

**Desenvix Energias
Renováveis S.A.**
Quarterly information (ITR) at
September 30, 2014
and report on review of
quarterly information



Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Desenvix Energias Renováveis S.A., included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2014, comprising the balance sheet as at that date and the statements of operations and comprehensive income (loss) for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34, Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.



Desen vix Energias Renováveis S.A.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters - Statement of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2014. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under the International Financial Reporting Standards (IFRS), which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, November 14, 2014

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

A handwritten signature in cursive script, appearing to read 'Carlos Biedermann'.

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

Desenvix Energias Renováveis S.A.

Balance sheet

All amounts in thousands of reais

	Parent company		Consolidated		Liabilities and equity	Parent company		Consolidated	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013		September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Assets									
Current assets					Current liabilities				
Cash and cash equivalents (Note 5)	734	3,225	20,259	28,803	Trade payables	1,087	2,603	7,033	33,260
Trade receivables (Note 6)	1,014	1,026	31,558	24,177	Borrowings (Note 12)	69,815	74,505	120,162	122,751
Dividends receivable (Note 11(a))	19,114	22,481	10,434	10,654	Related parties (Note 11)	11,255	17,616	7,420	7,363
Taxes recoverable	1,679	1,866	9,167	6,459	Concessions payable (Note 13)			6,696	6,500
Inventories			1,204	1,052	Salaries and social charges	1,320	1,757	5,193	4,135
Other assets (Note 29)	<u>4,652</u>	<u>4,694</u>	<u>6,655</u>	<u>9,432</u>	Taxes and contributions (Note 14)	11,431	9,901	14,696	14,822
	27,193	33,292	79,277	80,577	Income tax and social contribution (Note 21)			3,255	6,816
Investments held for sale	<u>3,060</u>	<u>3,060</u>	<u>3,060</u>	<u>3,060</u>	Provision for electric power contracts (Note 16)			10,697	7,425
	27,193	36,352	79,277	83,637	Proposed dividends			47	47
					Other liabilities (Note 15)	<u>1,913</u>	<u>1,908</u>	<u>17,133</u>	<u>17,814</u>
Non-current assets						<u>96,821</u>	<u>108,290</u>	<u>192,332</u>	<u>220,933</u>
Long-term receivables					Non-current liabilities				
Restricted financial investments (Note 7)	13,624	13,202	54,180	52,119	Borrowings (Note 12)	109,652	99,800	781,199	800,503
Related parties (Note 11)	119,954	87,058	30,618	26,824	Deferred income tax (Note 21)	997	1,648	8,853	5,561
Deferred income tax and social contribution (Note 21(c))			27,522	23,768	Concessions payable (Note 13)			57,082	56,538
Investments in non-subsiary entities at fair value (Note 28)	69,756	66,677	69,756	66,677	Provision for investment losses (Note 16)	14,939	6,247		
Taxes recoverable			214	263	Income tax and social contribution (Note 21)			589	
Trade receivables (Note 6)			19,111	8,015	Taxes and contributions (Note 14)			698	741
Other assets (Note 29)	<u>336</u>	<u>427</u>	<u>336</u>	<u>427</u>	Other liabilities (Note 15)	<u>1,367</u>	<u>1,600</u>	<u>18,239</u>	<u>21,390</u>
	203,334	166,937	201,737	178,093		126,955	109,295	866,660	884,733
Investments (Note 8)	638,628	614,373	173,189	150,556	Total liabilities	<u>223,776</u>	<u>217,585</u>	<u>1,058,992</u>	<u>1,105,666</u>
Property, plant and equipment (Note 9)	474	501	1,155,657	1,194,631	Equity				
Intangible assets (Note 10)	17,272	17,234	112,494	117,047	attributable to owners of the				
Investment properties (Note 27)	<u>25,237</u>	<u>25,208</u>	<u>25,237</u>	<u>25,208</u>	parent (Note 17)				
	681,611	657,316	1,466,577	1,487,442	Share capital	695,312	665,312	695,312	665,312
					Carrying value adjustments	34,995	32,963	34,995	32,963
					Accumulated deficit	<u>(41,945)</u>	<u>(55,255)</u>	<u>(41,945)</u>	<u>(55,255)</u>
						688,362	643,020	688,362	643,020
					Non-controlling interests			237	486
					Total equity	<u>688,362</u>	<u>643,020</u>	<u>688,599</u>	<u>643,506</u>
Total assets	<u>912,138</u>	<u>860,605</u>	<u>1,747,591</u>	<u>1,749,172</u>	Total liabilities and equity	<u>912,138</u>	<u>860,605</u>	<u>1,747,591</u>	<u>1,749,172</u>

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Statement of operations

Quarters ended September 30

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2014	2013	2014	2013
Revenue				
Sale of electric power			53,866	46,701
Services rendered	2,492	1,972	8,403	6,135
Net operating revenue (Note 18)	2,492	1,972	62,269	52,836
Cost of electric power supply (Note 19)			(21,409)	(17,576)
Cost of services rendered (Note 19)	(1,195)	(1,590)	(6,060)	(5,025)
Gross profit	1,297	382	34,800	30,235
General and administrative (Note 19)	(3,003)	(4,589)	(10,522)	(13,054)
Other operating income (expenses), net	1	5	(36)	
Provision for investment losses	(3,432)			
Share of profit of investees	7,819	4,969		
Operating profit	2,682	767	24,242	17,181
Finance result (Note 20)				
Finance costs	(9,731)	(4,982)	(36,754)	(28,517)
Finance income	163	1,439	4,405	9,229
	(9,568)	(3,543)	(32,349)	(19,288)
Share of profit (loss) of associates and jointly-owned subsidiaries	(3,163)	(1,258)	(3,163)	(1,260)
Dividends received	827		827	
Gains on investments sold	62		62	
Amortization of goodwill on firm contracts	(288)	(289)	(288)	(289)
	(2,562)	(1,547)	(2,562)	(1,549)
Loss before income tax and social contribution	(9,448)	(4,323)	(10,669)	(3,656)
Income tax and social contribution (Note 21)	1,343	313	2,244	(347)
Loss for the period	(8,105)	(4,010)	(8,425)	(4,003)
Attributable to:				
Owners of the Parent company			(8,105)	(4,010)
Non-controlling interests			(320)	7
			(8,425)	(4,003)
Basic and diluted loss per thousand shares (Note 26)			(0.0693)	(0.0373)

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Statement of comprehensive income (loss)

Quarters ended September 30

All amounts in thousands of reais

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Loss for the period	<u>(8,105)</u>	<u>(4,010)</u>	<u>(8,425)</u>	<u>(4,003)</u>
Other comprehensive income (loss), net of taxes				
Change in fair value of available-for sale financial instruments	<u>2,032</u>	<u></u>	<u>2,032</u>	<u></u>
Total comprehensive loss for the period	<u><u>(6,073)</u></u>	<u><u>(4,010)</u></u>	<u><u>(6,393)</u></u>	<u><u>(4,003)</u></u>
Attributable to:				
Stockholders of the Parent company			<u>(6,073)</u>	<u>(4,010)</u>
Non-controlling interests			<u>(320)</u>	<u>7</u>
			<u><u>(6,393)</u></u>	<u><u>(4,003)</u></u>

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Statement of operations

Nine-month periods ended September 30

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2014	2013	2014	2013
Revenue				
Sale of electric power			160,727	129,241
Services rendered	8,550	5,408	22,743	18,607
Net operating revenue (Note 18)	8,550	5,408	183,470	147,848
Cost of electric power supply (Note 19)			(62,838)	(63,353)
Cost of services (Note 19)	(3,304)	(4,070)	(16,132)	(13,057)
Gross profit	5,246	1,338	104,500	71,438
General and administrative (Note 19)	(8,063)	(12,523)	(27,298)	(32,428)
Other operating income (loss), net	2	2,341	(36)	2,336
Provision for investment losses	(8,692)			
Share of profit (loss) of investees	34,053	(1,992)		
Operating profit (loss)	22,546	(10,836)	77,166	41,346
Finance result (Note 20)				
Finance costs	(26,810)	(12,326)	(92,696)	(82,612)
Finance income	5,531	3,474	23,454	16,743
	(21,279)	(8,852)	(69,242)	(65,869)
Share of profit (loss) of associates and jointly-owned subsidiaries	6,208	2,246	6,208	2,245
Dividends received	3,757	2,738	3,757	2,738
Gains on investments sold	1,244		1,244	
Amortization of goodwill on firm contracts	(863)	(863)	(863)	(863)
	10,346	4,121	10,346	4,120
Profit (loss) before income tax and social contribution	11,613	(15,567)	18,270	(20,403)
Income tax and social contribution (Note 21)	1,697	3,578	(5,209)	7,835
Profit (loss) for the period	13,310	(11,989)	13,061	(12,568)
Attributable to:				
Stockholders of the Parent company			13,310	(11,989)
Non-controlling interests			(249)	(579)
			13,061	(12,568)
Basic and diluted earnings (loss) per thousand shares (Note 26)			0.1138	(0.1116)

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Statement of comprehensive income (loss)

Nine-month periods ended September 30

All amounts in thousands of reais

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit (loss) for the period	<u>13,310</u>	<u>(11,989)</u>	<u>13,061</u>	<u>(12,568)</u>
Other comprehensive income, net of taxes				
Change in fair value of available-for sale financial instruments	<u>2,032</u>		<u>2,032</u>	
Total comprehensive income (loss) for the period	<u>15,342</u>	<u>(11,989)</u>	<u>15,093</u>	<u>(12,568)</u>
Attributable to:				
Stockholders of the Parent company			15,342	(11,989)
Non-controlling interests			<u>(249)</u>	<u>(579)</u>
			<u>15,093</u>	<u>(12,568)</u>

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Statement of changes in equity

All amounts in thousands of reais

	Attributable to owners of the parent									Under IFRS	
	Share capital	Unpaid share capital	Total	Carrying value adjustments	Revenue reserves			Retained earnings (accumulated deficit)	Total		Non-controlling interests
					Legal	Retained profits	Total				
At January 1, 2013	665,312		665,312	44,432	739	(24,340)	(23,601)		686,143	1,322	687,465
Comprehensive income (loss)											
Loss for the period								(11,989)	(11,989)	(579)	(12,568)
At September 30, 2013	665,312		665,312	44,432	739	(24,340)	(23,601)	(11,989)	674,154	743	674,897
At January 1, 2014	665,312		665,312	32,963				(55,255)	643,020	486	643,506
Comprehensive income (loss)											
Capital increase	60,000	(30,000)	30,000						30,000		30,000
Carrying value adjustments				2,032					2,032		2,032
Profit (loss) for the period								13,310	13,310	(249)	13,061
At September 30, 2014	725,312	(30,000)	695,312	34,995				(41,945)	688,362	237	688,599

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Statement of cash flows Nine-month periods ended September 30 All amounts in thousands of reais

	Parent company		Consolidated	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013
Cash flow from operating activities				
Profit (loss) before taxation	11,613	(15,567)	18,270	(20,403)
Adjustments				
Finance income from long-term receivables	(901)	(421)	(3,058)	(2,195)
Equity in the results of investees	(40,261)	(254)	(6,208)	(2,245)
Gain on disposal of assets held for sale	(940)		(940)	
Net book value of property, plant and equipment disposals			2,545	1
Depreciation and amortization	66	57	46,816	49,808
Amortization of goodwill on firm contracts	863	863	863	863
Provision for investment losses	8,692			
Foreign exchange losses (gains) on financial activities			4,239	8,602
Financial charges capitalized in subsidiaries	261	438	261	438
Financial charges on borrowings	18,399	9,491	56,625	49,227
Provision for losses on electric power contracts			3,272	
Financial charges on guarantees		1,773		4,109
Provision for social and environmental costs				318
	(2,208)	(3,620)	122,685	88,523
Changes in assets and liabilities				
Trade receivables	12	270	(18,477)	5,257
Taxes recoverable	187	479	(2,659)	(557)
Other changes in assets	42	519	2,713	(953)
Trade payables	(1,516)	(4,958)	(26,227)	(6,562)
Salaries and social charges	(437)	(350)	1,058	663
Taxes and contributions	1,530	(1,604)	(169)	(2,918)
Other changes in liabilities	(230)	(1,646)	(3,092)	(29,426)
	(2,620)	(10,910)	75,832	54,027
Cash from operations				
Interest paid on borrowings	(13,240)	(6,342)	(50,191)	(49,238)
Income tax and social contribution paid			(9,690)	(8,131)
Net cash provided by (used in) operating activities	(15,860)	(17,252)	15,951	(3,342)
Cash flows from investing activities				
(Application) redemption of restricted financial investments	479	(6,895)	997	(5,494)
Acquisition of investments and capital increases	(16,451)	(35,700)	(16,451)	(35,700)
Dividends received	34,671	23,758	220	377
Purchases of property, plant and equipment and intangible assets	(77)	(72)	(6,958)	(10,627)
Sale of investment, net of cash received	4,000	16,976	4,000	16,976
Related-party transactions	(39,257)	18,693	(3,737)	(28,154)
Net cash provided by (used in) investing activities	(16,635)	16,760	(21,929)	(62,622)
Cash flows from financing activities				
Proceeds from borrowings	45,004	27	45,032	27
Repayment of borrowings - principal	(45,000)	(6,501)	(77,598)	(39,110)
Share capital increase	30,000		30,000	
Net cash provided by (used in) financing activities	30,004	(6,474)	(2,566)	(39,083)
Decrease in cash and cash equivalents	(2,491)	(6,966)	(8,544)	(105,047)
Cash and cash equivalents at the beginning of the period	3,225	7,126	28,803	124,677
Cash and cash equivalents at the end of the period	734	160	20,259	19,630

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Statement of value added Nine-month periods ended September 30 All amounts in thousands of reais

	Parent company		Consolidated	
	2014	2013	2014	2013
Revenue				
Sales of goods and services	8,550	5,960	193,280	161,318
Other income and expenses	1,244	2,336	1,244	2,336
	<u>9,794</u>	<u>8,296</u>	<u>194,524</u>	<u>163,654</u>
Inputs acquired from third parties (includes taxes - ICMS and IPI)				
Cost of electric power supply			(42,500)	(33,496)
Cost of services	(5,266)	(9,691)	(3,950)	(15,531)
	<u>(5,266)</u>	<u>(9,691)</u>	<u>(46,450)</u>	<u>(49,027)</u>
Gross value added (1-2)	<u>4,528</u>	<u>(1,395)</u>	<u>148,074</u>	<u>114,627</u>
Retentions				
Depreciation/amortization	(929)	(920)	(47,679)	(48,915)
Net value added generated by the entity (3-4)	<u>3,599</u>	<u>(2,315)</u>	<u>100,395</u>	<u>65,712</u>
Value added received through transfer				
Equity in the results of investees	31,570	254	6,208	2,245
Finance income	5,533	3,474	23,454	16,743
Dividend income	3,757	2,738	3,757	2,738
	<u>40,860</u>	<u>6,466</u>	<u>33,419</u>	<u>21,726</u>
Total value added to distribute (5+6)	<u>44,459</u>	<u>4,151</u>	<u>133,814</u>	<u>87,438</u>
Distribution of value added				
Personnel and social charges	6,035	7,392	22,808	25,229
Taxes and contributions	(1,697)	(3,578)	5,209	(7,835)
Third-party capital remuneration (interest and rentals)	26,811	12,326	92,736	82,612
Profits reinvested/loss for the period	13,310	(11,989)	13,310	(11,989)
Non-controlling interests in retained earnings			(249)	(579)
	<u>44,459</u>	<u>4,151</u>	<u>133,814</u>	<u>87,438</u>

ICMS - Value-added Tax on Sales and Services
IPI - Excise Tax

The accompanying notes are an integral part of this quarterly information.

Desenvix Energias Renováveis S.A.

Notes to the parent company and consolidated quarterly information

at September 30, 2014

All amounts in thousands of reais unless otherwise stated

1 General information

(a) Operations

The activities of Desenvix Energias Renováveis S.A. ("Company" or "Parent company") and its subsidiaries (together referred to as "the Group"), headquartered in Barueri, State of São Paulo, comprise investing in other companies in the areas of electric power generation and transmission.

The Group's activities are integrated and cover the entire business cycle, from the execution of initial studies, licensing, financial and economic modeling, financing, and construction up to the operations of electric power transmission and generation ventures.

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

The Group's installed capacity grew from 9 MW in 2005 to 349 MW up to September 2012, comprising 15 ventures working with one-hundred-percent renewable energy generation.

In addition, the Company has a participation of 25.5% in two transmission lines, with an extension of 511 km. The Company also holds an interest of 100% in Enex, a company engaged in Operation and Maintenance (O&M) service rendering for the subsidiaries' plants and other plants of clients from the energy industry.

The issue of this quarterly information was authorized by the Company's management on November 14, 2014.

(i) Projects in operation

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

<u>Companies</u>	<u>Electric power source</u>	<u>Beginning of operations</u>	<u>Installed capacity in MW</u>	<u>Termination of contracts (authorization/concession)</u>
Esmeralda S.A.	PCH	December 23, 2006	22.2 MW	December 21, 2031
Santa Laura S.A.	PCH	October 1, 2007	15 MW	September 27, 2030
Santa Rosa S.A.	PCH	July 1, 2008	30 MW	May 31, 2031
Moinho S.A.	PCH	September 19, 2011	13.7 MW	August 14, 2038
Enercasa Energética S.A. (ii)	UTE	October 26, 2011	33 MW	February 25, 2044
Passos Maia Energética S.A.	PCH	February 17, 2012	25 MW	March 2, 2034
Monel Monjolinho Energética S.A.	UHE	August 31, 2009	74 MW	April 22, 2037
Dona Francisca Energética S.A.	UHE	February 05, 2001	125 MW	August 28, 2033
Ceran Cia. Energética Rio das Antas (i)	UHE	December 29, 2004	360 MW	December 31, 2029
Macaúbas Energética S.A.	UEE	July 5, 2012	35.07 MW	June 16, 2045
Novo Horizonte Energética S.A.	UEE	July 5, 2012	30.06 MW	July 28, 2045
Seabra Energética S.A.	UEE	July 5, 2012	30.06 MW	July 28, 2045
Energen Energias Renováveis S.A.	UEE	September 28, 2012	34.5 MW	July 05, 2045
Goiás Transmissão S.A.	LT	November 14, 2013	500/230 KV	June 11, 2040
MGE Transmissão S.A.	LT	August 11, 2014	500/230 KV	July 10, 2040

Desenvix Energias Renováveis S.A.

Notes to the parent company and consolidated quarterly information at September 30, 2014

All amounts in thousands of reais unless otherwise stated

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

(ii) Through Order 4,205, of October 25, 2011, of the National Electric Energy Agency (ANEEL), Enercasa Energética S.A. obtained an authorization to begin its commercial operations as from October 26, 2011, when the power produced by the generating unit UG1 33,000 KW became available to the system. However, due to problems with its main supplier of raw materials for the generation of steam, the company's operations have been suspended since December 2012.

2 Summary of significant accounting policies and presentation of the Quarterly Information (ITR)

The parent company interim accounting information included in this financial information is presented in accordance with the accounting standard CPC 21 (R1) - Interim Financial Reporting, and in a manner consistent with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR).

The consolidated interim accounting information included in this financial information is presented in accordance with the accounting standard CPC 21 (R1) - Interim Financial Reporting and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), and in a manner consistent with the standards issued by the CVM applicable to the preparation of ITR.

Except for the change mentioned in Note 3, the basis of preparation and accounting policies are the same as those adopted in the annual financial statements for the year ended December 31, 2013. Accordingly, as determined in Official Letter CVM/SNC/SEP 03/2011, the Company opted to present the explanatory notes to this Quarterly Information in a summarized manner when there are no changes in relation to the content already presented in its annual financial statements. In these cases, the full explanatory note in the annual financial statements is identified, in order not to prejudice the understanding of the financial position and performance during the interim period. Therefore, the corresponding information should be read in Note 2 - Summary of significant accounting policies to the aforementioned financial statements.

3 Standards, amendments and interpretations of standards

The following new standards, amendments and interpretations to existing standards were issued by the International Accounting Standards Board (IASB) and are effective as from January 1, 2014. Their potential impacts on the consolidated financial information are described below. The Parent company's financial information was not affected by the new standards issued by IASB, since there are no corresponding standards or interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC).

- IFRIC 21, "Levies". The interpretation clarifies when an entity should recognize a liability to pay a levy in accordance with the legislation. The recognition of the obligation is applicable only after the obligating event takes place. The consolidated quarterly information was not affected.

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Notes to the parent company and consolidated quarterly information at September 30, 2014

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- Changes to IAS 32, "Financial instruments: Presentation". These changes clarify the meaning of the legal right to settle an operation at the net amount. The consolidated quarterly information was not affected.
- Changes to IAS 30, "Financial instruments: Recognition and measurement". The changes allow the use of the hedge accounting when creating a new obligation, replacing and extinguishing the previous obligation arising from a derivative designated as a hedge, when it complies with certain criteria. The consolidated quarterly information was not affected.

4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and other stakeholders and to maintain an optimal capital structure which is adequate for such purpose. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, return capital to stockholders or sell assets to reduce, for example, debt.

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

The gearing ratios at September 30, 2014 and December 31, 2013 were as follows:

	<u>September 30, 2014</u>	<u>Consolidated December 31, 2013</u>
Total borrowings (Note 12)	901,361	923,254
Less: cash and cash equivalents (Note 5)	20,259	28,803
Less: restricted financial investments (Note 7)	<u>54,180</u>	<u>52,119</u>
Net debt	<u>826,922</u>	<u>842,332</u>
Total equity	<u>688,599</u>	<u>643,506</u>
Total capital	<u>1,515,521</u>	<u>1,485,838</u>
Gearing ratio - %	54.56	56.69

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Notes to the parent company and consolidated quarterly information at September 30, 2014

All amounts in thousands of reais unless otherwise stated

	<u>September 30, 2014</u>	<u>Parent company December 31, 2013</u>
Total borrowings (Note 12)	179,467	174,305
Less: cash and cash equivalents (Note 5)	734	3,225
Less: restricted financial investment (Note 7)	<u>13,624</u>	<u>13,202</u>
Net debt	<u>165,109</u>	<u>157,878</u>
Total equity	<u>688,362</u>	<u>643,020</u>
Total capital	<u>853,471</u>	<u>800,898</u>
Gearing ratio - %	19.35	19.71

5 Cash and cash equivalents

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>September 30, 2014</u>	<u>December 31, 2013</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Cash and banks	734	3,222	17,873	22,046
Financial investments (i)	<u> </u>	<u>3</u>	<u>2,386</u>	<u>6,757</u>
	<u>734</u>	<u>3,225</u>	<u>20,259</u>	<u>28,803</u>

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

Desenvix Energias Renováveis S.A.

Notes to the parent company and consolidated quarterly information at September 30, 2014

All amounts in thousands of reais unless otherwise stated

6 Trade receivables

	Parent company		Consolidated	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Electric power supply (i)			44,345	29,148
Outsourced services (ii)			6,269	2,892
Related parties (Note 11)	1,234	1,246	275	372
Provision for impairment of trade receivables (iii)	(220)	(220)	(220)	(220)
Total	<u>1,014</u>	<u>1,026</u>	<u>50,669</u>	<u>32,192</u>
Current assets	<u>1,014</u>	<u>1,026</u>	<u>31,558</u>	<u>24,177</u>
Non-current assets			<u>19,111</u>	<u>8,015</u>

- (i) The balance of receivables recorded in current assets refers to electric power supply contracts related to the Incentive Program for Alternative Sources of Electric Power (PROINFA), and the Electric Power Trade Chamber (CCEE) and with third parties, with an average maturity of 35 days. The balances presented in non-current assets exclusively refer to electric power generation in excess of the amount contracted under the Reserve Power Agreement (CER) entered into with CCEE. The surplus, up to a limit of 130% of the contracted amount, is received at the end of every contractual four-year period, whereas the surplus that exceeds 130% of the contracted amount is received on completion of the calculations for each contractual year.
- (ii) The balance at September 30, 2014 (consolidated) refers to receivables of the subsidiary Enex O&M de Sistemas Elétricos Ltda.
- (iii) The balance provided for at September 30, 2014 refers to 100% of outstanding receivables from Usina Hidrelétrica de Cubatão S.A.

7 Restricted financial investments

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

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

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All amounts in thousands of reais unless otherwise stated

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

	Parent company	
	September 30, 2014	December 31, 2013
At the beginning of the period/year	13,202	4,938
Redemptions	(479)	
Earnings	901	648
Investments		7,616
At the end of the period/year	<u>13,624</u>	<u>13,202</u>
	Consolidated	
	September 30, 2014	December 31, 2013
At the beginning of the period/year	52,119	40,023
Investments	24,878	17,401
Earnings	3,058	3,062
Redemptions	(25,875)	(8,367)
At the end of the period/year	<u>54,180</u>	<u>52,119</u>

8 Investments

	Parent company		Consolidated	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
In subsidiaries	461,898	460,276		
In associates and other companies	176,730	154,097	173,189	150,556
	<u>638,628</u>	<u>614,373</u>	<u>173,189</u>	<u>150,556</u>

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

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Notes to the parent company and consolidated quarterly information at September 30, 2014

All amounts in thousands of reais unless otherwise stated

	Parent company	
	September 30, 2014	December 31, 2013
Enercasa - Energia Caiuá S.A.	2,671	2,739
Energen Energias Renováveis S.A.	6,234	11,023
Enex O&M de Sistemas Elétricos Ltda.	4,694	3,127
Esmeralda S.A.	34,241	35,681
Macaúbas Energética S.A.	39,998	39,856
Moinho S.A.	43,195	43,585
Monel Monjolinho Energética S.A.	121,436	118,519
Novo Horizonte Energética S.A.	43,123	39,410
Santa Laura S.A.	29,686	29,105
Santa Rosa S.A.	59,060	62,649
Seabra Energética S.A.	43,302	39,654
	<u>427,640</u>	<u>425,348</u>
Goodwill	39,900	40,770
Unrealized profits in the Parent company	(5,642)	(5,842)
	<u>461,898</u>	<u>460,276</u>
Goiás Transmissão S.A.	76,674	70,543
MGE Transmissão S.A.	69,718	55,369
Passos Maia Energética S.A.	26,142	23,989
Usina Hidrelétrica de Cubatão S.A.	655	655
	<u>173,189</u>	<u>150,556</u>
Goodwill - Concession right	3,541	3,541
	<u>176,730</u>	<u>154,097</u>
	<u>638,628</u>	<u>614,373</u>

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Notes to the parent company and consolidated quarterly information

at September 30, 2014

All amounts in thousands of reais unless otherwise stated

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

September 30, 2014	Ownership interest - %	Assets	Liabilities	Equity (net capital deficiency)	Profit (loss) for the period	Equity in results adjusted by profits realized of assets
Subsidiaries						
Energen - Energias Renováveis S.A.	95	153,994	149,279	4,715	(4,996)	(4,746)
Enex O&M de Sistemas Elétricos Ltda.	100	10,590	5,896	4,694	1,567	1,567
Esmeralda S.A.	99.99	62,721	28,480	34,241	8,800	8,809
Macaúbas Energética S.A.	99.99	160,266	122,099	38,167	186	186
Moinho S.A.	99.99	97,121	54,558	42,563	(378)	(327)
Monel Monjolinho Energética S.A.	99.99	342,832	221,396	121,436	9,443	9,512
Novo Horizonte Energética S.A.	99.99	138,983	97,945	41,038	3,764	3,764
Santa Laura S.A.	99.99	57,436	27,750	29,686	3,777	3,789
Santa Rosa S.A.	99.99	124,035	64,975	59,060	7,752	7,812
Seabra Energética S.A.	99.99	137,937	96,189	41,748	3,687	3,687
Share of profit of investees						<u>34,053</u>
Enercasa - Energia Caiuá S.A.	100	70,017	84,956	(14,939)	(8,692)	(8,692)
Share of losses of subsidiaries						<u>(8,692)</u>

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Associates

BBE Bioenergia S.A.	12.5					
Goiás Transmissão S.A.	25.5	812,506	355,240	457,266	(411)	2,430
MGE Transmissão S.A.	25.5	411,557	45,359	366,198	99,713	1,626
Passos Maia Energética S.A.	50	137,767	81,180	56,587	4,303	2,152
Usina Hidrelétrica de Cubatão S.A.	20	5,620	3,971	1,649		

Share of profit (loss) of associates

Equity in results of associates and subsidiaries

6,208

31,569

The equity at September 30, 2014 of Monel Monjolinho Energética S.A., Esmeralda S.A., Santa Laura S.A., Santa Rosa S.A. and Moinho Energética S.A.

was adjusted, for equity accounting purposes, by the amount of unrealized profits arising from transactions carried out between the Company and these subsidiaries, in the amounts of 2,178, R\$ 156, R\$ 235, R\$ 1,495 e R\$ 1,578 (2013 - R\$ 2,247, R\$ 165, R\$ 247, R\$ 1,555 and R\$ 1,629), respectively.

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All amounts in thousands of reais unless otherwise stated

The changes in investments in the nine-month period were as follows:

	<u>Parent company</u> <u>2014</u>	<u>Consolidated</u> <u>2014</u>
At the beginning of the period	614,373	150,556
Capital contribution	16,422	16,422
Share of profit of subsidiaries	34,053	
Share of profit of associates	6,208	6,208
Dividends	(31,304)	
Amortization of goodwill on firm contracts	(863)	
Amortization of capitalized interest	(261)	3
	<u>638,628</u>	<u>173,189</u>

9 Property and equipment

	<u>At September 30, 2014</u>			<u>Consolidated</u> <u>At December 31, 2013</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Plants and other assets				
Land	14,862	(2,773)	12,089	16,903
Land - judicial deposits (i)	1,003		1,003	976
Reservoirs, dams and water mains	443,589	(89,694)	353,895	362,289
Buildings, civil construction and improvements	37,956	(7,604)	30,352	31,460
Machinery and equipment	771,372	(100,544)	670,828	697,763
Materials stored in warehouses and others	2,269	(71)	2,198	1,799
Furniture and fittings	684	(274)	410	439
IT and other equipment	1,023	(628)	395	408
Other	417	(129)	288	315
Connection systems				
Land	424		424	424
Buildings, civil construction and improvements	1,242	(129)	1,113	1,149
Machinery and equipment	77,544	(10,587)	66,957	69,209
Construction in progress, rights of way and others				119
Construction in progress	15,705		15,705	11,378
	<u>1,368,090</u>	<u>(212,433)</u>	<u>1,155,657</u>	<u>1,194,631</u>

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

The balance of the parent company property, plant and equipment totaled R\$ 474 at September 30, 2014 (R\$ 501 at December 31, 2013). The depreciation for 2014 was R\$ 54.

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Notes to the parent company and consolidated quarterly information at September 30, 2014

All amounts in thousands of reais unless otherwise stated

					Consolidated
	Plants and other assets	Connection systems	Advances to suppliers	Construction in progress	Total
At January 1, 2013	1,216,982	74,064	765	7,904	1,299,715
Additions	1,082		1,892	1,533	4,507
Amortization of financial charges capitalized	(528)				(528)
Transfer between accounts	(641)	501	(1,955)	2,095	
Depreciation	(56,004)	(3,482)			(59,486)
Disposals	(48,540)	(182)	(702)	(153)	(49,577)
At December 31, 2013	<u>1,112,351</u>	<u>70,901</u>		<u>11,379</u>	<u>1,194,631</u>
Additions	848			5,119	5,967
Amortization of financial charges capitalized	(261)				(261)
Transfer between accounts	683	(108)		(575)	
Depreciation	(39,849)	(2,286)			(42,135)
Disposals	(2,315)	(13)		(217)	(2,545)
At September 30, 2014	<u>1,071,457</u>	<u>68,494</u>		<u>15,706</u>	<u>1,155,657</u>

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

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

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10 Intangible assets

The composition of intangible assets can be summarized as follows:

	Parent company			
			2014	2013
	Contracts with a resolatory condition	Other contracts and costs	Total	Total
Feasibility and environmental studies				
UHE Riacho Seco (i)	3,350	6,907	10,257	10,257
Torixoréu Hydroelectric Power Plant	2,500		2,500	2,500
Itapiranga Hydroelectric Power Plant	1,100		1,100	1,100
Inventory studies				
Itacaiunas River	1,820		1,820	1,820
Basic projects and others				
Bonança Small Hydroelectric Power Plant (ii)	1,493	9	1,502	1,502
Other		93	93	55
	<u>10,263</u>	<u>7,009</u>	<u>17,272</u>	<u>17,234</u>

- (i) Expenditures reviewed and approved by ANEEL in 2010, pursuant to the Circular Letters 243/2010 and 453/2010.
- (ii) Basic project in the final phase of approval, supported by prior environmental license, and land for the reservoir.

	Consolidated			
			2014	2013
	Cost	Accumulated amortization	Net	Net
Use of Public Assets (UBP)	50,990	(9,897)	41,093	42,496
Goodwill on acquisition of investment	30,349		30,349	30,445
Feasibility, environmental and inventory studies and projects	17,293		17,293	17,182
Authorization right	10,511		10,511	10,511
Operating permits	23,743	(13,886)	9,857	11,635
Firm contracts	5,751	(3,163)	2,588	3,355
Other	1,547	(744)	803	1,423
	<u>140,184</u>	<u>(27,690)</u>	<u>112,494</u>	<u>117,047</u>

The annual amortization rates of intangible assets are as follows:

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	<u>%</u>
	<u>Average rate</u>
UBP	3.57
Feasibility, environmental and inventory studies and projects	Unspecified
Operating permits	20 to 25
Firm contracts	20

The changes in intangible assets can be summarized as follows:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2013	17,234	117,047
Additions to intangible assets	50	991
Amortization of firm contracts		(863)
Amortization of UBP, permits and others	(12)	(4,681)
At September 30, 2014	<u>17,272</u>	<u>112,494</u>

11 Related parties

(a) Year-end balances arising from sales/purchases of products/services

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>September 30, 2014</u>	<u>December 31, 2013</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Current assets				
Trade receivables (i)				
UHE Cubatão S.A.	220	220	220	220
Enercasa Energia Caiuá S.A.		72		
Energen Energias Renováveis S.A.		76		
Esmeralda S.A.	86	54		
Macaúbas Energética S.A.	56	57		
Moinho S.A.	264	259		
Monel Monjolinho Energética S.A.	262	135		
Novo Horizonte Energética S.A.	57	55		
Passos Maia Energética S.A.	55	152	55	152
Santa Laura S.A.	56	48		
Santa Rosa S.A.	115	63		
Seabra Energética S.A.	63	55		
	<u>1,234</u>	<u>1,246</u>	<u>275</u>	<u>372</u>
Dividends receivable				
Energen S.A.	890	890		
Esmeralda S.A.	3,374	2,514		
Goiás Transmissão S.A.	10,434	10,434	10,434	10,434
Moinho S.A.	176	176		
Monel Monjolinho Energética S.A.		1,756		
Passos Maia Energética S.A.		220		220
Santa Laura S.A.	3,724	4,118		
Santa Rosa S.A.	516	2,373		

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	Parent company		Consolidated	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	19,114	22,481	10,434	10,654
Non-current assets - long-term receivables				
Adami S.A. Madeiras	654	875	654	875
Água Quente Ltda.	884	884	884	884
Bom Retiro S.A.	703	703	703	703
Caldas Nova Transmissão		25		25
Enercasa - Energia Caiuá S.A. (iv)	22,414	18,129		
Energen Energias Renováveis S.A (iv)	20,240	17,429		
Engevix Engenharia S.A.(ii)	3,087	3,087	3,087	3,087
Enex O&M de Sistemas Elétricos Ltda.		300		
FUNCEF (iii)	5,265	4,666	5,265	4,666
Jackson Empreendimentos Ltda. (iii)	19,055	15,701	19,055	15,701
JP Participações Ltda.	775	775	775	775
Macaúbas Energética S.A. (iv)	21,470	11,974		
Moinho S.A. (iv)	3,149	4,034		
Novo Horizonte Energética S.A. (iv)	11,444	4,014		
Seabra Energética S.A. (iv)	10,519	4,354		
Esmeralda S.A. (iv)	50			
Santa Laura S.A. (iv)	50			
UHE Cubatão S.A.	195	108	195	108
	119,954	87,058	30,618	26,824
Total assets	140,302	110,785	41,327	37,850

	Parent company		Consolidated	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Current liabilities				
Trade payables				
Engevix Engenharia S.A. (v)			808	808
Related parties				
Engevix Engenharia S.A. (vi)	2,462	3,848	2,462	3,848
Jackson Empreendimentos Ltda. (vi)	4,958	3,515	4,958	3,515
Monel Monjolinho Energética S.A. (iv)	3,835	4,000		
Santa Rosa S.A. (iv)		6,253		
	11,255	17,616	7,420	7,363
Total liabilities	11,255	17,616	8,228	8,171

(i) These refer to outstanding bills charging for the management service the Company rendered to its

Desenvix Energias Renováveis S.A.

Notes to the parent company and consolidated quarterly information at September 30, 2014

All amounts in thousands of reais unless otherwise stated

subsidiaries.

- (ii) Amount referring to the reimbursement for the development of the Baixo Iguaçu project, free of financial charges.
- (iii) Amounts due by the Controlling stockholders referring to the intercompany loan agreement and to the amounts related to the reimbursement of the costs with respect to the sale of the ownership interest on March 8, 2012. These amounts were altered by the partners, according to the agreement signed in 2014.
- (iv) Intercompany loan agreement entered into by the Company and its subsidiary, free of financial charges.
- (v) Outstanding balance referring to the turn-key services for the construction of the Company's electric power generation ventures.
- (vi) Including mainly the outstanding balance referring to the charges for guarantees and corporate sureties, for 2014, in connection with the borrowing agreements of the Company and its subsidiaries.

(b) Sales of goods and services

	Parent company		Consolidated	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Statement of operations				
Revenue from services rendered				
Enercasa Energia Caiuá S.A.		708		
Energen Energias Renováveis S.A.	293	707		
Esmeralda S.A.	859	417		
Macaúbas Energética S.A.	568	499		
Moinho S.A.	471	327		
Monel Monjolinho Energética S.A.	2631	1003		
Novo Horizonte Energética S.A.	576	456		
Passos Maia Energética S.A.	795	474	795	474
Santa Laura S.A.	566	384		
Santa Rosa S.A.	1157	533		
Seabra Energética S.A.	634	452		
	<u>8,550</u>	<u>5,960</u>	<u>795</u>	<u>474</u>

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

The revenue billed (full amount) by the subsidiary Enex O&M de Sistemas Elétricos Ltda., considered as electric power service costs for PCHs and UHEs totaled R\$ 6,022 in 2014 (R\$ 7,838 in 2013).

Esmeralda, Santa Laura, Santa Rosa, Monel, Moinho, Passos Maia and Enercasa have entered into contracts with Enex O&M de Sistemas Elétricos Ltda. for operating and maintenance services at the

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plants.

(c) Key management compensation

The remuneration of key management personnel, which includes board members and statutory directors, totaled R\$ 2,963 in the period ended September 30, 2014 (R\$ 3,526 in the period ended September 30, 2013).

12 Borrowings

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>September 30, 2014</u>	<u>December 31, 2013</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Construction financing - BNDES (i)			350,125	374,334
Construction financing - BNB (ii)			261,118	265,840
Construction financing - CDB (iii)			110,554	108,630
Debentures (iv)	149,652	99,800	149,652	99,800
Working capital financing (v)	29,781	74,462	29,781	74,462
Other	<u>34</u>	<u>43</u>	<u>131</u>	<u>188</u>
	<u>179,467</u>	<u>174,305</u>	<u>901,361</u>	<u>923,254</u>
Current liabilities	<u>69,815</u>	<u>74,505</u>	<u>120,162</u>	<u>122,751</u>
Non-current liabilities	<u>109,652</u>	<u>99,800</u>	<u>781,199</u>	<u>800,503</u>

The changes in borrowings were as follows:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2013	174,305	923,254
Borrowings	45,004	45,032
Payments	(58,240)	(127,789)
Financial charges appropriated to results	18,724	56,966
Monetary variation		4,239
Other	(326)	(341)
At September 30, 2014	<u>179,467</u>	<u>901,361</u>

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

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

Companies	Maturity	Financial charges - % p.a.	Consolidated	
			2014	2013
Monel Monjolinho Energética S.A.	October 2026	Long-Term Interest Rate (TJLP) + 2.1	147,573	157,088
Santa Rosa S.A.	February 2023	TJLP + 3.8	61,478	67,012
Enercasa - Energia Caiuá S.A.	June 2025	TJLP + 2.5	50,629	50,629
Moinho S.A.	August 2028	TJLP + 2.0	45,368	47,813
Esmeralda S.A.	April 2029	TJLP + 3.5	23,045	26,886
Santa Laura S.A.	July 2020	TJLP + 3.5	22,032	24,906
			<u>350,125</u>	<u>374,334</u>

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

(ii) Financing for the construction of plants -BNB

Companies	Maturity	Financial charges - % p.a.	Consolidated	
			2014	2013
Macaúbas Energética S.A.	July 2028	9.5	95,871	97,826
Novo Horizonte Energética S.A.	July 2028	9.5	82,970	84,133
Seabra Energética S.A.	July 2028	9.5	82,277	83,881
			<u>261,118</u>	<u>265,840</u>

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

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

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

At September 30, 2014, the Group had a balance not yet due amounting to R\$ 110,682, (R\$ 108,630 at December 31, 2013) with the China Development Bank (CDB).

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

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

(iv) Debentures

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

The Company issued 100 thousand debentures at a face value of R\$ 1 thousand each on December 12, 2012. Financial charges will be paid in 8 semiannual installments, beginning on June 12, 2013 and ending on the maturity date of the debentures. The principal will be repaid in 5 semiannual consecutive installments, beginning on December 12, 2014 and ending on the maturity date of the debentures. The debentures fall due on December 12, 2016.

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

The debenture agreement in force establishes the early maturity of the total obligation if a series of requirements are not met, including the failure to comply with certain financial ratios for three alternate quarters. According to the second amendment to the agreement, the beginning of the measurement and compliance with these ratios is as from April 1, 2014. The ratios required and the result obtained at September 30, 2014 can be summarized as follows:

Description of the ratio:	Agreement ratio	Ratio obtained
Total Debt/Dividend Income (Parent company)	Considered breach of covenants if the ratio is: greater than 4.0x from April 1, 2014 to March 31, 2015; greater than 3.5x from April 1, 2015 to December 31, 2015; greater than 3.0x from January 1, 2016 to June 30, 2016; and greater than 2.5x as from July 1, 2016.	3.61
Total Debt/Equity (Consolidated)	Considered breach of covenants if the ratio is: greater than 1.45x.	1.30
Debt Service Cover Ratio (ICSD) (Consolidated)	Considered breach of covenants if the ratio is: lower than 1.0x as from April 1, 2014.	1.84

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

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

The Company issued 45 debentures at a face value of R\$ 1,000 thousand each on June 9, 2014. The debentures are remunerated at the accumulated variation of 100% of the daily Interbank Deposits (DI) rate plus a spread of 2.85% p.a. Financial charges will be paid in 10 semiannual installments, beginning on November 26, 2014 and ending on the maturity date of the debentures. The principal will be repaid in 4 annual consecutive installments, beginning on May 16, 2016 and ending on the maturity date of the debentures. The debentures fall due on May 26, 2019. The first three installments of the principal amount will each represent 22.23% of the unit par value, whereas the fourth and last portion will individually represent 33.31% of the unit par value.

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

(v) Working capital financing

The Company has two working capital contracts with Banco do Brasil, whose characteristics are as follows: (i) contract amounting to R\$ 10,000, entered into on November 14, 2013, with financial charges payable in twelve monthly installments and maturity of principal in a single installment falling due on December 18, 2014; (ii) contract amounting to R\$ 20,000, entered into on November 14, 2013, with financial charges payable in twenty-four monthly installments and principal payable in 12 installments, beginning on December 13, 2014 and ending on November 13, 2015. A surety from Engevix Engenharia S.A. was provided as collateral for both operations in the total amount of the debt.

13 Concessions payable

The balance payable at September 30, 2014 amounted to R\$ 63,778 (R\$ 63,038 at December 31, 2013) and was represented by the obligation payable arising from the concession agreement with ANEEL for the exploration of the hydroelectric potential of UHE Alzir dos Santos Antunes (Monel Monjolinho Energética S.A.), adjusted to present value, considering an interest rate of 9.50%. The corresponding obligation will be paid in monthly installments, adjusted annually based on the General Market Price Index (IGP-M) rate variation, calculated by Fundação Getúlio Vargas. Payments started in September 2009, the date the plant became operational, and will end in April 2037.

The Alzir dos Santos Antunes hydroelectric power plant (Monel Monjolinho Energética S.A.) was auctioned by ANEEL in September 2001. The related concession agreement was signed in April 2002 and the investee started its operations in September 2009. The concession agreement includes, but is not limited to, the following provisions: (a) in order to use the public asset, the investee shall pay to the

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Federal Government, as from the date in which the first hydroelectric generator unit begins its operations up to the end of the concession period, monthly installments equivalent to 1/12th of the proposed annual payment of R\$ 2,400 (R\$ 72,000 during the concession period after the beginning of operations), restated by the IGP-M variation compiled by the Fundação Getúlio Vargas, based on the index for the month prior to the auction date. At the end of the concession period, if there is no extension, assets and installations linked to the utilization of the hydroelectric resources, will be transferred to the Federal Government's assets through indemnification for investments made, as long as the investments have been previously approved and not yet amortized, as determined by an audit carried out by ANEEL.

14 Taxes and contributions

	Parent company		Consolidated	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
IOF	11,409	9,671	11,409	9,671
Withholding taxes (ISSQN, IRRF, INSS, CSLL and others)	22	39	1,079	2,547
COFINS payable		157	1,760	2,136
ANEEL fees and contributions			613	746
PIS payable		34	533	463
	<u>11,431</u>	<u>9,901</u>	<u>15,394</u>	<u>15,563</u>
Current liabilities	<u>11,431</u>	<u>9,901</u>	<u>14,696</u>	<u>14,822</u>
Non-current liabilities			<u>698</u>	<u>741</u>
COFINS - Social Contribution on Revenues				
CSLL - Social Contribution on Net Income				
INSS - National Institute of Social Security				
IOF - Tax on Financial Transactions				
IRRF - Withholding Income Tax				
ISSQN - Services Tax				
PIS - Social Integration Program				

15 Other liabilities

	Parent company		Consolidated	
	2014	2013	2014	2013
Provision for labor contingencies	1,367	1,600	1,825	2,074
Provision for environmental license (i)			16,782	17,331
Owners of areas	1,905	1,905	3,171	3,302
Pre-operating provisions (ii)			7,195	9,292
Other sundry creditors	8	3	6,399	7,205
	<u>3,280</u>	<u>3,508</u>	<u>35,372</u>	<u>39,204</u>
Current liabilities	<u>1,913</u>	<u>1,908</u>	<u>17,133</u>	<u>17,814</u>
Non-current liabilities	<u>1,367</u>	<u>1,600</u>	<u>18,239</u>	<u>21,390</u>

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

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

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16 Provision for electric power contracts

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

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

The Company has been establishing a penalty provision in respect of 2014, on a monthly basis, the total amount of which amounted to R\$ 3,272 up to September 2014. The total penalty when considering 2012, 2013 and up to September 2014 amounts to R\$ 10,697.

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

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

17 Equity

(a) Share capital

At the Extraordinary Meeting of December 11, 2013, the stockholders approved a capital increase in Desenvix of R\$ 60,000, payable in two installments of R\$ 30,000, the first on February 5, 2014 and the second on December 5, 2014.

The Company's subscribed capital at September 30, 2014 comprised 117,001,722 registered common shares with no par value.

(b) Carrying value adjustments

The carrying value adjustments comprise the fair value adjustments of investments in entities in which the Company has no significant influence, Dona Francisca Energética S.A. and Companhia Energética

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Rio das Antas (Note 28).

18 Net operating revenue

	<u>Parent company</u>			
	<u>Period ended September 30, 2014</u>	<u>Quarter ended September 30, 2014</u>	<u>Period ended September 30, 2013</u>	<u>Quarter ended September 30, 2013</u>
Services rendered	8,550	2,492	5,960	2,174
Taxes on services rendered			(552)	(202)
Net operating revenue	<u>8,550</u>	<u>2,492</u>	<u>5,408</u>	<u>1,972</u>
				<u>Consolidated</u>
	<u>Period ended September 30, 2014</u>	<u>Quarter ended September 30, 2014</u>	<u>Period ended September 30, 2013</u>	<u>Quarter ended September 30, 2013</u>
Gross revenue				
Supply of electric power	167,561	56,216	140,237	50,353
Services rendered	25,720	9,532	21,081	6,962
Taxes on revenues				
Rendering of services	(2,976)	(1,128)	(2,474)	(827)
Supply of electric power	(6,835)	(2,351)	(10,996)	(3,652)
Net operating revenue	<u>183,470</u>	<u>62,269</u>	<u>147,848</u>	<u>52,836</u>

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19 Costs and expenses by nature

	Parent company			
	Period ended September 30, 2014	Quarter ended September 30, 2014	Period ended September 30, 2013	Quarter ended September 30, 2013
Personnel	(3,072)	(1,086)	(3,866)	(1,544)
Management compensation	(2,963)	(1,023)	(3,526)	(1,191)
Outsourced services	(2,158)	(642)	(4,885)	(2,017)
Travels and accommodation	(615)	(277)	(962)	(296)
Rental	(237)	(73)	(537)	(184)
Taxes and fees	(14)	(2)	(41)	(7)
Depreciation and amortization	(66)	(23)	(57)	(21)
Advertising	(915)	(372)	(794)	(166)
Studies in progress	(1,035)	(585)	(1,486)	(633)
Other	(292)	(115)	(439)	(120)
	<u>(11,367)</u>	<u>(4,198)</u>	<u>(16,593)</u>	<u>(6,179)</u>
				Consolidated
	Period ended September 30, 2014	Quarter ended September 30, 2014	Period ended September 30, 2013	Quarter ended September 30, 2013
Personnel	(22,842)	(8,182)	(21,703)	(8,171)
Management compensation	(2,963)	(1,023)	(3,526)	(1,191)
Outsourced services	(11,348)	(4,107)	(13,778)	(5,520)
Travels and accommodation	(1,322)	(592)	(1,660)	(564)
Rental	(1,584)	(549)	(2,161)	(732)
Taxes and fees	(98)	(38)	(136)	(19)
Regulatory charges	(9,363)	(3,283)	(9,254)	1,339
Depreciation and amortization	(46,816)	(15,595)	(49,808)	(17,819)
Advertising	(2,613)	(1,585)	(1,881)	(1,234)
Surety insurance and commissions	(1,160)	(412)	(1,210)	(394)
Purchase of energy	(361)		(206)	
Reversal of provision for purchase of power	957			
Studies in progress	(1,035)	(585)	(1,486)	(633)
Provision for losses on electric power contracts	(4,097)	(1,405)	(2,029)	(717)
Other	(1,623)	(635)		
	<u>(106,268)</u>	<u>(37,991)</u>	<u>(108,838)</u>	<u>(35,655)</u>

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20 Finance income and costs

			Parent company	
	Period ended September 30, 2014	Quarter ended September 30, 2014	Period ended September 30, 2013	Quarter ended September 30, 2013
With borrowings	(18,724)	(6,713)	(9,491)	(3,379)
With bank surety	(2,957)	(451)	(1,773)	(1,161)
IOF, fines and interest on taxes	(2,374)	(1,786)	(561)	(187)
Other finance costs	(2,755)	(781)	(501)	(255)
	(26,810)	(9,731)	(12,326)	(4,982)
On financial investments	1,171	68	2,350	356
Monetary variation	4,360	95	1,124	1,083
	5,531	163	3,474	1,439
	(21,279)	(9,568)	(8,852)	(3,543)
			Consolidated	
	Period ended September 30, 2014	Quarter ended September 30, 2014	Period ended September 30, 2013	Quarter ended September 30, 2013
With borrowings	(56,966)	(19,396)	(49,227)	(15,893)
With bank surety	(5,816)	(1,574)	(4,109)	(2,034)
IOF, fines and interest on taxes	(2,587)	(1,799)	(627)	(202)
Monetary variations losses	(16,647)	(12,541)	(21,896)	(7,743)
Concessions payable and other expenses	(6,460)	(663)	(5,568)	(2,359)
Other finance costs	(4,220)	(781)	(1,185)	(286)
	(92,696)	(36,754)	(82,612)	(28,517)
On financial investments	4,478	944	4,307	1,127
Monetary variation	16,767	1,836	12,240	8,090
Other finance income	2,209	1,625	196	12
	23,454	4,405	16,743	9,229
	(69,242)	(32,349)	(65,869)	(19,288)

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21 Income tax and social contribution

(a) For the period

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

The IRPJ and CSLL charges in the periods ended September 30 can be summarized as follows:

	<u>Period ended September 30, 2014</u>	<u>Consolidated Period ended September 30, 2013</u>
Income tax and social contribution		
Current	(6,717)	(8,342)
Deferred	1,508	16,177
	<u>(5,209)</u>	<u>7,835</u>

The IRPJ and CSLL current charges, by calculation system, in the quarters ended September 30, can be summarized as follows:

	<u>Period ended September 30, 2014</u>	<u>Consolidated Period ended September 30, 2013</u>
Calculation system		
Taxable income		
Income tax	(572)	(4,785)
Social contribution	(213)	(1,736)
	<u>(785)</u>	<u>(6,521)</u>
Deemed profit		
Income tax	(3,892)	(1,176)
Social contribution	(2,040)	(645)
	<u>(5,932)</u>	<u>(1,821)</u>
Total charge in the period	<u>(6,717)</u>	<u>(8,342)</u>

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

	Consolidated	
	Period ended September 30, 2014	Period ended September 30, 2013
Profit (loss) before taxation	18,267	(20,403)
Loss before income tax and social contribution and of equity investments in the parent company subsidiaries, which had a tax loss in the period	33,651	54,415
Unrealized profit in operations between the parent company and subsidiaries, with no deferred tax	(201)	201
Result from equity investments	(11,169)	4,983
	40,548	39,196
Combined statutory rate of income tax and social contribution - %	34%	34%
Income tax and social contribution at statutory rates	(13,786)	(13,327)
Difference in the income tax and social contribution charge of subsidiaries assessed under the deemed profit system at different rates and tax bases	9,612	21,162
Result with deferred taxes on tax loss due to change in taxation	(2,731)	
Other deferred taxes accounted for in the period	1,696	
Taxes in the result for the period	(5,209)	7,835

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	Parent company	Consolidated	
	Liabilities	Assets	Liabilities
At December 31, 2013	(1,648)	23,768	(5,561)
Deferred taxes on temporary provisions and tax losses	357	1,065	357
From business combinations (goodwill)	294		293,901
On foreign exchange variations		5,451	(3,943)
Write-off of deferred charges - taxation change		(2,762)	
At September 30, 2014	(997)	27,522	(8,853)

The Company estimates that, after 2018, the remaining balance of tax losses of the companies, the foreign exchange variations on the financing in U.S. dollars with the CDB of the subsidiary Energen, and also of the temporary differences between the regulatory (ANEEL) and corporate (CPC 27) depreciation rate will be realized.

22 Insurance and guarantees

(a) Bank guarantee letters and collaterals

The Company contracted bank guarantee letters with the BNDES for financing arrangements to guarantee the borrowing obtained by the subsidiary MGE, whose related amount totaled R\$ 30,371.

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

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

(c) Operating risk insurance

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

(d) Civil liability insurance

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

(f) Corporate guarantee of the controlling stockholders

At the meeting held on June 27, 2012, the Company's Board of Directors authorized Desenvix to make a payment to Jackson/Engevix as a fee for the sureties and guarantees provided. According to the proposal, Desenvix will pay 1.0% p.a. for the bank guarantees and 0.5% for the performance bonds at the end of each financial year. The total amount guaranteed by Jackson/Engevix is R\$ 278,782. The amount provisioned as payable in 2014 related to these guarantees and sureties was R\$ 2,884 in the Parent company.

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23 Financial instruments

The Company and its subsidiaries did not have off-balance sheet financial instruments at September 30, 2014. The Company and its subsidiaries have various financial instruments, mainly cash and cash equivalents, trade receivables, financial investments, trade payables and financing.

23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides overall principles for risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of surplus liquidity.

(a) Market risk

(i) Foreign exchange risk

At September 30, 2014, the Desenvix Group had liabilities in foreign currency related to the debt of the subsidiary Energen Energias Renováveis S.A. (Note 12(iii)), thereby exposing it to foreign exchange risk.

This risk is associated with the fluctuations of the U.S. dollar in relation to the functional currency used by Desenvix (the Brazilian real). On August 15, 2014, the Company entered into a currency-related Non-deliverable Forward (NDF) contract between Energen Energias Renováveis, with guarantee of the parent company, and Banco BGT Pactual S.A., with the purpose of hedging its potential cash flow in reais, taking into consideration the foreign exchange rate volatility.

The maturity of the NDF contract is December 23, 2014, with the purchase strike fixed at US\$ 2.3470 and the local currency equivalent of US\$ 2,873, being linked to the falling due installment of the CDB borrowing.

Foreign exchange risk

	September 30, 2014		Consolidated December 31, 2013	
	In reais	In U.S. dollars	In reais	In U.S. dollars
CDB	111,426	45,461	108,630	46,576
Banco BTG Pactual (Hedge)	(7,041)	(2,873)		
Total	104,385	42,588	108,630	46,576

The amounts in the table above do not include financial charges paid monthly.

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(ii) Cash flow and fair value interest rate risk

As the Company has no significant interest-earning assets, its income and operating cash flows are substantially independent of changes in market interest rates.

This risk arises from the possibility that the Group could incur losses due to fluctuations in interest rates which increase the finance costs related to borrowings obtained in the market.

(b) Liquidity risk

This relates to the risk of the Company having insufficient liquidity to meet its financial commitments, due to the mismatch of terms or volume between expected receipts and payments.

To manage liquidity of cash, assumptions for future disbursements and receipts are determined, and these are monitored periodically by the treasury area.

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

	Parent company			Consolidated			
	Less than one year	Between 1 and 3 years	Between 3 and 5 years	Less than one year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years
At September 30, 2014							
Trade payables	1,087			8,891			
Financing	74,871	100,021	30,318	152,853	266,891	199,236	902,677
Related parties	11,255			7,420			
Payables for land acquisitions	1,905			3,171			
Concessions payable				6,696	13,401	13,512	223,412
At December 31, 2013							
Trade payables	2,603			32,452			
Financing	57,792	133,710	22,103	77,982	269,224	191,981	967,845
Related parties	17,616			7,363			
Payables for land acquisitions	1,905			3,301			
Concessions payable				6,500	14,147	15,555	236,715

The Company understands that it has no significant liquidity risk.

(c) Risk of accelerated maturity of financing

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

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(d) Sensitivity analysis

Pursuant to CVM Instruction 475/08, a sensitivity table is presented, which shows the sensitivity analysis of financial instruments, and discloses the effects on monetary variations and financial expenses calculated based on the estimated scenario at December 31, 2013 and September 30, 2014, in the event variations in the risk components occur. Simplifications were utilized to segregate the variability in the risk factor under analysis. Consequently, the estimates presented below do not necessarily present the amounts that could be determined in future financial statements. The use of different assumptions and/or methodologies could have a material effect on the estimates presented.

(i) Methodology applied

Based on the balances of amounts exposed to risk, as shown in the tables below, and assuming that these amounts are held constant, the interest differential is estimated for each scenario. For the evaluation of the amounts exposed to interest rate risk, only the risks related to the financial statements were considered, i.e., segregating and excluding the fixed interest factors since they do not represent a risk to the financial statements due to variations in the economic scenarios.

The probable scenario is based on the Company's estimates, which are in line with the projections presented in the report issued by Banco BTG Pactual S.A. at September 30, 2014, for each of the variables indicated. Interest rates are in line with the projections presented in the Focus report issued by the Brazilian Central Bank (BACEN) at December 31, 2014. Additionally, the positive and negative stress variations of 25% and 50% were applied to the rates projected for December 31, 2014.

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

Risk factor	Amounts exposed at September 30, 2014	Amounts exposed at December 31, 2013	Additional variations in the book balance (*)					
			-50%	-25%	Probable scenario	25%	50%	
Borrowings	CDI	(179,467)	(174,305)	(2,335)	(3,502)	(4,669)	(5,836)	(7,004)
Financial investments	CDI	56,566	58,876	736	1,104	1,472	1,840	2,208
Net impact	CDI	<u>(122,901)</u>	<u>(115,429)</u>	<u>(1,599)</u>	<u>(2,398)</u>	<u>(3,197)</u>	<u>(3,996)</u>	<u>(4,796)</u>
Borrowings	TJLP	(350,125)	(374,334)	(2,148)	(3,223)	(4,297)	(5,371)	(6,445)
Borrowings	Libor	(111,426)	(108,630)	(1,440)	(2,160)	(83)	(3,600)	(4,319)
Rates considered - % per year	CDI	10.82%	9.77%	5.41%	8.12%	10.82%	13.53%	16.23%
Rates considered - % per year	TJLP	5.00%	5.00%	2.50%	3.75%	5.00%	6.25%	7.50%
Rates considered - % per year	Libor	0.30%		0.15%	0.23%	0.30%	0.38%	0.45%

(*) The positive and negative variations of 25% and 50% were applied to the rates projected for December 31, 2014.

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

Risk factor	Amounts exposed at September 30, 2014	Amounts exposed at December 31, 2013	Additional variations in the book balance (*)				
			-50%	-25%	Probable scenario	25%	50%
Borrowings	U.S. dollar (11,426)	(108,630)	3,691	2,144	(177)	(3,078)	(5,979)
Foreign exchange hedge - gains	U.S. dollar 7,041		(2,061)	(1,065)	429	2,297	4,164
Variations considered - R\$/US\$	U.S. dollar 2.45	2.34	1.66	1.99	2.49	3.11	3.74

The amounts at September 30, 2014 do not include financial charges paid monthly.

(e) Fair value estimation

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

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

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

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

The following table presents the Group's assets and liabilities that were measured at fair value at September 30, 2014 and December 31, 2013.

	Consolidated		
	Level 2	Level 3	Total balance
At September 30, 2014			
Assets			
Restricted financial investments	54,180		54,180
Available-for-sale financial assets			
Investments		69,756	69,756
Total assets	54,180	69,756	123,936
Liabilities			
Derivatives	(6,742)		(6,742)
Total liabilities	(6,742)		(6,742)
At December 31, 2013:			
	Level 2	Level 3	Consolidated Total balance
Assets			

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Restricted financial investments	52,119		52,119
Available-for-sale financial assets			
Investments		66,677	66,677
Total assets	52,119	66,677	118,796

The Company has investments in Companhia Energética Rio das Antas (5%) and Dona Francisca Energética S.A. (2.12%), in respect of which it has no significant influence over the companies, recorded at fair value in the respective amounts of R\$ 60,860 and R\$ 8,896. The Company prepared the future cash flows to evaluate the investments taking into consideration the date of termination of the concession agreement. The concession period could be extended for another 20 years after the end of the first concession period. However, the authorization of third parties is required for the renewal of the concession. Therefore, the possible extension could result in amounts different from those currently recorded.

(f) Financial instruments by category

	Consolidated			
	Assets and liabilities at fair value through profit or loss	Loans and receivables	Available- for-sale	Total
September 30, 2014				
Assets as per balance sheet				
Cash and cash equivalents				
Trade receivables		20,259		20,259
Related parties		50,669		50,669
Other assets		30,618		30,618
Restricted financial investments		6,991		6,991
Investments	54,180		69,756	54,180
Liabilities as per balance sheet				
Derivatives (hedge)	(6,742)			
	47,438	108,537	69,756	232,473

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

				Consolidated
				Other financial liabilities
September 30, 2014				
Liabilities as per balance sheet				
Trade payables				7,033
Financing				901,361
Related parties				7,420
Payables for land acquisitions				3,171
Concession payable				63,778
				<u>982,763</u>
December 31, 2013				
Liabilities as per balance sheet				
Trade payables				33,260
Financing				923,254
Related parties				7,363
Payables for land acquisitions				3,302
Concession payable				63,038
				<u>1,030,217</u>

24 Other operational risks

(a) Hydrological risk

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

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

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

The subsidiaries have, in the case of PCHs, authorization to develop and operate electric energy generation services, without any payments related to the use of public assets, as well as a concession agreement related to the UHE Monel, which does establish payments for the use of public assets (Note 13). If the extension of the authorization or the concession agreement is not approved by the regulatory agencies or is subject to additional costs imposed on the companies, the current profitability and activity levels could be reduced. There can be no guarantee that the authorization or concession granted to subsidiaries will be extended, upon maturity, by the concession authority.

25 Contingencies

The Company and its subsidiaries do not have contingencies for which a future disbursement is considered probable and there are no provisions regarding the amounts relating to these processes, which are only mentioned in the Notes.

	<u>September 30, 2014</u>	<u>Parent company December 31, 2013</u>
	Possible risk	Possible risk
Civil	200	17,230
Labor		660
	<u>200</u>	<u>17,890</u>

	<u>September 30, 2014</u>	<u>Consolidated December 31, 2013</u>
	Possible risk	Possible risk
Civil	2,013	18,779
Labor		695
Administrative	454	249
	<u>2,467</u>	<u>19,723</u>

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

The Group is subject to federal, state and municipal environmental laws and regulations, and complies with them. Therefore, management does not expect to incur restoration costs or fines of any nature.

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

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26 Basic and diluted earnings (loss) per share

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

	Parent company		Consolidated	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Profit attributable to common stockholders of the Company	13,310	(11,989)	13,310	(11,989)
Weighted average number of outstanding common shares - in thousands	117,002	107,440	117,002	107,440
Earnings (loss) per share	0.1138	(0.1116)	0.1138	(0.1116)

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

27 Investment properties

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

The amounts recorded for properties approximate their fair values, since they were realized in the past few years.

28 Investments in non-subsidiary entities at fair value

The investments in non-subsidiary entities at fair value comprise investments not generating significant influence in Companhia Energética Rio das Antas (interest in capital of 5%) and Dona Francisca Energética S.A. (interest in capital of 2.12%). The investment amounts at September 30, 2014 were R\$ 60,860 and R\$ 8,896, respectively.

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29 Other assets

	Parent company		Consolidated	
	2014	2013	2014	2013
Prepaid expenses	3,406	4,610	3,835	7,332
Reimbursable expenses	985	56	985	56
Other sundry credits	262	28	2,171	2,471
	<u>4,653</u>	<u>4,694</u>	<u>6,991</u>	<u>9,859</u>
Current assets	<u>4,653</u>	<u>4,694</u>	<u>6,655</u>	<u>9,432</u>
Non-current assets			<u>336</u>	<u>427</u>

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