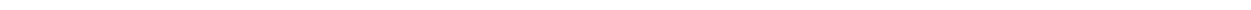




Energisa Sergipe | Results for 2013

**Energisa Sergipe - Distribuidora de Energia S/A**

**Management Report and  
Financial Statements for 2013**



Aracaju, March 18, 2014 - The Management of Energisa Sergipe - Distribuidora de Energia S/A (“Energisa Sergipe” 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 Sergipe distributes electricity to over 680,000 consumers in 63 out of the 75 municipalities of Sergipe State, in an area occupying 17,465 Km<sup>2</sup>.

FY 2013 saw Energisa Sergipe continue with its investment plan, which entails the expansion of its electric system's capacity, in order to improve the quality of electricity supply and support its market growth.

Energisa Sergipe's mature management processes and the constant investment in developing its processes led to the company being acknowledged for excellence in the provision of services. Evidence of this progress includes the premiums and comparisons amongst electricity distribution companies made by Aneel (National Electricity Regulatory Agency), Abradee (Brazilian Association of Electricity Distributors), Eletricidade Moderna magazine, ABCE (Brazilian Association of Electricity Concession Operators) and FNQ (National Quality Foundation). All of these organizations rank Energisa Sergipe amongst the best electricity distribution companies in Brazil.

## 2 - Investment

In 2013 Energisa Sergipe again invested heavily in its medium and high voltage systems, focusing on projects that aim to enhance service quality. The investment amounting to R\$ 79.8 million in the year includes the expansion of the installed capacity in the capital, Aracaju, following the entry into operation of the new Serigy substation (2 x 20/25 MVA), and the construction of new high voltage LDAT distribution lines (69 kV). The growing dissemination of medium-voltage shielded grids and the installation of automatic reconnectors and fault indicators were also noticeable investments, fundamental to enhancing service quality.

The Universal Electricity Access and Usage Program also received important investment from Energisa Sergipe, and by the end of 2013 had served approximately 53 thousand families in the rural, benefiting approximately 260,000 countryside residents. Resulting from a partnership between the federal and state governments and Energisa Sergipe, investment in this program between 2004 and 2013 now stands at R\$ 252.9 million, of which approximately R\$ 72 million was provided by Energisa Sergipe.

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

| Asset description  | Dec / 2013 | Dec / 2012 | Arrears<br>2013/2012 |
|--|------------|------------|----------------------|
| Substations - Number (*)                                     | 29         | 29         | -                    |
| Installed capacity at the substations - MVA                  | 678        | 654        | + 24                 |
| Feeders - number   | 149        | 137        | + 12                 |
| Utility Poles- no.   | 342,971    | 339,449    | + 3,522              |
| Transmission lines - Km                                      | 1,165      | 1,160      | + 5                  |
| Distribution grids (company) - Km                            | 26,089     | 25,662     | + 427                |
| Transformers installed in the distribution grids - no.       | 37,039     | 36,020     | + 1,019              |
| Installed capacity of the distribution grids (company) - MVA | 711        | 680        | + 31                 |

(\*) Despite the entry into operation of the Serigy substation in 2013, the number of the Company's substations remained unchanged due to the transfer of assets related to the Estância substation to another concession operator.

### 3 - Economic and financial performance

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

| Description  | 2013    | 2012<br>(Adjusted) | Change %  |
|--|---------|--------------------|-----------|
| <b>Results - R\$ million</b>                                       |         |                    |           |
| Gross Operating Revenue  | 993.4   | 1,078.4            | - 7.9     |
| Net Operating Revenue  | 728.0   | 758.0              | - 4.0     |
| Net Operating Revenue, without Construction Revenue                | 659.6   | 679.9              | - 3.0     |
| Earnings before interest and tax (EBIT)                            | 118.9   | 110.5              | + 7.6     |
| EBITDA   | 164.2   | 152.8              | + 7.5     |
| Adjusted EBITDA (EBITDA plus arrears charges on electricity bills) | 176.9   | 165.1              | + 7.1     |
| Financial Income/Loss  | (68.4)  | (34.4)             | + 98.8    |
| Net Income   | 45.6    | 69.2               | - 34.1    |
| <b>Financial Indicators - R\$ million</b>                          |         |                    |           |
| Total Assets   | 1,084.2 | 1,113.6            | - 2.6     |
| Cash / Cash Equivalents / Short-Term Investments                   | 70.0    | 109.7              | - 36.2    |
| Shareholders' Equity   | 378.1   | 344.6              | + 9.7     |
| Net Debt   | 534.3   | 490.9              | + 8.8     |
| <b>Operating Indicators</b>  |         |                    |           |
| Number of Captive Consumers (thousands)                            | 680.2   | 652.3              | + 4.3     |
| Sales of Energy to Captive Consumers (GWh)                         | 2,312.5 | 2,215.3            | + 4.4     |
| Total Electricity Distributed (GWh)                                | 3,370.3 | 3,277.3            | 2.8       |
| <b>Relative Indicators</b>   |         |                    |           |
| Adjusted EBITDA / Net Revenue (%)                                  | 24.3    | 21.8               | + 2.5 p.p |
| Net Debt / Adjusted EBITDA (times)                                 | 3.0     | 3.0                | -         |

### 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 Sergipe subsequently underwent its 3rd Rate Review Cycle. The rate review resulted in an average effect to be felt by consumers of 4.08% from April 22, with the rates of low-voltage consumers rising by 6.60% and medium- and high-voltage consumers falling by 0.07%. Pursuant to Decree 7891/2013, Aneel also ratified the coverage of additional expenses incurred on System Service Charges (ESS) in the previous rate period of R\$ 11.8 million in the Energy Development Account (CDE).

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\$ 57.9 million was passed through to Energisa Sergipe. 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\$ 30.5 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 Sergipe recorded net income of R\$ 45.6 million in 2013, compared with R\$ 69.2 million in 2012. This reduction in net income was primarily due to the present value of the mark-to-market of foreign currency hedges. The net financial expenses consequently expanded by 98.8% (or R\$ 34.0 million). The operating cash generation (Adjusted EBITDA) amounted to R\$ 176.9 million in 2013, compared with R\$ 165.1 million in 2012, an increase of R\$ 7.1%.

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

| Breakdown of Cash Generation<br>Amounts in R\$ million | 2013   | 2012<br>(Adjusted) | Change %  |
|--|--------|--------------------|-----------|
| (=) Net Income   | 45.6   | 69.2               | - 34.1    |
| (-) Income and social contribution taxes               | (4.9)  | (6.9)              | - 29.0    |
| (-) Financial result                                   | (68.4) | (34.4)             | + 98.8    |
| (-) Depreciation and amortization                      | (45.3) | (42.3)             | + 7.1     |
| (=) Cash generation (EBITDA)                           | 164.2  | 152.8              | + 7.5     |
| (+) Arrears surcharge revenue                          | 12.7   | 12.3               | + 3.3     |
| (=) Adjusted cash generation (Adjusted EBITDA)         | 176.9  | 165.1              | + 7.1     |
| Adjusted EBITDA Margin                                 | 24.3   | 21.8               | + 2.5 p.p |

From its earnings in 2013, the Company has paid out interim dividends of R\$ 21.0 million commencing:

- i) December 23, 2013, R\$ 8.0 million (R\$ 40.91883236 per share);
- ii) December 30, 2013, R\$ 13.0 million (R\$ 66.36943736 per share)

On top of these dividends, additional dividends will be paid out of R\$ 10.9 million (R\$ 55.92441703 per share), on a date to be determined. The total dividends for the year amounting to R\$ 31.9 million represent 70.0% of the net income earned by the Company.

### 3.4 - Operating expenses

Operating expenses amounted to R\$ 609.1 million in 2013, a decrease of 5.9% (or R\$ 38.4 million) over 2012. Controllable expenses (personnel, materials and outsourced services) contracted by 2.3% (R\$ 3.1 million) to R\$ 134.0 million. Noncontrollable expenses on electricity and transportation purchases fell by 2.7% (R\$ 9.6 million).

Operating expenses break down as follows:

| Breakdown of operating expenses (R\$ million)                        | 2013         | 2012<br>(Adjusted) | Change in R\$<br>million |
|--|--------------|--------------------|--------------------------|
| 1 - Controllable expenses  | 134.2        | 137.1              | - 2.9                    |
| 1.1 Personnel (includes pension fund)                                | 77.6         | 76.2               | + 1.4                    |
| 1.2 Material   | 9.1          | 10.2               | - 1.1                    |
| 1.3 Services   | 47.5         | 50.7               | - 3.2                    |
| 2 - Uncontrollable expenses (acquisition of energy and transmission) | 352.0        | 361.6              | - 9.6                    |
| 3 - Depreciation and amortization                                    | 45.3         | 42.3               | + 3.0                    |
| 4 - Allowance for doubtful accounts and contingencies                | 0.7          | 4.3                | - 3.6                    |
| 5 - Other expenses / revenue   | 8.5          | 24.1               | -15.6                    |
| <b>Subtotal</b>  | <b>540.7</b> | <b>569.4</b>       | <b>- 28.7</b>            |
| 6 - Construction cost  | 68.4         | 78.1               | - 9.7                    |
| <b>Total</b>   | <b>609.1</b> | <b>647.5</b>       | <b>- 38.4</b>            |

## 4 - Operating performance

Maintaining the focus on quality of the energy supplied and excellent customer service are ongoing priorities of Energisa Sergipe. The Company has made consistent improvements to its customer satisfaction ratings, which are measured every year by opinion polls.

**4.1 - Management of energy losses:** The efforts made resulted in electricity losses falling to 9.04% in the year, an improvement of 0.70% over 2012.

**4.2 - Default management:** the default rate improved modestly in over 2012, to 1.29%, compared with 1.08% in 2012.

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

| Operating indicators   | 2013  | 2012  | Change %   |
|--|-------|-------|------------|
| Power loss from the company's system (%)                     | 9.04  | 9.74  | - 0.70 p.p |
| Consumer default over the last 12 months (%)                 | 1.29  | 1.08  | + 19.4     |
| Outstanding receivables (outstanding monthly invoices) - no. | 0.81  | 0.79  | + 2.5      |
| ISQP (Perceived Quality Satisfaction Index) - Abradee        | 86.70 | 85.90 | + 0.9      |
| IASC (Aneel Consumer Satisfaction Index)                     | 69.56 | 64.30 | + 8.2      |
| DEC (Equivalent Outage Duration per Consumer) - hours        | 14.64 | 15.74 | - 7.0      |
| FEC (Equivalent Outage Frequency per Consumer) - times       | 9.29  | 11.67 | - 20.4     |

**4.4 - Electricity sales:** In 2013 electricity sales to end consumers (captive market), located in Energisa Sergipe's concession area, including energy associated with free consumers (TUSD), amounted to 3,130.2 GWh, an increase of 5.7% over 2012. Consumption was driven by the residential sector, which expanded by 9.2% in the year. Industrial consumption, including captive and free sales, rose by 5.2% in 2013. Total energy distributed in 2013 was 3,370.3 GWh, compared with 3,277.3 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            | 2,312.5 | 2,215.3 | + 4.4    |
| ✓ Residential                                   | 918.2   | 840.8   | + 9.2    |
| ✓ Industrial                                    | 289.5   | 305.7   | - 5.3    |
| ✓ Commercial                                    | 497.7   | 475.8   | + 4.6    |
| ✓ Rural   | 106.9   | 108.8   | - 1.7    |
| ✓ Other Sectors                                 | 500.2   | 484.3   | + 3.3    |
| 2) Energy associated with free consumers (TUSD) | 817.7   | 746.5   | + 9.5    |
| 3) Captive sales + TUSD (1+2)                   | 3,130.2 | 2,961.8 | + 5.7    |
| 4) Sales to distributors and unbilled sales     | 240.1   | 315.5   | - 23.9   |
| 5) Total Electricity Distributed (3+4)          | 3,370.3 | 3,277.3 | + 2.8    |

Energisa Sergipe closed the year with 680,233 captive consumer units, 4.3% more than at the end of 2012 and 17 free consumers.

## 5 - Issuance and redemption of debentures and settlement of Units

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On October 17, 2013 the Energisa Sergipe Board of Directors resolved to make the 3rd issuance of non-convertible, unsecured simple debentures in a single series amounting to R\$ 60.0 million, subject to public distribution with placement restrictions pursuant to CVM Directive 476/2009. 60 debentures were issued with a nominal unit value of R\$ 1.0 million at the issuance date (October 30, 2013), maturing in 6 years, i.e. on October 30, 2019. The debentures yield interest equal to the accumulated variance of 115.5% of the CDI rate. The remuneration and amortization of the debentures will be paid annually, as from the 24th (twenty-fourth) month, with the first payment on October 30, 2015.

The funds, already secured on October 30, were used for the early redemption of the Company's 1st simple nonconvertible debentures issuance. The 42,000 debentures, which incur a cost equal to exchange variance plus 8.85% per annum, were redeemed for the amount of R\$ 64.3 million as of November 08, 2013, where R\$ 36.1 million had been amortized by this date, in accordance with the issuance deed.

On July 19, 2013 Energisa Sergipe settled the issuance of 7-year bonds in US dollars denominated Notes Units for R\$ 254.6 million (USD 107.2 million).

## 6 - People management

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Energisa Sergipe invests heavily in Personnel Management, focusing on the valuation of its human capital, enhancing its operations and expanding the premises for a more flexible, faster management, with a view to the ongoing improvement of its electricity supply and to support its market growth. The Company closed 2013 with a headcount of 920 and 488 outsourced workers.

To meet its operational requirements, especially enhancing the quality of products and services offered, in 2013 Energisa Sergipe provided 114,012 man-hours of training, equal to 119 hours of training/employee, in an investment of more than 522,000. The distance education system (EAD) accounted for 49% of the company's training program

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

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

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.

The company understands that one of the main factors which retains talent is cultural alignment, with solid values disseminated in a continuous learning environment. Therefore, Energisa Sergipe seeks to value its co-workers, offering an attractive benefit plan, which includes granting scholarships for courses and actions considered in individual development plans, sharing profits and results, participation in special projects, results analysis meetings and encouraging participation in internal

## Results for 2013

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recruitment and selection to fill open vacancies. More than 35% of the vacancies were filled using this process during 2013.

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

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

For accident prevention and health preservation Energisa Sergipe won the Eloy Chaves Medal in the silver category, the top recognition for safety in the workplace, awarded by Fundação COGE. This award testifies to a culture of preventive management which values human beings as the company's greatest asset.

## 7 - Social and Environmental Responsibility

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Energisa Sergipe continued its cultural and socio-environmental responsibility activities during 2013, especially:

- **The Energisa in my House Program:** associated to the Energy Efficiency Program (PEE) which benefited consumers with low purchasing power in a wide range of actions, such as talks on relevant topics, plays, socio-environmental events, replacing fridges, input standards, fluorescent bulbs and offering low income clients the opportunity to regularize any outstanding debts with Energisa Sergipe;
- **The Energisa Renews Project:** involves the exchange of recyclable waste for a bonus on electricity bills. Held only with co-workers during 2013, the project will be extended to Energisa Sergipe's clients in 2014. The materials which were collected were donated to a recycling cooperative;
- **Total Energy:** holding events in the capital, distributing economic light bulbs to clients up to date with their bills, educational talks, workshops using recycled materials and participation in an event entitled "Global Action";
- **Arte na Empresa program:** projection of artists from the state through exhibitions in the company's entrance hall;
- **Zé da Luz na Escola schools program:** guidelines for children and adolescents about risks and precautions relating to electricity. An impressive 452 presentations were given in 2013;
- **Illuminated Christmas Program:** project installed in Parque Governador Augusto Franco, conducted in partnership with the municipal authorities. The initiative is recognized by local people, who have visited the park and showed their satisfaction.

Energisa Sergipe also expanded his communication channels with the general public, entering social media networks. Clients receive relevant information and can interact with the company through these channels. Another important landmark was the re-issue of the quarterly bulletin "Total Light", which is printed and attached to electricity bills, providing institutional, technical and commercial information of its clients' interest, with hints on safety and the rational use of electricity always being provided.

Energisa handles the social and environmental impacts caused by its services and facilities through programs and practices of the Environment, Social and Occupational Health and Safety Management System and the Health and Safety management system - SGMASS - that evidence its concern about and responsibility for the environment and sustainable development. The programs and practices include: implementation of shielded and insulated grids: implementation of Cogesa - Social and Environmental

## Results for 2013

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Management Committee solid waste management treatment of spent bulbs: and selective collection of waste generated at the company.

As a highlight of its sustainability activities, Energisa Sergipe also formed a partnership with the Falcon Park, a bird of prey “sanctuary”, in 2013, developing a functional project which perfectly fits into the context of the park and serves as a source of income for the institution, promoting its self-sufficiency.

### 8- Services rendered by the independent auditor

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The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Borborema in 2013 was R\$ 529,000, as follows: i) R\$ 204,000 for reviewing the financial statements and ii) R\$ 325,000 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 SERGIPE - DISTRIBUIDORA DE ENERGIA S/A  
BALANCE SHEET  
AT DECEMBER 31, 2013  
(In thousands of reais)

|   | Note | 2013             | 2012             | 1/1/2012         |
|---|------|------------------|------------------|------------------|
|   |      |                  | (Adjusted)       | (Adjusted)       |
| <b>Assets</b>                           |      |                  |                  |                  |
| <b>Current</b>                          |      |                  |                  |                  |
| Cash and cash equivalents               | 5    | 30,452           | 53,225           | 78,427           |
| Money market and secured funds          | 5    | 31,649           | 47,019           | 29,552           |
| Consumers and concessionaires           | 6    | 91,266           | 117,517          | 108,115          |
| Credit receivables                      | 7    | 7,635            | 7,739            | 10,014           |
| Inventory                               |      | 1,854            | 2,382            | 2,536            |
| Recoverable taxes                       | 10   | 28,941           | 26,866           | 24,154           |
| Prepaid expenses                        |      | 5,983            | 3,343            | 952              |
| Low income and other receivables        | 11   | 29,128           | 25,333           | 37,115           |
| <b>Total current</b>                    |      | <b>226,908</b>   | <b>283,424</b>   | <b>290,865</b>   |
| <b>Noncurrent</b>                       |      |                  |                  |                  |
| <b>Noncurrent assets</b>                |      |                  |                  |                  |
| Money market and secured funds          | 5    | 7,926            | 9,483            | 3,744            |
| Consumers and concessionaires           | 6    | 7,544            | 7,544            | 7,544            |
| Credit receivables                      | 7    | 2,572            | 4,110            | 2,410            |
| Recoverable taxes                       | 11   | 16,473           | 16,551           | 16,341           |
| Tax credits                             | 13   | 51,748           | 34,106           | 26,599           |
| Restricted deposits and escrows         | 21   | 28,769           | 21,818           | 20,844           |
| Derivative financial instruments        | 29   | 17,791           | 15,394           | 6,359            |
| Accounts receivable from the concession | 14   | 182,867          | 130,146          | 34,021           |
| Other accounts receivable               |      | 777              | 837              | 868              |
|   |      | <b>316,467</b>   | <b>239,989</b>   | <b>118,730</b>   |
| Investment                              |      | 366              | 4,026            | 217              |
| Intangible assets                       | 15   | 550,050          | 581,125          | 647,122          |
| Property, plant and equipment           | 15   | 6,178            | 5,062            | -                |
| <b>Total noncurrent</b>                 |      | <b>873,061</b>   | <b>830,202</b>   | <b>766,069</b>   |
| <b>Total assets</b>                     |      | <b>1,099,969</b> | <b>1,113,626</b> | <b>1,056,934</b> |

See the accompanying notes to the financial statements.

## 2. Balance Sheet - Liabilities

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

|   | Note          | 2013             | 2012             | 1/1/2012         |
|---|---------------|------------------|------------------|------------------|
|   |               |                  | (Adjusted)       | (Adjusted)       |
| <b>Liabilities</b>                                |               |                  |                  |                  |
| <b>Current</b>                                    |               |                  |                  |                  |
|   | -             |                  |                  |                  |
| Suppliers payable                                 | 16            | 54,538           | 63,031           | 47,620           |
| Debt charges                                      | 17            | 4,183            | 13,913           | 12,516           |
| Loans and financing                               | 17            | 18,484           | 240,011          | 46,202           |
| Debentures  | 18            | 61,113           | 29,696           | 1,479            |
| Taxes and social contributions                    | 19            | 26,539           | 35,376           | 29,290           |
| Tax financing                                     | 20            | 1,875            | 1,770            | 2,078            |
| Dividends   | 22.4          | 8,000            | -                | 8,655            |
| Estimated obligations                             |               | 4,762            | 4,393            | 4,018            |
| Consumer charges payable                          |               | 136              | 4,991            | 2,941            |
| Intrasector obligations                           |               | 12,104           | 18,222           | 21,711           |
| Employee benefits - pension plan                  | 30            | 8,485            | -                | -                |
| Other accounts payable                            |               | 8,668            | 11,601           | 20,180           |
| <b>Total current</b>                              |               | <b>208,887</b>   | <b>423,004</b>   | <b>196,690</b>   |
| <b>Noncurrent</b>                                 |               |                  |                  |                  |
| Suppliers payable                                 | 16            | 2,377            | 1,963            | 1,810            |
| Loans and financing                               | 17            | 387,858          | 170,581          | 308,046          |
| Debentures  | 18            | 60,000           | 102,613          | 138,079          |
| Derivative financial instruments                  | 29            | -                | -                | 16,089           |
| Taxes and social contributions                    | 19            | 11,454           | 8,227            | 7,163            |
| Tax financing                                     | 20            | 4,218            | 5,753            | 7,029            |
| Provisions for labor, civil and tax risks         | 21            | 18,846           | 20,547           | 20,229           |
| Employee benefits - pension plan                  | 30            | 58,072           | 36,332           | 20,922           |
| Other   |               | 724              | 21               | -                |
| <b>Total noncurrent</b>                           |               | <b>543,549</b>   | <b>346,037</b>   | <b>519,367</b>   |
| <b>Shareholders' equity</b>                       |               |                  |                  |                  |
| Capital   | 22.1          | 345,762          | 329,370          | 319,239          |
| Treasury stock                                    | 22.1          | -                | (18)             | (18)             |
| Capital reserves                                  | 22.1          | 3,330            | 3,348            | 3,348            |
| Profit reserves                                   | 22.2 and 22.3 | 22,834           | 25,575           | 15,861           |
| Retained earnings                                 |               | -                | 120              | -                |
| Additional dividends proposed                     | 22.4          | 11,054           | 7,694            | 15,769           |
| Other comprehensive income                        |               | (35,447)         | (21,504)         | (13,322)         |
| <b>Total shareholders' equity</b>                 |               | <b>347,533</b>   | <b>344,585</b>   | <b>340,877</b>   |
| <b>Total liabilities and shareholders' equity</b> |               | <b>1,099,969</b> | <b>1,113,626</b> | <b>1,056,934</b> |

See the accompanying notes to the financial statements.

## 3. Statement of Income

ENERGISA SERGIPE - 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  | 23        | 727,972         | 757,963         |
| Cost of the electricity service  | 24        | (491,863)       | (510,772)       |
| <b>Gross profit</b>  |           | <b>236,109</b>  | <b>247,191</b>  |
| Sales expenses   | 24        | (21,802)        | (23,661)        |
| General and administrative expenses                                      | 24        | (97,441)        | (97,245)        |
| Other revenue  | 25        | 7,129           | 4,984           |
| Other expenses   | 25        | (5,086)         | (20,771)        |
| <b>Net income before net financial revenue (expenses) and tax</b>        |           | <b>118,909</b>  | <b>110,498</b>  |
| Financial revenue  | 26        | 41,623          | 36,098          |
| Financial expense  | 26        | (110,034)       | (70,453)        |
| <b>Net financial income (expenses)</b>                                   |           | <b>(68,411)</b> | <b>(34,355)</b> |
| <b>Income before tax</b>   |           | <b>50,498</b>   | <b>76,143</b>   |
| Current income and social contribution taxes                             | 13        | (14,016)        | (16,934)        |
| Deferred income and social contribution taxes                            | 13        | 9,079           | 9,962           |
| <b>Net income for the year</b>   |           | <b>45,561</b>   | <b>69,171</b>   |
| <b>Basic and diluted net income per common and preferred share - R\$</b> | <b>27</b> | <b>233.04</b>   | <b>353.80</b>   |

See the accompanying notes to the financial statements.

## 4. Comprehensive Statement of Income

ENERGISA SERGIPE - 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  | 45,561        | 69,171        |
| Items that will not be reclassified to the income statement      |               |               |
| Other comprehensive income                                       | (13,943)      | (8,182)       |
| <b>Total other comprehensive income for the year, net of tax</b> | <b>31,618</b> | <b>60,989</b> |

See the accompanying notes to the financial statements.

## 5. Statement of Cash Flows

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

|  | Note          | 2013             | 2012             |
|--|---------------|------------------|------------------|
| <b>Operating activities</b>  |               |                  |                  |
| Profit before income and social contribution taxes                               |               | 50,498           | 76,143           |
| Expenses on interest and monetary and exchange variance - net                    |               | 104,049          | 71,118           |
| Depreciation and Amortization  | 24            | 45,277           | 42,339           |
| Allowance for doubtful accounts  | 24            | 3,430            | 5,190            |
| Provision for labor, civil and tax risks   | 24            | (2,746)          | (851)            |
| Residual value of retired permanent assets                                       | 25            | (2,043)          | 15,787           |
| Mark-to-market of derivatives  | 26            | 34,749           | (4,260)          |
| Derivative financial instruments   | 26            | (62,731)         | (20,766)         |
| <b>Changes in current and noncurrent assets</b>                                  |               |                  |                  |
| Decrease (increase) in consumers and concessionaires                             |               | 23,074           | (9,743)          |
| Decrease (increase) in credit receivables  |               | 1,424            | (2,801)          |
| Inventory decrease   |               | 527              | 154              |
| (Increase) in recoverable taxes  |               | (1,997)          | (2,922)          |
| (Increase) in escrow deposits  |               | (6,951)          | (974)            |
| (Increase) in prepaid expenses   |               | (2,640)          | (2,391)          |
| (Increase) decrease in other accounts receivable                                 |               | (2,068)          | 12,536           |
| <b>Changes in current and noncurrent liabilities</b>                             |               |                  |                  |
| (Decrease) increase in suppliers payable   |               | (9,284)          | 9,663            |
| Increase in taxes and social contributions                                       |               | 1,413            | 1,629            |
| Income and social contribution taxes paid  |               | (13,821)         | (4,742)          |
| Increase in estimated obligations  |               | 369              | 375              |
| (Decrease) increase in consumer charges payable                                  |               | (4,855)          | 2,050            |
| Loans with related companies   |               | -                | (182)            |
| (Decrease) private entities and others   |               | (7,847)          | (8,852)          |
| <b>Net cash produced by operating activities</b>                                 |               | <b>147,827</b>   | <b>178,500</b>   |
| <b>Investment activities</b>   |               |                  |                  |
| Capital increase and acquisition of shares in subsidiaries and other investments |               | (234)            | (3,810)          |
| Money market and secured funds   |               | (183,895)        | (39,102)         |
| Discharge of short-term investments  |               | 212,216          | 18,425           |
| Additions to Intangible assets   | 15 and 34     | (53,577)         | (70,012)         |
| Sale of PP&E and intangible assets   | 25            | 7,129            | 4,984            |
| <b>Net cash consumed in investment activities</b>                                |               | <b>(18,361)</b>  | <b>(89,515)</b>  |
| <b>Financing activities</b>  |               |                  |                  |
| New loans and financing  | 17, 18 and 34 | 309,900          | 64,243           |
| Payment of loans, financing and debentures payments - principal                  | 17 and 18     | (411,622)        | (64,270)         |
| Payment of loans, financing and debentures payments - interest                   | 17 and 18     | (54,002)         | (45,565)         |
| Settlement of derivative financial instruments                                   |               | 25,585           | (1,074)          |
| Payment of dividends   | 22.4          | (20,670)         | (65,937)         |
| Payment of tax financing   |               | (1,430)          | (1,584)          |
| <b>Net cash consumed in financing activities</b>                                 |               | <b>(152,239)</b> | <b>(114,187)</b> |
| <b>Net cash variation</b>  |               | <b>(22,773)</b>  | <b>(25,202)</b>  |
| Opening cash and cash equivalents  |               | 53,225           | 78,427           |
| Closing cash and cash equivalents  |               | 30,452           | 53,225           |
| <b>Net cash variation</b>  |               | <b>(22,773)</b>  | <b>(25,202)</b>  |

See the accompanying notes to the financial statements.

## 6. Statement of Added Value - DVA

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

|  | Note      | 2013           | 2012             |
|--|-----------|----------------|------------------|
| Generation of added value:                             |           |                |                  |
| Revenue  |           |                |                  |
| Revenue from energy sales and services                 |           | 925,009        | 1,000,320        |
| Other revenue  | 25        | 7,129          | 4,984            |
| Revenue relating to construction of company assets     | 23 and 26 | 70,535         | 78,086           |
| Allowance for doubtful accounts                        | 24        | (3,430)        | (5,190)          |
|  |           | <u>999,243</u> | <u>1,078,200</u> |
| (-) Consumables acquired from third parties            |           |                |                  |
| Cost of energy sold                                    |           | 412,063        | 394,419          |
| Materials and outsourced services                      |           | 58,872         | 144,473          |
| Other operating costs                                  |           | 79,486         | 23,488           |
|  |           | <u>550,421</u> | <u>562,380</u>   |
| Gross added value                                      |           | <u>448,822</u> | <u>515,820</u>   |
| Amortization, depreciation and realization of goodwill | 24        | 45,277         | 42,339           |
| Net added value  |           | <u>403,545</u> | <u>473,481</u>   |
| Transferred added value                                |           |                |                  |
| Financial revenue                                      | 26        | 41,623         | 36,098           |
| Added value to be distributed                          |           | <u>445,168</u> | <u>509,579</u>   |
| Distribution of added value:                           |           |                |                  |
| Personnel  |           |                |                  |
| Direct remuneration                                    |           | 51,200         | 46,635           |
| Benefits   |           | 12,931         | 16,589           |
| FGTS   |           | 3,825          | 3,880            |
| Taxes and contributions                                |           |                |                  |
| Federal  |           | 37,188         | 71,902           |
| State  |           | 169,794        | 182,648          |
| Municipal  |           | 588            | 354              |
| Intrasector Obligations                                | 23        | 10,493         | 46,653           |
| Interest expenses                                      |           |                |                  |
| Interest   | 26        | 112,150        | 70,453           |
| Rent   |           | 1,438          | 1,294            |
| Interest earnings                                      |           |                |                  |
| Dividends  | 22.4      | 20,976         | 41,512           |
| Additional dividends proposed                          | 22.4      | 11,054         | 7,694            |
| Legal reserve  | 22.2      | 2,278          | 3,453            |
| Income tax reduction reserve                           | 22.3      | 11,373         | 16,392           |
| Retained earnings                                      |           | (120)          | 120              |
|  |           | <u>445,168</u> | <u>509,579</u>   |

See the accompanying notes to the financial statements.

## 7. Statements of Changes in Shareholders' Equity

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

| Note   | Capital        | Treasury stock | Capital reserves     |   | Profit reserves |                     | Additional dividends proposed | Retained earnings (Accumulated losses) | Subtotal       | Other comprehensive income | Total          |
|--|----------------|----------------|----------------------|---|-----------------|---------------------|-------------------------------|--|----------------|----------------------------|----------------|
|  |                |                | Investment subsidies | Remuneration of property, plant and equipment in progress | Legal           | Income tax decrease |                               |  |                |                            |                |
| <b>Balances at January 01, 2012 - adjusted</b>                                 | <b>319,239</b> | <b>(18)</b>    | <b>2,102</b>         | <b>1,246</b>  | <b>5,730</b>    | <b>10,131</b>       | <b>15,769</b>                 | <b>-</b>                               | <b>354,199</b> | <b>(13,322)</b>            | <b>340,877</b> |
| Payment of additional dividends  | -              | -              | -                    | -   | -               | -                   | (15,769)                      | -                                      | (15,769)       | -                          | (15,769)       |
| Capital increase as per the AGM and EGM held 4/25/2012                         | 22.1 10,131    | -              | -                    | -   | -               | (10,131)            | -                             | -                                      | -              | -                          | -              |
| Other comprehensive income   | -              | -              | -                    | -   | -               | -                   | -                             | -                                      | -              | (8,182)                    | (8,182)        |
| Net income for the year  | -              | -              | -                    | -   | -               | -                   | -                             | 69,171                                 | 69,171         | -                          | 69,171         |
| Proposed allocation of net income for the year                                 |                |                |                      |   |                 |                     |                               |  |                |                            |                |
| Legal reserve  | 22.2 -         | -              | -                    | -   | 3,453           | -                   | -                             | (3,453)                                | -              | -                          | -              |
| Tax Benefit - Constitutive Reports - Adene 0106/2005                           | 22.3 -         | -              | -                    | -   | -               | 16,392              | -                             | (16,392)                               | -              | -                          | -              |
| Dividends  | 22.4 -         | -              | -                    | -   | -               | -                   | -                             | (41,512)                               | (41,512)       | -                          | (41,512)       |
| Additional dividends proposed  | 22.4 -         | -              | -                    | -   | -               | -                   | 7,694                         | (7,694)                                | -              | -                          | -              |
| <b>Balances at December 31, 2012 - adjusted</b>                                | <b>329,370</b> | <b>(18)</b>    | <b>2,102</b>         | <b>1,246</b>  | <b>9,183</b>    | <b>16,392</b>       | <b>7,694</b>                  | <b>120</b>                             | <b>366,089</b> | <b>(21,504)</b>            | <b>344,585</b> |
| Payment of additional dividends  | -              | -              | -                    | -   | -               | -                   | (7,694)                       | -                                      | (7,694)        | -                          | (7,694)        |
| Capital increase through share cancellation, as per AGM and EGM held 4/24/2013 | 22.1 16,392    | 18             | -                    | (18)  | -               | (16,392)            | -                             | -                                      | -              | -                          | -              |
| Other comprehensive income   | -              | -              | -                    | -   | -               | -                   | -                             | -                                      | -              | (13,943)                   | (13,943)       |
| Net income for the year  | -              | -              | -                    | -   | -               | -                   | -                             | 45,561                                 | 45,561         | -                          | 45,561         |
| Proposed allocation of net income for the year                                 |                |                |                      |   |                 |                     |                               |  |                |                            |                |
| Legal reserve  | 22.2 -         | -              | -                    | -   | 2,278           | -                   | -                             | (2,278)                                | -              | -                          | -              |
| Tax Benefit - Constitutive Reports - Sudene 0205/2012                          | 22.3 -         | -              | -                    | -   | -               | 11,373              | -                             | (11,373)                               | -              | -                          | -              |
| Dividends  | 22.4 -         | -              | -                    | -   | -               | -                   | -                             | (20,976)                               | (20,976)       | -                          | (20,976)       |
| Additional dividends proposed  | 22.4 -         | -              | -                    | -   | -               | -                   | 11,054                        | (11,054)                               | -              | -                          | -              |
| <b>Balances at December 31, 2013</b>   | <b>345,762</b> | <b>-</b>       | <b>2,102</b>         | <b>1,228</b>  | <b>11,461</b>   | <b>11,373</b>       | <b>11,054</b>                 | <b>-</b>                               | <b>382,980</b> | <b>(35,447)</b>            | <b>347,533</b> |

See the accompanying notes to the financial statements.

## 8. Balance Sheet

| ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S.A   |  |                              |  |  |                              |                                 |
|---|--|------------------------------|--|--|------------------------------|---------------------------------|
| BALANÇO SOCIAL ANUAL - 2013   |  |                              |  |  |                              |                                 |
| (Em milhares de reais)  |  |                              |  |  |                              |                                 |
| 1 - Base de Cálculo   | 2013 Valor   |                              |  | 2012 Valor   |                              |                                 |
| Receita líquida (RL)  | 727.972  |                              |  | 757.963  |                              |                                 |
| Resultado operacional (RO)  | 50.498   |                              |  | 76.143   |                              |                                 |
| Folha de pagamento bruta (FPB)  | 57.014   |                              |  | 55.526   |                              |                                 |
| 2 - Indicadores Sociais Internos  | Valor (mil)  | % sobre FPB                  | % sobre RL   | Valor (mil)  | % sobre FPB                  | % sobre RL                      |
| Alimentação   | 7.667  | 13,45%                       | 1,05%  | 7.153  | 12,88%                       | 0,94%                           |
| Encargos sociais compulsórios   | 13.018   | 22,83%                       | 1,79%  | 12.989   | 23,39%                       | 1,71%                           |
| Previdência privada   | 11.895   | 20,86%                       | 1,63%  | 3.863  | 6,96%                        | 0,51%                           |
| Saúde   | 4.016  | 7,04%                        | 0,55%  | 8.441  | 15,20%                       | 1,11%                           |
| Segurança e saúde no trabalho   | 1.022  | 1,79%                        | 0,14%  | 1.191  | 2,14%                        | 0,16%                           |
| Educação  | 157  | 0,28%                        | 0,02%  | 140  | 0,25%                        | 0,02%                           |
| Cultura   | 3  | 0,01%                        | 0,00%  | 9  | 0,02%                        | 0,00%                           |
| Capacitação e desenvolvimento profissional  | 523  | 0,92%                        | 0,07%  | 808  | 1,46%                        | 0,11%                           |
| Creches ou auxílio-creche   | 395  | 0,69%                        | 0,05%  | 346  | 0,62%                        | 0,05%                           |
| Participação nos lucros ou resultados   | 4.251  | 7,46%                        | 0,58%  | 4.261  | 7,67%                        | 0,56%                           |
| Outros  | 0  | 0,00%                        | 0,00%  | 0  | 0,00%                        | 0,00%                           |
| <b>Total - Indicadores sociais internos</b>   | <b>42.947</b>  | <b>75,33%</b>                | <b>5,90%</b>   | <b>39.201</b>  | <b>70,60%</b>                | <b>5,17%</b>                    |
| 3 - Indicadores Sociais Externos  | Valor (mil)  | % sobre RO                   | % sobre RL   | Valor (mil)  | % sobre RO                   | % sobre RL                      |
| Educação  | 64   | 0,13%                        | 0,01%  | 85   | 0,11%                        | 0,00%                           |
| Cultura   | 348  | 0,69%                        | 0,05%  | 413  | 0,54%                        | 0,00%                           |
| Saúde e saneamento  | 86   | 0,17%                        | 0,01%  | 0  | 0,00%                        | 0,00%                           |
| Esporte   | 4  | 0,01%                        | 0,00%  | 106  | 0,14%                        | 0,00%                           |
| Combate à fome e segurança alimentar  | -  | 0,00%                        | 0,00%  | 0  | 0,00%                        | 0,00%                           |
| Outros  | 655  | 1,30%                        | 0,09%  | 528  | 0,69%                        | 0,00%                           |
| <b>Total das contribuições para a sociedade</b>   | <b>1.157</b>   | <b>2,29%</b>                 | <b>0,16%</b>   | <b>1.132</b>   | <b>1,49%</b>                 | <b>0,00%</b>                    |
| Tributos (excluídos encargos sociais)   | 194.076  | 384,32%                      | 26,66%   | 241.915  | 317,71%                      | 0,00%                           |
| <b>Total - Indicadores sociais externos</b>   | <b>195.233</b>   | <b>386,61%</b>               | <b>26,82%</b>  | <b>243.047</b>   | <b>319,20%</b>               | <b>0,00%</b>                    |
| 4 - Indicadores Ambientais  | Valor (mil)  | % sobre RO                   | % sobre RL   | Valor (mil)  | % sobre RO                   | % sobre RL                      |
| Investimentos relacionados com a produção/ operação da empresa  | 16.878   | 33,42%                       | 2,32%  | 18.657   | 24,50%                       | 2,46%                           |
| Investimentos em programas e/ou projetos externos   | 0  | 0,00%                        | 0,00%  | 0  | 0,00%                        | 0,00%                           |
| <b>Total dos investimentos em meio ambiente</b>   | <b>16.878</b>  | <b>33,42%</b>                | <b>2,32%</b>   | <b>18.657</b>  | <b>24,50%</b>                | <b>2,46%</b>                    |
| 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%<br>( ) cumpre de 0 a 50% ( ) cumpre de 76 a 100% |                              | (X) não possui metas ( ) cumpre de 51 a 75%<br>( ) 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  | 920  |                              |  | 963  |                              |                                 |
| Nº de admissões durante o período   | 68   |                              |  | 127  |                              |                                 |
| Nº de empregados(as) terceirizados(as)  | 488  |                              |  | 748  |                              |                                 |
| Nº de estagiários(as)   | 40   |                              |  | 38   |                              |                                 |
| Nº de empregados(as) acima de 45 anos   | 157  |                              |  | 186  |                              |                                 |
| Nº de mulheres que trabalham na empresa   | 149  |                              |  | 163  |                              |                                 |
| % de cargos de chefia ocupados por mulheres   | 14%  |                              |  | 14%  |                              |                                 |
| Nº de negros(as) que trabalham na empresa   | 61   |                              |  | 56   |                              |                                 |
| % de cargos de chefia ocupados por negros(as)   | 8%   |                              |  | 8%   |                              |                                 |
| Nº de portadores(as) de deficiência ou necessidades especiais   | 34   |                              |  | 33   |                              |                                 |
| 6 - Informações relevantes quanto ao exercício da cidadania empresarial   | 2013   |                              |  | Metas 2014   |                              |                                 |
| Relação entre a maior e a menor remuneração na empresa  | 29,8   |                              |  | 29,0   |                              |                                 |
| Número total de acidentes de trabalho   | 13   |                              |  | 12   |                              |                                 |
| 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 padrões de segurança e salubridade no ambiente de trabalho foram definidos por:  | (X) direção e gerências  | ( ) todos(as) empregados(as) | ( ) todos(as) + Cipa   | (X) direção e gerências  | ( ) todos(as) empregados(as) | ( ) todos(as) + Cipa            |
| Quanto à liberdade sindical, ao direito de negociação coletiva e à representação interna dos(as) trabalhadores(as), a empresa:  | ( ) não se envolve   | (X) segue as normas da OIT   | ( ) incentiva e segue a OIT  | ( ) não se envolverá   | (X) seguirá as normas da OIT | ( ) incentivará e seguirá a OIT |
| A previdência privada contempla:  | (X) direção  | (X) direção e gerências      | (X) todos(as) empregados(as)   | (X) direção  | (X) direção e gerências      | (X) todos(as) empregados(as)    |
| A participação dos lucros ou resultados contempla:  | (X) direção  | (X) direção e gerências      | (X) todos(as) empregados(as)   | (X) direção  | (X) direção e gerências      | (X) todos(as) empregados(as)    |
| Na seleção dos fornecedores, os mesmos padrões éticos e de responsabilidade social e ambiental adotados pela empresa:   | ( ) não são considerados   | ( ) são sugeridos            | (X) são exigidos   | ( ) não serão considerados   | ( ) serão sugeridos          | (X) serão exigidos              |
| Quanto à participação de empregados(as) em programas de trabalho voluntário, a empresa:   | ( ) não se envolve   | (X) apoia                    | ( ) organiza e incentiva   | ( ) não se envolverá   | (X) apoiará                  | ( ) organizará e incentivará    |
| Número total de reclamações e críticas de consumidores(as):   | na empresa 8.990   | no Procon 108                | na Justiça 935   | na empresa 1.230   | no Procon 96                 | na Justiça 1028                 |
| % de reclamações e críticas atendidas ou solucionadas:  | na empresa 99%   | no Procon 88,7%              | na Justiça 58,5%   | na empresa 99%   | no Procon 93%                | na Justiça 62%                  |
| Valor adicionado total a distribuir (em mil R\$):   | <b>Em 2013: 445.168</b>  |                              |  | <b>Em 2012: 509.579</b>  |                              |                                 |
| Distribuição do Valor Adicionado (DVA):   | 49% governo 15% colaboradores(as) 7% acionistas 26% terceiros 3% retido                      |                              |  | 59% governo 13% colaboradores(as) 10% acionistas 14% terceiros 4% retido |                              |                                 |
| 7 - Outras informações  | 2013   |                              |  | 2012   |                              |                                 |
| 7) Investimentos sociais  |  |                              |  |  |                              |                                 |
| 7.1 - Programa Luz para Todos   |  |                              |  |  |                              |                                 |
| 7.1.1 - Investimento da União   | -  |                              |  | 1.529  |                              |                                 |
| 7.1.2 - Investimento do Estado  | -  |                              |  | 89   |                              |                                 |
| 7.1.3 - Investimento do Município   | -  |                              |  |  |                              |                                 |
| 7.1.4 - Investimento da Concessionária  | -  |                              |  | 218  |                              |                                 |
| <b>Total - Programa Luz para Todos (7.1.1 a 7.1.4)</b>  | -  |                              |  | <b>1.836</b>   |                              |                                 |
| 7.2 - Programa de eficiência Energética   | 5.200  |                              |  | 3.683  |                              |                                 |
| 7.3 - Programa de Pesquisa e Desenvolvimento  | 1.846  |                              |  | 3.502  |                              |                                 |
| <b>Total dos investimentos sociais (7.1 a 7.3)</b>  | <b>7.046</b>   |                              |  | <b>9.021</b>   |                              |                                 |

## Notes to the Financial Statements

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### **Energisa Sergipe - 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

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A part of ENERGISA GROUP, Energisa Sergipe - Distribuidora de Energia S/A (“Company or Energisa SE”) is an electricity distribution company, operating in 63 municipalities in the state of Sergipe, serving 680,252 consumers (information not audited by the independent auditors). The Company is a publicly held company and is headquartered in the city of Aracaju, Sergipe state.

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

##### Concession renewal:

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

The 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 December 2027.

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

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

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

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

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

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



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

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

The information regarding rate reviews and adjustments, accounts receivable of the concession, concession assets, construction revenue and concession term can be seen in notes 9, 14, 15, 23 and 32 respectively.

## 2. Presentation of the financial statements

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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. All financial statements are presented in thousands of reais, except where specified otherwise.

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

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

### *Judgments and estimates*

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

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

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

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

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

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

The actuarial commitments with respect to the supplementary pension and retirement plans are provisioned for based on actuarial calculations prepared by independent actuaries. Their calculations are based on the projected unit of credit method, net of the assets guaranteeing the plan, when applicable. The costs are recognized in the employees' vesting period, in accordance with CVM Resolution 695 issued December 13, 2012 and the accounting rules established by CPC Technical Pronouncement 33 R1 (IAS 19) issued by the Accounting Pronouncements Committee. Any surpluses on employee benefit plans are not recorded.

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

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

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

Derivative financial instruments - The judgments and estimates for derivative financial instruments can be seen in note 29.

### 3. Adoption of international accounting standards

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#### 3.1 New accounting procedures issued by the IASB

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

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

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

New revised standards and interpretations issued but not yet adopted

The Company has not adopted the new revised IFRS below, which though already published are as yet non-mandatory:

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

In force for annual periods beginning on or after:

- (a) January 01, 2014.
- (b) January 01, 2015.

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

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

#### 3.2 Main accounting practices

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

- a. Cash and cash equivalents - includes balances of cash and short-term investments that can be redeemed within up to 90 days from acquisition at the contracted rates and are subject to an insignificant risk of impairment, which are used to manage short-term obligations
- b. Financial instruments - All financial instruments (assets and liabilities) are recognized in the Company's balance sheets, and are measured at fair value when applicable and after the initial recognition according to classification. The Company's financial instruments have been classified into: (i) marketable securities - stated at fair value through profit or loss. This classification includes derivative transactions. (ii) held to maturity - valued at the effective interest rate and

recorded in profit and loss and (iii) loans and receivables - measured at amortized cost, using the effective interest rate method and recorded in the income statement.

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

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

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

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

The classification of financial instruments by determining its fair value is presented in note 29.

The main financial assets recognized by the Company are: cash and banks; short-term investments; secured funds; clients, consumers, and concession operators; accounts receivable from the concession; credit receivables and derivative financial instruments.

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

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

- c. Consumers and concessionaires - embrace the provision of billed and unbilled electricity (unbilled electricity is an estimate, recognized on the accrual basis of accounting), up to closure of the balance sheet
- d. The allowance for doubtful accounts was made to an amount deemed sufficient to cover any losses incurred on the collection of loans in accordance with ANEEL criteria
- e. Inventory - inventories are valued at the average acquisition cost not in excess of market value or acquisition cost
- f. Accounts receivable from the concession - denotes the portion of the capital invested in the assets, not amortized during the concession period, to be indemnified at the end of the arrangement.

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

- g. Regulatory assets and liabilities - for the purpose of rates, costs not yet recognized in the rates and/or costs recognized in the rates at amounts in excess of the effective amounts are deferred and only recognized by ANEEL when included in the electricity rates. As international accounting standards (IFRS) and the CPCs do not provide for recording these assets and liabilities, they are recognized in the income statement of the year they are effectively occurred in.
- h. Investments - recorded at acquisition cost less a provision for devaluation, when applicable.
- i. Intangible assets - (i) 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, (ii) concession usage right: consisting of the goodwill paid on acquisitions of the Company's own share control. The goodwill is being amortized over the concession term of 30 years, starting December 1997 (see note 15)

- 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.

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

Foreign-currency loans and financing subject to swaps was recognized at fair value through profit and loss for the year.

- m. Derivatives - The Company has financial derivatives to hedge against foreign currency and interest rate risks. Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized in income/expenses when incurred. After their initial recognition, the derivatives are appraised at fair value and any changes are recorded in the income statement. Details can be seen in note 29.
- n. Income and social contribution taxes - These expenses consist of current and deferred income tax. The deferred tax is recorded in the income statement unless it is related to items recorded in comprehensive income in the shareholders' equity. The Company opted to use the Transitional Taxation Scheme (RTT) to calculate its income and social contribution taxes from FY 2008. The deferred tax is recognized in relation to temporary differences between the values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

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

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

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

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

- o. 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 (see note 13);
- 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 and 1/1/2012 in relation to those originally published, as follows:

|                                 | Balance in<br>2012<br>(Published) | Adjustments   | Balance in 2012<br>(Adjusted) |
|---------------------------------|-----------------------------------|---------------|-------------------------------|
| <b>Assets</b>                   |                                   |               |                               |
| Noncurrent assets               | 819,186                           | 11,016        | 830,202                       |
| Tax credits                     | 23,090                            | 11,016        | 34,106                        |
| <b>Total Assets</b>             | <b>1,102,610</b>                  | <b>11,016</b> | <b>1,113,626</b>              |
| <b>Liabilities</b>              |                                   |               |                               |
| Noncurrent liabilities          | 313,637                           | 32,400        | 346,037                       |
| Employee benefit - pension plan | 3,932                             | 32,400        | 36,332                        |
| Shareholders' equity            | 365,969                           | (21,384)      | 344,585                       |
| Retained earnings               | -                                 | 120           | 120                           |
| Other comprehensive income      | -                                 | (21,504)      | (21,504)                      |
| <b>Total Liabilities</b>        | <b>1,102,610</b>                  | <b>11,016</b> | <b>1,113,626</b>              |

| Statement of Income                                    | Balance in<br>2012<br>(Published) | Adjustments | Balance in<br>2012<br>(Adjusted) |
|--|-----------------------------------|-------------|----------------------------------|
| General and administrative expenses                    | (97,427)                          | 182         | (97,245)                         |
| Net income before financial revenue (expenses) and tax | 110,316                           | 182         | 110,498                          |
| Income before tax                                      | 75,961                            | 182         | 76,143                           |
| Deferred income and social contribution taxes          | (10,024)                          | (62)        | (9,962)                          |
| <b>Net income for the year</b>                         | <b>69,051</b>                     | <b>120</b>  | <b>69,171</b>                    |



| Statement of Other Comprehensive Income                   | Balance in 2012 (Published) | Adjustments    | Balance in 2012 (Adjusted) |
|---|-----------------------------|----------------|----------------------------|
| Net income for the year                                   | 69,051                      | 120            | 69,171                     |
| Other comprehensive income                                | -                           | (8,182)        | (8,182)                    |
| Total other comprehensive income for the year, net of tax | <b>69,051</b>               | <b>(8,062)</b> | <b>60,989</b>              |

| Statement of Added Value | Balance in 2012 (Published) | Adjustments | Balance in 2012 (Adjusted) |
|--------------------------|-----------------------------|-------------|----------------------------|
| Personnel                |                             |             |                            |
| Benefits                 | 16,771                      | (182)       | 16,589                     |
| Taxes and contributions  |                             |             |                            |
| Federal                  | 71,840                      | 62          | 71,902                     |
| Interest earnings        |                             |             |                            |

| Statements of changes in shareholders' equity | Balance in 2012 (Published) | Adjustments     | Balance in 2012 (Adjusted) |
|---|-----------------------------|-----------------|----------------------------|
| Retained earnings or accumulated losses       | -                           | 120             | 120                        |
| Other comprehensive income                    | -                           | (21,504)        | (21,504)                   |
| Shareholders' Equity                          | <b>365,969</b>              | <b>(21,384)</b> | <b>344,585</b>             |

|                                 | Energisa Sergipe            |              |                                   |
|---------------------------------|-----------------------------|--------------|-----------------------------------|
|                                 | Balance in 2011 (Published) | Adjustments  | Balance as of 1/1/2012 (Adjusted) |
| <b>Assets</b>                   |                             |              |                                   |
| Noncurrent assets               | 111,867                     | 6,863        | 118,730                           |
| Tax credits                     | 19,736                      | 6,863        | 26,599                            |
| <b>Total Assets</b>             | <b>1,050,071</b>            | <b>6,863</b> | <b>1,056,934</b>                  |
| <b>Liabilities</b>              |                             |              |                                   |
| Noncurrent liabilities          | 499,182                     | 20,185       | 519,367                           |
| Employee benefit - pension plan | 737                         | 20,185       | 20,922                            |
| Shareholders' equity            | 354,199                     | (13,322)     | 340,877                           |
| Other comprehensive income      | -                           | (13,322)     | (13,322)                          |
| <b>Total Liabilities</b>        | <b>1,050,071</b>            | <b>6,863</b> | <b>1,056,934</b>                  |

#### 4. Segment reporting

An operational segment is a component of the Company 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 63 municipalities in Sergipe 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 to<br>11/21/2018 | 100,5% of CDI | 17,867        | 24,694        |
| Santander                       | Debentures (2) | 12/3/2015                   | 103,2% of CDI | 1,441         | -             |
| HSBC                            | CDB            | 9/3/2014                    | 98,0% of CDI  | -             | 459           |
| Mercantil                       | CDB            | 12/22/2014                  | 105,0% of CDI | -             | 6,959         |
|                                 |                |                             |               | <b>19,308</b> | <b>32,112</b> |
| Cash and banks                  |                |                             |               | <b>11,144</b> | <b>21,113</b> |
| Total cash and cash equivalents |                |                             |               | <b>30,452</b> | <b>53,225</b> |

### b) Money market and secured funds

| Financial institution | Type  | Maturity                    | Compensation                          | 2013          | 2012          |
|-----------------------|---|-----------------------------|---------------------------------------|---------------|---------------|
| ABC Brasil            | CDB   | 6/26/2013 to<br>1/13/2014   | 105.0 % to 106.0%<br>of CDI           | 2             | 20,011        |
| Banrisul              | Investment Fund   | -                           | CDI                                   | 2,858         | -             |
| BES                   | CDB   | 9/1/2014                    | 104,5% of CDI                         | 78            | 72            |
| BICBanco              | CDB   | 2/22/2013                   | 115,0% of CDI                         | -             | 14,638        |
| BICBanco              | Credit receivables investment funds   | -                           | 112,0% of CDI                         | -             | 1,267         |
| BMG                   | CDB   | 1/24/2014                   | 113,0% of CDI                         | 1             | 1,174         |
| Bradesco              | CDB   | 7/25/2013                   | 99,0% of CDI                          | -             | 255           |
| Bradesco              | Capitalization bond   | 3/2/2013                    | Savings rate +<br>0.50% p.m.          | -             | 74            |
| BTG Pactual           | Investment Fund   | -                           | CDI                                   | -             | 5,026         |
| BTG Pactual           | CDB   | 12/12/2014                  | 97,5% of CDI                          | 18            | -             |
| CEF                   | Investment Fund   | -                           | CDI                                   | -             | 598           |
| CEF (4)               | Financial Treasury Bill, Securities<br>subject to repurchase commitments,<br>Debentures (2), DPGE, Financial Bill | 4/9/2015 to<br>3/1/2018     | 102.7% to 122.11%<br>of CDI/IPCA+5.7% | 6,661         | -             |
| CEF                   | Savings   | -                           | Savings                               | 44            | 44            |
| FIM Zona da Mata      | CDB   | 8/17/2015 to<br>12/1/2015   | 100.5% to 112.0%<br>of CDI            | 1,200         | -             |
| FIM Zona da Mata      | Debentures (2)  | 4/7/2016                    | 100.0% of CDI +<br>3.9%               | 561           | -             |
| FIM Zona da Mata      | Repurchase  | 2/21/2014 to<br>10/8/2015   | 102.5% to 103.2%<br>of CDI            | 1,384         | -             |
| FIM Zona da Mata      | DPGE  | 7/10/2015 to<br>12/21/2015  | 107.5% to 113% of<br>CDI              | 815           | -             |
| FIM Zona da Mata      | Financial Bill  | 5/4/2017                    | 107,0% of CDI                         | 42            | -             |
| FIM Zona da Mata      | Fixed-Income Funds  | -                           | CDI                                   | 31            | -             |
| FIM Zona da Mata      | Financial Treasury Bill   | 9/7/2015 to<br>3/1/2018     | SELIC                                 | 81            | -             |
| FIM Zona da Mata      | NTN   | 8/15/2016                   | IPCA                                  | 295           | -             |
| FIM Zona da Mata      | Multimarket Funds   | -                           | CDI                                   | 768           | -             |
| Itaú                  | CDB   | 11/18/2014 to<br>11/24/2015 | 90.0% to 101.8% of<br>CDI             | 286           | 573           |
| Itaú                  | Debentures (2)  | 11/27/2015                  | 102,0% of CDI                         | 824           | 802           |
| Itaú                  | Investment Fund   | -                           | CDI                                   | 957           | 713           |
| North-east            | CDB   | 7/28/2017 to<br>9/9/2019    | 90.0% to 99.0% of<br>CDI              | 7,784         | 8,119         |
| Pine                  | CDB   | 6/16/2014                   | 100,0% of CDI                         | 42            | 40            |
| Safra                 | Debentures (2)  | 1/28/2014                   | 101% of CDI                           | 12            | -             |
| Safra                 | Investment Fund   | -                           | CDI                                   | 13,922        | -             |
| Santander             | Investment Fund   | -                           | CDI                                   | -             | 845           |
| Standard Bank         | CDB   | 2/1/2013                    | 100,25% of CDI                        | -             | 5             |
|                       |   |                             |                                       | <b>38,666</b> | <b>54,256</b> |

## Held-to-maturity securities

|  |  |            |               |               |               |
|--|--|------------|---------------|---------------|---------------|
| Itaú   | Credit Receivables<br>Investment Funds | 12/29/2020 | 100,0% of CDI | 909           | 2,246         |
|  |  |            |               | <b>909</b>    | <b>2,246</b>  |
| <b>Total balance of money market and secured funds (3)</b> |  |            |               | <b>39,575</b> | <b>56,502</b> |
| Current  |  |            |               | 31,649        | 47,019        |
| Noncurrent   |  |            |               | 7,926         | 9,483         |

- (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\$ 10,957 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       |               |                |                 |               | Total         |                |
|---|----------------------|---------------|---------------|----------------|-----------------|---------------|---------------|----------------|
|   |                      | up to 30 days | 31 to 90 days | 91 to 180 days | 181 to 360 days | over 360 days | 2013          | 2012           |
| Residential                             | 5,358                | 12,259        | 2,820         | 950            | 72              | 2             | 21,461        | 26,988         |
| Industrial                              | 9,322                | 457           | 99            | 30             | 122             | 142           | 10,172        | 12,868         |
| Commerce, services and other activities | 14,231               | 2,497         | 463           | 212            | 191             | 1,269         | 18,863        | 22,325         |
| Rural                                   | 1,265                | 322           | 87            | 32             | -               | -             | 1,706         | 2,262          |
| Government:                             |                      |               |               |                |                 |               |               |                |
| Federal                                 | 1,166                | 157           | 6             | 6              | -               | -             | 1,335         | 1,486          |
| State                                   | 526                  | 71            | 3             | 3              | -               | -             | 603           | 671            |
| Municipal                               | 2,068                | 278           | 12            | 10             | -               | -             | 2,368         | 2,636          |
| Public lighting                         | 3,214                | 676           | 690           | 226            | -               | -             | 4,806         | 4,061          |
| Public utility                          | 3,176                | -             | -             | -              | -               | -             | 3,176         | 3,752          |
| <b>Subtotal - consumers</b>             | <b>40,326</b>        | <b>16,717</b> | <b>4,180</b>  | <b>1,468</b>   | <b>385</b>      | <b>1,413</b>  | <b>64,489</b> | <b>77,049</b>  |
| Concession operators (2)                | 3,051                | -             | -             | -              | -               | 7,544         | 10,595        | 30,255         |
| Unbilled sales                          | 23,469               | -             | -             | -              | -               | -             | 23,469        | 22,194         |
| Other                                   | 5,784                | -             | -             | -              | -               | -             | 5,784         | 68             |
| (-) Allowance for doubtful accounts     | -                    | -             | -             | (950)          | (263)           | (4,314)       | (5,527)       | (4,505)        |
| <b>Total</b>                            | <b>72,630</b>        | <b>16,717</b> | <b>4,180</b>  | <b>518</b>     | <b>122</b>      | <b>4,643</b>  | <b>98,810</b> | <b>125,061</b> |
| Current                                 |                      |               |               |                |                 |               | 91,266        | 117,517        |
| Noncurrent                              |                      |               |               |                |                 |               | 7,544         | 7,544          |

- (1) Maturities are scheduled for the 5<sup>th</sup> 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 and 2012 consists of amounts referring to the sale of energy at the Electricity Commercialization Chamber - CCEE to the amount of R\$ 7,544 (R\$ 30,255 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 is R\$ 1,134 referring to the acquisition of electricity at CCEE and system service charges of R\$ 2,629 (R\$ 7,799 in 2012), as shown below:

| Breakdown of CCEE credits                               | 2013         | 2012          |
|---|--------------|---------------|
| Outstanding balances                                    | -            | 22,380        |
| Credits linked to court injunctions up to December 2002 | 6,387        | 6,387         |
| Overdue credits (*)                                     | 1,157        | 1,488         |
|   | <b>7,544</b> | <b>30,255</b> |
| (-) Energy acquisitions at CCEE                         | (1,134)      | -             |
| (-) System service charges                              | (2,629)      | (7,799)       |
|   | <b>3,781</b> | <b>22,456</b> |

(\*) The Company has an allowance for doubtful accounts of R\$ 1,350.

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

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

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

## 7. Credit receivables

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

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

|   | 2013          | 2012          |
|---|---------------|---------------|
| Credit receivables                      | 23,653        | 25,076        |
| Adjustment to present value             | (1,085)       | (1,120)       |
| (-) Allowance for doubtful accounts (*) | (12,361)      | (12,107)      |
|   | <b>10,207</b> | <b>11,849</b> |
| Current                                 | 7,635         | 7,739         |
| Noncurrent                              | 2,572         | 4,110         |

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

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

|              | 2013          |
|--------------|---------------|
| Overdue      | 12,361        |
| 2014         | 7,635         |
| 2015         | 1,406         |
| 2016         | 677           |
| 2017         | 436           |
| 2018         | 53            |
| <b>Total</b> | <b>22,568</b> |

## 8. Allowance for doubtful accounts

| Changes in provisions                          | 2013          | 2012          |
|--|---------------|---------------|
| Opening balance - 2012 and 1/1/2012            | 16,612        | 12,895        |
| Provisions recorded in the year                | 2,698         | 7,273         |
| Reversal of provisions in the year             | (1,422)       | (3,556)       |
| <b>Final balance - current - 2013 and 2012</b> | <b>17,888</b> | <b>16,612</b> |
| Consumers and concessionaires                  | 5,527         | 4,505         |
| Credit receivables                             | 12,361        | 12,107        |

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

Customers with material debts:

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

For the other cases:

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

## 9. Rate adjustment and review

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 1,513 issued April 16, 2013 Aneel ratified the result of the third rate review of ESE with an adjustment of 4.08% respectively, effective from April 22, 2013.

The periodical rate review takes place every 5 years.

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 | 13,232        | 14,300        |
| Income Tax Withheld at Source - IRRF         | 2,556         | 951           |
| Corporate Income Tax - IRPJ                  | 10,191        | 4,554         |
| Social Contribution on Net Income - CSSL     | 849           | 299           |
| PIS and COFINS                               | 18,399        | 23,141        |
| Other  | 187           | 172           |
|  | <b>45,414</b> | <b>43,417</b> |
| Current                                      | 28,941        | 26,866        |
| Noncurrent                                   | 16,473        | 16,551        |

## 11. Low income and other receivables

|   | 2013          | 2012          |
|---|---------------|---------------|
| Low income  | 6,399         | 8,429         |
| Service orders in progress - PEE and R&D                    | 7,214         | 10,817        |
| Service orders in progress - other                          | 1,745         | 1,596         |
| Advances  | 2,129         | 2,004         |
| CDE subsidy - rate discount                                 | 4,782         | -             |
| Third-party credits - Sale of rights assets and receivables | 4,963         | 1,095         |
| Credits receivable - Reimbursement of sector charges        | 486           | -             |
| Other   | 1,410         | 1,392         |
| <b>Total current</b>  | <b>29,128</b> | <b>25,333</b> |

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

|   | 2013         | 2012         |
|---|--------------|--------------|
| Balance - opening current - 2012 and 1/1/2012 | 8,429        | 4,320        |
| Low-income Subsidy                            | 38,739       | 36,446       |
| Eletrobrás Reimbursement                      | (38,865)     | (34,241)     |
| Accounts receivable Eletrobrás                | (1,904)      | 1,904        |
| Balance - closing - current - 2013 and 2012   | <b>6,399</b> | <b>8,429</b> |

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. The balances not yet reimbursed have been recorded in the balance

sheet under “low income and other receivables” in the current assets. 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 | 30,449       |
| Advance of pass-through ANEEL Order 1711/2013     | (25,667)     |
| <b>Total</b>                                      | <b>4,782</b> |

By way of Aneel Order 1711 issued May 29, 2013, the Federal Government provided CDE funds of R\$ 18,209, 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\$ 7,458 relating to the months of March, April and May to cover the CDE subsidy for discounts on the rates applying to users of the public electricity distribution service, pursuant to article 13 (VII) of Law 10438 of April 26, 2002.

## 12. Related-party transactions

The Company is controlled by ENERGISA S/A, (100% of the voting stock), which also holds the share control of Energisa Paraíba - Distribuidora de Energia S/A (EPB), Energisa Sergipe - Distribuidora de Energia S/A (ESE), Energisa Borborema - Distribuidora de Energia S/A (EBO), Energisa Nova Friburgo - Distribuidora de Energia S/A (ENF), Energisa Soluções S/A (ESO), Energisa Comercializadora Ltda (ECOM), Energisa Serviços Aéreos S/A (ESER), Energisa Planejamento e Corretagem de Seguros Ltda (EPLA), Energisa Geração Rio Grande S/A (EGR), Pequena Central Hidrelétrica Zé Tunin S/A, Energisa Geração Usina Maurício, 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 of trade payables |
|--|----------------------|--------------------------------------|--|---------------------------|
| ENERGISA S/A   | 13,084               | -                                    | 7,442  | 1,038                     |
| ESER   | 150                  | -                                    | -  | -                         |
| Energisa Geração Centrais Eólicas Renascença I,II,III, IV and Ventos de São Miguel | -                    | 317                                  | -  | 81,060                    |
| 2013   | 13,234               | 317                                  | 7,442  | 82,098                    |
| 2012   | 12,240               | -                                    | -  | 961                       |

- (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.

### D&O compensation

In the year ended December 31, 2013 the members of the Board of Directors received compensation of R\$ 995 (R\$ 842 in 2012) and the Executive Board R\$ 2,515 (R\$ 1,924 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\$ 289 (R\$ 278 in 2012). The social charges on the compensation amounted to R\$ 476 (R\$ 441 in 2012).

In the year ended December 31, 2013 the highest and lowest remuneration attributed to directors for the month of December was R\$ 44 and R\$ 3 (R\$ 40 and R\$ 3 in 2012) respectively. The average compensation as of December 31, 2013 was R\$ 13 (R\$ 12 in 2012).

The AGM held April 24, 2013 ratified the overall annual compensation limit of D&O for FY 2013 at R\$ 4,465 (R\$ 4,209 as of December 31, 2012).

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

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

Deferred taxes recognized in the balance sheet:

|                                   | 2013          | 2012          |
|-----------------------------------|---------------|---------------|
| <b>Assets</b>                     |               |               |
| Temporary differences:            |               |               |
| Income tax                        | 43,539        | 28,414        |
| Social contribution on net income | 15,673        | 10,229        |
| <b>Total</b>                      | <b>59,212</b> | <b>38,643</b> |
| <b>Liabilities</b>                |               |               |
| Income tax                        | 5,488         | 3,336         |
| Social contribution               | 1,976         | 1,201         |
| <b>Total</b>                      | <b>7,464</b>  | <b>4,537</b>  |
| <b>Total noncurrent assets</b>    | <b>51,748</b> | <b>34,106</b> |



Temporary differences are as follows:

|   | 2013              |               | 2012 (adjusted)   |               |
|---|-------------------|---------------|-------------------|---------------|
|   | calculation basis | IRPJ + CSSL   | calculation basis | IRPJ + CSSL   |
| <b>Assets</b>   |                   |               |                   |               |
| Provision for actuarial adjustment                        | 65,668            | 22,327        | 67,852            | 23,070        |
| Provisions for risks                                      | 18,846            | 6,408         | 20,547            | 6,986         |
| Allowance for doubtful accounts - PCLD                    | 10,910            | 3,709         | 9,634             | 3,276         |
| Other provisions (PEE; R&D; fees and other)               | 9,942             | 3,380         | 20,293            | 6,900         |
| Exchange variance losses                                  | 70,957            | 24,125        | (7,265)           | (2,470)       |
| Mark-to-market - derivatives                              | (17,791)          | (6,049)       | (15,394)          | (5,234)       |
| Adjustments to present value                              | 1,085             | 369           | 1,119             | 380           |
| Regulatory assets (CVAs)                                  | 8,287             | 2,818         | 15,330            | 5,212         |
| Other temporary additions (exclusions)                    | 6,248             | 2,125         | 1,540             | 523           |
| IRPJ and CSSL on the portion of the VNR of the concession |                   |               |                   |               |
| accounts receivable and restatement:                      | (21,953)          | (7,464)       | (13,344)          | (4,537)       |
| <b>Total - noncurrent assets</b>                          | <b>152,199</b>    | <b>51,748</b> | <b>100,312</b>    | <b>34,106</b> |

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

| Period       | Realizations of Tax credits |
|--------------|-----------------------------|
| 2014         | 3,597                       |
| 2015         | 3,597                       |
| 2016         | 3,597                       |
| 2017         | 3,597                       |
| 2018 to 2023 | 37,360                      |
| <b>Total</b> | <b>51,748</b>               |

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

|   | 2013           | 2012 Adjusted  |
|---|----------------|----------------|
| Income before tax   | 50,498         | 76,143         |
| Combined tax bracket  | 34%            | 34%            |
| Income and social contribution taxes expense, calculated at the total tax bracket | (17,169)       | (25,889)       |
| <b>Adjustments:</b>   |                |                |
| Decrease in income tax and surcharges - Sudene Tax Incentive (*)                  | 11,373         | 16,392         |
| Permanent additions   | 859            | 2,525          |
| <b>Income tax and social contribution expense</b>                                 | <b>(4,937)</b> | <b>(6,972)</b> |
| <b>Effective rate</b>   | <b>9.8%</b>    | <b>9.1%</b>    |

(\*) The decreases to income tax and surcharges resulting from the SUDENE Incentive in the year ended December 31, 2013 of R\$ 11,373 (R\$ 16,392 in 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.

The Company has a decrease in income tax and surcharges. Approval was obtained from the Ministry of Social Integration in December 2012 for its new application for a 75% tax incentive for the period 1/1/2012 to 12/31/2021 and the application was accepted by the federal tax authorities via Decision 126 - DRF/ASJU of 3/4/2013. The tax benefit 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\$ 8,609 (R\$ 13,344 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:

|  | 2013           | 2012           |
|--|----------------|----------------|
| Financial asset - historic cost - 2012 and 1/1/2012                    | 130,146        | 34,021         |
| Additions in the year (*)  | 44,575         | 83,810         |
| Write-offs in the year   | (463)          | (1,029)        |
| Financial asset - historic cost  | 174,258        | 116,802        |
| Financial restatement of accounts receivable from the concession - VNR | 8,609          | 13,344         |
| <b>Financial asset restated cost - 2013 and 2012</b>                   | <b>182,867</b> | <b>130,146</b> |

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

#### 15. Intangible assets and PPE

|  | 2013           | 2012           |
|--|----------------|----------------|
| Intangible assets - Concession agreement | 235,795        | 248,178        |
| Concession right                         | 314,255        | 332,947        |
| Property, plant and equipment            | 6,178          | 5,062          |
| <b>Total</b>                             | <b>556,228</b> | <b>586,187</b> |

## a) Intangible assets - Concession agreement

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

| INTANGIBLE ASSETS                                 | Balance 2012   | Addition      | Transfers      | Write-offs (*)  | Amortization    | Balance 2013   |
|---|----------------|---------------|----------------|-----------------|-----------------|----------------|
| Intangible assets in service                      |                |               |                |                 |                 |                |
| Cost:   | 696,063        | -             | 45,686         | (14,486)        | -               | 727,263        |
| Accumulated Amortization                          | (309,518)      | -             | -              | 11,542          | (33,432)        | (331,408)      |
| Subtotal  | 386,545        | -             | 45,686         | (2,944)         | (33,432)        | 395,855        |
| In Progress                                       | 42,584         | 79,779        | (47,936)       | (38,257)        | -               | 36,170         |
| <b>Total</b>                                      | <b>429,129</b> | <b>79,779</b> | <b>(2,250)</b> | <b>(41,201)</b> | <b>(33,432)</b> | <b>432,025</b> |
| <b>(-) Obligations linked to the concession</b>   |                |               |                |                 |                 |                |
| In Service  |                |               |                |                 |                 |                |
| Cost  | 154,810        | -             | 13,139         | (98)            | -               | 167,851        |
| Accumulated Amortization                          | (32,276)       | -             | -              | -               | (7,968)         | (40,244)       |
| Subtotal  | 122,534        | -             | 13,139         | (98)            | (7,968)         | 127,607        |
| In Progress                                       | 58,417         | 23,345        | (13,139)       | -               | -               | 68,623         |
| <b>Total obligations linked to the Concession</b> | <b>180,951</b> | <b>23,345</b> | <b>-</b>       | <b>(98)</b>     | <b>(7,968)</b>  | <b>196,230</b> |
| <b>Total Intangible Assets</b>                    | <b>248,178</b> | <b>56,434</b> | <b>(2,250)</b> | <b>(41,103)</b> | <b>(25,464)</b> | <b>235,795</b> |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>              |                |               |                |                 |                 |                |
| Property, plant and equipment In service          |                |               |                |                 |                 |                |
| Cost:   |                |               |                |                 |                 |                |
| Software  | 19             | -             | -              | -               | -               | 19             |
| Machinery and equipment                           | 8,038          | -             | 2,176          | (6)             | -               | 10,208         |
| Vehicles  | 308            | -             | -              | -               | -               | 308            |
| Furniture and fixtures                            | 7,206          | -             | 74             | (447)           | -               | 6,833          |
| Accumulated Depreciation                          | (10,509)       | -             | -              | 439             | (1,120)         | (11,190)       |
| <b>Total PP&amp;E in service</b>                  | <b>5,062</b>   | <b>-</b>      | <b>2,250</b>   | <b>(14)</b>     | <b>(1,120)</b>  | <b>6,178</b>   |
| <b>Grand Total</b>                                | <b>253,240</b> | <b>56,434</b> | <b>-</b>       | <b>(41,117)</b> | <b>(26,584)</b> | <b>241,973</b> |

(\*) R\$ 38,257 of the R\$ 41,117 written off was transferred to the concession's accounts receivable and R\$ 2,860 to write-offs in the year.

Around R\$ 6,318 of additional special obligations were transferred from the concession accounts receivable.

| INTANGIBLE ASSETS                                 | Balance as of<br>1/1/2012 | Addition      | Transfers       | Write-offs<br>(*) | Amortization    | Balance<br>2012 |
|---|---------------------------|---------------|-----------------|-------------------|-----------------|-----------------|
| Intangible assets in service                      |                           |               |                 |                   |                 |                 |
| Cost:   | 722,459                   | -             | 50,165          | (76,561)          | -               | 696,063         |
| Accumulated Amortization                          | (301,151)                 | -             | 14,838          | 7,529             | (30,734)        | (309,518)       |
| Subtotal  | 421,308                   | -             | 65,003          | (69,032)          | (30,734)        | 386,545         |
| In Progress                                       | 80,842                    | 94,281        | (79,363)        | (53,176)          | -               | 42,584          |
| <b>Total</b>                                      | <b>502,150</b>            | <b>94,281</b> | <b>(14,360)</b> | <b>(122,208)</b>  | <b>(30,734)</b> | <b>429,129</b>  |
| <b>(-) Obligations linked to the concession</b>   |                           |               |                 |                   |                 |                 |
| In Service  |                           |               |                 |                   |                 |                 |
| Cost  | 156,971                   | -             | 20,016          | (22,177)          | -               | 154,810         |
| Accumulated Amortization                          | (25,099)                  | -             | -               | -                 | (7,177)         | (32,276)        |
| Subtotal  | 131,872                   | -             | 20,016          | (22,177)          | (7,177)         | 122,534         |
| In Progress                                       | 74,294                    | 11,139        | (20,016)        | (7,000)           | -               | 58,417          |
| <b>Total obligations linked to the Concession</b> | <b>206,166</b>            | <b>11,139</b> | <b>-</b>        | <b>(29,177)</b>   | <b>(7,177)</b>  | <b>180,951</b>  |
| <b>Total Intangible Assets</b>                    | <b>295,984</b>            | <b>83,142</b> | <b>(14,360)</b> | <b>(93,031)</b>   | <b>(23,557)</b> | <b>248,178</b>  |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>              |                           |               |                 |                   |                 |                 |
| Property, plant and equipment In service          |                           |               |                 |                   |                 |                 |
| Cost:   |                           |               |                 |                   |                 |                 |
| Software  | -                         | -             | 19              | -                 | -               | 19              |
| Buildings and improvements                        | -                         | -             | -               | -                 | -               | -               |
| Machinery and equipment                           | -                         | -             | 21,665          | (13,627)          | -               | 8,038           |
| Vehicles  | -                         | -             | 308             | -                 | -               | 308             |
| Furniture and fixtures                            | -                         | -             | 7,206           | -                 | -               | 7,206           |
| Accumulated Depreciation                          | -                         | -             | (14,838)        | 4,931             | (602)           | (10,509)        |
| <b>Total PP&amp;E in service</b>                  | <b>-</b>                  | <b>-</b>      | <b>14,360</b>   | <b>(8,696)</b>    | <b>(602)</b>    | <b>5,062</b>    |
| <b>Grand Total</b>                                | <b>295,984</b>            | <b>83,142</b> | <b>-</b>        | <b>(101,727)</b>  | <b>(24,159)</b> | <b>253,240</b>  |

(\*) R\$ 46,176 of the R\$ 101,727 written off was transferred to the concession's accounts receivable and R\$ 55,551 to write-offs in the year. Around R\$ 37,634 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 3.78% (3.77% in 2012) .

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

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

| Obligations linked to the concession:             | 2013           | 2012           |
|---|----------------|----------------|
| Consumer contributions                            | 93,996         | 80,974         |
| Government Subsidy - CDE funds                    | 132,906        | 132,617        |
| State Government Subsidy                          | 43,081         | 43,081         |
| Reversal reserve                                  | 302            | 302            |
| Excess Demand Revenue and Surplus Reactive Energy | 3,316          | -              |
| (-) Accumulated amortization                      | (40,244)       | (32,276)       |
| <b>Total</b>                                      | <b>233,357</b> | <b>224,698</b> |
| Allocation:                                       |                |                |
| Accounts receivable from the concession           | 37,127         | 43,747         |
| Infrastructure - Intangible assets in service     | 127,607        | 122,534        |
| Infrastructure - Intangible assets in progress    | 65,307         | 58,417         |
| Excess Demand Revenue and Surplus Reactive Energy | 3,316          | -              |
| <b>Total</b>                                      | <b>233,357</b> | <b>224,698</b> |

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

#### Excess Demand Revenue and Surplus Reactive Energy

By way of Normative Resolution 463 issued November 22, 2011, ANEEL determined that the amounts deriving from fines for exceeding demand and surplus reactive energy consumption will be recorded as special obligations, as from the 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 April 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\$ 3,316.

As the representative of electricity distribution companies, ABRADÉE (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          |
|---|---------------|---------------|
| Debt charges - interest                             | 48,960        | 55,928        |
| ( - ) transfer to intangible assets in progress (*) | (2,117)       | (4,422)       |
| <b>Net effect on income</b>                         | <b>46,843</b> | <b>51,506</b> |

(\*) 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.

## Property, plant and equipment

The Company used the following depreciation rates:

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

### b) Concession right

The goodwill incorporated by the Company is being amortized from April 1998 and will continue to be amortized until the end of the electricity distribution concession in December 2027, based on this Company's projected income. Amortizing the goodwill will generate a tax benefit of 34%. As of December 31, 2013 the amortization of the goodwill and tax benefit was projected as follows:

| Amortization period | Balance        | Reduction in income and social contribution taxes |
|---------------------|----------------|---|
| 2013 and 2014       | 19,199         | 6,528   |
| 2015 and 2016       | 39,907         | 13,568  |
| 2017 and 2018       | 41,927         | 14,255  |
| 2019 and 2020       | 43,943         | 14,941  |
| 2021 and 2022       | 45,932         | 15,617  |
| 2023 and 2024       | 47,905         | 16,288  |
| 2025 onwards        | 75,442         | 25,650  |
| <b>Total</b>        | <b>314,255</b> | <b>106,847</b>                                    |

The changes are presented below:

|  | 2013           | 2012           |
|--|----------------|----------------|
| Balance - opening - 2012 and 1/1/2012  | 332,947        | 351,138        |
| Amortization in the year               | (18,692)       | (18,191)       |
| <b>Closing balance - 2013 and 2012</b> | <b>314,255</b> | <b>332,947</b> |

## 16. Suppliers payable

|   | 2013          | 2012          |
|---|---------------|---------------|
| Supplies (1):                             |               |               |
| CCEE                                      | 1,134         | -             |
| Bilateral Contracts (1)                   | 33,413        | 37,615        |
| Use of the high-voltage national grid (1) | 2,629         | 7,799         |
| Connection to the grid (1)                | 238           | 354           |
| Use of the distribution system (CUSD) (1) | 1,651         | 4,147         |
| Materials, services and other (2)         | 17,850        | 15,079        |
|   | <b>56,915</b> | <b>64,994</b> |
| Current                                   | 54,538        | 63,031        |
| Noncurrent                                | 2,377         | 1,963         |

(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           |     |
| <b>Local currency</b>                                       |              |               |                |                |                |     |
| Credit Receivables Investment Fund - Energisa Group III (*) | 114          | -             | 15,000         | 15,114         | 15,078         |     |
| Eletróbrás - Light for All - 1 <sup>st</sup> tranche        | 13           | 153           | 290            | 456            | 620            |     |
| Eletróbrás - Light for All - 2 <sup>nd</sup> tranche        | 45           | 421           | 1,554          | 2,020          | 2,488          |     |
| Eletróbrás - Light for All - 3 <sup>rd</sup> tranche        | 65           | 512           | 2,035          | 2,612          | 3,060          |     |
| Eletróbrás - Light for All - 4th tranche                    | 1            | 45            | 313            | 359            | 461            |     |
| Eletróbrás - Light for All - 5th tranche                    | -            | 29            | 222            | 251            | 287            |     |
| Eletróbrás - Subtransmission                                | 117          | 3,141         | 820            | 4,078          | 5,836          |     |
| Eletróbrás - Return of LPT                                  | -            | -             | -              | -              | 1,489          |     |
| Banco do Nordeste - Investment Financing 2007-2008 (FNE)    | 303          | 2,229         | 6,267          | 8,799          | 11,033         |     |
| Banco do Nordeste - Investment Financing 2007-2008 (FAT)    | 535          | 3,262         | 3,670          | 7,467          | 9,490          |     |
| Banco do Nordeste - Investment Financing 2009-2010 (FNE)    | 780          | 2,649         | 15,568         | 18,997         | 21,692         |     |
| Banco ABC - BNDES pass-through                              | 567          | 5,239         | 27,385         | 33,191         | -              |     |
| Banco Itaú BBA - FINAME                                     | 53           | 804           | 10,276         | 11,133         | 5,843          |     |
| INERGUS Financing Defined Benefits Plan - 1                 | -            | -             | -              | -              | 30,169         | (2) |
| INERGUS financing Paid-in Plan                              | -            | -             | -              | -              | 26,809         | (2) |
| <b>Total local currency</b>                                 | <b>2,593</b> | <b>18,484</b> | <b>83,400</b>  | <b>104,477</b> | <b>134,355</b> |     |
| (-) Borrowing costs incurred                                | (153)        | -             | (624)          | (777)          | (790)          |     |
| <b>Foreign currency</b>                                     |              |               |                |                |                |     |
| NOTES UNITS   | -            | -             | -              | -              | 230,208        | (1) |
| Bank of America Merrill Lynch                               | 54           | -             | 70,278         | 70,332         | 61,440         | (3) |
| Banco Itaú BBA  | 1,017        | -             | 117,671        | 118,688        | -              | (3) |
| Citibank  | 672          | -             | 117,133        | 117,805        | -              | (3) |
| <b>Total foreign currency</b>                               | <b>1,743</b> | <b>-</b>      | <b>305,082</b> | <b>306,825</b> | <b>291,648</b> |     |
| (-) Borrowing costs incurred                                | -            | -             | -              | -              | (708)          |     |
| <b>Total</b>  | <b>4,183</b> | <b>18,484</b> | <b>387,858</b> | <b>410,525</b> | <b>424,505</b> |     |

(\*) To guarantee payment of the short-term portions, the Company maintains interest-earning bank deposits to the amount of R\$ 8,693 (R\$ 10,364 as of December 31, 2012), recorded under "secured funds" in the current and noncurrent assets.

(1) On July 19, 2013 the issuance of 7-year bonds in US dollars, denominated Notes Units, was settled for R\$ 254,625.

(2) On July 10 and September 19, 2013 the Company also settled in advance the entire financing loan with INERGUS - Instituto Energipe de Seguridade Social, referring to the Defined-benefit and Paid-in Plan amounting to R\$ 26,492 and R\$ 30,203 respectively.

(3) The foreign currency contracts are subject to a currency swap and financial derivative instruments (see note 29).

On November 08, 2013 the Board of Directors' meeting approved the contracting of the Bank Credit Note - Financing via Pass-through of BNDES amounting to R\$ 22,687, to be taken out from Banco Itaú BBA S.A. maturing on March 15, 2020 incurring interest of TJLP plus 2.90% p.a. and a grace period of ninety days, intended to implement the investment program for expanding, modernizing and adapting the electricity distribution system in the concession area.

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

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

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

| Operation  | Details of the Operation |                         |                              | Average Term months | Cost of the Debt |                    |              | TIR (Effective interest rate) | Ref |
|--|--------------------------|-------------------------|------------------------------|---------------------|------------------|--------------------|--------------|-------------------------------|-----|
|  | Maturity                 | Amortization Frequency  | Collateral                   |                     | Index            | Interest rate p.a. |              |                               |     |
| Credit Receivables Investment Fund - Energisa Group III  | Dec-2020                 | monthly, after Dec.2017 | Receivables                  | 66                  | CDI              | + 0.7%             | 8.82%        |                               |     |
| Eletrobrás - Light for All - 1 <sup>st</sup> tranche     | Oct-2016                 | monthly                 | Receivables                  | 17                  | RGR              | 5.0%               | 5.0%         |                               |     |
| Eletrobrás - Light for All - 2 <sup>nd</sup> tranche     | Apr-2018                 | monthly                 | Receivables                  | 26                  | RGR              | 5.0%               | 5.0%         |                               |     |
| Eletrobrás - Light for All - 3 <sup>rd</sup> tranche     | Oct-2019                 | monthly                 | Receivables                  | 34                  | RGR              | 5.0%               | 5.0%         |                               |     |
| Eletrobrás - Light for All - 4 <sup>th</sup> tranche     | Jul-2022                 | monthly                 | Receivables                  | 51                  | RGR              | 5.0%               | 5.0%         |                               |     |
| Eletrobrás - Light for All - 5 <sup>th</sup> tranche     | Oct-2022                 | monthly                 | Receivables                  | 53                  | RGR              | 5.0%               | 5.0%         |                               |     |
| Eletrobrás-Subtransmission                               | Mar-2016                 | monthly                 | Receivables                  | 9                   | RGR              | 5.0%               | 5.0%         |                               |     |
| Banco do Nordeste - Investment Financing 2007-2008 (FNE) | Jun-2017                 | monthly                 | Receivables + Reserve Fund   | 21                  | Fixed            | 8.3%               | 8.3%         | (2)                           |     |
| Banco do Nordeste - Investment Financing 2007-2008 (FAT) | Jun-2017                 | monthly                 | Receivables + Reserve Fund   | 16                  | TJLP             | + 4.0%             | 9.2%         |                               |     |
| Banco do Nordeste - Investment Financing 2009-2010 (FNE) | Aug-2019                 | monthly                 | Receivables + Reserve Fund   | 34                  | Fixed            | 8.4%               | 8.4%         | (2)                           |     |
| Banco ABC - BNDES Pass-through                           | May - 2019               | monthly                 | Endorsement of Energisa S.A. | 35                  | TJLP             | + 2.2% to 4.10%    | 7.3% to 9.3% |                               |     |
| Banco Itaú BBA - FINAME                                  | Until Feb-2021           | monthly                 | Guarantee Energisa S/A       | 54                  | fixed            | 2.5% to 5.5%       | 2.5% to 5.5% |                               |     |
| Bank of America Merrill Lynch                            | Sep-2015                 | final                   | Guarantee Energisa S/A       | 21                  | Libor            | + 2.45%            | 18.02%       | (1)                           |     |
| Banco Itaú BBA   | Apr-2018                 | Annual, after Apr-2018  | Guarantee Energisa S/A       | 46                  | US dollar        | + 3.4892           | 18.64%       |                               |     |
| Citibank   | Apr-2018                 | final                   | Guarantee Energisa S/A       | 52                  | Libor            | + 1.91%            | 17.40%       |                               |     |

1 - With Swap.  
2 - Includes a 25% and 15% bonus on interest for performance, for investments in and out of the semi-arid region respectively.

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 long-term financing loans mature as follows:

|              | 2013           |
|--------------|----------------|
| 2015         | 86,710         |
| 2016         | 16,085         |
| 2017         | 72,658         |
| 2018         | 192,438        |
| 2019         | 11,539         |
| 2019 onwards | 8,428          |
| <b>Total</b> | <b>387,858</b> |

See the changes occurring in the period:

| Description   | 2013           | 2012           |
|---|----------------|----------------|
| <b>Balances in 2012 and 1/1/2012</b>                    | <b>424,505</b> | <b>366,764</b> |
| New loans and financing obtained                        | 241,480        | 67,049         |
| Debt charges - interest, monetary and exchange variance | 101,244        | 72,503         |
| Principal payment                                       | (315,538)      | (50,015)       |
| Interest payments                                       | (41,166)       | (31,796)       |
| <b>Balances in 2013 and 2012</b>                        | <b>410,525</b> | <b>424,505</b> |
| Current   | 22,667         | 253,924        |
| Noncurrent  | 387,858        | 170,581        |

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

| Contracts  | 2014       | 2015       | 2016       | 2017 onwards | Total      |
|--|------------|------------|------------|--------------|------------|
| Credit Receivables Investment Fund - Energisa Group III  | 25         | 25         | 25         | 98           | 173        |
| Banco do Nordeste - Investment Financing 2007-2008 (FNE) | 30         | 30         | 30         | 15           | 105        |
| Banco do Nordeste - Investment Financing 2007-2008 (FAT) | 25         | 25         | 25         | 12           | 87         |
| Banco ABC - BNDES pass-through                           | 17         | 17         | 17         | 43           | 94         |
| Banco do Nordeste - Investment Financing 2009-2010 (FNE) | 56         | 56         | 56         | 150          | 318        |
| <b>Total</b>   | <b>153</b> | <b>153</b> | <b>153</b> | <b>318</b>   | <b>777</b> |

## 18. Debentures (nonconvertible)

Main features of the debentures:

|                               | 1st Issuance                            | 2nd Issuance (1) | 3rd Issuance | Total   |
|-------------------------------|---|------------------|--------------|---------|
| Issue type                    | Public                                  | Public           | Public       |         |
| Issue date                    | 11/8/2007                               | 12/15/2009       | 10/30/2013   |         |
| Maturity date                 | 11/8/2015                               | 12/15/2014       | 10/30/2019   |         |
| Guarantee                     | Ordinary with Guarantee of Energisa S/A | Ordinary         | Ordinary     |         |
| Yields                        | Exchange Variance + 8.85% p.a.          | CDI + 1.0% p.a.  | 115% of CDI  |         |
| TIR (effective interest rate) | 24.78% p.a.                             | 9.14% p.a.       | 9.27%        |         |
| Number of securities          | 42,000                                  | 60,000           | 60           |         |
| Value at issue                | 73,248                                  | 60,000           | 60           |         |
| Securities in circulation     | 42,000                                  | 60,000           | 60           |         |
| Interest grace period         | 6 months                                | 6 months         | 24 months    |         |
| Renegotiation date            | -                                       | 12/15/2012       | -            |         |
| Amortizations/installments    | 3 annual                                | Final            | 5 annual     |         |
| Balances in 2013 (2)          | -                                       | 60,051           | 61,062       | 121,113 |
| Current                       | -                                       | 60,051           | 1,062        | 61,113  |
| Noncurrent                    | -                                       | -                | 60,000       | 60,000  |
| Balances in 2012 (2)          | 86,749                                  | 45,560           | -            | 132,309 |
| Current                       | 29,601                                  | 95               | -            | 29,696  |
| Noncurrent                    | 57,148                                  | 45,465           | -            | 102,613 |

1) R\$ 195 (R\$ 705 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.

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

|              | 2013          |
|--------------|---------------|
| 2015         | 12,000        |
| 2016         | 12,000        |
| 2017         | 12,000        |
| 2018         | 12,000        |
| 2019         | 12,000        |
| <b>Total</b> | <b>60,000</b> |

On October 17, 2013 the Company's Board of Directors resolved to early redeem the entire nonconvertible simple debentures of Energisa S/A's 1st issuance. The 42,000 debentures incurring exchange variance plus 8.85% per annum, were redeemed at the amount of R\$ 64,337 on November 08, 2013, and this date the amount of R\$ 36,095 had been amortized in accordance with the issuance deed.

On October 17, 2013 the Company's Board of Directors resolved to make the 3rd issuance of non-convertible, unsecured simple debentures in a single series amounting to R\$ 60,000, which were

## Results for 2013

subject to public distribution with placement restrictions pursuant to CVM Directive 476/2009. 60 debentures were issued with a nominal unit value of R\$ 1,000 at the issuance date (October 30, 2013), maturing on October 30, 2019. The funds were used for the early redemption of the Company's 1st debentures issuance.

45,745 of the total 60,000 debentures of Energisa Sergipe's 2nd 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\$ 14,255.

Renegotiation clauses:

| Description             | Company          | Renegotiation Date/ Optional Early Redemption | Premium | Terms   |
|-------------------------|------------------|---|---------|---|
| Debentures 2nd issuance | Energisa Sergipe | December 15, 2012                             | N/A     | The Board of Directors shall resolve the debenture renegotiation terms, which the Companies shall apprise the debenture holders of. |

See the changes occurring in the period:

| Description   | 2013           | 2012           |
|---|----------------|----------------|
| <b>Balances in 2012 and 1/1/2012</b>                    | <b>132,309</b> | <b>139,558</b> |
| New debentures issuances -3rd issuance                  | 74,273         | -              |
| Debt charges - interest, monetary and exchange variance | 23,451         | 20,775         |
| Debentures 1st and 2nd issuance                         | (96,084)       | (14,255)       |
| Interest payments                                       | (12,836)       | (13,769)       |
| <b>Balances in 2013 and 2012</b>                        | <b>121,113</b> | <b>132,309</b> |
| Current   | 61,113         | 29,696         |
| Noncurrent  | 60,000         | 102,613        |

## 19. Taxes and social contributions

|                | 2013          | 2012          |
|----------------|---------------|---------------|
| ICMS           | 14,359        | 15,826        |
| Social Charges | 1,304         | 1,151         |
| IRPJ           | 8,907         | 6,195         |
| CSSL           | 4,260         | 6,710         |
| PIS/COFINS     | 8,151         | 13,067        |
| Other          | 1,012         | 654           |
| <b>Total</b>   | <b>37,993</b> | <b>43,603</b> |
| Current        | 26,539        | 35,376        |
| Noncurrent     | 11,454        | 8,227         |

## 20. Tax financing

| Description                               | 2013  | 2012  |
|---|-------|-------|
| Incentive under Law 11941/2009 - Refis IV | 6,093 | 7,523 |
| Number of payments                        | 39    | 51    |

The Company entered the new REFIS Financing Program introduced by Law 11941/2009. This balance is being settled at the minimum instalment until the debts have been consolidated.

As of December 31, 2013 the balance of this financing stands at R\$ 6,093 (R\$ 7,523 in 2012).

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

|              | 2013         | 2012         |
|--------------|--------------|--------------|
| 2013         | -            | 1,770        |
| 2014         | 1,875        | 1,770        |
| 2015         | 1,875        | 1,771        |
| 2015 onwards | 2,343        | 2,212        |
| <b>Total</b> | <b>6,093</b> | <b>7,523</b> |
| Current      | 1,875        | 1,770        |
| Noncurrent   | 4,218        | 5,753        |

## 21. Provisions for labor, civil and tax risks:

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

|                                    | 2012          | Provisions made | Reversal of provisions | Restatement  | 2013          |
|------------------------------------|---------------|-----------------|------------------------|--------------|---------------|
| Labor claims                       | 15,948        | 2,655           | (5,298)                | 794          | 14,099        |
| Civil                              | 4,599         | 687             | (790)                  | 251          | 4,747         |
| <b>Total</b>                       | <b>20,547</b> | <b>3,342</b>    | <b>(6,088)</b>         | <b>1,045</b> | <b>18,846</b> |
| Restricted and escrow deposits (*) | (14,673)      |                 |                        |              | (19,118)      |

|                                    | Opening balance 1/1/2012 | Provisions made | Reversal of provisions | Restatement  | Closing balance 2012 |
|------------------------------------|--------------------------|-----------------|------------------------|--------------|----------------------|
| Labor claims                       | 15,021                   | 3,412           | (3,385)                | 900          | 15,948               |
| Civil                              | 5,208                    | 299             | (1,177)                | 269          | 4,599                |
| <b>Total</b>                       | <b>20,229</b>            | <b>3,711</b>    | <b>(4,562)</b>         | <b>1,169</b> | <b>20,547</b>        |
| Restricted and escrow deposits (*) | (13,227)                 | -               | -                      | -            | (14,673)             |

(\*) The Company has restricted and escrow deposits in its noncurrent assets of R\$ 28,769 (R\$ 21,818 in 2012). No provisions for risks have been made for R\$ 9,651 (R\$ 7,145 in 2012) of this total, as the chances of success have been rated as possible or probable.

The amount of R\$ 5,888 (R\$ 4,621 in 2012) was paid in the financial year, consisting of labor claim settlements of R\$ 2,998 (R\$ 3,341 in 2012) and civil claim compensation of R\$ 2,890 (R\$ 1,280 in 2012).

Provisions for success fees were made in the year for proceedings rated as possible and remote defeats of R\$ 3,655 (R\$ 3,410 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.

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

### Possible Losses

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

#### Labor claims

Labor claims amounting to R\$ 13,972 (R\$ 6,474 in 2012) consist of the following claims submitted by former employees seeking overtime, danger hazard allowances, "on call" hours, indemnity for work-related accidents, in addition to claims from former employees of service providers hired by the Company, claiming joint liability for severance pay and salaries and collection of trade union fees.

Around R\$ 6,692 of the possible labor claims filed in the financial year of R\$ 7,498 refers to the public civil action filed by the Prosecutors' Office against the Company in order to prevent outsourcing and to determine occupational health and safety obligations. An Ordinary Appeal was filed to the TRT, which entertained it, overturning the award and all the procedural acts and determined the case be returned to the lower court for all the issues raised by the party to be re-examined, which were not appreciated due to the nullity of the acts declared in the Revisional Court (TRT).

#### Civil

Civil claims amounting to R\$ 26,584 (R\$ 26,165 in 2012) mainly relate to disputes about electricity bills, in which the consumer is requesting the revision or cancellation of the bill; claim by consumer of material and moral damages due to the suspension of the electricity supply due to non-payment, irregularities in meters, surges in voltages or temporary blackouts; claims in which consumers are seeking reimbursement of amounts due to the rate adjustments determined by Ordinances 38 and 45/1986, of the former National Department of Electricity and Water - DNAEE, during the freezing of prices under the Cruzado Plan. In addition to the regulatory fines originating from inspections conducted by the concession authority which are undergoing administrative defense.

#### Tax

The tax and labor claims amounting to R\$ 237,141 (R\$ 208,714 in 2012) basically consist of disputes about: (i) offsetting and appropriation of ICMS credits; (ii) rate differential; and (iii) income and social contribution taxes, etc.

The possible proceedings filed in the financial year of R\$ 28,427 consists of the assessment notice issued by the national treasury was issued to demand tax credit on the financial transactions tax - IOF, as they ruled that the advance for future capital increase - AFAC should be classified as a loan.

## 22. Shareholders' equity

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### 22.1. Share capital and capital reserves

The subscribed and paid in share capital is comprised of 195,509 common shares.

The Extraordinary General Meeting held April 24, 2013 approved: (i) to increase the Company's capital by R\$ 16,392 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\$ 345,762; (ii) cancellation of 11 (eleven) common shares held in the treasury for R\$ 18, 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 195,509 common nominative shares with no par value.

Irrespective of amendments to the bylaws, the Company may increase its share capital through subscription to the limit of 450,000 shares, consisting of 150,000 common shares and up to 300,000 preferred shares, where the Board of Directors shall resolve the means, subscription terms and payment terms of the shares and the features of the shares to be issued and the issue price.

### 22.2. Profit reserve - legal reserve

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

### 22.3. Profits reserve - income tax reduction

As it operates in the infrastructure sector in the North-East region of Brazil, the Company obtained an income tax reduction (75% of the tax due on operating profit) 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 for the period 2012 to 2021 by Constitutive Report 2040/2012 - Sudene, which imposes a number of obligations and constraints:

- (i) The amount obtained as a benefit cannot be distributed to the shareholders
- (ii) The amount should be recorded as a capital 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\$ 11,373 (R\$ 16,392 in 2012) in the year ended December 31, 2013.

## 22.4. Dividends

The Companies' corporate bylaws determine the distribution of a minimum mandatory dividend of 25% of the net income for the year, adjusted as stipulated by article 202 of Law 6404/76, and allows dividends to be paid out in interim results.

The dividends proposed at the close of the year were calculated as follows:

|   | 2013          | 2012          |
|---|---------------|---------------|
| Net income for the year   | 45,561        | 69,051        |
| Retained earnings   | 120           | -             |
| Legal reserve (5%)  | (2,278)       | (3,453)       |
| Exploration Profit - ADENE Tax Benefit                                    | (11,373)      | (16,392)      |
| <b>Adjusted net income</b>  | <b>32,030</b> | <b>49,206</b> |
| <br>  |               |               |
| Mandatory dividends (25%)   | 8,007         | 12,302        |
| <br>  |               |               |
| Prepaid dividends paid (*):   |               |               |
| . In August 2013 - R\$ 66.3694 per share (August 2012 - R\$ 148.23)       | 12,976        | 28,980        |
| . In December 2013 - R\$ 40.9188 per share (December 2012 - R\$ 64.10)    | 8,000         | 12,532        |
|   | 20,976        | 41,512        |
| Additional proposed dividends R\$ 55.92 (R\$ 39.35 in 2012) by share (**) | 11,054        | 7,694         |
| <br>  |               |               |
| <b>Total dividends</b>  | <b>32,030</b> | <b>49,206</b> |
| <br>  |               |               |
| % over adjusted net income  | 100           | 100           |

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

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

### 23. Operating revenue

|   | 2013                                    |                  |                | 2012                                    |                  |                  |
|---|---|------------------|----------------|---|------------------|------------------|
|   | Not audited by the independent auditors |                  | R\$            | Not audited by the independent auditors |                  | R\$              |
|   | No. of consumers                        | MWh              |                | No. of consumers                        | MWh              |                  |
| Residential   | 610,965                                 | 918,201          | 383,334        | 585,080                                 | 840,768          | 400,034          |
| Industrial  | 2,653                                   | 289,501          | 85,399         | 2,677                                   | 305,736          | 106,060          |
| Commercial  | 40,702                                  | 497,687          | 212,999        | 39,081                                  | 475,771          | 221,712          |
| Rural   | 18,390                                  | 106,906          | 29,251         | 18,102                                  | 108,803          | 22,784           |
| Government:   |   |                  |                |   |                  |                  |
| Federal   | 113                                     | 32,448           | 10,517         | 112                                     | 30,644           | 12,076           |
| State   | 4,632                                   | 66,179           | 21,840         | 4,605                                   | 62,500           | 25,077           |
| Municipal   | 771                                     | 31,137           | 10,275         | 767                                     | 29,406           | 11,799           |
| Public Lighting                                       | 725                                     | 154,953          | 26,221         | 633                                     | 149,183          | 28,303           |
| Public Utility  | 1,196                                   | 212,370          | 42,816         | 1,171                                   | 209,633          | 42,354           |
| Internal Use  | 86                                      | 3,083            | -              | 50                                      | 2,893            | -                |
| Subtotal  | <b>680,233</b>                          | <b>2,312,465</b> | <b>822,652</b> | <b>652,278</b>                          | <b>2,215,337</b> | <b>870,199</b>   |
| Revenue from Remuneration of Concession Assets        | -                                       | -                | 9,967          | -                                       | -                | 6,656            |
| Electricity sales to distributors                     | 2                                       | 225,372          | 35,926         | 2                                       | 289,993          | 50,184           |
| Sales not invoiced (net)                              | -                                       | 14,754           | 1,276          | -                                       | 25,463           | 4,508            |
| Provision of the transmission and distribution system | 17                                      | -                | 41,256         | 15                                      | -                | 55,033           |
| Construction Revenue                                  | -                                       | -                | 68,418         | -                                       | -                | 78,086           |
| Other operating revenue                               | -                                       | -                | 13,932         | -                                       | -                | 13,740           |
| Total - gross operating revenue                       | <b>680,252</b>                          | <b>2,552,591</b> | <b>993,427</b> | <b>652,295</b>                          | <b>2,530,793</b> | <b>1,078,406</b> |
| Deductions from operating revenue                     |   |                  |                |   |                  |                  |
| ICMS  | -                                       | -                | 169,795        | -                                       | -                | 182,647          |
| PIS   | -                                       | -                | 15,156         | -                                       | -                | 16,232           |
| COFINS  | -                                       | -                | 69,814         | -                                       | -                | 74,769           |
| ISS   | -                                       | -                | 197            | -                                       | -                | 142              |
| Quota for RGR   | -                                       | -                | -2,466         | -                                       | -                | 10,234           |
| Energy Efficiency Program - PEE                       | -                                       | -                | 3,267          | -                                       | -                | 3,373            |
| Energy Development Account - CDE                      | -                                       | -                | 1,633          | -                                       | -                | 5,738            |
| Energy Development Account - CCC                      | -                                       | -                | 1,481          | -                                       | -                | 21,912           |
| Research and Development Program - P&D                | -                                       | -                | 3,262          | -                                       | -                | 5,396            |
| Excess Demand Revenue and Surplus Reactive Energy     | -                                       | -                | 3,316          | -                                       | -                | -                |
| Total   | -                                       | -                | 265,455        | -                                       | -                | 320,443          |
| Total - net operating revenue                         | <b>680,252</b>                          | <b>2,552,591</b> | <b>727,972</b> | <b>652,295</b>                          | <b>2,530,793</b> | <b>757,963</b>   |



## 24. Operating expenses

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

| TYPE OF EXPENSE   | COST OF SERVICE |               |                           |               | OPERATING EXPENSES |                |                |
|---|-----------------|---------------|---------------------------|---------------|--------------------|----------------|----------------|
|   | ON ENERGY       | OF OPERATION  | PROVIDED TO THIRD PARTIES | SALES         | GENERAL AND ADMIN. | TOTAL          |                |
|   |                 |               |                           |               |                    | 2013           | 2012           |
| Electricity purchased for resale (*)                                  | 334,116         | -             | -                         | -             | -                  | 334,116        | 310,961        |
| Charge for using transmission and distribution system (*)             | 17,843          | -             | -                         | -             | -                  | 17,843         | 50,609         |
| Personnel and management  | -               | 26,483        | 52                        | 4,638         | 35,501             | 66,674         | 69,223         |
| Private pension fund  | -               | 4,358         | -                         | 762           | 5,831              | 10,951         | 6,990          |
| Material  | -               | 3,314         | 3,001                     | 1,576         | 1,242              | 9,133          | 10,157         |
| Outsourced services   | -               | 6,154         | 5,034                     | 9,559         | 26,744             | 47,491         | 50,715         |
| Depreciation and amortization   | -               | 23,678        | -                         | 83            | 21,516             | 45,277         | 42,339         |
| Allowance for doubtful accounts and recovery of uncollectible amounts | -               | -             | -                         | 3,430         | -                  | 3,430          | 5,190          |
| Provisions for labor, civil and tax risks:                            | -               | -2,746        | -                         | -             | -                  | -2,746         | -851           |
| Construction cost   | -               | -             | 68,418                    | -             | -                  | 68,418         | 78,086         |
| Other   | -               | 2,151         | 7                         | 1,754         | 6,607              | 10,519         | 8,259          |
|   | <b>351,959</b>  | <b>63,392</b> | <b>76,512</b>             | <b>21,802</b> | <b>97,441</b>      | <b>611,106</b> | <b>631,678</b> |

(\*) R\$ 31,041 and R\$ 26,908 deducted referring to CDE funds to be passed through by Eletrobrás to the Electricity Trading Chamber to cover the electricity acquisition and system service charges - ESS as a result of energy security, the hydrological risk and involuntary exposure in the spot market.

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

## 25. Other income

|  | 2013         | 2012            |
|--|--------------|-----------------|
| Gains on the deactivation/sale of assets and rights  | 7,095        | 4,699           |
| Losses on the deactivation/sale of assets and rights | (5,086)      | (20,771)        |
| Other revenue  | 34           | 285             |
| <b>Total</b>   | <b>2,043</b> | <b>(15,787)</b> |

## 26. Financial revenue and expenses

|  | 2013             | 2012            |
|--|------------------|-----------------|
| Revenue on short-term investments                            | 11,395           | 7,384           |
| Monetary variation and arrears surcharge on energy sold      | 12,712           | 12,293          |
| Restatement of accounts receivable from the concession - VNR | 8,609            | 13,344          |
| Other financial revenue                                      | 8,907            | 3,077           |
| <b>Total financial revenue</b>                               | <b>41,623</b>    | <b>36,098</b>   |
| Debt charges - interest                                      | (48,960)         | (55,928)        |
| Debt charges - monetary and exchange variance                | (75,735)         | (37,350)        |
| (-) Transfer to orders in progress                           | 2,117            | 4,422           |
| Present value adjustment of assets                           | 34               | 1,772           |
| Mark-to-market of derivatives                                | (34,749)         | 4,260           |
| Derivative financial instruments                             | 62,731           | 20,766          |
| Other financial expenses                                     | (15,472)         | (8,395)         |
| <b>Total financial expense</b>                               | <b>(110,034)</b> | <b>(70,453)</b> |
| <b>Net financial income (expenses)</b>                       | <b>(68,411)</b>  | <b>(34,355)</b> |

## 27. Net income per share

The Company did not change the number of shares in circulation in its share capital. The basic and diluted net income per share is therefore being calculated according to the number of shares in circulation at the end of the year, i.e. 195,509 common shares.

## 28. Insurance coverage

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

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

The main items covered are:

| Lines  | Maturity Date | Insurance Coverage          | Annual premium |            |
|--|---------------|-----------------------------|----------------|------------|
|  |               |                             | 2013           | 2012       |
| Operating Risks  | 10/23/2014    | 35,320                      | 208            | 245        |
| General Civil Liability                                  | 10/23/2014    | 50,600                      | 186            | 167        |
| Automobiles - Third-party material and personal damages. | 10/23/2014    | Up to R\$ 360,000 / vehicle | 120            | 84         |
| Collective life insurance - Personal Death and Accidents | 12/31/2014    | 52,102                      | 237            | 226        |
|  |               |                             | <b>751</b>     | <b>722</b> |

## 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.

## 29. Financial instruments and risk management

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

| ASSETS  | 2013    |            | 2012    |            |
|---|---------|------------|---------|------------|
|   | Book    | Fair value | Book    | Fair value |
| Cash and cash equivalents                     | 30,452  | 30,452     | 53,225  | 53,225     |
| Money market and secured funds                | 39,575  | 39,575     | 56,502  | 56,502     |
| Consumers and concessionaires                 | 98,810  | 98,810     | 125,061 | 125,061    |
| Credit receivables and other                  | 10,207  | 10,207     | 11,849  | 11,849     |
| Accounts receivable from the concession       | 182,867 | 182,867    | 130,146 | 130,146    |
| Derivative financial instruments              | 17,791  | 17,791     | 15,394  | 15,394     |
| <b>LIABILITIES</b>                            |         |            |         |            |
| Suppliers payable                             | 56,915  | 56,915     | 64,994  | 64,994     |
| Loans, financing, debt charges and debentures | 531,638 | 532,983    | 556,814 | 572,071    |

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 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 2nd debentures issuance. For financial instruments with no active market, i.e. the FIDCs and the 3rd debentures issuance (ESE), 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)                  | 531,638  | 556,814  |
| Cash and cash equivalents | (30,452) | (53,225) |
| Net debt                  | 501,186  | 503,589  |
| Net equity (b)            | 378,167  | 344,585  |
| Net debt index            | 1.33     | 1.46     |

(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                             |   | 54,538         | -              | -              | -              | 2,377         | 56,915         |
| Loans, financing, debt charges and debentures | 10.69%  | 22,226         | 80,537         | 137,947        | 304,463        | 22,405        | 567,578        |
| <b>Total</b>                                  |   | <b>76,764</b>  | <b>80,537</b>  | <b>137,947</b> | <b>304,463</b> | <b>24,782</b> | <b>624,493</b> |

## b) Credit risk

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

The credit risk 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               | 30,452  | 53,225  |
| Money market and secured funds          | 39,575  | 56,502  |
| Consumers and concessionaires           | 98,810  | 125,061 |
| Credit receivables and other            | 10,207  | 11,849  |
| Accounts receivable from the concession | 182,867 | 130,146 |
| Derivative financial instruments        | 17,791  | 15,394  |

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

## c) Interest and exchange rate risk

Part of the local-currency loans and financing presented in note 20 consist of financing from several national development agencies (Eletrobrás, 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 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\$ 306,825 (R\$ 379,105 in 2012) of the Company's bank debts and issuances of R\$ 532,610 (R\$ 559,017 in 2012) as of December 31, 2013 is denominated in US dollars on the international issuance (ii) USD 30 million (principal of USD 30 million) of the loan from Bank of America Merrill Lynch with a balance at the end of the year of R\$ 70.3 million, including interest. (ii) USD 50.7 million (principal of USD 50.2 million) of the loan from Banco Itaú BBA with a balance at the end of the year of R\$ 118.7

million, including interest. (iii) USD 50.3 million (principal of USD 50 million) of the loan from Banco Citibank with a balance at the end of the year of R\$ 117.8 million, including interest.

The loans have a long term maturity (all mature in 2018) and costs of up to USD plus 4.105% per annum.

The balance sheet as of December 31, 2013 presents R\$ 17,791 (R\$ 15,394 in 2012) in the noncurrent assets referring to the mark-to-market of the financial derivatives related to the foreign exchange rate and interest, resulting from a combination of factors usually adopted for the mark-to-market of these instruments, such as volatility, currency coupon, interest rates and the US dollar exchange rate. This is not a material liability, because the reversal value of derivatives at the calculation date is estimated, which does not correspond to the hedge objective expected by management. The mark-to-market entries made in the financial statements are reversed when the caps established for the existing operations are not exceeded, as shown below. Furthermore, further deterioration of the volatility, the currency coupon and the f/x rate could result in the entry increasing.

The Company has hedged the aforementioned positions against adverse exchange variance, as mentioned earlier. These hedges are split into the following instruments:

| Debt                  | Notional (USD) | Financial Cost | Maturity  | Cap                          |
|-----------------------|----------------|----------------|-----------|------------------------------|
| Loan 4131<br>BAML     | 30,000         |                | 9/21/2015 | 2.90(Sep-15)                 |
| Receivable Position   |                | Libor + 2.45%  |           |                              |
| Liability Position    |                | 100.0% CDI     |           |                              |
| Loan 4131<br>Itaú BBA | 50,231         |                | 4/17/2018 | 3.11(Apr-17)<br>3.30(Apr-18) |
| Receivable Position   |                | VC + 4.105%    |           |                              |
| Liability Position    |                | 108.95% CDI    |           |                              |
| Loan 4131<br>Citibank |                |                | 4/19/2018 | 3.31(Apr-18)                 |
| Receivable Position   | 50,000         | Libor + 1.91%  |           |                              |
| Liability Position    |                | 103.5% CDI     |           |                              |

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

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

| Derivative financial instruments                         |                 |         |                                |               |               |
|--|-----------------|---------|--------------------------------|---------------|---------------|
|  | Reference Value |         | Description                    | Fair Value    |               |
|  | 2013            | 2012    |                                | 2013          | 2012          |
|  |                 |         | Receivable Position            |               |               |
|  | -               | 227,728 | Foreign currency - USD         | -             | 333,105       |
|  |                 |         | Liability Position             |               |               |
| Swap with options - Bond and Debentures                  |                 |         | CDI Interest Rate              | -             | (319,734)     |
|  |                 |         | Foreign Currency Options (USD) | -             | (106)         |
|  |                 |         |                                | -             | <b>13,265</b> |
|  |                 |         | Receivable Position            | -             | -             |
|  |                 |         | Foreign currency - USD         | 318,747       | 64,174        |
| Swap with Options Opções Merrill Lynch/Itau BBA/Citibank | 260,770         | 60,690  | Liability Position             | -             | -             |
|  |                 |         | CDI Interest Rate              | (269,483)     | (60,770)      |
|  |                 |         | Foreign Currency Options (USD) | (31,473)      | (1,275)       |
|  |                 |         |                                | <b>17,791</b> | <b>2,129</b>  |

The Fair Value of the derivatives as of December 31, 2013 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 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 and 2012 were maintained, and the effects on the future interim financial statements simulated by type of financial instrument and for three different scenarios, the following results would be obtained (restated as for the interim reporting date):

| Operation                                    | Exposure  | Risk            | Scenario I<br>(Probable)(*) | Scenario II<br>(Deterioration of<br>25%) | Scenario III<br>(Deterioration of<br>50%) |
|--|-----------|-----------------|-----------------------------|--|---|
| Financial instruments - Loans                | 306,825   |                 | 62,692                      | (1,321)                                  | (65,334)                                  |
| <b>Swap with Options:</b>                    |           |                 |                             |  |   |
| Receivable position - Foreign Currency - USD | 318,747   | Increase in USD | 256,055                     | 320,068                                  | 384,082                                   |
| Payable Position - CDI Interest Rate         | (269,483) |                 | (269,483)                   | (269,483)                                | (269,483)                                 |
| Foreign Currency Options - USD               | (31,474)  |                 | -                           | (4,134)                                  | (44,141)                                  |
| <b>Subtotal</b>                              |           |                 | <b>(13,428)</b>             | <b>46,451</b>                            | <b>70,458</b>                             |
| <b>Total</b>                                 | -         |                 | <b>49,264</b>               | <b>45,130</b>                            | <b>5,124</b>                              |

(\*) 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\$ 49,264, 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\$ 45,130 and R\$ 5,124 in the scenarios where the Brazilian currency lost 25% and 50% against the US dollar, a scenario in which 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    | 58,883                  | Rise in the CDI rate | 6,120                    | 7,649                              | 9,179                               |
| Payable financial instruments:    |                         |                      |                          |                                    |                                     |
|                                   | (136,422)               | Rise in the CDI rate | (9,224)                  | (11,530)                           | (13,836)                            |
| Loans, financing and debentures   | (37,260)                | Rise in TJLP         | (1,930)                  | (2,412)                            | (2,895)                             |
|                                   | (27,796)                | Rise in FNE          | (1,807)                  | (2,259)                            | (2,711)                             |
| <b>Subtotal (**)</b>              | <b>(201,478)</b>        |                      | <b>(12,961)</b>          | <b>(16,201)</b>                    | <b>(19,442)</b>                     |
| <b>Total (Losses)</b>             | <b>(142,595)</b>        |                      | <b>(6,841)</b>           | <b>(8,552)</b>                     | <b>(10,263)</b>                     |

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

(\*\*) Does not include dollar transactions worth R\$ 306,825

## Fair value hierarchy

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

The different levels were defined as follows:

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

| Financial instruments                   | Level | 2013    | 2012    |
|---|-------|---------|---------|
| <b>Assets</b>                           |       |         |         |
| Money market and secured funds          | 2     | 39,575  | 56,502  |
| Derivative financial instruments        | 2     | 17,791  | 15,394  |
| Accounts receivable from the concession | 3     | 182,867 | 130,146 |

## 30. Employee benefits

### a) Retirement and pension supplementation plan

The pension plan operated by Energisa SE (Funasa) used to regularly present actuarial deficits.

With a view to reducing the actuarial deficits of these plans, in FY 2009 management presented to and obtained the approval of the Supplementary Pensions Office for the following changes to these plans:

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

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

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

Upon retirement, participants who opted to migrate to the PS plans 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 plans are implemented have been undertaken as debts by the sponsor Energisa Sergipe to the respective sponsored funds - Inergus. Because of its features, the PS plan will not receive monthly contributions from the participants or sponsor, 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.

A breakdown of the pension and retirement plans follows:

| Company     | Beneficiary Plan | Annual contribution |      | % over payroll | Actuarial deficit |               |
|-------------|------------------|---------------------|------|----------------|-------------------|---------------|
|             |                  | 2013                | 2012 |                | 2013              | 2012 (*)      |
|             |                  |                     |      |                |                   | (adjusted)    |
| Energisa SE | BD               | 1,125               | 895  | 2.13           | 66,557            | 55,455        |
| Energisa SE | CD               | 962                 | 905  | 2.5            | -                 | -             |
| Energisa SE | PS               | 476                 | 458  | 0.9            | -                 | 37,855        |
|             |                  |                     |      |                | <b>66,557</b>     | <b>93,310</b> |

(\*) The Company has debt acknowledgment agreements under loans and financing amounting to R\$ 56,978.

The technical reserves to comply with the standards established by the SPC - Supplementary Pensions Office are determined by the external actuary hired by INERGUS, who issued an opinion which did not contain any comments representing any additional risk or qualification regarding the procedures adopted by the plans' administrations.

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

|  | 2013     |                 | 2012            |                 |
|--|----------|-----------------|-----------------|-----------------|
|  | PS       | BD              | PS              | BD (adjusted)   |
| Present value of actuarial obligations                                     | (36,493) | (103,847)       | (50,759)        | (107,241)       |
| Fair value of the plan's assets  | 40,605   | 37,290          | 12,904          | 51,786          |
| Present value of the obligations in excess of the fair value of the assets | 4,112    | (66,557)        | (37,855)        | (55,455)        |
| Reduction of plan assets   | (4,112)  | -               | -               | -               |
| <b>Net liabilities</b>   | <b>-</b> | <b>(66,557)</b> | <b>(37,855)</b> | <b>(55,455)</b> |

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

|                                      | PS         | BD           |
|--------------------------------------|------------|--------------|
| Current service cost                 | 1,140      | 1,041        |
| Interest cost                        | 4,041      | 11,047       |
| Expected return on the plan's assets | (4,502)    | (3,947)      |
| Remeasurement of financial cost      | -          | 553          |
| Employee contributions               | (53)       | (835)        |
| <b>Expenses projected for 2014</b>   | <b>626</b> | <b>7,859</b> |

Statement of the change in the sponsor's net actuarial deficit in the year:

|   | 2013     |               | 2012          |               |
|---|----------|---------------|---------------|---------------|
|   | PS       | BD            | PS            | BD            |
| Net actuarial deficit at the start of the year                | 37,855   | 55,455        | 24,186        | 38,964        |
| Current expenses  | 5,076    | 4,977         | 4,157         | 5,054         |
| Company Contributions   | -        | (955)         | 9,512         | (961)         |
| Other comprehensive income                                    | (12,762) | 33,889        | -             | 12,398        |
| Settlement of sponsor's debt                                  | (30,169) | (26,809)      | -             | -             |
| <b>Net actuarial liability (asset) at the end of the year</b> | <b>-</b> | <b>66,557</b> | <b>37,855</b> | <b>55,455</b> |

The plan's assets are:

|                             | PS            |               | BD            |               |
|-----------------------------|---------------|---------------|---------------|---------------|
|                             | 2013          | 2012          | 2013          | 2012          |
| Government securities       | 19,776        | -             | 11,653        | -             |
| Fixed-income fund quotas    | 19,283        | 11,291        | 26,677        | 32,669        |
| Variable-income fund quotas | 803           | 863           | 2,530         | 2,817         |
| Property investments        | -             | -             | 2,143         | 1,160         |
| Shares                      | -             | -             | 494           | 475           |
| Other                       | 726           | 629           | 345           | 356           |
|                             | <b>40,588</b> | <b>12,783</b> | <b>43,842</b> | <b>37,477</b> |

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

|  | PS            | BD            |
|--|---------------|---------------|
| Fair value of assets at start of year          | 12,904        | 51,786        |
| Benefits paid                                  | (850)         | (10,035)      |
| Participant contributions invested in the year | -             | 990           |
| Sponsor contributions invested in the year     | -             | 955           |
| Effective return on assets                     | 1,057         | 3,949         |
| Actuarial gains (losses) of the assets         | 27,494        | (10,355)      |
| <b>Fair value of assets at end of year</b>     | <b>40,605</b> | <b>37,290</b> |

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

|   | PS            | BD             |
|---|---------------|----------------|
| Balance at beginning of year              | 50,759        | 107,241        |
| Benefits paid in the year                 | (850)         | (10,035)       |
| Interest on actuarial obligation          | 4,244         | 8,511          |
| Current service cost (including interest) | 1,890         | 1,207          |
| Gains (losses) on actuarial obligations   | (19,550)      | (3,077)        |
| <b>Balance at end of year</b>             | <b>36,493</b> | <b>103,847</b> |

The premises used in the actuarial valuation of December 31, 2013 are set out below:

### *Economic hypotheses*

| PS and BD                         |                                     |
|-----------------------------------|-------------------------------------|
| Actuarial discount rate           | 6.43% p.a. PS and 6.39% BD          |
| Expected rate of return on assets | 7.12% p.a. (including inflation)    |
| Benefit readjustment              | inflation only                      |
| Wage growth                       | 0% PS and 0.5% p.a. above inflation |
| Projected inflation               | 6% p.a.                             |

### *Demographic Hypotheses*

| PS and BD                          |         |
|------------------------------------|---------|
| 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 SE to its employees:

|                                  | PS        | BD        |
|----------------------------------|-----------|-----------|
| <b>Active Participants</b>       |           |           |
| Number                           | 542       | 61        |
| Average Age                      | 40.06     | 41.46     |
| Participation time (years)       | 13.95     | 15.87     |
| Participant's Average Salary     | R\$ 0.775 | R\$ 2.594 |
| <b>Assisted Participants</b>     |           |           |
| Number                           | 29        | 363       |
| Average Age                      | 56.31     | 63.98     |
| Average Monthly Benefit          | R\$ 2.443 | R\$ 1.827 |
| <b>Pensioners</b>                |           |           |
| Number of Pensioners             | 2         | 103       |
| Average Benefit per Family Group | R\$ 0.444 | R\$ 1.053 |

## b) Healthcare plan

The Company sponsors its employees' health insurance plans, which are managed by an operator 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. Expenses were incurred on this benefit of R\$ 3,875 in FY 2013 (R\$ 8,284 in 2012).

## 31. Commitments

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

Energy purchase contracts:

| Energy purchase contract - reais thousand |         |         |         |         |         |              |
|---|---------|---------|---------|---------|---------|--------------|
| Term                                      | 2014    | 2015    | 2016    | 2017    | 2018    | 2018 onwards |
| 2014 to 2046                              | 365,781 | 360,481 | 378,846 | 342,142 | 349,105 | 5,603,394    |

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

- This does not include the Proinfa and Itaipu quotas.

## 32. Distribution concession contract

On December 23, 1997 Energisa SE and the National Electric Energy Agency - ANEEL signed the electricity distribution concession contract through to December 23, 2027.

## 33. Environment

As an initiative and commitment to sustainable development Energisa mitigates the social and environmental impacts caused by its services and facilities through programs and practices of the Environment, Social and Occupational Health and Safety Management System and the Health and Safety management system - SGMASS. These include the following:

1. Implementation of shielded and insulated grids: insulated cables are used in medium-voltage grids and protected cables in the medium-voltage grids, significantly reducing the need for pruning. Paths are also dimensioned to preserve the ecological balance as far as possible, reducing deforestation and visual pollution through the installation of approximately 194.1 Km of low- and medium-voltage grids;
2. Implementation of the Social and Environmental Management Committee - COGESA which operates the Social Management System - SGSA based on SGMASS, the Sustainability Committee - CS and PEE to better meet the specific requirements of Energisa SE. This system enables Energisa SE to manage its social and environmental issues and to mitigate risk in daily activities in order to prevent social and environmental impacts;
3. The continuity of the Solid Waste Management continued, primarily addressing hazardous waste and implementation of the new National Solid Waste Policy introduced in 2010. In respect of waste disposal and treatment: in addition to ascertaining the nature and amount of waste generated during the production process and development of its activities, there are procedures

for handling, transporting, treating and disposing of this waste. The company is aware of its environmental responsibilities, and therefore regenerates insulating mineral oil (OMI) and the waste generated by regenerating this oil used in its equipment, and also uses a system developed from a R&D system that regenerates the OMI in a single process and dries out the regenerated OMI and recovers the absorbing agent used, which in our case is bauxite, ensuring the recycling of this material, reducing the generation of hazardous oily waste and avoiding environmental pollution, without compromising the quality of the regenerated OMI.

4. The systematic realization of procedures to obtain new environmental licenses and the monitoring and control of the renewal of operating licenses for facilities in operation.
5. Treatment of spent bulbs: Energisa Sergipe follows procedures for the correct treatment of sodium vapor lamps, mercury vapor lamps and fluorescent lamps disposed at its own facilities and in the public lighting infrastructure via the proper environmental decontamination of bulbs containing mercury;
6. Implementation of water and energy consumption reduction campaigns (with the distribution of leaflets containing tips on how to save energy and water), education based on the 3Rs (Reduce, Reuse and Recycle) and education for conscious consumption, through the environment week and internal disclosure (intranet, stickers and banners displayed by the company) and external disclosure (total energy program, media campaigns and the Zé da Luz na Escola program)
7. In terms of environmental awareness, Energisa Sergipe holds lectures about the rational use of electricity and water, using the Zé da Luz na Escola and the total energy programs, in addition to providing a recycling workshop during the total energy program, thereby helping reduce the waste disposed of in the environment and generating income for people in the benefited communities through the sale of the products they learn to make in the workshops. Energisa Sergipe also administers lectures to raise awareness about the rational use of electricity when students visit the company's facilities.
8. Periodical inspections are conducted on the environmental performance of its facilities, in addition to the preparation of environmental improvement plans and monitoring of its environmental performance index (IDA), in addition to the training of employees through specific environmental courses, participation in environmental committees and various events about the environment;
9. Retain suppliers that are proven to have good environmental conduct, for example, in the case of the final disposal and/or treatment of hazardous waste we require an operating license and disposal and/or treatment certificate for such waste. Companies transporting waste are required to present an operating license.
10. Energy Efficiency, which has helped educate the population about the rational and efficient use of electricity, cutting electricity waste, by replacing bulbs with efficient bulbs, donating efficient equipment and adapting internal electric facilities, and in specific cases installing electricity meters in impoverished communities, and Energisa uses a mobile unit, which is equipped with equipment that enables the company to give lectures about the proper use of equipment, rational use of electricity and to conduct electricity experiments, which help to inform children and youngsters about the risks of handling energy
11. The ongoing selective collection of waste generated at the company as one of the stages of Energisa Sergipe's Solid Waste Management. The segregated recyclable waste collected at the company is donated to a cooperative of refuse collectors in the state - CARE- who duly recycle it, which also fosters the generation of income and diminishes the disposal of waste in the environment.
12. the acquisition of a truck equipped with a crusher and dump box to store large volumes of pruned waste, such as crushed branches. The waste is stored ready to be used in the compost process, through a partnership with the municipal public authorities which have been receiving this waste and making appropriate use of it;

13. Participation on the Landscaping Committee, a municipal public administration institution which deals with issues related to a harmonious relationship between the landscaping and the infrastructure that exists in the municipality's urban areas and includes the electrical network.

In addition to Environmental Management, Energisa Sergipe also stood at in 2013 for its work in aid of sustainability under the partnership with *Parque dos Falcões*, a sanctuary for birds of prey, which the company helped put in a position to being supporting itself, i.e. it created a functional project which was perfectly suited to the Park and which would generate revenue streams for the institution, thereby rendering it self-sustainable. The Company continued its implementation of several programs and practices, which generated operating and investment expenses of R\$ 16,878 (R\$ 18,657 in 2012), with R\$ 97 (R\$ 110 in 2012) consisting of operating expenses and R\$ 16,780 (R\$ 18,547 in 2012) relating to investments demonstrating the company's commitment to social and environmental responsibility and sustainable development.

The nonfinancial information was not examined by our independent auditors.

#### 34. Additional information to the cash flows

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

|  | 2013   | 2012   |
|--|--------|--------|
| <b>Operating activities</b>                                  |        |        |
| Accounts receivable from the concession                      | 44,575 | 83,810 |
| Restatement of accounts receivable from the concession - VNR | 8,609  | 13,344 |
| Suppliers payable  | 7,106  | 5,901  |
| <b>Investment activities</b>                                 |        |        |
| Property, Plant and Equipment and Intangible Assets          | 8,752  | 13,130 |
| <b>Financing activities</b>                                  |        |        |
| Loans and financing  | 5,853  | 2,806  |
| Capitalization of reserves                                   | 10,131 | 10,131 |