



**SUSTAINABILITY
REPORT
2009**

ELEKTRO

SUMMARY

Sustainability Report **2009**



- 03** About the 2009 Report
- 04** Highlights of the Year
- 05** Message from the CEO
- 07** Main Indicators
- 09** Awards and Acknowledgments
- 10** Profile
- 15** Innovation
- 18** Strategy
- 21** Corporate Governance
- 25** Management
- 30** Risk Management
- 33** Safety
- 36** Operating Performance
- 39** Commercial Performance
- 43** Economic and Financial Performance
- 52** Socio-Environmental Performance
- 66** GRI Indicators
- 72** Corporate Information
- 73** Financial Statements
- 123** Credits and Acknowledgments

ELEKTRO

ABOUT THE 2009 REPORT

This sustainability report was produced with the goal of providing a transparent vision of the events that marked Elektro's progress over the year. Through this report we seek to demonstrate the main challenges faced, the strategies adopted to overcome them and how this influenced our results.

Included in the report are topics of interest to diverse stakeholders with whom we have interacted during the course of our activities, and for the fourth consecutive year, we have chosen the Global Reporting Initiative (GRI), guidelines and indicators to present our results in their three dimensions: economic, social and environmental. The GRI is an international organization which establishes standards for sustainability communication in companies and within these characteristics this report was classified at level B (self-declared) of the third version of the GRI guidelines (G3).

We chose "innovation" as the main theme, underpinned by "Safety, Quality and Productivity" because we believe that this was the principal focus of 2009, to which we devoted our energy and by which we will surmount the challenges and achieve the prominence that we constantly strive for. In the following chapters, topics that were relevant to the creation of value for the Company and society during 2009 will be addressed.

These chapters have been divided into themes that cater to the interests of each type of stakeholder – shareholders and investors, customers, employees, partners, suppliers, concession area communities, regulatory bodies, government and society.

Please read on!

HIGHLIGHTS OF THE YEAR

In an atypical year regarding the economic conjuncture, Elektro increased its gross operating revenue by 8.5%. Income of R\$ 486 million was 24% higher and EBITDA of R\$ 752 million was less than 0.3% lower*.

Elektro returned to the stock market with a successful R\$ 300 million issue of unsecured debentures and its corporate rating was raised from brAA to brAA+ (Standard & Poor's), one of the best in the electric sector.

The definitive 2007 tariff review, hitherto provisional, reduced (retroactively) the tariff practiced since that year. The 2009 average tariff adjustment to the consumer was 4.98%.

Reorganization of the management structure and the reformulation of the operating processes lent greater efficiency and productivity to the business.

The introduction of new operating processes and the acquisition of high-technology equipment have provided greater productivity in the construction and operation of the grid and have enhanced employee safety.

We were acknowledged by the Brazilian Association of Electric Energy Distributors (Abradee) who, for the fifth time, awarded us the Best Operating Management Award. The National Quality Foundation awarded us the National Quality Award (PNQ) with emphasis on the categories "Customers", "Society" and "Processes".

The System Average Interruption Frequency Index (FEC) reached a historical low of 5.94 due to efficient preventive maintenance.

*All comparisons refer to the year 2008.

MESSAGE FROM THE CEO



*Carlos Marcio Ferreira,
Elektro CEO*

The year of 2009 was an important milestone for Elektro – a year that featured many challenges and successes. Impacted as it was by the effects of the global financial crisis, energy consumption in our concession area was down 0.3% as compared to the previous year, falling to well below the historic growth rate of approximately 4%. Conclusion of the tariff review process by the National Electric Energy Agency (Aneel), provisional since August 2007, resulted in a significant reduction in operating costs included in the calculation of the supply tariff.

Within this challenging environment, we steadfastly continued on our course, the construction of which was based on the commitment of our employees and partners, and focused on safety, customer satisfaction, operating excellence, social and environmental responsibility, and transparency with all of our stakeholders. Commitment to the ongoing improvement and innovation of our processes has never been so strong within the Company. Important initiatives were completed in 2009 while others are underway, making us confident that we are advancing firmly toward our Vision: to be the most admired electric energy distributor in the Country.

In 2009, we concluded the NEO Project, which involved a far-reaching review of processes resulting in the integration of the commercial, financial, and technical corporate systems, thus ensuring consistency and efficiency in the rendering of our services. We also concluded the restructuring of the Organization, enhancing its alignment with processes and making it leaner and more agile, consolidating our management model (Elektro Corporate System). We initiated a program of investments in new equipment and processes of distribution network construction, maintenance, and operation, another pioneering initiative in the Brazilian energy industry that we believe will lead Elektro to even higher and more sophisticated levels of innovation and operating excellence, founded on safety, quality, and productivity.

These actions enabled Elektro to show excellent operating and economic-financial results in 2009. We closed the year with a cash flow, measured by EBITDA, of R\$ 752 million, in line with the previous year, even taking into account the nonrecurring items that impacted the result. Excluding those effects, EBITDA would amount to R\$ 808 million, 7% more than in 2008.

In May 2009, the Standard & Poor's risk rating agency raised Elektro's credit rating from brAA, to brAA+, which is among the best in the energy distribution sector. In June, Elektro returned to the stock market with the successful floating of R\$ 300 million in simple, unsecured and non-convertible debentures. This issue was also classified as brAA+.

Operating indicators for quality showed that the continuous investments in preventive maintenance, technology, and automation of the network yielded significant results. The FEC indicator (Average Interruption Frequency Index per Consumer) registered 5.94 outages, the lowest yearly rate in Elektro's history. The DEC (average interruption duration index per consumer) registered 8.74 hours of outages, also an important result given the significant increase in inclement weather, especially in the last quarter of 2009.

Safety, Elektro's top priority, continued to be featured in all major programs such as *Comportamento pela vida* (Behavior for Life) and *Observações de Segurança* (Safety Observations), which were publicized and, above all, incorporated throughout the Organization.

Elektro's social programs, coordinated by the Instituto Elektro, focused on education, culture, generation of income for the communities served, and the encouragement of voluntary work. The energy efficiency programs, carried out as directed by Aneel, also contributed to community development and well-being. We thereby were able to consolidate our sustainability practices as signatories of the United Nations Global Compact.

Elektro also won several awards and public acknowledgements. The evaluation of the National Quality Foundation (FNQ) spotlighted Elektro in regard to Processes, Customers, and Society. The Company was also granted the Brazilian Association of Electric Energy Distributors (Abradee) award for the fifth time in the Best Operating Management category.

I thank all our employees for their dedication, and our partner companies, customers, shareholders and other stakeholders for their support; as it is they who make Elektro an increasingly admired organization within the Brazilian electric energy sector.



Carlos Marcio Ferreira

Chief Executive Officer

MAIN INDICATORS

Economic-Financial Indicators (Amounts in R\$ Millions)	2007	2008	2009	Δ 09/08
Gross operating revenue	3,583	3,720	4,035	+8.5%
Net operating revenue	2,256	2,512	2,662	+6.0%
EBIT	702	630	619	-1.8%
EBIT margin ¹ – %	31.1%	25.1%	23.2%	-1.9pp
EBITDA ²	823	754	752	0%
EBITDA margin ¹ – %	36.5%	30.0%	28.3%	-1.7pp
Net income	467	392	486	+24.0%
Net income margin ¹ – %	20.7%	15.6%	18.2%	+2.6pp
Dividends and Interest on Declared Equity	444	371	461	+24.3%
Investments ³	253	249	271	+8.8%

Operating Indicators – by consumer unit	2007	2008	2009	Δ 09/08
Average interruption duration index by consumer unit – DEC (hours)	9.36	8.52	8.74	+2.6%
Average interruption frequency index by consumer unit – FEC (outages)	6.41	6.02	5.94	-1.3%
Energy losses – %	6.86	6.71	6.76	+0.8%

Commercial Indicators	2007	2008	2009	Δ 09/08
Number of customers (captive and free)	2,004,893	2,067,151	2,123,484	+2.7%
Purchase of electric energy – GWh	11,545	12,298	12,799	+4.1%
Electric energy distributed to final customers ⁴ – GWh	9,971	10,845	11,036	+1.8%
Revenue from energy supply to final customers – (R\$ Millions)	3,328	3,405	3,720	+9.25%
Revenue from the use of the distribution system ⁵ – (R\$ Millions)	300	252	366	+45.2%

Environmental Indicators	2007	2008	2009	Δ 09/08
Number of transformer thefts	225	288	33	-88.5%
Transformer oil leaks – liters	16,062	16,770	4,488	-73.2%
Contaminated waste from co-processed oil – tons	179.9	423.7	104.2	-75.4%
Regeneration of energized transformer oil – liters	292,404	342,675	294,548	-14.0%
Lamp recycling – units	70,106	39,942	76,241	+90.9%
Own water consumption – m ³	45,518	42,287	46,008	+8.8%
Own electric energy consumption – MWh	8,217	8,773	9,051	+3.2%
Installation of the compact grid – km	94	50	172	+244.0%

Safety Indicators	2007	2008	2009	Δ 09/08	
Elektro	Fatalities	2	0	0	0.0%
	Lost-Time Incident Frequency	9	7	3	-57.1%
Partners	Fatalities	3	1	1	0.0%
	Lost-Time Incident Frequency	14	12	11	-8.3%
Population	Fatalities	13	3	11	266.7%
	Injuries	37	33	26	-21.2%

Internal Social Indicators⁶	2007	2008	2009	Δ 09/08
Health – R\$ Millions	8.6	9.3	11.8	26.9
Occupational health and safety – R\$ Millions	6.8	5.6	6.7	19.6
Education ⁷ – R\$ Thousands	344	662	608	-8.2%
Culture – R\$ Thousands	110	150	80	-46.7%
Training and professional development ⁸ – R\$ Millions	5.2	5.1	5.4	+5.9%
Day care and day care assistance – R\$ Thousands	320	319	413	+29.5%
Profit sharing – R\$ Millions	12.4	12.9	16.8	+30.2%
Private pension – R\$ Millions	3.9	3.9	4.2	+7.7%
Compulsory social charges – R\$ Millions	42.4	43.5	56.8	+30.7%
Meals – R\$ Millions	12.6	13.7	15.6	13.9%

External Social Indicators⁶	2007	2008	2009	Δ 09/08
Education – R\$ Millions	3.6	2.2	1.4	-36.4%
Culture – R\$ Millions	3.1	2.8	3.5	+25.0%
Others – R\$ Millions	5.8	4.9	5.2	+6.0%

1 Margins calculated in relation to net operating revenue.

2 EBIT + goodwill amortization and other amortizations (financial statements and cash flow statements).

3 Does not include investments made with customer's own resources.

Note: As mentioned in the chapter "Financial and Economic Development" the 2007 financial statements were reclassified in order to comply with Law No. 11,638/07.

Lines: dnc = data not comparable; pp = percentage points.

4 Volume of energy distributed to the concessionaire's captive market.

5 Revenue derived from the use of the distribution system by free customers and generators within the concession area.

6 Refers to investments made in each item.

7 Funds invested in educational reimbursements, scholarships and other spending on education.

8 Funds invested in training, courses and spending on employee qualification.

AWARDS AND ACKNOWLEDGMENTS

Prêmio Abradee de Melhor Gestão Operacional 2009 (The Abradee Award for Best Operating Management for 2009) – Received for the fifth time, the award conferred by the Brazilian Association of Electric Energy Distributors (Abradee) is recognition of Elektro's operating excellence in the distribution of electric energy.



Prêmio Nacional da Qualidade (PNQ) 2009 (The National Quality Award (PNQ) 2009) – Elektro was acknowledged by the PNQ with emphasis on the criteria “Customers”, “Society” and “Processes”.

Aiarec Award 2009 (The AIAREC Award 2009) – Elektro received this award from the Ibero-American Association of Company-Customer Relations (AIAREC) in the category “Best Customer Experience”. The award is a culmination of an international competition involving work from various Ibero-American countries.



Empresa Modelo no Prêmio Padrão de Qualidade em Contact Center 2009 (Model Company in the Call Center Quality Standards Award 2009) – The acknowledgment of Elektro by the magazine *Consumidor Moderno* in the category “Energy and Utilities”, differentiated and praised the best practices and operations of the call center in Brazil.



Prêmio Consumidor Moderno (The Modern Consumer Award) – For the fourth time Elektro was acknowledged as the Company with the best customer service in the electric sector, by the magazine *Consumidor Moderno*. The award is aimed at identifying and disseminating best customer service practices in Brazil and recognizes the companies that give emphasis to service excellence.



Prêmio Campeões da Década (Champions of the Decade Award) – Elektro was acknowledged by the magazine *Consumidor Moderno* in the Champions of the Decade Awards for standing out in customer relations.



IX Prêmio ABT – A Excelência no Relacionamento com o Cliente 2009 (IX ABT Award – Excellence in Customer Relations 2009) – Excellence in Customer Relations 2009 – The ABT Award is a recognition of Elektro's excellence in the category “Motivational Campaign” with the project “TOP Elektron” – a program for the recognition of first segment services.



Prêmio Fundação Coge 2009 (The Coge Foundation Award 2009) – Awarded in the category “Qualification and Development of Personnel” with the project “Elektro Program for Management Development (PDGE)” – a virtual business game with the strategy of teaching leadership development.



Prêmio Gestão & RH 2009 (Management and HR Award 2009) – Elektro was recognized by the magazine *Gestão & RH* as one of the ten best companies in “Corporate Citizenship” and in “Indicator of Human Organizational Development” (IDHO).



Índice Satisfação com a Qualidade Percebida (ISQP) da Abradee (The Abradee Customer Satisfaction Index with Perceived Quality (ISQP) – Elektro obtained the best rate in its history (87%) and came in first place in the Southeastern Region in a customer satisfaction survey carried out by Abradee.



Índice Aneel de Satisfação do Consumidor (IASC) 2009 (The Aneel Consumer Satisfaction Index (IASC) 2009) – Elektro was a finalist in the Aneel Consumer Satisfaction Index in the Southeastern Region in the category “Above 400 thousand Consumer Units”, attaining second place.





With gross revenue of over R\$ 4 billion and net worth of R\$ 1.1 billion, Elektro is the eighth largest electric energy distributor in the Country, operating within a geographically diverse concession area with different socio-economic characteristics. The Company has 2.1 million customers connected to the grid, supplying energy to 5.5 million people. The concession covers 223 municipalities in the State of São Paulo and five in the State of Mato Grosso do Sul. The Head Office is in Campinas – SP. The Company is part of the AEI Group.

PROFILE

*Front view of the Company's
Head Office in Campinas, (SP)*

GENERAL OVERVIEW OF THE COMPANY

120 thousand km²
of operating area

105.8 thousand km
of distribution grid

1,385 km
of transmission lines

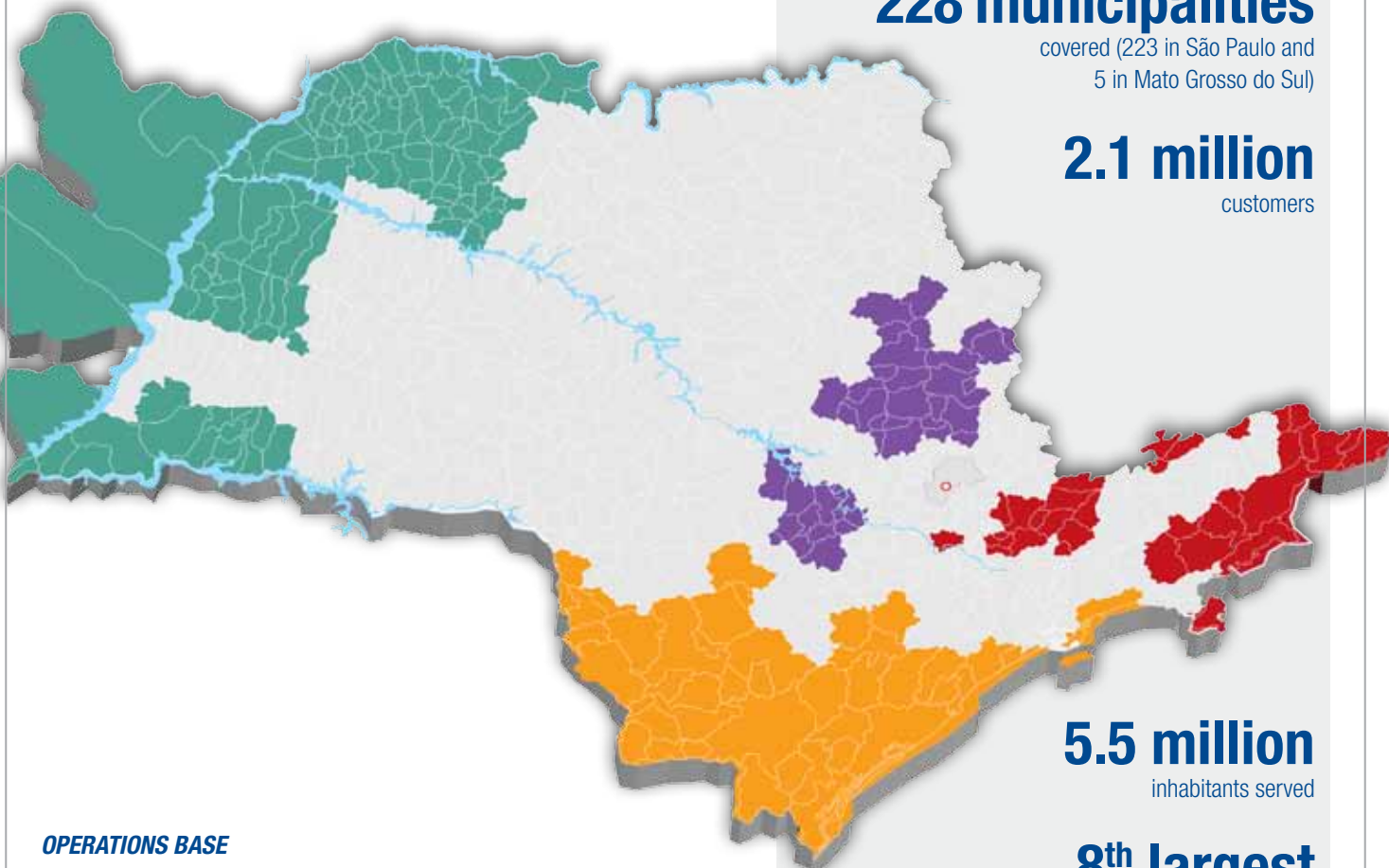
228 municipalities
covered (223 in São Paulo and
5 in Mato Grosso do Sul)

2.1 million
customers

5.5 million
inhabitants served

8th largest
distributor in Brazil
in MWh supplied

3rd largest
distributor in the State of São Paulo
in MWh supplied



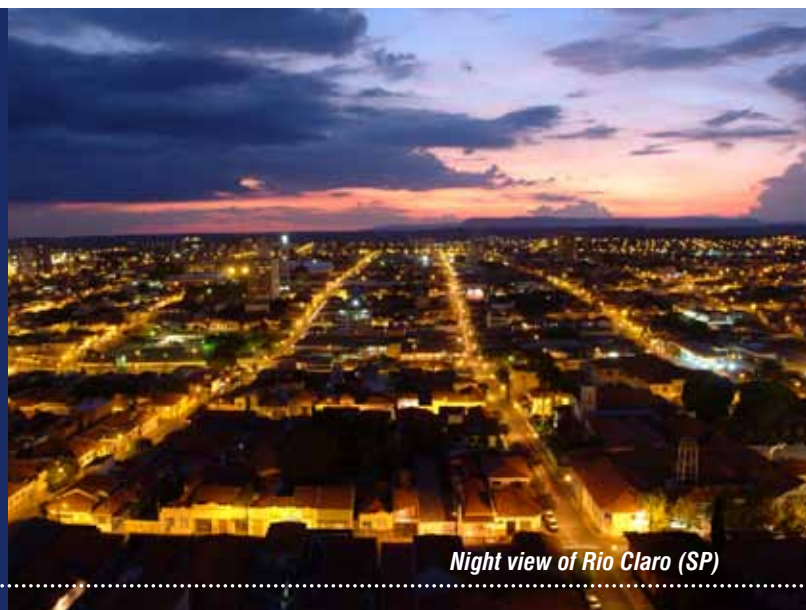
OPERATIONS BASE

- Corporate Headquarters –
Campinas

Regions

- Western Region
- Central Region
- Southern Region
- Eastern Region

DISTRIBUTION OF ENERGY WITH QUALITY



Night view of Rio Claro (SP)

Elektro Eletricidade e Serviços S.A. is an electric energy distribution concessionaire responsible for the supply of electricity to about 5.5 million people in 228 municipalities, of which 223 are in the State of São Paulo and five in the State of Mato Grosso do Sul. The Company serves 2.1 million customers divided into seven categories: residential, industrial, commercial, rural, public authorities, public lighting and public services, supplying 11.5% of electric energy distributed in São Paulo. According to Abradee data, it is the eighth largest electric energy distributor among the 63 companies of the sector operating in Brazil.

The concession area encompasses four large regions (Eastern, Central, Southern and Western), each with a different profile of demand, seasonality and socioeconomic characteristics. To serve this market the Company maintains a centralized process and management structure. The Corporate Head Office is located in the city of Campinas, in the State of São Paulo, together with the Operating and Distribution Center (COD) and the Customer Service Center (CAC). The Company also runs four regional offices and 104 Network Service Cells (CSR), responsible for the operation and management of the electric system. At the close of 2009 the Company's headcount was 3,018 direct employees and 2,985 from outsourced companies.

The concession contract is effective until August 27, 2028, when, with Aneel's authorization, it can be renewed for a further 30-year period.

Control of the power grid and electricity distribution is carried out by the COD, a modern operations center that monitors service requirements in real time and defines the field teams that attend to incidents and carry out maintenance in order to increase system reliability. The service orders are dispatched directly to the PDAs (Personal Digital Assistants) fitted to the Elektro fleet vehicles, by satellite, VHF or cell phone communication.

To serve the concession, Elektro uses a distribution system that, at the end of 2009, covered:

- 105,792 km of distribution grid
- 1,385 km of transmission lines
- 121 substations
- 2 mobile substations (138 kV – 15/30 MVA)
- 3,048 MVA of installed capacity (2,241 MW of demand)
- 658 feeders (distribution circuits in 13.8 kV and 34.5 kV)
- 153,928 distribution transformers
- 1,728,068 poles
- 665 operational vehicles

This structure is constantly being modernized in order to guarantee high levels of operating efficiency, which translates into greater safety and quality of supply. The technology employed by Elektro is comparable to the best available in the electric sectors in Brazil and throughout the world, such as, the digitalization of substations, automation of re-connecters, installation of spacers and compact lines, the modernization of tooling when using the insulated hydraulic access platforms, and equipment for the installation of poles are a few examples of this commitment to innovation.

The electric energy that Elektro distributes to its customers is acquired in part from regulated energy auctions and in part directly from the Itaipu Binacional hydroelectric facility. The main suppliers of energy to the Company are: Itaipu, CHESF, Furnas, CESP and Eletronorte. Electric energy is acquired by long-term contracts which demands considerable planning by the Company in order to avoid shortages or surpluses of energy. Aneel has established penalty clauses in the event of insufficient energy to supply the demand.

Conversely, surplus energy is traded on the spot market, which might be operating with prices lower than the original purchase price.

Distribution of electric energy demands perfect compliance with the rules defined by the regulatory bodies, which are represented by the Ministry of Mines and Energy (MME), by Aneel and its delegated agencies — the São Paulo State Regulatory Agency for Sanitation and Energy (ARSESP), the Mato Grosso State Agency for the Regulation of Public Services (AGEPAN), the Chamber of Electric Energy Commercialization (CCEE) and by the National System Operator (ONS).

This strict compliance with the rules results from the essential nature of the service rendered by the electric energy distributors who, in turn, operate within a concession that geographically limits their operations. Thus, Elektro's activities possess the characteristics of a natural monopoly, inasmuch as all the consumers in the concession area are connected to Elektro's system.

As established in the concession contract, the Company's revenue is affected by the tariff reviews carried out every four years, which have the objective of passing on to the consumer the efficiency gains and preserving the economic-financial balance of the Company.

Voting control is held by EPC Holdings – Empresa Paranaense Comercializadora Ltda., ETB – Energia Total do Brasil Ltda., AEI Investimentos Energéticos Ltda. and AEI Brazil Finance Ltd., who together hold 99.97% of common stock, 99.41% of non-voting preferred stock and 99.68% of total stock. These holdings are in turn controlled directly or indirectly by AEI.

CURRENT STOCKHOLDING COMPOSITION


Shareholder	Common Shares		Preferred Shares		Total Shares	
	Quantity	Share (%)	Quantity	Share (%)	Quantity	Share (%)
AEI Brazil Finance Ltd.	-	0.0%	66,744,382	65.51%	66,744,382	34.45%
AEI Investimentos Energéticos Ltda.	6,579,221	7.16%	-	0.0%	6,579,221	3.40%
EPC – Empresa Paranaense Comercializadora Ltda.	59,310,480	64.55%	-	0.0%	59,310,480	30.61%
ETB – Energia Total do Brasil Ltda.	25,964,606	28.26%	34,535,205	33.90%	60,499,811	31.22%
Minority Shareholders	26,665	0.03%	598,706	0.59%	625,371	0.32%
Total	91,880,972	100.0%	101,878,293	100.0%	193,759,265	100.0%
Total Stockholding		47.42%		52.58%		100.0%

AEI owns and operates essential energy infrastructure businesses in emerging markets diversified across four core business segments – Power Distribution, Power Generation, Natural Gas Transportation and Services, and Natural Gas Distribution – within five regions – Andean, Southern Cone, Central America/Caribbean, China, and Europe/Middle East/North Africa. AEI and its 15,400 employees serve more than 7.4 million customers worldwide, with approximately 42,650 km of gas and liquids pipelines, 195,000 km of electric energy distribution and transmission lines, and 2,277 MW of installed power generation capacity. More information can be found at www.aeenergy.com.

Elektro is part of the energy asset portfolio of the **AEI GROUP**, which indirectly controls the Company and has diverse **INVESTMENTS** in several countries



Lineman changes a street lamp



Innovation was the aspect that marked 2009 and was present in all endeavors to create a new paradigm in the distribution of electric energy, through the introduction of new grid operating technologies and the adoption of new operating technologies consistent with technological advances. Several pioneering projects were initiated or implemented over the year, which have resulted in, or will result in greater operational and administrative productivity, bringing significant gains in safety for employees and the population in general.

INNOVATION

Aerial access platform with 500 kV insulation and 25-meter reach for live lines, remote work and de-energized lines

PIONEERING IN THE MANAGEMENT OF ELECTRIC ASSETS



Vehicle with an insulated aerial platform for 46 kV with a 10.5 meter reach for line maintenance and construction

Innovation is the path we have chosen in the quest for operating efficiency with safety, quality and productivity. In 2009 we took important steps in this direction.

The new project that made the greatest impact is related to the development of a new concept in grid construction and maintenance, with the utilization of cutting-edge equipment and upgraded procedures in the use of this equipment, which is vastly different to those in use in the domestic market over the last 30 years.

The implementation of this project, still in the experimental phase, has demanded a revision in the cycle of planning, construction and maintenance of the grid as well as the hiring, training and development of personnel qualified to perform in this new environment.

The adoption of this new operating technology reduces the time required for the construction and maintenance of the grid, as well as providing more safety for the employees and increasing the quality and productivity of the operation. Activities that were carried out manually are now mostly done automatically.

During the initial development stage, (Pilot Stage) this project has the backing of the Financer of Studies and Projects (Finep)¹, and its implementation, started in the second half-year of 2009, is being financed by the National Bank of Economic and Social Development (BNDES).

Another new operating technology that was implemented was the vehicle monitoring system, which enables the online monitoring of the operating fleet's performance, providing better safety and ensuring optimum levels of vehicle utilization.

We continue investing in initiatives focused on automation and the Smart Grid. Currently, 53 out of 121 substations are digitalized, automated or under remote control by satellite, as well as 300 automated re-connecters.

Studies and pilot projects regarding distribution network intelligence are on course, such as intelligent metering with direct communication, mechanisms for communication through the actual grid using the technology "Power Line Communication" (PLC) and communication by radiofrequency (RF Mesh). Thus, we are already preparing ourselves for the use of new technologies which can foster relevant changes in the field of electric energy distribution.

In the field of Information Technology (IT), we have completed the NEO Project (the re-implementation of the ERP SAP system release 6.0), which integrated the technical, commercial and financial systems. This project also contributed toward greater efficiency in processes and internal controls.

We have also taken innovation to customer relations. Two projects which began to be implemented in 2009 and will be concluded in 2010 will be important differentiating factors in Elektro's favor:

¹ Finep is an institution associated with the Ministry of Science and Technology that seeks to foster innovation in the Country.

- The Extranet Project – enables the accreditation of partners being trained by Elektro in customer service, thus facilitating ease of access;
- The Relationship Configuration Project, which consists of a tool that enables the customer to opt for the type and channel of information desired (telephone, SMS, e-mail, letter or other). The array of alternatives includes billing information, scheduled maintenance, maintenance cancellation, power cuts, power restoration forecast, among others. The customer can configure the relationship in any one of Elektro's service channels.

This innovation positions Elektro one step ahead of the customers' demands and contributes to raising the quality of the relationship.

Our Customer Service Center (CAC) was extensively transformed in early 2009, when we substituted the voice over IP (VoIP) telephony platform for a new, more reliable and modern VoIP platform, which offers greater security in communication and higher customer service quality.

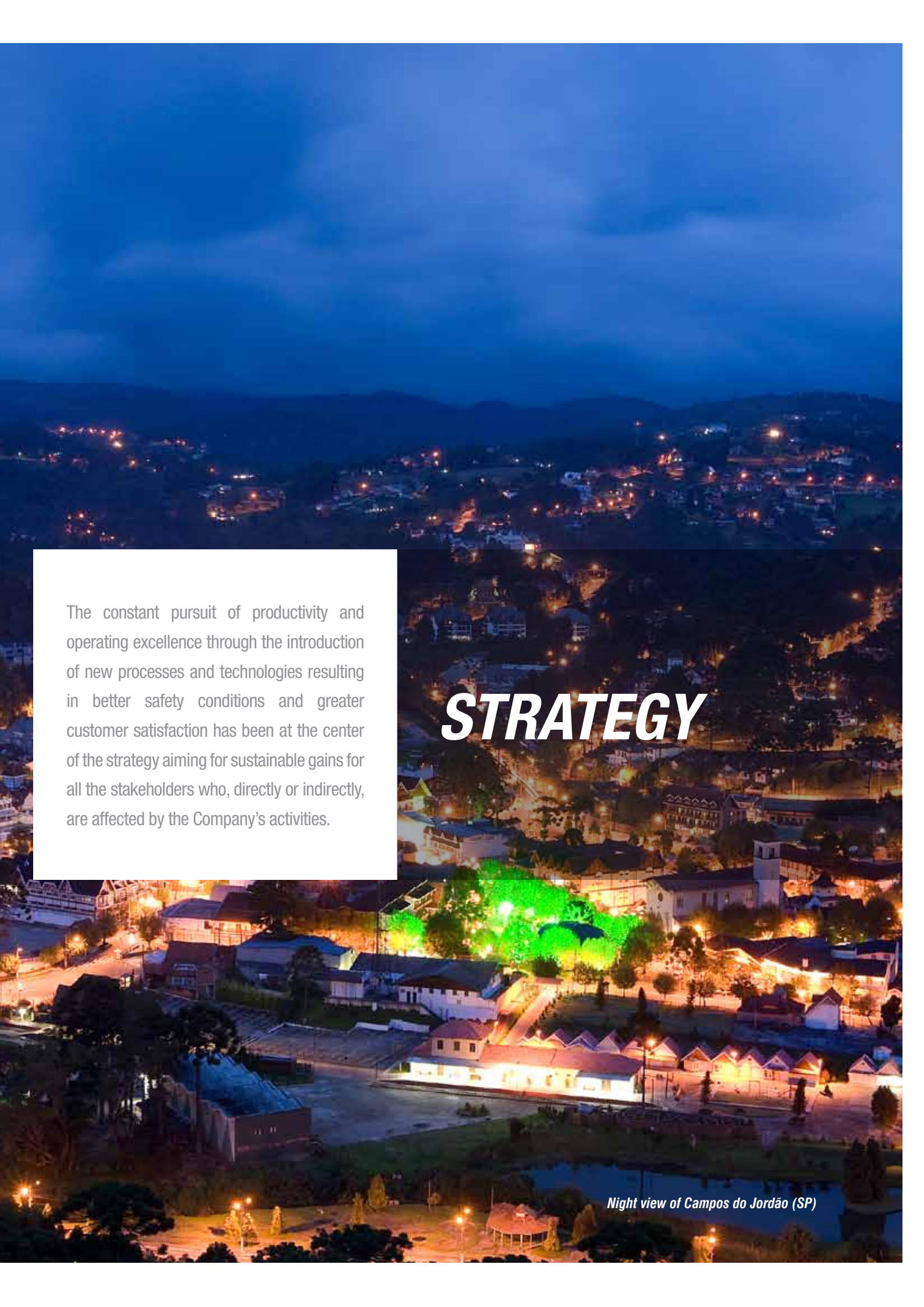
The year 2009 was also characterized by improvements in the field of social responsibility. The Company is legally obliged to set aside 0.5% of revenue for energy efficiency purposes but it is the way Elektro applies these funds that makes the difference, because it is focused on sustainability through initiatives that add value to the community, such as the Elektro Community Energy Program (*Programa Energía Comunitária Elektro*).

In 2009, we hit the mark of 25,000 families benefitted by the electrical installation regularization programs, the substitution of 4,700 refrigerators for new energy-saving models, the replacement of 500,000 incandescent lamps for compact fluorescent lamps, as well as projects to generate income in deprived areas within the concession area.

Innovation, the main theme of 2009, will continue to be present in our actions as a strategic means of attaining maximum efficiency with safety, quality and productivity.



Customer Service Center (CAC)



The constant pursuit of productivity and operating excellence through the introduction of new processes and technologies resulting in better safety conditions and greater customer satisfaction has been at the center of the strategy aiming for sustainable gains for all the stakeholders who, directly or indirectly, are affected by the Company's activities.

STRATEGY

Night view of Campos do Jordão (SP)

OPERATING EFFICIENCY AND A RETURN FOR THE SHAREHOLDERS



Campos do Jordão (SP)

Given the characteristics of electric energy distribution concessions in Brazil, the geographic limitations of the market, the captive customers and a regulated tariff by Aneel, the main strategic challenges lie in efficient operations and business sustainability.

In operational terms, the requisite for an efficient performance demands continual improvements in operating productivity, backed up by an extensive preventive maintenance program, allied to innovative technology, so that the continual improvements in processes can assure business sustainability. Our actions today assure quality, productivity and safety in the management of our assets and also increase the value of the Company.

The foremost strategic challenge is the tariff review process, as it should produce a fair and balanced result aimed at remunerating investments considered efficient. These investments are necessary for the expansion of the electric system so that it can keep pace with market growth, optimize operating costs and improve the quality of the service, whilst preserving the economic-financial balance of the Company and obligating it to always pursue new levels of efficiency.

In this business context, Elektro defined its strategic objectives which are related to the four major themes shown on our Strategic Map (see figure): (1) Financial/Regulatory; (2) Customer Relations; (3) Operating Excellence; and (4) People.

STRATEGIC MAP	
Strategic Themes	Strategic Objectives
Financial/Regulatory	Improve shareholder return assuring business sustainability
Customer Relations	Improve customer satisfaction, by focusing on quality, efficiency and communication
Operating Excellence	Improve operational excellence through process optimization and the use of new technologies
	Implement action plans on safe behavior, process review and technology innovation aiming at zero accidents involving employees, contractors and customers
	Improve management practices and systems
Personnel	Improve employee satisfaction to retain and attract employees

All initiatives developed in 2009 were consistent with this strategy and had the following objectives:

- Financial management efficiency with continuous monitoring of costs, investments and projects, combined with the funding of pioneering projects from appropriate and cheaper sources;
- Strict monitoring of Aneel regulations and a transparent relationship with the regulatory agency, seeking fair tariff levels;
- Greater operating efficiency through management reorganization, process review and the acquisition of modern and innovative vehicles and equipment;
- Higher quality service by investing in the Customer Service Center (CAC), introduction of improvements in communication channels and change in the customer management model to allow a deeper understanding of their needs;
- Seek the target of zero accidents, through the use of new equipment/vehicles and the dissemination of Behavior-Based Safety programs;
- Employee satisfaction and qualification through improvements in HR systems and the execution of training and development plans from the linesmen to Company leadership;
- Pursuit of excellence in management, which resulted in the maintenance of the ISO 9001 certification and in the featuring of three highlights in the National Quality Awards (PNQ).

Strategic planning and the monitoring of the Organization's performance evolved during the year with the reformulation of the framework of strategy meetings and the deployment of strategic indicators down to the most basic level of the Company, the Grid Service Cells (CSR). These two actions made Elektro's company strategy become more present in every employee's day-to-day activities, allowing each one to know their individual contribution in attaining the Company's targets.

Company **STRATEGY** becomes part of the **DAY-TO-DAY** of all Elektro employees



*Linemen during activity planning
at Elektro Corporate Education*



The corporate governance practices adopted by the Company follow its management model, aligned with the strategy and in accordance with the principles of transparency, fairness and accountability. Besides being a publicly-held company trading shares on the BM&FBovespa stock market, and adherent to the practices required by the market, Elektro is indirectly controlled by a holding company registered on the Securities and Exchange Commission (SEC) which is why the Company also complies with the determinations of the Sarbanes-Oxley Act.

CORPORATE GOVERNANCE

Company Head Office in Campinas (SP)

ETHICS AND TRANSPARENCY IN CORPORATE RELATIONS



GOVERNANCE PRACTICES

Elektro uses a corporate governance model aimed at fulfilling its strategic goals. As such, its operating management is supported by a structure designed to ensure gains in efficiency that guarantee business sustainability and the generation of wealth for society.

Control structures standardize internal processes and ensure that these are in compliance with the legislation in effect and the principles and values guiding the Company's business. Within these structures we can highlight:

- The Ethics Committee: the authority responsible for guaranteeing compliance with the Code of Conduct. This committee is composed of a group of representatives from various departments and is responsible for analyzing ethical matters and investigating complaints of inappropriate conduct;
- Elektro also has a Committee for Evaluation of Internal Processes and Controls, composed of the CEO, the Officers, the Controller and the Executive Manager for Internal Audits and Controls, and its main objective is to ensure that internal audit activities are in alignment with the Company's goals, by means of the definition of guidelines, performance policies and approval of the auditing plan. The Committee is also responsible for reviewing any appointing deficiencies, as well as for the analysis of the correction measures adopted.

With the aim of mitigating risks that could significantly impact the financial statements, Elektro assesses its financial risks annually, in order to update the risk matrix of the business processes set out in

the requirements of the North American Sarbanes-Oxley Act (SOx). The SOx tests help the Company to strengthen the internal control environment, as well as in disseminating a work culture focused on ethics and transparency.

The Company's strategic decisions are formulated by the Board of Directors, approved at Shareholders Meetings and carried out by the Board of Officers under the supervision of the Board of Directors. The Shareholders Meeting is, therefore, the prime decision-making authority determining Elektro's course.

Shareholders holding preferred shares do not have voting rights and have the right to receive dividends at least 10% greater than those of shareholders holding common shares.

Shareholders hold an ordinary meeting within the first four months after the end of the fiscal year, in accordance with the Law, and hold extraordinary meetings whenever the interests of Elektro require it, in order to: approve the administrative accounts concerning the fiscal year; evaluate, discuss and vote on the financial statements; decide on the allocation of net income and the distribution of dividends; elect the members of the Board of Directors; set the remuneration of the members of the Board of Directors and the Board of Officers; and deliberate other matters of interest to the Company.

To ensure transparency, free access to data and agility in the release of relevant information, Elektro has a section on its website dedicated to investor relations. Posted here are the annual and quarterly reports, the relevant facts and other information of interest to shareholders.

BOARD OF DIRECTORS AND BOARD OF OFFICERS

The Board of Directors is the body responsible for setting the Company's general business guidelines, electing and dismissing executive officers, overseeing the management of the Board of Officers, convening the Shareholder Meetings and manifesting prior opinions on the agenda to be submitted to the shareholders. The board members are shareholders elected at a Shareholder Meeting, with a three-year mandate, eligible for re-election, with one of the board members elected as Chairman. The positions of Chairman and Chief Executive Officer are held by different people.

Corporate by-laws stipulate that the Board of Directors should have at least four and a maximum of seven effective members, with the same number of alternates, with one effective member and one alternate elected by the employees. Elektro guarantees the representation of its employees on the Board of Directors by means of an electoral process organized jointly with the union entities representing the employees. By applying to its effective and alternate board members elected by the employees all the arrangements, rights and obligations stipulated in the Corporate by-laws and in the competent legislation, the Company ensures equality between members elected by the shareholders and those elected by the employees, thereby guaranteeing the involvement of all those with a stake in the matters dealt with.

The Board of Directors and the Board of Officers have distinct internal rules, which regulate their functioning and their relationship with the other social entities, so that they work in total harmony with the precepts of the Company by-laws and with current legislation. Following the recommendations of the Brazilian Corporate Governance Institute - Instituto Brasileiro de Governança Corporativa - (IBGC), the rules deal with relevant topics to the Board of Directors and the Board of Officers, such as their own objectives, mission, scope of action, composition, mandate, vacancy, investiture, competence, duties, arbitrage of conflicts of interest and working standards, among others.

The Board of Directors meetings are held ordinarily every four months and extraordinarily whenever the interests of the Company demand it. In 2009, the Board of Directors met on eight occasions.

The Board of Officers has direct responsibility for carrying out all the necessary acts to the Company's regular functioning, as well as for guaranteeing that these are aligned with the general business guidelines set by the Board of Directors.

The use of various channels of communication between the Board of Officers and the Board of Directors ensures that the Company's needs are always considered in the decision-making process.

The Board of Directors and the Executive Committee are composed as follows:

COMPOSITION OF THE BOARD OF DIRECTORS – 12/31/2009

Name	Position	Mandate
João Carlos Ribeiro de Albuquerque	Chairman	06/26/2011
James Alton Hughes	Board Member	06/14/2010
Carlos Marcio Ferreira	Board Member	04/20/2010
Antonio Mario Celia Martínez-Aparício	Board Member	06/26/2011
Juracy Pereira Mamede	Board Member Representing Employees	04/02/2012

COMPOSITION OF THE BOARD OF OFFICERS

Name	Position
Carlos Marcio Ferreira	Chief Executive Officer
Cinthia Maria Ambrogi Alonso	Legal and Compliance Officer
Luís Eduardo de Oliveira Pinheiro	Operations Executive Officer
Luiz Sergio Assad	Executive Officer of Regulatory and Institutional
Rodrigo Ferreira Medeiros da Silva	Financial and Investor Relations Executive Officer
Marcio Henrique Fernandes	Administrative Executive Officer
Max Xavier Lins	Commercial and Energy Supply Executive Officer

The professional background of the Officers is available for consultation on the Elektro website.

REMUNERATION OF ADMINISTRATORS (*)

The tables below show the annual remuneration of the administrators in 2009.

REMUNERATION OF ADMINISTRATORS RECOGNIZED IN THE RESULTS OF 2009 (R\$ THOUSANDS)

Board of Directors (a)	62
Pro-labore	62
Others	--
Statutory Board of Officers (b)	8,427
Fixed Annual Remuneration	4,426
Salary	2,460
Direct and indirect benefits	416
Others	1,550
Variable remuneration	3,088
Bonuses	215
Profit sharing	2,873
Retirement benefits	11
Severance Packages	901
Others	—
Total remuneration of administrators (a+b)	8,489

*More information on the remuneration of the administrative officers is on the Company Reference Form (available on the CVM site).

Elektro's **ETHICS** commitment in relations with stakeholders

ETHICAL COMMITMENT

The Code of Conduct embodies the guidelines to be followed by all employees, regardless of their position or the function they hold, including the Officers and Directors. The Code is used to guide conduct and help employees to always act in an ethical and responsible manner in the work environment and in relations with all other stakeholders.

Violations of the Code of Conduct are reported to the Ethics Committee via the competent communication channel, such as the electronic address comite.etica@elektro.com.br and the 0800 telephone number. The indirect controlling group (AEI) also has a communications channel for complaints on its website (www.aecompliance.com). All these complaint channels guarantee complete confidentiality of the information given as well as the complainant's total anonymity. Elektro follows the guidelines of the U.S. Foreign Corrupt Practices Act (FCPA). Since 2008, the Company has been disseminating among its employees and partners the standards for combating corrupt practices.

The Ethics Committee is the Code of Conduct's deliberative oversight committee. Comprising a President, a Secretary and four members nominated by the Board of Officers with a mandate of three years, its scope includes receiving and evaluating the complaints received through the various communication channels and recommending to the Board of Officers the measures to be adopted. The complaints are also reported to the controlling group immediately, through a specific communications channel.

Since 2004, Elektro's Integration Program requires that every employee, on joining the Company, receives online training in the Code of Conduct, and only then, is the Declaration of Compliance to the Code of Conduct issued, signed by the employee and forwarded to the Legal and Compliance Office for control.

For other employees, periodic activities are held to reinforce the Code of Conduct's content, such as: publication of posters posted on the Company's mural newspaper, publication of articles in the Conexão magazine (internal distribution) and the holding of online and classroom training sessions.

The Code of Conduct can be accessed by any employee on the intranet and on the Company website.



ELEKTRO
14:39

MANAGEMENT

The Elektro Business System (SEE) includes the principal management practices used by the Company in its daily activities and allows Elektro to attain its strategies and fulfill its commitments to stakeholders. In 2009, the SEE was reviewed and aligned with the Fundação Nacional da Qualidade (FNQ)'s model of management excellence, obtaining distinction in the criteria "Customers", "Society" and "Processes" in the National Quality Award (PNQ).

Employees working in the Distribution Operations Center

MANAGEMENT MODEL ALIGNED WITH FNQ* PRINCIPLES

* Fundação Nacional da Qualidade (National Quality Foundation)



The pursuit of continual improvement through innovation in our processes is part of management policy and is aligned with Elektro's Vision, Mission and Values. These principles guide our management and form the basis for the Elektro Business System (SEE).

MISSION, VISION, VALUES

All the Company's activities are aligned with a series of values and principles highlighted in Elektro's Mission, Vision and Values.

VISION

To be the most admired electric energy Distribution Company in Brazil.

MISSION

To distribute quality electric energy safely, for the development and welfare of the community, while adding value for our customers, employees and shareholders.

VALUES

Safety, respect, integrity, communication and excellence

MANAGEMENT POLICY AND GUIDELINES

Elektro is committed to the quality of its services, with continual improvement and innovation in its processes, technologies and management systems, aimed at guaranteeing the satisfaction of its customers, shareholders, employees and communities.

In our management practice, we use the following guidelines:

- To guarantee that the running of our business is based on ethical principles, with transparency and quality, and respect for human rights and legislation;
- To guarantee minimum impact of the Company's operations on the environment, using measures to protect the environment, prevent pollution and conserve natural resources;
- To adopt socially responsible business practices, contributing to the development and wellbeing of the communities;
- To contribute to the development of individual and organizational competencies, promoting the professional growth of its employees;
- To enable a healthy and safe working environment, by encouraging the practice of prevention and control of risks, aimed at continually avoiding accidents and occupational sickness and disease;
- To provide services to customers with safety, quality, respect and integrity;
- To encourage suppliers and sub-contractors to use these guidelines.

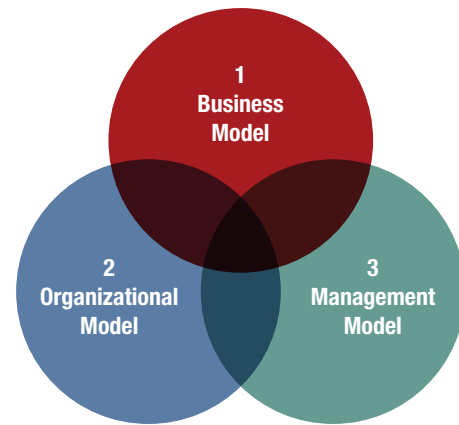
ELEKTRO BUSINESS SYSTEM (SEE)

To ensure that the best management practices are used, that they can be replicated and are aligned with our business strategy, Elektro has implemented the Elektro Business System – SEE.

The SEE consists of three convergent models: “Business”, “Organization” and “Management”, with different, but complementary functions. The Business Model consists of the Strategic Planning Cycle and has as its goal the definition of guidelines and course of the Organization in the short, medium and long terms. Part of this is the definition of the Values, the Mission, the Vision, the Strategic Goals and the Targets.

The Organization Model contains the necessary structure for the attainment of established challenges. Making up this model are: the Organizational Chart, Responsibilities and the Business Processes (Value Chain) established. The Management Model defines the Company’s relevant management practices and rules, guaranteeing the standardization, application, integration and learning of the practices enabling it to fulfill its Mission.

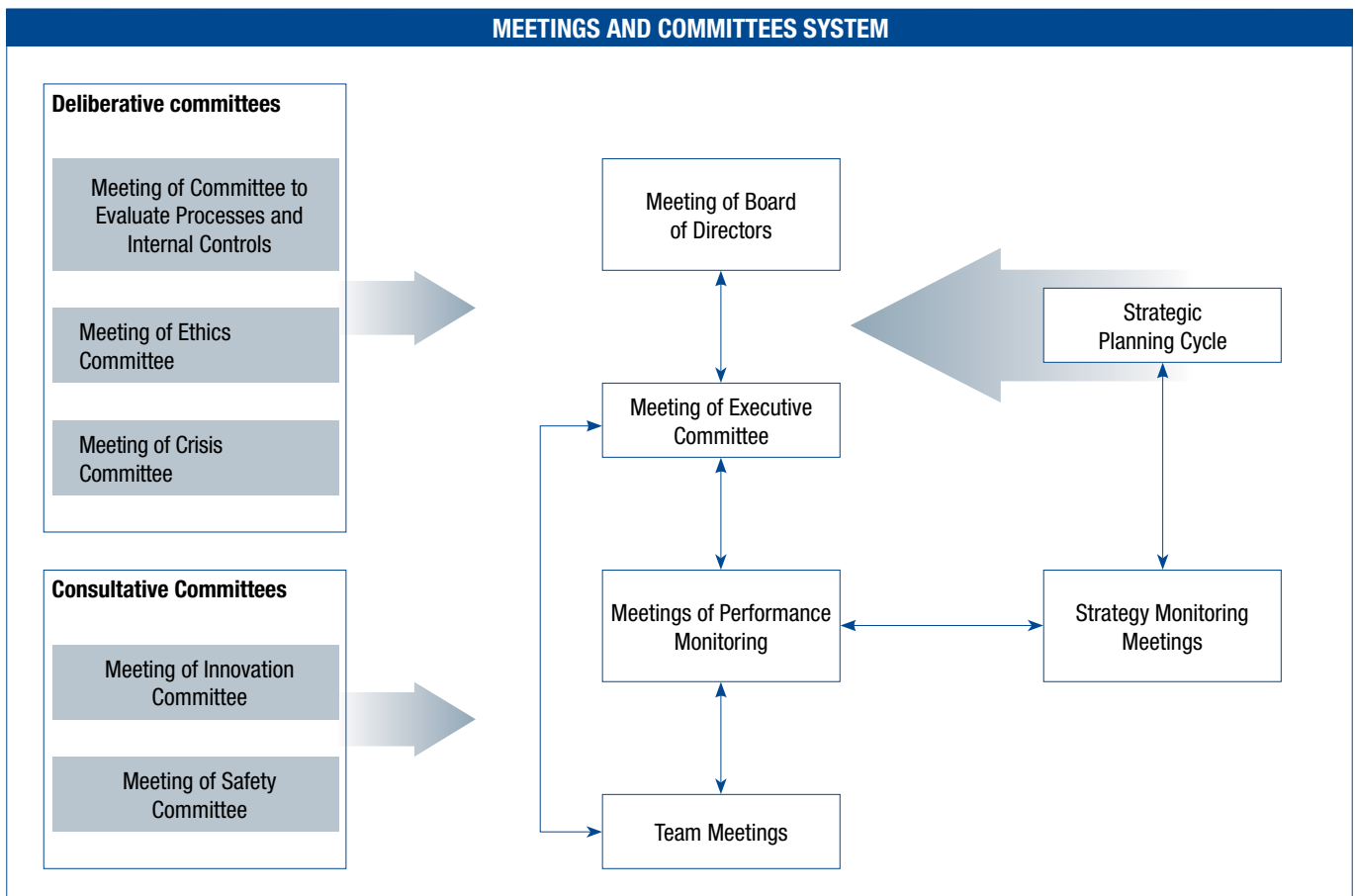
In 2009, the SEE underwent an extensive review and, using the FNQ – National Quality Foundation’s Model of Excellence in Business Management Model, obtained recognition in the 2009 national quality program (PNQ) with distinction in the categories “Customers”,



“Processes” and “Society”. In 2010, the challenge is to work on improving these processes and in the dissemination of the model, increasing its effectiveness and the benefits obtained.

A brief description of the Management Systems used by Elektro follows below:

- Meetings and Committees System: Defines the means needed for communication and integration between managers, employees and stakeholders, guaranteeing agility in the decision-making process and in mobilization around the strategy used;



MANAGEMENT MODEL – SEE

- Corporate Governance – The Corporate Governance System is the set of management practices ensuring compliance with the management guidelines, protection of the rights of shareholders and interested parties and compliance with applicable legislation and regulations;
- Risk Management – Identifies, assesses and deals with business risks according to their gravity, in a way that is standardized and integrated with strategy;
- Sustainability Management – This is composed of management practices that guarantee continuity of operations and the balance between the social, environmental and economic sectors, generating continuous improvement in processes and serving stakeholders' requirements;
- Customer Management – Management of Customer Service and Relations activities, aimed at the sustainable growth of business and the strengthening of the image through continuous improvement of services and excellence in commercial practices;
- Knowledge Management – Develops an organizational environment that encourages and facilitates the mapping, sharing and retention of knowledge, in order to preserve the Organization's intellectual capital and guarantee the viability of the business strategy;
- Human Resources Management – Brings together the practices needed to manage aspects related to the qualification, motivation, wellbeing, participation and the development of Company employees, ensuring the permanent respect and appreciation of the human being;
- Management Information Management – Ensures the availability and reliability of information supporting the decision-making process, allowing correct and agile decisions; and
- SEE Management – Permits increased efficiency and continuous improvement of all methods needed for the setting up, the compliance and verification of the management standards used in the other systems.



Electricians during work-related gymnastics

Elektro possesses the following certifications:

- ISO 9001:2000 – Distribution of Electric Energy in the Concession area, including grid services;
- OHSAS 18001:2007 – Rendering of services in construction, maintenance and operation and distribution of electric energy, customer service, technical, operating and administrative support, involving the Campinas Company Head Office, the regional head offices in the Central, South, Eastern and Western regions and the CSRs (Network Service Centers) in Limeira, Andradina, Atibaia, Itanhaém, Rio Claro, Tatuí, Votuporanga and Guarujá;
- ISO 14001:2004 – Operation of substations transforming energy from 138 kV to 13.8 kV in the substations of Igaratá, Cabreúva II, Bertioiga III and Caieiras.

The Instituto Elektro possesses the certification:

- ISO 9001:2000 – Development, Implementation and Management of Programs and Social Projects.

The OHSAS – Occupational Health and Safety Assessment Series, determines the requisites for Workplace Health and Safety Management Systems. ISO – The International Organization for Standardization determines the requirements for Quality Management Systems (ISO 9001) and Environmental Management Systems (ISO 14001).

The implementation of integrated risk management in 2009 gave Elektro wider coverage and objectivity in the treatment of risks. Risk management activities were unified with strategic planning, making it possible to detect the critical risks with greater clarity and to stratify risk factors that could jeopardize the achievement of short, medium and long-terms goals.

RISK MANAGEMENT

Lineman carrying out an operation via remote control

MONITORING AND CONTROL ALIGNED WITH STRATEGY



Lineman during drilling operation: agility and safety

The year 2009 saw the implementation of Enterprise Risk Management; a wide-ranging methodology that is based on the strategy and on the goals that the Company plans to attain over the next few years. The purpose was to identify the risks that could jeopardize the attainment of these goals. Risk management has been integrated with strategy management and now has its own key risk indicators.

Based on the issues most relevant to the business, a list of the critical risks was made. These were detailed individually to their origin, assessing their probabilities of occurrence and impact, taking into account various aspects such as financial, image, regulatory and operational. These risks compose a risk framework that clearly identifies where the focus of management should be to mitigate each type of risk, with the purpose of maintaining the key risk indicators within tolerable limits.

For unforeseen crises and/or disaster situations representing risk to the continuity of the business, the Company has a Business Continuity Plan (PCN). The PCN consists of a group of actions planned in advance for deployment in those situations, so as to ease the crises management and guarantee business continuity. The Business Continuity Plan (PCN) is led by the Crisis Committee, responsible for the Company's continuity strategy.

Policy regarding financial instruments and derivatives –

Currently Elektro does not have any derivatives and did not carry out any operations using these financial instruments during 2009. In accordance with its internal policy, the aim of using derivatives is to protect the Company from any exposure to variations in the exchange rate and changes in the interest rate. In its activities, the only exchange rate exposure considered relevant is the US dollar-pegged payment for electric energy bought from Itaipu. At the end of 2009, these variations did not result in any impact on the Company's financial results, having been accounted for in the annual tariff adjustments, in accordance with the CVA mechanism. Similarly, the Company possessed, on December 31, 2009, a natural hedge in relation to debt linked to inflation (General Price Index - IGP-M), also due to the tariff readjustment mechanism.

Quality of service –

A tracking system operating 24/7 guarantees the excellence of the services provided. Elektro monitors in real time the weather conditions that could result in risks to its operations which enables the company to promptly respond to any service interruption. This is possible thanks to the alignment of its services on a single platform, which unifies the activities of the Distribution Operations Center (COD) and those of the Customer Service Center (CAC). This organization means that around 80% of interventions in the Company's electric grid occur in a preventive manner. Some of the

repairs are made by the COD itself, which is linked to the substations responsible for energy distribution. Regarding CAC, operators receive calls from the customers and relay the complaints directly to the COD, which immediately takes the necessary measures.

Population Safety – By means of socio-cultural activities in the communities in which it operates, the Company raises people's awareness over safety and the electricity grid. In the Elektro Cultural Circuit presentations, work is carried out to raise awareness with the spectators during shows of music, theater and movies put on by Elektro.

Insurance – The Company has insurance cover compatible with the risks of the activities it develops, including insurance against operating risks and multi-risk, civil responsibility with third parties and civil responsibility of the administrators (D&O), as shown in the table below (amounts in R\$ Thousands):

Risks	Amount Insured
Operational and multi-risk	680,195
Civil Responsibility third parties	46,028
Directors and Officers liability (D&O)	27,617

For more details on risk management, see Explanatory Note No. 38 in the Financial Statements.



Night view of Guarujá (SP)



In 2009, we consolidated programs that had already been started and developed new projects targeting Safety, Elektro's number one value. IPAR allowed us to map all the important risks in the activities of grid and substation construction and maintenance. Behavior for Life, a Company differentiating factor aimed at prevention, contributed to reduce the number of accidents. *Bioerg* focuses on the health of our employees as a way to reduce accidents caused by small injuries. Our fleet of operating vehicles is now totally monitored, reducing accidents due to carelessness, and equally important, the safety practices were disseminated throughout the Company.

SAFETY

Lineman adjusting his parachute harness before starting work at great height

A NON-NEGOTIABLE VALUE



Lineman of the live-line team on grid maintenance activity

Safety is our Top Value. Aware that network construction and maintenance activities can bring risks to our employees and the population, we have spared no effort in developing new operating methods, using more advanced technologies and increasingly safer equipment, which drastically reduce risks for all. We have studied and evaluated all our operating processes and based on the conclusions, we have introduced safer processes for carrying out these activities. We have created programs that help us disseminate throughout the Company our perpetual concern over safety. The involvement of all the employees and outsourced workers has enhanced our knowledge of the risks and opened the way for the development of a new set of mitigating actions.

Risks concerning Health, Safety and Ergonomics are identified and dealt with by Elektro's Occupational Health and Safety Management System (SGSSO), certified with the OHSAS 18001 since 2005 and renewed in 2009. Investments totaled R\$ 6.7 million in 2009, against R\$ 5.6 million in 2008, exclusively to provide greater safety for all our employees.

During the course of the year, we consolidated the system for the Identification of Danger and Evaluation of Risks (IPAR) and we are continuing the implementation of the Behavior for Life project.

The development of IPAR enabled the mapping of all risks relevant to grid and substation, construction and maintenance activities and to create safety controls to mitigate them. This project directly involved the electricians, who contributed to broadening the knowledge of the dangers in each type of service and to developing safer processes for

personnel, the environment and the network. The direct commitment of people involved with the risks in the activity facilitated the assimilation of new guidelines and ensured speedy dissemination among all team members.

The goal of the Behavior for Life program, one of Elektro's great differentiating factors in the area of safety is the prevention of accidents by behaving safely. Implemented at the end of 2008, the program was widely disseminated in 2009, with the commitment of all the Company's leaders to the "5 Commitments to Safety": (1) be active in the field, promoting alignment in a positive way; (2) safety is non-negotiable; (3) be responsible for improvement and management of safety in its area of operations; (4) promote strategic discussions on safety and behavior (Strategic Dialog on Safety In Behavior – DESC); (5) have a system of indicators and positive recognition (proactive indicators that register the percentage of safe behavior in each operating area, taking as a basis a list of 12 selected risks). After the initial training of 17 people by a consultant firm in "the surveying and observation of behavior", the Guide Team trained a further 23 team leaders, totaling 40 people prepared to go into the field and make observations on behavior, with a focus on the process and not on the person. The expectations are to close 2010 with all the team leaders trained.

The Safety Observation program began in 2007 and has gained momentum in recent years, encouraging employees to identify risks in the work environment and, from there, suggest solutions to bring about improvements, mainly in the prevention of serious accidents. In 2009, 8,800 safety observations for improvements to the process were carried out.

We also developed *Bioerg*, a program to prevent occupational health problems such as osteomuscular pain which can compromise health, and thereby contributed to accident prevention. It is based on biomechanics applied to improving forms of manipulation during activities, principally in the field, allied with ergonomic solutions, in a way that adopts a set of procedures leading to health preservation and the prevention of accidents. Since its implementation, every electrician joining Elektro is given biomechanical orientation from a physiotherapist, together with study material and training with specific instructions for the function in which they will be involved. In 2010, all electricians working in the field will be trained in work-related gymnastics designed for the movements they use during their activities.

In 2009, Elektro hosted the AEI Group's International Safety and the Environment Workshop, with the presence of representatives

from these areas in all the companies of the AEI Group (indirect controlling shareholder) in the Americas. At this workshop, the best safety practices of each participating company were discussed and the significant sharing of knowledge allowed each to incorporate solutions from their sister companies.

Safety during the transportation of the field teams is also a concern and, during the year, we will conclude the project of tracking vehicles with the installation of equipment in 408 vehicles for monitoring speed, mileage and time of usage, among other functions. In addition, we will give theoretical training on "safe driving" for all drivers. This recycling was started with practical training in 2009 and is continuing on schedule in 2010.

Safety also extends outside the Company and, up to December 2009, through talks given to the communities, 56,500 people were given guidance on the safe and appropriate use of electrical energy.

Safety Indicators

Company employees	2007	2008	2009
Total accidents (with and without loss of workdays) – includes accidents with vehicles	148	126	130
Total work accidents with loss of working days	9	7	3
Total work accidents without loss of working days	18	19	14
Annual average work – related accidents per employee	0.055	0.047	0.043
Accident frequency rate (TF)	1.87	1.45	0.64
Gravity rate of accidents (TG)	2,536.21	176*	37.22
Injury rate	0.75	0.53	0.36
Fatal accidents	2	0	0
Outsourced workers	2007	2008	2009
Total accidents (with and without loss of workdays) – includes accidents with vehicles	195	249	184
Annual average work – related accidents per employee	0.045	0.056	0.061
Accident frequency rate (TF)	1.90	1.83	2.08
Gravity rate of accidents (TG)	2,385.23	963.57	1,162.00
Fatal accidents	3	1	1
Population	2007	2008	2009
Gravity rate of accidents (TG) from electric shock in concessionaire network	12,117	2,746	12,316
Total accidents (including minor and serious injuries)	24	33	26
No. of improvements implemented aimed at offering safer products & services	5	7	7**

* reclassified amount.

** Improvements implemented: 1) Behavior for Life program; 2) National Safety with Electrical Energy Week; 3) Elektro Cultural Circuit project; 4) Elektro Community Energy program; 5) Inserts with electricity bill – "Keep Connected"; 6) Elektro Internet Site; and 7) talks with the population.

Operating performance was affected positively by the introduction of new technologies and by changes to processes making field activities not only safer but also more productive, bringing significant gains for customers and for Elektro. In 2009, we recorded the lowest Average Interruption Frequency Index (FEC) in our history, despite the bad weather.

OPERATING PERFORMANCE

Lineman driving a special 4x4 light vehicle for operations with difficult access

EFFICIENCY DEMONSTRATED IN RECORD YEAR FOR INCLEMENT WEATHER

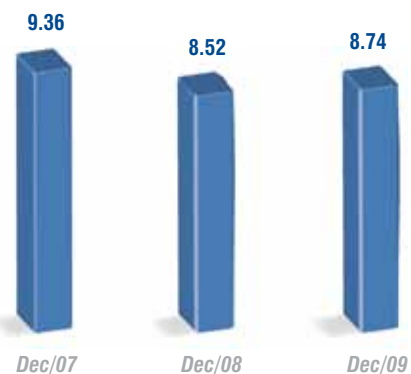


In 2009, Elektro continued to show positive evolution in its operating indicators, which are already seen as a benchmark for the Brazilian electric energy distribution sector. This performance is the result of its operating efficiency and the focus on continuous improvement and innovation in its processes, as well as an increased focus on preventive maintenance, making the system even more robust. In 2009, for the fifth time we were awarded the prize for Best Operating Management conferred by the Brazilian Association of Electric Energy Distributors – Abradee.

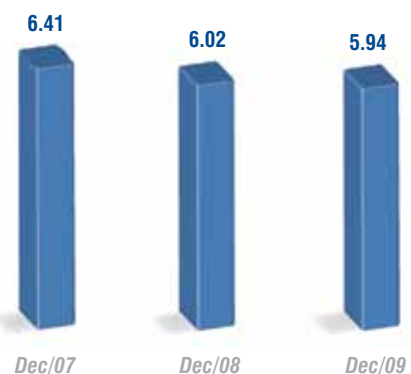
The indicator for the Average Interruption Duration Index (DEC) registered a slight increase due to atypical climatic conditions, with successive periods of uninterrupted rain, hindering our field teams' mobility and efforts to re-establish the energy supply. Up until October, the indicator remained at a lower level, only worsening in the final months of the year, when the inclement weather became more severe.

The Average Interruption Frequency Rate (FEC) indicator, on the other hand, posted the best level in the Company's history. This good performance is associated with investments made in the electrical system, mainly in preventive maintenance and conservation of assets, maintaining the network's robustness, as well as investments in digitalization, automation and systems, which fine-tuned efficiency in monitoring, bringing improved quality of supply.

DEC – Average Interruption Duration Index per Consumer Unit (hours)



FEC – Average Interruption Frequency Index per consumer unit (interruptions)



Operating Indicators	2007	2008	2009
DEC – Average Interruption Duration Index per Consumer Unit (hours) ¹	9.36	8.52	8.74
FEC – Average Interruption Frequency Index per Consumer Unit (interruptions) ¹	6.41	6.02	5.94
Energy Losses (%) ²	6.86	6.71	6.76

¹ The above indicators do not take into account critical days, associated with emergency situations, as defined by Aneel Resolution No. 024/2000. When taken into account, the DEC and FEC indicators would be 10.97 and 7.15 (12/31/07), 10.44 and 6.89 (12/31/08) and 13.81 and 7.83 (12/31/09), respectively. The indicators for 12/31/09 incorporate the effect of the outage on 11/10/09.

² In the losses indicator, losses are not taken into account referring to the provisional change in measuring the transmission line border Capão Bonito – Itapeva – Itararé of 138 kV, determined by the CCEE. This loss will be nullified after the coming online of the LT Maringá – Itararé II 230 kV, conclusion expected in October 2010. If this loss is not disregarded, the rate in 2009 would be 6.78%.

The rate for energy losses recorded a slight increase compared to the previous year, attributed mainly to the greater consumption from the residential and commercial segments, as these show loss rates greater than those of the industrial segment, whose share in consumption fell as a result of the economic crisis. Even so, the rate was one of the lowest in Brazil.

To attenuate these losses, Elektro has at its disposal the means to recuperate them, such as by substituting faulty meters and increased assertiveness in inspections and detection of irregular procedures.

SÃO LUIZ DO PARAITINGA — AN EXAMPLE OF MOBILIZATION, DEDICATION AND CITIZENSHIP

The tourist town of São Luiz do Paraitinga is located in the Paraíba Valley, 182 km from the city of São Paulo. The heavy rains in early 2010 flooded almost the entire municipality causing huge losses for the inhabitants and also to the town's colonial period architecture. According to the State Civil Defense, around 9,000 people had to leave their homes. Historic buildings were damaged and some, such as the parochial Church of São Luiz de Tolosa collapsed.

With the floods and the landslides, various sections of the electric energy grid were damaged, resulting in a catastrophic scenario. The agility and the organization of the Elektro workers were fundamental in enabling the restoration of the electric energy as quickly as possible. There was a huge mobilization on the part of the Company's workforce, who worked together to remedy the situation and guarantee the restoration of electric energy with safety and quality.

The interruption in the electricity supply to Luiz do Paraitinga began on January 1, 2010 and affected 91% of customers in the municipality. To guarantee inhabitants' safety, Elektro disconnected the electricity in the flooded areas. The Company spared no efforts and adopted emergency measures to ensure the start of re-establishing energy to essential services, using dinghies to make the re-connection. On January 5, the electricity supply was already normalized for 70% of consumers and, two days later, for the whole town.


To assist in the night-time work of securing the historic buildings and providing greater safety for the inhabitants, Elektro installed a generator for public lighting in the city's historic center. In order to

achieve the reconnection as soon as possible, equipment with new technology owned by the Company was used, such as multipurpose vehicles that were able to operate in difficult conditions, installing poles and reinstalling the electricity network.

Over 130 Elektro employees had to be deployed from other areas in the state to reinforce the contingent and work in the maintenance and reconstruction of the distribution grid. These employees gave an example of will and dedication in a critical situation. Thanks to them, we received recognition from the population and the public authorities.

In addition to achieving speedy reestablishment of the electricity supply for the town and provide extra services to facilitate the lives of the inhabitants, such as the Mobile Service Unit, Elektro and its employees fulfilled their social function with several important actions, the highlights among them were:

- The "Elektro Community Energy – For a Better Community" project, which is part of the energy efficiency program, delivered around 150 refrigerators and helped 250 families in making improvements to the electrical installations affected, changing plugs, sockets, wiring and switches and donating energy-saving light bulbs.
- In the whole concession area, Elektro employees mobilized the collection of donations of food, mineral water, clothes, as well as personal hygiene and cleaning products. The AEI employees also organized the collection of funds for the municipality's inhabitants.



Over 11 thousand gigawatt-hours (GWh) were supplied in 2009 to final customers. We connected a further 56 thousand new customers to our network. Our income from supplying energy and the use of the system grew by 11.7%, to more than R\$ 4 billion. This growth was sustained principally by the residential and commercial categories, whilst consumption by industry and in rural areas fell.

COMMERCIAL PERFORMANCE

Employee at the Customer Service Center (CAC)

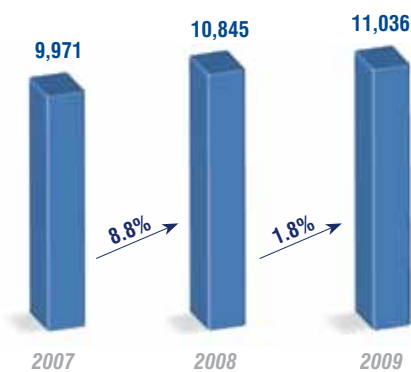
EFFICIENCY IN CONTRACTING AND SUPPLYING ENERGY



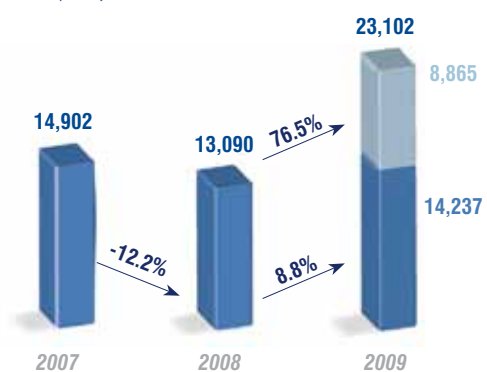
Elektro customer in the beverage sector

CONSUMPTION AND SUPPLY OF ENERGY

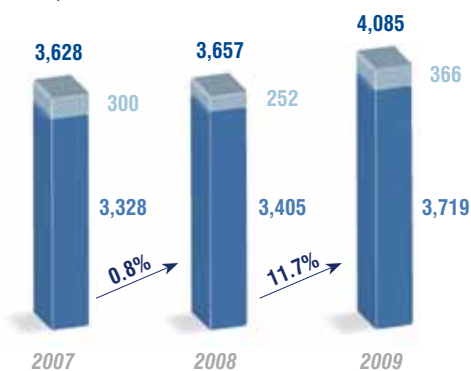
Volume of Energy Supplied to Final Customers (GWh)*



Sum of demand for use of distribution system by free customer (MW)*



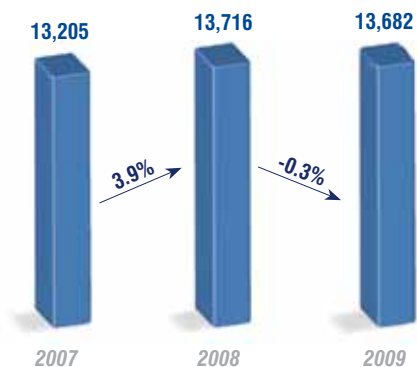
Income from energy supplied and system use (R\$ Millions)



● TUSD-G agreement

● Sum of demand for use of Distribution System by Free Customers (MW)

Total electrical energy consumption in concession area (GWh)*



- Free customers (use of the distribution system)
- Final customers (energy sales)

* Information not audited by the auditors.

Note: TUSD-G – Tariff for Use of Distribution System for Generating Facilities, as described in Explanatory Note No. 9.

In 2009, Elektro supplied 11,036 GWh of electrical energy to its final customers representing growth of 1.8% over the previous year.

The industrial segment consumed 3.6% less energy due to the more accentuated impact of the international financial economic crisis in the industrial sector. In the last quarter of the year, consumption in this segment began to recover.

The residential and commercial segments showed growth in consumption of 6% and 7%, respectively. This performance was due principally to the high temperatures recorded during the first quarter of the year and in November and December, as well as the renewed offer of personal credit which, together with the reduction in tax on household appliances, resulted in a greater number of appliances connected to the grid and, consequently, higher consumption of electricity.

The significant increase in the volume of rain in the second semester - 45% greater than the average for the period, reflected directly in reduced energy consumption for irrigation, influencing the result for the rural segment, which dropped 3.1% over the year after growth of 7.9% in the first semester.

The segments represented by the public authorities, public lighting, and public services that together account for 10% of Elektro's market, grew by 4.6% in 2009, due mainly to the increase in contracted demand from a large customer in the public services segment. It should be noted that with the reclassification of consumer units among these three segments in the first semester of 2008, the individual evolution of each segment is distorted.

8.5% growth in gross revenue in 2009

The 76.5% increase in the sum of the demands for distribution system use in 2009 is mostly due to agreements signed with electric power generators Cesp and AES-Tietê, which resulted in the signing of contracts for the use the distribution system with these generators. According to these agreements, and in compliance with current legislation, the generators now pay for the use of the distribution system, and Elektro, in turn, passes on to the transmission concession holder the amounts owed for connection to the transmission system. Excluding the sums paid by the generators, the other customers using the distribution system showed a total demand of 14,237 MW, for an increase of 8.8% over the same period of the previous year. For more details, see Note No. 9 to the Financial Statements.

Revenue from the supply of energy and the use of the distribution system was R\$ 4,085.4 million, against R\$ 3,657.2 million in 2008, representing growth of 11.7%. This performance was due to the effects of the tariff adjustments of 2008 and 2009, with an average increase in the tariffs of 10.91% and 12.19%, respectively, and with the additional volume of energy supplied to final customers, boosted by growth in the residential and commercial segments, which had higher tariffs.

Energy Supplied to Final Customers	GWh ⁽¹⁾			R\$ Millions		
	2008	2009	Var. %	2008	2009	Var. %
Residential	3,346.7	3,547.0	6.0%	1,337.8	1,478.2	10.5%
Industrial	4,052.3	3,907.8	-3.6%	1,076.5	1,129.4	4.9%
Commercial	1,580.3	1,691.4	7.0%	555.9	634.2	14.1%
Rural	807.3	782.4	-3.1%	158.1	163.5	3.4%
Public Authorities	229.4	275.9	20.3%	77.3	104.2	34.9%
Public Lighting	428.9	423.0	-1.4%	89.1	93.8	5.3%
Public Services	400.0	408.1	2.0%	110.3	116.1	5.3%
Supply of energy to final customers	10,844.9	11,035.6	1.8%	3,404.8	3,719.5	9.2%
Use of distribution system by free customers	MWh ⁽¹⁾			R\$ Millions		
	2008	2009	Var. %	2008	2009	Var. %
Total demand for distribution system use ⁽²⁾	13,089.5	23,101.6	76.5%	252.4	365.9	44.9%
Income from supply of energy + Use of distribution system				3,657.2	4,085.4	11.7%

(1) Information not audited by the independent auditors.

(2) Refers to billed demand.

In 2009, the total consumption of electric energy in Elektro's concession area, taking into account both free and captive customers was 13,682 GWh, a reduction of 0.3% over 2008. Despite the increase in consumption of the residential and commercial segments this result was due to the reduction in the consumption of large industrial customers, mainly free customers, affected by the downturn in global economic activity.

CUSTOMER BASE

In December 2009, Elektro's customer base was 2,123 thousand customers, with 56 thousand new customers added during the year, or 2.7% over the consumer base of December 2008.

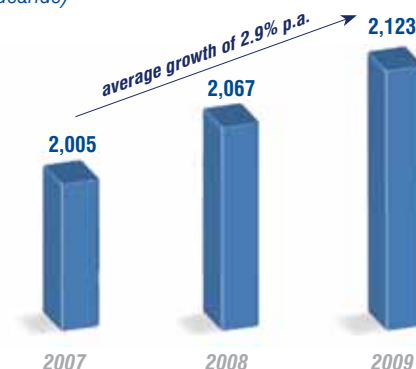
PURCHASE OF ENERGY

During the year, 71.3% of Elektro's energy supply was acquired through contracts resulting from energy auctions on the regulated market. The compulsory acquisition of energy from Itaipu power plant accounted for 24.4% of the total energy purchased. The remainder was composed of 2.2% from plants participating in the Alternative Sources Incentive Program (Proinfa) and 2.1% from bilateral contracts.

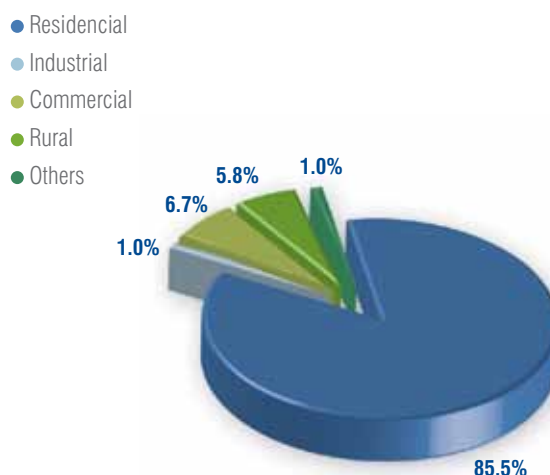
In compliance with conditions set by the current regulatory framework, Elektro has contracted all its energy needs for the period 2009 to 2012 and will need to contract additional energy to make up its requirements as from 2013. Part of this additional energy has already been acquired in auctions of the Madeira River power plants (Jirau and Santo Antonio) and additional amounts will be acquired at the next regulated auction sales.

Evolution on of total Customers

(thousands)*

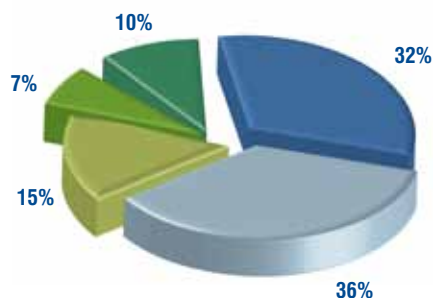


Customer Segmentation (Total: 2,1 million)



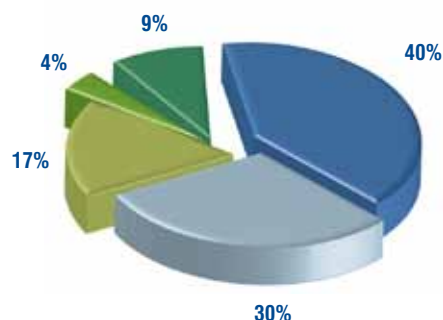
Amount of energy supplied to final customers (11,035.6 GWh)*

- Residencial
- Industrial
- Commercial
- Rural
- Others



Revenue from energy supplied to final customers (R\$ 3,719.5 billion)

- Residencial
- Industrial
- Commercial
- Rural
- Others



* Information not audited by the independent auditors.

ECONOMIC AND FINANCIAL PERFORMANCE

In a year of an atypical economic conjuncture, Elektro increased its supply of energy to final consumers by 1.8% and boosted Gross Operating Revenue by 8.5%. Net Income of R\$ 486 million was up 24% and EBITDA of R\$ 752 million remained on a par with that of last year. In addition, Elektro invested R\$ 276 million in capital expenditure, 8.8% higher than the previous year's figure. In 2009, the Company returned to the capital market, with a successful issue of R\$ 300 million in debentures, assuring a comfortable position of liquidity and maintaining its capital structure on a prudent level.

9,75	50,64	10,3M	VALE PNA EJ N1
4,11	4,95	599K	VALE /EJ PNA 45,64
3,18	3,82	5,93M	VALE /EJ PNA 47,64
2,51	33,28	10,9M	PETROBRAS PN
0,59	0,88	38,1M	PETR PN 34,00
			ELEKTRO PN ED
			ELEKTRO ON ED
5,17	35,80	352K	CPFL ENERGIA ON NM
10,13	20,89	954K	SANBUNT N2
22,01	22,80	1,16M	COSAN ON NM
17,90	39,17	957K	FIBRIA ON N1
1,16	1,19	12,0M	ECODIESEL ON NM
1,88	12,20	4,92M	ITAUSA PN N1
18,11	38,88	413K	ELETROPAULO PNB N2
1,48	11,69	9,46M	BMFBOVESPA ON NM
0,67	0,86	66,3K	BVMF ON 10,97
18,93	29,80	4,57M	GERDAU PN N1
9,60	9,80	180K	ECORODOVAS ON NM

TRF PARA RESTITUIR LIMINAR CONTRIBUIÇÕES DE VÓS DIMINUIEM NA EUROPA VANTAJOSO EM 9 ESTADOS
EXPROPRIAR PETROLEIRAS, PETROBRAS
CADOS NA EUROPA DEVEM OCORRER
ERNÓ DO DF PARA CUMPRIR MANDAT
RECUPERAÇÃO DE AÇÕES DE FINANCI
IT COMERCIAL DE US\$ 1,574 BI NO AN
\$ 16,4 MI NOS EUA POR PROBLEMAS
CIAL DE US\$ 108 MI NA 3ª SEMANA DE
INDICADORES ANTERIORES SOB

*Employee of the Financial Executive
and Investor Relations Office*

YEAR OF REVENUE GROWTH DESPITE THE GLOBAL FINANCIAL CRISIS



Linemen carrying out maintenance on a live transmission line, using a 25-meter reach aerial platform with isolation up to 500kV

ECONOMIC ENVIRONMENT

The beginning of 2009 was marked by impacts from the international financial crisis, the effects of which on the local economy were felt more strongly as from the last quarter of 2008. In the first quarter of 2009, Brazil's economic activity fell to the lowest level in the last 34 years. However, during the course of the year, the domestic market showed gradual recovery with the expansion of consumer credit and housing loans, a decline in interest rates and the consequent increase in liquidity. This process gained pace in the second half of the year. In September 2009, Moody's was the last of the three major risk rating agencies to raise Brazil's long-term country risk to investment grade.

For the first time since its creation (in 1989), the General Price Index (IGP-M) closed the year showing deflation of 1.72%, after registering an inflation rate of 9.81% in 2008. The result was influenced by the decline in the US dollar rate and its effects on the prices of raw materials, intermediary and exportable goods. The Consumer Price Index (IPCA) registered a 4.31% increase at the close of the year, below the 5.90% reported in 2008. The fall in food prices was the main reason for the reduction in this index.

Interest rates registered significant reductions during the first half-year. The basic interest rate (SELIC) dropped from 13.75% to 8.75%, the lowest level since it was created in 1986. In December 2009, with the IPCA near to the center of the government-set inflation goal (4.5% per year), the Monetary Policy Committee (COPOM) decided to keep the SELIC rate at 8.75% per year. The National Monetary Council reduced the Long Term Interest Rate (TJLP), which had stood at 6.25% for 27 months, to 6.00% per year, the lowest level since its creation in 1984.

According to data released by the Brazilian Institute of Geography and Statistics (IBGE), Brazilian industrial output in 2009 registered the highest annual decline since 1990, down 7.4% compared to the previous year. The sudden contraction in international demand and the time it has taken for the developed economies to recover from the crisis, with the consequent deterioration of confidence in the market and the reduction in the level of investments in industry, were the main triggering factors of this result.

The trade balance surplus for 2009 was 1.4% lower than that registered for the same period of 2008 (US\$ 24.6 billion as compared to US\$ 25.0 billion). Exports and imports, which posted drops in both volume and price, were down 22.2% and 25.3%, respectively, reaching US\$ 152.3 billion and US\$ 127.6 billion.

The main economic indicators that influenced Elektro's results presented the following changes:

Indicators (cumulative variation)	2008	2009
Foreign Exchange rate R\$/US\$ (1)	2.3370	1.7412
Foreign Exchange valuation/(devaluation)	-31.94%	25.49%
General Price Index (IGP-M)	9.81%	-1.72%
Consumer Price Index (IPCA)	5.90%	4.31%
Interbank Deposit Certificates (CDI)	12.33%	9.84%
Long Term Interest Rate (TJLP)	6.25%	6.12%

(1) At December 31
*Quotation at December 31, 2009.

TARIFF REVIEW AND ADJUSTMENT

As stipulated in the concession agreement, Elektro's periodical tariff review was held on August 27, 2007, with a consequent average 18.59% tariff reduction. Some of the parameters used to determine the 2007 tariff review had been calculated on a temporary basis for all of the electric energy distributors in Brazil.

On August 27, 2009, Aneel calculated the definitive amounts for these parameters, with the result that Elektro's tariffs suffered an average reduction of 20.52%, instead of 18.59%. The difference in the amounts billed between August 27, 2007 and August 26, 2009 in the amount of R\$ 55.8 million is being reverted into tariff modicity as of August 2009.

At the same time, Aneel homologated the annual 12.19% tariff adjustment, but due to the exclusion of some financial components that had been added into the previous tariff adjustment, the perceived effect by captive consumers is 4.98% (Explanatory Note No. 4) of Financial Statements.

ECONOMIC AND FINANCIAL PERFORMANCE

The Note on the restatement of the 2008 results: Law No. 11,638/07, which took effect on January 1, 2008, brought about several changes to Corporate Law, particularly in the chapter dealing with the preparation and disclosure of financial statements, including criteria for recognizing and evaluating assets and liabilities. The main purpose of these changes is to enable the convergence of the generally accepted accounting practices in Brazil with the International Financial Reporting Standards (IFRS). To comply with the requirements introduced by these changes in Brazilian Corporate Law, the 2008 results were partly restated so that they could become comparable with those of 2009 (Explanatory Note No. 2) of Financial Statements.

RESULTS

Results items and indicators (R\$ Millions)	2008	2009	Var. \$	Var. %
Energy sales to final customers	3,404.8	3,719.5	314.7	9.2%
Revenue from the use of the distribution system	252.4	365.9	113.5	45.0%
Other revenues	62.6	(50.7)	(113.4)	-181%
Operating revenue	3,719.9	4,034.6	314.7	8.5%
Operating revenue deductions	(1,207.4)	(1,372.3)	(164.9)	13.7%
Net operating revenue	2,512.5	2,662.3	149.9	6.0%
Energy purchased for resale ¹	(1,328.6)	(1,453.6)	125.0	-9.4%
Operating expenses	(553.8)	(590.0)	36.2	-6.5%
EBIT	630.1	618.7	(11.3)	-1.8%
EBITDA²	754.4	752.4	(2.0)	-0.3%
Financial result	(140.2)	2.9	143.2	-102.1%
Net income	391.8	485.6	93.8	23.9%

(1) Net of PIS/COFINS credits.

(2) EBIT + Goodwill amortization + Depreciation and other amortizations.

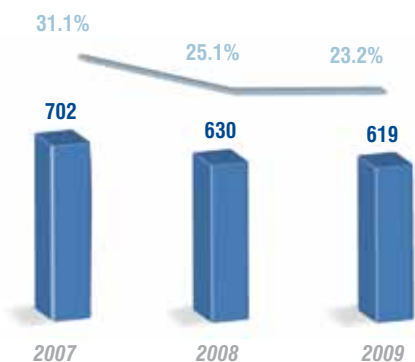
Gross operating revenue reached R\$ 4.0 billion, up 8.5% as compared to 2008. Net operating revenue totaled R\$ 2.7 billion, reporting 6.0% growth. The increment was due to an increase in the average tariff resulting from the 2008 and 2009 tariff adjustments, as well as higher energy consumption by the residential and commercial segments, whose higher tariffs offset the decrease registered by the industrial and rural segments.

It should be mentioned that the increase in revenue could have been higher were it not for the negative effect of the final calculation of the August 2007 tariff review in the amount of R\$ 55.8 million, booked to "Other Revenues" (Notes 4.1 and 8.6 to the Financial Statements).

The cost of energy purchased for resale was up 9.4% compared to 2008 due to an increase both in the volume purchased and in the average tariff.

EBITDA stood at R\$ 752.4 million, representing a slight decline of 0.3% in relation to 2008. EBIT totaled R\$ 618.7 million, down 1.8% when compared to 2008*.

EBIT (R\$ Millions) and EBIT margin¹ (%)

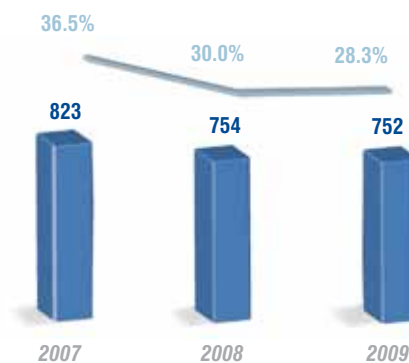


- EBIT Margin
- EBIT

¹ EBIT/Net Operating Revenue

* Excluding the nonrecurring impact related to the final calculation of the preliminary August 2007 tariff review, EBITDA would have been R\$ 808.2 million, higher by 7.1% than the previous year's result.

EBITDA² (R\$ Millions) and EBITDA³ margin (%)



- EBITDA Margin
- EBITDA

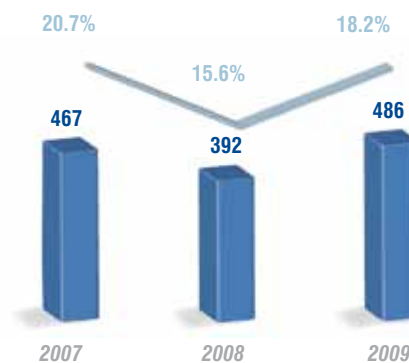
² EBIT + Depreciation + Goodwill amortization and others amortizations (Income statements and statement of cash flows)

³ EBITDA/Net Operating Revenue

Financial result was positive by R\$ 2.9 million, significantly higher than the negative result of R\$ 140.2 million reported in 2008. The main reason for this variation was the reversal of R\$ 95.8 million reserve for contingencies related to PIS and COFINS due on financial income (Note No. 34 to the Financial Statements). If we disregard this nonrecurring effect, financial income would instead have been a financial expense of R\$ 92.9 million. The positive difference of R\$ 47.3 million over the same period in 2008 is mainly due to the deflation in the IGP-M, the index to which the adjustment of the first series of the second issue of debentures was linked, which represents 28% of the Company's debt.

As a result, Elektro registered a Net Income of R\$ 485.6 million, 24% over the R\$ 391.8 million obtained in 2008. Excluding the nonrecurring items – reversal of the reserve for contingencies and the final calculation of the tariff review – the Net Income reported in the period would have been R\$ 445.6 million (net of income tax and social contribution).

Net income (R\$ Millions) and net margin⁴ (%)



- Net income (R\$ Millions)
- Net margin

⁴ Net Income/Net Operating Revenue

CAPITAL STRUCTURE

Third Party Loans in 12/31/2009	Short-term	Long-term	Total	
	R\$ Millions	R\$ Millions	R\$ Millions	%
Debentures	249.3	421.3	670.6	61%
BNDES Finem/Finame	56.3	224.1	280.4	25%
Eletrobras	6.9	92.5	99.4	9%
Finep	0.8	33.2	34.0	3%
Leasing	9.0	15.5	24.5	2%
Total Debt	322.3	786.6	1,108.9	100%
Debt Profile	29%	71%	100%	
Cash, Financial Investments and Pledged Funds (1)			(281.5)	
Net Debt			827.4	

(1) Excluding pledged funds for energy purchases.

Elektro closed 2009 with a net debt of R\$ 827.4 million, the result of its total debt of R\$ 1,108.9 million minus cash and cash equivalents of R\$ 281.5 million. Long-term debt accounts for 71% of the total debt, which represents a comfortable solvency profile.

To fund its investment program, the Company raised R\$ 170 million from the following credit lines:

- National Economic and Social Development Bank (BNDES): R\$ 108.0 million, through financial agents;
- Eletrobras: R\$ 37.3 million related to the “Luz para Todos” (Government Program);
- Research and Projects Financing (FINEP), also known as the Brazilian Innovation Agency, subordinated to the Ministry of Science and Technology: R\$ 24.7 million.

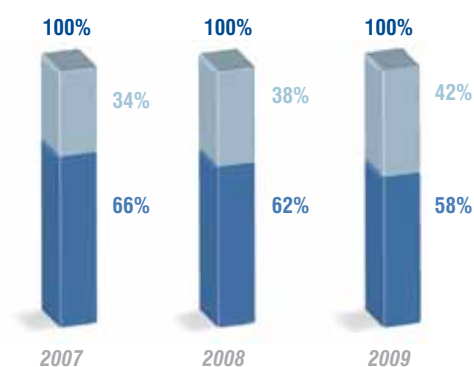
At the end of the period, its leverage ratio (net debt/net debt + Shareholders’ equity) of 42% was at a level that ensures prudent liquidity.

Total debt at the closing of the year showed the following indexation structure:

RISK CLASSIFICATION

On May 13, 2009, the Standard & Poor’s risk rating agency upgraded Elektro’s corporate rating from brAA, to brAA+, which is among the best in the energy distribution sector. The 2005 second issue of simple, unsecured and non-convertible debentures of a total amount of R\$ 750 million also had its rating raised from brAA+ to brAAA. The third issue of simple, unsecured and non-convertible debentures on June 18, 2009, in the amount of R\$ 300 million, was rated brAA+ by Standard & Poor’s.

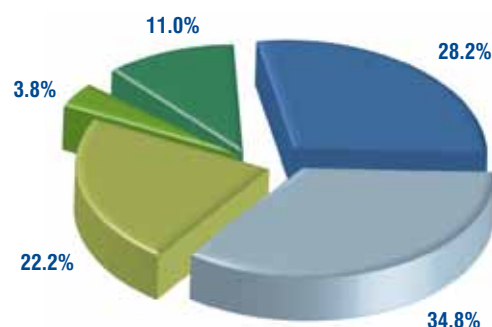
Capital Structure Net Debt/(net Debt + Shareholders’Equity)



- Net Debt
- Shareholders' Equity

Total Debt at 12/31/2009 (Total: R\$ 1,108.9 million)

- IGP-M
- CDI
- TJLP
- IPCA
- Others



CASH FLOWS

In 2009, R\$ 74.2 million was generated in cash flows, R\$ 26.5 million higher than reported in 2008. This increase was mainly due to:

- R\$ 85.8 million increase in cash from operations, especially as a result of higher consumption by the residential and commercial segments, which pay higher tariffs, and also of increased revenues from the greater use of the distribution system;
- New funding amounting to R\$ 170.2 million via credit lines extended by BNDES, Eletrobras and FINEP, and the raising of R\$ 120.0 million as a result of the first issue of commercial papers;
- Net increase of R\$ 297.2 million in funds raised through the third issue of debentures.

These effects were partially offset by:

- R\$ 16.8 million increase in investments, due to a greater number of new connections and network expansion, as well as investments in information technology programs, especially in the implementation of the new SAP system version (NEO Project);

In May 2009, STANDARD & POOR'S raised Elektro's rating from brAA to **BRAA+**, among the best in the energy sector

- R\$ 320.0 million increase in the amortization of loans (principal), especially regarding to the second issue of debentures, the first issue of commercial paper and BNDES loans;
- R\$ 181.2 million increase in the dividends payout, mainly due to the increase in Net Income in the first half of 2009 compared to the same period in 2008.

	Amounts in R\$ Millions		
	2008	2009	Variation
Net income for the period	391.8	485.6	93.8
Depreciation and amortization	117.0	126.3	9.3
Amortization of deferred taxes	63.6	97.0	33.4
Interest and monetary and exchange rate variations	137.7	39.8	(97.9)
Regulatory assets and liabilities	3.1	64.7	61.6
Other	73.8	25.5	(48.3)
Expenses (revenues) not affecting cash	395.3	353.3	(41.9)
Adjusted net income	787.1	838.9	51.8
Variation of operating working capital	(260.3)	(224.1)	36.2
Operating Cash Generation after income tax, Social Contribution and Interest Payments	526.8	614.8	88.0
Acquisition of Property, Plant and Equipment	(267.9)	(276.1)	(8.2)
Other	(7.6)	(16.2)	(8.6)
Investments	(275.5)	(292.2)	(16.8)
Amortization of principal	(52.3)	(372.2)	(320.0)
New funding	128.7	290.2	161.4
Debentures issuance	–	297.2	297.2
Financing Activities before Dividends Payment	76.5	215.1	138.7
Dividends and interest on equity paid	(280.1)	(461.3)	(181.2)
Financing after Dividends Payment	(203.6)	(246.2)	(42.6)
Net generation (consumption) of cash	47.7	74.2	26.5
Initial balance for the period (excluding pledged funds)	157.3	205.0	47.7
Final balance for the period (excluding pledged funds)	205.0	279.2	74.2

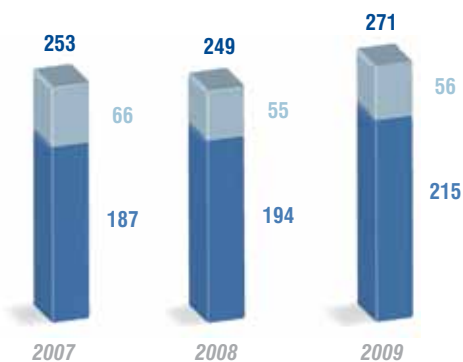
Obs.: According to Explanatory Note No. 2, restatements in the Financial Statement were performed regarding December 31, 2008 when compared to the amounts published in the previous period, resulting in better comparability to 2009 results.



Lineman replacing a lamp in the public lighting system

INVESTMENTS

Evolution of investments¹ (R\$ Millions)



- Universalization
- Expansion and modernization of electric system and operational support

¹Excluding investments made with customers funds (R\$ 4.6 million).

Investments totaled R\$ 276.1 million, of which R\$ 4.6 million was with customers' own funds. The main investments and their respective amounts are broken down as follows:

- R\$ 215.0 million in the expansion, improvement and maintenance of the electric and operational support systems, R\$ 94.6 million of which was invested in the maintenance of the electric system;
- R\$ 19.7 million in technological improvement and upgrades;
- R\$ 64 million in new connections and in the expansion of substations and transmission lines and R\$ 36.7 million in information technology and infrastructure programs; and
- R\$ 56.4 million in the Universalization Program, in compliance with Law No. 10,438/2002, divided up as follows: R\$ 45.4 million in rural electrification programs, which enabled the supply of energy to 7,564 new customers under the *Luz para Todos* – Government Program (264 more connections that the established target for the year), and R\$ 11.0 million in the Universalization Program, which determines that new connections and load increases be made without charge to customers for loads less than 50 kVA.

Investments were higher than the previous year due to a greater allocation of funds for new connections together with substation and transmission line expansion, as well as an increase in operational support programs, such as the anticipated fleet renewal (R\$ 13.7 million) due to the IPI reduction, and in information technology, to complete the NEO Project – new version of SAP (R\$ 7.0 million).

ADDED VALUE

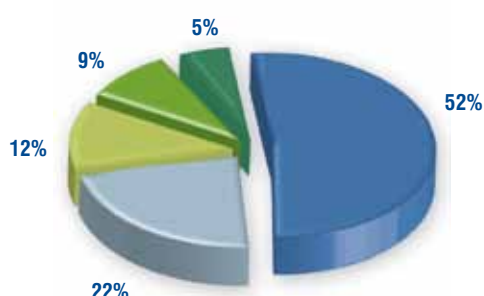
The added value to be distributed (R\$ 2,204.6 million) grew more than the revenue that generated it (13% against 9%), due to a significant growth in financial income and to exchange rate and monetary indexation fluctuations (94%). There were also gains in productivity and margin due to the 9% increase in revenue, but this could only partially offset the higher growth in the cost of purchased energy (10%), whose weighting is significantly higher.

In relation to the previous period, distribution of added value to which the shareholders are entitled in the form of dividends (+24%) rose, whereas the share due to banks and financing agents dropped (-30%).

The chart below shows the percentage share of each category in the 2009 added value distribution.

Added value distribution (Distributed value = R\$ 2,205 million)

- Government
- Shareholders
- Consumer charges
- Personnel
- Banks and financing agencies



Our Company has managed to build a **REPUTATION** in the electricity distribution sector, associated with **COMPETENCE** and **ETHICS**

Government withheld 52% of the total added value, collecting R\$ 1,150.7 million for the public coffers. It is important to note that state governments collected a total R\$ 720.2 million or 33% of the total added value.

An amount of R\$ 195.6 million, corresponding to 9% of the total added value (11% higher than in 2008), was paid out to Elektro's employees, confirming the important economic and social role the Company plays as an employer.

The shareholders were granted 22% of the total added value; R\$ 461.3 million in dividends (compared to R\$ 371.1 million in 2008) and R\$ 24.3 million in the form of retained earnings (compared to R\$ 20.6 million in 2008).

Added Value Statement – R\$ Millions	2008	2009	Var.\$	Var. %
Revenue	3,707.1	4,025.9	318.8	9%
Inputs acquired from third parties	(1,723.6)	(1,876.7)	-153.1	9%
Depreciation and amortization	(124.3)	(133.6)	-9.3	7%
Financial revenues and exchange variation and monetary indexation	97.2	189.0	91.8	94%
Added value to be distributed/Distribution added value	1,956.4	2,204.6	248.2	13%
Personnel	176.9	195.6	18.7	11%
Government	1,011.4	1,150.7	139.3	14%
Consumer charges	209.5	256.4	46.9	22%
Banks and financing agencies	167.0	116.3	-50.7	-30%
Shareholders	391.7	485.6	93.9	24%

INTANGIBLE ASSETS AND LIABILITIES

We are certain that Elektro's operating efficiency, acknowledged by the awards it received from Abradee for "Best Operating Management" in five of the last six years (2004 and 2006-2009), is its main intangible asset. For a Company that has a captive, but at the same time a delimited market and whose operations are based on tariffs subject to pre-established contractual and legal rulings, operating efficiency is the differential to steadily increase shareholder returns and heighten its credibility among other stakeholders.

As operating efficiency is the result of the managerial skills, efforts and the creativity of the employees, these factors are also considered an intangible asset of the Company, particularly because of the ability to redesign processes by resorting to innovation and pioneering spirit.

Our Company has managed to build a reputation in the power distribution sector, associated with competence and ethics. This is the other intangible asset that has greatly contributed to the sustainability of the business.

THE STOCK MARKET

Elektro is a publicly-held company listed on the Brazilian Securities and Exchange Commission (CVM) and on BM&FBovespa under codes EKTR3 (common shares) and EKTR4 (preferred shares). The free float is only 0.32% of its shares.

Its preferred shares (EKTR4) appreciated by 57.5% in 2009, and registered a total trade volume of R\$ 130.5 million.

Trading of its common shares (EKTR3) was not significant.

The dividend policy stipulates payment to shareholders of up to 95% of the reported Retained Earnings in the period. On August 11, 2009, the Board of Directors approved a proposal for paying R\$ 238.1 million in interim dividends, based on the reported net income for the first half-year 2009. This payment was made in three installments of R\$ 101.0 million, R\$ 62.5 million and R\$ 74.6

million, respectively, which were paid on August 26, 2009, October 20, 2009 and December 16, 2009. At a Board of Directors meeting held on November 10, 2009, the proposal to pay interest on equity of R\$ 67.5 million related to fiscal year 2009 was approved. The payment was made on January 21, 2010.

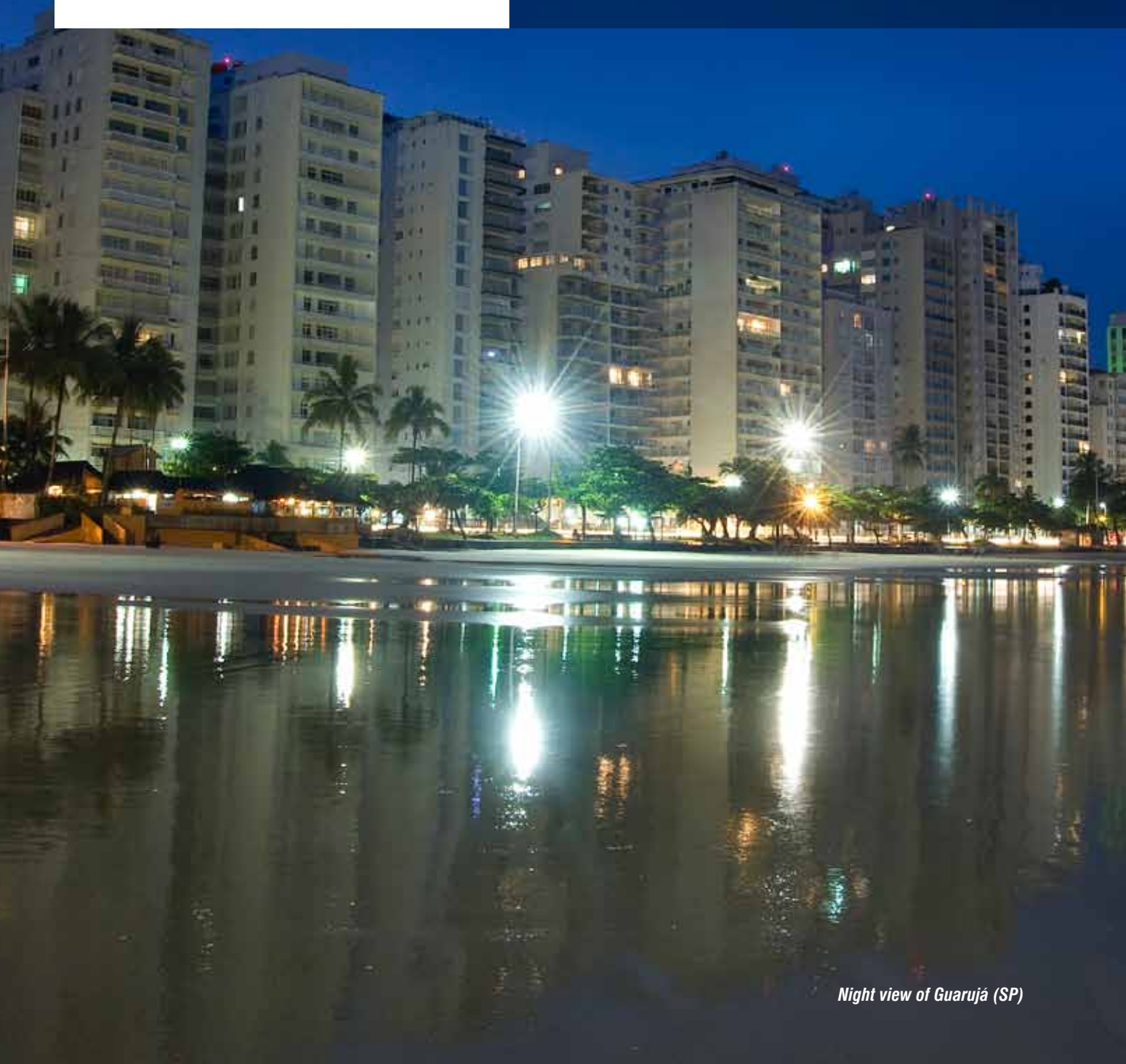
Elektro's management also proposed payment of dividends related to fiscal year 2009 amounting to R\$ 155.6 million (net of interim dividends), as approved by the Shareholders' Meeting on March 30, 2010.

Elektro is liable for unsecured, non-convertible debentures publicly floated. On December 31, 2009, this debt amounted to R\$ 670.6 million, R\$ 300.9 million of which correspond to the third issue of debentures held on July 1, 2009. The second issue, previously held, has two series yielding the equivalent of the IGP-M+11.8% and CDI+1.65% per year, respectively. The third issue yields CDI+1.4% per year and the maturity date is September 18, 2011.

Our customers benefited from various improvements to facilitate their access to the Company and there was an increase in the satisfaction levels surveyed by Abradee. We are continuing with several social projects together with our partners and have continued proactive monitoring of environmental topics together with the regulatory bodies.

The energy efficiency program made advances in various segments and our social actions were concentrated in education, culture and income generation. The adoption of efficiency measures contributed to reducing the environmental impact of our activities and, in addition, we have compensated for atmospheric emissions with tree planting.

SOCIO- ENVIRONMENTAL PERFORMANCE



Night view of Guarujá (SP)

SOCIAL ACTIONS AND ENVIRONMENTAL CARE IMPROVING LIFE AND PRESERVING THE PLANET



Riviera de São Lourenço (SP)

CUSTOMER RELATIONS

Elektro's customers are distributed in four distinct regions (Western, Central, Southern and Eastern), not only geographically, but also by their socio-economic characteristics. In the coastal area of São Paulo State, activities linked to tourism and commerce prevail. In the regions close to the State's capital city of São Paulo, industrial and commercial activities predominate. And in the Central and Western Regions of São Paulo State and the Southeast of Mato Grosso do Sul State, the principal economic activities are agricultural and agribusiness. It is, therefore, a varied portfolio, with specific demands and requirements.

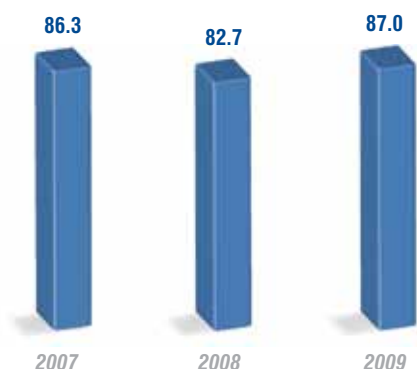
It is a concession area with a high potential for development, consisting of 223 municipalities in the State of São Paulo and five municipalities in the State of Mato Grosso do Sul, with the Company distributing electric energy to 2.1 million customers and serving a population of 5.5 million people.

Elektro has a customer base that has been growing at an average 2.9% per year since 2006 and is concentrated in the residential segment. In addition, the industrial segment customer base is diversified, resulting in consumption of electric energy in the concession area being less vulnerable to fluctuations in a particular sector of the economy.

To better serve our customers, we use customer satisfaction surveys and information from our relationship channels. The satisfaction surveys are carried out by Abradee and by Aneel and the numbers obtained show that Elektro holds an outstanding position compared to its fellow power distributors and to the regional and national averages. By observing the evolution of the satisfaction indexes in recent years, we can see that our constant efforts have been recognized by customers and, in 2009, all the ratings surveyed by Abradee were above those of previous years, while in the Aneel survey, despite a slight fall, the Company's rating remained among the best in its category in the Southeastern Region.

Index	2007	2008	2009
Index of Satisfaction with Perceived Quality – ISQP (Abradee)	86.3	82.7	87.0
Index of General Satisfaction (ISG) (Abradee)	81.2	87.7	94.5
Aneel Index of Customer Satisfaction (IASC)	73.2	72.7	70.2

ISQP – Index of satisfaction with perceived quality (Abradee)



Highlight: Abradee Index of Satisfaction with Perceived Quality (ISQP) – Elektro obtained its best rating ever, coming in first place in the Southeastern Region in the customer satisfaction survey carried out by Abradee in 2009.

The degree of fulfillment of customers' expectations can also be evaluated by the DEC and the FEC, which in the last six years have surpassed the levels required by Aneel, as well as the sector average. In recognition, Elektro has been awarded the "Best Operating Management" prize from Abradee in five out of the last six years (2004, 2006, 2007, 2008 and 2009).

Other forms of evaluation are the average time taken for connection and reconnection, the average time for urgent reconnection, efficiency at initiating a project and the ratings for level of service in busy or abandoned calls to the Customer Service Call Center (CAC), which, in all cases, place Elektro's service at levels higher than the sector average and the requirements of the interested parties (RPIs). The rate of complaints heard by our Ombudsman is one of the lowest in the State of São Paulo and has evolved favorably over recent years, from 37%, in 2005, to 15% in 2009.

Various improvements were made to our CAC during 2009. In addition to those already described in the chapter on Innovation, in terms of technological changes and forms of service, we have expanded the service channels with the addition of 36 operator posts.

In order to provide a more specialized and efficient service, Elektro utilizes commercial stratification aligned with the stipulations of Aneel which includes five groups of customers, categorized according to size and importance, targeted at identifying the specific needs of each group, as shown below:

- Group B – guidance on the proper use of energy in terms of risks and danger and clarification of rights and obligations; exclusive service channel; service agility; necessities attended to etc;
- Group A – agility in contract negotiation or renegotiation; negotiated conditions meet requirements; exclusive service channel; agility in service; receive guidance on regulations concerning contracts, tariffs, sector legislation etc;
- Key Customers and Corporate Customers – personalized and exclusive service for the segment; agility in contract negotiation or renegotiation; negotiated conditions meet requirements; agility in service; receive guidance on regulations referring to contracts, tariffs, sector legislation, etc;
- Institutional Customers – personalized and exclusive service given by institutional consultants trained in the most varied matters relating to needs, such as technical availability to support new loads, contractual renegotiation, guidance on regulations concerning contracts, tariffs, sector legislation, etc.

Discovering **CUSTOMERS'** interests,
needs and expectations is fundamental
to providing **QUALITY SERVICE**



Customer benefiting from the Elektro Community Energy Program in Franco da Rocha (SP)

Segment	Quant. clients	Criteria	Voltage	Consumer Segment
Group B	2 million	Customers with low voltage supply – mainly residential, rural and commercial customers.	Supply with voltage below 2.3 kV.	Residential, Industrial, Commercial, Rural, Public service and own consumption.
Group A	5,335	Customers with supply contract below 500 kW. Mainly made up of commercial and industrial customers.	Can be classified as: A2 – voltage from 88 to 138 kV; A3a – voltage from 30 to 44 kV; A4 – voltage from 2.3 to 25 kV.	Industrial, Rural, Commercial and Public Service.
Key Customers	609	Customers with electricity supply contract or distribution network use, of 500 kW or above. Composed mainly of industrial units.	Can be classified as: A2 – voltage from 88 to 138 kV; A3a – voltage from 30 to 44 kV; A4 – voltage from 2.3 to 25 kV.	Industrial, Rural, Commercial and Public Service.
Corporate	33	Series of consumer units in the same organization or juridical identity, having 10 or more consumer units and at least one in the following conditions: sum of contracted demands of 500kW or above; billing of all units of R\$ 100,000 per month. Also in the segment are state and federal public services.	All voltages	Industrial, Rural, Commercial and Public Service
Institutional	232	Customers classified as Municipal Public Authorities, NGOs, foundations, hospitals, city halls.	All voltages	Municipal Public Authorities, Public Service, public lighting, hospitals.

For each of these groups we aim to provide a differentiated service, according to their expectations. Since 2007, we have been offering a training session in “Excellence in Customer Relations” to all employees, with the aim of incorporating and disseminating the customer culture throughout the Organization. We have created the training segment “Leader as Customer Relations Agent”, aimed at raising awareness among all managers, supervisors, and coordinators of their role in ensuring customer satisfaction.

EMPLOYEE RELATIONS

The essence of Elektro's success comes from people. The Human Resources (HR) process evolved through various improvements in internal communication and integration between departments.

At the end of the year, our workforce comprised 3,018 Company employees and during 2009 we had 42 trainees, on average. Of the total employees, 467 are women, 428 are African-Brazilians, 546 are over 45, and 46 are people with special needs.

The number of employees occupying executive positions (management or directors) accounts for 4.97% of the total workforce, and the number of women occupying management positions was 11.3% of total executive positions.

The net balance of hiring and dismissals in 2009 was positive, with the creation of 340 work posts, most of which were filled by the incorporation of outsourced workers into the Company workforce.

Elektro also has 2,985 outsourced workers.

Benefits received by Company employees include medical/dental assistance, transport vouchers, meal vouchers, food vouchers and day care assistance. In addition, they share in Company profits and results, and have the option of joining the private pension plan, which is complemented by the Company in the form of pension plan

assistance. In 2009, R\$ 67 million was spent on payment of these benefits (R\$ 41 million in 2008), which does not include the payment of compulsory social security.

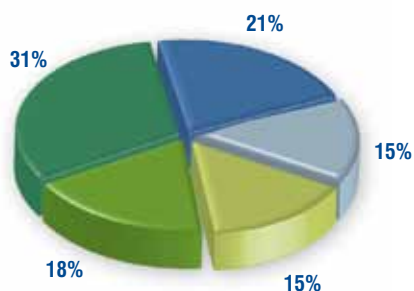
The Recruitment and Selection process is part of the Quality Management System and makes internal recruitment a priority. In the case of no employees being identified as having the competencies required, the Company looks to external recruitment, with the help of external consultants. In both cases, the candidate for the post undergoes a selection process that evaluates aptitude and competence, independently of race, religious belief, age or gender.

Elektro uses a Management by Competencies Model enabling the development of polyvalent professionals and agility in the training of new managers, resulting high utilization of its internal personnel.

The Company has a Personnel Development Cycle program, whose goal is to manage performance, promoting the employee's professional development and helping in the vision of their competencies by the various stakeholders. The tool used is the Evaluation 360°, carried out every two years by peers, employees and the employee's manager, together with the evaluation of the Managers Committee, carried out annually. The results are compared and used to define training and development actions and other programs to bring benefits to the employee's career.

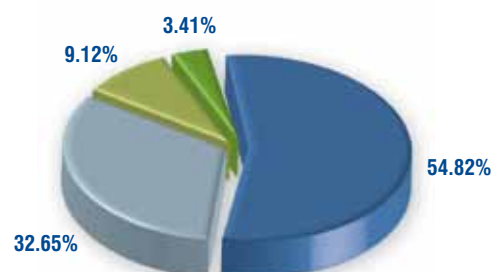
Employees – distribution by region (Total: 3,018)

- Central Region
- Eastern Region
- Western Region
- Southern Region
- Campinas (Head Office)



Employees – level of education

- High School
- University
- Elementary
- Postgraduate





Electricians at the Elektro Center for Training and Corporate Education

To maintain the high qualification of its technical-functional workforce, Elektro develops programs for the qualification and professional growth of its employees. In 2009, R\$ 6.0 million was invested in education, technical training and professional development of these employees, with an increase of 24% in the number of “employees x training-hours”. This growth is mainly associated with operational personnel absorbed from outsourced companies.

The culture of excellence is also encouraged by the TOP Elektron program, in which employees who have been outstanding during the year are publicly acknowledged and awarded prizes during the *Encontro Elektro* (Elektro Gathering), an annual event at which the

Company’s management promotes meetings with employee groups, throughout the entire concession area. Prizes are awarded in the categories “Volunteers”, “Elektro Educators”, “Simple Ideas, Great Improvements”, “Safety Employee” and “Outstanding Employee in Customer Service and Commitment”, all correlated with the Organization’s values.

The wellbeing, satisfaction and commitment of personnel is evaluated by the Organizational Climate Survey, undertaken in partnership with a specialist consulting firm, the results of which give support to the preparation of action plans for the improvement of the points raised by the survey.

EMPLOYEE X TRAINING-HOURS (IN THOUSANDS OF HHT)

Category by function	2007	2008	2009
Manager	59	124	99
Specialist	27	67	79
Administrative	99	93	80
Operational	88	119	163
General by employee	88	106	131

ORGANIZATIONAL CLIMA

2005	2006	2007	2008	2009
68%	73%	69%	69%	69%

PARTNER RELATIONS

We encourage partnerships that can assist in the attainment of our strategic goals, and we seek out organizations that can share our knowledge and technologies to obtain mutual benefits. Currently, we have important partnerships with:

City Halls, State Parks, Environmental Preservation Associations, Socio-environmental Organizations (since 1998) – targeting environmental preservation, environmental awareness-raising education and the production of seedlings.

An example is the “Meninos Ecológicos” (Ecological boys) program, in partnership with the City Government of Votuporanga, the Associação de Educação do Homem de Amanhã (Education Association for the Man of Tomorrow) (AEHDA), the Serra da Mantiqueira Reforestation Association (Arflom), the Institute for Sustainable Development in the Ribeira Valley (IDESC), the Campina do Encantado State Park, the do Diabo State Park and the Institute of Ecological Research (IPE), aimed at awareness-raising, environmental education and seedling production.

Services Suppliers (since 1999) – This is aimed at sharing labor that guarantees quality and safety in the installation and in the execution of activities, sharing work methodologies, technologies and ideas;

City halls, NGOs, labor associations, and community associations (since 2004) – to provide services to the communities in the concession area and offer projects in education, citizens’ rights and duties and the development of public policies; technical know-how, registration of young people and knowledge of local needs are all shared.

An example is the Census of Disabled People, in partnership with city halls, municipal chambers and companies and institutions acting with disabled people, which seeks, via the electricity bill to identify and register people with disabilities.

Another example is the “Elektro Cultural Circuit”, in partnership with city halls and communities, which, through the “Cultural Caravan” promotes a series of activities in music, theater, cinema and the energy museum.

Local social institutions, neighborhood associations, NGOs, Company suppliers, Abrace (Embrace) – since 2006 – sharing business management, volunteering and knowledge of local needs.

The “Embrace Program” gives support to voluntary actions by Elektro employees. Another example of this kind of partnership is the Fazer Acontecer program (Make it Happen), aimed at strengthening the potential for leadership among adolescents and youth; promoting the involvement of young people.

Post offices and Real Estate agencies (since 2006) – as a way of broadening their public outlets, increasing access to customers, with gains in scale and reduction in costs; in these partnerships, customer service techniques are shared.

In its relationship with partners and suppliers, Elektro has always sought to adopt and encourage, transparency, ethics and the preservation of its values, especially those affecting people and the environment.

REGULATORY MATTERS AND RELATIONS WITH REGULATORY BODIES

The relationship with Aneel and other regulatory bodies is extremely important to any company in the electric energy sector, inasmuch as the activity is regulated by these bodies. In addition to the previously mentioned tariff topics, two others deserved attention in 2009:

- The first is that Aneel took steps to facilitate the evaluation of the distributing companies’ assets. Resolution No. 367/2009 set new guidelines and created rules to be implemented during 2010;
- The second has its origin in Module 8 of Aneel’s Distribution Procedures (Prodist), which introduced an important regulation change, establishing the mechanism for payment of fines for quality indicators non-compliance. Until then, these indicators were evaluated in a collective and individual manner. The collective indicator, which represented the average result of the concession and had its eventual fine collected by the Federal Government, ceased to exist, leaving only the individual indicator. With the new rules, the fine for non-compliance with the individual indicator should be paid directly to the consumer, by means of the electricity bill. The exclusion of the overall, collective indicator eliminated the possibility of negotiation with Aneel, as the quality evaluation is now restricted to the Company’s own indicators. The new rule came into effect in January 2010.

In 2009 the second cycle of Elektro's tariff review ended with the definition of the parameters that had been provisionally set in the August 2007 tariff review. The values defined resulted in a reduction in the amount of operating costs covered by the tariff. Therefore, the annual readjustment was reduced in order to compensate the higher amounts received in the period from August 27, 2007 to August 27, 2009. The average readjustment for consumers was 4.98%.

During the negotiation process with Aneel, we adopted total transparency as a way of eliminating any possible information asymmetry between Aneel and the Company.

The Company is a proactive player in the public hearings, consultations and meetings held in the sector and plays a preponderant role in defining actions promoting equity and justice in the relationship with the regulator.

This continuous activity, as well as the participation in and monitoring of all initiatives resulting from various forums, helps to monitor and quantify regulatory risks. Risks and opportunities are identified, in order to bring forward mitigating actions or take advantage of the existing opportunities.

UNION RELATIONS

Elektro has relations with four unions; the Engineers Union of São Paulo State, the Union of Electric Energy Industry Workers of Campinas, the Union of Electric Energy Industry Workers of São Paulo State and the Union of Electric Energy Industry Workers of Itanhaém, Bertioga, Guarujá, Litoral Sul and Vale do Ribeira. This relationship is forged in negotiations that prioritize common interests and respect between the parties, and continuous communication with the union entities is fundamental to the maintenance of this relationship.

RELATIONS WITH SOCIETY

Part of Elektro's social action is carried out through energy efficiency projects, Law No. 9,991/00 and Aneel's regulations. We have, however, sought to go beyond what the law stipulates and, aware of the importance of our presence in communities of the concession area municipalities, we have tried to act as providers for the development and improvement of the social conditions of these communities, principally in the areas of education, culture and income generation. Placed before any of these actions, however, is our continuous concern with the safety conditions of the electric grid and with reducing accidents, as well as environmental preservation.

The matter of external security has been addressed in ongoing awareness-raising among the people of these communities, principally among those with lower incomes, on the risks and dangers associated with inappropriate use of the electricity grid and the practice of activities in inappropriate places.

In 2009 we invested R\$ 17.8 million (R\$ 12.6 million in 2008) in the creation or maintenance of socio-environmental programs.

The Energy Efficiency Program is subdivided into various projects:

- The Elektro Community Energy project seeks to encourage energy savings in deprived communities, as well as promoting direct improvements in the communities in which it operates. This project has already carried out 25 thousand renovations to electrical installations, replaced 4.7 thousand refrigerators and donated 500 thousand compact fluorescent light bulbs. In addition, Elektro carried out renovation work in day care centers and soccer fields, and provided playground installations, street identification signs, basic courses on electricity in the home, plumbing, handcrafts and computer technology, among others, with a view to career training of the local inhabitants.

Part of the funding for the energy efficiency initiatives comes from Elektro's Energy Efficiency program, which is a legal obligation on the part of Aneel. Another part of funding allocated to initiatives of a social nature comes from Elektro's own funds.

Elektro Community Energy Project	2007 ¹	2008	2009
Low-income households served by the program with donation of light bulbs	83,591	51,210	50,090
Households served with upgraded residential electrical installations	12,861	6,468	6,145
Efficient equipment donations ²	325,056	182,311	188,741
Professional electricians trained by the program	130	201	381

¹ In 2007, actions of the 2006/07 and 2007/08 cycles were developed. Previously published data for the 2007 cycle were reviewed, as the 2007 cycle was not consolidated until the publication of the 2007 Sustainability Report.

² Includes donations of light bulbs.

Escola Inclusiva ELEKTRO

Students and team (Elektro Inclusive School)



- Lighting in public and philanthropic buildings: greater energy efficiency in these buildings through reduced energy consumption. This has already benefited 675 buildings with the replacement of light bulbs and the installation of reflective lighting. Included in this project are municipal governments, schools, hospitals, retirement homes, day care centers and facilities of the Association of Parents and Friends of the Disabled (APAE). With this initiative, consumption fell by 45%, reflected in the amount of the electricity bill, which was reduced by 15%.
- Energy Efficiency in Industry and Commerce. In 2009, Elektro's department of Energy Efficiency acted in the industrial and commercial sectors by means of talks and seminars on the correct and efficient use of electric energy, as well as the development of information manuals, technical publications and articles on the topic for various media.
- The Elektro in the Schools project travels throughout the Elektro concession area, training teachers in the public school network. Elektro annually goes to around 200 schools, 1,000 teachers and 100 thousand students. Every year, around 50 thousand books on the topic are donated and two mobile units travel to the schools that benefit from the project, demonstrating by experience the correct and efficient use of electric energy. Additionally, a website for schools has been developed for students and teachers to answer any questions on the topic of electric energy. In 2009, the project's two mobile teaching units were visited by 33 thousand students and the project as a whole carried out awareness-raising actions for 88 thousand students and teachers. .

The Cultural Circuit caravan brought music, plays, movies and the energy museum to a public of 62 thousand people in 27 cities in the concession area, publicizing the importance of safe and efficient energy use.

The Electricians School trained and qualified 120 students in residential electrical installations and in the erection of standard electricity entry points in the municipalities of Tatuí, Registro and Andradina. Of these, around 60 students were chosen to continue their training in the school as reconnection or construction and maintenance electricians, thereby becoming ready to take up work posts as Elektro employees.

Under the management of the Instituto Elektro, a non-profit institution and one of the main relationship channels between the Company and the community in promoting social responsibility, four social programs were developed over the year: *Escola Formare Elektro* (career training of 20 adolescents in the Administrative Services Agents course), the Social Entrepreneur Prize (promoting three social projects managed by Elektro volunteers), the *Fazer Acontecer* Program (encouraging a spirit of enterprise in 40 young people in the cities of Tatuí and Limeira) and the programs *Jovens ECONscientes and Meninos Ecológicos* – (skills-training for 70 young people in the production of tree seedlings and the promotion of education for sustainability in the community).

In partnership with the Instituto Elektro, the *Escola Inclusiva* Elektro was started in 2009, to train both, disabled or fully able people in the Call Center Operator and Administrative Assistant course, contributing to inserting trained professionals into the labor market. Of the 17 students trained in the first segment, eight were hired to work in Elektro's Customer Services.

ENVIRONMENTAL CONSERVATION

In 2009, R\$ 48.9 million (R\$ 26.2 million in 2008) was invested in initiatives encouraging greater environmental responsibility favoring the development and use of technologies respecting the environment. Of this total, R\$ 18.3 million (R\$ 3.0 million in 2008) were applied to Company operations and R\$ 30.6 million (R\$ 23.2 million in 2008) to external programs and projects.

The investments were allocated to the installation of compact insulated lines, with pre-spliced cables and to energy efficiency projects, recycling of oil regenerated from energized transformers, co-processing of waste, decontamination of light bulbs, tree planting, vegetation management, environmental research and development projects (R&D) and environmental awareness-raising projects, such as *Meninos Ecológicos* and *Jovens ECOncientes*.

Environmental certificates of the ISO 14001 standards granted to four substations were renewed. The target for 2010 is to expand the Environmental Management System (SGA) to all of Elektro's operations. During the year, environmental management was improved and fine-tuned, with the preparation of procedures and instructions for carrying out environmental licensing processes. With these procedures it became clear for all to see which operating activities required licensing, which sped up responses to customer demands.

The SGA internal auditing system was also improved, enabling more audits in decentralized offices and outsourced companies. These audits verify compliance with the Company's environmental management policy, compliance with environmental legislation, suitable waste disposal and employee behavior regarding environmental norms.

SOIL CONSERVATION

Elektro's activities have little environmental impact. However, much care has to be taken given the risk of potential contamination by oil leaks from transformers in the electric grid. To mitigate this risk, transformers providing safety against leakage are used, and, when a used transformer is replaced, its parts and waste are removed and recycled, becoming potential energy or an alternative raw material for the cement industry.

The treatment of solid waste such as light bulbs, reactors, batteries, metal scrap, posts, crossarms etc., is carried out according to Elektro's internal procedures, and in compliance with the environmental legislation in effect.

PRESERVATION OF AIR QUALITY

We have a program that regularly replaces the vehicle fleet and also increasingly uses more ethanol as fuel, so as to keep CO₂ emissions to a minimum. To evaluate and quantify emissions of gases we have developed a project in partnership with the State University of Rio de Janeiro (UERJ) and the Institute of Energy and Nuclear Research (Ipen). The studies began in 2008 and, based on preliminary results, greenhouse gas emissions (CO₂) and ozone-layer damaging gases (CFCs) have been offset with the planting of 25 thousand trees.

Our programs *Meninos Ecológicos* and *Jovens ECOncientes* increased the production of seedlings in the nurseries located in the Sao Paulo State municipalities of Campos do Jordão, Votuporanga, Araras, Teodoro Sampaio and Pariquera-Açu. These seedlings belong to species suitable for urban planting and are donated to city administrations in the concession area, with the goal of recuperating degraded spaces, increasing the number of trees in cities or for replacing large trees that represent a risk to the safety of the electric grid, property or people.

The programs offer career and environmental training for young people from five municipalities, training them as nursery gardeners. Since its inception in 1998, the project has produced over 2.5 million seedlings and trained around 600 young people.

In 2009, **R\$ 48.9 MILLION** was invested in initiatives promoting greater **ENVIRONMENTAL RESPONSIBILITY**



Lineman of the live-line team during maintenance activity on a compact line

ENVIRONMENTAL INDICATORS

Treatment, disposal and generation of waste		2007	2008	2009
Waste contaminated with oil (t)	Used as fuel in industrial boilers (earth, cloth and rags contaminated with oil or grease, resulting from leaks from stolen equipment or from its maintenance, in addition to oily sludge).	179.9	423.7	104.2
Insulating oil (l)	Collected and separated and sent to recovery companies.	269,404	342,675	294,548
Metal scrap (t)	Recycled.	881,678	1,023,468	819,637
Light bulbs (thousand units)	Undergo decontamination process, with separation of glass, aluminum and mercury. Each material is sent separately for recycling.	70.1	30.9	76.2
Batteries (t)	Lead and plastic are sent for recycling. Acid solution is neutralized and re-used.	10.4	6.5	7.1
Environmental indicators		2007	2008	2009
Total energy consumption (MWh)		8,217	8,773	9,051
Total water consumption (thousand m ³)		45.5	42.3	46.0
Public Supply Network (thousand m ³)		41.4	39.5	34.0
Underground source – well (thousand m ³)		4.1	2.8	12.0
Fuel consumption – Company fleet:				
– gasoline and diesel (l)		2,123,826	1,969,850	1,980,653
– ethanol (l)		392,290	687,717	852,140
Total greenhouse gas emissions (tons of CO ₂)		5,509	5,168	5,334
Volume of ozone-layer destroying gases ¹ (kg of CFC)		65	195	52
Number of significant spills ² (units)		233	304	54
Total volume of significant spills (thousand liters)		16	16.7	4.5

1 Refers to Freon 22 gas, used in refrigeration systems.

2 Oil spills resulting from equipment theft

SOCIAL REPORT

INDICATORS FROM THE BRAZILIAN INSTITUTE OF SOCIAL AND ECONOMIC ANALYSES (IBASE)

1 – Basis of Calculation	2009 Amount (R\$ Thousands)			2008 Amount (R\$ Thousands)		
Net Revenue (RL)	2,662,347			2,512,477		
Operating Result (RO)	621,641			489,820		
Gross Payroll (FPB)	246,109			219,356		
2 – Internal Social Indicators	Amount	% of FPB	% of RL	Amount	% of FPB	% of RL
Meals	15,612	6.34%	0.59%	13,660	6.23%	0.54%
Transport	717	0.29%	0.03%	600	0.27%	0.02%
Compulsory payroll charges	56,831	23.09%	2.13%	43,445	19.81%	1.73%
Private pension	4,194	1.70%	0.16%	3,869	1.76%	0.15%
Health	11,471	4.66%	0.43%	9,338	4.26%	0.37%
Occupational safety	6,725	2.73%	0.25%	5,599	2.55%	0.22%
Education	608	0.25%	0.02%	662	0.30%	0.03%
Culture	80	0.03%	0.00%	150	0.07%	0.01%
Professional training and development	5,359	2.18%	0.20%	5,097	2.32%	0.20%
Day care or day care assistance	413	0.17%	0.02%	319	0.15%	0.01%
Profit sharing	16,795	6.82%	0.63%	12,865	5.86%	0.51%
Total – Internal Social Indicators	118,805	48.27%	4.46%	95,604	43.58%	3.81%
3 – External Social Indicators	Amount	% of RO	% of RL	Amount	% of RO	% of RL
Education	1,389	0.22%	0.05%	2,237	0.46%	0.09%
Culture	3,516	0.57%	0.13%	2,785	0.57%	0.11%
Others	5,176	0.83%	0.19%	4,848	0.99%	0.19%
Total contributions to society	10,081	1.62%	0.38%	9,870	2.02%	0.39%
Taxes (excluding payroll charges)	1,407,184	226.37%	52.86%	1,221,280	249.33%	48.61%
Total – External Social Indicators	1,417,265	227.99%	53.23%	1,231,150	251.35%	49.00%
4 – Environmental Indicators	Amount	% of RO	% of RL	Amount	% of RO	% of RL
Investments related to company production/operation	29,823	4.80%	1.12%	12,976	2.65%	0.52%
Investments in external programs or projects	19,026	3.06%	0.71%	13,192	2.69%	0.53%
Total environmental investments	48,849	7.86%	1.83%	26,168	5.34%	1.04%
Regarding the establishment of "annual targets" to minimize waste, reduce operational and production consumption in general and the better use of natural resources, the Company has:	() no set targets () 0 to 50% compliance	() 51 to 75% compliance (X) 76 to 100% compliance	() no set targets () 0 to 50% compliance	() 51 to 75% compliance (X) 76 to 100% compliance		
5 – Workforce Indicators	2009		2008			
Number of employees at the end of the period	3,018		2,678			
Number of recruitments during the period	675		319			
Number of dismissals during the period	335		331			
Number of outsourced employees	2,985		3,508			
Number of trainees	22		20			
Number of employees over 45 years of age	546		610			
Number of women employed by the Company	467		474			
% of supervisory positions occupied by women	11.33%		18.18%			
Number of Afro-Brazilians employed by the Company	428		274			
% of supervisory positions occupied by Afro-Brazilians	2.00%		0.77%			
Number of disabled or special needs employees	46		42			

6 – Information Relevant to the Exercising of Corporate Responsibility		2009	2008
Ratio between the highest and lowest salaries paid by the Company:		57	54
Total number of accidents in the workplace		49	65
Social and environmental projects developed by the Company were defined by:	() directors (X) directors and management () all employees	() directors (X) directors and management () all employees	() directors (X) directors and management () all employees
Standards for safety and cleanliness in the workplace were defined by:	() directors and management () all employees (X) all + CIPA	() directors and management () all employees (X) all + CIPA	() directors and management () all employees (X) all + CIPA
Regarding union freedom, the right to collective bargaining and the internal representation of employees, the Company:	() is not involved () follows OIT regulations (X) encourages and follows OIT regulations	() is not involved () follows OIT regulations (X) encourages and follows OIT regulations	() is not involved () follows OIT regulations (X) encourages and follows OIT regulations
Private pension fund gives coverage to:	() directors () directors and management (X) all employees	() directors () directors and management (X) all employees	() directors () directors and management (X) all employees
Profit sharing involves:	() directors () directors and management (X) all employees	() directors () directors and management (X) all employees	() directors () directors and management (X) all employees
In the selection of suppliers, the same standards of ethics and social and environmental responsibility as the Company:	() are not considered () are suggested (X) are required	() are not considered () are suggested (X) are required	() are not considered () are suggested (X) are required
Regarding employees' involvement in voluntary work programs, the Company:	() is not involved () gives support (X) organizes and encourages	() is not involved () gives support (X) organizes and encourages	() is not involved () gives support (X) organizes and encourages
Total number of consumer complaints and criticisms:	"in company 322,281" – "at Procon 1,703" – "in judicial system 1,162"	"in company 316,956" – "at Procon 1,454" – "in judicial system 1,019"	"in company 316,956" – "at Procon 1,454" – "in judicial system 1,019"
Total percentage of complaints and criticisms attended to or resolved:	"in company 100%" – "at Procon 100%" – "in judicial system 15%"	"in company 100%" – "at Procon 100%" – "in judicial system 13%"	"in company 100%" – "at Procon 100%" – "in judicial system 13%"
Total added value to be distributed (R\$ Thousands):	2,243,589	1,963,711	1,963,711
Distribution of added value (DVA):	64.5% government 8.7% employees	21.6% shareholders 5.2% financiers	62.4% government 9.0% employees 20.1% shareholders 8.7% financiers
7 – Other Information		2009	2008
1 – Number of non-profit organizations benefitted by a discount on the electricity bill		347	322
2 – Total amount discounted on the non-profit organizations' electricity bills (R\$ Thousands):		4,638.0	4,103.0

COMMENTS ON THE ANNUAL SOCIAL REPORT

In 2009, the three calculation bases of the social and environmental indicators showed a growth rate of 6% in relation to net revenue (RL), 27% in relation to operating revenues (RO) and 12% in relation to gross payroll (FPB).

Overall, social indicators rose by 24% in 2009 with the most significant increases posted by the following items: compulsory social charges (+31%), profit sharing (+31%), health (+23%) and occupational safety (+20%). The percentage share of all of these items in net revenues and gross payroll has risen. The increase in social charges is largely due to a 13% expansion in the number of employees and to salary adjustments resulting from the collective bargaining agreement. Profit sharing increased mainly due to higher operating revenues reported over the year. Health expenses were up due to both the increase in the number of employees and in the number of more expensive medical procedures. There was a 5% growth in investments in professional skills upgrading and development associated with the increase in the average number of training hours to 121 (2009) from 116 (2008).

Regarding external social indicators, most noteworthy is the 15% rise in the total contributions made by the Company directly and indirectly, in the latter case by way of compulsory taxes paid to government. Details on the social programs designed to foster culture and education are featured in item 17 of this report.

Total environmental investments rose by 87% in 2009, of which 61% were in Company operations and 39% in external programs and projects. The most significant contributing factors to this increase were investments in the reforming of equipment so that it could be reutilized on the grid (R\$ 9.3 million), followed by spending on energy efficiency gains (R\$ 6.0 million), ecological crossarms (R\$ 4.7 million) and the compact network (R\$ 1.8 million), which reduces the amount of work involved in vegetation clearing and tree pruning. In 2009, Elektro met all its targets, such as making efficient use of natural resources, reducing consumption in its business and minimizing waste. It is important to note that anti-theft devices were

installed in the transformers located in areas reporting a greater number of occurrences, and these helped decrease oil spills by 23%. See item 16 of the report for information on the Company's environmental activities.

At the end of 2009, Elektro's workforce was 13% larger than the previous year with 15% fewer outsourced workers. In part, this was due to the fact that the construction and maintenance of networks and substations, formerly outsourced to hired companies in given regions in its concession area, were assigned to its own employees. For the same reason there was a 112% increase in the number of new recruits hired during this period. The number of persons with special needs also increased, especially due to Elektro's *Escola Inclusiva*, from which the first group of students graduated in 2009.

Regarding corporate citizenship, it should be emphasized that the number of work-related accidents fell by 25% in 2009 as a result of the consolidation of the *Comportamento pela Vida* (Behavior for Life) program, designed to prevent accidents based on behavioral change. All Elektro's employees are entitled to a share in its profits and to a private pension plan. The Company organizes and encourages its employees to take part in voluntary work and demands the same standards of conduct from its suppliers.

The added value to be distributed was R\$ 2.2 billion in 2009, up 13% in relation to 2008. From this total, 63.8% was paid to the government in the form of taxes and charges, which demonstrates the Company's relevance to society. The remaining 35.5% was paid to the shareholders (22.0%), employees (8.9%) and financing agents (5.3%).

Elektro is signatory of the Global Compact (UN), Child Friendly Company (Abrinq Foundation) and promotes the Millennium Development Goals (UN).

GRI GUIDELINES

GRI SUMMARY

This report covers Elektro's economic, social and environmental performance during the period from January to December 2009. Its scope is of interest to all stakeholders with whom the concessionaire interacts: customers, employees, shareholders, the community, professional bodies and the government. Internal tests carried out by teams responsible for the report examined the materiality of the information herein presented.

The scope preserves the criteria adopted in the 2008 edition, which maintains all the quantification and verification. Exceptions are clearly identified during the course of the text. According to the guidelines of the Global Reporting Initiative, this report complies with application level B.



Report Application Level		C	C+	B ✓	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15.		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B.	
	G3 Management Approach Disclosures	Not Required.	Report Externally Assured	Management Approach Disclosures for each Indicator Category.	Report Externally Assured	Management Approach Disclosures for each Indicator Category.	Report Externally Assured
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version.

General Indicators	Page
Strategy and analysis	
1.1. Statement of relevance of sustainability	3, 5
1.2. Description of the principal impacts, risks and opportunities	5, 18, 30
Organizational profile	5, 18 e 30
2.1. Name of organization	12
2.2. Principal brands, products and/or services	12-13
2.3. Operating structure	12-14
2.4. Location of Company Head Office	12
2.5. Number of countries and names of those relevant to sustainability	12
2.6. Type and legal nature of property	12-14
2.7. Markets served	12
2.8. Size of organization	11-14
2.9. Principal changes during the period covered by the report	4, 7-8
2.10. Awards received during the period covered by the report	9
Report parameters	
Report profile	
3.1. Period covered by the report	3, 66
3.2. Date of most recent previous report	66
3.3. Publication cycle of reports	66
3.4. Details for contact	72
Scope and Limit of the Report	
3.5. Process for the definition of the report's contents	3, 66
3.6. Limit of the report	66
3.7. Limitations to the scope or the limit of the report	66
3.8. Basis for preparation of the report	3, 66
3.9. Techniques for measurement of data and bases for calculation	3, 66
3.10. Consequences of reformulations of information	80-85
3.11. Significant changes in comparison to previous years	80-85
Summary of the GRI Content	
3.12. Table identifying location of information	67-69
Verification	
3.13. Policy and current practice for external report verification	66
Governance, Commitments and Engagement	
Governance	
4.1. Structure of organization's governance	21-24
4.2. Indication in the case of the president of the highest body of governance also being an executive officer	23
4.3. Declaration of number of executive members, independent or not, of the highest body of governance	23
4.4. Mechanisms for shareholders and employees to make recommendations to the highest body of governance	23
4.5. Relationship between remuneration for members of the highest body of governance, board of directors and other executives and the organization's performance	24
4.6. Processes in the highest body of governance to avoid conflicts of interest	24
4.7. Process for the determination of the qualifications and knowledge of members of the highest body of governance	23
4.8. Statements of mission and values, codes of conduct and internal principles	22, 24, 26
4.9. Procedures of the highest body of governance for overseeing the management of economic, environmental and social performance	22-24
4.10. Processes for self-evaluation of the performance of the highest body of governance	23
Commitments to External Initiatives	
4.11. Principle of precaution	71
4.12. Charters, principles or other initiatives to which the company subscribes	71
4.13. Participation in associations and/or domestic and international bodies of defense	71
Stakeholder Engagement	
4.14. Relationship of stakeholders engaged by the organization	52-65
4.15. Basis for identification and selection of stakeholders	52-65
4.16. Approaches for the engagement of stakeholders	52-65
4.17. Principal topics and concerns raised by the stakeholders	52-65
Performance indicators	
Economic performance	
EC1. Direct economic value generated and distributed	50
EC3. Coverage of the obligations in the pension plan benefit	56
EC4. Significant financial help from the government	Not Applicable
Market Presence	
EC5. Variation in the proportion of the lowest salary compared to the local minimum salary in important operating facilities	The lowest salary in the company is 1.3 times higher than the minimum salary.

Index	Page
EC7. Procedures for local hiring and proportion of members of upper management recruited locally	There are no specific policies on local hiring, although the organization maintains career development plans to ensure the full use of in-company talent.
Indirect Economic Impacts	
EC8. Investment in infrastructure and services	49
Environmental Performance	
Materials	
EN1. Materials used	Posts, cables, connectors, reactors, lamps, EPI'S for electrical maintenance (Individual Protection Equipment; safety glasses, hardhat, gloves), crossarms, electricity meters, transformers, lamps, distribution grid accessories, lightning rods, insulators, regulators, re-connectors, switches.
EN2. Percentage of materials used from recycled material	62
Energy	
EN3. Direct energy consumption	62
EN6. Initiatives to supply low energy consumption products and services, or which use energy generated from renewable sources and the reduction in energy needed as a result of these initiatives.	59-60
Water	
EN8. Total water usage	62
Biodiversity	
EN11. Area within, or adjacent to, protected areas and areas of high biodiversity outside the protected areas	Information on the concessionaire's website
Emissions, Effluent and Waste	
EN16. Total direct and indirect emission of gases causing the greenhouse effect	62
EN19. Emission of substances destructive to the ozone layer	62
EN21. Total discharge of water, by quality and destination	Elektro does not discharge water outside the public drainage system.
EN22. Total weight of waste, by type and method of disposal	62
EN23. Total number and volume of significant spills	62
Products and Services	
EN26. Initiatives to mitigate environmental impact of products and services	61-62
EN27. Percentage of products and their packaging recovered in relation to total products sold	62
Compliance	
EN28. Significant fines and total number of non-monetary sanctions resulting from non-compliance with environmental laws and regulations	61-62
Compliance	
EN30. Total investment and expenditure on environmental protection	61
Social Performance – labor practices and decent working conditions	
Employment	
LA1. Total workers by type of job, work contract and region	56-57, 63-64
LA2. Total number and turnover rate of employees	56-57, 63-64
Relations between Workers and Governance	
LA4. Percentage of employees covered by collective bargaining agreements	56-57, 59
LA5. Minimum time for notification of operational changes	There is no set time limit.
Health and Safety in the Workplace	
LA7. Rates for injuries, occupational diseases, days lost, absenteeism and deaths	35
LA8. Programs for education, training, counseling, prevention and control of risk to employees, their families or members of the community in terms of severe illness	33-35
LA9. Issues regarding health and safety covered by formal agreements with unions	33-35
Training and Education	
LA10. Average hours of training	57
LA11. Programs for management of competencies and continued education supporting the continued employability of employees and for administering end of career	56
LA12. Percentage of employees receiving analyses of performance and career development on a regular basis	56-57
Diversity and Equality of Opportunities	
LA13. Composition of groups responsible for corporate governance and of the other employees	23
LA14. Ratio of basic salary between men and women	-

Index	Page
Social Performance – Human Rights	
Investment Practices and the Purchasing Process	
HR1. Significant investment with clauses referring to human rights	100% of contracted
HR2. Contracted companies and critical suppliers subjected to human rights evaluations	26
Non-discrimination	
HR4. Total number of discrimination cases	No cases of discrimination were registered
Freedom of association and collective bargaining	
HR5. Operations in which the right to exercise freedom of association and collective bargaining could be at risk	The right to association and representation is guaranteed throughout the operation.
Child Labor	
HR6. Operations with risk of occurrence of child labor	No operations at risk were identified.
Forced Labor or that Analogous to Slavery	
HR7. Operations with risk of occurrence of forced labor or that analogous to slavery	No operations at risk were identified.
Rights of indigenous peoples	
HR9. Total number of cases of violation of rights of indigenous peoples and measures taken	No violations of rights of indigenous peoples were registered.
Social Performance – Society	
Community	
S01. Programs and practices to assess and manage impacts of operations on the communities	28, 59-60
Corruption	
S02. Business units analyzed for risks related to corruption	100% of the units
S03. Employees trained in anticorruption policies and procedures	24
S04. Actions taken in response to incidents of corruption	24
Public Policies	
S05. Public policy positions and participation in public policy development and lobbying	58-59
S06. Total value of financial or cash contributions to political parties, politicians or related institutions	Elektro makes no political contributions.
Compliance	
S07. Total number of court cases for unfair competitive practices, trust or monopoly practices and their outcomes	Not applicable. Elektro has no competitors within its area of operation, defined in the concession contract with the Federal Government. Tariff rates are set by the regulatory agency (Aneel)
Compliance	
S08. Fines and non-monetary sanctions resulting from non-compliance with laws and regulations	No fines were registered.
Social Performance – Responsibility for the product	
Total number of non-compliance cases Customer Health and Safety	
PR1. Assessment of the impacts on health and safety in the life cycle of the products and services	33-35
PR2. Total number of cases of non-compliance with regulations and voluntary codes regarding impacts caused by products and services in health and safety during the life-cycle, itemized by type of result	35
Labeling on products and services	
PR3. Labeling procedures	Due to the nature of the business, there are no labeling procedures.
PR4. Total number of cases of non-compliance with regulations and voluntary codes regarding information and labeling of products and services, itemized by type of result	No cases of non-compliance were registered.
PR5. Practices related to customer satisfaction, including results of surveys measuring this satisfaction	53-55
Communication and Marketing	
PR7. Total number of cases of non-compliance with regulations and voluntary codes regarding marketing communications, including advertising, promotion and sponsorship, itemized by result	No cases of non-compliance were registered.
Compliance	
PR8. Total number of proven complaints regarding invasion of privacy and loss of customer data.	No cases of non-compliance were registered.
Compliance	
PR9. Fines for non-compliance with legislation and regulations regarding the supply and use of products and services	No cases of non-compliance were registered.

ELEKTRO SUSTAINABILITY MATRIX

Program/Project/Action	Principles of the Global Compact	Millennium Development Goals	Child Friendly Company Commitments (Abrinq Foundation)
Personnel Development Cycle	6	-	-
Elektro Cultural Circuit	-	7 and 8	-
Ethics Committee	1, 2, 3, 4, 5, 6 and 10	3, 7 and 8	1, 2 and 3
Behavior for Life	6	8	-
Ecological Crossarms	7, 8 and 9	7	-
Waste Disposal	7, 8 and 9	7	-
Elektro in the Schools	4, 5 and 6	2, 7 and 8	2
Elektro Community Energy	7, 8 and 9	7 and 8	-
Lineman School	5 and 6	1 and 2	9
Elektro Formare School	4, 5 and 6	2, 7 and 8	9
Elektro Inclusion School	4, 5 and 6	2, 7 and 8	2
Organizational Climate Study	3, 4, 5 and 6	3, 7 and 8	1, 2 and 3
<i>Fazer Acontecer (Make it Happen)</i>	7, 8 and 9	2, 7 and 8	9
Hazard Investigation and	-	7	-
Risk Evaluation (IPAR)	-	7	-
<i>Meninos Ecológicos and Jovens ECOncientes</i>	7, 8 and 9	7 and 8	9
Carbon Neutralization	7, 8 and 9	7	-
Safety Observation	-	7	-
Compact Power Lines	7 and 8	7	-
Universalization of Energy	1	1, 7 and 8	-
Public Buildings	7, 8 and 9	7 and 8	-
Knowledge Management System	1	7	-

MAIN SUSTAINABILITY GUIDELINES

Global Compact – Elektro participates in the United Nations (UN) action to inspire social responsibility in companies through adherence to ten universal principles related to human rights, labor, the environment and ethics.



Child Friendly Company (Fundação Abrinq) – Elektro is a child friendly company and as such, assumes commitments in benefit of children and adolescents, through social actions for the Company employees and the community.



Agenda 21 – Elektro is committed to the model for development supported by institutional, sector and regional actions prioritizing the conservation of water resources. Elektro holds the vice-presidency for protection of the headwaters of the Inter-municipal Consortium for the basins of the rivers Piracicaba, Capivari and Jundiá, comprising 40 municipalities and 38 companies.

Millennium Project Development Goals – Elektro is committed to the principles and guidelines of the document signed by 191 UN member countries setting targets for 2015 for actions in eight areas: hunger and poverty; basic education; gender equality and respect for women; infant and maternal mortality; the fight against infectious-contagious diseases; quality of life; the environment and the focus on work for development.

8 WAYS TO CHANGE THE WORLD

<p>1 ERADICATE EXTREME POVERTY AND HUNGER</p>	<p>2 ACHIEVE UNIVERSAL PRIMARY EDUCATION</p>	<p>3 PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</p>	<p>4 REDUCE CHILD MORTALITY</p>
<p>5 IMPROVE MATERNAL HEALTH</p>	<p>6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES</p>	<p>7 ENSURE ENVIRONMENTAL SUSTAINABILITY</p>	<p>8 DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT</p>

CORPORATE INFORMATION**Name of Company:**

Elektro Eletricidade e Serviços S.A.
Website: www.elektro.com.br

Head office address and telephone number:

Rua Ary Antenor de Souza, 321 – Jd. Nova América
Campinas/SP – CEP: 13053-024
Tel.: (19) 2122-1009

INVESTOR AND SHAREHOLDER INFORMATION**Investor relations:**

Director: Rodrigo Silva
Manager: Simone Simão

Contact:

Tel.: (19) 2122-1487
E-mail: ri@elektro.com.br

Stock market on which shares are traded:

BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuros

Share trading code:

Common: EKTR3 and Preferred: EKTR4

Custodian financial institution:

Banco Itaú S.A.

Independent auditors

Deloitte Touche Tohmatsu

Divulging newspapers:

Valor Econômico
Diário Oficial do Estado de São Paulo

Customer service centers (CAC):

Low voltage customers: 0800-701-01-02
Medium and high voltage customers: 0800-701-0103
Customers with hearing or speech deficiencies: 0800-701-01-55
(requires the use of specially adapted telephone equipment)
Ombudsman: 0800-0124050

Service stores:

Postal Agencies in São Paulo and Mato Grosso do Sul States

Regional Service Centers:

ANDRADINA	Rua Engenheiro Sylvio Shimizu, 1515
ATIBAIA	Av. São Joao, 1815
DRACENA	Av. Orlando Fruchi, 81
FRANCO DA ROCHA	Rodovia SP 23, KM 37,8
GUARUJÁ	Rua Valéria Ciccone, 250
ITANHAÉM	Av. Paulo José de Moraes, 1600
ITAPEVA	Av. Vaticano, 1145
JALES	Rua Maestro Erlon Chaves, 225
LIMEIRA	Rodovia SP 147 – Limeira/Mogi Mirim – KM 106
MOGI GUAÇU	Rua José Antenor de Toledo, 51
PIQUETE	Av. Luiz Arantes Junior, 116
PIRAPOZINHO	Rua Florisvaldo Ribeiro de Bessa, 330
PIRASSUNUNGA	Est. Municipal Fernando Luiz Landgraf, 93
REGISTRO	Rua São João, 29
RIO CLARO	Av. 16, 2358
TATUÍ	Rua José Bonifácio, 170
TRÊS LAGOAS	Av. Adv. Rosario Congro, 285
UBATUBA	Av. Braulio Santos, 1111
VOTUPORANGA	Rua Maximiliano Luiz, 3712

A night-time photograph of a cityscape, likely Guarujá, São Paulo. The image shows several multi-story apartment buildings with balconies, some of which are illuminated from within. In the background, a body of water reflects the city lights, and a long, brightly lit promenade or beachfront is visible along the horizon. The overall scene is dark, with the primary light sources being the city lights and the reflection on the water.

FINANCIAL STATEMENTS

Night view of Guarujá (SP)

FINANCIAL STATEMENTS

Balance Sheet

At December 31, 2009 and 2008 (R\$ Thousands)

Assets	Notes	12/31/2009	12/31/2008
Current assets		1,095,114	854,770
Cash and cash equivalents		279,196	205,020
Banks		2,252	3,359
Financial investments	5	276,944	201,661
Receivables and recoverable assets		815,918	649,750
Accounts and notes receivable – Trade	6	532,993	494,680
Allowance for doubtful accounts	7	(43,912)	(43,656)
Regulatory assets	8	130,048	38,469
TUSD-G	9	62,641	13,722
Deferred and recoverable taxes	10	106,719	105,135
Restricted Cash	11	6,125	15,737
Inventory		5,488	4,153
Other credits		15,816	21,510
Noncurrent assets		2,146,656	2,096,672
Long term receivables		422,970	514,554
Debt installments and suppliers	6	42,216	39,360
Regulatory assets	8	59,902	114,846
TUSD-G	9	61,134	31,713
Deferred and recoverable taxes	10	202,872	310,194
Restricted Cash	11	10,952	11,711
Judicial deposits	12	41,839	-
Other credits		4,055	6,730
Investments	13	4,325	4,334
Property, plant and equipment	14	1,667,735	1,537,888
Intangibles	15	51,626	39,896
Total Assets		3,241,770	2,951,442

The Footnotes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Balance Sheet

At December 31, 2009 and 2008 (R\$ Thousands)

Liabilities	Notes	12/31/2009	12/31/2008
Current		1,119,521	1,004,148
Loans and financing	16	64,048	65,325
Debentures	17	249,296	202,420
Lease agreements	18	9,013	7,744
Power suppliers and providers	19	239,486	239,856
Taxes payable	20	126,620	112,098
Consumer charges	21	18,162	24,729
Dividends and interest on equity payable	22	210,587	223,178
Payroll burden	23	40,246	35,116
Regulatory liabilities	8	45,303	20,681
TUSD-G	9	59,090	12,839
Energy saving program and R&D obligations	24	23,900	35,071
Special retirement obligation	25	1,842	-
Other liabilities		31,928	25,091
Noncurrent		994,939	844,262
Long-term		994,939	844,262
Loans and financing	16	349,741	241,980
Debentures	17	421,318	366,380
Lease agreements	18	15,497	22,284
Regulatory liabilities	8	59,697	57,374
TUSD-G	9	87,796	31,713
Energy saving program and R&D obligations	24	14,535	14,401
Provisions for legal and regulatory claims – net	26.1	30,787	81,701
Pension plan	37	-	23,496
Special retirement obligation	25	12,791	-
Other liabilities		2,777	4,933
Shareholder's Equity	27	1,127,310	1,103,032
Common Stock		952,492	952,492
Capital reserve		50,539	50,539
Legal reserve		124,279	100,001
Total Liabilities		3,241,770	2,951,442

The Footnotes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Operations

Years ended at December 31, 2009 and 2008

(R\$ Thousands, except earnings per share)

	Notes	12/31/2009	12/31/2008
Operating revenue		4,034,621	3,719,874
Operating revenue deductions		(1,372,274)	(1,207,397)
Net operating revenue	28	2,662,347	2,512,477
Cost of electric energy service		(1,453,591)	(1,328,595)
Energy purchased for resale	29	(1,602,500)	(1,461,478)
PIS and COFINS tax credits related to purchased energy		148,909	132,883
Operating costs		(437,978)	(386,632)
Personnel	30	(150,313)	(131,601)
Materials	31	(24,940)	(24,875)
Outsourced services	32	(85,335)	(71,708)
Depreciation and amortization		(126,312)	(116,981)
Other net operating costs	33	(55,662)	(45,516)
PIS and COFINS credits on operating costs		4,584	4,049
Gross operating income		770,778	797,250
Operating expenses		(152,062)	(167,198)
Sales expenses		(21,957)	(19,532)
General & administrative expenses		(57,592)	(63,543)
Goodwill amortization	14	(7,348)	(7,348)
Other net operating expenses	33	(65,165)	(76,775)
Service result		618,716	630,052
Financial revenues (expenses)	34	2,925	(140,232)
Financial revenues		71,100	66,841
Financial expenses		(65,435)	(110,973)
Foreign exchange gains (losses) – net		64,819	(28,386)
Interest on equity		(67,559)	(67,714)
Operating result		621,641	489,820
Income before tax and social contribution		621,641	489,820
Income tax expense	35	(72,089)	(74,867)
Deferred income tax	35	(75,724)	(47,633)
Social contribution	35	(34,550)	(25,754)
Reversal of interest on equity	35	(21,270)	(17,493)
		67,559	67,714
Net income		485,567	391,787
Net earnings per share – R\$	27.1	2.51	2.02

The Footnotes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statements of Changes in Shareholders' Equity

Years ended at December 31, 2009 and 2008

(R\$ Thousands)

	Notes	Common Stock	Capital reserve	Legal reserve	Retained earnings (losses)	Total
Balance at December 31, 2007		952,492	50,539	80,466	(1,092)	1,082,405
Net income for the period		-	-	-	391,787	391,787
Net income distribution						
Legal reserve		-	-	19,535	(19,535)	-
Dividends distribution		-	-	-	(303,446)	(303,446)
Interest on equity		-	-	-	(67,714)	(67,714)
Balance at December 31, 2008		952,492	50,539	100,001	-	1,103,032
Net income for the period		-	-	-	485,567	485,567
Net income distribution						
Legal reserve	27.3	-	-	24,278	(24,278)	-
Dividends distribution	27.4	-	-	-	(393,730)	(393,730)
Interest on equity	27.4	-	-	-	(67,559)	(67,559)
Balance at December 31, 2009		952,492	50,539	124,279	-	1,127,310

The Footnotes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statements of Cash Flows

Years ended at December 31, 2009 and 2008

(R\$ Thousands)

	12/31/2009	12/31/2008
Operating Activities		
Net income	485,567	391,787
Expenses (revenues) not affecting cash	353,338	395,285
Allowance for doubtful accounts	21,622	27,537
Interest, monetary and exchange rate variations	39,833	137,739
Depreciation and amortization	126,312	116,981
Goodwill amortization	7,348	7,348
Loss on disposition of assets	19,309	17,751
Pension plan	(23,496)	(8,350)
Special retirement obligation	14,633	-
Net provision for legal and regulatory claims	(41,570)	3,496
Amortization of deferred taxes	96,994	63,613
Regulatory asset and liabilities	64,674	3,114
Energy saving and R&D program	27,679	26,056
Asset and liabilities variations	(226,315)	(260,292)
Consumers	(62,535)	(49,880)
Inventory	(1,335)	(180)
Recoverable taxes	8,744	2,648
Regulatory assets/TUSD-G	45,123	(81,439)
Decrease in restricted cash – net	10,371	27,310
Other credits	11,930	(5,454)
Income tax and social security paid	(122,730)	(104,911)
Interest paid (loans, debentures and leasing)	(110,418)	(87,393)
Suppliers and providers of electric energy	(6,937)	22,353
Taxes payable	124,686	119,246
Regulatory liabilities/TUSD-G	(88,414)	(71,536)
Net provisions for legal and regulatory claims	(445)	(10,302)
Energy saving and R&D program	(41,941)	(25,788)
Other liabilities	7,586	5,034
Net cash by operating activities	612,590	526,780
Net cash provided by investing activities	(292,234)	(275,459)
Fixed asset acquisitions	(276,057)	(267,862)
Acquisition of materials – inventory	(52,084)	(28,654)
Special obligations	31,274	12,172
Sales price of property plant and equipment	4,633	8,885
Net cash provided by financing activities	(246,180)	(203,629)
Dividends and interest on equity paid	(461,314)	(280,080)
Loan and debenture amortization (principal)	(364,416)	(47,641)
Lease amortization (principal)	(7,821)	(4,640)
New fundings	290,169	128,732
Debentures	297,202	-
Net Cash Flow	74,176	47,692
Cash and cash equivalents – Beginning of Period	205,020	157,328
Cash and cash equivalents – End of Period	279,196	205,020
Change in Cash Flow	74,176	47,692
Additional information		
Investments not sourced from cash flow:		
Assets – leasing	2,226	12,777
Financing not sourced from cash flow:		
Dividends and interest on equity payable	210,587	223,178

The Footnotes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Value Added Statement for Years ended at December 31, 2009 and 2008 (R\$ Thousands)

	Notes	12/31/2009	12/31/2008
Revenue		4,025,915	3,707,110
Sales of energy and services	28	4,034,621	3,719,874
Allowance for doubtful account	7	(12,590)	(18,488)
Other revenues		3,884	5,724
Inputs from third parties		(1,876,659)	(1,723,574)
Purchased energy	29	(1,602,500)	(1,461,478)
Materials	31	(27,233)	(26,699)
Outsourced services	32	(117,296)	(107,630)
Other operating costs		(129,630)	(127,767)
Gross value added		2,149,256	1,983,536
Depreciation and amortization		(133,660)	(124,329)
Net value added		2,015,596	1,859,207
Financial revenues, monetary indexation	34	189,038	97,213
Value added for distribution		2,204,634	1,956,420
Distribution of value added		2,204,634	1,956,420
Personnel	30	195,609	176,930
Taxes fees and contributions		1,150,746	1,011,423
Federal		430,085	391,432
State		720,222	619,653
Municipal		439	338
Consumer charges and others		256,438	209,257
Financial expenses and monetary indexation		116,274	167,023
Interest on equity		67,559	67,714
Distribution dividends		393,730	303,446
Income withheld for legal reserve		24,278	20,627

The Footnotes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Footnotes to Financial Statements

At december 31, 2009 and 2008

(in thousands of reais, unless otherwise stated)

1. THE COMPANY, ITS OPERATIONS AND THE CONCESSION

Elektro Eletricidade e Serviços S.A., hereinafter simply "Elektro" or "Company", has its principal place of business at Rua Ary Antenor de Souza, 321, in the municipality of Campinas. It is a concessionaire that provides public electric energy distributing services and its operations, including the services it renders and the tariffs it charges are in general, regulated by the National Electric Energy Agency (ANEEL), as provided for in the concession contract entered into by the Company and federal government (Granting Authority), with ANEEL acting as intermediary, on August 27, 1998.

The concession contract is effective for 30 years, and may be extended upon a request by the concessionaire company, at ANEEL's sole discretion, for an additional period of at most 30 years. According to the contract, Elektro is entitled to exploit energy distribution services in 228 municipalities, 223 of which are located in the State of São Paulo and five in the State of Mato Grosso do Sul, and is under the obligation of implementing new facilities and expanding existing ones in order to meet both the current and also the future demand of its energy market.

The concession contract establishes that all assets and installations owned by the Company, which are linked to the supply of electric power distribution services, be deemed reversible and incorporated to the respective concession's equity. These assets will automatically revert to the Granting Authority upon the expiry of the concession contract, with the evaluation of said assets and determination of the compensation payable to the concessionaire to be subject to applicable regulations. There are currently no regulations on how reversion of such assets to federal government will be brought about or how the compensation to be paid to the concessionaire will be calculated.

The Company is registered in the Securities and Exchange Commission (CVM) as a publicly held company and trades its shares (0.32% of total capital) on the São Paulo Stock Exchange (BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuros).

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The Financial Statements were prepared according to generally accepted accounting standards in Brazil, as well as with the provisions contained in specific laws applying to public electric power services concessionaires, as issued by ANEEL and CVM, including the pronouncements issued by the Accounting Pronouncements Committee (CPC), with the exception of those issued in 2009, which are being analyzed by the Company and will be applied as of 2010, retroacting to 2009, as provided for CVM Deliberation No. 603/09.

The accounting practices and criteria used to prepare the current financial statements were consistent with those used to prepare the financial statements of the fiscal year ending at December 31, 2008, including with respect to the accounting standards established in Law No. 11,638/07, Law No. 11,941/09, which transformed Provisionary Measure No. 449/08 into law, and the technical pronouncements issued by CPC in 2008, and should therefore be analyzed together with said financial statements.

Certain balances for the year ended at December 31, 2008 were reclassified to improve comparability with 2009 figures, as shown below:

Balance Sheet at December 31, 2008 – (R\$ Thousands)

Assets	Notes	12/31/2008		12/31/2008
		Published	Reclassifications	Representation
Current		856,105	(1,335)	854,770
Receivable and recoverable assets		651,085	(1,335)	649,750
Consumers, debt parceling and suppliers	(a)	499,216	(4,536)	494,680
Regulatory assets	(a)	21,753	16,716	38,469
Other credits	(a)/(b)	35,025	(13,515)	21,510
Noncurrent		2,098,898	(2,226)	2,096,672
Long-term receivables		516,780	(2,226)	514,554
Debt parceling and suppliers	(a)	41,281	(1,921)	39,360
Regulatory assets	(a)	111,549	3,297	114,846
Other credits	(a)/(b)	10,332	(3,602)	6,730
Total assets		2,955,003	(3,561)	2,951,442
Liabilities				
Current		1,005,483	(1,335)	1,004,148
Debentures	(b)	203,755	(1,335)	202,420
Regulatory liabilities	(a)	12,710	7,971	20,681
Other liabilities	(a)	33,062	(7,971)	25,091
Noncurrent		846,488	(2,226)	844,262
Long-term		846,488	(2,226)	844,262
Debentures	(b)	368,606	(2,226)	366,380
Total Liabilities		2,955,003	(3,561)	2,951,442

Statements of operations at December 31, 2008 – (R\$ Thousands)

	Notes	12/31/2008		12/31/2008
		Published	Reclassifications	Reclassified
Operating costs		(397,676)	11,044	(386,632)
Personnel	(c)	(135,884)	4,283	(131,601)
Outside services	(c)	(71,819)	111	(71,708)
Materials	(c)	(24,955)	80	(24,875)
Other net operating costs	(c)	(52,086)	6,570	(45,516)
Gross operating income		786,206	11,044	797,250
Operating expenses		(156,154)	(11,044)	(167,198)
Sales expenses	(c)	(15,058)	(4,474)	(19,532)
Other net operating expenses	(c)	(70,205)	(6,570)	(76,775)
Net income		391,787	-	391,787

- (a) As of 2009, in order to improve the presentation of the financial data, the Company started to report regulatory assets and liabilities under specific titles. Thus, to enhance comparability, the Company reclassified the 2008 account balances of “Consumers, debt parceling and suppliers” (R\$ 4,536) and “Other Credits” (R\$ 12,180) in current assets to “Regulatory Assets” (R\$ 16,716). The account balances standing at R\$ 1,921 and R\$ 1,376 respectively of “Debt parceling and suppliers” and “Other Credits”, posted to noncurrent assets, were reclassified to “Regulatory Assets”, the balance of which is stated at R\$ 3,297. In current liabilities, the total R\$ 7,971 posted to “Other liabilities” was reclassified to “Regulatory Liabilities”.
- (b) In accordance with CPC 08 – Cost of Transactions and Premiums upon the Issue of Securities, approved under CVM Deliberation No. 556/08, the costs connected to the debenture issue process were removed from the subtitle “Other Credits” in current and noncurrent assets and stated to the subtitle “Debentures” under current and noncurrent liabilities at R\$ 1,335 and R\$ 2,226, respectively.
- (c) Some amounts related to personnel, materials and contractor services were separated and reclassified to operating costs and operating expenses, in order to fine-tune the presentation form with a view to providing better comparability with 2009 figures.

2.1. TECHNICAL INTERPRETATIONS AND PRONOUNCEMENTS ISSUED BY CPC AND DELIBERATED BY CVM IN 2009

Continuing the process of convergence with international financial reporting standards (IFRS) and regulation of accounting practices, certain new technical pronouncements have been issued and will become mandatorily applicable as of 2010, according to CVM Deliberation No. 603/09. The Company's management is looking into the impacts caused by the introduction of new practices according to these new pronouncement and interpretations.

The Company has already started work on implementing the changes established in said pronouncements and interpretations, but because they are highly complex, this work is still being quantified. Management is making a preliminary assessment of the standard that could cause a significant impact on ICPC 01 Concession Contract, inasmuch as it changes the presentation form of fixed assets, which will be presented partly as a financial asset and partly as an intangible asset. It will probably also affect net income, due the form in which intangibles are amortized and maintenance is reported in assets.

The other technical pronouncements and interpretations that will become effective as of 2010 and may also affect the Company are the following:

Pronouncements

CPC 17 – Construction Contract.
 CPC 20 – Cost of Loans.
 CPC 21 – Interim Statement.
 CPC 22 – Information by Segment.
 CPC 25 – Provisions, Liabilities Contingencies and Asset Contingencies.
 CPC 26 – Presentation of Accounting Statements.
 CPC 27 – Property, Plant and Equipment Assets.
 CPC 30 – Revenues.
 CPC 32 – Taxes on Profits.
 CPC 33 – Employee Benefits.
 CPC 37 – Initial Adoption of International Accountancy Standards.
 CPC 38 – Financial Instruments: Acknowledgement and Quantification.
 CPC 39 – Financial Instruments: Presentation.
 CPC 40 – Financial Instruments: Attestation.
 CPC 43 – Initial Adoption of Technical Pronouncements CPC 15 to 40.

Interpretations

ICPC 03 – Complementary Aspects of Leasing Operations.
 ICPC 04 – Scope os CPC 10 – Payment Based on Stockholding.
 ICPC 05 – Technical Pronouncement CPC 10 – Payment Based on Stockholding – Group Share Transaction.
 ICPC 08 – Bookkeeping of Dividend Payment Proposal.
 ICPC 09 – Individual Accounting Statements, Separate, Accounting Statements, Consolidated Statements and Application of the Equity Adjustment Method.
 ICPC 10 – Interpretation of Initial Application to Property, Plant and Equipment Assets and Investments Properties of CPCs 27, 28, 37 and 43.

3. MAIN ACCOUNTING PRACTICES

3.1. GENERAL ACCOUNTING PRACTICES

a. Cash and cash equivalents

The balance includes cash, bank deposits and financial investments that can be readily converted into a known sum of cash and are not subject to any significant risk of undergoing a change of value. They are evaluated at acquisition cost, plus earnings not exceeding their respective market values. The calculation of the fair value of the financial investments, if applicable, is made taking into account market prices or market data that allow for such a calculation (see Note 5).

b. Accounts receivable

Accounts receivable refer mainly to the energy supply to consumers and include both billed and unbilled amounts, stated on an accrual basis (see Note 6).

c. Inventory

Materials in store are evaluated and booked at the average cost of acquisition of new items, and outlays on maintenance and calibration are added to cost of reused items, and do not exceed their intrinsic or replacement cost. Materials designed for use on site are classified as a property, plant and equipment item and those designed for maintenance as a current assets item.

d. Investments

Investments are stated at acquisition cost and basically involve real estate for future use granted on a free lease basis (see Note 13).

e. Property, plant and equipment (see Note 14)

Property, plant and equipment are stated at acquisition cost of the materials and equipment, plus the necessary costs to start up the operation and use the assets, as well as financial charges stemming from loans and financing tied to the period in which such fixed assets are under formation. The calculation of accrued depreciation is based on a straight-line method and deducted from property, plant and equipment at rates consistent with the Public Energy Services Accounting Manual – MCSE and ANEEL Normative Resolution No. 240, dated December 5, 2006.

Assets acquired through financial lease transactions are stated at their respective cash value or adjusted at present value of the respective obligation, as established in CPC 06 – Commercial Leasing.

The portion of the premium related to the added value (goodwill) of property, plant and equipment is amortized over a 20-year period, and refers to the merger of the controlling company, Terraço Participações Ltda.

The special obligations shown as fixed asset reduction drivers are stated at the total collected from consumers and federal government, and as established in ANEEL regulations amortized at the average rate applying to in-service fixed assets.

f. Reduction to recoverable value of assets

As established in CPC 01 (CVM Deliberation No. 527/08), the Company analyzed its assets and found that there is no devaluation indicator and that the assets are realizable within a satisfactory time period.

g. Income tax and social contribution

Income tax and social contribution charges on net profit are stated on an accrual basis, and in accordance to current legislation at the basic rate of 25% for income tax and 9% for social contribution. The effects of deferred income tax and social contribution on tax losses, the negative social contribution base and temporary differences are posted to the financial statements as provided for in CVM Deliberation No. 273/98 and CVM Instruction No. 371/02 (see Notes 20 and 35). The figures shown in the financial statements at December 31, 2009 are based on the Transitory Tax Regime – RTT, as permitted in Law No. 11,941/09, the purpose of which is to ensure the tax neutrality of amendments to Brazilian corporate law, introduced by Laws No. 11,638/07 and No. 11,941/09.

h. PIS and COFINS

The determination of PIS and COFINS is based on operating revenues and stated as a deduction of revenue on an accrual basis. According to current legislation governing the noncumulative system, the applicable rates are 1.65% and 7.6%, respectively.

Noncumulative PIS and COFINS credits derived from operating costs and expenses are posted as reduction drivers of these groups of accounts in the financial statements, as per the guidelines in IBRACON's Technical Interpretation 1, dated June 22, 2004.

PIS and COFINS, ascertained from the netting of revenue credits and deductions, are fully passed on to consumers in their electricity bills.

i. Accounting estimates

The Company calculates and states given assets, liabilities, receipts and expenses based on accounting estimates made in accordance with generally accepted accounting practices in Brazil. These estimates are mainly for unbilled receivables, allowance for doubtful accounts, provision for lawsuits, provision for the pension plan and provision for the special retirement plan. Settlement of the transactions involving these estimated figures may result in amounts different to those estimated. In order to reduce eventual adjustments to these estimates the evaluation premises of these figures are periodically revised.

j. Other rights and obligations

Other current and noncurrent assets and liabilities subject to adjustment for inflation or exchange rate fluctuations, according to the law or the contractual clauses, are restated based on the indexes provided for in the respective provisions therein, in such a way as to reflect their real value on the date of the financial statements.

k. Present value adjustment

According to CPC 12 – Present value adjustment, approved under CVM Deliberation No. 564/08, the Company analyzed its short- and long-term assets and liabilities accounts as regards values realizable in the future, liquidation and maturity dates, and possible discount rates, and found that any present value adjustment would be irrelevant. Therefore, there was no such impact in the financial statements.

l. Pension plan

The Company registers the adjustment of actuarial commitment related to the Employee Pension Fund in accordance to the guidelines of the IBRACON Pronouncement, Accounting Standards and Procedures (NPC) No. 26, which governs accounting entries of employee benefits, as approved under CVM Deliberation No. 371, dated December 13, 2000 (see Note 37).

m. Special retirement plan

The provision for payments to be made regarding to the benefit prescribed in the union agreement on the special retirement plan is made based on expectations on how many eligible employees subscribe to it, and this estimate is periodically revised based on effective adhesions in compliance with the IBRACON Pronouncement Accounting Standards and Procedures (NPC) 26, which govern the accounting entries of employee benefits, as approved under CVM Deliberation No. 371, dated December 13, 2000 (see Note 25).

n. Calculation of net income

Net income is determined on an accrual basis.

o. Net earnings per share over reporting period

Net earnings per share are determined by the number of shares in circulation on the balance sheet date (see Note 27.1).

p. Cash flow

The Company prepares its cash flow in compliance with MCSE and CPC 03 – Statement of Cash Flows, approved under CVM Deliberation No. 547/08.

q. Value added statement

The value added statement is prepared as established in CPC 09 – Added Value Statement, approved under CVM Deliberation No. 557/08, and in compliance with MCSE. It is designed to show the results of the business in the accounting period in terms of value created and distributed by the Company.

3.2. SPECIFIC ACCOUNTING PRACTICES

a. Regulatory assets and liabilities

As established in current legislation, numerous regulations issued by ANEEL by way of several acts, and subject to the regular accounting practices in Brazil, the Company recognizes the economic and financial effects of the changes in costs incurred in energy distribution that are not provided for in the currently applicable tariff but will be included in the next tariff adjustment or review (see Note 8).

b. Allowance for doubtful accounts

Allowance for doubtful accounts is set aside as specified in the Public Energy Services Accounting Manual and in tax law, and is considered sufficient to cover possible losses related to receivables (see Note 7).

c. Electric Energy Commercialization Chamber (CCEE) Transactions

Energy purchases and sales transactions conducted via CCEE and the System Service Charges (ESS) are stated on an accrual basis, based on estimates prepared by company management and adjusted after two months, based on actual reports provided by CCEE. The figures estimated by the Company for accounting purposes are close to the actual figures subsequently furnished by CCEE.

4. TARIFF REVIEW AND ADJUSTMENT

4.1. 2007 PERIODIC TARIFF REVIEW

The periodical tariff review was effected on August 27, 2007, as disclosed and ratified by ANEEL via Confirmatory Resolution No. 535, dated August 21, 2007, and resulted in an average tariff reduction of 18.59% as of this date. Some parameters used to determine the 2007 tariff review were temporarily determined for all Brazilian energy distributors. In the case of Elektro, ANEEL was also reviewing efficient operating expenses (also known as "Model Company") and the X factor, which is designed to share productivity gains with consumers.

At a meeting held on August 4, 2009, ANEEL's Executive Committee fixed the values of these parameters, thereby causing a 5.55% decrease in the figures considered in the Model Company, as well as a reduction in the X factor to 0.4% from 1.3%. The definitive tariff review specified an average reduction of 20.52% in Elektro's tariffs, instead of the 18.59% determined in the 2007 tariff review, and this difference has a retroactive effect to August 27, 2007. This decrease was computed in Elektro's tariff in the form of a negative financial component in the August 27, 2009 tariff adjustment, with the amounts billed in excess from August 27, 2007 to August 26, 2009 to be reverted into tariff modicity. Based on ANEEL's data, published in Technical Note No. 267/2009, consumer refunding of this amount via tariffs will be made through August 26, 2010.

As demonstrated above, and on an accrual basis, Elektro posted R\$ 55,808 to regulatory liabilities under current liabilities at August 31, 2009, with a counter entry to operating revenues. This liability will be amortized by August 26, 2010, as the equivalent amount is refunded to consumers. The current balance registered to current liabilities at December 31, 2009 was R\$ 36,493 (see Note 8).

4.2. 2009 TARIFF ADJUSTMENT

Tariff adjustments made annually in the intervals between tariff reviews are designed to restore the economic and financial balance of the concessionaire's concession contract and guarantee that it does not suffer any loss due to inflation. In addition, it permits consumer appropriation of part of the efficiency gains the concessionaire has been attaining. In the case of Elektro, this adjustment is made on August 27 of each year, as established in the concession contract.

ANEEL ratified Elektro's annual contractual tariff adjustment via Confirmatory Resolution No. 874, dated August 25, 2009, and Technical Note 284, dated August 18, 2009. The average tariff adjustment authorized was 12.19%, broken down into 7.58% related to the annual tariff adjustment and 4.61% related to additional financial components. Because the financial components that had been added in the previous adjustment were excluded from the tariff base, the effect perceived by consumers was 4.98% on average, on bills issued after August 27, 2009.

5. FINANCIAL INVESTMENTS

As required by MCSE, the Company presents below a list of investment maturities:

At December 31, 2009, investments were tied to fixed-income instruments (post-fixed rates), including bank certificates of deposit (CDBs), investment funds and other instruments, indexed to the average 99.8% variation in the daily Interbank Certificate of Deposit (CDI) rates. These instruments offer daily liquidity and may be redeemed at any time without loss to the Company, regardless of their due dates, which is why they are booked to current assets. The management believes that these investments are not subject to any significant risk of loss in value (see Note 39 – Financial Instruments, together with the Company’s policy on investment in derivatives).

Year of maturity	12/31/2009	12/31/2008
2009	-	47,436
2010	162,900	154,225
2011	114,044	-
Total	276,944	201,661

6. ACCOUNTS RECEIVABLE – CONSUMERS, DEBT INSTALLMENTS AND SUPPLIERS

	12/31/2009				12/31/2008			
	Not due	Past due		Total	Not due	Past due		Total
		Under 90 days	(+) 90 days			Under 90 days	(+) 90 days	
Supply	148,330	86,316	18,716	253,362	131,965	83,135	18,330	233,430
Residential	70,697	56,145	4,260	131,102	64,473	54,034	3,834	122,341
Industrial	23,228	10,818	8,189	42,235	19,857	10,350	9,599	39,806
Commercial	22,761	12,930	2,402	38,093	18,761	12,238	1,772	32,771
Rural	6,297	3,418	330	10,045	6,386	3,780	281	10,447
Public authorities	9,190	1,032	337	10,559	7,999	890	58	8,947
Public lighting	9,306	756	3,120	13,182	8,294	721	2,761	11,776
Public services	6,851	1,217	78	8,146	6,195	1,122	25	7,342
Other bills receivable	312,749	2,724	6,374	321,847	292,509	3,903	4,198	300,610
Parceling	46,851	2,724	6,374	55,949	51,647	3,903	4,198	59,748
Unbilled revenue	227,222	-	-	227,222	205,438	-	-	205,438
Suppliers	23,852	-	-	23,852	29,106	-	-	29,106
Other	14,824	-	-	14,824	6,318	-	-	6,318
Total	461,079	89,040	25,090	575,209	424,474	87,038	22,528	534,040
Current	418,863	89,040	25,090	532,993	385,114	87,038	22,528	494,680
Noncurrent	42,216	-	-	42,216	39,360	-	-	39,360

At December 31, 2009, R\$ 20,057 out of the R\$ 23,852 posted as suppliers under noncurrent assets refer to transactions carried out in the framework of CCEE during the energy rationing period (2000 to 2002) and includes: (i) R\$ 16,048 related to injunctions filed with CCEE by the industry’s agents; and (ii) R\$ 4,009 related to bilateral agreements under negotiation. Based on an opinion issued by its legal counsel, the Company does not expect to incur losses on the realization of these amounts.

7. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts can be broken down into the following classes:

	12/31/2008	Inputs/ Reversion	Settlements	12/31/2009
Residential	5,678	12,207	(11,972)	5,913
Industrial	7,200	2,579	(5,637)	4,142
Commercial	2,248	3,637	(2,665)	3,220
Rural	607	704	(536)	775
Public authorities (federal, state and municipal)	1,044	751	(469)	1,326
Public lighting	4,742	181	(79)	4,844
City Hall parceling	17,049	1,149	(8)	18,190
Private parceling	5,088	414		5,502
Total	43,656	21,622	(21,366)	43,912

Allowance for doubtful accounts complies with MCSE (Public Electric Energy Services Accounting Manual) and Company management deems this provision to be sufficient to cover probable losses on receivables.

8. REGULATORY ASSETS AND LIABILITIES

	Notes	12/31/2009			31/12/2008		
		Current	Noncurrent	Total	Current	Noncurrent	Total
Assets		130,048	59,902	189,950	38,469	114,846	153,315
CVA	8.1	112,801	42,735	155,536	7,856	99,130	106,986
RTE	8.2	3,225	10,382	13,607	5,336	12,419	17,755
Bracket difference and recomposition of PIS and COFINS	8.3	7,580	-	7,580	2,268	-	2,268
Low income	8.4	2,974	-	2,974	-	-	-
Regulatory assets with transmitters	8.5	-	-	-	6,293	-	6,293
2007 tariff review asset	8.6	-	-	-	12,180	-	12,180
Other regulatory assets		3,468	6,785	10,253	4,536	3,297	7,833
Liabilities		(45,303)	(59,697)	(105,000)	(20,681)	(57,374)	(78,055)
Free energy	8.2	(6,041)	(12,945)	(18,986)	(5,473)	(15,484)	(20,957)
Low income	8.4	(599)	(46,534)	(47,133)	(944)	(41,890)	(42,834)
Regulatory liabilities with transmitters	8.5	-	-	-	(6,293)	-	(6,293)
2007 tariff review liability	8.6	(36,493)	-	(36,493)	-	-	-
Other regulatory liabilities		(2,170)	(218)	(2,388)	(7,971)	-	(7,971)
Total Assets and Liabilities		84,745	205	84,950	17,788	57,472	75,260

8.1. TRACKING ACCOUNT FOR THE VARIATION OF PARCEL A ITEMS – CVA

The Ministries of Finance and Mines and Energy established by way of a joint Ministerial Act 025/2002 the mechanism for tracking accounting for variations in non-manageable costs (Parcel A) incurred by energy distribution concessionaires. These variations are obtained from the difference between non-manageable costs effectively incurred and those estimated when calculating the tariff at the time of the tariff reviews and/or adjustments.

The table below shows the CVA balances related to differences in the costs provided for in the tariff in previous periods and those effectively incurred by Elektro:

	12/31/2009			12/31/2008		
	CVA 09/08 ⁽ⁱ⁾	CVA 10/09 ⁽ⁱⁱ⁾	Total	CVA 08/07 ⁽ⁱⁱⁱ⁾	CVA 09/08 ⁽ⁱ⁾	Total
Principal						
Purchased energy	90,491	13,768	104,259	(28,147)	42,647	14,500
System service charges – ESS	24,913	(1,522)	23,391	26,609	19,886	46,495
PROINFA	18,830	-	18,830	7,085	-	7,085
Use of basic grid	11,601	5,764	17,365	(1,755)	11,668	9,913
Fuel consumption account – CCC	14,602	21,769	36,371	5,591	24,747	30,338
Energy development account – CDE	10,226	2,956	13,182	1,909	182	2,091
Total amount of adjusted principal	170,663	42,735	213,398	11,292	99,130	110,422
Amortization						
Purchased energy	(30,285)	-	(30,285)	10,459	-	10,459
System service charges – ESS	(8,252)	-	(8,252)	(9,074)	-	(9,074)
PROINFA	(6,571)	-	(6,571)	(2,635)	-	(2,635)
Use of basic grid	(4,083)	-	(4,083)	633	-	633
Fuel consumption account – CCC	(5,100)	-	(5,100)	(2,108)	-	(2,108)
Energy development account – CDE	(3,571)	-	(3,571)	(711)	-	(711)
Total amortization	(57,862)	-	(57,862)	(3,436)	-	(3,436)
Total	112,801	42,735	155,536	7,856	99,130	106,986
Current assets	112,801	-	112,801	7,856	-	7,856
Noncurrent assets	-	42,735	42,735	-	99,130	99,130

(i) Takes into account the deferrals carried out over the period August 27, 2008 to August 26, 2009.

(ii) Takes into account the deferrals carried out over the period August 27, 2009 to December 31, 2009 (current cycle).

(iii) Takes into account the deferrals carried out over the period August 27, 2007 to August 26, 2008.

Through Confirmatory Resolution No. 874 of August 25, 2009, ANEEL ratified the CVA amounts for the August 27, 2008 to August 26, 2009 period. The ratified amounts are being amortized from August 27, 2009, with this amortization scheduled to end on August 26, 2010, with the balance being adjusted for inflation by the SELIC rate.

The CVA for the August 27 to December 31, 2009 period (current cycle) was determined and recorded by the Company according to current legislation and specific regulations, and as specified in ANEEL Order No. 2,877/08 will be audited by an independent auditing firm and ratified by ANEEL in the next tariff adjustment, scheduled for August 27, 2010, the amortization starting date, when these totals will be incorporated to the supply tariffs.

8.2. RTE – REVENUE LOSSES RECOVERY AND FREE ENERGY

In December 2001, the Electric Energy Industry's General Agreement was concluded, which instituted an extraordinary tariff adjustment known as the Extraordinary Tariff Recovery. This is the mechanism used by power distributors and generators to recover revenue losses stemming from the Electric Energy Rationing Program that was in force from June 1st, 2001 through February 28, 2002.

According to the time line established by ANEEL in Normative Resolution No. 01/2004 November 2006, RTE billing was closed. This consisted of amounts designed to amortize revenue loss recovery sustained by distributors and related to free energy, to be passed on to the generators.

However, there are still some amounts that are yet to be billed to consumers from some municipalities in the area of Presidente Prudente, due to an injunctive relief issued by the court, as a result of the lawsuit brought against said tariff increase by the consumers of that area. On February 29, 2008, this injunction was revoked with the result that Elektro was authorized to collect the amounts related to RTE in said municipalities.

As this injunction has been in force since April 2002 and collection of the RTE in the rest of that concession area had ended by November 2006, ANEEL decided to charge consumers the RTE related to the remaining period, and levy the additional tariffs provided for in Law No. 10,438/02 in said 26 municipalities when it applied the August 2008 tariff adjustment. As a result of this ruling, which provides for collection of the respective amounts involved, Elektro recognized at December 31, 2008, the price-level restatement of the assets in question and respective free energy related liability.

The R\$ 3,255 posted to the RTE account in current assets and R\$ 10,382 in noncurrent assets at December 31, 2009 (R\$ 5,336 to current assets and R\$ 12,419 to noncurrent assets at December 31, 2008) is being amortized through the invoices since the August 2008 tariff adjustment. The amounts corresponding to free energy at December 31, 2009, stated at R\$ 6,041 under current liabilities and at R\$ 12,945 under noncurrent liabilities (R\$ 5,473 under current liabilities and R\$ 15,484 under noncurrent liabilities at December 31, 2008), owed to the generators and consisting mainly of unbilled amounts, will be passed on according to the billings and collection of RTE in the said municipalities. These asset and liability figures were recalculated according to ANEEL Official Letter No. 2,027/2008, excluding the unbilled amounts in the municipalities of the Presidente Prudente region.

8.3. DIFFERENCES IN RATES AND PIS AND COFINS RECOVERY

As from August 2005, based on Confirmatory Resolution No. 185 of August 22, 2005, the Company began to charge the PIS and COFINS rate differences directly in consumer invoices. The differences between the increase in rates and those being computed in the tariffs were stated at R\$ 7,580 (minus R\$ 328 at December 31, 2008) under the subtitle regulatory assets in current assets.

According to the express understanding found in Technical Note 554/2006-SFF/ANEEL, ANEEL carried out the definitive analysis of the effects of the increase in PIS and COFINS, which took place after legislation changed these from cumulative to non-cumulative at a time when these were not directly passed on to the tariffs charged to consumers. The total of R\$ 2,596 still posted to current assets at December 31, 2008, was fully amortized in 2009.

8.4. LOW-INCOME REIMBURSEMENT – TARIFF MODICITY AND SUBSIDIES

The application of the criteria for classifying low-income consumers established under ANEEL Resolution No. 485, dated August 29, 2002, boosted the concessionaire's revenues, which after being determined and approved by ANEEL, will be used to bring about tariff modicity in the subsequent tariff adjustments and reviews. The accounting procedures and criteria for offsetting these against supply tariffs were established by ANEEL in Resolution No. 514 of September 16, 2002.

Under Confirmatory Resolution No. 535, of August 21, 2007, ANEEL approved the sum of R\$ 48,083, which was booked to current liabilities and fully amortized based on billed invoices between August 27, 2007 and August 26, 2008. The R\$ 599 balance in current liabilities (R\$ 944 at December 31, 2008) refers to differences between the then ratified amount and the amounts refunded in the billings to August 27, 2009. The R\$ 46,534 balance (R\$ 41,890 at December 31, 2008) still posted to noncurrent liabilities is pending ratification by ANEEL.

As of the date of the August 2008 tariff adjustment, confirmed under Confirmatory Resolution No. 701/08, ANEEL withdrew the low-income consumer subsidy from the tariff structure and started to consider it as a financial component. Therefore, Elektro will be determining the subsidy effectively extended to low-income consumers in each invoice, and will offset this against the financial component included in the tariff. The R\$ 2,974 balance reported at December 31, 2009 refers to a positive financial component of R\$ 4,517, granted in the 2009 tariff adjustment for the difference ascertained between the value of the subsidy received and that effectively granted to low-income customers. This amount is entered under the subtitle regulatory assets under current assets.

8.5. COST OF THE USE OF THE TRANSMISSION SYSTEM (CUST)

In 2007, some transmission concessionaires were granted ratification of their tariff reviews, when it was found that they held a financial liability toward several energy industry agents, derived from a decrease in their tariffs. The titleholders of said credits are public distribution service concessionaires and permit holders (distributors), whose tariffs factored in these amounts as Parcel A cost in the period before the tariffs of these transmission companies were reviewed. Therefore, through Circular Letter No. 2,409/2007, ANEEL ordered the distributors to book this balance to assets, with a counter entry to operating revenues. The official letter also rules that these amounts are to be deducted financially from totals payable to said transmission companies by way of CUST (Cost of the Use of the Transmission System). The distributors' assets were thus amortized over twenty-four months: 50% in the cycle 2007-2008 and the rest in the 2008-2009 cycle.

Furthermore, ANEEL deemed that the financial assets registered by the distributors had been factored into Parcel A of the tariff charged to consumers and thus had to be refunded. Consequently, the distributors registered this under financial liabilities to consumers, with a respective counter entry to operation expenses. This is being deducted since the last tariff adjustments, following the same timeline as the amortization of the assets, which is August 2009.

Elektro registered the original value of R\$ 21,577 to assets and liabilities. This total was already computed in the last tariff review and fully passed on to consumers through August 2009, as in the case of the reduction of the paid CUSTs.

8.6. 2007 TARIFF REVIEW

The R\$ 12,180 booked to current assets at December 31, 2008 refers to an administrative appeal filed by Elektro with notice of delivery to ANEEL on September 10, 2007, in which its principal arguments were for the inclusion of certain assets in the regulatory remuneration base, omitted by the regulatory agency, and the review of additional costs and the costs of smaller components.

On August 27, 2008, this appeal was partially granted and, to counterbalance the previous cycle in which Elektro's tariffs were lower, ANEEL included in Elektro's applicable tariff for the 2008/2009 tariff cycle, a positive financial component amounting to R\$ 15,507, which was amortized in billings through August 26, 2009.

On August 31, 2009, a total R\$ 55,808 was booked to regulatory liabilities under current liabilities in connection with the finalization of the 2007 tariff adjustment, finally consummated in 2009. This liability is being amortized since the tariffs were adjusted on August 27, 2009, and the current balance at December 31, 2009 stood at R\$ 36,493 (see Note 4.1).

9. TARIFF FOR USE OF THE DISTRIBUTION SYSTEM PAID BY GENERATING UNITS – TUSD-G

ANEEL Normative Resolution No. 67, dated June 8, 2004, determined the charging of a Tariff for the Use of the Distribution System (TUSD) of generators that distribute power in a centralized form via ONS, which were connected to the transmission lines, bus bars, voltage transformers and substation equipment, at below 230 kV, within Elektro's concession area.

On June 26, 2007, ANEEL Confirmatory Resolution No. 497 was published with a view to establishing tariffs to be charged to the generating units connected to the 138 kV system. These resolutions list five generating plants connected to Elektro's distribution network: UHE Nova Avanhandava, owned by AES Tietê; UHE Jupia and UHE Paraibuna, owned by CESP; UHE Rosana, owned by Duke Energy; and UTE Três Lagoas, owned by Petrobras.

The resolutions also determine that Elektro must charge the generating companies the Connection Charges for Use of the Transmission System (CUST) and pay the transmission company, Companhia de Transmissão de Energia Elétrica Paulista (CTEEP), so that this burden is not reflected in its results. The status of the collection of these amounts from each generator is shown below:

PETROBRAS

In the case of the UTE Três Lagoas, the agreements were signed in compliance with Resolution No. 67, and since July 2004, Elektro is billing this generating plant. Resolution No. 497 established a new TUSD-G that was less than that established in the agreement signed with Petrobras, with the result that Elektro must now refund over-billed differences. These were factored as a financial component into Elektro's tariffs, and fully amortized in the 2007–2008 and 2008–2009 cycles.

AES TIETÊ AND CESP

On January 13, 2009, an agreement was reached between the generators AES Tietê and CESP, the distributors Elektro, CPFL, CPEE and Bandeirante and the transmission company CTEEP, in which these generating companies agreed to enter into Agreements on the Use of the Distribution System (CUSD) with the distributors in order to make payment of the use of the system legally compliant and to agree to pay the debts related to the July 2004 – December 2008 period in 36 installments indexed to the SELIC rate, beginning in January 2009.

As such, Elektro has agreed a CUSD with AES Tietê for the Nova Avanhandava plant and an Instrument of Debt Assumption and Payment Commitment and other Covenants, in which AES Tietê recognizes a debt of R\$ 49,372 (principal), which it undertakes to pay in 36 monthly installments indexed to the SELIC rate. The Company also signed a CUSC with CESP for the Jupia and Paraibuna plants, in which CESP acknowledges a debt of R\$ 44,009 (principal), which it undertakes to pay on the same terms of the AES Tietê agreement.

On the other hand, Elektro entered a Debt Acknowledgement and Payment Agreement with CTEEP, in which it promises to pay CTEEP R\$ 41,875 (principal) in 36 monthly installments indexed to the SELIC rate, a sum equivalent to the installments that were not computed in the tariff. The amounts that were collected from consumers via the tariff and then paid to CTEEP in the abovementioned period will be refunded to the consumers also via tariff modicity, subject to ratification by ANEEL.

DUKE

Only the generator Duke Paranapanema, owner of the Rosana plant located within Elektro's concession area, decided not to sign the aforementioned agreement. However, a decision issued by the federal judge of the 20th Lower Court of Brasília – Judicial Section of the Federal District, in the records of ordinary suit, AO 2008.34.00.02236-7, validated Resolution No. 497/07 and recognized the CUSD as having been signed for purposes of the applicability of its obligations and liabilities. However, the decision did not recognize the signing of the agreement to pay the past-due debt, inasmuch as, according to the judge, this payment, based on a confession of past amounts, would result in the loss of cause of the suit filed by Duke. On July 23, 2009, ANEEL, via Official Letter No. 0203/2009-SRD/SRT/ANEEL, notified the parties with respect to the aforementioned decision and the amount (R\$ 61,773 – principal) to be invoiced by Elektro to Duke for the July 2004 to June 2009 period. This total was divided into 31 installments, and began to be invoiced in July 2009.

The total was recognized as a receivable in Duke's TUSD-G assets and in its TUSD-G liabilities as a refundable regulatory liability to be refunded to consumers via tariff modicity.

Duke disagreed with the figures calculated by ANEEL, and a decision issued on Interlocutory Appeal 2009.01.00.040021-6/DF, currently being examined by the Fifth Panel of Judges of the Federal Regional Court of the 1st Region, granting injunctive relief, authorized Duke to make a court deposit of the difference between the total determined based on Resolution No. 497/07 and that established in ANEEL Normative Resolution No. 349 of January 13, 2009, as of the installment due on September 2009. The deposits Duke is making in court (R\$ 3,581 at December 31, 2009) are the amounts Duke deems disputable and they remain posted to TUSD-G receivables. If the final judgment on the appeal entered by Duke issued by the court finds in favor of Duke, Elektro will appeal to ANEEL to ensure the economic and financial balance of the contract.

In view of the situation described above, the account balances related to TUSD-G registered to the balance sheet were as follows:

Assets	Notes	12/31/08	Input	Correction	Received	21/31/09
AES – Nova Avanhandava – ref. Jul/04 to May/08	(a)	33,333	12,167	7,985	(17,366)	36,119
CESP – Jupia/Paraibuna – ref. Jul/04 to Dec/08	(a)	6,574	31,137	9,964	(15,477)	32,198
Duke – Rosana – ref. Jul/04 to Jun/09	(a)	-	62,261	1,864	(8,667)	55,458
Regulatory Assets (Petrobras – Três Lagoas – ref. Jul/04 to Jun/07)	(b)	5,528	-	-	(5,528)	-
Total Assets		45,435	105,565	19,813	(47,038)	123,775
Current		13,722				62,641
Noncurrent		31,713				61,134
Liabilities	Notes	12/31/08	Input	Correction	Payment	12/31/09
CTEEP	(c)	38,206	-	7,155	(14,730)	30,631
Petrobras – Três Lagoas – ref. Jul/04 to Jun/07	(b)	6,346	-	-	(6,346)	-
Regulatory Liabilities	(d)	-	123,815	14,800	(22,360)	116,255
Total Liabilities		44,552	123,815	21,955	(43,436)	146,886
Current		12,839				59,090
Noncurrent		31,713				87,796

(a) Receivables from generating companies pursuant to the CUSD and the Instrument of Debt Assumption, Payment Commitment and other Covenants signed between Elektro and the generators AES and CESP and the court decision recognizing the CUSD between Elektro and Duke as having been signed.

(b) The balance on the assets side of R\$ 5,528, at December 31, 2008, was fully amortized by billings through August 2009. The balance on the liabilities side of R\$ 6,346, at December 31, 2008, was paid to Petrobras up to September 2009, according to the agreement signed on October 8, 2008.

(c) Amounts payable to CTEEP, based on the Debt Confession and Payment Agreement made between Elektro and CTEEP.

(d) Amounts collected from consumers via tariff, which will be refunded to consumers also via tariff, in at most 36 months. In the August 27, 2009 adjustment, ANEEL ratified the regulatory liability related to consumer refundable TUSD-G, which for the 2009–2010 cycle, amounts to R\$ 64,237.

10. DEFERRED AND RECOVERABLE TAXES

	12/31/2009	12/31/2008
Recoverable taxes	72,177	80,920
Income tax and social security on net income	15,817	10,797
Withheld taxes and social security contribution	2,213	1,648
ICMS recoverable	40,077	44,254
PIS and COFINS recoverable	14,070	24,221
Deferred taxes	237,414	334,409
Income tax on fiscal losses	37,196	72,078
Social Contribution on negative base	12,633	27,589
Income tax and Social Contribution on temporary differences	31,401	62,444
Allowance for doubtful accounts	10,527	14,682
CVA	-	12,212
Provision for legal and regulatory action, net	13,654	10,629
Special retirement plan	4,975	-
PIS/COFINS provision – Injunction	-	23,302
Other	2,245	1,619
Tax benefit from merged goodwill	156,184	172,298
Total	309,591	415,329
Current	106,719	105,135
Noncurrent	202,872	310,194

Recoverable ICMS, PIS and COFINS tax balances refer largely to credits arising from the purchase of property, plant and equipment, and these are offset in at most 48 months.

Deferred tax credits arising from accrued temporary differences, income tax loss and negative social contribution basis are compliant with CVM Deliberation No. 273/98 and CVM Instruction No. 371/02, including as regards the realization deadline, which does not extend beyond ten years. The acknowledgement of these credits is based on the Company's future taxable income, as approved by the Board of Directors on February 25, 2010.

The tax benefit related to the merged goodwill amortization is stated as established by ANEEL and in CVM Instructions Nos. 319/99 and 349/01. The accounting registers for corporate and tax purposes are made in specific merged goodwill and provision accounts, with the corresponding amortization and reverse entries. This amount will be realized at the percentages officially announced by ANEEL on December 23, 2003 in its Official Letter No. 2,182/2003, which is based on the concession period and the recovery forecasts found

in the taxable income projections then presented by the Company to said regulatory authority.

Expectations regarding the amortization of deferred tax credits and the tax benefit of the merged goodwill are as follows:

Year	12/31/2009
2010	60,637
2011	51,819
2012	13,207
2013	13,112
2014	13,472
2015 to 2017	30,049
2018 to 2020	22,384
2021 to 2023	16,245
2024 to 2026	11,100
2027 to 2028	5,389
Total	237,414

The actual value of income tax and social contribution on net profits payable and recovery of the respective deferred balances resulted from the determination of taxable income, expectations regarding the realization of temporary differences and other variables. Therefore, the estimated future realization of this asset should not be considered indicative of a future projection of profits of the Company. Additionally, these projections are based on a series of premises that may vary in relation to the current figures.

11. PLEDGE OF FUNDS AND TIED DEPOSITS – RESTRICTED CASH

At December 31, 2009, secured investments were pegged to fixed-income instruments (post-fixed rates), including bank certificates of deposit (CDBs), investment funds and other instruments, indexed to the average 99.3% fluctuation of the daily Interbank Certificate of Deposit (CDI) rates. These instruments offer daily liquidity and are not subject to any significant risk of loss in value, but are secured as shown on the table below:

	12/31/2009		12/31/2008	
	Current	Noncurrent	Current	Noncurrent
Debts				
Eletrobras (<i>Luz para Todos</i>) (i)	248	-	232	-
Debentures (ii)	2,021	-	4,824	-
Garantee – Auction, Energy Purchase (iii)	2,362	10,952	9,090	11,711
Education fund (iv)	1,106	-	1,421	-
Other	388	-	170	-
Total	6,125	10,952	15,737	11,711

(i) Eletrobrás – total loan agreement related to the *Luz para Todos* program. The funds are drawn down by Elektro after it demonstrates the investments were made in compliance with the referred program's guidelines.

(ii) Debentures – total accruing on a monthly basis to cover next interest payment.

(iii) Guarantee – Electric Energy Purchase Auction – an amount pledged in guarantee to participate in short-term energy purchasing auctions.

(iv) Educational Fund – a pledged amount to secure training and development programs as established in the collective bargaining agreement.

12. JUDICIAL DEPOSITS

The updated total of R\$ 41,839 at December 31, 2009 refers to a judicial deposit in the amount of R\$ 24,906, made on October 29, 2004, to post bond for the suit filed to question the right to withhold PIS and COFINS as stipulated in Supplementary Law No. 70/91 and Law No. 9,178/98, based solely on billings, net of financial revenues of any kind.

Based on Law No. 11,941 of May 27, 2009, which revoked paragraphs 1 and 3 of Law No. 9,178/98, and on case law established by Supreme Federal Court, the Company, following the recommendation of its legal advisers and on IBRACON's Technical Communiqué 05/2009, deemed that this legal obligation no longer existed (see Note 26.1).

Inasmuch as Elektro's suit has not been adjudicated at the last instance, the Company maintains this court deposit, which will be lifted as soon as a final ruling is issued on the proceedings.

The other court deposits made by the Company are stated as reduction drivers for "Net Provision for legal suits" in accordance with the regulation in CVM Deliberation No. 489/05.

13. INVESTMENTS

	12/31/2009	12/31/2008
Land	4,264	4,264
Buildings	61	70
Total	4,325	4,334

Out of a total of R\$ 4,264 registered to land, R\$ 4,240 are rural properties retained by the Company for probable future use. These properties are not tied to the concession and have been granted on a free lease basis, in order to ensure the physical and economic integrity of the assets. The balance of R\$ 61 referring to buildings is net of depreciation.

14. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation/ amortization rates	12/31/2009			12/31/2008		
		Cost	Accrued depreciation and amortization	Net	Cost	Accrued depreciation and amortization	Net
Property, Plant and Equipment in Service		3,146,925	(1,383,863)	1,763,062	2,921,281	(1,276,794)	1,644,487
Distribution		3,047,599	(1,340,108)	1,707,491	2,826,719	(1,241,316)	1,585,403
Lines, grid and distribution substations		2,648,899	(1,200,934)	1,447,965	2,483,907	(1,111,678)	1,372,229
Land	-	3,886	-	3,886	4,151	-	4,151
Buildings, civil construction and improvements	2.0 a 5.0%	28,533	(15,139)	13,394	30,265	(15,391)	14,874
Machinery and equipment	2.0 a 7.7%	2,567,756	(1,162,011)	1,405,745	2,407,249	(1,071,984)	1,335,265
Vehicles	20.0%	39,832	(19,069)	20,763	32,255	(18,702)	13,553
Furniture and fixtures	10.0%	8,892	(4,715)	4,177	9,987	(5,601)	4,386
Transmission System linked to Distribution		398,700	(139,174)	259,526	342,812	(129,638)	213,174
Land	-	9,711	-	9,711	8,962	-	8,962
Buildings, construction	2.0 a 5.0%	19,976	(11,988)	7,988	18,958	(11,321)	7,637
Machinery and equipment	2.0 a 7.7%	368,807	(127,004)	241,803	314,651	(118,114)	196,537
Furniture and fixtures	10.0%	206	(182)	24	241	(203)	38
Central Administration		99,326	(43,755)	55,571	94,562	(35,478)	59,084
Land	-	223	-	223	223	-	223
Buildings, civil construction and improvements	2.0 a 5.0%	13,288	(2,770)	10,518	13,289	(2,238)	11,051
Buildings, civil const. and improvements – leasing	2.0 a 5.0%	19,638	(10,863)	8,775	17,615	(9,010)	8,605
Machinery and equipment	2.0 a 7.7%	12,263	(5,072)	7,191	11,945	(4,299)	7,646
Vehicles	20.0%	6,818	(5,763)	1,055	6,418	(5,241)	1,177
Vehicles – leasing	20.0%	13,940	(6,307)	7,633	13,660	(3,161)	10,499
Furniture and fixtures	10.0%	22,965	(10,464)	12,501	21,221	(10,167)	11,054
Furniture and fixtures – leasing	10.0%	10,191	(2,516)	7,675	10,191	(1,362)	8,829
Other assets							
Goodwill on property, plant and equipment	5.0%	146,954	(80,868)	66,086	146,954	(73,522)	73,432
Property, plant and equipment in progress		174,753	-	174,753	141,033	-	141,033
Construction		116,014	-	116,014	89,643	-	89,643
Inventories		53,946	-	53,946	46,972	-	46,972
Procurement in progress		153	-	153	153	-	153
Materials under repair		4,640	-	4,640	4,265	-	4,265
Special Obligations		(372,858)	36,692	(336,166)	(341,582)	20,518	(321,064)
Total		3,095,774	(1,428,039)	1,667,735	2,867,686	(1,329,798)	1,537,888
Balance of fully depreciated items		326,754			251,987		

The change in the property, plant and equipment account balance is shown below:

	12/31/2008	Additions	Transfers	Losses	12/31/2009
Property, Plant and Equipment in Service	1,644,487	(138,362)	277,525	(20,588)	1,763,062
Distribution	1,585,404	(129,930)	272,435	(20,418)	1,707,491
Lines, Grid and Distribution Substations	1,372,230	(119,801)	214,363	(18,827)	1,447,965
Property, Plant and Equipment in Service	2,483,908	-	214,363	(49,373)	2,648,898
(-) Accrued depreciation	(1,111,678)	(119,801)	-	30,546	(1,200,933)
Linked transmission lines	213,174	(10,129)	58,072	(1,591)	259,526
Property, Plant and Equipment in Service	342,812	-	58,072	(2,184)	398,700
(-) Accrued depreciation	(129,638)	(10,129)	-	593	(139,174)
Central Administration	59,083	(8,432)	5,090	(170)	55,571
Property, Plant and Equipment in Service	94,561	2,303	5,090	(2,628)	99,326
(-) Accrued depreciation	(35,478)	(10,735)	-	2,458	(43,755)
Property, Plant and Equipment in progress	141,033	311,961	(278,241)	-	174,753
Other assets	73,432	(7,346)	-	-	66,086
Goodwill on property, plant and equipment assets	146,954	-	-	-	146,954
(-) Accrued amort. on property, plant and equip. goodwill	(73,522)	(7,346)	-	-	(80,868)
Special Obligations	(321,064)	(15,102)	-	-	(336,186)
Special Obligations	(341,582)	(31,276)	-	-	(372,858)
(-) Accrued Amortization	20,518	16,174	-	-	36,692
Total	1,537,888	151,151	(716)	(20,588)	1,667,735

The portion of the premium related to the added value (goodwill) of property, plant and equipment is amortized over a period of 20 years and refers to the merger of the controller, Terraço Participações Ltda., in December 21, 1998.

14.1 SPECIAL OBLIGATIONS

	12/31/2009			12/31/2008		
	Cost	Accrued Amortization	Net	Cost	Accrued Amortization	Net
Government participation	(31,385)	2,924	(28,461)	(27,208)	1,604	(25,604)
Consumer participation	(214,886)	22,196	(192,690)	(189,922)	13,165	(176,757)
Donations and investments subsidies	(122,575)	11,218	(111,357)	(121,042)	5,561	(115,481)
Research and development	(4,012)	354	(3,658)	(3,410)	188	(3,222)
Total	(372,858)	36,692	(336,166)	(341,582)	20,518	(321,064)

Special obligations are the amounts paid by consumers and federal government to society to cover connection costs to the energy distribution network.

Elektro receives donations and subventions that do not require any return favor to their donors, but are designed to be invested in public energy distribution services.

The balance of this account is stated as a fixed asset account reduction driver.

Amortization is effected at the rate of 4.63% per year, as established in the ANEEL Monitoring Report – RAF No. 234/2006, which represents the average depreciation rate for machinery and equipment.

14.2. UNIVERSALIZATION PROGRAM (*)

In compliance with Law No. 10,438 of April 26, 2002, which stipulates that new connections and load increases must be supplied free of charge to customers with loads of less than 50 KVA, the Company connected 106,953 customers up to 2009.

In 2004, the federal government created the *Luz para Todos* program, which was designed to bring electricity to the rural districts. Within the framework of this program, the Company completed the connections of 7,564 customers in 2009, 264 more than its estimated target for that year, and is set to connect another 7,300 customers in 2010.

The table below shows the amounts provided for in the *Luz para Todos* program agreements and those effectively confirmed by Eletrobras, which were incorporated into the Company's in-service fixed assets up to December 31, 2009.

Contracts			Own funding		Third party funding (Special obligations)		Total
Reference	Date of Signature	Situation	Eletrobras RGR	Non-financed funds	Eletrobras CDE	State Government	
1 st Tranche – ECFS 044/2004 MS	09/22/2004	Finalized	1,278	483	1,461	-	3,222
1 st Tranche – ECFS 025/2004 SP	06/01/2004	Finalized	14,648	4,309	9,766	-	28,723
2 nd Tranche – ECFS 134/2006 MS	01/04/2006	Finalized	1,225	463	1,400	-	3,088
2 nd Tranche – ECFS 126/2006 SP	01/11/2006	Finalized	33,123	9,742	22,082	-	64,947
3 rd Tranche – ECFS 179/2007 SP	07/03/2007	Finalized	36,502	6,442	-	-	42,944
3 rd Tranche – ECFS 222/2008 MS	06/20/2008	Ongoing	906	2,827	1,036	-	4,769
4 th Tranche – ECFS 231/2008 SP		Ongoing	29,813	6,070	4,587	-	40,470
5 th Tranche – ECFS 260/2009 SP		Ongoing	31,786	6,506	4,890	-	43,182
Convention 031/2004 MS	12/08/2004	Ongoing	-	-	-	723	723
Program total			149,281	36,842	45,222	723	232,068

Confirmed amounts			Own funding		Third party funding (Special obligations)		Total
Reference	Date of Signature	Situation	Eletrobras RGR	Non-financed funds	Eletrobras CDE	State Government	
1 st Tranche – ECFS 044/2004 MS	09/22/2004	Finalized	988	1,354	972	-	3,314
1 st Tranche – ECFS 025/2004 SP	06/01/2004	Finalized	12,000	12,504	8,185	-	32,689
2 nd Tranche – ECFS 134/2006 MS	01/04/2006	Finalized	830	1,446	1,153	-	3,429
2 nd Tranche – ECFS 126/2006 SP	01/11/2006	Finalized	22,709	27,828	14,985	-	65,522
3 rd Tranche – ECFS 179/2007 SP	07/30/2007	Finalized	35,502	17,624	-	-	53,126
3 rd Tranche – ECFS 222/2008 MS	06/20/2008	Ongoing	272	-	308	-	580
4 th Tranche – ECFS 231/2008 SP		Ongoing	26,831	8,080	4,087	-	38,998
5 th Tranche – ECFS 260/2009 SP		Ongoing	9,536	-	1,452	-	10,988
Convention 031/2004 MS	12/08/2004	Ongoing	-	675	-	244	919
Total Confirmed/Concluded			108,668	69,511	31,142	244	209,565

The realized amounts only include the figures that have been released, verified and inspected by Eletrobras. The differences between the amounts provided for in the agreements and those actually realized are due to annulations because of the method applied for credit write-offs, in accordance with the Eletrobras' Technical Operating Manual, which are influenced by the difference between the agreed price and that effectively realized, as well as by the physical progress approved by Eletrobras.

(*) Information not audited by the independent auditors.

14.3. REMUNERABLE INVESTMENT (REGULATORY REMUNERATION BASE) (*)

The table below shows the updated amounts based on the IGP-M applied to the August 2008 and 2009 tariff adjustments of (i) Remunerable Investment, also called Remuneration Base, which is made up of fixed assets in service – AIS and operational inventories, less the balance of obligations tied to public energy service (Special Obligations), from which remuneration was calculated for the 2007 tariff review; and (ii) the depreciation quota computed in the same tariff review. Both amounts make up Parcel “B” of the Concessionaire’s Required Revenue, as established in the August 2007 Tariff Review and ratified in ANEEL Confirmatory Resolution No. 535 of August 21, 2007.

	Tariff Review August 2007	Tariff Review August 2008	Tariff Review August 2009
Property, plant and equipment in service – Gross	4,679,093	5,386,572	5,350,482
(-) Accrued depreciation: 51.07%	(2,389,518)	(2,750,813)	(2,732,383)
(-) Obligations tied to electric energy public services (special obligations)	(504,091)	(580,310)	(576,421)
Property, plant and equipment in service – Net	1,785,484	2,055,449	2,041,677
(+) Inventory	3,322	3,824	3,798
Remunerative investment (basis of remuneration)	1,788,806	2,059,273	2,045,476
Goods 100% depreciated	203,443	234,203	232,634
IGPM’s variation (ANEEL Confirmatory Resolution No. 701 of 08/26/2008)		15.12%	-0.67%

Depreciation quota – annual average rate: 4.63%

Information not audited by independent auditors

15. INTANGIBLE ASSETS

	Annual Amortization rates	12/31/2009			12/31/2008		
		Cost	Accrued Amortization	Net	Cost	Accrued Amortization	Net
Intangible assets in service		74,498	(35,276)	39,222	54,476	(33,467)	25,009
Distribution		23,426	(1,248)	22,178	21,088	(1,128)	19,960
Software	20%	1,360	(1,248)	112	1,360	(1,128)	232
Easements	-	22,060	-	22,066	19,728	-	19,728
Central Administration		51,072	(34,028)	17,044	37,388	(32,339)	5,049
Software	20%	50,978	(34,028)	16,950	37,293	(32,339)	4,954
Others	-	94	-	94	95	-	95
Intangible assets in progress		12,404	-	12,404	14,887	-	14,887
Projects		5,800	-	5,800	8,150	-	8,150
Easements		6,604	-	6,604	6,737	-	6,737
Total		86,902	(35,276)	51,626	73,363	(33,467)	39,896

Easements are not amortized, since they have similar characteristics to real estate.

16. LOANS AND FINANCING

	12/31/2009			12/31/2008		
	Principal	Charges	Total	Principal	Charges	Total
Local currency						
BNDES (*)						
Finem II	12,942	64	13,006	38,780	196	38,976
Finem III	107,728	453	108,181	139,909	622	140,531
Finem IV	143,089	536	143,625	43,787	126	43,913
Finame	1,759	6	1,765	2,446	39	2,485
Finame 2008	3,109	12	3,121	3,444	57	3,501
Finame 2009	8,337	90	8,427	-	-	-
Automatic	2,301	9	2,310	2,114	36	2,150
Eletrobras – <i>Luz para Todos</i>	99,342	-	99,342	66,502	-	66,502
Finep	12,546	36	12,582	9,217	30	9,247
Finep – 2 nd Cycle	21,390	40	21,430	-	-	-
Total	412,543	1,246	413,789	306,199	1,106	307,305
Current	62,802	1,246	64,048	64,219	1,106	65,325
Noncurrent	349,741	-	349,741	241,980	-	241,980

(*) Transfers carried out by financial institutions, BNDES agents.

On April 24, 2009, Elektro secured funding in order to meet its working capital needs through the issue of promissory notes for a total R\$ 120,000, mostly due to an increase in non-manageable costs (Parcel A), which were passed on to energy tariffs after the August 2009 tariff adjustment, via the CVA mechanism (see Note 8.1); and the Itaipu energy purchasing cost due to the devaluation of the real against the US dollar, and in other industry charges. These promissory notes were paid interest at the CDI rate, plus 2% per year. On July 1st, 2009, the promissory notes were settled at CETIP S.A. – Organized Over-the-Counter Market for Securities and Derivatives, using funds raised by the third issue of debentures.

LONG-TERM MATURITY OF PRINCIPAL

Year	12/31/2009
2011	80,328
2012	83,629
2013	59,310
2014	49,304
2015	32,091
After 2015	45,079
Total	349,741

Charges, guarantees and general terms governing loans and financing are shown below:

Type	Guarantees	General Conditions	Payment of charges	Payment of principal	Initial due date	Final due date
BNDES						
Finem II	Tied to revenues resulting from energy sales	TJLP + 6.00% p.a.	Quarterly during grace period and monthly thereafter	Monthly	07/17/2006	06/15/2010
Finem III	Tied to revenues resulting from energy sales	TJLP + 4.65% p.a.	Quarterly during grace period and monthly thereafter	Monthly	04/15/2008	09/15/2013
Finem IV						
Subcredit A ⁽¹⁾	Tied to revenues resulting from energy sales	TJLP + 2.45% p.a.	Quarterly during grace period and monthly thereafter	Monthly	07/15/2011	12/15/2015
Subcredit B ⁽¹⁾	Tied to revenues resulting from energy sales	IPCA + 7.6% ⁽²⁾ + 2.45% p.a.	Annual	Annual	03/15/2011	03/15/2014
Subcredit E ⁽¹⁾	Tied to revenues resulting from energy sales	TJLP + 1.55% p.a.	Quarterly during grace period and monthly thereafter	Monthly	09/15/2010	09/15/2014
Finame	Trustee ownership of financed goods	TJLP + 2.80% p.a.	Quarterly during grace period and monthly thereafter	Monthly	07/15/2008 to 08/15/2008	15/06/2012 to 07/16/2012
Finame 2008	Trustee ownership of financed goods	TJLP + 2.79% p.a.	Quarterly during grace period and monthly thereafter	Monthly	07/15/2009 to 08/15/2009	07/15/2013 to 08/15/2013
Finame 2009	Trustee ownership of financed goods	TJLP + 2.83% p.a.	Quarterly during grace period and monthly thereafter	Monthly	03/15/2010 to 08/15/2010	03/17/2014 to 08/15/2014
Automatic	Trustee ownership of financed goods plus promissory note	TJLP + 2.7% p.a.	Quarterly during grace period and monthly thereafter	Monthly	05/15/2009	07/15/2013
Eletrobras						
Luz para Todos ⁽³⁾	Letter of Guarantee	RGR + 5.0% p.a. ⁽⁴⁾	Monthly	Monthly	11/30/2006 to 12/30/2011	10/30/2016 to 11/01/2021
Finep	Letter of Guarantee	TJLP + 0.94% p.a.	Monthly during grace period	Monthly	10/15/2010	10/15/2014
Finep – 2 nd Cycle	Letter of Guarantee	4.25% p.a.	Monthly during grace period	Monthly	04/15/2011	12/15/2017

(1) Finem IV is related to the investment program for the period July 2008 to December 2010, and is subject to specific terms and rates in accordance to the nature of each investment as such.

(2) Reference rate divulged by BNDES; the same as the average representative cost of funding and derivatives of BNDES and BNDES Participações S.A. – BNDESPAR.

(3) The project Luz Para Todos is related to seven financing contracts.

(4) The Global Reversion Reserve – RGR is linked to the variation of UFIR, which has remained constant.

Restrictive Financial Conditions (covenants): The BNDES “Finem II” Loan Agreement contains restrictive provisions on the special obligations assumed under the agreement by the Company. According to section II, item 2.13.15, of this agreement, compliance is required with certain financial indicators as from December 2005, as follows: (i) Net Debt/EBITDA equal to or less than 2.5; (ii) Net Debt/Shareholder equity equal to or less than 0.8; (iii) EBITDA/Net Financial Expenses equal to or more than 3.0. All these restrictive conditions were met by the Company.

17. DEBENTURES

	12/31/2009				12/31/2008			
	Principal	Charges	Monetary Value	Total	Principal	Charges	Monetary Value	Total
2 nd Issue – 09/01/2005	305,914	13,296	53,282	372,492	458,649	22,298	87,853	568,800
1 st Series	250,000	11,365	53,282	314,647	375,000	17,958	87,853	480,811
2 nd Series	58,140	1,931	-	60,071	87,210	4,340	-	91,550
Issue costs	(2,226)	-	-	(2,226)	(3,561)	-	-	(3,561)
3 rd Issue – 07/01/2009	297,202	920	-	298,122	-	-	-	-
One-off series	300,000	920	-	300,920	-	-	-	-
Issue costs	(2,798)	-	-	(2,798)	-	-	-	-
Total	603,116	14,216	53,282	670,614	458,649	22,298	87,853	568,800
Current	208,439	14,216	26,641	249,296	152,735	22,298	27,387	202,420
Noncurrent	394,677	-	26,641	421,318	305,914	-	60,466	366,380

On June 18, 2009, Elektro released the third issue of simple, general, nonconvertible debentures, for a total of R\$ 300,000, payable on September 18, 2011. They will be paid the CDI rate, plus 1.4% per year. The debentures were registered with CVM on June 30, 2009 and financially settled on July 1st, 2009.

In accordance with CPC 08 – Cost of Transactions and Premiums on the Issue of Securities, the funds raised through the issue of debentures were stated net of costs connected to the debenture issue process, and such costs will be amortized against the effective transaction fee before the maturities of the respective securities.

The general characteristics of the Company's debentures are described below:

Second issue – characteristics of the two current series

General characteristics of the Company's second issue of debentures:

Type: simple, nominative, book entry debentures, not convertible into shares.

Class: General, with the additional guarantee of fiduciary assignment of the Company's credit rights.

Original Value: R\$ 750,000

Face Value: R\$ 10 per debenture

On September 1st, Elektro amortized 33.33% of the two current series of the second issue of Debentures, plus respective earnings paid thereon in the sum of R\$ 238,966. Amortization of the outstanding principal, plus respective earnings will be made in two installments: 33.33% on September 1st, 2010 and 33.34% on September 1st, 2011.

Additional guarantee: Fiduciary Assignment Agreement entered into by Elektro, the Trustee and Banco Itaú S.A., the agent bank, in compliance with the provision in article 66-B of Law No. 4,728/65, as amended by article 55 of Law No. 10,931/04.

Third issue – single series

Type: simple, nominative, book-entry debentures, not convertible into shares.

Class: non-preferential with no guarantee

Original value: R\$ 300,000

Face value: R\$ 10 per debenture

Series	Quant. In circulation	Remuneration	Interest payments
Debentures 2nd Issue			
1 st Series	37,500	IGP-M + 11.80% p.a.	Annual as of September 1 st 2006
2 nd Series	8,721	CDI + 1.65% p.a.	Half-yearly as of 1 st March 2006
Debentures 3rd Issue			
One-off Series	10,000	CDI + 1.40%	Half-yearly up to December 2010 and quarterly until maturity

Restrictive Financial Conditions (covenants):

The debentures carry restrictive clauses that entail early maturity and call for compliance with certain financial indicators as follows:

Second issue – as stipulated in Clause 8.1, lines (n), (o), (p), (q) and (r) of the issue deed.

Third issue – according to the early maturity clause, line “s” of the issue deed.

The Company has been complying with all restrictive conditions.

The full text of the terms and conditions of the public distribution of the second issue of debentures is available on Elektro's website at: www.elektro.com.br.

18. LEASING

According to CPC 06 – Leasing Operations, approved under CVM Deliberation No. 554/08, the Company capitalized the assets tied to lease agreements considered financial to transfer the risks and benefits related to such assets to the Company. The agreements connected to real estate contained clauses providing for their extension and adjustments based on the inflation reported in the period. Restrictive clauses and contingency payments were not provided for in any of the existing agreements.

The outstanding balance of future payments, calculated at present value at rates ranging from 10 to 18% per year, is broken down according to type of asset as follows:

	12/31/2009	12/31/2008
Financial lease agreements payable		
Vehicles	9,587	11,829
Property	9,946	3,976
IT Equipment	4,977	14,223
Total	24,510	30,028
Current	9,013	7,744
Noncurrent	15,497	22,284

Future long-term payments of the abovementioned agreements are shown below according to their due dates:

Future due dates for long-term payments	
2011	5,309
2012	3,432
2013	1,712
After 2013	5,044
Total	15,497

OPERATING LEASES

In accordance with guidelines found in CPC 06, the Company analyzed the contracts that were classified as operational lease agreements, among which were equipment, vehicle and other lease agreements.

The table below shows a list of the most relevant contracts, which are booked to expenses at December 31, 2009 and 2008, as well as future payments the Company will be making based on these contracts.

	12/31/2009	12/31/2008
Acknowledged expenses over the period		
Rental of service point infra-structure (Call centers)	2,436	2,055
Vehicle leasing	70	172
Computer leasing	1,294	1,655
Printer leasing	83	758
Leasing of other IT equipment	279	312
Total	4,162	4,952

Due dates for future payments

2010	4,373
2011	3,334
2012	2,071
2013	1,968
2014	1,968
Total	13,714

19. ELECTRIC ENERGY SUPPLIERS AND PROVIDERS

	12/31/2009	12/31/2008
Local currency	190,939	182,709
Suppliers of electric energy	134,511	126,311
System service charges – ESS	4,653	3,525
Materials and service suppliers	51,775	52,873
Foreign currency	48,547	57,147
Suppliers of electric energy – Itaipu	48,672	57,108
Exchange rate variation – Itaipu	(125)	39
Total	239,486	239,856

20. TAXES PAYABLE

	12/31/2009	12/31/2008
Income tax and social security on net profit	159	257
Contribution to social security financing – COFINS	15,720	14,821
Social participation program – PIS	3,416	3,220
Value added tax on products and services – ICMS	93,058	79,419
Withheld income tax	13,772	14,329
Service tax – ISS	495	52
Total	126,620	112,098

21. CONSUMER CHARGES

	12/31/2009	12/31/2008
Global Reversion Reserve quota – RGR	4,763	1.665
Fuel consumption account quota – CCC	2,682	13.657
Energy development account quota – CDE	9,890	9,149
Emergency capacity charges – ECE	827	258
Total	18,162	24,729

22. DIVIDENDS AND INTEREST ON EQUITY PAYABLE

	12/31/2009	12/31/2008
Dividends payable	155,594	168,058
Interest on equity payable	54,993	55,120
Total	210,587	223,178

The dividends and interest on equity payable account balances comply with Management's resolutions on net income of the period, as mentioned in Note 27.4.

Interest on equity payable is net of withholding tax.

There are still declared dividends to be paid to minority shareholders in the sum of R\$ 3, since they have not submitted their updated registration data.

23. PROVISION AND PAYROLL CHARGES

	12/31/2009	12/31/2008
Provision for vacations	13,391	11,260
Withheld from employee	2,471	2,608
Company share of INSS	7,123	6,314
FGTS	2,419	2,322
Profit sharing	14,444	12,321
Other	398	291
Total	40,246	35,116

24. ENERGY SAVING PROGRAM AND RESEARCH AND DEVELOPMENT (R&D)

The concession contract establishes that Elektro has an obligation to annually invest one percent of its net operating revenues in measures aimed at preventing energy waste and in the energy industry's development of technology. This total is allocated to Efficiency Improvement and Research and Development Programs and includes contributions to the National Science and Technology Development Fund (FNDCT) and to the Ministry of Mines and Energy (MME). The share assigned to each program is established in Laws No. 9,991/2000 and No. 11,465/2007.

Cash movements related to the Company obligation to these programs is broken down by program as follows:

Distribution of funds	Distribution percentage	12/31/2008	Input	Update	Transferred	Implemented	12/31/2009
Energy efficiency research	0.50%	18,908	13,839	1,226	-	(17,556)	16,417
Research and Development	0.20%	20,262	5,536	1,999	-	(6,370)	21,427
FNDCT	0.20%	7,388	5,536	-	-	(12,530)	394
MME	0.10%	2,914	2,768	-	-	(5,485)	197
Total		49,472	27,679	3,225	-	(41,941)	38,435
Current		35,071	22,143	1,609	7,108	(41,941)	23,900
Noncurrent		14,401	5,536	1,616	(7,018)	-	14,535

Adjustment for inflation of the Energy Saving and Research and Development Programs is based on the SELIC rate, in accordance with ANEEL Normative Resolutions No. 176/2005 and No. 219/2006.

Under Normative Resolution No. 233/2006, which came into effect on January 1st, 2007, ANEEL established new criteria for the calculation, investment and payment of the energy efficiency program, which included items that make up the calculation basis of the obligations, that is, net operating revenues, and FNDCT and MME contribution payments dates, which are to be made monthly as of January 2009.

25. SPECIAL RETIREMENT PLAN

According to the Collective Bargaining Agreement signed on July 25, 2007, Elektro created a Special Retirement Plan (PEA) to encourage its employees who are already eligible for official retirement to do so. Under the bargaining agreement signed on September 21, 2009, this plan was extended to May 31, 2011, and automatically extended again to May 31, 2013 provided none of the parties is against this.

The incentive consists of payment of a compensation (ranging from four to six monthly salaries, depending on the number of years the employee has worked for the Company), plus all the benefits provided for in law, should the employee resign. The main requirements employees must meet in order to become eligible to join the plan are: they must still be working for the Company, they must have applied for retirement according to Brazilian social contribution laws, which take a minimum age and tenure into account, and they must submit the request notice for the benefit.

The total R\$ 1,842 posted to "Special Retirement Plan" in current liabilities refers to 27 employees who joined the plan in fiscal year 2009 and will be entitled to be paid these benefits in the first half of 2010. In fiscal years 2010 to 2013, the Company estimates that up to 201 employees may subscribe to the plan, which prompted it to make a reserve of R\$ 12,791, posted to the same title in current liabilities.

26. PROVISIONS AND CONTINGENCIES FOR LIABILITIES

26.1. NET PROVISIONS FOR LEGAL AND REGULATORY CLAIMS

All claims of a judicial nature are continually monitored by the Company's legal advisors, who based on criteria previously defined by Management classify each contingency, and a provision is then set aside for those considered a probable loss.

The registered provisions, minus the corresponding court deposits, are for cases considered a likely loss, and their respective balance and statuses are shown on the table below:

	12/31/2008	Input and updates	Reversion	Settlements	Reclassification	12/31/2009
Civil and environmental	12,460	6,313	(820)	(1,545)	-	16,408
Labor	7,556	2,776	(220)	(1,305)	-	8,807
Taxes:						
COFINS	78,122	2,176	(80,298)	-	-	-
PIS	15,085	412	(15,497)	-	-	-
Other	5,667	1,313	(3,183)	-	-	3,797
Expropriation and rights of way	4,453	784	(870)	(43)	-	4,324
Regulatories	1,200	1,006	(6)	-	-	2,200
Total provisions	124,543	14,780	(100,894)	(2,893)	-	35,536
(-) Judicial deposits	(42,842)	(5,136)	-	2,448	40,781	(4,749)
Total net provisions	81,701	9,644	(100,894)	(445)	40,781	30,787

On December 31, 2009, the reserves set aside by the Company were mainly to cover losses related to civil and environmental claims for damages of different kinds; labor claims by former Elektro employees (or its subsidiaries) involving salary differences, overtime and other payments; tax actions involving matters of illegality of certain federal, state and municipal tax assessments; and regulatory issues directly related to ANEEL's performance indicators. Expropriations and easements are related to complaints filed by owners and former owners regarding the compensation paid for the land that is being used by Elektro.

PIS and COFINS – Expansion of the calculation base

This involves the questioning of the tax authorities' right to collect PIS and COFINS contributions as established in Supplementary Law No. 70/91 and Law No. 9,178/98, based on billed revenues only, excluding financial income of any kind. Based on Law No. 11,941 of May 27, 2009, which revoked paragraphs 1 and 3 of Law No. 9,178/98, and on case law established by the Supreme Federal Court, the Company deemed that this legal obligation no longer existed, buttressed on its legal advisors' construction of IBRACON Technical Communiqué 05/2009.

Based on these technical grounds and because its legal counsel evaluated the risk as remote, on June 30, 2009 the Company made a reverse entry of the reserve for this contingency in an amount of R\$ 95,795 (R\$ 80,298 for COFINS and R\$ 15,497 for PIS), restated at that date.

The net effect of the reverse entry of this provision to reported net income for the period was R\$ 63,225, considering the effect of the respective exclusion of deferred corporate tax and social contribution on net profits of R\$ 32,570.

Inasmuch as Elektro's claim was not decided on at the last instance, the Company maintains a court deposit, first made on October 29, 2004, amounting to R\$ 24,906, the restated value of which at December 31, 2009 totaled R\$ 41,839 (R\$ 39,194 at December 31, 2008). The said deposit will only be lifted after a final decision is rendered and since a reverse entry was made of the reserve, it was reclassified to noncurrent assets.

26.2. LIABILITY CONTINGENCIES WITH A POSSIBLE RISK RATING

The Company is discussing diverse issues which, in the assessment of its legal counsel and based on criteria established by Management are considered as a possible risk of loss, thus no provision has been made for these. The estimated total of these contingencies is broken down into: R\$ 67,044 for social contribution items; R\$ 23,520 for civil matters related to expropriation and easement; R\$ 22,601 for labor issues; and R\$ 641,316 referring to sundry tax issues.

In relation to social contribution, the Company received notices and infraction notices dated December 29, 2006 by the National Social Security Institute (INSS), demanding payment of social security contributions for the period extending from June 1998 to June 2006, in connection with labor payments, particularly with its profit sharing plan.

In the tax sphere, the Company was issued a State notice of infraction by the São Paulo Finance Office on December 14, 2007 in connection with ICMS credit claims that were supposedly misused by the Company. The restated total of such credits at December 31, 2009 was R\$ 16,797 (R\$ 16,308 on December 31, 2008). It was also served an infraction notice by the same Office in December 2008, for an alleged difference in the tax calculation in the municipalities of Ubatuba and Itanhaém due to the method used, the restated total thereof at December 31, 2009, being R\$ 47,914. Both cases are pending examination in the administrative sphere and deemed a possible loss, which is why no legal provision has been made for these contingencies.

Elektro was also served two federal infraction notices by the Federal Revenue Office on December 27, 2007, for allegedly due IRPJ, CSLL, PIS and COFINS on the Company's corporate reorganization and debt restructuring processes, the restated value of which at December 31, 2009 was R\$ 486,138 (R\$ 459,760 at December 31, 2008). In the assessment of its legal counsel, in the case of the federal infraction notice, the risk to the Company is deemed possible or likely, since it was annulled at the first administrative level based on the opposition filed by Elektro, and therefore no provision has been made for these.

In March 2007, the Labor Public Prosecution Office filed a public civil action against Elektro to seek to prohibit the Company from outsourcing its core activities. The public prosecutor claimed that the workers who provide such services should be hired by Elektro as its registered employees and not by its sub-contractors, according to the understanding of the Labor Court of Appeals Precedent 331. In June 2009, the court of first instance found against Elektro, which filed an appeal with the Regional Labor Court, where the case is now pending a decision. The Company need not take any action until a final decision is made on the matter. In the viewpoint of the external legal counsel who is handling the case, Elektro has reasonable arguments to overturn the decision at the Labor Court of Appeals, based on article 25 of Law No. 8,987/95, which rules that public utility concessionaires are authorized to outsource the activities provided for in the concession agreements. This contingency cannot be currently estimated by Elektro, but the chances of loss are classified as possible.

In July 1998, two class actions were brought against Elektro and other parties. Each of these seeks the annulment of the privatization of Elektro based on, among other allegations, the claim that the price paid by Elektro was unacceptably low. These actions are still being examined by the first-level court. According to its legal counsel, there are sound arguments and evidence to cause these actions to be dismissed on their merits. This contingency cannot be currently estimated by Elektro, but the chances of loss are considered remote.

In August 2001, Elektro filed two lawsuits against the São Paulo State Highway and Highway Systems Office (DER) and other co-defendants with a view to barring them from taking actions that prevent Elektro from freely operating on the highway median and lateral strips. The São Paulo Court of Justice found in favor of DER. Elektro filed an appeal with the Court of Appeals in August 2008 to seek a preliminary injunction to stay the São Paulo Court of Justice's decision. The injunction was denied by one of the justices of the Court of Appeals on November 2008, but the appeal is still pending a decision by the Court of Appeals. This contingency cannot be currently estimated by Elektro, but the chances of loss are considered possible.

27. SHAREHOLDERS' EQUITY

27.1. SHARE CAPITAL

The subscribed and paid-in capital at December 31, 2009 of a total R\$ 952,492, is distributed among the shareholders as follows:

Shareholders	Common	Preferred	Total
AEI Investimentos Energéticos Ltda.	6,579,221	-	6,579,221
EPC – Empresa Paranaense Comercializadora Ltda.	59,310,480	-	59,310,480
ETB – Energia Total do Brasil Ltda.	253,964,606	34,535,205	60,449,811
AEI Brazil Finance Ltd.	-	66,744,382	66,744,382
Other shareholders	26,665	598,706	625,371
Total	<u>91,880,972</u>	<u>101,878,293</u>	<u>193,759,265</u>

AEI is the Company's indirect controller and holds a 99.68% stake in its share capital.

27.2 CAPITAL RESERVES

The reported R\$ 50,539 in capital reserves has the following composition: (i) capitalization in July 2005 of the account balance of Payables to Shareholders in connection with the redemption of shares by the Company amounting to R\$ 240,764; (ii) related parties debt capitalization totaling R\$ 276,495, derived from the financial restructuring process conducted during the second half of 2005; (iii) tax incentivized investments amounting to R\$ 2,353; and (iv) deduction of R\$ 469,073, by setting up a reserve as per CVM Instructions No. 319/99 and No. 349/01, from the portion of merged goodwill (see Note 10).

27.3 LEGAL RESERVE

This comprises a legal reserve of R\$ 124,279, formed by allocating 5% of the net profits reported in the fiscal periods, as established in article 193 of Law No. 6,404/76.

27.4 DISTRIBUTION OF DIVIDENDS AND INTEREST ON NET EQUITY

Elektro's bylaws and Law No. 6,404/76 provide for payment of interim and periodical dividends, based on the profits posted to balance sheets drawn up every six months or at staggered intervals, respectively, subject to the provisions in law.

At the Board of Directors' meeting held on August 11, 2009, payment of R\$ 238,143 in interim dividends based on reported net income of the first half of 2009 was approved. These interim dividends were divided into three payments of R\$ 101,000, R\$ 62,536 and R\$ 74,607, and paid out on August 26, October 20 and December 16, 2009, respectively. The table below shows the total paid per share:

Type	Shares		Interim dividends	
	Quantity	R\$	Quantity	R\$ per share
Preferred	101,878,293	130,856		1.284438352
Common	91,880,972	107,287		1.167671229
Total	193,759,265	238,143		

At the Board of Directors' meeting held on November 10, 2009, distribution and payment of interest on net equity totaling R\$ 67,559 was approved, subject to the provisions in Law No. 9,249/95 and CVM Deliberation No. 207/96, and paid on January 21, 2010. The table below shows the amount paid per share:

Type	Shares		JSCP	
	Quantity	R\$	Quantity	R\$ per share
Preferred	101,878,293	37,123		0.364380707
Common	91,880,972	30,436		0.331255188
Total	193,759,265	67,559		

At the end of fiscal year 2009, the Company's Management proposed a payment of dividends in the amount of R\$ 155,589, based on the stated income at December 31, 2009, after setting aside the sum for the legal reserve and deducting interim dividends and interest on net equity. This proposal was approved at the General Shareholders' Meeting held on February 25, 2010 and will be submitted for approval by the Annual General Meeting to be held on March 30, 2010. The table below shows the amounts proposed per share:

Type	Shares		Proposed dividends	
	Quantity	R\$	Quantity	R\$ per share
Preferred	101,878,293	85,494		0.839177312
Common	91,880,972	70,095		0.762888466
Total	193,759,265	155,589		

According to its bylaws, common and preferred shares with no face value are entitled to compulsory minimum dividend payment of 25% of restated income, according to Law No. 6,404/76.

Preferred shares have no voting rights but have priority in capital reimbursements and the right to collect dividends at least 10% higher than those paid out to common shares, according to article 5 of the Company's bylaws.

28. NET OPERATING REVENUE

	12/31/2009			12/31/2008		
	No. of (*) consumers	MWh (*)	R\$	No. of (*) consumers	MWh (*)	R\$
Operating revenue	2,123,484	11,340,744	4,034,621	2,067,151	10,875,942	3,719,874
Supply to consumers	2,123,484	11,035,607	3,719,498	2,067,151	10,844,888	3,404,837
Residential	1,814,085	3,547,042	1,478,169	1,763,950	3,346,662	1,337,752
Industrial	21,898	3,907,757	1,129,431	22,112	4,052,253	1,076,460
Commercial	143,138	1,691,450	634,233	139,733	1,580,340	555,913
Rural	122,382	782,390	163,508	120,128	807,284	158,079
Public authorities	16,235	275,873	104,189	15,706	229,411	77,256
Public lighting	3,014	423,025	93,847	2,847	428,920	89,109
Public services	2,732	408,070	116,121	2,675	400,018	110,268
Other revenues		305,137	315,123		31,054	315,037
CCEE		305,137	6,102		31,054	12,810
Revenue from the use of the distribution system		-	365,864		-	252,407
Financial component – 2007 Tariff review		-	(36,493)		-	-
Financial component – TUSD-G		-	(53,050)		-	-
Other revenues		-	32,700		-	49,820
Operating revenue deductions			(1,372,274)			(1,207,397)
Global Reversion Reserve quota – RGR			(25,609)			(20,097)
Fuel consumption account quota – CCC			(109,847)			(73,865)
Energy development account quota – CDE			(120,982)			(115,295)
ICMS on supply			(720,222)			(619,653)
Recovery of PIS and COFINS			2,948			(8,022)
COFINS			(306,585)			(282,710)
PIS			(66,561)			(61,378)
R&D and energy efficiency programs			(24,977)			(26,056)
Other			(439)			(321)
Total	2,123,484	11,340,744	2,662,347	2,067,151	10,875,942	2,512,477

(*) Information not audited by the independent auditors.

The R\$ 36,493 debit balance posted to “Financial component – 2007 Tariff Review” refers to regulatory liabilities reported to noncurrent liabilities in view of the 2007 tariff review (see Note 4.1). The R\$ 53,050 debit balance in the line that reads “Financial component – TUSD-G” refers to regulatory liabilities reported to the TUSD-G account (see Note 9), net of the amortization made before December 31, 2009.

29. ENERGY PURCHASED FOR RESALE

	12/31/2009		12/31/2008	
	MWh (*)	R\$	MWh (*)	R\$
Energy suppliers	12,799,124	1,188,839	12,298,466	1,043,272
Itaipu Binacional (**)	3,069,207	342,948	3,101,552	296,267
Bilateral contracts	264,425	45,583	318,215	43,620
Energy purchase contract in the regulated environment – CCEAR	9,181,876	715,194	8,686,507	641,583
PROINFA	283,616	59,695	192,192	33,349
Use of energy transport		25,419		28,453
Other energy costs	-	413,661	-	418,206
ONS – Basic grid use	-	406,777	-	378,158
CTEEP – Connection charges	-	32,461	-	30,374
System service charges – ESS	-	14,191	-	50,601
CVA Register	-	(89,679)	-	(57,320)
CVA Amortization	-	49,911	-	16,393
Total	12,799,124	1,602,500	12,298,466	1,461,478

(*) Information not audited by the independent auditors.
(**) Energy transfer contract and transport tariff.

30. PERSONNEL EXPENSES

	12/31/2009	12/31/2008
Remuneration	107,951	100,403
Social charges	37,960	35,011
Food allowance	10,480	9,295
Healthcare and other benefits	7,673	7,713
Labor indemnity	9,064	6,454
Private pension plan	4,332	4,448
Special retirement plan	14,633	-
Other	3,514	13,607
Total	195,608	176,930
Operating costs	150,313	131,601
Sales expenses	11,167	8,678
General and administrative expenses	34,128	36,651
Total	195,608	176,930

31. MATERIALS EXPENSES

	12/31/2009	12/31/2008
Materials and equipment	27,233	26,699
Total	27,233	26,699
Operating costs	24,940	24,875
Sales expenses	340	159
General and administrative expenses	1,953	1,665
Total	27,233	26,699

32. OUTSOURCED SERVICES EXPENSES

	12/31/2009	12/31/2008
Electric system services	52,343	42,650
Maintenance and conservation services	11,048	14,030
Meter reading and bill delivery services	23,167	21,028
Administrative services	17,026	18,994
Other services	13,713	10,928
Total	117,297	107,630
Operating costs	85,335	71,708
Sales costs	10,450	10,695
General and administrative services	21,512	25,227
Total	117,297	107,630

33. OTHER NET OPERATING EXPENSES

	12/31/2009	12/31/2008
Bank collection expenses	16,629	15,908
ANEEL monitoring fees ANEEL	7,247	8,307
Insurance	1,162	1,326
Leases	5,909	3,210
Allowance for doubtful accounts	12,590	18,488
Taxes and contributions	3,259	3,908
Travel expenses	8,879	8,323
Advertising and publicity	3,290	5,150
Telephone and communications	20,584	18,734
Software	8,301	10,007
Provision for civil, labor and other claims	9,219	940
Losses on disposal of assets – net	20,402	18,522
Other	3,356	9,468
Total	120,827	122,291
Operating costs	55,662	45,516
Other operating costs	65,165	76,775
Total	120,827	122,291

34. FINANCIAL RESULT

	12/31/2009	12/31/2008
Financial revenue	71,100	66,841
Financial investments	24,897	25,695
Charges on outstanding electricity bills	38,355	34,491
Other financial revenue	7,848	6,655
Financial expenses	(65,435)	(110,973)
Interest on third party loans	(40,814)	(24,868)
Interest on debentures	(64,806)	(64,710)
Other financial expenses	(5,930)	(21,395)
PIS/COFINS provision reversal without financial revenue	46,115	-
Net currency exchange rate and monetary indexation	64,819	(28,386)
Revenue from monetary updates	22,143	30,372
Revenue on loss recovery and free energy	3,366	10,986
Tracking account for variations on parcel A items – CVA	15,440	4,725
Past due electricity bills	967	11,002
Others	2,370	3,659
	-	
Expenses from currency exchange rate updates	42,676	(58,758)
Principal – Third parties	(895)	(3,301)
Free energy	(8,213)	(6,680)
Energy efficiency	(3,595)	(4,492)
Debentures	8,693	(38,939)
Other	(2,994)	(5,346)
Reversal of PIS/COFINS MV without financial revenue	49,680	-
Interest on net equity	(67,559)	(67,714)
Total	2,925	(140,232)

The titles Reverse Entry of Reserve for PIS and COFINS assessed on financial income refers to the reverse entry of the PIS and COFINS due on the financial income contingency reserve, which was set aside as provided for in Supplementary Law No. 70/91 and Law No. 9,178/98, as subsequently amended by Law No. 11,941 of May 27, 2009.

35. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of income tax and social security in reported income for the period:

	12/31/2009		12/31/2008	
	Income tax	Social contribution	Income tax	Social contribution
Income before income tax and social contribution	621,641	621,641	489,820	489,820
Nominal tax rate	15%	9%	15%	9%
Additional rate on amounts exceeding R\$ 240/year	10%	-	10%	-
	(155,386)	(55,948)	(122,431)	(44,084)
Effect of (additions) exclusions on tax calculations				
Permanent – non-deductable expenses and fines	(1,181)	(30)	(1,203)	(77)
Extemporaneous fiscal credits previously unrecognised through uncertainty in execution	8,754	158	1,134	914
Income tax and social security on result	(147,813)	(55,820)	(122,500)	(43,247)
Current income tax and social contribution	(72,089)	(34,550)	(74,867)	(25,754)
Deferred income tax and social contribution	(75,724)	(21,270)	(47,633)	(17,493)
Total	(147,813)	(55,820)	(122,500)	(43,247)

36. RELATED PARTIES

Related party transactions and balances are shown below:

	12/31/2009	12/31/2008
	Result	Result
Elektro Comercializadora de Energia Ltda.	242	227
AEI América do Sul Holding Ltda.	634	642
Total	876	869

The balances above refer to administrative services, shared infrastructure and lease of offices for the companies of the group. The figures related to administrative services and shared infrastructure are based on estimated costs of the activities conducted by the Company, plus a management fee. The lease agreements are indexed to the IGP-M and adjusted every 12 months. In the case of Elektro Comercializadora de Energia Ltda. the agreement has been signed for an indeterminate period of time beginning on April 1st, 2004. In the case of AEI America do Sul Holding Ltda., the agreement is effective for five years as of August 22, 2005, and may be extended subject to the prior consent of Fundação Cesp and ANEEL. Both may be terminated upon written notice sent at least 90 days in advance.

According to the instructions on disclosure found in CPC Pronouncement 05 – Disclosure on Related Parties, as approved under CVM Deliberation No. 560/08, Company Management's total remuneration in 2009 was R\$ 8,672 (R\$ 8,117 in fiscal 2008), and this includes fixed and variable remuneration amounting to R\$ 7,178 (R\$ 5,416 in 2008); social charges and benefits, including post severance, amounting to R\$ 1,494 (R\$ 1,554 in 2008). In addition to these figures, there are the benefits extended to these managers in the form of stock plans and stock options, which are granted by the end controller, AEI. The total value of this benefit to management is approximately R\$ 1,500 at the closing of the fiscal period.

Furthermore, the Company offers a supplementary pension plan managed by Fundação CESP to its employees (see Note 37).

37. PENSION PLAN

Elektro has additional private pension and retirement plans for its employees, via Fundação CESP, as described below:

PSAP/CESP B: Proportional Settled Supplementary Benefit – BSPS, comprising the benefits assured to employees who adhered to the plan in effect to December 31, 1997, that is, before the implementation of the mixed plan, calculated proportionally to that date.

PSAP/CESP B1: Elektro Supplementary Retirement and Pension Plan – PSAP Elektro, which was instituted on January 1st, 1998, is a mixed plan that establishes a defined benefit for 70% of the real contribution salary and a defined contribution for the remaining 30%.

In 2009, the Company's contributions to the abovementioned pension plans, Defined Benefit (BD) and Defined Contribution (CD), totaled R\$ 2,589 (R\$ 2,457 on December 31, 2008).

On December 31, 2008, the Company registered R\$ 23,496 in actuarial liabilities resulting from the difference between the fair value of the plan's assets and the present value of the actuarial obligations, based on an actuarial evaluation prepared by outside actuaries. This total was fully amortized during fiscal 2009 due to a surplus estimated in the actuarial report dated December 31, 2008 and confirmed in 2009.

Because the plan registered a surplus, the actuarial report prepared on December 31, 2009 shows a total R\$ 7,442 in actuarial assets, which was not recognized in the accounting registers, since, according to the regulations issued by the Private Pension Office (SPC) (CGPC Resolution No. 26/2008), this total does not exceed the limit of 25% of the mathematical reserve for contingencies. Therefore, there is no surplus that the sponsor can use to offset against contributions.

The main results ascertained in the actuarial report dated December 31, 2009, including projections for fiscal year 2010, are shown below:

Reconciliation of assets and liabilities	12/31/2009	12/31/2008
Present value of actuarial liabilities	578,905	518,954
Fair value of plan assets	(754,390)	(681,732)
Net assets	(175,485)	(162,778)
Unacknowledged actuarial gains	(168,043)	(186,274)
(Asset) Net actuarial liability	(7,442)	23,496
Plan losses (gains) check	12/31/2009	12/31/2008
Gains at beginning of year	(186,272)	(64,399)
Amortization for the year	8,201	354
(Gains) losses resulting from actuarial obligations	17,194	(59,752)
Gains from plan assets	(7,166)	(63,032)
Losses from employee adhesion	-	555
Gains at end of year	(168,043)	(186,274)
Interval not subject to amortization	(75,439)	(68,173)
Amount subject to amortization	(92,604)	(118,099)
Expenses (revenues) acknowledged in income statement	12/31/2009	12/31/2008
Cost of current services (with interest)	5,964	6,318
Member annuities	8,161	(2,744)
Interest on actuarial obligations	62,504	54,498
Earnings on assets	(89,083)	(64,008)
Unacknowledged actuarial gains	(8,201)	(354)
Revenue to be appropriated by employer in accordance with CVM-371	(20,655)	(6,290)
Employer contribution (BD)	(2,120)	(2,049)
Total acknowledged revenue	(22,775)	(8,339)
Effects to be acknowledged in statement of results	2010	2009
Cost of current service (with interest)	9,872	8,161
Expected member annuities	(2,243)	(2,197)
Interest on actuarial obligations	64,373	62,504
Expected earnings on assets	(101,156)	(89,084)
Cost of amortization of unacknowledged actuarial gains	(6,521)	(8,201)
Total revenue to be acknowledged	(35,675)	(28,817)
Economic, financial and demographic premises	2009	2008
Nominal discount rate for actuarial obligations	11.40%	12.37%
Expected nominal rate of return on plan assets	13.62%	13.29%
Estimated nominal salary growth index	7.63%	7.63%
Estimated nominal benefit growth index	4.50%	4.50%
Estimated long-term inflation rate	4.50%	4.50%
Real discount rate for actuarial obligations	6.60%	7.53%
Real rate of return on plan assets	-	8.41%
Estimated real salary growth index	-	3.00%
General biometric mortality table	AT-83 segregated by gender	AT-83 segregated by gender
Biometric table on disabilities	Light Medium	Light Medium
Gross expected turnover rate	Experience Fundação Cesp 2007	EY_BR exp.
Probability of retirement	100% on first eligibility	100% on first eligibility

38. INSURANCE

The Company has the following insurance covers, consistent with the risks of the business operations and deemed sufficient by Management to insure the Company's assets and business from possible claims:

Risks	Amount insured
Operating risks and multirisk	680,195
Third party civil responsibility	46,028
Administrators civil responsibility	27,617

Both policies are effective from August 25, 2009 through August 25, 2010.

The operating and multi-risk policies provide insurance against property damages to the Company's assets, with the exception of transmission and distribution lines.

The third-party civil liability policy carries two insurance covers: a general coverage for property damages, bodily injuries and moral damages caused to third parties, including those caused by its own employees and contractors.

The directors and officers civil liability policy covers the insured against damages caused in the performance of their management duties.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In compliance with the provisions in CVM Instruction No. 475/09, Deliberation No. 550/08 and No. 566/08, which approved CPC 14 – Financial Instruments: Acknowledgment, Quantification and Proof; a description of the Company's main financial assets and liabilities, and the assessment and valuation criteria for their registries in the financial statements are shown below:

Banks and financial investments, pledged funds and tied deposits: include cash and cash equivalents, bank deposits and financial investments that can be immediately cashed into a known sum of cash and are not subject to any significant risk of any change in value. Financial investments are classified as designed for negotiation, and the difference between the book value and fair value, if any, has a direct impact on income. Pledged funds and tied deposits have restricted use and are stated as being maintained to maturity, their value being determined upon the appropriation of earnings thereof to income at the effective transaction rate to maturity.

Regulatory assets and liabilities: are stated, evaluated and realized according to criteria established by ANEEL and listed under the following titles: Revenue loss recovery, free energy, CVA, PIS and COFINS recovery, Reimbursements to low-income customers – tariff modicity, and TUSD-G, other regulatory assets, regulatory liabilities and Tariff Review. There are no comparable parameters on the market for such assets and liabilities, in view of their regulatory nature.

Loans and Financing: are evaluated and stated according to parameters established in the contracts, as the market value of these liabilities, calculated in accordance to the chart below for demonstration purposes, was projected using the discounted cash flow method, based on the rates available on the market for similar operations on the financial statements date. In the case of contracts tied to specific projects related to the sector, signed with Eletrobras, the market values are considered identical to the accounting balances, since there are no existing similar instruments with comparable maturities and interest rates. For the purpose of CPC 14, loans and financing are classified as "financial liabilities not assessed at fair value", since the book value is that which best represents the Company's equity and financial position. Thus, the market value of these liabilities is merely for information purposes.

Debentures: are evaluated and stated according to the terms of their respective issue deeds, which represent the total raised, net of respective issue costs, plus effective interest levied on the transaction and disbursements made during the period. The market value of the debentures, as shown in the chart below, is determined by their value on the secondary market, as published by Anbima on the balance sheet date, using the discounted cash flow method. The debentures are also classified as "financial liabilities not assessed at fair value", and their market value is merely for information purposes.

The book-entry and market value of the Company's main financial instruments:

	12/31/2009		12/31/2008	
	Book value	Market value	Book value	Market value
Financial investments	276,944	276,944	201,661	201,661
Pledged funds and tied deposits	17,077	17,077	27,448	27,448
Loans and financing	(413,789)	(418,188)	(307,305)	(313,138)
Debentures	(670,614)	(709,455)	(568,800)	(577,187)

The estimated market value of the Company's loans, financing and debentures is a reflection of the higher risk rating assigned by Standard & Poor's on May 13, 2009. Elektro's corporate rating was raised from brAA to brAA+. The second issue of debentures, whose characteristics are described in Note 17, was also assigned a higher rating by Standard & Poor's to brAAA, from brAA+.

The market value of financial instruments may vary significantly, depending on the evaluation premises used, therefore, the estimates presented do not necessarily indicate the totals obtained on the current market.

POLICY GOVERNING USE OF DERIVATIVE FINANCIAL INSTRUMENTS

On December 31, 2009, the Company had no derivative financial instruments and, thus, did not carry out any transaction using this type of instrument during the periods reported in these financial statements.

According to Elektro's policy, the sole and specific purpose of derivatives is to hedge the Company against exposure to currency or interest rate risk. As there is currently no foreign exchange risk involving its operations and has maintained interest rates on assets (receivables) and liabilities (payables) in natural equilibrium, it believes that there is no need to resort to this type of instrument.

With respect to financial investments, Elektro's policy is very restrictive and conservative and does not allow for investments in derivatives or high-risk credit instruments, whether private or public. Furthermore, Elektro is very selective when choosing the financial institutions that handle its operations, and its portfolio boasts investments in first-rate banks assigned a minimum risk classification in the equivalent of AA- by international risk rating agencies.

The only Company activities with a risk considered as relevant, are those exposed to foreign exchange risk from exchange rate fluctuations related to payment of energy purchases from Itaipu, which are pegged to the United States dollar. These exchange rate variations do not influence the Company's statement of income as they are computed in its annual tariff adjustment, according to a regulatory assets and liabilities mechanism, specifically CVA (see Note 8.1). It is the Management's responsibility to meet possible working capital needs stemming from any increase in the exchange rate during the interval between tariff adjustments. Similarly, the Company considers that it possesses, on December 31, 2009, a natural hedge in relation to its debt with its tariff adjustment mechanism linked to the IGP-M.

The main risk factors that affect the Company's business are the following:

Interest rate variations

In compliance with CVM Instruction No. 475, dated December 17, 2008, the Company carried out an analysis of its financial instruments with a view to illustrate their sensitivity to changes in market variables.

Elektro's financial instruments are subject to changes in the following indexes: CDI, IGP-M, TJLP and IPCA. The sensitivity analysis was carried out considering that: (i) the scenario of exposure of the financial instruments pegged to variable interest rates on December 31, 2009 would remain unchanged in 2010; and (ii) the respective annual indexes for this base date would remain unchanged (CDI at 9.84% p.a.; IGP-M at -1.72 % p.a.; TJLP at 6.12 % p.a. and IPCA at 4.31% p.a.). In this case, the effect that would be posted to the financial statements over the next 12 months would be a net financial expense of R\$ 19,918.

The impact on total net financial expenses was analyzed in three different scenarios considering the variation of the CDI, IGP-M, TJLP and IPCA: (i) the variation of the projected indexes at December 31, 2010, based on the data published by the Central Bank of Brazil's *Focus* Report on December 31, 2009: 10.75%, 6%, 4.43% and 4.50% respectively; (ii) the current indexes would rise by 25%; and (iii) the current indexes would rise by 50%.

Instruments	Exposure	Risk	Scenario I Focus (i)	Scenario II Raising of rate by 25% (ii)	Scenario III Raising of rate by 50% (iii)
Financial investments	276,944	Increase CDI	2,531	6,810	13,620
Debentures	(360,992)	Increase CDI	(3,300)	(8,877)	(17,753)
	(84,048)		(768)	(2,067)	(4,133)
Debentures	(314,647)	Increase IGP-M	(19,348)	(1,352)	(2,705)
Financing	(246,717)	Increase TJLP	308	(3,778)	(7,556)
Financing	(45,488)	Increase IPCA	(86)	(490)	(980)
Impact on net financial revenues (expenses) ⁽¹⁾			(19,895)	(7,687)	(15,374)

(1) Taking as base the net financial expense of R\$ 19,918 which will be registered in the case of changes in the rates observed at the close of the fiscal year.

Credit Risk

The Company does not analyze the credit worthiness of its customers before supplying them with electric energy inasmuch as it is an energy distributor and is obliged to supply energy to all customers located within its concession area, in compliance with the concession contract signed with ANEEL on August 27, 1998 and power industry regulations.

To recover outstanding debts, the Company takes the following action: (i) guarantee-pegged debt renegotiation programs; (ii) Blacklists customers registered with credit protection agencies; (iii) effects power supply cuts as provided for in current legislation; (iv) retains companies specialized in collecting payments in arrears; and (v) resorts to judicial collection.

Risks related to the Tariff Review and Adjustment

In order to ensure the economic and financial balance of the concession contract and to pass on efficiency gains on to consumers, the concession contract establishes a regular energy supply tariff review every four years. The new tariff is based on: (i) the Company's total non-manageable costs (Parcel A); (ii) coverage for efficient costs as established by the regulator according to the "Model Company" method; and (iii) returns on prudent investments made by the Company, at the regulatory WACC rate, in concession-related assets. The first review was made on August 27, 2003, and the second on August 27, 2007.

On August 27 of each year between the regular reviews, the concession contract grants the Company the right to adjust the energy supply tariffs, with a view to restoring the purchasing power of the concessionaire's revenues. The adjustment index is determined by the variation of Parcel A costs, plus the IGP-M, less the X factor corresponding to the difference between the revenue reported in the past 12 months for tariff purposes and Parcel A expenses over the same period, based on the parametric formula stipulated in the concession contract. The X factor is the index established by the regulator at the time of each tariff review which will be subtracted from or added to the IGP-M in subsequent annual adjustments.

In the interval between the adjustments, in order to determine the monthly variation in the values of Parcel A items effectively posted by the Company as compared to those estimated at the time of the tariff reviews/adjustments, there is a mechanism called the tracking account for variations in Parcel A items (CVA). The plus or minus differences are then adjusted by the SELIC rate and passed on to the supply tariffs at each contractual annual adjustment (see Note 8.1).

Should any unforeseeable event impact the economic and financial balance of the concession, the Company may, with due justification, request the regulator for an extraordinary tariff review, which shall be given at the regulator's sole discretion.

Market Risk

Given the conditions established in the current regulatory environment on distributor energy supply, especially via auctions regulated by ANEEL, Elektro has played an active role in all the mechanisms prescribed under the legal and regulatory frameworks to contract its energy requirements for the 2009 to 2012 period. To meet the demands of Elektro's growing market the Company has already acquired part of its additional energy needs after 2013, and will be purchasing the rest at the next regulated auctions, as established in current legislation.

Risk of Electric Energy Supply Outages (Information not audited by the independent auditors)

With a view to minimizing the effects caused by possible energy outages due to unforeseeable events, which also affect its infrastructure and electric systems, Elektro puts intense effort into reducing the number of consumer units affected and in decreasing the frequency and duration of these outages.

Among the initiatives taken to reduce the frequency and duration of the outages, an important one was to acquire two proprietary mobile substations in order to guarantee its operational flexibility and agility to restore the power supply. In addition, it invested in digitization at more than 53 substations (SE), bringing this number up to 53 digitized SE's, and in command automation of 413 distribution network components equipped with communication devices using GSM technology, which avoids its teams having to be deployed to perform the tasks on site.

Furthermore, the measures taken to reduce the number of consumer units affected and the investments made over the past eight years in improving protection systems involved over R\$ 53,492, including the replacement of 348 circuit breakers and of 599 km of conventional non-insulated cable networks with compact insulated cable networks.

The main financial assets and liabilities indicators showed the following accrued changes:

Indexes	% Variation accrued over the periods	
	12/31/2009	12/31/2008
Appreciation/(Devaluation) of real against US\$	25.49	(31.94)
IGP-M	(1.72)	9.81
IGP-DI	(1.43)	9.10
TJLP	6.12	6.25
Selic	9.92	12.48
CDI	9.84	12.33
IPCA	4.31	5.90

40. ENVIRONMENTAL ISSUES (*)

In the conducting of its operations, the Company is committed to preserve the environment and minimize any impacts caused thereto. In 2009, the Company set aside R\$ 48,849 to invest in initiatives to promote responsibility for the environment and foster the development and dissemination of environmental-friendly technologies.

From the total invested, R\$ 18,287 was stated as property, plant and equipment, and is related to the compact, isolated network installation and pre-spliced cables.

The remaining amount of R\$ 30,562 was stated to income and is mainly related to energy efficiency projects, energized transformer oil recycling, co-processing of waste, light bulb decontamination, tree planting, strip vegetation clearing, tree pruning, environmental research and development projects (P&D) and projects aimed at creating environmental awareness such as *Meninos Ecológicos* and *Jovens ECOncientes*.

(*) Information not audited by the independent auditors.

41. SUBSEQUENT EVENTS

On February 2, 2010, the Board of Directors of ANEEL approved the text of the Addendum to the Concession Contracts of the electric energy distributors with a view to changing the tariff review methodology in compliance with ANEEL Order No. 245, published in the *Diário Oficial da União* (Official Federal Government Publication) on February 5, 2010. The proposed amendment was with regard to the form for determining the industry's charges, which will now factor in differences in sales figures posted by the concessionaire companies in tariff adjustment intervals. According to the expectation of Company Management, this Addendum will likely be signed in the first quarter of 2010 and the new calculation method implemented after the August 2010 tariff adjustments. The newly implemented form will become effective as of February 2010 and will fully maintain the effects in the result of the formerly applicable law.

ANNEX I

	12/31/2009		12/31/2008	
	Distribution and commercialization	(*) Non-related activities	Total	Total
Operating revenues	4,028,836	5,785	4,034,621	3,719,874
Operating revenue deductions	(1,371,913)	(361)	(1,372,274)	(1,207,397)
Net operating revenues	2,656,923	5,424	2,662,347	2,512,477
Cost of service	(1,453,591)	-	(1,453,591)	(1,328,595)
Energy purchased for retail	(1,602,500)	-	(1,602,500)	(1,461,478)
PIS and COFINS tax credits on purchased energy	148,909	-	148,909	132,883
Operating costs	(436,714)	(1,264)	(437,978)	(386,632)
Personnel	(149,358)	(955)	(150,313)	(131,601)
Materials	(24,940)	-	(24,940)	(24,875)
Outside services	(85,284)	(51)	(85,335)	(71,708)
Depreciation and other amortizations	(126,306)	(6)	(126,312)	(116,981)
Other operating expenses	(55,410)	(252)	(55,662)	(45,516)
PIS and COFINS tax credits on operating costs	4,584	-	4,584	4,049
Gross operating income	766,618	4,160	770,778	797,250
Operating expenses	(144,714)	(7,348)	(152,062)	(167,198)
Sales expenses	(21,957)	-	(21,957)	(19,532)
General administrative expenses	(57,592)	-	(57,592)	(63,543)
Goodwill amortization	-	(7,348)	(7,348)	(7,348)
Other operating expenses	(65,165)	-	(65,165)	(76,775)
Service result	621,904	(3,188)	618,716	630,052
Financial result	2,925	-	2,925	(140,232)
Operating result	624,829	(3,188)	621,641	489,820
Income before social contribution and income tax	624,829	(3,188)	621,641	489,820
Income tax	(72,089)	-	(72,089)	(74,867)
Social security	(34,550)	-	(34,550)	(25,754)
Deferred income tax	(75,724)	-	(75,724)	(47,633)
Deferred social contribution	(21,270)	-	(21,270)	(17,493)
Reversal of interest on net equity	67,559	-	67,559	67,714
Net income	488,755	(3,188)	485,567	391,787

(*) The amounts refer to atypical receipts and expenditures related services not connected to the energy distribution business and amortization of the premium resulting from the value added (goodwill) (see Note 14) related to the merger of the controller Terraço Participações Ltda.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Managers of
Elektro Eletricidade e Serviços S.A.
Campinas – SP

1. We have examined the balance sheets of Elektro Eletricidade e Serviços S.A. at December 31, 2009 and 2008, and the respective statements of income, changes in shareholders' equity, cash flows and added value for the fiscal years then ended. These reports were prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. Our examination was conducted in accordance with applicable audit standards in Brazil and comprises: (a) the planning of the works, considering the relevance of the balances, volume of transactions and the accounting systems and internal controls of the Company; (b) the finding, on a test basis, of evidence and registers supporting the amounts and disclosures in the financial statements; and (c) the assessment of the accounting practices and most significant estimates used by the Company's management, as well as the overall presentation of the financial statements.
3. In our opinion, the financial statements above present fairly, in all material aspects, the equity and financial position of Elektro Eletricidade e Serviços S.A. at December 31, 2009 and 2008, the results of its operations, changes in shareholders' equity, its cash flows and added value of the operations related to the fiscal years then ended, in conformity with generally accepted accounting practices in Brazil.

Campinas, February 25, 2010

Deloitte.**DELOITTE TOUCHE TOHMATSU**

Independent Auditors
CRC 2SP011609/0-8

Maurício Pires de Andrade Resende
Accountant
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