



Energisa Borborema | Results for 1st half of 2013

Cataguases, August 09, 2013 - The management of Energisa Borborema - Distribuidora de Energia S/A (“Company”) hereby presents its results for the second quarter of 2013 (2Q13) and the first half of 2013 (6M13). The following financial and operational information is presented in accordance with international financial reporting standards (IFRS), except when stated otherwise.

1 - Business profile and economic-financial headlines

Energisa Borborema is an electricity distribution company, operating in the municipalities of Campina Grande, Lagoa Seca, Queimadas, Fagundes, Massaranduba and Boa Vista in the state of Paraíba, serving 183,756 captive consumers, 4.5 more than at the end of March 2012.

The Company’s main economic and financial figures for the first half have been summarized below:

Description	6M13	6M12	Change %
Earnings - R\$ million			
Gross Operating Revenue	122.8	130.8	- 6.1
Net Operating Revenue	85.8	91.5	- 6.2
Net Operating Revenue, with construction revenue	80.0	76.9	+ 4.0
Earnings before interest and tax (EBIT)	10.7	16.3	- 34.4
EBITDA	13.3	18.5	- 28.1
Adjusted EBITDA	14.7	19.6	- 25.0
Net Income	9.3	14.3	- 35.0
Financial Indicators - R\$ million			
Total Assets	187.7	173.1	+ 8.4
Cash / Cash Equivalents / Short-Term Investments	23.0	13.0	+ 76.9
Shareholders' Equity	98.4	101.3	- 2.9
Net Debt	21.9	21.6	+ 1.4
Operating Indicators			
Number of Captive Consumers (thousands)	183,756	175,854	+ 4.5
Sales of Energy to Captive Consumers (GWh)	341.6	319.5	+ 6.9
Total Electricity Distributed (GWh)	337.3	327.6	+ 3.0
Energy Losses (% in past 12 months)	6.34	7.25	- 0.91 p.p
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	17.1	21.4	- 4.3 p.p
Net Debt / Adjusted EBITDA for 12 months (times)	0.7	0.6	+ 16.7

NB: Adjusted EBITDA: EBITDA plus arrears charges on electricity bills.

2 - Financial performance

2.1 - Gross and net operating revenue

In 6M13 Energisa Borborema presented gross operating revenue, not including construction cost revenue (R\$ 5.9 million), which is attributed a margin of zero, of R\$ 116.9 million, compared with R\$ 116.2 million in 6M12, an increase of 0.6% (R\$ 0.7 million). Also excluding construction revenue, net operating revenue rose by 4.0% (R\$ 3.1 million) in the period, to R\$ 80.0 million.

2.2 - Net income and cash generation

Energisa Borborema recorded net income of R\$ 9.3 million in the first half of 2013, compared with R\$ 14.3 million in the same period last year. The operating cash generation (Adjusted EBITDA) amounted to R\$ 14.7 million in 6M13, compared with R\$ 19.6 million in 6M12.

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

Breakdown of cash generation (EBITDA) Amounts in R\$ million	Quarter			Half		
	2Q13	2Q12	Change %	6M13	6M12	Change %
(=) Net Income	3.2	9.6	- 66.7	9.3	14.3	- 35.0
(-) Income and social contribution taxes	(0.2)	(0.9)	- 77.8	(2.1)	(3.3)	- 36.4
(-) Financial result	0.5	0.2	+ 150.0	0.7	1.3	- 46.2
(-) Depreciation and amortization	(1.4)	(1.1)	+ 27.3	(2.7)	(2.2)	+ 22.7
(=) Cash generation (EBITDA)	4.3	11.4	- 62.3	13.4	18.5	- 27.6
(+) Arrears surcharge revenue	0.6	0.5	+ 20.0	1.3	1.1	+ 18.2
(=) Adjusted cash generation (Adjusted EBITDA)	4.9	11.9	- 58.8	14.7	19.6	- 25.0
Adjusted EBITDA Margin	11.6	23.8	- 12.2 p.p	17.1	21.4	- 4.3 p.p

2.3 - Operating expenses

Operating expenses excluding construction costs amounted to R\$ 69.3 million in 6M13, an increase of 14.4% (R\$ 8.7 million) over 6M12. Controllable expenses contracted by R\$ 0.4 million. Noncontrollable expenses on electricity and transportation purchases expanded by R\$ 7.2 million in the half (R\$ 4.3 million in 2Q13), an increase of 16.6% (increase of 19.5% in 2Q13).

Operating expenses break down as follows:

Breakdown of operating expenses (R\$ million)	Quarter			Half		
	2Q13	2Q12	Change in R\$ millions	6M13	6M12	Change in R\$ millions
1 - Controllable expenses	6.7	7.2	- 0.5	13.2	13.6	- 0.4
1.1 Personnel (includes pension fund)	3.5	3.7	- 0.2	6.8	6.8	-
1.2 Material	0.4	0.4	-	0.7	0.7	-
1.3 Services	2.8	3.1	- 0.3	5.7	6.1	- 0.4
2 - Uncontrollable expenses (acquisition of energy and transmission)	26.4	22.1	+ 4.3	50.5	43.3	+ 7.2
3 - Depreciation and amortization	1.4	1.1	+ 0.3	2.7	2.2	+ 0.5
4 - Allowance for doubtful accounts and contingencies	1.8	0.1	+ 1.7	1.9	0.5	+ 1.4
5 - Other expenses / revenue	0.4	0.5	- 0.1	1.0	1.0	-
Subtotal	36.7	31.0	+ 5.7	69.3	60.6	+ 8.7
6 - Construction cost	2.9	8.8	- 5.9	5.9	14.6	- 8.7
Total	39.6	39.8	- 0.2	75.2	75.2	-

2.3 - Financial result

The net financial income (financial revenue minus financial expenses) amounted to net financial revenue of R\$ 0.7 million in 6M13 (R\$ 0.5 million in 2Q13), as compared to net financial revenue of R\$ 1.3 million in 6M12 (R\$ 0.2 million in 2Q12).

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

Description	6/30/2013	12/31/2012
Amount in R\$ million		
Short-term	13.6	4.0
Loans, financing and debentures	13.2	3.6
Debt charges	0.4	0.4
Long-term	31.3	39.5
Loans, financing and debentures	31.3	39.5
Total debts	44.9	43.5
(-) Cash and cash equivalents	23.0	14.0
Total net debts	21.9	29.5

3 - Electricity sales

3.1 - Total electricity distributed

In the first half of 2013 (6M13), electricity sales to end consumers (captive market), located in Energisa Borborema's concession area, including energy associated with free consumers (TUSD), amounted to 343.3 GWh (171.9 GWh in 2Q13), an increase of 7.4% (increase of 5.9% in 2Q13) over the same period last year. Consumption was driven by the residential sector, which expanded by 10.8% (8.1% in 2Q13) in the period. Industrial consumption, including captive and free sales, rose by 1.7% in the half. Total energy distributed in 6M13 was 338.3 GWh, compared with 327.6 GWh in the same period last year, as follows:

Total Electricity Distributed by Consumption Sector (in GWh)

Description	Quarter			Half		
	2Q13	2Q12	Change %	6M13	6M12	Change %
1) Energy sales to captive consumers	170.8	162.3	+ 5.2	341.6	319.5	+ 6.9
✓ Residential	56.0	51.8	+ 8.1	112.0	101.1	+ 10.8
✓ Industrial	54.3	53.6	+ 1.3	107.4	107.3	+ 0.1
✓ Commercial	36.3	34.3	+ 5.8	73.5	67.3	+ 9.2
✓ Rural	6.0	5.9	+ 1.7	12.7	11.5	+ 10.4
✓ Other Sectors	18.2	16.7	+ 9.0	36.0	32.3	+ 11.5
2) Energy associated with free consumers (TUSD)	1.1	-	-	1.7	-	-
3) Captive sales + TUSD (1+2)	171.9	162.3	+ 5.9	343.3	319.5	+ 7.4
4) Sales to distributors and unbilled sales	(0.9)	4.5	-	(5.0)	8.1	-
5) Total Electricity Distributed (3+4)	171.0	166.8	+ 2.5	338.3	327.6	+ 3.3

3.2 - Energy losses

Combating theft and fraud in electricity consumption continues to be a focus of Energisa Borborema's managerial actions in order to continually reduce its electricity losses; the company is working to further enhance the inspection of connections at its consumer units, as energy theft is the main cause of commercial losses. The intelligence center for combating losses (CICOP) is identifying these irregularities.

The efforts resulted in yet another drop in losses, which fell to 6.34% in the past twelve months ended June 2013, i.e. an improvement of 0.91 percentage points (p.p) over the same period ended June last year.

4 - Investment

Energisa Borborema invested a total of R\$ 7.7 million in the first half of 2013, compared with R\$ 16.8 million in 6M12.

5- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Borborema in the first half of 2013 was R\$ 8,000 for reviewing the financial statements and 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 BORBOREMA - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AS OF JUNE 30, 2013 AND DECEMBER 31, 2012
(In thousands of reais)

	06/30/2013	12/31/2012
Assets		
Current		
Cash and cash equivalents	9,971	7,968
Money market and secured funds	9,306	2,353
Consumers and concessionaires	24,726	33,644
Credit receivables	2,772	2,828
Inventory	614	578
Recoverable taxes	4,755	4,037
Prepaid expenses	352	400
Low income	1,495	1,580
Other receivables	4,150	2,673
Total current	58,141	56,061
Noncurrent		
Noncurrent assets		
Money market and secured funds	3,766	3,662
Credit receivables	3,771	4,159
Recoverable taxes	3,523	3,818
Tax credits	21,944	23,166
Restricted deposits and escrows	5,244	5,313
Derivative financial instruments	2,594	1,621
Accounts receivable from the concession	20,970	19,527
Other	57	-
	61,869	61,266
Investments	81	82
Property, plant and equipment	66,797	65,165
Intangible assets	823	868
Total noncurrent	129,570	127,381
Total Assets	187,711	183,442

2. Balance Sheet - Liabilities

	06/30/2013	12/31/2012
ENERGISA BORBOREMA - DISTRIBUIDORA DE ENERGIA S/A		
BALANCE SHEET		
AS OF JUNE 30, 2013 AND DECEMBER 31, 2012		
(In thousands of reais)		
Liabilities		
Current		
Suppliers payable	17,242	14,100
Debt charges	433	362
Loans and financing	13,159	3,644
Payroll	381	232
Taxes and social contributions	9,501	9,475
Dividends	3,858	4,000
Consumer charges payable	34	947
Estimated obligations	1,089	903
Public lighting fee received	632	747
Intrasector Obligations	3,900	3,343
Other accounts payable	1,485	2,661
Total current	51,714	40,414
Noncurrent		
Noncurrent liabilities		
Suppliers payable	403	391
Loans and financing	31,355	39,450
Deferred income and social contribution taxes	2,288	1,854
Provision for labor, civil and tax risks	3,574	3,143
Total noncurrent	37,620	44,838
Shareholders' equity		
Capital	62,753	57,017
Treasury stock	-	(50)
Capital reserve	24,099	24,148
Profit reserves	2,237	11,831
Additional dividends proposed	-	5,244
Net incomes for the period	9,288	-
	98,377	98,190
Total liabilities	187,711	183,442

3. Statements of Income

ENERGISA BORBOREMA
INCOME STATEMENT
SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(in thousands of reais)

	6M13	6M12
Revenues		
Electricity Sales to Consumers	113,519	114,953
Construction revenue	5,856	14,645
Other operating revenue	3,428	1,231
	122,803	130,829
Deductions from operating revenue		
ICMS on billing	24,872	23,163
PIS, Cofins and ISS	10,729	10,765
Others (CCC, CDE, PEE and P&D)	(460)	744
	1,845	4,636
	36,986	39,308
Net operating revenue	85,817	91,521
Operating expenses		
Electricity purchased	45,109	35,445
System service charges	5,377	7,890
Personnel	6,820	6,788
Private pension fund	29	30
Material	708	660
Outsourced services	5,702	6,080
Depreciation and amortization (includes goodwill)	2,671	2,183
Allowance for possible loan losses / contingencies	1,863	541
Construction cost	5,856	14,645
Other expenses / revenue	1,003	990
	75,138	75,252
Earnings before interest and tax	10,679	16,269
Financial income		
Revenue on short-term investments	538	702
Arrears charge on power sales	1,303	1,187
Other revenue	1,059	754
Debt charges - Interest	(1,307)	(1,318)
Debt charges - monetary and exchange variance	(1,594)	(845)
Adjustment to present value	701	306
Mark-to-market of derivatives	(764)	(80)
Derivative financial instruments	1,462	683
(-) Transfers to work in progress	74	485
Other financial expenses	(737)	(553)
	735	1,321
Net income before tax	11,414	17,590
Income and social contribution taxes	(2,126)	(3,245)
Net income for the period	9,288	14,345

Please do not hesitate to contact us should you require any further information:

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