

## Q4 2006 Earnings Call

### Company Participants

- Unidentified Speaker, Unknown

### Other Participants

- Unidentified Participant, Analyst

### Presentation

#### Unidentified Speaker

Until the next decision of the board. We're going to talk about the results for 2006 and talk a little bit about the perspectives of the company for 2007 and the years after. 2006, the results were very satisfactory. We had a profit of R\$1.161 billion. We have a proposal of R\$450 billion in payment. And this result was much influenced by a maintenance of our net revenue of loans from energy production, a stability of exchange rates, dollar and euro are currencies that do impact our results and they had a smaller variation as compared to 2005 and provisions were much -- we have already realized most of the provisions the board will require. As to shareholders' participation, we had smaller participation than last year. But they are still positive. All companies had positive results, except for Eletronorte, with negative results. But still lower than the previous year.

As to the operating revenues, most of our revenue is still concentrated in the energy generation. In other words, we are still faithful to our original mission, which is to generate electric power. We also have other significant contributions to the results. In terms of assets, results are very good. The company has R\$37 billion in assets and assets of R\$2.177 billion, in other words, it is highly leveraged, with good capacity for loan funding and growth.

A good size of these assets are still pegged to the dollar, because they still are from Itaipu, the loans contracted to build the dams in Itaipu, the plants in Itaipu. But as far as the financing is concerned, we notice that our liabilities are in dollars, \$1.396 million with assets of \$15.830 billion in dollars. In other words, a coverage that's very good in foreign currency. That's why we say that we have a large amount in foreign currency.

I try to summarize what has already been published, what's on the Net. I would like to talk a little bit about our perspective for the next years. Eletrobras has finished in 2006 45 years of existence. 45 years of contribution to the country, to the growth of electric energy growth and increase of transmission lines.

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In 2006, we have 52% of the transmission lines in Brazil and 39% of the generating capacity in Brazil. These figures are from December 2006. In terms of power generation, we have contributed with 242 terawatts in terms of energy generated in the country in 2006. And in terms of transmission lines, 57,261 kilometers of transmission lines, a good amount concentrated in the above 230 KW segment, confirming our original mission as a company for the transmission of power and expanding our business in this segment.

Capital structure is generally stable, 80% of common stock and 20% of preferential stock, 79% in the shareholders and directly or indirectly in the hands of governments and 21% minority shareholders' hands. It's important to highlight that there has been an increase of our shareholders' base as compared to 2005. We had an increase of 30.8% in the number of shareholders, thus showing the interest of investors in our shares, the confidence of the market in our growth.

The investments for 2006 have kept on their trend and focus on transmission generation. We invested R\$3.2 billion in 2006, Eletrobras and its controlled companies, R\$1.2 billion were destined to generation and R\$1.5 billion to transmission. For 2007, the projections are to increase investments. We expect R\$3.6 billion in new investments, in that 2.5 for generation and 2.2 for transmission. The remainder will be destined to distribution, research and development, environment quality.

At this moment, Eletrobras is facing a very important challenge. We are changing the vision of the company. We are working to provide more transparency to this company, trying to implement the concept of sustainability, corporate sustainability in the company. For 2007, our target is to develop fully this concept and to be, according to Dow Jones Sustainability index. So we created this concept within the scope of Eletrobras and within the scope of each one of the controlled companies. We're also in society and reinforcing our actions in Procel, which is the energy preservation program that tries to preserve and think and use energy intelligently. And PRO-INFRA, which is the program to generate energy through alternative sources. And our investments will be substantially dedicated to these areas.

For 2007, we expect to finalize our strategic cycle. We're going to finalize the implementation of strategic actions, conceiving a new concept of business, new plans and also more transparency to the company. We're adapting our internal controls. We are starting to comply with Sarbanes-Oxley. We started in 2005 and this year we'll finish and fine-tune the last controls relative to this law.

We are going to upgrade our ADRs to Level II by June 30th. I'd like to make clear that we have already finalized the filling in of documents with data from September 2006. However, we noticed that balances from some of the controlled companies with minority shareholder participation, they had some exceptions. And they didn't have the independent auditor's opinion for the September statements. So we are -- we're going to close the data. Now we have our opinions from independent auditors for all the companies, all the controlled companies. And we expect to submit our data by June 2006.

Last but not least, I'd like to reinforce our plan for future investments, as I said, we have R\$5.6 billion in investments. These funds have already been approved for investment in Petrobras for generation/transmission. And they will start being made this year.

We have some plans in (inaudible) in furnace at the Eletronorte, CGTE [ph] with significant funding. All these investments will help and contribute to more supply of energy in the country. So at this moment, I'm open to questions, should you have any information you'd like to learn about the results or about any other subject.

## Questions And Answers

### Operator

(Operator Instructions).

First question from Renato Pintu [ph], Banco Pactual.

### Q - Unidentified Participant

Good morning. I'd like to ask, since the union has 70% of the company directly or indirectly. And considering the dividends in terms of common shares and paid common shares, I would like to know what you have to comment on that.

### A - Unidentified Speaker

Thank you for your question. Since last year, we have been working and studying alternatives to pay the retained dividends. In 2006, we listed a number of alternatives. We hired an external consultant to see the feasibility in terms of -- in legal terms and financial terms. These studies are being conducted by the national treasury and as soon as we have an opinion we're going to publish this to the market.

### Q - Unidentified Participant

I would also like to take the opportunity to ask another question. In the near future, we expect a meeting by the government relative to Ungra 3 [ph]. I would like to know whether it's feasibility to go in terms of nuclear power generation.

### A - Unidentified Speaker

Commenting your question, nuclear energy, the fund has been cut. (technical difficulty).

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