



Energisa Nova Friburgo | Results for 1st quarter of 2014

Nova Friburgo, May 15, 2014 - The management of Energisa Nova Friburgo - 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 in accordance with international financial reporting standards (IFRS), except when stated otherwise.

1 - Business profile and economic-financial headlines

Energisa Nova Friburgo is an electricity distribution companies which serves approximately 99 consumers in the municipality of Nova Friburgo in Rio de Janeiro state.

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	38.4	31.0	+ 23.8
Gross Operating Revenue, with construction revenue	36.6	32.3	+ 13.3
Net Operating Revenue	25.7	23.0	+ 11.7
Net Operating Revenue, with construction revenue	23.9	21.4	+ 11.7
Earnings before interest and tax (EBIT)	1.6	2.5	- 36.0
EBITDA	2.8	3.6	- 22.2
Adjusted EBITDA	3.1	4.0	- 22.5
Net Income	2.1	1.6	+ 31.3
Financial Indicators - R\$ million			
Cash / Cash Equivalents / Short-Term Investments	12.9	14.0	- 7.9
Shareholders' Equity	62.8	60.1	+ 4.5
Net Debt	46.3	43.5	+ 6.4
Operating Indicators			
Number of Captive Consumers (thousands)	98.9	96.3	+ 2.7
Sales of energy to captive consumers (GWh)	86.1	80.5	+ 7.0
Total Electricity Distributed (GWh)	85.4	82.0	+ 4.1
Energy Losses (% in past 12 months)	5.17	5.36	- 0.19 p.p
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	12.1	17.4	- 5.3 p.p
Net Debt / Adjusted EBITDA for 12 months (times)	2.9	3.5	- 17.1

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

2 - Financial performance

2.1 - Gross and net operating revenue

In 1Q14 Energisa Nova Friburgo presented gross operating revenue, not including construction cost revenue (R\$ 1.7 million), which is attributed a margin of zero, of R\$ 36.6 million, compared with R\$ 32.3 million in 1Q13, an increase of 13.3% (R\$ 4.3 million). Also excluding construction revenue, net operating revenue rose by 11.7% (R\$ 2.5 million) in the period, to R\$ 23.9 million.

2.2 - Net income and cash generation

In the first quarter of 2014 Energisa Nova Friburgo recorded net income of R\$ 2.1 million, an increase of 31.3% over 1Q13. The operating cash generation (Adjusted EBITDA) amounted to R\$ 3.1 million in the period, compared with R\$ 4.0 million in 1Q13.

The Company's cash generation has performed as follows:

Breakdown of cash generation (EBITDA) - R\$ million	1Q14	1Q13	Change %
(=) Net Income	2.1	1.6	+ 31.3
(-) Income and social contribution taxes	(0.9)	(0.7)	+ 28.6
(-) Financial result	1.4	(0.2)	-
(-) Depreciation and amortization	(1.2)	(1.1)	+ 9.1
(=) Cash generation (EBITDA)	2.8	3.6	- 22.2
(+) Arrears surcharge revenue	0.3	0.4	- 25.0
(=) Adjusted cash generation (Adjusted EBITDA)	3.1	4.0	- 22.5
Adjusted EBITDA Margin	12.1	17.4	- 5.3

2.3 - Operating expenses

Operating expenses amounted to R\$ 24.1 million in 1Q14, an increase of 17.6% (or R\$ 3.6 million) over 1Q13. Of this total, controllable expenses expanded by 8.2% (R\$ 0.5 million), amounting to R\$ 6.6 million. Noncontrollable expenses on electricity and transportation purchases rose by 20.9% (R\$ 2.4 million) in the quarter.

Operating expenses break down as follows:

Breakdown of operating expenses (R\$ million)	Quarter		Change 1Q14 / 1Q13	
	1Q14	1Q13	In %	R\$ millions
1 - Controllable expenses	6.6	6.1	+ 8.2	+ 0.5
1.1 - Personnel	2.1	2.1	-	-
1.2 - Material	0.2	0.2	-	-
1.3 - Services	4.3	3.8	+ 13.2	+ 0.5
2 - Uncontrollable expenses (acquisition of energy and transmission)	13.9	11.5	+ 20.9	+ 2.4
3 - Depreciation and amortization	1.2	1.2	-	-
4 - Allowance for doubtful accounts and contingencies	0.1	0.5	- 80.0	- 0.4
5 - Other expenses/revenue	0.5	(0.4)	-	+ 0.9
Subtotal	22.3	18.9	+ 18.0	+ 3.4
6 - Construction cost	1.8	1.6	+ 12.5	+ 0.2
Total	24.1	20.5	+ 17.6	+ 3.6

Results for the 1st quarter of 2014

2.4 - Financial result and debt

The net financial income (financial revenue minus financial expenses) amounted to net financial revenue of R\$ 1.4 million in 1Q14, as compared to a net financial expense of R\$ 0.2 million in 1Q13. This performance primarily derives from the mark-to-market of derivatives which reflects the present value of the forex hedge instruments.

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

Description	9/30/2013	12/31/2012
Amount in R\$ million		
Short-term	31.2	2.8
Loans, financing and debentures	30.9	2.1
Debt charges	0.2	0.6
Financing of taxes and actuarial deficit	0.1	0.1
Long-term	29.1	52.9
Loans, financing and debentures	28.5	52.6
Financing of taxes and actuarial deficit	0.5	0.3
Total debts	60.3	55.7
(-) Cash and cash equivalents	10.0	9.2
Total net debts	50.3	46.5

3 - Electricity sales

In the first quarter of 2013 (1Q13), electricity sales to end consumers (captive market), located in Energisa Nova Friburgo's concession area, amounted to 86.1 GWh, an increase of 7.0% over the same period last year. The consumption was driven by the residential and commercial sectors, which expanded by 7.7% and 6.0% respectively in the period. Total energy distributed in 1Q14 was 85.4 GWh, compared with 82.0 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)	86.1	80.5	+ 7.0
✓ Residential	40.6	37.7	+ 7.7
✓ Industrial	14.5	14.1	+ 2.8
✓ Commercial	19.3	18.2	+ 6.0
✓ Rural	1.6	1.2	+ 33.3
✓ Other Sectors	10.1	9.3	+ 8.6
2) Sales to distributors and unbilled sales	(0.7)	1.5	-
3) Total Electricity Distributed (2+3)	85.4	82.0	+ 4.1

Energisa Nova Friburgo's energy losses remained amongst the lowest in the country, at 5.17% in the past twelve months ended March 2014, a decrease of 0.19 percentage points over the same period ended March last year.

Energisa Nova Friburgo closed 1Q14 with 98,927 captive consumer units, 2.7% more than at the end of March 2013.

4 - Investment

Energisa Nova Friburgo invested a total of R\$ 1.8 million in 1Q14, i.e. the same as in 1Q13.

5- Services rendered by the independent auditor

No fees were paid to Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Nova Friburgo in the first quarter of 2014 consisting of reviewing the financial statements.

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 NOVA FRIBURGO - 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	6,255	4,927
Money market and secured funds	6,419	3,833
Consumers and concessionaires	13,259	14,041
Credit receivables	497	266
Inventory	307	294
Recoverable taxes	8,993	8,517
Low income and other receivables	3,632	3,509
Total current	39,362	35,387
Noncurrent		
Noncurrent assets		
Money market and secured funds	255	242
Consumers and concessionaires	368	368
Credit receivables	11	-
Related-party credits	-	-
Tax credits	(1,494)	-
Recoverable taxes	2,181	2,280
Restricted deposits and escrows	2,573	2,530
Derivative financial instruments	4,340	7,708
Accounts receivable from the concession	87,513	84,182
	95,747	97,310
Investments	81	84
Property, plant and equipment	1,707	4,926
Intangible assets	5,446	3,448
Total noncurrent	102,981	105,768
Total Assets	142,343	141,155

2. Balance Sheet - Liabilities

ENERGISA NOVA FRIBURGO - 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	9,118	7,217
Debt charges	198	342
Loans and financing	22,182	32,249
Taxes and social contributions	2,335	2,227
Profit Shares	870	870
Consumer charges payable	144	80
Employee benefits - pension plan	99	99
Estimated obligations	758	701
Intrasector obligations	1,242	1,188
Other accounts payable	1,355	1,304
Total current	38,301	46,277
Noncurrent		
Suppliers payable	116	116
Loans and financing	36,170	28,475
Taxes and social contributions	-	1,851
Deferred income and social contribution taxes	1,999	919
Employee benefits - pension plan	495	470
Provision for labor, civil and tax risks	2,308	2,240
Other accounts payable	182	147
Total noncurrent	41,270	34,218
Shareholders' equity		
Capital	39,743	39,743
Capital reserve	11,250	11,248
Profit reserves	9,640	5,469
Additional dividends proposed	-	4,173
Other comprehensive income	27	27
Net incomes for the period	2,112	-
Total shareholders' equity	62,772	60,660
Total liabilities and shareholders' equity	142,343	141,155

3. Statements of Income

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A
INCOME STATEMENT

THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(In thousands of reais, except for net income per share)

	1Q2014	1Q2013
Revenues		
Electricity sales to consumers	35,189	30,981
Electricity network usage charges	758	380
Construction revenue	1,754	1,623
Other revenue	683	949
	38,384	33,933
Deductions from operating revenue		
ICMS on billing	8,662	7,422
PIS, Cofins and ISS	3,401	3,017
Others (CCC, CDE, PEE and P&D)	629	495
	12,692	10,934
Net operating revenue	25,692	22,999
Operating expenses		
Electricity purchased for resale	11,852	9,066
System service charges	2,091	2,416
Personnel	2,072	2,027
Private pension fund	42	41
Material	205	195
Outsourced services	4,265	3,794
Depreciation and amortization	1,182	1,151
Allowance for doubtful accounts / contingencies	66	492
Construction cost	1,754	1,623
Other expenses	541	556
	24,070	21,361
Earnings before financial revenue and expenses	1,622	1,638
Other operating revenue	121	846
Others operating expenses	(148)	-
	(27)	846
Earnings before interest and tax	1,595	2,484
Financial Result		
Income on short-term investments	236	130
Arrears surcharge on energy sold	367	370
Debt charges - interest	(797)	(702)
Debt charges - monetary and exchange variance	1,465	772
Mark-to-market of derivatives	531	(252)
Derivative financial instruments	(1,800)	(717)
Restatement of assets	4	7
(-) Transfer to orders in progress	36	36
Other financial revenue (expenses)	1,361	166
	1,403	(190)
Net income before tax	2,998	2,294
Income and social contribution taxes	(886)	(693)
Net income for the period	2,112	1,601

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