Energisa Paraiba | Results for 3rd quarter of 2013

João Pessoa, November 08, 2013 - The management of Energisa Paraiba – Distribuidora de Energia S/A (“Company” or “Energisa Paraiba” or “EPB”) hereby presents its results for the third quarter (3Q13) and the first nine months of 2013 (9M13). The following financial and operational information is presented in accordance with international financial reporting standards (IFRS), except when stated otherwise.

1 - Business profile, awards and economic-financial headlines

Energisa Paraiba is an electricity distributor that serves more than 1,253,000 consumers and a population of approximately roughly 3.3 million in 216 municipalities in the state of Paraiba, covering an area of 54,595 Km^2.

Awards:

On September 26 Energisa Paraiba was awarded the 2013 Transparency Trophy by the National Association of Finance, Administration and Accountancy Executives (Anefac), the Institute of Accounting, Actuarial and Financial Research (FIPECAFI) and Serasa Experian. The awards are the fruit of a rigorous, independent analysis of more than two thousand financial statements by specialists and students of the Faculty of Economics, Administration and Accountancy of São Paulo University (FEA/USP). The study evaluates the company's transparency in dealings with the market and population, which encourages domestic and foreign investment and furthers the brand's social, economic and financial values. According to the organizers, the Transparency Trophy does not accept applications. The key is to follow the best accounting practices in an effort to disclose the most objective information to the market.

EPB was also awarded the Sustainable Energy Seal Gold medal in October 2013 by the Institute Instituto Acende Brasil, a study center that implements projects and initiatives to enhance the transparency and sustainability of Brazil's energy sector. Created in 2007, the Sustainable Energy Seal rates the performance of ventures in the sector and ranks them in terms of social and environmental responsibility, based on their proven social and environmental initiatives in addition to compliance with legislation and the environmental licensing process. There are three levels of certification: Bronze, from 18 to 22 points; Silver, 23 to 27, and Gold, 28 to 33 points.

Highlights:

See below the Company's main economic and financial figures for the first nine months:

.	9M13	9M12	Change %
Results - R$ million			
Gross Operating Revenue	1,140.3	1,185.7	- 3.8
Net Operating Revenue	813.4	812.4	+ 0.1
Net Operating Revenue, with construction revenue	719.4	718.7	+ 0.1
Earnings before interest and tax (EBIT)	161.1	171.8	- 6.2
EBITDA	195.9	202.0	- 3.0
Adjusted EBITDA (EBITDA + Late charges revenue)	211.6	217.2	- 2.6
Financial Result	(29.6)	(6.9)	+ 329.0
Net Income	121.9	131.6	- 7.4
Financial Indicators - R$ million			
Total Assets	1,514.3	1,380.4	+ 9.7
Cash / Cash Equivalents / Short-Term Investments	213.1	190.6	+ 11.8
Shareholders' Equity	610.4	574.9	+ 6.2
Net Debt	461.9	397.8	+ 16.1
Operating Indicators			
Number of Captive Consumers (thousands)	1,253.2	1,208.1	+ 3.7
Sales of energy to captive consumers (GWh)	2,645.9	2,549.9	+ 3.8
Total Electricity Distributed (GWh)	3,102.8	2,920.7	+ 6.2
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	26.0	26.7	- 0.7 p.p
Net Debt / Adjusted EBITDA for 12 months (times)	1.4	1.4	-

2 - Financial performance

2.1 - Gross and net operating revenue

In 9M13 Energisa Paraiba presented gross operating revenue, not including construction cost revenue, which is attributed a margin of zero, of R$ 1,046.3 million, compared with R$ 1,092.0 million in 9M12, a decrease of 4.2% (R$ 45.7 million). Also excluding construction revenue, net operating revenue rose by 0.1% (R$ 0.7 million) in the period, to R$ 719.4 million.

Net revenue breaks down as follows:

Revenue by Consumption Sector	Quarter			9 months		
Amounts in R$ million	3Q13	3Q12	Change %	9M13	9M12	Change %
(+) Electricity revenue (captive market)	306.4	341.4	- 10.3	1,003.5	1.044.0	- 3.9
✓ Residential	146.0	151.5	- 3.6	484.6	472.3	+ 2.6
✓ Industrial	35.4	53.1	- 33.3	109.1	153.9	- 29.1
✓ Commercial	62.8	70.6	- 11.0	207.1	219.9	- 5.8
✓ Rural	16.0	13.2	+ 21.2	55.8	40.2	+ 38.8
✓ Other sectors	46.2	53.0	- 12.8	146.9	157.7	- 6.8
(+) Electricity sales to distributors	7.8	1.9	+ 310.5	4.3	2.0	+ 115.0
(+) Net Unbilled Sales	(1.8)	(2.2)	- 18.2	(16.9)	(8.6)	+ 96.5
(+) Electricity network usage charges	10.7	15.7	- 31.8	37.2	45.0	- 17.3
(+) Construction revenue	39.5	32.0	+ 23.4	94.0	93.7	+ 0.3
(+) Other revenue	5.6	3.7	+ 51.4	18.2	9.6	+ 89.6
(=) Subtotal 1 - Gross revenue	**368.2**	**392.5**	**- 6.2**	**1,140.3**	**1,185.7**	**- 3.8**
(-) Tax on sales	(100.8)	(102.9)	- 2.0	(317.2)	(315.5)	+ 0.5
(-) Sector charges	(3.2)	(17.0)	- 81.2	(9.7)	(57.8)	- 83.2
(=) Subtotal 2 - Net revenue	**264.2**	**272.6**	**- 3.1**	**813.4**	**812.4**	**+ 0.1**
(-) Construction revenue	39.6	32.0	+ 23.8	94.0	93.7	+ 0.3
(=) Total - Net revenue, without construction revenue	**224.8**	**240.6**	**- 6.6**	**719.4**	**718.7**	**+ 0.1**

2.2 - Rate review

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

Under Decree 7945/2013, ANEEL will publish 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. By way of SRE/ANEEL Notices 954 issued April 02, 2013, 1312 issued April 30, 2013, 1756 issued June 04, 2013, 2095 issued July 04, 2013, 3020 issued August 29, 2013 and 3281 issued September 30, 2013, ANEEL has ratified the amount of R$ 62.0 million for Energisa Paraiba the months of January to August 2013, distributed as follows: The Company recorded the amounts as a reduction to the purchased energy costs and system service charges.

2.3 - Net income and cash generation

Energisa Paraiba recorded net income of R$ 121.9 million in the first nine months of 2013, compared with R$ 131.6 million in the same period last year. The operating cash generation (Adjusted EBITDA) amounted to R$ 211.6 million in 9M13, compared with R$ 217.2 million in 9M12, a decrease of R$ 2.6%.

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

Breakdown of cash generation (EBITDA)	Quarter			9 months		
Amounts in R$ million	3Q13	3Q12	Change %	9M13	9M12	Change %
(=) Net Income	36.8	40.0	- 8.0	121.9	131.6	- 7.4
(-) Income and social contribution taxes	(1.0)	(7.4)	- 86.5	(9.7)	(33.3)	- 70.9
(-) Financial result	(0.7)	(5.6)	- 87.5	(29.6)	(6.9)	+ 329.0
(-) Depreciation and amortization	(11.3)	(9.6)	+ 17.7	(34.7)	(30.2)	+ 14.9
(=) Cash generation (EBITDA)	49.8	62.5	- 20.3	195.9	202.0	- 3.0
(+) Late charges revenue	5.0	5.4	- 7.4	15.7	15.2	+ 3.3
(=) Adjusted cash generation (Adjusted EBITDA)	54.8	67.9	- 19.3	211.6	217.2	- 2.6
Adjusted EBITDA Margin	20.7	24.9	- 4.2 p.p	26.0	26.7	- 0.7 p.p

2.4 - Operating expenses

Operating expenses excluding construction costs amounted to R$ 558.2 million in 9M13 (R$ 186.3 million in 3Q13), an increase of R$ 11.3 million (decrease of R$ 1.3 million in 3Q13 over 3Q12) over 9M12. In 9M13, the growth in controllable expenses was R$ 7.7 million (increase of R$ 2.6 million in 3Q13), amounting to R$ 144.4 million (R$ 48.1 million in 3Q13). Noncontrollable expenses on electricity and transportation purchases fell by 1.9% (R$ 6.7 million) in 9M13. Noncontrollable expenses on electricity and transportation purchases fell by 13.1% in 3Q13 (R$ 16.5 million).

Operating expenses break down as follows:

	Quarter			9 months		
Breakdown of operating expenses (R$ million)	3Q13	3Q12	Change in R$ millions	9M13	9M12	Change in R$ millions
1 - Controllable expenses	48.1	45.5	+ 2.6	144.4	136.7	+ 7.7
1.1 Personnel (includes pension fund)	25.6	24.1	1.5	76.8	70.9	+ 5.9
1.2 Material	2.9	3.0	- 0.1	9.3	9.2	+ 0.1
1.3 Services	19.6	18.4	+ 1.2	58.3	56.6	+ 1.7
2 - Uncontrollable expenses (acquisition of energy and transmission	109.3	125.8	- 16.5	350.8	357.5	- 6.7
3 - Depreciation and amortization	11.3	9.7	+ 1.6	34.7	30.2	+ 4.5
4 - Allowance for doubtful accounts and contingencies	9.7	2.3	+ 7.4	11.2	9.4	+ 1.8
5 - Other expenses / revenue	7.9	4.3	+ 3.6	17.1	13.1	+ 4.0
Subtotal	**186.3**	**187.6**	**- 1.3**	**558.2**	**546.9**	**+ 11.3**
6 - Construction cost	39.5	32.0	+ 7.5	94.0	93.7	+ 0.3
Total	**225.8**	**219.6**	**+ 6.2**	**652.2**	**640.6**	**+ 11.6**

2.5 - Financial result

The financial result (financial revenue minus financial expenses) amounted to a net consolidated financial expense of R$ 0.7 million in 3Q13, as compared to a net financial expense of R$ 5.6 million in the same period last year, a decrease of 87.5% (or R$ 4.9 million). This result derives from the mark-to-market of derivatives which reflects the present value of the forex hedge instruments.

In YTD 9M13 the net financial income amounted to a net financial expense of R$ 29.6 million compared with a net financial expense of R$ 6.9 million in 3Q12, i.e. an increase of 329.0% (or R$ 22.7 million) in the period.

The table below denotes the short- and long-term debt net of financial resources (cash, cash equivalents and short-term investments) of Energisa Paraiba as of September 30, 2013 and December 31, 2012:

Description Amount in R$ million	09/30/2013	12/31/2012
Short-term	**61.6**	**177.1**
Loans, financing and debentures	46.1	156.9
Debt charges	3.0	7.7
Financing of taxes and actuarial deficit	12.5	12.5
Long-term	**613.4**	**427.4**
Loans, financing and debentures	558.0	376.7
Financing of taxes and actuarial deficit	55.4	50.7
Total debts	**675.0**	**604.5**
(-) Cash and cash equivalents	213.1	184.3
Total net debts	**461.9**	**420.2**

3 - Electricity sales

3.1 - Total electricity distributed

In the first nine months of 2013 (9M13), electricity sales to end consumers (captive market), located in Energisa Paraiba's concession area, including energy associated with free consumers (TUSD), amounted to 3,088.5 GWh (1,002.9 GWh in 3Q13), an increase of 7.0% (increase of 5.3% in 3Q13) over the same period last year. Consumption was driven by the residential sector, which expanded by 11.3% (9.8% in 3Q13) in the period. Industrial consumption, including captive and free sales, rose by 3.3% in 9M13. Total energy distributed in 9M13 was 3,102.8 GWh, compared with 2,920.7 GWh in the same period last year, as follows:

Total Electricity Distributed by Consumption Sector (in GWh)

Description	Quarter			9 months		
	3Q13	3Q12	Change %	9M13	9M12	Change %
1) Energy sales to captive consumers	843.5	830.3	+ 1.6	2,645.9	2,549.9	+ 3.8
✓ Residential	340.3	309.9	+ 9.8	1,080.5	970.9	+ 11.3
✓ Industrial	128.1	157.5	- 18.7	385.2	464.1	- 17.0
✓ Commercial	150.7	141.0	+ 6.9	476.9	444.9	+ 7.2
✓ Rural	59.8	63.2	- 5.4	199.1	193.1	+ 3.1
✓ Other Sectors	164.6	158.7	+ 3.7	504.2	476.9	+ 5.7
2) Energy associated with free consumers (TUSD)	159.4	121.9	+ 30.8	442.6	336.9	+ 31.4
3) Captive sales + TUSD (1+2)	**1,002.9**	**952.2**	**+ 5.3**	**3,088.5**	**2,886.8**	**+ 7.0**
4) Sales to distributors and unbilled sales	40.0	27.8	+ 43.9	14.3	33.9	- 57.8
5) Total Electricity Distributed (3+4)	**1,042.9**	**980.0**	**+ 6.4**	**3,102.8**	**2,920.7**	**+ 6.2**

Energisa Paraiba closed the first nine months of 2013 with 1,253,189 captive consumer units, or 3.7% more than at the end of September 2012. The number of free consumers amounted to 21 at the end of September 2013.

4 - Investment

Energisa Paraiba invested a total of R$ 102.8 million in the first nine months of 2013, compared with R$ 98.6 million in 9M12.

5 - Advanced dividends

The Energisa Paraiba Board of Directors approved the following payments of interim dividends for the year in progress:

1) the amount of R$ 42.1 million at a meeting held June 13, or R$ 45.90858216 per share. Payment of these dividends commenced on June 17, 2013.

2) the amount of R$ 16.7 million at a meeting held August 8, or R$ 18.15122999 per share. These dividends will be paid by December 31, 2013.

6- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Paraiba in the first nine months of 2013 was R$ 903,000, as follows: i) R$ 284,000 for reviewing the financial statements; iii) R$ 39,000 for procedures previously agreed with Aneel for the “Energy Efficiency” and “Light for All” programs, and iv) R$ 580,000 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 PARAIBA - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AS OF SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(In thousands of reais)

	30/09/2013	31/12/2012
Assets		
Current		
Cash and cash equivalents	39,912	67,646
Money market and secured funds	123,613	77,416
Clients, consumers and concessionaires	134,680	190,091
Credit receivables	40,688	47,449
Inventory	4,565	6,363
Recoverable taxes	47,908	38,375
Prepaid expenses	4,154	4,423
Low income and other	30,515	30,378
Total current	**426,035**	**462,141**
Noncurrent		
Noncurrent assets		
Money market and secured funds	49,590	39,281
Credit receivables	33,346	42,281
Recoverable taxes	24,158	23,884
Tax credits	126,983	112,804
Restricted deposits and escrows	24,931	25,686
Derivative financial instruments	9,965	6,212
Accounts receivable from the concession	176,806	147,049
Other	3,335	1,551
	449,114	**398,748**
Investments	95	93
Property, plant and equipment	629,484	607,566
Intangible assets	9,614	9,907
Total noncurrent	**1,088,307**	**1,016,314**
Total Assets	**1,514,342**	**1,478,455**

See the accompanying notes to the financial statements.

2. Balance Sheet - Liabilities

ENERGISA PARAIBA - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AS OF SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
(In thousands of reais)

	30/09/2013	31/12/2012
Liabilities		
Current		
Suppliers payable	73,216	109,165
Debt charges	2,989	7,732
Loans and financing	44,165	156,738
Debentures	1,910	136
Payroll	1,671	1,709
Taxes and social contributions	44,839	50,235
Dividends	-	35,391
Estimated obligations	10,109	6,955
Consumer charges payable	206	5,538
Public lighting fee	3,237	4,239
Employee benefits - pension plan	12,532	12,532
Other accounts payable	36,435	49,385
Total current	**231,309**	**439,755**
Noncurrent		
Noncurrent Liabilities		
Suppliers payable	2,646	2,572
Loans and financing	478,076	312,370
Debentures	79,893	64,312
Taxes and social contributions	18,842	14,041
Provision for labor, civil and tax risks	36,852	37,020
Employee benefits - pension plan	55,452	50,746
Other	847	782
Total noncurrent	**672,608**	**481,843**
Shareholders' equity		
Capital	425,805	386,516
Treasury stock	-	(538)
Capital reserve	97,002	97,540
Profit reserves	44,512	83,802
Additional dividends proposed	-	9,479
Comprehensive Income	(22,784)	(22,784)
Retained earnings/Accumulated losses	65,890	2,842
	610,425	**556,857**
Total liabilities	**1,514,342**	**1,478,455**

See the accompanying notes to the financial statements.

3. Statements of Income

ENERGISA PARAIBA - DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(In thousands of reais)

	9M13	9M12
Revenues		
Electricity sales to consumers	986,579	1,035,410
Electricity sales to distributors	4,262	2,018
Electricity network usage charges	37,209	45,000
Construction revenue	94,021	93,709
Other revenue	18,253	9,588
	1,140,324	**1,185,725**
Deductions from operating revenue		
ICMS on billing	218,297	214,304
PIS, Cofins and ISS	98,946	101,200
Quotas for global reversal reserve	(1,774)	9,350
Others (PEE, CDE, CCC and P&D)	11,502	48,456
	326,971	**373,310**
Net operating revenue	**813,353**	**812,415**
Operating expenses (revenue)		
Personnel (includes pension fund)	76,839	70,892
Material	9,338	9,146
Outsourced services	58,317	56,610
Electricity purchased for resale	313,615	304,075
Transmission of electricity	37,191	53,416
Depreciation and amortization	34,716	30,201
Allowance for doubtful accounts / contingencies	11,147	9,416
Construction cost	94,021	93,709
Other expenses / revenue	17,025	13,126
	652,209	**640,591**
Earnings before interest and tax	**161,144**	**171,824**
Financial revenue (expense)		
Income on short-term investments	11,344	7,752
Monetary variation and arrears surcharge on energy sold	15,729	15,153
Other financial revenue	8,664	2,969
Debt charges - interest	(33,139)	(32,881)
Debt charges - monetary and exchange variance	(34,175)	(9,931)
(-) Transfer to orders in progress	2,150	3,491
Mark-to-market of derivatives	(17,613)	(2,121)
Derivative financial instruments	29,984	7,588
Restatement of assets	(164)	9,667
Other financial expenses	(12,403)	(8,579)
	(29,623)	**(6,892)**
Income (loss) before taxes	**131,521**	**164,932**
Income and social contribution taxes	(9,656)	(33,252)
Net income for the period	**121,865**	**131,680**
Net income per share of capital - R$	**132.73**	**143.19**

See the accompanying notes to the financial statements.

4. Statements of Cash Flows

ENERGISA PARAIBA - DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF CASH FLOW
NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (In thousands of reais)

	9M13	9M12
Operating activities		
Income before tax and social contributions	131,521	164,932
Expenses (revenue) not affecting cash:		
Expenses on interest and monetary variance - net	55,226	36,646
Allowance for doubtful accounts	1,641	4,028
Depreciation and amortization	34,716	30,201
Provision for labor, civil and tax risks	4,984	(2,146)
Loss on the sale of PP&E and intangible assets	5,943	2,887
Mark-to-market of Derivatives	17,613	2,121
Derivative Financial Instruments	(29,984)	(7,588)
Subtotal	**221,660**	**231,081**
Changes in current and noncurrent assets		
Consumers and concessionaires	55,213	7,898
Credit receivables	14,088	4,273
Inventory	1,798	(1,007)
Recoverable taxes	(9,807)	(14,461)
Escrow and secured deposits	755	1,172
Prepaid expenses	269	(2,223)
Other accounts receivable	(17,858)	(6,184)
	44,458	**(10,532)**
Changes in current and noncurrent liabilities		
Suppliers payable	(34,891)	8,639
Taxes and social contributions	(38)	78
Income and social contribution taxes paid	(7,534)	11,787
Financing of taxes	(16,898)	(22,890)
Estimated obligations	3,154	2,547
Consumer charges payable	(5,332)	(4,567)
Other accounts payable	(1,730)	(622)
	(63,269)	**(5,028)**
Net cash produced by operating activities	**202,849**	**215,521**
Investment activities		
Capital increase and acquisition of shares in subsidiaries and other investments	-	(26)
Short-term investments and secured funds	(287,063)	(36,122)
Discharge of short-term investments	241,900	25,667
Investments in intangible assets	(80,164)	(82,848)
Sale of PP&E and intangible assets	4,661	4,646
Net cash consumed in investment activities	**(120,666)**	**(88,683)**
Financing activities		
New loans and financing	179,493	121,790
Payments of loans and debentures - principal	(159,885)	(33,948)
Payments of loans and debentures - interest	(34,457)	(32,647)
Settlement of Derivative Financial Instruments	8,619	(483)
Payment of dividends	(103,687)	(112,797)
Net cash consumed in financing activities	**(109,917)**	**(58,085)**
Increase (Decrease of cash and cash equivalents)	**(27,734)**	**68,753**
Opening cash and cash equivalents	67,646	62,752
Closing cash and cash equivalents	39,912	131,505
Net cash variation	**(27,734)**	**68,753**

See the accompanying notes to the financial statements.

Notes to the quarterly information
period ended September 30, 2013
(In thousands of reais, unless stated otherwise)

1. Operations

A part of ENERGISA GROUP, Energisa Paraiba – Distribuidora de Energia S/A ("Company or Energisa PB") is an electricity distribution company, operating in 216 municipalities in the state of Paraiba, serving 1,253,210 consumers (information not revised by the independent auditors). The Company has its registered office in the city of João Pessoa, Paraiba state, and obtained listed company status at the CVM on January 29, 2010.

In September 2012 the Federal Government issued Preliminary Law 579, enacted as Law 12783/2013 on January 11, 2013. This legislation states the following:

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

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

The Company's concession expires in January 2031.

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

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

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

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

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

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

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

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

The information regarding rate reviews and adjustments, accounts receivable of the concession, concession assets, construction revenue and concession term can be seen in notes 9, 14, 15, 22, and 28 respectively.

2. Presentation of the interim financial information (quarterly information)

Approved by the Board of Directors on November 08, 2013, the Company's interim financial information (quarterly information) consists of:

- The interim financial information prepared and presented in accordance with CPC Technical Pronouncement 21 (R1) - Interim statements and IAS 34 – Interim Financial Reporting and the standards issued by the Brazilian Securities Commission, that apply to the preparation of Quarterly Information - ITR.

The other information regarding the preparation bases, presentation of the interim financial information and summary of the main accounting practice has not changed in relation to that disclosed in Note 2 to the Annual Financial Statements for the financial year ended December 31, 2012 (hereinafter referred to as "Financial Statements as of December 31, 2012"), published in the official press on March 08, 2013, except for the application of CPC 33 R1 (IAS 19) which changed the accounting of employee benefits - retirement and pension supplementation plan, which requires amendments be recognized as incurred, eliminating the corridor approach which permits the deferred recognition of actuarial gains and losses. From FY 2013, the actuarial losses and gains are fully recognized in "other comprehensive income" in the statement of comprehensive income and equity, net of deferred income and social contribution taxes. The effects of these adjustments are shown in note 3.2.

This interim financial information (quarterly information) should therefore be read in conjunction with the aforesaid financial statements.

3. Adoption of international accounting standards

3.1 New accounting procedures issued by the IASB

The International Accounting Standards Board – IASB has published or amended the following pronouncements, guidelines or interpretations, the adoption of which is mandatory in subsequent periods:

<u>These standards are effective from January 01, 2014:</u>

IAS 36 Impairment of Assets (amendment) - makes amendments and clarifications about the disclosures required by this pronouncement.
IAS 39 - Financial instruments: recognition and measurement (amendment) - clarifies there is no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.
IAS 32 – Financial instruments – presentation (amendment) – clarifies the conditions for presenting one or more at their net position.
IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of interests in other entities and IAS 27 - Separate financial statements (amendment) - amends the rules for consolidating, disclosing and presenting separate financial statements for investment firms.
IFRIC 21 — Levies (new interpretation) - provides guidance on when to recognize a levy imposed by a government.

<u>These standards are effective from January 01, 2015:</u>

IFRS 9 (new pronouncement) - introduces new requirements for classifying and measuring financial assets.

The Company is proceeding to analyze the impact of these new pronouncements or amendments on its financial statements.

3.2 Adjustments and Reclassifications

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

The accounting practices referring to the recognition of employee benefits - supplementary retirement and pensions plan, were amended on January 01, 2013. . 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 as of 12/31/2012 in relation to those originally published, as follows:

Balance Sheet	Balance at 12/31/2012 (Published)	Adjustments	Balance at 12/31/2012 (Re-presented)
Assets			
Noncurrent assets	1,006,041	10,273	1,016,314
Noncurrent assets			
Tax credits	102,531	10,273	112,804
Total Assets	**1,468,182**	10,273	**1,478,455**
Liabilities			
Noncurrent liabilities	451,628	30,215	481,843
Employee benefit - pension plan	20,531	30,215	50,746
Shareholders' equity	576,799	(19,942)	556,857
Retained earnings	-	2,842	2,842
Other comprehensive income	-	(22,784)	(22,784)
Net actuarial losses	-	(22,784)	(22,784)
Total Liabilities	**1,468,182**	**10,273**	**1,478,455**

Statement of Income	Balance at 9/30/2012 (Published)	Adjustments	Balance at 9/30/2012 (Re-presented)
Cost of goods sold and/or services sold	(517,199)	210	(516,989)
Private pension fund	(3,152)	210	(2,942)
Gross profit	**295,216**	**210**	**295,426**
Income before financial income/loss and taxes	**171,614**	**210**	**171,824**
Income before tax on net income	**164,722**	**210**	**164,932**
Income and social contribution taxes	(33,252)	(71)	(33,323)
Net income for the period	**131,470**	**139**	**131,609**

Comprehensive Statement of Income	Balance at 9/30/2012 (Published)	Adjustments	Balance at 9/30/2012 (Re-presented)
Net Income for the Period	131,470	139	131,609
Comprehensive income in the Period	131,470	139	131,609

Statement of Added Value	Balance at 9/30/2012 (Published)	Adjustments	Balance at 9/30/2012 (Re-presented)
Personnel	**67,460**	**(210)**	**67,250**
Benefits	13,979	(210)	13,769
Taxes and contributions	**390,000**	**71**	**390,071**
Federal	166,876	71	166,947
Interest earnings	**131,470**	**139**	**131,609**
Retained earnings/loss for the Period	57,356	139	57,495

Statement of Changes in Shareholders' Equity	Balance at 9/30/2012 (Published)	Adjustments	Balance at 9/30/2012 (Re-presented)
Retained Earnings or Accumulated Losses	57,356	139	57,495
Other Comprehensive Income	-	(9,907)	(9,907)
Shareholders' Equity	**574,899**	**(9,768)**	**565,131**

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 216 municipalities in Paraiba state.

5. Cash and cash equivalents, money market and secured funds

a) Cash and cash equivalents

Financial institution	Type	Maturity (*)	Compensation	9/30/2013	12/31/2012
CEF	CDB	5/28/2015 to 9/30/2015	100,5% of CDI	21,889	42,180
Mercantil	CDB	12/18/2014	105,0% of CDI	-	635
Santander	Debentures (**)	9/9/2015	103,2% of CDI	572	-
Total				**22,461**	**42,815**
Cash and bank deposits				17,451	24,831
Total cash and cash equivalents				**39,912**	**67,646**

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

(**) 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.

b) Money market and secured funds

b.1 Short-term investments appraised at fair value through profit and loss					
Financial institution/Investment fund	Type	Maturity	Compensation	9/30/2013	12/31/2012
Other	CDB	12/3/2013 to 8/13/2015	90.0% to 113.0% of CDI	2,936	6,519
Banrisul	Investment Fund	-	Benchmark CDI	23,610	-
Other	Investment Fund	-	Benchmark CDI	424	2,345
Caixa FI Energisa (*)	LFT	3/1/2018	Benchmark CDI	1,016	672
Caixa FI Energisa (*)	LTN -National Treasury Bills	1/1/2015	Benchmark CDI	287	-
Caixa FI Energisa (*)	DEBENTURES	4/15/2016	Benchmark CDI	781	-
Caixa FI Energisa (*)	DPGE	6/22/2015 to 4/18/2016	Benchmark CDI	5,979	-
Caixa FI Energisa (*)	LF	4/8/2015 to 2/26/2016	Benchmark CDI	11,785	-
CEF	Savings	-	Savings	87	87
FIM Zona da Mata (*)	CDB	8/17/2015	Benchmark CDI	8,720	-
FIM Zona da Mata (*)	DEBENTURES	4/7/2016	Benchmark CDI	4,837	-
FIM Zona da Mata (*)	DPGE	9/11/2015	Benchmark CDI	3,695	-
FIM Zona da Mata (*)	Fixed-Income Funds	-	Benchmark CDI	8,695	-
FIM Zona da Mata (*)	LFT	9/7/2015 to 8/7/2017	Benchmark CDI	6,128	-
FIM Zona da Mata (*)	NTF	8/15/2016	Benchmark CDI	2,351	-
FIM Zona da Mata (*)	Multimarket Funds	-	Benchmark CDI	3,649	-
HSBC	Investment Fund	-	Benchmark CDI	11,791	-
Itaú	Debentures (**)	12/3/2013 to 12/6/2013	102,0% of CDI	321	304
Itaú	Investment Fund	-	Benchmark CDI	555	661
North-east	CDB/Capitalization Bond	1/2/2014 to 8/30/2019	90.0% to 100.0% of CDI	39,451	35,363
Pine	CDB	10/28/2013 to 2/8/2017	104.0% to 109.0% of CDI	5,290	894
Safra	LF	1/31/2013	108,5% of CDI	-	52,993
Safra	Investment Fund	-	Benchmark CDI	7,884	-
Santander	Investment Fund	-	Benchmark CDI	5,227	3,903
				155,499	**103,741**
b.2 Held-to-maturity securities					
Itaú	Credit Receivables Investment Funds	12/29/2020	100,0% of CDI	3,619	4,527
Mercantil	DPGE	5/15/2014 to 6/26/2015	112.0% to 113.0% of CDI	14,085	8,429
				17,704	**12,956**
Total money market and secured funds				**173,203**	**116,697**
Current				**123,613**	**77,416**
Noncurrent				**49,590**	**39,281**

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

(**) 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.

6. Consumers and concessionaires

Consumer Sectors	Overdue balances (1)	Overdue: up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	9/30/2013	12/31/2012
Residential	16,280	15,176	5,671	2,682	488	73	40,370	38,400
Industrial	13,906	1,867	309	304	424	5,408	22,218	27,293
Commerce, services and other activities	13,561	3,648	1,179	748	746	1,630	21,512	27,650
Rural	2,088	982	473	328	128	53	4,052	5,584
Government:								
Federal	1,902	255	46	36	-	6	2,245	2,808
State	3,047	408	74	58	-	4	3,591	4,494
Municipal	2,175	292	53	41	-	2	2,563	3,208
Public lighting	4,299	644	278	234	497	57	6,009	7,537
Public utility	6,878	55	6,853	64	141	1	13,992	5,237
Subtotal - consumers	**64,136**	**23,327**	**14,936**	**4,495**	**2,424**	**7,234**	**116,552**	**122,211**
Concession operators **(2)**	-	-	-	-	-	5,380	5,380	32,306
Unbilled sales	22,276	-	-	-	-	-	22,276	39,167
Other	1,860	-	-	-	-	-	1,860	7,597
(-) Allowance for doubtful accounts	-	-	-	(3,131)	(1,664)	(6,593)	(11,388)	(11,190)
Total - Current	**88,272**	**23,327**	**14,936**	**1,364**	**760**	**6,021**	**134,680**	**190,091**

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

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

The balance of concession operators as of September 30, 2013 account includes amounts referring to the sale of energy at the Electricity Commercialization Chamber – CCEE to the amount of R$ 3,528 (R$ 32,285 as of December 31, 2012), relating to the period September 2000 through September 2013, net of the partial payments made up to September 06, 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$ 749 referring to the acquisition of electricity at CCEE and system service charges of R$ 3,069 (R$ 11,011 as of December 31, 2012), as shown below:

Breakdown of CCEE credits	9/30/2013	12/31/2012
Outstanding balances	1,531	30,288
Overdue credits (*)	1,997	1,997
	3,528	32,285
(-) Energy acquisitions at CCEE	(749)	-
(-) System service charges	(3,069)	(11,011)
	(290)	**21,274**

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

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.

As of September 30, 2013 the balances were the following:

	9/30/2013	12/31/2012
Credit receivables	100,795	114,883
Adjustment to present value	(10,185)	(10,021)
(-) Allowance for doubtful accounts (*)	(16,576)	(15,132)
	74,034	**89,730**
Current	40,688	47,449
Noncurrent	33,346	42,281

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

As of September 30, 2013, the maturities of receivables are scheduled as follows:

	9/30/2013
Overdue (1)	16,576
2013	24,185
2014	19,575
2015	8,223
2016	9,312
2017	5,435
2018 onwards	7,304
Total	**90,610**

(1) Overdue invoices include overdue and outstanding payments of clients in default.

8. Allowance for doubtful accounts

Changes in provisions	9/30/2013	12/31/2012
Balance - opening - current - 12/31/2012 and 12/31/2011	26,322	23,060
Provisions recorded in the period	7,389	8,683
Reversal of provisions in the period	(5,747)	(5,421)
Balance - closing - current - 9/30/2013 and 12/31/2012	**27,964**	**26,322**
Clients, consumers and concessionaires	11,388	11,190
Credit receivables	16,576	15,132

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

Customers with material debts:

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

For the other cases:

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

9. 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.

Rate review:

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

The periodical rate review occurs every 4 years, with the next review scheduled for August 2013. 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. Low income and other receivables

	9/30/2013	12/31/2012
Low income	13,261	16,409
Service orders in progress - PEE and R&D	11,945	7,379
Service orders in progress - other	1,616	1,568
Deactivation orders in progress	(133)	(1,641)
Advances	381	542
Other	3,445	6,121
	30,515	**30,378**

Changes in low income follow:

	9/30/2013	12/31/2012
Balance - opening - 12/31/2012 and 12/31/2011	16,409	9,888
Low-income subsidy	64,654	87,132
Eletrobrás Reimbursement	(67,802)	(80,611)
Closing balance - 9/30/2013 and 12/31/2012 - current	**13,261**	**16,409**

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

By way of ANEEL order 1711 of May 29, 2013, the Federal Government advanced CDE funds of R$ 25,058, received on June 03, 2013 and recorded under "Advance of Rural Subsidy and Irrigation" in current liabilities. This amount is being appropriated to the net income for the year in proportion to the number of months corresponding to the period May to November 2013 to pay for the CDE Subsidy for energy consumption of the sectors: Rural – Irrigation (Decrease of 67%) and the Public Service sector (Decrease of 15%) ratified by Decree 7891/2013, as follows:

	9/30/2013
Rate discount due to Irrigation and Rural subsidy	32,508
Pass-through ANEEL Order 1711/2013	(10,739)
Advance of ANEEL Order 1711/2013	(25,058)
Other accounts payable - non-current liabilities	**(3,289)**

11. Taxes and contributions recoverable

	9/30/2013	12/31/2012
Value Added Tax on Sales and Services - ICMS	21,677	21,921
Income Tax Withheld at Source	276	353
Corporate Income Tax - IRPJ	18,509	10,675
Social Contribution on Net Income – CSSL	1,898	254
PIS and COFINS contribution	27,959	29,044
Other	1,747	12
	72,066	**62,259**
Current	47,908	38,375
Noncurrent	24,158	23,884

12. Related-party transactions

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

Transactions conducted in the period by the Company:

	Energisa S.A. (a) and (d)	EBO (b)	ESER (c)	1/1/2013 to 9/30/2013	1/1/2012 to 9/30/2012
Outsourced services	(16,054)	-	(226)	(16,280)	(15,091)
Electric energy supplied	-	3,375	-	3,375	3,352
Financial expense - endorsement contract cost	(3,814)	-	-	(3,814)	-
	Energisa S.A. (a) and (d)	**EBO (b)**	**ESER (c)**	**7/1/2013 to 9/30/2013**	**7/1/2012 to 9/30/2012**
Outsourced services	(5,388)	-	-	(5,388)	(5,057)
Electric energy supplied	-	854	-	854	1,322
Financial expense - endorsement contract cost	(1,568)	-	-	(1,568)	-
				9/30/2013	**12/31/2012**
Balance receivable - consumers and concession operators				374	459
Balance of trade payables				1,685	1,676

(a) The administrative services provided by 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.

(b) The amounts brought in through electricity sales are supported by energy purchase and sale contracts that were submitted to the Concession Authority for approval.

(c) The services provided by Energisa Serviços Aéreos consist of aerial prospecting services.

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

Administrator Compensation

In the period the members of the Board of Directors received compensation of R$ 1,717 (R$ 1,178 as of September 30, 2012) and the Executive Board R$ 2,953 (R$ 1,709 as of September 30, 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$ 390 (R$ 506 as of September 30, 2012). The social charges on the compensation amounted to R$ 498 (R$ 481 as of September 30, 2012).

As of September 30, 2013 the highest and lowest remuneration attributed to directors for the month of September was R$ 41 and R$ 6 (R$ 38 and R$ 6 as of September 30, 2012) respectively. The average compensation as of September 30, 2013 was R$ 22 (R$ 20 as of September 30, 2012).

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

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

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

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

Deferred taxes recognized in the balance sheet:

	9/30/2013	12/31/2012 (Re-presented)
Assets		
Temporary differences:		
Income tax	93,360	84,219
Social contribution	33,623	28,585
Total noncurrent	**126,983**	**112,804**

The deferred tax credits have the following nature:

	9/30/2013		12/31/2012 (re-presented)	
	calculation base	IRPJ + CSSL	calculation base	IRPJ + CSSL
Assets				
Tax credits - goodwill	195,026	66,309	204,950	69,683
Provision for actuarial adjustment	68,011	23,124	78,147	26,570
Allowance for doubtful accounts - PCLD	10,019	3,406	5,727	1,947
Provisions for risks	36,850	12,529	31,718	10,784
Mark-to-market - derivatives	13,809	4,695	(3,803)	(1,293)
Adjustments to present value	10,185	3,463	9,297	3,161
Other	54,378	18,489	29,294	9,960
Subtotals	388,278	132,015	355,330	120,812
Liabilities				
Earnings on swap transactions	(3,966)	(1,348)	(7,783)	(2,646)
IRPJ and CSSL on the portion of the VNR of the concession accounts receivable and restatement:	(10,832)	(3,684)	(15,770)	(5,362)
Subtotals	(14,798)	(5,032)	(23,553)	(8,008)
Total net - noncurrent assets	**373,480**	**126,983**	**331,777**	**112,804**

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

Tax credits were realized as follows:

Period	Realization of tax credits
2013	2,269
2014	7,936
2015	7,936
2016	7,736
2017	7,736
2018 to 2022	93,370
Total	**126,983**

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

	7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013	7/1/2012 to 9/30/2012	1/1/2012 to 9/30/2012
Income before tax	37,817	131,521	47,373	164,932
Combined tax bracket	34%	34%	34%	34%
Income and social contribution taxes expense, calculated at the total tax bracket	(12,858)	(44,717)	(16,107)	(56,077)
Adjustments:				
Permanent items:				
Decrease in income tax and surcharges (*)	12,254	32,956	8,504	21,321
Other permanent exclusions	(410)	2,105	244	1,433
Income and social contribution tax revenue (expenses)	**(1,014)**	**(9,656)**	(7,359)	(33,323)
Effective rate	2.68%	7.34%	**15.5%**	**20.2%**

(*) The decreases to income tax and surcharges resulting from the SUDENE Incentive in the periods ended September 30, 2013 and 2012 have been directly recorded in the income statement for the period 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 tax incentive for the period 1/1/2012 to 12/31/2021 and the application was accepted by the federal tax authorities via Decision 128 – DRF/ASJU of 5/23/2013. The aforesaid 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. Since December 31, 2012 the Company has been recognizing the VNR, ratified by ANEEL, for assets comprising the concession, restated by the variance of the IGP-M price index. Financial expenses of R$ 4,940 had been recognized by September 30, 2013.

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

See below the changes occurred:

Change	
Financial asset -12/31/2012	**147,049**
Additions in the period	36,151
Write-offs in the period	(1,454)
Financial asset - 9/30/2013	181,746
Financial restatement of accounts receivable from the concession - VNR	(4,940)
Financial asset - restated cost - 9/30/2013	**176,806**

15. Intangible assets and PPE

	9/30/2013	12/31/2012
Concession agreements	629,484	607,566
Property, plant and equipment	9,614	9,907
Total	**639,098**	**617,473**

Concession agreements

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

Intangible assets	Opening Balance 12/31/2012	Addition	Transfers	Write-offs (*)	Amortization /depreciation	Closing Balance 9/30/2013
Intangible assets in service						
Cost	1,065,930	-	94,194	(11,062)	-	1,149,062
Accumulated Amortization	(401,404)	-	-	7,167	(42,079)	(436,316)
Subtotal	664,526	-	94,194	(3,895)	(42,079)	712,746
In Progress	117,231	102,845	(97,000)	(37,246)	-	85,830
Total	**781,757**	**102,845**	**(2,806)**	**(41,141)**	**(42,079)**	**798,576**
Special Obligations						
In Service						
Cost	167,222	-	2,405	(3,229)	-	166,398
Accumulated Amortization	(26,062)	-	-	-	(9,013)	(35,075)
Subtotal	**141,160**	**-**	**2,405**	**(3,229)**	**(9,013)**	**131,323**
In Progress	33,031	8,238	(2,405)	(1,095)	-	37,769
Total Special Obligations	**174,191**	**8,238**	**-**	**(4,324)**	**(9,013)**	**169,092**
Total Intangible Assets	**607,566**	**94,607**	**(2,806)**	**(36,817)**	**(33,066)**	**629,484**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Cost						
Buildings and improvements	1,468	-	-	(1,246)	-	222
Machinery and equipment	8,654	-	2,433	(769)	-	10,318
Vehicles	313	-	-	(66)	-	247
Furniture and fixtures	12,015	-	373	(524)	-	11,864
Accumulated Depreciation and Amortization	(12,543)	-	-	1,156	(1,650)	(13,037)
Total PP&E in Service	**9,907**	**-**	**2,806**	**(1,449)**	**(1,650)**	**9,614**
Grand Total	**617,473**	**94,607**	**-**	**(38,266)**	**(34,716)**	**639,098**

(*) This total includes R$ 36,151 of intangible assets in progress, net of the respective special obligation in progress, transferred from the concession's accounts receivable, as from entry into service.

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 3.70% as of September 30, 2013.

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:	9/30/2013	12/31/2012
Consumer contributions	71,331	65,037
Government Subsidy – CDE funds	153,764	157,175
State Government Subsidy	11,937	10,261
(-) Accumulated amortization	(35,075)	(26,062)
Total	**201,957**	**206,411**
Allocation:		
Accounts receivable from the concession	32,865	32,220
Infrastructure - Intangible assets in service	131,323	141,160
Infrastructure - Intangible assets in progress	37,769	33,031
Total	**201,957**	**206,411**

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

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

The Company began amortizing the obligations linked to the concession (special obligations) after the second periodical rate review, at the average asset amortization rate. The Company began amortizing its special obligations in August 2009.

Excess Demand Revenue and Surplus Reactive Energy

By way of Normative Resolution 463 (REN) issued November 22, 2011, ANEEL determined that the amounts deriving from fines for exceeding demand and surplus reactive energy consumption will be recorded as special obligations, as from the 3rd cycle of rate reviews. Before the 3rd cycle, these amounts used to be recorded as operating revenue. The Company underwent the 3rd rate review cycle in August 2013, and thereafter the invoicing of excess demand has been recorded as Special obligations. In the period ended September 30, 2013, the amount recorded in this item was R$ 267.

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

16. Suppliers payable

	9/30/2013	12/31/2012
Supplies:		
CCEE (1)	749	-
Bilateral Contracts (1)	41,807	62,562
Use of the high-voltage national grid (1)	3,496	6,473
Connection to the grid (1)	304	286
Use of the distribution/transmission system (1)	3,495	11,883
Materials, services and other (2)	26,011	30,533
Total	**75,862**	**111,737**
Current	73,216	109,165
Noncurrent	2,646	2,572

1. The acquisition of electricity from generators, use of the high-voltage grid and use of the distribution system, with an average settlement of 25 days.
2. Acquisitions of materials, services and other items required to implement, conserve and maintain the electricity sale and distribution services, with an average settlement of 40 days.

17. Loans, financing and debt charges

Operations	Debt charges	Principal Current	Principal Noncurrent	Total 9/30/2013	Total 12/31/2012	Re.
Local currency						
Credit Receivables Investment Fund - Energisa Group III (*)	438	-	61,000	61,438	61,339	
Eletrobrás - Light for All - 1st tranche	29	386	788	1,203	1,493	
Eletrobrás - Light for All - 2nd tranche	72	567	2,022	2,661	3,086	
Eletrobrás - Light for All - 3rd tranche	67	410	1,984	2,461	2,769	
Eletrobrás - Light for All - 4th tranche	58	354	2,091	2,503	2,769	
Eletrobrás - Light for All - 5th tranche	86	432	2,943	3,461	3,785	
Eletrobrás - Light for All - 6th tranche	9	391	3,157	3,557	3,848	
Eletrobrás- Subtransmission	8	6,130	9,385	15,523	20,204	
Eletrobrás - Rural Electrification I	-	-	-	-	11	
Eletrobrás - Rural Electrification II	-	8	3	11	19	
Eletrobrás - Rural Electrification III	-	6	2	8	14	
Eletrobrás - Return of LPT	-	2,476	-	2,476	7,096	
Banco do Nordeste - Investment Financing 2005-2006 (FNE)	-	5,850	774	6,624	11,014	
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	24	9,515	25,874	35,413	43,335	
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	-	5,650	48,378	54,028	55,817	
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	-	2,427	6,675	9,102	10,930	
Banco do Nordeste - BNDES pass-through I	64	3,703	16,797	20,564	-	
Banco do Nordeste - BNDES pass-through II	2	111	500	613	-	
Banco do Nordeste - BNDES pass-through III	74	3,765	17,265	21,104	-	
Banco do Nordeste - BNDES pass-through IV	2	111	509	622	-	
Banco Itaú BBA - FINAME	72	1,873	20,529	22,474	10,702	
Total local currency	**1,005**	**44,165**	**220,676**	**265,846**	**238,231**	
(-) Borrowing costs incurred	(339)	-	(1,470)	(1,809)	(2,062)	
Foreign currency						
NOTES UNITS	-	-	-	-	124,059	(1) and (2)
Banco Itau BBA	2,273	-	169,670	171,943	35,085	(2)
Citibank	50	-	89,200	89,250	81,908	(2)
Total foreign currency	**2,323**	-	**258,870**	**261,193**	**241,052**	
(-) Borrowing costs incurred	-	-	-	-	(381)	
Total ENERGISA PARAIBA	**2,989**	**44,165**	**478,076**	**525,230**	**476,840**	

(*) To guarantee payment of the short-term portions, the Company maintains interest-earning bank deposits to the amount of R$ 35,504 (R$ 32,716 as of December 31, 2012), recorded under "Money market and secured funds" in the current assets.

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

(2) The financing contracts from Banco Itaú BBA and Citibank are subject to a currency swap and financial derivative instruments (see note 25).

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 September 30, 2013:

Details of the Operation					Cost of the Debt				
Operation	Maturity	Amortization Frequency	Collateral	Average Term months	Index	Interest Rate % p.a.		TIR (Effective interest rate)	Ref
Credit Receivables Investment Fund - Energisa Group III	Dec-2020	monthly, after Dec.2017	Receivables	69	CDI	+	0.7%	0.83%	
Eletrobrás - Light for All - 1st tranche	Nov-2016	monthly	Receivables	19	RGR	+	5.0%	5.0%	
Eletrobrás - Light for All - 2nd tranche	Apr-2018	monthly	Receivables	27	RGR	+	5.0%	5.0%	
Eletrobrás - Light for All - 3rd tranche	Aug-2019	monthly	Receivables	35	RGR	+	5.0%	5.0%	
Eletrobrás - Light for All - 4th tranche	Nov-2020	monthly	Receivables	42	RGR	+	5.0%	5.0%	
Eletrobrás - Light for All - 5th tranche	Aug-2021	monthly	Receivables	46	RGR	+	5.0%	5.0%	
Eletrobrás - Light for All - 6th tranche	Oct-2022	monthly	Receivables	52	RGR	+	5.0%	5.0%	
Eletrobrás- Subtransmission	Mar-2016	monthly	Receivables	16	RGR	+	5.0%	5.0%	
Eletrobrás - Rural Electrification I	Nov-2013	quarterly	-	2	RGR	+	8.0%	8.0%	
Eletrobrás - Rural Electrification II	Nov-2014	quarterly	-	8	RGR	+	8.0%	8.0%	
Eletrobrás - Rural Electrification III	Nov-2014	quarterly	-	8	RGR	+	8.0%	8.0%	
Eletrobrás - Return of LPT	Jan-2014	monthly	Receivables	3	Accrued Selic				
Banco do Nordeste - Investment Financing 2005-2006 (FNE)	Nov-2014	monthly	Receivables + Reserve Fund	7	Fixed 7.7%			7.7%	(1)
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	Jun-2017	monthly	Receivables + Reserve Fund	23	Fixed 7.8%			8.0%	(1)
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	Jun-2019	monthly	Receivables + Reserve Fund	37	Fixed 8.1%			8.1%	(1)
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	Jun-2017	monthly	Receivables + Reserve Fund	23	TJLP	+	4.0%	4.2%	
Banco do Nordeste - BNDES pass-through I	Jan-2019	monthly	Endorsement of Energisa S.A.	33	TJLP	+	3.4%	3.4%	
Banco do Nordeste - BNDES pass-through II	Jan-2019	monthly	Endorsement of Energisa S.A.	33	TJLP	+	3.4%	3.4%	
Banco do Nordeste - BNDES pass-through III	Jan-2019	monthly	Endorsement of Energisa S.A.	33	TJLP	+	4.4%	4.4%	
Banco do Nordeste - BNDES pass-through IV	Jan-2019	monthly	Endorsement of Energisa S.A.	33	TJLP	+	4.4%	4.4%	
Banco Itaú BBA - FINAME	until Feb-2021	Monthly	Endorsement of Energisa S.A.	54	pre-fixed 2.5% to 5.5%			2.5% to 5.5%	
Banco Itaú BBA	Apr-18	annual after Apr2017	Endorsement of Energisa S.A	48	US dollar	+	3.4892%	3.4892%	
Banco Itaú BBA	Aug-2015	final	Endorsement of Energisa S.A	23	US dollar	+	3.2466	3.2466	
Citibank	Sep-2017	Annual after Sep.2016	Endorsement of Energisa S.A	42	Libor + 1.8987				

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

As of September 30, 2013, the maturities of the long-term financing are scheduled as follows:

	9/30/2013
2014	11,151
2015	78,909
2016	81,306
2017	139,550
2018	108,804
2018 onwards	58,356
Total	**478,076**

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

Contracts	2014	2015	2015 onwards	9/30/2013
Credit Receivables Investment Fund - Energisa Group III	-	-	597	597
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	28	110	165	303
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	7	28	41	76
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	26	104	364	494
	61	242	1,167	1,470

18. Debentures (nonconvertible)

Main features of the debentures:

	1st Issuance
Issue type	Public
Issue date	12/15/2009
Maturity date	12/15/2014
Guarantee	Ordinary
Yields	CDI + 1.9% p.a.
TIR (effective interest rate)	CDI + 1.06% p.a.
Number of securities	80,000
Value at issue	80,000
Securities in circulation	80,000
Interest grace period	6 months
Amortizations/installments	Final
Balances - 09/30/2013 (*)	**81,803**
Current	1,910
Noncurrent	79,893
Balances - 12/31/2012 (*)	**64,448**
Current	136
Noncurrent	64,312

(*) R$ 349 (R$ 473 as of December 31, 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 September 30, 2013.

The balance of debentures of R$ 79,893 in the noncurrent liabilities is scheduled for maturity in 2014.

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

By way of the online auction organized and disclosed by CETIP S.A – Mercados Organizados, on June 20, 2013 part of the debentures previously redeemed by the Company (15,255 debentures of the 1st issuance for R$ 15,274) for the nominal unit price (PU) of one thousand reais, plus the yield equal to the CDI rate plus 1% per annum. The debentures were held in the treasury because of the failure to reach an agreement by part of the respective issuance's creditors on December 17, 2012.

19. Taxes and Payroll Contributions

	9/30/2013	12/31/2012
ICMS	18,554	22,064
Social Charges	1,738	1,904
IRPJ	16,662	10,911
CSSL	8,461	6,963
PIS / COFINS	16,062	19,398
IRRF	1,138	1,056
Other	1,066	1,980
Total	**63,681**	**64,276**
Current	44,839	50,235
Noncurrent	18,842	14,041

20. Provisions for labor, civil and tax risks

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

	Opening balance 12/31/2012	Provisions made	Reversal of provisions	Restatement	Closing balance 9/30/2013
Labor claims	9,225	1,060	(3,148)	329	7,466
Civil	22,799	7,151	(5,758)	880	25,072
Tax	4,996	-	(858)	176	4,314
Total	**37,020**	**8,211**	**(9,764)**	**1,385**	**36,852**
Restricted and escrow deposits (*)	(8,356)				(8,159)

(*) Energisa PB has restricted and escrow deposits in its noncurrent assets of R$ 24,931 (R$ 25,686 as of December 31, 2012). Provisions for risks have not been made for R$ 16,772 (R$ 17,330 as of December 31, 2012) as the chances of success are rated as possible or probable.

The amount of R$ 4,628 was paid in the period ended September 30, 2013, consisting of labor claim awards of R$ 1,741 and civil claim awards of R$ 2,887.

Probable losses:

Labor claims

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

Civil

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

Tax

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

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

Possible losses:

The Company is party to labor, civil and tax claims in progress amounting to a total of R$ 247,777 (R$ 225,645 as of December 31, 2012), where the chance of success has been estimated by the legal advisors as possible, meaning no provision was required.

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

Labor claims

Labor claim seeking joint liability for third-party debits amounting to R$ 12,594 (R$ 6,897 as of December 31, 2012).

Civil

These proceedings amount to R$ 60,115 (R$ 58,667 as of December 31, 2012) and are mainly claiming indemnification for alleged differences to be returned resulting from the CVA calculation, return of emergency charges, receivables allegedly due to the privatization of the company and consumer complaints (demand for supply irregularity and disconnection).

Tax

These proceedings amount to R$ 175,068 (R$ 160,081 as of December 31, 2012) claiming reductions to the IRPJ and CSSL calculation base - amortization of the goodwill acquired, ICMS differences paid on contracted demand, FGTS differences and the ground usage fee.

21. Shareholders' equity

21.1 Capital

The share capital as of September 30, 2013 is R$ 425,805 (R$ 386,516 as of December 31, 2012), represented by 918,160 (919,467 as of December 31, 2012) registered common shares with no par value.

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

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

21.2 Dividends

Dividends were paid out in January 2013 of R$ 35,391 (R$ 51.69 per share) approved at the board meeting held December 20, 2012. The Annual General Meeting held April 24, 2013 resolved the payment of additional dividends for FY 2012 of R$ 9,480, equal to R$ 10.323876208 per common share, to be paid in 2 (two) installments until the last working day of June and September 2013, which may be brought forward by Company management.

On June 13, 2013 the Board of Directors approved the payment of interim dividends from the earnings for the first half of this year, amounting to R$ 42,152 (R$ 45.9086 per common and preferred share), to be paid from June 17, 2013 onwards.

On August 08, 2013 the Board of Directors extraordinary meeting approved the payment of interim dividends from the net income for the second quarter of 2013, as determined in the balance sheet as of June 30, 2013 prepared by the Company amounting to R$ 16,665, or R$ 18.1512 per Company share. The payments will be made by December 31, 2013 and can be brought forward by Management decision.

22. Operating revenue

	9/30/2013				9/30/2012			
	Not reviewed by the independent auditors		7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013	Not reviewed by the independent auditors		7/1/2012 to 9/30/2012	1/1/2012 to 9/30/2012
	No. of consumers	MWh	R$	R$	No. of consumers	MWh	R$	R$
Residential	1,026,459	1,080,472	145,971	484,620	989,234	970,919	151,481	472,254
Industrial	4,554	385,242	35,471	109,140	4,595	464,068	53,081	153,886
Commercial	90,633	476,904	62,853	207,109	88,861	444,932	70,638	219,925
Rural	114,569	199,142	16,102	55,811	108,970	193,054	13,264	40,244
Government:								
Federal	592	41,432	9,039	29,623	574	36,780	10,274	31,539
State	3,097	56,465	7,165	23,499	3,003	50,125	8,151	25,020
Municipal	11,454	71,117	4,757	15,592	11,107	63,132	5,408	16,601
Public Lighting	647	168,191	12,803	39,465	637	165,690	15,570	45,494
Public Utility	1,008	163,656	12,221	38,611	1,014	158,087	13,495	39,021
Internal Use	176	3,314	-	-	148	3,117	-	-
Subtotal	**1,253,189**	**2,645,935**	**306,382**	**1,003,470**	**1,208,143**	**2,549,904**	**341,362**	**1,043,984**
Revenue from Remuneration of Concession Assets	-	-	3,983	11,513	-	-	1,250	3,079
Electricity sales to distributors	-	48,091	7,777	4,262	-	35,390	1,999	2,018
Sales not invoiced (net)	-	(33,866)	(1,799)	(16,891)	-	(1,512)	(2,186)	(8,574)
Provision of the transmission and distribution system	21	-	10,688	37,209	21	-	15,674	45,000
Construction Revenue	-	-	39,561	94,022	-	-	32,000	93,709
Other operating revenue	-	-	1,662	6,739	-	-	2,476	6,509
Total - Gross Operating Revenue	**1,253,210**	**2,660,160**	**368,254**	**1,140,324**	**1,208,164**	**2,583,782**	**392,575**	**1,185,725**
Deductions from Operating Revenue								
ICMS	-	-	68,690	218,297	-	-	69,632	214,304
PIS	-	-	5,589	17,465	-	-	5,930	17,998
COFINS	-	-	26,485	81,188	-	-	27,311	82,900
ISS	-	-	45	293	-	-	38	302
Quota for RGR	-		-	(1,774)	-	-	1,988	9,350
Electrical Efficiency Program - PEE	-	-	1,152	3,625	-	-	1,176	3,482
Energy Development Account - CDE	-	-	618	1,855	-	-	2,158	6,474
Fuel Consumption Account - CCC	-	-	-	2,113	-	-	9,817	32,928
Research and Development Program - P&D	-	-	1,170	3,642	-	-	1,882	5,572
Excess Demand Revenue and Surplus Reactive Energy	-	-	267	267	-	-	-	-
Total - deductions from operating revenue	**-**	**-**	**104,016**	**326,971**	**-**	**-**	**119,932**	**373,310**
Total Net Operating Revenue	**1,253,210**	**2,660,160**	**264,238**	**813,353**	**1,208,164**	**2,583,782**	**272,643**	**812,415**

23. Cost of electricity purchase resale and system service charges

Under Decree 7945/2013, ANEEL will publish 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. By way of SRE/ANEEL Notices 954 issued April 02, 2013, 1312 issued April 30, 2013, 1756 issued June 04, 2013, 2095 issued July 04, 2013, 3020 issued August 29, 2013 and 3281 issued September 30, 2013, Aneel has ratified the amount of R$ 61,999 for the months of January to August 2013, recorded as a reduction to the purchased energy costs and system service charges, in accordance with Aneel Notice 1135 issued April 17, 2013.

24. 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 reviewed 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 9/30/2013	Annual Premium 12/31/2012
Nominated Risks	10/23/2014	35,321	370	400
General Civil Liability	10/23/2014	50,600	292	251
Automobiles - Third party material and personal damages	10/23/2014	up to R$ 300 / vehicle	255	184
Collective life insurance - Personal Death and Accidents	12/31/2013	74,986	346	346
			1,263	**1,181**

Nominated Risks

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

Civil Liability

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

Vehicles

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

Collective Life Insurance and Personal Accidents

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

25. Financial instruments and risk management

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

ASSETS	9/30/2013		12/31/2012	
	Book	Fair value	Book	Fair value
Cash and cash equivalents	39,912	39,912	67,646	67,646
Money market and secured funds	173,203	173,203	116,697	116,697
Consumers and concessionaires	134,680	134,680	190,091	190,091
Credit receivables	74,034	74,034	89,730	89,730
Accounts receivable from the concession	176,806	176,806	147,049	147,049
LIABILITIES	**9/30/2013**		**12/31/2012**	
	Book	Fair value	Book	Fair value
Suppliers payable	(75,862)	(75,862)	(111,737)	(111,737)
Loans, financing, debentures and debt charges	(607,033)	(604,988)	(541,288)	(554,640)

In compliance with CVM Instruction 475/2008 and Resolution 604/2009, the description of the book balances and the fair values of the financial instruments included in the balance sheet at September 30, 2013 and December 31, 2012 are shown below:

Nonderivatives - classification and measurement

Loans and receivables

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

Money market and secured funds

The balances of short-term investments in Bank Deposit Certificates and investment funds are valued at fair value through profit and loss, except when held to maturity.

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 related to the investments and construction of Small Hydroelectric Power Stations (SHPs) and Wind Farms obtained from Eletrobrás, BNB, BNDES, BDMG Finep and loans from commercial banks, are compatible with the 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), i.e. the 5th debentures issuance of the parent company, 2nd debentures issuance (ESE), 1st debentures issuance (EPB) and 7th debentures issuance (EMG). For financial instruments with no active market, i.e. FIDC, 1st debentures issuance (ESE) and 3rd debentures issuance of the parent company, 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. Consequently, the estimates used and presented below do not necessarily indicate the values that could be realized in the current exchange market.

The Company and its subsidiaries have 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 risk management model of the Company and its subsidiaries. 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 and its subsidiaries.

The Company and its subsidiaries’ 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 activities of the Company and its subsidiaries. The Executive Board issues a monthly report on budgetary performance and risk factors involving the Company and its subsidiaries.

The Company and its subsidiaries have been using the services of an independent company specialized in cash and debt risk management, which means that the main macroeconomic metrics 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.

Capital Risk

The debt index at the end of the reporting period is the following:

	9/30/2013	12/31/2012
Debt (a)	607,033	541,288
Cash and cash equivalents	(39,912)	(67,646)
Interest-earning bank deposits	(173,203)	(116,697)
Net debt	393,918	356,945
Net equity (b)	610,425	556,857
Net debt index	0.65	0.64

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

(b) The shareholders' equity includes the entire capital and reserves of the Group, 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	73,216	-	-	-	2,646	75,862
Loans, financing, debt charges and debentures - 9.69%	43,338	39,502	280,291	273,426	96,788	733,345
Total	**116,554**	**39,502**	**280,291**	**273,426**	**99,434**	**809,207**

b) Credit risk

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

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

Exposure to credit risks

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

	9/30/2013	12/31/2012
Cash and cash equivalents	39,912	67,646
Money market and secured funds	173,203	116,697
Consumers and concessionaires	134,680	190,091
Credit receivables	74,034	89,730
Accounts receivable from the concession	176,806	147,049

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

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, BNDES, BDMG and FINEP) 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 and its subsidiaries' earnings are is susceptible to variations due to the volatility of the exchange rate on the sale of options underlying swaps of liabilities denominated in foreign currencies, mainly the US dollar. The US dollar exchange rate closed the period ended September 30, 2013 up by 9% over December 31, 2012, quoted at R$ 2.2294 / USD. The annual volatility of the US dollar as of September 30, 2013 was 13.73%, compared with 6.00% as of December 31, 2012.

R$ 261,193 (R$ 240,671 as of December 31, 2012) of Energisa Paraiba's bank debts and issuances of R$ 609,191 (R$ 544,204 as of December 31, 2012) as of September 30, 2013 is denominated in US dollars, (i) USD 77.2 million of the loan from Banco Itaú BBA (principal of USD 77.2 million), with a balance at the end of the year of R$ 171.9 million, including interest. (ii) USD 40.1 million of the loan from Citibank (principal of USD 40.0 million), with a balance at the end of the year of R$ 89.2 million, including interest.

The loans have a long term maturity (all mature in 2018) and costs of up to USD plus 4.33% per annum.

The balance sheet as of September 30, 2013 presents R$ 9,965 in the noncurrent assets (R$ 6,212 as of December 31, 2012) referring to the mark-to-market of the financial derivatives related to the foreign exchange rate and interest, resulting from a combination of factors usually adopted for the mark-to-market of these instruments, such as volatility, currency coupon, interest rates and the US dollar exchange rate. This is not a material liability, because the reversal value of derivatives at the calculation date is estimated, which does not correspond to the hedge objective expected by management. The mark-to-market entries made in the financial statements are reversed when the caps established for the existing operations are not exceeded, as shown below. Moreover, further deterioration of the volatility, the currency coupon and the f/x rate could result in the amounts recorded increasing.

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

1. Hedge for the principal and interest of USD 17.2 million on a loan from Banco Itaú BBA through a series of currency swaps with exchange-rate cap of R$/USD 2.85 until 8/17/2015, relating to the loan from Banco Itaú BBA. The operation involves a swap of the cost of USD + 4.33% p.a. for 100% of the CDI variance, hedging semi-annual interest payments scheduled up to 8/17/2015 and the value of the principal at the latter date.

2. Hedge for the principal of USD 40.1 million of principal and interest on a loan from Citibank through a series of currency swaps with exchange-rate caps of between R$ / USD 3.0185 (Sep-2016) and R$ /USD 3.1975 (Sep-2017) through 9/21/2017 for the loan from Citibank. The operation involves a swap of the cost of USD plus (LIBOR plus 1.90% per annum) for 101% of the CDI variance, hedging semi-annual interest payments scheduled for up to 9/21/2017 and the value of the principal at the latter date.

3. Hedge for the principal and interest of USD 60.3 million of the loan taken out from Banco Itaú BBA via a currency swap with exchange-rate caps of R$ /USD 3.11 (Apr-17) and R$/USD 3.30 (Dec-15) until 4/17/2018, in order to hedge the loan against adverse exchange variance, thereby conducting a swap of the cost of USD plus 4.105% for 108.95% of the CDI variance, hedging interest payments scheduled up to 4/17/2018 and the value of the principal until its amortization.

   In the period the foreign exchange hedges yielded a gain of R$ 29,984 (gain of R$ 7,588 as of September 30, 2012), due to a change in the US dollar.

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

   In accordance with CVM Resolution 603/09, the values of the Company's financial derivatives as of September 30, 2013 and December 31, 2012 have been summarized as follows:

	Reference Value			Fair Value		Accumulated effect	
	9/30/2013	12/31/2012	Description	9/30/2013	12/31/2012	Receivable / (Received)	Payable / (paid)
Swap with Options - Itaú BBA	Notional BRL		Receivable Position				
	154,138	34,138	Foreign currency - USD	184,840	37,450		
			Liability Position				
			CDI Interest Rate	(163,090)	(35,008)		
			Foreign Currency Options (USD)	(15,015)	(744)		
			Total Swap Position with Options	6,735	1,698	-	(823)
Swap with Options - Citibank			Receivable Position				
	80,960	80,960	Foreign Currency - USD Libor	92,509	84,920		
			Liability Position		-	-	
			CDI Interest Rate	(81,353)	(81,306)	-	
			Foreign Currency Options (USD)	(7,926)	(3,865)	-	
			Total Swap Position with Options	3,230	(251)	-	(3,622)

The subsidiaries calculated the Fair Value of the derivatives as of September 30, 2013 and December 31, 2012 based on the market price quotes for similar contracts. Their variance is directly associated with the variance of the debt balances listed in the note 20 and 21 and the positive performance of the hedge mechanisms used, as described above. The Company and its subsidiaries do not intend to settle these contracts before maturity. They also have 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 Energisa and its subsidiaries' operations was calculated by an accepted method generally used by the market. The method basically consists of calculating the future value of the operations agreed in each contract, discounting the present value at market rates. A variant of the Black & Scholes formula is used to calculate the MtM of options. This formula is normally used to calculate the premium on currency options. The data used in these calculations was obtained from reliable sources. The market rates, such as the fixed rate and dollar coupon, were obtained directly from the BM&F site (Market Rates for Swaps). These rates are determined monthly and embrace the period from October 01, 2013 through maturity of all derivative operations. The Ptax exchange rate was obtained from the Central Bank's site. The implicit dollar volatility for options were obtained from BMF.

Sensitivity Analysis

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

a) Exchange variance

If the exchange exposure as of September 30, 2013 were maintained, and the effects on the future financial statements simulated by type of financial instrument and for three different scenarios, the following results would be obtained (restated as for the interim reporting date):

Operation	Exposure	Risk	Scenario I (Probable) (*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Financial instruments - Swap with Itaú and Citibank Options		Increase in USD	42,681	(6,065)	(54,810)
Receivable position - Foreign Currency - USD	277,348		232,212	290,265	348,318
Payable Position - CDI Interest Rate	(244,442)		(244,442)	(244,442)	(244,442)
Foreign Currency Options - USD	(22,941)		-	(3,357)	(47,151)
Subtotal	**9,965**		**(12,230)**	**42,466**	**56,725**
Net	9,965		30,451	36,401	1,915

(*) Considers the macroeconomic scenario presented by the Focus Survey as of September 30, 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 September 30, 2013, the derivatives are effective, which is reflected in the positive present value of R$ 30,451, 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$ 36,400 and negative value of R$ 1,914 in the scenarios where the Brazilian real lost 25% and 50% against the US dollar, a scenario in which some of the current caps would be exceeded.

b. Interest rate variance

Considering the exposure of financial instruments indexed to interest rates as of September 30, 2013 is maintained and the respective accumulated annual indexes are (CDI = 9.55% per annum, LTIR = 5.0% per annum and FNE = 8.0% per annum) and if the indexes vary in accordance with the three scenarios defined, the net financial result would be affected by:

Instruments	Exposure (R$ thousand)	Risk	Scenario I (Probable)(*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Receivable financial instruments:					
Money Market	195,655	Rise in the CDI rate	4,521	5,605	6,671
Payable financial instruments:					
	(146,066)	Rise in the CDI rate	(3,875)	(4,685)	(5,483)
Loans and financing	(52,006)	Rise in TJLP	(1,147)	(1,304)	(1,461)
	(96,065)	Rise in FNE	(3,286)	(3,743)	(4,194)
Subtotal (**)	(294,137)		(8,308)	(9,732)	(11,138)
Total	**(98,482)**		**(3,787)**	**(4,127)**	**(4,467)**

(*) Considers the CDI at December 31, 2013 (9.55% per annum), quote of the estimates presented by the recent BACEN survey, dated September 30, 2013, TJLP 5% per annum and FNE funds of 8% per annum (loans contracted from Banco do Nordeste already reflecting the performance bonus).

(**) Does not include dollar transactions worth R$ 258,870

Fair value hierarchy

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

The different levels were assigned as follows:

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

Financial instruments	Level	9/30/2013	12/31/2012
Assets			
Money market and secured funds	2	173,203	116,697
Derivative financial instruments	2	9,965	6,212

We emphasize that we did not observe any Level 1 and 3 financial instruments during the period under analysis and no level transfers took place in this period.

26. Employee benefits

a) Retirement and pension supplementation plan

The Company sponsors fixed-benefit pension plans for its employees. The defined-benefit plan undergoes an actuarial assessment at the end of each financial year, in order to ascertain whether the contribution rates are sufficient to establish the reserves required to meet the current and future payment commitments.

The accounting practices referring to the recognition of employee benefits - supplementary retirement and pensions plan and retirement premium, were amended on January 01, 2013. 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 as of 12/31/2012 in relation to those originally published, as follows:

	Funasa		
	PS Plan	BD Plan	Total
Liability recorded as of 12/31/2012	6,814	26,249	33,063
Adjustments - CPC 33 (R1)	-	30,215	30,215
Adjusted balances	**6,814**	**56,464**	**63,278**
Expenses in the period	2,056	7,920	9,976
Payments of contracted obligations	(1,086)	(4,184)	(5,270)
Liability recorded as of 9/30/2013	7,784	60,200	**67,984**

In the period ended September 30, 2013 the expense incurred on sponsoring these plans stood at R$ 9,976 (R$ 6,414 as of September 30, 2012).

b) Healthcare plan

The Company sponsors its employees' health insurance plans, which are managed by operators regulated by the National Health Agency (ANS). Upon termination of employment or retirement, employees may retain their health insurance plans provided they assume all the costs; the Company has no post-employment ties with or obligations to employees. In the period ended September 30, 2013 the expenses incurred on this health plan stood at R$ 1,949 (R$ 1,585 as of September 30, 2012).

27. Commitments

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

Energy purchase contract - R$ thousand						
Term	2013	2014	2015	2016	2017	2017 onwards
2013 to 2046	369,997	339,777	363,492	368,121	398,439	6,757,831

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 September 2013, which have been ratified by ANEEL.

- The energy required after 2011 is being negotiated with the generator.
- This does not include the Proinfa, Itaipu and Angra I and II quotas.

28. Electricity distribution concession arrangement

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

29. Additional information to the cash flows

As of September 30, 2013 equity changes not affecting the Company's cash flows are as follows:

	9/30/2013	12/31/2012
Restatement of accounts receivable from the concession - VNR	(4,940)	15,770
Accounts receivable from the concession	34,697	100,448
Suppliers payable	11,135	12,118
Intangible assets - FINAME	13,278	4,307
Dividends payable	-	35,391
Capitalization of reserves	-	22,943

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