Energisa Sergipe – Distribuidora de Energia S/A

Management Report and
Financial Statements for 2012

Management Report

The Management of Energisa Sergipe – Distribuidora de Energia S/A ("Energisa Sergipe" or "Company") hereby presents its headlines for FY 2012, along with the respective Financial Statements, prepared in accordance with International Financial Reporting Standards - IFRS. These statements were reviewed and approved by the Board of Directors and Executive Board on March 05, 2013.

1 - General Considerations

FY 2012 saw the Company continue with its investment plan, which entails the expansion of its electric system, in order to constantly improve the quality of electricity supply and support its market growth.

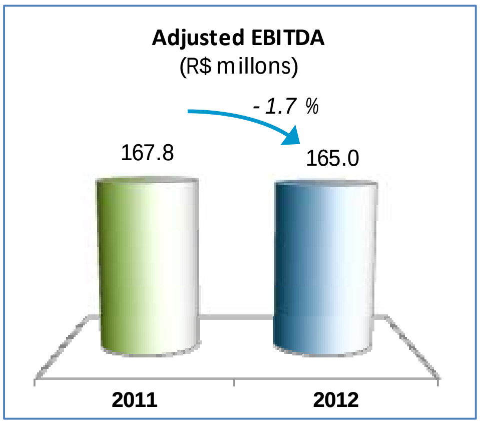
Energisa Sergipe's management processes led to the company being acknowledged for the first time in its history in the Clients Category of the National Quality Awards (PNQ) awarded by the National Quality Foundation (FNQ). At a regional level, the company won the Gold trophy in the Sergipe Excellence Awards (PEXSE). The Company was also recertified in ISO 9001:2008 for "Electricity Distribution", achievements which confirm the maturity and quality of its management.

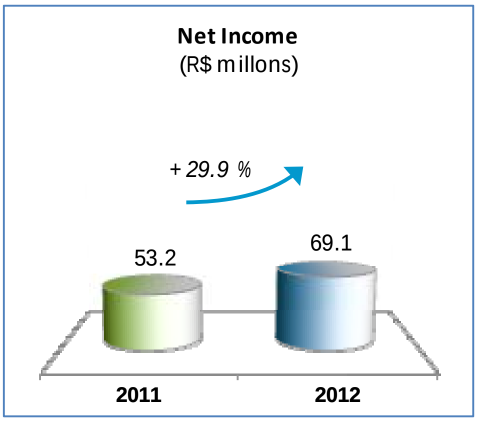
Energisa won the International ICMBio Award awarded by the Chico Mendes Institute to companies that stand out for implementing successful social responsibility initiatives in society, helping improve living standards in these communities.

2 - Economic and financial headlines

The Company's main economic and financial figures for 2012 have been summarized below:

Economic and Financial Figures	2012	2011	Change %
Results - R$ million			
Gross Operating Revenue	1,078.4	942.9	+ 14.4
Net Operating Revenue	758.0	652.0	+ 16.3
Earnings before interest and tax (EBIT)	110.3	114.3	- 3.5
EBITDA	152.7	158.8	- 3.8
Financial Income/Loss	(34.4)	(50.7)	- 32.1
Net income before tax	75.9	63.7	+ 19.2





Economic and Financial Figures	2012	2011	Change %
Financial Indicators - R$ million			
Total Assets	1,102.6	1,050.1	+ 5.0
Cash / Cash Equivalents / Short-Term Investments	109.7	111.7	- 1.8
Shareholders' Equity	366.0	354.2	+ 3.3
Net Debt	458.5	396.7	+ 15.6
Operating Indicators			
Number of Captive Consumers (thousand)	652.3	625.2	+ 4.3
Total Electricity Distributed (GWh)	3,277.3	3,130.3	+ 4.7
Energy Losses (% in past 12 months)	9.74	10.19	- 0.45 p.p
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	21.8	25.7	- 3.9 p.p
Net Debt / Adjusted EBITDA for 12 months (times)	2.8	2.4	+ 16.7

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

2.1 - Net income, cash generation and dividends

Energisa Sergipe recorded net income of R$ 69.1 million in 2012 (R$ 353.19 per share), an increase of 29.9% over 2011. This net income growth is partly due to the increase of 16.3% (or R$ 106.0 million) in net operating revenue in the period, along with financial income which contracted by 32.1% (or R$ 16.3 million). Elsewhere, operating expenses rose by R$ 110.0 million in 2012. The operating cash generation (Adjusted EBITDA) amounted to R$ 165.0 million, compared with R$ 167.8 million in 2011.

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

Breakdown of cash generation (EBITDA) (R$ millions)	Year 2012	2011	Change %
(=) Net Income	**69.1**	**53.2**	**+ 29.9**
(-) Income and social contribution taxes	(6.9)	(10.4)	- 33.7
(-) Financial result	(34.4)	(50.7)	- 32.1
(-) Depreciation and amortization	(42.3)	(44.5)	- 4.9
(=) Cash generation (EBITDA)	**152.7**	**158.8**	**- 3.8**
(+) Arrears surcharge revenue	12.3	9.0	+ 36.7
(=) Adjusted cash generation (Adjusted EBITDA)	**165.0**	**167.8**	**- 1.7**
Adjusted EBITDA Margin	21.8	25.7	- 3.9 p.p

From its earnings in 2012, the Company has paid out dividends of R$ 41.5 million commencing: i) August 17, 2012, R$ 29.0 million (R$ 148.23 per share) and ii) December 21, 2012, equal to R$ 12.5 million (R$ 64.10 per share). On top of these dividends, additional dividends will be paid out of R$ 7.7 million (R$ 39.3531736 per share), on a date to be determined. The total dividends for the year amounting to R$ 49.2 million represent 71.2% of the net income earned by the Company.

2.2 - Operating expenses

Operating expenses break down as follows:

Breakdown of operating expenses (R$ million)	2012	2011	Change in R$ million
1 - Controllable expenses	**137.3**	**117.6**	**+ 19.7**
1.1 - Personnel (includes pension fund)	76.4	62.7	+ 13.7
1.2 - Material	10.2	11.1	- 0.9
1.3 - Services	50.7	43.8	+ 6.9
2 - Uncontrollable expenses (acquisition of energy and transmission)	361.6	295.5	+ 66.1
3 - Depreciation and amortization	42.3	44.5	- 2.2
4 - Allowance for doubtful accounts and contingencies	4.3	1.6	+ 2.7
5 - Other expenses / revenue	24.1	8.0	+ 16.1
Subtotal (1+2+3+4+5)	**569.6**	**467.2**	**+ 102.4**
6 – Construction cost	78.1	70.5	+ 7.6
Total	**647.7**	**537.7**	**+ 110.0**

3 - Operating performance

Customer satisfaction due to the quality of the energy supplied and excellent customer services is a core priority of the Company. Energisa Sergipe has made consistent improvements to its operating indexes and customer satisfaction ratings.

3.1 - Management of energy losses: Energisa Sergipe continued implementing the process of cutting energy losses in 2012. The efforts made resulted in electricity losses falling to 9.74% in the year, an improvement of 0.45% over 2011. This work becomes even more important when we re-evaluate the decrease in non-technical losses, i.e. losses related to fraud and theft, which was 0.56 percentage points, having fallen from 2.92% in 2011 to 2.35% in 2012. The intelligence center for combating losses (CICOP) identified 6,102 irregularities in 2012, compared with 6,060 in 2011. In addition to CICOP's actions, there are the operations of GEAP, a specialized group combating losses, which conducts inspections, regularizations and shielding with the support of the Public Security Office.

3.2 - Default management: Consumer default in relation to unpaid electricity bills in the past 12 months also fell from 1.63% in 2011 to 1.08% in 2012, as did the number of monthly invoices (pending), which fell from 0.87 to 0.79.

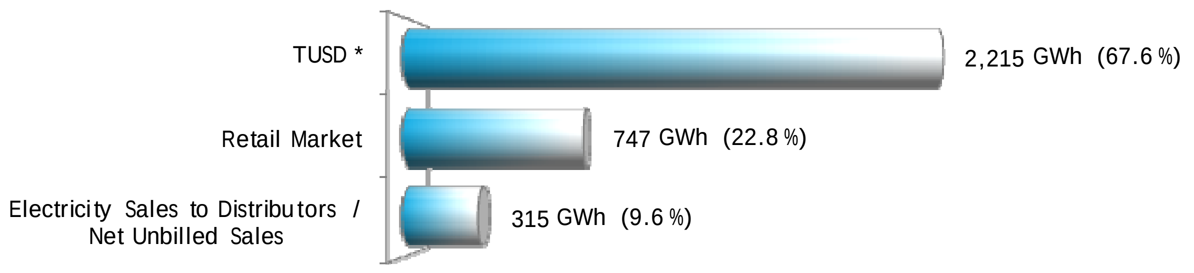
3.3 - DEC and FEC: the significant reduction in the continuity indicators (DEC and FEC) in 2012 is another headline, resulting from the investments made based on correctly planning the system's requirements. The DEC was 29.4% better than last year and the FEC improved by 19.9% over the same comparison period.

Operating indicators	2012	2011	Change %
Power loss from the company's system (%)	9.74	10.19	- 0.45 p.p
Consumer default over the last 12 months (%)	1.08	1.63	- 33.7
Outstanding receivables (outstanding monthly invoices) – no.	0.79	0.87	- 9.2
ISQP (Perceived Quality Satisfaction Index) - Abradee	85.9	82.6	+ 4.0
IASC (Aneel Consumer Satisfaction Index)	64.3	-	-
DEC (Equivalent Outage Duration per Consumer) – hours	15.74	22.29	- 29.4
FEC (Equivalent Outage Frequency per Consumer) - times	11.67	14.57	- 19.9

3.4 - Electricity sales: Energisa Sergipe distributed total energy of 3,277 GWh in 2012, an increase of 4.7% over 2011. Energy associated with the free market, which accounted for 22.8% of the Company's total sales, drove this result in the year, rising by 12.9% over the previous year, primarily due to migration of clients from the captive market to the free market.

Captive consumption sectors expanded by 2.5%, with good growth recorded by the: residential sector, rising by 4.3% in the year, the commercial sector rising by 5.2% and the rural sector, rising by 28.9%, driven by the lack of rain in the state.

Total Sales by Segment - In 2012



(*) Energy associated with free consumers.

Energisa Sergipe closed FY 2012 with 652,278 captive consumer units, or 4.3% more than at the end of 2011. The number of free consumers amounted to 15 at the end of 2012.

4 - Investment

Energisa Sergipe's investments amounted to R$ 94.3 million in 2012, an increase of 15.3% over the previous year, when the Company invested R$ 81.8 million. The main investments include:

- Completion of the Contorno Substation (2 x 20/25 MVA - 69/13.8kV) and associated work (high-voltage distribution lines and distribution systems) to service the metropolitan area of Aracaju;
- Construction of the Moita Bonita Substation (10/12.5 MVA - 69/13.8kV) to support market expansion in Itabaiana, Moita Bonita, Malhador and surrounding regions;
- Completion of the 69 kV Itabaiana–Lagarto Transmission Line reconductoring project to support increasing regional demand and improve voltage levels in the Itabaiana, Lagarto, Simao Dias, Poco Verde cluster area;
- Completion of the 69 kV Jardim–Carmopolis high-voltage distribution line construction project
- Completion of the RIACHUELO–SISA high-voltage distribution line construction project.
- Construction of the Serigy Substation (2 x 20/25 MVA - 69/13.8kV) and associated works (high-voltage distribution lines and distribution systems) to service the metropolitan area of Aracaju and unload the Urubu, Grageru and Aracaju substations
- Completion of the second circuit of the Itabaiana–Frei Paulo high voltage distribution system, providing greater service reliability to the Upper Sertao region (Itabaiana, Frei Paulo, Nossa Senhora da Gloria, Lagoa Rasa, Porto da Folha, Graccho Cardoso, Nossa Senhora das Dores, Itabaiana).
- Installation of 102 remote automatic reclosers distributed among 70 company-operated distribution system feeders and 123 fault indicators along 20 feeders;
- Access track clearing and restoration work along 540 km of distribution and transmission lines, as well as expanded preventive maintenance including thermal imaging inspection of main feeder trunk lines and protection refurbishment covering 38 feeders;
- Installation of 57.7 km of covered conductor systems;
- Overhauling of 30 km of medium-voltage grids, which crossed forest areas of difficult access
- Acquisition of special vehicles for live-line work;
- Deployment of a new planning software application, INTERPLAN, in replacement of the legacy SGD_PLAN tool to support a greater number of planning studies per year for Energisa's Medium-and Low-Voltage Systems. Also in technical systems, in 2012 work began on replacing the company's legacy SCADA system – VTS – with Siemens' Spectrum PowerCC;
- Deployment of a new Management Support System, VERO Metas, to enhance the use of Management techniques across all levels of the Organization.

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

Asset description	Dec / 2012	Dec / 2011	Addition 2012/2011
Substations – Number	29	27	+ 2
Installed capacity at the substations - MVA	654	591	+ 63
Feeders	137	124	+ 13
Utility Poles	339,449	335,418	+ 4,031
Transmission lines - Km	1,160	1,025	+ 135
Distribution grids - Km	25,662	25,185	+ 477
Installed capacity of the distribution grids - MVA	680	642	+ 38
Transformers installed in the distribution grids – no.	36,020	34,841	+ 1,179

5 - People management

Energisa Sergipe invests heavily in Personnel Management, focusing on the valuation of its human capital, enhancing its operations and expanding the premises for a more flexible, faster management, with a view to the ongoing improvement of its service quality. The company closed FY 2012 with a workforce of 1,032 staff, consisting of 963 company staff and 69 outsourced staff.

Aware of the importance of its personnel for performing its mission and strategic goals, Energisa Sergipe dedicated some 105,297 man hours of training in 2012. This is an average of 108 hours per employee and entailed investment of over R$ 800,000. From the total number of training hours, 54% were given in a distance-learning format.
For the face-to-face format, 48,490 training hours were registered, highlighting the Distribution and Live Cable Electrician courses, in addition to training for Operators at the Operations Centre.

Within a context of major organizational changes, where strong leadership is essential, Energisa Sergipe has been focusing on developing their managers through the Leadership website. The program comprised 14 courses in 2012, with 28,192 training hours. In response to the objectives outlined in this program, we have established a partnership with Mindquest, which makes material available from the Harvard Business School and Chicago Booth.

Energisa Sergipe has a Succession Program in order to identify new leaders. As its principles the program has the premise of ensuring support for strategic movements and mapping leadership skills with development plans in order to accelerate the level of readiness/careers and encourage personal and professional self-development, with the objective of taking full advantage of talent within the company.

The Trainee, Intern and Apprentice Programs are also highlighted as other forms of attracting new talent. Energisa has established a partnership with the Attorney General's Office to reinforce the Intern Program, by adhering to the Study Support Program (PAE).

6 - Social and Environmental Responsibility

Energisa Sergipe continued its cultural and socio-environmental responsibility activities during 2012.

The 2010-2012 Energisa in My Home Program, associated to the Energy Efficiency Program, benefited consumers with low purchasing power in the municipality of Nossa Senhora do Socorro by replacing 2,800 fridges and 2,100 electrical utility meter boxes, providing upgrades to internal installations in 760 homes and distributing 13,519 compact light bulbs to residences, benefiting 4,117 families.

The company used a mobile unit for the program, exchanging incandescent light bulbs for compact fluorescent bulbs, reaching a sum of approximately 121,000 replaced bulbs and benefiting more than 24,000 families in Sergipe.

Also related to the Energy Efficiency Program, Energisa Sergipe signed four important agreements: With the State Department for Public Safety which included substituting 1,000 inefficient spotlights for efficient ones, comprising light fittings, bulbs and reactors and with the Federal University of Sergipe (UFS) which entailed replacing 1,422 spotlights; With the National Health Foundation (FUNASA) to replace 471 spotlights and the Ministry of Labor and Employment to replace 200 spotlights, as well as completing a State Department of Education Project for improved efficiency in 26 State schools which began in 2011 and was completed in July 2012 to replace 6,000 spotlights.

The development of educational work should also be highlighted, receiving support from the Energy Efficiency Program which is aimed at reducing acts of vandalism: exchanging catapults for efficient, compact light bulbs. Sixty eight children voluntarily exchanged catapults for light bulbs. The idea arose when it was noted that a number of disconnections were caused because insulators were being broken by children using catapults. The PEE team also went to the area, gave talks on the safe and efficient use of electrical energy and theatrical performances, distributed gifts and exchanged fluorescent light bulbs for catapults.

The Art in the Company Program celebrated its tenth anniversary in 2012, allowing artists from Sergipe or those based in the State to hold monthly exhibitions in the company's entrance hall, with their work being seen by both staff and visitors to the company. The company increased its proximity with cultural societies in Sergipe from 2010, which began to nominate artists who had not yet been able to gain recognition in the artistic market. The Álvaro Santos Gallery, which is located in Aracaju, is currently an important source for recommending artists in order to maintain and renew the Art in the Company program.

The Zé da Luz at School Program, which started in 2005, attained the significant number of 402 theatrical performances and events to provide information on the program's environmental issues in 2012. Energisa Sergipe was awarded the international socio-environmental prize by the Instituto Chico Mendes, in recognition of the importance and results of this program.

Energisa Sergipe has also been carrying out its Total Energy program since 2007, an event which takes place in neighborhoods/municipalities with a high number of irregular connections, where there are outstanding bills and low-income consumers who require assistance to regularize services with the company. The program held events in the State capital and countryside during 2012, distributing more than 2,700 economic light bulbs to regular clients. In addition to the standard program, Total Energy also held workshops on making full use of food in partnership with the Cook Brazil campaign (Social Service for Industry - SESI) and talks on dental health, given by the Brazilian Marines Corps, with a "brushing area" set up to put the guidance received into practice.

The registration of low-income consumers participating in Federal Government social programs in the Electrical Energy Social Tariff category also continued during 2012. Approximately 41% of the total client base is registered in this category.

In the cultural area, Energisa Sergipe re-established the tradition of presenting the people of Sergipe with a Christmas icon in the city. 2012 saw the launch of Natal Iluminado (Illuminated Christmas), a project implemented by Energisa Sergipe, in partnership with the city council, to install street lighting in Governador Augusto Franco Park. Within the scope of the Illuminated Christmas Program, bicycles were donated to the Municipal Guard of Aracaju and used to assist a cycle patrol of the park, which is an important attraction for both residents and visitors to the city.

The Youth Apprentice Program, in partnership with the State Government, has been achieving its goal of finding jobs for young apprentices. In 2012, 31 young people enrolled on the program and two found permanent jobs. Since the program was launched, 133 young people have been recruited for apprenticeships and 8 have found permanent employment.

The Company kept contributing to the Municipal Child and Adolescent Fund, benefiting local governments in its concession area and sponsoring initiatives to get youngsters off the streets, through professional education services and provide better living standards for children and adolescents.

Continuing with the Term of Technical Cooperation which was signed by Energisa Sergipe and State institutions to develop the Study Support Program (PAE) in 2011. The program makes vacancies available for full-time employees and interns to selected students from secondary schools in the State network. Energisa Sergipe recruited a total of 37 interns in 2012, with 10 of these being employed as permanent staff members at the company.

Energisa Sergipe handles the social and environmental impacts caused by its services and facilities through programs and practices of the Environment, Social and Occupational Health and Safety Management System and the Health and Safety management system - SGMASS - that evidence its concern about and responsibility for the environment and sustainable development.

The SGMASS programs and practices include:

- The continuity of the solid waste management continued, primarily addressing hazardous waste, such as the proper environmental decontamination of bulbs containing mercury.

- treatment of the waste generated during the production processes according to handling, transportation, treatment and final disposal procedures. The company is regenerating mineral insulating oils (OMI) and the waste deriving from its own regeneration of these oils used in its equipment.

- treatment of sodium vapor lamps, mercury vapor lamps and fluorescent lamps disposed at its own facilities and in the public lighting infrastructure.

- periodical inspection on the environmental performance of the company's facilities, in addition to the preparation of environmental improvement plans and monitoring of its environmental performance index (IDA), in addition to the training of employees through specific environmental courses, participation in environmental committees and various events about the environment.

- donation of segregated recyclable waste collected at the company to a cooperative of refuse collectors who duly recycle it, which fosters the generation of income and diminishes the disposal of waste in the environment.

- the acquisition of a truck equipped with a crusher and dump box to store large volumes of crushed branches. The waste is stored to make compost, so that the material is reused. Currently under discussion is a partnership with the municipal government to deliver this waste, so that it can be reused.

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

Also in relation to environmental management, in 2012 Energisa Sergipe continued its endeavors and implemented several programs and practices: implementation of shielded and insulated grids, operation of the integrated healthcare management system, continuity of the solid waste management program, systematic performance of procedures to obtain new environmental licenses, disposal and treatment of waste, treatment of spent bulbs, development of internal and external campaigns to reduce water and energy consumption, inspection of the environmental performance of its facilities and the preparation of environmental improvement plans and monitoring of its environmental performance index (IDA).

7- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Sergipe in 2012 was R$ 327,000, and consisted of: i) R$ 175,000 for reviewing the financial statements; ii) R$ 50,000 for procedures previously agreed with ANEEL for the "Light for All" programs, and iv) R$ 102,000 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.

Balance Sheet

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S.A ANNUAL SOCIAL BALANCE SHEET - 2012 (In thousands of reais)						
1 - Calculation Base	**2012 Amount**			**2011 Amount**		
Net revenue (RL)	757,963			651,984		
Operating income (RO)	75,961			63,653		
Gross payroll (FPB)	55,526			51,325		
2 - Internal Social Indicators	**Amount**	**% of FPB**	**% over RL**	**Amount**	**% of FPB**	**% over RL**
Meals	7,153	12.88%	0.94%	6,549	12.76%	1.00%
Compulsory social charges	12,989	23.39%	1.71%	12,562	24.48%	1.93%
Private pensions	3,863	6.96%	0.51%	1,739	3.39%	0.27%
Health insurance	8,441	15.20%	1.11%	2,313	4.51%	0.35%
Occupational health and safety	1,191	2.14%	0.16%	1,240	2.42%	0.19%
Education	140	0.25%	0.02%	114	0.22%	0.02%
Culture	9	0.02%	0.00%	8	0.02%	0.00%
Professional training and development	808	1.46%	0.11%	452	0.88%	0.07%
Crèches or crèche allowance	346	0.62%	0.05%	284	0.55%	0.04%
Profit sharing	4,261	7.67%	0.56%	3,160	6.16%	0.48%
Other	0	0.00%	0.00%	520	1.01%	0.08%
Total - Internal social indicators	39,201	70.60%	5.17%	28,941	56.39%	4.44%
3 - External Social Indicators	**Amount**	**% over RO**	**% over RL**	**Amount**	**% over RO**	**% over RL**
Education	85	0.11%	0.01%	68	0.11%	0.00%
Culture	413	0.54%	0.05%	297	0.47%	0.00%
Healthcare and sanitation	0	0.00%	0.00%	0	0.00%	0.00%
Sports	106	0.14%	0.01%	0	0.00%	0.00%
Combating hunger and food safety	0	0.00%	0.00%	0	0.00%	0.00%
Other	528	0.70%	0.07%	675	1.06%	0.00%
Total contributions to society	1,132	1.49%	0.15%	1,040	1.63%	0.00%
Taxes (not including social charges)	241,853	318.39%	31.91%	226,519	355.87%	0.01%
Total - External social indicators	242,985	319.88%	32.06%	227,559	357.50%	0.01%
4 - Environmental Indicators	**Amount**	**% over RO**	**% over RL**	**Amount**	**% over RO**	**% over RL**
Investments related to company production / operation	18,657	24.56%	2.46%	11,963	18.79%	1.83%
Investments in external programs and/or projects	0	0.00%	0.00%	0	0.00%	0.00%
Total environmental investment	18,657	24.56%	2.46%	11,963	18.79%	1.83%
As concerns establishment of annual targets to minimize waste, production/operation consumption in general and to use natural resources more efficiently, the company	(X) has no targets ( ) performs 51to 75% ( ) performs 0 to 50% ( ) performs 76 to 100%			(X) has no targets ( ) performs 51to 75% ( ) performs 0 to 50% ( ) performs 76 to 100%		
5 - Workforce Indicators	**2012**			**2011**		
Number of employees at period-end	963			962		
Number of admissions in the period	127			113		
Number of outsourced employees	69			80		
Number of trainees	38			22		
Number of employees over 45	186			180		
Number of women working at the company	163			160		
% management positions held by women	14%			16%		
Number of black people working at the company	56			56		
% management positions held by black people	8%			5%		
No of workers with handicaps or special needs	33			24		
6 - Material information regarding corporate citizenship	**2012**			**2013 Targets**		
Ratio between the lowest and highest earners at the company	30			34		
Total number of occupational accidents	35			19		
The social and environmental projects implemented by the company were defined by:	( ) directors	(X) directors and managers	( ) all employees	( ) directors	(X) directors and managers	( ) all employees
The occupational health and safety standards were defined by:	(X) directors and managers	( ) all employees	( ) all + Cipa	(X) directors and managers	( ) all employees	( ) all + Cipa
In respect of trade union freedom, the right to collective bargaining and internal representation of workers, the company:	( ) does not get involved	(X) follows the OIT rules	( ) promotes and follows OIT	( ) will not get involved	(X) will follow the OIT rules	( ) will promote and follow OIT
The private pension embraces:	(x) directors	( ) directors and managers	(X) all employees	(x) directors	( ) directors and managers	(X) all employees
Profit-sharing embraces:	(x) directors	( ) directors and managers	(X) all employees	(x) directors	( ) directors and managers	(X) all employees
When selecting suppliers the same ethical, social responsibility and environmental standards adopted by the company:	( ) are not considered	( ) are suggested	(X) are demanded	( ) will not be considered	( ) will be suggested	(X) will be demanded
In respect of employee participation in voluntary work programs, the company:	( ) does not get involved	(X) gives support	( ) offers organization and	( ) will not get involved	( ) will give support	(x) will offer organization and incentives
Total number of consumer complaints and criticism:	to the company 1,347	at Procon 124	to the Courts 1,067	to the company 1,280	to Procon 110	to the Courts 1,000
% complaints and criticism handled or resolved:	at the company 99%	at Procon 78%	in the Courts 65%	at the company 99%	at Procon 75%	at the Courts 60%
Added value to be distributed (in R$ thousand):	**In 2012: 509,579**			**In 2011: 481,071**		
Distribution of Added Value (DVA):	59% government 13% employees 10% shareholders 14% third parties 4% withheld			60% government 12% employees 5% shareholders 17% third parties 6% withheld		
7 - Further Information	**2012**			**2011**		
7) Social investments						
7.1. The “Light for All” Program						
7.1.1 - Government Investment	1,529			8,814		
7.1.2 - State Investment	89			516		
7.1.3 - Municipal Investment						
7.1.4 - Concessionaire Investment	218			1,256		
Total - Light for All program (7.1.1 to 7.1.4)	**1,836**			**10,586**		
7.2 - Energy efficiency program	3,683			4,170		
7.3 - Research and development program	3,502			2,325		
Total social investment (7.1 to 7.3)	**9,021**			**17,081**		

Financial Statements

1. Balance Sheet - Assets

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AT DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011 (reclassified)	1/1/2011 (reclassified)
Assets				
Current				
Cash and cash equivalents	5	53,225	78,427	77,983
Money market and secured funds	5	47,019	29,552	27,454
Consumers and concessionaires	6	117,517	108,115	87,100
Credit receivables	7	7,739	10,014	11,033
Inventory		2,382	2,536	1,947
Recoverable taxes	11	26,866	24,154	22,203
Prepaid expenses		3,343	952	448
Low income and other receivables	10	25,333	37,115	21,917
Total current		**283,424**	**290,865**	**250,085**
Noncurrent		-		
Noncurrent Assets				
Money market and secured funds	5	9,483	3,744	3,760
Consumers and concessionaires	6	7,544	7,544	7,544
Credit receivables	7	4,110	2,410	5,395
Recoverable taxes	11	16,551	16,341	16,009
Tax credits	13	23,090	19,736	24,826
Restricted deposits and escrows	21	21,818	20,844	20,312
Prepaid expenses		-	-	350
Derivative financial instruments	29	15,394	6,359	7,049
Accounts receivable from the concession	14	130,146	34,021	22,673
Other accounts receivable		837	868	639
		228,973	**111,867**	**108,557**
Investment		4,026	217	202
Intangible assets	15	581,125	647,122	618,752
Property, plant and equipment	15	5,062	-	-
Total noncurrent		**819,186**	**759,206**	**727,511**
Total Assets		**1,102,610**	**1,050,071**	**977,596**

See the accompanying notes to the financial statements.

2. Balance Sheet - Liabilities

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S/A
BALANCE SHEET
AT DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011 (reclassified)	1/1/2011 (reclassified)
Liabilities				
Current				
Suppliers payable	16	63,031	47,620	42,748
Debt charges	17	13,913	12,516	10,493
Loans and financing	17	240,011	46,202	32,274
Debentures	18	29,696	1,479	1,358
Taxes and social contributions	19	35,376	29,290	24,557
Tax financing	20	1,770	2,078	7,687
Dividends	22.4	-	8,655	54
Estimated obligations		4,393	4,018	3,588
Consumer charges payable		4,991	2,941	3,125
Other accounts payable		29,823	41,891	25,594
Total current		**423,004**	**196,690**	**151,478**
Noncurrent				
Suppliers payable	16	1,963	1,810	1,621
Loans and financing	17	170,581	308,046	305,983
Debentures	18	102,613	138,079	129,215
Derivative financial instruments	29	-	16,089	34,236
Taxes and social contributions	19	8,227	1,327	1,494
Deferred income and social contribution taxes	13	-	5,836	2,992
Tax financing	20	5,753	7,029	2,562
Provisions for labor, civil and tax risks:	21	20,547	20,229	22,306
Employee benefits - pension plan	30	3,932	737	-
Other		21	-	-
Total noncurrent		**313,637**	**499,182**	**500,409**
Shareholders' equity				
Capital	22.1	329,370	319,239	311,068
Treasury stock	22.1	(18)	(18)	(18)
Capital reserves	22.1	3,348	3,348	3,348
Profit reserves	22.2 and 22.3	25,575	15,861	11,242
Additional dividends proposed	22.4	7,694	15,769	69
		365,969	**354,199**	**325,709**
Total Liabilities		**1,102,610**	**1,050,071**	**977,596**

See the accompanying notes to the financial statements.

3. Statements of Income

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais, except for net income per share)

	Note	2012	2011
Net operating revenue	23	**757,963**	**651,984**
Cost of the electricity service	24	(510,772)	(436,813)
Gross profit		**247,191**	**215,171**
Sales expenses	24	(23,661)	(24,344)
General and administrative expenses	24	(97,427)	(76,513)
Other revenue	25	4,984	1,489
Other expenses	25	(20,771)	(1,467)
Net income before net financial revenue (expenses) and tax		**110,316**	**114,336**
Financial revenue	26	36,098	25,603
Financial expense	26	(70,453)	(76,264)
Net financial income (expenses)		**(34,355)**	**(50,661)**
Income before tax		**75,961**	**63,675**
Current income and social contribution taxes	13	(16,934)	(19,039)
Deferred income and social contribution taxes	13	10,024	8,548
Net income for the year		**69,051**	**53,184**
Basic and diluted net income per common and preferred share - R$	27	**353.19**	**272.03**

See the accompanying notes to the financial statements.

4. Comprehensive Statement of Income

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S/A
COMPREHENSIVE STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	2012	2011
Net income for the year	69,051	53,184
Total comprehensive income for the year, net of tax	**69,051**	**53,184**

See the accompanying notes to the financial statements.

5. Statements of Cash Flows

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011 (adjusted)
Operating activities			
Income before tax		75,961	63,675
Expenses (revenue) not affecting cash:			
Expenses on interest and monetary and exchange variance - net		87,301	82,356
Financial restatement of accounts receivable from the concession - VNR	14	(13,344)	-
Allowance for doubtful accounts	24	5,190	1,263
Amortization and depreciation	24	42,339	44,503
Loss on the sale of PP&E and intangible assets		17,932	1,135
Tax credits		-	5,090
Provision for contingencies/Reversal of the Provision for contingencies	24	(851)	(2,070)
Derivative Financial Instruments	26	(20,766)	(14,014)
Mark-to-market of derivatives	26	(4,260)	690
Changes in current and noncurrent assets			
(Increase) in consumers and concessionaires		(9,743)	(22,088)
(Increase) in secured funds		-	-
(Increase) decrease in credit receivables		(2,801)	3,815
Decrease (increase) in inventories		154	(589)
(Increase) in recoverable taxes		(2,922)	(2,283)
(Increase) in escrow deposits		(974)	(532)
(Increase) decrease in Prepaid expenses		(2,391)	(154)
Decrease (increase) in other accounts receivable		12,536	(30,721)
Changes in current and noncurrent liabilities			
Increase in Trade Payables		9,663	5,061
Increase (decrease) in taxes and social contributions		1,629	(777)
Income and social contribution taxes paid		(4,742)	(2,304)
(Decrease) in tax financing		-	(1,142)
Increase in estimated obligations		374	430
Increase (decrease) in consumer charges payable		2,050	(184)
(Decrease) increase in private pension funds and others		(8,852)	17,032
Net cash produced by operating activities		**183,483**	**148,192**
Investment activities			
Investment		(3,810)	(15)
Short-term investments and secured funds		(39,102)	(58,612)
Discharge of short-term investments		18,425	56,522
Additions to Intangible assets		(72,818)	(70,055)
Net cash generated (consumed) in investment activities		**(97,305)**	**(72,160)**
Financing activities			
New loans and financing		67,049	22,506
Payments of loans - principal		(64,269)	(33,498)
Payments of loans - interest		(45,565)	(44,372)
Settlement of derivative financial instruments		(1,074)	(4,131)
Payment of dividends		(65,937)	(16,093)
Payment of tax financing		(1,584)	-
Net cash consumed in financing activities		**(111,380)**	**(75,588)**
Net cash variation		**(25,202)**	**444**
Opening cash and cash equivalents		78,427	77,983
Closing cash and cash equivalents		53,225	78,427
Net cash variation		**(25,202)**	**444**

See the accompanying notes to the financial statements.

5. Statements of Added Value

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S/A
STATEMENT OF ADDED VALUE - DVA
YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

	Note	2012	2011
GENERATION OF ADDED VALUE			
REVENUE			
Revenue from energy sales and services		1,000,320	872,393
Other revenue	25	4,984	1,489
Revenue relating to construction of company assets	24	78,086	86,571
Allowance for doubtful accounts - (Creation) Reversal	24	(5,190)	(3,658)
		1,078,200	**956,795**
(-) CONSUMABLES ACQUIRED FROM THIRD PARTIES			
Cost of energy sold		394,419	324,173
Materials and outsourced services		144,473	126,699
Other operating costs		23,488	5,952
		562,380	**456,824**
GROSS ADDED VALUE		**515,820**	**499,971**
AMORTIZATION, DEPRECIATION AND REALIZATION OF GOODWILL	24	**42,339**	**44,503**
NET ADDED VALUE		**473,481**	**455,468**
TRANSFERRED ADDED VALUE			
Financial revenue	26	36,098	25,603
TOTAL ADDED VALUE TO BE DISTRIBUTED		**509,579**	**481,071**
ADDED VALUE DISTRIBUTED:			
Personnel			
Direct remuneration		46,635	44,345
Benefits		16,771	11,225
FGTS		3,880	3,929
Taxes and contributions			
Federal		71,840	68,658
State		182,648	169,945
Municipal		354	478
Intrasector Obligations	23	46,653	47,979
Remuneration on borrowed capital			
Interest	26	70,453	80,169
Rent		1,294	1,159
Interest earnings			
Dividends and additional dividends proposed	22.4	49,206	40,448
Legal reserve	22.2	3,453	2,659
Income tax reduction reserve	22.3	16,392	10,131
Dividends due from prior years		-	(54)
		509,579	**481,071**

See the accompanying notes to the financial statements.

6. Statements of Changes in Shareholders' Equity

ENERGISA SERGIPE - DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FINANCIAL YEAR ENDED DECEMBER 31, 2012
(In thousands of reais)

				Capital reserves		Profit reserves				
	Note	Capital	Treasury stock	Investment subsidies	Remuneration of property, plant and equipment in progress	Legal	Income tax decrease	Additional dividends proposed	Retained earnings (Accumulated losses)	Total
Balances at January 01, 2011		**311,068**	**(18)**	**2,102**	**1,246**	**3,071**	**8,171**	**69**	**-**	**325,709**
Payment of additional dividends		-	-	-	-	-	-	(69)	-	(69)
Capital increase as per the AGM and EGM held 4/29/2011	22.1	8,171					(8,171)			-
Prior-year dividends		-	-	-	-	-	-	-	54	54
Net income for the year		-	-	-	-	-	-	-	53,184	53,184
Proposed allocation of net income for the year										
Legal reserve	22.2	-	-	-	-	2,659	-	-	(2,659)	-
Tax Benefit - Constitutive Reports - Adene 0106/2005	22.3	-	-	-	-	-	10,131	-	(10,131)	-
Dividends	22.4	-	-	-	-	-	-	-	(24,679)	(24,679)
Additional dividends proposed	22.4	-	-	-	-	-	-	15,769	(15,769)	-
Balances at December 31, 2011		**319,239**	**(18)**	**2,102**	**1,246**	**5,730**	**10,131**	**15,769**	**-**	**354,199**
Payment of additional dividends		-	-	-	-	-	-	(15,769)	-	(15,769)
Capital increase as per the AGM and EGM held 4/25/2012	22.1	10,131					(10,131)			-
Net income for the year		-	-	-	-	-	-	-	69,051	69,051
Proposed allocation of net income for the year									-	
Legal reserve	22.2	-	-	-	-	3,453	-	-	(3,453)	-
Tax Benefit - Constitutive Reports - Adene 0106/2005	22.3	-	-	-	-	-	16,392	-	(16,392)	-
Dividends	22.4	-	-	-	-	-	-	-	(41,512)	(41,512)
Additional dividends proposed	22.4	-	-	-	-	-	-	7,694	(7,694)	-
Balances at December 31, 2012		**329,370**	**(18)**	**2,102**	**1,246**	**9,183**	**16,392**	**7,694**	**-**	**365,969**

See the accompanying notes to the financial statements.

Notes to the financial statements
Year ended December 31, 2012

(In thousands of reais, unless stated otherwise)

1 Operations

A part of ENERGISA GROUP, Energisa Sergipe – Distribuidora de Energia S/A ("Company or Energisa SE") is an electricity distribution company, operating in 63 municipalities in the state of Sergipe, serving 652,295 consumers (information not audited by the independent auditors). The Company is a publicly held company and is headquartered in the city of Aracaju, Sergipe state.

In September 2012 the Federal Government issued Preliminary Law 579, enacted as Law 12783 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. RGR - Global Reversal Reserve; CCC – fuel consumption cost and the CDE – Energy Development Account has been reduced.

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

The Company's concession expires in December 2027.

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

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

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

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

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

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

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

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

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

2 Presentation of the financial statements

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which embrace corporate legislation, the Pronouncements, Guidance and Interpretations issued by the Accounting Pronouncements Committee – CPC, approved by the standards and regulations of the Brazilian Securities Commission – CVM and specific legislation applying to the Public Energy concession operators established by the National Electricity Regulatory Agency – ANEEL.

Authorization for the issuance of these financial statements was given by the Board of Directors on March 05, 2013.

The financial statements have been prepared in accordance with CPCs and IFRS. There are no differences between these practices.

The financial statements are being presented in Brazilian reais, which is the Company's functional currency. All financial statements are presented in thousands of reais, except where specified otherwise.

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

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

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

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

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

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

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

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

The actuarial commitments with respect to the supplementary pension and retirement plans are provisioned for based on actuarial calculations prepared by independent actuaries. Their calculations are based on the projected unit of credit method, net of the assets guaranteeing the plan, when applicable. The costs are recognized in the employees' vesting period, in according with CVM Resolution 600 issued October 07, 2009 and the accounting rules established by CPC Technical Pronouncement 33 issued by the Accounting Pronouncements Committee. Any surpluses on employee benefit plans are not recorded.

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

The actuarial gains and losses generated by adjustments and alterations to the actuarial premises of the pension and retirement benefit plans and the actuarial commitments related to the health coverage plan are recognized in the income statement for the year.

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

3 Adoption of international accounting standards

3.1 New accounting procedures issued by the IASB

The International Accounting Standards Board – IASB issued the following accounting pronouncements, the adoption of which is mandatory from January 01, 2013:

IFRS 1 - Exemptions from the requirement to restate comparative information for IFRS 9;

IFRS 7 - Disclosure – offsetting financial assets and liabilities;

IFRS 9 - Financial instruments - establishes the principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This standard is effective from January 01, 2015.

IFRS 13 - Fair value measurement (CPC 46);

IAS 1 – Clarification of the requirements for comparative information;

IAS 16 — Classification of servicing equipment

IAS 19 – Employee Benefits - Modifying accounting for the recognition of changes in the defined benefit liabilities and plan assets, which require recognition of these changes as and when they arise and therefore eliminate the 'corridor approach' (CPC 33 R1);

IAS 27 - Separate financial statements (CPC 35 R2);

IAS 32 – Tax effects of the distribution to shareholders of equity instruments are effective from January 01, 2013 and Offsetting financial assets and liabilities is effective from January 01, 2014

IAS 34 – interim financial statements and segment reporting for total assets and liabilities.

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

3.2 Description of significant accounting policies

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

a. Cash and cash equivalents - includes balances of cash and short-term investments that can be redeemed within up to 90 days from acquisition at the contracted rates and are subject to an insignificant risk of impairment, which are used to manage short-term obligations.

b. Financial instruments – All financial instruments (assets and liabilities) are recognized in the Company's balance sheets, and are measured at fair value when applicable and after the initial recognition according to classification. The Company's financial instruments have been classified into: (i) marketable securities – stated at fair value through profit or loss. This classification includes derivative transactions. (ii) held to maturity – valued at the effective interest rate and recorded in profit and loss and (iii) loans and receivables – measured at amortized cost, using the effective interest rate method and recorded in the income statement.

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

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

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

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

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

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

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

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

c. Consumers and concessionaires - embrace the provision of billed and unbilled electricity (unbilled electricity is an estimate, recognized on the accrual basis of accounting), up to closure of the balance sheet.

d. The allowance for doubtful accounts was made to an amount deemed sufficient to cover any losses incurred on the collection of loans in accordance with ANEEL criteria.

e. Inventory - inventories are valued at the average acquisition cost not in excess of market value or acquisition cost.

f. Accounts receivable from the concession - denotes the portion of the capital invested in the assets, not amortized during the concession period, to be indemnified at the end of the arrangement. In light of the uncertainty surrounding the indemnification value of these assets, until December 31, 2011 Company Management concluded that the best estimate to value the financial asset receivable at the end of the arrangement is the value of the assets in service recorded in the accounting records at historic cost.

Following the publication of Provisional Law 579/2012, enacted as Law 12783/2013, after the year had ended the company confirmed it would use the VNR – New Replacement Value published by the Concession Authority to pay for the indemnification of assets not amortized when the concession expires. For this reason the difference between the VNR and historic book cost was recorded as financial revenue on December 31, 2012. These assets are classified as available-for-sale, the effects of which are explained in detail in note 14.

g. Investments - recorded at acquisition cost less a provision for devaluation, when applicable.

h. Financial leases - the assets acquired under a financial commercial lease have been recognized as intangible assets, and are subject to amortization at the rates practiced by the Company, in accordance with the nature of each item. The respective payable balances of these contracts are recognized as financing in the current liabilities or noncurrent liabilities based on the present value of outstanding installments. The difference between the present value and the value of the installments will be appropriated to the income statement as a financial expense.

i. Intangible assets - (i) concession arrangement: the assets operated by the Company to provide electricity distribution services. The amortization is based on the consumption pattern of the benefits expected during the arrangement term, (ii) concession usage right: consisting of the goodwill paid on acquisitions of the Company's own share control. The goodwill is being amortized over the concession term of 30 years, starting December 1997 (see note 15).

j. The interest and financial charges are capitalized to works in progress at the average effective capitalization rate.

k. Decrease in recoverable value - the Company evaluates its intangible assets with defined useful lives if there are signs of impairment. Recoverable taxes and tax credits are tested for impairment annually, regardless of whether there are any signs.

A financial asset not measured at fair value through profit and loss is valued at each reporting date to test for impairment. An asset has incurred impairment if objective evidence indicates impairment has occurred after the initial recognition of the asset and this impairment has had a negative effect on the future projected cash flows that can be estimated reliably.

Objective evidence that the financial assets (including securities) have incurred impairment can include: (i) nonpayment or late payment by the debtor; (ii) restructuring of the amount owed to the Company on terms that it would not accept in other transactions of the same nature (iii) signs that the debtor or issuer is going to enter bankruptcy proceedings and (iv) the disappearance of an active market for a security. Furthermore, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

The Company takes into account evidence of impairment for receivables and securities kept to maturity, both individually and collectively. All receivables and securities kept to an individually significant maturity are specifically tested for impairment. All receivables and securities kept to an individually significant maturity found not to have incurred impairment are then tested collectively for any impairment that may have occurred, but not yet been identified. Receivables and securities kept to maturity that are not individually material are tested collectively for impairment by grouping securities posing similar risks.

When testing for impairment collectively the Company uses historic patterns of default probability, recovery terms and the size of losses incurred, adjusted to reflect management's judgment as to whether the current economic credit conditions mean that the actual losses will probably be greater or less than those suggested by historic patterns.

Impairment of a financial asset measured at amortized cost is calculated as the difference between the book value and the present value of future estimated cash flows, discounted at the asset's effective original interest rate. Losses are recognized in the income statement and recorded in a provision against receivables. Interest on the impaired asset is still recognized by reversing the discount. When a subsequent event indicates a reversal of the impairment, the decrease in the impairment is reversed and credited to the income statement.

Impairment of financial assets available for sale is recognized by reclassifying the cumulative loss that was recognized in other comprehensive income in the shareholders' equity to the net income. The cumulative loss that is reclassified from other comprehensive income to the net income is the difference between the acquisition cost, net of any reimbursement and principal amortization, and the current fair value, minus any impairment previously charged to the income statement. Changes in the provisions for impairment, attributable to the effective interest rate, are presented as a constituent of financial revenue.

At the end of each year the Group reviews the book value of its tangible and intangible assets to check for signs of impairment. If there are signs of impairment, the asset's recoverable value is estimated in order to measure the impairment. When an asset's recoverable value cannot be estimated individually, the Group calculates the recoverable value of the cash generating unit the asset belongs to. When a reasonable and consistent allocation basis can be identified, the corporate assets are also allocated to the individual cash generating units or the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Company management did not identify any evidence of impairment other than the provisions already made as of December 31, 2012.

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

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

m. Derivatives – The Company has financial derivatives to hedge against foreign currency and interest rate risks. Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized in income/expenses when incurred. After their initial recognition, the derivatives are appraised at fair value and any changes are recorded in the income statement. Details can be seen in note 29.

n. Income and social contribution taxes - These expenses consist of current and deferred income tax. The deferred tax is recorded in the income statement unless it is related to items recorded in comprehensive income in the shareholders' equity. The Company opted to use the Transitional Taxation Scheme (RTT) to calculate its income and social contribution taxes from FY 2008. The deferred tax is recognized in relation to temporary differences between the values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

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

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

o. SUDENE tax incentives - as the terms established will almost certainly be met, these incentives received have been recognized in the income statement and allocated to a specific profit reserve, where they are held until capitalization (see note 13).

p. Provisions - a provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk involved. Liabilities related to court cases are provisioned for to amounts deemed adequate by the legal advisors and directors to cover unfavorable outcomes.

q. Restatement - certain receivables have been restated based on specific interest rates, which reflect the nature of these assets in terms of term, risk, currency and receipt terms at the dates of the respective transactions.

r. Dividends - Dividends declared in excess of the minimum mandatory dividend after the accounting period reported on by the financial statements are recorded separately in the shareholders' equity, as they do not constitute a present obligation, and the respective liability is not recorded until it has been approved.

s. Income statement - revenue and expenses are recognized in the income statement for the year on the accrual basis of accounting. Revenue is not recognized if there are significant uncertainties as to its realization. The Company records revenue and cost during the construction of the assets used to provide the electricity distribution service. The Company outsources its works and Management accordingly believes that this activity generates a very small margin and does not justify additional expenditure to measure and control it; it accordingly attributes a margin of zero to this activity.

t. Employee benefits - defined benefit - The net obligation of the Company under defined-benefit pension plans is calculated individually for each plan by estimating the future benefit the employees are entitled to in return for their work in the current period and previous periods, discounted to present value. Any unrecognized past service costs and the fair values of any of the plan's assets are deducted. The discount rate is the yield at the reporting date for first-rate securities which mature on dates near the obligations of the Company denominated in the same currency in which the benefits are expected to be paid. The calculation is made annually by a qualified actuary using the projected units credit method. When the calculation produces a benefit, the asset to be recognized is limited to the total of any past service costs not recognized and the present value of economic benefits available in the form of future reimbursements under the plan or decrease to the plan's future contributions. To calculate the present value of the economic benefits, any minimum costing requirements applying to any plan are taken into account. An economic benefit is available if it can be realized within the plan's life or upon settlement of the plan's liabilities.

u. Other (current and non-current) assets and liabilities - other assets and liabilities are stated at known or calculable values, plus the corresponding earnings/charges incurred up to the reporting date, when applicable.

3.3 Adjustment and Reclassification:

To facilitate a comparison of the classification adopted in the financial year ended December 31, 2012, the balances as of December 31, 2011 and 1/1/2011 were reclassified in relation to those originally published for:

Statement of cash flows for the previous year

In the year the Company revised the presentation of cash flow statements and reallocated short-term investment and secured fund investments, previously presented under investment activities, to financing activities. Consequently, the cash flow statements for the financial year ended December 2011 and 1/1/2011 are being amended to facilitate a comparison.

Statements of cash flows

	2011 Published	2011 Reclassified	1/1/2011 Published	1/1/2011 Reclassified
Changes in current and noncurrent assets				
(Increase) in short-term investments and secured funds	(58,612)	-	(75,729)	-
Total changes in current and noncurrent assets	(111,164)	(52,552)	(71,440)	4,289
Net cash produced by operating activities	89,580	148,192	105,210	180,939
Investment activities				
Short-term investments and secured funds	-	(58,612)	-	(75,729)
Net cash produced by (used in) investment activities	(13,548)	(72,160)	20,399	(55,330)
Net Cash Variation	444	444	(59,497)	(59,497)
Opening cash and cash equivalents	77,983	77,983	137,480	137,480
Closing cash and cash equivalents	78,427	78,427	77,983	77,983
Net cash variation	**444**	**444**	**(59,497)**	**(59,497)**

4 Segment reporting

An operational segment is a component of the Company that develops business activities from which revenue streams can be derived and expenses incurred, including revenue and expenses related to transactions with other Company components. All operational income from segments is reviewed frequently by Management to support decisions about new resources to be allocated to the segment and to evaluate its performance, for which individual financial information is made available.

Segment results reported to Management include items directly attributable to the segment and items that can be reasonably allocated. Items not allocated primarily consist of corporate assets.

The Company only operates in the energy distribution segment in 63 municipalities in Sergipe state, and its income statement denotes this activity.

5 Cash and cash equivalents, money market and secured funds

a) Cash and cash equivalents

a.1 Short-term investments appraised at fair value through profit and loss

Financial institution	Type	Maturity (*)	Compensation	2012	2011	1/1/2011
BICBanco	CDB	2/27/2012	113,0% of CDI	-	14,938	25,385
BMG	CDB	1/24/2014	112,0% of CDI	-	7,229	6,570
CEF	CDB	12/29/2014 to 12/11/2015	100,5% of CDI	24,694	21,748	-
HSBC	CDB	9/3/2014	98,0% of CDI	459	-	-
Mercantil	CDB	12/22/2014	105,0% of CDI	6,959	2,232	-
Standard Bank	CDB	2/3/2012	109,0% of CDI	-	8,819	7,017
Santander	Debentures (**)	9/12/2014	104,0% of CDI	-	4,941	
BTG Pactual	LCA	1/14/2011 to 3/18/2013	35% of CDI	-	-	3,100
North-east	CDB	10/1/2012	101% of CDI	-	-	7,178
Sofisa	CDB	6/8/2012	103,0% of CDI	-	-	2,009
Standard Bank	CDB	2/3/2012	109,0% of CDI	8,819	-	-
Fundo Plural	Investment Fund	-	Benchmark CDI	-	-	6,485
CEF	Investment Fund	-	Benchmark CDI	-	4,256	2,918
HSBC	Investment Fund	-	Benchmark CDI	-	5,565	5,725
Itaú	Investment Fund	-	Benchmark CDI	-	48	4,681
Total				**32,112**	**69,776**	**71,068**
Cash and bank deposits				21,113	8,651	6,915
Total cash and cash equivalents				**53,225**	**78,427**	**77,983**

b) Money market and secured funds

Financial institution	Type	Maturity	Compensation	2012	2011	1/1/2011
b.1 Short-term investments appraised at fair value through profit and loss						
ABC Brasil	CDB	6/26/2013	106,0% of CDI	20,011	-	-
BES	CDB	9/1/2014	104,5% of CDI	72	93	105
BICBanco	CDB	2/22/2013	115,0% of CDI	14,638	13,341	-
BICBanco	Credit receivables investment funds	-	112,0% of CDI	1,267	-	-
BMG	CDB	12/16/2013 to 1/24/2014	112,0% of CDI	1,174	1,076	951
Bradesco	CDB	7/25/2013	99,0% of CDI	255	235	618
Bradesco	Capitalization bond	3/2/2013	Saving rate 0.5% p.m.	74	-	
Bradesco	Savings	-	Savings	-		25
CEF	Savings	-	Savings	44	44	76
BTG Pactual	CDB	4/4/2011	106,1% of CDI	-		7,548
BTG Pactual	Investment Fund	-	Benchmark CDI	5,026	-	-
CEF	Investment Fund	-	Benchmark CDI	598	-	-
Santander	Investment Fund	-	Benchmark CDI	845	-	-
Sofisa	CDB	4/26/2011	109% of CDI	-		1,122
Itaú	CDB	8/5/2013 to 12/3/2013	100.0% to 101.8% of CDI	573	528	-
Itaú	Debentures (**)	12/6/2013 to 11/18/2014	102.0% to 103.1% of CDI	802	739	1,145
Itaú	Investment Fund	-	Benchmark CDI	713	27	25
North-east	CDB	7/28/2017 to 9/9/2019	90.0% to 99.0% of CDI	8,119	12,525	13,655
Pine	CDB	6/21/2013	100,0% of CDI	40	37	2,116
Standard Bank	CDB	2/1/2013	100,25% of CDI	5	-	-
				54,256	**28,645**	**27,386**
b.2 Available-for-sale financial securities						
Bradesco	Investment Fund	-	Benchmark CDI	-	907	68
				-	**907**	68
b.3 Held-to-maturity securities						
Itaú	Credit Receivables Investment Funds	11/1/2012 to 12/29/2020	100,0% of CDI	2,246	3,744	3,760
				2,246	**3,744**	**3,760**
Total money market and secured funds				**56,502**	**33,296**	**31,214**
Current				47,019	29,552	27,454
Noncurrent				9,483	3,744	3,760

(*)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.

6 Consumers and concessionaires

Consumer Sectors	Overdue Balances (1)	Overdue					Total		
		up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	over 360 days	2012	2011	1/1/2011
Residential	11,409	10,946	3,203	1,253	176	1	26,988	31,878	27,316
Industrial	12,266	349	56	16	39	142	12,868	15,398	13,129
Commerce, services and other activities	17,697	2,419	654	573	713	269	22,325	20,168	17,032
Rural	1,753	335	120	54	-	-	2,262	2,602	2,938
Government:									
Federal	1,357	99	21	9	-	-	1,486	1,367	1,322
State	612	45	10	4	-	-	671	617	601
Municipal	2,408	176	37	15	-	-	2,636	2,424	2,348
Public lighting	2,541	783	734	3	-	-	4,061	2,453	2,352
Public utility	3,731	2	3	16	-	-	3,752	3,609	3,386
Subtotal - consumers	**53,774**	**15,154**	**4,838**	**1,943**	**928**	**412**	**77,049**	**80,516**	**70,424**
Concession operators **(2)**	22,380	-	-	-	-	7,875	30,255	13,684	11,643
Unbilled sales	22,194	-	-	-	-	-	22,194	17,686	11,403
Other	68	-	-	-	-	-	68	7,936	4,264
(-) Allowance for doubtful accounts	-	-	-	(1,253)	(889)	(2,363)	(4,505)	(4,163)	(3,090)
Total	**98,416**	**15,154**	**4,838**	**690**	**39**	**5,924**	**125,061**	**115,659**	**94,644**
Current							117,517	108,115	87,100
Noncurrent							7,544	7,544	7,544

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

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

The balance of the consumers and concessionaires account as of December 31, 2012 includes amounts referring to the sale of energy at the Electricity Sale Chamber – CCEE to the amount of R$ 30,255 (R$ 8,068 in 2011 and R$ 8,242 as of 1/1/2011), relating to the period September 2000 through December 2012, net of the partial payments made up to December 30, 2012. These balances were determined based on calculations prepared and published by the CCEE.

The breakdown of these amounts, including the balance recorded under "suppliers payable" in the current liabilities of R$ 1,001 in 2011 (R$ 1,125 as of 1/1/2011), referring to the acquisition of electricity at CCEE and system service charges of R$ 7,799 (R$ 312 in 2011 and R$ 2,402 as of 1/1/2011), are shown below:

Breakdown of CCEE credits	2012	2011	1/1/2011
Outstanding balances	22,380	-	273
Credits linked to court injunctions up to December 2002	6,387	6,387	6,387
Overdue credits (*)	1,488	1,681	1,582
	30,255	**8,068**	**8,242**
(-) Energy acquisitions at CCEE	-	(1,001)	(1,125)
(-) System service charges	(7,799)	(312)	(2,402)
	22,456	**6,755**	**4,715**

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

Transactions occurring as from July 2003 are being settled 45 days after the accrual month.

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

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

7 Credit receivables

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

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

	2012	2011	1/1/2011
Credit receivables	25,076	24,047	27,955
Adjustment to present value	(1,120)	(2,891)	(2,984)
(-) Allowance for doubtful accounts (*)	(12,107)	(8,732)	(8,543)
	11,849	**12,424**	**16,428**
Current	7,739	10,014	11,033
Noncurrent	4,110	2,410	5,395

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

As of December 31, 2012, the maturities of receivables are scheduled as follows:

	2012
Overdue	12,107
2013	7,739
2014	2,216
2015	979
2016	523
2017	381
2018 onwards	11
Total	**23,956**

8 Allowance for doubtful accounts

Changes in provisions	2012	2011
Opening balance - 2011 and 1/1/2011	12,895	11,633
Provisions recorded in the year	7,273	3,861
Reversal of provisions in the year	(3,556)	(2,599)
Balance - current	**16,612**	**12,895**
Consumers and concessionaires	4,505	4,163
Credit receivables	12,107	8,732

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:

The periodical rate review occurs every 5 years, with the next review scheduled for April 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.

Rate adjustments:

On April 17, 2012 Resolution 1,278 ratified the Company's rate review in force since April 22, 2012. The effective rate impact felt by consumers was an increase of 4.97%.

10 Low income and other receivables

	2012	2011	1/1/2011
Low income	8,429	4,320	4,451
Service orders in progress - PEE and R&D	10,817	12,447	6,827
Service orders in progress - other	1,596	2,200	4,831
Deactivation orders in progress	(120)	(107)	(92)
Advances	2,004	1,994	2,260
Other	2,607	16,261	3,640
	25,333	**37,115**	**21,917**

Changes in low income follow:

	2012	2011
Balance - opening current - 2011 and 1/1/2011	4,320	4,451
Low-income Subsidy	36,446	23,654
Eletrobrás Reimbursement	(34,241)	(23,785)
Accounts receivable Eletrobrás	1,904	-
Balance - closing - current	**8,429**	**4,320**

These credits consist of the subsidy for the low-income residential sector with monthly consumption of under 220 KWh, subject to certain requirements being met. This revenue is paid for with funds from the RGR – Global Reversal Reserve and the CDE – Energy Development Account, both administrated by Eletrobrás. The balances not yet reimbursed have been recorded in the balance sheet under “low income and other receivables” in the current assets. Management does not expect to record any losses in the realization of the balance.

11 Recoverable taxes

	2012	2011	1/1/2011
Value Added Tax on Sales and Services - ICMS	14,300	15,190	15,007
Income Tax Withheld at Source - IRRF	951	1,903	-
Corporate Income Tax - IRPJ	2,445	2,012	3,983
Social Contribution on Net Income – CSSL	299	389	502
PIS and COFINS	23,141	19,008	18,653
Other	2,281	1,993	67
	43,417	**40,495**	**38,212**
Current	26,866	24,154	22,203
Noncurrent	16,551	16,341	16,009

12 Related-party transactions

The parent company provides administrative services to the Company on an arm’s length basis and supported by contracts approved by ANEEL. The transactions conducted in the period ended December 31, 2012 amounted to R$ 12,240 (R$ 11,681 in 2011 and R$ 10,573 as of 1/1/2011). The balance payable under suppliers payable amounts to R$ 961 (R$ 921 in 2011 and R$ 827 as of 1/1/2011).

	ESA	2012	2011	1/1/2011
Provision of services	12,240	12,240	11,681	10,573

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

D&O compensation

In the year ended December 31, 2012 the members of the Board of Directors received compensation of R$ 842 (R$ 791 in 2011) and the Executive Board R$ 1,924 (R$ 2,015 in 2011). In addition to this compensation, the Company provides private pension, health insurance and life insurance benefits to its directors, generating an expense of R$ 278 (R$ 296 in 2011). The social charges on the compensation amounted to R$ 441 (R$ 487 in 2011).

In the year ended December 31, 2012 the highest and lowest remuneration attributed to directors for the month of December was R$ 40 and R$ 3 (R$ 36 and R$ 3 in 2011) respectively. The average compensation as of December 31, 2012 was R$ 12 (R$ 11 in 2011).

The AGM held in April 2012 ratified the overall annual compensation limit of the directors and officers for FY 2012 at R$ 4,209.

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

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

Deferred taxes recognized in the balance sheet:

	2012	2011	1/1/2011
Assets			
Tax loss carryforward	-	1,179	5,789
Negative calculation base of social contributions	-	539	2,172
Temporary differences (1)			
Income Tax	17,090	13,360	12,512
Social Contributions	6,000	4,658	4,353
Total noncurrent	**23,090**	**19,736**	**24,826**
Liabilities			
Income Tax	-	4,291	2,404
Social Contributions	-	1,545	588
Total noncurrent	-	**5,836**	**2,992**

Temporary differences are as follows:

	2012	
	Calculation basis	Temporary IR and CS
Swap earnings	(20,100)	(6,834)
Provisions made	97,898	33,285
Financial restatement of accounts receivable from the concession - VNR	(13,344)	(4,537)
Other	3,458	1,176
Total	**67,912**	**23,090**

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

Period	Realizations of Tax credits
2013	2,763
2014	2,763
2015	2,763
2016	2,115
2017	2,115
2018 to 2021	10,571
Total	**23,090**

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

	2012	2011
Income before tax	75,961	63,675
Combined tax bracket	34%	34%
Income and social contribution taxes expense, calculated at the total tax bracket	(25,827)	(21,650)
Adjustments:		
Exclusions - SUDENE Tax incentive (*)	16,392	10,131
Permanent additions (**)	2,525	1,028
Income tax and social contribution expense	(6,910)	(10,491)
Effective rate	**9.1%**	**16.5%**

(*) The decreases to income tax and surcharges resulting from the SUDENE Incentive of R$ 16,392 as of December 31, 2012 (R$ 10,131 in 2011) have been directly recorded in the income statement for the year under "income tax", in accordance with Law 11638/07 and Provisional Law 449/08.

The Company has obtained a reduction to its income tax and surcharges until the 2013 financial year. Approval was obtained from the Ministry of Social Integration in December 2012 for its new application for a tax incentive of 75% for the period 1/1/2012 to 12/31/2021, submitting an application to the federal tax authorities in February 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. On December 31, 2012 the company began recognizing the VNR – New replacement value, ratified by ANEEL, for assets comprising the concession, restated by the variance of the IGP-M price index, recognizing R$ 13,344 in the net income for the year in financial revenue restatement of concession accounts receivable - VNR.

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

See below the changes occurred:

Financial asset - historic cost - 1/1/2011	22,673
Additions in the year	11,348
Financial asset - historic cost - 2011	34,021
Additions in the year (*)	83,810
Write-offs in the year	(1,029)
Financial asset - historic cost - 2012	116,802
Restatement of accounts receivable from the concession - VNR	13,344
Financial asset - restated cost - 2012	**130,146**

(*) Includes R$ 37,629 referring to the application of Normative Resolution 474 which established the new useful economic life for concession assets, converted into annual depreciation rates, retrospectively applicable from January 01, 2012.

15 Intangible assets and PPE

	2012	2011	1/1/2011
Concession agreement and studies and projects	253,240	295,984	249,924
Concession right	332,947	351,138	368,828
Total	**586,187**	**647,122**	**618,752**

a) Concession arrangement

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

INTANGIBLE ASSETS	Opening Balance 2011	Addition	Transfers	Write-offs (*)	Amortization	Closing Balance 2012
Intangible assets in service						
Cost:	722,459		50,165	(76,561)	-	696,063
Accumulated Amortization	(301,151)		14,838	7,529	(30,734)	(309,518)
Subtotal	421,308	-	65,003	(69,032)	(30,734)	386,545
In Progress	80,842	94,281	(79,363)	(53,176)	-	42,584
Total	**502,150**	**94,281**	**(14,360)**	**(122,208)**	**(30,734)**	**429,129**
Special Obligations						
In Service						
Cost	156,971	-	20,016	(22,177)	-	154,810
Accumulated Amortization	(25,099)	-	-	-	(7,177)	(32,276)
Subtotal	131,872	-	20,016	(22,177)	(7,177)	122,534
In Progress	74,294	11,139	(20,016)	(7,000)	-	58,417
Total special obligations	**206,166**	**11,139**	**-**	**(29,177)**	**(7,177)**	**180,951**
Total Intangible Assets	**295,984**	**83,142**	**(14,360)**	**(93,031)**	**(23,557)**	**248,178**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Cost:						
Software			19			19
Buildings and improvements			-			-
Machinery and equipment			21,665	(13,627)		8,038
Vehicles			308			308
Furniture and fixtures			7,206			7,206
Accumulated Depreciation			(14,838)	4,931	(602)	(10,509)
Total PP&E in service	-	-	14,360	(8,696)	(602)	5,062
Grand Total	**295,984**	**83,142**	**-**	**(101,727)**	**(24,159)**	**253,240**

(*) Includes R$ 83,810 transfer to concession accounts receivable (see note 14) and R$ 5,062 transferred to property, plant and equipment.

	Opening Balance 1/1/2011	Addition	Transfers	Write-offs	Amortization	Closing Balance 2011
In Service						
Cost	685,121	-	40,582	(3,244)	-	722,459
Amortization	(269,254)	-	-	2,109	(34,006)	(301,151)
Subtotal	415,867	-	40,582	(1,135)	(34,006)	421,308
In Progress (*)	50,341	81,796	(40,582)	(10,713)	-	80,842
Total	**466,208**	**81,796**	**-**	**(11,848)**	**(34,006)**	**502,150**
Special Obligations						
In Service						
Cost	155,866	-	12,203	(11,098)	-	159,971
Amortization	(17,906)	-	-	-	(7,193)	(25,099)
Subtotal	137,960	-	12,203	(11,098)	(7,193)	131,872
In Progress (*)	78,324	11,742	(12,203)	(3,569)	-	74,294
Total	**216,284**	**11,742**	**-**	**(14,667)**	**(7,193)**	**206,166**
Grand Total	**249,924**	**70,054**	**-**	**2819**	**(26,813)**	**295,984**

The Company uses the following depreciation rates:

Depreciation rates of property, plant and equipment	Fees
Reservoirs, dams and power tunnels	2.94%
Buildings and improvements	2%
Machinery and equipment	2.91%
Vehicles	20%
Furniture and fixtures	10%

The assets used by the Company in its operations are tied to public energy distribution services, and may not be removed, sold, transferred or pledged under mortgage guarantee without the prior, express consent of the Regulatory Authority. ANEEL Resolution 20/99 regulates the disassociation of assets from the Public Electricity Service concessions, granting prior authorization for the disassociation of assets when destined for disposal, also determining the proceeds of the sale be deposited in a specific bank account and reinvested in concession-related assets.

The amortization is being conducted over the arrangement term based on the economic benefits generated annually. The average weighted amortization rate used is 3.77% (4.75% in 2011) .

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 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:	2012	2011	1/1/2011
Consumer contributions	80,974	73,311	67,074
Government Subsidy – CDE funds	132,617	131,379	141,180
State Government Subsidy	43,081	40,918	40,918
Reversal reserve	302	302	302
(-) Accumulated amortization	(32,276)	(25,099)	(17,906)
Total	**224,698**	**220,811**	**231,568**
Allocation:			
Accounts receivable from the concession	43,747	14,645	15,284
Infrastructure - Intangible assets in service	122,534	131,872	137,960
Infrastructure - Intangible assets in progress	58,417	74,294	78,324
Total	**224,698**	**220,811**	**231,568**

- Consumer contributions refer to third-party participation in construction work to supply electricity to areas not embraced by the electricity concessionaires' expansion projects.
- Government subsidies – CDE funds and Government subsidies derive from the Energy Development Account - CDE and are allocated to the Light for All program.
- The reversal reserve, constituted up until December 31, 1971, represents the amount of proceeds deriving from the reversal fund, which have been invested in the Company's expansion project, charged interest of 5 % per annum paid monthly.

During the period ended December 31, 2012, 2011 and 2010 the Company transferred financial charges to the intangible assets in progress, as shown below:

	2012	2011
Debt charges - interest	55,927	49,740
(-) transfer to intangible assets in progress (*)	(4,422)	(3,905)
Net effect on income	**51,505**	**45,835**

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

b) Concession right

The goodwill incorporated by the Company is being amortized from April 1998 and will continue to be amortized until the end of the electricity distribution concession in December 2027, based on this Company's projected income. Amortizing the goodwill will generate a tax benefit of 34%. As of December 31, 2012 the amortization of the goodwill and tax benefit was projected as follows:

Amortization period	Balance	Reduction in income and social contribution taxes
2013 and 2014	37,891	12,882
2015 and 2016	39,907	13,568
2017 and 2018	41,927	14,255
2019 and 2020	43,943	14,941
2021 and 2022	45,932	15,617
2023 and 2024	47,905	16,289
2025 onwards	75,442	25,650
Total	**332,947**	**113,202**

The changes are presented below:

	2012	2011	1/1/2011
Balance - opening	**351,138**	**368,828**	**385,305**
Amortization in the year	(18,191)	(17,690)	(16,477)
Closing balance	**332,947**	**351,138**	**368,828**

16 Suppliers payable

	2012	2011	1/1/2011
Supplies **(1)**:			
CCEE	-	1,001	1,125
Bilateral Contracts **(1)**	47,377	33,514	30,831
Use of the high-voltage national grid (1)	4,147	3,574	2,968
Connection to the grid **(1)**	354	304	244
Materials, services and other (2)	13,116	11,037	9,201
	64,994	**49,430**	**44,369**
Current	63,031	47,620	42,748
Noncurrent	1,963	1,810	1,621

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

17 Loans, financing and debt charges

Operations	Debt charges	Principal		Total			Re.
		Current	Noncurrent	2012	2011	1/1/2011	
Local currency							
Credit Receivables Investment Fund - Energisa Group II (*)	-	-	-	-	13,154	26,230	
Credit Receivables Investment Fund - Energisa Group III (*)	78	-	15,000	15,078	15,135	15,149	
Eletrobrás - Light for All – 1st tranche	12	153	455	620	785	952	
Eletrobrás - Light for All – 2nd tranche	46	421	2,021	2,488	2,955	3,421	
Eletrobrás - Light for All – 3rd tranche	67	512	2,481	3,060	3,506	5,097	
Eletrobrás - Light for All – 4th tranche	8	62	391	461	455	152	
Eletrobrás - Light for All – 5th tranche	3	29	255	287	286	173	
Eletrobrás- Subtransmission	89	3,141	2,606	5,836	6,123	4,934	
Eletrobrás – Rural Electrification Program	-	-	-	-	190	471	
Eletrobrás – Return of LPT	-	1,489	-	1,489	16,478	-	
Banco do Nordeste - Investment Financing 2005-2006 (FNE)	-	-	-	-	4,758	11,307	
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	24	2,229	8,780	11,033	13,537	16,314	
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	1,701	3,651	4,138	9,490	11,280	13,077	
Banco do Nordeste - Investment Financing 2009-2010 (FNE)	140	2,648	18,904	21,692	23,642	21,112	
Banco HSBC - FINAME	-	-	-	-	-	35	
Banco Itaú BBA - FINAME	60	508	5,275	5,843	3,138	527	
INERGUS Financing Defined Benefits Plan - 1	-	3,095	27,074	30,169	23,430	24,107	(2)
INERGUS financing Paid-in Plan	-	4,196	22,613	26,809	23,518	25,344	(2)
Total local currency	**2,228**	**22,134**	**109,993**	**134,355**	**162,370**	**168,402**	
(-) Borrowing costs incurred	(11)	(62)	(717)	(790)	(791)	(881)	
Foreign currency							
NOTES UNITS	11,561	218,647	-	230,208	211,484	187,853	(1)
Bank of America Merrill Lynch	135	-	61,305	61,440	-	-	
Total foreign currency	**11,696**	**218,647**	**61,305**	**291,648**	**211,484**	**187,853**	
(-) Borrowing costs incurred	-	(708)	-	(708)	(6,299)	(6,624)	
Total	**13,913**	**240,011**	**170,581**	**424,505**	**366,764**	**348,750**	

(*) To guarantee payment of the short-term portions, the Company maintains interest-earning bank deposits to the amount of R$ 10,364 (R$ 16,269 in 2011 and R$ 17,416 as of 1/1/2011), recorded under "secured funds" in the current and noncurrent assets.

(1) The NOTES UNITS contract has covenants which in general require the maintenance of certain financial indexes at certain levels. Failure to maintain these indices could result in early maturity of the debts. These requirements were being performed as of December 31, 2012. These contracts are subject to a currency swap and a financial derivative instrument.

(2) Refers to debt acknowledgement agreements signed with the Inergus Pension Fund for the Defined Benefit BD – 1 retirement benefit plans and Paid-In Plan (see note 30)

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

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

Contractual covenants of the loans and financing as of December 31, 2012:

	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	78	CDI	+ 0.7%	0.83%	
Eletrobrás - Light for All – 1st tranche	Oct-2016	monthly	Receivables	23	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 2nd tranche	Apr-2018	monthly	Receivables	32	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 3rd tranche	Oct-2019	monthly	Receivables	40	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 4th tranche	Jul-2022	monthly	Receivables	55	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 5th tranche	Oct-2022	monthly	Receivables	59	RGR	+ 5.0%	5.0%	
Eletrobrás- Subtransmission	Mar-2016	monthly	Receivables	15	RGR	+ 5.0%	5.0%	
Eletrobrás – Rural Electrification Program	Jul-2013	monthly	Receivables	6	RGR	+ 5.0%	5.0%	
Eletrobrás – Return of LPT	Jan 2013	monthly	-	1	Accrued Selic			
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	Jun-2017	monthly	Receivables + Reserve Fund	28	Fixed 8.3%		8.48%	**(2)**
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	Jun-2017	monthly	Receivables + Reserve Fund	17	TJLP	+ 4.0%	4.2%	(2)
Banco do Nordeste - Investment Financing 2009-2010 (FNE)	Aug-2019	monthly	Receivables + Reserve Fund	41	Fixed 8.4%		8.4%	**(2)**
Banco Itaú BBA - FINAME	Until Feb-2021	monthly	Guarantee Energisa S/A	50	fixed	4.5% to 5.5%	4.5% to 5.5%	
INERGUS Financing Defined Benefits Plan - 1	Mar-2029	monthly	Guarantee Energisa S/A	89	INPC/IPCA	+ 6.0%	6.0%	
INERGUS financing - Paid-in Plan	Sep-2021	monthly	Guarantee Energisa S/A	54	INPC/IPCA	+ 6.0%	6.0%	
NOTES UNITS	Jul-2013	final	-	7	US dollar	+ 10.5%	10.94%	**(1)**
Bank of America Merrill Lynch	Sep-2015	final	Guarantee Energisa S/A	33	Libor	+ 2.45%	2.45%	**(1)**

1 – With Swap.

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

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

Currency/indicators	**2012**	**2011**	**1/1/2011**
USD x R$	8.94%	12.58%	-4.30%
TJLP	5.0%	6.0%	6.0%
SELIC	8.49%	11.62%	9.77%
CDI	7.28%	11.60%	9.74%
IPCA	5.84%	6.50%	5.91%
IGP-M	7.81%	5.10%	11.32%

As of December 31, 2012, the maturities of the long-term financing are scheduled as follows:

	2012
2014	14,894
2015	76,181
2016	13,970
2017	11,728
2018	14,538
2018 onwards	39,270
Total	**170,581**

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

Contracts	2013	2014	2015	2015 onwards	2012
Credit Receivables Investment Fund - Energisa Group III	11	-	-	179	**190**
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	35	29	29	44	**137**
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	27	24	24	38	**113**
NOTES UNITS	708	-	-	-	**708**
Banco do Nordeste - Investment Financing 2009-2010 (FNE)	-	62	62	226	**350**
Total	**781**	**115**	**115**	**487**	**1,498**

18 Debentures (nonconvertible)

Main features of the debentures:

	1st Issuance (1)	2nd Issuance	Total
Issue type	Public	Public	
Issue date	11/8/2007	12/15/2009	
Maturity date	11/8/2015	12/15/2014	
Surety	Ordinary with Guarantee of Energisa S/A	Ordinary	
Yields	Exchange Variance + 8.85% p.a.	CDI + 1.0% p.a.	
TIR (effective interest rate)	Exchange variance + 8.90% p.a.	CDI + 1.06% p.a.	
Number of securities	42,000	60,000	
Value at issue	73,248	60,000	
Securities in circulation	42,000	60,000	
Interest grace period	6 months	6 months	
Renegotiation date	-	12/15/2012	
Amortizations/installments	3 annual	Final	
Balances in 2012 (2)	**86,749**	**45,560**	**132,309**
Current	29,601	95	29,696
Noncurrent	57,148	45,465	102,613
Balances in 2011 (2)	**79,548**	**60,010**	**139,558**
Current	1,160	319	1,479
Noncurrent	78,388	59,691	138,079
Balances at 1/1/2011 (2)	**70,600**	**59,973**	**130,573**
Current	1,145	313	1,358
Noncurrent	69,555	59,660	129,215

(1) Subject to a currency swap and financial derivative instruments

(2) R$ 705 (R$ 736 in 2011 and R$ 827 as of 1/1/2011) deducted as borrowing costs incurred during the contracting.

The debentures have covenants which in general require the maintenance of certain financial indexes at certain levels. Failure to maintain these levels could result in early maturity of the debts. These covenants were being performed as of December 31, 2012.

As of December 31, 2012 the maturities of the debentures are scheduled as follows:

	2012
2014	74,040
2015	28,573
Total	**102,613**

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

	1st Issuance	2nd Issuance	2012
2013	141	30	171
2014	128	279	407
2015	127	-	127
	396	**309**	**705**

45,745 of the total 60,000 debentures of Energisa Sergipe's 2nd debentures issuance were renegotiated on 12/15/2012 and 14,255 debentures were bought back by the Company due to the sale right held by the debenture holders for the amount of R$ 14,255.

Renegotiation clauses:

Description	Company	Renegotiation Date/ Optional Early Redemption	Premium	Terms
Debentures 1st issuance	Energisa Sergipe	At any time from year six, including from the issuance date.	N/A	The issuer may trigger the full or partial early redemption of the debentures at any time from year six, including from the issuance date.
Debentures 2nd issuance	Energisa Sergipe	December 15, 2012	N/A	The Board of Directors shall resolve the debenture renegotiation terms, which the Companies shall apprise the debenture holders of.

19 Taxes and social contributions

	2012	2011	1/1/2011
ICMS	15,826	14,429	13,286
Social Charges	1,151	1,139	1,081
IRPJ	6,195	677	764
CSSL	6,710	2,817	2,511
PIS/COFINS	13,067	10,354	7,755
Other	654	1,201	655
Total	**43,603**	**30,617**	**26,051**
Current	35,376	29,290	24,557
Noncurrent	8,227	1,327	1,494

20 Tax financing

Description	2012	2011	1/1/2011
Incentive under Law 11941/2009 - Refis IV	7,523	9,072	10,115
Number of payments	51	63	41
ICMS financing	-	35	134
Number of payments	-	4	16

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

As of December 31, 2012 the balance of this financing stands at R$ 7,523 (R$ 9,107 in 2011 and R$ 10,249 as of 1/1/2011).

As of December 31, 2012, 2011 and 1/1/2011 the balance of the financed taxes in the consolidated statement is scheduled as follows:

	2012	2011	1/1/2011
2011	-	-	7,687
2012	-	2,078	2,534
2013	1,770	1,654	28
2013 onwards	5,753	5,375	-
Total	**7,523**	**9,107**	**10,249**
Current	1,770	2,078	7,687
Noncurrent	5,753	7,029	2,562

21 Provisions for labor, civil and tax risks:

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

	2011	Provisions made	Reversal of provisions	Restatement	2012
Labor claims	15,021	3,412	(3,385)	900	15,948
Civil	5,208	299	(1,177)	269	4,599
Total	**20,229**	**3,711**	**(4,562)**	**1,169**	**20,547**
Restricted and escrow deposits (*)	(13,227)	-	-	-	(14,673)

(*) The Company has restricted and escrow deposits in its noncurrent assets of R$ 21,818 (R$ 20,844 in 2011). Provisions have not been made for R$ 7,145 (R$ 7,617 in 2011) as the chances of success are rated as possible or probable.

The amount of R$ 4,621 (R$ 5,660 in 2011) was paid in the financial year, consisting of labor claim settlements of R$ 3,341 (R$ 4,604 in 2011) and civil claim compensation of R$ 1,280 (R$ 1,056 in 2011).

	Opening balance 1/1/2011	Provisions made	Reversal of provisions	Restatement	Closing balance 2011
Labor claims	16,946	3,565	(5,582)	92	15,021
Civil	5,360	2,066	(2,119)	(99)	5,208
Total	**22,306**	**5,631**	**(7,701)**	**(7)**	**20,229**
Restricted and escrow deposits (*)	(14,629)	-	-	-	(13,227)

<u>Probable losses</u>

Labor claims

Based on the opinion of independent legal advisers, when applicable, the Company's legal advisers analyzed the labor claims in progress and accordingly made a provision of a further R$ 3,412 (R$ 3,565 in 2011), and reversed a provision of R$ 3,385 (R$ 5,582 in 2011).

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.

As of December 31, 2012 additional provisions were made of R$ 299 (R$ 2,066 in 2011) and provisions reversed of R$ 1,177 (R$ 2,119 in 2011).

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

Possible Losses

The Company is party to labor, civil and tax claims in progress amounting to R$ 241,353 (R$ 96,323 in 2011 and R$ 42,589 as of January 01, 2011), where the chance of success has been estimated as possible, meaning no provision was required.

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

Labor claims

Labor claims amounting to R$ 6,474 (R$ 8,358 in 2011 and R$ 55 as of January 01, 2011) seeking contractual/legal fees due to joint liability with outsourced companies, in addition to trade union fees.

Civil

These proceedings amounting to R$ 26,165 (R$ 18,119 in 2011 and R$ 15,988 as of January 01, 2011) are claiming indemnification for punitive/material damages and entail customer complaints about energy bills.

Tax

Proceedings claiming tax and contribution differences – IRPJ/CSLL/PIS/COFINS/INSS amounting to R$ 208,714 (R$ 69,846 in 2011 and R$ 26,546 as of January 01, 2011).

22 Shareholders' equity

22.1 Share capital and capital reserves

The subscribed and paid-in share capital is comprised of 122,147 common shares and 73,373 preferred shares. The preferred shares hold no voting rights but have priority in the reimbursement of capital in the event of Company liquidation and distribution of mandatory, non-cumulative dividends at 10% per annum over the company capital attributed to this kind of share.

The Extraordinary General Meeting held April 25, 2012 approved the capital increase of R$ 10,131 (R$ 8,171 in 2011), without the issuance of new shares, by capitalizing the balance of the tax incentive reserve - income tax reduction accumulated until December 31, 2011. The share capital accordingly fell to R$ 329,370 (R$ 319,239 in 2011).

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

As authorized by its Board of Directors, the Company has bought back 11 common shares of its issuance to be held in the Treasury, which have been recorded under "treasury stock" in the shareholders' equity at the amount of R$ 18. As it is a wholly owned subsidiary, the Company's shares have no market value.

22.2 Profit reserve - legal reserve

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

22.3 Profits reserve - income tax reduction

As it operates in the infrastructure sector in the North-East region of Brazil, the Company obtained an income tax reduction (75% of the tax due on operating profit) for the purposes of investments in projects expanding its installed capacity, as determined by article 551 (3) of Decree 3000, dated March 26, 1999.

This reduction was approved for the period 2004 to 2013 by Constitutive Report 0106/2005 – ADENE issued on March 31, 2005, which imposes a number of obligations and constraints:

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

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

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

Approval was obtained from the Ministry of Social Integration in December 2012 for its new application for a tax incentive of 75% for the period 1/1/2012 to 12/31/2021, submitting an application to the federal tax authorities in February 2013.

Following the enactment of Law 11638/07 and Law 11941/09, the tax incentives are now recorded in the income statement for the year and subsequently transferred to the profits reserve and income tax reduction reserve. The Company obtained an income tax and surcharge reduction of R$ 16,392 (R$ 10,131 in 2011) in the year ended December 31, 2012.

22.4 Dividends

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

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

	2012	2011
Net income for the year	69,051	53,184
Legal reserve	(3,453)	(2,659)
Exploration Profit - ADENE Tax Benefit	(16,392)	(10,131)
Expired dividends	-	54
Adjusted net income	**49,206**	**40,448**
Mandatory dividends (25%)	12,302	10,112
Prepaid dividends paid (*):		
. In August 2012 - R$ 148.23 per share (September 2011 - R$ 81.96 per share)	28,980	16,024
. In December 2012 - R$ 64.10 per share (December 2011 - R$ 44.27 per share)	12,532	8,655
	41,512	24,679
Additional proposed dividends R$ 39.35 per share (R$ 80.65 per share in 2011) (**)	7,694	15,769
Total dividends	**49,206**	**40,448**
% over adjusted net income	100	100

(*) The prepaid dividends approved by the Board of Directors meetings held August 09 and December 20, 2012 (August 10 and December 23, 2011) were calculated on the net income based on the balance sheet as of June 30 and November 30, 2012 (June 30 and September 30, 2011).

(**) The additional dividends proposed were recorded in the specific item dividends payable in shareholders' equity, in accordance with CPC-08 standards. On February 14, 2012 the Board of Directors resolved to pay these dividends by the last working day of March 2012.

23 Operating revenue

	2012			2011		
	Not audited by the independent auditors			Not audited by the independent auditors		
	No. of consumers	MWh	R$	No. of consumers	MWh	R$
Residential	585,080	840,768	400,034	559,557	805,919	341,674
Industrial	2,677	305,736	106,060	2,744	354,938	108,616
Commercial	39,081	475,771	221,712	37,975	452,051	196,763
Rural	18,102	108,803	22,784	17,723	84,377	18,065
Government:						
Federal	112	30,644	12,076	110	30,471	11,117
State	4,605	62,500	25,077	4,533	62,151	23,084
Municipal	767	29,406	11,799	754	29,242	10,863
Public Lighting	633	149,183	28,303	565	140,347	25,369
Public Utility	1,171	209,633	42,354	1,164	199,587	37,836
Internal Use	50	2,893	-	46	2,960	-
Subtotal	**652,278**	**2,215,337**	**870,199**	**625,171**	**2,162,043**	**773,387**
Revenue from Remuneration of Concession Assets	-	-	6,656	-	-	2,765
Electricity sales to distributors	2	289,993	50,184	2	304,046	22,853
Sales not invoiced (net)	-	25,463	4,508	-	2,830	6,283
Provision of the transmission and distribution system	-	-	55,033	-	-	48,254
Energy sales to free consumers	15	-	-	10	-	-
Construction Revenue	-	-	78,086	-	-	70,483
Other operating revenue	-	-	13,740	-	-	18,851
Total - gross operating revenue	**652,295**	**2,530,793**	**1,078,406**	**625,183**	**2,468,919**	**942,876**
Deductions from operating revenue						
ICMS	-	-	182,647	-	-	161,744
PIS	-	-	16,232	-	-	14,448
COFINS	-	-	74,769	-	-	66,552
ISS	-	-	142	-	-	169
Quota for RGR	-	-	10,234	-	-	5,817
Energy Efficiency Program - PEE	-	-	3,373	-	-	2,938
Energy Development Account - CDE	-	-	5,738	-	-	5,095
Energy Development Account - CCC	-	-	21,912	-	-	29,428
Research and Development Program – P&D	-	-	5,396	-	-	4,701
Total	-	-	320,443	-	-	290,892
Total - net operating revenue	**652,295**	**2,530,793**	**757,963**	**625,183**	**2,468,919**	**651,984**

24 Operating expenses

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

	COST OF SERVICE			OPERATING EXPENSES			
TYPE OF EXPENSE	ON ENERGY	OPERATION	PROVIDED TO THIRD PARTIES	ON SALES	GENERAL AND ADMIN.	TOTAL 2012	TOTAL 2011
Electricity purchased for resale	310,961	-	-	-	-	310,961	263,168
Charge for using transmission and distribution system	50,609	-	-	-	-	50,609	32,282
Personnel and management	-	27,795	61	4,536	36,831	69,223	61,386
Private pension fund	-	2,886	-	470	3,816	7,172	1,339
Material	-	2,358	4,212	1,915	1,672	10,157	11,142
Outsourced services	-	6,034	5,028	9,774	29,879	50,715	43,782
Depreciation and amortization	-	21,540	-	117	20,682	42,339	44,503
Allowance for doubtful accounts	-		-	5,190	-	5,190	3,658
Provisions for risks	-	(851)	-	-	-	(851)	(2,070)
Construction cost	-		78,086	-	-	78,086	70,483
Other	-	2,053	-	1,659	4,547	8,259	7,997
	361,570	**61,815**	**87,387**	**23,661**	**97,427**	**631,860**	**537,670**

25 Other income

	2012	2011
Gains on the deactivation/sale of assets and rights	4,699	1,427
Loss on the deactivation/sale of assets and rights	(20,771)	(1,467)
Other revenue	285	62
Total	**(15,787)**	**22**

26 Financial revenue and expenses

	2012	2011
Revenue on short-term investments	7,384	12,306
Monetary variation and arrears surcharge on energy sold	12,293	8,937
Restatement of accounts receivable from the concession - VNR	13,344	-
Other financial revenue	3,077	4,360
Total financial revenue	**36,098**	**25,603**
Debt charges - interest	(55,928)	(49,740)
Debt charges - monetary and exchange variance	(37,350)	(32,623)
Transfer to orders in progress	4,422	3,905
Present value adjustment of assets	1,772	93
Mark-to-market of derivatives	4,260	(690)
Derivative financial instruments	20,766	14,014
Other financial expenses	(8,395)	(11,223)
Total financial expense	**(70,453)**	**(76,264)**
Net financial income (expenses)	**(34,355)**	**(50,661)**

27 Earnings per share

The Company did not change the number of shares in circulation in its share capital. The basic and diluted net income per share is therefore being calculated according to the number of shares in circulation at the end of the year, i.e. 122,136 common shares and 73,373 preferred shares.

28 Insurance coverage

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

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

The main items covered are:

			Annual premium	
Lines	**Maturity Date**	**Insurance Coverage**	**2012**	**2011**
Operating Risks	10/23/2013	23,000	245	152
General Civil Liability	10/23/2013	44,572	167	166
Automobiles – Third-party material and personal damages.	10/23/2013	Up to R$ 200,000 / vehicle	84	85
Collective life insurance – Personal Death and Accidents	12/31/2013	48,826	226	192
			722	**595**

Nominated Risks

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

Civil Liability

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

Vehicles

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

Collective Life Insurance and Personal Accidents

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

29 Financial instruments and risk management

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

	2012		2011		1/1/2011	
ASSETS	**Book**	**Fair value**	**Book**	**Fair value**	**Book**	**Fair value**
Cash and cash equivalents	53,225	53,225	78,427	78,427	77,983	77,983
Money market and secured funds	56,502	56,502	33,296	33,296	31,214	31,214
Consumers and concessionaires	125,061	125,061	115,659	115,659	94,644	16,428
Credit receivables and other	11,849	11,849	12,424	12,424	16,428	16,428
Accounts receivable from the concession	130,146	130,146	34,021	34,021	22,673	22,673
LIABILITIES						
Suppliers payable	(64,994)	(64,994)	(49,430)	(49,430)	(44,369)	(44,369)
Loans, financing, debt charges and debentures	(556,814)	(572,071)	(506,322)	(537,897)	(479,323)	(497,441)

In compliance with CVM Instruction 475/2008 and Resolution 604/2009, the description of the book balances and the fair values of the financial instruments included in the balance sheet at December 31, 2012, 2011 and January 01, 2011 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, market valuations and/or effective interest rates.

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 and 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 obtained from Centrais Elétricas Brasileiras S.A. – Eletrobrás, BNB and BNDES , are compatible with the fair value of the transactions, as similar transactions are not available on the financial market, with comparable maturities and interest rates. In the case of the BONDs, Credit receivables investment funds and the 1st and 2nd debentures issuance and Bank of America Merrill Lynch, the book value differs from the fair value as there is a market on which the securities can be traded.

Derivatives

Note that the estimated fair values of the financial assets and liabilities were determined through information available in the market and appropriate valuation methodologies. 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.

The Company has the policy of managing market risks, thereby avoiding assuming material positions exposed to fair value fluctuations. They therefore only seek to use instruments which provide greater risk control. The derivative contracts involve swap operations and options with interest and exchange rates for hedge transactions against adverse exchange variance in their US dollar denominated debt.

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.

- **Limitations**

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. It has therefore implemented operating limits with pre-established amounts and indicators in the "Financial Risk Management policy" (available on the Company's site) and in the internal regulations of the Executive Board of the Company. The Executive Board issues a monthly report on budgetary performance and risk factors involving the Company.

The Company's risk management policy was established to detect, analyze and monitor risks encountered, in order to establish limits and check compliance with them. Risk management policies and systems are reviewed regularly in order to evaluate changes in market conditions and the Company's activities.

The "Financial Market Risk Management Policy" was introduced on May 11, 2009 and was revised for the first time on April 27, 2010 and again on February 24, 2011; this policy can be viewed on the Company's website.

The Company has been using the services of a specialized, independent company in cash and debt risk management, which means that the main macroeconomic indicators and their impact on results are monitored on a daily basis, in particular derivative transactions. This allows contracting and repositioning strategies to be devised, pursuing low risk and higher financial income.

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.

	Up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Suppliers payable	63,031	-	-	-	1,963	64,994
Loans, financing, debt charges and debentures	35,054	339,994	224,782	40,685	94,394	794,909
Total	**98,085**	**339,994**	**224,782**	**40,685**	**96,357**	**799,903**

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 policy also gives priority to allocating the funds to short-term investments, with daily liquidity, whenever possible. It is also overseen by the Audit Committee of the Board of Directors, created in the first quarter of 2010.

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

Exposure to credit risks

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

	2012	2011	1/1/2011
Cash and cash equivalents	53,225	78,427	77,983
Money market and secured funds	56,502	33,296	31,214
Consumers and concessionaires	125,061	115,659	94,644
Credit receivables and other	11,849	12,424	16,428
Accounts receivable from the concession	130,146	34,021	22,673

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 18 consist of financing from several national development agencies (Eletrobrás, Banco do Nordeste and BNDES) and other institutions in the capital market.

The market rate (or opportunity cost of capital) 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's income is susceptible to variations due to the volatility of the currency coupon and exchange rate on liabilities denominated in foreign currencies, mainly the US dollar, which lost 8.94% in the period ended December 31, 2012 as compared to December 31, 2011, quoted at R$ 2.0435 / USD.

R$ 378,793 (R$ 291,458 in 2011 and R$ 258,908 as of 1/1/2011) of Energisa SE's bank debts and issuances of R$ 559,017 (R$ 514,178 in 2011 and R$ 487,655 as of 1/1/2011) as of December 31, 2012 is denominated in US dollars deriving from the international Notes Units issuance, with an outstanding principal balance at the end of the year of USD 112.7 million (principal of USD 107.0 million), including interest. ii) USD 42.6 million (principal of USD 42 million) in debentures issued and (iii) loan from Bank of America Merryl Lynch with a balance at the end of the year of USD 30.1 million, including interest.

The notes Units mature on July 19, 2013 and pay interest of USD + 10.5% per annum. The debentures yield interest of USD + 8.85% per annum and also have a long-term maturity over three annual installments, the last of which matures on November 08, 2015. The loan obtained matures on September 21, 2015 and incurs a cost of USD + (LIBOR + 2.45%) per annum.

The balance sheet as of December 31, 2012 presents R$ 15,394 in the noncurrent assets (R$ 6,359 in 2011 and R$ 7,049 as of 1/1/2011) and R$ 16,089 (R$ 34,236 as of 1/1/2011) in the noncurrent liabilities referring to the mark-to-market of the financial derivatives related to the foreign exchange rate and interest, resulting from a combination of factors usually adopted for the mark-to-market of these instruments, such as volatility, currency coupon, interest rates and the US dollar exchange rate. This is not a material liability, because the reversal value of derivatives at the calculation date is estimated, which does not correspond to the hedge objective expected by management. The mark-to-market entries made in the financial statements are reversed when the caps established for the existing operations are not exceeded, as shown below. Furthermore, further deterioration of the volatility, the currency coupon and the f/x rate could result in the entry increasing.

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

1. Hedge for the amount of USD 42 million and USD 0.6 million of interest through a series of currency swaps with exchange-rate cap of between R$/USD 2.691 (Nov-12) and R$/USD 2.61 (Nov-13) until 11/08/2013, in order to hedge the debenture issuance against adverse exchange variance, thereby conducting a swap of the cost of USD + 8.85% p.a. for 120.6% of the CDI variance, hedging interest payments scheduled up to 11/08/2013 and the value of the principal at the latter date.

2. Hedge for the principal of USD 107.0 million and interest of USD 5.7 million through a series of currency swaps with exchange-rate caps of between R$/USD 2.7150 (Jul-12) and R$/USD 2.58 (Jul-2013) until 7/19/2013, referring to the international Notes Units issuance. The operation involves a swap of the cost of USD + 10.5% p.a. for 131.5% of the CDI variance, hedging semi-annual interest payments scheduled up to 07/19/2013 and the value of the principal at the latter date.

3. Hedge for the principal and interest of USD 30.1 million through a series of currency swaps with exchange-rate cap of R$/USD 2.90 until 9/21/2015, relating to the loan from Bank of America Merrill Lynch. The operation involves a swap of the cost of USD + (LIBOR + 2.45%) per annum for 100% of the CDI variance, hedging semi-annual interest payments scheduled up to 9/21/2015 and the value of the principal at the latter date.

In the period the foreign exchange hedges yielded a gain of R$ 20,766 (R$ 14,014 in 2011), due to appreciation of the US dollar.

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

In accordance with CVM Resolution 550/08, revoked by CVM Resolution 603/09, the values of the Company’s financial derivatives as of December 31, 2012, 2011 and 1/1/2011 are summarized as follows:

Derivative Financial Instruments									
	Reference Value				Fair Value			Accumulated Effect	
	2012	2011	1/1/2011	Description	2012	2011	1/1/2011	Receivable/ (Received)	Payable / (paid)
	Notional (BRL)			Receivable Position					
				Foreign currency - USD	333,105	321,774	300,657	-	(1,192)
Swap with options - Bond and Debentures	227,728	251,010	276,389	Liability Position					
				CDI Interest Rate	(319,734)	(327,262)	(323,707)	-	-
				Foreign Currency Options (USD)	(106)	(4,242)	(4,137)	-	-
					13,265	**(9,730)**	**(27,187)**		
				Receivable Position					
				Foreign currency - USD	64,174			-	
Swap with Merrill Lynch options	60,690			Liability Position					
				CDI Interest Rate	(60,770)			-	-
				Foreign Currency Options (USD)	(1,275)			-	(511)
					2,129			-	-

The Fair Value of the derivatives as of December 31, 2012 as of December 31, 2011 was calculated based on the market price quotes for similar contracts. Their variance is directly associated with the variance of the debt balances listed in the note 18 and the positive performance of the hedge mechanisms used, as described above. These contracts do not stipulate interim payments before their maturity date. The Company does not intend to settle these contracts before maturity. It also has different expectations for the results presented as Fair Value – as shown below. To ensure perfect management, daily monitoring is conducted in order to keep risk to a minimum and obtain better financial results.

The mark-to-market (MtM) of Energisa SE’s 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). The Ptax exchange rate was obtained from the Central Bank's site. The implicit dollar volatility for options was obtained from other market sources.

Sensitivity Analysis

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

a) Exchange variance

If the exchange exposure as of December 31, 2012 and December 31, 2011 were maintained, and the effects on the future interim financial statements simulated by type of financial instrument and for three different scenarios, the following results would be obtained (restated as for the interim reporting date):

Operation	Exposure	Risk	Scenario I (Probable)(*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Financial instruments - Debentures		USD	8,594	(13,929)	(36,453)
Swap with Options:					
Receivable position - Foreign Currency - USD	92,525	Higher f/x rate	89,822	112,278	134,734
Payable Position - CDI Interest Rate	(88,024)		(88,024)	(88,024)	(88,024)
Foreign Currency Options - USD	(84)				(21,687)
Subtotal	4,417		1,798	24,254	25,023
Net	4,417		10,392	10,325	(11,430)
Financial instruments - Bond			3,579	(55,671)	(114,921)
Swap with Options:					
Receivable position - Foreign Currency - USD	240,580		236,998	296,248	355,497
Payable Position - CDI Interest Rate	(231,711)	Higher f/x rate	(231,711)	(231,711)	(231,711)
Foreign Currency Options - USD	(21)			(1,340)	(59,140)
Subtotal	8,848		5,287	63,197	64,646
Net	8,848		8,866	7,526	(50,275)
Financial instruments - Loans			9,278	(4,577)	(18,431)
Swap with Options:					
Receivable position - Foreign Currency - USD	64,174	Higher f/x rate	55,417	69,271	83,125
Payable Position - CDI Interest Rate	(60,770)		(60,770)	(60,770)	(60,770)
Foreign Currency Options - USD	(1,274)				(4,677)
Subtotal	2,130		(5,353)	8,501	17,678
Net	**2,130**		**3,924**	**3,924**	**(753)**
Total	**15,395**		**23,183**	**21,775**	**(62,458)**

(*) Considers the macroeconomic scenario presented by the Focus Survey as of December 31, 2012 for the future dates until the final settlement of the operations.

In the "Probable Scenario", calculated based on the net analysis of the above operations until the maturity thereof, adjusted to present value by the fixed rate in Brazilian reais as of December 31, 2012, the derivatives are effective, which is reflected in the positive present value of R$ 23,183, 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$ 21,775 and a negative value of R$ 62,458 in the scenarios where the Brazilian currency lost 25% and 50% against the US dollar, a scenario in which the current caps would be exceeded.

b) Interest rate variance

Considering the exposure of financial instruments indexed to interest rates as of December 31, 2012 is maintained and the respective accumulated annual indexes are (CDI 7.25% p.a., LTIR 5% p.a. and FNE 8% p.a.) 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	88,614	Increase in CDI	6,688	8,363	10,039
Payable financial instruments:					
	(62,437)	Increase in CDI	(5,595)	(6,724)	(7,873)
Loans and financing	(9,491)	Increase in LTIR	(873)	(997)	(1,120)
	(32,725)	Increase in FNE	(4,017)	(4,508)	(4,999)
Subtotal (**)	**(104,653)**		**(10,485)**	**(12,229)**	**(13,992)**
Total (Losses)	**(16,039)**		**(3,797)**	**(3,866)**	**(3,953)**

(*) Considers the CDI at December 31, 2013 (7.25% p.a.), quote of the estimates presented by the recent BACEN survey, dated December 31, 2012, TJLP of 5% p.a. and FNE funds of 8% p.a. (loans contracted from Banco do Nordeste already reflecting the performance bonus).

(**) Does not include dollar transactions worth R$ 291,648

Fair value hierarchy

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

The different levels were defined as follows:

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

Financial instruments	Level	2012	2011	1/1/2011
Assets				
Money market and secured funds	2	56,502	33,296	31,214
Derivative financial instruments	2	15,394	6,359	7,049
Liabilities				
Derivative financial instruments	2	-	(16,089)	(34,236)

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 year.

30 Employee benefits

a) Retirement and pension supplementation plan

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

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

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

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

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

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

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

Energisa SE also signed a debt acknowledgment agreement for the actuarial deficit of the defined-benefit plans (BD) and Paid-in Plan for the amount of R$ 25,126 and R$ 27,426 respectively. The balance of the contracts as of December 31, 2012 is R$ 30,169 and (R$ 23,430 in 2011 and R$ 24,107 as of 1/1/2011) and R$ 26,809 (R$ 23,518 in 2011).

A breakdown of the pension and retirement plans follows:

		Annual contribution				Actuarial deficit (*)		
Company	**Beneficiary Plan**	**2012**	**2011**	**1/1/2011**	**% over payroll**	**2012**	**2011**	**1/1/2011**
Energisa SE	BD	895	575	148	10	(23,055)	(18,779)	(16,160)
Energisa SE	CD	905	687	393	3	-	-	-
Energisa SE	PS	458	245	3,314	-	(37,855)	(24,186)	(21,164)
						(60,910)	**(42,965)**	**(37,324)**

(*) The Company has debt acknowledgment agreements under loans and financing amounting.

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

The actuarial position of liabilities related to the defined-benefit retirement plans as of December 31, 2012, 2011 and 1/1/2011 are shown below, in accordance with the rules established by CVM Resolution 600. The Projected Credit Unit Method was used to determine the actuarial deficit:

	2012		2011		1/1/2011	
	PS (*)	BD (*)	PS (*)	PS (*)	BD (*)	PS (*)
Present value of actuarial obligations	(50,759)	(107,241)	(32,347)	(32,347)	(25,725)	(82,632)
Fair value of the plan's assets	12,904	51,786	8,161	8,161	4,561	54,742
Present value of the obligations in excess of the fair value of the assets	(37,855)	(55,455)	(24,186)	(24,186)	(21,164)	(27,890)
Unrecognized actuarial losses (gains)	-	32,400	-	-	-	11,730
Net assets (liabilities)	**(37,855)**	**(23,055)**	**(24,186)**	**(24,186)**	**(21,164)**	**(16,160)**

(*) Part of the deficit is covered by a debt acknowledgement agreement with Inergus.

Statement of the expenses of the Inergus benefit plan for the 2013 financial year according to the criteria of CVM Resolution 600:

	PS	BD
Current service cost	1,890	1,207
Interest cost	4,797	9,700
Expected return on the plan's assets	(888)	(3,350)
Unrecognized actuarial losses	-	576
Employee contributions	-	(791)
Expenses projected for 2013	**5,799**	**7,342**

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

	2012		2011		1/1/2011	
	PS	BD	PS	BD	PS	BD
Net actuarial deficit at the start of the year	24,186	18,779	21,164	16,160	21,627	14,061
Current expenses	4,157	5,237	3,625	3,240	3,440	2,657
Company Contributions	-	(961)	-	(621)	-	(558)
Impact resulting from reducing the benefit plan	9,512	-	(603)	-	(3,903)	-
Net actuarial deficit at year-end	**37,855**	**23,055**	**24,186**	**18,779**	**21,164**	**16,160**

The plan's assets are:

	PS			BD		
	2012	2011	1/1/2011	2012	2011	1/1/2011
Fixed-income fund quotas	11,291	7,028	3,639	32,669	46,610	51,817
Variable-income fund quotas	863	360	-	2,817	2,412	-
Property investments	-	-	-	1,160	1,172	1,177
Shares	-	-	-	475	446	223
Other	629	542	680	356	406	3,119
	12,783	**7,930**	**4,319**	**37,477**	**51,046**	**56,336**

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

	PS	BD
Fair value of assets at start of year	8,161	49,354
Benefits paid	(653)	(9,773)
Participant contributions in the year	-	880
Sponsor contributions invested in the year	-	961
Effective return on assets	773	4,457
Actuarial gains (losses) of the assets	4,623	5,907
Fair value of assets at end of year	**12,904**	**51,786**

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

	PS	BD
Balance at beginning of year	32,347	88,318
Benefits paid in the year	(653)	(9,773)
Interest on actuarial obligation	3,596	9,306
Current service cost (including interest)	1,334	1,277
Gains (losses) on actuarial obligations	14,135	18,113
Balance at end of year	**50,759**	**107,241**

The premises used in the actuarial valuation of December 31, 2012 are set out below:

Economic hypotheses

	PS and BD
Actuarial discount rate	3.75% p.a.
Expected rate of return on assets	7.8% p.a. (including inflation)
Benefit readjustment	0% p.a.
Wage growth	0.5% p.a.
Projected inflation	4.50% p.a.

Demographic Hypotheses

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

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

	PS	BD
Active Participants		
Number	593	75
Average Age	38.82	42.09
Participation time (years)	12.84	15.32
Participant's Average Salary	R$ 0.730	R$ 2.524
Assisted Participants		
Number	20	360
Average Age	55.90	63.14
Average Monthly Benefit	R$ 2.530	R$ 1.769
Pensioners		
Number of Pensioners	2	98
Average Benefit per Family Group	R$ 0.465	R$ 0.975

b) Healthcare plan

The Company sponsors its employees' health insurance plans, which are managed by an operator regulated by the National Health Agency (ANS). Upon termination of employment or retirement, employees may retain their health insurance plans provided they assume all the costs; the Company has no post-employment ties with or obligations to employees. Expenses were incurred on this benefit of R$ 8,284 in FY 2012 (R$ 2,179 in 2011).

31 Commitments

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

Energy purchase contracts:

Term	2013	2014	2015	2016	2017	2017 onwards
2013 to 2045	238,294	243,234	262,067	280,229	264,259	4,677,676

The amounts referring to energy acquisition contracts lasting between 8 and 30 years represent the volume contracted at the current price at the end of December 2012, which have been ratified by ANEEL.

- This does not include the Proinfa and Itaipu quotas.

32 Distribution concession contract

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

33 Environment

Energisa mitigates the social and environmental impacts caused by its services and facilities through programs and practices of the Environment, Social and Occupational Health and Safety Management System and the Health and Safety management system - SGMASS - that evidence its concern about and responsibility for the environment and sustainable development. These include the following:

1. Implementation of shielded and insulated grids: insulated cables are used in medium-voltage grids and protected cables in the medium-voltage grids, significantly reducing the need for pruning. Paths are also dimensioned to preserve the ecological balance as far as possible, reducing deforestation and visual pollution through the installation of approximately 298.3 Km of low- and medium-voltage grids;

2. Operation of the Integrated Health, Safety and Environment Management System compliant with OHSAS 18001 – Health and Safety and ISO 14001 – the Environment, This system enables Energisa SE to control and mitigate risk in daily activities in order to prevent accidents, occupational illnesses and environmental impacts

3. The continuity of the solid waste management continued, primarily addressing hazardous waste, such as the proper environmental decontamination of bulbs containing mercury

4. The systematic realization of procedures to obtain new environmental licenses and the monitoring and control of the renewal of operating licenses for facilities in operation.

5. Waste disposal and treatment: in addition to ascertaining the nature and amount of waste generated during the production process, there are procedures for handling, transporting, treating

and disposing of this waste The company is aware of its environmental responsibilities, and therefore regenerates insulating mineral oil (OMI) and the waste generated by regenerating this oil used in its equipment, and also uses a system developed from a R&D system that regenerates the OMI in a single process and dries out the regenerated OMI and recovers the absorbing agent used, which in our case is bauxite, ensuring the recycling of this material, reducing the generation of hazardous oily waste and avoiding environmental pollution

6. Treatment of spent bulbs: Energisa Sergipe follows procedures for the correct treatment of sodium vapor lamps, mercury vapor lamps and fluorescent lamps disposed at its own facilities and in the public lighting infrastructure

7. Implementation of water and energy consumption reduction campaigns (with the distribution of leaflets containing tips on how to save energy and water), education based on the 3Rs (Reduce, Reuse and Recycle) and education for conscious consumption, through the environment week and internal disclosure (Internet, stickers and notices displayed by the company and screensavers) and external disclosure (total energy program, media campaigns and the Zé da Luz na Escola program)

8. In terms of environmental awareness, Energisa Sergipe holds lectures about the rational use of electricity and water, using the Zé da Luz na Escola and the total energy programs, in addition to providing a recycling workshop during the total energy program, thereby helping reduce the waste disposed of in the environment and generating income for people in the benefited communities through the sale of the products they learn to make in the workshops. Energisa Sergipe also administers lectures to raise awareness about the rational use of electricity when students visit the company's facilities.

9. Periodical inspections are conducted on the environmental performance of its facilities, in addition to the preparation of environmental improvement plans and monitoring of its environmental performance index (IDA), in addition to the training of employees through specific environmental courses, participation in environmental committees and various events about the environment;

10. Retain suppliers that are proven to have good environmental conduct, for example, in the case of the final disposal and/or treatment of hazardous waste we require an operating license and disposal and/or treatment certificate for such waste. Companies transporting waste are required to present an operating license.

11. Energy Efficiency, which has helped educate the population about the rational and efficient use of electricity, cutting electricity waste, by replacing bulbs with efficient bulbs, donating efficient equipment and adapting internal electric facilities, and in specific cases installing electricity meters in impoverished communities, and Energisa uses a mobile unit, which is equipped with equipment that enables the company to give lectures about the proper use of equipment, rational use of electricity and to conduct electricity experiments, which help to inform children and youngsters about the risks of handling energy

12. The ongoing selective collection of waste generated at the company as one of the stages of Energisa Sergipe's Solid Waste Management. The segregated recyclable waste collected at the company is donated to a cooperative of refuse collectors in the state who duly recycle it, which also fosters the generation of income and diminishes the disposal of waste in the environment.

13. the acquisition of a truck equipped with a crusher and dump box to store large volumes of crushed branches. The waste is stored to make compost, so that the material is reused. Currently under discussion is a partnership with the municipal government to deliver this waste, so that it can be reused;

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

Further in respect of environmental management, in 2012 Energisa Sergipe continued its implementation of several programs and practices, which generated operating and investment expenses of R$ 18,657 (R$ 11,963 in 2011), with R$ 110 (R$ 214 in 2011) consisting of operating expenses and R$ 18,547 (R$ 11,749 in 2011) relating to investments demonstrating the company's commitment to social and environmental responsibility and sustainable development. In addition to the implementation of shielded and insulated grids, operation of the integrated healthcare management system, continuity of the solid waste management program, the creation of COGESA - Social and Environmental Management Committee in replacement of CIGMA, which expanded the scope of environmental operations to social and environmental operations, systematic performance of procedures to obtain new environmental licenses, disposal and treatment of waste, treatment of spent bulbs, development of internal and external campaigns to reduce water and energy consumption, inspection of the environmental performance of its facilities and the preparation of environmental improvement plans and monitoring of its environmental performance index (IDA).

The nonfinancial information was not examined by our independent auditors.

34 Additional information to the cash flows

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

	2012	2011	1/1/2011
Restatement of accounts receivable from the concession - VNR	13,344	-	-
Suppliers payable	5,902	-	-
Dividends payable		8,655	54
Capitalization of reserves	10,131	8,171	-

35 Subsequent event

Lower electricity rates

On September 11, 2012 the Federal Government issued Preliminary Law 579, enacted as Law 12783, which amongst other things reduces sector charges: (i) elimination of the RGR - Global Reversal Reserve and CCC – fuel consumption cost and 75% reduction in the CDE – Energy Development Account.

The costs of the CCC – fuel consumption cost will be covered by the CDE – Energy Development Account created by the federal government to further energy development of states.

The lower electricity rates will not directly affect the Company's earnings as the lower revenue will be offset by the sector charges and taxes payable on sales.

An extraordinary rate review was conducted on January 24, 2013, which established new consumer rights.

See the reductions made to the rates:

Average effect for Group A

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
A3 (69 kV)	195.62	149.58	-23.53%
A4 (2.4 to 44 kV)	271.85	217.58	-19.96%

Average effect for Group B

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
B1 - Residential	353.69	290.03	-18.00%
B2 - Rural	221.75	181.84	-18.00%
B3 - Other Sectors	353.81	290.15	-17.99%
B4 - Public Lighting	182.35	149.52	-18.01%

Average Effect for Distribution Company

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
Captive Consumers	301.12	244.33	-18.86%

Representation by the Officers of Energisa Sergipe - Distribuidora de Energia S.A. ("Company") on the Financial Statements for FY 2012

The Company's undersigned officers represent that pursuant to article 25 (1, VI) of CVM Directive 480/09, that at a meeting held today they have revised, discussed and accepted the Company's financial statements, subject to the specific limits of their powers, and have approved the document.

Aracaju, March 05, 2013.

Gioreli de Souza Filho
CEO

Maurício Perez Botelho
CFO and Investor Relations Officer

Danilo de Souza Dias
Regulatory Affairs and Strategy Officer

José Marcelo Gonçalves Reis
Logistics and Supplies Director

Antonio José Maciel de Medina
Personnel Management Director

Amaury Antônio Damiance
Technical and Commercial Director

Representation by the Officers of Energisa Sergipe - Distribuidora de Energia S.A. ("Company") on the Independent Auditors' Report

The Company's undersigned officers represent that pursuant to article 25 (1, V) of CVM Directive 480/09, that at a meeting held today they have revised, discussed and accepted the opinions expressed in the independent auditors' report, subject to the specific limits of their powers, and have approved the document.

Aracaju, March 05, 2013.

Gioreli de Souza Filho
CEO

Maurício Perez Botelho
CFO and Investor Relations Officer

Danilo de Souza Dias
Regulatory Affairs and Strategy Officer

José Marcelo Gonçalves Reis
Logistics and Supplies Director

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