Equatorial Energia S.A.

Financial statements
December 31, 2016
(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

KPDS 180772

Contents

Management Report

In accordance with legal provisions and corporate legislation, the management of EQUATORIAL ENERGIA S.A. hereby presents its Management Report, its financial statements and consolidated financial statements, along with the respective notes to the financial statements and independent auditors' report, for the financial years ended December 31, 2016 and 2015. The non-financial information of the Company and its subsidiaries, information about the "Light for All" program (PLPT), the Social Report and forward-looking information regarding management expectations about the future performance of the Company and its subsidiaries have not been reviewed by the independent auditors.

01. Company profile

Overview

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

In the distribution segment, Equatorial Energia controls CEMAR (Companhia Energética do Maranhão), the only electricity distribution concession operator in the state, which operates in an area of 331,937 thousand km^2 - around 3.9% of Brazil's territory and embraces 6.9 million inhabitants - or 3.4% of the Brazilian population. In this segment, the Company controls CELPA (Centrais Elétricas do Pará), the only concession operator in Pará state, which operates in an area of 1,247,955 thousand km^2 - around 6.3% of Brazil's territory and embraces 8.3 million inhabitants - or 4.0% of the Brazilian population.

In October 2016, Equatorial took part in Stage 2 of Transmission Auction 013/2015 held by ANEEL, by which it acquired the concessions for 07 lots of transmission lines, amounting to R$ 718.5 million in RAP (Annual Permitted Revenue).

In the generation segment, Equatorial holds a 25% interest in GERAMAR, the company in charge of operating two thermal power plants in Maranhão, with a joint installed capacity of 330MW, and in commercial operation since the 1st quarter of 2010.

In the transmission segment, Equatorial controls Equatorial Transmissão. In the service provision segment, Equatorial holds the entire capital of 55 Soluções, which in turn holds 51% of Sol Energias, an electricity trader.

02. 2016 Headlines

- In 2016, the **recurring EBITDA** amounted to R$ 1,462 million, growth of 23.4% over 2015.
- The **recurring net income** in the year amounted to R$ 739 million, compared with R$ 462 million in 2015.
- The **total energy volume** (captive and free markets) billed by CEMAR rose by 3.5% in 2016. The total volume sold by CELPA (captive and free markets) rose by 3.4% in the year.
- **Net operating revenue (NOR)** in 2016 amounted to R$ 7,826 million, up by 9.7% on the ROL for 2015, driven by the higher volume of invoiced energy.
- In 2016, Equatorial's consolidated **investments** amounted to R$ 1,424 million, including the investments made through the Light for All Program.
- At CEMAR, **energy losses** in the last 12 months ended 2016 accounted for 18.0% of required energy, an increase of 0.4 p.p. over the previous year. At CELPA, total losses closed the year at 28.3% of required energy, a decrease of 0.9 p.p over the close of the previous year.
- At the close of 2016, CEMAR's **DEC and FEC** figures (accumulated in the past 12 months) stood at 14.2 hours, an improvement of 7.1%, and 7.5 times, and an improvement of 15.6%, compared with the figures observed at the end of 2015. At CELPA, these figures closed the year with an improvement of 22.2% and 2.0%, respectively. The DEC and FEC figures are 1.5% and 9.5% lower than ANEEL requirements, respectively.
- Company Management has proposed to distribute dividends of R$ 170 million, which includes the interest on shareholders' equity of R$ 56 million announced by the Company on December 26, 2016. The total to be distributed accounts for R$ 0.86 per share.

03. Message from the CEO

2016 was the year marked by the entry of Equatorial group in the transmission segment. We have completed 4 years since the acquisition of the control of CELPA, a power distribution company which supplies the entire state of Pará, where we have obtained a material improvement in its quality indicators, a decrease in its level of energy losses and significant growth in EBITDA. At CEMAR, where we have completed 12 years of management, we continue making investments aimed at attending the growth in the consumer market, maintaining the excellent levels of the quality indicators and universalizing access to electric power.

From the financial point of view, we have followed the history of growth of the results of CELPA and CEMAR, which have a direct impact on the consolidated results of Equatorial and we have attained the milestone of R$ 1,462 million for adjusted EBITDA in the year, an increase of 23.4%

Both CEMAR and CELPA continue with a high level of investments in 2016, and a consolidated R$ 1,424 million was invested in the year, with an emphasis on expansion and maintenance of their distribution grids, improvement in the quality of the supply, universalization of access to the electric power network through the Light for All Program, as well as, in the case of CELPA, interconnection of insulated systems.

This high level of investment has enabled CEMAR to improve its excellent DEC and FEC figures even more over the course of 2016, where in spite of the growth in its consumer market, DEC closed the year at 14.2 hours and FEC at 7.5 times. This year, CEMAR was placed 1st in the quality ranking for large electricity distribution companies, based on ANEEL data. At CELPA these indicators once again have improved significantly and this is the first year when both have been in accordance with the regulatory levels. DEC stood at 29.5 hours (an improvement of 22.2%) and FEC was 20.4 times (an improvement of 8.9%)

Another point worth mentioning is the continuing success of the program for combating energy losses, where in spite of Brazil's economic woes, it was possible to maintain CEMAR's losses at 18% of the required energy and to reduce CELPA's losses by 0.9 percentage points to 28.3% of the required energy.

In the transmission segment, in the second stage of Transmission auction 013/2015, Equatorial acquired the concession of 07 lots, with a total investment estimated by ANEEL of R$ 3.9 billion and Permitted Annual Revenue of R$ 718.5 million. This transaction marked our entry into the transmission segment, where we believe that our management capacity, already demonstrated in the distribution segment, will be a decisive factor for the execution of the works and subsequent operation of the assets. We also understand that it was an opportunity for growth and diversification of its operations in the electricity sector, with a suitable return, controlled risk and predictability of cash flow.

We wish to thank all our employees, shareholders, suppliers and partners for their support and confidence over these years.

Augusto Miranda da Paz Junior

Chief Executive Officer

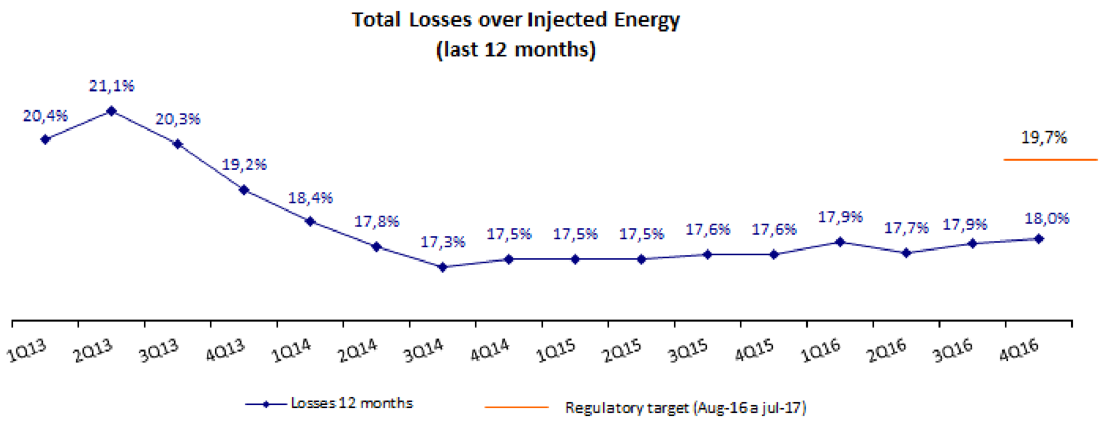
04. Business management

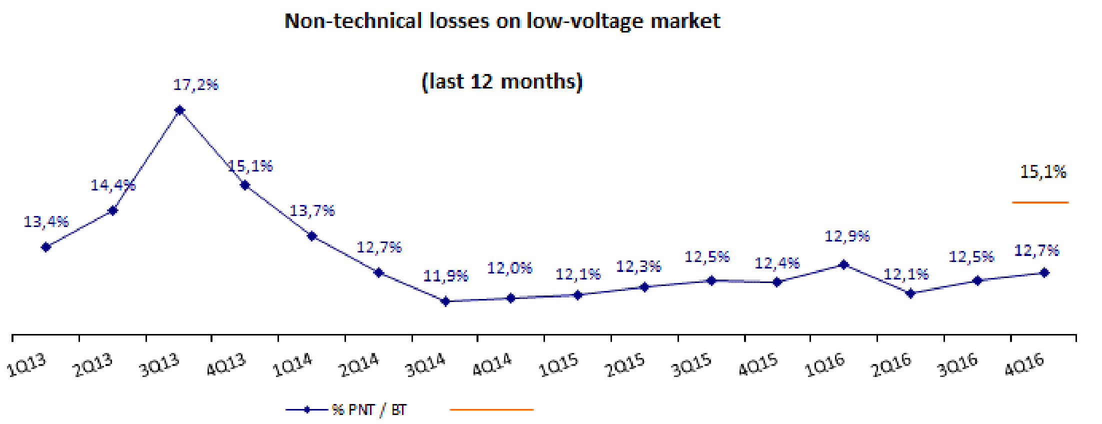
4.1 Loss reduction

CEMAR

In 2016, with the deterioration of Brazil's economy, the process for combating losses became even more challenging and everything indicated an increase in the losses of power.

The amount of electric power required by the CEMAR system reached the level of 7,531GWh and the billing was 6,175 GWh, growth of 4.1% and 3.6% respectively compared to 2015. The losses of energy recorded by the Company in 2016 were 1,355 GWh. With this, the overall losses in CEMAR remained at the rate of 18.0%, therefore 0.4 percentage points higher than that verified at the end of 2015.



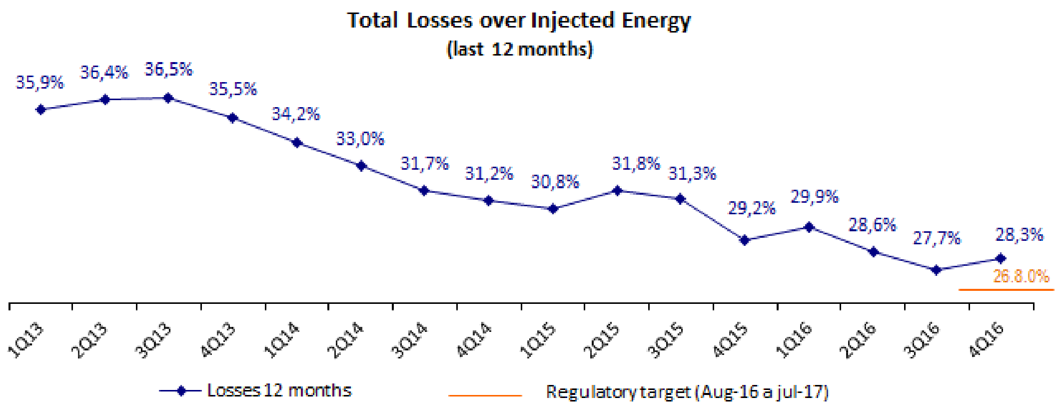


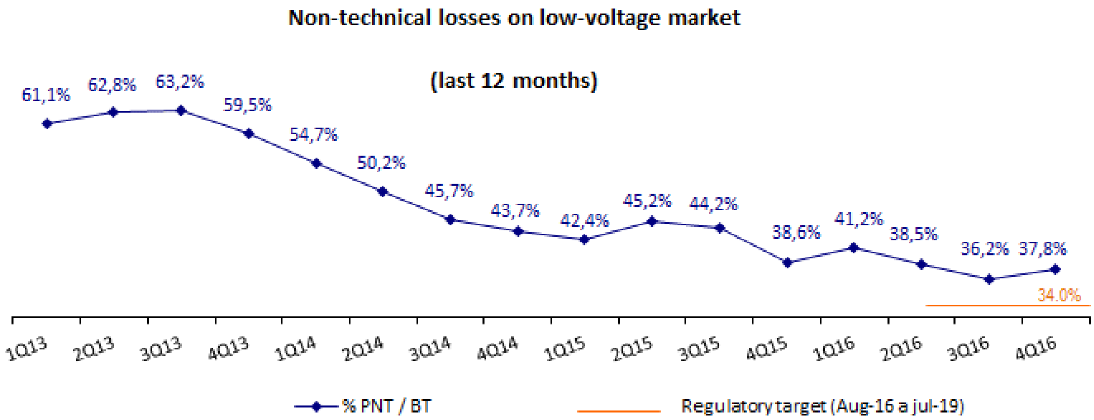
Over 2016, analyzing the results of the operations, we reached the conclusion that the decrease in losses, in percentage terms, was greater in the areas that counted on greater physical presence and data of the fiscal measurement. In the island of São Luís, which concentrates the greatest number of field actions and where there is greater penetration of fiscal measurement (approximately 5,000 monitored transformers), the decrease in losses compared to 2015 was 0.8 percentage points, closing the year 2016 at 18.0%.

It is necessary, therefore, to initiate a process of internalization of the operation bases for the management of power recovery. Bases were created in locations with a greater incidence of losses and the losses in the distribution feeders began to be used as data for orientation of the actions. The fact that there were fixed teams only in the regional bases made more ostensible actions in other regions of the state more difficult.

CELPA

CELPA's total losses in 2016 were 3,450 GWh, which corresponds to 28.3% of the energy required, and therefore 0.9 percentage points below that calculated in 2015. After Equatorial assumed the concession from CELPA and initiated the plan to combat losses in 2013 (3Q13), CELPA accumulated a reduction of 8.2 percentage points.





We highlight below the results of the actions taken in the plan for combating losses in 2016:

- Regularization of 17,000 clients in an area of improvised installations and connections where it was necessary to carry out medium and low-voltage network extensions
- Inspection and supervision of 6,800 clients with supply of medium and high voltage power
- Installation of 180 telemetering systems in clients with medium voltage supply which will enable monitoring in real time of the consumption and demands of the units, in addition to the diagnosis of possible irregularities in the measurement system;
- Relisting of the public lighting of 143 municipalities
- Inspection and supervision of 415,000 clients with supply of medium and high voltage power
- Regularization of 42,000 illegally connected clients in an area where there is a power network
- Regularization of 11,000 clients who had been disconnected from the system and who had made irregular reconnections;
- Regularization of 20,000 clients with billing at the minimum level
- Exchange of CP-NETWORK for the conventional standard for 80,000 clients
- Installation of the centralized metering system at 26,000 clients
- Identification and regularization of 209,000 cases of fraud in the measurement of BT consumer units.

The ratio of losses, as planned, decreased sustainably in 2016, demonstrating the efficiency of and adherence to the model applied.

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4.2 Quality

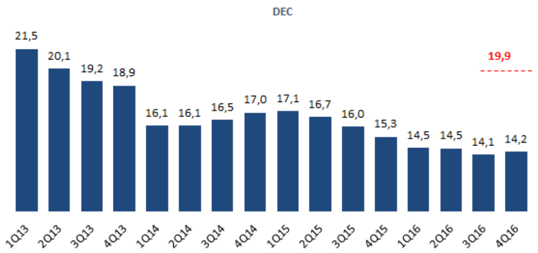
CEMAR

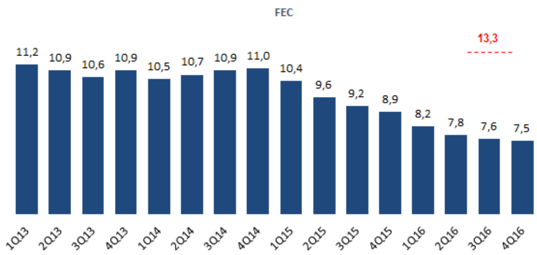
DEC and FEC

In recent years CEMAR has made significant improvements in the technical quality of its service, substantially reducing the duration and frequency of energy outages.

In 2016, the Company's DEC (Outage Duration per Consumer), which measures the average duration of outages, in hours per consumer per period, contracted by 7.1% over the previous year, to 14.2 hours. The FEC (Outage Frequency per Consumer), which measures the frequency of outages in number of times per consumer per period, improved by 15.6% compared with 2015, amounting to 7.5 times.

In 2016, CEMAR was placed 1st in the quality ranking for large electricity distribution companies (with a consumer market in excess of 1 TWh per annum), based on ANEEL data.

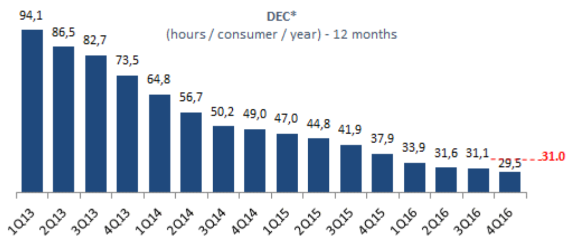


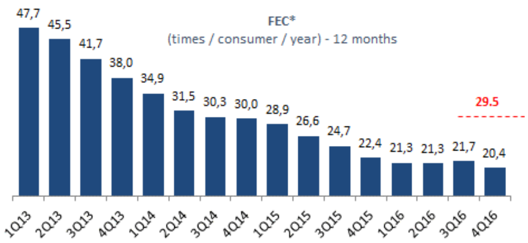


CELPA

DEC and FEC

The National Electricity Regulatory Agency - ANEEL uses a number of indexes to check the quality of services provided by electricity concession operators to their consumers. The main indexes are: DEC - Equivalent outage duration per consumer (measured in hours per consumer per year) and FEC - Equivalent outage frequency per consumer (measured in number of times per consumer per year). The DEC quality benchmark contracted by 22.2% over the previous year and the FEC by 8.9% over the previous year. The main driver was the implementation of the new management model which instilled a new results-oriented work method, establishing targets and challenges, which motivated employees from all company departments.





05. Light for All Program

Launched in 2004 by the Federal Government, the "Universal Electricity Access and Usage Program - Light for All" (PLPT) aimed to take the electricity supply to the rural population in order to nurture social and economic development of these regions which generally suffer from poor HDIs (Human Development Index).

CEMAR

It plays the role of executor agent of the program in the State of Maranhão. The State is among the four major programs in Brazil, representing 10% of the entire volume of connections made by the Light for All Program in Brazil. To reach its goals, the Company has built solid commercial partnerships with hiring of contracted labor, which directly and indirectly involves more than 17 engineering companies and more than 714 people.

At December 31, 2016, CEMAR reached the milestone of 344,360 families linked to the electricity distribution grid through PLPT, generating a direct benefit for approximately 1.7 million inhabitants. The PLPT is now present in all of the state's 217 municipalities, contributing to the development of remote areas and generation of income therein. During 2016, the direct investment in PLPT, which includes expenditure on material and third-party services, was R$ 121 million

CELPA

It plays the role of executor agent for the program in the State of Pará. The State is among the 3 major programs in Brazil, representing 12% of the entire volume of connections made by the Light for All Program in Brazil. To reach its goals, the Company has built solid commercial partnerships with hiring of contracted labor, which directly and indirectly involves more than 21 engineering companies and more than 840 people.

At December 31, 2016, CELPA reached the milestone of 401 thousand families linked to the electricity distribution grid through PLPT, generating a direct benefit for approximately 2.0 million inhabitants. The PLPT is now present in 99% of the state's 144 municipalities, contributing to the development of remote areas and generation of income therein. During 2016, the direct investment in PLPT, which includes expenditure on material and third-party services, was R$ 231 million

06. Regulatory affairs

2016 Annual rate review

CEMAR

By way of Ratification Resolution 2127/2016, on August 23, 2016 ANEEL ratified CEMAR's rates for the period August 28, 2016 to August 27, 2017, with consumers facing an average perceived increase of 8.24%.

CELPA

By way of Ratification Resolution 2,117/2016, on August 2, 2016 ANEEL ratified CELPA's rates for the period August 7, 2016 to August 6, 2017, with consumers facing an average perceived increase of 7.55%.

07. Report on social actions

CEMAR

Support, contribute and transform. These are words that were part of CEMAR's vocabulary in 2016. Focusing on local development and improvement in social indicators, the Company can contribute materially with initiatives for the communities that require partnerships that can transform their realities.

We can thus reduce risks, avoid negative social impacts and generate positive results through the relationship with the communities where we conduct our activities. Knowing the reality that surrounds us, we ensure social inclusion and an improvement in the quality of life of the people, always respecting diversity.

Our goal is to be a benchmark in sustainability in the management of our business, thus contributing to the development of our State. Our concern extends to all spheres: we also conduct projects related to our product, making our customers aware of the correct, efficient use of electric power. We were pioneers in developing an environmental program in our State, EcoCEMAR, which exchanges recyclable waste for a bonus in the power bill.

In addition, the incentive law has brought material results in our way of seeing culture and sport. Today we have projects that encourage culture, sports, education, generation of income and employment opportunities, giving special attention to education for professional qualification. In this way, we are doing our part as a company of Maranhão, and we are effectively contributing to the development of our country. More than R$ 16 million have been invested benefiting more than 500,000 people.

The fruit of this work is our consolidation in the ranking of the Social Responsibility Award promoted by ABRADEE, where today we are in 11th position. We have developed a consolidated work of monitoring and self-assessment through the Ethos Social Responsibility Indicators, which was verified by ABRADEE and backed by the Company's Sustainability Committee.

Among the social programs in which CEMAR is involved, the following stand out:

- **Power of goodness**

It is CEMAR's volunteer program, which consists of a set of actions taken by the company to encourage and support the involvement of its employees in volunteer activities, through conducting educational lectures, and social and recreational activities in the State's communities. In 2016 more than 61 actions were conducted, with the involvement of 41% of the employees. The company encourages its employees through an Internal Incentive Campaign, awarding those who devote more hours to volunteer work.

- **Power in the Community**

A direct relationship channel with the community, with various fronts of action, the program is present in every State through the agents of the community, offering quality assistance, promoting culture and leisure, conducting cultural activities and providing information on saving power and safety with power. In 2016, 6,012 social actions were carried out with employees and partners, which directly and indirectly impacted 200,000 people. The social actions included lectures, visits, interviews on radio and TV, blitzes, changing of lamps, rallies, and low income rate registration, among others. Through the program 42 Community Leadership forums were conducted, the initial goal of which is to create a direct dialog channel with the community leaders.

- **Professional coaching program**

The aim of the program is to train low-income people, focusing on entering the work market. During the year 2016, 16 professional training courses were offered in partnership with SESI, providing training to a total of 980 people. The courses were offered to the communities through the relationship of the community agents with community leaders and the press. They are short courses for practical teaching on low cost nutritious and healthy food, and which respect regional differences.

- **Cultural and sports projects**

Investing in this CEMAR makes its contribution towards improving our state's indicators by promoting contact with and practice in the cultural field, contributing towards improving the quality of life, promoting greater access to culture and the practice of citizenship, and also encouraging sport as a means of social inclusion. With the support of the laws of incentive for culture and sport in 2016 CEMAR invested more than R$ 16 million in projects for sociocultural inclusion and sports, impacting more than 300,000 people. Today the company is a benchmark in culture and sport in the State.

The projects that are currently supported are characterized by the introduction to sport for citizenship, music schools, sporting and cultural events open to the general public, representativeness of Maranhão for the entire country, and promotion of local culture, among others. Among the projects invested in are a team that is a representative of the State, national champion in the women's basketball league (Sampaio Basquete), Sport and Citizenship Football School, Judo in Jaracaty, Lençóis Jazz and Blues Festival, singers who are icons of the culture of Maranhão such as Djalma Chaves, Nosly, Flávia Bittencourt, and Cecilia Leite, and support for the Popular Culture of Maranhão through local festivities and Bumba Meu Boi.

- **CEMAR Efficient Community**

In 2016, CEMAR carried out a groundbreaking initiative: The objective of the CEMAR Efficient Community project is the inclusion and dissemination of power efficiency in low-income communities within the area of the CEMAR concession, through educational actions for stimulating rational consumption of electric power. The project consists of 3 phases, + inclusion, + economy and + education.

- **EcoCEMAR**

The company has initiated a program for exchanging recyclable waste for bonuses in the power bill. Thus, besides generating income for payment of power bills, CEMAR is also encouraging the preservation of the environment through education and a sustainable attitude. Around 14,000 tons of recyclable waste has been collected since the beginning of the EcoCEMAR Program to date and over 91,000 clients are registered in the program. The project has collection points in Sao Luis, Sao Jose de Ribamar, Imperatriz, Timon and Caxias.

CELPA

In 2016, CELPA continued with various actions in the State's communities, developing and improving State projects, such as: Blitzes in the neighborhoods with orientation activities for its clients, registration of consumers in the low income social tariff , educational lectures in the schools and communities, joint task forces and fairs in partnership with PROCON/the State Justice, for making agreements for payments in installments, and installment agreements, and changes of ownership, among others.

CELPA has social projects that seek to provide benefits for the community, of which, the following are emphasized:

- **Fund raising for social organizations.**

  The electricity bill is used as a means of increasing revenue for social assistance entities, such as UNICEF, Federation of the Association of Parents and Friends of Handicapped Persons (APAES) and other entities with the same purpose. On opting for this contribution, clients may donate through their power bills. The funds raised are used in actions to improve the living conditions of children and adolescents from all over the State.

- **Project for power in the community**

  In order to be closer to its clients, CELPA promotes projects such as this, which permit strengthening the relationship and creating conditions to better serve them. Through the project, the company also promotes sustainable dialog with the community, where its main objective is to create awareness about the safe and sustainable use of electricity in order to stimulate more economic and efficient habits of this essential service. Through Power in the Community, the company's mobile service unit provides services for the communities such as: second copies of the bill, debt negotiation, change of ownership and registration in the social tariff for electric power through personal and closer contact.

- **ABC power project**

  In view of the need for proper use of electric power as a safety measure and especially as a way of reducing unnecessary consumption, bringing more benefits to the client, CELPA perceived the importance of carrying out actions within the school environment in order to prepare the children, other citizens, for conscientious use of this resource that is so fundamental in contemporary society. In 2016 the ABC Power Project registered more public schools in Pará and continued to provide information on the safe and rational use of electric power, promoting ecological awareness in the students, through lectures and an essay competition, through which the students acted as multiplying agents in the dissemination of this knowledge, both within their families and in the community in which they live.

- **EcoCELPA**

  Created to encourage sustainability through recycling of waste, the program contributes to the environment and also favors institutions and users with discounts in the power bill. In its first year, EcoCELPA already has more than 27,568 thousand registered clients collecting 1,646.4 tons of waste, which were reverted into R$ 82,702.51 in bonuses for clients.

- **Efficient Community**

  In 2016, 15 events were conducted for the “Efficient Community" project, in which 14 municipalities were awarded, over 5,760,000 refrigerators were distributed and more than 37,605,000 light bulbs were exchanged. More than 8,920,000 clients were reached through the CELPA Efficient Community Project.

- **Social and Professional Power**

  At CELPA, we're always thinking of how to contribute positively to society and the environment. It is because of this desire to transform and in view of our Ethical and Sustainability Values, that we created the Social and Professional Power Projects.

  We have invested R$ 2,400,000,000, arising from the balancing item to the contribution made by the National Bank for Economic and Social Development (BNDES), to benefit more than 3,000 people and more than 300 animals. This is the first time that the CELPA has carried out social projects of this magnitude.

  In all, there were 6 projects located in cities such as Belém, Castanhal, Marabá, Altamira, Santarém and Ponta de Pedras (Marajó). The choice of the entities took place as planned, taking into consideration important aspects for the development of our State, such as number of beneficiaries, operation in Municipalities with lower Indices of Human Development (IDH), which are reputable and recognized.

08. Economic and Financial Performance

8.1.1 Net Revenue

Total net revenue recorded in the year was R$ 7,826 million, 9.7% more than in the previous year. The growth primarily derives from the higher energy volume sold by CEMAR, up by 3.5%, and CELPA, up by 3.4%.

8.1.2 Operating Costs and Expenses

In 2016 total manageable and unmanageable costs and expenses, excluding depreciation and amortization, amounted to R$ 6,381 million, an increase of 7.1%.

8.1.3 EBITDA

The EBITDA amounted to R$ 1,445 million in 2016, an increase on the previous year's R$ 1,176 million, primarily due to the recording of net regulatory assets from 2014 onwards which included prior-year balances.

8.1.4 Finance Income

A net financial loss was made of R$ 2 million in 2016, a decrease on the R$ 428 million recorded in 2015.

8.1.5 Net Income

In 2016 the Company made Net Income of R$ 712 million, compared with R$ 808 million the previous year.

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09. Investments

Investments (R$MM)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	*Change*
CEMAR														
Grid Maintenance	27	36	69	54	77	92	69	59	69	72	83	73	74	1,8%
Grid Expansion	17	57	43	114	163	111	97	209	301	193	184	217	363	67,5%
Equipment and Systems	3	8	22	19	20	21	26	21	54	26	39	45	40	-11,4%
Other	1	2	3	13	19	16	5	34	18	4	10	5	8	54,0%
Own	**49**	**103**	**137**	**199**	**278**	**239**	**197**	**322**	**441**	**296**	**316**	**340**	**486**	42,7%
PLPT	-	**129**	**169**	**195**	**187**	**180**	**202**	**175**	**178**	**29**	**72**	**76**	**121**	58,2%
Total	49	232	306	394	465	419	399	497	619	325	388	417	606	45,5%

CEMAR

9.1.1 Own Investment

CEMAR's investment in 2016, excluding direct investment in PLPT, amounted to R$ 340 million, primarily allocated to the maintenance and expansion of the electricity distribution grid.

9.1.2 Investment in the Light for All Program

344 thousand consumers had been connected to CEMAR's electricity grid by the end of 2016 under the Light for All Program, which directly benefits 1.7 million people.

Direct investment in the program, which includes expenditure on materials, services and carriage of materials was R$ 76 million, and the program has received investment of R$ 1,713 million over its lifetime.

CELPA

Investments (R$MM)	2012	2013	2014	2015	2016	*Change*
CELPA						
Grid Maintenance	26	10	85	90	80	-10,8%
Grid Expansion	327	289	529	327	373	14,3%
Equipment and Systems	3	3	59	48	29	-39,8%
Other	42	35	(8)	32	19	-39,7%
Own	**397**	**337**	**665**	**496**	**501**	1,1%
Interconnection of Islanded Systems	**36**	**23**	**34**	**(15)**	**78**	-620,6%
PLPT	**45**	**61**	**220**	**219**	**231**	5,1%
Total	**478**	**421**	**919**	**700**	**810**	**15,6%**

9.2.1 Own Investment

CELPA's investment, excluding direct investment in PLPT, amounted to R$ 163 million in 4Q16, an increase of 67.1% over 4Q15. This investment was primarily made in expanding the coverage and capacity of the company's distribution grid and the continuous improvement to the quality of energy supplied, given the potential growth in Pará state.

9.1.2 Investment in the Light for All Program

401 thousand consumers had been connected to CELPA's electricity grid by the end of 4Q16 under the PLPT Program, directly benefiting 2.0 million people in Pará state. The PLPT is now present in 143 municipalities in the state, contributing to the development of remote areas and generation of income therein.

10. Corporate Governance

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

Corporate governance practices:

- 100% tag along for minority shareholders;
- Maintaining two independent members on the Board of Directors (total of 07 seats)
- 75% of the total capital as free float, way above the minimum of 25% required by Novo Mercado standards;
- Obligation to make a purchase offer at market value in the event of delisting or closing of capital;
- Disclosure of operations involving in the company's securities involving controlling shareholders or executives;
- Referring of disputes to the chamber of arbitration;
- Implementation of a Code of Business Ethics and Conduct
- Maintenance of a policy for reporting material transactions or events and trading of securities by related parties.
- Quarterly publication, along with the ITR, of the Statement of Cash Flows.
- Disclosure of financial statements in IFRS or US GAAP.
- Holding of public meetings with analysts and investors at least once a year.

Under the Novo Mercado Contract entered into with Bovespa, the Company's Bylaws require the use of the Chamber of Arbitration to settle disputes.

Board of Directors

Carlos Augusto Leone Piani

Eduardo Saggioro

Firmino Ferreira Sampaio Neto

Guilherme Mexias Aché

Luís Henrique de Moura Gonçalves

Marcelo Souza Monteiro

Audit Committee

Paulo Roberto Franceschi

Saulo de Tarso Alves de Lara

Vanderlei Dominguez Rosa

Executive Board

Augusto Miranda da Paz Júnior
Chief Executive Officer

Carla Ferreira Medrado
Officer

Eduardo Haiama
CFO and Investor Relations Officer

Leonardo da Silva Lucas Tavares de Lima
Officer

Marcos Antônio Souza de Almeida
Officer

Tinn Freire Amado
Officer

Relations with independent auditors

Pursuant to CVM Directive 381/03, we declare that KPMG Auditores Independentes only provided audit services in the financial year ended December 31, 2016.

Pursuant to CVM Directive 480/09 (Article 28,1, V and VI), the Company's Officers Augusto Miranda da Paz Júnior, CEO; Carla Ferreira Medrado, Officer; Eduardo Haiama, CFO and Investor Relations Officer; Leonardo da Silva Lucas Tavares de Lima , Officer; Marcos Antônio Souza de Almeida, Officer and Tinn Freire Amado, Officer, hereby represent that they have (i) reviewed, discussed and agree with the Financial Statements for the financial year ended December 31, 2016; and (ii) reviewed, discussed and agree with, without any qualifications, the opinions expressed in the report issued March 8, 2017 by KPMG Auditores Independentes, the Company's independent auditors, in relation to the Company's Financial statements for the financial year ended December 31, 2016.

Audit committee report

Pursuant to the law and the bylaws, the Audit Committee of EQUATORIAL ENERGIA S.A. has examined the Management Report and individual and consolidated Financial Statements of the Company for the financial year ended December 31, 2016. Based on our examinations and the unqualified Independent auditors' report on the financial statements issued by KPMG Auditores Independentes on March 8, 2016, it is our opinion that these documents and the proposed allocation of net income for the year, including the advanced distribution of interest on shareholders' equity and the capital budget, are suitable for the appreciation of the Annual General Meeting and voting thereon.

Brasília, March 8, 2017

Paulo Roberto Franceschi

Saulo Tarso Alves de Lara

KPMG Auditores Independentes
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Independent auditors' report on the financial statements.

The Board of Directors and Shareholders of
Equatorial Energia S.A.
São Luís - MA

Opinion
We have audited the individual and consolidated financial statements of the company Equatorial Energia S.A. ("Company"), identified as parent company and consolidated respectively, which comprise the statement of financial position as at December 31, 2016 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders' equity and statements of cash flows for the year then ended, including significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Equatorial Energia S.A. as of December 31, 2016, and the individual and consolidated performance of its operations and individual and consolidated cash flows for the financial year then ended, in conformity with accounting practices adopted in Brazil, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion
We conducted our audit in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements set out in the Professional Code of Ethics for Accountants and the Professional Standards issued by the Federal Accounting Council, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Recording the electric power supply operations and information technology environment (note 32) - Parent company and Consolidated
The income from the Company's operations in the subsidiaries (CEMAR and CELPA) arises from the supply of electric power and activities associated with this service and is recognized when the risks and rewards have been substantially transferred to the consumer through the supply of electric power. The process for recognition of income is material for the Company's performance and for achieving performance goals at the reporting date, which inherently adds components of risk of fraud. It is also observed that the transactions for the supply of electric power by the subsidiaries are substantially processed through automated routines and controls. In view of the risk of fraud in the process of income recognition and the heavy systemic dependence and the potential effects on the accounting records of the income and accounts receivable in the consolidated financial statements and the amount of the investment recorded by the equity accounting method in the financial statements of the parent company, the technology environment, including the information system as well as the controls concerning access to and management of changes in their systems, we consider this issue material for our audit.

How the matter was addressed in our audit
Our audit procedures included, among other things, conducting tests on a sample basis and with the help of our experts in information technology, to evaluate the design, implementation and operating effectiveness of the key internal controls over changes, alterations and appropriate access to the systems for electric power supply operations. We also analyzed, with the help of our experts in information technology, the interface and the integrity of the information between the main systems used to record sales and the respective generation of financial information.

For the Company's electric power supply transactions, we reviewed the reconciliation of the income with the accounting balances. Our procedures also included the correlation between the cash entries and the income recorded by the Company during the financial year for the purpose of assessing the recognition of income, in addition to the analysis of the subsequent settlement of the balance of accounts receivable outstanding on the base date of the audit.

We conducted analytical procedures on the income for the year, comparing the amounts recognized with the information on power consumption and the number of the Company's consumer units during the financial year, and we analyzed whether the growth in income is in line with the rate adjustments approved by the regulatory agency.

We conducted tests in order to obtain reasonable assurance on the cut-off of income of the company made at the end of the year, which recognizes in the accounting records, measurements not yet invoiced due to the period for reading the meters of the Company's consumers.

We compared the amount recognized at the reporting date as unbilled income with prior periods in order to assess any material changes.

We also analyzed manual and electronic entries whose nature may not be related to sales operations and we evaluated the disclosures made in the financial statements.

Financial assets of the concession (note 15) - Parent company and Consolidated
The portion of the investments made and not amortized by the end of the concession is classified as a financial asset of the concession for the Company's subsidiaries (CEMAR and CELPA), because it is an unconditional right to receive cash or another financial asset

directly from the concession authority. The balances comprising the rights of use of the assets bound to the service concession agreement, amortizable until the end of the concession period are recognized as intangible assets by the subsidiaries. Due to this guideline, there is the risk that the bifurcation between financial assets and intangible assets may present distortions attributed to errors in the estimates prepared by the subsidiaries. Additionally, it appears that the financial asset, which represents the compensation to be paid by the concession authority at the end of the concession to the concession operator, for investments of non-reversible and non-amortized assets, must be restated in accordance with the guidelines of the regulatory agency. Due to its materiality, complexity and judgment involved that may impact the value of these assets in the consolidated financial statements and the amount of the investment recorded by the equity accounting method in the financial statements of the parent company, we consider this issue as material for our audit.

How the matter was addressed in our audit
Our audit procedures include the assessment of the design, implementation and operating effectiveness of the key internal controls with respect to the portion of the investments made and the amount of these assets that will not be amortized before the end of the term of the concession. We assessed whether the remaining portion for the determination of the financial asset (residual value) of the subsidiaries is classified as intangible assets due to its recovery being conditional to the use of the public service, within the period of the established concession. Additionally, we evaluated the criteria and methodology for bifurcation of the assets of the subsidiaries and we analyzed the calculations made for updating the remuneration base associated with the existing assets in operation, in accordance with the latest rate cycle of the subsidiaries, in line with the Rate Adjustment Procedural Manual approved by ANEEL. We also analyzed whether the disclosures made in the financial statements are in accordance with the accounting standards and techniques of the Regulatory Agency.

Adequacy of the provision for contingencies (note 27) - Parent company and Consolidated
The Company and its subsidiaries are defendants in court suits of a civil, tax and labor nature. The company exercises material judgment in determining the amounts that should be recognized as a provision for contingencies, and also in the disclosure of processes with no provision recorded where the chance of loss has been rated possible and the remote losses do not require a provision or disclosure, and therefore, there is a judgment that involves the measurement of the liability where an unfavorable outcome in these processes individually or jointly may have a material effect on the financial statements. Due to the materiality, complexity and judgment involved in the evaluation, measurement, definition of the timing for the recognition and disclosures related to the provisions and contingent liabilities which may impact the value and disclosures of these liabilities in the individual and consolidated financial statements and the amount of the investment recorded by the equity accounting method in the financial statements of the parent company, we consider this topic material for our audit.

How the matter was addressed in our audit
Our audit procedures included an assessment of the design, implementation, and operational effectiveness of key internal controls related to identification, assessment, measurement and disclosure of the provisions and contingent liabilities, as well as those related to compliance with laws and regulations.

Additionally, we obtained the list of legal consultants representing the company and its subsidiaries in civil, tax and labor proceedings and we sent confirmation letters directly to the external attorneys, in order to obtain their assessment of the risks of loss and the amounts related to the court suits in which the company and its subsidiaries are listed as defendant. We compared the answers of the letters sent with the accounting records, we assessed the integrity and accuracy of the contingencies recorded by the company and its subsidiaries, and, where applicable, we compared them with existing case law. We recalculated the monetary restatement of the provision for contingencies.

We assessed the risk of loss and the estimated amount for the causes with amounts judged as material with expectations of remote or possible loss. We assessed whether there was any change in the situation between the reporting date and the date of the audit report that could lead to a change in the assessment of the risk loss of the contingencies.

We also analyzed whether the disclosures made in the financial statements are in accordance with the applicable rules and whether they provide information on the nature, exposure and amounts recorded as provisions or disclosed with respect to the main tax, civil and labor issues in which the Company and its subsidiaries are involved.

Judicial reorganization plan (note 26) - Parent company and Consolidated

The subsidiary CELPA filed for judicial reorganization in 2012, in order to permit continuity as a going concern. The plan for judicial reorganization was approved by the creditors. In December 2014 the judge of the 13th Civil and Business Court of Belém/PA decreed as closed the judicial reorganization of CELPA, pursuant to articles 61 and 63 of Law 11,102/05 and in light of the statement of the trustee and of the Public Prosecutor's Office. However this decision was not final and unappealable, in view of the lodging of appeals that remain pending judgment by the Court of Appeals. The plan for judicial reorganization is legally binding and the obligations established therein must be complied with by CELPA and by all its creditors. The settlement of CELPA's debt should be fully complied with due to potential sanctions from the regulators, with a deadline for closure in 2034. Given the complexity of the legal conditions of the judicial reorganization plan and for the rescheduling of CELPA's debts, the materiality of the impacts and disclosures in the financial statements and the judgments involved, we consider this issue as material for our audit.

How the matter was addressed in our audit

Our audit procedures included the assessment of the design, implementation and operational effectiveness of the key internal controls with respect to the amounts recorded in the liabilities arising from the judicial reorganization plan.

We reviewed the documentation related to the process for judicial reorganization, including the plan for judicial reorganization presented by CELPA, the minutes of convening and resolutions by the creditors and the court decision of the plan. We tested reconciliation, changes in the balances, restatements of liability balances and payments made in the year.

With the help of our experts in judicial reorganization, we analyzed the judicial reorganization plan presented in the records, as well as the reports that have been filed in the process.

We also assessed CELPA's financial situation and its ability to continue operating for at least the next twelve months and the disclosures made in the financial statements.

Other matters

Audit and review of corresponding figures
The individual and consolidated financial statements of the company Equatorial Energia S.A., which comprise the statement of financial position as at December 31, 2015 and the related statements of income, the comprehensive statements of income, the statement of changes in shareholders' equity and statements of cash flows for the financial year ended December 31, 2015, were previously audited by other independent auditors, who issued an unmodified report dated March 10, 2016.

Statements of added value
The individual and consolidated statements of added value (DVA) for the financial year ended December 31, 2016, which are the responsibility of Company Management and are presented as supplementary information under IFRS, were subject to audit procedures conducted in conjunction with the audit of the Company's financial statements. To form our opinion we evaluated whether the statements have been reconciled against the financial statements and accounting records, as applicable, and whether their form and content comply with the criteria set out in CPC Technical Pronouncement 09 - Statements of Added Value. In our opinion, these statements of added value have been adequately prepared, in all material respects, in accordance with this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and auditor's report
Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to

read the Management Report and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is a material misstatement

of this Management Report, then we are required to report that fact. We have nothing to report in this regard.

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Company and its subsidiaries are responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian auditing standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian auditing standards and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fortaleza, March 8, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
João Alberto da Silva Neto
Accountant CRC RS-048980/O-0 T-CE

Equatorial Energia S.A.

Statements of financial position as of December 31, 2016 and 2015

(In thousands of Reais)

		Parent Company		Consolidated	
Assets	**Note**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Current					
Cash and cash equivalents	5	137,661	9,035	920,784	397,866
Short-term investments	6	350,366	223,045	2,137,135	2,083,474
Trade accounts receivable	7	-	-	2,292,104	1,977,709
Accounts receivable - rate tiers	8	-	-	3,947	5,542
Fuel purchased - CCC account	9	-	-	64,738	221,298
Services in progress		-	-	133,605	112,580
Judicial deposits	27	4,236	4,203	31,839	25,277
Derivative financial instruments	39	-	-	1,242	52,826
Inventory		-	-	19,987	11,430
Dividends		125,469	68,188	-	-
Taxes and contributions recoverable	11.1	-	-	105,000	94,874
Taxes and contributions recoverable on net income	11.2	21,959	31,215	127,909	116,783
Other receivables	14	2,665	1,228	89,242	58,692
Total current assets		**642,356**	**336,914**	**5,927,532**	**5,158,351**
Noncurrent					
Trade accounts receivable	7	-	-	372,004	277,587
Fuel purchased - CCC account	9			93,306	-
Judicial deposits	27	-	-	165,018	150,527
Derivative financial instruments	39	-	-	-	273,803
Taxes and contributions recoverable	11.1	-	-	130,636	88,233
Taxes and contributions recoverable on net income	11.2	-	-	42,833	39,661
CCC subrogation - amounts allocated	13	-	-	65,284	65,824
Other receivables	14	48,219	302,865	66,965	86,132
Financial asset of the concession	15	-	-	2,602,224	2,228,931
Investments	16	3,512,077	3,046,120	96,322	88,646
Property, plant and equipment		439	245	8,755	3,552
Intangible assets	17	-	-	4,648,641	4,124,640
Total noncurrent assets		**3,560,735**	**3,349,230**	**8,291,988**	**7,427,536**
Total assets		**4,203,091**	**3,686,144**	**14,219,520**	**12,585,887**

		Parent Company		Consolidated	
Liabilities	**Note**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Current					
Trade payables	18	702	305	943,283	934,780
Payroll charges and obligations		489	223	33,330	33,994
Loans and financing	19	-	-	868,211	805,387
Debentures	20	-	-	118,740	47,303
A Component revenue returnable and other financial items	10	-	-	71,524	49,561
Taxes and contributions payable	21.1	4,013	483	357,041	312,421
Taxes and contributions payable on net income	21.2	-	10,637	9,306	18,238
Dividends and interest on shareholders' equity	23	169,288	191,943	195,911	217,998
Consumer charges		-	-	28,748	43,495
Public lighting fee		-	-	42,101	17,433
Energy efficiency research and development	24	-	-	69,029	75,088
Profit sharing	25	4,234	3,220	76,559	65,384
Payables from judicial reorganization	26	-	-	96,409	91,446
Provision for civil, labor and tax litigation	27	-	-	86,222	134,950
Other accounts payable	28	317	31	419,891	283,994
Total current liabilities		**179,043**	**206,842**	**3,416,305**	**3,131,472**
Noncurrent					
Loans and financing	19	-	-	2,217,653	2,587,266
Debentures	20	-	-	1,629,727	495,182
Taxes and contributions payable	21.1	-	-	37,316	50,709
Deferred income and social contribution taxes	21.2	50	50	238,395	142,502
Provision for civil, labor and tax litigation	27	-	-	455,527	469,996
A Component revenue returnable and other financial items	10	-	-	1,501	16,978
Energy efficiency research and development	24	-	-	153,334	128,527
Payables from judicial reorganization	26	-	-	912,337	995,599
Retirement and pension plan	38	-	-	38,412	36,718
Derivative financial instruments	39	-	-	31,278	-
Other accounts payable	28	-	-	216,048	301,699
Total noncurrent liabilities		**50**	**50**	**5,931,528**	**5,225,176**
Shareholders' equity	29				
Capital	29.1	1,981,985	1,980,214	1,981,985	1,980,214
Capital reserves	29.2	54,959	44,909	54,959	44,909
Profit reserves	29.3	2,009,845	1,472,341	2,009,845	1,472,341
Equity appraisal adjustment		(22,262)	(22,262)	(22,262)	(22,262)
Other comprehensive income		(529)	4,050	(529)	4,050
Shareholders' equity attributable to Company shareholders		4,023,998	3,479,252	4,023,998	3,479,252
Minority interests		**-**	**-**	**847,689**	**749,987**
Total shareholders' equity		**4,023,998**	**3,479,252**	**4,871,687**	**4,229,239**
Total liabilities and shareholders' equity		**4,203,091**	**3,686,144**	**14,219,520**	**12,585,887**

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of income

Years ended December 31, 2016 and 2015

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net operating revenue	32	-	16	7,825,601	7,134,673
Costs of electricity, construction and operation	33	-	-	(5,803,400)	(5,449,010)
Electricity purchased for resale and transmission costs	34	-	-	(3,628,618)	(3,679,247)
Construction cost		-	-	(1,417,616)	(1,087,782)
Operating cost		-	-	(757,166)	(681,981)
Gross income		-	16	2,022,201	1,685,663
Sales expenses	33	-	-	(560,600)	(428,616)
General and administrative expenses	33	(34,796)	(40,955)	(328,599)	(372,920)
Amortization of concession rights		(6,373)	(6,707)	(6,373)	(6,707)
Equity in net income of subsidiaries		682,748	775,079	26,893	31,421
Other net operating expenses		-	(3,241)	(101,165)	(215,327)
Total operating revenue (expense)		641,579	724,176	(969,844)	(992,149)
Income before net financial items, income tax and social contributions		641,579	724,192	1,052,357	693,514
Finance revenue		72,694	89,858	1,057,264	1,390,695
Finance costs		(7)	(6,239)	(1,059,609)	(963,146)
Financial income, net	36	72,687	83,619	(2,345)	427,549
Net income before income and social contribution taxes		714,266	807,811	1,050,012	1,121,063
Social contribution	22.3	(549)	171	(74,379)	(46,817)
Income tax	22.3	(1,500)	500	(140,817)	(126,761)
Tax incentives		-	-	134,203	123,048
Deferred IRPJ and CSLL		-	-	(95,893)	(110,685)
Taxes on net income		(2,049)	671	(176,886)	(161,215)
Net income for the year		**712,217**	**808,482**	**873,126**	**959,848**
Income attributable to:					
Noncontrolling shareholders		-	-	160,909	151,366
Shareholders of parent entity		712,217	808,482	712,217	808,482
Net income for the year		**712,217**	**808,482**	**873,126**	**959,848**
Basic earnings for the year per lot of one thousand shares - R$		3.5848	4.0712	3.5848	4.0712
Diluted earnings for the year per lot of one thousand shares - R$		3.5496	3.9864	3.5496	4.0311
Number of shares at year-end		**198,676**	**198,587**	**198,676**	**198,587**

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of comprehensive income

Years ended December 31, 2016 and 2015

(In thousands of Reais)

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net income for the year	712,217	808,482	873,126	959,848
Comprehensive income	(4,579)	15,881	(4,745)	16,457
Total other comprehensive income	707,638	824,363	868,381	976,305
Noncontrolling shareholders	-	-	160,743	151,942
Controlling shareholders	707,638	824,363	707,638	824,363
Total comprehensive income	707,638	824,363	868,381	976,305

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2016 and 2015

(In thousands of Reais)

			Profit reserves							
	Capital	Capital reserves	Legal	and expansion reserve	Equity appraisal adjustment	Retained earnings	Other comprehen sive income	rs' equity of parent company	Noncontrolling interests	Consolidated equity
Balances at January 01, 2015	1,977,276	22,585	98,107	773,736	(22,262)	-	(13,075)	2,836,367	609,158	3,445,525
Reclassifications of other comprehensive income	-	-	-	(1,244)	-	-	1,244	-	-	-
Capital increase (Note 29.1)	2,938	-	-	-	-	-	-	2,938	8,799	11,737
Awarded options recognized (Note 30)	-	22,324	-	-	-	-	-	22,324	-	22,324
Other comprehensive income	-	-	-	-	-	-	15,881	15,881	576	16,457
Distribution of dividends to noncontrolling interes	-	-	-	-	-	-	-	-	(29,186)	(29,186)
Net income for the year	-	-	-	-	-	808,482	-	808,482	151,366	959,848
Gains or losses on change in interest	-	-	-	-	-	(9,274)	-	(9,274)	9,274	-
Gains or losses on investments - PPA	-	-	-	-	-	1,123	-	1,123	-	1,123
Appropriation of profit:										
Legal reserve (Note 29.3.1)	-	-	40,017	-	-	(40,017)	-	-	-	-
Minimum dividends payable:										
Dividends (Note 23)	-	-	-	-	-	(127,317)	-	(127,317)	-	(127,317)
Interest on shareholders' equity (Note 23)	-	-	-	-	-	(69,506)	-	(69,506)	-	(69,506)
Additional dividends (Note 29.4)	-	-	-	-	-	(1,766)	- -	(1,766)	-	(1,766)
Investment and expansion reserve (Note 29.3.2)	-	-	-	561,725	-	(561,725)	-	-	-	-
Balances at December 31, 2015	1,980,214	44,909	138,124	1,334,217	(22,262)	-	4,050	3,479,252	749,987	4,229,239
Capital increase (Note 29.1)	1,771	-	-	-	-	-	-	1,771	624	2,395
Awarded options recognized (Note 30)	-	10,050	-	-	-	-	-	10,050	-	10,050
Other comprehensive income	-	-	-	-	-	-	(4,579)	(4,579)	(166)	(4,745)
Distribution of dividends to noncontrolling interes	-	-	-	-	-	-	-	-	(63,665)	(63,665)
Net income for the year	-	-	-	-	-	712,217	-	712,217	160,909	873,126
Appropriation of profit:										
Legal reserve (Note 29.3.1)	-	-	35,611	-	-	(35,611)	-	-	-	-
Minimum dividends payable:										
Dividends (Note 23)	-	-	-	-	-	(119,085)	-	(119,085)		(119,085)
Interest on shareholders' equity (Note 23)	-	-	-	-	-	(55,628)	-	(55,628)	-	(55,628)
Additional dividends (Note 29.4)	-	-	-	1,721	-	(1,721)	-	-	-	-
Investment and expansion reserve (Note 29.3.2)	-	-	-	500,172	-	(500,172)	-	-	-	-
Balances at December 31, 2016	1,981,985	54,959	173,735	1,836,110	(22,262)	-	(529)	4,023,998	847,689	4,871,687

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of cash flows - Indirect method

Years ended December 31, 2016 and 2015

(In thousands of Reais)

	Parent Company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cash flows from operating activities				
Net income for the year	656,587	808,482	873,126	959,848
Adjustments to:				
Amortization and depreciation	6,379	6,759	349,935	320,502
Equity in net income of subsidiaries	(682,748)	(775,079)	(27,880)	(31,421)
Write-off of intangible assets	-	-	37,686	8,185
Indexation of financial assets	-	-	(126,549)	(118,269)
Debt charges, net interest and monetary and exchange variance	(40,256)	(51,771)	155,555	855,699
Gain on derivative financial instruments	-	-	381,453	(268,125)
Adjustment to present value	483	5,902	35,787	(356,904)
Allowance for doubtful accounts and losses on uncollectible receivables	-	-	278,199	147,571
Provision for civil, labor and tax litigation	-	-	26,643	30,530
"A Component" revenue receivable and other financial items	-	-	6,486	788,995
Earnings on investments	(31,458)	(39,286)	(252,600)	(224,999)
Deferred income and social contribution taxes	-	-	95,893	110,888
Current income and social contribution taxes	(2,049)	-	80,993	50,530
Retirement and pension plan	-	-	1,271	5,407
Share-based payments	10,050	22,324	10,050	22,324
Gain (loss) on investment	-	1,070	-	1,123
Other comprehensive income	-	-	(4,745)	16,457
Dividends proposed payable	-	-	-	-
Other	-	-	-	-
	(83,012)	(21,599)	1,921,303	2,318,341
Changes in current and noncurrent assets and liabilities				
Trade accounts receivable	-	-	(687,400)	(844,937)
Accounts receivable - rate tiers	-	-	1,595	(5,542)
Fuel purchased - CCC account	-	-	63,254	15,403
Services in progress	-	-	(21,025)	(6,276)
Judicial deposits	(33)	(4,064)	(21,053)	(19,611)
Inventory	-	-	(8,557)	9,482
Dividends receivable	148,558	63,630	-	-
Taxes and contributions recoverable	-	-	(52,529)	13,868
Taxes and contributions recoverable on net income	9,256	(9,068)	(14,298)	(44,014)
CCC sub-rogation	-	-	540	47,431
Financial concession assets	-	-	(255,417)	-
Other receivables	292,980	25,910	(13,230)	(17,532)
Trade payables	397	147	8,503	(205,063)
Payroll charges and obligations	266	45	(663)	4,221
Taxes and contributions payable	3,531	389	31,227	35,344
Taxes and contributions payable on net income	(8,588)	3,428	(47,846)	(57,042)
Consumer charges	-	-	(14,747)	42,012
Public lighting fee	-	-	24,669	(13,415)
Energy efficiency research and development	-	-	18,748	16,527
Profit sharing	1,014	(1,224)	11,175	8,529
Retirement and pension plan	-	-	423	(16,457)
Provision for civil, labor and tax litigation	-	-	(89,840)	(23,557)
Interest paid	-	-	(250,717)	(214,165)
Income and social contribution taxes paid	-	-	(42,079)	(7,410)
Other accounts payable	2,059	(5)	50,246	133,367
	449,440	79,188	(1,309,021)	(1,148,837)
Flow of net cash provided by (used in) operating activities	366,428	57,589	612,282	1,169,504
Cash flows from investment activities				
Acquisitions of intangible assets and property, plant and equipment	(200)	-	(908,083)	(783,006)
Acquisitions of property, plant and equipment	-	-	-	(481)
Redemptions/ short-term investments	(95,863)	83,493	198,939	(174,910)
Receipt of dividends	-	-	20,135	23,018
Flow of cash (used in) provided by investment activities	(96,063)	83,493	(689,009)	(935,379)
Cash flows from financing activities				
Loans and financing obtained	-	-	374,993	1,107,116
Amortization of loans and financing	-	-	(536,084)	(1,063,502)
Amortization of derivative financial instruments	-	-	(22,941)	14,909
Judicial reorganization amounts paid			(154,461)	-
Debenture issue	-	-	1,230,000	-
Amortization of debentures	-	-	(33,790)	-
Proceeds for capital increase	-	2,938	2,395	11,737
Dividends paid	(141,739)	(158,211)	(260,467)	(186,617)
Net cash (used in) provided by financing activities	(141,739)	(155,273)	599,645	(116,357)
Net increase (decrease) in cash and cash equivalents	128,626	(14,191)	522,918	117,768
Cash and cash equivalents at beginning of year	9,035	23,226	397,866	280,098
Cash and cash equivalents at end of year	137,661	9,035	920,784	397,866
Net increase (decrease) in cash and cash equivalents	128,626	(14,191)	522,918	117,768

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of Added Value

Years ended December 31, 2016 and 2015

(In thousands of Reais)

	Parent Company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Revenue				
Sales of products, services and construction revenue	-	18	11,053,427	10,104,175
Allowance for doubtful accounts and losses on uncollectible receivables	-	-	(278,199)	(147,571)
Provision (reversal) for civil, labor and tax litigation	-	-	30,098	(12,601)
Other operating expenses/revenue	-	-	(30,920)	(215,327)
Other non-recurrent expenses / revenue	-	(3,241)	(70,245)	-
	-	(3,223)	10,704,161	9,728,676
Consumables acquired from third parties (including ICMS and IPI)				
Costs of goods sold and services rendered	-	-	(5,046,234)	(4,767,029)
Materials, energy, outsourced services and other	(5,580)	(3,354)	(688,223)	(744,579)
CCC subsidy	-	-	(2,915)	20,179
Commercial and other expenses	-	-	-	(938)
	(5,580)	(3,354)	(5,737,372)	(5,492,367)
Gross added value used	(5,580)	(6,577)	4,966,789	4,236,309
Depreciation and amortization	(5)	(52)	(343,499)	(313,676)
Added value (used) produced by the Company	(5,585)	(6,629)	4,623,290	3,922,633
Transferred added value				
Finance revenue	72,694	83,619	698,961	427,549
Equity in net income of subsidiaries	682,748	775,079	26,893	31,421
Indexation of financial assets	-	-	126,580	-
Amortization of concession rights	(6,373)	(6,707)	(6,373)	(6,707)
Other	(3)	-	(382,646)	-
	749,066	851,991	463,415	452,263
Total added value to be distributed	**743,481**	**845,362**	**5,086,705**	**4,374,896**
Distribution of added value				
Employees				
Direct compensation	25,097	34,527	271,782	149,817
Benefits	323	263	69,880	63,116
Government Severance Indemnity Fund for Employees (FGTS)	191	68	23,752	15,770
Other	2,840	2,691	(28,800)	49,153
	28,451	37,549	336,614	277,856
Taxes				
Federal	2,049	(669)	1,677,132	1,418,605
State	-	-	1,715,709	1,707,537
Municipal	-	-	6,906	3,637
	2,049	(669)	3,399,747	3,129,779
Interest expenses				
Interest	4	-	352,340	-
Rent	760	-	31,978	7,413
Other financial expenses	-	-	92,900	-
	764	-	477,218	7,413
Interest on shareholders' equity				
Dividends	170,872	198,588	-	198,588
Net income for the year	541,345	609,894	712,217	609,894
Noncontrolling interests in earnings for the year	-	-	160,909	151,366
	712,217	808,482	873,126	959,848
Added value	**743,481**	**845,362**	**5,086,705**	**4,374,896**

See the accompanying notes to the financial statements.

Notes to the financial statements

1 Reporting entity

Equatorial Energia S.A. ("Company" or "Equatorial" or "Parent"), headquartered in São Luís, Maranhão, Brazil, is a publicly traded holding corporation with interests primarily in electric power generation and distribution operations. The Company is listed on BM&F BOVESPA under the ticker "EQTL3" and has been listed on Novo Mercado since 2008.

Under Resolution 4621, dated November 25, 2014, the Brazilian power sector regulator, ANEEL, approved a new standard utility concession addendum under which the residual balances of regulatory assets or liabilities relating to financial figures computed in accordance with ANEEL's pre-established rules, including those established after the most recent rate review, will be included the indemnity to be received by the concession holder in the event of the termination of the concession for whatever reason. Subsidiaries CEMAR and CELPA executed the addendum on December 10, 2014 with approval from the Board of Directors.

2 Subsidiaries and joint ventures

Equatorial has the following interests:

	Note	12/31/2016	12/31/2015
Companhia Energética do Maranhã - CEMAR	(a)	65.11%	65.11%
Equatorial Soluções S.A.	(b)	-	100.00%
55 Soluções S.A.	(b)	100.00%	-
Centrais Elétricas do Pará S.A. - CELPA	(c)	96.50%	96.50%
Geradora de Energia do Norte	(d)	25.00%	25.00%
Vila Velha Termoelétricas Ltda.	(e)	50.00%	50.00%
Equatorial Telecomunicações	(f)	0.04%	0.04%

(a) Companhia Energética do Maranhão (CEMAR): A publicly held corporation primarily engaged in electric power distribution. CEMAR holds the concession for the state of Maranhão, serving 2.3 consumers and covering a concession area of over 332 thousand square kilometers. The public power distribution concession contract (no. 060/2000) between the National Electricity Regulatory Agency - ANEEL and CEMAR on 8/28/2000, has a term extending to August 2030 and is extendable for a further maximum term of 30 years.

(b) 55 Soluções S.A.: A privately held company held corporation headquartered in São Luís, Maranhão, Brazil, and primarily engaged in: a) services in the electric power, telecommunications and data transmission businesses; b) electricity bill collection services for third parties; and c) third-party facilities operation, maintenance and planning services.

On April 14, 2016 the Extraordinary General Meeting approved the acquisition of the entire shareholders' equity of 55 Atende S.A by Equatorial Soluções S.A. This acquisition took place without a capital increase because Equatorial Soluções holds all of its share capital. The company's name was changed from Equatorial Soluções S.A to 55Soluções S.A.

(c) Centrais Elétricas do Pará S.A. (CELPA): A publicly traded corporation headquartered in Belém, Pará, supplying electricity to a concession area spanning 1,248,000 km^2 across the State of Pará, serving 2.4 million consumers in 144 municipalities. Electricity distribution concession agreement no. 182/1998 entered into by between ANEEL and CEMAR on 7/28/1998, has a term extending to July 2028 and is extendable for a further term of 30 years. In addition to the distribution concession agreement contract above, CELPA has Generation Concession Contract no. 181/1998 for 34 Thermal Power Stations, including 11 Company-owned and 23 third-party power stations, with a term extending 30 (thirty) years to July 28, 2028, and renewable for an additional term of 30 years. After the tender in the form of an auction (Auction 02-2016 ANEEL), held by ANEEL in April 2016, all the plants began to be operated by the winner of the procurement, the Energia do Pará (CEPA) consortium, which from February 2017 is responsible for energy generation in all municipalities that have not yet been connected to the National Interconnected Grid (SIN), meaning 181/1998 loses it validity. The concession term for these plants is 30 years, expiring on July 28, 2028.

(d) Geradora de Energia do Norte S.A. is the company responsible for the development and operation of the Tocantinópolis and Nova Olinda thermal power stations in the municipality of Miranda do Norte, Maranhão, Brazil, with a combined installed capacity of 330 MW to be delivered to the National Interconnected System. On October 1, 2008, Equatorial acquired a 25% interest in the share capital of Geradora de Energia do Norte S.A.:. The consortium that controls Geradora de Energia do Norte S.A. consists of Equatorial Energia S.A. (25%), Fundo de Investimentos em Participações Brasil Energia (25%) and GNP S.A. (50%). GNP S.A., in turn, is controlled by Servtec Investimentos e Participações Ltda. (50%) and Companhia Ligna de Investimentos (50%). The control of Geradora de Energia do Norte S.A. is shared and governed by a Shareholders' Agreement.

(e) Vila Velha Termoelétricas Ltda, currently in a pre-operational phase, is responsible for the development and operation of thermal power stations in the state of Espírito Santo. Equatorial Energia has a 50% interest in the company. Control of C Vila Velha Termoelétricas Ltda. is shared and governed by a Shareholders' Agreement.

(f) Equatorial Telecomunicações Ltda.: A private entity headquartered in São Luís, Maranhão, Brazil, engaged in the provision of telecommunications service, land-line telephone service, multimedia communication services, voice over Internet protocol service and telecommunications information services.

The subsidiaries CEMAR, CELPA and 55 Soluções are collectively referred to in the notes hereafter as "Subsidiaries".

Geradora de Energia do Norte and Vila Velha are joint ventures controlled by Equatorial and are recognized using the equity method of accounting. These investments are initially recognized at cost, which includes transaction expenses.

The presentations of the subsidiaries’ financial statements included in the consolidation are the same as the parent company’s and accounting policies have been applied consistently with the consolidated companies and are consistent with those used in the previous year.

All intercompany accounts and transactions have been eliminated in the consolidation.

3 Basis of presentation and preparation of the financial statements

3.1 Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with the accounting practices adopted in Brazil (BR GAAP) and includes information required to be presented under Brazilian corporate law in a manner consistent with the standards set out in Accounting Pronouncements (CPC) approved by the Federal Accounting Council (CFC) and by the Brazilian Securities Commission (CVM).

They were authorized for issue by the Board of Directors on March 8, 2017.

After issuance, the financial statements can only be altered by shareholders.
Details about the Company's accounting policies can be seen in note 0.

All material information related to the financial statements and that alone, is being presented, which corresponds to that used by it in its management.

3.2 Functional and presentation currency

These financial statements are presented in Reais, which is the Company’s functional currency. All balances have been rounded off to the nearest thousand, except where specified otherwise.

3.3 Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2016 is included in the following notes:

- **Note 7** - credits risk analysis criteria for determining the allowance for doubtful accounts;
- **Note 15** - criteria for determining and restating concession financial assets;
- **Note 17** - amortization of intangible concession assets linearly over the period in which the company is entitled to charge consumers for the use of the underlying concession asset (the regulatory useful life of assets) or the term of the concession contract, whichever is shortest;
- **Note 22** - recognition of deferred tax assets: availability of future taxable income which tax losses can be offset against;
- **Note 27** - Recognition of provisions for tax, civil and labor risks by rating the chance of defeat according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions;
- **Note 38 -** recognition of pension plan expenditure on post-employment health care benefits and the present value of pension obligations through actuarial valuation, which 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; and
- **Note 39** - definition of fair value using valuation techniques including the discounted cash flow method for financial assets and liabilities not traded in an active market.

(i) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer, when applicable.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of CPC / IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities

- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is disclosed in note 39.

3.4 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items recognized in the statements of financial position:

- financial assets of the concession are measured at fair value

- derivative financial instruments are measured at fair value, and

- the defined benefit's net asset or liability is recognized as the fair value of the plans' assets, less the present value of the defined-benefit obligation, and is limited as demonstrated in note 39.

3.5 Rectifying corresponding amounts

The Company is making the following reclassifications for the financial year ended December 31, 2015, in accordance with CPC 26 - Presentation of Financial Statements and CPC 23 - Accounting Policies, Changes in Estimation and Correction of Errors.

The Company used to open certain revenue and expense accounts according to both the income statement and statement of added value and in the notes the financial statements. This year it elected to combine balances in the income statement and statement of added value, maintaining the breakdown in the notes as follows:

(i) Statements of income

		Impacts of the corrections		
		Published in 2015 12/31/2015	**Adjustments**	**Published in 2016 12/31/2015**
Net operating revenue		7,134,673	-	7,134,673
Cost of electricity, construction and operation		(5,449,010)	-	(5,449,010)
Cost of electricity, construction		(4,767,029)	-	(4,767,029)
Electricity purchased for resale and transmission costs		(3,679,247)	-	(3,679,247)
Construction cost		(1,087,782)	-	(1,087,782)
Operating cost	(a)	(681,981)	-	(681,981)
Personnel	(a)	(126,546)	126,546	-
Material	(a)	(21,150)	21,150	-
Outsourced services	(a)	(244,533)	244,533	-
Amortization	(a)	(267,847)	267,847	-
CCC Subsidy	(a)	20,179	(20,179)	-
Other	(a)	(42,084)	42,084	-
Gross profit		1,685,663	-	1,685,663
Sales expenses		(428,616)	-	(428,616)
General and administrative expenses and amortization	(b)	(327,091)	(45,829)	(372,920)
Amortization	(b)	(45,829)	45,829	-
Amortization of concession rights		(6,707)	-	(6,707)
Equity in net income of subsidiaries		31,421	-	31,421
Other net operating expenses		(215,327)	-	(215,327)
Total operating revenue (expense)		(992,149)	-	(992,149)
			-	
Income before net financial items, income tax and social contributions		693,514	-	693,514
Financial income, net		427,549	-	427,549
Net income before income and social contribution taxes		1,121,063		1,121,063
Taxes on net income		(161,215)	-	(161,215)
Net income for the year		**959,848**	**-**	**959,848**

(a) The operating cost of R$ 681,981 had been split into personnel costs R$ 126,546, materials R$ 21,150, services R$ 244,533, amortization R$ 267,847, CCC Subsidies R$ (20,179) and other R$ 42,084 (see note 33).

(b) General and administrative expenses and amortization in the amount of R$ 372,920 had been split into general and administrative expenses of R$ 327,091 and amortization of R$ 45,829 (see note 33).

(ii) Statements of added value - Consolidated

		Published in 2015 12/31/2015	Reclassification	Published in 2016 12/31/2015
Revenue				
Sales of products, services and construction revenue	(a)	9,016,393	1,087,782	10,104,175
Construction revenue	(a)	1,087,782	(1,087,782)	-
Allowance for doubtful accounts and losses on uncollectible receivables		(147,571)	-	(147,571)
Provision (reversal) for civil, labor and tax litigation		(12,601)	-	(12,601)
Other operating expenses/revenue		(215,327)	-	(215,327)
		9,728,676	-	**9,728,676**
Consumables acquired from third parties (including ICMS and IPI)		**(5,492,367)**	-	**(5,492,367)**
Gross added value		**4,236,309**	-	**4,236,309**
Amortization		(313,676)	-	(313,676)
Added value produced by the Company		**3,922,633**	-	**3,922,633**
Transferred added value		**452,263**	-	**452,263**
Total added value to be distributed		**4,374,896**	-	**4,374,896**
Distribution of added value				
Employees		**277,856**	-	**277,856**
Taxes		**3,129,779**	-	**3,129,779**
Interest expenses		**7,413**	-	**7,413**
Interest earnings		**959,848**	-	**959,848**
Added value		**4,374,896**	-	**4,374,896**

(a) Revenue from sales of products and services and construction revenue in the amount of R$ 10,104,175 had been split into revenue from sales of products and services R$ 9,016,393 and construction revenue R$ 1,087,782 (see note 32).

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these individual and consolidated financial statements.

4.1 Basis of consolidation

4.1.1 Subsidiary

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The equity income method is used to recognize the financial information of subsidiaries in the parent company's individual financial statements.

The subsidiaries are Companhia Energética do Maranhão - CEMAR, 55 Soluções S.A. (Equatorial Soluções S.A.) and Centrais Elétricas do Pará - CELPA.

4.1.2 Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.1.3 Loss of control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4.1.4 Investments in equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. In the parent company's individual financial statements investments in subsidiaries are also recorded by this method.

The joint ventures are Geradora de Energia do Norte S.A. and Vila Velha Termoelétricas Ltda.

4.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognized in profit or loss.

4.3 Operating revenue

4.3.1 Distribution

Its subsidiaries' distribution revenue is classified as: i) electricity supplied to consumers, and; ii) Electricity in the spot market. Revenue is measured at fair value of the corresponding payment received or receivable, minus tax and any discounts. Energy sales revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company; the revenue can be reliably measured; the risks and rewards of the sale have been transferred to the buyer; the costs incurred or to be incurred under the transaction can be measured reliably; and the Company no longer holds the control and responsibility over the sold energy. Electricity bills for all consumers are prepared monthly according to the reading calendar of meters. Unbilled revenue, corresponding to the period between the date of last reading and the end of the month, is estimated and recognized as revenue in the month the energy was consumed.

This includes construction revenue related to the electricity distribution segment embraced by ICPC 01 - Service Concession Arrangements (R1)/IFRIC 12. ICPC 01 (R1) establishes that the concession operator should measure and record service revenue in accordance with Technical Pronouncements CPC 17 (R1) - Construction Contracts (construction or improvement services) and CPC 30 (R1) - Revenue (operating services - electricity sales to consumers), even if governed by a single concession agreement.

The subsidiaries CEMAR and CELPA record revenue and costs relating to the construction or upgrading of the assets used to provide the electricity distribution services. The construction margin adopted is set at zero, because: (i) the concession operators' core activity is energy distribution (ii) all construction revenue is related to the construction of assets as part of the core activity (i.e. electric power supply) and (iii) the subsidiary concession operators outsource the construction of the assets to unrelated parties. On a monthly basis, all additions made to intangible assets in progress are transferred to profit or loss as construction costs, following deduction of funds deriving from inflows of special obligations.

4.4 Employee benefits

4.4.1 Short-term employee benefits

Short-term employee benefit obligations are recognized as personnel expenses and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.4.2 Defined-contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

4.4.3 Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods. This amount is discounted to present value and is presented net of the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are increased, the resulting change in the benefit that relates to past service is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.5 Government grants

Government grants are recognized if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. When the benefit covers an expense, it is recognized as revenue over the benefit period on a systematic basis in relation to the cost the benefit is aiming to compensate. When the benefit consists of an asset, it is recognized as deferred revenue and entered in profit and loss, in an amount equal to the expected useful life of the corresponding useful asset.

When the Company receives non-monetary benefits, the asset and the benefit are recorded at nominal value and reflected in profit or loss over the expected useful life of the asset, in equal annual instalments.

4.6 Finance income and finance costs

The Company's finance income and finance costs include:

- interest income and expenses;
- net gain or loss on financial assets at fair value through profit or loss
- net foreign currency gain or loss on financial assets and financial liabilities, and
- net gain or loss on hedging instruments that are recognized in profit or loss;

Interest income or expense is recognized using the effective interest method.

4.7 Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforwards and negative basis of social contribution limited to 30% of the taxable income, when applicable.

Income and social contribution expenses consist of current and deferred income and social contribution taxes. Current and deferred tax is recognized in profit or loss.

4.7.1 Income tax and social contribution expenses - current

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is recognized in the statement of financial position as a fiscal asset or liability and is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted at the reporting date.

The Company should offset current tax assets and current tax liabilities if the Company:

- is legally entitled to offset the recognized amounts and
- intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.7.2 Income tax and social contribution expenses - deferred

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The changes in deferred tax assets and liabilities in the year are recognized as a deferred income and social contribution tax expense.

Deferred tax assets are recognized for unused tax losses and unused deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

4.8 Inventories

Inventory is recorded at average acquisition cost net of the provision for losses, when applicable, and do not exceed the replacement cost or net realization value The net realizable value is the estimated sale price of inventory minus all estimated costs of completion and costs required to make the sale.

4.9 "A Component" revenue receivable and other financial items

On November 25, 2014 ANEEL decided to amend the concession and permission agreements of Brazilian electricity distribution companies, incorporating the receivable balances of the A Component and other financial items into the compensation calculation upon termination of the concession. This change sought to eradicate any hitherto existing uncertainty regarding the recognition and realization of temporary differences, the amounts of which are passed through annually to the electricity distribution rate - A Portion (CVA) and other financial components.

The assets and liabilities corresponding to the A Component are recognized, measured and disclosed in accordance with Technical Guidance - OCPC 08. This event requires the recognition of the balance of any differences of the A Component and other financial components not yet recovered or settled.

4.10 Compensable assets (concession)

Public Electricity Concession Agreement 60 dated August 28, 2000 and subsequent amendments between the government (concession authority) and the subsidiaries CEMAR and CELPA (concession operators) regulate the exploration of public energy distribution services, where:

- The agreement establishes which services the operator shall provide and to whom (consumer class)

- The agreement establishes performance standards for providing utility services regarding the maintenance and improvement of consumer service quality indexes, and at the end of the arrangement the operator is obliged to return the assets in the same state of repair it received them originally. In order to perform these obligations constant investments are made throughout the concession term. Assets related to the concession can therefore be replaced on a number of occasions before the end of the arrangement.

- At the end of the concession the assets related to the infrastructure should be returned to the concession authority through payment of compensation; and

- The price is regulated by a rate mechanism established in concession agreements based on a parametric formula (Portions A and B), and the rate review mechanisms are defined, which should be sufficient to cover costs, amortization of the investment and yield of the invested capital.

Based on the characteristics established in the electricity distribution concession agreements of the subsidiaries CEMAR and CELPA, Management believes that the conditions have been met to apply ICPC Technical Interpretation 01 (R1) - Concession Arrangements, which provides guidelines about the accounting of utility concessions for private operators, in order to reflect the energy distribution business, embracing:

- Estimated portion of the investments made and not amortized or depreciated by the end of the concession determined based on the New Replacement Value ("VNR") net of special obligations classified as financial assets due to being an unconditional right to receive cash or another financial asset directly from the concession authority, and

- Remaining portion of the financial assets (residual value) determined in accordance with the New Replacement Value ("VNR") classified as an intangible asset because its recovery is conditional on usage of the public service by consumers, note 15.

The infrastructure received or built for the distribution activity, which originally consisted of the property, plant and equipment and intangible assets of the subsidiaries CEMAR and CELPA, is recovered through two cash flows, i.e.: (i) part through energy consumption made by consumers (issuance of monthly invoice for energy consumed/sold) during the concession term; (ii) partly through indemnification of the returnable assets at the end of the concession arrangement, to be received directly from the concession authority or to whom it delegates this task.

This compensation will be made based on the investments made in returnable concession infrastructure, not yet amortized or depreciated, which have been realized in order to guarantee the continuity and upgrading of the service awarded.

Under Law 12783/2013, capital expenditure in connection with revertible assets which has not yet been amortized or depreciated, for indemnity purposes, should be calculated based on the new replacement value methodology using criteria established in the concession regulator's regulations. This rule is only effective in FY 2012 and did not affect prior year income.

The subsidiaries CEMAR and CELPA recognize a financial asset resulting from a concession agreement when they have an unconditional contractual right to receive cash or other equivalent financial asset from the concession authority for the improvement or construction services provided. These financial assets are measured at fair value upon initial recognition and after initial recognition these financial assets are measured at amortized cost.

If the concession operators are reimbursed for construction services partially through a financial asset and partially 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.

4.11 Intangible assets

4.11.1 Service concession agreements

The subsidiaries CEMAR and CELPA recognize an intangible asset resulting from the concession agreement when they are entitled to charge for use of the concession asset. An intangible asset received as remuneration for the provision of construction services or improvements under a service commission agreement is measured at fair value upon initial recognition. After this recognition, this intangible asset is measured at cost, less accumulated amortization and impairment losses.

4.11.2 Other intangible assets

Other intangible assets that are acquired by the Company and its subsidiaries have finite useful lives that are measured at cost less accumulated amortization and any impairment losses.

4.11.3 Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

4.11.4 Amortization

Amortization is calculated on the acquisition cost of an asset or other equivalent cost, less the residual value. Amortization is recognized using the straight-line method and limited to the remaining term of the concession agreement of the subsidiaries CEMAR and CELPA or estimated useful life of intangible assets, whichever is lower, other than goodwill, as from the date they are available for use. This method best reflects the consumption pattern of future economic benefits incorporated into the asset.

The useful life of an intangible asset in a concession arrangement is the period from which the concession operators can charge public consumers for use of the infrastructure until the end of the concession period. Amortization methods, useful lives and residual values are reviewed if so resolved by the regulatory agency.

4.12 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

It classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

4.12.1 Non derivative financial assets and financial liabilities - Recognition and derecognition

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously

4.12.2 Non derivative financial assets - Measurement

Financial assets are measured at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Loans and receivables
These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

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 considers cash equivalents to be a short-term investment readily convertible into a known amount of cash and subject to an insignificant risk of impairment. An investment is therefore normally qualified as cash equivalents if it matures in the short term, for example within three months from procurement.

In the cash flow statements, cash and cash equivalents include negative balances of overdrafts that are immediately payable and are included as a component of the Company's cash management.

4.12.3 Non derivative financial liabilities - measurement
A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

4.12.4 Derivative financial instruments
The Company holds derivative financial instruments to hedge its foreign currency and interest risk exposures.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

4.13 Share capital

(i) Common shares
Incremental costs directly attributable to the issue of shares and options are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with CPC 32 - Taxes on Profit / IAS 12.

(ii) Preference shares
Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognized as equity distributions on approval by the Company’s shareholders.

(iii) Dividends

The dividend recognition policy complies with CPC 25 and ICPC 08, which determines that proposed dividends supported by bylaw obligations should be recorded in current liabilities.

The Company's bylaw state that at least 25% of the annual net income should be paid out as dividends. The bylaws also state that the Board of Directors shall resolve the payment of interest on shareholders' equity and interim dividends.

The Company records a liability equal to the minimum mandatory dividend not yet paid out in the course of the year.

An additional dividend to the minimum mandatory dividend set out in a management proposal made before the reporting date should be maintained in shareholders' equity in a specific account called "additional proposed dividend". This fact should be mentioned in subsequent events if the proposition is made after the reporting date and before the issuance of the financial statements.

4.14 Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise,
- indications that a debtor or issuer will enter bankruptcy/judicial reorganization;
- adverse changes in the payment status of borrowers or issuers.
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets.

Management reviews the net carrying amount of assets annually in order to evaluate events or changes in economic, operating or technological circumstances that could indicate impairment or loss of their recoverable value. When such evidence is identified and the net carrying amount exceeds the recoverable value, a provision for impairment is made and the net carrying amount adjusted to the recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its net sale value.

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

The following criteria is also applied to evaluate an impairment loss on specific assets:

(ii) Intangible assets

Intangible assets with a defined useful life are tested annually for impairment at the end of each year, either individually or at cash generating unit level, as the case may be, or when circumstances indicate impairment.

4.15 Provisions

A provision is recognized when the Company has a legal or unofficial obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, which can be reliably estimated. When the Company expects a provision to be reimbursed, in part or full, for example as a result of an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is a virtual certainty. Expenses related to any provision are presented in the income statement net of any reimbursement.

Provisions are calculated by discounting future expected cash flows at a before-tax rate that reflects current market valuations regarding the value of the money over time and specific risks posed by the related liability. The effects of unwinding the discount over time is recognized as finance cost in profit or loss.

Provision for tax, civil and labor risks

Provisions for judicial proceedings are made for which an outflow of economic benefits will probably be required to settle the contingency/obligation and which can be reliably estimated. The chance of defeat is rated according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions.

Provisions are reviewed and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the conclusions from tax audits or additional exposure identified as a result of new issues or court decisions.

4.16 Statements of added value

The Company prepared statements of added value (DVA) in accordance with technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements in BRGAAP applicable to publicly held companies, while consisting of supplementary financial information under IFRS.

4.17 Measurement of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The risk of nonperformance includes the Company's own credit risk, amongst other factors.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that take a substantial period of time to be made ready for sale or their intended use are capitalized as part of the corresponding asset's cost. All other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred by an entity.

4.19 New standards and interpretations not yet effective

A number of new standards or amendments to standards and interpretations are effective for annual periods beginning after January 01, 2017. The company has not adopted these changes in the preparation of the individual and consolidated financial statements. The Company is not planning to early adopt these standards.

Disclosure Initiative (Amendment of CPC 26 / IAS 7)

The amendments require additional disclosures that enable users of financial statements to evaluate change in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017. Early adoption is only permitted for financial statements prepared in accordance with IFRS.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including CPC 30 (IAS 18) Revenue, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation A (IFRIC 13) Customer Loyalty Programs.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Early adoption is only permitted for financial statements prepared in accordance with IFRS.

IFRS 9 - Financial Instruments

IFRS 9 replaces the guidance in IAS 39 (CPC 38) Financial Instruments: Recognition and Measurement. IFRS 9 includes new logical models for classification and measurement of financial instruments, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard carries over from IAS 39 the requirements for recognition and derecognition of financial assets and financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Early adoption is only permitted for financial statements prepared in accordance with IFRS.

The actual impact of adopting IFRS 9 on the Company's individual and consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

(i) *Classification - Financial Assets*

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Company does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

(ii) Impairment - Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in CPC 38 (IAS 39) with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. However, the Company has not yet finalized the impairment methodologies that it will apply under IFRS 9.

(iii) Classification - Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the has no current intention to do so. The Company's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

(iv) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's preliminary assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

IFRS 16 - Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) additional matters regarding commercial leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Company has started an initial assessment of the potential impact on its financial statements. So far, the most significant impact identified is that the Company will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Company has not yet decided whether it will use the optional exemptions. No significant impact is expected for the Company's finance leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019.

The Company expects that adoption of IFRS 16 will not impact its ability to comply with the revised maximum leverage threshold loan covenant.

5 Cash and cash equivalents

	Parent company		**Consolidated**	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Cash and banks	-	161	67,693	46,987
Short-term financial investments (a)	137,661	8,874	853,091	350,879
Total	137,661	9,035	920,784	397,866

	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Short-term financial investments				
CDB	137,329	8,543	704,785	212,119
Debentures held under repurchase agreements	332	331	148,306	138,760
Total	137,661	8,874	853,091	350,879

(a) Short-term financial investments largely consist of highly liquid fixed-income investments indexed to the Bank Deposit Certificate (CDB) rate and repo transactions directly with the financial institutions operating in the National Financial Market, which have a low credit risk. These instruments pay interest at approximately 95.77% of the Interbank Deposit Certificate (CDI) rate (99.23% at December 31, 2015), are readily available for use in the Company and its subsidiaries' operations, are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value (i.e. immediately liquid financial assets). These transactions have maturities of less than three months and a repurchase commitment by the issuer, and are therefore classified as cash and cash equivalents pursuant to CPC 03 (R2).

6 Short-term investments

	Parent company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Investment funds	350,366	223,045	2,133,514	2,080,520
Other	-	-	3,621	2,954
Total	350,366	223,045	2,137,135	2,083,474

(a) The investment funds consists of minimal-risk operations with finance institutions with a risk rating of above AA. They include a range of assets intended to improve returns at a lower levels of risk, such as: fixed income securities, government bonds, repo transactions, debentures, CDBs and other investments permitted under the Company's investment policy. These operations pay interest at approximately 102.81% of the Interbank Deposit Certificate (CDI) rate (104.02% as of December 31, 2015) and are classified as financial assets at fair value.

7 Trade accounts receivable (Consolidated)

7.1 Breakdown of balances

	Consolidated	
	12/31/2016	**12/31/2015**
Trade accounts receivable, billed	1,587,366	1,530,078
Trade accounts receivable, unbilled (a)	272,652	275,913
Financed taxes (b)	973,436	763,554
Low-income and "viva luz" consumers	62,375	61,475
Other	123,286	157,997
Total	3,019,115	2,789,017
(-) Allowance for doubtful accounts	(355,007)	(533,721)
Total trade accounts receivable	2,664,108	2,255,296
Total current	2,292,104	1,977,709
Total noncurrent	372,004	277,587

(a) This consists of the estimated energy supplied between the reading date and end of the month, pursuant to the practice set out in the 2015 Power Sector Accounting Manual; and

(b) Financing of electricity bills of the subsidiaries CEMAR and CELPA, which can be financed in up to 24 installments, and even longer for high-voltage corporate clients.

7.2 Allowance for doubtful accounts (CEMAR and CELPA)

	Consolidated			
	12/31/2015	**Provisions additions**	**Reversals (write-offs) (a)**	**12/31/2016**
Trade accounts receivable, billed	449,314	230,017	(426,095)	253,236
Financed receivables	81,453	124,864	(114,901)	91,416
Other	2,954	11,207	(3,806)	10,355
Total	533,721	366,088	(544,802)	355,007

	12/31/2014	**Provisions additions**	**Reversals (write-offs)**	**12/31/2015**
Trade accounts receivable, billed	313,145	176,977	(40,808)	449,314
Financed receivables	52,619	68,070	(39,236)	81,453
Other[1]	2,954	-	-	2,954
Total	368,718	245,047	(80,044)	533,721

(a) The subsidiary CELPA reassessed the aging of trade receivables and identified a total of R$ 399,964 more than 360 days overdue. These were written off based on statutory aging limits. The write-off did not affect the results of operations for the year, however, as a provision had been established for these receivables.

The allowance for doubtful accounts is recognized based on defined criteria and Management's best estimates, in accordance with General Instruction 6.3.2 of the Accounting Manual for Public Electric Utility Service, as summarized below:

Customers with material debts

- Individual analysis of the trade accounts receivable by consumption class, deemed unlikely to be received. For the 10 thousand largest customers, where an Allowance for Doubtful Accounts has been recognized for any of their receivables, whether or not they have been financed, all other overdue and outstanding receivables for those customers are included in the Allowance for Doubtful Accounts.

For other customers, the rules below are applied

- Residential consumers past due by more than 90 days
- Commercial consumers - more than 180 days overdue; and
- Industrial, rural and government consumers, street lighting, public services and other - more than 360 days overdue.

The criteria above are also applied to financed receivables.

[1] To improve presentation, the Company combined the information "Electricity Trading Chamber - CCEE, Services provided to third parties, Checks in the course of collection", thereby forming the line "Other".

7.2 Trade accounts receivable, billed (CEMAR and CELPA)

	Consolidated			
	12/31/2016			
	Outstanding balances	**Overdue by up to 90 days**	**More than 90 days overdue**	**Total**
Residential	310,424	392,818	123,878	827,120
Industrial	81,755	26,068	51,024	158,847
Commercial	180,605	84,913	37,191	302,709
Rural	20,221	18,949	21,673	60,843
Government	131,119	7,120	4,772	143,011
Public lighting	57,973	8	744	58,725
Public utility	34,803	797	511	36,111
Total supplies billed	816,900	530,673	239,793	1,587,366

	Consolidated			
	12/31/2015			
	Balances outstanding	**Overdue by up to 90 days**	**More than 90 days overdue**	**Total**
Residential	329,726	278,349	232,585	840,660
Industrial	80,243	26,492	50,905	157,640
Commercial	156,209	66,433	39,551	262,193
Rural	18,921	13,891	28,651	61,463
Government	31,352	54,024	8,253	93,629
Public lighting	23,457	7,142	1,561	32,160
Public utility	14,105	55,371	12,857	82,333
Total supplies billed	654,013	501,702	374,363	1,530,078

7.3 Financed receivables

	Consolidated			
	12/31/2016			
	Balances outstanding	**Overdue by up to 90 days**	**More than 90 days overdue**	**Total**
Residential	538,879	49,490	59,107	647,476
Industrial	44,245	4,986	13,338	62,569
Commercial	83,289	8,662	10,916	102,867
Rural	22,092	2,323	4,799	29,214
Government	77,468	4,960	4,254	86,682
Public lighting	16,581	761	319	17,661
Public utility	23,568	2,576	823	26,967
Total financed receivables	806,122	73,758	93,556	973,436

	Consolidated			
	12/31/2015			
	Balances outstanding	Overdue by up to 90 days	More than 90 days overdue	Total
Residential	382,629	28,971	64,066	475,666
Industrial	28,561	2,799	15,799	47,159
Commercial	61,476	5,239	15,119	81,834
Rural	18,087	1,705	4,970	24,762
Government	71,367	3,217	5,293	79,877
Public lighting	8,715	140	399	9,254
Public utility	18,264	1,009	1,083	20,356
Billed service - novation	3,696	551	863	5,110
Other receivables - novation	-	286	871	1,157
Novation	-	4,362	14,017	18,379
Total financed receivables	592,795	48,279	122,480	763,554

8 Accounts receivable - rate tiers (Consolidated)

Billings within the Rate Tier System from January to December 2016, of R$ 133,682, and costs passed on to customers, of R$ 2,653, were recognized as advance "A Component" revenue and other financial items, without affecting the Company's income for the period. The receivable balance for the financial year ended December 31, 2016 is R$ 3,947 and R$ 5,542 as of December 31, 2015.

In January 2016 the red rate tier was applied at R$ 4.50 for every 100 kWh. From February 2016 the red rate tier was divided into two levels: R$ 3.00 (level 1) and R$ 4.50 (level 2) for every 100 kWh consumed. The yellow tier rate was also reduced from R$ 2.50 to R$ 1.50 for every 100 kWh consumed. During the first quarter of 2016, ANEEL approved the red tier in January, the red tier (level 1) in February and the yellow tier in March. At the end of the financial year ended December 31, 2016, the green tier was applied.

9 Fuel purchased - CCC account (Consolidated)

The Fossil Fuel Consumption Account was created by Decree 73102 on November 7, 1973 for the purpose of consolidating the apportionment of the fuel consumption costs of thermal power generation in islanded systems, especially in the North of Brazil. Act 12111 was promulgated on December 9, 2009 to provide reimbursement for electric power generation costs in Islanded Systems, including the cost of contract power supply and contract power related to own generation for servicing power distribution utilities, power sector charges and taxes and capital expenditure, which reimbursement is made through the "CCC" account.

At December 31, 2016, CELPA, had credits of R$ 158,044 (R$ 221,298 at December 31, 2015) in the Fossil Fuel Consumption Account - “CCC”. The credits above are registered at their historical amount. No records of charges for late pass-throughs of costs to customers were recorded.

10 "A Component" revenue receivable (returnable) and other financial items (Consolidated)

The "A Component" Offsetting account (CVA) is a system for recognizing changes in costs related to purchased electricity and regulatory charges during the period between rate adjustments and/or periodic reviews. It is a system designed to ensure greater neutrality in the passing on of these changes to electricity rates, in which utilities record changes in these costs as regulatory assets and liabilities, as shown below:

	Consolidated		
	12/31/2016		
	Current	**Non-current**	**Total**
Portion A			
Energy Development Account - CDE	(9,865)	905	(8,960)
Alternative Source Incentive Program (PROINFA)	12,713	310	13,023
National Grid	(1,588)	8,029	6,441
Acquisition of energy - CVA	92,201	162,223	254,424
System Service Charges - ESS	(55,751)	(69,556)	(125,307)
	37,710	101,911	139,621
Financial items			
Over-purchased electricity	(21,598)	13,469	(8,129)
Financial exposure	(50,556)	(15,864)	(66,420)
Eletronuclear	245	-	245
Neutrality	(38,123)	(24,488)	(62,611)
CEPISA violation of continuity limit	75	-	75
Excess demand and surplus reactive energy	-	(77,488)	(77,488)
Other	723	959	1,682
	(109,234)	(103,412)	(212,646)
Total	(71,524)	(1,501)	(73,025)

	Consolidated		
	12/31/2015		
	Current	**Non-current**	**Total**
Portion A			
Energy Development Account - CDE	46,248	6,637	52,885
Alternative Source Incentive Program (PROINFA)	814	-	814
National Grid	12,320	819	13,139
Acquisition of energy - CVA	218,658	30,470	249,128
System Service Charges - ESS	(202,797)	(6,900)	(209,697)
	75,243	31,026	106,269
Financial items			
Over-purchased electricity	(96,939)	(11,907)	(108,846)
Financial exposure	15,391	5,967	21,358
PIS/COFINS	(11,121)	-	(11,121)
Eletronuclear	6,763	-	6,763
Neutrality	(31,663)	(22,658)	(54,321)
CEPISA violation of continuity limit	2,602	-	2,602
Other	(9,837)	(19,406)	(29,243)
	(124,804)	(48,004)	(172,808)
Total	(49,561)	(16,978)	(66,539)

The subsidiaries CEMAR and CELPA began recording the A Component amounts in accordance with accrual basis and prospectively, pursuant to OCPC08 - Recognition of Certain Assets or Liabilities in the General-Purpose Financial Reports of Electric Power Distributors, issued in accordance with Brazilian and international reporting standards.

	Consolidated					
	12/31/2015	**Establishment**	**Write-off**	**Indexation**	**Amortization**	**12/31/2016**
Portion A						
Energy Development Account - CDE	52,885	(16,936)	(28,198)	6,632	(23,343)	(8,960)
Alternative Source Incentive Program - PROINFA	814	7,470	1,035	2,175	1,529	13,023
National Grid	13,139	16,584	(9,531)	845	(14,596)	6,441
Acquisition of energy - CVA (a)	249,128	247,440	88,749	21,679	(352,572)	254,424
System Service Charges - ESS (b)	(209,697)	7,050	(6,724)	(16,786)	100,850	(125,307)
	106,269	261,608	45,331	14,545	(288,132)	139,621
Financial items						
Over-purchased electricity (c)	(108,846)	103,556	(60,144)	2,323	54,982	(8,129)
Financial exposure (d)	21,358	(76,382)	1,005	(2,964)	(9,437)	(66,420)
PIS/COFINS (e)	(11,121)	18,546	(7,425)	-	-	-
Eletronuclear (f)	6,763	-	573	-	(7,091)	245
Neutrality (g)	(54,321)	(44,394)	11,541	(4,258)	28,821	(62,611)
CEPISA violation of continuity limit	2,602	(2,527)	-	-	-	75
Excess demand and surplus reactive energy	(30,288)	(38,817)	-	(8,383)	-	(77,488)
Other	1,045	2,159	(738)	48	(832)	1,682
	(172,808)	(37,859)	(55,188)	(13,234)	66,443	(212,646)
Total	(66,539)	223,749	(9,857)	1,311	(221,689)	(73,025)

	Consolidated					
	12/31/2014	**Establishment**	**Write-off**	**Indexation**	**Amortization**	**12/31/2015**
Portion A						
Energy Development Account - CDE	2,575	66,851	(9,241)	7,748	(15,048)	52,885
Alternative Source Incentive Program - PROINFA	1,475	1,168	(4)	174	(1,999)	814
National Grid	19,631	5,914	327	2,294	(15,027)	13,139
Acquisition of energy - CVA (a)	556,205	(148,029)	209,293	59,968	(428,309)	249,128
System Service Charges - ESS (b)	(180,821)	(155,596)	22,477	(26,887)	131,130	(209,697)
	399,065	(229,692)	222,852	43,297	(329,253)	106,269
Financial items						
Over-purchased electricity (c)	263,132	(154,809)	(219,738)	4,547	(1,978)	(108,846)
Financial exposure (d)	(9,504)	26,910	2,940	1,817	(805)	21,358
PIS/COFINS (e)	61,169	(11,121)	(61,169)	-	-	(11,121)
Eletronuclear (f)	17,938	-	9,822	-	(20,997)	6,763
Continuity threshold	(1,017)	-	113	-	904	-
Neutrality (g)	(11,412)	(49,376)	(7,209)	-	13,676	(54,321)
CEPISA violation of continuity limit	1,090	1,824	(359)	47	-	2,602
Other	1,995	(28,802)	(1,126)	-	(1,310)	(29,243)
	323,391	(215,374)	(276,726)	6,411	(10,510)	(172,808)
Total	722,456	(445,066)	(53,874)	49,708	(339,763)	(66,539)

(a) Joint Directive 25 of the Ministries of State Finance and Mines and Energy, issued on January 24, 2002, established an "A Component" Variation Offset Account (CVA) for recording negative or positive changes in costs during periods between annual rate adjustments in relation to the provisions of power distribution concession contracts, ensuring greater neutrality in the transfer of these changes to electricity rates. These changes are calculated as the difference between expenses actually incurred and expenses estimated when setting electricity rates in annual rate adjustments. CVA amounts are indexed against the SELIC rate.

(b) A fee paid in relation to the dispatching of thermal power stations to reduce the load on hydroelectric reservoirs and in relation to transmission restrictions between sub-markets.

(c) Article 38 of Decree 5163 of July 30, 2004 establishes that in the incorporation of electricity purchase costs in final consumer electricity rates ANEEL should consider up to 105% of the total contract power in relation to the annual power supply load of the utility. This was regulated by ANEEL Resolution 225 of March 6, 2007. Distribution utilities are required to provide assurance of 100% of their electricity requirement through contracts registered with and approved by ANEEL, with the incorporation in consumer electricity rates of costs or revenue deriving from electricity surpluses or deficits limited to 3% of the electricity requirement. Over-Purchased Electricity refers to the electricity purchase costs passed on up to a limit of 5% of the utility's load requirement.

(d) To calculate over-purchased electricity and short-term market exposure, utilities' results in the short term market over the previous calendar year and the difference settlement price (PLD) amounts are determined on a monthly basis by the CCEE: (i) In the financial year ended December 31, 2015 the PLD averaged R$ 266.25 for CEMAR and R$ 279.85 for CELPA, which was higher than in the same period of 2016 and therefore constituted a component of assets for both subsidiaries in 2015; (ii) in the financial year ended December 31, 2016 the subsidiaries' short-term market surplus (or contract power in excess of calculated electricity requirement) was lower, combined with a lower average PLD for the same period of 2016 at R$ 117.24 for CEMAR and R$ 112.80 and (iii) on aggregate, thermal power dispatches by the National System Operator - ONS were reduced, which reduces variable revenue components for generators.

(e) Under article 28 (2 and 3) of Decree 5163 of July 30, 2004, specific mechanisms are provided for apportioning the financial risks deriving from sub-market pricing differences to which distribution utilities with quantity-based Regulated-Environment Power Purchase Agreements are subject.

(f) Under Technical Notice 115/2005-SFF/SRE/ANEEL, the effective PIS/COFINS rate calculated for the month is applied in the second subsequent months, at which time the subsidiary CEMAR calculates the difference between amounts calculated and the amounts actually collected from customers is determined. The calculated amounts are recognized as regulatory assets or liabilities depending on their effects. In 2015 this resulted in a reimbursement to consumers which will be passed through in 2016.

(g) Refers to the actual rate-to-reference rate difference between Furnas e Eletronuclear, as determined by Act 12111 of December 9, 2009. The difference was apportioned among the utilities that purchased electricity under the first regulated environment auction in 2005, and the amount was paid monthly by utilities to Eletronuclear from 2013 to 2015, in installments approved under REH 1.406/2012. On December 31, 2014 the Company had amounts receivable relating to the recognition of amounts payable in 2015 under ANEEL Resolution 1585 of August 13, 2013, which will be included in the following rate adjustments, and

(h) Derives from the passing through to consumers of the financial compensation for violation of continuity limits at connection points between distributors, under Module 8 of the National Power System Power Distribution Procedures (PRODIST, Section 8.2, Subsection 6.1.5.2). These amounts are paid by the utilities to which power is supplied, and must be passed on to the end consumers of the utilities from which power is derived in the form of a financial discount.

On an annual basis, in August, ANEEL calculates a new rate adjustment index for subsidiaries CEMAR e CELPA to adjust their "A Component" expenses (non-manageable costs such as purchased electricity, sector charges, transmission charges). ANEEL determined the subsidiary CEMAR's annual rate adjustment through Resolution 2,127 of August 23, 2016, with new rates that will be effective from August 28, 2016 to August 27, 2017. By way of Resolution 2117 issued August 2, 2016, ANEEL determined the subsidiary CELPA's annual rate adjustment with new rates that will be effective from August 7, 2016 to August 6, 2017. In calculating adjustments of the subsidiaries CEMAR and CELPA, ANEEL takes account of the changes in costs to which the subsidiaries were subject during the year. The calculation includes typical utility costs, to which the General Market Prices Index (IGP-M) index is applied, as well as other costs that do not necessarily change in a manner that is consistent with the inflation index, such as purchased electricity, transmission charges and sector charges.

In this process the CVAs reported by subsidiaries are audited, and any difference between the amount calculated by CEMAR and CELPA and the amount approved by ANEEL for the period is derecognized. The negative and positive balances of financial components granted in the previous year's rate review are written off as they may only be amortized over a period of 12 months following the adjustment. Determining the differences between these various points is called the effect of the adjustment on the subsidiaries, and for this year the rate increase to be felt by consumers was 8.24% at CEMAR and 7.55% at CELPA, including the financial components embedded in the rates.

11 Recoverable taxes

The current and non-current balances due to legal prepayments or retentions are stated as follows:

11.1 Taxes and contributions recoverable

	Consolidated	
	12/31/2016	**12/31/2015**
Current		
ICMS recoverable (CIAP)	85,874	75,936
Other	19,126	18,938
Total	105,000	94,874
Noncurrent		
ICMS recoverable (CIAP)	127,588	85,263
Other	3,048	2,970
Total	130,636	88,233

11.2 Taxes and contributions recoverable on net income

	Parent company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Current				
IRRF on short-term investments	3,246	4,194	51,052	55,450
Prepaid IRPJ/CSLL	4,089	16,683	9,811	21,943
IRPJ/CSLL returnable (a)	8,135	5,677	55,888	32,315
PIS/COFINS withheld at source	6,489	4,661	11,158	7,075
Total	21,959	31,215	127,909	116,783
Noncurrent				
IRPJ/CSLL returnable (a)	-	-	42,833	39,661
Total	-	-	42,833	39,661

(a) At the subsidiary CELPA the amounts recorded under current derive from pre-paid and withheld IRPJ and CSLL taxes from 2016, which are recovered the following year in the form of a negative balance, and offset against federal taxes due. The amount recorded under noncurrent derives from the rebate application for prepaid IRPJ and CSLL in calendar year 2004, which were paid in installments in accordance with Law 11941/2009 and will be recovered when ratified by the Federal Tax authorities.

12 Related-party transactions

The primary balances of assets and liabilities at December 31, 2016 and the primary transactions that affected profit or loss for the period deriving from the transactions of the Parent Company with subsidiaries, shareholders and their related parties, key members of Management (chairman and directors) and other related parties as defined by CVM Resolution 560 issued December 11, 2008, which approved CPC 05 - Related Parties Disclosures, are shown below:

			Parent company					
			12/31/2016			12/31/2015		
Companies	**Re.**	**Nature of transaction**	**Assets**	**Liabilities**	**Income/ Expense**	**Assets**	**Liabilities**	**Income/ Expense**
		Shared services agreement	-	-	-	-	(212)	-
CEMAR	(a)	Dividends	49,499	-	-	44,696	-	-
	(b)	Credit assignment	8,118	-	(30,788)	200,401	-	31,192
CELPA		Loan	51,188	-	(12,796)	102,464	-	14,330
		Dividends	66,450	-	-	16,758	-	-
55 Soluções	(c)	Dividends	2,614	-	-	6,353	-	-

			Consolidated					
			12/31/2016			12/31/2015		
Companies	**Re.**	**Nature of transaction**	**Assets**	**Liabilities**	**Income/ Expense**	**Assets**	**Liabilities**	**Income/ Expense**
		Loan[2]	-	(270,285)	18,438	-	(253,752)	35,356
Eletrobras	(d)	Dividends	-	(26,229)	-	-	(23,032)	-
Fascemar	(e)	Pension plan	-	-	5,629	-	-	3,346
		Shared services agreement[3]	13	-	-	16	-	-
Geradora de Energia do Norte	(f)	Purchased electricity	-	-	1,743	-	-	4,606

(a) Transactions between CEMAR and the Company are derived from a human resources and administrative shared services agreement and the apportionment of the relevant expenses, as well as dividends receivable.

(b) Transactions with CELPA are related to the direct or indirect acquisition and negotiation of financing as part of the judicial reorganization of the subsidiary, with payments owed to the following creditors: BNDES, Banco Bradesco, Banco Itaú BBA/ Unibanco, BIC Banco, Banco Merrill Lynch and Banco Société Générale. The balance will be amortized in 10 annual, fixed and equal installments, the first maturing on September 30, 2034 and the last on September 30, 2043.

(c) Transactions with 55 Soluções are derived from a human resources and administrative shared services agreement and the apportionment of the relevant expenses payable to CEMAR, with an indefinite term.

(d) Transactions with Eletrobras are related to dividends payable and loan agreements with CEMAR. The loan agreements with Eletrobras relate to power sector credit facilities, the terms and conditions of which are equivalent to those applicable to other power distribution utilities in Brazil.

(e) These amounts relate to CEMAR's contributions to its Supplementary Pension Foundation, and

(f) The transactions with Geradora de Energia do Norte S.A. (“Gera Maranhão”) are derived from power purchase agreement CCEAR Nº 5555/2007 - 29413N - 29414N with CEMAR, with a term extending to 2024 and arm's-length terms and conditions.

The Company also holds amounts against FASCEMAR deriving from the debt acknowledgement amounting to R$ 6,606 and contributions from the sponsor CELPA to its supplementary pension fund with an effect on profit and loss of R$ 3,002 in the financial year ended December 31, 2016 (R$ 1,957 and R$ 3,258 respectively as of December 31, 2015). The conditions of CELPA's pension plan with FASCEMAR can be seen in Note 32.

The Company also has the following related parties, for which there were no transactions in the financial years ended December 31, 2016 and 2015.

The Company is also a related party of the companies Equatorial Telecomunicações, Solenergias Comercializadora de Energia, Hélios Energia Comercializadora de Serviços, Vila Velha Termoelétrica LTDA and Equatorial Transmissão. However, in the financial years ended December 31, 2016 and 2015 there were no intercompany transactions.

Key management personnel compensation

Key management personnel includes Directors and Officers. The compensation was set at up to R$ 14,500 by the Annual General Meeting held April 15, 2016.

Proportion of each constituent of overall compensation in the financial year ended December 31, 2016:

2 The Company did not present the value of the Eletrobrás loan in income/expense in the financial statement for the year ended December 31, 2015 in the amount of R$ 35,356.

3 The Company did not present the value of the FASCEMAR “shared services agreement” for the financial year ended December 31, 2015 in the amount of R$ 16.

Board of Directors	
Fixed compensation:	100%
Executive Board	
Fixed compensation:	11%
Variable compensation:	2%
Share-based payments:	87%

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

	Board of Directors	Statutory Board	Total
Number of members	6	6	12
Annual fixed compensation	1,869	2,335	4,204
Salaries or management fees	1,869	2,315	4,184
Direct and indirect benefits	-	20	20
Variable compensation	-	9,958	9,958
Bonuses	-	9,958	9,958
Post employment benefits	-	16	16
Share-based payments	-	3,470	3,470
Total compensation by body	1,869	15,779	17,648

Security

The Company has provided guarantees as surety for subsidiaries CEMAR and CELPA, without related charges, in the financing agreements below:

CEMAR

Institution	Financing amount	% guarantee	Start	End	Amount disbursed	12/31/2016
Agência Especial de Financiamento Industrial - FINAME PSI (Simplified)	776	100	3/25/2010	10/15/2019	776	1,223
Agência Especial de Financiamento Industrial - FINAME PSI (Conventional)	17,262	100	8/17/2010	4/15/2020	17,262	7,262
Banco do Brasil - CCB No. 21/00003-4	90,000	100	12/19/2014	4/11/2018	90,000	92,787
Banco do Brasil - CCB No. 20/02000-7	150,000	100	12/19/2014	6/12/2018	150,000	151,154
Banco do Brasil - CCB No. 20/02002-3	40,000	100	12/19/2014	6/15/2018	40,000	40,242
Banco do Brasil - CCB No. 2100010-7	20,000	100	12/19/2014	12/3/2017	20,000	26,423
Brazilian Development Bank - BNDES (11.2.0841.1)	175,237	100	11/11/2011	11/15/2021	175,237	44,613
Brazilian Development Bank - BNDES (12.2.1211.1)	516,488	100	12/13/2012	12/15/2022	467,280	332,212
Brazilian Development Bank - BNDES (14.2.1233.1)	557,700	100	12/30/2014	3/15/2024	332,109	350,425
Banco do Nordeste do Brasil - BNB (193.2008.2808.3018)	144,939	100	2/5/2009	2/5/2021	144,939	76,011
Caixa Econômica Federal - Contract No. 415.866-52/2013 - FINISA	25,763	100	10/4/2013	10/7/2025	25,763	24,674
Financiadora de Estudos e Projetos - FINEP	7,956	100	11/7/2011	3/15/2020	7,956	3,651
Total	1,746,121				1,471,322	1,150,677

CELPA

Institution	Financing amount	% guarantee	Start	End	Amount disbursed	12/31/2016
Inter-American Development Bank (RJ)	121,095	100	9/1/2012	8/31/2026	121,095	197,504
Banco BIC (working capital)	11,700	100	1/22/2014	7/24/2017	11,700	2,770
Banco BIC (working capital)	10,000	100	9/19/2014	3/19/2018	10,000	4,338
Banco Guanabara - (working capital CCB)	8,114	100	10/20/2014	10/22/2018	8,114	3,736
Banco BIC (working capital)	20,900	100	12/30/2014	6/30/2018	22,900	11,114
BNDES (Loan 13/14)	498,073	100	12/26/2014	5/15/2024	407,150	330,439
BNDES (Loan - Tower 15/16/17)	863,191	100	12/27/2015	3/15/2024	290,000	319,539
Banco Itaú (CCBI Working capital) - USD 69MM	200,000	100	2/25/2015	2/24/2017	200,000	114,169
Citibank (Working Capital CCBI) - US$ 112MM	455,520	100	1/20/2016	2/1/2019	455,520	369,142
Banco BIC (working capital)	22,900	100	7/3/2015	1/3/2019	22,900	16,850
Banco BIC (working capital)	2,147	100	5/16/2016	11/16/2019	2,147	1,934
Austral Seguradora (Guarantee for 20th LEN Option 006/2014 A-5)	471	100	11/16/2015	11/16/2017	N/A	N/A
Austral Seguradora (Judicial Insurance -Labor - Case no.0001146-69.2013.5.08.0003)	1,114	100	11/23/2015	11/23/2020	N/A	N/A
Austral Seguradora (Judicial Insurance - Labor - Tax Enforcement - PGFN)	350	100	12/11/2015	12/11/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000239-31.2007.8.14.0054)	200	100	1/18/2016	1/18/2018	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000851-74.2014.5.08.0107)	24,792	100	1/18/2016	1/18/2021	N/A	N/A
Austral Seguradora (Judicial Insurance - AI no. 001/2012 and 002/2012 - ISS Portel)	1,372	100	3/23/2016	3/23/2019	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000474-07.2005.814.0005)	3,400	100	4/6/2016	4/6/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0019743-82.2012.814.0301)	1,397	100	4/14/2016	4/14/2019	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0002876-91.2000.8.14.0028)	1,917	100	4/18/2016	4/18/2019	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000197-87.2006.814.0070)	36,467	100	9/9/2016	9/9/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Insured PINE)	25,175	100	11/10/2014	11/9/2019	N/A	N/A
Austral Seguradora (Judicial Insurance - Insured STIUPA)	66	100	8/10/2015	5/10/2018	N/A	N/A
Austral Seguradora (Judicial Guarantee - AI: 032809-A of ICMBio)	4,418	100	1/13/2015	1/13/2020	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 001.2012.908.134-3 - 3rd Tax Enforcement Court of Belém/PA)	79	100	1/13/2015	1/13/2020	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 001.2012.923.686-3 - 3rd Tax Enforcement Court of Belém/PA)	677	100	2/2/2015	1/29/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 1575-70.2012.5.08.0003)	1,315	100	7/9/2015	7/9/2018	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000578-90.1997.814.0301 Civil)	283	100	12/31/2015	12/31/2016	N/A	N/A
Austral Seguradora (Electricity Purchase Guarantee - Option no. 02/2015 (3rd LFA))	18	100	5/15/2015	5/15/2020	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0009689-93.2014.8.14.0040 Tax Enforcement Parauapebas)	2,474	100	5/21/2015	5/21/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000587-05.2015.08.0016 - 17th Labor Court of Belém/PA)	1,028	100	6/2/2015	6/2/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0001007-41.2014.08.0017 - 17th Labor Court of Belém/PA)	3,920	100	6/14/2016	6/14/2018	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000001-71.1998.14.0007 -Antônio Pereira Lobo)	1,056	100	11/28/2016	11/28/2018	N/A	N/A
Total	2,325,629				1,551,526	1,371,535

13 Subrogation of CCC (Consolidated)

Under ANEEL Resolution 784 of December 24, 2002 and ANEEL Resolution 1999 of July 7, 2009, as amended by ANEEL Resolution 3405 of March 27, 2012, CELPA has been subrogated to the Fuel Consumption Account benefit in relation to the interconnection of islanded municipalities with the National Interconnected System (SIN) for Ilha do Marajó. Subrogation is currently governed by ANEEL Resolution 427 of February 22, 2011.

Articles 53 and 54 of ANEEL Resolution 4722 of December 18, 2009 contain provisions on the accounting of the subsidy. This resolution establishes that all amounts already received or approved are to be recorded in account group “223 - Special Obligations Related to the Public Electricity Concession Arrangement”.

The amount of investment recognized and approved by ANEEL for the Marajó Island grid connection is R$ 465,198 divided into two phases: a first phase of R$ 184,660 and a second phase of R$ 280,538. For the grid connection of Oriximiná and Óbidos the amount approved is R$ 22,374.

Out of the total investment in the Ilha do Marajó grid connection, a total of R$ 220,709 (R$ 163,912 at December 31, 2015) has already been disbursed to the Company, with a remaining balance of R$ 294,372 (R$ 348,129 at December 31, 2015). As regards the connection of the municipalities Oriximiná and Óbidos, on November 22, 2016 the total value of the project of R$ 24,328 was disbursed to CELPA, where the authorized amount includes the IGP-M price index restatement.

Program	Balance at 12/31/2015	Transfer to works	Portion received	Indexation to IGPM	Balance at 12/31/2016
Subrogation Ilha do Marajó	43,450	75,592	(56,797)	3,039	65,284
Subrogation Oriximiná and Óbidos	22,374	-	(24,328)	1,954	-
Total	65,824	75,592	(81,125)	4,993	65,284

Program	Balance at 12/31/2014	Transfer for works	Portion received	Amount approved	Indexation to IGPM	Balance at 12/31/2015
Subrogation Ilha do Marajó	113,255	(50,982)	(65,667)	-	46,844	43,450
Subrogation Oriximiná and Óbidos	-	-	-	22,374	-	22,374
Total	113,255	(50,982)	(65,667)	22,374	46,844	65,824

14 Other receivables

	Parent company		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current				
Employee amounts recoverable	-	-	583	1,985
Advances to suppliers	-	-	4,402	5,058
Sale of assets and rights	-	-	869	5,437
Electricity reimbursement credit	-	-	2,665	3,262
Credits on electricity bills	-	-	1,374	5,264
Prepaid expenses	-	-	897	10,271
Other credits receivable (a)	2,665	1,228	78,452	27,415
Total	2,665	1,228	89,242	58,692

	Parent company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Noncurrent				
Amounts to be released (b)	-	-	16,140	16,140
Guarantee (c)	-	-	49,170	65,378
Credit assignment - CELPA (d)	48,219	302,865	-	-
Other receivables	-	-	1,655	4,614
Total	48,219	302,865	66,965	86,132

(a) The main balances of the amount of transactions with the subsidiary CELPA: i) R$ 7,715 for mutual use of the pole, which is sharing of the electricity infrastructure, recorded ii) R$ 9,539 for incorporation of the grid, financial participation in works pursuant to Resolution 223/229/414 - ANEEL; iii) R$ 5,174 in other amounts receivable; iv) R$ 12,419 in arrangement management fees; v) R$ 14,753 of CDE rate discount subsidies. The main balances with the subsidiary CEMAR are: i) R$ 4,968 with neutral PIS/COFINS; ii) R$ 3,659 with auction of assets; and iii) R$ 3,460 of other amounts receivable;

(b) The subsidiary CELPA has a balance of amounts to be released by Banco Daycoval in the amount of R$ 16,140 which has been frozen under the financing contracts renegotiated under the Judicial Reorganization Plan, and

(c) Refers to a balance of the subsidiary CELPA, as a requirement under a Medium-and Long-Term Debt (DMLP) contract with the National Treasury, Par Bonds and Discount Coupons. Guarantees are provided in the form of a cash deposit with the National Treasury to amortize the principal of these loans, which mature on April 15, 2024 with a balance at December 31, 2016 of R$ 49,170 (R$ 65,378 at December 31, 2015).

(d) Refers to the proceeds from a loan contract concluded with the subsidiary CELPA on April 23, 2014 with a total term of 24 months and final maturity on May 2, 2017, restated by the CDI rate plus interest of 1.75% p.a., used to bolster cash.

15 Concession financial assets (Consolidated)

Refers to the portion of the capital expenditure of subsidiaries CEMAR and CELPA which was not amortized at the end of the concession and has been classified as a financial asset as an unconditional right to receive cash or other financial assets directly from the power sector regulator, in accordance with Technical Interpretations ICPC 01 - (R1) Concession Contracts and ICPC 17 - Concession Contracts: Disclosures and Technical Guidance OCPC 05 - Concession contracts. The portion of infrastructure classified as a financial asset is remunerated through the so-called regulatory WACC, which is the return on investment collected monthly on customers' electricity bills.

This compensation will be made based on the investments made in returnable concession infrastructure, not yet amortized or depreciated, which have been realized in order to guarantee the continuity and upgrading of the service awarded.

The changes in concession financial asset balances are as follows:

	12/31/2015	**Indexation of financial assets (a)**	**Capitalization**	**Write-offs**	**12/31/2016**
Financial assets	3,176,346	193,271	386,113	(8,673)	3,747,057
Special obligations (b)	(947,415)	(66,722)	(130,696)	-	(1,144,833)
Total	2,228,931	126,549	255,417	(8,673)	2,602,224

	12/31/2014	Reclassification	Indexation of financial assets (a)	Capitalization	NRV Adjustment (c)	Write-offs	12/31/2015
Financial assets	2,381,757	26,416	249,403	561,731	(32,876)	(10,085)	3,176,346
Special obligations (b)	(815,784)	-	(98,197)	(47,364)	(61)	13,991	(947,415)
Total	1,565,973	26,416	151,206	514,367	(32,937)	3,906	2,228,931

The concession held by CEMAR and CELPA is without consideration and therefore there are no fixed financial obligations or payments to be made to the concession authority.

(a) Indexation of financial assets
On September 11, 2012, Provisional Measure 579 established provisions on the extension of a bidding for power generation, transmission and distribution concessions, on the reduction of sector charges, on affordable electricity rates, and other matters. On January 11, 2013 this provisional measure was converted into Act 12783.
Under the new provisions, capital expenditure in connection with revertible assets which has not yet been amortized or depreciated, for indemnity purposes, should be based on the new replacement value methodology using criteria established in the concession regulator's regulations.

For a better estimate of the indemnity upon the termination of the concession, the fair value of financial assets is indexed on a monthly basis to the IPCA price index, which is one of the primary indexes used for annual indexation by the regulator in rate adjustment processes. On November 23, 2015 the price index changed from IGP-M to IPCA, by way of Normative Resolution 686/2015 published in the Official Journal. Any variation resulting from New Replacement Value - NRV calculation criteria is also taken into account.

(b) Special obligations
These substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

Special obligations are calculated based on the share of the source of the funds, as follows:

- Funds from the Government are calculated at the percentage established in the contract; and
- Other funds fall under Aneel Resolution 414/2010.

(c) Adjustment to new replacement value (VNR)
Refers to the adjustment of VNR-related financial obligations as a result of the approval of the rate Review for CELPA under Order 2441 of July 29, 2015.

16 Investments

The main information about investments in subsidiaries and joint ventures is as follows:

		Parent company		Consolidated	
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
Appraised by equity accounting:					
CEMAR	65.11%	1,609,904	1,467,879	-	-
CELPA	96.50%	1,777,825	1,470,032	-	-
Geradora de Energia do Norte	25.00%	83,027	75,282	83,027	75,282
Vila Velha	50.00%	3,300	3,300	3,300	3,300
55 Soluções	100.00%	38,021	29,627	-	-
Subtotal		3,512,077	3,046,120	86,327	78,582
Other investments		-	-	9,995	10,064
Total		3,512,077	3,046,120	96,322	88,646

16.1 Changes in the capital expenditure in subsidiaries and joint subsidiaries

	CEMAR	CELPA	Geradora de Energia do Norte	Vila Velha	55 Soluções	Total
Balance at December 31, 2015	1,467,879	1,470,032	75,282	3,300	29,627	3,046,120
Additional dividends	(62,404)	(4,729)	-	-	-	(67,133)
Minimum dividends	(49,499)	(66,460)	(20,134)	-	(2,614)	(138,707)
Equity in net income of subsidiaries	260,301	383,560	27,879	-	11,008	682,748
Amortization of concession rights (b)	(6,373)	-	-	-	-	(6,373)
Other comprehensive income	-	(4,578)	-	-	-	(4,578)
Balance at December 31, 2016	1,609,904	1,777,825	83,027	3,300	38,021	3,512,077

	CEMAR	CELPA	Geradora de Energia do Norte	Vila Velha	55 Soluções	Total
Balance at December 31, 2014	1,282,696	391,262	66,879	3,300	24,793	1,768,930
Capital increase (a)	-	588,417	-	-	-	588,417
Minimum dividends	(44,977)	(16,759)	(23,018)	-	(1,505)	(86,259)
Equity in net income of subsidiaries	236,867	500,452	31,421	-	6,339	775,079
Amortization of concession rights (b)	(6,707)	-	-	-	-	(6,707)
PPA CELPA Adjustment	-	24	-	-	-	24
Other comprehensive income	-	15,881	-	-	-	15,881
Gain (loss) on investment	-	(9,245)	-	-	-	(9,245)
Balance at December 31, 2015	1,467,879	1,470,032	75,282	3,300	29,627	3,046,120

(a) Refers to the proceeds from a loan contract concluded with subsidiary CELPA with a total term of 24 months and final maturity on May 2, 2016, as well as funds from the Future Capital Increase Contribution derived from the obligation undertaken under the Judicial Reorganization Plan and ANEEL's Transition Plan.

(b) Refers to the amortization of goodwill of the subsidiary CEMAR, which will be amortized through the end of the concession in 2030.

16.2 Reconciliation of capital expenditure

	2016							
Subsidiary	**Interest**	**Equity of subsidiary**	**Profit or loss**	**Goodwill/ PPA Result**	**Equity income**	**Investment value**	**Balance goodwill/PPA**	**Total investment**
CEMAR	65.1087%	2,176,199	399,794	-	260,301	1,416,895	193,009	1,609,904
CELPA	96.4992%	2,118,012	351,556	45,918	383,560	2,043,864	(266,039)	1,777,825
Geradora de Energia do Norte	25.0000%	286,584	111,136	385	27,879	71,646	11,381	83,027
Vila Velha	50.0000%	6,600	-	-	-	3,300	-	3,300
55 Soluções	100.0000%	38,021	11,008	-	11,008	38,021	-	38,021
		4,625,416	873,494	46,303	682,748	3,573,726	(61,649)	3,512,077

16.3 Information about the subsidiaries and joint ventures

		Statement of financial position					Profit or loss					
		Current		Noncurrent								
	Equity interest	Asset	Liabilities	Asset	Liabilities	Shareholders' equity	Net revenue	Gross Profit	Operating revenue/ expenses	Net finance Income	Income and social contr. taxes	Net income for the year
Balances as of 12/31/2016												
CEMAR	65.1087%	2,337,609	1,281,632	3,290,584	2,170,362	2,176,199	3,064,644	915,743	(463,149)	36,819	(89,619)	**399,794**
CELPA	96.4992%	3,035,484	2,084,922	4,756,509	3,589,059	2,118,012	4,513,037	1,085,403	(546,446)	(117,478)	(69,923)	**351,556**
Geradora de Energia do Norte	25.0000%	116,431	98,191	572,980	304,636	286,584	413,961	166,921	(12,724)	(22,966)	(20,095)	**111,136**
Vila Velha	50.0000%	-	-	6,600	-	6,600	-	-	-	-	-	**-**
55 Soluções	100.0000%	33,447	24,676	30,335	1,085	38,021	73,619	72,132	(59,058)	1,223	(3,289)	**11,008**
		5,522,971	**3,489,421**	**8,657,008**	**6,065,142**	**4,625,416**	**8,065,261**	**2,240,199**	**(1,081,377)**	**(102,402)**	**(182,926)**	**873,494**
Balances as of 12/31/2015												
CEMAR	65.1087%	2,274,153	965,709	2,845,186	2,205,356	1,948,274	2,738,793	808,678	(385,747)	20,183	(79,311)	**363,803**
CELPA	96.4992%	2,560,150	2,209,875	4,296,059	2,801,364	1,844,970	4,187,313	866,483	(586,526)	317,272	(77,003)	**520,226**
Geradora de Energia do Norte	25.0000%	201,409	172,253	551,014	324,566	255,604	805,146	182,961	(14,417)	(20,668)	(22,578)	**125,298**
Vila Velha	50.0000%	-	-	6,600	-	6,600	-	-	-	-	-	**-**
55 Soluções	100.0000%	17,128	11,076	25,831	2,256	29,627	6,005	6,005	635	784	(1,086)	**6,338**
		5,052,840	**3,358,913**	**7,724,690**	**5,333,542**	**4,085,075**	**7,737,257**	**1,864,127**	**(986,055)**	**317,571**	**(179,978)**	**1,015,665**

17 Intangible assets (Consolidated)

Intangible assets are comprised as follows:

	Weighted average annual depreciation rates (%)	12/31/2016 Cost	Amortization	(-) Obligations linked to the concession	Net value
In service	4.22%	9,151,586	(3,832,123)	(1,802,386)	3,517,077
In progress		1,390,888	-	(452,333)	938,555
Concession agreement		291,810	(98,801)	-	193,009
Total		10,834,284	(3,930,924)	(2,254,719)	4,648,641

	Weighted average annual depreciation rates (%)	12/31/2015 Cost	Amortization	(-) Obligations linked to the concession	Net value
In service	4.37%	8,720,104	(3,376,024)	(1,731,111)	3,612,969
In progress		852,623	-	(540,336)	312,287
Concession agreement		291,810	(92,426)	-	199,384
Total		9,864,537	(3,468,450)	(2,271,447)	4,124,640

Intangible assets consist of the right to use assets under the service concession contracts of subsidiaries CEMAR and CELPA, which are amortized up to August 2030 and July 2028, respectively, in accordance with ICPC01(R1). Following the adoption of ICPC 01 (R1), the amortization of fixed tangible assets held by concessions and the relevant subsidies has been reclassified to Amortization of Intangible Assets of Concessions - ICPC 01 (R1).

Under articles 63 and 64 of Decree 41019 of February 26, 1957, the infrastructure used for power distribution services is attached to those services and may not be removed, disposed of, assigned or given as collateral without the prior express consent of ANEEL.

ANEEL Resolution 20 of February 3, 1999 regulates the disassociation of assets from Public Electricity Service concessions, granting prior authorization for the disassociation of assets which are no longer useful to the concession, when destined for disposal, determining that the proceeds of the disposal are to be deposited in a secured bank account for investment in the concession.

Change in intangible assets:

	12/31/2015	Additions	Write-offs	Capitalization/ transfer (a)	12/31/2016
In service	8,720,104	640	(63,447)	494,289	9,151,586
(-) Amortization	(3,376,024)	(489,657)	33,558	-	(3,832,123)
Total in service	5,344,080	(489,017)	(29,889)	494,289	5,319,463
In progress	852,623	1,418,667	-	(880,402)	1,390,888
Total in progress	852,623	1,418,667	-	(880,402)	1,390,888
Special obligations (b)	(2,942,915)	(265,469)	5,208	130,696	(3,072,480)
(-) Amortization	671,468	146,293	-	-	817,761
Total special obligations	(2,271,447)	(119,176)	5,208	130,696	(2,254,719)
Concession right	291,810	-	-	-	291,810
(-) Amortization	(92,426)	(6,375)	-	-	(98,801)
Total concession rights	199,384	(6,375)	-	-	193,009
Total	4,124,640	804,099	(24,681)	(255,417)	4,648,641

	12/31/2014	Reclassification	Additions	Write-offs	Capitalization/ transfer (a)	12/31/2015
In service	8,149,113	(29,331)	48	(189,049)	789,323	8,720,104
(-) Amortization	(3,037,353)	-	(472,175)	133,504	-	(3,376,024)
Total in service	5,111,760	(29,331)	(472,127)	(55,545)	789,323	5,344,080
In progress	1,125,332	-	1,120,248	(41,903)	(1,351,054)	852,623
Total in progress	1,125,332	-	1,120,248	(41,903)	(1,351,054)	852,623
Special obligations (b)	(2,738,345)	-	(307,959)	56,025	47,364	(2,942,915)
(-) Amortization	512,681	-	158,787	-	-	671,468
Total special obligations	(2,225,664)	-	(149,172)	56,025	47,364	(2,271,447)
Concession right	291,810	-	-	-	-	291,810
(-) Amortization	(85,719)	-	(6,707)	-	-	(92,426)
Total concession rights	206,091	-	(6,707)	-	-	199,384
Total	4,217,519	(29,331)	492,242	(41,423)	(514,367)	4,124,640

(a) Capitalization refers to the transfer of intangible assets in progress to intangible assets in service and financial assets in services and reclassification to transfers to financial assets in service under the concession held by the subsidiaries CEMAR and CELPA. The Power Sector Accounting Manual - MCSE, 6.3.19 Interest on Works in Progress - JOA, for the financing taken out, the interest, monetary variance and exchange variance incurred until the asset starts operating should comprise the historical cost of the asset, and should only be recorded in assets up to the regulatory WACC (or incurred if they are lower than the regulatory WACC). In the financial year ended December 31, 2016 the JOA was R$ 23,796 (R$ 38,602 as of December 31, 2015), and

(b) Special obligations substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

Intangible assets in progress

The balance of intangible assets in progress breaks down as follows:

Intangible assets in progress	**Consolidated**	
	12/31/2016	**12/31/2015**
Work in progress	1,202,692	662,726
Materials in inventory (a)	157,013	142,723
Advances to suppliers	47,998	62,789
Provision for losses (b)	(16,815)	(15,615)
Total	1,390,888	852,623

(a) Under ICPC 01 (IFRIC 12), the concession operators should recognize an intangible asset when it receives the right (authorization) to charge users for the public services provided. These assets are subject to ODIs, and therefore considered as Intangible assets. The balance denotes material existing in the warehouses subject to PP&E orders - ODI, which will always be debit, indicating the total inventory of said material, and

(b) The provision for losses is related to the items comprising the investment inventory or works in progress under the Light for All Program - PLPT, rated as a probable loss following the end of the program.

CELPA's intangible assets in progress increased by R$ 364,644 as a result of growing expenditure on distribution system expansion and improvements, initiatives against electricity theft and new connections.

18 Trade accounts payable

	Parent company		**Consolidated**	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Electricity sales to distributors (a)	-	-	400,977	473,401
Electricity network usage charge	-	-	23,686	24,639
Materials and services [4] (b)	-	-	499,741	412,831
Other	702	305	18,879	23,909
Total	702	305	943,283	934,780

(a) In the financial year up to December 31, 2016, the expenses on short-term purchased electricity of the subsidiary CELPA were affected by the following factors: (i) a decrease in PLD cost, the price used for the settlement of electricity purchases on the spot market, which averaged R$ 112.80 per MWh (R$ 166.89 at December 31, 2015); (ii) over-purchased electricity at distribution utilities due to the repurchase of electricity in the 15th Available Electricity Auction (auction A-1) and the receipt of electricity contracts deriving from participation in the Monthly Surplus and Deficit Offsetting Mechanism (MCSD) and Free Exchanges in November and December 2015, as well as MCSD rates of 4% at the start of supply in 2016, and

(b) The increase in the balance of materials and services primarily refers to the subsidiary CELPA which had amounts withheld in 2016 from the supplier Guascor (Insulated System), which are being negotiated gradually in the approximate amount of R$ 20,000; contract price increases; increased investment by subsidiaries; and in the financial year the balance of the fuel acquisition of R$ 97,606 as of December 31, 2016 (R$ 112,544 as of December 31, 2015) of the subsidiary CELPA is recorded under "Materials and services".

[4] On 12/31/2015 the Company presented the item “Acquisition of fuel - CCC”. However, for the purpose of comparability and a better analysis, it has the same amount in both 2016 and 2015 in the item “Materials and services”.

19 Loans and financing (Consolidated)

	Average cost of the debt (% p.a.)	12/31/2016 Principal and interest		
		Current	Noncurrent	Total
Foreign currency (USD)				
National Treasury	2.66%	682	71,886	72,568
CCBI Itaú	1.99%	114,169	-	114,169
CCBI Citibank	3.76%	165,496	203,647	369,143
Transaction Itaú	3.00%	133,448	-	133,448
Transaction Santander	3.00%	133,355	-	133,355
Total foreign currency		547,150	275,533	822,683
Domestic currency				
Eletrobras	8.94%	55,874	214,411	270,285
Guanabara	14.00%	2,045	1,690	3,735
IBM	15.17%	22,239	17,120	39,359
BNDES	8.48%	178,891	1,281,913	1,460,804
Banco do Brasil	14.89%	32,545	285,021	317,566
BNB	8.50%	18,639	57,372	76,011
Cash	6.00%	4,456	56,997	61,453
Finep	4.00%	1,128	2,523	3,651
Sudene	7.00%	6,995	30,534	37,529
Votorantim	4.50%	474	1,050	1,524
Subtotal		323,286	1,948,631	2,271,917
(-) Arrangement costs		(2,225)	(6,511)	(8,736)
Total local currency		321,061	1,942,120	2,263,181
Total		868,211	2,217,653	3,085,864

	Average cost of the debt (% p.a.)	12/31/2015 Principal and interest		
		Current	Noncurrent	Total
Foreign currency (USD)				
National Treasury	4.85%	2,643	90,649	93,292
CCBI Itaú	2.34%	138,567	294,603	433,170
CCBI Citibank	5.72%	196,902	243,993	440,895
Santander	3.30%	152,146	158,730	310,876
Total foreign currency		490,258	787,975	1,278,233
Domestic currency				
Eletrobrás	5.45%	54,737	258,264	313,001
Finame	11.32%	274	-	274
Guanabara	14.79%	2,055	3,719	5,774
IBM	14.08%	29,404	26,488	55,892
BNDES	8.51%	177,613	1,033,826	1,211,439
Banco do Brasil	8.50%	8,924	306,946	315,870
BNB	8.50%	25,118	75,489	100,607
Cash	8.55%	2,889	59,242	62,131
Finep	13.50%	1,130	3,645	4,775
IFC	4.50%	11,082	-	11,082
Sudene	7.00%	4,535	37,299	41,834
Votorantim	4.50%	475	1,522	1,997
Subtotal		318,236	1,806,440	2,124,676
(-) Arrangement costs		(3,107)	(7,149)	(10,256)
Total local currency		315,129	1,799,291	2,114,420
Total		805,387	2,587,266	3,392,653

The amounts recorded under loans and financing have an average annual cost of 11%, equal to 80.67% of the CDI rate (8.76%, equal to 65.97% of the CDI rate at December 31, 2015).

At December 31, 2016 and December 31, 2015 the installment payments under the primary loans and financing agreements were as follows:

	12/31/2016		**12/31/2015**	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	868,211	28%	805,387	24%
2018	785,825	25%	902,852	27%
2019	383,455	12%	815,780	24%
2020	335,964	11%	239,422	7%
2021	230,956	7%	206,961	6%
2021 onwards	487,964	16%	429,400	13%
Subtotal	2,224,164	72%	2,594,415	76%
Arrangement costs (Noncurrent)	(6,511)	0%	(7,149)	0%
Noncurrent	2,217,653	72%	2,587,266	76%
Total	3,085,864	100%	3,392,653	100%

Changes in balances of loans and financing are as follows:

	Local Currency		**Foreign currency (USD)**		
	Current liabilities	**Noncurrent liabilities**	**Current liabilities**	**Noncurrent liabilities**	**Total**
Balances as of December 31, 2015	315,828	1,799,291	489,559	787,975	3,392,653
Inflows	-	374,993	-	-	374,993
Interest	149,981	8,677	32,274	-	190,932
Monetary and exchange variance	21,576	39,217	67,376	(273,178)	(145,009)
Transfers	280,697	(280,697)	239,265	(239,265)	-
Amortization of principal	(291,274)	-	(244,810)	-	(536,084)
Interest payments	(155,930)	-	(37,213)	-	(193,143)
Arrangement costs	628	194	700	-	1,522
Transaction transfers	(446)	446	-	-	-
Balances as of December 31, 2016	321,060	1,942,121	547,151	275,532	3,085,864

	Domestic currency		Foreign currency (USD)		
	Current liabilities	**Noncurrent liabilities**	**Current liabilities**	**Noncurrent liabilities**	**Total**
Balances as of December 31, 2014	423,485	2,444,875	536,370	452,879	3,857,609
Reclassification RJ (a)	-	(866,877)	-	(178,890)	(1,045,767)
Inflows	-	488,503	125,000	493,613	1,107,116
Interest	152,733	13,081	28,084	-	193,898
Monetary and exchange variance	577	22,523	71,443	315,755	410,298
Transfers	300,768	(300,768)	296,082	(296,082)	-
Amortization of principal	(427,477)	-	(542,751)	-	(970,228)
Interest payments	(134,356)	-	(25,627)	-	(159,983)
Transaction cost	610	(2,558)	1,658	-	(290)
Transaction transfers	(512)	512	(700)	700	-
Balances as of December 31, 2015	315,828	1,799,291	489,559	787,975	3,392,653

(a) Reclassification of debt under judicial reorganization relief, which had been partially challenged by CELPA's creditors; the contingency status ceased to exist at the termination of the judicial reorganization proceedings, with the debt being reclassified as accounts payable to creditors under judicial reorganization. In 2015, the debt amounts were adjusted to present value together with other debt subject to judicial reorganization relief.

7.1 Covenants and guarantees

The loans and financing transactions of subsidiaries CEMAR and CELPA involve certain covenants and financial guarantees which, if breached, could result in the accelerated maturity of the contracts. The Company was compliant with its covenants in the financial year ended December 31, 2016.

20 Debentures (Consolidated)

The change in debentures at the subsidiaries CEMAR and CELPA in the financial year is as follows:

	Current liabilities	**Non-current liabilities**	**Total**
Balances as of December 31, 2015	47,303	495,182	542,485
Additions	-	1,230,000	1,230,000
Interest	64,978	-	64,978
Transfer	100,450	(100,450)	-
Amortization of principal	(33,790)	-	(33,790)
Interest payments	(57,574)	-	(57,574)
Monetary variance	-	18,059	18,059
Arrangement costs	(2,627)	(13,064)	(15,691)
Balances as of December 31, 2016	118,740	1,629,727	1,748,467

	Current liabilities	Non-current liabilities	Total
Balances as of December 31, 2014	10,861	506,423	517,284
Interest	56,828	(473)	56,355
Monetary variance	398	22,127	22,525
Transfers	33,400	(33,400)	-
Interest payments	(54,182)	-	(54,182)
Arrangement costs	(2)	505	503
Balances as of December 31, 2015	47,303	495,182	542,485

First debenture issue

On July 25, 2016 CELPA conducted the First Debenture Issue which was settled on August 5, 2016. This was a private issue of non-convertible, ordinary debentures secured by collateral and guarantees provided by the parent company, Equatorial Energia, in a single series for a total amount of R$100,000, maturing in May 2020, which was primarily used to increase the Company's working capital. Debentures procured at a rate equal to IPCA + 9.0% p.a. with amortization of 50% on May 30, 2019 and 50% on May 30, 2020. As of December 31, 2016 the restated amount was R$ 104,996. The effective interest rate on this operation is 15.29% per annum.

Second debenture issue

On October 13, 2016 CELPA conducted the Second Debenture Issue, distribution of which finished on December 1, 2016. This was a private issue of non-convertible, ordinary debentures secured by collateral and guarantees provided by the parent company, Equatorial Energia, in two series for a total amount of R$ 60,000, maturing in January 2024, which was primarily used to increase the Company's working capital. The cost of contracting the first series is IPCA + 8.04% p.a., with amortization in three equal payments from January 15, 2022 onwards, and the second series is only expected to be issued in 2017. As of December 31, 2016 the restated value was R$ 60,533, the effective rate of the first series is 15.29% per annum and the second series is only expected to be issued in 2017.

Third debenture issue

On November 11, 2016 CELPA conducted the Third Debenture Issue, distribution of which finished on December 26, 2016. This was a public issue of non-convertible, ordinary debentures secured by collateral and guarantees provided by the parent company, Equatorial Energia amounting to R$ 300,000, in two series of R$ 199,069 and R$ 100,931, maturing in December 2021 and December 2023 respectively, which was primarily used to implement CELPA's investment program. Contracted at the cost of IPCA + 6.70% p.a. for the 1st and IPCA + 6.87% p.a. for the 2nd series. As of December 31, 2016 the effective rate of the first series is 12.99% per annum and the second series is 13.16% and the balance is R$ 199,407 and R$ 101,105 respectively.

Fourth debenture issue

On December 5, 2016 CELPA conducted the Fourth Debenture Issue which was distributed on December 28, 2016. This was a private issue of non-convertible, ordinary debentures secured by guarantees provided by the parent company, Equatorial Energia, in a single series for a total amount of R$ 500,000, maturing in Debentures 2019, which was primarily used to increase CELPA's working capital. As of December 31, 2016 the balance is R$ 500,589. The effective interest rate on this operation is 15.98% per annum.

The public distribution of CEMAR's 4th issue of non-convertible debentures ended on September 22, 2012. The proceeds secured of R$ 280,000, divided into two tranches of R$ 101,380 and R$ 178,620, were used primarily for the implementation of CEMAR's investment program. Debentures contracted with a rate in the 1st series of CDI + 1.08% p.a. and 2nd series with IPCA + 5.90% p.a. with semi-annual amortizations of the 1st series and annual of the 2nd series (first amortization on June 22, 2016) with respective maturities on June 21, 2018 and June 22, 2020. As of December 31, 2016 the remaining balance is R$ 318,938. The effective interest rate on this operation is 12.80% per annum (16% as of December 31, 2015). On December 31, 2016 the effective rate for this transaction was 12.80% per year (16% at December 31, 2015).

Sixth debentures issuance

The public distribution of CEMAR's 6th issue of non-convertible debentures ended on October 27, 2014. The proceeds of R$ 200,000 in a single tranche were intended primarily for a capital increase to service CEMAR's management business. Debentures secured at the rate of 113.2% of CDI, first amortization occurs on October 13, 2017 with maturity on October 14, 2019. As of December 31, 2016 the remaining balance is R$ 205,672. The effective interest rate on this operation is 15.85% per annum (15.27% as of December 31, 2015).

Seventh debentures issuance

The public distribution of CEMAR's 7th issue of non-convertible debentures ended on November 1, 2016. The proceeds secured of R$ 270,000, divided into two tranches of R$ 155,000 and R$ 115,000, were used primarily for the implementation of CEMAR's investment program. Debentures contracted with a rate in the 1st series of IPCA + 5.48% p.a. and 2nd series with IPCA + 5.54% p.a. with bullet amortization and respective maturities on October 15, 2021 and October 15, 2023. As of December 31, 2016 the remaining balance is R$ 263,629. The effective interest rate on this operation is 11.79% per annum.

At December 31, 2016 the debentures amounted to R$ 1,748,467 and their scheduled maturities are as follows:

	12/31/2016		12/31/2015	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	118,740	7%	47,303	9%
2018	180,442	10%	-	-
2019	697,578	40%	100,450	19%
2020	135,066	8%	174,876	32%
2021	354,751	20%	141,096	26%
2021 onwards	276,564	16%	80,369	14%
Noncurrent	1,644,401	94%	496,791	91%
Arrangement costs - Noncurrent	(14,674)	-1%	(1,609)	0%
Total noncurrent	1,629,727	93%	495,182	91%
Total	1,748,467	100%	542,485	100%

Covenants

The debentures require that certain debt ratios and interest coverage be maintained. At December 31, 2016 CEMAR and CELPA were compliant with all applicable covenants.

21 Taxes and contributions payable

21.1 Taxes and contributions payable

	Consolidated	
	12/31/2016	**12/31/2015**
Current		
ICMS	277,316	194,568
ICMS financing (a)	2,646	33,056
PIS and COFINS	50,897	46,149
Payroll charges	15,425	29,263
Other	10,757	9,385
Total	357,041	312,421
Noncurrent	**12/31/2016**	**12/31/2015**
ICMS financing (a)	35,946	30,316
Other	1,370	20,393
Total	37,316	50,709

(a) CELPA has been granted ICMS tax financing by the tax authorities of the state of Pará. The balance is indexed by the SELIC rate plus 1% interest, with the last payment due on July 31, 2031. Its reduction was due to the entry into the state REFIS state program through state instruction 10 issued in 2016, in 180 instalments.

21.2 Taxes and contributions payable on net income

	Parent company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
IRRF	-	10,163	898	9,981
IRPJ / CSLL Provision	-	474	8,408	8,257
Total	-	10,637	9,306	18,238

22 Deferred income and social contribution taxes

Subsidiaries recognize deferred income and social contribution taxes on temporary differences and income tax on tax losses based on projections of taxable income.

Deferred tax credits on tax losses have no expiration date and their financial effects occur upon realization. Income tax is calculated at the rate of 25% plus a surcharge of 10%, and the social contribution calculated at the rate of 9%. The relevant tax credits are recognized in noncurrent assets based on their likelihood of realization, subject to a limit of 30% in annual offsets against taxable income, in accordance with CPC 32.

22.1 Breakdown of deferred income and social contribution tax

(i) Breakdown of deferred taxes

	Consolidated	
	12/31/2016	**12/31/2015**
IRPJ tax losses (a)	132,544	132,544
IRPJ and CSLL on temporary differences	(343,589)	(244,591)
IRPJ and CSLL on revaluation reserve	(76,957)	(88,325)
IRPJ and CSLL, CELPA acquisition	49,607	57,870
Total	(238,395)	(142,502)

(a) Tax loss credits are derived from CEMAR.

The subsidiary CELPA has tax losses and a negative basis of CSLL not recognized in its assets as of December 31, 2016 as it did not meet the requirements established in CPC 32 - Taxes on profit and CVM Resolution 371/2002. IRPJ and CSLL tax credits in the amount of R$ 196,613 (R$ 203,925 as of December 31, 2015) do not expire.

(ii) Breakdown of IRPJ and CSLL on temporary differences

	Consolidated	
	12/31/2016	**12/31/2015**
Provision for contingencies	83,377	91,875
Allowance for doubtful accounts	120,702	181,466
Provision for profit-sharing	10,869	10,840
Stayed taxes	5,848	971
Accelerated depreciation	(394,704)	(295,193)
Provision for pension fund	13,060	12,484
Funding cost, AVP and restatement of financial asset[5]	(210,719)	(180,915)
SWAP	13,146	(108,120)
Other nondeductible expenses	14,832	42,001
Total	(343,589)	(244,591)

(iii) Breakdown of IRPJ and CSLL, CELPA acquisition

	12/31/2016	**12/31/2015**
Intangible - concession goodwill	(36,799)	(40,276)
Write-off of property, plant and equipment	34,698	37,976
Potential contingencies	42,558	51,020
Other accounts payable - PLPT	9,150	9,150
Total	49,607	57,870

22.2 Prospects of recovery

Based on technical feasibility studies, subsidiary Management estimates that these tax credits of the subsidiary CEMAR can be realized up to 2021, as shown below:

Prospect of realization	**2019**	**2020**	**2021**	**Total**
Deferred taxes	53,610	58,086	20,848	132,544

CEMAR did not realize deferred income taxes on tax losses in the financial year ended December 31, 2016 as it had elected to realize accelerated depreciation benefits up to 2018, research and development incentives and the SUDENE benefit up to 2021.

A technical feasibility study, which includes the recovery of deferred taxes and is revised on an annual basis, was prepared by the Company and reviewed by the Audit Committee and approved by the Board of Directors on February 24, 2017.

22.3 Reconciliation between the income and social contribution tax expense

The reconciliation of expenses, calculated by applying the relevant tax rates and the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) expense charged to profit or loss during the financial years ended December 31, 2016 and 2015, is shown below:

[5] To facilitate a comparative analysis of the balances with the current year, the Company combined the restatement of financial assets with the items “borrowing cost and AVP” for 2015.

	12/31/2016		12/31/2015	
	IRPJ	**CSLL**	**IRPJ**	**CSLL**
Profit before income (IRPJ) and social contribution (CSLL) taxes	1,050,012	1,050,012	1,121,062	1,121,062
Statutory rate	25%	9%	25%	9%
Calculated at the tax rate	262,503	94,501	280,266	100,895
Additions:				
Provision for contingencies	61,307	22,070	67,555	24,320
Allowance for doubtful accounts	86,784	31,242	61,869	22,273
Energy efficiency research and development R&D	-	-	13,006	4,682
Adjustment to present value	9,091	3,273	44,974	16,190
SWAP variance	106,880	38,477	59,760	21,514
IRPJ/CSLL on revaluation reserve	8,360	3,010	15,131	5,447
Profit sharing, fees and license premium	9,727	3,502	7,603	2,737
Provision for pension fund[6]	9,603	3,457	9,179	3,305
Provision for profit-sharing	12,196	4,390	-	-
Provision for asset recovery	-	-	3,904	1,405
Funding cost, AVP and restatement of financial asset	19,865	7,151	-	-
Effect of IR/CSLL on equity accounting	8,462	3,046	60,658	21,837
Other provisions	26,890	9,689	84,796	31,047
	359,165	129,307	428,435	154,757
Exclusions:				
Write-offs of provisions, repositioning of deferred tariffs and regulatory assets	-	-	(20,618)	(7,423)
Provision for contingencies	(67,555)	(24,320)	(65,478)	(23,572)
Allowance for doubtful accounts	(131,463)	(47,327)	-	-
Energy efficiency research and development and M.M.M	(17,866)	(6,431)	(12,707)	(4,575)
SWAP variance	(17,714)	(6,377)	(123,064)	(44,303)
Profit sharing, fees and license premium	(7,603)	(2,737)	-	-
Provision for energy supplies	-	-	(2,830)	(1,019)
Provision for pension fund	(9,179)	(3,305)	-	-
Provision for profit-sharing	(7,970)	(2,869)	(6,945)	(2,500)
Provision for asset recovery	(3,904)	(1,405)	(3,704)	(1,333)
Funding cost, AVP and restatement of financial asset	(50,871)	(18,314)	(248,787)	(89,563)
Effect of IR/CSLL on equity accounting	(27,504)	(9,900)	(6,179)	(2,224)
Other provisions	(23,378)	(8,323)	(52,126)	(18,720)
Accelerated depreciation	(99,511)	-	(15,900)	-
	(464,518)	(131,308)	(558,338)	(195,232)
IRPJ and CSLL	157,150	92,500	150,363	60,420
Offsetting negative basis of CSLL	-	(13,486)	(2,725)	(7,221)
PAT Incentive	(3,346)	-	(2,956)	-
Incentive for extended maternity leave	(112)	-	-	-
Prior year IRPJ expense	1,032	371	(545)	(127)
Effect of IR/CSLL on JCP	(13,907)	(5,006)	(17,376)	(6,255)
Income and social contribution taxes on income	140,817	74,379	126,761	46,817
Effective rate (excluding income tax/CSLL)	13%	7%	11%	4%
Deferred tax assets	90,775	(3,145)	83,966	26,719
(+) IRPJ government subsidy	(134,203)	-	(123,048)	-
Recognized tax losses and negative CSLL base	8,263	-	-	-
IRPJ and CSLL on income for the year	105,652	71,234	87,679	73,536
Effective rate for deferred tax assets	10%	7%	8%	7%

[6] To facilitate a comparative analysis of the balances with the current year, the Company reclassified amounts that used to be recorded under "Profit shares, fees and premium license" to the item "Provision for pension funds".

CEMAR

On May 14, 2007 the Northeast development agency (ADENE), now *Superintendência para o Desenvolvimento do Nordeste (*SUDENE), under the Ministry of national integration, issued Opinion 0061/2007 granting CEMAR a further reduction of income tax from 25% to 75% in connection with an upgrade of its power systems over the period from 2007 two 2016. On March 28, 2012, Opinion No. 0037/2012 was issued granting CEMAR a further reduction of income tax to 75% in connection with a complete upgrade of its power facilities over the period from 2012 to 2021. Income tax on operating income at December 31, 2016 was R$ 100,945 (R$ 94,284 as of December 31, 2015).

CELPA

On December 19, 2013 the Amazonian development agency - SUDAM, under the Ministry of National Integration, issued Opinion 140/2013 granting CELPA a reduction of income tax on operating income to 75% in connection with the diversification of the company's projects and infrastructure over the period from 2013 to 2022. Income tax on operating income at December 31, 2016 was R$ 80,986 (R$ 120,586 as of December 31, 2015).

23 Dividends

The Company's Bylaws state that shareholders are ensured a minimum mandatory dividend of 25% of the net income, restated according to the legislation in force and deducted from the amounts allocated by the General Meeting.

The dividends were calculated as follows:

	12/31/2016	**12/31/2015**
Net income for the year	712,217	808,482
Accumulated loss	-	(8,151)
Net income after absorbing accumulated losses	**712,217**	**800,331**
(-) Legal reserve	(35,611)	(40,017)
Adjusted net income	**676,606**	**760,314**
Minimum mandatory dividends	169,151	190,079
Minimum dividends (except interest on shareholders' equity)	119,084	127,318
Additional dividends proposed	1,721	1,766
Interest on shareholders' equity	50,067	62,761
Dividends proposed	**170,872**	**191,845**

The dividends proposed for FY 2016 include interest on shareholders' equity of R$ 55,629 (R$ 50,068), net of IRRF.

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

	Value per share (lot of reais)		
Resolution	**Salaries**	**Amount**	**Common**
12/31/2016			
Board of Directors Meeting held March 8, 2017	Dividends	170,872	0.86
12/31/2015			
Board of Directors Meeting held March 10, 2016	Dividends	198,588	1.00

The change in dividends payable loans is as follows:

Balance at January 01, 2015	151,565
Dividend payments	(95,349)
Interest on shareholders' equity	(56,117)
IRRF on interest on shareholders' equity	(6,745)
Interest on shareholders' equity 2015	69,506
Additional dividends	1,766
Proposed dividends 2015	127,317
Balance at December 31, 2015	191,943
Dividend payments	(129,056)
Interest on shareholders' equity	(62,750)
IRRF on interest on shareholders' equity	(5,562)
Interest on shareholders' equity 2016	55,629
Proposed dividends 2016	119,084
Balance at December 31, 2016	169,288

24 Energy efficiency research and development

The concession agreement requires the subsidiaries CEMAR and CELPA to invest 1% of net operating revenue in Research and Development and Energy Efficiency Programs (R&D), where part should be paid to the National Scientific and Technological Development Fund (FNDCT) and part to the Ministry of Mines and Energy (MME).

The R&D funds are used to pay for planning research and studies for the expansion of the energy system in addition to those to use hydroelectric potential.

Charged against the entries made in liabilities, the subsidiaries CEMAR and CELPA record this in profit and loss as a deduction from operating revenue.

Distribution of the funds	**Distribution percentage of ROL[7]**	**12/31/2016**	**12/31/2015**
Electrical efficiency program	0.50%	129,721	122,826
Research and development	0.20%	90,586	77,927
FNDCT	0.20%	1,373	1,910
MME	0.10%	683	952
Total		222,363	203,615
Current		69,029	75,088
Noncurrent		153,334	128,527

The balances presented in current liabilities denote the amounts that will be invested in the projects the following year, in accordance with the projections approved by Management.

25 Profit sharing

The company and its subsidiaries' profit-sharing program is a corporate program linked to EBITDA (earnings before interest, taxes, depreciation and amortization) and a number of other operational and financial indicators. The program assesses the performance of the CEO, senior managers, managers, executives and employees and has consistently increased employee engagement in improving the company's operating performance. At December 31, 2016 the provision for profit-sharing is R$ 4,234 (R$ 3,220 at December 31, 2015) and the provision for the subsidiaries is R$ 76,559 as of December 31, 2016 (R$ 65,384 as of December 31, 2015).

26 Payables from judicial reorganization - CELPA

26.1 Debt breakdown

	12/31/2016	**12/31/2015**
Current		
Operational creditors (a)	92,398	75,531
Sector charges (b)	36,049	26,894
(-) Adjustment to present value (d)	(32,038)	(10,979)
Total	96,409	91,446
Noncurrent		
Operational creditors (a)	45,217	138,683
Sector charges (b)	2,658	34,548
Intra-group (c)	73,525	69,413
Financial creditors	1,180,924	1,199,397
(-) Adjustment to present value (d)	(389,987)	(446,442)
Total	912,337	995,599
Total	1,008,746	1,087,045

(a) Amounts owed to CELPA's creditors including service providers, material suppliers, landlords and other creditors scheduled under the Judicial Reorganization Plan.

(b) RGR, CCC, Inspection Fees, CDE, Proinfa and MME charges financed under the judicial reorganization plan.

(c) Claims held by companies within the former controlling group, which have been financed under judicial reorganization relief and

(d) The terms and conditions of the loan and financing agreements were amended following judicial reorganization. During this phase, some financial institutions claimed exclusion from judicial reorganization relief on the grounds that their claims were post-petition claims. The conclusion of the judiciary organization proceedings on December 1, 2014 attested to CELPA's compliance with the judicial reorganization plan, particularly in regard to the contributions of funds, payment of creditors as set out in the plan, with the amount under dispute as to whether claims are subject to judicial reorganization relief considered immaterial. In the General Meeting of Creditors the majority of creditors present, in both quantity and value, approved

[7] The Net Operating Revenue – ROL used is the regulatory revenue.

the company's release from judicial supervision and subsequently thereafter the parties involved in the judiciary organization proceedings (the trustee, the chartered accountant, the Public Prosecutors' Office and ANEEL) formally declared the judicial reorganization proceedings to be concluded, which was followed by a court decision officially terminating the judicial reorganization proceedings. Based on an analysis conducted by CELPA during the quarter ended June 30, 2015, the likelihood of claims being excluded from judicial reorganization relief is considered remote and therefore these claims are more than likely to be held to their maturity as defined in the judicial organization plan. CELPA accordingly made an adjustment to present value of R$ 395,292 in 2015, including R$ 404,983 in loans and financing, (R$ 26,206) in operational creditors, R$ 15,300 in inter-company claims and R$ 1,215 in sector charges. The terms and conditions are assumed to have been amended and it is more than likely that these claims will be held to maturity, which is the basis for present value measurements under CPC -12. This was recorded based on the following assumptions: i) the rate used to calculate the AVP was equivalent to CDI + 1.50% p.a. and ii) balance at June 30, 2015 as the basis for comparison against the balance generated by the discounted flow; to project the operations with indexes we used the projection of Santander, as of June 29, 2015. As of December 31, 2016, the balance of the adjustment to present value amounts to R$ 422,025, including R$ 363,140 of loans and financing, R$ 31,552 of operating creditors, R$ 26,847 of intragroup and R$ 485 of sector charges (as of December 31, 2015, the balance of the adjustment to present value amounts to R$ 457,421, including R$ 386,045 of loans and financing, R$ 42,045 of operating creditors, R$ 28,359 of intragroup and R$ 972 of sector charges).

The schedule of long-term payments under judicial reorganization relief is as follows:

	12/31/2016		12/31/2015	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	96,409	9.6%	91,446	8.4%
2018	23,457	2.3%	134,526	12.4%
2019	12,016	1.2%	3,680	0.3%
2020	-	0.0%	3,394	0.3%
2020 onwards	876,864	86.9%	853,999	78.6%
Noncurrent	912,337	90.4%	995,599	91.6%
Grand total	1,008,746	100%	1,087,045	100%

26.2 Changes in payables under judicial reorganization relief

	Balance at 12/31/2015	Interest, charges and exchange variation	Amortization	Adjustment to present value	Balance at 12/31/2016
Operational creditors	172,168	-	(76,599)	10,495	106,064
Sector charges	53,803	5,382	(25,606)	486	34,065
Intra-group	41,055	4,111	-	1,512	46,678
Financial creditors	820,019	31,271	(52,256)	22,905	821,939
Total	1,087,045	40,764	(154,461)	35,398	1,008,746

	Balance at 12/31/2014	Reclassification RJ	Inflows	Interest, charges and exchange variation	Amortization	Adjustment to present value	Balance at 12/31/2015
Operational creditors	195,875	-	14,300	-	(79,664)	41,657	172,168
Sector charges	74,437	-	-	8,248	(27,910)	(972)	53,803
Intra-group	65,549	-	-	3,865	-	(28,359)	41,055
Financial creditors	-	1,045,767	-	160,297	-	(386,045)	820,019
Total	335,861	1,045,767	14,300	172,410	(107,574)	(373,719)	1,087,045

27 Provision for civil, tax, labor and regulatory claims (Consolidated)

The subsidiaries CEMAR and CELPA are parties (as defendants) to judicial and administrative proceedings in courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

Management recorded the following provisions in amounts considered sufficient to cover probable estimated losses from the current actions based on information from its legal advisers, an analysis of pending legal proceedings, and previous experience with regards to the amounts claimed:

	12/31/2016		12/31/2015	
	Provision	**Judicial deposits**	**Provision**	**Judicial deposits**
Civil (a)	134,816	137,128	130,275	130,564
Tax	38,202	16,131	2,286	387
Labor	74,154	43,598	119,767	44,853
Regulatory	15,506	-	18,057	-
PPA CELPA (b)	279,071	-	334,561	-
Total	541,749	196,857	604,946	175,804
Current	86,222	31,839	134,950	25,277
Noncurrent	455,527	165,018	469,996	150,527

(a) Of the civil judicial deposits, R$ 62,249 refer to banknote contracts which are being deposited as part of the judicial reorganization proceedings. These claims have been scheduled in the judicial reorganization plan and have been challenged by the creditor financial institutions. Under a court order, the financial flows under these contracts have been deposited monthly in court until a final decision is issued on the merits as to whether or not these claims are subject to judicial reorganization relief; and

(b) The fair value of CELPA's contingent civil, tax and labor liabilities was determined based on a review by the Company's legal advisers, who also considered the cases with a likelihood of defeat rated as possible, resulting in an adjustment of R$ 279,071 at December 31, 2016 (R$ 334,561 as of December 31, 2015).

Changes in proceedings in the year (Consolidated)

	12/31/2015	12/31/2016				
	Opening balance	**Additions**	**Usage (1)**	**Reversal of provision (2)**	**Indexation (3)**	**Closing balance**
Civil	130,275	47,083	(33,461)	(26,088)	17,007	134,816
Tax[8]	2,286	33,626	(3)	11	2,282	38,202
Labor	119,767	36,051	(71,050)	(23,436)	12,822	74,154
Regulatory	18,057	2,978	-	(7,496)	1,967	15,506
PPA CELPA	334,561	-	-	(55,490)	-	279,071
Total	604,946	119,738	(104,514)	(112,499)	34,078	541,749

	12/31/2014	12/31/2015

[8] Of the R$ 33,626 contained in tax claim additions, R$ 19,290 derives from the reclassification of the subsidiary CELPA in FY 2016 to the line Provisions for claims, as it was classified under Other accounts payable in FY 2015.

	Opening balance	Additions	Usage (1)	Reversal of provision (2)	Indexation (3)	Closing balance
Civil	120,583	31,324	(25,823)	(14,105)	18,296	130,275
Tax	498	1,826	-	(16)	(22)	2,286
Labor	112,611	5,719	(4,750)	(5,132)	11,319	119,767
Regulatory	28,382	2,004	(11,745)	(2,494)	1,910	18,057
PPA CELPA (a)	335,899	-	-	(1,338)	-	334,561
Total	597,973	40,873	(42,318)	(23,085)	31,503	604,946

(1) Effective expense on judicial contingencies.

(2) Reversals made in the year.

(3) Monetary restatement.

(a) PPA CELPA - derived from the estimated costs of likely settlements based on the assessment of CELPA's legal department.

Civil

The subsidiaries are defendants in 25,413 civil proceedings (20,378 claims in 2015), including 18,396 cases being heard by special courts (14,385 in 2015) and largely relating to claims for property and moral damages as well as reimbursement of amounts paid by consumers.

The most significant civil proceedings involve claims for damages relating to injuries involving the distribution system, power outages, deaths from electric shock or damages arising from the termination of contracts with suppliers.

At December 31, 2016 the subsidiaries had a provision of R$ 134,816 (R$ 130,275 as of December 31, 2015).

In addition to the losses provisioned for, other civil contingencies amounting to R$ 434,125 (R$ 439,025 at December 31, 2015) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of CEMAR and CELPA, for which provisions have been recognized.

Tax

CEMAR and CELPA are defendants in 167 tax proceedings (165 in 2015).

The financial statements as of December 31, 2016 include a provision of R$ 38,202 for tax proceedings (R$ 2,286 at December 31, 2015).

In addition to the losses provisioned for, other tax contingencies amounting to R$ 46,268 (R$ 46,416 at December 31, 2015) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of CEMAR and CELPA, for which provisions have been recognized.

Labor

Labor liabilities currently consist of 2,372 claims (2,438 claims in 2015) brought by former employees against the Company and its subsidiaries, with claims ranging from overtime, hazardous work bonuses, salary equality and/or reclassification, occupational diseases/reintegration, CIPA stability and other claims, as well as claims brought by the former employees of service providers (subsidiary liability) largely seeking severance pay.

On December 31, 2016 the Company made a provision for labor claims of R$ 74,154 (R$ 119,797 as of December 31, 2015).

In addition to the losses provisioned for, other labor contingencies amounting to R$ 91,816 (R$ 85,195 at December 31, 2015) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of CEMAR and CELPA, for which provisions have been recognized.

Regulatory
The amount to be provision for this item relates to the penalties likely to be imposed on CEMAR and CELPA in connection with:

- Violation Notices (AI) issued by the power sector regulator, ANEEL;
- Notices (TN) issued by the Electric Power Trading Chamber (CEEE) for power trading irregularities;
- Penalties applied by the National System Operator (NOS) for violations related to power system operations; and
- Administrative penalties imposed by consumer protection authorities.

28 Other accounts payable (Consolidated)

	12/31/2016	**12/31/2015**
Current		
Consumer advances (a)	72,227	14,266
ANEEL - assessment notices (b)	11,406	47,376
Collections arrangements	26,477	18,311
Electricity charges	10,112	1,894
Insurance entities	-	203
Other appropriations - suppliers	10,846	11,001
Regulatory fines	16,465	71,753
Guarantees	8,478	3,817
Acquisition of CELPA (c)	60,000	60,000
Third-party receivables	-	6,890
Tax issues - CCC (d)	165,333	-
Other accounts payable (e)	38,547	48,483
Total current	419,891	283,994
Noncurrent		
ANEEL - assessment notices (b)	22,274	29,058
Tax issues - CCC (d)	158,045	246,915
Other accounts payable (e)	35,729	25,726
Total noncurrent	216,048	301,699
Total	635,939	585,693

(a) Refers to an advance received to support the needed investments by the Company and its subsidiaries in customer service.

(b) Refers to a penalty for failure to meet power continuity indicators, which is under dispute in Administrative Case no. 0048/2012-GTE and as part of CELPA's judicial reorganization relief proceedings.

(c) Refers to the balance to be returned under the Light for All Program. Company Management estimated the size of the adjustment during the acquisition of the subsidiary CELPA;

(d) Refers to disputed taxes to be refunded to the CC Fund under Resolution 427/11. The change in the financial year ended December 31, 2016 primarily relates to indexation by the IPCA rate and inclusion of new ICMS, PIS and COFINS amounts for CELPA; and

(e) Of the total amounts of accounts payable, R$ 24,702 refers to the subsidiary CELPA, with R$ 19,418 referring to a provision for payment of operating costs to a number of service providers and R$ 20,354 in noncurrent, especially R$ 10,366 referring to the advance and R$ 6,132 to the financing of the Fascemar actuarial settlement.

29 Equity

29.1 Share capital

The Company's capital at December 31, 2016 is R$ 1,981,985 (R$ 1,980,214 at December 31, 2015), broken down by class of shares and primary shareholders as follows:

Shareholders	**Common**	**%**
Squadra Investimentos	31,176,900	15.69%
Opportunity	20,135,788	10.13%
BlackRock	11,459,825	5.77%
Executives	667,994	0.34%
Other noncontrolling	135,235,460	68.07%
Total	198,675,967	100%

The Company is authorized to raise its share capital, for which an amendment to the Bylaws is not required, up to the limit of 300,000,000 (three hundred million) shares, via the issuance of new common shares. Within the authorized capital limit, the Board of Directors is authorized to resolve the issue of shares, simple convertible debentures or subscription bonuses establishing whether the increase will occur through public or private subscription, the payment conditions and issue price, and may also exclude the pre-emptive rights or shorten the term for the exercise thereof in issues which are placed through a sale on a stock exchange or through public subscription, or in a public share control acquisition offering, in accordance with the law. Within the authorized capital limit and in accordance with the plan approved by the General Meeting, the Board of Directors may award a share purchase option to managers, employees or individuals providing services to the Company or its subsidiaries, providing this does not make a change to the Company's share control possible.

On May 12, 2016, through the exercise of options under the Company's Stock Option Plan, a total capital increase of R$ 1,771 was performed through issuance and subscription of 87,500 common shares.

The Company is listed on BM&FBOVESPA's *Novo Mercado* segment, consisting exclusively of common shares providing 100% tagalong rights to minority shareholders in the event of a merger or transfer of control.

29.2 Capital reserves

Pursuant to CVM Resolution 562 of December 17, 2008, which approved CPC 10, the Company has recognized a total Capital Reserve of R$ 54,959 (R$ 44,909 at December 31, 2015) for recognized granted options.

29.3 Profit reserves

29.3.1 Legal reserve

Recorded at the rate of 5% of the net income for the year before profit-sharing and reversal of the interest on equity reserve, as required by corporation law, and defined by the Board of Directors, up to the limit of 20% of the capital. This reserve had a balance of R$ 173,735 as of December 31, 2016 (R$ 138,124 as of December 31, 2015).

29.3.2 Investment and expansion reserve

This reserve is used to record the portion of net income for the year reserved for investments and expansion. This reserve had a balance of R$ 1,836,110 as of December 31, 2016 (R$ 1,334,217 as of December 31, 2015).

29.4 *Additional dividend distribution reserve*

This reserve is used to record the portion of dividends exceeding the statutory amount until a final resolution it is adopted by the general meeting.

29.5 Profit reserve surplus

On March 8, 2017 the Board of Directors proposed to increase the Company’s capital by R$ 243,734, without issuing new shares, by capitalizing the balance of the legal reserve in the amount of R$ 173,734 and part of the investment and expansion reserve of R$ 70,000. The increase established aims to comply with the Company’s bylaws, and Brazilian corporate legislation, which limits the profit reserve to the value of the share capital, except for the reserve for contingencies, tax incentives and unrealized earnings.

30 Stock option plan

Fourth Stock option plan

The Extraordinary General Meeting on July 21, 2014 approved the creation of Equatorial's Fourth Stock Option Plan (“Plan”). The stock options to be offered under the Plan should not exceed 3.0% (three percent) of the Company's total share capital (including shares arising from the exercise of Options under the Plan), provided the total number of shares issued or likely to be issued under the Plan is within the limits of the Company's authorized capital.

When stock options are exercised, the relevant shares are issued through a capital increase. Further details on the Plan can be obtained in the minutes of the relevant Extraordinary General Meeting, available on the Company's website and on the CVM website.

Strike price of the options

The strike price of the Options granted under the Plan will be determined by the Plan Management Committee based on the average share price on BM&FBOVESPA, weighted by trading volume over a period of up to 180 days preceding the Granting Date.

The strike price will be reduced by the amount of any dividends, interest on equity and other benefits distributed by the Company to shareholders or any other amount per share provided by the Company to shareholders, including as a result of any capital reduction without a corresponding cancellation of shares or any other corporate transaction resulting in the allocation of funds to shareholders or reduction in share value, taking account of the period between the Granting Date and the exercise of the Options.

Beneficiaries

Plan beneficiaries may exercise their Options no later than 6 (six) months from the Granting Date. Options vest over a period of 4 (four) years, 25% each year.

Over a period of 1 (one) year from the Option exercise date, beneficiaries are not allowed to sell, assign or otherwise dispose of Company Shares originally acquired or subscribed under the Plan.

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

Potential dilution

Under the Plan rules, a potential issuance of the remaining options should result in an additional dilution not exceeding 3% for the current shareholders of Equatorial Energia S.A.

31 Operating revenue (Consolidated)

At December 31, 2016 and 2015 electric power supply by class of consumers was as follows:

	12/31/2016		
	No. of consumers (*)	MWh (*)	R$
Residential	4,201,007	6,870,561	4,288,794
Industrial	12,626	2,009,973	751,732
Commercial	331,014	3,095,099	1,986,805
Rural	204,085	458,401	200,382
Government	42,687	911,829	690,667
Public lighting	1,488	966,882	366,147
Public utility	8,622	553,861	148,176
Own consumption	581	42,971	-
Availability revenue - Network usage	-	-	20,135
Supply CCEE	-	-	240,360
Low-income	-	-	335,315
CDE subsidy - Other	-	-	148,349
Transfer to special obligations - demand exceedance/excess reactives	-	-	(44,058)
Construction revenue	-	-	1,417,616
A Component revenue receivable (returnable) and other financial items	-	-	137,133
Other	-	-	365,874
Total	4,802,110	14,909,577	11,053,427

	12/31/2015[9]		
	No. of consumers (*)	**MWh (*)**	**R$**
Residential	3,999,855	6,472,755	3,811,269
Industrial	12,505	1,837,047	848,532
Commercial	319,477	3,036,748	1,920,470
Rural	188,531	415,358	173,422
Government	41,698	870,526	524,492
Public lighting	1,513	875,481	318,619
Public utility	8,430	548,238	236,902
Own consumption	596	42,484	-
Availability revenue - Network usage	-	-	24,231
Uninvoiced payables - rate replacement	-	-	71,164
Supply CCEE	-	-	39,047
Low-income	-	-	321,916
Transfer to special obligations - demand exceedance/excess reactives	-	-	(36,150)
Construction revenue	-	-	1,087,782
A Component revenue receivable (returnable) and other financial items	-	-	435,762
PIS and COFINS on the A component	-	-	(36,766)
Other	-	-	363,482
Total	4,572,605	14,098,637	10,104,174

(*) Information not examined by the independent auditors.

32 Net operating revenue (Consolidated)

The reconciliation between gross revenue and net revenue is as follows:

	12/31/2016	**12/31/2015**
Electricity sales to consumers	9,199,288	8,778,062
Distribution revenue[10]	8,720,311	8,125,587
WACC financial remuneration	193,495	207,928
A Component revenue receivable (returnable) and other financial items (a)	137,133	398,996
CDE subsidy - Other	148,349	45,551
Electricity sales to distributors (b)	240,360	110,211
Construction revenue (c)	1,417,616	1,087,782
Other revenue	196,163	128,119
Operating revenue	11,053,427	10,104,174
ICMS on electricity sales	(1,715,709)	(1,707,537)
PIS and COFINS	(840,202)	(791,470)
Consumer charges	(76,298)	(51,744)
ISS	(6,906)	(3,637)
Energy Development Account - CDE (d)	(583,746)	(414,176)
Other	(4,965)	(937)
Deductions from operating revenue	(3,227,826)	(2,969,501)
Net operating revenue	7,825,601	7,134,673

(a) Under Resolution 4621, dated November 25, 2014, ANEEL approved a new standard utility concession addendum under which the residual balances of regulatory assets or liabilities relating to financial figures to be computed in accordance with ANEEL's pre-established rules, including those established after the most recent tariff review, will be included the indemnity to be received by the concession holder in the event of the termination of the concession for whatever reason. In response, the CPC issued Technical Guidance OCPC08 (“OCPC08”) establishing basic requirements on the recognition, measurement and disclosure of these financial assets or liabilities, which have now acquired the nature of unconditional rights (or obligations) to receive (or deliver) cash or other financial instruments to a clearly identified counterparty.

9 To facilitate a comparative analysis of the balances with the current year, the Company reclassified amounts that used to be recorded under “Other” to the items “Uninvoiced payables - rate replacement” and “PIS and COFINS on the A component”.

10 To facilitate a comparative analysis of the balances with the current year, the Company reclassified amounts that used to be recorded under “Other” to the item “CDE subsidy - Other” and “Distribution revenue” to “Sales to distributors”.

(b) The change in 2016 was due to the spot market (MCP) energy sales, which resulted in a lower expense, while in 2015 the subsidiaries incurred higher expenses because they were buying in the spot market and suffered a delay in CCEE settlements, which took into account the end of the year with the provision for the last three months, which did not occur in 2016.

(c) The construction revenue of the concession assets of the subsidiaries CEMAR and CELPA rose compared with the previous year due to the resumption of investments in improvement works; expansion; conservation and maintenance of Distribution Grids; Subtransmission lines and Substations executed in the concession area, and

(d) The CDE account increased significantly in 2016 due to the amortization of ACR financing and Treasury quotas granted to CEMAR end CELPA to minimize utilities' expenses in the short-term market in 2014. Of the total paid, R$ 327,623 refers to the ACR loan and R$ 256,123 to the CDE quota and Treasury quota.

33 Service costs and operating expenses

	12/31/2016			
Operating costs/expenses	**Cost of power supply service**	**Sales expenses**	**Administrative expenses**	**Total**
Personnel	137,818	57,096	141,700	336,614
Material	6,668	2,890	3,403	12,961
Outsourced services	279,704	231,092	188,284	699,080
Electricity purchased for resale	3,387,077	-	-	3,387,077
Charge for using transmission and distribution system	241,541	-	-	241,541
Construction cost	1,417,616	-	-	1,417,616
Allowance for doubtful accounts and losses on commercial receivables	-	278,199	-	278,199
Provision for civil, labor and tax litigation	-	-	(30,098)	(30,098)
Amortization and depreciation	300,354	-	43,145	343,499
Leasing and rental	22,278	4,857	4,843	31,978
CCC Subsidy	2,915	-	-	2,915
Other	7,429	(13,534)	(22,678)	(28,783)
Total	5,803,400	560,600	328,599	6,692,599

	12/31/2015			
Operating costs/expenses	**Cost of power supply service**	**Sales expenses**	**Administrative Expenses**[11]	**Total**
Personnel	126,546	52,514	141,752	320,812
Material	21,150	3,719	3,013	27,882
Outsourced services	244,533	225,311	141,458	611,302
Electric power inspection fee	5,186	-	-	5,186
Electricity purchased for resale	3,480,508	-	-	3,480,508
Charge for using transmission and distribution system	198,739	-	-	198,739
Construction cost	1,087,782	-	-	1,087,782
Allowance for doubtful accounts	-	147,571	-	147,571
Provision for civil, labor and tax litigation	-	-	12,602	12,602
Amortization and depreciation	267,847	-	45,829	313,676
Leasing and rental	24,879	3,041	4,372	32,292
CCC Subsidy	(20,179)	-	-	(20,179)
Recovery of expenses	-	(31,285)	-	(31,285)
Other	12,019	27,745	23,894	63,658
Total	5,449,010	428,616	372,920	6,250,546

[11] For the purpose of comparability and a better analysis, as for 12/31/2015 the Company made adjustments to the item "Executive fees" and the item "Personnel", including "Amortization". These amounts were only demonstrated in the income statement.

34 Electricity purchased for resale

	GWh (*)		R$	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Electricity deriving from auctions (a)	12,487	9,718	2,482,787	2,092,019
Eletronuclear Contracts	486	498	85,397	109,875
Guarantee contracts	6,854	6,285	374,392	201,733
System Service Charges - ESS/ Energy reserve	-	-	103,932	65,982
Bilateral electricity	227	226	-	46,272
Short-Term Electricity - CCEE (b)	(1,550)	1,688	400,739	1,052,076
Alternative source incentive program (PROINFA)	328	321	102,634	71,284
Charge for using transmission and distribution system[12]	-	-	241,541	198,739
(-) Recoverable portion of noncumulative PIS/COFINS (c)	-	-	(317,506)	(340,071)
Other costs	-	-	154,702	181,338
Total	18,832	18,736	3,628,618	3,679,247

(*) Information not examined by the independent auditors.

(a) Under the acquisition of Auction Energy for the coming year, CEMAR and CELPA began paying new energy auctions starting in January 2016, such as MCSD 2015, the 15th existing energy auction, 13th new energy auction, 17th new energy auction and 3rd alternative source auction, increasing the amount of energy contracted and consequently the cost corresponding to said energy;

(b) In the financial year ended December 31, 2016 expenses on short-term purchased electricity were affected by the following factors: (i) a decrease in average costs is explained by a lower PLD, the price used for the settlement of electricity purchases on the spot market, which averaged R$ 82.55 per MWh; (ii) over-purchased electricity at distribution utilities due to the repurchase of electricity in the 15th Available Electricity Auction (auction A-1) and the receipt of electricity contracts deriving from participation in the Monthly Surplus and Deficit Offsetting Mechanism (MCSD) and Free Exchanges in November and December 2015, as well as MCSD rates of up to 4% at the start of supply in 2016, and

(c) This item refers to noncumulative PIS and COFINS credits under Act 10637 of 2002 and act 10833 of 2003, originating from purchases of electricity for resale.

35 Other net operating expenses

	Consolidated	
	12/31/2016	**12/31/2015**
Loss/gain on the retirement of assets and rights[13]	59,581	199,511
Fine for breaching indicators (a)	33,219	12,333
Indemnity for third-party damage	5,362	4,738
Other operating revenue [12]	(6,598)	(13,028)
Provision for inventory loss [12]	9,601	11,773
Total	101,165	215,327

(a) Indicators such as Individual outage duration per consumer unit - DIC, Individual outage frequency per consumer unit - FIC, Equivalent outage duration per consumer - DEC and Equivalent outage frequency per consumer - FEC.

[12] As of 12/31/2015 the Company presented the item "Charged for using transmission and distribution system" separately from "Electricity purchased for resale", which is only stated in the income statement. For the purpose of comparability and a better analysis, it is presenting this amount both in 2016 and 2015 as part of the same group.

[13] For the purpose of comparability and a better analysis, the Company combined the balances at 12/31/2015 of the items "Loss/gain on the sale of assets and rights" and "Loss/gain on the retirement of assets and rights" in the item "Loss/gain on the retirement of assets and rights" and reclassified the item "Other operating expenses and income" to "Other operating revenue" and "Provision for inventory losses".

36 Net finance income

	Parent company		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Finance revenue				
Financial income	35,458	40,150	305,699	255,956
A Component amounts receivable/returnable (a)	-	-	54,117	80,313
Operations with derivative financial instruments (b)	-	-	-	268,125
Arrears charge on power sales (c)	-	-	141,985	227,984
AVP financial revenue	-	-	-	380,287
Monetary and exchange variance on debt (d)	-	-	342,547	-
PIS/COFINS on financial revenue	(3,521)	(2,063)	(25,098)	(14,998)
Indexation of financial assets (e)	-	-	194,376	118,270
Indexation of subrogation to CCC (f)	-	-	4,993	46,844
CDE Indexation	-	-	-	740
Discounts obtained	-	-	2,118	7,253
Interest earned	40,740	51,771	2,412	654
Other financial revenue	17	-	34,115	19,267
Total financial revenue	72,694	89,858	1,057,264	1,390,695
Finance costs				
A Component amounts receivable/returnable (a)	-	-	(44,423)	(30,652)
Operations with derivative financial instruments (b)	-	-	(296,744)	-
Monetary and exchange variance on debt (d)	-	-	(195,538)	(510,550)
Interest on debt	-	-	(314,670)	(280,609)
Efficiency restatement and contingencies	-	-	(40,482)	(30,914)
Regulatory fines	-	-	(1,455)	(228)
Indexation of financial assets (e)	-	-	(67,798)	-
AVP financial expense	-	(5,902)	(36,367)	(10,913)
Interest and fines on electricity transactions	-	-	(934)	(3,793)
Interest expense	-	-	(32,456)	(21,622)
Discounts awarded	-	-	(2,753)	-
Other financial expense	(7)	(337)	(25,989)	(73,865)
Total financial expenses	(7)	(6,239)	(1,059,609)	(963,146)
Net finance income	72,687	83,619	(2,345)	427,549

(a) Joint Directive 25 of the Ministries of State Finance and Mines and Energy, issued on January 24, 2002, established an "A Component" Variation Offset Account (CVA) for recording negative or positive changes in costs during periods between annual tariff adjustments in relation to the provisions of power distribution concession contracts, ensuring greater neutrality in the transfer of these changes to electricity rates. These changes are calculated as the difference between expenses actually incurred and expenses estimated when setting electricity rates in annual rate adjustments. CVA amounts are indexed against the SELIC rate.

(b) This item primarily refers to swaps of US dollars + spread with CDI+ spread, with foreign-exchange accounting for the primary variance on these transactions. A swap expense was incurred in the financial year ended December 31, 2016 of R$ 296,744, due to the devaluation of the US dollar in 2016 (see note d) compared with revenue in FY 2015;

(c) These are amounts deriving from the fine, monetary restatement and arrears interest generated by late payment of the energy invoice issued by the distribution company;

(d) The main effect of exchange variance derives from the devaluation of the US dollar of 17%, from R$ 3.90 at December 31, 2015 to R$ 3.25 in the financial year ended December 31, 2016, compared with an increase of 33% compared with the same period of 2015;

(e) Refers to NRV-related financial asset adjustments as a result of the approval of the Rate Review for CEMAR and CELPA under Order 2441 of July 29, 2015 (see Note 15). Changing the index used to restate the financial asset from the IGP-M to the IPCA led to a change (decrease) in finance income. This change is made in accordance with Normative Resolution 686/2015 issued November 23, 2015; and

(f) Refers to the indexation by the General Market Price Index (IGP-M) of CELPA's approved CCC subrogation funds under Normative Resolution 427 of February 22, 2011, calculated from July 2011.

37 Earnings per share

As required by CPC 41 and IAS 33 (Earnings per Share), the table below reconciles the net income for the year against the amounts used to calculate the basic and diluted net income per share.

	12/31/2015	12/31/2015
Numerator		
Net income for the year	712,217	808,482
Denominator		
Total shares in the basic EPS calculation	198,676	198,587
Total shares in the diluted EPS calculation	200,648	200,812
Basic earnings for the year per lot of one thousand shares - R$	3.5848	4.0712
Diluted earnings for the year per lot of one thousand shares - R$	3.5496	3.9864

38 Private pension fund

As of December 31, 2016 the Company has a consolidated R$ 38,412 (R$ 36,718 as of December 31, 2015) relating to pension and retirement plans.

CEMAR

Details of the retirement plan

CEMAR is the sponsor of FASCEMAR - Fundação de Assistência e Seguridade dos Servidores da CEMAR, Fundação de Previdência Complementar, a private-law, nonprofit, closed-end supplementary pension fund responsible for managing Benefits Plans.

FASCEMAR was fully restructured throughout 2005 in a process that resulted in the implementation of Plano Misto de Benefícios I, new defined benefit, variable contribution pension plan (based on the classification defined by PREVIC) from May 2006. The plan offers the benefits of normal retirement in the defined contribution option and benefits for disability or death in the defined benefit option, in addition to statutory benefits. Since implementation, the plan has achieved 98% participation from active participants in Defined-Benefit Plan I (Plano BD I) as well as from CEMAR employees previously with no benefit plan.

Participants in Plano BD I are largely retirees and pensioners who were already receiving benefits in April 2006. This plan provides retirement benefits at retirement age, special benefits, seniority benefits and funeral assistance.

As the sponsor, CEMAR pays a monthly contribution to both plans that is equal to the contributions paid by participants. Contributions at December 31, 2016 were R$ 2,318 (R$ 2,106 as of December 31, 2015).

(i) Defined Benefits Plan I - BD-I

Pension benefit plan administered by FASCEMAR - Foundation for Supplementary Pension sponsored by CEMAR - Companhia Energética do Maranhão, which is offered to its employees and their dependents.

BD-I is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

Invalidity retirement
The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the special Social Security retirement.

Retirement due to Age
The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to age.

Retirement due to Time of Contribution
The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to age.

Special Retirement
The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the special Social Security retirement.

Sick pay
The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security sick pay, provided that the participant has made 12 months of contributions to the plan.

Funeral allowance
The benefit is equivalent to the amount of R$ 116.25 in November/1995, updated in the epochs and in the same ratio as the collective wage adjustment of the sponsor. It is granted to the person that proves that he was the executor of the funeral of the participant, provided that he has made 12 months of contributions to the plan.

Annual bonus
The benefit is granted at the same time that the annual bonus of the Social Security is granted and consists of an annual cash allowance of 1/12 (one twelfth) of the monthly income due in December per month of complementation received during the year.

Surviving spouse pension
The benefit to be granted consists of a monthly income equivalent to 50% (plus 10% per beneficiary) of the income received by the assisted participant or of the income that the active participant would have been entitled to if he were to retire on the grounds of disability on the date of death.

The main definitions of the plan, as established in its regulations, are:

Real wage of contribution (SRC)
It is the value on which the percentages of the participant's contributions are calculated.

Real benefit wage (SRB)
Simple arithmetic average of the last 36 months of real wages of contribution prior to the month of the beginning of the benefit excluding the 13th salary, restated by the same indexes for updating used by the General Social Welfare Policy (RGPS) in calculating the benefit wage. It is the base value for calculating the supplementary amounts of benefits.

Minimum Benefit Unit (UMB)
The UMB corresponds to the lowest monthly value that a complementary retirement or pension can assume, equivalent to R$ 128.00 in May/2004. This value is updated in the same epochs and by the same ratios established in the regulations for adjusting the supplements.

Minimal Benefit
The minimum value of 25% of the SRB is guaranteed, and this value may not be less than the minimum benefit unit (UMB).

Contributions
The costing of the plan is obtained through the normal contributions of the participants and the sponsors.

(ii) Mixed Benefits Plan (PMB)

Pension benefit plan administered by FASCEMAR - Foundation for Supplementary Pensions and sponsored by CEMAR - Companhia Energética do Maranhão and by Fascemar, itself.

The PMB is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits. Pursuant to the plan, the benefits offered to employees include the following:

Normal Retirement
It is granted to participants who meet the following conditions:

(a) Have an employment relationship of 180 consecutive months with the sponsor;

(b) Have 60 months of effective contribution to the plan;

(c) Are 55 years old or more;

(d) Do not have an employment relationship with the sponsor.

The amount of the benefit is the result of the transformation of the balance of accounts in a certain income, of 12 payments per year, for n months.

Retirement through inability to work
The benefit is granted to the participant that is receiving a Social Security pension for disability, provided that he is a participant in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.

Pension for death of an active worker
The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.

Pension for Death of an Assisted Person
The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit consists of the continuation of the income paid to the assisted participant.

The main definitions of the plan, as established in its regulations, are:

Real wage of contribution (SRC)
It is the value on which the percentages of the participant's contributions are calculated.

Actuarial Indexer of the Plan (IAP)
As defined in article 22 of the regulations, the IAP is equivalent to the National Consumer Price Index (INPC) of the Brazilian Institute of Geography and Statistics (IBGE).

Fascemar unit of reference (URF)
It is the standard unit of the plan, which corresponds to R$ 257.67 in November 2004. This value is restated by the IAP indexer.

Net Profitability
It is the net financial result of the investments of the plan's provisions and funds and reserves through the routine for calculating a quota approved by the Board of Directors. The quota reflects the net financial result between two consecutive calculation dates.

Real Average Monthly Contribution (CRMM)
The CRMM is the average of the monthly contributions with respect to the last 12 months immediately prior to the date of calculation. The CRMM is intended for the calculation of benefits for disability and pension for death of an active participant.

Applicable account balance
It is the sum of the amounts to which the participant has the right at the time of the calculation of his benefit.

Contributions

(a) The funding of the plan is obtained through the following contributions:

(b) Normal monthly programmed contribution of the participants;

(c) Normal optional contribution of the participants;

(d) Normal contribution of assisted persons;

(e) Sponsor's basic contribution;

(f) Sponsor's contribution for risk benefits; and

(g) Sponsor's contribution for administrative costs.

38.1 Assumptions

The hypotheses (assumptions) used in the actuarial valuation according to CPC technical pronouncement 33 (R1), published in December 2012, in correlation to the International Accounting Standard - IAS 19 (IASB-BV 2012), are presented as follows

Economic and financial	
Real Actuarial Discount Rate	Re.
Celpa BD-I Plan: 5.78% p.a.	(a)
Mixed Benefit Plan (PMB) 5.78% p.a.	(b)

(a) Compatible with federal public securities (NTN-B) with a duration approximating the expected future flows of the obligations to the participants, calculated at 18 years for the BD-I plan. NTN-B on 12/29/2016 with maturity on 5/15/2035;

(b) Compatible with federal public securities (NTN-B) with a duration approximating the expected future flows of the obligations to the participants, calculated at 21 years for the PMB plan. NTN-B on 12/29/2016 maturing on 5/15/2035.

- **Expectation of inflation:** 4.87% per year, according to the median of the market expectation presented in the FOCUS report of 12/30/2016 for the IPCA in 2017.
- **Financial Arrangement:** Capitalization
- **Method:** Unit Credit Method
- **Real Wage Growth**: 1.00 % p.a.
- **Biometrics**
- **General Mortality:** At-2000 smoothed 10% separated per gender
- **Invalid mortality:** AT- 83 masculine table
- **Entry into disability:** CEMAR BD-I: Light Average Table
- **Turnover:** Null
- **Family Composition**
- **For the BD-I Plan, we used:**
- **Benefits to be granted**: assumption of average family composition:

– Percentage of married people: 80%
– Age difference between titular and spouse: 5 years
– Age of youngest child (Z):

Z = 21 - MAX [(90-x)/2; 0], where "x" is the age of the titular.

- **Benefits granted:** real family, in conformity with database.
- **Other**

Base date of the valuation:
Pension plans: 9/30/2016

Age on leaving the company (retirement)
Calculated individually, in conformity with the regulatory rules of the pension plans.

38.2 Information on the participants

	Benefit plans	
Active Participants	**BD - I**	**Mixed**
Participant frequency	28	1,141
Average age (years)	49	36
Average length of service (years)	24	9
Monthly payroll of participation salaries (R$)	63,063	4,592,278
Average participation salary (R$)	2,252	4,025
Annual payroll of participation salaries (R$)	819,818	59,699,615
Retired Participants		
Participant frequency	423	56
Average age (years)	71	60
Monthly benefits payroll (R$)	754,649	117,937
Average benefit (R$)	1,784	2,106
Annual benefits payroll (R$)	9,810,439	1,533,178
Pensioner Participants		
Participant frequency	224	8
Monthly benefits payroll (R$)	199,551	5,053
Average benefit (R$)	891	632
Annual benefits payroll (R$)	2,594,157	65,693
Redeemed Participants		
Participant frequency	-	1
Average age (years)	-	30
Annual payroll of participation salaries (R$)	-	59,699,615

38.3 Calculation of actuarial liabilities/assets

The reconciliation of assets and liabilities will demonstrate the surplus or deficit of funds to cover the post-employment benefit, which should be presented in the company's statement of financial position.

We present, below, the income statement as of 12/31/2016 (actuarial liabilities or assets to be recorded in the accounting) and the projection of expenses to be recognized in the income statement for the year 2017.

The results of the actuarial valuation are presented as follows.

BD-I plan

Plan Assets	**Amount Recorded (R$)**	**Adjustment to Market Value (R$)**	**Market Value (R$)**	**In %**
Cash and cash equivalents	3,821	-	3,821	0.00%
Receivable - Welfare management	548,698	-	548,698	0.32%
Receivable - Administrative management	942,317	-	942,317	0.56%
Investment funds	4,161,054	-	4,161,054	2.45%
Government securities	143,412,777	6,856,169	150,268,946	88.62%
Private loans and deposits	7,019,098	-	7,019,098	4.14%
Shares	-	-	-	0.00%
Judicial deposits	-	-	-	0.00%
Property investments	5,372,597	-	5,372,597	3.17%
Loans and financing	1,235,768	-	1,235,768	0.73%
Other Receivables	15,256	-	15,256	0.01%
(=) Total Assets	**162,711,386**	**6,856,169**	**169,567,555**	**100.00%**

Fair Value of the Plan's Assets	**In R$**
(+) Total Assets	169,567,555
(-) Operating liabilities	(879,202)
(-) Liabilities for contingencies	(44,491)
(-) Social security funds	-
(-) Administrative funds	(942,317)
(-) Investment funds	-
(=) Net coverage assets	**167,701,545**

Mixed Benefits Plan - PMD

Assets of the plan	**Amount Recorded (R$)**	**Adjustment to Market Value (R$)**	**Market Value (R$)**	**In %**
Cash and cash equivalents	17,426	-	17,426	0.02%
Receivable - Welfare management	9,292	-	9,292	0.01%
Receivable - Administrative management	1,864,741	-	1,864,741	2.53%
Investment funds	9,870,501	-	9,870,501	13.40%
Government securities	57,203,402	9,079	57,212,481	77.70%
Private loans and deposits	-	-	-	0.00%
Shares	-	-	-	0.00%
Judicial deposits	-	-	-	0.00%
Property investments	-	-	-	0.00%
Loans and financing	4,648,459	-	4,648,459	6.31%
Other Receivables	12,864	-	12,864	0.02%
	73,626,685	**9,079**	**73,635,764**	**100.00%**

Fair value of the plan's assets	**In R$**
(+) Total Assets	73,626,685
(-) Operating liabilities	(58,113)
(-) Liabilities for contingencies	-
(-) Social security funds	(7,409,460)
(-) Administrative funds	(1,864,741)
(-) Investment funds	(248,790)
(=) Hedge equity	64,045,581
(-) Account balances	(64,045,581)
(+) Risk fund	4,204,214
(+/-) Mark-to-market adjustment (BD portion)	-
(=) Net coverage assets	**4,204,214**

38.4 Actuarial valuation result

The results of the actuarial valuations found the following commitment of the plan with its participants:

BD-I plan

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	144,403,546	123,090,257
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	(167,701,545)	(146,170,024)
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	(23,297,999)	(23,079,767)
2.4 Percentage of the portion of responsibility of the sponsor (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**(23,297,999)**	**(23,079,767)**
2.6 Total recognized net actuarial liabilities/(assets)	**(23,297,999)**	**(23,079,767)**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	(23,297,999)	(23,079,767)
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**-**	**-**
2.9 Actuarial liabilities/(assets) already recorded as provisions	-	-
2.10 Additional actuarial liabilities/(assets) to be recognized this financial year (2.8 - 2.9)	**-**	**-**

As can be identified in the table above, there are sufficient paid in funds (Surplus of R$ 23.297.999) to guarantee the payment of the plan's commitments and there is no actuarial obligation be recorded as a provision by the company.

Mixed Benefits Plan (PMB)

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	586,876	625,542
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	(4,044,886)	(3,065,436)
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	(3,458,010)	(2,439,894)
2.4 Percentage of the sponsor's portion of responsibility (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**(3,458,010)**	**(2,439,894)**
2.6 Total recognized net actuarial liabilities/(assets)	**(3,458,010)**	**(2,439,894)**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	(3,458,010)	(2,439,894)
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**-**	**-**
2.9 Actuarial liabilities/(assets) already recorded as provisions	-	-
2.10 Additional actuarial liabilities/(assets) to be recognized this financial year (2.8 - 2.9)	**-**	**-**

As can be identified in the table above, there are sufficient paid in funds (Surplus of R$ 3.458.010) to guarantee the payment of the plan's commitments and there is no actuarial obligation be recorded as a provision by the company.

38.5 Changes in actuarial assets/liabilities

For the purpose of accounting records of CEMAR, there was no change in the Actuarial Liabilities during the year 2016.

For each financial year, the expected amounts of expenses (income) are calculated by projecting the changes in the actuarial obligations. For the year 2017, the amounts to be recorded are presented as follows:

	12/31/2017	
Expense to be recognized in the income statement for the following year	**BD - I**	**PMB**
13.1 Current service cost (with interest)	30,612	81,330
13.2 Expected contributions from participants	(210,100)	-
13.3 Cost of interest on actuarial liabilities	15,092,323	54,043
13.4 Expected earnings of the assets	(17,661,513)	(442,161)
13.5 Interest on the effect of the asset ceiling	2,546,817	378,012
13.6 Expense /(income) to be recognized by the employer	(201,861)	71,224
13.7 Contributions expected from the employer with respect to plan's financing	(210,100)	(189,820)
13.8 Total additional expense (income) to be recognized	**(411,961)**	**(118,596)**

The amounts presented should be analyzed at the end of the next financial year, when it will be verified once again if these projections have materialized or whether it will be necessary to make further adjustments with respect to the provisions for post-employment benefits.

38.6 Full statement on the calculations made as of 12/31/2016

Statement of recognition of liabilities/(assets) in this financial year

	12/31/2016		12/31/2015	
1 Net assets for coverage of the Plan	**BD - I**	**PMB**	**BD - I**	**PMB**
1.1 Fair value of the plan's assets	167,701,545	4,044,886	146,170,024	3,065,436

	12/31/2016	
3 Expenses to be Recognized in the Income Statement for the year, as projected in the previous year	**BD - I**	**PMB**
3.1 Current service cost (with interest)	25,865	81,573
3.2 Contributions of participants	(24,138)	-
3.3 Cost of interest on actuarial liabilities	17,277,319	75,999
3.4 Expected earnings of the assets	(20,684,172)	(452,010)
3.5 Interest on the effect of the asset ceiling	3,403,416	359,795
3.6 Additional Costs (a + b)	-	-
(a) Past service cost (effect of change or reduction in the plan)	-	-
(b) Gain (loss) on settlement	-	-
3.7 Expense/(income) to be recognized by the employer (3.1 + 3.2 + 3.3 + 3.4 + 3.5 + 3.6)	(1,710)	65,357
3.8 Employer's contributions with respect to plan's financing	(24,138)	(227,761)
3.9 Total additional expense (income) to be recognized (3.7 + 3.8)	**(25,848)**	**(162,404)**

	12/31/2016	
4 Remeasurements of the net value of liabilities (assets), to be recognized in Other Comprehensive Income	**BD - I**	**PMB**
4.1 (Gain)/loss on **actuarial liabilities** calculated in this actuarial valuation (9.7)	16,285,366	31,926
4.2 (Gain)/loss in the **plan's assets** calculated in this actuarial valuation (7.8)	(13,074,334)	(527,843)
4.2 (Gain)/loss on the ceiling of the assets calculated in this actuarial valuation (11.5)	(3,185,184)	658,321
4.4 Total net actuarial liabilities/(assets) recognized (4.1 + 4.2 + 4.3)	**25,848**	**162,404**

	12/31/2016	
5 Statement of the value of the additional actuarial liabilities/(assets) recognized in this financial year	**BD - I**	**PMB**
5.1 Total additional expense (income) recognized in income for the year (3.9)	(25,848)	(162,404)
5.2 Total remeasurements, recognized in Other Comprehensive Income (4.4)	25,848	162,404
5.3 Additional liabilities/(assets) recognized in this financial year (5.1 + 5.2)	**-**	**-**

Statement of amounts of losses/ (gains) calculated in the financial year

	12/31/2016	
7 Evolution of the fair value of the assets	**BD - I**	**PMB**
7.1 Fair value of the assets at the beginning of the year	146,170,024	3,065,436
7.2 Benefits paid during the financial year	12,275,261	228,164
7.3 Contributions of participants conveyed during the financial year	24,138	-
7.4 Contributions of the employer conveyed during the financial year	24,138	227,761
7.4 Expected earnings of the assets (8.4)	20,684,172	452,010
7.6 Fair value of the assets expected for the end of the year (7.1 - 7.2 + 7.3 + 7.4 + 7.5)	154,627,211	3,517,043
7.7 Fair value of the assets calculated at the end of the year (1.1)	167,701,545	4,044,886
7.8 (Gains)/losses on the fair value of the assets (7.6 - 7.7)	**(13,074,334)**	**(527,843)**

	12/31/2016	
8 Statement of the expected earnings of the assets	**BD-I**	**PMB**
8.1 Expected earnings on accumulated assets of the previous year, according to the premise	21,554,698	452,039
8.2 Earnings on expected contributions	3,437	16,216
8.3 Loss of earnings with expected payments of benefits	(873,963)	(16,245)
8.4 Expected earnings of assets (8.1 + 8.2 + 8.3)	**20,684,172**	**452,010**

	12/31/2016	
9 Evolution of the present value of the actuarial obligations	**BD - I**	**PMB**
9.1 Amount of the actuarial obligations at the beginning of the year (2.1)	123,090,257	625,542
9.2 Current service cost (3.1)	25,865	81,573
9.3 Interest on actuarial obligation (10.3)	17,277,319	75,999
9.4 Benefits paid in the year	12,275,261	228,164
9.5 Amount of the actuarial liabilities expected for the end of the year (9.1 + 9.2 + 9.3 - 9.4)	128,118,180	554,950
9.1 Amount of the actuarial obligations assessed at the beginning of the year (2.1)	144,403,546	586,876
9.7 (Gains)/Losses on the actuarial obligations (9.6 - 9.5)	**16,285,366**	**31,926**

	12/31/2016	
10 Statement of the cost of interest on actuarial obligations	**BD - I**	**PMB**
10.1 Interest expense on the actuarial obligation for the prior year	18,151,282	92,244
10.2 Interest income on expected payments of benefits	(873,963)	(16,245)
10.3 interest on the actuarial obligations for the current year (10.1 + 10.2)	**17,277,319**	**75,999**

	12/31/2016	
11 (Gains) and losses on the asset ceiling for surplus	**BD - I**	**PMB**
11.1 Effect of the asset ceiling at the beginning of the year	23,079,767	2,439,894
11.2 Expected interest on the effect of the asset ceiling	3,403,416	359,795
11.3 Expected effect of the asset ceiling at the end of the year	26,483,183	2,799,689
11.4 Effect of the asset ceiling calculated at the end of the year	23,297,999	3,458,010
11.5 (Gains)/losses on the asset ceiling	**(3,185,184)**	**658,321**

Statement of the evolution of loss/ (gain) on comprehensive income

	12/31/2016	
12 Adjustments made in other comprehensive income	**BD - I**	**PMB**
12.1 Accumulated (gain)/loss until the prior financial year, recorded in Other Comprehensive Income	4,892,680	1,757,340
12.2 (Gain)/loss for the current financial year (4.4)	25,848	162,404
12.3 Total (gain)/loss recognized at the end of the following financial year (12.1 + 12.2)	**4,918,528**	**1,919,744**

38.7 Sensitivity analysis

Pursuant to item 145 of CPC 33 (R1), the enterprise should disclose a sensitivity analysis for material actuarial premises. The table below presents the sensitivity analysis of the most material actuarial premises, with reasonably possible changes on the date of the actuarial valuation.

Sensitivity analysis (impact on obligations)	**BD - I**		**PMB**	
Discount rate				
Increase of 0.5%	(6,050,243)	(4.19%)	(16,411)	(2.80%)
Decrease of 0.5%	6,544,416	4.53%	17,321	2.95%
Life expectancy				
Decrease of 1 year	(3,206,606)	(2.22%)	15,378	2.62%
Increase of 1 year	3,140,314	2.17%	(13,642)	(2.32%)

- Analysis of the change in losses/(gains)

The breakdown of the main variables that explain the change that occurred in the losses/ (gains) on the actuarial obligations calculated in the financial year is presented as follows.

Analysis of the change in losses/(gains) on actuarial obligations calculated in the financial year	
Change in the discount rate in effect in the previous year compared to the discount rate in this year	17,754,319
The population's experience	(1,468,953)
Total Losses/(Gains) calculated in the financial year	**16,285,366**

Mixed Benefits Plan - PMD

- Apportionment of the assets' fair value

As this is a joint plan with other Sponsors, we will now apportion the fair value of the assets to reflect the proportion of the actual obligation held by the Sponsor CEMAR:

	Total	**CEMAR**	**Proportion**
Actuarial Obligations	609,993	586,876	96.21%
Fair value of the assets	4,204,214	4,044,885	96.21%

- Analysis of the change in losses/(gains)

Analysis of the change in losses/(gains) on actuarial obligations calculated in the financial year	
Change in the discount rate in effect in the previous year compared to the discount rate in this year	49,321
The population's experience	(17,395)
Total Losses/(Gains) calculated in the financial year	**31,926**

CELPA

Details of the retirement plan

CELPA is a sponsor, jointly with its active employees, former employees and their beneficiaries, of retirement and pension plans designed to supplement the benefits paid by the official social security system. These plans are managed by FASCEMAR - Fundação de Previdência Complementar, a multi-sponsored supplementary pension fund organized as a nonprofit foundation with administrative and financial autonomy.

CELPA has uncovered actuarial liabilities originating from an agreement between the Company and former employees and pensioners. Under the agreement, approved by Resolution 10 of the Board of Directors of CELPA on August 04, 1989 and effective from June 11, 1996, the Company granted rights and benefits to the groups above. These actuarial liabilities are fully covered by a provision under “Retirement and pension plan”.

As the sponsor, CELPA pays a monthly contribution to 3 (three) plans (BD II, OP and R) that is equal to the contributions paid by participants. Contributions at December 31, 2016 were R$ 2,879 (R$ 2,372 as of December 31, 2015).

Under Directive 247 of May 7, 2015 and Directive 254 of May 11, 2015, published in the Official Journal on May 8 and 12, 2015, respectively, the supplementary pension regulator, Superintendência Nacional de Previdência Complementar (Previc), approved:

- A spin-off of Benefits Plan R (CNPB nº 2006.0066-65), sponsored by CELPA - Centrais Elétricas do Pará S.A., to form CELPA Benefit Plan R, to be managed by FASCEMAR - Fundação de Previdência Complementar;

- The registration of CELPA Benefit Plan R in the National Benefit Plan Register under no. 2015.0007-47;

- The application of the rules of the CELPA Benefit Plan R, to be managed by FASCEMAR - Fundação de Previdência Complementar;

- The agreement concluded between FASCEMAR - Fundação de Previdência Complementar and CELPA - Centrais Elétricas do Pará S.A. as sponsor of CELPA Benefit Plan R;

- A "Benefit Plan "R" Spinoff Agreement" with the transfer of management of the spun off Plan (CELPA Plan "R") among closed supplementary pension plan entities, between Redeprev - Fundação Rede de Previdência, CELPA - Centrais Elétricas do Pará S.A. and FASCEMAR Fundação de Previdência Complementar;

- A spin-off of CELPA Benefit Plan OP (CNPB nº 2000.0004-11), sponsored by CELPA - Centrais Elétricas do Pará S.A., and the transfer of management of CELPA Benefit Plan OP to FASCEMAR - Fundação de Previdência Complementar;

- The proposed changes to the rules of CELPA Benefit Plan OP, CNPB no. 2000.0004-11, to be managed by FASCEMAR - Fundação de Previdência Complementar;

- The agreement concluded between FASCEMAR - Fundação de Previdência Complementar and CELPA - Centrais Elétricas do Pará S.A. as sponsor of CELPA Benefit Plan OP and; and

- The agreement for the spinoff and transfer of management of CELPA Plan "R" among closed supplementary pension plan entities, between Redeprev - Fundação Rede de Previdência, CELPA - Centrais Elétricas do Pará S.A. and FASCEMAR Fundação de Previdência Complementar.

FASCEMAR and REDEPREV undertook to act to ensure the transfer was completed within 120 days of publication of the Directives in the Official Journal.

On July 3, 2015 FASCEMAR submitted to REDEPREV the Qualification Letter required under the Spinoff and Transfer of Management Agreements, advancing the transfer of management of Benefit Plans CELPA OP and CELPA R to FASCEMAR. The operations and obligations of the CELPA OP and CELPA R Benefit Plans have been under the responsibility of FASCEMAR since August 3, 2015.

Technical Deficit of CELPA R Plan

Benefit Plan CELPA R, while still under the management of REDEPREV, had a technical deficit over a period of 3 (three) years. Pursuant to applicable regulations, Escritório Técnico de Assessoria Atuarial Ltda. prepared a "Technical Deficit Elimination Plan" which was approved by PREVIC.

The "Technical Deficit Elimination Plan" is pending signature by CELPA and FASCEMAR as approved by PREVIC and containing the conditions described above.

The pension benefit plans sponsored by the Company are described below:

(i) *CELPA BD-I*

Pension benefits plan administered by Fundação de Previdência Complementar (FASCEMAR) and sponsored by Centrais Elétricas do Pará S.A. (CELPA). The plan was extinguished on 1/1/1998, and no more new participants have been accepted ever since. Today the plan no longer has active participants only retired members.
Celpa BD-I is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired (retired and pensioners). Pursuant to the plan, the benefits offered include the following:

- Invalidity retirement

- Retirement due to Age

- Retirement due to Time of Contribution and

- Special Retirement

  The values of the benefits above are calculated based on the difference between Real benefit wage (SRB), which is the average of the last 36 Contribution Salaries and the retirement awarded in RGPS.

- Surviving spouse pension

  The benefit above is equivalent to 50% of the monthly pension received by the participant before their death or the amount they would have received in the event of invalidity. This will be awarded to qualified beneficiaries and pensioners applying for it.

- Annual bonus

  The benefit consists of an annual cash allowance of 1/12 (one twelfth) of the monthly income due in December per month of complementation received during the year.

  The plan's contributions are the following:

- Normal contribution of assisted persons; and
- Administrative Expense.

(ii) *CELPA BD-II*

Pension benefits plan administered by Fundação de Previdência Complementar (FASCEMAR) and sponsored by Centrais Elétricas do Pará S.A. (CELPA). The plan was extinguished on 1/1/2000, and no more new participants have been accepted ever since.

Celpa BD-II is structured as a "defined benefit", where there is a post-employment commitment with the participants that are still working and with those that are retired (retired and pensioners). Pursuant to the plan, the benefits offered include the following:

- Invalidity retirement
- Retirement due to Age
- Retirement due to Time of Contribution and
- Special Retirement.

  The values of the benefits above are calculated based on the difference between Real benefit wage (SRB), which is 85% of the average of the last 36 Contribution Salaries and the retirement awarded in RGPS.

  Except for Invalidity retirement, the retirement schemes have a grace period of 120 months of monthly contributions to the plan.

- Surviving spouse pension

  The above benefit corresponds to 50% (family quota) with an increase of 10% individual (individual quota) of the monthly retirement that the participant received before their death or would have received in the event of invalidity. This will be awarded to qualified beneficiaries and pensioners applying for it.

- Annual bonus

  The benefit consists of an annual cash allowance of 1/12 (one twelfth) of the monthly income due in December per month of complementation received during the year.

  The plan's contributions are the following:

- Normal contribution of participant;
- Normal contribution of sponsor; and
- Administrative Expense.

(iii) *CELPA OP Benefits Plan*

Pension benefits plan administered by Fundação de Previdência Complementar (FASCEMAR) and sponsored by Centrais Elétricas do Pará S.A. (CELPA). The Plan operates inseparably from the R Plan.

The Celpa OP Plan is structured as "variable contribution", where there is a post-employment commitment during the inactive stage (retired and pensioners), for benefit structured in the form "Defined Benefit" (retirement benefit to be awarded in the form of monthly income for life and the respective investments in pensions). Pursuant to the plan, the benefits offered include the following:

- Monthly income from investment in pension:
  It is granted to participants who meet the following conditions:

(a) Have an employment relationship of 05 complete months with the sponsor;

(b) Have 05 years of effective contribution to the plan;

(c) Are 55 years old or more;

(d) Be entitled to the benefit, except for Invalidity under RGPS; and

(e) Do not have an employment relationship with the sponsor.

According to the form selected in the application, the benefit value is equal to:

(a) Monthly income for life in the form "Variable Contribution"; or

(b) Financial monthly income in the form "Defined Contribution".

- Lump sum benefit on disability or death.
  The Lump sum benefit on death is awarded to beneficiaries when the active participant dies. The Lump sum benefit on disability is awarded to the participant who has Supplementary disability retirement in Plan R.

  The lump sum is equal to the sum of the balances of Funds A1, A2, B1, B2, C and E.

The plan’s contributions are the following:

- Normal contribution of participants and assisted parties
- Normal contribution of sponsor; and
- Sporadic contribution of participant or sponsor.

(iv) CELPA R Benefits Plan

Pension benefits plan administered by Fundação de Previdência Complementar (FASCEMAR) and sponsored by Centrais Elétricas do Pará S.A. (CELPA). The Plan operates inseparably from the CRelpa OP Plans.

Celpa R is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired (retired and pensioners).

Furthermore the plan is not contributive, only offering risk benefits. Pursuant to the plan, the benefits offered include the following:

- Supplementary sickness benefit
- Supplementary disability retirement

The two benefits above constitute monthly income determine as the difference between the Real benefit wage (SRB) and the value of the benefit awarded by RGPS, which are awarded whilst concession of RGPS is guaranteed.

- Supplementary pension for death:

The benefit above is equivalent to 50% (plus 10% per individual) of the monthly pension received by the participant before their death or the amount they would have received in the event of invalidity. This will be awarded to qualified beneficiaries and pensioners applying for it.

- Annual bonus

The benefit consists of the largest monthly amount received in the year by the participant, and will be paid by December 20.

As this is a non-contributive plan, the plan is financed entirely by the normal contribution of the sponsor itself, where the percentage is determined in the plan’s costing plan.

(v) Resolution 10/1989

CELPA has an uncovered actuarial liability originating from an agreement between the company and former employees and pensioners. The agreement was resolved by Resolution 10 issued August 4, 1989 by company management, and came into force on June 11, 1996.

Because the resolution is in force, former employees and pensioners are entitled to pension benefits, which comprise the uncovered actuarial liability. The value of the liability determined is provisioned for in its entirety by Celpa.

(vi) Health insurance plan

Among the many benefits provided to employees, the Company sponsors the following health and dental insurance plans:

Central Nacional Unimed - CNU

CELPA offers employees and former employees (whether retired or terminated) health insurance administered by Central Nacional Unimed - Cooperativa Central (CNU), including both outpatient and inpatient coverage and obstetrics, with national coverage. Health insurance is offered to all CELPA employees and their dependents, with the exception of directors and managers.

Contributions are defined based on average cost and no distinction is made between the contributions paid by active employees and former employees. The contribution is restated for every annual period of coverage and whenever there are changes in the prices of covered procedures due to the claim rates observed for the policy or any changes in the composition of the group of insurance (which affect the costs incurred by the Operator).

Retired and terminated employees may elect to maintain their health insurance provided they fully pay the insurance premium. The fact these former employees remain in the healthcare plan increases the value of the contributions paid by CELPA to its employees (active), to be calculated as an average cost, where the increase in the claims ratio deriving from retirees also leads to an increase in contributions of all insured parties, including active parties.

Remaining in the plan after leaving the company constitutes an indirect benefit for former employees (cross subsidy), as their presence increases the monthly contribution paid by CELPA to its employees, which leads to the requirement to make an actuarial liability for post-employment commitments.

There is also a post-employment commitment deriving from the company' responsibility to 04 former employees, which according to CELPA are exceptions in which the company continues to pay for all monthly contributions to the health care plan as a result of court orders.

Unimed Seguro Saúde

CELPA offers employees and former employees (whether retired or terminated) health insurance administered by Unimed Seguro Saúde S/A, including both outpatient and inpatient coverage and obstetrics, with national coverage. This plan is offered to all Celpa directors and managers and their dependents.

Premiums are established consistently for all beneficiaries within a given health insurance plan, and terminated employees may elect to maintain their health insurance provided they fully pay the insurance premium. There is a post-employment commitment (cross subsidy) as former employees remaining in the plan increases the monthly contribution paid by CELPA to its employees, which leads to the requirement to make an actuarial liability for post-employment commitments.

Uniodonto Dental Insurance

CELPA offers dental insurance operated by Uniodonto Belém to all employees and former employees (whether retired or terminated) and their dependents.

Unlike health insurance plans, dental insurance expenses will not increase with age. According to the UNIDAS National Survey, in 2015 the average monthly cost of active employees was R$

18.35 and retirees R$ 8.46. In 2014 this average monthly cost was R$ 22.84 for active employees and R$ 18.84 for retirees.

Although former employees are allowed to maintain their health insurance, the monthly contributions paid by Celpa will not increase if employees make this election. There is therefore no post-employment commitment (cross subsidy).

38.8 Assumptions

Real Actuarial Discount Rate	Ref.
Celpa BD-I Plan: 5.91% p.a.	(a)
Celpa BD-II Plan: 5.91% p.a.	(b)
Celpa-R Plan: 5.78% p.a.	(c)
Celpa-OP Plan: 5.78% p.a.	(d)
Celpa Resolution 10/1989: 5.91% p.a.	(e)
Health plans: 5.81% p.a.	(f)

(a) Compatible with financial treasury bills (NTN-B) with an approximate duration with the future flows expected from the obligations towards participants calculated at 15 years for the Celpa BD-I plan. NTN-B on 12/29/2016 maturing on 8/15/2026.

(b) Compatible with financial treasury bills (NTN-B) with an approximate duration with the future flows expected from the obligations towards participants calculated at 15 years for the Celpa BD-II plan. NTN-B on 12/29/2016 maturing on 8/15/2026.

(c) Compatible with financial treasury bills (NTN-B) with an approximate duration with the future flows expected from the obligations towards participants calculated at 23 years for the Celpa R plan. NTN-B on 12/29/2016 maturing on 5/15/2035.

(d) Compatible with financial treasury bills (NTN-B) with an approximate duration with the future flows expected from the obligations towards participants calculated at 25 years for the Celpa OP plan. NTN-B on 12/29/2016 maturing on 5/15/2035.

(e) Compatible with financial treasury bills (NTN-B) with an approximate duration with the future flows expected from the obligations towards participants calculated at 12 years for the liability deriving from Celpa Resolution 10/1989. NTN-B on 12/29/2016 maturing on 8/15/2026.

(f) Compatible with financial treasury bills (NTN-B) with an approximate duration with the future flows expected from the obligations towards participants calculated at 26 years for the CNU and Seguro Saúde Unimed health insurance plans. NTN-B on 12/29/2016 maturing on 5/15/2045.

38.9 Participant information

	Benefit plans			
	CELPA BD - I	**CELPA BD - II**	**CELPA - R**	**CELPA OP**
Active Participants				
Frequency	-	13	1,472	1,472
Average age (years)	-	54	41	41
Average length of service (years)	-	28	13	13
Monthly payroll of participation salaries (R$)	-	36,592	5,030,919	5,030,919
Average participation salary (R$)	-	2,815	3,418	3,418
Annual payroll of participation salaries (R$)	-	475,695	65,401,947	65,401,947
Retired Participants				
Frequency	236	160	34	123
Average age (years)	72	74	58	60
Monthly benefits payroll (R$)	832,519	338,142	76,614	352,666
Average benefit (R$)	3,528	2,113	2,253	2,867
Annual benefits payroll (R$)	10,822,743	4,395,842	955,983	4,584,658
Pensioner Participants				
Frequency	58	131	19	5
Monthly benefits payroll (R$)	86,273	123,918	35,997	19,136
Average benefit (R$)	1,487	946	1,895	3,827
Annual benefits payroll (R$)	1,121,549	1,610,936	467,964	284,765
Redeemed Participants				
Participant frequency	-	-	-	19
Average age (years)	-	-	-	50
Average time to retirement (years)	-	-	-	6

	Participants of Resolution 10/1989
Retired Participants	
Frequency	80
Average age (years)	79
Monthly benefits payroll (R$)	134,836
Average benefit (R$)	1,685
Annual benefits payroll (R$)	1,752,863
Pensioner Participants	
Frequency	62
Monthly benefits payroll (R$)	37,423
Average benefit (R$)	604
Annual benefits payroll (R$)	486,498

	Healthcare plan						
	Active			Inactive			
Plan	**Owners**	**Dependents**	**Dependents > 24 years**	**Owners**	**Dependents**	**Dependents > 24 years**	**Total**
INFIRMARY	505	1,149	1	68	123	-	1,846
APARTMENT	919	1,413	3	109	137	11	2,592
EXCLUSIVE	2	1	-	1	1	19	24
SSL - LEADER	13	18	-	-	-	-	31
SSS - SENIOR	7	13	-	-	-	-	20
Total	**1,446**	**2,594**	**4**	**178**	**261**	**30**	**4,513**

38.10 Breakdown of the actuarial liability/(asset)

The reconciliation of assets and liabilities will demonstrate the surplus or deficit of funds to cover the post-employment benefit, which should be presented in the company's statement of financial position.

See below the statement of income as of 12/31/2016 (actuarial liability or asset to be recorded) and projected expenses to be recognized in profit and loss in FY 2017.

The result of the actuarial appraisal are as follows:

Celpa BD-I Plan

Plan Assets	Amount Recorded (R$)	Adjustment to Market Value (R$)	Market Value (R$)	In %
Cash and cash equivalents	167,094	-	167,094	0.10%
Receivable - Welfare management	451,068	-	451,068	0.26%
Receivable - Administrative management	250,498	-	250,498	0.15%
Investment Funds	6,880,877	-	6,880,877	4.01%
Government securities	143,330,337	1,587,657	144,917,994	84.49%
Private loans and deposits	8,774,661	-	8,774,661	5.12%
Shares	7,965,000	-	7,965,000	4.64%
Judicial deposits	-	-	-	0.00%
Property investments	-	-	-	0.00%
Loans and financing	2,068,615	-	2,068,615	1.21%
Other Receivables	53,492	-	53,492	0.03%
(=) Total Assets	**169,941,642**	**1,587,657**	**171,529,299**	**100.00%**

Fair Value of the Plan's Assets	**In (R$)**
(+) Total Assets	171,529,299
(-) Operating liabilities	(1,093,028)
(-) Liabilities for contingencies	-
(-) Pension fund	-
(-) Administrative fund	(250,498)
(-) Investment fund	(10,616)
(=) Equity for Plan Coverage	**170,175,157**

Celpa BD-II Plan

Plan Assets	**Amount Recorded (R$)**	**Adjustment to Market Value (R$)**	**Market Value (R$)**	**In %**
Cash and cash equivalents	83,395	-	83,395	0.10%
Receivable - Welfare management	230,560	-	230,560	0.28%
Receivable - Administrative management	173,541	-	173,541	0.21%
Investment funds	3,934,847	-	3,934,847	4.73%
Government securities	69,853,657	473,671	70,327,328	84.46%
Private loans and deposits	3,567,283	-	3,567,283	4.28%
Shares	-	-	-	0.00%
Judicial deposits	-	-	-	0.00%
Property investments	4,017,045	-	4,017,045	4.82%
Loans and financing	908,777	-	908,777	1.09%
Other Receivables	26,887	-	26,887	0.03%
(=) Total Assets	**82,795,992**	**473,671**	**83,269,663**	**100.00%**

Fair Value of the Plan's Assets	**In (R$)**
(+) Total Assets	83,269,663
(-) Operating liabilities	(567,415)
(-) Liabilities for contingencies	(10,159)
(-) Pension fund	-
(-) Administrative fund	(173,540)
(-) Investment fund	-
(=) Equity for Plan Coverage	**82,518,549**

CELPA-OP Plan

Plan Assets	**Amount Recorded (R$)**	**Adjustment to Market Value (R$)**	**Market Value (R$)**	**In %**
Cash and cash equivalents	151,510	-	151,510	0.09%
Receivable - Welfare management	30,064	-	30,064	0.02%
Receivable - Administrative management	561,002	-	561,002	0.34%
Investment funds	11,205,699	-	11,205,699	6.86%
Government securities	108,493,275	548,495	109,041,770	66.78%
Private loans and deposits	26,059,315	-	26,059,315	15.96%
Shares	1,356,725	-	1,356,725	0.83%
Judicial deposits	-	-	-	0.00%
Property investments	5,889,281	-	5,889,281	3.61%
Loans and financing	8,908,477	-	8,908,477	5.46%
Other Receivables	69,050	-	69,050	0.05%
(=) Total Assets	**162,724,398**	**548,495**	**163,272,893**	**100.00%**

Fair Value of the Plan's Assets	**In (R$)**
(+) Total Assets	162,724,398
(-) Operating liabilities	(184,652)
(-) Liabilities for contingencies	(187,889)
(-) Pension fund	(11,338,288)
(-) Administrative Fund	(561,002)
(-) Investment fund	(225,046)
(=) Equity for Plan Coverage	**150,227,521**
(-) Account balances	(129,778,598)
(+) Fund revision of sponsor plan	304,160
(+) Risk oscillation fund	4,138,046
(+/-) Mark-to-market adjustment (BD portion)	74,661
(=) Net coverage assets	**24,965,790**

CELPA-R Plan

Plan Assets	**Amount Recorded (R$)**	**Adjustment to Market Value (R$)**	**Market Value (R$)**	**In %**
Cash and cash equivalents	17,307	-	17,307	0.10%
Receivable - Welfare management	61,126	-	61,126	0.35%
Receivable - Administrative management	933,071	-	933,071	5.33%
Investment funds	2,891,567	-	2,891,567	16.53%
Government securities	12,435,647	(174,321)	12,261,326	70.10%
Private loans and deposits	1,054,704	-	1,054,704	6.03%
Shares	114,110	-	114,110	0.65%
Judicial deposits	-	-	-	0.00%
Property investments	-	-	-	0.00%
Loans and financing	144,103	-	144,103	0.82%
Other Receivables	12,754	-	12,754	0.09%
(=) Total Assets	**17,664,389**	**(174,321)**	**17,490,068**	**100.00%**

Fair Value of the Plan's Assets	**In (R$)**
(+) Total Assets	17,490,068
(-) Operating liabilities	(124,143)
(-) Liabilities for contingencies	-
(-) Pension fund	-
(-) Administrative fund	(933,071)
(-) Investment fund	(2,892)
(=) Equity for Plan Coverage	**16,429,962**

38.11 Actuarial valuation result

CELPA BD - I

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	136,046,722	114,812,753
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	(170,175,157)	(147,386,383)
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	(34,128,435)	(32,573,630)
2.4 Percentage of the sponsor's portion of responsibility (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**(34,128,435)**	**(32,573,630)**
2.6 Total recognized net actuarial liabilities/(assets)	**(34,128,435)**	**(32,573,630)**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	(34,128,435)	(32,573,630)
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**-**	**-**
2.9 Actuarial liabilities/(assets) already recorded as provisions	-	-
2.10 Additional actuarial liabilities/(assets) to be recognized this financial year (2.8 - 2.9)	-	-

CELPA BD-II

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	64,958,654	56,967,629
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	(82,518,549)	(71,726,042)
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	(17,559,895)	(14,758,413)
2.4 Percentage of the sponsor's portion of responsibility (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**(17,559,895)**	**(14,758,413)**
2.6 Total recognized net actuarial liabilities/(assets)	**(17,559,895)**	**(14,758,413)**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	(17,559,895)	(14,758,413)
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**-**	**-**
2.9 Actuarial liabilities/(assets) already recorded as provisions	-	-
2.10 Additional actuarial liabilities/(assets) to be recognized this financial year (2.8 - 2.9)	-	-

CELPA OP

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	13,638,171	9,325,343
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	(24,965,789)	(19,144,766)
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	(11,327,618)	(9,819,423)
2.4 Percentage of the sponsor's portion of responsibility (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**(11,327,618)**	**(9,819,423)**
2.6 Total recognized net actuarial liabilities/(assets)	**(11,327,618)**	**(9,819,423)**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	(11,023,458)	(9,222,356)
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**(304,160)**	**(597,067)**
2.9 Actuarial liabilities/(assets) already recorded as provisions	(597,067)	-
2.10 Additional actuarial liabilities/(assets) to be recognized this financial year (2.8 - 2.9)	-	-

CELPA R

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	30,094,799	23,060,538
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	(16,429,962)	(14,162,833)
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	13,664,837	8,897,705
2.4 Percentage of the sponsor's portion of responsibility (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**13,664,837**	**8,897,705**
2.6 Total recognized net actuarial liabilities/(assets)	**13,664,837**	**8,897,705**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	-	-
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**13,664,837**	**8,897,705**
2.9 Contract for acknowledging the company's debits under the plan[14]	6,606,125	-
2.10 Amount to be recognized as a Liability/(Asset) (2.8 - 2.9)	**7,058,712**	**-**

Health plans

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	11,984,849	11,756,166
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	-	-
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	11,984,849	11,756,166
2.4 Percentage of the sponsor's portion of responsibility (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**11,984,849**	**11,756,166**
2.6 Total recognized net actuarial liabilities/(assets)	**11,984,849**	**11,756,166**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	-	-
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**11,984,849**	**11,756,166**
2.9 Actuarial liabilities/(assets) already recorded as provisions	11,756,166	-
2.10 Additional actuarial liabilities/(assets) to be recognized this financial year (2.8 - 2.9)	228,683	-

CELPA - RES 010/1989

2 Reconciliation of recognized (assets) and liabilities	**12/31/2016**	**12/31/2015**
2.1 Actuarial liabilities calculated on actuarial valuation	19,672,354	16,660,738
2.2 Fair value of the plan's assets (excluding debt agreement) (= -1 x 1.1)	-	-
2.3 Level of coverage, whether deficit or (surplus) (2.1 + 2.2)	19,672,354	16,660,738
2.4 Percentage of the sponsor's portion of responsibility (%)	100.00%	100.00%
2.5 Result of the plan for the sponsor: deficit or (surplus) (2.3 x 2.4)	**19,672,354**	**16,660,738**
2.6 Total recognized net actuarial liabilities/(assets)	**19,672,354**	**16,660,738**
2.7 Effect of the asset ceiling (Asset limiter, in the event of a Surplus)	-	-
2.8 Net worth of liabilities (assets) to be recorded in the accounting	**19,672,354**	**16,660,738**
2.9 Actuarial liabilities/(assets) already recorded as provisions	16,660,738	-
2.10 Additional actuarial liabilities/(assets) to be recognized this financial year (2.8 - 2.9)	3,011,616	-

[14] Amount deriving from the debt acknowledgement of R$ 6,606 and contributions from the sponsor CELPA to its supplementary pension fund. See note 12.

38.12 Changes in actuarial assets/liabilities

For the purpose of CELPA's accounting records, the changes in the Actuarial Liabilities in 2015 were as follows:

	12/31/2016					
Change in the actuarial liability (asset) to be recognized in the statement of financial position	**CELPA BD - I**	**CELPA BD - II**	**CELPA OP**	**CELPA R**	**Resolution 10/1989**	**Health plans**
1.1 Net actuarial liabilities/(assets) at start of year	-	-	(597,067)	8,897,705	16,660,738	11,756,166
1.2 Additional liabilities/(assets) recognized in this financial year	-	-	292,907	4,767,132	3,011,616	228,683
1.3 Net actuarial liabilities/(assets) at end of year (1.1+1.2)	**-**	**-**	**(304,160)**	**13,664,837**	**19,672,354**	**11,984,849**

	12/31/2017					
Expense to be recognized in profit or loss for the next year	**CELPA BD - I**	**CELPA BD - II**	**CELPA OP**	**CELPA R**	**Resolution 10/1989**	**Health plans**
1.1 Current service cost (with interest)	-	23,697	-	811,794	-	1,217,025
1.2 Expected contributions from participants	-	-	-	-	-	-
1.3 Cost of interest on actuarial liabilities	14,358,528	6,835,164	1,432,835	3,164,712	2,064,457	1,297,934
1.4 Expected earnings of the assets	(18,135,801)	(8,778,661)	(2,671,112)	(1,763,345)	-	-
1.5 Interest on the effect of the asset ceiling	3,777,273	1,943,497	1,205,028	-	-	-
1.6 Expense /(income) to be recognized by the employer	-	23,697	(33,249)	2,213,161	2,064,457	2,514,959
1.7 Contributions expected from the employer with respect to plan's financing	-	-	-	(1,735,585)	(2,094,069)	(298,908)
1.8 Total additional expense (income) to be recognized	-	23,697	(33,249)	477,576	(29,612)	2,216,051

For the close of the next year (FY 2017), the expected expense (income) amounts were calculated according to the projected actuarial obligations and plan's net assets, as shown in the table below.

The amounts presented in the table below will be analyzed at the end of FY 2017, when we will determine again whether these projections materialized or whether it is necessary to make additional adjustments to the post-employment benefit provisions.

	12/31/2017				
Expense to be recognized in profit or loss for the next year	**CELPA BD - I**	**CELPA BD - II**	**CELPA OP**	**CELPA R**	**Health plans**
1.1 Current service cost (with interest)	-	23,697	-	811,794	1,217,025
1.2 Expected contributions from participants	-	-	-	-	-
1.3 Cost of interest on actuarial liabilities	14,358,528	6,835,164	1,432,835	3,164,712	1,297,934
1.4 Expected earnings of the assets	(18,135,801)	(8,778,661)	(2,671,112)	(1,763,345)	-
1.5 Interest on the effect of the asset ceiling	3,777,273	1,943,497	1,205,028	-	-
1.6 Expense /(income) to be recognized by the employer	-	23,697	(33,249)	2,213,161	2,514,959
1.7 Contributions expected from the employer with respect to plan's financing	-	-	-	(1,735,585)	(298,908)
1.8 Total additional expense (income) to be recognized	-	23,697	(33,249)	477,576	2,216,051

38.13 Sensitivity analysis

In accordance with item 145 of CPC 33(R1), we hereby present the sensitivity analysis of the most important actuarial assumptions and present in the table the reasonably possible variances at the actuarial appraisal date, in which two scenarios have been defined of (+0.5% and -0.5%):

	12/31/2016					
Sensitivity analysis (impact on obligations)	**CELPA BD - I**		**CELPA BD - II**		**CELPA OP**	
Discount rate						
Increase of 0.5%	(5,386,807)	(3.96%)	(2,494,664)	(3.84%)	(680,400)	(4.99%)
Decrease of 0.5%	5,806,094	4.27%	2,685,614	4.13%	744,926	5.46%
Life expectancy						
Decrease of 1 year	(3,249,187)	(2.39%)	(1,676,532)	(2.58%)	(188,936)	(1.39%)
Increase of 1 year	3,191,099	2.35%	1,656,547	2.55%	181,609	1.33%
HCCTR						
Increase of 0.5%	-	0.00%	-	0.00%	-	0.00%
Decrease of 0.5%	-	0.00%	-	0.00%	-	0.00%

	12/31/2016					
Sensitivity analysis (impact on obligations)	**CELPA R**		**Resolution 10/1989**		**Health plans**	
Discount rate						
Increase of 0.5%	(1,733,886)	(5.76%)	(705,581)	(3.59%)	(626,256)	(5.23%)
Decrease of 0.5%	1,926,684	6.40%	755,608	3.84%	680,419	5.68%
Life expectancy						
Decrease of 1 year	(117,548)	(0.39%)	(547,712)	(2.78%)	(105,419)	(0.88%)
Increase of 1 year	117,388	0.39%	543,606	2.76%	96,671	0.81%
HCCTR						
Increase of 0.5%	-	0.00%	-	0.00%	694,034	5.79%
Decrease of 0.5%	-	0.00%	-	0.00%	(645,000)	(5.38%)

39 Financial instruments

39.1 General

Pursuant to CVM Resolution 604 of November 19, 2009, which approved Technical Pronouncements (CPCs) 38, 39 and 40, the Company and its subsidiaries have performed an analysis of their financial instruments including: cash and cash equivalents, trade accounts receivable, concession financial assets, trade accounts payable, loans and financing, debentures and derivatives, and have not made any required adjustments to their accounting records.

The management of these instruments is done through operating strategies and internal controls aimed at liquidity, profitability and security. The control policy consists of permanent monitoring of contractual terms and conditions in comparison with existing market conditions.

Management uses financial instruments to obtain optimum returns on available cash, to maintain the liquidity of assets, to hedge against foreign exchange or interest rate variation and to ensure compliance with applicable covenants, namely net debt over adjusted EBITDA[15] (ND/Adjusted EBITDA) and net debt over net debt plus shareholders' equity (ND/ND+SE).

39.2 Derivatives policy

The Company uses derivatives only to hedge against fluctuations in macroeconomic indicators and foreign exchange rates. These operations are not conducted on a speculative basis.

The subsidiaries CELPA and CEMAR use swap transactions to hedge against foreign exchange risk.

39.3 Category and fair value of financial instruments (Consolidated)

The fair values of the Company's financial assets were estimated through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of market data to estimate the most adequate realization value. As a result, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable values.

In compliance with CVM Instruction 475, the accounting balances and the market values of the financial instruments included in the balance sheet at December 31, 2016 and December 31, 2015 are shown below:

		12/31/2016		12/31/2015	
Asset	**Category of financial instruments**	**Carrying**	**Market**	**Carrying**	**Market**
Cash and cash equivalents	Financial assets at fair value	920,784	920,784	397,866	397,866
Short-term investments	Financial assets at fair value	2,137,135	2,137,135	2,083,474	2,083,474
Trade receivables	Loans and receivables	2,664,108	2,664,108	2,255,296	2,255,296
Judicial deposits	Loans and receivables	196,857	196,857	175,804	175,804
Derivative financial instruments[16]	Financial assets at fair value	1,242	1,242	326,629	326,629
Sub-rogation to Fuel Consumption Account charges - amounts applied	Loans and receivables	65,284	65,284	65,824	65,824
Financial concession assets	Loans and receivables	2,602,224	2,602,224	2,228,931	2,228,931
Total assets		8,587,634	8,587,634	7,533,824	7,533,824

		12/31/2016		12/31/2015	
Liabilities	**Category of financial instruments**	**Carrying**	**Market**	**Carrying**	**Market**
Payable	Loans and receivables	943,283	943,283	934,780	934,780
Loans and financing	Loans and receivables	3,085,864	3,085,864	3,392,653	3,392,653
Derivative financial instruments	Financial liabilities at fair value	31,278	31,278	-	-
Debentures	Loans and receivables	1,748,467	1,474,409	542,485	532,144
Total liabilities		5,808,892	5,534,834	4,869,918	4,859,577

- **Cash and cash equivalents -** classified as fair value through profit or loss. The fair value hierarchy for short-term investments is tier 1.
- **Short-term investments -** measured at fair value through profit or loss. The fair value hierarchy for short-term investments is tier 2.

[15] The Adjusted EBITDA is calculated by the EBITDA plus or minus items we consider nonrecurring or which do not affect our cash generation, such as loss/gain on retirement of assets and rights.

[16] The Group rectified amounts for 2015 presented previously under "Derivative financial instruments".

- **Trade accounts receivable** - directly derived from the subsidiaries' operations and are classified as receivables and are recorded at their original values, subject to the provision for losses and present value adjustment, when applicable. Tier 2 of the fair value hierarchy.

- **Financial concession assets** - classified as “loans and receivables” and are recorded at their original values, subject to the provision for losses and present value adjustment, when applicable. Tier 2 of the fair value hierarchy.

- **Trade payables** - derive directly from the Company and its subsidiaries’ operations and are classified as loans and receivables. Tier 2 of the fair value hierarchy.

- **Loans and financing -** provide funding for the subsidiaries' investment programs and may be used to manage short-term requirements. classified as financial liabilities not valued at fair value, and recorded at their amortized values. Tier 2 of the fair value hierarchy.

- **Debentures** - classified as financial liabilities not valued at fair value, and recorded at their amortized values. For reporting purposes the debentures’ market values are calculated based on secondary market rates of the actual debt or equivalent debt, as disclosed by ANBIMA. Tier 2 of the fair value hierarchy.

- **Derivative financial Instruments** are measured at fair value through profit or loss and are used as a hedge against foreign exchange and interest rate fluctuations. For swap transactions, market value has been determined using information from active markets. Tier 2 of the fair value hierarchy.

  The different fair value tiers have been defined as follows:

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- **Level 2 -** Inputs other than quoted prices included in Level 1 that are observable for the asset or

  liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39.4 Derivative financial instruments

The subsidiaries CEMAR and CELPA have swaps with the banks Itaú, Citibank and Santander for their foreign-currency transactions.

As of December 31, 2016 CELPA has debit balances of foreign currency loans and financing with the banks Itaú and Citibank respectively of R$ 114,169 and R$ 369,142.

As of December 31, 2016 CEMAR has debit balances of foreign currency loans and financing with the banks Itaú and Santander respectively of R$ 133,312 and R$ 133,225.
In accordance with CPC 40, the values of the Company's derivative instruments as of December 31, 2016 are summarized below:

CEMAR

Short position		**Fair value**	
Market risk hedge	**Indexes**	**12/31/2016**	**12/31/2015**
SWAP Santander			
Long position	USD	134,158	64,592
Short Position	CDI	(104,110)	(9,492)
Total		30,048	55,100
SWAP Itaú			
Long position	USD	133,785	63,523
Short Position	CDI	(103,771)	(9,492)
Total		30,014	54,031
Total		60,062	109,131
Current assets		60,062	-
Noncurrent assets		-	128,115
Current liabilities		-	18,984

CELPA

Short position		**Fair value**	
Market risk hedge	**Indexes**	**12/31/2016**	**12/31/2015**
SWAP Itaú - 200 MM			
Long position	USD	113,773	73,732
Short Position	CDI	(105,549)	(14,031)
Total		8,224	59,701
SWAP Citibank - 293 MM			
Long position	USD	-	152,312
Short Position	CDI	-	(12,809)
Total		-	139,503
SWAP Citibank - 455 MM			
Long position	USD	377,224	-
Short Position	CDI	(475,546)	-
Total		(98,322)	-
SWAP Santander - 40 MM			
Long position	USD	-	16,351
Short Position	CDI	-	(5,058)
Total		-	11,293
SWAP Santander - 85 MM			
Long position	USD	-	13,169
Short Position	CDI	-	(6,168)
Total		-	7,001
Current assets	USD	-	255,564
Noncurrent assets	CDI	-	(38,066)
Current liabilities		(58,820)	-
Non-current liabilities		(31,278)	-

Specific appraisal methods used for derivative financial instruments: Market prices of the financial institutions. The fair value of interest rate swaps is calculated based on the present value of the future cash flows estimated based on the yield curves adopted by the market.

We emphasize that as the accounting rules addressing the issue require the swap be recorded at market value, however perfect the hedge is from a cash perspective, oscillations can occur in results.

39.5 Financial risk management - CVM Directive 475

The Board of Directors of the subsidiaries CEMAR and CELPA has overall responsibility for the establishment and oversight of the risk management framework.

The risks described below are a compilation of the findings by the various departments, according to their respective specialties. Management defines the type of treatment and the owners for monitoring each of the risks ascertained, in order to prevent and control them.

The Company's risk management procedures are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities The subsidiaries CEMAR and CELPA, through their training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the subsidiaries'

risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by them. The Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's trade accounts receivable and financial instruments. The significant amounts combined with the aging of trade accounts receivable constitute a risk to the liquidity and the capital structure of the Company. Management monitors situations in progress and to mitigate the risk of default every year it holds a workshop to identify the main groups of defaulters and to take strategic decisions to combat them. The collections committee periodically monitors the implementation and efficiency of all decisions taken in the workshop. The Company uses all means of collection permitted by the regulatory agency, such as power cuts due to delinquency, blacklisting and follow-up and permanent negotiation of overdue bills. To mitigate risks related to depositary financial institutions for financial investments, the Company selects only those institutions which offer low risk as assessed by risk rating agencies. The Company maintains its concession assets in accordance with applicable regulations and monitors any developments in concession reversal rules.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. To determine the Company's financial capacity to adequately honor commitments undertaken, the maturity flows of borrowed funds and other obligations are reported. For further information about loans taken out by the Company see Notes (b) and 20.

The Company has obtained funds through its commercial activities, the financial markets, mainly allocating them to its investment program and managing its cash for the purpose of working capital and honoring financial commitments.

For short-term financial investments priority is given to short-term investments, in order to obtain maximum liquidity and cover disbursements.

The Company's cash generation and excellent stability in receipts and payment obligations in the course of the year enable the Company to obtain stable cash flows, thereby reducing its liquidity risk.

(iii) Market risks

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and stock prices - will affect the Company's earnings or the value of its financial instruments, and also includes any covenants which, if breached, could result in accelerated maturity as described further in this note. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(iv) Exchange rate risk

This arises from the possibility of the Company incurring losses due to exchange rate fluctuations. Part of the Company's financial liabilities are subject to foreign exchange variations due to the volatility of the exchange rate on balances denominated in foreign currencies, especially the US dollar. Foreign-exchange exposure is currently 12% for CEMAR's and 33.8% for CELPA's debt. Subsidiaries continuously monitor market foreign exchange and interest rates in order to assess any requirement to use derivatives to hedge against the risk of variation in these rates.

CELPA has four foreign currency debts, two of which account for 62.9% of its foreign exchange exposure and are subject to swaps to hedge against exchange rate variance. Another debt is to the IDB - Inter-American Development Bank which accounts for 29.5% of the foreign debt, but because it comprises the PRJ is entirely recorded under noncurrent liabilities, maturing on 6/30/2026; And lastly there is a fourth loan, which is secured to hedge against foreign exchange variance, accounts for a negligible portion of this subsidiary's overall debt and arises from its contract with the National Treasury Department - STN.

The sensitivity of the Company's debt has been assessed in five scenarios in accordance with CVM Instruction 475. One scenario with the actual rates identified at December 31, 2016 (the Likely Scenario); another two scenarios with 25% (Scenario II) and 50% (Scenario III) strengthening of the relevant currencies.

We have also included two scenarios with the opposite effect to that required in the above Instruction to demonstrate the effects of a weakening of 25% (Scenario IV) and 50% (ScenarioV).

The currency used in the sensitivity analysis and the respective scenarios is as follows:

Transaction	Risk	Probable Scenario	Scenario II +25%	Scenario III +50%	Scenario IV (25%)	Scenario V (50%)
Financial liabilities						
Loans, financing, and debentures	USD	(56,934)	(311,981)	(567,027)	198,113	453,159

Reference for financial liabilities	Projected rate at 12/31/2016	+25%	+50%	(25%)	(50%)
USD/R$	3.26	4.07	4.89	2.44	1.63

(v) *Risk of early maturity*

Our subsidiaries have loan, financing and debenture agreements containing covenants which in general require the maintenance of economic and financial indexes at certain levels. Failure to adhere to these covenants could result in early maturity of this debt. Management monitors its positions and projects future indebtedness in order to act preventively with respect to the indebtedness limits mentioned in notes (b) (Loans and financing) and 20 (Debentures).

(vi) *Interest rate risk*

Changes in interest rates affect both the Company's financial assets and liabilities. The impact of these changes on interest earned on financial investments and interest paid on debt is described below.

The sensitivity of subsidiaries' financial assets and liabilities has been assessed in five scenarios.

In accordance with CVM Instruction 475, we present a scenario with the actual rates determined at December 31, 2016 and another two scenarios with 25% (Scenario II) and 50% (Scenario III) appreciation of the relevant indicators.

We have also included two scenarios with the opposite effect to that required in the above Instruction to demonstrate the effects of a decrease of 25% (Scenario IV) and 50% (Scenario V) in these indicators.

		Cash flow or fair value risk associated with interest rates (R$ thousand)				
Transaction	**Risk**	**Probable Scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV (25%)**	**Scenario V (50%)**
Financial Assets						
Call deposits	CDI	270,242	337,802	405,364	202,681	135,121
Financial Liabilities						
Loans and borrowings	CDI	(146,754)	(174,549)	(202,344)	(118,959)	(91,164)
	SELIC	(41,462)	(44,414)	(47,367)	(38,509)	(35,556)
	Long-Term Interest Rate	(85,711)	(100,721)	(115,730)	(70,702)	(55,692)
	IGP-M	(18,765)	(21,938)	(25,113)	(15,590)	(12,416)
	IPCA	(306,493)	(317,015)	(327,538)	(295,971)	(285,449)

Reference for financial assets and financial liabilities	**Rate at 12/31/2016**	**25%**	**50%**	**(25%)**	**(25%)**
CDI (%12 months)	10.45	13.06	15.68	7.84	5.23
SELIC (% 12 months)	10.5	13.13	15.75	7.88	5.25
TJLP (% 12 months)	7.5	9.38	11.25	5.63	3.75
IGP-M (% 12 months)	5	6.25	7.5	3.75	2.5
IPCA (% 12 months)	5.51	6.89	8.27	4.13	2.76

The impact of sensitivity on CEMAR's income is shown below:

Scenarios	**Impact on net income**
Probable Scenario	-
Scenario II	(60,630)
Scenario III	(121,259)
Scenario IV	60,630
Scenario V	121,260

The impact of sensitivity on CELPA's income is shown below:

Scenarios	**Impact on net income**
Probable Scenario	-
Scenario II	(164,085)
Scenario III	(328,170)
Scenario IV	164,086
Scenario V	328,171

(vii) Risk of energy shortages

The Brazilian Electric System is predominantly supplied by hydroelectric energy generation. A lengthy drought during the wet season will reduce water volumes in reservoirs, resulting in higher energy acquisition costs in the short term and higher system charges due to need to procure energy from thermoelectrical power plants. In the worst-case scenario a rationing program could be introduced, which would result in lower revenue. However, based on current reservoir levels and the latest simulations conducted, the National Electric System Operator - ONS is not expecting another rationing program in the years ahead.

(viii) Risk of electricity rate adjustments

Tariff review processes are a requirement under concession contracts and use previously defined methodologies. Any changes to current methodologies are required to be extensively discussed with inputs provided by the Company, concession holders and other players in the industry. Where any unforeseeable event affects the economic and financial balance of the concession, the subsidiaries CEMAR and CELPA are entitled to request that the regulator initiate an Extraordinary Rate Review to be conducted at the regulator's discretion. ANEEL may also conduct Extraordinary Tariff Reviews where any charges and/or taxes are created, modified or abolished to ensure they are properly reflected in electricity rates.

39.7 Capital management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Management monitors the return on capital, as well as the level of dividends to shareholders.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position, and establishes and monitors indebtedness and liquidity levels as well as financing maturities and costs accordingly.

Capital management is based on three financial indicators, for which maximum limits are established in order not to compromise the Company's operations:

- Net Debt/EBITDA
- Net Debt/Net Debt + Equity)
- Short-Term Debt to Total Debt

In the financial years ended December 31, 2016 and 2015, the Company achieved the required levels for the ratios described above.

40 Commitments

CEMAR and CELPA's commitments under long-term power purchase agreements are as follows:

CEMAR

	Term	2017	2018	2019	2020	2020 onwards
Contract power	2017 to 2032	1,149,001	1,248,856	1,361,050	1,489,320	32,231,448

CELPA

	Term	2017	2018	2019	2020	2020 onwards
Contract power	2017 to 2032	1,844,179	2,005,738	2,131,630	2,300,990	47,174,729

The amounts referring to power purchase contracts lasting between 6 and 30 years relate to contract volume at the current price under the appropriate clause of the CCEAR contract, and have been approved by ANEEL.

41 Segment reporting

The Company reviews the performance of its segments and allocates resources based on a range of factors, of which revenue and operating income are the primary financial factors. The Company classifies its operating segments as follows: Distribution, Services, Trading, Central Administration and other.

	Distribution		Services / Trading		Shared Services and other		Eliminations and adjustments		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Operating assets	13,420,186	12,048,500	109,356	83,817	4,203,091	3,686,144	(3,513,113)	(3,232,574)	14,219,520	12,585,887
Operating liabilities	9,125,974	8,576,866	47,448	37,308	60,010	206,893	(4,682)	(464,419)	9,228,750	8,356,648
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Net revenue	7,577,681	6,926,107	247,920	208,550	-	16	-	-	7,825,601	7,134,673
Costs of services	(5,576,535)	(5,250,945)	(226,865)	(198,065)	-	-	-	-	(5,803,400)	(5,449,010)
Gross profit	2,001,146	1,675,162	21,055	10,485	-	16	-	-	2,022,201	1,685,663
Sales expenses	(560,600)	(428,616)	-	-	-	-	-	-	(560,600)	(428,616)
General and administrative expenses	(448,995)	(543,657)	(154)	(156)	(34,796)	(43,126)	54,181	(1,309)	(429,764)	(588,248)
Equity in income of subsidiaries	-	-	(986)	-	682,748	774,009	(654,869)	(742,588)	26,893	31,421
Goodwill amortization	-	-	-	-	(6,373)	(6,707)	-	-	(6,373)	(6,707)
	991,551	702,889	19,915	10,329	641,579	724,192	(600,688)	(743,897)	1,052,357	693,513
Financial revenue	1,018,489	1,351,620	6,821	6,890	72,694	89,858	(40,740)	(57,673)	1,057,264	1,390,695
Financial expense	(1,099,148)	(1,014,166)	(1,194)	(414)	(7)	(6,239)	40,740	57,673	(1,059,609)	(963,146)
Income before tax on net income	910,892	1,040,343	25,542	16,805	714,266	807,811	(600,688)	(743,897)	1,050,012	1,121,062
Income and social contribution taxes	(159,542)	(156,314)	(7,032)	(5,771)	(2,049)	671	(8,263)	199	(176,886)	(161,215)
Net income before minority interests	751,350	884,029	18,510	11,034	712,217	808,482	(608,951)	(743,698)	873,126	959,847
Attributable to minority interests	-	-	7,501	4,696	-	-	153,408	146,670	160,909	151,366
Controlling interests	751,350	884,029	11,009	6,338	712,217	808,482	(762,359)	(890,368)	712,217	808,481
Net income for the period	751,350	884,029	18,510	11,034	712,217	808,482	(608,951)	(743,698)	873,126	959,847

42 Insurance

The main insurance policies obtained and maintained by Equatorial and subsidiaries CEMAR and CELPA are shown by type of risk and effective date below:

Equatorial

Risks	Expiration	Insured amount
D&O General	12/31/2017	30,000
Corporate - Office	4/22/2017	1,650
Transmission auction surety bond	4/26/2017	64,864

CEMAR

Risks	Expiration	Insured amount
Operating risks	12/31/2017	257,527
General civil liability - Operations	12/31/2017	7,000
All risks	2/20/2017	1,295
Judicial surety bond	(a)	42,558
Power auction surety bond	(b)	5
Vehicle insurance	1/31/2017	(c)

(a) Policies in force through July 2018.

(b) Policies in force through August 2017.

(c) 112 own vehicles insured under policies, as per FIPE price list.

CEMAR has the policy of taking out insurance coverage for the assets subject to risk at amounts considered sufficient to cover any incidents, considering the nature of its activity. CEMAR's insurance contracts are made in accordance with the risk management and insurance fundamentals generally employed by electricity distribution companies. The risk assumptions adopted, given their nature, are not part of an audit of financial statements and, accordingly, were not reviewed by our independent auditors.

CELPA

Risks	Expiration	Insured amount
Operating risks	12/31/2017	327,359
General civil liability - Operations	12/31/2017	7,000
Vehicle insurance (a)	12/31/2017	-
Judicial surety bond (b)	-	111,818
Power auction surety bond (c)	-	303

(a) 78 own vehicles insured under policies, as per FIPE price list.

(b) Policies valid until JAN/2021

(c) Policies valid until JUN/2017

CELPA maintains insurance policies in amounts that provide suitable insurance coverage deemed sufficient to cover losses caused by any impairment to its assets, and indemnification resulting from civil liability or any involuntary material and/or personal damages inflicted on third parties resulting from its operations, considering the nature of its activity. CELPA's insurance contracts are made in accordance with the risk management and insurance fundamentals generally employed by electricity distribution companies. The risk assumptions adopted, given their nature, are not part of an audit of financial statements and, accordingly, were not reviewed by our independent auditors.

Board of Directors

Carlos Augusto Leone Piani

Eduardo Saggioro

Firmino Ferreira Sampaio Neto

Guilherme Aché

Luís Henrique Moura

Marcelo Monteiro

Audit Committee

Paulo Roberto Franceschi

Saulo de Tarso Alves de Lara

Vanderlei Dominguez da Rosa

Executive Board

Augusto Miranda da Paz Júnior
Chief Executive Officer

Carla Ferreira Medrado
Officer

Eduardo Haiama
CFO and Investor Relations Officer

Leonardo da Silva Lucas Tavares de Lima
Officer

Marcos Antônio Souza de Almeida
Officer

Tinn Freire Amado
Officer

Geovane Ximenes de Lira
Accounting and Tax Manager
Accountant
CRC-PE012996-O-3-S-MA

"Audit Committee Report"

Pursuant to the law and the bylaws, the Audit Committee of EQUATORIAL ENERGIA S.A. has examined the Management Report and individual and consolidated Financial Statements of the Company for the financial year ended December 31, 2016. Based on our examinations and the unqualified Independent auditors' report on the financial statements issued by KPMG Auditores Independentes on March 8, 2016, it is our opinion that these documents and the proposed allocation of net income for the year, including the advanced distribution of interest on shareholders' equity and the capital budget, are suitable for the appreciation of the Annual General Meeting and voting thereon.

Brasília/DF, March 8, 2017.

Paulo Roberto Franceschi **Saulo Tarso A. Lara**

This page is an integral part of the minutes from the Meeting held by the Audit Committee of EQUATORIAL ENERGIA S.A. on March 8, 2017.