Energisa Paraíba – Distribuidora de Energia S/A

Management Report and
Financial Statements for 2012

Management Report

The Management of Energisa Paraíba – Distribuidora de Energia S/A ("Energisa Paraíba" 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

Energisa Paraíba is an electricity distribution company that serves 1.2 million clients and a population of approximately 3.3 million in 216 municipalities in the state of Paraíba.

2012 was a year replete with successes, triumphs and recognition for Energisa in Paraíba on a national level. As winner of the National Quality Award (PMQ) promoted by the National Quality Foundation, we were awarded with a certificate of quality management according to international standards. Structural agility and the decentralization of operations allowed the company to make R$ 171.7 million in investments in 2012 focused on meeting the growing energy demand and improving the quality of the service provided to customers.

The finalization of the acquisition of Rural Electricity Cooperative assets must also be highlighted. This was a process which had regrettably dragged on for many years in the state but has now been resolved through the National Electricity Regulatory Agency's (Aneel) decision to include over 22,613 consumers from Energisa Paraíba's customer base, who now enjoy reliable, high-quality services.

Innovation was also present and encouraged at the company with the fine-tuning and consolidation of the management processes known as "Cobrança Compartilhada" and "Mercado Compartilhado". These are projects which aim to increase collaborator participation across all operational departments in the company's collection of assigned debts and the better and more intense use of assets, respectively. The integration and interaction derived from these projects have transformed the company, its culture and its operational activities and system maintenance.

2 – Investment

Energisa Paraíba's investments amounted to R$ 171.7 million in 2012, an increase of 37.5% over the previous year, when the Company invested R$ 124.9 million. This investment was mainly allocated to projects to enhance the quality of services provided, with the following taking place in the year:

- Completion/energization of the 139/69 kV Piloes Substation supplying power to Brejo Paraibano as well as new loads arising from the connection to the 230/69 KV Santa Rita II National Interconnected System Substation, ensuring greater reliability in servicing priority loads across Greater João Pessoa;

- Completion of the 69 kV Campina Grande II/Juazerinho, Piloes/Guarabira, Piloes/Bananeiras/Dona Ines, Santa Rita II/Santa Rita and Itaporanga/São Jose de Caiana transmission lines;

- A 12% increase in installed substation capacity;

- Construction of new feeders and restoration and improvement of distribution systems to further improve our services and especially our power supply quality.

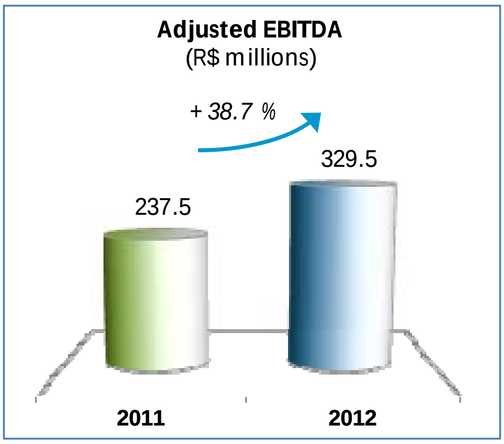
The table below denotes the changes in Energisa Paraíba's operating assets in the year:

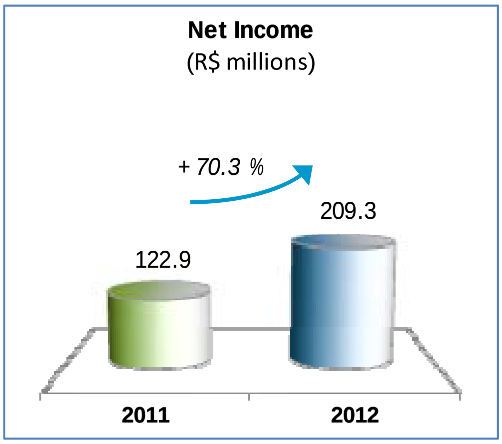
Asset description	Dec / 2012	Dec / 2011	Increase (%) 2012/2011
Substations – Number	61	61	-
Installed capacity at the substations - MVA	1,096	979	12
Feeders – number	278	275	1
Utility Poles- no.	943,238	887,276	6
Transmission lines - Km	2,138	2,089	2
Distribution grids (company) - Km	73,716	64,867	14
Transformers installed in the distribution grids – no.	51,848	47,457	9
Installed capacity of the distribution grids (company) - MVA	1,152	1,055	9

3 - 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	1,731.1	1,418.2	+ 22.1
Net Operating Revenue	1,229.3	959.7	+ 28.1
Earnings before interest and tax (EBIT)	268.3	179.6	+ 49.4
EBITDA	308.7	219.7	+ 40.5
Financial Income/Loss	(15.5)	(29.8)	- 48.0
Net income before tax	252.8	149.8	+ 68.8





Economic and Financial Figures	2012	2011	Change %
Financial Indicators - R$ million			
Total Assets	1,468.2	1,259.0	+ 16.6
Cash / Cash Equivalents / Short-Term Investments	184.3	109.0	+ 69.1
Shareholders' Equity	576.8	556.2	+ 3.7
Net Debt	390.0	373.5	+ 4.4
Operating Indicators			
Number of Captive Consumers (thousand)	1,217	1,168	+ 4.2
Total Electricity Distributed (GWh)	4,050	3,678	+ 10.1
Energy Losses (% in past 12 months)	12.60	13.68	- 1.08 p.p
Relative Indicators			
Adjusted EBITDA / Net Revenue (%)	26.8	24.7	+ 2.1 p.p
Net Debt / Adjusted EBITDA for 12 months (times)	1.2	1.6	- 25.0

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

3.1 - Net income, cash generation and dividends

Energisa Paraíba recorded net income of R$ 209.3 million in 2012 (R$ 228.00 per share), an increase of 70.3% over 2011. This net income growth is partly due to the increase of 28.1% (or R$ 269.6 million) in net operating revenue in the period, along with small growth in operating expenses, which rose by 23.2% (or R$ 180.9 million). The operating cash generation (Adjusted EBITDA) amounted to R$ 329.5 million, compared with R$ 237.5 million in 2011, i.e. an increase of 38.7%.

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

Breakdown of cash generation (EBITDA)	Year		
(R$ millions)	2012	2011	Change %
(=) Net Income	**209.3**	**122.9**	**+ 70.3**
(-) Income and social contribution taxes	(43.5)	(26.9)	+ 61.7
(-) Financial result	(15.5)	(29.8)	- 48.0
(-) Depreciation and amortization	(40.4)	(40.1)	+ 0.7
(=) Cash generation (EBITDA)	**308.7**	**219.7**	**+ 40.5**
(+) Arrears surcharge revenue	20.8	17.8	+ 16.9
(=) Adjusted cash generation (Adjusted EBITDA)	**329.5**	**237.5**	**+ 38.7**
Adjusted EBITDA Margin	26.8	24.7	+ 2.1 p.p

From its earnings in 2012, the Company has paid out dividends of R$ 150.4 million commencing: i) August 17, 2012, R$ 74.1 million (R$ 80.72 per share) ii) December 21, 2012, equal to R$ 47.4 million (R$ 51.69 per share), and iii) December 27, 2012, equal to R$ 28.9 million (R$ 31.51 per share). On top of these dividends, additional dividends will be paid out of R$ 9.5 million (R$ 10.323876208 per share), on a date to be determined. The total dividends for the year amounting to R$ 159.9 million represent 76.4% of the net income earned by the Company.

3.2 - Operating expenses

Operating expenses break down as follows:

Breakdown of operating expenses (R$ million)	2012	2011	Change in R$ million
1 - Controllable expenses	**205.6**	**186.7**	**+ 18.9**
1.1 - Personnel (includes pension fund)	109.1	99.0	+ 10.1
1.2 - Material	12.8	11.9	+ 0.9
1.3 - Services	83.7	75.8	+ 7.9
2 - Uncontrollable expenses (acquisition of energy and transmission)	512.3	417.7	+ 94.6
3 - Depreciation and amortization	40.4	40.1	+ 0.3
4 - Allowance for doubtful accounts and contingencies	(17.0)	9.3	- 26.3
5 - Other expenses / revenue	24.0	14.6	+ 9.4
Subtotal (1+2+3+4+5)	**765.3**	**668.4**	**+ 96.9**
6 – Construction cost	195.7	111.7	+ 84.0
Total	**961.0**	**780.1**	**+ 180.9**

4 – Operating performance

The company's quality leap in the management of its services has been reflected in the upward trends for the various indicators. This performance is also shown by the high levels of consumer satisfaction.

The Aneel Consumer Satisfaction Index (IASC) is compiled from the surveys conducted on residential consumers by the National Electricity Regulatory Agency (Aneel), to determine the degree of satisfaction with the services provided by the 63 electricity distribution companies in Brazil. In 2012 Energisa Paraíba was ranked second amongst the best distribution companies in the Northeast region.

4.1 - Management of energy losses: the year say excellent results in the combatting of overall electricity losses, which dropped to a record low of 12.6% for the first time in the Company's history. This is 5.46 percentage points lower than five years ago and 1.08 percentage points lower than last year.

4.2 - Default management: Consumer default in relation to unpaid electricity bills in the past 12 months also fell from 2.79% in 2011 to 1.95% in 2012, as did the number of monthly invoices (pending), which fell from 1.99 to 1.26.

4.3 - 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 36.7% better than last year and the FEC improved by 29.8% over the same comparison period.

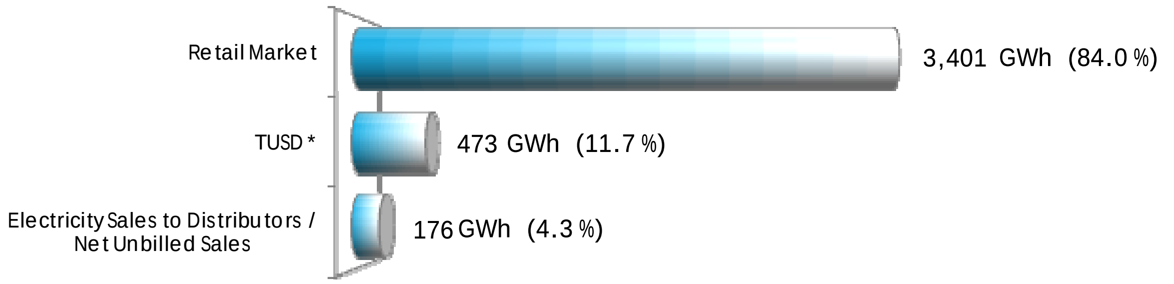
Operating indicators	2012	2011	Change %
Power loss from the company's system (%)	12.60	13.68	-1.08 p.p
Consumer default over the last 12 months (%)	1.95	2.78	- 29.9
Outstanding receivables (outstanding monthly invoices) – no.	1.26	1.99	- 36.7
ISQP (Perceived Quality Satisfaction Index) - Abradee	78.8	78.5	+ 0.4
IASC (Aneel Consumer Satisfaction Index)	68.88	(*) 61.14	+ 12.7
DEC (Equivalent Outage Duration per Consumer) – hours	18.34	28.96	- 36.7
FEC (Equivalent Outage Frequency per Consumer) - times	11.09	15.79	- 29.8

(*) IASC from 2010, as the survey was not conducted in 2011

4.4 - Electricity sales: the Company distributed total energy of 4,050 GWh in 2012, an increase of 10.1% over 2011. Energy associated with the free market, which accounted for 11.7% of the Company's total sales, drove this result in the year, rising by 16.4% over the previous year, primarily due to migration of clients from the captive market to the free market.

Captive consumption sectors expanded by 7.3%, with good growth recorded by the: residential sector, rising by 6.2% in the year, the commercial sector rising by 8.4% and the rural sector, rising by 24.1%, driven by the lack of rain in the state.

Total Sales by Segment - In 2012



(*) Energy associated with free consumers.

Energisa Paraíba closed FY 2012 with 1,217,488 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.

5 – People management

To meet its operational requirements, especially enhancing the quality of products and services offered, in 2012 Energisa Paraíba provided 320,305 man-hours of training, equal to 95 hours of training/employee. The distance education system (EAD) accounted for 55% of the company's training program

Energisa Paraíba implemented its first structured **Talent Generation** program, by selecting three trainees who in 2013 will get familiar with the company's various departments and its processes and activities, in order to bolster its technical staff, keeping them up-to-date with technological developments in the sector.

The successful practices from recent years were maintained and bolstered, especially: **Project Bússola**, which disclosed the company's targets and guidelines to all staff; **A Welcome Program**, which involved a meeting between the Officers and recent recruits; **Executive Board meetings with accident victims;** workplace gymnastics; **Incentives Program** (PIN), which seeks to value ideas and innovation of staff, and the **Present-Future Project**, which is aimed at the children of our employees, with a view to greater integration, operational efficiency, fewer accidents and commitment to results.

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

6 - Social and Environmental Responsibility

In 2012 Energisa Paraíba continued its initiatives in the areas of social / environmental responsibility and culture, especially at the '**Energisa Cultural Workshop**', one of the most important cultural projects in the entire state. The Workshop has an art gallery for hosting plastic arts exhibitions, an audiovisual room, and presentation hall. Several visual arts exhibitions were held, in addition to music and dance shows, thematic festivals, a cinema show, plays, book launches, recreational activities and the New Fair, an event for swapping and consuming information and quality culture.

The **Energy Center**, also located in the Cultural Workshop, carries out educational work with the purpose of disseminating knowledge about history and science, especially as regards the importance of electrical power and how to use it rationally and efficiently. The Energy Center was visited by 26,921 people in 2012 (25% more than in 2011), including visitors to the De Sousa Energy Center, created for the same purpose as the João Pessoa Center.

The **Balcão de Livros** (*book counter*) was launched in 2011, a groundbreaking project to encourage the habit of reading and further awareness, which through service centers and stations gave roughly 2,400 of the company's clients access to leading works of literature in 2012, especially those in the Portuguese language.

Created in 2005 by Energisa Paraíba as part of the Aneel/Procel Energy Efficiency Program, the **Communities Project** benefited some 12,872 families in 2012, and has permitted the company to be present in 76 towns in Paraíba state via its mobile units. This program aims to instruct impoverished communities about precautions and the efficient and safe use of electricity, in addition to instructions about social matters and helping clients achieve a close and better relationship with the company. As part of this Project, the Arte & Energia na Subestação (Art & Energy at the Substation) program was expanded in 2012, in partnership with non-governmental organization CUFA (Central Única das

Favelas). Through the project, the walls of substations are decorated by graffiti artists, one of the strongest expressions of urban culture, with some striking visual results.

Other highlights of 2012 were the Bem da Gente project, which aims to generate income in deprived communities through the setting-up of self-sustainable businesses guided by the community's values, and the Conta Cidadã project, whereby recyclable waste is exchanged for credits on the electricity bills of consumers, the materials collected in the process going to supply the recycling industry.

In 2012, Energisa made history by receiving an honor from the Chico Mendes Institute, being awarded the International Socio-Environmental Award for the construction of the sustainable building of the Regional Centre in Patos, built by Energisa Paraíba in 2011, a testament to a major commitment to future generations.

7- Services rendered by the independent auditor

The total remuneration of Deloitte Touche Tohmatsu Auditores Independentes for the services provided to Energisa Paraíba in 2012 was R$ 411,000, and consisted of: i) R$ 265,000 for reviewing the financial statements, and iv) R$ 146,000 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 PARAIBA - DISTRIBUIDORA DE ENERGIA S.A.
ANNUAL SOCIAL BALANCE SHEET - 2012
(In thousands of reais)

1 - Calculation Base	2012 Amount			2011 Amount		
Net revenue (RL)	1,229,297			959,694		
Operating income (RO)	252,805			152,987		
Gross payroll (FPB)	82,446			75,822		
2 - Internal Social Indicators	**Amount**	**% of FPB**	**% over RL**	**Amount**	**% of FPB**	**% over RL**
Meals	14,030	17.02%	1.14%	13,589	17.92%	1.42%
Compulsory social charges	18,227	22.11%	1.48%	17,510	23.09%	1.82%
Private pensions	7,430	9.01%	0.60%	6,807	8.98%	0.71%
Health insurance	2,367	2.87%	0.19%	2,181	2.88%	0.23%
Occupational health and safety	195	0.24%	0.02%	276	0.36%	0.03%
Education	441	0.53%	0.04%	350	0.46%	0.04%
Culture	21	0.03%	0.00%	24	0.03%	0.00%
Professional training and development	1,183	1.43%	0.10%	818	1.08%	0.09%
Crèches or crèche allowance	111	0.13%	0.01%	111	0.15%	0.01%
Profit sharing	6,744	8.18%	0.55%	5,235	6.90%	0.55%
Other	2,077	2.52%	0.17%	2,247	2.96%	0.23%
Total - Internal social indicators	52,826	64.07%	4.30%	49,148	64.82%	5.12%
3 - External Social Indicators	**Amount**	**% over RO**	**% over RL**	**Amount**	**% over RO**	**% over RL**
Education	273	0.11%	0.02%	228	0.15%	0.02%
Culture	1,880	0.74%	0.15%	1,494	0.98%	0.16%
Healthcare and sanitation	0	0.00%	0.00%	0	0.00%	0.00%
Sports	194	0.08%	0.02%	110	0.07%	0.01%
Combating hunger and food safety	0	0.00%	0.00%	0	0.00%	0.00%
Other	1,511	0.60%	0.12%	845	0.55%	0.09%
Total contributions to society	3,858	1.53%	0.31%	2,677	1.75%	0.28%
Taxes (not including social charges)	417,908	165.31%	34.00%	379,144	247.83%	39.51%
Total - External social indicators	421,766	166.83%	34.31%	381,821	249.58%	39.79%
4 - Environmental Indicators	**Amount**	**% over RO**	**% over RL**	**Amount**	**% over RO**	**% over RL**
Investments related to company production / operation	172	0.07%	0.01%	78	0.05%	0.01%
Investments in external programs and/or projects	14	0.01%	0.00%	0	0.00%	0.00%
Total environmental investment	186	0.07%	0.02%	78	0.05%	0.01%
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	2,116			2,183		
Number of admissions in the period	223			290		
Number of outsourced employees	315			334		
Number of trainees	82			83		
Number of employees over 45	277			282		
Number of women working at the company	338			337		
% management positions held by women	32.14%			33.33%		
Number of black people working at the company	901			886		
% management positions held by black people	14.29%			18.18%		
No of workers with handicaps or special needs	106			109		
6 - Material information regarding corporate citizenship	**2012**			**2013 Targets**		
Ratio between the lowest and highest earners at the company	26.71			26.71		
Total number of occupational accidents	67			78		
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:	( ) directors and managers	( ) all employees	(x) all + Cipa	( ) directors and managers	( ) all employees	(x) all + Cipa
In respect of trade union freedom, the right to collective bargaining and internal representation of workers, the company:	( ) does not get involved	( ) follows the OIT rules	(x) promotes and follows OIT	( ) will not get involved	( ) will follow the OIT rules	(x) will promote and follow OIT
The private pension embraces:	( ) directors	( ) directors and managers	(x) all employees	( ) directors	( ) directors and managers	(x) all employees
Profit-sharing embraces:	( ) directors	( ) directors and managers	(x) all employees	( ) 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	(X) will be suggested	( ) are demanded	( ) will not be considered	(x) will be suggested	( ) will be demanded
In respect of employee participation in voluntary work programs, the company:	( ) does not get involved	( ) gives support	(x) offers organization and incentives	( ) will not get involved	( ) will give support	(x) will offer organization and incentives
Total number of consumer complaints and criticism:	to the company [illegible]	to Procon 477	to the Courts 2,526	to the company [illegible]	to Procon 431	to the Courts 2,554
% complaints and criticism handled or resolved:	at the company 99.88%	at Procon 54%	at the Courts 2141%	at the company 100%	at Procon 54 %	at the Courts 43%
Added value to be distributed (in R$ thousand):	**In 2012: 883,226**			**In 2011: 756,551**		
Distribution of Added Value (DVA):	58 % government 11% employees 18% shareholders 8 % third parties 5% withheld			62% government 12% employees 12% shareholders 10% third parties 4% withheld		
7 - Further Information	**2012**			**2011**		
7) Social investments						
7.1. The "Light for All" Program						
7.1.1 - Government Investment	4,596			17,151		
7.1.2 - State Investment	1			2		
7.1.3 - Municipal Investment	0			0		
7.1.4 - Concessionaire Investment	811			3,026		
Total - Light for All program (7.1.1 to 7.1.4)	**5,408**			**20,179**		
7.2 - Energy efficiency program	3,244			3,803		
7.3 - Research and development program	1,774			4,142		
Total social investment (7.1 to 7.3)	**10,426**			**28,124**		

Financial Statements

1. Balance Sheet - Assets

ENERGISA PARAÍBA - 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	67,646	62,753	92,862
Money market and secured funds	5	77,416	40,504	68,635
Consumers and concessionaires	6	190,091	167,014	148,420
Credit receivables	7	47,449	53,955	45,368
Inventory		6,363	4,592	3,520
Recoverable taxes	11	38,375	30,621	33,799
Prepaid expenses		4,423	4,537	1,886
Low income	10	16,409	9,888	14,253
Other accounts receivable		13,969	10,600	16,501
Total current		**462,141**	**384,464**	**425,244**
Noncurrent				
Noncurrent Assets				
Money market and secured funds	5	39,281	5,735	5,885
Credit receivables	7	42,281	63,992	49,803
Recoverable taxes	11	23,884	26,106	29,342
Tax credits	13	102,531	111,014	114,421
Escrow and secured deposits	21	25,686	25,883	23,605
Derivative financial instruments	29	6,212	2,649	2,842
Accounts receivable from the concession	14	147,049	30,777	19,468
Other		1,551	1,550	1,548
		388,475	**267,706**	**246,914**
Investments		93	73	121
Intangible assets	15	607,566	606,784	547,554
Property, plant and equipment	15	9,907	-	-
Total noncurrent		**1,006,041**	**874,563**	**794,589**
Total Assets		**1,468,182**	**1,259,027**	**1,219,833**

See the accompanying notes to the financial statements.

2. Balance Sheet - Liabilities

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

	Note	2012	2011	1/1/2011
Liabilities			(reclassified)	(reclassified)
Current				
Suppliers payable	16	109,165	63,767	69,981
Debt charges	17	7,732	6,766	6,915
Loans and financing	17	156,738	40,649	40,095
Debentures	18	136	426	417
Payroll		1,709	1,523	1,706
Taxes and social contributions	19	50,235	50,532	40,364
Tax financing	20	-	-	393
Dividends	22.5	35,391	417	619
Estimated obligations		6,955	6,722	6,325
Consumer charges payable		5,538	11,549	8,203
Public lighting fee received		4,239	3,752	2,530
Employee benefits - pension plan	30	12,532	6,698	4,442
Intrasector Obligations		20,141	14,961	17,505
Other accounts payable		29,244	10,147	14,528
Total current		**439,755**	**217,909**	**214,023**
Noncurrent				
Noncurrent Liabilities				
Suppliers payable	16	2,572	2,371	2,124
Loans and financing	17	312,370	328,009	346,669
Debentures	18	64,312	79,567	79,547
Derivative financial instruments	30	-	6,409	13,600
Taxes and social contributions	19	14,041	1,461	392
Deferred income and social contribution taxes	13	-	8,142	3,905
Tax financing	20	-	-	590
Provisions for labor, civil and tax risks:	21	37,020	38,200	40,060
Employee benefits - pension plan	31	20,531	20,401	20,947
Other		782	332	214
Total noncurrent		**451,628**	**484,892**	**508,048**
Shareholders' equity	22			
Capital		386,516	363,573	316,608
Treasury stock		(538)	(538)	(538)
Capital reserves		97,540	97,540	97,540
Profit reserves		83,802	56,968	74,847
Additional dividends proposed		9,479	38,683	9,305
		576,799	**556,226**	**497,762**
Total Liabilities		**1,468,182**	**1,259,027**	**1,219,833**

See the accompanying notes to the financial statements.

3. Statements of Income

ENERGISA PARAÍBA - 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	1,229,297	959,694
Cost of the electricity service	24	(802,119)	(619,884)
Gross profit		**427,178**	**339,810**
Sales expenses	24	(48,772)	(72,377)
General and administrative expenses	24	(103,113)	(84,664)
Other revenue	25	6,129	5,488
Other expenses	25	(13,104)	(8,631)
Earnings before financial revenue and expenses and tax		**268,318**	**179,626**
Financial revenue	26	51,392	36,913
Financial expenses	26	(66,905)	(66,695)
Net financial income (expenses)		**(15,513)**	**(29,782)**
Income before tax		**252,805**	**149,844**
Current income and social contribution taxes	13	(45,988)	(37,954)
Deferred income and social contribution taxes	13	2,527	10,968
Net income for the year		**209,344**	**122,858**
Basic and diluted net income per common and preferred share - R$	27	**228.00**	**133.81**

See the accompanying notes to the financial statements.

4. Comprehensive Statement of Income

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

	2012	2011
Net income for the year	209,344	122,858
Total comprehensive income for the year, net of tax	**209,344**	**122,858**

See the accompanying notes to the financial statements.

5. Statements of Cash Flows

ENERGISA PARAÍBA - 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		**252,805**	**149,844**
Expenses (revenue) not affecting cash:			
Expenses on interest and monetary and exchange variance - net		69,776	61,361
Financial restatement of accounts receivable from the concession - VNR	14	(15,770)	-
Allowance for doubtful accounts	24	(13,762)	2,985
Amortization and depreciation	24	40,363	40,072
Loss on the sale of PP&E and intangible assets	25	6,975	6,841
Reversal of Provision for labor, civil and tax risks	24	(3,280)	(4,103)
Mark-to-market of derivatives	26	(1,155)	193
Derivative financial instruments	26	(8,023)	(5,471)
Changes in current and noncurrent assets			
(Increase) in consumers and concessionaires		(23,884)	(20,691)
Decrease (increase) in credit receivables		25,763	(22,872)
(Increase) in inventories		(1,771)	(1,072)
(Increase) decrease in recoverable taxes		(5,532)	6,414
Decrease (increase) in escrow deposits		196	(2,278)
Decrease (increase) in prepaid expenses		114	(2,651)
(Increase) decrease in other accounts receivable		(16,308)	10,243
Changes in current and noncurrent liabilities			
Increase (decrease) in trade payables		33,481	(5,967)
Increase (decrease) in payroll		186	(183)
Increase in taxes and social contributions		8,656	725
Income and social contribution taxes paid		(39,493)	(7,239)
(Decrease) in tax financing		-	(983)
Increase in Estimated obligations		233	397
(Decrease) increase in consumer charges payable		(6,010)	3,346
Increase (decrease) in other accounts payable		31,175	(3,874)
Net cash produced by operating activities		**334,735**	**205,037**
Investment activities			
Capital increase and acquisition of subsidiary shares		(21)	-
Interest-earning bank deposits and Secured Funds		(95,688)	(41,649)
Discharge of short-term investments		29,317	69,137
Additions to Intangible assets		(136,840)	(117,384)
Sale of PP&E and intangible assets	25	6,129	-
Net cash consumed in investment activities		**(197,103)**	**(89,896)**
Financing activities			
New loans and financing		122,426	23,594
Payments of loans - principal		(58,391)	(58,440)
Payments of loans - interest		(42,182)	(44,088)
Settlement of derivative financial instruments		(795)	(1,720)
Payment of dividends		(153,797)	(64,596)
Cash consumed in financing activities		**(132,739)**	**(145,250)**
Net cash variation		**4,893**	**(30,109)**
Opening cash and cash equivalents		62,753	92,862
Closing cash and cash equivalents		67,646	62,753
Net cash variation		**4,893**	**(30,109)**

See the accompanying notes to the financial statements.

6. Statements of Added Value

ENERGISA PARAÍBA - 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		1,535,421	1,306,538
Other income	25	6,311	5,488
Revenue relating to construction of company assets	23	195,670	121,242
Allowance for doubtful accounts - Reversal /Creation	24	13,762	(13,377)
(-) Consumables acquired from third parties			
Cost of electricity sold		558,627	457,354
Materials and outsourced services		99,364	189,132
Other operating costs		220,976	13,695
		878,967	**660,181**
Gross added value		**872,197**	**759,710**
Amortization and depreciation	**24**	**40,363**	**40,072**
Net added value		**831,834**	**719,638**
Transferred added value			
Financial revenue	26	51,392	36,913
Added value to be distributed		**883,226**	**756,551**
Distribution of added value:			
Personnel			
Direct remuneration		72,735	63,931
Benefits		18,644	24,897
FGTS		4,989	4,852
Taxes and contributions			
Federal		146,566	117,317
State		289,139	278,620
Municipal		430	717
Intrasector Obligations		72,713	69,993
Interest expenses			
Interest	26	66,905	71,553
Rent		1,761	1,813
Interest earnings			
Dividends and additional dividends proposed	22.5	159,984	93,974
Legal Reserve	22.5	10,488	6,143
Income tax reduction reserve	22.5	39,289	22,943
Prior-year dividends	22.5	(417)	(202)
		883,226	**756,551**

See the accompanying notes to the financial statements.

7. Statements of Changes in Shareholders’ Equity

ENERGISA PARAÍBA - DISTRIBUIDORA DE ENERGIA S/A
STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
YEAR ENDED DECEMBER 31, 2012 (In thousands of Reais)

				Capital Reserves			Profit Reserves				
	Note	Capital	Treasury Stock	Remuneration of property, plant and equipment in progress	Special goodwill reserve	Other Capital Reserves	Legal reserve	Income tax decrease	Additional dividends proposed	Retained earnings	Total
Balances at January 01, 2011		**316,608**	**(538)**	**2,995**	**94,078**	**467**	**27,882**	**46,965**	**9,305**	**-**	**497,762**
Payment of additional dividends		-	-	-	-	-	-	-	(9,305)	-	(9,305)
Capital increase as per the AGM & EGM held 4/29/2011		46,965	-	-	-	-	-	(46,965)	-	-	-
Prior-year dividends		-	-	-	-	-	-	-	-	202	202
Net income for the year		-	-	-	-	-	-	-	-	122,858	122,858
Proposed allocation of net income:											
Legal Reserve	22.4	-	-	-	-	-	6,143	-	- #	(6,143)	-
Tax Benefit - Constitutive Reports - Adene 112 and 113/04	22.2	-	-	-	-	-	-	22,943	-	(22,943)	-
Dividends	22.5	-	-	-	-	-	-	-	-	(55,291)	(55,291)
Additional dividends proposed	22.5	-	-	-	-	-	-	-	38,683	(38,683)	-
Balances at December 31, 2011		**363,573**	**(538)**	**2,995**	**94,078**	**467**	**34,025**	**22,943**	**38,683**	**-**	**556,226**
Payment of additional dividends		-	-	-	-	-	-	-	(38,683)	-	(38,683)
Capital increase as per the AGM & EGM held 4/25/2012		22,943	-	-	-	-	-	(22,943)	-	-	-
Prior-year dividends		-	-	-	-	-	-	-	-	417	417
Net income for the year		-	-	-	-	-	-	-	-	209,344	209,344
Proposed allocation of net income:											
Legal Reserve	22.4	-	-	-	-	-	10,488	-	- #	(10,488)	-
Tax Benefit - Constitutive Reports - Adene 112 and 113/04	22.2	-	-	-	-	-	-	39,289	-	(39,289)	-
Dividends	22.5	-	-	-	-	-	-	-	-	(150,505)	(150,505)
Additional dividends proposed	22.5	-	-	-	-	-	-	-	9,479	(9,479)	-
Balances at December 31, 2012		**386,516**	**(538)**	**2,995**	**94,078**	**467**	**44,513**	**39,289**	**9,479**	**-**	**576,799**

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 Paraíba – Distribuidora de Energia S/A ("Company or Energisa PB") is an electricity distribution company, operating in 216 municipalities in the state of Paraíba, serving 1,217,503 consumers (information not audited by the independent auditors). The Company has its registered office in the city of João Pessoa, Paraíba state, and **obtained listed company status at the CVM on January 29, 2010.**

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 January 2031.

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

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

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

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

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

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

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

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

The information regarding rate reviews and adjustments, accounts receivable of the concession, concession assets, construction revenue and concession term can be seen in notes 9, 14, 15, 22, 31 and 33 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. The financial statements are presented in thousands of reais, except where specified otherwise.

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

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

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 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 IASB - International Accounting Standards Board

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.

We are unaware of other standards and interpretations issued but not yet adopted which in Management's opinion could have a significant impact on the earnings or equity reported by the Company.

3.2 Main accounting practices

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

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

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

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

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

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

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

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

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

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

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

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

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

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

f. Accounts receivable from the concession - denotes the portion of the capital invested in the assets, not amortized during the concession period, to be indemnified at the end of the arrangement. 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, the effects of which are explained in detail in note 14.

g. Regulatory assets and liabilities - for the purpose of rates, costs not yet recognized in the rates and/or costs recognized in the rates at amounts in excess of the effective amounts are deferred and only recognized by ANEEL when included in the electricity rates. As international accounting standards (IFRS) and the CPCs do not provide for recording these assets and liabilities, they are recognized in the income statement of the year they are effectively occurred in.

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

i. 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.

j. Intangible assets - concession arrangement: the assets operated by the Company to provide electricity distribution services. The amortization is based on the consumption pattern of the benefits expected during the arrangement term.

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

l. 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.

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

n. Derivatives - The derivatives are initially recognized at fair value; attributable transaction costs are expensed as and when they are incurred. After their initial recognition, the derivatives are appraised at fair value and any changes are recorded in the income statement. Details can be seen in note 28.

o. 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.

p. 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.

q. 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

r. 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

s. 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

t. 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.

u. 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.

v. 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 Reclassifications:

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

Recoverable taxes and tax credits

	2011 Published	2011 Reclassified	1/1/2011 Published	1/1/2011 Reclassified
Recoverable taxes				
Tax credit	74,583	-	79,581	-
Current	35,520	30,621	38,798	33,799
Noncurrent	95,790	26,106	103,924	29,342
Total recoverable taxes	**131,310**	**56,727**	**142,722**	**63,141**
Tax credits				
Noncurrent temporary differences	36,431	111,014	34,840	114,421
Total tax credits	**36,431**	**111,014**	**34,840**	**114,421**

Statement of cash flows for the previous period

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 opening and closing cash flow statements for the financial year ended December 2011 are being amended to facilitate a comparison.

	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	(41,649)	-	(80,587)	-
Net cash produced by operating activities	163,388	205,037	141,968	222,555
Investment activities				
Short-term investments and secured funds	-	(41,649)	-	(80,567)
Net cash produced by (used in) investment activities	(48,247)	(89,896)	(76,757)	(157,324)
Net cash variation	(30,109)	(30,109)	(46,306)	(46,306)
Opening cash and cash equivalents	92,862	92,862	139,168	139,168
Closing cash and cash equivalents	62,753	62,753	92,862	92,862
Net cash variation	**(30,109)**	**(30,109)**	**(46,306)**	**(46,306)**

4. Segment reporting

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

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

The Company only operates in the energy distribution segment in 216 municipalities in Paraíba state, and its income statement denotes this activity.

5. Cash and cash equivalents, 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
ABC Brasil	LCA	1/6/2011	35% of CDI	-	-	1,702
Banco Cruzeiro do Sul	DPGE	2/21/2011	112,0% of CDI	-	-	3,426
BIC Banco	CDB	11/27/2012	106,5% of CDI	-	-	2,533
Daycoval	CDB	8/9/2012	106,3% of CDI	-	-	5,617
North-east	CDB	10/1/2012	101% of CDI	-	-	3,094
Standard Bank	CDB	2/4/2011	108,75% of CDI	-	-	5,929
Sofisa	CDB	6/8/2012	103% of CDI			1,205
BMG	CDB	1/24/2014	112,0% of CDI	-	16,613	13,880
CEF	CDB	12/16/2014 to 12/29/2014	100,5% of CDI	42,180	10,487	-
CEF	Investment Fund	-	Benchmark CDI	-	8,497	2,058
Fundo Plural	Investment Fund	-	Benchmark CDI	--	-	19,268
Itaú	Investment Fund	-	Benchmark CDI	-	104	6,576
Mercantil	CDB	12/18/2014	105,0% of CDI	635	1,243	13,415
Total				**42,815**	**36,944**	**78,703**
Cash and bank deposits				**24,831**	**25,809**	**14,159**
Total cash and cash equivalents				**67,646**	**62,753**	**92,862**

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						
BTG Pactual	Investment Fund	-	Benchmark CDI	2,263	-	-
CEF	Investment Fund	-	Benchmark CDI	672	-	-
Santander	Investment Fund	-	Benchmark CDI	3,903	-	-
ABC Brasil	CDB	4/29/2013	104,5% of CDI	10	16	15
BES	CDB	3/19/2015 to 5/6/2015	102.5% to 103.0% of CDI	12	13	12
BICBanco	CDB	2/22/2013 to 8/26/2014	98.0% to 115.0% of CDI	3,144	2,868	12
BMG	CDB	12/16/2013 to 1/24/2014	112,0% of CDI	1,792	1,630	1,441
BTG Pactual	CDB	4/4/2011	106,1% of CDI	-	-	3,236
Bradesco	CDB	7/25/2013	99,0% of CDI	311	317	292
Bradesco	Investment Fund	-	Benchmark CDI	82	-	-
CEF	Savings	-	Savings	87	87	124
Cruzeiro do Sul	DPGE	12/30/2011	111,0% of CDI	-	-	2,001
HSBC	CDB	8/3/2015	100,0% of CDI	626	600	538
Itaú	CDB	3/11/2013 to 6/27/2014	95.0% to 103.5% of CDI	620	571	272
Itaú	Debentures (**)	12/3/2013 to 12/6/2013	102,0% of CDI	304	280	278
Itaú	Investment Fund	-	Benchmark CDI	661	506	724
Mercantil	DPGE	6/30/2011	110,0% of CDI	-	-	15,866
North-east	CDB	1/2/2014 to 7/30/2019	90.0% to 100.0% of CDI	35,353	31,811	36,189
North-east	Capitalization Bond	12/22/2013	100,0% of CDI	10	-	-
Pine	CDB	2/8/2017	104,0% of CDI	894	877	782
Safra	Financial Bill	1/31/2013	108,5% of CDI	52,993	-	-
Standard Bank	CDB	2/1/2013	100,25% of CDI	4	4	-
				103,741	**39,580**	**61,782**
b.2 Available-for-sale financial securities						
Bradesco	Investment Fund	-	Benchmark CDI	-	924	6,853
				-	**924**	**6,853**
b.3 Held-to-maturity securities						
Itaú	Credit Receivables Investment Funds	1/25/2013 to 12/29/2020	100,0% of CDI	4,527	5,735	5,885
Mercantil	Time Deposit with Special Guarantee FGC	5/15/2014	113,0% of CDI	8,429	-	-
				12,956	**5,735**	**5,885**
Total money market and secured funds				**116,697**	**46,239**	**74,520**
Current				77,416	40,504	68,635
Noncurrent				39,281	5,735	5,885

(*)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: 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	12,294	16,822	6,298	2,404	453	129	38,400	52,955	44,546
Industrial	19,616	1,306	359	310	215	5,487	27,293	27,939	25,020
Commerce, services and other activities	18,617	4,353	1,417	971	1,232	1,060	27,650	29,060	24,226
Rural	2,829	1,256	720	465	253	61	5,584	13,239	13,243
Government:									
Federal	2,395	279	90	33	6	4	2,808	2,598	4,408
State	3,837	447	145	53	10	3	4,494	4,164	7,061
Municipal	2,739	319	103	38	7	2	3,208	2,972	5,039
Public lighting	5,471	1,243	522	249	46	6	7,537	5,674	4,796
Public utility	4,699	119	146	130	142	1	5,237	6,210	5,704
Subtotal - consumers	**72,497**	**26,144**	**9,800**	**4,653**	**2,364**	**6,753**	**122,211**	**144,811**	**134,043**
Concession operators **(2)**	30,309	-	-	-	-	1,997	32,306	103	17
Unbilled sales	39,167	-	-	-	-	-	39,167	31,464	22,403
Other	7,597	-	-	-	-	-	7,597	1,019	243
(-) Allowance for doubtful accounts	-	-	-	(2,404)	(1,685)	(7,101)	(11,190)	(10,383)	(8,286)
Total - Current	**149,570**	**26,144**	**9,800**	**2,249**	**679**	**1,649**	**190,091**	**167,014**	**148,420**

(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 balances of energy sold at CCEE amount to R$ 32,285 (R$ 1,655 in 2011) and are recorded under accounts receivable. The electricity acquisition amounts are recorded under "suppliers payable" in the current liabilities and the system service charges of R$ 11,011 (R$ 2,953 in 2011 and R$ 5,252 as of 1/1/2011) referring to:

Breakdown of CCEE credits	**2012**	**2011**	**1/1/2011**
Outstanding balances	30,288	-	-
Overdue credits (*)	1,997	1,655	-
	32,285	1,655	-
(-) Energy acquisitions at CCEE	-	(2,514)	(3,242)
(-) System service charges	(11,011)	(439)	(2,010)
	21,274	**(1,298)**	**(5,252)**

(*) The Company has an allowance for doubtful accounts of R$ 92.

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.

As of December 31, 2012 the balances were the following:

	2012	2011	1/1/2011
Credit receivables	114,883	152,390	124,490
Adjustment to present value	(10,021)	(21,766)	(17,529)
(-) Allowance for doubtful accounts (*)	(15,132)	(12,677)	(11,790)
	89,730	**117,947**	**95,171**
Current	47,449	53,955	45,368
Noncurrent	42,281	63,992	49,803

(*) 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:

Overdue	15,132
2013	47,450
2014	14,585
2015	10,465
2016	7,880
2017	4,168
2018 onwards	5,182
Total	**104,862**

8. Allowance for doubtful accounts

Changes in provisions	2012	2011
Balance - opening 2011 and 1/1/2011	23,060	20,076
Provisions recorded in the year	8,683	6,036
Reversal of provisions in the year	(5,421)	(3,052)
Balance - closing current	**26,322**	**23,060**
Clients, consumers and concessionaires	11,190	10,383
Credit receivables	15,132	12,677

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

Customers with material debts:

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

For the other cases:

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

9. Periodical rate adjustment and review

As consideration for services rendered the concession operator is entitled to charge consumers the rates determined and ratified by the concession authority. The rates are adjusted annually and the concession operator's revenue is divided into two portions: A Portion (consisting of uncontrollable costs) and B Portion (efficient operating costs and capital costs). The annual rate adjustment aims to pass through uncontrollable costs and to monetarily restate controllable costs.

Rate review:

The periodical rate review occurs every 4 years, with the next review scheduled for August 2013. In this process ANEEL recalculated the rates according to the changes in the structure of the concession operator's costs and sales, in order to foster the efficiency and affordability of the rates. The adjustments and reviews are rate restatement mechanisms, both stipulated in the concession agreement. The concession operator may also request an extraordinary review whenever an event causes a significant economic and financial imbalance in the concession.

Rate adjustments:

On August 21, 2012 Resolution 1,338 ratified the Company's rate review in force since August 28, 2012. The effective rate impact felt by consumers was an increase of 3.78%.

10. Low income

Changes in low income follow:

	2012	2011
Balance - opening 2011 and 1/1/2011	**9,888**	**14,253**
Low-income subsidy	87,132	51,305
Eletrobrás Reimbursement	(80,611)	(55,670)
Closing balance - current	**16,409**	**9,888**

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

11. Recoverable taxes

	2012	2011	1/1/2011
Value Added Tax on Sales and Services - ICMS	21,921	24,643	27,361
Income Tax Withheld at Source	353	192	205
Corporate Income Tax - IRPJ	10,675	3,937	90
Social Contribution on Net Income – CSSL	254	69	73
PIS and COFINS contribution	29,044	27,884	35,401
Other	12	2	11
	62,259	**56,727**	**63,141**
Current	38,375	30,621	33,799
Noncurrent	23,884	26,106	29,342

12. Related-party transactions

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

Transactions conducted in the year by the company:

	Energisa S.A. (a)	EBO (b)	2012	2011	1/1/2011
Outsourced services	(20,148)	-	(20,148)	(19,195)	(17,403)
Electricity supplied/ (purchased)	-	4,716	4,716	2,412	(92)
			2012	**2011**	**1/1/2011**
Balance of trade payables	1,676	-	1,676	1,616	1,372
Balance receivable - consumers and concession operators	-	459	459	235	99

(a) The administrative services provided by the parent company are supported by contracts that were submitted to the approval of ANEEL. The costs are benchmarked to the benchmark company model used by the ANEEL regulated department for regulatory purposes.

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

Administrator Compensation

In the year ended December 31, 2012 the members of the Board of Directors received compensation of R$ 1,813 (R$ 1,706 in 2011) and the Executive Board R$ 2,750 (R$ 2,542 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$ 652 (R$ 525 in 2011). The social charges on the compensation amounted to R$ 645 (R$ 612 in 2011).

In the year ended December 31, 2012 the highest and lowest compensation paid to directors was R$ 38 and R$ 6 (R$ 35 and R$ 6 in 2011) respectively. The average remuneration in FY 2012 was R$ 20 (R$ 19 in 2011).

The AGM held April 25, 2012 ratified the overall annual compensation limit of the directors and officers for FY 2012 at R$ 7,149.

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

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

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

Deferred taxes recognized in the balance sheet:

	2012	2011	1/1/2011
Assets			
Temporary differences:			
Income tax	76,665	82,320	85,185
Social contribution	25,866	28,694	29,236
Total noncurrent	**102,531**	**111,014**	**114,421**
Liabilities			
Income tax	-	5,987	3,560
Social contribution	-	2,155	345
	-	**8,142**	**3,905**

Temporary differences are as follows:

	2012	
	Calculation basis	**Temporary IR and CS**
Swap earnings	(7,783)	(2,646)
Provisions made	123,302	41,923
Tax credit – goodwill (1)	204,950	69,683
Financial restatement of accounts receivable from the concession - VNR	(15,770)	(5,362)
Other	(3,140)	(1,067)
Total	**301,559**	**102,531**

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

Tax credits were realized as follows:

Period	Realization of tax credits
2013	9,074
2014	7,936
2015	7,836
2016	7,736
2017	7,736
2018 to 2022	62,213
Total	**102,531**

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

	2012	2011
Income before tax	252,805	149,844
Combined tax bracket	34%	34%
Income and social contribution taxes expense, calculated at the total tax bracket	(85,954)	(50,947)
Adjustments:		
Decrease in income tax and surcharges (*)	39,289	22,943
Permanent additions (**)	3,204	1,018
Income tax and social contribution expense	(43,461)	(26,986)
Effective rate	**17.2%**	**18.0%**

(*) The decreases to income tax and surcharges resulting from the SUDENE Incentive in the periods ended December 31, 2012 and 2011 have been directly recorded in the income statement for the year under "current income and social contribution taxes", in accordance with Law 11638/07 and Provisional Law 449/08.

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

The Company has obtained a reduction to its income tax and surcharges until the 2012 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$ 15,770 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	19,468
Additions in the year	11,309
Financial asset - historic cost - -2011	**30,777**
Additions in the year (*)	100,448
Write-offs in the year	54
Financial asset - historic cost - 2012	131,279
Financial restatement of accounts receivable from the concession - VNR	15,770
Financial asset - restated cost - 2012	**147,049**

(*) Includes R$ 55,854 referring to the application of ANEEL 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

Concession agreements

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

	Initial balance - 2011	Addition	Transfers	Write-offs (*)	Amortization	Final balance - 2012
INTANGIBLE ASSETS						
Intangible assets in service						
Cost:	1,090,219	-	102,382	(126,671)	-	1,065,930
Accumulated amortization	(373,468)	-	-	18,296	(46,232)	(401,404)
Subtotal	716,751	-	102,382	(108,375)	(46,232)	664,526
In Progress	85,436	193,069	(117,355)	(43,919)	-	117,231
Total	**802,187**	**193,069**	**(14,973)**	**(152,294)**	**(46,232)**	**781,757**
Special Obligations						
In Service						
Cost	178,736	-	14,486	(26,000)	-	167,222
Accumulated amortization	(19,068)	-	-	-	(6,994)	(26,062)
Subtotal	159,668	-	14,486	(26,000)	(6,994)	141,160
In Progress	35,735	17,469	(14,486)	(5,687)	-	33,031
Total	**195,403**	**17,469**	**-**	**(31,687)**	**(6,994)**	**174,191**
Total intangible assets	**606,784**	**175,600**	**(14,973)**	**(120,607)**	**(39,238)**	**607,566**
PROPERTY, PLANT AND EQUIPMENT						
Property, plant and equipment In service						
Buildings and improvements	-	-	1,468	-	-	1,468
Machinery and equipment	-	-	13,802	(5,148)	-	8,654
Vehicles	-	-	313	-	-	313
Furniture and fixtures	-	-	12,015	-	-	12,015
Accumulated Depreciation	-	-	(12,625)	1,207	(1,125)	(12,543)
Total property, plant and equipment	**-**	**-**	**14,973**	**(3,941)**	**(1,125)**	**9,907**
Grand Total	**606,784**	**175,600**	**-**	**(124,548)**	**(40,363)**	**617,473**

(*) Includes R$ 100,448 transfer to concession accounts receivable (see note 14) and R$ 19,783 transferred to property, plant and equipment.

	Opening Balance 1/1/2011	Addition	Transfers	Write-offs	Amortization	Closing Balance 2011
INTANGIBLE ASSETS						
Intangible assets in service						
Cost	987,427	-	116,713	(13,921)	-	1,090,219
Accumulated amortization	(331,103)	-	-	7,078	(49,443)	(373,468)
Subtotal	656,324	-	116,713	(6,843)	(49,443)	716,751
In Progress	87,936	124,896	(116,713)	(10,683)	-	85,436
Total	**744,260**	**124,896**	**-**	**(17,526)**	**(49,443)**	**802,187**
Special Obligations						
In Service	-	-	-	-	-	-
Cost	162,976	-	11,978	3,782	-	178,736
Amortization	(9,697)	-	-	-	(9,371)	(19,068)
Subtotal	153,279	-	11,978	3,782	(9,371)	159,668
In Progress	43,427	7,512	(11,978)	(3,226)	-	35,735
Total	196,706	7,512	-	556	(9,371)	195,403
Grand Total	**547,554**	**117,384**	**-**	**(18,082)**	**(40,072)**	**606,784**

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 3.70% (4.75% in 2011 and 1/1/2011) .

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	65,037	61,510	60,458
Government Subsidy – CDE funds	157,175	141,267	135,194
State Government Subsidy	10,261	18,989	18,673
(-) Accumulated amortization	(26,062)	(19,070)	(9,697)
Total	**206,411**	**202,696**	**204,628**
Allocation:			
Accounts receivable from the concession	32,220	7,293	7,922
Infrastructure - Intangible assets in service	141,160	159,668	153,279
Infrastructure - Intangible assets in progress	33,031	35,735	43,427
Total	**206,411**	**202,696**	**204,628**

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

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

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

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

	2012	2011
Financial charges - debt charges - interest	45,776	45,880
(-) transfer to intangible assets in progress (*)	(5,251)	(4,858)
Net effect on income	**40,525**	**41,022**

(*) Pursuant to CPC 20, the Company used the average weighted rate to appropriate the costs of loans for assets not directly related and the effective rate for the specific assets (see note 26).

16. Suppliers payable

	2012	2011	1/1/2011
Supplies:			
CCEE (1)	-	2,953	5,252
Bilateral Contracts (1)	62,562	42,022	39,248
Use of the high-voltage national grid (1)	6,473	4,716	4,822
Connection to the grid (1)	286	260	462
Use of the distribution/transmission system (1)	11,883	1,246	3,040
Materials, services and other (2)	30,533	14,941	19,281
Total	**111,737**	**66,138**	**72,105**
Current	109,165	63,767	69,981
Noncurrent	2,572	2,371	2,124

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 (*)	-	-	-	-	6,723	13,254	
Credit Receivables Investment Fund - Energisa Group III (*)	339	-	61,000	61,339	61,548	61,575	
Eletrobrás - Light for All – 1st tranche	29	337	1,127	1,493	1,881	2,268	
Eletrobrás - Light for All – 2nd tranche	72	510	2,504	3,086	3,659	4,209	
Eletrobrás - Light for All – 3rd tranche	67	616	2,086	2,769	3,180	5,479	
Eletrobrás - Light for All – 4th tranche	58	444	2,267	2,769	4,388	4,882	
Eletrobrás - Light for All – 5th tranche	86	379	3,320	3,785	4,185	4,323	
Eletrobrás - Light for All – 6th tranche	7	408	3,433	3,848	2,222	1,330	
Eletrobrás- Subtransmission	73	7,939	12,192	20,204	24,965	8,939	
Eletrobrás - Rural Electrification I	-	11	-	11	32	52	
Eletrobrás - Rural Electrification II	-	8	11	19	33	49	
Eletrobrás - Rural Electrification II	-	6	8	14	24	34	
Eletrobrás – Rural Electrification Program	-	-	-	-	74	319	
Eletrobrás – Return of LPT	-	-	7,096	7,096	6,908	12,127	
Banco do Nordeste - Investment Financing 2005-2006 (FNE)	-	6,139	4,875	11,014	16,910	22,943	
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	9	10,094	33,232	43,335	52,229	61,759	
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	-	8,784	47,033	55,817	57,785	58,963	
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	1	2,433	8,496	10,930	13,366	15,791	
Banco HSBC - FINAME	-	-	-	-	-	29	
Banco Itaú BBA - FINAME	91	1,464	9,147	10,702	7,150	3,161	
Funasa Financing						17,400	
Total local currency	**832**	**39,572**	**197,827**	**238,231**	**267,262**	**298,886**	
(-) Borrowing costs incurred	(43)	(287)	(1,732)	(2,062)	(2,434)	(2,794)	
Foreign currency							
NOTES UNITS	6,225	117,834	-	124,059	113,878	101,154	(1)
Banco Itau BBA	550	-	34,535	35,085	-	-	
Citibank	168	-	81,740	81,908	-	-	
Total foreign currency	**6,943**	**117,834**	**116,275**	**241,052**	**113,878**	**101,154**	
(-) Borrowing costs incurred	-	(381)	-	(381)	(3,282)	(3,567)	
Total ENERGISA PARAÍBA	**7,732**	**156,738**	**312,370**	**476,840**	**375,424**	**393,679**	

(*) To guarantee payment of the short-term portions, the Company maintains interest-earning bank deposits to the amount of R$ 32,716 (R$ 37,546 in 2011 and R$ 42,074 as of 1/1/2011), recorded under "secured funds" in the current 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.

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:

Operation	Maturity	Amortization Frequency	Collateral	Average Term months	Index	Interest rate p.a.	TIR (Effective interest rate)	Ref
	Details of the Operation				Cost of the Debt			
Credit Receivables Investment Fund - Energisa Group III	Dec-2020	monthly, after Dec 2017	Receivables	78	CDI	+ 0.7%	0.83%	
NOTES UNITS	Jul-2013	final	-	7	US dollar	+ 10.5%	10.94%	(1)
Eletrobrás - Light for All – 1st tranche	Nov-2016	monthly	Receivables	24	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 2nd tranche	Apr-2018	monthly	Receivables	33	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 3rd tranche	Aug-2019	monthly	Receivables	36	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 4th tranche	Nov-2020	monthly	Receivables	45	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 5th tranche	Aug-2021	monthly	Receivables	52	RGR	+ 5.0%	5.0%	
Eletrobrás - Light for All – 6th tranche	Oct-2022	monthly	Receivables	59	RGR	+ 5.0%	5.0%	
Eletrobrás- Subtransmission	Mar-2016	monthly	Receivables	18	RGR	+ 5.0%	5.0%	
Eletrobrás - Rural Electrification I	Nov-2013	quarterly	-	6	RGR	+ 8.0%	8.0%	
Eletrobrás - Rural Electrification II	Nov-2014	quarterly	-	12	RGR	+ 8.0%	8.0%	
Eletrobrás - Rural Electrification III	Nov-2014	quarterly	-	12	RGR	+ 8.0%	8.0%	
Eletrobrás – Return of LPT	Jul-2012	monthly	-	5	Accrued Selic			
Banco do Nordeste – Financ. Investment 2005-2006 (FNE)	Nov-2014	monthly	Receivables + Reserve Fund	12	Fixed 7.7%		7.7%	(2)
Banco do Nordeste – Financ. Investment 2007-2008 (FNE)	Jun-2017	monthly	Receivables + Reserve Fund	27	Fixed 7.8%		8.0%	(2)
Banco do Nordeste – Financ. Investment 2007-2008 (FAT)	Jun-2017	monthly	Receivables + Reserve Fund	27	TJLP	+ 4.0%	4.2%	
Banco do Nordeste – Financ. Investment 2008-2009 (FNE)	Jun-2019	monthly	Receivables + Reserve Fund	39	Fixed 8.1%		8.1%	(2)
Banco Itaú BBA - FINAME	Until Feb-2021	monthly	Endorsement of Energisa S.A.	50	pre-fixed	4.5% to 5.5%	4.5% to 5.5%	
Banco Itaú BBA	Aug-2015	final	Endorsement of Energisa S.A.	32	Dollar + 3.2466		3.2466	(1)
Citibank	Sep-2017	Annual after Sep.2016	Endorsement of Energisa S.A.	51	Libor + 1.8987		1.8987	(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%	-4.3%
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	41,897
2015	63,865
2016	66,039
2017	58,436
2018	31,439
2018 onwards	50,694
Total	**312,370**

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

Contracts	2013	2014	2015	2015 onwards	Total
Credit Receivables Investment Fund - Energisa Group III (*)	44	-	-	705	**749**
Banco do Nordeste - Investment Financing 2007-2008 (FNE)	127	98	107	170	**502**
Banco do Nordeste - Investment Financing 2007-2008 (FAT)	31	25	27	42	**125**
NOTES UNITS	381	-	-	-	**381**
Banco do Nordeste - Investment Financing 2008-2009 (FNE)	128	101	101	356	**686**
	711	**224**	**235**	**1,273**	**2,443**

18. Debentures (nonconvertible)

Main features of the debentures:

	1st Issuance
Issue type	Public
Issue date	12/15/2009
Maturity date	12/15/2014
Surety	Ordinary
Yields	CDI + 1.0% p.a.
TIR (effective interest rate)	CDI + 1.06% p.a.
Number of securities	80,000
Value at issue	80,000
Securities in circulation	64,745
Interest grace period	6 months
Amortizations/installments	Final
Balances -2012	**64,448**
Current	136
Noncurrent	64,312
Balances - 2011	**79,993**
Current	426
Noncurrent	79,567
Balances - 01/01/2011	**79,964**
Current	417
Noncurrent	79,547

(*) R$ 473 (R$ 493 in 2011 and 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.

The balances of debentures of R$ 64,312 is scheduled for maturity in 2014.

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

	1st Issuance
2013	41
2014	432
	473

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

19. Taxes and Payroll Contributions

	2012	2011	1/1/2011
ICMS	22,064	21,246	17,936
Social Charges	1,904	1,881	1,934
IRPJ	10,911	4,574	833
CSSL	6,963	4,890	3,118
PIS / COFINS	19,398	17,084	14,346
IRRF	1,056	920	965
Other	1,980	1,398	1,624
Total	**64,276**	**51,993**	**40,756**
Current	50,235	50,532	40,364
Noncurrent	14,041	1,461	392

20. Tax financing

In February 2011 the Company settled in advance of the entire balance of ICMS taxes financed with the Paraíba State government, making a saving of R$ 497, recorded under other financial revenue in the income statement for the year.

21. Provisions for labor, civil and tax risks

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

	Opening balance 2011	Provisions made	Reversal of provisions	Restatement	Closing balance 2012
Labor claims	10,245	2,968	(4,555)	567	9,225
Civil	22,069	6,508	(7,025)	1,247	22,799
Tax	5,886	-	(1,176)	286	4,996
Total	**38,200**	**9,476**	**(12,756)**	**2,100**	**37,020**
Restricted and escrow deposits (*)	(6,931)	-	-	-	(8,356)

	Opening balance 1/1/2011	Provisions made	Reversal of provisions	Restatement	Closing balance 2011
Labor claims	10,370	3,482	(4,179)	572	10,245
Civil	22,141	7,146	(8,509)	1,291	22,069
Tax	7,549	1,444	(3,487)	380	5,886
Total	**40,060**	**12,072**	**(16,175)**	**2,243**	**38,200**
Restricted and escrow deposits (*)	(8,988)	-	-	-	(6,931)

(*) Energisa PB has restricted and escrow deposits in its noncurrent assets of R$ 25,686 (R$ 25,883 in 2011 and R$ 23,605 as of 1/1/2011). Provisions for risks have not been made for R$ 17,330 (R$ 14,817 in 2011 and R$ 14,617 as of 1/1/2011) as the chances of success are rated as possible or probable.

The amount of R$ 7,914 was paid in the year, consisting of labor claim settlements of R$ 2,925 (R$ 3,584 in 2011) and civil claim compensation of R$ 4,989 (R$ 4,830 in 2011).

<u>Probable losses:</u>

Labor claims

Based on the opinion of independent legal advisers, when applicable, in the FY 2012 the Company's legal advisers analyzed the labor claims in progress and accordingly made a provision of a further R$ 2,968 (R$ 3,482 in 2011), and reversed a provision of R$ 4,555 (R$ 4,179 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. Lawsuits have also been filed by consumers claiming reimbursement of amounts paid to the Company resulting from rate increases introduced under DNAEE Ordinances 38 and 45 applied during the term of the Cruzado Plan in 1986. A provision has been made for the amount of the rate increase of R$ 1,785.

In FY 2012 an additional provision was made of R$ 6,508 (R$ 7,146 in 2011) and provisions reversed of R$ 7,025 (R$ 8,509 in 2011).

Tax

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

Provisions amounting to R$ 1,176 (R$ 3,487 in 2011) were reversed in FY 2012 due to the settlement of judicial proceedings involving the INSS, COFINS and IRPJ taxes.

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 defeat has been rated as probable.

Possible losses:

The Company is party to labor, civil and tax claims in progress amounting to a total of R$ 225,645 (R$ 188,048 in 2011 and R$ 85,215 as of 1/1/2011), where the chance of success has been estimated as possible by the legal advisors, meaning no provision was required.

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

Labor claims

Labor claim seeking joint liability for third-party debits amounting to R$ 6,897 (R$ 6,701 in 2011 and R$ 21 as of 1/1/2011).

Civil

These proceedings amount to R$ 58,667 (R$ 44,275 in 2011 and R$ 32,995 as of 1/1/2011) and are mainly claiming indemnification for alleged differences to be returned resulting from the CVA calculation, return of emergency charges, receivables allegedly due to the privatization of the company and consumer complaints (demand for supply irregularity and disconnection).

Tax

These proceedings amount to R$ 160,081 (R$ 137,072 in 2011 and R$ 52,199 as of 1/1/2011) claiming reductions to the IRPJ and CSSL calculation base - amortization of the goodwill acquired, ICMS differences paid on contracted demand, FGTS differences and the ground usage fee.

22. Shareholders' equity

22.1. Capital

The subscribed and paid-in capital is represented by 619,889 common shares, 298,902 Class "A" preferred shares and 147 preferred Class "B" shares, all nominative and with no par value. The preferred shares hold no voting rights but have priority in the reimbursement of capital, and are comprised of:

- Class A – Non-cumulative minimum dividends of 10% p.a., calculated on the capital assigned to this class of share.

- Class B — Non-cumulative mandatory dividends as stipulated in the Bylaws.

The Extraordinary General Meeting held April 25, 2012 approved the capital increase of R$ 22,943, 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$ 386,516 (R$ 363,573 in 2011).

Irrespective of amendments to the bylaws, the Company may increase its share capital through subscription to the limit of 6,000,000 shares, where the Board of Directors resolves the form, 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, in 2009 the Company bought back 422 common shares and 356 preferred 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$ 538. As it is a wholly owned subsidiary, the Company's shares have no market value.

22.2. Profits reserve - income tax reduction

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

This reduction was approved by Constitutive Reports 0112 and 0113/2004 – ADENE issued on March 31, 2004, which impose a number of obligations and restrictions:

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

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

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

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$ 39,289 (R$ 22,943 in 2011) in the year ended December 31, 2012.

22.3. Capital reserve - special goodwill reserve

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

22.4. Profit reserve - legal reserve

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

22.5. Dividends

The corporate by-laws determine the distribution of a minimum compulsory dividend of 25% of the net income for the year, adjusted in accordance with article 202 of Law 6404/76.

Management is proposing to pay out the following dividends:

	2012	2011
Net income for the year	209,344	122,858
Expired dividends	417	202
Legal reserve	(10,488)	(6,143)
Profit reserve - income tax reduction reserve	(39,289)	(22,943)
Adjusted net income	**159,984**	**93,974**
-		
Prepaid dividends paid (*):		
. Paid in September 2011 - R$ 39.5500 per share	-	36,313
. Paid in December 2011 - R$ 20.6700 per share	-	18,978
. Paid in August 2012 - R$ 80.72 per share	74,114	-
. Paid in November 2012 - R$ 31.51 per share	28,931	-
. Paid in December 2012 - R$ 51.69 per share	12,069	-
. Paid in January 2013 - R$ 51.69 per share	35,391	-
	150,505	**55,291**
(*) Additional proposed dividends R$ 10.3240 per share (R$ 42.1311 in 2011)	9,479	38,683
Total dividends	**159,984**	**93,974**
% over adjusted net income	100	100

(*) The prepaid dividends approved by the Board of Directors meetings held August 09, October 20 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, September 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.

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	997,140	1,297,599	640,055	959,899	1,221,929	539,876
Industrial	4,552	599,989	202,024	4,595	589,073	189,016
Commercial	88,732	594,029	296,622	87,328	548,213	256,486
Rural	110,419	267,641	55,475	99,815	215,608	42,371
Government:						
Federal	580	49,752	42,972	552	47,232	39,214
State	3,036	67,803	34,089	2,891	64,370	31,109
Municipal	11,227	85,398	22,619	10,689	81,076	20,643
Public Lighting	642	222,004	61,408	606	198,316	51,516
Public Utility	1,017	212,369	53,077	992	200,175	62,250
Internal Use	143	4,200	-	133	4,053	-
Subtotal	**1,217,488**	**3,400,784**	**1,408,341**	**1,167,500**	**3,170,045**	**1,232,481**
Revenue from Remuneration of Concession Assets	-	-	4,889	-	-	2,224
Electricity sales to distributors	-	131,867	43,357	-	101,627	1,509
Sales not invoiced (net)	-	44,666	7,702	-	(396)	9,062
Provision of the transmission and distribution system	-	-	62,176	-	-	52,393
Energy sales to free consumers	15	-	-	17	-	-
Construction Revenue	-	-	195,670	-	-	111,671
Other operating revenue	-	-	8,956	-	-	8,869
Total - gross operating revenue	**1,217,503**	**3,577,317**	**1,731,091**	**1,167,517**	**3,271,276**	**1,418,209**
Deductions from operating revenue						
ICMS	-	-	289,139	-	-	267,617
PIS	-	-	24,901	-	-	21,543
COFINS	-	-	114,698	-	-	99,228
ISS	-	-	343	-	-	134
Quota for RGR	-	-	11,635	-	-	11,391
Energy Efficiency Program - PEE	-	-	5,067	-	-	4,245
Energy Development Account - CDE	-	-	8,631	-	-	7,225
Energy Development Account - CCC	-	-	39,266	-	-	40,339
Research and Development Program – P&D	-	-	8,114	-	-	6,793
Total	-	-	501,794	-	-	458,515
Total - net operating revenue	**1,217,503**	**3,577,317**	**1,229,297**	**1,167,517**	**3,271,276**	**959,694**

24. Operating expenses

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

TYPE OF EXPENSE	COST OF SERVICE			OPERATING EXPENSES		TOTAL	
	ENERGY	OPERATION	PROVIDED TO THIRD PARTIES	SALES	GENERAL AND ADMIN.	2012	2011
Electricity purchased for resale	429,615					429,615	356,983
Charges for using the transmission and distribution system	82,689					82,689	60,672
Personnel and management		33,151	24	28,798	33,754	95,727	90,375
Private pension fund		8,772	-	2,295	2,326	13,393	8,614
Material		2,955	70	7,430	2,321	12,776	11,885
Outsourced services		8,725	167	22,168	52,648	83,708	75,842
Depreciation and amortization		35,784	-	226	4,353	40,363	40,072
Allowance for doubtful accounts				(13,762)		(13,762)	13,377
Provisions for risks				-	(3,280)	(3,280)	(4,103)
Construction cost			195,670			195,670	111,671
Other		4,497	-	1,617	10,991	17,105	11,537
	512,304	**93,884**	**195,931**	**48,772**	**103,113**	**954,004**	**776,925**

25. Other income

	2012	2011
Gains on the deactivation/sale of assets and rights	6,129	5,488
Loss on the deactivation/sale of assets and rights	(13,104)	(8,631)
Total	**(6,975)**	**(3,143)**

26. Financial revenue and expenses

	2012	2011
Revenue on short-term investments	11,009	14,470
Monetary variation and arrears surcharge on energy sold	20,859	17,849
Restatement of accounts receivable from the concession - VNR	15,770	-
Other financial revenue	3,754	4,594
Total financial revenue	**51,392**	**36,913**
Debt charges - interest	(45,776)	(45,880)
Debt charges - monetary and exchange variance	(11,565)	(14,830)
Transfer to orders in progress	5,251	4,858
Present value adjustment of assets	11,745	(4,236)
Mark-to-market of derivatives	1,155	(193)
Derivative financial instruments	8,023	5,471
Restatement of taxes and provision for labor, civil and tax risks	(4,931)	(3,479)
Costs of renegotiating bills with clients	(12,433)	-
Other financial expenses	(18,374)	(8,406)
Total financial expense	**(66,905)**	**(66,695)**
Net financial income (expenses)	**(15,513)**	**(29,782)**

27. Net income per share

The Company did not change the number of shares in circulation in its share capital. The basic and diluted net income per share is therefore being calculated according to the number of shares at the end of the year, i.e. 619,889 common shares and 298,902 preferred class "A" and 147 preferred class "B" 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 reviewed by our independent auditors.

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

The main items covered are:

Lines	Maturity Date	Insurance Coverage	Annual Premium 2012	Annual Premium 2011
Operating Risks	10/23/2013	23,000	400	232
General Civil Liability	10/23/2013	44,572	251	252
Automobiles – Third-party material and personal damages.	10/23/2013	Up to R$ 200 k / vehicle	184	179
Collective life insurance – Personal Death and Accidents	12/31/2013	74,986	346	303
			1,181	**966**

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	67,646	67,646	62,753	62,753	92,862	92,862
Money market and secured funds	116,697	116,697	46,239	46,239	74,520	74,520
Consumers and concessionaires	190,091	190,091	167,014	167,014	148,420	148,420
Credit receivables	89,730	89,730	117,947	117,947	95,171	95,171
Accounts receivable from the concession	147,049	147,049	30,777	30,777	19,468	19,468
	2012		**2011**		**1/1/2011**	
LIABILITIES	**Book**	**Fair value**	**Book**	**Fair value**	**Book**	**Fair value**
Suppliers payable	(111,737)	(111,737)	(66,138)	62,753	(72,105)	(72,105)
Loans, financing, debentures and debt charges	(541,288)	(554,640)	(455,417)	46,239	(473,643)	(483,743)

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 and 2011 are shown below:

Nonderivatives - classification and measurement

Loans and receivables:

Includes 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, 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 1st debentures issuance and loans from Banco Itaú BBA, Citibank, BONDs and Credit receivables investment funds, the book value differs from the fair value as there is a market in 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 Company's Executive Board. 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 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	109,165	-	-	-	2,572	111,737
Loans, financing, debt charges and debentures	51,063	128,059	288,509	158,633	97,590	723,854

b) Credit risk

Management believes the risks posed by its short-term investments are minimal, as there is no concentration and the risk policy complies 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	67,646	62,753	92,862
Money market and secured funds	116,697	46,239	74,520
Consumers and concessionaires	190,091	167,014	148,420
Credit receivables	89,730	117,947	95,171
Accounts receivable from the concession	147,049	30,777	19,468

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 17 consist of financing from several national development agencies (Eletrobrás, BNDES and BNB) and other institutions in the capital market. The interest rate is defined by these Agents, taking into account the underlying interest rate, the risk premium compatible with the financed companies, their guarantees and the sector they are engaged in. In the event it is not possible to acquire alternatives or different market hypotheses and/or methods for their estimates, in view of the subsidiaries' business and sector specifics, these are measured by the amortized cost method at the contractual rates.

The Company'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$ 240,671 (R$ 110,596 in 2011 and R$ 97,587 as of 1/1/2011) of Energisa PB's bank debts and issuances of R$ 541,288 (R$ 455,417 in 2011 and R$ 473,643 as of 1/1/2011) as of December 31, 2012 is denominated in US dollars, (i) international Notes Units issuance, with an outstanding balance at the end of the year of USD 60.7 million (principal of USD 57.7 million), including interest (ii) USD 17.2 million loan from Banco Itaú BBA (principal of USD 16.9 million) and (iii) loan from Citibank with a balance at the end of the year of USD 40.1 million, including interest.

The notes Units mature on July 19, 2013 and pay interest of USD + 10.5% per annum. The loans have a long term maturity (all mature in 2017) and costs of up to USD plus 3.2466% per annum.

The balance sheet as of December 31, 2012 presents R$ 6,212 in the noncurrent assets (R$ 2,649 in 2011 and R$ 2,842 as of 1/1/2011) and R$ 6,409 in 2011 (R$ 13,600 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. Moreover, further deterioration of the volatility, the currency coupon and the f/x rate could result in the amounts recorded increasing.

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

1. Hedge for the principal of USD 57.7 million and interest of USD 3 million through a series of currency swaps with exchange-rate cap of R$/USD 2.580 (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 131.50% 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.

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

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

   In the year the foreign exchange hedges yielded a gain of R$ 8,023 (R$ 5,471 in 2011), due to appreciation of the US dollar.

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

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

	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	129,543	125,794	118,038		
Swap with options - Bond	88,174	97,604	107,921	Liability Position				-	(591)
				CDI Interest Rate	(124,767)	(128,226)	(127,339)	-	
				Foreign Currency Options (USD)	(11)	(1,328)	(1,457)	-	-
				Total Swap Position with Options	4,765	(3,760)	(10,758)	-	(591)
				Receivable Position				-	-
	34,138			Foreign currency - USD	37,450	-			
Swap with Options – Itaú BBA				Liability Position				-	
				CDI Interest Rate	(35,008)	-		-	
				Foreign Currency Options (USD)	(744)	-		-	-
				Total Swap Position with Options	1,698	-		-	
				Receivable Position				-	-
	80,960			Foreign Currency - USD Libor	84,920	-			
Swap with Options - Citibank				Liability Position	-	-		-	
				CDI Interest Rate	(81,306)	-		-	
				Foreign Currency Options (USD)	(3,865)	-		-	(837)
				Total Swap Position with Options	(251)	-		-	(837)

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 17 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 PB'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 were maintained, and the effects on the future financial statements simulated by type of financial instrument and for three different scenarios, the following results would be obtained (restated as for the interim reporting date):

Operation	Exposure	Risk	Scenario I (Probable) (*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Financial instruments - Bond and Swap with Itaú Options			6,815	(33,229)	(73,273)
Receivable position - Foreign Currency - USD	166,993	Higher f/x rate	160,176	200,221	240,265
Payable Position - CDI Interest Rate	(159,775)		(159,775)	(159,775)	(159,775)
Foreign Currency Options - USD	(755)		-	(721)	(35,132)
Subtotal	**6,463**		**401**	**39,725**	**45,358**
Net	6,463		7,216	6,496	**(27,915)**
Financial instruments - Swap with Options Citi	-		17,272	220	(16,832)
Receivable position - Foreign Currency - USD Libor	84,920	Higher f/x rate	68,207	85,258	102,310
Payable Position - CDI Interest Rate	(81,306)		(81,306)	(81,306)	(81,306)
Foreign Currency Options - USD	(3,865)		-	-	(1,602)
Subtotal	**(251)**		**(13,099)**	**3,952**	**19,402**
Net	**(251)**		**4,173**	**4,173**	**2,570**
Total	**6,212**		**11,389**	**10,668**	**(25,345)**

(*) 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 fully effective, which is reflected in the positive present value of R$ 11,389, 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$ 10,668 and negative value of R$ 25,345 in the scenarios where the Brazilian real lost 25% and 50% against the US dollar, a scenario in which some of the current caps would be exceeded.

b) Interest rate variance

Considering the exposure of financial instruments indexed to interest rates as of December 31, 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	159,512	Increase in CDI	11,917	14,901	17,886
Payable financial instruments:					
	(133,356)	Increase in CDI	(11,495)	(13,899)	(16,346)
Loans and financing	(10,930)	Increase in LTIR	(1,006)	(1,148)	(1,290)
	(110,163)	Increase in FNE	(13,172)	(14,824)	(16,477)
Subtotal (**)	(254,449)		(25,673)	(29,871)	(34,113)
Total	**(94,937)**		**(13,756)**	**(14,970)**	**(16,227)**

(*) 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$ 241,052

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	116,697	46,239	74,520
Derivative financial instruments	2	6,212	2,649	2,842
Liabilities		**2,012**	**2,011**	**40,544**
Derivative financial instruments	2	-	(6,409)	(13,600)

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

30. Employee benefits

a) Retirement and pension supplementation plan

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

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

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

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

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

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

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

   In 2009 the mathematical reserves for forming the paid-in plan were calculated actuarially and amounted to R$ 17,672, which was subject to a debt acknowledgment agreement between Energisa PB and Funasa. The contractual balance was entirely settled in FY 2011.

   To cover the deficit of the defined-benefit plan, Energisa PB increased its contribution from 35.9% to 55.9% of payroll of active and inactive employees, and signed a debt agreement for R$1,620, which was settled in FY 2011.

Defined contribution plan

Energisa PB has a defined-contribution plan following the aforesaid restructuring.

The features of the benefit plans are shown below:

		Annual Contribution			Actuarial Deficit		
Company	**Beneficiary Plan**	**2012**	**2011**	**% over payroll**	**2012**	**2011**	**1/1/2011**
Energisa PB	BD	5,891	5,830	9.96	26,249	25,859	26,913
Energisa PB	CD	542	601	0.92	-	-	-
Energisa PB	PS	362	274	0.61	6,814	1,240	15,876
				Total	**33,063**	**27,099**	**42,789**
				Current	12,532	6,698	4,442
				Noncurrent	20,531	20,401	21,347

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

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

	2012		2011		1/1/2011	
	PS (*)	BD	PS(*)	BD	PS	BD
Present value of actuarial obligations	(34,372)	(129,314)	(24,355)	(107,130)	(19,493)	(100,041)
Fair value of the plan's assets	27,558	72,850	23,114	66,260	3,617	62,293
Present value of the obligations in excess of the fair value of the assets	(6,814)	(56,464)	(1,240)	(40,870)	(15,876)	(37,748)
Unrecognized actuarial gains	-	30,215	-	15,011	-	10,835
Net liabilities	**(6,814)**	**(26,249)**	**(1,240)**	**(25,859)**	**(15,876)**	**(26,913)**

(*) As of December 31, 2012 the deficit of R$ 6,814 (R$ 1,240 in 2011) is recorded in noncurrent liabilities.

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

	PS	BD
Current service cost	1,468	850
Interest cost	3,256	11,713
Expected return on the plan's assets	(1,625)	(4,267)
Unrecognized actuarial losses	-	1,137
Employee contributions	-	(527)
Expenses projected for 2013	**3,099**	**8,906**

Statement of the change in the 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	1,241	25,859	15,876	26,913	16,609	26,977
Current expenses	1,547	5,862	2,801	4,345	2,722	6,047
Company Contributions	-	(5,472)	-	(5,399)	-	(6,111)
Impact resulting from reducing the benefit plan	4,026	-	(17,437)	-	(3,455)	-
Net actuarial deficit at year-end	**6,814**	**26,249**	**1,240**	**25,859 -**	**15,876**	**26,913**

The plan's assets are:

	PS			BD		
	2012	2011	1/1/2011	2012	2011	1/1/2011
Plan assets:						
Fixed-income fund quotas	27,245	22,742	3,259	66,452	59,832	56,075
Property investments	-	-	-	3,721	3,751	3,779
Loans to participants	293	344	333	849	845	753
	27,538	**23,086**	**3,592**	**71,022**	**64,428**	**60,607**

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

	2012		2011		1/1/2011	
	PS	BD	PS	BD	PS	BD
Fair value of assets at start of year	23,114	66,260	3,617	62,293	1,180	59,860
Benefits paid	(305)	(12,151)	(213)	(11,847)	(7)	(11,799)
Participant contributions invested in the year	-	629	-	581	-	657
Sponsor contributions invested in the year	-	5,472	-	5,399	-	6,111
Effective return on assets	2,276	5,950	430	7,193	127	5,913
Actuarial gains of the assets	2,473	6,690	19,280	2,641	2,317	1,551
Fair value of the assets	**27,558**	**72,850**	**23,114**	**66,260**	**3,617**	**62,293**

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

	2012		2011		1/1/2011	
	PS	BD	PS	BD	PS	BD
Balance at beginning of year	24,355	107,130	19,493	100,041	17,789	102,300
Benefits paid in cash	(305)	(12,151)	(213)	(11,847)	(7)	(11,799)
Interest on actuarial obligation	2,723	11,324	2,325	11,286	1,924	10,494
Current service cost (including interest)	1,100	1,033	906	1,015	925	1,238
Losses (Gains) on actuarial obligations	6,499	21,978	1,844	6,635	(1,138)	(2,192)
Balance at end of year	**34,372**	**129,314**	**24,355**	**107,130**	**19,493**	**100,041**

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

Economic hypotheses

Actuarial discount rate	3.78% p.a (PS) and 3.61% p.a (BD).
Expected rate of return on assets	7.08% p.a. (including inflation)
Benefit readjustment	Inflation only.
Wage growth	0% p.a. (PS) and 0.5% p.a. above inflation (BD)
Projected inflation	4.50% p.a.

Demographic Hypotheses

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

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

	PS	BD
Active Members		
Number	255	56
Average Age	48.21	48.84
Participation time (years)	18.81	24.29
Participant's Average Salary	R$ 0.721	R$ 2.357
Assisted Participants		
Number	14	475
Average Age	54.64	68.50
Average Monthly Benefit	R$ 0.741	R$ 1.597
Pensioners		
Number of Pensioners	2	217
Average Benefit per Family Group	R$ 0.244	R$ 0.770

b) Healthcare plan

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

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

Expenses were incurred on this benefit of R$ 2,213 in FY 2012 (R$ 2,205 in 2011).

31. Commitments

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

Term	2013	2014	2015	2016	2017	2016 onwards
2013 to 2046	342,700	317,856	340,871	358,594	375,577	6,127,338

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 June 2012, which have been ratified by ANEEL.

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

32. Electricity distribution concession arrangement

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

33. Environment

The Company handles the social and environmental impacts caused by its services and facilities through programs and practices that evidence its concern about and responsibility for the environment, including:

1. Insulated grids: insulated cables are used in grids where trees could be more affected by contact with the low-voltage cables and the dimensions of paths try to preserve the ecological balance as far as possible. Protected cables are also used in medium-voltage grids close to trees, in order to avoid undesirable pruning.

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

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

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

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

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

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

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

9. Waste disposal and treatment: in addition to ascertaining the nature and amount of waste generated during the production process, there are procedures for handling, transporting and disposing of products. The Company is aware of its environmental responsibilities, and is therefore regenerating insulating oil used in its equipment and recovering industrial lubricating oil, ensuring the recycling of this material and avoiding environmental pollution. We provide recycling bins for bulbs, batteries and cartridges for employees to deposit their waste in and adequately dispose of it through duly licensed companies.

10. Implementation of water and energy consumption reduction campaigns, education based on the 3Rs (Reduce, Reuse and Recycle) and education for conscious consumption by distributing leaflets and presenting lectures at schools (Water Day, Environmental Week) and internal disclosure (intranet, stickers and notices put up by the company and screensavers).

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

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

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

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

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

The nonfinancial information was not examined by our independent auditors.

In FY 2012 the investment in the aforesaid projects amounted to R$ 3,321 (R$ 4,140 in 2011), R$ 3,149 (R$ 4,062 in 2011) of which was allocated to intangible assets and R$ 172 (R$ 78 in 2011) to operating expenses.

34 Additional information to the cash flows

In the financial year ended December 31, 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	15,770	-	-
Accounts receivable from the concession	100,448	11,309	
Suppliers payable	12,118	-	-
Dividends payable	35,391	417	619
Capitalization of reserves	22,943	46,965	-

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)	205.68	153.07	-25.58%
A4 (2.4 to 44 kV)	293.27	232.38	-20.76%

Average effect for Group B

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
B1 - Residential	387.65	317.82	-18.01%
B2 - Rural	236.86	194.17	-18.02%
B3 - Other Sectors	377.80	309.74	-18.01%
B4 - Public Lighting	196.87	161.40	-18.02%

Average Effect for Distribution Company

Subgroup/Class	Previous Average Rate	New Average Rate	Average Effect (%)
Captive Consumers	323.99	262.12	-19.10%

Representation by the Officers of Energisa Paraíba – 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.

João Pessoa, March 05, 2013.

Marcelo Silveira da Rocha
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

Technical and Commercial Director
(Represented by the CEO pursuant to article 15, VI, of the Company's Internal Regulations as a result of the position being vacant)

Representation by the Officers of Energisa Paraíba – 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.

João Pessoa, March 05, 2013.

Marcelo Silveira da Rocha
CEO

Maurício Perez Botelho
CFO and Investor Relations Officer

Danilo de Souza Dias
Regulatory Affairs and Strategy Officer

José Marcelo Gonçalves Reis
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