Staff Diversity Policy statements. GRI 4.6, 4.8

In 2007, Light created a multidiscipline Sustainability Working Group to support and direct our response to sustainable practice opportunities identified across the Company. Proposed actions are structured by the Working Group and submitted to Senior Management for approval.

Information on our economic, social and environmental performance is available on our websites and Sustainability Report, which this year has also been included in the Social and Environmental Responsibility Reports of Light SESA and Light Energia, submitted annually to the Brazilian utility sector regulator, ANEEL.

In 2010, for the fourth consecutive year, Light was named to BM&FBovespa's Sustainability Index in recognition of our sustainable performance.

### Memberships in association and relations with regulators GRI 4.13

Light is a member of several associations and forums created to strengthen partnerships for, broaden discussions on, and find joint solutions to, the sustainable development of Rio de Janeiro and Brazil. Within our industry, we are members of organizations such as the Brazilian Association of Power Distribution and Supply Companies (ABRADEE), the Brazilian Association of Electric Utilities (ABCE), the Brazilian Association of Power Conservation Companies (Abesco), the Brazilian Association of Competitive Energy Traders (AbraceEL), and The Brazilian Association of Large Power Generation Companies (Abrage).

We are also members of working groups and partners of trade associations such as the Rio de Janeiro Industry Federation (FIRJAN), the Rio de Janeiro Retail Association (ACRJ) and education and research institutions such as the Federal University of Rio de Janeiro (URFJ), the State University of Rio de Janeiro (UERJ), the Brazilian Geography and Statistics Institute (IBGE) and the Institute for Labor and Social Studies (IETS).

Our relations with, and conduct toward, regulators are based on transparency and stringent performance of our duties as a utility. In relation to the utility sector regulator, ANEEL, in addition to operating within the established regulatory framework, we follow all policy making processes, and participate in and organize studies, discussions and initiatives to strengthen the utility sector and optimize its results for Brazil and society at large.

Light is a participant in the United Nations Global Compact. Our sustainability reports are prepared in accordance with Global Reporting Initiative (GRI) guidelines. GRI 4.12




# Our Commitment to Rio de Janeiro

## Light has expanded our presence in pacified communities, drawing on lessons learned over the years and reaffirming our commitment to be a partner to government authorities and society

### Light as a Corporate Citizen: a valuable partner to peacekeeping Police Units GRI 4.15, 4.16, 4.17, EC8, S01, S05

*The well-organized and systematic pacification of communities in risk areas of the city of Rio de Janeiro, followed by the creation of Peacekeeping Police Units, has restored basic citizens' rights to thousands of community members. One of the many benefits to these communities has been the availability of safe and efficient power supply.*

*Our first initiative was in the Santa Marta favela, in 2008. There, the company worked on two fronts: improving the distribution system to provide high-quality service to customers, and initiatives to improve energy efficiency. Our initiatives included replacing refrigerators, incandescent lamps and shower heads with efficient models approved by the National Power Saving Program (PROCEL), and a permanent consumption awareness campaign, all of which have helped reduce power consumption.*

These initiatives are part of our ANEEL-regulated Energy Efficiency Program.

As well as removing illegal connections, our regular and systematic presence in these communities has established a two-way relationship where we provide access to quality utility service and community members, in turn, commit to using this service responsibly. It is a process where not only rights, but also responsibilities are restored, and relations between society and the public and private sectors have matured as a result.

*Pacified communities are also benefited by new wiring, utility poles and transformers.*

### Education to create a new culture

*Light has implemented a variety of initiatives to raise awareness of energy efficiency. We use dialogue and creativity to transmit information and help raise overall awareness. Our initiatives in a new community are preceded by meetings with community associations, mobilization events and customer registration. We then perform an assessment of local needs and develop an action plan accordingly.*

*Light has adopted a number of solutions to ensure that information gets to all community members, including those living in difficult-to-access areas. From 2009 to 2010, we distributed over 650 thousand items of educational material and used tools such as banners, posters, and speakers mounted on utility poles, motorcycles and backpacks to disseminate our messages.*

*Seminars and workshops at community associations, schools and daycare centers have also been important opportunities to transmit our message and bring the Company closer to the community. Our "Light Planet" road show is another tool we use to transmit these concepts to communities. The road show truck offers interactive activities through which visitors learn about electricity and efficient consumption. In 2010, the Light Planet road show toured 50 communities and schools and attracted more than 11 thousand visitors, who were also invited to visit other educational and interactive attractions, such as the "Model Power Saving Home" exhibit, the "Energy Path" exhibit, and the "SuperSacada" exhibit. In aggregate, more than 20 thousand visitors participated in these attractions in 2009 and 2010.*

*In 2010, Light received the ABERJE "Communication and Relations with Society" award for our communication initiatives in the Santa Marta Community*

*Community members could also ask questions, request services or file complaints at the traveling help desks visiting each of the communities benefited by our programs. Permanent customer service centers were also established in four communities: Rocinha, Miguel Couto (Nossa Senhora de Santana), Curicica (Parque Dois Irmãos) and Cidade de Deus (Mercado Popular). In Rocinha, 900 service requests were taken and 400 home visits were made every month.*

## Information and digital inclusion through CDI

In partnership with Comitê para Democratização da Informática (CDI), an NGO that develops digital inclusion programs, Light has also invested in Internet access and other digital media as sources of information on efficient use of electricity, such as the Energia Social portal (www.energiasocial.org.br). 16 thousand students in the 75 schools covered by the CDI program have received Energy Efficiency with Digital Inclusion diplomas.

*Light is also present in the Santa Marta, Chapéu Mangueira, Babilônia, Cidade de Deus, Jardim Batan, Ladeira dos Tabajaras, Morro dos Cabritos, Casa Branca - Borel, Pavão-Pavãozinho, Cantagalo and Morro da Previdência communities. Now that Rio police have regained control of Vila Cruzeiro and Complexo do Alemão, following a successful raid in November 2010, we will expand our presence in these regions using the lessons learned over the years and reaffirming our commitment to be a partner to government authorities and society.*

*Since inception, our initiatives in pacified communities have delivered positive results for both community members and the Company. In Santa Marta, for example, after two years of activity the number of registered customers increased from 80 to 1600; losses decreased from 90% to 2.7%; and default decreased from 70% to 2%. In Chapéu Mangueira, default rates fell to 2% from 74%; the number of registered customers increased from 408 to 550; and losses decreased from 56% to 4%.*

## Energy Efficiency Program (PEE) GRIEU23, EN6

Initiatives to ensure the efficient use of distributed electricity are part of our Energy Efficiency Program. Launched in 1999, the program has developed 151 projects that include revamps of lighting, air-conditioning and cooling systems in public facilities such as gymnasiums and hospitals. The program also includes initiatives to replace refrigerators and incandescent light bulbs with efficient models, and consumption awareness campaigns.

In 2010, Light invested approximately R$ 63.5 million in 30 Energy Efficiency Program (PEE) projects. Half of this investment (R$ 38.1 million) has gone to projects in low-income communities, in accordance with the requirements established by ANEEL. Ten projects, amounting to R$ 23.5 million, were completed during the year. These projects have generated annual power savings of 21 GWh.

In addition to meeting the minimum Energy Efficiency Program investment target of 0.5% of net operating revenue and maintaining a cumulative Energy Efficiency Account balance of less than the amount of charges paid during the past two years, Light has also succeeded in meeting the targets established in the Investment Plan submitted to ANEEL in 2008, with a total investment of 98 million.

*Under Act 9991/2000, the Brazilian utility sector regulator, ANEEL, requires that power distribution and supply companies invest at least 0.5% of their net operating revenue in energy efficiency programs*

The 'Efficient Community Program' created in 2002 is designed to channel our investments to projects in impoverished communities, mostly involving educational initiatives and replacement of home appliances. Through Efficient Community VI, in the 6th Cycle of the Program, Light conducted 22 community events, 124 thousand home visits, 313 seminars or workshops and 10 events at public schools. We also held 2.072 traveling help desk sessions and provided support at three permanent customer service centers (Cidade de Deus, Nova Iguaçu and Curicica), as well as at the Energy Efficiency Reference Center in Rocinha.

These initiatives also gave us the opportunity to offer jobs to youth from the communities, who were trained as agents to visit households and provide advice on saving electricity and changing consumption habits. 393 workers were hired for phase IV of the Program, 35% of them from the communities themselves.

### Efficient solutions

Also through the Energy Efficiency Program, Light has developed improvements at public facilities and other public interest locations. A highlight this year was the R$ 10 million Energy Efficiency Agreement made in May with Fundação Oswaldo Cruz (Fiocruz), a health research institution, under which Light will modernize the lighting systems of 22 buildings in the Manguinhos complex over a period of two years.

The agreement is part of an ongoing modernization process and a byproduct of the commercial contract signed in 2008 between Fiocruz and Light Esco, our service subsidiary. The first contract served as a basis for determining initiatives that could be implemented through the Energy Efficiency Program for the benefit of the community.

Initiatives within the Program will include replacing approximately 13.8 thousand lighting devices with a more efficient system using T5 lamps, reflectors and dimmable ballasts for outdoor areas; automating five central chilled water plants, replacing and modernizing two central chilled water plants; and replacing 253 window units.

Another project, for the municipal government of Volta Redonda, will invest R$ 262 thousand in modernizing the lighting system of the São João Gymnasium. After replacing light fixtures with energy-efficient models and installing a daylight harvesting and diffusion system, the facility will save 241.98 MWh per year, or R$ 58 thousand on its electricity bill. Light developed a hybrid lighting system combining high efficiency light fixtures with a natural sunlight harvesting system. Designed to harvest sunlight efficiently through rooftop lens domes with UV filters, the system uses the world's only 99.7% reflective aluminum tubes to channel pure daylight as far as 15 meters with no loss of efficiency. GRI EC8EC8, EN6EN6

## Efficiency means better living quality

Our expertise in developing efficient and innovative energy solutions proved to be a valuable asset in a project developed for CEDAE's Guandu Water Treatment Plant, the largest in the world. Producing 43 thousand liters of treated water per second, or 112 billion liters per month, the Guandu Plant required a solution for its filter backwash system that would enable the plant to increase the amount of treated water available to the population.

To compensate for water losses caused by leakage, CEDAE had built a pipeline to divert 1,400 liters of water from a treated water storage tank 110 meters above to the filter backwash system. As a result, the 2.2 MW of power required to pump the treated water up to the storage tank, and the treated water itself, went to waste.

By replacing valves and motor-pump sets, the project solved the leakage problem without interrupting water supply to Rio de Janeiro and the Baixada Fluminense region. This will generate electricity savings of 18.4 million KWh per year, enough to supply residential power to a city with a population of 32 thousand people.

CEDAE now has the option to either supply an additional 3.7 billion liters of water per year to more than 200 thousand families or save R$ 3.4 million per year in energy costs. GRI EN6EN6

## Partnership with government for the common good

Since 2004, when we created the Community Service Department, we have broadened our understanding of the needs of our communities and developed effective solutions to provide them with high-quality power supply. In 2006, we released our Policy on Service to Communities. Four years later, in 2010, we created a Community Relations Department and developed a global strategy for collaboration with government authorities in planning, providing and monitoring services to the community.

We believe citizens' rights can be assured only through the united efforts of the private sector, electric utilities and government authorities. A case in point was the occupation of Vila Cruzeiro and Complexo do Alemão in November 2010. Light crews were posted on standby during the operation and, as soon as the area was secured, they entered to repair the damages caused by the confrontation and reestablish power supply.

Energy efficiency initiatives within the Efficient Community Program GRI EC8EC8

| Initiatives | 2008 | 2009 | 2010 |
|---|---|---|---|
| Customers visited in education campaigns | 46.729 | 20.354 | 29.646 |
| Communities serviced | 57 | 43 | 160 |
| Energy efficiency events | 63 | 40 | 834 |
| Donated efficient refrigerators | - | 3.539 | 22451 |
| Donated florescent lamps | 123.000 | 30.451 | 403.109 |
| Workers hired from communities | 46 | 50 | 82 |
| Donated service entrances | 13.000 | 14.338 | 18.731 |
| Rebuilt electrical installations | 1.308 | 1.340 | 3.178 |

Our partnership with the municipal government of Rio de Janeiro resulted in the creation of a new park in the district of Madureira last year. Covering an area of 2.77 square-kilometers, the park will benefit the districts of Rocha Miranda, Turiaçu, Bento Ribeiro and Osvaldo Cruz with facilities for recreation, sports and cultural activities. Light donated the property to the Municipal Government and the idea came from the realization that compacting the transmission towers in the area would create space for a park to be built in much the same fashion as the Aterro do Flamengo Park.

## Quilombo Project: from the past to the future

Light drew on prior experience in low-income communities as inspiration for the Quilombo Project, an adaptation the Efficient Community Project to maroon communities (quilombolas).

In an unprecedented initiative, Light conducted a survey to identify officially recognized maroon settlements throughout our service area. Three inland communities were identified: Alto da Serra do Mar, in Rio Claro; São José da Serra, in Valença; and Santana, in the municipality of Quatis.

Maroon communities, or *quilombolas* as they are called in Brazil, are communities formed of fourth- and fifth-generation descendants of fugitive slaves. They are generally poor and lack infrastructure, such as good-quality and safe power supply. In many aspects, they retain the same living standards they endured one or two centuries ago.

This is the same principle that underpinned another project developed in collaboration with the State Government of Rio de Janeiro: Cidade da Polícia. Light donated a property adjoining the Jacarezinho favela for construction of a complex of 14 specialized police offices.

Light has also initiated a R$ 6.5 million project for the Municipal Transportation Department of Rio de Janeiro, in which 12.4 thousand traffic lights will be upgraded with efficient LED technology. Scheduled to be completed within 2011, the project will reduce power consumption by 90% and maintenance costs by R$ 1 million per year.

A Light também deu início a um projeto com a Secretaria Municipal de Transporte do Rio de Janeiro para a modernização de mais de 12,4 mil semáforos da cidade, que entre outras melhorias terão suas lâmpadas substituídas por outras mais eficientes, com tecnologia LED, representando investimentos de R$ 6,5 milhões. Os trabalhos devem estar concluídos no final de 2011 e reduzirão em mais de 90%% o consumo de energia elétrica desses aparelhos, além de gerar economia aos cofres municipais de mais de R$ 1 milhão ao ano em serviços de manutenção. GRI EC8

## Light Institute

Instituto Light para o Desenvolvimento Urbano e Social (Light Institute) fosters the social, economic and cultural development of Rio de Janeiro.

An important milestone in 2010 was the completion of the São João Marcos Archeological and Environmental Park and its associated environmental project. The Museum of Electricity also saw important progress in 2010, with the completion of first-phase investments and conclusion of agreements with the State Departments of Education and Culture of Rio de Janeiro.

## Mission:

To help improve economic and social conditions in our service area through programs that link social responsibility to the Company's geographical domain and functional interest, supporting public welfare and the Company's long-term profitability.

The Museum of Electricity, located at Company headquarters in the center of Rio de Janeiro, is part of the Light Culture Center and is designed to provide information on the sustainable use of electricity to primary and secondary education students, especially from public schools. The project is funded by ANEEL's Energy Efficiency Program. Light completed the first stage of construction in 2010 and the Museum should be open to visitors in the second half of 2011. An outdoor "Energy Park" has also been built with recreational and educational equipment where students learn the basics of science. Our goal is to receive 80 thousand students per year.

Another important project funded by the Energy Efficiency Program is "Light at School", which teaches primary and secondary education students about the sustainable use of electricity and its everyday applications. In 2010, the project trained 70 teachers from 51 state schools in the Center, South, North and West Zones of Rio de Janeiro. This three-year project is expected to benefit 74 thousand students from 450 public schools.

At the São João Marcos Archaeological and Environmental Park, in Rio Claro, Light Institute has completed the archaeological work and initiated an educational program with local coordinators, teachers and students. Covering an area of 930 thousand m², the park has been created to preserve the historical and cultural heritage of the Paraíba Fluminense Valley region. Visitors learn more about the history of the city and the region's archeology and original landscape. The park is scheduled to open officially, complete with infrastructure and tour programs, in early 2011. GRI EC8

São João Marcos was not a random choice of location. Founded in the 18th century, it was once among the most important cities in the Paraíba Fluminense Valley, a region once wealthy from coffee trade in the 19th century. The city boasted rich architecture and was the first to be given Natural Historical Heritage status, in 1939.

As the coffee business began to decline, the region too became decadent. To accommodate an expansion of the Lajes Creek Reservoir, in the 1940s, the city lost its national heritage status and its residents were relocated. Now in operation, the Archeological and Environmental Park, the first Urban Archeology Site in Brazil, is giving back to society a part of its past.

These are some of the programs developed by Light Institute to help provide education on responsible consumption and awareness of issues such as electricity theft, default and vandalism. Learn more about these and other programs on Light Institute's webpage at www.light.com.br

## Books to learn about and appreciate Rio de Janeiro

Another initiative combining education, culture and citizenship is Light Institute's Publication Program. The goal is to revive the history of Rio de Janeiro through newly published books or republished classics set in the city of Rio de Janeiro.

The following works were published in 2010:

- Father to Son: Portuguese Immigrants in Rio de Janeiro;
- Jews in Rio de Janeiro - A Plural Identity
- Arabs and their descendants in Rio de Janeiro
- The Charming Soul of the Streets
- Memoires of a Militia Sergeant


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# The Energy Market in 2010

## Energy to support Brazil's growth

According to Empresa de Pesquisa Energética (EPE), electricity consumption in Brazil increased 7.8% to 419,016 GWh in 2010, or an average of 34,918 MWh per month. This was the product of a number of factors, including the 7.5% growth of Brazil's GDP.

Industry was one of the economic sectors that grew most. According to the Brazilian Industry Confederation (CNI), industrial activity increased 10.5% compared to the 7.4% slowdown in 2009. The recovery in industrial activity from the global economic crisis caused power consumption to increase 10.6% to 183,743 GWh.

The commercial segment grew 5.9% to 69,086 GWh over the year, while the residential segment grew 6.3% to 107,160 GWh.

The booming labor market, with an unemployment rate of 6.7%, the lowest since the new Monthly Employment Survey series was created by the Brazilian Institute of Geography and Statistics (IBGE) in 2002, also affected the demand for electricity. Other important factors were greater access to credit, which increased consumer spending, especially on home appliances, and the high temperatures in early 2010.

Developments in the Southeast Region, in which our service area is located, were particularly significant within Brazil's overall economy. Substantial infrastructure investments ahead of major sporting events (2014 FIFA World Cup and 2016 Olympic Games), and the development of the oil, steelmaking and logistics industries, have expanded the labor market and created new growth and consumption centers.

Economic indicators for 2010 show strong economic activity in the State of Rio de Janeiro. According to IBGE, growth in manufacturing was 8.4%, the highest since 2002. Retail also experienced record growth in 2010, at 10.4%. The year also saw strong labor market performance. The 5.6% unemployment rate in the State of Rio de Janeiro was the lowest in IBGE's historical series, initiated in 2002. According to the General Employment Register (Caged) of the Ministry of Labor and Employment (MTE), approximately 192 thousand new jobs were created in 2010, more than the 55 thousand created in 2009 and 155 thousand in 2008.

## Generation Capacity

As of year-end 2010, Brazil had 2,336 hydroelectric, small hydropower (SHP), fossil fuel, wind and nuclear power plants. According to Brazil's electricity regulator, ANEEL, installed generation capacity was 112,398.49 MW, up 5.7% from 2009. Over the past 10 years, Brazil's generating capacity has grown 50.1%.

O Brasil encerrou 2010 com 2.336 usinas hidrelétricas, termelétricas, eólicas, nucleares, pequenas centrais hidrelétricas (PCHs) e centrais geradoras hidrelétricas. A capacidade instalada de geração de energia, segundo a ANEEL, chegou a 112.398,49 MW, uma alta de 5,7% em relação a 2009. Em 10 anos, o acréscimo na capacidade de geração do País subiu 50,1%.

### Brazil's energy mix

| | |
|---|---|
| Hydroelectric | 68,53% |
| Fossil fuel | 25,65% |
| Small Hydropower | 3,05% |
| Nuclear | 1,79% |
| Wind power | 0,82% |
| Very Small Hydro | 0,17% |

## Regulatory Environment

Our proactive approach has enabled us to anticipate and participate in discussions on regulatory issues and the development of Brazil's power sector with our regulator, ANEEL, and other industry players.

## Discussing the way forward

*2010 was marked by important discussions and decisions in the power sector. A significant development in distribution and supply was ANEEL Public Consultation 040/2010 on the methods and metrics for the 3rd Cycle of Periodic Tariff Reviews, which will take place throughout 2011-2014 (November 2013 for Light). Light actively participated in these discussions and our contributions focused on the observance of current legislation, adherence to the current price-cap system, technical excellence and the reasonability of expected results.*

### Periodic Tariff Review

assesses the economic/financial equilibrium of a power distribution and supply franchise after a pre-defined period (in Light's case every 5 years)

*Changes relating to customer service, the neutrality of "Part A" revenue and changes in Social Tariff criteria were other important regulatory issues discussed in 2010. Light took a participative and proactive approach to these and other issues raised by ANEEL and identified opportunities for improvement in the relevant processes and decisions. To develop effective and transparent solutions, Light discussed each issue internally, consulted with industry specialists and sought advice from universities to support the relevant policies.*

### Neutrality of "Part A" revenue

Discussion on the "Neutrality of Part A Revenue" mobilized the utility sector in 2010. During the second half of 2007, while conducting a tariff study, ANEEL found that certain items of "Part A" revenue were possibly not neutral with respect to market changes. This was because the tariff adjustment calculation established in Franchise Agreements failed to take market changes into account.

ANEEL proposed an amendment to the Franchise Agreements that changed the adjustment calculation method to ensure neutrality in relation to the effects of market changes on industry charges. Light participated in the discussions, which were mediated by the Brazilian Association of Power Distribution and Supply Companies (ABRADEE), and signed the amendment February 26, 2010.

### The benefits and challenge of the social tariff

In July, ANEEL published new regulations on Act 12212/2010, establishing new criteria for eligibility to the Social Tariff, an electricity rate discount for low-income customers. Under the new rules, only families with a per-person income not exceeding half the minimum salary are eligible. Under the old rules, any customer consuming less than 80 kWh per month was eligible.

To be eligible to the discount, consumers must have a Social Registration Number (Número de Inscrição Social - NIS) issued by the Ministry of Social Development and Elimination of Hunger. Act 12212 also benefits families with monthly income not exceeding three times the minimum salary, provided they are listed on the Unified Social Program Register (CadÚnico). These families have at least one member with a disease or pathology whose treatment requires the continuing use of electric equipment.

The new criteria also include families receiving Continued Benefits (Benefício de Prestação Continuada - BPC), indigenous families and maroon descendants listed on the Unified Social Program Register, the latter having a discount of 100% on the first 50 kWh consumed per month.

New Social Tariff Table

| Consumption/month | Discount |
|---|---|
| Not exceeding 30 kWh | 65% |
| 31 kWh to 100 kWh | 40% |
| 101 kWh to 220 kWh | 10% |
| Exceeding 200 kWh | Não há |

Light has provided customers with information on the new rules and how to ensure eligibility through various communication channels, such as electricity bills and community agents. Our customer support staff have also received specific training on how to advise customers on the Social Tariff. In addition, Light has assisted the municipal government of Rio de Janeiro and other cities in our service area in expediting Social Registration Number applications, which are made to the Federal Government, but processed by municipal governments.

### New customer services rules

In September 2010, ANEEL published Resolution 414, establishing new rules on power supply services and the relationship between utilities and their customers. Under the new Resolution, which superseded Resolution 456/2000, utilities are required to connect new Group B customers (residential and small business) within two business days rather than three. For Group A customers (large businesses), the connection period was reduced from ten to seven days. The reconnection period for all urban customers changed to 24 hours.

In addition, utilities are now required to provide in-person customer service in any service area municipality with 2 thousand or more customers, and customers with bills more than 90 days overdue cannot be disconnected if their subsequent bills have been paid.

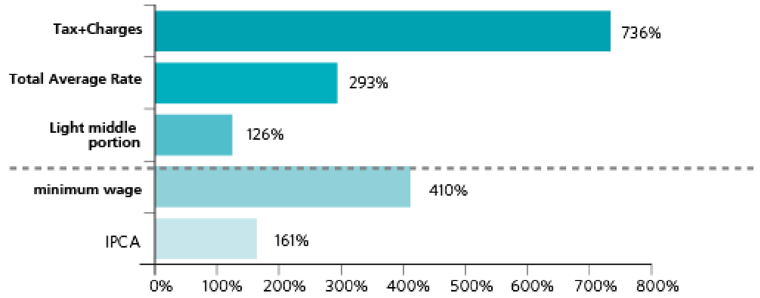
These are some of the new rules on the rights and duties of each party (customer and utility). Light followed and participated in these discussions and is prepared to fully comply with the new regulations.

### Rate adjustment

In November 2010, ANEEL granted Light an average rate adjustment of 6.99% for the 12-month period beginning November 7, 2010.

The rate adjustment has two components: a structural component (in our case 8.31%), which is permanently incorporated into the new rate, and a financial component (-1.33%), which applies only to the succeeding 12 months. The annual rate adjustment passes non-manageable franchise costs (electricity purchased for supply, sector charges and transmission charges), which are presented in detail further below, through to customers. It also adjusts manageable costs by the IGPM index minus a Factor X, which passes the utility's estimated efficiency gains through to customers. Manageable utility costs are calculated in detail in rate review years only.

Variação dos Principais Componentes da Tarifa Light (1995–2010)




The 8.34% increase in non-manageable (Part A) costs was primarily due to an increase in Sector Charges deriving from Act 12111, which increased Fuel Consumption Account and Research & Development (R&D) account costs, and an increase in System Service Charges. Part B (manageable) costs increased 7.95%, owing primarily to the 8.81% IGPM rate for the period.

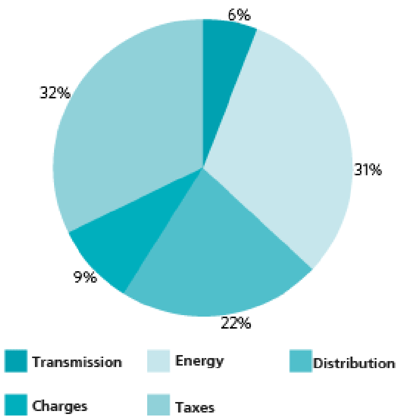
Light SESA customers saw an increase of 2.20% in their electricity rates, with a negative financial adjustment of 1.33% superseding the 4.77% positive adjustment of the previous year.

## Power Sector Taxes and Charges

All power industry segments (generation, transmission, distribution/supply and wholesale) are heavily taxed, both because their product (electricity) is essential and because they are easy to tax and audit.

As if the weight of the tax burden were not enough, it is further exacerbated by a variety of sector charges and cross-subsidies. Our rates are currently subject to a total of nine sector charges, ranging from the Fuel Consumption Account charge (a charge created in the 1970s and amended by Act 12111/2009, which is currently used to reimburse part of the total generation cost to supply power to Islanded Systems) to the Alternative Source Incentive Program (PROINFA) charge (created to increase the proportion of wind power, small hydropower and biomass power produced by Independent Producers).

Tarifa Total da Light (anexo I)




Cross-subsidies include: rural customers, public services (water, sanitation and electrically powered transportation); public lighting and alternative sources (small hydropower dams, wind farms, biomass power plants, qualifying cogeneration, solar farms, and urban solid waste power plants).

The graph compares the growth of primary components of our electricity tariff over the past five years (1995-2010). Note that our portion of the tariff increased substantially less than the inflation index (IPCA) and the minimum salary, while sector charges and taxes increased six times more.

The above demonstrates that the components primarily accountable for our tariff increases are charges and taxes, which now represent 40% of our tariff, with distribution costs and investments representing only 22%, as shown in the graph.




# Corporate Governance

## Based on nine principles, our governance policy is documented in our Governance Handbook and disseminated across the organization.

Light is committed to using best practices in our relations with stakeholders, including shareholders and investors. Based on this objective, our corporate governance is characterized by transparency, efficiency, respect for shareholders' rights, accountability and ample disclosure.

As a company listed on BM&FBovespa's Novo Mercado since 2005 and named to the Sustainability Index for four consecutive years, we have a formally documented Corporate Governance policy that guides or decisions. Organized into a Governance Handbook that is distributed to all employees, our policy is underpinned by nine principles and establishes the standards of conduct expected of all employees and ways to avoid and solve conflicts of interest. GRI 4.6

Light has a Code of Ethics that is disseminated, revised and monitored by our Ethics Committee. It is disseminated through a number of channels,Company websites and intranet, the Governance Handbook and contracts with suppliers. The Ethics Committee is also responsible for investigating irregularities and providing solutions. Concerns may also be reported in confidentiality through the Light Ombudsman and other communication channels for customers and suppliers.

### Our nine principles of Corporate Governance are: GRI

- Ethics
- Equity – fair and equal treatment of minority groups and other stakeholders
- Stability – assurance that governance processes will continue
- Alignment – management focus on maximizing value for shareholders as a whole
- Promptness in making and implementing decisions
- Information transparency
- Clear roles for all managing bodies and departments
- Meritocracy – valuing capabilities, commitment, approaches and actions that add value to the Company
- Accountability

## Ownership structure

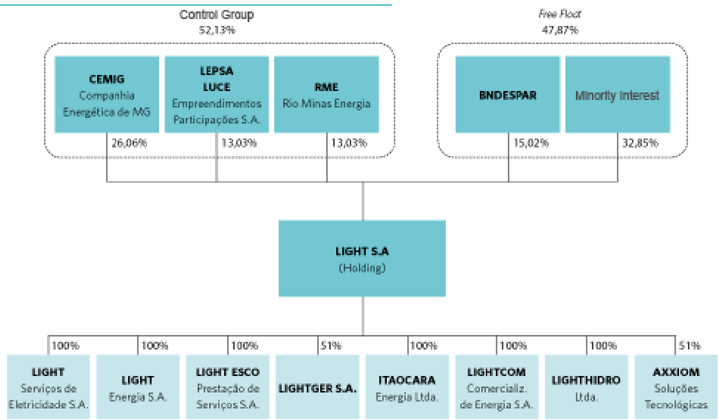
Light's ownership structure as of December 31, 2010 is as follows: 52.13% of our shares are held by our Controlling Shareholders and 47.87% are free float, of which 15.02% are held by BNDESPar and 32.85% by minority shareholders. Our Controlling Shareholders are Companhia Energética de Minas Gerais (Cemig – 26.06%), Luce Empreendimentos e Participações S.A (LEPSA – 13.03%) and Rio Minas Energia S.A (RME – 13.03%).

### Share Capital Structure in 2010

As of December 31, 2010, our share capital consisted of 203,934,060 no-par value common shares, a controlling interest in which is held by Andrade Gutierrez Concessões S.A. (AGC), Companhia Energética de Minas Gerais (Cemig), Luce Empreendimentos e Participações S.A. (LEPSA) and RME – Rio Minas Energia Participações S.A. (RME), each with a 13.03% direct interest in our share capital.

An important change in ownership occurred when on December 30, 2009 AGC and Cemig entered into a Share Purchase Agreement under which AGC transferred its shares to Cemig in two phases, in March and September 2010. Cemig's ownership accordingly increased to 26.06%.

### Ownership structure as of December 31, 2010

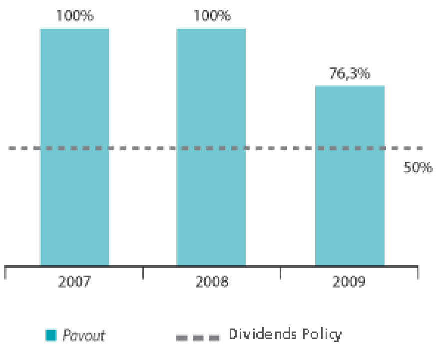



In addition to the reorganization of our controlling equity, in 2010 minority shareholder BNDES Participações S.A. (BNDESPAR) sold common shares in Light S.A. on the São Paulo Stock Exchange (BM&FBOVESPA), so that its interest of 24.41% in 2009 was reduced to 15.02%. As a result, the stake held by minority shareholders in general rose from 23.46% to 32.85%.GRI 2.9

## Dividends

Light's dividend distribution policy establishes a minimum amount of dividends equivalent to 50% of adjusted net income, calculated in accordance with article 189 of the of the Brazilian Corporation Act, Brazilian Generally Accepted Accounting Principles  and the rules of the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários* - CVM). In 2010, Light paid dividends of R$ 795.3 million, which corresponds to R$ 3.90 per share or a dividend yield of 16.2% per year.

### Dividends paid, dividend yield and payout



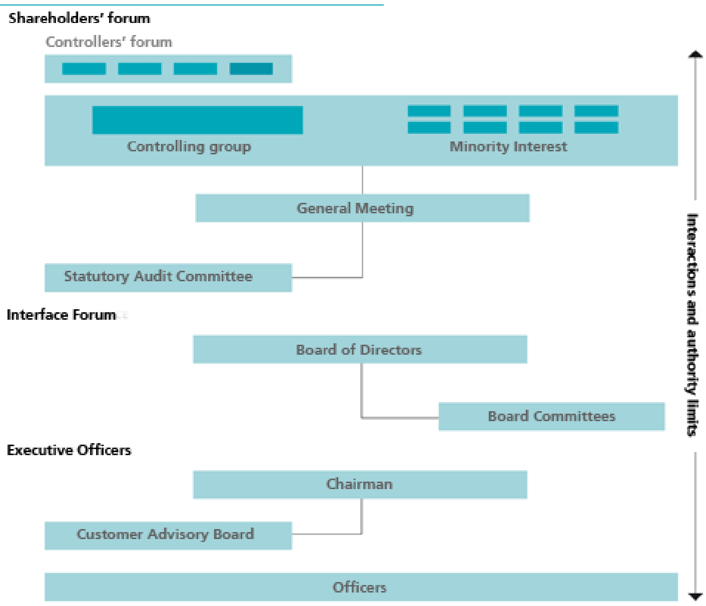

## Governance Structure GRI 4.1

Light has a governance structure that ensures decisions are supported by a solid growth strategy and guided by our long-term vision.

Our Shareholders' Forum is the body responsible for consolidating and aligning decisions within the controlling shareholder group and is formed by the General Meeting members, the Audit Committee and the Controlling Shareholders' Forum. Our structure further includes Interface Forums, consisting of the Board of Directors and the Accounts, Finance, Human Resources, Management, Corporate Governance and Sustainability Committees GRI 4.4, 4.9

### Board of Directors

Our Board of Directors comprises 11 members, 3 of them independent. They are appointed by the General Meeting for a term of one year, and are eligible for reappointment. The Board is responsible for setting general business policy and guidelines, including our long-term strategy, appointing Executive Officers and supervising their performance, and performing other duties required by law and our Bylaws. GRI 4.1




To be eligible for appointment to the Board, prospective directors must, *inter alia*, be deeply knowledgeable of Light and its business and provide relevant input on opportunities and risks arising in our business and service area. They must also put Light's interests above shareholders' or directors' interests and act proactively and collaboratively. GRI 4.7

The Board of Directors and Executive Officers are assessed in terms of the performance and operation of the Board of Directors and interaction between directors, the general secretary, the Committees and the chief executive. This assessment includes topics such as the flow of information between Executive Officers and the Board, the format and focus of meetings, the level of responsibility and the promptness and quality of decisions. The assessment does not specifically include environmental and social topics. GRI 4.9

The relationship between the performance of, and the variable compensation received by, Executive Officers is determined by contracts and management commitments that are in line with our strategic objectives. Performance is measured through indicators and targets. Three dimensions determine an Executive Officer's variable compensation: Financial Results, Department Performance (such as loss, outage duration and outage frequency rates) and achievement of specific goals for the period (such as loss reduction and distribution system improvement). GRI 4.5

Specifically with respect to the remuneration received by the Chief Executive, the aspects taken into consideration include vision, strategic planning, leadership, company results, relations with stakeholders and the Board of Directors, development of key executives, and creation of opportunities for Light. GRI 4.10

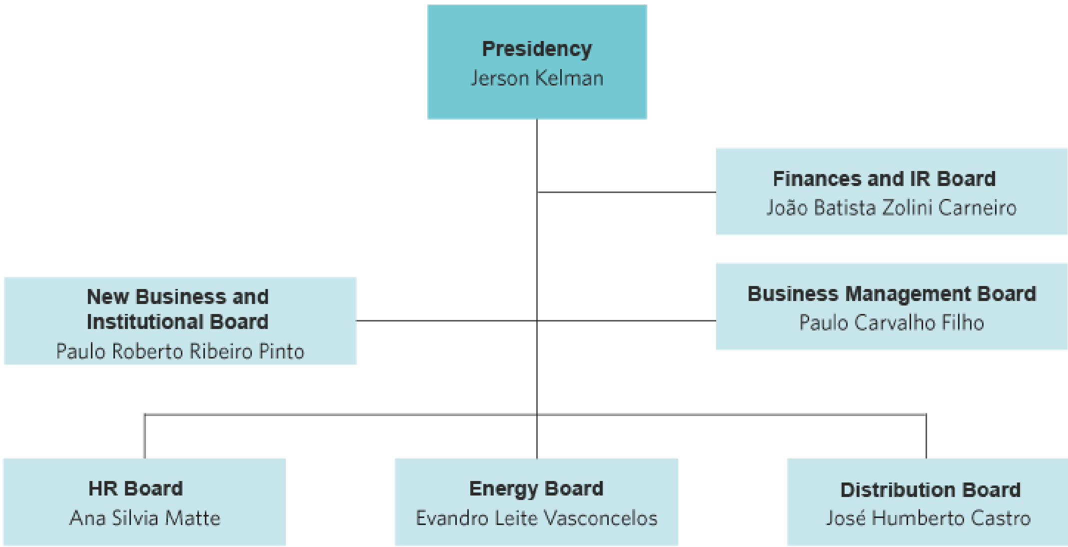
Three Extraordinary General Meetings were held in 2010. The overall remuneration received by Directors is approved by resolution of the General Meeting, separately from the proposed remuneration of Executive Officers.

Suggestions or recommendations from shareholders or other stakeholders can be emailed to ri@light.com.br. Minority shareholders can also send their recommendations directly by letter to the CFO and Investor Relations Officer. GRI 4.4

Board of Directors GRI 4.3

| Members of the Board of Directors | Position | Date appointed | End of term |
|---|---|---|---|
| Aldo Floris | Vice-Chairman of the Board | | |
| Ana Marta Horta Veloso | Director | | |
| Djalma Bastos de Morais | Director | | |
| João Márcio Lignani Siqueira | Director | | |
| Firmino Ferreira Sampaio Neto | Director | | |
| Luiz Carlos Costeira | Director | 22 March 2010 | August 2012 |
| Carlos Roberto T. Junger | Director | | |
| Sérgio Alair Barroso | Chairman of the Board | | |
| Maria Silvia Bastos Marques | Independent Member | | |
| Carlos Alberto da Cruz | Independent Member (Employee Representative) | | |
| Elvio Lima Gaspar | Independent Member | | |

*Director résumés are available on the Corporate Governance page of our Investor Relations website (www.light.com.br/ri).*




## Executive Officers

In March 2010, the Board of Directors appointed the following as Statutory Officers:

Jerson Kelman, Chief Executive Officer;
João Batista Zolini Carneiro, Officer, Planning, Financial and Investor Relations
Paulo Carvalho Filho, Officer, Corporate Management;
Evandro Leite Vasconcelos, Officer, Generation;
José Humberto Castro, Officer, Distribution.

Our People Officer, Ana Sílvia Corso Matte, and New Business and Institutional Officer, Paulo Roberto Leite, retained their positions.

### Executive Officers

| Officers | Position | Date appointed | End of term |
|---|---|---|---|
| Jerson Kelman | Chief Executive | | |
| João Batista Zolini Carneiro | CFO and Investor Relations | | |
| Paulo Carvalho Filho | Corporate Management | | |
| Ana Silvia Corso Matte | People | 02 March 2010 | 2012 |
| Evandro Leite Vasconcelos | Generation | | |
| Paulo Roberto Ribeiro Pinto | New Business and Institutional | | |
| José Humberto Castro | Distribution | | |

## Statutory Audit Committee

Pursuant to the Brazilian Corporations Act, our Audit Committee is independent of our Management and independent auditors. Its chief responsibilities consist of auditing management activities, reviewing the company's financial statements and reporting its conclusions to our shareholders. Pursuant to the Brazilian Corporations Act, the remuneration received by Audit Committee members is at least 10% of the average amount paid annually to executive officers.

The Audit Committee is permanent and reports directly to the General Meeting. Committee meetings are convened annually at the request of shareholders.

## Committees

The Board of Directors is advised by the Accounts, Finance, Human Resources, Management, Corporate Governance and Sustainability Committees. These are advisory committees with neither executive nor deliberative functions. They convene to address those matters as set forth in the Governance Handbook or topics that are specifically indicated by the Board of Directors. GRI 4.1

### Accounts Committee

The Accounts Committee is responsible for monitoring and assessing the activities of our independent and internal auditors, accounting practices and the transparency of disclosures. It is permanent and convenes at least every three months, or at any time at the request of the Board of Directors or of Committee members.

### Finance Committee

This permanent committee is tasked with monitoring the Company's financial flows, and assessing and ensuring current and future investment and cash requirements are met. Convened regularly on a quarterly basis, meetings may also be convened at any time at the request of the Board of Directors or of the Committee's own members.

### Human Resources Committee

This committee advises the Board of Directors on issues related to our compensation policy and management development and succession plans, ensuring our human resources structure is agile and efficient. Meetings are convened at least once a month, or at any time at the request of the Board of Directors or of the Committee's own members.

### Governance and Sustainability Committee

This Committee was created in 2007 to ensure our business continuity, based on a long-term vision for sustainability, by proposing and evaluating corporate governance practices and rules and incorporating social and environmental considerations in our business and operations. Its responsibilities include proposing methods of evaluating the Board of Directors and its members, reviewing and monitoring related party transactions, and convening meetings, defining their agendas and managing the flow of information to shareholders. It meets at least every three months, or at any time at the request of the Board of Directors or of Committee members.

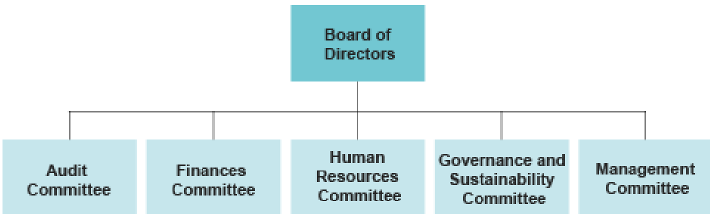
| Audit Committee Members | Position | Date appointed | End of term |
|---|---|---|---|
| Eduardo Grande Bittencourt | Member | | |
| Ari Barcelos da Silva | Member | | |
| Maurício Wanderley Estanislau da Costa | Member | 22 March 2010 | August 2012 |
| Isabel da Silva Ramos Kemmelmeier | Member | | |
| Aristóteles Luiz Drummond | Member | | |

*Officer's résumés are available on the Corporate Governance page of our Investor Relations website (www.light.com.br/ri).*

### Committees and members

| Accounts Committee | Financial Committee | Management Committee | Governance and Sustainability Committee | Human Resources Committee |
|---|---|---|---|---|
| Paulo Guedes | Paulo Guedes | Paulo Guedes | Djalma Morais | Paulo Guedes |
| João Procópio Vale | João Procópio Vale | Fernando Schuffner | Sérgio Barroso | João Procópio Vale |
| Ana Marta Veloso | Ana Marta Veloso | Ana Marta Veloso | Firmino Sampaio Neto | Ana Marta Veloso |
| Carlos Junger | Lauro De Luca | Carlos Junger | Ricardo Simonsen | Lauro De Luca |

*Committee member résumés are available on the Corporate Governance page of our Investor Relations website (www.light.com.br/ri).*




### Management Committee

The Board of Directors is advised by the Accounts, Finance, Human Resources, Management, Corporate Governance and Sustainability Committees. These are advisory committees with neither executive nor deliberative functions. They convene to address those matters as set forth in the Governance Handbook or topics that are specifically indicated by the Board of Directors.

Light currently financial risk management in place and plans to implement operations risk management in 2011. GRI 4.11

## Customer Advisory Board

Created as a legal requirement, the Customer Advisory Board is a forum for discussing, analyzing and expediting solutions for issues related to power supply. It has 16 members representing the tariff classes we service in the residential, industrial, commercial and public service segments, as well as consumer defense and academia/research organizations.

The Customer Advisory Board meets with Light's CEO and other officers at least seven times a year and has a direct line of communication with our Ombudsman's Office.

## Audits

Light adopted International Financial Reporting Standards (IFRS) in 2008, though they only became mandatory in 2010. Our financial statements are audited by independent auditors KPMG Auditores Independentes.

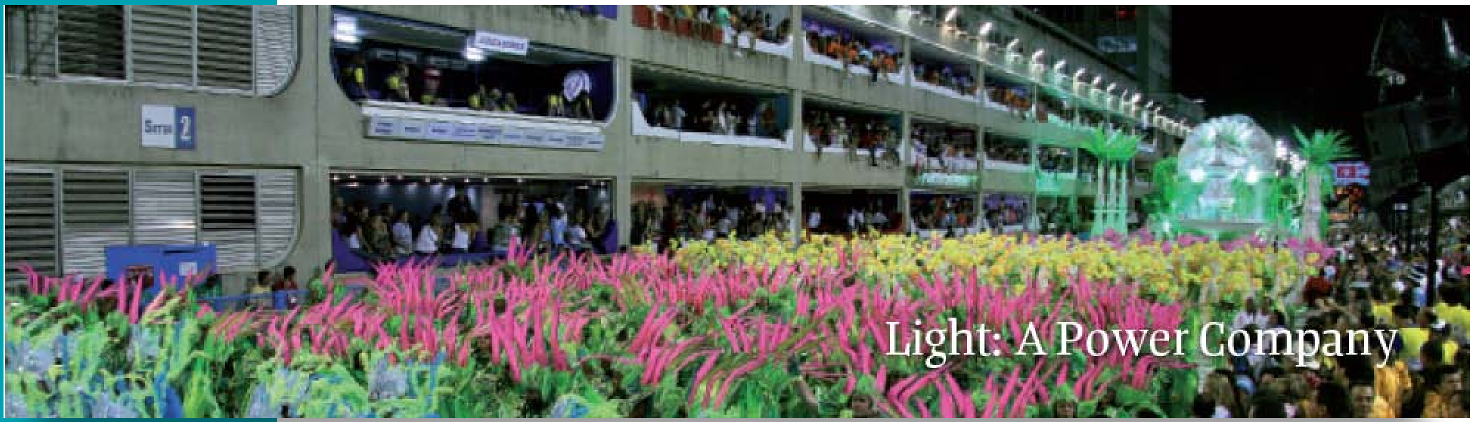
## Anti-corruption GRI SO2

Working against corruption is part of our everyday activities. Our Code of Ethics establishes standards on dealings between parties in Company business. All newly hired employees sign an agreement under which they undertake that they are familiar with and agree to follow the Code. Through our Ethical Culture Reinforcement Program, employees also receive information and guidance on how to raise concerns. Reports can be transmitted to the Ethics Committee, Ombusman's Office  Report Hotline. In 2010, 20 employees participated in the Program. GRI SO3

Suppliers are subject to our Code of Ethics and Supplier Management Policy, which establishes social requirements and requires that they fully comply with all applicable labor and environmental laws and regulations. If suspicions are raised, the Supplier Management department is responsible for investigating the reported incident of nonconformity. If confirmed, the relevant individual is warned or terminated. GRI SO4

### Corruption reports in 2010

| PROCESSES | NUMBER OF INCIDENTS INVESTIGATED IN 2010 | CONTRACTORS | Light |
|---|---|---|---|
| OMBUDSMAN'S OFFICE | 33 | 33 | 0 |
| ANEEL OMBUDSMAN'S OFFICE | 2 | 2 | 0 |
| NOTE AX | 186 | 182 | 4 |
| MISCELANEOUS CASES | 8 | 8 | 0 |
| Total | 229 | 225 | 4 |






*To us, being an electric utility requires a commitment to offering our best qualities as an organization in generating and supplying high-quality electricity to the State of Rio de Janeiro.*

*The dynamics of our business require trained, specialist teams, state-of-the-art technology, continuing investments in infrastructure, efficient and safe processes, and extensive partnership and dialogue.*

*We seek to generate benefits for all strategic stakeholders in every detail. As a non-state-owned company, we manage our business so that it is both profitable and a source of economic and social benefits for our stakeholders, while never neglecting the environment.*

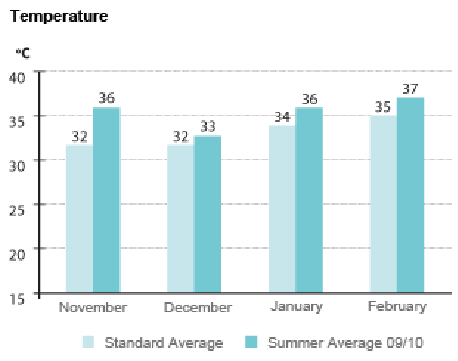
# Distribuition

## Grid modernization and investments in personnel, training and new equipment were the core activities of a series of initiatives in 2010

### Bringing electricity to you

*The path electricity travels from generation to your home or company is highly complex. Power distribution is affected not only by manageable technical aspects and the efficiency of the utility company and national grid, but also by non-manageable aspects, such as the weather, which has a determining effect on how much electricity is produced and consumed.*

*The weather was very intense in 2010, especially in Rio de Janeiro, where temperatures reached a record high in the beginning of the year. An unusually high power demand for air conditioning, coupled with frequent incidents of cable and equipment theft, resulted in a system overload and a series of power outages.*




*The disruptions caused by these events, which affected our underground system, generated customer dissatisfaction and concerns, and mobilized the entire Company to develop emergency, medium and long-term solutions to each aspect of the problem. Our first response was to provide support to customers, answer their questions, elicit suggestions and advise them on how to claim damages. Our technical crews, meanwhile, worked in alternating shifts to reestablish power supply.*

*In the second half of 2010, we implemented a Summer Action Plan to prevent power outages and other incidents as a result of the expected increase in demand during the summer of 2010/2011. Light developed a comprehensive plan covering infrastructure improvements, employee training and customer support and communication tools.*

*To reduce incident rates and outages in the summer of 2011, Light developed additional initiatives that will require time and resources, and will only be fully completed over the next two or three years. In addition to immediate service improvements, these investments will provide a* *platform capable of accommodating Rio de Janeiro's future growth and the major sporting events to take place in 2014 (World Cup) and 2016 (Olympic Games).*

## Underground chambers

*Light has the largest underground distribution system in Latin America. One of our greatest challenges last year was to develop an automation program for this system that would not require major infrastructure works or cause power outages in the process.*

*One of our first initiatives was to increases the number of employees trained on underground systems. Light developed a plan that included hiring employees directly and reducing the number of third-party workers involved in underground system work. The next step was to train them on technical procedures, Light standards and quality.*

*For six months, candidates were trained and worked under trial contracts. After this period, successful candidates were certified by the Light Academy. The number of Light employees engaged in underground work rose from 23 to 140 in 2010, a 500% increase. Learn more about this process in "Light: Diverse Company"*

*We also completed a pilot project comprising 50 underground chambers and have signed contracts for another thousand chambers, to be completed in 2011. These improvements will allow us to monitor aspects such as intrusions, temperature, ventilation, electrical protection and flooding in real time. In addition to real-time information, maintenance crews are also directly benefitted by automation systems that reduce the need for their physical presence in underground chambers.*

*Described in numbers, 14 thousand inspections were conducted on 4 thousand transformer chambers and 12 thousand inspection chambers in 2010, 100% more than in 2009. 1,594 fiber glass floats were also installed to prevent the chambers from flooding, twice as many as in the previous year. 2,703 network protectors were serviced, double the number in 2009.*

## System improviments GRI EU6

*Grid modernization and investments in personnel, training and new equipment were the core activities of a series of preventive initiatives in 2010.*

*A primary focus was the selection, training and hiring of personnel for various system operations, to ensure the efficiency and quality of our maintenance and expansion work. In addition to technical and operational skills, newly hired workers received extensive training on the way we operate and our standards of conduct and quality.*

### Structural Works in Copacabana and Leblon

Structural works were conducted at the substations in Copacabana and Leblon in the second half of 2010 to improve power supply reliability. During the entire process, consumers were kept informed of the work underway and its progress. Learn more about these communication and customer relations initiatives in "*Communication and Transparency*",

#### Copacabana Projects in numbers

- expansion of the Posto Seis II medium-voltage mesh system
- 1 new feeder circuit
- 2 km of medium-voltage cables installed
- 900 meters of conduit
- R$ 600 thousand in investments
- 9,963 customer units benefitted

#### Leblon Projects in numbers

- new medium-voltage mesh system (Leblon I) created by splitting the existing system
- 8 feeder circuits built for the new mesh network
- 7 km of medium-voltage cables installed
- 1 km of conduit
- 8 fault indicators
- 20 switches
- 8 transformers replaced
- R$ 3.4 million in investments
- 12,470 customer units benefitted.

*Our System Automation Program and System Planning were important components of their operational and technical training. The Automation Program, which should be completed by the end of 2011 and fully operational by 2013, will enable system-wide, real-time, remote control and data transmission. This will improve our services by allowing our crews to respond promptly to outages and reduce distribution frequency drops.*

O Planejamento do sistema elétrico estabeleceu frentes de atuação no sistema de alta tensão, na rede de distribuição e nas R$ 123,6 milhões, o maior já realizado na história da Light neste segmento. Entre os destaques está a construção de duas novas subestações: Copacabana (120MVA) e Marapicu (60MVA), o início da construção de mais quatro subestações e a ampliação e melhoramento em outras nove. GRI EU6

*Construction work was also initiated on four new 138 kV transmission lines measuring a total length of 18.4 kilometers. We replaced 98.5km of high-voltage cables and 5,959 transmission line insulators, and pruned 6,017 trees. Light also initiated reconstruction of the Jacarepaguá-Cosmos and Jacarepaguá-Ary Franco 138kV transmission lines belonging to Eletrobras-Furnas.*

*The distribution system was furnished with 48 new 13.8kV distribution circuits and 161 km of low-voltage lines were replaced with multiplex cable. 368 km of distribution lines were replaced with spacer cables (which are compact and protected, minimizing the need for tree pruning).*

*Development of a georeferenced low-voltage system survey was initiated in 2010 and should be completed by the end of 2011. All our power system assets will now be mapped with their geographical coordinates. 69 thousand transformers, 730 utility poles and 29 thousand underground structures are being mapped.*

*Light also dedicated special attention to providing clarification to society at large and implementing an ample communication campaign providing information on incidents and the corrective action taken. Learn more in "Communication and Transparency"*

# Distribution - Light SESA

The 31 municipalities in our service area have a total population of 11 million people, or 2/3 of the 16 million people living in the State of Rio de Janeiro.

Light SESA's ample transmission and distribution system provides efficient and safe power supply to about 4 million customers. Our distribution grid comprises overhead systems for regions with low and medium load concentrations and underground systems for regions with high load concentrations.

## Electricity market

Total power consumption in Light SESA's service area (captive customers + transmission to unregulated customers) during the year was 22,384 GWh , a 4.2% increase in relation to 2009, largely driven by the positive performance of the competitive (unregulated) market and growth in residential consumption.

Including the consumption of non-captive customers CSN, Valesul and CSA, total consumption in 2010 was 24,588 GWh.

### Transmission and distribution infrastructure GRI EU4

Distribution lines ( km)

| Year | Overhead System | | Underground System | |
|---|---|---|---|---|
| | MV* | LV** | MV | LV |
| 2010 | 19,304 | 31,693 | 3,270 | 2,449 |
| 2009 | 18,987 | 31,579 | 3,259 | 1,440 |
| 2008 | 18,987 | 31,579 | 3,259 | 1,440 |

Transmission lines (km)

| Year | Overhead System | Underground System |
|---|---|---|
| 2010 | 1,880,0 | 165,0 |
| 2009 | 1,871,84 | 163,04 |
| 2008 | 1,871,84 | 163,04 |

** MT– média-tensão ** BT– baixa-tensão*

### Number of residential, industrial, institutional and commercial consumer units GRI EU3

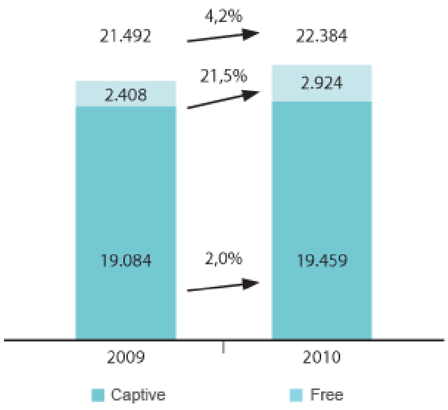
| Consumer profile | 2008 | 2009 | 2010 |
|---|---|---|---|
| Number of bills issued captive consumers | 3,928,689 | 3,995,916 | 4,070,591 |
| Residential | 3,624,425 | 3,688,998 | 3,759,911 |
| Industrial | 12,164 | 11,749 | 11,403 |
| Commercial | 269,088 | 271,768 | 275,268 |
| Other | 23,012 | 23,401 | 24,009 |
| Number of bills issued free consumers | 32 | 32 | 47 |
| Industrial | 19 | 18 | 24 |
| Commercial | 12 | 13 | 22 |
| Other | 1 | 1 | 1 |

### Consumption (in GWh) by class

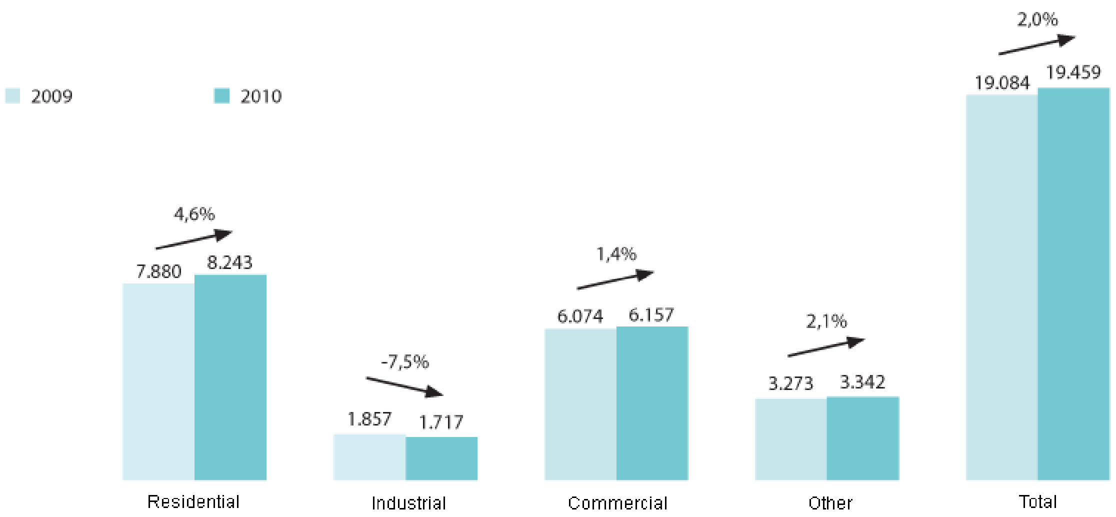
| Consumer types | 2008 | 2009 | 2010 |
|---|---|---|---|
| Total energy sold | 20,928 | 21,492 | 22,384 |

| | | | |
|---|---|---|---|
| Residential | 7,388 | 7,880 | 8,243 |
| Industrial | 4,069 | 3,757 | 3,945 |
| Commercial | 6,129 | 6,413 | 6,680 |
| Other | 3,342 | 3,442 | 3,516 |
| Captive energy sold | 18,292 | 19,084 | 19,459 |
| Residential | 7,388 | 7,880 | 8,243 |
| Industrial | 1,875 | 1,857 | 1,717 |
| Commercial | 5,852 | 6,074 | 6,157 |
| Other | 3,177 | 3,273 | 3,342 |
| Free energy sold (*) | 2,636 | 2,408 | 2,924 |
| Industrial | 2,194 | 1,900 | 2,228 |
| Commercial | 277 | 339 | 523 |
| Other | 165 | 169 | 174 |

Electricity Consumption (GWh)
Total Sales (Captive + Free)




Electricity Consumption (GWh) Year




To maintain comparability with the ANEEL-regulated market in the rate review, electricity supplied to non-captive customers Valesul, CSN and CSA has been discounted, as they were planning on transferring to the Basic System. The total consumption of these customers was 2,204 GWh in 2010 and 1,678 GWh in 2009.

## Captive Customers

In 2010, total captive (regulated) customer consumption was 19,459 GWh, a 2.0% increase over the previous year largely resulting from growth in residential and commercial consumption, underpinned by improving economic conditions in our service area.

Residential consumption accounted for 42.4% of captive market consumption during the year. Our residential customer count increased 1.9% to 3.76 million paying customers as of December 2010, with monthly consumption averaging 184.4 kWh per month in 2010, compared to 179.5 kWh per month in 2009.

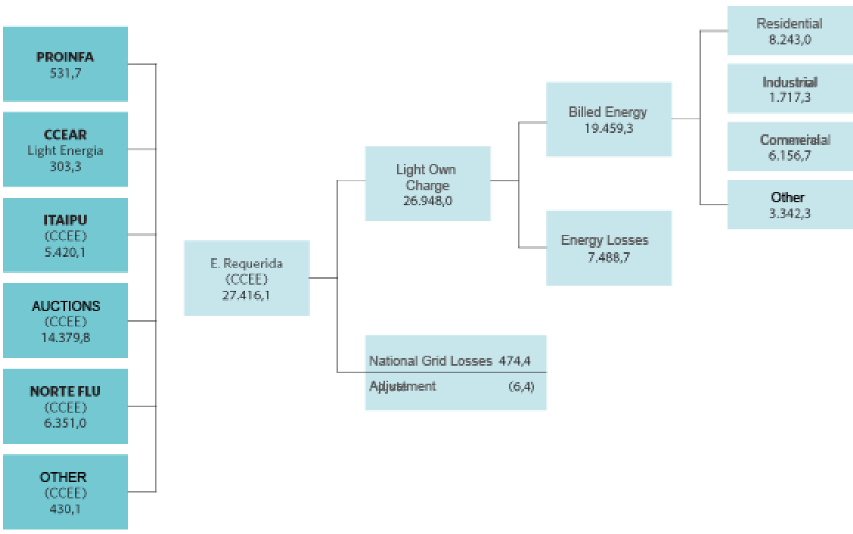
The commercial segment accounted for 31.6% of captive market consumption at 6,157 GWh, up 1.4% over 2009. Nine commercial customers, with an average consumption of 16.5 GWh, migrated to the competitive (unregulated) market during the year.

Industrial customers, accounting for 8.8% of the captive market, consumed 1,717 GWh in 2010, 7.5% less than in the previous year, largely as a result of the migration of five large customers and their 175 GWh of consumption to the competitive (unregulated) market.

Disregarding these migrations, year-over-year growth is 2.9%. Especially strong performance was seen in the metals (30%), beverages (22.8%), and rubber and plastics (2.8%) industries, which accounted for 22.4% of the industrial segment.

Other classes, accounting for 17.2% of the captive market, grew 2.1% in relation to 2009. The rural, government and sanitation classes, respectively accounting for 0.3%, 7.4% and 5.6% of the captive market, also showed positive performance.

Energy Distribution Balance Sheet - GWh
Position: January to December 2010




Electricity
GRI EU10

| Electricity source % | 2008 | 2009 | 2010 |
|---|---|---|---|
| Hydroelectric | 72.4 | 71.8 | 66.1 |
| Fossil fuels | 26.2 | 26.4 | 31.9 |
| Proinfa (Small Hydropower) | 0.5 | 0.9 | 0.9 |
| Proinfa (Wind) | 0.4 | 0.4 | 0.4 |
| Proinfa (Biomass) | 0.5 | 0.5 | 0.7 |
| TotaL | 100 | 100 | 100 |

In 2010, 26,948 GWh of electricity were supplied to meet our demand, not including Basic Grid losses. Power is purchased to meet our projected demand through auctions without the option to choose the source of electricity. Power cannot be traded directly between Light Group generation and distribution/supply subsidiaries. Pursuant to applicable regulations, our power purchase contracts are planned to meet 100% to 103% of our electricity demand. Adjustment mechanisms are available that enable power supply and demand to be balanced by purchasing additional electricity or returning contracts.

# Multiple loss prevention fronts

Preventing losses is one of our biggest challenges. As of year-end 2010, losses in our service area amounted to 21.29% of distributed Power, or 7,493 GWh. Of these losses, 6.3% were technical losses and 14.99%, or 5,278 GWh, were commercial losses. Our performance improved 53 percentage points in relation to 2009's 21.82%.

Losses GRI EU12

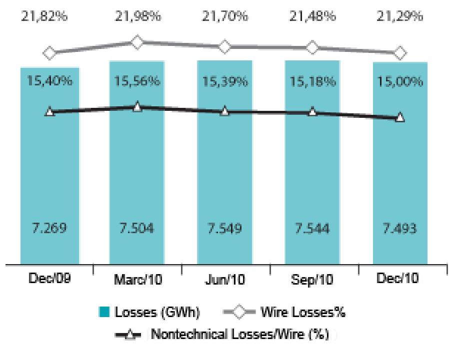
| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Electrical losses – total (% of load) | 20.2 | 21.82 | 21.29 |

| | | | |
|---|---|---|---|
| Technical losses – (% of load) | 6 | 6.3 | 6.3 |
| Non-technical losses – (% of load) | 14.2 | 15.5 | 14.99 |

## Recovery

To reduce losses, Light has invested continually in improving system infrastructure to increase distribution efficiency and safety, and in establishing new methods of interacting with communities and the government.

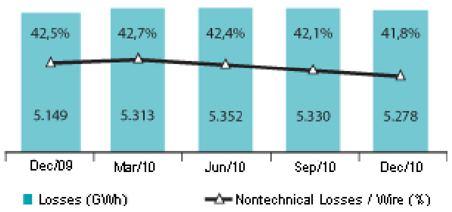
Performance of Total Losses
12 months




Key investments during the year included initiatives in pacified communities, which have yielded important results in terms of including new customers and reducing electricity theft. Power theft overloads and degrades our power systems, resulting in damages, serious health hazards for community members and ultimately in increased electricity costs for paying customers. In 2010, we continued our efforts on the three major fronts of the previous year: field inspection, tamper proofing (shielding) and research and development.

On the field inspection front, a key improvement was the introduction of paperless inspection technology, with the use of handheld devices in replacement of paper inspection forms. Handheld devices enable real-time monitoring of field teams, which improves data reliability and the efficiency of disconnection and reconnection operations. 182,017 inspections were performed in 2010, a decrease from the 198,108 inspections in 2009. Significantly, however, corrections of illegal/defaulting connections increased from 74,721 in 2009 to 86,764 in 2010, demonstrating the improving efficiency of our loss recovery efforts.

On the tamper proofing (system shielding) front, approximately 110 thousand newly installed digital meters enabled us to quickly and reliably identify theft and fraud, monitor the consumption of each customer and perform disconnections remotely. Lifting low-voltage cables out of reach and installing digital meters overhead on utility poles have also improved our antitheft strategy.



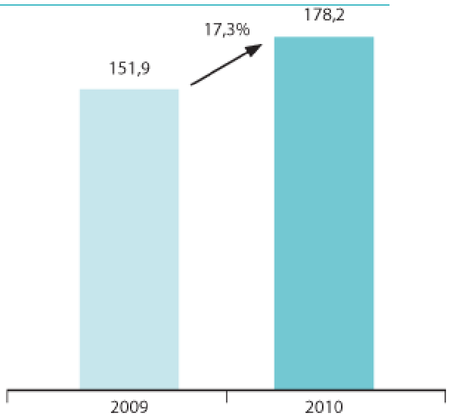

Our research and development front has also played a key role. One of the many projects developed during the year was Disbloq (Voltage Coil Tamper Alarm and Trip Device), which detects meter tampering and automatically disconnects the suspect customer pending arrival of a Light technician to inspect and reconnect the unit. GRI EU8

Another project under development is Optimus, a software system for comparing and cross referencing data collected from substations, feeders and transformers with distribution system, fraud history and consumption data. It maps our previous and current power recovery efforts and identifies where the highest loss concentrations are and the findings of inspections.

Additional initiatives to improve energy efficiency and foster income generation, enterprise and education – which are also part of our efforts to reduce commercial losses by fostering the development of our surrounding communities – are described throughout this report.

As the combined result of these initiatives, Light recovered 178.2 GWh of electricity in 2010, 17.3% more than in 2009.

Electricity Recovery GWh




## ADA Reduction Program

In the last quarter of 2010, Light implemented a special ADA (Allowance for Doubtful Accounts) Reduction Program consisting of segment-specific collection approaches that offer defaulting customers greater flexibility in paying their overdue bills. The program aims to reduce our Allowance for Doubtful Accounts and improve the flow of paid bills, and should extend into the first half of 2011.

Since implementation, in December, the ADA Reduction Program has engaged 3,161 customers, generated R$ 1.81 million in billing, and reduced our Allowance for Doubtful Accounts by R$ 3.88 million. The initiative was also a success with large private clients. A total of R$ 21.3 million was renegotiated, generating R$ 1.5 million in collection and reversing R$ 4.1 million to cash.

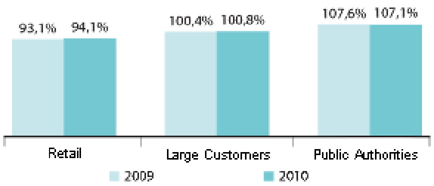
## Collection

Our collection rate for the year was 97.9%, a 0.6 p.p. increase over 2009. The collection rate in the retail segment was 94.1% in 2010 (93.1% in 2009), while collection rates in the large customer and government segments exceeded 100%, with Light collecting current and past payables.

| Collection rate (in R$ million) | 2009 | 2010 |
|---|---|---|
| Billing | 8,071 | 8,541 |
| Collection | 7,857 | 8,359 |
| Collection rate | 97,3% | 97,9% |

Our allowance for doubtful accounts in 2010 represented 3.2% of gross billing revenue, at R$ 254.8 million, against R$ 246.0 million in 2009.

Segment collection rate (Year)




# *Smart Grids* the way of the future

GRI EU8

Smart Grid technology will significantly improve the quality and efficiency of the power sector. In addition to enhancing transmission and distribution system efficiency and reducing faults and outages, it will offer greater interaction to consumers.

In 2010, Light and Cemig established a partnership for research and implementation of smart grid solutions enabling remote maintenance and service, as well as new services. With investments of R$ 35 million from Light and R$ 30 million from Cemig, the initiative is part of the scope of a joint ANEEL-regulated research and development program.

In addition to enabling customers to monitor power quality, smart grid technology will increase the number of communication channels available to them. User-friendly interfaces with graphs and consumption estimates in Reais will be provided on TVs, mobile phones, Web applications and advanced displays.

### Enhanced operating efficiency with *Smart Grid* technology

- Smart metering
- Loss reduction
- Real-time fault detection/correction
- Automatic grid reconfiguration
- Load shedding
- Automatic peak demand management
- Power quality monitoring
- Distributed power generation and storage

Demand-side management
Real-time grid asset management and supervision
Broadened customer relationship channels and more information on services provided

Light's Smart Grid program is divided into five sub-programs:

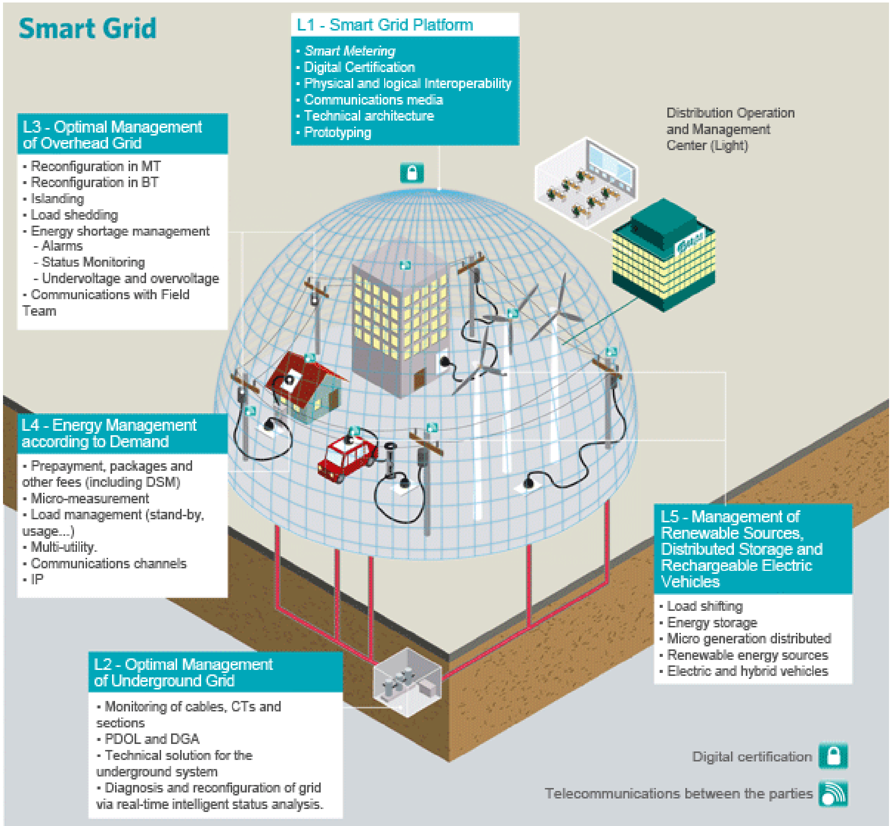
1. Smart grid platform: Development of new meters and IT infrastructure
2. Optimized underground distribution system management: Development of a system for real-time management of underground distribution systems, including monitoring, diagnostics and reconfiguration
3. Optimized overhead distribution system management: Developed jointly with project 2, this project entails the development of automation solutions for overhead systems
4. Demand-side power management: Development of a demand-side management system using interactive, multimedia channels
5. Renewable sources management, distributed storage and electric vehicles: Development of recharge stations for electric and hybrid vehicles, including automobiles and watercraft. This project will also include distributed power generation and storage.

## What are *Smart Grids*?

Smart Grid technology involves replacing analog meters with digital meters connected to the transmission grid and internet for data transmission.

A key benefit this technology provides to both customers and utilities is the ability to accurately control consumption. It also reduces electricity theft by preventing illegal grid connections.

As well, it enhances consumption management capabilities by allowing customers to program appliances such as washing machines and air conditioners not to operate during peak periods.




## Research & Development GRI EU8

Light SESA's Strategic R&D Plan for 2009-2013 includes eight research programs for Light Energia and 18 for Light SESA. 87 projects were developed in 2010, an investment of some R$ 24 million, of which R$ 22.6 million went to 76 projects for Light SESA and R$ 1.4 million went to 11 projects for Light Energia.

The primary fields of research were methods of power management and generation in low-income communities, approaches to power supply for electric vehicles, sustainable solutions and solid waste management.

R&D projects developed by Light SESA and Light Energia are subject to prior evaluation by ANEEL's "Cost reasonability" criteria, which compare project costs to market costs and measure economical feasibility based on expected results. Other evaluation criteria include Originality, Applicability and Relevance.

Some of our R&D projects in 2010

| Project | Cost |
|---|---|
| Pricing for low-income consumers - Indicators and case studies | R$ 269,780,56 |
| Methodology for planning and assessing the deployment of electric vehicles | R$ 387,385,32 |

| | |
|---|---|
| Development of a power management and generation model for low-income communities | R$ 194,032,00 |
| Sustainable solutions and solid waste management practices | R$ 334,419,17 |
| Sustainability Strategy Assessment and Planning Tool (FAPES) | R$ 154,498,81 |
| Telecommunications devices for the deaf (TDD) | R$ 979,771,56 |
| Research on biodegradable oil for use in underground transmission OF cables and a biodegradability additive for existing DDB oil | R$ 143,509,09 |

| Research & Development | Light SESA | | Light Energia | |
|---|---|---|---|---|
| Project classification by research stage | No. of projects | Investment in 2010 (R$) | No. of projects | Investment in 2010 (R$) |
| Basic research | 2 | 894,396.45 | 0 | – |
| Applied research | 35 | 9,522,248.48 | 3 | 373,357.38 |
| Experimental development | 33 | 10,271,157.19 | 8 | 1,075,146.24 |
| Prototyping | 5 | 1,809,277.94 | 0 | – |
| Pilot run | 0 | – | 0 | – |
| Market placement | 1 | 131,386.65 | 0 | – |
| Total | 76 | 22,628,466.71 | 11 | 1,448,503.62 |
| Project classification by type of deliverable | Nº de projetos | Investimentos em 2010 (R$) | Nº de projetos | Investimentos em 2010 (R$) |
| Concept or Method | 22 | 4.870.501,73 | 2 | 231.922,38 |
| Software | 22 | 6.440.020,09 | 4 | 598.886,66 |
| System or Process | 14 | 7.507.368,26 | 4 | 549.003,00 |
| Material or Substance | 3 | 357.845,74 | 0 | – |
| Component or Device | 7 | 1.230.502,86 | 1 | 68.691,58 |
| Machinery or Equipment | 8 | 2.222.228,03 | 0 | – |
| Total | 76 | 22.628.466,71 | 11 | 1.448.503,62 |




# Generation

## Three new hydroelectric dams scheduled to be commissioned over the next few years will increase our generation capacity by 230 MW

### More power for Brazil

*More than 230 MW of clean energy will be generated by three new hydroelectric plants – PCH Paracambi, PCH Lajes and UHE Itaocara – scheduled be commissioned over the coming years. Light Energia has a 51% stake in these projects and is entitled to an equivalent share (177.8 MW) of their power output. GRI EN18*

*The Paracambi Small Hydropower Dam, on the Ribeirão das Lajes River (RJ), is scheduled to be commissioned towards the end of 2011. The Itaocara Hydroelectric Dam is pending environmental licenses. Construction is expected to begin in 2011 and operation in 2013. It will harness the hydroelectric potential of the Paraiba do Sul and service eight municipalities: Aperibé, Carmo, Cantagalo, Itaocara and Santo Antônio de Pádua, in the State of Rio de Janeiro; and Estrela Dalva, Pirapetinga and Volta Grande, in Minas Gerais. The Lajes Small Hydropower project, in Piraí (RJ), has been submitted to ANEEL for approval and is expected to commence operation in 2012.*

*In 2010, Light rebuilt Penstock 1 of the Lajes Complex, which had been decommissioned in 2004. Combining creativity and innovation, the project was developed in an environmentally friendly manner, without disturbing the surrounding vegetation. Learn more about this initiative and its results under Environmental Commitment.*

#### The Lajes Complex - Rio's water gateway

96% of the water supplied to Rio de Janeiro and the Baixada Fluminense region flows through the turbines of the Lajes Complex. 11% of this water, or 5.5 m³/s, is 'special class' water from the Lajes Reservoir and requires only chlorination for consumption.

Light also continued to provide assistance to the communities affected by the Paracambi Small Hydropower Project. Following a social and environmental impact assessment, 250 affected individuals were provided with assistance and advice. In 2009, the first year of the displacement process, Light provided comprehensive information about the project to the community. Following payment of compensation, 74 out of a total of 103 properties were vacated. One property owner's process was completed in 2010, and the remaining processes should be completed in 2011. GRI EU22{end-link Number of people physically or economically displaced and compensation, broken down by type of project, EU20

| Projects | Installed capacity (MW) | Scheduled startup | Franchise period |
|---|---|---|---|
| Paracambi SHP | 25 | 2012 | up to 2031 |
| Lajes SHP | 17 | 2012 | up to 2026 |
| Itaocara HEP | 195 | 2013 | up to 2036 |
| Total | 237 MW | | |

#### Renewable energy

Light is investing in other renewable energy sources in addition to hydropower. Wind farms and energy research & development are among the projects we are currently developing.

Two wind power projects with a combined capacity of 30 MW are currently being developed in Ceara. Light also participated in two auctions in 2010 and, though unsuccessful, our bids were another step in maturing our initiatives to seize the opportunities presented by renewables.

## Generation – Light Energia

With generation assets comprising five hydroelectric dams producing 855 MW and two pumped storage plants, Light Energia also operates kV115 kilometers of 230kV transmission lines connecting the Nilo Peçanha hydropower station to the Santa Cabeça substation in Aparecida do Norte, São Paulo State. Our generation complex also includes two regulating reservoirs and six small reservoirs.

All power stations, substations and other associated facilities are operated and maintained under an Integrated Management System certified to ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Occupational Health and Safety). GRI EN26

In Addition to Light Energia, Light Group has two other generation subsidiaries: Itaocara Energia Ltda, which holds a concession for construction of the Itaoacara Hydroelectric Power Station, and LightGer Ltda, which holds a concession to build and operate the Pacarambi Small Hydropower Dam.

## Infrastructure

### Lajes Complex:

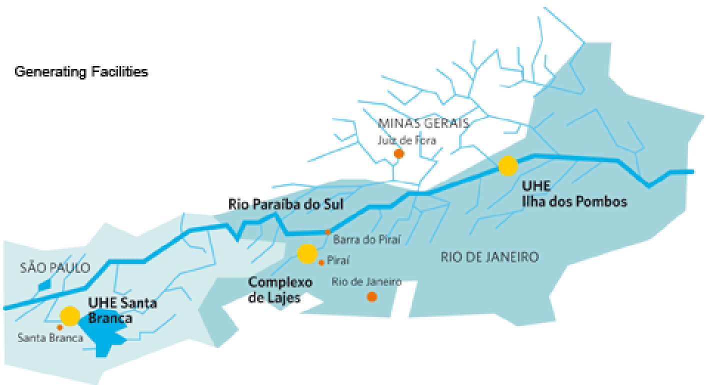
- Fontes Nova Hydroelectric Dam (Lajes Susbsystem): 132 MW
- Nilo Peçanha Hydroelectric Dam (Paraiba - Piraí Susbsystem): 380 MW
- Pereira Passos Hydroelectric Dam (Pereira Passos Susbsystem): 100 MW

### Ilha dos Pombos Hydroelectric Dam: 187 MW

### Santa Branca Hydroelectric Dam: 56 MW

### Regulating Reservoirs and their usable volumes:

- Santa Branca: 308 million cubic meters
- Lajes: 445 million cubic meters




### Installed capacity, by primary energy source GRI EU1

| Asset | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Fontes Nova HP | MW | 132 | 132 | 132 |
| Nilo Peçanha HP | MW | 380 | 380 | 380 |
| Pereira Passos HP | MW | 100 | 100 | 100 |
| Ilha dos Pombos HP | MW | 187 | 187 | 187 |
| Santa Branca HP | MW | 56 | 56 | 56 |
| Santa Branca Reservoir | $hm^3$ | 308 | 308 | 308 |
| Lajes Reservoir | $hm^3$ | 445 | 445 | 445 |

### Average plant availability factor GRI EU30

| Plant availability | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Fontes Nova | % | 97.5 | 98.4 | 87.7 |
| Nilo Peçanha | % | 92.1 | 95.5 | 86.0 |
| Pereira Passos | % | 97.7 | 98.4 | 99.0 |
| Ilha dos Pombos | % | 93.1 | 96.9 | 95.7 |
| Santa Branca | % | 95.3 | 97.2 | 98.1 |

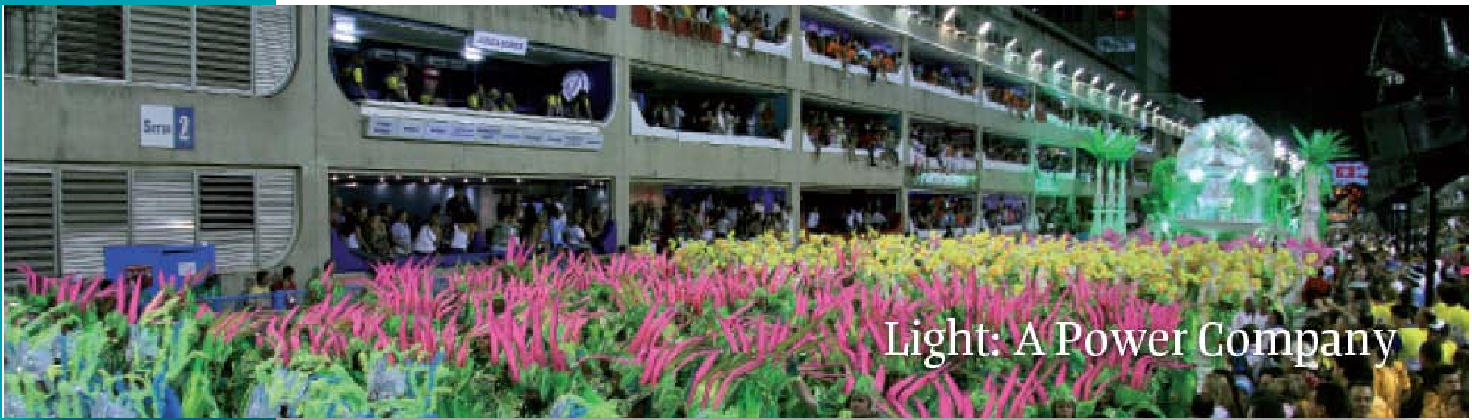
## Power wholesale

Light Energia's total power sales in 2010 were 5,652 GWh, up 11% from 2009. 4,189.7 GWh were sold in the regulated contracting environment (Ambiente de Contratação Regulada - ACR) and 529.5 GWh were sold in the unregulated contracting environment (Ambiente de Contratação Livre - ACL). Power sales in the spot market exceeded the previous year's by 134%.

| Electricity sales (GWh) | 2009 | 2010 | % |
|---|---|---|---|
| Wholesale in the Regulated Contracting Environment | 4,189.7 | 4,189.7 | 0.0 |
| Wholesale in the Unregulated Contracting Environment | 486.0 | 529.5 | 8.9 |
| Spot market (CCEE)* | 398.0 | 932.7 | 134.4 |
| Total | 5,073.7 | 5,651.9 | 143.3 |

** The 134.4% increase in spot market sales is the result of strong spot market performance in the first half of the year, owing to both an increase in hydroelectric power availability for sale through the Power Trading Chamber (CCEE) and the accounting methods used by CCEE, discounting the 394.4 GWh of power consumed by pumps in the first half of the year. Discounting this power consumption, the increase in spot market sales from 2009 to 2010 is 35.3%.*

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Fontes Novas Plant (Piraí - RJ) | 1,028,283 | 1,032,547 | 957,429 |
| Nilo Peçanha Plant (Piraí - RJ) | 2,746,711 | 2,932,054 | 2,789,341 |
| Pereira Passos Plant (Piraí - RJ) | 415,164 | 442,649 | 415,682 |
| Ilha dos Pombos Plant (Carmo/Além Paraíba RJ/MG) | 888,636 | 1,018,036 | 1,036,618 |
| Santa Branca Plant (Santa Branca/Jacareí SP) | 141,236 | 204,686 | 405,664 |
| Gross generation | 5,220,030 | 5,629,972 | 5,604,733 |
| Santa Cecília Pumped Storage Plant (Barra do Piraí - RJ) | 250,769 | 264,083 | 212,066 |
| Vigário Pumped Storage Plant (Piraí - RJ) | 560,649 | 589,840 | 546,957 |
| Pumped storage plant consumption | 811,418 | 853,923 | 759,024 |
| Internal Consumption | 67,172 | 80,973 | 79,342 |
| Net generation | 4,330,999 | 4,695,076 | 4,768,649 |






# Wholesale and Services

Two subsidiaries – Light Esco and LightCom – are engaged in power wholesale and trading in the unregulated markets and provision of services such as energy efficiency, power infrastructure, distributed generation and utilities management

## LightCom: Integrated power solutions

Created in February 2010, LightCom is our Group's newest power wholesale and services subsidiary. Headquartered in São Paulo, which accounts for nearly half of Light's wholesale business, LightCom's operations are complementary to Light Esco's and have helped strengthen our countrywide presence in this segment.

Like Light Esco, LightCom is engaged in power wholesale and trading in the unregulated market and also provides related services. The two companies may, if appropriate, partner together to optimize results for both customers and our Group. LightCom was created to establish an important business channel for our Group in the State of São Paulo.

*Light Esco is Brazil's largest energy efficiency service company.*

*Light Esco and LightCom's operations also provide broader environmental benefits, including solutions that reduce greenhouse gas emissions and consequently mitigate the effects of climate change in the regions they service. GRI EC2*

### Power Services Highlights

Light Esco developed 12 power services projects throughout the year, which included construction of substations, 138 kV branch lines, commercial air-conditioning, energy efficiency and other initiatives toward greater efficiency in the use of electricity.

In a project for Petrobras, Light Esco completed the construction of underground transmission lines to the Leopoldo Américo Miguez de Mello Research & Development Center (CENPES) and Integrated Data Center (CIPD). These two projects are essential to Petrobras's presalt developments and consequently to the development of Rio de Janeiro and the sustainable economic growth of Brazil.

In energy efficiency services, of which Light Esco is a leading provider, a highlight last year was an air conditioning and infrastructure project developed for Rede Globo's television studios (PROJAC) in Rio de Janeiro, which included construction of a 138 kV substation, installation of a new chilled water plant and repairs to the existing plant

EBL, a joint venture of Light Esco, Petrobras Distribuidora and Ecoluz, continued a previously initiated project involving cooling system automation and lighting system upgrades in 32 buildings belonging to a large telecom company across several Brazilian states.

## Wholesale – Light Esco and LightCom

Engaged in the unregulated contracting environment and alternative sources market, Light Esco is responsible for trading the electricity generated by our Group. It is also the Light Group subsidiary offering power and infrastructure services and solutions.

Light Esco traded a total of 3,156.8 GWh of electricity in 2010, 82.5% more than the 1,730.0 GWh in 2009. This strong performance in 2010 was the result of new long and short-term trades and expansion of Light Esco's wholesale contract portfolio throughout the year. Consulting and intermediation between unregulated wholesale customers and the CCEE involved 1,960.7 GWh in trades, an 80% increase over 2009. GRI EU7

## Power Wholesale and Services Outlook

Light Group, through Light Esco and our new wholesale and services subsidiary, LightCom, is faced with the challenge of ensuring the best possible results for us and our shareholders in the process of renewing Light Energia's power auction contracts expiring in 2012 and 2013.

In power and infrastructure services, our focus is on identifying new opportunities to use our accumulated expertise in power solutions – one of our Group's primary strengths – to offer integrated and customized power solutions. GRI EU7

### Rio Energy 2016: for Rio's growth and visibility

Light's commitment to Rio de Janeiro's development – especially with the current wave of economic growth and urban revitalization – is seen in a number of initiatives that have made us a partner to the city in developing improved solutions.

The Rio Energy 2016 program is an example of this commitment and our role as a link between the public sector, private sector and civil society. Launched in February 2010 by Light Esco, and with support from the Power Cogeneration Industry Association (COGEN), the program aims to create a business environment and solid partnerships for the energy-efficient projects required to provide adequate infrastructure for the FIFA World Cup and Olympic Games, as well as for Rio de Janeiro's sustainable development

The government and private projects to be developed over the coming six years – including projects in preparation for the 2014 FIFA World Cup and 2016 Olympic Games – are expected to generate investments of R$ 78 billion and an added load of 1,555 GWh in our service area in 2016. A total of 25 companies have joined the program.




*With a results-focused management approach, we implemented important initiatives in 2010 that have significantly improved our economic and financial performance.*

*Our net operating revenue was R$ 6,508,600,000, up 4.9% from the R$ 6,206,900,000 reported in 2009. EBITDA improved 14.7% to R$ 1,584,600,000.*

*These are some of the results we achieved last year by capitalizing on our power generation, distribution and trading expertise to seize the opportunities created by economic growth in our service area and especially the expansion of the middle class and its purchasing power.*

*We invested a total of R$ 702.7 million in 2010, with R$ 258.6 million going to the continuing development of distribution and transmission systems. Loss reduction efforts and intensified operations in communities secured by Peacekeeping Police Units have also generated operating and economic improvements.*

*We are also firmly committed to developing enough generating capacity to provide the state of Rio de Janeiro with enough power supply to sustain growth over the coming years.*

*Communication campaigns, continually improving services and closer relations with our partners were also essential to improving customer satisfaction with our services and their perception of our strengths as a company committed to the sustainable development of Rio de Janeiro.*

# ECONOMIC AND FINANCIAL RESULTS

## Net Revenue

Our Net Operating Revenue was R$ 6,508,600,000 in 2010, up 4.9% from the R$ 6,206,900,000 reported the previous year. The increase was largely due to the 3.2% and 100.7% growth in the distribution/supply and wholesale segments, respectively, driven by higher consumption in our service area and growth in power trading activity. Net operating revenue in the generation segment was R$ 319.9 million, up 8.5% from R$ 294.9 million in 2009.

Net Revenue (R$ MM)

| | 2010 | 2009 | Change % |
|---|---|---|---|
| Ditribuição | | | |
| Energy Sold | 4.970,0 | 4.839,6 | 2,7% |
| Unbilled Energy | (8,0) | 23,7 | - |
| Grid Usage Charges (TSUD) | 513,5 | 451,2 | 13,8% |
| Short Term (Spot)1 | 62,4 | 16,2 | 284,1% |
| Other | 6,4 | 50,1 | -87,3% |
| Construction Revenue2 | 552,8 | 527,0 | 4,9% |

| | | | |
|---|---|---|---|
| Subtotal ( a ) | 6.097,1 | 5.907,8 | 3,2% |
| **Generation** | | | |
| Generation (ACR+ACL) | 298,7 | 278,3 | 7,3% |
| Short-term1 | 15,8 | 10,9 | 44,8% |
| Other | 5,4 | 5,6 | -4,1% |
| Subtotal ( b ) | 319,9 | 294,9 | 8,5% |
| **Sales** | | | |
| Resale | 134,5 | 66,8 | 101,5% |
| Other | 50,9 | 25,6 | 98,9% |
| Subtotal ( c ) | 185,4 | 92,3 | 100,7% |
| Other and Eliminations (d) | (93,8) | (88,1) | |
| Total ( a + b + c + d ) | 6.508,6 | 6.206,9 | 4,9% |

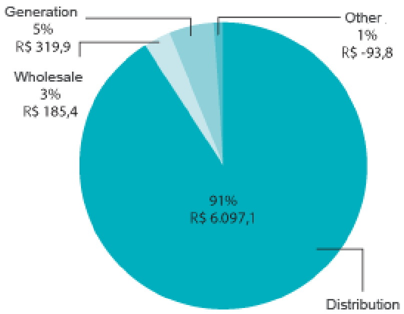
*1 Balance of settlement at CCEE*

*2 The subsidiary Light SESA records revenue and costs with a zero margin relating to the construction or upgrading of the assets used to provide the electricity distribution services..*

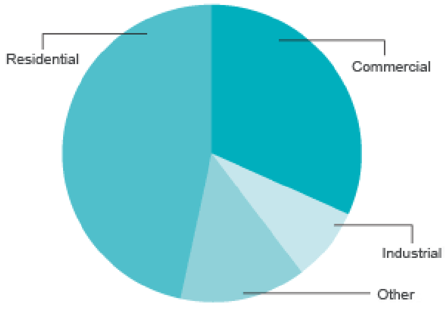
## Distribuition

Light SESA's net revenue amounted to R$ 6,097,100,000, up by 3.2% over 2009. Not including construction revenue, the increase for the period was 3.0%. Largely accounting for this improvement was the 2.0% and 21.5% growth in the regulated and unregulated markets, respectively, which improved their respective net revenue by 2.7% and 13.8%. Another favorable factor was the 284.1% growth in spot market revenue.

Distribution, Generation and Supply the Company's total revenue in 2010

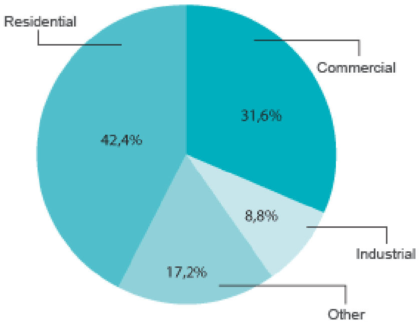



Net revenue by class - Captive




The residential segment accounted for 46.5% of net revenue in the regulated market, against 45.6% in 2009, an increase of 0.9 percentage points The industrial segment accounted for 8.2% and the commercial segment 31.7% of net revenue in the regulated market, down respectively 0.7 percentage points and 0.5 p.p. compared to 2009.

Electricity Consumption (GWh) - Captive




## Generation

Light Energia's net revenue amounted to R$ 319.9 million, up by 8.5% over the previous year. Among the key ingredients to this result was the 5% price adjustment under contracts in the Regulated Contracting Environment and the 8.9% increase in sales in the Unregulated Contracting Environment, coupled with an 81.3% increase in average spot market prices, which rose from R$ 38.7 in 2009 to R$ 70.2 in 2010.

## Wholesale and Services

Net revenue was R$ 185.4 million in 2010, up by 100.7% over the previous year, helped by the 101.5% expansion of net revenue from trading during the period, which in turn was driven by a 90.5% increase in electricity sales volume. Net revenue from other wholesale activities also rose 98.9% on growth in brokerage and service provision.

## Costs and Expenses

### Consolidated

Operating costs and expenses rose by 2.1% in 2010 to R$ 5,276,400,000, primarily due to the costs and expenses of Light SESA and our wholesale and service subsidiaries (Light Esco and LightCom), which rose by 1.5% and 80.9%, respectively, over 2009.

Costs and Expenses / Consolidated

| Costs and Expenses | 2010 | 2009 | Change % |
|---|---|---|---|
| Distribution | (5.047,3) | (4.972,5) | 1,5% |
| Generation | (152,3) | (156,3) | -2,6% |
| Trade and Services | (130,1) | (71,9) | 80,9% |
| Other Eliminations | 53,3 | 31,4 | 69,8% |
| Consolidated | (5.276,4) | (5.169,3) | 2,1% |

### Distribution

Power distribution costs and expenses in 2010 increased by 1.5% over 2009, largely due to the 2.8% increase in manageable expenses.

Distribution

| Costs and Expenses (R$ MM) | 2010 | 2009 | Change % |
|---|---|---|---|
| Uncontrollable costs and expenses | (3,358.5) | (3,340.9) | 0.5% |
| Energy purchase contracts | (2,673.4) | (2,745.4) | -2.6% |
| Transmission and charge costs | (670.6) | (577.4) | 16.1% |
| Other (compulsory costs) | (14.5) | (18.1) | -19.9% |
| Controllable costs and expenses | (1,136.0) | (1,104,6) | 2.8% |
| PMSO | (637.4) | (522.6) | 22.0% |
| Personnel | (238.2) | (196.6) | 21.2% |
| Material | (22.7) | (14.6) | 55.5% |
| Outsourced services | (317.6) | (253.7) | 25.2% |

| | | | |
|---|---|---|---|
| Other | (58.9) | (57.6) | 2.2% |
| Provisions | (208.7) | (302.0) | -31.0% |
| Depreciation and Amortization | (290.2) | (280.1) | 3.6% |
| Construction Costs1 | (552.8) | (527.0) | 4.9% |
| Total Costs | (5,047.3) | (4,972.5) | 1.5% |

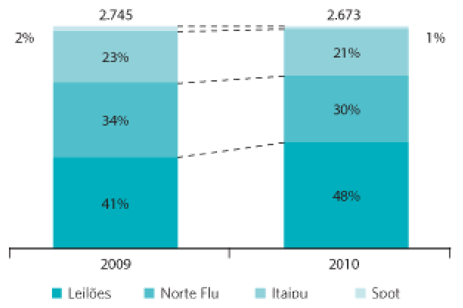
*[1]The subsidiary accounts Light SESA revenues and costs, with zero margin, for the services of construction or improvement of infrastructure used in providing services of electricity distribution.*

## Non-Manageable Costs and Expenses

Unmanageable costs and expenses were R$ 3,358,500,000 in 2010, up by 0.5% over 2009, largely due to an increase in transmission charges.

Despite the 2.2% increase in purchased power, the cost of purchased power fell 2.6% in relation to 2009, largely due the 13.0% year-over-year strengthening of the Real against the US dollar, which reduced the price in Reais of power purchased from Itaipu and UTE Norte Fluminense (Norte Flu).

Energy Purchased R$ MM Accumulated in the Year




The cost of transmission charges increased 16.1%, largely owing to System Service Charges (ESS) rising due to increased dispatching of fossil fuel plants during the year compared to 2009.

The average cost of purchased power, discounting purchases in the spot market, was R$ 99.4/MWh in 2010, down 6.9% from R$ 106.8/MWh in 2009.

## Manageable Costs and Expenses

Manageable operating costs and expenses – consisting of personnel, material, third-party services, provisions, depreciation and other costs – were R$ 1.136 billion in 2010, a 2.8% increase from the previous year, largely as the combined result of higher PMSO (personnel, material, services and other) expenses and lower provisions.

PMSO costs and expenses were R$ 637.4 million in 2010, a 22.0% increase over R$ 522.6 million in 2009. This increase was primarily due to: (i) the costs and expenses of third-party maintenance and quality improvement services in response to outages during the summer, including emergency live-line work, underground chamber inspection and tree pruning services costing a total of R$ 27.7 million; (ii) the cost of generator rental in response to the summer outages, which added R$ 10.3 million under Other; (iii) the increase in Call Center expenses to R$ 7.3 million relating to the Summer outages and the compliance with a new ANEEL resolution each representing respectively R$ 5.4 million and R$ 1.9 million; and (iv) the expansion of our initiatives to curb default rates, which cost a total R$ 3.8 million. The increase in personnel expenses was primarily due to a provision of R$ 23.1 million established in the fourth quarter of 2010 for our voluntary redundancy program, covering 146 employees, the lower capitalization of personnel costs for investments and the 5.3% salary increase in May 2010.

Provisions (Allowance for Doubtful Accounts, Provision for Contingencies and Others) decreased R$ 93.6 million, largely as a result of the reversal of a 61.7 million provision established for a complaint brought by CSN in 1995 requesting a refund of amounts allegedly overcharged due to a price increase approved by the Department of Water Resources and Electricity (DNAEE) in 1986. The Allowance for Doubtful Accounts of R$ 254.8 established in 2010 represented 3.2% of our gross revenue from electricity sales, against R$ 246.0 million, also representing 3.2% of gross revenue, in 2009.

### Generation

Light Energia posted costs and expenses of R$ 152.3 million in 2010, down 2.6% from the previous year. The decrease was due to a 50.2% reduction under CUSD/CUST, resulting from the discontinuance of the basic grid usage charge in July 2009, and a reduction of distribution system usage charges by about 40% in October 2009.

### Wholesale and Services

Total costs and expenses were R$ 130.1 million, up by 80.9% as compared to 2009, primarily because of higher power purchase costs resulting from expansion of wholesale activity.

## Operating Costs and Expenses

| Operating Costs and Expenses | 2010 | 2009 | Var. % |
|---|---|---|---|
| Personnel | (3.2) | (2.2) | 42.3% |
| Materials and Outsourced Services | (1.3) | (16.5) | -92.2% |
| Energy Purchased | (124.1) | (52.1) | 138.2% |
| Depreciation | (0.6) | (0.6) | 0.0% |
| Other (includes provisions) | (0.9) | (0.5) | 74.5% |
| Total | (130.1) | (71.9) | 80.9% |

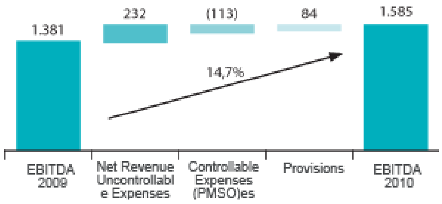
# EBITDA

## Consolidated

| Consolidated EBITDA - R$ MM | 2010 | 2009 | Change % |
|---|---|---|---|
| Distribution | 1,340.0 | 1,215.5 | 10.2% |
| Generation | 229.3 | 201.4 | 13.9% |
| Sales | 22.5 | 21.0 | 7.1% |
| Other and eliminations | (7.2) | (56.8) | -87.3% |
| Total | 1,584.6 | 1,381.1 | 14.7% |
| EBITDA Margin (%) | 26.6% | 24.3% | - |

EBITDA in 2010 was R$ 1,584,600,000, 14.7% higher than in the previous year, with an EBITDA margin of 26.6%, up 2.3 p.p. over 2009. The distribution/supply segment accounted for 84.2% of consolidated EBITDA for the year. The generation and wholesale/trading segments accounted for respectively 14.4% and 1.4% of consolidated EBITDA.

EBITDA – 2010/2009 – R$ MM




## Dintribution

Light SESA's EBITDA was R$ 1.340 billion, up by 10.2% over 2009. The increase primarily reflected higher power consumption in our service area and consequently higher net revenue. In addition, unmanageable costs in 2010 remained level with 2009, while provisions decreased substantially with the reversal of high-value court cases during the year. Light SESA's EBITDA margin was 24.2% in 2010, 1.6 p.p. higher than in the previous year.

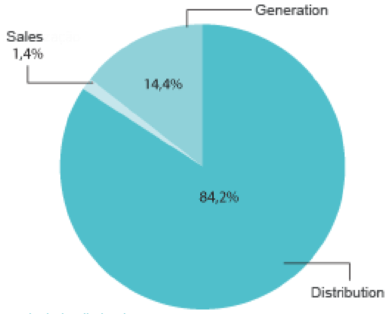
## Generation

Light Energia reported EBITDA of R$ 229.3 million, an improvement of 13.9% over 2009. The increase was primarily due to an 8.5% improvement in net revenue as a result of contractual price increases, and a 2.6% decrease in costs, reflecting the discontinuance of the basic grid usage charge. EBITDA margin was 71.7% in 2010, 3.4 p.p. higher than in the previous year.

## Wholesale and Services

EBITDA for 2010 was R$ 22.5 million, up by 7.1% over 2009. The increase was the result of a 100.7% increase in revenue, partially offset by a 138.2% increase in power purchase costs. EBITDA margin was 11.3% in 2010, 11.4 p.p. lower than in the previous year.

EBITDA by activity*




*Does not include eliminations

## Consolidated Financial Income

| | 2010 | 2009 | % |
|---|---|---|---|
| Financial Revenue | 173.2 | 186.7 | -7.2% |
| Interest on Financial Investments | 60.0 | 61.2 | -2.0% |
| Monetary Variance | 21.4 | 33.0 | -35.0% |
| Swap Earnings | 0.3 | (10.3) | - |
| Other Financial Revenue | 91.5 | 102.8 | -11.0% |
| Financial Expenses | (492.6) | (271.7) | 81.3% |
| Interest on Loans and Financing | (245.2) | (195.3) | 25.6% |
| Monetary and Exchange Variance | (42.3) | (37.1) | 14.1% |
| Braslight | (158.9) | (11.5) | 1285.4% |
| Swap Earnings | (4.6) | (7.6) | -38.9% |
| Other Financial Expenses | (41.5) | (20.3) | 105.1% |
| Total | (319.4) | (84.9) | 276.1% |

Financial Income in 2010 was a loss of R$ 319.4 million, 276.1% higher than the loss of R$ 84.9 million in 2009, as a result of higher financial expense.

Financial revenue for the year was R$ 173.2 million, down 7.2% from 2009, though positively affected by the recognition of R$ 11.6 million related to a favorable court decision.

Financial expense was R$ 492.6 million, an 81.3% increase over 2009, largely due to: (i) the changes in Braslight, the primary impacts of which derive from a R$ 49.3 million actuarial deficit and R$ 109.6 million in monetary adjustment (by the IPCA index) of, and interest of 6% on, Light's liability to Braslight, for a total of R$ 158.9 million.

In 2009, there was a surplus of R$ 48.6 million and monetary adjustment of R$ 66.8 million, for a total of negative R$ 18.2 million; (ii) a R$ 52.4 million increase in charges on financing from the Brazilian Development Bank (BNDES) during the year; and (iii) a penalty of R$ 10.8 million for breach of continuity indicators, whereas in 2009 no such penalty was applied.

## Debt

Gross debt as of December 31, 2010 was R$ 2,472,600,000, a slight increase of 0.3% in relation to the previous year as financing inflows of R$ 270.0 million were offset by amortization of R$ 269.0 million.

Our debt has an average maturity of 3.1 years. As of December 2010, only 3.0% of total debt was denominated in foreign currency and, considering the length of our hedge horizon, exposure to foreign currency risk was 1.72% compared to 2.48% in 2009. Our hedge policy consists of protecting our cash outflows over the next 24 months (principal and interest) through cashless swaps with first-rate financial institutions.

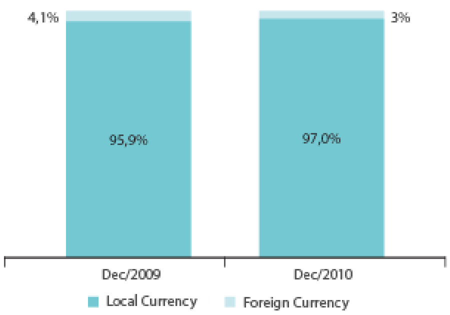
Debt

| R$ MM | Short-term | % | Long-term | % | Total | % |
|---|---|---|---|---|---|---|
| Local Currency | 534.0 | 21.6% | 1,864.1 | 75.4% | 2,398.1 | 97.0% |
| Debentures 4th Issuance | 0.0 | 0.0% | 0.1 | 0.0% | 0.1 | 0.0% |
| Debentures 5th Issuance | 79.6 | 3.2% | 727.8 | 29.4% | 807.4 | 32.7% |
| Debentures 6th Issuance | 301.7 | 12.2% | | | 301.7 | 12.2% |

| | | | | | | |
|---|---|---|---|---|---|---|
| BNDES FINEM (CAPEX) | 131.9 | 5.3% | 595.9 | 24.1% | 727.8 | 29.4% |
| CCB Bradesco | 11.3 | 0.5% | 450.0 | 18.2% | 461.3 | 18.7% |
| Working Capital - ABN Amro | 2.6 | 0.1% | 80.0 | 3.2% | 82.6 | 3.3% |
| Swap transactions | 4.1 | 0.2% | 1.2 | 0.0% | 5.3 | 0.2% |
| Other | 2.7 | 0.1% | 9.2 | 0.4% | 11.8 | 0.5% |
| Foreign currency | 13.2 | 0.5% | 61.2 | 2.5% | 74.5 | 3.0% |
| National Treasury | 13.2 | 0.5% | 61.2 | 2.5% | 74.5 | 3.0% |
| Import financing | | | | | | |
| Gross Debt | 547.2 | 22.1% | 1,925.4 | 77.9% | ,.472.6 | 100.0% |
| Cash | | | | | 525.2 | |
| Net Debt (a) | | | | | 1,947.4 | |
| Braslight (b) | 95.6 | | 920.6 | | 1,016.2 | |
| Adjusted Net Debt (a+b+c) | | | | | 2,963.6 | |

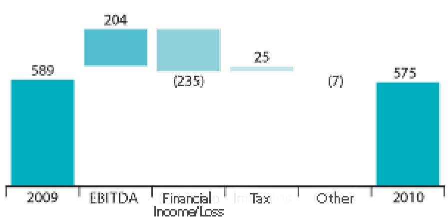
## Net Income

Debt (Local x Foreign Currency)




Light's net income for the year was R$ 575.2 million, down 2.3% from R$ 588.8 million in 2009. The decrease is primarily due to the financial expense of R$ 319.4 million in 2010, 276.1% higher than in 2009. Financial expense was largely due to an actuarial deficit and monetary restatement of the liabilities of Braslight, amounting to R$ 158.9 million. Discounting the non-recurring portion of Braslight's actuarial deficit, namely R$ 49.3 million, net income for 2010 was R$ 607.7 million, up 3.2% over 2009.

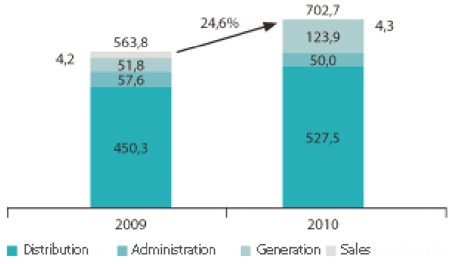
## Net Income – R$ Million




## Investments

Light invested a total of R$ 700.6 million in 2010, with R$ 258.6 million invested in the development of distribution and transmission systems (new connections, increased capacity and corrective maintenance). Investments in quality improvement and corrective maintenance were R$ 98.1 million, while investments in tamper proofing, electronic metering and eliminating fraud were R$ 134.9 million.

CAPEX (R$ MM)




Light invested an additional R$ 121.8 million in generation, with R$ 93.1 million invested in new generation projects, primary of which was the R$ 72.8 million Paracambi Small Hydropower project.

## Cash Flow

Our cash balance as of December 31 was R$ 514.1 million, R$ 246.2 million less than at year-end 2009. Net cash provided by operations was R$ 1,232,500,000 at year-end, up R$ 178.0 million from 2009. The increase in investments and dividend payments, however, pushed cash flow generation down to R$ 246.2 million negative in 2010.

## Statement of Added Value GRI EC1

### Cash Flow

| R$ MM | 12.31.10 | 12.31.09 |
|---|---|---|
| Cash at beginning of period (1) | 760.3 | 549.0 |
| Net Income | 575.2 | 588.8 |
| IR/CS | 347.5 | 372.1 |
| Net Income before IR and CS | 922.6 | 960.9 |
| Allowance for Doubtful Accounts | 254.8 | 246.3 |
| Depreciation and Amortization | 352.9 | 342.6 |
| Share-based Payments | - | 51.7 |
| Loss (gain) on the sale of Intangible assets / Residual value of property. plant and equipment written off | (4.0) | (11.8) |
| Exchange losses (gains) on financial activities | (8.0) | (55.6) |
| Net interest and monetary variance | 304.3 | 305.7 |
| Braslight | 158.9 | 18.2 |
| Provisions supplement/reversal | (42.0) | 109.1 |
| Other | 10.7 | 1.5 |
| LAIR Cash Base | 1,950.0 | 1,968.7 |
| Working Capital | (104.8) | (333.4) |
| Contingencies | (119.9) | (76.3) |
| Taxes | (70.9) | (74.5) |
| Interest paid | (253.0) | (261.5) |
| Other | (168.9) | (168.4) |
| Net Cash Provided by Operating Activities (2) | 1,232.5 | 1,054.5 |
| Payment of Dividends | (795.3) | (594.4) |
| Funding Obtained | 1,094.8 | 579.4 |
| Repayments of Loans and Financings | (1,086.5) | (227.9) |
| Financing Activities (3) | (787.0) | (242.9) |
| Equity Interests | 16.3 | (46.1) |
| Concession Investments | (708.0) | (554.3) |
| Investment activities (4) | (691.7) | (600.4) |

| | | |
|---|---|---|
| Cash at end of period (1+2+3+4) | 514.1 | 760.3 |
| Cash at end of period (1+2+3+4) Cash Generation (2+3+4) | (246.2) | 211.3 |

Statement of Added Value

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| 1) Total wealth produced | 8.260.085 | 8.654.344 | 9.836.991 |
| Wealth produced through sale of goods, products and services | 8.238.648 | 8.641.045 | 9.836.991 |
| Non-operating wealth produced | 21.437 | 13.299 | 0 |
| 2) Total wealth consumed | 3.596.250 | 3.936.150 | 4.572.821 |
| Wealth consumed in the form of raw materials | 3.063.176 | 3.284.601 | 3.392.464 |
| Wealth consumed in the form of materials, outsourced services and other forms | 297.293 | 405.473 | 925.572 |
| Wealth consumed through loss of accounts receivable | 235.781 | 246.076 | 254.785 |
| 3) Gross added value (1 - 2) | 4.663.835 | - | - |
| 4) Depreciation / Amortization / Depletion | 312.443 | 304.882 | 352.462 |
| 5) Net added value produced by entity ( 3 - 4 ) | 4.351.392 | - | - |
| 6) Capitalization of people | 0 | 0 | 0 |
| Personnel | 0 | 0 | 0 |
| Financial charges | 0 | 0 | 0 |
| 7) Transferred added value | 270.149 | 201.864 | 173.223 |
| Equity in net income of subsidiaries and affiliates | 0 | 0 | 0 |
| Financial revenue | 270.149 | 201.864 | 173.223 |
| 8) Net added value ( 5 + 6 +7) | 4.621.541 | - | - |
| Distribution of added value | 4.621.541 | 4.615.175 | 5.084.931 |
| Compensation for employment | 226.552 | 235.829 | 231.752 |
| Government (Taxes) | 3.220.169 | 3.469.722 | 3.746.405 |
| Financial charges and rent | 200.367 | 304.793 | 531.624 |
| Return on shareholders' equity | 499.638 | 172.491 | 350.979 |
| Retained earnings | 474.815 | 432.340 | 224.171 |
| 3) Gross added value (1 - 2) | - | 4.718.194 | 5.264.170 |
| 5) Net added value produced by entity ( 3 - 4 ) | - | 4.413.312 | 4.911.708 |
| 8) Net added value ( 5 + 6 +7) | - | 4.615.176 | 5.084.931 |

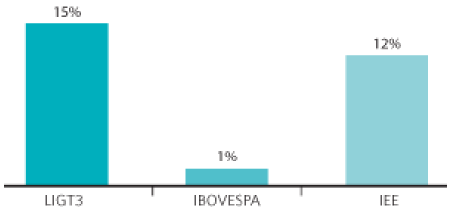
## Capital Market

BM&F BOVESPA (spot market) – LIGT3

| Daily Average | 4T10 | 3T10 | 4T09 |
|---|---|---|---|
| Number of securities (thousand) | 877,4 | 871,7 | 881,3 |
| No. of Trades | 2.071 | 1.856 | 1.802 |
| Volume Negociado (R$ Milhões)Volume Traded (R$ million) | R$ 19,7 | R$ 19,0 | R$ 22,0 |
| Price per share (closing)* | R$ 25,43 | R$ 21,60 | R$ 22,98 |
| Appreciation of LIGT3 (quarter) | 17,7% | 11,0% | 7,2% |
| Appreciation of IEE (quarter) | 6,8% | 5,9% | 8,9% |
| Appreciation of Ibovespa (quarter) | -0,2% | 13,9% | 11,5% |

**Adjusted for dividends*

Stock performance - 2010






*A sustainable business is one that ensures the continuity of each of its areas, products, services and strategic stakeholders.*

*We believe our sustainability hinges on our ability to develop a strategy that addresses the long-term opportunities and challenges our business faces. We need to look beyond the immediate signs from the market and understand the political, social and environmental implications for our business. This has been the guiding principle in our business and dealings with stakeholders.*

*To our employees, we provide an environment that fosters personal and professional development, the tools needed for growth and fair compensation for performance. Health, safety and quality of life are an ongoing priority.*

*To our customers, we offer unique, efficient and transparent services, continually attentive to their needs and continually investing in innovative, best-for-purpose solutions.*

*Our suppliers are also engaged in our continual improvement efforts and in the adoption of ethical and environmentally responsible practices. Everybody wins: our partners are aligned with our values and commitments and collaborate with us in developing better products and services, and this positively affects their own employees and business.*

*Protecting the environment is part of our everyday activities. In generation, we produce clean energy and keep our environmental footprint to an absolute minimum, while in distribution and supply, we promote energy efficiency and environmental awareness.*

*To all our stakeholders, we provide transparent communication and disclosure of our performance through a variety of communication channels.*

# Light: a diverse company

## Promoting diversity and interaction among employees and managers is a focus of our ongoing processes and one of the values underpinning our organizational culture

### Personal and professional development

*The performance and engagement of the people that constitute an organization are essential to its sustainable growth. We, at Light, recognize the strategic role our people play in our organization, and our people management practices are designed to provide the environment and tools needed for their personal and professional development. We also encourage good citizenship and environmental awareness among our employees.*

*A commitment to our 3,693 employees is included as a provision of our Social Responsibility Agreement with relevant labor unions, in which we commit to follow and defend the principles set out in the Universal Declaration of Human Rights, the International Labor Organization's Fundamental Conventions and Brazilian labor legislation. In 2010, we extended the Agreement for an additional term of two years. Light has also signed a new agreement with the Preliminary Reconciliation Committee, a mediator between employers and labor unions in dispute resolution. The Decisions of the Commission are legally binding. GRI LA4, LA9*

*Promoting diversity and interaction among employees and managers is a focus of our ongoing processes and one of the values underpinning our organizational culture. Eliminating all forms of discrimination is another goal in our labor relations. In 2010 there were only 10 reported cases of moral harassment and no incidents of discrimination. GRI HR4 /em>*

***Diverse Company***

*Light's staff composition reflects one of Brazil's primary characteristics – diversity. In an industry traditionally dominated by men, encouraging the employment of women is a challenge we have been pursuing for several years. In 2010, our headcount remained practically the same as* *the year before, with a difference of only one employee (3,694 in 2009). But the relative proportion of women increased from 23.1% to 23.3%, as shown in the table below.*

Perfil do público interno – 2010

Número de empregados

| 2010 | 2009 (anos) | 2008 |
|---|---|---|
| 3.693 | 3.694 | 0,03% |

Composição do quadro (2010)

| Gênero | Participação % | Tempo médio de casa (anos) | Idade média (anos) | Salário Médio |
|---|---|---|---|---|
| Homens | 76,7 | 16,1 | 41,2 | 2.551,80 |
| Mulheres | 23,3 | 8,8 | 36,9 | 2.758,25 |
| Geral | 100,0 | 14,4 | 40,2 | 2,599,93 |

ditribuição Étnica – %

| Brancos | Negros | Amarelos e indígenas |
|---|---|---|
| 58,5 | 39,5 | 1,9 |

Pessoas com deficiência

| Admitidos em 2010 | Total | Distribuição por gênero | | | |
|---|---|---|---|---|---|
| 15 | 164 | Homens | 51,2% | Mulheres | 48,8% |

*Our selection and hiring criteria evaluate candidates' skills and competence. Job vacancies at any level and in any department are preferably filled by professionals from our service area, but there is no specific requirement to hire from the local community. GRI EC7, EU14*

*Light also invests in training and including workers with special needs. In 2010, 164 employees with special needs were present across the company. One of our inclusion initiatives is the Iluminar Program, which was restructured in 2010 and through which six young people with intellectual disabilities were recruited as interns.*

## *Superior performance*

*To encourage and provide the tools required for building skills, Light invests in the training and development of our leadership and employees as part of the process of building the foundation necessary for our projected growth.*

*The planning and implementation of people development programs are the responsibility of the Light Academy, our corporate university, which in 2010 provided more than 218 thousand hours of training, or 11.7 thousand individual courses.*

*Light Academy's programs are grouped into four major Schools of Learning: a Technical School, a Commercial School, a Leadership School and a Personal Development School. Light Academy also develops Special Programs, such as the Light Culture Transition Project, the Personal Development Program and the Learning Portal, to meet our employees' individual and collective training needs in alignment with our standards, values and business practices.*

Training hours
GRI LA10

| Category | Training hours | Attendances | Average hours |
|---|---|---|---|
| Administrative | 9,102.0 | 1,141 | 10.8 |
| Middle Management | 16,640.5 | 1,977 | 74.0 |
| Operations | 106,462.9 | 3,048 | 107.9 |
| Professional | 28,538.3 | 2,406 | 43.0 |
| Technical | 57,577.5 | 3,217 | 59.1 |
| Total | 218,301.2 | 11,789 | 58.6 |

Key Light Academy programs, by School

| Leadership School | Development School |
| --- | --- |
| Leadership Development Program | Employee Development Program |
| Havard Development Site | Business Integration Program |
| Coaching Program | Adolescent and Adult Education Program |
| Coaching Formation for Trainee Programe | Graduation Program |
| Individual Development Plan - Managers | Trainee Program |
| Skills Model | Employee Recognition Program |
| Café Diálogo Program | Self-Development Program |
| PDI - Employees | |

| Technical College | Trade College |
| --- | --- |
| NR10 Training (Formation and Recycling) | Mobility Project |
| NR33 Training (Formation) | Commercial and Business Process Training |
| Technical and Operational Training | IT System Training |
| CIPA | IT Systems Training |
| Formation of Electricians (RA and RS) | Training of Instructors |
| Defensive Driving | SGA Training |
| SGTS Leadership Training | The Light Customer Service Program |
| Fire Brigade | |
| Technical Updating Programs | |

Total hours in 2010 for School

| | |
| --- | --- |
| Trade College | Profit Shares: 2,998 |
| | Hours of Training 29,126.8 |
| Technical College | Profit Shares: 5.199 |
| | Hours of Training: 170.178,8 |
| Development School | Profit Shares: 2.096 |
| | Hours of Training: 8.508,6 |
| Leadership School | Profit Shares: 1.496 |
| | Hours of Training: 10.487,0 |

## *Business-driven development*

*One of our training goals is to prepare our leaders for the challenges and opportunities appearing on the horizon. A number of programs have been created to meet this goal, including our Leadership Development Program (LDP), which develops the skills required to lead and ensure the continuity of our business..*

*LDP modules include Culture and Leadership, Building High-Performance Teams, Development Culture and Customers. 220 managers attended an average of 77.6 hours of training in 2010. In 2010, 95 managers also attended 309 sessions, or 459 hours, of training as part of our Leadership Training Program. Our Leadership Portal also provides information on all 140 special programs and projects developed by the Leadership School.*

*To ensure all employees have the skills needed to perform their duties, the Development School provides programs ranging from induction training to technical and operational training for trainees. GRI EU14*

*A workforce trained on power supply*

*Our Technical School is tasked with developing technical and safety skills through training and refresher training programs in a number of knowledge areas, including power recovery and overhead and underground power systems.*

*In 2010, we administered approximately 37 thousand training hours on underground distribution systems.*

*To ensure the availability of a skilled workforce, our Technical School also includes an Electrician Training School where, after completing about 300 hours of training, newly trained professionals can be hired by us or our service providers. Three classes with a total of 92 students completed training in 2010.*

## *Recognition*

*Recognition is another important element of our people management practices. Light encourages self development and training on organizational, technical and personal skills and establishes mechanisms for recognition of performance.*

*One such mechanism is our Recognition Program, to which managers name employees under their management that have demonstrated superior performance in meeting the challenges faced, based on the values held, by the company. In 2010, 6 program cycles were conducted with a total of 151 nominees, of which 36 received recognition. Largely for cost reduction, process improvement, knowledge enhancement, power recovery and improvement in critical operating processes.*

*Our Profit Sharing Program also provides recognition for employee performance. All employees, including middle and senior managers, have at least one social/environmental and other health and safety targets to meet.*

## *Assessment*

*GRI LA11*

*2010 also saw a new edition of our Skills Management Program – the second for senior managers and the first for employees.*

## *Occupational Health and Safety and Quality of Life*

*Light develops a series of initiatives to ensure the health, safety and well-being of our own and third-party employees.*

*We have a Safe Work Management System (SWMS) in place comprising 22 elements focused on our operating activities. In 2010, these elements were broken down into 141 topics. Based on this breakdown, small working groups called Task Forces were created to develop small, medium and large related initiatives within the Company.GRI EU16*

### *Light - Brazil's pioneer of Safe Work Management Systems*

*In 2009, Light became the first utility company in Brazil to implement a Safe Work Management System (SWMS), an approach developed in Canada and which has been tailored to the specific needs and higher risks of our sector. Our Safe Work Management System addresses five primary areas: Leadership, Risk Management, Education, Control & Protection and Monitoring.*

*A year after implementation, an international audit found that our level of SWMS compliance had reached 51%, slightly above our 50% target for the period.*

*These groups supported the preparation and publishing of our new Basic Safety Guidelines in 2010, which constitute our complete body of technical and regulatory knowledge on safety. They provide clear guidance to company and third-party employees and translate our occupational health and safety standards into qualitative and quantitative goals.*

*Another initiative created to reduce occupational injuries and their severity was a revision of our Occupational Health and Safety Policy. All distribution system managers were trained on SWMS. Training modules for other employee categories will be developed as from 2011.*

### *Safety at all times*

*Light has a range of initiatives in place to ensure that our health and safety procedures are understood and followed at all times. Our statutory Permanent Accident Prevention Committee (CPPA), comprising representatives of each area and representing 4.27% of our headcount, develops initiatives affecting 100% of our workforce, including Company and third-party employees. GRI LA6*

*Inspections are another important part of this process. We systematically conduct two major types of inspection: continual field inspections, which enable us to identify risks and develop appropriate solutions, and scheduled mega-inspections for systematic assessment of behavior, technology and equipment usage.*

*Although they do not carry the weight of audits, field inspections and mega-inspections allow us to prepare overall statistics (up to twice a month) and measure performance against targets. Action plans and solutions are developed for any critical areas requiring improvement.*

*In 2010, we introduced new protection technologies and improved our emergency preparedness, especially as related to our facilities, including by rethinking and revamping our emergency response team approach.*

*In terms of protection technology, an assessment was made – with field workers participating directly – of the personal protective equipment Light crews use at work. As a result, a number of protective equipment items used for underground work, including safety boots, hardhats and clothing, were replaced with safer and more effective models.*

*We also revised the occupational health and safety provisions of our contracts with service providers. A key improvement was the added requirement to hold safety briefing meetings involving contractor representatives on a weekly basis to discuss safety issues and their implications, each party's responsibilities and the procedures to be followed. 30 thousand individual briefing meeting attendances were reported for 2010. In addition, all third-party employees and workers are required to undergo health and safety training. GRI EU18*

## *Healthcare with a focus on prevention*

*We seek to improve the quality of life, health and ultimately the wellbeing of our employees. With a strongly preventive approach, Light has programs in place, such as the Quality of Life program and other initiatives, which encourage healthy habits in employees and their families.*

*Under our Occupational Health Management Program (PCMSO), we conduct medical exams and other initiatives related to occupational activities. In 2010, all employees took periodic health exams in Mobile Occupational Medicine Units, avoiding the need to travel to Company headquarters.*

*All senior managers (100%) were benefited by our Executive Check-up Program, in which they took 35 different medical exams on the same day and at the same place. We also conducted the 13th edition of our Flu and Respiratory Disease Prevention Campaign and a campaign for vaccination against tetanus, hepatitis, diphtheria and hepatitis B. GRI LA8*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# OTHER INTERNAL STAKEHOLDER INDICATORS

## Workforce

### Total workforce by employment type, employment contract and region

GRI LA1

| Contract type | 2008 | 2009 | 2010 |
|---|---|---|---|
| Fixed term (GREATER RIO) | 1 | - | - |
| Fixed term (REST OF STATE) | 6 | - | - |
| Fixed term (TOTAL) | 7 | - | - |
| Indefinite term (GREATER RIO) | 3,174 | 3,171 | 3,179 |
| Indefinite (REST OF STATE) | 551 | 523 | 511 |
| Indefinite (TOTAL) | 3,725 | 3,694 | 3,693 |
| Total (GREATER RIO) | 3,175 | 3,171 | 3,179 |
| Total (REST OF STATE) | 557 | 523 | 511 |
| Grand Total | 3,732 | 3,694 | 3,693 |

*Notes:(i) All employees are full time. (ii) A new Group subsidiary, LightCom, was created in São Paulo in 2010, with three employees working Uniter indefinite contracts. (iii) We have had no employees working Uniter fixed-term contracts since 2009.*

### Rate of employee turnover by age group, gender, and region

GRI LA2

| Location | 2008 | 2009 | 2010 |
|---|---|---|---|
| GREATER RIO | | | |
| Female <30 | 23 | 18 | 42 |
| Female >50 | 17 | 18 | 16 |
| Female 30-50 | 43 | 20 | 22 |
| Total Female | 83 | 56 | 80 |
| Male <30 | 42 | 36 | 76 |
| Male >50 | 110 | 83 | 67 |

| | | | |
|---|---|---|---|
| Male 30-50 | 152 | 94 | 80 |
| Total Male | 304 | 213 | 223 |
| Total <30 | 65 | 54 | 118 |
| Total >50 | 127 | 101 | 83 |
| Total 30-50 | 195 | 114 | 102 |
| Total Greater Rio | 387 | 269 | 303 |
| **INTERIOR** | | | |
| Female <30 | 9,35 | 7,89 | 19,53 |
| Female >50 | 17,89 | 18 | 15,69 |
| Female 30-50 | 9,53 | 4,11 | 4,38 |
| Total Female | 3 | 2 | 1 |
| Male <30 | 11,7 | 9 | 17,12 |
| Male >50 | 19,2 | 13,5 | 10,67 |
| Male 30-50 | 10,48 | 7,01 | 6,21 |
| Total Male | 12,76 | 9,04 | 9,45 |
| Total <30 | 10,74 | 8,6 | 17,91 |
| Total >50 | 19,01 | 14,13 | 11,37 |
| Total 30-50 | 10,25 | 6,24 | 5,7 |
| Total Interior | 58 | 39 | 24 |
| **TOTAIS** | | | |
| Total <30 | 9 | 8 | 1 |
| Total >50 | 25 | 17 | 14 |
| Total 30-50 | 24 | 14 | 9 |
| Grand Total | 445 | 308 | 327 |

## Diversity and equal opportunities

Composition of governance bodies and breakdown of employees by gender, age group and minority group membership
GRI LA13

| Race | Administrative | | | | | | Senior Management | | | | | | Middle Management | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Female | | | Male | | | Female | | | Male | | | Female | | | Male | | |
| | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | 50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 |
| Asian | 2 | 2 | | | 1 | | | | | | | | | 1 | | | 3 | |
| White | 85 | 164 | 31 | 45 | 90 | 70 | | | 1 | | | | 2 | 27 | 4 | 2 | 76 | 47 |
| Indigenous | 2 | 2 | 1 | | 3 | 1 | | | | | | | | | | | 1 | |
| Mixed race | 34 | 63 | 18 | 17 | 48 | 53 | | | | | | | | 10 | | 2 | 15 | 6 |
| Black | 8 | 19 | 4 | 4 | 16 | 5 | | | | | | | | 2 | | | 2 | 1 |
| Not Informed | | 11 | 5 | 1 | 12 | 26 | | | | | | 6 | | 6 | | | 6 | 12 |
| Total | 131 | 261 | 59 | 67 | 170 | 155 | 0 | 0 | 1 | 0 | 0 | 6 | 2 | 46 | 4 | 4 | 103 | 66 |
| Race | Administrative | | | | | | Profissional | | | | | | Técnico | | | | | |
| | Female | | | Male | | | Female | | | Male | | | Female | | | Male | | |
| | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Asian | | | | 5 | 4 | 2 | 3 | | | 1 | 1 | 2 | | | | 2 | 6 | 2 |
| White | 1 | | | 82 | 200 | 60 | 47 | 131 | 32 | 52 | 123 | 106 | 10 | 22 | 3 | 72 | 291 | 94 |
| Indigenous | | | | 2 | 3 | | 2 | | | | 1 | 1 | | 1 | | 1 | 6 | |
| Mixed race | 5 | | | 101 | 192 | 81 | 7 | 28 | 6 | 19 | 31 | 13 | 7 | 17 | 1 | 43 | 194 | 40 |
| Black | | | | 20 | 72 | 27 | 3 | 5 | | | 6 | | 2 | 6 | | 9 | 60 | 8 |
| Not Informed | | | | 9 | 58 | 63 | 2 | 10 | 3 | 4 | 8 | 17 | 1 | 2 | 1 | 3 | 49 | 21 |
| Total | 6 | 0 | 0 | 219 | 529 | 233 | 64 | 174 | 41 | 76 | 170 | 139 | 20 | 48 | 5 | 130 | 606 | 165 |

## Compensation

### Entry level wage compared to the local minimum wage at significant operating units
GRI EC5

| Location | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Av. Mal Floriano 168 (Nº de Empregados) | Unit | 1.272 | 1,337 | 1,448 |
| R. Frei Caneca 363 (Nº de Empregados) | Unit | 564 | 591 | 659 |
| R. Venceslau 192 (Nº de Empregados)* | Unit | 95 | - | 0 |
| Estr. do Tindiba (Nº de Empregados) | Unit | 228 | 204 | 188 |
| Cascadura (Nº de Empregados) | Unit | 213 | 222 | 203 |
| Triagem (Nº de Empregados) | Unit | 103 | 103 | 95 |
| Barra do Piraí (Nº de Empregados) | Unit | 144 | 136 | 136 |
| Nova Iguaçu (Nº de Empregados) | Unit | 322 | 298 | 269 |
| Piraí (Nº de Empregados) | Unit | 135 | 109 | 115 |
| Av. Mal Floriano 168 (Mínimo de Salário Base) | R$ | 470,34 | 537 | 612,72 |
| R. Frei Caneca 363 (Mínimo de Salário Base) | R$ | 723,09 | 771,36 | 731,84 |
| R. Venceslau 192 (Mínimo de Salário Base) | R$ | 730,45 | - | 0 |
| Estr. do Tindiba (Mínimo de Salário Base) | R$ | 837,65 | 884,56 | 731,84 |
| Cascadura (Mínimo de Salário Base) | R$ | 470,34 | 541,38 | 612,72 |
| Triagem (Mínimo de Salário Base) | R$ | 950,11 | 1,044,39 | 1,041,42 |
| Barra do Piraí (Mínimo de Salário Base) | R$ | 730,45 | 695 | 731,84 |
| Nova Iguaçu (Mínimo de Salário Base) | R$ | 837,65 | 884,56 | 772,82 |
| Piraí (Mínimo de Salário Base) | R$ | 1,068,87 | 1,044,39 | 1,099,75 |

** The unit at R. Venceslau 192 was deactivated in 2010*

### Ratio of basic salary of men to women by employee category
GRI LA14

| Employee category | 2008 | 2009 | 2010 |
|---|---|---|---|
| Administrative | 102 | 117 | 114 |
| Middle Management | 112 | 112 | 105 |
| Operations | 108 | 128 | 123 |
| Professional | 111 | 108 | 106 |
| Technical | 157 | 120 | 118 |

## Retirement

Light sponsors Fundação de Seguridade Social Braslight, a non-profit, closed private pension fund created in 1974 to provide retirement benefits to Company employees and pension benefits to their dependents. Complete pension plan rules, specifying benefits and required contributions, are available on the Braslight website at www.braslight.com.br. GRI EC3

Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region
GRI EU15

| | Administrative | | | Middle Management | | | Operations | | | Professional | | | Technical | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Time range (years) | | | Time range (years) | | | Time range (years) | | | Time range (years) | | | Time range (years) | | |
| Region | < 5 | 5 – 10 | Grand Total | < 5 | 5 – 10 | Grand Total | < 5 | 5 – 10 | Grand Total | < 5 | 5 – 10 | Grand Total | < 5 | 5 – 10 | Grand Total |
| Greater Rio | 12,67 | 6,55 | 19,22 | 28,00 | 10,55 | 38,55 | 16,23 | 9,99 | 26,22 | 19,90 | 11,40 | 31,30 | 14,42 | 7,69 | 22,11 |
| Rest of State | 19,57 | 6,52 | 26,09 | 39,13 | 4,35 | 43,48 | 29,52 | 20,48 | 50,00 | 37,93 | 10,34 | 48,28 | 25,36 | 13,04 | 38,40 |

**Formula = Number of retirable employees by region and age / Total by Region ** Not including former employees who retired due to disability or officers.*

## Health and Safety

Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region
GRI LA7

| Region | 2008 | 2009 | 2010 |
|---|---|---|---|
| Greater Rio | 3,81 | 4,06 | 5,24 |
| Rest of State | 3,83 | 0,8 | 0 |
| **Greater Rio** | | | |
| Total employees | 3.169 | 3.171 | 3.164 |
| Number of Injuries - Typical | 13 | 22 | 22 |
| Lost Days | 124 | 205 | 166 |
| Days Deducted | 0 | 0 | 0 |
| Injury Rate (Occupational Injuries and Diseases) | 2,05 | 7,72 | 3,4 |
| Lost days rate | 20 | 71 | 26 |
| Fatalities - Typical | 0 | 0 | 0 |
| Number of Fatalities - Commuting | 22 | 23 | 35 |
| Fatalities - Commuting | 0 | 0 | 0 |
| **IRest of State** | | | |
| Total employees | 472 | 523 | 529 |
| Number of Injuries - Typical | 5 | 1 | 0 |
| Lost Days | 21 | 15 | 0 |
| Days Deducted | 0 | 0 | 0 |
| Injury Rate (Occupational Injuries and Diseases) | 5,29 | 11,21 | 0 |
| Days Lost Rate | 22 | 15 | 0 |
| Fatalities - Typical | 0 | 0 | 0 |
| Number of Fatalities - Commuting | 0 | 0 | 0 |
| Fatalities - Commuting | 0 | 0 | 0 |
| **Third-Party Workers** | | | |
| Fatal | 3 | 3 | 2 |

| | | | |
|---|---|---|---|
| Non-fatal | 84 | 84 | 66 |
| Total | 87 | 87 | 68 |




# Continuing Client Focus

Providing customers with efficient, convenient and innovative services is the primary goal of the various customer relations and service channels we offer

## Innovative customer service

*To us, good customer service means anticipating customers' needs and developing and offering efficient and innovative solutions to meet those needs. This frame of thinking was our guide in a series of customer-oriented initiatives in 2010. GRI EU23*

*Two significant initiatives during the year were our new 'Light Now' service and our partnership with Cielo, a POS terminal network. Light Now is a new 24h emergency SMS message service that became operational in the second half of 2010. In the event of a power outage, customers can now send an SMS message with their customer code to the number 54448, and the company returns an SMS message explaining what will be done in response.*

*From deployment, in August, to December 31, the volume of SMS messages increased 700%, and its share in our emergency support services reached 5%.*

*Our partnership with Cielo allows customers to pay overdue electricity bills in up to 60 installments. Designed for low-voltage customers, the new Direct Customer Credit service is a pre-approved credit facility provided by the issuing banks of Visa Electron cards. The number of installments requires approval from the issuing bank and the facility is initially available only to customers holding bank accounts with Banco Bradesco and Banco do Brasil.*

*To use this facility, customers can go to any of our 26 Commercial Offices with their Visa Electron cards and simulate the payment terms established by their banks. After completing the transaction, the customer is given a statement of costs, including interest, which varies from bank to bank. The facility limit is also established by the bank on a customer-to-customer basis.*

### In harmony with the environment

The pamphlets and brochures available at our customer service offices are produced from wood harvested from renewable eucalyptus plantations dedicated to this purpose. This is explained on the back of each pamphlet.

## Service channels: prompt and efficient

*Providing customers with efficient, convenient and innovative services is the primary goal of the various customer relations and service channels we offer. They include:*

***Service Offices:** 40 in total, with another 5 scheduled to open by March 15, in 31 municipalities in our service area*

***Mobile Service Desk:** our mobile service desk is an adapted van that makes prescheduled visits announced in advance to customers. A total of 1200 service requests were received on 45 occasions in 2010.*

***Virtual Service Desk:** an online service channel providing a range of services and information. Customers can look up and print overdue bills, request re-connections, change their personal details or electricity load, and report fraud. In 2010, 2.7 million service requests were handled at www.light.com.br.*

***Clique-Light:** this is a live chat support service available from our website. The service operates from Mondays through Fridays, from 8 a.m. to 8 p.m., and handled 73 thousand service requests in 2010.*

## New Call Center

The inauguration of our new call center was a highlight in 2010. Opened under the motto "Positive Energy -- More Power for Rio", the unit has 560 service agents and 250 stations capable of handling up to 6.7 million commercial and emergency calls per year.

***Automatic Service:*** *36 automatic service terminals at our service offices allow customers to view overdue bills, their consumption history, personal details, current tariffs and pricing and a list of service offices. Customers can also print out second copies of their bills, authorize their bills to be automatically charged to their bank accounts, change the monthly due dates of their bills and request settlement certificates. This service channel handled 950 thousand service requests during the year.*

***Help Desk Number (Disque-Light):*** *our toll-free number (0800 282 0120) is a 24-hour service that allows customers to request information on products and services, their bill amounts, second copies of lost bills, changes to their personal details, disconnection, reconnection, new monthly due dates and other services. 3.5 million customers were serviced through this channel in 2010.*

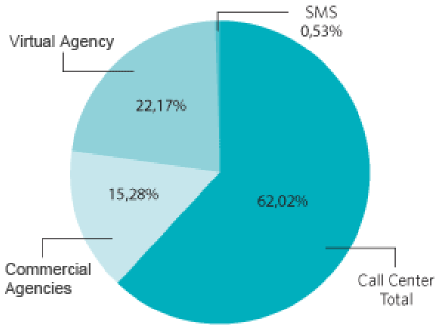
***Emergency:*** *our emergency toll-free number (0800 021 0196) is available 24 hours a day to report incidents such as outages, ruptured wires, defective transformers, tree branches or other objects on power lines, underground system hazards such as fire or loose manhole covers, illegal connections and fraud. 4 million customers were serviced through this channel in 2010.*

***Paid Postage:*** *this free service sends documents requested by customers via our toll-free number, virtual helpdesk or commercial offices.*

***Ombudsman's Office:*** *this service is for customers unable to solve problems through our other service channels or wishing to make suggestions or complaints about our services. Customers can contact the Ombudsman's Office Mondays through Fridays, from 8:30 a.m. to 5 p.m., by calling a toll-free number or filling out a form on our website.*

In addition to these channels, Light also provides fax service (21 - 2588-0046 and 2588-0048), institutional webpages and social media channels, such as Facebook and Twitter.

Service volume per channel




## Inclusion and Diversity

All our Virtual Helpdesk / Live Support agents are people with disabilities.

### Accessibility

GRI EU24

Light also sees to the needs of people requiring special service. 11 of our major service offices have been fitted with tactile signage – consisting of adhesive Braille characters or figures placed on floors, hand rails, stairways and doors – for people with visual disabilities. These customers can also request their Light bills in Braille through our Email, Clique-Light or Disque-Light Commercial services, or at one of our service offices.

For customers with hearing or speech disabilities, Light provides a free 24h toll-free telephone number for the deaf, a chat-style communications service. Service agents at seven of our major service offices are also trained on sign language.

### Innovative programs

*Light customers are also benefited by innovative programs and promotions developed jointly with a variety of partners. Key initiatives developed in 2010 include:*

***'Relationship Agents'– Light going where you are:*** *this is a unique, proactive, in-person service for customers affected by an outage in a given area. Light's Mobile Service Desk is positioned near the affected area and relationship agents – furnished with pamphlets, questionnaires and other necessary forms – visit customers to answer questions, collect suggestions, provide instructions on claiming damages and respond to other service requests. Other service channels are also available, including telephone, e-mail, fax and document delivery service.*

***Exclusive Campaigns and Communication:*** *In addition to our customary public utility campaigns, which provide essential information on electrical safety, power savings and rights and duties, we also develop promotions with partners that provide customers with exclusive benefits. Through partnerships with companies such as Espaço Z, Niely and Procter&Gamble, consumer-products, tickets to the movies and special discounts are offered to customers who charge their bills automatically to their bank accounts, who pay their bills on time or who use Visa Electron to pay their bills.*

### Quality

Light is the first company in the power sector to be certified as "Customer Friendly". This certification, an initiative of the Brazilian Customer Relations Institute (IBRC), uses undercover auditors to evaluate our performance in aspects such as Office Appearance, Agent Presentability and Service. Certification awarded one year is valid for the subsequent year, when the company becomes eligible to use the certification seal.

All commercial offices evaluated for 2009 and 2010 have been certified.

Our service quality has also been measured in other surveys conducted by IBRC. In an Exame-IBRC Customer Service Survey conducted in 2010, Light ranked first among power sector companies (Brazil) and in Globo-IBRC Virtual Helpdesk Survey, also conducted in 2010, Light was given an 85% approval rating.

Our staff are trained to ensure our service channels deliver higher-quality service. 110 thousand training hours were administered to 3,400 service agents in 2010.

## Satisfaction surveys

Our retail service is assessed by three annual satisfaction surveys: the ANEEL Customer Satisfaction Rate (IASC) survey, the Light Service Satisfaction Rate (ISES) survey, and a survey conducted by the Brazilian Association of Power Distribution and Supply Companies (ABRADEE), which generates a Perceived Quality Satisfaction Rate (ISQP), a Customer Approval Rate (IAC) and a General Satisfaction Rate (ISG). In the wholesale segment, we also conduct our own Large Customer Satisfaction Survey.

Extremely high temperatures and underground system problems in the beginning of 2010 led to power outages which generated customer dissatisfaction and concerns. This affected the results of some of the satisfaction surveys conducted during the year. Despite the obstacles, however, an important survey found that customers perceived the company's commitment to be open about these challenges and develop adequate emergency and medium-term solutions. Our ANEEL Customer Satisfaction Rate was 67.6%, the highest in our history, against 64.2% the previous year.

Our communication efforts and improvement strategies are described in "Light, uma empresa de energia" and "Comunicação e transparência". GRI PR5

### Satisfaction surveys

| Survey | 2008 | 2009 | 2010 |
|---|---|---|---|
| Aneel Consumer Satisfaction Rate (IASC) | 56.2 | 64.2 | 67.6 |
| ABRADEE Perceived Quality Satisfaction Rate (ISPQ) | 72.5 | 75.3 | 68.5 |
| ABRADEE Customer Approval Rate (IAC) | 64.2 | 67.8 | 55.7 |
| ABRADEE General Satisfaction Rate (ISG) | 69.8 | 77.8 | 66.6 |
| Regional Customer Satisfaction Rate | 92.2 | 89.8 | 87.0 |
| Large Customer Satisfaction Survey | 77.1 | 71.7 | 65.6 |

## Power quality indicators

Two ANEEL-regulated indicators – Equivalent Outage Duration per Customer (DEC) and Equivalent Outage Frequency per Customer (FEC) – measure power supply continuity per customer.

In 2010, our service area was divided into 67 geographically bounded areas. The overall targets established by ANEEL for the period were 9.95 for DEC and 8.77 for FEC. Our DEC of 11.33 and FEC of 5.76, below the target established by ANEEL, reflected the power outage problems we faced during the first months of 2010. In 2011, the survey will be divided into electrical regions representing customers receiving power from the same substation.

### DEC and FEC Performance in 2010

| INDICATOR | REGULATORY TARGET | OVERALL |
|---|---|---|
| OVERALL DEC 2010 | 9.95 | 11.33 |
| OVERALL FEC 2010 | 8.77 | 5.76 |

### DEC and FEC
GRI EU28, EU29

| | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| FEC | number of outages | 7 | 6 | 5,76 |
| DEC | hours | 11 | 10 | 11,33 |

## Customer Health and Safety

GRI PR1

Light devotes special attention to protecting our customers' health and safety in every stage of our activities and in accordance with the regulations applicable to our industry. We conduct awareness campaigns on the safe use of electricity and the hazards of dangerous activities, such as flying kites near transmission lines or releasing unmanned hot air balloons. We also provide our customers with information on how to request emergency services in the event an electric fire or short-circuit affecting our distribution system or underground chambers, and instruct them never to work on power systems without the assistance of trained professionals.

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome GRI PR2

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Lawsuits resulting from injuries involving consumers – General Litigation Database | 69 | 50 | 52 |

Customer health and safety indicators
GRI EU25

| Indicator | 2008 | 2009 | 2010 |
|---|---|---|---|
| Total number of nonfatal injuries involving consumers | 33 | 23 | 42 |
| Total number of fatal injuries involving consumers | 11 | 8 | 11 |
| Lawsuits resulting from injuries involving consumers – General Litigation Database | 69 | 50 | 52 |

### Customer privacy

GRI PR8

Protecting customer privacy is a requirement under our Code of Ethics and a commitment undertaken by each of our employees and third-party service providers. We also comply with privacy regulations established by ANEEL and the Brazilian Consumer Defense Code. No complaints were made in 2010 regarding breaches of customer privacy and losses of customer data.

### Fines

The monetary value of significant fines and total number of non-monetary sanctions for non compliance with laws and regulations in 2010 was R$ 36.22 million. GRI SO8Penalties imposed by the industry regulator, ANEEL, were R$ 28.60 million. GRI PR9

## Large Customers

Efficiency and innovation are principles that also underpin our service to Large Customers, defined as any customers directly connected to Medium and High Voltage Systems and Government and Public Services, which we provide with exclusive and tailored service.

A highlight in 2010 was the deployment of our new Large Customer Help Desk. This online channel provides access to industry specialists who service customers according to their specific needs. Large customers can also use the virtual helpdesk to requests services such as additional copies of lost bills, changes to registration details, load and due date changes, disconnection or reconnection, repairs and information on consumption.

Light's Large Customer Service also provides advisory services to customers in two groups:

Corporate Customers:created in 2002, this service is for customers exceeding R$ 1 million in electricity costs per year and includes regular visits, scheduled meetings and business events.

Large Customer Area: launched in 2007, this service is for customers not exceeding R$ 1 million per year in electricity costs, who can request assistance from industry specialists by calling (21) 2216-2316. The Large Customer Area is available Mondays through Fridays.

### Energia Plus gives large customers greater flexibility

Another highlight in 2010 was the relaunch of Energia Plus (EPlus), an additional electricity package that provides greater power supply flexibility during peak hours – from 5:30 p.m. to 8:30 p.m. – when high-voltage customers pay higher rates.

This product will benefit Group A customers paying hour/season-based rates (i.e. medium or high voltage customers with different contract rates for peak and off-peak periods).

In addition to competitive pricing, EPlus provides the advantages of clean and nonpolluting electricity, unlike power produced by diesel generators.




# Suppliers: valuable partners

By establishing mechanisms to measure the performance of third-party products and services, Light extends to every phase of our business the same level of compliance in matters of health, safety and social and environmental responsibility as we require of our own operations

## New contracts drive local development

*Growing together and driving development. This is the view we take of our relations with suppliers, a two-way street from which both sides benefit. To ensure their efficiency, Light establishes clear processes and requires a set of commitments, including the commitment not to employ child labor, slave labor or labor analogous to slavery, and to fully comply with labor, environmental and tax laws and regulations. GRIHR6, HR7*

In 2010, we reformulated our third-party processes and established a new Supplier Management system designed to ensure integration, especially the integration of third-party employees.

*A new standard agreement was prepared last year for activities directly affecting our services – such as maintenance, connection, disconnection and expansion – that is both suited to our needs and practicable for contractors. It was presented first at an internal event where employees and managers were invited to provide input within their fields of experience, and later at an event for contractors, allowing them to discuss and gain a proper understanding of the new rules.*

*The new agreement establishes important provisions governing every phase of our relations with suppliers. A new database now provides complete statistics on each supplier, including the training received by employees used in our service, their performance, the reasons for any terminations, and reports on corruption. GRI SO4*

Targets and penalties have now been established that meet the specific needs of the departments employing these services. We also introduced a bonus system as a way of rewarding suppliers across our business chain for performance and commitment.

## Profile

Among our 3,555 suppliers, from which we purchased R$ 3.038 billion in products and services in 2010, Light gives preference to local businesses and labor. The proportion of spending on suppliers based in Rio de Janeiro increased to 55.53% (1,530 local businesses) in 2010 from 46% (692 businesses) in 2009. GRI EC6

Largely accounting for this substantial increase were the massive amount of labor, research and development services, materials and equipment required for our investments in expanding and improving operations in our service area.

Significant Contractors and suppliers (contract value exceeding R$ 1 million) GRI hr2

| Type | 2008 | 2009 | 2010 |
|---|---|---|---|
| Companies contracted (Material | 529 | 487 | 2.676 |
| Companies contracted (Service) | 668 | 458 | 1.140 |
| Companies contracted (Total) | 1197 | 945 | 3.816 |
| Suppliers with orders of over R$1MM (Service | 79 | 64 | 128 |

| | | | |
|---|---|---|---|
| Suppliers with orders of over R$1MM (Total) | 124 | 98 | 193 |
| Suppliers with orders of over R$1MM (Material) | 45 | 34 | 65 |

Proportion of spending on suppliers EC6

| State | Amount (R$) | No. of Suppliers | % of expense | % location |
|---|---|---|---|---|
| Rio de Janeiro | 1.687.255.727,82 | 1.530 | 55,53 | 43,04 |
| São Paulo | 974.747.629,64 | 1.405 | 32,08 | 39,52 |
| Paraná | 176.308.683,35 | 160 | 5,80 | 4,50 |
| Minas Gerais | 63.302.259,02 | 166 | 2,08 | 4,67 |
| Rio Grande do Sul | 31.669.408,23 | 95 | 1,04 | 2,67 |
| Santa Catarina | 26.336.840,28 | 67 | 0,87 | 1,88 |
| Ceará | 22.741.454,12 | 10 | 0,75 | 0,28 |
| Bahia | 9.068.221,48 | 53 | 0,30 | 1,49 |
| Espírito Santo | 7.855.607,68 | 31 | 0,26 | 0,87 |
| Mato Grosso do Sul | 4.092.256,11 | 3 | 0,13 | 0,08 |
| Distrito Federal | 3.589.880,00 | 10 | 0,12 | 0,28 |
| Pernambuco | 3.172.560,89 | 8 | 0,10 | 0,23 |
| Rondônia | 45.220,00 | 2 | 0,00 | 0,06 |
| Rio Grande do Norte | 45.000,00 | 1 | 0,00 | 0,00 |
| Mato Grosso | 26.085,00 | 1 | 0,00 | 0,00 |
| Imported | 27.981.890,44 | 13 | 0,92 | 0,37 |
| Grand total | 3.038.238.724,05 | 3.555 | 100,00 | 100,00 |

## Quality begets quality

*By establishing mechanisms to measure the performance of third-party products and services, Light extends to every phase of our business the same level of concern and compliance in matters of health, safety and social and environmental responsibility as we require of our own operations. Light has organized Annual Supplier Meetings since 2008, encouraging suppliers to share experience and develop joint solutions. The event is also a venue for our Light Supplier Quality Awards, which recognize outstanding supplier performance. 11 suppliers were awarded in 2010. The year also saw the second edition of our Light Quality Assurance Certification Program, another initiative to encourage and recognize supplier quality, created in 2009. Three companies were certified in each edition.*

*Our "Zero Waste Project" is another initiative reflecting our commitment to sustainability. Jointly developed by Light and Reluz Logística Reversa, this project is designed to salvage materials removed from our power distribution and transmission systems. Since 2009, when the program was initiated, more than 1 thousand metric tons of aluminum cables have been recycled (443 metric tons in the first year and 665 in 2010) and 30 thousand utility poles and cross arms have been either recycled or salvaged, reducing the environmental impact of our operations. Materials are either salvaged for use by Light or sent to other companies for salvaging or reprocessing. The Zero Waste Project also created 160 direct jobs last year, more than double the number of jobs (70) in 2009. GRI EN26*

*"Zero Inventory", another project capitalizing on partnership, is an agreement under which suppliers of items such as poles, hardware, connectors and cables keep their own inventory at Light's facilities in sufficient quantities to ensure a quick response to emergencies.*

*Light is responsible for coordinating pricing formula reviews as a member of the COGE Foundation industry specialist Working Group responsible for updating the prices of equipment and materials such as copper, aluminum, zinc and lead.*

Fostering innovation is another important part of our relations with suppliers, which are encouraged to develop products utilizing cleaner and less environmentally impacting technologies.

Our Research & Development plays an important role in managing joint research projects for the development of more efficient solutions. A case in point were the Polymer Spacers recently developed to deliver better performance than the models available in the market. Light estimates that, in addition to other benefits, they will reduce annual replacement and preventive/corrected maintenance requirements from 8% to 1%. Another highlight this year was the development of a tamper proofing device that changes its color when tampered with. Utility poles made of fiberglass and resin from recycled PET bottles are another example of innovation combining with sustainability.

Light's suppliers have also been invited to join the Carbon Disclosure Project (CDP), created in 2000 to encourage businesses to reduce greenhouse gas emissions. Organizations around the world voluntarily disclose their strategies to reduce or eliminate greenhouse gas emissions into the atmosphere. Light has received permission from CDP to pass the disclosure questionnaire on to our suppliers, in order to map the carbon emissions of our entire value chain. 155 companies were sent the disclosure form in 2010 and 26 responded.

One of our primary goals for 2011 is to make our contracting processes more efficient and effective and continue developing our Supplier

Management processes, including an IT platform providing a real-time, integrated view of our supplier database and the status of each project or contract.

We will also improve our communication with suppliers by establishing a dedicated communication channel for suggestions, complaints and reports (such as on incidents of nonconformity or corruption), including anonymous reports.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# Communication and Transparency

Last year's Light Connection campaign used a casual, but objective approach to explaining the complexity of the utility business, the challenges Light faces on a daily basis and what we have been doing to surmount them

## More Power to Rio

*The summer of 2010 was marked by record-breaking temperatures in Rio de Janeiro. Higher power demand for air-conditioning and a vast and complex distribution system, with high rates of theft, were some of the reasons behind the power supply issues affecting our service area.*

*To mitigate our customers' dissatisfaction, we developed a comprehensive action plan with two major components: the first, immediate component consisted of deploying task forces on various fronts to provide customer support and reestablish power supply. The second component involved developing short and medium-term strategies to solve our infrastructure issues, which required substantial investment in personnel and training, state-of-the-art technology and process optimization.*

*Light then launched a major campaign to present these issues to society and establish a new approach to our communication and relations with customers and other stakeholders. Dubbed "More Power to Rio", the campaign was launched in the second half of 2010, with a focus on the works being conducted in Copacabana and Leblon. The worksites also featured visual communication, including specially designed perimeter fences. Construction contractors received special training on how to interact and communicate with the local community.*

*Concurrently, we conducted a door-to-door campaign to provide information to customers in affected regions. Light agents delivered "building manager kits" containing a letter and posters announcing and explaining the improvement works and their schedules. Announcements were also made in large readership and freely distributed newspapers, and through outdoor advertising.*

## Images speak more than words

*Light has identified the need to take our communication and relations with customers and society to a higher level by providing them with a better understanding of our activities. Last year, we developed an innovative campaign consisting of 10 videos and 10 radio spots, dubbed 'Light Connection', which used a casual, but objective approach to explain the complexity of the utility business, the challenges we face on a daily basis and what we have been doing to surmount them.*

*The campaign was broadcast 114 times on television and 440 times on the radio, as well as on social networks. The Internet, a valuable tool for disseminating our message and enhancing our relations, played an important role in generating positive results and remained as a permanent channel of interaction with our stakeholders.*

### Light Connection

Our Light Connection portal ( www.conexaolight.com.br ) provides energy efficiency tips and news about us, our programs and activities. It also features the videos produced in 2010, which use images and plain language to describe the various aspects of our business and its peculiarities, including:

1. New technologies – our smart grid program, the concepts of energy efficiency, and the capabilities a smart grid will provide for interaction between Light and our customers;
2. Electricity and environmental commitment – a video about the projects being developed in the Lajes Complex to increase our generating capacity in a sustainable and environmentally friendly manner;
3. A diverse company – a video about our relations with and commitments to employees and the role people have in our everyday operations;
4. Santa Marta – the story of our successful partnership with the government to improve living quality in pacified communities;

5. Underground chambers – a presentation of the ongoing work in underground chambers and the benefits provided by investments in modernization;
6. Call center – a video describing the communication and service channels available to customers;
7. Efficient community – our initiatives as part of the Efficient Community Program developed in Chapéu Mangueira and Cidade de Deus;
8. Investments – a presentation of Light's investments toward improving our power systems (R$ 510 million per year) and our efforts to reduce outages in the summer of 2010/2011;
9. Energy efficiency – our energy efficiency solutions and examples of projects developed for the government;
10. Perdas – the hazards and damages caused by illegal connections in Rio de Janeiro and how this affects the proper operation of our overall power system.

## Digital TV and other communication and information channels

Digital TV, a new communication channel designed for employees, was another highlight in 2010. A feature of our business is that many of our employees work outside the company and often do not have daily access to e-mail and the Internet. .

To remedy this deficiency, 20 TV sets were installed at the Marechal Floriano and Frei Caneca units to provide a readily accessible means of communicating information on corporate matters, our projects and the power sector. Our Digital TV programming includes institutional campaigns and tips on labor issues, health and safety, energy efficiency, and other topics. In the second phase of the project, another 22 sets will be installed, including at service offices.

Our business transparency is enhanced by the open and proactive relationship we maintain with our stakeholders through the following communication channels:

Websites: www.light.com.br and www.conexaolight.com.br;
Magazines:
Eficiência Energética: launched in November 2010, this annual energy efficiency magazine features news about our projects and performance in the Energy Efficiency Program (PEE);
Saber: this annual publication, last year in its second edition, features news and information about research and development.
Reports: annual Sustainability Reports, as well as Social & Environmental Responsibility Reports for Light SESA and Light Energia;
Other communication and integration channels: electricity bills, brochures, advertising, agent visits, service offices, radio, TV and social media;
Publications: in 2010 we launched a book, Light nas Comunidades, describing the background and evolvement of our Efficient Community Program.

### Communication management at Light

Any and all communication is governed by standards requiring compliance with local laws and regulations on communication and marketing, transparency and respect for our stakeholders. In addition, we subscribe to the Council on Ethics and Standardization (CENP), which regulates advertising and its remuneration in Brazil, and to the Broadcasting and Publishing Institute (IVC) with regard to the approval of communication vehicles, statistical use of audit data and metrics systems.

In all cases, Light maintains open and unimpeded communication to impart new and essential concepts to its various stakeholders. GRI PR6




# Environmental Commitment

## Environmental protection is ingrained in our DNA

*The Paracambi Small Hydropower Project is an example of how environmental commitment permeates our activities. Initiated in 2009, every stage of the project has been controlled by our Environmental Management Program to ensure the highest standards of excellence and environmental quality, from construction to operation. With a total of 17 social and environmental initiatives to be implemented during and after completion of construction work, the program included contractor training on environmental requirements and a comprehensive Social Communication Program to periodically inform the local community about our activities in the region.*

*Initiatives within the program included weekly environmental supervision reports and identification, guidance on, and permanent correction of inappropriate procedures. Weekly meetings were held with the construction consortium (Consórcio Construtor Paracambi – CCPA) to discuss the activities established in the Worksite Environmental Plan and Degraded Area Recovery Program (PRAD). The topics discussed in these meetings include worker safety, waste disposal and risk management and emergency response plans. GRI EU21*

*The project's basic environmental specifications establish requirements for before, during and after construction, including access roads, worksite facilities, concrete batching plants, clearing, and recovery of degraded areas.*

*An Environmental Education Program has also been implemented within our overall Social Communication Program to develop educational initiatives directed to the community surrounding the reservoir. This initiative raises awareness of the importance of environmental preservation and the new landscape that will be created by the reservoir and reforested areas.*

To make our communication more effective, Light produced and distributed 1,000 copies of a project description brochure and 1,300 copies of an illustrated children's booklet titled "Energy from Rio", for students in the surrounding communities.

*Erosion, aggradation, deforestation, waste, effluents, dust and noise are some of the potential impacts of our project that are constantly monitored, and corrective action is taken to address any issues. A specialist firm, duly authorized by the relevant regulator, has been retained to collect, transport and dispose of worksite waste. Waste segregation bins have also been distributed throughout the worksite.*

With a total surface area of 2.35 km2, the Paracambi reservoir will be 3.13 meters deep and have an estimated volume of 6.969 billion cubic meters. A Water Quality Monitoring Program is in place to monitor the river's water properties and take corrective action as necessary throughout the project, as well as a Reservoir Area Clearing and Disinfection Program, in which workers clear the reservoir area to ensure proper plant performance once the reservoir is filled.

*The project's Reforestation Program, covering an area of 50 ha, will create protected environments and feeding grounds for land and water-dwelling animals, preserving biodiversity and improving water quality in the reservoir. Institutions were initially contacted for instructions on how to handle and where to take previously identified animal species occurring in the region. When clearing vegetation, any animals found were dispersed with no physical interference. Animals were only captured if injured, trapped or slow to move. Animals in good physical condition were taken to release areas. A total of 12 animals – 8 vertebrates and 4 invertebrates – were captured. Of these, 10 were released into the environment, 1 was sent for veterinary care and 1 died and was sent to the Rio de Janeiro University's National Museum (MNRJ). GRI EN12 EN13 EN14*

## Attention to local communities

*The population affected by the Paracambi Small Hydropower Project has been given support since 2007 under a dedicated program that provides information and assistance in purchasing properties and relocating displaced families on their own properties or to other properties in the region.*

*A survey identified 250 people directly affected by the project. In the relocation process, which began in 2009, 74 properties have been vacated to date. One property owner's process was completed in 2010, and the remaining processes should be completed in 2011. GRI EU22{end-link Number of people physically or economically displaced and compensation, broken down by type of project, EU20*

Our commitment to the local population also includes offering opportunities for economic development by creating jobs. Light has registered, selected, trained and hired professionals from the local community since the project began. Nearly 60% of our workforce communitywas locally hired as of year-end 2010.

### Creativity, innovative engineering, and environmental awareness in Lajes

Another project that has been an emblem of our commitment to the environment and to developing innovative and low-impact solutions is the Lajes Complex Expansion. In 2010, work was completed on a 1.7 m diameter penstock running 1.5 km through an area that is home to 6% of Rio's surviving Atlantic Moist Forest. This and the fact that 96% of Rio's water supply flows through the Lajes Complex posed two major challenges for this R$ 30 million project: not damaging the environment and not interrupting Rio's water supply.

Light invested in technology and training to minimize environmental impacts. A crane was erected amid the forest so penstock sections could be installed without disturbing the vegetation. In total, 300 people were trained to work as environmental and safety agents. Through classroom sessions and drills designed to train awareness agents and multipliers, they learned the basics of environmental impacts, environmental legislation and licenses, waste management and occupational safety. 180 participants were hired as agents. GRI EU21

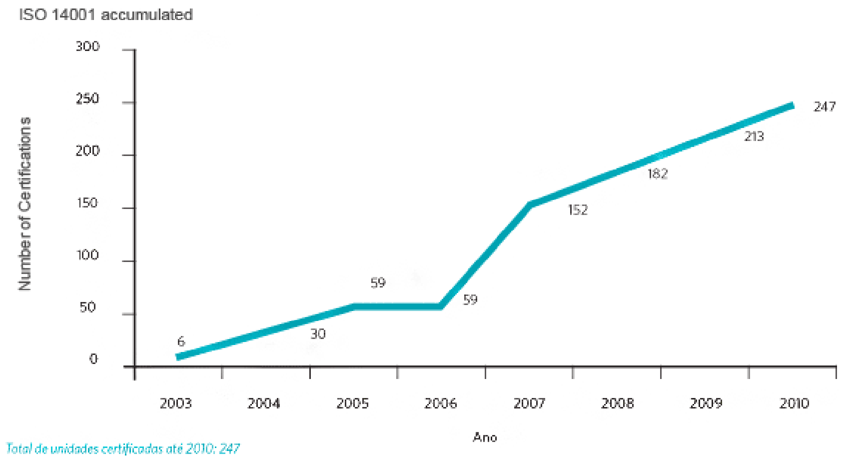
# Environmental Management

Light has an Environmental Management System (EMS) based on ISO 14001 in place since 2001. It is designed to prevent risks, establish standards for our activities, ensure environmental compliance, and avoid penalties, project stoppage, environmental incidents, legal action and damages to our image.

All our plants have Environmental Management Systems in place and are certified to OHSAS 18001. GRI PR1

34 units were certified to ISO 14001 in 2010, exceeding our 20-unit target for this phase of the program, and another 101 units were recertified. The certification process was fully supported by several of our teams, who assisted in implementing the required changes.

## Light's EMS Certification History




## Environmental education

Raising environmental awareness among our employees, their families and the communities in our service area is another commitment we have undertaken. In 2010 we established a partnership with Projeto Sementes, a project that teaches children the importance of environmental responsibility in their everyday activities. 24 students from public schools in Jacareí attended a four-month course on ecology, the environment, fauna, flora, pollution and global warming. The class also visited the Santa Branca Plant and received 100 seedlings of Atlantic Moist Forest species to plant.

Children's Day, in October 2010, was observed with a focus on environmental awareness. Nearly 1,000 people, including company employees and their families, participated in a series of educational activities such as plays and games related to environmental preservation. Organized under the theme "Planting Seeds of Good", the event ended with each participant receiving a Golden Trumpet tree seedling to plant.

Light also organized observance and engagement events on holidays such as Arbor Day, World Water Day and Earth Week. During the latter, Light organized activities that included seminars on solid waste management and environmentally friendly consumption, guided student tours of our tree nurseries at the Lajes Complex and distribution of 1,000 Golden Trumpet tree seedlings.

## Environmental investments

Light spent R$ 28.67 million on environmental management in 2010, 43.6% more than the R$ 19.96 million invested in 2009. These investments were largely directed to repairing leaks in equipment insulated with SF6 (Sulfur hexafluoride) gas (R$ 3.49 million), urban tree canopy (R$ 13.55 million) and slope stabilization (R$ 1.98 million).

Total environmental protection expenditure and investments by type (R$ thousand) GRI EN30

| Type of investment | 2008 | 2009 | 2010 |
|---|---|---|---|
| Substation and Power Line Maintenance and Safety | | | |
| SESA | 4.286 | 4.585 | 2.510 |
| Energia | NA | NA | NA |
| Total | 4.286 | 4.585 | 2.510 |
| Environmental Education | | | |
| SESA | 31 | 60 | 16 |
| Energia | NA | NA | NA |
| Total | 31 | 60 | 16 |
| Environmental Projects | | | |
| SESA | 1.359 | 1.311 | 5.434 |
| Energia | NA | NA | NA |
| Total | 1.359 | 1.311 | 5.434 |
| Environmental Licensing | | | |
| SESA | 34 | 305 | 156 |
| Energia | 109 | 160 | 221 |
| Total | 143 | 465 | 377 |
| Other - Consultancy, Seminars and Audits | | | |
| SESA | 21 | 42 | 21 |
| Energia | NA | NA | NA |
| Total | 21 | 42 | 21 |
| EMS Implementation and Maintenance | | | |
| SESA | 871 | 1.078 | 572 |
| Energia | 711 | 761 | 756 |
| Total | 1.582 | 1.839 | 1.328 |
| Urban Tree Canopy | | | |
| SESA | 6.480 | 7.035 | 13.554 |
| Energia | NA | NA | NA |
| Total | 6.480 | 7.035 | 13.554 |
| Slope Stabilization | | | |
| SESA | NA | NA | NA |
| Energia | 1.746 | 1.875 | 1.980 |
| Total | 1.746 | 1.875 | 1.980 |
| Plant removal | | | |
| SESA | NA | NA | NA |
| Energia | 1.124 | 1.411 | 1.326 |
| Total | 1.124 | 1.411 | 1.326 |
| Legal compliance | | | |
| SESA | - | 498 | 421 |

| | | | |
|---|---|---|---|
| Energia | NA | NA | NA |
| Total | - | 498 | 421 |
| Research & Development | | | |
| SESA | 793 | 681 | 1.020 |
| Energia | 442 | 163 | 692 |
| Total | 1.235 | 844 | 1.712 |
| Total investments | 18.006 | 19.965 | 28.678 |
| Total investments - SESA | 13.875 | 15.959 | 23.703 |
| Total investments - Energia | 4.131 | 4.370 | 4.976 |

## Environmental indicators

### Materials

In 2010, consumption of certain materials and equipment, such as transformers and cables, increased on account of our overhead and underground system expansion and improvement projects.

Materials used by weight or volume GRI EN1

| Type of material | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Transformers | unit | 6,731 | 8,480 | 11,286 |
| Concrete poles | unit | 10,601 | 20,902 | 8,889 |
| Wooden poles and crossarms | unit | 46,574 | 2,440 | 3,978 |
| Network protectors | unit | 23 | 36 | 94 |
| Meters | unit | 152,731 | 153,767 | 152,941 |
| Reclosers | und | 140 | 193 | 164 |
| Insulators | unit | 158,824 | 298,643 | 69,934 |
| Connectors, terminals and fittings | unit | 2,811,380.00 | 3,390,717.00 | 2,588.326 |
| Cables | kg | 41,688.98 | 38,846.00 | 54,716.05 |
| Mineral Oil | L | 124,046 | 12,353 | 89,076 |

A pioneering material salvaging and recycling initiative, the Zero Waste Project, has both improved our product management practices and created job opportunities and income. Developed in partnership with Reluz Logística Reversa, the project employed 160 people as of the end of 2010.

In 2010 alone, 731 metric tons of ferrous metals were removed, of which 329 were sent for recycling and the rest reutilized, saving the 377 metric tons of iron ore, 58 of charcoal and 7.3 of limestone that would otherwise be required. Other items such as aluminum and copper, wooden utility poles and crossarms, insulators and concrete poles, transformers, plastic and rubber were also segregated and recycled.

Amount of materials used that are recycled input materials GRI EN2

| Product | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Transformers (Repaired) | UNIT | 919 | 1.383 | 956 |
| Transformers (%Repaired/Consumed) | % | 76,84 | ND | 8,47 |
| Meters (Repaired) | UNIT | 46.409 | 21.947 | 16.380 |
| Meters (%Repaired/Consumed) | % | 65,2 | ND | 10,71 |
| Network protectors (Repaired) | UNIT | 21 | - | - |
| Network protectors (%Repaired/Consumed) | % | 91,3 | ND | 75,53 |
| Reclosers (Repaired) | UNIT | ND | 48 | 57 |
| Reclosers (%Repaired/Consumed) | % | ND | ND | 34,75 |
| Sectionalizers (Repaired) | UNIT | ND | - | - |
| Sectionalizers (%Repaired/Consumed) | % | ND | - | - |

| | | | | |
|---|---|---|---|---|
| Network protectors (Repaired) | UNIT | - | 12 | 71 |
| Sectionalizers (Repaired) | UNIT | - | 102 | 101 |
| Sectionalizers (%Repaired/Consumed) | % | - | ND | ND |

Total weight of waste by type and disposal method GRI EN22

| Type of Waste * | 2009 | 2010 | Method of Disposal |
|---|---|---|---|
| Paper/Corrugated Cardboard (metric tons) | 142,4 | 70,6 | Recycling / Sale |
| Plastic (metric tons) | 11,3 | 2,1 | Recycling / Sale |
| Glass (metric tons) | 1,4 | N.A | Recycling / Sale |
| Metal (metric tons) | 48,2 | 51,2 | Recycling / Sale |
| Incandescent Bulbs (unit) | 645 | 3.570 | Recycling |
| Toner Cartridges (unit) | 239 | ND | Cleaning/Recycling |
| Washable Towels (pc) | 37.930 | 37.930 | Reuse |

** Quantity of Class II waste materials received at the Rua Larga and Frei Caneca Waste Centers*

## Electricity

Light's total power consumption in 2010 was 34.7 million kWh, a 6.9% increase over 2009. The use of diesel and gasoline as fuels increased significantly due to the rising prices of ethanol and the expansion of outsourced activities involving vehicle fleets.

Indirect energy consumption by primary source GRI EN4

| Type of indirect source | Unit | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Total energy consumption (in kWh) | kWh | 35.046.000 | 32.484.000 | 34.730.000 |

Type of direct energy source GRI EN3

| Type of direct energy source | 2008 | 2009 | 2010 |
|---|---|---|---|
| Ethanol | 143.866 | 852.777 | 1.686.633 |
| Diesel | 407.657 | 620.888 | 1.423.189 |
| Gasoline | 536.349 | 253.123 | 810.773 |
| Total | 1.087.872 | 1.726.789 | 3.920.596 |

## Water

Light generates power from hydroelectric sources. We have developed integrated awareness and plumbing maintenance programs to reduce water consumption at our offices. As a result, water consumption decreased 12.2% across the Company.

Total water withdrawal by source (m3/day)
GRI EN8

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Water consumption at Light facilities. Total water withdrawal by source (average m3/day) | 629 | 671 | 589 |

Water sources significantly affected by withdrawal of water (annual average - m3/s) GRI EN9

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Total water withdrawal to the Guandu River - CEDAE Channel | 5,76 | - | 5,72 |
| Total water withdrawal to the Guandu River - Riberão das Lajes | 156,13 | - | 153,07 |
| Total withdrawal/supply | 161,89 | - | - |
| Total withdrawal/supply | - | - | 158,79 |

## Biodiversity

Located amidst the municipalities of Piraí, Rio Claro, Mangaratiba and Itaguaí, the Lajes Complex is home to 19 thousand hectares of the little Atlantic Moist Forest remaining in Rio de Janeiro, and to a variety of indigenous plant and animal species. Our generation and transmission activities must therefore be, and are, conducted in a way that is harmless to the environment and local biodiversity.

Hydroelectric dam construction projects are conducted in full compliance with environmental requirements and with the support of terrestrial and aquatic animal identification, removal and release programs. Where vegetation must be cleared to accommodate generation projects or transmission lines, this is done with full regard to preserving biodiversity. GRI EN12

A number of factors affected our emissions in 2010, chief among them being the increased use of diesel and gasoline as fuel for vehicle fleets and a greater amount of field activities, which required us to use a larger number of vehicles and consequently increased our greenhouse gas emissions.

Repairs performed on SF6 (Sulfur hexafluoride)-insulated breakers also increased Light SESA's direct emissions. In 2010 we included emissions deriving from technical losses from power distribution, which were accounted for as, and caused a significant increase in, indirect emissions.

Total direct and indirect greenhouse gas emissions, by weight (in $CO^2$ eq - metric tons) GRI EN16

| Operating unit | 2008 | 2009 | 2010 |
|---|---|---|---|
| Light Energia (Direct) | 776 | 581 | 543 |
| Light Energia (Indirect) | 88 | 49 | 646 |
| Light SESA & ESCO (Direct) | 16,279 | 12,244 | 18,135 |
| Light SESA & ESCO (Indirect) | 1,092 | 815 | 88,884 |
| Total Light S.A. (Direct) | 17,055 | 12,825 | 18,678 |
| Total Light S.A. (Indirect) | 1,180 | 864 | 89,531 |

Other relevant indirect greenhouse gas emissions, by weight (in $CO^2$ eq - metric tons) GRI EN17

| Operating unit | 2008 | 2009 | 2010 |
|---|---|---|---|
| Light Energia | 163 | 568 | 810 |
| Light SESA & ESCO | 12.472 | 11.054 | 20.232 |
| Total Light SA | 12.635 | 11.622 | 21.043 |

Weight of transported, imported, exported, or treated waste deemed hazardous GRI EN24

| Waste Material | Unidade | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Method of disposing of stationary batteries | | Recycling | - | Recycling |
| Method of disposing of cartridges | | Recycling | - | Recycling |
| Method of disposing of PPE | | Co-processing | - | Co-processing |
| Method of disposing of lamps | | Recycling / Decontamination | - | Recycling / Decontamination |
| Method of disposing of electronic appliance batteries | | Recycling | - | Recycling |
| Method of disposing of oily waste | | Co-processing / incineration | - | Co-processing / incineration |
| Quantity of stationary batteries | unit | 7 | - | 3.980 Kg |
| Quantity of cartridges | unit | 485 | - | ND |
| Quantity of lamps | unit | 833 | - | 14.531 |
| Quantity of oily waste | l | 19.818 | - | 88.684 Kg |
| Quantity of PPE | Kg | 1.800 | - | 18950 |
| Quantity of electronic appliance batteries | Kg | 2.150 | - | 0 |
| Quantity of Hazardous Waste (Ascarel) - Basel Convention | Kg | 0 | - | None |

***Note:*** *Oily waste and stationary batteries are quantified in kilograms (Kg) because their quantities in the required units were unavailable.*

GRI EN26

| RECOVERY OF DEGRADED AREAS | 2008 | 2009 | 2010 |
|---|---|---|---|
| Total recovered/planted/maintained area (ha) | 72 | 60,8 | 56 |
| Total no. of seedlings planted(thousand) | 80 | 67 | 62 |

The areas surrounding our operating reservoirs are covered by a Degraded Area Recovery Program. Our annual target, which we have consistently exceeded, is to plant 50 ha per year.

Facilities located in, or adjacent to, protected areas and municipal parks

GRI EN11

| UNIT | LOCATION | STATUS | SIZE (Km2) | RELATIVE POSITION |
|---|---|---|---|---|
| Santana Reservoir | Piraí (RJ) | Operando | 5 | Mata do Amador Municipal Park |
| Vigário Reservoir | Piraí (RJ) | Operando | 6,36 | Mata do Amador Municipal Park |
| Santa Cecília Power Plant | Barra do Piraí (RJ) | Operando | 2,5 | Paraíba do Sul PA |
| Vigário Power Plant | Piraí (RJ) | Operando | 0,01 | Mata do Amador Municipal Park |
| Lajes Reservoir | Rio Claro (RJ) | Operando | 30 | Area of high biodiversity value |
| | Piraí (RJ) | | | Adjacent to Cunhambebe State Park and Alto Piraí Municipal PA |
| Tocos Reservoir | Rio Claro (RJ) | Operando | 0,36 | Adjacent to Cunhambebe State Park and Alto Piraí Municipal PA |
| Fontes HPs | Piraí (RJ) | Operando | 4 | Adjacent to Guandu PA |
| Lajes SHP | Piraí (RJ) | Projeto | 0,1 | Guandu PA |
| Paracambi SHP | Paracambi (RJ) | Projeto | 4 | Guandu PA |
| Santa Branca Reservoir and HP | Santa Branca (SP) | Operando | 28 | Paraíba do Sul PA |
| Ilha dos Pombos HP | Carmo (RJ) | Operando | 4 | Paraíba do Sul PA |
| P. Coberta Reservoir | Piraí (RJ) | Operando | 1,07 | Adjacent to Guandu PA |
| Pereira Passos HP | | | | |
| Transmission Line | Piraí (RJ) | Operando | 25,5 | Mata do Amador Municipal Park |
| Nilo Peçanha - Santa Cecília TLs, NLP-SCI | | | | |
| Transmission Line | Piraí, Volta Redonda, Barra Mansa, Resende e Itatiaia (RJ) –Queluz e Areias (SP) | Operando | 115 | Adjacent to Bocaina National Park |

## Transportation

GRI EN29

In 2010, our fleet of Toyota Prius hybrids (electric motor + combustion engine) was joined by a complement of electric Palio Weekends, the result of an R&D project in partnership with Itaipu Binacional and other electric utilities. In May, we began testing the new vehicles in fieldwork close to headquarters in Marechal Floriano. The aim is to test the effectiveness of replacing combustion engines with electric motors and measure to what extent emissions are reduced. A study conducted in partnership with universities showed that a fleet of 100 of these electric vehicles would reduce CO2 emissions by 4.43 tons over a period of 10 years. Light has used Toyota Prius hybrids since 2009. According to the manufacturer, hybrids can reduce CO2 emissions by as much as 89%

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# Expert Panel

Light has proactively aUA collaboratively engaged stakeholders in discussions aUA analyses of our performance aUA sustainability strategy. In 2008 we coUAucted our first Expert Panel review. The next year we coUAucted a Structured Stakeholder Engagement process aUA, in 2010, a secoUA Expert Panel review.

AtteUAed by six experts aUA twelve Light representatives, this year's review addressed six major topics: (1) Addressing stakeholders' needs in our strategic planning; (2) Reducing losses aUA default; (3) Energy efficiency; (4) Quality, (5) Occupational safety aUA third-party management aUA (6) Free discussion. GRI 3.5, 4.14, 4.15, 4.16, 4.17

## Expert Panel Findings in 2010 and corresponding report chapters

GRI 1.2

| Incorporating stakeholders' needs in strategic planning | | Page |
|---|---|---|
| Goal | Enhance the inclusion of stakeholders' needs | Todo o Relatório |
| | Monitor the extent to which stakeholders' needs are included | A Light e seu Compromisso com o Rio de Janeiro |
| Focus | Clearly address the dilemma of both providing quality service aUA generating profit | Compromissos<br>A Light e seu Compromisso com o Rio de Janeiro<br>O Mercado de Energia em 2010<br>Distribuição<br>Foco Permanente no Cliente |
| Reducing losses and default | | |
| Goal | Reducing losses and default Goal Dedicate special attention to pacified communities | A Light e seu Compromisso com o Rio de Janeiro<br>Distribuição |
| | Enter in the "wake" of peacekeeping police operations | |
| Focus | Strengthen partnerships toward a social "post-pacification" agenda | |
| Energy efficiency | | |
| Goal | Identify business opportunities | A Light e seu Compromisso com o Rio de Janeiro<br>Distribuição<br>Geração<br>Comercialização<br>Foco Permanente no Cliente<br>Fornecedores: Parcerias de Valor |
| Foco | Enhance energy efficiency business strategy | |
| Quality | | |
| Goal | Improve power supply and customer service quality | A Light e seu Compromisso com o Rio de Janeiro<br>Distribuição<br>Geração<br>Comercialização<br>Light: Uma Empresa Diversa<br>Foco Permanente no Cliente<br>Fornecedores: Parcerias de Valor |

| | | |
|---|---|---|
| | Be proactive | Distribuição |
| | Improve emergency and commercial support | Geração<br>Comercialização |
| Focus | Reposition the company's image, seeking to associate supply rates with quality of service | Light: Uma Empresa Diversa<br>Foco Permanente no Cliente<br>Fornecedores: Parcerias de Valor<br>Comunicação e Transparência |
| Occupational Safety and Third-Party Management | | |
| Goal | Improve power supply and customer service quality | A Light e seu Compromisso com o Rio de Janeiro |
| Focus | Be proactive | Distribuição<br>Comercialização<br>Light: Uma Empresa Diversa<br>Foco Permanente no Cliente<br>Fornecedores: Parcerias de Valor |
| Free discussion | | |
| Other suggested topics | Engage with the industry regulator in tariff reviews | O Mercado de Energia em 2010 (Ambiente Regulatório) |
| | Prepare to face disorderly urban growth | A Light e seu Compromisso com o Rio de Janeiro |
| | Actively participate in discussions on Rio de Janeiro's future | Distribuição<br>Geração<br>Comercialização<br>Light: Uma Empresa Diversa<br>Foco Permanente no Cliente<br>Fornecedores: Parcerias de Valor<br>Compromisso Ambiental |
| | Reposition company communication | Comunicação e Transparência |

## Guest Expert Statements:

"Producing an annual report entirely dedicated to sustainability was encouraging and exemplary in itself, but in this second edition we clearly perceive that a great deal of the issues and concerns raised by invited experts are much more present in the initiatives reported or being implemented by the company. I would dare say, with reasonable certainty, that sustainability is now permanently ingrained in Light's corporate culture, or ecosystem, if you prefer. This strengthens my belief that Light is not only alert to the broader future, but also increasingly aware of the challenges posed by the current complexities of its industry, country and planet."
***Armando Strozenberg***

"The best strategy is to work alongside the Peacekeeping Police Units. There is a great need to take action, since all eyes will be judging the Company's initiatives in secured areas".
***Paulo Ferraz***

"Light should develop the concept of energy efficiency as a service; if customers are not taught to be more efficient, the company will be unable to meet future power demand".
***David Zylbersztajn***

"Light has a duty to notify customers when outages occur. It is important to learn lessons from other companies experiencing the same problems".
***Paulo Ferraz***

"Light must convince the regulator of the need to encourage improvement in service quality, rather than simply penalize the Company; Light's relationship with the regulator should be one of partnership".
***Claudio Sales***

"Health and safety needs to be in the blood of every employee and manager at Light".
***Cesar Vianna***

"Public spending should be directed to training individuals in pacified communities".
***Andre Urani***

"Energy is central to the sustainability challenge, especially when it comes to green Games; great opportunities lie in this field, but also great risks, if it is not explored adequately".
***David Zylbersztajn***

## Millennium Goals


## Global Compact Principles

**Human Rights**

Support and protect human rights;
Prevent human rights violations;

**Labor**

Uphold freedom of association;
Eliminate forced labor;
Eliminate child labor;
Eliminate discrimination in the work environment;

**Environment**

Support a precautionary approach to environmental challenges;
Promote greater environmental responsibility;
Encourage the development and diffusion of environmentally friendly technologies.

**Anti-corruption**

Work against corruption in all its forms, including extortion and bribery.

Sumário GRI – Light 2010

GRI 3.12



# Sumary GRI - Light 2010

GRI 3.12

Self-declaration

Our Sustainability Report for 2010 has been prepared in accordance with Global Reporting Initiative (GRI) G3 guidelines and has been GRI-checked as meeting the requirements for Application Level A. In this consolidated report, we report on 80 core indicators and 29 additional indicators.Only one additional indicator was considered non-applicable and two were unavailable. Three core indicators were considered inapplicable and one was partially unavailable.

The GRI content index below correlates GRI indicators with the Global Compact Principles and Millennium Development Goals.

Key

| | |
|---|---|
| CI | Core indicator |
| AD | Additional indicator |
| SU | Electric utility supplement indicator |
| NA | Not applicable |
| UA | Unavailable |

| | GRI | Global Compact Principle | Millennium Goals | Page |
|---|---|---|---|---|
| 1 | GRI STRATEGY AUA ANALYSIS | | | |
| 1.1 | Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy | 8 e 9 | 7 e 8 | Message from the Chairman |
| 1.2 | Description of key impacts, risks, and opportunities | | | About this Report / Expert Panel |
| 2 | ORGANIZATIONAL PROFILE | | | |
| 2.1 | Name of the organization | | | Profile |
| 2.2 | Primary brands, products, and/or services | | | Profile |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures | | | Profile |
| 2.4 | Location of organization's headquarters | | | Profile |
| 2.5 | Number of countries where the organization operates, and names of countries either with major operations or that are specifically relevant to the sustainability issues covered in the report | | | 01 country: Brazil<br>Profile |
| 2.6 | Nature of ownership and legal form | | | Profile |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | | | Profile |
| 2.8 | Scale of organization | | | About this Report |

| | | | | |
|---|---|---|---|---|
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | | | About this Report / Corporate Governance |
| 2.10 | Awards received in the reporting period | | | 151 |
| 3 | REPORT PARAMETERS | | | |
| 3.1 | Reporting period for information provided | | | About this Report |
| 3.2 | Date of most recent previous report (if any) | | | About this Report |
| 3.3 | Reporting cycle (annual, biennial, etc.) | | | About this Report |
| 3.4 | Contact point for questions regarding the report or its contents | | | About this Report |
| | Report scope and boundary | | | |
| 3.5 | Process for defining report content | | | About this Report / Experts panel |
| 3.6 | Boundary of the report (countries, divisions, subsidiaries, joint ventures, suppliers) | | | About this Report |
| 3.7 | Statement on any specific limitations on the scope or boundary of the report | | | NA |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations | | | About this Report |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report | | | About this Report |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement | | | NA |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | | | About this Report |
| 3.12 | Table identifying the location of the disclosures in the report. | | | 107 |
| | Assurance | | | |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report | | | About this Report |
| 4 | GOVERNANCE, COMMITMENT And ENGAGEMENT | | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body | | | Corporate Governace |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer | | | The Chairman of the Board of Directors is not an executive officer |
| 4.3 | Members of the highest governance body that are independent and/or non-executive members | | | Corporate Governace |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations | | | Corporate Governace |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance | | | Corporate Governace |
| 4.6 | Processes in place to ensure conflicts of interest are avoided | | | Corporate Governace / Commitments |
| 4.7 | Process for determining the qndlifications and expertise of directors | | | Corporate Governace |
| 4.8 | Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their | 1, 2, 3, 4, 5, 6, 7, 8, 9 e 10 | 7 | Commitments |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles | | | Corporate Governace |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance | | | Corporate Governace |
| | Commitments to external initiatives | | | |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization | | | Corporate Governace |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | 1, 2, 3, 4, 5, 6, 7, 8, 9 e 10 | 1,2,3,4,5,6,7 e 8 | Commitments |
| 4.13 | Memberships in associations and/or national/international organizations | | | Commitments |

| | | | | | |
|---|---|---|---|---|---|
| | | Stakeholder engagement | | | |
| 4.14 | | List of stakeholder groups engaged by the organization | | | About this Report / Our Commitment to Rio de Janeiro / Expert Panel |
| 4.15 | | Basis for identification and selection of stakeholders with whom to engage | | | About this Report / Our Commitment to Rio de Janeiro / Expert Panel |
| 4.16 | | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | | | About this Report / Our Commitment to Rio de Janeiro / Expert Panel |
| 4.17 | | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns | | | About this Report / Our Commitment to Rio de Janeiro / Expert Panel |
| ECONOMIC PERFORMANCE | | | | | |
| | | Management Approach | 1, 7, 8 e 9 | 2, 7 e 8 | |
| | | Economic performance | | | |
| ES | ***EC1*** | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments | | | ECONOMIC AND FINANCIAL RESULTS |
| ES | ***EC2*** | Financial implications and other risks and opportunities for the organization's activities due to climate change | 7, 8 e 9 | 7 | Wholesale and Service |
| ES | ***EC3*** | Coverage of the organization'sorganization's defined -benefit planpension plan's obligations | 1 | | OTHER INTERNAL STAKEHOLDER INDICATORS |
| ES | ***EC4*** | Significant financial assistance received from government | | | NA |
| | | Market presence | | | |
| AD | ***EC5*** | Entry level wage compared to the local minimum wage | 1 | | OTHER INTERNAL STAKEHOLDER INDICATORS |
| ES | ***EC6*** | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | | | Suppliers: valndble partners |
| ES | ***EC7*** | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation | | | Light: a diverse company |
| ES | ***EC8*** | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement | | 2 e 8 | Our Commitment to Rio de Janeiro |
| AD | ***EC9*** | Understanding and describing significant indirect economic impacts, including the extent of impacts | | | nd |
| ENVIRONMENTAL PERFORMANCE | | | | | |
| | | Management Approach | 7, 8, 9 | 7 | |
| | | Materials | | | |
| ES | ***EN1*** | Materials used by weight or volume | 8 | | Environmental Commitment |
| ES | ***EN2*** | Percentage of materials used that are recycled input materials. | 8, 9 | | Environmental Commitment |
| | | Energy | | | |
| ES | ***EN3*** | Direct energy consumption by primary energy source | 8 | | Environmental Commitment |
| ES | ***EN4*** | Indirect energy consumption by primary source | 8 | | Environmental Commitment |
| AD | ***EN5*** | Energy saved due to conservation and efficiency improvements | 7, 8, 9 | | 133 |
| AD | ***EN6*** | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | 8 e 9 | | 24 e 25 |
| AD | ***EN7*** | Initiatives to reduce indirect energy consumption and reductions achieved | 8 | | nd |
| | | Water | | | |
| ES | ***EN8*** | Total water withdrawal by source | 8 | | 98 |
| ES | ***EN9*** | Water sources significantly affected by withdrawal of water | 8 | | 98 |
| ES | ***EN10*** | Percentage and total volume of water recycled and reused | 8 | | NA |
| | | Biodiversity | 8 | | |
| ES | ***EN11*** | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 8 | | 100 |

| | | | | | |
|---|---|---|---|---|---|
| ES | ***EN12*** | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | 8 | | 92 e 98 |
| AD | ***EN13*** | Habitats protected or restored | | | 92 |
| AD | ***EN14*** | Strategies, current actions, and future plans for managing impacts on biodiversity | 8 e 9 | | 92 |
| AD | ***EN15*** | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | | | nd |
| | | Emissions, Effluents, and Waste | | | |
| ES | ***EN16*** | Total direct and indirect greenhouse gas emissions by weight | 8 e 9 | 7 | 99 |
| ES | ***EN17*** | Other relevant indirect greenhouse gas emissions by weight | 8 e 9 | 7 | 99 |
| AD | ***EN18*** | Initiatives to reduce greenhouse gas emissions and reductions achieved | 7, 8, 9 | 7 | 54 |
| ES | ***EN19*** | Emissions of ozone-depleting substances by weight | 8 | | Negligible |
| ES | ***EN20*** | NOx, SOx and other significant air emissions by type and weight | 8 | | None are generated from our power generation, distribution and wholesale activities |
| ES | ***EN21*** | Total water discharge by qndlity and destination | 8 | | Our water discharge (sanitary and industrial effluents) is insignificant as its only source is administrative activities. |
| ES | ***EN22*** | Total weight of waste by type and disposal method | 8 | | 97 |
| ES | ***EN23*** | Total number and volume of significant spills | 8 | | No significant spill incidents have occurred in any Light Group company over the past three years. |
| | | Products and services | | | |
| AD | ***EN24*** | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | 8 | | 99 |
| AD | ***EN25*** | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff | 8 | | Our water discharge (sanitary and industrial effluents) is insignificant as its only source is administrative activities. |
| ES | ***EN26*** | Initiatives to mitigate environmental impacts of products and services | 7, 8, 9 | | 59, 88 e 99 |
| ES | ***EN27*** | Percentage of products and their packaging materials that are reclaimed | 8, 9 | | No packaging is used in our power generation, distribution and wholesale activities |
| | | Compliance | | | |
| ES | ***EN28*** | Fines and sanctions for noncompliance with environmental laws and regulations | 8 | | Light received no significant fines and/or sanctions in 2010 |
| | | General | | | |
| AD | ***EN29*** | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce | | | 100 |
| AD | ***EN30*** | Total environmental protection expenditures and investments by type | 7, 8, 9 | 7 | 95 |
| LABOR PRACTICES And DECENT WORK | | | | | |
| | | Management Approach | 1, 3, 6 | 3,4,5, e 6 | |
| | | Employment | | | |
| ES | ***LA1*** | Total workforce by employment type, employment contract, and region | | | 79 |
| ES | ***LA2*** | Total number and rate of employee turnover by age group, gender, and region | 6 | | 79 |
| AD | ***LA3*** | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | | | Light has no part-time employees and therefore the same benefits are provided to our entire workforce |
| | | Labor/management relations | | | |
| ES | ***LA4*** | Percentage of employees covered by collective bargaining agreements | 1, 3 | | 100% |
| ES | ***LA5*** | Minimum notice period regarding operational changes, including whether it is specified in collective agreements | 3 | | Any changes are notified in advance, but no specific notice period has been established |
| | | Occupational health and safety | | | |

| | | | | | |
|---|---|---|---|---|---|
| AD | ***LA6*** | Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs | 3 | | 4,27% |
| ES | ***LA7*** | Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region | 1 | | 81 |
| ES | ***LA8*** | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | 1 | 4, 5 e 6 | 78 |
| AD | ***LA9*** | Health and safety topics covered in formal agreements with trade unions | | | 75 |
| | | Training and education | | | |
| ES | ***LA10*** | Average hours of training per year per employee, by employee category | | | 76 |
| AD | ***LA11*** | Programs for skills management, lifelong learning and managing career endings | | | 77 |
| AD | ***LA12*** | Percentage of employees receiving regular performance and career development review | | | nd |
| | | Diversity and eqndl opportunities | | | |
| ES | ***LA13*** | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | 1, 6 | 3 | 80 |
| ES | ***LA14*** | Ratio of basic salary and remuneration of women to men by employee category | 1, 6 | 3 | 81 |
| HUMAN RIGHTS | | | | | |
| | | Management Approach | 1, 2, 3, 4, 5, 6 | 8 | |
| | | Investment and procurement practices | | | |
| ES | ***HR1*** | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening | 1, 2, 3, 4, 5, 6 | | All our contracts include clauses on human rights |
| ES | ***HR2*** | Percentage of significant suppliers and contractors that have undergone human rights screening, and actions taken | 1, 2, 3, 4, 5, 6 | 8 | No human rights screening has been conducted |
| AD | ***HR3*** | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | | | None |
| | | Non-discrimination | | | |
| ES | ***HR4*** | Total number of incidents of discrimination and corrective actions taken | 1, 2, 3, 4, 5, 6 | | None |
| | | Freedom of association and collective bargaining | | | |
| ES | ***HR5*** | Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights | 1, 2, 3 | | A Social Responsibility Agreement established between Light and unions requires freedom of association in all our operations |
| | | Child labor | | | |
| ES | ***HR6*** | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | 1, 2, 5 | 8 | |
| | | Forced or compulsory labor | | | |
| ES | ***HR7*** | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | 1, 2, 4 | 8 | None |
| | | Security practices | | | |
| AD | ***HR8*** | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations | 1 e 2 | | None |
| | | Indigenous rights | | | |
| AD | ***HR9*** | Total number of incidents of violations involving rights of indigenous people and actions taken | | | NA (no indigenous peoples are present in our service area) |
| SOCIETY | | | | | |
| | | Management Approach | 8 e 10 | 1,2 e 8 | |
| | | Local Community | | | |
| ES | ***SO1*** | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting | 8 | 1,2 e 8 | 09 e 23 |

| | | | | |
|---|---|---|---|---|
| | | Corruption | | |
| ES | ***SO2*** | Percentage and total number of business units analyzed for risks related to corruption | 10 | 100% |
| ES | ***SO3*** | Percentage of employees trained in organization's anticorruption policies and procedures | 10 | 0,01% |
| ES | ***SO4*** | Actions taken in response to incidents of corruption | 10 | 38 |
| | | Government Policy | | |
| ES | ***SO5*** | Public policy positions and participation in public policy development and lobbying | 8 | 23 |
| AD | ***SO6*** | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | | Law 9096 of September 19, 1995 outlaws the financing of political campaigns |
| | | Anti-competitive behavior | | |
| AD | ***SO7*** | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes | | Não houve |
| | | Compliance | | |
| ES | ***SO8*** | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations | | 85 |
| PRODUCT RESPONSIBILITY | | | | |
| | | Management Approach | 1, 8 | |
| | | Customer health and safety | | |
| ES | ***PR1*** | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | 1 | 85 e 94 |
| AD | ***PR2*** | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes | 1 | 85 |
| | | Product and service labeling | | No packaging is used in our power generation, distribution and wholesale activities |
| ES | ***PR3*** | Type of product and service information required by procedures | | NA |
| AD | ***PR4*** | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | | NA |
| AD | ***PR5*** | Practices related to customer satisfaction, including results of surveys | | 84 |
| | | Marketing communications | | |
| ES | ***PR6*** | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | | 91 |
| AD | ***PR7*** | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcome | | None |
| | | Compliance | | |
| AD | ***PR8*** | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | | Light's Code of Ethics protects the confidentiality of customer information. Hence, there have been no complaints or lawsuits regarding any aspects of violations of privacy or losses of customer data in any communication channels (pág.85) |
| | | Compliance | | |
| ES | ***PR9*** | Fines for noncompliance in the provision and use of products and services | | 85 |
| ELECTRIC UTILITY SECTOR SUPPLEMENT | | | | |
| SU | ***EU1*** | Installed capacity (MW), broken down by primary energy source and by regulatory regime | | 56 |
| SU | ***EU2*** | Net energy output broken down by primary energy source and by regulatory regime | | 56 |
| SU | ***EU3*** | Number of residential, industrial, institutional and commercial customer accounts | | 45 |
| SU | ***EU4*** | Length of above and underground transmission and distribution lines by regulatory regime | | 45 |

| | | | | | |
|---|---|---|---|---|---|
| SU | ***EU5*** | Allocation of $CO_2$, emission or equivalent allowances, broken down by carbon trading framework | 7, 8 e 9 | 7 | NA |
| | | Management Approach | | | |
| | | Availability and reliability | | | |
| SU | ***EU6*** | Management approach to ensure short and long-term electricity availability and reliability | | 8 | 44 |
| | | Demand-side management | | | |
| SU | ***EU7*** | Demand-side management programs including residential, commercial, institutional and industrial programs | 7, 8 e 9 | 7 | 58 e 133 |
| | | Research and development | | | |
| SU | ***EU8*** | Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development | 7, 8 e 9 | 7, 8 | 50, 51 e 52 |
| | | Plant decommissioning | | | |
| SU | ***EU9*** | Provisions for decommissioning of nuclear power sites | | | Light has no nuclear power plants |
| | | Availability and reliability | | | |
| SU | ***EU10*** | Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime | | | 48 |
| | | System efficiency | | | |
| SU | ***EU11*** | Average generation efficiency of thermal plants by energy source and by regulatory regime | 7 | 7 | Light has no thermal plants |
| SU | ***EU12*** | Transmission and distribution losses as a percentage of total energy | | | 49 |
| | | Biodiversity | | | |
| SU | ***EU13*** | Biodiversity of offset habitats compared to the biodiversity of the affected areas | 7, 8 e 9 | 7 | None of our new projects are within areas of high biodiversity and therefore we have not been required to offset habitats |
| | | Employment | | | |
| SU | ***EU14*** | Programs and processes to ensure the availability of a skilled workforce | | 8 | 76 e 77 |
| SU | ***EU15*** | Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region | | | 81 |
| SU | ***EU16*** | Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors | | | 78 |
| SU | ***EU17*** | Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities | | | No such controls are in place, since we retain service provider companies for each activity. Light ensures that working hours for our entire workforce are within the monthly limits established by Law. |
| SU | ***EU18*** | Percentage of contractor and subcontractor employees that have undergone relevant health and safety training | 1 e 2 | | 100%<br>(pag. 78) |
| | | Local Community | | | |
| SU | ***EU19*** | Stakeholder participation in the decision making process related to energy planning and infrastructure development | | | We describe how our stakeholders – including our shareholders, government and regulator – have participated in energy planning throughout this report |
| SU | ***EU20*** | Approach to managing the impacts of displacement | 1 e 2 | | 54 e 93 |
| | | Disaster/ and emergency planning and response | | | |
| SU | ***EU21*** | Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans | | | 92 e 93 |
| | | Society | | | |
| SU | ***EU22*** | Number of people physically or economically displaced and compensation, broken down by type of project | 1 e 2 | | 01 person in 2010, R$ 15 thousand, PCH Paracambi(Generation Environmental Commitment) |
| | | Access | | | |
| SU | ***EU23*** | Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services | | 8 | 24 e 82 |
| | | Provision of information | | | |
| SU | ***EU24*** | Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services | 6 | | 83 |

| | | | |
|---|---|---|---|
| | | Customer health and safety | |
| SU | ***EU25*** | Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases | 85 |
| | | Access | |
| SU | ***EU26*** | Percentage of population unserved in licensed distribution or service areas | 0% |
| SU | ***EU27*** | Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime | 566,459 disconnections in 2010<br>581,209 disconnections in 2009<br>787,675 disconnections in 2008 |
| SU | ***EU28*** | Power outage frequency | 85 |
| SU | ***EU29*** | Average outage duration | 85 |
| SU | ***EU30*** | Average plant availability factor by energy source and by regulatory regime. | 56 |


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# Responsibility Indicators Light SESA

## ANEEL Light SESA

| ANEEL Light SESA | | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| **Customers** | | | | |
| Number of municipalities served | unit | 31 | 31 | 31 |
| Number of commercial branches | unit | 36 | 39 | 40 |
| **Number of accounts billed (with and without consumption) – Captive consumers** | | | | |
| Commercial | unit | 269.088 | 271.768 | 275.268 |
| Internal Use | unit | 328 | 327 | 328 |
| Public Lighting | unit | 417 | 525 | 726 |
| Industrial | unit | 12.164 | 11.749 | 11.403 |
| Public Authorities | unit | 9.981 | 10.177 | 10.451 |
| Residential | unit | 3.624.425 | 3.688.998 | 3.759.911 |
| Rural | unit | 10.904 | 11.072 | 11.185 |
| Public Services | unit | 1.382 | 1.300 | 1.319 |
| Supply | unit | 0 | 0 | 0 |
| Total | unit | 3.928.689 | 3.995.916 | 4.070.591 |
| **Number of consumers served - free** | | | | |
| Commercial | unit | 12 | 13 | 22 |
| Industrial | unit | 19 | 18 | 24 |
| Public Services | unit | 1 | 1 | 1 |
| Total | unit | 32 | 32 | 47 |
| **Energy Sold** | | | | |
| Total energy sold (GWh) | GWh | 23.794 | 23.170 | 24.588 |
| Residential | GWh | 7.388 | 7.880 | 8.243 |
| Industrial | GWh | 6.935 | 5.435 | 6.150 |

| | | | | |
|---|---|---|---|---|
| Commercial | GWh | 6.129 | 6.413 | 6.680 |
| Rural | GWh | 49 | 50 | 51 |
| Public Authorities | GWh | 1.314 | 1.411 | 1.441 |
| Public Lighting | GWh | 678 | 675 | 677 |
| Public Services | GWh | 1.234 | 1.240 | 1.269 |
| Internal Use | GWh | 68 | 67 | 78 |
| Supply | GWh | 0 | 0 | 0 |
| Captive energy sold (GWh) | GWh | 18.292 | 19.084 | 19.459 |
| Residential | GWh | 7.388 | 7.880 | 8.243 |
| Industrial | GWh | 1.875 | 1.857 | 1.717 |
| Commercial | GWh | 5.852 | 6.074 | 6.157 |
| Rural | GWh | 49 | 50 | 51 |
| Public Authorities | GWh | 1.314 | 1.411 | 1.441 |
| Public Lighting | GWh | 678 | 675 | 677 |
| Public Services | GWh | 1.068 | 1.071 | 1.095 |
| Internal Use | GWh | 68 | 67 | 78 |
| Supply | GWh | 0 | 0 | 0 |
| Free energy sold (GWh) | GWh | 5.502 | 4.086 | 5.129 |
| Residential | GWh | 0 | 0 | 0 |
| Industrial (inclui CSN, CSA e Valesul) | GWh | 5.060 | 3.578 | 4.432 |
| Commercial | GWh | 277 | 339 | 523 |
| Rural | GWh | 0 | 0 | 0 |
| Public Authorities | GWh | 0 | 0 | 0 |
| Public Lighting | GWh | 0 | 0 | 0 |
| Public Services | GWh | 166 | 169 | 174 |
| Internal Use | GWh | 0 | 0 | 0 |
| Supply | GWh | 0 | 0 | 0 |

## Energy Sales by Rate Class

| | | | | |
|---|---|---|---|---|
| Energy Sales by Rate Class (GWh) % of the Total – Residential | % | 38 | 38 | 40 |
| Energy Sales by Rate Class (GWh) % of the Total – Residential Low-Income | % | 3 | 3 | 3 |
| Energy Sales by Rate Class (GWh) % of the Total – Commercial | % | 32 | 32 | 32 |
| Energy Sales by Rate Class (GWh) % of the Total – Industrial | % | 10 | 10 | 9 |
| Energy Sales by Rate Class (GWh) % of the Total – Rural | % | 0 | 0 | 0 |
| Energy Sales by Rate Class (GWh) % of the Total – Public Lighting | % | 4 | 4 | 4 |
| Energy Sales by Rate Class (GWh) % of the Total – Public Service | % | 6 | 6 | 6 |
| Energy Sales by Rate Class (GWh) % of the Total – Government | % | 7 | 7 | 7 |

## Purchase of energy

| | | | | |
|---|---|---|---|---|
| Energy purchased (GWh) - Total | GWh | 24.992 | 26.106 | 26.985 |
| 1) Itaipu | GWh | 5.730 | 5.647 | 5.419 |

| | | | | |
|---|---|---|---|---|
| 2) Initial contracts | GWh | 0 | 0 | 0 |
| 3) Bilaterial contracts | GWh | 0 | 0 | 0 |
| 3.1) Third parties | GWh | 6.368 | 6.351 | 6.351 |
| 3.2) Related parties | GWh | 0 | 0 | 0 |
| 4) Auction | GWh | 0 | 0 | 0 |
| 5) PROINFA | GWh | 341 | 480 | 532 |
| 6) CCEAR | GWh | 12.172 | 13.244 | 14.019 |
| 7) Surplus and Shortfall Trading Chamber – MCSD | GWh | 381 | 383 | 664 |
| **Satisfaction Surveys** | | | | |
| Aneel Consumer Satisfaction Rate (IASC) | % | 56,2 | 64,2 | 67,6 |
| Perceived Quality Satisfaction Rate (ISQP) – Abradee | % | 72,5 | 75,3 | 68,5 |
| Customer Approval Rate (IAC) – Abradee | % | 64,2 | 76,8 | 55,7 |
| General Satisfaction Rate (ISG) – Abradee | % | 69,8 | 77,8 | 66,6 |
| Customer satisfaction rate with services provided - Company Survey | % | 92,2 | 89,8 | 87,0 |
| Large Customer Satisfaction Survey | % | 77,1 | 71,7 | 65,6 |
| **Service** | | | | |
| Total calls handled (call center) | unit | 8.579.507 | 6.518.848 | 7.500.236 |
| Number of customers served at commercial branches | unit | 1.305.874 | 1.382.742 | 1.839.624 |
| Number of customers served online | unit | 1.884.473 | 1.873.856 | 2.681.054 |
| Complaints as a percentage of total calls handled (%) | % | 5,89 | 3,66 | 1,92 |
| Average waiting time till call answered (minutes) | h:m:s | 00:21 | 00:00:26 | 00:00:19 |
| Average call duration (minutes) | h:m:s | 03:59 | 00:04:42 | 00:05:19 |
| Number of Consumer Complaints referred to ANEEL - state / regional agencies | unit | 5.713 | 7.438 | 6.024 |
| Number of Consumer Complaints referred to Company | unit | 186.357 | 195.809 | 198.014 |
| Number of Consumer Complaints referred to the courts | unit | 26.830 | 35.039 | 27.132 |
| Number of Consumer Complaints referred to PROCON | unit | 829 | 1.242 | 1.174 |
| Complaints about service deadlines (%) | % | 4 | 5,4 | 8,02 |
| Complaints about inadequate energy supply (%) | % | Not available | 23,94 | 8,95 |
| Complaints about outages (%) | % | Not available | 75,37 | 77,42 |
| Complaints about emergencies (%) | % | 27 | 97,92 | – |
| Complaints about consumption/meter readings (%) | % | 53 | 56,49 | 48,29 |
| Complaints about improper cut-offs (%) | % | 2 | 2,72 | 0,86 |
| Complaints about undelivered bills (%) | % | 7 | 6,81 | 8,88 |
| Complaints about poorly executed services (%) | % | 4 | 5,4 | 11,25 |
| Complaints about electrical damage (%) | % | 1 | 1,49 | 1,99 |
| Complaints about measurement irregularities (fraud/energy theft) (%) | % | – | 0,68 | 1,24 |
| Other (new contracts, new connections, reconnections, requested disconnection etc) (%) | % | NA | 16,58 | 17,89 |
| Complaints resolved during call (%) | % | NA | NA | NA |

| | | | | |
|---|---|---|---|---|
| Complaints resolved within 30 days (%) | % | Not available | 98,72 | 98,3 |
| Complaints resolved within 30 to 60 days (%) | % | 0 | 1,15 | 0,5 |
| Complaints resolved in over 60 days (%) | % | 0 | 0,13 | 1,3 |
| Justified complaints as a percentage of total complaints received (%) | % | 58 | 43,47 | 48,96 |
| Complaints resolved as a percentage of justified complaints (%) | % | 100 | 100 | 100 |
| Number of changes made as a result of interference by ombudsman and/or customer services | | – | – | 2nd copy of accession agreement: registration of unit with vital apparatus; declaration of release; new connection simulator and increased charge of up to 15kWh; Automatic sending of e-mail in response to clients for all services requested |
| **Quality** | | | | |
| Equivalent Outage Duration per Consumer (DEC), overall figure determined for Company | DEC | 11,06 | 10,06 | 11,33 |
| Equivalent Outage Duration per Consumer (DEC), general limit for Company | DEC | 10,60 | 10,28 | 9,95 |
| Equivalent Outage Frequency per Consumer (FEC), overall figure determined for Company | FEC | 6,74 | 6,12 | 5,76 |
| Equivalent Outage Frequency per Consumer (FEC), general limit for Company | FEC | 9,8 | 6,22 | 8,77 |
| **Losses** | | | | |
| Total electricity losses (%) over line load | % | 20,2 | 21,9 | 21,3 |
| Technical losses (%) over line load | % | 6 | 6,3 | 6,3 |
| Nontechnical losses (%) over line load | % | 14,2 | 15,5 | 15,0 |
| **The community** | | | | |
| Percentage of the total allocated to social initiatives consisting of donated products and services (%) | % | – | – | – |
| Percentage of the total allocated to social initiatives consisting of cash | % | 11,13 | 4,39 | 4,18 |
| Percentage of the total allocated to social initiatives consisting of investments in the company's social projects | % | 0,95 | – | – |
| Employees carrying out voluntary work in the community outside the Company/total employees | % | 0,16 | 12,14 | 13,02 |
| Number of hours donated a month (released from normal working hours by the Company for employee volunteer work | hours | – | – | – |
| Consumers enrolled in the Bolsa Família welfare program/number of consumers in the low-income segment (%) | % | 2,61 | 3,20 | 6,90 |
| Number of low-income households served | unit | 713.945 | 712.966 | 715.477 |
| Total low-income households out of total households served (residential clients/consumers) (%) | % | 22 | 22 | 19 |
| Revenue from sales to low-income residential subsector | R$ | 59.706.527,89 | 65.277.144,48 | 73.193.394,38 |
| Total revenue from sales to low-income residential subsector in relation to total residential revenue | % | 2 | 2 | 1,98 |
| Subsidy received (Eletrobrás) for low-income consumers | R$ | 33.094.760,53 | 38.122.120,00 | 34.043.632,69 |
| Funds allocated to culture, sports and tourism (R$ thousand) | R$ thousand | 3.924 | 6.994 | 5.892 |
| Funds allocated to healthcare (R$ thousand) | R$ thousand | – | – | – |
| Amount allocated to social initiatives (not including legal obligations and taxes, or benefits to which Company employees are entitled (%) | % | 0,15 | 0,25 | 0,25 |
| Other funds allocated to social initiatives (R$ thousand) | R$ thousand | 1.621 | 1.998 | 2.743 |
| Funds allocated to culture (R$ thousand) | R$ thousand | 3.924 | 6.157 | 5.395 |

| | | | | |
|---|---|---|---|---|
| Funds allocated to healthcare and sanitation (R$ thousand) | R$ thousand | 4.732 | 10.793 | 14.749 |
| Funds allocated to education (R$ thousand) | R$ thousand | 1.433 | 1.645 | 1.683 |
| Third-party claims - Number of people involved | unit | 155 | 159 | Not available |
| Third-party claims - Number of cases in progress | unit | 155 | 159 | 235 |
| Third-party claims - Provision made in liabilities (R$ thousand) | R$ thousand | 6.673,14 | 137,56 | 928,06 |
| Third-party claims - Amount being claimed | R$ thousand | 14.880,10 | 7.732,54 | 15.942,45 |
| Number of improvements to Company processes resulting from community complaints | unit | Not available | Not available | 8 |
| Number of community complaints - impacts caused by the Company's operations | unit | Not available | Not available | 200 |
| Funds allocated to the largest cultural or sports projects etc. (Rouanet Act) (R$ thousand) | R$ thousand | 900 | 900 | 1.000 |
| Number of cultural or sports projects etc. (Rouanet Act) sponsored | unit | 11 | 14 | 18 |
| Funds allocated to the cultural or sports projects etc. (Rouanet Act) (R$ thousand) | R$ thousand | 2.229 | 4.046 | 3.324 |

## Supplier

| | | | | |
|---|---|---|---|---|
| Active Suppliers | unit | 5.783 | 6.107 | 7.710 |
| Suppliers inspected (for child labor, slave labor and occupational health and safety conditions) by the Company/total suppliers (%) | % | 0,29 | 4,75 | 1,95 |
| Unqualified suppliers (nonconformity with the Company's CSR policies) / total suppliers (%) | % | 0 | 0 | 0 |
| Suppliers with SA 8000 certification or equivalent certification / total active suppliers (%) | % | 0,02 | 0,02 | 0 |
| Number of training sessions offered to suppliers | unit | 48 | Not available | 19 |
| Number of hours of training offered to suppliers | hours | 3,23 HH | Not available | 10,2 HH |
| Number of outsourced employees | unit | 6.415 | 7.493 | 7.580 |
| Number of outsourced/contracted workers | unit | Not available | Not available | Not available |
| Total cost on outsourced workers (R$ thousand) | R$ thousand | Not available | Not available | Not available |
| Outsourced/contracted workers in relation to total workforce | % | 65% | 68% | 69% |

## Wage Information - percentage of outsourced workers in each wage range

| | | | | |
|---|---|---|---|---|
| Over R$ 3,000 | % | Not available | 1,6 | 1,6 |
| up to R$ 1,000 | % | Not available | 69,4 | 69,4 |
| R$ 1,001 to 2000 | % | Not available | 25,8 | 25,8 |
| R$ 2,001 to R$ 3,000 | % | Not available | 3,2 | 3,2 |

## Education levels (percentage in relation to total outsourced workers).

| | | | | |
|---|---|---|---|---|
| Primary education | % | Not available | Not available | Not available |
| High school | % | Not available | Not available | Not available |
| University, post graduation | % | Not available | Not available | Not available |
| Government and Society | | | | |
| Funds allocated to federal, state and municipal government programs (not required by law) (R$ thousand) | R$ thousand | – | – | Not available |
| Number of initiatives/events/campaigns aimed at social development (voting, responsible consumption, anti-corruption practices, children's rights etc.) | unit | Not available | Not available | 8 |
| Advertising funds allocated to institutional campaigns for social development (R$ thousand) | R$ thousand | Not available | Not available | Not available |

| | | | | |
|---|---|---|---|---|
| Funds invested in programs qualifying for tax incentives/ total funds allocated to social investments (%) | % | 19 | 19,6 | 19,1 |

## Environment

| | | | | |
|---|---|---|---|---|
| Conservation area and/or area recovered through the sustainable management of vegetation under transmission and distribution lines (ha) | ha | Not available | Not available | Not available |
| Conservation area/total conservation area in the concession area required by law (%) | % | Not available | Not available | Not available |
| Contribution for expanding green areas in municipalities through the urban tree canopy program (ha) | ha | Não realizado | Não realizado | Not available |
| Insulated shielded grid (ecological grid or green line) in the urban zone (km) | Km | 546,7 | 1.890 | 3.356 |
| Percentage of the insulated shielded grid/total distribution grid in the urban zone | % | 19,44 | 17 | 28,2 |
| Environmental impact management expenses (tree plantation, sustainable management, with yielded equipment and grids) (R$ thousand) | R$ thousand | 51.980 | 12.389 | 41.532 |
| Number of accidents due to breach of environmental safety standards | unit | 0 | 0 | Not available |
| Number of assessments and/or fines due to breach of environmental standards | unit | 5 | Not available | Not available |
| Value of assessments and/or fines due to breach of environmental standards (R$ thousand) | R$ thousand | 7 | 37 | Not available |
| Annual volume of greenhouse gases (CO2, CH4, N2O, HFC, PFC and SF6) emitted (in tons of CO2 equivalent) | t | 29.843 | 24.113 | 127.183 |
| Annual volume of ozone-depleting emissions | t | 0,04 | Insignificant amounts | Insignificant amounts |
| Total volume of effluent | m3 | Not available | Not available | Not available |
| Total volume of treated effluent | m3 | Not available | Not available | Not available |
| Percentage of treated effluent (%) | % | Not available | Not available | Not available |
| Annual quantity (in tons) of solid waste generated (refuse, waste, rubble etc.) | t | 10.955 | 11.548 | 33.625 |
| Percentage of waste recycled by third parties | % | Activity not carried out | Activity not carried out | Activity not carried out |
| Percentage of waste recycled by a plant or entity related to the Company (specific project) | % | Activity not carried out | Activity not carried out | Activity not carried out |
| Waste recycling expenses (R$ thousand) - oil regeneration | R$ thousand | 106,3 | 643 | 905 |
| Percentage of consumables reused (feedstock, equipment, electric wires and cables) | % | Not available | Not available | Not available |
| Expenses on final disposal of nonhazardous waste (R$ thousand) | R$ thousand | Not available | Not available | 48.816 |
| Percentage of equipment replaced by insulating mineral oil without PCB (ascarel) | % | NA | NA | NA |
| Percentage of bulbs decontaminated in relation to total amount replaced at Company | % | 100 | 100 | 100 |
| Percentage of bulbs decontaminated in relation to total amount replaced at consumer units | % | Activity not carried out | Activity not carried out | Activity not carried out |
| Expenses on treating and disposing toxic waste (incineration, landfill, biotreatment etc) | R$ thousand | 74,11 | 0 | 102,10 |

## Total electricity consumption by source

| | | | | |
|---|---|---|---|---|
| Fossil Fuels | unit | Not available | Not available | Not available |
| Alternative sources (gas, wind energy, solar energy etc) | unit | Not available | Not available | Not available |
| Hydroelectric (kWh) | kWh | Not available | Not available | Not available |
| Total electricity consumption (in kWh) | kWh | 32.588.206,46 | 30.482.824 | 32.554.666 |
| Energy consumption per kWh distributed (sold) | kWh | 0,001 | 0,001 | 0,001 |

## Total Consumption of Fossil Fuels by the Company's Fleet of Vehicles per kilometer

| | | | | |
|---|---|---|---|---|
| Ethanol | Litros | 320.608 | 846.381 | 1.666.923 |
| Diesel | Litros | 567.973 | 579.316 | 1.315.727 |
| Natural Gas | Litros | 0 | 0 | 0 |
| Gasoline | Litros | 676.771 | 227.227 | 735.668 |
| **Total water consumption by source** | | | | |
| Supply (public system) | m3 | 146.221,98 | 229.804 | 202.564 |
| Surface extraction (waterways) | m3 | – | – | NA |
| Underground source (well) | m3 | – | – | NA |
| Total water consumption | m3 | 146.221,98 | 229.804 | 202.564 |
| Water consumption by employee | m3 | 42 | 66 | 58,7 |
| Cost-cutting obtained by reducing consumption of energy, water and consumables (R$ thousand) | R$ thousand | Not available | Not available | Not available |
| Percentage of material acquired in accordance with environmental standards verified by the company/total material acquired | % | – | – | Not available |
| Percentage of material acquired with a green seal or other seals (Procel, Inmetro etc.) | % | – | – | Not available |
| Percentage of material acquired with forest certification (Imaflora, FSC and other) | % | – | – | Not available |
| Number of employees trained in environmental education programs. | unit | 61 | 263 | 91 |
| Percentage of employees trained in environmental education programs/total employees. | % | 1,6 | 7,6 | 3,0 |
| Number of hours of environmental training for employees/total hours of training | % | 0,11 | 0,75 | 0,29 |
| Funds invested in environmental education at the organization (R$ thousand) | R$ thousand | Not available | Not available | 11,7 |
| **Energy Efficiency Program**<br>GRI EN5{end-linkEnergy saved due to conservation and efficiency improvements, EU7 | | | | |
| Funds in the residential segment over total invested in PEE (%) | % | 0 | 0 | 0 |
| Funds in the low-income segment over total invested in PEE (%) | % | 62,3 | 54,19 | 60,09 |
| Funds in the commercial segment over total invested in PEE (%) | % | 6,5 | 0 | 2,64 |
| Funds in the industrial segment over total invested in PEE (%) | % | 0 | 0 | 0 |
| Funds in the rural segment over total invested in PEE (%) | % | 0 | 0 | 0 |
| Funds in the public lighting segment over total invested in PEE (%) | % | 0 | 0 | 0 |
| Funds in the public service segment over total invested in PEE (%) | % | 26,2 | 39,42 | 19,89 |
| Funds in the government segment over total invested in PEE (%) | % | 4,9 | 6,39 | 15,53 |
| Funds in the energy management segment over total funds invested in PEE (%) | % | 0 | 0 | 0,82 |
| Funds in the education segment over total funds invested in PEE (%) | % | 0 | 0 | 1,03 |
| Funds in the solar heating segment over total funds invested in PEE (%) | % | 0 | 0 | 0 |
| **Source of Funds - By Consumer Sector (R$ thousand)** | | | | |
| Residential | | | | |
| No cost to consumer (A) | R$ thousand | – | – | 0 |
| With cost to consumer (B) | R$ thousand | – | – | 0 |

| | | | | |
|---|---|---|---|---|
| Total investment in the segment (C) | R$ thousand | – | – | 0 |
| Total units served in the segment (D) | unit | – | – | 0 |
| Average investment by consumer (C/D) | R$ thousand | – | – | 0 |
| **Low-income Residential** | | | | |
| No cost to consumer (A) | R$ thousand | 9.695,30 | 17.763,47 | 38.127,18 |
| With cost to consumer (B) | R$ thousand | – | – | – |
| Total investment in the segment (C) | R$ thousand | 9.695,30 | 17.763,47 | 38.127,18 |
| Total units served in the segment (D) | unit | 50.000 | 110.000 | 59.284 |
| Average investment by consumer (C/D) | R$ thousand | 0,19 | 0,16 | 0,64 |
| Population Served (total number of residential and low-income consumers) (E) | unit | 250.000 | 550.000 | 59.284 |
| Average Investment by Population Served (total cost: residential plus low income per consumer) (C/E) | R$ thousand | 0,04 | 0,03 | 0,643 |
| **Commercial** | | | | |
| No cost to consumer (A) | R$ thousand | 1.015,50 | – | 1.672,96 |
| With cost to consumer (B) | R$ thousand | 121,89 | – | 0 |
| Total investment in the segment (C) | R$ thousand | 1.290,97 | – | 1.672,96 |
| Total units served in the segment (D | unit | 2 | – | 3 |
| Average investment by consumer (C/D) | R$ thousand | 645,49 | – | 557,65 |
| **Industrial** | | | | |
| No cost to consumer (A) | R$ thousand | – | – | – |
| With cost to consumer (B) | R$ thousand | – | – | – |
| Total investment in the segment (C) | R$ thousand | – | – | – |
| Total units served in the segment (D) | unit | – | – | – |
| Average investment by consumer (C/D) | R$ thousand | – | – | – |
| **Public Lighting** | | | | |
| No cost to consumer (A) | R$ thousand | – | – | – |
| With cost to consumer (B) | R$ thousand | – | – | – |
| Total investment in the segment (C) | R$ thousand | – | – | – |
| Total de kW instalados (F) | kW | – | – | – |
| Investimento médio por kW instalado (C/F) | R$ thousand | – | – | – |
| **Public Services** | | | | |
| With cost to consumer (B) | R$ thousand | 4.082,15 | 12.920,35 | 12.618,34 |
| With cost to consumer (B) | R$ thousand | – | – | – |
| Total investment in the segment (C) | R$ thousand | 4.082,15 | 12.920,35 | 12.618,34 |
| Total units served in the segment (D) | unit | 6 | 1 | 4 |

| | | | | |
|---|---|---|---|---|
| Average investment by consumer (C/D) | R$ thousand | 680,36 | 12.920,35 | 3.154,58 |
| **Public Authorities** | | | | |
| With cost to consumer (B) | R$ thousand | 767,34 | 2.093,33 | 9.855,57 |
| With cost to consumer (B) | R$ thousand | – | – | 297,67 |
| Total investments in the segment (C) | R$ thousand | 767,34 | 2.093,33 | 10.153,24 |
| Total units served in the segment (D) | unit | 11 | 1 | 29 |
| Average investment by consumer (C/D) | R$ thousand | 69,76 | 2.093,33 | 350,11 |
| **Source of Funds - By Project Type (R$ thousand)** | | | | |
| **Municipal Energy Management** | | | | |
| Own funds invested | R$ thousand | – | – | 521,23 |
| Third-party funds invested | R$ thousand | – | – | 0 |
| Total funds | R$ thousand | – | – | 521,23 |
| **Education (Conservation and Rational Energy Use)** | | | | |
| Own funds invested | R$ thousand | – | – | 651,78 |
| Third-party funds invested | R$ thousand | – | – | 0 |
| Total funds | R$ thousand | – | – | 651,78 |
| **Solar Heating (to replace electric showers)** | | | | |
| Own funds invested | R$ thousand | – | – | – |
| Third-party funds invested | R$ thousand | – | – | – |
| Total funds | R$ thousand | – | – | – |
| Rural | | | | |
| Own funds invested | R$ thousand | – | – | – |
| Third-party funds invested | R$ thousand | – | – | – |
| Total funds | R$ thousand | – | – | – |
| **Total Funds in Energy Efficiency Projects (R$ thousand)** | | | | |
| Total funds | R$ thousand | 15.560,30 | 32.777,15 | 63.447,05 |
| No cost to consumer | R$ thousand | 15.438,41 | 32.777,15 | 63.447,05 |
| With cost to consumer | R$ thousand | 121,89 | – | 297,67 |
| **Residential** | | | | |
| Energy saved (MWh)/year | MWh/ano | – | – | – |
| Decrease in peak demand (MW) | MW | – | – | – |
| Cost avoided through energy savings | R$ thousand | – | – | – |
| **Low-income Residential** | | | | |
| Energy saved (MWh)/year | MWh/ano | 18.294,05 | – | – |
| Decrease in peak demand (MW) | MW | 9,20 | – | – |

| | | | | |
|---|---|---|---|---|
| Cost avoided through energy savings | R$ thousand | 157,1 | – | – |
| **Commercial** | | | | |
| Energy saved (MWh)/year | MWh/ano | 1.249,00 | – | 95,9 |
| Decrease in peak demand (MW) | MW | 0,12 | – | 0,02 |
| Cost avoided through energy savings | R$ thousand | 157,1 | – | 0,16 |
| **Industrial** | | | | |
| Energy saved (MWh)/year | MWh/ano | – | – | – |
| Decrease in peak demand (MW) | MW | – | – | – |
| Cost avoided through energy savings | R$ thousand | – | – | – |
| **Rural** | | | | |
| Energy saved (MWh)/year | MWh/ano | – | – | – |
| Decrease in peak demand (MW) | MW | – | – | – |
| Cost avoided through energy savings | R$ thousand | – | – | – |
| **Public Lighting** | | | | |
| Energy saved (MWh)/year | MWh/ano | – | – | – |
| Decrease in peak demand (MW) | MW | – | – | – |
| Cost avoided through energy savings | R$ thousand | – | – | – |
| **Public Services** | | | | |
| Energy saved (MWh)/year | MWh/ano | 5.726,69 | 1.004,24 | 18.314,80 |
| Decrease in peak demand (MW) | MW | 0,47 | 34,13 | 2,55 |
| Cost avoided through energy savings | R$ thousand | 145,4 | 159,01 | 0,16 |
| **Public Authorities** | | | | |
| Energy saved (MWh)/year | MWh/ano | 0,13 | 56,56 | 2.591,29 |
| Decrease in peak demand (MW) | MW | 0,10 | 0,02 | 0,53 |
| Cost avoided through energy savings | R$ thousand | 151,2 | 158,25 | 0,17 |
| **Solar Heating** | | | | |
| Energy saved (MWh)/year | MWh/ano | – | – | – |
| Decrease in peak demand (MW) | MW | – | – | – |
| Cost avoided through energy savings | R$ thousand | – | – | – |
| **Internal efficiency improvement (at company)** | | | | |
| Energy saved (MWh)/year | MWh/ano | – | – | – |
| Decrease in peak demand (MW) | MW | – | – | – |
| Cost avoided through energy savings | R$ thousand | – | – | – |
| **General Data - PEE** | | | | |
| Number of low-income households served by the program | unit | Not available | Not available | 71.900 |
| Percentage of low-income households served by the program over total low-income households | % | Not available | Not available | 10,04 |
| Number of efficient equipment items donated | unit | Not available | Not available | 425.560 |
| Number of households undergoing adaptation of | | | | |

| | | | | |
|---|---|---|---|---|
| electrical facilities | unit | Not available | Not available | 3.178 |
| Number of electricians trained by the program | unit | Not available | Not available | 0 |
| Number of Solar Heating PEEs | unit | – | – | – |
| Number of Solar Heating systems installed | unit | – | – | – |
| Number of Municipal Energy Management PEEs | unit | – | – | 1 |
| Number of municipalities served by the municipal energy management program | unit | – | – | 5 |
| Percentage of municipalities served over total municipalities in the concession area | % | – | – | 16,13 |
| Number of primary schools and high schools served in the community | unit | – | – | – |
| Percentage of primary schools and high schools served / total number of schools in the concession area | % | – | – | – |
| Number of primary school and technical school students served | unit | – | – | – |
| Percentage of students served / total number of school students in the concession area | % | – | – | – |
| Number of teachers trained | unit | – | – | – |
| Number of universities and technical schools served | unit | – | – | – |
| Percentage of universities and technical schools served / total number of establishments in the concession area | % | – | – | – |
| Number of university and technical school students served | unit | – | – | – |
| Percentage of students served / total number of school students in the concession area | % | – | – | – |
| Funds invested in environmental education in the community (R$ thousand) | R$ thousand | – | – | – |

## Research and Development GRIEU8

### Funds Invested in Technological and Scientific Research and Development – R$ by area of research

| | | | | |
|---|---|---|---|---|
| Energy efficiency (A) | R$ | 231.134 | 621.918 | 198.966 |
| Renewable or alternative source (B) | R$ | – | – | 194.032 |
| Environment (C) | R$ | 792.815 | 855.757 | 865.314 |
| Quality and reliability (D) | R$ | 619.527 | 3.867.088 | 1.512.743 |
| Planning and operation (E) | R$ | 2.518.645 | 1.168.135 | 1.589.138 |
| Supervision, control and protection (F) | R$ | 942.978 | 2.155.233 | 2.447.385 |
| Measurement (G) | R$ | 344.096 | 5.219.774 | 2.839.885 |
| Data transmission through electricity grids (H) | R$ | – | – | – |
| New materials and components (I) | R$ | 1.101.163 | 431.192 | 725.617 |
| Development of anti-fraud and anti-theft technology (J) | R$ | 2.419.542 | 1.851.681 | 3.749.799 |
| Total R&D Investment (K) | R$ | 8.969.899 | 19.954.135 | 23.235.336 |

### Funds Invested in Technological and Scientific Research and Development – % by area of research

| | | | | |
|---|---|---|---|---|
| Funds Invested in Energy Efficiency (A) of total invested in R&D (K) (%) | % | 2,9 | 3,1 | 0,9 |
| Funds invested in Renewable or Alternative Sources (B) of total invested in R&D (K) (%) | % | – | – | 0,8 |
| Funds Invested in the Environment (C) of total invested in R&D (K) (%)) | % | 10,0 | 4,3 | 3,7 |
| Funds Invested in Quality and Reliability (D) of total invested in R&D (K) (%) | % | 7,8 | 19,4 | 6,5 |
| Funds Invested in Planning and Operations (E) of total invested in R&D (K) (%) | % | 31,7 | 5,9 | 6,8 |

| | | | | |
|---|---|---|---|---|
| Funds Invested in Supervision, Control and Protection (F) of total invested in R&D (K) (%) | % | 11,9 | 10,8 | 10,5 |
| Funds Invested in Measurement (G) of total invested in R&D (K) (%) | % | 4,3 | 26,2 | 12,2 |
| Funds Invested in Data transmission through Electricity Grids (H) of total invested in R&D (K) (%) | % | – | – | – |
| Funds Invested in New materials and components (I) of total invested in R&D (K) (%) | % | 13,8 | 2,2 | 3,1 |
| Funds Invested in Development of anti-fraud and anti-theft technology (J) of total invested in R&D (K) (%) | % | 30,4 | 9,3 | 16,1 |
| Funds Invested in environmental R&D (R$ thousand) | R$ thousand | 793 | 681 | 865 |
| **Number of Patents registered at INPI related to environmental R&D** | | | | |
| Number of Patents registered at INPI related to environmental R&D | unit | – | – | – |
| **Internal Public** | | | | |
| Gross payroll | R$ | 105.565.323,18 | 105.844.363,39 | 109.947.583,33 |
| Compulsory social charges | R$ | 40.855.597,58 | 34.662.358,03 | 44.298.050,18 |
| **Benefits** | | | | |
| Education | R$ | 2.888.234,54 | 4.962.894,71 | 5.617.541,51 |
| Meals | R$ | 15.378.738,81 | 14.401.116,52 | 15.875.621,24 |
| Transportation | R$ | 1.251.312,29 | 1.601.754,08 | 1.554.697,44 |
| Health insurance | R$ | 10.647.571,69 | 8.228.857,24 | 9.642.064,71 |
| Date Founded | R$ | 8.255.400,83 | 5.862.532,09 | 6.489.177,57 |
| Other | R$ | – | 3.331.081,77 | 3.413.925,82 |
| Total investment in Company profit-sharing program | R$ | 44.080.283,26 | 22.048.011,82 | 14.788.526,54 |
| Amounts distributed in relation to gross payroll (%) | % | 41,76 | 20,83 | 13,45 |
| Company Stock held by employees (%) | % | 0 | 0 | 0 |
| Division of the highest remuneration by the lowest remuneration in cash paid by the Company (including profit shares and bonuses) | unit | 61,6 | 89,4 | 84,1 |
| Division of the Company's highest remuneration by the minimum salary in force (including profit shares and bonuses) | unit | 1,63 | 1,1 | 1,18 |
| **Wage Information** | | | | |
| **Percentage of employees in each wage range** | | | | |
| a) up to R$1,500.00 | % | 36,99 | 36,03 | 32,89 |
| b) R$ 1,500.01 to R$ 3,000.00 | % | 40,95 | 38,66 | 41,9 |
| c) R$ 3,000.01 to R$ 6,000.00 | % | 15,85 | 18,77 | 19,15 |
| d) over R$ 6,000.00 | % | 6,2 | 6,55 | 6,06 |
| **By Category (average wage in the current year) - R$** | | | | |
| Executive Board positions | R$ | NA (Officers) | | |
| Managerial positions (managing directors, managers and coordinators) | R$ | 8.969,67 | 8.957,55 | 9.193,85 |
| Administrative positions | R$ | 2.879,21 | 2.323,56 | 2.417,74 |
| Production positions | R$ | 1.906,08 | 2.106,00 | 2.154,96 |
| Total number of employees | unit | 3.482 | 3.453 | 3451 |
| Employees aged 30 or under (%) | % | 22,2 | 22,73 | 22,72 |
| Employees aged 31 to 40 (%) | % | 28,8 | 29,22 | 29,93 |

| | | | | |
|---|---|---|---|---|
| Employees aged 41 to 50 (%) | % | 28,6 | 25,83 | 24,66 |
| Employees over 50 (%) | % | 20,3 | 22,21 | 22,69 |
| Percentage of women employees (%) | % | 22,9 | 23,69 | 23,76 |
| Women in managerial positions - percentage of all managerial positions (%) | % | 21,8 | 21,57 | 24,26 |
| Black female employees (black and mixed race) - as a percentage of total employees (%) | % | 7,68 | 8,15 | 7,5 |
| Black male employees (black and mixed race) - as a percentage of total employees (%) | % | 30 | 30,31 | 33,2 |
| Black employees (black and mixed race) in managerial positions as a percentage of all managerial positions (%) | % | 18,2 | 21,15 | 13,59 |
| Percentage of trainees (%) | % | 2,8 | 2,69 | 2,78 |
| Employees of the apprentice recruitment program (%) | % | 0,2 | 2 | 2 |
| Disabled employees | unit | 144 | 170 | 161 |
| **Management Information** | | | | |
| Total compensation and/or fees (R$ thousand) (A) | R$ thousand | Not available | Not available | Not available |
| Number of officers (B) | unit | 7 | 8 | 7 |
| Average compensation and/or fees A/B | R$ | Not available | Not available | Not available |
| Fees of board members (R$ thousand) (C) | R$ thousand | Not available | Not available | Not available |
| Number of board members (D) | unit | 9 | 11 | 10 |
| Average fees C/D | R$ | Not available | Not available | Not available |
| Investments in supplementary pensions | R$ | 8.255.400,83 | 8.062.551,40 | 6.219.201,41 |
| Number of recipients in the supplementary pension program | unit | 3.218 | 3.142 | 2917 |
| Number of recipients in the retirement preparation program | % | 0 | 0 | 0 |
| **Education Levels (percentage in relation to total employees)** | | | | |
| Primary education (%) | % | 13,4 | 12,6 | 11,0 |
| High school (%) | % | 57,8 | 58,3 | 59,3 |
| University (%) | % | 23,0 | 23,2 | 23,3 |
| Post graduation (specialization, Masters degree, PhD) (%) | % | 5,8 | 5,9 | 5,9 |
| Illiterate employees (%) | % | 0 | 0 | 0 |
| Amount invested in professional development and education (%) | % | 0,05 | 0,07 | 0,07 |
| Number of hours of professional development per employee/year | HH | 56,4 | 72,7 | 59,6 |
| Number of employees at end of period | unit | 3.482 | 3.453 | 3451 |
| Number of admissions in the period | unit | 264 | 258 | 301 |
| Labor claims filed by total of dismissed employees in the period (%) | % | Not available | Not available | 0,56 |
| Labor Claims - Amount claimed in judicial proceedings | R$ | 495.560.239 | 573.687.909 | 590.101.836 |
| Labor Claims - Liability provisioned for | R$ | 152.687 | 144.189.836 | 149.286.015 |
| Labor Claims - Number of existing claims | unit | 2.921 | 2.408 | 2079 |
| Labor Claims - Number of employees involved in the claims | unit | 3.688 | 3967 | 4567 |
| **Health and Safety** | | | | |
| Employee Seriousness Rate | unit | 19 | 56 | 21,72 |

| | | | | |
|---|---|---|---|---|
| Seriousness Rate of outsourced/contracted employees | unit | 1.768 | 2.073 | 1.037 |
| Seriousness of accidents involving third parties due to electric shock in the concession grid | unit | 684 | 1.311 | 984 |
| Number of improvements made in order to offer safer products and services | unit | Not available | Not available | 24.474 |
| Average overtime per employee/year | hours | 60,68 | 62,55 | 163,11 |
| Total number of work-related accidents involving employees | unit | 24 | 22 | 22 |
| Total number of work-related accidents involving outsourced/contracted employees | unit | 114 | 91 | 68 |
| Average number of work-related accidents per employee/year | unit | 0,007 | 0,006 | 0,005 |
| Accidents resulting in the temporary leave of employees and/or service providers (%) | % | 69,56 | 70,06 | 66,66 |
| Accidents resulting in mutilation or other damage to the physical integrity of employees and/or service providers, resulting in permanent leave from the position (including RSI) (%) | unit | Not available | Not available | 1 |
| Accidents resulting in the death of employees and/or service providers (%) | % | 2,17 | 2,37 | 2,2 |
| Total frequency rate of the Company in the period, for employees | unit | 2,18 | 3,17 | 4,53 |
| Total frequency rate of the Company in the period, for outsourced/contracted employees | unit | 7,04 | 6,27 | 2,88 |
| Investment in specific programs for HIV carriers (R$ thousand) | R$ thousand | 0 | 0 | 0 |
| Investments in dependency prevention and treatment programs (drugs and alcohol) (R$ thousand) | R$ thousand | 5,7 | 12,9 | 0 |

## General Information

| | | | | |
|---|---|---|---|---|
| Energy sold by employee (MWh) | MWh | 6.833 | 6.710 | 6.486 |
| Number of consumers by employee | unit | 1.128 | 1.157 | 1.180 |
| Added value / GWh sold | GWh | 185.278 | 186.803 | 214.107 |
| Substations (in units)(SETD/SEMT/SETR) | unit | 96 | 97 | 87/5/6 |
| Substations (in units)(SESD) | unit | 114 | 113 | 113 |
| Installed capacity (MVA)(SETD) | MVA | 8.078 | 8.068 | 8.261 |
| Installed capacity (MVA)(SESD) | MVA | 775 | 790 | 799 |
| Transmission lines (km) | km | 2.026 | 2.035 | 2.045 |
| Distribution grid (km thousand) | thousand km | 55 | 55,3 | 56 |
| Distribution transformers (units) | unit | 77.323 | 78.185 | 82.847 |

## Economic and Financial Indicators

| | | | | |
|---|---|---|---|---|
| Wealth (amount to be distributed) through operating revenue (%) | % | 86,4 | 84,3 | 78,6 |
| EBITDA (R$ thousand) | R$ thousand | 1.313.607 | 1.020.400 | 1.340.000 |
| EBITDA Margin (%) | % | 25,8 | 19,9 | 24,2 |
| Current liquidity | times | 1,5460 | 1,5510 | 1,1260 |
| General liquidity | times | 0,8380 | 0,7880 | 0,7781 |
| Gross margin (net income/gross operating revenue) (%) | % | 11,6 | 6,4 | 5,09 |
| Net margin (net income/net operating revenue) (%) | % | 18 | 10,3 | 7,8 |
| Yield on shareholders' equity (net income/shareholders' equity) (%) | % | 35,3 | 20,7 | 19,46 |
| | R$ | | | |

| | | | | |
|---|---|---|---|---|
| Capital structure | thousand | 4.756.724 | 4.997.314 | 4.876.966 |
| Own capital (%) | % | 54,6 | 51,1 | 50,08 |
| Borrowed capital (%) (loans and financing) | % | 45,4 | 48,9 | 49,9 |
| Consumer default (bills up to 90 days overdue/gross operating revenue in past 12 months) | % | 2,8 | 2,9 | 2,5 |
| Investing in expanding distribution | R$ thousand | 276.193 | 253.021 | 170.000 |
| Investing in renovation | R$ thousand | 110.046 | 116.848 | 83.000 |
| Investing in Subtransmission / Transmission | R$ thousand | 60.114 | 80.389 | 124.000 |
| Wealth (net added value) per employee (R$ thousand) | R$ thousand | 1.093 | 911 | 1.332 |
| Operating costs and expenses per MWh sold (R$ thousand) | R$ thousand | 0,21 | 0,22 | 0,24 |
| Dividends distributed (R$ thousand) | R$ thousand | 350.766 | 169.729 | 112.888 |
| Interest on shareholders' equity (R$ thousand) | R$ thousand | 0 | 0 | 0 |
| Net income (R$ thousand) | R$ thousand | 918.164 | 528.465 | 475.316 |
| Profit shares (R$ thousand) | R$ thousand | – | 18,583 | 17.571 |
| IRPJ/ CSSL (R$ thousand) | R$ thousand | –259.791 | –136.390 | –295.438 |
| Financial income/loss (R$ thousand) | R$ thousand | 159.186 | –68.710 | –289.098 |
| Service income (R$ thousand) | R$ thousand | 1.048.024 | 752.148 | 1.077.423 |
| Unrecoverable revenue (R$ thousand) | R$ thousand | 235.781 | –246.075 | –254.785 |
| Service operating costs and expenses (R$ thousand) | R$ thousand | –3.838.757 | –4.146.849 | –4.764.895 |
| Net operating revenue (R$ thousand) | R$ thousand | 5.101.088 | 5.133.250 | 6.097.103 |
| Deductions from revenue (R$ thousand) | R$ thousand | –2.792.564 | –3.157.073 | –3.250.106 |
| Gross operating revenue (R$ thousand) | R$ thousand | 7.893.652 | 8.290.323 | 9.347.209 |
| **Statements of Added Value** | | | | |
| OPERATING REVENUE | R$ thousand | 7.679.345 | 8.056.070 | 9.347.209 |
| Supply of Energy | R$ thousand | – | – | 7.919.155 |
| Supply of Energy – Residential | R$ thousand | 3.066.131 | 3.344.601 | 3.564.569 |
| Supply of Energy – Residential baixa renda | R$ thousand | 52.040 | 40.080 | 36.776 |
| Supply of Energy – Commercial | R$ thousand | 2.521.979 | 2.617.329 | 2.631.324 |
| Supply of Energy – Industrial | R$ thousand | 703.621 | 717.242 | 700.243 |
| Supply of Energy – Rural | R$ thousand | 13.065 | 13.017 | 13.172 |
| Supply of Energy – Public lighting | R$ thousand | 144.277 | 144.207 | 147.455 |
| Supply of Energy – Public service | R$ thousand | 225.776 | 224.972 | 234.728 |
| Supply of Energy – Government | R$ thousand | 487.452 | 580.038 | 590.888 |
| | R$ | | | |

| | | | | |
|---|---|---|---|---|
| Short-term electricity | thousand | 10.742 | 17.152 | 66.446 |
| Services | R$ thousand | 668.569 | 591.685 | 24.168 |
| Other Revenue | R$ thousand | – | 11.822 | 1.337.440 |
| Allowance (Reversal of allowance) for doubtful accounts | R$ thousand | – | –246.075 | –254.785 |
| (-) CONSUMABLES | R$ thousand | –3.314.158 | –3.651.074 | –4.203.978 |
| Nonoperating Income | R$ thousand | – | – | 0 |
| = GROSS ADDED VALUE | R$ thousand | 4.365.187 | 4.404.996 | 4.888.446 |
| (-) REINSTATEMENT QUOTAS | R$ thousand | –287.057 | –280.074 | –290.232 |
| = NET ADDED VALUE | R$ thousand | 4.078.130 | 4.124.922 | 4.598.214 |
| + TRANSFERRED ADDED VALUE | R$ thousand | 330.382 | 203.310 | 194.356 |
| = ADDED VALUE TO BE DISTRIBUTED | R$ thousand | 4.408.512 | 4.328.232 | 4.792.570 |

### Distribution of Wealth - By Stakeholders

| | | | | |
|---|---|---|---|---|
| Employees | R$ thousand | 182.500 | 164.543 | 208.166 |
| Taxes | R$ thousand | 3.113.119 | 3.348.244 | 3.609.744 |
| Financiers | R$ thousand | 194.730 | 286.980 | 499.344 |
| Shareholder | R$ thousand | 918.164 | 528.465 | 475.316 |
| = DISTRIBUTED ADDED VALUE (TOTAL) | R$ thousand | 4.408.513 | 4.328.232 | 4.792.570 |

### Taxes/Contributions

| | | | | |
|---|---|---|---|---|
| ICMS | R$ thousand | 1.935.264 | 2.069.067 | 2.219.444 |
| PIS/PASEP | R$ thousand | 78.020 | 77.249 | 96.439 |
| COFINS | R$ thousand | 372.240 | 345.930 | 438.864 |
| ISS | R$ thousand | 1.918 | 1.832 | 3.685 |
| IRPJ payable in the year | R$ thousand | 194.135 | 147.765 | 255.763 |
| CSSL payable in the year | R$ thousand | 65.656 | –11.375 | 91.705 |
| Other | R$ thousand | – | 54.781 | 13 |

### Sector Charges

| | | | | |
|---|---|---|---|---|
| RGR | R$ thousand | 68.434 | 64.548 | 57.654 |
| CCC | R$ thousand | 173.854 | 38.835 | 208.736 |
| CDE | R$ thousand | 369.405 | 251.521 | 213.769 |
| CFURH | R$ thousand | – | – | 0 |
| TFSEE | R$ thousand | 11.919 | 12.769 | 0 |
| ESS | R$ thousand | – | – | 0 |
| | R$ | | | |

| | | | | |
|---|---|---|---|---|
| R&D | thousand | 10.186 | 10.011 | 14.481 |
| Other | R$ thousand | 29.197 | 40.207 | 9.191 |
| = DISTRIBUTED VALUE (TOTAL) | R$ thousand | 3.310.228 | 3.048.359 | 3.609.744 |
| Universal electricity access | unit | Concluded in 2004 | | |
| Light for All (Luz para Todos) Program | unit | Concluded in 2007 | | |




# Responsibility Indicators Light ENERGY

## ANEEL Light ENERGIA

### Resources Applied Research and Technological Development and Scientific -%

| ANEEL Light ENERGIA | | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Gross operating revenue (R$ thousand) | R$ thousand | 346.728 | 330.905 | 365.018 |
| Revenue deductions (R$ thousand) | R$ thousand | –42.225 | –36.046 | –45.077 |
| Net operating revenue (R$ thousand) | R$ thousand | 304.503 | 294.859 | 319.941 |
| Service operating costs and expenses (R$ thousand) | R$ thousand | –122.879 | –114.815 | –151.110 |
| Service income (R$ thousand) | R$ thousand | 181.624 | 180.044 | 168.831 |
| Financial income/loss (R$ thousand) | R$ thousand | –65.989 | –9.016 | –34.300 |
| IRPJ/ CSSL (R$ thousand) | R$ thousand | –37.801 | –56.671 | –44.439 |
| Equity interests (R$ thousand) | R$ thousand | –1.733 | –1.377 | –1.395 |
| Net income (R$ thousand) | R$ thousand | 76.101 | 112.980 | 88.697 |
| Interest on shareholders' equity (R$ thousand) | R$ thousand | 0 | 0 | 0 |
| Dividends distributed (R$ thousand) | R$ thousand | 41.387 | 26.833 | 21.066 |
| EBITDA (R$ thousand) | R$ thousand | 206.433 | 204.240 | 229.300 |
| EBITDA Margin (%) | % | 0,678 | 0,693 | 71,67 |
| Current liquidity (R$ thousand) | R$ thousand | 0,996 | 0,93 | 0,795 times |
| General liquidity (R$ thousand) | R$ thousand | 0,252 | 0,391 | 0,226 times |
| Gross margin (net income/gross operating revenue) (%) | % | 21,95 | 34,14 | 24,3 |
| Net margin (net income/net operating revenue) (%) | % | 24,99 | 38,32 | 27,7 |
| Yield on shareholders' equity (net income/shareholders' equity) (%) | % | 53,2 | 49,29 | 10,88 |

## Statements of Added Value

| | | | | |
|---|---|---|---|---|
| OPERATING REVENUE | R$ thousand | 346.691 | 332.382 | 365.018 |
| Sales of goods and services | R$ thousand | 346.728 | 330.905 | 364.394 |
| Supply - Electricity Sales | R$ thousand | 325.100 | 312.880 | 341.612 |
| Supply - Short-term Electricity | R$ thousand | 16.199 | 11.934 | 17.438 |
| Other - TUSD | R$ thousand | 5.429 | 6.091 | 5.344 |
| Other Revenue | R$ thousand | –37 | 1.477 | 624 |
| (-) CONSUMABLES | R$ thousand | –76.014 | –56.419 | –46.292 |

## Nonoperating Income

| | | | | |
|---|---|---|---|---|
| = GROSS ADDED VALUE | R$ thousand | 270.677 | 275.963 | 318.726 |
| (-) REINSTATEMENT QUOTAS | R$ thousand | –24.772 | –24.196 | –61.618 |
| = NET ADDED VALUE | R$ thousand | 245.905 | 251.767 | 257.108 |
| + TRANSFERRED ADDED VALUE | R$ thousand | 8.163 | 10.500 | 6.514 |
| = ADDED VALUE TO BE DISTRIBUTED | R$ thousand | 254.068 | 262.267 | 263.622 |

## Distribution of Wealth - By Stakeholders

| | | | | |
|---|---|---|---|---|
| Employees | R$ thousand | 17.282 | 14.923 | 17.431 |
| Taxes | R$ thousand | 85.437 | 97.628 | 94.899 |
| Financiers | R$ thousand | 75.248 | 36.735 | 62.595 |
| Shareholder | R$ thousand | 76.101 | 112.980 | 88.697 |
| = DISTRIBUTED ADDED VALUE (TOTAL) | R$ thousand | 254.068 | 262.267 | 263.622 |

## Distribution of Wealth - Tax and Sector Charges

### Taxes/Contributions

| | | | | |
|---|---|---|---|---|
| ICMS | R$ thousand | – | – | – |
| PIS/PASEP | R$ thousand | 5.460 | 3.849 | 5.606 |
| COFINS | R$ thousand | 25.158 | 17.731 | 25.830 |
| ISS | R$ thousand | 11 | 14 | 13 |
| IRPJ payable in the year | R$ thousand | 27.516 | 41.256 | 32.343 |
| CSSL payable in the year | R$ thousand | 10.285 | 15.415 | 12.096 |
| Other | R$ thousand | 5.718 | 4.911 | 5.383 |

### Sector Charges

| | | | | |
|---|---|---|---|---|
| RGR | R$ thousand | 8.244 | 11.508 | 10.433 |
| TFSEE | R$ thousand | 1.297 | 1.447 | – |
| R&D | R$ thousand | 1.217 | 1.177 | 1.278 |

| | | | | |
|---|---|---|---|---|
| Other | R$ thousand | 531 | 320 | 1.917 |
| = DISTRIBUTED VALUE (TOTAL) | R$ thousand | 85.437 | 97.628 | 94.899 |
| **Supplier** | | | | |
| Active Suppliers | unit | 1.477 | 1.598 | 1.793 |
| Suppliers inspected (for child labor, slave labor and occupational health and safety conditions) by the Company/total suppliers (%) | % | 1,14 | 18,15 | 8,37% |
| Unqualified suppliers (nonconformity with the Company's CSR policies) / total suppliers (%) | % | – | – | – |
| Suppliers with SA 8000 certification or equivalent certification / total active suppliers (%) | % | 0,02 | 0,06 | – |
| Number of training sessions offered to suppliers | unit | 48 | Not available | 2 |
| Number of hours of training offered to suppliers | horas | 3,23 HH | Not available | 14,7 HH |
| Number of outsourced employees | unit | 235 | 196 | 430 |
| Number of outsourced/contracted workers | unit | Not available | Not available | Not available |
| Total cost on outsourced workers (R$ thousand) | R$ thousand | Not available | Not available | Not available |
| Outsourced/contracted workers in relation to total workforce | % | 50% | 48% | 67% |
| **Wage Information - percentage of outsourced workers in each wage range** | | | | |
| Over 3,000 | % | Not available | 2 | 3 |
| Up to 1,000 | % | Not available | 57 | 16 |
| Between 1001 and 2,000 | % | Not available | 40 | 78 |
| 2,001 to 3,000 | % | Not available | 2 | 3 |
| **Education levels (percentage in relation to total outsourced workers)** | | | | |
| Primary education | % | Not available | Not available | – |
| High school | % | Not available | Not available | – |
| University, post graduation | % | Not available | Not available | – |
| **General** | | | | |
| Total gross energy generated (GWh) - Light Energia | GWh | 5.220 | 5.630 | 5.605 |
| Total net energy generated (GWh) - Light Energia | GWh | 4.331 | 4.695 | 4.769 |
| **Environment** | | | | |
| Conservation area/total conservation area in the concession area required by law (%) | % | Not available | Not available | Not available |
| Number of accidents due to breach of environmental safety standards | unit | 0 | 0 | Not available |
| Number of assessments and/or fines due to breach of environmental standards | unit | 0 | 0 | Not available |
| Value of assessments and/or fines due to breach of environmental standards (R$ thousand) | R$ thousand | 0 | 0 | Not available |
| Annual volume of greenhouse gases (CO2, CH4, N2O, HFC, PFC and SF6) emitted (in tons of CO2 equivalent) | t | 497 | 1.198 | 2.000 |
| Annual volume of ozone-depleting emissions | t | 2,7 | Insignificant amounts | Insignificant amounts |
| Total volume of effluent | m3 | Not available | 1.620 | Not available |
| Total volume of treated effluent | m3 | Not available | 1.620 | Not available |
| Percentage of treated effluent (%) | % | Not available | 100 | Not available |
| Annual quantity (in tons) of solid waste generated (refuse, waste, rubble etc.) | t | 124,5 | 1.175 | 2.661 |
| Percentage of waste recycled by third parties | % | Activity not carried out | Activity not carried out | Activity not carried out |
| Percentage of waste recycled by a plant or entity related to the Company (specific project) | % | Activity not carried out | Activity not carried out | Activity not carried out |

| | | | | |
|---|---|---|---|---|
| Waste recycling expenses (R$ thousand) - oil regeneration | R$ thousand | Not available | Not available | NA – LIGHT SESA |
| Percentage of consumables reused (feedstock, equipment, electric wires and cables) | % | Not available | Not available | Not available |
| Expenses on final disposal of nonhazardous waste (R$ thousand) | R$ thousand | Not available | Not available | 124,1 |
| Percentage of equipment replaced by insulating mineral oil without PCB (ascarel) | % | Activity not carried out | Activity not carried out | NA – LIGHT SESA |
| Percentage of bulbs decontaminated in relation to total amount replaced at Company | % | 100 | 100 | 100 |
| Percentage of bulbs decontaminated in relation to total amount replaced at consumer units | % | Not applicable | Not applicable | NA – LIGHT SESA |
| Expenses on treating and disposing toxic waste (incineration, landfill, biotreatment etc) | R$ | 8.505 | 203.073 | 3.192,80 |
| **Total electricity consumption by source** | | | | |
| Fossil Fuels | kWh | – | – | Not available |
| Alternative sources (gas, wind energy, solar energy etc) | kWh | – | – | Not available |
| Hydroelectric (kWh) | kWh | – | – | Not available |
| Total electricity consumption (in kWh) | kWh | 2.330.880 | 2.001.175 | 1.977.576 |
| Energy consumption per kWh distributed (sold) | kWh | Não se aplica | Não se aplica | Não se Aplica |
| **Total Consumption of Fossil Fuels by the Company's Fleet of Vehicles per kilometer** | | | | |
| Ethanol | Litros | 1.690 | 6.395 | 9.649 |
| Diesel | Litros | 35.462 | 41.573 | 99.520 |
| Natural Gas | Litros | – | – | – |
| Gasoline | Litros | 20.380 | 25.897 | 70.665 |
| **Total water consumption by source (m3)** | | | | |
| Supply (public system) (m3) | m3 | Not available | Not available | 12.305 |
| Surface extraction (waterways)(m3) | m3 | 162,36 | Not available | Not available |
| Underground source (well) (m3) | m3 | Not available | Not available | Not available |
| Total water consumption (m3) | m3 | 10.459 | 15.087 | 12.305 |
| Water consumption by employee (m3) | m3 | 42 | 66 | 58 |
| Cost-cutting obtained by reducing consumption of energy, water and consumables (R$ thousand) | R$ thousand | Not available | Not available | Not available |
| Percentage of material acquired in accordance with environmental standards verified by the company/total material acquired | % | – | – | Not available |
| Percentage of material acquired with a green seal or other seals (Procel, Inmetro etc.) | % | – | – | Not available |
| Percentage of material acquired with forest certification (Imaflora, FSC and other) | % | – | – | Not available |
| Electricity consumption of generating and auxiliary units (maximum consumption in kWh defined by hydroelectric plant) | kWh | 854.890.000 | 864.540.000 | 767.810.000 |
| Water consumption per kWh generated (maximum flow consumption - m3/s - per kWh delivered) | m3/s – por kWh | Not available | Not available | 7,8102 m³/KWh |
| Erosion of reservoir banks (ha eroded per year) | ha | Not available | Not available | Not available |
| Restoration of vegetation (number of saplings or planted area/recovered per year) | ha | 72 | 60,8 | 50.000 saplings/year |
| Quality of reservoir water and sediment (units of water quality, sediment and degree of eutrophication) | unit | Not available | Not available | Not available |
| Rescue of fish in turbines (kg of fish per stoppage) | Kg | Not available | Not available | Not available |
| Fish restocking (number of fry released into reservoirs per year) | unit | 20.000 | 62.000 | Activity Suspended |
| Consumption of oil and lubricating grease (liters of lubricating oil used per month in turbined water - m3/s) | m3/s | 4.305 | 3.538 | 6.221 litros |
| Removal of waste from reservoirs (refuse, macrophytes, industrial and domestic effluent and silting sediment) (ton/year or m3/year, depending on the type of refuse in the reservoir) | ton/year | 55 | 55 | 50 |

| | | | | |
|---|---|---|---|---|
| Release of untreated sanitary effluent and leakage of lubricating and hydraulic oil in turbines (ton/year or m3/year, depending on the type of oil). | ton/year | – | Not available | Not available |

## Total environmental protection expenditure and investments, by type (R$ thousand)

| | | | | |
|---|---|---|---|---|
| Urban Tree Canopy | R$ thousand | – | – | – |
| Legal compliance | R$ thousand | – | – | – |
| Slope Stabilization | R$ thousand | 1.746 | 1.875 | 1.980 |
| Other - Consultancy, Seminars and Audits | R$ thousand | – | – | – |
| Internal environmental education | R$ thousand | – | – | – |
| EMS Implementation and Maintenance | R$ thousand | 711 | 761 | 756 |
| Environmental Permitting | R$ thousand | 109 | 160 | 221 |
| Substation and Power Line Maintenance and Safety | R$ thousand | NA | NA | 0 |
| Research and Development | R$ thousand | 442 | 163 | 692 |
| Environmental Projects | R$ thousand | – | – | 0 |
| Plant removal | R$ thousand | 1.124 | 1.411 | 1.326 |
| Replacement of Distribution Transformers (Ascarel) | R$ thousand | – | – | – |
| Total | R$ thousand | 4.131 | 4.370 | 4.976 |
| Number of employees trained in environmental education programs. | unit | Not available | Not available | 9 |
| Percentage of employees trained in environmental education programs/total employees. | % | Not available | Not available | 3 |
| Number of hours of environmental training for employees/total hours of training | unit | Not available | Not available | 0,80% |
| Funds invested in environmental education at the organization (R$ thousand) | R$ thousand | Not available | Not available | 0,077 |

## Research and Development
GRI EU8

## Funds Invested in Technological and Scientific Research and Development – R$ by area of research

| | | | | |
|---|---|---|---|---|
| Energy efficiency (A) | R$ | – | – | – |
| Renewable or alternative source (B) | R$ | – | – | – |
| Environment (C) | R$ | 441.643 | 408.172 | 201.493 |
| Quality and reliability (D) | R$ | – | – | 187.428 |
| Planning and operation (E) | R$ | 414.600 | 142.107 | 9.675 |
| Supervision, control and protection (F) | R$ | 350.168 | 813.476 | 68.692 |
| Measurement (G) | R$ | – | – | 392.005 |
| Data transmission through electricity grids (H) | R$ | – | – | – |
| New materials and components (I) | R$ | – | – | – |
| Development of anti-fraud and anti-theft technology (J) | R$ | – | – | – |
| Thermal Generation (L) | R$ | – | – | – |
| Safety (M) | R$ | – | – | – |
| Management of basins and reservoirs (N) | R$ | – | – | 460.329 |
| Electricity Systems Planning (O) | R$ | – | 188.567 | 9.675 |
| Total R&D Investment (K) | R$ | 1.206.412 | 1.552.322 | 1.529.502 |
| Funds Invested in Energy Efficiency (A) of total invested in R&D (K) (%) | % | – | – | – |

| | | | | |
|---|---|---|---|---|
| Funds invested in Renewable or Alternative Sources (B) of total invested in R&D (K) (%) | % | – | – | – |
| Funds Invested in the Environment (C) of total invested in R&D (K) (%) | % | 36,61 | 26,29 | 13,17 |
| Funds Invested in Quality and Reliability (D) of total invested in R&D (K) (%) | % | – | – | 12,25 |
| Funds Invested in Planning and Operations (E) of total invested in R&D (K) (%) | % | 34,37 | 9,15 | 0,63 |
| Funds Invested in Supervision, Control and Protection (F) of total invested in R&D (K) (%) | % | 29,03 | 52,4 | 4,49 |
| Funds Invested in Measurement (G) of total invested in R&D (K) (%) | % | – | – | 25,62 |
| Funds Invested in Data transmission through Electricity Grids (H) of total invested in R&D (K) (%) | % | – | – | – |
| Funds Invested in New materials and components (I) of total invested in R&D (K) (%) | % | – | – | – |
| Funds Invested in Development of anti-fraud and anti-theft technology (J) of total invested in R&D (K) (%) | % | – | – | – |
| Thermal Generation (L) | R$ | – | – | – |
| Safety (M) | R$ | – | – | – |
| Management of basins and reservoirs (N) | R$ | – | – | 460.329,45 |
| Electricity Systems Planning (O) | R$ | – | 12,15 | 9.675,21 |
| Funds Invested in environmental R&D (R$ thousand) | R$ | 422 | 163 | 201,4 |
| Number of Patents registered at INPI related to environmental R&D | unit | – | – | – |
| **Internal Public** | | | | |
| Number of own employees | unit | 234 | 215 | 211 |
| Gross payroll | R$ | 8.977.419,98 | 9.114.281,00 | 9.120.833,81 |
| Compulsory social charges | R$ | 3.655.889,27 | 3.734.277,39 | 4.128.436,97 |
| **Total Benefits (R$)** | | | | |
| Education | R$ | 54.590,36 | 137.769,31 | 203.653,24 |
| Meals | R$ | 1.135.580,97 | 977.421,76 | 963.192,32 |
| Transportation | R$ | 42.118,03 | 40.741,78 | 39.951,58 |
| Health insurance | R$ | 544.055,26 | 475.972,86 | 481.253,92 |
| Date Founded | R$ | 609.789,56 | 552.013,50 | 630.172,00 |
| Other | R$ | – | 231.599,91 | 193.485,43 |
| Total investment in Company profit-sharing program (R$) | R$ | 1.736.597,34 | 1.838.203,79 | 1.213.428,78 |
| Amounts distributed in relation to gross payroll (%) | % | 19,34 | 20,17 | 13,30% |
| Company Stock held by employees (%) | % | – | – | – |
| Division of the highest remuneration by the lowest remuneration in cash paid by the Company (including profit shares and bonuses) | | 16,04 | 30,4 | 19,7 |
| Division of the Company's highest remuneration by the minimum salary in force (including profit shares and bonuses) | | 3,24 | 2,48 | 3,56 |
| **Wage Information** | | | | |
| **Percentage of employees in each wage range** | | | | |
| a) up to R$1,500.00 | % | 16,24 | 12,56 | 8,53 |
| b) R$ 1,500.01 to R$ 3,000.00 | % | 53,42 | 49,77 | 50,24 |
| c) R$ 3,000.01 to R$ 6,000.00 | % | 20,09 | 27,44 | 29,38 |
| d) over R$ 6,000.00 | % | 10,26 | 10,23 | 11,85 |
| **By Category (average wage in the current year) - R$** | | | | |
| Executive Board positions | R$ | NA | NA | NA |
| Managerial positions (managing directors, managers and coordinators) | R$ | 9.787,79 | 11.302,76 | 12.900,71 |

| | | | | |
|---|---|---|---|---|
| Administrative positions | R$ | 3.096,71 | 2.893,70 | 3.183,69 |
| Production positions | R$ | 2.500,32 | 2.701,48 | 2.823,69 |
| Total number of employees | unit | 234 | 215 | 211 |
| Employees aged 30 or under (%) | % | 11,5 | 13,5 | 13,7 |
| Employees aged 31 to 40 (%) | % | 10,7 | 12,1 | 11,9 |
| Employees aged 41 to 50 (%) | % | 50,4 | 43,7 | 36,0 |
| Employees over 50 (%) | % | 27,4 | 30,7 | 38,4 |
| Percentage of women employees (%) | % | 9,4 | 10,2 | 11,4 |
| Women in managerial positions - percentage of all managerial positions (%) | % | 6,3 | – | – |
| Black female employees (black and mixed race) - as a percentage of total employees (%) | % | 1,3 | 1,9 | 3,4 |
| Black male employees (black and mixed race) - as a percentage of total employees (%) | % | 13,2 | 12,6 | 19,2 |
| Black employees (black and mixed race) in managerial positions as a percentage of all managerial positions (%) | % | 0 | 11,1 | 8,3 |
| Percentage of trainees (%) | % | 2,6 | 2,3 | 4,7 |
| Employees of the apprentice recruitment program (%) | % | – | – | 0,5 |
| Disabled employees | % | 3 | 3 | 1,42 |

## Management Information

| | | | | |
|---|---|---|---|---|
| Total compensation and/or fees (R$ thousand) (A) | R$ thousand | Not available | Not available | Not available |
| Number of officers (B) | unit | 5 | 5 | 6 |
| Average compensation and/or fees A/B | R$ thousand | Not available | Not available | Not available |
| Fees of board members (R$ thousand) (C) | R$ thousand | Not available | Not available | Not available |
| Number of board members (D) | unit | NA | NA | 0 |
| Average fees C/D | R$ thousand | Not available | Not available | Not available |
| Investments in supplementary pensions (R$) | R$ | 609.789,56 | 673.653,14 | 607.596,00 |
| Number of recipients in the supplementary pension program | unit | 212 | 191 | 182 |
| Number of recipients in the retirement preparation program | unit | – | – | – |

## Education Levels (percentage in relation to total employees)

| | | | | |
|---|---|---|---|---|
| Illiterate employees (%) | % | – | – | – |
| Primary education (%) | % | 13,25 | 11,63 | 11,37 |
| High school (%) | % | 55,56 | 53,02 | 51,18 |
| University (%) | % | 25,64 | 28,84 | 30,33 |
| Post graduation (specialization, Masters degree, PhD) (%) | % | 5,56 | 6,51 | 7,11 |
| Amount invested in professional development and education (%) | % | 0,02 | 0,05 | 0,06 |
| Number of hours of professional development per employee/year | HH | média 3,5 | média 44,1 | 55,1 |
| Number of employees at end of period | unit | 234 | 215 | 211 |
| Number of admissions in the period | unit | 5 | 7 | 7 |
| Labor claims filed by total of dismissed employees in the period (%) | % | Not available | Not available | 0,5 |
| Labor Claims - Amount claimed in judicial proceedings (R$) | R$ | – | 1.526.874 | 2.051.366,33 |
| Labor Claims - Liability provisioned for | R$ | – | 1.151.032 | 1.702.070,75 |
| Labor Claims - Number of existing claims | unit | 3 | 6 | 13 |
| Labor Claims - Number of employees involved in the claims | unit | 3 | 6 | 11 |

## Health and Safety

| | | | | |
|---|---|---|---|---|
| Employee Pregnancy Rate | unit | 27 | 24 | 0 |
| Pregnancy Rate of outsourced/contracted employees | unit | 191 | 76 | 39 |
| Number of improvements made in order to offer safer products and services | unit | Not available | Not available | 14 |
| Average overtime per employee/year | horas | 92,08 | 89,06 | 246,98 |
| Total number of work-related accidents involving employees | unit | 4 | 1 | 0 |
| Total number of work-related accidents involving outsourced/contracted employees | unit | 8 | 3 | 0 |
| Average number of work-related accidents per employee/year | unit | 0,02 | 0,005 | 0 |
| Accidents resulting in the temporary leave of employees and/or service providers (%) | % | 62,5 | 100 | 65,2 |
| Accidents resulting in mutilation or other damage to the physical integrity of employees and/or service providers, resulting in permanent leave from the position (including RSI) (%) | % | Not available | Not available | 0 |
| Accidents resulting in the death of employees and/or service providers (%) | % | 0 | 0 | 0 |
| Total frequency rate of the Company in the period, for employees | unit | 6,22 | 2,45 | 0 |
| Total frequency rate of the Company in the period, for outsourced/contracted employees | unit | 6,37 | 7,67 | 4,62 |
| Investment in specific programs for HIV carriers (R$ thousand) | R$ thousand | 0 | 0 | 0 |
| Investments in dependency prevention and treatment programs (drugs and alcohol) (R$) | R$ | 0 | 1.800 | 0 |




# Annual Social Balance Sheet / 2010

CONSOLIDATED

| 1 – Calculation Base | 2010 Amount (thousand reais) | 2009 Amount (thousand reais) |
|---|---|---|
| Net revenue (RL) | 6.508.584 | 6.206.897 |
| Operating income (RO) | 922.619 | 960.912 |
| Gross payroll (FPB) | 218.471 | 222.243 |

| 2 – Internal Social Indicators | Amount (R$ k) | % sobre FPB | % over RL | Amount (R$ k) | % sobre FPB | % over RL |
|---|---|---|---|---|---|---|
| Meals | 14.142 | 6% | 0% | 16.762 | 8% | 0% |
| Compulsory social charges | 35.428 | 16% | 1% | 38.997 | 18% | 1% |
| Private pensions | 6.618 | 3% | 0% | 6.559 | 3% | 0% |
| Health insurance | 7.712 | 4% | 0% | 8.535 | 4% | 0% |
| Occupational health and safety | 98 | 0% | 0% | 210 | 0% | 0% |
| Education | 759 | 0% | 0% | 909 | 0% | 0% |
| Culture | 0 | 0% | 0% | 0 | 0% | 0% |
| Professional training and development | 5.736 | 3% | 0% | 5.117 | 2% | 0% |
| Crèches or crèche allowance | 481 | 0% | 0% | 499 | 0% | 0% |
| Profit sharing | 15.146 | 7% | 0% | 20.507 | 9% | 0% |
| Other | 2.855 | 1% | 0% | 3.813 | 2% | 0% |
| Total - Internal social indicators | 88.976 | 41% | 1% | 101.907 | 46% | 2% |

| 3 – External Social Indicators | Amount (R$ k) | % of FPB | % over RL | Amount (R$ k) | % of FPB | % over RL |
|---|---|---|---|---|---|---|
| Education | 2.178 | 0% | 0% | 2.165 | 0% | 0% |
| Culture | 5.410 | 1% | 0% | 6.178 | 1% | 0% |
| Healthcare and sanitation | 14.749 | 2% | 0% | 10.793 | 1% | 0% |
| Sports | 497 | 0% | 0% | 837 | 0% | 0% |
| Combating hunger and food safety | 0 | 0% | 0% | 0 | 0% | 0% |
| Other | 51.221 | 6% | 1% | 25.502 | 3% | 0% |
| Total contributions to society | 74.056 | 8% | 1% | 45.474 | 5% | 1% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Taxes (not including social charges) | 3.105.901 | 337% | 48% | 2.731.688 | 284% | 44% |
| Total - External social indicators | 3.179.957 | 345% | 49% | 2.777.162 | 289% | 45% |
| **4 – Environmental Indicators** | **Amount (R$ k)** | **% of FPB** | **% over RL** | **Amount (R$ k)** | **% of FPB** | **% over RL** |
| Investments related to company production / operation | 28.678 | 3% | 0% | 19.966 | 2% | 0% |
| Investments in external programs and/or projects | 0 | 0% | 0% | 0 | 0% | 0% |
| Total environmental investment | 28.678 | 3% | 0% | 19.966 | 2% | 0% |
| As concerns establishment of annual targets to minimize waste, production/operation consumption in general and to use natural resources more efficiently, the company | ( ) has no targets ( ) performs 51 to 75% ( ) performs 0 to 50% (X) performs 76 to 100% | | | ( ) has no targets ( ) performs 51 to 75% ( ) performs 0 to 50% ( X ) performs 76 to 100% | | |
| **5 – Workforce Indicators** | | **2010** | | | **2009** | |
| Number of employees at period-end | 3.693 | | | 3.694 | | |
| Number of admissions in the period | 312 | | | 269 | | |
| Number of outsourced employees | 8.010 | | | 7.689 | | |
| Number of trainees | 109 | | | 101 | | |
| Number of employees over 45 | 1.110 | | | 1.359 | | |
| Number of women working at the company | 861 | | | 854 | | |
| % management positions held by women | 23,10% | | | 21,40% | | |
| Number of black people working at the company | 1.330 | | | 1.006 | | |
| % management positions held by black people | 16,90% | | | 15,20% | | |
| No of workers with handicaps or special needs | 164 | | | 173 | | |
| **6 – Material information regarding corporate citizenship** | **2010** | | | **Targets 2011** | | |
| Ratio between the lowest and highest earners at the company | 45,88 | | | NA | | |
| Total number of occupational accidents | 22 | | | 0 | | |
| The social and environmental projects implemented by the company were defined by: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |
| The occupational health and safety standards were defined by: | ( ) directors and managers | ( ) all employees | ( X ) all + Cipa | ( ) directors and managers | ( ) all employees | ( X ) all + Cipa |
| In respect of trade union freedom, the right to collective bargaining and internal representation of workers, the company: | ( ) does not get involved | ( ) follows the OIT rules | ( x ) promotes and follows OIT | ( ) will not get involved | ( ) will follow the OIT rules | ( x ) will promote and follow OIT |
| The private pension embraces: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |
| Profit-sharing embraces: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |
| When selecting suppliers the same ethical, social responsibility and environmental standards adopted by the company: | ( ) are not considered | ( ) are suggested | ( X ) are demanded | ( ) will not be considered | ( ) will be demanded | ( X ) will be demanded |
| In respect of employee participation in voluntary work programs, the company: | ( ) does not get involved | ( ) gives support | (x) organiza e incentiva | ( ) will not get involved | ( ) will give support | ( X ) will offer organization and incentives |
| Total number of consumer complaints and criticism: | at the company 15.412 | at Procon 1.213 | at the Courts 38.438 | at the company Decrease 10% | at Procon Decrease 10% | at the Courts Decrease 10% |
| % complaints and criticism handled or resolved: | at the company NA | at Procon NA | at the Courts NA | at the company 100% | at Procon 100% | at the Courts 100% |
| Added value to be distributed (in R$ thousand): | In 2010: 5.084.931 | | | In 2009: 4.609.936 | | |
| | 73.68% government 4.56% employees 6.90% shareholders | | | 75.50% government 5.14% employees 9.38% shareholders | | |

| | | |
|---|---|---|
| Distribution of Added Value (DVA): | 10.45% third parties<br>4.41% withheld | 6.59% third parties<br>3.39% withheld |

7 – Further Information

0




# Annual Social Balance Sheet / 2010

LIGHT SESA

| 1 - Calculation Base | 2010 Amount (thousand reais) | | | 2009 Amount (thousand reais) | | |
|---|---|---|---|---|---|---|
| Net revenue (RL) | 6.097.103 | | | 5.907.841 | | |
| Operating income (RO) | 770.754 | | | 864.227 | | |
| Gross payroll (FPB) | 195.554 | | | 199.078 | | |
| **2 - Internal Social Indicators** | **Amount (R$ k)** | **% sobre FPB** | **% over RL** | **Amount (R$ k)** | **% sobre FPB** | **% over RL** |
| Meals | 12.955 | 7% | 0% | 15.455 | 8% | 0% |
| Compulsory social charges | 31.180 | 16% | 1% | 34.662 | 17% | 1% |
| Private pensions | 5.838 | 3% | 0% | 5.863 | 3% | 0% |
| Health insurance | 6.881 | 4% | 0% | 8.019 | 4% | 0% |
| Occupational health and safety | 430 | 0% | 0% | 210 | 0% | 0% |
| Education | 756 | 0% | 0% | 879 | 0% | 0% |
| Culture | 0 | 0% | 0% | 0 | 0% | 0% |
| Professional training and development | 5.523 | 3% | 0% | 4.963 | 2% | 0% |
| Crèches or crèche allowance | 444 | 0% | 0% | 469 | 0% | 0% |
| Profit sharing | 13.312 | 7% | 0% | 18.583 | 9% | 0% |
| Other | 2.755 | 1% | 0% | 3.646 | 2% | 0% |
| Total - Internal social indicators | 80.074 | 41% | 1% | 92.748 | 47% | 2% |
| **3 - External Social Indicators** | **Amount (R$ k)** | **% of FPB** | **% over RL** | **Amount (R$ k)** | **% of FPB** | **% over RL** |
| Education | 1.683 | 0% | 0% | 1.645 | 0% | 0% |
| Culture | 5.395 | 1% | 0% | 6.157 | 1% | 0% |
| Healthcare and sanitation | 14.749 | 2% | 0% | 10.793 | 1% | 0% |
| Sports | 497 | 0% | 0% | 837 | 0% | 0% |
| Combating hunger and food safety | 0 | 0% | 0% | 0 | 0% | 0% |
| Other | 51.146 | 7% | 1% | 25.436 | 3% | 0% |
| Total contributions to society | 73.471 | 10% | 1% | 44.867 | 5% | 1% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Taxes (not including social charges) | 2.989.197 | 388% | 49% | 2.630.468 | 304% | 45% |
| Total - External social indicators | 3.062.668 | 397% | 50% | 2.675.335 | 310% | 45% |
| **4 - Environmental Indicators** | **Amount (R$ k)** | **% of FPB** | **% over RL** | **Amount (R$ k)** | **% of FPB** | **% over RL** |
| Investments related to company production / operation | 23.702 | 3% | 0% | 15.596 | 2% | 0% |
| Investments in external programs and/or projects | 0 | 0% | 0% | 0 | 0% | 0% |
| Total environmental investment | 23.702 | 3% | 0% | 15.596 | 2% | 0% |
| As concerns establishment of annual targets to minimize waste, production/operation consumption in general and to use natural resources more efficiently, the company | ( ) has no targets ( ) performs 51 to 75% ( ) performs 0 to 50% (X) performs 76 to 100% | | | ( ) has no targets ( ) performs 51 to 75% ( ) performs 0 to 50% ( X ) performs 76 to 100% | | |
| **5 - Workforce Indicators** | **2010** | | | **2009** | | |
| Number of employees at period-end | 3.451 | | | 3.453 | | |
| Number of admissions in the period | 301 | | | 258 | | |
| Number of outsourced employees | 7.580 | | | 7.488 | | |
| Number of trainees | 96 | | | 93 | | |
| Number of employees over 45 | 990 | | | 1.226 | | |
| Number of women working at the company | 820 | | | 818 | | |
| % management positions held by women | 24,26% | | | 21,57% | | |
| Number of black people working at the company | 1.286 | | | 972 | | |
| % management positions held by black people | 18,30% | | | 16,20% | | |
| Number of workers with handicaps or special needs | 161 | | | 170 | | |
| **6 - Material information regarding corporate citizenship** | **2010** | | | **Targets 2011** | | |
| Ratio between the lowest and highest earners at the company | 45,88 | | | NA | | |
| Total number of occupational accidents | 22 | | | 0 | | |
| The social and environmental projects implemented by the company were defined by: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |
| The occupational health and safety standards were defined by: | ( ) directors and managers | ( ) all employees | ( X ) all + Cipa | ( ) directors and managers | ( ) all employees | ( X ) all + Cipa |
| In respect of trade union freedom, the right to collective bargaining and internal representation of workers, the company: | ( ) does not get involved | ( ) follows the OIT rules | ( x ) promotes and follows OIT | ( ) will not get involved | ( X ) will follow the OIT rules | ( x ) will promote and follow OIT |
| The private pension embraces: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |
| Profit-sharing embraces: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |
| When selecting suppliers the same ethical, social responsibility and environmental standards adopted by the company: | ( ) are not considered | ( ) are suggested | ( X ) are demanded | ( ) will not be considered | ( ) will be demanded | ( X ) will be demanded |
| In respect of employee participation in voluntary work programs, the company: | ( ) does not get involved | ( ) gives support | ( x ) offers organization and incentives | ( ) will not get involved | ( ) will give support | (X) organizará e incentivará |
| Total number of consumer complaints and criticism: | at the company 15.412 | at Procon 1.213 | at the Courts 38.438 | at the company Decrease 10% | at Procon Decrease 10% | at the Courts Decrease 10% |
| % complaints and criticism handled or resolved: | at the company NA | at Procon NA | at the Courts NA | at the company 100% | at Procon 100% | at the Courts 100% |
| Added value to be distributed (in R$ thousand): | In 2010: 4.792.570 | | | In 2009: 4.365.745 | | |
| | 75.32% government<br>4.34% employees<br>4.79% shareholders<br>10.42% third parties | | | 77.28% government<br>3.77% employees<br>9.21% shareholders<br>6.55% third parties | | |

| | | |
|---|---|---|
| Distribution of Added Value (DVA): | 5.13% withheld | 3.19% withheld |

7 - Further Information




## Annual Social Balance Sheet / 2010

LIGHT ENERGIA S.A

| 1 - Calculation Base | 2010 Amount (thousand reais) | | | 2009 Amount (thousand reais) | | |
|---|---|---|---|---|---|---|
| Net revenue (RL) | 319.941 | | | 294.859 | | |
| Operating income (RO) | 133.136 | | | 126.898 | | |
| Gross payroll (FPB) | 17.014 | | | 17.341 | | |
| 2 - Internal Social Indicators | Amount (R$ k) | % sobre FPB | % over RL | Amount (R$ k) | % sobre FPB | % over RL |
| Meals | 987 | 6% | 0% | 1.082 | 6% | 0% |
| Compulsory social charges | 3.456 | 20% | 1% | 3.590 | 21% | 1% |
| Private pensions | 583 | 3% | 0% | 523 | 3% | 0% |
| Health insurance | 434 | 3% | 0% | 461 | 3% | 0% |
| Occupational health and safety | 0 | 0% | 0% | 0 | 0% | 0% |
| Education | 1 | 0% | 0% | 29 | 0% | 0% |
| Culture | 0 | 0% | 0% | 0 | 0% | 0% |
| Professional training and development | 204 | 1% | 0% | 138 | 1% | 0% |
| Crèches or crèche allowance | 5 | 0% | 0% | 5 | 0% | 0% |
| Profit sharing | 1.373 | 8% | 0% | 0 | 0% | 0% |
| Other | 84 | 0% | 0% | 154 | 1% | 0% |
| Total - Internal social indicators | 7.125 | 42% | 2% | 5.981 | 34% | 2% |
| 3 - External Social Indicators | Amount (R$ k) | % of FPB | % over RL | Amount (R$ k) | % of FPB | % over RL |
| Education | 471 | 0% | 0% | 498 | 0% | 0% |
| Culture | 15 | 0% | 0% | 21 | 0% | 0% |
| Healthcare and sanitation | 0 | 0% | 0% | 0 | 0% | 0% |
| Sports | 0 | 0% | 0% | 0 | 0% | 0% |
| Combating hunger and food safety | 0 | 0% | 0% | 0 | 0% | 0% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other | 67 | 0% | 0% | 65 | 0% | 0% |
| Total contributions to society | 554 | 0% | 0% | 584 | 0% | 0% |
| Taxes (not including social charges) | 75.888 | 57% | 24% | 78.265 | 62% | 27% |
| Total - External social indicators | 76.442 | 57% | 24% | 78.849 | 62% | 27% |
| 4 - Environmental Indicators | Amount (R$ k) | % of FPB | % over RL | Amount (R$ k) | % of FPB | % over RL |
| Investments related to company production / operation | 4.976 | 4% | 2% | 4.370 | 3% | 1% |
| Investments in external programs and/or projects | 0 | 0% | 0% | 0 | 0% | 0% |
| Total environmental investment | 4.976 | 4% | 2% | 4.370 | 3% | 1% |
| As concerns establishment of annual targets to minimize waste, production/operation consumption in general and to use natural resources more efficiently, the company | ( ) has no targets ( ) performs 0 to 50% | ( ) performs 51 to 75% (X) performs 76 to 100% | | ( ) has no targets ( ) performs 0 to 50% | ( ) performs 51 to 75% ( X ) performs 76 to 100% | |
| 5 - Workforce Indicators | | | | | | |
| Number of employees at period-end | 211 | | | 215 | | |
| Number of admissions in the period | 7 | | | 7 | | |
| Number of outsourced employees | 430 | | | 196 | | |
| Number of trainees | 10 | | | 5 | | |
| Number of employees over 45 | 116 | | | 128 | | |
| Number of women working at the company | 24 | | | 22 | | |
| % management positions held by women | 0,00% | | | 0,00% | | |
| Number of black people working at the company | 40 | | | 31 | | |
| % management positions held by black people | 6,30% | | | 7,10% | | |
| Number of workers with handicaps or special needs | 3 | | | 3 | | |
| 6 - Material information regarding corporate citizenship | 2010 | | | Targets 2011 | | |
| Ratio between the lowest and highest earners at the company | 18,35 | | | NA | | |
| Total number of occupational accidents | 0 | | | 0 | | |
| The social and environmental projects implemented by the company were defined by: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | (X ) all employees |
| The occupational health and safety standards were defined by: | ( ) directors and managers | ( ) all employees | ( X ) all + Cipa | ( ) directors and managers | ( ) all employees | ( X ) all + Cipa |
| In respect of trade union freedom, the right to collective bargaining and internal representation of workers, the company: | ( ) does not get involved | ( ) follows the OIT rules | ( x ) promotes and follows OIT | ( ) will not get involved | ( ) will follow the OIT rules | ( x ) will promote and follow OIT |
| The private pension embraces: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |
| Profit-sharing embraces: | ( ) directors | ( ) directors and managers | ( X ) all employees | ( ) directors | ( ) directors and managers | ( X ) all employees |

| | | | | | | |
|---|---|---|---|---|---|---|
| When selecting suppliers the same ethical, social responsibility and environmental standards adopted by the company: | ( ) are not considered | ( ) are suggested | ( X ) are demanded | ( ) will not be considered | ( ) serão sugeridos | ( X ) will be demanded |
| In respect of employee participation in voluntary work programs, the company: | ( ) does not get involved | ( ) gives support | ( x ) offers organization and incentives | ( ) does not get involved rá | ( ) apoiará | ( X ) will offer organization and incentives |
| Total number of consumer complaints and criticism: | at the company | at Procon | to the Courts | at the company | at Procon | to the Courts |
| % complaints and criticism handled or resolved: | at the company | at Procon | to the Courts | at the company | at Procon | to the Courts |
| Added value to be distributed (in R$ thousand): | In 2010: 263.622 | | | In 2009: 219.514 | | |
| Distribution of Added Value (DVA): | 36.00 % government<br>6.62% employees<br>31.96 % shareholders<br>23.74% third parties<br>1.68% withheld | | | 3 37.85 % government<br>6.81% employees<br>12.22% shareholders<br>16.73% third parties<br>26.39% withheld | | |

## 7 - Further Information

0




# Awards - Market Recognition

GRI 2.10

Communication: 1st Place, Aberje Awards 2010, for Communication and Relations with Communities

Investor Relations: Best Investor Meeting, APIMEC – MG

Customers: 1st Place (Utility Sector, Brazil) - Exame-IBRC Customer Service Survey 2010




# Fiscal Council

Pursuant to the powers vested in it by the legislation and its by-laws, and article 163 of Law 6404/76, the audit committee of Light S.A. has examimed the annual management report, the financial statements, the profit distribution proposal and all the documents relating to the financial year ended December 31, 2010 of the parent-company and consolidated statements.

In addition to examining said documents, we also relied on document analyses and, substantially, on information and clarifications provided to the audit committee members by the independent auditors and company management.

By taking into account the unqualified report issued by KPMG Auditores Independentes on March 25, 2011, this audit committee has unanimously concluded that these documents have been fairly presented and are suitable for the appreciation of the annual general meeting.

Rio de Janeiro, March 25, 2011.

- Eduardo Grande Bittencourt
  *CEO*
- Ari Barcelos da Silva
- Aristóteles Luiz Menezes Vasconcellos Drummond
- Isabel da Silva Ramos Kemmelmeier
- Maurício Wanderley Estanislau da Costa




# INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

The Board of Directors and Shareholders Light S.A. - Rio de Janeiro - RJ

We have examined the individual and consolidated financial statements of the company Light S.A. ("Company"), identified as Parent Company and Consolidated respectively, consisting of the balance sheets as of December 31, 2010 and the related statements of income, the statement of changes in shareholders' equity and statements of cash flows for the year then ended, in addition to the summary of the main accounting practices and other notes to the financial statements.

Management responsibility for the financial statements
Company management is responsible for preparing and adequately presenting these individual financial statements in accordance with the accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB, the accounting practices adopted in Brazil (BR GAAP), and the internal controls necessary to ensure the financial statements are prepared free of material distortions, regardless of whether they are caused by fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements, relying on our audit conducted in accordance with Brazilian and international auditing standards. The standards require compliance with ethical standards by the auditors and that the audit be planned and implemented so as to provide reasonable assurance that the financial statements are free from material misstatement.An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.When assessing risks auditors take into account the material internal controls used to prepare and adequately present the Company's financial statements to plan the audit procedures suited to the circumstances, but not for the purpose of expressing an opinion about the efficiency of the Company's internal controls. An audit also includes evaluating the adequacy of the accounting practices used and the reasonableness of the accounting estimates made by management, in addition to evaluating the presentation of the financial statements taken as a whole.We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.Opinion on the individual financial statementsIn our opinion, the aforementioned individual financial statements present fairly, in all material respects, the financial position of Light S.A. as of December 31, 2010, and the performance of its operations and cash flows for the financial year then ended, in conformity with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements
In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Light S.A. as of December 31, 2010, and the consolidated performance of its operations and cash flows for the financial year then ended, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil (BR GAAP).

Emphasis of matter
As described in Note 2, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Light S.A., these practices only differ from the IFRS applicable to the separate financial statements in respect of the evaluation of investments in subsidiaries, associated companies and joint subsidiaries valued by the equity income method, whereas for the purposes of IFRS this would be at cost or fair value.

Other matters
Statements of added value We also examined the individual and consolidated statements of added value (DVA) for the financial year ended December 31, 2010, which are the responsibility of management, the publication of which is required of publicly held companies by Brazilian corporation law, presented as supplementary information to IFRS which does not require the publication of DVAs. These statements were subject to the audit procedures described earlier and in our opinion are adequately presented, in all material respects, in relation to the financial statements taken as a whole.

Rio de Janeiro, March 25, 2011

KPMG Auditores Independentes
CRC-SP-14.428/O-6-F-RJ

Vânia Andrade de Souza
Accountant CRC-RJ-057.497/O-2


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# Balance sheets (In thousands of reais)

| | | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|---|
| | Notes | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| ASSETS | | | | | | | |
| cash and cash equivalents | 6 | 38.295 | 14.584 | 40.256 | 514.109 | 760.313 | 548.983 |
| Securities | 7 | – | – | – | 11.122 | 68.059 | 41.143 |
| consumers, concessionaires and licensees | 8 | – | – | – | 1.338.704 | 1.355.854 | 1.282.855 |
| taxes and contributions | 9 | 1.080 | 774 | 284 | 278.885 | 442.668 | 566.011 |
| Inventory | | – | – | – | 20.537 | 14.369 | 18.603 |
| Swap income receivable | 33 | – | – | – | – | 4 | 6.671 |
| Dividendos a receber | | 48.054 | 155.701 | 236.138 | – | – | – |
| Services provided receivable | | 146 | – | – | 59.724 | 46.015 | 17.622 |
| Prepaid expenses | | 159 | 175 | 135 | 2.114 | 2.381 | 1.667 |
| Other accounts receivable | 12 | 23.860 | 20.212 | 167 | 152.973 | 97.250 | 106.669 |
| TOTAL CURRENT ASSETS | | 111.594 | 191.446 | 276.980 | 2.378.168 | 2.786.913 | 2.590.224 |
| consumers, concessionaires and licensees | 8 | – | – | – | 296.261 | 297.798 | 292.594 |
| taxes and contributions | 9 | – | – | – | 57.908 | 40.767 | 72.807 |
| Deferred taxes | 10 | – | – | – | 899.265 | 1.115.546 | 1.621.104 |
| Financial asset of concessions | 11 | – | – | – | 469.030 | 354.784 | 304.229 |
| Swap income receivable | 33 | – | – | – | 211 | – | 4.413 |
| Dividends receivable | | 194 | 152 | 121 | 225.251 | 200.520 | 194.200 |
| Prepaid expenses | | – | – | – | 714 | 1.658 | 4.364 |
| Other accounts receivable | 12 | – | – | – | 7.865 | 8.725 | 26.420 |
| Investments | 13 | 3.356.788 | 3.513.147 | 3.421.766 | 17.586 | 20.388 | 13.615 |
| Property, plant and equipment | 14 | 678 | 678 | – | 1.628.893 | 1.600.568 | 1.589.779 |
| Intangible assets | 15 | – | – | – | 3.613.772 | 3.422.980 | 3.267.632 |
| TOTAL NONCURRENT ASSETS | | 3.357.660 | 3.513.977 | 3.421.887 | 7.216.756 | 7.063.734 | 7.391.157 |
| TOTAL ASSETS | | 3.469.254 | 3.705.423 | 3.698.867 | 9.594.924 | 9.850.647 | 9.981.381 |

| | | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|---|
| | Notes | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| LIABILITIES | | | | | | | |
| Trade payables | 16 | 280 | 6.348 | 283 | 658.421 | 564.181 | 486.204 |
| taxes and contributions | 9 | 31 | 53 | 10 | 350.169 | 285.180 | 230.461 |
| Loans and Financing and Financial Charges | 17 | – | – | – | 165.878 | 197.150 | 116.799 |
| Debentures and Financial | 18 | – | – | – | 381.332 | 96.412 | 61.523 |
| Dividends payable | 25 | 136.598 | 143.647 | 231.433 | 136.598 | 143.647 | 231.433 |
| Estimated obligations | | 220 | 223 | 38 | 45.264 | 52.374 | 57.843 |
| REGULATORY CHARGES - CONSUMER | 19 | – | – | – | 117.218 | 110.791 | 126.733 |
| Provision for contingencies | 20 | – | – | – | – | – | 2.237 |
| Post-employment benefits | 21 | – | – | – | 95.555 | 95.044 | 87.744 |
| Other debits | 22 | 1.981 | 1.524 | 1.286 | 236.318 | 236.028 | 304.998 |
| TOTAL CURRENT LIABILITIES | | 139.110 | 151.795 | 233.050 | 2.186.753 | 1.780.807 | 1.705.975 |
| Loans and Financing and Financial Charges | 17 | – | – | – | 1.197.500 | 1.006.204 | 1.046.550 |
| Debentures and Financial Charges | 18 | – | – | – | 727.891 | 1.165.759 | 945.549 |
| taxes and contributions | 9 | – | – | – | 177.699 | 303.585 | 324.743 |
| Deferred taxes | | – | – | – | 275.755 | 301.230 | 341.113 |
| Provision for contingencies | 20 | – | – | – | 551.897 | 669.353 | 993.883 |
| Post-employment | 21 | – | – | – | 920.630 | 861.386 | 944.417 |
| Other debits | 22 | – | – | – | 226.655 | 208.695 | 213.334 |
| TOTAL NONCURRENT LIABILITIES | | – | – | – | 4.078.027 | 4.516.212 | 4.809.589 |
| SHAREHOLDERS' | 24 | | | | | | |
| share capital | | 2.225.822 | 2.225.822 | 2.225.819 | 2.225.822 | 2.225.822 | 2.225.819 |
| Capital reserves | | | | | | | |
| Awarded options recognized | | – | 34.406 | 22.459 | – | 34.406 | 22.459 |
| treasury stock | | – | (6.361) | – | – | (6.361) | – |
| Profit reserves | | | | | | | |
| Legal reserve | | 162.756 | 133.999 | 103.757 | 162.756 | 133.999 | 103.757 |
| Profit retention | | 37.669 | 499.188 | 451.669 | 233.083 | 499.188 | 451.669 |
| Additional proposed dividends | | 409.795 | 288.693 | 268.205 | 214.381 | 288.693 | 268.205 |
| Equity appraisal adjustments | | 494.102 | 518.761 | 546.978 | 494.102 | 518.761 | 546.978 |
| Retained earnings (Accumulated losses) | | – | (140.880) | (153.070) | – | (140.880) | (153.070) |
| TOTAL SHAREHOLDERS' EQUITY | | 3.330.144 | 3.553.628 | 3.465.817 | 3.330.144 | 3.553.628 | 3.465.817 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 3.469.254 | 3.705.423 | 3.698.867 | 9.594.924 | 9.850.647 | 9.981.381 |


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# Statements of income for the years ended December 31 (in thousands of reais)

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | Notes | 01//201010 a 31/12/2010 | 01/01/2009 a 31/12/2009 | 01/01/2010 a 31/12/2010 | 01/01/2009 a 31/12/2009 |
| NET OPERATING REVENUE | 28 | – | – | 6.508.584 | 6.206.897 |
| OPERATING COST | | – | – | (4.633.841) | (4.419.050) |
| Electricity purchased for resale | 30/31 | | | (3.392.464) | (3.322.637) |
| Personnel | 30 | – | – | (168.302) | (132.711) |
| Materials | 30 | – | – | (27.452) | (21.239) |
| Outsourced services | 30 | – | – | (156.965) | (119.373) |
| Depreciation and amortization | 30 | – | – | (311.224) | (285.980) |
| Construction Cost | 30 | | | (552.831) | (526.986) |
| Other | 30 | – | – | (24.603) | (10.124) |
| GROSS PROFIT | – | – | – | 1.874.743 | 1.787.847 |
| OPERATING EXPENSES | | (6.772) | (56.701) | (632.730) | (742.006) |
| Sales expenses | 30 | – | – | (357.492) | (427.904) |
| General and administrative expenses | 30 | (6.772) | (56.701) | (285.066) | (322.389) |
| Other Revenue/ Expenses | | – | – | 9.828 | 8.287 |
| OPERATING PROFIT | – | (6.772) | (56.701) | 1.242.013 | 1.045.841 |
| FINANCIAL INCOME/LOSS | – | 2.528 | 1.282 | (319.394) | (84.929) |
| Revenue | 32 | 2.593 | 1.598 | 173.223 | 186.745 |
| Expense | 32 | (65) | (316) | (492.617) | (271.674) |
| EQUITY IN NET INCOME OF SUBSIDIARIES AND ASSOCIATED COMPANIES | | 579.394 | 644.223 | – | – |
| | | | | | |
| Profit before income and social contribution taxes | | 575.150 | 588.804 | 922.619 | 960.912 |
| current income and social contribution taxes | 10 | – | – | (103.482) | (168.994) |
| deferred income and social contribution taxes | 10 | – | – | (243.987) | (203.114) |
| NET INCOME FOR THE YEAR | | 575.150 | 588.804 | 575.150 | 588.804 |

| | | | |
|---|---|---|---|
| BASIC AND DILUTED EARNINGS PER SHARE | 27 | 2,82000 | 2,88700 |
| NO OF EX-TREASURY SHARES | | 203.934.060 | 203.934.060 |


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# Statement of added value for the financial years ended December 31, 2010 and 2009 (in thousands of reais)

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 01/01/2010 a 31/12/2010 | 01/01/2009 a 31/12/2009 | 01/01/2010 a 31/12/2010 | 01/01/2009 a 31/12/2009 |
| Revenue | – | – | 9.582.206 | 9.008.554 |
| Sales of goods and services | – | – | 9.836.991 | 9.254.630 |
| Other Revenue | – | – | – | – |
| Allowance (Reversal of allowance) for doubtful accounts | – | – | (254.785) | (246.076) |
| Consumables acquired from third | (3.060) | (2.010) | (4.318.036) | (4.277.406) |
| Cost of goods and services sold | – | – | (3.392.464) | (3.322.637) |
| Materials-Energy-Outsourced Services-Other | (3.060) | (2.010) | (925.572) | (954.769) |
| GROSS ADDED VALUE | (3.060) | (2.010) | 5.264.170 | 4.731.148 |
| Retentions | – | – | (352.462) | (307.957) |
| Depreciation, amortization and depletion | – | – | (352.462) | (307.957) |
| NET ADDED VALUE PRODUCED | (3.060) | (2.010) | 4.911.708 | 4.423.191 |
| TRANSFERRED ADDED VALUE | 581.987 | 645.821 | 173.223 | 186.745 |
| Equity in net income of subsidiaries and associated companies | 579.394 | 644.223 | – | – |
| Financial Revenue | 2.593 | 1.598 | 173.223 | 186.745 |
| TOTAL ADDED VALUE TO BE DISTRIBUTED | 578.927 | 643.811 | 5.084.931 | 4.609.936 |
| DISTRIBUTION OF ADDED VALUE | 578.927 | 643.811 | 5.084.931 | 4.609.936 |
| Personnel | 3.492 | 54.511 | 231.752 | 236.764 |
| Direct remuneration | 3.182 | 54.293 | 156.253 | 175.273 |
| Benefits | 179 | 166 | 31.257 | 35.364 |
| F.G.T.S. | 131 | 49 | 15.393 | 20.588 |
| Other | – | 3 | 28.849 | 5.539 |
| Taxes, Duties and Contributions | 233 | 451 | 3.746.405 | 3.480.428 |
| Federal | 233 | 451 | 1.517.026 | 1.392.026 |

| | | | | |
|---|---|---|---|---|
| State | – | – | 2.220.013 | 2.081.205 |
| Municipal | – | – | 9.366 | 7.197 |
| Interest Expenses | 52 | 45 | 531.624 | 303.940 |
| interest | 50 | 30 | 475.835 | 265.265 |
| Rent | 2 | 15 | 34.630 | 22.960 |
| Other | – | – | 21.159 | 15.715 |
| Interest earnings | 575.150 | 588.804 | 575.150 | 588.804 |
| Dividends | 350.979 | 432.340 | 350.979 | 432.340 |
| Retained earnings/loss for the year | 224.171 | 156.464 | 224.171 | 156.464 |


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# Statement of cash flows value for the financial years ended December 31, 2010 and 2009 (in thousands of reais)

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 01/01/2010 a 31/12/2010 | 01/01/2009 a 31/12/2009 | 01/01/2010 a 31/12/2010 | 01/01/2009 a 31/12/2009 |
| Profit before income and social contribution taxes | 575.150 | 588.804 | 922.619 | 960.912 |
| Adjustments of Expenses / (revenue) not affecting cash | | | | |
| allowance for doubtful accounts | – | – | 254.785 | 246.311 |
| Depreciation and amortization | – | – | 80.714 | 83.912 |
| amortization of intangible assets | – | – | 272.157 | 258.700 |
| Share-based Payments | – | 51.673 | – | 51.673 |
| Loss (gain) on the sale of Intangible assets / Residual value of property, plant and equipment written off | – | – | (3.983) | (11.807) |
| Exchange losses (gains) on financial activities | – | – | (8.024) | (55.551) |
| Restatement of contingencies | – | – | 44.498 | 45.035 |
| Adjustment to present value of receivables | – | – | – | (11.831) |
| Interest expense on loans | – | – | 259.764 | 260.666 |
| Charges and monetary variatiance on retirement obligations | – | – | 158.886 | 18.188 |
| Provisions/(Reversals) in liabilities - contingencies | – | – | (42.039) | 109.142 |
| Equity in net income of subsidiaries and associated companies | (579.394) | (644.223) | – | – |
| Other | – | – | 10.654 | 13.351 |
| (Increase)/decrease in assets | | | | |
| Securities | – | – | 56.937 | (26.916) |
| consumers, concessionaires and licensees | – | – | (236.098) | (312.683) |
| taxes and contributions | (306) | (490) | (37.865) | 31.971 |
| Inventory | – | – | (6.168) | 4.234 |
| Services provided receivable | (146) | – | (13.709) | (28.393) |
| Prepaid expenses | 16 | (40) | 1.211 | 1.992 |
| Judicial deposits | (42) | – | (24.731) | (6.320) |
| Dividends received | 864.490 | 669.368 | – | – |

| | | | | |
|---|---|---|---|---|
| Other | (3.648) | (20.045) | (55.070) | 38.194 |
| (Increase) decrease in liabilities | | | | |
| Trade payables | (6.068) | 6.065 | 94.240 | 30.402 |
| Estimated obligations | (4) | 184 | (7.108) | (5.469) |
| taxes and contributions | (22) | 43 | 64.989 | 54.719 |
| REGULATORY CHARGES - CONSUMER CONTRIBUTIONS | – | – | (4.227) | (29.293) |
| Contingencies | – | – | (119.915) | (76.320) |
| Post-employment benefits | – | – | (99.131) | (93.919) |
| Other liabilities | 320 | (168) | 20.156 | (73.609) |
| Interest paid | – | – | (252.980) | (261.514) |
| Income and social contribution taxes paid | – | – | (98.042) | (161.228) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 850.346 | 651.171 | 1.232.520 | 1.054.549 |
| Cash flows from investment activities | | | | |
| Acquisition of shares | (45.352) | (117.201) | (45.352) | (117.201) |
| Receipt on shares | 61.625 | 71.114 | 61.625 | 71.114 |
| Receipt from the sale of property, plant and equipment | – | – | 15.595 | 32.408 |
| Receipt from the sale of financial assets / investment | – | – | 2.802 | – |
| capital increase-mergers | – | – | – | 3 |
| Acquisition of PPE | – | – | (141.317) | (100.790) |
| Acquisitions of intangible assets | – | – | (491.021) | (456.057) |
| Consumer contributions | – | – | 24.604 | 31.649 |
| Acquisitions of financial assets (concession) | – | – | (114.646) | (54.707) |
| allocations to/acquisitions of investment | (47.564) | (36.388) | (3.976) | (6.773) |
| Equity interests | – | – | – | – |
| Net cash used in investment activities | (31.291) | (82.475) | (691.686) | (600.354) |
| Cash flows from financing activities | | | | |
| Dividends and interest on shareholders' equity | (795.344) | (594.368) | (795.344) | (594.368) |
| Obtainment of loans and financings | – | – | 1.094.845 | 579.440 |
| Amortization of loans and financings | – | – | (1.086.539) | (227.937) |
| Net cash used in financing activities | (795.344) | (594.368) | (787.038) | (242.865) |
| increase (decrease) in cash and cash equivalents | 23.711 | (25.672) | (246.204) | 211.330 |
| Cash and cash equivalents at beginning of year | 14.584 | 40.256 | 760.313 | 548.983 |
| cash and cash equivalents at end of year | 38.295 | 14.584 | 514.109 | 760.313 |
| Changes in cash and cash equivalents | 23.711 | (25.672) | (246.204) | 211.330 |


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# Statements of changes in shareholders' equity for the years ended December 31 (in thousands of reais)

| | | | | Profit Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Capital | Capital Reserves | Treasury Stock | Lega Reserve | Profit retention | Additional dividends proposed | Equity Valuation Adjustments | Retained Earnings (Deficit) | Total |
| BALANCE AT 01/01/09 | 2.225.819 | 22.459 | – | 103.757 | 451.669 | 268.205 | 546.978 | (153.070) | 3.465.817 |
| Realization of Equity appraisal adjustments | – | – | – | – | – | – | (28.217) | 28.217 | – |
| Capital increase | 3 | – | – | – | – | – | – | – | 3 |
| Options Awarded recognized | – | 51.673 | – | – | – | – | – | – | 51.673 |
| Awarded options exercised | – | (39.726) | – | – | – | – | – | – | (39.726) |
| treasury stock | – | – | (6.361) | – | – | – | – | – | (6.361) |
| Dividends paid-profit | – | – | – | – | (94.730) | – | – | – | (94.730) |
| Payment of additional proposed dividends | – | – | – | – | – | (268.205) | – | – | (268.205) |
| Net income for the year | – | – | – | – | – | – | – | 588.804 | 588.804 |
| Allocation of income for the year | | | | | | | | | |
| Creation of the legal reserve | – | – | – | 30.242 | – | – | – | (30.242) | – |
| Proposed dividends | – | – | – | – | – | – | – | (143.647) | (143.647) |
| Additional dividends proposed | – | – | – | – | – | 288.693 | – | (288.693) | – |
| Creation of the profit retention reserve | – | – | – | – | 142.249 | – | – | (142.249) | – |
| BALANCES AT 12/31/09 | 2.225.822 | 34.406 | (6.361) | 133.999 | 499.188 | 288.693 | 518.761 | (140.880) | 3.553.628 |
| Realization of equity appraisal adjustments | – | – | – | – | – | – | (24.659) | 24.659 | – |
| absorption of losses - adjustments 1st adoption of IFRS | – | – | – | – | (114.319) | – | – | 114.319 | – |
| Awarded options exercised | – | (12.243) | – | – | – | – | – | – | (12.243) |
| Write-off of treasury | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| stock | – | (6.361) | 6.361 | – | – | – | – | – | – |
| transfer of options not exercised | – | (15.802) | – | – | 15.802 | – | – | – | – |
| adjustment due to equity interest | – | – | – | – | – | – | – | 1.902 | 1.902 |
| Dividends paid – profit reserve | – | – | – | – | (363.002) | – | – | – | (363.002) |
| payment of additional proposed dividends | – | – | – | – | – | (288.693) | – | – | (288.693) |
| Net income for the year | – | – | – | – | – | – | – | 575.150 | 575.150 |
| Allocation of income for the year | | | | | | | | | |
| Creation of the legal | – | – | – | 28.757 | – | – | – | (28.757) | – |
| Proposed dividends | – | – | – | – | – | – | – | (136.598) | (136.598) |
| Additional dividends propostos | – | – | – | – | – | 214.381 | – | (214.381) | – |
| creation of the profit retention reserve | – | – | – | – | 195.414 | – | – | (195.414) | – |
| BALANCES AT 12/31/10 | 2.225.822 | – | – | 162.756 | 233.083 | 214.381 | 494.102 | – | 3.330.144 |




# 1. OPERATIONS

Having their registered offices in the city of Rio de Janeiro, the core activity of Light S.A. (Company) and its subsidiaries is to hold equity interests in other companies, as partner or shareholder, and the direct or indirect exploration, as the case may be, of electric power services, including electric power generation and transmission, sale and distribution systems, as well as other related services.

The Company is listed in the New Market of the São Paulo São Paulo Stock Exchange (BM&F Bovespa – stock symbol LIGT3).

Light S.A. is the direct parent company of the following companies:

Light Serviços de Eletricidade S.A. (Light SESA) - A listed company with the core activity of distributing electricity, with a concession area embracing 31 municipalities in the state of Rio de Janeiro, including the capital.

Light Energia S.A. (Light Energia) – Closely held company registered in the city of Rio de Janeiro whose core activity is the studying, planning, construction, operation and exploration of electric power generation, transmission and sales systems and related services It consists of the Pereira Passos, Nilo Peçanha, Ilha dos Pombos, Santa Branca and Fontes Novas plants, with a total installed capacity of 855 MW. Light Energia has an equity interest in the following subsidiaries:

Central Eólica São Judas Tadeu Ltda. - Preoperational company, with the core activity of producing and selling electricity through a wind farm located in the state of Ceará with a nominal capacity of 18 W.

Central Eólica Fontainha Ltda. - Preoperational company, with the core activity of producing and selling electricity through a wind farm located in the state of Ceará with a nominal capacity of 16 W.

Light Esco Prestação de Serviços S.A. (Light Esco) – Closely held company registered in the city of Rio de Janeiro, founded to buy, sell, import and export energy and general consultancy services in the energy markets.

Lightcom Comercializadora de Energia S.A. (Lightcom) – Closely held company registered in the city of São Paulo, founded to buy, sell, import and export energy and general consultancy services in the energy markets.

Itaocara Energia Ltda. (Itaocara Energia) - Preoperational company, with the core activity of designing, building, installing, operating and exploring electricity generation plans.

Lighthidro Ltda. (Light Hidro) - Preoperational company founded to participate in auctions for the concession, authorization and permission for new plants.

Instituto Light para o Desenvolvimento Urbano e Social (Light Institute) – Founded to work on social and cultural projects, has interest in the cities' economic and social development, affirming the Company's ability to be socially responsible.

Light S.A. is the joint parent company of the following companies:

Lightger S.A. (Lightger) - Preoperational company founded to participate in auctions for the concession, authorization and permission for new plants. On December 24, 2008, Light Ger obtained the installation license authorizing the start of implementation works of the Paracambi small hydroelectric power plant (SHP). Joint subsidiary of Light S.A. (51%) and Companhia Energética de Minas Gerais - CEMIG (49%).

Axxiom Soluções Tecnológicas S.A. (Axxiom) – Closely held company registered in the city of Belo Horizonte-BH, founded to offer technology solutions and operational management systems for public concession operators, including electricity, gas, water and sewage utilities and other utilities. Joint subsidiary of Light S.A. (51%) and Companhia Energética de Minas Gerais - CEMIG (49%).

### Grupo Light's concessions and authorizations:

| Concessions / authorizations | Date of concession / authorization | Maturity Date |
|---|---|---|
| Generation, Transmission and Distribution | Jul/1996 | jun/2026 |

| | | |
|---|---|---|
| Paracambi SHP | Feb/2001 | Feb/2031 |
| Itaocara hydroelectric power plant | Mar/2001 | Mar/2036 |

# 2-PRESENTATION OF THE FINANCIAL STATEMENTS

a) Declaration of conformity (with IFRS and CPC standards issued by the Accounting Pronouncements Committee)

These financial statements include:

*Consolidated Financial Statements*

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (IASB) and accounting practices generally accepted in Brazil (BR GAAP).

In its overview of IFRS adoption, on January 01, 2009 the Company evaluated the mandatory exceptions and optional exemptions presented in IFRS 1 and CPC 37 and reported the effects in Note 3.

*Individual Financial Statements*

The individual financial statements are being presented in accordance with the accounting practices adopted in Brazil (“BRGAAP) and Brazilian corporation law and have incorporated the changes introduced by Laws 11638/07 11941/09, as supplemented by the new pronouncements, interpretations and instructions issued by the CPC in 2009 and 2010, approved by CFC resolutions, and in accordance with CVM regulations.

The pronouncements, interpretations and instructions issued by the CPC, approved by CFC resolutions, and CVM regulations comply with the international accounting standards issued by the IASB.

These practices differ from the IFRS applicable to the separate financial statements in respect of the valuation of investments in subsidiaries, which are valued by the equity method in BR GAAP but at cost or fair value under IFRS.

However, there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the Company and the shareholders' equity and net income of the parent company in its individual financial statements. The parent company's individual financial statements and the consolidated financial statements are therefore being presented side-by-side in a single set of financial statements.

The Company does not have comprehensive income, and is not therefore presenting the comprehensive income statement.

These are the first consolidated financial statements to have been prepared in accordance with IFRS, in which CPC 37 has been applied.

*2009 financial statements*

Until December 31, 2009 the Company used to present its individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, including the amendments introduced by Laws 11638/07 and 11941/09 (Provisional Measure 449/2008 – MP 449/2008), as supplemented by the new pronouncements issued by the Accounting Pronouncements Committee – CPC, approved by Federal Accounting Council resolutions and standards issued by the Brazilian Securities Commission - CVM up to December 31, 2008.

As established by CVM Resolution 609/2009 (CPC 37 – Initial Adoption of International Accounting Standards), the international standards were implemented retrospectively to January 01, 2009. The originally disclosed financial statements have therefore been adjusted and are being presented in accordance with international accounting standards.

The Board of Directors authorized the conclusion of these financial statements on March 25, 2011.

b) Reporting basis

The financial statements have been prepared based on historic cost, except for the following items:

Financial instruments stated at fair value through profit or loss

The defined-benefit actuarial asset is recognized as the total net of the plans' assets, plus the unrecognized past service cost and unrecognized actuarial losses, minus unrecognized actuarial gains and the present value of the defined-benefit obligation, and Property, plant and equipment of the generating plants measured at fair value as deemed cost.

c) Functional currency and reporting currency

The financial statements are stated in thousands of reais, which is the Company's functional currency, except when otherwise indicated, which includes the notes to the financial statements.

d) Use of judgment and estimates

Preparing the financial statements in accordance with IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenue and expenses. The actual results may differ from these estimates.

Estimates and assumptions are continually reviewed. Reviews of accounting estimates are recognized in the period in which the estimates are reviewed and any future periods affected.

Information about assumptions and estimates that could result in adjustments in the next financial year have been included in the following notes:

Note 10 - Deferred income and social contribution taxes

Note 20 – Contingencies

Note 21 – Post-Employment Benefits

Note 28 –Breakdown of net operating revenue (Unbilled revenue)

# 3. INITIAL ADOPTION OF THE NEW ACCOUNTING PRONOUNCEMENTS

The enactment of Laws 11638/07 and 11941/09 triggered the process of transition for listed companies to international financial reporting standards following the issuance by the CPC and approval by the Brazilian regulatory authorities of several accounting pronouncements, interpretations and guidelines in two waves: The first wave, developed and implemented in 2008 with the adoption of CPC technical pronouncements 00 to 14 (the latter revoked from 2010) and the second wave, with the issuance in 2009 of CPC technical pronouncements 15 to 43 (except for CPC 34), with mandatory adoption in 2010, and retrospectively applying to 2009 to facilitate a comparative analysis.

The financial statements for the financial year ended December 31, 2010 are being presented in accordance with these accounting pronouncements and IFRS for the first time. The Company prepared its opening transition balance sheet on January 01, 2009.

a) Exemptions adopted

The Company elected the following exemptions from retrospective application:

Exemption from fair value as deemed cost: Light Energia elected to measure its property, plant and equipment at fair value as of January 01, 2009.

Exemption from business combinations: the Company did not re-present the business combinations that occurred prior to January 01, 2009, the transition date.

Exemption from the retrospective application of ICPC 01: the Company decided it was unfeasible to remeasure the individual assets comprising the infrastructure used in the public concession arrangement on the acquisition dates, and elected to use the residual value to measure: (i) intangible assets, consisting of the estimated portion of the investments made to be amortized by the end of the concession and (ii) the financial assets, consisting of the unconditional contractual right to receive cash or another financial asset of the concession authority over construction services rendered and not amortized by the end of the concession.

b) Reconciliation of the adoption of the CPCs issued in 2009 and 2010 at the transition date and reclassifications made:

## Opening balance sheet at January 01, 2009:

| | Consolidated | | | |
|---|---|---|---|---|
| | Published on 12/31/2008 | INITIAL ADOPTION OF IFRS | | Re-presented 1/1/2009 |
| | | RECLASSIFICATIONS | ADJUSTMENTS | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | – | 548.983 | – | 548.983 |
| Securities | – | 41.143 | – | 41.143 |
| Cash and cash equivalents | 590.126 | (590.126) | – | – |
| Consumers, concessionaires and licensees | 1.350.832 | – | (67.977) | 1.282.855 |
| Recoverable taxes | 836.504 | (836.504) | – | – |
| Taxes and contributions | – | 566.011 | – | 566.011 |
| Inventory | 18.603 | – | – | 18.603 |
| Swap income receivable | 6.671 | – | – | 6.671 |
| Dividends receivable | – | – | – | – |
| Services provided | 57.500 | (52.888) | 13.010 | 17.622 |
| Prepaid expenses | 383.291 | – | (381.624) | 1.667 |
| Other accounts receivable | 107.879 | (1.210) | – | 106.669 |
| TOTAL CURRENT | 3.351.406 | (324.591) | (436.591) | 2.590.224 |
| NONCURRENT | | | | |
| Consumers, concessionaires and licensees | 292.594 | – | – | 292.594 |
| Recoverable taxes | 1.109.566 | (1.109.566) | – | – |

| | | | | |
|---|---|---|---|---|
| Taxes and contributions | – | 72.807 | – | 72.807 |
| Deferred taxes | – | 1.307.252 | 313.852 | 1.621.104 |
| Financial Asset of Concessions | – | 304.229 | – | 304.229 |
| Income receivable | 4.413 | – | – | 4.413 |
| Judicial deposits | 194.200 | – | – | 194.200 |
| Prepaid expenses | 129.435 | – | (125.071) | 4.364 |
| Other accounts receivable | 26.420 | – | – | 26.420 |
| Investments | 13.615 | – | – | 13.615 |
| Property, plant and equipment | 4.059.358 | (3.290.903) | 821.324 | 1.589.779 |
| Intangible assets | 280.958 | 2.986.674 | – | 3.267.632 |
| TOTAL NONCURRENT | 6.110.559 | 270.493 | 1.010.105 | 7.391.157 |
| TOTAL ASSETS | 9.461.965 | (54.098) | 573.514 | 9.981.381 |

| | Consolidated | | | |
|---|---|---|---|---|
| | | INITIAL ADOPTION OF IFRS | | |
| | Published on 12/31/2008 | RECLASSIFICATIONS | ADJUSTMENTS | Re-presented 1/1/2009 |
| CURRENT LIABILITIES | | | | |
| Trade Payables | 486.204 | – | – | 486.204 |
| Payroll | 2.791 | – | – | 2.791 |
| Taxes | 230.461 | (230.461) | – | – |
| Taxes and contributions | – | 230.461 | – | 230.461 |
| Loans and financing and charges | 116.799 | – | – | 116.799 |
| Debentures and charges | 61.523 | – | – | 61.523 |
| Dividends payable | 499.638 | – | (268.205) | 231.433 |
| Estimated obligations | 55.052 | – | – | 55.052 |
| Regulatory charges | 126.733 | – | – | 126.733 |
| Contingencies | 2.237 | – | – | 2.237 |
| Post-employment benefits | 87.744 | – | – | 87.744 |
| Other debits | 519.757 | (54.098) | (160.661) | 304.998 |
| TOTAL CURRENT | 2.188.939 | (54.098) | (428.866) | 1.705.975 |
| NONCURRENT | | | | |
| Loans and financing and charges | 1.046.550 | – | – | 1.046.550 |
| Debentures and charges | 945.549 | – | – | 945.549 |
| Taxes | 324.743 | (324.743) | – | – |
| Taxes and contributions | – | 324.743 | – | 324.743 |
| Deferred taxes | – | – | 341.113 | 341.113 |
| Contingencies | 998.460 | – | (4.577) | 993.883 |
| Post-employment benefits | 944.417 | – | – | 944.417 |
| Other debits | 209.603 | – | 3.731 | 213.334 |
| TOTAL NONCURRENT | 4.469.322 | – | 340.267 | 4.809.589 |
| SHAREHOLDERS' EQUITY | | | | |

| | | | | |
|---|---|---|---|---|
| Capital | 2.225.819 | – | – | 2.225.819 |
| Capital Reserves | | | | |
| Awarded Options Recognized | 22.459 | – | – | 22.459 |
| Profit Reserves | | | | |
| Legal Reserve | 103.757 | – | – | 103.757 |
| Profit Retention | 451.669 | – | – | 451.669 |
| Equity appraisal adjustments | – | – | 546.978 | 546.978 |
| Retained Earnings/Accumulated Losses | – | – | 115.135 | 115.135 |
| TOTAL SHAREHOLDERS' EQUITY | 2.803.704 | – | 662.113 | 3.465.817 |
| TOTAL LIABILITIES | 9.461.965 | (54.098) | 573.514 | 9.981.381 |

## Balance sheet as of December 31, 2009:

| | Consolidated | | | |
|---|---|---|---|---|
| | | INITIAL ADOPTION OF IFRS | | |
| | Published on 2009 | Reclassifications | Adjustments | Re-presented 2009 |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | – | 760.313 | – | 760.313 |
| Securities | – | 68.059 | – | 68.059 |
| Cash and cash equivalents | 828.372 | (828.372) | – | – |
| Consumers, concessionaires and licensees | 1.362.365 | – | (6.511) | 1.355.854 |
| Recoverable taxes | 675.881 | (675.881) | – | – |
| Taxes and contributions | – | 442.668 | – | 442.668 |
| Inventory | 14.369 | – | – | 14.369 |
| Swap income receivable | 4 | – | – | 4 |
| Dividends receivable | – | – | – | – |
| Services Rendered | 131.902 | (98.897) | 13.010 | 46.015 |
| Prepaid expenses | 260.502 | – | (258.121) | 2.381 |
| Other accounts receivable | 100.016 | (2.766) | – | 97.250 |
| TOTAL CURRENT | 3.373.411 | (334.876) | (251.622) | 2.786.913 |
| NONCURRENT | | | | |
| Consumers, concessionaires and licensees | 297.798 | – | – | 297.798 |
| Recoverable taxes | 820.843 | (820.843) | – | – |
| Taxes and contributions | – | 40.767 | – | 40.767 |
| Deferred taxes | – | 1.013.289 | 102.257 | 1.115.546 |
| Financial Asset of Concessions | – | 354.784 | – | 354.784 |
| Judicial deposits | 200.520 | – | – | 200.520 |
| Prepaid expenses | 37.779 | – | (36.121) | 1.658 |
| Other accounts receivable | 8.725 | – | – | 8.725 |
| Investments | 20.388 | – | – | 20.388 |
| Property, plant and equipment | 4.319.087 | (3.496.156) | 777.637 | 1.600.568 |
| Intangible assets | 281.608 | 3.141.372 | – | 3.422.980 |

| | | | | |
|---|---|---|---|---|
| TOTAL NONCURRENT | 5.986.748 | 233.213 | 843.773 | 7.063.734 |
| TOTAL ASSETS | 9.360.159 | (101.663) | 592.151 | 9.850.647 |

| | Consolidated | | | |
|---|---|---|---|---|
| | Published on 2009 | INITIAL ADOPTION OF IFRS | | Re-presented 2009 |
| | | Reclassifications | Adjustments | |
| CURRENT LIABILITIES | | | | |
| Trade Payables | 564.181 | – | – | 564.181 |
| Payroll | 3.338 | – | – | 3.338 |
| Taxes | 285.180 | (285.180) | – | – |
| Taxes and contributions | – | 285.180 | – | 285.180 |
| Loans, financing and charges | 197.150 | – | – | 197.150 |
| Debentures and charges | 96.412 | – | – | 96.412 |
| Dividends payable | 432.340 | – | (288.693) | 143.647 |
| Estimated Obligations | 49.036 | – | – | 49.036 |
| Regulatory charges | 110.791 | – | – | 110.791 |
| Contingencies | – | – | – | – |
| Post employment benefits | 95.044 | – | – | 95.044 |
| Other debits | 377.471 | (101.663) | (39.780) | 236.028 |
| TOTAL CURRENT | 2.210.943 | (101.663) | (328.473) | 1.780.807 |
| NONCURRENT | | | | |
| Loans, financing and charges | 1.006.204 | – | – | 1.006.204 |
| Debentures and charges | 1.165.759 | – | – | 1.165.759 |
| Taxes | 303.585 | (303.585) | – | – |
| Taxes and contributions | – | 303.585 | – | 303.585 |
| Deferred taxes | – | – | 301.230 | 301.230 |
| Dividends payable | – | – | – | – |
| Contingencies | 673.930 | – | (4.577) | 669.353 |
| Post-employment benefits | 861.386 | – | – | 861.386 |
| Other debits | 251.298 | – | (42.603) | 208.695 |
| TOTAL NONCURRENT | 4.262.162 | – | 254.050 | 4.516.212 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital | 2.225.822 | – | – | 2.225.822 |
| Capital Reserves | | | | |
| Awarded options recognized | 34.406 | – | – | 34.406 |
| Treasury Stock | (6.361) | – | – | (6.361) |
| Profit Reserves | | | | |
| Legal Reserve | 133.999 | – | – | 133.999 |
| Profit Retention | 499.188 | – | – | 499.188 |
| Equity appraisal adjustments | – | – | 518.761 | 518.761 |
| Retained Earnings/Accumulated Losses | – | – | 147.813 | 147.813 |
| TOTAL SHAREHOLDERS' EQUITY | 2.887.054 | – | 666.574 | 3.553.628 |

| | | | | |
|---|---|---|---|---|
| TOTAL LIABILITIES | 9.360.159 | (101.663) | 592.151 | 9.850.647 |

## Net income for the year ended December 31, 2009:

| | Consolidated | | | |
|---|---|---|---|---|
| | Published 2009 | INITIAL ADOPTION OF IFRS | | Re-presented 2009 |
| | | Reclassification | Adjustments | |
| REVENUES | 8.641.045 | – | 613.585 | 9.254.630 |
| OPERATING COST | (3.208.739) | – | 161.006 | (3.047.733) |
| NET REVENUE | 5.432.306 | – | 774.591 | 6.206.897 |
| OPERATING COST | (3.819.422) | – | (599.628) | (4.419.050) |
| GROSS PROFIT | 1.612.884 | – | 174.963 | 1.787.847 |
| OPERATING EXPENSES | (736.994) | – | (5.012) | (742.006) |
| General and administrative expenses | (427.904) | – | – | (427.904) |
| Sales expenses | (322.389) | – | – | (322.389) |
| Other operating revenue | 38.144 | – | – | 38.144 |
| Other operating expenses | (24.845) | – | (5.012) | (29.857) |
| OPERATING PROFIT | 875.890 | – | 169.951 | 1.045.841 |
| FINANCIAL INCOME/LOSS | (70.663) | – | (14.266) | (84.929) |
| Revenue | 201.864 | – | (15.119) | 186.745 |
| Expense | (272.527) | – | 853 | (271.674) |
| Equity in net income of subsidiaries and associated companies | – | – | – | – |
| NET INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES | 805.227 | – | 155.685 | 960.912 |
| Current income and social contribution taxes | (168.994) | – | – | (168.994) |
| Deferred income and social contribution taxes | (31.402) | – | (171.712) | (203.114) |
| NET INCOME FOR THE YEAR | 604.831 | – | (16.027) | 588.804 |

Table denoting the effects of the adjustments resulting from the adoption of the CPCs issued on the shareholders' equity as of January 01, 2009 and December 31, 2009 and the net income for 2009, including the notes thereto:

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 31/12/2009 | | 01/01/2009 | 31/12/2009 | | 01/01/2009 |
| | Shareholders' equity | Net income | Shareholders' equity | Shareholders' equity | Net income | Shareholders' equity |
| Balance before adoption of new practices | 2.887.054 | 604.831 | 2.803.704 | 2.887.054 | 604.831 | 2.803.704 |
| Investment (*) | 666.574 | – | 662.113 | – | – | – |
| Equity in net income of subsidiary (*) | – | (16.027) | – | – | – | – |
| Dividends over and above mandatory minimum (6) | – | – | – | 288.693 | – | 268.205 |
| Regulatory assets and liabilities (1) | – | – | – | (205.095) | 199.512 | (404.607) |
| Fair value as deemed cost (4) | – | – | – | 786.000 | (42.754) | 828.754 |
| Pre-operating expenses (9) | – | – | – | (8.364) | (934) | (7.430) |
| Other (9) | – | – | – | 4.312 | (140) | 4.452 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Deferred IR and CS (5) | – | – | – | (198.972) | (171.711) | (27.261) |
| Total adjustments | 666.574 | (16.027) | 662.113 | 666.574 | (16.027) | 662.113 |
| Balance after adoption of new practices | 3.553.628 | 588.804 | 3.465.817 | 3.553.628 | 588.804 | 3.465.817 |

*(*) Effect of subsidiaries on parent company*

Description of the main adjustments resulting from the new accounting pronouncements that affected the Company's financial statements:

(1) Conceptual Structure for Producing and Publishing Financial Statements (CPC Conceptual Structure): This announcement establishes the basis for recognizing assets, liabilities, revenue and expenses, amongst other concepts.

The differences between the estimated amounts included in the calculation of the electricity tariff and those effectively incurred by the Company, recognized before the application of the new CPCs as regulatory assets and liabilities, are not recognized in the balance sheet under this pronouncement as they are not classified as assets and/or liabilities. Consequently, the balances of regulatory assets and liabilities recorded before the initial adoption of the new CPCs were charged to retained earnings and net income for the years 2009 and 2010, in accordance with the accrual basis of accounting.

(2) CPC 25 - Provisions, Contingent Liabilities and Contingent Assets: This pronouncement establishes recognition criteria and measurement procedures for provisions, liabilities and contingent assets, and for disclosing sufficient information in the notes to the financial statements. Under this pronouncement, the amount recognized as a provision should be the best estimate of the outlay required to settle the present obligation at the reporting date. The best obligation of the outlay required to settle the present obligation is the amount the Company would reasonably pay to settle the obligation at the reporting date or to transfer it to third parties.

As the amounts recognized under "Services Provided" relating to expenses incurred in the research and development (R&D) and energy efficiency (PEE) programs are amounts effectively dispersed by the Company, thereby reducing the total amount the Company should incur on such expenses, these amounts were written off against the provision for liabilities, meaning they only represent the remainder to be incurred on R&D and PEE.

(3) CPC 26 - Presentation of Financial Statements: This Pronouncement states how to define the basis for presenting the financial statements and facilitating a comparison thereof with both prior periods of the same entity and the financial statements of other entities. This pronouncement accordingly establishes the general requisites for presenting the financial statements, guidelines for structure and the minimum content to be included in the financial statements.

The deferred income and social contribution taxes expected to be realized in the twelve months after the presentation of the financial statements have been recorded in current assets, in accordance with CVM Directive 371/2002. Pursuant to CPC 26, all these deferred credits are now recognized in noncurrent assets/liabilities.

(4) CPC 27 - Property, Plant and Equipment: This pronouncement establishes the accounting procedures for property, plant and equipment, so that readers of the financial statements can acquire information about the entity's investment in its property, plant and equipment and the changes therein. The main points to be considered in recording the property, plant and equipment are the recognition of the assets, the determination of their carrying values and the depreciation and impairment losses to be recognized in respect of them.

In accordance with the guidelines stipulated in the pronouncements regarding the matter, the subsidiary Light Energia adopted the fair value as the deemed cost of property, plant and equipment of the plants with a book value substantially lower than fair value. This procedure was encouraged by the CPC, by way of ICPC 10 (Further information about CPC 27 and CPC 28) and by the CVM. The Company believes these are the best corporate governance practices for preparing financial statements. The adjustment to the asset's fair value, of R$ 828,754, was charged to the shareholders' equity under "Equity Appraisal Adjustments", net of deferred income and social contribution taxes of R$ 281,776. The depreciation on this adjustment did not affect the income and social contribution tax calculation base or the dividend distribution base. The Company maintained the useful lives of its assets previously adopted, as they had been estimated and defined by ANEEL, and are practiced by industry and accepted by the market as adequate, a procedure which is supported by OCPC 05 (Guidelines for Concession Arrangements).

(5) CPC 32 – Taxes on Profit: This pronouncement establish the accounting procedure for taxes on profits. It addresses current and deferred assets and liabilities in respect of the incidence of tax on profit. It requires the recognition of deferred tax liabilities for all taxable temporary differences between the tax basis and the book basis in the balance sheet, except in certain specific cases. To recognize the deductible temporary differences between the tax basis and the book basis in the balance sheet or to recognize recoverable tax losses and tax credits, the pronouncement states that recognition is conditional on the probable existence of taxable income against which the temporary deductible differences and/or recoverable losses can be offset.

As the adjustments resulting from the adoption of international standards impact the shareholders' equity and net income previously used as a calculation based for profit taxes, it is necessary to recognize the deferred income tax (asset or liability) at the rate of 34% over the IFRS/CPC adjustments. For the purpose of the accounting practices adopted by the Company, it had to recognize a provision for the nonrecovery of deferred income tax assets, which was reversed in the course of the financial year ended December 31, 2009. However, this adjustment should have been recognized in prior years, which is why revenue was reversed against retained earnings in the financial year ended December 31, 2009.

(6) ICPC 08 - Recording of the Dividend Payment Proposal: The pronouncement states that the dividends in excess of the mandatory minimum established by law, not yet approved at the general meeting, should be presented and reported in the shareholders' equity. Under the previous accounting practices, these additional dividends in excess of the legal minimum were deducted from shareholders' equity and recognized in the liabilities.

(7) ICPC 01 Concession Agreements: As it considers the concession operator does not control the underlying assets, this interpretation stipulates that the concession infrastructure (including electricity) cannot be recognized as property, plant and equipment, and is now recognized in accordance with one of the accounting models stipulated in the interpretation, depending on the' concession operator's remuneration commitment undertaken with the concession authority, as per the contract between them. These models are the financial assets model, intangible assets model and joint model.

The joint model applies to energy distribution because companies operating in the sector are remunerated by (i) a concession authority, i.e. the residual value of the assets at the end of the concession arrangement (financial concession assets) and (ii) by the users, in respect of the portion they are entitled to of the construction services and electricity supplied (intangible assets).

(8) CPCs 38, 39 and 40 - Financial Instruments

All the standards and interpretations in force that apply to the Company were adopted in 2010, as show below:

Amendment of IFRS 7 Financial Instruments: This amendment was primarily made to enhance disclosure requirements. This has increased requirements for disclosing and measuring the fair value, liquidity risk, market risk, credit risk and any other significant risk.

Amendment to IFRS 7 about the fair value hierarchy: This amendment segregates the fair value hierarchy for financial instruments. The hierarchy generates priority for quoted prices not adjusted in an active market for level 1 financial assets or liabilities There are three classification levels of fair value for financial instruments, as shown below:

Level 1 - Inputs from an active market (quoted price not adjusted), which can be accessed on a daily basis, including at the fair value measurement date.

Level 2 Inputs other than those from an active market (quoted price not adjusted), included in level 1, taken from a pricing model based on observable market inputs.

Level 3: Inputs taken from a pricing model not based on observable market inputs.

In addition to these amendments, the Company has also adjusted its financial statements, for disclosure purposes, and is now presenting the following information:

Net income per share, as required by CPC 41 and IAS 33 (Earnings per share), presented in Note 28

Segment reporting, as required by CPC 22 and IFRS 8 (Operating Segments), presented in Note 39.

(9) After adjusting the financial statements at the transition date and as of December 31, 2009, the Company reclassified the balances of cash equivalents to cash and cash equivalents and securities, to enhance the presentation thereof, and recognized an adjustment resulting from the reversal of the provision for deferred taxes in the opening balance.

c) Re-presentation of ITRs for 2010, in comparison with 2009, also adjusted to 2010 standards.

Further to CVM Resolution 656 of January 25, 2011, the Company is presenting below the effects on the net income and shareholders' equity of the quarters ended 3/31/2009, 6/30/2009, 9/30/2009, 3/31/2010, 6/30/2010 and 9/30/2010, resulting from the full adoption of the 2010 standards.

| | Parent Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/03/2010 | | 31/03/2009 | | 31/03/2010 | | 31/03/2009 | |
| | Shareholders' equity | Net income | Shareholders' equity | Net income | Shareholders' equity | Net income | Shareholders' equity | Net income |
| Balance before adoption of new practices | 2.995.361 | 120.550 | 2.981.969 | 168.288 | 2.995.361 | 120.550 | 2.981.969 | 168.288 |
| Preoperating Expenses | – | – | – | – | (8.519) | (153) | (7.734) | (304) |
| Investment | 479.260 | – | 298.907 | – | – | – | – | – |
| Regulatory assets and liabilities | – | – | – | – | (37.660) | 167.435 | (354.477) | 50.130 |
| Fair value as deemed cost | – | – | – | – | 776.720 | (9.280) | 819.085 | (9.669) |
| Equity in net income of subsidiaries | – | 104.229 | – | 26.400 | – | – | – | – |
| Deferred IR and CS | – | – | – | – | (251.280) | (53.773) | (157.967) | (13.757) |
| | 479.260 | 104.229 | 298.907 | 26.400 | 479.260 | 104.229 | 298.907 | 26.400 |
| Balance after adoption of new practices | 3.474.621 | 224.779 | 3.280.876 | 194.688 | 3.474.621 | 224.779 | 3.280.876 | 194.688 |

| | Parent Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 30/06/2010 | | 30/06/2009 | | 30/06/2010 | | 30/06/2009 | |
| | Shareholders' equity | Net income | Shareholders' equity | Net income | Shareholders' equity | Net income | Shareholders' equity | Net income |
| Balance before adoption of new practices | 3.093.636 | 218.825 | 3.113.477 | 289.725 | 3.093.636 | 218.825 | 3.113.477 | 289.725 |
| Preoperating Expenses | – | – | – | – | (8.696) | (330) | (7.924) | (494) |
| Investment | 518.638 | – | 347.663 | – | – | – | – | – |
| Regulatory assets and liabilities | – | – | – | – | 31.792 | 236.887 | (270.648) | 133.959 |
| Fair value as deemed cost | – | – | – | – | 767.199 | (18.801) | 809.416 | (19.338) |
| Equity in net income of subsidiaries | – | 143.607 | – | 75.156 | – | – | – | – |
| Deferred IR and CS | – | – | – | – | (271.657) | (74.149) | (183.181) | (38.971) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 518.638 | 143.607 | 347.663 | 75.156 | 518.638 | 143.607 | 347.663 | 75.156 |
| Balance after adoption of new practices | 3.612.274 | 362.432 | 3.461.140 | 364.881 | 3.612.274 | 362.432 | 3.461.140 | 364.881 |

| | Parent Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 30/09/2010 | | 30/09/2009 | | 30/09/2010 | | 30/09/2009 | |
| | Shareholders' equity | Net income | Shareholders' equity | Net income | Shareholders' equity | Net income | Shareholders' equity | Net income |
| Balance before adoption of new practices | 2.861.911 | 350.102 | 3.191.030 | 357.115 | 2.861.911 | 350.102 | 3.191.030 | 357.115 |
| Preoperating Expenses | – | – | – | – | (8.839) | (472) | (8.006) | (575) |
| Investment | 548.323 | – | 352.897 | – | – | – | – | – |
| Regulatory assets and liabilities | – | – | – | – | 86.267 | 291.362 | (252.925) | 151.682 |
| Fair value as deemed cost | – | – | – | – | 757.918 | (28.082) | 799.747 | (29.007) |
| Equity in net income of subsidiaries | – | 173.292 | – | 80.390 | – | – | – | – |
| Deferred IR and CS | – | – | – | – | (287.023) | (89.515) | (185.919) | (41.710) |
| | 548.323 | 173.292 | 352.897 | 80.390 | 548.323 | 173.292 | 352.897 | 80.390 |
| Balance after adoption of new practices | 3.410.234 | 523.394 | 3.543.927 | 437.505 | 3.410.234 | 523.394 | 3.543.927 | 437.505 |

This information was subject to the special review procedures applied by the independent auditors in accordance with CVM requirements for Quarterly Information (NPA 06 issued by IBRACON), and was not therefore audited.

# 4. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in detail below were applied consistently to all the periods presented in the financial statements and the preparation of the opening balance sheet as of January 01, 2009, for the purpose of converging to IFRS and CPC standards..

a) Financial instruments:

All financial instruments have been recognized in the Company's balance sheets, in both assets and liabilities, and are measured at fair value when applicable and after the initial recognition according to classification.

Nonderivative Financial Instruments s -Include short-term investments, cash and cash equivalents, securities, concession operators and licensees, financial assets of the concession and other receivables. Receivables and financial assets of concessions are stated at their amortized cost using the effective interest rate method, less any impairment, when applicable, and directly attributable transaction costs. Short-term investments are valued at fair value through profit and loss.

The Company derecognizes a financial asset when the contractual rights to the asset's cash flows expire or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred to the buyer. Any interest that is created or retained by the Company in financial assets is recognized as an individual asset or liability.

Financial assets stated at fair value through profit or loss - A financial asset is classified as fair value through profit or loss if it is held for trading and designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Company manages these investments and makes purchase and sales decisions based on their fair value in accordance with the investment strategy and risk management. Transaction costs are recognized in income/expenses when incurred. Financial instruments at fair value through profit or loss are stated at fair value, and their fluctuations are recognized in income/expenses for the year.

Loans and receivables - are financial assets with fixed or determinable payments that are not quoted on the market. These assets are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at their amortized cost by using the effective interest rate method, less any impairment losses.

Cash and cash equivalents - Include balances of cash, sight bank deposits and short-term investments with immediately liquidity, redeemable within 3 months of investment and subject to an insignificant risk of impairment.

Non-derivative financial liabilities – The Company initially recognizes liabilities on the date they arise. Financial liabilities are written off when their contractual obligations are withdrawn, canceled or expire.

Financial assets or liabilities are offset and their net value recorded in the balance sheet only when the Company is legally entitled to offset the amounts and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans, financing, debentures and trade payables. These financial liabilities are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at their amortized cost by using the effective interest rate method.

Derivative financial instruments - The Company has financial derivatives for hedging purposes against foreign-exchange risks.

Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized in income/expenses when incurred. After their initial recognition, the derivatives are appraised at fair value and any changes are recorded in the income statement.

b) Concession operators and licensees (Customers) –Includes the supply of electricity to consumers, billed and to be billed, default surcharges, interest deriving from late payment and energy sold to other concession operators for the electric power supply according to amounts made available within the scope of Electric Power Commercialization Chamber ("CCEE").

c)Inventory (including property, plant and equipment) - Materials under inventory, classified in Current Assets (maintenance and administrative storeroom) and those allocated to investments, classified in Non-Current Assets – Property, Plant and Equipment (works warehouse), are recorded at the average acquisition cost and do not exceed their replacement costs or realization values, from which the provision for losses is deducted, where applicable.

d) Financial Asset of Concessions - The subsidiary Light SESA recorded a financial asset receivable from the concession authority on account of the unconditional right to receive cash at the end of the concession, pursuant to the contract, as compensation for the construction services provided and not received, related to the concession. These financial assets are recorded at present value and are calculated based on the value of the assets in service belonging to the concession, at historic cost, which are reversible at the end of the concession. These assets are maintained at amortized cost and are remunerated through tariffs at the average investment remuneration rate, consisting of the regulatory WACC stipulated by ANEEL, and the monthly amount is recognized as financial revenue under operating revenue in line with OCPC 05.

e)Investments - The subsidiaries and joint ventures' financial statements are included in the consolidated financial statements from the date on which share control commences until the date it ceases. The subsidiaries and joint ventures' accounting practices are aligned with the policies adopted by the Company.

The equity income method is used to recognize the financial information of subsidiaries and joint ventures in the parent company's individual financial statements.

*Acquisitions made on or after January 01, 2009*

For acquisitions made on or after January 01, 2009, the Company measures the goodwill as the fair value of the assets transferred, including the recognized value of any minority interest in the acquired company, minus the net recognized value (generally the fair value) of the identifiable assets and liabilities acquired, all measured at the acquisition date. When the surplus is negative, a gain deriving from the purchase agreement is immediately recognized in the statement of income.

For each business combination the Company decides whether it will measure the minority interest at fair value or in proportion to the minority interest in the net identifiable assets as of the acquisition date.

The transaction costs, other than those associated with the issuance of securities or equity debt, which the Company incurs under business combinations, are expensed as when they are incurred.

*Acquisitions prior to January 01, 2008*

Under the transition to IFRS and CPC, the Company elected not to re-present information for business combinations occurring before January 01, 2008. In respect of acquisitions made prior to January 01, 2009, the goodwill is the amount recognized under the previously adopted accounting practices.

f) Property, plant and equipment

Only tangible assets not related to the concession's assets are recorded in this item.

Recognition and measurement - Recorded at the cost of acquisition, formation or construction and monetarily restated until 1995, less accumulated depreciation. The interest, other financial charges and inflation on financing obtained and invested in the PPE in progress are recorded in this subgroup as a cost. The main depreciation rates can be seen in note 14.

In accordance with the guidelines stipulated in CPC 27 addressing property, plant and equipment and ICPC interpretation 10, the subsidiary Light Energia adopted the fair value as the deemed cost of property, plant and equipment of the plants with a book value substantially lower than fair value. The other items of property, plant and equipment were maintained at historic cost, either because they are undergoing construction or meet the capitalization requisites stipulated in CPC 27 and in Management's opinion are compatible with their fair values.

Depreciation - Calculated by the straight-line method based on the annual rates established by ANEEL, which are practiced by industry and accepted by the market as adequate.

g) Intangible assets

Research and Development - Expenses on research activities resulting in a possible gain of scientific or technological understanding and expertise are recognized in the income statement as and when incurred. Development activities involve a plan or project entailing the production of new or substantially improved products. Development expenses are only capitalized if the development costs can be measured reliably, if the product or process is technically and commercially feasible, if the future economic rewards are probable and if the Company and its subsidiaries have the intention and resources to conclude the development and use or sell the asset. Capitalized expenses include the cost of materials, direct labor, manufacturing costs that are directly attributable to the preparation of the asset for its intended use, the cost of loans on qualifiable assets for which the start date for the capitalization is January 01, 2009 or after. Other development expenses are recognized in the income statement when they are incurred. Capitalized development expenses are measured at cost, minus accumulated amortization and impairment losses.

Infrastructure assets related to the concession - The subsidiary Light SESA recognizes an intangible asset resulting from the concession arrangement when it is entitled to charge for use of the concession asset, measured at fair value, at the initial recognition date. After initial recognition, the intangible asset is measured at cost, which includes the costs of capitalized loans, minus accumulated amortization and impairment when applicable.

Other intangible assets - Other intangible assets with finite useful lives are measured at cost, minus accumulated amortization and accumulated impairment when applicable.

Subsequent expenses - Subsequent expenses are only capitalized when they increase the future economic benefits incorporated into the specific asset they relate to. All other expenses, including expenses on goodwill generated internally and trademarks are recognized in the statement as and when they are incurred.

Amortization - Calculated on the cost of an asset or other equivalent cost, minus the residual value. Amortization is recognized in the income statement according to the straight-line method for the estimated useful lives of intangible assets other than goodwill, as this method best reflects the consumption pattern of future economic benefits incorporated into the asset. The useful life of an intangible asset in a concession arrangement is the period from which the Company can charge public consumers for use of the infrastructure until the end of the concession period. The amortization methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if necessary.

h) Impairment

Financial assets (including receivables) - A financial asset not measured at fair value through profit and loss is valued at each reporting date to test for impairment. An asset has incurred impairment if objective evidence indicates impairment has occurred after the initial recognition of the asset and this impairment has had a negative effect on the future projected cash flows that can be estimated reliably.

Objective evidence that the financial assets (including securities) have incurred impairment can include nonpayment or late payment by the debtor, restructuring of the amount owed to the Company on terms that it would not normally accept in other transactions, signs that the debtor or issuer is going to enter bankruptcy proceedings or the disappearance of an active market for a security. Furthermore , a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

The Company takes into account evidence of impairment for receivables, both individually and collectively. All individually significant receivables are specifically tested for impairment. All individually significant receivables found not to have incurred individual impairment are then tested collectively for any impairment that may have occurred, but not yet been identified. Receivables that are not individually material are tested collectively for impairment by grouping securities posing similar risks.

When testing for impairment collectively the Company uses historic patterns of default probability, recovery terms and the size of losses incurred, adjusted to reflect management's judgment as to whether the current economic credit conditions mean that the actual losses will probably be greater or less than those suggested by historic patterns.

Impairment of a financial asset measured at amortized cost is calculated as the difference between the book value and the present value of future estimated cash flows, discounted at the asset's effective original interest rate. Losses are recognized in the income statement and recorded in a provision against receivables. Interest on the impaired asset is still recognized by reversing the discount. When a subsequent event indicates a reversal of the impairment, the decrease in the impairment is reversed and credited to the income statement.

Management did not identify any evidence of financial asset impairment as of December 31, 2010 and 2009, except for the allowance for doubtful accounts.

Nonfinancial assets - Assets with an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment. The assets subject to amortization are reviewed annually to identify any signs of impairment whenever events or changes in circumstances indicate devaluation. Impairment losses are recognized at the book value by which an asset exceeds its estimated recoverable value. This value is the higher between the fair value of an asset, minus selling costs, and its value in use. For the purpose of calculating impairment, assets are grouped into the lowest levels for which there are identifiable cash inflows (reporting units). Non-financial assets, excluding goodwill, that have incurred impairment are subsequently reviewed in order to analyze a possible reversal of the impairment at the reporting date. In order to test the goodwill for impairment, the goodwill determined in a business combination is allocated to the reporting unit or group of reporting units which are expected to receive the benefits of the combination's synergies. This allocation is the lowest level at which the goodwill is monitored internally and is no greater than an operational segment determined in accordance with IFRS 8 and CPC 22.

i) Employee benefits

Defined-contribution plan - A defined-contribution plan is a retirement benefits plan under which an entity pays fixed contributions to a separate entity (pension fund) and incurs no legal or constructive obligations to pay additional amounts. Obligations under defined-contribution pension plans are recognized as employee benefit expenses in the net income in the periods during which the employees work for the company. Prepaid contributions are recognized as an asset on the condition there will be a cash reimbursement or reduction for future payments available.

Defined-benefit Plans - The net obligation of the Company under defined-benefit pension plans is calculated individually for each plan by estimating the future benefit the employees are entitled to in return for their work in the current period and previous periods, discounted to present value. Any unrecognized past service costs and the fair values of any of the plan's assets are deducted. The discount rate is the yield at the reporting date for first-rate securities which mature on dates near the obligations of the Company denominated in the same currency in which the benefits are expected to be paid. The calculation is made annually by a qualified actuary using the projected units credit method. When the calculation produces a benefit for the Company, the asset to be recognized is limited to the total of any past service costs not recognized and the present value of economic benefits available in the form of future reimbursements under the plan or decrease to the plan's future contributions. To calculate the present value of the economic benefits, any minimum costing requirements applying to any plan are taken into account. An economic benefit is available if it can be realized within the plan's life or upon settlement of the plan's liabilities.

The costs of sponsoring pension plans and any plan deficits are recognized on the accrual basis and pursuant to CVM Resolution 600/09 based on actuarial calculations prepared by an independent actuary.

The actuarial gains and losses generated by adjustments and changes to the actuarial assumptions of the retirement and pension benefit plans are recognized in the income statement for the period.

Immediate benefits for employees - are measured at a non-discounted base and are incurred as expenses as and when the related service is provided. The liability is recognized at the expected amount to be paid under the bonus plans in cash for short-term profit shares if the Company and its subsidiaries have a legal or constructive obligation to pay this amount because of the services provided by the employee, and the obligation can be reliably estimated.

Severance benefits - Severance benefits are expensed when the Company is shown to be committed, without any realistic chance of relinquishment, to a formal detailed plan for severing employment contracts before the normal retirement date or to provide severance benefits as part of a voluntary redundancy package. Voluntary redundancy benefits are expensed when the Company has offered a voluntary redundancy package, it is probable the package will be accepted, and the number of employees that will accept the package can be reliably estimated.

Profit sharing – The Company recognizes a profit-sharing liability and expense using a formula that takes into account the profit attributable to the Company's shareholders, after certain adjustments have been made. A provision is recognized when the Company has a contractual obligation or a past event that has created an unrecorded obligation.

Share-based payments - The fair value of share-based payments is recognized on the vesting date as personnel expenses, with a corresponding increase in shareholders' equity over the period in which employees are unconditionally entitled to the benefits. The amount expensed is adjusted to reflect the number of shares for which the service conditions and acquisition conditions will be met, so that the amount eventually expensed is based on the number of shares that actually meet the vesting conditions on the vesting date. For non-vesting share-based payments, the fair value at the date of a share-based payment is granted is measured to reflect these conditions and no changes are made for differences between the expected and actual benefits.

The fair value payable to employees relating to rights over stock appreciation, payable in cash, is recognized as an expense with a corresponding increase in the liabilities, for the period in which the employees are unconditionally entitled to the payment. The liability is re-measured at each reporting date and upon settlement. Any changes in the liability's fair value are recognized as personnel expenses in the income statement.

j) Income and social contribution taxes – The current and deferred income and social contribution taxes are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contributions on net income.

The current tax is the tax payable or receivable on the expected taxable income or loss for the year, at rates decreed or substantially decreed at the reporting date and any adjustment to the taxes payable in relation to prior years.

The deferred tax is recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they are related to income taxes levied by the same tax authority on the same entities subject to taxation.

Deferred income and social contribution tax assets are recognized on deductible tax losses, tax credits and temporary differences not used when it is probable that future taxable earnings will be generated against which they can be offset.

Deferred income and social contribution tax assets are reviewed at each reporting date and are reduced to the extent that realization is no longer probable.

As provided for by Law 11941/09, the Company adopted the Transitional Taxation Scheme (RTT) so that the amendments which changed the procedure for recognizing revenue, costs and expenses used to calculate the net income for the year do not affect the calculation of the taxable income and social contribution calculation base of companies that opt for the Transitional Taxation Scheme – RTT. For tax purposes the accounting methods and criteria in force at December 31, 2007 should be used.

k) Trade payables - Trade payables are obligations payable for goods and services acquired from suppliers in the normal course of business, and are classified as current liabilities if the payment is due within a year.

Initially stated at fair value and subsequently stated at the amortized cost using the effective interest rate method. They are usually recognized at the amount of the corresponding invoice.

l) Loans - Initially stated at fair value, net of transaction costs incurred, and subsequently stated at the amortized cost. Any difference to in the amounts borrowed (net of transaction costs) and the settlement amount is recognized in the income statement for the period in which the loans are outstanding, using the effective interest rate method.

The fees paid to the lender are expensed as loan transaction costs, as it is probable that part or all of the loan will be drawn. In this case, the fees are deferred until the amounts are drawn. If there is no evidence that part or all of the loan will probably be drawn, the fee is capitalized as a prepayment of liquidity services and amortized during the respective loan period.

m) Provisions - A provision is recognized in the balance sheet when the Company and its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk involved. A provision for contingencies is recorded by means of evaluation and quantification of lawsuits rated as a probable loss by Management and its legal advisers.

n) Recording of electric power purchase and sale transactions through Electric Power Commercialization Chamber (“CCEE”) – The cost of energy purchased and supply revenues are recognized on the accrual basis based on information published by CCEE, which is in charge of determining the amount and quantities of purchases and sales made within a regulated environment, or by Management estimate, when this information is not available.

o) Share Capital - Common shares - Classified as shareholders' equity. Additional costs directly attributable to the issuance of shares are recognized as a deduction from the shareholders' equity, net of tax.

p) Revenue recognition - Revenue is measured at fair value of the corresponding payment received or receivable, minus tax and any discounts.

Energy sales revenue - recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the revenue can be reliably measured. The invoicing of electricity sold is measured monthly by the supply of energy, according to amounts made available within the scope of Electric Power Commercialization Chamber (CCEE).

Service revenue - Revenue from the provision of services is recognized in the income statement for the year according to the stage of conclusion at the reporting date. The survey of realized costs is used to evaluate the stage of conclusion.

Construction Revenue - ICPC 01 establishes that the concession operator should measure and record service revenue in accordance with Technical Pronouncements CPC 17 – Construction Contracts (construction or improvement services) and CPC 30 - Revenue (operating services - electricity sales to consumers), even if governed by a single concession agreement. The subsidiary Light SESA records revenue and costs relating to the construction or upgrading of the assets used to provide the electricity distribution services. The construction margin adopted is set at zero, because: (i) the subsidiary's core activity is energy distribution (ii) all construction revenue is related to the construction of assets as part of the core activity and (iii) the subsidiary outsources the construction of the assets to unrelated parties. All additions made to the intangible assets in progress are recorded in the income statement on a monthly basis as construction costs.

q) Financial revenue and expenses –These include interest and monetary and exchange variance incurred on rights and obligations subject to monetary restatement up to the reporting date Foreign-currency assets and liabilities were translated into Brazilian reais at the exchange rate disclosed by the Brazilian Central Bank at the reporting date.

r) Earnings per share - The basic earnings per share are calculated through profit and loss of the period attributable to the controlling and noncontrolling shareholders of the company and the weighted average of the shares in circulation in the respective period. The diluted earnings per share are calculated according to the aforesaid average of the shares in circulation, adjusted by instruments potentially convertible into shares, with a dilutive effect in the periods presented.

s) Statement of Added Value - The Company prepared statements of added value (DVA) in accordance with technical pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements in BRGAAP applicable to publicly held companies, while consisting of supplementary financial information under IFRS.

t) Foreign currency - Transactions in foreign currency are translated to the functional currency of the Company at the exchange rates on the dates of each transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate on the closing date. The gains and losses resulting from the restatement of these assets and liabilities between the exchange rate in force at the transaction date and the end of the financial years are recognized as financial revenue and expenses in the income statement.

u) Segment reporting - An operational segment is a component of the Company that develops business activities from which revenue streams can be derived and expenses incurred, including revenue and expenses related to transactions with other Company components. All operational income from operational segments is reviewed frequently by Management to support decisions about new resources to be allocated to the segment and to evaluate its performance, for which individual financial information is made available.

Segment results reported to Management include items directly attributable to the segment and items that can be reasonably allocated.

v) Dividend distribution - The distribution of dividends to Company shareholders is recognized as a liability in the financial statements at the end of the year, in accordance with the Company's bylaws. Any amount in excess of the mandatory minimum is only provisioned for on the date they are approved by the shareholders at the general meeting.

w) New standards and interpretations not yet adopted - Several standards, amendments to standards and IFRS interpretations issued by the IASB have not yet come into force for the financial year ended December 31, 2010, namely:

*Improvements to IFRS 2010.*

*IFRS 9 Financial Instruments.*

*Prepayment of a minimum fund requirement (Amendment to IFRIC 14).*

*Amendments to IAS 32 Classification of rights issues.*

The CPC has not yet issued pronouncements equivalent to the aforesaid IFRS, but is expected to do so before the adoption deadline. The early adoption of the IFRS pronouncements is subject to prior approval by a normative ruling of the Brazilian Securities Commission.

As it did not adopt the standards in advance, the Company has not yet evaluated the possible effects thereof on its financial statements.

# 5. CONSOLIDATION PROCEDURES:

The consolidated financial statements include Light S.A. and its subsidiaries and joint subsidiaries, as listed below:

| | Percentage Interest | |
|---|---|---|
| | 2010 (%) | 2009 (%) |
| Light Serviços de Eletricidade S.A. | 100 | 100 |
| Light Energia S.A. | 100 | 100 |
| Light Esco Prestação de Serviços S.A. | 100 | 100 |
| Lightcom Comercializadora de Energia S.A. | 100 | – |
| Light Hidro Ltda. | 100 | 100 |
| Instituto Light para o Desenvolvimento Urbano e Social | 100 | 100 |
| Itaocara Energia Ltda. | 100 | 100 |
| Lightger S.A. | 51 | 100 |
| Axxiom Soluções Tecnológicas S.A. | 51 | – |

*Transactions eliminated in the consolidation process*

Balances, intercompany transactions and any revenue or expenses deriving from intercompany transactions are eliminated from the consolidated financial statements. Unrealized gains driving from transactions with investees recorded by the equity income method are eliminated against the investment in proportion to the Company's interest in the investee. Unrealized losses are eliminated the same way as unrealized gains, but only to the extent to which there is no evidence of impairment losses.

# 6. CASH AND CASH EQUIVALENTS

| Parent Company | Consolidated |
|---|---|

| | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
|---|---|---|---|---|---|---|
| Cash on hand | 386 | 2.557 | 50 | 36.028 | 27.139 | 41.029 |
| Liquid financial investments | | | | | | |
| Bank Deposit Certificates (CDB) | 37.909 | 12.027 | 40.206 | 478.081 | 733.174 | 507.954 |
| Total | 38.295 | 14.584 | 40.256 | 514.109 | 760.313 | 548.983 |

Short-term investments consist of operations with national financial institutions and are subject to normal market terms and conditions, with high liquidity, guaranteed buyback by the financial institution at previously established rates by the parties, a low credit risk and yielding the Interbank Deposit Certificate ("CDI").

# 7. SECURITIES

These securities consist of bank deposit certificates (CDB) amounting to R$11,122 (R$ 68,059 in 2009 and R$41,143 in 2008), are linked to guarantees submitted to participate in energy auctions and funds deriving from the sale of assets retained for reinvestment in the electricity grid, and mature in excess of three months.

# 8. CONSUMERS, CONCESSIONAIRES, LICENSEES AND CLIENTS

| | Consolidated | | |
|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| CURRENT | | | |
| Unbilled sales | 1.912.492 | 1.678.167 | 1.729.885 |
| Unbilled sales | 277.339 | 286.170 | 260.361 |
| Financing of debts (a) | 154.896 | 153.421 | 140.874 |
| Other accounts receivable | 489 | – | – |
| | 2.345.216 | 2.117.758 | 2.131.120 |
| Sales at CCEE | 5.546 | 1.001 | 613 |
| Supply and charges related to the use of the electric grid | 46.444 | 54.946 | 52.412 |
| | 51.990 | 55.947 | 53.025 |
| (-) Allowance for doubtful accounts (b) | (1.058.502) | (817.851) | (901.290) |
| | 1.338.704 | 1.355.854 | 1.282.855 |
| NONCURRENT | | | |
| Financing of debts (a) | 276.092 | 297.798 | 292.594 |
| Other accounts receivable | 20.169 | – | – |
| | 296.261 | 297.798 | 292.594 |

a) The balances of financed debts are adjusted to present value, where applicable, pursuant to Law 11638/07. Present value is calculated for each renegotiation of consumer debt (financing in installments), based on interest rates that reflect the term and the risk of each transaction, at an average of 1% per month.
The balance includes the present value of financing contracts, with acceleration clauses, which if exercised guarantee the client a discount on the payment. Options amounting to approximately R$21,007 are expected to be exercised in FY 2011.

b)The allowance for doubtful accounts was made in an amount deemed sufficient to cover any losses in the realization of credits and if is in accordance with ANEEL's instructions summarized below:

Clients with material debts (large clients): - Individual analysis of the trade accounts receivable by consumption sector, deemed unlikely to be received.

For the other cases:
- Residential consumers more than 90 days overdue
- Commercial consumers more than 180 days overdue
- Industrial and rural consumers, public sector, public lighting, public utilities and other – more than 360 days overdue.

Overdue and outstanding balances related to electric power billed to consumers and financed debts are distributed as follows:

| Billed supply and financing | Outstanding balance | Over due balances | | Total | | | PCLD | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Up to 90 days | Over 90 days | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| Residential | 240.927 | 160.278 | 807.486 | 1.208.691 | 1.053.757 | 1.081.768 | (786.940) | (565.483) | (743.636) |
| Industrial | 26.905 | 11.516 | 163.843 | 202.264 | 216.120 | 241.717 | (39.993) | (37.774) | (32.604) |
| Commercial | 144.495 | 40.629 | 300.284 | 485.408 | 377.087 | 347.212 | (223.836) | (205.948) | (114.031) |
| Rural | 671 | 269 | 628 | 1.568 | 1.437 | 1.387 | (499) | (431) | (286) |
| Public Authorities | 42.579 | 17.174 | 112.970 | 172.723 | 160.921 | 141.857 | (4.919) | (5.224) | (6.481) |
| Public Lighting | 4.651 | 2.844 | 32.171 | 39.666 | 41.045 | 51.028 | (1.635) | (2.088) | (2.718) |
| Public Service | 220.761 | 1.263 | 11.136 | 233.160 | 279.019 | 298.384 | (546) | (766) | (1.400) |
| Total - Current and Noncurrent | 680.989 | 233.973 | 1.428.518 | 2.343.480 | 2.129.386 | 2.163.353 | (1.058.368) | (817.715) | (901.156) |

In FY 2010 uncollectible receivables were written off amounting to R$14,133 (R$217,391 in FY 2009).

# 9. TAXES AND CONTRIBUTIONS

| | Parent Company | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | | Liabilities | | |
| | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| CURRENT | | | | | | |
| IRPJ and CSLL Tax Credits (a) | 1.080 | 703 | 284 | – | – | – |
| IRRF payable | – | – | – | 1 | – | – |
| ICMS payable | – | – | – | 13 | – | – |
| Prepaid IRPJ / CSLL | – | 71 | – | – | – | – |
| Other | – | – | – | 17 | 53 | 10 |
| TOTAL | 1.080 | 774 | 284 | 31 | 53 | 10 |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | | Liabilities | | |
| | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| CURRENT | | | | | | |
| Tax credits – IRPJ and CSLL (a) | 6.838 | 102.073 | 107.818 | – | – | – |
| Recoverable IRRF | – | 11.522 | 11.522 | – | – | – |
| IRRF payable | – | – | – | 523 | 2 | 2 |
| ICMS (value added tax on sales and services) | 80.080 | 109.704 | 123.440 | – | – | – |
| ICMS payable | – | – | – | 23.833 | 5.561 | 15.166 |
| Tax Financing - Law 11941/09 (b) | – | – | – | 21.633 | 21.684 | 10.973 |
| Recoverable PIS/COFINS (c) | 17.935 | 6.634 | 103.945 | – | – | – |
| PIS/COFINS payable | – | – | – | 61.234 | 57.420 | 51.112 |
| Prepaid IRPJ / CSLL | 156.795 | 181.364 | 204.552 | – | – | – |
| IRPJ / CSLL Provision | – | – | – | 230.408 | 188.835 | 143.394 |
| Other | 17.237 | 31.371 | 14.734 | 12.538 | 11.678 | 9.814 |
| TOTAL | 278.885 | 442.668 | 566.011 | 350.169 | 285.180 | 230.461 |
| NONCURRENT | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| PAES Tax Financing | – | – | – | – | – | 38.406 |
| Tax Financing - Law 11941/09 (b) | – | – | – | 177.699 | 303.585 | – |
| IRPJ and CSLL – Unrealized overseas profits | – | – | – | – | – | 286.337 |
| ICMS (value added tax on sales and services) | 57.908 | 40.767 | 72.807 | – | – | – |
| TOTAL | 57.908 | 40.767 | 72.807 | 177.699 | 303.585 | 324.743 |

a) This balance consists of recoverable tax credits derived from withholdings on short-term investments and by government authorities amounting to R$5,743 and IR/CS prepayment credits for FY 2009 of R$1,095. The change in the financial year was due to the restatement at the Selic base interest rate of R$16,778, and the recording of new credits of R$172,200, net of offsetting in the year of R$284,213.

b) New REFIS (Law 11941/09) – Light has been making the minimum payment of one hundred reais a month in accordance with the legislation, plus additional payments resulting from the migration from PAES – Previdenciário (REFIS II), in the annual consolidated amount of R$7,010. The financing balance is restated by the Selic base interest rate and the amount of restatement in the year is R$16,908.

| LIABILITIES | Total debt included in REFIS | Offsetting Fine and interest (tax losses) | Amount Refinanced Law 11941/09 | Restatement and Payments in 2009 | Balances at 12/31/2009 | Withdrawal/ Reversal | Restatement and Payments in 2010 | Balances at 12/31/2010 |
|---|---|---|---|---|---|---|---|---|
| PAES Social Security | (33.503) | 16.706 | (16.797) | 1.005 | (15.792) | – | 5.865 | (9.927) |
| COFINS 1% | (206.970) | 106.853 | (100.117) | (1.001) | (101.118) | – | (9.180) | (110.298) |
| IRPJ an CSLL LIR/LOI | (173.202) | 47.542 | (125.660) | (1.258) | (126.918) | 126.918 | – | – |
| Offset IRPJ not ratified (LIR/LOI) | (10.602) | 3.590 | (7.012) | (70) | (7.082) | – | (643) | (7.725) |
| Offset COFINS not ratified (LIR/LOI) | (19.626) | 6.926 | (12.700) | (127) | (12.827) | – | (1.164) | (13.991) |
| Offset CSLL not ratified (LIR/LOI) | (3.982) | 1.349 | (2.633) | (26) | (2.659) | – | (242) | (2.901) |
| CSLL (deduction JCP) | (19.332) | 12.797 | (6.535) | (65) | (6.600) | – | (600) | (7.200) |
| CSLL (stayed) | (17.606) | 5.478 | (12.128) | (121) | (12.249) | 8.917 | (302) | (3.634) |
| CPMF (symbolic exchange transactions) | (5.314) | 1.745 | (3.569) | (36) | (3.605) | – | (327) | (3.932) |
| IRPJ / CSLL Law 8200/91 | (38.176) | 26.923 | (11.253) | (112) | (11.365) | – | (1.032) | (12.397) |
| INSS – quarterly basis | (46.011) | 25.779 | (20.232) | (202) | (20.434) | – | (1.854) | (22.288) |
| INSS joint liability | (706) | 374 | (332) | (3) | (335) | – | (31) | (366) |
| IRPJ (voluntary disclosure) | (5.173) | 2.781 | (2.392) | (24) | (2.416) | – | (218) | (2.634) |
| CSLL (stayed) | (5.435) | 3.585 | (1.850) | (18) | (1.868) | – | (170) | (2.038) |
| | (585.639) | 262.428 | (323.211) | (2.058) | (325.269) | 135.835 | (9.898) | (199.332) |

Considering that the application to partially withdraw Writ of Mandamus 2003.51.01.005514-8, regarding the dispute about when the tax should be paid on the earnings of the companies LIR and LOI (cash basis vs. accrual basis), was rejected by both the ministry of finance and the court handling the case, the Company opted to withdraw the entire proceeding. Light SESA accordingly recalculated the overseas profit from 2002 to 2007 (REFIS period) using the equity income method on the accrual basis, appropriating the balance of the accumulated tax losses in this period to settle the IR/CS on these earnings, which resulted in the entire settlement thereof. The change in the balance of REFIS in the year

Debits by group of financed taxes:

| | Balances at 12/31/2009 | Reversal | Monetary restatement 2010 | Balances at 12/31/2010 |
|---|---|---|---|---|
| BRAZILIAN FEDERAL TAX AUTHORITY | | | | |
| Other taxes | (284.425) | 135.835 | (13.490) | (162.079) |
| Other taxes ( PAES ) | (15.792) | – | 5.865 | (9.927) |
| GENERAL ATTORNEY'S OFFICE OF THE NATIONAL FINANCE OFFICE | | | | |
| Other taxes | (4.283) | – | (388) | (4.671) |

| | | | | |
|---|---|---|---|---|
| SOCIAL SECURITY | (20.769) | – | (1.885) | (22.654) |
| | (325.269) | 135.835 | (9.898) | (199.332) |

c) The balance of recoverable PIS and COFINS refers to contributions withheld by government authorities and services provided.

# 10. DEFERRED TAXES

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | | 31/12/2009 | | 01/01/2009 | |
| ATIVO | Calculation | Deferred tax | Calculation | Deferred tax | Calculation | Deferred tax |
| Income Tax | | | | | | |
| Tax Losses | 844.992 | 211.248 | 1.385.458 | 346.365 | 2.169.381 | 542.345 |
| Temporary Differences | 1.786.984 | 446.746 | 1.917.214 | 479.304 | 2.557.953 | 639.488 |
| Social Contributions | | | | | | |
| Negative Basis | 893.800 | 80.442 | 1.303.657 | 117.329 | 2.537.064 | 228.336 |
| Temporary Differences | 1.786.984 | 160.829 | 1.917.214 | 172.549 | 2.343.716 | 210.934 |
| Total | | 899.265 | | 1.115.546 | | 1.621.104 |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | | 31/12/2009 | | 01/01/2009 | |
| PASSIVO | Calculation | Deferred tax | Calculation | Deferred tax | Calculation | Deferred tax |
| Income Tax | | | | | | |
| Temporary Differences | 811.043 | 202.761 | 885.972 | 221.493 | 1.003.271 | 250.819 |
| Social Contributions | | | | | | |
| Temporary Differences | 811.043 | 72.994 | 885.972 | 79.737 | 1.003.271 | 90.294 |
| Total | | 275.755 | | 301.230 | | 341.113 |

In order to justify these deferred tax credits, the Company restated, already taking into account realizations up to December 2010, the technical feasibility study approved by the Board of Directors and evaluated by the Audit Committee, based on the projections prepared in December 2008 and approved by the board of directors at the time.

the projections prepared in 2010 and approved by the Board of Directors. The feasibility study indicates the balance will be recovered within 5 years. The table below presents the deferred tax assets by estimated year of realization:

| ASSETS | |
|---|---|
| 2011 | 211.602 |
| 2012 | 217.625 |
| 2013 | 194.819 |
| 2014 | 264.590 |
| 2015 | 10.629 |
| Total – Light S.A. and subsidiaries | 899.265 |

The breakdown of the calculation base of temporary differences is:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | | 31/12/2009 | | 01/01/2009 | |
| ASSETS | IR | CSLL | IR | CSLL | IR | CSLL |
| Allowance for doubtful accounts | 1.051.462 | 1.051.462 | 808.427 | 808.427 | 885.065 | 885.065 |
| Provision for profit-sharing | 19.270 | 19.270 | 26.223 | 26.223 | 33.200 | 33.200 |
| Provisions for labor contingencies | 169.886 | 169.886 | 256.734 | 256.734 | 164.725 | 164.725 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Provisions for tax contingencies | 167.657 | 167.657 | 163.654 | 163.654 | 279.212 | 279.212 |
| Provisions for civil contingencies | 196.095 | 196.095 | 179.490 | 179.490 | 456.887 | 242.650 |
| Impacts of adopting new CPCs | 34.754 | 34.754 | 357.602 | 357.602 | 574.676 | 574.676 |
| Other provisions | 147.860 | 147.860 | 125.084 | 125.084 | 164.188 | 164.188 |
| TOTAL | 1.786.984 | 1.786.984 | 1.917.214 | 1.917.214 | 2.557.953 | 2.343.716 |
| LIABILITIES | | | | | | |
| Deemed cost Light Energia | 748.637 | 748.637 | 786.000 | 786.000 | 828.754 | 828.754 |
| Other provisions | 62.406 | 62.406 | 99.972 | 99.972 | 174.517 | 174.517 |
| TOTAL | 811.043 | 811.043 | 885.972 | 885.972 | 1.003.271 | 1.003.271 |

Reconciliation of the effective and statutory rates of the provision for income and social contribution taxes:

| | Consolidated | |
|---|---|---|
| | 31/12/2010 | 31/12/2009 |
| Profit before income and social contribution taxes (LAIR) | 922.619 | 960.912 |
| Combined income and social contribution tax rate | 34% | 34% |
| Income and social contribution taxes calculated at the statutory rates | (313.690) | (326.710) |
| Income and social contribution tax effect on permanent additions and exclusions | (14.905) | 109.409 |
| Income and social contribution tax effect on equity in the earnings of subsidiaries | – | (87.463) |
| Effect of IR/CS on offshore tax | (25.341) | (52.582) |
| Deferred tax credits not recognized CVM 371/02 - Light S.A. | (1.541) | (18.863) |
| Tax Incentives | 7.887 | 4.126 |
| Other 121 86 | 121 | 86 |
| Income and social contribution taxes in the income statement | (347.469) | (371.997) |
| Income and social contribution taxes in income | (103.482) | (168.994) |
| Deferred Income and social contribution taxes in income | (243.987) | (203.114) |
| | (347.469) | (372.108) |

# 11. FINANCIAL ASSET OF THE CONCESSION

The public electricity concession agreements and subsequent amendments between the government (concession authority) and the subsidiary Light Serviços de Eletricidade S.A (concession operator), respectively, regulating the exploration of public energy distribution services, where:

The contract establishes which services the operator shall provide and to whom (consumer class)

The contract establishes performance standards for providing utility services regarding the maintenance and improvement of consumer service quality indexes, and at the end of the arrangement the operator is obliged to return the assets in the same state of repair it received them originally. In order to perform these obligations constant investments are made throughout the concession term. Assets related to the concession can therefore be replaced on a number of occasions before the end of the arrangement.

At the end of the concession the assets related to the infrastructure should be returned to the concession authority through payment of compensation;

The price is regulated by a rate mechanism established in concession agreements based on a parametric formula (Portions A and B), and the rate review mechanisms are defined, which should be sufficient to cover costs, amortization of the investment and yield of the invested capital.

Based on the characteristics established in the subsidiary's electricity distribution concession agreement, Management believes that the conditions have been met to apply ICPC Technical Interpretation

01 - Concession Arrangements, which provides guidelines about the accounting of utility concessions for private operators, in order to reflect the energy distribution business, embracing:

a) Estimated portion of the investments made and not amortized or depreciated by the end of the concession, net of special obligations classified as financial assets due to being an unconditional right to receive cash or another financial asset directly from the concession authority.

b) Remaining portion to determine the financial assets, net of special obligations, classified as an intangible asset because its recovery is conditional on usage of the public service.

The infrastructure received or built for the distribution activity, which originally consisted of the subsidiary's property, plant and equipment and intangible assets, is recovered through two cash flows, i.e.:

a) Part through energy consumption made by consumers (issuance of monthly invoice for energy consumed/sold) during the concession term, and

b) Partly through indemnification of the returnable assets at the end of the concession arrangement, to be received directly from the concession authority or to whom it delegates this task.

Management estimates that the financial concession assets will be indemnified based on the investments made in returnable concession infrastructure, determined based on acquisition/construction costs, minus special obligations, not yet amortized, which have been realized in order to guarantee the continuity and upgrading of the service awarded, and was determined at the transition dates as follows:

| | Property, plant and equipment | Intangible assets | Compensatable Assets (Concession |
|---|---|---|---|
| Original Balance at January 01, 2009 | 3.459.072 | 162.135 | – |
| Segregation of special obligation | (157.302) | (97.571) | (59.731) |
| Segregation of property, plant and equipment and intangible assets in accordance with ICPC 01 | (3.133.601) | 3.084.245 | 363.960 |
| Balances re-presented in accordance with ICPC 01 - Light SESA | 168.169 | 3.148.809 | 304.229 |
| Subsidiaries' balances | 1.421.610 | 118.823 | – |
| Balances re-presented in accordance with ICPC 01 - Consolidated | 1.589.779 | 3.267.632 | 304.229 |

The balances consisting of the compensatable assets (concession) changed as follows:

| | |
|---|---|
| Balance at January 01, 2009 | 304.229 |
| Additions | 51.743 |
| Write-offs | (1.188) |
| Balance at December 31, 2009 | 354.784 |
| Additions | 114.375 |
| Write-offs | (129) |
| Balance at December 31, 2010 | 469.030 |

# 12. OTHER RECEIVABLES

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| CURRENT | | | | | | |
| Advance to Suppliers and Employees | 18 | 31 | 30 | 38.065 | 20.395 | 11.835 |
| Property rental | – | – | – | 302 | 425 | 113 |
| Accounts receivable from disposal of property | – | – | – | 12.130 | – | – |
| Public lighting fee | – | – | – | 48.399 | 25.119 | 25.740 |
| Reimbursable Expenditure | – | – | – | 8.111 | 10.779 | 13.360 |
| Subsidy to low-income segment (a) | – | – | – | 19.584 | 15.256 | 49.926 |
| Other receivables - ILP | – | 18.634 | – | – | 18.634 | – |
| Other | 23.842 | 1.547 | 137 | 26.382 | 6.642 | 5.695 |
| Total | 23.860 | 20.212 | 167 | 152.973 | 97.250 | 106.669 |
| NONCURRENT | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Assets and rights for disposal | – | – | – | 7.226 | 7.229 | 11.597 |
| Energy – Other | – | – | – | – | – | 13.329 |
| Other | – | – | – | 639 | 1.496 | 1.494 |
| Total | – | – | – | 7.865 | 8.725 | 26.420 |

R$5,489 (R$3,373 as of December 31, 2009) of the amount recorded was ratified by ANEEL in February 2011, but is still pending receipt, and R$14,095 (R$11,883 as of December 31, 2009) is undergoing ratification.

# 13. INVESTMENTS

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| Appraised by equity accounting: | | | | | | |
| Light SESA | 2.442.433 | 2.699.254 | 2.716.401 | – | – | – |
| Light Energia S.A. | 815.593 | 747.962 | 690.032 | – | – | – |
| Light Esco Prestação de Serviços S.A. | 37.787 | 27.825 | 17.042 | – | – | – |
| Lightger S.A. (a) | 36.767 | 25.772 | (425) | – | – | – |
| LightCom | 2.733 | – | – | – | – | – |
| Itaocara Energia (a) | 16.067 | 11.115 | (2.867) | – | – | – |
| Axxiom Soluções Tecnológicas S.A. | 2.304 | – | – | – | – | – |
| Lighthidro Ltda (a) | 50 | 50 | 50 | – | – | – |
| Subtotal | 3.353.734 | 3.511.978 | 3.420.233 | – | – | – |
| Goodwill based on future profits | 2.034 | – | – | – | – | – |
| Other permanent investments | 1.020 | 1.169 | 1.533 | 17.586 | 20.388 | 13.615 |
| SubTotal | 3.054 | 1.169 | 1.533 | 17.586 | 20.388 | 13.615 |
| Total | 3.356.788 | 3.513.147 | 3.421.766 | 17.586 | 20.388 | 13.615 |

Company preoperational

## INFORMATION ABOUT SUBSIDIARIES AND JOINT SUBSIDIARIES

| 31/12/2010 | Interest in capital (%) | Capital paid-in | Shareholder's equity | Dividends receivable | Dividends received | profit / loss for the year | Total Assets |
|---|---|---|---|---|---|---|---|
| Light SESA | 100 | 2.082.365 | 2.442.433 | (23.346) | (89.544) | 475.316 | 8.037.865 |
| Light Energia | 100 | 77.422 | 815.593 | (21.066) | – | 88.697 | 1.538.389 |
| Light Esco | 100 | 7.584 | 37.787 | (3.102) | – | 13.064 | 68.161 |
| LightCom | 100 | 1.000 | 2.733 | (540) | – | 2.273 | 18.831 |
| Light Hidro | 100 | 50 | 50 | – | – | – | 67 |
| Instituto Light | 100 | 300 | – | – | – | – | 2 |
| Itaocara Energia | 100 | 22.294 | 16.067 | – | – | (47) | 145.003 |
| Light Ger | 51 | 35.743 | 36.767 | – | – | 13 | 48.819 |
| Axxiom | 51 | 3.672 | 2.304 | – | – | 78 | 4.216 |

| 31/12/2009 | Interest in capital (%) | Capital paid-in | Shareholder's equity | Dividendos a receber | Dividendos recebidos | Additional Dividends paid | profit for the year | Total Assets |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Light SESA | 100 | 2.082.365 | 2.699.254 | (125.510) | (481.564) | (169.729) | 541.589 | 8.419.932 |
| Light Energia | 100 | 77.422 | 747.962 | (26.833) | (18.074) | – | 84.763 | 1.616.010 |
| Light Esco | 100 | 7.584 | 27.825 | (3.358) | – | – | 14.141 | 58.753 |
| Light Hidro | 100 | 50 | 50 | – | – | – | – | 69 |
| Instituto Light | 100 | 300 | – | – | – | – | – | 2 |
| Itaocara Energia | 100 | 17.294 | 11.115 | – | – | – | (617) | 129.530 |
| Light Ger | 100 | 23.791 | 25.772 | – | – | – | 4.406 | 32.905 |

| 01/01/2009 | Interest in capital (%) | Capital paid-in | Shareholder's equity | Dividends receivable | Dividends received | profit / loss for the year | Total Assets |
|---|---|---|---|---|---|---|---|
| Light SESA | 100 | 2.082.362 | 2.716.401 | (218.064) | (350.766) | 918.164 | 8.679.914 |
| Light Energia | 100 | 77.422 | 690.032 | (18.074) | (41.387) | 76.101 | 1.547.093 |
| Light Esco | 100 | 7.584 | 17.042 | – | – | 6.280 | 42.933 |
| Light Hidro | 100 | 50 | 50 | – | – | – | 53 |
| Instituto Light | 100 | 300 | – | – | – | – | – |
| Itaocara Energia | 100 | 2.697 | (2.867) | – | – | – | 126.583 |
| Light Ger | 100 | 2.000 | (425) | – | – | – | 17.556 |

## CHANGES IN THE INVESTMENTS IN SUBSIDIARIES AND JOINT SUBSIDIARIES

| | 01/01/2009 | 31/12/2009 | Capital increase | sale of interest | Dividends received | Dividends receivable | Other | Equity income | 31/12/2010 |
|---|---|---|---|---|---|---|---|---|---|
| Light SESA | 2.716.401 | 2.699.254 | – | – | (708.791) | (23.346) | – | 475.316 | 2.442.433 |
| Light Energia | 690.032 | 747.962 | – | – | – | (21.066) | – | 88.697 | 815.593 |
| Light Esco | 17.042 | 27.825 | – | – | – | (3.102) | – | 13.064 | 37.787 |
| LightCom | – | – | 1.000 | – | – | (540) | – | 2.273 | 2.733 |
| Light Ger | (425) | 25.772 | 37.892 | (28.851) | – | – | 1.941 | 13 | 36.767 |
| Light Hidro | 50 | 50 | – | – | – | – | – | – | 50 |
| Instituto Light | – | – | – | – | – | – | – | – | – |
| Itaocara Energia | (2.867) | 11.115 | 5.000 | – | – | – | (1) | (47) | 16.067 |
| Axxiom | – | – | 3.672 | – | – | – | (1.446) | 78 | 2.304 |

| | 01/01/2009 | Capital increase | sale of interest | Dividends received | Equity inc. receivable | 31/12/2009 |
|---|---|---|---|---|---|---|
| Light SESA | 2.716.401 | 3 | (169.729) | (389.010) | 541.589 | 2.699.254 |
| Light Energia | 690.032 | – | – | (26.833) | 84.763 | 747.962 |
| Light Esco | 17.042 | – | – | (3.358) | 14.141 | 27.825 |
| Light Ger | (425) | 21.791 | – | – | 4.406 | 25.772 |
| Light Hidro | 50 | – | – | – | – | 50 |
| Itaocara Energia | (2.866) | 14.597 | – | – | (616) | 11.115 |

# 14. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 31/12/2010 | | | 31/12/2009 | 01/01/2009 |
| | Historic Cost | Depreciation Accumulated | Net amount | Net amount | Net amount |
| Generation | 2.662.063 | (1.436.442) | 1.225.621 | 1.281.715 | 1.341.295 |
| Transmission | 57.601 | (41.504) | 16.097 | 16.770 | 17.455 |
| Distribution | 47.479 | (36.907) | 10.572 | 15.336 | 22.542 |
| Administration | 240.265 | (166.885) | 73.380 | 91.141 | 103.423 |
| Sales | 9.785 | (7.519) | 2.266 | 2.305 | 3.479 |
| In Service | 3.017.193 | (1.689.257) | 1.327.936 | 1.407.267 | 1.488.194 |
| Generation | 185.964 | – | 185.964 | 112.751 | 57.266 |
| Administration | 114.993 | – | 114.993 | 80.550 | 44.319 |
| In Progress | 300.957 | – | 300.957 | 193.301 | 101.585 |
| Total | 3.318.150 | (1.689.257) | 1.628.893 | 1.600.568 | 1.589.779 |

The change in property, plant and equipment was as follows:

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Balances at 31/12/2009 | Additions | Write-offs | Transfers between accounts | Balances at 31/12/2010 |
| PP&E IN PROGRESS | | | | | |
| Cost | | | | | |
| Land | 105.803 | – | (777) | – | 105.026 |
| Reservoirs, dams and power tunnels | 1.247.913 | 4.121 | (1.331) | – | 1.250.703 |
| Buildings, Civil Works and Improvements | 271.021 | 222 | (15.289) | – | 255.954 |
| Machinery and equipment | 1.240.560 | 6.789 | (1.403) | – | 1.245.946 |
| Vehicles | 32.497 | 65 | (71) | – | 32.491 |
| Furniture and fixtures | 127.130 | 894 | (951) | – | 127.073 |
| Total PP&E in Service - Cost | 3.024.924 | 12.091 | (19.822) | – | 3.017.193 |
| (-) Depreciation | | | | | |
| Reservoirs, dams and power tunnels | (734.988) | (22.524) | 1.331 | – | (756.181) |
| Buildings, Civil Works and Improvements | (147.937) | (7.853) | 6.214 | – | (149.576) |
| Machinery and equipment | (616.922) | (37.738) | 576 | – | (654.084) |
| Vehicles | (24.857) | (3.114) | 73 | – | (27.898) |
| Furniture and fixtures | (92.953) | (9.485) | 920 | – | (101.518) |
| Total PP&E in Service - Depreciation | (1.617.657) | (80.714) | 9.114 | – | (1.689.257) |
| PP&E IN PROGRESS | | | | | |
| Reservoirs, dams and power tunnels | 43.416 | 34.198 | – | – | 77.614 |
| Buildings, Civil Works and Improvements | 29.866 | 14.645 | – | – | 44.511 |
| Machinery and equipment | 81.300 | 51.364 | – | (13.874) | 118.790 |
| Vehicles | 7.497 | 2.623 | – | (65) | 10.055 |
| Furniture and fixtures | 14.530 | 2.081 | – | (3.022) | 13.589 |
| Studies and Projects | 16.692 | 20.481 | (775) | – | 36.398 |
| Total PP&E in progress | 193.301 | 125.392 | (775) | (16.961) | 300.957 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 1.600.568 | 56.769 | (11.483) | (16.961) | 1.628.893 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Balances at 01/01/2009 | Additions | Write-offs | Transfers between accounts | Balances at 31/12/2009 |
| PP&E IN PROGRESS | | | | | |
| Cost | | | | | |
| Land | 105.803 | – | – | – | 105.803 |
| Reservoirs, dams and power tunnels | 1.247.913 | – | – | – | 1.247.913 |
| Buildings, Civil Works and Improvements | 271.950 | – | (929) | – | 271.021 |
| Machinery and equipment | 1.248.149 | 12.649 | (20.238) | – | 1.240.560 |
| Vehicles | 36.732 | – | (4.235) | – | 32.497 |
| Furniture and fixtures | 139.784 | 535 | (13.189) | – | 127.130 |
| Total PP&E in Service - Cost | 3.050.331 | 13.184 | (38.591) | – | 3.024.924 |
| (-) Depreciation | | | | | |
| Reservoirs, dams and power tunnels | (711.660) | (23.328) | – | – | (734.988) |
| Buildings, Civil Works and Improvements | (140.535) | (8.021) | 619 | – | (147.937) |
| Machinery and equipment | (593.192) | (37.999) | 14.269 | – | (616.922) |
| Vehicles | (24.953) | (3.595) | 3.691 | – | (24.857) |
| Furniture and fixtures | (91.797) | (10.969) | 9.813 | – | (92.953) |
| Total PP&E in Service - Depreciation | (1.562.137) | (83.912) | 28.392 | – | (1.617.657) |
| PP&E IN PROGRESS | | | | | |
| Reservoirs, dams and power tunnels | 22.389 | 21.027 | – | – | 43.416 |
| Buildings, Civil Works and Improvements | 15.102 | 14.764 | – | – | 29.866 |
| Machinery and equipment | 49.737 | 45.605 | – | (14.042) | 81.300 |
| Vehicles | 3.645 | 3.852 | – | – | 7.497 |
| Furniture and fixtures | 6.146 | 8.756 | – | (372) | 14.530 |
| Studies and Projects | 4.566 | 13.060 | (934) | – | 16.692 |
| Total PP&E in progress | 101.585 | 107.064 | (934) | (14.414) | 193.301 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 1.589.779 | 36.336 | (11.133) | (14.414) | 1.600.568 |

(i) There are no assets or rights belonging to the Federal Government in use at the subsidiary Light SESA.

(ii) Annual depreciation rates

In accordance with ANEEL Resolution 367 of June 02, 2009, the main depreciation rates are the following:

| Generatio | ( %) | Sales | ( % ) | Administration | ( % ) | Transmission | ( % ) |
|---|---|---|---|---|---|---|---|
| Busses | 2,5 | Buildings | 4,0 | Buildings | 4,0 | System conductor | 2,5 |
| Disconnector | 3,0 | Equipment in general | 10,0 | Equipment in general | 10,0 | Equipment in general | 10,0 |
| Buildings | 4,0 | Vehicles | 20,0 | Vehicles | 20,0 | System structure | 2,5 |
| Intake equipment | 3,7 | | | | | Reconnectors | 4,3 |
| Intake structure | 4,0 | | | | | | |
| Generator | 3,3 | | | | | | |
| Engine group – generator | 5,9 | | | | | | |
| Reservoirs, dams and water mains | 2,0 | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Local communication system | 6,7 | | | | | | |
| Hydraulic turbine | 2,5 | | | | | | |
| Average depreciation rate | | Average depreciation rats | | Average depreciation rates | | Average depreciation rate | |
| Generation | 3,8 | Sales | 11,3 | Administration | 11,3 | Transmission | 4,8 |

# 15. INTANGIBLE ASSETS

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 31/12/2010 | | | 31/12/2009 | 01/01/2009 |
| | Historic Cost | Amortization Accumulated | Net Amount | Net Amount | Net Amount |
| Intangible assets | | | | | |
| Concession usage right | 5.897.129 | (3.218.801) | 2.678.328 | 2.667.560 | 2.674.501 |
| Goodwill based on future profits | 2.034 | – | 2.034 | – | – |
| Other | 450.714 | (367.943) | 82.771 | 77.070 | 96.570 |
| In Service | 6.349.877 | (3.586.744) | 2.763.133 | 2.744.630 | 2.771.071 |
| Concession usage right | 788.111 | – | 788.111 | 489.639 | 329.364 |
| Other | 62.528 | – | 62.528 | 188.711 | 167.197 |
| In Progress | 850.639 | – | 850.639 | 678.350 | 496.561 |
| TOTAL INTANGIBLE ASSETS (1) | 7.200.516 | (3.586.744) | 3.613.772 | 3.422.980 | 3.267.632 |

(1) Net of special obligations, related to the contributions of the government, states, municipalities and consumers, in addition to donations given freely and subsidies to be invested in distribution in the public electricity distribution service.

PP&E in progress includes inventories of materials for projects totaling R$43,808 (R$26,904 as of December 31, 2009) and a provision for inventory loss of R$5,749 (R$5,749 as of December 31, 2009).

R$9,183 (R$29,973 in FY 2009) was capitalized in Intangible assets in FY 2010, recorded as a transfer and expensed in the income statement.

The assets used by the subsidiary Light SESA are tied to public energy distribution services, and may not be removed, sold, transferred or pledged under mortgage guarantee without the prior, express consent of the Regulatory Authority, which should be conducted in accordance with ANEEL Resolution 20/99.

The regulatory agency ANEEL is responsible for establishing the estimated economic useful life of each item comprising the distribution assets, for the purpose of determining the rate, and determining the compensation payable at the end of the concession. This estimate is periodically reviewed and accepted by the market as an appropriate estimate for accounting and regulatory purposes and represents the best estimate of the assets' useful lives.

Light SESA Management believes that the amortization of intangible assets should comply with the expected return of each item of infrastructure, via the rate. The intangible assets are therefore amortized over the expected term of this return, limited to the maturity of the concession. As a result of using this amortization criteria, the total intangible assets will always be amortized on a non-linear basis.

## The change in intangible assets were as follows:

| | CONSOLIDATED | | | | |
|---|---|---|---|---|---|
| | Balances at 31/12/2009 | Additions | Write-offs | Transfers between accounts | Balances at 31/12/2010 |
| In service | | | | | |
| Concession usage right | 5.691.229 | 259.135 | (53.235) | – | 5.897.129 |
| Goodwill based on future profits | – | 2.034 | – | – | 2.034 |
| Other | 413.090 | 37.624 | – | – | 450.714 |
| Total Intangible assets in Service | 6.104.319 | 298.793 | (53.235) | – | 6.349.877 |
| (-) Depreciation | | | | | |
| Concession usage right | (3.023.643) | (240.387) | 45.229 | – | (3.218.801) |
| Other | (336.184) | (31.759) | – | – | (367.943) |

| | | | | | |
|---|---|---|---|---|---|
| Total Intangible assets in Service Depreciation | (3.359.827) | (272.146) | 45.229 | – | (3.586.744) |
| In Progress | | | | | |
| Concession usage right | 605.289 | 579.084 | – | (396.262) | 788.111 |
| Other | 73.199 | 21.578 | – | (32.249) | 62.528 |
| Total Intangible assets in Progress | 678.488 | 600.662 | – | (428.511) | 850.639 |
| TOTAL INTANGIBLE ASSETS (I) | 3.422.980 | 627.309 | (8.006) | (428.511) | 3.613.772 |

| | CONSOLIDATED | | | | |
|---|---|---|---|---|---|
| | Balances at 01/01/2009 | Additions | Write-offs | Transfers between accounts | Balances at 31/12/2009 |
| In service | | | | | |
| Concession usage right | 5.549.279 | 226.674 | (84.724) | – | 5.691.229 |
| Other | 397.368 | 15.722 | – | – | 413.090 |
| Total Intangible assets in Service | 5.946.647 | 242.396 | (84.724) | – | 6.104.319 |
| (-) Depreciation | | | | | |
| Concession usage right | (2.874.778) | (224.193) | 75.328 | – | (3.023.643) |
| Other | (300.975) | (35.209) | – | – | (336.184) |
| Total Intangible assets in Service Depreciation | (3.175.753) | (259.402) | 75.328 | – | (3.359.827) |
| In Progress | | | | | |
| Concession usage right | 446.947 | 471.293 | (2.885) | (310.066) | 605.289 |
| Other | 49.791 | 40.982 | – | (17.574) | 73.199 |
| Total Intangible assets in Progress | 496.738 | 512.275 | (2.885) | (327.640) | 678.488 |
| TOTAL INTANGIBLE ASSETS (I) | 3.267.632 | 495.269 | (12.281) | (327.640) | 3.422.980 |

# 16. TRADE PAYABLES

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| CIRCULANTE | | | | | | |
| Comercialização no âmbito de CCEE | – | – | – | 59.626 | 21.813 | 13.117 |
| Encargos de uso da rede elétrica | – | – | – | 48.836 | 49.024 | 43.859 |
| Encargos do serviço do sistema | – | – | – | 2.216 | 7.284 | 6.462 |
| Energia livre - ressarcimento a geradoras (a) | – | – | – | 54.185 | 54.185 | – |
| Leilões de energia | – | – | – | 150.231 | 127.704 | 114.434 |
| Itaipu binacional | – | – | – | 84.842 | 90.837 | 111.737 |
| UTE Norte Fluminense | – | – | – | 73.677 | 67.688 | 81.595 |
| Outros | – | – | – | – | – | 6.611 |
| | – | – | – | 473.613 | 418.535 | 377.815 |
| Materiais e serviços | 280 | 6.348 | 283 | 184.808 | 145.646 | 108.389 |
| Total | 280 | 6.348 | 283 | 658.421 | 564.181 | 486.204 |

Free Energy – Reimbursement to the Generators

At an executive board meeting held December 15, 2009 ANEEL approved the method and procedures for calculating the balances of free energy and revenue losses of generators and distributors after the extraordinary rate recovery (RTE) stopped being included in supply rates. However, Resolution 387 of December 15, 2009, published January 12, 2010, concluded the calculation of the closing balances of the free energy and revenue losses and determined the agents' reimbursements, which were being validated on December 31, 2010.

The balance of energy suppliers, grid charges, materials and services has an average DPO of up to 90 days.

# 17. LOANS AND FINANCING AND FINANCIAL CHARGES

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Principal | | Encargos | | Total | | |
| Financiador | Circulante | Não Circulante | Circulante | Não Circulante | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| TN - Par Bond | – | 64.848 | 838 | – | 65.686 | 68.641 | 92.130 |
| TN - Caução - Par Bond | – | (38.844) | – | – | (38.844) | (35.060) | (43.507) |
| TN - Discount Bond | – | 45.249 | 146 | – | 45.395 | 47.443 | 63.976 |
| TN - Caução - Discount Bond | – | (27.276) | – | – | (27.276) | (24.597) | (30.519) |
| TN - C. Bond | 5.512 | 13.780 | 330 | – | 19.622 | 26.364 | 43.247 |
| TN - Debit. Conv. | 6.174 | 3.087 | 31 | – | 9.292 | 16.185 | 30.558 |
| TN - Bib | 200 | 401 | 11 | – | 612 | 852 | 1.431 |
| BNDES - Importação | – | – | – | – | – | 446 | 2.397 |
| KFW III , IV, e V - Tranche A/B/C | – | – | – | – | – | 1.439 | 3.981 |
| TN - Flirb | – | – | – | – | – | – | 1.168 |
| TN - New Money | – | – | – | – | – | – | 1.151 |
| Societe Generale II | – | – | – | – | – | – | 4.409 |
| FOREIGN CURRENCY - TOTAL | 11.886 | 61.245 | 1.356 | – | 74.487 | 101.713 | 170.422 |
| Eletrobrás | 564 | 2.033 | 1 | – | 2.598 | 3.809 | 11.052 |
| CCB Bradesco | – | 450.000 | 11.340 | – | 461.340 | 458.381 | 464.014 |
| BNDES - FINEM | 82.616 | 227.193 | 1.353 | – | 311.162 | 394.139 | 433.062 |
| BNDES - FINEM direto | 16.973 | 135.946 | 2.346 | – | 155.265 | 59.806 | – |
| BNDES - FINEM + 1 | 16.973 | 135.946 | 2.609 | – | 155.528 | 59.811 | – |
| BNDES - FINEM direto PSI | 8.316 | 96.768 | 747 | – | 105.831 | 35.284 | – |
| Working Capital - Santander | – | 80.000 | 2.646 | – | 82.646 | 82.601 | 83.919 |
| BNDES - PROESCO 1st Issuance | 119 | 338 | 2 | – | 459 | 1.812 | 596 |
| BNDES - PROESCO 2nd Issuance | 230 | 768 | 4 | – | 1.002 | – | – |
| BNDES - PROESCO 3rd Issuance | 109 | 371 | 1 | – | 481 | – | – |
| BNDES - PROESCO4th Issuance | 339 | 1.694 | 18 | – | 2.051 | – | – |
| BNDES - PROESCO5th Issuance | 793 | 3.963 | 22 | – | 4.778 | – | – |
| RGR | – | – | 246 | – | 246 | 246 | – |
| Sundry bank guarantees | – | – | 209 | – | 209 | 194 | 284 |
| LOCAL CURRENCY - TOTAL | 127.032 | 1.135.020 | 21.544 | – | 1.283.596 | 1.096.083 | 992.927 |
| SWAP | – | – | 4.060 | 1.235 | 5.295 | 5.558 | – |
| OVERALL TOTAL | 138.918 | 1.196.265 | 26.960 | 1.235 | 1.363.378 | 1.203.354 | 1.163.349 |

The table below shows the contractual conditions of loans at December 31, 2010:

| | | | Amortização do Principal | |
|---|---|---|---|---|
| | Data de | Taxa de | Forma de | Parcelas |

| Financiador | Assinatura | Moeda | Juros a.a. | Início pagamento | | Restantes | Término |
|---|---|---|---|---|---|---|---|
| TN - Par Bond | 29/04/1996 | US$ | 6% | 2024 | Única | 1 | 2024 |
| TN - Caução - Par Bond | 29/04/1996 | US$ | U$ Treasury | 2024 | Única | 1 | 2024 |
| TN - Discount Bond | 29/04/1996 | US$ | Libor + 13/16 | 2024 | Única | 1 | 2024 |
| TN - Caução - Discount Bond | 29/04/1996 | US$ | U$ Treasury | 2024 | Única | 1 | 2024 |
| TN - C. Bond | 29/04/1996 | US$ | 8% | 2004 | Semestral | 7 | 2014 |
| TN - Debit. Conv. | 29/04/1996 | US$ | Libor + 7/8 | 2004 | Semestral | 3 | 2012 |
| TN - Bib | 26/04/1996 | US$ | 6% | 1999 | Semestral | 6 | 2013 |
| Eletrobrás | Diversas | UFIR | 5% | | Mensal e Trimestral | entre 2 e 120 | 2013 a 2017 |
| CCB Bradesco | 18/10/2007 | CDI | CDI + 0,85% | 2012 | Anual | 6 | 2017 |
| BNDES - FINEM | 05/11/2007 | TJLP | TJLP + 4,3% | 2009 | Mensal | 45 | 2014 |
| BNDES - FINEM direct | 30/11/2009 | TJLP | TJLP + 2,58% | 2011 | Mensal | 72 | 2017 |
| BNDES - FINEM + 1 | 30/11/2009 | TJLP | TJLP + 1% + 2,58% | 2011 | Mensal | 72 | 2017 |
| BNDES - FINEM direct PSI | 30/11/2009 | | 4,5% | 2011 | Mensal | 101 | 2019 |
| Working Capital - Santander | 03/09/2010 | CDI | CDI + 1,4% | 2010 | Anual | 1 | 2014 |
| BNDES - PROESCO 1st Issuance | 12/12/2008 | TJLP | TJLP + 2,5% | 2009 | Mensal | 46 | 2014 |
| BNDES - PROESCO 2nd Issuance | 15/06/2009 | TJLP | TJLP + 2,51% | 2009 | Mensal | 53 | 2015 |
| BNDES - PROESCO 3rd Issuance | 15/06/2010 | TJLP | TJLP + 2,18% e 4,5% | 2010 | Mensal | 53 | 2015 |
| BNDES - PROESCO4th Issuance | 15/09/2010 | TJLP | TJLP + 2,05% e 5,5% | 2010 | Mensal | 60 | 2016 |
| BNDES - PROESCO 5th Issuance | 16/12/2010 | TJLP | TJLP + 2,05% e 5,5% | 2010 | Mensal | 60 | 2016 |

The loan from Banco Real (ABN Amro) maturing in August 2010 of R$80,000, was renewed with Banco Santander (the new controlling shareholder of Banco Real), with the same value and cost of CDI + 1.4% p.a., maturing on September 03, 2014.

In 2010 R$ 246,942 was drawn under the facility obtained from the BNDES on November 30, 2009 for the investment program of Light SESA and R$ 10,155 for Light Energia, for the years 2009 and 2010.

On September 27, 2010 R$ 7,322 was directly released for Light Esco through a special Proesco financing facility to implement the energy efficiency project.

In addition to the collateral presented in the table above, the loans are secured by receivables worth R$45,978.

The principal of long-term loans and financing matures as follows (excluding financial charges) as of December 31, 2010:

| | Currency Currency | | |
|---|---|---|---|
| | local | | Total |
| 2012 | 223.461 | 8.799 | 232.260 |
| 2013 | 223.448 | 5.712 | 229.160 |
| 2014 | 282.556 | 2.756 | 285.312 |
| 2015 | 140.153 | – | 140.153 |
| 2015 onwards | 265.402 | 43.978 | 309.380 |
| TOTAL | 1.135.020 | 61.245 | 1.196.265 |

In percentage terms, the variation of major foreign currencies and economic indicators, which are used to adjust loans, financing and debentures, was as follows in the years:

| | Change % | | |
|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| USD - US dollar | (4,31) | (25,49) | 31,94 |
| EUR | (11,14) | (22,57) | 24,13 |

| | | | |
|---|---|---|---|
| UMBNDES | (3,76) | (25,66) | 33,86 |
| IGP-M | 11,32 | (1,71) | 9,81 |
| CDI | 9,75 | 9,87 | 12,37 |
| SELIC | 9,78 | 9,92 | 12,48 |

Covenants

The funding of CCB Bradesco and the loans with Banco Santander and BNDES FINEM, classified as current and non-current, requires that the Company maintain certain debt ratios and interest coverage. In the year ended December 31, 2010, the Company and its subsidiaries are in compliance with all required debt covenants.

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Principal | | Charges | Total | | |
| Financier | Current | Noncurrent | Current | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| Debentures 1stIssuance | – | – | – | – | 8.057 | 24.066 |
| Debentures 2nd Issuance | 19 | 67 | – | 86 | 107 | 118 |
| Debentures 3rd Issuance | 61.822 | 727.824 | 17.760 | 807.406 | 955.598 | 982.888 |
| Debentures 4th Issuance | 298.670 | – | 3.061 | 301.731 | 298.409 | – |
| LOCAL CURRENCY - TOTAL | 360.511 | 727.891 | 20.821 | 1.109.223 | 1.262.171 | 1.007.072 |

# 18. DEBENTURES AND FINANCIAL CHARGES

The table below shows the contractual conditions of the debentures at December 31, 2010:

| | | | | Amortization of Principal | | | |
|---|---|---|---|---|---|---|---|
| | Date of | | Depreciation . | | Payment | Repayments | |
| Financiador | Signing | Currency | Interest p.a | Start date | method | Remaining | End date |
| Debentures 4th Issuance | 30/06/2005 | TJLP | TJLP + 4% | 2009 | Mensal | 54 | 2015 |
| Debentures 5th Issuance | 22/01/2007 | CDI | CDI + 1,50% | 2008 | Trimestral | 13 | 2014 |
| Debentures 6th Issuance | 01/06/2009 | CDI | 115% do CDI | 2011 | Única | 1 | 2011 |

The total principal is presented net of debenture issuance costs, pursuant to CVM resolution 556/08. These costs can be seen in the table below:

| | 31/12/2010 | | | 31/12/2009 | 01/01/2009 |
|---|---|---|---|---|---|
| | Amount | Amount to be | Cost | Cost | Cost |
| Emissão | incurred | appropriated | Total | Total | Total |
| Debentures 1stIssuance | – | – | – | 1.070 | 1.069 |
| Debentures 4th Issuance | 7.448 | 20 | 7.468 | 7.468 | 7.468 |
| Debentures 5th Issuance | 7.094 | 5.354 | 12.448 | 12.448 | 12.457 |
| Debentures 6th Issuance | 3.961 | 1.330 | 5.291 | 5.291 | – |
| TOTAL | 18.503 | 6.704 | 25.207 | 26.277 | 20.994 |

The principal of long-term debentures matures as follows (excluding financial charges) as of December 31, 2010:

| | |
|---|---|
| 2012 | 179.839 |
| 2013 | 243.438 |
| 2014 | 304.606 |
| 2015 | 8 |
| TOTAL | 727.891 |

Covenants

The 5th and 6th debenture issuances, recorded under current and non-current, require debt indicators and interest coverage be maintained. In the period ended December 31, 2010, the Company and its subsidiaries are in compliance with all required debt covenants.

# 19. REGULATORY CHARGES - CONSUMER CONTRIBUTIONS

| | Consolidated | | |
|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| CURRENT | | | |
| Fuel Usage Quota – CCC | 25.472 | 4.298 | 24.895 |
| Energy Development Account Quota – CDE | 17.182 | 17.173 | 16.638 |
| Reversal Global Reserve Quota – RGR | 1.394 | 5.359 | 6.428 |
| Alternative Electricity Sources Incentive Program – PROINFA | – | 10.792 | 5.369 |
| Charges for capacity and emergency acquisition | 73.170 | 73.169 | 73.403 |
| | 117.218 | 110.791 | 126.733 |

Fuel Usage Quota (CCC) – This is a portion of rate revenue paid by distribution companies to pay expenses on fuel used in insulated systems in order to allow the electricity rates at these locations to have levels similar to those practiced in interconnected systems.

Economic Development Account (CDE) – This aims at promoting the energy development of States and the competitiveness of energy produced from alternative sources, in the areas served by the interconnected systems, allowing the universalization of the electric power service. The amounts to be paid are also defined by ANEEL.

Global Reversal Reserve (RGR) – This is a charge of the Brazilian electricity sector paid monthly by electric power concessionaires, to provide funds for reversal, expansion and improvement of the public electricity utility. Its annual value corresponds to 2.5% of concessionaire investments in electricity related assets, limited to 3.0% of their annual revenue.

Alternative Electricity Sources Incentive Program (PROINFA) – Created by Law , Proinfa aims to foster the progressive use of alternative renewable energy sources such as small hydroelectric power stations (SHPs), windfarms and thermal power plants. The cost of the program, whose energy is purchased by Eletrobrás, is paid by all end consumers (free and captive) of the National Interconnected System – SIN, except for low-income consumers with a monthly consumption equal to or less than 80 kWh.

Emergency Capacity Charge and Emergency Acquisition Charge (ECE and EAE) – Operational, tax and administrative costs incurred by Comercializadora Brasileira de Energia Emergencial – CBEE to contract generation or power capacity, apportioned to the end electricity consumers served by the National Interconnected System in proportion to their individual consumption.

# 20. Contingencies

The Company and its subsidiaries are party to tax, labor and civil lawsuits and regulatory proceedings before the judicial and administrative courts. Management periodically assesses the risks of contingencies related to these proceedings, and based on the opinion of its legal advisers records a provision for risks when unfavorable decisions are probable and whose amounts are quantifiable. In addition, it does not record assets related to lawsuits with a less-than-probable chance of success, as they are considered uncertain.

The changes in the provision for contingencies are:

| CURRENT | Consolidated | | | | |
|---|---|---|---|---|---|
| | Labor claims | Civil | Tax | Other | Total |
| Balances at January 01, 2009 | 597 | – | – | 1.640 | 2.237 |
| Write-offs / reversals | (597) | – | – | (1.640) | (2.237) |
| Balances at December 31, 2009 | – | – | – | – | – |

As of December 31, 2009 and 2010 there were no contingencies in the current liabilities.

| NONCURRENT | Consolidated | | | | |
|---|---|---|---|---|---|
| | Labor claims | Civil | Tax | Other | Total |
| Balances at January 01, 2009 164,128 | 164.128 | 252.930 | 493.823 | 83.002 | 993.883 |
| Additions | 18.399 | 53.352 | 371 | 3.982 | 76.104 |

| | | | | | |
|---|---|---|---|---|---|
| Restatement | – | 12.999 | 29.281 | 3.213 | 45.493 |
| Write-offs / payments | (16.380) | (57.875) | – | (2.519) | (76.774) |
| Write-offs / reversals | (2.492) | (9.257) | – | (555) | (12.304) |
| Reversal - Law 11,941/09 | – | – | (357.049) | – | (357.049) |
| Balances at December 31, 2009 | 163.655 | 252.149 | 166.426 | 87.123 | 669.353 |
| Additions | 18.208 | 38.909 | 1.578 | 36.121 | 94.816 |
| Restatement | – | 22.614 | 16.485 | 5.398 | 44.497 |
| Write-offs / payments | (13.371) | (75.852) | (4.147) | (26.944) | (120.314) |
| Write-offs / reversals | (836) | (82.238) | – | (53.381) | (136.455) |
| Balances at December 31, 2010 | 167.656 | 155.582 | 180.342 | 48.317 | 551.897 |
| Judicial Deposits | | | | | |
| Balances at December 31, 2010 | 18.746 | 26.160 | 40.354 | 1.655 | 86.915 |

## 20.1 Contingencies Labor claims

There are approximately 3372 labor claims in progress (3689 as of December 31, 2009) in which the Company and its subsidiaries are defendants. These labor proceedings are mainly claiming the following: overtime; danger hazard allowance; equal pay; punitive damages; several/joint liability for employees of outsourced companies; difference of 40% fine of FGTS (Government Severance Indemnity Fund for Employees) derived from the adjustment due to understated inflation.

## 20.2 Contingencies Civil

The Company and its subsidiaries are defendants in approximately 37,171 civil legal proceedings (39,506 as of December 31, 2009), of which 18,138 are in the state and federal courts (14,947 as of December 31, 2009), among which are claims that can be accurately assessed amounting to R$310,800 (R$747,873 as of December 31, 2009) and 19,033 are in Special Civil Courts (24,559 as of December 31, 2009), with total claims amounting to R$300,959 (R$377,124 as of December 31, 2009).

| Civil Contingencies | Provisioned amount (probable loss) | | |
|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| a) Civil proceedings | 87.842 | 124.576 | 113.303 |
| b) Special civil court | 25.138 | 29.555 | 33.783 |
| c) "Cruzado" Plan | 42.602 | 98.018 | 105.844 |
| Total | 155.582 | 252.149 | 252.930 |

a) The provision for the civil proceedings comprises lawsuits in which Light SESA is the defendant and the claim will probably result in a loss in the opinion of the respective attorneys. The claims mainly involve alleged punitive and property damage brought about by the company's proactive combating of irregularities in the grid, as well as consumers challenging the amounts paid.

The subsidiary Light SESA is also party to 11,831 civil proceedings in which the chances of loss are rated as possible by the Company's legal advisors, meaning no provision has been established. The amount, currently assessed, represented by these claims is R$159,200 (R$480,060 as of December 31, 2009).

b) Lawsuits in the Special Civil Court mostly concern matters regarding consumer relations, such as improper collection, undue power cut, power cut due to delinquency, grid problems, various irregularities, bill complaints, meter complaints and problems with ownership transfer. There is a limit of 40 minimum monthly wages for claims under procedural progress at the Special Civil Court. Provisions are based on the average of awards in the last 12 months.

c) In the last quarter of 2010 the Company obtained a definitive appeal decision under proceeding 1995.001.073862- 2 against CSN disputing the legality of the rate adjustment authorized by DNAEE during the price freezing period (Cruzado Plano). This decision allowed the reversal of the provision of R$ 61,735, which was credited to operating expenses.

## 20.3 Tax Contingencies

Provisions for tax contingencies are as follows:

| Contingencies Tax | Provisioned amount (probable loss) | | |
|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 |

| | | | |
|---|---|---|---|
| PIS / COFINS | – | – | 214.237 |
| PIS/COFINS – RGR and CCC | 8.561 | 8.561 | 17.709 |
| INSS – assessment notices | 40.964 | 39.291 | 37.756 |
| INSS – quarterly basis | 22.579 | 21.504 | 92.677 |
| Law 8,200/91 | – | – | 20.063 |
| ICMS | 94.400 | 88.039 | 76.610 |
| Social Contributions | – | – | 27.076 |
| CIDE | 4.988 | 4.792 | 4.593 |
| Other | 8.850 | 4.239 | 3.102 |
| Total | 180.342 | 166.426 | 493.823 |

Following the enactment of Law 11941/2009 which provided for the financing of federal tax debts, Light SESA elected to include a number of liabilities subject to judicial and administrative proceedings in this financing program, amounting to R$713,000. It should be noted that the entry into this financing program has been accepted by the Brazilian tax authority, as confirmed by the email sent to the Company on December 12, 2009. It is now awaiting the consolidation of these debts.

Light SESA is also party to tax, administrative and judicial proceedings in which the chances of loss are rated as possible by the Company's legal advisors, meaning no provision has been established. The amount quantifiable thus far in these proceedings is R$858,400 (R$1,156,600 as of December 31, 2009).

See below the main tax proceedings rated as a possible loss or that had effects in FY 2010:

(i) IN 86 (2003 to 2005) - Assessment notice imposing a fine for the alleged nonperformance of auxiliary obligations related to the submission of electronic files in the format specified in IN No 86/2001, regarding the calendar years 2003 to 2005. Company's voluntary appeal ruled misplaced, and a special appeal filed. As of December 31, 2010 this dispute involves an amount of 257,800 (R$240,200 as of December 31, 2009).

(ii) Contribution to Education Allowance - Disallowance of deductions made by the Company when paying the contribution to the education allowance made in the period 07/1996 to 06/2006. The Company's contestation was partially accepted, and the debt was reduced from R$ 9,300 to R$ 624. The Company filed a voluntary appeal against the remaining amount.

(iii) PIS/COFINS pass-through - As of December 31, 2010 the subsidiary Light SESA was party to 203 lawsuits filed by business clients challenging PIS and COFINS transferred to electricity bills, claiming a refund of all unduly paid amounts. On August 22, 2010 the Superior Court tried a leading case in the electricity sector, considering the transfer of the PIS/COFINS in electricity bills to be lawful. Given the case law favorable to the distribution companies, the chance of loss was downgraded from possible to remote.

(iv) IUEE – This is a case filed by the subsidiary Light SESA to cancel the incidence of the Unified Electricity Tax (IUEE), as the subsidiary failed to include this tax in invoices for "government" customers. The subsidiary's appeal was accepted. The historical value (in 2004) involved in this case is R$ 3,400.

(v) LIR/LOI - IRPJ/CSLL - Profit vs. Equity income – The subsidiary Light SESA filed Writ of Mandamus 2003.51.01.005514-8 disputing the requirement to pay IRPJ and CSLL on the profits earned by the investees LIR and LOI since 1996, but not made available, as well as requiring the inclusion of equity income in the calculation of IRPJ and CSLL, for the base periods of up to 2002 and after. Light SESA attempted to partially withdraw this Writ of Mandamus to include the debts in financing program introduced by Law 11941/09 and continue disputing the application of the equity income method. However, the Ministry of Finance did not agree with the partial withdrawal, which was upheld by the court. Light SESA accordingly withdrew the entire writ of mandamus, and consequently changed the procedure it had been using to pay IRPJ/CSLL, formerly conducted on the net income basis but now by the equity method, following the withdrawal of the dispute. The tax authority disagreed with this procedure and assessed Light SESA for R$ 131,500. Light SESA contested this assessment.

# 20.4 Other Contingencies

a) Administrative Regulatory Contingencies

The Company draws attention to the regulatory contingencies of its subsidiaries Light SESA and Light Energia deriving from administrative disputes with ANEEL:

a.1)ANEEL Assessment Notice 007/2010-SFE – This notice was issued on February 17, 2010, and imposed a fine of R$9,544 due to the inspection conducted by the Agency in December/2009 to detect and evaluate the causes of the outages in the concession operator's underground distribution system. The Company submitted its defense to the assessment on March 05, 2010, petitioning for the cancellation of the nonconformities and, failing that, a reduction in the fines imposed. As an alternative to the penalties, the Company petitioned for the fine to be converted into a commitment to change conduct (TAC). The ANEEL Board denied this application and the Company appealed against the decision. A definitive position from ANEEL is pending regarding the appeal filed and the petition to implement the TAC. A provision has been made for the total fine imposed.

a.2) ANEEL Assessment Notice no. 071/2010-SFF – The notice was issued on March 17 2010, with a fine of R$448 on the grounds that nonconformities had been detected by the economic, financial and accounting audit conducted on the subsidiary Light SESA. The subsidiary filed an appeal on April 01, 2010 requesting the fine be converted into a warning, where a position from ANEEL is pending. ANEEL Order 1665/2010 of June 10, 2010 reduced the fine to R$419. A definitive position is currently being awaited from ANEEL about the appeal filed. A provision has been made for the total fine imposed.

a.3) ANEEL Assessment Notice no. 013/2010-SFG – The notice was issued on May 04 2010, with a fine of R$1,120, due to the agency detecting a failure in the black-start process in the generating units of the Fontes Nova, Nilo Peçanha and Pereira Passos UHEs, to restore the SIN after the disruption on November 10, 2009. Light Energia appealed the assessment on May 19, 2010, requesting the fines be reduced. The Generation Services Inspections Division (SFG) upheld the decision which is now pending judgment by the ANEEL Board. A provision has been made for the total fine imposed.

a.4) Assessment Notice 061/2010-SFE – This notice was issued on May 19, 2010, and imposed a fine of R$5,049, on the grounds that nonconformities had been detected by the commercial and technical audit conducted by ANEEL in May 2009. The subsidiary Light SESA appealed the assessment on June 03, 2010, petitioning for the cancellation of the nonconformities and, failing that, a reduction thereof. The Electricity Services Inspections Division (SFE) upheld the decision which is now pending judgment by the ANEEL Board. A provision has been made for the total fine imposed.

a.5) ANEEL Assessment Notice no. 082/2010-SFE – The notice was issued on June 18, 2010, with a fine of R$16,052, on the grounds that the subsidiary Light SESA had infringed DEC and FEC indicators of 65 groups of consumers in 2009, where the incident of November 10, 2009 (Furnas Outage) had been included in the calculation of the indicators. The Company appealed the assessment on July 08, 2010, requesting a reduction to the penalty as the outage occurred on November 10, 2009 should not be taken into account when determining the DEC and FEC indicators. It is currently awaiting a position from ANEEL. A provision was made for R$4,110, in accordance with its legal advisers' opinion that the fine will probably be reduced by ANEEL, given the subsidiary's assertion that the outage of the Furnas transmission lines should not be included, as this was a case of force majeure or an event beyond its control, in both cases meaning Light SESA was not responsible.

# 21. POST-EMPLOYMENT BENEFITS

Light Group companies sponsor Fundação de Seguridade Social – BRASLIGHT, a nonprofit closed, supplementary pension entity, founded to provide retirement benefits to the Company's employees and pension benefits to their dependents.

BRASLIGHT was incorporated in April 1974 and has four plans - A, B, C and D – established in 1975, 1984, 1998 and 2010, respectively, with about 96% of the active participants of plan C having migrated to Plans A and B.

Plans A and B are of the Defined Benefit type and Plan C provides mixed benefits. All are currently in effect.

a) See below the pension plan obligations recorded in the Company's balance sheet:

| | 31/12/2010 | | | 31/12/2009 | | |
|---|---|---|---|---|---|---|
| | Current | Noncurrent | Total | Current | Noncurrent | Total |
| Contractual debt to the pension fund | 95.048 | 920.630 | 1.015.678 | 95.044 | 861.386 | 956.430 |
| Other | 507 | – | 507 | – | – | – |
| Total | 95.555 | 920.630 | 1.016.185 | 95.044 | 861.386 | 956.430 |

On October 2, 2001, the Supplementary Pensions Office approved an agreement for settling the technical deficit and refinancing unamortized reserves, which are being amortized over 300 monthly installments beginning July 2001. As of December 31, 2010 there were 186 monthly installments, amounting to a contractual liability of R$1,015,678.

The installments were restated according to the variance of the IGP-DI price index until May 2009 (with a one month lag) and actuarial interest of 6% per annum. In June 2009 the restatement index was changed to the IPCA (with a one month lag) instead of the IGP-DI.

The contract is adjusted annually by the deficit or surplus recorded at Braslight, and the installments due are consequently subject to increases or decreases. This adjustment is fully recognized in the income statement for the year of the sponsors as financial income/loss.

The changes in the contractual liability in the financial years 2010 and 2009 are as follows:

| | Total Consolidated | Current | Noncurrent |
|---|---|---|---|
| Contractual liability at 01/01/2009 | 1.032.161 | 87.744 | 944.417 |
| Amortization in the year | (93.928) | (93.928) | – |
| Restatement in the year | 18.197 | 64.345 | (46.148) |
| Transfers to current | – | 36.883 | (36.883) |
| Contractual liability at 12/31/2009 | 956.430 | 95.044 | 861.386 |
| Amortization in the year | (93.251) | (93.251) | – |
| Restatement in the year | 152.499 | 54.243 | 98.256 |
| Transfer to current | – | 39.012 | (39.012) |
| Contractual liability at 12/31/2010 | 1.015.678 | 95.048 | 920.630 |

b) Description of the plans

Plan A/B – these plans provide defined benefits and consist of the difference between a variable percentage of 80% and 100%, of the highest amount of the average in the past 12 of the last 36 salaries, restated to the date the benefit starts, and the value of the benefit awarded by the INSS.

Plan C – Scheduled benefits during the capitalization stage are of the defined contribution type, with no link to the INSS and the risk benefits (sickness allowance, disability retirement and pension for death of active participants, invalids and sickness allowance) in addition to the continued income are of the defined benefit type, once awarded. The equity of the two portions is determined in quotas.

Participants migrating from Plan A/B to Plan C receive an annuity, receivable as a pension, proportional to the time they had been contributing to Braslight at the time of the migration, since their latest enrolment in the Foundation, deferred for receipt after the participant has met a series of qualification requirements. This portion is denominated the settled defined benefit of Plan C.

Plan D – approved by the national supplementary pensions department of the Ministry of Social Security - PREVIC/MPS on March 22, 2010 and the first contribution was made in April 2010. In this plan the benefits are of the defined contribution type before and after they are awarded.

The amounts determined in the actuarial report and recognized in the balance sheet are as follows:

| | Consolidated | | |
|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 1/1/2009 |
| Reconciliation on the amounts in the balance sheet | | | |
| Fair value of the plan's assets | 1.120.960 | 1.105.523 | 1.013.384 |
| Present value of actuarial obligations - covered | (2.123.507) | (2.055.223) | (1.785.142) |
| Net assets (unsecured liabilities) | (1.002.547) | (949.701) | (771.758) |
| Net liabilities, CVM 600/2009 | (1.002.547) | (949.701) | (771.758) |
| Balance of the adjusted and recorded agreement, as per deficit equalization agreement | (1.015.678) | (956.430) | (1.032.161) |

The change in the fair value of the plans' assets in the periods presented is as follows:

| | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Reconciliation of the assets' fair value | | |
| Fair value of plan assets at the beginning of the year | 1.105.523 | 1.013.384 |
| Yield expected in the year | 114.886 | 121.732 |
| Actuarial gains and losses in the plan's assets | 11.169 | 55.974 |
| Sponsor Contributions | 94.601 | 95.300 |
| Participant Contributions | 50 | 69 |
| Benefits paid by the plan/company | (205.269) | (180.937) |
| Fair value of plan assets at the end of the year | 1.120.960 | 1.105.523 |

The change in the defined-benefit obligation in the presented periods is as follows:

| | 31/12/2010 | 31/12/2009 |
|---|---|---|
| Reconciliation of the actuarial obligations | | |
| Fair value of the obligations at the beginning of the year | (2.055.223) | (1.785.142) |
| Current gross service cost | (1.592) | (1.565) |
| Interest on actuarial obligation | (212.216) | (210.679) |
| Participant contributions in the year | (50) | (69) |
| Actuarial Gains(losses) | (59.695) | (238.705) |
| Benefits paid in the year | 205.269 | 180.937 |
| Fair value of the obligations at end of year | (2.123.507) | (2.055.223) |

The amounts recognized in the statement of income are as follows:

| Amounts recognized in the statement of income | 2010 | 2009 |
|---|---|---|
| Current service cost | 1.592 | 1.565 |
| Interest cost | 212.216 | 210.679 |
| Expected return on investments | (114.886) | (121.732) |
| Estimated expected cost | 98.922 | 90.512 |

The actual return on the plans' assets was R$114,394 in 2010 (R$141,846 as of December 31, 2009).

Actuarial Assumptions:

| | 2010 | 2009 |
|---|---|---|
| Nominal interest rate (discount) at present value of the actuarial liabilities | 10,66% | 10,77% |
| Expected yield rate over nominal plan assets | 10,96% | 10,77% |
| Annual inflation rate | 4,40% | 4,50% |
| Salary growth rate | 6,49% | 6,59% |
| Adjustment index of continued benefits | 4,40% | 4,50% |
| Capacity factor | 98,00% | 98,00% |
| Revolving rate | Baseado na idade | Baseado na idade |
| General mortality table | AT – 83 (1) | AT – 83 (1) |
| Disability table (plans A/B) | LIGHT – Forte | LIGHT – Forte |
| LIGHT - Forte LIGHT – Forte | LIGHT – Forte | LIGHT – Forte |
| Mortality table of disabled people | IAPB–57 | IAPB–57 |
| Active participants | 3.454 | 3.638 |
| Retirees and pensioners participants | 5.679 | 5.727 |
| (1) Table without aggravation | | |

# 22. OTHER PAYABLES

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | 31/12/2009 | 01/01/2009 | 31/12/2010 | 31/12/2009 | 01/01/2009 |
| CURRENT | | | | | | |
| Advance from customers | – | – | – | 3.491 | 8.691 | – |
| Compensation for use of water resources | – | – | – | 4.000 | 4.293 | 3.274 |
| Energy Research Company – EPE | – | – | – | 503 | 1.038 | 7.404 |
| National Scientific and Technological Development Fund – FNDCT | – | – | – | 1.007 | 2.173 | 14.808 |
| Energy Efficiency Program – PEE | – | – | – | 48.925 | 76.012 | 77.936 |
| Research and Development Program – P&D | – | – | – | 37.445 | 49.090 | 47.031 |
| Ex-insulated Charges | – | – | – | 10.966 | – | – |
| Public Lighting Fee | – | – | – | 69.243 | 51.402 | 40.917 |
| Provision for Voluntary Redundancy | – | – | – | 23.113 | – | – |
| Other debts - reimbursement to consumers | – | – | – | – | 11.622 | 46.893 |
| Other | 1.981 | 1.524 | 1.286 | 37.625 | 31.707 | 66.735 |
| Total | 1.981 | 1.524 | 1.286 | 236.318 | 236.028 | 304.998 |
| NONCURRENT | | | | | | |
| Provision for success fees | – | – | – | 14.306 | 13.275 | 13.136 |
| Reversal reserve | – | – | – | 69.933 | 69.933 | 69.933 |
| Use of public asset - UBP (a) | – | – | – | 128.746 | 115.651 | 117.583 |
| Other | – | – | – | 13.670 | 9.836 | 12.682 |
| Total | – | – | – | 226.655 | 208.695 | 213.334 |

a) According to concession agreement 12/2001, dated March 15, 2001, that regulates the use of the hydroelectric power plant located on the Paraíba do Sul river in the municipalities of Itaocara and Aperibé, the subsidiary Itaocara Energia Ltda. shall pay the Federal Government, for using the public asset, as of the date of its start-up (forecast for 2013) through to the end of the concession, or while it is using the hydroelectric resources. Payments shall be made in monthly installments equivalent to 1/12 (one twelfth) of the proposed annual payment of R$2,017, restated by the IGP-M variation or to any other index that may substitute it, should such an index be abolished. During the construction stage the liability restatement is being charged to intangible assets, without affecting net income. After coming into operation, the restatement will be directly recognized in the statement through for the year (see note 13).

b) Success fees

The Company made a provision of R$14,306 for expected success fees for cases rated as being a remote loss.

# 23. RELATED-PARTY TRANSACTIONS

Light S.A. is controlled by the group of Companhia Energética de Minas Gerais – CEMIG, Luce Empreendimentos e Participações S.A. and Rio Minas Energia Participações S.A. (RME) - Sociedade controlled by Redentor Energia.

Direct and indirect interests in operating subsidiaries are outlined in Note 1. A summary

of related-party transactions in the financial years 2010 and 2009:

Consolidated

| Item | Contracts with the same group (Objectives and characteristics of the agreement) | Link to Light S.A. | Assets 31/12/2010 | Assets 31/12/2009 | Liabilities 31/12/2010 | Liabilities 31/12/2009 | Revenue 31/12/2010 | Revenue 31/12/2009 | Expense 31/12/2010 | Expense 31/12/2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Strategic contract<br>Sale agreement of electricity between Light SESA and CEMIG | CEMIG (party of the controlling group) | – | – | 8.653 | 8.503 | – | – | 67.473 | 100.237 |
| 2 | Strategic contract<br>Sale agreement of electricity between Light SESA and CEMIG | CEMIG (party of the controlling group) | – | – | 166 | – | – | – | 1.263 | – |
| 3 | Strategic contract<br>Purchase agreement of electricity from Light Energia and CEMIG | CEMIG (party of the controlling group) | 2.561 | 2.528 | – | – | 21.769 | 22.553 | – | – |
| 4 | Strategic contract<br>Collection of distribution system usage charges between Light SESA and CEMIG | CEMIG (party of the controlling group) | 381 | 180 | – | – | 2.291 | 2.059 | – | – |
| 5 | Strategic contract<br>Commitment to electric basic network usage charge s between Light SESA and CEMIG | CEMIG (party of the controlling group) | – | – | 1.634 | 2.248 | – | – | 17.264 | 16.977 |
| 6 | Strategic contract<br>Commitment to electric basic network usage charge s between Light Energia and CEMIG | CEMIG (party of the controlling group) | 10 | 10 | – | – | 120 | 115 | – | – |
| 7 | Loans<br>Loan with Light S.A., which holds 50.9% of the capital of Lightger, to honor the financial credits assumed to implement the Paracambi SHP. | Light S.A. | – | – | 11.156 | – | – | – | 115 | – |
| 8 | Pension Plan<br>Fundação de Seguridade Social - BRASLIGHT | BRASLIGHT (Participa indiretamente do grupo controlador) | – | – | 1.016.185 | 956.430 | – | – | 152.499 | 18.197 |

A summary of agreements executed with related parties is presented below:

| Item | Contracts with the same group (Objectives and characteristics of the agreement) | Link to Light S.A. | Original Value | Date | Maturity Date or deadline | Termination or severance terms | Remaining balance 12/31/2010 | Contractual Terms |
|---|---|---|---|---|---|---|---|---|
| 1 | Strategic contract<br>Sale agreement of electricity between Light SESA and CEMIG | CEMIG (party of the controlling group) | 614.049 | Jan/2006 | Dez/2038 | 30% do saldo remanescente | 450.358 | Price charged in the regulated market |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2 | Strategic contract<br>Sale agreement of electricity between Light SESA and CEMIG | CEMIG (party of the controlling group) | 37.600 | Jan/2010 | Dez/2039 | 30% do saldo remanescente | 36.348 | Price charged in the regulated market |
| 3 | Strategic contract<br>Purchase agreement of electricity from Light Energia and CEMIG | CEMIG (party of the controlling group) | 156.239 | Jan/2005 | Dez/2013 | N/A | 54.066 | Price charged in the regulated market |
| 4 | Strategic contract<br>Collection of distribution system usage charges between Light SESA and CEMIG | CEMIG (party of the controlling group) | – | Nov/2003 | Indeterminado | N/A | 381 | Price charged in the regulated market |
| 5 | Strategic contract<br>Commitment to electric basic network usage charge s between Light SESA and CEMIG | CEMIG (party of the controlling group) | – | Dez/2002 | Indeterminado | N/A | 1.634 | Price charged in the regulated market |
| 6 | Strategic contract<br>Commitment to electric basic network usage charge s between Light Energia and CEMIG | CEMIG (party of the controlling group) | – | Dez/2002 | Indeterminado | N/A | 10 | Price charged in the regulated market |
| 7 | Loans<br>Loan with Light S.A., which holds 50.9% of the capital of Lightger, to honor the financial credits assumed to implement the Paracambi SHP. | Light S.A | 11.042 | Out/2010 | Out/2011 | N/A | 11.156 | CDI + 0,9% a.a |
| 8 | Pension Plan<br>Fundação de Seguridade Social - BRASLIGHT | BRASLIGHT (Indirect interest in the controlling group) | 535.052 | Jun/2001 | Jun/2026 | N/A | 1.016.185 | IPCA+ 6% a.a |

Related-party transactions took place on an arm's length basis.

## D&O COMPENSATION

The Extraordinary General Meeting held March 22, 2010 approved the overall and annual compensation for the members of the Company's Board of Directors and Executive Board at R$14,506, R$2,060 and R$97 of the Companies Light SESA, Light S.A and Light Energia, respectively.

Remuneration policy of the board of directors, executive board, audit committee and Committees

(i) Proportion of each constituent of the overall remuneration for FY 2010.

| Board of Directors | |
|---|---|
| Fixed compensation: | 100% |
| Variable remuneration: : | – |
| Executive Board | |
| Fixed compensation: | 41% |
| Variable remuneration: | 43% |
| Oyhers | 16% |
| Statutory Audit Committee | |
| Fixed compensation: | 100% |
| Variable remuneration: | – |

Remuneration of the Board of Directors, Audit Committee and Executive Board paid by the Company in FY 2010:

| | Consolidated | | | |
|---|---|---|---|---|
| 2010 | Board of Directors | Audit committee | Executive Board | Total |
| number of members | 22 | 5 | 7 | 34 |
| Annual fixed remuneration | 1.090 | 369 | 5.747 | 7.206 |
| Salaries or management fees | 1.090 | 369 | 4.219 | 5.677 |
| Direct and indirect benefits | – | – | 1.529 | 1.529 |
| Variable compensation | – | – | 6.074 | 6.074 |
| Bonuses | – | – | 5.884 | 5.884 |
| Other (ILP) | – | – | 190 | 190 |

| | | | | |
|---|---|---|---|---|
| Benefits due to leaving the post | – | – | 2.183 | 2.183 |
| Total remuneration by board | 1.090 | 369 | 14.004 | 15.463 |

Average annual remuneration of the board of directors, executive board and audit committee in FY 2010:

| | Parent Company | | | |
|---|---|---|---|---|
| 2010 | Board of Directors | Audit committee | Executive Board | Total |
| Number of members | 22 | 5 | 7 | 34 |
| Value of the highest individual remuneration | 95 | 74 | 1.102 | 1.270 |
| Value of the lowest individual remuneration | 47 | 74 | 455 | 576 |
| Value of the average individual remuneration | 71 | 74 | 625 | 769 |

# 24. SHAREHOLDERS' EQUITY

a) Share Capital

As of December 31, 2010 the share capital of Light S.A. consists of 203,934,060 book-entry common shares with no par value (203,933,778 as of December 31, 2009), worth R$2,225,822 (R$2,225,819 as of December 31, 2009), as follows:

| | 31/12/2010 | | 31/12/2009 | | 01/01/2009 | |
|---|---|---|---|---|---|---|
| SHAREHOLDER | Number of shares | % Number of shares | Number of shares | % Number of shares | Number of shares | % Number of shares |
| Controlling Group | 106.304.597 | 52,12 | 106.304.597 | 52,12 | 106.304.597 | 52,12 |
| RME Rio Minas Energia Participações S.A. | 26.576.150 | 13,03 | 26.576.150 | 13,03 | 100.719.912 | 49,39 |
| Lidil Comercial Ltda | – | – | – | – | 5.584.685 | 2,73 |
| Andrade Gutierrez Concessões S.A. | – | – | 26.576.149 | 13,03 | – | – |
| Companhia Energética de Minas Gerais S.A.. | 53.152.298 | 26,06 | 26.576.149 | 13,03 | – | – |
| Luce Empreendimentos e Participações S.A. | 26.576.149 | 13,03 | 26.576.149 | 13,03 | – | – |
| Other | 97.629.463 | 47,88 | 97.629.463 | 47,88 | 97.629.181 | 47,88 |
| BNDES Participações S.A. - BNDESPAR | 30.631.782 | 15,03 | 49.776.782 | 24,41 | 68.555.918 | 33,62 |
| EDF International S.A. | – | – | – | – | 13.391.345 | 6,57 |
| Public | 66.997.681 | 32,85 | 47.593.781 | 23,34 | 15.681.918 | 7,69 |
| Treasury Stock | – | – | 258.900 | 0,13 | – | – |
| Grand Total | 203.934.060 | 100 | 203.934.060 | 100 | 203.933.778 | 100 |

Light S.A. is authorized to increase its capital up to the limit of 203,965,072 common shares through a Board of Directors' resolution, regardless of amendments to the bylaws. However, this increase is to occur exclusively upon the exercising of the subscription bonuses issued, strictly pursuant to the terms thereof (Bylaws, Article 5 (2).

On March 25, 2010 the Company published an announcement regarding the payment for the acquisition by CEMIG of 25,494,500 (twenty-five million four hundred and ninety-four thousand five hundred) common shares of the Company, owned by AGC, accounting for 12.50% of the Company's total voting capital. On November 18, 2010 the Company published an announcement regarding the payment for the acquisition by CEMIG of 1,081,649 (one million eighty-one thousand six hundred and forty-nine) common shares of the Company, owned by AGC, accounting for 0.53% of the Company's total voting capital. The transactions were stipulated in the share purchase and sale agreement signed on December 30, 2009 by CEMIG and AGC, as per the announcements made by Light, CEMIG and AGC on that date.

b) Capital Reserves

Pursuant to CVM Resolution 562 issued on December 17, 2008, Light S.A. presented R$34,406 (R$22,459 as of January 01, 2009) under capital reserves in the shareholders' equity in 2009 related to the stock options awarded to certain executives, corresponding to the vesting period already incurred up to that date. In the 1st quarter of 2010 these call options were entirely exercised.

c) Profit Reserves

Light S.A. has two profit reserves:

Legal Reserve – Recorded at 5% of net income for the year, pursuant to the existing legislation.

Profit Retention Reserve – This is recorded with the Net Income of remaining year after allocations based on the capital budget approved by the Board of Directors, to be approved by the General Meeting.

d) Treasury Stock

As per the company notice published on November 06, 2009, the Company approved the plan to acquire its own stock in order to comply with the Company's long-term incentive plan. This consisted of buying stock call options meaning it was not necessary to issue new shares and consequently dilute the shareholders' interests. As of December 31, 2009 the Treasury stock amounted to 258,900 shares, worth R$6,361. In January 2010 the Treasury stock was delivered to executives who were entitled to stock options (as stated in note 40) and there was therefore no remaining balance as of December 31, 2010.

# 25. DIVIDENDS

The Company Bylaws determine the distribution of a mandatory dividend of 25% of the net income for the year, adjusted in accordance with article 202 of Law 6404/76 of 12/15/1976.

The dividends proposed at the close of the year were calculated as follows:

| | 31/12/2010 |
|---|---|
| Calculation of the minimum mandatory dividends | |
| Net income for the year | 575.150 |
| Legal Reserve | (28.757) |
| Minimum mandatory dividends calculation base | 546.393 |
| Proposed dividends | |
| Minimum mandatory dividends (25%) | 136.598 |
| Additional dividends proposed | 214.381 |
| TOTAL DIVIDENDS | 350.979 |

(1) The additional dividends proposed were recorded in the specific item under shareholders' equity, in accordance with CPC-08 standards.

# 26. PROFIT SHARING

The Profit Sharing Program, implemented in 1997 is mainly connected with net income and consolidated EBITDA of the Company. Payment is composed of two parts, one of them fixed and one variable. The Program has been improving over the years so as to enable greater employee' commitment to improving the operational results of the Company and its subsidiaries.

On December 31, 2010 the profit sharing accrued balance for the Company stood at R$15,308, with payment forecast for April 2011.

# 27. EARNINGS PER SHARE

As required by CPC 41 and IAS 33 (Earnings per Share), the table below reconciles the net income for the year against the amounts used to calculate the basic and diluted net income per share.

| | Consolidated | |
|---|---|---|
| | 31/12/2010 | 31/12/2009 |
| NUMERATOR | | |
| Net income for the year (R$) | 575.150 | 588.804 |
| DENOMINATOR | | |
| Average weighted number of common shares | 203.934.060 | 203.933.966 |
| BASIC AND DILUTED NET INCOME PER SHARE | 2,820 | 2,887 |

As of December 31, 2009 and 2010 there are no differences between the earnings per basic and diluted share.

# 28. BREAKDOWN OF NET OPERATING REVENUE

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |

| | | |
|---|---|---|
| Energy sales to distributors and consumers (note 29) | 8.432.859 | 8.043.088 |
| Leases, rental and other | 36.606 | 48.451 |
| Income from grid usage | 705.309 | 515.713 |
| Construction Revenue | 552.831 | 526.986 |
| Service Provision Agreement | 71.055 | 31.118 |
| Taxed service | 2.186 | 2.675 |
| Other Revenue | 36.145 | 86.599 |
| GROSS REVENUE | 9.836.991 | 9.254.630 |
| Billed Sales -ICMS | (2.219.444) | (2.080.591) |
| PIS / COFINS | (535.303) | (449.125) |
| Other | (3.685) | (2.553) |
| REVENUE TAXES | (2.758.432) | (2.532.269) |
| Fuel Consumption Account - CCC | (220.500) | (177.422) |
| Energy Development Account - CDE | (206.184) | (206.076) |
| Global Reversal Reserve - RGR | (57.654) | (77.720) |
| Empresa de Pesquisa Energetica -EPE | (6.146) | (5.685) |
| Fundo Nacional de Desenvolvimento – FNDCT | (12.295) | (11.363) |
| Energy Efficiency - PEE | (27.545) | (25.835) |
| Research and Development - P&D | (14.481) | (11.363) |
| Other Charges | (25.170) | – |
| CONSUMER CHARGES | (569.975) | (515.464) |
| TOTAL DEDUCTIONS | (3.328.407) | (3.047.733) |
| NET REVENUE | 6.508.584 | 6.206.897 |

# 29. ENERGY SALES TO DISTRIBUTORS AND CONSUMERS

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Number of bills invoiced (1) (2) | | GWh (1) | | R$ | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Residential | 3.759.911 | 3.688.998 | 8.243 | 7.880 | 2.746.002 | 2.569.692 |
| Industrial | 11.403 | 11.749 | 1.717 | 1.857 | 335.307 | 405.557 |
| Trade, services and other | 275.268 | 271.768 | 6.157 | 6.074 | 1.866.809 | 1.852.986 |
| Rural | 11.185 | 11.072 | 51 | 50 | 9.500 | 9.357 |
| Public authorities | 10.451 | 10.177 | 1.441 | 1.410 | 449.051 | 434.749 |
| Public lighting | 726 | 525 | 677 | 675 | 103.316 | 100.652 |
| Public utility | 1.319 | 1.300 | 1.095 | 1.071 | 223.958 | 213.616 |
| Own consumption | 328 | 327 | 78 | 67 | – | – |
| Billed Sales | 4.070.591 | 3.995.916 | 19.459 | 19.084 | 5.733.943 | 5.586.609 |
| ICMS | – | – | – | – | 2.194.042 | 2.069.067 |
| Unbilled sales | – | – | – | – | (8.830) | 25.810 |

| | | | | | | |
|---|---|---|---|---|---|---|
| TOTAL SALES TO DISTRIBUTORS (3) | 4.070.591 | 3.995.916 | 19.459 | 19.084 | 7.919.155 | 7.681.486 |
| Electric Power Auction | – | – | 4.719 | 4.676 | 429.371 | 332.516 |
| Short-term energy | – | – | 1.565 | 853 | 84.333 | 29.086 |
| TOTAL SUPPLIES | – | – | 6.284 | 5.529 | 513.704 | 361.602 |
| TOTAL GERAL | 4.070.591 | 3.995.916 | 25.743 | 24.613 | 8.432.859 | 8.043.088 |

(1) Not examined by the independent auditors

(2) Number of sales billed in December 2010, with and without consumption

(3) Light SESA

# 30. OPERATING EXPENSES AND COSTS

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Service Cost | | Operating Expenses | | | | |
| | Energy | Operating | Selling | General/Admin | Other income (expenses) operational | 2010 | 2009 |
| Nature of the Expense | | | | | | | |
| Personnel and Management | – | (168.302) | (17.646) | (79.806) | – | (265.754) | (271.863) |
| Material | – | (27.452) | (2.187) | (3.851) | – | (33.490) | (25.911) |
| Outsourced Services | – | (156.965) | (80.267) | (123.194) | – | (360.426) | (274.105) |
| Electricity Purchased for Resale (note 31) | (3.392.464) | – | – | – | – | (3.392.464) | (3.322.637) |
| Depreciation and amortization | – | (311.224) | (1.163) | (40.075) | – | (352.462) | (343.557) |
| Allowance for Doubtful Accounts | – | – | (254.785) | – | – | (254.785) | (246.076) |
| Provision for Contingencies | – | – | – | 37.100 | – | 37.100 | (59.969) |
| Construction cost | – | (552.831) | – | – | – | (552.831) | (526.986) |
| Other | – | (24.603) | (1.444) | (75.240) | 9.828 | (91.459) | (89.952) |
| | (3.392.464) | (1.241.377) | (357.492) | (285.066) | 9.828 | (5.266.571) | (5.161.056) |

# 31. ELECTRICITY PURCHASED FOR RESALE

| | Consolidated | | | |
|---|---|---|---|---|
| | GWh | | R$ | |
| | 2010 | 2009 | 2010 | 2009 |
| Connection Charges | – | – | (19.968) | (19.044) |
| Spot Market Energy | 1.068 | 1.327 | (25.234) | (65.877) |
| Grid Usage Charges | – | – | (419.401) | (408.011) |
| UTE Norte Fluminense | 6.351 | 6.351 | (806.846) | (935.536) |
| Itaipu - Binacional | 5.420 | 5.649 | (548.741) | (630.975) |
| O.N.S. | – | – | (17.752) | (15.913) |
| PROINFA | 532 | 480 | (83.501) | – |
| ESS | – | – | (128.976) | – |
| Other Contracts and Electric Power Auctions | 14.683 | 13.627 | (1.342.045) | (1.247.281) |
| | 28.054 | 27.434 | (3.392.464) | (3.322.637) |

# 32. FINANCIAL INCOME/LOSS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| REVENUES | | | | |
| Arrears charges on energy bills and financed debts | – | – | 75.546 | 75.944 |
| Restatement of tax credits | 66 | – | 21.449 | 33.007 |
| Earnings on investments | 2.003 | 1.571 | 59.977 | 61.197 |
| Swap transactions | – | – | 298 | (10.308) |
| Other | 522 | 27 | 15.953 | 26.905 |
| | 2.591 | 1.598 | 173.223 | 186.745 |
| EXPENSE | | | | |
| Adjustment of accounts receivable to present value | – | – | (13) | 19.072 |
| Braslight surplus/(deficit) adjustment | – | – | (49.263) | 48.616 |
| Restatement of tax liabilities | – | – | (34) | (23.392) |
| Restatement of provision for contingencies | – | – | (44.498) | (45.036) |
| Bank expenses | (15) | (286) | (16.782) | (6.409) |
| Charges and monetary variance on BNDES loan | – | – | (53.953) | – |
| Charges and monetary variance on Braslight actuarial liability | – | – | (109.625) | (66.813) |
| Charges on loans and financing – ME | – | – | (7.184) | (10.726) |
| Charges on loans and financing – MN | – | – | (184.108) | (184.560) |
| Charges on free energy transactions | – | – | – | (47.575) |
| Reversal of income tax credit on 4th debenture issuance | – | – | (11.523) | – |
| Interest and fines on Taxes | – | – | 10.885 | (4.577) |
| Regulatory fines | – | – | (10.805) | – |
| Financing - Interest and fines reduction Law 11941 / 09 (REFIS) | – | – | – | 128.921 |
| Financing - interest and fines Law 11941 / 09 (REFIS) | – | – | 3.284 | (101.199) |
| Monetary variance - MN | – | – | 1 | (22) |
| Exchange variance – ME | – | – | 12.859 | 44.698 |
| Swap transactions | – | – | (4.612) | (7.554) |
| Other | (50) | (30) | (27.246) | (15.118) |
| | (65) | (316) | (492.617) | (271.674) |
| TOTAL | 2.526 | 1.282 | (319.394) | (84.929) |

# 33. FINANCIAL INSTRUMENTS

The book and market values of financial instrument assets and liabilities have been compared below:

| | Parent Company | | | |
|---|---|---|---|---|
| | 31/12/2010 | | 31/12/2009 | |
| | Book | Market | Book | Market |
| ASSET | | | | |
| Cash and cash equivalents (note 6 ) | 38.295 | 38.295 | 14.584 | 14.584 |

| | | | | |
|---|---|---|---|---|
| Other receivables (note 12) | 23.860 | 23.860 | 20.212 | 20.212 |
| | 62.155 | 62.155 | 34.796 | 34.796 |
| LIABILITIES | | | | |
| Trade payables (note 16) | 280 | 280 | 6.348 | 6.348 |
| | 280 | 280 | 6.348 | 6.348 |

| | Consolidated | | | |
|---|---|---|---|---|
| | 31/12/2010 | | 31/12/2009 | |
| | Book | Market | Book | Market |
| ASSET | | | | |
| Cash and cash equivalents (Note 6) | 514.109 | 514.109 | 760.313 | 760.313 |
| Securities (note 7) | 11.122 | 11.122 | 68.059 | 68.059 |
| Concessionaires and Licensees (note 8) | 1.634.965 | 1.634.965 | 1.653.652 | 1.653.652 |
| Swaps | 211 | 211 | 4 | 4 |
| Financial Asset of Concessions (note 11) | 469.030 | 469.030 | 354.784 | 354.784 |
| Other receivables (note 12) | 152.973 | 152.973 | 97.250 | 97.250 |
| | 2.782.410 | 2.782.410 | 2.934.062 | 2.934.062 |
| LIABILITIES | | | | |
| Trade payables (note 16) | 658.421 | 658.421 | 564.181 | 564.181 |
| Loans and financing (note 17) | 1.335.183 | 1.342.054 | 1.183.003 | 1.195.561 |
| Debentures (note 18) | 1.088.402 | 1.095.106 | 1.241.675 | 1.241.675 |
| Swaps (note 17) | 5.295 | 5.295 | 5.558 | 5.558 |
| | 3.087.301 | 3.100.876 | 2.994.417 | 3.006.975 |

In compliance with CVM Instruction 475/2008 and Resolution 604/2009 which displaced Resolution 566/2008, the description of the book balances and the market values of the financial instruments included in the balance sheet at December 31, 2010 and 2009 are shown below:

Interest-earning bank deposits

Interest-earning bank deposits in Bank deposit certificates are measured at restated value at the reporting date, at an amount close to market value, as determined by Management.

Securities

Interest-earning bank deposits in Bank deposit certificates are measured at the reporting date, at an amount equal to market value.

Consumers, concessionaires and licensees (customers)

classified as “loans and receivables” and are recorded at their original values, subject to the provision for losses and present value adjustment, when applicable.

Financial asset of concessions

Classified as “loans and receivables” and are recorded at their original values, subject to the provision for losses and present value adjustment, when applicable.

Trade payables

Accounts payable to suppliers of goods and services required by the Company and its subsidiaries' operations, which are stated at the known amounts or calculated, plus, when applicable, the corresponding charges and/or monetary and exchange variations incurred up to the balance sheet date.

These balances are classified as financial liabilities not measured at fair value and are recognized at their amortized cost, which does not differ significantly from the market value.

Loans, financing and debentures

Measured at the restated amortized cost method. The market values were calculated using interest rates applicable to instruments of similar nature, terms and risks, or based on the market quotes of these securities. The market values of BNDES financing are similar to the book values, since there are no similar instruments, with comparable maturities and interest rates. In the case of the debentures, book and market values are identical, as there is no liquid trading market for these debentures as an accurate benchmark in the market calculation. These financial instruments are classified as “financial liabilities not measured at fair value”.

Swaps

Measured at market value. The determination of market value used available information in the market and usual pricing methodology: the face value (notional) evaluation for long position (in U.S. dollars) until maturity and discounted at present value of clean coupon rates, published in the bulletins of the Future and Commodities Exchange – BM&F Bovespa.

Note that the estimated realization values of the financial assets and liabilities were determined through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate market value. Consequently, the estimates used and presented below do not necessarily indicate the values that could be realized in the current exchange market.

a) Financial instruments by category:

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | 31/12/2010 | | | 31/12/2010 | | |
| | | Fair value | | | Fair value | |
| | Loans and | through | | Loans and | through | |
| | receivables | profit and loss | Total | receivables | profit and loss | Total |
| ASSET | | | | | | |
| Cash and cash equivalents (Note 6) | 386 | 37.909 | 38.295 | 36.028 | 478.081 | 514.109 |
| Securities (note 7) | – | – | – | – | 11.122 | 11.122 |
| Concessionaires and Licensees (note 8)) | – | – | – | 1.634.965 | – | 1.634.965 |
| Swaps | – | – | – | – | 211 | 211 |
| Financial Asset of Concessions (note 11) | – | – | – | 469.030 | – | 469.030 |
| Other receivables (note 12) | 23.860 | – | 23.860 | 152.973 | – | 152.973 |
| | 24.246 | 37.909 | 62.155 | 2.292.996 | 489.414 | 2.782.410 |

| | Amortized | Fair value | | Amortized | Fair value | |
|---|---|---|---|---|---|---|
| | Cost | through P&L | Total | Cost | through P&L | Total |
| LIABILITIES | | | | | | |
| Trade payables (note 16) | 280 | – | 280 | 658.421 | – | 658.421 |
| Loans and financing (note 17) | – | – | – | 1.335.183 | – | 1.335.183 |
| Debentures (note 18) | – | – | – | 1.088.402 | – | 1.088.402 |
| Swaps (note 17) | – | – | – | – | 5.295 | 5.295 |
| | 280 | – | 280 | 3.082.006 | 5.295 | 3.087.301 |

b) Policy for utilization of derivatives

The Company has a derivative instruments policy, approved by the Board of Directors, determines the debt service protection (principal plus interest and commissions) denominated in foreign currency to mature within 24 months, forbidding any utilization for speculative purposes, whether in derivatives or any other risk assets

In line with provisions of this policy, the Company and its subsidiaries do not have futures contracts, options, swaptions, swaps with get-out clauses, flexible options, derivatives embedded in other products, operations structured with derivatives and “exotic derivatives”. In addition, the table above shows the Company and its subsidiaries use the non-cash currency swap (USD versus CDI), whose Contractual Notional Value corresponds to the amount of foreign-currency debt service maturing within 24 months.

Furthermore, swaps were also made in October 2010 for the interest on the Bradesco CCB maturity.

c) Risk management and objectives achieved

The management of these derivative instruments is done through operating strategies, aimed at liquidity, profitability and security. The control policy consists of permanently inspecting the policy compliance in the utilization of derivatives, as well as to monitor the rates contracted against those used in the market.

d) Risk Factors

During the normal course of business, the Company and its subsidiaries are exposed to market risks related to exchange and interest rate variance, as shown in the table below:

Debt breakdown (excluding financial charges):

| | Consolidated | | | |
|---|---|---|---|---|
| | 31/12/2010 | | 31/12/2009 | |
| | R$ | % | R$ | % |
| USD | 73.131 | 3,0 | 99.721 | 4,1 |
| BNDES Basket of Currencies | – | – | 444 | – |
| Foreign Currency (current and non-current) | 73.131 | 3,0 | 100.165 | 4,1 |
| CDI | 1.618.316 | 66,8 | 1.763.892 | 72,7 |
| TJLP | 624.457 | 25,8 | 521.542 | 21,5 |
| Other | 107.681 | 4,4 | 39.079 | 1,7 |
| Local currency (current and non-current) | 2.350.454 | 97,0 | 2.324.513 | 95,9 |
| Grand Total (current and non-current) | 2.423.585 | 100,0 | 2.424.678 | 100 |

As of December 31, 2010, according to the table above, the foreign-currency denominated debt is R$73,131 or 3.01% of the debt principal.

Financial derivative instruments (swaps) were contracted for the amount of foreign-currency debt service maturing within 24 months, whose notional value as of December 31, 2010 stood at USD19,191, according to the derivative instruments policy approved by the Board of Directors If we deduct this amount from the total foreign-currency denominated debt, the foreign exchange exposure therefore represents 1.72% of the total debt.

We accordingly make a few comments and analyses about the risk factors impacting the business of Grupo Light companies:

Exchange rate risk

Considering that a portion of Light Sesa's loans and financing is denominated in foreign currency, the company uses derivative financial instruments (swaps) to hedge the service associated with these debts (principal plus interest and commission) maturing within 24 months, in addition to the aforementioned swap. Derivative operations yielded a loss of R$1,134 in the fourth quarter of 2010 (loss of R$1,671 in the fourth quarter of 2009) and a loss of R$4,406 in 2010 (loss of R$17,862 in 2009). The net fair value of swap operations as of December 31, 2010 is a negative R$5,084 (negative R$5,554 as of December 31, 2009), as shown below:

Currency swap

| Institution | Light Receivable | Light Payable | Start date | Date of Maturity | Notional Value Contracted (USD) | Fair Value Dec/10 (R$) Receivable | Fair Value Dec/10 (R$) Payable | Fair Value Dec/10 (R$) Balance |
|---|---|---|---|---|---|---|---|---|
| Banco Itaú | US$+2,20% | 100% CDI | 18/06/09 | 10/03/11 | 69 | – | (36) | (36) |
| Citibank | US$+2,33% | 100% CDI | 18/06/09 | 12/04/11 | 5.436 | – | (2.846) | (2.846) |
| Banco Itaú | US$+2,30% | 100% CDI | 10/09/09 | 12/09/11 | 66 | – | (22) | (22) |
| Banco Itaú | US$+2,79% | 100% CDI | 09/10/09 | 11/10/11 | 5.273 | – | (1.155) | (1.155) |
| Citibank | US$+3,20% | 100% CDI | 10/03/10 | 12/03/12 | 63 | – | (14) | (14) |
| Banco Itaú | US$+2,82% | 100% CDI | 12/04/10 | 11/04/12 | 5.010 | – | (1.006) | (1.006) |
| Bradesco | US$+2,50% | 100% CDI | 10/09/10 | 10/09/12 | 63 | – | (7) | (7) |
| HSBC | US$+2,20% | 100% CDI | 11/10/10 | 09/10/12 | 3.211 | – | (209) | (209) |
| | | | | Totais | 19.191 | – | (5.295) | (5.295) |

Rate swap

| Institution | Light Receivable | Light Payable | Start date | Date of Maturity | Notional Value Contracted (USD) | Fair Value Dec/10 (R$) Receivable | Fair Value Dec/10 (R$) Payable | Fair Value Dec/10 (R$) Balance |
|---|---|---|---|---|---|---|---|---|
| HSBC | CDI+0,85% | 101,9%CDI +(TJLP-6%) | 11/10/10 | 09/10/11 | 150.000 | 211 | – | 211 |
| | | | | Totals | 150.000 | 211 | – | 211 |

The amount recorded has been measured at fair value as of December 31, 2010. All operations with derivative financial instruments have been registered at clearing houses for the custody and financial settlement of securities and there is no margin deposited in guarantee. Operations have no initial cost.

The sensitivity analysis for foreign exchange and interest rate fluctuations is presented below, showing any impacts on financial income/loss of the Company and its subsidiaries.

The methodology used in the "Probable Scenario" was to consider the same behavior of foreign exchange and interest rates verified at December 31, 2010 until the end of FY 2011, maintaining steady liabilities, derivatives and financial investments at this date. It is worth highlighting that, as it refers to a sensitivity analysis of the impact on the 2011 financial income the balances of the debt and investments as of

December 31, 2010 and the projection of charges and yields on these balances. Note that the debt and derivatives balances will perform in accordance with their respective contracts, and the balance of short-term investments will fluctuate according to the needs or available funds of the Company and its subsidiaries.

Exchange Rate Devaluation Risk:

| | | R$ | | |
|---|---|---|---|---|
| Operation | Risk | Scenario (I): Probable | Scenario (II) | Scenario (III) |
| FINANCIAL LIABILITIES | | (7.418) | (26.705) | (45.993) |
| Par Bond | USD | (3.891) | (10.919) | (17.947) |
| Discount Bond | USD | (1.612) | (6.324) | (11.035) |
| C. Bond | USD | (1.543) | (6.575) | (11.608) |
| Debit. Conv. | USD | (336) | (2.696) | (5.057) |
| Bib | USD | (36) | (191) | (346) |
| DERIVATIVES | USD | | | |
| Swaps | | (2.199) | 6.161 | 14.521 |
| Reference for financial assets and | | | +25% | +50% |
| liabilities | | | | |
| R$/US$ Quote (End of the year) | | 1,6662 | 2,0828 | 2,4993 |

Exchange Rate Appreciation Risk:

| | | R$ | | |
|---|---|---|---|---|
| Operation | Risk | Scenario (I): Probable | Scenario (IV) | Scenario (V) |
| FINANCIAL LIABILITIES | | (7.418) | 11.869 | 31.157 |
| Par Bond | USD | (3.891) | 3.137 | 10.165 |
| Discount Bond | USD | (1.612) | 3.099 | 7.811 |
| C. Bond | USD | (1.543) | 3.489 | 8.521 |
| Debit. Conv. | USD | (336) | 2.025 | 4.386 |
| Bib | USD | (36) | 119 | 274 |
| DERIVATIVES | USD | | | |
| Swaps | | (2.199) | (10.559) | (18.919) |
| Reference for financial assets and | | | -25% | -50% |
| liabilities | | | | |
| R$/US$ Quote (End of the year) | | 1,6662 | 1,2497 | 0,8331 |

In the table above it is possible to identify that despite partial hedge against foreign-currency debt (only limited to debt service maturing within 24 months), as R$/USD exchange rate increases, the financial expense of liabilities also increases but financial revenue of derivatives also partially offsets this negative impact and vice-versa. Cash is thereby hedged due to the derivatives policy of the Company and its subsidiaries.

Interest rate risk

This risk derives from impact of interest rates changes not only over financial expense associated with loans and financing of subsidiaries, but also over financial revenues deriving from financial investments. The derivatives policy approved by the Board of Directors does not comprise the contracting of instruments against such risk. However, the Company and its subsidiaries do continuously monitor the market interest rates in order to assess any requirement to use derivatives to protect itself against the risk of variation to these rates.

See below the sensitivity analysis of the interest rate risk, evidencing the effects on income of changes in the scenarios:

Risk of Interest Rates Rise:

| | | R$ | | |
|---|---|---|---|---|
| Operation | Risk | Scenario (I): Probable | Scenario (II) | Scenario (III) |
| FINANCIAL ASSETS | CDI | | | |

| | | | | |
|---|---|---|---|---|
| Financial Investments | | 51.985 | 64.981 | 77.977 |
| FINANCIAL LIABILITIES | | (259.363) | (314.847) | (370.623) |
| Debentures 5th Issuance | CDI | (97.782) | (119.246) | (140.710) |
| CCB Bradesco | CDI | (52.171) | (64.244) | (76.317) |
| CCB Bco Santander | CDI | (9.751) | (11.909) | (14.067) |
| Debentures 4th Issuance | TJLP | (11) | (13) | (14) |
| FINEM BNDES 2006-2008 | TJLP | (33.187) | (38.107) | (43.026) |
| FINEM BNDES 2009-2010 | TJLP | (13.584) | (15.977) | (18.371) |
| FINEM BNDES 2009-2010 TJLP+1 | TJLP | (15.234) | (17.651) | (20.068) |
| PROESCO | TJLP | (652) | (772) | (893) |
| Debentures 6th Issuance | CDI | (36.991) | (46.928) | (57.157) |
| DERIVATIVES | | | | |
| Forex swaps | CDI | (2.199) | (2.896) | (3.591) |
| Rate swap | CDI | 1.139 | 1.093 | 1.045 |
| Rate swap | TJLP | 1.139 | (1.029) | (3.197) |
| Reference for FINANCIAL CDI ASSETS | | | +25% | +50% |
| CDI (% end of year) | | 10,64% | 13,30% | 15,96% |
| Reference for FINANCIAL CDI | | | +25% | +50% |
| LIABILITIES (% end of year) | | 10,64% | 13,30% | 15,96% |
| TJLP (% end of year) | | 6,00% | 7,50% | 9,00% |

Risk of Interest Rates Drop:

| | | R$ | | |
|---|---|---|---|---|
| Operation | Risk | Scenario (I): Probable | Scenario (IV) | Scenario (V) |
| FINANCIAL ASSETS | CDI | | | |
| Financial Investments | | 51.985 | 38.988 | 25.992 |
| FINANCIAL LIABILITIES | | (259.363) | (204.163) | (149.238) |
| Debentures 5th Issuance | CDI | (97.782) | (76.318) | (54.853) |
| CCB Bradesco | CDI | (52.171) | (40.098) | (28.025) |
| CCB Bco Santander | CDI | (9.751) | (7.593) | (5.436) |
| Debentures 4th Issuance | TJLP | (11) | (9) | (8) |
| FINEM BNDES 2006-2008 | TJLP | (33.187) | (28.268) | (23.349) |
| FINEM BNDES 2009-2010 | TJLP | (13.584) | (11.191) | (8.797) |
| FINEM BNDES 2009-2010 TJLP+1 | TJLP | (15.234) | (12.817) | (10.400) |
| PROESCO | TJLP | (652) | (531) | (410) |
| Debentures 6th Issuance | CDI | (36.991) | (27.338) | (17.960) |
| DERIVATIVES | | | | |
| Forex swaps | CDI | (2.199) | (1.498) | (795) |
| Rate swap | CDI | 1.139 | 1.183 | 1.226 |
| Rate swap | TJLP | 1.139 | 3.307 | 5.476 |
| Reference for FINANCIAL CDI ASSETS | | | -25% | -50% |
| CDI (% end of year) | | 10,64% | 7,98% | 5,32% |

| Reference for FINANCIAL LIABILITIES | | -25% | -50% |
|---|---|---|---|
| CDI (% end of year) | 10,64% | 7,98% | 5,32% |
| TJLP (% end of year) | 6,00% | 4,50% | 3,00% |

Credit risk

This arises from the possibility of the Company suffering losses due to the default of its counterparties or of financial institutions where they have funds or financial investments. To mitigate these risks the Company uses all means of collection permitted by the regulatory agency, such as power cuts due to delinquency, blacklisting and follow-up and permanent negotiation of overdue bills. With respect to financial institutions, the Company only conducts transactions with low risk financial institutions as assessed by rating agencies.

Liquidity risk

The liquidity risk denotes the Company's capacity to honor its obligations. To determine the Company's financial capacity to adequately honor commitments undertaken, the maturity flows of borrowed funds and other obligations are reported. For further information about loans taken out by the Company see notes 17 and 18.

The Company has obtained funds through its commercial activities, the financial markets and associated companies, mainly allocating them to its investment program and managing its cash for the purpose of working capital and honoring financial commitments.

For financial investments priority is given to short-term investments, in order to obtain maximum liquidity and cover disbursements.

The Company's cash generation and excellent stability in receipts and payment obligations in the course of the year enable the Company to obtain stable cash flows, thereby reducing its liquidity risk.

The realization flow for obligations undertaken and the contractual terms are presented in the table below:

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
| Interest rate instruments | | | | | |
| Floating | | | | | |
| Loans, financing and debentures | 74.465 | 676.162 | 1.999.085 | 228.921 | 2.978.633 |
| Interest rate instruments | | | | | |
| Fixed | | | | | |
| Loans, financing and debentures | 2.181 | 57.188 | 108.932 | 185.814 | 354.115 |

e) Capital Management

The Company manages its capital with a view to safeguarding its futures as going concerns and to yield returns for shareholders and benefits for other stakeholders, in addition to maintaining an ideal capital structure, which can further optimize cost.

In order to maintain or adjust its capital structure, the Company can revise the dividend payment policy, return capital to shareholders or even issue new shares or sell assets to reduce debt levels, for example.

f) Hierarchical Fair Value

There are three levels for classifying the fair value of financial instruments; the hierarchy gives priority to quoted prices not adjusted in an active market for financial assets and liabilities. The hierarchical levels are classified as follows:

> Level 1 - Inputs from an active market (quoted price not adjusted), which can be accessed on a daily basis, including at the fair value measurement date.
>
> Level 2 Inputs other than those from an active market (quoted price not adjusted), included in level 1, taken from a pricing model based on observable market inputs.
>
> Level 3 - Inputs taken from a pricing model not based on observable market inputs.

| | Consolidated | | | |
|---|---|---|---|---|
| | Measurement of fair value | | | |
| | | Identical | Similar | No active |
| | | markets | markets | market |
| | 31/12/2010 | Level 1 | Level 2 | Level 3 |
| ASSET | | | | |
| Cash and cash equivalents (Note 6) | 478.081 | – | 478.081 | – |
| Securities (note 7) | 11.122 | – | 11.122 | – |
| Swaps | 211 | – | 211 | – |
| | 489.414 | – | 489.414 | – |

| LIABILITIES | | | | |
|---|---|---|---|---|
| Loans and financing (note 17) | 1.335.183 | – | 1.335.183 | – |
| Debentures (note 18) | 1.088.402 | – | 1.088.402 | – |
| Swaps (note 17) | 5.295 | – | 5.295 | – |
| | 2.428.880 | – | 2.428.880 | – |

We emphasize that we did not observe any level 1 and 3 financial instruments during the year in analysis and no level transfers took place in this year.

# 34. INSURANCE COVERAGE

As of December 31, 2010 and 2008, Light Group had insurance covering its main assets as follows:

Operational Risk Insurance – this covers property damage caused to buildings, machinery and equipment, furniture and fixtures as a result of fire, explosion, rubbish, flooding, earthquake, loss of machinery and electric damages.

All assets of Grupo Light are insured for operational risks with all-risks coverage, except for transmission and distribution lines.

D&O Civil Liability Insurance - Protects executives from losses and damages resulting from activities as Board members, Officers and managers of the Company.

Civil Liability and Blanket Insurance – this covers the payment of indemnity should the Company be liable on a civil basis under an unappealable decision or an agreement authorized by an insurance company related to indemnity for involuntary damages, physical damages to individuals and/or property damages caused to third parties and related to pollution, contamination or sudden leakage.

International Transportation Insurance – covers shipments of cargo/equipment, Financial Guarantee Insurance – Sale of Energy (8 insurance policies) and Insurance against Fire on Leased Properties.

The risk assumptions adopted, given their nature, are not part of an audit, and accordingly were not examined by our independent auditors.

Insurance coverage as of December 31, 2010 is considered sufficient by Management, as summarized below:

| | Effective Term | | Amount | |
|---|---|---|---|---|
| RISCOS | From | to | Insured | Premium |
| Directors & Officers (D&O) | 10/08/2010 | 10/08/2011 | US$20.000 | US$ 76 |
| Civil and General Liabilities | 25/09/2010 | 25/09/2011 | R$20.000 | R$448 |
| Operating Risks* | 31/10/2010 | 31/10/2011 | R$ 3.664.000 | R$1.482 |

** The maximum limit of indemnification (MLI) is R$300,000*

# 35. ENVIRONMENTAL MATTERS

Light's environmental initiatives include the following:

Reduction of Greenhouse Gas (GGE) Emissions (1): The Company started a survey of greenhouse gases related to its activities in 2006. This survey resulted in targets being established for reducing annual greenhouse gas emissions, which have been achieved and even exceeded thanks to the efforts made to render processes more efficient (with less generation of waste and gas).

Waste Management (1): Specialist companies are hired to guarantee the correct disposal of waste generated by the Company, including hazardous and recyclable waste. The maintenance of the generation facilities includes a contract with a specialist company that supplies washable and reusable towels instead of paper towels, which reduced the volume by up to 60%. In relation to the distribution company's activities, we have a contract that ensures the reuse of obsolete equipment removed from the energy grid, which helps considerably cut the consumption of natural resources and waste generation.

Environmental Management System (SGA) and Integrated Management System (SGI) (1): The Company currently has 247 sites certified by ISO 14001, a standard which establishes environmental management criteria. Light Energia has three certifications – quality, health and safety and the environment for its entire generating facilities in operation. The ventures certified in environmental management systems (SGA) electricity substations, overhead powerlines (138 kV), commercial agencies, hydroelectric power stations and others. The Company's SGA enables the managing of environmental matters and impacts, as well as the compliance with the applicable legal requirements, the raising of employee awareness and staff training, among others. Maintaining a system of this magnitude requires a series of investments to avoid possible nonconformities.

Degraded Area Recovery Program (1): Starting in 1992, this program has an annual target of 50 hectares of plantation and 300 hectares of maintenance of planted areas surrounding the reservoirs of Light, directly contributing to local and regional biodiversity. In 2010 the Company exceeded these targets, by planting 56 hectares and maintaining 353 hectares of reforested area and surviving forest of Mata Atlântica.

Handling of aquatic macrophytes (1): The aquatic vegetarian beside the reservoirs this could cause serious problems to energy generation, the control of flooding and multiple water usage, and requires substantial investment to control population growth.

Restocking of Rivers and Reservoirs Program (1): The Company has undertaken a commitment towards the Rio de Janeiro State environment Department to recover the stock of fish in the Paraíba do Sul river. The project drawn up by the State Environmental Department – INEA stipulates the release of one million fry, 200,000 of which shall be supplied by Light.

Social and Environmental Responsibility (1): The Company takes education seriously and for many years has been funding environmental education projects and elementary and technical schools in municipalities in its concession area. The Social and Environmental Inclusion Project is one such initiative, and is carried out in partnership with the Education Department of Piraí-RJ, and researchers from UNESP, UNIRIO, UFRRJ, FIOCRUZ and CETAS/IBAMA (Seropédica-RJ) which consists of bringing together lecturers, students and employees of Escola de Lajes with the company staff and the community. This provides opportunities to get to know the local environmental resources available and to disseminate sustainable initiatives, focusing on the environmental safeguards required to prevent water pollution and global warming.

These initiatives have helped keep Light in the ISE Bovespa portfolio since 2007.

In FY 2010 the amount of R$ 4,976 was invested in these projects, among others.

(1) Information not examined by the independent auditors.

# 36. SEGMENT REPORTING

Segment information was prepared in accordance with CPC 22 (Segment reporting), the equivalent of IFRS 8, and is being presented with respect to the Company and its subsidiaries' business that was identified based on its management structure and on internal management reporting.

Company Management considers these segments are: energy distribution, energy generation, energy sale and others (including operating as a holding company). The Company is segmented according to its operation, which has different risks and remuneration.

The segment information for the financial years ended December 31, 2010 and December 31, 2009 is presented below:

| | | | | | | Consolidated |
|---|---|---|---|---|---|---|
| | Distribution | Generation | Sale | Other | Eliminations | 2010 |
| Current assets | 2.200.937 | 166.428 | 61.605 | 114.245 | (165.047) | 2.378.168 |
| Noncurrent assets | 2.152.886 | 1.017 | 20.409 | 195 | (218.002) | 1.956.505 |
| Investment | 16.374 | 149 | – | 3.356.792 | (3.355.729) | 17.586 |
| Property, plant and equipment | 189.015 | 1.433.849 | 5.039 | 990 | – | 1.628.893 |
| Intangible assets | 3.478.653 | 131.766 | – | 1.319 | 2.034 | 3.613.772 |
| Current liabilities | 1.954.713 | 217.644 | 39.398 | 140.045 | (165.047) | 2.186.753 |
| Noncurrent liabilities | 3.640.719 | 647.138 | 7.134 | 1.038 | (218.002) | 4.078.027 |
| Shareholders' equity | 2.442.433 | 868.427 | 40.521 | 3.332.458 | (3.353.695) | 3.330.144 |

| | | | | | | Consolidated |
|---|---|---|---|---|---|---|
| | | | | | | 2009 |
| | Distribution | Generation | Sale | Other | Eliminations | Re-presented |
| Current assets | 2.592.400 | 241.920 | 49.947 | 191.464 | (288.818) | 2.786.913 |
| Noncurrent assets | 2.324.417 | 668 | 1.889 | 68 | (307.244) | 2.019.798 |
| Investment | 16.448 | 150 | 2.581 | 3.514.356 | (3.513.147) | 20.388 |
| Property, plant and equipment | 180.658 | 1.414.844 | 4.336 | 730 | – | 1.600.568 |
| Intangible assets | 3.306.009 | 116.971 | – | – | – | 3.422.980 |
| Current liabilities | 1.632.313 | 256.089 | 29.473 | 151.750 | (288.818) | 1.780.807 |
| Noncurrent liabilities | 4.088.365 | 733.617 | 1.455 | 19 | (307.244) | 4.516.212 |
| Shareholders' equity | 2.699.254 | 784.847 | 27.825 | 3.553.680 | (3.511.978) | 3.553.628 |

| | | | | | | | Consolidated |
|---|---|---|---|---|---|---|---|
| Segment reporting: | | | | | | Consolidated 2009 | |
| | Distribution | Generation | Sale | Other | Eliminations | 2010 | Re-presented |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| OPERATING REVENUE | 9.347.209 | 365.018 | 303.668 | – | (178.904) | 9.836.991 | 9.254.630 |
| Billed Sales | 7.927.985 | – | – | – | – | 7.927.985 | 7.655.676 |
| Unbilled sales | (8.830) | – | – | – | – | (8.830) | 25.810 |
| Supply – Electric Power | 66.446 | 359.050 | 249.872 | – | (161.664) | 513.704 | 361.602 |
| Construction Revenue | 552.831 | – | – | – | – | 552.831 | 526.986 |
| Other | 808.777 | 5.968 | 53.796 | – | (17.240) | 851.301 | 684.556 |
| REVENUE DEDUCTIONS | (3.250.106) | (45.077) | (33.224) | – | – | (3.328.407) | (3.047.733) |
| Billed Sales -ICMS | (2.194.042) | – | (25.402) | – | – | (2.219.444) | (2.080.591) |
| Consumer charges | (556.347) | (13.628) | – | – | – | (569.975) | (515.464) |
| PIS | (89.735) | (5.606) | (1.098) | – | – | (96.439) | (81.702) |
| COFINS | (407.984) | (25.830) | (5.050) | – | – | (438.864) | (367.423) |
| Other | (1.998) | (13) | (1.674) | – | – | (3.685) | (2.553) |
| NET OPERATING REVENUE | 6.097.103 | 319.941 | 270.444 | – | (178.904) | 6.508.584 | 6.206.897 |
| OPERATING EXPENSES AND COSTS | (5.037.251) | (152.913) | (248.539) | (6.772) | 178.904 | (5.266.571) | (5.161.056) |
| Personnel | (238.196) | (20.683) | (3.165) | (3.710) | – | (265.754) | (271.863) |
| Material | (22.674) | (814) | (9.996) | (6) | – | (33.490) | (25.911) |
| Outsourced Services | (317.603) | (15.832) | (24.575) | (2.416) | – | (360.426) | (274.105) |
| Energy Purchased | (3.344.010) | (17.701) | (209.297) | – | 178.544 | (3.392.464) | (3.322.637) |
| Depreciation | (290.232) | (61.618) | (612) | – | – | (352.462) | (343.557) |
| Provisions | (208.357) | (9.328) | – | – | – | (217.685) | (306.045) |
| Construction Cost | (552.831) | – | – | – | – | (552.831) | (526.986) |
| Other | (63.348) | (26.937) | (894) | (640) | 360 | (91.459) | (89.952) |
| Equity in net income of subsidiaries and associated companies | – | – | – | 579.394 | (579.394) | – | – |
| FINANCIAL INCOME/LOSS | (289.098) | (33.869) | 967 | 2.606 | – | (319.394) | (84.929) |
| Financial Revenue | 194.356 | 6.993 | 1.493 | 2.671 | (32.290) | 173.223 | 186.745 |
| Financial Expense | (483.454) | (40.862) | (526) | (65) | 32.290 | (492.617) | (271.674) |
| NET INCOME BEFORE TAX | 770.754 | 133.159 | 22.872 | 575.228 | (579.394) | 922.619 | 960.912 |
| Social Contributions | (77.440) | (15.751) | (1.926) | – | – | (95.117) | (168.994) |
| Income Tax | (217.998) | (28.745) | (5.609) | – | – | (252.352) | (203.114) |
| NET INCOME | 475.316 | 88.663 | 15.337 | 575.228 | (579.394) | 575.150 | 588.804 |

# 37. RATE ADJUSTMENT

At a public board meeting held on November 03, 2010, ANEEL approved the average adjustment of the rates of Light Serviços de Eletricidade S.A. (Light SESA) of 6.99% for the 12-month period commencing November 07, 2010.

The rate adjustment index consists of two components: the structural component of 8.31%, and the financial component, applied to the next 12 months only, of -1.32%.

2010 Light Rate Review%

| | |
|---|---|
| IRT Structural | 8,31 |
| AdUcUonaUs FUnanceUros | (1,32) |
| Total | 6,99 |

The new rates now take into account the effects of the new method proposed in the Amendment approved by the ANEEL board meeting held February 02, 2010.

Under the concession arrangement, the concession operator's revenue is divided into two parts. The "A Portion" which involves the so-called "uncontrollable costs" related to energy distribution which are only passed through to the energy rates and are not managed by the concession operator. And the "B Portion" which involves the remaining revenue, therefore involving the so-called "controllable costs", i.e. those managed by the concession operator itself. This portion includes operating and maintenance expenses, depreciation and the return on investments.

This rate review aims to restore the purchasing power of the concession operator's revenue, according to a formula stipulated in the concession agreement. This adjustment takes place every year, on the contract's anniversary, except in the year of the rate review. All the distribution company's uncontrollable costs are calculated when applying this formula (“A Portion”). The other controllable costs comprising the “B Portion” are restated by the IGP-M price index published by Fundação Getúlio Vargas. Restatement of the “B Portion” also includes the X Factor, an index established by ANEEL at the time of the rate review. This is used to share with consumers the productivity gains made by the concession operator resulting from the growth in the number of consumer units and higher market consumption, which contributes to the rate's composition.

The change in controllable costs ("A Portion") of 8.34% was primarily due to the increase in sector charges, as a result of the recently approved Law 12111, which raised the fuel consumption account costs and the research and development account costs, and the increase in system service charges, resulting from the inclusion of projected costs associated with the output of thermal power plants, due to energy safety reasons, at the instruction of CMSE. The "B Portion" consists of controllable costs, and denotes the accumulated variance of the IGP-M price index in the period November 2009 to October 2010, of 8.81%, minus the X Factor of 0.86%, resulted in a final percentage of 7.95%.

Light SESA’s end consumers face an average increase in their electricity bills of 2.20% from November 07, 2010.

# 38. LONG-TERM INCENTIVE PLAN

a) Stock Option Incentive Plan

On November 06, 2009 the executives entitled to the plan were dismissed from their positions. Item 10 of the plan stipulated that in the event of contractual severance before the end of the grace period, the beneficiaries may exercise up to 95% of their options, depending on the remaining period of their contract in relation to the vesting period.

The executives were entitled to 95% (6,571,846 shares) of the total options awarded (6,917,733 shares).

As of December 31, 2010 all the options had already been exercised.

In order to meet this obligation resulting from exercising options by its executives, the Company purchased shares in the market, keeping them as treasure stock until it had settled the obligations.

b) “Phantom Options” Incentive Plan

The “Phantom Options” Plan was offered to eligible executives nominated by the Board of Directors and is directly related to the creation of Light's value, measured by the variance in the Light Unit Value (UVL). The UVL is calculated by weighing the following factors:

1. Market value of the Light S.A stock
2. Economic value (multiple of EBITDA)
3. Value of dividends distributed.

The difference between the UVL projected in the Program for the year of granting and the UVL incurred in each year of exercise multiplied by the number of options exercised by the participant produces the total long-term bonus to be paid to each participant.

The Company provisioned for R$10,669 (R$4,132 as of December 31, 2009) related to the vesting period incurred in 2010, which it charged to personnel expenses.

# 39. LONG-TERM CONTRACTS

a) Distribution system usage contracts (CUSD)

All the plants of the subsidiary Light Energia are connected to the distribution grid and are effective until the date the concessions terminate. The remaining balance of the contracts as of December 31, 2010 is R$243,319 (R$244,470 as of December 31, 2009).

b) Electricity sales contracts

As of December 31, 2010 Light Energia had energy sale commitments stated in average megawatts, as shown by the table below:

| | Energy Contracted |
|---|---|
| Year | TOTAL (average MW) |
| 2011 | 523,2 |
| 2012 | 521,2 |
| 2013 | 510,1 |
| 2014 | 510,2 |
| 2015 | 479,9 |
| 2016 | 479,9 |
| 2017 | 479,9 |

| | |
|---|---|
| 2018 | 479,9 |
| 2019 | 479,9 |
| 2020 | 449,6 |
| 2021 | 449,6 |
| 2022 | 449,6 |
| 2023 | 449,6 |
| 2024 | 449,6 |
| 2025 | 449,6 |
| 2026 | 449,6 |

c) Energy purchase contracts

As of December 31, 2010 the Company had the following energy purchase commitments:

| Year | Average MW | Average MW | Average MW |
|---|---|---|---|
| 2011 | 1.341 | 1.816 | 3.157 |
| 2012 | 1.341 | 1.883 | 3.224 |
| 2013 | 1.341 | 1.505 | 2.846 |
| 2014 | 1.341 | 949 | 2.290 |
| 2015 | 1.341 | 883 | 2.223 |
| 2016 | 1.341 | 865 | 2.206 |
| 2017 | 1.341 | 934 | 2.275 |
| 2018 | 1.341 | 939 | 2.280 |
| 2019 | 1.341 | 939 | 2.280 |
| 2020 | 1.341 | 939 | 2.280 |
| 2021 | 1.341 | 939 | 2.280 |
| 2022 | 1.341 | 939 | 2.280 |
| 2023 | 1.341 | 919 | 2.260 |
| 2024 | 1.341 | 877 | 2.218 |
| 2025 | 616 | 681 | 1.297 |
| 2026 | - | 634 | 634 |