Energisa Nova Friburgo – Distribuidora de Energia S/A

Management Report and Financial Statements for 2013

Nova Friburgo, March 18, 2014 – The Management of Energisa Nova Friburgo – Distribuidora de Energia S/A ("Energisa Nova Friburgo" or "Company") hereby presents its headlines for FY 2013, along with the respective Financial Statements, prepared in accordance with International Financial Reporting Standards - IFRS. These statements were reviewed and approved by the Board of Directors and Executive Board on March 14, 2014.

1 - General considerations

Energisa Nova Friburgo is an electricity distribution company that serves approximately 98,000 consumers and a population of roughly 190 thousand in the municipality of Nova Friburgo in Rio de Janeiro state.

In 2013 Energisa Nova Friburgo maintained its focus on excellence in the provision of services and relationship with consumers. This commitment is shown by the high levels of consumer satisfaction.

Proudly tracking the repercussions of the Caring Action led by the Company in 2011, which raised funds to help small-businessmen who suffered major losses due to the heavy rain that year, a survey was carried out in 2013. The results revealed that the underwear complex in Nova Friburgo and the nearby region had been able to recover with the support of companies such as Energisa Nova Friburgo. The initiative continues to generate jobs and income for the municipality, as a number of the businessmen who benefited have been able to expand their companies.

2 - Investment

Focusing on projects to enhance the quality of services provided, Energisa Nova Friburgo achieved the excellent rate of 99.9% of energy availability for clients in the course of the year. The investments in 2013 totaled R$ 8.5 million and included:

i) expansion of 10% of the automation of the distribution networks, with a major impact in the time of maneuvers to restore of electricity;
ii) preventive maintenance on distribution feeders;
iii) installation of a new repeater for VHF radio in Amparo, in order to expand the communications system in the region of Mury, Amparo and Lumiar;
iv) the installation of capacitor banks in the Conquista and Centenário substations, which help improve voltage levels; and
v) refurbishment of 58 low-voltage circuits.

The table below denotes the main changes in the Company's operating assets in the year:

Asset description	Dec / 2013	Dec / 2012	Arrears 2013/2012
Substations – Number (*)	6	6	-
Installed capacity at the substations - MVA	127	127	-
Transmission lines - Km	16	16	-
Distribution grids (company) - Km	2,008	1,870	+ 138
Transformers installed in the distribution grids – no.	3,405	3,375	+ 30
Installed capacity of the distribution grids (company) - MVA	153	153	-

3 - Economic and financial performance

3.1 - Headlines: the Company's main economic and financial figures have been summarized below:

Description	2013	2012 (Adjusted)	Change %
Results - R$ million			
Gross Operating Revenue	147.1	160.5	- 8.3
Net Operating Revenue	100.0	101.4	- 1.4
Net Operating Revenue, without Construction Revenue	91.7	91.1	+ 0.7
Earnings before interest and tax (EBIT)	11.2	6.4	+ 75.0
EBITDA	15.6	10.5	+ 48.6
Adjusted EBITDA (EBITDA plus arrears charges on electricity bills)	17.0	12.1	+ 40.5
Financial Income/Loss	(1.1)	14.7	-
Net Income	6.9	14.0	- 50.7
Financial Indicators - R$ million			
Total Assets	141.2	133.6	+ 5.7
Cash / Cash Equivalents / Short-Term Investments	9.0	9.2	- 2.2
Shareholders' Equity	60.7	58.5	+ 3.8
Net Debt	52.6	45.9	+ 14.6
Operating Indicators			
Number of Captive Consumers (thousands)	98.4	96.0	+ 2.5
Sales of Energy to Captive Consumers (GWh)	338.6	326.7	+ 3.6
Total Electricity Distributed (GWh)	339.6	327.1	+ 3.8
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	17.0	11.9	+ 5.1 p.p
Net Debt / Adjusted EBITDA (times)	3.1	3.8	- 18.4

3.2 - Regulatory environment - rate adjustment

By way of Decree 7891, on January 30, 2013 electricity rates in Brazil fell by an average of 20% following the reduction to sector charges and the conditions imposed on the renewal of concession arrangements for certain generators. Energisa Nova Friburgo subsequently obtained a rate review resulted in an average effect to be felt by consumers of 15.42% from June 18, with the rates of low-voltage consumers rising by 15.13% and medium- and high-voltage consumers 16.44%. Pursuant to Decree 7891/2013, Aneel also ratified funds from the Energy Development Account (CDE) to be passed through by Centrais Elétricas Brasileiras S.A. (Eletrobrás) in the amount of R$ 0.9 million to the Company, referring to discounts imposed on rates applicable to users of the public electricity distribution service. The amount was recorded by the Company as energy sale revenue.

3.3 - Net income, cash generation and dividends

Energisa Nova Friburgo recorded net income of R$ 6.9 million in 2013, compared with R$ 14.0 million in 2012. This decrease derives from financial income (financial revenue minus financial expenses) amounted to a net financial expense of R$ 14.6 million in 2012, as compared to a net financial expense of R$ 1.1 million in 2013. The operating cash generation (Adjusted EBITDA) amounted to R$ 17.0 million in 2013, compared with R$ 12.1 million in 2012, an increase of R$ 40.5%. See below the change in the Company's cash generation:

Breakdown of Cash Generation Amounts in R$ million	2013	2012 (Adjusted)	Change %
(=) Net Income	6.9	14.0	- 50.7
(-) Income and social contribution taxes	(3.1)	(7.0)	- 55.7
(-) Financial result	(1.1)	14.6	-
(-) Depreciation and amortization	(4.5)	(4.1)	+ 9.8
(=) Cash generation (EBITDA)	15.6	10.5	+ 48.6
(+) Arrears surcharge revenue	1.4	1.6	- 12.5
(=) Adjusted cash generation (Adjusted EBITDA)	17.0	12.1	+ 40.5
Adjusted EBITDA Margin	17.0	11.9	+ 5.1 p.p

From its earnings in 2013, the Company has paid out interim dividends of R$ 2.4 million commencing:

i) June 18, 2013, R$ 0.9 million (R$ 67.1352550 per share);
ii) August 20, 2013, R$ 1.5 million (R$ 108.4902778 per share)

On top of these dividends, additional dividends will be paid out of R$ 4.2 million (R$ 256.0690543 per share), on a date to be determined. The total dividends for the year amounting to R$ 6.6 million represent 95.7% of the net income earned by the Company.

3.4 - Operating expenses

Operating expenses amounted to R$ 88.8 million in 2013, a decrease of 6.5% (or R$ 6.2 million) over 2012. Controllable expenses (personnel, materials and outsourced services) rose by 2.3% (R$ 1.0 million) to R$ 27.1 million. Noncontrollable expenses on electricity and transportation purchases fell by 2.9% (R$ 1.5 million).

Operating expenses break down as follows:

Breakdown of operating expenses (R$ million)	2013	2012 (Adjusted)	Change in R$ million
1 - Controllable expenses	27.1	26.1	+ 1.0
1.1 Personnel (includes pension fund)	8.9	9.1	- 0.2
1.2 Material	1.0	1.0	-
1.3 Services	17.2	16.0	+ 1.2
2 - Uncontrollable expenses (acquisition of energy and transmission)	49.7	51.2	- 1.5
3 - Depreciation and amortization	4.5	4.1	+ 0.4
4 - Allowance for doubtful accounts and contingencies	(0.2)	0.2	- 0.4
5 - Other expenses / revenue	(0.6)	3.0	- 3.6
Subtotal	**80.5**	**84.6**	**- 4.1**
6 - Construction cost	8.3	10.4	- 2.1
Total	**88.8**	**95.0**	**- 6.2**

4 - Operating performance

Maintaining the focus on quality of the energy supplied and excellent customer service are ongoing priorities of Energisa Nova Friburgo. The Company's operating indexes remain amongst the best in Brazil.

4.1 - Management of energy losses: the year saw excellent results in the combating of electricity losses, which dropped to 5.17%, an improvement of 0.23 percentage points over 2012.

4.2 - Default management: the default rate improved by 6.8% over 2012, to 1.09%, compared with 1.17% in 2012.

4.3 - DEC and FEC: the reduction in the indicators (DEC and FEC) in 2013 is another headline, resulting from the investments made based on correctly planning the system's requirements, and the specific shares realized.

Operating indicators	2013	2012	Change %
Power loss from the company's system (%)	5.17	5.40	- 0.23
Consumer default over the last 12 months (%)	1.09	1.17	- 6.8
Outstanding receivables (outstanding monthly invoices) – no.	0.35	0.32	+ 9.4
ISQP (Perceived Quality Satisfaction Index) - Abradee	87.9	75.3	+ 16.7
IASC (Aneel Consumer Satisfaction Index)	52.91	65.97	- 19.8
DEC (Equivalent Outage Duration per Consumer) – hours	8.29	9.17	- 9.6
FEC (Equivalent Outage Frequency per Consumer) - times	7.16	7.59	- 5.7

4.4 - Electricity sales: In 2013 electricity sales to end consumers (captive market), located in Energisa Nova Friburgo's concession area amounted to 338.6 GWh, an increase of 3.6% over 2012. Total energy distributed in 2013 was 339.6 GWh, compared with 327.1 GWh in the previous year, as follows:

Total Electricity Distributed by Consumption Sector (in GWh)

Description	2013	2012	Change %
1) Energy sales to captive consumers	338.6	326.7	+ 3.6
✓ Residential	160.8	154.2	+ 4.3
✓ Industrial	61.9	59.2	+ 4.6
✓ Commercial	72.4	70.2	+ 3.1
✓ Rural	5.1	4.9	+ 4.1
✓ Other Sectors	38.4	38.2	+ 0.5
2) Unbilled sales	1.0	0.4	+ 150.0
3) Total Electricity Distributed (3+4)	**339.6**	**327.1**	**+ 3.8**

Energisa Nova Friburgo closed the year with 98,356 captive consumer units, 2.4% more than at the end 2012.

5 - People management

Energisa Nova Friburgo invests heavily in Personnel Management, focusing on the valuation of its human capital, enhancing its operations and expanding the premises for a more flexible, faster management, with a view to the ongoing improvement of its electricity supply and to support its market growth. The Company closed 2013 with a headcount of 578 and 171 outsourced workers.

To meet its operational requirements, especially enhancing the quality of products and services offered, in 2013 Energisa Nova Friburgo provided 14,880 man-hours of training, equal to 115 hours of training/employee, in an investment of more than R$ 73,000. The distance education system (EAD) accounted for 67% of the company's training program

Within a context of major organizational changes, where strong leadership is essential, Energisa Nova Friburgo has been focusing on developing their managers through the Leadership website. In the third cycle of the program, in 2013 the managers were given nine practical courses at Harvard Business Publishing, carefully selected so that the course would create know-how and applicability to the leaders' work. The main benefits obtained from the Program include: the promotion of integration, the exchanging of experiences and dissemination of good management and leadership practices, the emphasis on people management and result benchmarking, the enhancement of managerial capabilities, and above all the consolidation and bolstering of the organizational culture.

The successful practices from recent years were maintained and bolstered, especially: **Project Bússola**, which disclosed the company's targets and guidelines to all staff; and the **Programa e-nova**, which seeks to value ideas and innovation of staff, all with a view to greater integration, operational efficiency, fewer accidents and commitment to results and the company's strategy.

6 - Social and Environmental Responsibility

Energisa Nova Friburgo continued its cultural and socio-environmental responsibility activities during 2013. A series of musical performances, plays and art exhibitions were held at the Energisa Cultural Workshop through the Ormeo Junqueira Botelho Cultural Foundation.

Among the socio-cultural activities held throughout the year, the following can be highlighted:
• sponsorship of the production and finalization of two feature-length films, Campo de Jogo (The Playing Field) and Quase Samba (Almost Samba);
Energisa Library Project: incentivizes reading through the exchange of books, thereby furthering access to culture
In the area of sport, it sponsored Projeto Magia V, which enabled a high-level team to participate, led by brothers Torben and Lars Grael, in the main national and international sailing events.
• sponsorship of a wide range of initiatives which encourage sport and sustainability, as well as fairs which promote socio-economic and environmental development, such as Fevest, the Feira da Terra (Land Fair) and 2nd Serrano Creative Economy Seminar.

Also within the socio-economic domain, Energisa Nova Friburgo tracked the repercussions of the Caring Action which it led in 2011, raising funds to help small businessmen who had lost their belongings and clothing stocks in the catastrophe of that year. It was observed at the end of 2013 that the Underwear Complexes in Nova Friburgo and the surrounding region had been able to recover with the support of companies such as Energisa and there are now approximately 1,000 clothing manufacturers in business.

initiatives promoting energy efficiency

The Energisa Nova Friburgo Energy Efficiency Program received R$ 498.8 thousand in the course of 2013. Investment which permitted the development of several initiatives directed towards conscientious energy consumption and resulted in a saving of 568 MWh of energy, which is enough to supply 2,000 homes consuming an average of 200 kWh for one month.

The headline in 2013 was the incentive of changing recyclable materials for bonuses in energy bills, thereby helping the environment by correctly disposing of more than 90,000 tons of materials and 670 tons of oil that were collected. With R$ 166.7 thousand invested, the initiative has more than 830 thousand registered clients.

More than R$ 332 thousand has been allocated to projects for poor people, by replacing inefficient equipment (refrigerators and TVs) and more than 1,100 normal bulbs by economy bulbs in events raising awareness in schools and public places, with lectures and educational activities.

All of these initiatives associated with the Energy Efficiency Program of Aneel/Procel have benefited more than 1,400 clients of Energisa Nova Friburgo.

Other environmental initiatives - mitigation

Energisa mitigate its impacts via programs and practices of Environment, Social and Occupational Health and Safety Management System - SGMASS and the Environmental and Social Management System – SGSA. The programs and practices include:

- Implementation of shielded and insulated grids:
- Implementation of COGESA - Social and Environmental Management Committee
- Controlled disposal of sodium vapor lamps, mercury vapor lamps and fluorescent lamps at its own facilities and in the public lighting infrastructure.
- The development of internal and external educational and environmental awareness campaigns (3Rs – reduction in the consumption of water, appropriate use of electricity, etc);
- Retain suppliers that are proven to have good environmental conduct

7- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Nova Friburgo in 2013 was R$ 61,000, as follows: i) R$ 28,000 for reviewing the financial statements, ii) R$ 19,000 for reviewing the processes and procedures and iii) R$ 14,000 for procedures previously agreed with Aneel for the “Energy Efficiency” programs.

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
AT DECEMBER 31, 2013
(In thousands of reais)

	Note	2013	2012	1/1/2012
			Adjusted	Adjusted
Assets		-		
Current				
Cash and cash equivalents	5	4,927	5,260	4,262
Money market and secured funds	5	3,833	3,007	270
Consumers and concessionaires	6	14,041	14,623	17,187
Credit receivables	7	266	354	224
Inventory		294	377	519
Recoverable taxes	10	8,517	6,128	5,958
Low income and other receivables	11	3,509	5,065	4,449
Total current		**35,387**	**34,814**	**32,869**
Noncurrent				
Noncurrent assets				
Money market and secured funds	5	242	900	1,619
Consumers and concessionaires	6	368	368	368
Credit receivables	7	-	19	7
Related-party credits		-	558	-
Tax credits	13	-	1,586	8,019
Recoverable taxes	10	2,280	3,529	3,643
Restricted deposits and escrows	19	2,530	1,730	1,713
Derivative financial instruments	28	7,708	4,082	165
Accounts receivable from the concession	14	84,182	68,786	48,146
		97,310	**81,558**	**63,680**
Investments		84	47	44
Intangible assets	15	4,926	13,348	17,543
Property, plant and equipment	15	3,448	3,812	-
Total noncurrent		**105,768**	**98,765**	**81,267**
Total assets		**141,155**	**133,579**	**114,136**

See the accompanying notes to the financial statements.

2. Balance Sheet - Liabilities

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AT DECEMBER 31, 2013
(In thousands of reais)

	Note	2013	2012	1/1/2012
			Adjusted	Adjusted
Liabilities				
Current				
Suppliers payable	16	7,217	7,170	6,767
Debt charges	17	342	591	345
Loans and financing	17	32,249	2,061	13,190
Taxes and social contributions	18	2,227	1,584	3,064
Tax financing		-	-	1,157
Dividends		-	-	2,446
Profit Shares		870	1,039	501
Consumer charges payable		80	1,142	965
Employee benefits - pension plan	29	99	115	67
Estimated obligations		701	601	560
Intrasector Obligations		1,188	3,251	3,303
Other accounts payable		1,304	838	958
Total current		**46,277**	**18,392**	**33,323**
Noncurrent				
Suppliers payable	16	116	113	104
Loans and financing	17	28,475	52,560	26,640
Taxes and social contributions	18	1,851	1,331	121
Derivative financial instruments		-	-	168
Deferred income and social contribution taxes	13	919	-	648
Employee benefits - pension plan	29	470	451	246
Provisions for labor, civil and tax risks	19	2,240	2,260	2,222
Other accounts payable		147	7	-
Total noncurrent		**34,218**	**56,722**	**30,149**
Shareholders' equity				
Capital	20.1	39,743	32,650	32,650
Capital reserves	20.2	11,248	11,248	11,248
Profit reserves	20.3	5,469	5,126	4,424
Additional dividends proposed	20.4	4,173	9,485	2,264
Other comprehensive income		27	(44)	78
Total shareholders' equity		**60,660**	**58,465**	**50,664**
Total liabilities and shareholders' equity		**141,155**	**133,579**	**114,136**

See the accompanying notes to the financial statements.

3. Statement of Income

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2013
(In thousands of reais, except for net income per share)

	Note	2013	2012
Net operating revenue	21	99,981	101,441
Cost of the electricity service	22	(71,180)	(78,116)
Gross profit		**28,801**	**23,325**
Sales expenses	22	(4,530)	(3,801)
General and administrative expenses	22	(15,928)	(12,447)
Other revenue	23	3,710	1,423
Other expenses	23	(893)	(2,081)
Earnings before financial revenue and expenses and tax		**11,160**	**6,419**
Financial Revenue	24	6,752	18,521
Financial Expense	24	(7,849)	(3,870)
Net financial income (expenses)		**(1,097)**	**14,651**
Income before tax		**10,063**	**21,070**
Current income and social contribution taxes	13	(729)	(1,967)
Deferred income and social contribution taxes	13	(2,467)	(5,072)
Net income for the year		**6,867**	**14,031**
Basic and diluted net income per common and preferred share - R$	25	**503.82**	**1,048.11**

See the accompanying notes to the financial statements.

4. Comprehensive Statement of Income

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A
COMPREHENSIVE STATEMENT OF INCOME
FINANCIAL YEAR ENDED DECEMBER 31, 2013
(In thousands of reais)

	2013	2012
		Adjusted
Net income for the year	6,867	14,031
Items that will not be reclassified to the income statement		
Other comprehensive income	71	(122)
Total other comprehensive income for the year, net of tax	**6,938**	**13,909**

See the accompanying notes to the financial statements.

5. Statement of Cash Flows

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
(In thousands of reais)

	Note	2013	2012
Operating activities			
Profit before income and social contribution taxes		10,063	21,070
Expenses on interest and monetary and exchange variance - net		4,568	(12,161)
Amortization and depreciation	22	4,461	4,144
Allowance for doubtful accounts	22	127	188
Provision for labor, civil and tax risks	22	(277)	(37)
Mark-to-market of derivatives	24	1,520	(1,351)
Derivative financial instruments	24	(3,974)	(1,644)
Losses on the sale of intangible assets	23	(2,817)	658
Changes in current and noncurrent assets			
Decrease (increase) in consumers and concessionaires		479	2,525
Decrease (increase) in credit receivables		83	(168)
Inventory decrease		83	142
(Increase) in recoverable taxes		(1,140)	(57)
(Increase) in escrow deposits		(800)	(17)
Decrease in other accounts receivable		561	(2)
Changes in current and noncurrent liabilities			
Increase (decrease) in trade payables		520	(464)
Increase (decrease) in taxes and social contributions		661	(619)
Income and social contribution taxes paid		(213)	(839)
Increase in Estimated obligations		100	42
(Decrease) increase in consumer charges payable		(1,062)	177
(Decrease) increase in other accounts payable		(1,528)	439
Net cash produced by operating activities		**11,415**	**12,026**
Investment activities			
Money market and secured funds		(8,750)	(2,941)
Discharge of short-term investments		9,219	875
Additions to Intangible assets	15 and 33	(7,224)	(8,888)
Sale of intangible assets	23	3,710	1,423
Other investments		(37)	-
Net cash consumed in investment activities		**(3,082)**	**(9,531)**
Financing activities			
New loans and financing	17 and 33	2,205	25,142
Payments of loans - principal	17	(2,175)	(13,387)
Payments of loans - interest	17	(3,340)	(2,450)
Settlement of derivative financial instruments		(1,171)	(1,010)
Payment of dividends	20.4	(11,836)	(8,635)
Capital increase through share subscription	20.1	7,093	-
Receipts from related parties		558	-
Payment of tax financing		-	(1,157)
Net cash consumed in financing activities		**(8,666)**	**(1,497)**
Net cash variation		**(333)**	**998**
Opening cash and cash equivalents		5,260	4,262
Closing cash and cash equivalents		4,927	5,260
Net cash variation		**(333)**	**998**

See the accompanying notes to the financial statements.

6. Statement of Added Value - DVA

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF ADDED VALUE - DVA
YEAR ENDED DECEMBER 31, 2013
(In thousands of reais)

	Note	2013	2012
Generation of added value:			
Revenue			
Revenue from energy sales and services	21	138,816	150,194
Other revenue	23	3,710	1,423
Revenue relating to construction of company assets	21 and 24	8,454	10,354
Allowance for doubtful accounts	8	(127)	(188)
(-) Consumables acquired from third parties			
Cost of energy sold		54,674	56,194
Materials and outsourced services		18,816	17,656
Other operating costs		10,284	13,960
		83,774	87,810
Gross added value		67,079	73,973
Amortization and depreciation	22	4,461	4,144
Net added value		62,618	69,829
Transferred added value			
Financial revenue	24	6,752	18,521
Added value to be distributed		69,370	88,350
Distribution of added value:			
Personnel			
Direct remuneration		5,434	6,142
Benefits		1,846	1,483
FGTS		378	425
Taxes and contributions			
Federal		11,896	16,343
State		32,041	34,767
Municipal		140	213
Intrasector Obligations		1,969	10,352
Interest expenses			
Interest	24	8,038	3,870
Rent		761	724
Interest earnings			
Dividends	20.4	2,351	3,925
Additional dividends proposed	20.4	4,173	9,485
Legal reserve	20.3	343	702
Prior-year dividends		-	(81)
		69,370	**88,350**

See the accompanying notes to the financial statements.

7. Statements of Changes in Shareholders' Equity

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2013
(In thousands of reais)

			Capital reserves			Profit Reserves				
	Note	Capital	Remuneration of property, plant and equipment in progress	Special goodwill reserve	Other capital reserves	Legal	Additional dividends proposed	Retained earnings	Other comprehensive income	Total
Balances at January 01, 2012 - adjusted		**32,650**	**179**	**11,065**	**4**	**4,424**	**2,264**	**-**	**78**	**50,664**
Payment of additional dividends		-	-	-	-	-	(2,264)	-	-	(2,264)
Prior-year dividends		-	-	-	-	-	-	81	-	81
Other comprehensive income		-	-	-	-	-	-	-	(122)	(122)
Net income for the year		-	-	-	-	-	-	14,031	-	14,031
Proposed allocation of net income:										-
Legal reserve	20.3	-	-	-	-	702	-	(702)	-	-
Dividends	20.4	-	-	-	-	-	-	(3,925)	-	(3,925)
Additional dividends proposed	20.4	-	-	-	-	-	9,485	(9,485)	-	-
Balances at December 31, 2012 - adjusted		**32,650**	**179**	**11,065**	**4**	**5,126**	**9,485**	**-**	**(44)**	**58,465**
Payment of additional dividends		-	-	-	-	-	(4,743)	-	-	(4,743)
Capital increase as per the EGM held 12/20/2013	20.1	7,093	-	-	-	-	(4,742)	-	-	2,351
Other comprehensive income		-	-	-	-	-	-	-	71	71
Net income for the year		-	-	-	-	-	-	6,867	-	6,867
Proposed allocation of net income:									-	-
Legal reserve	20.3	-	-	-	-	343	-	(343)	-	-
Dividends	20.4	-	-	-	-	-	-	(2,351)	-	(2,351)
Additional dividends proposed	20.4	-	-	-	-	-	4,173	(4,173)	-	-
Balances at December 31, 2013		**39,743**	**179**	**11,065**	**4**	**5,469**	**4,173**	**-**	**27**	**60,660**

See the accompanying notes to the financial statements.

8. Balance Sheet

ENERGISA NOVA FRIBURGO - DISTRIBUIDORA DE ENERGIA S/A BALANÇO SOCIAL ANUAL - 2013 (Em milhares de reais)						
1 - Base de Cálculo	**2013 Valor**			**2012 Valor**		
Receita líquida (RL)	99.981			101.441		
Resultado operacional (RO)	10.063			21.070		
Folha de pagamento bruta (FPB)	7.721			7.594		
2 - Indicadores Sociais Internos	**Valor**	**% sobre FPB**	**% sobre RL**	**Valor**	**% sobre FPB**	**% sobre RL**
Alimentação	1.091	14,13%	1,09%	914	12,04%	0,90%
Encargos sociais compulsórios	1.663	21,54%	1,66%	1.524	20,07%	1,50%
Previdência privada	179	2,32%	0,18%	118	1,55%	0,12%
Saúde	445	5,76%	0,45%	355	4,67%	0,35%
Segurança e saúde no trabalho	132	1,71%	0,13%	0	0,00%	0,00%
Educação	26	0,34%	0,03%	23	0,30%	0,02%
Cultura	0	0,00%	0,00%	0	0,00%	0,00%
Capacitação e desenvolvimento profissional	73	0,95%	0,07%	74	0,97%	0,07%
Creches ou auxílio-creche	14	0,18%	0,01%	8	0,11%	0,01%
Participação nos lucros ou resultados	1.148	14,87%	1,15%	1.262	16,62%	1,24%
Outros	168	2,18%	0,17%	266	3,50%	0,26%
Total - Indicadores sociais internos	4.939	63,97%	4,94%	4.544	59,84%	4,48%
3 - Indicadores Sociais Externos	**Valor**	**% sobre RO**	**% sobre RL**	**Valor**	**% sobre RO**	**% sobre RL**
Educação	136	1,35%	0,14%	124	0,59%	0,12%
Cultura	209	2,08%	0,21%	211	1,00%	0,21%
Saúde e saneamento	0	0,00%	0,00%	0	0,00%	0,00%
Esporte	0	0,00%	0,00%	2	0,01%	0,00%
Combate à fome e segurança alimentar	0	0,00%	0,00%	0	0,00%	0,00%
Outros	103	1,02%	0,10%	151	0,72%	0,15%
Total das contribuições para a sociedade	448	4,45%	0,45%	488	2,32%	0,48%
Tributos (excluídos encargos sociais)	42.414	421,48%	42,42%	49.799	236,35%	49,09%
Total - Indicadores sociais externos	42.862	425,94%	42,87%	50.287	238,67%	49,57%
4 - Indicadores Ambientais	**Valor**	**% sobre RO**	**% sobre RL**	**Valor**	**% sobre RO**	**% sobre RL**
Investimentos relacionados com a produção/ operação da empresa	8.030	79,80%	8,03%	4.682	22,22%	4,62%
Investimentos em programas e/ou projetos externos	0	0,00%	0,00%	0	0,00%	0,00%
Total dos investimentos em meio ambiente	8.030	79,80%	8,03%	4.682	22,22%	4,62%
Quanto ao estabelecimento de "metas anuais" para minimizar resíduos, o consumo em geral na produção/ operação e aumentar a eficácia na utilização de recursos naturais, a empresa	( ) não possui metas ( ) cumpre de 51a 75% ( ) cumpre de 0 a 50% (X) cumpre de 76 a 100%			( ) não possui metas ( ) cumpre de 51a 75% ( ) cumpre de 0 a 50% (X) cumpre de 76 a 100%		
5 - Indicadores do Corpo Funcional	**2013**			**2012**		
Nº de empregados(as) ao final do período	129			143		
Nº de admissões durante o período	23			32		
Nº de empregados(as) terceirizados(as)	81			118		
Nº de estagiários(as)	2			2		
Nº de empregados(as) acima de 45 anos	23			25		
Nº de mulheres que trabalham na empresa	20			24		
% de cargos de chefia ocupados por mulheres	16,67%			28,57%		
Nº de negros(as) que trabalham na empresa	24			25		
% de cargos de chefia ocupados por negros(as)	0,00%			0,00%		
Nº de portadores(as) de deficiência ou necessidades especiais	3			3		
6 - Informações relevantes quanto ao exercício da cidadania empresarial	**2013**			**Metas 2014**		
Relação entre a maior e a menor remuneração na empresa	21,77			21,77		
Número total de acidentes de trabalho	6			6		
Os projetos sociais e ambientais desenvolvidos pela empresa foram definidos por:	(X) direção	( ) direção e gerências	( ) todos(as) empregados(as)	(X) direção	( ) direção e gerências	( ) todos(as) empregados(as)
Os padrões de segurança e salubridade no ambiente de trabalho foram definidos por:	(X) direção e gerências	( ) todos(as) empregados(as)	( ) todos(as) + Cipa	(X) direção e gerências	( ) todos(as) empregados(as)	( ) todos(as) + Cipa
Quanto à liberdade sindical, ao direito de negociação coletiva e à representação interna dos(as) trabalhadores(as), a empresa:	( ) não se envolve	(x) segue as normas da OIT	( ) incentiva e segue a OIT	( ) não se envolverá	(x) seguirá as normas da OIT	( ) incentivará e seguirá a OIT
A previdência privada contempla:	( ) direção	( ) direção e gerências	(x) todos(as) empregados(as)	( ) direção	( ) direção e gerências	(x) todos(as) empregados(as)
A participação dos lucros ou resultados contempla:	( ) direção	( ) direção e gerências	(x) todos(as) empregados(as)	( ) direção	( ) direção e gerências	(x) todos(as) empregados(as)
Na seleção dos fornecedores, os mesmos padrões éticos e de responsabilidade social e ambiental adotados pela empresa:	( ) não são considerados	( ) são sugeridos	(X) são exigidos	( ) não serão considerados	( ) serão sugeridos	(X) serão exigidos
Quanto à participação de empregados(as) em programas de trabalho voluntário, a empresa:	( ) não se envolve	( ) apóia	(X) organiza e incentiva	( ) não se envolverá	( ) apoiará	(X) organizará e incentivará
Número total de reclamações e críticas de consumidores(as):	na empresa 1176	no Procon 17	na Justiça 99	na empresa 1229	no Procon 20	na Justiça 97
% de reclamações e críticas atendidas ou solucionadas:	na empresa 98,55%	no Procon 100%	na Justiça 16 %	na empresa 98,55 %	no Procon 100%	na Justiça 15%
Valor adicionado total a distribuir (em mil R$):	**Em 2013: 69.370**			**Em 2012: 88.350**		
Distribuição do Valor Adicionado (DVA):	66% governo 12% colaboradores(as) 9% acionistas 13% terceiros 0% retido			70% governo 9% colaboradores(as) 15% acionistas 5% terceiros 1% retido		
7 - Outras Informações	**2013**			**2012**		
7) Investimentos sociais						
7.1 - Programa Luz para Todos						
7.1.1 - Investimento da União	-			-		
7.1.2 - Investimento do Estado	-			-		
7.1.3 - Investimento do Município	-			-		
7.1.4 - Investimento da Concessionária	-			-		
Total - Programa Luz para Todos (7.1.1 a 7.1.4)	**-**			**-**		
7.2 - Programa de eficiência Energética	499			393		
7.3 - Programa de Pesquisa e Desenvolvimento	151			848		
Total dos investimentos sociais (7.1 a 7.3)	**650**			**1.241**		

Notes to the Financial Statements

Energisa Nova Friburgo – Distribuidora de Energia S/A
Notes to the financial statements for the
year ended December 31, 2013
(In thousands of reais, unless stated otherwise)

1. Operations

A part of **ENERGISA GROUP**, Energisa Nova Friburgo - Distribuidora de Energia S/A ("Company or Energisa NF") is an electricity distribution company, operating in the municipality of Nova Friburgo in the state of Rio de Janeiro, serving 98,356 consumers (information not audited by the independent auditors). The Company's registered office is in Nova Friburgo, Rio de Janeiro state.

On January 11, 2013 the Federal government issued Law 12783 resulting from Provisional Law 579, which addressed the matters:

Concession renewal:
Electricity generation, transmission and distribution concessions expiring between 2015 and 2017 can be extended for the term of 30 years in order to ensure the continuity, efficiency of service and minimum price increases.

The Company's concession expires in 2015. In accordance with the legislation, on October 15, 2012 it stated its intention to have its concession extended for 30 years, from July 2015.

The extension terms will only be known when the concession authority discloses the draft amendment to the concession agreement.

Reduction/elimination of regulatory charges
The following regulatory charges have been eliminated from electricity rates. The RGR (Global Reversal Reserve); CCC – Fuel consumption cost and reduction of the CDE – Energy Development Account and minimum price increases.

The eliminations and reductions in sector charges payable on electricity did not directly impact earnings, as the revenue drop was offset by lower charges and taxes.

See below some of the concession operator's main obligations stipulated in the concession arrangement:

I - to supply electricity to consumers located in their concession area, at the levels of quality and continuity established in specific legislation

II - to carry out the work necessary to provide the concession services, replace assets and operate the infrastructure so as to ensure the regular, continuous, efficient and safe provision of services and charging of rates, in accordance with the specific technical and legal standards

III – to organize and maintain a record and inventory of the concession assets and strive for the integrity thereof, where concession operator may not sell or submit as collateral such assets without the prior explicit consent of the regulatory agency

IV - to meet all tax, labor, social security and regulatory obligations, including the provision of information to consumers

V - to implement measures to combat energy waste, through energy consumption reduction programs and innovations

VI – to submit to the prior approval of the National Electricity Regulatory Agency (ANEEL) any changes in equity positions that could result in control changing hands. In the event share control is transferred, the new controlling shareholders should sign an agreement accepting the terms of the concession arrangement and the concession legislation and regulations;

VII - the concession may be discontinued by terminating the agreement, expropriation of the service, cessation, rescission, irregularities or bankruptcy of the concession operator, and may be extended by way of an application from the concession operator and at the sole discretion of the concession authority.

The information regarding rate reviews and adjustments, concession accounts receivable, concession assets, construction revenue and concession term can be seen in notes 9, 14, 15, 21 and 33 respectively.

The Company presents a net working capital deficiency of R$ 10,890 as of December 31, 2013, resulting from the natural transfer of loans and financing to short-term, maturing in the course of the coming year.

Management is working on the re-profiling of these maturities in order to enhance the company's capital structure through longer instruments.

To finance its investments, on February 06, 2014 the Extraordinary General Meeting approved the procurement of a USD 4,000 loan with annual interest of Libor plus 2.35% from Bank of America N.A.

2. Presentation of the financial statements

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which embrace corporate legislation, the Pronouncements, Guidance and Interpretations issued by the Accounting Pronouncements Committee - CPC, approved by the standards and regulations of the Brazilian Securities Commission – CVM and specific legislation applying to the Public Energy concession operators established by the National Electricity Regulatory Agency – ANEEL and the International Financial Reporting Standards (IFRS) issued in accordance with the International Accounting Standards Board - IASB.

These financial statements were approved by the Executive Board on March 14, 2014.

The financial statements have been prepared in accordance with CPCs and IFRS. There are no differences between these practices.

Functional currency

The financial statements are being presented in Brazilian reais, which is the Company's functional currency. The financial statements are presented in thousands of reais, except where specified otherwise.

The financial statements have been prepared based on historic cost, except for the following items:

- Derivative financial instruments measured at fair value, and
- Nonderivative financial instruments stated at fair value through profit or loss

Judgments and estimates

Accounting estimates - Preparing the financial statements in accordance with the accounting practices adopted in Brazil requires management to use estimates to carry certain transactions affecting the assets and liabilities, revenues and expenses, and to disclose information concerning the figures in its financial statements. The final results of such transactions and information when actually realized in subsequent years may differ from these estimates. The main estimates related to the financial statements refer to recording the effects deriving from the allowance for doubtful accounts, provision for labor, civil and tax claims, provision for supplementary retirement and pensions plan and tax credits. Estimates and assumptions are continually reviewed. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Allowance for doubtful accounts - (i) trade accounts receivable, consumers and concession operators is created based on receivables from residential consumers more than 90 days overdue, commercial consumers more than 180 days overdue and industrial, rural, government, public lighting and public service sector consumers more than 360 days overdue; (ii) credits receivables composed at 100% of the debt after 3 (three) contractual payments have fallen overdue.

Provision for labor, civil and tax claims - The Company made provisions, which involves management judgment, for labor, civil and tax claims when it is probable that an outflow of economic benefits will be required to settle the obligation, which has arisen as a result of past events and which can be reliably estimated.

The Company is also subject to several legal, civil and labor claims arising out of the normal course of business. The Company's judgment relies on the opinion of its legal advisers. Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the completion of tax inspections or exposure identified as a result of new issues or court decisions.

Retirement and pension supplementation plan - The Company has a benefits plan for employees which includes retirement and pension supplementation plans and health plans.

The actuarial commitments with respect to the supplementary pension and retirement plans are provisioned for based on actuarial calculations prepared by independent actuaries. Their calculations are based on the projected unit of credit method, net of the assets guaranteeing the plan, when applicable. The costs are recognized in the employees' vesting period, in according with CVM Resolution 695 issued December 13, 2012 and the accounting rules established by CPC Technical Pronouncement 33 R1 (IAS 19) issued by the Accounting Pronouncements Committee.

The projected unit of credit method considers each term of employment to be an event that generates an additional unit of benefit, which are accrued to calculate the final obligation. Other actuary premises are also used, such as biometric and economic hypotheses and historical data on expenses incurred and on employees contributions.

The actuarial gains and losses generated by adjustments and alterations to the actuarial premises of the pension and retirement benefit plans and the actuarial commitments related to the health coverage plan are recognized in full in other comprehensive income in the shareholders' equity.

Tax credits - the tax credits are recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes. If they are recognized to the extent it is probable that the taxable income in coming years will be able to be used to offset tax credits, based on projected future earnings relying on internal assumptions and future economic scenarios, which are therefore subject to change. The recorded amounts are periodically revised and any effects of realization or settlement are recorded in accordance with the legislation.

Derivative financial instruments - The judgments and estimates for derivative financial instruments can be seen in note 28.

3. Adoption of international accounting standards

3.1 New accounting procedures issued by the IASB

Application of new and revised standards that did not have an effect or material effect on the financial statements.

See below the new and revised standards that are applicable as from the date of these financial statements. The application of these standards did not have a material impact on the amount disclosed in the current year or prior years.

- IFRS 13 (CPC 46) - Fair Value Measurement.
- Modifications to IAS 01 revised in 2011 - Presentation of Items of Other Comprehensive Income.
- IAS 19 revised in 2011 (CPC 33 (R1)) - Employee Benefits.
- IAS 27 revised in 2011 CPC 35 (R2) - Separate Financial Statements.
- Amendments to IFRS 7 – Offsetting of Financial Assets and Liabilities.

New revised standards and interpretations issued but not yet adopted
The Company has not adopted the new revised IFRS below, which though already published are as yet non-mandatory:

- IFRS 9 – Financial Instruments (b).
- Amendments to IFRS 9 and IFRS 7 – Date of mandatory application of IFRS 9 and Transition Disclosures (b).
- Amendments to IAS 19 (CPC 33 (R1)) - Employee Benefits (b).
- Amendments to IAS 32 (CPC 39) – Offsetting of Financial Assets and Liabilities (a).
- Amendments to IAS 36 (CPC 01 (R1)) - Disclosure of recoverable amounts to non-financial assets (a).

In force for annual periods beginning on or after:

(a) January 01, 2014.

(b) January 01, 2015.

The CPC has not yet issued equivalent pronouncements for certain IFRS, but is expected to do so before the adoption deadline. The early adoption of the IFRS is subject to prior approval by a normative ruling of the CFC.

The Company did not really adopt these amendments for its financial statements as of December 31, 2013. None of these new standards is expected to have a material effect on the financial statements, except for IFRS 9, which could change the classification and measurement of the financial assets.

3.2 Main accounting practices

The accounting policies set out below have been applied consistently to all the years reported in these financial statements.

a. Cash and cash equivalents - includes balances of cash and short-term investments that can be redeemed within up to 90 days from acquisition at the contracted rates and are subject to an insignificant risk of impairment, which are used to manage short-term obligations

b. Financial instruments – All financial instruments (assets and liabilities) are recognized in the Company's balance sheets, and are measured at fair value when applicable and after the initial recognition according to classification. The Company's financial instruments have been classified into: (i) stated at fair value through profit or loss. This classification includes derivative transactions. (ii) held to maturity – valued at the effective interest rate and recorded in profit and loss and (iii) loans and receivables – measured at amortized cost, using the effective interest rate method and recorded in the income statement.

There are three classification levels of fair value for financial instruments, as shown below:

Level 1 - Inputs from an active market (quoted price not adjusted), which can be accessed on a daily basis, including at the fair value measurement date.

Level 2 - Inputs other than those from an active market (quoted price not adjusted), included in level 1, taken from a pricing model based on observable market inputs.

Level 3 - Inputs taken from a pricing model not based on observable market inputs.

The fair values of the financial instruments are classified in note 28.

The main financial assets recognized by the Company are: cash and cash equivalents; money market; secured funds; clients, consumers, and concession operators; accounts receivable from the concession; credit receivables and derivative financial instruments.

The main financial liabilities recognized by the Company are: suppliers payable; loans and financing, debt charges and derivative financial instruments.

A financial asset is derecognized when the contractual rights to the asset's cash flows expire or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred to the buyer. Financial liabilities are measured at amortized cost, using the effective interest rate method and recorded in net income.

c. Consumers and concessionaires - embrace the provision of billed and unbilled electricity (unbilled electricity is an estimate, recognized on the accrual basis of accounting), up to closure of the balance sheet

d. The allowance for doubtful accounts was made to an amount deemed sufficient to cover any losses incurred on the collection of loans in accordance with ANEEL criteria

e. Inventory - inventories are valued at the average acquisition cost not in excess of market value or acquisition cost

f. Accounts receivable from the concession - denotes the portion of the capital invested in the assets, not amortized during the concession period, to be indemnified at the end of the arrangement.

Following the publication of Provisional Law 579/2012, enacted as Law 12783/2013, the company confirmed it would use the VNR – New Replacement Value published by the Concession Authority to pay for the indemnification of assets not amortized when the concession expires. For this reason since FY 2012 the difference between the VNR and historic book cost was recorded as financial revenue in FY 2012. These assets are classified as available-for-sale, the effects of which are explained in detail in note 14.

g. Regulatory assets and liabilities - for the purpose of rates, costs not yet recognized in the rates and/or costs recognized in the rates at amounts in excess of the effective amounts are deferred and only recognized by ANEEL when included in the electricity rates. As international accounting standards (IFRS) and the CPCs do not provide for recording these assets and liabilities, they are recognized in the income statement of the year they are effectively occurred in.

h. Investments - recorded at acquisition cost less a provision for devaluation, when applicable.

i. Intangible assets - concession arrangement: the assets operated by the Company to provide electricity distribution services. The amortization is based on the consumption pattern of the benefits expected during the arrangement term.

j. The interest and financial charges are capitalized to works in progress at the average effective capitalization rate.

k. Decrease in recoverable value - the Company evaluates its intangible assets with defined useful lives if there are signs of impairment. Recoverable taxes and tax credits are tested for impairment annually, regardless of whether there are any signs.

A financial asset not measured at fair value through profit and loss is valued at each reporting date to test for impairment. An asset has incurred impairment if objective evidence indicates impairment has occurred after the initial recognition of the asset and this impairment has had a negative effect on the future projected cash flows that can be estimated reliably.

Objective evidence that the financial assets (including securities) have incurred impairment can include: (i) nonpayment or late payment by the debtor; (ii) restructuring of the amount owed to the Company on terms that it would not accept in other transactions of the same nature (iii) signs that the debtor or issuer is going to enter bankruptcy proceedings and (iv) the disappearance of an active market for a security. Furthermore, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

The Company takes into account evidence of impairment for receivables and securities kept to maturity, both individually and collectively. All receivables and securities kept to an individually significant maturity are specifically tested for impairment. All receivables and securities kept to an individually significant maturity found not to have incurred impairment are then tested collectively for any impairment that may have occurred, but not yet been identified. Receivables and securities kept to maturity that are not individually material are tested collectively for impairment by grouping securities posing similar risks.

When testing for impairment collectively the Company uses historic patterns of default probability, recovery terms and the size of losses incurred, adjusted to reflect management's judgment as to whether the current economic credit conditions mean that the actual losses will probably be greater or less than those suggested by historic patterns.

Impairment of a financial asset measured at amortized cost is calculated as the difference between the book value and the present value of future estimated cash flows, discounted at the asset's effective original interest rate. The losses and interest on financial assets are recognized in profit or loss and reflected in a provision against receivables, when losses, and reversal of discount, when interest. When a subsequent event indicates a reversal of the impairment, the decrease in the impairment is reversed and credited to the income statement.

Impairment of financial assets available for sale is recognized by reclassifying the cumulative loss that was recognized in other comprehensive income in the shareholders' equity to the net income. The cumulative loss that is reclassified from other comprehensive income to the net income is the difference between the acquisition cost, net of any reimbursement and principal amortization, and the current fair value, minus any impairment previously charged to the income statement. Changes in the provisions for impairment, attributable to the effective interest rate, are recognized in financial revenue.

At the end of each year the company reviews the book value of its tangible and intangible assets to check for signs of impairment. If there are signs of impairment, the asset's recoverable value is estimated in order to measure the impairment. When an asset's recoverable value cannot be estimated individually, the company calculates the recoverable value of the cash generating unit the asset belongs to. When a reasonable and consistent allocation basis can be identified, the corporate assets are also allocated to the individual cash generating units or the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Company management did not identify any evidence of impairment, other than the provisions already made.

l. Loans and financing - stated net of transaction costs incurred, and subsequently stated at the amortized cost using the effective interest rate method.

m. Derivatives - The derivatives are initially recognized at fair value; attributable transaction costs are expensed as and when they are incurred. After their initial recognition, the derivatives are appraised at fair value and any changes are recorded in the income statement. Details can be seen in note 30.

n. Income and social contribution taxes - These expenses consist of current and deferred income tax. The deferred tax is recorded in the income statement unless it is related to items recorded in comprehensive income in the shareholders' equity. The Company opted to use the Transitional Taxation Scheme (RTT) to calculate its income and social contribution taxes from FY 2008. The deferred tax is recognized in relation to temporary differences between the values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

Although current tax assets and liabilities are recognized and measured separately, the offsetting thereof in the balance sheet is subject to similar criteria to those established the financial instruments. The entity is normally legally entitled to offset the current tax asset against a current tax liability when they are related to income taxes charged by the same tax authority and the tax legislation permits the entity to make or receive a single net payment.

Deferred income and social contribution tax assets are reviewed at each closing date and are reduced to the extent that realization is no longer probable in the term.

Provisional Law 627/13 was published on November 12, 2013, which changed the country's Federal Tax Legislation. The main changes are: (i) revoking of the transitional taxation arrangement (RTT) from 2015, but with early adoption for January 01, 2014. If the Provisional Law is adopted early, the RTT will be automatically eliminated and the new provision shall be effective from 2014 on an irrevocable basis. (ii) taxation of companies domiciled in Brazil, in relation to the equity increase resulting from participating in overseas profits made by associated companies and associates; and (iii) special financing of the PIS/PASEP and COFINS taxes. The early option of the provision will eliminate taxation and any excess distribution of company profits regarding to the profits distributed, calculated in accordance with the accounting criteria in force as of December 31, 2007.

The Company is awaiting the enactment of the Provisional Law as a law to conduct a more in-depth and conclusive analysis of the effects of the new tax regulations.

o. Provisions - a provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk involved. Liabilities related to court cases are provisioned for to amounts deemed adequate by the legal advisors and directors to cover unfavorable outcomes

p. Restatement - certain receivables have been restated based on specific interest rates, which reflect the nature of these assets in terms of term, risk, currency and receipt terms at the dates of the respective transactions

q. Dividends - Dividends declared in excess of the minimum mandatory dividend after the accounting period reported on by the financial statements are recorded separately in the shareholders' equity, as they do not constitute a present obligation, and the respective liability is not recorded until it has been approved

r. Income statement - revenue and expenses are recognized in the income statement for the year on the accrual basis of accounting. Revenue is not recognized if there are significant uncertainties as to its realization. The Company records revenue and cost during the construction of the assets used to provide the electricity distribution service. The Company outsources its works and Management accordingly believes that this activity generates a very small margin and does not justify additional expenditure to measure and control it; it accordingly attributes a margin of zero to this activity.

s. Employee benefits - defined benefit - The net obligation of the Company under defined-benefit pension plans is calculated by estimating the future benefit the employees are entitled to in return for their work in the current period and previous periods, discounted to present value. Any unrecognized past service costs and the fair values of any of the plan's assets are deducted. The discount rate is the yield at the reporting date for first-rate securities which mature on dates near the obligations of the Company denominated in the same currency in which the benefits are expected to be paid. The calculation is made annually by a qualified actuary using the projected units credit method. When the calculation produces a benefit, the asset to be recognized is limited to the total of any past service costs not recognized and the present value of economic benefits available in the form of future reimbursements under the plan or decrease to the plan's future contributions. To calculate the present value of the economic benefits, any minimum costing requirements applying to any plan are taken into account. An economic benefit is available if it can be realized within the plan's life or upon settlement of the plan's liabilities.

t. Other (current and non-current) assets and liabilities - other assets and liabilities are stated at known or calculable values, plus the corresponding earnings/charges incurred up to the reporting date, when applicable.

u. Statement of added value - prepared relying on information obtained from the accounting records, in accordance with CPC 09 – Statement of Added Value. This shows the wealth created by the Company and the distribution thereof in a given period, and is being presented in accordance with Brazilian corporate legislation, as part of its financial statements.

3.3 Adjustments

CPC 33 (R1) and IAS 19 Revised – Employee benefits

The accounting practices referring to the recognition of employee benefits - supplementary retirement and pensions plan and retirement premium, were amended on January 01, 2013 by the new rules introduced by CPC 33 (R1) and IAS 19, which eliminated the corridor method approach which permitted the deferral of the recognition of actuarial gains and losses, which are now recognized in full in liabilities under "employee benefits – pension plan" and charged to the statement of comprehensive income in the shareholder's equity, net of deferred income and social contribution taxes. Consequently, in order to maintain good comparability of its balance sheet with the classification adopted, the Company adjusted the opening and closing balances in the balance sheet for 2012 in relation to those originally published, as follows:

	Balance at 2012 (Published)	Adjustments	Balance in 2012 (adjusted)
Assets			
Noncurrent assets	**81,534**	**24**	**81,558**
Tax credits	1,562	24	1,586
Total Assets	**133,555**	24	**133,579**
Liabilities			
Noncurrent liabilities	**56,654**	**68**	**56,722**
Employee benefit - pension plan	383	68	**451**
Shareholders' equity	**58,509**	(44)	**58,465**
Other comprehensive income	-	(44)	(44)
Total Liabilities	**133,555**	**24**	**133,579**

Statement of Other Comprehensive Income	Balance in 2012 (Published)	Adjustments	Balance in 2012 (Adjusted)
Net income for the year	14,031	-	14,031
Other comprehensive income	-	(122)	(122)
Total comprehensive income for the year, net of tax	14,031	(122)	13,909

Statements of Changes in Shareholders' Equity	Balance in 2012 (Published)	Adjustments	Balance in 2012 (Adjusted)
Other comprehensive income	-	(44)	(44)
Shareholders' equity	**58,509**	**(44)**	**58,465**

	Balance at 2011 (Published)	Adjustments	Balance as of 1/1/2012 (adjusted)
Assets			
Noncurrent assets	**63,720**	**(40)**	**63,680**
Tax credits	8,059	(40)	8,019
Total Assets	**114,176**	**(40)**	**114,136**
Liabilities			
Noncurrent liabilities	**30,267**	(118)	**30,149**
Employee benefit - pension plan	364	(118)	**246**
Shareholders' equity	**50,586**	**78**	**50,664**
Other comprehensive income	-	78	78
Total Liabilities	**114,176**	**(40)**	**114,136**

4. Segment reporting

An operational segment is a component that develops business activities from which revenue streams can be derived and expenses incurred, including revenue and expenses related to transactions with other Company components. All operational income from segments is reviewed frequently by Management to support decisions about new resources to be allocated to the segment and to evaluate its performance, for which individual financial information is made available.

Segment results reported to Management include items directly attributable to the segment and items that can be reasonably allocated. Items not allocated primarily consist of corporate assets.

The Company only operates in the energy distribution segment in the municipality of Nova Friburgo in Rio de Janeiro state, which is its only reportable segment, and its income statement denotes this activity.

5. Cash and cash equivalents, short-term investments in the money market and secured funds

a) Cash and cash equivalents

Financial institution	Type	Maturity (1)	Compensation	2013	2012
CEF	CDB	12/30/2015	100,5% of CDI	2,700	1,800
CEF FID	CDB	12/30/2015	100,5% of CDI	29	-
Santander	Debentures (2)	12/18/2015	103,2% of CDI	473	54
Mercantil	CDB	12/18/2014	105,0% of CDI	-	916
Mercantil FID	CDB	11/21/2022	105,0% of CDI	-	5
				3,202	**2,775**
Cash and banks				**1,725**	**2,485**
Total cash and cash equivalents				**4,927**	**5,260**

b) Money market and secured funds

b.1 - Short-term investments appraised at fair value through profit and loss					
Financial institution	Type	Maturity	Compensation	2013	2012
ABC Brasil	CDB	2/17/2014	107,0% of CDI	-	97
BES	CDB	3/19/2015	103,0% of CDI	2	2
BB Amplo	Investment Fund	-	CDI	-	-
Bradesco	CDB	6/19/2016	96,0% of CDI	3	3
BTG Pactual	Investment Fund	-	CDI	-	1,002
CEF	Investment Fund	-	CDI	-	347
CEF (4)	Financial Treasury Bill, Securities subject to repurchase commitments, Debentures (2), DPGE and Financial Bill	4/9/2015 to 3/1/2018	102.7% to 122.11% of CDI/IPCA+5.7% / SELIC	3,770	-
Itaú	Investment Fund	-	CDI	-	1,500
Itaú	Investment Fund	-	CDI	58	56
				3,833	**3,007**

b.2 Held-to-maturity securities					
Itaú	Credit Receivables Investment Funds	12/29/2020	100,0% of CDI	242	900
				242	**900**
Total balance of money market and secured funds (3)				**4,075**	**3,907**
Current				3,833	3,007
Noncurrent				242	900

(1) The dates presented denote the maturity of the security underlying the financial investments. These short-term investments can be redeemed within 90 days of the procurement date at the contracted rates, under a contractual clause.

(2) Debentures held under repurchase agreements - Sales of securities subject to a repurchase agreement undertaken by the seller, alongside the resale commitment undertaken by the buyer. These operations have immediately liquidity, yield the CDI rate and underlie the debentures issued by the bank.

(3) Includes R$ 305 referring to funds linked to loans, energy auctions and funds blocked by court.

(4) Exclusive investment funds include investments in CDB, Debentures, DPGE, Fixed-Income Funds, LFT, LF, LTN, NTN-B and Multimarket Funds.

6. Consumers and concessionaires

Consumer Sectors	Overdue balances (1)	up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	2013	2012
Residential	3,000	1,454	187	79	7	-	**4,727**	**5,207**
Industrial	1,369	224	8	4	-	-	**1,605**	**1,569**
Commerce, services and other activities	2,025	322	32	13	-	32	**2,424**	**2,598**
Rural	61	39	9	1	-	-	**110**	**95**
Government:								
Federal	15	5	3	-	2	-	**25**	**22**
State	40	12	7	-	5	-	**64**	**55**
Municipal	214	66	36	1	28	-	**345**	**299**
Public lighting	465	-	-	-	-	-	**465**	**491**
Public utility	306	-	-	-	-	-	**306**	**295**
Subtotal - consumers	7,495	2,122	282	98	42	32	**10,071**	**10,631**
Concession operators (*)	-	-	-	-	-	368	**368**	**702**
Unbilled sales	3,291	-	-	-	-	-	**3,291**	**3,123**
Other receivables	1,070	-	-	-	-	-	**1,070**	**976**
(-) Allowance for doubtful accounts	-	-	-	(79)	(7)	(305)	**(391)**	**(441)**
Total	**11,856**	**2,122**	**282**	**19**	**35**	**95**	**14,409**	**14,991**
Current							14,041	14,623
Noncurrent							368	368

(*) Energy sold at the Electricity Trading Chamber – CCEE linked to injunctions in December 2002.

(1) Maturities are scheduled for the 5th **working day after the bills are delivered, except for government consumers who have 10 working days to pay.**

7. Credit receivables

Refers to overdue electricity bills, renegotiated with consumers through the Debt Acknowledgement Instruments, restated according to the variation of the IGPM price index. The receivables under certain operations that have been negotiated at rates other than those practiced for this set of accounts receivable have been restated to present value based on the change in the CPI rate.

The balances as of December 31, 2013 and 2012 are shown below:

	2013	2012
Credit receivables	574	656
Adjustment to present value	(17)	(17)
(-) Allowance for doubtful accounts (*)	(291)	(266)
	266	**373**
Current	266	354
Noncurrent	-	19

(*) Included in the total presented as a reduction to the current assets.

As of December 31, 2013, the maturities of receivables are scheduled as follows:

	2013
Overdue	291
2014	266
Total	**557**

8. Allowance for doubtful accounts

Changes in provisions	2013	2012
Balance - opening - current - -2012 and 1/1/2012	707	641
Provisions recorded in the year	84	131
Reversal of provisions in the year	(109)	(65)
Balance - closing - current - 2013 and 2012	**682**	**707**
Consumers and concessionaires	391	441
Credit receivables	291	266

The allowance for doubtful accounts was made to an amount deemed sufficient to cover any losses incurred on the realization of loans and in accordance with ANEEL instructions, which have been summarized below:

Customers with material debts:

- Individual analysis of the trade accounts receivable by consumption sector, with little prospect of realization.

For the other cases:

- Residential consumers more than 90 days overdue
- Commercial consumers more than 180 days overdue
- Industrial, rural and government consumers, street lighting, public services and others more than 360 days overdue.
- A provision is made for outstanding and overdue receivables more than 90 days overdue.

9. Periodical rate adjustment and review

Rate adjustment:

As consideration for services rendered the concession operator is entitled to charge consumers the rates determined and ratified by the concession authority. The rates are adjusted annually and the concession operator's revenue is divided into two portions: A Portion (consisting of uncontrollable costs) and B Portion (efficient operating costs and capital costs). The annual rate adjustment aims to pass through uncontrollable costs and to monetarily restate controllable costs.

By way of Ratification Resolution 1,531 issued June 11, 2013, ANEEL set the final figure of the tariff adjustment, which led to an increase of 15.42%, applicable as from June 18, 2013.

Rate review:

The periodical rate review occurs every 4 years, and in this process ANEEL recalculates the rates according to the changes in the structure of the concession operator's costs and sales, in order to foster the efficiency and affordability of the rates. The adjustments and reviews are rate restatement mechanisms, both stipulated in the concession agreement. The concession operator may also request an extraordinary review whenever an event causes a significant economic and financial imbalance in the concession.

By way of Resolution 1292 issued June 05, 2012 ANEEL ratified the result of the third periodical rate review of ENF with an adjustment that generated a decrease of 4.82% respectively, effective from June 18, 2012.

10. Recoverable taxes

	2013	2012
Value Added Tax on Sales and Services - ICMS	4,555	3,543
Corporate Income Tax – IRPJ	636	551
Income Tax Withheld at Source - IRRF	146	24
Social Contribution on Net Income – CSSL	276	248
PIS and COFINS contribution	5,184	5,291
	10,797	**9,657**
Current	8,517	6,128
Noncurrent	2,280	3,529

11. Low income and other receivables

	2013	2012
Low income	275	621
Service orders in progress - PEE and R&D	932	3,011
Service orders in progress - other	215	252
Advances	872	530
CDE subsidy - rate discount (1)	345	-
Third-party credits - Sale of rights assets and receivables	218	230
Credits receivable - Reimbursement of sector charges	62	-
Other	590	421
	3,509	**5,065**

(1) CDE subsidy for energy consumption by the sectors: Rural – Irrigation and the Public Service sector ratified by Decree 7891/2013.

See below the change in low income and CDE subsidy - rate discount.

- **Low Income:**

	2013	2012
Balance - opening 2012 and 1/1/2012	**621**	**844**
Low-income subsidy	1,530	1,121
Eletrobrás Reimbursement	(1,528)	(1,692)
Accounts receivable Eletrobrás - CDE	(348)	348
Closing balance - current - 2013 and 2012	**275**	**621**

These credits consist of the subsidy for the low-income residential sector with monthly consumption of under 220 kWh, subject to certain requirements being met. This revenue is paid for with funds from the RGR – Global Reversal Reserve and the CDE – Energy Development Account, both administrated by Eletrobrás. Management does not expect to record any losses in the realization of the balance.

- **CDE subsidy - rate discount**

Rate discount due to Irrigation and Rural subsidy	918
Advance of pass-through ANEEL Order 1711/2013	(573)
Total	**345**

By way of Aneel Order 1711 issued May 29, 2013, the Federal Government provided CDE funds of R$ 358, which were received on June 03, 2013 and appropriated to profit or loss for the year in proportion to the number of months in the period May to December 2013, in addition to the R$ 215 relating to the months of March, April and May to cover the CDE subsidy for discounts on the rates applying to users of the public electricity distribution service, pursuant to article 13 (VII) of Law 10438 of April 26, 2002.

12. Related-party transactions

The Company is controlled by ENERGISA S/A, (100% of the voting stock), which also holds the share control of Energisa Paraíba – Distribuidora de Energia S/A (EPB), Energisa Sergipe - Distribuidora de Energia S/A (ESE), Energisa Borborema - Distribuidora de Energia S/A (EBO), Energisa Minas Gerais – Distribuidora de Energia S/A (EMG), Energisa Soluções S/A (ESO), Energisa Comercializadora Ltda (ECOM), Energisa Serviços Aéreos S/A (ESER), Energisa Planejamento e Corretagem de Seguros Ltda (EPLA), Energisa Geração Rio Grande S/A (EGR), Pequena Central Hidrelétrica Zé Tunin S/A (ZETUNIN), Energisa Geração Usina Mauricio (GUM), SPE Cristina Energia S/A and Energisa Geração Centrais Eólicas RN S/A (Holding company that holds the share control of the companies Energisa Geração Central Eólica Renascenças I, II, III, IV e Energisa Geração Central Eólica Ventos de São Miguel S/A) and Energisa Bioeletricidade (Holding company that holds an 85% interest in the companies Energisa Bioeletricidade Santa Cândida I and Energisa Bioeletricidade Vista Alegre I and the entire capital of the companies Energisa Bioeletricidade Santa Cândida II and Energisa Bioeletricidade Vista Alegre II) (related parties of the Company).

Transactions conducted in the year by the Company:

	Services engaged (1)	Provision of the transmission and distribution system (2)	Endorsement commission (Financial expense) (3)	Balance receivable (Consumers and concession operators) (4)	Balance of trade payables
ENERGISA S/A	4,708	-	682	-	374
EMG	-	979	-	88	-
ESO	7,904		-	-	612
EGUM	-	-	-	-	16
2013	12,612	979	682	88	1,002
2012	12,767	1,321	-	652	930

(1) The administrative services procured from the Parent Company are supported by contracts that were submitted to the approval of ANEEL The costs are benchmarked to the benchmark company model used by the ANEEL regulated department for regulatory purposes.
The transactions with related companies refer to services involving the maintenance of lines, substations, engineering and projects.

(2) The connection use and cost amounts are supported by contracts that were submitted to the approval of ANEEL and were conducted on an arm's length basis.

(3) Refers to endorsement commission cost, initiated in February 2013, for the parent company's guarantees of the Company's contracts at the rate of 1.5% p.a.

(4) Includes R$ 558 in 2012 of related parties.

D&O compensation

In the year ended December 31, 2013 the Executive Board members received R$ 976 (R$ 774 in 2012). In addition to this compensation, the Company provides private pension, health insurance and life insurance benefits to its directors, generating an expense of R$ 69 (R$ 50 in 2012). The social charges on the compensation amounted to R$ 152 (R$ 139 in 2012).

In the year ended December 31, 2013 the highest and lowest remuneration attributed to directors for the month of December was R$ 17 and R$ 2 (R$ 15 and R$ 2 in 2012) respectively. The average remuneration in FY 2013 was R$ 8 (R$ 7 in 2012).

The EGM held April 24, 2013 ratified the overall annual compensation limit of the directors and officers for FY 2013 at R$ 2,055.

13. Tax credits and current income and social contribution tax expenses

Deferred taxes derives from temporary differences recorded in accordance with CPC 32 and presented in accordance with CPC 26.

The consolidated estimated for the realization of deferred taxes can be seen below, and the earnings projections used in the recoverability study of these assets were approved by the Boards of Directors.

Deferred taxes recognized in the balance sheet:

	2013	2012
		Adjusted
Assets		
Tax loss carryforwards	323	360
Negative basis of social contribution	44	72
Temporary differences (1)		
Income tax	4,016	4,920
Social contribution	1,484	1,771
Total noncurrent	**5,867**	**7,123**
Liabilities		
Income tax	**(4,990)**	**(4,071)**
Social contribution	**(1,796)**	**(1,466)**
Total noncurrent	**(6,786)**	**(5,537)**
Total net noncurrent assets (liabilities)	**(919)**	**1,586**

The deferred tax credits and debits have the following nature:

	2013		2012 (Adjusted)	
	calculation basis	IRPJ + CSSL	calculation basis	IRPJ + CSSL
Assets				
Tax loss carryforwards	1,292	323	1,403	351
Negative basis of CSLL	494	44	761	68
Tax credits - goodwill (1)	8,832	3,003	13,147	4,470
Provision for actuarial adjustment	569	193	566	193
Provisions for labor and tax risks	2,240	762	2,260	768
Allowance for doubtful accounts - PCLD	632	215	657	223
Other provisions (PEE; R&D; fees and other)	1,953	664	1,541	524
Exchange variance losses	8,463	2,877	3,247	1,104
Mark-to-market - derivatives	(7,708)	(2,621)	(4,082)	(1,388)
Regulatory assets (CVAs)	926	315	2,182	742
Adjustments to present value	16	6	17	6
Other temporary additions (exclusions)	253	86	180	61
IRPJ and CSSL on the portion of the VNR of the concession				
Accounts receivable and restatement:	(19,959)	(6,786)	(16,285)	(5,537)
Total noncurrent liabilities and assets	**(1,997)**	**(919)**	**5,594**	**1,586**

(1) The goodwill tax credit is being amortized over the remaining term of the concession, and according to the annual projected income, as determined by ANEEL Resolution 771 of December 19, 2006.

Tax credits were realized as follows:

Period	Tax debit realizations
2014	(276)
2015	(643)
Total	**(919)**

The income and social contribution amounts which affected the income for the year, in addition to the offsetting of the tax credits recorded, are stated below:

	2013	2012
Income before tax	10,063	21,070
Combined tax bracket	34%	34%
Income and social contribution taxes expense, calculated at the total tax bracket	(3,421)	(7,163)
Adjustments:		
Other - (registration of nondeductible expenses)	225	124
Income tax and social contribution expense	(3,196)	(7,039)
Effective rate	31.8%	33.4%

14. Accounts receivable from the concession

Preliminary Law 579/2012, enacted as Law 12783/2013, confirmed the concession authority's intention to use the VNR – New replacement value to determine the value of credits receivable at the end of the concession as compensation for investments made and not recovered when providing the concession services.

Company Management believes that this fact changed the contractual terms of the concession regarding the means of compensating the Company for investments made in concession assets, which was recognized at historic cost until FY 2011. On December 31, 2012 the Company began recognizing the VNR – New replacement value, ratified by ANEEL, for assets comprising the concession, restated by the variance of the IGP-M price index, recognizing R$ 3,673 (R$ 16,286 in 2012) in the net income for the year in financial revenue restatement of concession accounts receivable - VNR.

The concession's accounts receivable are classified as available-for-sale in the non-current assets.

See below the changes occurred:

Change	2013	2012
Financial asset - 2012 and 1/1/2012	**68,786**	**48,146**
Additions in the year (*)	11,868	4,973
Write-offs in the year	(145)	(619)
Financial asset	**80,509**	**52,500**
Restatement of accounts receivable from the concession - VNR	3,673	16,286
Financial asset restated cost - 2013 and 2012	**84,182**	**68,786**

(*) Transfer from intangible assets to accounts receivable of the concession.

15. Intangible assets and PPE

	2013	2012
Intangible assets - Concession agreement	4,926	13,348
Property, plant and equipment	3,448	3,812
Total	**8,374**	**17,160**

a) Intangible assets - Concession agreement

Portion of the assets used in the electricity distribution concession to be recovered through electricity rates during the arrangement term.

	Balance 2012	Addition	Transfers	Write-offs (*)	Amortization	Balance 2013
INTANGIBLE ASSETS						
Intangible assets in service						
Cost	55,547	-	489	(1,288)	-	54,748
Amortization	(44,525)	-	-	1,288	(4,389)	(47,626)
Subtotal	11,022	-	489	-	(4,389)	7,122
In Progress	7,076	8,461	(310)	(12,577)	-	2,650
Total	**18,098**	**8,461**	**179**	**(12,577)**	**(4,389)**	**9,772**
(-) Obligations linked to the concession						
In Service						
Cost	1,734	-	(89)	-	-	1,645
Amortization	(1,037)	-	-	-	(383)	(1,420)
Subtotal	697	-	(89)	-	(383)	225
In Progress	4,053	1,020	89	(541)	-	4,621
Total	**4,750**	**1,020**	**-**	**(541)**	**(383)**	**4,846**
Total intangible assets	**13,348**	**7,441**	**179**	**(12,036)**	**(4,006)**	**4,926**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Software	515	-	(515)	-	-	-
Reservoirs, dams and water pipelines	2,033	-	-	(27)	-	2,006
Buildings and improvements	554	-	-	(25)	-	529
Machinery and equipment	2,479	-	274	(110)	-	2,643
Vehicles	123	-	-	-	-	123
Furniture and fixtures	1,025	-	62	(174)	-	913
Accumulated Depreciation	(2,917)	-	-	270	(119)	(2,766)
Total property, plant and equipment	**3,812**	**-**	**(179)**	**(66)**	**(119)**	**3,448**
Grand Total	**17,160**	**7,441**	**-**	**(12,102)**	**(4,125)**	**8,374**

(*) R$ 12,036 of the R$ 12,102 written off was transferred to the concession's accounts receivable and R$ 66 to write-offs in the year.

Around R$ 168 of the R$ 1,020 of additional special obligations was transferred from the concession accounts receivable.

	Balance as of 1/1/2012	Addition	Transfers	Write-offs (*)	Amortization	Balance 2012
INTANGIBLE ASSETS						
Intangible assets in service						
Cost	62,990	-	(6,122)	(1,321)	-	55,547
Amortization	(43,944)	-	2,266	1,190	(4,037)	(44,525)
Subtotal	19,046	-	(3,856)	(131)	(4,037)	11,022
In Progress	2,690	10,751	(1,470)	(4,895)	-	7,076
Total	**21,736**	**10,751**	**(5,326)**	**(5,026)**	**(4,037)**	**18,098**
(-) Obligations linked to the concession						
In Service						
Cost	1,574	-	13	147	-	1,734
Amortization	(834)	-	-	-	(203)	(1,037)
Subtotal	740	-	13	147	(203)	697
In Progress	3,453	685	(13)	(72)	-	4,053
Total	**4,193**	**685**	**-**	**75**	**(203)**	**4,750**
Total intangible assets	**17,543**	**10,066**	**(5,326)**	**(5,101)**	**(3,834)**	**13,348**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Software	-	-	565	(50)	-	515
Reservoirs, dams and water pipelines	-	-	2,033	-	-	2,033
Buildings and improvements	-	-	554	-	-	554
Machinery and equipment	-	-	3,848	(1,369)	-	2,479
Vehicles	-	-	123	-	-	123
Furniture and fixtures	-	-	1,025	-	-	1,025
Accumulated Depreciation	-	-	(2,822)	215	(310)	(2,917)
Total property, plant and equipment	**-**	**-**	**5,326**	**(1,204)**	**(310)**	**3,812**
Grand Total	**17,543**	**10,066**	**-**	**(6,305)**	**(4,144)**	**17,160**

(*) R$ 4,823 of the R$ 6,305 written off was transferred to the concession's accounts receivable and R$ 1,482 to write-offs in the year. Around R$ 150 refers to the application of Normative Resolution 474 - new depreciation rates in the concession's accounts receivable.

The assets used by the Company in its operations are tied to public energy distribution services, and may not be removed, sold, transferred or pledged under mortgage guarantee without the prior, express consent of the Regulatory Authority. ANEEL Resolution 20/99 regulates the freeing up of the public electricity service concessions' infrastructure, awarding preliminary authorization for the release for the purpose of disposal. It also determines the proceedings of the disposal be deposited into a specific bank account and the funds reinvested into the concession's assets.

The amortization is being conducted over the arrangement term based on the economic benefits generated annually. The average weighted amortization rate used is 3.83% (3.80% in 2012) .

The balance of intangible assets and accounts receivable from the concession is reduced by special obligations linked to the concession, consisting of:

Obligations linked to the concession:	2013	2012
Consumer contributions	9,325	8,737
Government Subsidy – CDE funds	163	163
Excess Demand Revenue and Surplus Reactive Energy	763	330
(-) Accumulated amortization	(1,252)	(1,036)
Total	**8,999**	**8,194**
Allocation:		
Accounts receivable from the concession	4,153	3,444
Infrastructure - Intangible assets in service	393	697
Infrastructure - Intangible assets in progress	3,690	3,723
Excess Demand Revenue and Surplus Reactive Energy	763	330
Total	**8,999**	**8,194**

Consumer contributions represent third-party participation in construction work to supply electricity to areas not embraced by the electricity concessionaires' expansion projects.

Government subsidies – CDE funds and Government subsidies derive from the Energy Development Account - CDE and are allocated to the Light for All program.

The Company began amortizing its special obligations in June 2008.As from the second periodical rate review the obligations linked to the concession (special obligations) are now amortized at the average depreciation rate for property, plant and equipment of the respective activity in which the special obligation funds were used.

Excess Demand Revenue and Surplus Reactive Energy

By way of REN 463 issued November 22, 2011, ANEEL determined that the amounts deriving from fines for exceeding demand and surplus reactive energy consumption will be recorded as special obligations, as from the rate reviews for the 3rd cycle of rate reviews. Before the 3rd cycle, these amounts used to be recorded as operating revenue. The Company underwent the 3rd rate review cycle in June 2012, and thereafter the invoicing of excess demand has been recorded as Special obligations. As of December 31, 2013 the amount recorded in this item stood at R$ 763 (R$ 330 in 2012).

As the representative of electricity distribution companies, ABRADEE (Brazilian Association of Electricity Distributors) filed suit contesting the treatment afforded to this revenue.

Financial Charges

During the period ended December 31, 2013 and 2012 the Company transferred financial charges to the intangible assets in progress, as shown below:

	2013	2012
Financial charges - debt charges - interest	3,154	2,740
(-) Transfer to intangible assets in progress (*)	(189)	(210)
Net effect on income	**2,965**	**2,530**

(*) Pursuant to CPC 20, the Company used the average weighted rate to appropriate the costs of loans for assets not directly related and the effective rate for the specific assets (see note 24).

Property, plant and equipment

The depreciation rate practiced by the Company for property, plant and equipment were:

Depreciation rates of property, plant and equipment	Fees
Reservoirs, dams and power tunnels	2.94%
Buildings and improvements	3.33%
Machinery and equipment	6.25%
Vehicles	14.29%
Furniture and fixtures	6.25%

16. Suppliers payable

	2013	2012
Supplies (1):		
Ampla - CUSD	783	1,407
Free Energy	116	113
Bilateral contracts	4,000	3,369
Materials, services and other (2)	2,434	2,394
Total	**7,333**	**7,283**
Current	7,217	7,170
Noncurrent	116	113

(1) The acquisition of electricity from use of the high-voltage grid and use of the distribution system of the distribution company Ampla, with an average settlement of 25 days.

(2) Acquisitions of materials, services and other items required to implement, conserve and maintain the electricity sale and distribution services, with an average settlement of 40 days.

17. Loans, financing and debt charges

Operations	Debt charges	Principal		Total		Re.
		Current	Noncurrent	2013	2012	
Local currency						
Credit Receivables Investment Fund - Energisa Group III (*)	30	-	4,000	4,030	4,020	
Eletrobrás - Light for All - 1st tranche	-	76	211	287	363	
Eletrobrás - Light for All - Emergency	-	74	558	632	632	
Banco HSBC - BNDES pass-through I	2	147	197	346	493	
Banco HSBC - BNDES pass-through II	1	80	103	184	228	
Banco HSBC - BNDES pass-through III	-	48	64	112	162	
Banco Itaú BBA - BNDES pass-through I	1	183	1,097	1,281	1,467	
Banco Itaú BBA - BNDES pass-through II	-	74	388	462	461	
Banco Itaú BBA - BNDES pass-through III	3	76	457	536	613	
Banco Itaú BBA - BNDES pass-through IV	3	125	751	879	1,004	
Banco Itaú BBA - BNDES PER pass-through	4	743	929	1,676	2,205	
Banco Itaú BBA - FINAME	4	108	790	902	478	
Banco Itaú BBA - BNDES Automatic I	26	1,402	4,913	6,341	5,244	
Banco Itaú BBA - BNDES Automatic II	38	417	1,381	1,836	1,334	
Total local currency	**112**	**3,553**	**15,839**	**19,504**	**18,704**	
(-) Borrowing costs incurred	(6)	-	(38)	(44)	(50)	
Foreign currency						
Citibank	98	19,326	-	19,424	17,120	(1) and (2)
Bank of America Merrill Lynch	34	9,370	-	9,404	8,281	(1) and (2)
Banco Itaú BBA I	101	-	7,028	7,129	11,157	(1)
Banco Itaú BBA II	3	-	5,646	5,649	-	(1)
Total foreign currency	**236**	**28,696**	**12,674**	**41,606**	**36,558**	
Total ENERGISA NOVA FRIBURGO	**342**	**32,249**	**28,475**	**61,066**	**55,212**	

(*) To guarantee payment of the short-term portions, the Company maintains interest-earning bank deposits to the amount of R$ 242 (R$ 900 in 2012), recorded under "secured funds" in the current and noncurrent assets.

(1) These contracts are subject to a currency swap and a financial derivative instrument.

(2) The financing contracts from Citibank Bank of America Merrill Lynch, Citibank and Banco Itaú BBA are subject to a currency swap and financial derivative instruments (see note 29).

The financing obtained from Finame is secured by the actual equipment financed.

The Company usually allocates the payment of interest on financing to the cash flow statement.

Contractual covenants of the loans and financing as of December 31, 2013:

Operation	Details of the Operation			Average Term months	Cost of the Debt			TIR (Effective interest rate)	Ref
	Maturity	Amortization Frequency	Collateral		Index		Interest rate p.a.		
Credit Receivables Investment Fund - Energisa Group III	Dec-2020	monthly, after Dec.2017	Receivables	66	CDI	+	0.7%	8.82%	
Eletrobrás - Light for All - 1st tranche	Aug-2017	monthly	Receivables	23	RGR 5.0%			5.0%	
Eletrobrás - Light for All - Emergency	May-2019	monthly, after Jun.2014	-	36	RGR 5.0%			5.0%	
Banco HSBC - BNDES pass-through I	Apr-2016	monthly	Endorsement of Energisa S.A.	14	TJLP	+	4.3%	9.51%	
Banco HSBC - BNDES pass-through II	Apr-2016	monthly	Endorsement of Energisa S.A.	14	UMBND	+	4.3% + floating interest	19.56%	
Banco HSBC - BNDES pass-through III	Apr-2016	monthly	Endorsement of Energisa S.A.	14	TJLP	+	3.9%	9.1%	
Banco Itaú BBA - BNDES pass-through I	Dec-2020	monthly	Endorsement of Energisa S.A.	42	TJLP	+	4.75%	9.98%	
Banco Itaú BBA - BNDES pass-through II	Dec-2020	monthly	Endorsement of Energisa S.A.	42	UMBND	+	3.75% + floating interest	19.05%	
Banco Itaú BBA - BNDES pass-through III	Dec-2020	monthly	Endorsement of Energisa S.A.	42	TJLP	+	5.95%	11.25%	
Banco Itaú BBA - BNDES pass-through IV	Dec-2020	monthly	Endorsement of Energisa S.A.	42	Fixed 5.5%			5.5%	
Banco Itaú BBA - BNDES PER pass-through	Mar-2016	monthly	Endorsement of Energisa S.A.	14	Fixed 5.5%			5.5%	
Banco Itaú BBA - FINAME	until Feb-2021	monthly	Endorsement of Energisa S.A.	50	pre-fixed		2.5% to 5.5%	2.5% to 5.5%	
Banco Itaú BBA - BNDES Automatic I	Jun-2018	monthly	Endorsement of Energisa S.A.	27	TJLP	+	4.65%	9.88%	
Banco Itaú BBA - BNDES Automatic II	Jun-2018	monthly	Endorsement of Energisa S.A.	27	UMBND	+	3.65%	18.31%	
Citibank	Sep-2014	final	Endorsement of Energisa S.A.	9	Libor	+	2.25%	17.79%	(1)
Bank of America Merrill Lynch	Feb-2014	final	Endorsement of Energisa S.A.	2	Libor	+	2.45%	18.02%	(1)
Banco Itaú BBA I	Aug-2015	final	Endorsement of Energisa S.A.	20	US dollar	+	3.2466%	18.36%	(1)
Banco Itaú BBA II	Dec-2015	final	Endorsement of Energisa S.A.	24	US dollar	+	3.247%	18.36%	(1)

(1) The financing contracts from Citibank Bank of America Merrill Lynch, Citibank and Banco Itaú BBA are subject to a currency swap and financial derivative instruments (see note 28).

The main indicators used to restate the loans and financing presented the following percentage variations in the year:

Currency/indicators	2013	2012
USD x R$	14.64%	8.94%
TJLP	5.00%	5.50%
SELIC	8.22%	8.49%
CDI	8.06%	8.40%
IPCA	5.91%	5.84%
IGP-M	5.53%	7.81%

As of December 31, 2013, the maturities of the long-term financing are scheduled as follows:

	2013
2015	16,249
2016	2,839
2017	2,535
2018	2,904
2019	1,931
2019 onwards	2,017
	28,475

See the changes in the financial years ended 2013 and 2012:

Description	2013	2012
Balances in 2012 and 1/1/2012	**55,212**	**40,175**
New loans and financing obtained	2,703	25,234
Debt charges - interest, monetary and exchange variance	8,666	5,640
Principal payment	(2,175)	(13,387)
Interest payments	(3,340)	(2,450)
Balances in 2013 and 2012	**61,066**	**55,212**
Current	32,591	2,652
Noncurrent	28,475	52,560

18. Taxes and Payroll Contributions

	2013	2012
ICMS	113	-
Social Charges	209	214
IRPJ	1,402	999
CSSL	594	488
PIS/COFINS	1,228	976
IRRF	200	-
Other	332	238
Total	**4,078**	**2,915**
Current	2,227	1,584
Noncurrent	1,851	1,331

19. Provisions for labor, civil and tax risks.

Based on the opinion of its legal advisors, Company Management made a provision for labor, civil and tax contingencies, as shown below:

	Opening balance 2012	Provisions made	Reversal of provisions	Restatement	Closing balance 2013
Labor claims	173	-	(21)	10	162
Civil	1,094	352	(591)	57	912
Tax	993	183	(200)	190	1166
Total	2,260	535	(812)	257	2,240
Restricted and escrow deposits (*)	(540)				(388)

	Opening balance 1/1/2012	Provisions made	Reversal of provisions	Restatement	Closing balance 2012
Labor claims	94	73	-	6	173
Civil	1,141	94	(203)	62	1,094
Tax	987	-	-	6	993
Total	2,222	167	(203)	74	2,260
Restricted and escrow deposits (*)	(434)				(540)

(*) Energisa NF has restricted and escrow deposits in its noncurrent assets of R$ 2,530 (R$ 1,730 in 2012). Provisions for contingencies have not been made for R$ 2,142 (R$ 1,190 in 2012) as the chances of success are rated as possible or probable.

The amount of R$ 109 (R$ 90 in 2012) was paid in the financial year, consisting of labor claim settlements of (R$ 3 in 2012) and civil claim compensation of R$ 109 (R$ 87 in 2012).

Provisions for success fees were made in the year for proceedings rated as possible and remote defeats of R$ 727 (R$ 130 in 2012) in the statements, recorded under trade payables.

Probable losses:

Labor claims

Most of these lawsuits involve claims for overtime, salary parity, FGTS (Government Severance Indemnity Fund for Employees) and contractual/legal fees.

Civil

The civil proceedings are mainly disputing indemnification for moral and material damages and consumer complaints involving energy debits. Lawsuits have also been filed by consumers claiming reimbursement of amounts paid to the Company resulting from rate increases introduced under DNAEE Ordinances 38 and 45 applied during the term of the Cruzado Plan in 1986. A provision has been made for the amount of the rate increase of R$ 181.

Tax

Refers to disputes involving the COFINS, PIS, ISS, ICMS and CSLL taxes. The requirement to pay the liabilities has been stayed under the proceedings, either because the administrative proceedings are in progress or because the tax enforcements in progress have been duly guaranteed.

Company management holds all the other provisions made are sufficient to cover any losses arising from the proceedings in progress. Based on the opinion of said legal advisors, provisions have been made for all legal proceedings for which the likelihood of a future disbursement has been rated as probable.

Possible losses:

The Company is party to labor, civil and tax claims in progress to the total amount of R$ 14,806 (R$ 13,749 in 2012), where the chance of success has been estimated as possible, meaning no provision was required in the financial statements.

See below the comments of our legal advisers regarding cases rated as a possible risk:

Labor claims

Labor claims of R$ 147 (R$ 140 in 2012) relate to disputes with former employees claiming overtime, health hazard allowances and "on call" hours.

Civil

Civil claims amounting to R$ 9,472 (R$ 11,415 in 2012) mainly relate to disputes about electricity bills, in which the consumer is requesting the revision or cancellation of the bill; claim by consumer of material and moral damages due to the suspension of the electricity supply due to non-payment, irregularities in meters, surges in voltages or temporary blackouts; In addition to the regulatory fines originating from inspections conducted by the concession authority which are undergoing administrative defense.

Tax

The tax and labor claims amounting to R$ 5,187 (R$ 2,194 in 2012) basically consist of disputes about: (i) collection of ISS on concession services; (ii) demand for IRPJ, CSLL, PIS and COFINS tax credits, where new proceedings were included in the year of around R$ 2,418, and motions to stay execution were files disputing the grounds for the proceedings.

20. Shareholders' equity

20.1 Capital

The share capital is R$ 39,743 (R$ 32,650 in 2012), represented by 16,295 common shares (13,387 in 2012, consisting of 10,825 common shares and 2,562 preferred shares), with no par value.

The Extraordinary General Meeting held April 24, 2013 approved the conversion of all preferred shares into common shares at the ratio of one to one, with the share capital changing to 13,387 common shares with no par value.

The Extraordinary General Meeting held December 20, 2013 approved the increase to the Company's share capital of R$ 7,093 via the issuance of 2,908 new common shares with no par value, for the approximate issuance price of R$ 2.44 per share, with capitalization of part of the balance of dividends payable for FY 2012 amounting to R$ 4,742 of the balance of interim dividends for FY 2013 of R$ 2,351.

20.2 Capital reserve - special goodwill reserve

Made as a result of the takeover of the parent company. As mentioned in note 13, this represents the tax benefit of the goodwill which will be incorporated to the Company's share capital, as and when it obtains the tax benefit as a result of amortizing the portion corresponding to the goodwill which originated it.

20.3 Profit reserve – legal reserve

Allocated 5% of the net income for the year prior to any other allocations, limited to 20% of the share capital.

20.4 Dividends

The Companies' Bylaws determine the distribution of a mandatory dividend of 25% of the net income for the year, adjusted as stipulated by article 202 of Law 6404/76.

Management is proposing to pay out the following dividends:

	2013	2012
Net income for the year	6,867	14,031
Expired dividends	-	81
Legal reserve (5%)	(343)	(702)
Adjusted net income	**6,524**	**13,410**
Mandatory dividends (25%)	1,631	3,353
Prepaid dividends paid (*):		
. Paid in December 2012 - R$ 77.10 per share	-	1,032
. Paid in June 2013 - R$ 67.14 per share	899	-
. Paid in August 2013 - R$ 108.49 per share (September 2012 - R$ 216.13 per share)	1,452	2,893
	2,351	**3,925**
Additional proposed dividends R$ 256.07 per share (R$ 708.50 per share in 2012)	4,173	9,485
Total dividends	**6,524**	**13,410**
% over adjusted net income	100	100

(*) The prepaid dividends approved by the EGMs held June 13 and August 08, 2013 (August 09 and December 20, 2012) were calculated on the net income based on the balance sheet as of March 31 and June 30, 2013 (June 30 and November 30, 2012) respectively.

(**) The additional dividends proposed were recorded in the specific item dividends payable in shareholders' equity, in accordance with CPC-08 (R1) standards and will be paid on a date to be defined at the Executive Board meeting.

21. Operating revenue

	2013			2012		
	Not audited by the independent auditors			Not audited by the independent auditors		
	No. of consumers	MWh	R$	No. of consumers	MWh	R$
Residential	86,445	160,825	64,360	84,241	154,206	71,776
Industrial	921	61,875	21,032	947	59,188	21,980
Commercial	9,479	72,375	29,743	9,395	70,198	32,192
Rural	1,011	5,118	1,959	959	4,926	1,476
Government:						
Federal	59	1,142	462	54	1,127	524
State	82	1,602	670	76	1,580	760
Municipal	230	4,403	1,830	211	4,344	2,077
Public Lighting	2	20,296	5,099	2	20,554	5,667
Public Utility	107	10,531	3,475	103	10,264	3,312
Internal Use	20	429	-	19	356	-
Subtotal	**98,356**	**338,596**	**128,630**	**96,007**	**326,743**	**139,764**
Revenue from Remuneration of Concession Assets	-	-	4,390	-	-	4,909
Sales not invoiced (net)	-	1,052	168	-	368	(803)
Provision of the transmission and distribution system	-	-	1,619	-	-	1,836
Construction Revenue	-	-	8,265	-	-	10,354
Other operating revenue	-	-	4,009	-	-	4,488
Total - gross operating revenue	**98,356**	**339,648**	**147,081**	**96,007**	**327,111**	**160,548**
Deductions from operating revenue						
ICMS	-	-	32,041	-	-	34,767
PIS	-	-	2,314	-	-	2,476
COFINS	-	-	10,657	-	-	11,406
ISS	-	-	119	-	-	106
Quota for RGR	-	-	(544)	-	-	1,706
Energy Efficiency Program - PEE	-	-	455	-	-	443
Energy Development Account - CDE	-	-	960	-	-	3,543
Energy Development Account - CCC	-	-	201	-	-	3,620
Research and Development Program – P&D	-	-	464	-	-	710
Excess Demand Revenue and Surplus Reactive Energy	-	-	433	-	-	330
Total	-	-	47,100	-	-	59,107
Total - net operating revenue	**98,356**	**339,648**	**99,981**	**96,007**	**327,111**	**101,441**

22. Operating costs and expenses

The operating costs and expenses specified in the statement of income for the year are broken down into the following types of expenses:

ENERGISA NOVA FRIBURGO TYPE OF EXPENSE	COST OF SERVICE ON ENERGY	COST OF SERVICE OF OPERATION	COST OF SERVICE PROVIDED A THIRD PARTIES	OPERATING EXPENSES SALES	OPERATING EXPENSES GENERAL AND ADMIN.	TOTAL 2013	TOTAL 2012
Electricity purchased for resale	41,462	-	-	-	-	41,462	37,411
Charge for using transmission and distribution system	8,271	-	-	-	-	8,271	13,748
Personnel and management	-	2,753	13	1,509	4,493	8,768	9,009
Private pension fund	-	18	-	-	157	175	139
Material	-	564	110	206	83	963	970
Outsourced services	-	5,080	92	2,614	9,452	17,238	16,043
Depreciation and amortization	-	4,029	-	8	424	4,461	4,144
Allowance for doubtful accounts	-	-	-	127	-	127	188
Provisions for labor, civil and tax risks	-	-	-	-	(277)	(277)	(37)
Construction cost	-	-	8,265	-	-	8,265	10,354
Other	-	518	5	66	1,596	2,185	2,395
	49,733	**12,962**	**8,485**	**4,530**	**15,928**	**91,638**	**94,364**

23. Other income

	2013	2012
Gains on the deactivation/sale of assets and rights	3,710	1,423
Losses on the deactivation/sale of assets and rights	(893)	(2,081)
Total	**2,817**	**(658)**

24. Financial revenue and expenses

	2013	2012
Revenue on short-term investments	637	537
Monetary variation and arrears surcharge on energy sold	1,387	1,606
Restatement of accounts receivable from the concession - VNR	3,673	16,286
Other financial revenue	1,055	92
Total financial revenue	**6,752**	**18,521**
Debt charges - interest	(3,154)	(2,740)
Debt charges - monetary and exchange variance	(5,512)	(2,900)
(-) Transfer to orders in progress	189	210
Present value adjustment of assets	1	(1)
Mark-to-market of derivatives	(1,520)	1,351
Derivative financial instruments	3,974	1,644
Endorsement commission	(682)	-
Other financial expenses	(1,145)	(1,434)
Total financial expense	**(7,849)**	**(3,870)**
Net financial income (expenses)	**(1,097)**	**14,651**

25. Net income per share

The basic and diluted earnings per share were calculated through profit and loss of the year and the respective number of common and preferred shares in circulation.

	2013	2012
Net income for the year per share attributable to controlling shareholders:	6,867	14,031
Average weighted by shares	13,630	13,387
Basic and diluted earnings per share - R$	503.82	1,048.11

26. Insurance coverage

The Company has the policy of taking out insurance coverage for the assets subject to risk to cover any incidents, considering the nature of its activity. The Company's insurance contracts are made in accordance with the risk management and insurance fundamentals generally employed by electricity distribution companies. Given their nature, the risk assumptions adopted do not comprise the scope of a financial statements audit, and were not therefore examined by our independent auditors.

The civil liability and named risk policies are taken out in conjunction with the other Energisa Group companies and the maximum indemnification amounts are stated in the insurance coverage.

The main items covered are:

Lines	Maturity Date	Insurance Coverage	Annual Premium	
			2013	2012
Nominated Risks	10/23/2014	35,321	38	42
General Civil Liability	10/23/2014	50,600	26	27
Automobiles – Third party material and personal damages	10/23/2014	Up to R$ 360,000 / vehicle	17	20
Collective life insurance – Personal Death and Accidents	12/31/2014	9,538	43	38
			124	127

Nominated Risks

The insurance policy specified the substations, buildings and equipment and the respective insured values and the indemnification limits. It has basic coverage including fire, lightning strike and explosions of any nature, electrical damages, hurricanes, aircraft crash, collision by air or ground vehicle, commotion, flooding/water damage, minor engineering work, extraordinary expenses inclusion of assets and sites, mistakes and omissions.

Civil Liability

The insurance policy covers moral hazard, material and personal damages to third parties resulting from the Company's operations.

Vehicles

The Company has insurance coverage for RCF/V – Optional/Vehicle Civil Liability, guaranteeing coverage of personal and/or material damages incurred by third parties involved in accidents.

Collective Life Insurance and Personal Accidents

Guarantees insurance coverage for its employees in the event of death by any cause, full or partial permanent disability due to accidents and permanent and/or total disability due to illness.

27. Leasing

The Company has vehicles recorded under intangible which have been fully amortized and were acquired under commercial leases.

28. Financial instruments and risk management

The book and fair values of financial instrument assets and liabilities have been compared below:

	2013		2012	
ASSETS	Book	Fair value	Book	Fair value
Cash and cash equivalents	4,927	4,927	5,260	5,260
Money market and secured funds	4,075	4,075	3,907	3,907
Consumers and concessionaires	14,409	14,409	14,991	14,991
Credit receivables and other	266	266	373	373
Accounts receivable from the concession	84,182	84,182	68,786	68,786
Derivative financial instruments	7,708	7,708	4,082	4,082

	2013		2012	
LIABILITIES	Book	Fair value	Book	Fair value
Suppliers payable	7,333	7,333	7,283	7,283
Loans, financing and debt charges	61,066	61,066	55,212	56,636

In compliance with CVM Instruction 475/2008 and Resolution 604/2009, the description of the book balances and the fair values of the financial instruments included in the balance sheet at December 31, 2013 and 2012 are shown below:

Nonderivatives - classification and measurement

Loans and receivables

Includes trade accounts receivable, consumers and concession operators, outstanding receivables, other receivables and accounts receivable of the concession. They are initially measured at amortized cost using the effective interest rate, and their balances are approximated to fair value.

Money market and secured funds

The balances of short-term investments in Bank Deposit Certificates and investment funds are valued at fair value through profit and loss, except when held to maturity, when the Company has the intention and financial ability to hold them to maturity. Subsequent to initial valuation, these assets are recorded at amortized cost at the effective interest rate method, less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are nonderivative instruments not classified as: (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

After initial measurement, available-for-sale financial assets are measured at fair value, with unrealized gains and losses directly recognized as other comprehensive income until the investment is derecognized, with the exception of impairment losses, interest calculated by the effective interest method and exchange variance gains and losses on monetary assets, which are recognized directly in profit or loss for the period.

Financial liabilities measured at amortized cost:

Suppliers payable - stated at the known amounts or estimated, plus, when applicable, the corresponding charges and/or monetary and exchange variations incurred up to the balance sheet date, where the book value approximates fair value.

Loans, financing and debt charges - these financial instruments are classified as financial liabilities at amortized cost. The book values of the local-currency loans and financing obtained from Eletrobrás and BNDES and loans from commercial banks compatible with the fair value of the transactions, as similar transactions are not available on the financial market, with comparable maturities and interest rates. The fair value of the financial liabilities traded in active markets is determined based on the prices observed in said markets (source: CETIP). For financial instruments with no active market, i.e. FIDC, the Company determined the fair value as the equivalent of the instrument's carrying amount.

Derivatives

The estimated fair values of the financial assets and liabilities were determined through information available in the market and appropriate valuation methodologies.

The Company has the policy of managing market risks, thereby avoiding assuming material positions exposed to fair value fluctuations. They therefore only seek to use instruments which provide greater risk control. The derivative contracts involve swap operations and options with interest and exchange rates, in order to counter the exposure to changes in US dollar exchange rate and to bring the debt cost in line with market trends.

The hedge transactions against adverse exchange variance require constant monitoring in order to preserve the efficiency of their structures. The transactions in force are subject to restructuring at any time and can be reversed or subject to additional transactions in order to reduce potential material losses.

- **Uncertainty**

The amounts were estimated at the reporting date based on information available in the market and appropriate appraisal techniques. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate fair value. Consequently, the estimates used and presented below do not necessarily indicate the values that could be realized in the current exchange market.

- **Financial risk management**

The Board of Directors is generally responsible for establishing and supervising the Company’s risk management model. The Company has therefore implemented operating limits with pre-established amounts and indicators in the “Financial Risk Management policy” (reviewed annually and available on the Company’s site, reviewed last on 12/20/2012) and in the internal regulations of the Executive Board of the Company.

The Company's risk management aims to detect, analyze and monitor risks encountered, in order to establish limits and check compliance with them. Risk management policies and systems are reviewed regularly in order to evaluate changes in market conditions and the Company's activities. The Executive Board issues a monthly report on budgetary performance and risk factors involving the Company.

The Company has been using the services of a specialized, independent company in cash and debt risk management, which means that the main macroeconomic indicators and their impact on results are monitored on a daily basis, in particular derivative transactions. This allows contracting and repositioning strategies to be devised, pursuing low risk and higher financial income.

Credit risk management

The debt index at the end of the year is the following:

	2013	2012
Debt (a)	61,066	55,212
Cash and cash equivalents	(4,927)	(5,260)
Net debt	56,139	49,952
Net equity (b)	60,660	58,509
Net debt index	0.93	0.85

(a) The debt is defined as short and long-term loans and financing (excluding derivatives and financial surety contracts), as detailed in notes 17.

(b) The shareholders' equity includes the entire capital and reserves of the Company, managed as capital.

a) Liquidity risk

By way of the projected cash flow, Management schedules its obligations to generate financial liabilities to the flow of receipts or sources of financing in order to ensure the greatest possible liquidity so as to honor its obligations, thereby avoiding default which hinders the operational progress of the Company.

The financial liabilities, including estimated interest payments, are as follows. Significant changes in the analyzed cash flows are not expected.

	Up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Suppliers payable	7,217	-	-	-	116	7,333
Loans and financing	12,591	23,248	22,748	6,994	4,586	70,167

b) Credit risk

Parent Company's management believes the risks posed by its interest-earning bank deposits are minimal, as there is no concentration and transactions are conducted with banks which assess risk in accordance with the “Financial Risk Management policy”. The Board of Directors' Audit Committee was convened in the first quarter of 2010 to oversee the Company's management, according to the rules and principles established in the policy.

The credit risk is posed by accounts receivable, which however is mitigated by sales to a broad consumer base and legal prerogatives which allow the provision of services to defaulting clients to be suspended. Part of the receivables referring to sales, energy acquisition and system service charges, incurred at CCEE, are also subject to change depending on the outcome of legal proceedings in progress, filed by a number of companies in the sector. These proceedings have resulted from the interpretation of market rules in force between June 2001 and February 2002, during which the Emergency Electricity Rationing Program was in force.

Exposure to credit risks

The book value of the financial assets denotes the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was:

	2013	2012
Cash and cash equivalents	4,927	5,260
Money market and secured funds	4,075	3,907
Consumers and concessionaires	14,409	14,991
Credit receivables and other	266	373
Accounts receivable from the concession	84,182	68,786
Derivative financial instruments	7,708	4,082

Further information about these credits can be seen in notes 5, 6, 7, 14 and 28.

c) Interest and exchange rate risk

Part of the local-currency loans and financing presented in note 17 consist of financing from several national development agencies (Eletrobrás and BNDES) and other institutions in the capital market. The interest rate is defined by these Agents, taking into account the underlying interest rate, the risk premium compatible with the financed companies, their guarantees and the sector they are engaged in. In the event it is not possible to acquire alternatives or different market hypotheses and/or methods for their estimates, in view of the subsidiaries' business and sector specifics, these are measured by the amortized cost method at the contractual rates.

The Company is always looking for opportunities to renew these hedge instruments, in order to structure instruments which will ensure the continuity of these existing hedge mechanisms, and may adopt other mechanisms which prudently balance risk and cost.

The Company's earnings are is susceptible to variations due to the volatility of the exchange rate on the sale of options underlying swaps of liabilities denominated in foreign currencies, mainly the US dollar. The US dollar exchange rate closed the year ended December 31, 2013 up by 15% over December 31, 2012, quoted at R$ 2.3426 / USD. The volatility of the US dollar as of December 31, 2013 was 11.5%, compared with 6.00% as of December 31, 2012.

R$ 41,615 (R$ 36,558 in 2012) of the Company's bank debt and issuances as of December 31, 2013 totaling R$ 61,110 (R$ 55,262 in 2012 is denominated in US dollars deriving from loans from Bank of America Merrill Lynch, Itaú BBA and Citibank of USD 17.9 million (principal of USD 17.7 million). The loans have a short and long term maturity (between Feb/14 and Dec/15) and costs of up to USD plus 3.2466% per annum.

The balance sheet as of December 31, 2013 presents R$ 7,708 in the noncurrent assets (R$ 4,082 in 2012) referring to the mark-to-market of the financial derivatives related to the foreign exchange rate and interest, resulting from a combination of factors usually adopted for the mark-to-market of these instruments, such as volatility, currency coupon, interest rates and the US dollar exchange rate. This is not a material liability, because the reversal value of derivatives at the calculation date is estimated, which does not correspond to the hedge objective expected by management. The mark-to-market entries made in the interim financial statements are reversed when the caps established for the existing operations are not exceeded, as shown below. Moreover, further deterioration of the volatility, the currency coupon and the f/x rate could result in the amounts recorded increasing.

The Company has hedged the aforementioned positions against adverse exchange variance, as mentioned earlier. See the details below:

Debt	Notional (USD)	Financial Cost	Maturity	Cap
Loan 4131				
Citibank	8,250		9/30/2014	2.9633(Sep -14)
Receivable Position		Libor + 2.25%		
Liability Position		91.5% CDI		
Loan 4131				
BAML	4,000		2/18/2014	2.8196(Feb -14)
Receivable Position		Libor + 2.45%		
Liability Position		102.0% CDI		
Loan 4131				
Itaú BBA			8/17/2015	2.85(Aug-15)
Receivable Position	3,000	VC + 4.33%		
Liability Position		100.0% CDI		
Loan 4131				
Itaú BBA			12/28/2015	2.95(Dec-15)
Receivable Position	2,410	VC + 3.82%		
Liability Position		110.5% CDI		

Company Management monitors changes in the market, so that these hedge transactions may be restructured and their terms even extended depending on the performance of the exchange rate (R$/USD), in terms of volatility and stabilization level. Company management sought to replace complex derivatives with simpler structures and greater liquidity, with a view to lower risk exposure.

On September 13, 2013 Company Management accordingly raised the caps maturing in 2014 of the swaps associated with loans in 2014, in order to mitigate the risk of losses due to an increase in the dollar exchange rate, in the event the market was agitated by the presidential elections and other events taking place both domestically and overseas. The new swap caps are shown in the table below:

Distributor	Maturity	Notional (USD thousand)	Previous Strike	Current Strike (post adjustment)
NOVA FRIBURGO	2/18/2014	4,000	2.6500	2.8196
NOVA FRIBURGO	9/30/2014	8,250	2.9170	2.9633

In accordance with CVM Resolution 550/08, revoked by CVM Resolution 603/09, the values of the Company's financial derivatives as of December 31, 2013 and 2012 are summarized as follows:

	Reference value			Fair value	
	2013	2012	Description	2013	2012
Swap with options - Itaú BBA, Santander, Merril Lynch and Citibank	Notional (BRL)		Receivable Position		
			Foreign Currency - USD and LIBOR	49,361	44,892
	39,913	39,913	Liability Position		
			CDI Interest Rate	(40,634)	(40,481)
			Foreign Currency Options (USD)	(1,019)	(329)
			Total Swap Position with Options	**7,708**	**4,082**

The Fair Value of the derivatives as of December 31, 2013 and 2012 was calculated based on the market price quotes for similar contracts. Their variance is directly associated with the variance of the debt balances listed in the note 17 and the positive performance of the hedge mechanisms used, as described above. The Company does not intend to settle these contracts before maturity. It also has different expectations for the results presented as Fair Value – as shown below. To ensure perfect management, daily monitoring is conducted in order to keep risk to a minimum and obtain better financial results.

The mark-to-market (MtM) of the Company's operation was calculated by an accepted method generally used by the market. The method basically consists of calculating the future value of the operations agreed in each contract, discounting the present value at market rates. A variant of the Black & Scholes formula is used to calculate the MtM of options. This formula is normally used to calculate the premium on currency options. The data used in these calculations was obtained from reliable sources. The market rates, such as the fixed rate and dollar coupon, were obtained directly from the BM&F site (Market Rates for Swaps). These rates are shown below with monthly frequency and embrace the period January 02, 2014 through maturity of all derivative operations. The Ptax exchange rate was obtained from the Central Bank's site. The implicit dollar volatility for options were obtained from BMF.

- **Sensitivity Analysis**

Pursuant to CVM Instruction 475/08 and Resolution 604/2009, which displaced Resolution 566/2008, the Company conducted sensitivity analyses on the main risks to which the financial instruments and derivatives are exposed, as shown:

(1) Exchange variance

If the exchange exposure as of December 31, 2013 were maintained, and the effects on the future financial statements simulated by type of financial instrument and for three different scenarios, the following results would be obtained (restated as for the reporting date):

Operation	Exposure	Risk	Scenario I (Probable)(1)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Financial instruments – Loans	41,615		5,680	(12,262)	(30,204)
Swap with Options					
Receivable position - Foreign Currency - USD and LIBOR	49,361		40,589	50,737	60,884
Payable Position - CDI Interest Rate	(40,634)	Higher f/x rate	(33,640)	(33,640)	(33,640)
Foreign Currency Options - USD	(1,019)		-	(1,894)	(11,619)
Total	**49,323**		**12,629**	**2,941**	**(14,579)**

(1) Considers the macroeconomic scenario presented by the Focus Survey as of December 31, 2013 for the future dates until the final settlement of the operations.

In the "Probable Scenario", calculated based on the net analysis of the above operations until the maturity thereof, adjusted to present value by the fixed rate in Brazilian reais as of December 31, 2013, the derivatives are effective, which is reflected in the positive present value of R$ 12,629, that shows how the adverse exchange variance in existing debts was mitigated. The higher the exchange devaluation (risk variable considered), the higher the gain of the swaps will be, providing the derivative caps are not exceeded, which would leave the Company with no hedge protection. However, there would be a positive present value of R$ 2,941 and negative value of R$ 14,579 in the scenarios where the Brazilian real lost 25% and 50% against the US dollar, a scenario in which some of the current caps would be exceeded.

a) Interest rate variance:

Considering the exposure of financial instruments indexed to interest rates as of December 31, 2013 is maintained and the respective accumulated annual indexes are (CDI 10.47% and LTIR 5% p.a.) and if the indexes vary in accordance with the three scenarios defined, the net financial result would be affected by:

Instruments	Exposure (R$ thousand)	Risk	Scenario I (Probable)(*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Receivable financial instruments:					
Money market and secured funds	7,277	Increase in CDI	765	956	1,148
Payable financial instruments:					
Loans and financing	(4,030)	Increase in CDI	(425)	(531)	(637)
	(8,616)	Increase in LTIR	(451)	(564)	(677)
Subtotal	(12,646)		(876)	(1,095)	(1,314)
Total	**(5,369)**		**(111)**	**(139)**	**(166)**

(*) Considers the CDI at December 31, 2014 (10.47% p.a.), quote of the estimates presented by the recent BACEN survey, dated December 31, 2013 and TJLP of 5% p.a.

(**) Does not include dollar transactions worth R$ 41,615

Fair value hierarchy

The table below presents the financial instruments recorded at fair value by a valuation method.

The different levels were defined as follows:

- Level 1 - Prices quoted (in adjusted) in active markets for identical assets and liabilities

- Level 2 - Inputs, except for quoted prices, included in Level 1 that are observable for the assets and liabilities, directly (prices) or indirectly (derived from prices)

- Level 3 - Premises, for the asset or liability, that are not based on observable market data (unobservable inputs).

Financial instruments	Level	2013	2012
Assets			
Money market and secured funds	2	4,075	3,907
Derivative financial instruments	2	7,708	4,082
Accounts receivable from the concession	3	84,182	68,786

29. Employee benefits

a) Retirement and pension supplementation plan

The Company sponsors fixed-contribution pension plans for its employees. In the 2013 financial year the plan's sponsorship expenses were R$ 157 (R$ 135 in 2012).

b) Retirement bonus

The Company is party to a collective agreement under which employees are entitled to a retirement bonus paid upon application for retirement at the National Social Security Institute (INSS).

The retirement bonus ranges from 1.5 to 15 times the employee’s salary, depending on seniority (at least 6 months, but limited to 25 years) upon applying for retirement.

The participants of the CD Plan who at the requested retirement date present amounts deposited by the sponsor in their individual counts in excess of 15 base salaries, are not entitled to the premium.

The balance of premium sponsorship is R$ 569 (R$ 566 in 2012) and has been provisioned for under Employee Benefits - pension plans in current liabilities R$ 99 (R$ 115 in 2012) and noncurrent liabilities R$ 470 (R$ 451 in 2012).

A reconciliation of assets and liabilities recognized in the balance sheet, a statement of changes in net actuarial liabilities (assets) for the period, and the total expense recognized in the statement of income of the Company's statement of income are provided below.

The actuarial position of assets and liabilities recognized in the balance sheet is shown below:

	2013	2012
		Adjusted
Present value of actuarial obligations	576	615
Fair value of the plan's assets	(7)	(49)
Actuarial liability to be provisioned for	**569**	**566**

See below the change in actuarial liabilities:

	2013	2012
		Adjusted
Net actuarial deficit at the start of the year	566	313
Expense (revenue) recognized in the statement of income	110	68
Other comprehensive income	(107)	185
Net actuarial deficit at end the year	**569**	**566**

Reconciliation of the present value of the obligations as of December 31, 2013 and 2012.

	2013	2012
Present value of the obligations at the beginning of the year	615	332
Benefits paid	-	(38)
Interest on actuarial obligation	54	39
Current service cost (including interest)	60	32
Actuarial (gain) loss on actuarial liability	(153)	250
Value of the calculated obligations at the end of the year	**576**	**615**

Statement of the expenses for the 2014 financial year according to the criteria of CVM Resolution 695:

	2014	2013
Current service cost (including interest)	48	61
Interest on actuarial obligations	41	54
Remeasurement of financial cost	10	-
Total gross expenses to be recognized	**99**	**115**

c) Healthcare plan

The Company has its own refund policies, under which employees are entitled to a reimbursement of 60% of their medical expenses. This benefit ceases immediately upon termination or retirement.

Expenses were incurred on this benefit of R$ 346 in FY 2013 (R$ 268 in 2012).

30. Commitments

The Company has the following commitments under long-term energy acquisition contracts:

Energy purchase contract - reais thousand	
Term	2014
2014 (*)	49,560

(*) The contracts with Ampla are renewable every three years.

The amounts referring to energy acquisition contracts represent the volume contracted at the current price at the end of FY 2013.

- This does not include the Proinfa and Itaipu quotas.

31. Public electricity service concession

On June 18, 1999 the Company executed with the National Electric Energy Agency – ANEEL the electricity distribution concession contract with a term of until July 07, 2015.

32. Environment

Energisa Nova Friburgo handles the social and environmental impacts caused by its products, processes and facilities through programs and practices that evidence its concern about and responsibility for the environment, including:

1. Insulated grids: insulated cables are used in grids where trees could be more affected by contact with the low-voltage cables and the dimensions of paths try to preserve the ecological balance as far as possible. Protected cables are also used in medium voltage grades close to trees, in order to avoid undesirable pruning

2. The Environment, Social and Occupational Health and Safety Management System - SGMASS implemented at the Company is based on ISO 14001, OSHAS 18001 and the applicable legislation. The system can provide the means to adequately monitor environmental, social and health and safety issues.

3. The company has been active in establishing drainage basin consortia and committees ever since Brazil's water resource regulations were initially introduced. Energisa is a member of the State Council for Water Resources of Rio de Janeiro.

4. Waste disposal and treatment: in addition to ascertaining the nature and amount of waste generated during the production process, there are procedures for handling, transporting and disposing of products, all in accordance with SGMASS.

5. Energisa is aware of its environmental responsibilities, and is therefore regenerating insulating oil used in its equipment and recovering industrial lubricating oil, ensuring the recycling of this material and avoiding environmental pollution.

6. Lamp disposal: The Company follows procedures for the controlled disposal of sodium vapor lamps, mercury vapor lamps and fluorescent lamps at its own facilities and in the public lighting infrastructure.

7. Implementation of water and energy consumption reduction campaigns, education based on the 3Rs (Reduce, Reuse and Recycle) and education for conscious consumption by distributing leaflets and presenting lectures at schools (Water Day, Environmental Week) and internal disclosure (intranet, stickers and notices put up by the company and screensavers).

In FY 2013 the investment in the aforesaid projects amounted to R$ 8,030 (R$ 4,682 in 2012), R$ 7,053 (R$ 3,767 in 2012) of which was allocated to property, plant and equipment and R$ 977 (R$ 915 in 2012) to operating expenses.

The nonfinancial information was not examined by our independent auditors.

33. Additional information to the cash flows

In the financial year ended December 31, 2013 and 2012 equity changes not affecting the Company's cash flows are as follows:

	2013	2012
Operating activities		
Accounts receivable from the concession	11,868	4,973
Restatement of accounts receivable from the concession - VNR	3,673	16,286
Suppliers payable	406	876
Investment activities		
Intangible assets	1,093	1,178
Financing activities		
Loans and financing	498	92

34. Subsequent event

The Extraordinary General Meeting held February 06, 2014 approved the procurement of a loan of USD 4,000 (four million US dollars) maturing on March 05, 2015 with an annual interest rate equal to Libor plus 2.35% to be taken out from Bank of America N.A.; and in accordance with article 16 (paragraph five) of the Company's Bylaws, the promissory note was issued to the bank equal to 120% of the loan. The operation has been endorsed by the parent company.