(A free translation of the original in Portuguese)

Desenvix Energias Renováveis S.A.

Parent company and consolidated financial statements at December 31, 2013 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Desenvix Energias Renováveis S.A.

We have audited the accompanying parent company financial statements of Desenvix Energias Renováveis S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2013 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Desenvix Energias Renováveis S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Desenvix Energias Renováveis S.A. as at December 31, 2013, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Desenvix Energias Renováveis S.A. and its subsidiaries as at December 31, 2013, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2.1 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Desenvix Energias Renováveis S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, whereas IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Desenvix Energias Renováveis S.A.

Other matters
Supplementary information -
statement of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2013, which are the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Florianópolis, May 7, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" SC

Carlos Biedermann
Contador CRC 1RS029321/O-4 "S" SC

Desenvix Energias Renováveis S.A.

Balance sheet

All amounts in thousands of reais (A free translation of the original in Portuguese)

Assets	Parent company December 31, 2013	Parent company December 31, 2012	Parent company January 1, 2012	Consolidated December 31, 2013	Consolidated December 31, 2012 (Restated (Note 2.21))	Consolidated January 1, 2012 (Restated (Note 2.21))
Current assets						
Cash and cash equivalents (Note 5)	3,225	7,126	406	28,803	124,677	38,981
Restricted financial investments			24,799			24,799
Accounts receivable (Note 6)	1,026	1,334	2,550	24,177	27,410	34,535
Dividends receivable (Note 11(a))	22,481	14,913	2,877	10,654	1,154	
Taxes recoverable	1,866	1,843	2,109	6,459	4,650	3,559
Inventories				1,052	983	696
Other assets	4,694	693	9,796	9,432	4,503	18,226
	33,292	25,909	42,537	80,577	163,377	120,796
Investments held for sale (Note 30)	3,060	16,976		3,060	16,976	25
	36,352	42,885	42,537	83,637	180,353	120,821
Non-current assets						
Long-term receivables						
Restricted financial investments (Note 7)	13,202	4,938		52,119	40,023	32,081
Related parties (Note 11)	87,058	128,124	91,066	26,824	43,425	33,680
Deferred taxes (Note 21)				23,768	5,604	2,051
Investments in non-subsidiary entities at fair value (Note 30)	66,677	81,213		66,677	81,213	74,258
Taxes recoverable				263		
Other assets				8,442	27	61
	166,937	214,275	91,066	178,093	170,292	142,131
Investments (Note 8)	614,373	582,934	629,382	150,556	108,789	63,283
Property, plant and equipment (Note 9)	501	497	462	1,194,631	1,299,715	1,195,238
Intangible assets (Note 10)	17,234	17,183	32,516	117,047	115,388	144,953
Investment properties (Note 27)	25,208	21,419	21,439	25,208	21,419	21,419
	657,316	622,033	683,799	1,487,442	1,545,311	1,424,893
Total assets	860,605	879,193	817,402	1,749,172	1,895,956	1,687,845

Liabilities and equity	Parent company December 31, 2013	Parent company December 31, 2012	Parent company January 1, 2012	Consolidated December 31, 2013	Consolidated December 31, 2012 (Restated (Note 2.21))	Consolidated January 1, 2012 (Restated (Note 2.21))
Current liabilities						
Trade payables:	2,603	3,077	5,167	33,260	108,899	138,953
Borrowings (Note 12)	74,505	18,695	49,665	122,751	70,366	80,749
Related parties (Note 11)	17,616	50,641	138,394	7,363	30,078	123,060
Concessions payable (Note 13)				6,500	6,255	5,371
Salaries and payroll charges	1,758	1,979	1,213	4,135	4,241	2,756
Taxes and contributions (Note 14)	9,901	11,033	8,055	14,822	14,767	12,477
Income tax and social contribution (Note 23)				6,816	5,875	4,369
Provision for electric power contracts (Note 16)				7,425	33,058	
Proposed dividends			529	47	47	529
Land - Rights of way	1,905	2,037	2,037	1,905	2,037	2,037
Other liabilities (Note 15)	3	3	6	15,909	27,267	8,344
	108,291	87,465	205,066	220,933	302,890	378,645
Non-current liabilities						
Borrowings (Note 12)	99,800	98,910	8,839	800,503	831,850	633,832
Deferred income tax (Note 23)	1,648	6,676	6,924	5,561	6,676	6,924
Concessions payable (Note 13)				56,538	55,015	66,593
Taxes payable				741		
Provision for investment losses	6,247					
Other liabilities (Note 15)	1,600			21,390	12,061	3,715
	109,295	105,586	15,763	884,733	905,602	711,064
Total liabilities	217,586	193,051	220,829	1,105,666	1,208,492	1,089,709
Equity						
Attributable to owners of the parent company (Note 18)						
Share capital	665,312	665,312	546,787	665,312	665,312	546,787
Carrying value adjustments	32,963	44,432	41,867	32,963	44,432	41,867
Revenue reserves	(23,602)	8,448	7,919	(23,601)	8,448	
Retained earnings (accumulated deficit)	(31,654)	(32,050)		(31,654)	(32,050)	7,867
	643,019	686,142	596,573	643,020	686,142	596,521
Non-controlling interests				486	1,322	1,615
Total equity	643,019	686,142	596,573	643,506	687,464	598,136
Total liabilities and equity	860,605	879,193	817,402	1,749,172	1,895,956	1,687,845

The accompanying notes are an integral part of these consolidated and parent company financial statements.

Desenvix Energias Renováveis S.A.

Statement of operations
Years ended December 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012 (Restated (Note 2.21))**
Revenue				
Electric power supply			185,424	164,404
Services rendered	7,866	5,251	25,916	22,618
Net operating revenue (Note 18)	7,866	5,251	211,340	187,022
Cost of electric power supply (Note 19)			(85,408)	(71,482)
Cost of services rendered (Note 19)	(6,464)	(5,028)	(18,242)	(14,261)
Gross profit	1,402	223	107,690	101,279
General and administrative expenses (Note 19)	(19,087)	(17,073)	(42,506)	(51,558)
Other operating income, net	2,763	15	2,763	513
Equity in the results of subsidiaries	7,040	3,535		158
Operating profit (loss)	(7,882)	(13,300)	67,947	50,392
Finance result (Note 20)				
Finance costs	(35,740)	(30,313)	(131,665)	(89,234)
Finance income	3,924	4,764	19,212	7,255
	(31,816)	(25,549)	(112,453)	(81,979)
Equity in the results of associates and jointly-controlled subsidiaries	1,307	5,306	1,307	4,867
Dividends received	2,859	1,074	2,859	1,074
Amortization of goodwill	(1,150)	(1,150)	(1,150)	(1,150)
	3,016	5,230	3,016	4,791
Loss before income tax and social contribution	(36,682)	(33,619)	(41,490)	(26,796)
Income tax and social contribution (Note 21)	5,028	1,569	9,000	(4,826)
Loss for the year	(31,654)	(32,050)	(32,490)	(31,622)
Attributable to:				
Owners of the parent company			(31,654)	(31,998)
Non-controlling interests			(836)	376
			(32,490)	(31,622)
Basic and diluted loss per thousand shares (in reais) (Note 26)			(0.27054)	(0.27348)

The accompanying notes are an integral part of these consolidated and parent company financial statements.

Desenvix Energias Renováveis S.A.

Statement of comprehensive income (loss)
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012 (Restated (Note 2.21)**
Loss for the year	(31,654)	(32,050)	(32,490)	(31,622)
Other components of comprehensive income (loss), net of taxes				
Changes in fair value of available-for-sale financial instruments (Note 30)	(11,468)	2,565	(11,468)	2,565
Total comprehensive loss for the year	(43,122)	(29,485)	(43,958)	(29,057)
Attributable to:				
Owners of the parent company			(43,122)	(29,433)
Non-controlling interests			(836)	376
			(43,958)	(29,057)

The accompanying notes are an integral part of these consolidated and parent company financial statements.

Desenvix Energias Renováveis S.A.

Statement of changes in equity

All amounts in thousands of reais (A free translation of the original in Portuguese)

	Attributable to owners of the parent company							Consolidated		
			Revenue reserves							
	Share capital	Carrying value adjustments	Legal	Profit retention	Total	Accumulated deficit	Total	Non-controlling interests	Write-off of deferred charges	Total equity
At December 31, 2011	546,787	41,867	739	7,180	7,919		596,573	1,615	(52)	598,136
Loss for the year						(32,050)	(32,050)	376	52	(31,622)
Changes in fair value of available-for-sale financial instruments		2,565					2,565			2,565
Capital increase	120,000						120,000	480		120,480
Costs of issuance of shares	(1,475)						(1,475)			(1,475)
Profit retention				529	529		529			529
Proposed dividends								(49)		(49)
Acquisition of ownership interest in Energen								(1,100)		(1,100)
At December 31, 2012	665,312	44,432	739	7,709	8,448	(32,050)	686,142	1,322		687,464
Offset of losses with revenue reserves			(739)	(7,709)	(8,448)	8,448				
Changes in fair value of available-for-sale financial instruments		(11,469)					(11,469)			(11,469)
Loss for the year						(31,654)	(31,654)	(836)		(32,490)
At December 31, 2013	665,312	32,963				(55,256)	643,019	486		643,505

The accompanying notes are an integral part of these consolidated and parent company financial statements.

Desenvix Energias Renováveis S.A.

Statement of cash flows
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2013	2012	2013	2012 (Restated Note 2.21)
Cash flows from operating activities				
Loss before taxation	(36,682)	(33,619)	(41,490)	(26,796)
Adjustments				
Finance income from long-term receivables	(648)	(408)	(3,062)	(2,357)
Equity in the results of investees	(14,594)	(8,400)	(1,307)	(5,024)
Provision for investment losses	6,247			
Gain on remeasuring previous equity participation		(441)		(441)
Net book value of property, plant and equipment disposals				29,584
Depreciation and amortization	79	57	65,197	46,556
Amortization of goodwill - investment	1,150	1,150	1,150	1,150
Provision for electric power contracts			(3,595)	33,058
Foreign exchange losses on financial activities			15,221	
Financial charges capitalized in subsidiaries	527		527	
Financial charges on borrowings and Use of Public Assets (UBP)	13,674	10,048	74,755	66,901
Provision for social and environmental costs			0	4,730
	(30,247)	(31,613)	107,396	147,361
Changes in assets and liabilities				
Accounts receivable	308	1,216	3,233	7,152
Taxes recoverable	(23)	266	(2,072)	(1,088)
Other assets and prepaid expenses	(4,002)	7,629	(13,412)	12,209
Trade payables:	(474)	(2,090)	(26,061)	(117,357)
Salaries and payroll charges	(221)	765	(105)	1,484
Payables for land acquisition		20		(435)
Taxes and contributions	(1,132)	2,978	799	2,290
Provision for electric power contracts			(28,239)	
Other changes	1,470	239	(2,163)	(2,995)
Cash provided by (used in) operations	(34,321)	(20,590)	39,376	48,621
Interest paid on borrowings	(13,349)	(11,316)	(70,707)	(61,108)
Income tax and social contribution paid			(9,338)	(8,443)
Net cash used in operating activities	(47,670)	(31,906)	(40,669)	(20,930)
Cash flows from investing activities				
(Application in) redemption of restricted financial investments	(7,616)	20,269	(9,034)	19,215
Acquisition of investments and capital increases	(50,516)	(83,899)	(50,516)	(43,836)
Dividends received	24,424	33,328	371	(1,074)
Purchases of property, plant and equipment and intangible assets	(3,923)	(92)	(8,162)	(59,163)
Sale of investment, net of cash received	16,976		16,976	
Related-party transactions	8,041	7,340	(6,114)	12,031
Loss in non-subsidiary entities at fair value	8		8	
Acquisition of environmental license or other additions			(8,472)	(7,043)
Net cash used in investing activities	(12,606)	(23,054)	(64,943)	(79,870)
Cash flows from financing activities				
Proceeds from borrowings	75,000	215,129	75,000	372,553
Repayment of borrowings - principal	(18,625)	(153,449)	(65,262)	(186,537)
Capital increase in cash by non-controlling stockholders				480
Net cash provided by financing activities	56,375	61,680	9,738	186,496
Increase (decrease) in cash and cash equivalents	(3,901)	6,720	(95,874)	85,696
Cash and cash equivalents at the beginning of the year	7,126	406	124,677	38,981
Cash and cash equivalents at the end of the year	3,225	7,126	28,803	124,677

The accompanying notes are an integral part of these consolidated and parent company financial statements.

Desenvix Energias Renováveis S.A.

Statement of value added
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012 (Restated Note 2.21)**
Net revenue				
Electric power supply and services rendered	7,866	5,686	229,717	200,704
Other income and expenses	2,769	17	2,763	75
	10,635	5,703	232,480	200,779
Inputs acquired from third parties (includes taxes - ICMS and IPI)				
Cost of electric power supply (Note 19)		(1,052)	(25,967)	(48,771)
Cost of services rendered (Note 19)	(13,271)	(10,810)	(33,944)	(22,693)
	(13,271)	(11,862)	(59,911)	(71,464)
Gross value added (1-2)	(2,636)	(6,159)	172,579	129,315
Retentions				
Depreciation, amortization and depletion	(1,229)	(1,207)	(66,347)	(47,706)
Net value added generated by the entity (3-4)	(3,865)	(7,366)	106,222	81,609
Value added received through transfers				
Equity in the results of investees	8,347	8,400	1,307	5,024
Finance income	3,924	4,764	19,212	7,255
Gain on investments		441		441
Dividend income	2,859	1,074	2,859	1,074
	15,130	14,679	23,378	13,794
Total value added to distribute (5+6)	11,265	7,313	129,600	95,403
Distribution of value added				
Personnel and social charges	12,200	9,463	36,744	19,283
Taxes and contributions	(5,028)	(1,132)	9,377	18,509
Third-party capital remuneration (interest and rentals)	35,745	31,031	115,970	89,234
Loss for the year	(31,654)	(32,049)	(31,654)	(31,998)
Non-controlling interest in profits reinvested			(836)	376
	11,263	7,313	129,600	95,404

The accompanying notes are an integral part of these consolidated and parent company financial statements.

All amounts in thousands of reais unless otherwise stated

1 General information

(a) Operations

The principal activity of Desenvix Energias Renováveis S.A. (the "Company" or "Parent company") and its subsidiaries (together referred to as "the Group"), headquartered in Barueri, State of São Paulo, comprises investing in other companies in the areas of electric power generation and transmission.

The Group's activities are integrated and cover the entire business cycle, from the execution of initial studies, licensing, financial and economic modeling, financing, and construction up to the operations of electric power transmission and generation ventures.

The Group invests in electric energy generation projects through (i) hydroelectric power plants ("UHEs"); (ii) small hydroelectric power plants ("PCHs"); (iii) wind farms ("UEEs"); (iv) biomass thermal power plants ("UTEs") and (v) transmission lines ("LTs").

The Group's installed capacity grew from 9 MW in 2005 to 349 MW up to September 2012, comprising 15 ventures working with 100% renewable energy generation. In addition, the Company has a participation of 25.5% in two transmission lines with an extension of 511 km.

The issue of these financial statements was authorized by the Board of Directors on May 7, 2014.

(i) Projects in operation

The Group, through its subsidiaries, holds several authorizations and concessions for ventures in operation, which include:

Companies	Electric power source	Beginning of operations	Installed capacity	Termination of contracts (authorizations/ concessions)
Esmeralda S.A.	PCH	December 23, 2006	22.2 MW	December 21, 2031
Santa Laura S.A.	PCH	October 1, 2007	15 MW	September 27, 2030
Santa Rosa S.A.	PCH	July 1, 2008	30 MW	May 31, 2031
Moinho S.A.	PCH	September 19, 2011	13.7 MW	August 14, 2038
Enercasa Energética S.A.	UTE	October 26, 2011	33 MW	February 25, 2044
Passos Maia Energética S.A	PCH	February 17, 2012	25 MW	March 2, 2034
Monel Monjolinho Energética S.A.	UHE	August 31, 2009	74 MW	April 22, 2037
Dona Francisca Energética S.A.	UHE	February 2001	125 MW	August 28, 2033
CERAN Cia. Energética Rio das Antas (i)	UHE	January 2005	360 MW	December 31, 2029
Macaúbas Energética S.A.	UEE	July 5, 2012	35.07 MW	June 16, 2045
Novo Horizonte Energética S.A.	UEE	July 5, 2012	30.06 MW	July 28, 2045
Seabra Energética S.A.	UEE	July 5, 2012	30.06 MW	July 28, 2045
Energen Energias Renováveis S.A.	UEE	September 28, 2012	34.5 MW	July 5, 2045
Goiás Transmissão S.A.	LT	November 14, 2013	500/230 KV	June 11, 2040

(i) CERAN - Cia. Energética Rio das Antas is the company responsible for the construction and operation of the Rio das Antas Energy Complex. The Company owns 5% of this project. The complex is formed by the Monte Claro, Castro Alves and 14 de Julho hydroelectric power plants. The project is operated by CPFL Geração de Energia S.A.

(ii) Projects under construction - transmission lines

Desenvix has investments in MGE Transmissão S.A. (25.5%), which is in the implementation phase.

This company has a transmission line with an extension of 258 km and it is expected to start operating between the second and third quarters of 2014.

2 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by investment properties, available-for-sale financial assets and other financial assets and financial liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(a) Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, whereas it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information, and not an essential part of the set of financial statements.

(b) Parent company financial statements

The parent company financial statements of Desenvix Energias Renováveis S.A. have been prepared in accordance with accounting practices adopted in Brazil issued by the CPC and are disclosed together with the consolidated financial statements.

In the parent company financial statements, subsidiaries and joint operations are recorded based on the equity accounting method. The same adjustments are made in the parent company and consolidated financial statements to attain the same profit or loss and equity attributable to the owners of the parent entity. In the case of the Company, the accounting practices adopted in Brazil applicable to the parent company financial statements differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, jointly-controlled subsidiaries and associates based on the equity accounting method, instead of cost or fair value in accordance with IFRS.

2.2 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity instruments issued by the Group. The consideration transferred includes the fair value of assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition.

The excess of: (i) the consideration transferred; (ii) the amount of any non-controlling interest in the acquiree; and (iii) the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's interest in the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of operations for the year (Note 2.11).

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries are altered where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity, in "Carrying value adjustments".

(c) Loss of control of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the results of operations. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates and joint arrangements

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements are all entities over which the Group shares control with one or more parties. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for in the financial statements in order to represent the Group's contractual rights and obligations. Therefore, the assets, liabilities, revenues and expenses related to its interests in joint operations are individually accounted for in the financial statements.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates and joint ventures includes goodwill identified on the acquisition, net of any accumulated impairment loss. See Note 2.11 for the impairment of non-financial assets, including goodwill.

The Group's share of the profit or loss of its associates and joint ventures is recognized in the statement of operations and its share of reserve movements is recognized in the Group reserves. When the Group's share of losses in an associate or joint venture equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled investee.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's holding. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates and jointly-controlled investees are altered where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates are recognized in the statement of operations.

2.3 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The parent company and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, and also the Group's presentation currency.

2.4 Segment reporting

The Group does not report information by segment, considering that its activities are mainly related to the generation and trading of electric power through long-term agreements, which substantially represented the Group's revenue in 2013 and 2012.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value.

2.6 Financial assets

2.6.1 Classification

Management classifies financial assets, on initial recognition, in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. All financial assets in this category are classified as current assets.

Derivatives are also categorized as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables" and "Cash and cash equivalents" in the balance sheet (Notes 2.5 and 2.7).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the previous categories, which are included in non-current assets, unless management intends to dispose of them within 12 months of the balance sheet date.

2.6.2 Recognition and measurement

Normal purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of operations. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the statement of operations within "Other operating income (expenses), net" in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

When securities classified as available for sale are sold or become impaired, the accumulated fair value adjustments recognized in equity are included in the statement of operations as "Finance income and costs".

Interest on available-for-sale securities calculated using the effective interest rate method is recognized in the statement of operations as part of other income.

Dividends on financial assets carried at fair value through profit or loss and available-for-sale equity instruments, such as shares, are recognized in the statement of operations as part of other income when the Company's right to receive dividends is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques, which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.6.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that a lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; and
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of operations. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of operations.

(b) Assets classified as available for sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of investments in equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the results of operations - is removed from equity and recognized in the statement of operations. Impairment losses on equity instruments recognized in the statement of operations are not reversed through this statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the result, the impairment loss is reversed through the statement of operations.

2.7 Accounts receivable

Trade accounts receivable correspond to: (i) power supply contracted up to the financial statement date; and (ii) advisory and management services recorded on the accrual basis of accounting. If collection is expected in one year or less, the receivables are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are usually stated at the amount billed, adjusted by the provision for impairment of trade receivables, if necessary.

2.8 Other current and non-current assets

Taxes recoverable mainly comprise credits arising from the Social Integration Program (PIS), Social Contribution on Revenues (COFINS), Income Tax and Social Contribution withheld at source on services, power supply and others, stated at cost or realizable value, including, when applicable, indexation charges. Inventories, represented by spare parts for hydroelectric power plants, are stated at cost, not exceeding their realizable values.

Prepaid expenses relate to costs for the issuance of a bank guarantee letter and insurance, appropriated on a pro-rata temporis basis.

2.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, including financial charges incurred on borrowings during the construction phase of the plants, net of depreciation calculated on the straight-line method, based on the annual rates (Note 9) established by the National Electric Power Agency (ANEEL). The rates are applied by the industry and accepted by the market as appropriate and are limited to the concession or authorization periods of the plants, when applicable.

Gains and losses on sales are determined by comparing the sales amounts with the book values and are included in the statement of operations.

Repairs and maintenance costs are allocated to the results of operations as they are incurred. The cost of major renovations is included in the book value of the asset when it is probable that the Group will realize future economic benefits that exceed the performance initially expected for the existing asset. Major renovations are depreciated over the remaining useful life of the related asset.

Regarding the assets, including land, that will revert to the authorities at the end of the concession or authorization period, accounted for in property, plant and equipment, the Company has established their residual value as zero. By adopting this criterion, the considered that there are uncertainties regarding the determination of the final indemnity amount and about its settlement and, therefore, concluded that the determination of a residual value at the end of the concession period would be a contingent asset, which cannot be recognized while its recovery is uncertain or there are disputes about the amount.

2.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements. If negative goodwill is determined, the amount is recorded as a gain in the result for the period on the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to Cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

(b) Project studies

The expenditures incurred in the development of inventory, feasibility and environmental studies related to the utilization of hydroelectric, wind and other sources, are initially recorded at cost, and subsequently reduced to their recoverable values, since recovery depends on the approval of the related studies and the holding of new energy generation project auctions by ANEEL, as well as, when applicable, the obtaining of a prior environmental license by the winners of the auction, with unspecified terms and conditions.

On ANEEL's approval of the studies related to UHEs, formalized through Orders or Official Letters, when the Company will have secured the right to reimbursement of costs incurred by the entity winning the new energy generation project in auction, which can be a third party or a related party, as well as, where applicable, the obtaining of a prior environmental license, an asset is recorded with a corresponding entry to the results of operations, since there are clear and objective indications, based on internal or external sources, of the right to develop the resource or receive reimbursement of costs, as applicable.

In the specific case of PCHs and wind farms, the asset is recorded when the concession is obtained, or when there is clear and objective evidence that it will be obtained, such as: being classified as a priority project, the granting of an environmental license, land near the reservoir, or a basic project, which has been accepted by ANEEL and is in its final completion phase, among others. These conditions are analyzed, on an individual or joint basis, considering relevant facts and circumstances.

If the winner of the auction is a third party, the related expenditures will be billed according to contractual conditions and standards issued by ANEEL, subject to the Long-term Interest Rate (TJLP) as from the approval date up to the payment date, limited to 10% per annum. It is therefore treated as a financial asset based on the contractual right to receive amounts from the third party. If the winner of the auction is a related party (subsidiary formed to develop the new energy generation project), the related expenditure may be billed to it, or considered as a capital contribution in the related company.

Prospecting expenditures are recognized as expenses when incurred.

(c) Concession right - use of public assets

This refers to the right of exploration of the hydroelectric resources and the transmission line arising from the concession agreement formalized by Monel Monjolinho Energética S.A. with ANEEL. It was constituted by the fair value of the right related to the use of public assets (UBP) up to the end of the concession agreement and is being amortized over the corresponding period, as from the beginning of the plant's operations.

(d) Environmental licenses

Preliminary licenses and installation licenses, obtained during the planning stage of a venture and on its installation, are recognized as the cost of the plant, more specifically as cost of dams, according to ANEEL's accounting manual, and depreciated over the useful lives of these dams. Regarding operating licenses which are obtained when the ventures start to operate, if the environmental costs associated to obtaining these licenses are paid before the license is effectively obtained, the amount paid is recorded with intangible assets - operating licenses and amortized over the period of effectiveness of the license. If the license is obtained before the payments are made, the estimated amount of these disbursements is provided for and recorded as an intangible asset (Note 10) at the time the license becomes effective.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGU's)). Non-financial assets other than goodwill that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due in one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.13 Financial liabilities

2.13.1 Borrowings

Borrowings are recognized on the receipt of the funds, net of transaction costs, and are subsequently presented at cost, net of payments made, plus charges and interest in proportion to the period elapsed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly related to the acquisition, construction or production of a qualifying asset that requires a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. The other borrowing costs are recognized as finance costs in the period in which they are incurred.

2.13.2 Concessions payable

Concessions payable are held-to-maturity financial instruments, stated at amortized cost and adjusted by the General Market Price Index (IGP-M) up to the balance sheet date. The balances of current and non-current liabilities are recognized at present value, considering a discount rate of 9.50%.

2.14 Provisions

Provisions are recognized when there is a legal or informal present obligation as a result of past events, it is probable that a cash outflow will be necessary to settle the obligation, and a reliable estimate of the amount can be made.

Provisions for environmental restoration and legal claims (labor, civil and tax) are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated. Provisions do not include future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.15 Other current and non-current liabilities

These liabilities are stated at known or estimated amounts including, where applicable, related financial and indexation charges.

2.16 Share capital

The Company has only common shares, which are fully classified in equity.

When any Group company purchases the Company's equity shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Company's stockholders until the shares are canceled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax and social contribution effects, is included in equity attributable to the Company's stockholders.

2.17 Revenue recognition

(a) Sale of electric power

Revenues from the sale of services and power supply are recognized when the significant risks and benefits are transferred to the purchaser.

In the case of inventory, feasibility and environmental studies related to the utilization of hydroelectric, wind and other resources, revenue, or cost recovery, is recorded when the economic benefits are likely to be available to the Company, which will occur at the time of the energy auction, when the entity winning the auction, through a contractual provision, undertakes to pay the Company for the studies. This could still depend, under certain circumstances, on the obtaining of prior environmental license. The Energy Reallocation Mechanism (MRE) is designed to enable the sharing of the hydrologic risks associated to the centralized distribution of power, ensuring that all plants receive their physical guarantee levels regardless of the real energy production level. The MRE reallocates the energy produced, transferring from entities which generated above their physical guarantee to those which generated below it. The MRE adjustment is calculated and informed at the end of each year by the Brazilian Electricity Company (Eletrobras), and its amount (revenue or cost) is recorded only at year end.

(b) Reserve Power Agreement (CER)

On March 9, 2010, the Company entered into a Reserve Power Agreement (CER), regarding the quantity of electric power, with the Electric Energy Trade Chamber (CCEE).

Pursuant to this agreement, the Company commits to sell all its electric power generated to the CCEE, for a period of 20 years as from July 1, 2012, at the price of R$ 149.99/MWh, annually restated by the Amplified Consumer Price Index (IPCA).

As from July 1, 2012, the Company started to invoice a fixed amount, on a monthly basis, corresponding to the amount defined in the agreement. Possible differences between the amount charged and the amount of electric power effectively generated are offset at every four-year period from the agreement date. The first four-year period ends on June 30, 2016.

In addition, the agreement establishes a tolerance limit between the power effectively generated and the power contracted. If the power generated is inferior to 90% of the power contracted, an adjustment equivalent to 115% of the contractual price will be made to the amount in MWh that is inferior to the 90%. If the power generated is superior to 130% of the power contracted, the Company will receive the equivalent to 70% of the price of the amount exceeding the 130%. In both cases, the compensation will occur in the year subsequent to that in which the difference was verified.

(c) Sales of services

Enex, a subsidiary of the Group, provides services related to the operation and maintenance of the power plants of the Group and of third parties.

These services are rendered based on the time incurred and on the materials utilized, or based on a fixed-price contract. The revenue from these services is recognized as they are rendered.

Contract terms generally range from one to five years.

(d) Interest income

Interest income is recognized on the accrual basis, using the effective interest rate method. When a loan and receivable instrument is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time elapses, interest is incorporated into loans and receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the original rate of the instrument.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.18 Income tax and social contribution

The current income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on tax losses. However, deferred taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them on the calculation of current taxes, generally when related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are generally presented separately, and not on a net basis.

The income tax and social contribution benefit or expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of operations, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

These taxes are calculated based on criteria established by current tax legislation. Management periodically evaluates positions taken by the Group in income tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(a) Taxable income

Under the taxable income system, taxes are calculated at the standard rate of 15% plus a surcharge of 10% for income tax and 9% for social contribution.

(b) Presumed profit

As permitted by current tax legislation, the following subsidiaries, Santa Laura S.A., Santa Rosa S.A., Esmeralda S.A. and Moinho S.A., whose annual billings for the year immediately preceding the current year were less than R$ 48,000, have opted for the presumed profit system. For these companies, the calculation bases of income tax is computed at the rate of 8% and social contribution at the rate of 12% on gross revenue (32% in the case of services revenue) and 100% on the other income, including finance income, to which the standard rates of the related income tax and social contribution apply.

Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) are discussed in Note 21.

2.19 New standards and interpretations to existing standards that are not yet effective

The following new standards and interpretations to existing standards were issued by IASB but are not effective for 2013. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. IFRIC 21, "Levies". The interpretation clarifies when an entity should recognize a liability to pay a levy in accordance with the legislation. The recognition of the obligation is applicable only after the event which generates the obligation takes place. The standard is applicable as from January 1, 2014.

. IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of operations, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.20 Changes in accounting policies and disclosures

The following pronouncements were adopted for the first time in the financial year beginning on January 1, 2013.

(i) CPC 19 (R2)/IFRS 11, "Joint operations" focuses on the joint rights and obligations of the parties rather than its legal form. There are two types of joint operations: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities related to the business. A joint operator should recognize its related assets, liabilities, revenue and expenses. Joint ventures arise when the investors have rights to the net assets of the business, and are accounted for under the equity method. Proportional consolidation is no longer allowed. See Note 4.1 for disclosure on the impact of the adoption on the financial statements.

(ii) CPC 26 (R1)/IAS 1, "Financial statement presentation". The main change for 2013 was a requirement to group items presented in "Other comprehensive income" on the basis of whether they are potentially reclassifiable subsequently to the results of operations.

(iii) CPC 33 (R2)/IAS 19, "Employee benefits". The changes to the Group's accounting policies have been as follows: (i) to immediately recognize all past service costs, which are allocated to the results of operations for the year regardless of whether the benefits were acquired or not by the employee; and (ii) to measure financial gains (losses) on the defined benefit plan liabilities/assets on a net basis. These changes did not affect the Group's financial statements.

(iv) CPC 36 (R3)/IFRS 10, "Consolidated financial statements" is based on the identification of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. See Note 4.1 for the impact of the changes on the financial statements.

(v) CPC 40 (R1)/IFRS 7, "Financial instruments: Disclosures". This amendment includes new disclosure requirements on the offsetting of assets and liabilities.

(vi) CPC 45/IFRS 12, "Disclosures of holding in other entities" includes the disclosure requirements for all forms of holdings in other entities, including joint operations, associates, structured entities and other off balance sheet vehicles.

(vii) CPC 46/IFRS 13, "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS/CPCs.

2.21 Impact of the changes in accounting policies and disclosures

The standards that could affect the Group are CPC 19 (R2) and IFRS 11, "Joint operations", and IFRS 10 and CPC 36, "Consolidated financial statements".

The characteristics of, and economic reason for, the Company's participation in the business of the investee Passos Maia Energética S.A. classify it as a joint venture.

The investee had been accounted for on the proportional consolidation method in the consolidated financial statements at December 31, 2012 and January 1, 2012, rather than on the equity method.

The consolidated financial statements at December 31 and January 1, 2012, presented for comparison purposes, were adjusted and restated, as follows:

All amounts in thousands of reais unless otherwise stated

Balance sheet

	December 31, 2012			January 1, 2012		
	Original	**Adjustments**	**Restated**	**Original**	**Adjustments**	**Restated**
Assets						
Current	184,033	(3,680)	180,353	123,676	(2,855)	120,821
Non-current	1,762,845	(47,242)	1,715,603	1,607,341	(40,317)	1,567,024
Total assets	1,946,878	(50,922)	1,895,956	1,731,017	(43,172)	1,687,845
Liabilities and equity						
Current	310,083	(7,194)	302,889	381,493	(2,848)	378,645
Non-current	949,330	(43,728)	905,602	751,388	(40,324)	711,064
Total equity	687,465		687,465	598,136		598,136
Total liabilities and equity	1,946,878	(50,922)	1,895,956	1,731,017	(43,172)	1,687,845

All amounts in thousands of reais unless otherwise stated

Statement of cash flows

	2012		
	Original	**Adjustments**	**Restated**
Loss before taxation	(26,339)	(457)	(26,796)
	58,383	(9,762)	48,621
Cash used in operations			
Net cash used in operating activities	(12,362)	(8,568)	(20,930)
Net cash provided by (used in) investing activities	(91,459)	11,589	(79,870)
Net cash provided by (used in) financing activities	189,408	(2,912)	186,496
Increase in cash and cash equivalents	85,587	109	85,696
Cash and cash equivalents at the beginning of the year	41,490	(2,509)	38,981
Cash and cash equivalents at the end of the year	127,077	(2,400)	124,677

All amounts in thousands of reais unless otherwise stated

Statement of value added

	Consolidated		
	2012		
	Original	Adjustments	Restated
Revenue			
Electric power supply and services	212,333	(11,629)	200,704
Other income, net		75	75
	212,333	(11,554)	200,779
Inputs acquired from third parties (includes taxes - ICMS and IPI)			
Cost of electric power supply (Note 19)	(45,332)	(3,439)	(48,771)
Cost of services rendered (Note 19)	(22,693)		(22,693)
	(68,025)	(3,439)	(71,464)
Gross value added (1-2)	144,308	(14,993)	129,315
Retentions			
Depreciation, amortization and depletion	(51,766)	4,060	(47,706)
Net value added generated (used) by the entity (3-4)	92,542	(10,933)	81,609
Value added received through transfers			
Equity in the results of investees	3,437	1,587	5,024
Finance income	7,592	(337)	7,255
Gain on investments	441	-	441
Dividend income	1,074	-	1,074
	12,544	1,250	13,794
Total value added to distribute (5+6)	105,086	(9,683)	95,403
Distribution of value added			
Personnel and payroll charges	19,283	-	19,283
Taxes and contributions	22,422	(3,913)	18,509
Third-party capital remuneration (interest and rentals)	95,003	(5,769)	89,234
Loss for the year	(31,998)	-	(31,998)
Non-controlling interest in profits reinvested	376	-	376
	105,086	(9,682)	95,404

All amounts in thousands of reais unless otherwise stated

			2012
Statement of operations	**Original**	**Adjustments**	**Restated**
Net operating revenue	198,227	(11,205)	187,022
Cost of electric power service	(90,989)	5,246	(85,743)
General and administrative expenses	(52,165)	607	(51,558)
Amortization of goodwill	(1,150)		(1,150)
Finance result	(85,214)	3,235	(81,979)
Equity in results of investees	4,952	1,586	6,538
Income tax and social contribution	(5,283)	457	(4,826)
Loss for the year	(31,622)		(31,622)
Attributable to:			
Owners of the parent company	(31,998)		(31,998)
Non-controlling interests	376		376
Basic earnings per share	(0.2735)		(0.2735)
Diluted earnings per share	(0.2735)		(0.2735)

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful lives of property, plant and equipment

The Company recognizes the depreciation of its property, plant and equipment items based on the annual rates established by ANEEL, limited to the concession period of the plants, when applicable. However, the actual useful lives may vary depending on the technological update of each unit. The useful lives of property, plant and equipment also affect the impairment tests of long-lived assets, when necessary.

(b) Test of impairment of long-lived assets

There are specific rules for the valuation of impairment of long-lived assets, especially property, plant and equipment. At the closing date of the financial year, the Group realizes tests to identify any evidence that the carrying value of long-lived assets is impaired. If there is such evidence, the Group estimates the recoverable amount of these assets.

The recoverable amount of an asset is determined as the higher of: (i) its fair value less estimated selling costs; and (ii) its value in use. The value in use is measured based on discounted cash flows deriving from the continuous use of the asset until the end of its useful life. When the book value of an asset exceeds its recoverable value, the Group recognizes a reduction in the book value of this asset, as applicable.

The review process of the asset's recoverable amount is subjective and requires significant judgments and analyses. At December 31, 2013, based on its analyses, the Group did not identify the need for constituting a provision for the impairment of long-lived assets.

The balances of long-term property, plant and equipment and intangible assets are classified with "Property, plant and equipment" and "Intangible assets", respectively.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, which include the use of recent transactions with third parties and discounted cash flow analysis. The Group uses judgment to select among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group utilized as a reference a recent transaction with a third party, whose pricing was based on the discounted cash flow method.

The carrying amount of available-for-sale financial assets would be an estimated R$ 11,901 lower or R$ 15,478 higher if the discount rate utilized in the discounted cash flow analysis differed by approximately 10% from management's estimates.

4 Capital management

The Group's objectives when managing capital are to safeguard the its ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to stockholders, return capital to stockholders or sell assets to reduce, for example, debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt expressed as a percentage of total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

All amounts in thousands of reais unless otherwise stated

The gearing ratios at December 31, 2013 and December 31, 2012 were as follows:

	Consolidated	
	2013	**2012**
Total borrowings (Note 12)	923,254	902,216
Less: cash and cash equivalents (Note 5)	28,803	124,677
Less: restricted financial investments (Note 7)	52,119	40,023
Net debt	842,332	737,516
Total equity	643,506	687.4654
Total capital	1,485,838	1,424,980
Gearing ratio - %	56.69	51.76

5 Cash and cash equivalents

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Cash and banks	3,222	590	22,046	116,373
Financial investments (i)	3	6,536	6,757	8,304
	3,225	7,126	28,803	124,677

(i) Financial investments are represented by Bank Certificates of Deposit (CDBs) and fixed income funds, with average earnings equivalent to 100% of the Interbank Certificates of Deposit (CDI) variation, issued by financial institutions in Brazil. These financial investments are redeemable at any time with no penalty.

6 Accounts receivable

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Customers - electric power supply (i)			21,133	24,932
Customers - third-party services (ii)			2,892	2,445
Customers - related parties (Note 11)	1,246	1,554	372	253
Provision for impairment of trade receivables (iii)	(220)	(220)	(220)	(220)
	1,026	1,334	24,177	27,410

All amounts in thousands of reais unless otherwise stated

(i) Refers to electric power supply contracts in the ambit of the Incentive Program for Alternative Sources of Electric Power (PROINFA) and the Electric Power Trade Chamber (CCEE) and with third parties, with an average maturity of 35 days.

(ii) The balance at December 31, 2013 (consolidated) refers to receivables of the subsidiary Enex O&M de Sistemas Elétricos Ltda.

(iii) The provision at December 31, 2013 refers to 100% of outstanding receivables from Usina Hidrelétrica de Cubatão S.A.

7 Restricted financial investments

In compliance with the financing contracts with the National Bank for Social and Economic Development (BNDES) to fund the construction of the Esmeralda, Santa Laura, Santa Rosa, Moinho and Victor Baptista Adami Small Hydroelectric Plants and the Alzir dos Santos Antunes Hydroelectric Power Plant, and with Banco do Nordeste do Brasil S.A. ("BNB") for financing the construction work of the Novo Horizonte, Seabra and Macaúbas Wind Power Plants, the companies must maintain balances in interest-earning current accounts, or financial investment accounts, denominated "reserve accounts", with sufficient funds to settle the equivalent of the last three monthly installments of, at least, the principal, interest and other charges at any time. The amounts will remain blocked throughout the repayment term of the respective financing contracts (Note 12).

The investments are held with the banks Itaú S.A., Bradesco S.A., Banco do Nordeste do Brasil S.A. and Banco do Brasil S.A., with a yield equivalent to 100% of the Interbank Deposit Certificate (CDI) rate.

The changes in restricted financial investments in current and non-current assets were as follows:

	Parent company	
	2013	**2012**
At the beginning of the year	4,938	24,799
Redemptions		(25,207)
Income	648	408
Investments	7,616	4,938
At the end of the year	13,202	4,938

	Consolidated	
	2013	**2012**
At the beginning of the year	40,023	32,081
Investments	17,401	6,791
Income	3,062	2,358
Redemptions	(8,367)	(1,207)
At the end of the year	52,119	40,023

The fair values of financial investments at December 31, 2013 and December 31, 2012 approximated their book values.

All amounts in thousands of reais unless otherwise stated

8 Investments

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
In subsidiaries	460,275	470,594		
In associates and other companies	154,098	112,340	150,556	108,799
	614,373	582,934	150,556	108,799

The analysis of investments in subsidiaries, associates and other companies is as follows:

	Parent company	
	2013	**2012**
Subsidiaries		
Enercasa - Energia Caiuá S.A.	2,739	4,559
Energen Energias Renováveis S.A.	11,023	26,980
Enex O&M de Sistemas Elétricos Ltda.	3,127	2,742
Esmeralda S.A.	35,681	27,609
Macaúbas Energética S.A.	39,856	44,803
Moinho S.A.	43,585	44,141
Monel Monjolinho Energética S.A.	118,519	115,419
Novo Horizonte Energética S.A.	39,410	38,517
Santa Laura S.A.	29,105	28,174
Santa Rosa S.A.	62,649	62,799
Seabra Energética S.A.	39,654	39,044
	425,348	434,787
Goodwill	40,770	41,920
Unrealized profits in the parent company	(5,842)	(6,113)
Total investments in subsidiaries	460,276	470,594
Associates		
Goiás Transmissão S.A.	70,543	52,072
MGE Transmissão S.A.	55,369	32,595
Passos Maia Energética S.A.	23,989	23,475
Usina Hidrelétrica de Cubatão S.A.	655	657
	150,556	108,799
Goodwill - concession right	3,541	3,541
Total investments in associates	154,097	112,340
Total investments	614,373	582,934

All amounts in thousands of reais unless otherwise stated

(a) The main information on equity investments can be summarized as follows:

	Ownership interest - %	Assets	Liabilities	Equity (net capital deficiency)	Profit (loss) for the year	Equity in results adjusted by profits realized of assets	Profits realized in the year December 31, 2013
Subsidiaries							
Enercasa - Energia Caiuá S.A.	100	72,092	78,340	(6,248)	(7,977)	(7,977)	
Energen - Energias Renováveis S.A.	95	149,040	139,328	9,712	(16,735)	(15,899)	
Enex O&M de Sistemas Elétricos Ltda.	100	7,553	4,426	3,127	387	387	
Esmeralda S.A.	99.99	67,180	31,499	35,681	10,586	10,598	12
Macaúbas Energética S.A.	99.99	166,200	128,220	37,980	(4,888)	(4,888)	
Moinho S.A.	99.99	101,691	58,749	42,942	(541)	(473)	68
Monel Monjolinho Energética S.A.	99.99	354,534	236,015	118,519	9,003	9,095	92
Novo Horizonte Energética S.A.	99.99	136,883	99,608	37,275	961	961	
Santa Laura S.A.	99.99	60,360	31,255	29,105	4,486	4,502	16
Santa Rosa S.A.	99.99	135,087	72,438	62,649	9,994	10,074	80
Seabra Energética S.A.	99.99	136,430	98,369	38,061	660	660	
Equity in results of subsidiaries						7,040	
Associates							
Goiás Transmissão S.A.	25.5	779,505	336,828	442,677	172,297	1,596	
MGE Transmissão S.A.	25.5	336,533	119,448	217,085	(4,740)	(1,209)	
Passos Maia Energética S.A.(jointly-controlled subsidiary)	50	142,070	94,089	47,981	1,855	928	
FIP Energias Renováveis S.A.	6.25			3,061	(8)	(8)	
Usina Hidrelétrica de Cubatão S.A.	20	5,620	3,971	1,649			
Equity in results of associates						1,307	
Equity in results of associates and subsidiaries						8,347	

The equity at December 31, 2013 of Monel Monjolinho Energética S.A., Esmeralda S.A., Santa Laura S.A., Santa Rosa S.A. and Moinho Energética S.A. was adjusted, for equity accounting purposes, by the amount of unrealized profits arising from transactions carried out between the Company and these subsidiaries, in the amounts of R$ 2,247, R$ 165, R$ 247, R$ 1,555 and R$ 1,629 (2012 - R$ 2,339, R$ 179, R$ 263, R$ 1,635 and R$ 1,697), respectively.

All amounts in thousands of reais unless otherwise stated

The changes in investments were as follows:

	2013	
	Parent company	Consolidated
At the beginning of the year	582,934	108,789
Capital contributions or advances for future capital increase	50,516	50,516
Equity in results of subsidiaries and associates	14,594	1,306
Amortization of goodwill	(1,150)	
Amortization of capitalized interest	(527)	(183)
Reversal of dividends - MGE and GOIÁS	777	777
Interest on capital - Monel Monjolinho Energética S.A.	(1,756)	
Withholding Income Tax (IRRF) on interest on capital - Monel Monjolinho Energética S.A.	(311)	
Dividends	(30,704)	(10,649)
	614,373	150,556

The Company has an investment of 25.5% in Goiás Transmissora de Energia S.A. ("Goiás"), which recorded its transmission assets in accordance with the interpretations and technical guidance ICPC 01 (R1) - "Concession contracts", OCPC 05 - "Concession contracts" and ICPC 17 - "Concession contract - evidence". During 2013, the investee altered the form of the calculation of financial assets arising from concession agreements, replacing the effective interest rate of receivables from concession agreements to the weighted average cost of capital (WACC). This change generated a positive result of R$ 172 million during the year ended December 31, 2013.

The Company elected to calculate financial assets as loans and receivables utilizing the effective interest rate of the receivables. The Company therefore adjusted its calculation of the equity in results of investees.

All amounts in thousands of reais unless otherwise stated

9 Property, plant and equipment

				Consolidated
			2013	**2012**
	Cost	**Accumulated depreciation**	**Net**	**Net**
Plants and other assets				
Land	19,975	(3,072)	16,903	17,680
Land - judicial deposits (i)	976		976	966
Reservoirs, dams and water mains	437,922	(75,633)	362,289	379,595
Buildings, civil construction work and improvements	37,759	(6,299)	31,460	32,996
Machinery and equipment	773,479	(75,716)	697,763	781,439
Materials stored in warehouses and other	1,851	(52)	1,799	2,849
Furniture and fittings	672	(233)	439	463
IT and other equipment	913	(505)	408	501
Other	416	(101)	315	309
Connection systems				
Land	424		424	422
Buildings, civil construction work and improvements	1,245	(96)	1,149	1,192
Machinery and equipment	77,544	(8,335)	69,209	72,395
Construction in progress, rights of way and other	119		119	55
Advances to suppliers				765
Construction in progress	11,378		11,378	8,088
	1,364,673	(170,042)	1,194,631	1,299,715

(i) "Land - judicial deposits" is represented by the amount deposited in escrow as a result of lawsuits in progress filed due to documentation issues and disagreement with amounts related to the expropriation of areas required for the installation of plants (Santa Laura, Santa Rosa, Monel and Moinho), as approved by ANEEL (declaration of public utility for expropriation purposes). The legal advisors responsible for monitoring the lawsuits classify the likelihood of a favorable outcome in these cases as probable.

The balance of the parent company property, plant and equipment totaled R$ 501 at December 31, 2013 (R$ 497 at December 31, 2012). The depreciation for 2013 was R$ 79.

In 2013, the consolidated balance of property, plant and equipment decreased significantly due to the agreement between Desenvix/Engevix and Alstom, dated December 23, 2013, which dealt with the reduction of the contractual price, recognition of debt, transactions and other covenants. This agreement amended the turn-key contract signed by the parties regarding the implementation of the Wind Power Plants of the Bahia Wind Farm, which includes the subsidiaries Macaúbas, Novo Horizonte and Seabra. The price reduction was attributable to the lack of compliance with the acceptance term (supply of the Wind Power Plants in operation) on the date established in the turn-key contract.

All amounts in thousands of reais unless otherwise stated

Consequently, there was a decrease in the property, plant and equipment items of these subsidiaries in the amount of R$ 48,355, which represents most of the disposals in 2013, as presented in the table below:

					Consolidated
	Plants and other assets	**Connection systems**	**Advances to suppliers**	**Construction in progress**	**Total**
At December 31, 2011	954,498	47,558	90,115	165,433	1,257,604
At January 1, 2012	935,990	44,770	88,706	125,772	1,195,238
Additions	43,501	8,695	36,117	81,202	169,515
Depreciation	(42,837)	(2,768)			(45,605)
Capitalized financial charges				10,371	10,371
Transfer of materials in transit to inventories	(104)			(117)	(221)
Transfers between accounts	281,376	23,367	(95,213)	(209,530)	
Application of advances	(848)		(28,845)		(29,693)
Other	(96)			206	110
At December 31, 2012	1,216,982	74,064	765	7,904	1,299,715
Additions	1,082		1,892	1,533	4,507
Amortization of financial charges capitalized	(528)				(528)
Transfers between accounts	(641)	501	(1,955)	2,095	-
Depreciation	(56,004)	(3,482)			(59,486)
Disposals	(48,540)	(182)	(702)	(153)	(49,577)
At December 31, 2013	1,112,351	70,901		11,379	1,194,631

Analysis of the balance of "Construction in progress":

		Consolidated
	2013	**2012**
Engineering and management of construction work	10,629	7,056
Civil and reservoir construction work	750	796
Engineering and EPC management		52
	11,379	7,904

All amounts in thousands of reais unless otherwise stated

The annual depreciation rates of property, plant and equipment are as follows:

	Percentage
	Average rate
Plants and other assets	
Reservoirs, dams and water mains	4.08
Buildings, civil construction work and improvements	4.24
Machinery and equipment	4.29
Furniture and fittings	10
IT and other equipment	20
Connection systems	
Buildings, civil construction work and improvements	4.24
Machinery and equipment	4.03

The depreciation amount was recorded as follows:

	Parent company		**Consolidated**	
	2013	**2012**	**2013**	**2012**
Costs			59,288	45,071
General and administrative expenses	79	57	198	534
	79	57	59,486	45,605

10 Intangible assets

The composition of intangible assets can be summarized as follows:

	Parent company			
	2013			**2012**
	Contracts with a resolutory condition	**Other contracts and costs**	**Total**	**Total**
Feasibility and environmental studies				
UHE Riacho Seco (i)	3,350	6,907	10,257	10,257
UHE Torixoréu	2,500		2,500	2,500
UHE Itapiranga	1,100		1,100	1,100
Inventory studies				
Itacaiunas River	1,820		1,820	1,820
Basic projects and other				
PCH Bonança (ii)	1,493	9	1,502	1,502
Other		55	55	4
	10,263	6,971	17,234	17,183

(i) Expenditures reviewed and approved by ANEEL in 2010, pursuant to the Circular Letters 243/2010 and 453/2010.

(ii) Basic project in the final phase of approval, supported by prior environmental license, and land for the reservoir.

All amounts in thousands of reais unless otherwise stated

			Consolidated	
			2013	2012
	Cost	Accumulated amortization	Net	Net
Use of Public Assets (UBP)	50,990	(8,494)	42,496	44,317
Goodwill on acquisition of investment	30,445		30,445	30,445
Feasibility, environmental and inventory studies and projects	17,182		17,182	17,183
Authorization right	10,511		10,511	10,511
Operating permits	22,316	(10,681)	11,635	7,284
Firm contracts	5,751	(2,396)	3,355	4,505
Other	2,005	(582)	1,423	1,143
	139,200	(22,153)	117,047	115,388

The annual amortization rates of intangible assets are as follows:

	Percentage
	Average rate
Use of Public Assets (UBP)	3.57
Feasibility, environmental and inventory studies and projects	not defined
Operating permits	20 to 25
Firm contracts	20

All amounts in thousands of reais unless otherwise stated

The changes in intangible assets can be summarized as follows:

	Parent company	Consolidated
At January 1, 2012	32,516	144,953
Transfer to receivables from related parties (Note 11)	(15,333)	(15,407)
Environmental permit costs		7,043
Other		(16,190)
Amortization of goodwill on firm contracts		(1,150)
Amortization of Use of Public Assets (UBP) and permits		(3,861)
At January 1, 2013	17,183	115,388
Environmental permit costs		8,472
Other	51	50
Amortization of goodwill on firm contracts		(1,150)
Amortization of Use of Public Assets (UBP) and permits		(5,713)
At December 31, 2013	17,234	117,047

11 Related parties

(a) Year-end balances

	Parent company		Consolidated	
	2013	2012	2013	2012
Current assets				
Accounts receivable (i)				
UHE Cubatão S.A.	220	220	220	220
Enercasa Energia Caiuá S.A.	72	34		
Energen Energias Renováveis S.A.	76	473		
Esmeralda S.A.	54	257		
Macaúbas Energética S.A.	57	55		
Moinho S.A.	259	241		
Monel Monjolinho Energética S.A.	135	73		
Novo Horizonte Energética S.A.	55	52		
Passos Maia Energética S.A.	152	34	152	33
Santa Laura S.A.	48	31		
Santa Rosa S.A.	63	32		
Seabra Energética S.A.	55	52		
	1,246	1,554	372	253
Dividends receivable:				
Energen S.A.	890	890		
Esmeralda S.A.	2,514	5,963		
Goiás Transmissão S.A.	10,434	509	10,434	509
MGE Transmissão S.A.		268		268
Moinho S.A.	176	174		
Monel Monjolinho Energética S.A.	1,756	1,006		
Passos Maia Energética S.A.	220	377	220	377
Santa Laura S.A.	4,118	4,318		
Santa Rosa S.A.	2,373	1,408		
	22,481	14,913	10,654	1,154
Non-current assets - long-term receivables:				
Adami S.A. Madeiras	875		875	
Água Quente Ltda.	884	884	884	884
Bom Retiro S.A.	703	457	703	457
Caldas Novas Transmissão	25		25	
Enercasa - Energia Caiuá S.A.	18,129	27		

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Energen Energias Renováveis S.A. (ii)	17,429	81,219		
Engevix Engenharia S.A. (iii)	3,087	3,087	3,087	3,087
Enex O&M de Sistemas Elétricos Ltda.	300			
Esmeralda S.A.		3		
FUNCEF (iv)	4,666	5,367	4,666	5,367
Jackson Empreendimentos Ltda. (iv)	15,701	18,099	15,701	18,099
JP Participações Ltda.	775	775	775	775
Macaúbas Energética S.A. (v)	11,973	2,802		
Moinho S.A.	4,034	648		
Novo Horizonte Energética S.A.	4,014			
Seabra Energética S.A.	4,355			
UHE Cubatão S.A.	108	104	108	104
Usina Pau D'Alho S.A. (vi)		14,652		14,652
	87,058	128,124	26,824	43,425
Total assets	110,785	144,591	37,850	44,832
Current liabilities				
Trade payables				
Engevix Engenharia S.A. (vii)			808	1,476
Related parties				
CEL Engenharia de Manutenção		1,024		1,024
Enercasa - Energia Cauá S.A (ix)		12,100		
Engevix Engenharia S.A. (viii)	3,848	6,106	3,848	9,733
Goiás Transmissão S.A. (ix)		8,690		8,690
Jackson Empreendimentos Ltda. (viii)	3,514	2,627	3,515	2,627
MGE Transmissão S.A. (ix)		7,680		7,680
Monel Monjolinho Energética S.A. (iv)	4,000	5,818		
Novo Horizonte Energética S.A. (ix)		3,034		
Santa Laura S.A. (ix)		48		
Santa Rita Comércio e Instalações Ltda. (ix)		324		324
Santa Rosa S.A. (ix)	6,254	3,089		
Seabra Energética S.A. (ix)		101		
	17,616	50,641	7,363	30,078
Total liabilities	17,616	50,641	8,171	31,554

(i) Refer to outstanding invoices for the management services the Company rendered to its subsidiaries.

(ii) Amount referring to the reimbursement for the development of the Baixo Iguaçu project, free of financial charges.

(iii) Amounts due by the controlling stockholders referring to the intercompany loan agreement, with no stated maturity or financial charges, in addition to the amounts related to the reimbursement of the costs with respect to the sale of the ownership interest on March 8, 2012.

(iv) Intercompany loan agreement entered into by the Company and its subsidiary, free of financial charges.

All amounts in thousands of reais unless otherwise stated

(v) Intercompany loan commitment agreement between the Company and Usina Pau D'Alho S.A., adjusted by the positive variation of the annual Interbank Deposit (DI) rate plus 3% p.a., capitalized on an annual basis, as from the date of each deposit or payment. The amount was provided for as a loss in the statement of operations at December 31, 2013.

(vi) Outstanding balance referring to the turn-key services for the construction of the Company's electric power generation ventures.

(vii) Mainly comprises the outstanding balance referring to the charges for guarantees and corporate sureties, for 2012, in connection with the borrowing agreements of the Company and its subsidiaries.

(viii) Composed mainly of intercompany loans.

(b) Sales of products and services

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Results for the year				
Revenues from services rendered:				
Enercasa Energia Caiuá S.A.	938	393		
Energen Energias Renováveis S.A.	907	923		
Esmeralda S.A.	560	266		
Macaúbas Energética S.A.	660	544		
Moinho S.A.	438	355		
Monel Monjolinho Energética S.A.	1324	731		
Novo Horizonte Energética S.A.	603	535		
Passos Maia Energética S.A.	626	766	626	766
Santa Laura S.A.	512	276		
Santa Rosa S.A.	698	351		
Seabra Energética S.A.	600	546		
	7,866	5,686	626	766

The revenue billed (full amount) by the subsidiary Enex O&M de Sistemas Elétricos Ltda., considered as electric power service costs for Small Hydroelectric Plants (PCHs) and Hydroelectric Power Plants (UHEs), totaled R$ 10,605 in 2013 (R$ 9,989 in 2012).

The Company maintains contracts for the rendering of services related to the management of operating activities with Santa Laura, Santa Rosa, Esmeralda, Monel, Moinho, Passos Maia, Macaúbas, Seabra, Novo Horizonte, Enercasa and Energen, and prices are determined considering the internal costs.

Esmeralda, Santa Laura, Santa Rosa, Monel, Moinho, Passos Maia and Enercasa have also entered into contracts with Enex O&M de Sistemas Elétricos Ltda. for operating and maintenance services at the plants.

(c) Key management remuneration

The remuneration of key management personnel, which includes board members and statutory directors, totaled R$ 5,081 in the year ended December 31, 2013 (R$ 4,639 in the year ended December 31, 2012).

All amounts in thousands of reais unless otherwise stated

12 Borrowings

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Construction financing - BNDES (i)			374,334	409,458
Construction financing - BNB (ii)			265,840	272,480
Construction financing - CDB (iii)			108,630	102,049
Debentures (iv)	99,800	98,910	99,800	98,910
Working capital financing (v)	10,000	10,000	10,000	10,000
Bank Credit Certificate, PINE, BIC, BB and FINEP (v)	64,462	8,656	64,462	8,656
Other	43	39	188	663
	174,305	117,605	923,254	902,216
Current liabilities	(74,505)	(18,695)	(122,751)	(70,366)
Non-current liabilities	(99,800)	(98,910)	(800,503)	(831,850)

The changes in borrowings were as follows:

	Parent company	Consolidated
At January 1, 2012	58,504	714,581
New borrowings	215,000	372,553
Payments	(164,765)	(247,483)
Financial charges appropriated to results	8,736	53,027
Other	130	9,538
At December 31, 2012	117,605	902,216
New borrowings	75,000	75,000
Payments	(31,974)	(135,969)
Financial charges appropriated to results	13,648	66,786
Monetary variation gains		15,221
Other	26	
At December 31, 2013	174,305	923,254

The borrowings obtained by the Company and its subsidiaries have the following basic characteristics:

All amounts in thousands of reais unless otherwise stated

(i) Financing for the construction of plants - National Bank for Social and Economic Development (BNDES)

Companies	Maturity	Financial charges - % p.a.	Consolidated 2013	Consolidated 2012
Monel Monjolinho Energética S.A.	October 2026	TJLP + 2.1	157,088	169,402
Santa Rosa S.A.	February 2023	TJLP + 3.8	67,012	74,385
Enercasa - Energia Caiuá S.A.	June 2025	TJLP + 2.5	50,629	53,856
Moinho S.A.	August 2028	TJLP + 2.0	47,813	51,072
Esmeralda S.A.	April 2019	TJLP + 3.5	26,886	32,006
Santa Laura S.A.	July 2020	TJLP + 3.5	24,906	28,737
			374,334	409,458

TJLP - Long-term Interest Rate

The financing transactions are being repaid in consecutive monthly installments, as presented below:

	Number of installments	Maturity by month	Year First installment	Year Last installment
Monel Monjolinho Energética S.A.	192	October	2010	2026
Santa Rosa S.A.	168	February	2009	2023
Enercasa - Energia Caiuá S.A.	158	June	2012	2025
Moinho S.A.	192	August	2012	2028
Esmeralda S.A.	144	April	2007	2019
Santa Laura S.A.	144	July	2008	2020

The financing agreements establish that companies should maintain and comply with the following financial indexes: (i) Debt Service Cover Ratio (ICSD), which is calculated by dividing the net cash flow net of operations by the debt service, according to predetermined parameters; and (ii) Minimum ratio of the Equity to Total Assets (PLxAT), as follows:

	Debt service cover	Equity x total assets
Esmeralda S.A.	1.3	NR
Santa Laura S.A.	1.3	0.3
Santa Rosa S.A.	1.2	0.3
Enercasa - Energia Caiuá S.A.	1.3	0.3
Monel Monjolinho Energética S.A.	1.3	25%
Moinho S.A.	1.2	25%

The financing agreements have clauses requiring that the companies comply, during the repayment period established in the agreement, with the following obligations: (i) maintain insurance for the project according to conditions considered satisfactory by BNDES or the Financing Agent, including a special provision establishing that the policy cannot be canceled or amended without their prior and express approval, because they would be the creditor of any indemnity due; (ii) properly maintain its obligations to environmental agencies, by adopting measures and actions designed to prevent and correct damages to the environment arising from the project; and (iii) establish agreements for the assignment and restriction on revenues, management of accounts and other covenants, which regulate the assignment and restriction (pledge of credit rights arising from power sale and purchase agreements), as well as the functioning of the accounts "Reserve (Note 7)" and "Movement (centralizing account)".

Additionally, the provisions establish that the related companies: (i) cannot distribute dividends or pay interest on capital in an amount, individually or jointly, which exceeds the mandatory minimum dividend, without prior authorization from the BNDES or the Financing Agent; (ii) cannot establish, without prior authorization from the BNDES or Financing Agent, any lien on the credit rights pledged as guarantee; (iii) cannot assign or restrict on behalf of another creditor, without the prior consent of the BNDES or Financing Agent, the assigned and restricted revenue; and (iv) cannot issue debentures or founder shares, or assume new debts, without prior authorization from the BNDES or the Financing Agent.

As guarantees for the agreements, the Company offered: (i) escrow of shares of companies held by all the stockholders; (ii) pledge of the right to generate electric power, as well as of all the other tangible or intangible rights, whether potential or not, which could be pledged in accordance with the applicable legal and regulatory standards; (iii) pledge of credit rights arising from power sale and purchase agreements signed with Eletrobras or third parties; (iv) a guarantee provided by Engevix Engenharia S.A. (applicable to Esmeralda S.A. and Santa Rosa S.A.); (v) the constitution of a reserve account (restricted financial investment (Note 7); (vi) a bank guarantee letter of R$ 126,000, effective until 2027 (applicable to Monel Monjolinho Energética S.A.), which was cancelled in the first six-month period of 2012, because the required ICSD was attained at December 31, 2011; (vii) a bank guarantee letter, which can be waived if Santa Laura S.A. presents ICSD of 1.3, as mentioned above, which was cancelled in the first six-month period of 2012, because the required ICSD was attained at December 31, 2011; and (viii) pledge on project agreements, specifically EPC and O&M or any other agreement that grants rights to the project that could be established between Monel Monjolinho Energética S.A. and third parties up to the full settlement of the obligations arising from the financing agreement.

To comply with the requirements of the BNDES or the Financing Agent, the Company signed agreements with Unibanco S.A. (applicable to Esmeralda S.A. and Santa Laura S.A.), Bradesco S.A. (applicable to Santa Rosa S.A.), Banco do Brasil S.A. (applicable to Monel Monjolinho Energética S.A. and Passos Maia Energética S.A.) and Banco Santander S.A. (applicable to Moinho S.A.), for the assignment and restriction of revenues, management of accounts and other covenants, as previously mentioned.

All the restrictive conditions in the financing agreements (covenants) have been complied with.

On September 18, 2013, BNDES authorized the rescheduling of the debt of Enercasa through the suspension of the payment of principal, but maintaining the payment of interest for two years, as from October 2013.

All amounts in thousands of reais unless otherwise stated

(ii) Financing for the construction of plants - Bank of the Northeast of Brazil (BNB)

			Consolidated	
Companies	**Maturity**	**Financial charges - % p.a.**	**2013**	**2012**
Macaúbas Energética S.A.	July 2028	9.5	97,826	100,391
Novo Horizonte Energética S.A.	July 2028	9.5	84,133	86,050
Seabra Energética S.A.	July 2028	9.5	83,881	86,039
			265,840	272,480

The financing transactions are being repaid in consecutive monthly installments, as presented below:

			Year	
	Number of installments	**Maturity by month**	**First installment**	**Last installment**
Macaúbas Energética S.A.	180	July	2013	2028
Novo Horizonte Energética S.A.	180	July	2013	2028
Seabra Energética S.A.	180	July	2013	2028

The financing agreements have clauses requiring that the companies comply, during the repayment periods established in the agreements, with the following obligations: (i) maintain insurance for the project according to conditions considered satisfactory by the Bank of the Northeast of Brazil (BNB) or the Financing Agent, including a special provision establishing that the policy cannot be canceled or amended without their prior and express approval, they would be the creditor of indemnity any due; (ii) properly maintain its obligations to environmental agencies, by adopting measures and actions designed to prevent and correct damages to the environment arising from the project; and (iii) establish agreements for the assignment and restriction of revenues, management of accounts and other covenants, which regulate the assignment and restriction (pledge of credit rights arising from power sale and purchase agreements), as well as the functioning of the accounts "Reserve " and "Movement (centralizing account)".

As guarantees for the agreements, the Company offered: (i) escrow of shares of companies held by all stockholders, (ii) pledge of the right to generate electric energy, as well as of all the other tangible or intangible rights, whether potential or not, which could be pledged in accordance with the applicable legal and regulatory standards; (iii) pledge of credit rights arising from power sale and purchase agreements signed with Eletrobras or third parties; (iv) the constitution of a reserve account (restricted financial investment (Note 7); (v) contracted performance bonds related to the conclusion of the construction work, with maturity up to six months after the ventures become operational; and (vi) a contracted bank guarantee, representing 50% of the balance of the borrowing, with a minimum effectiveness of two years, which can be successively renewable and held for, at least, 12 months after the start of the flow of receivables in the centralizing account of the electric power sale agreements.

In order to comply with the requirements of BNB, the Company entered into agreements with BNB itself for the assignment and restriction of revenue, management of accounts and other covenants, as mentioned above.

The agreement establishes a Bonus for Payment of Charges of 25% on the financial charges if the payment of interest or principal and interest are paid up to the related maturity dates established in the borrowing agreement. Once the payment conditions are met, the financial charges will decrease from 9.5% p.a. to 7.125% p.a. This difference will be accounted for as a financial discount.

(iii) Construction financing - China Development Bank (CDB)

Energen entered into a financing agreement with CDB amounting to US$ 50 million (R$ 108,630 in 2013 and R$ 102,049 in 2012) for the implementation of the EOL Barra dos Coqueiros Wind Power Plant. This financing will be repaid in 29 semiannual consecutive installments, bearing interest equivalent to the London Interbank Offered Rate (LIBOR) (US$ - 6 months) plus 5.10% p.a., with maturity on June 15, 2027.

Together with this financing agreement, the following guarantee agreements were also signed: (i) statutory lien on Energen shares held by Desenvix and Água Quente; (ii) assignment of credit rights; (iii) statutory lien on assets and equipment; and (iv) conditional assignment of contracts as guarantees.

(iv) Debentures

The Company issued 100 thousand debentures at a face value of R$ 1 thousand each on December 12, 2012, which are remunerated at the accumulated variation of 100% of the daily Interbank Deposit (DI) rate plus a spread of 2.80% p.a. Financial charges are payable in 8 semi-annual installments, beginning on June 12, 2013 and ending on the maturity date of the debentures. The principal will be repaid in 5 consecutive semi-annual installments, beginning on December 12, 2014 and ending on the maturity date of the debentures. The debentures fall due on December 12, 2016.

Pursuant to item 5.1.(v) of Clause V of the Private Deed of the First Issue of Simple, Unsecured Debentures Non-convertible into Shares with Additional Guarantee, in a Single Series, of Desenvix Energias Renováveis S.A., formalized by Desenvix, as the issuer, and Planner Trustee DTVM Ltda, as trustee, on November 12, 2012, Desenvix should comply with three calculation metrics with established limits, namely: (i) Ratio between Total Debt and Dividend Income (Parent Company basis) equal to or higher than 3.0x, at December 31, 2013; (ii) Ratio between Total Debt and Equity (Consolidated basis) equal to or higher than 1.45x, at December 31, 2013; and (iii) Debt Service Cover Ratio (Consolidated basis) lower than or equal to 1.0x.

The ratios were calculated and, at December 31, 2013, the following indexes were noted: (i) Total Debt/Dividend Income Ratio - 7.9x; (ii) Total Debt/Equity Ratio - 1.33x; and (iii) Debt Service Cover Ratio - 0.98x.

Calculation components:

(i) Ratio between Total Debt (Note 12) and Dividend Income (Note 8): 174,305/22,481 = 7.8

(ii) Ratio between Total Debt (Note 12) and Equity (Note 17): 923,254/693,415 = 1.33

(iii) Debt Service Cover Ratio: EBITDA/(payment of principal and interest (Note 12)): 133,145/(135,969) = 0.98

EBITDA as described in the aforementioned Deed: (Operating profit (loss) (statement of operations) + depreciation and amortization (Note 19)): 67,946 + 65,199 = 133,145

The increase in the Company's short-term indebtedness was mainly due to the non-compliance with the ratios established in metrics (i) and (iii), which does not characterize an early maturity, according to the terms of the aforementioned item.

The debenture holders at the Meeting of Debenture Holders, held on April 30, 2014, decided to grant a waiver to the Company, in the event of non-compliance with the limit addressed by Clause V, item 5.1 (v) of the Deed, for the calculations at December 31, 2013 and March 31, 2014. In addition, they approved textual alterations in respect of the early maturity in the wording of Clause V, items 5.1 (q) and (v) of the Deed. Additional details are presented in Note 29 - Events after the reporting period.

(v) Working capital financing

These financing transactions are subject to financial charges payable in 12 monthly installments, beginning on October 11, 2013 and ending on September 11, 2014, and the principal is payable in a single installment maturing on the same date as the last payment of financial charges. A surety from Engevix Engenharia S.A. was provided as collateral for the total amount of the debt. On November 14, 2013, another financing transaction was contracted with maturity on November 15, 2015 and financial charges payable on a monthly basis.

On December 12, 2013, the Company contracted a loan from Banco Pine, maturing on June 10, 2014, with financial charges payable monthly, beginning on January 10, 2014 and ending on June 10, 2014. On December 23, 2013, a loan agreement was formalized with BICBANCO, which is in force up to April 22, 2014 and with financial charges payable on a monthly basis.

(vi) Financing of Studies and Projects (FINEP)

The financing obtained to partially fund expenses incurred for the preparation of the project "Basic Projects, Inventory and Environmental Feasibility Studies for Small Hydroelectric Plants" was subject to financial charges corresponding to compound interest of 5% per year, above the Long-term Interest Rate (TJLP), and was repayable in 49 consecutive monthly installments. The first installment matured in December 2009 and the last installment was paid in November 2013.

13 Concessions payable

This balance is represented by the obligation payable arising from the concession agreement entered into with ANEEL for the exploration of the hydroelectric potential of UHE Alzir dos Santos Antunes (Monel Monjolinho Energética S.A.), adjusted to present value, considering an interest rate of 9.50%. The corresponding obligation will be paid in monthly installments, adjusted annually based on the General Market Price Index (IGP-M) rate variation, calculated by Fundação Getúlio Vargas (FGV) (or other index). Payments started in September 2009, when the plant became operational, and will end in April 2037.

All amounts in thousands of reais unless otherwise stated

The Alzir dos Santos Antunes hydroelectric power plant (Monel Monjolinho Energética S.A.) was auctioned by ANEEL in November 2001 and the related concession agreement was signed in April 2002, with the plant starting operations in September 2009. The concession agreement establishes, among other requirements, the following: (a) in order to use the public asset, the Company shall pay to the Federal Government, as from the date on which the first hydroelectric generator unit begins its operations up to the end of the concession period, monthly installments equivalent to 1/12th of the proposed annual payment of R$ 2,400 (R$ 72,000 during the concession period after the beginning of operations), restated by the General Market Price Index (IGP-M) variation compiled by the Fundação Getúlio Vargas, based on the index for the month prior to the auction date. At the end of the concession period, if there is no extension, the assets and installations linked to the utilization of the hydroelectric resources will form part the Federal Government's assets, through the indemnification for investments realized, in respect of investments previously approved and not yet amortized, as determined by an audit carried out by ANEEL.

14 Taxes and contributions

	Parent company		Consolidated	
	2013	2012	2013	2012
Tax on Financial Transactions (IOF) payable	9,671	8,067	9,671	8,067
Withholding taxes (Service Tax (ISSQN), Income Tax Withheld at Source (IRRF), National Institute of Social Security (INSS), CSLL and other)	39	2,430	2,547	3,716
COFINS payable	157	441	2,136	1,601
ANEEL fees and contributions			746	899
PIS payable	34	95	463	346
ICMS payable				138
	9,901	11,033	15,563	14,767
Current liabilities	(9,901)	(11,033)	(14,822)	(14,767)
Non-current liabilities			741	

All amounts in thousands of reais unless otherwise stated

15 Other liabilities

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Indemnities payable			3	2,469
Provision for contingencies	1,600		2,074	
Provision for environmental contingencies			17,331	9,914
Owners of areas	1,905	2,037	3,302	3,146
Pre-operating provisions			13,647	24,435
Other	3	3	2,847	1,401
	3,508	2,040	39,204	41,365
Current liabilities	1,908	2,040	17,814	29,304
Non-current liabilities	1,600		21,390	12,061

16 Provision for electric power contracts

	Consolidated	
	2013	**2012**
Payable for electric power not supplied (i)		22,038
Penalty for default related to the electric power sale and purchase agreement (CCEE) (ii)	7,425	11,020
Current liabilities	7,425	33,058

(i) Payable for the electric power not supplied

Pursuant to items 1 and 2 of Clause 7, referring to the payment of a fixed revenue, of the Reserve Power Agreement (CER) 23/08 entered with by Enercasa Energia Caiuá S.A. and the Electric Energy Trade Chamber (CCEE) on June 29, 2009, payments were made for the supply of electric power, regardless of whether it was actually supplied or not.

According to Decision 1,516, of May 14, 2013, ANEEL determined that Enercasa should pay the amount owed by it, referring to the revenue billed and received for the electric power not supplied during 2012. Enercasa disbursed R$ 22,038 in May 2013.

(ii) Penalty fee due to default related to the electric power sale and purchase agreement (CCEE)

At the end of 2012, Enercasa recognized R$ 11 million in its results as a penalty due to the lack of supply of the contracted power.

In accordance with Ruling 1,516, of May 14, 2013, ANEEL, in a preliminary decision, rejected the application of a penalty referring to the failure to supply the electric power contracted for 2012. It also determined that the Electric Energy Trade Chamber (CCEE) retain Enercasa's fixed revenue, as from February 2013 (referring to January 2013).

In the third Public Meeting of the Board of ANEEL, held on February 4, 2014, the members approved the proposal for the standardization of clause 14 of the CER, in accordance with ANEEL Normative Resolution 600, of February 4, 2014.

Therefore, in December 2013, management reversed the provision of R$ 7.7 million, referring to the application of the "j" factor of 50% to the power not supplied in 2012. A provision of R$ 3.3 million for the penalty of 15% remains recorded in the results.

Also in December 2013, management recorded a provision of R$ 4.1 million regarding the penalty of 15% referring to the power not supplied in 2013.

17 Equity

(a) Share capital

Subscribed capital at December 31, 2013 comprised 117,001,722 registered common shares with no par value.

(b) Revenue reserves

(i) Legal reserve

The legal reserve is credited annually with 5% of the profit for the year and cannot exceed 20% of the capital. The purpose of the legal reserve is to protect capital, and it can only be used to offset losses and increase capital.

(ii) Profit retention reserve

The profit retention reserve refers to the retention of the remaining balance of retained earnings, to be discussed by the Company's management and approved by the Company's stockholders. This reserve can only be used to offset losses and increase capital.

(iii) Offset of losses with reserves

In 2013, due to the consecutive losses presented in the last years, the Company utilized its revenue and legal reserves to offset the accumulated deficit up to that date.

(c) Carrying value adjustments

The carrying value adjustments comprise the fair value adjustment of investments in respect of which the Company has no significant influence in Dona Francisca Energética S.A. and Companhia Energética Rio das Antas (see Note 30).

All amounts in thousands of reais unless otherwise stated

18 Net operating revenue

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Electric power supply			200,359	174,782
Services rendered	7,866	5,686	29,358	25,922
Taxes on services rendered		(435)	(3,442)	(3,305)
Taxes on electric power supply			(14,935))	(10,377)
Net operating revenue	7,866	5,251	211,340	187,022

In November 2013, based on Solution of Dispute Nº 23, of September 23, 2013, the Company reversed the amounts previously provided for, and stopped recording in its liabilities the PIS and COFINS amounts levied on administrative expense reimbursements. The Company also interrupted the payment of the aforementioned taxes and began monitoring the progress of the decisions regarding this matter, both at the administrative and judicial levels, in order to define the procedures to be adopted in the future.

19 Costs and expenses by nature

	Parent company	
	2013	**2012**
Personnel expenses	(5,716)	(4,023)
Management remuneration	(5,081)	(4,639)
Profit sharing		(800)
Outsourced services	(6,944)	(5,118)
Travel and lodging	(1,287)	(1,067)
Rentals	(658)	(718)
Taxes	(236)	(124)
Depreciation and amortization	(79)	(57)
Advertising and publicity	(938)	(1,211)
Studies in progress	(2,211)	(3,793)
Other	(2,401)	(551)
Total cost of sales and administrative expenses	(25,551)	(22,101)

All amounts in thousands of reais unless otherwise stated

	Consolidated	
	2013	**2012**
Personnel expenses	(30,260)	(25,997)
Management remuneration	(5,081)	(4,639)
Profit sharing		(800)
Outsourced services	(18,411)	(13,962)
Travel and lodging	(2,212)	(2,728)
Rentals	(2,830)	(2,923)
Taxes and fees	(409)	(422)
Industry charges	(12,285)	(10,452)
Depreciation and amortization	(65,199)	(47,706)
Advertising and publicity	(2,094)	(1,955)
Surety insurance and commissions	(1,603)	(1,858)
Purchase of energy	(206)	(6,089)
Studies in progress	(2,211)	(3,793)
Penalty for default related to the electric power sale and purchase agreement (CCEE)	2,453)	(11,020)
Other	(5,809)	(2,957)
Total cost of sales and administrative expenses	(146,156)	(137,301)

20 Finance result

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Finance costs				
With borrowings	(13,648)	(8,736)	(66,786)	(53,050)
With bank guarantee letters	(2,120)	(15,240)	(5,236)	(17,828)
IOF, fines and interest on taxes	(1,909)	(5,716)	(2,004)	(5,787)
Monetary variations		(314)	(27,717)	(490)
Concessions payable			(8,893)	(10,179)
Other finance income and costs	(18,063)	(307)	(21,029)	(1,900)
	(35,740)	(30,313)	(131,665)	(89,234)
Finance income				
From financial investments	2,786	972	5,579	3,461
Monetary variations	1,138	3,792	13,633	3,794
	3,924	4,764	19,212	7,255
Finance result	(31,816)	(25,549)	(112,453)	(81,979)

All amounts in thousands of reais unless otherwise stated

21 Income tax and social contribution

(a) Current

The Company, as well as its subsidiaries Enex O&M de Sistemas Elétricos Ltda., Monel Monjolinho Energética S.A., Enercasa Energia Caiua S.A., Energen Energias Renováveis S.A., Macaubas Energética S.A., Novo Horizonte Energética S.A. and Seabra Energética S.A., opted to compute taxable income in accordance with their accounting result (as adjusted for tax purposes). The other subsidiaries opted for the presumed profit system to calculate the Income Tax (IRPJ) and Social Contribution (CSLL) due on their taxable income.

The IRPJ and CSLL charges in the years ended December 31 can be summarized as follows:

	Consolidated	
	2013	**2012**
Income tax and social contribution		
Current	(10,276)	(9,949)
Deferred	19,276	5,123
	9,000	(4,826)

The IRPJ and CSLL charges, by calculation system, in the years ended December 31 can be summarized as follows:

	Consolidated	
	2013	**2012**
Calculation system		
Taxable income		
Income tax	(5,695)	(4,477)
Social contribution	(2,096)	(1,629)
	(7,791)	(6,106)
Presumed profit		
Income tax	(1,605)	(2,487)
Social contribution	(880)	(1,356)
	(2,485)	(3,843)
Total charge in the year	(10,276)	(9,949)

All amounts in thousands of reais unless otherwise stated

(b) Reconciliation of the current income tax and social contribution benefit

	Consolidated	
	2013	**2012**
Loss before taxation	(41,490)	(26,796)
Loss before income tax and social contribution and in respect of equity investments in subsidiaries, which had a tax loss in the year	87,659	67,104
Unrealized profit in operations between the parent company and subsidiaries, without recognition of deferred tax	268	268
Result from equity investments	1,307	(5,024)
Basis for income tax and social contribution in the year	47,744	35,554
Combined statutory rate of income tax and social contribution - %	34%	34%
Income tax and social contribution at the statutory rates	16,233	12,088
Difference in the income tax and social contribution charge of subsidiaries computed under the presumed profit system at different rates and tax bases	(6,923)	(6,859)
Interest on capital	(310)	(403)
Income tax and social contribution benefit in the year	9,000	4,826

(c) Deferred

The changes in deferred taxes were as follows:

	Parent company	Consolidated	
	Liabilities	**Assets**	**Liabilities**
At December 31, 2012	(6,676)	5,604	(6,676)
With a corresponding entry in the statement of operations			
Recognition of deferred tax assets	741	18,164	741
From business combinations (goodwill)	391		391
Write-off of deferred tax liabilities	3896		3,899
On foreign exchange variations			(3,916)
At December 31, 2013	(1,648)	23,768	(5,561)

All amounts in thousands of reais unless otherwise stated

(d) Provisional Measure (MP) 627 of November 11, 2013

Provisional Measure (MP) 627/13 changes the tax legislation related to the federal taxes and contributions and repeals the Transitional Tax System (RTT), established by Law 11,941/09, among other changes. The MP will be in effect as from calendar year 2015, but voluntary adoption may be elected as from calendar year 2014.

Management, based on preliminary analyses of the possible effects arising from the application of the MP, understands that the Company's tax burden will not increase in relation to the legislation in force.

The MP received several amendment proposals, which will be analyzed and voted by the National Congress. The Company's decision regarding its early adoption depends on the analysis subsequent to the possible changes that might be approved by Congress.

Tax losses can be carried forward indefinitely to be offset against future taxable income, limited to 30% of annual taxable income.

(e) Composition of deferred taxes

	Consolidated	
	2013	**2012**
Provision for labor contingencies	165	
Income tax and social contribution losses	6,117	
Difference - depreciation rates - ANEEL x CPC 27	8,730	5,604
Exchange variation	8,756	
	23,768	5,604

(f) Realization of deferred taxes

	Consolidated	
Year	**Deferred tax assets**	
2014	165	(i)
2015	125	(ii)
2016	211	(ii)
2017	295	(ii)
2018	689	(ii)
After 2018	22,283	(iii)
	23,768	

(i) In 2014, management expects to realize only the balance referring to labor claims related to the company Enex.

All amounts in thousands of reais unless otherwise stated

(ii) With regard to the years between 2015 and 2018, the Company expects that a portion of the deferred tax assets of the subsidiaries Macaúbas and Energen will be realized with the profit obtained in the periods.

(iii) The Company estimates that, after 2018, the remaining balance of tax losses of the companies mentioned in item (ii), the foreign exchange variation on the financing in U.S. dollars with the China Development Bank (CDB) of the subsidiary Energen, and also the realization of the temporary differences between the regulatory (ANEEL) and corporate (CPC 27) depreciation rate will be realized.

22 Insurance and guarantees

(a) Bank guarantee letters and collateral

The Company contracted bank guarantee letters for financing arrangements, lawsuits in progress and others, the most significant being as follows:

Bank	Guarantees and sureties	Amount of the debt
FINEP	Bank guarantee letter	21,072
BNDES	Bank guarantee letter	30,371
BNB	Bank guarantee letter	134,808

(b) Insurance - operational and other risks

The Company has civil liability insurance, effective up to January 28, 2014, for its Directors, Officers and/or Managers, contracting the policy together with the controlling stockholder Jackson Empreendimentos Ltda., the main policyholder. No other insurance has been contracted due to the nature of the activities.

	Consolidated		
	Operating risks		Civil liability
Type of plant	Material damages	Loss of profits	Maximum indemnity limit + pain and suffering
Small hydroelectric power plants (PCH)	240,000	71,644	19,800
Biomass thermal power plants (UTE)	79,107	17,609	2,400
Wind power plants (EOL)	285,000	72,909	8,400
Hydroelectric power plants (UHE)	210,000		5,000
Other			1,000
	814,107	162,162	36,600

(c) Corporate guarantee of the controlling stockholders

At the meeting held on June 27, 2012, the Company's Board of Directors authorized Desenvix to make a payment to Jackson/Engevix as a fee for the sureties and guarantees provided. According to the proposal, Desenvix will pay 1.0% p.a. for the bank guarantees and 0.5% p.a. for the performance bonds at the end of each financial year. The total amount guaranteed by Jackson/Engevix is R$ 511,010. The amount provisioned as payable in 2013 related to these guarantees and sureties was R$ 2,351 in the parent company.

23 Financial instruments

The Company and its subsidiaries did not have off-balance sheet financial instruments at December 31, 2013, nor did they contract derivative financial instruments (swap, currency or index swaps, and hedge, among others).

The Group has various financial instruments, mainly cash and cash equivalents, trade receivables, financial investments, trade payables and financing.

23.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides overall principles for risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of surplus liquidity.

(a) Market risk

(i) Foreign exchange risk

At December 31, 2013, the Desenvix Group had liabilities in foreign currency related to the debt of the subsidiary Energen Energias Renováveis S.A. (Note 12(iii)), thereby exposing it to foreign exchange risk.

This risk is associated with the fluctuations of the U.S. dollar in relation to the functional currency used by Desenvix (the Brazilian real). Currently, the Company does not use any financial instrument to hedge its results against the risk of foreign exchange variations, but these variations are being monitored on a timely basis by the Company, in order to determine whether contracting hedge or swap transactions is required.

All amounts in thousands of reais unless otherwise stated

Foreign exchange risk

	Consolidated			
	2013		2012	
	Real	U.S. dollar	Real	U.S. dollar
CDB	108,630	46,573	102,049	50,023
Total	108,630	46,573	102,049	50,023

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-earning assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The risk arises from the possibility that the Group could incur losses due to fluctuations in interest rates which increase the finance costs related to borrowings obtained in the market. Desenvix has entered into financing contracts with interest rates indexed to the Long-term Interest Rate (TJLP) and Interbank Deposit Certificate (CDI) rate and continuously monitors market interest rates to assess the need to enter into transactions to hedge against the volatility risk of these rates.

(b) Liquidity risk

This relates to the risk of the Group having insufficient liquidity to meet its financial commitments, due to the mismatch of terms or volume between expected receipts and payments.

To manage liquidity of cash, assumptions for future disbursements and receipts are determined, and these are monitored periodically by the treasury area.

All amounts in thousands of reais unless otherwise stated

The table below summarizes the Group's non-derivative financial liabilities by maturity groupings based on the remaining period from the balance sheet date up to the contractual maturity date. The amounts disclosed in the table below are the undiscounted cash flows.

	Parent company			Consolidated			
	No later than 1 year	Between 1 and 3 years	Between 3 and 5 years	No later than 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years
At December 31, 2013							
Trade payables	2,603			32,452			
Borrowings	57,792	133,710	22,103	77,982	269,224	191,981	967,845
Related parties	17,616			7,363			
Payables for land acquisitions	1,905			3,301			
Concessions payable				6,500	14,147	15,555	236,715
At December 31, 2012							
Trade payables	3,077			111,733			
Borrowings	30,035	80,606		107,380	256,320	220,521	1,066,818
Related parties	50,641			30,078			
Payables for land acquisitions	2,037			3,146			
Concessions payable				6,288	13,534	14,925	244,450

The Group understands that it has no significant liquidity risk.

(c) Risk of accelerated maturity of financing

This risk arises from possible non-compliance with the restrictive covenants of the financing agreements entered into with BNDES, CDB, BNB and Debentures (Note 12), which, in general, require the maintenance of financial ratios at certain levels. Management regularly monitors these financial ratios, with a view to taking the necessary actions to ensure that the maturity of the financing contracts will not be accelerated.

(d) Sensitivity analysis

Pursuant to CVM Instruction 475/08, a sensitivity table is presented, which shows the sensitivity analysis of financial instruments, and discloses the effects on monetary variations and financial expenses calculated based on the estimated scenario at December 31, 2013, in the event variations in the risk components occur.

Financial simplifications were effected to isolate the variability of the risk factor under analysis. Consequently, the estimates presented below do not necessarily present the amounts that could be determined in future financial statements. The use of different assumptions and/or methodologies could have a material effect on the estimates presented.

(i) Methodology applied

Based on the balances of amounts exposed to risk, as shown in the tables below, and assuming that these amounts are held constant, the interest differential is estimated for each scenario.

For the evaluation of the amounts exposed to interest rate risk, only the risks related to the financial statements were considered, i.e., isolating and excluding the fixed interest factors since they do not represent a risk to the financial statements due to variations in the economic scenarios.

The probable scenario is based on the Company's estimates, which are in line with the projections presented in the Focus report issued by the Brazilian Central Bank (BACEN), at December 31, 2013, for each of the variables indicated. Additionally, the positive and negative stress variations of 25% and 50% were applied to the rates projected for December 31, 2014.

The Group does not have any positions in the derivatives market.

All amounts in thousands of reais unless otherwise stated

(ii) Interest rate factor (consolidated)

	Risk factor	Amounts exposed at December 31, 2013	Amounts exposed at December 31, 2012	Additional variations in the book balance (*) (50%)	(25%)	Probable scenario	25%	50%
Borrowings	CDI	(174,305)	(108,910)	(2,055)	(3,082)	(4,110)	(5,137)	(6,165)
Financial investments	CDI	58,876	51,011	694	1,041	1,388	1,735	2,082
Net impact	CDI	(115,429)	(57,899)	(1,361)	(2,041)	(2,722)	(3,402)	(4,083)
Borrowings	TJLP	(374,334)	(409,458)	(2,297)	(3,445)	(4,594)	(5,742)	(6,891)
Borrowings	LIBOR	108,630		1,281	1,921	94	3,202	3,842
Rates considered - % per year	CDI	9.77%	7.25%	4.89%	7.33%	9.77%	12.21%	14.66%
Rates considered - % per year	TJLP	5.00%	5.50%	2.50%	3.75%	5.00%	6.25%	7.50%
Rates considered - % per year	LIBOR	0.35%		0.17%	0.26%	0.35%	0.43%	0.52%

(*) The positive and negative variations of 25% and 50% were applied to the effective rates estimated for December 31, 2014.

All amounts in thousands of reais unless otherwise stated

(e) Fair value estimation

The carrying values of trade receivables and payables, concessions payable and related parties, less the impairment provision, when applicable, are assumed to approximate their fair values.

The fair values of restricted financial investments (Note 7) and borrowings (Note 12) approximate their carrying amount.

The table below classifies financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(ii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that were measured at fair value at December 31, 2013.

				Consolidated
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Cash and cash equivalents		28,803		28,803
Available-for-sale financial assets				
Investments			66,677	66,677
Total assets		28,803	66,677	95,480

The following table presents the Group's assets that were measured at fair value at December 31, 2012.

				Consolidated
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Cash and cash equivalents		124,677		124,677
Available-for-sale financial assets				
Investments			81,213	81,213
Total assets		124,677	81,213	205,890

All amounts in thousands of reais unless otherwise stated

The Company has investments in Companhia Energética Rio das Antas (5%) and Dona Francisca Energética S.A. (2.12%), in respect of which it has no significant influence, recorded at the fair value in the respective amounts of R$ 58,740 thousand and R$ 7,937 thousand. The Company prepared the future cash flows for the analysis of the amount of its investment taking into consideration the date of termination of the concession agreement. The concession period could be extended for another 20 years after the end of the first concession period, however, the authorization of third parties is required for the renewal of the concession. Therefore, the extension could result in amounts different from those currently recorded.

(f) Financial instruments by category

				Consolidated
	Assets at fair value through profit or loss	Loans and receivables	Available for sale	Total
December 31, 2013				
Assets as per balance sheet				
Cash and cash equivalents		28,803		28,803
Trade receivables		24,177		24,177
Related parties		26,824		26,824
Other assets		8,442		8,442
Restricted financial investments	52,119			52,119
Investments			66,677	66,677
Investment properties	25,208			25,208
	77,327	88,245	66,677	232,250

				Consolidated
	Assets at fair value through profit or loss	Loans and receivables	Available for sale	Total
December 31, 2012				
Assets as per balance sheet				
Cash and cash equivalents		124,677		124,677
Trade receivables		27,410		27,410
Related parties		43,425		43,425
Other assets		27		27
Restricted financial investments	40,023			40,023
Investments			81,123	81,123
Investment properties	21,419			21,419
	61,442	195,539	81,123	338,104

All amounts in thousands of reais unless otherwise stated

	Consolidated
	Other financial liabilities
December 31, 2013	
Liabilities as per balance sheet	
Trade payables	33,260
Borrowings	923,254
Related parties	7,363
Payables for land acquisitions	3,301
Concession payable	63,038
	1,030,216
December 31, 2012	
Liabilities as per balance sheet	
Trade payables	108,899
Borrowings	902,216
Related parties	30,078
Payables for land acquisitions	3,146
Concession payable	61,270
	1,105,609

(g) The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Parent company		Consolidated	
	2013	2012	2013	2012
Accounts receivable				
Counterparties with external credit ratings (*)				
AAA				1,921
AA			1,323	3,094
AA+			826	1,764
AA-			1,008	7,980
A+				647
A-			7,287	6,955
BB+			2,048	
			12,492	22,361

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Counterparties without external credit rating				
Group 2	1,026	1,334	11,685	5,049
Related parties				
Group 2	83,971	128,124	23,737	43,425
Total receivables and related parties	84,997	129,458	47,914	70,835
Cash and cash equivalents and restricted financial investments (*)				
AAA		6,565		143,397
AA				
A				
BBB+		4,938		4,938
BBB	3,225	561	62,716	16,365
BBB (2)	13,202		13,202	
BB+			5,004	
	16,427	12,064	80,922	164,700

. Group 1 - new customers/related parties (less than 6 months) - not applicable.

. Group 2 - existing customers/related parties (more than six months) with no defaults in the past.

. Group 3 - existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered - not applicable.

(*) According to the rating of the agency Standard & Poor's, except for the rating BBB+, which was obtained from the agency Fitch Ratings.

24 Other operational risks

(a) Hydrologic risk

This risk arises from the possibility of an extended period of drought. Pursuant to Brazilian regulations, revenue from electric energy sales by the generating companies does not depend directly on the energy actually produced, but on the amount of electric energy and capacity sold by them, limited to the assured energy, the amount of which is fixed and determined by the concession authority and is included in the authorization issued by it, and any subsequent amendments.

All amounts in thousands of reais unless otherwise stated

Differences between the energy generated and assured energy are covered by the Energy Reallocation Mechanism (MRE), the main purpose of which is to mitigate the hydrologic risks ensuring that all the participating generating plants receive their revenue from the amount of assured energy sold, regardless of the amount of electric energy actually generated by them.

(b) Risk of not having the authorization or concession extended

The subsidiaries have, in the case of PCHs, authorization to develop and operate electric energy generation services, without any payments related to the use of public assets. The concession agreement related to the UHE Monel does establish payments for the use of public assets (Note 13). If the extension of the authorization or the concession agreement is not approved by the regulatory agencies or is subject to additional costs imposed on the companies, the current profitability and activity levels could be reduced. There can be no guarantee that the authorization or concession granted to subsidiaries will be extended, on maturity, by the concession authority.

25 Contingencies

The Company and its subsidiaries do not have contingencies for which a future disbursement is considered probable. There are no provisions regarding the processes below and they are only disclosed in the notes to the financial statements.

	Parent company	
	Possible risk of loss	
	2013	**2012**
Civil	17,230	17,228
Labor	660	
	17,890	17,228

	Consolidated	
	Possible risk of loss	
	2013	**2012**
Civil	18,779	18,454
Labor	695	90
Administrative	249	249
	19,723	18,793

All amounts in thousands of reais unless otherwise stated

Social security contributions and other social charges and taxes on revenues and other income, as well as the income tax returns of the Company and its subsidiaries, are subject to review and final approval by the tax authorities for variable periods of time and possible additional assessments.

The Group is subject to federal, state and municipal environmental laws and regulations, and complies with them. Therefore, management does not expect to incur restoration costs or fines of any nature.

Operating licenses establish certain conditions and restrictions in relation to the environment, which are complied with by the Company and its subsidiaries.

26 Basic and diluted loss per share

The basic loss per share is calculated by dividing the loss attributable to the stockholders of the Company by the average number of shares outstanding during the period. The Company has no common share categories with dilutive effects and, therefore, the basic and diluted loss per share are the same.

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Loss attributable to common stockholders of the Company	(31,654)	(32,050)	(32,490)	(31,622)
Weighted average number of outstanding common shares	117,002	107,440	117,002	117,002
Loss per share - R$	(0.271)	(0.2982)	(0.278)	(0.2978)

Outstanding shares, in accordance with the relevant accounting standards, refer to the total shares issued by the Company less the shares held in treasury, when applicable.

27 Investment properties

In order to obtain authorizations or permits from ANEEL for the future implementation of PCHs, for which it has been developing studies related to inventories and the basic project, the Company is purchasing, in advance, land in the area where the future PCHs will be built (area to be affected by the reservoir), which is one of the conditions for the selection and prioritization of interested parties.

The amounts recorded as properties are very close to their fair value, since they were realized in recent years.

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Investment properties	25,208	21,419	25,208	21,419
	25,208	21,419	25,208	21,419

28 Commitments

(a) Operating lease commitments - Company as lessee

The Company leases four areas of land for the construction of wind power plants under non-cancellable operating lease agreements. The lease terms are 27 years, and all lease agreements are renewable at the end of the lease period at the market rate.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	Consolidated	
	2013	**2012**
No later than 1 year	294	212
Later than 1 year and less than 5 years	1,048	853
More than 5 years	3,183	3,777
	4,525	4,842

29 Events after the reporting period

(a) On February 18, 2014, Desenvix sold its holding in Fundo de Investimentos e Participações em Infraestrutura Energias Renováveis (FIP IE ER).

(b) Pursuant to the Minutes of the General Meeting of Holders of Debentures of the first issue of debentures of Desenvix Energias Renováveis S.A., held on April 30, 2014, with a quorum of 92.1770%, the following items were approved:

(i) Granting of a waiver to the Company, in the event of non-compliance with the limit addressed by Clause V, item 5.1 (v) of the Deed, for the calculations at December 31, 2013 and March 31, 2014.

(ii) Payment of premiums to the Debenture Holders, equivalent to 1.0% of the par value of outstanding debentures on the date of the General Meeting of Debenture Holders, due to the resolution included in item (i) above, which will be paid on May 9, 2014, through the negotiating environments (CETIP/BM&FBOVESPA);

(iii) Alteration of the wording of Clause V, item 5.1(q) of the Deed, modifying the events of early maturity in relation to the classification of the risk attributed to the debentures. The new wording in force is as follows:

"presentation, by the risk rating agencies contracted by the Issuer, of a risk rating attributed to the debentures at a level inferior to "BB+" by Standard and Poor's, or "Ba1" by Moody's or "BB+" by Fitch Ratings, in their respective local scales".

(iv) Alteration of the wording of Clause V, item 5.1 (v) of the Deed, modifying the events of early maturity in relation to the applicable ratios of Total Debt/Dividend Income; Total Debt/Equity; and Debt Service Cover (ICSD). The new wording in force is as follows:

"if the Issuer presents, for three alternate quarters, (i) Total Debt/Dividend Income ratio higher than 4.0x from April 1, 2014 to March 31, 2015, higher than 3.5x from April 1, 2015 to December 31, 2015, higher than 3.0x from January 1, 2016 and June 30, 2016 and higher than 2.5x as from July 1, 2016; (ii) Total Debt/Equity ratio higher than 1.45x, and (iii) Debt Service Cover Ratio (ICSD) lower than 1.0x as from April 1, 2014, to be verified by the Trustee and calculated according to the formula below. Such ratios are calculated based on the 12 immediately preceding months covered by the Issuer's financial information reviewed and/or audited, as from the quarter ended June 30, 2014, according to the definitions below. For the calculation of the ratio established in item (i) only the amounts of the Issuer (without the consolidated amounts of its subsidiaries) should be considered, and for the calculation of the ratios determined in items (ii) and (iii) the consolidated amounts should be considered.

Definitions:

Total debt - sum of the amounts corresponding to (1) short-term bank borrowings; (2) short-term debentures; (3) long-term bank borrowings; (4) long-term debentures; and (5) long-term loans granted by associates, stockholders or officers.

EBITDA - for any period, the sum of the result before finance income (costs) and taxes of the Issuer, plus all the amounts attributable to (without duplicating): (a) depreciation and amortization, including the amortization of the concession right - goodwill; (b) provision for maintenance; and (c) appropriation of prepaid expenses, calculated based on the past 12 months.

Debt Service Cover Ratio (ICSD) - calculated by dividing the operating cash flow generation by the debt service, based on information recorded in the financial statements, in a certain period:

(A) Cash generation
(+) EBITDA

(B) Debt service
(+) Amortization of principal
(+) Payment of interest
(-) Amortization of principal arising from debt rescheduling
(-) Capital contributions of stockholders

Debt Service Cover Ratio (ICSD) = (A)/(B)

All amounts in thousands of reais unless otherwise stated

Equity - comprises the funds of the Issuer, and is calculated as the positive difference between assets and liabilities.

Dividend income - dividends declared to the Issuer by its subsidiaries, calculated based on the past 12 months."

(v) Alteration of the interest established in Clause III, item 3.8.2 of the Deed. The debentures will be subject, as from the business day subsequent to the date of the General Meeting of Debenture Holders, to the payment of interest equivalent to the accumulated variation of 100% of the average daily rates of the one-day Interbank Deposits (DI) (over extra group), expressed as an annual percentage, based on 252 business days, plus a spread of 3.75% per annum.

(vi) The Trustee is authorized to exercise all the necessary steps for the full compliance with the above decisions, including, but not limited to, a second amendment to the Deed.

30 Investments in non-subsidiary entities at fair value

The investments recorded at fair value (without significant influence) are recognized in this account.

	Parent company and consolidated	
	2013	
Investee	**Total**	**Ownership interest**
Dona Francisca Energética S.A.	7,937	2.12%
Companhia Energética Rio das Antas	58,740	5.00%
	66,677	

	Parent company and consolidated	
	2012	
Investee	**Total**	**Ownership interest**
Dona Francisca Energética S.A.	8,082	2.12%
Companhia Energética Rio das Antas	70,063	5.00%
FIP Energias Renováveis S.A.	3,068	6.25%
	81,213	

The following table presents the changes for the year ended December 31, 2013:

	Consolidated
	Investments in non-subsidiary entities at fair value
Opening balance	81,213
Transfer to available-for-sale investments	(3,060)
Changes in fair value of available-for-sale financial instruments	(11,468)
Gains and losses recognized in the results of operations	(8)
Closing balance	66,677

* * *