# Financial Statements

## Equatorial Energia S.A.

December 31, 2014
with Independent Auditor's Report

## Equatorial Energia S.A.

Financial Statements

December 31, 2014 and 2013

Contents

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**A free translation from Portuguese into English of Independent Auditor's Report on individual financial statements in accordance with accounting practices adopted in Brazil and on consolidated financial statements in accordance with IFRS and accounting practices adopted in Brazil**

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## Independent auditor's report on financial statements

The Shareholders, Board of Directors and Officers
**Equatorial Energia S.A.**
São Luis, Maranhão

We have audited the accompanying individual and consolidated financial statements of Equatorial Energia S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2014, and the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting practices and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Equatorial Energia S.A. as at December 31, 2014, its individual and consolidated operating performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the IASB.

**Other matters**

**Statements of value added**

We have also audited the individual and consolidated statement of value added (SVA) for the year ended December 31, 2014, prepared under management's responsibility, whose presentation is required by the Brazilian Corporation Law for publicly-held companies and as additional information by the IFRS, which do not require SVA presentation. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

São Luís, Maranhão, February 12, 2015.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6-S-MA

Carlos Santos Mota Filho
Accountant CRC - PE 020.728/O-7-S-MA

**A free translation from Portuguese into English of individual financial statements in accordance with accounting practices adopted in Brazil and of consolidated financial statements in accordance with IFRS and also with accounting practices adopted in Brazil**

# Equatorial Energia S.A.

Balance sheets
December 31, 2014 and 2013
(In thousands of reais)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | **Note** | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 5 | **23,226** | 21,403 | **280,098** | 350,885 |
| Short-term investments | 6 | **267,252** | 604,457 | **1,683,565** | 1,262,132 |
| Trade accounts receivable | 7 | **-** | - | **1,382,874** | 1,006,085 |
| Receivables relating to Parcel A and other financial items | | **-** | - | **341,602** | - |
| Taxes recoverable | 8.1 | **-** | - | **109,916** | 113,849 |
| Income taxes recoverable | 8.2 | **22,147** | 17,988 | **76,192** | 53,871 |
| Purchase of fuel (CCC) | 9 | **-** | - | **236,701** | 94,346 |
| Inventories | | **-** | - | **20,912** | 24,258 |
| Dividends | | **45,559** | 26,490 | **-** | - |
| Services requested | | **-** | - | **106,304** | 100,265 |
| Judicial deposits | 22 | **139** | - | **20,037** | 24,165 |
| Derivative financial instruments | | **-** | - | **64,553** | 4,286 |
| Recovery of energy cost and charges | | **-** | - | **-** | 5,721 |
| Other receivables | 15 | **1,282** | 1,325 | **64,070** | 41,336 |
| | | **359,605** | 671,663 | **4,386,824** | 3,081,199 |
| Noncurrent assets | | | | | |
| Trade accounts receivable | 5 | **-** | - | **191,871** | 116,124 |
| Receivables relating to Parcel A and other financial items | 10 | **-** | - | **380,854** | - |
| Taxes recoverable | 8.1 | **-** | - | **87,059** | 59,544 |
| Income taxes recoverable | 8.2 | **-** | - | **36,238** | 33,206 |
| Deferred income and social contribution taxes | 13 | **-** | - | **-** | 31,099 |
| Judicial deposits | 22 | **-** | - | **136,156** | 139,559 |
| Future capital contribution | | **306,000** | 50,000 | **-** | - |
| Derivative financial instruments | | **-** | - | **8,860** | 232 |
| Concession-related financial assets | 14 | **-** | - | **1,565,973** | 1,195,743 |
| CCC subrogation - amounts invested | 12 | **-** | - | **113,255** | 185,689 |
| Other receivables | 11 | **565,269** | 416,147 | **63,222** | 72,770 |
| Investments | 16 | **1,768,930** | 1,252,773 | **77,464** | 70,894 |
| Property, plant and equipment | | **297** | 298 | **3,341** | 2,713 |
| Intangible assets | 17 | **-** | - | **4,217,519** | 4,114,727 |
| | | **2,640,496** | 1,719,218 | **6,881,812** | 6,022,300 |
| Total assets | | **3,000,100** | 2,390,881 | **11,268,636** | 9,103,499 |

| | Note | Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Liabilities and equity | | | | | |
| Current liabilities | | | | | |
| Trade accounts payable | 18 | **158** | 212 | **1,139,843** | 674,714 |
| Payroll and accrued vacation pay | | **178** | 127 | **54,467** | 43,278 |
| Loans and financing | 19 | **-** | - | **959,855** | 169,234 |
| Debentures | 20 | **-** | - | **10,861** | 5,974 |
| Taxes and contributions payable | 21.1 | **94** | 72 | **250,740** | 248,686 |
| Income taxes payable | 21.2 | **7,209** | 11,772 | **32,160** | 17,845 |
| Dividends and Interest on Equity (IOE) | 25 | **151,565** | 16,399 | **176,840** | 29,890 |
| Provision for civil, tax and labor contingencies | 22 | **-** | - | **51,728** | 39,775 |
| Street lighting charge | | **-** | - | **30,848** | 32,749 |
| Research and development and energy efficiency | | **-** | - | **79,569** | 70,208 |
| Employees' profit sharing | 28 | **4,444** | 8,039 | **32,161** | 34,673 |
| In-court reorganization - CELPA | | **-** | - | **79,631** | 85,254 |
| Other accounts payable | 23 | **36** | 37 | **253,911** | 236,651 |
| | | **163,684** | 36,658 | **3,152,614** | 1,688,931 |
| Noncurrent liabilities | | | | | |
| Loans and financing | 19 | **-** | - | **2,897,754** | 2,756,344 |
| Debentures | 20 | **-** | - | **506,423** | 294,085 |
| Taxes and contributions payable | 21.1 | **-** | - | **77,046** | 333,813 |
| Deferred income and social contribution taxes | 13 | **50** | 50 | **31,614** | - |
| Provision for civil, tax and labor contingencies | 22 | **-** | - | **546,245** | 637,524 |
| Research and development and energy efficiency | | **-** | - | **107,519** | 80,740 |
| Retirement and pension plan | 34 | **-** | - | **47,768** | 25,533 |
| In-court reorganization - CELPA | | **-** | - | **256,230** | 332,620 |
| Other accounts payable | 23 | **-** | - | **199,898** | 106,262 |
| | | **50** | 50 | **4,670,497** | 4,566,921 |
| Equity | | | | | |
| Capital | 24.1 | **1,977,276** | 1,977,276 | **1,977,276** | 1,977,276 |
| Capital reserves | | **22,585** | 14,080 | **22,585** | 14,080 |
| Income reserves | 24.3 | **871,843** | 484,463 | **871,843** | 484,463 |
| Other comprehensive income (loss) | | **(13,075)** | (2,633) | **(13,075)** | (2,633) |
| Equity adjustment | | **(22,262)** | (22,262) | **(22,262)** | (22,262) |
| Accumulated losses | | **-** | (96,751) | **-** | (96,751) |
| Equity attributable to controlling interests | | **2,836,367** | 2,354,173 | **2,836,367** | 2,354,173 |
| Noncontrolling interests | | **-** | - | **609,158** | 493,474 |
| Total equity | | **2,836,367** | 2,354,173 | **3,445,525** | 2,847,647 |
| Total liabilities and equity | | **3,000,101** | 2,390,881 | **11,268,636** | 9,103,499 |

See accompanying notes.

# Equatorial Energia S.A.

Income statements
Years ended December 31, 2014 and 2013
(In thousands of reais)

| | Note | Company 2014 | Company 2013 | Consolidated 2014 | Consolidated 2013 |
|---|---|---|---|---|---|
| Net operating revenue | 30 | **-** | 862 | **6,773,453** | 4,715,036 |
| Cost of electric energy services | 31 | **-** | - | **(5,073,379)** | (3,672,894) |
| Cost of electric energy | | **-** | - | **(4,443,013)** | (3,103,598) |
| Electric energy purchased for resale | 32 | **-** | - | **(3,153,827)** | (2.253.348) |
| Construction cost | | **-** | - | **(1,240,914)** | (734,565) |
| Transmission and distribution system use charge | | **-** | - | **(48,272)** | (115,685) |
| Cost of operation | | **-** | - | **(630,366)** | (569,296) |
| Personnel | | **-** | - | **(119,069)** | (102,325) |
| Material | | **-** | - | **(21,249)** | (12,719) |
| Third-party services | | **-** | - | **(234,325)** | (234,693) |
| Depreciation and amortization | | **-** | - | **(258,932)** | (221,127) |
| Leases and rent | | **-** | - | **(1,483)** | (9,277) |
| CCC subsidy | | **-** | - | **29,000** | 25,392 |
| Other | | **-** | - | **(24,308)** | (14,547) |
| Gross operating income (expenses) | | **-** | 862 | **1,700,074** | 1,042,142 |
| Selling expenses | 31 | | | **(266,857)** | (248,717) |
| Administrative expenses | 31 | **(3,583)** | (20,893) | **(234,619)** | (287,357) |
| Personnel expenses and management fees | | **(17,991)** | (13,704) | **(38,220)** | (38,256) |
| Allowance for doubtful accounts and loss on uncollectible receivables | | **-** | - | **(104,592)** | (87,355) |
| (Reversal of) provision for contingencies | | **-** | - | **(10,357)** | (16,736) |
| Provision for retirement and pension plan | | **-** | - | **(973)** | 7,843 |
| Depreciation and amortization | | **-** | - | **(35,339)** | (29,665) |
| Amortization of concession right | | **(1,116)** | (4,612) | **(1,116)** | (4,612) |
| Equity pickup | | **585,144** | 45,151 | **23,806** | 16,847 |
| Other operating income/expenses | | **(3,230)** | (2,950) | **(108,966)** | (65,569) |
| Other operating income (expenses) | | **559,224** | 2,992 | **(777,233)** | (753,577) |
| Income before financial income (expenses) | | **559,224** | 3,854 | **922,841** | 288,565 |
| Financial income (expenses) | 33 | **82,316** | 76,556 | **(270,443)** | (219,098) |
| Financial income | | **83,573** | 87,127 | **902,123** | 473,381 |
| Financial expenses | | **(1,257)** | (10,571) | **(1,113,032)** | (692,479) |
| Income before income and social contribution taxes | | **641,540** | 80,410 | **711,932** | 69,467 |
| Income and social contribution taxes | | **(3,784)** | (11,773) | **68,630** | 9,050 |
| Social contribution tax | | **(1,008)** | (3,123) | **(52,970)** | (18,976) |
| Income tax | | **(2,776)** | (8,650) | **(111,967)** | (46,492) |
| Northeast Development Authority (SUDENE) tax incentive | | **-** | - | **98,507** | 109,475 |
| Deferred taxes | | **-** | - | **135,060** | (34,957) |
| Net income for the period | | **637,756** | 68,637 | **780,562** | 78,517 |
| Attributable to noncontrolling interests | | **-** | - | **(142,806)** | (9,880) |
| Net income for the year attributable to controlling interests | | **637,756** | 68,637 | **637,756** | 68,637 |
| Basic earnings for the year per thousand shares - R$ | | **3.2137** | 0.3459 | **3.2137** | 0.3459 |
| Diluted earnings for the year per thousand shares - R$ | | **3.1761** | 0.3459 | **3.1761** | 0.3459 |
| Number of shares at year end | | **198,447** | 198,447 | **198,447** | 198,447 |

See accompanying notes.

## Equatorial Energia S.A.

Statements of comprehensive income
Years ended December 31, 2014 and 2013
(In thousands of reais)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Income for the year | **637,756** | 68,637 | **780,562** | 78,517 |
| Other comprehensive income (loss) | **(10,442)** | 22 | **(10,858)** | 35 |
| Total comprehensive income for the year | **627,314** | 68,659 | **769,704** | 78,552 |
| Basic earnings for the year per thousand shares - R$ | **3,1611** | 0.3459 | | |
| Diluted earnings for the year per thousand shares - R$ | **3,1278** | 0.3459 | | |
| Number of shares at year end | **198,447** | 198,447 | | |

See accompanying notes.

# Equatorial Energia S.A.

Statements of changes in equity
Years ended December 31, 2014 and 2013
*(In thousands of reais)*

| | Capital | Capital reserves | Income reserves: Legal | Income reserves: Investment and expansion reserve | Income reserves: Proposed additional dividends | Equity adjustment | Retained earnings (accumulated losses) | Other comprehensive income (loss) | Company's equity | Noncontrolling interests | Equity - Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balances at December 31, 2012 (restated) | 1,742,519 | 14,080 | 62,787 | 369,340 | 250 | (22,262) | - | (2,655) | 2,164,059 | 351,534 | 2,515,593 |
| Capital increase | 234,757 | - | - | - | - | - | - | - | 234,757 | - | 234,757 |
| Other comprehensive income | - | - | - | - | - | - | - | 22 | 22 | 13 | 35 |
| Additional dividends for 2012 paid | - | - | - | - | (250) | - | - | - | (250) | (58) | (308) |
| Gains (losses) on investments | - | - | - | - | - | - | (128,990) | - | (128,990) | 128,990 | - |
| Net income for the year | - | - | - | - | - | - | 68,637 | - | 68,637 | 9,880 | 78,517 |
| Unclaimed dividends of subsidiary | - | - | - | - | - | - | 32,239 | - | 32,239 | 3,115 | 35,354 |
| Proposed allocations: | | | | | | | | | | | |
| Legal reserve | - | - | 3,432 | 48,904 | - | - | (52,336) | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | (16,301) | - | (16,301) | - | (16,301) |
| Balances at December 31, 2013 | 1,977,276 | 14,080 | 66,219 | 418,244 | - | (22,262) | (96,751) | (2,633) | 2,354,173 | 493,474 | 2,847,647 |
| Gains (losses) on investments | **-** | **-** | **-** | **-** | **-** | **-** | **2,817** | **-** | **2,817** | **1,433** | **4,250** |
| Recognized options granted (Note 24,2) | **-** | **8,505** | **-** | **-** | **-** | **-** | **-** | **-** | **8,505** | **-** | **8,505** |
| Other comprehensive income (loss) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(10,442)** | **(10,442)** | **(416)** | **(10,858)** |
| Additional dividends | **-** | **-** | **-** | **(1,559)** | **-** | **-** | **-** | **-** | **(1,559)** | **-** | **(1,559)** |
| Income for the year | **-** | **-** | **-** | **-** | **-** | **-** | **637,756** | **-** | **637,756** | **142,806** | **780,562** |
| Proposed allocations: | | | | | | | | | | | |
| Legal reserve (Note 24,4) | **-** | **-** | **31,888** | **-** | **-** | **-** | **(31,888)** | **-** | **-** | **-** | **-** |
| Retained profit reserve (Note 24,5) | **-** | **-** | **-** | **357,051** | **-** | **-** | **(357,051)** | **-** | **-** | **-** | **-** |
| Dividends payable (Note 25) | **-** | **-** | **-** | **-** | **-** | **-** | **(95,349)** | **-** | **(95,349)** | **(28,139)** | **(123,488)** |
| Interest on equity (Note 25) | **-** | **-** | **-** | **-** | **-** | **-** | **(59,534)** | **-** | **(59,534)** | **-** | **(59,534)** |
| Balances at December 31, 2014 | **1,977,276** | **22,585** | **98,107** | **773,736** | **-** | **(22,262)** | **-** | **(13,075)** | **2,836,367** | **609,158** | **3,445,525** |

See accompanying notes.

# Equatorial Energia S.A.

Cash flow statements - Indirect method
Years ended December 31, 2014 and 2013
*(In thousands of reais)*

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Cash flow from operating activities | | | | |
| Net income for the year | **637,756** | 68,637 | **780,562** | 78,517 |
| Non-cash income (expenses): | | | | |
| Depreciation and amortization | **1,116** | 4,612 | **295,111** | 252,508 |
| Retirement and pension plan | **-** | - | **-** | 589 |
| Unpaid interest expense | **-** | - | **349,682** | 261,117 |
| Exchange losses on financial transactions | **-** | (9,710) | **(67,256)** | (6,139) |
| Monetary restatement of financial assets | **-** | - | **(13,469)** | (69,379) |
| Loss on disposal of intangible assets / property, plant and equipment | **-** | - | **7,512** | 103,959 |
| Receivables relating to Parcel A and other financial items | **-** | - | **(722,456)** | - |
| (Reversal of) provision for contingencies | **-** | - | **41,867** | 26,110 |
| Allowance for doubtful accounts and loss on uncollectible receivables | **-** | - | **104,592** | 85,176 |
| Share-based payment | **8,506** | - | **8,506** | - |
| Equity pickup of continued operation | **(585,144)** | (45,150) | **(23,806)** | (16,848) |
| Short-term investment yields | **(31,366)** | (49,380) | **(114,959)** | (97,922) |
| Equity adjustment - IFRS | **-** | (46) | **2,817** | 11,593 |
| Deferred income and social contribution taxes | **-** | - | **62,713** | 109,475 |
| Current income and social contribution taxes | **(3,784)** | (11,773) | **66,430** | (100,425) |
| Dividends proposed and payable | **-** | 1 | **(28,139)** | - |
| Other comprehensive income | **-** | - | **(10,858)** | - |
| Other | **-** | - | **1,433** | 6,544 |
| | **27,084** | (42,809) | **740,282** | 644,875 |
| Changes in current and noncurrent asset accounts | | | | |
| Trade accounts receivable | **-** | - | **(557,128)** | (23,782) |
| Inventories | **-** | - | **3,346** | 1,092 |
| Taxes recoverable | **-** | (5,884) | **(23,582)** | 10,449 |
| Income taxes | **(4,159)** | - | **(25,353)** | (7,766) |
| Deferred taxes | **-** | - | **-** | (146,674) |
| In-court reorganization - CELPA | **-** | - | **(82,013)** | (619) |
| Services requested and other | **-** | - | **(6,039)** | (18,771) |
| Recovery of energy cost and charges | **-** | - | **5,721** | (5,721) |
| CCC Acquisition | **-** | - | **(142,355)** | 59,048 |
| Judicial deposits | **(139)** | - | **7,531** | 106,271 |
| Concession-related financial asset | **-** | - | **(323,407)** | (150,836) |
| Dividends receivable | **41,176** | 68,509 | **-** | - |
| Future capital contribution | **(256,000)** | (50,000) | **-** | - |
| Other receivables | **(149,077)** | (105,413) | **(14,826)** | (99,145) |
| | **(368,199)** | (92,788) | **(1,158,105)** | (276,454) |
| Changes in current and noncurrent liability accounts | | | | |
| Trade accounts payable | **(54)** | (1,552) | **465,129** | 11,682 |
| Taxes and contributions payable | **(3,394)** | (223) | **(258,129)** | (131,154) |
| Income taxes | **(779)** | 23,517 | **(77,737)** | 64,122 |
| Payroll expenses | **50** | 3 | **11,189** | 15,374 |
| Provision for civil, tax and labor contingencies | **-** | - | **(121,193)** | (135,683) |
| Regulatory fees | **-** | - | **-** | (112,034) |
| Energy efficiency program | **-** | - | **36,140** | 21,717 |
| Profit sharing | **(3,595)** | 4,277 | **(2,512)** | 8,856 |
| Street lighting charge | **-** | - | **(1,901)** | (13,349) |
| Retirement and pension plan | **-** | - | **22,235** | (8,486) |
| Interest paid | **-** | - | **(165,992)** | (140,294) |
| Income and social contribution taxes paid | **-** | - | **25,622** | 50,116 |
| Other accounts payable | **(1)** | (37,324) | **110,896** | (41,914) |
| | **(7,773)** | (11,302) | **43,747** | (411,047) |
| Net cash provided by operating activities | **(348,888)** | (146,899) | **(374,076)** | (42,626) |
| Cash flow from investing activities | | | | |
| Acquisitions of intangible assets | **-** | - | **(366,206)** | (224,948) |
| Acquisition of property, plant and equipment | **-** | - | **(757)** | (194) |
| Acquisition of investment | **-** | (47,800) | **240** | (1,300) |
| Investment in investment funds | **(32,272)** | - | **(5,353,609)** | - |
| Redemption of short-term investments | **400,843** | 249,810 | **5,047,135** | 427,889 |
| Dividends received | **-** | - | **16,996** | 18,455 |
| Net cash used in investing activities | **368,571** | 202,010 | **(656,201)** | 219,902 |
| Cash flow from financing activities | | | | |
| Loans and financing taken out | **-** | - | **1,180,917** | 918,067 |
| Repayment of loans and financing | **-** | - | **(415,351)** | (656,901) |
| Debentures | **-** | - | **200,000** | - |
| Amortization of debentures | **-** | - | **-** | (160,380) |
| Dividends paid | **(17,860)** | (33,731) | **(6,076)** | (60,278) |
| Net cash provided by financing activities | **(17,860)** | (33,731) | **959,490** | 40,508 |
| Cash and cash equivalents generated in the year | **1,823** | 21,380 | **(70,787)** | 217,784 |
| Statement of decrease in cash and cash equivalents | | | | |
| At beginning of year | **21,403** | 23 | **350,885** | 133,101 |
| At end of year | **23,226** | 21,403 | **280,098** | 350,885 |
| Increase in cash and cash equivalents | **1,823** | 21,380 | **(70,787)** | 217,784 |

See accompanying notes.

# Equatorial Energia S.A.

Statements of value added
Years ended December 31, 2014 and 2013
*(In thousands of reais)*

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Revenues | | | | |
| Sales of products and services | **-** | 1,005 | **8,748,502** | 6,225,158 |
| Other operating income/expenses | **(3,230)** | (2,951) | **(108,967)** | (65,569) |
| Allowance for doubtful accounts and loss on uncollectible receivables | **-** | - | **(104,592)** | (87,355) |
| (Reversal of) provision for civil, tax and labor contingencies | **-** | - | **(10,357)** | (16,736) |
| | **(3,230)** | (1,946) | **8,524,586** | 6,055,498 |
| Inputs acquired from third parties (including ICMS and IPI) | | | | |
| Cost of sales and services | **-** | - | **(4,443,013)** | (3,103,598) |
| Materials, energy, third-party services and other expenses | **(3,583)** | (20,893) | **(624,731)** | (647,047) |
| Selling expenses | **-** | - | **(3,826)** | (8,080) |
| | **(3,583)** | (20,893) | **(5,071,570)** | (3,758,725) |
| Gross value added (used) | **(6,813)** | (22,839) | **3,453,016** | 2,296,773 |
| Depreciation and amortization | **-** | - | **(294,271)** | (250,792) |
| Net value added produced by the Company | **(6,813)** | (22,839) | **3,158,745** | 2,045,981 |
| Value added received in transfer | | | | |
| Equity pickup | **585,144** | 45,151 | **23,806** | 16,847 |
| Amortization of concession right | **(1,116)** | (4,612) | **(1,116)** | (4,612) |
| Financial income | **82,316** | 76,556 | **(210,909)** | (219,098) |
| | **666,344** | 117,095 | **(188,219)** | (206,863) |
| Total value added to be distributed | **659,531** | 94,256 | **2,970,527** | 1,839,118 |
| Distribution of value added | | | | |
| Employees | | | | |
| Direct compensation | **16,879** | 9,041 | **218,917** | 233,954 |
| Benefits | **216** | 106 | **52,691** | 19,056 |
| Unemployment Compensation Fund (FGTS) | **54** | 24 | **15,468** | 5,700 |
| Other | **842** | 441 | **(10,981)** | (11,115) |
| | **17,991** | 9,612 | **276,095** | 247,595 |
| Taxes | | | | |
| Federal | **3,784** | 11,866 | **694,138** | 549,221 |
| State | **-** | - | **1,208,377** | 945,888 |
| Municipal | **-** | 50 | **3,904** | 1,902 |
| | **3,784** | 11,916 | **1,906,419** | 1,497,011 |
| Debt remuneration | | | | |
| Rent | **-** | - | **7,451** | 15,995 |
| | **-** | - | **7,451** | 15,995 |
| Equity remuneration | | | | |
| Dividends | **154,884** | 16,301 | **154,884** | 16,301 |
| Retained profit | **482,872** | 56,427 | **482,872** | 52,336 |
| Noncontrolling interests in income for the year | **-** | - | **142,806** | 9,880 |
| | **637,756** | 72,728 | **780,562** | 78,517 |
| Gross value added | **659,531** | 94,256 | **2,970,527** | 1,839,118 |

See accompanying notes.

## 1 Operations

Equatorial Energia S.A. ("Company" or "Equatorial" or "Parent") is primarily engaged in holding interest in other companies, all in the electric energy industry, mainly with operations related to generation or distribution of electric energy. The Company has shares traded on BM&FBOVESPA under ticker "EQTL3" and has partaken in the New Market since 2008. The Company is headquartered at Alameda A, Quadra SQS, nº 100, Altos do Calhau, in the city of São Luís, Maranhão State.

On December 1, 2014, on the grounds of provisions of articles 61 and 63 of Law No. 11102/05 and the statement of the Administrator and Prosecution Office, the Pará State Court of Justice declared the Company's in-court reorganization as finalized; however special conditions still apply for the debts agreed upon in-court reorganization. These obligations will be terminated upon their full settlement.

(In thousands of reais, unless otherwise stated)

## 2 Subsidiaries and jointly-controlled subsidiaries

Equatorial has investments as follows:

| | Note | 12/31/2014 |
|---|---|---|
| CEMAR | a. | **65.11%** |
| Equatorial Soluções | b. | **100%** |
| CELPA | c. | **96.18%** |
| Geradora de Energia do Norte | d. | **25%** |
| Vila Velha | e. | **50%** |
| Equatorial Telecomunicações | f. | **0.04%** |

**a. Companhia Energética do Maranhão ("CEMAR"):** publicly-traded corporation primarily engaged in the distribution of electric energy. CEMAR's concession area is Maranhão State, serving more than 2.2 million customers in an area of more than 333 thousand $Km^2$ at December 31, 2014. The electric energy distribution contract No. 060, executed by and between the Company, Brazil's National Electric Energy Agency (ANEEL) and CEMAR, is effective until August 2030, with the possibility of being extended for further 30 years.

**b. Equatorial Soluções S.A.:** Equatorial Soluções is a privately-held corporation, headquartered in the city of São Luís, Maranhão State, primarily engaged in: a) rendering of electric energy, telecommunication and data transmission services; b) electricity bill collection services on behalf and by order of third parties; and c) rendering of technical services related to the operation, maintenance and planning of third-party electric installations.

**c. Centrais Elétricas do Pará S.A. (CELPA):** Brazilian publicly-traded company headquartered in the city of Belém, Pará State, is engaged in the distribution and generation of electric energy in a concession area covering the entire Pará State with 1,248 thousand $km^2$, and serves 2.1 million consumers in 144 Municipalities. The electricity distribution service concession arrangement No. 182/1998, entered into between ANEEL and CELPA on July 28, 1998, is effective for a term of 30 years, renewable for another 30 years. In addition to said arrangement, CELPA had Generation Service Concession Arrangement No. 181/1998 of 34 Thermoelectric Power Plants, of which 11 plants are company-owned and 23 plants are outsourced, for generation of electric energy for a term of 30 years, expiring on July 28, 2028, renewable for another 30 years. On March 15, 2011, SCG/ANEEL Official Letter No. 331/2011 extinguished the concession of the outsourced thermoelectric power plants, remaining the concession of those 11 owned thermoelectric power plants.

## 2 Subsidiaries and jointly-controlled subsidiaries (Continued)

d. **Geradora de Energia do Norte S.A.:** This is responsible for the implementation and operation of thermoelectric plants in Tocantinópolis and Nova Olinda, in the city of Miranda do Norte, state of Maranhãe, with installed capacity of 330MW, which provide electricity to the Brazilian National Interconnected System (SIN). On Octobers 1, 2008, Equatorial acquired 25% of the Company's capital representative shares. The consortium which controls the Company includes Equatorial Energia S.A. (25%), Fundo de Investimentos em Participações Brasil Energia (25%), and GNP S.A. (50%). GNP S.A. GNP S.A. includes Servtec Investimentos e Participações Ltda. (50%) and Companhia Ligna de Investimentos (50%). Geradora de Energia do Norte S.A. control is shared and governed by the Shareholders' Agreement. This jointly-controlled subsidiary is proportionally consolidated in this quarterly information. This jointly-controlled subsidiary is consolidated in these financial statements.

e. **Vila Velha Termoelétricas Ltda.:** Still in pre-operating phase, this is the company responsible for the implementation and operation of thermoelectric plants in the State of Espírito Santo. Equatorial Energy holds 50% of its capital. Vila Velha Termoelétricas Ltda. control is shared and governed by the Shareholders' Agreement.

f. **Equatorial Telecomunicações Ltda.:** Equatorial Telecomunicações is a limited liability company headquartered in the city of São Luís, Maranhão State, primarily engaged in: a) provision of telecommunication services; b) Public Switched Telephone Network (PSTN); c) Multimedia Communication Service (MCS); d) Voice over Internet Protocol (VOIP); and e) provision of telephony information services.

Subsidiaries CEMAR, CELPA and Equatorial Soluções hereinafter will be denominated only as “Subsidiaries”.

Geradora de Energia do Norte and Vila Velha are subsidiaries jointly-controlled by Equatorial Energia.

The reporting period of the financial statements of the subsidiaries included in the consolidation coincides with that of the Parent, and accounting policies were consistently applied to consolidated companies and were consistent with those used in the prior year.

All intercompany balances and transactions were eliminated upon consolidation.

## 3 Significant accounting practices

The individual and consolidated financial statements were prepared under various measurement bases used in accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, considering management's judgment for determining the adequate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of the useful life of property, plant and equipment and their recoverability in operations, the evaluation of financial assets at fair value, as well as the analysis of other risks for determining other provisions, including the provision for contingencies. The book values of assets and liabilities recognized, which represent hedged items at fair value, which, alternatively, would have been recorded at amortized cost, are adjusted to state the changes in fair values attributable to the hedged risks.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment inherent to the estimate process. The Company and its subsidiaries review their estimates and assumptions at least once a year.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), adopted in Brazil by means of the Brazilian Financial Accounting Standards Board - FASB ("CPC") and its technical interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM"), the Electric Energy Utility Accounting Manual and other regulations issued by ANEEL.

The individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which include the provisions contained in Brazil's Corporation Law, set forth by Law No. 6404/76 and amendments to Law No. 11638/07 and Law No. 11941/09, and accounting pronouncements, interpretations and guidance issued by the Brazilian FASB (CPC), approved by the CVM. Until December 31, 2013, these practices differed from the IFRS, applicable to separate financial statements, only as regards the application of the equity method to measure investments in subsidiaries, affiliates and jointly-controlled subsidiaries, which would be measured at cost or fair value under the IFRS.

## 3 Significant accounting practices (Continued)

With the issue of pronouncement IAS 27 (Separate Financial Statements) revised by the IASB in 2014, the separate financial statements in accordance with IFRS now allow for the use of the equity method for measurement of investments in subsidiaries, affiliates and jointly-controlled subsidiaries. In December 2014, the CVM issued Rule No. 733/2014, which approved the Document for Amending Accounting Pronouncements No. 07, referring to Pronouncements CPC 18, CPC 35 and CPC 37 issued by the Brazilian FASB (CPC), accepting said amendment to IAS 27 and allowing its adoption for years ended as from December 31, 2014. Accordingly, the individual financial statements are in accordance with the IFRS from this year onwards.

Although the consolidated statement of value added is not required by the IFRS, it is mandatory for publicly-held companies in Brazil and optional for other entities, unless otherwise required by a regulator.

The Board of Director authorized the issue of these financial statements on February 12, 2015.

### *a. Foreign currency-denominated transactions*

The financial statements are presented in reais (R$), which is the Company’s and its subsidiaries’ functional currency.

Transactions in foreign currency are recorded at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. Exchange gains (losses) are recognized in the income statement as incurred.

## 3 Significant accounting practices (Continued)

### *b. Basis of consolidation*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanied by interest of more than half of the voting rights (voting capital). The existence and effect of possible rights to vote currently exercisable or convertible are taken into consideration upon evaluating whether the Company controls other entity. The subsidiaries are fully consolidated from the date on which the control is transferred to the Company. Consolidation is discontinued from the date on which control ends.

The Company uses the acquisition method of accounting to record business combinations. The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and equity instruments issued by the Company. The consideration transferred includes the fair value of certain assets or liabilities arising from a contingent payment agreement, where applicable. Acquisition-related costs are posted to the income statement as incurred. The identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value on the acquisition date. The Company recognizes noncontrolling interests in the acquiree either at its fair value or on the basis of its proportionate noncontrolling interests in the fair value of net assets of the acquiree. Noncontrolling interests to be recognized are determined in every acquisition made.

## 3 Significant accounting practices (Continued)

### *b. Basis of consolidation* (Continued)

The transferred payment and fair value exceeding amount, on the acquisition date, of any previous ownership interest in the acquiree in relation to the fair value of the interests held by the Company in the identifiable net assets acquired is recognized as goodwill. In the acquisitions where the Company attributes the fair value to noncontrolling interests, goodwill determination also includes the amount of any noncontrolling interests in the acquiree, and goodwill is determined taking into account the interests held by the Company as well as noncontrolling interests.

If the consideration received is lower than fair value of acquired net assets, the difference must be directly recognized in the income statement for the year.

Intercompany transactions and balances are also eliminated, unless the operation provides evidence of loss of the transferred assets. The accounting practices of subsidiaries are changed, when necessary, to ensure the consistence with those adopted by the Company.

The subsidiaries are Companhia Energética do Maranhão (CEMAR), Equatorial Soluções S.A. and Centrais Elétricas do Pará (CELPA).

- ***Interest in joint ventures***

  The Company holds interest in a joint venture whereby the venturers have a contractual arrangement that establishes joint control over the various activities of the entity. The Company recognizes its interest held in the joint venture using consolidation proportionally to its share in assets, liabilities, revenues and expenses in the joint venture, account per account, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as that of the Company. Whenever necessary, adjustments are made for the accounting practices to be in line with those adopted by the Company.

## 3 Significant accounting practices (Continued)

### *b. Basis of consolidation* (Continued)

- ***Interest in joint ventures*** (Continued)

  Adjustments are made to the Company's consolidated financial statements with the intent of eliminating the Company's share of intragroup balances, revenues and expenses and unrealized gains and losses from transactions between the Company and its joint venture. Losses on transaction are recognized immediately if the loss provides evidence of impairment of assets. The joint venture is proportionately consolidated until the date the Company ceases to have joint control over the joint venture

  Upon loss of joint control, and as long as this investee does not become a subsidiary or affiliate, the Company measures this remaining investment at fair value. Upon loss of joint control, any difference between the carrying amount of the former joint venture and the fair value of the investment and disposal proceeds (if any) are recognized in the income statement. When the remaining investment constitutes significant influence, it will be accounted for as investment in an affiliate, as previously described.

  The jointly-controlled subsidiaries are Geradora de Energia do Norte S.A. and Vila Velha Termoelétricas Ltda.

## 3 Significant accounting practices (Continued)

### *b. Basis of consolidation* (Continued)

- ***Transactions eliminated in consolidation***

  Intra-group transactions and balances, and any income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investees recorded under equity pickup are eliminated upon investment proportionally to the interest of the Company in the investee. Unrealized losses are eliminated in the same way as unrealized gains are eliminated, but only to the extent that there is no evidence of impairment loss.

### *c. Business combination*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any noncontrolling interests in the acquiree. For each business combination, the acquirer must measure noncontrolling interests in the acquiree either at its fair value or on the basis of its proportionate share in the identifiable net assets of the acquiree. Costs directly attributable to the acquisition must be recorded as expenses, as incurred.

Upon acquiring a business, the Company assesses financial assets and liabilities assumed so as to classify and allocate them in accordance with contractual terms, economic circumstances and relevant conditions on the acquisition date, including the segregation, by the acquiree, of embedded derivatives existing in host contracts in the acquiree.

In the event of a business combination in stages, fair value on acquisition date of ownership interest previously held in the acquiree's capital is reassessed at fair value on the acquisition date, and any impacts are recognized in the income statement.

## 3 Significant accounting practices (Continued)

### *c. Business combination* (Continued)

Any contingent portion to be transferred by the acquirer will be recognized at fair value on acquisition date. Subsequent changes in the fair value of the contingent portion to be considered as an asset or liability shall be recognized in accordance with CPC 38 in the income statement or in other comprehensive income.

If the contingent portion is classified as equity, it shall not be revalued until finally settled in equity.

Goodwill is initially measured as transferred payment exceeding amount in relation to acquired net assets (identifiable net assets acquired and liabilities assumed). If payment is lower than fair value of acquired net assets, the difference must be recognized as gain in the income statement.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as of acquisition date, allocated to each Group's cash-generating unit, which are expected to benefit from such combination synergy, regardless of other assets or liabilities of the acquiree being attributed to these units.

Where goodwill forms part of a cash-generating unit and a part of that unit is disposed of, the goodwill associated with the portion disposed of is included in the carrying amount of the operation when determining the respective gain or loss thereon. The goodwill disposed of in such circumstances is determined based on amounts proportional to the disposed of portion in relation to the cash-generating unit maintained.

## 3 Significant accounting practices (Continued)

### *d. Revenue recognition*

P&L from operations is recorded on an accrual basis.

*Rendering of services*

Service revenues are recognized when earned. Electric energy is monthly billed to every consumer according to the electricity meter reading schedule. Unbilled revenue, corresponding to the period from the last meter reading date and the month closing, is estimated and recognized as revenue in the month energy is consumed.

*Interest income*

For all financial instruments measured at amortized cost and interest-yielding financial assets, financial income or expense is recorded by using the effective interest rate. Interest income is recognized under "Financial income", in the income statement.

*Construction revenue*

Technical Interpretation ICPC 01 determines that an electric energy concession operator must record and measure revenue arising from the rendering of services in accordance with Accounting Pronouncements CPC 17 - Construction Contracts (construction or improvement services) and CPC 30 - Revenue (operation services - supply of electric energy), even if regulated by only one concession contract. The Company recognizes revenues and costs from services of construction or improvement of the infrastructure used in the rendering of electric energy distribution services. The construction margin adopted is established as equal to zero, considering that: (i) the Company's primary activity is the distribution of electric energy; (ii) every construction revenue is related to the construction of infrastructure for the Company to perform its primary activity, i.e. the distribution of electric energy; and (iii) the Company outsources the construction of infrastructure to unrelated parties. On a monthly basis, the total amount of additions to intangible assets in progress is transferred to P&L as cost of construction after deductions arising out of special obligations.

## 3 Significant accounting practices (Continued)

### *e. Taxes*

*Current income and social contribution taxes*

Current tax assets and liabilities of last and prior years are measured at the estimated amount recoverable from or payable to tax authorities. Tax rates and tax laws used to calculate the amounts are those in force, or substantially in force, at balance sheet date.

*Deferred taxes*

Deferred taxes arise from temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book value. Deferred tax liabilities are recognized on all temporary tax differences, except:

- When a deferred tax liability arises upon initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and

- On temporary differences related to investments in subsidiaries, whose period of reversal of temporary differences can be controlled and temporary differences are not likely to be reversed in the near future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax credits and tax losses to the extent that taxable profit will likely be available so that the deductible temporary differences may be realized, and unused tax credits and losses may be used, except:

- When the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination and does not affect, at transaction date, the book profit or income or loss for tax purposes; and

## 3 Significant accounting practices (Continued)

***e. Taxes*** (Continued)

*Deferred taxes* (Continued)

- On deductible temporary differences concerning investments in subsidiaries, deferred tax assets are recognized only to the extent that temporary differences will likely be reversed in the near future and that there will be taxable profit available to allow the use of temporary differences.

The book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent that it is no longer probable that taxable profits will be available so that deferred tax assets can be used in total or in part. Deferred tax assets written off are reviewed at each balance sheet date and are recognized to the extent that future taxable profit is likely to allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year in which the asset will be realized or the liability settled, based on tax rates (and tax law) in force at balance sheet date.

Deferred tax assets and liabilities will be stated net, if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

*Sales taxes*

Revenues, expenses and assets are recognized net of sales taxes, except:

- when sales taxes incurred in the purchase of goods or services are not recoverable from tax authorities, in which case the sales tax is recognized as part of the acquisition cost of the asset or expense item, as the case may be; and

- when the amounts receivable and payable are presented together with the amount of sales taxes.

## 3 Significant accounting practices (Continued)

### *e.* ***Taxes*** (Continued)

*Sales taxes* (Continued)

The net sales taxes, either recoverable or payable, are included as a component of amounts receivable or payable in the balance sheet.

*Impacts of Provisional Executive Order No. 627*

On September 17, 2013 and on November 12, 2013, the Brazilian Internal Revenue Service (RFB) Revenue Procedure No. 1397 (IN No. 1397) and the Provisional Executive Order No. 627 (MP No. 627), respectively, were published, the latter of which: (i) repeals the Transition Tax Regime (RTT) from 2015 onwards, introducing a new tax regime; (ii) amends Decree Law No. 1598/77 regarding the calculation of Corporate Income Tax (IRPJ) and legislation governing the Social Contribution Tax on Net Profit (CSLL). The new tax regime provided for by MP No. 627 became effective as from 2014. Among the provisions of MP No. 627 are to be highlighted those that address the distribution of profits and dividends, interest on equity calculation basis and equity pickup calculation criterion during the effectiveness of the Transition Tax Regime (RTT).

In May 2014, This MP was signed into Law No. 12973, with amendments in certain provisions, including with regard to the treatment of dividends, interest on equity and investment measured by the equity method. Unlike the provisions of the MP, Law No. 12973 provided for unconditional nontaxation on profits and dividends calculated on P&L reported in the period comprised between January 1, 2008 and December 31, 2013.

Management decided not to early adopt the provisions of this MP for the year ending December 31, 2014.

## 3 Significant accounting practices (Continued)

### *f. Government grants*

Government grants are recognized when there is reasonable certainty that the benefit will be received and that all the related conditions will be met.

Whenever the benefit relates to an expense item, it is recognized as revenue throughout the benefit period, on a systematic basis in relation to the costs whose benefit offset is sought. Whenever the benefit relates to an asset, it is recognized as deferred revenue and posted to P&L in equal amounts throughout the expected useful life of the corresponding asset.

When the Company receives non-monetary benefits, the relevant item and the benefit are recorded at par value and reflected in the income statement over the expected useful life of the asset in equal annual installments.

### *g. Financial instruments*

Financial instruments are only recognized when the Company and its subsidiaries become a party to the contractual provisions of a financial instrument.

When recognized, they are initially measured at fair value plus transaction costs directly attributable to their acquisition or issue, except for financial assets and liabilities classified as measured at fair value through profit or loss, when such costs are charged directly to P&L for the year. Subsequent measurement occurs at each balance sheet date according to the rules established for each type of financial asset or liability classification into the following categories: (i) financial assets and liabilities measured at fair value through profit or loss; (ii) investments held to maturity; (iii) loans and receivables; and (iv) financial assets available for sale.

The main financial assets recognized by the Company are: cash and cash equivalents, short-term investments, trade accounts receivable (consumers), concession-related financial asset, judicial deposits and other accounts receivable.

## 3 Significant accounting practices (Continued)

### g. *Financial instruments* (Continued)

The main financial liabilities recognized by the Company are: trade accounts payable, loans and financing, debentures and derivative financial instruments.

*Initial recognition and subsequent measurement*

The Company uses derivative financial instruments and interest rate and exchange swaps to provide hedge against the risk of changes in exchange rates and the risk of changes in interest rates, respectively. Derivatives are presented as financial assets when the instrument's fair value is positive and as financial liabilities when fair value is negative.

### h. *Present value adjustment of assets and liabilities*

Noncurrent monetary assets and liabilities are monetarily restated and, therefore, adjusted to their present value. The present value adjustment of current monetary assets and liabilities is calculated and only recorded when the effect is considered significant in relation to the overall financial statements. For reporting and significant level determination purposes, the present value adjustment is calculated using contractual cash flows and explicit, and sometimes implicit, interest rates of the respective assets and liabilities. Based on analyses made and on management’s best estimate, the Company concluded that the present value adjustment of current monetary assets and liabilities is not material in relation to the overall financial statements, except for installment receivables in noncurrent assets and trade accounts payable, as described in Note 7.

## 3 Significant accounting practices (Continued)

### *i. Cash and cash equivalents*

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company and its subsidiaries consider cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, e.g. within three months or less from the investment date.

### *j. Trade accounts receivable*

These include amounts billed to end consumers, adjusted to present value, where applicable, revenue from energy consumed but not yet billed, use of grid, services rendered, late payment interest and other receivables, up to the end of the year, recorded on an accrual basis (Note 7).

Allowance for doubtful accounts

This is set up at an amount considered sufficient by management to cover any losses on trade accounts receivable realization (Note 7).

### *k. Inventories*

Materials in inventories, classified into current assets, are carried at average acquisition cost, adjusted for provision for losses, whenever necessary, not exceeding market value. Materials in inventories intended for investments are classified into intangible assets and carried at average acquisition cost, net of State Value-Added Tax (ICMS).

## 3 Significant accounting practices (Continued)

### *l. Receivables relating to Parcel A and other financial items*

On November 25, 2014, ANEEL decided to amend its service concession arrangements and permit for Brazilian electric energy distribution companies in order to eliminate any uncertainties, then existing, regarding the recognition and realization of temporary differences, the amounts of which are annually passed on to the electric energy distribution tariff - Parcel A (Variation Offsetting Account - CVA) and other financial components. Under the terms of the amendment issued by ANEEL, the regulator assures that the CVA amounts and other financial components will be incorporated in the calculation of indemnity, upon termination of the concession.

As a result, the Brazilian FASB issued Technical Guidance – OCPC 08 (“OCPC 08”), whose purpose was to address basic requirements for recognition, measurement and disclosure of these financial assets and liabilities that are now classified as an unconditional right (or obligation) to receive (or deliver) cash or other financial instrument to a clearly identified counterparty.

The amendment to the service concession arrangements under the terms addressed by this guidance represented a new element that ensures, from the execution date, the right or imposition of the obligation for the concession operator to receive or pay assets and liabilities from/to the counterparty - Granting Authority. As from its date, this event changes previously existing contractual conditions and eliminates uncertainties regarding the realization/obligation of these assets and liabilities.

Accordingly, these conditions are different from those previously presented and, therefore, their effects are applied prospectively from the execution date of the respective contractual amendments. The accumulated balance until 2014 of these regulatory assets and liabilities of subsidiaries was recognized in asset accounts matched against P&L for the year under “Operating revenue from sales”.

# 3 Significant accounting practices (Continued)

### *m. Concession-related asset*

The electricity utility concession arrangements entered into with the Federal Government (the Granting Authority) regulate the provision of public services of electric energy distribution by CEMAR and CELPA (the Concession Operators), whereby:

- ✓ The arrangement sets forth the services which the operator is to render and to whom (consumer class) the services are to be rendered;
- ✓ The arrangement sets performance standards for public service provision, regarding maintenance and improvement of consumer service quality; the operator must, upon concession termination, return the infrastructure in the same conditions in which it was received upon the execution of these arrangements. In order to fulfill these obligations, ongoing investments are made throughout the concession term. Therefore, concession-related assets may be sometimes replaced by the end of the concession;
- ✓ At the end of the concession, infrastructure-related assets must be returned to the Granting Authority upon payment of an indemnification; and
- ✓ The price is regulated through a tariff mechanism established in service concession arrangements based on a parametric formula (Portions A and B); tariff reviews are also established therein, which are expected to be sufficient to cover costs, investment amortization and return on capital invested.

Based on the characteristics established in the Company's electricity distribution service concession arrangement, management understands that the conditions for application of Technical Interpretation ICPC 01 - Service Concession Arrangements are met. This Interpretation provides guidance on how to record public service concessions granted to private operators, so as to reflect the electric energy distribution business, which includes:

a. Estimated portion of investments made and not amortized or depreciated through the end of the concession, determined based on the new replacement value, classified as a financial asset since it is an unconditional right to receive cash or other financial assets directly from the Granting Authority; and

# 3 Significant accounting practices (Continued)

## *m. Concession-related asset* (Continued)

b. Remaining portion of the financial asset (net book value) determined based on the new replacement value, classified as an intangible asset since its recovery is subject to the use of the public service through energy consumption by consumers (Note 14).

The infrastructure received or built for the distribution activity, originally represented by the Company's property, plant and equipment and intangible assets, is recovered through two cash flows, to wit: (i) part through energy consumption by consumers (issue of monthly billing for measurement of energy consumed/sold)

over the service concession term; and (ii) part as indemnification for the assets that must be returned at the end of the service concession term, which will be received directly from the Granting Authority or on their behalf.

This indemnification will be paid based on the portion of investments related to the assets that must be returned, which are not yet amortized or depreciated, and which were made in order to guarantee the continuity and updating of the service.

In accordance with Law No. 12783/2013, the calculation of the amount of investments related to assets that must be returned to the Granting Authority, which are not yet amortized or depreciated, for purposes of indemnification, must be based on the new replacement value methodology, according to the criteria set forth in the regulation of the Granting Authority. Such Law produces effects only in 2012 and does not affect prior years.

The Company recognizes a financial asset resulting from a service concession arrangement when it has an unconditional contractual right to receive cash or other equivalent financial assets from the Granting Authority for the construction or improvement services rendered. Such financial assets are measured at fair value upon initial recognition, and subsequently are measured at their amortized cost.

If the Company is paid for the construction services part through a financial asset and part through an intangible asset, then each component of the remuneration received or receivable is recorded individually and initially recognized at fair value of the remuneration received or receivable.

## 3 Significant accounting practices (Continued)

### *n. Intangible assets*

- **Service concession arrangements**

  The Company recognizes an intangible asset resulting from a service concession arrangement when it has the right to charge for the use of such concession infrastructure. An intangible asset received as remuneration for construction or improvement services rendered under a service concession arrangement is measured at fair value upon initial recognition. After this intangible asset is recognized, it is measured at cost, less accumulated amortization and impairment losses.

- **Other intangible assets**

  Other intangible assets acquired by the Company with finite useful lives are measured at cost, less accumulated amortization and impairment.

- **Amortization**

  Amortization is calculated on the acquisition cost of the asset, or other value substituting for cost, less calculated net book value. Amortization is recognized in P&L based on the straight-line method and limited to the shorter of the remaining term of the service concession arrangement of the Company's subsidiaries or the estimated useful lives of intangible assets other than goodwill, as from the date they are available for use. This is the method that best reflects the pattern of consumption of the future economic benefits embodied in the asset.

  The useful life of an intangible asset under a service concession arrangement is the period from which the Company has the ability to charge the consumers for the use of the infrastructure to the end of the concession period. The amortization method, useful lives and net book values are reviewed if there are changes published by the regulator.

## 3 Significant accounting practices (Continued)

### *n. Property, plant and equipment*

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if applicable. This cost includes replacement cost of part of property, plant and equipment and borrowing costs for long-term construction projects, when recognition criteria are met. When significant parts of property, plant and equipment are replaced, the Company recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a material inspection is carried out, its cost is recognized in the book value of property, plant and equipment, if recognition criteria are met. All the other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset.

A property, plant and equipment item is derecognized on disposal or when no future economic benefit is expected from its use or sale. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the book value of the asset, and are classified in the income statement for the year in which the asset is derecognized.

Net book value and useful lives of assets and depreciation methods are reviewed at year end, and adjusted prospectively, when applicable.

## 3 Significant accounting practices (Continued)

### *o. Distribution of dividends*

The dividend accounting recognition policy is in line with CPC 25 and ICPC 08, which determine that proposed dividends payable, based on statutory obligations, must be recorded as current liabilities.

The Company's Articles of Incorporation establish that at least 25% of the annual net income must be distributed as dividends. Also pursuant to the Articles of Incorporation, it is incumbent upon the Board of Directors to deliberate on the payment of interest on equity and interim dividends.

Accordingly, at year-end and after due legal allocations, the Company records a liability equivalent to the mandatory minimum dividend not yet distributed over the year, and records the proposed dividends exceeding the mandatory minimum dividends as "Proposed additional dividends" in equity.

Dividends in addition to the minimum amount required by law, pursuant to a proposal submitted by management prior to the balance sheet date, must be recorded within equity in a specific account called "Proposed additional dividends". If such proposal is submitted after the balance sheet date but before the financial statements are issued, such event must be recorded under "Subsequent events".

## 3 Significant accounting practices (Continued)

### *p. Employee benefits*

- **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan in which an entity pays fixed contributions to a separate entity (Private pension fund) and will have no legal or constructive obligation to pay additional amounts. Obligations arising from the contributions to the defined contribution pension plans are recognized as employee benefit expenses for the period over which services are performed by the employees. Contributions paid in advance are recognized as an asset if cash is to be reimbursed or if future payments may be reduced. Contributions to a defined contribution plan with maturity expected for 12 months after the end of the period for which the employee has rendered the services are discounted to present value.

- **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation as to the defined benefit pension plans is calculated individually for each plan, based on estimated future benefit earned by the employees as a result of the services rendered in current and prior periods; such benefit is discounted to present value. Any unrecognized past service costs and fair value of any plan assets are deducted. The discount rate is the interest borne as of the financial statements presentation date for first-tier debt securities whose maturities are close to the Group's obligation conditions, and stated in the same currency benefits are expected to be paid.

## 3 Significant accounting practices (Continued)

### *p. Employee benefits* (Continued)

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are recognized directly in equity as other comprehensive income, whenever incurred.

Past service costs are immediately recognized in P&L. Concerning the defined contribution plans, the Company contributes to public or private insurance pension plans in a compulsory, contractual or voluntary manner.

Once the contribution is made, the Company has no additional payment obligation. The contributions are recognized as benefit expenses to employees, when due. Prepaid contributions are recognized as assets to the extent cash reimbursements or decreases in future payments are available.

### *q. Share-based payment transactions*

The Company's employees receive remuneration in the form of share-based payment, under which employees render services in exchange for equity instruments ("equity-settled transactions"). Employees from the business development group are granted share appreciation rights, which can be settled only in cash ("cash-settled transactions"). In situations where equity instruments were issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, the unidentifiable goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This difference is capitalized or accounted for as expense as applicable.

## 3 Significant accounting practices (Continued)

### r. Equity-settled transactions

Cost of equity-settled transactions with employees and of awards granted, is measured considering the fair value on the grant date.

The cost of equity-settled transactions is recognized together with a corresponding increase in equity, over the period in which the performance and/or service conditions are met, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will be acquired. The income or expense in the income statement for the year is recognized under “Personnel expenses” and represents the changes in accumulated expenses recognized at beginning and end of that year.

No expense is recognized by awards that do not complete its acquisition period, except for awards in which the acquisition is under a market condition (condition associated with the price of shares), which is treated as acquired, regardless if market conditions are met or not, as long as the other acquisition conditions are met.

Equity-settled transactions in which the plan is changed, the minimum expense recognized under “Personnel expenses" corresponding to the expenses as the terms had not been changed. An additional expense is recognized for any change that increases the total fair value of the equity-settled payment agreement or that otherwise benefits the employee, measured on the change date.

When an award from equity-settled transaction is cancelled, the award is treated as it had been acquired on the cancelation date and, any award expense not recognized is immediately recognized. This includes any award for which non-acquisition conditions over the Company's or counterparty's control are not met. However, if a new plan replaces the cancelled plan and is designated as a substitute plan on the grant date, the cancelled plan and the new plan are treated as a change to the original plan, as described in prior paragraph. All cancelations of equity-settled transactions are treated in the same way.

## 3 Significant accounting practices (Continued)

### *s. Provisions*

*General consideration*

Provisions are recorded when the Company has a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, in an amount that can be reliably estimated. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is stated in the income statement, net of any reimbursement.

*Provisions for tax, civil and labor contingencies*

The Company is party to various legal and administrative proceedings. Provisions are recognized for all contingencies in connection with legal proceedings for which it is likely that a cash outflow will be required to settle the contingency/obligation and a reasonable estimate can be made. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

### *t. Earnings per share*

Basic earnings per share are calculated by dividing net income for the year attributable to the controlling interests and the weighted average number of common and preferred shares outstanding in the year. Diluted earnings per share are calculated based on the average number of shares outstanding, adjusted by potentially convertible instruments, with dilutive effect, for the years presented.

## 3 Significant accounting practices (Continued)

### *u. Impairment of nonfinancial assets*

Management annually tests the net book value of the assets with a view to determining whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is found and net book value exceeds the recoverable amount, a provision for impairment is recorded so as to adjust the net book value to the recoverable amount.

The recoverable value of assets or a specific cash-generating unit is defined as the higher of value in use and net sales value.

In assessing the value in use of an asset, estimated future cash flows are discounted to present value using a pre-tax discount rate, reflecting the weighted average cost of capital (WACC) for the industry in which the cash-generating unit operates. The net sales value is determined, where possible, based on a sale contract in a transaction on arm's length bases, between knowledgeable, interested and willing parties, adjusted for expenses attributable to the sale of assets, or when there is no firm sales contract, based on the market price of an active market, or at the latest transaction price involving similar assets.

The following criteria also apply to assess the impairment loss of specific assets:

*Intangible assets*

Intangible assets with indefinite useful life are tested for impairment loss annually at December 31, individually or in relation to the cash-generating unit, as appropriate, or when circumstances indicate an impairment loss.

### *v. Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the underlying asset cost. All other borrowing costs are expensed in the period they incur. Borrowing costs include interest expense and other costs incurred by an entity in respect of borrowings.

## 3 Significant accounting practices (Continued)

### *w. New or revised pronouncements first-time adopted in 2014*

The Company first-time adopted certain standards and amendments. These include OCPC 08 - Accounting for regulatory assets and liabilities.

Many other amendments apply for the first time in 2014. However, they have no impact on the Company's financial statements.

The nature and impact of each of the new standards and amendments are described below.

**OCPC 08 - Accounting for regulatory assets and liabilities**

Due to compliance with the contractual amendment approved by ANEEL at the 13th special public meeting held on November 25, 2014, as from the amended service concession arrangements and permit, and consequent change in the tariff review procedures, the contingent nature was eliminated, thus allowing for the recognition of assets or liabilities as financial instruments, i.e. as actual amounts receivable or payable.

This event changes the evaluation as to the probability of inflow or outflow of resources embodying economic benefits for the Company, qualifying these assets or liabilities for recognition in the financial statements. As from its occurrence, the concession operator is entitled to recognize the remaining balances relating to differences in Parcel A and other financial components that have not yet been recovered or returned.

### *x. New standards, amendments and interpretations of standards not yet effective*

IFRS 15 - Revenue from contracts with customers is a result of a joint project between IASB and the Brazilian FASB (CPC) for the convergence of the standard for recognition and disclosure of revenues applied to contracts with customers. This standard provides two approaches for revenue recognition that can be at any given time or over a period of time and its analysis is based on five steps, which should be used to determine the value and the moment when revenue should be recognized. This standard will become effective from January 1, 2017 onwards. Early adoption is allowed by the IFRS, however it is not allowed in Brazil.  The Company is evaluating the possible impacts from the application of this standard and will communicate them to the market in a timely fashion.

## 4 Significant accounting judgments, estimates and assumptions

*Judgments*

The preparation of the individual and consolidated financial statements of the Company requires that management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as at the financial statement reporting date.

However, uncertainties regarding these estimates and assumptions might require significant adjustments to the book value of assets or liabilities in future periods.

Upon applying the Company's accounting practices, management made the following judgments that have most significant effect on the amounts recognized in the financial statements.

*Estimates and assumptions*

Key estimates and assumptions related to future estimate uncertainty sources and other significant estimate uncertainty sources as of the balance sheet date, involving material risk of significant adjustment to book value of assets and liabilities for the following financial year, are discussed below.

*Impairment of nonfinancial assets*

An impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. The calculation of fair value less cost of sales is based on information available on sale transactions of similar assets or market price less additional costs to dispose of the asset. The calculation of value in use is based on the discounted cash flow model. Cash flows arise from the budget from the next five years and do not include reorganization activities to which the Company has not yet committed or significant future investments that will improve the asset base of the cash-generating unit under test. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as expected future cash receipts and growth rate used for extrapolation purposes. Significant assumptions used to determine the recoverable amount of various cash-generating units, including sensitivity analysis, are detailed in Note XX.

## 4 Significant accounting judgments, estimates and assumptions (Continued)

*Taxes*

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable profit/loss. Given the broad spectrum of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made, or future changes to such assumptions, could require future adjustments to tax income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and by the relevant tax authority. These different interpretations may arise in a wide range of issues, depending on the prevailing conditions in the respective domicile of the Company.

Deferred tax assets are recognized for all unused tax losses to the extent that taxable profit will likely be available to allow the use of such losses. Significant judgment from management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

*Pension plan benefits*

The cost of defined benefit pension plans and other post-employment health care benefits and the present value of the pension plan obligations are determined using actuarial valuation methods. The actuarial valuation involves the use of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future increases in retirement and pension benefits. The defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The mortality rate is based on mortality tables available in the country. Future increases in salaries and in retirement and pension benefits are based on expected future inflation rates for the country. Further information on assumptions adopted is disclosed in Note 35.

## 4 Significant accounting judgments, estimates and assumptions (Continued)

*Amortization of concession-related intangible assets*

Intangible assets are amortized on a straight-line basis over the period during which the Company has the right to charge consumers for the use of concession assets (regulatory useful life of the asset) or over the term of the service concession arrangement, whichever is shorter (See Note 3 m).

*Concession-related financial asset*

The criteria for computing and adjusting concession-related financial assets are described in Note 3l.

*Fair value of financial instruments*

When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained in active markets, it will be determined using valuation techniques, including the discounted cash flow method. These methods use observable market data, whenever possible; otherwise, a given judgment call is required in order to determine the fair value. Judgment includes considerations about the data used, such as liquidity risk, credit risk and volatility.

Changes in the assumptions about these factors could affect the reported fair value of financial instruments.

*Provisions for tax, civil and labor contingencies*

The Company recognizes a provision for civil and labor claims. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

*Allowance for doubtful accounts*

The criteria for assessing credit risk in order to determine the allowance for doubtful accounts are described in Note 7.

(In thousands of reais, unless otherwise stated)

# 5 Cash and cash equivalents

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Cash and banks | **15** | - | **37,392** | 63,026 |
| Cash equivalents | **23,211** | 21,403 | **242,706** | 287,859 |
| **Total** | **23,226** | 21,403 | **280,098** | 350,885 |

Cash equivalents refer to transactions carried out with financial institutions operating in the local financial market and with low credit risk, which are remunerated at the Interbank Deposit Certificate (CDI) variation, at rates ranging from 86.45% to 103% and available to be used in the operations of Company and its subsidiaries, i.e., they are highly liquid financial assets. These transactions mature within 3 months from date they are taken out and repurchase agreement by issuer. The nature of the transactions is as follows:

*Cash equivalents*

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| CDB | **-** | - | **39,870** | 74,6210 |
| Debentures - repurchase agreements | **23,211** | 21,403 | **202,836** | 213,249 |
| **Total** | **23,211** | 21,403 | **242,706** | 287,859 |

(In thousands of reais, unless otherwise stated)

## 6 Short-term investments

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Investment funds (a) | **267,252** | 604,457 | **1,680,615** | 1,246,083 |
| Other | **-** | - | **2,950** | 16,049 |
| **Total** | **267,252** | 604,457 | **1,683,565** | 1,262,132 |

(a) Investment funds represent low-risk transactions with top-tier financial institutions backed by Government Securities, in accordance with the investment policy of the Company and its subsidiaries, classified as held for trading.

## 7 Trade accounts receivable (Consolidated)

| | Consolidated | |
|---|---|---|
| | **12/31/2014** | **12/31/2013** |
| Accounts receivable from billed consumers | **995,606** | 794,659 |
| Accounts receivable from non-billed consumers (a) | **214,409** | 157,978 |
| Debt receivable in installments | **533,966** | 395,607 |
| Low income consumers and “Viva a luz” programs | **68,887** | 54,870 |
| Other | **124,207** | 69,010 |
| **Total** | **1,937,075** | 1,472,124 |
| (-) Allowance for doubtful accounts | **(368,718)** | (364,510) |
| **Total** | **1,568,357** | 1,107,614 |
| **Total - current** | **1,382,874** | 1,006,085 |
| **Total - noncurrent** | **191,871** | 116,124 |

(In thousands of reais, unless otherwise stated)

# 7 Trade accounts receivable (Consolidated) (Continued)

(a) Accounts receivable from non-billed consumers

Income earned through provision of services to consumers, but not yet billed.

***Allowance for doubtful accounts (CEMAR and CELPA)***

| | 12/31/2013 | Provisions additions | Reversals (write-offs) | 12/31//2014 |
|---|---|---|---|---|
| Accounts receivable from billed consumers | 289,102 | **206,822** | **(182,779)** | **313,145** |
| Receivables in installments | 72,454 | **40,929** | **(60,764)** | **52,619** |
| Electric Energy Sale Chamber (CCEE) | 197 | **-** | **-** | **197** |
| Services rendered to third parties | 528 | **-** | **-** | **528** |
| **Total - current** | 362,281 | **247,751** | **(243,543)** | **366,489** |
| Checks for collection | 2,229 | **-** | **-** | **2,229** |
| **Total - noncurrent** | 2,229 | **-** | **-** | **2,229** |
| **Total** | 364,510 | **247,751** | **(243,543)** | **368,718** |

| | 12/31/2012 | Provisions Additions | Reversals (write-offs) | 12/31/2013 |
|---|---|---|---|---|
| Accounts receivable from billed consumers | 369,280 | 125,359 | (205,536) | 289,103 |
| Receivables in installments | 102,460 | 19,929 | (49,935) | 72,454 |
| Electric Energy Sale Chamber (CCEE) | 197 | - | - | 197 |
| Services rendered to third parties | 528 | - | - | 528 |
| **Total - current** | 472,465 | 145,288 | (255,471) | 362,282 |
| Checks for collection | 2,186 | 42 | - | 2,228 |
| **Total - noncurrent** | 2,186 | 42 | - | 2,228 |
| **Total** | 474,651 | 145,330 | (255,471) | 364,510 |

The allowance for doubtful accounts (ADA) is set up according to criteria defined considering management's best estimate and General Guidance No. 6.3.2 of the Electric Energy Utility Accounting Manual, summarized as follows:

(In thousands of reais, unless otherwise stated)

## 7 Trade accounts receivable (Consolidated) (Continued)

### Consumers with substantial debts

Individual analysis of trade accounts receivable by consumption class, considered bad debts. For the 10 thousand major customers, whether with or without debts payable in installments, whose invoices are included in the allowance for doubtful accounts per consumption class, all other overdue or falling due invoices are recorded in the allowance for doubtful accounts.

**For other cases, the following rule is applied:**

- Residential consumers – Overdue above 90 days;
- Commercial consumers – Overdue above 180 days; and
- Industrial, rural, public government, street lighting, utility services and other consumers – overdue above 360 days.

Balances overdue or falling due for billed supply of electric energy are as follows:

| | 12/31/2014 - Consolidated | | | |
|---|---|---|---|---|
| | **Falling due balance** | **Overdue within 90 days** | **Overdue above 90 days** | **Total** |
| Residential | **190,672** | **187,486** | **131,246** | **509,404** |
| Industrial | **67,254** | **18,882** | **49,248** | **135,384** |
| Commercial | **106,278** | **48,075** | **34,067** | **188,420** |
| Rural | **9,862** | **10,807** | **19,838** | **40,507** |
| Public sector | **21,063** | **38,398** | **4,195** | **63,656** |
| Street lighting | **10,032** | **1,729** | **1,899** | **13,660** |
| Utility service | **11,133** | **28,007** | **5,435** | **44,575** |
| Billed supply (current and noncurrent | **416,294** | **333,384** | **245,928** | **995,606** |

| | 12/31/2013 - Consolidated | | | |
|---|---|---|---|---|
| | **Falling due balance** | **Overdue within 90 days** | **Overdue above 90 days** | **Total** |
| Residential | 131,632 | 127,544 | 170,895 | 430,071 |
| Industrial | 55,166 | 12,339 | 42,620 | 110,125 |
| Commercial | 80,641 | 34,555 | 28,933 | 144,129 |
| Rural | 8,001 | 8,211 | 15,020 | 31,232 |
| Public sector | 15,219 | 19,440 | 5,912 | 40,571 |
| Street lighting | 7,817 | 2,300 | 841 | 10,958 |
| Utility service | 8,408 | 14,171 | 4,994 | 27,573 |
| Billed supply (current and noncurrent | 306,884 | 218,560 | 269,215 | 794,659 |

(In thousands of reais, unless otherwise stated)

# 7 Trade accounts receivable (Consolidated) (Continued)

***Receivables in installments***

| | 12/31/2014 - Consolidated | | | |
|---|---|---|---|---|
| | Falling due balance | Overdue within 90 days | Overdue above 90 days | Total |
| Residential | **239,437** | **20,703** | **35,891** | **296,031** |
| Industrial | **22,927** | **2,056** | **13,042** | **38,025** |
| Commercial | **44,973** | **5,979** | **10,559** | **61,511** |
| Rural | **12,946** | **1,139** | **3,122** | **17,207** |
| Public sector | **59,878** | **2,210** | **6,638** | **68,726** |
| Street lighting | **10,419** | **216** | **705** | **11,340** |
| Utility service | **21,447** | **1,120** | **794** | **23,361** |
| Charged service - Novation | **3,724** | **272** | **263** | **4,259** |
| Other receivables - Novation | **2,190** | **285** | **586** | **3,062** |
| Novation | **-** | **2,545** | **7,899** | **10,444** |
| Receivables in installments | **417,941** | **36,525** | **79,499** | **533,966** |

| | 12/31/2013 - Consolidated | | | |
|---|---|---|---|---|
| | Falling due balance | Overdue within 90 days | Overdue above 90 days | Total |
| Residential | 111,397 | 17,426 | 70,546 | 199,369 |
| Industrial | 21,526 | 1,871 | 13,498 | 36,895 |
| Commercial | 26,692 | 3,525 | 12,530 | 42,747 |
| Rural | 6,361 | 1,187 | 3,585 | 11,133 |
| Public sector | 34,033 | 5,109 | 7,498 | 46,640 |
| Street lighting | 20,681 | 859 | 1,983 | 23,523 |
| Utility service | 15,876 | 722 | 3,685 | 20,283 |
| Charged service - Novation | 212 | 39 | 380 | 631 |
| Other receivables - Novation | 924 | 149 | 1,032 | 2,105 |
| Novation | - | 1,407 | 10,874 | 12,281 |
| Receivables in installments | 237,702 | 32,294 | 125,611 | 395,607 |

(In thousands of reais, unless otherwise stated)

# 8 Taxes recoverable

Current and noncurrent balances arising from amounts legally withheld or prepaid are as follows:

## 8.1 Taxes recoverable

| Current | Consolidated | |
|---|---|---|
| | 12/31/2014 | 12/31/2013 |
| PIS/COFINS | **519** | 2,784 |
| State VAT (ICMS) | **66,271** | 64,336 |
| Special Installment Plan (PAEX) recoverable | **38,269** | 39,158 |
| Social charges and other | **2,218** | 2,223 |
| Other | **2,639** | 5,348 |
| **Total** | **109,916** | 113,849 |
| | | |
| **Noncurrent** | | |
| ICMS | **84,304** | 56,802 |
| Social Security Funding Tax (FINSOCIAL) | **2,173** | 2,160 |
| Other | **582** | 582 |
| **Total** | **87,059** | 59,544 |

## 8.2 Income taxes recoverable

| | Company | | Consolidated | |
|---|---|---|---|---|
| **Current** | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Withheld Income Tax (IRRF) on short-term investments | **3,244** | 6,087 | **25,120** | 18,609 |
| Prepayment of IRPJ/CSLL | **16,475** | 8,573 | **25,663** | 20,915 |
| IRPJ/CSLL recoverable | **331** | 2,469 | **20,711** | 6,464 |
| IRPJ and CSLL withheld at source | **2,097** | 859 | **4,698** | 7,883 |
| | **22,147** | 17,988 | **76,192** | 53,871 |
| **Noncurrent** | | | | |
| IRPJ and CSLL recoverable | **-** | - | **36,238** | 33,206 |
| | **-** | - | **36,238** | 33,206 |

## 9 Purchase of fuel - Fuel Consumption Account (CCC)

At December 31, 2014, subsidiary CELPA has a fuel consumption account (CCC) credit in the amount of R$ 236,701 (R$ 94,346 at December 31, 2013).

The fuel consumption account (CCC) was created by Decree No. 73102, of November 7, 1973, with the objective of sharing the fuel consumption costs for thermal power generation in the Isolated Systems, especially in the Northern Region of Brazil. The purpose of Law No. 12111 of December 9, 2009 is to reimburse the electric energy generation costs from the Isolated Systems, including costs related to purchase of electric energy and power associated with plant's own generation to provide the public service of electricity distribution, charges of the electric energy sector and taxes, as well as investments made. Such reimbursement must occur through the Fossil Fuel Consumption account (CCC).

The significant increase in this balance arises from the fund from transfer of fund to CCC account to the subsidiary. In contrast, the subsidiary has not been settling the obligations referring to fuel payable classified under “Trade accounts payable”, since it understands that it operates as an intermediate in this energy supply process in isolated systems.

## Equatorial Energia S.A

Notes to financial statements
December 31, 2014 and 2013
(In thousands of reais, unless otherwise stated)

## 10 Receivables relating to Parcel A and other financial items

| | 12/31/2014 | | |
|---|---|---|---|
| ***Parcel A*** | **Current** | **Noncurrent** | **Total** |
| Energy Development Account (CDE) | **1,066** | **1,509** | **2,575** |
| Alternative Electric Power Source Incentive Program (PROINFA) | **1,438** | **37** | **1,475** |
| Basic grid | **6,358** | **13,273** | **19,631** |
| Purchase of energy | **223,764** | **332,441** | **556,205** |
| System Service Charges (ESS) | **(31,756)** | **(149,065)** | **(180,821)** |
| | **200,870** | **198,195** | **399,065** |
| ***Financial items*** | | | |
| Financial guarantee | **335** | **267** | **602** |
| Energy overcontracting | **80,605** | **182,527** | **263,132** |
| Financial exposure - 2014 | **(8,609)** | **(895)** | **(9,504)** |
| PIS/COFINS | **61,169** | **-** | **61,169** |
| Eletronuclear | **17,938** | **-** | **17,938** |
| Continuity limit | **(1,017)** | **-** | **(1,017)** |
| Neutrality | **(11,412)** | **-** | **(11,412)** |
| CEPISA Vio - Continuity limit | **1,090** | **-** | **1,090** |
| Other | **633** | **760** | **1,393** |
| **Total** | **140,732** | **182,659** | **323,391** |
| | **341,602** | **380,854** | **722,456** |

Variation Offsetting Account of Parcel A amounts - CVA is the mechanism used to record the cost variations related to the purchase of energy and regulatory charges, in the period between tariff adjustments and/or periodic reviews, to allow greater neutrality in the transfer of these variations to tariffs, where the concession operator records variations of these costs as regulatory assets and liabilities, as shown below:

(In thousands of reais, unless otherwise stated)

## 10 Receivables relating to Parcel A and other financial items (Continued)

| | 12/31/2013 | Establishment | Restatement | Amortization | 12/31/2014 |
|---|---|---|---|---|---|
| ***Parcel A*** | | | | | |
| Energy Development Account (CDE) | - | **3,121** | **117** | **(662)** | **2,576** |
| Alternative Electric Power Source Incentive Program (PROINFA) | - | **2,315** | **91** | **(931)** | **1,475** |
| Basic grid | - | **22,747** | **775** | **(3,890)** | **19,632** |
| Purchase of energy | - | **652,781** | **16,013** | **(112,589)** | **556,205** |
| System Service Charges (ESS) | - | **(188,803)** | **(3,661)** | **11,643** | **(180,821)** |
| | **-** | **492,161** | **13,335** | **(106,429)** | **399,067** |
| ***Financial items*** | | | | | |
| Financial guarantee | - | **809** | **-** | **(207)** | **602** |
| Energy overcontracting | - | **311,502** | **1,460** | **(49,831)** | **263,131** |
| Financial exposure - 2014 | - | **(14,568)** | **(260)** | **5,323** | **(9,505)** |
| PIS/COFINS | - | **61,169** | **-** | **-** | **61,169** |
| Eletronuclear | - | **29,029** | **-** | **(11,091)** | **17,938** |
| Continuity limit | - | **(1,646)** | **-** | **629** | **(1,017)** |
| Neutrality | - | **(5,999)** | **-** | **2,293** | **(3,706)** |
| CEPISA Vio - Continuity limit | - | **(11,379)** | **-** | **4,763** | **(6,616)** |
| Other | - | **1,972** | **-** | **(579)** | **1,393** |
| | **-** | **370,889** | **1,200** | **(48,700)** | **323,389** |
| **Total** | **-** | **863,050** | **14,535** | **(155,129)** | **722,456** |

As from 2014, after issue of OCPC 08 – Recognition of Certain Assets and Liabilities in Financial Reporting for General Purposes of Electric Energy Distribution Companies, in accordance with the Brazilian and international standards on auditing, which regulated the recognition of regulatory assets and liabilities arising from the contractual amendment executed by the Granting Authority (see Note 2), subsidiaries CEMAR and CELPA now records these rights and obligations prospectively on an accrual basis.

(In thousands of reais, unless otherwise stated)

## 11 Transactions with related parties

Significant balances of assets and liabilities for the years ended December 31, 2014 and 2013 as well as transactions influencing P&L for the years then ended, relating to transactions with related parties arise from transactions between Company and its subsidiaries, shareholders and related parties, key management personnel (CEO and officers) and other related parties, pursuant to CVM Rule No. 560 of December 11, 2008, which approved CPC 05 - Related-party Disclosures.

### Company

| | | | 12/31/2014 | | | 12/31/2013 | | |
|---|---|---|---|---|---|---|---|---|
| **Companies** | **Re.** | **Nature of transaction** | **Assets** | **Liabilities** | **Income / Expenses** | **Assets** | **Liabilities** | **Income / Expenses** |
| CEMAR | (a) | Sharing agreement | **-** | **218** | **-** | - | 222 | - |
| | | Dividends | **-** | **-** | **-** | 24,449 | - | - |
| CELPA | (b) | Loan agreement | **102,089** | **-** | **(2,089)** | - | - | - |
| | | Credit assignment | **466,006** | **-** | **(49,859)** | 416,147 | - | 17,390 |
| | | Derivatives | **-** | **-** | **-** | - | - | 3,571 |
| | | Future capital contribution | **306,000** | **-** | **-** | - | - | - |
| Equatorial Soluções | (c) | Dividends | **1,866** | **-** | **-** | 1,866 | - | - |

### Consolidated

| | | | 12/31/2014 | | | 12/31/2013 | | |
|---|---|---|---|---|---|---|---|---|
| **Companies** | **Re.** | **Nature of transaction** | **Assets** | **Liabilities** | **Income / Expenses** | **Assets** | **Liabilities** | **Income/ Expenses** |
| ELETROBRÁS | (d) | Loans | **-** | **(322,283)** | **-** | - | 369,285 | 31,424 |
| | | Dividends | **-** | **-** | **-** | - | 13,444 | - |
| FASCEMAR | (e) | Debt agreement | **-** | **(2,321)** | **-** | - | 10,213 | 1,580 |
| | | Private pension plan | **-** | **-** | **-** | - | - | 2,428 |
| CEMAR | (a) | Sharing agreement | **-** | **-** | **-** | - | 222 | - |
| GERAMAR | (f) | Electric energy purchase | **-** | **-** | **5,036** | - | - | 3,927 |

**(a)** Companhia Energética do Maranhão - CEMAR (“Company”) - Publicly-held company that holds a concession for electric energy distribution and is engaged in activities related to electric energy services. Amounts between subsidiary CEMAR and the Company arise from a sharing agreement concerning human resources, administrative expenses and apportionment of the respective expenses incurred, for an indefinite duration, and from dividends receivable.

## 11 Transactions with related parties (Continued)

**(b)** Centrais Elétricas do Pará (CELPA) - Brazilian publicly-traded company headquartered in the city of Belém, Pará State, is engaged in the distribution and generation of electric energy in a concession area covering the entire Pará State with 1,248 thousand km2, and serves 2.1 million consumers in 144 Municipalities. The electric energy distribution service concession arrangement No. 182/1998, entered into between ANEEL and CELPA on July 28, 1998, is effective for a term of 30 years, renewable for another 30 years. Amounts with CELPA arise from the direct or indirect acquisition and negotiation of debts under the in-court reorganization of this subsidiary, which are owed to the following creditors: BNDES, Banco Bradesco, Banco Itaú BBA / Unibanco, BIC Banco, Banco Merrill Lynch and Banco Société Générale. This balance shall be amortized in 10 equal annual installments, the first maturity of which on September 30, 2034 and last maturity date on September 30, 2043.

Future capital contribution assumed by the Company to contribute new funds amounting to R$ 700 million up to December 2014, as defined in the In-Court Reorganization Plan and ANEEL Transition Plan. This obligation was fully complied with on April 4, 2014. The Company expects that payment shall be made on the first half of 2015.

**(c)** Equatorial Soluções – Privately-held company primarily engaged in the rendering of services for the electric energy, telecommunications and data transmission business. Amounts with Equatorial Soluções arise from a sharing agreement concerning human resources, administrative expenses and apportionment of the respective expenses incurred with subsidiary CEMAR, effective indefinitely.

**(d)** Eletrobras - Publicly-traded company primarily engaged in conducting studies and projects, building and operating generating plants, transmission lines, and distributing electric energy. Eletrobras is a shareholder of subsidiary CEMAR. Amounts with Eletrobras refer to dividends payable and loan agreements granted to subsidiary CEMAR. Loan agreements with Eletrobras arise from financing lines specific to the Electric Energy Industry and conditions thereunder are the same as those adopted with other electric energy distribution companies in Brazil.

**(e)** FASCEMAR - Supplementary Pension Foundation is organized as privately-held private pension entity, and is mainly engaged in managing social security benefit plans. Amounts arise from contributions made by sponsor CEMAR to its Supplementary Private Pension Foundation.

(In thousands of reais, unless otherwise stated)

## 11 Transactions with related parties (Continued)

**(f)** GERAMAR - Company in charge of implementing and operating Tocantinópolis and Nova Olinda thermoelectric plants, in the city of Miranda do Norte, Maranhão State. Amounts with Geradora de Energia do Norte S.A. ("GERAMAR") arise from electric energy purchase agreement (Electric Power Purchase Agreements in the Regulated Market - CCEAR) No. 5555/2007 - 29413N - 29414N, effective through 2024, executed on an arm's length basis.

**Key management personnel compensation**

Global annual compensation of the Company's Board of Directors and Executive Board members were set at R$ 12,500, as decided at the Annual General Meeting held on April 25, 2014.

The percentage represented by each element in total management compensation for the period ended December 31, 2014 is as follows:

| | |
|---|---|
| **Board of Directors** | |
| Fixed compensation: | 100% |
| **Executive Board** | |
| Fixed compensation: | 20% |
| Benefits: | 1% |
| Variable compensation: | 46% |
| Stock-based compensation: | 33% |

Compensation of Board of Directors and Executive Board paid by the Company in the year:

| | **Board of Directors** | **Statutory Board** | **Total** |
|---|---|---|---|
| **Number of members** | **7** | **7** | **14** |
| **Annual fixed compensation** | **1,170** | **2,191** | **3,361** |
| Salary or management fees | 1,170 | 2,091 | 3.261 |
| Direct and indirect benefits | - | 100 | 100 |
| **Variable compensation** | **-** | **4,966** | **4,966** |
| Bonus | - | 4,966 | 4.966 |
| **Post-employment benefits** | **-** | **7** | **7** |
| **Share-based compensation** | **-** | **3,543** | **3,543** |
| **Total compensation per body** | **1,170** | **10,707** | **11,877** |

## Equatorial Energia S.A

Notes to financial statements
December 31, 2014 and 2013
(In thousands of reais, unless otherwise stated)

## 11 Transactions with related parties (Continued)

***Guarantees***

The Company provides either collateral signatures or guarantees for subsidiaries CEMAR and CELPA, with no charges, for the following agreements:

**CEMAR:**

| Institution | Financing amount | % Guaranteed | Beginning | Ending | Amount released | 12/31/2014 |
|---|---|---|---|---|---|---|
| Government Agency for Machinery and Equipment Financing – FINAME PSI (Simplified) | 776 | 100 | 03/25/2010 | 10/15/2019 | 776 | **470** |
| Government Agency for Machinery and Equipment Financing – FINAME PSI (Conventional) | 24,811 | 100 | 08/17/2010 | 04/15/2020 | 17,262 | **11,623** |
| Banco do Brasil - CCB No. 21/00003-4 | 90,000 | 100 | 12/19/2014 | 04/11/2018 | 90,000 | **90,254** |
| Banco do Brasil - CCB No. 20/02000-7 | 150,000 | 100 | 12/19/2014 | 06/12/2018 | 150,000 | **150,423** |
| Banco do Brasil - CCB No. 20/02002-3 | 40,000 | 100 | 12/19/2014 | 06/15/2018 | 40,000 | **40,113** |
| Banco do Brasil - CCB No. 2100010-7 | 20,000 | 100 | 12/19/2014 | 12/03/2017 | 20,000 | **20,056** |
| National Bank for Economic and Social Development - BNDES (11.2.0841.1) | 193,023 | 100 | 11/11/2011 | 11/15/2021 | 175,237 | **100,089** |
| National Bank for Economic and Social Development - BNDES (12.2.1211.1) | 516,488 | 100 | 12/13/2012 | 12/15/2022 | 449,051 | **450,214** |
| Banco do Nordeste do Brasil - BNB | 136,076 | 100 | 11/23/2005 | 02/28/2017 | 136,076 | **23,910** |
| Banco do Nordeste do Brasil - BNB (193.2008.2808.3018) | 144,939 | 100 | 02/05/2009 | 02/05/2021 | 144,939 | **112,496** |
| Caixa Econômica Federal - Agreement No. 415866-52/2013 – FINISA | 28,626 | 100 | 10/04/2013 | 10/07/2025 | 20,038 | **20,979** |
| Study and Project Financing Institution - FINEP | 11,519 | 100 | 11/07/2011 | 03/15/2020 | 7,956 | **5,898** |
| International Finance Corporation – IFC * | 135,056 | 50 | 02/01/2008 | 01/15/2016 | 135,056 | **32,837** |
| Total | 1,491,314 | | | | 1,386,391 | **1,059,362** |

(In thousands of reais, unless otherwise stated)

## 11 Transactions with related parties (Continued)

### *Guarantees*

### CELPA:

| Institution | Financing amount | % Guaranteed | Beginning | Ending | Amount released | 12/31/2014 |
|---|---|---|---|---|---|---|
| Banco Interamericano de Desenvolvimento (RJ) | 121,095 | 100 | 09/01/2012 | 08/31/2026 | 121,095 | **178,890** |
| Banco Itaú (Working capital CCBI) | 200 | 100 | 11/25/2013 | 11/25/2015 | 200 | **232,798** |
| CitiBank (Working capital CCBI) | 175 | 100 | 11/25/2013 | 11/25/2015 | 175 | **203,724** |
| CitiBank (Working capital CCBI) | 80 | 100 | 07/23/2014 | 04/23/2015 | 80 | **96,561** |
| IBM bank (Working capital) | 11,700 | 100 | 01/22/2014 | 07/24/2017 | 11,700 | **9,487** |
| IBM bank (Working capital) | 10 | 100 | 09/19/2014 | 03/19/2018 | 10 | **9,484** |
| Banco Itaú (Promissory Notes) | 200 | 100 | 06/17/2014 | 12/14/2014 | 200 | **-** |
| IBM bank (Working capital) | 22,900 | 100 | 12/30/2014 | 06/30/2018 | 22,900 | **22,900** |
| Banco Itaú (3rd issue of Promissory Notes) | 120 | 100 | 15/12/214 | 01/14/2015 | 120 | **120,685** |
| BNDES (Financing) | 498,073 | 100 | 12/26/2014 | 05/15/2024 | 383,400 | **383,832** |
| Austral Seguradora S.A. (Judicial guarantee 2008.34.00.039764-6 - AI ANEEL No. 004/2007) | 16,065 | 100 | 01/29/2013 | 01/29/2015 | NA | **NA** |
| Austral Seguradora S.A. (Judicial guarantee 0021347-94.2009.4.01.3400 - AI ANEEL No. 001/2007) | 11,386 | 100 | 05/01/2014 | 05/01/2016 | NA | **NA** |
| Austral Seguradora S.A. (Judicial guarantee 50941-85.2011.4.01.3400 - AI ANEEL No. 008/2008) | 15,710 | 100 | 05/01/2014 | 05/01/2016 | NA | **NA** |
| Fairfax Brasil Seguros (Judicial guarantee insurance No. 12901-34-2011-4-01-3400 - AI ANEEL No. 009/2008) | 4,075 | 100 | 06/13/2013 | 06/13/2015 | NA | **NA** |
| Banco Itaú (Bank guarantee – policyholder COMTRAFO) No. 100414050008500) | 2,280 | 100 | 05/20/2014 | 02/18/2015 | NA | **NA** |
| Banco Itaú (Bank guarantee – policyholder Duke Energy – No. 100413100157100) | 1,454 | 100 | 10/16/2013 | 12/31/2014 | NA | **NA** |
| Austral Seguradora (Auction guarantee 006/2013 - 48500.002921/2013-25) | 122 | 100 | 10/01/2014 | 04/01/2016 | NA | **NA** |
| Austral Seguradora (Auction guarantee 10/2013 - A-5) | 361 | 100 | 10/02/2014 | 04/02/2016 | NA | **NA** |
| Austral Seguradora (Auction guarantee 003/2014 - A-3) | 31 | 100 | 10/17/2014 | 10/17/2015 | NA | **NA** |
| Austral Seguradora (Judicial guarantee insurance - policyholder Terra Industrial) | 1,825 | 100 | 12/13/2013 | 12/13/2015 | NA | **NA** |
| Austral Seguradora (Judicial guarantee insurance - policyholder Municipality of Marabá) | 486 | 100 | 01/01/2014 | 01/01/2016 | NA | **NA** |
| Austral Seguradora (Judicial guarantee insurance - policyholder Banco Guanabara S/A) | 9,128 | 100 | 03/10/2014 | 03/10/2017 | NA | **NA** |
| Austral Seguradora (Judicial guarantee insurance - policyholder PETROS) | 36,808 | 100 | 03/10/2014 | 03/10/2017 | NA | **NA** |
| Austral Seguradora (Judicial guarantee insurance - policyholder PINE) | 33,120 | 100 | 09/09/2014 | 09/09/2015 | NA | **NA** |
| Austral Seguradora (Judicial guarantee insurance - policyholder STIUPA) | 25,175 | 100 | 11/10/2014 | 11/09/2019 | NA | **NA** |
| Austral Seguradora (Energy Purchase Guarantee - Auction 006/2014 - 20º LEE) | 461 | 100 | 11/18/2014 | 11/18/2015 | NA | **NA** |
| Austral Seguradora (Energy Purchase Guarantee - Auction 010/2014 - 14º LEE) | 620 | 100 | 11/28/2014 | 05/28/2015 | NA | **NA** |
| Total | 1,597,875 | | | | 1,324,095 | **1,258,361** |

(In thousands of reais, unless otherwise stated)

## 12 CCC Subrogation

In accordance with ANEEL Resolution No. 784 of December 24, 2002, and ANEEL Authorizing Resolution No. 1999 of July 7, 2009, as amended by ANEEL Authorizing Resolution No. 3405 of March 27, 2012, the subsidiary CELPA became eligible to receive the subsidies from the fossil fuel consumption account (CCC) subrogation, for the implementation of the project for connecting Marajo Island to the National Interconnected System (SIN), thus enabling a reduction in expenditure of CCC and, accordingly, contributing to reasonable tariffs to end consumers.

The investment amount recognized and approved by ANEEL for this subrogation is R$ 465,198, equivalent to 100% of the approved amount.

The benefit was divided into two different phases. In the first phase, the Company has an approved subrogation amount of R$ 184,660 and, in the second phase, an approved amount of R$ 280,538.

ANEEL Order No. 4722 of December 18, 2009, applicable for publications for 2009, deals in items 53 and 54 with accounting for subsidies received by a concession operator from the CCC fund by reason of the decommissioning of thermoelectric plants and consequent reduction in diesel consumption in the electric energy generation in Brazil.

According to said Order, all amounts received or approved must be recorded within the group of accounts “223 - Special Obligations Related to Public Electricity Service Concession”. Within this group, the amounts received are segregated from the amounts yet to be received that have already been approved by the regulator.

Until December 31, 2014, subsidiary CELPA had already invested, for first and second phases, R$ 211,500 (R$ 185,688 at December 31, 2013).

Of the amount invested, recognized and approved by ANEEL for subrogation, the total amount of R$ 98,245 has already been transferred to subsidiary CELPA, remaining a balance receivable of R$ 113,255 at December 31, 2014.

### 12.1 CCC subrogation – subsidy apportionment

| | Consolidated | | | |
|---|---|---|---|---|
| | 12/31/2013 | Transfers to projects | Portion received | 12/31/2014 |
| Receivables | 185,688 | **(72,433)** | **-** | **113,255** |
| Amounts to be invested | 279,510 | **(25,812)** | **-** | **253,698** |
| Pending receipt | - | **-** | **98,245** | **98,245** |
| Total | 465,198 | **(98,245)** | **98,245** | **465,198** |

(In thousands of reais, unless otherwise stated)

# 12 CCC Subrogation (Continued)

## 12.1 CCC subrogation – subsidy apportionment (Continued)

CELPA has been recording the amounts referring to this subsidy as follows:

| Construction work | Amount invested | Amount subrogated | Amount receivable |
|---|---|---|---|
| LT Tucuruí/Cametá | 2,791 | 9,598 | 2,791 |
| LT Parada do Bento/Portel | 56,287 | 57,165 | 56,287 |
| LT Portel/Breves | 48,460 | 32,913 | 32,913 |
| LT Portel/Bagre | 15,487 | 8,067 | 8,067 |
| LT Breves/Melgaço | 11,909 | 3,796 | 3,796 |
| LT Breves/Curralinho | 22,121 | 10,440 | 10,440 |
| SE Tucurui – Vila | 6,094 | 6,873 | 6,094 |
| SE Cametá | 8,193 | 9,000 | 8,193 |
| SE Portel | 11,380 | 15,525 | 11,380 |
| SE Breves | 17,382 | 13,876 | 13,876 |
| SE Bagre | 2,922 | 1,998 | 1,998 |
| SE Melgaço | 2,667 | 1,998 | 1,998 |
| SE Curralinho | 2,694 | 1,998 | 1,998 |
| SE Parada do Bento | 10,294 | 11,413 | 10,294 |
| **Subtotal – 1st phase** | 218,681 | 184,660 | 170,125 |
| LT Cachoeira do Arari/Anajás | - | 12,601 | - |
| LT Ponta de Pedras/Cachoeira do Arari | 497 | 31,332 | 497 |
| LT Cachoeira do Arari/Salvaterra | - | 15,340 | - |
| LT Salvaterra / Soure | - | 2,098 | - |
| LT Ponta de Pedras/TAP Muaná | - | 10,887 | - |
| LT Tap Muaná/TAP S.S. da Boa Vista | - | 12,371 | - |
| LT Chaves/Afuá | - | 5,060 | - |
| LT Cachoeira do Arari/Santa Cruz do Arari | - | 15,340 | - |
| LT Vila do Conde/Ponta de Pedras (aérea) | - | 3,390 | - |
| Travesia subfluvia Baia do Marajó - Vila do Conde/Ponta de Pedras | 29,434 | 41,530 | 29,434 |
| LT Cachoeira do Arari/Chaves | - | 29,691 | - |
| LT Tap Muaná/Muaná | - | 2,474 | - |
| LT Tap S.S. da Boa Vista/Breves | - | 8,660 | - |
| LT TAP S.S. da Boa Vista/S. S. da Boa Vista | - | 21,278 | - |
| SE Anajás | - | 2,448 | - |
| SE Afuá | - | 2,648 | - |
| SE Chaves | - | 2,494 | - |
| SE Cachoeira do Arari | - | 12,820 | - |
| SE Santa Cruz do Arari | - | 2,644 | - |
| SE Salvaterra | - | 11,656 | - |
| SE Soure | - | 6,526 | - |
| SE Ponta de Pedras | 6,119 | 12,970 | 6,119 |
| SE Muaná | - | 6,141 | - |
| SE São Sebastião da Boa Vista | - | 6,107 | - |
| SE Vila do Conde | 5,325 | 530 | 5,325 |
| SE Breves | - | 1,502 | - |
| **Subtotal – 2nd phase** | 41,375 | 280,538 | 41,375 |
| **Portions received** | - | - | (98,245) |
| **Total** | 260,056 | 465,198 | 113,255 |

(In thousands of reais, unless otherwise stated)

## 13 Deferred income and social contribution taxes

Subsidiaries recognized deferred income and social contribution taxes on temporary differences and income tax losses based on their estimated taxable profit.

There is no date for tax loss offset to be statute barred, and financial effects thereof will take place upon realization. Income tax is calculated at the rate of 25%, considering surtax of 10%, and social contribution tax at the rate of 9%.

Accordingly, the referred to tax credits are recorded as noncurrent assets, considering their expected realization and the limit of 30% for annual offset against taxable profit, as determined by CPC 26.

### *a. Breakdown of current and deferred income and social contribution taxes*

| | **Consolidated** | |
|---|---|---|
| | **12/31/2014** | **12/31/2013** |
| IRPJ tax losses (*) | **132,544** | 167,603 |
| IRPJ and CSLL on temporary differences (i) | **(88,761)** | (29,192) |
| IRPJ and CSLL on revaluation reserves | **(107,413)** | (128,691) |
| IRPJ and CSLL on acquisition of CELPA (ii) | **57,874** | 58,784 |
| Provision for realization | **(25,858)** | (37,405) |
| **Total - noncurrent** | **(31,614)** | 31,099 |

In 2013, net amounts referring to deferred tax credits resulted in an asset. In 2014, net amounts resulted in a liability.

i. Breakdown of IRPJ and CSLL on temporary differences

| | **12/31/2014** | **12/31/2013** |
|---|---|---|
| Contingencies | **81,883** | 111,213 |
| Allowance for doubtful accounts | **131,593** | 129,752 |
| Suspended tax payments | **132** | 132 |
| Regulatory assets/liabilities | **19,042** | 21,398 |
| RTT adjustments (Law No. 11638/2008) | **(59,976)** | (62,975) |
| Accelerated depreciation (a) | **(284,805)** | (240,783) |
| Provisions and write-off of regulatory assets/liabilities | **12,551** | 8,682 |
| Other nondeductible expenses | **10,819** | 3,389 |
| | **(88,761)** | (29,192) |

(In thousands of reais, unless otherwise stated)

## 13 Deferred income and social contribution taxes (Continued)

### a. *Breakdown of current and deferred income and social contribution taxes* (Continued)

ii. Breakdown of IRPJ and CSLL - CELPA acquisition

| | **12/31/2014** | **12/31/2013** |
|---|---|---|
| Intangible assets - concession value added | **(43,754)** | (47,230) |
| Disposal of property, plant and equipment | **41,254** | 44,531 |
| Possible contingencies | **51,224** | 52,333 |
| Other accounts payable - “Programa Luz para Todos (PLPT)” (Light for All Program) | **9,150** | 9,150 |
| | **57,874** | 58,784 |

### b. *Expected recovery*

Based on technical feasibility studies, management of the subsidiary estimates that the tax credits may be realized through 2019, as under:

| **Expected realization** | **2015** | **2016** | **2017** | **2018** | **2019** | **Total** |
|---|---|---|---|---|---|---|
| Deferred taxes | 30,523 | 31,355 | 31,641 | 19,031 | 19,994 | 132,544 |

For the year ended December 31, 2013, CEMAR realized R$ 3,893 thousand in deferred income taxes on tax losses, since this subsidiary has elected to realize the accelerated depreciation benefits through 2018, and the technological incentive and SUDENE benefit through 2021.

At December 31, 2014, CEMAR elected to early settle debts in installment under REFIS, thus offsetting R$34,520 with tax losses, considering Article 33 of Provisional Executive Order (MP) No. 651/2014 and PGFN Ruling No. 15/2014.

The technical feasibility study, which includes the recovery of deferred taxes and is reviewed on an annual basis, was prepared by the Company, examined by the Supervisory Board and approved by the Board of Directors on February 12, 2015.

### c. *Reconciliation of income and social contribution tax expense*

Reconciliation of tax expenses calculated by applying tax rates and expenses with Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) charged to P&L for the year ended December 31, 2014 and 2013 is as follows:

(In thousands of reais, unless otherwise stated)

## 13 Deferred income and social contribution taxes (Continued)

### *c. Reconciliation of income and social contribution tax expense (Continued)*

| | 12/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| | **IRPJ** | **CSLL** | **IRPJ** | **CSLL** |
| **Income before income and social contribution taxes** | **711,932** | **711,932** | 69,467 | 69,467 |
| Tax rate | **25%** | **9%** | 25% | 9% |
| At statutory rate | **177,983** | **64,074** | 17,367 | 6,252 |
| **Additions** | | | | |
| Provision for contingencies | **65,478** | **23,572** | 84,924 | 29,838 |
| Allowance for doubtful accounts | **45,058** | **16,221** | 91,710 | 32,223 |
| Research and development and energy efficiency P&D | **11,118** | **4,003** | 9,153 | 3,216 |
| Regulatory assets and liabilities | **-** | **-** | 26,673 | 9,372 |
| RTT adjustments (Law No. 11638/2008) | **42,132** | **15,167** | 28,048 | 9,855 |
| Provision for energy supply | **2,830** | **1,019** | - | - |
| Provision for impairment of assets | **3,704** | **1,333** | - | - |
| Profit sharing, fees and leave entitlement | **6,945** | **2,500** | - | - |
| Effect of IRPJ/CSLL on equity pickup | **14,216** | **5,118** | - | - |
| Swap | **52,857** | **19,028** | - | - |
| Other provisions | **60,594** | **21,828** | 39,110 | 13,742 |
| | **304,932** | **109,789** | 279,618 | 98,246 |
| **Exclusions:** | | | | |
| Reversals of provisions, deferred tariff adjustment and regulatory assets | **(99,385)** | **(35,778)** | (122,095) | (42,898) |
| Reversals of allowance for doubtful accounts | **(17,912)** | **(6,448)** | (15,256) | (5,360) |
| Reversals of contingencies | **(17,887)** | **(6,439)** | (3,164) | (1,112) |
| Research and development and energy efficiency | **(9,095)** | **(3,274)** | - | - |
| RTT adjustments (Law No. 11638/2008) | **(39,836)** | **(14,341)** | (21,598) | (7,588) |
| Suspended tax payments (judicial deposits) | **(161)** | **(58)** | - | - |
| Provision for energy supply | **(5,125)** | **(1,846)** | - | - |
| Profit sharing, fees and leave entitlement | **(6,673)** | **(2,402)** | - | - |
| Provision for impairment of assets | **(3,304)** | **(1,189)** | - | - |
| Effect of IRPJ/CSLL on equity pickup | **-** | **-** | (4,239) | (1,489) |
| Accelerated depreciation | **(41,692)** | **-** | (54,405) | (19,115) |
| Swap | **(55,014)** | **(19,805)** | - | - |
| Other provisions | **(57,684)** | **(20,094)** | (28,913) | (7,960) |
| | **(353,768)** | **(111,674)** | (249,670) | (85,522) |
| **IRPJ and CSLL** | **129,147** | **62,189** | 47,315 | 18,976 |
| Workers' Meal Program (PAT) incentive | **(1,590)** | **-** | (823) | - |
| Offsetting/setup of income and social contribution tax losses | **-** | **(3,863)** | - | - |
| Incentive for extension of maternity leave | **(706)** | **-** | - | - |
| Effect of IRPJ/CSLL on IOE | **(14,884)** | **(5,357)** | | |
| **IRPJ and CSLL on P&L for the year** | **111,967** | **52,970** | 46,492 | 18,976 |
| **Effective rate (excluding deferred IRPJ/CSLL)** | **15.73%** | **7.44%** | 66,93% | 27,32% |
| Deferred tax assets | **39,045** | **(953)** | (30,649) | (10,768) |
| Income and social contribution tax losses recorded | **(23,481)** | **(138,123)** | - | - |
| Provision for realization | **(10,167)** | **(1,380)** | - | - |
| (+) IRPJ - government grants | **(98,507)** | **-** | (33,101) | - |
| **Total** | **18,857** | **(87,486)** | (17,258) | 8,208 |
| **Effective rate with deferred tax assets** | **2.65%** | **-12.29%** | -24.84% | 11.82% |

(In thousands of reais, unless otherwise stated)

## 13 Deferred income and social contribution taxes (Continued)

### *c. Reconciliation of income and social contribution tax expense* *(Continued)*

On May 14, 2007, former Northeast Development Agency (ADENE), now Northeast Development Authority (SUDENE), reporting to the National Integration Ministry, issued Qualification Report No. 0061/2007, which entitles CEMAR to increase its income tax rate reduction from 25% to 75% from 2007 to 2016 on the basis of the full modernization of its electrical installations. On March 28, 2012, Certificate of Income Tax Reduction No. 0037/2012 was issued, granting a 75% increase in the income tax reduction incentive to CEMAR, effective from 2012 to 2021, explained by the full modernization of CEMAR electric facilities.

## 14 Service concession financial asset (Consolidated)

These refer to the portion of investments made by subsidiaries CEMAR and CELPA not amortized by the end of the concession term, and classified as financial asset for being an unconditional right to receive cash or other financial assets directly from the granting authority pursuant to Technical Interpretations ICPC 01 - (R1) Service Concession Arrangements and ICPC 17 - Service Concession Arrangements: Disclosure, and to Technical Guidance OCPC 05 - Service Concession Arrangements. This portion of infrastructure classified as financial asset is remunerated at 11.36% using the so-called regulatory Weighted Average Cost of Capital (WACC), which consists in investment yield and is monthly included in customer tariffs.

| | **12/31/2013** | **Reclassification (a)** | **Restatement of financial asset (a)** | **Capitalization** | **Write-offs** | **12/31/2014** |
|---|---|---|---|---|---|---|
| Financial asset | 1,776,873 | **33,554** | **38,431** | **533,099** | **(200)** | **2,381,757** |
| Special obligations | (581,130) | **-** | **(24,962)** | **(209,692)** | **-** | **(815,784)** |
| Financial asset | 1,195,743 | **33,554** | **13,469** | **323,407** | **(200)** | **1,565,973** |

| | **12/31/2012** | **Reclassification (a)** | **Replacement value (b)** | **Capitalizatio n** | **Write-offs** | **12/31/2013** |
|---|---|---|---|---|---|---|
| Financial asset | 1,418,873 | (59,971) | 50,262 | 386,771 | (19,062) | 1,776,873 |
| Special obligations | (365,928) | - | 19,117 | (235,935) | 1,616 | (581,130) |
| Financial asset | 1,052,945 | (59,971) | 69,379 | 150,836 | (17,446) | 1,195,743 |

## 14 Service concession financial asset (Consolidated) (Continued)

The concession of subsidiaries CEMAR and CELPA is free of charge, i.e., does not involve fixed financial obligations and payments to the granting authority.

### (a) New replacement value

Provisional Executive Order No. 579 was published on September 11, 2012 to rule on the time extension and bidding processes for electric energy generation, transmission and distribution concessions, on the decrease in sector-related charges, reasonably priced tariffs, and other provisions. This Provisional Executive Order was signed into Law No. 12783 on January 11, 2013.

Pursuant to this Law, the investment amount related to reversible assets, not yet amortized or depreciated, for indemnification purposes, must be calculated based on the new replacement value method, according to criteria set out in the regulations issued by the granting authority.

### (b) Special obligations

These refer substantially to funds obtained from the Federal, State and Local government as well as from consumers, linked to investments to be made in the concession of electric utility services.

Special obligations are calculated based on the interest of the source from which the funds are obtained, to wit:

- Funds obtained from the Government are calculated at the percentage established by contract; and
- The other funds fall into the criteria set out in ANEEL Resolution No. 414/2010.

(In thousands of reais, unless otherwise stated)

## 15 Other receivables

| | Company | | Consolidated | |
|---|---|---|---|---|
| Current | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Amounts recoverable from employees | **-** | - | **2,056** | 2,036 |
| Advances to suppliers | **-** | - | **8,086** | 10,656 |
| Disposal of assets and rights | **-** | - | **3,719** | 4,440 |
| Credits from power reimbursement | **-** | - | **9,987** | - |
| Credits in electric power bills | **-** | - | **5,165** | 4,062 |
| Prepaid expenses | **-** | - | **5,222** | 7,286 |
| Other receivables (a) | **1,281** | 1,045 | **29,835** | 12,856 |
| Total | **1,281** | 1,045 | **64,070** | 41,336 |

| | Company | | Consolidated | |
|---|---|---|---|---|
| Noncurrent | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Amounts to be released (b) | **-** | **-** | **16,140** | 35,026 |
| Assets pledged as collateral | **-** | - | **44,822** | 37,413 |
| Credit assignment - CELPA (c) | **565,269** | 416,147 | **-** | - |
| Other receivables | - | - | **2,260** | 331 |
| Total | **565,269** | 416,147 | **63,222** | 72,770 |

(a) “Other receivables”, the greater part of which refers to CELPA - R$27,595, are primarily comprised of R$17,281 referring to the financing of electric equipment for initial installations, offered to consumers located in low income areas, on which actions to regularize unmetered consumption were developed; R$6,011 referring to shared use of poles, which is the sharing of infrastructure of electric energy distribution; and R$4,303 referring to other accounts receivable.

(b) Amounts to be received by CELPA referring to blocked judicial balance substantially arising from requests of financial creditors concerning receivables and other guarantees related to financing agreements renegotiated through the In-Court Reorganization Plan, to be highlighted: Banco Daycoval (R$16,140).

(c) Amounts with CELPA arise from the direct or indirect acquisition and negotiation of debts under the in-court reorganization of this subsidiary. This balance shall be amortized in 10 equal annual installments, the first maturing on September 30, 2034 and last maturity date on September 30, 2043. This debt is restated at different rates. The amounts of R$172,930, R$285,337, R$7,739 and R$99,263 are restated at 1.50%, 8.5%, 1% and 1.75% p.a., respectively.

(In thousands of reais, unless otherwise stated)

# 16 Investments

Significant information on investments in subsidiaries and jointly-controlled subsidiaries is as follows:

| | | Subsidiaries | | Consolidated | |
|---|---|---|---|---|---|
| Accounted for under the equity method: | | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| CEMAR | 65.11% | **1,282,696** | 1,106,395 | **-** | - |
| CELPA | 96.18% | **391,262** | 68,169 | **-** | - |
| Geradora de Energia do Norte | 25.00% | **66,879** | 59,688 | **66,879** | 59,688 |
| Vila Velha | 50.00% | **3,300** | 3,300 | **3,300** | 3,300 |
| Equatorial Soluções | 100.00% | **24,793** | 15,221 | **-** | - |
| Subtotal | | **1,768,930** | 1,252,773 | **70,179** | 62,988 |
| Other investments | | **-** | - | **7,285** | 7,906 |
| Total | | **1,768,930** | 1,252,773 | **77,464** | 70,894 |

### *Changes in investments in subsidiaries and jointly-controlled subsidiaries*

| | CEMAR | CELPA | GERAMAR | Equatorial Soluções | Vila Velha | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | **1,106,395** | **68,169** | **59,688** | **15,221** | **3,300** | **1,252,773** |
| Additional dividends | **(107)** | **-** | **(16,772)** | **-** | **-** | **(16,879)** |
| Minimum dividends | **(40,484)** | **-** | **-** | **(2,982)** | **-** | **(43,366)** |
| Equity pickup | **217,908** | **330,959** | **23,723** | **12,554** | **-** | **585,144** |
| Amortization of concession right | **(1,116)** | **-** | **-** | **-** | **-** | **(1,116)** |
| PPA adjustment - CELPA | **-** | **2,574** | **-** | **-** | **-** | **2,574** |
| Other comprehensive income (loss) | | **(10,442)** | | | | **(10,442)** |
| Gain (loss) on investment | **-** | **-** | **240** | **-** | **-** | **240** |
| Balance at December 31, 2014 | **1,282,696** | **391,262** | **66,879** | **24,793** | **3,300** | **1,768,930** |

(In thousands of reais, unless otherwise stated)

## 16 Investments (Continued)

| | CEMAR | CELPA | GERAMAR | Equatorial Soluções | Vila Velha | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2012 | 1,010,272 | 223,135 | 57,147 | 8,625 | 2,000 | 1,301,179 |
| Capital contribution | - | 44,000 | - | 2,500 | 1,300 | 47,800 |
| Additional dividends | (95) | - | - | - | - | (95) |
| Minimum dividends | (24,339) | - | (14,306) | (1,276) | - | (39,921) |
| Equity pickup | 125,169 | (102,237) | 16,847 | 5,372 | - | 45,151 |
| Amortization of concession right | (4,612) | - | - | - | - | (4,612) |
| Other comprehensive income (loss) | - | 22 | - | - | - | 22 |
| PPA adjustment - CELPA | - | 3,344 | - | - | - | 3,344 |
| Unclaimed dividends written off | - | 28,895 | - | - | - | 28,895 |
| Investment loss | - | (128,990) | - | - | - | (128,990) |
| Balance at December 31, 2013 | 1,106,395 | 68,169 | 59,688 | 15,221 | 3,300 | 1,252,773 |

## 17 Intangible assets (Consolidated)

Breakdown of intangible assets is as follows:

| | | 12/31/2014 | | | |
|---|---|---|---|---|---|
| | Weighted average annual depreciation rates (%) | Cost | Amortization | (-) Concession-related obligations | Net amount |
| In operation | 4.11% | **7,816,279** | **(3,035,716)** | **(1,621,284)** | **3,159,279** |
| In progress | | **1,125,332** | **-** | **(604,380)** | **520,952** |
| Service concession arrangement | | **628.115** | **(90,827)** | **-** | **537,288** |
| Total | | **9,569,726** | **(3,126,543)** | **(2,225,664)** | **4,217,519** |

| | | 12/31/2013 | | | |
|---|---|---|---|---|---|
| | Weighted average annual depreciation rates (%) | Cost | Amortization | (-) Concession-related obligations | Net amount |
| In operation | 3.54% | 7,170,853 | (2,775,767) | (1,703,536) | 2,691,550 |
| In progress | | 1,261,873 | - | (378,407) | 883,466 |
| Service concession arrangement | | 628,115 | (88,404) | - | 539,711 |
| Total | | 9,060,841 | (2,864,171) | (2,081,943) | 4,114,727 |

Intangible assets comprise the use right of assets related to the service concession arrangement of subsidiaries CEMAR and CELPA, amortizable until August 2030 and July 2028, respectively, in accordance with ICPC 01 service concession arrangement.

(In thousands of reais, unless otherwise stated)

## 17 Intangible assets (Consolidated) (Continued)

| | 12/31/2013 | Reclassification | Additions | Write-offs | Capitalization (ii) | 12/31/2014 |
|---|---|---|---|---|---|---|
| In operation | 7,166,897 | (33,554) | 110 | (151,658) | 830,533 | 7,812,328 |
| (-) Amortization | (2,771,811) | - | (393,779) | 133,826 | - | (3,031,764) |
| Total in operation | 4,395,086 | (33,554) | (393,669) | (17,832) | 830,533 | 4,780,564 |
| In progress | 1,261,873 | - | 1,255,013 | (27,922) | (1,363,632) | 1,125,332 |
| Total | 1,261,873 | - | 1,255,013 | (27,922) | (1,363,632) | 1,125,332 |
| Special obligations (i) | (2,504,286) | - | (493,076) | 49,325 | 209,692 | (2,738,345) |
| (-) Amortization | 422,343 | - | 101,202 | (10,866) | - | 512,679 |
| Total special obligations | (2,081,943) | - | (391,874) | 38,459 | 209,692 | (2,225,666) |
| Concession rights | 628,115 | - | - | - | - | 628,115 |
| (-) Amortization | (88,404) | - | (2,422) | - | - | (90,826) |
| Total concession rights | 539,711 | - | (2,422) | - | - | 537,289 |
| Total | 4,114,727 | (33,554) | 467,048 | (7,295) | (323,407) | 4,217,519 |

| | 12/31/2012 | Reclassification | Additions | Write-offs | Capitalization (ii) | 12/31/2013 |
|---|---|---|---|---|---|---|
| In operation | 6,642,522 | 59,971 | - | (163,417) | 627,821 | 7,166,897 |
| (-) Amortization | (2,497,801) | - | (352,293) | 78,283 | - | (2,771,811) |
| Total in operation | 4,144,721 | 59,971 | (352,293) | (85,134) | 627,821 | 4,395,086 |
| In progress | 1,554,662 | - | 721,804 | - | (1,014,593) | 1,261,873 |
| Total | 1,554,662 | - | 721,804 | - | (1,014,593) | 1,261,873 |
| Special obligations (i) | (2,420,212) | - | (341,083) | 21,075 | 235,934 | (2,504,286) |
| (-) Amortization | 319,185 | - | 104,537 | (1,379) | - | 422,343 |
| Total special obligations | (2,101,027) | - | (236,546) | 19,696 | 235,934 | (2,081,943) |
| Concession rights | 628,115 | - | - | - | - | (2,081,943) |
| (-) Amortization | (83,792) | - | (4,612) | - | - | 628,115 |
| Total concession rights | 544,323 | - | (4,612) | (65,438) | - | (88,404) |
| Total | 4,142,679 | 59,971 | 128,353 | (65,438) | (150,838) | 4,114,727 |

i. Special obligations substantially represent funds from Federal Government, States and Municipalities and participation of consumers linked to investments in the concession of electric energy public service.

ii. Capitalizations correspond to the transfers from intangible assets in progress to intangible assets in operation and service concession-related financial asset.

(In thousands of reais, unless otherwise stated)

## 18 Trade accounts payable

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Electric energy supply | **-** | - | **610,081** | 293,494 |
| Electricity grid use charge | **-** | - | **19,493** | 15,288 |
| Acquisition of fuel | **-** | - | **174,377** | 94,346 |
| Material and services | **-** | - | **311,007** | 228,094 |
| Free energy | **-** | - | **-** | 245 |
| Other | **158** | 212 | **24,885** | 43,247 |
| **Total** | **158** | 212 | **1,139,843** | 674,714 |

(In thousands of reais, unless otherwise stated)

# 19 Loans and financing (Consolidated)

| | | 12/31/2014 | | Total |
|---|---|---|---|---|
| | Debt | Current | Noncurrent | |
| | average cost (% p.a.) | Principal and charges | Principal and charges | Principal and charges |
| **Foreign currency:** | | | | |
| *Crédito RJ* (a) | 5.28% | **-** | **178,890** | **178,890** |
| National Treasury | 5.55% | **2,391** | **58,585** | **60,976** |
| CCBI ITAÚ (b) | 3.10% | **233,516** | **-** | **233,516** |
| CCBI CITIBANK (b) | 4.78% | **204,244** | **-** | **204,244** |
| CCBI CITIBANK (b) | 2.37% | **96,561** | **-** | **96,561** |
| OPERATION ITAÚ 4131 | 3.00% | **632** | **108,129** | **108,761** |
| OPERATION SANTANDER 4131 | 3.00% | **683** | **107,975** | **108,658** |
| Subtotal | | **538,027** | **453,579** | **991,606** |
| (-) Transaction cost | | **(1,657)** | **(700)** | **(2,357)** |
| **Total in foreign currency** | | **536,370** | **452,879** | **989,249** |
| **LOCAL CURRENCY** | | | | |
| Eletrobrás | 6.89% | **8,054** | **59,249** | **67,303** |
| FINAME | 9.35% | **834** | **272** | **1,106** |
| Lease | 13.56% | **28** | **-** | **28** |
| GIRO IBM | 10.62% | **4,194** | **5,293** | **9,487** |
| *Crédito RJ* (a) | 5.54% | **-** | **866,877** | **866,877** |
| GIRO NPS ITAÚ | 11.58% | **120,685** | **-** | **120,685** |
| GIRO IBM | 11.75% | **3,060** | **6,424** | **9,484** |
| GUANABARA | 12.12% | **2,052** | **5,747** | **7,799** |
| IBM | 10.73% | **6,572** | **16,328** | **22,900** |
| BNDES | 7.53% | **33,243** | **350,590** | **383,833** |
| BANCO DO BRASIL | 11.00% | **2,193** | **309,269** | **311,462** |
| BNB | 9.00% | **36,466** | **99,939** | **136,405** |
| BNDES | 7.00% | **99,191** | **451,112** | **550,303** |
| CAIXA | 6.00% | **351** | **20,629** | **20,980** |
| ELETROBRÁS | 7.00% | **84,765** | **239,692** | **324,457** |
| FINEP | 4.00% | **1,132** | **4,766** | **5,898** |
| IBM | 0.00% | **941** | **1,491** | **2,432** |
| IFC | 0.00% | **22,448** | **10,389** | **32,837** |
| VOTORANTIM | 5.00% | **476** | **1,993** | **2,469** |
| **Subtotal** | | **426,685** | **2,450,060** | **2,876,745** |
| (-) Funding cost | | **(3,200)** | **(5,185)** | **(8,385)** |
| **TOTAL IN LOCAL CURRENCY** | | **423,485** | **2,444,875** | **2,868,360** |
| **OVERALL TOTAL** | | **959,855** | **2,897,754** | **3,857,609** |

(d) The increase in balance of current loans for the period arises mainly from transfers from noncurrent to current, occurred in subsidiaries amounting to R$ 783,553 and new loans taken out amounting to R$ 336,140.

(In thousands of reais, unless otherwise stated)

# 19 Loans and financing (Consolidated) (Continued)

| | | 12/31/2013 | | |
|---|---|---|---|---|
| | Debt | Current | Noncurrent | |
| | average cost (% p.a.) | Principal and charges | Principal and charges | Total |
| **Foreign currency** | | | | |
| National Treasury | 5.04% | 3,652 | 51,668 | 55,320 |
| CRÉDITO RJ – BID (a) | 5.28% | - | 149,750 | 149,750 |
| CCBI ITAÚ (b) | | 535 | 203,007 | 203,542 |
| CCBI CITIBANK (b) | | 389 | 179,215 | 179,604 |
| **Subtotal** | | 4,576 | 583,640 | 588,216 |
| (-) Funding costs | | (1,657) | (4,157) | (5,814) |
| **TOTAL IN FOREIGN CURRENCY** | | 2,919 | 579,483 | 582,402 |
| **LOCAL CURRENCY** | | | | |
| Eletrobrás | 7.41% | 74,896 | 369,748 | 444,644 |
| IFC | 8.24% | 23,105 | 31,167 | 54,272 |
| BNB | 8.50% | 37,618 | 135,552 | 173,170 |
| BNDES | 7.25% | 29,151 | 433,697 | 462,848 |
| FINEP | 4.00% | 1,134 | 5,888 | 7,022 |
| FINAME | 5.13% | 3,082 | 13,079 | 16,161 |
| CRÉDITOS RJ | 5.22% | - | 885,392 | 885,392 |
| LEASE | 10.59% | 224 | 22 | 246 |
| Banco do Brasil S.A | 7.45% | - | 291,836 | 291,836 |
| CAIXA | | - | 14,331 | 14,331 |
| **Subtotal** | | 169,210 | 2,180,712 | 2,349,922 |
| (-) Funding cost | | (2,895) | (3,851) | (6,746) |
| **TOTAL IN LOCAL CURRENCY** | | 166,315 | 2,176,861 | 2,343,176 |
| **OVERALL TOTAL** | **6.83%** | 169,234 | 2,756,344 | 2,925,578 |

(a) *Crédito RJ* refers to loans granted by financial creditors of CELPA In-court Reorganization Plan, whose rates and terms were rescheduled as established in the Plan. Therefore, creditors were restructured by type of credit, so as to allow financial relief to the subsidiary, which resulted in the significant extension of debt, with increase and decrease restatements.

(b) These operations have exchange and interest rate swaps in order to mitigate the effects of exposure to the US dollar, LIBOR and hedge instruments of operations.

(In thousands of reais, unless otherwise stated)

## 19 Loans and financing (Consolidated) (Continued)

Significant portions referring to principal of loans and financing mature as follows:

| | 12/31/2014 | |
|---|---|---|
| **Maturity** | **Amount** | % |
| Current | **959,855** | **25%** |
| 2016 | **184,986** | **4%** |
| 2017 | **491,747** | **13%** |
| 2018 | **497,002** | **13%** |
| 2019 | **205,597** | **5%** |
| From 2019 onwards | **1,524,307** | **40%** |
| **Total** | **2,903,639** | **75%** |
| **Funding cost (noncurrent)** | **(5,885)** | **0%** |
| **Noncurrent** | **2,897,754** | **75%** |
| **Total** | **3,857,609** | **100%** |

Changes in loans and financing are as follows:

| | Local currency | | Foreign currency | | |
|---|---|---|---|---|---|
| | **Current liabilities** | **Noncurrent liabilities** | **Current liabilities** | **Noncurrent liabilities** | **Total** |
| **Balances at December 31, 2013** | 166,315 | 2,176,859 | 2,919 | 579,485 | 2,925,578 |
| Inflows | **320,000** | **580,917** | **80,000** | **200,000** | **1,180,917** |
| Charges | **110,550** | **14,171** | **14,682** | **-** | **139,403** |
| Monetary and exchange gains/losses | **-** | **12,792** | **69,813** | **43,579** | **126,184** |
| Capitalization of interest | **5** | **40,225** | **-** | **8,088** | **48,318** |
| Transfers of principal | **350,950** | **(350,950)** | **381,729** | **(381,729)** | **-** |
| Payments of principal write-offs | **(394,054)** | **(20,083)** | **(1,214)** | **-** | **(415,351)** |
| Payments of interest write-offs | **(130,750)** | **-** | **(11,559)** | **-** | **(142,309)** |
| Transaction cost | **(413)** | **(2,054)** | **-** | **-** | **(2,467)** |
| Transfer to related parties | **-** | **(7,724)** | **-** | **-** | **(7,724)** |
| Transfers of transaction | **(721)** | **721** | **(3,457)** | **3,457** | **-** |
| Transaction costs recorded | **1,603** | **-** | **3,457** | **-** | **5,060** |
| **Balances at December 31, 2014** | **423,485** | **2,444,874** | **536,370** | **452,880** | **3,857,609** |

(In thousands of reais, unless otherwise stated)

## 19 Loans and financing (Consolidated) (Continued)

| | Local currency | | Foreign currency | | |
|---|---|---|---|---|---|
| | **Current liabilities** | **Noncurrent liabilities** | **Current liabilities** | **Noncurrent liabilities** | **Total** |
| **Balances at December 31, 2012** | 555,665 | 1,834,899 | 93,013 | 139,286 | 2,622,863 |
| Transfers to related parties | - | - | (95,536) | (4,742) | (100,278) |
| Inflows | 50,000 | 493,067 | - | 375,000 | 918,067 |
| Charges | 105,691 | 13,758 | 8,253 | - | 127,702 |
| Monetary and exchange gains/losses | (56) | 56,942 | 598 | 41,499 | 98,983 |
| Transfers | 196,460 | (196,460) | 1,103 | (1,103) | - |
| Amortization of principal | (629,096) | (25,496) | (2,309) | - | (656,901) |
| Payment of interest | (111,177) | - | (2,203) | - | (113,380) |
| Funding costs | (1,172) | 151 | - | - | (1,021) |
| Assets pledged as guarantee | - | - | - | 29,543 | 29,543 |
| **Balances at December 31, 2013** | 166,315 | 2,176,861 | 2,919 | 579,483 | 2,925,578 |

### *Monitoring of loans and financing covenants*

Loans and financing obtained by subsidiary CEMAR are subject to covenants. Failure to comply with such covenants during the reporting period may lead to early maturity of the related contracts. By December 31, 2014, the Company had complied with the limits specified in the contracts.

(In thousands of reais, unless otherwise stated)

## 20 Debentures (Consolidated)

Changes in debentures are shown below:

| | Current liabilities | Noncurrent liabilities | Total |
|---|---|---|---|
| **Balances at December 31, 2013** | 5,974 | 294,085 | 300,059 |
| Inflows | **-** | **200,000** | **200,000** |
| Funding costs | **(289)** | **(408)** | **(697)** |
| Charges | **28,520** | **-** | **28,520** |
| Monetary variation | **339** | **12,746** | **13,085** |
| Payment of interest | **(23,683)** | **-** | **(23,683)** |
| **Balances at December 31, 2014** | **10,861** | **506,423** | **517,284** |

| | Current liabilities | Noncurrent liabilities | Total |
|---|---|---|---|
| **Balances at December 31, 2012** | 169,602 | 283,210 | 452,812 |
| Funding costs | - | 295 | 295 |
| Charges | 22,554 | - | 22,554 |
| Monetary variation | 91 | 10,580 | 10,671 |
| Amortization of principal | (160,380) | - | (160,380) |
| Payment of interest | (25,893) | - | (25,893) |
| **Balances at December 31, 2013** | 5,974 | 294,085 | 300,059 |

### *4th Issue of debentures*

The 4th public distribution of nonconvertible debentures of CEMAR was concluded on September 22, 2012. The funds raised in the amount of R$280,000, divided into two series of R$101,380 and R$178,620, were primarily intended to the implementation of the Company's investment program and increase in working capital. At December 31, 2014, the effective rate of this operation is 11.91% per year.

### *6th Issue of debentures*

The 6th public distribution of nonconvertible debentures of CEMAR was concluded on October 27, 2014. The funds raised in the amount of R$200,000 in a single series are intended to increase working capital to support the company's management business. At December 31, 2014, the effective rate of this operation is 10.8% per year.

(In thousands of reais, unless otherwise stated)

## 20 Intangible assets (Consolidated) (Continued)

At December 31, 2014, debentures represent the amount of R$517,284 and their maturities are scheduled as follows:

| | 12/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| **Maturity** | **Amount** | **%** | **Amount** | **%** |
| Current | **10,861** | **2%** | 5,974 | 2% |
| 2016 | **34,298** | **6%** | 33,793 | 11% |
| 2017 | **100,964** | **20%** | 33,793 | 11% |
| 2018 | **169,989** | **33%** | 98,570 | 33% |
| 2019 | **136,152** | **26%** | 64,776 | 22% |
| 2020 | **67,052** | **13%** | 64,776 | 22% |
| **Noncurrent** | **508,455** | **98%** | 295,708 | 99% |
| Funding cost - noncurrent | **(2,032)** | **0%** | (1,623) | -1% |
| **Total - noncurrent** | **506,423** | **98%** | 294,085 | 98% |

***Covenants***

The issue of debentures, classified in current and noncurrent liabilities, requires compliance with levels of indebtedness ratios and interest coverage. At December 31, 2014, the Company and its subsidiaries were in compliance with all the indicators required by agreements.

(In thousands of reais, unless otherwise stated)

# 21 Taxes payable

## 21.1 Taxes and contributions payable

| | Consolidated | |
|---|---|---|
| **Current** | **12/31/2014** | **12/31/2013** |
| ICMS | **122,154** | 84,234 |
| ICMS - installment payment plan | **29,625** | 40,097 |
| PIS/COFINS | **69,125** | 25,472 |
| PIS/COFINS - installment payment plan | **-** | 63,653 |
| INSS - installment payment plan | **-** | 1,180 |
| REFIS/PAES | **-** | 16,193 |
| Social charges and other | **21,326** | 12,540 |
| Other | **8,510** | 5,317 |
| **Total** | **250,740** | 248,686 |

| | Consolidated | |
|---|---|---|
| **Noncurrent** | **12/31/2014** | **12/31/2013** |
| ICMS - installment payment plan (a) | **57,750** | 79,893 |
| REFIS/PAES (b) | **-** | 133,216 |
| PIS/COFINS - installment payment plan | **-** | 116,587 |
| INSS - installment payment plan | **-** | 3,048 |
| Other | **19,296** | 1,069 |
| **Total** | **77,046** | 333,813 |

## 21.2 Income taxes payable

| | Consolidated | |
|---|---|---|
| | **12/31/2014** | **12/31/2013** |
| IRRF | **3,942** | 509 |
| Provision for IRPJ / CSLL | **28,218** | 17,336 |
| **Total** | **32,160** | 17,845 |

***a.*** CELPA has installment payment plans approved by the Pará State Finance Department stemming from current ICMS debts. The installments are restated based on the Brazil’s Central Bank benchmark rate (SELIC) plus 1%.

## 21 Taxes payable (Continued)

### *b. Tax Recovery Program - REFIS*

*CEMAR*

At December 31, 2014, CEMAR opted for the accelerated settlement of debts payable in installments according to REFIS, under Laws No. 11941/2009, No. 12865/2013 and No. 12996/2014, and simplified social security installment payment plan.

The debt amounting to R$ 49,513 was settled, considering Article 33 of Provisional Executive Order (MP) No. 651/2014, and PGFN/RFB Ruling No. 15/2014; of this amount, R$ 14,993 was paid in cash and R$ 34,520 were offset with tax losses

CELPA

The reduction in installment payment plans are due to the following: the routine installment payment plans established by the Brazilian IRS (RFB), National Institute of Social Security (INSS) and Brazilian General Attorney's Office of the National Treasury (PGN) were transferred on August 22, 2014, to the installment payment plan under Law No. 12996/2014. The installment payment plans under Law No. 11941/2009 and those existing in accordance with Law No. 12996/2014, were settled in advance as follows: 30 % through a Tax Voucher (DARF) on November 28, 2014 and the remaining balance through tax loss carryforwards, formalized on November 19, 2014, pursuant to MP No. 651/2014 and RFB/PGFN Joint Ruling No 15, Annex II.

## 22 Provision for civil, tax and labor contingencies (Consolidated)

Subsidiaries CEMAR and CELPA are defendants in legal and administrative proceedings in various courts and government agencies, involving tax, labor, civil and other matters arising from its ordinary course of business.

Based on the information provided by their legal advisors, on the review of unsettled litigation, and on past experience in case of labor disputes, the subsidiaries' management recognized a provision at an amount considered sufficient to cover probable losses on existing proceedings, as follows:

(In thousands of reais, unless otherwise stated)

## 22 Provision for civil, tax and labor contingencies (Consolidated) (Continued)

| | 12/31/2014 | | | 12/31/2013 | | |
|---|---|---|---|---|---|---|
| | **Value of the matter in dispute** | **Judicial deposits** | **Net provision** | **Value of the matter in dispute** | **Judicial deposits** | **Net provision** |
| Civil | **120,583** | **(114,756)** | **5,827** | 97,577 | (134,139) | (36,562) |
| Tax | **498** | **(387)** | **111** | 569 | (394) | 175 |
| Labor | **112,611** | **(41,050)** | **71,561** | 102,866 | (29,191) | 73,675 |
| Regulatory | **28,382** | **-** | **28,382** | 136,603 | - | 136,603 |
| PPA CELPA (a) | **335,899** | **-** | **335,899** | 339,684 | - | 339,684 |
| | **597,973** | **(156,193)** | **441,780** | 677,299 | (163,724) | 513,575 |
| **Current** | **51,728** | **(20,037)** | **31,691** | 39,775 | (24,165) | 15,610 |
| **Noncurrent** | **546,245** | **(136,156)** | **410,089** | 637,524 | (139,559) | 497,965 |
| | **597,973** | **(156,193)** | **441,780** | 677,299 | (163,724) | 513,575 |

a) The fair value of civil, tax and labor contingent liabilities of subsidiary CELPA was determined based on the legal advisors' assessment, also including lawsuits assessed as possible loss, resulting in an adjustment amounting to R$ 335,899 at December 31, 2014.

b) Of the total judicial deposits referring to civil proceedings, the amount of R$ 66,924 refer to flows of bank credit bills that are deposited as a result of the in-court reorganization process of subsidiary CELPA. These credits were listed in the in-court reorganization process and were rejected by the creditor financial institutions. Based on current legal decision, the contractual flow is deposited in court on a monthly basis until a final decision on the merits as to whether those credits are subject to the in-court reorganization regime or not.

(In thousands of reais, unless otherwise stated)

## 22 Provision for civil, tax and labor contingencies (Consolidated) (Continued)

***Changes in proceedings for the year (Consolidated)***

| | 12/31/2013 | | | | | 12/31/2014 |
|---|---|---|---|---|---|---|
| | Opening balance | Addition to provision | Use (1) | Reversals (2) | Restatement (3) | Closing balance |
| Civil | 97,577 | **44,454** | **(30,706)** | **(18,887)** | **28,145** | **120,583** |
| Tax | 569 | **3** | **-** | **(80)** | **6** | **498** |
| Labor | 102,866 | **8,296** | **(6,753)** | **(10,119)** | **18,321** | **112,611** |
| Regulatory | 136,603 | **15,091** | **-** | **(126,108)** | **2,796** | **28,382** |
| PPA CELPA | 339,684 | **-** | **-** | **(3,785)** | **-** | **335,899** |
| | **677,299** | **67,844** | **(37,459)** | **(158,979)** | **49,268** | **597,973** |

| | 12/31/2012 | | | | | 12/31/2013 |
|---|---|---|---|---|---|---|
| | Opening balance | Addition to provision | Use (1) | Reversals (2) | Restatement (3) | Closing balance |
| Civil | 94,490 | 33,528 | (24,530) | (8,812) | 2,901 | 97,577 |
| Tax | 145,125 | - | - | (144,557) | 1 | 569 |
| Labor | 116,341 | 27,219 | (12,992) | (29,895) | 2,193 | 102,866 |
| Regulatory | 87,755 | 57,987 | (5,449) | (4,002) | 312 | 136,603 |
| PPA CELPA | 343,161 | - | - | (3,477) | - | 339,684 |
| | 786,872 | 118,734 | (42,971) | (190,743) | 5,407 | 677,299 |

(1) Actual expenses on legal contingencies.

(2) Reversals in the period.

(3) Monetary restatements.

a) Of the write-offs, the amount of R$39,540 was divided into installments under Law No. 12996/2014 in August 2014; R$19,568 refer to the reduction or gain in penalties applied; R$21,406 refer to proceedings adjustment and SELIC calculation; and R$38,906 refer to the Formal Commitments to Action - TACs (as provided for in Order No. 2913 of September 18, 2012, which approved CELPA's transition plan), since they are now controlled by the specific account of special obligations.

b) PPA CELPA - derives from estimated disbursement for proceedings assessed as possible loss, based on the analysis of the legal department of subsidiary CELPA.

## 22 Provision for civil, tax and labor contingencies (Consolidated) (Continued)

***Labor***

Currently, labor liabilities include 2,113 claims filed by former employees against the Company, including overtime, hazard premium, wage parity, occupational disease/reintegration, CIPA stability, among others, and also claims filed by former employees of third parties (under the subsidiary's responsibility), referring mainly to severance pay.

At the closing date of the financial statements for the year ended December 31, 2014, the provision amounts to R$ 112,611 (R$ 102,866 at December 31, 2013).

In addition to accrued losses, there are other labor contingencies for which the likelihood of loss is assessed as possible by management, based on the evaluation of CEMAR's and CELPA's legal counsels and their outside legal advisors, in the amount of R$ 53,292 (R$ 36,232 at December 31, 2013), for which no provision was recorded.

***Civil***

The subsidiaries are defendants in 18,482 civil proceedings, 13,235 of which at Civil Courts of Appeal, mostly referring to claims seeking property damage and pain and suffering damages, as well as reimbursement of amounts paid by consumers.

Most significant civil proceedings involve claim compensation for accidents in the distribution grid, supply failure, death by electrocution or damages resulting from termination of contracts with suppliers.

At the closing date of the financial statements for the year ended December 31, 2014, the provision amounts to R$ 120,583 (R$ 97,577 at December 31, 2013).

In addition to accrued losses, there are other civil contingencies for which the likelihood of loss is assessed as possible by management, based on the evaluation of CEMAR's and CELPA's legal counsels and their outside legal advisors, in the amount of R$ 568,344 (R$ 569,153 at December 31, 2013), for which no provision was recorded.

(In thousands of reais, unless otherwise stated)

## 22 Provision for civil, tax and labor contingencies (Consolidated) (Continued)

***Tax***

CEMAR and CELPA are defendants in 173 tax proceedings.

The financial statements for the year ended December 31, 2014 include provision for tax proceedings totaling R$ 498 (R$ 569 at December 31, 2013).

In addition to accrued losses, there are other tax contingencies for which the likelihood of loss is assessed as possible by management, based on the evaluation of CEMAR's and CELPA's legal counsels and their outside legal advisors, in the amount of R$ 46,663 (R$ 48,103 at December 31, 2013), for which no provision was recorded.

## 23 Other accounts payable (consolidated)

| | 12/31/2014 | | 12/31/2013 | |
|---|---|---|---|---|
| | **Current** | **Noncurrent** | **Current** | **Noncurrent** |
| Other accounts payable - Suppliers | **2,492** | **-** | 2,231 | - |
| Advances and returns (a) | **45,465** | **-** | 42,264 | - |
| Insurance entities | **202** | **-** | 202 | - |
| Other allocations - suppliers | **10,120** | **-** | 10,473 | - |
| Tariff charges | **1,886** | **-** | 1,888 | - |
| Tax credits - CCC | **-** | **193,906** | - | 83,708 |
| Regulatory penalties (b) | **51,706** | **-** | 49,278 | - |
| Post-employment benefits | **2,321** | **-** | 8,171 | 2,043 |
| Guarantees | **7,302** | **-** | 6,716 | - |
| Acquisition of CELPA (c) | **60,000** | **-** | 60,000 | - |
| Third-party credits | **1,208** | **-** | 1,316 | - |
| Regulatory fees | **1,483** | **-** | 932 | - |
| Other accounts payable (d) | **69,726** | **5,992** | 53,180 | 20,511 |
| **Total** | **253,911** | **199,898** | 236,631 | 106,262 |

## 23 Other accounts payable (Consolidated) (Continued)

a) Refers to advance received for the purpose of ensuring the investments required to meet consumer demands.

b) Refers to liability for violating the limit of individual continuity of DIC indicators (continuity limit set for the period considered for the indicator of duration of interruption by consumer unit or connection point); FIC (continuity limit set in the period considered for the interruption frequency indicator by consumer unit or connection point); and DMIC (continuity limit set in the period considered for the maximum continuity interruption duration indicator by consumer unit or connection point). With regard to the computation period (monthly, quarterly or annual), the distributor shall calculate the compensation to the consumer and report it as a credit on the bill, presented no later than two months after the computation period. In case of violation of the individual continuity limit of the DICRI indicator (continuity limit set for the individual interruption duration indicator on a critical day by consumer unit or connection point), the distributor will calculate the compensation to the consumer and report it as a credit on the bill, presented no later than two months after the month the interruption takes place. Since subsidiary CELPA filed for in-court reorganization on 02/29/2012, all the amounts whose triggering event took place before that date shall be an integral part of the creditors balance whose payment shall be approved at the creditors meeting within the deadlines and legal conditions addressed by the approved in-court reorganization plan.

c) This refers to the increase in current liabilities due to a refundable balance relating to “Programa Luz Para Todos” (Light for All Program) estimated by subsidiary CELPA.

d) Of the amounts under “Other accounts payable”, R$61,009 refer to subsidiary CELPA, primarily comprised of R$8,018 referring to provision for fees of the administrator and accountant in charge of the in-court reorganization; R$52,991 referring to the provision for payment of operating costs and sundry service providers.

(In thousands of reais, unless otherwise stated)

# 24 Equity

## *24.1 Capital*

At December 31, 2013 and 2014, capital amounts to R$1,977,276, comprising shares broken down by class and main shareholders as follows:

| Shareholder | Registered Common Shares | % |
|---|---|---|
| FIP PCP | **45,518,146** | **22.94%** |
| Squadra Investimentos | **30,939,640** | **15.59%** |
| International Financial Corporation | **10,625,000** | **5.35%** |
| CSHG | **10,394,964** | **5.24%** |
| ARX Investimentos | **10,295,752** | **5.19%** |
| BTG Pactual Asset Management S/A DTVM | **10,271,024** | **5.18%** |
| GAP Asset Management | **10,053,381** | **5.07%** |
| Norges Bank | **9,962,283** | **5.02%** |
| Other minority interests | **60,387,162** | **30.43%** |
| **Total** | **198,447,352** | **100.00%** |

The Company is listed on BM&FBOVESPA’s “Novo Mercado” (New Market), having only common shares that ensure 100% tag along to minority interests in case of mergers or transfer of control.

## *24.2 Stock option plan*

**Fourth Stock options plan**

The Special General Meeting held on July 21, 2014 approved the Fourth Equatorial Stock Option Plan (“Plan”). The stock option subscription to be offered under the Plan's terms shall not exceed 3.0% of the Company's total capital representative shares (including shares issued because of the exercise of this Plan), as longs as the total number of shares issued or which may be issued under the Plan's terms are always within the limit of the Company's authorized capital.

Once exercised, the shares are issued through an increase in the Company's capital. For further details on the Plan, refer to the minutes of the Special General Meeting which approved it, available at the Company’s website and at CVM’s website.

# 24 **Equity** (Continued)

## *24.2 Stock option plan* (Continued)

**Stock option exercise price**

The exercised price of shares granted under the Plan's terms shall be determined by the Plan's Administrative Committee based on the average price of the Company's shares at BM&FBOVESPA, weighted by the trading volume for the period of 180 days before the grant date.

The exercise price shall be decreased by the amount of dividends, interest on equity and other earnings distributed by the Company to shareholders or any other amounts per share made available to the Company's shareholders, including due to decrease in capital without cancelling the shares or any other corporate transaction entailing allocation of funds to shareholders or decrease in the value of shares, always considering the period from the grant date and the stock exercise date.

**Beneficiaries**

Plan beneficiaries may exercise its stock option within 6 years as from grant date. The stock option is exercisable over 4 years, i.e. 25% per year.

Within one year as from the exercise date, beneficiaries may sell, grant or assign the Company's shares originally acquired or subscribed.

On July 21, 2014, the Plan's Administrative Committee granted 4,225,000 (four million, two hundred twenty-five thousand) options to Plan beneficiaries at the price of R$21.76 (twenty one reais and seventy six cents) per Option.

**Dilution potential**

In accordance with the Plan's rules, the potential issue of remaining options would imply in an additional dilution for the current shareholders of Equatorial Energia S.A. equivalent to the maximum of 3%.

## 24 Equity (Continued)

### *24.3 Capital reserve*

Pursuant to CVM Rule No. 562 of December 17, 2008, which approved CPC 10, the Company records a Capital Reserve in the amount of R$22,585, referring to recognized option granted.

### *24.4 Income reserve -legal reserve*

The legal reserve is recognized at 5% of net income before profit sharing and reversal of interest on equity, as determined by corporate legislation and defined by the Board of Directors, limited, however to 20% of total capital.

### *24.5 Income reserve - Investment and expansion reserve*

This reserve is intended to record the portion of net income for the year earmarked for investments and expansion of the Company.

### *24.6 Income reserve - Distribution of additional dividends*

This reserve is intended to record the portion of dividends that exceeds the mandatory minimum dividends, the distribution of which has not yet been approved at a meeting.

(In thousands of reais, unless otherwise stated)

## 25 Dividends (Company)

Under the Company's Articles of Incorporation, shareholders are ensured of minimum mandatory dividend of 25% of net income, adjusted on the terms of ruling legislation and deducting income allocations determined by the General Meeting. Dividends were calculated as follows:

| | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Net income for the year | **637,756** | 68,637 |
| (-) Legal reserve - 5% | **(31,888)** | (3,432) |
| Dividend base | **605,868** | 65,205 |
| Mandatory minimum dividends | **151,467** | 16,301 |
| Supplementary dividends | **-** | 1,559 |
| Proposed dividends | **95,349** | 17,860 |
| Interest on equity | **56,118** | - |
| **Dividends payable** | **151,467** | 17,860 |

Dividends proposed for 2014 include interest on equity amounting to R$59,534 (R$56,118, net of IRRF).

The Board of Directors approved the declaration of proposed dividends as follows:

| Approval date | Cash dividends and interest on equity | Amount | Registered Common Shares |
|---|---|---|---|
| 12/31/2014 | | | |
| Board of Director's Meeting held on February 12, 2015 | Dividends | 154,884 | 0.78 |
| 12/31/2013<br>Board of Director's Meeting held on February 26, 2014 | Dividends | 17,860 | 0.09 |

Changes in dividends paid are as follows:

| | |
|---|---|
| **Balance at January 1, 2013** | 33,579 |
| Additional dividends proposed in 2012 | 250 |
| Dividends payment | (33,731) |
| Minimum dividends proposed in 2013 | 16,301 |
| **Balance at December 31, 2013** | 16,399 |
| **Balance at January 1, 2014** | 16,399 |
| Additional proposed dividends in 2013 | **1,559** |
| Dividends payment | **(17,860)** |
| IRRF on Interest on Equity (IOE) | **(3,416)** |
| Interest on equity | **59,534** |
| Proposed dividends (2014) | **95,349** |
| **Balance at December 31, 2014** | **151,565** |

(In thousands of reais, unless otherwise stated)

## 26 Earnings per share

As required by CPC 41 and IAS 33 (Earnings per Share), the table below sets out reconciliation of net income for the year to the amounts used to determine basic and diluted earnings per share:

| | 12/31/2014 | 12/31/2013 |
|---|---|---|
| **Numerator** | | |
| Net income for the year | **637,756** | 68,637 |
| **Denominator** | | |
| Total shares in the calculation of basic earnings per share | **198,447,352** | 198,447,352 |
| **Total shares in the calculation of diluted earnings per share** | **200,559,852** | - |
| **Basic earnings per share** | **3.2137** | 0.3459 |
| **Diluted earnings per share** | **3.1761** | - |

Shares granted totaled 4,225,000 and its dilution factor was 2,112,500.

## 27 Stock option plan

### Fourth Stock options plan

The Special General Meeting held on July 21, 2014 approved the Fourth Equatorial Stock Option Plan (“Plan”). The stock option subscription to be offered under the Plan's terms shall not exceed 3.0% of the Company's total capital representative shares (including shares issued because of the exercise of this Plan), as longs as the total number of shares issued or which may be issued under the Plan's terms are always within the limit of the Company's authorized capital.

Once exercised, the shares are issued through an increase in the Company's capital. For further details on the Plan, refer to the minutes of the Special General Meeting which approved it, available at the Company’s website and at CVM’s website.

## 27 Stock option plan (Continued)

### Stock option exercise price

The exercised price of shares granted under the Plan's terms shall be determined by the Plan's Administrative Committee based on the average price of the Company's shares at BM&FBOVESPA, weighted by the trading volume for the period of 180 days before the grant date.

The exercise price shall be decreased by the amount of dividends, interest on equity and other earnings distributed by the Company to shareholders or any other amounts per share made available to the Company's shareholders, including due to decrease in capital without cancelling the shares or any other corporate transaction entailing allocation of funds to shareholders or decrease in the value of shares, always considering the period from the grant date and the stock exercise date.

### Beneficiaries

Plan beneficiaries may exercise its stock option within 6 years as from grant date. The stock option is exercisable over 4 years, i.e. 25% per year.

Within one year as from the exercise date, beneficiaries may sell, grant or assign the Company's shares originally acquired or subscribed.

On July 21, 2014, the Plan's Administrative Committee granted 4,225,000 (four million, two hundred twenty-five thousand) options to Plan beneficiaries at the price of R$21.76 (twenty one reais and seventy six cents) per Option.

### Dilution potential

In accordance with the Plan's rules, the potential issue of remaining options would imply in an additional dilution for the current shareholders of Equatorial Energia S.A. equivalent to the maximum of 3%.

## 28 Employees' profit sharing

The Company and its subsidiaries' profit sharing program comprises assessments of indicators for the presidency, boards, management, coordinators and employees and is improving over the years so as to foster professionals' commitment to better operational performance. For the year ended December 31, 2014, the Company's accrued profit sharing balance amounted to R$ 4,444 (R$ 8,039 at December 31, 2013).

The Company and subsidiaries accrued a balance amounted to R$ 32,161 at December 31, 2014 (R$ 34,673 at December 31, 2013).

(In thousands of reais, unless otherwise stated)

## 29 Net operating revenue (Consolidated)

| | 12/31/2014 | | |
|---|---|---|---|
| | **No. of consumers** | **MWh (*)** | **R$** |
| Residential | **3,834,302** | **6,103,032** | **2,823,184** |
| Industrial | **12,707** | **1,857,342** | **671,704** |
| Commercial | **307,065** | **2,913,876** | **1,474,202** |
| Rural | **175,988** | **409,623** | **131,667** |
| Public sector | **40,992** | **833,828** | **409,116** |
| Street lighting | **1,416** | **732,032** | **222,452** |
| Utility service | **7,987** | **542,852** | **181,716** |
| Own consumption | **671** | **42,579** | **-** |
| Revenue from availability/use of the electricity grid | **-** | **-** | **24,524** |
| Unbilled supplier - Tariff replacement | **-** | **-** | **60,416** |
| CCEE supply | **-** | **-** | **78,887** |
| Low income | **-** | **-** | **328,378** |
| Construction revenue | **-** | **-** | **1,240,914** |
| Regulatory assets and liabilities | **-** | **-** | **685,689** |
| Other | **-** | **-** | **415,652** |
| Total | **4,381,128** | **13,435,164** | **8,748,501** |

(*) Information not reviewed by independent auditors

| | 12/31/2013 | | |
|---|---|---|---|
| | **No. of consumers** | **MWh (*)** | **R$** |
| Residential | 3,474,615 | 5,321,470 | 2,155,921 |
| Industrial | 13,500 | 1,791,712 | 543,699 |
| Commercial | 279,645 | 2,701,426 | 1,179,407 |
| Rural | 183,389 | 399,567 | 112,781 |
| Public sector | 39,007 | 799,028 | 343,320 |
| Street lighting | 1,049 | 658,660 | 165,807 |
| Utility service | 6,721 | 524,373 | 153,068 |
| Own consumption | 577 | 40,988 | - |
| Revenue from availability/use of the electricity grid | - | - | 15,863 |
| Tariff subsidies | - | - | 27,723 |
| CCEE supply | - | - | 148,552 |
| Low income | - | - | 308,985 |
| Construction revenue | - | - | 734,565 |
| Other | - | - | 335,467 |
| Total | 3,998,503 | 12,237,224 | 6,225,158 |

(*) Information not reviewed by independent auditors

(In thousands of reais, unless otherwise stated)

## 30 Net operating revenue (Consolidated)

Reconciliation of gross revenue to net revenue is as follows:

| | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Electric energy supply | **6,478,664** | 5,164,193 |
| Receivables relating to Parcel A and other financial items | **685,689** | - |
| Interest - WACC | **109,658** | 86,280 |
| Electric energy supply | **78,887** | 148,552 |
| Construction revenue | **1,240,914** | 734,565 |
| Other revenues | **154,689** | 91,568 |
| Operating revenue | **8,748,501** | 6,225,158 |
| | | |
| ICMS on electric energy sales | **(1,208,377)** | (945,888) |
| PIS and COFINS | **(707,963)** | (506,013) |
| Consumer charges | **(56,135)** | (50,025) |
| ISS | **(3,904)** | (1,902) |
| Emergency capacity charge | **1,331** | (2,233) |
| Other | **-** | (4,061) |
| Deductions to operating revenue | **(1,975,048)** | (1,510,122) |
| Net operating revenue | **6,773,453** | 4,715,036 |

## 31 Cost of services and operating expenses

Operating expenses / (income) are broken down by nature as follows:

| | 12/31/2014 | | | |
|---|---|---|---|---|
| Operating costs/expenses | Cost of electric energy services | Selling expenses | Administrative expenses | Total |
| Personnel | **119,069** | **47,703** | **72,054** | **238,826** |
| Material | **21,249** | **4,035** | **2,030** | **27,314** |
| Third-party services | **234,325** | **188,650** | **129,718** | **552,693** |
| Electric energy service inspection charge | **4,878** | **3,826** | **-** | **8,704** |
| Electric energy purchased for resale | **3,153,827** | **-** | **-** | **3,153,827** |
| Transmission and distribution system use charge | **48,272** | **-** | **-** | **48,272** |
| Construction cost | **1,240,914** | **-** | **-** | **1,240,914** |
| Depreciation and amortization | **258,932** | **-** | **-** | **258,932** |
| Lease and rent | **1,483** | **2,350** | **3,618** | **7,451** |
| CCC subsidy | **(29,000)** | **-** | **-** | **(29,000)** |
| Other | **19,430** | **20,293** | **27,199** | **66,922** |
| Total | **5,073,379** | **266,857** | **234,619** | **5,574,855** |

(In thousands of reais, unless otherwise stated)

## 31 Cost of services and operating expenses (Continued)

| | 12/31/2013 | | | |
|---|---|---|---|---|
| Operating costs/expenses | Cost of electric energy services | Selling expenses | Administrative expenses | Total |
| Personnel | 102,325 | 30,453 | 84,404 | 217,182 |
| Material | 12,719 | 9,501 | 9,389 | 31,609 |
| Third-party services | 234,693 | 201,775 | 151,946 | 588,414 |
| Electric energy service inspection charge | 5,317 | 4,017 | - | 9,334 |
| Electric energy purchased for resale | 2,253,348 | - | - | 2,253,348 |
| Transmission and distribution system use charge | 115,685 | - | - | 115,685 |
| Construction cost | 734,565 | - | - | 734,565 |
| Depreciation and amortization | 221,127 | - | - | 221,127 |
| Lease and rent | 9,277 | 2,431 | 4,287 | 15,995 |
| CCC subsidy | (25,392) | - | - | (25,392) |
| Recovery of expenses | - | - | (2,666) | (2,666) |
| Other | 9,230 | 540 | 39,997 | 49,767 |
| Total | 3,672,894 | 248,717 | 287,357 | 4,208,968 |

(*) Information not reviewed by independent auditors

In the year ended December 31, 2014, expenses with purchase of energy in the short term increased due to the following events:

(i) Increase in settlement price of CCEE - ADA, due to decrease in reservoirs and need for output of thermal power plants to meet Brazilian demand, and
(ii) Increase in Company's involuntary exposure due to delays in the start-up of plant operations, and cancellations of contracts related to the Bertin group.

(In thousands of reais, unless otherwise stated)

## 32 Electric energy purchased for resale

| | GWh | | R$ | |
|---|---|---|---|---|
| | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Auction energy | **9,807** | 9,795 | **2,067,641** | 1,526,437 |
| Eletronuclear agreements | **496** | 210 | **98,551** | 36,215 |
| Contracts for quotas of guarantees | **5,524** | 5,472 | **167,982** | 218,021 |
| Reserve energy charge | **-** | - | **18,702** | 74,702 |
| Spot market energy - CCEE | **1,761** | 1,290 | **1,834,147** | 694,312 |
| Bilateral energy | **217** | 226 | **43,555** | 41,259 |
| Alternative Energy Source Program (PROINFA) | **297** | 293 | **69,379** | 62,463 |
| (-) Portion to be offset - noncumulative PIS/COFINS credit | **-** | - | **(245,017)** | (136,156) |
| (-) Recovery cost of energy | **-** | - | **(1,159,173)** | (488,585) |
| Other costs | **-** | - | **258,060** | 224,680 |
| Total | **18,102** | 17,286 | **3,153,827** | 2,253,348 |

(a) In the fourth quarter of 2014, expenses with purchase of energy in the short term increased due to the following events: (i) increase in settlement price of CCEE - ADA, which reached the maximum limit of 822 R$/MWh, due to decrease in reservoirs and need for output of thermal power plants to meet Brazilian demand; (ii) increase in Company's involuntary exposure due to delay in the start-up of plant operations, and cancellations of contracts related to the Bertin group. With the publication of Decree No. 8221 on April 2, 2014, determining the creation of the Regulated Market (ACR) Account, the distributors will recover their expenses arising from short-term involuntary exposure and output of thermal power plants in connection with the Electric Power Purchase Agreement in the Regulated Market (CCEAR) for availability, as from the settlement in February 2014, through two loans of R$ 11.2 billion and R$ 6.6 billion that will be monthly transferred by CCEE to distributors.

(b) This amount refers to noncumulative PIS and COFINS credit, under Laws No. 10637 of 2002 and No.10833 of 2003, arising from purchase of electric energy for resale.

(c) Decree No. 7945 of March 2013 determined the transfer of funds from the Energy Development Account (CDE) to the distributors in order to neutralize part of cash and P&L problems, due to the tendency of increase in costs. The funds covered by the transfer from the Energy Development Account (CDE) were recorded in the Company's P&L, as an account reducing "Electric energy purchased for resale", totaling R$ 39,168.

(In thousands of reais, unless otherwise stated)

## 32 Electric energy purchased for resale (Continued)

(d) Decree No. 8221 published on April 2, 2014 determines the creation of ACR Account, through which distributors will recover their expenses arising from short-term involuntary exposure and output of thermal power plants in connection with CCEAR for availability. For the year ended December 31, 2014, the Company recorded R$ 851,441; in December, the Company expects to receive R$ 123,345. On October 6, 2014, subsidiaries CEMAR and CELPA received, by means of Decision No. 3968, the amount of R$ 132,007 referring to the settlement of August 2014.

## 33 Financial income (expenses)

| | Company | | Consolidated | |
|---|---|---|---|---|
| **Financial income** | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Financial income | **83,573** | 87,127 | **197,029** | 171,949 |
| Swap transactions | **-** | - | **353,351** | 36,991 |
| Arrears charges on energy sold | **-** | - | **166,841** | 125,505 |
| Monetary gains | **-** | - | **86,945** | 45,309 |
| Restatement of financial asset - revenue | **-** | - | **366** | 11,975 |
| Interest receivable | **-** | - | **7,651** | - |
| Discounts obtained | **-** | - | **47,858** | 49,808 |
| Other | **-** | - | **42,082** | 31,844 |
| **Total financial income** | **83,573** | 87,127 | **902,123** | 473,381 |
| Financial expenses | | | | |
| Interest on loans and financing and other | **-** | - | **(361,909)** | (254,621) |
| Swap transactions - expense | **-** | - | **(317,759)** | (36,043) |
| Monetary losses | **-** | - | **(184,740)** | (113,122) |
| Restatement of financial asset - expense | **-** | - | **(11,928)** | (34,400) |
| Restatement of energy efficiency and contingencies | **-** | - | **(57,819)** | (23,394) |
| Fines | **-** | - | **(19,817)** | (59,478) |
| Operational violations | **-** | - | **(60,846)** | (57,993) |
| Present value adjustment | **-** | - | **(16,422)** | (38,998) |
| Related-party charges | **-** | - | **(7,763)** | - |
| Interest expense | **-** | - | **(31,905)** | - |
| Other financial expenses | **(1,257)** | (10,571) | **(42,124)** | (74,430) |
| **Total financial expenses** | **(1,257)** | (10,571) | **(1,113,032)** | (692,479) |
| **Total** | **82,316** | 76,556 | **(210,909)** | (219,098) |

## 34 Private pension entity

***CEMAR***

Characteristics of the retirement plan

CEMAR sponsors FASCEMAR - Fundação de Assistência e Seguridade dos Servidores da CEMAR (Assistance and Social Security Foundation for CEMAR's employees), a Supplementary Pension Foundation organized as a closed not-for-profit private pension entity for the purpose of managing social security benefit plans.

FASCEMAR was fully restructured in 2005, resulting in the implementation and operation of a new pension plan as from May 2006 - Mixed Benefit Plan I, in defined contribution modality, and variable contribution modality in accordance with the classification defined by PREVIC. The plan grants regular retirement benefits under defined contribution modality, and disablement and death benefit for active participants under defined benefit modality, in addition to the mandatory legal institutes. Since its implementation, 98% of active participants of the Defined Benefit Plan I (BD I) joined the plan, as well as CEMAR employees who did not benefit from such plan before.

The BD I Plan currently benefits mostly retired employees and pensioners who were already benefiting from the plan in April 2006. This plan presents retirement benefits by age, special, time of contribution and funeral assistance.

The supplementary pension plan benefits sponsored by CEMAR are as follows:

DB Plan (BD-I)

- Retirement for time in contribution plan;
- Retirement by age;
- Pension supplement for disability;
- Sickness allowance;
- Deferred proportional benefit;
- Assistance with funeral expenses;
- Death benefit; and
- Lump sum payment due to death.

(In thousands of reais, unless otherwise stated)

## 34 Private pension entity (Continued)

Pension plan characteristics (Continued)

Mixed Plan (PMB)

- Disability benefit;
- Benefit due to death of vested participant;
- Benefit due to death of active participant;

CEMAR, in the capacity of sponsor, makes monthly regular contributions to both plans that match total contributions paid by plan participants included in its payroll. For the period ended December 31, 2014, this amount corresponds to R$ 2,743 (R$ 1,792 at December 31, 2013).

The Company records the amount of R$ 2,320 (R$ 10,213 at December 31, 2013) in “Other accounts payable” in support of the debt agreement with FASCEMAR, which management believes to be sufficient to cover actuarial liabilities calculated by the actuaries.

### 34.1 Assumptions adopted

The security NTN-B quotation (indexed to the IPCA - IBGE) was adopted as the discount rate based on the payment term of the plan benefits, i.e. its duration. The average duration of the plans is approximately 15.2 years. Given that the yield of the aforementioned marketable security for 2024 and 2035 is very close (0.12% spread), we opted for the use of the NTN-B maturing in 2024.

| Rates for the year | 2014 | 2013 |
|---|---|---|
| **– Actual discount rate for present value calculation** | 6.15% for all plans | 6.35% for all plans |
| **02 Rate of actual future salary growth** | 1% | 1% |
| **03– Inflation rate:** | 4.50% | 4.50% |
| **04 Capacity factor** | 1 | 0.98 |
| **05 General mortality table** | AT 2000 - MALE | |
| **06** Disabled mortality table | AT-83 - MALE | AT-83 - MALE |
| **07** Disability table | Light (average) | Light (average) |
| **08** Turnover table | Nil | Nil |

(In thousands of reais, unless otherwise stated)

# 34 **Private pension entity** (Continued)

Pension plan characteristics (Continued)

## 34.2 Information on participants

| **A - Participants** | **BD - I** | **PMB** |
|---|---|---|
| 1. Number of participants | 23 | 1.089 |
| 2. Average age (years) | 51.78 | 35.65 |
| 3. Average time at company (years) | 25.06 | 9.01 |
| 4. Average time in plans (years) | 23.91 | 8.52 |
| 5. Average salary of participation (R$) | 3,419.05 | 3,963,18 |
| 6. Monthly payroll participation (R$) | 78,638.23 | 4,315,905.70 |
| **A.2 - Self-funded amounts** | | |
| 1. Number of participants | 1 | 13 |
| 2. Average age (in years) | 57 | 49,15 |
| 3. Average time at company (years) | 28.58 | 17,46 |
| 4. Average plan term (years) | 29 | 15,72 |
| 5. Average participation salary (R$) | 2,292.55 | 11,186.28 |
| 6. Payroll participation (R$) | 2,292.55 | 145,421.67 |

| **B – Vested members** | **BD - I** | **PMB** |
|---|---|---|
| **B.1 – Retirement for time in service** | | |
| 1. Number of members assisted | 385 | 69 |
| 2. Average age (in years) | 71.34 | 61.38 |
| 3. Monthly benefit (R$) | 1,764.30 | 1,649.78 |
| 4. Total monthly benefits | 679,255.95 | 113,834.83 |
| **B.2 - Pension supplement for disability;** | | |
| 1. Number of members assisted | 63 | 6 |
| 2. Average age (in years) | 61.51 | 53.43 |
| 3. Monthly benefit (R$) | 713.35 | 426.74 |
| 4. Total monthly benefits | 44,941.04 | 2,560.44 |

| **C – Pensioner beneficiaries** | **BD - I** | **PMB** |
|---|---|---|
| 1. Number of families | 219 | 11 |
| 2. Average age of group (years) | 63.14 | 46.66 |
| 3. Monthly benefit (R$) | 757,48 | 655.21 |
| 4. Total monthly benefits (R$) | 165,888.50 | 7,207.29 |

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

## 34.3 Changes in actuarial obligations

The changes in actuarial obligations for pension plans are as follows:

### Results of the actuarial valuation in accordance with CPC33/CVM 600/09:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **BD-I** | **PNB** | **BD-I** | **PNB** |
| **A – CHNAGES IN ACTUARIAL LIABILITIES** | | | | |
| **1. Present value of obligation at the beginning of the year** | **111,812** | **668** | 147,034 | 950 |
| 2. Current service cost | **52** | **-** | 37 | 83 |
| 3. Interest expenses | **12,451** | **74** | 12,086 | 78 |
| 4. Payment of benefits in the year | **(9,742)** | **(94)** | (10,286) | (81) |
| 5. Actuarial (gains)/ losses recognized in liabilities | **10,922** | **149** | (36,346) | (362) |
| **6. Present value of actuarial liability at the end of the year** | **125,495** | **797** | 112,525 | 668 |
| **B -CHANGES IN FAIR VALUE OF PLAN ASSETS** | | | | |
| **1. Fair value of plan assets at beginning of year** | **129,904** | **2,101** | 148,711 | 1,779 |
| 2. Interest income: | **14,466** | **234** | 12,224 | 146 |
| 3. Contributions made (company) | **20** | **337** | 25 | 303 |
| 4. Contributions made (participant) | **20** | **-** | 25 | - |
| 5. Payment of benefits in the year | **(9,742)** | **(94)** | (10,286) | (81) |
| 6. Actuarial gains (losses) recognized on plan assets | **15,112** | **325** | (24,941) | (46) |
| **7. Fair value of plan assets at the end of the year.** | **149,780** | **2,903** | 125,758 | 2,101 |
| **C EXPENSE – INCOMESTATEMENT FOR THE YEAR** | | | | |
| **1. Cost of services** | **(52)** | **-** | (37) | (83) |
| 2. Total expenses in 2013 (1+2) | **(52)** | **-** | (37) | (83) |
| **D – OTHER COMPREHENSIVE INCOME** | | | | |
| **1. Balance at beginning of year** | **(4,924)** | **(1,049)** | (4,911) | (828) |
| 2. Actuarial gain (loss) | **4,190** | **176** | 15,550 | 316 |
| Actual return on assets | **15,112** | **325** | (20,796) | (45) |
| Changes in demographic assumptions | **(8,871)** | **(136)** | 5,332 | 176 |
| Changes in financial assumptions | **(2,051)** | **(12)** | 31,014 | 185 |
| 3. Effect of limit of assets | **(4,178)** | **(514)** | (15,563) | (536) |
| **4. Total remeasurement** | **12** | **(337)** | (13) | (220) |
| **5. Balance at the end of the year** | **(4,912)** | **(1,387)** | (4,924) | (1,048) |
| **E - BALANCE SHEET** | | | | |
| 1. Fair value of assets | **149,779** | **2,904** | 129,903 | 2,101 |
| 2. Actuarial obligations | **(125,495)** | **(797)** | (112,525) | (668) |
| **3. Net position** | **24,284** | **2,107** | 17,378 | 1,433 |
| 4. Limit of asset (CGPC Resolution No. 26/2008) | **(24,284)** | **(2,107)** | (17,378) | (1,433) |
| **5. (Deficit) / surplus subject to recognition** | **-** | **-** | - | - |

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

Pension plan characteristics (Continued)

## 34.3 Changes in actuarial obligations (Continued)

**F – NET VALUE RECOGNIZED IN THE BALANCE SHEET**

| | | |
|---|---|---|
| **1. Net position at 12/31/2013** | 18,091 | 1,433 |
| 2. Effect of limit of assets | **(18,091)** | (1,433) |
| **3. Balance subject to recognition at 12/31/2013** | **-** | - |
| 4. Cost of services | **(52)** | - |
| 5. Net interest | **2,015** | 160 |
| 6. Actuarial differences | **4,190** | 176 |
| 7. Contribution (company and participant) | **40** | 337 |
| **8. Net position at 12/31/2014** | **24,284** | 2,106 |
| 9. Effect of limit of assets | **(24,284)** | (2,106) |
| **10. Balance subject to recognition at 12/31/2014** | **-** | - |
| **1. Net position at 12/31/2014** | 18,091 | 828 |
| 2. Effect of limit of assets | (1,678) | (828) |
| **3. Balance subject to recognition at 12/31/2012** | - | - |
| 4. Cost of services | (37) | (83) |
| 5. Net interest | 137 | 68 |
| 6. Actuarial differences | 15,550 | 316 |
| 7. Contribution (company and participant) | 50 | 303 |
| **8. Net position at 12/31/2013** | 17,378 | 1,433 |
| 9. Effect of limit of assets | (17,378) | (1,433) |
| **10. Balance subject to recognition at 12/31/2013** | **-** | - |

## 34.4 Changes in the limit of assets

Changes in the effect of ceiling on plans are as follows:

| | **BD-I** | **PMB** |
|---|---|---|
| **1. Balance at 12/31/2013** | 18,091 | 1,433 |
| 2. Interest | **2,015** | **160** |
| 3. Variation | **4,178** | **514** |
| **4. Balance at 12/31/2014** | **24,284** | **2,106** |

| | **BD-I** | **PMB** |
|---|---|---|
| **1. Balance at 12/31/2012** | 1,678 | 828 |
| 2. Interest | 138 | 68 |
| 3. Variation | 15,563 | 536 |
| **4. Balance at 12/31/2013** | 17,379 | 1,433 |

(In thousands of reais, unless otherwise stated)

# 34 **Private pension entity** (Continued)

Pension plan characteristics (Continued)

### 34.5 Plan assets

The breakdown of plan assets is as follows:

| | 12/31/2014 | |
|---|---|---|
| | **BD-I** | **%** |
| Government securities | **122,612** | 80.8% |
| Corporate bonds | **7,000** | 4.6% |
| Preferred | **-** | 0.0% |
| Investment funds | **13,330** | 8.8% |
| Real estate investments | **5,786** | 3.8% |
| Loans | **1,193** | 0.8% |
| Other *(1)* | **1,888** | 1.2% |
| Fair value - 11/2014 | **151,809** | |
| Fair value valuation (1 month estimate) | **1,118** | |
| Contributions received | **6** | |
| Benefits paid (realized) | **(1,123)** | |
| Fair value estimated for 12/2014 | **151,810** | |
| (-) Operating liabilities | **(780)** | |
| (-) Contingent liability | **-** | |
| (-) Administrative fund | **(1,244)** | |
| (-) Investment fund | **(6)** | |
| (-) Redemption | **-** | |
| Fair value of plan assets | **149,780** | |

The Mixed Plan covers death and disability risks, classified as defined benefit. A “Risk Fund” is established, representing the fair value of the asset. The Mixed Plan, however, includes participants of other companies other than CEMAR. To define the fair value of assets for each sponsor, the fair value is calculated proportionally based on the related actuarial liabilities.

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

Pension plan characteristics (Continued)

### 34.5 Plan assets (Continued)

In terms of percentages, the fair value of overall plan assets (defined contribution and defined benefit) is broken down below:

| | 12/31/2014 |
|---|---|
| | **PMB** |
| Fair value - 11/2014 | **53,556** |
| (-) Operating liabilities | **(73)** |
| (-) Contingent liability | **-** |
| (-) Benefits granted | **(8,283)** |
| (-) Benefits to be granted | **(39,475)** |
| (-) Administrative fund | **(1,000)** |
| (-) Investment fund | **(109)** |
| (-) Redemptions | **(1,619)** |
| Fair value of mixed plan assets | **2,997** |
| | |
| Proportion relating to sponsor (a/ (a+b+c)) | **96,19%** |
| Cemar (a) | **797** |
| Equatorial (b) | **20** |
| Fascemar c | **12** |
| Fair value - 11/2014 | **2,882** |
| | |
| Fair value valuation (1 month estimate) | **21** |
| Fair value estimated for 12/2014 | **2,904** |

| | 12/31/2014 | |
|---|---|---|
| | **PMB** | **%** |
| Government bonds | 10,185 | 80.8% |
| Corporate bonds | 12,183 | 4.6% |
| Shares | - | 0.0% |
| Investment funds | 25,962 | 8.8% |
| Real estate investments | - | 3.8% |
| Loans | 4,212 | 0.8% |
| Other *(1)* | 1,014 | 1.2% |
| **Fair value - 11/2014** | **53,556** | |
| Fair value valuation (1 month estimate) | 394 | |
| Contributions received | 57 | |
| Benefits paid (realized) | (9) | |
| **Fair value estimated for 12/2014** | **53,998** | |

(In thousands of reais, unless otherwise stated)

# 34 **Private pension entity** (Continued)

Pension plan characteristics (Continued)

### 34.6 Sensitivity analysis

The sensitivity analysis of the discount rate in the net position of plans at December 31, 2013 is shown below: Two scenarios were defined for this analysis (+0.5% and -0.5%):

| Sensitivity analysis | BD-I | PMB |
|---|---|---|
| Fair value of assets | 149,780 | 2,904 |
| | | |
| Rate | **6.65%** | |
| Present value of obligation | 120,483 | 767 |
| **(Deficit)/ surplus** | **29,297** | **2,137** |
| Variation | 5,013 | 31 |
| | | |
| Rate | **5.65%** | |
| Present value of liability | 130,907 | 830 |
| **(Deficit)/ surplus** | **18,872** | **2,074** |
| Variation | (5,412) | (33) |

• Tables used downrated by 10%:

| Sensitivity analysis | BD-I | PMB |
|---|---|---|
| Fair value of assets | 149,780 | 2,904 |
| | | |
| Present value of liability | 128,589 | 718 |
| **(Deficit)/ surplus** | **21,190** | **2,185** |
| Variation | (3,094) | 79 |

(In thousands of reais, unless otherwise stated)

## 34 Private pension entity (Continued)

Pension plan characteristics (Continued)

### 34.7 Maturity profile of defined benefit obligation

| CEMAR - BDI | R$ |
|---|---|
| 1. Expected payments of benefits in 2015 | **11,571,111.31** |
| 2. Expected payments of benefits in 2016 | **11,571,111.31** |
| 3. Expected payments of benefits in 2017 | **11,571,111.31** |
| 4. Expected payments of benefits in 2018 | **11,568,003.88** |
| 5. Expected payments of benefits in 2019 | **11,494,571.16** |
| 6. Expected payments of benefits in 2020 e 2030 | **64,964,235.07** |

### 34.8 Expenses and future cash flows

| **Estimated cash flow for 2015** | **BD - I** | **PMB** |
|---|---|---|
| 1. Contributions from the sponsor | **21** | 353 |
| 2. Contributions from employees | **21** | - |
| 3. Benefits paid | **(11,571)** | (99) |

| **Estimated expense for 2015** | **BD-I** | PMB |
|---|---|---|
| 1. Current service cost | **64** | - |
| 4. Contributions from employees | **21** | - |
| **5. Total service costs** | **40** | 19 |
| | | |
| 4. Interest cost | **(13,097)** | (82) |
| 5. Return on asset | **15,752** | 331 |
| 6. Interest on limit | **(2,653)** | (230) |
| **7. Net interest** | **2,227** | 18,762 |

## 34 Private pension entity (Continued)

***CELPA***

CELPA is sponsor, together with its active employees, former employees and respective beneficiaries, of private retirement and pension plans with the objective of supplementing the government official benefits. These private plans are managed by Redeprev - Fundação Rede de Previdência, FASCELPA – Fundação de Previdência Complementar, closed not-for-profit multi-sponsored pension entities possessing administrative and financial autonomy.

The Company holds an unsecured actuarial liability that stems from an agreement between the Company, former employees and pensioners. Under the terms of the agreement under Resolution No. 10 dated 8/4/1989 by Company management it became effective as from 6/11/1996, which conferred pension rights and benefits to the persons mentioned above. The Company fully provisioned the amount calculated for this actuarial liability under the heading “Retirement and pension plan”.

The pension plan benefits sponsored by the Company are as follows:

Benefit Plan CELPA BD-I:

Set up on July 30, 1982, it was wound down on January 1, 1998, the date on which new participants were barred from joining the plan.  The following supplementary benefits are assured:

- Retirement for time in service/ old age;
- Pension supplement for disability;
- Sickness allowance;
- Death benefit; and
- Lump sum payment due to death.

This plan was established on July 30, 1982, structured as a defined benefit plan and funded by participants, vested participants and the sponsor.

## 34 Private pension entity (Continued)

Benefit Plan CELPA BD-II:

Set up on January 1, 1998, it was wound down on April 1, 2000, the date on which new participants were barred from joining the plan. The following supplementary benefits are assured:

- Retirement for time in service/ old age;
- Pension supplement for disability;
- Sickness allowance;
- Death benefit; and
- Lump sum payment due to death.

This plan was established on July 30, 1982, structured as a defined benefit plan and funded by participants, vested participants and the sponsor.

Benefit plan

The plan regulation was authorized to operate and approved by means of Administrative Ruling No. 880 dated January 12, 2007, issued by the Technical Analysis Department of the Social Security and Supplementary Benefits Office of the Ministry of Social Security. This plan results from the fusion of former benefit plans CELPA – R, CEMAT – R and ELÉTRICAS – R, the regulations of which were condensed in a single Regulation, without interruption of operations. Assures risk supplementary benefits structured under the defined benefit type as follows:

- Pension for disability;
- Illness assistance;
- Death benefit; and
- Lump sum payment due to death.

The benefits are solely costed by CELPA in conjunction with other sponsors, Centrais Elétricas do Matogrossenses S.A. – CEMAT and other companies of Grupo Rede Energia.

Prior to the merger, the plans were accounted for separately and, after the merger, the accounts are shown in only one trial balance based on legislation governing private pension entities. However, specifically for the purpose of this Valuation and compliance with CPC 33 “Employee Benefits”, the actuarial liabilities, contribution expenses, costs and assets of the Benefit Plan R are determined separately by sponsoring entity.

## 34 Private pension entity (Continued)

Benefit Plan CELPA OP:

Established on April 1, 2000, it ensures the benefit of monthly annuity, after the period of deferral.

During the benefit deferment term this plan is structured on a defined contribution basis and the monthly annuity amount is always linked to the amount of contributions accumulated in the participant's favor.

The monthly annuity, once started, is monetarily restated on an annual basis and is considered a defined contribution in this phase.

The costing of the planning is undertaken by the participants (90%) and by the sponsor (10%).

In the calculation for the year ended December 31, 2014, the sponsor's contribution was R$ 4,775 (R$ 3,373 in 2013),

Health care insurance plan

Among other benefits to employees the Company is founder of the following health and dental plans.

Central Nacional Unimed – CNU

Founded on May 1, 2006, is intended to cover medical and hospital care with obstetrics. The Plan provides coverage to people who are linked to the corporate entity, be it an employment relationship, association or trade union. Furthermore, only legal dependents are eligible for inclusion. Monthly contributions were initially established in accordance with the age group of each member. As users age they classify under a higher age group, pecuniary compensation is increased automatically in the month following his/ her birthday.On December 4, 2012 the plan was amended for the 11th time where the age group criteria was modified introducing the average cost concept, where the measurement of plan claims is made irrespective of age, or whether the member is active or retired.

(In thousands of reais, unless otherwise stated)

## 34 **Private pension entity** (Continued)

Unimed Seguro Saúde EmpresarialEstablished in 2010, the plan aims to guarantee to policyholders, including the reimbursement policy (free choice) or the direct payment to the service provider (when used through a referral network), medical and hospital expenses incurred as a result of covered events arising from accidents or illnesses listed in the International Classification of Diseases and Health Related Problems (ICD-10),from the World Health Organization (WHO), as well as their respective procedures contained in the Roll of Procedures attachment to the ANS resolution published in the Official Gazette, in effect on the date of the event, observing coverage, limits and contractual exclusions, and the specifications stated in article 1 section I of Law No. 9656/98.

The health insurance allows dependents, such as spouses or partners, unmarried children under 24 years of age, disabled children of any age, step sons or daughters or lower wards who are considered children. Additional members may also be included, such as: unmarried children over 24 years of age, unmarried grandchildren under 21 years and parents.

### 34.9 Assumptions adopted

The variation in the NTN-B bond maturing in 2024 and 2035 (securities linked to the IPCA - IBGE) was adopted as the discount rate; based on the payment term of the benefits of each plan, that is, the durations (the average was 11.7 years). Earnings from securities are 6.12% and 6.17% respectively (base date 12/31/2014).

| Rate | 2014 | 2013 |
|---|---|---|
| Actual discount rate – CELPA BDI | 6.14% | 6.35% |
| Actual discount rate – CELPA BD II | 6.13% | 6.35% |
| Actual discount rate - Risk | 6.15% | 6.35% |
| Actual discount rate – CELPA Supplement | 6.15% | 6.35% |
| Rate of future salary growth | 1.00% | 2.00% |
| Long-term inflation rate | 4.50% | 4.50% |
| Capacity factor | 100% | 100% |
| General mortality table | AT-2000 M | AT-2000 M |
| Disability morbidity table | IBGE 2011. both sexes | IBGE 2011. both sexes |
| Disability table | Nil | Nil |
| Turnover table | Nil | Nil |
| Medical cost rates - health plan | 3.35% | 3.35% |

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

## 34.10 Information on participants

| | Benefit plan | | | |
|---|---|---|---|---|
| | **CELPA BD-I** | **CELPA BD-II** | **CELPA - R** | **CELPA OP** |
| **A.1 - Participants** | | | | |
| 1. Number of participants | - | 9 | 1,620 | 1,640 |
| 2. Average age (in years) | - | 50 | 41 | 41 |
| 3. Average time at company (years) | - | 20 | 13 | 13 |
| 4. Average time to retirement (years) | - | 10 | 19 | 19 |
| 5. Average participation salary (R$) | - | 4,170 | 3,197 | 3,138 |
| 6. Payroll participation (R$) | - | 37,528 | 5,178,587 | 5,146,677 |
| **B – Vested members** | | | | |
| **B.1 – Retirement for time in service** | | | | |
| 1. Number of members assisted | 250 | 157 | - | 77 |
| 2. Average age (in years) | 71 | 74 | - | 61 |
| 3. Monthly average benefit (R$) | 3,167 | 1,927 | - | 2,578 |
| 4. Total monthly benefits (R$) | 791,626 | 302,532 | - | 198,523 |
| **B.2 - Pension supplement for disability;** | | | | |
| 1. Number of vested members | 2 | 8 | 32 | - |
| 2. Average age (in years) | 73 | 62 | 57 | - |
| 3. Monthly average benefit (R$) | 6,326 | 1,817 | 1,777 | - |
| 4. Total monthly benefits (R$) | 18,979 | 14,535 | 56,852 | - |
| **C – Pensioner beneficiaries** | | | | |
| 1. Number of families | 53 | 142 | 21 | - |
| 2. Average age of group (years) | 65 | 68 | 48 | - |
| 3. Average family benefit (R$) | 1,156 | 833 | 3,076 | - |
| 4. Total monthly benefits (R$) | 61,262 | 118,229 | 64,605 | - |

The health plans have 4,879 policy holders and their dependents.

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

## 34.11 Changes in actuarial obligations

The changes in actuarial obligations for pension plans are as follows:

| A –CHANGE SIN ACTUARIAL LIABILITIES | 12/31/2014 | 12/31/2013 |
|---|---|---|
| **1. Present value of obligation at the beginning of the year** | **209,344** | 260,522 |
| 2. Current service cost | **647** | 63 |
| 3. Interest expenses | **24,289** | 21,579 |
| 4. Payment of benefits in the year | **(20,659)** | (17,205) |
| 5. Actuarial (gains)/ losses recognized in liabilities | **28,253** | (55,614) |
| **6. Present value of liability at the end of the year** | **241,874** | 209,344 |
| **B -CHANGES IN FAIR VALUE OF PLAN ASSETS** | | |
| **1. Fair value of plan assets at beginning of year** | **256,280** | 280,695 |
| 2. Interest income: | **26,706** | 23,250 |
| 3. Payment of benefits in the year | **(20,659)** | (15,583) |
| 4. Actuarial gains (losses) recognized on plan assets | **1,898** | (32,081) |
| **5. Fair value of plan assets at end of year.** | **264,225** | 256,280 |
| **C EXPENSE – INCOMESTATEMENT FOR THE YEAR** | | |
| **1. Cost of services** | **(647)** | (63) |
| **2. Net interest (financial income)** | **(3,890)** | (2,750) |
| 3. Total expenses incurred (1+2) | **(4,537)** | (2,750) |
| **D – OTHER COMPREHENSIVE INCOME** | | |
| **1. Balance at beginning of year** | **2,070** | (6,787) |
| 2. Actuarial gain (loss) | **5,483** | 23,533 |
| 3. Effect of limit of assets | **6,848** | (14,675) |
| 5. Total remeasurement | **12,331** | 8,857 |
| **6. Balance at the end of the year** | **14,401** | 2,070 |
| **E - BALANCE SHEET** | | |
| 1. Fair value of assets | **264,225** | 256,280 |
| 2. Actuarial obligations | **(241,874)** | (209,344) |
| **3. Net position** | **22,350** | 46,935 |
| 4. Limit of asset (CGPC Resolution No. 26/2008) | **(70,084)** | (72,468) |
| **5. (Deficit) / surplus subject to recognition** | **(47,733)** | (25,533) |
| **F – NET VALUE RECOGNIZED IN THE BALANCE SHEET** | | |
| **1. Net position at the beginning of the prior year** | **46,935** | 20,173 |
| 2. Effect of limit of assets | **(72,468)** | (53,372) |
| **3. Balance subject to recognition at 12/31/of the prior year** | **(25,533)** | (33,199) |
| 4. Cost of services | **(647)** | (63) |
| 5. Net interest | **(3,890)** | 1,671 |
| 6. Actuarial differences | **(19,773)** | 23,533 |
| 7. Contribution (sponsor and participant) | **(275)** | 1,622 |
| **7. Net position at 12/31/2013** | **22,350** | 46,935 |
| 8. Effect of limit of assets | **(70,084)** | (72,468) |
| **9. Balance subject to recognition at 12/31** | **(47,733)** | (25,533) |

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

## 34.12 Changes in the limit of assets

Changes in the effect of ceiling on plans are as follows:

| | 12/31/2014 | 12/31/2013 |
|---|---|---|
| **1. Balance at 12/31/2013** | **72,468** | 53,372 |
| 2. Interest | **4,464** | 4,420 |
| 3. Variation | **(6,848)** | 14,676 |
| **4. Balance at 12/31/2014** | **70,084** | 72,468 |

## 34.13 Plan assets

The breakdown of plan assets is as follows:

| | BD-I | BD-II | Plano - R | Celpa OP |
|---|---|---|---|---|
| Government bonds | **95,535** | **46,550** | **6,215** | **31,932** |
| Corporate bonds | **40,260** | **19,245** | **2,757** | **47,006** |
| Shares | **-** | **-** | **45** | **475** |
| Investment funds | **7,709** | **4,381** | **4,185** | **43,506** |
| Real estate investments | **7,351** | **3,706** | **-** | **5,479** |
| Loans | **2,039** | **1,056** | **148** | **8,683** |
| **Total November 2014** | **152,894** | **74,938** | **13,350** | **137,081** |
| | | | | |
| Fair value valuation (1 month estimate) | **1,248** | **612** | **109** | **1,119** |
| Contributions received | **-** | **-** | **-** | **-** |
| Benefits paid (realized) | **(1,182)** | **(601)** | **(57)** | **(51)** |
| **Fair value – December 2014** | **152,960** | **74,949** | **13,401** | **138,149** |
| | | | | |
| Active participants reserve | | | | **(99,101)** |
| Vested participants reserve (RMF) | | | | **(15,241)** |
| Restatement | | | | **(891)** |
| | | | | |
| **Fair value of RMV assets** | | | | **22,916** |

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

The fair value of the CELPA OP asset plan is calculated by the difference between the total fair value of the plan assets less the defined contribution portion established in the plan (active and vested participants that opt for a monthly annuity).

The R Plan is exclusive to the Sponsors (Celpa, Cemat and Elétricas). The fair value of plan assets is comprised as follows:

To define the fair value of assets for each sponsor, the fair value is calculated proportionate to the related actuarial liabilities which in the case of Celpa are 30.69%.

### 34.14 Sensitivity analysis;

The sensitivity analysis of the discount rate in the net position of plans at December 31, 2013 is shown below, where two scenarios (+0.5% and -0.5%) are defined:

| | 2014 | | | |
|---|---|---|---|---|
| **Sensitivity analysis** | **Celpa BD-I** | **Celpa BD-II** | **Celpa R** | **Celpa OP** |
| Fair value of assets | 152,960 | 71,213 | 13,400 | 22,916 |
| Rate | 6.64% | 6.63% | 6.65% | 6.65% |
| Present value of liability | 111,978 | 53,896 | 21,751 | 8,084 |
| (Deficit)/ surplus | 40,983 | 17,316 | (8,351) | 14,832 |
| Variation | 4,356 | 2,061 | 1,147 | 365 |
| Rate | 5.64% | 5.63% | 5.65% | 5.65% |
| Present value of liability | 111,978 | 53,896 | 21,751 | 8,084 |
| (Deficit)/ surplus | 40,983 | 17,316 | (8,351) | 14,832 |
| Variation | 4,356 | 2,061 | 1,147 | 365 |

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

## 34.15 Sensitivity analysis (Continued)

Sensitivity analysis was also carried out for health plans not only for the discount rate but also for the medical cost rate in two scenarios ((+0,5% and -0,5%):

| | 2014 | | | |
|---|---|---|---|---|
| **Sensitivity analysis** | **CNU – Medical costs** | **CNU – Discount rate** | **Unimed – medical costs** | **Unimed – Discount rate** |
| Rate | 3.85% | 6.64% | 3.85% | 6.64% |
| Present value of liability | 13,212 | 11,261 | 1,021 | 904 |
| Variation | 715 | (1,235) | 17 | -99 |
| Rate | 2.85% | 5.64% | 2.85% | 5.64% |
| Present value of liability | 11,840 | 13,937 | 947 | 1,071 |
| Variation | (657) | 1.440 | (57) | 69 |

Sensitivity test tables used considering a variation of 10% are as follows:

| | 2014 | | | |
|---|---|---|---|---|
| **Sensitivity analysis** | **Celpa BD-I** | **Celpa BD-II** | **CELPA R** | **CELPA OP** |
| Fair value of assets | 152,960 | 71,213 | 13,400 | 22,916 |
| Present value of liability | 119,476 | 57,592 | 22,467 | 8,611 |
| (Deficit)/ surplus | 33,484 | 13,621 | (9,067) | 14,305 |
| Variation | (3,142) | (1,634) | 431 | (154) |

| | 2014 | |
|---|---|---|
| **Sensitivity analysis** | **CNU** | **Unimed** |
| Present value of liability | - | - |
| Variation | (1,440) | (1,072) |

(In thousands of reais, unless otherwise stated)

# 34 Private pension entity (Continued)

## 34.16 Maturity profile of defined benefit obligation

| | Celpa BD-I | Celpa BD-II |
|---|---|---|
| 1. Expected payments of benefits in 2015 | **11,211** | **5,659** |
| 2. Expected payments of benefits in 2016 | **11,211** | **5,659** |
| 3. Expected payments of benefits in 2017 | **11,211** | **5,659** |
| 4. Expected payments of benefits in 2018 | **11,211** | **5,659** |
| 5. Expected payments of benefits in 2019 | **11,166** | **5,624** |
| 6. Expected payment of benefits between 2020 and 2030 | **60,309** | **27,132** |

## 34.17 Expenses and future cash flows:

| **Estimated cash flow for 2015** | BD - I | BD - II | R | OP | CNU | Unimed |
|---|---|---|---|---|---|---|
| 1. Contributions from the sponsor | - | - | - | - | - | - |
| 2. Contributions from employees | - | - | - | - | - | - |
| 3. Benefits paid | 11,211 | 5,659 | 1,745 | 1,398 | - | - |
| | | | | | - | |

| **Estimated expense for 2015** | BD - I | BD - II | R | OP | CNU | Unimed |
|---|---|---|---|---|---|---|
| 1. Current service cost | - | 38 | - | - | 830 | 110 |
| 4. Contributions from employees | - | - | - | - | - | - |
| **5. Total service costs** | - | 38 | - | - | 830 | 110 |
| 4. Interest cost | (12,103) | (5,802) | (2,409) | (849) | (1,364) | (107) |
| 5. Return on asset | 16,101 | 7,873 | 1,371 | 2,430 | - | - |
| 6. Interest on limit | (3,998) | (2,071) | - | (1,581) | - | - |
| **7. Net interest** | - | - | (1,038) | - | (1,364) | (107) |

# 35 Financial instruments

### *a. General considerations:*

In compliance with CVM Rule No. 604 of November 19, 2009, which approved Accounting Pronouncements CPC 38, 39 and 40, the Company and its subsidiaries carried out an assessment of their financial instruments, as follows: cash and cash equivalents, trade accounts receivable, concession-related financial assets, trade accounts payable, loans and financing, debentures and derivatives, with due adjustment in the accounting thereof, as applicable.

These instruments are managed through operational strategies and internal control intended for liquidity, profitability, and safety. Control policy consists of permanent monitoring of contracted conditions versus current market conditions.

Management uses financial instruments with a view to deriving high yields on its cash and cash equivalents, maintaining liquidity of its assets, hedging against changes in interest or exchange rates and complying with the ratios established in its financing contracts (*covenants*).

### *b. Policy on use of derivatives*

Equatorial uses derivatives only to hedge against changes in macroeconomic indices and in exchange rates, by means of swap transactions.

At present, Equatorial has two swap transactions, one with BTG Pactual and the other with its direct subsidiary CELPA.

(In thousands of reais, unless otherwise stated)

## 35 Derivative financial instruments (Continued)

### *c. Fair value of financial instruments (Consolidated)*

Pursuant to CVM Rule No. 475, the book value and the market value of financial instruments included in the balance sheet at December 31, 2014 and December 31, 2013, are set out as follows:

| | **Consolidated** | | | |
|---|---|---|---|---|
| | **12/31/2014** | | **12/31/2013** | |
| Assets | **Book value** | **Fair value** | **Book value** | **Fair value** |
| Cash and cash equivalents | **280,098** | **280,098** | 350,885 | 350,885 |
| Short-term investments | **1,683,565** | **1,683,565** | 1,262,132 | 1,262,132 |
| Trade accounts receivable; | **1,574,745** | **1,550,269** | 1,006,085 | 1,006,085 |
| Concession-related financial asset | **1,565,973** | **1,565,973** | 1,195,743 | 1,195,743 |
| Judicial deposits | **156,193** | **156,054** | 139,559 | 139,559 |
| CCC subrogation - amounts invested | **113,255** | **113,255** | 185,689 | 185,689 |
| Derivative financial instruments | **73,413** | **73,413** | 4,519 | 4,519 |
| Total assets | **5,447,242** | **5,422,627** | 4,144,612 | 4,144,612 |

| | **12/31/2014** | | **12/31/2013** | |
|---|---|---|---|---|
| Liabilities | **Book value** | **Fair value** | **Book value** | **Fair value** |
| Trade accounts payable | **1,139,843** | **1,139,843** | 674,714 | 674,714 |
| Loans and financing | **3,857,609** | **3,857,609** | 2,925,578 | 2,925,578 |
| Debentures | **517,284** | **507,628** | 300,059 | 304,541 |
| Total liabilities | **5,514,736** | **5,505,080** | 3,900,351 | 3,904,833 |

## 35 Derivative financial instruments (Continued)

### *c. Fair value of financial instruments (Consolidated) - (Continued)*

- **Short-term investments –** these are classified at fair value through profit or loss. The hierarchy of fair value of short-term investments is 1.

- **Trade accounts receivable –** these result directly from Company operations, are classified as receivables and recorded at their original amounts, subject to the provision for losses and present value adjustment, as applicable.

- **Concession financial assets** – these are classified as loans and receivables and recorded at their original amounts, subject to provision for losses and present value adjustment, as applicable.

- **Trade accounts payable** - these arise directly from Company operations and are classified as financial liabilities not measured at fair value.

- **Loans and financing** - loans and financing are intended to generate funds to finance the Company's investment programs and manage any short-term cash needs. They are classified as financial liabilities not measured at fair value and are recorded at their amortized amounts.

- ***Debentures*** - are classified as financial liabilities not measured at fair value and are recorded at their amortized amount.

- **Derivative financial instruments –** are classified at fair value through profit or loss and are intended to hedge against changes in interest rates and exchange rates. For swap transactions, market value was determined using market information available.

## 35 Derivative financial instruments (Continued)

### *d. Cash and cash equivalents*

The Company's cash equivalents are highly liquid financial instruments whose market value reflects the amount recorded in the balance sheet. They comprise cash available and short-term investments.

The Company holds cash equivalents in order to meet its short-term cash commitments.

The Company's financial investments are made within short term and are highly liquid. They are also convertible into a known cash amount and indexed to CDI, which is considered a risk-free rate. Accordingly, all of the Company's short-term investments are classified as cash equivalents.

### *e. Risk factors - CVM Rule No. 475*

For being a holding company, the Company's main risks relate to the performance of its subsidiaries and jointly-controlled subsidiary. According to CVM Rule No. 475, the risk factors are set out below:

- **Credit risk -** The high balances as well as aging of receivables from customers represent a risk for Company liquidity and its capital structure. Management monitors outstanding balances and to mitigate the risk of default. The Company uses all collection tools allowed by the regulatory body, such as supply interruption upon consumer default, settlement of debts and renegotiation of debts. In order to mitigate the risk of financial institutions with which the Company maintains cash deposits or financial investments, the Company selects only low-risk institutions, as assessed by rating agencies. The Company maintains its concession assets in accordance with ruling legislation and monitors possible definitions in the concession assets return rules.

- **Liquidity risk –** The liquidity risk evidences the Company's capacity of settling liabilities assumed**.** To determine the Company's financial capacity of adequately meeting the commitments assumed, the maturity schedule of funds raised and of other liabilities is part of the disclosures. Detailed information about loans and financing raised by the Company is presented in Notes 19 and 20.

## 35 Derivative financial instruments (Continued)

### *e. Risk factors - CVM Rule No. 475* *(Continued)*

The Company has obtained funds from its commercial and financial activities, allocating them mainly to its investment program and cash management for working capital and financial commitment purposes.

Short-term investment management focuses on short-term instruments, in order to maximize liquidity and allow cash outlays.

The Company's cash generation and the low volatility in the monthly receipts and payment obligations along the year allow stability to the Company in its flows, thus reducing its liquidity risk.

- **Market risk** - The market risks relate to fluctuations in interest rates, debt indices and exchange rates, further comprising indebtedness limits defined in contracts, and noncompliance therewith may entail accelerated maturity**.**

- **Currency risk -** This risk arises from the possibility of the Company to incur losses due to changes in exchange rates. Subsidiary CEMAR's current exposure to exchange rates is 0.4% of its debt. Subsidiary CEMAR continually monitors exchange rates and market interest rates in order to evaluate the need for using derivatives to hedge against the risk of volatility of these rates.

A debt sensitivity analysis was carried out considering five scenarios, in accordance with CVM Rule No. 475: One scenario with actual rates at December 31, 2014 (Probable Scenario) plus two scenarios with 25% increase (Scenario II) and 50% increase (Scenario III) in the benchmark exchange rate.

(In thousands of reais, unless otherwise stated)

## 35 Derivative financial instruments (Continued)

### *e. Risk factors - CVM Rule No. 475 (Continued)*

The Company further included two scenarios, as opposed to the effect described in CVM Rule, namely 25% decrease (Scenario IV) and 50% decrease (Scenario V) in the benchmark exchange rate.

**Fair value or cash flow interest rate risk related to interest rate** — **R$ Th**

| Transaction | Risk | Probable scenario | Scenario II + 25% | Scenario III + 50% | Scenario IV - 25% | Scenario V - 50% |
|---|---|---|---|---|---|---|
| **PASSIVOS FINANCEIROS** | | | | | | |
| Loans, financing and debentures | USD | (78,693) | (326,006) | (573,319) | 168,619 | 415,932 |

| Reference for FINANCIAL LIABILITIES | Rate at 12/31/2014 | +25% | +50% | -25% | -50% |
|---|---|---|---|---|---|
| Dollar USD/R$ | 2.66 | 3.32 | 3.98 | 1.99 | 1.33 |

- **Accelerated maturity risk -** Subsidiary CEMAR has loan and financing agreements and debentures with *covenants*, which in general require compliance with certain levels of economic and financial ratios. Failure to comply with these ratios may entail accelerated debt maturity. Management monitors its positions, as well as projects its future indebtedness to take preventative measures in relation to the indebtedness limits.

- **Cash flow or fair value risk related to interest rate -** Changes in interest rates affect the Company's financial assets and liabilities. The Company sets out below the impact of these variations on return on financial investments and indebtedness in local currency.

A sensitivity analysis was carried out for subsidiary CEMAR's financial assets and liabilities considering five scenarios.

In accordance with CVM Rule No. 475, the Company considered a scenario with actual rates at December 31, 2014 (Probable Scenario) plus two scenarios with 25% increase (Scenario II) and 50% (Scenario III) in the indices.

The Company further included two scenarios, as opposed to the effect described in CVM Rule, namely 25% decrease (Scenario IV) and 50% decrease (Scenario V) in the benchmark exchange rate.

# 35 Financial instruments (Continued)

## *e. Risk factors - CVM Rule No. 475* (Continued)

| **Fair value or cash flow interest rate risk related to interest rate** | | | | | | **In thousands of R$** |
|---|---|---|---|---|---|---|
| **Transaction** | **Risk** | **Probable scenario** | **Scenario II + 25%** | **Scenario III + 50%** | **Scenario IV - 25%** | **Scenario V - 50%** |
| **FINANCIAL ASSETS** | | | | | | |
| **Short-term investments** | **CDI** | **113,481** | **141,851** | **170,222** | **85,111** | **56,741** |
| **FINANCIAL LIABILITIES** | | | | | | |
| Loans, financing and debentures | CDI | (67,013) | (77,641) | (88,268) | (56,385) | (45,758) |
| | TJLP | (31,788) | (36,686) | (41,584) | (26,889) | (21,991) |
| | IGP-M | (21,001) | (24,358) | (27,715) | (17,643) | (14,286) |
| | IPCA | (25,021) | (28,236) | (31,452) | (21,806) | (18,590) |

| **Reference for FINANCIAL ASSETS and LIABILITIES** | **Rate at 12/31/2014** | **+25%** | **+50%** | **-25%** | **-50%** |
|---|---|---|---|---|---|
| CDI (% 12 months) | 10.81 | 13.52 | 16.22 | 8.11 | 5.41 |
| TJLP (% 12 months) | 5.00 | 6.25 | 7.50 | 3.75 | 2.50 |
| IGP-M (% 12 months) | 3.69 | 4.61 | 5.53 | 2.76 | 1.84 |
| IPCA (% 12 months) | 6.41 | 8.01 | 9.61 | 4.81 | 3.20 |

The impact of the sensitivity analysis on P&L and equity of subsidiary CEMAR is as follows:

| **Impact of sensitivity on P&L and equity** | | **In thousands of R$** |
|---|---|---|
| **Scenarios** | **Impact on P&L** | **Impact on profit** |
| Probable scenario | - | - |
| Scenario II | (63,134) | (63,134) |
| Scenario III | (126,269) | (126,269) |
| Scenario IV | 63,134 | 63,134 |
| Scenario V | 126,269 | 126,269 |

(In thousands of reais, unless otherwise stated)

# 35 Financial instruments (Continued)

## *e. Risk factors - CVM Rule No. 475* (Continued)

The impact of the sensitivity analysis on P&L and equity of subsidiary CELPA is as follows:

**Impact of sensitivity on P&L and equity**

| Scenarios | P&L for the year | Equity |
|---|---|---|
| Probable scenario | - | - |
| Scenario II | (204,695) | (148,915) |
| Scenario III | (389,746) | (290,017) |
| Scenario IV | 165,409 | 197,529 |
| Scenario V | 350,460 | 426,530 |

Pursuant to CPC 40, Company derivative financial instruments in force at December 31, 2014 and 2013 are summarized as follows:

Consolidated derivative instruments:

| **Liability transactions** | | **Fair value** |
|---|---|---|
| **Market risk hedging purpose (a)** | **Index** | **12/31/2014** |
| **Swap ITAÚ** | | |
| Long position | US dollar | **47,093** |
| Short position | CDI | **(15,291)** |
| **Total** | | **31,802** |

## 35 Financial instruments (Continued)

### *e. Risk factors - CVM Rule No. 475* (Continued)

- **Energy Shortage Risk -** The Brazilian Power System is primarily supplied by hydroelectric power generation. A long period of draught during the wet season will reduce the volume of water in the power plants' reservoirs, resulting in an increased acquisition cost of energy in the spot market and in increased System Charges due the output of thermal power plants. Ultimately, a rationing program may be adopted, which would imply in a decrease in revenue. However, given current levels of the reservoirs and the latest simulations performed, the National Electric System Operator (ONS) does not expect a new rationing program for the coming years.

The Company and its subsidiaries manage their capital so as to maximize return for investors by leveraging the indebtedness and equity levels, seeking to achieve an efficient capital structure, and maintaining indebtedness and debt coverage ratios at levels that maximize return on capital for investors and ensure liquidity for the Company.

Capital management is based on monitoring of three financial indices, and establishes maximum limits that do not affect the Group's operations:

- Net Debt / EBITDA.;
- Net debt / (net debt + equity);
- Short-term debt / total debt.

(In thousands of reais, unless otherwise stated)

## 36 Commitments

Commitments related to long-term power purchase agreements of subsidiaries CEMAR and CELPA are as follows:

- **CEMAR:**

| | Effective period | 2014 | 2015 | 2016 | 2017 | 2018 | From 2018 onwards |
|---|---|---|---|---|---|---|---|
| Contracted energy | 2014 to 2032 | 835,204 | 975,616 | 1,242,714 | 1,325,413 | 1,373,085 | 39,585,824 |

- **CELPA:**

| | Effective period | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | After 2018 onwards |
|---|---|---|---|---|---|---|---|---|
| Contracted energy | 2011 to 2042 | 1,197,971 | 1,689,866 | 1,799,174 | 2,154,465 | 2,559,633 | 2,569,942 | 55,487,771 |

Amounts related to energy purchase agreements effective for 6 to 30 years represent the total volume purchased for the restated price, according to CCEAR clause, and were approved by ANEEL.

(In thousands of reais, unless otherwise stated)

## 37 Business segment

The Company’s operating segments are internally organized, mainly as a legal entity. The Company grouped operating segments as follows: Distribution, Services, Sale and central Management, among others.

The Company analyzes segment performance and allocates funds based on several factors, of which revenues and operating income are significant financial factors.

| | **Distribution** | | **Services / Sale** | | **Central Management and other** | | **Eliminations and adjustments** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** | **12/31/2014** | **12/31/2013** |
| Operational assets | **10,648,392** | 8,161,786 | **93,685** | 53,733 | **3,000,100** | 2,390,880 | **(2,505,156)** | (1,502,902) | **11,237,021** | 9,103,497 |
| Operational liabilities | **8,588,038** | 6,709,851 | **52,220** | 29,615 | **68,384** | 36,709 | **(1,012,495)** | (520,323) | **7,696,147** | 6,255,852 |
| | **12/31/2014** | 12/31/2013 | **12/31/2014** | 12/31/2013 | **12/31/2014** | 12/31/2013 | **12/31/2014** | 12/31/2013 | **12/31/2014** | 12/31/2013 |
| Net revenue | **6,471,396** | 4,463,768 | **302,057** | 250,406 | **-** | 862 | **-** | - | **6,773,453** | 4,715,036 |
| Cost of services | **(4,184,954)** | (3,448,215) | **(258,059)** | (224,679) | **-** | - | **-** | - | **(4,443,013)** | (3,672,894) |
| Gross profit | **2,286,442** | 1,015,553 | **43,998** | 25,727 | **-** | 862 | **-** | - | **2,330,440** | 1,042,142 |
| Selling expenses | **(266,857)** | (248,717) | **-** | - | **-** | - | **-** | - | **(266,857)** | (248,717) |
| General and administrative expenses | **(1,129,155)** | (469,754) | **(8,083)** | (9,794) | **(24,804)** | (37,547) | **(1,309)** | - | **(1,163,350)** | (517,095) |
| Equity pickup | **-** | - | **-** | - | **585,144** | 45,151 | **(561,421)** | (28,304) | **23,723** | 16,847 |
| Goodwill amortization | **-** | - | **-** | - | **(1,116)** | (4,612) | **-** | - | **(1,116)** | (4,612) |
| | **890,430** | 297,082 | **35,915** | 15,933 | **559,224** | 3,854 | **(562,730)** | (28,304) | **922,840** | 288,565 |
| Financial income | **864,121** | 400,345 | **4,328** | 1,314 | **83,573** | 87,127 | **(49,898)** | (15,405) | **902,124** | 473,381 |
| Financial expense | **(1,161,420)** | (696,786) | **(253)** | (527) | **(1,257)** | (10,571) | **49,898** | 15,405 | **(1,113,032)** | (692,479) |
| Income before income taxes | **593,131** | 641 | **39,990** | 16,720 | **641,540** | 80,410 | **(562,730)** | (28,304) | **711,932** | 69,467 |
| Income and social contribution taxes | **86,769** | 27,134 | **(14,554)** | (6,311) | **(3,784)** | (11,773) | **199** | - | **68,630** | 9,050 |
| Income (loss) before noncontrolling interests | **679,900** | 27,775 | **25,436** | 10,409 | **637,756** | 68,637 | **(562,531)** | (28,304) | **780,562** | 78,517 |
| Attributable to controlling interests | **-** | - | **(12,881)** | (5,037) | **-** | - | **(129,925)** | (4,843) | **(142,806)** | (9,880) |
| Net income (loss) for the year by segment | **679,900** | 27,775 | **12,555** | 5,372 | **637,756** | 68,637 | **(692,456)** | (33,147) | **637,756** | 68,637 |

(Em milhares de Reais, exceto quando especificado)

## 38 Insurance coverage

Specification by risk type and validity of the main insurance policies taken out by Equatorial and subsidiary CEMAR are as follows:

- **EQUATORIAL:**

| Risks | Maturity of policies | Amount insured |
|---|---|---|
| D&O - General | 11/29/2015 | 30,000 |
| Corporate – Office | 04/22/2015 | 1,580 |

- **CEMAR:**

Specification by risk type and validity of the main insurance policies taken out by the Company are as follows:

| Risks | Maturity of policies | Amount insured |
|---|---|---|
| Operational risks | 01/01/2016 | 190,316 |
| General civil liability - Operations | 01/01/2016 | 7,000 |
| Judicial guarantee insurance | (a) | 19,155 |
| Energy auction guarantee | (b) | 592 |
| Automobile | 31/01/2015 | (c) |

(a) 38 policies with expiration dates between January 2015 and June 2016.
(b) 3 policies with expiration dates between August 2015 to November 2015.
(b) 112 insured vehicles.

The Company's policy is to take out insurance on assets subject to risks at amounts deemed sufficient to cover any losses, considering the nature of its operations. Insurance is taken out considering the risk management precepts and insurance policies usually used by electric energy distribution companies. Given their nature, the risk assumptions adopted are not part of the scope of an audit of financial statements; accordingly, they were not audited by the independent auditor.

(Em milhares de Reais, exceto quando especificado)

## 38 Insurance coverage (Continued)

- **CELPA:**

Specification by risk type and validity of the main insurance policies taken out by the Company are as follows:

| Insurance line | Maturity of policies | Sum insured |
|---|---|---|
| General civil liability - Operations | 12/31/2015 | 7,000 |
| Operational risks | 12/31/2015 | 346,721 |
| Vehicle (a) | 12/30/2015 | - |

## 39 Subsequent events

On January 29, 2015, subsidiary CELPA renegotiated two loans in foreign currency pegged to swap operations with Citibank in the amounts of US$76,502 and US$35,971, maturing in November 2015. These operations were replaced by a single operation amounting to US$112,473, equivalent to R$293,613, maturing in February 2018.

**Board of Directors**

Alessandro Monteiro Morgado Horta

Eduardo Saggioro

Carlos Augusto Leone Piani

Celso Fernandez Quintella

Firmino Ferreira Sampaio Neto

Gilberto Sayão da Silva

Paulo Jerônimo Bandeira de Mello Pedrosa

**Supervisory Board**

**Members**

Felipe Sousa Bittencourt

Paulo Roberto Franceschi

Sergio Passos Ribeiro

**Executive Board**

Ana Marta Horta Veloso
Executive director

Eduardo Haiama
Chief Financial and Investor Relations Officer

Firmino Ferreira Sampaio Neto
CEO

Tinn Freire Amado
Executive Director

Felipe Oppenheimer Pitanga Borges
Executive Director

Luiz Otávio Bianchini Laydner
Executive Director

Augusto Miranda da Paz Júnior
Executive Director

**Geovane Ximenes de Lira**
**Accounting and Tax Manager**
**Accountant**
**CRC PE 012996-O-S-MA**

# Management Report

The management of Equatorial Energia S.A., in compliance with legal provisions and in accordance with applicable corporate law, presents below its Management Report, its individual and consolidated financial statements, the accompanying notes thereto, and the independent auditor's report, for the years ended December 31, 2013 and 2014. The Company's non-financial information and that of its subsidiaries, related to; the "*Luz para Todos*" program, the Social Action Report, as well as information relating to management's projections on the future performance of the Company and its subsidiaries were not reviewed by independent auditors.

## 01. Company profile

Overview

Equatorial Energia is a holding company operating in the energy sector.

In the distribution segment Equatorial Energia controls *Companhia Energética do Maranhão* (CEMAR), the sole concession operator in the State of Maranhão, which has a 332 thousand km2 area of operations - approximately 3.9% of Brazilian territory – with approximately 6.5 million inhabitants - or 3.3% of Brazil's population. In the same sector, the Company controls *Centrais Elétricas do Pará* (CELPA), the sole concession operator in the State of Pará which has a 1,248 km2 area of operation - approximately 6.3% of Brazilian territory - and serves approximately 7.6 million inhabitants - or 4% of Brazil's population.

In the generation segment Equatorial holds a 25% interest in *Geramar,* a company responsible for the operation of two thermoelectric power plants located in Maranhão, with a joint installed capacity of 330MW, which has been in commercial operation since the first quarter of 2010.

In the marketing segment, Equatorial has held indirectly, through its subsidiary *Equatorial Soluções S.A,* a 51% interest in *Sol Energias*, an energy trading company and developer of new products and services, since November 2011.

In November 2012, Equatorial acquired a controlling interest in *Centrais Elétricas do Pará S.A.* (CELPA) a company undergoing in-court reorganization, the in-court reorganization plan for which was approved in September 2012. In December, Equatorial increased capital at CELPA by R$ 351 million.

In December 2012, Equatorial concluded its capital increase (follow on) operation in the market, through which it raised just over R$ 1.1 billion, net.

- The total volume of energy billed by CEMAR grew 7.9% in 2014 year-on-year. The total volume distributed by CELPA (captive and free markets) grew 11.7% in the period.
- Net operating income (NOI) 2014 reached R$ 6,773 million, up 43.7% year-on-year, reflecting the accounting of net regulatory assets and the growth of consolidated construction revenue.
- In 2014, EBITDA totaled R$ 1,299 million, a 121% increase year-on-year.
- In 2014, net income totaled R$ 638 million compared with R$ 69 million reported in 2013.
- In 2014, Equatorial's consolidated investment totaled R$ 1,308 million, including investments made through the *Programa Luz Para Todos*.
- At the end of 2014, CEMAR's Equivalent Outage Duration per Consumer Unit (DEC) and Equivalent Outage Frequency per Consumer Unit (FEC) indices (accumulated - last 12 months) were 17 hours, an improvement of 10.2%, or 11 outages, 1.1% lower than the rates reported at the end of 2013. At CELPA, those same indicators ended the year showing improvements of 33.4% and 21.1%, respectively.
- At CEMAR, energy losses in the 12 months of 2014, accounted for 17.6% of energy required, down 1.6% from the 19.2% recorded in 2013. At CELPA, total losses ended the year at 31.2% of energy required, an increase of 4.3 percentage points compared to the 35.5% recorded in 2013.
- Management proposed the distribution of R$ 152,804 thousand in dividends, which includes R$ 59,534 thousand in interest on equity reported by the Company on December 19, 2014. The total amount to be distributed is R$ 0.77 per share.

## 3. Message from CEO

2014 was a year of consolidation in results for Equatorial Energia. Two years have passed since our acquisition of control over CELPA, a distributor that supplies the entire state of Pará, where we have achieved a significant improvement in quality indicators. At CEMAR, where we have concluded 10 years of management, we continue investing in order to serve the strong growth in the consumer market while maintaining excellent levels of quality indicators and broadening access to electric energy.

From a financial point of view, we continue the trend in recovery of CELPA results, which impacts on Equatorial's consolidated results and we have achieved the milestones of R$ 1,299 million in EBITDA and R$ 638 million in net income for the year.

Both CEMAR and CELPA continued to make high levels of investment in 2014, R$ 1,308 million consolidated in the year, focusing on expansion and maintenance of their distribution networks, and improving the quality of supply.

This high level of investment allowed the CEMAR to maintain its excellent DEC and FEC levels throughout 2014, where even despite the strong growth of its consumer market, DEC and FEC closed the year at 17 hours and 11 outages, respectively. At CELPA, the indicators also significantly improved with DEC reaching 49 hours (a 33.4% improvement) and FEC reaching 30 outages (a 21.1% improvement).

Another highlight is the continued success of the program to reduce losses at CEMAR which lowered its total losses by 1.6 percentage points this year. Over recent years the reduction has been even greater. We ended 2008 with losses of 28.9%, falling to 17.6% at the end of 2014. CELPA consolidated this trend in 2014 with a fall in its energy losses in the last quarter of 2013, which accounted for 31.2% of energy required, down 5.3 percentage points from the highest point in the previous year.

We still have a long way to go to recover the operating and financial indicators at CELPA, but, based on the results obtained in 2014 we are optimistic that we are on the right path. At CEMAR, we seek productivity improvements through efficient cost control and excellence in internal processes.

We thank all our employees, shareholders, suppliers and partners for their support and trust over the years.

Firmino Ferreira Sampaio Neto

Chief Executive Officer

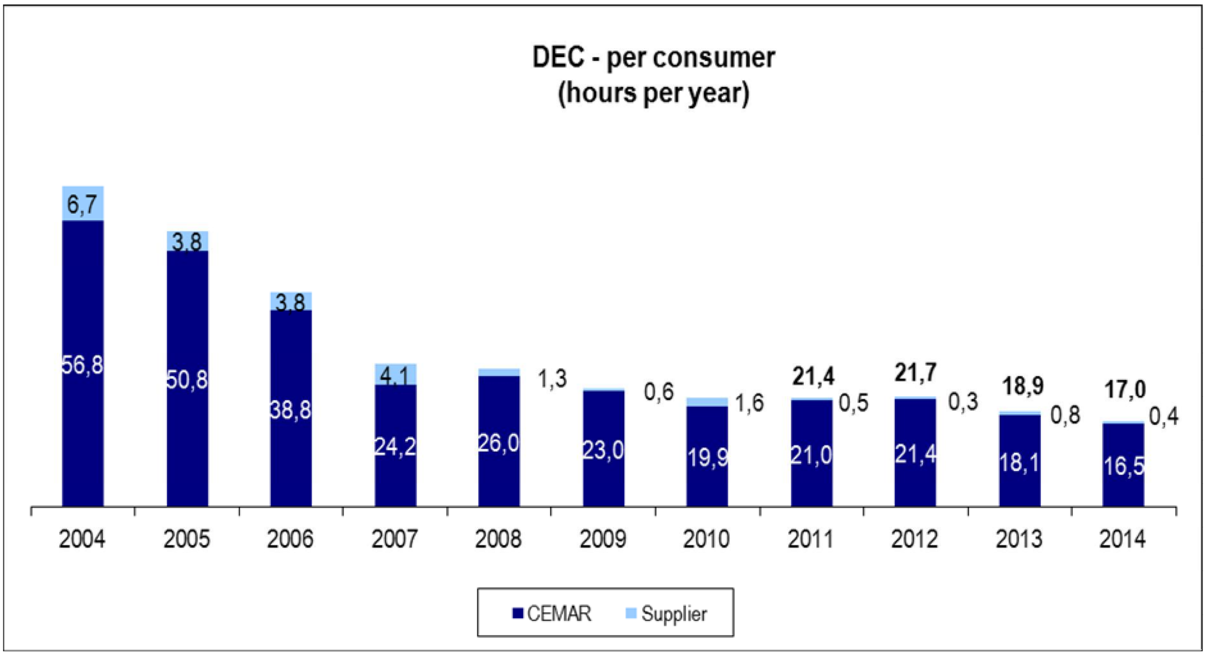
## 4.1 Quality

# CEMAR

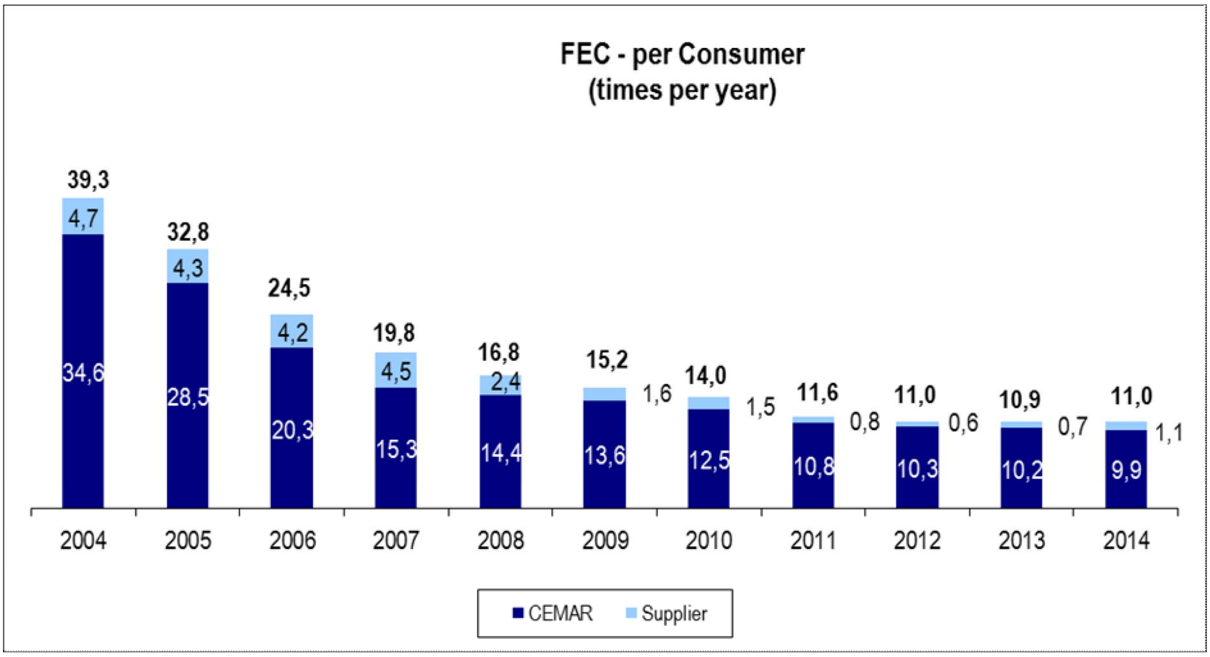
### DEC and FEC

Over the past few years, CEMAR showed significant improvement in the technical quality of its service, significantly reducing the duration and frequency of outages in energy supply.

In 2014, the DEC for the Company (which measures the average duration of outages in hours per consumer per period) decreased by 10.2% year-on-year, to 17 hours. When compared to the 2004 index, this improvement equates to 73.2%.




The FEC index which measures the number of outages per consumer per period, increased by 1.1% year-on-year, at 11 outages. However, if we exclude the distributor's index, we see that CEMAR's FEC fell from 10.2 outages in 2013 to 9.9 in 2014. In relation to 2004, this equates to a 72% fall.




## CELPA

DEC and FEC

| Indicators | 2014 | 2013 | Variation % |
|---|---|---|---|
| DEC | 48.96 | 73.47 | -33.4% |
| FEC | 29.97 | 37.99 | -21.1% |

The DEC quality indicator decreased by 33.4% year-on-year, while the FEC decreased by 21.1%. This significant difference was the result of the implementation of a new management model that established a greater urgency in work based on results, the setting goals and challenges, which motivated employees from all areas of the company.

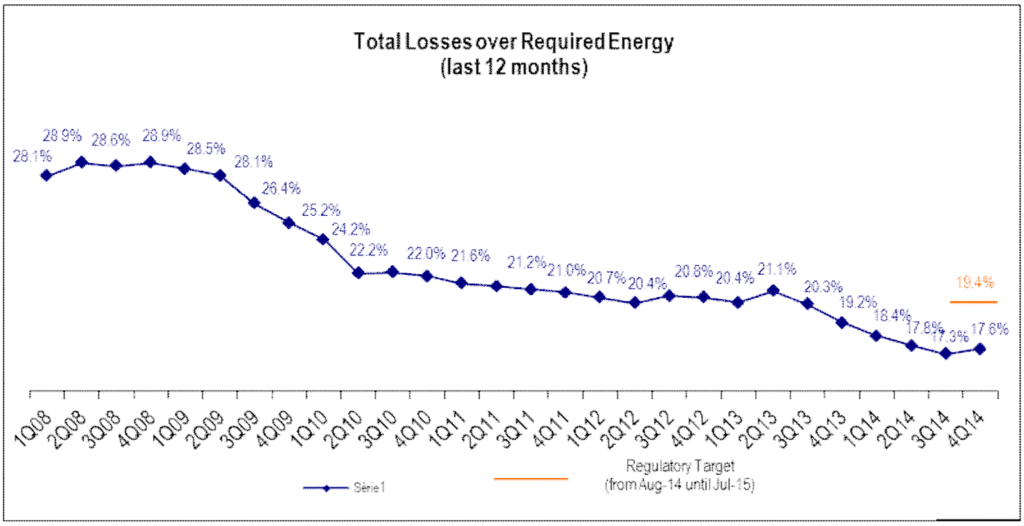
4.2 Loss Prevention

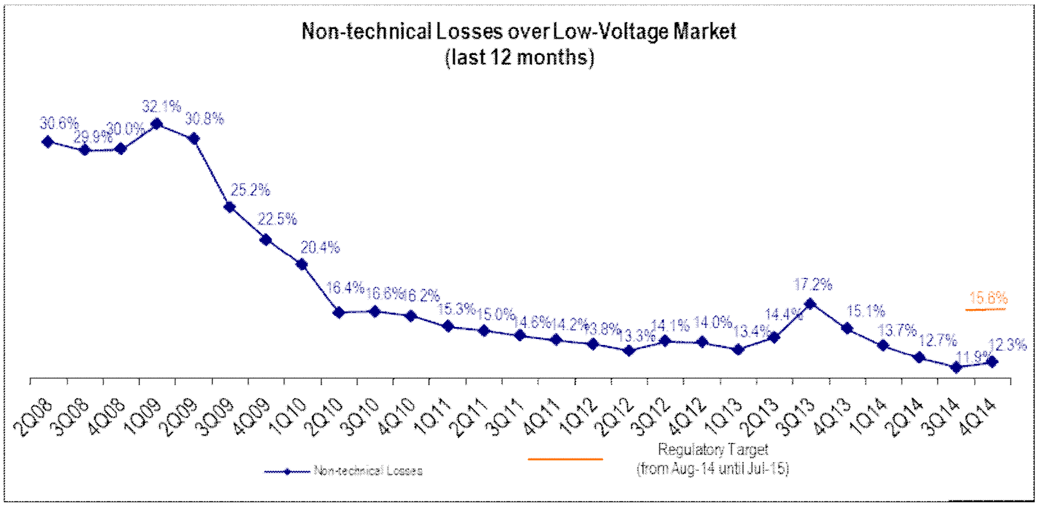
## CEMAR

In 2008, the restructuring of Loss Prevention Management was essential to the review processes, from the selection of personnel, training, the adequacy of internal procedures (compliance with regulatory and legal standards) to the standardization of activities and customer relations. This transformation and the creation of the Loss Prevention Committee, where all those involved in the process were held accountable for their activities in weekly meetings resulted in an 11.3% reduction in accumulated losses, in the period from the beginning of 2008 (when the loss prevention project began) to December 2014.

In 2014, the Loss Prevention Strategy continued, achieving a rate of 17.6% in overall losses, year-on-year a 1.6% improvement. In terms of non-technical losses in the low voltage market, CEMAR achieved 12.3% in 2014, a 2.8% improvement year-on-year.

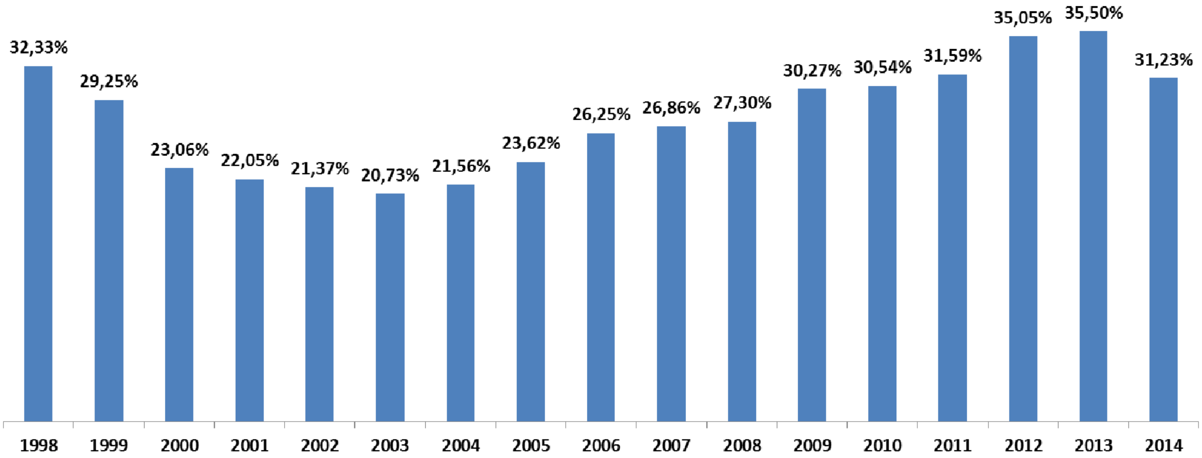
The amount of electricity required by CEMAR's system reached 6.936 GWh and billing increased to 5.713 GWh, an increase of 5.9% and 7.9%, respectively, year-on-year. Energy losses recorded by the Company in 2013 totaled 1.223 GWh.






## CELPA

Calculated by the difference between the consumption and the energy required, the total losses in 2014 were 3.693 GWh, which corresponds to 31.23%, or 4.27% lower, year-on-year.




Indices calculated from the billed market (wire)

After the establishment of the Electric Energy Loss Prevention Program in 2013, based on the successful experience of CEMAR, and using the stratification of the Preliminary Loss Matrix, CELPA directed its focus in 2014 on the implementation of structural activities, some of which are listed below:

- Training of inspection teams;
- Selecting teams for supervision and inspection from Group A units;
- Updating the Group A inspection team fleet of vehicles;
- Improvement of controls and activities to reduce costs;
- Reformulation of loss prevention in the Centralized Measurement System (SMC);
- Hiring teams to replace the CP-REDE with the conventional model;

- Creation of a special task force focusing on large Group B customers ;
- Implementation of CELPA leaders structure for shared management of the partner teams;
- Implementation of a measurement function;
- Strengthening of management and analysis area;
- Creation of bonus related goals shared with partner companies;
- Loss prevention in areas once abandoned by CELPA.

The activities implemented in 2014 were prepared from three documents. The first the Loss Prevention Master Plan establishes guidelines and activities under the CELPA concession, clearly defining the activities for each of the regions in relation to loss recovery potential and the characteristics of each region. The second, the General Loss Prevention Plan describes the general activities of the Master Plan for Non-Technical Loss Prevention representing macro activities and the consolidation of procedures performed by the regions. Finally, the Regional Loss Prevention Plan describes in operational terms the progress of each specific action contained in the General Plan.

The result of loss prevention activities in 2014 are as follows:

- Regulation of 52,299 customers in the Gambiarra area which required extension of medium and low voltage networks;
- Inspection and supervision of 5,413 medium and high voltage customers;
- Installation of 1,695 remote metering equipment for medium voltage customers to allow the real-time monitoring of unit consumption and demand, as well as the diagnosis of any irregularities in the measurement system;
- Re-registration of the Public Lighting (IP) in143 municipalities;
- Inspection and supervision of 287,861 low voltage customers;
- Regulation of 35,568 formerly unmetered customers in areas served by power grid;
- Regulation of 35,492 formerly disconnected customers – with irregularities in self metering;
- Regulation of 7,266 direct connection customers - with respective meter installation;
- Regulation of 88,802 customers with minimum billing amounts.

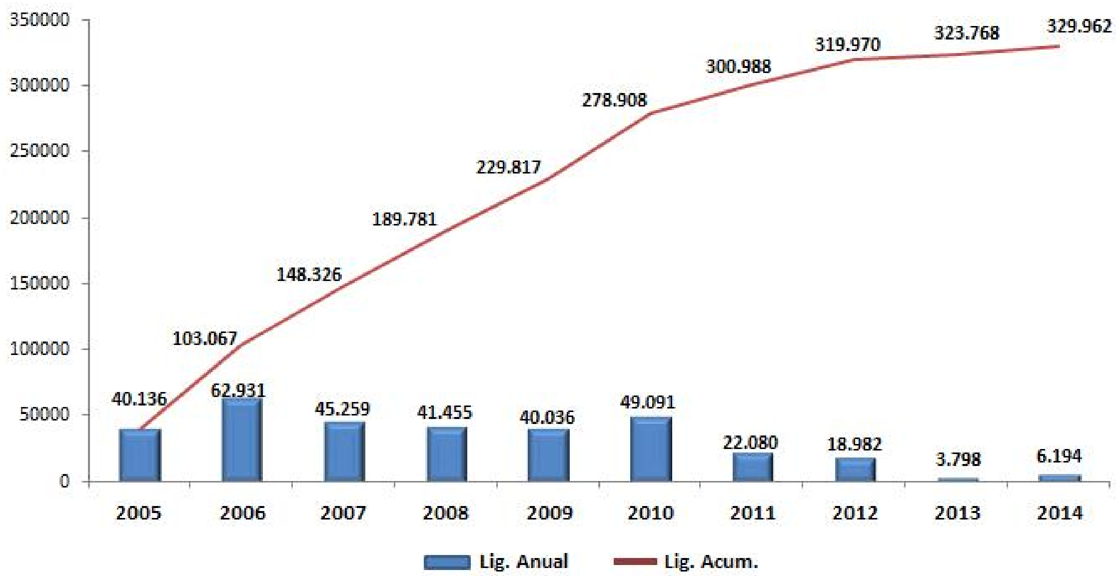
The loss ratio, as planned, showed a sustainable fall during 2014 demonstrating the efficiency and adherence to the model applied.

## CEMAR

Launched in 2004 by the Federal Government, the “Programa Nacional de Universalização do Acesso e Uso da Energia Elétrica - Luz para Todos (PLPT)" ("National Program for Universal Access and Use of Electric Power - Light for All") intends to bring electric energy to the population of rural areas, in order to stimulate the socio-economic development of these regions which, generally, have low Human Development Index scores.

CEMAR has the role of executing agent of the Maranhão program. The State has the fourth largest program in Brazil, representing 10% of the entire volume of connections performed by the Luz para Todos Program. To achieve its goals, it has structured solid business partnerships, hiring outsourced labor, involving more than 11 engineering companies and more than 580 people both directly and indirectly.

On December 31, 2014, CEMAR reached the milestone of 329,962 households connected to the electric energy distribution network through the PLPT, generating a direct benefit to approximately 1.65 million inhabitants. The PLPT is already present in 100% of the 217 municipalities in Maranhão, contributing to the development of isolated rural areas and generating wealth in these locations. During 2014, direct investment in PLPT, including the financial cost of materials and outsourced services, was R$ 74.7 million.




## CELPA

The Company invested R$240 million in the PROGRAMA LUZ PARA TODOS ("LPT") and the PROGRAMA NACIONAL DE UNIVERSALIZAÇÃO: in 2014. The main feature of these programs is to enable access to, and use of, electric energy, for all citizens residing in urban and rural areas of the State. The funds for LPT stem from the Global Reversal Reserve ("RGR"), the Energy Development Account ("CDE"), from both the State and own funds.

## CEMAR

Annual Tariff Readjustment 2014

The National Electric Energy Agency - ANEEL through Approval Resolution No. 1784, dated August 26, 2014, approved the annual tariff adjustment results for CEMAR in 2014. As a result CEMAR's rates were adjusted by 26.16% (twenty six point one six percent) on average, of which 19.02% (nineteen point zero two percent) relates to the annual economic tariff readjustment and 7.14% (seven point one four percent) for financial components, and shall remain in effect during the period from August 28, 2014 to August 27, 2015. In addition, it should be stressed in accordance with the trend established under RTP in 2013, the level of non-technical loss on low voltage market billing considered for tariff purposes was reduced from 15.93% to 15.64% which is in force until August 27,2015.

## CELPA

ANEEL, through Approval Resolution No. 1578 dated August 6, 2013, effective as of August 7, 2013, extended the duration of the CELPA rates to be applied from August 2013 to July 2014, listed in the attachment to Resolution No. 1035.

On August 5, 2014, through Approval Resolution No. 1769/ 2014 ANEEL approved CELPA's tariffs for application in the period from August 7, 2014 to August 6, 2013, on average readjustment as perceived by consumers was 34.96%. Rates are listed in the attachment to this resolution.

# Social Action Report

## CEMAR

Support, contribute and transform. These words formed part of the CEMAR's vocabulary in 2014. With a focus on local development and driven by its Sustainability Platform, the Company can significantly contribute to initiatives and communities in need of partnerships that can transform their circumstances.

Accordingly, we managed to reduce risks to avoid negative social impacts and generate positive results through the relationships with the communities in which we operate. We understand the reality that surrounds us, we ensure social inclusion and we improve quality of life, while respecting diversity.

In 2014, CEMAR carried out projects approved in the Project Selection Notice for the Social Energy program and provided the largest private social investment in the Company, R$ 2.6 million was invested in projects which effectively contribute to areas in the State. Refurbishment/ construction projects were carried out in social institutions that focus on education and income generation in 7 municipalities in Maranhão.

We now aim to be a reference for business management sustainability, contributing to the development of our state. Our concern extends across all spheres: we also develop projects related to our product and build our customers' awareness of correct and efficient use of electric energy. We pioneered the development of an environmental program in the State (ECOCEMAR) which exchanges recyclable waste for a bonus on energy bills.

In addition, the Incentive Law brought significant results in the way we view sport and culture. Today we have projects that encourage culture, sports, education, income generation and job opportunities, with specific focus on education for professional qualifications. Accordingly, we do our part as a genuine Maranhão company, and contribute effectively to the development of our country. In all, more than R$ 14 million has been invested, benefiting more than 500,000 people.

The result of this work is the recent growth in our Social Responsibility Award Ranking promoted by ABRADEE, where today we are ranked 10th. We have developed consolidated monitoring and self-evaluation work under the Social Responsibility Ethos Indicators, which was verified by ABRADEE and supported by the Company's Sustainability Committee.

The social programs involving CEMAR include:

Solidary Energy - is CEMAR's Volunteer Program, which consists of a set of activities taken by the Company to encourage and support the involvement of employees in volunteer activities, by conducting educational seminars, social and recreational activities in State communities. In 2014 more than 245 hours were dedicated to voluntary work, with 25% of employees involved. The Company encourages employees through an Internal Incentive Campaign, rewarding those who devote more hours to volunteer work.

Energy in the Community - Direct channel relationship with the community on several fronts, the program is present across the state, through community agents, providing quality service, promoting culture and leisure, performing cultural activities and information about energy saving and safety with electricity. In 2014 there were 1,978 social activities that impacted directly and indirectly on 90,000 people. The social activities include seminars, visitor programs, radio and TV interviews, a "blitz", lightbulb exchange, promotional motorcades, the registration of low income tariffs, among others. Through the program, 14 community leadership forums were conducted. The initial goal is to create a direct channel of dialogue with community leaders.

Professional Training Program - The program aims to train low-income individuals for entry into the labor market. During the year 2014, 26 Professional Training courses in partnership with FIEMA/ SENAI in 9 cities in the State were offered, training a total of 545 people. The courses were offered to communities through relationships between the community agents, community leaders and the press. Courses undertaken include: electrician, electro-technician, bricklayer, grain sorter, administrative assistant and information technology (*inclusão digital*). In all 24 course participants entered the labor market.

Cultural and Sports Projects - Promoting contact and practice with the cultural field, contributing to improving the quality of life, promoting greater access to culture and the practice of citizenship, as well as encouraging sport as a form of social inclusion. Investing in this way, CEMAR makes a contribution to an improvement in our State's indicators. Supported by legislation to encourage culture and sport, CEMAR has invested more than 13 million in sociocultural and sports inclusion projects, impacting more than 300 thousand people. Today the Company is a reference for culture and sport in the State.

Sponsored projects are currently characterized by the introduction of sport for citizenship, music schools, sports and cultural events open to the general public, Maranhão's representativeness in Brazil, the focus on local culture, among others. The projects include sponsorship of the State team at the Volleyball Super League, Maranhão Volleyball / CEMAR, the Sport is Citizenship Soccer School (*Escola de Futebol Esporte é Cidadania)*, Judô no Jaracaty, Projeto BR Musical, the sponsorship of iconic Maranhense singer/ songwriters such as Djalma Chaves, Nosly, Chico Saldanha, Josias Sobrinho, Gerude, Alexandra Nicolas, Flavia Bittencourt, and Chiquinha França among others, as well as refurbishment of areas of cultural reference in the State such as the *Centro de Cultura Negra*.

Private Social Investment under the *Energia Social* Project- Investment of R$ 2.6 million reais for construction and renovation of social institutions in seven municipalities Maranhão. The projects include Centro Estadual de Referência em Comercialização dos Produtos da Agricultura Familiar da Rede Mandioca - CÁRITAS BRASILEIRA in São Luís, Associação das Quebradeiras de Coco Babaçu São José dos Brasílios – Centro de Beneficiamento do Babaçu in São José dos Brasílios, Centro Educacional Eurípedes Barsanulfo – CEEB in Santa Inês, Formação Sócio-Transformadora in Balsas, Centro de Defesa da Vida e dos Direitos Humanos Carmem Bascarán (CDVDH/CB) in Açailândia, Associação Comunitária dos Trabalhadores no Beneficiamento do Babaçu in Codó, and the Sociedade de São Vicente de Paulo/Conselho Central in Caxias, Maranhão.

Caravana da Economia CEMAR, the Company has been exchanging old refrigerators for new more efficient models in several municipalities across Maranhão. Since the beginning of the program in 2007, CEMAR has already exchanged more than 41,000 appliances benefiting more than 70,000 customers across Maranhão, further to promoting educational activities in several municipalities. CEMAR also took the opportunity to distribute 300,000 energy saving lightbulbs.

Through ECOCEMAR the Company initiated a recyclable waste exchange program in return for a discount on energy bills. Accordingly, further to generating income for the payment of bills CEMAR is also encouraging the preservation of the environment through education and sustainable attitudes. About 3,000 tons of recyclable waste was collected from the beginning of the ECOCEMAR program to date and more than 27 thousand customers have been registered. The São Luis project has 16 collection points.

# CELPA

## Community

Bringing energy to a state as large as Pará is in itself, a major challenge. But the performance of CELPA goes beyond providing electric energy. The Company seeks to contribute to the economic, technological and social development of the state. This transformation does not occur merely through services rendered, but also through action based on a social commitment to encourage the generation of income, learning, citizenship and the preservation of the environment to promote improvements in the living conditions of Pará's inhabitants. To promote sustainability CELPA invests in environmental projects and initiatives that contribute to the development of Pará's municipalities.

## Benefits to the Community

Fund raising for social organizations.

The electricity bill is used as a means to increase revenue for social assistance agencies, such as UNICEF, Federação das APAES and others with the same purpose. By opting for this contribution, the customer can make a donation through his/ her energy bill. The funds raised are invested in activities to improve the living conditions of children and adolescents across the state.

## *Energia na Comunidade* Project

To be ever closer to its customers CELPA promotes projects such as these which allows the strengthening of relationships and creates conditions to better serve consumers. Through the project, the Company also fosters sustainable dialogue with the community to build awareness about the safe and sustainable use of electric energy, in order to encourage more economic and efficient habits for this essential service. Through *Energia na Comunidade*, the mobile unit of the company services its customers, taking services such as second hold of debt negotiation documents, change of account holder and registration under the social electric energy tariff to consumers through in-person, close contact.

## ABC da Energia Project

In view of the need for appropriate use of electric energy as a safety measure and as a means to reduce unnecessary consumption and bring more benefits to the consumer, CELPA realized the importance of performing activities within the school environment in order to prepare children and other citizens in the conscious use of this resource so fundamental to modern society. In 2014 the company expanded the ABC da Energia project taking information on the safe and rational use of energy to government schools of Pará promoting ecological awareness with students through lectures and an writing contest so that they act as multipliers in the dissemination of this knowledge, both within their families and the community in which they live.

## Solte Pipa com Segurança Project

The flying of kites is common in Pará, especially in the metropolitan area of Belém. As safety is just as important as play time CELPA took the "Projeto Solte Pipa com Segurança" (fly kites safely) to government schools in the state capital. Through educational lectures, a company team draws attention to the risks and shows how you can have fun with no accidents. In addition to activities in schools, CELPA also developed an awareness campaign aimed at the general public, through the press, with interviews in which safety tips were given.

## Leilão Solidário

Ethics is one of the CELPA's organizational culture values and *Leilão Solidário* is an initiative evidences the stance adopted by the company. In an event held in 2014, gifts received by employees were auctioned in the Company. Through *Leilão Solidário* CELPA raised R$ 1,516.00 which benefited the *Centro Social Sagrada Família*, an institution serving socially vulnerable young people.

*Projeto Arte com Segurança*

This project involves making graffiti on the walls of CELPA substations adding value to the art form and encouraging the social inclusion of teenagers and young people from local communities. Addressing important issues for society such as recycling, conscious and safe use of electricity, transforming dirty white walls with carefully crafted scenarios, filled with educational messages and environmental awareness.

## 08. Economic and Financial Performance

### Net revenue

Net revenue, for the year amounted to R$ 6,773 million, 43.7% higher than in the previous year. The growth is mainly due to:

a) Accounting of net regulatory assets as of 2014;

b) The growth in the volume of energy sold at CEMAR, 7.9% and CELPA, 11.7%;

c) The growth in construction costs at both subsidiaries.

### Operating costs and expenses

In the year 2014, the total for manageable and unmanageable expenses, excluding depreciation and amortization, and excluding the construction cost, was R$ 4,234 million, equivalent to 62% of net revenue.

### EBITDA

In 2014, EBITDA reached R$ 1,299 million more than 2 times higher than the R$ 586 million recorded in the previous year, mainly due to the accounting of net regulatory assets only in 2014.

### Financial income (expenses)

In 2014, net financial expenses amounted to R$ 270 million, representing an increase of 23% year-on-year.

### Income and social contribution taxes

In 2013, we recognized payment of R$ 9 million in income and social contribution taxes, whereas in 2014, we recorded net tax credit, mainly stemming from recognition and use of tax assets arising from the previous years' losses amounting to R$ 162 million.

### Net Income

In 2014, the Company posted net income of R $639 million, compared to R$ 69 million recorded in the previous year. This growth is mainly due to the recognition of net regulatory assets on CELPA and CEMAR results in 2014.

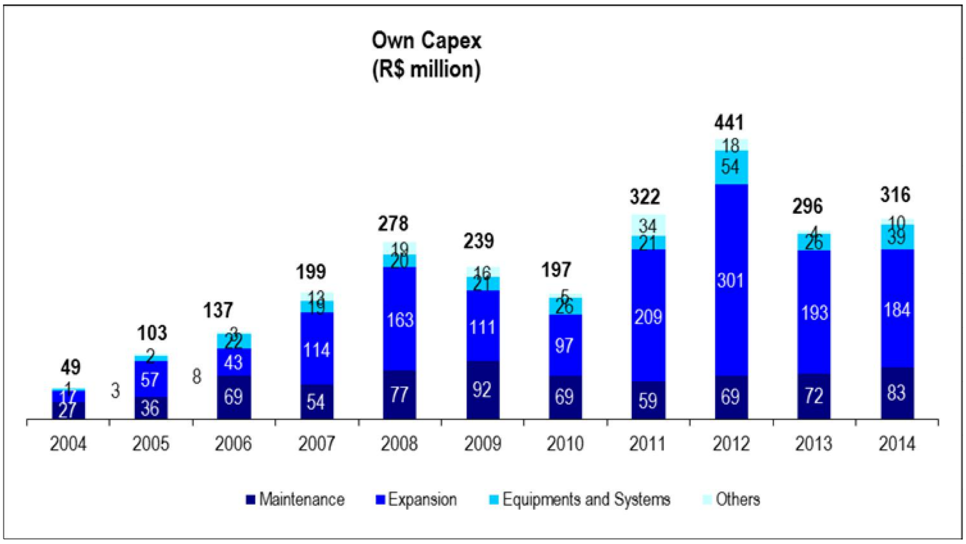
### Indebtedness

Consolidated net debt at the end of 2014, considering cash and cash equivalents and the net regulatory assets, totaled R$ 1,543 million, a 29.7% increase year-on-year. In terms of multiple net debt / EBITDA, this ratio dropped to a ratio of 1.4.

## CEMAR

### Own investment

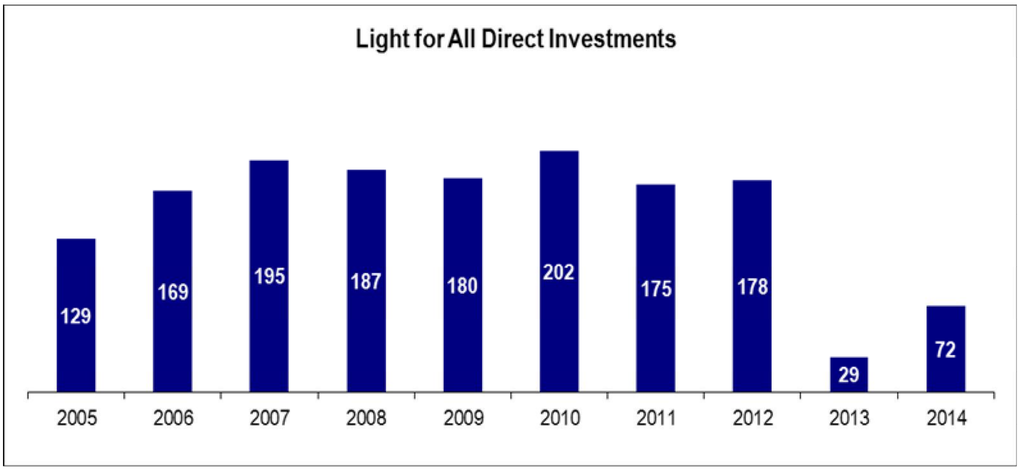
In 2014, CEMAR's investments, excluding direct investments related to PLPT, totaled R$ 316 million, mainly directed towards the maintenance and expansion of the power distribution network.



Luz Para Todos Program Investment

At the end of 2014, the milestone of 329,000 consumers connected to CEMAR's electric energy distribution network through the Luz Para Todos Program was reached, which directly benefits more than 2 million inhabitants.

Direct investment in the program, including costs of materials, outsourced services and the shipping of materials was R$ 72 million, with a cumulative investment from the beginning of the program amounting to R$ 1.514 million.




## CELPA

| R$ -Thousands | 2014 | 2013 | Var% |
|---|---|---|---|
| Maintenance of grid | 85,152 | 64,397 | 32.23% |
| Expansion and improvement of grid | 439,737 | 225,778 | 94.77% |
| Equipment and systems | 59,066 | 12,600 | 368.77% |
| Spec. Proj - (Subrogation CCC) | 33,890 | 22,971 | 47.54% |
| Universalization of energy connection | 80,808 | 10,627 | 660.43% |
| Other investment | | 24,820 | -100% |
| PLPT - LUZ PARA TODOS Program | 220,467 | 59,412 | 271.08% |
| | | | |
| **TOTAL** | **919,121** | **420,604** | **118.52%** |

PROGRAMA LUZ PARA TODOS ("LPT") and the PROGRAMA NACIONAL DE UNIVERSALIZAÇÃO: in 2014, the company invested R$ 220.4 million. The main feature of these programs is to enable access to and use of electric energy, for all citizens residing in urban and rural areas of the state. Resources for LPT stem from the Global Reversal Reserve ("RGR"), Energy Development Account ("CDE"), both State and own funds.

INTERCONNECTION ILHA DE MARAJÓ: this project provides for the interconnection of the isolated Ilha de Marajó system to the national grid through extension of the Tucuruí power grid to Marajó Island. In 2014, CELPA invested R$ 33.8 million, with funds stemming from the CCC subrogation.

SYSTEM EXPANSION AND IMPROVEMENTS these are organic investments made with own cash, to maintain, expand and improve the electric energy system. These investments totaled R$ 399.6 million in 2014.

Of the R$ 919.1 million invested in 2014, R$ 254.3 million refers to programs subsidized by the government and R$ 664.7 million refers to investments with own funds.

## 10. Corporate Governance

Listed on the Novo Mercado, the highest level of Corporate Governance on the São Paulo Stock Exchange (BM&FBovespa), Equatorial is a company committed to the best corporate governance practices and transparency in the relationship with its investors and shareholders.

Corporate governance differentials:

- 100% tag along rights to minority shareholders;
- Maintenance of two independent members of the Board of Directors (total of seven members);
- 75% of total capital as free float, well above the 25% minimum required by the Novo Mercado standards;
- Tender offer obligation for the economic value in the event of termination of listing or delisting;
- Disclosure of transactions with company securities involving controlling shareholders or directors;
- Adherence to the arbitration chamber for conflict resolution;
- Adoption of a code of ethics and business conduct;
- Disclosure maintenance, minutes, material facts or securities trading by related entities.
- Quarterly publication, along with the quarterly financial information (ITRs), and cash flow statement.
- Disclosure of financial statements under IFRS or US GAAP.
- Public meetings with analysts and investors at least once a year.

According to the Contract of Adhesion to the New Mercado signed with the Bovespa, the Company's Statute provides for the use of Arbitration Chamber for conflict resolution.

Board of Directors
Alessandro Monteiro Morgado Horta
Eduardo Saggioro
Carlos Augusto Leone Piani
Celso Fernandez Quintella
Firmino Ferreira Sampaio Neto
Gilberto Sayão da Silva
Paulo Jerônimo Bandeira de Mello Pedrosa

Supervisory Board
Felipe Sousa Bittencourt
Paulo Roberto Franceschi
Sergio Passos Ribeiro

## Executive Board

Ana Marta Horta Veloso
Officer

Eduardo Haiama
Finance and Investor Relations Officer

Firmino Ferreira Sampaio Neto
Officer

Tinn Freire Amado
Officer

Felipe Oppenheimer Pitanga Borges
Officer

Luiz Otávio Bianchini Laydner
Officer

Augusto Miranda da Paz Júnior
Officer

## Relationship with External Auditors

In compliance with CVM Instruction 381/03, we state that Ernst & Young Independent Auditors provided only audit services during the year ended December 31, 2014.

In compliance with article 25, paragraph 1, items V and VI of CVM Rule 480/09, the Company Directors Messrs: Firmino Ferreira Sampaio Neto, CEO; Eduardo Haiama, Finance and Investor Relations Officer ; Ana Marta Horta Veloso, Tinn Freire Amado, Felipe Oppenheimer Pitanga Borges, Luiz Otávio Bianchini Laydner and Augusto Miranda da Paz Júnior, officers without specific designation, declare that they (i) reviewed, discussed and concurred the financial statements for the year ended December 31, 2014; and (ii) reviewed, discussed and concurred, without qualification, with that expressed in the opinion issued on February 12, 2015 by Ernst & Young Terco Auditores Independentes, the Company's independent auditors, regarding the Company's financial statements for the year ended December 31, 2014.