Desenvix Energias Renováveis S.A.

Financial statements at December 31, 2014 and independent auditor's report

Independent auditor's report

To the Board of Directors and Stockholders
Desenvix Energias Renováveis S.A.

We have audited the accompanying parent company financial statements of Desenvix Energias Renováveis S.A. ("Parent company" or "Company"), which comprise the balance sheet as at December 31, 2014 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Desenvix Energias renováveis S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers Auditores Independentes, Avenida Rio Branco, 847, Salas 401, 402, 403 e 409, Florianópolis, SC, Brasil 88015-215
T: (48) 3212-0200, F: (48) 3212-0210, www.pwc.com/br

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desenvix Energias Renováveis S.A. and of Desenvix Energias Renováveis S.A. and its subsidiaries as at December 31, 2014, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil and the IFRS issued by the IASB.

Other matters

**Supplementary information -
Statements of value added**

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2014, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Florianópolis, March 20, 2015

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" SC

Carlos Biedermann
Contador CRC 1RS029321/O-4 "S" SC

Desenvix Energias Renováveis S.A.

Balance sheet
All amounts in thousands of reais

Assets	Parent company December 31, 2014	Parent company December 31, 2013	Consolidated December 31, 2014	Consolidated December 31, 2013
Current assets				
Cash and cash equivalents (Note 5)	159	3,225	23,744	28,803
Accounts receivable (Note 6)	1,087	1,026	30,452	24,177
Dividends receivable (Note 11(a))	22,036	22,481	10,934	10,654
Taxes recoverable	1,845	1,866	9,780	6,459
Inventories			1,233	1,052
Prepaid expenses	3,016	4,610	4,015	7,332
Other assets	946	84	2,684	2,100
	29,089	33,292	82,842	80,577
Investments held for sale		3,060		3,060
	29,089	36,352	82,842	83,637
Non-current assets				
Long-term receivables				
Restricted financial investments (Note 7)	11,170	13,202	51,170	52,119
Related parties (Note 11)	106,990	87,058	14,061	26,824
Deferred income tax and social contribution (Note 21(c))	107		30,713	23,768
Investments at fair value (Note 28)	63,698	66,677	63,698	66,677
Taxes recoverable			269	263
Accounts receivable (Note 6)			23,314	8,015
Other assets			1,355	427
	181,965	166,937	184,580	178,093
Investments (Note 8)	618,069	614,373	180,990	150,556
Property, plant and equipment (Note 9)	464	501	1,142,404	1,194,631
Intangible assets (Note 10)	14,731	17,234	116,210	117,047
Investment property (Note 27)	25,237	25,208	25,237	25,208
	658,501	657,316	1,464,841	1,487,442
Total assets	869,555	860,605	1,732,263	1,749,172

Liabilities and equity	Parent company December 31, 2014	Parent company December 31, 2013	Consolidated December 31, 2014	Consolidated December 31, 2013
Current liabilities				
Trade payables	1,669	2,603	35,771	33,260
Borrowings (Note 12)	58,192	74,505	109,646	122,751
Related parties (Note 11)	5,091	17,616	5,091	7,363
Concessions payable (Note 13)			6,791	6,500
Salaries and social charges	2,979	1,757	6,251	4,135
Taxes and contributions (Note 14)	11,942	9,901	15,343	14,822
Income tax and social contribution (Note 21)			2,814	6,816
Provision for electric power contracts (Note 16)			11,788	7,425
Proposed dividends			47	47
Other liabilities (Note 15)	1,913	1,908	16,229	17,814
	81,786	108,290	209,771	220,933
Non-current liabilities				
Borrowings (Note 12)	84,675	99,800	748,956	800,503
Deferred income tax (Note 21)		1,648	7,783	5,561
Concessions payable (Note 13)			57,702	56,538
Provision for losses on investments (Note 8)	19,711	6,247		
Income tax and social contribution (Note 21)			718	
Taxes and contributions (Note 14)			851	741
Other liabilities (Note 15)	1,285	1,600	24,470	21,390
	105,671	109,295	840,480	884,733
Total liabilities	187,457	217,585	1,050,251	1,105,666
Equity attributable to owners of the parent company (Note 17)				
Share capital	725,312	665,312	725,312	665,312
Carrying value adjustments	30,997	32,963	30,997	32,963
Accumulated deficit	(74,211)	(55,255)	(74,211)	(55,255)
	682,098	643,020	682,098	643,020
Non-controlling interests			(86)	486
Total equity	682,098	643,020	682,012	643,506
Total liabilities and equity	869,555	860,605	1,732,263	1,749,172

The accompanying notes are an integral part of these financial statements.

Desenvix Energias Renováveis S.A.

Statement of operations
Years ended December 31
All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
Revenue	**December 31, 2014**	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Electric power supply			182,903	185,424
Services rendered	11,049	7,866	31,355	25,916
Net operating revenue (Note 18)	11,049	7,866	214,258	211,340
Cost of electric power supply (Note 19)			(83,592)	(85,408)
Cost of services rendered (Note 19)	(4,918)	(6,464)	(23,106)	(18,242)
Gross profit	6,131	1,402	107,560	107,690
General and administrative (Note 19)	(13,216)	(19,087)	(39,448)	(42,506)
Other operating income (expenses), net	2	2,763	160	2,763
Provision for loss on investments	(13,464)	(6,247)		
Share of profit of investees	13,496	13,287		
Operating profit (loss)	(7,051)	(7,882)	68,272	67,947
Finance costs	(35,247)	(35,740)	(126,602)	(131,665)
Finance income	6,437	3,924	26,522	19,212
Finance result (Note 20)	(28,810)	(31,816)	(100,080)	(112,453)
Share of profit of associates	12,214	1,307	12,214	1,307
Dividends received	3,856	2,859	3,856	2,859
Gain on sale of investments	1,244		1,244	
Amortization of goodwill	(1,150)	(1,150)	(1,150)	(1,150)
	16,164	3,016	16,164	3,016
Loss before taxation	(19,697)	(36,682)	(15,644)	(41,490)
Income tax and social contribution (Note 21)	741	5,028	(3,884)	9,000
Loss for the year	(18,956)	(31,654)	(19,528)	(32,490)
Attributable to				
Owners of the Parent company			(18,956)	(31,654)
Non-controlling interests			(572)	(836)
			(19,528)	(32,490)
Basic and diluted loss per thousand shares (Note 26) – R$			(0.16201)	(0.27054)

The accompanying notes are an integral part of these financial statements.

Desenvix Energias Renováveis S.A.

Statement of comprehensive income (loss)
Years ended December 31
All amounts in thousands of reais

	Parent company		Consolidated	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Loss for the year	(18,956)	(31,654)	(19,528)	(32,490)
Other comprehensive income (loss), net of taxes				
Changes in fair value of available-for-sale financial instruments (Note 28)	(1,966)	(11,469)	(1,966)	(11,469)
Total comprehensive income (loss) for the year	(20,922)	(43,123)	(21,494)	(43,959)
Attributable to				
Owners of the Parent company			(20,922)	(43,123)
Non-controlling interests			(572)	(836)
			(21,494)	(43,959)

The accompanying notes are an integral part of these financial statements.

Desenvix Energias Renováveis S.A.

Statement of changes in equity
All amounts in thousands of reais

	Attributable to owners of the Parent company					Under IFRS
	Share capital	Carrying value adjustments	Accumulated deficit	Total	Non-controlling interests	Total equity
At January 1, 2013	665,312	44,432	(23,601)	686,143	1,322	687,465
Comprehensive income (loss)						
Fair value of available-for-sale financial instruments		(11,469)		(11,469)		(11,469)
Loss for the year			(31,654)	(31,654)	(836)	(32,490)
At December 31, 2013	**665,312**	**32,963**	**(55,255)**	**643,020**	**486**	**643,506**
Capital increase	60,000			60,000		60,000
Comprehensive income (loss)						
Fair value of available-for-sale financial instruments		(1,966)		(1,966)		(1,966)
Loss for the year			(18,956)	(18,956)	(572)	(19,528)
At December 31, 2014	**725,312**	**30,997**	**(74,211)**	**682,098**	(86)	**682,012**

The accompanying notes are an integral part of these financial statements.

Desenvix Energias Renováveis S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of reais

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cash flows from operating activities				
Loss before taxation	(19,697)	(36,682)	(15,644)	(41,490)
Adjustments				
Finance income from long-term receivables	(1,115)	(648)	(4,179)	(3,062)
Equity in the results of investees	(25,710)	(14,594)	(12,214)	(1,307)
Gain on sale of assets for sale	(1,244)		(1,244)	
Residual value of property, plant and equipment disposals			5,631	
Depreciation and amortization	89	79	61,470	65,197
Amortization of goodwill	1,150	1,150	1,150	1,150
Provision for losses on investments	13,464	6,247		
Foreign exchange losses (gains) on financial activities			14,068	15,221
Financial charges capitalized in subsidiaries	348	527	344	527
Financial charges on borrowings	25,036	13,674	75,916	74,755
Impairment of intangible assets	1,820		1,820	
Provision (reversal) for losses on electric power contracts			4,363	(3,595)
	(5,859)	(30,247)	131,481	107,396
Changes in assets and liabilities				
Accounts receivable	(61)	308	(21,574)	3,233
Taxes recoverable	21	(23)	(3,327)	(2,072)
Other changes in assets	732	(4,002)	1,621	(13,412)
Trade payables	(934)	(474)	2,511	(26,061)
Salaries and social charges	1,222	(221)	2,116	(105)
Taxes and contributions	2,041	(1,132)	631	799
Other changes in liabilities	(310)	1,470	2,951	(30,402)
Cash provided by (used in) operations	(3,148)	(34,321)	116,410	39,376
Interest paid on borrowings	(24,813)	(13,349)	(76,016)	(70,707)
Income tax and social contribution paid			(10,878)	(9,338)
Net cash provided by (used in) operating activities	(27,961)	(47,670)	29,516	(40,669)
Cash flows from investing activities				
(Application in) redemption of restricted financial investments	3,147	(7,616)	5,128	(9,034)
Acquisition of investments and capital increases	(18,746)	(50,516)	(18,746)	(50,516)
Dividends received	39,678	24,424	220	371
Acquisition of property, plant and equipment and addition to intangible assets	(85)	(3,923)	(18,067)	(16,634)
Sale of investment, net of cash received	4,304	16,976	4,304	16,976
Related-party transactions	(31,741)	8,041	11,207	(6,114)
Loss on non-subsidiary entities at fair value		8		8
Net cash used in investing activities	(3,443)	(12,606)	(15,954)	(64,943)
Cash flows from financing activities				
Proceeds from borrowings	45,005	75,000	45,033	75,000
Repayment of borrowings - principal	(76,667)	(18,625)	(123,654)	(65,262)
Capital increase	60,000		60,000	
Net cash provided by (used in) financing activities	28,338	56,375	(18,621)	9,738
Net decrease in cash and cash equivalents	(3,066)	(3,901)	(5,059)	(95,874)
Cash and cash equivalents at the beginning of the year	3,225	7,126	28,803	124,677
Cash and cash equivalents at the end of the year	159	3,225	23,744	28,803

The accompanying notes are an integral part of these financial statements.

Desenvix Energias Renováveis S.A.

Statement of value added
Years ended December 31
All amounts in thousands of reais

	Parent company		Consolidated	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Revenue				
Sales of products and services	11,049	7,866	226,740	229,717
Other income and expenses	1,244	2,769	1,447	2,763
	12,293	10,635	228,187	232,480
Inputs acquired from third parties (includes taxes - ICMS and IPI)				
Cost of electric power supply			(54,953)	(25,967)
Cost of services rendered	(7,628)	(13,271)	(8,083)	(33,944)
	(7,628)	(13,271)	(63,036)	(59,911)
Gross value added (1-2)	4,665	(2,636)	165,151	172,569
Retentions				
Depreciation, amortization and depletion	(1,239)	(1,229)	(62,620)	(66,349)
Net value added provided by the entity (3-4)	3,426	(3,865)	102,531	106,220
Value added received through transfer				
Equity in the results of investees	12,247	8,347	12,214	1,307
Finance income	6,437	3,924	26,522	19,212
Dividend income	3,856	2,859	3,856	2,859
	22,540	15,130	42,592	23,378
Total value added to distribute (5+6)	25,966	11,265	145,123	129,598
Distribution of value added				
Personnel and social charges	10,417	12,202	34,136	36,743
Taxes and contributions	(741)	(5,028)	3,884	9,377
Third-party capital remuneration (interest and rentals)	35,246	35,745	126,631	115,968
Profits reinvested/loss for the period	(18,956)	(31,654)	(18,956)	(31,654)
Non-controlling interests in profits reinvested			(572)	(836)
	25,966	11,265	145,123	129,598

All amounts in thousands of reais unless otherwise stated

1 General information

(a) Operations

The principal activity of Desenvix Energias Renováveis S.A. (the "Company" or "Parent company") and its subsidiaries (together referred to as "the Group"), headquartered in the City of Florianópolis, State of Santa Catarina, comprises investing in other companies in the areas of electric power generation and transmission. The Group's activities are integrated and cover the entire business cycle, from the execution of initial studies on the rivers, licensing, financial and economic modeling, financing, and construction up to the operations of electric power transmission and generation ventures.

The Group invests in electric power generation projects through (i) hydroelectric power plants ("UHEs"); (ii) small hydroelectric power plants ("PCHs"); (iii) wind farms ("UEEs"); (iv) biomass thermal power plants ("UTEs") and (v) transmission lines ("LTs").

The Company's installed capacity is 349 MW, comprising 15 ventures working with 100% renewable energy generation.

In addition, the Company has a participation of 25.5% in two transmission lines with an extension of 511 km. The Company owns 100% of Enex O&M de Sistemas Elétricos Ltda. (“Enex”), the main purpose of which is to provide Operation and Maintenance (O&M) services to plants of subsidiary companies and other customers of the electric power sector.

In 2014, certain events relating to the generation of electric power, such as the good generation performance of the Bahia Wind Farm, affected these financial statements, resulting in the recognition of revenue above the contracted amount. On the other hand, despite the good generation performance of the hydroelectric power plants, the Group suffered the effects of the Brazilian water crisis, and the financial statements were adversely affected by the Generation Scaling Factor (GSF), in the amount of R$ 40,000.

Also in 2014, the Group adopted measures to improve the use of resources, which caused a material decrease in costs and expenses.

The issue of these financial statements was authorized by the management on March 20, 2015.

Projects in operation

The Group, through its subsidiaries, holds several authorizations and concessions for ventures in operation, which include:

Companies	Electric power source	Beginning of operations	Installed capacity in MW	Termination of contracts (authorizations/concessions)
Esmeralda S.A.	PCH	December 23, 2006	22.2 MW	December 21, 2031
Santa Laura S.A.	PCH	October 1, 2007	15 MW	September 27, 2030
Santa Rosa S.A.	PCH	July 1, 2008	30 MW	May 31, 2031
Moinho S.A.	PCH	September 19, 2011	13.7 MW	August 14, 2038
Enercasa Energética S.A. (ii)	UTE	October 26, 2011	33 MW	February 25, 2044
Passos Maia Energética S.A	PCH	February 17, 2012	25 MW	March 2, 2034
Monel Monjolinho Energética S.A.	UHE	August 31, 2009	74 MW	April 22, 2037
Dona Francisca Energética S.A.	UHE	February 5, 2001	125 MW	August 28, 2033

All amounts in thousands of reais unless otherwise stated

Companies	Electric power source	Beginning of operations	Installed capacity in MW	Termination of contracts (authorizations/concessions)
Ceran Cia. Energética Rio das Antas (i)	UHE	December 29, 2004	360 MW	December 31, 2029
Macaúbas Energética S.A.	UEE	July 5, 2012	35.07 MW	June 16, 2045
Novo Horizonte Energética S.A.	UEE	July 5, 2012	30.06 MW	July 28, 2045
Seabra Energética S.A.	UEE	July 5, 2012	30.06 MW	July 28, 2045
Energen Energias Renováveis S.A.	UEE	September 28, 2012	34.5 MW	July 5, 2045
Goiás Transmissão S.A.	LT	November 14, 2013	500/230 KV	June 11, 2040
MGE Transmissão S.A.	LT	August 11, 2014	500/230 KV	July 10, 2040

(i) CERAN - Cia. Energética Rio das Antas is the company responsible for the construction and operation of the Rio das Antas Energy Complex. The Company owns 5% of this project. The complex is formed by the Monte Claro, Castro Alves and 14 de Julho hydroelectric power plants. The project is operated by CPFL Geração de Energia S.A.

(ii) By Order 4,205, issued by the National Electric Energy Agency (ANEEL) on October 25, 2011, Enercasa Energética S.A. was authorized to begin its commercial operations as from October 26, 2011, when the electric power produced by the UTE generation plant, totaling 33,000 KW, started to be available to the system. However, as a result of issues with its main supplier of the raw material used in the generation of steam, the operations of Enercasa Energética S.A. have been suspended since December 2012.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by investment properties, available-for-sale financial assets and other financial assets and financial liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(a) Parent company financial statements

The parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil issued by the CPC and are disclosed together with the consolidated financial statements.

(b) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).
The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

(c) Changes in accounting policies and disclosures

Revision of CPC 07, "Equity Method of Accounting in Separate Financial Statements ", amends the wording of CPC 35, "Separate Financial Statements" in order to include the changes made by the IASB to IAS 27, "Separate Financial Statements". The amendment allows entities to use the equity method to account for investments in subsidiaries in the separate financial statements and, as a result, the accounting practices adopted in Brazil are in line with the International accounting standards.

Other amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not material to the Group.

2.2 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. They are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition. Acquisition-related costs are expensed as incurred.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity, in "Carrying value adjustments".

(c) Loss of control of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates and joint arrangements

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements are all entities over which the Group shares control with one or more parties. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint arrangements are accounted for in the financial statements in a manner consistent with the Group's contractual rights and obligations. Therefore, the assets, liabilities, revenues and expenses related to its interests in joint operations are individually accounted for in its financial statements.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2.11 for the impairment of non-financial assets, including goodwill.

The Group's share of the profit or loss of its associates and joint ventures is recognized in the statement of operations and its share of reserve movements is recognized in the Group reserves. When the Group's share of losses in an associate or joint venture equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled investee.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and jointly-controlled investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates are recognized in the statement of operations.

2.3 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The parent company and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, and also the Group's presentation currency.

2.4 Segment reporting

The Group does not report information by segment, considering that its activities are mainly related to the generation and trading of electric power through long-term agreements, which substantially represented the Group's total revenue in 2014 and 2013.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and with immaterial risk of change in value.

2.6 Financial assets

2.6.1 Classification

Management classifies financial assets, upon initial recognition, in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired.

Financial assets are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. All financial assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables" and "Cash and cash equivalents" in the balance sheet (Notes 2.5 and 2.7).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the previous categories. These financial assets are investments included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

2.6.2 Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of operations. Financial assets are derecognized when the rights to receive cash flows from investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the statement of operations within "Other gains (losses), net" in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

When securities classified as available for sale are sold or become impaired, the accumulated fair value adjustments recognized in equity are included in the statement of operations as "Finance income and costs".

Interest on available-for-sale securities calculated using the effective interest rate method is recognized in the statement of operations as part of other income.

Dividends on financial assets carried at fair value through profit or loss and available-for-sale equity instruments, such as shares, are recognized in the statement of operations as part of other income when the Company's right to receive dividends is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.6.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of operations.

(b) Assets classified as available for sale

If there is objective evidence of impairment, the accumulated loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of operations. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of operations.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss is removed from equity and recognized in profit or loss. Impairment losses recognized in the statement of operations are not reversed.

2.7 Derivative financial instruments through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of operations within "Other gains (losses), net".

2.8 Accounts receivable

Accounts receivable correspond to: (i) power supply contracted up to the financial statement date; (ii) advisory and management services rendered; and operation and maintenance (O&M) services rendered. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment of trade receivables.

2.9 Other current and non-current assets

Taxes recoverable mainly comprise credits arising from the Social Integration Program (PIS), Social Contribution on Revenues (COFINS), Income Tax and Social Contribution withheld at source on services rendered, power supply and others, stated at cost or realizable value, including, when applicable, indexation charges.

Prepaid expenses relate to costs for the issuance of a bank guarantee letter and insurance, appropriated on a pro-rata temporis basis.

2.10 Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, including financial charges incurred on borrowings during the construction phase of the plants, net of depreciation calculated on the straight-line method, based on the annual rates (Note 9) established by the National Electric Power Agency (ANEEL). The rates are applied by the industry and accepted by the market as appropriate and are limited to the concession or authorization periods of the plants, when applicable.

Gains and losses on sales are determined by comparing the sales amounts with the book values and are included in the statement of operations.

Repairs and maintenance costs are allocated to the results of operations as they are incurred. The cost of major renovations is included in the book value of the asset when it is probable that the Group will realize future economic benefits that exceed the performance initially expected for the existing asset. Major renovations are depreciated over the remaining useful life of the related asset.

Regarding the assets, including land, that will revert to the authorities at the end of the concession or authorization period, accounted for in property, plant and equipment, the Company has established their residual value as zero.

2.11 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements. If negative goodwill is determined, the amount is recorded as a gain in profit or loss for the period on the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to Cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Project studies

The expenditures incurred in the development of inventory, feasibility and environmental studies related to the utilization of hydroelectric, wind and other sources, are initially recorded at cost, and subsequently reduced to their recoverable values, since recovery depends on the approval of the related studies and the holding of new energy generation project auctions by ANEEL, as well as, when applicable, the obtaining of a prior environmental license by the winners of the auction, with unspecified terms and conditions.

On ANEEL's approval of the studies related to UHEs, formalized through Orders or Official Letters, when the Company's right to reimbursement of costs incurred by the entity winning the new energy generation project in auction is secured, an asset is recorded with a corresponding entry to the results of operations, since there are clear and objective indications, based on internal or external sources, of the right to develop the resource or receive reimbursement of costs, as applicable.

In the specific case of PCHs and wind farms, the asset is recorded when the concession is obtained, or when there is clear and objective evidence that it will be obtained, such as: being classified as a priority project, the granting of an environmental license, land near the reservoir, or a basic project, which has been accepted by ANEEL and is in its final completion phase, among others. These conditions are analyzed, on an individual or joint basis, considering relevant facts and circumstances.

If the winner of the auction is a third party, the related expenditures will be billed according to contractual conditions and standards issued by ANEEL, subject to the Long-term Interest Rate (TJLP) as from the approval date up to the payment date, limited to 10% per annum. It is therefore treated as a financial asset based on the contractual right to receive amounts from the third party. If the winner of the auction is a related party (subsidiary formed to develop the new energy generation project), the related expenditure may be billed to it, or considered as a capital contribution in the related company.

Prospecting expenditures are recognized as expenses when incurred.

(c) Concession right – use of public assets

This refers to the right of exploration of the hydroelectric resources and the transmission line arising from the concession agreement formalized by Monel Monjolinho Energética S.A. with ANEEL. It was constituted by the fair value of the right related to the use of public assets (UBP) up to the end of the concession agreement and is being amortized over the corresponding period, as from the beginning of the plant's operations.

(d) Environmental licenses

Preliminary licenses and installation licenses, obtained during the planning stage of a venture and on its installation, are recognized as the cost of the plant, more specifically as cost of dams, according to ANEEL's accounting manual, and depreciated over the useful lives of these dams. Regarding operating licenses which are obtained when the ventures start to operate, if the environmental costs associated to obtaining these licenses are paid before the license is effectively issued, the amount paid is recorded in intangible assets - operating licenses and amortized over the period of effectiveness of the license. If the license is obtained before the payments are made, the estimated amount of these disbursements is provided for and recorded as an intangible asset (Note 10) at the time the license becomes effective.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs)). Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due in one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.14 Borrowings

Borrowings are recognized on the receipt of the funds, net of transaction costs, and are subsequently presented at cost, net of payments made, plus charges and interest in proportion to the period elapsed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. The other borrowing costs are recognized as finance costs in the period in which they are incurred.

2.15 Concessions payable

Concessions payable are held-to-maturity financial instruments, stated at amortized cost and adjusted by the General Market Price Index (IGP-M) up to the balance sheet date. The balances of current and non-current liabilities are recognized at present value, considering a discount rate of 9.50%.

2.16 Provisions

Provisions are recognized when there is a legal or informal present obligation as a result of past events, it is probable that a cash outflow will be necessary to settle the obligation, and a reliable estimate of the amount can be made.

Provisions for environmental restoration and legal claims (labor, civil and tax) are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions do not include future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.17 Current and deferred income tax and social contribution

The current income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are generally presented separately, and not on a net basis.

The income tax and social contribution benefit or expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of operations, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

These taxes are calculated based on criteria established by current tax legislation.

Management periodically evaluates positions taken by the Group in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(a) Taxable profit

Under the taxable profit system, taxes are calculated at the standard rate of 15% plus a surcharge of 10% for income tax and 9% for social contribution.

(b) Deemed profit

As permitted by current tax legislation, the calculation bases of income tax is computed at the rate of 8% and social contribution at the rate of 12% on gross revenue (32% in the case of services revenue) and 100% on the other income, including finance income, to which the standard rates of the related income tax and social contribution apply.

Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) are discussed in Note 21.

2.18 Other current and non-current liabilities

These liabilities are stated at known or estimated amounts including, where applicable, related financial and indexation charges.

2.19 Share capital

The Company has only common shares, which are fully classified in equity.

2.20 Revenue recognition

(a) Sale of electric power

Revenues from the sale of services and power supply are recognized when the significant risks and benefits are transferred to the purchaser.

In the case of inventory, feasibility and environmental studies related to the utilization of hydroelectric, wind and other resources, revenue, or cost recovery, is recorded when the economic benefits are likely to be available to the Company, which will occur at the time of the energy auction, when the entity winning the auction, through a contractual provision, undertakes to pay the Company for the studies. This could still depend, under certain circumstances, on the obtaining of prior environmental license.

The Energy Reallocation Mechanism (MRE) is designed to enable the sharing of the hydrologic risks associated to the centralized distribution of power, ensuring that all plants receive their physical guarantee levels regardless of the real energy production level. The MRE reallocates the energy produced, transferring from entities which generated above their physical guarantee to those which generated below it. The MRE adjustment is calculated and informed at the end of each year by the Brazilian Electricity Company (Eletrobras), and its amount (revenue or cost) is recorded only at year end.

(b) Reserve Power Agreement – CER

On March 9, 2010, Special Purpose Entities (SPE) UEE Macaúbas, UEE Novo Horizonte and UEE Seabra entered into a Reserve Power Agreement (CER) with the Electric Energy Trade Chamber (CCEE), regarding the quantity of electric power.

Pursuant to this agreement, these SPEs commit to sell all their electric power generated to the CCEE, for a period of 20 years as from July 1, 2012, at the price of R$ 149.99/MWh (R$ 183.63 at December 31, 2014), annually restated by the Amplified Consumer Price Index (IPCA).

On November 25, 2010, Special Purpose Entity (SPE) UEE Barra dos Coqueiros (Energen) entered into a Reserve Power Agreement (CER) with the Electric Energy Trade Chamber (CCEE), regarding the quantity of electric power.

Pursuant to this agreement, Energen commits to sell all its electric power generated to the CCEE, for a period of 20 years as from July 1, 2012, at the price of R$ 152.50/MWh (R$ 200.04 at December 31, 2014), annually restated by the Amplified Consumer Price Index (IPCA).

In addition, the agreements establish a tolerance limit between the power effectively generated and the power contracted. If the power generated is inferior to 90% of the power contracted, an adjustment equivalent to 115% of the contractual price will be made to the amount in MWh that is inferior to the 90%. If the power generated is superior to 130% of the power contracted, the Company will receive the equivalent to 70% of the price of the amount exceeding the 130%. In both cases, the compensation will occur in the year subsequent to that in which the difference was verified.

(c) Sales of services

Enex, a subsidiary of the Group, provides services related to the operation and maintenance of the power plants of the Group and of third parties.

These services are rendered based on the time incurred and on the materials utilized, or based on a fixed-price contract. The revenue from these services is recognized as they are rendered.

Contract terms generally range from one to five years.

(d) Interest income

Interest income is recognized on the accrual basis, using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time elapses, interest is incorporated into receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the instrument.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.21 New standards and interpretations to existing standards that are not yet effective

The following new standards were issued by IASB but are not effective for 2014. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

- IFRS 15, "Revenue from Contracts with Customers", replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and related interpretations and introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. Effective date is January 1, 2017. Management is yet to assess IFRS 15's full impact.

- IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the guidance included in IAS 39 related to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the current incurred loss impairment model. IFRS 9 relaxes the requirements for hedge effectiveness. It also requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Management is yet to assess IFRS 9's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.22 Employee benefits

(a) Profit sharing and bonuses

The Group recognizes a liability and an expense for profit sharing based on a methodology that takes into consideration the profit for the year.

The payment of profit sharing and bonuses represents variable remuneration, which is based on the accomplishment of both individual and corporate goals.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful life of property, plant and equipment

The Company recognizes the depreciation of its property, plant and equipment items based on the annual rates established by ANEEL, limited to the concession period of the plants, when applicable. However, actual useful lives may differ depending on the technological update of each plant. The useful lives of property, plant and equipment items also affect the impairment testing of long-lived assets, when necessary.

(b) Test of impairment of long-lived assets

There are specific rules for the valuation of impairment of long-lived assets, especially property, plant and equipment. At the closing date of the financial year, the Group realizes tests to identify any evidence that the carrying value of long-lived assets is impaired. If there is such evidence, the Group estimates the recoverable amount of these assets.

The recoverable amount of an asset is determined as the higher of: (i) its fair value less estimated selling costs; and (ii) its value in use. The value in use is measured based on discounted cash flows deriving from the continuous use of the asset until the end of its useful life. When the book value of an asset exceeds its recoverable value, the Group recognizes a reduction in the book value of this asset, as applicable.

The review process of the asset's recoverable amount is subjective and requires significant judgments and analyses. At December 31, 2014, based on its analyses, the Group did not identify the need for constituting a provision for the impairment of long-lived assets.

The balances of long-term property, plant and equipment and intangible assets are classified with "Property, plant and equipment" and "Intangible assets", respectively.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, which include the use of recent transactions with third parties and discounted cash flow analysis. The Group uses judgment to select among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

4 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to stockholders, return capital to stockholders or sell assets to reduce, for example, debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt expressed as a percentage of total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and restricted financial investments. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2014 and December 31, 2013 were as follows:

All amounts in thousands of reais unless otherwise stated

		Parent company
	December 31, 2014	December 31, 2013
Total borrowings (Note 12)	142,867	174,305
Less: cash and cash equivalents (Note 5)	159	3,225
Less: restricted financial investments (Note 7)	11,170	13,202
Net debt	131,538	157,878
Total equity	682,098	643,020
Total capital	813,636	800,898
Gearing ratio - %	16.17	19.71

		Consolidated
	December 31, 2014	December 31, 2013
Total borrowings (Note 12)	858,602	923,254
Less: cash and cash equivalents (Note 5)	23,744	28,803
Less: restricted financial investments (Note 7)	51,170	52,119
Net debt	783,688	842,332
Total equity	682,012	643,506
Total capital	1,465,700	1,485,838
Gearing ratio - %	53.47	56.69

5 Cash and cash equivalents

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cash and banks	159	3,222	21,709	22,046
Financial investments (i)		3	2,035	6,757
	159	3,225	23,744	28,803

(i) Financial investments are represented by Bank Deposit Certificates (CDB) and fixed income funds, with earnings linked to the Interbank Deposit Certificates (CDI), in competitive market conditions, issued by financial institutions in Brazil. These financial investments are redeemable at any time with no penalty.

6 Accounts receivable

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Customers - electric power supply (i)			48,723	29,148
Customers - third-party services (ii)			4,988	2,892
Customers - related parties (Note 11)	1,307	1,246	275	372
Provision for impairment of trade receivables (iii)	(220)	(220)	(220)	(220)
Total	1,087	1,026	53,766	32,192
Current assets	1,087	1,026	30,452	24,177
Non-current assets			23,314	8,015

(i) Refers to electric power supply contracts in the ambit of the Incentive Program for Alternative Sources of Electric Power (PROINFA) and the Electric Power Trade Chamber (CCEE) and with third parties, with an average maturity of 35 days. The balances presented in non-current assets exclusively refer to electric power generation in excess of the amount contracted under the Reserve Power Agreement (CER) entered into with CCEE. The surplus, up to a limit of 130% of the contracted amount, is received at the end of every contractual four-year period, whereas the surplus that exceeds 130% of the contracted amount is received on completion of the calculations for each contractual year, in 12 months.

All amounts in thousands of reais unless otherwise stated

(ii) The balance at December 31, 2014 (consolidated) refers to receivables of the subsidiary Enex O&M de Sistemas Elétricos Ltda.

(iii) The balance provided for at December 31, 2014 refers to 100% of outstanding receivables from Usina Hidrelétrica de Cubatão S.A.

7 Restricted financial investments

In compliance with the financing agreements with the National Bank for Social and Economic Development (BNDES) to fund the construction of the Esmeralda, Santa Laura, Santa Rosa, and Moinho Small Hydroelectric Plants and the Alzir dos Santos Antunes Hydroelectric Power Plant, and with Banco do Nordeste do Brasil S.A. (BNB) for financing the construction work of the Novo Horizonte, Seabra and Macaúbas Wind Power Plants, the companies must maintain balances in an interest-earning current account, or financial investment account, denominated "reserve account", with sufficient funds to settle the equivalent of the last three monthly installments of, at least, the principal, interest and other charges at any time. This amount will remain blocked throughout the repayment term of the respective financing contract (Note 12).

The investments are held with the banks Itaú S.A., Bradesco S.A., Banco do Nordeste do Brasil S.A. and Banco do Brasil S.A., with a yield equivalent to the CDI under competitive market conditions.

The changes in restricted financial investments in non-current assets were as follows:

	Parent company	
	December 31, 2014	**December 31, 2013**
At the beginning of the year	13,202	4,938
Investments		7,616
Income	1,115	648
Redemptions	(3,147)	
At the end of the year	11,170	13,202

	Consolidated	
	December 31, 2014	**December 31, 2013**
At the beginning of the year	52,119	40,023
Investments	24,878	17,401
Income	4,179	3,062
Redemptions	(30,006)	(8,367)
At the end of the year	51,170	52,119

8 Investments

	Parent company		Consolidated	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
In subsidiaries	433,538	460,276		
In associates and other companies	184,531	154,097	180,990	150,556
	618,069	614,373	180,990	150,556

The analysis of investments in subsidiaries, associates and other companies is as follows:

All amounts in thousands of reais unless otherwise stated

	Parent company	
	December 31, 2014	December 31, 2013
Subsidiaries		
Enercasa - Energia Caiuá S.A.	2,649	2,739
Energen Energias Renováveis S.A.	1,740	11,023
Enex O&M de Sistemas Elétricos Ltda.	1,440	3,127
Esmeralda S.A.	30,045	35,681
Macaúbas Energética S.A.	41,807	39,856
Moinho S.A.	42,284	43,585
Monel Monjolinho Energética S.A.	112,690	118,519
Novo Horizonte Energética S.A.	43,508	39,410
Santa Laura S.A.	26,902	29,105
Santa Rosa S.A.	52,687	62,649
Seabra Energética S.A.	43,752	39,654
	399,504	425,348
Goodwill on the acquisition of investments	39,609	40,770
Unrealized profits in the parent company	(5,575)	(5,842)
Total investments in subsidiaries	433,538	460,276
Associates		
Goiás Transmissão S.A.	81,244	70,543
MGE Transmissão S.A.	73,496	55,369
Passos Maia Energética S.A.	25,595	23,989
Usina Hidrelétrica de Cubatão S.A.	655	655
	180,990	150,556
Goodwill - concession right	3,541	3,541
Total investments in associates	184,531	154,097
Total investments	618,069	614,373

All amounts in thousands of reais unless otherwise stated

(a) The main information on equity investments is summarized as follows:

December 31, 2014	Ownership interest - (%)	Assets	Liabilities	Equity (net capital deficiency)	Profit (loss) for the year	Equity in results adjusted by profits realized of assets
Subsidiaries						
Energen - Energias Renováveis S.A.	95	155,134	156,857	(1,723)	(11,435)	(10,863)
Enex O&M de Sistemas Elétricos Ltda.	100	9,816	8,376	1,440	1,188	1,188
Esmeralda S.A.	99.99	62,647	32,602	30,045	6,038	6,049
Macaúbas Energética S.A.	99.99	162,167	122,176	39,991	2,011	2,011
Moinho S.A.	99.99	98,408	56,750	41,658	(1,284)	(1,216)
Monel Monjolinho Energética S.A.	99.99	336,458	223,769	112,689	913	1,005
Novo Horizonte Energética S.A.	99.99	140,767	99,327	41,440	5,128	5,128
Santa Laura S.A.	99.99	56,610	29,708	26,902	1,302	1,318
Santa Rosa S.A.	99.99	125,661	72,974	52,687	1,808	1,888
Seabra Energética S.A.	99.99	140,277	98,067	42,210	5,351	5,351
Share of profit of subsidiaries						11,859
Enercasa - Energia Caiuá S.A.	100	69,362	87,436	(18,074)	(11,827)	(11,827)
Share of losses of subsidiaries						(11,827)
Associates						
BBE Bioenergia S.A.	12.5					
Goiás Transmissão S.A.	25.5	790,666	333,266	457,400	(278)	7,000
MGE Transmissão S.A.	25.5	492,138	153,963	338,175	64,690	3,110
Passos Maia Energética S.A.	50	137,272	80,875	56,397	4,208	2,104
Usina Hidrelétrica de Cubatão S.A.	20	5,620	3,971	1,649		
Share of profit of associates						12,214
Share of profit of associates and subsidiaries						12,246

The equity at December 31, 2014 of Monel Monjolinho Energética S.A., Esmeralda S.A., Santa Laura S.A., Santa Rosa S.A. and Moinho Energética S.A. was adjusted, for equity accounting purposes, by the amount of unrealized profits arising from transactions carried out between the Company and these subsidiaries, in the amounts of R$ 2,155, R$ 153, R$ 231, R$ 1,475 and R$ 1,561 (2013 – R$ 2,247, R$ 165, R$ 247, R$ 1,555 and R$ 1,629), respectively.

All amounts in thousands of reais unless otherwise stated

The changes in the provisions for losses on investments were as follows:

	Parent company
Provision for losses - Enercasa	6,247
At December 31, 2013	6,247
Provision for losses - Enercasa	11,827
Provision for losses - Energen	1,637
At December 31, 2014	19,711

Changes in investments in the year were as follows:

	Parent company	Consolidated
	2013	2013
At the beginning of the year	**582,934**	**108,789**
Capital contributions or advances for future capital increase	50,516	50,516
Share of profit of subsidiaries	13,288	
Share of profit of associates and jointly-controlled investees	1,306	1,306
Dividends	(30,704)	(10,649)
Reversal of dividends - MGE and Goiás	777	777
JSCP Monel Monjolinho Energética S.A.	(2,067)	
Amortization of goodwill	(1,150)	
Amortization of capitalized interest	(527)	(183)
	614,373	150,556

	Parent company	Consolidated
	2014	2014
At the beginning of the year	614,373	150,556
Capital contributions or advances for future capital increase	18,717	18,717
Share of profit of subsidiaries	13,496	
Share of profit of associates and jointly-controlled investees	12,214	12,214
Dividends	(39,233)	(500)
Amortization of goodwill	(1,150)	
Amortization of capitalized interest	(348)	3
	618,069	180,990

All amounts in thousands of reais unless otherwise stated

9 Property, plant and equipment

				Consolidated
			At December 31, 2014	At December 31, 2013
	Cost	Accumulated depreciation	Net	Net
Plants and other assets				
Land	14,862	(2,924)	11,938	16,903
Land - judicial deposits (i)	1,003		1,003	976
Reservoirs, dams and water mains	443,660	(94,139)	349,521	362,289
Buildings, civil construction and improvements	38,147	(8,011)	30,136	31,460
Machinery and equipment	770,712	(107,205)	663,507	697,763
Materials stored in warehouses and other	2,621	(90)	2,531	1,799
Furniture and fittings	691	(292)	399	439
IT and other equipment	1,072	(669)	403	408
Other	417	(141)	276	315
Connection systems				
Land	424		424	424
Buildings, civil construction and improvements	1,302	(140)	1,162	1,149
Machinery and equipment	79,530	(11,377)	68,153	69,209
Construction in progress, rights of way and other				119
Construction in progress	12,951		12,951	11,378
	1,367,392	(224,988)	1,142,404	1,194,631

(i) "Land - judicial deposits" refers to the amount deposited in escrow as a result of lawsuits in progress filed due to disagreement with amounts related to the expropriation of areas required for the installation of plants (Santa Laura, Santa Rosa, Monel and Moinho), as approved by ANEEL (declaration of public utility for expropriation purposes). The legal advisors responsible for monitoring the lawsuits classify the likelihood of a favorable outcome in these cases as probable.

The balance of the parent company property, plant and equipment totaled R$ 464 at December 31, 2014 (R$ 501 at December 31, 2013). The depreciation for 2014 was R$ 72 (R$ 79 at December 31, 2013).

All amounts in thousands of reais unless otherwise stated

					Consolidated
	Plants and other assets	Connection systems	Advances to suppliers	Construction in progress	Total
At January 1, 2013	1,216,982	74,064	765	7,904	1,299,715
Purchases	1,082		1,892	1,533	4,507
Amortization of financial charges capitalized	(528)				(528)
Transfers between accounts	(641)	501	(1,955)	2,095	
Depreciation	(56,004)	(3,482)			(59,486)
Disposals	(48,540)	(182)	(702)	(153)	(49,577)
At December 31, 2013	1,112,351	70,901		11,379	1,194,631
Purchases	1,444			6,911	8,355
Amortization of financial charges capitalized	(344)				(344)
Transfers between accounts	3,183	1,938		(5,121)	
Depreciation	(51,519)	(3,088)			(54,607)
Disposals	(5,401)	(13)		(217)	(5,631)
At December 31, 2014	1,059,714	69,738		12,952	1,142,404

The annual depreciation rates of property, plant and equipment are as follows:

	%
	Weighted average rate
Plants and other assets	
Reservoirs, dams and water mains	4.23
Buildings, civil construction and improvements	3.99
Machinery and equipment	4.31
Furniture and fittings	6.25
IT and other equipment	14.29
Connection systems	
Buildings, civil construction and improvements	3.66
Machinery and equipment	4.00

10 Intangible assets

The composition of intangible assets can be summarized as follows:

				Parent company
			2014	2013
	Contracts with a resolutory condition	Other contracts and costs	Total	Total
Feasibility and environmental studies				
UHE Riacho Seco (i)	3,350	6,186	9,536	10,257
UHE Torixoréu	2,500		2,500	2,500
UHE Itapiranga	1,100		1,100	1,100
Inventory studies				
Itacaiunas River				1,820
Basic projects and other				
PCH Bonança (ii)	1,493	9	1,502	1,502
Other		93	93	55
	8,443	6,288	14,731	17,234

All amounts in thousands of reais unless otherwise stated

(i) Expenditures reviewed and approved by ANEEL in 2010, pursuant to Circular Letters 243/2010 and 453/2010.

(ii) Basic project in the final phase of approval, supported by prior environmental license, and land for the reservoir.

				Consolidated
			2014	**2013**
	Cost	**Accumulated amortization**	**Net**	**Net**
Use of Public Assets (UBP)	50,990	(10,316)	40,674	42,496
Goodwill on the acquisition of investment (i)	30,349		30,349	30,445
Feasibility, environmental, inventory, project and software studies (iii)	14,758	(27)	14,731	17,182
Authorization right (ii)	10,511		10,511	10,511
Operating permits	23,743	(12,819)	10,924	11,635
Firm contracts	5,751	(3,451)	2,300	3,355
Other	10,191	(3,470)	6,721	1,423
	146,293	(30,083)	116,210	117,047

The annual amortization rates of intangible assets are as follows:

	%
	Average rate
Use of Public Assets (UBP)	3.57
Feasibility, environmental, inventory and project studies	not defined
Operating permits	20 to 25
Firm contracts	20

(i) This balance refers to goodwill attributable to the expected future profitability of subsidiary O&M de Sistemas Elétricos Ltda. The impairment testing carried out by the Group took the discounted cash flow into consideration and did not identify impairment for this asset.

(ii) This balance refers to the goodwill of investees Passos Maia Energética S.A. and Energen Energias Renováveis S.A. (R$ 3,971 and R$ 6,971, respectively). These ventures are operating and present no indication of impairment.

(iii) This balance refers to studies of projects in progress. The changes in intangible assets were as follows:

	Parent company	**Consolidated**
At December 31, 2012	17,183	115,388
Addition to intangible assets	51	8,522
Amortization of goodwill on firm contracts		(1,150)
Amortization of Use of Public Assets (UBP), permits and others		(5,713)
At December 31, 2013	17,234	117,047

At December 31, 2013	17,234	117,047
Addition to intangible assets	50	9,712
Amortization of goodwill on firm contracts		(1,150)
Write-off of intangible assets due to loss	(1,820)	(1,820)
Transfer of intangible assets - BBE	(716)	(716)
Amortization of Use of Public Assets (UBP), permits	(17)	(6,863)

All amounts in thousands of reais unless otherwise stated

and others		
At December 31, 2014	14,731	116,210

11 Related parties

(a) Balances arising from sales/purchases of goods/services

	Parent company		Consolidated	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Current assets				
Accounts receivable				
UHE Cubatão S.A.	220	220	220	220
Enercasa Energia Caiuá S.A.		72		
Energen Energias Renováveis S.A.		76		
Esmeralda S.A.	94	54		
Macaúbas Energética S.A.	62	57		
Moinho S.A.	267	259		
Monel Monjolinho Energética S.A.	288	135		
Novo Horizonte Energética S.A.	63	55		
Passos Maia Energética S.A.	55	152	55	152
Santa Laura S.A.	62	48		
Santa Rosa S.A.	127	63		
Seabra Energética S.A.	69	55		
	1,307	1,246	275	372
Dividends receivable				
Energen S.A.	890	890		
Enex O&M de Sistemas Elétricos Ltda.	2,875			
Esmeralda S.A.	1,906	2,514		
Goiás Transmissão S.A.	10,434	10,434	10,434	10,434
Moinho S.A.	176	176		
Monel Monjolinho Energética S.A.	217	1,756		
Novo Horizonte Energética S.A.	962			
Passos Maia Energética S.A	500	220	500	220
Santa Laura S.A.	2,444	4,118		
Santa Rosa S.A.	429	2,373		
Seabra Energética S.A.	1,203			
	22,036	22,481	10,934	10,654

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Non-current assets - long-term receivables				
Accounts receivable				
Adami S.A. Madeiras	654	875	654	875
Água Quente Ltda.(vi)	884	884	884	884
Bom Retiro S.A.	703	703	703	703
Caldas Nova Transmissão		25		25
Enercasa - Energia Caiuá S.A. (iii)	23,732	18,129		
Energen Energias Renováveis S.A. (iii)	24,919	17,429		
Engevix Engenharia S.A. (i)	3,087	3,087	3,087	3,087
Enex O&M de Sistemas Elétricos Ltda.		300		
Federal Savings and Loans Bank Employees' Foundation (FUNCEF) (ii)	5,317	4,666	5,317	4,666
Jackson Empreendimentos Ltda. (ii)	2,444	15,701	2,444	15,701
JP Participações Ltda. (vi)	775	775	775	775
Macaúbas Energética S.A. (iii)	20,182	11,974		
Moinho S.A. (iii)	4,911	4,034		
Novo Horizonte Energética S.A. (iii)	9,809	4,014		
Seabra Energética S.A. (iii)	9,376	4,354		
UHE Cubatão S.A.	197	108	197	108
	106,990	87,058	14,061	26,824
Total assets	130,333	110,785	25,270	37,850

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current liabilities				
Trade payables				
Engevix Engenharia S.A. (iv)			808	808
Related parties				
Engevix Engenharia S.A. (v)	2,752	3,848	2,752	3,848
Jackson Empreendimentos Ltda. (v)	2,209	3,515	2,209	3,515
Monel Monjolinho Energética S.A. (iii)		4,000		
Santa Rosa S.A. (iii)		6,253		
Statkraft (v)	130		130	
	5,091	17,616	5,091	7,363
Total liabilities	5,091	17,616	5,899	8,171

(i) Amount referring to the reimbursement for the development of the Baixo Iguaçu project, free of financial charges.

(ii) Amounts due by the controlling stockholders referring to the intercompany loan agreement and to the amounts related to the reimbursement of the costs with respect to the sale of the ownership interest on March 8, 2012. The decrease in the amounts receivable from Jackson results from the partial settlement of the related-party balance, as per the agreement entered into in 2014.

(iii) Current account between the Company and its subsidiaries, free of financial charges.

All amounts in thousands of reais unless otherwise stated

(iv) Outstanding balance referring to the turn-key services for the construction of the Company's electric power generation ventures.

(v) Including mainly the outstanding balance referring to the charges for guarantees and corporate sureties, for 2014, in connection with the borrowing agreements of the Company and its subsidiaries.

(vi) Loan balance arising from conditional clauses established in the contract for the purchase and sale of shares of the subsidiary Energen, entered into by Desenvix, Agua Quente and JP Participações.

(b) Sales of goods and services

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
In profit (loss) for the year				
Revenue from services rendered				
Enercasa Energia Caiuá S.A.		708		
Energen Energias Renováveis S.A.	293	707		
Esmeralda S.A.	1127	417		
Macaúbas Energética S.A.	746	499		
Moinho S.A.	618	327		
Monel Monjolinho Energética S.A.	3455	1003		
Novo Horizonte Energética S.A.	756	456		
Passos Maia Energética S.A.	960	473	960	474
Santa Laura S.A.	743	384		
Santa Rosa S.A.	1519	533		
Seabra Energética S.A.	832	453		
	11,049	5,960	960	474

Enex maintains contracts for the rendering of services related to the operation and management of operating activities with Santa Laura, Santa Rosa, Esmeralda, Monel, Moinho, Passos Maia, Macaúbas, Seabra, Novo Horizonte, Enercasa and Energen. The prices are determined considering the internal costs.

The revenue billed (full amount) by the subsidiary Enex O&M de Sistemas Elétricos Ltda., considered as electric power service costs for PCHs, UHEs and UEEs totaled R$ 7,932 in 2014 (R$ 10,605 in 2013).

(c) Key management remuneration

The remuneration of key management personnel, which includes board members and statutory directors, totaled R$ 4,152 in the year ended December 31, 2014 (R$ 5,081 in the year ended December 31, 2013).

All amounts in thousands of reais unless otherwise stated

12 Borrowings

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Construction financing - BNDES (i)			342,140	374,334
Construction financing - BNB (ii)			259,414	265,840
Construction financing - CDB (iii)			114,105	108,630
Debentures (iv)	124,675	99,800	124,675	99,800
Working capital financing (v)	18,166	74,462	18,166	74,462
Other	26	43	102	188
	142,867	174,305	858,602	923,254
Current liabilities	58,192	74,505	109,646	122,751
Non-current liabilities	84,675	99,800	748,956	800,503

The changes in borrowings were as follows:

	Parent company	Consolidated
At December 31, 2012	117,605	902,216
New borrowings	75,000	75,000
Payments	(31,974)	(135,969)
Financial charges appropriated to results	13,648	66,786
Monetary variations		15,221
Other	26	
At December 31, 2013	174,305	923,254

At December 31, 2013	174,305	923,254
New borrowings	45,005	45,033
Payments	(101,480)	(199,670)
Financial charges appropriated to results	25,234	76,121
Monetary variations		14,068
Other	(197)	(204)
At December 31, 2014	142,867	858,602

The borrowings obtained by the Company and its subsidiaries have the following basic characteristics:

All amounts in thousands of reais unless otherwise stated

(i) Financing for the construction of plants - National Bank for Social and Economic Development (BNDES)

			Consolidated	
Companies	**Maturity**	**Financial charges - % p.a.**	**2014**	**2013**
Monel Monjolinho Energética S.A.	October 2026	Long-Term Interest Rate (TJLP) + 2.1	144,442	157,088
Santa Rosa S.A.	February 2023	TJLP + 3.8	59,648	67,012
Enercasa – Energia Caiuá S.A.	June 2025	TJLP + 2.5	50,639	50,629
Moinho S.A.	August 2028	TJLP + 2.0	44,562	47,813
Esmeralda S.A.	April 2029	TJLP + 3.5	21,770	26,886
Santa Laura S.A.	July 2020	TJLP + 3.5	21,079	24,906
			342,140	374,334

In 2014, due to the exogenous effect of the Generation Scaling Factor (GSF) arising from the water crisis in Brazil, the covenants referring to the Debt Service Cover Ratio (ICSD) of the financing agreements entered into with the BNDES have not been complied with by the Santa Rosa S.A., Moinho S.A., Esmeralda S.A. and Santa Laura S.A. Special Purpose Entities (SPE). The BNDES granted a waiver of all cases of non-compliance.

(ii) Financing for the construction of plants - Banco do Nordeste do Brasil S.A. (BNB)

			Consolidated	
Companies	**Maturity**	**Financial charges - % p.a.**	**2014**	**2013**
Macaúbas Energética S.A.	July 2028	9.5	95,169	97,826
Novo Horizonte Energética S.A.	July 2028	9.5	82,547	84,133
Seabra Energética S.A.	July 2028	9.5	81,698	83,881
			259,414	265,840

The long-term financing agreement between Desenvix Bahia Wind Farm Complex and BNB, based on fixed interest rates, provides for a non-default bonus of 25% on financial charges. This bonus is granted on payments of interest or principal and interest up to the maturity dates established in the financing agreement. If the payment conditions are complied with, the prefixed financial charges will be reduced from 9.5% p.a. to 7.125% p.a.

All the restrictive conditions in the financing agreements (covenants) with BNB have been complied with.

(iii) Construction financing – China Development Bank (CDB)

At December 31, 2014, the Group had a balance of future maturities amounting to R$ 114,105 (R$ 108,630 at December 31, 2013) with the China Development Bank (CDB).

Energen entered into a financing agreement with CDB amounting to US$ 50,000 (R$ 102,049) for the implementation of the EOL Barra dos Coqueiros Wind Power Plant. This financing will be repaid in 29 semiannual consecutive installments, bearing interest equivalent to the London Interbank Offered Rate (LIBOR) (US$ - 6 months), plus 5.10% p.a.

All amounts in thousands of reais unless otherwise stated

In addition to this financing agreement, the following guarantee agreements were signed: (i) statutory lien on Energen shares held by Desenvix and Água Quente; (ii) assignment of credit rights; (iii) statutory lien on assets and equipment; and (iv) conditional assignment of contracts as guarantees.

(iv) Debentures

First issue of a single series of simple, unsecured debentures, non-convertible into shares, with additional collateral

The Company issued 100 thousand debentures at a face value of R$ 1 thousand each on December 12, 2012, in compliance with Normative Instruction 400, issued by the Brazilian Securities Commission (CVM) on December 29, 2003. The financial charges have been paid on a semiannual basis, the first installment of which was paid on June 12, 2013 and the last installment of which will be paid on the debenture maturity date. The principal has been repaid on a semiannual basis, the first installment of which was amortized on December 12, 2014 and the last installment of which will be amortized on the debenture maturity date. The debentures fall due on December 12, 2016.

At a Meeting held on April 30, 2014, the Debenture Holders approved the second amendment to the public deed of the aforementioned issue, waiving the restrictive covenants and altering the remuneration, which, as from May 1, 2014, started to be paid based on 100% of the accumulated variation of the daily Interbank Deposit (DI) rates, plus a spread of 3.75% (2.80% up to April 30, 2014) p.a.

The debenture agreement in force establishes the early maturity of the total obligation if a series of requirements are not met, including the failure to comply with certain financial ratios for three alternate quarters. According to the second amendment to the agreement, these ratios will start being measured and complied with as from April 1, 2014. The ratios required and the result obtained at December 31, 2014 can be summarized as follows:

Description of the ratio	Agreement ratio	Ratio obtained
Total debt/dividend income (Parent company)	Corresponds to breach of covenant if the ratio is greater than 4.0x between April 1, 2014 and March 31, 2015; greater than 3.5x between April 1, 2015 and December 31, 2015; greater than 3.0x between January 1, 2016 and June 30, 2016, and greater than 2.5x as from July1, 2016.	3.64x
Total debt/equity (Consolidated)	Corresponds to breach of covenant if the ratio is greater than 1.45x.	1.25x
Debt Service Cover Ratio (ICSD) (Consolidated)	Corresponds to breach of covenant if the ratio is lower than 1.0x as from April 1, 2014.	1.37x

All the restrictive conditions in the financing agreements (covenants) have been complied with.

Second issue of a single series of simple, unsecured debentures, non-convertible into shares, with personal guarantee and additional collateral, under suspensive condition, for public offering with restricted efforts (placed with qualified investors)

The Company issued 45 debentures at a face value of R$ 1,000 each on June 9, 2014, in compliance with Normative Instruction 476, issued by the Brazilian Securities Commission (CVM) on January 16, 2009. These debentures are remunerated at 100% of the accumulated variation of the daily Interbank Deposits (DI) rate, plus a spread of 2.85% p.a. The financial charges are being paid on a semiannual basis, the first installment of which was paid on November 26, 2014 and the last installment of which will be paid on the debenture maturity date. The principal will be repaid in four annual and consecutive installments, beginning on May 16, 2016 and ending on the debenture maturity date. The debentures fall due on May 26, 2019. The three first principal repayments will individually correspond to 22.23% of the face value, whereas the fourth and final installment will correspond to 33.31% of the face value.

In guarantee of the faithful, timely and full payment of all principal and accessory debenture-related obligations: (a) the controlling stockholders Jackson Empreendimentos S.A. and SN Power Brasil Investimentos Ltda. (succeeded by Statkraft Investimentos Ltda.) will provide guarantees in favor or the debenture holders, thereby assuming the position of individual debtors and main paying parties of all amounts payable by the Company, under the terms of the Issue Deed, at the proportion of 50% each, up to the full payment of the Debentures; and (b) the credit rights arising from the distribution of dividends of certain companies in which the Company has an ownership interest, as well as the Company's credit rights arising from the ownership of a determined restricted bank account, which cannot be operated by the Company, will be assigned on a fiduciary basis, and the fiduciary assignment in guarantee of the credit rights arising from the distribution of dividends will be realized under a suspensive condition.

(v) Working capital financing

The Company has two working capital contracts with Banco do Brasil, whose characteristics are as follows: contract amounting to R$ 20,000, entered into on November 14, 2013, with financial charges payable in 24 monthly installments and repayment of principal in 12 installments, the first and last of which fall due on December 13, 2014 and November 13, 2015, respectively. A surety from Engevix Engenharia S.A. was provided as collateral for the operation in the total amount of the debt.

13 Concessions payable

The balance payable at December 31, 2014 amounts to R$ 64,493 (R$ 63,038 at December 31, 2013) and is represented by the obligation payable arising from the concession agreement with ANEEL for the exploration of the hydroelectric potential of UHE Alzir dos Santos Antunes (Monel Monjolinho Energética S.A.), adjusted to present value, considering an interest rate of 9.50% p.a. The corresponding obligation will be paid in monthly installments, adjusted annually based on the General Market Price Index (IGP-M) rate variation, calculated by Fundação Getúlio Vargas. Payments started in September 2009, the date the plant became operational, and will end in April 2037.

The Alzir dos Santos Antunes hydroelectric power plant (Monel Monjolinho Energética S.A.) was auctioned by ANEEL in September 2001. The related concession agreement was signed in April 2002 and the investee started its operations in September 2009. The concession agreement includes, but is not limited to, the following provisions: (a) in order to use the public asset, the investee shall pay to the Federal Government, as from the date in which the first hydroelectric generator unit begins its operations up to the end of the concession period, monthly installments equivalent to 1/12th of the proposed annual payment of R$ 2,400 (R$ 72,000 during the concession period after the beginning of operations), restated by the IGP-M variation compiled by the Fundação Getúlio Vargas, based on the index for the month prior to the auction date. At the end of the concession period, if there is no extension, assets and installations linked to the utilization of the hydroelectric resources will be transferred to the Federal Government's assets through indemnification for investments made, as long as the investments have been previously approved and not yet amortized, as determined by an audit carried out by ANEEL.

All amounts in thousands of reais unless otherwise stated

14 Taxes and contributions

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
IOF payable	11,917	9,671	11,917	9,671
Withholding taxes (ISSQN, IRRF, INSS, CSLL and other)	25	39	584	2,547
COFINS payable		157	2,544	2,136
ANEEL fees and contributions			597	746
PIS payable		34	552	463
	11,942	9,901	16,194	15,563
Current liabilities	11,942	9,901	15,343	14,822
Non-current liabilities			851	741

COFINS - Social Contribution on Revenues
CSLL - Social Contribution on Net Income
INSS - National Institute of Social Security
IOF - Tax on Financial Transactions
IRRF - Withholding Income Tax
ISSQN - Services Tax
PIS - Social Integration Program

15 Other liabilities

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Provision for contingencies	1,285	1,600	1,793	2,074
Environmental provision (i)			23,225	17,331
Owners of areas	1,905	1,905	3,176	3,302
Pre-operating provisions (ii)			5,750	9,293
Energy return - CCEE			5,772	5,266
Other creditors	8	3	983	1,938
	3,198	3,508	40,699	39,204
Current liabilities	1,913	1,908	16,229	17,814
Non-current liabilities	1,285	1,600	24,470	21,390

(i) This is an authorization issued by the regulating environmental agency stating that the venture is in accordance with the environmental legislation and, therefore, may be implemented or operated.

(ii) Amounts recorded during the plant's implementation stage are classified under construction in progress.

16 Provision for electric power contracts

At the end of 2012, Enercasa recognized R$ 11,000 in its results as a penalty due to the lack of supply of the contracted power because of the fact that the Pau d'Alho plant, under in-court reorganization, failed to supply the steam resulting from the burning of the sugarcane bagasse, which is an input for the functioning of the Enercasa plant. In accordance with Order 1,516, of May 14, 2013, ANEEL, in a preliminary decision, rejected the application of a penalty referring to the failure to supply the electric power contracted for 2012. It also determined that the CCEE retain Enercasa's fixed revenue, as from February 2013 (referring to January 2013).

At the third Public Meeting of the Board of ANEEL, held on February 4, 2014, the members approved the proposal for the standardization of clause 14 of the CER, in accordance with ANEEL Normative Resolution 600, of February 4, 2014, referring to the criteria for the calculation of penalties due to the failure to supply the electric power contracted. As from that date, the Company provided for a penalty of 15% referring to the failure to supply the electric power contracted in 2012 and 2013, amounting to R$ 7,425.

The Company has been establishing a penalty provision in respect of 2014, on a monthly basis, the total amount of which had reached R$ 4,363 up to December 2014. When considering 2012, 2013 and 2014, the total penalty amounts to R$ 11,788.

Since ANEEL denied the request to consider "force majeure", as per Order 1,717, of June 3, 2014, Enercasa filed a lawsuit against ANEEL, the object of which was to recognize the existence of force majeure and acts of God events as regards the Reserve Power Agreement (CER), relating to the problems faced by Enercasa arising from the non-provision of fuel for power generation. If the reasons for exclusion of liability are accepted, Enercasa's liabilities in relation to the CER would be eliminated for the period covered by the force majeure or acts of God events, without the levy of penalties (Clause 13 of the CER).

On July 21, 2014, an injunction was issued in favor of Enercasa, suspending the payment of the penalties up to the judgment of the merit of the case.

17 Equity

(a) Share capital

At the Extraordinary Meeting of December 11, 2013, the stockholders approved a capital increase in Desenvix of R$ 60,000, which has been fully paid up.

The Company's paid-up and subscribed capital at December 31, 2014 comprises 117,001,722 registered common shares with no par value.

All amounts in thousands of reais unless otherwise stated

(b) Carrying value adjustments

The carrying value adjustments comprise the fair value adjustments of investments in entities in which the Company has no significant influence: Dona Francisca Energética S.A. and Companhia Energética Rio das Antas (Note 28).

18 Net operating revenue

	Parent company		Consolidated	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Gross revenue				
Electric power supply			190,917	200,359
Services rendered	11,049	7,866	35,823	29,358
Taxes on revenues				
Services rendered			(4,468)	(3,442)
Electric power supply			(8,014)	(14,935)
Net operating revenue	11,049	7,866	214,258	211,340

Brazil has been experiencing a hydrologically critical phase, which has caused the water reservoirs to reach historically low levels. This scenario has reduced the role of the hydroelectric plants in supplying the demand and, consequently, increased the use of thermal power plants. The rainfalls during the last rainy season (Nov/2013 to April/2014) remained significantly below the historical average for the period, which prevented the reservoirs located in the Southeast region of the country from recovering. This situation impaired the hydroelectric production throughout 2014, when the reservoirs reached 16% of their storage capacity at the end of the dry season.

From a commercial standpoint, the hydroelectric generator participating in the Energy Reallocation Mechanism (MRE) is penalized, because, when the total hydroelectric generation verified in the system is smaller than the seasonally-adjusted physical guarantee of the system, the commercial reserve of the generators is reduced proportionately to the deficit, by means of an adjustment factor called Generation Scaling Factor (GSF). This can expose the generators to the short-term market, where they will have to purchase electric power at prices often higher than those established in their contracts, since the Difference Settlement Price (PLD) will include the operating costs incurred by the thermal power plants in supplying the system.

Since the effects arising from the deficit in the MRE system occurred in 2014 and since all the participants of this system will have to share the generation (and financial) deficit, proportionately to their participation in the system, such expenditure will have to the included in the same period in which the obligation originated, that is, the system deficit period, 2014. Due to the insufficient time for the accurate measurement of the amounts resulting from the Generation Scaling Factor (GSF)/Energy Reallocation Mechanism (MRE) effects, the Group had accounted for the effects of this nature on a cash basis up to 2013 and additionally monitored the progress of the positive and negative effects of the MRE system. Since the events that occurred in 2014 increased the significance of these effects, the amounts started to be accounted for on an accrual basis, which decreased the Group's gross revenue from electric power generation by R$ 40,000.

All amounts in thousands of reais unless otherwise stated

The Group's hydroelectric power plants, most of which are located in the South region of Brazil, were not impacted by the water crisis and the adverse effects experienced by the participants of the MRE environment, and generated power at good levels of capacity. However, due to the adjustment made to the MRE environment, this efficiency cannot be seen in the gross revenue.

Also regarding the energy revenue, it is important to highlight the good performance presented by the Bahia Wind Farm, which, according to the National Electric System Operator (ONS) report of December 2014, was the fully-operating wind farm, connected to the basic network, that had one of the best capacity factor performances in 2014, that is, the best generation efficiency in relation to the installed capacity, thereby positively affecting the gross revenue from electric power generation by R$ 18,533.

19 Costs and expenses by nature

	Parent company	
	2014	**2013**
Personnel	(4,627)	(5,716)
Management remuneration	(4,152)	(5,081)
Bonus and profit sharing	(1,637)	
Outsourced services	(2,972)	(6,944)
Travels and accommodation	(825)	(1,287)
Rental	(308)	(658)
Taxes and fees	(18)	(236)
Depreciation and amortization	(89)	(79)
Advertising	(943)	(938)
Studies in progress	(3,326)	(2,211)
Other	763	(2,401)
	(18,134)	(25,551)

The action plan established by management to improve the use of the resources in 2014 resulted in significant decreases in the "Personnel", "Management remuneration", "Outsourced services" and "Studies in progress" line items.

	Consolidated	
	2014	**2013**
Personnel	(32,303)	(30,260)
Management remuneration	(4,152)	(5,081)
Profit sharing	(2,172)	
Outsourced services	(15,348)	(18,411)
Travels and accommodation	(1,911)	(2,212)
Rental	(2,267)	(2,830)
Taxes and fees	(143)	(409)
Industry charges	(12,903)	(12,285)
Depreciation and amortization	(61,470)	(65,199)
Advertising	(2,641)	(2,094)
Surety insurance and commissions	(1,507)	(1,603)
Purchase of energy	(361)	(206)
Reversal of provision for purchase of power	957	
Studies in progress	(3,326)	(2,211)
Provision for losses on electric power contracts	(5,267)	2,453
Other	(1,332)	(5,808)
	(146,146)	(146,156)

The same action plan used by the parent company was applied to the Group's subsidiaries, which also explains the significant decreases identified in the same line items as the parent company, except as regards "Personnel expenses", which experienced an increase in the consolidated, as a result of the increased number of contracts for the provision of O&M services, entered into by subsidiary Enex, the main cost of which corresponds to payroll expenditure, in line with the increase of its revenue.

All amounts in thousands of reais unless otherwise stated

20 Finance result

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
With borrowings	(25,234)	(13,648)	(76,121)	(66,786)
With bank surety letters	(3,789)	(2,120)	(6,741)	(5,236)
IOF, fines and interest on taxes	(2,954)	(1,909)	(3,183)	(2,004)
Foreign exchange losses			(26,407)	(27,717)
Concessions payable			(9,144)	(8,893)
Other finance costs	(3,270)	(18,063)	(5,006)	(21,029)
	(35,247)	(35,740)	(126,602)	(131,665)
Earnings from financial investments	1,560	2,786	5,974	5,579
Monetary variations	4,877	1,138	20,548	13,633
	6,437	3,924	26,522	19,212
	(28,810)	(31,816)	(100,080)	(112,453)

21 Income tax and social contribution

(a) Current

The Company, as well as its subsidiaries Enex O&M de Sistemas Elétricos Ltda., Enercasa Energia Caiua S.A., and Energen Energias Renováveis S.A., opted to compute taxable income in accordance with their accounting records (as adjusted for tax purposes). The other subsidiaries opted for the deemed profit system to calculate the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) due on their taxable income.

The IRPJ and CSLL for the years ended December 31 can be summarized as follows:

	Consolidated	
	December 31, 2014	**December 31, 2013**
Income tax and social contribution		
Current	(7,779)	(10,276)
Deferred	3,895	19,276
	(3,884)	9,000

The current IRPJ and CSLL charges, by calculation system, for the years ended December 31 can be summarized as follows:

All amounts in thousands of reais unless otherwise stated

		Consolidated
	December 31, 2014	**December 31, 2013**
Calculation system		
Taxable income		
Income tax	(424)	(5,695)
Social contribution	(161)	(2,096)
	(585)	**(7,791)**
Deemed profit		
Income tax	(4,796)	(1,605)
Social contribution	(2,398)	(880)
	(7,194)	**(2,485)**
Total charge for the year	**(7,779)**	**(10,276)**

(b) Reconciliation of the income tax and social contribution benefit (expense)

		Consolidated
	December 31, 2014	**December 31, 2013**
Loss before taxation	(15,644)	(41,490)
Loss before income tax and social contribution and of equity investments in the parent company and subsidiaries, which had a tax loss in the year	66,195	87,659
Unrealized profit in operations between the parent company and subsidiaries, with no deferred tax	(268)	268
Results from equity investments	(17,346)	1,307
	32,937	47,744
Combined statutory rate of income tax and social contribution - %	**34%**	**34%**
Income tax and social contribution at statutory rates	(11,199)	16,233
Difference in the income tax and social contribution charge of subsidiaries, taxed under the deemed profit system at different rates and tax bases	3,418	
Result with deferred taxes on tax loss due to change in taxation	2,753	(6,923)
Other deferred taxes accounted for in the year	1,144	(310)
Taxes in the result for the year	(3,884)	9,000

	Parent company		**Consolidated**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At December 31, 2013		(1,648)	23,768	(5,561)
Deferred taxes on temporary differences and tax losses	107	250	1,925	324
From business combinations (goodwill)		385		385
On foreign exchange variations			7,783	(3,944)
Assessment at fair value		1,013		1,013
Write-off of deferred charges - taxation change			(2,763)	
At December 31, 2014	107	(0)	30,713	(7,783)

All amounts in thousands of reais unless otherwise stated

	Consolidated	
	Deferred tax assets	
2015	181	(i)
2016	(795)	
2017	(517)	
2018	32	
2019	63	
From 2019 onwards	23,966	(ii)
	22.930	

i. In 2015, management expects to only realize the deferred balance referring to the provision for labor lawsuits in subsidiary Enex. As regards the years from 2015 to 2018, management expects that a portion of the deferred assets of subsidiaries Macaúbas and Energen will be realized through the profits for those years.

ii. As from 2018, management expects to realize (i) the remaining balance of tax losses of the companies mentioned in the item above, (ii) the foreign exchange variations of the U.S. dollar-denominated financing obtained by subsidiary Energen with the China Development Bank, and (ii) the temporary differences between the regulatory (ANEEL) and corporate (CPC 27) depreciation rates.

22 Insurance and guarantees

(a) Bank guarantee letters and collaterals

The Company contracted bank guarantee letters with the BNDES to guarantee the borrowing obtained by subsidiary MGE, whose related amount totaled R$ 30,371. At December 31, 2014, the related amount totaled R$ 27,782.

(b) Directors and Officers (D&O) liability insurance

The Company participates in the co-insurance policy held by the stockholder Jackson Empreendimentos S.A., which is effective up to March 13, 2015. The purpose of this co-insurance is to cover possible complaints or questionings regarding acts of management carried out by the Company's managers.

(c) Operating risk insurance

The Company's plants are insured for Operating Risks, whose coverage includes possible material damages and loss of profits, with risk amounts and indemnity limits suitable for them to continue as going concerns.

(d) Civil liability insurance

The Company's plants are also insured for civil liability.

All amounts in thousands of reais unless otherwise stated

(f) Corporate guarantee of the controlling stockholders

At the meeting held on June 27, 2012, the Company's Board of Directors authorized Desenvix to make a payment to Jackson/Engevix as a fee for the sureties and guarantees provided. According to the proposal, Desenvix will pay 1.0% p.a. for the bank guarantees and 0.5% for the performance bonds at the end of each financial year. The total amount guaranteed by Jackson/Engevix is R$ 256,556. The amount provisioned as payable in 2014 related to these guarantees and sureties was R$ 3,473 in the parent company.

23 Financial instruments

The Company and its subsidiaries did not have off-balance sheet financial instruments at December 31, 2014.

The Company and its subsidiaries have various financial instruments, mainly cash and cash equivalents, trade receivables, financial investments, trade payables and borrowings.

23.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides overall principles for risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of surplus liquidity.

(a) Market risk

(i) Foreign exchange risk

At December 31, 2014, the Desenvix Group had liabilities in foreign currency related to the debt of the subsidiary Energen Energias Renováveis S.A. (Note 12(iii)), thereby exposing it to foreign exchange risk. This risk is associated with the fluctuations of the U.S. dollar in relation to the functional currency used by Desenvix (the Brazilian real).

Foreign exchange risk

				Consolidated
	December 31, 2014		**December 31, 2013**	
	Brazilian real	U.S. dollar	Brazilian real	U.S. dollar
China Development Bank (CDB)	114,105	43,122	108,630	46,576

As regards the foreign exchange risk on the borrowings mentioned above, management closely monitors the changes in foreign exchange rates, in order to assess the need for actions to hedge the Company against variations.

(ii) Cash flow and fair value interest rate risk

As the Company has no significant interest-earning assets, its income and operating cash flows are substantially independent of changes in market interest rates. The risk arises from the possibility that the Group could incur losses due to fluctuations in interest rates which increase the finance costs related to borrowings obtained in the market.

(b) Liquidity risk

This relates to the risk of the Company having insufficient liquidity to meet its financial commitments, due to the mismatch of terms or volume between expected receipts and payments. To manage liquidity of cash, assumptions for future disbursements and receipts are determined, and these are monitored periodically by the treasury area.

The table below summarizes the Group's non-derivative financial liabilities by maturity groupings based on the remaining period from the balance sheet date up to the contractual maturity date. The amounts disclosed in the table below are the undiscounted cash flows.

All amounts in thousands of reais unless otherwise stated

	Parent company			Consolidated			
	Less than one year	**Between 1 and 3 years**	**Between 3 and 5 years**	**Less than one year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
At December 31, 2014							
Trade payables	1,669			35,771			
Borrowings	58,192	100,873	29,202	152,853	275,804	203,411	911,653
Related parties	5,091			5,091			
Payables for land acquisitions	1,905			3,176			
Concessions payable				6,791	14,642	16,085	225,327
At December 31, 2013							
Trade payables	2,603			33,260			
Borrowings	57,792	133,710	22,103	77,982	269,224	191,981	967,845
Related parties	17,616			7,363			
Payables for land acquisitions	1,905			3,301			
Concessions payable				6,500	14,147	15,555	236,715

The Company understands that it has no significant liquidity risk.

(c) Risk of accelerated maturity of financing

This risk arises from possible non-compliance with the restrictive covenants of the financing agreements entered into with BNDES, CDB, BNB and Debentures (Note 12), which, in general, require the maintenance of financial ratios at certain levels. Management regularly monitors these financial ratios, with a view to taking the necessary actions to ensure that the maturity of the financing contracts will not be accelerated.

(d) Additional sensitivity analysis required by the Brazilian Securities Commission (CVM)

Pursuant to CVM Instruction 475/08, a sensitivity table is presented, which shows the sensitivity analysis of financial instruments, and discloses the effects on monetary variations and financial expenses calculated based on the estimated scenario at December 31, 2013 and December 31, 2014, in the event variations in the risk components occur.

Simplifications were utilized to segregate the variability in the risk factor under analysis. Consequently, the estimates presented below do not necessarily reflect the amounts that could be determined in future financial statements. The use of different assumptions and/or methodologies could have a material effect on the estimates presented.

(i) Methodology applied

Based on the balances of amounts exposed to risk, as shown in the tables below, and assuming that these amounts are held constant, the interest differential is estimated for each scenario.

For the evaluation of the amounts exposed to interest rate risk, only the risks related to the financial statements were considered, i.e., segregating and excluding the fixed interest factors since they do not represent a risk to the financial statements due to variations in the economic scenarios.

The probable scenario is based on the Company's estimates, which are in line with the projections presented in the report issued by Banco BTG Pactual S.A. at December 31, 2014, for each of the variables indicated. Interest rates are in line with the projections presented in the Focus report issued by the Brazilian Central Bank (BACEN) at December 31, 2014. Additionally, the positive and negative stress variations of 25% and 50% were applied to the rates projected for December 31, 2015.

All amounts in thousands of reais unless otherwise stated

(ii) Risk factor for changes in interest rates (Consolidated)

				Additional variations in the book balance (*)				
	Risk factor	Amounts exposed at December 31, 2014	Amounts exposed at December 31, 2013	-50%	-25%	Probable scenario	25%	50%
Borrowings	CDI	(142,867)	(174,305)	(1,982)	(2,973)	(3,964)	(4,955)	(5,947)
Financial investments	CDI	2,035	6,757	28	42	56	71	85
Restricted financial investments	CDI	51,170	52,119	710	1,065	1,420	1,775	2,130
Net impact	CDI	(89,662)	(115,429)	(1,244)	(1,866)	(2,488)	(3,109)	(3,732)
Borrowings	TJLP	(342,140)	(374,334)	(2,305)	(3,458)	(4,610)	(5,763)	(6,916)
Borrowings	Libor	(114,105)	(108,630)	(1,583)	(2,375)	(102)	(3,958)	(4,749)
Rates considered - % per year	CDI	11.57%	9.77%	5.79%	8.68%	11.57%	14.46%	17.36%
Rates considered - % per year	TJLP	5.50%	5.00%	2.75%	4.13%	5.50%	6.88%	8.25%
Rates considered - % per year	Libor	0.36%		0.18%	0.27%	0.36%	0.45%	0.54%

(ii) Risk factor for changes in foreign exchange rates (Consolidated)

				Additional variations in the book balance (*)				
	Risk factor	Amounts exposed at December 31, 2014	Amounts exposed at December 31, 2013	-50%	-25%	Probable scenario	25%	50%
Borrowings	U.S. dollar	(114,105)	(108,630)	31,311	14,752	(10,086)	(41,134)	(72,182)
Variations considered - R$/US$	U.S. dollar	2.65	2.34	1.92	2.30	2.88	3.60	4.32

(*) The positive and negative variations of 25% and 50% were applied to the effective rates estimated for December 31, 2015.

(e) Fair value estimation

The carrying values of trade receivables and payables, concessions payable and related parties, less the impairment provision, when applicable, are assumed to approximate their fair values.

All amounts in thousands of reais unless otherwise stated

The fair value of assets and liabilities is determined by using valuation techniques. These valuation techniques maximize the use of observable market data when available, and rely as little as possible on Company-specific estimates. If all significant information required in estimating the fair value of an asset or liability is adopted by the market, the asset or liability will be included in Level 2.

The table below classifies financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that were measured at fair value.

At December 31, 2014

			Consolidated
	Level 2	**Level 3**	**Total balance**
Assets			
Restricted financial investments	51,170		51,170
Available-for-sale financial assets:			
Investments in Ceran and Dfesa		63,698	63,698
Total assets	51,170	63,698	114,868

At December 31, 2013

			Consolidated
	Level 2	**Level 3**	**Total balance**
Assets			
Restricted financial investments	52,119		52,119
Available-for-sale financial assets:			
Investments in Ceran and Dfesa		66,677	66,677
Total assets	52,119	66,677	118,796

The Company has investments in Companhia Energética Rio das Antas (5%) and Dona Francisca Energética S.A. (2.12%), in respect of which it has no significant influence, recorded at the fair value in the respective amounts of R$ 53,477 and R$ 10,221. The Company prepared the future cash flows for the analysis of the amount of its investment taking into consideration the date of termination of the concession agreement. The concession period could be extended for another 20 years after the end of the first concession period; however, the authorization of third parties is required for the renewal. Therefore, the extension could result in amounts different from those currently recorded.

All amounts in thousands of reais unless otherwise stated

(f) Financial instruments by category

				Consolidated
	Assets and liabilities at fair value through profit or loss	**Loans and receivables**	**Available for sale**	**Total**
December 31, 2014				
Assets as per balance sheet				
Cash and cash equivalents		23,744		23,744
Trade receivables		53,766		53,766
Related parties		14,061		14,061
Other assets		4,039		4,039
Restricted financial investments	51,170			51,170
Investments in Ceran and Dfesa			63,698	63,698
Investment properties	25,237			25,237
	76,407	95,610	63,698	235,715

				Consolidated
	Assets at fair value through profit or loss	**Loans and receivables**	**Available for sale**	**Total**
December 31, 2013				
Assets as per balance sheet				
Cash and cash equivalents		28,803		28,803
Trade receivables		24,177		24,177
Related parties		26,824		26,824
Other assets		8,442		8,442
Restricted financial investments	52,119			52,119
Investments in Ceran and Dfesa			66,677	66,677
Investment properties	25,208			25,208
	77,327	88,246	66,677	232,250

	Consolidated
December 31, 2014	
Liabilities as per balance sheet	
Trade payables	35,771
Borrowings	858,602
Related parties	5,091
Payables for land acquisitions	3,176
Concession payable	64,493
	967,133
December 31, 2013	
Liabilities as per balance sheet	
Trade payables	33,260
Borrowings	923,254
Related parties	7,363
Payables for land acquisitions	3,302
Concession payable	63,038
	1,030,217

All amounts in thousands of reais unless otherwise stated

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Parent company		Consolidated	
	2014	**2013**	**2014**	**2013**
Accounts receivable				
Counterparties with external credit ratings (*)				
AA+			1,276	826
A+			1,822	
AAA			323	
AA			302	1,323
A			545	
AA-				1,008
A-				7,287
BBB+			7,652	
BB+			1,462	2,048
			13,382	12,492
Counterparties without external credit ratings				
Group 1			20	
Group 2	1,087	1,026	38,675	19,700
Group 3			1,689	
	1,087	1,026	40,384	19,700
Related parties				
Group 2	106,990	87,058	14,061	26,824
Total receivables and related parties	108,077	88,084	67,827	59,016
Cash and cash equivalents and restricted financial investments (*)				
AAA				
AA				
A				
BBB+				
BBB		3,225		62,716
BBB-	155		63,740	
BBB (2)	11,172	13,202	11,172	13,202
BB+	2		2	5,004
	11,329	16,427	74,914	80,922

. Group 1 - new customers/related parties (less than 6 months) - not applicable.

. Group 2 - existing customers/related parties (more than six months) with no defaults in the past.

. Group 3 - existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered - not applicable.

(*) According to the rating of the agency Standard & Poor's, except for the rating BBB (2), which was obtained from the agency Fitch Ratings.

All amounts in thousands of reais unless otherwise stated

24 Other operational risks

(a) Hydrological risk

This risk arises from the possibility of an extended period of drought. Pursuant to Brazilian regulations, revenue from electric energy sales by the generating companies does not depend directly on the energy actually produced, but on the amount of electric energy and capacity sold by them, limited to the assured energy, the amount of which is fixed and determined by the concession authority and is included in the authorization issued by it, and any subsequent amendments.

Differences between energy generated and assured energy are covered by the Energy Reallocation Mechanism (MRE), the main purpose of which is to mitigate the hydrological risks by ensuring that all the participating generating plants receive their income from the amount of assured energy sold, regardless of the amount of electric energy actually generated by them.

(b) Risk of not having the authorization or concession extended

The Company is authorized to exploit the electric power generation services, without having to pay for the use of public assets (Note 1). If the extension of the authorization is not approved by the regulatory agencies or is subject to additional costs imposed on the Company, the current profitability and activity levels could be reduced. There can be no guarantee that the authorization currently granted to the Company will be extended, upon maturity, by the concession authority.

25 Contingencies

The Company and its subsidiaries have contingencies for which a future disbursement is considered probable. The related amounts have been provided as stated in Note 15. No provision was established for the amounts assessed as having a possible risk of loss, presented in this Note as follows:

		Parent company
	December 31, 2014	December 31, 2013
	Possible loss	Possible loss
Civil	200	17,230
Labor		660
	200	17,890

		Consolidated
	December 31, 2014	December 31, 2013
	Possible loss	Possible loss
Civil	2,012	18,779
Labor		695
Administrative	454	249
	2,466	19,723

Social security contributions and other social charges and taxes on revenues and other income, as well as the tax returns of the Company and its subsidiaries are subject to review and final approval by the tax authorities for variable periods of time and possible additional assessments.

All amounts in thousands of reais unless otherwise stated

The Company and its subsidiaries are subject to federal, state and municipal environmental laws and regulations, and comply with them. Therefore, management does not expect to incur restoration costs or fines of any nature.

Operating licenses establish certain conditions and restrictions in relation to the environment, which are complied with by the Company and its subsidiaries.

26 Basic and diluted earnings (loss) per share

The basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to the stockholders of the Company by the average number of shares outstanding during the year. The Company has no common share categories with dilutive effects and, therefore, the basic and diluted loss per share are the same.

	Consolidated	
	2014	2013
Profit (loss) attributable to the common stockholders of the Company	(18,956)	(31,654)
Weighted average number of outstanding common shares	117,002	117,002
Earnings (loss) per share	(0.16)	(0.27)

Outstanding shares, in accordance with the relevant accounting standards, refer to the total shares issued by the Company less the shares held in treasury, when applicable.

27 Investment properties

In order to obtain from ANEEL the authorizations or permits for the future implementation of PCHs, for which it has been developing studies related to inventories and basic projects, the Company is purchasing, in advance, land in the area where the future PCHs will be built (area to be affected by the reservoir), which is one of the conditions for the selection and prioritization of interested parties, amounting to R$ 25,237.

The amounts recorded as properties are very close to their fair value, since they were realized in recent years.

28 Investments in entities at fair value

This account includes the investments in which the Company has no significant influence, recorded at fair value: Companhia Energética Rio das Antas (5% ownership interest) and Dona Francisca Energética S.A. (2.12% ownership interest). The invested amounts total R$ 53,477 and R$ 10,221 at December 31, 2014 (2013 - R$ 58,740 and R$ 7,937), respectively.

29 Events after the reporting period

On February 13, 2015, the Norwegian company Statkraft, through its Brazilian subsidiary, Statkraft Investimentos Ltda., entered into an agreement with Jackson Empreendimentos S.A. for the purchase of the total number of shares of Desenvix held by Caixa FIP Cevix. Accordingly, Statkraft will become the majority stockholder of Desenvix, owning 81.3% of its total number of shares.

The agreement is contingent upon approvals by the third stockholder, the Federal Savings and Loan Bank Employees' Foundation (FUNCEF), which owns 18.7% of the capital of Desenvix, and by financing institutions and applicable agencies, such as the National Electric Energy Agency (ANEEL) and the Administrative Counsel of Economic Defense (CADE). Statkraft and Jackson expect to establish the definitive agreements relating to this transaction over the upcoming weeks and have the operation completed by the end of the first half of 2015.

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