ISA CAPITAL DO BRASIL S.A.

Interim Financial Information at March 31, 2013

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

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Interim Financial Statements

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

ISA CAPITAL DO BRASIL

Balance Sheets
As at March 31, 2013 and December 31,2012
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
Assets					
Current assets					
Cash and cash equivalents	6	197,227	127,324	210,537	436,927
Short-term investment	7	208,227	294,483	1,584,077	294,483
Trade receivables (concession asset)	8	-	-	773,829	2,425,203
Inventories		-	-	61,756	48,814
Loans	12 and 32	20,510	20,510	20,510	20,510
Recoverable taxes and contributions	10	4,352	6,678	13,584	20,852
Bonds and restricted deposits	13	-	2,846	-	2,846
Prepaid expenses		-	-	18,761	3,133
Derivatives	33.a	-	-	56,138	63,455
Other		2	1	93,582	86,305
		430,318	**451,842**	**2,832,774**	**3,402,528**
Noncurrent assets					
Trade receivables (concession asset)	8	-	-	3,289,856	3,387,374
Receivables - State Department of Finance	9	-	-	1,031,761	986,486
Tax benefits - merged goodwill	11	-	-	82,775	90,247
Deferred income tax and social contribution	31.b	39,553	39,553	72,696	39,553
Bonds and restricted deposits	13	-	-	76,406	74,690
Recoverable taxes and contributions	10	33,034	29,264	33,034	29,264
Loans	12 and 32	48,358	48,645	48,358	48,645
Inventories		-	-	45,443	41,867
Other		-	-	21,416	21,353
		120,945	**117,462**	**4,701,745**	**4,719,479**
Investments	14.	2,090,245	2,080,340	790,863	767,553
Property, plant and equipment	15	37	39	9,798	8,414
Intangible assets	16	-	-	93,840	110,795
		2,090,282	**2,080,379**	**894,501**	**886,762**
		2,211,227	**2,197,841**	**5,596,246**	**5,606,241**
Total assets		**2,641,545**	**2,649,683**	**8,429,020**	**9,008,769**

Balance Sheets - Continued
As at March 31, 2013 and December 31,2012
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
Current liabilities					
Trade payables		359	301	58,185	63,569
Borrowings and financing	17	935	2,372	500,568	938,917
Debentures	18	-	-	174,418	166,667
Taxes and social security payable	19	186	399	22,837	139,451
Taxes in installments - Law 11941	20	-	-	13,303	13,137
Regulatory charges payable	22	-	-	28,773	40,344
Cumulative fixed dividends payable	26.c and 37.a	-	21,334	-	21,334
Derivatives	33.a	-	-	251	3,770
Interest on capital and dividends payable		-	-	5,849	6,340
Recognized allowance	23	14	19	19,520	27,457
Payables, Law 4819/58 - State Department of Finance	5.a	7,194	7,194	7,194	7,194
Payables, Law 4819/58 - OPA	5.b	4,153	4,153	4,153	4,153
Payables – Fundação CESP	24	-	-	6,121	6,226
Other		-	2	16,276	21,779
		12,841	**35,774**	**857,448**	**1,460,338**
Noncurrent liabilities		-	-		
Borrowings and financing	17	63,738	64,679	481,043	525,763
Debentures	18	-	-	970,795	956,683
Taxes in installments - Law 11941	20	-	-	140,791	142,318
Deferred PIS and COFINS	21	-	-	88,726	84,705
Deferred income tax and social contribution	31.b	-	-	24,106	38,932
Regulatory charges payable	22	-	-	48,845	39,468
Provisions	23	-	-	117,377	120,882
Payables, Law 4819/58 - State Department of Finance	5.a	242,127	236,746	242,127	236,746
Payables, Law 4819/58 - OPA	5.b	152,175	148,800	152,175	148,800
Special handover/amortization obligations	25	-	-	24,053	24,053
		458,040	**450,225**	**2,290,038**	**2,318,350**
Equity					
Capital	26.a	840,378	840,378	840,378	840,378
Capital reserves	26.d	1,199,400	1,199,400	1,199,400	1,199,400
Capital transaction premium	26.e	(7,468)	(7,468)	(7,468)	(7,468)
Earnings reserve	26.f	131,374	131,374	131,374	131,374
Retained earnings		6,980	-	6,980	-
		2,170,664	**2,163,684**	**2,170,664**	**2,163,684**
Noncontrolling interests		**-**	**-**	**3,110,870**	**3,066,397**
Total equity		**2,170,664**	**2,163,684**	**5,281,534**	**5,230,081**
Total liabilities and equity		**2,641,545**	**2,649,683**	**8,429,020**	**9,008,769**

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

ISA CAPITAL DO BRASIL

Income Statements
For the Quarters Ended March 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	03.31.2013	03.31.2012	03.31.2013	03.31.2012 restated
Net operating revenue	27.1	-	-	200,818	493,536
Cost of operation services	28	-	-	(142,978)	(137,915)
Gross profit		-	-	57,840	355,621
Operating (expenses) income					
General and administrative expenses	28	(1,037)	(997)	(39,054)	(39,982)
Other income (expenses), net	30	(17,126)	(13,992)	(10,067)	(20,604)
Share of profit of subsidiary	14.c	27,034	77,681	20,760	11,499
		8,871	62,692	(28,361)	(49,087)
Income before expenses finance income and costs and taxes on income		**8,871**	**62,692**	**29,479**	**306,534**
Finance costs	29	(13,217)	(16,495)	(67,864)	(117,653)
Finance income	29	11,326	19,389	105,003	64,640
Finance income (costs)		(1,891)	2,894	37,139	(53,013)
Income before income tax and social contribution		**6,980**	**65,586**	**66,618**	**253,521**
Income tax and social contribution					
Current	31	-	(6,208)	(63,712)	(75,853)
Deferred	31	-	(2,663)	48,062	6,470
		-	(8,871)	(15,650)	(69,383)
Profit for the period		**6,980**	**56,715**	**50,968**	**184,138**
Attributable to:					
Noncontrolling interests		-	-	43,988	127,423
Company owners		**6,980**	**56,715**	**6,980**	**56,715**
Basic and diluted earnings per share	26.g	0.0049	0.0395		
Average number of shares in the period	26.g	1,434,469,504	1,434,469,504		

ISA CAPITAL DO BRASIL

Statements of Comprehensive Income
For the Quarters Ended March 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	03.31.2013	**03.31.2012**	**03.31.2013**	**03.31.2012**
Profit for the period	6,980	56,715	50,968	184,138
Other comprehensive income	-	-	-	-
Comprehensive income for the period	**6,980**	**56,715**	**50,968**	**184,138**
Company owners	-	-	6,980	56,715
Noncontrolling interests	-	-	43,988	127,423

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

ISA CAPITAL DO BRASIL

Statements of Changes in Equity
For the Quarters Ended March 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

				Earnings reserve					
	Capital	**Capital reserve**	**Capital transaction premium**	**Legal reserve**	**Earnings retention**	**Retained earnings**	**Total equity**	**Noncontrolling interests**	**Reconciliation of consolidated equity**
Balance at December 31, 2011	**840,378**	**1,199,400**	**(7,488)**	**5,881**	**89,629**	**-**	**2,127,800**	**2,731,268**	**4,859,068**
Profit for the period	-	-	-	-	-	56,715	56,715	127,423	184,138
Distribution of subsidiary’s dividends	-	-	-	-	-	-	-	(31,304)	(31,304)
Distribution of forfeited subsidiary’s dividends	-	-	-	-	-	-	-	230	230
Interest on subsidiary’s capital paid	-	-	-	-	-	-	-	(39,773)	(39,773)
Other in subsidiary	-	-	-	-	-	-	-	141	141
Balance at March 31, 2012	**840,378**	**1,199,400**	**(7,488)**	**5,881**	**89,629**	**56,715**	**2,184,515**	**2,787,985**	**4,972,500**
Balance at December 31, 2012	**840,378**	**1,199,400**	**(7,468)**	**5,881**	**125,493**	**-**	**2,163,684**	**3,066,397**	**5,230,081**
Profit for the period	-	-	-	-	-	6,980	6,980	43,988	50,968
Distribution of forfeited subsidiary’s dividends	-	-	-	-	-	-	-	302	302
Other in subsidiary	-	-	-	-	-	-	-	183	183
Balance at March 31, 2013	**840,378**	**1,199,400**	**(7,468)**	**5,881**	**125,493**	**6,980**	**2,170,644**	**3,110,870**	**5,281,534**

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ISA CAPITAL DO BRASIL

Statements of Cash Flows
For the Quarters Ended March 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	03.31.2013	**03.31.2012**	**03.31.2013**	**03.31.2012 restated**
Cash flows from operating activities				
Profit for the period	6,980	56,715	50,968	184,138
Adjustments to reconcile profit for the period with cash generated by (used in) operating activities				
Depreciation and amortization (notes 15,16 and 28)	2	3	1,822	1,264
Loss on acquisition of joint venture (note 30)	-	-	-	(610)
Reversal of allowance for loss in joint venture	-	-	(605)	-
Deferred income tax and social contribution (note 31.a)	-	2,663	(48,062)	(6,470)
Deferred PIS and COFINS	-	-	4,021	(22,729)
Provision for contingencies	-	-	(3,505)	1,345
Residual cost of written-off long-lived asset (note 15)	-	5	2	70
Income from short-term investment (note 7)	(4,083)	(8,440)	13,055	(8,440)
Share of profit of subsidiary (note 14.c)	(27,034)	(77,681)	(20,760)	(11,499)
Goodwill amortization (notes 16 and 30)	17,126	13,992	24,598	21,200
Interest, inflation adjustments and exchange differences on assets and liabilities	9,113	4,485	48,222	63,499
	2,104	**(8,258)**	**69,756**	**221,768**
(Increase) decrease in assets				
Trade receivables	-	-	1,749,590	(2,847)
Inventories	-	-	(16,518)	896
Receivables	378	29	(45,275)	(45,587)
Recoverable taxes	(1,444)	2,161	3,498	2,802
Bonds and restricted deposits	2,846	2,612	1,130	(1,115)
Prepaid expenses	-	-	(15,628)	(13,599)
Other	-	-	(7,342)	6,015
	1,780	**4,802**	**1,669,455**	**(53,435)**
Increase (decrease) in liabilities				
Trade payables	57	131	(5,385)	(29,209)
Taxes and social security payable	(216)	543	(116,617)	18,227
Taxes in installments – Law 11941	-	-	(3,312)	(3,112)
Regulatory charges payable	-	-	(2,715)	7,843
Provisions	-	-	(7,932)	(9,591)
Payables, Law 4819 and Fundação CESP	-	-	(105)	60
Other	-	-	(5,501)	5,919
	(159)	**674**	**(141,567)**	**(9,863)**
Net cash generated by (used in) operating activities	**3,725**	**(2,782)**	**1,597,644**	**158,470**

Statements of Cash Flows - Continued
For the Quarters Ended March 31, 2013 and 2012
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	03.31.2013	**03.31.2012**	**03.31.2013**	**03.31.2012 restated**
Cash flows from investing activities				
Short-term investments (note 7)	90,339	(42,469)	(1,302,648)	(42,469)
Property, plant and equipment (note 15)	-	(2)	(2,071)	(35)
Intangible assets (note 16)	-	-	(1,308)	-
Investments	-	-	(2,550)	(54,208)
Interest on capital and dividends payable (26.d)	-	88,454	-	-
Net cash generated by (used in) investing activities	**90,339**	**45,983**	**(1,308,577)**	**(96,712)**
Cash flows from financing activities				
Increase in borrowings (note 17)	-	-	200,000	403,373
Payment of borrowings (including interest) (notes 17 and 18)	(2,827)	(2,423)	(693,731)	(280,315)
Payments of derivatives	-	-	(386)	-
Dividends and interest on capital (note 26.c)	(21,334)	(36,004)	(21,340)	(172,388)
Net cash used in financing activities	**(24,161)**	**(38,427)**	**(515,457)**	**(49,330)**
Increase (decrease) in cash and cash equivalents, net	**69,903**	**4,774**	**(226,390)**	**12,428**
Cash and cash equivalents at the end of the period	197,227	62,313	210,537	245,926
Cash and cash equivalents at the beginning of the period	127,324	57,539	436,927	233,498
Changes in cash and cash equivalents	**69,903**	**4,774**	**(226,390)**	**12,428**

1. General Information

1.1. Business purpose

The business purpose of ISA Capital do Brasil S.A. ("ISA Capital" or "Company") includes holding equity interests in other entities or ventures, either as a partner or shareholder, partnering in joint ventures, and participating of consortiums or any other type of business cooperation.

At a privatization auction held on June 28, 2006 on the São Paulo Stock Exchange (BOVESPA), pursuant to Invitation to Tender SF/001/2006, the São Paulo State Government, which was then the majority shareholder of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP"), sold its 31,341,890,064 common shares, which account for 50.10% of CTEEP's common shares. The winning bidder was Interconexión Eléctrica S.A. E.S.P. ("ISA").

The transaction was settled on July 26, 2006 with the resulting transfer of the ownership of said shares to ISA Capital, a Brazilian company controlled by Interconexión Eléctrica S.A. E.S.P., incorporated to operate in Brazil, which as a result became CTEEP's controlling shareholder. This transaction was approved by the National Electric Energy Agency (ANEEL) on July 25, 2006, pursuant to Authorizing Resolution 642/06, published on the Official Gazette on July 26, 2006.

On September 12, 2006, the Company purchased another 10,021,687 common shares issued by CTEEP, held by the São Paulo State Government to hold 31,351,911,751 common shares.

On January 9, 2007, the Company acquired, through a Public Share Tender Offer (OPA) held on the BOVESPA, 24,572,554,070 CTEEP common shares, corresponding to 39.28% of total common shares.

As a result of this acquisition, the Company became the holder of 89.40% of the voting capital and 37.46% of the total capital of CTEEP. On July 12, 2007 CTEEP undertook a reverse stock split and the Company became the holder of 55,924,465 common shares.

Afterward, the Company contributed 1,727,517 common shares to CTEEP's capital, of which 574,927 on August 24, 2009, 594,477 on April 23, 2010, and 558,113 on December 21, 2011. These capitalizations result from the tax benefit granted to CTEEP with the partial amortization of the 2009, 2010 and 2011 special premium reserve. ISA Capital acquired 63,146 common shares in the overallotment auction held by CTEEP in 2011. On June 29, 2012 and July 5, 2012, ISA Capital sold 920 shares. As a result, as at December 31, 2012 the Company holds 57,714,208 common shares (57,715,128 common shares at December 31, 2011), which are equivalent to 37.81% of CTEEP's total capital and 89.50% of its voting capital.

In order to restructure its foreign currency-denominated debt (bonds), on 9 e 19 de March de 2010 the Company increased capital twice and issued preferred shares at the price of R$2.020731 per share, fully subscribed by HSBC Finance (Brasil) S.A. Banco Múltiplo, as follows:

(i) at the Extraordinary Shareholders' Meeting held on March 9, 2010, the Company's R$840,000 capital increase was approved, as proposed by the Board of Directors on dated March 8, 2010, of which R$420 was allocated to capital and R$839,580 was allocated to the capital reserve, by creating and issuing 415,691,162 redeemable preferred shares distributed into 13 classes, entitled to fixed cumulative dividends, which were subscribed and paid in on the same date. As a result, the Company's capital increased from R$839,778 to R$840,198, represented by 1,256,316,162 shares. At the same meeting, the reduction of mandatory dividends from 25% to 1% and the amendment to the Company's bylaws were approved; and

(ii) A new capital increase within authorized capital limit at the Board of Directors' Meeting held on March 19, 2010 was approved, by issuing 178,153,342 redeemable preferred shares distributed into 13 classes, entitled to fixed cumulative dividends, amounting to R$360,000, which were fully subscribed and paid in on the same date, of which R$180 was allocated to the Company's capital and R$359,820 to the Company's capital reserve.

(In thousands of Brazilian reais - R$, unless otherwise stated)

Thus, as at March 31, 2013 and December 31, 2012, the Company's subscribed and paid-in capital is R$840,378, represented by 840,625,000 common shares and 593,844,504 preferred shares (note 14.a).

On May 27, 2010, the Company cancelled its registration as a publicly held company with the Brazilian Securities and Exchange Commission (CVM), as decided by its shareholders.

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

CTEEP's preferred shares are included in the BOVESPA's IBOVESPA index and is also part of the Corporate Governance Index (IGC) and the Electric Energy Index (IEE).

1.2. Concessions

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

					Periodic tariff revision				Permitted annual revenue (RAP)	
Concessionaire	**Agreement**	**Interest (%)**	**Term (years)**	**Maturity**	**Term**	**Next**	**Stepped RAP**	**Adjustment index**	**R$'000**	**Base month**
CTEEP	059/2001 (*)	37.8053	20	12.31.2042	5 years	2018	No	IPCA	568,177	Jan 01
CTEEP	143/2001	37.8053	30	20.12.2031	n a	n a	Yes	IGPM	15,937	Dec 06
IEMG	004/2007	37.8053	30	04.23.2037	5 years	2017	Yes	IPCA	13,567	Dec 06
Pinheiros	012/2008	37.8053	30	10.15.2038	5 years	2014	No	IPCA	8,173	Dec 06
Pinheiros	015/2008	37.8053	30	10.15.2038	5 years	2014	No	IPCA	19,096	Dec 06
Pinheiros	018/2008	37.8053	30	10.15.2038	5 years	2014	No	IPCA	3,332	Dec 06
Pinheiros	021/2011	37.8053	30	09.12.2041	5 years	2017	No	IPCA	4,400	Nov 09 (**)
Serra do Japi	026/2009	37.8053	30	11.18.2039	5 years	2015	No	IPCA	25,102	Dec 06
Evrecy (***)	020/2008	37.8053	30	07.17.2025	4 years	2013	No	IGPM	9,844	Dec 06
IENNE	001/2008	9.4513	30	03.16.2038	5 years	2013	No	IPCA	41,893	Dec 06
IESul	013/2008	18.9026	30	10.15.3208	5 years	2014	No	IPCA	2,375	Dec 06
IESul	016/2008	18.9026	30	10.15.2038	5 years	2014	No	IPCA	10,055	Dec 06
IEMadeira	013/2009	19.2807	30	02.25.2039	5 years	2014	No	IPCA	218,933	Dec 06
IEMadeira	015/2009	19.2807	30	02.25.2039	5 years	2014	No	IPCA	184,866	Dec 06
IEGaranhuns	022/2011	19.2807	30	12.09.2041	5 years	2017	No	IPCA	68,900	Nov 09 (**)

(*) On December 4, 2012, an addendum to concession arrangement 059/2001 was entered into, which became effective on January 1, 2013, which changes the agreement's termination date from July 7, 2015 to December 31, 2042 and reduces the Permitted Annual Revenue (RAP) from R$2,115,181 to R$568,177 (R$515,621, net of PIS and COFINS), which considers only the infrastructure operation and maintenance.

(**) As described in the concession arrangement, the RAP will be adjusted annually after the project's startup. Subsidiary IEMadeira, which is scheduled to startup in the second (lot D) and third quarters of 2013 (lot F), was included in the RAP for June 2012, according to the Ratifying Resolution 1313.

(***) Company acquired on December 21, 2012.

All concession arrangements above provide for the right to hand over the concession-related assets at the end of their term.

Law 12783/2013

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

Under MP 579, the termination of the power generation, transmission and distribution concessions terminated or terminating within 60 months after the enactment of said Provisional Act could anticipated to December 2012, with a one-time extension, at the Concession Grantor's discretion, for a period of up to 30 years; however, for the transmission activity, the extension would rely on the express acceptance of the following main terms: i) fixed revenue based on the criteria set by the ANEEL; ii) amounts determined by the asset handover; and iii) meeting the service quality standards set by the ANEEL.

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

(i) Interministerial Rule 580, which defines the handover amounts for powered facilities beginning June 1, 2000 (NI), benchmarked to prices in October 2012 for the power transmission concessions, where R$2,891,291 refers to concession agreement 059/2001 (only agreement governed by said MP), pursuant to Appendix II of said Rule.

(ii) Interministerial Rule 579, which defines the RAP amount beginning January 1, 2013, based on prices in October 2012, amounting to R$515,621 (net of PIS and COFINS) related to concession agreement 059/2001, pursuant to the appendix of said Rule.

On November 29, 2012, Provisional Act 591 (MP 591) was issued to amend MP 579 so as to authorize the Concession Grantor to pay the amount related to undepreciated assets existing on May 31, 2000 (SE), within a 30-year period. Subsidiary CTEEP is awaiting the Concession Grantor's decision with respect to the determination of the payment amount and method.

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

On December 4, 2012, the Company entered into an addendum to concession agreement 059/2001, offering the option to receive the amount of R$2,891,291 of handed over assets, relating to the NI, as set forth in Interministerial Rule 580 as follows:

- 50% in cash, payable within up to 45 days from the concession agreement addendum execution date, adjusted using the IPCA;

- 50% in monthly installments, payable by the termination date of the concession agreement effective on said Rule issue date, i.e., by July 7, 2015, adjusted using the IPCA, plus compensation based on the actual Weighted Average Cost of Capital (WACC) of 5.59% per year, as from the first day of the of the concession agreement addendum execution month.

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

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

Participation in consortium

(i) Extremoz Transmissora do Nordeste - ETN

On June 10, 2011, consortium Extremoz, comprised of CTEEP (51%) and Companhia Hidro Elétrica do São Francisco - Chesf (49%), acquired in a public hearing conducted at the BM&FBovespa lot A of ANEEL auction 001/2011, consisting of LT Ceará-Mirim - João Câmara II, with 500 kV and 64 km; LT Ceará-Mirim - Campina

Grande III, with 500 kV and 201 km; LT Ceará-Mirim - Extremoz II, with 230 kV and 26 km; LT Campina Grande III - Campina Grande II, with 8,5 km; SE João Câmara II 500 kV, SE Campina Grande III 500/230 kV and SE Ceará-Mirim 500/230 kV. On July 7, 2011, Extremoz Transmissora do Nordeste – ETN S.A. was established, maintaining the same equity interests, so as to operate the service granted.

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

2. Presentation of interim financial information

2.1 Basis of preparation and presentation

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

The individual interim financial information is presented in accordance with CPC 21 (R1) - *Demonstrações Intermediárias* and the consolidated interim financial information is presented in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

The Company declares that the significant accounting judgments, estimates and assumptions, as well as the significant accounting practices, are the same as those disclosed in the 2012 annual financial statements. Therefore, the corresponding information should be read in Notes 2.3 and 3 therein, except for note 2.4, with respect to the adoption of CPCs 19 (R2) and 36 (R3), whose adoption is mandatory from January 1, 2013, applied retrospectively as from January 1, 2012.

The individual and consolidated interim financial information has been prepared based on the historical cost, except if otherwise indicated, as described in the accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.
All amounts in this interim financial information are expressed in thousands of Brazilian reais (R$), except if otherwise indicated.

The nonfinancial information included herein, such as power volumes, projections or estimates, insurance, etc., has not been reviewed by independent auditors.

The interim financial information was approved and authorized for issue by the Executive Board and Board of Directors on May 27, 2013.

2.2 Functional and reporting currency

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

2.3 Critical accounting judgments and key estimates and assumptions

The Company declares that the information on critical accounting judgments, estimates and assumptions described in note 2.3 to the 2012 annual financial statements are applicable to this interim financial information.

2.4 Consolidation procedures

The consolidated financial information includes the interim financial information of ISA Capital and its subsidiaries and jointly controlled entities for the quarter ended March 31, 2013 and the year ended December 31, 2012.

(i) Subsidiaries and related equity interest

		Equity interest %	
	Interim financial information date	**03.31.2013**	**12.31.2012**
Direct			
CTEEP	03.31.2013	37.8053	37.8053
Indirect			
Interligação Elétrica Pinheiros S.A. (Pinheiros)	03.31.2013	37.8053	37.8053
Interligação Elétrica Serra do Japi S.A. (Serra do Japi)	03.31.2013	37.8053	37.8053
Interligação Elétrica de Minas Gerais S.A. (IEMG)	03.31.2013	37.8053	37.8053
Evrecy Participações Ltda. (Evrecy)	03.31.2013	37.8053	37.8053

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

Subsidiaries are fully consolidated as from the date control is exercised until the date it ceases to be exercised.

The following procedures were adopted in preparing the consolidated interim financial information:

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

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

With the adoption of CPCs 19 (R2) and 36 (R3), which became mandatory beginning January 1, 2013, the investments in jointly controlled entities are no longer proportionately consolidated by subsidiary CTEEP and started to be measured under the equity method.

(ii) Subsidiaries and related equity interest

		Equity interest %	
	Interim financial information date	**03.31.2013**	**12.31.2012**
Interligação Elétrica Norte e Nordeste S.A. (IENNE)	03.31.2013	9.4513	9.4513
Interligação Elétrica do Sul S.A. (IESul)	03.31.2013	18.9026	18.9026
Interligação Elétrica do Madeira S.A. (IEMadeira)	03.31.2013	19.2807	19.2807
Interligação Elétrica Garanhuns S.A. (IEGaranhuns)	03.31.2013	19.2807	19.2807

3. Significant Accounting Policies

Except for the changes referred to in note 4, the Company hereby declares that the information on the significant accounting policies as presented in note 3 of the 2012 financial statements are applicable to this Interim Financial Information.

4. New and Revised Standards and Interpretations Issued But Not Yet Adopted

As referred to in note 4 to the 2012 financial statements, the new and revised standards and interpretations listed below have been issued and are mandatory for reporting periods beginning on or after January 1, 2013.

No new standards, other than those disclosed in the 2012 financial statements, were issued.

As also referred to in note 4 to the 2012 financial statements, the adoption of CPC 19 (R2) and 36 (R3) requires the Company to adjust the 2012 comparative balances (earliest reporting period). We present, therefore, the impacts of adopting said CPCs in the balances of the financial statements for the year ended December 31, 2012.

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Consolidated		
	Balances stated as at 12.31.2012	**Impact of adopting CPCs 19 (R2) and 36 (R3)**	**Restated balances as at 12.31.2012**
Balance sheet			
Assets			
Current assets	3,611,999	(209,471)	3,402,528
Investments	-	767,553	767,553
Noncurrent assets (except investments)	6,862,392	(2,023,704)	4,838,688
Total assets	**10,474,391**	**(1,465,622)**	**9,008,769**
Liabilities and equity			
Current liabilities	1,692,161	(231,823)	1,460,338
Noncurrent liabilities	3,552,149	(1,233,799)	2,318,350
Equity	5,230,081	-	5,230,081
Liabilities and equity	**10,474,391**	**(1,465,622)**	**9,008,769**

	Balances stated as at 03.31.2012	**Impact of adopting CPCs 19 (R2) and 36 (R3)**	**Restated balances as at 03.31.2012**
Income statement			
Net operating revenue	651,378	(157,842)	493,536
Cost of construction, operation and maintenance services	(256,913)	118,998	(137,915)
Operating (expenses) income, net (except share of profit of subsidiary)	(66,639)	6,053	(60,586)
Share of profit of subsidiary	-	11,499	11,499
Finance income (costs)	(68,125)	15,112	(53,013)
Income tax and social contribution	(75,563)	6,180	(69,383)
Profit for the period	**184,138**	**-**	**184,138**
Statement of cash flows			
Operating activities (except share of profit of subsidiary)	37,643	132,326	169,969
Share of profit of subsidiary	-	(11,499)	(11,499)
Investing activities	(42,512)	(54,200)	(96,712)
Financing activities	10,780	(60,110)	(49,330)
Changes in cash and cash equivalents	**5,911**	**6,517**	**12,428**

(In thousands of Brazilian reais - R$, unless otherwise stated)

5. Obligations Assumed on the Acquisition of Subsidiary CTEEP

Under the share purchase and sale agreement, subject-matter of the privatization auction referred to in note 1, the Company agrees to supplementing the payment of the CTEEP share purchase price if the subsidiary CTEEP is released from the encumbrance related to the supplementary pension plan payments set forth by Law 4819/58, currently being discussed in court.

As at March 31, 2013, the amount to supplement the purchase price consists of two different transactions, as follows:

a) R$243,321 (R$243,940 at December 31, 2012), determined on the acquisition of the first stake at the privatization auction held on June 28, 2006, recognized in line item ‘Payables, Law 4819/58 - State Department of Finance’, R$7,194 (R$7,194 at December 31, 2012) in current liabilities, and R$242,127 (R$236,746 at December 31, 2012) in noncurrent liabilities, with R$188,895 recognized in ‘Investments - goodwill on the acquisition of equity interest in subsidiary’ as a balancing item thereto, and the difference of R$60,426 was recognized in the income statement as inflation adjustment to the obligation, using the Broad Consumer Price Index (IPC-A) variance since December 31, 2005. In 2013, R$5,381 was recognized in profit.

b) R$156,328 (R$243,940 at December 31, 2012), determined on the acquisition of the third stake through a Public Share Tender Offer (OPA) held on January 9, 2007, recognized in line item ‘Payables, Law 4819/58 - OPA’ and R$152,175 (R$148,800 at December 31, 2012) in noncurrent liabilities, with R$120,306 recognized in ‘Investments - goodwill on the acquisition of equity interest in subsidiary’ as a balancing item thereto, and the difference of R$36,022 was recognized in the income statement as inflation adjustment to the obligation, using the Broad Consumer Price Index (IPC-A) variance since December 31, 2005. In 2013, R$3,374 was recognized in profit.

6. Cash and Cash Equivalents

	Parent		Consolidated	
	03.31.2013	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
Cash and banks	320	1,351	1,084	4,853
Short-term investments	196,907	125,973	209,453	432,074
	197,227	**127,324**	**210,537**	**436,927**

(i) Short-term investments are broken down as follows:

		Parent		Consolidated	
	% of CDI	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
CDBs	95.0% to 106.0%	-	-	8,653	11,159
Repurchase agreement (*)	95.0% to 104.0%	196,907	125,973	200,800	420,915
		196,907	**125,973**	**209,453**	**432,074**

Short-term investments are stated at fair value through profit or loss and are highly liquid.
Management’s analysis of the exposure of these assets to interest rate risks is disclosed in note 33 (c).

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

7. Short-term Investments

		Parent		Consolidated	
	% of CDI	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
CDBs	90.0% to 106.0%	212,580	300,726	212,580	300,726
Portion related to the withholding income tax (IRRF)		(4,353)	(6,243)	(4,353)	(6,243)
Investment funds	105.5%	-	-	1,375,850	-
		208,227	**294,483**	**1,584,077**	**294,483**

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

Investment funds are:

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

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

8. Trade Receivables (Concession Asset)

Trade receivables are broken down as follows:

	Consolidated	
	03.31.2013	**12.31.2012 restated**
Receivables from construction services (a)	1,090,899	1,050,085
Receivables from O&M services (b)	96,139	267,409
Receivables, MP 579 and 591 (SE/NI) (c)	4,355,176	5,975,426
Receivables for asset handover (d)	56,790	54,976
Allowance for reduction to cost (c)	(1,535,319)	(1,535,319)
	4,063,685	**5,812,577**
Current	**773,829**	**2,425,203**
Noncurrent	**3,289,856**	**3,387,374**

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

(b) O&M - Operation and Maintenance refers to the portion of revenues monthly and separately informed by the ONS for compensation of O&M services, with an average collection period below 60 days.

(c) Receivables - Law 12783: refers to the amount receivable from the handover of investments made and unamortized under concession arrangement 059/2001, subdivided into NI and SE:

- The handover of facilities relating to NI correspond to the amount of R$2,949,121, of which R$2,891,291 relating to the VNR calculated and R$57,830 relating to compensation based on IPCA + WACC of 5.59% p.a., as set forth in Interministerial Rule 580. The amount corresponding to 50% of this amount was received on January 18, 2013 and the remaining 50% will be received within 31 monthly installments, by July 7, 2015 (note 1.2).
- The handover of facilities related to the SE corresponds to the investment amounts estimated based on the New Replacement Amount, adjusted by the accumulated depreciation through December 31, 2012 which, based on an independent valuation report, amounts to R$3,026,305. Subsidiary CTEEP believes that it is entitled to receive this amount; however, it has recognized an allowance amounting to R$1,535,519 for reduction to this infrastructure's cost, as prescribed by ANEEL Instruction 155 of January 23, 2013, which establishes the amount must be maintained until it is approved by the regulatory agency.

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

The aging list of trade receivables is as follows:

	Consolidated	
	03.31.2013	12.31.2012 restated
Current	4,034,085	5,783,007
Past-due		
Up to 30 days	73	280
31 to 60 days	105	151
61 to 360 days	2,270	3,931
Over 361 days (i)	27,152	25,208
	29,600	**29,570**
	4,063,685	**5,812,577**

(i) A few market players challenged in the courts the balances invoices related to the Basic Grid. In light of such challenge, escrow deposits are made with respect to the amounts payable by these players. Subsidiary CTEEP believes that the amounts billed are in accordance with the authorizations granted by regulatory agencies and, therefore, it does not record any provision for contingencies.

Subsidiary CTEEP does not have any history of losses for trade receivables, which are collateralized by bonds ad/accesses to bank accounts operated by the National System Operator (ONS) or directly by the Company and, therefore, it did not recognize an allowance for doubtful accounts.

Changes in trade receivables are as follows:

	Consolidated
Balance at December 31, 2012	**5,812,577**
Construction revenue (Note 27.1)	46,512
Finance income (Note 27.1)	38,817
O&M Revenues (Note 27.1)	143,675
Adjustment to receivables for asset handover, IPCA/WACC	58,279
Proceeds for asset handover, NI	(1,678,539)
Receipts	(357,636)
Balance at March 31, 2013	**4,063,685**

9. Receivables – State Department of Finance

	Consolidated	
	03.31.2013	12.31.2012 restated
Payroll processing - Law 4819/58 (a)	824,822	793,443
Labor lawsuits - Law 4819/58 (b)	206,939	193,043
Family allowance - Law 4819/58 (c)	2,218	2,218
Allowance for doubtful debs	(2,218)	(2,218)
	1,031,761	**986,486**

(a) Refer to amounts receivable for settlement of the portion of payroll relating to the retirement supplementation plan governed by State Law 4819/58, from January 2005 to March 2013 (note 36). No inflation adjustment is applied on such balance and no earnings are recorded until they are paid by the State Government of São Paulo.

(In thousands of Brazilian reais - R$, unless otherwise stated)

The growth compared to the previous year derives from the compliance with the decision where subsidiary CTEEP transfers the funds monthly to Fundação CESP for payment to retirees.

(b) Refer to certain labor lawsuits settled by subsidiary CTEEP, relating to retired employees, as set forth in State Law 4819/58, which should be borne by the State Government of São Paulo. No inflation adjustment is applied on such balance and no earnings is recorded until they are paid by the State Government of São Paulo.

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

To date there has been no significant changes in the progress of the related lawsuits with respect to December 31, 2012.

10. Recoverable Taxes and Contributions

	Company		**Consolidated**	
	03.31.2013	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
Withholding income tax	37,270	35,828	44,936	47,033
Withholding social contribution	116	114	619	1,433
Tax on revenue (COFINS)	-	-	803	1,174
Tax on revenue (PIS)	-	-	129	210
Other	-	-	131	266
	37,386	**35,942**	**46,618**	**50,116**
Current	**4,352**	**6,678**	**13,584**	**20,852**
Noncurrent	**33,034**	**29,264**	**33,034**	**29,264**

11. Tax benefit – Parent’s merged goodwill

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

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

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

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

For better presentation purposes of purposes of financial position in the interim financial information, the net amount of R$82,775 (R$90,247 at December 31, 2012), which, in substance, corresponds to the merged tax credit, was classified in noncurrent assets, under long-term assets, in the balance sheet, as merged goodwill tax benefit, based on expected realization.

Changes for the quarter ended March 31, 2013 are as follows:

	Total goodwill	Provision	Subsidiary's tax benefit
Balance at December 31, 2012	**265,434**	**(175,187)**	**90,247**
Realization in the year (note 30)	(21,976)	14,504	(7,472)
Balance at March 31, 2013	**243,458**	**(160,683)**	**82,775**

Amortization is recorded in the income statement, in line item "Other income (expenses), net" (note 30).

12. Loans

The loan granted by ISA CAPITAL to its parent Interconexión Eléctrica S.A. ESP ("ISA") refers to the transfer of the entire US dollar-denominated loan raised by the Company in 2006, in the original amount of US$23,800thousand, which matured and was repaid in a bullet payment on July 19, 2007, plus interest equivalent to LIBOR plus 3.00% per year. The Company maintained the same adjustment assumptions of this transaction, with receipt of semiannual interest; however, it was agreed that principal will be repaid in eight years in a bullet payment, on January 30, 2015.

On December 15, 2011, ISA Capital entered into a loan agreement with Internexa Brasil Operadora de Telecomunicações S.A. amounting to R$ 9,364, originally maturing on December 28, 2012, which was extended for another year, to December 28, 2013.

Interest is calculated on a monthly basis according to the CDI variance plus 0.72% per year, payable on a quarterly basis.

On October 3, 2012, ISA Capital granted another loan to Internexa Brasil Operadora de Telecomunicações S.A. amounting to R$11,146, with principal maturing on October 3, 2013.

Interest is calculated on a monthly basis according to the annual CDI svariance plus 0.91% per year, payable on a quarterly basis.

The balance breakdown is as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

	03.31.2013	12.31.2012
Principal	71,657	71,657
Interest	426	9
Exchange differences	(3,215)	(2,511)
Total	**68,868**	**69,155**
Current (note 32)	**20,510**	**20,510**
Noncurrent (note 32)	**48,358**	**48,645**

13. Bonds and Restricted Deposits

Parent

These refer to a deposit in The Bank of New York to guarantee interest paid biannually, which are related to bonds remaining after the debt restructuring. The deposited amount is approximately US$1.4 million. As contractually agreed, the Company has used the funds from this account to make pay interest, which are due in January and July, and after each payment the account balance is restored. The R$ 2,846 balance recorded in current assets as at December 31, 2012 was used to pay interest due in January 2013.

The account balance was restored with a deposit of R$2,824 on April 24, 2013 within the contractually set deadline.

Consolidated

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

	Parent		Consolidated	
	03.31.2013	**12.31.2012**	**03.31.2013**	**12.31.2012**
Fines – ANEEL (a) (note 21 (a) (iv))	-	-	7,827	7,827
Escrow deposits				
Labor (note 23(a) (i))	-	-	67,353	65,497
Social security - INSS (note 21 (a) (iii))	-	-	1,226	1,226
Deposit with The Bank of New York (Bond)	-	2,846	-	2,846
Other	-	-	-	140
	-	**2,846**	**76,406**	**77,536**
Current	**-**	**2,846**	**-**	**2,846**
Noncurrent	**-**	**-**	**76,406**	**74,690**

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

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

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

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

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

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

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

14. Investments

14.1 Parent investments

(a) Information on subsidiary CTEEP

	03.31.2013	12.31.2012
Number of shares outstanding at the end of the reporting period		
Common - ON	64,484,433	64,484,433
Preferred - PN	88,177,132	88,177,132
Total	152,661,565	152,661,565
Equity		
Capital	1,162,626	1,162,626
Capital reserves	2,055,035	2,055,035
Special premium reserve	147,912	147,912
Earnings reserve	1,784,164	1,712,657
Total	5,149,737	5,078,230
Profit for the quarter	71,022	843,488

(b) Information on Parent's investment

	03.31.2013	12.31.2012
Number of ON shares held outstanding at the end of the reporting period	57,714,208	57,714,208
CTEEP's equity	5,149,737	5,078,230
(-) Special premium reserve	(147,912)	(147,912)
CTEEP's equity used an equity pick-up basis	5,001,825	4,930,318
Percentage interest in total CTEEP's capital	37.8053%	37.8053%
Investment (A)	**1,890,955**	**1,863,922**
Goodwill		
Unamortized goodwill	51,378	68,506
Goodwill - special reserve	147,912	147,912
Total goodwill (B)	**199,290**	**216,418**
Total investment (A+B)	**2,090,245**	**2,080,340**

(c) Changes in Parent's investment in 2013

					Subsidiary
	Balance at 12.31.2012	**Equity pick-up**	**Goodwill amortization**	**Other**	**Balance at 03.31.2013**
CTEEP	2,080,340	27,034	(17,126)	(3)	2,090,245
	2,080,340	**27,034**	**(17,126)**	**(3)**	**2,090,245**

(In thousands of Brazilian reais - R$, unless otherwise stated)

14.2 Subsidiary CTEEP's investments

(a) Information on CTEEP's subsidiaries

SUBSIDIARY CTEEP'S INVESTMENTS

	IEMG		Pinheiros		Serra do Japi		Evrecy		IENNE		IESul		IEMadeira		IEGaranhuns	
Reporting date	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012**	**03.31.2013**	**12.31.2012**
Number of common shares held	78,855,292	78,855,292	255,360,000	236,760,000	86,748,000	86,748,000	21,512,367	21,512,367	81,821,000	81,821,000	76,678,499	74,128,499	487,560,000	487,560,000	15,300,510	15,300,510
Share in paid-in capital - %	100	100	100	100	100	100	100	100	25	25	50	50	51	51	51	51
Paid-in capital	78,855	78,855	255,360	236,760	86,748	86,748	21,512	21,512	327,284	327,284	153,356	148,257	956,000	956,000	30,001	30,001
Equity	98,781	100,419	279,577	260,114	112,216	109,550	33,908	32,520	385,913	385,294	161,857	156,445	1,171,230	1,132,215	31,625	30,543
Profit for the quarter	(1,638)	2,534	863	13,319	2,666	18,070	1,388	246	619	16,365	313	1,371	39,015	115,855	1,082	542

(b) Changes in subsidiary CTEEP's investments

Consolidated

	Balance at 12.31.2012	Capital contribution	Equity pick-up	Other	Balance at 03.31.2013
IENNE	96,324	-	154	-	96,478
IESul	78,222	2,550	157	-	80,929
IEMadeira	577,430	-	19,897	-	597,327
IEGaranhuns	15,577	-	552	-	16,129
	767,553	**2,550**	**20,760**	**-**	**790,863**

(In thousands of Brazilian reais - R$, unless otherwise stated)

15. Property, Plant and Equipment

Refers basically to chattels used by the Company and not related to the concession agreement.

	Average annual depreciation rates - %				Parent
				03.31.2013	12.31.2012
	%	Cost	Accumulated depreciation	Net	Net
In service					
Machinery and equipment	6%	33	(10)	23	23
Furniture and fixtures	6%	31	(17)	14	16
		64	**(27)**	**37**	**39**

					Consolidated
	Average annual depreciation rates - %			03.31.2013	12.31.2012 restated
	%	Cost	Accumulated depreciation	Net	Net
In service					
Land		2,060	-	2,060	-
Machinery and equipment	6%	2,462	(1,570)	892	911
Furniture and fixtures	6%	6,746	(4,489)	2,257	2,339
IT equipment	25%(*)	6,182	(1,937)	4,245	4,787
Vehicles	21%	798	(508)	290	321
Other	4%	981	(927)	54	56
		19,229	**(9,431)**	**9,798**	**8,414**

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

Changes in property, plant and equipment are as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

					Parent
	Balance at 12.31.2012	**Additions**	**Depreciation**	**Write-offs/ transfers**	**Balance at 03.31.2013**
Machinery and equipment	23	-	(1)	-	22
Furniture and fixtures	16	-	(1)	-	15
	39	**-**	**(2)**	**-**	**37**

					Consolidated
	Restated balance at 12.31.2012	**Additions**	**Depreciation (note 28)**	**Write-offs/ transfers**	**Balance at 03.31.2012**
Land	-	2,060	-	-	2,060
Machinery and equipment	911	11	(31)	-	891
Furniture and fixtures	2,339	-	(81)	-	2,258
IT equipment	4,787	-	(540)	(2)	4,245
Vehicles	321	-	(31)	-	290
Other	56	-	(2)	-	54
	8,414	**2,071**	**(685)**	**(2)**	**9,798**

16. Intangible Assets

Refers basically to:

a) The expenditures incurred by subsidiary CTEEP in April 2008-February 2009 on the ERP-SAP implementation/structuring project, which are being amortized on a straight-line basis over a five-year period; and

b) Goodwill paid by ISA Capital on the acquisition of subsidiary CTEEP's share control, which is economically based on the expected future earnings and is being amortized over the period of CTEEP's operations under concession agreement 59/2001, originally terminating in June 2015. With the extension of this concession agreement for another 30 years, beginning January 2013, and taking into account the form and criterion established by Provisional Acts 579 and 591 of 2012 for the payment of investment portions linked to that will be handed over assets, divided into Existing Services (SE) and New Investments (NI), not yet amortized or depreciated, the Company's management elected to accelerate the amortization of the remaining goodwill balance, of which 61% in 2012 and 39% in 2013, in line with CTEEP's recognition of the installments receivable from the concession grantor for the investments made in assets to be handed over. Consequently, of the goodwill balance remaining in December 2012, totaling R$175,185, R$106,681 was amortized in this month, equivalent to 61%, and the remaining balance of R$68,506, equivalent to 39%, will be amortized in 2013. After the amortization of R$17,126 this quarter, the goodwill balance as at March 31, 2013 is R$51,380;

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

Changes in intangible assets were as follows:

			Consolidated
	Goodwill	**Software**	**Total**
Restated balance at December 31, 2012	**68,506**	**42,289**	**110,795**
Additions	-	1,308	1,308
Amortization of software costs	-	(1,137)	(1,137)
Goodwill amortization (note 14.c)	(17,126)	-	(17,126)
Balance at March 31, 2013	**51,380**	**42,460**	**93,840**

17. Borrowings and Financing

Borrowings and financing are broken down as follows:

				Parent
	Charges	**Final maturity**	**03.31.2013**	**12.31.2012**
Foreign currency				
Bonds (a)	8.8%	01,30,2017	64,673	67,051
Current			**935**	**2,372**
Noncurrent			**63,738**	**64,679**

				Consolidated
	Charges	**Final maturity**	**03.31.2013**	**12.31.2012 restated**
Foreign currency				
Bonds (a)	8.8%	01,30,2017	64,673	67,051
Foreign currency with hedge accounting				
CCB Internacional Banco IBBA (d) (i)	US$ fluctuation + 4% p.a.	04,26,2013	130,723	132,309
Commercial Paper - Banco JP Morgan (d) (ii)	US$ fluctuation + 2.1% p.a.	10,21,2013	175,084	177,318
Total in foreign currency			**370,480**	**376,678**
Local currency				
BNDES (b) (i)	2.3% p.a. above the TJLP	06,15,2015	211,365	234,681
BNDES (b) (ii)	1.8% p.a. above the TJLP	06,15,2015	126,742	140,798
BNDES (b)	2.4% p.a. above the TJLP	04,15,2023	51,253	52,513
BNDES (b)	2.6% p.a. above the TJLP	05,15,2026	46,856	47,758
BNDES (b)	5.5% p.a.	01,15,2021	78,840	80,152
BNDES (b)	1.9% p.a. above the TJLP	05,15,2026	48,888	49,801
BNDES (b)	1.5% p.a. above the TJLP	05,15,2026	42,235	43,038
Notas Promissórias				
6º emissão (c)(iii)	104.9% CDI p.a.	05,01,2013	-	433,873
Eletrobrás	8% p.a.	15,11,2021	327	340
Finance leases			4,625	5,048
Total in local currency			**611,131**	**1,088,002**
Total in local and foreign currencies			**981,611**	**1,464,680**

(In thousands of Brazilian reais - R$, unless otherwise stated)

Current	**500,568**	**938,917**
Noncurrent	**481,043**	**525,763**

(a) Bonds issued on January 29, 2007 amounting to US$554 million

The issue was divided into two tranches: a first tranche amounting to US$200 million, with a five-year maturity, maturing in 2012, interest rate of 7.875% per year, and call options in 2010 and 2011; and a second tranche amounting to US$354 million, with a ten-year maturity, maturing in 2017, and interest rate of 8.8% per year.

(i) Restructuring of foreign currency-denominated debt – Bonds

Pursuant to the ISA Group’s strategy, which aims at expanding its business in Brazil, ISA Capital’s management conducted studies, called Project REDI, to restructure its foreign currency-denominated debt – bonds and reduce the cost of such debt, and concurrently create favorable conditions for the expansion of Company and its subsidiaries operations.

- US$354.0 million in bonds maturing in 2017

  On February 8, 2010, the Company started to implement the debt restructuring by announcing abroad a public tender to repurchase in cash all bonds it issued maturing in 2017 up to total outstanding amount equivalent to US$354 million. As an integral part of the transaction, in addition to paying the market value of 108.25%, ISA Capital offered the 2017 bond holders that took part of the public tender by February 24, 2010 (called early payment period) with a consent fee of 3.50% on the market value. Between February 24 and March 8, 2010, the bond holders that joined the offering were paid 108.25% of the their bend’s market value. After the offering period, 91.06% of total bond holders had joined the program. Accordingly, under terms established, in March 2010 the Company repurchased US$322.3 million in bonds, equivalent to 91.06% of the total US$354.0 million. Only 8.94% of total bonds maturing in 2017 remain outstanding in the market, equivalent to US$ 31.6 million.

  The total amount disbursed by the Company to buyback 91.06% of these bonds in March 2010 totaled US$371.8 million, equivalent to R$665.0 million, broken down as follows: (i) Principal of US$322.3 million, equivalent to R$577.4 million; (ii) Consent Fee of US$37.7 million, equivalent to R$66.6 million; (iii) Prorated interest of US$3.2 million, equivalent to R$5.7 million; and (iv) Taxes levied on remittances of US$8.6 million, equivalent to R$15.3 million.

  The terms agreed on the issue have been kept for the US$31.6 million in bonds outstanding in the market, but without any type of covenants. Principal maturity is still 2017 and interest is still paid on a semiannual basis, in January and July of each year, at the rate of 8.8% per year.

- US$200.0 million in bonds maturing in 2012

  As soon as the 2017 bond repurchase public offer was completed, the Company initiated, using the call option set forth in the contract for the bonds maturing in 2012, the bond repurchase process and repurchased 100% of these bonds, which amounted to US$ 200 million, under the agreed terms and conditions. As these bonds were repurchased at their market value of 103.938%, as set in the indenture for to exercise the call options in 2010, ISA Capital disbursed US$212.6 million, equivalent to R$380.8 million, broken down as follows: (i) Principal of US$200.0 million, equivalent to R$358.2 million; (ii) Premium of US$7.9 million, equivalent to R$14.1 million; (iii) Prorated interest of US$2.4 million, equivalent to R$4.4 million; and (iv) Taxes levied on remittances of US$2.3 million, equivalent to R$4.1 million.

(b) BNDES

(i) On September 17, 2007, subsidiary CTEEP entered into a loan agreement with the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) (Brazilian Development Bank) in the amount of R$764.2 million, which was reduced to R$601.7 million in December 2008. The amount corresponds to 70.0% of the total investment made, which includes system improvement works, enhancements, transmission grid upgrading, and new projects, and part of the 2006-2008 Multiyear Investment Plan, repayable in 78 monthly installments beginning January 2009. As collateral, the Company offered bank guarantees effective through December 15, 2015, from the banks Bradesco, Santander and Banco do Brasil, at the cost of 0.7% per year, with quarterly maturities. The financial ratios set out in the agreement are: net debt-to-EBITDA < 3.0 and net debt/(net debt + equity) < 0.6.

(ii) On November 18, 2008, subsidiary CTEEP entered into a loan agreement with the BNDES in the amount of R$329.1 million, with repayment beginning January 2011 in 54 monthly installments; until beginning of repayment, interest was paid on a quarterly basis. As a collateral, the Company offered bank guarantees effective through June 15, 2015, from the banks Bradesco and Santander, the cost of 1.2% per year and 0.6% per year, respectively, with quarterly maturities. The financial ratios set out in the agreement are: net debt-to-EBITDA ≤ 3.0 and net debt/(net debt + equity) ≤ 0.6.

(iii) On December 14, 2009, CTEEP’s subsidiary IEMG entered into a loan agreement with the BNDES in the amount of R$70.6 million, disbursed on March 27, 2009. The funds will be used to finance approximately 50.0% of the transmission line (LT) between the Neves 1 and Mesquita substations, with repayment beginning May 15, 2009, in 168 monthly installments. The BNDES waived the bank guarantee on March 15, 2011. IEMG must keep, during the repayment period, a Debt Service Coverage Ratio (DSCR) of at least 1.3, determined on an annual basis.

(iv) On December 30, 2010 CTEEP’s subsidiary Pinheiros entered into a loan agreement with the BNDES in the amount of R$119.9 million. R$91.3 million and R$28.6 million were disbursed on January 28 and April 27, 2011, respectively. The funds will be used to finance the construction of the transmission lines and substations set forth in the concession agreements. The loan is being repaid in 168 monthly installments, since September 15, 2011. A bank guarantee was offered as a collateral, effective through January 17, 2014, from Banco Bradesco S.A., at the cost of 1.0% p.a., with quarterly maturities. During the entire repayment period and after the release of the collaterals, Pinheiros must keep a Debt Service Coverage Ratio (DSCR) of at least 1.3, determined on an annual basis.

(v) On October 28, 2011 CTEEP’s subsidiary Serra do Japi entered into a loan agreement with the BNDES in the amount of R$93.3 million. R$75.0, R$15.0 and R$3.3 million were disbursed on November 18 and December 12, 2011 and February 27, 2012, respectively. The funds will be used to finance the construction of the transmission lines and substations set forth in the concession agreements. Repayment will be made in 168 monthly installments beginning June 15, 2012. A bank guarantee was offered as collateral, effective through February 28, 2014, from Banco Bradesco S.A., at the cost of 0.6% p.a., with quarterly maturities. During the entire repayment period and after the release of the collaterals, Serra do Japi should keep must keep a Debt Service Coverage Ratio (DSCR) of at least 1.2, determined on an annual basis.

(c) Promissory notes

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

(d) Foreign currency with hedge accounting

(i) On April 20, 2011, subsidiary CTEEP entered into an international bank credit note agreement with Banco Itaú BBA Nassau, amounting to US$63,694,267.52, subject to exchange fluctuation and 4% per year. Additionally, a swap was entered into with Banco Itaú BBA with a notional amount of R$100.0 million and adjustment rate of 103.50% of the CDI. This instrument's impacts are described in note 33 (a). The transaction was settled on April 26, 2013 (note 37).

(ii) On October 17, 2011, subsidiary CTEEP entered into a long-term foreign loan agreement with Banco JP Morgan Chase, in the amount of US$85,787,818.13, maturing on October 21, 2013, and subject to exchange fluctuation and 2.1% per year. Additionally, a swap was entered into with Banco JP Morgan with a notional amount of R$150.0 million and adjustment rate of 98.3% of the CDI. This instrument's impacts are described in note 33 (a).

To date subsidiary CTEEP and its subsidiaries have met and complied with all the requirements and restrictive covenants set forth in the agreements.

The long-term portion matures as follows:

	Parent		Consolidated	
	03.31.2013	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
2014	-	-	130,912	174,977
2015	-	-	100,388	100,037
2016	-	-	24,471	24,245
2017	63,738	64,679	88,209	88,924
2018			24,471	24,245
After 2018	-	-	112,592	113,335
	63,738	**64,679**	**481,043**	**525,763**

Changes in borrowings and financing are as follows:

	Parent	**Consolidated restated**
Balance at December 31, 2012	**67,051**	**1,464,680**
Additions	-	200,000
Payments (principal and interest)	(2,827)	(693,731)
Interest, inflation adjustments and exchange differences	449	10,662
Balance at March 31, 2013	**64,673**	**981,611**

18. Debentures

(In thousands of Brazilian reais - R$, unless otherwise stated)

					Consolidated
	Maturity	Volume	Interest	03.31.2013	12.31.2012 restated
1st series	12.15.2014	49,100	CDI + 1.3% p.a.	332,399	325,959
2nd series	12.15.2017	5,760	IPCA + 8.1 p.a.	73,922	70,915
Single series - CTEEP	07.02.2014	70,000	105.5% of CDI p.a.	738,892	726,476
				1,145,213	**1,123,350**
Current				**174,418**	**166,667**
Noncurrent				**970,795**	**956,683**

In December 2009, subsidiary CTEEP issued 54,860 debentures totaling R$548.6 million and received these funds in January 2010. The 1st series matures on the following dates: December 15, 2012, 2013 and 2014, and interest is paid semiannually on June 15 and December 15 of each year.

The 2nd series matures on the following dates: June 15, 2014, December 15, 2015, 2016, and 2017; and interest is paid semiannually on June 15 and December 15 of each year.

The financial ratios set out in the agreement are: net debt-to-EBITDA ≤ = 3.0 and EBITDA-to-finance income (costs) ≥ = 3.0.

In July 2012, subsidiary CTEEP issued 70,000 debentures in a single series, totaling R$700.0 million, with cash inflow on July 4, 2012. Interest and principal mature on July 2, 2014. No financial ratios are required under this agreement.

To date the Company and its subsidiaries have met and complied with all the requirements and restrictive covenants set forth in the agreements.

The long-term portion matures as follows:

	03.31.2013	12.31.2012
2014	918,445	905,509
2015	17,449	17,058
2016	17,449	17,058
2017	17,452	17,058
	970,795	**956,683**

Changes in debentures are as follows:

	Parent
Balance at December 31, 2012	**1,123,350**
Interest, inflation adjustments and exchange differences	21,863
Balance at March 31, 2013	**1,145,213**

19. Taxes and Social Security Payable

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Parent		Consolidated	
	03.31.2013	12.31.2012	03.31.2013	12.31.2012 restated
Income tax	162	368	1,479	82,188
Social contribution	-	-	557	30,419
COFINS	-	-	5,700	8,810
PIS	-	-	1,238	1,910
Scholarship program	-	-	123	166
Social security tax (INSS)	24	21	5,466	5,764
Service tax (ISS)	-	6	2,737	3,141
Other	-	4	5,537	7,053
	186	**399**	**22,837**	**139,451**

20. Taxes in Installments – Law 11941

Due to incorrect completion issues, subsidiary CTEEP amended the Statement of Federal Tax Debts and Credits (DCTF) for 2004-2007, and determined a PIS and COFINS debt. In order to settle this debt, subsidiary CTEEP joined the Tax Debt Installment Payment Program created by Law 11941, of May 27, 2009, and paid R$141,162 in cash on November 30, 2009, using the fine and interest reduction benefit totaling R$42,257. The remaining balance is being paid in 180 monthly installments since November 2009.

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

Changes for the quarter ended March 31, 2013 are as follows:

	Consolidated restated
Opening balance	**155,455**
Inflation adjustment on debt	1,951
Payments made	(3,312)
	154,094
Current	**13,303**
Noncurrent	**140,791**

(In thousands of Brazilian reais - R$, unless otherwise stated)

21. Deferred PIS and COFINS

	Consolidated	
	03.31.2013	12.31.2012 restated
Deferred PIS	15,822	15,105
Deferred COFINS	72,904	69,600
	88,726	**84,705**

Deferred PIS and COFINS refers to construction revenue and finance income determined on the construction financial asset. Payment is made when the RAP is effectively billed and the financial asset amortized.

22. Regulatory Charges Payable

	Consolidated	
	03.31.2013	12.31.2012 restated
Research & Development (R&D) (i)	61,858	61,408
Energy Development Account (CDE)	742	2,556
Fuel Consumption Account (CCC)	-	1,203
General Handover Reserve (RGR)	13,048	12,641
Alternative Electric Power Sources Incentive Program (PROINFA)	1,615	1,697
ANEEL inspection fee	355	307
	77,618	**79,812**
Current	**28,773**	**40,344**
Noncurrent	**48,845**	**39,468**

(i) Subsidiary CTEEP and its subsidiaries recognized liabilities related to amounts already billed in tariffs (1% of the net operating revenue) but not yet invested yet in the Research & Development (R&D) Program, adjusted on a monthly basis as from the second month following its recognition until its effective realization, using the SELIC rate, as set forth in ANEEL Resolutions 300/2008 and 316/2008.

(ii) Under Article 21 of Law 12783, beginning January 1, 2013, power transmission companies with concession arrangements extended as set forth by said law are not required to pay the annual RGR amount. In the case of subsidiary CTEEP, this applies to agreement no. 059/2001. As at March 31, 2013, the RGR payable balance refers to the supplementation of 2011 and 2012 charge.

(In thousands of Brazilian reais - R$, unless otherwise stated)

23. Provisions

	Parent		Consolidated	
	03.31.2013	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
Vacation pay and payroll taxes	14	19	16,128	19,594
Profit sharing (PLR)	-	-	3,392	7,863
Contingencies (a)	-	-	117,377	120,882
	14	**19**	**136,897**	**148,339**
Current	**14**	**19**	**19,520**	**27,457**
Noncurrent	**-**	**-**	**117,377**	**120,882**

(a) Provision for Contingencies

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

	Consolidated	
	03.31.2013	**12.31.2012 restated**
Labor (i)	104,618	108,331
Civil	3,723	3,474
Tax – IPTU (ii)	7,417	7,506
Social security – INSS (iii)	1,619	1,571
	117,377	**120,882**

(i) Labor

Subsidiary CTEEP assumed the responsibility for certain lawsuits before different courts, mainly arising from partial spin-off lawsuits of CESP and EPTE. The Company has made labor escrow deposits in the amount of R$67,353 (R$65,497 at December 31, 2012), as described in note 13.

(ii) Tax - IPTU

Subsidiary CTEEP recognizes a provision to cover the debts to the governments of several cities in the State of São Paulo related to area regularization lawsuits, amounting to R$7,417.

(iii) Social security - INSS

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

(iv) Changes in the provisions for contingencies:

					Consolidated restated
	Labor	**Civil**	**Tax - IPTU**	**Social security - INSS**	**Total**
Balance at Dec 31, 2012	**108,331**	**3,474**	**7,506**	**1,571**	**120,882**
Recognition	10	870	-	-	880
Reversal/payment	(5,185)	(671)	(95)	-	(5,951)
Inflation adjustment	1,462	50	6	48	1,566
Balance at Mar 31, 2013	**104,618**	**3,723**	**7,417**	**1,619**	**117,377**

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

Subsidiary CTEEP and its subsidiaries are parties to tax, labor and civil lawsuits whose likelihood of loss, based on the opinion of their legal counsel, is assessed as possible, for which the Company did not recognize a provision, in the estimated amount of R$112,533 as at March 31, 2013 (R$65,497 at December 31. 2012), mainly labor and tax lawsuits totaling R$95,512.

Classification	Number	Total
Labor	350	45,405
Civil	275	17,021
Tax – tax loss carryforwards (i)	1	18,750
Tax – MANAD (ii)	1	16,232
Tax – IRPJ and CSLL (iii)	1	15,125
		112,533

(i) Tax – tax loss carryforwards

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

(ii) Tax – MANAD

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

(iii) Tax – IRPJ and CSLL

Refers to an income tax and social contribution collection lawsuit resulting from the partial approval, by the Federal Revenue Service, of an offset request by CTEEP in 2003. Pending judgment of appeal.

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

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

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

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

Therefore, in view of Eletropaulo’s partial spin-off protocol, the EPTE would be the owner of the transferred asset and Eletropaulo would be liable for the contingency related to the amount claimed in courts by ELETROBRAS. In October 2001, ELETROBRAS implemented the decision on said financing agreement and charged R$429 million from Eletropaulo and R$49 million from EPTE, believing that EPTE would pay this portion using the adjusted funds of said escrow deposit. Subsidiary CTEEP merged EPTE on November 10, 2001 and became the successor of its obligations and rights.

On September 26, 2003, the Court of Justice of the State of Rio de Janeiro issued a decision that excludes Eletropaulo from the implementation of the decision above. In light of these facts, ELETROBRAS filed on December 16, 2003 a special appeal with the Superior Court of Justice and a special appeal with the Federal Supreme Court to keep the collection from Eletropaulo. Similar appeals were filed by subsidiary CTEEP.

On June 29, 2006, the Superior Court of Justice upheld CTEEP’s special appeal, thus reversing the decision handed down by the Court of Justice of the State of Rio de Janeiro which excluded Eletropaulo as the defendant from the lawsuit filed by ELETROBRAS.

As a result of this Superior Court of Justice’s decision, on December 4, 2006 Eletropaulo filed a motion for clarification, which were overruled under the court decision issued on April 16, 2007 and the special and extraordinary appeals which upheld the decision handed down by the Superior Court of Justice, made final and unappealable on October 30, 2008. In view of these decisions that considered unreasonable the Exception of Pre-implementation of the Eletropaulo’s lawsuit, the lawsuit filed by ELETROBRAS is following its originally proposed course.

In December 2012, a decision was issued to refuse any new evidences produced by the parties and completing evidence production phase to settle the amount due, declaring that Eletropaulo is liable for the award payment, to be deducted from the amount deposited in escrow linked to the consignment action. The decision was reversed for expert evidence preparation.

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

24. Payables – Fundação CESP

Subsidiary CTEEP sponsors retirement and pension complementation and supplementation and health care plans managed by Fundação CESP which, together with the administrative costs of the fund, amounts to R$6,121 as at March 31, 2013 (R$6,226 as at December 31, 2012), relating to monthly installments payable as contribution to the fund.

(a) Plan “A” - pension complementation

Governed by State Law 4819/58, applicable to employees hired through May 13, 1974, it offers retirement and survivors’ pension complementation benefits, premium license and family allowance. The funds necessary to cover the charges under such plan should be fully borne by the competent bodies of the State Government of São Paulo; therefore, with no risk and additional cost to subsidiary CTEEP (note 36).

(b) Plan “B” and “B1” - pension supplementation

Plans “B” and “B1”, governed by Law 6435/77 and managed by Fundação CESP, are sponsored by the Company itself and offer retirement and survivors’ pension supplementation benefits, whose reserves are determined on a funded basis.

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

On January 01, 1998 (CTEEP) and April 01, 1998 (EPTE), subsidiary CTEEP implemented Plan “B1”, which defines equal contributions and responsibilities for CTEEP and the participants, so as to maintain the plan’s financial and economic actuarial balance. This plan offers retirement and survivors’ pension benefits to its employees, former employees, and their beneficiaries so as to supplement the benefits offered by the official social security system. The plan’s main feature is the mixed model, consisting of 70% as defined benefit and 30% as defined contribution. On retirement date, the Defined Contribution Benefit Plan becomes a Defined Benefit Plan. Plans “B” and “B1” were financially merged and transformed into PSAP Plan-Transmissão Paulista.

(c) PSAP Plan - Transmissão Paulista

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

There was no significant change in the number of plan participants and the assumptions adopted by subsidiary CTEEP during the quarter.

(d) Actuarial valuation

The actuarial valuation prepared by an independent actuary relating to the PSAP pension plans sponsored by the Company adopted the projected unit credit method. The actuarial report of December 31, 2012 shows an actuarial asset of R$20,887 which was not recorded due to the uncertain recoverability of such asset through reimbursements deriving from the plan or the reduction of future contributions. The actuarial gain is shown below, according to the actuarial report.

(In thousands of Brazilian reais - R$, unless otherwise stated)

(i) Reconciliation of assets and liabilities

	12.31.2012
Fair value of plan assets	3,290,144
Present value of defined benefit obligation	(2,678,356)
Actuarial surplus	611,788
Asset recognition restriction	(590,901)
Net of defined benefit asset	**20,887**

25. Special Obligations - Handover/Amortization

As at March 31, 2013, the amount of R$24,053 refers to the funds deriving from the handover reserve, amortization, and portion retained in the Company of the monthly installments of the General Handover Reserve (RGR) related to investments of funds to expand power services and repay borrowings raised for the same purpose, occurred through December 31, 1971. Pursuant to an ANEEL resolution, the Company annually pays 5% on the Reserve amount as interest. The Concession Grantor has not defined the settlement method of these obligations.

26. Equity

(a) Capital

The Company was established on April 28, 2006 as a limited liability company. On September 19, 2006, the Company was turned into a corporation.

On March 9 and 19, 2010, the Company increased capital twice by issuing redeemable preferred shares at the price of R$2.020731 per share. The shares will start to be redeemed on April 12, 2013, until April 9, 2016, These shares were fully subscribed and paid in by HSBC Finance (Brasil) S.A. Banco Múltiplo, as follows:

(i) At the Extraordinary Shareholders' Meeting held on March 9, 2010, the Company's R$840,000 capital increase was approved, as proposed by the Board of Directors on dated March 8, 2010, of which R$420 was allocated to capital and R$839,580 was allocated to the capital reserve, by creating and issuing 415,691,162 redeemable preferred shares distributed into 13 classes, entitled to fixed cumulative dividends, which were subscribed and paid in on the same date. As a result, the Company's capital increased from R$839,778 to R$840,198, represented by 1,256,316,162 shares. At the same meeting, the reduction of mandatory dividends from 25% to 1% and the amendment to the Company's bylaws were approved; and

(ii) A new capital increase within authorized capital limit at the Board of Directors' Meeting held on March 19, 2010 was approved, by issuing 178,153,342 redeemable preferred shares distributed into 13 classes, entitled to fixed cumulative dividends, amounting to R$360,000, which were fully subscribed and paid in on the same date, of which R$180 was allocated to the Company's capital and R$359,820 to the Company's capital reserve. The Company's capital increased from R$840,198 to R$840,378, represented by 1,434,469,504 shares.

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

Accordingly, as at March 31, 2013 and December 31, 2012, the Company's subscribed and paid-in capital is R$840,378, represented by 840,625,000 common shares and 593,844,504 preferred shares, held as follows:

Shareholder	Number of common shares	Number of preferred shares	Total	%
Interconexión Eléctrica S.A ESP	840,624,999	-	840,624,999	58.60%
Directors	1	-	1	0.00%
HSBC Finance (Brasil) S.A. Banco Múltiplo	-	296,922,252	296,922,252	20.70%
Banco Votorantim S.A.	-	296,922,252	296,922,252	20.70%
Total	**840,625,000**	**593,844,504**	**1,434,469,504**	**100%**

(b) Dividends

As provided for by Article 35 of the Company's bylaws, mandatory dividends correspond to 1% of profit for the year, adjusted as set forth in Article 202 of Law 6404/76, and are allocated to preferred shares redeemable up to the amount equivalent to the Fixed Cumulative Dividends to which such shares are entitled.

The fixed cumulative dividends are calculated and paid on a quarterly basis, as prescribed by Article 6 of the bylaws.

The Board of Directors approved the distribution of fixed cumulative dividends to the preferred shareholders HSBC Finance (Brasil) S.A. Banco Múltiplo and Banco Votorantim S.A., using profit for 2012, as follows:

Payment	Amount	Amount per share - R$	Shares	Approval	Period
Jan 4, 2013	21,334	0.035926	593,844,504	01/04/2013	2012
Total	**21,334**				

(c) Dividends and interest of subsidiary CTEEP

CTEEP's bylaws provide for the payment of mandatory dividends equivalent to 10% of capital, which currently amounts to R$116,263.

Subsidiary CTEEP did not distribute and/or interest on capital in the first quarter of 2013.

(d) Capital reserve

After the decisions of March 9 and 19, 2010, the Company's Capital Reserve was R$1,199,400 at December 31, 2012. As scheduled, this amount will be used to redeem redeemable preferred shares distributed into 13 classes and, as established in shareholders' agreement and the Brazilian Corporate Law (Law 6404/76), as subsequently amended, it can also be used to pay dividends to which redeemable preferred shares are entitled.

(e) Capital transaction premium

After the subscription of CTEEP shares in December 2011, related to capital increase in that year, the Company recorded a gain on changes in percentage equity interest held in CTEEP and, on the other hand, recorded a loss on share amount as compared to equity, amounting to R$7,488. After deducting R$20 as a result of the sale of 920 CTEEP shares in June and July de 2012, the line item's balance is R$7,468. This amount could be realized through a possible sale of CTEEP shares.

(In thousands of Brazilian reais - R$, unless otherwise stated)

(f) Earnings reserve

	03.31.2013	12.31.2012
Legal reserve (i)	5,881	5,881
Earnings retention reserve (ii)	125,493	125,493
	131,374	**131,374**

(i) Legal reserve

Recognized as 5% of profit for the year, before any allocation, up to 20% of capital. In any given year where the legal reserve balance plus the capital reserves defined by Article 182, Par. 1, of the Brazilian Corporate Law exceed 30% of capital, it is not mandatory to allocate part of profit for the year to the legal reserve.

(ii) Earnings retention reserve

The portion of profit for the year remaining after the allocation of fixed cumulative dividends to the redeemable preferred shares is allocated to this line item, within the limits established in the Company's bylaws. While there are outstanding redeemable preferred shares, this line item will only be used for the payment of fixed cumulative dividends to which the redeemable preferred shares are entitled and, if applicable, the redemption of the redeemable preferred shares.

(g) Earnings per share

Basic and diluted earnings per share are calculated using profit attributable to the owners of the Company and noncontrolling interests and the weighted average number of common and preferred shares outstanding in the relevant period.

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

	03.31.2013	03.31.2012
Basic earnings per share		
Profit for the quarter – R$'000	6,980	56,715
Weighted average number of shares		
Common shares	840,625,000	840,625,000
Preferred shares	593,844,504	593,844,504
	1,434,469,504	**1,434,469,504**
Total basic earnings per share – R$	**0.0049**	**0.03954**

(In thousands of Brazilian reais - R$, unless otherwise stated)

27. Net Operating Revenue

27.1. Breakdown of net operating revenue

	Consolidated	
	03.31.2013	**03.31.2012 restated**
Gross revenue		
Construction (a) (note 8)	46,512	61,317
O&M (a) (note 8)	143,675	157,606
Finance income (b) (note 8)	38,817	323,876
Rentals	3,644	3,598
Services	1,410	1,711
Total gross revenue	**234,058**	**548,108**
Taxes on revenue		
COFINS	(17,867)	(5,730)
PIS	(3,879)	(1,238)
ISS	(81)	(85)
	(21,827)	**(7,053)**
Regulatory charges		
Fuel Consumption Account (CCC)	(892)	(14,192)
Energy Development Account (CDE)	(3,525)	(10,044)
General Handover Reserve (RGR)	(599)	(13,898)
Research and development (R&D)	(1,594)	(4,911)
Alternative Electric Power Sources Incentive Program (PROINFA)	(4,803)	(4,474)
	(11,413)	**(47,519)**
	200,818	**493,536**

(a) Construction and O&M services

Revenue related to construction or improvement services under the service agreement is recognized based on the percentage of completion of the construction or improvement performed. O&M revenues are recognized in the period in which services are provided by subsidiary CTEEP. When subsidiary CTEEP provides more than one service under a service agreement, the compensation received is allocated by reference to the fair values of the services delivered.

(b) Finance income

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

27.2. Periodic Revision of the Permitted Annual Revenue (RAP)

Under the concession agreements enter into with the ANEEL, every four or five years, after the agreement execution date, the ANEEL can periodically revise the power transmission RAP to promote tariff efficiency and moderation. The revenue related to concession agreement 143/2001, whose tariff revise frequency is five years, is not subject to such revision.

The revision comprises the adjustment of the revenue by determining:

a) the regulatory compensation basis for RBNI;
b) the efficient operating costs;
c) the optimal capital structure and defining the transmission companies' consideration;
d) identifying the amount to be considered as tariff reduction – Other income.

The last tariff revision was made in 2010, as disclosed in note 23.2 to the 2011 financial statements.

27.3. Variable Portion (PV) and RAP

Regulatory Resolution 270, of July 9, 2007, regulates the Variable Portion (PV) and the Additional RAP. The Variable Portion is the deduction from the transmission companies' RAP due to the unavailability of or an operating restriction to the facilities comprising the Basic Grid. The Additional RAP corresponds to the amount to be added to the transmission companies' revenue as an incentive to improving the availability of transmission facilities. They are recognized as revenue and/or O&M revenue reduction, when occurred.

Regulatory Resolution (REN) 512, of October 30, 2012, amended REN 270/07, by adding Par. 3 to Article 3, which extinguishes the Additional RAP for transmission operations governed by Law 12783/2013.

27.4 Annual revenue adjustment

On June 26, 2012, Approving Resolution 1313 was issued to establish the annual permitted revenue of subsidiary CTEEP and its subsidiaries for the availability of the transmission facilities comprising the Basic Grid and other transmission facilities, for the 12-month cycle July 1, 2012 to June 30, 2013. Subsequently, Approving Resolution 1395, of December 11, 2012, was issued to change the amounts set forth in Approving Resolution 1313/12. The former Resolution also establishes the annual permitted revenues after Law 12783/2013.
Pursuant to Approving Resolution 1313, CTEEP's RAP, which was R$2,008,277 on July 1, 2011, increased to R$2,131,118 on July 1, 2012, resulting in an increase by R$122,841, or 6.1%. Subsidiary CTEEP and its

(In thousands of Brazilian reais - R$, unless otherwise stated)

subsidiaries' RAP, which was R$2,071,704 on July 1, 2011, increased to R$2,200,388 on July 1, 2012, resulting in an increase by R$128,684, or 6.2%.

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

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

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

(*) Due to the extension of the concession arrangement 059/2001 (Note 1.2), the amounts in the table consider the RAP proportion according to the amounts prevailing in the accrual period, for July to December 2012, the annual RAP proportion of R$2,131,115 was taken into consideration, and from January to June 2013, the annual RAP proportion of R$568,178 was taken into consideration.

(In thousands of Brazilian reais - R$, unless otherwise stated)

28. Costs of Construction and O&M Services and General and Administrative Expenses

	Parent			Consolidated			
	03.31.2013		03.31.2012	03.31.2013			03.31.2012 restated
	Expenses	Total	Total	Costs	Expenses	Total	Total
Personnel	(428)	(428)	(402)	(56,772)	(14,658)	(71,430)	(60,554)
Services	(479)	(479)	(471)	(35,786)	(9,779)	(45,565)	(52,454)
Depreciation and amortization de intangible assets (notes 14 and 15)	(3)	(3)	(3)	-	(1,823)	(1,823)	(1,264)
Materials	-	-	-	(41,489)	(207)	(41,696)	(38,663)
Leases and rents	(71)	(71)	(71)	(2,188)	(1,420)	(3,608)	(3,675)
Contingencies	-	-	-	-	(7,381)	(7,381)	(5,576)
Other	(56)	(56)	(50)	(6,743)	(3,786)	(10,529)	(15,711)
	(1,037)	**(1,037)**	**(997)**	**(142,978)**	**(39,054)**	**(182,032)**	**(177,897)**

Of the costs above, subsidiary CTEEP's construction costs totaled R$22,275 for the year ended March 31, 2013 and R$34,802 for the year ended March 31, 2012. Consolidated construction costs totaled R$41,893 as at March 31, 2013 and R$53,444 as at March 31, 2012. The corresponding construction revenue, disclosed in note 27.1, is calculated including the PIS and COFINS rates on the investment cost. For subsidiaries in start-up stage, general and administrative expenses and finance costs are included in the investment cost. The projects provide for sufficient margin to cover construction costs, plus certain expenses for the construction period.

(In thousands of Brazilian reais - R$, unless otherwise stated)

29. Finance Income (Costs)

	Parent		Consolidated	
	03.31.2013	03.31.2012	03.31.2013	03.31.2012 restated
Revenue				
Income from short-term investments	6,936	9,718	26,373	15,055
Interest receivable	793	646	27,430	893
Mark-to-market (CCB International and commercial paper)	-	-	864	24,959
SELIC interest of recoverable income tax	517	890	517	890
Inflation adjustments			30,584	-
Exchange differences	3,080	8,135	3,080	8,135
Exchange differences (CCB Internacional and commercial paper)	-	-	10,197	-
Swap adjustment (CCB International)	-	-	4,919	14,252
Other	-	-	1,039	456
	11,326	19,389	105,003	64,640
Expenses				
Interest on borrowings	(1,387)	(1,224)	(13,137)	(17,425)
Interest payable	-	-	(2,261)	(3,620)
Charges on promissory notes	-	-	(1,115)	(18,166)
Charges on debentures	-	-	(20,391)	(15,329)
Charges (CCB Internacional and commercial paper)	-	-	(2,132)	(1,956)
Mark-to-market (CCB Internacional and commercial paper)	-	-	-	(3,415)
Withholding income tax on interest remittance	(200)	(161)	(200)	(161)
PIS on interest on capital	-	(399)	-	(399)
COFINS on interest on capital	-	(1,837)	-	(1,837)
Mark-to-market - debt (bonds)	-	-	-	-
Inflation adjustments	(8,754)	(5,119)	(8,754)	(6,800)
Exchange differences	(2,865)	(7,755)	(2,865)	(7,755)
Exchange differences (CCB Internacional and commercial paper)	-	-	(6,457)	(16,918)
Swap adjustment (CCB International)	-	-	(9,103)	(22,762)
Other	(11)	-	(1,449)	(1,110)
	(13,217)	(16,495)	(67,864)	(117,653)
	(1,891)	**2,894**	**37,139**	**(53,013)**

Foreign funding of subsidiary CTEEP in the quarter generated net exchange gains R$3,740 (R$8,041 in the first quarter of 2012) and charges of R$2,132 (R$1,956 in the first quarter of 2012). On the other hand, the swap adjustment generated a net expense of R$4,184 (R$8,510 in the first quarter of 2012).

Subsidiary CTEEP has two transactions to raise foreign funds, as follows:
The CCB Internacional transaction with Banco Itaú BBA generated in the quarter net exchange gains of R$1,591 (R$3,425 in the first quarter of 2012), charges of R$1,236 (R$1,115 in the first quarter of 2012), and the mark-to-market generated an expense of R$118 (R$954 in the first quarter of 2012). The swap adjustment generated a

(In thousands of Brazilian reais - R$, unless otherwise stated)

net expense of R$1,917 (R$3,688 in the first quarter of 2012) for the same period, which maintains cost at 103.5% of CDI.

Funding under Law 4131 with Banco JP Morgan generated in the quarter net exchange gains of R$2,149 (R$4,616 in the first quarter of 2012) and charges of R$896 (R$841 in the first quarter of 2012), and the mark-to-market generated income of R$982 (R$2,461 in the first quarter of 2012). The swap adjustment generated a net expense of R$2,267 (R$4,822 in the first quarter of 2012) for the same period, which maintains cost at 98.3% of CDI.

30. Other Operating Income (Expenses)

	Parent		Consolidated	
	03.31.2013	**03.31.2012**	**03.31.2013**	**03.31.2012 restated**
Revenue				
Amortization of IEMG loss	-	-	605	597
Other (i)	-	-	14,062	-
	-	**-**	**14,667**	**597**
Expenses				
Goodwill amortization (note 14.1.c)	(17,126)	(13,992)	(24,598)	(21,200)
Other	-	-	(136)	(1)
	(17,126)	(13,992)	(24,734)	(21,201)
	(17,126)	**(13,992)**	**(10,067)**	**(20,604)**

(i) Income arising on the recognition of compensation to reestablished the economic and financial balance of the bilateral agreement, amounting to R$12,001.

31. Income Tax and Social Contribution

(a) Current

The Company accrues on a monthly basis income tax and social contribution amounts on the accrual basis.

Due to the Transitional Tax Regime (RTT), the Company and its subsidiaries IEMG, IENNE, IESul, Pinheiros, and Serra do Japi are disclosing their profit or loss for tax purposes. The taxes are calculated based on the actual taxable income, except for subsidiaries IEMG and Serra do Japi, which calculate their taxes based on the deemed income.

The income tax and social contribution expenses for the year are reconciled with accounting profit as follows:

(In thousands of Brazilian reais - R$, unless otherwise stated)

	Parent		Consolidated	
	03.31.2013	**03.31.2012**	**03.31.2013**	**03.31.2012 restated**
Income before income tax and social contribution	6,980	65,586	66,618	253,521
Statutory rates	34%	34%	34%	34%
Expected income tax and social contribution expense	(2,373)	(22,299)	(22,650)	(86,197)
Income tax and social contribution on permanent differences				
Interest on capital	-	(8,220)	-	13,523
Realization of losses			(19)	(7,034)
Goodwill amortization	(5,823)	(4,757)	(5,823)	(4,757)
Maintenance of equity integrity			4,931	4,757
Equity in subsidiaries	9,192	26,412	7,058	3,910
Effect of adopting deemed income at subsidiaries (i)	-	-	593	5,627
Other	(996)	(7)	260	788
Effective income tax and social contribution expenses	**-**	**(8,871)**	**(15,650)**	**(69,383)**
Income tax and social contribution				
Current	-	(6,208)	(63,712)	(75,853)
Deferred	-	(2,663)	48,062	6,470
	-	**(8,871)**	**(15,650)**	**(69,383)**
Statutory tax rate	**0.0%**	**13.5%**	**23.5%**	**27.4%**

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

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

(b) Deferred taxes

In 2011 the Company recorded in assets R$53,000 related to the income tax and social contribution assets on tax loss carryforwards, based on projected future earnings, previously not forecasted. Management expects to utilize the existing tax credits at March 31, 2013, totaling R$39,553, by 2015, as disclosed in the realization forecast table below:

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

Additionally, as at March 31, 2013, the Company has R$192,284 (R$191,775 at December 31, 2012) in tax credits on tax loss carryforwards not yet booked, as the recovery of these credits is not expected in a foreseeable future.

(In thousands of Brazilian reais - R$, unless otherwise stated)

Deferred income tax and social contribution assets and liabilities are broken down as follows:

	Parent		Consolidated	
	03.31.2013	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
Provision for contingencies	-	-	39,895	41,087
Concession agreement (ICPC 01)	-	-	18,717	(37,048)
Asset handover (ICPC 01)	-	-	-	51,930
Asset handover (i)	-	-	(37,043)	(85,079)
Deferred income tax on tax loss carryforwards	29,113	29,113	29,113	29,113
Deferred social contribution on tax loss carryforwards	10,440	10,440	10,440	10,440
Derivatives	-	-	(16,580)	(18,383)
Other temporary differences	-	-	4,048	8,561
Net	**39,553**	**39,553**	**48,590**	**621**
Noncurrent assets	**39,553**	**39,553**	**72,696**	**39,553**
Noncurrent liabilities	**-**	**-**	**(24,106)**	**(38,932)**

*As at March 31, 2013, the balance in consolidated liabilities refers to the balance of subsidiaries; thus, it is not net.

(i) Subsidiary CTEEP determined a capital gain for tax purposes amounting to R$250,23, due to the handover and sale of property, plant and equipment items, as set forth in Law 12783 and the fifth addendum to concession agreement 059/2001, executed on December 4, 2012. Under Decree Law 1598/77, the capital gain can be recognized for taxable income determination purposes proportionately to the price portion received if the amount receipt is, in whole or in part, higher than the amount for the current fiscal year. The portions received up to March 31, 2013 totaled approximately 56% of the total amount receivable from NI facilities.

CTEEP’s management believes that deferred income tax and social contribution assets arising on temporary differences will be realized proportionately to the contingencies and the materialization of the events that gave rise to the provisions for contingencies.

(In thousands of Brazilian reais - R$, unless otherwise stated)

32. Related-party Transactions

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

		03.31.2013		12.31.2012		03.31.2013	03.31.2012 restated
Type of transaction	**Related party**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Revenue/ (expenses)**	**Revenue/ (expenses)**
Consolidated							
Short-term benefits	Key management personnel	-	-	-	-	(1,882)	(1,766)
Loans	Interconexion Electrica	48,358	-	48,645	-	(291)	(632)
	Internexa Brasil	20,510	-	20,510	-	378	29
Sublease	Subsidiary CTEEP	-	(31)	-	(23)	(79)	(70)
	IEMG	6	-	5	-	19	10
	IENNE	10	-	8	-	25	16
	Pinheiros	10	-	121	-	35	19
	IESUL	5	-	6	-	15	10
	Serra do Japi	15	-	71	-	38	33
Services	Subsidiary CTEEP	-	(12)	-	(10)	(35)	(22)
	Pinheiros	57	-	46	-	159	181
	IEMadeira	106	-	154	-	304	-
	Serra do Japi	24	-	21	-	67	-

*Refers to management fees.

Short-term benefit

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

Sublease

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

Services

In 2008 a service agreement was entered into with subsidiary CTEEP comprising services such as, but not limited to, accounting and tax recordkeeping, tax calculation, and payroll processing.

The agreement under which subsidiary CTEEP provides O&M services in Pinheiros facilities became effective in 2011.

The agreement under which subsidiary CTEEP provides Technical Support Consulting Services for the Owner's Engineering Service Management, to be performed by IEMadeira and/or the companies engaged by it, became effective in 2011.

The agreement under which subsidiary CTEEP provides O&M services in Serra do Japi facilities became effective in 2012.

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

33. Financial Instruments

(a) Identification of the main financial instruments

	Parent		Consolidated	
	03.31.2013	12.31.2012	03.31.2013	12.31.2012 restated
Financial assets				
Fair value through profit or loss				
Cash and Cash Equivalents	197,227	127,324	210,537	436,927
Short-term Investments	208,227	294,483	1,584,077	294,483
Derivatives				
Current	-	-	56,138	63,455
Loans and receivables				
Trade receivables			-	
Current liabilities	-	-	773,829	2,425,203
Noncurrent liabilities	-	-	3,289,856	3,387,374
Receivables – State Department of Finance				
Noncurrent	-	-	1,031,761	986,486
Loans				
Current	20,510	20,510	20,510	20,510
Noncurrent	48,358	48,645	48,358	48,645
Interest on capital and dividends receivable	-	-	-	-
Bonds and restricted deposits				
Current	-	2,846	-	2,846
Noncurrent	-	-	76,406	74,690
Financial liabilities				
Amortized cost				
Borrowings and Financing				
Current	935	2,372	500,568	938,917
Noncurrent	63,738	64,679	481,043	525,763
Debentures				
Current	-	-	174,418	166,667
Noncurrent	-	-	970,795	956,683
Trade payables	359	301	58,185	63,569
Interest on capital and dividends payable	-	-	5,849	6,340
Fair value through profit or loss				
Derivatives				
Current	-	-	251	3,770
Payables, Law 4819/58				
Current	11,347	11,347	11,347	11,347
Noncurrent	394,302	385,546	394,302	385,546

(In thousands of Brazilian reais - R$, unless otherwise stated)

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

On April 26 and October 17, 2011, subsidiary CTEEP entered into a swap derivative agreement to hedge against the currency risk of the foreign currency-denominated borrowing, as set forth in Law 4131 of September 3, 1962.

Subsidiary CTEEP classifies derivatives contracted as fair value hedges, according to the parameters set in CPC 38 and IAS 39. Subsidiary CTEEP adopted hedge accounting for its transactions.

Financial instrument management is in line with the Risk Management Policy and Financial Risk Guidelines of Subsidiary CTEEP and its subsidiaries. The gains obtained and losses incurred on these transactions and the adoption of controls to manage this risk are part of the monitoring of the financial risks adopted by subsidiary CTEEP and its subsidiaries as follows:

				Consolidated
	Maturity	**Notional amount**	**Fair value**	**Amount receivable (payables)**
Long position				
Swap (IBBA) - Principal	April 2013	128,130	128,130	-
Swap (JPM) - Principal	October 2013	171,340	171,340	-
Short position				
Swap (IBBA) - Principal	April 2013	(128,130)	(99,460)	28,670
Swap (JPM) - Principal	October 2013	(171,340)	(143,872)	27,468
Current assets				**56,138**
Long position				
Swap (IBBA) - interest	April 2013	2,592	2,592	-
Swap (JPM) - interest	October 2013	3,743	3,743	-
Short position				
Swap (IBBA) - interest	April 2013	(2,592)	(558)	2,034
Swap (JPM) - interest	October 2013	(3,743)	(6,028)	(2,285)
CURRENT LIABILITIES				**(251)**

(In thousands of Brazilian reais - R$, unless otherwise stated)

(b) Financing

The carrying amounts of borrowings and financing, and debentures are indexed to the TJLP, CDI, and IPCA and approximate their fair values.

- **Debt ratio**

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

	Parent		Consolidated	
	03.31.2013	**12.31.2012**	**03.31.2013**	**12.31.2012 restated**
Borrowings and Financing				
Current	935	2,372	500,568	938,917
Noncurrent	63,738	64,679	481,043	525,763
Debentures				
Current	-	-	174,418	166,667
Noncurrent	-	-	970,795	956,683
Total debt (i)	**64,673**	**67,051**	**2,126,824**	**2,588,030**
Cash and cash equivalents and short-term investments	405,454	421,807	1,794,614	731,410
Net debt	**(340,871)**	**(354,756)**	**332,210**	**1,856,620**
Equity (ii)	**2,170,664**	**2,163,684**	**5,281,534**	**5,230,081**
Net debt ratio	-15.7%	-16.4%	6.3%	35.5%

Subsidiary CTEEP and its subsidiaries are parties to loan and financing agreements that include covenants determined based on debt ratios. The companies are in compliance with all clauses and covenants in the agreements, as mentioned in Notes 17 and 18.

(c) Risk management

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

(i) Credit risk - subsidiary CTEEP and its subsidiaries enter into agreements with the National Electric System Operator (ONS), concessionaires and other agents, governing the provision of services relating to the basic grid to 216 users, including bank guarantee clause. Likewise, subsidiary CTEEP and its subsidiaries enter into agreements governing the provision of services in other transmission facilities (DIT) with 30 concessionaires and other agents, also including a bank guarantee clause.

(ii) Price risk - subsidiary CTEEP’s and its subsidiaries’ revenues are, as set forth in the concession arrangement, annually adjusted by ANEEL, based on the IPCA and IGP-M fluctuation, and a portion of the revenues is subject to periodic review (Note 27.2).

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

(iv) Currency risk - subsidiary CTEEP has eliminated the currency risk of its liabilities and entered into a swap instrument, designated as fair value hedge of the foreign currency-denominated loan agreement (Note 17 (c)). Subsidiary CTEEP and its subsidiaries do not have trade receivables and other assets denominated in foreign currency. Other exposures to the effects of currency fluctuations are considered as immaterial and correspond to probable import of equipment.

ISA Capital has foreign currency-denominated loans and borrowings and the Company did not engage financial instruments to hedge against possible exposure to exchange risks. Management does not consider the exposure to currency fluctuations significant.

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

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

(d) Sensitivity analysis

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

The currency risk at subsidiary CTEEP arises from the likelihood of loss due to the increase in exchange rates, resulting in the increase of foreign currency-denominated borrowings and financing. Borrowings in the foreign market were conducted through the issuances of CCB Internacional in April 2011 in the amount of US$63.7 million and Commercial Paper in October 2011 in the amount of US$85.7 million (Note 17 (c)). To ensure that significant fluctuations in foreign currency prices, to which liabilities are subject, do not affect its profit or loss and cash flows, subsidiary CTEEP engages swap instruments - currency hedges, representing 100% of the principal of these debts.

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

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

(In thousands of Brazilian reais - R$, unless otherwise stated)

Exchange risk - Effects on cash flows – CTEEP restated

			Rate appreciation		Rate depreciation	
Transaction	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**	**Scenario II**	**Scenario III**
Financial assets and financial liabilities						
CCB Internacional (Banco Itaú)	USD	132,787	165,984	199,180	99,590	66,393
Commercial Paper (JP Morgan)	USD	177,848	222,311	266,773	133,386	88,924
Swap long position – CCB Internacional (Banco Itaú)	USD	(132,787)	(165,984)	(199,180)	(99,590)	(66,393)
Swap long position – Commercial Paper (Banco JP Morgan)	USD	(177,848)	(222,311)	(266,773)	(133,386)	(88,924)
Fluctuation		-	-	-	-	-

Financial asset and liability benchmark	**Rate appreciation / (depreciation)**	**25%**	**50%**	**(25%)**	**(50%)**
US dollar rate (USD/R$) (June 2013)	2.05	2.56	3.07	1.53	1.02

Interest rate risk - Effects on cash flows – CTEEP restated

			Risk of index increase		Risk of index decrease	
Transaction	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**	**Scenario sII**	**Scenario III**
Financial assets						
Short-term Investments	99.5% to 101% CDI	25,199	31,293	37,310	19,025	12,769
Financial liabilities						
1st series debentures	CDI+1.30%	6,807	8,196	9,568	5,401	3,978
2nd series debentures	IPCA+8.10%	2,615	2,898	3,177	2,330	2,041
Single series debentures	105.5% CDI p.a.	28,173	31,472	34,730	24,830	21,442
FINEM BNDES (i) and (ii)	TJLP+1.80% to 2.30%	5,943	6,962	7,972	4,914	3,876
BNDES (subsidiaries)	TJLP + 1.55% to 2.62% p.a.	3,846	4,419	4,986	3,268	2,684
Derivatives						
IBBA and JP Morgan swap (MTM position)	98.3% to 103.5% of CDI	5,283	6,563	7,827	3,988	2,676
Net variance effect		**(27,468)**	**(29,217)**	**(30,950)**	**(25,706)**	**(23,928)**
Financial asset and liability benchmark						
100% of CDI (June 2013)		7.06%	8.82%	10.58%	5.29%	3.53%

(In thousands of Brazilian reais - R$, unless otherwise stated)

34. Commitments - Operating leases

In addition to the commitment assumed in note 5, the main commitments assumed by the CTEEP Subsidiary and its subsidiaries are related to computer equipment and vehicle leasing, whose minimum future payments, both integrally and separately for each period, are detailed below:

	03.31.2013	Resubmitted 12.31.2012
Up to one year	7,549	5,842
From one year to five years	2,085	2,160
	9,634	**8,002**

Lease operations involving the CTEEP Subsidiary as lessee are subleasing operations to its parent company and subsidiaries, as described in note 30 – transactions with related parties

35. Insurance

The specification per effective insurance policy risk modality is detailed below:

			Consolidated
Modality	**Effective Term**	**Insurance Amount - Thousands of R$**	**Premium - Thousands of R$**
Property (a)	**10/05/12 to 03/01/14**	**2,799,032**	**4,395**
General Civil Liability (b)	**01/15/11 to 09/01/13**	**20,000**	**184**
National Transportation (c)	**09/30/11 to 09/30/13**	**92,409**	**9**
Collective Personal Accidents (d)	**05/01/12 to 05/01/13**	**55,082**	**2**
Automobiles (e)	**04/02/13 to 03/02/14**	**Market Value**	**22**
			4,612

(a) **Property -** Coverage against risks of fire and electric damages in the main equipment installed in transmission substations, buildings and respective contents, storage rooms and facilities, as per Concession agreement 059/2001, Fourth Clause, Eighth Sub-Clause, Sub-section II, Item D, in which the transmission company must contract insurance policies to ensure proper coverage of the main equipment in transmission facilities; insured assets and facilities are defined by the Transmission company.

(b) **General Civil Liability -** Coverage against involuntary, personal and/or material damages caused to third parties, arising from CTEEP Subsidiary's operations.

(c) **National Transportation -** Coverage against damages caused to the Company's assets and equipment transported within Brazilian territory.

(d) **Collective Personal Accidents -** Coverage against personal accidents to executives and apprentices.

(e) **Automobiles - Coverage against collision, fire, theft, and third parties.**

Given its specific nature, the premises adopted to contract insurance policies are not part of an audit's scope. As a result, such premises were not revised by our independent auditors.

36. Supplemental retirement plan governed by Law No. 4,819/58

The supplemental retirement plan governed by State Law 4819/58, which established the State Social Welfare Fund, applies to employees of autarchies, corporations in which the State holds the majority shareholding interest, and industrial services owned and managed by the State, admitted by May 13, 1974, granting supplemental retirement and pension benefits, bonus leave, and family allowance. São Paulo State Government agencies are responsible for the funds required for the charges assumed in such plan, whose implementation is a result of an agreement signed between the Treasury Department of the State of São Paulo and the CTEEP Subsidiary on December 10, 1999, effective until December 31, 2003.

Such procedure was conducted regularly until December, 2003 by Fundação CESP, with funds from the State Treasury Department, transferred from the CTEEP Subsidiary. In January 2004, the Treasury Department began processing such payments directly, without any mediation from the CTEEP subsidiary and Fundação CESP.

The ruling of the 49th São Paulo Labor Court was notified to the CTEEP subsidiary on July 11, 2005, granting summary judgment for Fundação CESP to resume processing benefit payments related to State Law 4819/58, according to the respective regulations, as conducted until December 2003, with funds transferred from the CTEEP subsidiary. In compliance with such court ruling, the CTEEP Subsidiary requires monthly applicable funds from the Treasury Department of the State of São Paulo in order to perform due assignment to Fundação CESP, which must process respective beneficiary payments.

Since September 2005, the State Treasury Department has been assigning lower amounts than those required to comply with the aforementioned ruling of the 49th Labor Court.

In light of the aforementioned events and pursuant to the respective ruling of the 49th São Paulo Labor Court, the CTEEP Subsidiary transferred the amount of R$2,376,317 to Fundação CESP between January 2005 and March 2013, pursuant to the payment of benefits set forth in State Law No. 4,819/58, whereas it received the amount of R$1,551,495 from the State Treasury Department for such purpose. The difference between amounts transferred to Fundação CESP and reimbursed by the Treasury Department, totaling R$ 824,822 (note 9 (a)) was requested by the CTEEP Subsidiary initially via administrative proceedings, proposing the applicable collection lawsuit against the Treasury Department of the State of São Paulo in December 2010. In addition, there are specific amounts related to labor claims, settled by the Company and attributable to the State Government, totaling R$206,939 (note 8 (b)), generating a grand total of R$1,031,761.

There are no substantial developments regarding such proceedings thus far.

The CTEEP Subsidiary continues to employ its best efforts in order to revert the aforementioned ruling of the 49th Labor Court, allowing the Treasury Department to undertake sole responsibility for the payment of benefits set forth in State Law No. 4,819/58. CTEEP also reiterates the consensus among its legal area and external advisors that the Treasury Department of the State of São Paulo is solely responsible for incurring expenses arising from State Law 4819/58 and the respective regulations, and the former continues to adopt supplementary measures in order to protect the Company's best interest. Due to such facts, the CTEEP Subsidiary has recorded such difference as amounts receivable from the State Treasury Department (note 9 (a)).

In the second half of 2012, the Fundação CESP Retiree Association filed lawsuit 0022576-08.2012.8.26.0053, against the Treasury Department of the State of São Paulo, demanding its conviction due to the failure to effect due payments regarding the supplemental retirement plan set forth by State Law 4819/58, in order to ensure due retirement and pension payments pursuant to such plan. The Company's Board of Directors has been monitoring new developments regarding legal and administrative proceedings, as well as assessing eventual impacts in its interim financial statements. Furthermore, the Company is currently assessing specific measures to receive the aforementioned values, which have thus far been recorded under the item entitled "Amounts Receivable – Treasury Department", as detailed in note 8.

37. Events after the reporting period

Parent Company

(a) Parent company dividend distribution

(1) On April 12, 2013, ISA Capital paid fixed cumulative dividends to preferred shareholders of HSBC Finance (Brasil) S.A., Banco Múltiplo, and Banco Votorantim S.A. Based on the calculation criterion set forth in Article 6 of the Company's Articles of Incorporation, each preferred share was valued at R$0.041957, thus totaling R$24,916 paid from redeemable preferred shares;

(2) On July 4, 2013, ISA Capital paid fixed cumulative dividends to preferred shareholders of HSBC Finance (Brasil) S.A. Banco Múltiplo, and Banco Votorantim S.A. Based on the calculation criterion set forth in Article 6 of the Company's Articles of Incorporation, each preferred share was valued at R$0.037607, thus totaling R$20,993 paid from redeemable preferred shares.

(3) On October 4, 2013, ISA Capital paid fixed cumulative dividends to preferred shareholders of HSBC Finance (Brasil) S.A., Banco Múltiplo, and Banco Votorantim S.A. Based on the calculation criterion set forth in Article 6 of the Company's Articles of Incorporation, each preferred share was valued at R$0.042607, thus totaling R$25,302 paid from redeemable preferred shares.

(b) Preferred shares redemption

(1) On April 12, 2013, ISA Capital redeemed a total of 35,630,670 redeemable Class A preferred shares. Based on the criterion set forth in Article 6 of the Company's Articles of Incorporation, the value of each preferred share redeemed corresponded to R$2.020731 per share, totaling R$72,000 paid for all redeemable Class A preferred shares;

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

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

Consolidated

(a) Share capital increase

During a CTEEP Subsidiary General Shareholders' Meeting, held on April 1, 2013, an authorized share capital increase of R$ 830,910 was approved, increasing the total share capital from R$1,469,090 to R$2,300,000, as well as a paid-up share capital increase totaling R$837,374, without issuing new shares, via capital increase with part of reserves (Investment Credit account - CRC), increasing the total paid-up share capital from R$1,162,626 to R$2,000,000.

(b) Provisional Measure 612

Provisional Measure 612 was published on April 4, 2013, which reduces the PIS/PASEP and COFINS Contribution rate to zero, applicable over indemnity amounts as provided in Law 12783/2013.

(c) Loans and financing

(1) On April 26, 2013, CTEEP settled its debt with Banco Itaú BBA Nassau – International BCN totaling USD 63,694, corresponding to R$ 128,146. Concurrently, the *Swap* held with Itaú BBA with "notional" value of R$ 100,000 was also settled. The *Swap* result was a positive adjustment of R$ 23.5;

(2) On October 21, 2013, CTEEP settled its debt with JP Morgan Chase – Commercial Paper totaling USD 86,581, corresponding to R$ 187,153. Concurrently, the Swap held with JP Morgan S.A. with "notional" value of R$ 150,000 was also settled. The Swap result was a positive net adjustment of R$ 26.7

(d) Law 4819/58 for the CTEEP Subsidiary

On October 28, 2013, the CTEEP subsidiary published its financial statements for the 3rd quarter, ending on September 30, 2013. The main event of such period, which impacted the CTEEP subsidiary's results, is detailed in Note 34 of the aforementioned financial statements, which addresses the Supplemental Retirement Plan set forth by Law 4819/58. The main new developments regarding such topic in 2013 are detailed below:

(i) changes in the expected time to realize part of the assets, due to the dismissal without prejudice of the billing lawsuit regarding amounts due by the São Paulo State Government to the CTEEP subsidiary, as well as other legal proceedings filed;

(ii) confirmation by the Federal Supreme Court regarding the competence of Ordinary Courts to process lawsuits filed against private pension fund entities. Such position shall serve as a precedent to judge competence disputes such as the specific case of the CTEEP subsidiary pursuant to Law 4819/58, which is already concluded to the Federal Supreme Court Minister since April 9, 2013; and

(iii) the legal course of other claims pursuant to Law 4819/58, such as the recognition of effective assignments to CTEEP, from SEFAZ-SP, of amounts cancelled until April 2013, object of the Collective Writ of Mandamus, filed by the Campinas Electrical Power Industry Workers' Union.

In light of the aforementioned facts, the CTEEP subsidiary's Board of Directors reviewed its positioning, recording a provision for losses on the realization of credits of part of amounts receivable, for which an increase in respective realization term is expected and is still not solely attributed to SEFAZ-SP.

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