Equatorial Energia S.A.

Quarterly Financial Information at June 30, 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 160709

Contents

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Report on Review of Quarterly Financial Information

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

Introduction

We have reviewed the interim, individual and consolidated financial statements of Equatorial Energia S.A. ("Company"), contained in the Quarterly Information Form for the quarter ended June 30, 2016, consisting of the statements of financial position as of June 30, 2016 and the related statements of income and comprehensive income for the three- and six-month periods then ended, the statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and the notes to the financial statements.

Company Management is responsible for preparing the individual and consolidated interim financial statements in accordance with CPC Technical Pronouncement 21(R1) - Interim reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, and for presenting this information in accordance with the standards issued by the Brazilian Securities Commission that apply to the preparation of Quarterly Information. Our responsibility is to express an opinion on the interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on reviews of interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily to the management responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially smaller in scope than an audit conducted in accordance with audit standards, and we cannot therefore provide assurance that we have discovered all the significant matters that could have been identified by an audit. Accordingly, we do not express an audit opinion.

Conclusion about the individual and consolidated interim information
Our review did not detect any facts that suggest the individual and consolidated interim financial information included in the aforesaid quarterly information was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 as applicable to Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission.

Other matters

Statements of added value
We have also reviewed the individual and consolidated Statements of added value (DVA) for the six-month period ended June 30, 2016, prepared by Company management, the presentation of which in the interim information is required by the standards issued by the Brazilian Securities Commission as applicable to the preparation of the Quarterly Information and is considered as supplementary information to IFRS, which does not require the publication of Statements of added value. These statements were subject to the audit procedures described earlier and our review did not detect any facts that suggest they have not been prepared, in all material respects, in accordance with the individual and consolidated interim financial statements.

Audit and review of prior year figures
The individual and consolidated statements of financial position as of December 31, 2015, the interim, individual and consolidated financial information on the statements of income and comprehensive income for the three- and six-month periods, and the statements of added value, changes in shareholders' equity and cash flows for the six-month period and quarter ended June 30, 2015, and the notes to the financial statements, which are being presented as corresponding figures in the interim financial information for the quarter ended June 30, 2016, were previously audited and reviewed by other independent auditors, respectively, who issued reports dated March 10, 2016 and August 13, 2015, which did not contain any modification.

Fortaleza, August 09, 2016

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 June 30, 2016 and December 31, 2015

(In thousands of reais)

		Parent Company		Consolidated	
Assets	**Note**	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Current					
Cash and cash equivalents	5	9,496	9,035	418,089	397,866
Short-term investments	6	235,475	223,045	1,908,450	2,083,474
Trade accounts receivable	7	-	-	1,938,558	1,977,709
Accounts receivable - rate tiers	8	-	-	-	5,542
Fuel - CCC account	9	-	-	157,211	221,298
Services in progress		-	-	104,096	112,580
"A Component" revenue receivable and other financial iter	10	-	-	7,865	-
Judicial deposits	25	4,394	4,203	32,192	25,277
Derivative financial instruments	35	-	-	-	52,826
Inventory		-	-	18,327	11,430
Dividends		135,320	68,188	-	-
Taxes and contributions recoverable	11.1	-	-	81,899	94,874
Taxes and contributions recoverable on net income	11.2	26,035	31,215	128,941	116,783
Other receivables	14	1,275	1,228	62,123	58,692
Total current assets		**411,995**	**336,914**	**4,857,751**	**5,158,351**
Non-current assets					
Trade accounts receivable	7	-	-	382,157	277,587
Sub-rogation to Fuel Consumption Account charges - amoı	13	-	-	86,396	65,824
Judicial deposits	25	-	-	157,846	150,527
Derivative financial instruments	35	-	-	25,727	273,803
Taxes and contributions recoverable	11.1	-	-	113,004	88,233
Taxes and contributions recoverable on net income	11.2	-	-	40,998	39,661
Other receivables	14	315,906	302,865	75,833	86,132
Concession financial assets	15	-	-	2,288,786	2,228,931
Capital expenditure	16	3,284,117	3,046,120	96,559	88,646
Property, plant and equipment		242	245	4,041	3,552
Intangible assets	17	-	-	4,542,982	4,124,640
Total non-current assets		**3,600,265**	**3,349,230**	**7,814,329**	**7,427,536**
Total assets		**4,012,260**	**3,686,144**	**12,672,080**	**12,585,887**

		Parent Company		Consolidated	
Liabilities	**Note**	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Current					
Trade payables	18	427	305	767,744	934,780
Payroll charges		131	223	37,118	33,994
Loans and financing	19	-	-	685,660	805,387
Debentures	20	-	-	40,332	47,303
"A Component" revenue returnable and other financial items	10	-	-	-	49,561
Taxes and contributions payable	21.1	2,151	483	298,206	312,421
Taxes and contributions payable on net income	21.2	10,378	10,637	15,386	18,238
Dividends and interest on equity		191,943	191,943	250,561	217,998
Consumer charges		-	-	38,964	43,495
Public lighting fee		-	-	22,753	17,433
Energy efficiency research and development		-	-	72,646	75,088
Profit sharing	23	2,349	3,220	47,021	65,384
Derivative financial instruments	35	-	-	84,735	-
Payables from judicial reorganization	24	-	-	91,078	91,446
Provision for civil, labor and tax litigation	25	-	-	125,926	134,950
Other accounts payable	26	35	31	277,964	283,994
Total current liabilities		**207,414**	**206,842**	**2,856,094**	**3,131,472**
Non-current					
Loans and financing	19	-	-	2,460,817	2,587,266
Debentures	20	-	-	473,007	495,182
Taxes and contributions payable	21.1	-	-	36,279	50,709
Deferred income and social contribution taxes	22.1	50	50	207,823	142,502
Provision for civil, labor and tax litigation	25	-	-	424,415	469,996
"A Component" revenue returnable and other financial items	10	-	-	172,095	16,978
Energy efficiency research and development		-	-	135,147	128,527
Payables from judicial reorganization	24	-	-	958,578	995,599
Retirement and pension plan		-	-	32,396	36,718
Other accounts payable	26	-	-	322,189	301,699
Total noncurrent liabilities		**50**	**50**	**5,222,746**	**5,225,176**
Shareholders' equity	27				
Capital	27.1	1,981,985	1,980,214	1,981,985	1,980,214
Capital reserves	27.2	51,094	44,909	51,094	44,909
Profit reserves	27.3	1,472,341	1,472,341	1,472,341	1,472,341
Equity appraisal adjustment		(22,262)	(22,262)	(22,262)	(22,262)
Other comprehensive income		4,050	4,050	4,050	4,050
Retained earnings		317,588	-	317,588	-
Equity attributable to equity holders		3,804,796	3,479,252	3,804,796	3,479,252
Minority interests		**-**	**-**	**788,444**	**749,987**
Total shareholders' equity		**3,804,796**	**3,479,252**	**4,593,240**	**4,229,239**
Total liabilities and equity		**4,012,260**	**3,686,144**	**12,672,080**	**12,585,887**

See the accompanying notes to the quarterly information.

Equatorial Energia S.A.

Statements of income

Three- and six-month periods ended June 30, 2016 and 2015

(In thousands of reais)

	Note	Parent Company				Consolidated			
		1/1/2016 to 6/30/2016	4/1/2016 to 6/30/2016	1/1/2015 to 6/30/2015	4/1/2015 to 6/30/2015	1/1/2016 to 6/30/2016	4/1/2016 to 6/30/2016	1/1/2015 to 6/30/2015	4/1/2016 to 6/30/2016
Net operating revenue	30	-	-	1	1	3,465,478	1,731,656	3,397,166	1,718,571
Cost of electricity, construction and operation	31	-	-	-	-	(2,666,386)	(1,265,603)	(2,656,619)	(1,387,338)
Electricity purchased for resale	32	-	-	-	-	(1,682,520)	(776,658)	(1,922,517)	(1,001,440)
Construction cost		-	-	-	-	(645,992)	(349,246)	(486,534)	(216,218)
Personnel		-	-	-	-	(59,506)	(25,995)	(56,466)	(27,240)
Material		-	-	-	-	(2,067)	1,082	(6,177)	(4,212)
Outsourced services		-	-	-	-	(133,764)	(64,767)	(108,765)	(56,192)
Depreciation and amortization		-	-	-	-	(122,817)	(56,591)	(89,199)	(68,424)
CCC Subsidy		-	-	-	-	(7,053)	11,526	10,277	4,453
Other		-	-	-	-	(12,667)	(4,954)	2,762	(18,065)
Gross income		-	-	1	1	799,092	466,053	740,547	331,233
Sales expenses	31	-	-	-	-	(211,880)	(104,626)	(192,307)	(99,347)
General and administrative expenses	31	(20,225)	(6,425)	(29,446)	(10,430)	(109,150)	(74,211)	(146,750)	(62,600)
Depreciation and amortization		(3)	(1)	(49)	(49)	(43,730)	(23,203)	(21,864)	(11,076)
Amortization of concession rights		(3,187)	(1,594)	(3,354)	(1,677)	(3,187)	(1,594)	(3,354)	(1,677)
Equity in net income of subsidiaries		314,314	173,473	586,914	500,040	12,926	6,742	19,087	8,385
Other operating expenses, net		(1,119)	(430)	(1,110)	(429)	(36,167)	(23,250)	(85,982)	(51,720)
Total operating revenue (expense)		289,780	165,023	552,955	487,455	(391,188)	(220,142)	(431,170)	(218,035)
Income before net financial items, income tax and social contributions		289,780	165,023	552,956	487,456	407,904	245,911	309,377	113,198
Financial revenue		36,169	19,030	47,558	24,167	677,807	374,816	1,087,254	742,101
Financial expense		(1)	-	(6,191)	(6,145)	(587,220)	(344,995)	(546,174)	(139,570)
Financial income, net	33	36,168	19,030	41,367	18,022	90,587	29,821	541,080	602,531
Net income before income and social contribution taxes		325,948	184,053	594,323	505,478	498,491	275,732	850,457	715,729
Social contribution	22.3	(2,216)	(1,396)	(2,258)	(1,337)	(32,232)	(23,217)	(25,271)	(18,829)
Income tax	22.3	(6,144)	(3,872)	(6,583)	(4,028)	(58,637)	(40,272)	(80,525)	(62,495)
Tax incentives		-	-	-	-	50,533	35,760	68,586	55,724
Deferred IRPJ and CSLL		-	-	-	-	(66,546)	(27,199)	(152,911)	(140,431)
Provisions for taxes on net income		(8,360)	(5,268)	(8,841)	(5,365)	(106,882)	(54,928)	(190,121)	(166,031)
Net income for the period		**317,588**	**178,785**	**585,482**	**500,113**	**391,609**	**220,804**	**660,336**	**549,698**
Income attributable to:									
Non controlling interests		-	-	-	-	74,021	42,019	74,854	49,585
Controlling interests		317,588	178,785	585,482	500,113	317,588	178,785	585,482	500,113
Net income for the period		**317,588**	**178,785**	**585,482**	**500,113**	**391,609**	**220,804**	**660,336**	**549,698**
Basic earnings per lot of one thousand shares - R$		1.5985	0.8999	2.9503	2.5201	1.9711	1.1114	3.3275	2.7700
Diluted earnings per lot of one thousand shares - R$		1.5828	0.8910	2.8888	2.4676	1.9517	1.1005	3.2582	2.7123
Number of shares at period-end		**198,675**	**198,675**	**198,447**	**198,447**	**198,675**	198,675	**198,447**	**198,447**

See the accompanying notes to the quarterly information.

Equatorial Energia S.A.

Statements of comprehensive income

Three- and six-month periods ended June 30, 2016 and 2015

(In thousands of reais)

	Parent Company				Consolidated			
	1/1/2016 to 6/30/2016	**4/1/2016 to 6/30/2016**	**1/1/2015 to 6/30/2015**	**4/1/2015 to 6/30/2015**	**1/1/2016 to 6/30/2016**	**4/1/2016 to 6/30/2016**	**1/1/2015 to 6/30/2015**	**4/1/2015 to 6/30/2015**
Net income for the year	317,588	178,785	585,482	500,113	391,609	220,804	660,336	549,698
Comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	317,588	178,785	585,482	500,113	391,609	220,804	660,336	549,698
Non controlling interests	-	-	-	-	74,021	42,019	74,854	49,585
Controlling shareholders	317,588	178,785	585,482	500,113	317,588	178,785	585,482	500,113
Total comprehensive income	317,588	178,785	585,482	500,113	391,609	220,804	660,336	500,113

See the accompanying notes to the quarterly information.

Equatorial Energia S.A.

Statements of changes in shareholders' equity

Six-month periods ended June 30, 2016 and 2015

(In thousands of reais)

	Capital	Capital reserves	Profit reserves – Statutory	Profit reserves – Investment and expansion reserve	Equity appraisal adjustment	Retained earnings	Other comprehensive income	Equity – parent company	Minority interests	Consolidated equity
Balances at December 31, 2014	1,977,276	22,585	98,107	773,736	(22,262)	-	(13,075)	2,836,367	609,158	3,445,525
Reclassification to other comprehensive income	-	-	-	(1,244)	-	-	1,244	-	-	-
Awarded options recognized	-	17,440	-	-	-	-	-	17,440	-	17,440
Subscription rights	-	-	-	-	-	-	-	-	22,821	22,821
Distribution of minority dividends	-	-	-	-	-	-	-	-	(3,520)	(3,520)
Changes in goodwill	-	-	-	-	-	-	-	-	(2,915)	(2,915)
Net income for the period	-	-	-	-	-	585,482	-	585,482	74,854	660,336
Balances at June 30, 2015	1,977,276	40,025	98,107	772,492	(22,262)	585,482	(11,831)	3,439,289	700,398	4,139,687
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	1,771	-	-	-	-	-	-	1,771	-	1,771
Awarded options recognized (Note 28)	-	6,185	-	-	-	-	-	6,185	(35,564)	(29,379)
Net income for the period	-	-	-	-	-	317,588	-	317,588	74,021	391,609
Balances at June 30, 2016	1,981,985	51,094	138,124	1,334,217	(22,262)	317,588	4,050	3,804,796	788,444	4,593,240

See the accompanying notes to the quarterly information.

Equatorial Energia S.A.

Statements of cash flows - indirect method

Six-month periods ended June 30, 2016 and 2015

(In thousands of reais)

	Parent Company		Consolidated	
	6/30/2016	**6/30/2015**	**6/30/2016**	**6/30/2015**
Cash flows from operating activities				
Net income for the period	317,588	585,482	391,609	660,336
Adjustments for:				
Amortization and depreciation	3,190	3,402	169,740	114,331
Equity in income of subsidiaries	(314,314)	(586,914)	(12,926)	(19,087)
Loss (gain) on the sale of intangible assets	-	-	(314)	28,309
Indexation of financial assets	-	-	(124,226)	(140,098)
Debt service charges, interest and monetary and exchange variance, net	-	-	(53,231)	336,941
Loss (gain) on derivative financial instruments	-	-	245,795	(80,330)
Adjustment to present value	-	6,144	17,034	(391,382)
Allowance (reversal) for doubtful accounts and losses on uncollectible receivables	-	-	(85,060)	55,560
Provision (reversal) for civil, labor and tax litigation	-	-	(35,152)	17,545
"A Component" revenue receivable and other financial items	-	-	11,295	439,071
Earnings on investments	(15,479)	(17,618)	(136,004)	(90,644)
Deferred income and social contribution taxes	-	-	66,546	152,911
Current income and social contribution taxes	8,360	8,841	40,336	37,210
Share-based payments	6,185	17,441	6,185	17,441
Minority interests	-	-	-	16,386
Other	(1,383)	-	-	(1,356)
	4,147	16,778	501,627	1,153,144
Changes in current and noncurrent assets and liabilities				
Trade accounts receivable	-	-	19,168	(315,621)
Accounts receivable - rate tiers	-	-	5,542	-
Recovery of electricity costs and charges	-	-	-	(99,853)
Fuel - CCC account	-	-	64,087	17,318
Services in progress	-	-	8,484	(38,047)
Judicial deposits	(191)	(2,065)	(14,234)	(14,381)
Inventory	-	-	(6,897)	3,654
Dividends receivable	-	9,475	-	-
Taxes and contributions recoverable	-	-	(11,796)	6,089
Taxes and contributions recoverable on net income	5,180	(2,466)	(13,495)	(4,834)
Subrogation to CCC	-	-	65,824	44,011
Other receivables	(11,705)	(21,517)	5,485	(26,892)
Trade payables	122	147	(167,036)	(186,892)
Payroll charges	(92)	2	3,124	(9,990)
Taxes and contributions payable	1,668	(17)	(28,645)	(43,634)
Taxes and contributions payable on net income	(8,619)	(2,646)	(13,270)	(39,308)
Consumer charges	-	-	(4,531)	28,747
Public lighting fee	-	-	5,320	(14,999)
Energy efficiency research and development	-	-	4,178	9,356
Profit sharing	(871)	(2,307)	(18,363)	(13,967)
Retirement and pension plan	-	-	(4,322)	-
Provision for civil, labor and tax litigation	-	-	(19,453)	(19,879)
Interest paid	-	-	(138,737)	(107,240)
Income and social contribution taxes paid	-	-	(31,143)	(6,117)
Other accounts payable	4	(1)	14,460	17,099
	(14,504)	(21,395)	(276,250)	(815,380)
Flow of net cash provided by (used in) operating activities	(10,357)	(4,617)	225,377	337,764
Cash flows from investment activities				
Acquisitions of intangible assets and property, plant and equipment	-	-	(524,871)	(437,455)
Short-term investments/redemptions	3,049	(10,192)	311,028	223,681
Receipt of dividends	5,998	-	5,998	9,475
Flow of cash (used in) provided by investment activities	9,047	(10,192)	(207,845)	(204,299)
Cash flows from financing activities				
Loans and financing obtained	-	-	164,420	671,741
Amortization of loans and financing	-	-	(249,889)	(807,169)
Amortization of derivative financial instruments	-	-	141,225	53,431
Judicial reorganization	-	-	(51,835)	(43,528)
Funding for capital increase	1,771	-	1,771	-
Dividends paid	-	-	(3,001)	(3,069)
Net cash provided by (used) in financing activities	1,771	-	2,691	(128,594)
Net increase (decrease) in cash and cash equivalents	461	(14,809)	20,223	4,871
Cash and cash equivalents at beginning of period	9,035	23,226	397,866	280,098
Cash and cash equivalents at period-end	9,496	8,417	418,089	284,969
Net increase (decrease) in cash and cash equivalents	461	(14,809)	20,223	4,871

See the accompanying notes to the quarterly information.

Equatorial Energia S.A.

Statements of added value

Six-month periods ended June 30, 2016 and 2015

(In thousands of reais)

	Parent Company		Consolidated	
	6/30/2016	**6/30/2015**	**6/30/2016**	**6/30/2015**
Revenue				
Sales of products and services	-	1	4,343,585	4,179,247
Construction revenue	-	-	645,992	486,534
Allowance for doubtful accounts and losses on uncollectible receivables	-	-	(85,060)	(55,560)
Provision (reversal) for civil, labor and tax litigation	-	-	44,645	(8,530)
Other operating expenses (revenue)	(1,118)	(1,110)	(36,167)	(85,120)
	(1,118)	(1,109)	4,912,995	4,516,571
Inputs purchased from third parties (including ICMS and IPI)				
Costs of goods sold and services rendered	-	-	(2,328,512)	(2,409,051)
Materials, energy, outsourced services and other	(1,493)	(1,652)	(320,407)	(288,193)
CCC Subsidy	-	-	(7,053)	10,277
Commercial and other expenses	-	-	(610)	(939)
	(1,493)	(1,652)	(2,656,582)	(2,687,906)
Gross added (applied) value	(2,611)	(2,761)	2,256,413	1,828,665
Depreciation and amortization	(3)	(49)	(166,547)	(111,063)
Added value produced (applied) by the Company	(2,614)	(2,810)	2,089,866	1,717,602
Transferred value added				
Financial revenue	36,168	41,367	(33,629)	400,982
Equity in income of subsidiaries	314,313	586,914	12,926	19,087
VNR Adjustment	-	-	124,216	140,098
Amortization of concession rights	(3,187)	(3,354)	(3,187)	(3,354)
	347,294	624,927	100,326	556,813
Added value to be distributed	**344,680**	**622,117**	**2,190,192**	**2,274,415**
Distribution of value added				
Employees				
Direct compensation	16,326	25,486	127,744	136,156
Rewards and Benefits	126	125	31,473	14,289
FGTS	42	46	12,738	3,832
Other	2,238	2,137	(7,635)	(1,587)
	18,732	27,794	164,320	152,690
Taxes				
Federal	8,360	8,841	806,913	708,847
State	-	-	821,446	747,666
Municipal	-	-	2,012	1,284
	8,360	8,841	1,630,371	1,457,797
Third-party capital remuneration				
Rent	-	-	3,892	3,592
	-	-	3,892	3,592
Interest earnings				
Net income for the period	317,588	585,482	317,588	585,482
Minority interests in retained earnings	-	-	74,021	74,854
	317,588	585,482	391,609	660,336
Added value	**344,680**	**622,117**	**2,190,192**	**2,274,415**

See the accompanying notes to the quarterly information.

Notes to the financial statements

(In thousands of Reais, unless stated otherwise)

1 Nature of operations

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. The Company's head office is at Alameda A, Quadra SQS, nº100, Altos do Calhau - São Luís - MA, Brazil.

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 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. 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	**6/30/2016**
CEMAR	(a)	65.11%
Equatorial Soluções	(b)	100.00%
CELPA	(c)	96.50%
Geradora de Energia do Norte	(d)	25.00%
Vila Velha	(e)	50.00%
Equatorial Telecomunicações	(f)	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 2.2 consumers and covering a concession area of over 333 thousand square kilometers. The public power distribution concession contract (no. 060) between the Company, ANEEL and CEMAR has a term extending to August 2030 and is extendable for a further maximum term of 30 years.

(b) Equatorial Soluções S.A.: Equatorial Soluções is a closely 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.

(c) Centrais Elétricas do Pará S.A. (CELPA) is a Brazilian publicly traded corporation headquartered in Belém, Pará, supplying electricity to a concession area spanning 1,248,000 square kilometers across the State of Pará, serving 2.3 million consumers in 144 municipalities. The distribution concession contract (no. 182/1998) concluded between ANEEL and CELPA on July 28, 1998 has a term extending over 30 years, and extendable for a further 30 years. In addition to the distribution concession contract above, CELPA has a 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. On March 15, 2011, SCG / ANEEL Memorandum No. 331/2011 discontinued the concession for third-party thermal power stations, with the Company retaining the concession for its 11 Company-owned power stations.

(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 Company. The Company's controlling consortium 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%). Control of the Company 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 Espirito Santo. Equatorial Energia has a 50% interest in the company. Control of the Company is shared and governed by a Shareholders' Agreement.

(f) Equatorial Telecomunicações Ltda. is a private-law 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.

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

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

The presentation of quarterly information for subsidiaries included in the consolidation is 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 preparation and presentation of quarterly information

3.1 Statement of compliance

The individual and consolidated quarterly information has been prepared in accordance with Technical Pronouncement CPC 21 (R1) - *Interim Financial Statements*, IAS 34 - *Interim Financial Reporting* of the International Accounting Standards Board (IASB) and Brazilian generally accepted accounting principles (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 Counsel (CFC) and by the Brazilian Securities Commission (CVM) as applicable to the preparation of quarterly information, as well as the Power Sector Accounting Manual and other standards issued by the Brazilian power sector regulator, ANEEL.

The individual and consolidated interim quarterly information for the period ended June 30, 2016 was authorized for disclosure by the Board of Directors on August 09, 2016.

3.2 Basis of measurement

The quarterly information has been prepared on a historical cost basis, except for the following material items recognized in the balance sheets at fair value: Concession financial assets; derivative financial instrument assets and liabilities.

3.3 Functional currency and reporting currency

This quarterly information is reported in Reais, the Company's functional currency. All financial information presented in reais has been rounded to the nearest thousand, except when otherwise indicated.

3.4 Use of judgment and estimates

Preparing the quarterly information requires Management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported values of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

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

Significant items subject to such judgments, estimates and assumptions include:

- **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 25** - 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 34 -** 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;
- **Note 35** - definition of fair value using valuation techniques including the discounted cash flow method for financial assets and liabilities not traded in an active market.

4 Significant accounting policies

The interim financial information is being presented without repeating certain notes previously disclosed, but disclosing any material changes in the period. The accounting principles used in the preparation of interim information are the same as used in the preparation of the Company's annual financial statements, as described in Note 3, for the financial year ended December 31, 2015. The interim financial information should therefore be read in conjunction with the Company's annual financial statements for the financial year ended December 31, 2015, which include the full set of notes.

The Company has adopted all pronouncements and standards, revised pronouncements and standards and interpretations issued by CPC and IASB and in force as of June 30, 2016.

5 Cash and cash equivalents

	Parent company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Cash and banks	63	161	28,810	46,987
Short-term financial investments (a)	9,433	8,874	389,279	350,879
Total	9,496	9,035	418,089	397,866

(a) Short-term financial investments

	Parent company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
CDB	9,123	8,543	236,330	212,119
Debentures held under repurchase agreements	310	331	152,949	138,760
Total	9,433	8,874	389,279	350,879

Short-term financial investments are transactions at financial institutions operating in Brazilian financial markets and which have low credit risk.

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 financial institutions, which pay interest at rates of approximately 100% of the CDB rate, 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.

The Company recognizes these current assets as cash and short-term financial investments in its statements of cash flows, and there are therefore no differences between the cash and short-term financial investments described in this note and the balances presented in the statement of cash flows. There are no balances of cash and cash equivalents that are not available for immediate use by the Company.

6 Short-term investments

	Parent company		Consolidated	
Type	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Investment funds	235,475	223,045	1,905,254	2,080,520
Other	-	-	3,196	2,954
Total	235,475	223,045	1,908,450	2,083,474

Investment funds represent low-risk transactions with first-rate financial institutions. 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 Company policy. These instruments pay interest at approximately 98% of the Interbank Deposit Certificate ("CDI") rate and are classified as held to maturity.

7 Trade accounts receivable (Consolidated)

a. Breakdown of balances

	Consolidated	
	6/30/2016	**12/31/2015**
Trade accounts receivable, billed	1,438,421	1,530,078
Trade accounts receivable, unbilled	209,639	275,913
Financed receivables	743,265	763,554
Low-income and "viva luz" consumers	58,424	61,475
Other	98,536	157,997
Total	2,548,285	2,789,017
(-) Allowance for doubtful accounts	(227,570)	(533,721)
Total trade accounts receivable	2,320,715	2,255,296
Current	1,938,558	1,977,709
Non-current	382,157	277,587

b. Allowance for doubtful accounts (CEMAR and CELPA)

	12/31/2015	**Provisions additions**	**Reversals (write-offs) (a)**	**6/30/2016**
Trade accounts receivable, billed	449,314	132,876	(391,628)	190,562
Financed receivables	81,453	24,841	(77,541)	28,753
Other	2,954	6,481	(1,180)	8,255
Total	533,721	164,198	(470,349)	227,570

	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	2,954	-	-	2,954
Total	368,718	245,047	(80,044)	533,721

(a) CELPA reassessed the aging of trade receivables and identified a total of R$ 298,130 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 quarter, 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 relevant 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 -** more than 90 days overdue;
- **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.

c. Trade accounts receivable, billed (CEMAR and CELPA)

	Consolidated			
	6/30/2016			
	Outstanding balances	Up to 90 days overdue	More than 90 days overdue	Total
Residential	195,172	337,507	188,046	720,725
Industrial	65,222	24,815	67,753	157,790
Commercial	127,743	97,609	50,945	276,297
Rural	12,616	16,567	22,271	51,454
Government	52,061	67,345	27,095	146,501
Public lighting	22,065	2,206	20,884	45,155
Public utility	7,642	19,657	13,200	40,499
Billed Sales	482,521	565,706	390,194	1,438,421

	Consolidated			
	12/31/2015			
	Outstandin g balances	Up to 90 days overdue	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
Billed Sales	654,013	501,702	374,363	1,530,078

d. Financed receivables

	Consolidated			
	6/30/2016			
	Outstanding balances	Up to 90 days overdue	More than 90 days overdue	Total
Residential	349,306	14,502	108,569	472,377
Industrial	28,359	2,083	18,585	49,027
Commercial	61,516	1,180	23,070	85,766
Rural	5,597	1,490	19,732	26,819
Government	90,624	3,162	(24,897)	68,889
Public lighting	3,498	1,054	1,554	6,106
Public utility	26,775	3,803	3,703	34,281
Total financed receivables	565,675	27,274	150,316	743,265

	Consolidated			
	12/31/2015			
	Outstanding balances	Up to 90 days overdue	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

Billings within the Rate Tier System from January to June 2016, of R$ 111,938, and costs passed on to customers, of R$ 36.00, were recognized as advance "A Component" revenue and other financial items, without affecting the Group's income for the period. There is no balance receivable for the period ended June 30, 2016. At December 31, 2015 the balance receivable was R$ 5,542.

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. In the second quarter the green tier was applied.

9 Fuel purchased - CCC account

At June 30, 2016, CELPA, had credits of R$157,211 (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.

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.

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

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 tariff 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		
	6/30/2016		
	Current	Non-current	Total
Portion A			
Energy Development Account (CDE)	(3,839)	27,220	23,381
Alternative Source Incentive Program (PROINFA)	109	16,443	16,552
National Grid	2,269	7,060	9,329
Purchased electricity	67,620	41,445	109,065
System Service Charges (ESS)	(28,195)	(82,931)	(111,126)
	37,964	9,237	47,201
Financial items			
Over-purchased electricity (a)	(21,760)	25,599	3,839
Financial exposure	1,392	(90,769)	(89,377)
PIS/CONFINS (b)	(10,399)	-	(10,399)
Eletronuclear	919	-	919
Neutrality	(731)	(63,517)	(64,248)
Cepisa violation of continuity limit	429	-	429
Other	51	(52,645)	(52,594)
	(30,099)	(181,332)	(211,431)
Total	7,865	(172,095)	(164,230)

	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
Purchased electricity	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/CONFINS	(32,701)	(19,382)	(52,083)
Eletronuclear	6,763	-	6,763
Neutrality	(10,083)	(3,276)	(13,359)
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)

(a) 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 second quarter of 2015 the PLD averaged R$ 297.15, which was higher than in the second quarter of 2016 and therefore constituted a component of assets for 2015; (ii) at June 30, 2016, CEMAR's short-term market surplus (or contract power in excess of calculated electricity requirement) was lower, combined with a lower average PLD for financial year 2016 at R$69.80; and (iii) in aggregate, thermal power dispatches by the National System Operator (ONS) were reduced, which reduces variable revenue components for generators. These items resulted in a liability component for year 2016 compared with 2015.

(b) 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 difference between calculated amounts and the amount 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 customers which will be passed through by CEMAR in 2016.

Following the publication of OCPC08 - *Recognition of Certain Assets or Liabilities in the General-Purpose Financial Reports of Electric Power Distributors* in December 2014, which regulates the recognition of regulatory assets and liabilities deriving from the addendum signed with the power sector regulator as described in Note 2, the Company has recorded these rights and obligations on an accrual basis and prospectively.

	12/31/2015	**Establishment**	**Indexation**	**Amortization**	**6/30/2016**
Portion A					
Energy Development Account (CDE)	52,885	(24,811)	4,474	(9,167)	23,381
Alternative Source Incentive Program (PROINFA)	814	15,674	776	(712)	16,552
National Grid	13,139	5,776	703	(10,289)	9,329
Purchased electricity (a)	249,128	141,793	13,187	(295,043)	109,065
System Service Charges (ESS) (b)	(209,697)	(11,998)	(10,655)	121,224	(111,126)
	106,269	126,434	8,485	(193,987)	47,201
Financial items					
Over-purchased electricity (c)	(108,846)	35,956	371	76,358	3,839
Financial exposure	21,358	(98,606)	(3,145)	(8,984)	(89,377)
PIS/CONFINS	(11,121)	722	-	-	(10,399)
Eletronuclear (e)	6,763	-	-	(5,844)	919
Neutrality (f)	(54,321)	(10,798)	(3,342)	4,213	(64,248)
Cepisa violation of continuity limit	2,602	-	-	(2,173)	429
Other	(29,243)	6,268	-	(29,619)	(52,594)
	(172,808)	(66,458)	(6,116)	33,951	(211,431)
Total	(66,539)	59,976	2,369	(160,036)	(164,230)

	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
Purchased electricity (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/CONFINS	61,169	(11,121)	(61,169)	-	-	(11,121)
Eletronuclear	17,938	-	9,822	-	(20,997)	6,763
Continuity limit (e)	(1,017)	-	113	-	904	-
Neutrality	(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 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 tariff 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) 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.

(e) 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 tariff adjustments.

(f) 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 tariff 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 Company's annual tariff adjustment through Resolution 1940 of August 25, 2015, with new rates that will be effective from August 28, 2015 to August 27, 2016. In calculating adjustments, the Agency takes account of the changes in costs to which the Company was 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 calculated, and any difference between the amount calculated by the Group 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 tariff review are written off as they may only be amortized over a period of 12 months following the adjustment.

11 Taxes recoverable

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

11.1 Taxes and contributions recoverable

	Consolidated	
Current	**6/30/2016**	**12/31/2015**
PIS/COFINS	693	1,205
ICMS	32,813	35,138
PAEX recoverable	42,835	40,798
Social charges and other	1,949	1,323
Other	3,609	16,410
Total	81,899	94,874
Non-current		
ICMS	109,995	85,263
FINSOCIAL	2,286	2,247
Other	723	723
Total	113,004	88,233

11.2 Taxes and contributions recoverable on net income

	Consolidated	
Current	**6/30/2016**	**12/31/2015**
IRRF on short-term investments	61,640	55,450
Prepaid IRPJ/CSLL	19,034	21,943
IRPJ/CSLL returnable (a)	39,698	32,315
PIS/COFINS withheld at source	8,456	7,075
Total	128,828	116,783
Non-current		
IRPJ/CSLL returnable (a)	40,998	39,661
Total	40,998	39,661

(a) Amounts recorded under Current derived from pre-paid IRRF, CSLL, PIS and COFINS withholding in 2015. The amounts recorded under Noncurrent consist of prepaid IRPJ and CSLL in calendar year 2004, which were paid in installments in accordance with Act 11941/2009.

12 Related parties

The primary balances of assets, liabilities and revenue/expenditure at June 30, 2016 and the primary transactions that affected results 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 of December 11, 2008, which approved CPC 05 - Related Parties Disclosures, are shown below:

			Parent company					
			6/30/2016			12/31/2015		6/30/2015
Companies	**Note**	**Nature of transaction**	**Assets**	**Liabilities**	**Income/ expense**	**Assets**	**Liabilities**	**Income/ expense**
CEMAR	(a)	Shared services agreement	-	(402)	-	-	(212)	-
		Dividends	107,099	-	-	44,696	-	-
CELPA	(b)	Loans	102,487	-	(12,098)	102,464	-	6,692
		Credit assignment	220,485	-	(14,190)	200,401	-	(18,524)
		Dividends	21,487	-	-	16,758	-	-
Equatorial Soluções	(c)	Dividends	6,353	-	-	6,353	-	-

			Consolidated					
			6/30/2016			12/31/2015		6/30/2015
Companies	**Note**	**Nature of transaction**	**Assets**	**Liabilities**	**Income/ expense**	**Assets**	**Liabilities**	**Income/ expense**
ELETROBRAS	(d)	Loans	-	(290,728)	(12,306)	12,306	(313,001)	-
		Dividends	-	(55,189)	-	-	(23,032)	-
FASCEMAR	(e)	Pension plan	-	-	1,249	-	-	1,530
GERA MARANHÃO	(f)	Purchased electricity	-	-	1,313	-	-	1,485

(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 Equatorial 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.

(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.

Management Compensation

The ceiling for the overall compensation paid to members of the Board of Directors was set at R$14,500 in an Annual General Meeting held on April 15, 2016.

Proportion of each constituent of overall compensation in the period ended June 30, 2016:

Board of Directors	
Fixed compensation:	100%
Executive Board	
Fixed compensation:	20%
Variable compensation:	0%
Share-based payments:	80%

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

	Board of Directors	Statutory Executive Board	Total
Number of members	7	7	14
Annual fixed compensation	540	1,028	1,568
Salaries or management fees	540	1,020	1,560
Direct and indirect benefits	-	8	8
Variable compensation	-	4,044	4,044
Bonuses	-	-	-
Post-employment benefits	-	8	8
Share-based payments	-	4,046	4,036
Total compensation by body	540	5,072	5,612

Guarantees

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	From	To	Amount disbursed	6/30/2016
Agência Especial de Financiamento Industrial - FINAME PSI (Simplified)	776	100	3/25/2010	10/15/2019	**776**	**1,317**
Agência Especial de Financiamento Industrial - FINAME PSI (Conventional)	17,262	100	8/17/2010	4/15/2020	**17,262**	**8,351**
Banco do Brasil - CCB No. 21/00003-4	90,000	100	12/19/2014	4/11/2018	**90,000**	**92,901**
Banco do Brasil - CCB No. 20/02000-7	150,000	100	12/19/2014	6/12/2018	**150,000**	**151,109**
Banco do Brasil - CCB No. 20/02002-3	40,000	100	12/19/2014	6/15/2018	**40,000**	**40,250**
Banco do Brasil - CCB No. 2100010-7	20,000	100	12/19/2014	12/3/2017	**20,000**	**24,605**
Brazilian Development Bank - BNDES (11.2.0841.1)	175,237	100	11/11/2011	11/15/2021	**175,237**	**58,538**
Brazilian Development Bank - BNDES (12.2.1211.1)	466,645	100	12/13/2012	12/15/2022	**467,280**	**368,017**
Brazilian Development Bank - BNDES (14.2.1233.1)	141,709	100	12/30/2014	3/15/2024	**212,109**	**221,465**
Banco do Nordeste do Brasil - BNB	136,076	100	11/23/2005	11/18/2016	**136,076**	**2,888**
Banco do Nordeste do Brasil - BNB (193.2008.2808.3018)	144,939	100	2/5/2009	2/5/2021	**144,939**	**85,109**
Caixa Econômica Federal - Contract No. 415.866-52/2013 - FINISA	25,763	100	10/4/2013	10/7/2025	**25,763**	**26,067**
Financiadora de Estudos e Projetos - FINEP	7,956	100	11/7/2011	3/15/2020	7,956	4,213
Total	1,416,363				**1,487,398**	**1,084,830**

CELPA

Institution	Financing amount	% guarantee	From	To	Amount disbursed	6/30/2016
Inter-American Development Bank (RJ)	121,095	100	9/1/2012	8/31/2026	121,095	234,697
Banco BIC (working capital)	11,700	100	1/22/2014	7/24/2017	11,700	4,811
Banco BIC (working capital)	10,000	100	9/19/2014	3/19/2018	10,000	6,223
Banco Guanabara - (working capital CCB)	8,114	100	10/20/2014	10/22/2018	8,114	4,755
Banco BIC (working capital)	20,900	100	12/30/2014	6/30/2018	22,900	15,715
BNDES (Loan 13/14)	498,073	100	12/26/2014	5/15/2024	407,150	345,868
BNDES (Loan - Tower 15/16/17)	863,191	100	12/27/2015	3/15/2024	290,000	297,470
Banco Itaú (Working Capital CCBI)- US$69MM	200,000	100	2/25/2015	2/24/2017	200,000	224,898
Citibank (Working Capital CCBI) - US$ 112MM	455,520	100	1/20/2016	2/1/2019	455,520	363,449
Banco BIC (working capital)	22,900	100	7/3/2015	1/3/2019	22,900	19,390
Banco Santander	85,000	100	8/12/2015	8/8/2016	85,000	80,825
Banco BIC (working capital)	2,147	100	5/16/2016	11/16/2019	2,147	2,132
Austral Seguradora (Guarantee for 20th LEN Option 006/2014 A-5)	341	100	11/18/2015	11/18/2016	N/A	N/A
Austral Seguradora (Judicial Insurance - Labor - Oscar Dias)	410	100	8/27/2015	8/27/2017	N/A	N/A
Austral Seguradora (Judicial Insurance -Labor - Case no.0001146-69.2013.5.08.0003)	471	100	11/16/2015	11/16/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Labor - Tax Enforcement - PGFN)	1,114	100	11/23/2015	11/23/2020	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000239-31.2007.8.14.0054)	350	100	12/11/2015	12/11/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000851-74.2014.5.08.0107)	200	100	1/18/2016	1/18/2018	N/A	N/A
Austral Seguradora (Judicial Insurance - AI no. 001/2012 and 002/2012 - ISS Portel)	24,792	100	1/18/2016	1/18/2021	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000474-07.2005.814.0005)	1,372	100	3/23/2016	3/23/2019	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0019743-82.2012.814.0301)	3,400	100	4/6/2016	4/6/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0002876-91.2000.8.14.0028)	1,397	100	4/14/2016	4/14/2019	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000197-87.2006.814.0070)	1,917	100	4/18/2016	4/18/2019	N/A	N/A
Austral Seguradora (Judicial Insurance - Insured PINE)	36,467	100	9/9/2015	9/9/2016	N/A	N/A
Austral Seguradora (Judicial Insurance - Insured STIUPA)	25,175	100	11/10/2014	11/9/2019	N/A	N/A
Austral Seguradora (Judicial Guarantee - AI: 032809-A of ICMBio)	66	100	8/10/2015	5/10/2018	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 001.2012.908.134-3 - 3rd Tax Enforcement Court of Belém/PA)	4,418	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)	79	100	1/13/2015	1/13/2020	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 1575-70.2012.5.08.0003)	677	100	2/2/2015	1/29/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000578-90.1997.814.0301 Civil)	1,315	100	7/9/2015	7/9/2018	N/A	N/A
Austral Seguradora (Electricity Purchase Guarantee - Option no. 02/2015 (3rd LFA))	283	100	12/31/2015	12/31/2016	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0009689-93.2014.8.14.0040 Tax Enforcement Parauapebas)	18	100	5/15/2015	5/15/2020	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0000587-05.2015.08.0016 - 17th Labor Court of Belém/PA)	2,474	100	5/21/2015	5/21/2017	N/A	N/A
Austral Seguradora (Judicial Insurance - Case no. 0001007-41.2014.08.0017 - 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. 0000001-71.1998.14.0007 -Antônio Pereira Lobo)	3,920	100	6/14/2016	6/14/2018	N/A	N/A
Total	2,410,324				1,636,526	**1,600,233**

13 Subrogation to CCC

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). 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$194,004 (R$163,912 at December 31, 2015) has already been disbursed to CELPA, with a remaining balance of R$321,992 (R$348,129 at December 31, 2015) and R$22,374 relating to the grid connection of the Municipalities of Oriximiná and Óbidos.

Program	**Balance at 12/31/2015**	**Transfer for works**	**Portion received**	**Indexation to IGPM**	**Balance at 6/30/2016**
Subrogation Ilha do Marajó	43,450	46,710	(30,092)	2,930	62,998
Subrogation Oriximiná and Óbidos	22,374	-	-	-1,024	23,398
Total	65,824	46,710	(30,092)	3,954	86,396

14 Other receivables

	Parent company		**Consolidated**	
Current	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Employee amounts recoverable	-	-	2,925	1,985
Advances to suppliers	-	-	7,974	5,058
Sale of assets and rights	-	-	4,497	5,437
Electricity reimbursement credit	-	-	3,764	3,262
Credits on electricity bills	-	-	4,007	5,264
Prepaid expenses	-	-	5,381	10,271
Other receivables (c)	1,275	1,228	35,036	27,415
Total	1,275	1,228	63,584	58,692

	Parent company		**Consolidated**	
Non-current	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Amounts to be released (a)	-	-	16,140	16,140
Guarantee (b)	-	-	55,902	65,376
Credit extension - Celpa	315,906	302,865	-	-
Other receivables	-	-	3,791	4,616
Total	315,906	302,865	75,833	86,132

(a) Refers to CELPA's balance at Banco Daycoval of R$16,140, which has been frozen in connection with loans renegotiated under the Judicial Reorganization Plan.

(b) 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.

(c) Other receivables are primarily related to CELPA, with R$16,947 related to service entrance financing offered to consumers in low income areas where illegal connections have been legalized, R$627 related to the shared use of light poles (the shared use of distribution infrastructure), and R$5,084 relating to other Accounts Receivable.

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.

The changes in concession financial asset balances are as follows:

	12/31/2015	Indexation of financial assets (a)	Capitalization	Write-offs	6/30/2016
Financial assets	3,176,346	180,203	46,084	(1,220)	3,401,413
Special obligations (b)	(947,415)	(55,977)	(109,235)	-	(1,112,627)
Total	2,228,931	124,226	(63,151)	(1,220)	2,288,786

	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 and 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 General Market Prices Index (IGP-M), which is one of the primary indexes used for annual indexation by the regulator in tariff adjustment processes. 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 Tariff Review for CELPA under Order 2441 of July 29, 2015.

16 Capital expenditure

Key information on capital expenditure in subsidiaries and joint ventures is provided below:

		Parent company		Consolidated	
Appraised by equity accounting:		**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
CEMAR	65.11%	1,524,189	1,467,879	-	-
CELPA	96.50%	1,640,554	1,470,032	-	-
Geradora de Energia do Norte	25.00%	83,196	75,282	83,196	75,282
Vila Velha	50.00%	3,300	3,300	3,300	3,300
Equatorial Soluções	100.00%	32,878	29,627	-	-
Subtotal		3,284,117	3,046,120	86,496	78,582
Other investments		-	-	10,063	10,064
Total		3,284,117	3,046,120	96,559	88,646

a. Changes in the capital expenditure in subsidiaries and joint subsidiaries

	CEMAR	**CELPA**	**Geradora de Energia do Norte**	**Vila Velha**	**Equatorial Soluções**	**Total**
Balance at December 31, 2015	1,467,879	1,470,032	75,282	3,300	29,627	3,046,120
Additional dividends	(62,403)	(4,729)	(5,998)	-	-	(73,130)
Equity in net income of subsidiaries	121,900	175,251	13,912	-	3,251	314,314
Amortization of concession rights	(3,187)	-	-	-	-	(3,187)
Balance at June 30, 2016	1,524,189	1,640,554	83,196	3,300	32,878	3,284,117

	CEMAR	**CELPA**	**Geradora de Energia do Norte**	**Vila Velha**	**Equatorial 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	(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. Reconciliation of capital expenditure

	2016							
Subsidiaries	**Interest**	**Equity of subsidiary**	**Net income**	**Goodwill/ PPA Result**	**Equity income**	**Capital expenditure**	**Balance Goodwill/PPA**	**Total investment**
CEMAR	65.11%	2,039,655	187,226	-	121,900	1,327,993	196,196	1,524,189
CELPA	96.50%	1,979,397	139,325	40,803	134,448	1,910,100	(269,546)	1,640,554
Geradora de Energia do Norte	25.00%	287,452	55,454	48	13,864	71,863	11,333	83,196
Vila Velha	50.00%	6,600	-	-	-	3,300	-	3,300
Equatorial Soluções	100.00%	32,878	3,251	-	3,251	32,878	-	32,878
		4,345,982	385,256	40,851	273,462	3,346,134	(62,017)	3,284,117

17 Intangible assets (Consolidated)

Intangible assets are recognized as follows:

		6/30/2016			
	Weighted average annual depreciation rates (%)	**Cost**	**Amortization**	**(-) Obligations linked to the concession**	**Net value**
In service	4.65%	8,810,957	(3,601,944)	(1,790,176)	3,418,837
In progress		1,339,260	-	(411,311)	927,949
Concession agreement		291,810	(95,614)	-	196,196
Total		10,442,027	(3,697,558)	(2,201,487)	4,542,982

		12/31/2015			
	Weighted average annual depreciation rates (%)	**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 20/99 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.

Changes in intangible assets are presented below:

	12/31/2015	Additions	Write-offs	Capitalization/ transfer (a)	6/30/2016
In Service	8,720,104	35	(14,604)	105,422	8,810,957
(-) Amortization	(3,376,024)	(239,336)	13,416	-	(3,601,944)
Total in service	5,344,080	(239,301)	(1,188)	105,422	5,209,013
In progress	852,623	638,144	-	(151,507)	1,339,260
Total in progress	852,623	638,144	-	(151,507)	1,339,260
Special obligations (b)	(2,942,915)	(104,912)	1,737	100,290	(2,945,800)
(-) Amortization	671,468	72,845	-	-	744,313
Total special obligations	(2,271,447)	(32,067)	1,737	100,290	(2,201,487)
Concession right	291,810	-	-	-	291,810
(-) Amortization	(92,426)	(3,188)	-	-	(95,614)
Total concession rights	199,384	(3,188)	-	-	196,196
Total	4,124,640	363,588	549	54,205	4,542,982

	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 concession financial assets.

(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 breaks down as follows:

	Consolidated	
	6/30/2016	**12/31/2015**
Work in progress	1,094,358	662,726
Materials in inventory	208,354	142,723
Advances to suppliers	52,563	62,789
Provision for losses	(16,015)	(15,615)
Total	1,339,260	852,623

Intangible assets in progress increased as a result of an increase in capital expenditure on the construction of new substations, expansions and new technologies for power system upgrades and expansions. CEMAR will invest its largest capital expenditure this year.

CELPA's intangible assets in progress increased 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	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Electricity sales to distributors	-	-	308,881	473,401
Electricity network usage charge	-	-	27,701	24,639
Materials and services	-	-	419,731	300,287
Fuel purchases	-	-	(4,119)	112,544
Other	427	305	15,550	23,909
Total	427	305	767,744	934,780

During the period ended June 30, 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$ 65.01 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 up to 4% at the start of supply in 2016.

19 Loans and financing (Consolidated)

		6/30/2016		
	Average cost of debt (% p.a.)	**Principal and interest**		
Foreign currency (USD)		**Current**	**Non-current**	**Total**
National Treasury	4.88%	662	71,148	71,810
CCBI Itaú	2.43%	224,898	-	224,898
CCBI Citibank	2.56%	82,657	280,792	363,449
Santander	4.20%	80,825	-	80,825
Transaction Itaú	3.00%	742	130,666	131,408
Transaction Santander	3.00%	844	131,850	132,694
Total foreign currency		390,628	614,456	1,005,084
Domestic currency				
Eletrobras	9.39%	55,069	235,659	290,728
FINAME	11.22%	2	-	2
Guanabara	13.84%	2,051	2,705	4,756
IBM	14.46%	25,384	25,917	51,301
BNDES	9.44%	171,269	1,120,090	1,291,359
BANCO DO BRASIL	14.84%	10,788	305,984	316,772
BNB	8.50%	21,569	66,430	87,999
CAIXA	6.00%	2,879	58,887	61,766
FINEP	4.00%	1,128	3,084	4,212
Sudene	7.00%	7,025	33,909	40,934
Votorantim	4.50%	474	1,287	1,761
Subtotal		297,638	1,853,952	2,151,590
(-) Arrangement costs		(2,606)	(7,591)	(10,197)
Total local currency		295,032	1,846,361	2,141,393
Total		685,660	2,460,817	3,146,477

		12/31/2015		
	Average cost of debt (% p.a.)	**Principal and interest**		
Foreign currency (USD)		**Current**	**Non-current**	**Total**
National Treasury	4.85%	2,643	90,649	93,292
CCBI Itaú	2.34%	137,638	135,645	273,283
CCBI Citibank	5.72%	196,902	243,993	440,895
Santander	3.30%	151,100	-	151,100
Transaction Itaú	3.00%	929	158,958	159,887
Transaction Santander	3.00%	1,046	158,730	159,776
Subtotal		490,258	787,975	1,278,233
(-) Arrangement costs		(699)	-	(699)
Total foreign currency		489,559	787,975	1,277,534
Domestic currency				
Eletrobras	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
CAIXA	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		(2,408)	(7,149)	(9,557)
Total local currency		315,828	1,799,291	2,115,119
Grand total		805,387	2,587,266	3,392,653

At June 30, 2016 the Group reported loans and financing of R$3,146,477 (R$ 3,392,653 at December 31, 2015), including R$685,660 in short term and R$2,460,817 in long-term loans and financing (R$805,387 short term and R$2,587,266 long-term at December 31, 2015), at an average annual cost of 8.85%, or 62.80% of the CDI rate (8.76%, or 65.97% of the CDI rate at December 31, 2015).

At June 30, 2016 and December 31, 2015 the installment payments under the primary loans and financing agreements were as follows:

	6/30/2016		12/31/2015	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	685,660	22%	805,387	24%
2017	488,004	16%	902,852	27%
2018	752,279	24%	815,780	24%
2019	341,141	11%	239,422	7%
2020	296,990	9%	206,961	6%
2020 onwards	589,994	19%	429,400	13%
Subtotal	2,468,408	78%	2,594,415	76%
Arrangement costs (Non-Current)	(7,591)	0%	(7,149)	0%
Non-current	2,460,817	78%	2,587,266	76%
Total	3,146,477	100%	3,392,653	100%

Changes in balances of loans and financing are as follows:

	Domestic currency		**Foreign currency (USD)**		
	Current liabilities	**Non-current liabilities**	**Current liabilities**	**Non-current liabilities**	**Total**
Balances at December 31, 2015	315,828	1,799,291	489,559	787,975	3,392,653
Inflows	(293)	164,713	-	-	164,420
Interest	70,870	5,947	16,355	-	93,172
Monetary and exchange variance	17,840	13,079	(15,337)	(201,473)	(185,891)
Transfers	136,507	(136,507)	(27,954)	27,954	-
Amortization of principal	(161,343)	278	(55,034)	-	(216,099)
Interest payments	(84,178)	-	(17,661)	-	(101,839)
Transaction cost	19	(658)	700	-	61
Transaction transfers	(218)	218	-	-	-
Balances at June 30, 2016	295,032	1,846,361	390,628	614,456	3,146,477

	Domestic currency		**Foreign currency (USD)**		
	Current liabilities	**Non-current liabilities**	**Current liabilities**	**Non-current liabilities**	**Total**
Balances at December 31, 2014	423,485	2,444,874	536,370	452,880	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	13,082	28,084	(3,854)	190,045
Monetary and exchange variance	577	22,523	71,443	319,608	414,151
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 transfers	(512)	512	(700)	700	-
Transaction cost	(610)	(2,558)	1,658	-	(1,290)
Balances at 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.

The debt security balance consists of a guarantee of R$63,349 (R$70,705 at December 31, 2015) provided by subsidiaries CEMAR e CELPA.

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 Group was compliant with its covenants at period end on June 30, 2016.

20 Debentures (Consolidated)

Changes in debentures in CEMAR during the period were as follows:

	Current liabilities	Non-current liabilities	Total
Balances at December 31, 2015	47,303	495,182	542,485
Interest	29,927	-	29,927
Transfers	33,790	(33,790)	-
Amortization of principal	(33,790)	-	(33,790)
Interest payments	(36,898)	-	(36,898)
Monetary variance	-	11,365	11,365
Arrangement costs	-	250	250
Balances at June 30, 2016	40,332	473,007	513,339

	Current liabilities	Non-current liabilities	Total
Balances at 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 at December 31, 2015	47,303	495,182	542,485

Fourth debenture issue

The public distribution of CEMAR's 4th issue of non-convertible debentures ended on September 22, 2012. The proceeds of R$280,000, divided into two tranches of R$101,380 and R$178,620, were intended primarily for the implementation of CEMAR's investment program and an increase in working capital. On June 30, 2016 the effective rate for this transaction was 14.84% 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. On June 30, 2016 the effective rate for this transaction was 15.95% per year (15.27% at December 31, 2015).

At June 30, 2016 the debentures amounted to R$513,339 and their scheduled maturities are as follows:

	6/30/2016		12/31/2015	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	40,332	8%	47,303	8%
2017	66,660	13%	100,450	19%
2018	180,443	35%	174,876	33%
2019	146,663	29%	141,096	27%
2020	80,601	16%	80,369	14%
Non-current	474,367	92%	496,791	93%
Arrangement costs (Non-Current)	(1,360)		(1,609)	0%
Total noncurrent	473,007	0%	495,182	92%
Total	513,339	100%	542,485	100%

Covenants

The debentures require that certain debt ratios and interest coverage be maintained. At June 30, 2016 CEMAR was compliant with all applicable covenants.

21 Taxes payable

21.1 Taxes and contributions payable

	Consolidated	
Current	**6/30/2016**	**12/31/2015**
ICMS	193,152	194,568
ICMS financing	34,702	33,056
PIS/COFINS	46,854	46,149
Social charges and other	15,126	29,263
Other	8,372	9,385
Total	298,206	312,421

	Consolidated	
Non-current	**6/30/2016**	**12/31/2015**
ICMS financing (a)	14,475	30,316
Other	21,804	20,393
Total	36,279	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 October 30, 2017.

21.2 Taxes and contributions payable on net income

	Parent company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
IRRF	3,422	10,163	3,926	9,981
Provision for IRPJ/CSL	6,956	474	11,460	8,257
Total	10,378	10,637	15,386	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 a rate of 25% including an added 10%, while social contribution is recognized at a 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

Breakdown of deferred taxes:

	Consolidated	
	6/30/2016	**12/31/2015**
IRPJ tax losses (*)	132,544	132,544
IRPJ and CSLL temporary differences (i)	(307,768)	(244,591)
IRPJ and CSLL on revaluation reserve	(82,860)	(88,325)
IRPJ and CSLL CELPA, CELPA acquisition (ii)	50,261	57,870
Total	(207,823)	(142,502)

(*) Tax loss credits are derived from CEMAR.

(i) Breakdown of IRPJ and CSLL temporary differences (i).

	Consolidated	
	6/30/2016	**12/31/2015**
Provision for contingencies	90,463	91,875
Allowance for doubtful accounts	77,375	181,466
Stayed taxes	2,995	971
Accelerated depreciation	(334,102)	(295,193)
Provision for pension fund	11,015	12,484
Adjustment to present value	(167,101)	(157,113)
VNR	(49,790)	(23,802)
Swaps	22,996	(108,120)
Other nondeductible expenses	38,381	52,841
Total	(307,768)	(244,591)

(ii) Breakdown of IRPJ and CSLL, CELPA acquisition

	6/30/2016	12/31/2015
Intangible - concession goodwill	(38,538)	(40,276)
Write-off of property, plant and equipment	36,337	37,976
Potential contingencies	43,312	51,020
Other accounts payable - PLPT	9,150	9,150
Total	50,261	57,870

22.2 Prospects of recovery

Based on technical feasibility studies, Management estimates that these tax credits can be realized up to 2020, as shown below:

Prospect of realization	2018	2019	2020	Total
Deferred taxes	10,400	76,900	45,244	132,544

CEMAR did not realize deferred income taxes on tax losses in the quarter ended June 30, 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 March 10, 2016.

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 period ended June 30, 2016 and 2015, is shown below:

	6/30/2016		6/30/2015	
	IRPJ	**CSLL**	**IRPJ**	**CSLL**
Profit before income (IRPJ) and social contribution (CSLL) taxes	498,491	498,491	850,457	850,457
Statutory rate	25%	9%	25%	9%
Calculated at the tax rate	124,623	44,864	212,614	76,541
Additions:				
Provision for contingencies	66,517	23,946	64,895	23,362
Allowance for doubtful accounts	17,425	6,273	37,487	13,495
Energy efficiency research and development	19,167	6,900	15,678	5,644
Adjustment to present value	4,320	1,555	25,178	9,064
IRPJ/CSLL on revaluation reserve	4,019	1,447	10,136	3,649
Provision for asset recovery	4,004	1,441	3,754	1,351
Profit-sharing, professional fees, license premium and pension fund	14,084	5,070	16,063	5,783
Effect of IR/CSLL on equity accounting	(3,232)	(1,163)	22,846	8,225
SWAP	117,448	42,281	107,651	38,754
Other provisions	39,144	14,096	14,157	12,541
	282,896	101,846	317,845	121,868
Exclusions:				
Write-offs of provisions, repositioning of deferred tariffs and regulatory assets	-	-	(67,947)	(24,461)
Reversal of allowance for doubtful accounts	(93,963)	(33,827)	(143,475)	(51,652)
Reversal of contingencies	(67,555)	(24,320)	(19,400)	(6,984)
Energy efficiency research and development	(16,194)	(5,830)	(13,834)	(4,980)
Profit sharing, fees and license premium	(24,753)	(8,911)	(6,946)	(2,501)
Provision for asset recovery	(3,904)	(1,405)	(3,604)	(1,297)
Accelerated depreciation	(38,909)	-		
Effect of IR/CSLL on equity accounting	-	-	(162,802)	(58,609)
SWAP	(21,039)	(7,574)	(117,263)	(42,215)
Financing cost, PVA and NRV	(26,965)	(9,708)	-	-
Other provisions	(52,158)	(18,732)	(70,993)	(25,528)
	(345,440)	(110,307)	(606,264)	(218,227)
IRPJ and CSLL	62,079	36,404	(75,805)	(19,818)
PAT Incentive	(1,206)	-	(722)	-
Carryforward/Recognition of tax losses and negative CSLL base	(2,196)	(4,172)	(2,725)	(5,328)
Incentive for extended maternity leave	(40)	-	(728)	-
Prior year IRPJ	-	-	(545)	(125)
Income and social contribution taxes on income	58,637	32,232	(80,525)	(25,271)
Effective rate (excluding income tax/CSLL)	11.76%	6.47%	-9.47%	-2.97%
Deferred tax assets	59,230	7,316	131,290	47,195
Recognized tax losses and negative CSLL base	-	-	(18,807)	(6,767)
(+) IRPJ Government Subsidy	(50,533)	-	(68,586)	-
Total	67,334	39,548	(36,628)	15,157
Effective rate for deferred tax assets	13.51%	7.93%	-4.31%	1.78%

On March 28, 2012 Opinion 0037/2012 granted CEMAR a further reduction of income tax on operating income to 75% in connection with a complete upgrade of the company' electrical infrastructure over the period from 2012 to 2021. Income tax on operating income at June 30, 2016 was R$43,284. 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 June 30, 2016 was R$24,093.

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 June 30, 2016 was R$43,284.

CELPA

On December 19, 2013 the Amazonian development agency (SUDAM), under the Ministry of National Integration, issued Opinion 140/2013 granting CLPA a reduction of income tax to 75% in connection with the diversification of infrastructure projects over the period from 2013 to 2022. Income tax on operating income at June 30, 2016 was R$24,093 (R$ 20,586 at December 31, 2015).

23 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 June 30, 2016 the provision for profit-sharing was R$2,349 (R$3,220 at December 31, 2015).

The balance of the provision for the Company and its subsidiaries was R$47,021 at June 30, 2016 (R$65,384 at December 31, 2015).

24 Payables from judicial reorganization - CELPA

a. Debt breakdown

	6/30/2016	**12/31/2015**
Current		
Operational creditors (a)	76,184	75,531
Sector charges (b)	29,853	26,894
(-) Adjustment to present value (d)	(14,959)	(10,979)
Total current	91,078	91,446
Non-current		
Operational creditors (a)	98,935	138,683
Sector charges (b)	14,926	34,548
Inter-company (c)	71,428	69,413
Financial creditors	1,199,190	1,199,397
(-) Adjustment to present value (d)	(425,901)	(446,442)
Total noncurrent	958,578	995,599
Total	1,049,656	1,087,045

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

	6/30/2016		12/31/2015	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	91,078	8.7%	91,446	8.4%
2017	51,042	4.9%	134,526	12.4%
2018	-	0.0%	-	-
2019	-	0.0%	3,680	0.3%
2020	-	0.0%	3,394	0.3%
2020 onwards	907,536	86.5%	853,999	78.6%
Non-current	958,578	91.32%	995,599	91.6%
Total	1,049,656	100%	1,087,045	100%

b. Changes in payables under judicial reorganization relief

	Balance at 12/31/2015	Interest, charges and exchange variation	Amortization	Adjustment to present value (d)	Balance at 6/30/2016
Operational creditors (a)	172,168	-	(39,094)	4,108	137,182
Sector charges (b)	53,803	2,745	(12,741)	243	44,050
Intercompany (c)	41,055	2,014	-	756	43,825
Financial creditors	820,019	(6,874)	-	11,454	824,599
Total	1,087,045	(2,115)	(51,835)	16,561	1,049,656

	Balance at 12/31/2014	Reclassification RJ	Inflows	Interest, charges and exchange variation	Amortization	Adjustment to present value (d)	Balance at 12/31/2015
Operational creditors (a)	195,875	-	14,300	-	(79,664)	41,657	172,168
Sector charges (b)	74,437	-	-	8,248	(27,910)	(972)	53,803
Intercompany (c)	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

(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.

(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 the Company'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 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.

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

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:

	6/30/2016			12/31/2015		
	Case value	**Judicial deposits**	**Net provision**	**Case value**	**Judicial deposits**	**Net provision**
Civil	135,667	(136,757)	(1,090)	130,275	(130,564)	(289)
Tax	8,241	(7,082)	1,159	2,286	(387)	1,899
Labor	103,377	(46,199)	57,178	119,767	(44,853)	74,914
Regulatory	19,040	-	19,040	18,057	-	18,057
PPA CELPA (a)	284,016	-	284,016	334,561	-	334,561
Total	550,341	(190,038)	360,303	604,946	(175,804)	429,142
Current	125,926	(32,192)	93,734	134,950	(25,277)	109,673
Non-current	424,415	(157,846)	266,569	469,996	(150,527)	319,469

(a) Of the civil judicial deposits, R$61.996 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.

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$284,016 at June 30, 2016.

Changes in proceedings in the period (Consolidated)

	12/31/2015	6/30/2016				
	Opening balance	**Addition to provision**	**Usage (1)**	**Reversal of provision (2)**	**Indexation (3)**	**Closing balance**
Civil	130,275	20,630	(9,490)	(11,967)	6,219	135,667
Tax	2,286	5,955	-	-	-	8,241
Labor	119,767	31,588	(8,018)	(45,880)	5,920	103,377
Regulatory	18,057	-	-	(100)	1,083	19,040
PPA CELPA (b)	334,561	-	-	(50,545)	-	284,016
	604,946	58,173	(17,508)	(108,492)	13,222	550,341

	12/31/2014	**12/30/2015**				
	Opening balance	**Addition to provision**	**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 (a)	28,382	2,004	(11,745)	(2,494)	1,910	18,057
PPA CELPA (b)	335,899	-	-	(1,338)	-	334,561
	597,973	40,873	(42,318)	(23,085)	31,503	604,946

(1) Effective expense on judicial contingencies.

(2) Reversals in the period.

(3) Monetary restatement.

(a) Of the write-offs of R$39,540, which were financed in accordance with Act 12,996/2014 of August 2014, R$20,044 relate to losses or gains on penalties applied, R$21,801 relate to adjustments in the Selic rate calculation process, and R$38,906 refer to Settlement Agreements (under Order 2913 of September 18, 2012, which approved CELPA's transition plan), which are now controlled by a specific obligations account.

(b) 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 24,080 civil proceedings, including 17,300 cases being heard by special courts 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 June 30, 2016 the Group had a provision of R$ 135,667 (R$ 130,275 as of December 31, 2015).

In addition to the losses provisioned for, other civil contingencies amounting to R$ 435,233 (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 163 tax proceedings.

The financial statements for the period ended June 30, 2016 include a provision of R$ 8,241 for tax proceedings (R$ 2,286 at December 31, 2015).

In addition to the losses provisioned for, other tax contingencies amounting to R$ 46,293 (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 2747 complaints 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.

The financial statements for the period ended June 30, 2016 include a provision of R$103,377 (R$119,797 at December 31, 2015).

In addition to the losses provisioned for, other labor contingencies amounting to R$97.692 (R$ 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;
- Administrative penalties imposed by consumer protection authorities.

26 Other accounts payable (Consolidated)

	6/30/2016	**12/31/2015**
Current		
Other payables - trade accounts	11,970	14,266
Prepayments and returns (a)	78,518	47,376
Insurance entities	-	203
Other appropriations - suppliers	10,691	11,001
Electricity charges	2,697	1,894
Regulatory fines (b)	57,009	71,753
Guarantees	3,148	3,817
Acquisition of CELPA (c)	60,000	60,000
Third-party receivables	10,103	6,890
Public lighting fee	-	18,311
Other	43,828	48,483
Total current	277,964	283,994

Non-current		
Tax Credits - CCC (d)	269,519	246,915
Regulatory fines (b)	24,637	29,058
Other	28,033	25,726
Total noncurrent	322,189	301,699
Total	600,153	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) Of the total amounts of accounts payable, R$38,972 refer to CELPA, with R$14,436 referring to a provision for payment of operating costs to a number of service providers.

(d) Refers to disputed taxes to be refunded to the CC Fund under Resolution 425/11. The change in the period ended June 30, 2015 primarily relates to indexation by the IPCA rate and inclusion of new ICMS, PIS and COFINS amounts for CELPA.

27 Equity

27.1 Capital

The Company's capital at June 30, 2016 was R$1,981,985 (R$1,980,214 at December 31, 2015), broken down by class of shares and primary shareholders as follows:

Shareholder	**ON**	**%**
Squadra Investimentos	31,176,900	15.69%
Opportunity	10,067,478	5.07%
GIC	10,001,775	5.03%
Other	147,429,814	74.21%
Total	198,675,967	100%

On May 12, 2016, through the exercise of options under the Company's Stock Option Plan, a total capital increase of R$ 1,748 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.

27.2 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$51,094 (R$44,909 at December 31, 2015) for recognized granted options.

27.3 Profit reserves

a. Statutory reserve

Recognized at a rate of 5% of net profit for the year before profit sharing and reversal of the interest on equity reserve, as required by corporation law and determined by the Board of Directors, up to the limit of 20% of capital. At June 30, 2016 the balance of the statutory reserve was R$ 138,124 (R$ 138,124 at December 31, 2015).

b. Investment and expansion reserve

This reserve is used to record the portion of net income for the period reserved for investments and expansion. At June 30, 2016 the balance of this reserve was R$ 1,334,217 (R$ 1,334,217 at December 31, 2015).

c. 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.

28 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 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.

29 Operating revenue (Consolidated)

At June 30, 2016 and 2015 electric power supply by class of consumers was as follows:

	6/30/2016		
	No. of consumers (*)	**MWh (*)**	**R$**
Residential	4,103,568	3,246,953	1,925,902
Industrial	12,957	963,449	366,793
Commercial	327,327	1,481,233	926,489
Rural	194,943	202,126	84,266
Government	43,025	433,129	294,244
Public lighting	1,526	466,381	166,694
Public utility	8,635	271,205	93,555
Own consumption	642	17,466	-
Availability revenue - Network usage	-	-	5,590
Supply CCEE	-	-	118,116
Low-income	-	-	162,494
Transfer to special obligations - demand exceedance/excess reactives	-	-	(20,050)
Construction revenue	-	-	645,992
"A Component" revenue receivable and other financial items	-	-	17,343
Other	-	-	202,149
Total	4,692,623	7,081,942	4,989,577

	6/30/2015		
	No. of consumers (*)	**MWh (*)**	**R$**
Residential	3,909,032	2,958,130	1,667,973
Industrial	12,523	1,054.	402,870
Commercial	312,148	1,417,417	877,085
Rural	178,626	177,336	73,623
Government	41,357	398,276	234,157
Public lighting	1,426	407,540	144,071
Public utility	8,090	264,559	110,210
Own consumption	649	20,701	-
Availability revenue - Network usage	-	-	12,493
CDE subsidy - Other	-	-	50,199
Supply CCEE	-	-	15,402
Low-income	-	-	159,680
Transfer to special obligations - demand exceedance/excess reactives	-	-	(16,828)
Construction revenue	-	-	486,534
"A Component" revenue receivable and other financial items	-	-	301,697
Other	-	-	146,615
Total	4,463,851	6,698,292	4,665,781

(*) Information not reviewed by the independent auditors.

30 Net operating revenue (Consolidated)

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

	6/30/2016	**6/30/2015**
Electricity sales to consumers	4,013,681	3,647,533
WACC financial remuneration (a)	83,874	57,077
"A Component" revenue receivable (returnable) and other financial items (b)	17,343	301,697
Electricity sales to distributors (c)	118,116	15,402
Construction revenue (d)	645,992	486,534
Other revenue	110,571	157,538
Operating revenue	4,989,577	4,665,781
ICMS on electricity sales	(821,446)	(747,666)
PIS and COFINS	(373,418)	(380,583)
Consumer charges	(38,664)	(23,256)
ISS	(2,012)	(1,284)
Energy Development Account - CDE (e)	(287,949)	(114,887)
Other	(610)	(939)
Deductions from operating revenue	(1,524,099)	(1,268,615)
Net operating revenue	3,465,478	3,397,166

(a) The increase in WACC financial remuneration relates to CELPA's August 2015 tariff review process. Under SGT/ANEEL Technical Notices 240/2012 and 198/2015, the net remuneration base increased by 104% in the period.

(b) 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.

(c) The corresponding short-term, spot market operating revenue due to CEMAR's and CELPA's contractual surpluses in the quarter ended June 30, 2016 as a result of the market slowdown caused by the Brazilian crisis, which required the company to sell electricity in the spot market.

(d) ICPC 01 establishes that the concession operator should measure and record service revenue in accordance with Technical Pronouncements CPC 17 - Construction Contracts (construction or improvement services) and CPC 30 - Revenue (operating services - electricity sales to consumers), even if governed by a single concession agreement. The Company records revenue and costs relating to the construction or upgrading of the assets used to provide the electricity distribution services. The construction margin adopted is set at zero, because: (i) the Company's 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 Company outsources 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.

(e) 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.

31 Service costs and operating expenses

	6/30/2016			
Operating costs/expenses	**Cost of power supply service**	**Sales expenses**	**Administrative expenses**	**Total**
Personnel	59,506	28,143	76,671	164,320
Material	2,067	2,205	885	5,157
Outsourced services	133,764	95,770	74,085	303,619
Electricity purchased for resale	1,682,520	-	-	1,682,520
Construction cost	645,992	-	-	645,992
Allowance for doubtful accounts	-	85,060	-	85,060
Provision for civil, labor and tax litigation	-	-	(44,645)	(44,645)
Depreciation and amortization	122,817	-	-	122,817
Leasing and rental	10,421	2,180	1,712	14,313
CCC Subsidy	7,053	-	-	7,053
Other	2,246	(1,478)	442	1,210
Total	2,666,386	211,880	109,150	2,987,416

	6/30/2015			
Operating costs/expenses	**Cost of power supply service**	**Sales expenses**	**Administrative expenses**	**Total**
Personnel	56,466	25,608	70,616	152,690
Material	6,177	1,525	2,240	9,942
Outsourced services	108,765	108,103	50,856	267,724
Electric power inspection fee	2,459	-	-	2,459
Electricity purchased for resale	1,922,517	-	-	1,922,517
Construction cost	486,534	-	-	486,534
Allowance for doubtful accounts	-	55,560	-	55,560
Provision for civil, labor and tax litigation	-	-	7,668	7,668
Depreciation and amortization	89,199	-	-	89,199
Leasing and rental	9,829	1,557	2,035	13,421
CCC Subsidy	(10,277)	-	-	(10,277)
Recovery of expenses	-	(13,805)	-	(13,805)
Other	(15,050)	13,759	13,335	12,044
Total	2,656,619	192,307	146,750	2,995,676

32 Electricity purchased for resale

	GWh (*)		R$	
	6/30/2016	**6/30/2015**	**6/30/2016**	**6/30/2015**
Electricity deriving from auctions	5,960,617	2,942,205	1,192,672	1,027,158
Eletronuclear Contracts	241,622	103,911	36,566	54,666
Guarantee contracts	3,289,782	2,031,096	141,499	86,167
System Service Charges (ESS)/ Energy reserve	-	890,527	61,014	22,646
Short-Term Electricity (CCEE) (a)	(529,967)	55,350	175,600	670,502
Bilateral electricity	112,901	113,008	-	23,088
Alternative source incentive program (PROINFA)	151,418	2,942,205	51,317	35,642
Charge for using transmission and distribution system	-	-	123,535	91,197
(-) Noncumulative PIS/COFINS amounts offsettable (b)	-	-	(155,031)	(174,256)
Other costs	-	-	55,348	85,707
Total	9,226,373	9,078,302	1,682,520	1,922,517

(*) Information not reviewed by the independent auditors.

(a) During the second quarter of 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$ 69.80 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.

(b) 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.

33 Financial results

		Parent company		Consolidated	
Financial revenue		6/30/2016	6/30/2015	6/30/2016	6/30/2015
Financial income		-	-	141,982	84,199
"A Component" amounts receivable	(a)	-	-	26,449	103,797
Operations with derivative financial instruments	(b)	-	-	-	80,330
Arrears charge on power sales	(c)	-	-	81,399	395,956
AVP financial revenue		241	-	241	132,039
Monetary and exchange variance on debt	(d)	-	-	221,827	61,609
PIS/COFINS on financial revenue		-	-	(12,096)	94,031
Indexation of financial assets	(e)	-	-	180,192	41,941
Indexation of subrogation to CCC	(f)	-	-	-	35,144
CDE Indexation		-	-	-	3,075
Discounts obtained		-	-	2,424	5,994
Interest earned		-	-	-	-
Other		35,928	47,558	35,389	49,139
Total financial revenue		36,169	47,558	677,806	1,087,254
Financial expense					
"A Component" amounts receivable/returnable	(a)	-	-	(24,080)	(10,015)
Operations with derivative financial instruments	(b)	-	-	(267,541)	-
Monetary and exchange variance on debt	(d)	-	-	(75,605)	(334,020)
Interest on debt		-	-	(94,795)	(114,666)
Efficiency restatement and contingencies		-	-	(17,218)	(9,353)
Regulatory fines		-	-	(2,101)	(3,721)
Indexation of financial assets	(e)	-	-	(55,976)	(15,542)
AVP financial expense		-	(5,902)	(17,280)	(10,476)
Related party payables		-	-	-	-
Interest and fines on electricity transactions		-	-	(2,013)	(3,643)
Interest paid		-	-	(21,402)	(12,686)
Discounts awarded		-	-	(37)	-
Other financial expense		(1)	(289)	(9,172)	(32,052)
Total financial expenses		(1)	(6,191)	(587,219)	(546,174)
Total		36,168	41,367	90,587	541,080

(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 tariff 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. In the first half of 2016 the dollar weakened by approximately 9% and, as a result, the swap transaction created an expense, compared with a 20% strengthening of the US dollar in the first half of 2015, generating revenue.

(c) The change observed primarily derives from growth in financed receivables, which increased 64% compared with the previous period, as well as increased expenses on delayed payments and repeated collection warnings.

(d) The primary effect on accounts was foreign exchange revenue deriving from a 9% weakening of the United States dollar in the first half of 2016 from R$3.90 at December 31, 2015 to R$3.21 at June 30, 2016, compared with a strengthening of the US dollar by 20% in the first half of 2015.

(e) Refers to NRV-related financial asset adjustments as a result of the approval of the Tariff Review for CELPA under Order 2441 of July 29, 2015.

(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, the date of the first approval of late paid installments, the updated amount of which is R$38,190.

34 Private pension fund

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 June 30, 2016 were R$ 1,161 (R$ 1,164 as of June 30, 2015).

CELPA

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 June 30, 2016 were R$1,481 (R$1,618 as of June 30, 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.

Benefit Plan CELPA R Technical Deficit

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

Established on July 30, 1982, this plan has been in the distribution phase since a soft freeze on January 1, 1998. The following supplementary benefits are provided:

- Retirement on account of length of service/age;

- Invalidity retirement;

- Sickness benefit;

- Pension on death; and

- Lump sum benefit on death.

The plan is structured as a Defined Benefit plan and contributions are made by Participants, Beneficiaries and the Sponsor.

(ii) CELPA BD-II

Established on January 1, 1998, this plan has been in the distribution phase since a soft freeze on April 1, 2000. The plan provides the following supplementary benefits:

- Retirement on account of length of service/age;
- Invalidity retirement;
- Sickness benefit;
- Pension on death; and
- Lump sum benefit on death.

The plan is structured as a Defined Benefit plan and contributions are made by Participants, Beneficiaries and the Sponsor.

(iii) CELPA OP

Established on April 1, 2000, this plan provides Monthly Income or Monthly Income for Life following the vesting period.

CELPA OP is a variable contribution plan in which future benefits depend on the amounts of contributions made by participants.

The Plan operates inseparably from the CELPA "R", which provides so-called risk benefits (illness, disability and death benefits).
Plan contributions are made by participants and sponsors. Contributions are allocated to funds to support future benefits payments.

Monthly contributions are defined by each participant. Sporadic contributions can also be made at any time to enhance future benefits.

Participants can opt for either Financial Monthly Income or Monthly Income for Life.

The benefits provided by CELPA OP are as follows:

- Lifetime income with continuity for beneficiaries;
- Financial income with continuity for beneficiaries; and
- Lump sum benefit on disability or death.

(iv) CELPA R

The plan Regulation was approved by Ordinance

880 of January 12, 2007, issued by the Technical Assessment Department of the Ministry of Social Security. This plan is the result of a merger of the now frozen benefit plans CELPA-R, CEMAT-R and ELÉTRICAS-R, the regulations of which have been condensed into a single Regulation without continuity. This Defined-Benefit plan provides structured risk benefits, as follows:

- Sickness benefit;
- Invalidity retirement;
- Pension on death;
- Lump sum benefit on death;
- Annual bonus; and

Benefits are fully sponsored by CELPA.

(v) Health insurance plan

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

Central Nacional Unimed - CNU

Established on May 1, 2006 under Contract no. 402, this plan provides coverage for outpatient and inpatient services including obstetrics, with National Coverage and coverage for all procedures listed in the Procedures Schedule of the National Supplementary Health Care agency (ANS), under the pre-paid system with expenses shared only after the sixth Doctor's visit in a given year, and with employees paying a contribution to the Plan. Health insurance is offered to all CELPA employees and their dependents, with the exception of directors and managers. Only legal dependents can be included (spouse, children, step-children, minors under guardianship, and single individuals under guardianship up to 24 years of age, or with no age limit if having any disability). Monthly payments depend on whether the selected type of accommodation is Collective, Individual Apartment or Special. 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). The monthly amounts paid by participants and CELPA are defined based on pay grades.

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. The monthly amount paid by participants and CELPA are defined based on the plan (whether Leader or Senior).

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.

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).

35 Financial instruments

a. 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.

b. Derivatives policy

Equatorial uses derivatives only to hedge against fluctuations in macroeconomic indicators and foreign exchange rates, in both cases through swaps.

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

c. Category and fair value of financial instruments (Consolidated)

The fair value of the Group's financial assets was 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 June 30, 2016 and December 31, 2015 are shown below:

Assets	Category of financial instruments	6/30/2016 Accounting	6/30/2016 Market	12/31/2015 Accounting	12/31/2015 Market
Cash and cash equivalents	Held to maturity	418,089	448,762	397,866	397,866
Short-term investments	Held to maturity	1,908,450	1,908,450	2,083,474	2,083,474
Trade accounts receivable	Held to maturity	2,320,715	2,321,265	2,255,296	2,255,296
Judicial deposits	Loans and receivables	190,038	190,038	175,804	175,804
Derivative financial instruments	Financial assets at fair value	25,727	25,727	326,629	326,629
Sub-rogation to Fuel Consumption Account charges - amounts applied	Held to maturity	86,396	86,396	65,824	65,824
Financial concession assets	Held to maturity	2,288,786	2,288,786	2,228,931	2,228,931
Total assets		7,238,201	7,238,201	7,552,808	7,552,808

Liabilities	Category of financial instruments	6/30/2016 Accounting	6/30/2016 Market	12/31/2015 Accounting	12/31/2015 Market
Trade accounts payable	Loans and receivables	767,744	767,744	934,780	934,780
Loans and financing	Loans and receivables	3,146,477	3,146,477	3,392,653	3,392,653
Debentures	Loans and receivables	513,339	540,599	542,485	532,144
Total liabilities		4,427,560	4,454,820	4,869,918	4,859,577

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

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

- **Concession financial assets** are 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 accounts payable** are derived from the Company's operations and are classified as financial liabilities not measured at fair value. Tier 2 in the fair value hierarchy.

- **Loans and financing** provide funding for the Company's investment programs and may be used to manage short-term requirements. They are stated as financial liabilities not valued at fair value, and recorded at their contractual values. Tier 2 in the fair value hierarchy.

- **Debentures** are stated as financial liabilities not measured at fair value, and recorded at their amortized value. Tier 2 in 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 in the fair value hierarchy.

  The different fair value tiers have been defined as follows:

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

- **Tier 2** - Inputs, except for quoted prices, included in Level 1 that are observable for the assets and liabilities, directly (prices) or indirectly (derived from prices);

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

d. Cash and cash equivalents

The Company's cash equivalents are highly liquid financial instruments the market value of which is reflected in the amount recorded in the statement of financial position. They consist of available cash and short-term financial investments.

The company maintains cash and cash equivalents to meet any short-term cash requirements.

The Company's financial investments are in short-term, highly liquid instruments. They are also convertible into known amounts of cash and art indexed to the CDI, which is considered a risk-free rate. We have accordingly classified all of our short-term financial investments as cash equivalents.

e. Risk factors (financial risk management) - CVM Instruction 475

As a holding company, our primary risks are related to the performance of our subsidiaries and joint ventures. In accordance with CVM Instruction 475, risk factors have been detailed as shown below:

(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 open positions to mitigate default risk. 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 19 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. Market risk management aims to manage and control exposure to market risks, within acceptable parameters, while optimizing returns.

(iv) Exchange 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 44.9% 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.

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 June 30, 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% (Scenario V).

f. Financial instruments risk management

Cash flow risk or fair value associated with interest or foreign exchange rates						R$ Thousand
Transaction	**Risk**	**Likely scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV - 25%**	**Scenario V -50%**
Financial liabilities						
Loans, financing, and debentures	USD	(387,150)	(705,405)	(1,023,659)	(68,895)	249,359
Reference for financial liabilities		**Rate at 6/30/2016**	**+25%**	**+50%**	**-25%**	**-50%**
USD/R$		3.21	4.01	4.81	2.41	1.60

In accordance with CPC 40, the values of the Group's derivative financial instruments as of June 30, 2016 and December 31, 2015 are summarized below:

Short position		**Fair value**	
Market risk hedge	**Indexes**	**6/30/2016**	**12/31/2015**
Swaps			
Long position	USD	85,487	383,679
Short Position	CDI	(144,495)	(57,050)
Total		(59,008)	326,629

CEMAR has derivative financial instruments (swaps) with Itau and Santander relating to foreign currency transactions, maturing at respectively December 23, 2017 and October 10, 2017. The outstanding balances of the Itau and Santander swaps in June 2016 were respectively R$131,408 and R$132,694.

CELPA has swaps with Itau, Citibank and Santander relating to foreign currency transactions, maturing at respectively February 24, 2017, February 02, 2019 and August 08, 2016. The outstanding balances of the Itau, Citibank and Santander swaps in June 2016 were respectively R$224,898, R$363,449 and R$80,825.

(i) 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 indebtedness limits.

(ii) Cash flow or fair value risk associated with interest rates

Changes in interest rates affect both the group'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 March 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 depreciation 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**	**Likely scenario**	**Scenario II 25%**	**Scenario III 50%**	**Scenario IV -25%**	**Scenario V -50%**
Financial assets						
Short-term investments	CDI	82,836	103,545	124,254	62,127	41,418
Financial liabilities						
Loans, financing, and debentures	CDI	(72,528)	(101,204)	(129,882)	(43,848)	(15,173)
	SELIC	(34,010)	(35,341)	(36,672)	(32,680)	(31,349)
	Long-Term Interest Rate	(59,105)	(132,395)	(205,683)	14,184	87,471
	IGP-M	(15,047)	(73,391)	(131,735)	43,298	101,642
	FINEL	(9,146)	(10,006)	(10,864)	(8,288)	(7,430)
	IPCA	(291,819)	(294,367)	(296,915)	(289,272)	(286,724)

Reference for financial assets and financial liabilities	**Rate at 6/30/2016**	**25%**	**50%**	**-25%**	**-25%**
CDI (%9 months)	6.83	8.54	10.25	5.12	3.42
SELIC (% 9 months)	6.84	8.55	10.26	5.13	3.42
TJLP (% 9 months)	3.68	4.6	5.52	2.76	1.84
IGP-M (% 9 months)	5.91	7.38	8.86	4.43	2.95
IPCA (% 9 months)	4.42	5.52	6.62	3.31	2.21

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

Scenarios	**Impact on net income**	**Impact on equity**
Likely scenario	-	-
Scenario II	64,639	53,727
Scenario III	129,278	107,453
Scenario IV	(64,639)	(75,551)
Scenario V	(129,278)	(151,103)

The impact of sensitivity on CELPA's income and equity is shown below:

Scenarios	**Impact on net income**	**Impact on equity**
Likely scenario	-	-
Scenario II	(345,978)	(259,290)
Scenario III	(691,955)	(523,098)
Scenario IV	345,978	423,630
Scenario V	691,955	851,777

(iii) 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 thermo-electric 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.

The Company and its subsidiaries manage their capital in a way that maximizes returns for investors by optimizing the level of debt and equity, using an effective capital structure and maintaining indebtedness and debt service rates at levels that are optimal for shareholder returns and ensure the Company's liquidity.

(iv) 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, CEMAR is entitled to request that the regulator initiate an Extraordinary Tariff 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.

g. 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 also monitors the capital return and level of dividends for shareholders.

Management seeks to maintain a balance between the higher returns that might be possible with adequate leverage levels and the benefits 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 Group's operations:

- Net Debt/EBITDA
- Net Debt/Net Debt + Equity)
- Short-Term Debt to Total Debt

In the period ended June 30, 2016, the Group achieved the required levels for the ratios described above.

36 Commitments

CEMAR and CELPA's commitments under long-term power purchase agreements are as follows:

CEMAR

	Expiration	2016	2017	2018	2018 onwards
Contract power	2016 to 2032	1,343,053	1,215,973	1,296,274	25,030,731

CELPA

	Expiration	2016	2017	2018	2018 onwards
Contract power	2015 to 2042	2,306,607	2,211,946	2,517,923	53,283,354

The amounts referring to power purchase contracts lasting between six 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.

37 Segment reporting

The Company's operating segments are organized internally largely as legal entities. The Company classifies its operating segments as follows: Distribution, Services, Trading, Central Administration and other.

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.

	Distribution		Services / Trading		Shared Services and other		Eliminations and adjustments		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Operating assets	12,139,867	12,048,500	87,570	83,817	4,012,260	3,686,144	(3,567,617)	(3,232,574)	12,672,080	12,585,887
Operating liabilities	8,400,145	8,576,866	37,424	37,308	207,463	206,893	(566,192)	(464,419)	8,078,840	8,356,648
	6/30/2016	**6/30/2015**	**6/30/2016**	**6/30/2015**	**6/30/2016**	**6/30/2015**	**6/30/2016**	**6/30/2015**	**6/30/2016**	**6/30/2015**
Net revenue	3,379,787	3,287,951	85,691	109,214	-	1	-	-	3,465,478	3,397,166
Costs of services	(2,589,184)	(2,566,382)	(77,202)	(90,237)	-	-	-	-	(2,666,386)	(2,656,619)
Gross income	790,603	721,569	8,489	18,977	-	1	-	-	799,092	740,547
Sales expenses	(211,880)	(192,307)	-	-	-	-	-	-	(211,880)	(192,307)
General and administrative expenses	(217,530)	(223,262)	(62)	(75)	(21,346)	(30,605)	49,891	(654)	(189,047)	(254,596)
Equity in income of associates	-	-	(986)	-	314,313	586,914	(300,401)	(567,827)	12,926	19,087
Goodwill amortization	-	-	-	-	(3,187)	(3,354)	-	-	(3,187)	(3,354)
	361,193	306,000	7,441	18,902	289,780	552,956	(250,510)	(568,481)	407,904	309,377
Financial revenue	660,669	1,072,336	2,811	3,138	36,169	47,558	(21,842)	(35,778)	677,807	1,087,254
Financial expense	(608,323)	(575,505)	(738)	(256)	(1)	(6,191)	21,842	35,778	(587,220)	(546,174)
Income before tax on net income	413,539	802,831	9,514	21,784	325,948	594,323	(250,510)	(568,481)	498,491	850,457
Income and social contribution taxes	(86,987)	(174,066)	(2,701)	(7,314)	(8,360)	(8,841)	(8,834)	100	(106,882)	(190,121)
Net income before minority interests	326,552	628,765	6,813	14,470	317,588	585,482	(259,344)	(568,381)	391,609	660,336
Attributable to controlling interests	-	-	(3,562)	(6,814)	-	-	(70,459)	(68,040)	(74,021)	(74,854)
Net income for the period by segment	326,552	628,765	3,251	7,656	317,588	585,482	(329,803)	(636,421)	317,588	585,482

38 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	12/1/2016	30,000
Corporate - Office	4/22/2017	1,650

CEMAR

Risks	Expiration	Insured amount
Operating risks	12/31/2016	228,723
General civil liability - Operations	12/31/2016	7,000
All risks	2/20/2017	1,095
Judicial security insurance (a)	-	28,274
Power auction guarantee insurance (b)	-	861
Vehicle insurance (c)	1/31/2017	-

(a) 50 policies expiring between July 2015 and July 2016.

(b) 8 policies expiring between August 2015 and April 2016.

(c) 112 insured vehicles.

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

Type of insurance	Expiration	Amount Insurance Company
General civil liability - Operations	12/31/2016	7,000
Operating risks	12/31/2016	293,945
Vehicle insurance (a)	12/31/2016	-
Vehicle insurance (b)	12/31/2016	-
Judicial guarantee insurance (c)	-	111,063
Auction guarantee insurance (d)	-	1,047

(a) 36 own vehicles insured under policies.

(b) 54 Hilux pickups insured under policies.

(c) Policies valid until JAN/2021

(d) 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.

39 Subsequent events

CELPA

2016 Rate Adjustment

The average Tariff Adjustment Index (IRT) was set at 13.37% (economic); however, with the net effect of Financial Components on the electricity rates, the average effect to be felt by consumers will be 7.55%.

Reajuste Tarifário Anual 2016	
IRT Econômico	13,37%
Inclusão de Comp. Financeiros ano corrente	-2,50%
Exclusão de Comp. Financeiros ano corrente	-3,32%
Efeito Médio ao consumidor	**7,55%**

"Component B" increased by 10.36%, affected by the General Consumer Price Index of 11.63% for the period, less a "Factor X" of 1.27%, with the "Q" component of Factor X, of -0.44%, contributing positively to the results, with the "B" Component accordingly reaching R$ 1,607 million.

In relation to the "A" Component adjustment, the power purchase Pmix increased by 20.73%, yielding an average cost of R$ 173.52 per MWh. Particularly notable was the increase in quota prices (70.36%) as one of the primary reasons for this increase.

In addition, monthly pass-throughs from Eletrobrás to CELPA were set at R$ 8,323,359.35 with respect to CDE Subsidies - Rate Discounts.

The final value of the approved adjustment had an injunctive effect under Case No. 44378-02.2016.4.01.3400 at the 3rd Federal Court, where ANEEL complied with a court order to include CELPA's entire exposure in 2014 as involuntary, excluding any negative financial effects on the company's adjustment until a final decision in the case. The injunction had the effect of preventing part of this exposure from being classified as voluntary.

First debenture issue
On July 25, 2016 the parent company conducted a 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.

Second debenture issue
On August 10, 2016 the Board of Directors of the parent company approved a second 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$90,000, maturing in January 2024.

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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
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