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CTEEP

1Q17 Results Disclosure

APRIL 28, 2017

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1Q17 Financial Results

RBSE

ANEEL Transmission Auction No. 05/2016

Financial IFRS

- **Net Revenue** up 96.9% from 1Q16, at R\$530.6M
- **EBITDA** of R\$ 398.0 M with a 75% **Margin**
- Issuance of **R\$ 300 M in Infrastructure Debentures** paying IPCA + 5.0373%

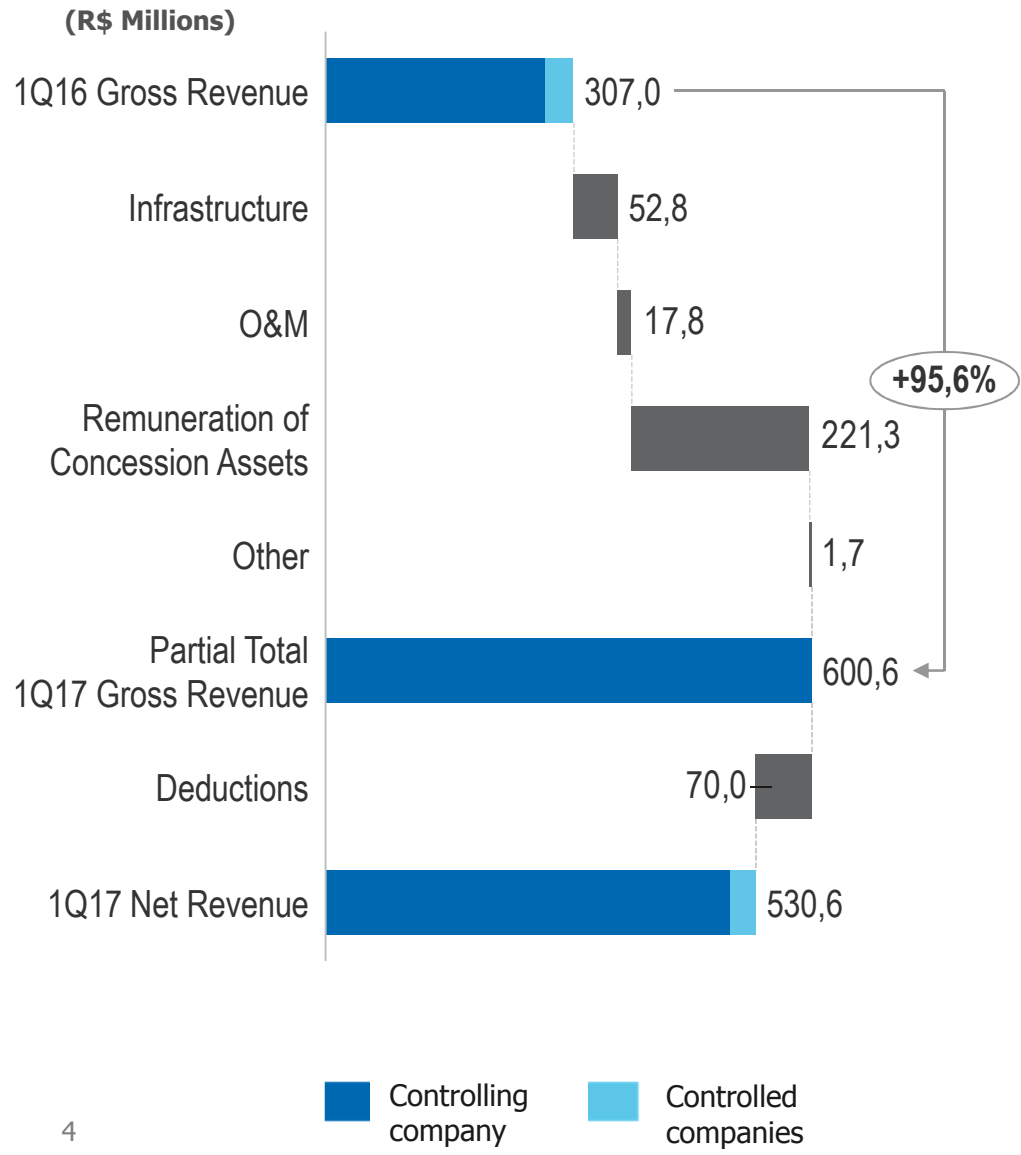
Regulatory

- **DIT:** The Official Print of the Union *DOU* carried RN No. 758/2017, laying out the general conditions for the incorporation of DITs into Distribution Companies, such to be carried out starting on January 1st, 2019

Consolidated Revenues



IFRS



Remuneration of **RBSE** concession asset

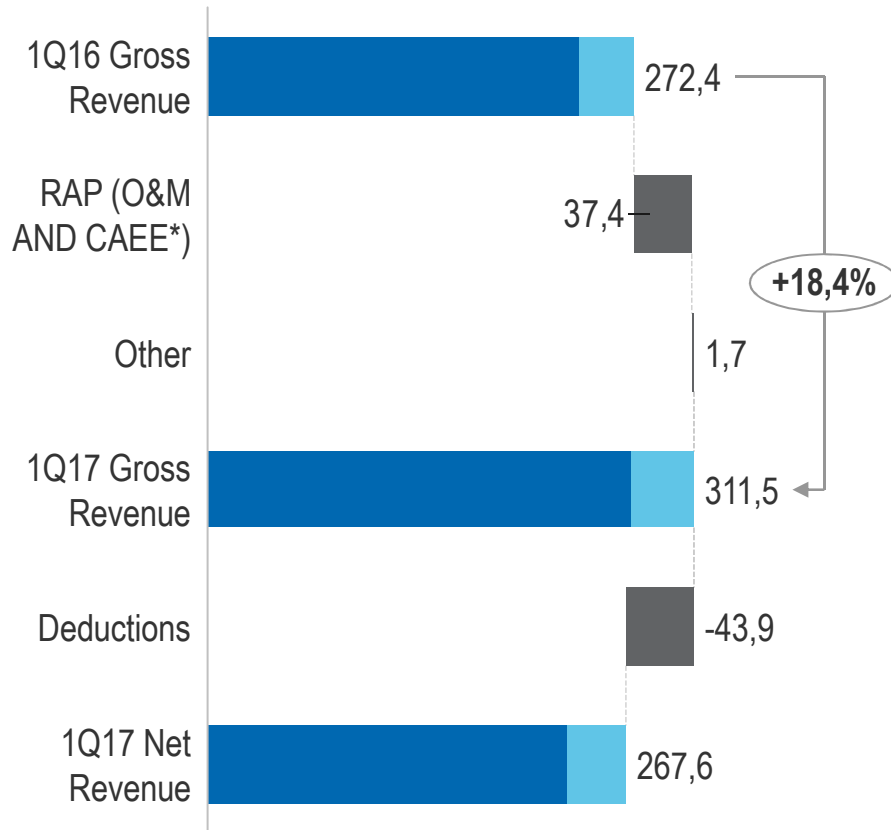
- Increased execution of reinforcements and improvements
- Inflation restatement of the RAP
- Increased CDE Charge
- Remuneration of the RBSE concession asset (R\$ 211.7 M)
- Constitution of Deferred PIS/COFINS (R\$ 19.6 MM) by RBSE

Consolidated Revenues



Regulatory

(R\$ Millions)



18.4% Gross Revenue Growth

- Inflation-restated RAP
- Entry into operation of new investments
- Increased CDE charge

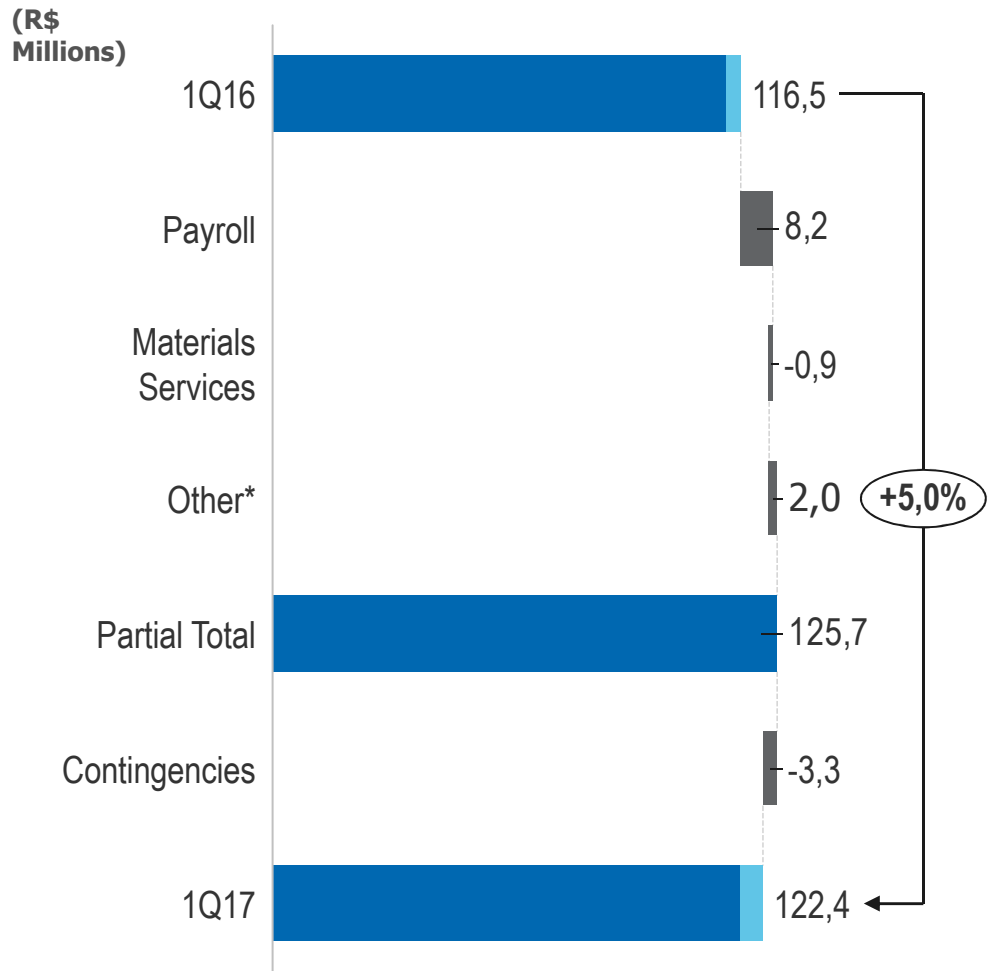
■ Controlling company ■ Controlled companies

* CAAE
Remuneration of
the Annual Cost of
Electricity Assets

O&M Costs and Expenses Evolution – Consolidated



IFRS



4.2% increase in costs and expenses in the period

- 9.3% collective wage bargain agreement on June/16, increase in personnel headcount
- Increased third-party services due to higher property tax (IPTU)
- Out of court agreements in labor lawsuits in 1Q17 and civil provisions in 1Q16

(*) includes depreciation

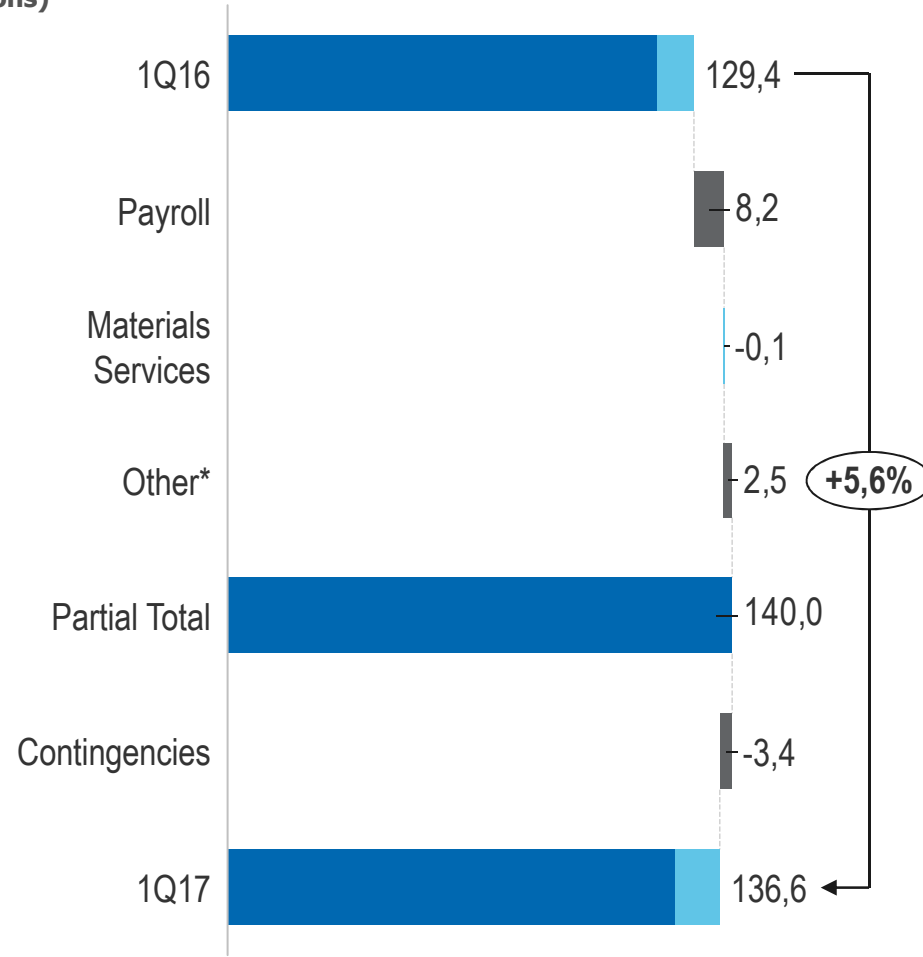
■ Controlling company ■ Controlled companies

O&M Costs and Expenses Evolution – Consolidated



Regulatory

(R\$ Millions)



(*) includes depreciation

■ Controlling company ■ Controlled companies

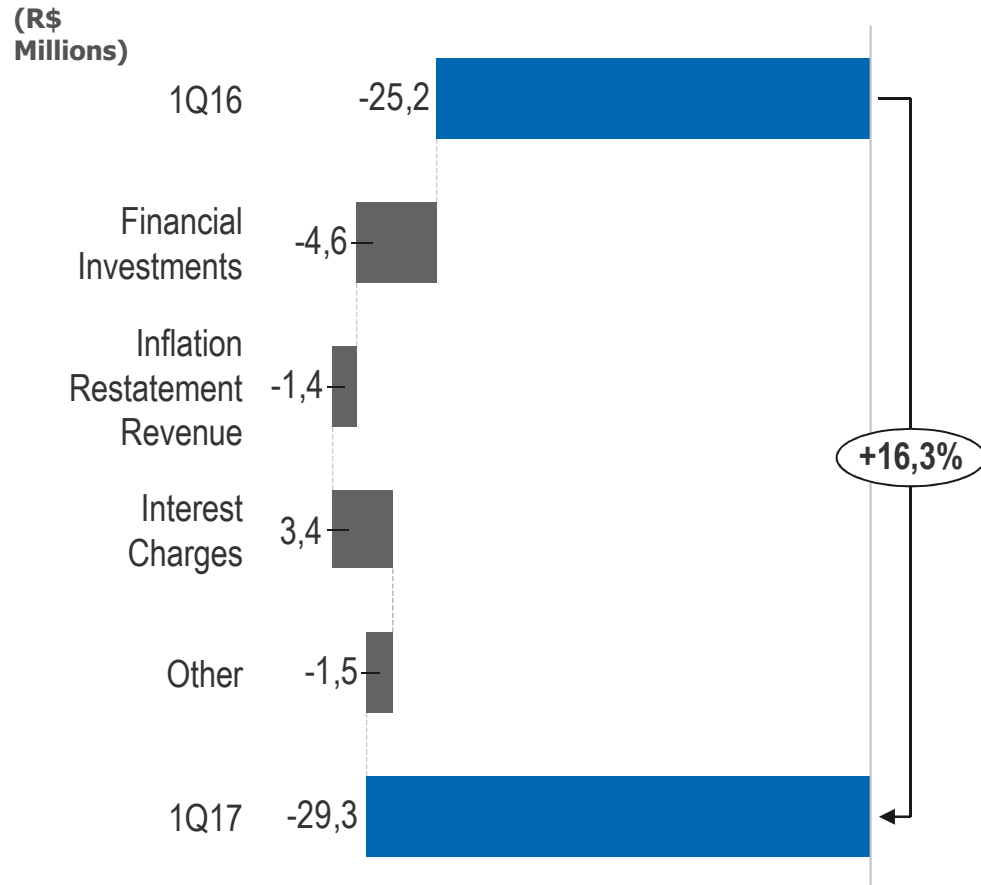
5.6% increase in costs and expenses in the period

- 9.3% collective wage bargain, on June/16
- Increased third-party services due to higher property tax (IPTU)
- Deals in labor lawsuits in 1Q17 and civil provisions in 1Q16

Consolidated Financial Results



IFRS



16.3 increase in financial results

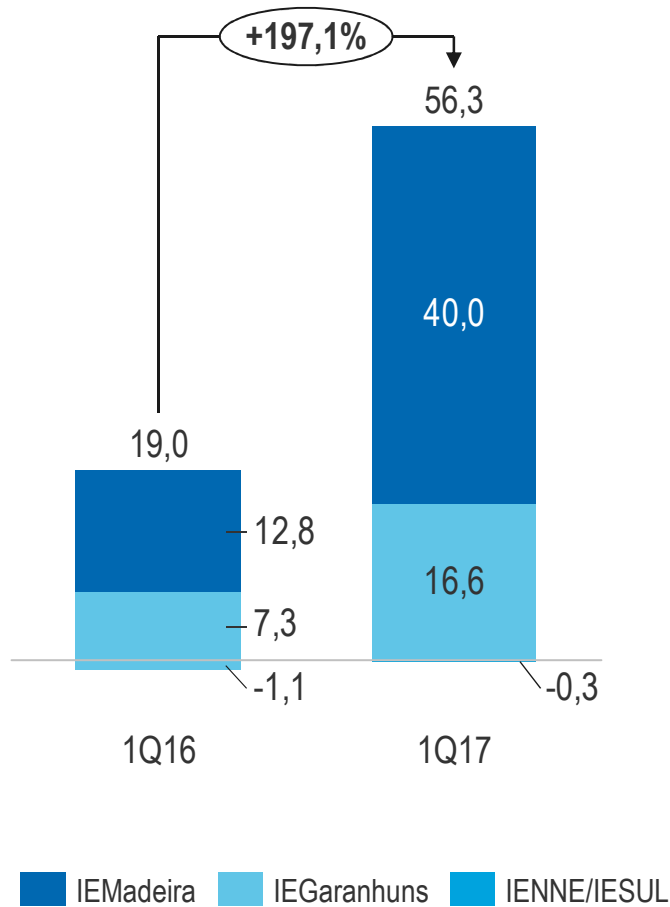
- Reduced average balance of financial investments (R\$ 281.3M in 1Q16 and R\$103.1M in 1Q17)
- Reduced interest rates and charges on loans

Equity Income Results



IFRS

(R\$ Millions)



R\$ 37.3 M increase

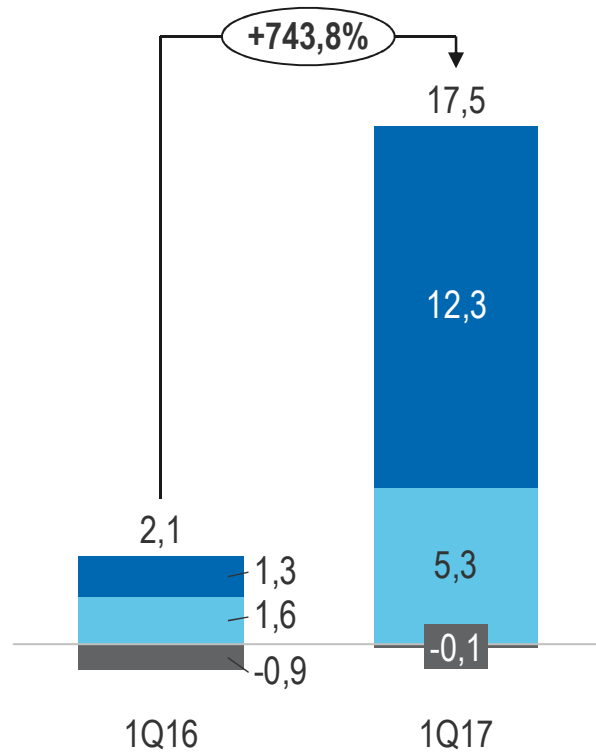
- IEMadeira: (i) increased net revenue due to IPCA, (ii) increase in general and administrative expenses and (iii) reduced interest on debentures due to partial settlement in Mar/16
- IEGaranhuns: R\$16.9M reduction in income tax and social contribution (IR/CSLL) expenses due to revised effective rate for deferred income tax (SUDENE)

Equity Income Results



Regulatory

(R\$ Millions)



R\$ 15.4 M increase

- IEMadeira: R\$9,1M increase in net revenue due to IPCA restatement and reduced interest on debentures due to the partial settlement in March/16
- IEGaranhuns: R\$3.7M increase due mainly to the R\$2.1M increase in net revenue due to IPCA restatement

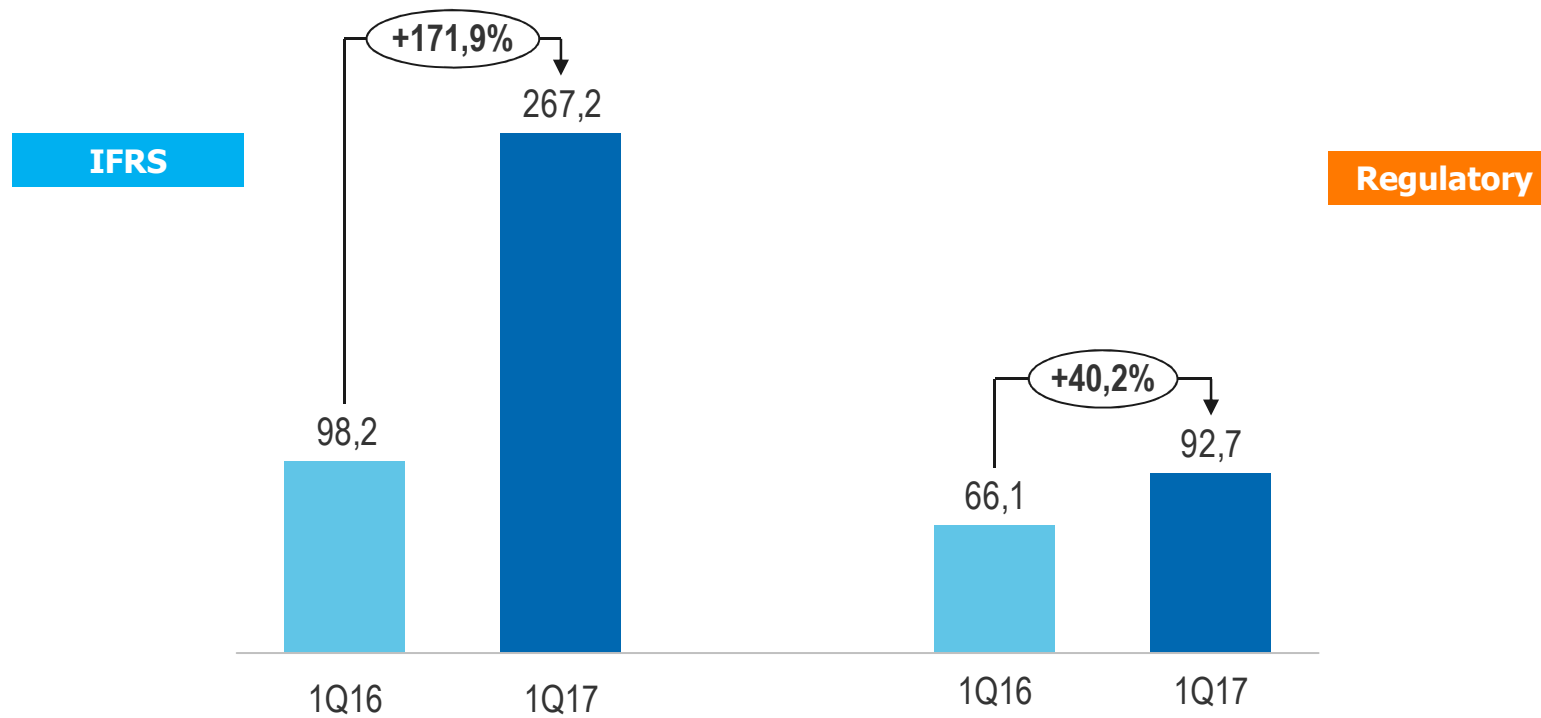
IEMadeira IEGaranhuns IENNE/IESUL

Net Income



Basic IFRS income per share was R\$ 1.58637 in 1Q17

(R\$ Millions)



- ▲ Revenue increase due to remuneration of the RBSE concession asset (R\$211.7 M)
- ▲ Inflation-restatement of revenues and new investments
- ▲ Increased income from affiliates IEMadeira and IEGaranhuns
- ▼ Financial revenues : lower return on financial investments

Consolidated EBITDA ICVM 527/12



EBITDA (R\$ millions)	IFRS		REGULATORY	
	1Q16	1Q17	1Q16	1Q17
Net income (loss)	98,2	267,2	66,1	92,7
Income tax and social contribution (IR/CSLL)	25,4	98,4	18,8	26,5
Net financial results	25,2	29,3	25,2	29,3
Depreciation and amortization	2,8	3,0	14,3	16,9
EBITDA ICVM No. 527/12	151,5	398,0	124,4	165,4
EBITDA Margin ICVM Nth 527/12	56,2%	75,0%	52,4%	61,8%
RBSE	-	192,2	-	-
ex-RBSE EBITDA	151,5	205,8	124,4	165,4
ex-RBSE EBITDA Margin	56,2%	60,8%	52,4%	61,8%

Net Debt



78.8% of the debt is long-term

- ▲ Payment of R\$ 12.3 M in BNDES debt service
- ▲ R\$300 M raised with Infrastructure Debentures at IPCA + 5.0373%

Loans and Financings (R\$ million)	2016	1Q17	Δ%
Gross Debt	1,010.4	1,306.6	29.3%
Short Term	264.0	277.6	5.2%
Long Term	746.4	1,029.0	37.9%
Cash and Cash Eq. CTEEP and Controlled Entities	161.9	234.3	44.7%
Net Debt CTEEP and Controlled Entities	848.4	1,072.3	26.4%
Jointly Controlled Entities Cash and Cash Eq *	178.7	206.7	15.6%
Consolidated Net Debt	669.8	865.6	29.2%

(*) The Company's funds are concentrated in exclusive investment funds that are also used for investments of controlled and jointly controlled entities, and quotas in highly liquid investment funds that can be promptly converted into cash, regardless of the maturities of the assets allocated to them.

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1Q17 Financial Results

RBSE

ANEEL Transmission Auction No. 05/2016

Other Matters

RBSE Indemnity: REN 762/2017



- On Feb/21/2017, the managers of ANEEL approved the final results of AP 68/2016, relating to the regulation of payment of the RBSE indemnity, pursuant to the contents of Ministry of Mines and Energy Ordinance (“Portaria MME”) No. 120/2016.
- According to the AP’s results, indemnity amounts will be paid starting in July 2017, and ISA CTEEP is entitled, for the 2017/2018 cycle, to an annual amount of R\$ 1,738 M. Said amount was calculated based on the verified indemnity amount of R\$ 3,896.2 M
- Normative Resolution (“Resolução Normativa”) No. 762/17 was published on Mar/09/2017, regulating payment of the RBSE Indemnity pursuant to Portaria MME No. 120/2016.
- On Mar/13/2017, ABRACE, ABRAFE and ABIVIDRO filed a public price non-applicability lawsuit with a request for interim relief, challenging payment, by its members, of the portion of the TUST associated with the indemnities.

ABRACE Lawsuit – RBSE Indemnity



- **Mar/13/2017:** The Brazilian Association of Major Electric Power Consumers (“Associação Brasileira dos Grandes Consumidores de Energia Elétrica” – ABRACE) and other co-plaintiffs filed a lawsuit against ANEEL and the Federal Government, claiming:
 - Suspension, on behalf of the members of the Plaintiffs, of payment of the portion of the Tariff for the Use of the Transmission System (“Tarifa de Uso do Sistema de Transmissão “ – TUST) associated with the RBSE indemnity (R\$ 1.5 Billion for the 2017-2018 cycle, R\$ 12 Billion in total indemnity, for all transmission companies).
 - Otherwise, suspension at least of the financial component (late-payment charges) of the aforementioned indemnity amount, until the courts reach a final decision.
- **Apr/10/2017:** ABRACE’s temporary relief request was partly granted, to “order ANEEL to exclude from the TUST the so-called ‘remuneration’ portion” calculated for RBSE assets, so that only restatement will apply to the amount. (Decision awarded in the proceedings of Lawsuit No. 0010552-48.2017.4.01.3400 – 5th Federal Court of the Rio de Janeiro Judiciary Section).
- Construction according to ABRATE’s legal advisors: the appropriate construction of the term “remuneration” in the decision mentioned above concerns the cost of own capital (Ke) and not the financial component in global terms.
- The Company is reviewing appropriate steps to defend its interests at no loss to its support to the efforts of ABRATE, which will pursue suspension of the temporary relief measure in question.

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1Q17 Financial Results

RBSE

ANEEL Transmission Auction No. 05/2016

ANEEL Transmission Auction 05/2016, of Apr/24/2017



Main Aspects

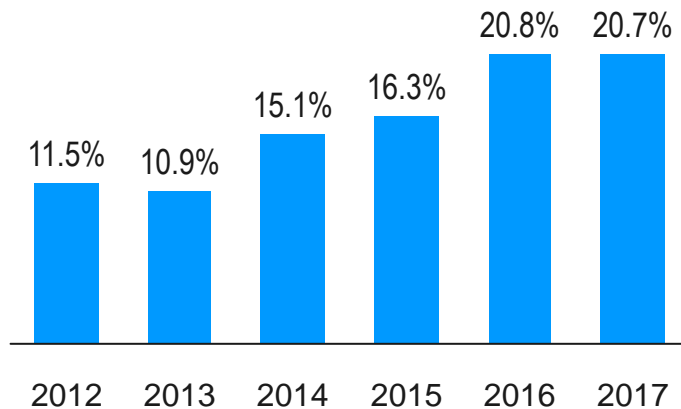
Lots Offered

- 35 lots with total projected investment of R\$ 13.2 million
- 6,029 km of Transmission Lines and 13,672 MVA in transformation capacity

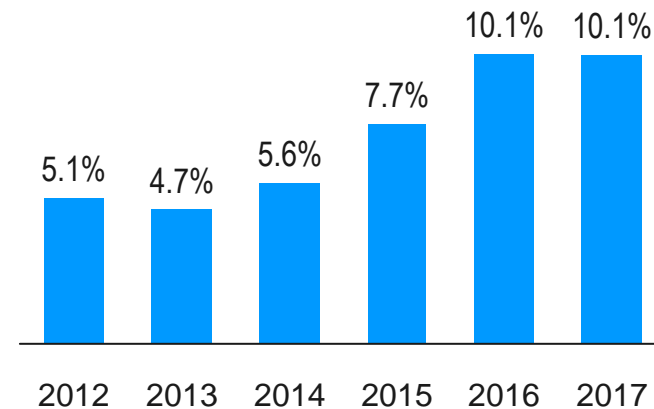
Financial Conditions

- Regulatory WACC over 10% in real terms
- RAP/Investment ratio over 20%
- 36- to 60-month construction period

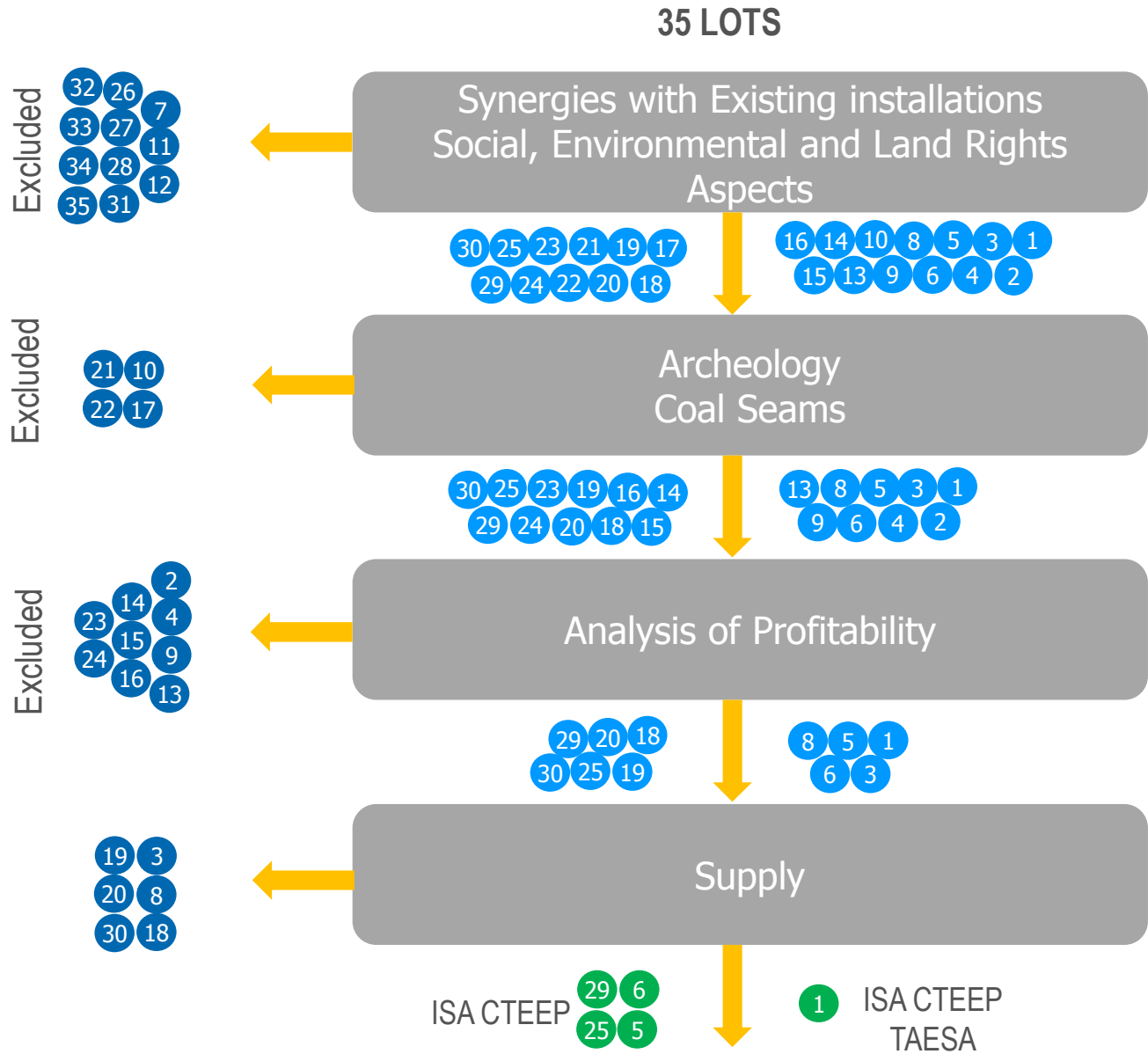
RAP/Investment History



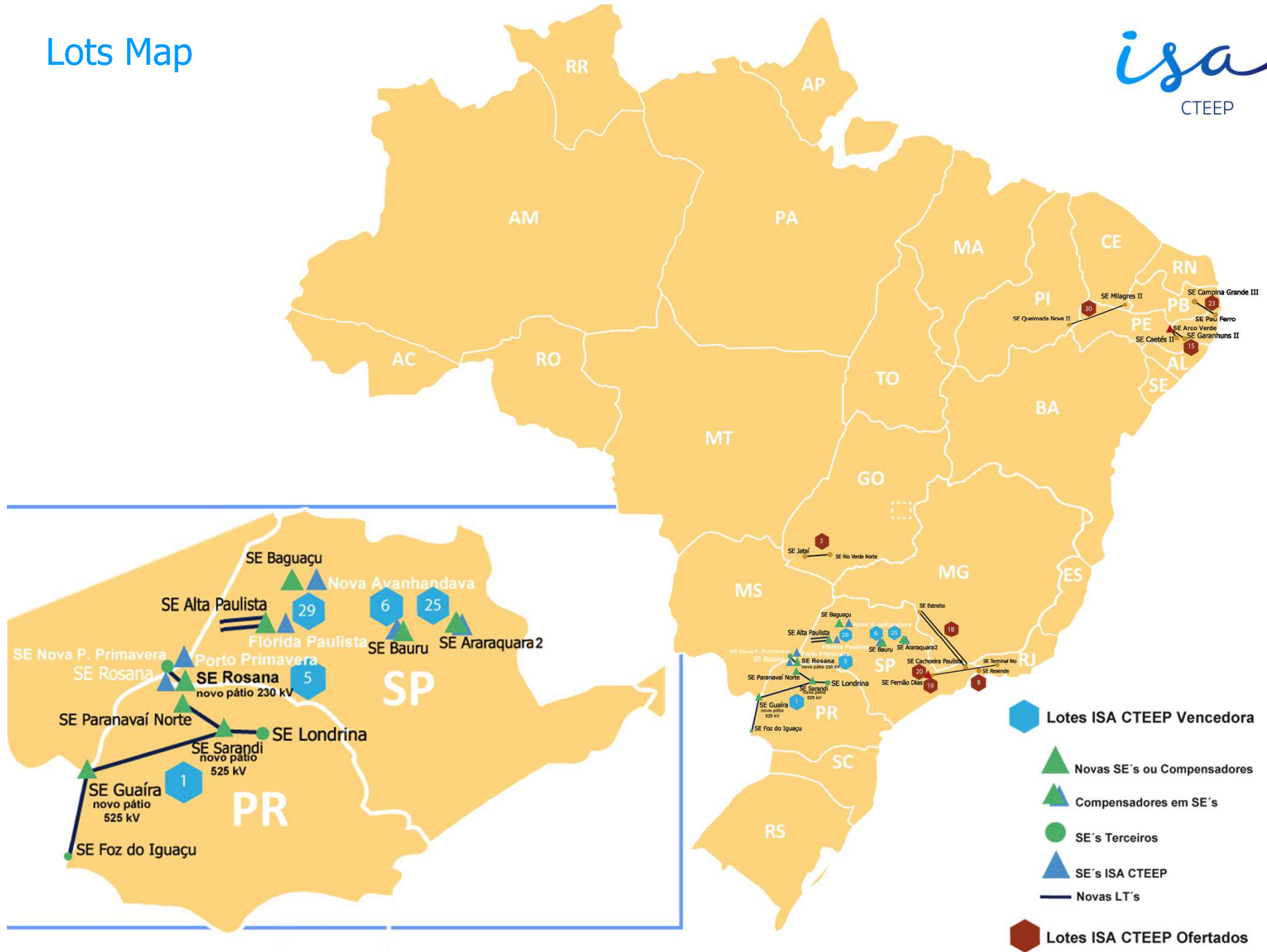
Regulatory WACC History:



Lots Selection Criteria



Lots Map



Auction Outcome - ISA CTEEP



- CTEEP won 5 lots in ANEEL Transmission Auction No. 05/2016, as follows:
 - **Lot 1**, in partnership with TAESA, at equal 50% shares (Columbia Consortium)
 - **Lots 5, 6, 25 and 29** individually

R\$ million	LOT 1 Columbia Consortium	LOT 5 Individual	LOT 6 Individual	LOT 25 Individual	LOT 29 Individual
Location	Paraná	São Paulo / Paraná	São Paulo	São Paulo	São Paulo
Transmission Line (LT) Substation (SE)	LT and SE	LT and SE	SE	SE	LT and SE
ANEEL Investment	1,936.5	134.6	397.7	125.8	601.9
ISA CTEEP Investment	12%-49% reduction (27% on average)				
ANEEL RAP	400.5	27.1	83.2	25.3	113.5
RAP with discount	267.3	18.4	46.2	10.7	53.7
Discount	33.24%	32.20%	44.51%	57.55%	52.69%
Operation start period – months	60	48	48	42	48
Extent – km	1,200	36	-	-	111
% Pre-contracted	100%	50%	100%	100%	50%

Lots Won by ISA CTEEP



Lot 1

	Columbia Consortium	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Bid Price (R\$ Thou)	267.317	268.317	271.317	272.317	273.317	274.317	281.604	292.337	336.388	339.192
Discount (%)	33,24	32,99	32,24	31,99	31,74	31,49	29,68	27,00	15,99	15,29

Lot 5

	Isa CTEEP	2nd	3rd
Bid Price (R\$ Thou)	18.371	23.032	24.063
Discount (%)	32,20	15,00	11,20

Lot 6

	Isa CTEEP	2nd	3rd	4th
Bid Price (R\$ Thou)	46.183	49.941	54.103	59.430
Discount (%)	44,51	40,00	35,00	28,59

Lots Won by ISA CTEEP



Lot 25

	Isa CTEEP	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Bid Price (R\$ Thou)	10.729	10.929	11.129	11.329	11.529	11.729	11.802	14.099	14.169	16.634
Discount (%)	57,55	56,76	55,97	55,18	54,39	53,60	53,31	44,22	43,95	34,20

	11th	12th	13th	14th	15th
Bid Price (R\$ Thou)	17.300	18.713	19.971	20.982	21.235
Discount (%)	31,56	25,97	20,99	16,99	16,00

Lot 29

	Isa CTEEP	2nd	3rd	4th	5th	6th
Bid Price (R\$ Thou)	53.679	58.357	68.648	73.754	74.378	113.468
Discount (%)	52,69	48,56	39,50	35,00	34,45	0,00

Lots with Bids from ISA CTEEP



Lot 3

	5t	2nd	3rd	4th	5th	6th	Isa CTEEP	8th	9th
Bid Price (R\$ Thou)	36.703	38.800	43.525	45.396	49.290	49.996	49.996	50.581	52.349
Discount (%)	37,60	34,03	26,00	22,82	16,19	15,00	14,99	14,00	10,99

Lot 8

	1st	2nd	3rd	4th	Isa CTEEP	6th	7th	8th	9th
Bid Price (R\$ Thou)	9.306	9.980	10.720	10.988	11.008	11.200	11.234	11.316	11.613
Discount (%)	37,50	32,97	28,00	26,19	26,07	24,77	24,55	24,00	22,00

Lot 8

	10th	11th	12th	13th	14th	15th
Bid Price (R\$ Thou)	11.614	11.971	12.507	13.085	14.115	14.889
Discount (%)	21,99	19,6	16,00	12,11	5,20	0,00

Lots with Bids from ISA CTEEP



Lot 18

	1th	2nd	Isa CTEEP	4th
Bid Price (R\$ Thou)	205.200	230.597	244.277	263.500
Discount (%)	47,49	41,00	37,50	32,58

Lot 19

	1th	2nd	Isa CTEEP	4th
Bid Price (R\$ Thou)	99.109	160.000	167.546	169.630
Discount (%)	48,00	16,05	12,09	11,00

Lot 20

	1th	Isa CTEEP	3rd	4th	5th	6th	7th	8th
Bid Price (R\$ Thou)	13.279	14.324	16.591	17.666	18.341	18.341	21.094	21.162
Discount (%)	52,93	49,23	41,20	37,39	35,00	34,99	25,23	25,00

Lots with Bids from ISA CTEEP



Lot 30

	1th	2nd	3rd	4th	Columbia Consortium	6th
Bid Price (R\$ Thou)	63.900	69.600	77.138	78.078	81.842	94.071
Discount (%)	32,07	26,01	18,00	17,00	13,00	0,00

Competitive Advantages



- Focus on the construction of Substations in São Paulo - 90% success rate on projects bid
- Optimized solutions based on technological innovation
- Environmental and land surveys performed, mitigating project risks
- Favorable geographic location, enabling synergies in project operation, management, oversight and commissioning
- Expertise in synchronous compensator O&M (Lot 6)
- Optimized layout of 138, 230 and 440kV transmission lines
- EPC (Turn-Key) contracts with guarantees including the operational phase
- 6- to 12-month anticipated entry into commercial operation for lots in São Paulo
- Leverage considers BNDES and infrastructure debentures

isa

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