ISA CAPITAL DO BRASIL S.A.

Interim Financial Information at June 30, 2013

Table of Contents

Interim Financial Statements

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ISA CAPITAL DO BRASIL

Balance sheets
as of June 30, 2013 and December 31, 2012
(In thousands of Brazilian reais)

		Company		Consolidated	
	Note	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Assets					
Current assets					
Cash and cash equivalents	6	169,266	127,324	181,047	436,927
Short-term investments	7	141,778	294,483	1,363,639	294,483
Accounts receivable (concession asset)	8	-	-	808,764	2,425,203
Inventories	-	-	-	58,670	48,814
Loans receivable	12 and 32	20,510	20,510	20,510	20,510
Recoverable taxes and contributions	10	4,108	6,678	19,098	20,852
Collaterals and restricted deposits	13	3,086	2,846	3,086	2,846
Prepaid expenses		-	-	11,681	3,133
Derivative financial instruments	33.a	-	-	42,873	63,455
Other		2	1	93,715	86,305
		338,750	**451,842**	**2,603,083**	**3,402,528**
Noncurrent assets					
Accounts receivable (concession asset)	8	-	-	3,170,422	3,387,374
Receivables – Finance Department	9	-	-	1,067,357	986,486
Goodwill tax benefit	11	-	-	75,303	90,247
Deferred income tax and social contribution	31.b	39,553	39,553	86,677	39,553
Collaterals and restricted deposits	13	-	-	76,364	74,690
Recoverable taxes and contributions	10	35,035	29,264	35,035	29,264
Loans receivable	12 and 32	52,742	48,645	52,742	48,645
Inventories		-	-	50,374	41,867
Other		-	-	27,634	21,353
		127,330	**117,462**	**4,641,908**	**4,719,479**
Investments	14.b	2,091,254	2,080,340	900,898	767,553
Property, plant and equipment	15	36	39	10,345	8,414
Intangible assets	16	-	-	79,066	110,795
		2,091,290	**2,080,379**	**990,309**	**886,762**
		2,218,620	**2,197,841**	**5,632,217**	**5,606,241**
Total assets		**2,557,370**	**2,649,683**	**8,235,300**	**9,008,769**

Balance sheets (Continued)
as of June 30, 2013 and December 31, 2012
(In thousands of Brazilian reais)

		Company		Consolidated	
	Note	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Current liabilities					
Trade payables		110	301	53,110	63,569
Borrowings and financing	17 and 33(a)	2,571	2,372	388,195	938,917
Debentures	18	-	-	164,018	166,667
Taxes and social security obligations	19	419	399	26,437	139,451
Taxes in installments – Law 11941	20	-	-	13,481	13,137
Regulatory charges payable	22	-	-	31,246	40,344
Cumulative fixed dividends payable	-	-	21,334	-	21,334
Derivative financial instruments	33.a	-	-	-	3,770
Interest on capital and dividends payable	-	-	-	5,288	6,340
Provisions	23	19	19	26,725	27,457
Payables – Law 4819/58 – Finance Department	5.a	7,194	7,194	7,194	7,194
Payables – Law 4819/58 – Tender offer	5.b	4,153	4,153	4,153	4,153
Payables - Fundação CESP	24	-	-	6,179	6,226
Other	-	-	2	11,875	21,779
		14,466	**35,774**	**737,901**	**1,460,338**
Noncurrent liabilities		-	-		
Borrowings and financing	17 and 33(a)	70,126	64,679	443,828	525,763
Debentures	18	-	-	985,869	956,683
Taxes in installments – Law 11941	20	-	-	139,308	142,318
Deferred PIS and COFINS	21	-	-	92,819	84,705
Deferred income tax and social contribution	31.b	-	-	24,490	38,932
Regulatory charges payable	22	-	-	47,428	39,468
Provisions	23	-	-	126,119	120,882
Payables – Law 4819/58 – Finance Department	5.a	245,534	236,746	245,534	236,746
Payables – Law 4819/58 – Tender offer	5.b	154,309	148,800	154,309	148,800
Special obligations – reversal/ amortization	25	-	-	24,053	24,053
		469,969	**450,225**	**2,283,757**	**2,318,350**
Equity					
Share capital	26.a	840,378	840,378	840,378	840,378
Capital reserves	26.d	1,127,400	1,199,400	1,127,400	1,199,400
Goodwill on equity transaction	26.e	(7,468)	(7,468)	(7,468)	(7,468)
Earnings reserves	26.f	131,374	131,374	131,374	131,374
Retained earnings (accumulated losses)		(18,749)	-	(18,749)	-
		2,072,935	**2,163,684**	**2,072,935**	**2,163,684**
Noncontrolling interests		**-**	**-**	**3,140,707**	**3,066,397**
Total equity		**2,072,935**	**2,163,684**	**5,213,642**	**5,230,081**
Total liabilities and equity		**2,557,370**	**2,649,683**	**8,235,300**	**9,008,769**

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ISA CAPITAL DO BRASIL

Income statements
Three- and six-month periods ended June 30, 2013 and 2012
(In thousands of Brazilian reais)

		Company			
		Quarter ended		Six-month period ended	
	Note	**06/30/2013**	**06/30/2012**	**06/30/2013**	**06/30/2012**
Operating income (expenses)					
General and administrative expenses	28	(683)	(629)	(1,720)	(1,626)
Other operating income (expenses), net	30	(17,126)	(13,992)	(34,252)	(27,984)
Equity in subsidiaries	14.c	18,136	76,248	45,169	153,929
Profit before finance income (costs) and taxes		**327**	**61,627**	**9,197**	**124,319**
Finance costs	29	(14,526)	(14,503)	(27,743)	(30,998)
Finance income	29	13,386	15,418	24,713	34,807
Finance income (costs)		(1,140)	915	(3,030)	3,809
Profit (loss) before taxes on income		**(813)**	**62,542**	**6,167**	**128,128**
Income tax and social contribution					
Current	31	-	(5,835)	-	(12,043)
Deferred	31	-	(2,502)	-	(5,165)
		-	(8,337)	-	(17,208)
Profit (loss) for the period		(813)	54,205	6,167	110,920
Attributable to:					
Controlling shareholders		**(813)**	**54.205**	**6.167**	**110.920**
Earnings (loss) per share – Basic and Diluted	26.g	(0.0006)	0.0378	0.0044	0.0773
Average number of shares in the period	26.g	1,398,838,834	1,434,469,504	1,398,838,834	1,434,469,504

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ISA CAPITAL DO BRASIL

Income statements
Three- and six-month periods ended June 30, 2013 and 2012
(In thousands of Brazilian reais)

		Consolidated			
		Quarter ended		Six-month period ended	
	Note	06/30/2013	Restated 06/30/2012	06/30/2013	Restated 06/30/2012
Net operating revenue	27.1	205,340	481,882	406,158	975,418
Cost of operation services	28	(129,493)	(139,795)	(272,471)	(277,710)
Gross profit		75,847	342,087	133,687	697,708
Operating income (expenses)					
General and administrative expenses	28	(58,660)	(34,696)	(97,714)	(74,678)
Other operating income (expenses), net	30	(22,287)	(24,802)	(32,357)	(45,406)
Equity in subsidiaries	14.c	23,735	14,499	44,495	25,999
Profit before finance income (costs) and taxes		**18,635**	**297,088**	**48,111**	**603,623**
Finance costs	29	(75,081)	(98,245)	(142,944)	(209,337)
Finance income	29	85,831	46,980	190,835	105,056
Finance income (costs)		10,750	(51,265)	47,891	(104,281)
Profit before taxes on income		**29,385**	**245,823**	**96,002**	**499,342**
Income tax and social contribution					
Current	31	(14,186)	(63,820)	(77,898)	(139,673)
Deferred	31	13,247	(2,873)	61,311	3,599
		(939)	(66,693)	(16,587)	(136,074)
Profit for the period		**28,446**	**179,130**	**79,415**	**363,268**
Attributable to:					
Noncontrolling interests		29,259	124,925	73,248	252,348
Profit (loss) for the period attributable to controlling shareholders		**(813)**	**54,205**	**6,167**	**110,920**

ISA CAPITAL DO BRASIL

Statements of comprehensive income
Three- and six-month periods ended June 30, 2013 and 2012
(In thousands of Brazilian reais)

	Company			
	Quarter ended		Six-month period ended	
	06/30/2013	06/30/2012	06/30/2013	06/30/2012
Profit (loss) for the period	(813)	54,205	6,167	110,920
Other comprehensive income				
Comprehensive income for the period	**(813)**	**54,205**	**6,167**	**110,920**
Controlling shareholders	**(813)**	**54,205**	**6,167**	**110,920**
Noncontrolling interests	-	-	-	-

	Consolidated			
	Quarter ended		Six-month period ended	
	06/30/2013	06/30/2012	06/30/2013	06/30/2012
Profit for the period	28,446	179,130	79,415	363,268
Other comprehensive income				
Comprehensive income for the period	**28,446**	**179,130**	**79,415**	**363,268**
Controlling shareholders	**(813)**	**54,205**	**6,167**	**110,920**
Noncontrolling interests	**29,259**	**124,925**	**73,248**	**252,348**

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ISA CAPITAL DO BRASIL

Statements of changes in equity
Six-month periods ended June 30, 2013 and 2012
(In thousands of Brazilian reais)

	Share capital	Capital reserve	Goodwill on equity transaction	Earnings reserves		Retained earnings (accumulated losses)	Total equity	Noncontrolling interests	Consolidated total equity
				Legal reserve	Earnings retention reserve				
Balances at December 31, 2011	**840,378**	**1,199,400**	**(7,488)**	**5,881**	**89,629**	**-**	**2,127,800**	**2,731,268**	**4,859,068**
Profit for the period	-	-	-	-	-	110,920	110,920	252,348	363,268
Cumulative fixed dividends paid in the six-month period	-	-	-	-	-	(31,727)	(31,727)	-	(31,727)
Distribution of dividends in subsidiary	-	-	-	-	-	-	-	(91,663)	(91,663)
Distribution of expired dividends in subsidiary	-	-	-	-	-	-	-	428	428
Proposed additional dividends in subsidiary	-	-	-	-	-	-	-	(19,497)	(19,497)
Interest on capital in subsidiary	-	-	-	-	-	-	-	(79,546)	(79,546)
Expired interest on capital in subsidiary	-	-	-	-	-	-	-	119	119
Other – subsidiary	-	-	-	-	-	-	-	332	332
Balances at June 30, 2012	**840,378**	**1,199,400**	**(7,488)**	**5,881**	**89,629**	**79,193**	**2,206,993**	**2,793,789**	**5,000,782**
Balances at December 31, 2012	**840,378**	**1,199,400**	**(7,468)**	**5,881**	**125,493**	**-**	**2,163,684**	**3,066,397**	**5,230,081**
Profit for the period	-	-	-	-	-	6,167	6,167	73,318	79,485
Redemption of preferred shares	-	**(72,000)**	-	-	-		(72,000)	-	(72,000)
Cumulative fixed dividends paid in the six-month period	-	-	-	-	-	(24,916)	(24,916)	-	(24,916)
Expired dividends in subsidiary	-	-	-	-	-	-	-	545	545
Expired interest on capital in subsidiary	-	-	-	-	-	-	-	70	70
Other – subsidiary	-	-	-	-	-	-	-	377	377
Balances at June 30, 2013	**840,378**	**1,127,400**	**(7,468)**	**5,881**	**125,493**	**(18,749)**	**2,072,935**	**3,140,707**	**5,213,642**

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ISA CAPITAL DO BRASIL

Statements of cash flows
Six-month periods ended June 30, 2013 and 2012
(In thousands of Brazilian reais)

	Company		Consolidated	
	06/30/2013	06/30/2012	06/30/2013	Restated 06/30/2012
Cash flows from operating activities				
Profit for the period	6,167	110,920	79,415	363,268
Adjustments to reconcile profit for the period to net cash provided by (used in) operating activities	-	-	-	-
Depreciation and amortization (notes 15,16 and 28)	5	6	3,642	2,285
Reversal of provision for loss on jointly-controlled entity	-	-	(1,212)	(1,220)
Deferred income tax and social contribution (note 31.a)	-	5,165	(61,311)	(3,598)
Deferred PIS and COFINS	-	-	8,114	(24,658)
Provision for contingencies	-	-	5,237	(700)
Residual cost of permanent assets written off (note 15)	-	8	9	121
Income from short-term investment (note 7)	(2,095)	-	(2,095)	-
Equity in subsidiaries (note 14.c)	(45,169)	(153,929)	(44,495)	(25,999)
Amortization of concession right (notes 16 and 30)	34,252	27,984	49,196	42,400
Interest, inflation adjustment and exchange rate changes on assets and liabilities	15,710	10,679	97,938	116,754
	8,870	**833**	**134,438**	**468,653**
(Increase) decrease in assets				
Accounts receivable	-	-	1,834,693	14,610
Inventories	-	-	(18,363)	239
Receivables	787	874	(80,084)	(74,253)
Recoverable taxes and contributions	(3,201)	2,643	(4,335)	3,302
Collaterals and restricted deposits	(240)	(203)	(1,914)	(9,514)
Prepaid expenses	-	-	(8,548)	(7,394)
Other	-	-	(13,692)	(1,065)
	(2,654)	**3,314**	**1,707,757**	**(74,075)**
Increase (decrease) in liabilities				
Trade payables	(190)	(235)	(10,458)	(11,612)
Taxes and social security obligations	19	6,586	(113,015)	10,669
Taxes in installments – Law 11941	-	-	(6,667)	(6,284)
Regulatory charges payable	-	-	(2,135)	11,409
Provisions	-	5	(733)	(2,077)
Payables – Law 4819 and Fundação CESP	-	-	(47)	(8)
Other	-	-	(9,902)	2,328
	(171)	**6,356**	**(142,957)**	**4,425**
Net cash provided by (used in) operating activities	**6,045**	**10,503**	**1,699,238**	**399,003**

Statements of cash flows (Continued)
Six-month periods ended June 30, 2013 and 2012
(In thousands of Brazilian reais)

	Company		Consolidated	
	06/30/2013	06/30/2012	06/30/2013	Restated 06/30/2012
Cash flows from investing activities				
Short-term investments (note 7)	131,203	-	(1,090,658)	-
Interest received on loans	857	-	857	-
Property, plant and equipment (note 15)	(2)	(2)	(3,214)	(820)
Intangible assets (note 16)	-	-	(4,892)	(183)
Investments	-	-	(88,850)	(65,028)
Interest on capital and dividends received (26.d)	-	-	-	-
Net cash provided by (used in) investing activities	**132,058**	**(2)**	**(1,186,757)**	**(66,031)**
Cash flows from financing activities				
Additions to borrowings (note 17)	-	-	200,000	403,373
Repayments of borrowings (including interest) (notes 17 and 18)	(2,827)	(2,423)	(899,240)	(368,259)
Redemption of preferred shares	(72,000)	-	(72,000)	-
Payments of derivative financial instruments	-	-	24,230	-
Dividends and interest on capital paid (note 26.c)	(21,334)	(67,731)	(21,351)	(437,768)
Interest on capital and dividends received (26.d)	-	139,885	-	139,885
Net cash provided by (used in) financing activities	**(96,161)**	**69,731**	**(768,361)**	**(262,769)**
Net increase (decrease) in cash and cash equivalents	**41,942**	**80,232**	**(255,880)**	**70,203**
Cash and cash equivalents at the end of the period	169,266	431,799	181,047	597,729
Cash and cash equivalents at the beginning of the period	127,324	351,567	436,927	527,526
Increase (decrease) in cash and cash equivalents	**41,942**	**80,232**	**(255,880)**	**70,203**

1. Operations

1.1. Corporate purpose

The primary purpose of ISA Capital do Brasil S.A. ("ISA Capital" or "Company") is to own shares of other companies or businesses as a partner or shareholder, joint venturer, consortium member or any other form of business partnership.

At a privatization auction held on June 28, 2006 on the São Paulo Stock Exchange (BOVESPA) in accordance with Invitation to Bid SF/001/2006, the São Paulo State Government, the then controlling shareholder of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP"), sold 31,341,890,064 common shares held by it, corresponding to 50.10% of the common shares issued by CTEEP. The company that won the auction was Interconexión Eléctrica S.A. E.S.P ("ISA").

The transaction was financially settled on July 26, 2006, with the consequent transfer of ownership of the shares to ISA Capital, a Brazilian company controlled by Interconexión Eléctrica S.A. E.S.P. and which was established to operate in Brazil and thereby became the controlling shareholder of CTEEP. The aforementioned transaction was approved by ANEEL on July 25, 2006, as set forth in Authorizing Resolution 642/06, published in the Official Gazette dated July 26, 2006.

On September 12, 2006, the Company acquired another 10,021,687 common shares in CTEEP, held by the State of São Paulo, and thus became owner of 31,351,911,751 common shares.

On January 9, 2007, the Company acquired, by means of a public tender offer on the São Paulo Stock Exchange (BOVESPA), pursuant to the terms of the notice published on December 4, 2006, 24,572,554,070 common shares in CTEEP, representing 39.28% of the total common stock.

After this acquisition, the Company owned an interest equivalent to 89.40% of the voting capital and 37.46% of the total capital of CTEEP. On July 12, 2007, CTEEP made a reverse stock split and the number of shares owned by the Company was 55,924,465 common shares.

Later, the Company made contributions to the capital of CTEEP in an amount equivalent to 1,727,517 common shares, as follows: 574,927 shares on August 24, 2009, 594,477 shares on April 23, 2010 and 558,113 shares on December 21, 2011. These capital contributions have derived from the tax benefit gained by CTEEP with the partial amortization of the special goodwill reserve in fiscal years 2009, 2010 and 2011. By means of the auction of remaining unsold shares held in 2011 by subsidiary CTEEP, ISA Capital acquired 63,146 common shares. On June 29, 2012 and July 5, 2012, ISA Capital sold 920 shares. Thus, at December 31, 2012 the Company owned 57,714,208 common shares (57,715,128 common shares at December 31, 2011), equivalent to 37.81% of the total capital and 89.50% of the voting capital of CTEEP.

On March 9 and 19, 2010, with the aim of restructuring its debt in foreign currency (bonds), the Company made two capital increases with issuance of preferred shares at the price of R$2.020731 per share, which were fully subscribed by HSBC Finance (Brasil) S.A. Banco Múltiplo, as follows:

(i) At the Extraordinary General Meeting held on March 9, 2010, according to the terms of the Board of Directors' proposal dated March 8, 2010, an increase in the Company's capital was approved in the amount of R$840,000, of which R$420 was destined to the share capital and R$839,580 to the capital reserve, with creation and issuance of 415,691,162 redeemable preferred shares distributed in 13 classes, with cumulative fixed dividend rights, which were subscribed and paid up at the same date, thereby increasing the share capital of the Company from R$839,778 to R$840,198, represented by 1,256,316,162 shares. The same meeting approved a reduction in mandatory dividend from 25% to 1% and an amendment to the Company's bylaws; and

(In thousands of Brazilian reais, unless otherwise stated)

(ii) At a meeting held on March 19, 2010, the Board of Directors approved a new capital increase for the Company within the limit of its authorized capital, with issuance of 178,153,342 redeemable preferred shares distributed in 13 classes, with cumulative fixed dividend rights, in the total amount of R$360,000, which were subscribed and paid up at the same date. Of that amount, R$180 was destined to the share capital and R$359,820 to the capital reserve.

Thus, the subscribed and paid-in capital of the Company as of June 30, 2013 and December 31, 2012 was R$840,378, represented by 840,625,000 common shares and 558,213,834 preferred shares (note 14.a).

By a decision of its shareholders, the Company cancelled on May 27, 2010 its registration as a publicly-traded company with the Brazilian Securities and Exchange Commission (CVM).

The shares of the subsidiary CTEEP are traded on BOVESPA. Furthermore, the subsidiary CTEEP has an American Depositary Receipts (ADRs) program under Rule 144 A in the United States. The depositary of the ADRs is The Bank of New York, and the custodian is Banco Itaú S.A.

The preferred shares of the subsidiary CTEEP are included in the BOVESPA index (IBOVESPA), and also in the Corporate Governance Index (IGC) and the Electric Energy Index (IEE).

1.2. Concessions

The subsidiary CTEEP is authorized to directly or indirectly operate the following concession arrangements relating to the electric energy transmission services:

					Periodic Tariff Review				Allowed Annual Revenue - RAP	
Concessionaire	Contract	Interest (%)	Term (years)	Expires	Term	Next	Phased RAP	Adjustment index	R$ thousand	Base month
CTEEP	059/2001 (*)	37.8053	20	12/31/42	5 years	2018	No	IPCA	524,952	06/13
CTEEP	143/2001	37.8053	30	12/20/31	n/a	n/a	Yes	IGPM	17,104	06/13
IEMG	004/2007	37.8053	30	04/23/37	5 years	2017	Yes	IPCA	14,636	06/13
Pinheiros	012/2008	37.8053	30	10/15/38	5 years	2014	No	IPCA	9,003	06/13
Pinheiros	015/2008	37.8053	30	10/15/38	5 years	2014	No	IPCA	17,874	06/13
Pinheiros	018/2008	37.8053	30	10/15/38	5 years	2014	No	IPCA	3,543	06/13
Pinheiros	021/2011	37.8053	30	12/09/41	5 years	2017	No	IPCA	4,886	06/13
Serra do Japi	026/2009	37.8053	30	11/18/39	5 years	2015	No	IPCA	29,340	06/13
Evrecy	020/2008	37.8053	30	07/17/25	4 years	2013	No	IGPM	8,821	06/13
IENNE	001/2008	9.4513	30	03/16/38	5 years	2013	No	IPCA	33,654	06/13
IESul	013/2008	18.9026	30	10/15/38	5 years	2014	No	IPCA	4,210	06/13
IESul	016/2008	18.9026	30	10/15/38	5 years	2014	No	IPCA	7,015	06/13
IEMadeira (**)	013/2009	19.2807	30	02/25/39	5 years	2014	No	IPCA	233,173	06/13
IEMadeira (**)	015/2009	19.2807	30	02/25/39	5 years	2014	No	IPCA	200,812	06/13
IEGaranhuns (**)	022/2011	19.2807	30	12/09/41	5 years	2017	No	IPCA	76,521	06/13

(*)An addendum to concession arrangement 059/2001 was signed on December 4, 2012 and became effective on January 1, 2013, changing the expiration date from July 7, 2015 to December 31, 2042 and reducing the Allowed Annual Revenue (RAP) to consider only the operation and maintenance of the existing infrastructure.
(**)Subsidiaries IEMadeira and IEGaranhuns are in the preoperating phase.

All concession arrangements above provide for indemnification right on assets related to the concessions upon their termination.

Law 12783/2013

On September 12, 2012, Provisional Act 579/2012 (MP 579) was published, regulating the extension of power generation, transmission and distribution concessions granted before the enactment of Law 8987 of 1995, and addressed by Law 9074 of 1995. On September 14, 2012, Decree 7805 was published to regulate Provisional Act 579.

Under Provisional Act 579, the power generation, transmission and distribution concessions expired or expiring within 60 months after the enactment of the aforesaid Provisional Act could have their expiration date advanced to December 2012, with extension, at the discretion of the Concession Grantor, one single time for a period of up to 30 years; however, for the transmission activity, the extension would be contingent on the express acceptance of the following main conditions: i) revenue fixed based on the criteria set by ANEEL; ii) amounts determined by the return of assets; and iii) fulfillment of the service quality standards set by ANEEL.

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

(i) Interministerial Rule 580, which established the indemnification amounts for power facilities beginning June 1, 2000 (New Investments - NI), based on prices in October 2012 for power transmission concessions, with the amount of R$2,891,291 being related to concession arrangement 059/2001 (single arrangement covered by the aforesaid Provisional Act), according to Exhibit II of the aforementioned Rule.

(ii) Interministerial Rule 579, which established the RAP amount beginning January 1, 2013, based on prices in October 2012, in the amount of R$515,621 (net of PIS and COFINS) relating to concession arrangement 059/2001, according to Exhibit of the aforementioned Rule.

On November 29, 2012, Provisional Act 591 (MP 591) was published, changing Provisional Act 579 so as to authorize the Concession Grantor to pay the amount relating to non-depreciated assets as at May 31, 2000 (SE), within a period of 30 years. The subsidiary CTEEP is awaiting the decision of the Concession Grantor with respect to the determination of the amount and payment method.

At the Extraordinary General Meeting (EGM) held on December 3, 2012, the Company's shareholders unanimously approved the extension of concession arrangement 059/2001.

An addendum to concession arrangement 059/2001 was signed on December 4, 2012, with an option to receive the indemnification, in the amount of R$2,891,291, relating to the New Investments (NI), as set forth in Interministerial Rule 580 as follows:

- 50% in cash, payable within 45 days from the execution date of the addendum to the concession arrangement, adjusted based on the IPCA. On January 18, 2013, the Company received R$1,477,987.

- 50% in monthly installments, payable up to the expiration of the concession arrangement prevailing on the date of publication of such Rule, i.e., up to July 7, 2015, adjusted based on the IPCA, plus a compensation based on the real Weighted Average Cost of Capital (WACC) of 5.59% per year from the first day of the month of execution of the addendum to the concession arrangement.

On January 11, 2013, Provisional Acts 579 and 591 were converted into Law 12783/2013.

On April 4, 2013, Provisional Act 612 was published to reduce to zero the PIS/PASEP and COFINS rates levied on indemnities referred to in Law 12783/2013.

Participation in consortium

(i) Extremoz Transmissora do Nordeste – ET

On June 10, 2011, consortium Extremoz, comprised of CTEEP (51%) and Companhia Hidro Elétrica do São Francisco - Chesf (49%), acquired in a public session conducted at BM&FBovespa the lot A of ANEEL auction 001/2011, consisting of LT Ceará-Mirim - João Câmara II, with 500 kV and 64 km; LT Ceará-Mirim - Campina Grande III, with 500 kV and 201 km; LT Ceará-Mirim - Extremoz II, with 230 kV and 26 km; LT Campina Grande III - Campina Grande II, with 8.5 km; SE João Câmara II 500 kV, SE Campina Grande III 500/230 kV and SE Ceará-Mirim 500/230 kV. On July 7, 2011, Extremoz Transmissora do Nordeste - ETN S.A. was established, based on the same ownership interests, so as to operate the service granted.

The estimated investment in this project is R$622.0 million and RAP of R$31.9 million in June 2011. The subsidiary CTEEP's stake in the project is 51%. The subsidiary CTEEP has expressed its intent to withdraw from the consortium, which was accepted by the other shareholders; the withdrawal will be consummated only after ANEEL's approval.

2. Presentation of quarterly information

2.1. Basis of preparation and presentation

The individual quarterly information, identified as "Company", has been prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions set out in the Brazilian Corporate Law, the pronouncements, interpretations and guidelines issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC). In this individual quarterly information, investments in subsidiaries and jointly-controlled entities are accounted for under the equity method in accordance with prevailing laws in Brazil. Therefore, this individual quarterly information is not considered to be compliant with the International Financial Reporting Standards (IFRSs), since IFRS require that investments in subsidiaries be measured in the separate financial statements either at fair value or at cost.

The consolidated quarterly information, identified as "Consolidated", has been prepared in accordance with accounting practices adopted in Brazil, which comprise the provisions set out in the Brazilian Corporate Law, the pronouncements, interpretations and guidelines issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), which are in conformity with the IFRS issued by the International Accounting Standards Board (IASB).

The individual and consolidated quarterly information has been prepared in accordance with CPC 21 (R1) –

Interim Financial Reporting, approved by the CVM, and with IAS 34.

The individual and consolidated quarterly information has been prepared based on the historical cost, except if otherwise stated, as described in the accounting practices below. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

All amounts in this financial information are expressed in thousands of Brazilian reais (R$), unless otherwise stated.

Non-financial data included in this financial information, such as volume of electric energy, forecasts or estimates, among other, were not reviewed by the independent auditors.

The quarterly information was approved and authorized for publication by the Executive Board and Board of Directors on December 6, 2013.

2.2. Functional and reporting currency

The quarterly information of the Company and its subsidiaries included in the consolidated quarterly information is presented in Brazilian reais, the currency of the main economic environment where the companies operate ("functional currency").

2.3. Critical accounting judgments and key estimates and assumptions

The Company declares that the information about critical accounting judgments, estimates and assumptions as described in note 2.3 to the financial statements for fiscal year 2012 remains valid for this Interim Financial Information.

2.4. Consolidation procedures

The consolidated quarterly information includes the interim financial information of ISA Capital and its subsidiaries and jointly-controlled entities as of June 30, 2013 and December 31, 2012.

(i) Subsidiaries and respective ownership percentage:

		Equity interest %	
	Reporting date	**06/30/2013**	**12/31/2012**
Direct subsidiary			
CTEEP	06/30/2013	37.8053	37.8053
Indirect subsidiaries			
Interligação Elétrica Pinheiros S.A. (Pinheiros)	06/30/2013	37.8053	37.8053
Interligação Elétrica Serra do Japi S.A. (Serra do Japi)	06/30/2013	37.8053	37.8053
Interligação Elétrica de Minas Gerais S.A. (IEMG)	06/30/2013	37.8053	37.8053
Evrecy Participações Ltda. (Evrecy)	06/30/2013	37.8053	37.8053

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(In thousands of Brazilian reais, unless otherwise stated)

Subsidiaries are fully consolidated from the date control is obtained to the date control is lost.

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

- elimination of equity of subsidiaries;
- elimination of equity in earnings (loss) of subsidiaries; and
- elimination of assets and liabilities, and income and expenses between consolidated entities.

The accounting practices were consistently applied to all consolidated companies and the fiscal year of these companies is equal to that of the Parent.

Upon the adoption of CPCs 19 (R2) and 36 (R3), which became mandatory beginning January 1, 2013, investments in jointly-controlled entities are no longer proportionately consolidated by the subsidiary CTEEP and are now accounted for under the equity method.

(ii) Jointly-controlled entities and respective ownership percentage:

		Equity interest %	
	Reporting date	**06/30/2013**	**12/31/2012**
Interligação Elétrica Norte e Nordeste S.A. (IENNE)	06/30/2013	9.4513	9.4513
Interligação Elétrica do Sul S.A. (IESul)	06/30/2013	18.9026	18.9026
Interligação Elétrica do Madeira S.A. (IEMadeira)	06/30/2013	19.2807	19.2807
Interligação Elétrica Garanhuns S.A. (IEGaranhuns)	06/30/2013	19.2807	19.2807

3. Significant accounting practices

Except for the changes mentioned in note 4, the Company declares that the information regarding significant accounting practices as stated in note 3 to the financial statements for fiscal year 2012 remains valid for this Interim Financial Information.

4. New and revised standards and interpretations

As mentioned in note 4 to the financial statements for fiscal year 2012, new pronouncements, amendments to existing pronouncements and new interpretations were published and are mandatorily effective for annual periods beginning on or after January 1, 2013.
In addition to the pronouncements disclosed in the 2012 financial statements, the CVM approved the following technical pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC):

- CPC 44 – Combined Financial Statements – CVM Resolution 708 of May 2, 2013; and
- OCPC 06 – Presentation of Pro Forma Financial Information – CVM Resolution 709 of May 2, 2013.

The Company and its subsidiaries are assessing the possible impacts of the application of these pronouncements.
Also as mentioned in note 4 to the 2012 financial statements, the adoption of CPCs 19 (R2) and 36 (R3) requires Company to restate the comparative consolidated balances of 2012 (the earliest period presented) and the impacts on the reported balances of 2012 are as follows:

(In thousands of Brazilian reais, unless otherwise stated)

	Consolidated		
	Balances reported at 12/31/2012	**Impact of application of CPCs 19 (R2) and 36 (R3)**	**Balances at 12/31/2012 (Restated)**
Balance sheet			
Assets			
Current assets	3,611,999	(209,471)	3,402,528
Investments	-	767,553	767,553
Noncurrent assets (except investments)	6,862,392	(2,023,704)	4,838,688
Total assets	**10,474,391**	**(1,465,622)**	**9,008,769**
Liabilities and equity			
Current liabilities	1,692,161	(231,823)	1,460,338
Noncurrent liabilities	3,552,149	(1,233,799)	2,318,350
Equity	5,230,081	-	5,230,081
Liabilities and equity	**10,474,391**	**(1,465,622)**	**9,008,769**

	Balances reported at 06/30/2012	**Impact of application of CPCs 19 (R2) and 36 (R3)**	**Balances at 06/30/2012 (Restated)**
Income statement for the six-month period			
Net operating revenue	1,310,802	(335,384)	975,418
Cost of construction, and operation and maintenance services	(534,525)	256,815	(277,710)
Operating income (expenses), net (except equity in subsidiaries)	(128,121)	8,037	(120,084)
Equity in subsidiaries	-	25,999	25,999
Finance income (costs)	(135,393)	31,113	(104,280)
Income tax and social contribution	(149,495)	13,420	(136,075)
Profit for the period	**363,268**	**-**	**363,268**

	Balances reported at 06/30/2012	**Impact of application of CPCs 19 (R2) and 36 (R3)**	**Balances at 06/30/2012 (Restated)**
Income statement for the quarter			
Net operating revenue	659,424	(177,542)	481,882
Cost of construction, and operation and maintenance services	(277,612)	137,817	(139,795)
Operating income (expenses), net (except equity in subsidiaries)	(61,482)	1,984	(59,498)
Equity in subsidiaries	-	14,499	14,499
Finance income (costs)	(67,268)	16,002	(51,266)
Income tax and social contribution	(73,932)	7,240	(66,692)
Profit for the period	**179,130**	**-**	**179,130**

(In thousands of Brazilian reais, unless otherwise stated)

Statement of cash flows			
Operating activities (except equity in subsidiaries)	143,763	281,239	425,002
Equity in subsidiaries	-	(25,999)	(25,999)
Investing activities	(1,048)	(64,983)	(66,031)
Financing activities	(59,056)	(203,713)	(262,769)
Change in cash and cash equivalents	**83,659**	**(13,456)**	**70,203**

5. Obligations assumed on acquisition of the subsidiary CTEEP

Pursuant to the share purchase agreement by means of the privatization auction described in note 1, the Company undertakes to make an additional payment for the purchase price of CTEEP shares in the event the subsidiary CTEEP is released from the charges related to the supplementary pension plan established by Law 4819/58 that are currently under judicial discussion.

At June 30, 2013, the additional amount of the purchase price is composed of two distinct transactions, as follows:

a) The amount of R$252,728 (R$243,940 at December 31, 2012), determined on acquisition of the first equity interest by means of the privatization auction held on June 28, 2006, recorded as “Payables – Law 4819/58 – Finance Department”, of which R$7,194 (R$7,194 at December 31, 2012) was included in current liabilities and R$245,534 (R$236,746 at December 31, 2012) in noncurrent liabilities, against the amount of R$188,895 in the line item “Investments – goodwill on acquisition of equity interest in subsidiary”, with the difference of R$63,833 being recognized in the income statement as inflation adjustment of the obligation based on IPCA, beginning December 31, 2005. In 2013, the amount of R$3,406 was recognized in the income statement.

b) The amount of R$158,462 (R$152,953 at December 31, 2012), determined on acquisition of the third equity interest by means of the public tender offer held on January 9, 2007, recorded as “Payables – Law 4819/59 –tender offer”, of which R$4,153 (R$4,153 at December 31, 2012) was included in current liabilities and R$154,309 (R$148,800 at December 31, 2012) in noncurrent liabilities, against the amount of R$120,306 in the line item “Investments –goodwill on acquisition of equity interest in subsidiary”, with the difference of R$38,156 being recognized in the income statement as inflation adjustment of the obligation based on IPCA, beginning December 31, 2005. In 2013, the amount of R$2,135 was recognized in the income statement.

6. Cash and cash equivalents

	Company		Consolidated	
	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Cash and banks	1,358	1,351	2,960	4,853
Cash equivalents	167,908	125,973	178,087	432,074
	169,266	**127,324**	**181,047**	**436,927**

(In thousands of Brazilian reais, unless otherwise stated)

(i) Cash equivalents are as follows:

		Company		Consolidated	
					Restated
	% of CDI	06/30/2013	12/31/2012	06/30/2013	12/31/2012
Bank certificate of deposit (CDB)	95.0% to 106.0%	-	-	7,049	11,159
Repurchase transactions (*)	95.0% to 104.0%	167,908	125,973	171,038	420,915
		167,908	**125,973**	**178,087**	**432,074**

Cash equivalents are measured at fair value through profit or loss and have daily liquidity.
Management's analysis of the exposure of these assets to interest rate risks is disclosed in note 33 (c).

(*) Repurchase transactions refer to securities issued by banks for repurchase by the bank and resale by the customers, at fixed rates and fixed maturities, backed by private or government bonds depending of the bank's availability and are registered with CETIP.

7. Short-term investments

		Company		Consolidated	
	% of CDI	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Bank certificate of deposit (CDB)	90.0% to 106.0%	145,886	300,726	145,886	300,726
Amount relating to withholding income tax (IRRF)		(4,108)	(6,243)	(4,108)	(6,243)
Investment funds	105.5%	-	-	1,221,861	-
		141,778	**294,483**	**1,363,639**	**294,483**

Beginning January 2013, the subsidiary CTEEP has concentrated its short-term investments in investment funds, which refer to highly liquid investment fund units, readily convertible into a cash amount, regardless of the maturity of the assets.

Investment funds are:

Fundo de Investimento Referenciado DI Bandeirantes: investment fund established for purposes of exclusive investments by the subsidiary CTEEP and its wholly-owned subsidiaries, managed by Banco Bradesco, with a portfolio comprised of units in Fundo de Investimento Referenciado DI Rubi, which, in turn, has a portfolio comprised of the following assets: investments in demand deposits, federal government bonds and repurchase transactions in federal government bonds. It is highly liquid, regardless of the assets comprising Fundo Rubi, as set out in the memorandum of incorporation of Fundo Bandeirantes.

Fundo de Investimento Xavantes Referenciado DI: investment fund established for purposes of exclusive investments by the subsidiary CTEEP and its wholly-owned subsidiaries, managed by Banco Itaú, with a portfolio comprised of units in Fundo de Investimento Corp Referenciado DI, which, in turn, has a portfolio comprised of the following assets: federal government bonds and repurchase transactions in federal government bonds. It is highly liquid, regardless of the assets comprising Fundo Corp, as set out in the memorandum of incorporation of Fundo Xavantes.

(In thousands of Brazilian reais, unless otherwise stated)

8. Accounts receivable (concession asset)

Accounts receivable are as follows:

	Consolidated	
	06/30/2013	Restated 12/31/2012
Receivables from construction services (a)	1,130,669	1,050,085
Receivables from O&M services (b)	107,459	267,409
Receivables – Provisional Acts 579 and 591 (SE/NI) (c)	4,212,798	5,975,426
Receivables from indemnification (d)	63,579	54,976
Allowance for impairment (c)	(1,535,319)	(1,535,319)
	3,979,186	**5,812,577**
Current	**808,764**	**2,425,203**
Noncurrent	**3,170,422**	**3,387,374**

(a) Amount receivable relating to construction, expansion and improvement services in power transmission facilities until the end of the term of the concession arrangements to which the subsidiary CTEEP and its subsidiaries are parties, adjusted to present value and yielding interest based on the effective interest rate.

(b) O&M - Operation and Maintenance refers to the portion of billings monthly informed by the Brazilian Electric Energy System Operator (ONS) for compensation of the O&M services, with an average collection period of less than 60 days.

(c) Receivables – Law 12783 – refers to the amount receivable from the compensation for investments made and not amortized under concession arrangement 059/2001, subdivided into New Investments (NI) and Existing Service (SE):

- The compensation for the New Investments (NI) facilities is R$2,949,121, of which R$2,891,291 is related to the New Replacement Value calculated and R$57,830 is related to compensation based on IPCA + WACC of 5.59% p.a., as set forth in Interministerial Rule 580. Fifty percent of such amount was received on January 18, 2013 and the remaining fifty percent will be received in 31 monthly installments through July 7, 2015 (note 1.2).

- The compensation for the Existing Service (SE) facilities, which has not yet been disclosed by the Concession Grantor, corresponds to the estimated investment amounts based on the New Replacement Value adjusted for accumulated depreciation through December 31, 2012, which, based on an independent appraisal report, totals R$3,026,305. The Company understands that it is entitled to receive the amount determined in said appraisal report, however, it has recognized an allowance for writing down such infrastructure to its construction cost, as set out in ANEEL Decision 155 of January 23, 2013, which determines that the cost amount should be maintained until the homologation by the regulatory agency.

(d) Receivables from indemnification - refers to the estimated portion of investments made and not amortized until the end of the effective concession arrangements and for which the subsidiary CTEEP and its subsidiaries will be entitled to receive cash or another financial asset at the end of the term of concession arrangements.

(In thousands of Brazilian reais, unless otherwise stated)

The aging list of accounts receivables is as follows:

	Consolidated	
	06/30/2013	**Restated 12/31/2012**
Current	3,947,600	5,783,007
Past-due		
Up to 30 days	268	280
31 to 60 days	166	151
61 to 360 days	3,389	3,931
Over 361 days (i)	27,763	25,208
	31,586	**29,570**
	3,979,186	**5,812,577**

(i) A few market players challenged in the courts the balances of invoices relating to the Basic Grid. In light of such challenge, escrow deposits are made with respect to the amounts deemed payable by these players. The subsidiary CTEEP believes that the amounts billed are in accordance with the authorizations granted by regulatory agencies and, therefore, no provision for contingencies has been recorded.

The subsidiary CTEEP does not have any history of losses for accounts receivable, which are guaranteed by collaterals and/access to bank accounts operated by the Brazilian Electric Energy System Operator (ONS) or directly by the subsidiary CTEEP and, therefore, it did not recognize an allowance for doubtful accounts.

Changes in accounts receivable are as follows:

	Consolidated
Balances at December 31, 2012	**5,812,577**
Construction revenue (note 27.1)	85,838
Finance income (note 27.1)	74,500
O&M revenue (note 27.1)	298,923
Adjustment of receivables from compensation based on IPCA/WACC	93,602
Receipts of receivables for compensation for New Investments (NI)	(1,856,240)
Receipts	(530,014)
Total	**(1,833,391)**
Balances at June 30, 2013	**3,979,186**

(In thousands of Brazilian reais, unless otherwise stated)

9. Receivables – Finance Department

	Consolidated	
	06/30/2013	Restated 12/31/2012
Payroll processing – Law 4819/58 (a)	855,428	793,443
Labor lawsuits – Law 4819/58 (b)	211,929	193,043
Family allowance – Law 4819/58 (c)	2,218	2,218
Provision for losses	(2,218)	(2,218)
	1,067,357	**986,486**

(a) Refers to amounts receivable for settlement of the portion of payroll relating to the supplementary pension plan regulated by State Law 4819/58, from January 2005 to March 2013 (note 36). No inflation adjustment is applied on such balances and no interest is accrued until they are paid by the State Government of São Paulo. The increase compared with the previous year is due to the compliance with the decision whereby the subsidiary CTEEP transfers monthly the funds to Fundação CESP for payment to retirees.

(b) Refers to certain labor lawsuits settled by the subsidiary CTEEP, relating to retired employees under State Law 4819/58, which are the responsibility of the State Government of São Paulo. No inflation adjustment is applied on such balances and no interest is accrued until they are paid by the State Government.

(c) CESP prepaid monthly expenses relating to family allowances arising from the benefits of State Law 4819/58, which were transferred to the subsidiary CTEEP upon the partial spin-off of CESP. Based on the likelihood of loss, Management has recognized in noncurrent assets a provision for losses in the amount of R$2,218.

To date there have been no significant changes in the status of the proceedings in relation to December 31, 2012.

10. Recoverable taxes and contributions

	Company		Consolidated	
	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Withholding income tax	39,025	35,828	52,310	47,033
Withholding social contribution	118	114	679	1,433
COFINS (tax on revenue)		-	861	1,174
PIS (tax on revenue)		-	141	210
Other		-	142	266
	39,143	**35,942**	**54,133**	**50,116**
Current	**4,108**	**6,678**	**19,098**	**20,852**
Noncurrent	**35,035**	**29,264**	**35,035**	**29,264**

(In thousands of Brazilian reais, unless otherwise stated)

11. Tax benefit – merged goodwill – consolidated

The goodwill paid by ISA Capital on the acquisition of shareholding control of subsidiary CTEEP is based on projected earnings during the term of concession arrangements 059/2001 and 143/2001 and derives from the acquisition of the concession right granted by the Concession Grantor, as set forth in item b, paragraph 2, article 14 of CVM Instruction 247, of March 27, 1996, including the changes introduced by CVM Instruction 285 of July 31, 1998.

So that in the subsidiary CTEEP the amortization of goodwill will not adversely affect the flow of dividends to shareholders, a Provision for Maintenance of Equity Integrity (PMIPL) of the merging company and a special goodwill reserve on merger were recognized, as set forth in CVM Instruction 349, of March 6, 2001. Thus, goodwill amortization, net of reversal of the provision and the related tax credit, does not affect profit or loss for the year and, consequently, dividend calculation basis.

Goodwill is being amortized in monthly installments over the remaining period of the concession of subsidiary CTEEP, as authorized under ANEEL Resolution 1164, of December 18, 2007, as follows:

	Amortization - % p.a.		
	Concession arrangement		
Year	**059/2001**	**143/2001**	**Total**
2008 to 2012	12.20	0.10	12.30
2013 to 2015	12.73	0.02	12.75
2016 to 2031	-	0.25	0.25

For purposes of better presentation of the subsidiary CTEEP's financial position in the quarterly information, the net amount of R$75,303 (R$90,247 as at December 31, 2012), which, in essence, corresponds to the merged tax credit, was classified in noncurrent assets, under long-term assets, in the balance sheet, as goodwill tax benefit, based on expected realization.

Changes for the quarter ended June 30, 2013 are as follows:

	Total goodwill	**Provision**	**Tax benefit - subsidiary**
Balances at December 31, 2012	**265,434**	**(175,187)**	**90,247**
Realization in the year (note 30)	(43,952)	29,008	(14,944)
Balances at June 30, 2013	**221,482**	**(146,179)**	**75,303**

The amortization is recorded in the income statement within "Other operating income (expenses), net" (note 30).

(In thousands of Brazilian reais, unless otherwise stated)

12. Loans receivable

Refers to a loan given by ISA CAPITAL to its parent company Interconexión Eléctrica S.A. ESP (“ISA”). This is an on-lending of the total funds borrowed by the Company in 2006 in U.S. dollars in the original amount of US$23,800 thousand, whose maturity and lump sum payment occurred on July 19, 2007, with accrued interest at LIBOR plus 3.00% per year. The Company maintained the same assumptions for interest charges, including semiannual interest receipt, but the principal of the loan was agreed to be repaid within 8 years in a single payment on January 30, 2015.

On December 15, 2011, ISA Capital entered into a loan agreement with Internexa Brasil Operadora de Telecomunicações S.A. in the amount of R$9,364, whose original maturity of December 28, 2012 was extended for one year to December 28, 2013. Interest accrues monthly based on CDI plus 0.72% per year and is payable on a quarterly basis.

On October 3, 2012, ISA Capital gave another loan to Internexa Brasil Operadora de Telecomunicações S.A. in the amount of R$11,146, in which the maturity of the principal will be October 3, 2013. Interest accrues monthly based on CDI plus 0.91% per year and is payable on a quarterly basis.

Loans are as follows:

	06/30/2013	12/31/2012
Principal	71,657	71,657
Interest	10	9
Exchange rate changes	1,585	(2,511)
Total	**73,252**	**69,155**
Current (note 32)	**20,510**	**20,510**
Noncurrent (note 32)	**52,742**	**48,645**

13. Collaterals and restricted deposits

Company

Refers to a deposit account at the Bank of New York to guarantee the semiannual payment of interest on the bonds remaining after the debt restructuring. The amount to be kept in the deposit account is on the order of US$1.4 million. As set forth in the contract, the Company has used the deposited funds to make interest payments in the months of January and July and, subsequently, at every payment date money is deposited into the account. The balance of R$2,826 recorded in current assets as of December 31, 2012 was used to make interest payment in January 2013.

Consolidated

In noncurrent assets, in view of the uncertainties surrounding the outcome of the lawsuits subject to escrow deposits, the subsidiary CTEEP elects to keep them at their nominal values and does not record any inflation adjustment or interest thereon. The balance is broken down as follows:

(In thousands of Brazilian reais, unless otherwise stated)

	Company		Consolidated	
	06/30/2013	12/31/2012	06/30/2013	12/31/2012
Assessments – ANEEL (a) (note 21 (a) (iv))	-	-	9,545	7,827
Escrow deposits				
Labor (note 21(a) (i))	-	-	65,593	65,497
Social security - INSS (note 21 (a) (iii))	-	-	1,226	1,226
Deposit in the Bank of New York (collateral)	3,086	2,846	3,086	2,846
Other	-	-	-	140
	3,086	**2,846**	**79,450**	**77,536**
Current	**3,086**	**2,846**	**3,086**	**2,846**
Noncurrent	**-**	**-**	**76,364**	**74,690**

(a) Refer to deposits made to annul assessments issued by ANEEL:

(i) Deposit made on January 17, 2000, in the amount of R$3,040, was claimed in an annulment action brought by the subsidiary CTEEP against ANEEL, arising from assessment notice 001/1999-SFE which imposed a fine to the subsidiary CTEEP based on the allegation of infringements for complicating the inspection work relating to problems arising from the interruption in power transmission in a major portion of the Southeast, South and Midwest regions; not complying with the provisions in the “inspection report”; and not complying with the legal duty of providing proper service.

(ii) Deposit made on August 29, 2008, in the amount of R$2,139, to annul assessment notice 062/2007 relating to the failure to comply with the scheduled date for installation of the 3rd set of transformers with 345/88 kV of SE Baixada Santista, authorized by ANEEL Resolution 197 of May 4, 2004.

(iii) Deposit made on September 17, 2008, in the amount of R$544, to annul assessment notice 001/2008 relating to the failure to comply with the scheduled date for startup of activities of the transmission line, in 345 kV, Guarulhos - Anhanguera, authorized by Authorizing Resolution 064/2005 of January 31, 2005.

(iv) Deposit made on April 18, 2011, in the amount of R$353, to annul assessment notice 022/10 which imposed a fine to the subsidiary CTEEP in light of the event occurred on April 1, 2009, in the 88kV sector of SE Baixada Santista, consisting of the automatic shutdown of the set of transformers due to the overheating arising from the cooling system in the substation caused by the subsidiary CTEEP.

(v) Deposit made on March 8, 2012, in the amount of R$268, to annul assessment notice 054/11, relating to the failure to satisfy system unavailability ratios (transmission function of CTEEP’s assets, which were unavailable without any reason for more than one minute).

(vi) Deposit made on July 1, 2012, in the amount of R$1,483, to annul assessment notice 065/11, relating to the problem identified on February 8, 2011 in Bandeirantes substation.

(vii) Deposit made on June 28, 2013, amounting to R$468, to annul assessment notice 122/12 which imposed a penalty on the subsidiary CTEEP for the alleged noncompliance with the Frequency Standards of Other Power Shutdown limits in CTEEP's facilities during the 2010/2011 cycle, as provided for by Article 32 of ANEEL Resolution 270 of June 26, 2007.

(In thousands of Brazilian reais, unless otherwise stated)

(viii) Deposit made on June 28, 2013, amounting to R$1,250, to annul assessment notice 082/12 which imposed a penalty on the subsidiary CTEEP for the power shutdown on July 28, 2008, at SE Milton Fornasaro, 88 kV.

14. Investiments

14.1. Company's investments

(a) Information on subsidiary CTEEP

	06/30/2013	12/31/2012
Number of shares outstanding at the balance sheet date		
Common shares - ON	64,484,433	64,484,433
Preferred shares - PN	88,177,132	88,177,132
Total	152,661,565	152,661,565
Equity		
Share capital	2,000,000	1,162,626
Capital reserves	1,217,661	2,055,035
Special goodwill reserve	147,912	147,912
Earnings reserves	1,711,596	1,712,657
Unappropriated profit for the period	120,540	
Total	5,197,709	5,078,230
Profit for the period	118,417	843,488

(b) Information on Company's investment

	06/30/2013	12/31/2012
Shares held – Common shares outstanding at the balance sheet date	57,714,208	57,714,208
Equity of CTEEP	5,197,709	5,078,230
(-) Special goodwill reserve	(147,912)	(147,912)
Equity of CTEEP – basis for equity in subsidiary	5,049,797	4,930,318
Equity interest in CTEEP	37.8053%	37.8053%
Investment (A)	**1,909,090**	**1,863,922**
Goodwill		
Concession right to amortize	34,252	68,506
Special goodwill reserve	147,912	147,912
Total goodwill (B)	**182,164**	**216,418**
Total investment (A+B)	**2,091,254**	**2,080,340**

(In thousands of Brazilian reais, unless otherwise stated)

(c) Changes in Company's investment in 2013

					Company
	Balances at 12/31/2012	Equity in subsidiary	Concession right	Other	Balance at 06/30/2013
CTEEP	2,080,340	45,169	(34,252)	(3)	2,091,254
	2,080,340	**45,169**	**(34,252)**	**(3)**	**2,091,254**

(In thousands of Brazilian reais, unless otherwise stated)

14.2. Investments held by the subsidiary CTEEP

(a) Information on CTEEP's subsidiaries

INVESTMENTS HELD BY SUBSIDIARY CTEEP

	IEMG		Pinheiros		Serra do Japi		Evrecy		IENNE		IESul		IEMadeira		IEGaranhuns	
Reporting date	**06/30/2013**	**12/31/2012**	**06/30/2013**	**12/31/2012**	**06/30/2013**	**12/31/2012**	**06/30/2013**	**12/31/2012**	**06/30/2013**	**12/31/2012**	**06/30/2013**	**12/31/2012**	**06/30/2013**	**12/31/2012**	**06/30/2013**	**12/31/2012**
Number of common shares held	78,855,292	78,855,292	255,360,000	236,760,000	86,748,000	86,748,000	21,512,367	21,512,367	81,821,000	81,821,000	78,828,499	74,128,499	571,710,000	487,560,000	15,300,510	15,300,510
Equity interest - %	100	100	100	100	100	100	100	100	25	25	50	50	51	51	51	51
Paid-in capital	78,855	78,855	265,860	236,760	86,748	86,748	21,512	21,512	327,284	327,284	157,657	148,257	1,121,000	956,000	30,001	30,001
Equity	98,046	100,419	291,197	260,114	115,324	109,550	37,281	32,520	385,755	385,294	166,559	156,445	1,381,592	1,132,215	32,487	30,543
Profit for the period	(3,373)	2,534	1,983	13,319	5,774	18,070	4,693	246	460	16,365	714	1,371	84,377	115,855	1,944	542

(b) Changes in investments held by the subsidiary CTEEP

Consolidated

	Balances at 12/31/2012	**Capital contribution**	**Equity in subsidiaries**	**Balances at 06/30/2013**
IENNE	96,324	-	115	96,439
IESul	78,222	4,700	357	83,279
IEMadeira	577,430	84,150	43,032	704,612
IEGaranhuns	15,577	-	991	16,568
	767,553	**88,850**	**44,495**	**900,898**

(In thousands of Brazilian reais, unless otherwise stated)

15. Property, plant and equipment

Refers mainly to chattels used by the Company and not related to the concession arrangement.

					Company
	Average annual depreciation rates			06/30/2013	12/31/2012
	%	Cost	Accumulated depreciation	Net	Net
In service					
Machinery and equipment	6%	35	(14)	21	23
Furniture and fixtures	6%	31	(16)	15	16
		66	**(30)**	**36**	**39**

					Consolidated
	Average annual depreciation rates			06/30/2013	Restated 12/31/2012
	%	Cost	Accumulated depreciation	Net	Net
In service					
Land		2,060	-	2,060	-
Machinery and equipment	6%	2,640	(1,597)	1,043	911
Furniture and fixtures	6%	6,834	(4,589)	2,245	2,339
IT equipment	25% (*)	6,978	(2,275)	4,703	4,787
Vehicles	21%	798	(557)	241	321
Other	4%	981	(928)	53	56
		20,291	**(9,946)**	**10,345**	**8,414**

(*) Includes lease of IT equipment at the rate of 33.3%.

(In thousands of Brazilian reais, unless otherwise stated)

Changes in property, plant and equipment are as follows:

	Company				
	Balances at 12/31/2012	**Additions**	**Depreciation**	**Write-offs/transfers**	**Balances at 06/30/2013**
Machinery and equipment	23	-	(2)	-	21
Furniture and fixtures	16	-	(1)	-	15
	39	**-**	**(3)**	**-**	**36**

	Consolidated				
	Balances at 12/31/2012 (Restated)	**Additions**	**Depreciation (note 28)**	**Write-offs/transfers**	**Balances at 06/30/2013**
Land	-	2,060	-	-	2,060
Machinery and equipment	911	193	(60)	(1)	1,043
Furniture and fixtures	2,339	67	(161)	-	2,245
IT equipment	4,787	892	(968)	(8)	4,703
Vehicles	321	-	(80)	-	241
Other	56	-	(3)	-	53
	8,414	**3,212**	**(1,272)**	**(9)**	**10,345**

16. Intangible assets

Intangible assets refer substantially to:

a) Expenditures incurred by the subsidiary CTEEP in the period from April 2008 to February 2009 for the implementation and structuring of ERP-SAP, amortized on a straight-line basis, over a period of 5 years; and

b) Goodwill paid by ISA Capital on acquisition of controlling interest in subsidiary CTEEP, based upon expected future earnings and amortization over the effective term of concession arrangement 059/2001 of the subsidiary CTEEP, which was originally to expire in June 2015. With the extension of the concession arrangement of the subsidiary CTEEP for a further 30 years starting from January 2013, and considering the method and criteria established by Provisional Acts 579 and 591 of 2012 for the payment of unamortized or undepreciated investments associated with the concession-related assets segregated into Existing Services (SE) and New Investments (NI), the management of the Company opted to accelerate the amortization of the remaining balance of goodwill, as follows: 61% in 2012 and 39% in 2013 according to the recognition by CTEEP of the amounts to which it is entitled to receive from the concession grantor for investments associated with assets subject to indemnification. Accordingly, of the balance of goodwill of R$175,185 at December 31, 2012, the amount of R$106,681, equivalent to 61%, was amortized in December 2012 and the remaining balance of R$68,506, equivalent to 39%, is yet to be amortized in 2013. After the amortization of R$34,252 in this six-month period, the remaining balance at June 30, 2013 is R$ 34,254;

c) Goodwill of R$30,644, arising on the acquisition of Evrecy by the subsidiary CTEEP.

(In thousands of Brazilian reais, unless otherwise stated)

Changes in intangible assets are as follows:

	Consolidated		
	Goodwill	**Software**	**Total**
Balance at December 31, 2012 – restated	**68,506**	**42,289**	**110,795**
Additions	-	4,893	4,893
Amortization of software expenditure (note 30)	(2)	(2,368)	(2,370)
Amortization of concession right (note 14.c)	(34,252)	-	(34,252)
Balance at June 30, 2013	**34,252**	**44,814**	**79,066**

17. Borrowings and financing

Borrowings and financing are as follows:

	Company			
	Charges	**Final maturity**	**06/30/2013**	**12/31/2012**
Foreign currency				
Bonds (a)	8.8%	01/30/2017	72,697	67,051
Current			**2,571**	**2,372**
Noncurrent			**70,126**	**64,679**

	Consolidated			
	Charges	**Final maturity**	**06/30/2013**	**Restated 12/31/2012**
Foreign currency				
Bonds (a)	8.8%	01/30/2017	72,697	67,051
Foreign currency with hedge accounting				
International credit note (CCB) - IBBA (d) (i)	US$ fluctuation + 4% p.a.	04/26/2013	-	132,309
Commercial Paper - JP Morgan (d) (ii)	US$ fluctuation + 2.1% p.a.	10/21/2013	192,809	177,318
Total in foreign currency			**265,506**	**376,678**
Local currency				
BNDES (b) (i)	2.3% p.a. above TJLP	06/15/2015	187,884	234,681
BNDES (b) (ii)	1.8% p.a. above TJLP	06/15/2015	112,627	140,798
BNDES (b)	2.4% p.a. above TJLP	04/15/2023	49,953	52,513
BNDES (b)	2.6% p.a. above TJLP	05/15/2026	45,912	47,758
BNDES (b)	5.5% p.a.	01/15/2021	76,274	80,152
BNDES (b)	1.9% p.a. above TJLP	05/15/2026	47,933	49,801
BNDES (b)	1.5% p.a. above TJLP	05/15/2026	41,412	43,038
Promissory notes				
6th issue (c)(iii)	104.9% CDI p.a.	01/05/2013	-	433,873
Eletrobrás	8% p.a.	11/15/2021	315	340
Finance leases			4,207	5,048
Total in local currency			**566,517**	**1,088,002**
Total in local and foreign currency			**832,023**	**1,464,680**
Current			**388,195**	**938,917**
Noncurrent			**443,828**	**525,763**

(a) Issuance of bonds on January 29, 2007 in the amount of US$554 million

The issue was split into two tranches: the first tranche, in the amount of US$200.0 million, had a five-year maturity in 2012, an interest rate of 7.875% per year, and a call option in 2010 and 2011; and the second tranche, in the amount of US$354 million, had a ten-year maturity in 2017 and an interest rate of 8.8% per year.

(i) Restructuring of debt in foreign currency – bonds

Following the strategy of ISA Group, which is focused on expanding its businesses in Brazil, management of ISA Capital developed studies, called "REDI Project", to restructure its debt in foreign currency (bonds) with the objective of reducing the cost of this debt and, at the same time, creating favorable conditions to expand the activities of the Company and its subsidiaries.

- Bonds of US$354.0 million maturing in 2017

  On February 8, 2010, the Company started a debt restructuring by announcing abroad a public offer to repurchase in cash all of its own bonds outstanding with a maturity in 2017, equivalent to US$354 million. As part of the operation, in addition to the payment at market value of 108.25%, ISA Capital offered to holders of the bonds maturing in 2017 that accepted to participate in the public offer until February 24, 2010 (called "early period") an additional amount ("Consent fee") of 3.50% on the market value. Between February 24 and March 8, 2010, the holders that accepted the offer received 108.25% based on the market value. After the end of the offer period, it was noted that 91.06% of the total bondholders accepted the offer. Thus, under the established conditions, the Company repurchased in March 2010 US$322.3 million, equivalent to 91.06% of the US$354.0 million, leaving only 8.94% of the total bonds with a maturity in 2017, equivalent to US$31.6 million, outstanding in the market.

  Total disbursement made by the Company to repurchase 91.06% of bonds in March 2010, in the amount of US$371.8 million, equivalent to R$665.0 million, is composed of the following: (i) Principal of US$322.3 million, equivalent to R$577.4 million; (ii) Consent Fee of US$37.7 million, equivalent to R$66.6 million; (iii) Proportional interest of US$3.2 million, equivalent to R$5.7 million; and (iv) Taxes levied on remittances of US$8.6 million, equivalent to R$15.3 million.

  The remaining bonds outstanding in the market, amounting to US$31.6 million, are subject to the same conditions as were agreed at issue, with no type of covenants. The maturity date of the principal remains 2017 and interest continues to be paid on a semiannual basis in January and July of each year at the rate of 8.8% per year.

- Bonds of US$200.0 million maturing in 2012

  As soon as the public offer to repurchase the bonds maturing in 2017 was concluded, the Company, by exercising the call option set forth in the contract of bonds maturing in 2012, started the process of repurchasing bonds, and within the set time frame and conditions, repurchased 100% of the bonds, in the amount of US$200 million. Considering that the repurchase was made at the prevailing market value of 103.938%, as established in the debentures for exercise of the call option in 2010, ISA Capital disbursed US$212.6 million, equivalent to R$380.8 million, to repurchase the bonds, as follows: (i) Principal of US$200.0 million, equivalent to R$358.2 million; (ii) Consent Fee of US$7.9 million, equivalent to

R$14.1 million; (iii) Proportional interest of US$2.4 million, equivalent to R$4.4 million; and (iv) Taxes levied on remittances of US$2.3 million, equivalent to R$4.1 million.

(b) BNDES

(i) On September 17, 2007, the subsidiary CTEEP executed a loan agreement with the National Bank for Economic and Social Development (BNDES) in the amount of R$764.2 million, which was reduced to R$601.7 million in December 2008. The amount refers to 70.0% of total investments, which includes systemic improvement work, enhancements, modernization of the existing transmission system and new projects, and is an integral part of the 2006/2008 Multi-year Investment Plan, with repayment beginning January 2009 in 78 monthly installments. As collateral, the subsidiary CTEEP offered bank guarantees effective through December 15, 2015, from Bradesco, Santander and Banco do Brasil, at the rate of 0.7% p.a., with quarterly maturities. The financial ratios established in the agreement are: Net Debt/EBITDA $\leq$ 3.0 and Net Debt/(Net Debt + Equity) $\leq$ 0.6.

(ii) On November 18, 2008, the subsidiary CTEEP executed a loan agreement with BNDES in the amount of R$329.1 million, with repayment beginning January 2011 in 54 monthly installments; until the beginning of repayment, charges were paid on a quarterly basis. As a collateral, the subsidiary CTEEP offered bank guarantees effective through June 15, 2015, from Bradesco and Santander, at the rate of 1.2% p.a. and 0.6% p.a., respectively, with quarterly maturities. The financial ratios established in the agreement are: Net Debt/EBITDA $\leq$ 3.0 and Net Debt/(Net Debt + Equity) $\leq$ 0.6, determined on an annual basis.

(iii) On January 14, 2009, IEMG, a subsidiary of CTEEP, executed a loan agreement with BNDES in the amount of R$70.6 million, which was released on March 27, 2009. The funds will be used to finance approximately 50.0% of the transmission line between Neves 1 and Mesquita substations, with repayment beginning May 15, 2009, in 168 monthly installments. The bank guarantee was relinquished by BNDES on March 15, 2011. IEMG shall maintain, during the amortization period, a Debt Service Coverage Ratio (DSCR) of at least 1.3, determined on an annual basis.

(iv) On December 30, 2010, Pinheiros, a subsidiary of CTEEP, executed a loan agreement with BNDES in the amount of R$119.9 million. The amounts of R$91.3 million and R$28.6 million were released on January 28 and April 27, 2011, respectively. The funds will be used to finance the construction of the transmission lines and substations set forth in the concession arrangements. Repayment will be made in 168 monthly installments beginning September 15, 2011. Pinheiros shall maintain, during the amortization period and after the release of the guarantees, a Debt Service Coverage Ratio (DSCR) of at least 1.3, determined on an annual basis.

(v) On October 28, 2011, Serra do Japi, a subsidiary of CTEEP, executed a loan agreement with BNDES in the amount of R$93.3 million. The amounts of R$75.0, R$15.0 and R$3.3 million were released on November 18 and December 12, 2011 and February 27, 2012, respectively. The funds will be used to finance the construction of the transmission lines and substations set forth in the concession arrangements. Repayment will be made in 168 monthly installments beginning June 15, 2012. Serra do Japi shall maintain, during the amortization period and after the release of the guarantees, a Debt Service Coverage Ratio (DSCR) of at least 1.2, determined on an annual basis.

(In thousands of Brazilian reais, unless otherwise stated)

(c) Promissory notes

(i) On January 11, 2012, the subsidiary CTEEP completed the 6th issue of promissory notes in the amount of R$400.0 million, with settlement on January 7, 2013. The issuance costs on these promissory notes totaled R$479 thousand, and in conformity with CPC 08 (IAS 39), were recorded in profit or loss within the transaction term, minus borrowing costs.

(d) Foreign currency with hedge accounting

(i) On April 20, 2011, the subsidiary CTEEP executed an international bank credit note with Banco Itaú BBA Nassau, in the amount of US$63,694,267.52, subject to exchange rate changes + 4% p.a. Additionally, a swap instrument was entered into with Banco Itaú BBA at the notional value of R$100.0 million and adjustment rate of 103.50% of the CDI rate. The effects of this instrument are described in note 33 (a). The transaction was settled on April 26, 2013 (note 37).

(ii) On October 17, 2011, the subsidiary CTEEP executed a long-term foreign loan agreement with JP Morgan Chase, in the amount of US$85,787,818.13, with a maturity on October 21, 2013 and subject to exchange rate changes + 2.1% p.a. Additionally, a swap instrument was entered into with JP Morgan Chase at the notional value of R$150.0 million and adjustment rate of 98.3% of the CDI rate. The effects of contracting the instrument are described in note 33 (a).

To date all requirements and restrictive covenants contained in the agreements have been fully observed and met by CTEEP and its subsidiaries.

The long-term portion matures as follows:

	Company		**Consolidated**	
	06/30/2013	**12/31/2012**	**06/30/2013**	**Restated 12/31/2012**
2014	-	-	87,567	174,977
2015	-	-	100,439	100,037
2016	-	-	24,490	24,245
2017	70,126	64,679	94,616	88,924
2018			24,483	24,245
After 2018	-	-	112,233	113,335
	70,126	**64,679**	**443,828**	**525,763**

Changes in borrowings and financing are as follows:

	Company	**Consolidated Restated**
Balances at December 31, 2012	**67,051**	**1,464,680**
Additions	-	200,000
Payments (principal and interest)	20	(877,421)
Interest, inflation adjustment and exchange rate changes	5,626	44,764
Balances at June 30, 2013	**72,697**	**832,023**

(In thousands of Brazilian reais, unless otherwise stated)

18. Debentures

					Consolidated
	Maturity	**Quantity**	**Charges**	**06/30/2013**	**Restated 12/31/2012**
1st series	12/15/2014	49,100	CDI + 1.3% p.a.	326,282	325,959
2nd series	12/15/2017	5,760	IPCA + 8.1 p.a.	70,747	70,915
Single series - CTEEP	07/02/2014	70,000	105.5% of CDI p.a.	752,858	726,476
				1,149,887	**1,123,350**
Current				**164,018**	**166,667**
Noncurrent				**985,869**	**956,683**

In December 2009, the subsidiary CTEEP issued 54,860 debentures in the total amount of R$548.6 million, whose funds began to be released in January 2010. The first series debentures will mature on December 15, 2012, 2013 and 2014; and interest is paid semiannually, on June 15 and December 15 of each year

The second series debentures will mature as follows: June 15, 2014, December 15, 2015, 2016 and 2017; and interest is paid semiannually, on June 15 and December 15 of each year.

The financial ratios set out in the indenture are: Net Debt/EBITDA $\leq$ = 3.0 and EBITDA/Finance Income (Costs) > = 3.0, determined on a quarterly basis.

In July 2012, the subsidiary CTEEP issued 70,000 debentures in a single series, in the total amount of R$700.0 million, whose funds began to be released on July 4, 2012. Payment of interest and principal will be on maturity date, July 2, 2014. No financial ratios were established for this agreement.

To date all requirements and restrictive covenants set out in the agreements have been properly met and satisfied by the Company and its subsidiaries.

The long-term portion matures as follows:

	06/30/2013	**Restated 12/31/2012**
2014	915,063	905,509
2015	23,602	17,058
2016	23,602	17,058
2017	23,602	17,058
	985,869	**956,683**

Changes in debentures are as follows:

	Company
Balances at December 31, 2012 (restated)	**1,123,350**
Interest, inflation adjustment and exchange rate changes	26,537
Balances at June 30, 2013	**1,149,887**

(In thousands of Brazilian reais, unless otherwise stated)

19. Taxes and social security obligations

	Company		Consolidated	
	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Income tax	396	368	8,861	82,188
Social contribution	-	-	3,136	30,419
COFINS (tax on revenue)	-	-	3,883	8,810
PIS (tax on revenue)	-	-	842	1,910
Scholarship program	-	-	98	166
INSS (social security tax)	22	21	4,741	5,764
ISS (service tax)	-	6	2,592	3,141
Other	1	4	2,284	7,053
	419	**399**	**26,437**	**139,451**

20. Taxes in installments – Law 11941

Due to matters related to the completion method, the subsidiary CTEEP has rectified the Statement of Federal Tax Debts and Credits (DCTF) from 2004 to 2007, calculating a debt relating to PIS and COFINS. In order to settle the debt, the subsidiary CTEEP joined the Tax Debt Installment Payment Program introduced by Law 11941, of May 27, 2009, and paid R$141,162 in cash on November 30, 2009, eligible to the benefit of reduction of fine and interest in the amount of R$42,257. The remaining balance is being paid in 180 monthly installments since November 2009.

On June 30, 2011, the subsidiary CTEEP consolidated the tax debts with the Federal Revenue Service and elected for the installment payment in 180 months to calculate the installments to be paid beginning June 30, 2011. The prepayments made from November 30, 2009 to May 31, 2011 were deducted from the total installments, corresponding to 19 installments already paid. After the deduction of prepayments, 161 installments were generated for payment beginning June 30, 2011, the first installment in the amount of R$975, subject to inflation adjustment based on the accumulated SELIC rate as from December 2009.

Changes in the quarter ended June 30, 2013 are as follows:

	Consolidated Restated
Opening balance	**155,455**
Inflation adjustment on debt	4,001
Payments made	(6,667)
	152,789
Current	**13,481**
Noncurrent	**139,308**

(In thousands of Brazilian reais, unless otherwise stated)

21. Deferred PIS and COFINS

	Consolidated	
	06/30/2013	Restated 12/31/2012
Deferred PIS	16,552	15,105
Deferred COFINS	76,267	69,600
	92,819	**84,705**

Deferred PIS and COFINS refer to construction revenues and finance income determined on the construction financial asset. Payment is made upon the effective billing of the Allowed Annual Revenue (RAP) and amortization of the financial asset.

22. Regulatory charges payable

	Consolidated	
	06/30/2013	Restated 12/31/2012
Research and Development – R&D (i)	63,020	61,408
Energy Development Account (CDE)	706	2,556
Fuel Consumption Account (CCC)	-	1,203
Global Reversal Reserve (RGR) (ii)	13,003	12,641
Alternative Electric Power Sources Incentive Program (PROINFA)	1,537	1,697
ANEEL inspection fee	408	307
	78,674	**79,812**
Current	**31,246**	**40,344**
Noncurrent	**47,428**	**39,468**

(i) CTEEP and its subsidiaries recognized liabilities relating to amounts already billed in tariffs (1% of the net operating revenues) but not invested yet in the Research & Development Program, adjusted on a monthly basis, as from the 2nd month following its recognition until effective realization, based on the SELIC rate, as set forth in ANEEL Resolutions 300/2008 and 316/2008. The balances of projects will be settled when each project is completed.

(ii) Pursuant to article 21 of Law 12783, beginning January 1, 2013, power transmission companies with concession arrangements extended as set forth in the aforementioned law are not required to pay the annual RGR amount. For the subsidiary CTEEP, this provision of said law applies to Arrangement 059/2001. As at June 30, 2013, the RGR balance payable refers to the difference payable for 2011 and 2012.

(In thousands of Brazilian reais, unless otherwise stated)

23. Provisions

	Company		Consolidated	
	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Vacation and related taxes	19	19	20,163	19,594
Profit sharing	-	-	6,562	7,863
Contingencies (a)	-	-	126,119	120,882
	19	**19**	**152,844**	**148,339**
Current	**19**	**19**	**26,725**	**27,457**
Noncurrent	**-**	**-**	**126,119**	**120,882**

(a) Provision for contingencies

Contingencies are assessed on a quarterly basis and classified based on the likelihood of loss, as shown below:

	Consolidated	
	06/30/2013	Restated 12/31/2012
Labor (i)	103,394	108,331
Civil	13,376	3,474
Tax – IPTU (ii)	7,672	7,506
Social security – INSS (iii)	1,677	1,571
	126,119	**120,882**

(i) Labor

The subsidiary CTEEP assumed the responsibility for certain lawsuits in different courts, mainly arising from partial spin-off processes of CESP and EPTE. The Company has escrow deposits for labor lawsuits in the amount of R$65,593 (R$65,497 as at December 31, 2012), as described in note 13.

(ii) Tax - IPTU

The subsidiary CTEEP recognizes a provision to cover the debts to the government of various municipalities in the State of São Paulo, relating to area regularization processes, in the amount of R$7,672.

(iii) **Social security – INSS**

On August 10, 2001, the subsidiary CTEEP was notified by the National Institute of Social Security (INSS) due to its failure to pay contributions on compensations paid to employees, as meal ticket, breakfast, food staples basket and transportation ticket, from April 1999 to July 2001. CTEEP's Management filed a defense and currently the escrow deposit for this lawsuit totals R$1,226 (note 13).

(In thousands of Brazilian reais, unless otherwise stated)

(iv) Changes in provisions for contingencies

	Labor	Civil	Tax - IPTU	Social security – INSS	Total
					Consolidated Restated
Balances at December 31, 2012	**108,331**	**3,474**	**7,506**	**1,571**	**120,882**
Recognition	6,111	10,201	-	-	16,312
Reversal/payment	(13,733)	(862)	(95)	-	(14,690)
Adjustment	2,685	563	261	106	3,615
Balances at June 30, 2013	**103,394**	**13,376**	**7,672**	**1,677**	**126,119**

(b) Lawsuits whose likelihood of loss is assessed as possible

CTEEP and its subsidiaries are parties to tax, labor and civil lawsuits whose likelihood of loss, based on the opinion of their legal counsel, is assessed as possible, for which no provision was recognized, in the estimated amount of R$107,162 as at June 30, 2013 (R$65,497 as at December 31, 2012), mainly labor and tax lawsuits totaling R$82,044.

Classification	Quantity	Total
Labor	302	31,363
Civil	275	25,118
Tax – CSLL tax loss carryforwards (i)	1	18,925
Tax – MANAD (ii)	1	16,546
Tax – IRPJ and CSLL (iii)	1	15,210
		107,162

(i) Tax – CSLL tax loss carryforwards

Lawsuit arising from a tax assessment notice issued in 2007, in connection with the failure to confirm the social contribution tax loss carryforwards, arising from the balance sheet of partial spin-off of CESP. Pending judgment of appeal.

(ii) Tax – MANAD

Lawsuit arising from a tax assessment notice issued by the Federal Revenue Service in 2011, in view of the compliance with the accessory obligation relating to the delivery of digital files, related to the Instruction Guide of Digital Files (MANAD). Pending judgment of appeal.

(iii) Tax – IRPJ and CSLL

Refers to the lawsuit for collection of income tax (IRPJ) and social contribution (CSLL) arising from partial approval by the Federal Revenue Service of the offset request filed by CTEEP in 2003. Pending judgment of appeal.

(c) Lawsuits whose likelihood of loss is assessed as remote

(iv) Collection lawsuit filed by Eletrobras against Eletropaulo and EPTE

In 1989 Centrais Elétricas Brasileiras S.A. - ELETROBRAS filed an ordinary collection lawsuit against Eletropaulo - Eletricidade de São Paulo S.A. (currently Eletropaulo Metropolitana Eletricidade de São Paulo S.A. - "Eletropaulo"), relating to the balance of a financing agreement. Eletropaulo did not agree with the inflation adjustment criterion of the aforementioned financing agreement and deposited in court the amounts that it believed to be due. In 1999 a decision was handed down in connection with the aforementioned lawsuit, which sentenced Eletropaulo to pay the balance determined by ELETROBRAS.

Under Eletropaulo's partial spin-off protocol, whose spin-off occurred on December 31, 1997 and which resulted in the establishment of EPTE and other companies, the obligations of any nature relating to the actions performed up to the spin-off date should be solely borne by Eletropaulo, except for the contingencies whose provisions were allocated to the merging companies. In the case under discussion, at the date of the partial spin-off, there was no allocation to EPTE of a provision for any such purpose, and it was evident to the Management of CTEEP and its legal counsel that the responsibility for the aforementioned contingency should be solely borne by Eletropaulo. At the spin-off date, there was only the transfer to EPTE's assets of an escrow deposit in the historical amount of R$4.00 made in 1988 by Eletropaulo, relating to the amount that company believed to be payable to ELETROBRAS as a balance of the aforementioned financing agreement, and allocation to EPTE's liabilities of an amount equivalent to this balance.

Therefore, in view of Eletropaulo's partial spin-off protocol, EPTE would be the owner of the transferred asset and Eletropaulo would be responsible for the contingent liability relating to the amount claimed in courts by ELETROBRAS. In October 2001, ELETROBRAS executed the decision relating to the aforementioned financing agreement and charged R$429 million from Eletropaulo and R$49 million from EPTE, and believed that EPTE would make the payment of that amount using the adjusted funds of the aforementioned escrow deposit. CTEEP has merged EPTE on November 10, 2001, and became the successor of its obligations and rights.

On September 26, 2003, a decision handed down by the Court of Justice of the State of Rio de Janeiro was published and excluded Eletropaulo from the execution of the aforementioned decision. In light of the above-mentioned facts, ELETROBRAS filed on December 16, 2003 a special appeal to the Superior Court of Justice and a special appeal to the Supreme Federal Court, to keep the aforementioned collection relating to Eletropaulo. Appeals similar to those of ELETROBRAS were filed by CTEEP.

On June 29, 2006, the Superior Court of Justice has approved the special appeal of CTEEP, in the sense of reversing the decision handed down by the Court of Justice of the State of Rio de Janeiro which excluded Eletropaulo as the defendant in the execution action filed by ELETROBRAS.

Due to the aforementioned approval by the Superior Court of Justice, on December 4, 2006, Eletropaulo offered motions to clarify, which were dismissed according to the court decision published on April 16, 2007, as well as special and extraordinary appeals that upheld the decision handed down by the Superior Court of Justice, which was made final and unappealable on October 30, 2008. In view of these decisions that considered as unreasonable the Exception of Pre-Execution offered by Eletropaulo, the execution action brought by ELETROBRAS is in normal progress as originally proposed.

In December 2012, a decision was issued denying the taking of evidence by the parties completing the phase of proof for calculation of the award and declaring that Eletropaulo is liable for the award payment, deducting the amount deposited in courts relating to the consignment action. The decision was reversed for expert evidence preparation.

In connection with such debt and in light of formal documents relating to Eletropaulo's partial spin-off, the subsidiary CTEEP, based on Management's and its legal counsel's opinion, is the owner only of the escrow deposit transferred to it as asset established in 1988, and should proceed with the defense of such right. On the other hand, the subsidiary CTEEP did not recognize a provision for contingency, which it believes should be Eletropaulo's responsibility and which, therefore, is being charged by ELETROBRAS and accepted by the courts.

24. Payables – Fundação CESP

The subsidiary CTEEP sponsors supplementary pension and health care plans managed by Fundação CESP which, together with the administrative costs of the fund, amount to R$6,179 at June 30, 2013 (R$6,226 at December 31, 2012), relating to monthly installments payable as contribution to the fund.

(a) Plan "A" – supplementary pension

Governed by State Law 4819/58, applicable to employees hired through May 13, 1974, it offers retirement and pension benefits, bonus leave and family allowance. The funds necessary to cover the charges under such plan are the responsibility of the competent bodies of the State Government of São Paulo, therefore, with no risk and additional cost to the subsidiary CTEEP (note 36).

(b) Plans "B" and "B1" – supplementary pension

Plans "B" and "B1", governed by Law 6435/77 and managed by Fundação CESP, are sponsored by the subsidiary CTEEP and offer supplementary retirement and pension benefits, whose reserves are determined on a funded basis.

The so-called Plan "B" refers to the Proportional Supplemental Settled Benefit (BSPS), calculated as at December 31, 1997 (CTEEP) and March 31, 1998 (EPTE), according to the effective bylaws, and its actual financial and economic balance was determined at that time. The actuarial annual technical result of such plan (deficit or surplus) is the responsibility of the subsidiary CTEEP.

On January 1, 1998 (CTEEP) and April 1, 1998 (EPTE), Plan "B1" was implemented, establishing equal contributions and responsibilities among CTEEP and the plan participants, so as to maintain the actual financial and economic balance of the plan. This plan offers retirement and pension benefits to its employees, former employees and related beneficiaries so as to supplement the benefits offered by the official government plan. The plan's main feature is the mixed model, consisting of 70% defined benefit and 30% defined contribution. On the retirement date, the Defined Contribution Benefit Plan becomes the Defined Benefit Plan. Plans "B" and "B1" were financially merged and transformed into PSAP Plan- Transmissão Paulista.

(In thousands of Brazilian reais, unless otherwise stated)

(c) PSAP Plan - Transmissão Paulista

On January 1, 2004, the plans sponsored by the subsidiary CTEEP, as well as those of the liquidated EPTE, were financially merged and the individual features of the respective plans were maintained and resulted in the PSAP Plan - Transmissão Paulista.

During the quarter there was no significant change in the number of participants in the plans and assumptions adopted by the subsidiary CTEEP.

(d) Actuarial valuation

The projected unit credit method was adopted for the independent actuarial valuation of the PSAP pension plans sponsored by the Company. The actuarial report at December 31, 2012 shows an actuarial asset in the amount of R$20,887 which was not recorded due to the uncertainty regarding the recovery of such asset through reimbursements deriving from the plan or reduction in future contributions. The actuarial gain is shown below, as per the actuarial report.

(i) Reconciliation of assets and liabilities

	12/31/2012
Fair value of plan assets	3,290,144
Present value of the defined benefit obligation	(2,678,356)
Actuarial surplus	611,788
Asset recognition restriction	(590,901)
Net asset	**20,887**

Because of a change in interest rates in the second quarter of 2013, the Company assessed its possible impacts on the actuarial asset. Since the result of the assessment is positive and the Company did not recognize the actuarial asset as mentioned above, there are no impacts on the quarterly information at June 30, 2013.

25. Special obligations – Reversal/Amortization

The balance of R$24,053 at June 30, 2013 refers to the funds deriving from the reversal reserve, amortization and portion retained in the Company of the monthly amounts of the Global Reversal Reserve (RGR) relating to investments in the expansion of the electric power services and repayment of borrowings taken for the same purpose, which occurred through December 31, 1971. According to ANEEL Decision, the Company pays 5% on the reserve amount as interest. The settlement method of these obligations is not determined by the Concession Grantor.

(In thousands of Brazilian reais, unless otherwise stated)

26. Equity

(a) Share capital

ISA Capital was incorporated on April 28, 2006 as a limited liability company and, on September 29, 2006, it was converted into a joint stock company.

On March 9 and 19, 2010, the Company made two capital increases with issuance of redeemable preferred shares at the price of R$2.020731 per share, with redemption from April 12, 2013 to April 9, 2016, which were fully subscribed and paid up by HSBC Finance (Brasil) S.A. Banco Múltiplo, as follows:

(i) At the Extraordinary General Meeting held on March 9, 2010, according to the terms of the Board of Directors' proposal dated March 8, 2010, an increase in the Company's capital was approved in the amount of R$840,000, of which R$420 was destined to the share capital and R$839,580 to the capital reserve, with creation and issuance of 415,691,162 redeemable preferred shares distributed in 13 classes, with cumulative fixed dividend rights, which were subscribed and paid up at the same date, thereby increasing the share capital of the Company from R$839,778 to R$840,198, represented by 1,256,316,162 shares. The same meeting approved a reduction in mandatory dividend from 25% to 1% and an amendment to the Company's bylaws; and

(ii) At a meeting held on March 19, 2010, the Board of Directors approved a new capital increase for the Company within the limit of its authorized capital, with issuance of 178,153,342 redeemable preferred shares distributed in 13 classes, with cumulative fixed dividend rights, in the total amount of R$360,000, which were subscribed and paid up at the same date. Of that amount, R$180 was destined to the share capital and R$359,820 to the capital reserve. Thus, the share capital of the Company increased from R$840,198 to R$840,378, represented by 1,398,838,834 shares.

(iii) Subsequently, on May 14, 2010, shareholder HSBC Finance (Brasil) S.A. Banco Múltiplo, which owned the 593,844,504 preferred shares issued by the Company, sold 50% to Banco Votorantim S.A.

Thus, the subscribed and paid-in capital of the Company at June 30, 2013 and December 31, 2012 totals R$840,378 and is represented by 840,625,000 common shares and 558,213,834 preferred shares, as follows:

Shareholder	Number of common shares	Number of preferred shares	Total	%
Interconexión Eléctrica S.A ESP	840,624,999	-	840,624,999	60.10%
Board of Directors' members	1	-	1	0.00%
HSBC Finance (Brasil) S.A. Banco Múltiplo	-	279,106,917	279,106,917	19.95%
Banco Votorantim S.A.	-	279,106,917	279,106,917	19.95%
Total	**840,625,000**	**558,213,834**	**1,398,838,834**	**100%**

(b) Dividends

Article 35 of the Company's bylaws provides for mandatory dividends equivalent to 1% of the profit for the year adjusted according to article 202 of Law 6404/76, destined to redeemable preferred shares up to the amount equivalent to Cumulative Fixed Dividends to which these shares are entitled to.

The cumulative fixed dividends are calculated and paid on a quarterly basis as determined by article 6 of the bylaws.

(In thousands of Brazilian reais, unless otherwise stated)

The Board of Directors passed a resolution to distribute cumulative fixed dividends to the preferred shareholders, HSBC Finance (Brasil) S.A. Banco Múltiplo and Banco Votorantim S.A., relating to the profit for 2012, as shown below:

Payment	Amount	Amount per share R$	Shares	Resolution	FY
04/12/2013	24,916	0.041958	558,213,834	04/12/2013	2013
Total	**24,916**				

(c) Dividends and interest on capital of subsidiary CTEEP

The subsidiary’s bylaws provides for the payment of mandatory dividends corresponding to 10% of the capital, equivalent to R$200,000, limited to the balance of profit after the recognition of the legal reserve.

The subsidiary CTEEP did not distribute dividends and/or interest on capital in the second quarter of 2013.

(d) Dividends and interest on capital of subsidiary CTEEP

After the above-mentioned resolutions of March 9 and 19, 2010, the balance of the capital reserve account of the Company at December 31, 2012 is R$1,199,400. This amount, according to the schedule of redemption, will be used to redeem redeemable preferred shares distributed in 13 classes, and can also, pursuant to the shareholders’ agreement and Brazilian Corporate Law 6404/76, as amended, be used to pay dividends on redeemable preferred shares.

Pursuant to the minutes of the Executive Board’s meeting held on April 12, 2013, a total of 35,630,670 Class A redeemable preferred shares issued by the Company were redeemed for R$2.020731 each, totaling R$72,000. Said Class A redeemable preferred shares were cancelled and the respective amount paid for redemption was fully debited to the capital reserve account. Accordingly, the balance of the capital reserve account at June 30, 2013 was R$1,127,400.

(e) Goodwill on equity transaction

After the subscription of CTEEP shares in December 2011, relating to the capital increase of 2011, the Company determined a gain on the variance in equity interest in CTEEP and also a loss on the share’s value in relation to its book value, resulting in a loss of R$7,488. After deducting the amount of R$20 on account of the sale of 920 CTEEP shares in June and July 2012, the balance of the account is R$7,468. This amount can be realized through any sale of CTEEP shares.

(f) Earnings reserves

	06/30/2013	12/31/2012
Legal reserve (i)	5,881	5,881
Earnings retention reserve (ii)	125,493	125,493
	131,374	**131,374**

(i) Legal reserve

An amount of 5% of the profit for the year, before any allocation, shall be transferred to this reserve, up to the limit of 20% of the share capital. In the year in which the balance of the legal reserve plus the capital reserve amounts set forth in paragraph 1 of article 182 of the Brazilian Corporate Law exceeds 30% of the share capital, the transfer of a portion of the profit for the year to the legal reserve is no longer required.

(In thousands of Brazilian reais, unless otherwise stated)

(ii) Earnings retention reserve

The portion of the profit for the year remaining after payments of cumulative fixed dividends on redeemable preferred shares shall be transferred to this reserve, within the limits established by the Company's bylaws. While there are redeemable preferred shares outstanding, this reserve shall be used only to pay cumulative fixed dividends on redeemable preferred shares and, if applicable, also to redeem redeemable preferred shares.

(g) Earnings (loss) per share

Basic earnings per share are calculated using profit attributable to the controlling shareholders and noncontrolling interests, based on the weighted average number of common and preferred shares outstanding in the relevant period.

The table below shows the profit or loss and share data used to calculate basic earnings per share:

		Quarter ended		Six-month period ended
	06/30/2013	06/30/2012	06/30/2013	06/30/2012
Basic earnings (loss)				
Profit (loss) for the period – R$ thousand	(813)	54,205	6,167	110,920
Weighted average number of shares				
Common	840,625,000	840,625,000	840,625,000	840,625,000
Preferred	558,213,834	593,844,504	558,213,834	593,844,504
	1,398,838,834	**1,434,469,504**	**1,398,838,834**	**1,434,469,504**
Total basic earnings (loss) per share - R$	**(0.0006)**	**0.0378**	**0.0044**	**0.0773**

(In thousands of Brazilian reais, unless otherwise stated)

27. Net operating revenue

27.1. Breakdown of net operating revenue

	Consolidated			
	Quarter ended		Six-month period ended	
	06/30/2013	**Restated 06/30/2012**	**06/30/2013**	**Restated 06/30/2012**
Gross revenue				
Construction (a) (note 8)	39,326	59,809	85,838	121,126
Operation and maintenance (a) (note 8)	155,248	166,608	298,923	324,092
Finance income (b) (note 8)	35,683	332,475	74,500	656,473
Rents	3,572	3,424	7,216	7,022
Services	1,415	1,132	2,825	2,843
Total gross revenue	235,244	563,448	469,302	1,111,556
Taxes on revenue				
COFINS	(16,908)	(23,808)	(34,775)	(29,538)
PIS	(3,668)	(5,163)	(7,547)	(6,401)
ISS	(84)	(56)	(165)	(141)
	(20,660)	(29,027)	(42,487)	(36,080)
Regulatory charges				
Fuel Consumption Account (CCC)	-	(16,110)	(892)	(30,302)
Energy Development Account (CDE)	(2,168)	(11,404)	(5,693)	(21,448)
Global Reversal Reserve (RGR)	(641)	(14,067)	(1,240)	(27,965)
Research & Development	(1,718)	(4,992)	(3,312)	(9,903)
Alternative Electric Power Sources Incentive Program (PROINFA)	(4,717)	(5,966)	(9,520)	(10,440)
	(9,244)	(52,539)	(20,657)	(100,058)
	205,340	**481,882**	**406,158**	**975,418**

(a) Construction and O&M services

The revenue from construction or improvement services under the service concession arrangement is recognized by reference to the stage of completion of the work. O&M revenues are recognized in the period in which services are provided by the subsidiary CTEEP. When CTEEP provides more than one service under a service concession arrangement, the compensation received is allocated by reference to the fair values of the services delivered.

(b) Finance income

Interest income is recognized at the effective interest rate on the outstanding principal. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset in relation to the initial carrying amount of this asset.

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

Under the concession arrangements, through ANEEL, every four and five years after the date of execution of the arrangements, ANEEL can perform the periodic review of RAP on power transmission, in order to achieve reasonably priced tariffs. The revenue related to concession arrangement 143/2001, whose period of tariff review is five years, is not subject to such review.

The periodic review comprises the adjustment of the revenue upon determination of the following:

a) regulatory compensation basis for RBNI;
b) efficient operating costs;
c) optimal capital structure and definition of the compensation of transmission companies;
d) identification of the amount to be considered as tariff reduction - Other revenues;
e) determination of X factor with the objective of improving efficiency and capturing productivity gains for the consumer.

The last tariff review took place in 2010, as disclosed in note 23.2 to the financial statements for fiscal year 2011 of the subsidiary CTEEP.

Pursuant to the 5th Addendum to Concession Arrangement 059/2001, the next tariff review will take place in July 2018.

27.3. Variable Portion (PV) and Addition to RAP

Regulatory Resolution 270 of July 9, 2007 regulates the Variable Portion (PV) and Addition to RAP. The Variable Portion is the discount on the RAP of transmission companies due to the unavailability or operational restriction of the facilities comprising the Basic Grid. The Addition to RAP is the amount to be added to the revenue of transmission companies as an incentive for improving the availability of transmission facilities. They are recognized as revenue and/or O&M revenue reduction in the period in which they occur.

Regulatory Resolution 512 of October 30, 2012 amended Regulatory Resolution 270/07, by including paragraph 3 in article 3, which extinguishes the Addition to RAP for transmission functions covered by Law 12783/2013.

27.4. Variable Portion (PV) and Addition to RAP

On June 26, 2012, Resolution 1313 was published to establish allowed annual revenues of CTEEP and its subsidiaries for the availability of the transmission facilities comprising the Basic Grid and other transmission facilities, for a 12-month cycle, from July 1, 2012 to June 30, 2013. Thereafter, Resolution 1395 of December 11, 2012 was published to change the amounts set forth in Resolution 1313/12, and also to establish the allowed annual revenues after Law 12783/2013.

(In thousands of Brazilian reais, unless otherwise stated)

Pursuant to Resolution 1313, the subsidiary CTEEP's RAP, which was R$2,008,277 at July 1, 2011, increased to R$2,131,118 at July 1, 2012, an increase of R$122,841 or 6.1%. CTEEP's and its subsidiaries' RAP, which was R$2,071,704 at July 1, 2011, increased to R$2,200,388 at July 1, 2012, an increase of R$128,684 or 6.2%.

With the enactment of Law 12783/2013, beginning January 1, 2013 CTEEP's RAP is R$568,178, which, net of PIS and COFINS, totals R$515,621.

CTEEP's RAP to be determined in twelfths from July 1, 2012 to June 30, 2013 is as follows:

Concession arrangement	**Basic Grid**				**Other Transmission Facilities**			**Total**
	Existing assets	New investments	Bid	Adjustment	Existing assets	New investments	Adjustment	
059/2001 – in effect Dec/12(*)	647,245	176,038	-	(22,066)	187,342	64,202	4,829	1,057,590
059/2001 – in effect Jun/13 (*)	197,293	-	-	(22,066)	86,795	-	4,829	266,851
143/2001	-	-	16,604	(667)	-	-	-	15,937
	844,538	**176,038**	**16,604**	**(44,799)**	**274,137**	**64,202**	**9,658**	**1,340,378**

CTEEP's and its subsidiaries' RAP to be determined in twelfths from July 1, 2012 to June 30, 2013 is as follows:

Concession arrangement	**Basic Grid**				**Other Transmission Facilities**				**Total**
	Existing assets	New investments	Bid	Adjustment	Existing assets	New investments	Bid	Adjustment	
059/2001 – in effect Dec/12(*)	647,245	176,038	-	(22,066)	187,342	64,202	-	4,829	1,057,590
059/2001 – in effect Jun/13 (*)	197,293	-	-	(22,066)	86,795	-	-	4,829	266,851
143/2001	-	-	16,604	(667)	-	-	-	-	15,937
004/2007	-	-	14,161	(594)	-	-	-	-	13,567
012/2008	-	-	6,739	418	-	-	1,016	-	8,173
015/2008	-	3,671	12,800	1,259	-	1,032	314	20	19,096
018/2008	-	-	3,292	-	-	-	40	-	3,332
026/2009	-	-	21,554	(1,355)	-	-	4,903	-	25,102
020/2008	6,603	2,180	-	(784)	-	1,952	-	(107)	9,844
	851,141	**181,889**	**75,150**	**(45,855)**	**274,137**	**67,186**	**6,273**	**9,571**	**1,419,492**

(*)Due to the extension of concession arrangement 059/2001 (note 1.2), the amounts in the table consider the RAP proportion according to the amounts prevailing in the relevant period. For the period from July to December 2012, the annual RAP proportion of R$2,131,115 was taken into consideration, and from January to June 2013, the annual RAP proportion of R$568,178, which net of PIS and COFINS totals R$515,621.

(In thousands of Brazilian reais, unless otherwise stated)

On June 27, 2013, Resolution 1595 was published to establish the allowed annual revenues of CTEEP and its subsidiaries for the availability of the transmission facilities comprising the Basic Grid and other transmission facilities, for a 12-month cycle, from July 1, 2013 to June 30, 2014.

Pursuant to Resolution 1595, CTEEP's RAP (arrangements 143 and 059/2001), net of PIS and COFINS, which was R$531,558 at January 1, 2013, increased to R$542,056 at July 1, 2013, an increase of R$10,499 or 2.0%. CTEEP's and its subsidiaries' RAP, which was R$610,672 at January 1, 2013, increased to R$630,159 at July 1, 2013, an increase of R$19,487 or 3.2%.

28. Costs of construction and O&M services and general and administrative expenses

	Company			Consolidated		
	Quarter ended			Six-month period ended		
	06/30/2013		06/30/2012	06/30/2013		06/30/2012
	Expenses	Total	Total	Expenses	Total	Total
Personnel	(453)	(453)	(410)	(883)	(883)	(812)
Services	(151)	(151)	(149)	(630)	(630)	(620)
Depreciation and amortization of intangible assets (notes 14 and 15)	(2)	(2)	(3)	(5)	(5)	(6)
Leases and rents	(76)	(76)	(55)	(146)	(146)	(126)
Other	(1)	(1)	(12)	(56)	(56)	(62)
	(683)	**(683)**	**(629)**	**(1,720)**	**(1,720)**	**(1,626)**

	Company				Consolidated			
	Quarter ended				Six-month period ended			
	06/30/2013			06/30/2012 (Restated)	06/30/2013			06/30/2012 (Restated)
	Costs	Expenses	Total	Total	Costs	Expenses	Total	Total
Personnel	(49,808)	(11,872)	(61,680)	(60,167)	(106,580)	(26,532)	(133,112)	(120,721)
Services	(39,825)	(10,737)	(50,562)	(53,400)	(75,611)	(20,516)	(96,127)	(105,853)
Depreciation and amortization of intangible assets (notes 14 and 15)	-	(1,819)	(1,819)	(1,021)	-	(3,642)	(3,642)	(2,285)
Materials	(32,000)	(266)	(32,266)	(43,263)	(73,489)	(473)	(73,962)	(81,926)
Leases and rents	(2,152)	(1,500)	(3,652)	(3,814)	(4,340)	(2,919)	(7,259)	(7,489)
Contingencies	-	(24,566)	(24,566)	(4,434)	-	(31,947)	(31,947)	(10,010)
Other	(5,708)	(7,900)	(13,608)	(8,392)	(12,451)	(11,685)	(24,136)	(24,104)
	(129,493)	**(58,660)**	**(188,153)**	**(174,491)**	**(272,471)**	**(97,714)**	**(370,185)**	**(352,388)**

(In thousands of Brazilian reais, unless otherwise stated)

Of the costs shown above, the subsidiary CTEEP's construction costs totaled R$49,984 at June 30, 2013 and R$72,138 at June 30, 2012. Consolidated construction costs totaled R$78,064 at June 30, 2013 and R$106,611 at June 30, 2012. The respective construction revenue, as shown in note 27.1, is calculated by applying PIS and COFINS rates on the investment cost. For subsidiaries in the preoperating stage, general and administrative expenses and finance costs are added to the investment cost. The projects provide for sufficient margin to cover construction costs plus certain expenses incurred in the construction period.

29. Finance income (costs)

				Company
		Quarter ended		Six-month period ended
	06/30/2013	06/30/2012	06/30/2013	06/30/2012
Income				
Income from short-term investments	6,200	9,083	13,135	18,801
Interest income	851	661	1,645	1,307
Interest (Selic rate) on recoverable income tax	498	615	1,015	1,505
Exchange rate changes	5,837	5,059	8,918	13,194
	13,386	15,418	24,713	34,807
Costs				
Interest on borrowings	(1,474)	(1,377)	(2,861)	(2,601)
IRRF on interest remittance	(234)	(214)	(433)	(375)
PIS on interest on capital	-	(399)	-	(798)
COFINS on interest on capital	-	(1,837)	-	(3,674)
Inflation adjustments	-	(4,181)	-	(9,300)
Exchange rate changes	(12,807)	(6,484)	(24,427)	(14,239)
Other	(11)	(11)	(22)	(11)
	(14,526)	(14,503)	(27,743)	(30,998)
	(1,140)	**915**	**(3,030)**	**3,809**

				Consolidated
		Quarter ended		Six-month period ended
	06/30/2013	Restated 06/30/2012	06/30/2013	Restated 06/30/2012
Income				
Income from short-term investments	26,494	12,112	52,867	27,166
Interest income	18,936	922	46,368	1,814
Mark-to-market (International CCB and Commercial Paper)	-	-	864	-
Interest (Selic rate) on recoverable income tax	498	2,216	1,015	1,505
Inflation adjustments	16,702	150	47,286	
Exchange rate changes	5,837	31,032	8,918	13,194
Exchange rate changes (International CCB and Commercial Paper)	1,864	2,300	12,061	25,109
Swap (International CCB)	15,276	(1,752)	20,194	35,265
Other	224	-	1,262	1,003
	85,831	46,980	190,835	105,056

(In thousands of Brazilian reais, unless otherwise stated)

	Consolidated			
	Quarter ended		Six-month period ended	
	06/30/2013	Restated 06/30/2012	06/30/2013	Restated 06/30/2012
Costs				
Interest on borrowings	(12,846)	(17,698)	(26,421)	(35,123)
Interest expenses	(2,379)	(3,284)	(4,640)	(6,904)
Charges on promissory notes	-	(16,350)	(1,115)	(34,516)
Charges on debentures	(22,746)	(13,764)	(43,137)	(29,093)
Charges (International CCB and Commercial Paper)	(1,415)	(2,207)	(3,547)	(4,163)
Mark-to-market (International CCB and Commercial Paper)	(345)	-	(345)	(1,814)
IRRF on interest remittance	(234)	(214)	(433)	(375)
PIS on interest on capital	-	(399)	-	(798)
COFINS on interest on capital	-	(1,837)	-	(3,674)
Inflation adjustments	-	(5,561)	-	(12,361)
Exchange rate changes	(12,807)	(6,484)	(24,427)	(14,239)
Exchange rate changes (International CCB and Commercial Paper)	(18,384)	(29,995)	(24,841)	(46,913)
Swap (International CCB)	(3,675)	-	(12,778)	(17,802)
Other	(250)	(452)	(1,260)	(1,562)
	(75,081)	(98,245)	(142,944)	(209,337)
Total finance income (costs), net	**10,750**	**(51,265)**	**47,891**	**(104,281)**

Foreign borrowings of the subsidiary CTEEP in the six-month period resulted in a net expense from exchange rate changes of R$12,780 (R$21,804 in the second quarter of 2012) and charges of R$3,547 (R$4,163 in the second quarter of 2012). The swap adjustment generated a net expense of R$7,416 (R$17,463 in the second quarter of 2012).

The subsidiary CTEEP has two transactions to raise foreign funds as follows:

The international CCB transaction with Banco Itaú BBA resulted in the six-month period in a net income from exchange rate changes of R$2,011 (expense of R$9,303 in the second quarter of 2012), charges of R$1,648 (R$2,377 in the second quarter of 2012) and the mark-to-market generated income of R$1,196 (expense of R$223 in the second quarter of 2012). The swap adjustment resulted in a net expense of R$4,934 (income of R$8,978 in the second quarter of 2012), at 103.5% of the CDI. The transaction was settled on April 26, 2013.

The borrowing under Law 4131 from Banco JP Morgan resulted in the quarter in a net income from exchange rate changes of R$14,791 (expense of R$12,501 in the second quarter of 2012) and charges of R$1,899 (R$1,786 in the second quarter of 2012) and the mark-to-market generated expense of R$677 (R$1,591 in the second quarter of 2012).The swap adjustment resulted in a net income of R$12,350 (R$8,485 in the second quarter of 2012), at 98.3% of the CDI.

(In thousands of Brazilian reais, unless otherwise stated)

30. Other operating income (expenses)

	Company				Consolidated			
	Quarter ended		Six-month period ended		Quarter ended		Six-month period ended	
	06/30/2013	06/30/2012	06/30/2013	06/30/2012	06/30/2013	Restated 06/30/2012	06/30/2013	Restated 06/30/2012
Income								
Amortization of loss - IEMG	-	-	-	-	2,314	603	16,979	1,215
Other (i)	-	-	-	-	-	2,547	-	2,547
	-	**-**	**-**	**-**	**2,314**	**3,150**	**16,979**	**3,762**
Expenses								
Amortization of goodwill (Notes 11,14.c)	(17,126)	(13,992)	(34,252)	(27,984)	(24,601)	(21,199)	(49,336)	(42,399)
Other	-	-	-	-	-	(6,753)	-	(6,769)
	(17,126)	(13,992)	(34,252)	(27,984)	(24,601)	(27,952)	(49,336)	(49,168)
	(17,126)	**(13,992)**	**(34,252)**	**(27,984)**	**(22,287)**	**(24,802)**	**(32,357)**	**(45,406)**

(i) Income arising from the recognition of indemnification to restore financial and economic balance pursuant to the bilateral agreement in the amount of R$12,001.

(In thousands of Brazilian reais, unless otherwise stated)

31. Income tax and social contribution

(a) Current taxes

ISA Capital monthly calculates income tax and social contribution on net income on the accrual basis.

In view of the Transitional Tax Regime (RTT), the Company and its subsidiaries IEMG, Pinheiros, Serra do Japi and Evrecy are presenting profit for tax purposes. Taxes are calculated using the taxable income regime, except for subsidiaries IEMG, Serra do Japi and Evrecy that adopt the presumed profit regime.

The income tax and social contribution expenses for the period can be reconciled with the book income as follows:

				Company
		Quarter ended		**Six-month period**
	06/30/2013	**06/30/2012**	**06/30/2013**	**06/30/2012**
Profit (loss) before income tax and social contribution	(813)	62,542	6,167	128,128
Statutory tax rate	34%	34%	34%	34%
Expected income tax and social contribution expense	276	(21,264)	(2,097)	(43,564)
Income tax and social contribution on permanent differences				
Interest on capital	-	(8,220)	-	(16,440)
Realization of loss				
Amortization of concession right	(5,823)	(4,758)	(11,646)	(9,515)
Maintenance of equity integrity				
Equity in subsidiaries	6,167	25,924	15,358	52,336
Effect of the adoption of the presumed profit regime by subsidiaries (i)	-	-	-	-
Other		(19)		(25)
Income tax and social contribution credit (expense)	**620**	**(8,337)**	**1,615**	**(17,208)**
Income tax and social contribution				
Current	-	(5,835)	-	(12,043)
Deferred	-	(2,502)	-	(5,165)
	-	**(8,337)**	**-**	**(17,208)**
Effective tax rate	**0.0%**	**13.3%**	**0.00%**	**13.4%**

(In thousands of Brazilian reais, unless otherwise stated)

	Consolidated			
	Quarter ended		Six-month period ended	
	06/30/2013	Restated 06/30/2012	06/30/2013	Restated 06/30/2012
Profit before income tax and social contribution	29,385	245,822	96,002	499,342
Statutory tax rate	34%	34%	34%	34%
Expected income tax and social contribution expense	(9,991)	(83,580)	(32,641)	(169,776)
Income tax and social contribution on permanent differences				
Interest on capital	-	13,458	-	26,981
Realization of loss	(949)	(2,507)	(968)	(9,541)
Amortization of concession right	(5,823)	(4,758)	(11,646)	(9,515)
Maintenance of equity integrity	4,932	4,757	9,863	9,515
Equity in subsidiaries	8,070	4,930	15,128	8,840
Effect of the adoption of the presumed profit regime by subsidiaries (i)	1,198	1,122	1,791	6,750
Other	1,624	(115)	1,886	672
Income tax and social contribution expense	**(939)**	**(66,693)**	**(16,587)**	**(136,074)**
Income tax and social contribution				
Current	(14,186)	(63,820)	(77,898)	(139,673)
Deferred	13,247	(2,873)	61,311	3,599
	(939)	**(66,693)**	**(16,587)**	**(136,074)**
Effective tax rate	**3.2%**	**27.1%**	**17.3%**	**27.30%**

(i) Subsidiaries IEMG, Serra do Japi and Evrecy.

The tax rate used in 2013 and 2012 tax computations is 34%, payable by legal entities in Brazil on taxable income, as provided for by the relevant tax law.

(b) Deferred taxes

In 2011 the Company recorded within assets the amount of R$53,000 related to income tax and social contribution asset from tax loss carryforwards, based on forecasts of future profits that were not previously expected. Management expects to utilize until 2015 the balance of R$39,553 as of June 30, 2013, as shown below:

Tax credit utilized annually	**2013**	**2014**	**2015**	**Total**
Income tax	2,811	2,147	24,155	29,113
Social contribution	1,012	773	8,655	10,440
	3,823	**2,920**	**32,810**	**39,553**

(In thousands of Brazilian reais, unless otherwise stated)

Additionally, the Company has R$192,284 as of June 30, 2013 (R$191,775 as of December 31, 2012) of tax assets from tax loss carryforwards, which were not accounted for since it is not yet probable that these tax assets will be realized in the foreseeable future.

Deferred tax assets and liabilities are as follows:

	Company		Consolidated	
	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Provision for contingencies	-	-	42,868	41,087
Concession arrangement (ICPC 01)	-	-	780	(37,048)
Return of assets (ICPC 01)	-	-	21,003	51,930
Return of assets (i)	-	-	(34,395)	(85,079)
Deferred income tax from tax losses	29,113	29,113	29,113	29,113
Deferred social contribution from tax loss carryforwards	10,440	10,440	10,440	10,440
Derivative financial instruments	-	-	(13,200)	(18,383)
Other temporary differences	-	-	5,578	8,561
Net	**39,553**	**39,553**	**62,187**	**621**
Noncurrent assets	**39,553**	**39,553**	**86,677**	**39,553**
Noncurrent liabilities	**-**	**-**	**(24,490)**	**(38,932)**

*At June 30, 2013, the consolidated liability balance refers to the balance of subsidiaries and, for this reason, it is not on a net basis.

(i) The subsidiary CTEEP recognized, for tax purposes, capital gain of R$250,231 due to the return and sale of property, plant and equipment items, as set forth in Law 12783 and the fifth addendum to concession arrangement 059/2001 signed on December 4, 2012. Based on Decree Law 1598/77, capital gain can be recognized for purposes of determination of taxable income proportionately to the portion of price received, if the receipt of part or all of the amount is higher than the current fiscal year. Portions received until June 30, 2013 totaled approximately 59.6% of the total amount receivable for New Investments (NI) facilities.

CTEEP's Management believes that the deferred income tax and social contribution assets arising from temporary differences will be realized proportionately to the contingencies and occurrence of the events that gave rise to the provisions for contingencies.

(In thousands of Brazilian reais, unless otherwise stated)

32. Related-party transactions

The main balances and transactions with related parties are as follows:

		06/30/2013		12/31/2012		06/30/2013	Restated 06/30/2012
Nature of transaction	**Related party**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Income/ (expense)**	**Income/ (expense)**
Consolidated							
Short-term benefits	Key management personnel	-	-	-	-	(3,548)	(3,587)
Loans	Interconexion Electrica	52,742	-	48,645	-	441	448
	Internexa Brasil	20,510	-	20,510	-	409	213
		73,252	-	69,155	-	(2,698)	(2,926)
			-			-	
Sublease	Subsidiary CTEEP		(25)	-	(23)	178	(145)
	IEMG	5	-	5	-	38	37
	IENNE	9	-	8	-	54	52
	Pinheiros	18	-	121	-	77	41
	IESUL	-	-	6	-	26	31
	Serra do Japi	12	-	71	-	77	102
	Evrecy	4	-	-	-	10	-
		48	(25)	211	(23)	104	118
Provision of services	Subsidiary CTEEP	-	(12)	-	(10)	(70)	(43)
	Pinheiros	88	-	46	-	356	277
	IEMadeira	106	-	154	-	601	826
	Serra do Japi	23	-	21	-	135	93
		217	(12)	221	(10)	1,022	1,153

*Refers to management fees.

Short-term benefits

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

Sublease

The sublease agreement comprises the area occupied by ISA Capital and CTEEP’s subsidiaries in the Company’s head office, as well as the sharing of common area management and maintenance fees, among others.

(In thousands of Brazilian reais, unless otherwise stated)

Provision of services

In 2008 a service agreement was entered into with subsidiary CTEEP comprising accounting and tax bookkeeping services, tax computation and payroll processing.

Loans

The agreement whereby the subsidiary CTEEP provides O&M services in Pinheiros facilities came into effect in 2011.

The agreement whereby the subsidiary CTEEP provides technical support consulting services for the owner's engineering service management, to be performed by IEMadeira and/or the companies engaged by it, came into effect in 2011.

The agreement whereby the subsidiary CTEEP provides O&M services in Serra do Japi facilities came into effect in 2012.

These transactions are conducted under specific conditions, negotiated among the parties under an agreement.

33. Financial instruments

(a) Identification of the main financial instruments

	Company		Consolidated	
	06/30/2013	**12/31/2012**	**06/30/2013**	**Restated 12/31/2012**
Financial assets				
Fair value through profit or loss				
Cash and cash equivalents	169,266	127,324	181,047	436,927
Short-term investments	141,778	294,483	1,363,639	294,483
Derivative financial instruments				
Current	-	-	42,873	63,455
Loans and receivables				
Accounts receivable	-	-	-	
Current	-	-	808,764	2,425,203
Noncurrent	-	-	3,170,422	3,387,374
Receivables – São Paulo State Finance Department				
Noncurrent	-	-	1,067,357	986,486
Loans receivable				
Current	20,510	20,510	20,510	20,510
Noncurrent	52,742	48,645	52,742	48,645
Interest on capital and dividends receivable	-	-	-	-

Collaterals and restricted deposits				
Current	3,086	2,846	3,086	-
Noncurrent	-	-	76,364	74,690
Financial liabilities				
Amortized cost				
Borrowings and financing				
Current	2,571	2,372	388,195	938,917
Noncurrent	70,126	64,679	443,828	525,763
Debentures				
Current	-	-	164,018	166,667
Noncurrent	-	-	985,869	956,683
Trade payables	110	301	53,110	63,569
Interest on capital and dividends payable	-	-	5,288	6,340
Fair value through profit or loss				
Derivative financial instruments				
Current	-	-	-	3,770
Payables – Law 4819/58				
Current	11,347	11,347	11,347	11,347
Noncurrent	399,843	385,546	399,843	385,546

The carrying amounts of financial assets and financial liabilities, when compared to the amounts that could be obtained if they are traded in an active market or, in the absence of such market, the net present value adjusted based on the prevailing market interest rate, approximate substantially their fair values. There are no financial instruments traded in an active market, which should be valued according to Level II as prescribed by the prevailing CPC.

The subsidiary CTEEP entered into swap agreements on April 26 and October 17, 2011, to hedge against the currency risk of the foreign currency-denominated borrowing, as set forth in Law 4131 of September 3, 1962. The agreement entered into with Itaú BBA on April 26, 2011 was settled on April 26, 2013, and generated a gain of R$23.5 million (note 15 (c)).

The subsidiary CTEEP classifies derivatives contracted as fair value hedge based on the parameters described in CPC 38 and IAS 39. The subsidiary CTEEP adopted hedge accounting for its transactions.

The financial instrument management is compliant with the Risk Management Policy and Financial Risk Guidelines of CTEEP and its subsidiaries. The results of these transactions and the use of controls to manage risks are part of the financial risk oversight adopted by CTEEP and its subsidiaries, as set out below:

				Company and consolidated
	Maturity	**Notional value**	**Fair value**	**Amount receivable (payable)**
Liability position				
Swap (JPM) - Principal	October 2013	(192,809)	(149,936)	42,873
Current assets				**42,873**

(In thousands of Brazilian reais, unless otherwise stated)

(b) Financing

The carrying amount of borrowings and financing and debentures is pegged to the TJLP, CDI and IPCA fluctuation and approximates their fair values.

- **Debt ratio**

The debt ratio at the end of the period is as follows:

	Company		Consolidated	
	06/30/2013	12/31/2012	06/30/2013	Restated 12/31/2012
Borrowings and financing				
Current	2,571	2,372	500,568	938,917
Noncurrent	70,126	64,679	481,043	525,763
Debentures				
Current	-	-	174,418	166,667
Noncurrent	-	-	970,795	956,683
Total debt (i)	**72,697**	**67,051**	**2,126,824**	**2,588,030**
Cash and cash equivalents	169,266	127,324	181,047	436,927
Net debt	**(96,569)**	**(60,273)**	**1,945,777**	**2,151,103**
Equity (ii)	**2,072,935**	**2,163,684**	**5,213,642**	**5,230,081**
Debt ratio	(4.66%)	(2.79%)	37.32%	41.13%

CTEEP and its subsidiaries are parties to borrowings and financing agreements that contain covenants determined based on debt ratios. The companies are compliant with all covenants and requirements contained in the agreements, as mentioned in notes 17 and 18.

(c) Risk management

The main risk factors inherent in CTEEP's and its subsidiaries' transactions are as follows:

(i) Credit risk – CTEEP and its subsidiaries enter into agreements with the Brazilian Electric Energy System Operator (ONS), concessionaires and other agents, regulating the provision of services relating to the basic grid to 216 users, including bank guarantee clause. Likewise, CTEEP and its subsidiaries enter into agreements regulating the provision of services in other transmission facilities (DIT) with 30 concessionaires and other agents, also including a bank guarantee clause. As the electricity industry is highly regulated with assured revenue and guarantees, the risk of default is minimized.

(ii) Price risk – CTEEP's and its subsidiaries' revenues are, as set forth in the concession arrangement, annually adjusted by ANEEL based on the IPCA and IGP-M fluctuation, and a portion of the revenues is subject to periodic review (note 27.b).

(iii) Interest rate risk – The adjustment of financing agreements is pegged to the TJLP, IPCA and CDI fluctuation (notes 17 and 18).

(**iv) Currency risk –** The subsidiary CTEEP has eliminated the currency risk of its liabilities using a swap instrument, designated as fair value hedge of the foreign currency-denominated loan agreement (note 17(d)). CTEEP and its subsidiaries do not have trade receivables and other assets denominated in foreign currency. Other exposures to the effects of currency fluctuations are considered immaterial and are related to import of equipment.

ISA Capital has loans receivable and payable in foreign currency and for these exposures it does not use financial instruments to hedge against possible currency risks. The exposure to the effects of changes in exchange rates is not considered material by the Company's Management.

(v) Borrowing risk – CTEEP and its subsidiaries may face problems in the future to raise funds at costs and repayment terms aligned with their cash generation profile and/or debt repayment obligations.

(vi) Liquidity risk – The main sources of cash for CTEEP and its subsidiaries are their operations, mainly the use of the power transmission system by other concessionaires and market players. The annual amount, represented by the RAP linked to the basic grid's facilities and other transmission facilities (DIT), is determined by ANEEL as set forth in prevailing laws. The subsidiary CTEEP manages the liquidity risk by maintaining bank and other credit facilities to raise new borrowings that it considers appropriate, based on the continuous monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

(d) Sensitivity analysis

Under CVM Instruction 475, of December 17, 2008, the subsidiary CTEEP conducts the sensitivity analysis of interest rate and currency risks. Company's Management does not consider as material its exposure to other risks described above.

In the subsidiary CTEEP, the currency risk arises from the possibility of loss due to an increase in exchange rates, causing an increase in the balances of borrowings and financing in foreign currency. Transactions were made in the international market through the issue of international credit notes (CCB) in April 2011 in the amount of US$63.7 million and Commercial Paper in October 2011 in the amount of US$85.7 million (note 17 (d)). To ensure that significant fluctuations in the exchange rates, to which its liabilities are exposed, will not affect its profit and cash flow, the subsidiary CTEEP has swap instruments to hedge 100% of the principal of its borrowings.

For purposes of definition of a probable scenario of the sensitivity analysis of currency, interest rate and price risk, we used the same assumptions defined for CTEEP's long-term financial and economic plan. These assumptions are based on the macroeconomic environment in Brazil and the opinions of market experts.

Therefore, in order to analyze the effects of fluctuations in CTEEP's cash flow, the sensitivity analysis, as shown below, considered as probable scenario the exchange rate and interest rate quotation at September 30, 2013, which is informed in the currency and interest rate risk tables. Positive and negative fluctuations of 25% and 50% were applied on these rates.

(In thousands of Brazilian reais, unless otherwise stated)

Currency risk – Effects on cash flow – Company and consolidated

			Rate appreciation		Rate depreciation	
Transaction	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**	**Scenario II**	**Scenario III**
Financial assets and liabilities						
Commercial Paper (JP Morgan)	USD	196,673	245,844	295,013	147,507	98,338
Swap long position – Commercial Paper (JP Morgan)	USD	(196,673)	(245,844)	(295,013)	(147,507)	(98,338)
Variation		-	-	-	-	-
Reference for financial assets and liabilities		**Rate appreciation / (depreciation)**	**25%**	**50%**	**(25%)**	**(50%)**
Dollar rate - USD/R$ (September 2013)		2.2600	2.8250	3.3900	1.6950	1.1300

Interest rate risk – Effects on cash flow - Consolidated

			Rate appreciation		Rate depreciation	
Transaction	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**	**Scenario II**	**Scenario III**
Financial assets						
Short-term investments	99.5% to 106.0% CDI	26,053	32,320	38,494	19,691	13,231
Financial liabilities						
1st series debentures	CDI+1.30%	7,599	9,176	10,731	5,999	4,376
2nd series debentures	IPCA+8.10%	2,570	2,856	3,139	2,281	1,988
Single series debentures	105.5% CDI p.a.	30,967	34,855	38,687	27,019	23,011
FINEM BNDES (i) and (ii)	TJLP+1.80% to 2.30%	5,285	6,188	7,086	4,368	3,445
BNDES (Subsidiaries)	TJLP + 1.55% to 2.62% p.a.	3,760	4,320	4,875	3,195	2,625
Derivatives						
Swap IBBA and JP Morgan (MTM position)	98.3% to 103.5% CDI	3,791	4,705	5,607	2,863	1,923
Net effect of variation		**(27,919)**	**(29,780)**	**(31,631)**	**(26,034)**	**(24,137)**
Reference for financial assets and liabilities						
100% CDI (September 2013)		8.24% p.a.	10.30% p.a.	12.36% p.a.	6.18% p.a.	4.12% p.a.

(In thousands of Brazilian reais, unless otherwise stated)

34. Commitments assumed – Operating leases

In addition to the commitment assumed in note 5, the main commitments assumed by CTEEP and its subsidiaries are related to operating leases of vehicles and IT equipment, whose minimum future payments in total and for each one of the periods are as follows:

	06/30/2013	Restated 12/31/2012
Up to 1 year	6,988	5,842
1 to 5 years	525	2,160
	7,513	**8,002**

The lease transactions involving the subsidiary CTEEP as lessee are sublease transactions with its parent company and subsidiaries, and are disclosed in note 30 – related-party transactions.

35. Insurance

The insurance coverage by insurance line is as follows:

			Consolidated
Type	**Effective term**	**Insured amount - R$ thousand**	**Premium - R$ thousand**
Property (a)	10/05/12 to 03/01/14	2,910,911	4,488
General civil liability (b)	01/15/11 to 09/01/13	20,000	184
Domestic transportation (c)	09/30//11 to 09/30/13	124,322	12
Group personal accident (d)	05/01/12 to 05/01/13	13,408	1
Vehicles (e)	03/02/13 to 03/02/14	Market value	22
			4,707

(a) **Property -** coverage against fire and electrical damages for the main equipment installed in transmission substations, buildings and related components, storeroom supplies and facilities, as set forth in concession arrangement 059/2001, clause four, subitem eight, II, Item D, where the transmission company should keep insurance policies to ensure the proper coverage of the most import equipment of the transmission system facilities, and the transmission company should define the assets and facilities to be insured.

(b) **General civil liability -** coverage against repairs for involuntary, personal and/or property damages caused to third parties, as a result of the activities of the subsidiary CTEEP.

(c) **Domestic transportation -** coverage against damages caused to CTEEP's assets and equipment transported in the Brazilian territory.

(d) **Group personal accident** - coverage against personal accidents of executives and apprentices.

(e) **Vehicles -** coverage against crash, fire, theft and third parties.

The assumptions adopted for the taking of insurance, given their nature, are not included in the scope of an audit work. Accordingly, they were not reviewed by our independent auditors.

36. Supplementary pension plan under Law 4819/58

The supplementary pension plan under State Law 4819/58, which established the creation of the State Social Security Fund, is applicable to employees of independent government agencies, companies controlled by the Federal Government and state-owned and managed industrial services, hired through May 13, 1974, and also provided for supplementary pension plans, bonus leave and family allowance. These plan charges are under the responsibility of the São Paulo State Government, whose implementation took place under the agreement entered into between the São Paulo State Finance Department and the subsidiary CTEEP, on December 10, 1999, effective through December 31, 2003.

Such procedure was properly carried out through December 2003 by Fundação CESP, with the funds provided by the São Paulo State Finance Department, transferred through CTEEP. Beginning January 2004, the São Paulo State Finance Department began to process such payments directly, without the intermediation of CTEEP and Fundação CESP.
The subsidiary CTEEP received a decision issued by the 49th São Paulo Labor Court on July 11, 2005, which approved the advanced relief through which Fundação CESP would resume the payment of the benefits under State Law 4819/58, according to the respective regulation, as carried out through December 2003, with funds transferred by CTEEP. In order to comply with such decision, the subsidiary CTEEP monthly requests the funds to the São Paulo State Finance Department, to be transferred to Fundação CESP, which processes the respective payments to the beneficiaries.

Since September 2005 the São Paulo State Finance Department is transferring to the subsidiary CTEEP amounts lower than those established by the decision issued by the 49th Labor Court.

In view of the facts discussed above and by virtue of the decision of the 49th Labor Court, the subsidiary CTEEP transferred to Fundação CESP, from January 2005 to June 2013, the amount of R$2,461,338 for the payment of the benefits under State Law 4819/58, and received from the São Paulo State Finance Department the amount of R$1,605,910 for such purpose. The difference between the amounts transferred to Fundação CESP and reimbursed by the São Paulo State Finance Department, in the amount of R$855,428 (note 9), has been claimed by CTEEP initially through an administrative proceeding, and in December 2010 CTEEP filed a collection lawsuit against the São Paulo State Finance Department to receive said amount. In addition, there are amounts relating to labor claims settled by the Company and under the responsibility of the State Government, in the amount of R$211,929 (note 9), totaling R$1,067,357.

There has been no substantial change in lawsuits in progress with respect to this case.

The subsidiary CTEEP maintains its intention to annul the decision issued by the 49th Labor Court in order to resume the direct payment of the benefits by the São Paulo State Finance Department under State Law 4819/58. CTEEP also reinforces the opinion of its legal department and legal advisors that the expenses in connection with State Law 4819/58 and respective regulation should be fully assumed by the São Paulo State Finance Department and continues to adopt additional measures to protect the Company's interests. In view of these facts, the subsidiary CTEEP recorded this difference as receivables from the Finance Department (note 9 (a)).

In the second half of 2012, the Retiree Association of Fundação CESP filed claim 0022576-08.2012.8.26.0053, against the São Paulo State Finance Department, requesting the reimbursement of the supplementary pension plan regulated by State Law 4819/58 for the payment of the retirement and pension benefits. Company's

Management is monitoring any new facts related to court decision and negotiations on the matter and has continuously assessed possible related impacts thereof on its interim financial information. In addition, Management is evaluating certain measures to collect the aforementioned amounts which are recorded as "Receivables – Finance Department, as described in note 8.

37. Subsequent events

Company

(a) Dividend distribution

(1) On July 4, 2013, ISA Capital paid cumulative fixed dividends to the preferred shareholders HSBC Finance (Brasil) S.A. Banco Múltiplo and Banco Votorantim S.A.. Based on the calculation criterion set forth in article 6 of the Company's bylaws, each preferred share was entitled to receive R$0.037607, totaling R$20,993 paid to all redeemable preferred shares.

(2) On October 4, 2013, ISA Capital paid cumulative fixed dividends to the preferred shareholders HSBC Finance (Brasil) S.A. Banco Múltiplo and Banco Votorantim S.A.. Based on the calculation criterion set forth in article 6 of the Company's bylaws, each preferred share was entitled to receive R$0.042607, totaling R$25,302 paid to all redeemable preferred shares.

(b) Redemption of preferred shares

(1) On July 4, 2013, ISA Capital redeemed a total of 35,630,670 Class B redeemable preferred shares. Based on the criterion set forth in article 6 of the Company's bylaws, the value of each preferred share redeemed was R$2.020731, totaling R$72,000 paid for all Class B redeemable preferred shares;

(2) On October 4, 2013, ISA Capital redeemed a total of 35,630,670 Class C redeemable preferred shares. Based on the criterion set forth in article 6 of the Company's bylaws, the value of each preferred share redeemed was R$2.020731, totaling R$72,000 paid for all Class C redeemable preferred shares.

Consolidated

(c) Borrowings and financing

(1) On October 21, 2013, CTEEP paid off the debt owed to JP Morgan Chase – Commercial Paper, in the amount of USD86,581, equivalent to R$187,153. The swap contract with JP Morgan S.A. in the notional amount of R$150,000 was settled concurrently. The result of the swap transaction was a net positive adjustment of R$26,794.

(d) Law 4819/58 in subsidiary CTEEP

On October 28, 2013, the subsidiary CTEEP disclosed to the market its financial information for the third quarter ended September 30, 2013. The main event which affected CTEEP's profit for that period is disclosed in note 34 to said financial information, which concerns the supplementary pension plan under Law 4819/58. The main new developments in 2013 regarding the matter include:

(i) change in the expected time of realization of some assets, due to the termination of the claim for collection of the amounts owed by the São Paulo State Government to the subsidiary CTEEP, without judgment of the merits, as well as other proceedings;

(ii) confirmation by the Supreme Federal Court (STF) that the small claim court should have jurisdiction to judge the lawsuits filed against the private supplementary pension entities. This decision will be used as the basis to judge the conflict of jurisdiction relating to the CTEEP lawsuit under Law 4819/58, pending judgment by the STF Minister since April 9, 2013; and

(iii) progress of other proceedings under Law 4819/58, such as the recognition of transfers to the subsidiary CTEEP, by the São Paulo Finance Department, of amounts disallowed through April 2013, under the Collective Writ of Mandamus filed by the Electric Energy Industry Workers Union in Campinas.

Due to these main developments described above, CTEEP's Management revised its position and recognized a provision for losses on unrealizable receivables relating to a portion of the amounts receivable which may be collected through a longer period and were not established as an exclusive responsibility of the São Paulo State Finance Department so far.

****