Energisa Minas Gerais – Distribuidora de Energia S/A

Management Report and Financial Statements for 2013

Cataguases, March 18, 2014 – The Management of Energisa Minas Gerais – Distribuidora de Energia S/A ("Energisa Minas Gerais" 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 Minas Gerais is an electricity distribution company that serves approximately 415,000 consumers and a population of roughly 1.0 million in 65 municipalities in Minas Gerais state, and one municipality in Rio de Janeiro state.

In 2013 Energisa Minas Gerais 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. In 2013 Energisa Minas Gerais was ranked second in the ranking of electricity distribution companies in Brazil's south and southeast regions, rated in the satisfaction survey conducted on consumers by the National Electricity Regulatory Agency (Aneel) annually.

2 – Investment

Focusing on projects to enhance the quality of services provided, Energisa Minas Gerais achieved the excellent rate of 99.9% of energy availability for clients in the course of the year. The investments in 2013 totaled R$ 54.4 million. The achievements made include: i) Modernizations and improvements in various distribution substations, including Santana de Manhuaçu, Muriaé 1, Ituerê 1, Nova Usina Maurício, Leopoldina, Além Paraíba, Ubá 1 and 2 and Cataguases 2, with works including the replacement of voltage regulators, breakers and voltage and current transformers; ii) Expansion of the capacity of the substations serving Visconde do Rio Branco, Sumidouro, Tebas, Sereno and Itamarati de Minas; iii) Acquisition of land for the construction of the 3rd Ubá substation, which will be built in 2015; iv) Construction of new distribution feeders in the municipalities if Ubá, Tocantins, Guiricema and Santa Margarida v) Expansion of 16% of the automation of the distribution networks, with a major impact in the time of maneuvers to restore of electricity; vi) Modernization of the protection of lightning in transmission lines especially the following transmission lines connecting the substations: Usina Benjamin Batista - Manhuaçu, Ubá 1-Visconde do Rio Branco 2 e Ubá1-Ubá2; Ubá2 - Visconde do Rio Branco 2, Guary-Ituerê 2 and Tocantins-Ituerê 2; vii) Installation of a new repeater for VHF radio in Pequiá, in order to expand the communications system in the region of Manhuaçu, Manhumirim and São Miguel do Anta viii) Refurbishment of 202 low-voltage circuits. The 345 kV connection project was also completed of the transmission system of the Company to the National Grid (belonging to the National Interconnected Grid (SIN)). Interconnection to the SIN at this voltage level will not only improve voltage levels throughout the entire electric system, but will decisively contribute to improving the quality and continuity indicators, thereby guaranteeing a faster return in cases of system events and reducing technical losses during transmission.

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 (*)	44	44	-
Installed capacity at the substations - MVA	907	878	+ 29
Transmission lines - Km	1,069	1,069	-
Distribution grids (company) - Km	26,071	25,738	+ 333
Transformers installed in the distribution grids – no.	57,820	56,424	+ 1,396
Installed capacity of the distribution grids (company) - MVA	1,043	1,013	+ 30

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	632.0	654.6	- 3.5
Net Operating Revenue	462.3	435.6	+ 6.1
Net Operating Revenue, without Construction Revenue	403.5	398.8	+ 1.2
Earnings before interest and tax (EBIT)	66.0	54.4	+ 21.3
EBITDA	83.2	69.8	+ 19.2
Adjusted EBITDA (EBITDA plus arrears charges on electricity bills)	88.7	75.7	+ 17.2
Financial Income/Loss	(23.5)	46.4	-
Net Income	27.5	66.6	- 58.7
Financial Indicators - R$ million			
Total Assets	526.7	538.7	- 2.2
Cash / Cash Equivalents / Short-Term Investments	42.7	100.8	- 57.6
Shareholders' Equity	63.9	100.9	- 36.7
Net Debt	306.9	229.3	+ 33.8
Operating Indicators			
Number of Captive Consumers (thousands)	415.3	403.7	+ 2.9
Sales of Energy to Captive Consumers (GWh)	1,146.3	1,098.9	+ 4.3
Total Electricity Distributed (GWh)	1,508.9	1,463.6	+ 3.1
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	19.2	17.4	+ 1.8 p.p
Net Debt / Adjusted EBITDA (times)	3.5	3.0	+ 16.7

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 Minas Gerais subsequently obtained a rate review resulted in an average effect to be felt by consumers of 2.56% from June 18, with the rates of low-voltage consumers rising by 3.05% and medium- and high-voltage consumers 0.99%.

Under Decree 7945/2013, Aneel publishes every month the Energy Development Account - CDE funds to be passed through by Eletrobrás to the Electricity Trading Chamber to cover the electricity acquisition and system service charges - ESS as a result of energy security, the hydrological risk and involuntary exposure in the spot market. In 2013 the amount of R$ 28.5 million was passed through to Energisa Minas Gerais: The Company recorded the amount as a reduction to the purchased energy costs and system service charges.

Pursuant to Decree 7891/2013, Aneel also ratified funds from the CDE to be passed through by Centrais Elétricas Brasileiras S.A. - Eletrobrás in the amount of R$ 36.4 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 Minas Gerais recorded net income of R$ 27.5 million in 2013, compared with R$ 66.6 million in 2012. This decrease derives from financial income (financial revenue minus financial expenses) amounted to a net financial expense of R$ 46.4 million in 2012, as compared to a net financial expense of R$ 23.5 million in 2013. The operating cash generation (Adjusted EBITDA) amounted to R$ 88.7 million in 2013, compared with R$ 75.7 million in 2012, an increase of R$ 17.2%.

See below the change in the Company's cash generation:

Breakdown of Cash Generation Amounts in R$ million	2013	2012 (Adjusted)	Change %
(=) Net Income	27.5	66.6	- 58.7
(-) Income and social contribution taxes	(14.9)	(34.1)	- 56.3
(-) Financial result	(23.5)	46.4	-
(-) Depreciation and amortization	(17.3)	(15.5)	+ 11.6
(=) Cash generation (EBITDA)	83.2	69.8	+ 19.2
(+) Arrears surcharge revenue	5.5	5.9	- 6.8
(=) Adjusted cash generation (Adjusted EBITDA)	88.7	75.7	+ 17.2
Adjusted EBITDA Margin	19.2	17.4	+ 1.8 p.p

From its earnings in 2013, the Company has paid out interim dividends of R$ 26.1 million commencing:

i) June 21, 2013, R$ 10.0 million (R$ 22.1061826 per share);
ii) August 20, 2013, R$ 3.1 million (R$ 7.00345928 per share)
iii) December 23, 2013, R$ 13.0 million (R$ 28.84325245 per share)

On top of these dividends, additional dividends will be paid out of R$ 1.4 million (R$ 3.09746973 per share), on a date to be determined. The total dividends for the year amounting to R$ 27.5 million represent 100.0% of the net income earned by the Company.

3.4 - Operating expenses

Operating expenses amounted to R$ 396.3 million in 2013, an increase of 4.0% (or R$ 15.1 million) over 2012. Controllable expenses (personnel, materials and outsourced services) rose by 2.3% (R$ 6.2 million) to R$ 90.5 million. Noncontrollable expenses on electricity and transportation purchases fell by 4.1% (R$ 9.7 million) due to funds passed through from the Energy Development Account.

Operating expenses break down as follows:

Breakdown of operating expenses (R$ million)	2013	2012 (Adjusted)	Change in R$ million
1 - Controllable expenses	90.5	84.3	+ 6.2
1.1 Personnel (includes pension fund)	33.7	29.3	+ 4.4
1.2 Material	4.4	5.2	- 0.8
1.3 Services	52.4	49.8	+ 2.6
2 - Uncontrollable expenses (acquisition of energy and transmission)	225.9	235.6	- 9.7
3 - Depreciation and amortization	17.3	15.5	+ 1.8
4 - Allowance for doubtful accounts and contingencies	(0.9)	1.0	- 1.9
5 - Other expenses / revenue	4.7	8.0	- 3.3
Subtotal	**337.5**	**344.4**	**- 6.9**
6 - Construction cost	58.8	36.8	+ 22.0
Total	**396.3**	**381.2**	**+ 15.1**

4 - Operating performance

Maintaining the focus on quality of the energy supplied and excellent customer service are ongoing priorities of Energisa Minas Gerais. The Company has presented made consistent improvements to its operating indexes.

4.1 - Management of energy losses: the year saw excellent results in the combating of electricity losses, which dropped to 8.27%, an improvement of 0.43 percentage points over 2012.

4.2 - Default management: the default rate improved by 18.7% over 2012, to 1.13%, compared with 1.39% 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 (%)	8.27	8.70	- 0.43 p.p
Consumer default over the last 12 months (%)	1.13	1.39	- 18.7
Outstanding receivables (outstanding monthly invoices) - no.	0.58	0.54	+ 7.4
ISQP (Perceived Quality Satisfaction Index) - Abradee	83.30	83.80	- 0.6
IASC (Aneel Consumer Satisfaction Index)	68.00	71.99	- 5.5
DEC (Equivalent Outage Duration per Consumer) - hours	9.80	10.16	- 3.5
FEC (Equivalent Outage Frequency per Consumer) - times	7.47	8.87	- 15.8

4.4 - Electricity sales: in 2013 electricity sales to end consumers (captive market), located in Energisa Minas Gerais' concession area, including energy associated with free consumers (TUSD), amounted to 1,505.2 GWh, an increase of 5.4% over 2012. Consumption was driven by the residential sector, which expanded by 7.3% in the year. Industrial consumption, including captive and free sales, rose by 3.9% in 2013. Total energy distributed in 2013 was 1,508.9 GWh, compared with 1,463.6 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	1,146.3	1,098.9	+ 4.3
✓ Residential	446.8	416.3	+ 7.3
✓ Industrial	177.5	187.4	- 5.3
✓ Commercial	218.5	210.4	+ 3.8
✓ Rural	156.6	141.5	+ 10.7
✓ Other Sectors	146.9	143.3	+ 2.5
2) Energy associated with free consumers (TUSD)	358.9	328.7	+ 9.2
3) Captive sales + TUSD (1+2)	**1,505.2**	**1,427.6**	**+ 5.4**
4) Sales to distributors and unbilled sales	3.7	36.0	- 89.7
5) Total Electricity Distributed (3+4)	**1,508.9**	**1,463.6**	**+ 3.1**

Energisa Minas Gerais closed the year with 415,297 captive consumer units, 2.9% more than at the end of 2012 and 32 free consumers.

5 - People management

Energisa Minas Gerais 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 Minas Gerais provided 68,978 man-hours of training, equal to 119 hours of training/employee, in an investment of more than 629,000. 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 Minas Gerais 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; A Welcome Program, which involved a meeting between the Officers and recent recruits; 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.

The Trainee, Intern and Apprentice Programs are also highlighted as other forms of attracting new talent, providing job opportunities for the community.

Also in relation to staff training, another important milestone in 2013 was the implementation of the labor training project in partnership with the National Service for Industrial Training (SENAI) for the training electricians. The main gain through the partnership is the training of labor to meet the current and future demands of the Company.

Another achievement in 2013 was the implementation of the Electric System Operator Certification and Training Centre in Cataguases (MG). In order to meet the training requirements and to standardize and centralize the training of operators at the group's generation, transmission and distribution electric system, the Centre simulates situations faced by transmission and distribution systems every day.

6 - Social and Environmental Responsibility

Energisa Group's core business is the supply of electricity to a significant portion of consumers. An important part of its Mission is social and environmental responsibility. The Group recognizes the importance of this role and is intensifying its commitment to society, with a growing presence in the form of sponsorship and cultural, environmental, social and sports schemes. The Group's social responsibility is reflected in all subsidiaries, which proactively work to advance and development several social and environmental programs, primarily in their concession areas.

Main social and cultural initiatives:

- Cultural Workshop Project: more than 18 thousand people attended the regular music and theatre shows;

- Cultural Viola Festival of Piacatuba and Samba and Fingerfood Festival: the first edition was attended by nearly 35,000 people and has become a fixed event in the Minas Gerais cultural calendar. The second edition was attended by more than 32,000 people in the Minas Gerais cities of Além Paraíba and Miraí, promoting Samba and bar food in the state. The festivals are responsible for boosting the local economy in addition to mobilizing entrepreneurs in the hotel and restaurant sectors, artist, cultural producers and others.

- **4th edition of the Circuito Cultural Grande Hotel Muriahe** : lays on plays, music and dance shows, in addition to exhibitions, film screenings and workshops;

- In also sponsors other projects implemented by the Ormeo Junqueira Botelho Foundation, in particular the Lya Maria Müller Botelho Reading Place in the city of Leopoldina (MG), the Energisa Museum in Cataguases (MG), and the social insertion activities of the project Café com Pão Arte Confusão, which are now carried out in parallel with the Projeto Nossa Energia

- **Partnership** with **Junior Achievement**, a non-profit education fund, in the volunteer program which aims to train young entrepreneurs by providing courses in the region's schools;

- **Energisa Library Project**: incentivizes reading through the exchange of books.

- **Sponsorship of the Magia V project**: which enabled a high-level team to participate, led by the brothers Torben and Lars Grael, in the main national and international sailing events of the 2013 season;

- **Sponsorship** of **films:** in the case of Energisa Minas Gerais, in addition to short films, several video clips of regional music bands, generating income and employment, and consolidating the Audiovisual Zone of Zona da Mata.

- Sponsorship of several initiatives of municipal governments in the concession areas and other institutions that foster sport, culture and sustainability, in addition to seminars and fares that promote social, economic and environmental development.

Initiatives promoting energy efficiency

The Electrical Efficiency program of Energisa Minas Gerais' received R$ 2.7 million in 2013. Investment which permitted the development of several initiatives directed towards conscientious energy consumption and resulted in a saving of 2 GWh of energy, which is enough to supply 10,000 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 164,000 tons that were collected. With R$ 1.1 million invested, the initiative has more than 2100 clients registered in two cities of the concession area, groundbreakers in implementing the project in Minas Gerais state.

More than R$ 1.3 million has been allocated to projects for poor people, by replacing inefficient 154 pieces of equipment (refrigerators and TVs) and 9,200 normal bulbs by economy bulbs in events raising awareness in schools and public places, with lectures and educational activities. Energisa Minas Gerais has a truck fitted with exhibition rooms and experiments in 2013, which travelled through 15 towns in the concession area, taking information to the population. More than R$ 310 thousand was also invested in actions to improve the private and public building lighting system.

All of these initiatives associated with the Energy Efficiency Program of Aneel/Procel have benefited more than 10,000 clients in several municipalities in Energisa Minas Gerais' concession areas.

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
- Participation in consortia and committees addressing sustainable development and water resources in the concession area. The company is a member of the State Council for Water Resources of Minas Gerais (CERHMG).

7- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Minas Gerais in 2013 was R$ 197,000, and consisted of: i) R$ 117,000 for reviewing the financial statements; ii) R$ 26,000 for reviewing the tax proceedings; and ii) R$ 54,000 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 MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AT DECEMBER 31, 2013
(In thousands of reais)

	Note	2013	2012	01/01/2012
			(Adjusted)	(Adjusted)
Assets				
Current				
Cash and cash equivalents	5	11,415	25,823	29,082
Money market and secured funds	5	19,763	72,423	49,439
Consumers and concessionaires	6	66,205	80,760	77,079
Credit receivables	7	395	1,952	1,957
Inventory		816	1,132	1,540
Recoverable taxes	10	10,656	11,338	10,379
Low income and other debtors	11	21,370	21,758	15,979
Total current		**130,620**	**215,186**	**185,455**
Noncurrent				
Noncurrent assets				
Money market and secured funds	5	11,504	2,568	4,930
Consumers and concessionaires	6	8,207	8,207	8,207
Credit receivables	7	2,230	832	2,893
Recoverable taxes	10	8,200	8,686	12,171
Derivative Financial Instruments	29	31,295	16,738	3,243
Tax credits	13	17,329	20,640	43,706
Escrow and secured deposits	21	1,634	1,307	1,127
Accounts receivable from the concession	14	285,875	217,739	136,442
Other		656	-	2,568
		366,930	**276,717**	**215,287**
Investments		2,565	2,039	2,049
Property, plant and equipment	15	6,843	4,265	-
Intangible assets	15	19,704	40,519	52,092
Total noncurrent		**396,042**	**323,540**	**269,428**
Total assets		**526,662**	**538,726**	**454,883**

See the accompanying notes to the financial statements.

2. Balance Sheet - Liabilities

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

	Note	2013	2012	01/01/2012
			(Adjusted)	(Adjusted)
Liabilities				
Current				
Suppliers payable	16	38,840	38,881	32,262
Debt charges	17	2,529	2,726	2,588
Loans and financing	17	146,857	22,978	36,393
Debentures	18	60,051	98	319
Taxes and social contributions	19	25,295	29,978	29,508
Tax financing	20	1,497	1,407	1,315
Dividends	22.3	13,000	-	-
Consumer charges payable		347	3,684	3,659
Employee benefits – retirement premium	30	351	372	218
Estimated obligations		2,484	2,190	1,798
Intrasector Obligations		5,560	11,553	12,176
Other accounts payable		12,516	7,779	9,413
Total current		**309,327**	**121,646**	**129,649**
Noncurrent				
Suppliers payable	16	744	723	667
Loans and financing	17	136,161	252,408	179,249
Debentures	18	-	46,636	59,691
Derivative financial instruments	29	-	-	1,431
Taxes and social contributions	19	7,359	5,464	3,552
Tax financing	20	499	1,877	3,069
Provision for labor, civil and tax risks	21	5,740	6,200	5,651
Employee benefits – retirement premium	30	1,626	1,656	867
Other accounts payable		1,311	1,237	2,527
Total noncurrent		**153,440**	**316,201**	**256,704**
Shareholders' equity				
Capital	22.1	44,171	44,171	44,171
Capital reserves	22.1	7,921	7,921	7,921
Profit reserves	22.2	10,525	10,525	10,525
Additional dividends proposed	22.3	1,396	38,531	5,704
Other comprehensive income		(118)	(269)	209
Total shareholders' equity		**63,895**	**100,879**	**68,530**
Total liabilities and shareholders' equity		**526,662**	**538,726**	**454,883**

See the accompanying notes to the financial statements.

3. Statement of Income

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

	Note	2013	2012
Net operating revenue	23	462,292	435,561
Cost of services provided to third parties	24	(333,790)	(318,181)
Gross profit		**128,502**	**117,380**
Sales expenses	24	(11,166)	(13,343)
General and administrative expenses	24	(53,752)	(48,584)
Other revenue	25	7,269	5,985
Other expenses	25	(4,883)	(7,060)
Net income before net financial revenue (expenses) and tax		**65,970**	**54,378**
Financial revenue	26	24,303	71,972
Financial expenses	26	(47,829)	(25,568)
Net financial income (expenses)		**(23,526)**	**46,404**
Income before tax		**42,444**	**100,782**
Current income and social contribution taxes	13	(11,539)	(19,167)
Deferred income and social contribution taxes	13	(3,389)	(15,000)
Net income for the year		**27,516**	**66,615**
Basic and diluted net income per common and preferred share - R$	27	**61.05**	**147.80**

See the accompanying notes to the financial statements.

4. Comprehensive Statement of Income

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

	2013	2012
Net income for the year	27,516	66,615
Items that will not be reclassified to the income statement		
Other comprehensive income	151	(478)
Total other comprehensive income for the year, net of tax	**27,667**	**66,137**

See the accompanying notes to the financial statements.

5. Statement of Cash Flows

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

	Note	2013	2012
			(Adjusted)
Operating activities			
Profit before income and social contribution taxes		42,444	100,782
Expenses on interest and monetary and exchange variance - net		25,175	(33,763)
Depreciation and amortization	24	17,263	15,466
Allowance for doubtful accounts	24	(114)	757
Provision for labor, civil and tax risks	24	(793)	225
Mark-to-market of derivatives	26	7,192	(6,555)
Derivative financial instruments	26	(16,823)	(4,622)
(Gain) loss on the sale of PP&E and intangible assets	25	(2,386)	1,075
Changes in current and noncurrent assets			
Decrease (increase) in consumers and concessionaires		14,559	(4,955)
Decrease in credit receivables		109	2,682
Inventory decrease		316	408
Decrease in recoverable taxes		1,168	2,526
(increase) in escrow deposits		(327)	(180)
Decrease (increase) in prepaid expenses		44	(105)
(Increase) in other accounts receivable		(17,824)	(3,522)
Changes in current and noncurrent liabilities			
(Decrease) increase in suppliers payable		(476)	4,134
(Decrease) in taxes and social contributions		(9,476)	(119)
Income and social contribution taxes paid		(4,929)	(8,353)
Increase in estimated obligations		294	392
(Decrease) increase in consumer charges payable		(3,337)	25
(Decrease) in other accounts payable		(1,082)	(3,330)
Net cash produced by operating activities		**50,997**	**62,968**
Investment activities			
Capital increase and acquisition of shares in subsidiaries and other investments		(526)	10
Money market and secured funds		(102,335)	(107,464)
Discharge of short-term investments		150,421	90,169
Increase in intangible assets and property, plant and equipment	15 and 34	(36,733)	(27,155)
Sale of PP&E and intangible assets	25	7,269	5,985
Net cash produced by (used in) investment activities		**18,096**	**(38,455)**
Financing activities			
New loans and financing	17 and 18	30,691	81,576
Payment of loans, financing and debentures payments - principal	17 and 18	(37,066)	(49,866)
Payment of loans, financing and debentures payments - interest	17 and 18	(19,260)	(20,846)
Settlement of derivative financial instruments		(4,926)	(3,749)
Payment of dividends	22.3	(51,651)	(33,787)
Payment of tax financing	20	(1,289)	(1,100)
Net cash used in investment activities		**(83,501)**	**(27,772)**
Net cash variation		**(14,408)**	**(3,259)**
Opening cash and cash equivalents		25,823	29,082
Closing cash and cash equivalents		11,415	25,823
Net cash variation		**(14,408)**	**(3,259)**

See the accompanying notes to the financial statements.

6. Statement of Added Value - DVA

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

	Note	2013	2012
Generation of added value:			
Revenue			
Revenue from energy sales and services		573,217	617,835
Other revenue	25	7,269	5,985
Revenue relating to construction of company assets	23 and 26	59,916	36,775
Allowance for doubtful accounts	24	114	(757)
(-) Consumables acquired from third parties			
Cost of electricity sold		245,980	258,370
Materials and outsourced services		58,941	57,088
Other operating costs		68,977	49,931
		373,898	**365,389**
Gross added value		**266,618**	**294,449**
Amortization and depreciation	24	17,263	15,466
Net added value		**249,355**	**278,983**
Transferred added value			
Financial revenue	26	24,303	71,972
Added value to be distributed		**273,658**	**350,955**
Distribution of added value:			
Personnel			
Direct remuneration		20,201	18,623
Benefits		6,642	5,635
FGTS		1,904	1,169
Taxes and contributions			
Federal taxes:		50,562	70,253
State taxes:		107,054	119,868
Municipal taxes:		152	237
Intrasector Obligations	23	9,712	42,084
Interest expenses			
Interest		48,915	25,568
Rent		1,000	903
Interest earnings			
Dividends	22.3	26,120	28,084
Additional dividends proposed	22.3	1,396	38,531
		273,658	**350,955**

See the accompanying notes to the financial statements.

7. Statements of Changes in Shareholders' Equity

ENERGISA MINAS GERAIS - DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013 (In thousands of Reais)

			Capital Reserve	Profit Reserves					
	Note	Capital	Investment Subsidies	Legal	Profit retention	Additional Dividends proposed	Retained Earnings/ accum losses	Other Comprehensive income	Total
Balances at January 01, 2012 - adjusted		**44,171**	**7,921**	**8,833**	**1,692**	**5,704**	**-**	**209**	**68,530**
							-		
Payment of additional dividends		-	-	-	-	(5,704)	-	-	(5,704)
Prior-year dividends		-	-	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	(478)	(478)
Net income for the year		-	-	-	-	-	66,615	-	66,615
Proposed allocation of net income for the year:									-
Dividends	22.3	-	-	-	-	-	(28,084)	-	(28,084)
Additional dividends proposed	22.3	-	-	-	-	38,531	(38,531)	-	-
Balances at December 31, 2012 - adjusted		**44,171**	**7,921**	**8,833**	**1,692**	**38,531**	**-**	**(269)**	**100,879**
Payment of additional dividends		-	-	-	-	(38,531)	-	-	(38,531)
Other comprehensive income		-	-	-	-	-	-	151	151
Net income for the year		-	-	-	-	-	27,516	-	27,516
Proposed allocation of net income for the year:						-			-
Dividends	22.3	-	-	-	-	-	(26,120)	-	(26,120)
Additional dividends proposed	22.3	-	-	-	-	1,396	(1,396)	-	-
Balances at December 31, 2013		**44,171**	**7,921**	**8,833**	**1,692**	**1,396**	**-**	**(118)**	**63,895**

See the accompanying notes to the financial statements.

8. Balance Sheet

ENERGISA MINAS GERAIS DISTRIBUIDORA DE ENERGIA S.A BALANÇO SOCIAL ANUAL - 2013 (Em milhares de reais)						
1 - Base de Cálculo	**2013 Valor**			**2012 Valor**		
Receita líquida (RL)	462.292			435.561		
Resultado operacional (RO)	42.444			100.782		
Folha de pagamento bruta (FPB)	30.362			24.086		
2 - Indicadores Sociais Internos	**Valor**	**% sobre FPB**	**% sobre RL**	**Valor**	**% sobre FPB**	**% sobre RL**
Alimentação	4.619	15,21%	1,00%	3.945	16,38%	0,91%
Encargos sociais compulsórios	6.881	22,66%	1,49%	5.278	21,91%	1,21%
Previdência privada	407	1,34%	0,09%	315	1,31%	0,07%
Saúde	1.423	4,69%	0,31%	1.280	5,31%	0,29%
Segurança e saúde no trabalho	484	1,59%	0,10%	494	2,05%	0,11%
Educação	59	0,19%	0,01%	53	0,22%	0,01%
Cultura	0	0,00%	0,00%	0	0,00%	0,00%
Capacitação e desenvolvimento profissional	629	2,07%	0,14%	548	2,28%	0,13%
Creches ou auxílio-creche	138	0,45%	0,03%	79	0,33%	0,02%
Participação nos lucros ou resultados	2.701	8,90%	0,58%	2.031	8,43%	0,47%
Outros	850	2,80%	0,18%	718	2,98%	0,16%
Total - Indicadores sociais internos	18.191	59,91%	3,93%	14.741	61,20%	3,38%
3 - Indicadores Sociais Externos	**Valor**	**% sobre RO**	**% sobre RL**	**Valor**	**% sobre RO**	**% sobre RL**
Educação	378	0,89%	0,08%	358	0,36%	0,08%
Cultura	1.422	3,35%	0,31%	1.150	1,14%	0,26%
Saúde e saneamento	0	0,00%	0,00%	0	0,00%	0,00%
Esporte	32	0,08%	0,01%	26	0,03%	0,01%
Combate à fome e segurança alimentar	0	0,00%	0,00%	0	0,00%	0,00%
Outros	200	0,47%	0,04%	385	0,38%	0,09%
Total das contribuições para a sociedade	2.032	4,79%	0,44%	1.919	1,90%	0,44%
Tributos (excluídos encargos sociais)	150.888	355,50%	32,64%	185.080	183,64%	42,49%
Total - Indicadores sociais externos	152.920	360,29%	33,08%	186.999	185,55%	42,93%
4 - Indicadores Ambientais	**Valor**	**% sobre RO**	**% sobre RL**	**Valor**	**% sobre RO**	**% sobre RL**
Investimentos relacionados com a produção/ operação da empresa	14.780	34,82%	3,20%	11.282	11,19%	2,59%
Investimentos em programas e/ou projetos externos	0	0,00%	0,00%	0	0,00%	0,00%
Total dos investimentos em meio ambiente	14.780	34,82%	3,20%	11.282	11,19%	2,59%
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 51 a 75% ( ) cumpre de 0 a 50% (x) cumpre de 76 a 100%			( ) não possui metas ( ) cumpre de 51 a 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	578			577		
Nº de admissões durante o período	95			77		
Nº de empregados(as) terceirizados(as)	598			411		
Nº de estagiários(as)	25			20		
Nº de empregados(as) acima de 45 anos	96			109		
Nº de mulheres que trabalham na empresa	96			87		
% de cargos de chefia ocupados por mulheres	41,67%			32,61%		
Nº de negros(as) que trabalham na empresa	80			73		
% de cargos de chefia ocupados por negros(as)	8,33%			0,00%		
Nº de portadores(as) de deficiência ou necessidades especiais	7			5		
6 - Informações relevantes quanto ao exercício da cidadania empresarial	**2013**			**Metas 2014**		
Relação entre a maior e a menor remuneração na empresa	31,17			31,17		
Número total de acidentes de trabalho	5			5		
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 4296	no Procon 137	na Justiça 269	na empresa 4489	no Procon 141	na Justiça 269
% de reclamações e críticas atendidas ou solucionadas:	na empresa 97,56%	no Procon 100%	na Justiça 65%	na empresa 97,56%	no Procon 100 %	na Justiça 70%
Valor adicionado total a distribuir (em mil R$):	**Em 2013: 273.658**			**Em 2012: 350.955**		
Distribuição do Valor Adicionado (DVA):	61% governo 11% colaboradores(as) 10% acionistas 18% terceiros 0% retido			66'% governo 7% colaboradores(as) 19% acionistas 8% terceiros 0% retido		
7 - Outras Informações	**2013**			**2012**		
7) Investimentos sociais						
7.1 - Programa Luz para Todos						
7.1.1 - Investimento da União	2.050			299		
7.1.2 - Investimento do Estado	594			133		
7.1.3 - Investimento do Município						
7.1.4 - Investimento da Concessionária	340			76		
Total - Programa Luz para Todos (7.1.1 a 7.1.4)	**2.984**			**508**		
7.2 - Programa de eficiência Energética	2.748			2.240		
7.3 - Programa de Pesquisa e Desenvolvimento	1.182			3.258		
Total dos investimentos sociais (7.1 a 7.3)	**6.914**			**6.006**		

Energisa Minas Gerais – 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

Energisa Minas Gerais – Distribuidora de Energia S/A ("Company or Energisa MG"), a part of **ENERGISA GROUP**, is an electricity distribution concessionaire which operates in 65 municipalities in the state of Minas Gerais and 1 municipality in the state of Rio de Janeiro, serving approximately 415,329 consumers (information not reviewed by the independent auditors). The Company's headquarters is in the city of Cataguases, Minas Gerais 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 sector 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 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, accounts receivable of the concession, concession assets, construction revenue and concession term can be seen in notes 9, 14, 15, 23 and 29 respectively.

The Company presents a net working capital deficiency of R$ 178,707 as of December 31, 2013, resulting from the natural transfer of loans, financing and debentures to short-term, maturing in the course of the coming year.

Management is working on the re-profiling of these maturities, concentrated in the final quarter of 2014, in order to enhance the company's capital structure through longer instruments.

In order to finance its investments, on January 08, 2014 the Board of Directors' meeting approved the contracting of financing of R$ 35,831 from BNDES, maturing on December 15, 2023 and incurring interest of TJLP + 2.9% to 4% per annum.

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.

Authorization for the issuance of these financial statements was given by the Board of Directors 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 purchase and sale of electricity at the Electricity Sale Chamber – CCEE, allowance for doubtful accounts, provision for labor, civil and tax risks, provision for supplementary retirement and pensions plan, tax assets 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.

Purchase and sale of electricity at the Electricity Trading Chamber - CCEE - the recording of electric power purchase and sale transactions through the CCEE are recognized on the accrual basis based on calculations prepared and disclosed by the entity or by Management estimate, when this information is not available in time.

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, retirement premiums 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. Any surpluses on employee benefit plans are not recorded.

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 29.

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) marketable securities – 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 classification of financial instruments by determining its fair value is presented in note 29.

The main financial assets recognized by the Company are: cash and banks; short-term investments; 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, debentures, 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, financing and debentures - 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 29.

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.

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	**323,401**	**139**	**323,540**
Tax credits	20,501	139	20,640
Total Assets	**538,587**	139	**538,726**
Liabilities			
Noncurrent liabilities	**315,793**	**408**	**316,201**
Employee benefits - retirement premium	1,248	408	1,656
Shareholders' equity	**101,148**	**(269)**	**100,879**
Other comprehensive income	-	(269)	(269)
Total Liabilities	**538,587**	**139**	**538,726**

Statement of Other Comprehensive Income	Balance at 2012 (Disclosed)	Adjustments	Balance at 2012 (Adjusted)
Net income for the year	66,615	-	66,615
Other comprehensive income	-	(478)	(478)
Total comprehensive income for the year, net of tax	**66,615**	**(478)**	**66,137**

Statements of Changes in Shareholders' Equity	Balance in 2012 (Disclosed)	Adjustments	Balance in 2012 (Adjusted)
Retained earnings or accumulated losses	-	-	-
Other comprehensive income	-	(269)	(269)
Shareholders' equity	**101,148**	**(269)**	**100,879**

	Balance at 2011 (Published)	Adjustments	Balance as of 1/1/2012 (adjusted)
Assets			
Noncurrent assets	**215,395**	**(108)**	**215,287**
Tax credits	43,814	(108)	43,706
Total Assets	**454,991**	(108)	**454,883**
Liabilities			
Noncurrent liabilities	**257,021**	**(317)**	**256,704**
Employee benefits - retirement premium	1,184	(317)	867
Shareholders' equity	**68,321**	**209**	**68,530**
Other comprehensive income	-	209	**209**
Total Liabilities	**454,991**	**(108)**	**454,883**

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 65 municipalities in Minas Gerais state and 1 in Rio de Janeiro state.

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	11/30/2015	100,5% of CDI	60	13,832
CEF FID	CDB	6/30/2015	100,5% of CDI	676	-
Santander	Debentures (2)	12/21/2015	103,2% of CDI	7,550	7,022
Mercantil	CDB	12/18/2014	105,0% of CDI	-	1,465
Mercantil FID	CDB	11/21/2022	105,0% of CDI	-	775
				8,286	**23,094**
Cash and banks				**3,129**	**2,729**
Total cash and cash equivalents				**11,415**	**25,823**

b) Money market and secured funds

Financial institution	Type	Maturity	Compensation	2013	2012
ABC Brasil	CDB	12/23/2013	107,5% of CDI	-	15,141
BES	CDB	10/1/2015	100,0% of CDI	32	30
BICBanco	Credit receivables investment funds	-	112,0% of CDI	-	2,323
BMG	CDB	12/16/2013	112,0% of CDI	-	315
Bradesco	CDB	12/30/2013 to 5/22/2014	99.0% to 100.0% of CDI	-	831
Bradesco	Debentures (2)	7/12/2013	75.0% to 90.0% of CDI	-	13,952
Bradesco	Investment Fund	-	CDI	-	1,150
BTG Pactual	Investment Fund	-	CDI	-	7,064
CEF	Investment Fund	-	CDI	-	77
CEF (4)	Financial treasury bill, Securities subject to repurchase commitments, Debentures (2), DPGE, Financial Bill	4/9/2015 to 3/1/2018	102.7% to 122.11% of CDI/SELIC/IPCA+5.7%	7,052	-
CEF	Savings	-	Savings	16	16
Daycoval	CDB	2/26/2015	102,0% of CDI	-	14,345
FIM Zona da Mata	CDB	8/17/2015 to 12/1/2015	100.5% to 112.0% of CDI	2,922	-
FIM Zona da Mata	Debentures (2)	4/7/2016	100.0% of CDI + 3.9%	1,366	-
FIM Zona da Mata	Repurchase	2/21/2014 to 10/8/2015	102.5% to 103.2% of CDI	3,370	-
FIM Zona da Mata	DPGE	7/10/2015 to 12/21/2015	107.5% to 113% of CDI	1,985	-
FIM Zona da Mata	Financial bill	5/4/2017	107,0% of CDI	101	-
FIM Zona da Mata	Fixed-Income Funds	-	CDI	75	-
FIM Zona da Mata	Financial treasury bill	9/7/2015 to 3/1/2018	SELIC	198	-
FIM Zona da Mata	NTN	8/15/2016	IPCA	719	-
FIM Zona da Mata	Multimarket Funds	-	CDI	1,869	-
HSBC	Investment Fund	-	CDI	-	890
Itaú	CDB	12/3/2013	101,8% of CDI	-	16
Itaú	Debentures (2)	7/25/2013 to 3/26/2015	100.0% to 103.5% of CDI	-	171
Itaú	Investment Fund	-	CDI	58	56
Santander	Investment Fund	-	CDI	-	10,027
Sul América	Investment Fund	-	CDI	-	6,019
				19,763	72,423

Held-to-maturity securities

Itaú	Credit Receivables Investment Funds	12/29/2020	100,0% of CDI	909	2,568
Mercantil	DPGE	5/21/2015	112,0% of CDI	10,595	-
				11,504	**2,568**
Total balance of money market and secured funds (3)				**31,267**	**74,991**
Current				19,763	72,423
Noncurrent				11,504	2,568

(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$ 1,015 referring to funds linked to loans, energy auctions and funds blocked by court.

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 sector	Overdue (1)	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	over 360 days	2013	2012
Residential	9,382	5,039	548	206	54	1	15,230	19,754
Industrial	9,289	548	30	23	400	899	11,189	15,006
Commercial	5,492	1,293	120	171	83	-	7,159	9,512
Rural	2,509	1,097	271	111	7	-	3,995	3,970
Government:								
Federal	24	6	1	-	-	-	31	35
State	260	53	9	-	-	-	322	375
Municipal	948	195	33	5	-	-	1,181	1,371
Public lighting	1,071	85	46	3	-	-	1,205	1,033
Public utility	1,265	12	9	1	-	-	1,287	1,508
Subtotal - consumers	30,240	8,328	1,067	520	544	900	**41,599**	**52,564**
Concession operators **(2)**	1,501	-	-	-	-	8,207	9,708	9,850
Unbilled sales	13,434	-	-	-	-	-	13,434	14,378
Other	-	-	-	-	-	12,882	12,882	15,539
(-) Allowance for doubtful accounts	-	-	-	(206)	(137)	(2,868)	(3,211)	(3,364)
Total	**45,175**	**8,328**	**1,067**	**314**	**407**	**19,121**	**74,412**	**88,967**
Current							**66,205**	**80,760**
Noncurrent							**8,207**	**8,207**

(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.

(2) Includes energy sold at the Electricity Commercialization Chamber - CCEE.

The balance of the consumers and concessionaires account as of December 31, 2013 consists of amounts referring to the sale of energy at the Electricity Commercialization Chamber – CCEE to the amount of R$ 8,207 (R$ 9,570 in 2012), net of the partial payments made up to December 31, 2013. These balances were determined based on calculations prepared and published by the CCEE.

The breakdown of these amounts, including the balances recorded under "suppliers payable" in the current liabilities of R$ 8,322 in 2013 referring to the acquisition of electricity and system service charges of R$ 1,304 (R$ 3,640 in 2012), are shown below:

Breakdown of CCEE credits	2013	2012
Outstanding balances	-	288
Credits linked to court injunctions up to December 2002	6,873	6,873
Overdue credits (*)	1,334	2,409
	8,207	9,570
(-) Energy acquisitions at CCEE	(8,322)	-
(-) System service charges	(1,304)	(3,640)
	(1,419)	**5,930**

(*) The Company has an allowance for doubtful accounts.

Transactions at the CCEE are being settled 45 days after the accrual month.

Current energy amounts linked to court injunctions are subject to change, depending on the outcome of the judicial proceedings in progress, brought by various companies in the sector relating to the interpretation of existing market rules. Not included in the rationing area, these companies obtained a court injunction which overturned ANEEL Resolution 288 issued May 16, 2002 which aimed to clarify companies operating in the sector about the treatment and means of applying certain MAE (now the CCEE) accounting rules set out in the General Electric Sector Agreement. These companies' claim involves the sale of Itaipu's quota in the southeast/Central Western sub market during the period of rationing between 2001 and 2002, when there was significant discrepancy in short-term energy prices between the submarkets.

The Company did not make an allowance for doubtful accounts referring to the balances linked to these injunctions, as it holds that the amounts will be received in full either from the borrowers legally contesting the loans or from other companies which the CCEE specifies in the future.

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	5,982	6,092
Adjustment to present value	(939)	(780)
Allowance for doubtful accounts (*)	(2,418)	(2,528)
	2,625	**2,784**
Current	395	1,952
Noncurrent	2,230	832

(*) 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:

Overdue	2,418
2014	395
2015	343
2016	333
2017	281
2018	272
2019 onwards	1,001
Total	**5,043**

8. Allowance for doubtful accounts

Changes in provisions	2013	2012
Balance - opening current - 2012 and 1/1/2012	5,892	5,234
Provisions recorded in the year	437	2,311
Reversal of provisions in the year	(700)	(1,653)
Closing balance - current - -2013 and 2012	**5,629**	**5,892**
Consumers and concessionaires and CCEE	3,211	3,364
Credit receivables	2,418	2,528

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. 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 1532 issued June 11, 2013, ANEEL set the final figure of the tariff adjustment, which led to an increase of 2.56%, 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 1,293 issued June 05, 2012 ANEEL ratified the result of the third periodical rate review of the Company with an adjustment that generated an increase of 1.20% respectively, effective from June 18, 2012.

10. Recoverable taxes

	2013	2012
Value added tax on sales and services – ICMS	9,402	9,606
Corporate Income Tax - IRPJ	543	713
Social Contribution on Net Income – CSSL	21	31
PIS and COFINS contribution	8,396	9,186
Other (Overpaid INSS)	494	488
	18,856	**20,024**
Current	10,656	11,338
Noncurrent	8,200	8,686

11. Low income and other receivables

	2013	2012
Low income	3,398	5,976
Service orders in progress - PEE and R&D	5,109	10,071
Service orders in progress - Other	358	363
Expenses to be reimbursed - ODR	76	2,052
Advances	1,555	800
CDE subsidy - Rate Discount	4,702	-
	4,580	1,158
Credits receivable - Reimbursement of sector .	300	-
Other	1,292	1,338
Total current	**21,370**	**21,758**

See below the change in low income and CDE subsidy - Rate Discount:

. Low income:

	2013	2012
Balance - opening current - 2012 and 1/1/2012	5,976	2,384
Low-income Subsidy	20,225	22,361
Eletrobrás Reimbursement	(22,803)	(18,769)
Balance - closing - current - 2013 and 2012	**3,398**	**5,976**

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

	2013
Rate discount due to Irrigation and Rural subsidy	36,381
Advance of pass-through ANEEL Order 1711/2013	(31,679)
Total	**4,702**

By way of ANEEL Order 1711 issued May 29, 2013, the Federal Government provided CDE funds of R$ 22,175, 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$ 9,504 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 Nova Friburgo – Distribuidora de Energia S/A (ENF), 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, Energisa Geração Usina Mauricio, SPE Cristina Energia S/A, 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 and Energisa Geração Central Eólica Ventos de São Miguel S/A), 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:

	Services engaged (1)	Provision of the transmission and distribution system (2)	Endorsement commission (Financial expense) (3)	Balance of trade payables
ENERGISA S/A	10,600	-	3,825	823
ENF	-	979	-	88
ESO	21,766	-	-	1,627
ESER	191	-	-	-
2013	32,557	979	3,825	2,538
2012	31,762	1,321	-	2,378

(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.

D&O compensation

In the year ended December 31, 2013 the members of the Board of Directors received compensation of R$ 746 (R$ 634 in 2012) and the Executive Board R$ 1,459 (R$ 1,137 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$ 401 (R$ 359 in 2012). The social charges on the compensation amounted to R$ 289 (R$ 269 in 2012).

In the year ended December 31, 2013 the highest and lowest remuneration attributed to directors for the month of December was R$ 16 and R$ 2 (R$ 15 and R$ 2 in 2012) respectively. The average remuneration in FY 2013 was R$ 9 (R$ 8 in 2012).

The AGM held April 24, 2013 ratified the overall annual compensation limit of D&O for FY 2013 at R$ 2,999 (R$ 2,827 in 2012).

13. Tax credits, deferred taxes and current income tax and social contribution expenses

Refers to tax credits deriving from tax loss carryforwards, negative social contribution bases and temporary differences recorded in accordance with CPC 32 and presented in accordance with CPC 26.

Deferred taxes recognized in the balance sheet:

	2013	2012 (Adjusted)
Assets		
Tax loss carryforwards	20,971	23,391
Negative basis of social contribution	8,478	9,320
Total noncurrent	**29,449**	**32,711**
Liabilities		
Income tax	**8,912**	**8,875**
Social contribution	**3,208**	**3,196**
Total noncurrent	**12,120**	**12,071**
Total noncurrent assets	**17,329**	**20,640**

The deferred credits have the following nature:

	2013		2012 (adjusted)	
	calculation basis	IRPJ + CSSL	calculation basis	IRPJ + CSSL
Assets				
Tax loss carryforwards	83,882	20,971	93,749	23,437
Negative basis of CSLL	94,205	8,478	103,748	9,337
Provision for actuarial adjustment	1,977	672	2,028	690
Provisions for risks	5,740	1,952	6,200	2,108
Allowance for doubtful accounts - PCLD	5,629	1,914	5,892	2,003
Other provisions (PEE; R&D; fees and other)	2,784	947	5,945	2,021
Exchange variance losses	34,444	11,711	13,082	4,447
Mark-to-market - derivatives	(31,295)	(10,640)	(16,738)	(5,691)
Regulatory assets (CVAs)	16,294	5,540	7,575	2,576
Adjustments to present value	939	319	427	145
Other temporary additions (exclusions)	(2,251)	(766)	(2,876)	(977)
IRPJ and CSSL on the portion of the VNR of the concession accounts receivable and restatement:	(69,909)	(23,769)	(57,224)	(19,456)
Total - noncurrent assets	**142,439**	**17,329**	**161,808**	**20,640**

See below the consolidated estimate for the realization of the deferred taxes. The projected results used in the recoverability study of these assets were approved by the Boards of Directors.

Period	Tax credit realizations
2014	5,295
2015	12,034
Total	**17,329**

On October 15, 2012 the Company expressed its intention to extend its concession for the term of 30 years from July 2015.

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 (adjusted)
Income before tax	42,444	100,782
Combined tax bracket	34%	34%
Income and social contribution taxes expense, calculated at the total tax bracket	(14,431)	(34,266)
Adjustments:		
Other	(497)	99
Income and social contribution tax expenses	**(14,928)**	**(34,167)**
Effective rate	35.17%	33.90%

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$ 12,685 (R$ 57,224 in 2012) in the net income for the year in financial revenue restatement of concession accounts receivable - VNR.

This right is classified as available-for-sale in the noncurrent assets. As of December 31, 2013 and 2012 this balance stands at:

Change	2013	2012
Financial asset - 2012 and 1/1/2012	**217,739**	**136,442**
Additions in the year (*)	56,221	24,199
Write-offs in the year	(770)	(126)
Financial asset	**273,190**	**160,515**
Restatement of accounts receivable from the concession - VNR	12,685	57,224
Financial asset restated cost - 2013 and 2012	**285,875**	**217,739**

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

15. Intangible assets and PPE

	2013	2012
Intangible assets - Concession agreement	19,704	40,519
Property, plant and equipment	6,843	4,265
Total	**26,547**	**44,784**

Intangible assets - Concession agreement

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

INTANGIBLE ASSETS	Balance 2012	Addition	Transfers	Write-offs (*)	Amortization / Depreciation	Balance 2013
Intangible assets in service						
Cost:	312,764	-	5,197	(18,435)	-	299,526
Accumulated Amortization	(246,518)	-	1,236	4,626	(22,784)	(263,440)
Subtotal	66,246	-	6,433	(13,809)	(22,784)	36,086
In Progress	17,444	54,438	(9,732)	(50,002)	-	12,148
Total Intangible Assets	**83,690**	**54,438**	**(3,299)**	**(63,811)**	**(22,784)**	**48,234**
(-) Obligations linked to the concession						
In Service						
Cost	41,104	-	1,827	-	-	42,931
Accumulated Amortization	(26,506)	-	-	-	(5,997)	(32,503)
Subtotal	14,598	-	1,827	-	(5,997)	10,428
In Progress	28,573	11,821	(1,827)	(20,465)	-	18,102
Total obligations linked to the Concession	**43,171**	**11,821**	**-**	**(20,465)**	**(5,997)**	**28,530**
Total Intangible Assets	**40,519**	**42,617**	**(3,299)**	**(43,346)**	**(16,787)**	**19,704**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Cost:						
Buildings and improvements	209	-	-	-	-	209
Machinery and equipment	2,039	-	3,715	-	-	5,754
Vehicles	980	-	-	(180)	-	800
Furniture and fixtures	2,475	-	820	(340)	-	2,955
Accumulated Depreciation	(1,438)	-	(1,236)	275	(476)	(2,875)
Total PP&E in service	**4,265**	**-**	**3,299**	**(245)**	**(476)**	**6,843**
Total	**44,784**	**42,617**	**-**	**(43,591)**	**(17,263)**	**26,547**

(*) R$ 29,537 of the R$ 43,591 written off was transferred to the Concession's Accounts Receivable and R$ 14,054 to write-offs in the year. R$ 12,839 of special obligations was recorded in current liabilities - Other accounts payable referring to the return of funds of the Light For All Program to Eletrobrás and R$ 13,845 transferred from accounts receivable to intangible assets in service.

INTANGIBLE ASSETS	Balance 1/1/2012	Addition	Transfers	Write-offs (*)	Amortization / Depreciation	Balance 2012
Intangible assets in service						
Cost:	325,294	-	(3,519)	(9,011)	-	312,764
Accumulated Amortization	(231,046)	-	2,266	3,147	(20,885)	(246,518)
Subtotal	94,248	-	(1,253)	(5,864)	(20,885)	66,246
In Progress	9,439	39,967	(7,167)	(24,795)	-	17,444
Total Intangible Assets	**103,687**	**39,967**	**(8,420)**	**(30,659)**	**(20,885)**	**83,690**
(-) Obligations linked to the concession						
In Service						
Cost	44,680	-	322	(3,898)	-	41,104
Accumulated Amortization	(20,742)	-	-	-	(5,764)	(26,506)
Subtotal	23,938	-	322	(3,898)	(5,764)	14,598
In Progress	27,657	3,630	(322)	(2,392)	-	28,573
Total obligations linked to the Concession	**51,595**	**3,630**	**-**	**(6,290)**	**(5,764)**	**43,171**
Total Intangible Assets	**52,092**	**36,337**	**(8,420)**	**(24,369)**	**(15,121)**	**40,519**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Cost:						
Buildings and improvements	-	-	209	-	-	209
Machinery and equipment	-	-	7,022	(4,983)	-	2,039
Vehicles	-	-	980	-	-	980
Furniture and fixtures	-	-	2,475	-	-	2,475
Accumulated Depreciation	-	-	(2,266)	1,173	(345)	(1,438)
Total PP&E in service	**-**	**-**	**8,420**	**(3,810)**	**(345)**	**4,265**
Total	**52,092**	**36,337**	**-**	**(28,179)**	**(15,466)**	**44,784**

(*) R$ 22,403 of the R$ 28,179 written off was transferred to the Concession's Accounts Receivable and R$ 5,776 to write-offs in the year. Around R$ 1,796 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 disassociation of assets from the Public Electricity Service concessions, granting prior authorization for the disassociation of assets when destined for disposal, also determining the proceeds of the sale be deposited in a specific bank account and reinvested in concession-related 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% (3.75% in 2012) .

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.

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

Obligations linked to the concession:	2013	2012
Consumer contributions (1)	117,031	108,540
Government Subsidy – CDE funds (2)	34,976	47,816
State Government Subsidy (2)	16,596	16,558
Reversal reserve (3)	1,409	1,409
Excess Demand Revenue and Surplus Reactive Energy	3,221	1,338
(-) Accumulated amortization	(32,503)	(26,507)
Total	**140,730**	**149,154**
Allocation:		
Accounts receivable from the concession	112,200	105,983
Infrastructure - Intangible assets in service	10,428	14,598
Infrastructure - Intangible assets in progress	14,881	27,235
Excess Demand Revenue and Surplus Reactive Energy	3,221	1,338
Total	**140,730**	**149,154**

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

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

(3) The reversal reserve, constituted up until December 31, 1971, represents the amount of proceeds deriving from the reversal fund, which have been invested in the Company's expansion project, charged interest of 5 % per annum paid monthly.

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$ 3,221 (R$ 1,338 in 2012).

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

Property, plant and equipment

The Company uses the following depreciation rates:

Depreciation rates of property, plant and equipment	2013
Buildings and improvements	3.33%
Machinery and equipment	6.25%
Vehicles	14.29%
Furniture and fixtures	6.25%

Financial charges

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

	2013	2012
Debt charges - interest	20,407	20,992
(-) Transfer to intangible assets in progress (*)	(1,084)	(792)
Net effect on income	**19,323**	**20,200**

(*) 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.

16. Suppliers payable

	2013	2012
Supplies (1):		
Bilateral Contracts	18,348	21,283
CCEE	8,322	-
Use of the high-voltage national grid (1)	1,304	3,640
Use of the distribution/transmission system (1)	2,652	5,464
Connection to the grid (1)	102	295
Materials, services and other (2)	8,856	8,922
Total	**39,584**	**39,604**
Current	38,840	38,881
Noncurrent	744	723

(1) The acquisition of electricity from generators, use of the high-voltage grid and use of the distribution system, 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		Ref.
		Current	Noncurrent	2013	2012	
Local currency						
Credit Receivables Investment Fund - Energisa Group III	112	-	15,000	15,112	15,076	
Eletrobrás - Light for All - 1st tranche	57	1,137	2,967	4,161	5,641	
Eletrobrás - Light for All - 1st tranche	2	10	25	37	52	
Eletrobrás - Light for All - 2nd tranche	325	1,446	6,905	8,676	20,994	
Eletrobrás- Subtransmission	8	280	904	1,192	1,403	
Eletrobrás - Return of LPT	-	12,846	2,569	15,415	-	
Banco HSBC - BNDES pass-through	5	511	752	1,268	1,781	
Banco HSBC - BNDES pass-through	4	272	349	625	774	
Banco HSBC - BNDES pass-through	7	319	421	747	1,066	
Banco ITAU BBA - BNDES pass-through	9	451	2,749	3,209	3,664	
Banco ITAU BBA - BNDES pass-through	4	162	914	1,080	1,070	
Banco ITAU BBA - BNDES pass-through	5	188	1,145	1,338	1,526	
Banco ITAU BBA - BNDES pass-through	3	298	1,814	2,115	2,411	
Banco Itaú BBA - BNDES PER pass-	3	743	929	1,675	2,205	
Banco Itaú BBA - FINAME	29	1,198	7,723	8,950	5,265	
Caixa Econômica Federal - FINAME	43	493	3,741	4,277	4,351	
Banco Bradesco - CCB	793	12,502	12,500	25,795	38,263	(1)
Banco ITAU BBA - BNDES FINEM	58	8,666	4,651	13,375	17,972	
Total local currency	**1,467**	**41,522**	**66,058**	**109,047**	**123,514**	
(-) Borrowing costs incurred	(97)	-	(174)	(271)	(356)	
Foreign currency						
Citibank	234	38,536	-	38,770	34,136	(2)
Bank of America Merrill Lynch	249	66,799	-	67,048	58,998	(2)
Banco Itaú BBA	676	-	70,277	70,953	61,820	(2)
Total foreign currency	**1,159**	**105,335**	**70,277**	**176,771**	**154,954**	
Total ENERGISA MINAS GERAIS	**2,529**	**146,857**	**136,161**	**285,547**	**278,112**	

(*) To guarantee payment of the short-term portions, the Company maintains short-term investments of R$ 909 (R$ 2,568 in 2012), recorded under "short-term investments and secured funds" in the current assets.

33 The contract with Bradesco (CCB) has covenants which in general require the maintenance of certain financial indexes at certain levels. Failure to maintain these levels could result in early maturity of the debts (see note 29 – financial instruments and risk management). All these covenants were being performed as of December 31, 2013.

34 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 terms of loans and financing as of December 31, 2013:

Operation	Details of the Operation: Maturity	Details of the Operation: Amortization Frequency	Details of the Operation: Collateral	Average Term months	Cost of the Debt: Index		Cost of the Debt: Interest rate p.a.	TIR (Effective interest rate)	Ref
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	22	RGR 5.0%			5.0%	
Eletrobrás - Light for All - 1st tranche (RJ)	Aug-2017	monthly	Receivables	22	RGR 5.0%			5.0%	
Eletrobrás - Light for All - 2nd tranche	Dec-2019	monthly	Receivables	35	RGR 5.0%			5.0%	
Eletrobrás - subtransmission	Mar-2018	monthly	Receivables	28	RGR 5.0%			5.0%	
Eletrobrás - Return of LPT	Feb-2015	monthly	Receivables	9	Accrued Selic			8.22%	
Banco HSBC - BNDES pass-through I	May-2016	monthly	Endorsement of Energisa S.A.	15	TJLP	+	4.3%	9.51%	
Banco HSBC - BNDES pass-through II	May-2016	monthly	Endorsement of Energisa S.A.	15	UMBND	+	4.3% + floating interest	19.56%	
Banco HSBC - BNDES pass-through III	May-2016	monthly	Endorsement of Energisa S.A.	15	TJLP	+	3.9%	9.1%	
Banco ITAU BBA - BNDES pass-through I	Jan-2021	monthly	Endorsement of Energisa S.A.	43	TJLP	+	4.75%	9.98%	
Banco ITAU BBA - BNDES pass-through II	Jan-2021	monthly	Endorsement of Energisa S.A.	42	UMBND	+	3.75% + floating interest	19.05%	
Banco ITAU BBA - BNDES pass-through III	Jan-2021	monthly	Endorsement of Energisa S.A.	43	TJLP	+	5.95%	11.25%	
Banco ITAU BBA - BNDES pass-through IV	Jan-2021	monthly	Endorsement of Energisa S.A.	43	Fixed 5.5%			5.5%	
Banco ITAU BBA - BNDES PER pass-through	Mar-2016	monthly	Endorsement of Energisa S.A.	14	Fixed 5.5%			5.5%	
Banco Itaú BBA - FINAME	Until May-2021	monthly	Endorsement of Energisa S.A.	52	pre-fixed		2.5% to 10%	2.5% to 10%	
Caixa Econômica Federal - FINAME	Jan-2022	monthly	Endorsement of Energisa S.A	48	Fixed		8.7%	8.7%	
Banco Bradesco - CCB	Oct-2015	annual	-	16	CDI	+	1.25%	9.41%	
Banco ITAU BBA - BNDES pass-through Finem	May-2015	monthly, after Mar.2014	Endorsement of Energisa S.A.	11	TJLP + 2.25% to 4.15%			7.36% to 9.36%	
Citibank	Sep-2014	final	Endorsement of Energisa S.A	9	Libor + 2.25%			17.79%	(1)
Bank of America Merrill Lynch	Oct-2014	final	Endorsement of Energisa S.A	10	Libor + 2.0%			17.51%	(1)
Banco Itaú BBA	Sep-2015	final	Endorsement of Energisa S.A	21	US dollar	+	2.95%	18.02%	(1)

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%

The maturities of the long-term financing are scheduled as follows:

	2013
2015	97,206
2016	6,172
2017	5,164
2018	9,119
2019	9,048
2019 onwards	9,452
Total	**136,161**

See the changes occurring in the period:

Description	2013	2012
Balances in 2012 and 1/1/2012	**278,112**	**218,230**
New loans and financing obtained	21,933	87,423
Debt charges - interest, monetary and exchange variance	37,060	23,818
Principal payment	(37,066)	(36,781)
Interest payments	(14,492)	(14,578)
Balances in 2013 and 2012	**285,547**	**278,112**
Current	149,386	25,704
Noncurrent	136,161	252,408

The borrowing costs of the financing to be amortized over subsequent periods is as follows:

Contracts	2014	2015	2016	2017 onwards	Total
Credit Receivables Investment Fund - Energisa Group III (*)	24	24	24	95	167
Banco ITAU BBA - BNDES FINEM	73	31		-	104
Total	**97**	**55**	**24**	**95**	**271**

18. Debentures (nonconvertible)

Main features of the debentures:

	7th Issuance
Issue type	Public
Issue date	12/15/2009
Maturity date	12/15/2014
Guarantee	Ordinary
Yields	CDI + 1.9 % p.a.
TIR (effective interest rate)	10.11% p.a.
Number of securities	60,000
Value at issue	60,000
Securities in circulation	60,000
Interest grace period	6 months
Renegotiation date	12/15/2012
Amortizations/installments	Final
Balances in 2013 (*)	60,051
Current	60,051
Noncurrent	-
Balances in 2012 (*)	46,734
Current	98
Noncurrent	46,636

(*) R$ 195 (R$ 309 in 2012) deducted as borrowing costs incurred during the contracting.

The debentures have covenants which in general require the maintenance of certain financial indexes at certain levels. Failure to maintain these levels could result in early maturity of the debts. These requirements were being performed as of December 31, 2013.

By way of the online auction organized and disclosed by CETIP S.A – Mercados Organizados, on June 20, 2013 part of the debentures previously redeemed by the Company (13,085 debentures of the 7th issuance for R$ 13,101) for the nominal unit price (PU) of one thousand reais, plus the yield equal to the CDI rate plus 1% per annum. The debentures were held in the treasury because of the failure to reach an agreement by part of the respective issuance's creditors on December 17, 2012.

See the changes occurring in the period:

Description	2013	2012
Balances in 2012 and 1/1/2012	**46,734**	**60,010**
Re-placement of Debentures	13,101	-
Debt charges - interest and monetary variance	4,984	6,077
Payment of principal - Buyback	-	(13,085)
Interest payments	(4,768)	(6,268)
Balances in 2013 and 2012	**60,051**	**46,734**
Current	60,051	98
Noncurrent	-	46,636

19. Taxes and Payroll Contributions

	2013	2012
ICMS	17,824	21,565
Social Charges	842	688
IRPJ	6,264	4,138
CSSL	2,808	2,681
PIS/COFINS	4,104	5,547
IRRF	144	90
Other	668	733
Total	**32,654**	**35,442**
Current	25,295	29,978
Noncurrent	7,359	5,464

20. Tax financing

Energisa MG elected to finance its debits to the federal tax authorities of R$ 6,201 over 60 monthly instalments, restated by the Selic base interest rate. In the year payments were made of R$ 1,289 (R$ 1,422 in 2012) and Selic interest of R$ 210 (R$ 322 in 2012) and in November 2013 it opted to use the benefits of law 12865 of 10/9/2013, which reopened the term and benefits introduced by Law 11941/2009. For payment of taxes due by December 2008, the company paid IR, CS, PIS and COFINS taxes of R$ 7,434 thousand, obtaining an income tax reduction of R$ 5,913 recorded in financial income.

As of December 31, 2013 the balance of the financing is R$ 1,996 (R$ 3,284 in 2012) and the number of installments to be settled is 15.

As of December 31, 2013 and 2012 the balance of the financed taxes in the statement is scheduled as follows:

	2013	2012
2013	-	1,407
2014	1,497	1,454
2015	499	423
Total	**1,996**	**3,284**
Current	1,497	1,407
Noncurrent	499	1,877

21. Provisions for labor, civil and tax risks

Based on the opinion of its legal advisors, ENERGISA MG Management made a provision for labor and civil risks, as shown below:

	Opening balance 2012	Provisions made	Reversal of provisions	Restatement	Closing balance 2013
Labor claims	3,225	568	(1,308)	157	2,642
Civil	2,975	1,076	(1,275)	170	2,946
Tax	-	146	-	6	152
Total	**6,200**	**1,790**	**(2,583)**	**333**	**5,740**
Restricted and escrow deposits (*)	(776)				(1,155)

	Opening balance 1/1/2012	Provisions made	Reversal of provisions	Restatement	Closing balance 2012
Labor claims	2,764	2,035	(1,747)	173	3,225
Civil	2,887	833	(896)	151	2,975
Total	5,651	2,868	(2,643)	324	6,200
Restricted and escrow deposits (*)	(566)	-	-	-	(776)

(*) Energisa MG has restricted and escrow deposits in its noncurrent assets of R$ 1,634 (R$ 1,307 in 2012). Provisions for risks have not been made for R$ 479 (R$ 531 in 2012) as the chances of success are rated as possible or probable.

The amount of R$ 1,241 (R$ 409 in 2012) was paid in the financial year, consisting of labor claim settlements of R$ 592 (R$ 337 in 2012) and civil claim compensation of R$ 649 (R$ 72 in 2012).

Provisions for success fees were made in the year for proceedings rated as possible and remote defeats of R$ 671 (R$ 630 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 tariff increases introduced under DNAEE Ordinances 38 and 45 applied during the term of the Cruzado Plan in 1986. A provision has been made.

- **Tax**

In the financial year a provision was made of R$ 146 relating to the provision for Tax Enforcement 2007.100.001867-4, made as a result of the Rio de Janeiro Court of Appeal overturning the favorable lower-court decision delivered under the Motion against Enforcement 2007.001.218816-8, which will cancel the fine imposed by PROCON due to alleged instability in the electricity distribution system in Rio de Janeiro state.

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 future disbursement has been rated as probable.

Potential losses

The Company is party to labor, civil and tax claims in progress amounting to R$ 102,525 (R$ 79,083 in 2012), where the chance of success has been estimated by the legal advisors as possible, meaning no provision was required.

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

- **Labor claims**

Labor claims amounting to R$ 2,503 (R$ 1,757 in 2012) consist of the following claims submitted by former employees seeking overtime, danger hazard allowances, "on call" hours, indemnity for work-related accidents, in addition to claims from former employees of service providers hired by the Company, claiming joint liability for severance pay and salaries.

Of the possible labor claims arising in the year of R$ 747, around R$ 185 refers to the assessment notice issued by the Ministry of Labor for the alleged illicit outsourcing of company activity, which the Company can contest, given the fact that Law 8987 (25,1) permits the outsourcing of core activities.

- **Civil**

Civil claims amounting to R$ 57,092 (R$ 45,752 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; claims in which consumers are seeking reimbursement of amounts due to the rate adjustments determined by Ordinances 38 and 45/1986, of the former National Department of Electricity and Water - DNAEE, during the freezing of prices under the Cruzado Plan, 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$ 42,930 (R$ 31,574 in 2012) basically consist of disputes about: (i) offsetting and appropriation of ICMS credits on equipment for providing for energy transmission and distribution services allocated to the company's permanent assets, having already obtained favorable decisions in the lower and appeals courts, with a number of proceedings now final and unappealable (ii) ICMS due to exempt sale of electricity received under deferral, which violates the existing legislation, which is why we guaranteed the enforcement and filed a motion against the tax enforcement in order to contest this improper collection.

Around R$ 8,670 of the increase in the financial year of R$ 11,356 refer to the collection of ICMS due to the tax-free sale of electricity received under deferral.

22. Shareholders' equity

22.1 Share capital and capital reserves

The Company's share capital of R$ 44,171 (R$ 44,171 in 2012) is comprised of 450,712 common shares with no par value.

At the EGM held April 24, 2013 the company converted all the preferred shares, consisting of 79,783 class "A" and 253 class "B" shares into common shares.

Irrespective of amendments to the bylaws, the Company may increase its share capital through subscription to the limit of 600,000 shares, where the Board of Directors shall resolve the means, subscription terms and payment terms of the shares and the features of the shares to be issued and the issue price.

22.2 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.

22.3 Dividends

The corporate by-laws determine the distribution of a minimum compulsory dividend of 25% of the net income for the year, adjusted in accordance with article 202 of Law 6404/76.

Management is proposing to pay out the following dividends:

	2013	2012
Net income for the year	27,516	66,615
Mandatory dividends (25%)	6,879	16,654
Prepaid dividends authorized by the Board (*):		
• In June 2013 - R$ 22.106 per share	9,963	-
• In August 2013 - R$ 7.003 per share (R$ 0.029 in December 2012 per share)	3,157	13,152
• In December 2013 - R$ 28.843 per share (R$ 0.033 in December 2012 per share)	13,000	14,932
	26,120	**28,084**
Additional proposed dividends R$ 3.097 (R$ 0.0855 in 2012) by share (**):	1,396	38,531
Total dividends	**27,516**	**66,615**
% over adjusted net income	100	100

(*) The prepaid dividends approved by the Extraordinary General meetings held June 13, August 08 and December 19, 2013 (Board of Directors meetings held August 09 and December 20, 2012) were calculated on the net income based on the balance sheet as of March 30, June 30 and November 30, 2012 (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 Board of Directors meeting.

23. 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	306,485	446,819	226,477	297,257	416,344	253,607
Industrial	3,727	177,505	68,679	3,684	187,439	86,807
Commercial	34,323	218,476	115,452	33,698	210,428	112,457
Rural	65,789	156,598	66,156	64,210	141,448	49,529
Government:						
Federal	64	485	220	62	477	258
State	568	10,261	4,643	553	10,089	5,433
Municipal	3,414	21,613	9,765	3,322	21,251	11,425
Public Lighting	254	73,592	19,931	254	70,591	21,896
Public Utility	561	37,515	14,247	548	37,762	14,903
Internal Use	112	3,462	-	92	3,079	-
Subtotal	**415,297**	**1,146,326**	**525,570**	**403,680**	**1,098,908**	**556,315**
Revenue from Remuneration of Concession Assets	-	-	13,976	-	-	12,218
Electricity sales to distributors	-	(3,239)	(565)	-	31,300	2,391
Sales not invoiced (net)	-	3,686	(943)	-	4,674	(622)
Provision of the transmission and distribution system	32	-	29,825	27	-	42,334
Construction Revenue	-	-	58,832	-	-	36,775
Other operating revenue	-	-	5,354	-	-	5,199
Total - gross operating revenue	**415,329**	**1,146,773**	**632,049**	**403,707**	**1,134,882**	**654,610**
Deductions from operating revenue						
ICMS	-	-	107,054	-	-	119,869
PIS	-	-	9,437	-	-	10,170
COFINS	-	-	43,467	-	-	46,847
ISS	-	-	86	-	-	80
Quota for RGR	-	-	(1,160)	-	-	5,294
Energy Efficiency Program - PEE	-	-	1,989	-	-	1,955
Energy Development Account - CDE	-	-	4,169	-	-	15,529
Energy Development Account - CCC	-	-	835	-	-	14,840
Research and Development Program - P&D	-	-	1,997	-	-	3,127
Excess Demand Revenue and Surplus Reactive Energy	-	-	1,883	-	-	1,338
Total	**-**	**-**	**169,757**	**-**	**-**	**219,049**
Total - net operating revenue	**415,329**	**1,146,773**	**462,292**	**403,707**	**1,134,882**	**435,561**

24. Operating expenses

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

TYPE OF EXPENSE	COST OF SERVICE			OPERATING EXPENSES		TOTAL	
	ON ENERGY	OPERATION	PROVIDED A THIRD PARTIES	ON SALES	GENERAL AND ADMIN.	2013	2012
Electricity purchased for resale (*)	189,855	-	-	-	-	189,855	177,396
Charge for using transmission and distribution system (*)	36,073	-	-	-	-	36,073	58,220
Personnel and management	-	12,878	18	2,042	18,389	33,327	29,021
Private pension fund	-	36	-	4	357	397	314
Material	-	2,329	138	820	1,093	4,380	5,246
Outsourced services	-	17,200	212	7,824	27,139	52,375	49,758
Depreciation and amortization	-	15,166	-	62	2,035	17,263	15,466
Allowance for doubtful accounts	-	-	-	(114)	-	(114)	757
Provisions for labor, civil and tax risks	-	(793)	-	-	-	(793)	225
Construction cost	-	-	58,832	-	-	58,832	36,775
Other	-	1,823	23	528	4,739	7,113	6,930
	225,928	**48,639**	**59,223**	**11,166**	**53,752**	**398,708**	**380,108**

(*) R$ 12,251 and R$ 16,298 deducted referring to CDE funds to be passed through by Eletrobrás to the Electricity Trading Chamber to cover the electricity acquisition and system service charges - ESS as a result of energy security, the hydrological risk and involuntary exposure in the spot market.

The amounts were recorded as a reduction to the purchased energy costs and system service charges, in accordance with Aneel Notice 1135 issued April 17, 2013.

25. Other income

	2013	2012
Other revenue:		
Gains on sale/deactivation	7,143	5,815
Other	126	170
	7,269	**5,985**
Other expenses:		
Losses on sale/deactivation:	(4,784)	(6,623)
Other	(99)	(437)
	(4,883)	**(7,060)**
Total	**2,386**	**(1,705)**

26. Financial revenue and expenses

	2013	2012
Revenue on short-term investments	4,362	8,037
Monetary variation and arrears surcharge on energy sold	5,515	5,911
Restatement of accounts receivable from the concession-VNR	12,685	57,224
Other financial revenue	1,741	800
Total financial revenue	**24,303**	**71,972**
Debt charges - interest	(20,407)	(20,992)
Debt charges - monetary and exchange variance	(21,637)	(8,903)
(-) Transfer to orders in progress	1,084	792
Present value adjustment of assets	(159)	(335)
Mark-to-market of derivatives	(7,192)	6,555
Derivative financial instruments	16,823	4,622
Endorsement commission	(3,825)	-
Other financial expenses	(12,516)	(7,307)
Total financial expenses	**(47,829)**	**(25,568)**
Total financial income (expenses)	**(23,526)**	**46,404**

27. Net income per share

The Company did not change the number of shares in circulation in its share capital. The basic and diluted net income per share is therefore being calculated according to the number of shares at the end of the year, i.e. 450,712.

28. 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 review, 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	35,320	269	307
General Civil Liability	10/23/2014	50,600	116	106
Automobiles – Third party material and personal damages	10/23/2014	up to R$ 360 / vehicle	96	59
Collective life insurance – Personal Death and Accidents	12/31/2014	43,984	200	166
			681	**638**

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, other risks, portable equipment, flooding/water damage, minor engineering work, extraordinary expenses, inclusion / exclusion 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.

29. Financial instruments and risk management

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

	2013		2012	
ASSETS	Book	Fair value	Book	Fair value
Cash and cash equivalents	11,415	11,415	25,823	25,823
Money market and secured funds	31,267	31,267	74,991	74,991
Consumers and concessionaires	74,412	74,412	88,967	88,967
Credit receivables and other	2,625	2,625	2,784	2,784
Accounts receivable from the concession	285,875	285,875	217,739	217,739
Derivative financial instruments	31,295	31,295	16,738	16,738
LIABILITIES				
Suppliers payable	39,584	39,584	39,604	39,604
Loans, financing, debt charges and debentures	345,598	346,943	324,846	334,033

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 year.

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, debt charges and debentures - These financial instruments are classified as financial liabilities at amortized cost. The book values of the local-currency loans and financing linked to the investments of the distribution companies 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), as is the case of the 7th debentures issuance (EMG). 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)	345,598	324,846
Cash and cash equivalents	(11,415)	(25,823)
Net debt	334,183	299,023
Net equity (b)	63,895	100,879
Net debt index	5.23	2.96

(a) The debt is defined as short and long-term loans, financing and debentures (excluding derivatives and financial surety contracts), as detailed in notes 20 and 21.

(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.

	Average effective weighted interest rate (%) months	Up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Suppliers payable		38,840	-	-	-	744	39,584
Loans, financing, debt charges and debentures.	7.70%	20,865	210,934	121,384	19,618	21,273	394,074
Total		**59,705**	**210,934**	**121,384**	**19,618**	**22,017**	**433,658**

b) Credit risk

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 group's management, according to the rules and principles established in the policy.

The credit risk, especially that of Company's distribution companies is posed by accounts receivable, which is, however, 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 interim reporting date was:

	2013	2012
Cash and cash equivalents	11,415	25,823
Money market and secured funds	31,267	74,991
Consumers and concessionaires	74,412	88,967
Credit receivables and other	2,625	2,784
Accounts receivable from the concession	285,875	217,739
Derivative financial instruments	31,295	16,738

Further information about these credits can be seen in notes 5, 6, 7, 14 and 29.

c) Interest and exchange rate risk

Part of the local-currency loans and financing presented in note 20 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$ 176,771 (R$ 154,954 in 2012) of Energisa MG's bank debt as of December 31, 2013 totaling R$ 346,064 (R$ 325,511 in 2012) is denominated in US dollars deriving from the (i) Citibank loan with a balance of USD 16.5 million at the end of the period (principal of USD 16.4 million), (ii) USD 28.6 million deriving from the loan from Bank of America Merrill Lynch (principal of USD 28.5 million) and (iii) USD 30.3 million of the loan from Banco Itaú BBA (principal of USD 30 million).

The loans have a cost of up to USD + 3.93% per annum and have a short and long-term maturity of September 30, 2014, October 27, 2014 and September 21, 2015 respectively.

The balance sheet as of December 31, 2013 presents R$ 31,295 (R$ 16,738 in 2012) in the noncurrent assets 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 quarterly information 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 Receivable Position Liability Position	16,450	Libor + 2.25% 91.5% CDI	9/30/2014	2.9633(Sep -14)
Loan 4131 BAML Receivable Position Liability Position	28,515	Libor + 2.00% 91.0% CDI	10/27/2014	2.9828(Oct-14)
Loan 4131 Itaú BBA Receivable Position Liability Position	30,000	VC + 3.93% 101.5% CDI	9/21/2015	2.85(Sep-15)

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:

Maturity	Notional (in thousands)	Previous Strike	Current Strike (post adjustment)
9/30/2014 financial - Loan	16,450	2.9170	2.9633
10/27/2014	28,515	2.9170	2.9828

In accordance with CVM Resolution 603/09, the values of the Company's financial derivatives as of December 31, 2013 and 2012 have been summarized as follows:

	Reference Value		Description	Fair Value	
	2013	2012		2013	2012
Swap with options - Citibank and Merrill Lynch	Notional (BRL)		Receivable Position	231,581	211,922
			LIBOR/USD Interest Rate Liability Position	(194,471)	(193,359)
	190,734	190,734	CDI Interest Rate		
			Foreign Currency Options (USD)	(5,815)	(1,825)
			Total Swap Position with	31,295	16,738

The Company calculated the Fair Value of the derivatives as of December 31, 2013 and 2012 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 18 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). 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, the Company conducted sensitivity analyses on the main risks to which the financial instruments and derivatives in its financial statements are exposed, as shown:

a) Exchange variance

If the exchange exposure as of December 31, 2013 were maintained, and the effects on the future interim information 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) (*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Financial instruments - Loan	176,771		9,674	(32,993)	(75,660)
Receivable Position - LIBOR	231,581	Higher f/x	170,667	213,333	256,000
Payable Position - CDI Interest Rate	(194,471)		(143,230)	(143,230)	(143,230)
Foreign Currency Options - USD	(5,815)		-	(8,097)	(48,645)
Subtotal	31,295		**27,437**	**62,006**	**64,125**
Net	-		**37,111**	**29,013**	**(11,535)**

(*) 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 fully effective, which is reflected in the positive present value of R$ 37,111, 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$ 29,013 and negative value of R$ 11,535 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.

b) 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 (LTIR = 5.0% per annum) 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	39,553	Increase in CDI	4,307	5,387	6,467
Payable financial instruments:					
Loans, financing and debentures	(116,568)	Increase in CDI	(12,369)	(15,462)	(18,554)
	(19,939)	Increase in LTIR	(1,035)	(1,294)	(1,553)
Subtotal (**)	(136,507)		(13,404)	(16,756)	(20,107)
Total - (Losses)	**(96,954)**		**(9,097)**	**(11,369)**	**(13,640)**

(*) 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$ 176,771

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 Assets	Level	2013	2012
Money market and secured funds	2	31,267	74,991
Derivative financial instruments	2	31,295	16,738
Accounts receivable from the concession	3	285,875	217,739

30. Employee benefits

Retirement and pension supplementation plan

Energisa MG sponsors defined-contribution pension plans for its employees (CD). It also has a defined-benefit plan (BD), which has not been accepting new participants since 1997 and where the current participants have the status of assisted participants. The sponsor and participants do not make contributions under this plan.

The defined-benefit plan undergoes an actuarial assessment at the end of each financial year, in order to ascertain whether the plan's net assets are sufficient to meet its actuarial obligations.

Company	Beneficiary Plan	Annual contribution		% over payroll	Actuarial surplus	
		2013	2012		2013	2012 (adjusted)
Energisa MG	CD	411	315	1.20	-	-
Energisa MG	BD	-	-	-	283	408

The technical reserves required by the regulations laid down by the SPC – Supplementary Pensions Office are determined by an independent actuary.

The actuarial position of the defined-benefit retirement plan (BD) as of December 31, 2013 and 2012 is shown below, in accordance with the rules established by CVM Resolution 695. The prospective method was used:

	2013	2012 (adjusted)
Present value of actuarial obligations	(1,362)	(2,223)
Fair value of the plan's assets	1,645	2,631
Net asset	**283**	**408**

Statement of the change in the sponsor's net commitment in the 2013 and 2012 financial year:

	2013	2012
Net actuarial asset at the start of the year	-	2,569
Current expenses	33	300
Effect of re-measurements recognized in other comprehensive income	250	(2,869)
Net actuarial asset at year-end	**283**	**-**

The plan's assets are:

	2013	2012
Fixed-income fund quotas	1,444	2,169
Variable-income fund quotas	201	462
	1,645	**2,631**

As of 2013 and 2012 the statement of the fair value of the assets is presented as follows:

	2013	2012
Fair value of assets at start of year	2,631	4,517
Benefits paid	(133)	(136)
Effective return on assets	206	418
Actuarial gains (losses) of the assets	(1,059)	(2,168)
Fair value of the assets	**1,645**	**2,631**

Statement of the present value of the obligations in the 2013 and 2012 financial years.

	2013	2012
Balance at beginning of year	2,223	1,698
Benefits paid in the year	(133)	(136)
Interest on actuarial obligation	173	118
Losses on actuarial obligations	(135)	543
Actuarial gains deriving from changes to financial and demographic circumstances	(766)	-
Balance at end of year	**1,362**	**2,223**

A description follows of the assumptions made in the actuarial appraisal:

Economic hypotheses

Actuarial discount rate	7.00% p.a.
Expected rate of return on assets	7.00% p.a.
Benefit readjustment	Inflation only
Wage growth	N/A
Projected inflation	4.5% p.a.

Demographic Hypotheses

Mortality table	AT - 2000
Mortality table of disabled people	AT - 2000
Disability rate table	NA

A summary follows of the data used to actuarially appraise the benefit plans offered by Energisa MG to its employees:

Description	
Assisted Participants:	
Number	4
Average Age	77.3
Average Monthly Benefit	R$ 1.435
Pensioners:	
Number of Pensioners	18
Average Benefit per Family Group	R$ 0.221

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$ 1,977 (R$ 2,028 in 2012) and has been provisioned for under Employee Benefits - pension plans in current liabilities R$ 351 (R$ 372 in 2012) and noncurrent liabilities R$ 1,626 (R$ 1,656 in 2012).

A reconciliation of assets and liabilities recognized in the balance sheet, a statement of changes in net actuarial liabilities (assets) for the year, 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	2,212	2,179
Fair value of the plan's assets	(235)	(151)
Actuarial liability to be provisioned for	**1,977**	**2,028**

Reconciliation of the present value of the obligations in 2013.

	2013	2012
Present value of the obligations at the beginning of the year	2,178	1,146
Benefits paid	(195)	(128)
Interest on actuarial obligation	188	134
Current service cost (including interest)	194	92
Actuarial (gain) loss on actuarial liability	(153)	934
Value of the calculated obligations at the end of the year	**2,212**	**2,178**

See below the change in actuarial liabilities:

	2013	2012 (Adjusted)
Net actuarial deficit at the start of the year	2,028	1,085
Expense (revenue) recognized in the statement of income	178	219
Other comprehensive income	(229)	724
Net actuarial deficit at end the year	**1,977**	**2,028**

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

	2014	2013
Current service cost (including interest)	159	193
Interest on actuarial obligations	157	188
Expected return on plan assets	20	(9)
Remeasurement of financial cost	33	-
Total gross expenses to be recognized	**329**	**372**

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$ 698 in FY 2013 (R$ 596 in 2012).

31. Commitments

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

Energy purchase contract - R$ thousand						
Term	2014	2015	2016	2017	2018	2018 onwards
2013 to 2045	166,517	161,914	156,087	157,847	162,617	2,632,354

The amounts referring to energy acquisition contracts lasting between 8 and 30 years represent the volume contracted at the current price at the end of December 2013, which have been ratified by ANEEL.

- This does not include the Proinfa and Itaipu quotas.

32. 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.

33. Environment

Energisa Minas Gerais 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 ever since Brazil's water resource regulations were initially introduced. Energisa is a member of the State Council for Water Resources of Minas Gerais.

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$ 14,780 (R$ 11,282 in 2012), R$ 12,706 (R$ 9,352 in 2012) of which was allocated to property, plant and equipment and R$ 2,074 (R$ 1,930 in 2012) to operating expenses.

The nonfinancial information was not examined by our independent auditors.

34. Additional information to the cash flows

In 2013 and 2012 equity changes not affecting the Company's cash flows are as follows:

	2013	2012
Operating activities		
Accounts receivable from the concession	56,221	24,199
Restatement of accounts receivable from the concession - VNR	12,685	57,224
Suppliers payable	2,997	2,541
Investment activities		
Intangible assets	8,425	9,181
Financing activities		
Loans and financing	4,343	5,847

35. Subsequent event

The Board of Directors' meeting held January 08, 2014 approved the contracting of the Bank Credit Note - financing via pass-through of BNDES amounting to R$ 35,831, to be taken out from Banco Itaú BBA S.A. maturing on December 15, 2023 and interest of TJLP + 2.90% p.a. to 4% p.a. February 06, 2014.