Energisa Paraíba – Distribuidora de Energia S/A

Management Report and Financial Statements for 2013

João Pessoa, March 18, 2014 – The Management of Energisa Paraíba – Distribuidora de Energia S/A ("Energisa Paraíba" 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 Paraíba is an electricity distribution company that serves **1.26 million clients** and a population of approximately 3.3 million in 216 municipalities in the state of Paraíba.

Energisa in Paraíba had a year of achievements, accomplishments and recognition nationally in 2013, attaining three awards (Quality Management, Economic-Financial Management and Evolution in Performance), in a competition promoted by the Brazilian Association of Electricity Distributors (Abradee). The company was placed in fifth position (they were eleventh in 2012) among the electrical energy distributors with more than two million clients. This is due to the structural agility and decentralization of operations at the Company, as a result of investments which were made and operational actions implemented, directed towards fully attending the growing demand for energy and improved quality of the energy supplied to its clients.

Energisa Paraíba also achieved the following in 2013: i) The Sustainable Energy Seal, in the gold category, established by Instituto Acende Brasil, which evaluated the various environmental responsibility actions undertaken by the Company, highlighting the construction of the Patos Regional Centre, the first building with environmental certification in the northeastern sertão region; ii) The ANEFAC Award, which evaluate the company's visibility in the market and with the population, following a rigorous independent analysis of its financial statements, promoted by the National Association of Finance, Administration and Accountancy Executives; and the Eloy Chaves medal, in a competition promoted by the Brazilian Association of Electrical Energy Companies (ABCE). This medal was awarded to the Company in the bronze category for the first time in its history, in recognition of the work developed in the area of safety and hygiene at work, where significant levels were registered.

2 - Investment

Energisa Paraíba's investment amounted to R$ 142.1 million in 2013, allocated to projects to enhance the quality of services provided, to fully meet the growth in consumption of connections, especially in eastern/coastal regions of the state, which required a greater number of works and interventions, primarily those carried out in Guarabira, Cabedelo, Rio Tinto and Conde, and Patos in the west of the state. These works include the construction of the 69 kV Pilões/Guarabira, Bessa/Cabedelo and Mussuré/Caxitu Lines with a length of 53 km, construction of the Rio Tinto substation, expansion of the Jatobá substation, in addition to the refurbishment and improvements of several sub stations throughout the state.

The table below denotes the changes in Energisa Paraíba's operating assets in the year:

Asset description	Dec / 2013	Dec / 2012	Increase (%) 2013/2012
Substations - Number	61	61	-
Installed capacity at the substations - MVA	1,106	1,096	0.9
Feeders - number	278	278	-
Utility Poles- no.	944,910	926,531	1.98
Transmission lines - Km	2,197	2,138	2.76
Distribution grids (company) - Km	72,062	68,255	5.58
Transformers installed in the distribution grids - no.	52,764	51,848	1.77
Installed capacity of the distribution grids (company) - MVA	1,220	1,152	5.90

3 - Economic and financial performance

3.1 - Headlines: the Company's main economic and financial figures for 2013 have been summarized below:

Description	2013	2012 (Adjusted)	Change %
Results - R$ million			
Gross Operating Revenue	1,525.9	1,731.1	- 11.8
Net Operating Revenue	1,095.1	1,229.3	- 10.9
Net Operating Revenue, without Construction Revenue	961.4	1,033.6	- 7.0
Earnings before interest and tax (EBIT)	182.7	268.6	- 32.0
EBITDA	229.5	308.7	- 25.7
Adjusted EBITDA (EBITDA plus arrears charges on electricity bills)	249.9	329.5	- 24.2
Financial Income/Loss	(36.9)	(15.5)	+ 138.1
Net Income	133.9	209.5	- 36.1
Financial Indicators - R$ million			
Total Assets	1,533.2	1,478.5	+ 3.7
Cash / Cash Equivalents / Short-Term Investments	194.1	184.3	+ 5.3
Shareholders' Equity	613.1	556.9	+ 10.1
Net Debt	479.3	420.2	+ 14.1
Operating Indicators			
Number of Captive Consumers (thousands)	1,264.8	1,217.5	+ 3.9
Sales of Energy to Captive Consumers (GWh)	3,520.7	3,400.8	+ 3.5
Total Electricity Distributed (GWh)	4,197.9	4,050.3	+ 3.6
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	22.8	26.8	- 4.0 p.p
Net Debt / Adjusted EBITDA (times)	1.9	1.3	+ 46.2

3.2 - Regulatory environment - rate revision

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 Paraíba subsequently underwent its 3rd Rate Review Cycle. The rate review resulted in an average effect to be felt by consumers of 3.02% from August 28, with the rates of residential consumers falling by 2.59% and industrial consumers falling by 4.03%.

Under Decree 7945/2013, Aneel publishes every month the 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$ 62.0 million was passed through to Energisa Paraíba. 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 Energy Development Account (CDE) to be passed through by Centrais Elétricas Brasileiras S.A. - Eletrobrás in the amount of R$ 40.8 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 Paraíba recorded net income of R$ 133.9 million in 2013, compared with R$ 209.5 million in 2012. The operating cash generation (Adjusted EBITDA) amounted to R$ 249.9 million in 2013, compared with R$ 329.9 million the previous year, a decrease of R$ 24.2%, primarily deriving from the reduction in electricity rates.

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

Breakdown of Cash Generation Amounts in R$ million	2013	2012 (Adjusted)	Change %
(=) Net Income	133.9	209.5	- 36.1
(-) Income and social contribution taxes	(11.9)	(43.6)	- 72.7
(-) Financial result	(36.9)	(15.5)	+ 138.1
(-) Depreciation and amortization	(46.8)	(40.4)	+ 15.8
(=) Cash generation (EBITDA)	229.5	309.0	- 25.7
(+) Arrears surcharge revenue	20.4	20.9	- 2.4
(=) Adjusted cash generation (Adjusted EBITDA)	249.9	329.9	- 24.2
Adjusted EBITDA Margin	22.8	26.8	- 4.0 p.p

From its earnings in 2013, the Company has paid out interim dividends of R$ 84.8 million commencing:

i) June 17, 2013, R$ 42.1 million (R$ 45.90858216 per share);
ii) August 20, 2013, equal to R$ 16.7 million (R$ 18.15122999 per share), and
iii) December 30, 2013, R$ 26.0 million (R$ 28.31750457 per share)

On top of these dividends, additional dividends will be paid out of R$ 6.8 million (R$ 7.418088688 per share), on a date to be determined. The total dividends for the year amounting to R$ 91.6 million represent 68.4% of the net income earned by the Company.

3.4 - Operating expenses

Operating expenses amounted to R$ 912.4 million in 2013, a decrease of 5.0% (or R$ 48.3 million) over 2012. Controllable expenses (personnel, materials and outsourced services) contracted by 1.2% (R$ 2.4 million) to R$ 202.9 million. Noncontrollable expenses on electricity and transportation purchases fell by 4.1% (R$ 20.8 million).

Operating expenses break down as follows:

Breakdown of operating expenses (R$ million)	2013	2012	Change in R$ million
1 - Controllable expenses	202.9	205.3	- 2.4
1.1 Personnel (includes pension fund)	110.3	108.8	+ 1.5
1.2 Material	12.6	12.8	- 0.2
1.3 Services	80.0	83.7	- 3.7
2 - Uncontrollable expenses (acquisition of energy and transmission)	491.5	512.3	- 20.8
3 - Depreciation and amortization	46.8	40.4	+ 6.4
4 - Allowance for doubtful accounts and contingencies	7.5	(17.0)	+ 24.5
5 - Other expenses / revenue	30.0	24.0	+ 6.0
Subtotal	**778.7**	**765.0**	**+ 13.7**
6 - Construction cost	133.7	195.7	- 62.0
Total	**912.4**	**960.7**	**- 48.3**

4 - Operating performance

The increase in the Company's quality in the management of its services was clear and resounding through the positive trends in several quality indicators. This performance is also shown by the high levels of consumer satisfaction.

4.1 - Management of energy losses: the year say excellent results in the combatting of overall electricity losses, which dropped to a record low of 11.78% for the first time in the Company's history.

4.2 - Default management: Default levels were severely affected by default and water supply services in the state, which amounted to 3.21% (1.95% in 2012), which also occurred with the number of monthly invoicing (pending), which changed from 1.26 to 1.35.

4.3 - DEC and FEC: the reduction in the continuity indicators (FEC) to 10.69 in 2013 is another headline, resulting from the investments made based on correctly planning the system's requirements. The DEC of 20.18 (18.34 in 2012) reflects the rainy season that occurred, although it is beyond the limit established by the regulatory agency (ANEEL).

Operating indicators	2013	2012	Change %
Power loss from the company's system (%)	11.78	12.60	- 0.82 p.p
Consumer default over the last 12 months (%)	3.21	1.95	+ 64.6
Outstanding receivables (outstanding monthly invoices) – no.	1.35	1.26	+ 7.1
ISQP (Perceived Quality Satisfaction Index) - Abradee	82.15	78.80	+ 4.3
IASC (Aneel Consumer Satisfaction Index)	60.31	68.88	- 12.4
DEC (Equivalent Outage Duration per Consumer) – hours	20.18	18.34	+ 10.0
FEC (Equivalent Outage Frequency per Consumer) - times	10.69	11.09	- 3.6

4.4 - Electricity sales: In 2013 electricity sales to end consumers (captive market), located in Energisa Paraíba's concession area, including energy associated with free consumers (TUSD), amounted to 4,119.9 GWh, an increase of 6.4% over 2012. Consumption was driven by the residential sector, which expanded by 10.5% in the year. Industrial consumption, including captive and free sales, rose by 3.3% in 2013. Total energy distributed in 2013 was 4,197.9 GWh, compared with 4,050.3 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	3,520.7	3,400.8	+ 3.5
✓ Residential	1,433.8	1,297.6	+ 10.5
✓ Industrial	508.8	600.0	- 15.2
✓ Commercial	636.7	594.0	+ 7.2
✓ Rural	271.3	267.6	+ 1.4
✓ Other Sectors	670.1	641.6	+ 4.4
2) Energy associated with free consumers (TUSD)	599.2	473.0	+ 26.7
3) Captive sales + TUSD (1+2)	**4,119.9**	**3,873.8**	**+ 6.4**
4) Sales to distributors and unbilled sales	78.0	176.5	- 55.8
5) Total Electricity Distributed (3+4)	**4,197.7**	**4,050.3**	**+ 3.6**

Energisa Paraíba closed the year with 1,264,817 captive consumer units, 3.9% more than at the end 2012. The number of free consumers amounted to 21 at the end of 2013.

5 - Settlement of the Notes Units

On July 19, 2013 Energisa Paraíba settled the issuance of 7-year bonds in US dollars denominated Notes Units for R$ 137.1 million (USD 57.8 million).

6 - People management

To meet its operational requirements, especially enhancing the quality of products and services offered, in 2013 Energisa Paraíba provided 216,718 man-hours of training, equal to 106.7 hours of training/employee. The distance education system (EAD) accounted for 63% of the company's training program

Energisa Paraíba implemented its first structured **Talent Generation** program, by selecting five trainees who in 2014 will get familiar with the company's various departments and its processes and activities, in order to bolster its technical staff, keeping them up-to-date with technological developments in the sector.

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; **the Meetings of Departments with accident victims**; Workplace gymnastics; 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.

People management practices in the company also became visible, with the practice of internal recruitment highlighted, along with development programs and performance assessment of potential leaders in the succession program. These fully serve all of Human Resources' needs across the various levels, in order to maintain the complete range of its operational activities.

7 - Social and Environmental Responsibility

In 2013 Energisa Paraíba continued activities in the social and environmental responsibility and cultural areas, primarily via the **Cultural Energy Workshop**, one of the most important cultural centers in Paraíba state which has an art gallery for plastic arts (9 exhibitions in 2013), and launching of books at the Energy Center (16 events in 2013), audiovisual room and presentations of music, dance, cinema and theatre (81 events in 2013).

Twelve editions of the New Fair took place in 2013, where quality culture and information is consumed and exchanged.

The Art in the Company project (**Arte na Empresa**) held 24 exhibitions of work from of artists from Paraíba state (12 in João Pessoa and 12 in Núcleo de Patos) Jin the Company's entrance hall, in order to showcase the art and establish and greater approximation between artists of the state, visitors and the company's staff.

The **Energy Center**, also located in the Cultural Workshop, carries out educational work with the purpose of disseminating knowledge about history and science, especially as regards the importance of electrical power and how to use it rationally and efficiently. The Energy Center was visited by 28,375 people in 2013 (5.4% more than in 2012), including visitors to the De Sousa Energy Center, created for the same purpose as the João Pessoa Center.

Continuity in 2013 of the Balcão de Livros (*book counter*) was launched in 2011, a groundbreaking project to encourage the habit of reading and further awareness, which through service centers and stations gives the company's clients access to leading works of literature, especially those in the Portuguese language.

Created in 2005 by Energisa Paraíba as part of the Aneel/Procel Energy Efficiency Program, the **Communities Project** benefited some 36,774 families in 2013 (12,872 in 2012), and has permitted the company to be present in 142 towns (76 in 2012) in Paraíba state via its mobile units, which distributed 1,739 fridges and 46,233 low-energy bulbs. This program administered 1,074 lectures in 2013 and aims to instruct impoverished communities about precautions and the efficient and safe use of electricity, in addition to instructions about social matters and helping clients achieve a close and better relationship with the company.

The achievements in 2013 include: i) the continuity of the **Bem da Gente** project, which aims to generate income in the Muçumagro community through the setting-up of self-sustainable businesses guided by the community's values and vocations, with 57 entrepreneurs having undergone the program, ii) the presence of the **Conta Cidadã** project in six cities of the concession area, permitting the exchange of 351 tons of recyclable waste for financial credits in the consumers' electricity accounts, with the materials collected in the process going to supply the recycling industry;

8- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Paraíba in 2013 was R$ 937,000, and consisted of: i) R$ 284,000 for reviewing the financial statements; iii) R$ 39,000 for procedures previously agreed with Aneel for the "Energy Efficiency" and "Light for All" programs, and iv) R$ 614,000 for reviewing the processes and procedures implemented to obtain corporate income tax incentives – Sudene.

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

Management.

Financial Statements

1. Balance Sheet - Assets

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

	Note	2013	2012	1/1/2012
			(Adjusted)	(Adjusted)
Assets				
Current				
Cash and cash equivalents	5	50,315	67,646	62,753
Money market and secured funds	5	96,049	77,416	40,504
Consumers and concessionaires	6	151,382	190,091	167,014
Credit receivables	7	33,152	47,449	53,955
Inventory		4,263	6,363	4,592
Recoverable taxes	10	50,471	38,375	30,621
Prepaid expenses		4,985	4,423	4,537
Low income and other receivables	11	33,483	30,378	20,488
Total current		**424,100**	**462,141**	**384,464**
Noncurrent				
Noncurrent assets				
Money market and secured funds	5	47,747	39,281	5,735
Credit receivables	7	28,840	42,281	63,992
Recoverable taxes	10	26,190	23,884	26,106
Tax credits	13	124,132	112,804	116,118
Escrow and secured deposits	20	22,610	25,686	25,883
Derivative financial instruments	28	15,685	6,212	2,649
Accounts receivable from the concession	14	225,555	147,049	30,777
Other		3,334	1,551	1,550
		494,093	**398,748**	**272,810**
Investments		97	93	73
Intangible assets	15	609,184	607,566	606,784
Property, plant and equipment	15	13,511	9,907	-
Total noncurrent		**1,116,885**	**1,016,314**	**879,667**
Total assets		**1,540,985**	**1,478,455**	**1,264,131**

See the accompanying notes to the financial statements.

2. Balance Sheet - Liabilities

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

	Note	2013	2012	1/1/2012
			(Adjusted)	(Adjusted)
Liabilities				
Current				
Suppliers payable	16	90,153	109,165	63,767
Debt charges	17	2,269	7,732	6,766
Loans and financing	17	43,719	156,738	40,649
Debentures	18	80,029	136	426
Payroll		3,927	1,709	1,523
Taxes and social contributions	19	46,354	50,235	50,532
Dividends	21.5	16,000	35,391	417
Estimated obligations		8,036	6,955	6,722
Consumer charges payable		206	5,538	11,549
Public lighting fee received		3,686	4,239	3,752
Employee benefits - pension plan	29	8,037	12,532	6,698
Intrasector Obligations		23,662	20,141	14,961
Other accounts payable		15,307	29,244	10,147
Total current		**341,385**	**439,755**	**217,909**
Noncurrent				
Suppliers payable	16	2,646	2,572	2,371
Loans and financing	17	485,747	312,370	328,009
Debentures	18	-	64,312	79,567
Derivative financial instruments	28	-	-	6,409
Taxes and social contributions	19	20,419	14,041	9,603
Provisions for labor, civil and tax risks	20	37,604	37,020	38,200
Employee benefits - pension plan	29	53,644	50,746	35,412
Other		1,454	782	332
Total noncurrent		**601,514**	**481,843**	**499,903**
Shareholders' equity				
Capital	21.1	425,805	386,516	363,573
Treasury stock	21.1	-	(538)	(538)
Capital reserves	21.2	97,002	97,540	97,540
Profit reserves	21.3 and 21.4	86,829	83,802	56,968
Additional dividends proposed	21.5	6,996	9,479	38,683
Retained earnings		-	185	-
Other comprehensive income		(18,546)	(20,127)	(9,907)
Total shareholders' equity		**598,086**	**556,857**	**546,319**
Total liabilities and shareholders' equity		**1,540,985**	**1,478,455**	**1,264,131**

See the accompanying notes to the financial statements.

3. Statement of Income

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

	Note	2013	2012 (Adjusted)
Net operating revenue	22	1,095,114	1,229,297
Cost of the electricity service	23	(721,576)	(802,119)
Gross profit		**373,538**	**427,178**
Sales expenses	23	(71,486)	(48,772)
General and administrative expenses	23	(113,094)	(102,833)
Other revenue	24	7,592	6,129
Other expenses	24	(13,821)	(13,104)
Earnings before financial revenue and expenses and tax		**182,729**	**268,598**
Financial revenue	25	57,849	51,392
Financial expenses	25	(94,755)	(66,905)
Net financial income (expenses)		**(36,906)**	**(15,513)**
Income before tax		**145,823**	**253,085**
Current income and social contribution taxes	13	(29,190)	(45,988)
Deferred income and social contribution taxes	13	17,311	2,432
Net income for the year		**133,944**	**209,529**
Basic and diluted net income per common and preferred share - R$		**145.88**	**228.21**

See the accompanying notes to the financial statements.

4. Comprehensive Statement of Income

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

	2013	2012 (Adjusted)
Net income for the year	**133,944**	**209,529**
Items that will not be reclassified to the income statement		
Other comprehensive income	1,581	(10,220)
Total other comprehensive income for the year, net of tax	**135,525**	**199,309**

See the accompanying notes to the financial statements.

5. Statement of Cash Flows

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

	Note	2013	2012
			(Adjusted)
Operating activities			
Profit before income and social contribution taxes		145,823	253,085
Expenses on interest and monetary and exchange variance - net		78,233	69,776
Depreciation and amortization	23	46,785	40,363
Allowance for doubtful accounts	23	8,762	(13,762)
Provisions for labor, civil and tax risks	23	(1,285)	(3,280)
Mark-to-market of derivatives	25	25,671	(1,155)
Derivative financial instruments	25	(39,933)	(8,023)
Financial restatement of accounts receivable from the concession - VNR	25	(5,447)	(15,770)
Loss on the sale of PP&E and intangible assets	24	6,229	6,975
Changes in current and noncurrent assets			
Decrease (increase) in consumers and concessionaires		33,113	(23,884)
Decrease (increase) in credit receivables		24,178	25,763
Decrease (increase) in inventories		2,100	(1,771)
(Increase) in recoverable taxes		(14,402)	(5,532)
Decrease in escrow deposits		3,076	197
(Increase) decrease in prepaid expenses		(562)	114
(Increase) in other accounts receivable		(14,408)	(16,308)
Changes in current and noncurrent liabilities			
(Decrease) increase in suppliers payable		(16,097)	33,481
Increase in payroll		2,218	186
Increase in taxes and social contributions		8,272	8,656
Income and social contribution taxes paid		(21,241)	(39,493)
Increase in Estimated obligations		1,081	233
(Decrease) in consumer charges payable		(5,332)	(6,011)
(Decrease) increase in other accounts payable		(18,055)	30,895
Net cash produced by operating activities		**248,779**	**334,735**
Investment activities			
Other investments		(4)	(21)
Money market and secured funds		(316,571)	(95,688)
Discharge of short-term investments		305,579	29,317
Increase in intangible assets and property, plant and equipment	15 and 33	(114,122)	(132,533)
Sale of PP&E and intangible assets	24	7,592	6,129
Net cash consumed in investment activities		**(117,526)**	**(192,796)**
Financing activities			
New loans, financing and debentures	17, 18 and 33	179,493	117,841
Payment of loans, financing and debentures payments - principal	17 and 18	(172,339)	(58,391)
Payment of loans, financing and debentures payments - interest	17 and 18	(46,841)	(41,904)
Settlement of derivative financial instruments		4,790	(795)
Payment of dividends	21.5	(113,687)	(153,797)
Net cash consumed in financing activities		**(148,584)**	**(137,046)**
Net cash variation		**(17,331)**	**4,893**
Opening cash and cash equivalents		67,646	62,753
Closing cash and cash equivalents		50,315	67,646
Net cash variation		**(17,331)**	**4,893**

See the accompanying notes to the financial statements.

6. Statement of Added Value

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

	Note	2013	2012
			(Adjusted)
Generation of added value:			
Revenue			
Revenue from energy sales and services		1,392,211	1,535,421
Other income	24	7,592	6,311
Revenue relating to construction of company assets	22 and 25	137,166	195,670
Allowance for doubtful accounts	23	(8,762)	13,762
(-) Consumables acquired from third parties			
Cost of electricity sold		537,357	558,627
Materials and outsourced services		95,530	99,364
Other operating costs		168,086	220,976
		800,973	**878,967**
Gross added value		**727,234**	**872,197**
Amortization and depreciation	**23**	**46,785**	**40,363**
Net added value		**680,449**	**831,834**
Transferred added value			
Financial revenue	25	57,849	51,392
Added value to be distributed		**738,298**	**883,226**
Distribution of added value:			
Personnel			
Direct remuneration		70,077	72,735
Benefits		20,276	18,364
FGTS		5,203	4,989
Taxes and contributions			
Federal		106,148	146,661
State		287,726	289,139
Municipal		487	430
Intrasector Obligations		14,362	72,713
Interest expenses			
Interest	25	98,216	66,905
Rent		1,859	1,761
Interest earnings			
Dividends	21.5	84,817	150,505
Additional dividends proposed	21.5	6,996	9,479
Legal Reserve	21.4	6,697	10,488
Income tax reduction reserve	21.2	35,619	39,289
Retained earnings	21.6	(185)	185
Prior-year dividends		-	(417)
		738,298	**883,226**

See the accompanying notes to the financial statements.

7. Statements of Changes in Shareholders' Equity

ENERGISA PARAÍBA - DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - FINANCIAL YEAR ENDED DECEMBER 31, 2013 (Reais Thousands)

				Capital Reserves			Profit Reserves						
	Note	Capital	Treasury Stock	Remuneration of property, plant and equipment in progress	Special goodwill reserve	Other Capital Reserves	Legal reserve	Income tax decrease	Additional dividends proposed	Retained earnings	Subtotal	Other comprehensive income	Total
Balances at January 01, 2012 - adjusted		**363,573**	**(538)**	**2,995**	**94,078**	**467**	**34,025**	**22,943**	**38,683**	**-**	**556,226**	**(9,907)**	**546,319**
													-
Payment of additional dividends		-	-	-	-	-	-	-	(38,683)	-	(38,683)		(38,683)
Capital increase as per the AGM & EGM held 4/25/2012		22,943	-	-	-	-	-	(22,943)	-	-	-		-
Prior-year dividends		-	-	-	-	-	-	-	-	417	417		417
Other comprehensive income		-	-	-	-	-	-	-	-		-	(10,220)	(10,220)
Net income for the year		-	-	-	-	-	-	-	-	209,529	209,529		209,529
Proposed allocation of net income:													-
Legal Reserve	21.4	-	-	-	-	-	10,488	-	-	(10,488)	-		-
Tax Benefit - Constitutive Reports - Adene 112 and 113/04	21.2	-	-	-	-	-	-	39,289	-	(39,289)	-		-
Dividends	21.5	-	-	-	-	-	-	-	-	(150,505)	(150,505)		(150,505)
Additional dividends proposed	21.5	-	-	-	-	-	-	-	9,479	(9,479)	-		-
Balances at December 31, 2012 - adjusted		**386,516**	**(538)**	**2,995**	**94,078**	**467**	**44,513**	**39,289**	**9,479**	**185**	**576,984**	**(20,127)**	**556,857**
													-
Payment of additional dividends		-	-	-	-	-	-	-	(9,479)	-	(9,479)		(9,479)
Capital increase through share cancellation, as per AGM and EGM held 4/24/2013	21.1	39,289	538	(538)	-	-	-	(39,289)	-	-	-		-
Prior-year dividends		-	-	-	-	-	-	-	-		-		-
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	1,581	1,581
Net income for the year		-	-	-	-	-	-	-	-	133,944	133,944		133,944
Proposed allocation of net income:													-
Legal Reserve	21.4	-	-	-	-	-	6,697	-	-	(6,697)	-		-
Tax Benefit - Constitutive Reports - Sudene 197/2012	21.2	-	-	-	-	-	-	35,619	-	(35,619)	-		-
Dividends	21.5	-	-	-	-	-	-	-	-	(84,817)	(84,817)		(84,817)
Additional dividends proposed	21.5	-	-	-	-	-	-	-	6,996	(6,996)	-		-
													-
Balances at December 31, 2013		**425,805**	**-**	**2,457**	**94,078**	**467**	**51,210**	**35,619**	**6,996**	**-**	**616,632**	**(18,546)**	**598,086**

See the accompanying notes to the financial statements.

8. Balance Sheet

ENERGISA PARAIBA - DISTRIBUIDORA DE ENERGIA S.A.
BALANÇO SOCIAL ANUAL - 2013
(Em milhares de reais)

1 - Base de Cálculo	2013 Valor			2012 Valor		
Receita líquida (RL)	1.095.114			1.229.297		
Resultado operacional (RO)	145.823			253.085		
Folha de pagamento bruta (FPB)	88.948			82.446		
2 - Indicadores Sociais Internos	**Valor**	**% sobre FPB**	**% sobre RL**	**Valor**	**% sobre FPB**	**% sobre RL**
Alimentação	15.137	17,02%	1,38%	14.030	17,02%	1,14%
Encargos sociais compulsórios	19.896	22,37%	1,82%	18.227	22,11%	1,48%
Previdência privada	7.482	8,41%	0,68%	7.430	9,01%	0,60%
Saúde	2.737	3,08%	0,25%	2.367	2,87%	0,19%
Segurança e saúde no trabalho	259	0,29%	0,02%	195	0,24%	0,02%
Educação	504	0,57%	0,05%	441	0,53%	0,04%
Cultura	11	0,01%	0,00%	21	0,03%	0,00%
Capacitação e desenvolvimento profissional	1.136	1,28%	0,10%	1.183	1,43%	0,10%
Creches ou auxílio-creche	124	0,14%	0,01%	111	0,13%	0,01%
Participação nos lucros ou resultados	8.483	9,54%	0,77%	6.744	8,18%	0,55%
Outros	2.296	2,58%	0,21%	2.077	2,52%	0,17%
Total - Indicadores sociais internos	58.065	65,28%	5,30%	52.826	64,07%	4,30%
3 - Indicadores Sociais Externos	**Valor**	**% sobre RO**	**% sobre RL**	**Valor**	**% sobre RO**	**% sobre RL**
Educação	211	0,14%	0,02%	273	0,11%	0,02%
Cultura	2.109	1,45%	0,19%	1.880	0,74%	0,15%
Saúde e saneamento	0	0,00%	0,00%	0	0,00%	0,00%
Esporte	240	0,16%	0,02%	194	0,08%	0,02%
Combate à fome e segurança alimentar	0	0,00%	0,00%	0	0,00%	0,00%
Outros	1.423	0,98%	0,13%	1.511	0,60%	0,12%
Total das contribuições para a sociedade	3.983	2,73%	0,36%	3.858	1,52%	0,31%
Tributos (excluídos encargos sociais)	374.465	256,79%	34,19%	418.003	165,16%	34,00%
Total - Indicadores sociais externos	378.448	259,53%	34,56%	421.861	166,69%	34,32%
4 - Indicadores Ambientais	**Valor**	**% sobre RO**	**% sobre RL**	**Valor**	**% sobre RO**	**% sobre RL**
Investimentos relacionados com a produção/ operação da empresa	77	0,05%	0,01%	172	0,07%	0,01%
Investimentos em programas e/ou projetos externos	0	0,00%	0,00%	14	0,01%	0,00%
Total dos investimentos em meio ambiente	77	0,05%	0,01%	186	0,07%	0,02%
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	(x) não possui metas ( ) cumpre de 51 a 75% ( ) cumpre de 0 a 50% ( ) cumpre de 76 a 100%			(x) não possui metas ( ) cumpre de 51 a 75% ( ) cumpre de 0 a 50% ( ) cumpre de 76 a 100%		
5 - Indicadores do Corpo Funcional	**2013**			**2012**		
Nº de empregados(as) ao final do período	2.020			2.116		
Nº de admissões durante o período	171			223		
Nº de empregados(as) terceirizados(as)	864			1.006		
Nº de estagiários(as)	73			82		
Nº de empregados(as) acima de 45 anos	270			277		
Nº de mulheres que trabalham na empresa	304			338		
% de cargos de chefia ocupados por mulheres	22,85%			32,14%		
Nº de negros(as) que trabalham na empresa	916			901		
% de cargos de chefia ocupados por negros(as)	28,57%			14,29%		
Nº de portadores(as) de deficiência ou necessidades especiais	109			106		
6 - Informações relevantes quanto ao exercício da cidadania empresarial	**2013**			**Metas 2014**		
Relação entre a maior e a menor remuneração na empresa	24,36			24,36		
Número total de acidentes de trabalho	66			65		
Os projetos sociais e ambientais desenvolvidos pela empresa foram definidos por:	( ) direção	(x) direção e gerências	( ) todos(as) empregados(as)	( ) direção	(x) direção e gerências	( ) todos(as) empregados(as)
Os pradrões de segurança e salubridade no ambiente de trabalho foram definidos por:	( ) direção e gerências	( ) todos(as) empregados(as)	(x) todos(as) + Cipa	( ) direção e gerências	( ) todos(as) empregados(as)	(x) 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	( ) segue as normas da OIT	(x) incentiva e segue a OIT	( ) não se envolverá	( ) seguirá as normas da OIT	(x) 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 considerado	(x) são sugeridos	( ) são exigidos	( ) não serão considerado	(x) serão sugeridos	( ) 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 28.141	no Procon 486	na Justiça 2.143	na empresa 32.938	no Procon 482	na Justiça 2208
% de reclamações e críticas atendidas ou solucionadas:	na empresa 97,21%	no Procon 57,81%	na Justiça 26,41%	na empresa 100%	no Procon 56%	na Justiça 24%
Valor adicionado total a distribuir (em mil R$):	**Em 2013: 738.298**			**Em 2012: 883.226**		
Distribuição do Valor Adicionado (DVA):	55 % governo 13% colaboradores(as) 12% acionistas 14% terceiros 6% retido			58% governo 10% colaboradores(as) 18% acionistas 8% terceiros 6% retido		
7 - Outras Informações	**2013**			**2012**		
7) Investimentos sociais						
7.1 - Programa Luz para Todos						
7.1.1 - Investimento da União	0			4.596		
7.1.2 - Investimento do Estado	0			1		
7.1.3 - Investimento do Município	0			0		
7.1.4 - Investimento da Concessionária	0			811		
Total - Programa Luz para Todos (7.1.1 a 7.1.4)	**0**			**5.408**		
7.2 - Programa de eficiência Energética	4.169			3.244		
7.3 - Programa de Pesquisa e Desenvolvimento	2.287			1.774		
Total dos investimentos sociais (7.1 a 7.3)	**6.456**			**10.426**		

Notes to the Financial Statements

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

1. Operations

A part of ENERGISA GROUP, Energisa Paraíba – Distribuidora de Energia S/A ("Company or Energisa PB") is an electricity distribution company, operating in 216 municipalities in the state of Paraíba, serving 1,264,838 consumers (information not audited by the independent auditors). The Company has its registered office in the city of João Pessoa, Paraíba state, and **obtained listed company status at the CVM on January 29, 2010.**

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 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.

The Company's concession expires in January 2031.

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

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

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

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

IV - 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, 22 and 31 respectively.

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 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 28.

3. Adoption of international accounting standards

3.1 New accounting procedures issued by IASB - International Accounting Standards Board

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

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

The main financial liabilities recognized by the Company are: suppliers payable; loans and financing, 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 28.

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. SUDENE tax incentives - as the terms established will almost certainly be met, these incentives received have been recognized in the income statement for the year and allocated to a specific profit reserve, where they are held until capitalization.

p. 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

q. 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

r. 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

s. 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.

t. Employee benefits - defined benefit - The net obligation of the Company under defined-benefit pension plans is calculated individually for each plan 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.

u. 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.

v. 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:

Statement of Financial Position	Balance in 2012 (Published)	Adjustments	Balance in 2012 (Adjusted)
Assets			
Noncurrent assets	1,006,041	10,273	1,016,314
Noncurrent assets			
Tax credits	102,531	10,273	112,804
Total Assets	**1,468,182**	10,273	**1,478,455**
Liabilities			
Noncurrent liabilities	451,628	30,215	481,843
Employee benefit - pension plan	20,531	30,215	50,746
Shareholders' equity	576,799	(19,942)	556,857
Retained earnings	-	185	185
Other comprehensive income	-	(20,127)	(20,127)
Total Liabilities	**1,468,182**	**10,273**	**1,478,455**

Statement of Income	Balance in 2012 (Published)	Adjustments	Balance in 2012 (Adjusted)
General and administrative expenses	(103,113)	**280**	**(102,833)**
Net income before financial revenue (expenses) and tax	**268,318**	**280**	**268,598**
Income before tax	**252,805**	**280**	**253,085**
Deferred income and social contribution taxes	2,527	(95)	2,432
Net income for the year	**209,344**	**185**	**209,529**

Statement of Other Comprehensive Income	Balance in 2012 (Published)	Adjustments	Balance in 2012 (Adjusted)
Net income for the year	209,344	185	209,529
Other comprehensive income	-	(10,220)	(10,220)
Total comprehensive income for the year, net of tax	209,344	(10,035)	199,309

Statement of Added Value	Balance in 2012 (Published)	Adjustments	Balance in 2012 (Adjusted)
Personnel			
Benefits	18,644	(280)	18,364
Taxes and contributions			
Federal	146,566	95	146,661
Interest earnings			
Retained earnings/loss for the year	-	185	185

Statements of Changes in Shareholders' Equity	Balance in 2012 (Published)	Adjustments	Balance in 2012 (Adjusted)
Retained earnings or accumulated losses	-	185	185
Other comprehensive income	-	(20,127)	(20,127)
Shareholders' equity	**576,799**	**(19,942)**	**556,857**

Statement of Financial Position	Balance in 2011 (Published)	Adjustments	Balance as of 1/1/2012 (Adjusted)
Assets			
Noncurrent assets	267,706	5,104	272,810
Noncurrent assets			
Tax credits	111,014	5,104	116,118
Total Assets	**1,259,027**	5,104	**1,264,131**
Liabilities			
Noncurrent liabilities	484,892	15,011	499,903
Employee benefit - pension plan	20,401	15,011	35,412
Shareholders' equity	556,226	(9,907)	546,319
Other comprehensive income	-	(9,907)	(9,907)
Total Liabilities	**1,259,027**	**5,104**	**1,264,131**

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 216 municipalities in Paraíba state, and its income statement denotes this activity.

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

a) Cash and cash equivalents

Financial institution	Type	Maturity (1)	Compensation	2013	2012
CEF	CDB	12/30/2015	100,5% of CDI	24,865	42,180
Mercantil	CDB	12/18/2014	105,0% of CDI	-	635
Santander	Debentures (2)	12/21/2015	103,2% of CDI	4,271	-
				29,136	**42,815**
Cash and banks				**21,179**	**24,831**
Total cash and cash equivalents				**50,315**	**67,646**

b) Money market and secured funds

Financial institution	Type	Maturity	Compensation	2013	2012
ABC Brasil	CDB	9/25/2014	100,5% of CDI	2	10
Banrisul	Investment Fund	-	CDI	53	-
BES	CDB	3/19/2015 to 5/6/2015	102.5% to 103.0% of CDI	13	12
BICBanco	CDB	8/26/2014 to 2/10/2016	98.0% to 108.0% of CDI	61	3,144
BMG	CDB	1/24/2014	113,0% of CDI	9	1,792
Bradesco	CDB	7/25/2013	99,0% of CDI	-	311
Bradesco	Investment Fund	-	CDI	-	82
BTG Pactual	Investment Fund	-	CDI	-	2,263
BTG Pactual	CDB	12/9/2014	97,5% of CDI	70	-
CEF	Investment Fund	-	CDI		672
Caixa FI Energisa (4)	Financial Treasury Bill, Securities subject to repurchase commitments, Debentures (2), DPGE and Financial Bill	4/9/2014 to 3/1/2018	102.7% to 122.11% of CDI/IPCA+5.7% / SELIC	24,449	-
CEF	Savings	-	Savings	87	87
FIM Zona da Mata (4)	CDB	8/17/2015 to 12/1/2015	100.5% to 112.0% of CDI	10,583	-
FIM Zona da Mata (4)	Debentures (2)	4/7/2016	100.0% of CDI + 3.9%	4,946	-
FIM Zona da Mata (4)	Repurchase	2/21/2014 to 10/8/2015	102.5% to 103.2% of CDI	12,206	-
FIM Zona da Mata (4)	DPGE	7/10/2015 to 12/21/2015	107.5% to 113% of CDI	7,191	-
FIM Zona da Mata (4)	Financial Bill	5/4/2017	107,0% of CDI	367	-
FIM Zona da Mata (4)	Fixed-Income Funds	-	CDI	273	-
FIM Zona da Mata (4)	Financial Treasury Bill	9/7/2015 to 3/1/2018	SELIC	718	-
FIM Zona da Mata (4)	National Treasury Note	8/15/2016	IPCA	2,603	-
FIM Zona da Mata (4)	Multimarket Funds	-	CDI	6,771	-
HSBC	CDB	8/3/2015	100,0% of CDI	677	626
Itaú	CDB	3/7/2014 to 11/27/2015	90.0% to 101.8% of CDI	403	620
Itaú	Debentures	11/27/2015	102,0% of CDI	321	304
Itaú	Investment Fund	-	CDI	718	661
North-east	CDB	1/2/2014 to 8/30/2019	90.0% to 100.0% of CDI	40,315	35,353
North-east	Capitalization Bond	12/22/2013	100,0% of CDI	-	10
Pine	CDB	2/8/2017	104,0% of CDI	178	894
Safra	Financial Bill	1/31/2013	108,5% of CDI	-	52,993
Safra	Investment Fund	-	CDI	12,629	-
Santander	Investment Fund	-	CDI	-	3,903
Standard Bank	CDB	5/2/2013	90,0% of CDI	-	4
Votorantim	CDB	5/27/2014	98,0% of CDI	4	-
				125,647	**103,741**

Held-to-maturity securities					
Itaú	Credit Receivables Investment Funds	12/29/2020	100,0% of CDI	3,697	4,527
Mercantil	DPGE	5/15/2014 to 6/26/2015	112.0% to 113.0% of CDI	14,452	8,429
				18,149	**12,956**
Total balance of money market and secured funds (3)				**143,796**	**116,697**
Current				96,049	77,416
Noncurrent				47,747	39,281

(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$ 46,553 referring to funds linked to loans, energy auctions and funds blocked by court.

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

6. Consumers and concessionaires

Consumer Sectors	Overdue balances (1)	Overdue up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	2013	2012
Residential	9,247	17,739	5,388	2,642	352	70	35,438	38,400
Industrial	13,364	1,556	242	314	358	5,511	21,345	27,293
Commerce, services and other activities	12,142	3,799	889	727	764	1,601	19,922	27,650
Rural	1,721	1,262	436	291	74	54	3,838	5,584
Government:								
Federal	1,995	465	60	21	-	5	2,546	2,808
State	3,196	745	97	33	-	-	4,071	4,494
Municipal	2,281	532	69	24	-	-	2,906	3,208
Public lighting	4,405	707	265	90	194	6	5,667	7,537
Public utility	3,462	3,361	6,585	10,238	122	1	23,769	5,237
Subtotal - consumers	**51,813**	**30,166**	**14,031**	**14,380**	**1,864**	**7,248**	**119,502**	**122,211**
Concession operators **(2)**	1,852	-	-	-	-	1,997	3,849	32,306
Unbilled sales	37,151	-	-	-	-	-	37,151	39,167
Other	2,235	-	-	-	-	-	2,235	7,597
(-) Allowance for doubtful accounts	-	-	-	(2,642)	(1,116)	(7,597)	(11,355)	(11,190)
Total - Current	**93,051**	**30,166**	**14,031**	**11,738**	**748**	**1,648**	**151,382**	**190,091**

(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$ 1,997 (R$ 32,285 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$ 5,584 in 2013 referring to the acquisition of electricity and system service charges of R$ 3,777 (R$ 11,011 in 2012), are shown below:

Breakdown of CCEE credits	2013	2012
Outstanding balances	-	30,288
Overdue credits (*)	1,997	1,997
	1,997	32,285
(-) Energy acquisitions at CCEE	(5,584)	-
(-) System service charges	(3,777)	(11,011)
	(7,364)	**21,274**

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

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

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	90,704	114,883
Adjustment to present value	(10,415)	(10,021)
(-) Allowance for doubtful accounts (*)	(18,297)	(15,132)
	61,992	89,730
Current	33,152	47,449
Noncurrent	28,840	42,281

(*) 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	18,297
2014	33,152
2015	10,167
2016	8,027
2017	4,522
2018	2,423
2019 onwards	3,701
Total	**80,289**

8. Allowance for doubtful accounts

Changes in provisions	2013	2012
Balance - opening current - 2012 and 1/1/2012	26,322	23,060
Provisions recorded in the year	10,482	8,683
Reversal of provisions in the year	(7,152)	(5,421)
Balance - closing - current - 2013 and 2012	**29,652**	**26,322**
Clients, consumers and concessionaires	11,355	11,190
Credit receivables	18,297	15,132

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

Customers with material debts:

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

For the other cases:

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

9. Periodical rate adjustment and review

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 Resolution 1592 issued August 27, 2013 ANEEL ratified the result of the third rate review of the Company effective from August 28, 2013. The average rate impact felt by consumers from August 28, 2013 is a decrease of 3.02%.

The periodical rate review occurs every 4 years, with the next review scheduled for August 2017. In this process ANEEL recalculated 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.

10. Recoverable taxes

	2013	2012
Value Added Tax on Sales and Services - ICMS	22,274	21,921
Income Tax Withheld at Source	306	353
Corporate Income Tax - IRPJ	21,498	10,675
Social Contribution on Net Income - CSSL	3,149	254
PIS and COFINS contribution	29,430	29,044
Other	4	12
	76,661	**62,259**
Current	50,471	38,375
Noncurrent	26,190	23,884

11. Low income and other receivables

	2013	2012
Low income	13,053	16,409
Service orders in progress - PEE and R&D	9,939	7,379
Service orders in progress - ODS other	1,438	1,568
Advances	574	542
CDE subsidy - rate discount	5,028	-
Third-party credits - Sale of rights assets and receivables	1,045	902
Credits receivable - Reimbursement of sector charges	752	-
Other	1,654	3,578
Total current	**33,483**	**30,378**

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

- **Low Income:**

	2013	2012
Balance - opening 2012 and 1/1/2012	**16,409**	**9,888**
Low-income subsidy	84,191	87,132
Eletrobrás Reimbursement	(87,547)	(80,611)
Closing balance - current - 2013 and 2012	**13,053**	**16,409**

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 applied to rates	40,825
Advance of pass-through ANEEL Order 1711/2013	(35,797)
Total	**5,028**

By way of Aneel Order 1711 issued May 29, 2013, the Federal Government provided CDE funds of R$ 25,058, 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$ 10,739 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 Minas Gerais – Distribuidora de Energia S/A (EMG), 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 by the Company:

	Services engaged (1)	Electricity purchased for resale (2)	Endorsement commission (Financial expense) (3)	Balance receivable (Consumers and concession operators)	Balance of trade payables
ENERGISA S/A	21,538	-	5,389	-	1,708
EBO	-	4,210	-	331	12
ESER	226	-	-	-	-
Energisa Geração Centrais Eólicas Renascença I, II, III, IV and Ventos de São Miguel	-	420	-	-	108
2013	21,764	4,630	5,389	331	1,828
2012	20,148	4,716	-	-	-

(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.

(2) The purchases electricity 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.

Administrator Compensation

In the year ended December 31, 2013 the members of the Board of Directors received compensation of R$ 2,322 (R$ 1,813 in 2012) and the Executive Board R$ 4,009 (R$ 2,750 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$ 508 (R$ 652 in 2012). The social charges on the compensation amounted to R$ 674 (R$ 645 in 2012).

In the year ended December 31, 2013 the highest and lowest compensation paid to directors was R$ 40 and R$ 6 (R$ 38 and R$ 6 in 2012) respectively. The average remuneration in FY 2012 was R$ 21 (R$ 19 in 2012).

The AGM held April 24, 2013 ratified the overall annual compensation limit of D&O for FY 2013 at R$ 7,584 (R$ 7,149 as of December 31, 2012).

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

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

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

Deferred taxes recognized in the balance sheet:

	2013	2012
Assets		
Temporary differences:		
Income tax	96,578	86,887
Social contribution on net income	34,768	31,279
Total noncurrent	**131,346**	**118,166**
Liabilities		
Income tax	5,304	3,943
Social contribution	1,910	1,419
	7,214	**5,362**
Total noncurrent assets	**124,132**	**112,804**

Temporary differences are as follows:

	2013		2012 (adjusted)	
	calculation basis	IRPJ + CSSL	calculation basis	IRPJ + CSSL
Assets				
Tax credits - goodwill (1)	191,718	65,184	204,950	69,683
Provision for actuarial adjustment	61,156	20,793	63,278	21,515
Provisions for labor, civil and tax risks	37,604	12,785	37,020	12,587
Allowance for doubtful accounts - PCLD	7,351	2,499	5,727	1,947
Other provisions (PEE; R&D; fees and other)	29,374	9,987	22,367	7,605
Exchange variance losses	35,449	12,053	(10,196)	(3,467)
Mark-to-market - derivatives	(15,685)	(5,333)	6,212	2,112
Adjustments to present value	10,415	3,541	9,297	3,161
Regulatory assets (CVAs)	26,919	9,152	4,298	1,461
Other temporary additions (exclusions)	2,011	685	4,594	1,562
IRPJ and CSSL on the portion of the VNR of the concession				
accounts receivable and restatement:	(21,218)	(7,214)	(15,770)	(5,362)
Total - noncurrent assets	**365,094**	**124,132**	**331,777**	**112,804**

(1) The tax benefit is being amortized over the remaining term of the concession, and according to the annual projected income, as determined by ANEEL Resolution 759 of December 12, 2006.

Tax credits were realized as follows:

Period	Realization of tax credits
2014	5,754
2015	5,739
2016	5,724
2017	5,724
2018	5,709
2019 to 2023	95,482
Total	**124,132**

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

	2013	2012
		(Adjusted)
Income before tax	145,823	253,085
Combined tax bracket	34%	34%
Income and social contribution taxes expense, calculated at the total tax bracket	(49,580)	(86,049)
Adjustments:		
Decrease in income tax and surcharges (*)	35,619	39,289
Permanent additions (**)	2,082	3,204
Income tax and social contribution expense	(11,879)	(43,556)
Effective rate	**8.1%**	**17.2%**

(*) The decreases to income tax and surcharges resulting from the SUDENE Incentive in the periods ended December 31, 2013 and 2012 have been directly recorded in the income statement for the year under "current income and social contribution taxes", in accordance with Law 11638/07 and Provisional Law 449/08.

(**) Basically refers to expenses incurred on donations, sponsorship, interests and free gifts.

The Company has a decrease in income tax and surcharges. Approval was obtained from the Ministry of Social Integration in December 2012 for the new application for a tax incentive of 75% for the period 1/1/2012 to 12/31/2021 and the application was accepted by the federal tax authorities by way of Executive Declaration DRF/JPA 128 of 5/23/2013, and consists of a reduction of up to 75% of the Income Tax calculated on operating profits.

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$ 5,447 (R$ 15,770 in 2012) in the net income for the year in financial revenue restatement of concession accounts receivable - VNR.

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

See below the changes occurred:

Change	2013	2012
Financial asset - 2012 and 1/1/2012	**147,049**	**30,777**
Additions in the year (*)	73,897	100,448
Write-offs in the year	(838)	54
Financial asset	**220,108**	**131,279**
Restatement of accounts receivable from the concession - VNR	5,447	15,770
Financial asset restated cost - 2013 and 2012	**225,555**	**147,049**

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

15. Intangible assets and PPE

	2013	2012
Intangible assets - Concession agreement	609,184	607,566
Property, plant and equipment	13,511	9,907
Total	**622,695**	**617,473**

Intangible assets - Concession agreement

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

	Balance 2012	Addition	Transfers	Write-offs (*)	Amortization	Balance 2013
INTANGIBLE ASSETS						
Intangible assets in service						
Cost:	1,065,930	-	135,446	(14,344)	-	1,187,032
Accumulated amortization	(401,404)	-	-	8,188	(55,639)	(448,855)
Subtotal	664,526	-	135,446	(6,156)	(55,639)	738,177
In Progress	117,231	142,075	(142,611)	(53,894)	-	62,801
Total	**781,757**	**142,075**	**(7,165)**	**(60,050)**	**(55,639)**	**800,978**
(-) Obligations linked to the concession						
In Service						
Cost	167,222	-	24,997	(3,229)	-	188,990
Accumulated amortization	(26,062)	-	-	-	(11,042)	(37,104)
Subtotal	141,160	-	24,997	(3,229)	(11,042)	151,886
In Progress	33,031	31,874	(24,997)	-	-	39,908
Total	**174,191**	**31,874**	**-**	**(3,229)**	**(11,042)**	**191,794**
Total intangible assets	**607,566**	**110,201**	**(7,165)**	**(56,821)**	**(44,597)**	**609,184**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Buildings and improvements	1,468	-	105	(1,246)	-	327
Machinery and equipment	8,654	-	6,274	(420)	-	14,508
Vehicles	313	-	-	(66)	-	247
Furniture and fixtures	12,015	-	786	(797)	-	12,004
Accumulated Depreciation	(12,543)	-	-	1,156	(2,188)	(13,575)
Total of property, plant and equipment	**9,907**	**-**	**7,165**	**(1,373)**	**(2,188)**	**13,511**
Grand Total	**617,473**	**110,201**	**-**	**(58,194)**	**(46,785)**	**622,695**

(*) R$ 53,894 of the R$ 58,194 written off was transferred to the concession's accounts receivable and R$ 4,300 to write-offs in the year.

Around R$ 20,003 of the R$ 31,874 of additional special obligations were transferred from the concession accounts receivable.

	Balance as of 1/1/2012	Addition	Transfers	Write-offs (*)	Amortization	Balance 2012
INTANGIBLE ASSETS						
Intangible assets in service						
Cost:	1,090,219	-	102,382	(126,671)	-	1,065,930
Accumulated amortization	(373,468)	-	-	18,296	(46,232)	(401,404)
Subtotal	716,751	-	102,382	(108,375)	(46,232)	664,526
In Progress	85,436	193,069	(117,355)	(43,919)	-	117,231
Total	**802,187**	**193,069**	**(14,973)**	**(152,294)**	**(46,232)**	**781,757**
(-) Obligations linked to the concession						
In Service						
Cost	178,736	-	14,486	(26,000)	-	167,222
Accumulated amortization	(19,068)	-	-	-	(6,994)	(26,062)
Subtotal	159,668	-	14,486	(26,000)	(6,994)	141,160
In Progress	35,735	17,469	(14,486)	(5,687)	-	33,031
Total	**195,403**	**17,469**	**-**	**(31,687)**	**(6,994)**	**174,191**
Total intangible assets	**606,784**	**175,600**	**(14,973)**	**(120,607)**	**(39,238)**	**607,566**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Buildings and improvements	-	-	1,468	-	-	1,468
Machinery and equipment	-	-	13,802	(5,148)	-	8,654
Vehicles	-	-	313	-	-	313
Furniture and fixtures	-	-	12,015	-	-	12,015
Accumulated Depreciation	-	-	(12,625)	1,207	(1,125)	(12,543)
Total of property, plant and equipment	**-**	**-**	**14,973**	**(3,941)**	**(1,125)**	**9,907**
Grand Total	**606,784**	**175,600**	**-**	**(124,548)**	**(40,363)**	**617,473**

(*) R$ 38,232 of the R$ 124,548 written off was transferred to the concession's accounts receivable and R$ 86,316 to write-offs in the year. Around R$ 62,216 refers to the application of Normative Resolution 474 - new depreciation rates in the concession's accounts receivable.

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

The amortization is being conducted over the arrangement term based on the economic benefits generated annually. The average weighted amortization rate used is 3.89% (3.70% in 2012) .

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	72,972	65,037
Government Subsidy – CDE funds	153,764	157,175
State Government Subsidy	11,937	10,261
Excess Demand Revenue and Surplus Reactive Energy	1,992	-
(-) Accumulated amortization	(37,104)	(26,062)
Total	**203,561**	**206,411**
Allocation:		
Accounts receivable from the concession	11,767	32,220
Infrastructure - Intangible assets in service	151,886	141,160
Infrastructure - Intangible assets in progress	37,916	33,031
Excess Demand Revenue and Surplus Reactive Energy	1,992	
Total	**203,561**	**206,411**

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

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

The Company began amortizing its special obligations in August 2009.As from the second periodical rate review the obligations linked to the concession (special obligations) are now amortized at the average depreciation rate for property, plant and equipment of the respective activity in which the special obligation funds were used.

Excess Demand Revenue and Surplus Reactive Energy

By way of Normative Resolution 463 (REN) 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 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 August 2013, 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$ 1,992.

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

Financial Charges

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

	2013	2012
Financial charges - debt charges - interest	44,779	45,776
(-) transfer to intangible assets in progress (*)	(3,461)	(5,251)
Net effect on income	**41,318**	**40,525**

(*) Pursuant to CPC 20, the Company used the average weighted rate to appropriate the costs of loans for assets not directly related and the effective rate for the specific assets (see note 25).

Property, plant and equipment

The Company used the following depreciation rates:

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

16. Suppliers payable

	2013	2012
Supplies: (1)		
CCEE	5,584	-
Bilateral Contracts (1)	52,095	59,999
Use of the high-voltage national grid (1)	3,777	11,011
Connection to the grid (1)	303	286
Use of the distribution system (CUSD) (1)	448	862
National Electric System Operator - ONS	3,280	6,473
Materials, services and other (2)	27,312	33,106
Total	**92,799**	**111,737**
Current	90,153	109,165
Noncurrent	2,646	2,572

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		Re.
		Current	Noncurrent	2013	2012	
Local currency						
Credit Receivables Investment Fund - Energisa Group III (*)	485	-	61,000	61,485	61,339	
Eletrobrás - Light for All - 1st tranche	29	386	712	1,127	1,493	
Eletrobrás - Light for All - 2nd tranche	72	567	1,865	2,504	3,086	
Eletrobrás - Light for All - 3rd tranche	67	410	1,845	2,322	2,769	
Eletrobrás - Light for All - 4th tranche	58	354	2,036	2,448	2,769	
Eletrobrás - Light for All - 5th tranche	86	432	2,792	3,310	3,785	
Eletrobrás - Light for All - 6th tranche	9	391	3,051	3,451	3,848	
Eletrobrás- Subtransmission	7	6,130	7,850	13,987	20,204	
Eletrobrás - Rural Electrification	9	14	-	23	44	
Eletrobrás - Return of LPT	-	529	-	529	7,096	
Banco do Nordeste - Investment Financing 2005-2006 (FNE)	1	5,362	-	5,363	11,014	
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	31	9,784	23,496	33,311	43,335	
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	12	7,135	46,819	53,966	55,817	
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	1	2,429	6,069	8,499	10,930	
Banco do Nordeste - BNDES pass-through	60	7,647	33,105	40,812	-	
Banco Itaú BBA - FINAME	106	2,149	22,001	24,256	10,702	
Total local currency	**1,033**	**43,719**	**212,641**	**257,393**	**238,231**	
(-) Borrowing costs incurred	(339)	-	(1,393)	(1,732)	(2,062)	
Foreign currency						
NOTES UNITS	-	-	-	-	124,059	(1)
Banco Itaú BBA I	293	-	39,589	39,882	35,085	(2)
Banco Itaú BBA II	1,222	-	141,206	142,428	-	(2)
Citibank	60	-	93,704	93,764	81,908	(2)
Total foreign currency	**1,575**	**-**	**274,499**	**276,074**	**241,052**	
(-) Borrowing costs incurred	-	-	-	-	(381)	
Total	**2,269**	**43,719**	**485,747**	**531,735**	**476,840**	

(*) To guarantee payment of the short-term portions, the Company maintains short-term investments to the amount of R$ 36,268 (R$ 32,716 in 2012), recorded under "secured funds" in the current assets.

(1) On July 19, 2013 the issuance of 7-year bonds in US dollars, denominated Notes Units, was settled for R$ 137,109.

(2) The financing contracts from Banco Itaú BBA and Citibank are subject to a currency swap and financial derivative instruments (see note 28).

The contracting was approved of the Bank Credit Note - financing via pass-through of BNDES amounting to R$ 39,565, 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.

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

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

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

		Details of the Operation			Cost of the Debt				
Operation	Maturity	Amortization Frequency	Collateral	Average Term months	Index	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	Nov-2016	monthly	Receivables	17		RGR 5.0%		5.0%	
Eletrobrás - Light for All - 2nd tranche	Apr-2018	monthly	Receivables	26		RGR 5.0%		5.0%	
Eletrobrás - Light for All - 3rd tranche	Aug-2019	monthly	Receivables	33		RGR 5.0%		5.0%	
Eletrobrás - Light for All - 4th tranche	Nov-2020	monthly	Receivables	40		RGR 5.0%		5.0%	
Eletrobrás - Light for All - 5th tranche	Aug-2021	monthly	Receivables	44		RGR 5.0%		5.0%	
Eletrobrás - Light for All - 6th tranche	Oct-2022	monthly	Receivables	50		RGR 5.0%		5.0%	
Eletrobrás-Subtransmission	Mar-2016	monthly	Receivables	14		RGR 5.0%		5.0%	
Eletrobrás - Rural Electrification	Nov-2014	quarterly	-	3		RGR 8.0%		8.0%	
Eletrobrás – Return of LPT	Jan-2014	monthly	Receivables	1		Accrued Selic		8.22%	
Banco do Nordeste - Investment Financing 2005-2006 (FNE)	Nov-2014	monthly	Receivables + Reserve Fund	6		Fixed 7.7%		7.7%	(1)
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	Jun-2017	monthly	Receivables + Reserve Fund	21		Fixed 7.8%		7.8%	(1)
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	Jun-2019	monthly	Receivables + Reserve Fund	35		Fixed 8.1%		8.1%	(1)
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	Jun-2017	monthly	Receivables + Reserve Fund	21	TJLP	+	4.0%	9.2%	
Banco do Nordeste - BNDES pass-through	Jan-2019	monthly	Endorsement of Energisa S.A.	31	TJLP	+	3.4% to 4.4%	8.57% to 9.62%	
Banco Itaú BBA - FINAME	until Feb-2021	Monthly	Endorsement of Energisa S.A.	54		pre-fixed 2.5% to 5.5%		2.5% to 5.5%	
Banco Itaú BBA I	Aug-2015	final	Endorsement of Energisa S.A	20	US dollar	+	3.2466%	18.36%	
Banco Itaú BBA II	Apr-18	annual after Apr2017	Endorsement of Energisa S.A	46	US dollar	+	3.4892%	18.64%	
Citibank	Sep-2017	Annual after Sep.2016	Endorsement of Energisa S.A	39	Libor	+	1.8987%	17.39%	

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

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

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

	2013
2015	81,176
2016	84,049
2017	146,898
2018	113,914
2019	30,357
2019 onwards	29,353
Total	**485,747**

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

Description	2013	2012
Balances in 2012 and 1/1/2012	**476,840**	**375,424**
New loans and financing obtained	179,681	128,825
Debt charges - interest, monetary and exchange variance	87,951	49,273
Principal payment	(172,339)	(43,136)
Interest payments	(40,398)	(33,546)
Balances in 2013 and 2012	**531,735**	**476,840**
Current	45,988	164,470
Noncurrent	485,747	312,370

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

Contracts	2014	2015	2016	2016 onwards	Total
Credit Receivables Investment Fund - Energisa Group III	97	97	97	387	**678**
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	110	110	110	55	**385**
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	28	28	28	12	**96**
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	104	104	104	261	**573**
	339	**339**	**339**	**715**	**1,732**

18. Debentures (nonconvertible)

Main features of the debentures:

	1st Issuance
Issue type	Public
Issue date	12/15/2009
Maturity date	12/15/2014
Guarantee	Ordinary
Yields	CDI + 1.0% p.a.
TIR (effective interest rate)	9.14% p.a.
Number of securities	80,000
Value at issue	80,000
Securities in circulation	80,000
Interest grace period	6 months
Amortizations/installments	Final
Balances -2013	**80,029**
Current (*)	80,029
Noncurrent	-
Balances - 2012	**64,448**
Current (*)	136
Noncurrent	64,312

(*) R$ 299 (R$ 473 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 covenants were being performed as of December 31, 2013.

64,745 of the total 80,000 debentures of Energisa Paraíba's 1st debentures issuance were renegotiated on 12/15/2012 and 14,255 debentures were bought back by the Company due to the sale right held by the debenture holders for the amount of R$ 15,255.

By way of the online auction organized and disclosed by CETIP S.A – Mercados Organizados, on June 20, 2013 the debentures were re-placed on the market for the nominal unit price (PU) of one thousand reais, plus the yield equal to the CDI rate plus 1% per annum.

See the changes in the financial years ended 2013 and 2012

Description	2013	2012
Balances in 2012 and 1/1/2012	**64,448**	**79,993**
Re-placement of debentures	15,274	-
Debt charges - interest, monetary and exchange variance	6,750	8,068
Buyback of debentures	-	(15,255)
Interest payments	(6,443)	(8,358)
Balances in 2013 and 2012	**80,029**	**64,448**
Current	80,029	136
Noncurrent	-	64,312

19. Taxes and Payroll Contributions

	2013	2012
ICMS	19,667	22,064
Social charges	2,670	1,904
IRPJ	16,818	10,911
CSSL	7,435	6,963
PIS / COFINS	17,711	19,398
IRRF	1,061	1,056
Other	1,411	1,980
Total	**66,773**	**64,276**
Current	46,354	50,235
Noncurrent	20,419	14,041

20. Provisions for labor, civil and tax risks

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

	Opening balance 2012	Provisions made	Reversal of provisions	Restatement	Closing balance 2013
Labor claims	9,225	2,636	(3,539)	416	8,738
Civil	22,799	10,011	(7,654)	1,225	26,381
Tax	4,996	-	(2,739)	228	2,485
Total	**37,020**	**12,647**	**(13,932)**	**1,869**	**37,604**
Restricted and escrow deposits (*)	(8,356)				(9,274)

	Opening balance 1/1/2012	Provisions made	Reversal of provisions	Restatement	Closing balance 2012
Labor claims	10,245	2,968	(4,555)	567	9,225
Civil	22,069	6,508	(7,025)	1,247	22,799
Tax	5,886	-	(1,176)	286	4,996
Total	**38,200**	**9,476**	**(12,756)**	**2,100**	**37,020**
Restricted and escrow deposits (*)	(6,931)				(8,356)

(*) The Company has restricted and escrow deposits in its noncurrent assets of R$ 22,610 (R$ 25,686 in 2012). Provisions for risks have not been made for R$ 13,336 (R$ 17,330 in 2012) as the chances of success are rated as possible or probable.

The amount of R$ 7,238 (R$ 7,914 in 2012) was paid in the financial year, consisting of labor claim settlements of R$ 2,628 (R$ 2,925 in 2012) and civil claim compensation of R$ 4,610 (R$ 4,989 in 2012).

Provisions for success fees were made in the year for proceedings rated as possible and remote defeats of R$ 5,289 (R$ 5,011 in 2012) in the statements, recorded under trade payables.

Probable losses:

Labor claims

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

Civil

The civil proceedings are mainly disputing indemnification for moral and material damages and consumer complaints involving energy debits. Lawsuits have also been filed by consumers claiming reimbursement of amounts paid to the Company resulting from rate increases introduced under DNAEE Ordinances 38 and 45 applied during the term of the Cruzado Plan in 1986. A provision has been made for the amount of the rate increase of R$ 813.

Tax

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

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

Possible losses:

The Company is party to labor, civil and tax claims in progress amounting to a total of R$ 266,162 (R$ 225,645 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$ 15,200 (R$ 6,897 in 2012) consist of 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 and charging union fees. The increase in shares of R$ 8,303 originating from labor claims refers to the filing of claims seeking joint liability of the Company relating to labor contracts between the contractor and its employees.

Civil

Civil claims amounting to R$ 71,415 (R$ 58,667 in 2012) consist of the following: (i) revision or cancellation of electricity invoices due to the uncertainty of the amount; (ii) indemnification for 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; and (iii) regulatory fines originating from inspections conducted by the concession authority which are undergoing administrative defense.

The increase of R$ 12,998 primarily refers to: (i) indemnification for accidents; (ii) collection proceeding in which the plaintiff is seeking to receive lawyers' fees agreed with the co-operative CEDAL, as it believes the Company is a successor of the Cooperative. The case is at the discovery phase and a contestation has been submitted; (iii) the proceeding filed by the municipality claiming annulment of the contracts previously signed by the parties involved.

Tax

The tax and labor claims amounting to R$ 179,547 (R$ 160,081 in 2012) basically consist of the following issues: (i) ICMS on energy sales; (ii) offsetting and appropriation of ICMS credits; (iii) rate differential; and (iv) income and social contribution taxes, amongst others;

The increase in the year of R$ 19,466 derives from: (i) assessment notice issued by the federal revenue authorities seeking deductibility of operating expenses from the calculation of income and social contribution taxes; (ii) assessment notice issued by the municipality of Bayeux requiring payment of tax on services for the use of electricity poles. Administrative appeals have been filed for both cases.

21. Shareholders' equity

21.1. Capital

The Company's paid-in and subscribed capital of R$ 425,805 (R$ 386,516 in 2012) is comprised of 918,160 registered common shares with no par value.

The Extraordinary General Meeting held April 24, 2013 approved: (i) to increase the Company's capital by R$ 39,289 without new shares being issued, via capitalization of the balance of the profits reserve - Tax Incentive - Income Tax Decrease, resulting in a share capital of R$ 425,805; (ii) cancellation of 422 common shares and 356 class "A" preferred shares held in the treasury for R$ 538, to be absorbed by the capital reserve - remuneration reserve for property, plant and equipment in progress; and (iii) conversion of all preferred nominative shares of the Company into common nominative shares, at the rate of one to one, with the aforesaid capital now consisting of 918,160 common nominative shares with no par value.

Irrespective of amendments to the bylaws, the share capital may be increased up to a maximum of 6,000,000,000 shares, consisting of up to 4,092,176,000 common shares and up to 1,907,824,000 preferred shares.

21.2. Capital reserve - special goodwill reserve

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

21.3. Profits reserve - income tax reduction

As it operates in the infrastructure sector of the North-East region, the Company obtained a reduction to the income tax payable for the purposes of investments in projects expanding its installed capacity, as determined by article 551 (3) of Decree 3000, dated March 26, 1999.

This reduction was approved by Constitutive Report 197/2012 – Sudene issued 12/12/2012, which imposes a number of obligations and restrictions:

(i) The amount obtained as a benefit cannot be distributed to the shareholders

(ii) The amount should be recorded as a profits reserve and capitalized by December 31 of the successive year and/or used to offset losses, and

(iii) The amount should be allocated to activities directly related to the electricity distribution concession held by the company.

Following the enactment of Law 11638/07 and Law 11941/09, the tax incentives are now recorded in the income statement for the year and subsequently transferred to the profits reserve and income tax reduction reserve. The Company obtained an income tax and surcharge reduction of R$ 35,619 (R$ 39,289 in 2012) in the year ended December 31, 2013.

21.4. 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.

21.5. 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	133,944	209,344
Retained earnings	185	-
Expired dividends	-	417
Legal reserve (5%)	(6,697)	(10,488)
Profit reserve - income tax reduction reserve	(35,619)	(39,289)
Adjusted net income	91,813	159,984
Mandatory dividends (25%)	22,953	39,996
Prepaid dividends paid (*):		
. Paid in January 2013 - R$ 51.69 per share	-	35,391
. Paid in June 2013 - R$ 45.91 per share	42,151	-
. Paid in August 2013 - R$ 18.15 per share (R$ 80.72 per share) in August 2012	16,666	74,114
. Paid in November 2012 - R$ 31.51 per share	-	28,931
. Paid in December 2013 - R$ 28.32 per share (R$ 51.69 per share) in December 2012	26,000	12,069
	84,817	150,505
(*) Additional proposed dividends R$ 7.42 per share (R$ 10.3240 in 2012)	6,996	9,479
Total dividends	91,813	159,984
% over adjusted net income	100	100

(*) The prepaid dividends approved by the Board of Directors' meetings held June 13, August 08 and December 19, 2013 (August 09, October 23 and December 20, 2012) were calculated on the net income based on the balance sheet as of March 31, June 30 and November 30, 2013 (June 30, September 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.

22. 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	1,035,707	1,433,767	630,918	997,140	1,297,599	640,055
Industrial	4,540	508,824	143,324	4,552	599,989	202,024
Commercial	91,433	636,737	267,814	88,732	594,029	296,622
Rural	115,953	271,319	76,936	110,419	267,641	55,475
Government:						
Federal	598	55,469	38,896	580	49,752	42,972
State	3,132	75,594	30,855	3,036	67,803	34,089
Municipal	11,581	95,211	20,473	11,227	85,398	22,619
Public Lighting	650	224,490	52,055	642	222,004	61,408
Public Utility	1,011	214,819	49,542	1,017	212,369	53,077
Internal Use	212	4,432	-	143	4,200	-
Subtotal	**1,264,817**	**3,520,662**	**1,310,813**	**1,217,488**	**3,400,784**	**1,408,341**
Revenue from Remuneration of Concession Assets	-	-	16,422	-	-	4,889
Electricity sales to distributors	-	54,721	11,101	-	131,867	43,357
Sales not invoiced (net)	-	23,275	(2,016)	-	44,666	7,702
Provision of the transmission and distribution system	21	-	46,409	15	-	62,176
Construction Revenue	-	-	133,705	-	-	195,670
Other operating revenue	-	-	9,482	-	-	8,956
Total - gross operating revenue	**1,264,838**	**3,598,658**	**1,525,916**	**1,217,503**	**3,577,317**	**1,731,091**
Deductions from operating revenue						
ICMS	-	-	287,726	-	-	289,139
PIS	-	-	22,899	-	-	24,901
COFINS	-	-	105,475	-	-	114,698
ISS	-	-	341	-	-	343
Quota for RGR	-	-	(1,774)	-	-	11,635
Energy Efficiency Program - PEE	-	-	4,770	-	-	5,067
Energy Development Account - CDE	-	-	2,473	-	-	8,631
Energy Development Account - CCC	-	-	2,113	-	-	39,266
Research and Development Program – P&D	-	-	4,787	-	-	8,114
Excess Demand Revenue and Surplus Reactive Energy	-	-	1,992	-	-	-
Total	-	-	430,802	-	-	501,794
Total - net operating revenue	**1,264,838**	**3,598,658**	**1,095,114**	**1,217,503**	**3,577,317**	**1,229,297**

23. 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	OF OPERATION	PROVIDED TO THIRD PARTIES	SALES	GENERAL AND ADMIN.	2013	2012
Electricity purchased for resale (*)«»	435,100	-	-	-	-	435,100	429,615
Charge for using transmission and distribution system (*)	56,362	-	-	-	-	56,362	82,689
Personnel and management	-	33,659	153	29,910	38,247	101,969	95,447
Private pension fund	-	3,499	-	2,520	2,262	8,281	13,393
Material	-	2,551	466	7,150	2,473	12,640	12,776
Outsourced services	-	8,968	599	21,149	49,308	80,024	83,708
Depreciation and amortization	-	40,833	-	193	5,759	46,785	40,363
Allowance for doubtful accounts	-	-	-	8,762	-	8,762	(13,762)
Provisions for labor, civil and tax risks	-	-	-	-	(1,285)	(1,285)	(3,280)
Construction cost	-	-	133,705	-	-	133,705	195,670
Other	-	5,671	10	1,802	16,330	23,813	17,105
	491,462	**95,181**	**134,933**	**71,486**	**113,094**	**906,156**	**953,724**

(*) R$ 29,824 and R$ 32,175 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.

24. Other income

	2013	2012
Gains on the deactivation/sale of assets and rights	7,592	6,129
Losses on the deactivation/sale of assets and rights	(13,821)	(13,104)
Total	**(6,229)**	**(6,975)**

25. Financial revenue and expenses

	2013	2012
Revenue on short-term investments	16,108	11,009
Monetary variation and arrears surcharge on energy sold	20,415	20,859
Restatement of accounts receivable from the concession - VNR	5,447	15,770
Other financial revenue	15,879	3,754
Total financial revenue	**57,849**	**51,392**
Debt charges - interest	(44,779)	(45,776)
Debt charges - monetary and exchange variance	(49,922)	(11,565)
(-) Transfer to orders in progress	3,461	5,251
Present value adjustment of assets	(394)	11,745
Mark-to-market of derivatives	(25,671)	1,155
Derivative financial instruments	39,933	8,023
Restatement of taxes and provision for labor, civil and tax risks	(3,787)	(4,931)
Costs of renegotiating bills with clients	(1,110)	(12,433)
Endorsement commission	(5,389)	-
Other financial expenses	(7,097)	(18,374)
Total financial expense	**(94,755)**	**(66,905)**
Net financial expenses	**(36,906)**	**(15,513)**

26. Net income per share

The Company did not change the number of shares 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. 918,160 common shares.

27. 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	Annual Premium 2012
Operating Risks	10/23/2014	35,320	367	400
General Civil Liability	10/23/2014	50,600	292	251
Automobiles - Third party material and personal damages	10/23/2014	Up to R$ 360,000 / vehicle	255	184
Collective life insurance - Personal Death and Accidents	12/31/2014	85,500	369	346
			1,283	**1,181**

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, 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.

28. Financial instruments and risk management

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

	2013			
ASSETS	Book	Fair value	Book	Fair value
Cash and cash equivalents	50,315	50,315	67,646	67,646
Money market and secured funds	143,796	143,796	116,697	116,697
Consumers and concessionaires	151,382	151,382	190,091	190,091
Credit receivables	61,992	61,992	89,730	89,730
Accounts receivable from the concession	225,555	225,555	147,049	147,049
Derivative financial instruments	15,685	15,685	6,212	6,212

	2012			
LIABILITIES	Book	Fair value	Book	Fair value
Suppliers payable	92,799	92,799	111,737	111,737
Loans, financing, debentures and debt charges	611,764	611,543	541,288	554,640

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

Nonderivatives - classification and measurement

Loans and receivables

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

Money market and secured funds

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

Available-for-sale financial assets

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

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

Financial liabilities measured at amortized cost:

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

Loans, financing, 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 underlying investments obtained from Eletrobrás, BNB 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 1st debentures issuance. 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)	611,857	541,288
Cash and cash equivalents	(50,315)	(67,646)
Net debt	561,542	473,642
Net equity (b)	613,113	556,857
Net debt index	1.09	0.85

(a) The debt is defined as short and long-term loans, financing and debentures (excluding derivatives and financial surety contracts), as detailed in notes 17 and 18.

(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	90,153	-	-	-	2,646	92,799
Loans, financing, debt charges and debentures - 9.69%	42,058	121,461	218,121	305,116	68,214	754,970
Total	**132,211**	**121,461**	**218,121**	**305,116**	**70,860**	**847,769**

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

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

Exposure to credit risks

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

	2013	2012
Cash and cash equivalents	50,315	67,646
Money market and secured funds	143,796	116,697
Consumers and concessionaires	151,382	190,091
Credit receivables	61,992	89,730
Accounts receivable from the concession	225,555	147,049
Derivative financial instruments	15,685	6,212

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

c) Interest and exchange rate risk

Part of the local-currency loans and financing presented in note 17 consist of financing from several national development agencies (Eletrobrás, Banco do Nordeste 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$ 276,074 (R$ 241,433 in 2012) of the Company's bank debts and issuances of R$ 613,795 (R$ 544,204 in 2012) as of December 31, 2013 is denominated in US dollars, (i) USD 77.8 million of the loan from Banco Itaú BBA (principal of USD 77.2 million), with a balance at the end of the year of R$ 182.3 million, including interest. (ii) USD 40.0 million of the loan from Citibank (principal of USD 40.0 million), with a balance at the end of the year of R$ 93.8 million, including interest.

The loans have a long term maturity (all mature in 2022) and costs of up to USD plus 4.33% per annum.

The balance sheet as of December 31, 2013 presents R$ 15,685 in the noncurrent assets (R$ 6,212 in 2012) referring to the mark-to-market of the financial derivatives related to the foreign exchange rate and interest, resulting from a combination of factors usually adopted for the mark-to-market of these instruments, such as volatility, currency coupon, interest rates and the US dollar exchange rate. This is not a material liability, because the reversal value of derivatives at the calculation date is estimated, which does not correspond to the hedge objective expected by management. The mark-to-market entries made in the financial statements are reversed when the caps established for the existing operations are not exceeded, as shown below. Moreover, further deterioration of the volatility, the currency coupon and the f/x rate could result in the amounts recorded increasing.

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

Debt	Notional (USD)	Financial Cost	Maturity	Cap
Loan 4131 Itaú BBA Receivable Position Liability Position	16,900	VC + 4.33% 100.0% CDI	8/17/2015	2.85(Aug -15)
Loan 4131 Citibank Receivable Position Liability Position	40,000	Libor + 1.90% 101.0% CDI	9/21/2017	3.0185(Sep-16) 3.1975(Sep-17)
Loan 4131 Itaú BBA Receivable Position Liability Position	60,277	VC + 4.105% 108.95% CDI	4/17/2018	3.11(Apr-17) 3.30(Apr-18)

Company Management monitors changes in the market, so that these hedge transactions may be restructured 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.

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
	Notional BRL	**Notional BRL**	Receivable Position	-	129,543
	-	88,174	Foreign currency - USD	-	-
Swap with Options - Bond			Liability Position	-	-
			CDI Interest Rate	-	(124,767)
			Foreign Currency Options (USD)	-	(11)
			Total Swap Position with Options	-	4,765
			Receivable Position	-	-
	154,138	34,138	Foreign currency - USD	190,875	37,450
Swap with Options - Itaú BBA			Liability Position	-	-
			CDI Interest Rate	(161,671)	(35,008)
			Foreign Currency Options (USD)	(18,528)	(744)
			Total Swap Position with Options	10,676	1,698
			Receivable Position	-	-
	80,960	80,960	Foreign Currency - USD Libor	96,332	84,920
Swap with Options - Citibank			Liability Position	-	-
			CDI Interest Rate	(81,367)	(81,306)
			Foreign Currency Options (USD)	(9,956)	(3,865)
			Total Swap Position with Options	5,009	(251)

The Fair Value of the derivatives as of December 31, 2013 and 2012 was calculated based on the market price quotes for similar contracts. Their variance is directly associated with the variance of the debt balances listed in the note 17 and 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 and Resolution 604/2009, which displaced Resolution 566/2008, the Company conducted sensitivity analyses on the main risks to which the financial instruments and derivatives are exposed, as shown:

a) Exchange variance

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

Operation	Exposure	Risk	Scenario I (Probable)(*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Financial instruments - Swap with Itaú and Citibank Options	276,074	Increase in USD	54,209	(4,192)	(62,594)
Receivable position - Foreign Currency - USD	287,208		233,607	292,009	350,410
Payable Position - CDI Interest Rate	(243,039)		(243,039)	(243,039)	(243,039)
Foreign Currency Options - USD	(28,484)		-	(4,786)	(52,680)
Subtotal	**15,685**		**(9,432)**	**44,184**	**54,691**
Net	-		44,777	39,992	(7,903)

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

In the "Probable Scenario", calculated based on the net analysis of the above operations until the maturity thereof, adjusted to present value by the fixed rate in Brazilian reais as of December 31, 2013, the derivatives are effective, which is reflected in the positive present value of R$ 44,777, 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$ 39,992 and negative value of R$ 7,903 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 (CDI = 10.47%, LTIR = 5.0% and FNE = 8.0%) 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	172,932	Rise in the CDI rate	18,090	22,613	27,136
Payable financial instruments:					
	(142,342)	Rise in the CDI rate	(15,108)	(18,885)	(22,662)
Loans, financing and debentures	(49,311)	Rise in TJLP	(2,562)	(3,203)	(3,843)
	(92,639)	Rise in FNE	(6,001)	(7,502)	(9,002)
Subtotal (**)	(284,292)		(23,671)	(29,590)	(35,507)
Total	**(111,360)**		**(5,581)**	**(6,977)**	**(8,371)**

(*) Considers the CDI at December 31, 2014 (10.47% per annum), quote of the estimates presented by the recent BACEN survey, dated December 31, 2013, TJLP 5% per annum and FNE funds of 8% per annum (loans contracted from Banco do Nordeste already reflecting the performance bonus).

(**) Does not include dollar transactions worth R$ 276,074

Fair value hierarchy

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

The different levels were assigned as follows:

- Level 1 - Prices quoted (in adjusted) in active markets for identical assets and liabilities
- Level 2 - Inputs, except for quoted prices, included in Level 1 that are observable for the assets and liabilities, directly (prices) or indirectly (derived from prices)
- Level 3 - Premises, for the asset or liability, that are not based on observable market data (unobservable inputs).

Financial instruments	Level	2013	2012
Assets			
Money market and secured funds	2	143,796	116,697
Derivative financial instruments	2	15,685	6,212
Accounts receivable from the concession	3	225,555	147,049

29. Employee benefits

a) Retirement and pension supplementation plan

The pension plan (Funasa) operated by the Company used to regularly present actuarial deficits.

With a view to reducing the actuarial deficits of this plan, management presented to and obtained the approval of the Supplementary Pensions Office for the following changes to these plans:

1. Closure of Defined Benefit Plan (BD) for new participants.

2. Creation of the Paid-in Plan (PS) to which current active participants can migrate, and

3. Creation of the Defined-Contribution Plan (CD) which can be migrated to by all current active participants who have simultaneously migrated to the PS plan.

   Upon retirement, participants who opted to migrate to the PS plan will be entitled to a proportional benefit that was calculated based on the mathematical reserves determined at the migration date and which will be readjusted until the date the benefits are awarded. The total of the proportional benefits determined when the plan was implemented was undertaken as debts by the sponsor Energisa PB to the respective sponsored funds Funasa. Because of its features, the PS plan will not receive monthly contributions from the participants or sponsors, and any actuarial deficit will have to be shouldered by the sponsor.

   The size of the contributions is known in the CD plan, and the value of the benefits depends on the savings accrued by the participants and sponsor and the financial earnings obtained on the investments made by the plan administrators. This type of plan does not therefore generate liabilities for the sponsor as a result of an actuarial deficit.

Defined contribution plan

The Company has a defined-contribution plan following the aforesaid restructuring.

The features of the benefit plans are shown below:

		Annual Contribution			Actuarial Deficit	
Company	Beneficiary Plan	2013	2012	% over payroll	2013	2012 Adjusted
Energisa PB	BD	5,962	5,891	10.52	61,681	56,464
Energisa PB	CD	560	542	0.99	-	-
Energisa PB	PS	342	362	0.60	-	6,814
				Total	**61,681**	**63,278**
				Current	8,562	12,532
				Noncurrent	53,119	50,746

The technical reserves to comply with the standards established by the SPC – Supplementary Pensions Office are determined by the external actuaries, which issued opinions which did not contain any comments representing any additional risk or qualification regarding the procedures adopted by the plans' administrations.

The actuarial position of the liabilities related to the retirement plan as of December 31, 2013 and 2012 are shown below, in accordance with the rules approved by CVM Resolution 695. The Projected Credit Unit Method was used to determine the actuarial deficit:

	2013		2012 (adjusted)	
	PS	BD	PS (*)	BD
Present value of actuarial obligations	(22,003)	(126,611)	(34,372)	(129,314)
Fair value of the plan's assets	25,097	64,930	27,558	72,850
Present value of the obligations in excess of the fair value of the assets	3,094	(61,681)	(6,814)	(56,464)
Reduction of plans' assets	(3,094)	-	-	-
Net liabilities	**-**	**(61,681)**	**(6,814)**	**(56,464)**

(*) As of December 31, 2012 the deficit of R$ 6,814 is recorded in noncurrent liabilities.

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

	PS	BD
Current service cost	865	766
Interest cost	2,461	13,399
Expected return on the plan's assets	(2,809)	(6,899)
Remeasurement of financial cost	(41)	820
Employee contributions	-	(525)
Expenses projected for 2014	**476**	**7,561**

Statement of the change in the net actuarial deficit in the year:

	2013		2012 (adjusted)	
	PS	BD	PS	BD
Net actuarial deficit at the start of the year	6,814	56,464	1,241	40,870
Current expenses	2,043	4,726	1,547	5,581
Company Contributions	-	(5,971)	-	(5,472)
Impact deriving from recognition of gains and losses	-	-	4,026	-
Other comprehensive income	(8,857)	6,462	-	15,485
Net actuarial deficit at year-end	**-**	**61,681**	**6,814**	**56,464**

The plan's assets are:

	PS		BD	
	2013	2012	2013	2012
Plan assets:				
Fixed-income fund quotas	24,756	27,245	54,105	66,452
Property investments	-	-	7,770	3,721
Loans to participants	234	293	856	849
	24,990	**27,538**	**62,731**	**71,022**

As of December 31, 2013 and 2012 the statement of the fair value of the assets is presented as follows:

	2013		2012	
	PS	BD	PS	BD
Fair value of assets at start of year	27,558	72,850	23,114	66,260
Benefits paid	(245)	(12,873)	(305)	(12,151)
Participant contributions invested in the year	-	649	-	629
Sponsor contributions invested in the year	-	5,971	-	5,472
Effective return on assets	2,316	5,776	2,276	5,950
Actuarial gains of the assets	(4,532)	(7,443)	2,473	6,690
Fair value of the assets	**25,097**	**64,930**	**27,558**	**72,850**

As of December 31, 2013 and 2012 the statement of the present value of the obligations is presented as follows:

	2013		2012	
	PS	BD	PS	BD
Balance at beginning of year	34,372	129,314	24,355	107,130
Benefits paid in cash	(245)	(12,874)	(305)	(12,151)
Interest on actuarial obligation	2,891	10,180	2,723	11,604
Current service cost (including interest)	1,468	850	1,100	1,033
Losses (Gains) on actuarial obligations	(16,483)	(859)	6,499	21,698
Balance at end of year	**22,003**	**126,611**	**34,372**	**129,314**

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

Economic hypotheses

Actuarial discount rate	6.44% p.a (PS) and 6.36% p.a (BD).
Expected rate of return on assets	7.12% p.a. (including inflation)
Benefit readjustment	Inflation only.
Wage growth	0% p.a. (PS) and 0.5% p.a. above inflation (BD)
Projected inflation	6% p.a.

Demographic Hypotheses

Mortality table	AT-83
Mortality table of disabled people	IAPB-57
Disability rate table	IAPC

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

	PS	BD
Active Participants		
Number	239	47
Average Age	49.39	49.40
Participation time (years)	20.04	25.21
Participant's Average Salary	R$ 0.788	R$ 2.494
Assisted Participants		
Number	18	461
Average Age	55.72	69.47
Average Monthly Benefit	R$ 0.710	R$ 1.726
Pensioners		
Number of Pensioners	3	225
Average Benefit per Family Group	R$ 0.283	R$ 0.793

b) Healthcare plan

The Company sponsors its employees' health insurance plans, which are managed by operators regulated by the National Health Agency (ANS). Upon termination of employment or retirement, employees may retain their health insurance plans provided they assume all the costs; the Company has no post-employment ties with or obligations to employees.

The Company pays the monthly fees of the health-care plan provided to its employees, operated by Funasa Saúde, where employees contribute 10% of the cost of any medical procedures carried out. New members of the plan also pay a fee of R$ 10.82 for 60 months. Funasa Saúde is a non-profit benefits association with an indefinite term of duration. It legally operates as a private health care plan operator under self-management, and offers these plans to a closed group of individuals, presenting an employment or associative bond. This benefit ceases immediately upon termination or retirement.

Expenses were incurred on this benefit of R$ 2,666 in FY 2013 (R$ 2,213 in 2012).

30. Commitments

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

Energy purchase contract - reais thousand						
Term	2014	2015	2016	2017	2018	2018 onwards
2014 to 2046	454,118	418,568	440,967	429,585	442,755	7,176,891

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.

31. Electricity distribution concession arrangement

On January 15, 2001 Energisa PB was authorized to distribute electricity in 216 municipalities in the state of Paraíba for the term of 30 years. The concession contract has been ratified by ANEEL.

32. Environment

The Company handles the social and environmental impacts caused by its services 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 grids close to trees, in order to avoid undesirable pruning.

2. Grids and lines: the company conducts environmental impact studies on grids and lines that cross areas of forest or other types of permanent preservation areas and presents any mitigating and/or compensatory measures to be implemented during installation, as stipulated in the Brazilian Distribution Regulations and those adopted by the Company.

3. In addition to the simplified environmental reports - RAS, for the construction of transmission lines and substations preventive studies are conducted, supervised by IPHAN - the National Archaeological Heritage Institute, which indicate the possibility of archaeological remains. In the event such remains are found, the possible impacts on cultural heritage are evaluated, in addition to the preparation of an Environmental Feasibility Study - EVA, Environmental Control Plan - PCA, Environmental Inspections.

4. Fostering of environmental education, in order to raise awareness of employees and the community as to how to use natural resources more rationally and sustainably and to optimize the living standards of employees, suppliers and the community.

5. The implementation of the Environmental, Social and Health and Safety Management System: stipulates the implementation of a tool compatible with the ISO 14001 and OSHAS 18001 standards and the applicable legislation, which can provide the means to adequately monitor environmental, social and health and safety issues

6. The Internal Environmental Management Committee was set up to guarantee effective control of environmental management. Among other activities, the committee's goal is to assess and prescribe proactive procedures which eliminate or reduce risks, guaranteeing secure operations free from negative environmental impacts.

7. The systematic and permanent analysis of samples of insulating oil, ensuring there are no signs of askarel and/or impurities, in order to eliminate them from the company's equipment, thereby ensuring performance with legal requirements.

8. On the basis of the Environmental Control Indicators ICA-09, ICA 11 and ICA 12, the company carries out the decontamination of mercury and sodium-vapor fluorescent lamps.

9. 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. The Company 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. We provide recycling bins for bulbs, batteries and cartridges for employees to deposit their waste in and adequately dispose of it through duly licensed companies.

10. 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).

11. Retain suppliers that are proven to have good environmental conduct and inform partners and clients about the good practices implemented by the company to preserve and protect the environment and life.

12. Proceed in conjunction with the municipal authority to include tree compatibility in the planning of works and provide training for people in the correct procedures for pruning trees.

13. Energy Efficiency, which has helped educate the population about the rational and efficient use of electricity, cutting electricity consumption, by replacing bulbs, donating efficient equipment and adapting internal electric facilities, and in specific cases installing electricity meters in impoverished communities.

14. Conta Cidadã project: whereby recyclable waste is exchanged for credits on the electricity bills of consumers, the materials collected in the process going to supply the recycling industry.

15. The preventive and corrective maintenance program plays an important role in the reduction of the levels of atmospheric pollution.

16. The Operation of the Substations uses the Background Noise report and the Electromagnetic Conformity Report.

In FY 2013 the investment in the aforesaid projects amounted to R$ 4,246 (R$ 3,321 in 2012), R$ 4,169 (R$ 3,149 in 2012) of which was allocated to intangible assets and R$ 77 (R$ 172 in 2012) to operating expenses.

The nonfinancial information was not examined by our independent auditors.

33. Additional information to the cash flows

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

	2013	2012
Operating activities		
Accounts receivable from the concession	73,897	100,448
Restatement of accounts receivable from the concession - VNR	5,447	15,770
Suppliers payable	9,277	12,118
Investment activities		
Property, Plant and Equipment and Intangible Assets	8,197	43,067
Financing activities		
Loans and financing	15,462	10,984
Capitalization of reserves	39,289	22,943