



Energisa Borborema | Results for 1st quarter of 2014

Cataguases, May 15, 2014 - The management of Energisa Borborema - Distribuidora de Energia S/A (“Company”) hereby presents its results for the first quarter of 2014 (1Q14). The following financial and operational information is presented on a consolidated basis, in accordance with international financial reporting standards (IFRS), except when stated otherwise.

1 - Business profile and economic-financial headlines

Energisa Borborema is an electricity distribution company, operating in the municipalities of Campina Grande, Lagoa Seca, Queimadas, Fagundes, Massaranduba and Boa Vista in the state of Paraíba, serving 190,248 captive consumers, 4.3% more than at the end of March 2013.

See below a summary of the Company's economic and financial performance in the first quarter of 2014 and 2013:

Description	1Q14	1Q13	Change %
Results - R\$ million			
Gross Operating Revenue	63.5	61.1	+ 3.9
Gross Operating Revenue, with construction revenue	59.2	58.1	+ 1.9
Net Operating Revenue	43.6	43.4	+ 0.5
Net Operating Revenue, with construction revenue	39.3	40.5	- 3.0
Earnings before interest and tax (EBIT)	5.3	7.8	- 32.1
EBITDA	6.7	9.1	- 26.4
Adjusted EBITDA	7.3	9.8	- 25.5
Net Income	4.1	6.1	- 32.7
Financial Indicators - R\$ million			
Total Assets	189.9	181.4	+ 4.7
Cash / Cash Equivalents / Short-Term Investments	23.2	22.2	+ 4.5
Shareholders' Equity	99.4	104.3	- 4.7
Net Debt	30.3	20.6	+ 47.1
Operating Indicators			
Number of Captive Consumers (thousands)	190.2	181.6	+ 4.7
Sales of Energy to Captive Consumers (GWh)	174.8	170.8	+ 2.3
Total Electricity Distributed (GWh)	170.7	167.3	+ 2.0
Energy Losses (% in past 12 months)	5.92	6.39	- 0.47
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	16.7	22.6	- 5.9 p.p
Net Debt / Adjusted EBITDA for 12 months (times)	1.6	0.5	+ 220.0

NB: Adjusted EBITDA: EBITDA plus arrears charges on electricity bills.

2 - Financial performance

2.1 - Gross and net operating revenue

In 1Q14 Energisa Borborema presented gross operating revenue, not including construction cost revenue (R\$ 4.3 million), which is attributed a margin of zero, of R\$ 59.2 million, compared with R\$ 58.1 million in 1Q13, an increase of 1.9% (R\$ 1.1 million). Also excluding construction revenue, net operating revenue fell by 3.0% (R\$ 1.2 million) in the period, to R\$ 39.3 million.

2.2 - Net income and cash generation

In the first quarter of 2014 Energisa Borborema recorded net income of R\$ 4.1 million, a decrease of 32.8% over 1Q13. The operating cash generation (Adjusted EBITDA) amounted to R\$ 7.3 million in the period, compared with R\$ 9.8 million in 1Q13. The Company's cash generation has performed as follows:

Breakdown of cash generation (EBITDA) - R\$ million	1Q14	1Q13	Change %
(=) Net Income	4.1	6.1	- 32.8
(-) Income and social contribution taxes	(1.7)	(1.9)	- 10.5
(-) Financial result	0.8	0.2	+ 300.0
(-) Depreciation and amortization	(1.4)	(1.3)	+ 7.7
(=) Cash generation (EBITDA)	6.7	9.1	- 26.4
(+) Arrears surcharge revenue	0.6	0.7	- 14.3
(=) Adjusted cash generation (Adjusted EBITDA)	7.3	9.8	- 25.5
Adjusted EBITDA Margin	16.7	22.6	- 5.9 p.p

2.3 - Operating expenses

Operating expenses amounted to R\$ 38.3 million in 1Q14, an increase of 7.5% (or R\$ 2.7 million) over 1Q13. Of this total, controllable expenses expanded by 3.1% (R\$ 0.2 million), amounting to R\$ 6.7 million. Noncontrollable expenses on electricity and transportation purchases remained virtually unchanged in the quarters under analysis.

Operating expenses break down as follows:

Breakdown of operating expenses (R\$ million)	Quarter		Change 1Q14 / 1Q13	
	1Q14	1Q13	In %	R\$ millions
1 - Controllable expenses	6.7	6.5	+ 3.1	+ 0.2
1.1 Personnel (includes pension fund)	3.5	3.3	+ 6.1	+ 0.2
1.2 Material	0.3	0.3	-	-
1.3 Services	2.9	2.9	-	-
2 - Uncontrollable expenses (acquisition of energy and transmission)	24.1	24.1	-	-
3 - Depreciation and amortization	1.4	1.3	+ 7.7	+ 0.1
4 - Allowance for doubtful accounts and contingencies	1.1	0.1	+ 1000.0	+ 1.0
5 - Other expenses/revenue	0.8	0.6	+ 33.3	+ 0.2
Subtotal	34.1	32.6	+ 4.6	+ 1.5
6 - Construction cost	4.2	3.0	+ 40.0	+ 1.2
Total	38.3	35.6	+ 7.5	+ 2.7

2.4 - Financial result and debt

The net financial income (financial revenue minus financial expenses) amounted to net financial revenue of R\$ 0.8 million in 1Q14, as compared to net financial revenue of R\$ 0.2 million in 1Q13.

The table below denotes the short- and long-term debt net of financial resources (cash, cash equivalents and short-term investments) of Energisa Borborema as of March 31, 2014 and December 31, 2013:

Description	3/31/2014	12/31/2013
Amount in R\$ million		
Short-term	2.9	12.4
Loans, financing and debentures	2.5	11.6
Debt charges	0.4	0.6
Long-term	50.6	42.6
Loans, financing and debentures	50.6	42.6
Total debts	53.5	55.0
(-) Cash and cash equivalents	23.2	20.8
Total net debts	30.3	34.2

3 - Electricity sales

In the first quarter of 2014, electricity sales to end consumers (captive market), located in Energisa Borborema's concession area, including energy associated with free consumers (TUSD), amounted to 176.3 GWh, an increase of 2.70% over the same period last year. The consumption was driven by the residential and commercial sectors, which expanded by 4.6% and 4.4% respectively in the period. Total energy distributed in 1Q14 was 170.7 GWh, compared with 167.3 GWh in the same period last year, as follows:

Total Electricity Distributed by Consumption Sector (in GWh)

Description	1Q14	1Q13	Change %
1) Energy sales to end consumers (Captive Sales)	174.8	170.8	+ 2.3
✓ Residential	58.5	56.0	+ 4.4
✓ Industrial	52.5	53.1	- 1.1
✓ Commercial	38.9	37.2	+ 4.6
✓ Rural	6.6	6.7	- 1.5
✓ Other Sectors	18.3	17.8	+ 2.8
2) Energy associated with free consumers (TUSD)	1.3	0.6	+ 116.7
3) Captive sales + TUSD (1+2)	176.1	171.5	+ 2.7
4) Sales to distributors and unbilled sales	(5.4)	(4.1)	+ 31.7
5) Total Electricity Distributed (3+4)	170.7	167.3	+ 2.0

Energisa Borborema's energy losses were recorded at 5.92% in the past twelve months ended March 2014, a decrease of 0.47 percentage points over the same period ended March last year.

4 - Investment

Energisa Borborema invested a total of R\$ 5.3 million in 1Q14, compared with R\$ 2.9 million in 1Q13, an increase of 82.7%.

5- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Borborema in the first half of 2014 was R\$ 1,000 for reviewing the financial statements and for reviewing the processes and procedures implemented to obtain corporate income tax incentives - Sudene.

The Company's engagement policy complies with the principles that sustain the auditor's independence, in accordance with existing standards, which mainly determine that the auditor should not audit its own work, perform managerial duties for its client or pursue its interests.

Management.

Financial Statements

1. Balance Sheet - Assets

ENERGISA BORBOREMA - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AS OF MARCH 31, 2014 AND DECEMBER 31, 2013
(In thousands of reais)

	3/31/2014	12/31/2013
Assets		
Current		
Cash and cash equivalents	7,825	13,385
Money market and secured funds	11,734	3,837
Consumers and concessionaires	22,841	23,202
Credit receivables	2,614	2,246
Inventory	647	590
Recoverable taxes	5,244	4,575
Prepaid expenses	83	413
Low income and other receivables	6,660	6,135
Total current	57,648	54,383
Noncurrent		
Noncurrent assets		
Money market and secured funds	3,639	3,550
Credit receivables	3,826	4,079
Recoverable taxes	3,535	3,407
Tax credits	19,726	21,070
Restricted deposits and escrows	5,230	5,252
Derivative financial instruments	949	3,407
Accounts receivable from the concession	24,372	22,709
Other	-	58
	61,277	63,532
Investments	81	81
Property, plant and equipment	70,050	67,911
Intangible assets	889	930
Total noncurrent	132,297	132,454
Total Assets	189,945	186,837

2. Balance Sheet - Liabilities

ENERGISA BORBOREMA - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AS OF MARCH 31, 2014 AND DECEMBER 31, 2013
(In thousands of reais)

	3/31/2014	12/31/2013
Liabilities		
Current		
Suppliers payable	13,622	14,864
Debt charges	363	608
Loans and financing	2,505	11,766
Payroll	222	323
Taxes and social contributions	8,199	7,550
Consumer charges payable	64	34
Estimated obligations	1,056	1,058
Public lighting fee received	761	762
Intrasector obligations	3,570	3,583
Other accounts payable	1,476	1,441
Total current	31,838	41,989
Noncurrent		
Suppliers payable	403	403
Loans and financing	50,604	42,622
Taxes and social contributions	2,953	2,723
Provision for labor, civil and tax risks	4,644	3,777
Other accounts payable	125	62
Total noncurrent	58,729	49,587
Shareholders' equity		
Capital	62,752	62,752
Capital reserve	24,098	24,098
Profit reserves	8,410	8,398
Additional dividends proposed	-	13
Net incomes for the period	4,118	-
Total shareholders' equity	99,378	95,261
Total liabilities and shareholders' equity	189,945	186,837

3. Statements of Income

ENERGISA BORBOREMA - DISTRIBUIDORA DE ENERGIA S/A
INCOME STATEMENT
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(In thousands of reais)

	1Q2014	1Q2013
Revenues		
Electricity sales to consumers	58,750	55,223
Construction revenue	4,291	2,982
Other revenue	421	2,844
	63,462	61,049
Deductions from operating revenue		
ICMS on billing	13,468	11,839
PIS, Cofins and ISS	5,483	5,276
Others (CCC, CDE, P&D and PEE)	911	492
	19,862	17,607
Net operating revenue	43,600	43,442
Operating expenses		
Electricity purchased for resale	21,792	21,298
System service charges	2,346	2,828
Personnel	3,440	3,288
Private pension fund	18	15
Material	325	331
Outsourced services	2,865	2,869
Depreciation and amortization	1,414	1,325
Allowance for doubtful accounts / contingencies	1,097	131
Construction cost	4,291	2,982
Other expenses	500	717
	38,088	35,784
Net income before other operating revenue and expenses	5,512	7,658
Other expenses	(416)	(308)
Other operating revenue	164	470
	(252)	162
Earnings before interest and tax	5,260	7,820
Financial Result		
Income on short-term investments	392	224
Arrears surcharge on energy sold	607	672
Debt charges - interest	(861)	(667)
Debt charges - monetary and exchange variance	951	424
Restatement of assets	18	(4)
Mark-to-market of derivatives	420	(144)
Derivative financial instruments	(1,207)	(435)
(-) Transfer to orders in progress	130	36
Other financial revenue (expenses)	398	75
	848	181
Net income before tax	6,108	8,001
Income and social contribution taxes	(1,990)	(1,880)
Net income for the period	4,118	6,121

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