

# **Interim Financial Statements**

## **ISA Capital do Brasil S.A.**

September 30, 2015  
with Independent Auditor's Review Report

# ISA Capital do Brasil S.A.

## Interim financial statements

September 30, 2015

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**A free translation from Portuguese into English of Independent Auditor's Review Report on Individual and Consolidated Interim Financial Statements prepared in Brazilian currency in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil**

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## **Independent auditor's review report on interim financial statements**

The Board of Directors, Shareholders and Officers  
**ISA Capital do Brasil S.A.**  
São Paulo - SP

### **Introduction**

We have reviewed the individual and consolidated interim financial information of ISA Capital do Brasil S.A. for the quarter ended September 30, 2015, which comprise the balance sheet as at September 30, 2015 and the related statement of income, of comprehensive income, of changes in equity and of cash flows for the three and nine-month periods then ended, including other explanatory information.

Management is responsible for the preparation of individual and consolidated interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in accordance with accounting practices adopted in Brazil, applicable to the preparation of interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on this interim financial information.



## **Basis for qualified conclusion on individual and consolidated interim financial information**

As a consequence of the debt restructuring carried out in 2010, described in Note 17.a, the Company recognized the amount relating to the issue of redeemable preferred shares, mentioned in Note 26.a, as an equity instrument, which, in our opinion, should be recognized as a debt instrument, according to accounting practices adopted in Brazil, specifically CPC 39 and IAS 32. In addition, the Company recognized remuneration of the referred to instrument as fixed cumulative dividend, as provided for by its Articles of Incorporation and Shareholders' Agreement, rather than financial expense as interest, in the form we understand it should be. Had the Company recognized the referred to share issue as a debt instrument and had the referred to remuneration been recognized as financial expense rather than dividend, equity as at September 30, 2015 would be reduced by R\$816,692 (R\$841,692 thousand at December 31, 2014); total liabilities would be increased by the same amount (the same for December 31, 2014); and net income before noncontrolling interests for the nine-month period ended September 30, 2015 would be reduced by R\$85,625 thousand (R\$77,738 thousand for the nine-month period ended September 30, 2014).

## **Conclusion on the individual and consolidated interim financial information**

Based on our review, except for the effects of the matter described in our "Basis for qualified conclusion on the individual and consolidated interim financial statements" paragraph, we are not aware of any fact that would make us believe that the individual and consolidated interim financial statements of ISA Capital do Brasil S.A. do not present fairly, in all material respects, the individual and consolidated financial position of the Company as at September 30, 2015, its individual and consolidated financial performance and its individual and consolidated cash flows for the nine-month periods then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB and accounting practices adopted in Brazil.

## **Emphasis of matter**

### **Indemnification of amounts relating to assets classified as Existing Service (SE)**

As described in Note 8, pursuant to Lay No. 12783/13 and Technical Note No. 402/2013 of the National Electric Energy Agency (ANEEL), a new valuation report was prepared, amounting to R\$5,186,018 thousand, which corresponds to investments by the New Replacement Cost (VNR) adjusted by accumulated depreciation through December 31, 2012. Said amount is subject to ANEEL's approval. As described in Note 8, on July 17, 2015, ANEEL issued Technical Note No. 196/2015-SFF/ANEEL with new understanding for the amounts of SE facilities that subsidiary CTEEP would be entitled to receive, in the amount of R\$3,742,694 thousand. Subsidiary CTEEP, by means of an appeal, is still claiming the recognition of the amounts under dispute. The effects and accounting recognition depend on approval by ANEEL of the final amount, as well as definition of the collection method and terms by the Ministry of Mines and Energy and the Ministry of Finance. While the amount is not approved, the Company maintains recorded, since 2012 at the construction cost of this infrastructure, the amount of R\$1,490,996 thousand (historical value), equivalent to the regulatory property and equipment. The determination of the effective amount of indemnification for these assets, as well as conditions, remuneration method and terms for receipt are pending approval by the Granting Authority. Our conclusion is not modified in respect of this matter.



### **Law No. 4819/58**

As described in Notes 9 and 36, subsidiary CTEEP has recorded a net balance receivable from São Paulo State, amounting to R\$906,811 thousand relating to the impacts of Law No. 4819/58, which granted to civil servants of companies under the São Paulo State control the advantages to which other public service employees were already entitled. Subsidiary CTEEP management has been monitoring new events relating to the legal and business aspects of this matter, as well as evaluating, on a continuous basis, any impacts on its interim financial information. Our conclusion is not modified in respect of this matter.

São Paulo, November 13, 2015.

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

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## ISA Capital do Brasil S.A.

Balance sheets

September 30, 2015 and December 31, 2014

(In thousands of reais - R\$)

	Note	Company		Consolidated	
		09/30/2015	12/31/2014	09/30/2015	12/31/2014
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	<b>28,067</b>	20,551	<b>34,495</b>	25,247
Short-term investments	7	<b>8,344</b>	-	<b>544,394</b>	479,601
Accounts receivable (concession asset)	8	-	-	<b>392,400</b>	729,946
Inventories	-	-	-	<b>40,876</b>	45,696
Accrued dividends receivable	32	-	11,778	-	-
Taxes and contributions to offset	10	<b>4,500</b>	31,623	<b>67,640</b>	66,103
Deferred income and social contribution taxes	31.b	-	32,237	-	32,237
Pledges and restricted deposits	13	-	3,699	-	3,699
Prepaid expenses	-	-	-	<b>10,900</b>	948
Receivables from subsidiaries	-	-	-	<b>14</b>	37,429
Other	-	<b>76</b>	8	<b>64,331</b>	82,453
		<b>40,987</b>	99,896	<b>1,155,050</b>	1,503,359
<b>Noncurrent assets</b>					
Accounts receivable (concession asset)	8	-	-	<b>3,481,222</b>	3,165,656
Loans receivable	12 and 32	<b>95,362</b>	63,229	<b>95,362</b>	63,229
Receivables - State Finance Department (SEFAZ)	9	-	-	<b>906,811</b>	802,102
Tax benefit - merged goodwill	11	-	-	<b>8,058</b>	30,473
Taxes and contributions to offset	10	<b>31,112</b>	-	<b>31,112</b>	-
Deferred income and social contribution taxes	31.b	<b>32,237</b>	-	<b>202,113</b>	188,556
Pledges and restricted deposits	13	-	-	<b>59,222</b>	62,353
Inventories	-	-	-	<b>29,968</b>	37,993
Other	-	-	-	<b>23,394</b>	24,395
		<b>158,711</b>	63,229	<b>4,837,262</b>	4,374,757
Investments	14.b	<b>2,190,774</b>	2,109,574	<b>1,549,041</b>	1,315,669
Property and equipment	15	<b>24</b>	34	<b>23,263</b>	24,588
Intangible assets	16	<b>107</b>	106	<b>162,694</b>	167,710
		<b>2,190,905</b>	2,109,714	<b>1,734,998</b>	1,507,967
		<b>2,349,616</b>	2,172,943	<b>6,572,260</b>	5,882,724
<b>Total assets</b>					
		<b>2,390,603</b>	2,272,839	<b>7,727,310</b>	7,386,083

	Note	Company		Consolidated	
		09/30/2015	12/31/2014	09/30/2015	12/31/2014
Liabilities and equity					
Current liabilities					
Loans and financing	17	1,844	3,083	65,805	135,133
Debentures	18	-	-	46,582	83,846
Trade accounts payable	-	323	411	45,097	75,880
Taxes and social charges payable	19	1,174	495	85,910	27,016
Taxes in installments - Law No. 11941	20	-	-	15,868	14,950
Regulatory charges payable	22	-	-	22,467	40,579
Interest on equity and dividends payable	-	-	-	1,527	21,925
Provisions	23	-	-	35,105	27,469
Payables - Law No. 4819/58 - State Finance Department (SEFAZ)	5.a	269,621	252,726	269,621	252,726
Payables - Law No. 4819/58 - Public Offering Auction (OPA)	5.b	169,056	158,621	169,056	158,621
Payables - Fundação CESP	24	-	-	5,693	5,375
Other	-	-	-	16,885	16,215
		<b>442,018</b>	415,336	<b>779,616</b>	859,735
Noncurrent liabilities					
Loans and financing	17	125,746	84,071	556,106	524,651
Debentures	18	-	-	539,331	535,399
Taxes in installments - Law No. 11941	20	-	-	128,263	132,061
Deferred PIS and COFINS	21	-	-	143,325	117,972
Deferred income and social contribution taxes	31.b	-	-	35,573	33,956
Regulatory charges payable	22	-	-	29,321	22,610
Provisions	23	-	-	156,392	131,592
Special obligations - reversal/amortization	25	-	-	24,053	24,053
		<b>125,746</b>	84,071	<b>1,612,364</b>	1,522,294
Equity					
Capital	26.a	840,378	840,378	840,378	840,378
Capital reserves	26.c	816,092	841,092	816,092	841,092
Goodwill on capital transaction	26.d	(5,679)	(5,679)	(5,679)	(5,679)
Income reserves	26.e	97,641	97,641	97,641	97,641
Retained earnings	-	74,407	-	74,407	-
		<b>1,822,839</b>	1,773,432	<b>1,822,839</b>	1,773,432
Noncontrolling interests		-	-	3,512,491	3,230,622
Total equity		<b>1,822,839</b>	1,773,432	<b>5,335,330</b>	5,004,054
Total liabilities and equity		<b>2,390,603</b>	2,272,839	<b>7,727,310</b>	7,386,083

See accompanying notes.

## ISA Capital do Brasil S.A.

### Income statements

Three and nine-month periods ended September 30, 2015 and 2014

(In thousands of reais - R\$, except for earnings per share)

	Note	Company			
		Quarter ended		Nine-month period ended	
		09/30/2015	09/30/2014	09/30/2015	09/30/2014
Operating income (expenses)					
General and administrative expenses	28	(830)	(726)	(2,837)	(2,610)
Equity pickup	14.c	101,322	53,270	161,733	120,152
		<b>100,492</b>	<b>52,444</b>	<b>158,896</b>	<b>117,542</b>
Income (loss) before financial income (expenses) and income taxes		<b>100,492</b>	52,544	<b>158,896</b>	117,542
Financial expenses	29	(31,043)	(12,459)	(95,385)	(27,149)
Financial income	29	25,156	9,876	58,420	24,270
Financial income (expenses)		(5,887)	(2,583)	(36,965)	(2,879)
Operating income		<b>94,605</b>	49,961	<b>121,931</b>	114,663
Non-operating income		-	-	8,179	-
Income before income and social contribution taxes		<b>94,605</b>	49,961	<b>130,110</b>	114,663
Income and social contribution taxes					
Current	31.a	-	(1,379)	-	(1,379)
Deferred	31.a	-	(599)	-	(599)
		-	(1,978)	-	(1,978)
Net income for the period		<b>94,605</b>	47,983	<b>130,110</b>	112,685
Attributable to:					
Noncontrolling interests		-	-	-	-
Net income for the period allocated to controlling interests		<b>94,605</b>	47,983	<b>130,110</b>	112,685
Basic and diluted earnings per share	26.f	<b>0.07600</b>	0.03743	<b>0.10452</b>	0.08790
Average number of shares in the period	26.f	<b>1,244,781,868</b>	1,281,897,148	<b>1,244,781,868</b>	1,281,897,148



## ISA Capital do Brasil S.A.

### Income statements (Continued)

Three and nine-month periods ended September 30, 2015 and 2014  
(In thousands of reais - R\$, except for earnings per share)

	Note	Consolidated			
		Quarter ended		Nine-month period ended	
		09/30/2015	09/30/2014	09/30/2015	09/30/2014
Operating revenue, net	27	<b>457,178</b>	353,739	<b>989,865</b>	797,400
Cost of construction, operating and maintenance services	28	<b>(173,917)</b>	(138,542)	<b>(431,443)</b>	(357,194)
Gross profit		<b>283,261</b>	215,197	<b>558,422</b>	440,206
Operating income (expenses)					
General and administrative expenses	28	<b>(42,971)</b>	(52,814)	<b>(134,174)</b>	(117,083)
Other operating income (expenses), net	30	<b>(10,062)</b>	(36,612)	<b>(26,999)</b>	(30,363)
Equity pickup	14,1	<b>102,618</b>	35,881	<b>137,597</b>	71,894
		<b>49,585</b>	(53,545)	<b>(23,576)</b>	(75,552)
Income (loss) before financial income (expenses) and income taxes		<b>332,846</b>	161,652	<b>534,846</b>	364,654
Financial expenses	29	<b>(66,572)</b>	(48,288)	<b>(201,946)</b>	(133,130)
Financial income	29	<b>52,701</b>	44,771	<b>159,412</b>	145,837
Financial income (expenses)		<b>(13,871)</b>	(3,517)	<b>(42,534)</b>	12,707
Operating income		<b>318,975</b>	158,135	<b>492,312</b>	377,361
Non-operating income		-	-	<b>8,179</b>	-
Income before income and social contribution taxes		<b>318,975</b>	158,135	<b>500,491</b>	377,361
Income and social contribution taxes					
Current	31.a	<b>(28,747)</b>	(12,018)	<b>(69,065)</b>	(33,744)
Deferred	31.a	<b>(20,693)</b>	(11,232)	<b>(20,307)</b>	(35,260)
		<b>(49,440)</b>	(23,250)	<b>(89,372)</b>	(69,004)
Net income for the period		<b>269,535</b>	134,885	<b>411,119</b>	308,357
Attributable to:					
Noncontrolling interests		<b>174,930</b>	86,902	<b>281,009</b>	195,672
Net income for the period allocated to controlling interests		<b>94,605</b>	47,983	<b>130,110</b>	112,685

See accompanying notes.

## ISA Capital do Brasil S.A.

### Statements of comprehensive income

Three and nine-month periods ended September 30, 2015 and 2014

(In thousands of reais - R\$)

	<b>Company</b>			
	<b>Quarter ended</b>		<b>Nine-month period ended</b>	
	<b>09/30/2015</b>	<b>09/30/2014</b>	<b>09/30/2015</b>	<b>09/30/2014</b>
Net income for the period	<b>94,605</b>	47,983	<b>130,110</b>	112,685
Other comprehensive income	-	-	-	-
Comprehensive income for the period	<b>94,605</b>	47,983	<b>130,110</b>	112,685
Controlling interests	<b>94,605</b>	47,983	<b>130,110</b>	112,685
Noncontrolling interests	-	-	-	-
	<b>Consolidated</b>			
	<b>Quarter ended</b>		<b>Nine-month period ended</b>	
	<b>09/30/2015</b>	<b>09/30/2014</b>	<b>09/30/2015</b>	<b>09/30/2014</b>
Net income for the period	<b>269,535</b>	134,885	<b>411,119</b>	308,357
Other comprehensive income	-	-	-	-
Comprehensive income for the period	<b>269,535</b>	134,885	<b>411,119</b>	308,357
Controlling interests	<b>94,605</b>	47,983	<b>130,110</b>	195,672
Noncontrolling interests	<b>174,930</b>	86,902	<b>281,009</b>	112,685

See accompanying notes.

## ISA Capital do Brasil S.A.

Statements of changes in equity  
 Nine-month periods ended September 30, 2015 and 2014  
 (In thousands of reais - R\$)

	Capital	Capital reserve	Goodwill on capital transaction	Income reserve		Retained earnings (accumulated losses)	Total equity	Noncontrolling interests	Total consolidated equity
				Legal reserve	Retained profits				
Balances at December 31, 2013	840,378	983,400	(7,468)	5,881	54,884	-	1,877,075	2,963,289	4,840,364
Net income for the period	-	-	-	-	-	112,685	112,685	195,672	308,357
Redemptions of preferred shares	-	(117,308)	-	-	-	-	(117,308)	-	(117,308)
Fixed cumulative dividends paid in the period	-	-	-	-	-	(68,322)	(68,322)	-	(68,322)
Gain on investment in subsidiary	-	-	1,789	-	-	-	1,789	-	1,789
Additional proposed dividends	-	-	-	-	-	-	-	133,571	133,571
Dividends of subsidiary	-	-	-	-	-	-	-	(18,613)	(18,613)
Interest on equity of the subsidiary	-	-	-	-	-	-	-	(18,613)	(18,613)
Unclaimed dividends of the subsidiary	-	-	-	-	-	-	-	870	870
Expired interest on equity of the subsidiary	-	-	-	-	-	-	-	355	355
Acquisition from noncontrolling interests of additional investment in subsidiary	-	-	-	-	-	-	-	12,421	12,421
Other in subsidiary	-	-	-	-	-	-	-	643	643
Balances at September 30, 2014	840,378	866,092	(5,679)	5,881	54,884	44,363	1,805,919	3,269,595	5,075,514
Balances at December 31, 2014	840,378	841,092	(5,679)	5,881	91,760	-	1,773,432	3,230,622	5,004,054
Net income for the period	-	-	-	-	-	130,110	130,110	281,009	411,119
Redemption of preferred shares (Note 26.c)	-	(25,000)	-	-	-	-	(25,000)	-	(25,000)
Fixed cumulative dividends paid in the six-month period (Note 26.b)	-	-	-	-	-	(55,703)	(55,703)	-	(55,703)
Dividends paid in the subsidiary	-	-	-	-	-	-	-	(69,572)	(69,572)
Unclaimed dividends of the subsidiary	-	-	-	-	-	-	-	644	644
Expired interest on equity of the subsidiary	-	-	-	-	-	-	-	357	357
Noncontrolling interests on boutique investment funds	-	-	-	-	-	-	-	29,500	29,500
Increase in percentage of noncontrolling interests	-	-	-	-	-	-	-	39,224	39,224
Other in subsidiary	-	-	-	-	-	-	-	707	707
Balances at September 30, 2015	840,378	816,092	(5,679)	5,881	91,760	74,407	1,822,839	3,512,491	5,335,330

See accompanying notes.

## ISA Capital do Brasil S.A.

### Cash flow statements

Nine-month periods ended September 30, 2015 and 2014

(In thousands of reais - R\$)

	Company		Consolidated	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
Cash flow from operating activities				
Net income for the period	<b>130,110</b>	112,685	<b>411,119</b>	308,357
Adjustments to reconcile net income to cash provided by (used in) operating activities				
Depreciation and amortization (Note 28)	<b>20</b>	6	<b>6,387</b>	6,717
Deferred income and social contribution taxes	-	599	<b>20,307</b>	35,260
Deferred PIS and COFINS (Note 21)	-	-	<b>25,353</b>	(9,632)
Provision for contingencies (Note 23.a)	-	-	<b>24,800</b>	(390)
Net book value of property and equipment written off	-	-	<b>50</b>	184
Tax benefit - merged goodwill (Notes 11 and 30)	-	-	<b>22,415</b>	22,414
Amortization of concession asset in acquisition of subsidiary (Note 30)	-	-	<b>1,868</b>	1,868
Realization of loss in jointly-controlled subsidiary (Note 30)	-	-	<b>(1,760)</b>	(1,794)
Sale of shares	<b>(8,136)</b>	-	<b>(8,136)</b>	-
Disposal of property and equipment	<b>3</b>	-	<b>3</b>	-
Equity pickup (Note 14)	<b>(161,733)</b>	(120,152)	<b>(137,597)</b>	(71,894)
Unrealized short-term investment yield	-	(5,134)	-	(5,134)
Interest and monetary and exchange gains (losses) on assets and liabilities	<b>39,058</b>	5,122	<b>138,862</b>	110,841
	<b>(678)</b>	(6,874)	<b>503,672</b>	396,797
(Increase) decrease in assets				
Accounts receivable (concession asset)	-	-	<b>23,732</b>	193,490
Inventories	-	-	<b>12,845</b>	17,482
Interest on equity and dividends received	<b>52,733</b>	85,251	-	-
Receivables - State Finance Department (SEFAZ)	-	-	<b>(104,709)</b>	(108,313)
Taxes and contributions to offset	<b>(405)</b>	5,257	<b>(28,983)</b>	(9,670)
Pledges and restricted deposits	<b>3,699</b>	3,262	<b>6,830</b>	16,957
Prepaid expenses	-	-	<b>(9,952)</b>	(6,015)
Other	<b>(68)</b>	(4)	<b>35,068</b>	826
	<b>55,959</b>	93,766	<b>(65,169)</b>	104,757
Increase (decrease) in liabilities				
Trade accounts payable	<b>(88)</b>	(224)	<b>(30,784)</b>	4,446
Taxes and social charges payable	<b>679</b>	(218)	<b>58,894</b>	23,086
Taxes in installments - Law No. 11941	-	-	<b>(11,580)</b>	(10,747)
Regulatory charges payable	-	-	<b>(13,237)</b>	7,100
Provisions	-	(20)	<b>7,636</b>	2,468
Payables - Fundação CESP	-	-	<b>318</b>	(440)
Other	-	-	<b>670</b>	(5,269)
	<b>591</b>	(462)	<b>11,917</b>	20,644
Net cash provided by operating activities	<b>55,872</b>	86,430	<b>450,420</b>	522,198

See accompanying notes.

## ISA Capital do Brasil S.A.

### Cash flow statements (Continued)

Nine-month periods ended September 30, 2015 and 2014

(In thousands of reais - R\$)

	Company		Consolidated	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
Cash flow from investing activities				
Redemptions (short-term investments), net (Note 7)	<b>(8,344)</b>	83,404	<b>(64,793)</b>	(92,324)
Transaction with noncontrolling interests in the subsidiary	-	-	<b>39,258</b>	20,120
Interest income on loans (Note 12)	<b>1,247</b>	878	<b>1,247</b>	878
Proceeds from sale of property and equipment	<b>1</b>	-	<b>1</b>	-
Property and equipment (Note 15)	-	(1)	<b>(1,097)</b>	(6,022)
Intangible assets	<b>(15)</b>	(59)	<b>(872)</b>	(17,654)
Sale of preferred shares	<b>47,714</b>	-	<b>47,714</b>	-
Investments	-	-	<b>(74,304)</b>	(158,150)
<b>Net cash provided by investing activities</b>	<b>40,603</b>	84,222	<b>(52,846)</b>	(253,152)
Cash flow from financing activities				
Additions to loans (Note 17)	-	-	<b>30,000</b>	151,368
Repayment of loans and debentures (principal) (Notes 17 and 18)	<b>(8,256)</b>	(6,537)	<b>(107,592)</b>	(208,015)
Repayment of loans and debentures (interest) (Notes 17 and 18)	-	-	<b>(141,336)</b>	-
Redemptions of preferred shares (Note 26.c)	<b>(25,000)</b>	(117,308)	<b>(25,000)</b>	(117,308)
Dividends and interest on equity paid (Note 26.b)	<b>(55,703)</b>	(93,322)	<b>(144,398)</b>	(267,400)
Payment of capital in subsidiary	-	-	-	127,740
<b>Net cash used in financing activities</b>	<b>(88,959)</b>	(217,167)	<b>(388,326)</b>	(313,615)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,516</b>	(46,515)	<b>9,248</b>	(44,569)
Cash and cash equivalents at end of period	<b>28,067</b>	14,957	<b>34,495</b>	21,173
Cash and cash equivalents at beginning of period	<b>20,551</b>	61,472	<b>25,247</b>	65,742
<b>Changes in cash and cash equivalents</b>	<b>7,516</b>	(46,515)	<b>9,248</b>	(44,569)

See accompanying notes.

## ISA Capital do Brasil S.A.

Notes to interim financial statements  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 1. Operations

#### 1.1. Business purpose

ISA Capital do Brasil S.A. ("ISA Capital" or "Company") is a Brazilian holding incorporated as a limited liability company on April 28, 2006, and turned into a corporation on September 19, 2006. Subsequently, on January 4, 2007, the Brazilian Securities and Exchange Commission (CVM) approved its registration as a publicly-held company. ISA Capital was a publicly-held company until May 27, 2010, when its shareholders decided to cancel its registration with CVM.

The Company's is a subsidiary of Interconexión Eléctrica S.A. E.S.P and is engaged in holding equity interest in other companies or ventures, as a member or shareholder, partnership in joint ventures, membership in consortiums, or any type of business cooperation.

In the period from January 23, 2015 to March 20, 2015, the Company disposed of 1,239,056 preferred shares of subsidiary CTEEP at the price of R\$40.61 per share. As a consequence, at September 30, 2015, the Company holds 59,971,608 shares of subsidiary CTEEP, of which 57,714,208 are common shares, equivalent to 89.50% of the voting capital, and 2,257,200 are preferred shares, totaling 37.19% of the total capital of subsidiary CTEEP (57,714,208 common shares - 3,496,456 preferred shares at 12/31/2014).

#### 1.2. Concessions

Subsidiary CTEEP is entitled to operate, either directly or indirectly, the following Public Service Concession Arrangements for Electric Power Transmission:

Concession operator	Arrangement	(%) Interest	Term (years)	Maturity	Periodic tariff review		Restatement index	Annual Revenue Allowed (RAP)	
					Term	Next		In thousands of R\$	Base month
CTEEP	059/2001		30	12.31.42	5 years	2018	IPCA	836,611	06/15
IEMG	004/2007	100	30	04.23.37	5 years	2017	IPCA	14,899	06/15
Pinheiros	012/2008	100	30	10.15.38	5 years	2019	IPCA	9,057	06/15
Pinheiros	015/2008	100	30	10.15.38	5 years	2019	IPCA	27,082	06/15
Pinheiros	018/2008	100	30	10.15.38	5 years	2019	IPCA	4,793	06/15
Pinheiros	021/2011	100	30	12.09.41	5 years	2017	IPCA	5,131	06/15
Serra do Japi	026/2009	100	30	11.18.39	5 years	2015	IPCA	34,753	06/15
Serra do Japi (**)	143/2001		30	12.20.31	n/a	n/a	IGPM	17,896	06/15
Evrecy	020/2008	100	30	07.17.25	4 years	2017	IGPM	13,126	06/15
IENNE	001/2008	25	30	03.06.38	5 years	2018	IPCA	36,452	06/15
IESul	013/2008	50	30	10.15.38	5 years	2019	IPCA	4,558	06/15
IESul	016/2008	50	30	10.15.38	5 years	2019	IPCA	10,724	06/15
IEMadeira	013/2009	51	30	02.25.39	5 years	2019	IPCA	222,772	06/15
IEMadeira (***)	015/2009	51	30	02.25.39	5 years	2019	IPCA	193,432	06/15
IEGaranhuns (*)	022/2011	51	30	12.09.41	5 years	2017	IPCA	88,296	06/15

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 1. Operations (Continued)

#### 1.2. Concessions (Continued)

- (\*) Subsidiary IEGaranhuns is in pre-operating phase.
- (\*\*) On April 30, 2015, subsidiary CTEEP transferred the electric power transmission service concession arrangement No. 143/2001 to indirect subsidiary Serra do Japi, through a capital increase, as approved by ANEEL Authorizing Resolution No. 5036 of January 20, 2015.
- (\*\*\*) The RAP of the jointly-controlled subsidiary of indirect subsidiary IEMadeira was released with a 10% reduction, due to pending issues which does not configure impediment, for non-completion of studies of integrators in the electric simulator of the Brazil's National Electric System Operator (ONS).

All service concession arrangements above provide for the indemnification right on concession-related assets upon expiration thereof. Periodic tariff review arrangements provide for the remuneration right on investments under extension, enforcements and improvements.

#### Law No. 12783/2013

On September 12, 2012, Provisional Executive Order No. 579/2012 (MP No. 579) was published, which governed the extension of electric power generation, transmission and distribution concessions, granted prior to publication of Law No. 8987 of 1995, and addressed by Law No. 9074 of 1995. On September 14, 2012, Decree No. 7805 was published, which governed MP No. 579.

Under MP No. 579, electric power generation, transmission and distribution concessions, overdue or falling due 60 months after publication of such MP, could mature in December 2012, extendable, at the Granting Authority's discretion, only once, for up to 30 years. However, for transmission activities, the extension would depend on written acceptance of the following main conditions, among others: i) revenue determined under ANEEL's criteria; ii) amounts established for assets subject to indemnification; and iii) adopting the service quality standard established by ANEEL.

On November 1, 2012, the Ministry of Mines and Energy published:

- (i) Interministerial Ruling No. 580, which determined the indemnification for energized facilities as from June 1, 2000 (NI), at the prices for October 2012 for electric power transmission concessions, totaling R\$2,891,291 for the service concession arrangement No. 059/2001 (single arrangement addressed by such MP), under Attachment II of such Ruling.
- (ii) Interministerial Ruling No. 579, which determined RAP as from January 1, 2013, based on October 2012, amounting to R\$515,621 (net of PIS and COFINS), for the service concession arrangement No. 059/2001, under Attachment of such Ruling.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 1. Operations (Continued)

#### 1.2. Concessions (Continued)

##### Law No. 12783/2013 (Continued)

On November 29, 2012, Provisional Executive Order No. 591 (MP No. 591) was published, amending MP No. 579, in order to authorize the payment of amounts related to existing nondepreciated assets on May 31, 2000 (SE) by the Granting Authority, within 30 years. On August 13, 2014, subsidiary CTEEP registered the independent valuation report referring to those assets and monitors with ANEEL the definition of the final indemnification amount, as described in Note 8.

At the Special General Meeting (SGM) held on December 3, 2012, CTEEP's shareholders in unanimously approved the extension of the service concession arrangement No. 059/2001.

On December 4, 2012, the amendment to service concession arrangement No. 059/2001 was executed, with the option of receiving the indemnification, amounting to R\$2,891,291 for NI, under Interministerial Ruling No. 580, as follows:

- 50% in cash, payable within 45 days after the execution of the amendment to the service concession arrangement, adjusted by reference to IPCA; On January 18, 2013, subsidiary CTEEP received the amount of R\$1,477,987.
- 50% in monthly installments, payable until the expiration of the service concession arrangement in force on the date of publication of this Ruling, i.e., until July 7, 2015, restated by reference to IPCA, plus Weighted Average Cost of Capital (WACC) remuneration of 5.59% p.a., from the first day of the month the amendment to the service concession arrangement was executed. The remaining balance receivable at September 30, 2015 amounts to R\$105,427.

On January 11, 2013, MPs No. 579 and No. 591 were signed into Law No. 12783/2013. On April 4, 2013, Provisional Executive Order No. 612 was published, which reduced to zero the contribution for PIS/PASEP and COFINS on indemnifications addressed by Law No. 12783/2013.



## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 1. Operations (Continued)

#### 1.2. Concessions (Continued)

##### ANEEL Technical Note No. 032/2015-SRD/ANEEL

At the Board's Annual Public Meeting held on June 23, 2015, ANEEL approved the opening of public hearing for the period from June 29 to August 31, 2015, in order to collect subsidies and additional information for analysis of the transfer proposed, through indemnification to be paid to the transmission companies, of Other Transmission Facilities ("DIT") of electric power transmission companies to distribution companies, under the terms of ANEEL Technical Note No. 32/2015 (Administrative Proceeding No. 48500.004452/2014-60). The Other Transmission Facilities ("DIT") are characterized by operating voltage lower than 230 kV, and according to paragraph 46 of this Technical Note, the proposal includes transfer of part of these facilities, which if occurring will give rise to the payment of indemnity to affected transmission companies.

Whereas this is an undefined theme, given that the contributions to such public hearing are under assessment, the Company may not define whether the transfer will actually occur and, if it occurred, which facilities would be transferred, therefore, the Company is unable to estimate accurately the impacts arising from such Technical Note.

In August 2015, subsidiary CTEEP presented its contributions to the Public Hearing, together with the legal, technical, economic and financial opinions, challenging the grounds of ANEEL Technical Note No. 32/2015, as well as indicating consequences of the occasional transfer of part of its DITs, defining the criteria to be considered for preservation of the economic and financial balance of its concession, including review of the indemnity calculation criterion. According to the ANEEL regulatory schedule, the outcome of the public hearing is expected for the first half of 2016.

##### Interest in consortium

#### i) *Extremoz Transmissora do Nordeste - ETN*

On June 10, 2011, through ANEEL auction No. 001/2011, in a public session held on BM&FBOVESPA, Extremoz consortium, comprising CTEEP (51%) and Companhia Hidro Elétrica do São Francisco - Chesf (49%), bought batch A, comprising LT Ceará-Mirim - João Câmara II, of 500 kV with 64 km; LT Ceará-Mirim - Campina Grande III, of 500 kV with 201 km; LT Ceará-Mirim - Extremoz II, of 230 kV with 26 km; LT Campina Grande III - Campina Grande II, with 8.5 km; SE João Câmara II of 500 kV, SE Campina Grande III of 500/230 kV and SE Ceará-Mirim of 500/230 kV. On July 07, 2011, Extremoz Transmissora do Nordeste - ETN S.A. was organized, considering the same equity interest, in order to operate the service granted. This project involves estimated investment of R\$622.0 million and RAP of R\$31.9 million, as of June 2011. CTEEP's equity interest in the venture is of 51%.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 1. Operations (Continued)

#### 1.2. Concessions (Continued)

##### Interest in consortium (Continued)

##### i) *Extremoz Transmissora do Nordeste - ETN* (Continued)

On March 20, 2015, Extremoz filed with ANEEL the subsidiary CTEEP's intention of withdrawing from the consortium According to Authorizing Resolution No. 5218 of May 20, 2015, ANEEL consented to the transfer of ownership control, setting a deadline for implementation of the operation within 120 days from the date the resolution was published. The withdrawal of subsidiary CTEEP from the consortium also depends on the prior consent of the Administrative Council for Economic Defense (CADE), which did not yet express a position on this request. As a result, the term extension was requested with ANEEL, which through Order No. 3329/2015 extended the term for another 120 days.

### 2. Presentation of quarterly information

#### 2.1. Basis of preparation and presentation

The Company's individual quarterly information was prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions of the Brazilian Corporation Law, under Law No. 6404/76 amended by Laws No. 11638/07 and No. 11941/09, and accounting pronouncements, interpretations and guidance issued by the Brazilian Financial Accounting Standards Board - FASB ("CPC"). By December 31, 2013, these practices differed from the IFRS, applicable to separate financial statements, only as regards the application of the equity method to measure investments in subsidiaries, affiliates and jointly-controlled subsidiaries, which would be measured at cost or fair value under the IFRS.

The individual and consolidated quarterly information is presented in accordance with CPC 21 (R1) - Interim Financial Reporting, approved by the Brazilian Securities and Exchange Commission ("CVM") and IAS 34 (Interim Financial Reporting) issued by the IASB.

Both individual and consolidated quarterly information was prepared based on historical cost, unless otherwise stated, as described in the accounting practices of the annual financial statements for 2014. The historical cost is generally based on the value of the considerations paid in exchange for assets.

## **ISA Capital do Brasil S.A.**

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### **2. Presentation of quarterly information (Continued)**

#### **2.1. Basis of preparation and presentation (Continued)**

All amounts presented in this financial information are in thousands of reais, unless otherwise stated.

Nonfinancial data included in this financial information, such as power volume, projections or estimates and insurance have not been audited by the independent auditors.

#### **2.2. Reclassification of book balances (subsidiary CTEEP)**

At December 31, 2014, the balances referring to accounts “Regulatory charges payable” in current liabilities and “Others” in current assets were reclassified as a result of Memorandum Circular No. 0003/2015 of May 18, 2015, relating to Research & Development (R&D) projects, completed by that date. Therefore the asset and liability balances at December 31, 2014 of subsidiary CTEEP were restated.

#### **2.3. Functional and reporting currency**

The financial statements of the parent company and each subsidiary, included in the consolidated financial statements, are stated in Brazilian reais, which is the currency of the main economic environment in which the these companies operate (“functional currency”).

#### **2.4. Significant accounting judgments, estimates and assumptions**

According to CVM/SNC/SEP Memorandum Circular No. 03/2011, subsidiary CTEEP declares that significant accounting judgments, estimates and assumptions, as well as significant accounting practices are the same as those disclosed in the annual financial statements for 2014. Therefore, the corresponding information must be read jointly with Notes 2.3 and 3 to those financial statements.

#### **2.5. Consolidation procedures**

The consolidated quarterly information comprises the quarterly information of ISA Capital and its subsidiaries.

Control is obtained when the Company is entitled to control financial and operating policies of an entity to enjoy benefits arising from the activities thereof.

The subsidiaries are fully consolidated as from the date the full control begins up to the date it ceases.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 2. Presentation of quarterly information (Continued)

#### 2.5. Consolidation procedures (Continued)

At September 30, 2015 and December 31, 2014, interest held in subsidiaries was as follows:

	Quarterly information reporting date	Interest %	
		09/30/2015	12/31/2014
<b>Direct</b>			
CTEEP	09/30/2015	<b>37.19</b>	37.96
<b>Indirect</b>			
Interligação Elétrica de Minas Gerais S.A. (IEMG)	09/30/2015	<b>37.19</b>	37.96
Interligação Elétrica Pinheiros S.A. (Pinheiros)	09/30/2015	<b>37.19</b>	37.96
Interligação Elétrica Serra do Japi S.A. (Serra do Japi)	09/30/2015	<b>37.19</b>	37.96
Evrecy Participações Ltda. (Evrecy)	09/30/2015	<b>37.19</b>	37.96
Bandeirantes Investment Fund by reference to Interbank Deposit (DI)	09/30/2015	<b>30.87</b>	(*) -
Xavantes Investment Fund by reference to Interbank Deposit (DI)	09/30/2015	<b>29.38</b>	(*) -

(\*) Includes both direct and indirect interests.

The following procedures were adopted in preparing the consolidated quarterly information:

- Elimination of the subsidiaries' equity;
- Elimination of equity pickup; and
- Elimination of asset and liability balances, revenues and expenses among the consolidated companies.

Accounting practices were consistently applied in all consolidated subsidiaries and the fiscal year of these subsidiaries is the same of the Company.

Noncontrolling interests are presented as part of equity and net income, and are classified in the consolidated quarterly information.

Due to adoption of pronouncements CPC 19 (R2) and CPC 36 (R3), whose application was mandatory from January 1, 2013 onwards, investments in jointly-controlled subsidiaries are no longer proportionally consolidated by subsidiary CTEEP and are now accounted for by the equity method.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 2. Presentation of quarterly information (Continued)

#### 2.5. Consolidation procedures (Continued)

At September 30, 2015 and December 31, 2014, indirect interest held in jointly-controlled subsidiaries was as follows:

	Quarterly information reporting date	Interest %	
		09/30/2015	12/31/2014
<b>Jointly-controlled subsidiaries</b>			
Interligação Elétrica Norte e Nordeste S.A. (IENNE)	09/30/2015	<b>9.30</b>	9.49
Interligação Elétrica do Sul S.A. (IESul)	09/30/2015	<b>18.59</b>	18.98
Interligação Elétrica do Madeira S.A. (IEMadeira)	09/30/2015	<b>18.97</b>	19.36
Interligação Elétrica Garanhuns S.A. (IEGaranhuns)	09/30/2015	<b>18.97</b>	19.36

### 3. Summary of significant accounting practices

The Company declares that information on significant accounting practices remains valid for this Interim Financial Information and the content of this information can be found in Note 3 to the financial statements for the year ended December 31, 2014.

### 4. New and revised standards and interpretations not yet adopted

The Company and its subsidiaries have adopted all (new or revised) pronouncements and interpretations issued by the Brazilian FASB (CPC), when applicable, which were effective at December 31, 2014.

No new pronouncements were disclosed other than those mentioned in the financial statements for the year ended December 31, 2014.

### 5. Obligations assumed upon acquisition of subsidiary CTEEP

According to the Second Clause of the Share Purchase and Sale Agreement and Clause 1.5 of the Notice of Public Offering Auction (OPA), subject-matter of the privatization auction, the Company is committed to supplementing payment for CTEEP share purchase price should CTEEP be released from the payments related to the supplementary retirement pension plan benefits set forth in Law No. 4819/58, currently discussed in court.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 5. Obligations assumed upon acquisition of subsidiary CTEEP

On May 22, 2015, the State Finance Department (SEFAZ) notified the Company charging the amount equivalent to R\$266 million, alleging the occurrence of “Discharge Event”. However, on May 29, 2015, the Company notified SEFAZ of its position against that collection.

In view of the foregoing, the Company, by caution and based on the opinion of its legal advisors, decided to maintain the amounts recorded in account “Payables - Law No. 4819/58” given that so far there was no pronouncement from SEFAZ on this issue.

At September 30, 2015, the amount to supplement purchase price is as follows:

- (a) São Paulo State Government: the amount of R\$269,621 (R\$252,726 at 12/31/2014) recorded under “Payables - Law No. 4819/58 - State Finance Department (SEFAZ)” is the total payable to São Paulo State Government due to acquisition of shares through the privatization auction held on June 28, 2006. The matching entry of this obligation, which at the time of acquisition of shares amounted R\$188,895, was recorded under “Investments - goodwill on acquisition of equity interest in subsidiary”, and the difference of R\$63,831 was recognized in P&L as monetary restatement of the obligation, by reference to IPCA as from December 31, 2005, under the terms of the arrangement.
- (b) Minority interests (OPA): the amount of R\$169,056 (R\$158,621 at 12/31/2014) recorded under “Payables - Law No. 4819/59 - OPA) is the total payable to minority interest holders who sold their shares to ISA Capital through the public offering auction (OPA) carried out on January 9, 2007. The matching entry of this obligation, which at the time of acquisition of shares amounted to R\$120,306, was recorded under “Investments - goodwill on acquisition of equity interest in subsidiary”, and the difference of R\$38,315 was recognized in P&L as monetary restatement of the obligation, by reference to the IPCA as from December 31, 2005 under the terms of the arrangement.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 6. Cash and cash equivalents

	Company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Cash and banks	44	264	3,987	1,806
Cash equivalents (i)	28,023	20,287	30,508	23,441
	<b>28,067</b>	<b>20,551</b>	<b>34,495</b>	<b>25,247</b>

(i) Breakdown of cash equivalents is as follows:

	% of CDI	Company		Consolidated	
		09/30/2015	12/31/2014	09/30/2015	12/31/2014
Bank Deposit Certificate (CDB)	92.0% to 100.0%	-	-	837	1,333
Repurchase agreements (a)	93.0% to 97.0%	28,023	20,287	29,665	22,108
Short-term investment funds (b)	60.00% to 70.0%	-	-	6	-
		<b>28,023</b>	<b>20,287</b>	<b>30,508</b>	<b>23,441</b>

Short-term investments are measured at fair value through profit or loss and have daily liquidity.

Company management's analysis of the exposure of these assets to interest rate risks, among others, is disclosed in Note 33 (c).

- (a) Repurchase agreements are notes issued by banks, provided that the issuing bank repurchases such note and the customer sells it at predefined rates and periods, backed by corporate bonds or government securities registered with the Brazil's OTC Clearing House (CETIP).
- (b) Provision CP FICFI Federal Investment Fund: administered by Banco Itaú-Unibanco, the portfolio of which is comprised of shares of Short-Term FI Federal Investment Fund, with daily liquidity and portfolio linked to government securities.

### 7. Short-term investments

	% of CDI	Company		Consolidated	
		09/30/2015	12/31/2014	09/30/2015	12/31/2014
Bank Deposit Certificate (CDB)	92.0% to 100.0%	8,344	-	8,344	-
Investment funds (*)	101.0% to 103.2%	-	-	536,050	479,601
		<b>8,344</b>	<b>-</b>	<b>544,394</b>	<b>479,601</b>

(\*) Investments funds are consolidated as described in Note 2.5.

#### Consolidated

Subsidiary CTEEP and its subsidiaries concentrate their financial investments in investment funds, which refer to highly liquid investment fund shares, readily convertible into a known cash amount, irrespective of the maturity of assets.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 7. Short-term investments

#### Consolidated (Continued)

Investment funds are:

- Bandeirantes Investment Fund by reference to Interbank Deposit (DI): fund established for exclusive investment by subsidiary CTEEP and its subsidiaries, administered by Banco Bradesco, the portfolio of which is comprised of shares of Coral Investment Fund by reference to Interbank Deposit (DI). The balance at September 30, 2015 amounts to R\$271,569 (R\$258,001 at December 31, 2014).
- Xavantes Investment Fund by reference to Interbank Deposit (DI): fund established for exclusive investment by subsidiary CTEEP and its subsidiaries, administered by Banco Itaú-Unibanco, the portfolio of which is comprised of shares of Special Investment Fund by reference to Interbank Deposit (DI) (Corp by reference to DI merged by Special DI). The balance at September 30, 2015 amounts to R\$264,481 (R\$221,600 at December 31, 2014).

The portfolios of Coral and Special Investment Funds by reference to DI comprise the following assets: investments in demand deposits, floating CDB, government securities, debentures, financial bills and repurchase agreements in government securities. They have daily liquidity, irrespective of assets comprising Coral and Special Investment Funds by reference to DI, as established in the regulation of Bandeirantes and Xavantes Funds.

The analysis of subsidiary CTEEP management as to the exposure of these assets to interest rate risks, among others, is disclosed in Note 33 (c).

### 8. Accounts receivable (concession asset)

Accounts receivable are as follows:

	<b>Consolidated</b>	
	<b>09/30/2015</b>	<b>12/31/2014</b>
<b>O&amp;M</b>		
Accounts receivable - O&M services (a)	<b>150,926</b>	142,042
	<b>150,926</b>	142,042
<b>Financial asset</b>		
Accounts receivable - infrastructure construction services (b)	<b>2,043,671</b>	1,697,446
Accounts receivable for reversal (c)	<b>82,602</b>	78,268
	<b>2,126,273</b>	1,775,714
<b>Indemnification asset – Law No. 12783/13</b>		
Accounts receivable - Law No. 12783/13 (NI) (d)	<b>105,427</b>	486,850
Accounts receivable - Law No. 12783/13 (SE) (d)	<b>1,490,996</b>	1,490,996
	<b>1,596,423</b>	1,977,846
	<b>3,873,622</b>	3,895,602
Current	<b>392,400</b>	729,946
Noncurrent	<b>3,481,222</b>	3,165,656



## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 8. Accounts receivable (concession asset) (Continued)

- (a) O&M - Operation and Maintenance refers to the portion of monthly billing reported by ONS allocated to compensation for operation and maintenance services, receivable within less than 30 days, on average.
- (b) Receivables from construction, extension, reinforcement and improvement services of electric power transmission facilities up to the termination of each service concession arrangement in force, to which subsidiary CTEEP and its subsidiaries are signatories, adjusted to present value and remunerated by the effective interest rate.
- (c) Accounts receivable for reversal - these refer to the estimated portion of investments made and not amortized up to the termination of the service concession arrangements in force and for which subsidiary CTEEP and its subsidiaries will be entitled to receive cash or other financial asset, upon termination of the service concession arrangements.
- (d) Accounts receivable - Law No. 12783/2013 - these refer to the amount receivable for reversal of investments made and not amortized of the service concession arrangement No. 059/2001 subdivided into NI and SE, respectively:
- Return of facilities for NI corresponds to R\$2,949,121, including R\$2,891,291 of New Replacement Cost (VNR) determined and R\$57,830 for remuneration by IPCA + WACC of 5.59% p.a., as defined in Interministerial Ruling No. 580. Fifty per cent (50%) of this amount was received on January 18, 2013 and the remaining 50% was split into 31 monthly installments (Note 1.2), with the last four installments outstanding, expected to be paid until January 2016. As provided in ANEEL Technical Note No. 14/2015, the total balance relating to the reversal under the terms of Law No. 12783/2013 is contemplated as a pass-through item in the budget of the Energy Development Account (CDE) for 2015.
  - Return of the facilities for SE corresponds to the infrastructure construction cost, considering ANEEL Order No. 155 of January 23, 2013, which suggests recording this item at cost until approval by the Granting Authority. As disclosed in a material news release on August 12, 2014, a new independent valuation report was prepared, amounting to R\$5,186,018, which corresponds to estimated investments at the New Replacement Cost (VNR) adjusted for accumulated depreciation through December 31, 2012. On January 08, 2015, subsidiary CTEEP received a report from ANEEL's Economic and Financial Oversight Authority (SFF), pursuant to the material news release published on the same date, whereby SFF defined SE facilities amount at R\$3,604,982. Subsidiary CTEEP filed additional appeal and arguments challenging the amount informed by SFF. On July 17, 2015, ANEEL issued Technical Note No. 196/2015-SFF/ANEEL with the new amount of R\$3,742,694 for SE facilities, which will still be validated by the Reporting Chief and approved by ANEEL's Executive Board. An appeal may be filed against the Order approving the indemnification amount. The accounting effects and recognition depend on approval of the final amount, as well as definition of the collection method and terms by the Ministry of Mines and Energy and the Ministry of Finance.

The aging list of accounts receivable is as follows:

	<b>Consolidated</b>	
	<b>09/30/2015</b>	<b>12/31/2014</b>
Falling due	<b>3,737,895</b>	3,709,941
Overdue		
Within 30 days (i)	<b>231</b>	51,428
From 31 to 60 days (i)	<b>7,930</b>	103,719
From 61 to 360 days (i)	<b>99,500</b>	1,475
Above 361 days (ii)	<b>28,066</b>	29,039
	<b>135,727</b>	185,661
	<b>3,873,622</b>	3,895,602

- (i) These mainly refer to the portions pending receipt of accounts receivable for indemnification of facilities related to NI.
- (ii) Certain system members challenged balances billed in connection with the Basic Electric Power Grid. By virtue of this challenge, judicial deposits were made of amounts owed by such members. Subsidiary CTEEP billed the amounts in line with regulators' authorizations. Therefore, it does not record any provision for losses related to such challenges.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

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### 8. Accounts receivable (concession asset) (Continued)

Subsidiary CTEEP has no history of losses on accounts receivable, which are secured by structures of guarantees and/or access to current accounts operated by the Brazil's National Electric System Operator (ONS) or directly by subsidiary CTEEP. Therefore, it did not set up any allowance for doubtful accounts.

Changes in accounts receivable are as follows:

	<u>Consolidated</u>
<b>Balances at 12/31/2014</b>	<b><u>3,895,602</u></b>
Construction revenue (Note 27.1)	218,498
Remuneration of concession assets (Note 27.1)	256,328
Operation and maintenance revenue (Note 27.1)	613,167
Restatement of accounts receivable - IPCA/WACC reversal	51,505
Accounts received - NI reversal	(432,927)
Receipts	<u>(728,551)</u>
<b>Balances at 09/30/2015</b>	<b><u>3,873,622</u></b>

### 9. Receivables - State Finance Department (SEFAZ)

	<u>Consolidated</u>	
	<u>09/30/2015</u>	<u>12/31/2014</u>
Payroll processing - - Law No. 4819/58 (a)	<b>1,189,399</b>	1,087,560
Labor claims - Law No. 4819/58 (b)	<b>233,667</b>	230,797
Provision for losses on realization of receivables (c)	<b>(516,255)</b>	(516,255)
Family allowance - Law No. 4819/58 (d)	<b>2,218</b>	2,218
Provision for losses on realization of receivables - family allowance (d)	<b>(2,218)</b>	(2,218)
	<b><u>906,811</u></b>	<u>802,102</u>

(a) These refer to receivables to settle the payroll portion of the supplementary retirement plan governed by State Law No. 4819/58, from January 2005 to December 2014 (Note 36). Increase against the previous year is related to compliance with the decision handed down by the 49th Labor Court, on which subsidiary CTEEP, in the condition of party whom notice has been served, monthly pass on the amounts to Fundação CESP for retirees payroll processing.

(b) These refer to certain labor claims settled by subsidiary CTEEP, relating to retired employees supported by State Law No. 4819/58, which are the responsibility of the São Paulo State Government.

(c) Due to the events occurred in subsidiary CTEEP over 2013, namely: (i) change in the expected time of realization of part of assets, on account of the dismissal, without prejudice, of the collection lawsuit of amounts due by São Paulo State Federal Government, as well as other changes occurred in the proceeding, as described in Note 36; (ii) the recognition of the Regular Legal Court as the competent court to discuss the matter under concern, based on the leading case at the Federal Supreme Court of Brazil (STF) under judgment of appeal relating to legal discussions of other parties unrelated to this proceeding, as described in Note 36; and (iii) the legal progress of other proceedings relating to Law No. 4819/58, for instance, the recognition of the effective transfers from SEFAZ-SP to subsidiary CTEEP of some amounts that had been disallowed until April 2013, as described in Note 34. Management of subsidiary CTEEP reviewed the amounts receivable relating to Law No. 4819/58 and recorded a provision for losses on realization of part of receivables, based on events occurred in the period. Subsidiary CTEEP monitors the legal progress of this issue and there were no events indicating the need for review of the provision.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

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### 9. Receivables - State Finance Department (SEFAZ)

- (d) CESP made advances for payment of monthly expenses relating to family allowance, arising from State Law No. 4819/58 benefits, which were transferred to subsidiary CTEEP upon CESP split-off. Considering the expected loss, management of subsidiary CTEEP set up a provision for losses, amounting to R\$2,218.

### 10. Taxes and contributions to offset

	Company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Corporate Income Tax (IRPJ) - negative balance	-	954	-	954
Social Contribution Tax on Net Profit (CSLL) - negative balance	-	340	-	340
Income tax recoverable (i)	34,769	30,197	75,364	30,318
Social contribution tax recoverable	843	132	15,829	185
Withholding Income Tax (IRRF)	-	-	4,666	5,817
Withholding social contribution	-	-	342	330
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) (ii)	-	-	1,717	22,996
Contribution Tax on Gross Revenue for Social Integration Program (PIS) (ii)	-	-	387	4,791
Other	-	-	447	372
	<b>35,612</b>	<b>31,623</b>	<b>98,752</b>	<b>66,103</b>
<b>Current</b>	<b>4,500</b>	<b>31,623</b>	<b>67,640</b>	<b>66,103</b>
<b>Noncurrent</b>	<b>31,112</b>	<b>-</b>	<b>31,112</b>	<b>-</b>

- (i) Balance made up of IRPJ and CSLL recoverable arising from withholdings on redemptions of financial investments and interest on equity. The Company annually prepares a study on the recovery of these balances and also considers requesting for refund of these amounts.
- (ii) In the second quarter of 2014, subsidiary CTEEP recognized PIS and COFINS previously unused credits that totaled R\$31,954 (R\$36,221 restated), R\$21,398 of which refer to projects received for reversal, recognized under "Other operating income (expenses)" and the remained amount of R\$10,556 reduces the financial asset under "Accounts receivable from infrastructure construction services".

### 11. Tax benefit - goodwill merged of the Company - consolidated

The goodwill paid by the Company on acquisition of CTEEP's ownership control is economically based on the expected profitability over the operation term of service concession arrangements No. 059/2001 and 143/2001, originating from acquisition of the concession right granted by the Granting Authority, under letter b, second paragraph, article 14 of CVM Ruling No. 247 of March 27, 1996, as amended by CVM Ruling No. 285 of July 31, 1998.

For amortization of goodwill not to adversely impact the dividend flow to shareholders, subsidiary CTEEP set up a Provision for Maintenance of Equity Integrity (PMIPL) of its acquirer and a Special Merger Goodwill Reserve, in accordance with CVM Ruling No. 349 of March 6, 2001.

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### 11. Tax benefit - goodwill merged of the Company - consolidated (Continued)

Accordingly, amortization of goodwill, net of reversal of such provision and corresponding tax credit, has no effect on P&L for the year or on the dividend calculation basis.

Goodwill, which at December 31, 2007 totaled R\$689,435, was substantially amortized up to July 2015, in monthly installments, as authorized by ANEEL Resolution No. 1164 of December 18, 2007, as follows:

Year	Amortization - % p.a.
	Total
From 2008 to 2012	12.30
From 2013 to 2015	12.75
From 2016 to 2031	0.25

In order to better present the financial position of subsidiary CTEEP in the quarterly information, the net amount of R\$8,058 (R\$30,473 at December 31, 2014), which essentially represents the merged tax credit, was classified in the balance sheet in noncurrent assets as tax benefit - merged goodwill, based on its expected realization.

Changes for the period ended September 30, 2015 are as follows:

	Goodwill	Provision	Net
<b>Balances at 12/31/2014</b>	89,628	(59,155)	30,473
Realization in the period	(65,927)	43,512	(22,415)
<b>Balances at 09/30/2015</b>	<b>23,701</b>	<b>(15,643)</b>	<b>8,058</b>

Amortization is recorded in the income statement under "Other income (expenses), net" (Note 30).

### 12. Loans receivable

Breakdown of balances at September 30, 2015 is as follows:

Foreign currency	Charges	Final maturity	Company	
			09/30/2015	12/31/2014
Interconexión Eléctrica S.A. ESP ("ISA") (a)	LIBOR + 3% p.a.	12.28.2016	95,362	63,229
Total in foreign currency			95,362	63,229
Noncurrent			95,362	63,229

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 12. Loans receivable (Continued)

(a) This refers to a loan granted by Isa Capital to its parent company Interconexión Eléctrica S.A. ESP ("ISA"), for the full onlending of the loan obtained by the Company in 2006 denominated in US dollars, originally amounting to US\$23,800 thousand, whose maturity in a lump sum was on July 19, 2007 and interest was calculated based on LIBOR, plus 3.00% p.a. The Company maintained the same assumptions for the restatement of such transaction, bearing semi-annual interest thereon. By an administrative decision, this agreement was postponed for more 2 (two) years, maturing on December 28, 2016.

On July 1, 2015, the Company received accumulated interest in the amount of R\$1,247 for the six-month period.

Changes in loans are as follows:

	<u>Company</u>
<b>Balances at 12/31/2014</b>	<u>63,229</u>
Interest received	(1,247)
Interest and monetary and exchange gains (losses)	33,380
<b>Balances at 09/30/2015</b>	<u><u>95,362</u></u>

### 13. Pledges and restricted deposits

	<u>Company</u>		<u>Consolidated</u>	
	<u>09/30/2015</u>	<u>12/31/2014</u>	<u>09/30/2015</u>	<u>12/31/2014</u>
Deposit - Bank of New York (guarantee) (a)	-	3,699	-	3,699
Judicial deposits				
Labor (Note 23.b)	-	-	<b>47,524</b>	51,525
Social security - INSS (Note 23.b)	-	-	<b>1,226</b>	1,226
Notices for violation - ANEEL (b)	-	-	<b>9,545</b>	9,602
Other	-	-	<b>927</b>	-
	-	3,699	<b>59,222</b>	66,052
<b>Current</b>	-	3,699	-	3,699
<b>Noncurrent</b>	-	-	<b>59,222</b>	62,353

#### Company

(a) These refer to a deposit in Bank of New York to guarantee interest paid biannually, which are related to bonds remaining after debt restructure, and USD 1.4 million shall be maintained in the account. As provided for by agreement, the Company has used the funds from that account to make interest payments, in January and July, and after each payment the account balance is pushed back.

Within the legal term contractually established, the account balance was pushed back with a deposit amounting to R\$4,199 on April 24, 2015.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 13. Pledges and restricted deposits (Continued)

#### Consolidated

(b) These refer to deposits aiming at voiding ANEEL notices which the subsidiary CTEEP has been challenging.

In noncurrent assets, in view of the uncertainties about the outcome of the lawsuits to which the deposits refer, subsidiary CTEEP and its subsidiaries maintain these deposits at their nominal value, not recording any type of monetary restatement or interest thereon.

### 14. Investments

#### a) Information on subsidiary CTEEP

	<u>09/30/2015</u>	<u>12/31/2014</u>
Number of outstanding shares at the balance sheet date		
Common registered shares	<b>64,484,433</b>	64,484,433
Preferred registered shares	<b>96,775,022</b>	96,775,022
<b>Total</b>	<b>161,259,455</b>	161,259,455
Equity - consolidated		
Capital	<b>2,215,291</b>	2,215,291
Capital reserves	<b>1,190,471</b>	1,190,471
Special goodwill reserve	<b>87,551</b>	87,551
Income reserves	<b>1,671,732</b>	1,671,732
Retained earnings	<b>323,813</b>	-
Noncontrolling interests	<b>102,825</b>	63,567
<b>Total</b>	<b>5,591,683</b>	5,228,612

#### b) Information on investments of the Company

	<u>09/30/2015</u>	<u>12/31/2014</u>
Number of common registered shares	<b>57,714,208</b>	57,714,208
Number of preferred registered shares	<b>2,257,400</b>	3,496,456
Equity of CTEEP - Consolidated	<b>5,591,683</b>	5,228,612
(-) Special goodwill reserve	<b>(60,361)</b>	(60,361)
(-) Noncontrolling interests	<b>(102,825)</b>	(63,567)
CTEEP's equity (equity pickup base)	<b>5,428,497</b>	5,104,684
Percentage of ownership interest in CTEEP	<b>37.1895%</b>	37.9579%
<b>Investment</b>	<b>2,018,831</b>	1,937,631
Special goodwill reserve	<b>60,361</b>	60,361
Equity adjustment - Law No. 4819/58 (i)	<b>111,582</b>	111,582
<b>Total investments</b>	<b>2,190,774</b>	2,109,574

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 14. Investments (Continued)

#### b) Information on investments of the Company (Continued)

- (i) In 2013, subsidiary CTEEP recorded a provision for losses on realization of receivables for part of the amounts receivable from SERFAZ-SP, relating to the supplementary retirement plan governed by State Law No. 4819/58. For calculation of equity pickup on investment in this subsidiary, the Company made an adjustment amounting to R\$111,582, for disregarding the effect of the above-mentioned provision, in order to align the time to recognize the obligations associated with Law No. 4819/58, since the Company already has a liability recorded of this same nature.

#### c) Changes in investments for the period ended September 30, 2015:

<b>Balance at December 31, 2014</b>	<u>2,109,574</u>
Equity pickup	161,733
Dividends received from subsidiary CTEEP	(40,955)
Divestiture – disposal of preferred registered shares (i)	<u>(39,578)</u>
<b>Balance at September 30, 2015</b>	<u><b>2,190,774</b></u>

- (i) This refers to the disposal of 1,239,056 preferred shares issued by subsidiary CTEEP (TRPL4) in the first quarter.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 14. Investments (Continued)

#### 14.1. Investments in subsidiary CTEEP

##### a) Information on subsidiary CTEEP

Reporting date	Subsidiary CTEEP's investments															
	IEMG		Pinheiros		Serra do Japi		Evrecy		IENNE		IESul		IEMadeira		IEGaranhuns	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014	09/30/2015	12/31/2014	09/30/2015	12/31/2014	09/30/2015	12/31/2014	09/30/2015	12/31/2014	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Number of common shares held	<b>83,055,292</b>	83,055,292	<b>300,910,000</b>	283,310,000	<b>130,857,198</b>	86,748,000	<b>21,512,367</b>	21,512,367	<b>81,821,000</b>	81,821,000	<b>103,628,500</b>	100,928,499	<b>717,060,000</b>	717,060,000	<b>261,375,000</b>	168,300,000
Interest in paid-in capital - %	<b>100.0</b>	100.0	<b>100.0</b>	100.0	<b>100.0</b>	100.0	<b>100.0</b>	100.0	<b>25.0</b>	25.0	<b>50.0</b>	50.0	<b>51.0</b>	51.0	<b>51.0</b>	51.0
Paid-in capital	<b>83,055</b>	83,055	<b>300,910</b>	283,310	<b>130,857</b>	86,748	<b>21,512</b>	21,512	<b>327,284</b>	327,284	<b>207,257</b>	201,857	<b>1,406,000</b>	1,406,000	<b>512,500</b>	330,000
Equity	<b>120,548</b>	108,318	<b>415,340</b>	338,656	<b>225,111</b>	168,639	<b>50,693</b>	47,441	<b>390,300</b>	359,435	<b>225,887</b>	215,272	<b>2,028,040</b>	1,818,153	<b>596,513</b>	374,352
Net income (loss)	<b>12,230</b>	247	<b>59,084</b>	13,099	<b>18,726</b>	28,479	<b>8,571</b>	10,526	<b>30,865</b>	15,662	<b>5,216</b>	2,416	<b>209,887</b>	131,660	<b>39,661</b>	36,539

##### b) Changes in investments - CTEEP subsidiary - for the period ended September 30, 2015

	Consolidated				Total
	IENNE	IESul	IEMadeira	IEGaranhuns	
Balances at 12/31/2014	89,859	107,636	927,254	190,920	1,315,669
Capital payment	-	2,700	-	93,075	95,775
Equity pickup	7,716	2,608	107,046	20,227	137,597
Balances at 09/30/2015	<b>97,575</b>	<b>112,944</b>	<b>1,034,300</b>	<b>304,222</b>	<b>1,549,041</b>



## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

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### 15. Property and equipment

These substantially refer to chattel used by the Company and its subsidiaries not related to the service concession arrangement:

		<b>Company</b>					
		<b>Annual average depreciation rates</b>		<b>09/30/2015</b>		<b>12/31/2014</b>	
		<b>%</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>	<b>Net</b>	
<b>In operation</b>							
Machinery and equipment		6%	26	(11)	15	23	
Furniture and fixtures		6%	32	(23)	9	11	
			<b>58</b>	<b>(34)</b>	<b>24</b>	<b>34</b>	

		<b>Consolidated</b>					
		<b>Annual average depreciation rates</b>		<b>09/30/2015</b>		<b>12/31/2014</b>	
		<b>%</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>	<b>Net</b>	
<b>In operation</b>							
Land		-	2,060	-	2,060	2,060	
Machinery and equipment		6.44%	4,728	(1,897)	2,831	1,211	
Furniture and fixtures		6.25%	7,151	(5,158)	1,993	2,131	
IT equipment		24.1% (*)	10,288	(6,860)	3,428	4,938	
Vehicles		31.5% (**)	10,867	(148)	10,719	10,854	
Other		4.0%	3,167	(935)	2,232	3,394	
			<b>38,261</b>	<b>(14,998)</b>	<b>23,263</b>	<b>24,588</b>	

(\*) Including lease of IT equipment with a 33.3% rate.

(\*\*) Including vehicle lease with rates of 25.0% and 33.3%.

Changes in property and equipment for the period ended September 30, 2015 are as follows:

		<b>Company</b>				
		<b>Balances at 12/31/2014</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Write-off</b>	<b>Balances at 09/30/2015</b>
Machinery and equipment		23	-	(5)	(3)	15
Furniture and fixtures		11	-	(2)	-	9
		<b>34</b>	<b>-</b>	<b>(7)</b>	<b>(3)</b>	<b>24</b>

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 15. Property and equipment (Continued)

	Consolidated				Balances at 09/30/2015
	Balances at 12/31/2014	Additions	Depreciation	Write-offs/ transfers	
Land	2,060		-	-	2,060
Machinery and equipment	1,211		(156)	1,776	2,831
Furniture and fixtures	2,131		(233)	95	1,993
IT equipment	4,938		(1,843)	333	3,428
Vehicles	10,854		(135)	-	10,719
Other	3,394	1,097	(1)	(2,258)	2,232
	<u>24,588</u>	<u>1,097</u>	<u>(2,368)</u>	<u>(54)</u>	<u>23,263</u>

### 16. Intangible assets (Consolidated)

These substantially refer to:

- Expenses incurred by subsidiary CTEEP over implementation/structuring of ERP-SAP, which have been amortized on a straight-line basis for 5 years;
- Goodwill generated in the acquisition of Evrecy by subsidiary CTEEP; and
- Amount resulting from adjustment made in the equity pickup calculation on investment in subsidiary CTEEP, as mentioned in Note 14, letter b).

Changes in intangible assets for the period ended September 30, 2015 are as follows:

	Consolidated		
	Goodwill	Software	Total
Balance at 12/31/2014	109,092	58,618	167,710
Additions	-	872	872
Amortization	(1,869)	(4,019)	(5,888)
Balance at 09/30/2015	<u>107,223</u>	<u>55,471</u>	<u>162,694</u>

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 17. Loans and financing

Breakdown of loans and financing balances is as follows:

	<b>Company</b>			
	<b>Charges</b>	<b>Final maturity</b>	<b>09/30/2015</b>	<b>12/31/2014</b>
<b>Foreign currency</b>				
Bonds (a)	8.80% p.a.	01/30/2017	<b>127,590</b>	87,154
<b>Current</b>			<b>1,844</b>	3,083
<b>Noncurrent</b>			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
			<b>125,746</b>	84,071
			<b>127,590</b>	87,154
			<b>1,844</b>	3,083
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			<b>125,746</b>	84,071

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 17. Loans and financing (Continued)

#### (b) BNDES

- (i) On December 23, 2013, subsidiary CTEEP entered into a loan agreement with BNDES amounting to R\$391.3 million, of which R\$284.2 million were at the cost of TJLP plus 1.80% p.a.; R\$1.9 million at the cost of TJLP; and R\$105.2 million at the cost of 3.50% p.a. This loan is intended for implementation of the Multiannual Investment Plan relating to the period 2012-2015, comprising construction works referring to the modernization of the electric power transmission system, system improvements, new project reinforcements and implementation, as well as implementation of social investments within the community. The release of funds amounting to R\$124.1 million, R\$26.9 million, R\$89.0 million and R\$30.0 million took place on January 29, June 26, December 26, 2014 and April 14, 2015, respectively. The next disbursement is scheduled for the 4<sup>th</sup> quarter of 2015.

Interest will be paid on a quarterly and on a monthly basis from April 2015 onwards. The debt principal is repaid in monthly equal and consecutive installments, up to 168 installments, from April 2015 onwards. Subsidiary CTEEP offered bank guarantee.

- (ii) On November 18, 2008, subsidiary CTEEP entered into a R\$329.1 million loan agreement with BNDES. Repayment is in 54 monthly installments as from January 2011. Until the beginning of repayment, charges were paid on a quarterly basis. This agreement was settled on June 15, 2015.
- (iii) On September 17, 2007, subsidiary CTEEP entered into a loan agreement with BNDES amounting to R\$764.2 million, reduced to R\$601.7 million in December 2008. This amount accounts for 70.0% of total investment, which includes system improvements, reinforcements, modernization of the current transmission system and new projects, and is part of the 2006/2008 Multiannual Investment Plan. Repayment is in 78 monthly installments beginning in January 2009. This agreement was settled on June 15, 2015.

The agreements mentioned in items (i), (ii) and (iii) have for 2015 the following maximum financial indicators, calculated on an annual basis: Net debt/Adjusted EBITDA  $\leq$  5.0 and Net Debt/(Net Debt + Equity)  $\leq$  0.6.

For calculation and proof purposes of said ratios, subsidiary CTEEP consolidates all subsidiaries and jointly-controlled subsidiaries (proportionally to the interest held by it), provided that it holds interest equal to or higher than 10%.

- (iv) On August 13, 2013, Indirect subsidiary Pinheiros entered into a loan agreement amounting to R\$23.5 million with BNDES. On September 12 and December 11, 2013, R\$21.6 million and R\$1.9 million, respectively, were drawn down corresponding total funds. The amount is intended to finance the construction of the transmission lines and substations provided for by the service concession arrangement No. 021/2011. Repayment is in 168 monthly installments from March 15, 2014 onwards. Indirect subsidiary Pinheiros shall maintain, over repayment and after giving the bank sureties, a Debt Coverage Ratio (ICSD) of at least 1.3%, determined annually.
- (v) On December 30, 2010, indirect subsidiary Pinheiros entered into a loan agreement amounting to R\$119.9 million with BNDES. On January 28 and April 27, 2011, R\$91.3 million and R\$28.6 million, respectively, were drawn down corresponding to total funds. The amount is intended to finance the construction of the transmission lines and substations provided for by in service concession arrangements. Repayment is in 168 monthly installments from September 15, 2011 onwards. Indirect subsidiary Pinheiros shall maintain, over repayment and after giving the bank guarantees, a Debt Coverage Ratio (ICSD) of at least 1.3%, determined annually.
- (vi) On October 28, 2011, indirect subsidiary Serra do Japi entered into a loan agreement amounting to R\$93.3 million with BNDES. On November 18 and December 12, 2011, and February 27, 2012, R\$75.0 million, R\$15.0 million and R\$3.3 million, respectively, were drawn down corresponding to total funds. The amount is intended to finance the transmission lines and substations provided for in the service concession arrangement. Repayment is in 168 monthly installments from June 15, 2012 onwards. Indirect subsidiary Serra do Japi shall maintain, over repayment, a Debt Coverage Ratio (ICSD) of at least 1.2%, determined annually, and during all financing period, the Equity Ratio defined by the Equity-to-Total Assets, equal to or higher than 20% of the project's total investment.
- (vii) On January 14, 2009, indirect subsidiary IEMG, entered into a R\$70.6 million loan agreement with BNDES, drawn down on March 27, 2009. This amount is aimed at financing approximately 50% of the Transmission Line (TL) between Neves 1 and Mesquita substations. Repayment is in 168 monthly installments as from May 15, 2009. The need for bank sureties was dispensed by BNDES on March 15, 2011. Indirect subsidiary IEMG, shall maintain, over repayment, a Debt Coverage Ratio (ICSD) of at least 1.3%, determined annually.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 17. Loans and financing (Continued)

(c) BNDES/Finame PSI

On November 4, 2014, CTEEP entered into 18 loan agreements with Banco Santander totaling R\$10,346, subject to interest of 6.0% p.a., using BNDES credit facility Finame PSI (Investment Support Program). This credit facility will finance machinery and equipment. The first payment totaling R\$10,096 was disbursed by Santander to suppliers on December 30, 2014. The second payment was disbursed on January 21, 2015 and the last one on January 26, 2015.

The aging list of noncurrent portions is as follows:

	Company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
2016	-	-	12,726	48,850
2017	125,746	84,071	176,629	132,910
2018	-	-	50,727	48,675
2019	-	-	50,456	48,402
2020	-	-	48,336	46,280
2021 to 2025	-	-	164,817	143,866
2026 to 2030	-	-	52,415	55,668
	<b>125,746</b>	<b>84,071</b>	<b>556,106</b>	<b>524,651</b>

Changes in loans and financing for the period ended September 30, 2015 are as follows:

	Company	Consolidated
<b>Balances at 12/31/2014</b>	<b>87,154</b>	<b>659,784</b>
Additions	-	30,000
Payment of principal	-	(107,592)
Payment of interest	(8,256)	(39,759)
Interest and monetary and exchange gains (losses)	48,692	79,478
<b>Balances at 09/30/2015</b>	<b>127,590</b>	<b>621,911</b>

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 17. Loans and financing (Continued)

Subsidiary CTEEP participates as intervening guarantor to the subsidiaries in their financing agreements, as follows:

Subsidiary	Interest held in subsidiaries	Bank	Type of debt	Debt balance at 09/30/2015	Type of guarantees	Balance guaranteed by subsidiary CTEEP	Guarantee termination date
IEMG	100%	BNDES	FINEM	38,599	None	38,599	-
Serra do Japi	100%	BNDES	FINEM	73,863	None	73,863	-
Pinheiros	100%	BNDES	FINEM and PSI	91,541	None	91,541	-
Pinheiros	100%	BNDES	FINEM and PSI	20,299	None	20,299	-
IESul	50%	BNDES	FINEM and PSI	13,148	Bank guarantee	6,574	10.04.2016
IESul	50%	BNDES	FINEM and PSI	18,948	Bank guarantee	9,474	07.31.2017
IENNE	25%	Banco do Nordeste	FNE	202,383	Bank guarantee	50,596	05.04.2016
IENNE	25%	Banco do Brasil	Secured account	14,412	None	3,603	-
IEMadeira	51%	Banco da Amazônia	Bank Credit Bill (CCB)	304,861	Bank guarantee	155,479	06.30.2016
IEMadeira	51%	BNDES	FINEM and PSI	1,664,087	Bank guarantee	848,684	06.30.2016
IEMadeira	51%	Itaú/BES	Infrastructure debentures	449,135	Back bond	229,059	12.31.2015
IEGaranhuns	51%	BNDES	FINEM and PSI	344,789	Back bond	175,842	12.05.2016

There is a back bond of subsidiary CTEEP in the bank surety and intervening contracts in BNDES financing agreements, up to the limit of its interest held in subsidiaries.

BNDES agreements and debentures of subsidiaries and jointly-controlled subsidiaries have covenants that require the compliance with financial indicators similarly to those mentioned in item (b) (iii), as well as cross default clauses, which establish the accelerated maturity of debts in the event of noncompliance with indicators by subsidiary CTEEP.

There is no accelerated maturity of the debt relating to covenants.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 18. Debentures

	Maturity	Number	Charges	Consolidated	
				09/30/2015	12/31/2014
2nd series (i)	12/15/2017	5,760	IPCA + 8.1% p.a.	<b>67,709</b>	58,692
Single series CTEEP (ii)	12/26/2018	50,000	116.0% of CDI p.a.	<b>518,204</b>	560,553
				<b>585,913</b>	619,245
Current				<b>46,582</b>	83,846
Noncurrent				<b>539,331</b>	535,399

(i) In December 2009, subsidiary CTEEP issued 54,860 debentures amounting to R\$548.6 million, with cash inflow in January 2010.

- 1<sup>st</sup> series: The debentures matured annually at the end of the 5-year period from the issue date and were settled in December 2014.
- 2nd series: The first maturity of debentures took place on July 15, 2014, and the other maturities will be as follows: December 15, 2015, 2016 and 2017; and remuneration was paid on the following dates: June 15, 2011, 2012, 2013 and 2014, and next payments will be made on December 15, 2015, 2016 and 2017.

Financial indicators established in the agreement are as follows: Net Debt/Adjusted EBITDA <= 3.5 and Adjusted EBITDA/Financial Income/Expenses > 3.0 determined quarterly.

All requirements and covenants established in the agreements have been duly observed and met by subsidiary CTEEP and its subsidiaries up to date.

(ii) In December 2013, subsidiary CTEEP issued 50,000 single series debentures amounting to R\$500.0 million. Debentures will mature on an annual basis on December 26, 2016, 2017 and 2018; and remuneration is paid on a semiannual basis in June and December each year, the first one maturing on June 26, 2016 and the last one on December 26, 2018.

The aging list of noncurrent portions is as follows:

	09/30/2015	12/31/2014
2016	<b>187,145</b>	184,715
2017	<b>186,234</b>	184,739
2018	<b>165,952</b>	165,945
	<b>539,331</b>	535,399

Changes in debentures for the period ended June 30, 2015 are as follows:

<b>Balances at 12/31/2014</b>	<b>619,245</b>
Interest payment	(101,577)
Interest and monetary and exchange gains (losses)	68,245
<b>Balances at 09/30/2015</b>	<b>585,913</b>

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 19. Taxes and social charges payable

	Company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
IRPJ	-	-	46,783	3,662
CSLL	-	-	17,425	1,765
COFINS	737	-	7,331	5,663
PIS	120	-	1,492	1,229
Social Security Tax (INSS)	21	19	4,992	5,079
Service Tax (ISS)	-	6	2,612	3,031
Unemployment Compensation Fund (FGTS)	-	-	901	1,431
Withholding Income Tax (IRRF)	292	469	2,167	3,352
Other	4	1	2,207	1,804
	<b>1,174</b>	<b>495</b>	<b>85,910</b>	<b>27,016</b>

### 20. Taxes in installments - Law No. 11941/09

In 2009 and 2010, subsidiary CTEEP amended its Federal Tax Debt and Credit Returns (DCTFs) for the years 2004-2007, determining tax debts related to PIS and COFINS. In order to settle its tax debt, subsidiary CTEEP enrolled with the Special Tax Installment Payment Program set forth by Law No. 11941 of May 27, 2009, and opted for the 180-month payment schedule ending in October 2024. Each installment amounts to R\$975 and is subject to monetary restatement by reference to the SELIC rate.

Changes for the period ended September 30, 2015 are as follows:

	<b>Consolidated</b>
	<b>09/30/2015</b>
Opening balance	147,011
Monetary restatement on debt	8,700
Payments made	(11,580)
	<b>144,131</b>
Current	15,868
Noncurrent	128,263



## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 21. Deferred PIS and COFINS

	Consolidated	
	09/30/2015	12/31/2014
Deferred PIS	25,554	21,032
Deferred COFINS	117,771	96,940
	<b>143,325</b>	<b>117,972</b>

Deferred PIS and COFINS refer to construction revenues and remuneration of concession asset on financial assets, recorded according to accrual period. The collection occurs proportionally to effective receipt, as provided for by Law No. 12973/14.

### 22. Regulatory charges payable

	Consolidated	
	09/30/2015	12/31/2014
Research and development - R&D (i)	39,596	51,753
Energy Development Account (CDE)	2,706	761
Global Reversion Reserve (RGR) (ii)	7,155	9,164
Alternative Electric Power Source Incentive Program (PROINFA)	2,066	903
Inspection fee - ANEEL	265	608
	<b>51,788</b>	<b>63,189</b>
<b>Current</b>	<b>22,467</b>	<b>40,579</b>
<b>Noncurrent</b>	<b>29,321</b>	<b>22,610</b>

- (i) Subsidiary CTEEP and its subsidiaries recognized liabilities related to amounts billed through tariffs (1% of Operating income, net), but not applied to the Research and Development Program (R&D), which are restated on a monthly basis as from the second month subsequent to their recognition up to the effective realization thereof, based on SELIC rate, according to ANEEL Resolutions No. 300/2008 and No. 316/2008. According to Memorandum Circular No. 0003/2015 of May 18, 2015, the amounts used in R&D are accounted for under assets and upon completion of projects, they are submitted to ANEEL's final audit and evaluation. The total amount used in projects not completed up to September 30, 2015 amounts to R\$10,789 (R\$27,450 at December 31, 2014).
- (ii) According to Article 21 of Law No. 12783, as from January 1, 2013, electric power transmission service concession operators with extended service concession arrangements under such Law are not required to pay annual RGR portion. For subsidiary CTEEP, it is applicable to the service concession arrangement No. 059/2001. At September 30, 2015, RGR balance payable refers to additional charge referring to years 2012 and 2013.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 23. Provisions

	Consolidated	
	09/30/2015	12/31/2014
Vacation pay, 13th monthly salary and social charges	30,507	19,728
Profit sharing	4,598	7,741
Contingencies (a)	156,392	131,592
	<b>191,497</b>	159,061
<b>Current</b>	<b>35,105</b>	27,469
<b>Noncurrent</b>	<b>156,392</b>	131,592

#### (a) Provision for contingencies

Contingencies are assessed and classified on a quarterly basis as regards the likelihood of an unfavorable outcome to subsidiary CTEEP. Provisions are set up for all contingencies referring to judicial proceedings the settlement of which is likely to result in an outflow of economic benefits, and a reliable estimate can be made.

Contingencies whose likelihood of loss is assessed as probable are as follows:

	Consolidated	
	09/30/2015	12/31/2014
Labor (i)	137,365	114,446
Civil (ii)	8,388	9,656
Tax - Real Estate Tax (IPTU) (iii)	9,599	5,501
Social security - INSS (iv)	1,040	1,989
	<b>156,392</b>	131,592

#### (i) Labor

Subsidiary CTEEP is a defendant in certain lawsuits at different courts, mainly arising from labor claims for salary parity, overtime, and health exposure premiums among others. Subsidiary CTEEP has labor-related judicial deposits amounting to R\$47,524 (R\$51,525 at December 31, 2014), according to Note 13.

#### (ii) Civil

Subsidiary CTEEP is involved in civil proceedings relating to real estate issues, indemnities, collections, annulment issues and class actions, arising from its ordinary business, i.e., operate and maintain its transmission lines, substations and equipment under the terms of the electric power transmission public service concession arrangement.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
September 30, 2015  
(In thousands of reais, unless otherwise stated)

### 23. Provisions (Continued)

#### (iii) Tax - IPTU

Subsidiary CTEEP recognizes a provision to cover debts with various City Administrations in the State of São Paulo, related to lawsuits for regularization of areas.

#### (iv) Social security - INSS

On August 10, 2001, the National Institute of Social Security (INSS) served subsidiary CTEEP a notice of violation for nonpayment of social security tax on compensation paid to its employees in the form of meal tickets, morning snack, basket of food staples and transportation voucher from April 1999 to July 2001. Management of subsidiary CTEEP began the defense procedures and the corresponding judicial deposit currently amounts to R\$1,226 (see Note 13). At September 30, 2015, the case records were concluded and are pending judgment.

Changes in provisions for contingences for the period ended September 30, 2015 are as follows:

	Consolidated				Total
	Labor	Civil	Tax - IPTU	Social security - INSS	
<b>Balances at 12/31/2014</b>	114,446	9,656	5,501	1,989	131,592
Set up	33,548	225	5,584	-	39,357
Reversal/payment	(24,591)	(2,148)	(1,858)	(1,028)	(29,625)
Restatement	13,962	655	372	79	15,068
<b>Balances at 09/30/2015</b>	<b>137,365</b>	<b>8,388</b>	<b>9,599</b>	<b>1,040</b>	<b>156,392</b>

#### (b) Restatement of labor contingencies

On August 4, 2015, the Superior Labor Court (TST), based on understanding of the Direct Unconstitutionality Proceeding (ADI) No. 4357/DF and Executive Declaratory Statute (ADE) No. 4425/DF, changed the restatement index of labor debts, which would be changed from Referential Rate (TR) to Extended Consumer Price Index (IPCA-E).

However, in October 2015, through a monocratic decision rendered by the Federal Supreme Court of Brazil (STF), it was decided that TST had extrapolated the understanding expressed by the STF regarding this matter, therefore the restatement of labor debts by reference to the TR is maintained.

Subsidiary CTEEP is monitoring the progress of this matter.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 23. Provisions (Continued)

- (c) Proceedings whose likelihood of loss was assessed as possible

Subsidiary CTEEP and its subsidiaries are parties to tax, labor and civil proceedings assessed by management as involving risk of possible loss, based on the opinion of its legal advisors, for which a provision in the estimated amount of R\$527,074 was recorded at September 30, 2015 (R\$354,661 at December 31, 2014), mainly consisting of labor and tax proceedings, which totaled R\$496,168.

<u>Classification</u>	<u>Number</u>	<u>Total</u>
Labor	242	30,903
Civil	33	39,970
Civil - Merger of EPTE into CTEEP declared null (i)	1	127,602
Tax - social contribution tax loss (ii)	1	21,257
Tax - goodwill amortization (iii)	3	267,256
Tax - IRPJ and CSLL (iv)	1	17,576
Tax - other	30	22,507
Plan of Law No. 4819/58 (see Note 34)	-	-
		<u>527,071</u>

- (i) Merger of EPTE into CTEEP declared null

Ordinary lawsuit filed by minority interests seeking to declare the merger of Empresa Paulista de Transmissão de Energia Elétrica (EPTE) into Companhia de Transmissão de Energia Elétrica Paulista (CTEEP) null and void, or alternatively, to exercise their right of withdrawal and determine the payment of share refund amounts. Currently, this action is at the execution stage, and the challenge filed to determine the grounds for its execution is pending final appreciation. Subsidiary CTEEP filed a motion to set aside judgment and obtained a preliminary injunction subjecting the amounts to be determined by the plaintiffs to the production of adequate guarantees.

- (ii) Tax - social contribution tax loss

Proceeding arising from tax deficiency notice drawn in 2007 in subsidiary CTEEP, referring to the composition of CSLL tax loss, arising from the balance sheet of CESP's split-off. This proceeding is pending judgment at the Administrative Board of Tax Appeals (CARF).

- (iii) Tax - goodwill amortization

Proceedings arising from delinquency notices drawn from 2013 to 2015 by the Brazilian IRS, referring to goodwill paid by the Company in the acquisition of the ownership control of subsidiary CTEEP (see Note 11). This proceeding is pending judgment at CARF.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 23. Provisions (Continued)

(iv) Tax - income and social contribution taxes (IRPJ and CSLL)

This refers to the offset request submitted by subsidiary CTEEP in May 2003 relating to the negative balance of income and social contribution taxes (year 2002) offset against income and social contribution tax debts, calculated from January to March 2003, which was partially deferred. This proceeding is pending judgment at the Administrative Board of Tax Appeals (CARF).

(d) Proceedings whose likelihood of loss was assessed as remote - consolidated

(i) Collection lawsuit by Eletrobras against Eletropaulo and EPTE

In 1989, Centrais Elétricas Brasileiras S.A. - ELETROBRAS filed a collection lawsuit against Eletropaulo - Eletricidade de São Paulo S.A. (currently Eletropaulo Metropolitana Eletricidade de São Paulo S.A. - "Eletropaulo") referring to the balance of a certain financing agreement. Eletropaulo did not agree with the criterion for monetary restatement of said financing agreement and made judicial deposits for the amounts it understood to be due to ELETROBRAS. In 1999, a decision was handed down on the aforementioned lawsuit, ordering Eletropaulo to pay the balance determined by ELETROBRAS.

Under the split-off explanatory record of Eletropaulo, made on December 31, 1997 and that resulted in the establishment of EPTE and other companies, Eletropaulo is solely liable for obligations of any kind referring to acts until the spin-off date, except for contingent liabilities whose provisions had been allocated to the acquirers. In the case under concern, at the time of the split-off, there was no allocation to EPTE of any provision for such purpose, leaving it clear to CTEEP management and its legal advisors that Eletropaulo was solely liable for said contingency. At the time of the spin-off there was only the transfer to EPTE's assets of a judicial deposit in the historical amount of R\$4.00, made in 1988 by Eletropaulo, corresponding to the amount that it understood to be owed to ELETROBRAS regarding the balance of the aforementioned financing agreement, and allocation to EPTE's liabilities of the same amount referring to this debt.

As a result of the Eletropaulo's split-off agreement, EPTE would own the assets transferred and Eletropaulo would be responsible for contingent liability related to the amount in dispute by ELETROBRAS. In October 2001, ELETROBRAS promoted the execution of the decision related to such financing agreement, collecting R\$429 million from Eletropaulo and R\$49 million from EPTE, understanding that EPTE would pay its part with the restated funds of the judicial deposit. Subsidiary CTEEP acquired EPTE on November 10, 2001, becoming the successor in its relevant rights and obligations.

## **ISA Capital do Brasil S.A.**

Notes to interim financial statements (Continued)  
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### **23. Provisions (Continued)**

On September 26, 2003, an appellate decision of the Court of Justice of the State of Rio de Janeiro was published excluding Eletropaulo from the execution of such decision. Due to these facts, ELETROBRAS filed a Special Appeal to the High Court of Justice (STJ) and an Extraordinary Appeal to the Federal Supreme Court of Brazil (STF), aiming at maintaining the aforementioned collection against Eletropaulo. Appeals similar to those of ELETROBRAS were filed by subsidiary CTEEP.

On June 29, 2006, STJ granted CTEEP's Appeal to review the decision of the Court of Justice of the State of Rio de Janeiro that had excluded Eletropaulo as defendant in the execution action filed by ELETROBRAS.

As a result of said grant by STJ, on December 4, 2006, Eletropaulo filed a motion for clarification, which was denied according to appellate decision published on April 16, 2007, as well as the Special and Extraordinary Appeals to STJ and STF that maintained the decision of STJ, which became final on October 30, 2008. As such decisions understood that the challenges prior to procedures to determine grounds for execution filed by Eletropaulo were unreasonable, the execution action filed by ELETROBRAS follows its ordinary course as originally proposed.

In December 2012, a decision was published dismissing the provision of evidence required by the parties, closing the liquidated claim, determining that Eletropaulo is liable for such payment, and discounting the judicial deposit for payment into court.

Eletropaulo filed an appeal so that the lawsuit returned to the fact-finding phase for performance of expert evidence examination. The conclusion of the expert report presented in September 2015 is in line with CTEEP's view. A term was established so that the parties express their views on such report.

### **24. Payables - Fundação CESP**

Subsidiary CTEEP sponsors supplementary retirement and death benefit plans maintained with Fundação CESP. At September 30, 2015 their balance plus administrative costs of the fund amounts to R\$5,693 (R\$5,375 at 12/31/2014) referring to monthly installments payable as contribution to the fund.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 24. Payables - Fundação CESP (Continued)

a) Supplementary retirement plan (Plan "A")

Governed by State Law No. 4819/58, applied to employees hired up to May 13, 1974, it establishes supplementary retirement plan benefits, additional leave entitlements and family allowance. Funds required to cover liabilities assumed in this plan are full responsibility of the applicable São Paulo State Government authorities, thus having no risk and additional cost to CTEEP (Note 36).

b) PSAP CTEEP Plan

PSAP CTEEP includes the following subplans:

- Vested Supplementary Benefit Payout (BSPS) - (Plan "B");
- Defined Benefit (DB) - (Plan "B1");
- Variable contribution (VC) - (Plan "B1").

PSAP CTEEP Plan, governed by Supplementary Law No. 109/2001 and administered by Fundação CESP, is sponsored by subsidiary CTEEP itself and provides supplementary retirement and death benefits, with the related reserves being computed using the fully-funded system.

PSAP CTEEP Plan was created after the split of PSAP/CESP B1 on September 1, 1999 and covers all members transferred to subsidiary CTEEP. On January 1, 2004, PSAP/EPTE was merged into PSAP/Transmissão, and the plan name changed to PSAP/Transmissão Paulista on that date, and to PSAP CTEEP on December 1, 2014.

Subplan "BSPS" refers to the Vested Supplementary Benefit Payout and derives from the Supplementary Post-Retirement and Pension Plan PSAP/CESP B, transferred to this plan on September 1, 1999 and from PSAP/Eletropaulo Alternativo, transferred to this plan after the merger of PSAP/EPTE on January 1, 2004, calculated on December 31, 1997 (CTEEP) and March 31, 1998 (EPTE), based on effective regulations, with the actuarial asset-liability balance being obtained at the time.

The Defined Benefit ("DB") subplan defines contributions and related matching responsibilities between subsidiary CTEEP and the members on 70% of employees' Actual Contribution Salary in order to obtain the plan's actuarial asset-liability balance. This subplan ensures annuity post-retirement and death benefits to employees, former employees and beneficiaries in order to supplement the benefits provided by the official Social Security system.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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(In thousands of reais, unless otherwise stated)

### 24. Payables - Fundação CESP (Continued)

#### b) PSAP CTEEP Plan (Continued)

The Variable Contribution ("VC") subplan defines voluntary contributions by Members, with limited matching contributions by subsidiary CTEEP on 30% of employees' Actual Contribution Salary for purposes of additional supplementary benefits in case of retirement or death. On the vesting date, the Variable Contribution (VC) Subplan may turn into a Defined Benefit (DB) plan, in case the Member elects to receive the related supplementary benefit in the form of annuity payments.

### 25. Special obligations - reversal/amortization

At September 30, 2015, the balance of R\$24,053 (R\$25,053 at 12/31/2014) refers to funds arising from the reversal and amortization reserve and portion held at subsidiary CTEEP of the monthly portions of the Global Reversal Reserve (RGR), related to investments of funds for expansion of the public electric power service and amortization of loans taken out for the same purpose, up to December 31, 1971. According to an order issued by ANEEL, subsidiary CTEEP pays 5% on RGR as interest, on an annual basis. The manner of settlement of these obligations has not been defined by the Granting Authority.

### 26. Equity

#### a) Capital

On March 9 and 19, 2010, the Company increased capital twice by issuing redeemable preferred shares at the price of R\$2.020731 each, redemption of which is scheduled to start on April 12, 2013 and end on April 9, 2016, which were fully subscribed and paid up by HSBC Finance (Brasil) S.A. Banco Múltiplo ("HSBC"), as follows:

- (i) At the Special General Meeting held on March 9, 2010, Company's capital increase by R\$840,000 was approved, R\$420 of which were allocated to capital and R\$839,580 allocated to capital reserve. Accordingly, Company's capital increased from R\$839,778 to R\$840,198, represented by 1,256,316,162 shares.
- (ii) At the same Board of Directors' Meeting held on March 19, 2010, a new capital increase was approved within authorized capital limit amounting to R\$360,000, which were fully subscribed and paid up on the same date, R\$180 of which were allocated to the Company's capital and R\$359,820 to capital reserve. Accordingly, Company's capital increased from R\$840,198 to R\$840,378, represented by 1,398,838,834 shares.



## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 26. Equity (Continued)

#### a) Capital (Continued)

- (iii) Later, on May 14, 2010, shareholder HSBC Finance (Brasil) S.A. Banco Múltiplo, then holder of 593,844,504 preferred shares issued by the Company, sold 50% thereof to Banco Votorantim S.A.

On February 25, 2014, the First Amendment to the Shareholders' Agreement was entered into by them, whereupon ISA Capital held a Special General Meeting to approve (i) the conversion of redeemable preferred shares then existing into new classes; and (ii) change in articles 5 and 6 of the Company's Articles of Incorporation, as well as its restatement. Among the changes introduced by the Shareholders' Agreement, the following are to be highlighted: (i) new schedule for redemption of preferred shares and payment of fixed cumulative dividends, whose distribution was made on a quarterly basis and now are made on a semiannual basis; and (ii) fixed cumulative dividends which as from February 25, 2014 are calculated based on 100% of the CDI variation plus 1.5% p.a., and formerly were calculated based on 100% of the CDI variation plus 1.0% p.a.

Accordingly, at September 30, 2015, the Company's subscribed and paid-up capital amounted to R\$840,378 and is represented by 840,625,000 common shares and 404,156,868 preferred shares (416,528,628 preferred shares at 12/31/2014). The Company's shareholders structure is as follows:

Shareholder	Number of common shares	Number of preferred shares	Total	%
Interconexión Eléctrica S.A ESP	840,625,000	-	840,625,000	67.53%
HSBC Bank Brasil S.A. - Banco Múltiplo	-	202,078,434	202,078,434	16.23%
BV Financeira S.A. - Crédito, Financiamento e Investimento.	-	202,078,434	202,078,434	16.23%
<b>Total</b>	<b>840,625,000</b>	<b>404,156,868</b>	<b>1,244,781,868</b>	<b>100.00%</b>

#### b) Fixed cumulative dividends

As established in clause II of the First Amendment to Shareholders' Agreement entered into on February 25, 2014, fixed cumulative dividends which were formerly calculated and paid on a quarterly basis, from that date, are calculated and paid on a semiannual basis, based on 100% of the CDI variation plus 1.5% p.a.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 26. Equity (Continued)

#### b) Fixed cumulative dividends (Continued)

The Board of Directors approved the distribution of fixed cumulative dividends to preferred shareholders, HSBC Bank Brasil S.A. and BV Financeira S.A., as follows:

<u>Payment</u>	<u>Amount</u>	<u>Amount per share (R\$)</u>	<u>Number of shares</u>	<u>Approval date</u>	<u>Accrual period</u>
06/09/2015	55,703	0.133732	416,528,628	06/09/2015	2015
<b>Total</b>	<b>55,703</b>				

#### c) Capital reserve

Due to the capital increases mentioned in item (a), at that time the amount equivalent to R\$1,199,400 was recorded in this account. As previously scheduled, this amount has been used for the redemption of preferred shares, and as established in the shareholders' agreement and the Brazilian Corporation Law (Law No. 6404/76), may also be used for payment of dividends to which redeemable preferred shares are entitled.

On June 9, 2015, the Company approved the redemption of preferred shares as follows:

<u>Redemption date</u>	<u>Classes</u>	<u>Number of redeemed shares</u>	<u>Amount redeemed</u>
06/09/2015	C1 and C2	12,371,760	25,000
<b>Total</b>			<b>25,000</b>

These preferred shares have been redeemed and cancelled according to the schedule and the respective amount paid for their redemption is fully charged to the capital reserve account. At September 30, 2015, the capital reserve account amounted to R\$816,092 (R\$841,092 at 12/31/2014).

#### d) Goodwill on capital transaction

After the subscription of CTEEP-issued shares in December 2011 in connection with its capital increase in that year, the Company recorded a gain on the change in the percentage of equity interest held in CTEEP capital and also a loss on the share's value in relation to its equity value, resulting in a loss of R\$7,488 recorded in this account. Subsequently the amount of R\$20 was deducted on account of the sale of 920 CTEEP shares in June and July 2012. On September 26, 2014, in view of the new subscription of subsidiary CTEEP-issued shares in the amount of R\$87,551, the Company determined a gain on investment amounting to R\$1,789. Therefore, at September 30, 2015, this account totals R\$5,679 (R\$5,679 at 12/31/2014).

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 26. Equity (Continued)

#### e) Income reserves

	<u>09/30/2015</u>	<u>12/31/2014</u>
Legal reserve (i)	5,881	5,881
Retained profit reserve (ii)	91,760	91,760
	<u>97,641</u>	<u>97,641</u>

##### (i) Legal reserve

The legal reserve is set up at 5% of net income for the year, limited to 20% of capital, before any allocation. In the event legal reserve balance plus capital reserves exceed 30% (thirty percent) of capital, allocation of a part of net income for the year to legal reserve will not be mandatory, as provided for by article 182, first paragraph, of the Brazilian Corporation Law.

##### (ii) Retained profit reserve

The remaining portion of net income for the year after allocation of fixed cumulative dividends to redeemable preferred shares shall be allocated to this account, in light of the limits established in the Company's Articles of Incorporation. While there are outstanding redeemable preferred shares, this account will only be used for payment of fixed cumulative dividends to which the redeemable preferred shares are entitled and, if applicable, also for redemption of the redeemable preferred shares.

#### f) Earnings per share

Basic and diluted earnings per share are calculated based on the net income attributable to Company's controlling and noncontrolling interests by the weighted average number of outstanding common and preferred shares for the corresponding period.

The table below presents the net income and share information used in calculating basic and diluted earnings per share:

	<u>Quarter ended</u>		<u>Nine-month period ended</u>	
	<u>09/30/2015</u>	<u>09.30.2014</u>	<u>09/30/2015</u>	<u>09.30.2014</u>
<b>Basic earnings</b>				
Net income (loss) - R\$ thousand	94,605	47,983	130,110	112,685
<b>Weighted average number of shares</b>				
Common shares	840,625,000	840,625,000	840,625,000	840,625,000
Preferred shares	404,156,868	441,272,148	404,156,868	441,272,148
	<u>1,244,781,868</u>	<u>1,281,897,148</u>	<u>1,244,781,868</u>	<u>1,281,897,148</u>
<b>Total basic and diluted earnings per share - R\$</b>	<b>0.07600</b>	0.03743	<b>0.10452</b>	0.08790

There is no difference between basic and diluted earnings per share calculated by the Company in this quarter.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 27. Operating revenue, net

#### 27.1. Breakdown of operating revenue, net

	Consolidated			
	Quarter ended		Nine-month period ended	
	09/30/2015	09.30.2014	09/30/2015	09.30.2014
<b>Gross revenue</b>				
Construction service revenue (a) (Note 8)	<b>98,944</b>	76,865	<b>218,498</b>	158,018
Operation and maintenance (a) (Note 8)	<b>232,769</b>	216,192	<b>613,167</b>	550,518
Remuneration of concession assets (b) (Note 7)	<b>167,247</b>	94,613	<b>256,328</b>	167,197
Leases	<b>4,381</b>	4,104	<b>12,696</b>	12,255
Rendering of services	<b>1,291</b>	1,470	<b>3,739</b>	3,916
<b>Total gross revenue</b>	<b>504,632</b>	393,244	<b>1,104,428</b>	891,904
<b>Taxes on revenues</b>				
COFINS	<b>(31,351)</b>	(25,952)	<b>(73,297)</b>	(58,821)
PIS	<b>(6,807)</b>	(5,631)	<b>(15,912)</b>	(12,769)
ISS	<b>(90)</b>	(94)	<b>(265)</b>	(264)
	<b>(38,248)</b>	(31,677)	<b>(89,474)</b>	(71,854)
<b>Regulatory charges</b>				
Energy Development Account (CDE)	<b>(3,563)</b>	(1,824)	<b>(8,047)</b>	(4,810)
Global Reversion Reserve (RGR)	-	(806)	<b>(1,425)</b>	(2,225)
Research and Development (R&D)	<b>(2,458)</b>	(2,281)	<b>(6,575)</b>	(5,892)
Alternative Electric Power Source Incentive Program (PROINFA)	<b>(3,185)</b>	(2,917)	<b>(9,042)</b>	(9,723)
	<b>(9,206)</b>	(7,828)	<b>(25,089)</b>	(22,650)
	<b>457,178</b>	353,739	<b>989,865</b>	797,400

(a) Cost of construction, operation and maintenance services

The revenue related to construction of infrastructure for provision of electric energy transmission services under the service concession arrangement is recognized as expenditures are incurred. The revenues from operation and maintenance services, as well as adjustment portion, are recognized in the period in which the services are provided by subsidiary CTEEP, and when it provides more than one service under a service concession arrangement, the amount received is allocated by reference to the fair values relating to the services delivered.

(b) Remuneration of concession assets

Interest income is recognized by the effective interest rate on the outstanding principal. The effective interest rate is that which exactly discounts the estimated future cash flow receipts over the estimated life of the financial asset vis-à-vis the initial net book value of this asset.

## **ISA Capital do Brasil S.A.**

Notes to interim financial statements (Continued)  
September 30, 2015  
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### **27. Operating revenue, net (Continued)**

#### **27.2. Periodic tariff review of the Annual Revenue Allowed (RAP)**

In compliance with the service concession arrangements, through ANEEL, every four and/or five years after the execution date of the arrangements, ANEEL may perform a periodic tariff review of the RAP of electric energy transmission to foster efficiency while permitting reasonably priced tariffs.

In 2013, subsidiary CTEEP started recognizing construction revenue and costs for improvements in the electric energy facilities, as defined in ANEEL Order No. 4413 of December 27, 2013 and ANEEL Normative Resolution No. 443 of July 26, 2011, changed by Normative Resolution No. 463 of December 16, 2014.

The bid revenue associated with the Service Concession Arrangement No. 143/2001 of indirect subsidiary Serra do Japi is not subject to the periodic tariff review.

The periodic tariff review comprises the reposition of revenue upon determining:

- (a) Regulatory remuneration base for Basic Electric Power Grid New Investments (RBNI);
- (b) Efficient operating costs;
- (c) Optimal capital structure and definition of transmission companies' remuneration;
- (d) Identification of the amount to be considered as tariff reducer - other revenues.

The first periodic tariff review of indirect subsidiary IEMG was defined by ANEEL Ratification Ruling No. 1299 of June 19, 2012, thus reducing RAP by 5.0%, effective as from July 1, 2012.

The first periodic tariff review of indirect subsidiary IENNE was defined by ANEEL Ratification Ruling No. 1540 of June 18, 2013, thus reducing the RAP by 8.9%, effective as from July 1, 2013.

The latest periodic tariff review of subsidiary Evrecy was defined by ANEEL Ratification Ruling No. 1538 of June 18, 2013, thus reducing RAP by 16%, effective as from July 01, 2013. By means of Order No. 562 of May 11, 2014, the Collegiate Board of Directors of ANEEL granted partial approval to the request for reconsideration lodged by indirect subsidiary Evrecy against REH No. 1538/2013, which approved the result of its second periodic review. Therefore, RAP of subsidiary Evrecy referring to the facilities reviewed was repositioned with a reduction by 3.9%.

## **ISA Capital do Brasil S.A.**

Notes to interim financial statements (Continued)  
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### **27. Operating revenue, net (Continued)**

#### **27.2. Periodic tariff review of the Annual Revenue Allowed (RAP) (Continued)**

The first periodic tariff review of indirect subsidiary Pinheiros was defined by ANEEL Ratification Rulings No. 1755 and No. 1762 of June 24 and July 9, 2014, respectively, and by Order No. 1816 of June 2, 2015, thus reducing RAP by 4.6% for the service concession arrangement No. 018/2008; by 5.4% for the service concession arrangement No. 012/2008; and by 5.4% for the service concession arrangement No. 015/2008, effective as of July 1, 2014.

The first periodic tariff review of indirect subsidiary Serra do Japi was defined by ANEEL Ratification Ruling No. 1901 of June 16, 2015, thus reducing RAP by 6.5% for the service concession arrangement No. 026/2009.

The first periodic tariff review of indirect subsidiary IESul was defined by ANEEL Ratification Ruling No. 1755 of June 24, 2014, thus reducing RAP by 4.6%, effective as from July 1, 2014.

The first periodic tariff review of indirect subsidiary IEMadeira was defined by ANEEL Ratification Ruling No. 1755 of June 24, 2014, thus reducing RAP by 4.5% for the service concession arrangement No. 013/2009 and by 3.81% for the service concession arrangement No. 015/2009, effective as of July 1, 2014. Indirect subsidiary IEMadeira filed an application with ANEEL seeking to restore the economic and financial balance of the RAP under the Service Concession Arrangement No. 013/2009. In support of this application, indirect subsidiary IEMadeira presented additional costs and the amount of lost revenue incurred during the Transmission Line implementation under its concession, due to factors such as: (i) delay in obtaining Environmental Licensing; (ii) land embargoes; and (iii) design changes required by the licensing authority. Indirect subsidiary IEMadeira seeks an actual increase in RAP by 26.8%. The application is being analyzed by ANEEL.

The next periodic tariff reviews of RAP are described in Note 1.2.

#### **27.3. Variable Portion (PV), Additional Amount to RAP and Adjustment Portion (PA)**

Normative Resolution No. 270 of July 9, 2007 regulates the Variable Portion (PV) and the Additional Amount to RAP. The Variable Portion is the discount on RAP of transmission companies due to downtime or operational restriction of the facilities integrating the Basic Grid. The Additional Amount to RAP corresponds to the amount to be added to the transmission companies' revenues as an incentive to improve the availability of transmission facilities. These are recognized as revenue and/or reduction to revenue from operation and maintenance services in the period they occur.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 27. Operating revenue, net (Continued)

#### 27.3. Variable Portion (PV), Additional Amount to RAP and Adjustment Portion (PA) (Continued)

Normative Resolution (REN) No. 512 of October 30, 2012 amended REN No. 270/07, including paragraph 3 of article 3, which extinguishes the additional amount to RAP for the transmission functions addressed by Law No. 12783/2013.

The Adjustment Portion (PA) is the portion of revenue arising from application of a mechanism established by contract used in periodic annual adjustments, which is added to or deducted from RAP to offset surplus or deficit in collection for the period prior to the adjustment.

#### 27.4. Annual revenue adjustment

On June 29, 2015, Ratification Ruling No. 1918 was published, establishing the annual revenues allowed (RAPs) of subsidiary CTEEP and its subsidiaries due to the availability of the transmission facilities comprising the Basic Grid and other transmission facilities, for the 12-month cycle, comprising the period from July 1, 2015 to June 30, 2016.

Pursuant to Ratification Ruling No. 1918, the RAP and amounts corresponding to the adjustment portion of the Company (Service Concession Arrangement No. 059/2001), net of PIS and COFINS (denominated Total Revenue), which amounted to R\$700,355(\*) on July 1, 2014, increased to R\$836,611(\*) on July 1, 2015, an increase of R\$136,256, equivalent to 19.6%, of which 8.3% (R\$57,526) refers to the IPCA/IGPM; 0.1% (R\$134) to the portion adjustment variation; 7.1% (R\$49,922) to RAP's additional amount for new investments which became operative and investments planned to become operative during the cycle; and 4.1% (R\$28,674) to the CAIMI (\*\*).

The Company's Total Revenue, net of PIS and COFINS, is broken down as follows:

Service concession arrangement	Basic grid			Other transmission facilities - DIT			Total
	Existing assets	New investments	Adjustment portion	Existing assets	New investments	Adjustment portion	
059/2001	457,735	78,804	11,278	193,023	86,028	9,743	836,611
	<b>457,735</b>	<b>78,804</b>	<b>11,278</b>	<b>193,023</b>	<b>86,028</b>	<b>9,743</b>	<b>836,611</b>

(\*) These amounts comprise revenue from authorized investments which will become operative in the next cycles.

(\*\*) Revenue to offset the Annual Cost of Facilities and Assets (CAIMI).

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 27. Operating revenue, net (Continued)

#### 27.4. Annual revenue adjustment (Continued)

Total Revenue of subsidiary CTEEP jointly with its subsidiaries, which amounted to R\$827,701(\*) on July 1, 2014, increased to R\$963,348(\*) on July 1, 2015, an increase of R\$135,647, equivalent to 16.4%, of which 8.1% (R\$66,961) refers to the IPCA/IGPM; -1.0% (-R\$8,435) to the portion adjustment variation; 6.3% (R\$52,145) to RAP's additional amount for new investments which became operative and investments planned to become operative during the cycle; -0.4% (-R\$3,698) to the periodic tariff review of Pinheiros and Serra do Japi's arrangements; and 3.4% (R\$28,674) to the CAIMI (\*\*).

Total Revenue of subsidiary CTEEP and its subsidiaries, net of PIS and COFINS, is broken down as follows:

Service concession arrangement	Basic grid				Other transmission facilities - DIT				Total
	Existing assets	New investments	Bid	Adjustment portion	Existing assets	New investments	Bid	Adjustment portion	
059/2001	457,735	78,804	-	11,278	193,023	86,028	-	9,743	836,611
143/2001	-	-	19,799	(1,903)	-	-	-	-	17,896
004/2007	-	-	16,575	(1,676)	-	-	-	-	14,899
012/2008	-	-	7,837	(786)	-	813	1,181	12	9,057
015/2008	-	11,864	14,878	(4,269)	-	3,687	364	558	27,082
018/2008	-	46	3,860	(462)	-	1,409	46	(106)	4,793
021/2011	-	-	4,125	(507)	-	-	1,513	-	5,131
026/2009	-	4,445	24,758	(81)	-	-	5,631	-	34,753
020/2008	-	10,173	-	728	-	2,238	-	(13)	13,126
	<b>457,735</b>	<b>105,332</b>	<b>91,832</b>	<b>2,322</b>	<b>193,023</b>	<b>94,175</b>	<b>8,735</b>	<b>10,194</b>	<b>963,348</b>

(\*) These amounts comprise revenue from authorized investments which will become operative in the next cycles.

(\*\*) Revenue to offset the Annual Cost of Facilities and Assets (CAIMI).



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### 28. Costs of construction, operation and maintenance services and general and administrative expenses

	Company					
	Quarter ended			Nine-month period ended		
	09/30/2015	09.30.2014		09/30/2015	09.30.2014	
	Expenses	Total	Total	Expenses	Total	Total
Personnel	(478)	(478)	(456)	(1,414)	(1,414)	(1,329)
Serviços	(258)	(258)	(199)	(1,137)	(1,137)	(969)
Depreciation and amortization of intangible assets (Note 15 and 16)	(7)	(7)	(2)	(20)	(20)	(6)
Leases and rentals	(80)	(80)	(65)	(237)	(237)	(226)
Other	(7)	(7)	(4)	(29)	(29)	(80)
	<b>(830)</b>	<b>(830)</b>	<b>(726)</b>	<b>(2,837)</b>	<b>(2,837)</b>	<b>(2,610)</b>

	Consolidated							
	Quarter ended				Nine-month period ended			
	09/30/2015		09.30.2014		09/30/2015		09.30.2014	
	Costs	Expenses	Total	Total	Costs	Expenses	Total	Total
Personnel	(62,021)	(16,342)	(78,363)	(70,001)	(170,267)	(39,975)	(210,242)	(192,391)
Serviços	(55,074)	(9,657)	(64,731)	(59,979)	(123,641)	(26,924)	(150,565)	(142,241)
Depreciation and amortization of intangible assets (Note 15 and 16)	-	(2,104)	(2,103)	(2,368)	-	(6,387)	(6,387)	(6,717)
Materials	(46,178)	(176)	(46,354)	(24,624)	(107,779)	(558)	(108,337)	(59,534)
Leases and rentals	(2,001)	(1,667)	(3,668)	(3,603)	(5,959)	(4,941)	(10,900)	(10,986)
Contingencies	-	(11,659)	(11,659)	(17,861)	-	(50,599)	(50,599)	(28,893)
Other	(8,643)	(1,367)	(10,010)	(12,920)	(23,797)	(4,790)	(28,587)	(33,515)
	<b>(173,917)</b>	<b>(42,971)</b>	<b>(216,888)</b>	<b>(191,356)</b>	<b>(431,443)</b>	<b>(134,174)</b>	<b>(565,617)</b>	<b>(474,277)</b>

#### Consolidated

The consolidated construction costs totaled R\$198,974 at September 30, 2015 and R\$145,013 at September 30, 2014. The corresponding construction revenue, stated in Note 27.1, is calculated by adding PIS and COFINS rates and other charges to investment cost.

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### 29. Financial income (expenses)

	Company			
	Quarter ended		Nine-month period ended	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
<b>Revenues</b>				
Short-term investment yield	1,234	1,629	4,211	5,134
Interest income	717	459	2,108	1,369
SELIC interest - income tax - recoverable	3,312	213	3,584	765
PIS on financial income	(171)	-	(171)	-
COFINS on financial income	(1,055)	-	(1,055)	-
Foreign exchange gain	21,119	7,575	49,743	17,002
Other	-	-	-	-
	<b>25,156</b>	<b>9,876</b>	<b>58,420</b>	<b>24,270</b>
<b>Expenses</b>				
Interest payable on loans	(2,556)	(1,615)	(6,745)	(4,795)
Commissions and rates	-	-	-	(2,675)
Interest expenses	-	-	-	-
Charges on debentures	-	-	-	-
IRRF on remittance of interest	(572)	(241)	(1,159)	(703)
PIS on Interest on Equity (IOE)	-	(187)	-	(187)
COFINS on Interest on Equity (IOE)	-	(862)	-	(862)
Monetary losses	-	-	(27,329)	-
Foreign exchange loss	(27,896)	(9,533)	(60,062)	(17,866)
Other	(19)	(21)	(90)	(61)
	<b>(31,043)</b>	<b>(12,459)</b>	<b>(95,385)</b>	<b>(27,149)</b>
Total financial income, net	<b>(5,887)</b>	<b>(2,583)</b>	<b>(36,965)</b>	<b>(2,879)</b>
	Consolidated			
	Quarter ended		Nine-month period ended	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
<b>Revenue</b>				
Short-term investment yield	18,990	19,525	51,746	50,317
Interest income	4,853	12,443	21,793	34,899
SELIC interest - income tax - recoverable	3,312	212	3,584	765
PIS on financial income	(171)	-	(171)	-
COFINS on financial income	(1,055)	-	(1,055)	-
Monetary gains	3,213	4,860	30,561	42,040
Foreign exchange gain	21,119	7,575	49,743	17,002
Coverage transaction adjustment (swap - International CCB)	-	-	-	-
Other	2,440	156	3,211	814
	<b>52,701</b>	<b>44,771</b>	<b>159,412</b>	<b>145,837</b>
<b>Expenses</b>				
Interest payable on loans	(12,273)	(10,908)	(38,403)	(34,889)
Commissions and rates	-	-	-	(2,675)
Interest expenses	(3,683)	(3,072)	(9,807)	(9,050)
Charges on debentures	(21,774)	(23,319)	(63,834)	(65,639)
IRRF on remittance of interest	(572)	(241)	(1,159)	(703)
PIS on Interest on Equity (IOE)	-	(187)	-	(187)
COFINS on Interest on Equity (IOE)	-	(862)	-	(862)
Monetary losses	-	-	(27,329)	-
Foreign exchange loss	(27,896)	(9,533)	(60,062)	(17,866)
Other	(374)	(166)	(1,352)	(1,259)
	<b>(66,572)</b>	<b>(48,288)</b>	<b>(201,946)</b>	<b>(133,130)</b>
Total financial income, net	<b>(13,871)</b>	<b>(3,517)</b>	<b>(42,534)</b>	<b>12,707</b>

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 30. Other operating income/(expenses)

	Consolidated			
	Quarter ended		Nine-month period ended	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
<b>Revenue</b>				
Amortization - IEMG loss	583	596	1,760	1,794
PIS and COFINS previously unused credits	-	-	-	21,398
Other revenues	18	269	892	257
	<b>601</b>	865	<b>2,652</b>	23,449
<b>Expenses</b>				
Goodwill amortization (Note 11)	(7,472)	(7,471)	(22,415)	(22,414)
Amortization of concession asset on acquisition of subsidiary Evrecy	(623)	(623)	(1,868)	(1,868)
Reversal of construction service portion	-	(19,224)	-	(19,224)
Disposal of unserviceable assets	-	(8,213)	-	(8,213)
Other	(2,568)	(1,946)	(5,368)	(2,093)
	<b>(10,663)</b>	(37,477)	<b>(29,651)</b>	(53,812)
	<b>(10,062)</b>	(36,612)	<b>(26,999)</b>	(30,363)

### 31. Income and social contribution taxes

Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) are monthly provisioned on an accrual basis, and results are taxed according to Law No. 12.973/14.

The Company and subsidiary CTEEP opted for the taxable profit regime whereby taxes are computed based on the company's accounting records, while indirect subsidiaries opted for the regime whereby profit is computed as a percentage of the company's gross revenue.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 31. Income and social contribution taxes (Continued)

#### a) Reconciliation of effective rate

Income and social contribution tax expense for the period can be reconciled with book profit as follows:

	Company			
	Quarter ended		Nine-month period ended	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
Income (loss) before income and social contribution taxes	94,605	49,961	130,110	114,663
Current statutory rates	34%	34%	34%	34%
Expected income and social contribution tax asset (liability)	(32,166)	(16,987)	(44,237)	(38,985)
Income and social contribution taxes on permanent differences	-	-	-	-
Interest on Equity (IOE)	-	(3,856)	-	(3,856)
Equity pickup	34,449	18,112	54,989	40,852
Credit on tax loss	(2,252)	-	(10,677)	-
Other	(31)	753	(75)	11
<b>Effective income and social contribution tax asset (liability)</b>	<b>-</b>	<b>(1,978)</b>	<b>-</b>	<b>(1,978)</b>
Income and social contribution taxes				
Current	-	(1,379)	-	(1,379)
Deferred	-	(599)	-	(599)
	-	(1,978)	-	(1,978)
<b>Effective rate</b>	<b>-</b>	<b>4.0%</b>	<b>-</b>	<b>1.7%</b>
	Consolidated			
	Quarter ended		Nine-month period ended	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
Income (loss) before income and social contribution taxes	318,975	158,135	500,491	377,361
Current statutory rates	34%	34%	34%	34%
Expected income and social contribution tax asset (liability)	(108,452)	(53,766)	(170,167)	(128,303)
Income and social contribution taxes on permanent differences				
Interest on Equity (IOE)	-	6,019	-	6,149
Loss realized	(778)	-	(2,442)	-
Maintenance of Equity Integrity (Note 11)	4,931	4,931	14,794	14,794
Equity pickup	34,890	12,200	46,783	24,444
Effect of adoption of taxable profit computed as a percentage of gross revenue - subsidiaries	23,776	6,733	33,197	13,964
Credit on tax loss	(2,252)	-	(10,677)	-
Other	(1,555)	633	(860)	(52)
<b>Effective income and social contribution tax asset (liability)</b>	<b>(49,440)</b>	<b>(23,250)</b>	<b>(89,372)</b>	<b>69,004</b>
Income and social contribution taxes				
Current	(28,747)	(12,018)	(69,065)	(33,744)
Deferred	(20,693)	(11,232)	(20,307)	(35,260)
	(49,440)	(23,250)	89,372	(69,004)
<b>Effective rate</b>	<b>15.5%</b>	<b>14.7%</b>	<b>17.9%</b>	<b>18.3%</b>

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)

September 30, 2015

(In thousands of reais, unless otherwise stated)

### 31. Income and social contribution taxes (Continued)

#### b) Breakdown of deferred income and social contribution taxes

In 2011, the Company recorded deferred tax assets on income and social contribution tax losses of R\$53,000, based on projected future profitability, previously not expected. Company management reviewed the amounts and the existing balance of R\$32,237 at September 30, 2015 is expected to be used until the end of 2015.

At September 30, 2015, the Company presents credits on income and social contribution tax losses of R\$192,284 (R\$192,284 at 12/31/2014), not accounted for, as such credits are not yet expected to be recovered in the foreseeable future.

Breakdown of deferred income and social contribution tax assets and liabilities are as follows:

	Company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Provision - SEFAZ (Note 9)	-	-	175,527	175,527
Provision for contingencies	-	-	53,154	44,742
Assets subject to indemnification (i)	-	-	(5,516)	(13,789)
Initial adoption of Law No. 12973/14 (ii)	-	-	(24,111)	(24,797)
Service concession arrangement (ICPC 01) (iii)	-	-	(67,231)	(33,988)
Deferred income tax loss (iv)	23,733	23,733	23,733	23,733
Deferred social contribution tax loss	8,504	8,504	8,504	8,504
Other temporary differences	-	-	2,480	6,905
<b>Net</b>	<b>32,237</b>	<b>32,237</b>	<b>166,540</b>	<b>186,837</b>
<b>Current assets</b>	-	32,237	-	32,237
<b>Noncurrent assets</b>	<b>32,237</b>	-	<b>202,113</b>	<b>188,556</b>
<b>Noncurrent liabilities (*)</b>	-	-	<b>35,573</b>	<b>33,956</b>

(\*) In 2015 and 2014, the balance of consolidated liabilities refer to the balance of indirect subsidiaries.

- (i) CTEEP presented capital gain, for tax purposes, due to reversal and disposal of property and equipment, as provided for by Law No. 12783/13 and fifth amendment to service concession arrangement No. 059/2001, executed on December 4, 2012, amounting to R\$250,231 (which for corporate purposes correspond to R\$97,497). Based on Decree-Law No. 1598/77, capital gain may be recognized for determination of taxable profit proportionally to the price portion received if such portion received, in whole or in part, is higher than the current fiscal year. The portions received up to September 30, 2015 amount to approximately 90.0% of total receivables from new investments facilities.
- (ii) This reflects the amounts to be subjected to IRPJ and CSLL taxation considering the initial impact from the end of the Transition Tax Regime (RTT), pursuant to Law No. 12973/14.
- (iii) This refers to income and social contribution taxes on income (loss) from construction operation for provision of electric energy transmission service and remuneration of concession asset (ICPC 01) recognized on an accrual basis, which are taxed proportionally to its effective receipt, as provided in articles 83 and 84 of Revenue Procedure No. 1515/14.
- (iv) Balance represented by IRPJ and CSLL tax loss set up in 2011.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 31. Income and social contribution taxes (Continued)

#### b) Breakdown of deferred income and social contribution taxes (Continued)

Subsidiary CTEEP management estimates that the deferred income and social contribution tax assets arising from temporary differences will be realized proportionally to the contingencies, accounts receivable and casual events underlying the provisions for losses.

### 32. Transactions with related parties

Significant balances and transactions with related parties are as follows:

a) Parent Company - ISA Capital	Related party	09/30/2015		12/31/2014		09/30/2015	09/30/2014
		Assets	Liabilities	Assets	Liabilities	Revenue/ (expense)	Revenue/ (expense)
<b>Nature of transaction Consolidated</b>							
Short-term benefits (*)	Key management personnel	-	-	-	-	(4,843)	(4,343)
Cash and cash equivalents	HSBC Finance (Brasil) S.A. Banco Múltiplo	37	-	1	-	-	-
Short-term investments (Note 7)	Banco Votorantim S.A.	8,251	-	8,548	-	1,486	1,916
Loans (Notes 12 and 29)	Interconexión Eléctrica	95,362	-	63,229	-	2,108	1,369
Interest on equity and dividends receivable	Subsidiary CTEEP	-	-	11,778	-	-	-
		<b>103,650</b>	-	<b>83,556</b>	-	<b>(2,343)</b>	<b>(2,423)</b>
<b>b) Subsidiary CTEEP</b>							
Dividends	IE Madeira	-	-	15,945	-	-	-
		-	-	15,945	-	-	-
Future capital contribution	IE Garanhuns	-	-	21,471	-	-	-
		-	-	21,471	-	-	-
	Subsidiary CTEEP	-	(31)	-	(22)	(259)	(252)
	IEMG	8	-	6	-	76	60
	Pinheiros	31	-	10	-	155	119
	Serra do Japi	26	-	8	-	115	119
	Evrecy	4	-	4	-	36	66
	IENNE	9	-	8	-	84	90
Sublease	IESul	5	-	5	-	48	53
		<b>83</b>	<b>(31)</b>	<b>41</b>	<b>(22)</b>	<b>255</b>	<b>255</b>
	Subsidiary CTEEP	-	(12)	-	(12)	(105)	(105)
	IEMG	10	-	10	-	98	-
	Pinheiros	100	-	93	-	885	826
	Serra do Japi	26	-	24	-	230	215
	Evrecy	61	-	61	-	559	750
Rendering of services	IE Madeira	-	-	-	-	-	238
		<b>197</b>	<b>(12)</b>	<b>188</b>	<b>(12)</b>	<b>1,667</b>	<b>1,924</b>

(\*) These refer to the compensation of Company's and subsidiary CTEEP's management. As disclosed in the income statement, the Company states a balance of R\$3,711 (R\$3,655 at September 30, 2014).

## **ISA Capital do Brasil S.A.**

Notes to interim financial statements (Continued)  
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### **32. Transactions with related parties (Continued)**

#### Short-term benefits

The Company's compensation policy does not include post-employment benefits, other long-term benefits, employment termination benefits or share-based payments.

#### Sublease

The sublease agreement encompasses the area occupied by ISA Capital and CTEEP's subsidiaries at the CTEEP's headquarter building, as well as the apportionment of condominium-related and maintenance expenses, among others.

#### Rendering of services

Subsidiary CTEEP maintains a service rendering agreement with the Company, including, among others, delivery of bookkeeping, tax calculation and payroll processing services.

#### Intercompany loan

Subsidiary CTEEP renders Technical Advisory Services to Support the Owner's Engineering Service Management to indirect subsidiary IEMadeira.

Subsidiary CTEEP renders operation and maintenance services to the facilities of its indirect subsidiaries IEMG, Pinheiros, Serra do Japi and Evrecy.

#### Future capital contributions

On November 24, 2014, subsidiary CTEEP and Chesf (Companhia Hidro Elétrica do São Francisco) entered into a private instrument for the advance of funds to indirect subsidiary IEGaranhuns, for which an amendment was executed on March 4, 2015, which establishes the maximum limit of R\$99,000 proportionally to their equity interest and transferred according to the schedule. The advance shall be converted into capital within 120 days from the date of transfer of funds from shareholders to IEGaranhuns, subject to approval by the Board of Directors of subsidiary CTEEP. By September 30, 2015, the amount of R\$99,000 had been converted into capital and interest held by subsidiary CTEEP amounts to R\$50,490.

These transactions are performed under specific conditions contractually negotiated between the parties.

## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 33. Financial Instruments

#### a) Identification of significant financial instruments

	Company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
<b>Financial assets</b>				
Fair value through profit or loss				
Cash and cash equivalents	28,067	20,551	34,495	25,247
Short-term Investments	8,344	-	544,394	479,601
Loans and receivables				
Trade accounts receivable				
Current	-	-	392,400	729,946
Noncurrent	-	-	3,481,222	3,165,656
Receivables - State Finance Department (SEFAZ)				
Noncurrent	-	-	906,811	802,102
Receivables from subsidiaries	-	-	14	37,429
Loans receivable				
Noncurrent	95,362	63,229	95,362	63,229
Accrued dividends receivable	-	11,778	-	-
Pledges and restricted deposits				
Current	-	3,699	-	3,699
Noncurrent	-	-	59,222	62,353
<b>Financial liabilities</b>				
Amortized cost				
Loans and financing				
Current	1,844	3,083	65,805	135,133
Noncurrent	125,746	84,071	556,106	524,651
Debentures				
Current	-	-	46,582	83,846
Noncurrent	-	-	539,331	535,399
Trade accounts payable	323	411	45,097	75,880
Interest on equity and dividends payable	-	-	1,527	21,925
Payables - Law No. 4819/58				
Current	438,677	411,347	438,677	411,347

#### *Consolidated*

Book values of asset and liability financial instruments, when compared with amounts that could be obtained in their trading in an active market or, when there is no active market, with adjusted net present value based on market interest rate in force, substantially approximate their corresponding market values. Subsidiary CTEEP classifies financial instruments under Level 1 and Level 2, as required by the pronouncement (CPC) in force:

Level 1 - quoted prices (unadjusted) in active, liquid and visible markets, for identical assets and liabilities that are readily available at the measurement date;



## ISA Capital do Brasil S.A.

Notes to interim financial statements (Continued)  
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### 33. Financial Instruments (Continued)

#### a) Identification of significant financial instruments (Continued)

*Consolidated* (Continued)

Level 2 - quoted prices (which may be adjusted or not) for similar assets or liabilities in active markets, and other unobservable inputs under Level 1, directly or indirectly, under the terms of the asset or liability; and

Level 3 - assets and liabilities whose prices do not exist, or whose prices or valuation techniques are supported by a small market or by a non-existing, unobservable or illiquid market. Under this level fair value estimate is highly subjective.

#### b) Financing

The rates of book value of loans and financing and debentures are linked to the variation in the TJLP, CDI and IPCA and book value approximates market value.

*Debt-to-equity-ratio*

Debt-to-equity-ratio at the end of the period is as follows:

	Company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Loans and financing				
Current	1,844	3,083	65,805	135,133
Noncurrent	125,746	84,071	556,106	524,651
Debentures				
Current	-	-	46,582	83,846
Noncurrent	-	-	539,331	535,399
<b>Total debt</b>	<b>127,590</b>	<b>87,154</b>	<b>1,207,824</b>	<b>1,279,029</b>
Cash and cash equivalents and short-term investments	36,411	20,551	578,889	504,848
<b>Net debt</b>	<b>91,179</b>	<b>66,603</b>	<b>628,935</b>	<b>774,181</b>
<b>Equity</b>	<b>1,822,839</b>	<b>1,773,432</b>	<b>5,335,330</b>	<b>5,004,054</b>
Net debt-to-equity ratio	5.0%	3.8%	11.8%	15.5%

Subsidiary CTEEP and its subsidiaries have loan and financing agreements with covenants based on debt-to-equity-ratios (Notes 17 and 18). Subsidiary CTEEP complies with the covenant requirements.

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### 33. Financial Instruments (Continued)

#### c) Risk management

The main risk factors inherent in subsidiary CTEEP and its subsidiaries' transactions may be identified as follows:

- (i) *Credit risk* - subsidiary CTEEP and its subsidiaries have executed and maintain agreements containing a bank guarantee clause with ONS, concession operators and other agents, governing the provision of their Basic Electric Power Grid services to 216 users. Also, CTEEP and its subsidiaries have executed and maintain agreements containing a bank guarantee clause with 30 concession operators and other agents, governing the provision of their services to Other Transmission Facilities (DIT).
- (ii) *Price risk* - Under the terms of the service concession arrangement, the revenues of subsidiary CTEEP and its subsidiaries are adjusted annually by ANEEL, by reference to IPCA and IGP-M variation, while part of the revenues is subject to periodic tariff review (Note 27.2).
- (iii) *Interest rate risk* - Financing agreements of subsidiary CTEEP are monetarily restated by reference to TJLP, IPCA and CDI variation (Notes 17 and 18).
- (iv) *Currency risk* - subsidiary CTEEP and its subsidiaries do not have financing, accounts receivable and other assets in foreign currency. Other exposures to foreign exchange fluctuation effects are considered immaterial and correspond to import of equipment, if any.

ISA Capital has loans receivable and payable in foreign currency and, for such exposures, the Company did not take out financial instruments to hedge possible currency risks. Company management does not consider significant the exposure to foreign exchange fluctuation effects.

- (v) *Fundraising risk* - subsidiary CTEEP and its subsidiaries may face difficulties in the future regarding fundraising with repayment periods and costs adjusted to their cash generating profile and/or their debt repayment obligations.

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### 33. Financial Instruments (Continued)

#### c) Risk management (Continued)

(vi) *Liquidity risk* - The primary cash sources of subsidiary CTEEP and its subsidiaries arise from:

- Their operating activities, notably the use of their electric power transmission system by other concession operators and agents of the sector. Under current legislation, the annual revenue amount, represented by RAP, related to Basic Electric Power Grid facilities and Other Transmission Facilities (DIT), is defined by ANEEL; and
- Rights on receivables for the term extension of the service concession arrangement No. 059/2001 governed by Law No. 12783/2013, whose determination of part of value and the payment method are pending definition by the Granting Authority (Note 1.2).
- Subsidiary CTEEP is compensated for the transmission system availability, and energy rationing, if any, will not impact revenue or receipts.

Subsidiary CTEEP manages liquidity risk by maintaining bank credit facilities and funding facilities so as to raise loans as it deems appropriate, through ongoing monitoring of projected and actual cash flows, and matching of the maturity profiles of financial assets and liabilities.

The receipt of the reversal portion of SE related facilities also represents an important source of cash generation so that subsidiary CTEEP successfully fulfills its financial planning from 2016.

#### d) Sensitivity analysis

Pursuant to CVM Ruling No. 475 of December 17, 2008, subsidiary CTEEP conducts interest rate and currency risk sensitivity analysis. CTEEP management does not consider significant its exposure to the other previously described risks.

For the purpose of defining a base scenario of the interest rate and price rate risk sensitivity analysis, the Company used the same assumptions established for long-term financial planning of subsidiary CTEEP. These assumptions are based on the macroeconomic scenario of the country and on opinions expressed by market specialists.

As such, in order to assess the effects of subsidiary CTEEP's cash flow variation, the sensitivity analysis below deems as probable scenario the interest rates at December 31, 2015, reported in the interest rate risk tables. Such rates were appreciated and depreciated by 25% (scenario I) and 50% (scenario II).

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### 33. Financial Instruments (Continued)

#### d) Sensitivity analysis (Continued)

Interest rate risk - effects on cash flow - consolidated						
Transaction	Risk	Base scenario	Risk of increase in indexes		Risk of decrease in indexes	
			Scenario I	Scenario II	Scenario I	Scenario II
<u>Financial assets</u>						
Short-term investments	92% to 103.5% of CDI	15,050	18,586	22,042	11,428	7,716
<u>Financial liabilities</u>						
Debentures - 2nd series	IPCA+8.10%	2,920	3,301	3,676	2,533	2,139
Debentures - single series	116.0% of CDI p.a.	30,584	35,343	39,982	25,697	20,676
FINEM BNDES (i), (ii) and (iii)	TJLP+1.80% to 2.30%	4,061	4,831	5,592	3,282	2,494
BNDES (subsidiaries)	TJLP + 1.55% to 2.62% p.a.	3,742	4,352	4,954	3,126	2,502
Net effect of change		<b>(26,257)</b>	<b>(29,241)</b>	<b>(32,162)</b>	<b>(23,210)</b>	<b>(20,095)</b>
<b>Reference for financial assets and liabilities</b>						
100% of CDI (December, 2015)		14.10% p.a.	17.63% p.a.	21.15% p.a.	10.58% p.a.	7.05% p.a.

### 34. Commitments - operating lease agreements

The significant commitments assumed by subsidiary CTEEP and its subsidiaries refer to operating leases of vehicles and IT equipment, minimum future payments of which, in total and for each period, are as follows:

	Consolidated	
	09/30/2015	12/31/2014
Within 1 year	6,762	6,747
From 1 to 5 years	6,254	11,048
	<b>13,016</b>	<b>17,795</b>

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### 35. Insurance coverage

Breakdown of insurance lines is as follows:

<b>Consolidated</b>			
<b>Type</b>	<b>Effectiveness</b>	<b>Insured amount in thousands of reais (R\$)</b>	<b>Premium in thousands of reais (R\$)</b>
Property (a)	10.05.14 to 09.01.16	2,969,913	5,528
General civil liability (b)	09.01.15 to 09.01.16	25,000	144
Domestic transportation (c)	09.30.15 to 09.30.16	251,261	23
Personal accidents - Group (d)	05.01.15 to 05.01.16	12,115	1
Automobile (e)	09.10.14 to 03.02.16	Market value	137
Automobile (e)	03.02.15 to 03.02.16	5,291	91
Court-ordered guarantee (f)	11.29.13 to 04.01.18	184,760	2,227
			<b>8,151</b>

- (a) Property - coverage against risks of fire and electrical damage to the main equipment installed in transmission substations, buildings and respective contents, storerooms and facilities, according to service concession arrangements, whereby the transmission companies shall maintain insurance policies to ensure adequate coverage of the most important equipment of the transmission system facilities, in addition to defining the items and facilities to be insured.
- (b) General civil liability - coverage to repair unintentional damage, personal and/or property damage caused to third parties as a result of subsidiary CTEEP's operations.
- (c) Domestic transportation - coverage against damage caused to CTEEP's items and equipment, transported throughout the Brazilian territory.
- (d) Personal accidents - Group - coverage against personal accidents to executives, interns and trainees.
- (e) Vehicles - coverage against collision, fire, theft and third parties.
- (f) Court-ordered guarantee - replacement of collaterals and/or judicial deposits made to the Granting Authority.

There is no coverage for any damage in transmission lines against fire, lightening, explosions, short-circuits and power outages.

Given their nature, assumptions adopted to take out insurance coverage are not part of the scope of a review. As a result, these were not reviewed by our independent auditors.

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### 36. Supplementary retirement plan governed by Law No. 4819/58

The supplementary retirement plan governed by State Law No. 4819/58, which addressed the creation of the State Social Assistance Fund, is applicable to employees of government agencies, of corporations in which the State held the majority of shares, and of industrial services owned and managed by the state, hired until May 13, 1974, and provided for supplementary retirement and pension benefits, additional leave entitlement and family allowance. Funds required to cover liabilities assumed in this plan are full responsibility of the applicable São Paulo State Government authorities, and the implementation took place under an agreement between SEFAZ-SP and subsidiary CTEEP, on December 10, 1999, effective until December 31, 2003.

This procedure was carried out regularly until December 2003 by Fundação CESP, with funds from SEFAZ-SP, transferred by CESP and later by subsidiary CTEEP. From January 2004, SEFAZ-SP started to directly process those payments, without the intervention of subsidiary CTEEP and Fundação CESP, at amounts historically lower than those paid until December 2003.

#### a) Lawsuit of the 2nd Public Finance Court

This event caused the filing of legal proceedings by retirees, with emphasis on the Civil Class Action whose decision was handed down by the 2nd Tax Court in June 2005, whereby the requesting for supplementary pension was deemed unfounded and SEFAZ was held liable for the supplementary pension. Associação dos Aposentados da Fundação CESP (AAFC), which represents retirees and pensioners, filed an appeal and prior to its judgment protested against the jurisdiction of the Regular Legal Court, which was accepted by the São Paulo Court of Justice (TJ/SP). STF recognized the jurisdiction of the Regular Legal Court in August 2008, and retirees filed another appeal taking the matter to the STF, which upheld the jurisdiction of the Regular Legal Court. The various appeals filed by AAFC were denied by the STF, and the final decision was handed down on October 7, 2015, maintaining the jurisdiction of the Regular Legal Court. The discussion on the jurisdiction is awaiting an unappealable decision so that the retirees' appeal against the decision rendering the matter groundless is reviewed by the TJ/SP.

#### b) Lawsuit of the 49th Labor Court

In contrast to the decision previously handed down, a decision issued by the 49th Labor Court of São Paulo State was communicated to CTEEP on July 11, 2005 granting interim relief for Fundação CESP to process again the payments of benefits arising from State Law No. 4819/58, according to respective rules, as performed until December 2003, with funds transferred by subsidiary CTEEP.

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### 36. Supplementary retirement plan governed by Law No. 4819/58 (Continued)

#### b) Lawsuit of the 49th Labor Court (Continued)

In order to fulfill the aforementioned court decisions, subsidiary CTEEP requests the necessary funds to SEFAZ-SP, on a monthly basis, to transfer them to Fundação CESP, which must process the respective payments to the beneficiaries. This lawsuit resulted in an unfavorable decision against SEFAZ-SP, CESP, Fundação CESP and subsidiary CTEEP.

Due to the existence of proceedings at Courts of different jurisdictions, the Conflict of Jurisdiction was raised before the STF to define the jurisdiction to judge the lawsuit. On March 12, 2015, the STF handed down a decision recognizing the jurisdiction of the Regular Legal Court and voiding all decisions of the Labor Court. This decision is awaiting an unappealable decision.

#### c) Conflict of jurisdiction

On February 20, 2013, under judgment of appeal concerning legal discussions of other parties not related to this lawsuit, the STF consolidated the case law for the jurisdiction of the Regular Legal Court to judge proceedings on supplementary pension. The position of the STF Full Bench was that “the jurisdiction to process lawsuits filed against supplementary pension private entities is of the Regular Legal Court, given the autonomy of the Social Security Law in relation to the Labor Law”.

Upon judging the Conflict of Jurisdiction that involves the lawsuits informed in letters “a” and “b”, the STF recognized the jurisdiction of the Regular Legal Court to process the lawsuits, voiding the decisions handed down by the Labor Court (decision issued in April 2015). AAFC (an Association that represents retirees of Fundação CESP) filed an appeal.

On May 4, 2015, by means of a Notice, SEFAZ-SP assumed the responsibility of processing and pay the retirees’ payroll.

Associação dos Aposentados da Fundação CESP (AAFC) filed the Precautionary Action No. 3882 before the STF, seeking that the decision handed down by the Labor Court prevail until the competent Court analyzes the preliminary injunction handed down by the Labor Court.

The STF granted that application and by means of a Notice delivered on June 8, 2015 SEFAZ-SP ceased processing the payroll, which returned to the previous status (also through a SEFAZ-SP Notice). Subsidiary CTEEP, SEFAZ-SP and Fundação CESP filed an appeal.

On October 14, 2015, the STF judged those appeals, upholding the decision of Conflict of Jurisdiction that recognized the jurisdiction of Regular Legal Court to process and judge the class action that is currently being examined at the 49<sup>th</sup> Labor Court of São Paulo State, as well as the precautionary measure filed by AAFC, which keeps the preliminary injunction of the Labor Court until the Competent Court considers the request.

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### 36. Supplementary retirement plan governed by Law No. 4819/58 (Continued)

#### d) Collection lawsuit

Since September 2005, SEFAZ-SP has been transferring to subsidiary CTEEP an amount lower than that required for the faithful compliance with such decision of the 49th Labor Court.

As a consequence of this decision, subsidiary CTEEP transferred to Fundação CESP, from January 2005 to September 2015, R\$3,351,996 for the payment of benefits provided for by State Law No. 4819/58, having received from SEFAZ-SP R\$2,101,283 for such purpose. The difference between the amounts transferred to Fundação CESP and refunded by SEFAZ-SP, amounting to R\$1,189,399 (Note 9 (a)), has been required by subsidiary CTEEP for refund by SEFAZ-SP. In addition, there are amounts relating to labor claims settled by the subsidiary CTEEP which are the responsibility of State Government, amounting to R\$233,667 (Note 9 (b)), totaling R\$1,423,066.

In December 2010, subsidiary CTEEP filed a collection lawsuit against SEFAZ-SP to recover the amounts until then not received in regard to this matter. In May 2013, after the decision handed down that dismissed the collection lawsuit without analyzing the merits of the case, CTEEP filed an appeal, however, said decision was upheld by the Court (December 2014).

Subsidiary CTEEP filed a new appeal and SEFAZ-SP and FUNCESP expressed their understanding. On August 31, 2015, the TJ/SP accepted the appeal of subsidiary CTEEP and sentenced SEFAZ-SP to transfer the supplementary retirement and pension under the terms of the adjustments executed with CTEEP and governing laws, except for amounts disallowed.

With a view to including the amounts disallowed in such decision, subsidiary CTEEP filed another appeal, which is still pending judgment.

#### e) Lawsuit from retirees' association

In the second half of 2012, Associação dos Aposentados da Fundação CESP (AAFC) filed lawsuit No. 0022576-08.2012.8.26.0053 against SEFAZ-SP, seeking reimbursement of the supplementary retirement plan governed by State Law No. 4819/58 so that said plan may honor retirement and pension payouts.

This lawsuit was dismissed without judgment on the merits, and AAFC filed an Appeal, which is pending referral to the Court for later judgment.



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### 36. Supplementary retirement plan governed by Law No. 4819/58 (Continued)

f) Writ of mandamus - Campinas City Union

On April 19, 2013, by means of a Notice, SEFAZ-SP recognized the effective transfers to subsidiary CTEEP of the amounts previously disallowed, relating to certain accounts that partially comprise the amount not transferred and required for due compliance with the decision awarded by the 49th Labor Court. SEFAZ-SP recognition was due to the unappealable decision handed down in the records of the Collective Petition for Writ of Mandamus filed by Sindicato dos Trabalhadores da Indústria de Energia Elétrica de Campinas, which determined that SEFAZ-SP shall maintain the payments of supplementary retirement and pension of retirees without eliminating such amounts. The subsidiary is not part of this lawsuit, and only follows-up on the process, since it can benefit from the decisions.

In view of this decision, as from April 19, 2013, payments to retirees registered at the above-mentioned union have been assumed by SEFAZ-SP. Supported by a favorable position of its legal advisors, subsidiary CTEEP management understands that this decision provides an important leading case so that amounts of same nature, both for the group of retirees of that union and for other retirees, are recognized as responsibility of SEFAZ-SP. Subsidiary CTEEP will analyze measurers, with its legal advisors, so that SEFAZ-SP recognizes the responsibility for amounts of same nature for all retirees' population.

Corroborating the position mentioned above, the Union filed an application to extend the decision to retirees not included in the initial list, which was granted by the Labor Court.

SEFAZ-SP filed a number of legal measures to revert such decision, unsuccessfully to date.

*Subsidiary CTEEP's view*

Subsidiary CTEEP remains committed to voiding the decision of the 49th Labor Court in order to allow the return of the procedure of payment direct from payroll of benefits of State Law No. 4819/58 by SEFAZ-SP. Subsidiary CTEEP also stresses the understanding of its legal department and external legal advisors that costs arising from State Law No. 4819/58 and its regulation are the full responsibility of SEFAZ-SP and continues adopting additional measures to protect its interests.

In view of the new events occurred in 2013, especially those related to the legal progress of the lawsuit relating to the collection of amounts due by SEFAZ-SP as mentioned above, and considering the legal progress of other proceedings and lawsuits also aforementioned, subsidiary CTEEP management recognized in 2013 a provision for losses on realization of part of receivables, whose realization term is expected to be extended, and it is yet not sure that these amounts are sole responsibility of SEFAZ-SP.

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### 36. Supplementary retirement plan governed by Law No. 4819/58 (Continued)

f) Writ of mandamus - Campinas City Union (Continued)

*Subsidiary CTEEP's view* (Continued)

Management has been monitoring new events relating to the legal and business aspects underlying this matter, as well as any impact on subsidiary CTEEP interim financial information.

### 37. Subsequent events

Parent Company

a) *Escrow deposit*

On October 09, 2015, through the exchange contract entered into with Banco Santander, the Company deposited R\$5,243 at the Bank of New York ("BONY"), and these funds will be used for payment of interest on bonds in January 2016.

Consolidated

a) *Supplementary retirement plan governed by Law No. 4819/58 - conflict of jurisdiction*

On October 14, 2015, the STF judged those appeals, upholding the decision of Conflict of Jurisdiction that recognized the jurisdiction of Regular Legal Court to process and judge the class action that is currently being examined at the 49<sup>th</sup> Labor Court of São Paulo State and to keep valid the preliminary injunction of the Labor Court until the Regular Legal Court considers the request. Notification of the decisions has not yet taken place.

b) *Investments*

From October 1 to 13, 2015, subsidiary CTEEP paid in capital of jointly-controlled subsidiary IEGaranhuns amounting to R\$6,630.