

**FINANCIAL STATEMENTS
2013**



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MESSAGE FROM MANAGEMENT

At its 65th anniversary, Companhia Hidro Elétrica do São Francisco - Chesf remains confident of its capacity to overcome challenges, and continue growing, focusing on sustainability, in accordance with the guidelines of Eletrobras. Chesf's Board of Directors and Board of Executive Officers express their unrestricted confidence in the competence and commitment of our employees, who are critical for the construction of our successful history.

In 2013, Chesf recorded losses of R\$ 466.1 million, in spite of the measures implemented during that year, whose purpose was to adjust the Company's costs and expenses to the Company's new operating revenue level as from the early renewal of the Company's concessions falling due in 2015. Among these measures, we highlight the voluntary termination plan resulting in 1,354 employment relationship terminations (1,326 in 2013 and 28 to be terminated in 2014).

Irrespective of the losses in 2013, the Company continued with its largest transmission expansion project of the last 10 years, achieving significant progress. The transformation capacity of its Transmission System was expanded by 255 MVA, including one new substations (SE) (SE Arapiraca) and four new transformers, one at each of the following substations: Arapiraca, Teresina, São João do Piauí and Fortaleza. Another 370km of transmission lines were installed (275 km on a Group basis and 95 transferred by the accessing users).

During the year, Chesf's investments in expansion and modernization of its production capacity totaled R\$ 1,364.9 million.

In the generation segment, Chesf continued with the implementation of its own wind farm, the 180 MW Wind Power Plant (UEE) Casa Nova, located in the State of Bahia, projected to start its operations in 2014. Also in 2013, the Company's projects for wind power generation expansion advanced, with the wind power plants Casa Nova II and III, totaling 52 MW. The construction should be initiated in 2014.

It should also be highlighted that, by participating in generation ventures, Chesf added a total of 1,266 MW in new projects in 2013, both of its own and through partnerships. 34 new Special Purpose Entities (SPEs) were established. The highlights include the conclusion of ventures, such as the Pedra Branca, Sete Gamaleiras and São Pedro do Lago UEEs, and the beginning of the operations of a generating unit of the Jirau Hydroelectric Power Plant (UHE), thus accumulating equivalent 123 MW in operation through Chesf's generation partnerships.

As from 2014, the Company will add another equivalent 3,203 MW to its generating complex, both through corporate projects and partnerships, such as the partnerships involving the Jirau, Belo Monte and Sinop hydroelectric power plants, in addition to another 40 wind farms (totaling 1,157 MW), both of Chesf and through partnerships, which are currently under construction. The commercial operation of these ventures started in 2013 and will last up to 2018, according to the related bid notices.

As a great highlight in 2013 in the domestic wind power scenario, Chesf confirmed its strategy towards the increase of its significant share in this market. During the year, 35 power ventures were successful in auctions, which represented the significant amount of 866 MW, of which equivalent 451 MW are held by Chesf.

There was wide media coverage about the delayed implementation of the transmission lines associated with the Generation Plants for Shared Connection (ICG). The National Electric Energy Agency (ANEEL) already received facts and data showing that Chesf had no means of building these transmission lines.

Chesf could not meet the agreed upon physical construction schedules because the licensing bodies did not accept the socio-environmental assumptions included in the submitted documentation, and because the related rural locations were not compatible with the execution of these transmission ventures. The management of Chesf, however, is dealing closely with these difficulties and has been implementing a number of improvements in the processes of many of Chesf's areas.

Because it is among the companies dealing with construction delays, Chesf is being subject to restrictions imposed by Aneel concerning the possibility of participating alone in transmission auctions or even Chesf leading consortia interested in eventual ventures.

In order to support the guidance and actions of the National Program for Electric Power Conservation (Procel) and the National Plan for Energy Efficiency (PNEF), the Company is developing projects and

actions at the regional level. It should be highlighted that the Company works together with municipalities in projects within the scope of the National Program for Efficient Public Lighting and Traffic Lights (Procel Reluz), working for a more efficient utilization of electricity and promoting benefits for night entertainment, tourism and trade, and contributing to the socio-economic development of the Northeast region.

Regarding the Research and Development + Innovation (R&D+I, or P&D+I) area, the Company's investment plan included projects in the following areas: New Material and Equipment; Planning, Operation, Supervision, Control and Protection of the System; Environment; Quality and Reliability; Renewable Energy and Energy Efficiency. The highlights include the launching of the Public Invitation for "Proposals of R&D Projects in Alternative Energy Sources in the Fernando de Noronha Archipelago" area and the "Photovoltaic Central of Petrolina's Solar Platform".

Following its strong investments related to its Corporate Planning, the Company implemented the Costs and Expenses Matrix Management (GMC), which supports the *"To Reduce Costs and Expenses"* Strategic Target. This method is being fundamental for the Company to adjust its operating costs to the new level of revenue resulting from the extension of the concessions.

The year of 2013 was also marked by homages and departures. Through the Voluntary Termination Incentive Plan (PIDV), 1326 colleagues have left Chesf. The PIDV was targeted to all employees with more than 20 years working for Chesf or those employees who had already retired via the National Institute of Social Security (INSS) by time of contribution.

New indexes and targets for the five-year period from 2013 to 2017 were established, concerning the Contract for Business Performance Targets (CMDE). This document establishes the targets to be achieved to create more effectiveness and efficiency for Chesf and all the Eletrobras System. These indexes are related to the Company's economic and financial, operational and socio-environmental bases. And, in order for Chesf to attain its corporate targets, every Chesf employee must identify their role in this path and believe that their effective participation will make the difference.

THE SCENARIO OF THE ECONOMY

According to the overview report prepared by the Applied Economic Research Institute (Ipea), 2013 has seen great volatility in the major economic indicators, which is considered as a result mainly of the scenario of socio-economic uncertainties in Brazil during the period, the doubts about the foreign exchange movements due to possible changes in the monetary policy in the United States, and the gradual increase of the Special System for Settlement and Custody (SELIC) rate, which is linked to inflation rate growth expectations.

The unemployment rate and investment indicators had a better performance in the year, with the latter growing 6.3% in relation to 2012 and the former remaining at 5.6%, which is the lowest level in history.

The economic activity increased by 1.8%, 3.3%, 2.2% and 1.9% in 1Q13, 2Q13, 3Q13 and 4Q13, respectively, in comparison with the same periods in 2012. These rates are directly related to the investment trend (3.2%, 9.1%, 7.3% and 5.5%, respectively), which served as a compensation for the decrease in the family consumption rate. Results in 2012 were the opposite: the increase in the consumption was not enough to compensate the decreased investments, which ended up acting as the main factor for a growth rate of only 0.9%. The accumulated growth for 2013 was 2.3%.

In 2012, the Brazilian Central Bank (BACEN) was more tolerant in order to attenuate the effects of the international financial crisis. In 2013, on the other hand, BACEN reversed the direction of its monetary policy, which started to be directed towards the mitigation of the increase in the inflation rate in the domestic scenario. For this, the SELIC rate went through gradual increases and, at the end of the year, was 10% p.a., that is, an increase of 2.75% in relation to the prior year. The inflation rate closed at 5.91% (above the 2012 rate).

The electric scenario saw a significant decrease in the revenue of generation and transmission companies mainly as a result of the Provisional Measure (MP) 579/2013 (converted into Law 12,783/2013), which deals with the early renewal of the power generation and transmission concessions, whose purpose was the reduction of the electric power prices for consumers in general. Because of this, these companies had to decrease expenditures and adjust themselves to the new scenario, which, on other hand, guaranteed the exploration of the generation and transmission businesses for another 30 years.

COMPANY PROFILE

Chesf, an electric power public service concessionaire controlled by Eletrobras, is a mixed private/state publicly-held company formed pursuant to Decree-Law 8,031, of October 3, 1945, and established at the First Annual Stockholders' Meeting held on March 15, 1948. Its main activities are the generation and the transmission of electric power throughout Brazil.

Its generation operations comprise hydrothermal system, with a majority of hydroelectric power plants that are responsible for nearly 97% of the Company's total production. Its current generating complex with 10,615 MW of installed capacity is made up of 14 power plants supplied by nine reservoirs with a maximum storage capacity of 56.8 billion cubic meters of water, and one dual-fuel thermoelectric power plant, as detailed below:

Power Plants	River	Installed capacity (MW)
HYDROELECTRIC	-	10,268.328
Sobradinho	São Francisco	1,050.300
Luiz Gonzaga (Itaparica)	São Francisco	1,479.600
Apolônio Sales (Moxotó)	São Francisco	400.000
Paulo Afonso I	São Francisco	180.001
Paulo Afonso II	São Francisco	443.000
Paulo Afonso III	São Francisco	794.200
Paulo Afonso IV	São Francisco	2,462.400
Piloto	São Francisco	2.000
Xingó	São Francisco	3,162.000
Funil	de Contas	30.000
Pedra	de Contas	20.007
Boa Esperança	Parnaíba	237.300
Curemas	Piancó	3.520
Araras	Acaraú	4.000
THERMOELECTRIC:		346.803
Camaçari	-	346.803
TOTAL		10,615.131

Also, through its interest in Special Purpose Entities (SPEs) for generation ventures, which totals 16,659.5 MW, Chesf has equivalent 3,094.46 MW, as shown below:

SPEs	VENTURE	LOCAL	MW (*)	INTER.	OPERATIONS BEGINNING	MW _{Equiv}
Energét ca Águas da Pedra S.A.	UHE Dardanelos	Aripuanã/MT	261.00	24.5%	Aug/11	63.95
ESBR Participações S.A.	UHE Jirau	Porto Velho/RO	3,750.00	20.0%	Apr/13	750.00
Norte Energia S.A.	UHE Belo Monte	Altamira/PA	11,233.10	15.0%	Feb/15	1,684.97
Pedra Branca S.A.	UEE Pedra Branca	Sento Sé/BA	30.00	49.0%	Jan/13	14.70
Sete Gameleiras S.A.	UEE Sete Gameleiras	Sento Sé/BA	30.00	49.0%	Jan/13	14.70
São Pedro do Lago S.A.	UEE São Pedro do Lago	Sento Sé/BA	30.00	49.0%	Jan/13	14.70
U. E. Eólica Junco I S.A.	UEE Junco I	Jijoca de Jericoacoara/CE	30.00	49.0%	Jan/16	14.70
U. E. Eólica Junco II S.A.	UEE Junco II	Jijoca de Jericoacoara/CE	30.00	49.0%	Jan/16	14.70
U. E. Eólica Caçara I S.A.	UEE Caçara I	Cruz/CE	30.00	49.0%	Jan/16	14.70
U. E. Eólica Caçara II S.A.	UEE Caçara II	Cruz/CE	21.00	49.0%	Jan/16	10.29
Ventos de Santa Joana IX Energias Renováveis S.A.	UEE Ventos de Santa Joana IX	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Sept/15	14.70
Ventos de Santa Joana X Energias Renováveis S.A.	UEE Ventos de Santa Joana X	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Sept/15	14.70
Ventos de Santa Joana XI Energias Renováveis S.A.	UEE Ventos de Santa Joana XI	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Sept/15	14.70
Ventos de Santa Joana XII Energias Renováveis S.A.	UEE Ventos de Santa Joana XII	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Sept/15	14.70
Ventos de Santa Joana XIII Energias Renováveis S.A.	UEE Ventos de Santa Joana XIII	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Sept/15	14.70
Ventos de Santa Joana XV Energias Renováveis S.A.	UEE Ventos de Santa Joana XV	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Sept/15	14.70
Ventos de Santa Joana XVI Energias Renováveis S.A.	UEE Ventos de Santa Joana XVI	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Sept/15	14.70
Acauã Energia S.A.	UEE Acauã	Pindai/BA	12.00	49.0%	Sept/15	5.88
Angical 2 Energia S.A.	UEE Ang cal 2	Pindai/BA	14.00	49.0%	Sept/15	6.86
Arapapá Energia S.A.	UEE Arapapá	Pindai/BA	10.00	49.0%	Sept/15	4.90
Caititú 2 Energia S.A.	UEE Caititú 2	Pindai/BA	14.00	49.0%	Sept/15	6.86
Caititú 3 Energia S.A.	UEE Caititú 3	Pindai/BA	14.00	49.0%	Sept/15	6.86
Carcará Energia S.A.	UEE Carcará	Pindai/BA	10.00	49.0%	Sept/15	4.90
Corrupião 3 Energia S.A.	UEE Corrupião 3	Pindai/BA	14.00	49.0%	Sept/15	6.86
Teiú 2 Energia S.A.	UEE Teiú 2	Pindai/BA	14.00	49.0%	Sept/15	6.86
Baraúnas I S.A.	UEE Baraúnas I	Sento Sé/BA	29.70	49.0%	Sept/15	14.55
Mussambê S.A.	UEE Mussambê	Sento Sé/BA	29.70	49.0%	Sept/15	14.55
Morro Branco I S.A.	UEE Morro Branco I	Sento Sé/BA	29.70	49.0%	Sept/15	14.55
Consórcio Energético SINOP S.A.	UHE Sinop	Sinop/MT	400.00	24.5%	Jan/18	98.00
Ventos de Santa Joana I Energias Renováveis S.A.	UEE Ventos de Santa Joana I	Marcolândia, Caldeirão Grande and Simões/PI	30.00	49.0%	Jan/16	14.70
Ventos de Santa Joana III Energias Renováveis S.A.	UEE Ventos de Santa Joana III	Marcolândia, Caldeirão Grande and Simões/PI	30.00	49.0%	Jan/16	14.70
Ventos de Santa Joana IV Energias Renováveis S.A.	UEE Ventos de Santa Joana IV	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Jan/16	14.70
Ventos de Santa Joana V Energias Renováveis S.A.	UEE Ventos de Santa Joana V	Marcolândia, Caldeirão Grande e Simões/PI	30.00	49.0%	Jan/16	14.70
Ventos de Santa Joana VII Energias Renováveis S.A.	UEE Ventos de Santa Joana VII	Marcolândia, Caldeirão Grande and Simões/PI	30.00	49.0%	Jan/16	14.70
Ventos de Santo Augusto IV Energias Renováveis S.A.	UEE Ventos de Santo Augusto IV	Marcolândia, Caldeirão Grande and Simões/PI	30.00	49.0%	Jan/16	14.70
Serra das Vacas I S.A.	UEE Serra das Vacas I	Saloá/PE	30.00	49.0%	Jan/16	14.70
Serra das Vacas II S.A.	UEE Serra das Vacas II	Saloá/PE	30.00	49.0%	Jan/16	14.70
Serra das Vacas III S.A.	UEE Serra das Vacas III	Saloá/PE	30.00	49.0%	Jan/16	14.70
Serra das Vacas IV S.A.	UEE Serra das Vacas IV	Saloá/PE	30.00	49.0%	Jan/16	14.70
Coqueirinho 2 Energia S.A.	UEE Coqueirinho 2	Pindai/BA	20.00	49.0%	Jan/16	9.80
Papagaio Energia S.A.	UEE Papagaio	Pindai/BA	18.00	49.0%	Jan/16	8.82
Banda de Couro S.A.	UEE Banda de Couro	Sento Sé/BA	29.70	49.0%	May/18	14.55
Baraúnas II S.A.	UEE Baraúnas II	Sento Sé/BA	21.60	49.0%	May/18	10.58
Tamanduá Mirim 2 Energia S.A.	UEE Tamanduá Mirim 2	Pindai/BA	24.00	49.0%	May/18	11.76
Chesf's total and equivalent power in Special Purpose Entities (SPEs)			16,659.50			3,094.46
(*) The total installed power of certain SPEs may be adjusted.						
Total capacity of joint hydroelectric power ventures = 15,644.1 MW						
Total capacity of joint wind power ventures = 1,015.4 MW						

Chesf's transmission system comprises 19,344 km of transmission lines in operation, of which 5,204 km are 500 kV transmission circuits, 13,349 km are 230 kV transmission circuits, and 791 km are lower voltage transmission circuits; 111 substations (including the Sapeaçu and Brumado substations) and 513 transformers in operation with voltage higher than 69 kV (including regulating transformers), with a total transformation capacity of 46,691 MVA, plus 181 telecommunication substations supported in 6,700 km of type OPGW optical fiber cables and 1,700 km of routes formed by digital radio links.

The total length of transmission lines (19,344 km) is a result of the addition of 352 km in new lines delivered for O&M and another 18 km due to the adjustment of the total length disclosed in the prior year.

Also, Chesf, through SPEs, has interests in transmission lines totaling approximately 1,591.3 km, as shown below:

Company	Transmission Line	Circuit	Voltage (kV)	Length (Km)	Length (Equiv.)
Sistema de Transmissão Nordeste S.A.	Teresina II/Fortaleza II	DC	500	327.0	160.2
Sistema de Transmissão Nordeste S.A.	Sobral III/Fortaleza II	DC	500	219.0	107.3
TOTAL				546.0	267.5
Integração Transmissora de Energia S.A.	Colinas/Miracema	SC	500	173.0	20.8
Integração Transmissora de Energia S.A.	Miracema/Gurupi	SC	500	255.0	30.6
Integração Transmissora de Energia S.A.	Gurupi/Peixe II	SC	500	72.0	8.6
Integração Transmissora de Energia S.A.	Peixe II/Serra da Mesa II	SC	500	195.0	23.4
TOTAL				695.0	83.4
Manaus Transmissora de Energia S.A.	Oriximiná/Silves	DC	500	335.0	65.3
Manaus Transmissora de Energia S.A.	Silves/Lechuga	DC	500	224.0	43.7
TOTAL				559.0	109.0
Interligação Elétrica do Madeira S.A.	Porto Velho/Araraquara II	SC	600	2,375.0	581.9
TOTAL				2,375.0	581.9
TDG - Transmissora Delmiro Gouveia S.A.	São Luiz II/São Luiz III	SC	230	36.0	17.6
TDG - Transmissora Delmiro Gouveia S.A.	Sect. Sobral III/Fortaleza II C1/C2	SC	230	120.0	58.8
TOTAL				156.0	76.4
Interligação Elétrica Garanhuns S.A.	Luiz Gonzaga/Garanhuns	SC	500	224.0	109.8
Interligação Elétrica Garanhuns S.A.	Garanhuns/Pau Ferro	SC	500	239.0	117.1
Interligação Elétrica Garanhuns S.A.	Garanhuns/Campina Grande III	SC	500	190.0	93.1
Interligação Elétrica Garanhuns S.A.	Garanhuns/Angelim	SC	230	13.0	6.4
TOTAL				666.0	326.3
Extremoz Transmissora do Nordeste - ETN S.A.	Ceará Mirim/João Câmara II	SC	500	64.0	31.4
Extremoz Transmissora do Nordeste - ETN S.A.	Ceará Mirim/Campina Grande III	SC	500	201.0	98.5
Extremoz Transmissora do Nordeste - ETN S.A.	Ceará Mirim/Extremoz II	SC	230	26.0	12.7
Extremoz Transmissora do Nordeste - ETN S.A.	Campina Grande III/Campina Grande II	SC	230	8.5	4.2
TOTAL				299.5	146.8
Total transmission lines in operation - SPE				4,175.0	1,041.8
Total transmission lines under construction - SPE				1,121.5	549.5
Total				5,296.5	1,591.3

RELATIONSHIP WITH THE STOCKHOLDERS

As a publicly-traded company, Chesf is subject to the rules of the Brazilian Securities Commission (CVM).

The Company's relationship policy is based on the disclosure of information with transparency, characterized by the respect for legal and ethical principles, and in line with the rules to which it is subject as a utility service concessionaire.

The Company discloses information on its internet portal, www.chesf.gov.br, under the link "Investor Relations". The Company communicates with its stockholders by telephone, regular mail, e-mail and personal contact.

OWNERSHIP CONTROL

The Company's capital, in the amount of R\$ 9,753.9 million, is represented by 55,905,000 registered shares, of which 54,151,000 are common and 1,754,000 preferred shares, with no par value. Of the total shares, 99.5781% are held by Eletrobras, 0.3467% by the Ministry of Finance, 0.0154% by Light, and 0.0598% by other stockholders.

CORPORATE GOVERNANCE

Administration

The Company is managed by a Board of Directors, a collective decision-making body, whose responsibilities are set by law and the Company's bylaws, and by a Board of Executive Officers.

Only Brazilians can hold management positions with the Company. The Board of Directors members shall be stockholders and the Board of Executive Officers shall be composed of members that may be stockholders or not.

The Board of Directors consists of up to six members, who have a reputation for integrity and honesty and adherence to high ethical standards, elected at the General Meeting of Stockholders for a one-year term and eligible for reelection. The Board chooses one of its members to be the Chairman.

Pursuant to a resolution approved at the Stockholders' Meeting in 2011, one of the members of the Board of Directors is appointed by the Minister of Planning, Budgeting and Management and another member is elected among active employees by direct votes of his/her peers to be a representative of the employees, in an election organized by the Company along with the respective labor unions in accordance with prevailing legislation. Elections first took place in 2012, and the employee elected to the Board of Directors took office during the 2012 General Meeting of Stockholders.

The Board of Executive Officers is made up of a President and up to five members, elected by the Board of Directors for a three-year term on a full time basis and eligible for reelection. The President shall be elected from among the members of the Board of Directors and cannot also serve as the Chairman of the Board of Directors.

The Statutory Audit Board is permanent in nature and made up of three effective members and three alternate members, one of them is appointed by the Ministry of Finance as a representative of the National Treasury.

Code of Ethics

Chesf adopts the Unified Code of Ethics of the Eletrobras System, which is applied to all employees, from senior management to interns and young apprentices. This Code establishes behavior commitments to be followed within the Company and in the relationship of its employees with government bodies, competitors, suppliers, service providers and other external parties. The Code of Ethics is distributed to all employees upon hiring. Its main standards and principles are subsequently reinforced through a specific presentation during the employee integration process. This lecture also deals with aspects of the "Promoting Rights, Prevention and Confrontation of Violence and Moral Harassment in the Workplace" policy, which is effective in the Company since January 2013.

The main attributions of the Ethics Commission are to disseminate the ethical values and principles, through educational actions, and to investigate accusations of ethical offense. In 2013, 13 issues

were opened and dealt with by the Ethics Commission. In addition, 4 presentations for disseminating the Code of Ethics among the new employees took place.

The Ethics Commission of Chesf also participates actively in monthly meetings held by the National Forum of Ethics Management in State-owned Companies, which contributes to improving the work of the Commission by exchanging experiences and spreading best practices. Chesf held the meeting of the Forum in June 2013. This was very important for Chesf to consolidate among its internal personnel the importance and relevance that the Company's management attributes to this subject.

Ombudsman's Office

The Ombudsman's Office has been established for 5 years and is defining its position as a channel for dialog with the stakeholders of Chesf, thus being an important source of information for the improvement of Chesf's organizational processes, both from the technical-administrative aspect and the ethical standards point of view.

It also performs activities that are inherent to Law 12,527/2011 - Information Access Act (LAI), effective as from May 16, 2012, which regulated the access to information, ensuring that all citizens may require access to information of private or public interest. Concerning the LAI and resulting services, there are specific legal time periods, rules and procedures for the disclosure of information to attend the demands of the citizens. All these aspects are monitored by the Federal Government's Controllershship (CGU).

In five years of activity, the Ombudsman's office has received 6,518 communications (1,013 of which in 2013). Since the date LAI became effective (May 2012), Chesf received 188 information requests (130 in 2013).

The answers of the Ombudsman were sent on average in eight days and, therefore, within the related parameters established by the Company for answering such requests, that is, 15 days.

LAI-based information requests were all answered within the legal period, that is, 20 days, renewable for another 10 days upon justification.

For these two categories, a significant majority of the requests come from external sources.

During the period, the most common subjects within the Ombudsman's Office were related to the Human Resources area (47%), involving request of information concerning the public selection process and about the Company's personnel in certain positions which were subject to such selection process. Information requests referring to the Information Service for the Citizen (SIC) showed this same trend, with 72% of the requests being related to the same Human Resources matters.

The quality of the services provided by the Ombudsman's Office and the SIC to the various users of these channels is intrinsically related to its approach of working together with all related areas of Chesf, looking for agile and clear answers and contributing to the dissemination of a positive image of the Company.

Internal Audit

Chesf's Internal Audit, which reports to the Board of Directors, is subject to the regulatory and technical supervision of the Internal Control System of the Federal Government, whose main purpose is to ensure that the administrative practices and procedures are legal and legitimate, in addition to evaluate the effectiveness of the administration, control and practices of management, based on a philosophy of acting preventively, strengthening the Company's controls and operations. The planning of the Internal Audit activities, based on the Annual Plan of Internal Audit Activities (PAINT), is submitted to the Federal Government's Controllershship (CGU) for approval and subsequently to the evaluation of the Statutory Audit Board and approval of the Board of Directors. In order to avoid deviation of duties and to preserve its unbiased and impartial approach, Chesf's Internal Audit is restricted only to the performance of its normal activities.

Corporate Sustainability

In 2013, the Company continued with its corporate sustainability actions, looking for creative solutions to fulfill its cost reduction needs. Within this context, and following the world guidelines of the Global Reporting Initiative (GRI), the Annual Sustainability Report was prepared and disclosed at http://www.chesf.gov.br/portal/page/portal/chesf_portal/RAO2012/port/index.htm (online format only), maintaining the degree of application at the self-declared level B and as GRI checked. A summarized, printed version was distributed to all Chesf employees. Chesf's own team organized presentations in 2013 about sustainability for the new managers and employees.

The Company maintained its adhesion to the Global Pact (by disclosing the Communication of Progress (COP)), to the Women's Empowerment Principles, of the UN Women, Program for Equality of Gender and Race, of the Presidency of the Republic's Secretariat for Women Policies, and to the National Pact for the Eradication of Slave Labor.

Chesf, as a member of the Team of Coordinators for the Sustainability Committee of the Eletrobras System, participated actively in the preparation of the Holding Company's Sustainability Report and responses to the questionnaires of Dow Jones Sustainability Index (DJSI) and Corporate Sustainability Index (ISE) of the São Paulo Futures, Commodities and Securities Exchange - BM&F Bovespa S.A. In 2013, Eletrobras were listed on the Dow Jones Sustainability Emerging Markets Index, and Chesf scored more than the previous years in the four Dimensions by which it is measured in the ISE (economic and financial, social, environmental and climate change).

Management of Risks and Internal Controls

Chesf has been developing and implementing a Corporate Risk Management policy. This policy is coordinated by Eletrobras and takes into account the nature of the various risks and factors to which the Company is exposed and which can cause material impacts on the Company's corporate results. This Risk Management Model, which is constantly being improved, is an essential mechanism not only for the proper identification, monitoring and management of risks, but also for the improvement of the practices and development of the controls environment.

Chesf's Senior Management shows that it is committed to the Company's Risk Management Model development by doing the following: (i) adhering to the Eletrobras risk management policy; (ii) continuously monitoring the risk management within the Company's culture; (iii) being in compliance with the legal and regulatory requirements for the industry; (iv) defining Management and Risks responsibilities; (v) assigning the necessary resources; and (vi) critically analyzing and improving the Corporate Risk Management Model.

In order to mitigate the mapped risks, Chesf plans and implements controls which are adequate for its business and monitors its internal environment on a constant basis, with the purpose of preventing losses, safekeeping its assets and supporting the executive decision-making process.

Chesf's internal controls are reviewed, audited and certified on an annual basis for process efficiency purposes. Based on the financial statements, these certifications identify the significant accounts and the related processes and subprocesses, in accordance with the CVM and Sarbanes-Oxley Act (SOX) requirements, so as to guarantee Eletrobras' compliance with SOX, which is necessary to maintain its registration of American Depositary Receipts (ADR) level II. The SOX certification process is comprised of four stages:

- a) Self-assessment (review) of entity-level controls to assess the corporate governance environment.
- b) Self-assessment (review) of the business internal controls (narratives, matrix of control and segregation of duties).
- c) Management test (internal audit).
- d) Certification test (external audit). The purpose of these actions is to ensure conformity with laws and regulations published by domestic and international supervision agencies and adhesion to the Company's internal policies and procedures.

Chesf offers specific training to its employees, with the purpose of disseminating the internal control culture and allowing all participants to be able to understand the process and to become responsible for their own certification. In 2013, more than 100 professionals received training through workshops

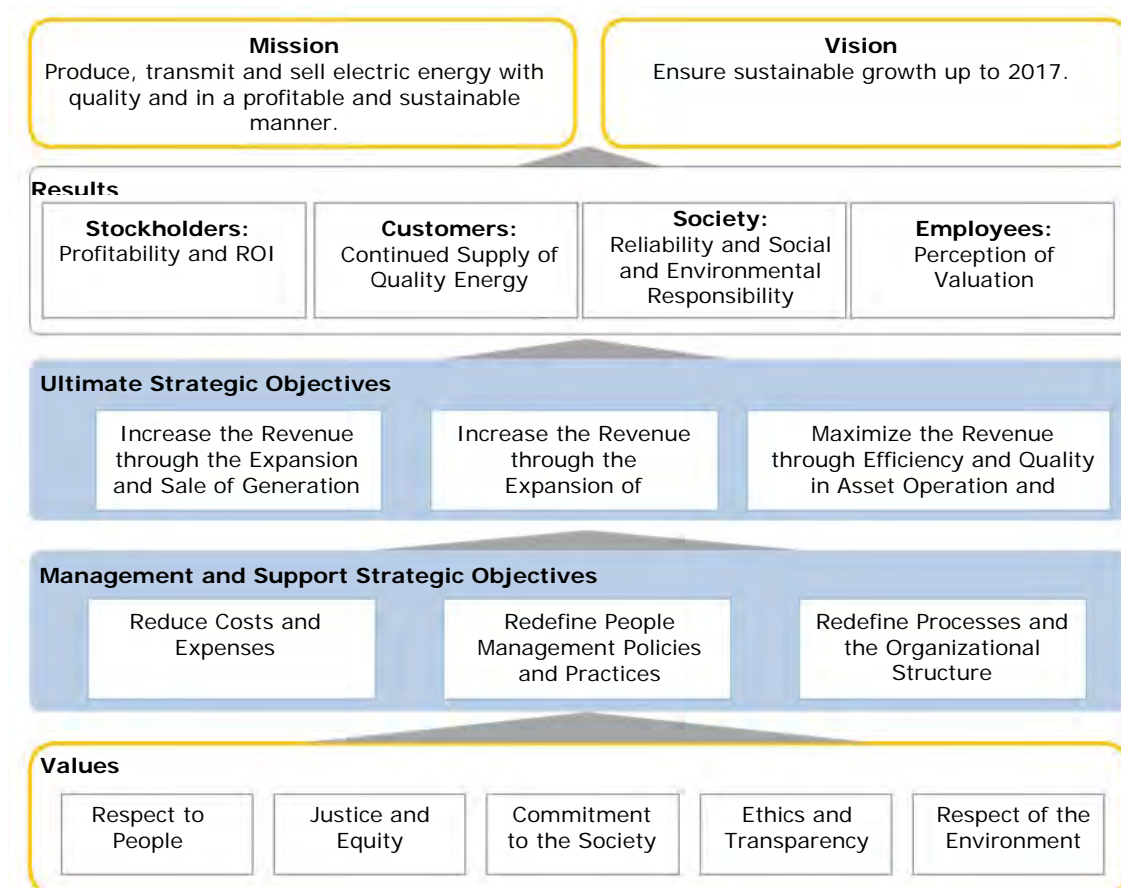
using COSO methodology, about understanding the Sarbanes-Oxley Act (SOX) working papers and their correlations. The purpose was to make all participants responsible for the management of the efficiency of their controls and to create awareness of their contribution to Chesf.

Corporate Planning

In 2013, Chesf continued with the Business Management monitoring by holding bimonthly meetings of directors and first-level managers, thus consolidating even more the process initiated in 2012. This monitoring focused on the performance of the indicators applied for each Strategic Target, allowing the adoption of corrective measures whenever the expected results were different from the actual results. The meetings were transmitted via Intranet for all employees, which contributed to increase the general participation and understanding regarding the main challenges faced by Chesf.

The Chesf Strategic Map 2013-2017 (presented below) was approved In December 2012, following the strategic realignment process arising from the Provisional Measure (MP) 579/2012 (converted into Law 12,783/2013), which started to be carried out in 2013. The indicators related to Chesf's regional units were also separated out and will be monitored as from 2014.

CHEST STRATEGIC MAP 2013-2017



One of the 2013 highlights is the implementation of the Costs and Expenses Matrix Management (GMC), which supports the "Costs and Expenses Reduction" Strategic Target and has been very important for the Company in the adjustment of its operating costs to the new level of revenue resulting from the extension of the concessions. A matrix of manageable accounts was prepared, with a manager being allocated to each account. This manager is responsible for making analyses in order to optimize the expenditures, considering a horizontal perspective of the behavior of the accounts throughout the Company. Together with the traditional approach of the managers working in that area, the work of the account managers allowed the identification of opportunities for cost reduction and better control of budgetary targets.

The costs management process will continue in 2014, while the implementation of the Strategic Targets will be improved and strengthened, with the purpose of increasing alignment of all the Company's levels in order to reach the proposed targets and face both internal and external challenges.

THE ELECTRIC POWER MARKET

Electric power consumption in 2013 in Brazil totaled 463,740 GWh, up 3.5% from 2012. Among the consumption classes, the Residential and Commercial classes were highlighted by increasing 6.1% and 5.7%, respectively, and together account for over 45% of total consumption. The industrial class, on the other hand, had only a slight increase (0.6%) when compared to 2012. This performance reflects the weak activity of industries such as the energy-intensive sector, which is represented by metallurgy and mineral extraction, with downturn in the aluminum production and iron ore extraction activities, which are carried out in the North, Northeast and Southeast regions of Brazil.

This less significant growth of the industrial consumption is related to the current domestic economic scenario, with lower investments, decreased industrial production, deterioration of the trade balance, inflationary pressures and a lower growth of the Gross Domestic Product (GDP).

However, this is not seen in a uniform manner throughout the country. The consumption in the Midwest region, for example, increased by 7.0%, reaching 32,858 GWh, while the consumption in the Northeast region increased by 5.6%, that is, reaching 79,827 GWh, in relation to 2012. These variations, among other aspects, resulted from the increase in both family income and employment levels, which have been supporting the growth of the activities within this region above the national average.

When considered by geoelectric subsystem, the consumption in the Northeast region - not including the State of Maranhão - totaled 68,813 GWh (which represents 14.9% of the total for the country) and increased by 7.7% when compared to 2012. To support this subsystem, Chesf contributed with 41.7% of energy, while the interchanges with the North and Southeast subsystems accounted for 25.7%, and other generation (hydro, thermal and wind) accounted for 32.6% (source: Electric Power Research Company - EPE).

The market projections disclosed by the Electric Power Research Company (EPE) for the period from 2013 to 2022 indicate expected growth in the national consumption of electric power in the regions served by the National Interconnected System (SIN) of approximately 4.1% per year. This performance is supported by the expansion of the commercial (5.8% p.a.), residential (4.3% p.a.) and industrial (3.4% p.a.) classes. The ten-year projection for the participation of the commercial class is an increase from 18.05% in 2013 to 20.7% in 2022, while the residential class will decrease its participation in the total consumption from 27.0% in 2013 to 26.5% in 2022, despite its significant growth rate. The industrial consumption class will also decrease its relative significance from 39.8% in 2013 to 38.3% in 2022.

The energy volume is expected to increase by average 28,206 MW at the end of 2022. Therefore, the average increase per annum is expected to be 4.2%, from average 62,797 MW in 2013 to average 91,003 MW in 2022. Among the electric subsystems, the North region presents the highest growth (6.3% p.a.), justified by the interconnection of the Tucuruí-Macapá-Manaus and Boavista systems, besides the large new demand from industrial growth. The Northeast region expects to see an average expansion of 4.4% per year, with a growth above that which is predicted for Brazil as a whole, increasing from an average of 9,658 MW in 2013 to an average of 13,870 MW in 2022, representing an increase of an average 4,212 MW up to the end of the final year.

SALE OF ELECTRIC POWER

Profound changes were made in the regulatory framework for the industry during 2013, which directly affected the selling of electricity. The Provisional Measure (MP) 579 was issued on September 11, 2012 and dealt, among other things, with the extension in the concession of electricity generation, transmission and distribution assets. On January 11, 2013, this MP was converted into Law 12,783.

As from the publication of Provisional Measure 579, the concessions for generation of hydroelectric energy considered by Article 19 of Law 9,074, dated September 7, 1995, were allowed to be extended, at the discretion of the concession authority, only a single time, for up to thirty years, in order to assure the continuity and efficiency of the service performance and reasonable tariffs.

This new regulation affected the industry in a number of aspects, particularly for Chesf, which opted for the extension of the concessions for its plants that fitted the applicable conditions. Accordingly, the Company is trading energy through the quota regime and through the Free Contracting Environment (ACL) or the Regulated Contracting Environment (ACR). The hydroelectric generation ventures with physical guarantees allocated through quotas attributed to the concessionaires of public distribution service are remunerated via a tariff regulated by ANEEL.

For Chesf, the ventures transferred to the quotas regime were the Boa Esperança, Paulo Afonso Complex (PA I, II, III, IV and Apolônio Sales), Funil, Luiz Gonzaga, Pedra and Xingó plants. A portion of the energy generated by these plants started to be reserved for the Northeast Industrial Consumers. Even so, Chesf had to purchase energy in order to meet its commitments.

The electric power sold by Chesf in 2013 reached a total of 57,557 GWh, distributed between 23 Brazilian states and the Federal District. 46,976 GWh (81.6%) of this amount was traded through the quotas regime, while 10,580 GWh (18.4%) were traded outside this regime.

The ACL regime allocated 10,408 GWh (98.4%) of this amount, and corresponded to both free and captive industrial consumers, while the ACR allocated 172 GWh (1.6%), including only the distribution company Sulgipe.

Within the quotas regime, the states with the largest share of sales for distribution companies were as follows: São Paulo (20.4%), Rio de Janeiro (15.3%), Minas Gerais (10.9%), Bahia (12.1%) and Pernambuco (5.8%).

A significant portion of the electricity purchased by Chesf to honor its commitments was allocated to 21 major industrial consumers in the Northeast region.

NEW BUSINESS

Prospecting for new business is part of Chesf's strategy to expand its systems. Concerning the Generation Area, Chesf was successful in the four electricity auctions carried out in 2013, and traded electricity coming from 36 ventures (including corporate ventures and partnerships), as follows:

Corporate ventures:

For the Aneel Energy Bid No. 10/2013 (A-5), Chesf succeeded in trading electricity from the following two wind farms (52 MW) located in the State of Bahia:

- Casa Nova II
- Casa Nova III

Partnerships:

For the Aneel Energy Auction 06/2013 (A-5), Chesf succeeded in trading electricity from the Sinop Hydroelectric Power Plant, which is to be constructed on the Teles Pires Rio, in the State of Mato Grosso, with a total of 400 MW, of which Chesf holds 24.5%. Construction of this venture started in November 2013.

For the Aneel Energy Auction 05/2013 (LER), Chesf succeeded in trading electricity from the following 18 wind farms:

7 wind farms in the State of Piauí, with 210 MW:

- UEE Ventos de Santa Joana IX
- UEE Ventos de Santa Joana X
- UEE Ventos de Santa Joana XI
- UEE Ventos de Santa Joana XII

- UEE Ventos de Santa Joana XIII
- UEE Ventos de Santa Joana XV
- UEE Ventos de Santa Joana XVI

11 wind farms in the State of Bahia, with 191.1 MW:

- UEE Baraúnas I
- UEE Mussambê
- UEE Morro Branco I
- UEE Acauã
- UEE Angical 2
- UEE Arapapa
- UEE Caititu 2
- UEE Caititu 3
- UEE Carcará
- UEE Corrupião 3
- UEE Teiú 2

For the Aneel Energy Auction 09/2013 (A-3), Chesf succeeded in trading electricity from the following 12 wind farms:

6 wind farms in the State of Piauí, with 180 MW:

- UEE Ventos de Santa Joana I
- UEE Ventos de Santa Joana III
- UEE Ventos de Santa Joana IV
- UEE Ventos de Santa Joana V
- UEE Ventos de Santa Joana VII
- UEE Ventos de Santo Augusto IV

4 wind farms in the State of Pernambuco, with 120 MW:

- UEE Serra das Vacas I
- UEE Serra das Vacas II
- UEE Serra das Vacas III
- UEE Serra das Vacas IV

2 wind farms in the State of Bahia, with 38 MW:

- UEE Coqueirinho 2
- UEE Papagaio

For the Aneel Energy Auction 10/2013 (A-5), Chesf succeeded in trading electricity from three more wind farms (75.3 MW) located in the State of Bahia, as follows:

- UEE Banda de Couro
- UEE Baraúnas II
- UEE Tamanduá Mirim 2

Also concerning the wind power generation, Chesf is currently developing a sequencing plan of wind measurement for the development of wind-related projects in a number of selected Northeast areas, in a total amount which exceeds 33,000 ha and corresponds to a potential of over 4,000 MW. These are to be implemented via future ANEEL energy sale auctions for the regulated environment (ACR) or for direct sale in the free market (ACL). In addition, Chesf looks to expand its partnerships in order to explore the large potential for wind energy in this region.

OPERATING PERFORMANCE

Chesf is part of the National Interconnected System (SIN), and interchanges power with the North, South and Southeast/Mid West systems.

Given the location of its main power plants on the São Francisco River basin, the generation of power is influenced by the hydrological systems of the Northeast and Southeast regions. Due to this location and the rainfall in the 2012/2013 wet season, the main reservoir of the Northeast Region, Sobradinho, reached, in April 2013, water storage of 47.06% and, on December 31, the storage reached 33.04% of its capacity.

The Company generated 33,854 GWh in 2013, as compared with 50,113 GWh in 2012, representing a decrease of 32.44%. This was a result of the low water levels during the 2012/2013 wet season. Because of this, the maximization of the thermal generation in the region was necessary, as well as the exchange with other SIN regions.

Investments continued in the improvement of tools for planning interventions and implementation of new techniques and maintenance procedures on equipment, transmission lines and devices for protection, control and supervision and in the training of human resources.

In 2013, the Company continued to make improvements in the transmission and generation systems, with the replacement of obsolete equipment, digitalization of protection systems and installation of new devices to supervise and control the electro-energetic system (SCADA), automation of Synchronous compensators, especially for the Oscillography, Qualimetry and Regulation of Transformer Voltage and Protective Relays, expanding the control and observation levels for the facilities.

Also in 2013, Chesf monitored and managed the consumption of electricity in its facilities, which led to the preparation of 25 Energy Efficiency Improvement Projects (PMEE), of which 17 involved lighting systems and 8 involved the cooling of operation-related facilities. After the implementation, these benefits will contribute to the increase of corporate results and to the expansion in the energy offering and the operating security.

In order to reinforce Chesf's telecommunication network, new supports and services were applied to the digital-optical transmission, with highlights to the activation of the Bahia Southwest Route through the SDH 622 Mbits/s links between Barreiras - Bom Jesus da Lapa - Ibicoara - Sapeaçu, and the new locations of Arapiraca, Pecém II and Aquiraz II, leading to significant and important changes in the configuration of the telecommunication architectures of the interconnected substations operating in the affected regions.

During 2013, the Company carried out adjustments in the "Voice and Data Service Networks" regarding its technical-operational and corporate applications, which allowed the activation of the Voice-over-Internet Protocol (VoIP) telephony service in the Pecém and Aquiraz SEs (both located in the North regional unit). Chesf also carried out the support for this class of service for future substations. This was made possible with the implementation of redundant "Systemic Centers" (VoIP Servers and Softswitches), located in Paulo Afonso and Recife, in addition to the adjustments made to Routers and the Expansion of the WAN Network Lines, which means that the Company had to work in virtually all telecommunication stations. The same was true for the Wireless Lan (WLAN) Networks for voice and data at Pecém II and Aquiraz II, with coverage for both the operating and administrative areas.

Regarding the National Broad Band Plan (PNBL) of the Federal Government, the retrofits were concluded as well as the adjustments which allowed the availability of the optical fiber and infrastructures for the Telebras stations at the Camaçari - Eunápolis route, complementing the routs already made available before (Presidente Dutra - Fortaleza - Natal - Campina Grande - Recife -

Xingó - Jardim (Aracaju) - Camaçari - Salvador). This created the necessary supports for the broadcasting of the FIFA Confederations Cup images from the areas located in Fortaleza, Recife and Salvador.

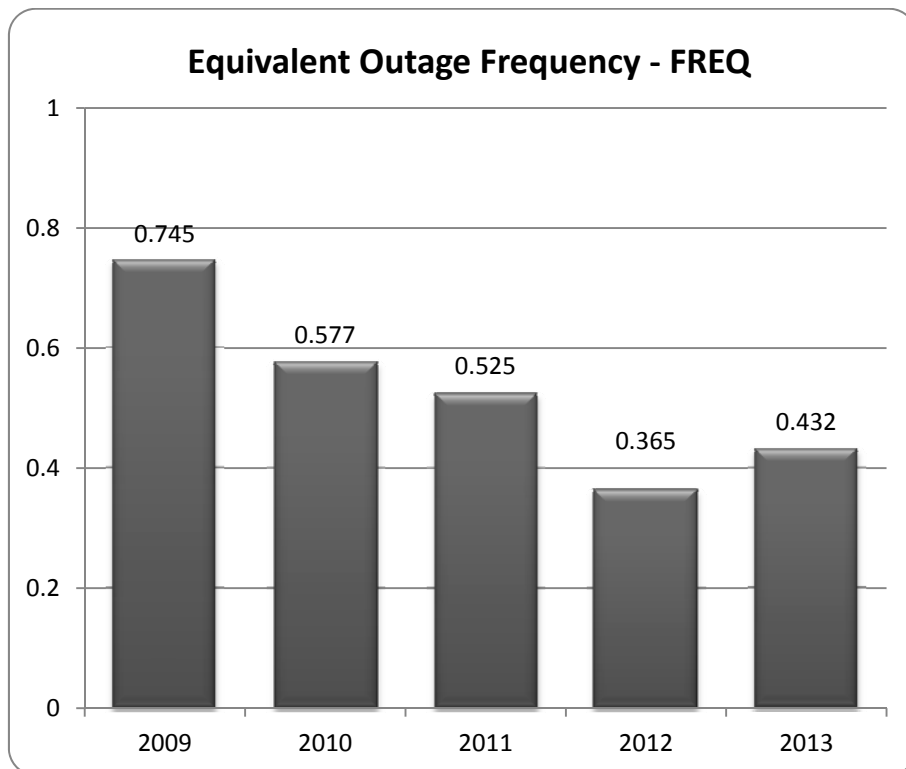
Performance Indicators

The results of the Equivalent Outage Frequency (FREQ) and Power Outage Duration (DREQ) indexes in 2013 are evidence of a good performance in meeting the demands. The results for the current year are considered as the second and third best in the Company's operating history, respectively. The occurrence of interrupted demand below 50 MW (which corresponds to 50% of the occurrences) and the continuous improvement of the intervention planning and prompt response to unexpected power outages have contributed to these results.

The Generation and Transmission Lines Operational Availability indicators show a good performance of the services rendered. The Transmission Lines Operational Availability indicator had the best result within the last few years.

Equivalent Outage Frequency (FREQ)

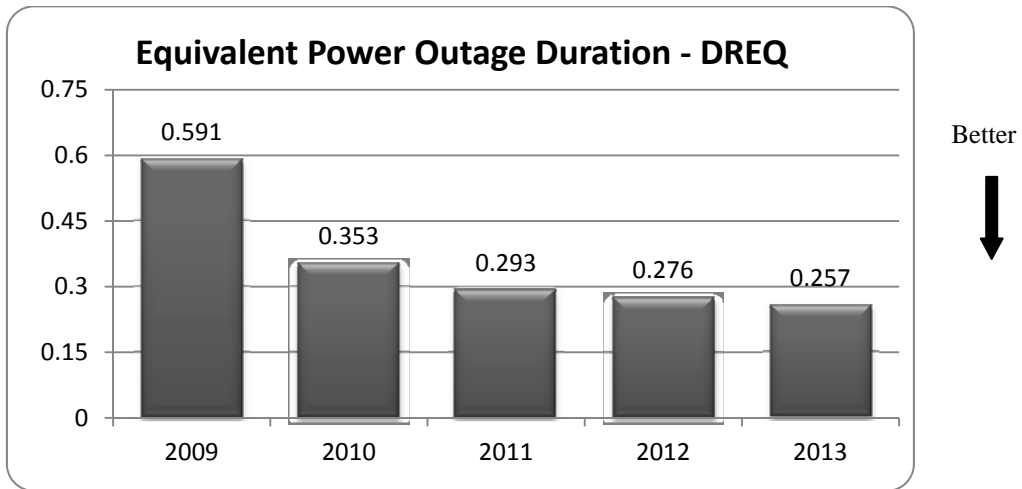
This indicates the number of interruptions of a volume which is equivalent to the maximum demand served by Chesf, considering all interruptions that happened during the period.



Better

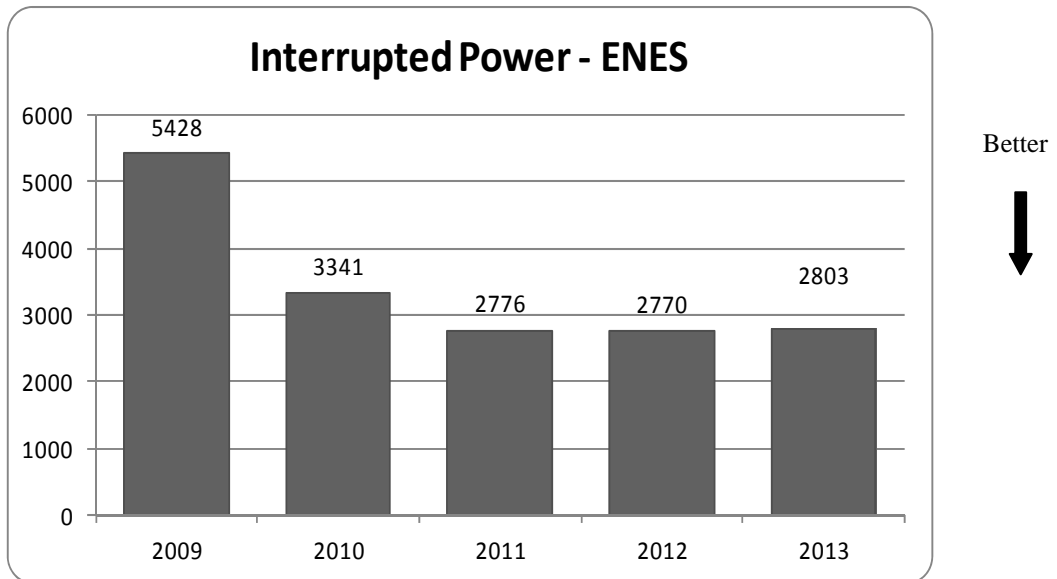

Equivalent Power Outage Duration - DREQ

This indicates the duration of the interruptions of a volume which is equivalent to the maximum demand served by Chesf, considering all interruptions that happened during the period.



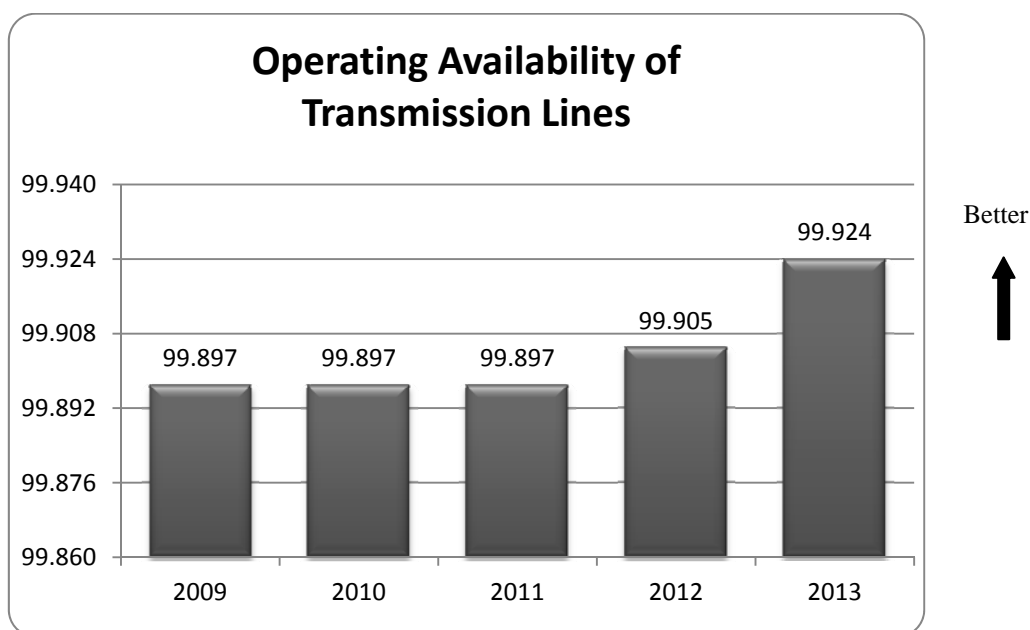
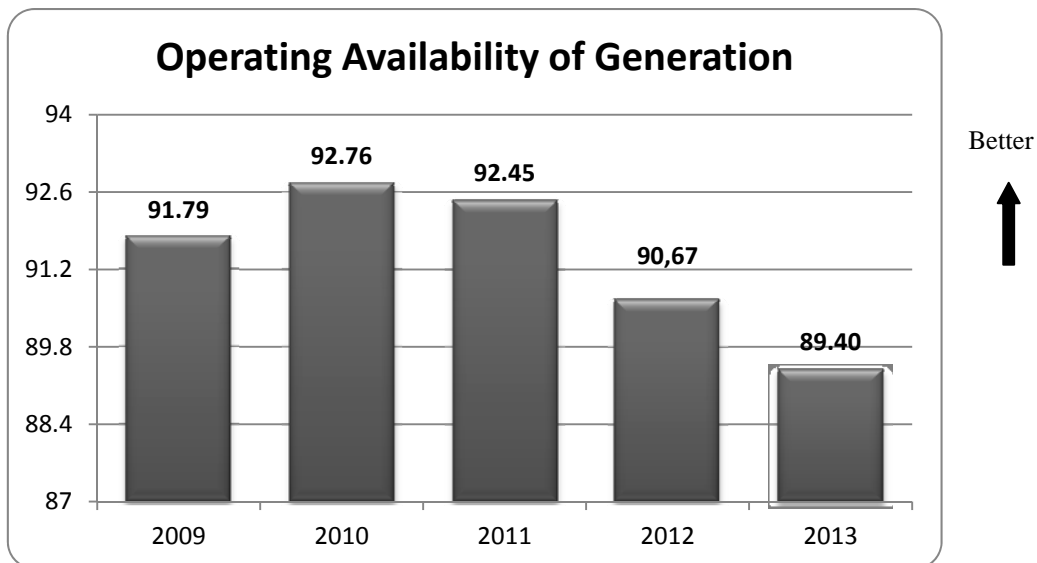
Interrupted Power - ENES

This is the power which was not delivered because of interruption in the supply originated within the Chesf System.



Operating Availability - OA

This indicates the likelihood that the equipment, at any given moment, will be operational, performing its function, or ready to operate.

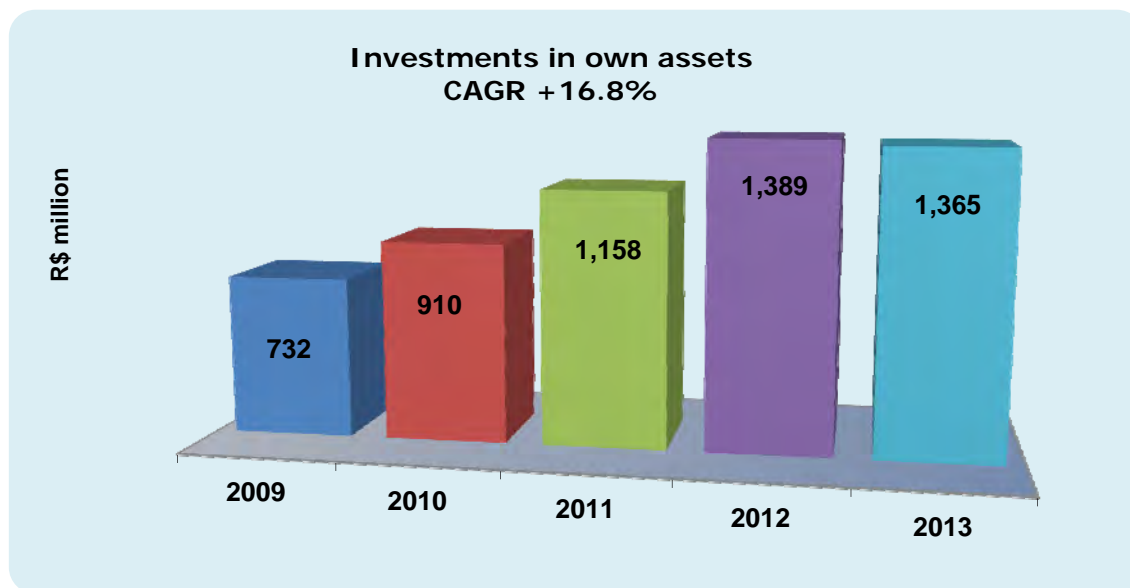


The Transmission Lines Operating Availability in 2012 was adjusted because of a change made in the version of the asset management information system which is used for the OA calculation.

INVESTMENTS

In 2013, Chesf's investments in the expansion and modernization of its production capacity totaled R\$ 1,364.9 million. This amount was allocated as follows: R\$ 324.0 million to energy generation; R\$ 842.6 million to transmission system works; R\$ 99.0 million to the Itaparica Resettlement program; and R\$ 99.3 million to infrastructure. From 2009 to 2013, the Compound Annual Growth Rate (CAGR) was 16.8%.

The graph below presents the total investments made over the last five years.



CAGR - Compound annual growth rate

In order to keep the hydroelectric generation system at satisfactory continuity and availability levels to meet the demand, R\$ 83.5 million were invested in 2013 mainly in the following:

- Implementation of Metering, Protection, Command, Control, Supervision and Regulation (MPCCSR) Digital Systems for Paulo Afonso Power Plants I, II and III: Concluded in three of six generating units in Paulo Afonso II. The implementation works in the other Paulo Afonso I and Paulo Afonso III units had already been concluded in prior years.
- Renovation and modernization of the two generating units in the Boa Esperança Power Plant. The other two units are scheduled for 2014.
- Review of the Basic Project concerning the renovation and modernization (MPCCSR) of the Sobradinho Power Plant.
- Modernization of the Paulo Afonso Generating Units: Conclusion of the change in the insulation class (from "B" to "F") within four generating units, in addition to the renovation of two turbines and a number of hydro-mechanical auxiliary equipment.
- Monitoring and treatment for controlling infiltration in the upstream concrete slab in the Xingó UHE dam.
- Conclusion of the modernization works in four overhead cranes at the Paulo Afonso I and III Power Plants, three grid-cleaning machines at the water intakes in Paulo Afonso I, II and III power plants and a rolling portico in the Moxotó moving dam.
- Seismological monitoring in Boa Esperança, Sobradinho, Itaparica and Xingó Power Plants.
- Conclusion of the implementation of the water and oil separating structure within the transformers of the step-up substations of Paulo Afonso I, II and III.
- Preparation of the Executive Project for the implementation of the water and oil separating structure within the transformers of Moxotó.

With respect to new hydroelectric power plants, the Company had already concluded, in partnership with private companies, the Technical and Economic Feasibility Studies (EVTE) of five hydroelectric projects on the Parnaíba River: Ribeiro Gonçalves (113 MW), Uruçuí (134 MW), Cachoeira (63 MW), Estreito (56 MW), and Castelhana (64 MW). The Brazilian Environmental Institute (IBAMA) denied the Provisional License (LP) for Uruçuí. LPs were issued for Estreito and Cachoeira (in December 2010), Castelhana (in November 2011), and Ribeiro Gonçalves (in June 2012). The profitability provided by the ceiling selling price for the energy established in the ANEEL Auctions for the four hydroelectric projects mentioned above is not enough to make them feasible. In 2013, no hydroelectric developments were qualified in the auctions held by Aneel.

At the Submédio margins of the São Francisco River (which includes areas in the States of Bahia and Pernambuco, from the municipality of Remanso to the city of Paulo Afonso), the Company concluded the Technical and Economic Feasibility Studies (EVTE) about the utilization of Riacho Seco (276 MW) and is waiting for the approval of the Study of Environmental Impact/Report on Environmental Impact (EIA/RIMA) in order to carry out Public Hearings for obtaining a Preliminary License (LP) with IBAMA, which will allow the inclusion of this hydroelectric venture in the 2014 A-5 Auctions.

The Company invested in 2013 more than R\$ 703.0 million in the partnership ventures related to hydroelectric energy, with the funds applied in the ventures being implemented.

Concerning the Wind Power, the Company invested in 2013 R\$ 240.4 million in the implementation of the Casa Nova Wind Farm (180 MW) in the municipality of Casa Nova, in the State of Bahia. The Company invested in 2013 more than R\$ 53.6 million in the partnership ventures, with the funds applied in the ventures being implemented.

Negotiations with entrepreneurs also advanced regarding the studies and field activities related to the development and implementation of new wind farms in the Northeast region. Some of these ventures had an important participation in the Energy Auctions, mainly: Surplus Electric Power (LER) Auction 05/2013, with 401 MW; Auction 09/2013 (A -3), with 338 MW; and Auction 10/2013 (A-5), with 127 MW. These 35 ventures will represent another 866 MW of installed capacity in the Northeast region, of which Chesf, whose investments will total R\$ 2.8 billion, holds equivalent 451 MW. Chesf won the Auction 006/2013 for the construction of the UHE Sinop, on the Teles Pires River, in the State of Mato Grosso, with an installed capacity of 400 MW and investments totaling R\$ 1.8 billion.

Concerning the solar power generation, the Company started the bidding process, within the scope of the Research and Development Program (R&D+I, or P&D+I), for the implementation of a 3MWp photovoltaic plant connected to the energy grid in an area near the city of Petrolina, State of Pernambuco, under Aneel Strategic Project Call 013/2011. The purpose of this plant is to propose technical and commercial arrangements for inclusion of solar photovoltaic projects in the Brazilian energy matrix, through a R&D project named "Central Photovoltaic Solar Platform of Petrolina", developed in a Chesf, Cepel, UFPE and UPE partnership, with estimated conclusion in 2014. Chesf is part of a 1MWp heliothermic project also to be implemented in Petrolina, in a partnership with Cepel, and has been carrying out measurements in 9 of 15 solarimetric stations to be built at the northeastern semi-arid region, with the purpose of using solar energy with photovoltaic and heliothermic technologies.

As a highlight concerning solar power, Chesf structured a 30 MW photovoltaic project, which was approved for participation in the Sustainable PE Auction, held on December 27, 2013.

Transmission System

In 2013, Chesf continued with its large transmission expansion program of the last 10 years. Chesf's own Transmission System in 2013 was extended by 385 km of transmission lines. The Arapiraca III - 230/69 kV substation was energized and had its transformation capacity increased by 255 MVA, of which 100 MVA was related to substation (SE) Arapiraca III, 50 MVA to the implementation of the Transformer 230/69 kV at the SE São João do Piauí, 100 MVA to a transformer at the SE Teresina and 5 MVA of a transformer at the SE Fortaleza.

The two following transmission lines were built and energized:

LINE	TYPE	KM
Picos- Tauá	230 kV	183 KM
Sectioning of the Rio Largo-Penedo to SE Arapiraca line	230 kV	92 KM

The construction of the Jardim/Penedo C1 Transmission Line (LT) (110 km) was concluded in December 2013. However, because of a necessary supplementary authorization for vegetation suppression, this LT will be energized at the beginning of 2014.

The construction of the following ventures is in progress, with estimated energization during the first half of 2014:

- LT 230 kV Extremoz II / João Câmara;
- Substation (SE) Extremoz + Sec. LT 230 kV Campina Grande II/Natal II C1;
- SE João Câmara 360 MVA;
- SE Acaraú II - 200 MVA;
- LT 230 kV Igaporã / Bom Jesus da Lapa II;
- SE Igaporã 230/69 kV
- SE Polo 230/69 kV - 100 MVA;
- SE Pici II - Three-phase transformer 230/69 kV - 100 MVA
- SE Piripiri - 3rd transformer 230/138 kV - 55 MVA
- SE Rio Largo II - 3rd transformer 230/69 kV - 100 MVA
- SE Camaçari IV - Underground relocation of LT 230 kV Camaçari II/ Pituacu - C1 to SE Camaçari IV
- SE Sobral II - 4th transformer 230/69 kV
- Repowering of LT 230 kV Angelim / Ribeirão C1 - (116 km)
- Sectioning of LT 69 kV Pituacu / Matatu C1/C2 to SE Narandiba
- SE Russas II - 3rd three-phase transformer 230/69 kV / 100 MVA
- SE Teresina II - 3rd single-phase autotransformer bank 500/230 kV - 3x100 MVA
- SE Tauá II - 2nd transformer 230/69 kV - 100 MVA;
- SE Piripiri - 2nd and 3rd transformers 230/69 kV - 50 MVA
- SE Milagres - 2nd autotransformer bank 500/230 kV - 600 MVA
- SE Suape III - 3rd transformer 230/69 kV - 100 MVA
- SE Suape II - 2nd autotransformer 500/230 kV - 3x200 MVA
- SE Polo 230/69 kV - 100 MVA;
- SE Sobradinho - 3rd autotransformer bank 500/230 kV / 3x100 MVA;
- SE Piripiri - 2nd BC 230 kV - 30 MVA
- SE Piripiri - 1 BC 230 kV - 30 MVA
- SE Camaçari IV - Overhead redistribution of LT 230 kV Camaçari II / Catu - CD to SE Camaçari IV;
- SE Camaçari IV - Underground redistribution of LT 230 kV Camaçari II/ Jacaracanga - CD to SE Camaçari IV;
- LT 500 kV Recife II / Suape II C2, with 44 km and ELs in SE Recife II e Suape II - new LT

In 2013, 138 Facilities Improvement Program (PMI) events were concluded, involving 26 substations and with investments of R\$ 31.0 million. The 138 events were divided as follows: 60 were related to the substitution of sectioning switches, 27 to the substitution of circuit breakers, 5 to line connections of 69 kV and 138 kV, and 30 to the substitution of 69 kV Current Transformers for protection.

Special evaluations were carried out in the protection systems of Chesf's basic network substations, according to the ANEEL Official Letter 966 and SFE-SRT ANEEL Technical Note 058-2013. The substations involved in this process in 2013 were the following: Luiz Gonzaga, Paulo Afonso II, Teresina, Mirueira, Joairam, Bongi, Angelim I, Angelim II, Mussurê, and Goianinha.

In addition, following the decision of the Ministry of Mines and Energy, a survey was made referring to the Protection Protocol process in the Recife II, Camaçari II and São João do Piauí substations.

12 of Chesf's substations went through Factory Acceptance Tests (FAT) for MPCCS systems concluded in 2013. The related substations are as follows: Acaraú, Arapiraca III, Açú II, Camaçari IV, Igaporã, Mossoró, Paraíso, Penedo, Pici II, Rio Largo, Santo Antônio de Jesus and Sobral II.

With the purpose of recovering the construction work delays and improving the management of new ventures, in 2013 the Company held 12 monthly meetings of the Transmission Venture Monitoring Committee (CMET). This committee is comprised of representatives of the Transmission Project and Construction (SPT) and of all Chesf's organizational units involved in the ventures, such as the legal, environmental and supply areas.

In addition, Chesf's directors approved the proposed implementation of a Projects Office for the Transmission Ventures Management area, supported by external consultancy, which is expected to start operations during the first half of 2014.

ECONOMIC AND FINANCIAL PERFORMANCE

The economic and financial performance is presented in conformity with the Company's financial statements for 2012 and 2013.

Profit (loss) for the year

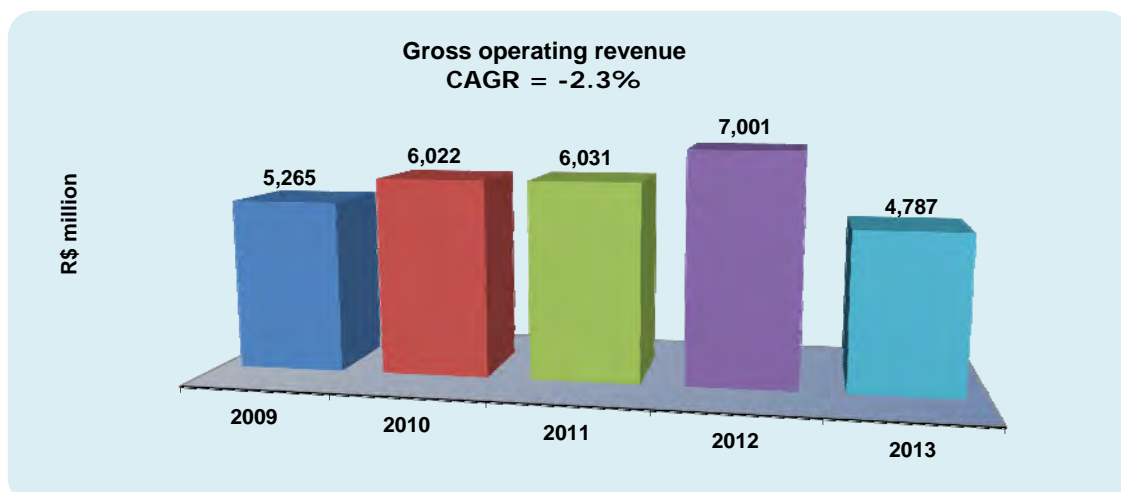
The Company recorded losses of R\$ 466.1 million in 2013 vs. losses of R\$ 5,341.3 million in 2012. Losses in 2012 were due to the recognition of the effects of Law 12,783/2013, which regulated the renewal of the concessions.

Because of this, the CAGR for the period from 2009 to 2013 was 25.9% negative.



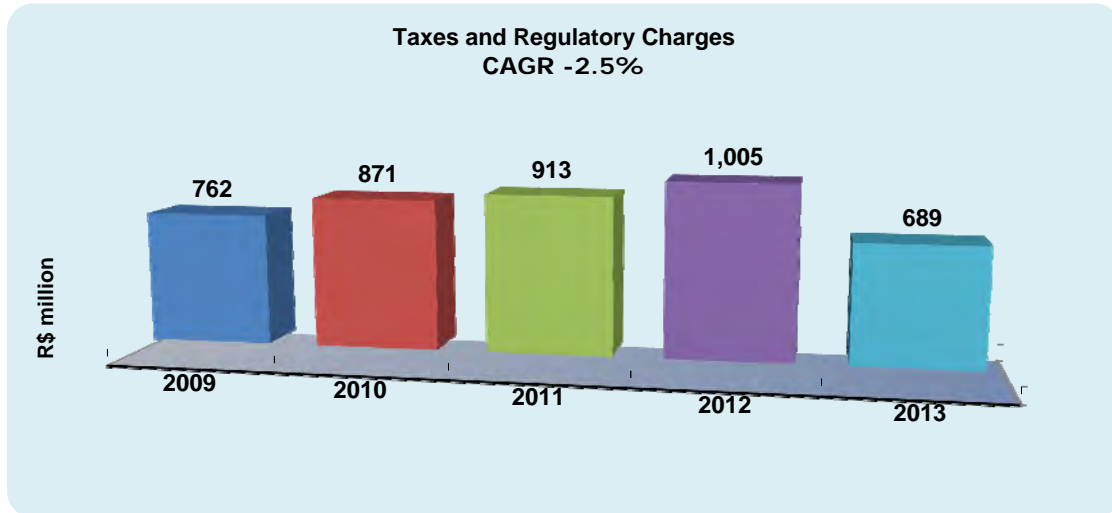
Gross operating revenue

Chesf's gross operating revenue in 2013 amounted to R\$ 4,787.4 million, representing a decrease of 31.6% when compared to the R\$ 7,001.4 million in 2012. This result was due to the following variations: decrease of 44.7% in electric power sales/supply; increase of 6.3% in transmission system operation and maintenance revenue; increase of 55.7% in construction revenue; and increase of 6.8% in electric power sales in the short-term market. The decrease in electric power sales/supply, which is the main component of revenue, was a result of the decrease in the electric power price because of the early renewal of the concessions. From 2009 to 2013, the Compound Annual Growth Rate (CAGR) was -2.3%.



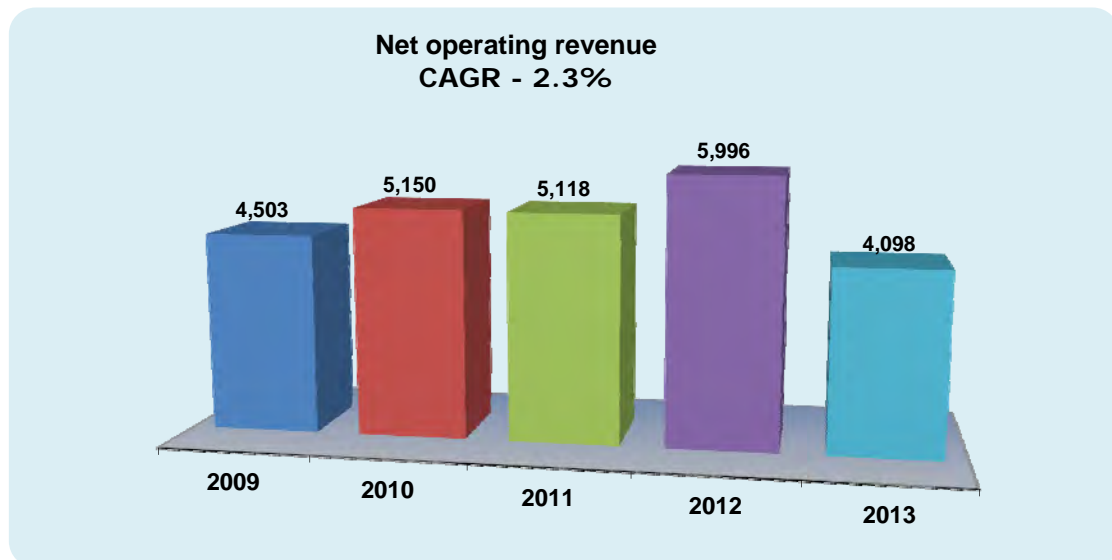
Taxes and Regulatory Charges on Sales

Taxes and regulatory charges on sales totaled R\$ 689.0 million in 2013 (-31.5% in comparison to 2012). Of this total, R\$ 410.8 million relates to taxes and social contributions (-33.2% in comparison to 2012) and R\$ 278.1 million to regulatory charges (-28.7% in comparison to the previous year). The Compound Annual Growth Rate (CAGR) from 2009 to 2013 was -2.5%.



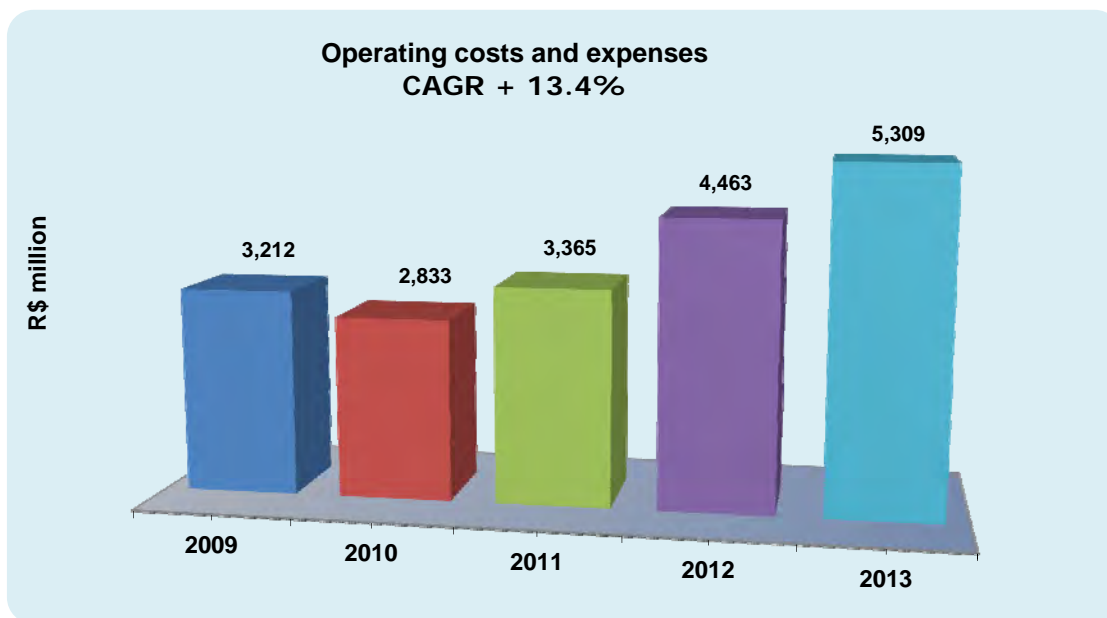
Net operating revenue

Net operating revenue, net of taxes and regulatory charges, decreased by 31.6% (- R\$ 1,897.5 million) as compared to 2012, reaching R\$ 4,098.5 million in 2013. The CAGR from 2009 to 2013 was -2.3%.



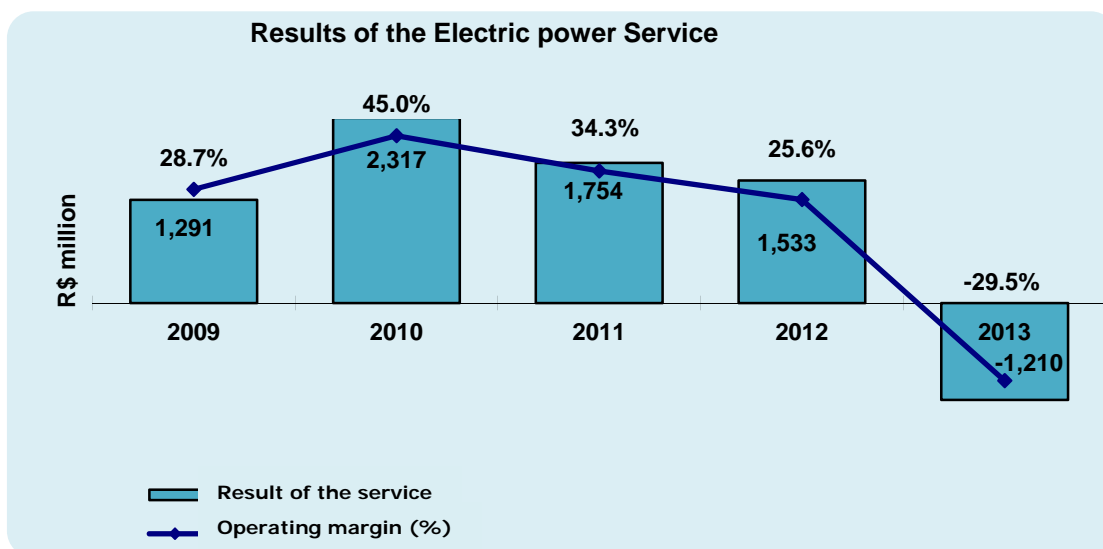
Operating costs and expenses

Operating costs and expenses amounted to R\$ 5,309.0 million in 2013, an increase of 19.0% in comparison to the previous year. This increase reflects mainly the following variations: Increase of 78.5% in the Personnel account, because of the Voluntary Termination Incentive Plan (PIDV); increase of +55.7% in construction costs; increase of R\$ 663.3 million in electric power purchased for resale when compared to 2012; and increase of R\$ 727.9 million in fuel for the production of energy when compared to 2012. The CAGR was +13.4% from 2009 to 2013.



Results of the Electric Power Service and Operating Margin

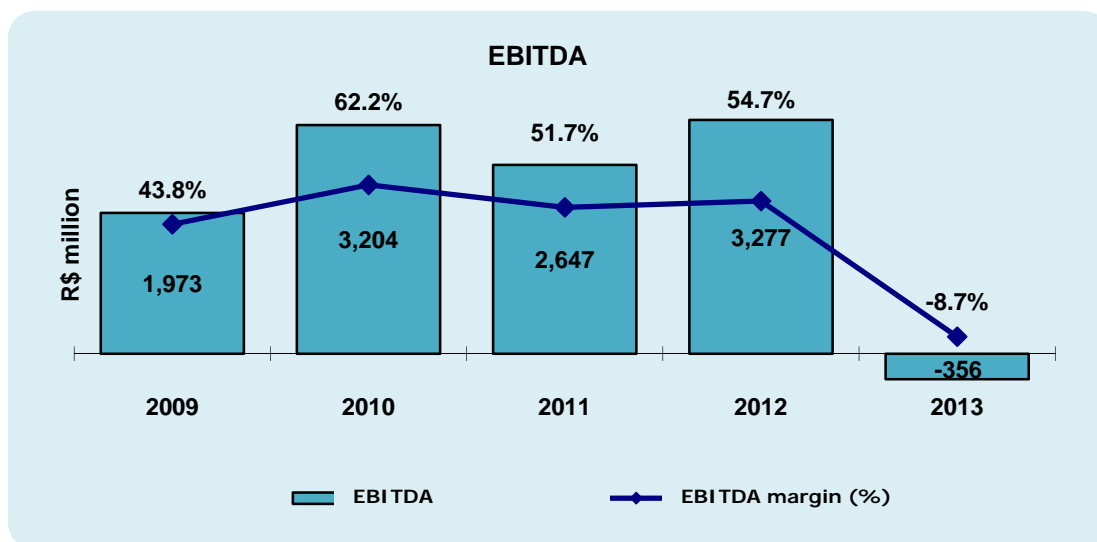
The loss of the service (EBIT), in the amount of R\$ -1,210.5 million, was 179.0% lower than the gain of R\$ 1,533.1 million achieved in 2012. With this result, the operating margin of the service (service result/net operating revenue) went from 25.6% in 2012 to -29.5% in 2013, a decrease of 55.1 percentage points.



Operating Cash Generation (EBITDA)

The operating cash generation, expressed by EBITDA as adjusted for finance income, provision for contingencies, reversal of impairment, provision for losses on realization of investments, provision for PIDV, and onerous contract provision, was negative R\$ 356.4 million in 2013 and positive R\$ 3,277.2 million in 2012.

The EBITDA margin (adjusted EBTIDA/Net operating revenue) was -8.7%, which represents a decrease of 63.4 percentage points when compared to the 54.7% positive in 2012.



	(R\$ million)	
	2013	2012
EBITDA Calculation		
Loss for the period	(466.1)	(5,341.3)
(+) Income tax and social contribution on net income	(262.8)	(1,108.0)
(+) Finance result, net	(416.2)	(216.3)
(+) Depreciation	104.6	408.9
(=) EBITDA	(1,040.5)	(6,256.7)

	2013	2012
Statement of adjusted EBITDA		
EBITDA	(1,040.5)	(6,256.7)
(+) Finance income	477.6	368.0
(+) Provision for contingencies	40.6	209.2
(+) Reversal of impairment	620.3	0.0
(-) Provision for loss on realization of investments	246.9	0.0
(+) Provision for PIDV	168.0	0.0
(+) Onerous contract provision	(869.3)	711.4
(+) Effect of Prov. Measure 579/2012 (converted into Law 12,783/2013).	0.0	8,245.2
(=) Adjusted EBITDA	(356.4)	3,277.2

Finance result

The net finance result for the year totaled R\$ 416.2 million positive (R\$ 216.3 million in 2012). This was mainly due to the adjustment of amounts receivable for indemnities resulting from Law 12,783/2013, which was related to the renewal of the concessions. Finance income and costs consist of the following:

	(R\$ million)	
Finance income and costs	2013	2012
Results of financial investments	16.8	114.5
Income from refinancing granted to customers	56.8	65.6
Debt charges on borrowings	(40.2)	(40.3)
Monetary variations on borrowings	(0.6)	(0.6)
Interest on dividends	-	(70.1)
Adjustment of amounts receivable - Law 12,783/2013	342.7	203.2
Other finance income and costs	40.7	(56.0)
(=) Finance result, net	416.2	216.3

Borrowings

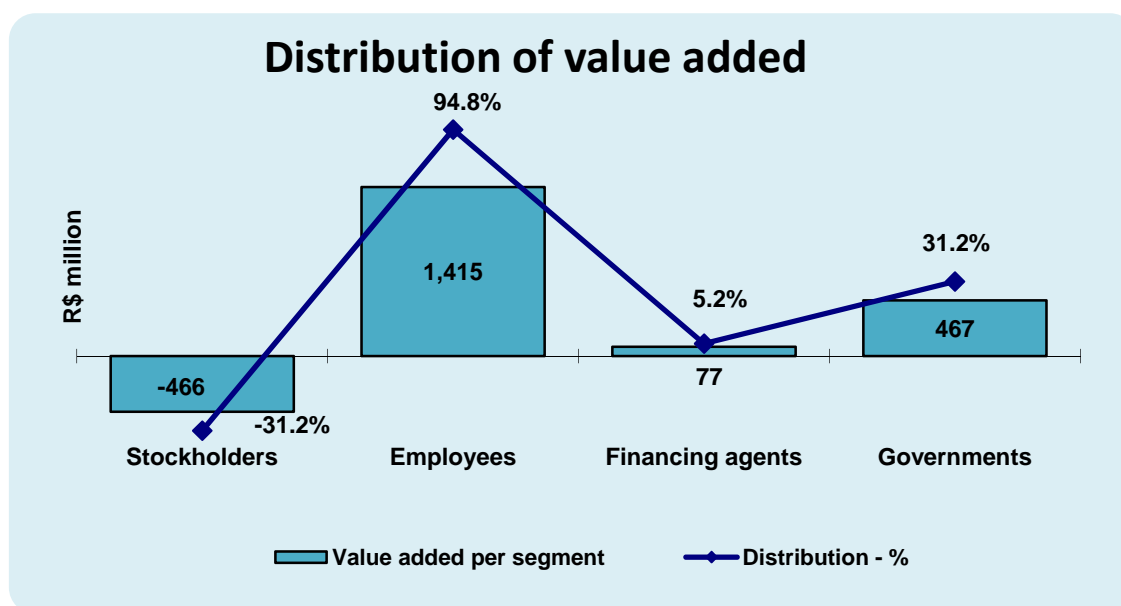
The gross indebtedness, which includes the charges and principal of the debt to Eletrobras and financial institutions, was R\$ 852.0 million at the end of the year, an increase of 81.6% when compared to the R\$ 469.1 million in 2012.

The net indebtedness (borrowings less cash and cash equivalents) was R\$ 10.9 million at the end of the year, that is, a decrease of 97.1% compared to 2012, as shown below:

	(R\$ million)		
Gross debt	2013	2012	Δ%
Current - local currency	60.2	71.0	-15.2%
Non-current - local currency	791.8	398.1	98.9%
Total gross indebtedness	852.0	469.1	81.6%
(-) Cash and cash equivalents	841.1	94.7	788.2%
Net debt	10.9	374.4	-97.1%

Value Added

The economic value added generated by the Company in 2013 totaled R\$ 1,493.1 million (2012 - negative R\$ 4,124.7 million), thus adding value to the following segments in society: salaries, charges and employee benefits (94.8%); taxes, fees and contributions to the federal, state and municipal governments (31.2%); interest to financing agents (5.2%); and offsetting of losses by stockholders (-31.2%).



RELATIONSHIP WITH THE INDEPENDENT AUDITORS

Chesf's policy in relation to its independent auditors is based on principles that safeguard the independence of these professionals. In compliance with Instruction 381 of the Brazilian Securities Commission (CVM), of January 14, 2003, the Company's management informs that, during 2013, its independent auditors PricewaterhouseCoopers Auditores Independentes did not provide any services other than the audit of the financial statements. These independent auditors were engaged under a single contract to serve all the companies of the Eletrobras System for a five (5)-year period, starting in 2009.

In compliance with Corporate Law, Chesf's financial statements are audited by independent auditors, who are engaged by means of bidding and approved by the Board of Directors, subject to restrictions on provision of non-audit services and mandatory rotation every five years.

RESEARCH, DEVELOPMENT AND INNOVATION PROGRAMS

Chesf is constantly investing in research, development, innovation in state-of-the-art technology and in the modernization of its processes. This, together with its pioneering attitude and entrepreneurship, is part of Chesf's history and a factor which determines the Company's current position in both the domestic and foreign markets.

Chesf's Research, Development and Innovation Programs (R&D+I, or P&D+I) aim at its technological know-how and at promoting innovation to generate new processes or products, or the evident improvement of its characteristics by carrying out research projects contracted from research and development institutions. Its mission is to create technical, operational, economic, social and environmental benefits by generating and adding value to the Company and society in general.

The Company diversifies its investment in R&D+I (or P&D+I) through two project portfolios. The first (Aneel portfolio), which meets the requirements of Laws 9,991/2000 and 10,848/2004, focuses on the general needs of the electric power production and transmission system, with the participation of a number of well-known teaching and research institutions as executors of the projects. The second project portfolio focuses on matters that are of common interest to the companies of the Eletrobras System and whose executor is the Electric Power Research Center (CEPEL).

In consonance with its constant social-environmental awareness and also its strategy of diversifying studies about renewable energy sources, Chesf published in 2013 the Public Invitation for "Proposals of R&D Projects in Alternative Energy Sources in the Fernando de Noronha Archipelago". 28 proposals were received, comprising a number of subjects: Urban Solid Residues; Waves, Currents and Tides; Solar and Wind Power; Energy Accumulation; Energy Efficiency and Optimal Dispatch.

Also regarding the renewable energy sources, Chesf was one of the highlights in ANEEL's Invitation for Strategic R&D Project 017/2013 - "Development of Wind Generation National Technology". The Company submitted two project proposals: "Development of an optimized blade for wind power rotors with diameter over 100 meters, using high-performance materials" and "Analysis and development of wind power tower with height over or equal to 120 meters". The related investment totals R\$ 62 million. These projects will be carried out by LACTEC - Institute of Technology for Development and by the Federal University of the State of Pernambuco (UFPE), respectively. Wind Power Energia S.A. - IMPSA is the Company's partner in both these projects.

One of the focuses of the Company's technological work is to invest in structuring projects with a high level of technological research, which leads to the discovery of new approaches which the Brazilian electric power industry desires. Within this context, Chesf allocated R\$ 75 million to the "Development of Technologies for Ultra-High-Voltage Transmission Lines" project in a partnership with Furnas, Eletronorte and CEPEL. Among other things, this project will result in the construction and development of the first Ultra-High-Voltage Electricity Lab in Latin America, allowing researches in extra high voltages (above 1,000 kV in alternating current and 800 kV in direct current) and contributing to the establishment of a new scenario of more efficient long-distance generation and transmission of large energy blocks, with significant reduced environmental impact and better-quality service, focusing on reasonable tariffs.

The total invested in research, development and innovation in 2013, including the regular contributions to the National Fund For Scientific and Technological Development (FNDCT) and to the Ministry of Mines and Energy, in addition to the investments in research projects at the institutional level as performed by CEPEL, amounted to approximately R\$ 129 million. Concentrating on the ANEEL's project portfolio, Chesf invested R\$ 86.9 million in 49 research projects, which were divided as follows:

Research and development themes	R\$ million
Energy efficiency	0.2
Renewable or alternative energy	0.9
Environment	2.5
Quality and reliability	1.5
Planning and operation	3.0
Supervision, control and protection	2.5
New materials and components	75.5
Other	0.8
Total	86.9

INFORMATION TECHNOLOGY MANAGEMENT

The year of 2013 was an important landmark in Chesf's transformation and, therefore, in Chesf's IT environment, going towards a new balance of economic, financial and business strategies, and looking for better results concerning efficiency, productivity, timelines and costs.

Irrespective of the significant impact caused by the employment terminations in connection with internal transfers and dismissals, the IT area made important contributions that helped Chesf achieve its strategic objectives. The IT project portfolios closed its 2013 cycle with 54 projects, of which 26 are related to demands from customers and 28 to management and technological modernization, all of them bringing benefits to users. More than 90% of these projects have been prepared using good practices for project management, following the area's Methodology for Project Management and using a project management system with performance monitoring indexes.

The delivered actions and projects include: management system for the Voluntary Termination Incentive Plan (PIDV); automated solution for the Transmission Venture Management (GET) process; R&D Management system; preliminary architecture for Chesf's final stage processes; structuring of regulatory management and participation management processes; new Intranet with corporate social network; and several improvements in the corporate IT infrastructure, such as videoconferencing at the work station and Internet access management solution, for example.

The most significant project being implemented in 2013 was the first stage of the "Implement in Chesf the ERP standard as defined for the Eletrobras system" project, which was a major challenge for the IT area because of its complexity and scope. The feasibility analysis and the implementation strategy prepared are related to important subjects, such as: diagnosis of the current IT Infrastructure; estimation of the IT Infrastructure necessary for the Implementation of SAP/ERP; functional scope for Chesf; sizing of licensing; manufacturer support; RH quantitative necessity for Implementation; financial adjustment; survey of the implementation costs and comparative analysis with the current situation; utilization of a financial model in order to analyze the investment yield; strategy for the implementation of the SAP/ERP solution; and proposal of indicators to monitor the implementation of such solution.

The work of Chesf's IT area is based on a strong understanding that automation processes and solutions are correlated and, in order to achieve better results, have to be managed and executed through an integrated view. This requires putting the purely technological focus apart in order to allow the inclusion of the process improvement perspective, which will bring a number of advantages both for the developer and for the user of the technological solution.

With the purpose of improving on a constant basis the services rendered to the IT customers according to the natural dynamics of a process-orientated management, the processes architecture for the IT area was reviewed to incorporate the typical IT governance processes and the review of the IT Management processes.

Following the strategy of improving the delivery of automation solutions, as designed by the IT area in prior years, many significant related results were achieved in 2013, such as:

- The utilization of the Processes & Requirements System so that the most adherent and adequate automation solution to the process under analysis is chosen, considering the available alternatives and attributes, such as: time, cost and quality.
- A new contracted SW System based on Service-level Agreements (SLAs), according to the recommendations of the Federal Audit Court (TCU), thus expanding the development platforms and allowing more agile developments.
- The utilization of the Tests System, which led to a reduction in the delivery time for solutions and increased the quality of the generated products (also with SLA-based management).
- Consolidation of the SW Support Center with an efficient mechanism used to meet the requirements for changes in the systems of a number of platforms being used in Chesf, mainly with a longer useful life, among which there are those that support the financial and economic management processes.

PEOPLE MANAGEMENT

The Company ended 2013 with 4,427 employees (909 women and 3,518 men), with a turnover of 14.56%, which is a result mainly of the termination of employment relationships through the Voluntary Termination Incentive Plan (PIDV) as well as the hiring of 172 new employees, which were selected in the 2012 Public Selection Process, effective until June 2014, of which 12 were professionals with elementary education, 22 were professionals with higher education, and 138 were professionals with high school education (support and operating areas). It should be mentioned that the turnover rate in 2012 was only 0.64%, as there was no voluntary termination incentive plans in effect.

The PIDV was one of the measures adopted by the Company to adjust to the conditions established by the new government regulation (Law 12,783/2013), and its purpose was to offer employees, as an incentive, certain employment termination advantages and special conditions, and also to reduce the Company's expenses with personnel. 1,354 employees enrolled in this program and, up to December 31, 2013, 1,326 employment terminations had been carried out (the remaining terminations will be carried out in 2014).

Considering the possibility of a significant number of employees leaving the Company, Chesf had to find a way to guarantee the minimum preservation of critical knowledge about its business. Accordingly, the Knowledge Retention Program (PRC) - a practice adopted by certain areas since 2008 - was redesigned in order to extensively facilitate the management action, through a simplified methodology of Identification, Mapping and Sharing of Critical Knowledge.

During the disclosure of the PRC methodology, a new textbook was prepared and distributed to all formal managers, using a simple and straightforward language, with examples given by certain areas of the Company. 20 structured meetings were held in the period from March to May 2013 with the purpose of engaging the managers of various macroprocesses in the practice of this approach in their areas, in addition to explaining the PRC methodology. During these meetings, it was found that a significant number of the visited areas already had knowledge transferring structured practices, which shows that the Company is well prepared for the Knowledge Management.

During 2013, the Company launched the planning module of the Performance Management System, which was concluded with a total number of 4,274 plans, reaching 100% of the target group. Still in this year, the evaluation module was customized for the 2013 cycle, and the roll-out of the process will be made in January 2014.

In 2013, because of the budgetary restrictions established by Law 12,783/2013, the policies linked to the Career and Compensation Plan (PRC) were not applied concerning both the horizontal and vertical

progression, neither those related to the personnel promotion process, which is linked to the Positions and Salaries Plan (PCS).

In 2013, the 3rd Unified Organizational Climate Survey for the Eletrobras System Companies was carried out, and 2,751 employees participated in the survey, which corresponded to 56.6% of the total number at the time. Chesf reached a Satisfaction Rate of 67.59%, that is, the second position among the Elebrobras System companies.

Employee benefits

In order to improve the quality of life and well-being of its employees, Chesf offers the following benefits under the conditions set forth in its regulations: Mother-child assistance; Educational assistance; Reimbursement for school uniform and material expenses; Higher education allowance; Medical and nursing care at the Company's outpatient clinics during work hours; Employer's Assistance Plan (PAP), including medical and hospital assistance, dental care, among other healthcare services; Reimbursement for medications; Allowance for purchase of glasses and contact lenses; Assistance for Individuals with Disability; Profit Sharing; Sick pay supplement; Funeral grant; Lump-sum benefit upon death or disability caused by occupational accidents; Meal tickets; Food tickets; Group life insurance; Private pension plan through Fundação Chesf de Assistência e Seguridade Social (Fachesf).

Training and Development

Because of the significant changes that occurred in the political and economic scenario for the Electricity Industry, resulting from the Provisional Measure 579, which was published on September 11, 2012 and converted into Law 12,783 on January 11, 2013, the Company had to review, adjust and create corporate training policies and procedures which were appropriate for the new business scenario.

Accordingly, the actions included in Chesf's Corporate Training Plan were designed mainly based on the Strategic Plan for 2013-2017, and targeted the development of professional and management competencies that are considered critical to meet the current organizational challenges. Because of budgetary adjustments, this orientation was considered in the definition of development and training priorities for Chesf's staff.

The investments in training activities during 2013 totaled R\$ 3,389.5 thousand (2012 - R\$ 6,707.0 thousand). Because of budget adjustments, the average investment per employee decreased by 48.42%, going from R\$ 1,198.11 in 2012 to R\$ 619.20 in 2013.

The number of training hours per employee in 2013 reached 40.24 (2012 - 64.97), which represented 100% of the estimated target and corresponded to 2.10% of the work hours.

There were 714 training actions carried out, involving 3,724 employees, a decrease of 11.23% in the number of people trained when compared to the prior year. This was a result of the reduction in the investments made for this purpose. This is evidence of the Company's great effort towards creative training solutions, such as the strong presence of the "coach" employee.

Seven training actions were carried out, totaling 11 groups, within the Corporate Training Plan (CE), and involved the Prevention and Confrontation of Violence and Moral Harassment, Accessibility, Training in Brazilian Sign Language, among other things.

The Management Preparation Program - 1st Investiture covered subjects such as ethics, moral harassment, inclusion of individuals with disability and gender and race equality.

Health and Work Safety

In 2013, the Health and Work Safety areas continued to develop programs focused on employee life quality and wellbeing as well as on risk prevention, control and reduction, improving actions which

supported the promotion of health and disseminated the security culture within the Company, without failing to achieve the established purpose of the effective cost-benefit relation of these programs.

The Health Promotion Centers (CPS) offered certain activities to the employees of Chesf's headquarters and the Sobradinho and Salvador plants, such as weight training, gymnastics, physical therapy (both general and specific), labor gymnastics, nutrition education and practice of sports. These activities are all much supported by the participants. Employees are free to participate in these activities, which are monitored by a team of health professionals. This team always checks the results of the employees' Periodic Medical Examination (EMP).

Employees working on hazardous activities, whether in line/equipment maintenance areas or protection/telecommunication areas, participate in the Biopsychosocial Monitoring Program (MBPS), which is supported by a multidisciplinary team that evaluates and monitors the health of these groups of employees.

Chesf also encourages its employees to engage in other sports activities, such as games and marathons. In 2013, the Brazilian Social Service for Industry (SESI) promoted the Jogos SESI (SESI Games) event, involving a number of sport activities, such as: swimming, futsal, master futsal, beach volleyball, table tennis, court tennis, and chess. Chesf's employee-athletes won together 35 medals and 8 trophies during the Northeast Regional stage; at the National stage, they won 7 medals and 1 trophy. In Recife Chesf's employees participated in marathons organized by the Company.

In order to contribute to the drug addiction control and to promote health, safety and productivity for employees, the Company continues to offer the Program for Prevention and Treatment of Issues Related to Alcohol and Other Drugs. Chesf's regional teams of psychologists and social assistants monitor the treatment and post-treatment stages in all regions. Chesf also organizes the Treatment for Smoking Program, whose purpose is to help employees to quit smoking by offering medical, physiological and treatment support. The adherence to this program is voluntary, and the related treatment receives subsidies of the Employer's Assistance Plan (PAP).

During 2013, the Disque Viver Bem (Live Well Hotline) maintained face-to-face and telephone meetings, both for the employees and their families, in the psychosocial, financial and legal areas, through a company contracted for such purpose, and the users rated this program as positive. This program also includes the supporting service for critical incidents, when a serious event affects a number of employees simultaneously.

Together, all these initiatives have the purpose of promoting health, preventing diseases and supporting the related treatment.

The Sickness Absence Management Project maintained the monitoring of this index, which, at the end of 2013, was 1.71, and below the target (tolerable limit) of 1.80. In relation to the Periodic Medical Examination (EMP), Chesf exceeded its target of 98%, reaching 98.06%. For employees working at heights new tests were included in the EMP exams, for compliance with the Regulatory Rule (NR) 35.

In November 2013, the 2013/2014 cycle of the Fique Alerta para a Segurança Dez (Stay Alert and Be Safe) Program, previously denominated Campaign, was launched. The transformation of Campaign into a Program was made because of its permanent and corporative nature, in order to encourage the development of a prevention culture focused on Health, Work Safety and Welfare of people throughout the Company. The Use of the Non-Conformity and Incident Control System Program, one of the major themes, was developed and is being utilized in this Program cycle as a work accident prevention tool. Beginning from the joint and consolidated action plan involving all areas, new strategies of action will be established, with specific measurements for achieving the objectives originally proposed.

In 2013, all requirements of the System for Management of Work Safety and Health (SGSST) were maintained at the Xingó Power Plant, in compliance with the international standard Occupational Health and Safety Assessment Series (OHSAS) 18.001:2007. In December 2013, the implementation of the SGSST at the Boa Esperança Power Plant was initiated.

Chesf's work safety area had a significant participation in the Committee for the Audit of Safety and Health of Stockholders of Jirau Hydroelectric Power Plant, with focus on the construction of the plant. At the Belo Monte Hydroelectric Power Plant, it also participated in the Advisory Committee to the Board of Directors of Norte Energia S.A., for consultancy purposes, involving Health and Work Safety matters.

The work safety supports the operation and development of the actions of all Chesf's In-house Accident Prevention Commissions (CIPAs). Up to September 2013, Chesf had 22 CIPAs throughout its operation areas. Subsequently, the CIPA of Nair Alves de Souza Hospital (HNAS) was terminated, decreasing this number to 21.

In 2013, emphasis was given to the participation of the CIPAs in the control of incidents and to the analysis of how the System for the Control of Incidents or Non-conformity (CIN) was being implemented and monitored. This tool was presented at the Stay Alert and Be Safe - 2013/2014 Cycle, and the participation of the employees and the CIPAs expanded the discussion about this subject and highlighted the importance of analyzing these events in order to avoid recurrence.

Despite the budgetary restrictions, the CIPAs efficiently performed their activities for the prevention of accidents and the well-being of Chesf's employees. Certain actions were also carried out with the purpose of improving work conditions and encouraging the registration of incidents, such as:

- Disclosure of motivational messages, encouraging good safety practices;
- Invitations for employees to contribute with ideas and improvements for possible risk situations detected;
- Blood donation campaigns;
- Security inspections in the commissions' area;
- National Traffic Week and disclosure of statements with guidelines for safe traffic;
- Participation in discussions of the "Fique Alerta para a Segurança Dez (Stay Alert and Be Safe) Program - Cycle 2013/2014;
- SIPAT 2013 held throughout the Company;
- Campaigns held with the purpose of strengthening the safety culture within the Company;
- Lectures about food education and the importance of using Personal Protective Equipment (PPE);
- Workshop about Chiropractic, which deals with the diagnosis, treatment and prevention of disorders of the neuro-musculoskeletal system, and how these disorders affect general health;
- Disclosure of information about safety and health, via articles, guidance and education campaigns, such as: Dialogs for pre-intervention safety; Improvement of traffic and pedestrian safety; Traffic with more safety and politeness; Defensive driving principles; Orientations about AIDS, diabetes, cancer; Proactive actions of CIPA employees, etc.

The Accumulated Frequency Rate of Common Accidents with Leave of Absence (TFAT) at the end of 2013 was 2.44, that is, below the tolerable limit established by the Company (3.73) and also below the same rate in 2012 (3.27). However, Chesf registered two fatal common accidents (one related to traffic and one to services in a substation), which resulted in an Accumulated Severity Rate of Common Accidents with Leave of Absence (TGAT) exceeding the established limit (1,232, while the limit is 154).

Chesf continues in the forefront regarding Health and Work Safety issues, with four works selected and presented at the 8th National Seminar of Safety and Health in the Brazilian Electric Power Industry - 2013 held in Foz do Iguaçu, in the State of Paraná: Impact of the implementation of a new policy for the electric power industry on the Health and Life Quality Programs; The importance of communication for the implementation of the Regulatory Rule (NR) 35; PPE: How to reconcile safety and comfort?; and Methodology to bring efficiency to work safety and health (SST) audits for contracted services - Case study in a company of the electric power industry.

Respect for Diversity and Gender Equality

Chesf's commitment to the promotion of equality is found within the corporate values of the Company's Strategic Planning Map for 2013-2017: Respect for People, Justice and Equality, Commitment to Society, Ethics and Transparency and Environmental Awareness. The Eletrobras Unified Code of Ethics, which is adopted by the Company, also considering what is established in corporate regulations, ratifies as a management principle the non-discrimination and elimination of behaviors such as prejudice towards gender identity, race/ethnicity, social class, or religion.

As a signatory of the Global Pact and an official supporter of the Women's Empowerment Principles (initiatives of the United Nations (UN) and the UN Women for disseminating the adoption of corporate practices in accordance with International Human Rights), Chesf recognizes the necessity to promote equality and to eliminate physical, cultural and normative barriers that could be hindering the free access to career and development, within the Company, of certain segments of society, especially women in general, black women, women with disabilities, and women with different religious beliefs, who have historically been facing impediments, often not seen by the organizations.

Chesf is an active participant in the Permanent Committee for Gender Issues of the Ministry of Mines and Energy and Related Companies. This committee holds Ordinary General Meetings twice a year in order to disseminate actions, guidance and good practices of the participating companies.

Based on Federal Government policies regarding the promotion of race and gender equality, Chesf's CEO, Marcos Aurélio Madureira da Silva, signed, in October 2013, Ordinance PR-027/2013, which changed the composition of the Company's Gender and Race Committee in order to renew and increase the number of representatives and determine articulation and operational activities for Chesf's Action Plan related to the Program for Gender and Race Equity. It also encouraged the dialog about gender and race/ethnicity matters, aligned with the Company's bodies responsible for performing each related action.

Since its participation in the 1st Conference of Policies for Women, in 2004, the Company has been developing affirmative actions towards diversity and, in August 2006, formally enrolled in the Program for Gender Equality of the Secretariat for Women Policies (SPM), which is currently expanded into the Program for Gender and Race Equality (already in its 5th version). In recognition of the development of its Action Plans, Chesf was awarded three Equality Certificates for the 2nd (2007-2008), 3rd (2009-2010) and 4th (2011-2012) programs.

The actions carried out in 2013 to which the Company's male and female employees are increasingly involved include the following:

- Training programs, lectures and courses about Gender and Race, within the context of defense of Human rights and of Chesf's corporate values.
- Inclusion of the subject in the Corporate Training Plan (PEC).
- Planning and development of partnerships - State Secretariat of Health and Sanitary Surveillance - for the implementation of the Maternity Support Room both for Chesf's employees and those of contractors.
- Internal communications: digital awareness campaigns on significant dates for gender and race subjects: March 8 - International Women's Day;
May 18 - National Day for Fighting Child and Youth Abuse and Sexual Exploitation;
May 28 - International Women's Health Day;
August 7 - The day when Law 11.340/06 - *Lei Maria da Penha*, a strict law to combat abuse of and aggression against women, became effective;
September 6 - International Women's Equality Day;
September 23 - International Day for Fighting Sexual Exploitation and Human Traffic of Women and Children;
October 10 - National Day for Fighting Violence against Women;
November 20 - National Black Awareness Day;
December 6 - National Day for Men Fighting Violence against Women;
December 10 - International Human Rights Day.
- 16-day activism Campaign, both at the Company's headquarters and its regional units, on significant dates about the elimination of violence against women (November and December, headquarters and regional units).
- Women's Month: seminars, lectures and meetings for awareness carried out in March, that is, the month in which the International Women's Day is celebrated (March, headquarters and regional units).
- Participation in the Ordinary General Meeting of the Permanent Committee for Gender Issues of the Ministry of Mines and Energy (October, in Rio de Janeiro).
- Workshop of the Gender and Race Equality Program (November, in Brasília).
- Development of Chesf's Action Plan for the Gender and Race Equality Program.

In 2013, Chesf received the two following awards in recognition of its performance in promoting Gender and Race equality:

- Camélia da Liberdade (Freedom Camellia) award, because of Chesf's performance in affirmative actions regarding the social inclusion of black men and women through a Social Responsibility project

in the city of Salvador, State of Bahia. Chesf was the only company to receive this award, which is granted by the Center for the Articulation of Marginalized Population (Ceap) (April, Rio de Janeiro).

- Gender and Race Equality Award (4th Edition), received due to the accomplishment of the Chesf's Plan of Gender and Race Equality, in accordance with the Federal Government's policy for promotion of gender equality in work relationships. This was the third time Chesf has received this award (April, Brasília).

Accessibility

At the end of 2013, Chesf's personnel included 165 employees with disabilities, of which 128 are enrolled in the Assistance Program for Individuals with Disabilities (PAPD), with the following issues: 31 have hearing impairment, 78 have physical disability, 1 has cognitive impairment, 1 has multiple disabilities, 14 have sight impairment and 3 are rehabilitated by the Social Security System.

In order to maintain its commitment to accessibility and inclusion of individuals with disabilities, Chesf established, through the Accessibility and Inclusion Committee, a specific actions and measures plan for the 2013-2014 cycle, as presented in the Accessibility Program: Strategy for Inclusion (Proacessi), with the purpose of ensuring that these professionals will have the necessary and critical conditions to perform their work and corporate activities in an independent, separate and safe manner.

2013 achievements include:

- The subject "Accessibility" was included in a number of In-house Week of Work Accident Prevention events;
- Together with Chesf's Ergonomics Committee, inspections were carried out in order to provide the best work conditions and the various possible adaptations for employees with disabilities;
- The Project for Development of an Attitude for Accessibility was started at the headquarters, via improvement actions for interpersonal relationships at the work place in sectors with individuals with disabilities, making diagnostics and interventions whenever necessary;
- The diagnoses and adjustments of physical, environmental, furniture, information, and communication issues within the Company's environment were maintained.

SUPPLIERS

In managing its business, Chesf considers and strives to meet the legitimate interests of all its stakeholders, including suppliers of goods and services representing important partners for Chesf's business. The Company maintains a constant, transparent relationship with these partners, based on ethical principles, constantly disclosing to them information about the procedures used for contracting and contract-based management with the purpose of strengthening relations and improving the quality of the goods and services.

Chesf's area of procurement has included specific social and environmental criteria in the supplier selection and contracting process, with a view to meeting sustainability criteria and legal regulations, requiring suppliers to adopt ethical, social and environmental standards in line with those of the Company through guidelines that establish principles and standards of business conduct for relationships and commitments assumed. With this purpose, it implemented the following actions:

- Requiring from the supplier a statement of acknowledgment of the content of the "Corporate Behavior Principles and Standards for the Chesf-supplier relationship" booklet, which is delivered to the supplier when the related contract is signed.
- Requiring from the supplier a statement affirming that they do not have employees under the age of 18 working in night shifts, or carrying out dangerous or hazardous activities.
- Requiring from the supplier a statement affirming that they do not have employees carrying out degrading or forced labor.

- Requiring from the supplier a statement affirming that their company had not been subject to any restrictive sanctions arising from an environmental administrative infringement.
- Concerning the adoption of good sustainability practices within the supply chain, the following documents have been recently prepared:
- Report on the Current Good Sustainability Practices in contracting for Chesf's Transmission and Generation Systems.
- Report on the Current Good Sustainability Practices in the management of contracts for Chesf's Transmission and Generation Systems.
- Especially, the following document was prepared in 2013:
- Guide for Good Sustainability Practices for the Supply Chain of Eletrobras Companies.

RELATIONSHIP WITH THE COMMUNITIES

Chesf understands as social investment the voluntary provision of funds in a planned, systematic and controlled manner to social projects of public interest, i.e. contributions intended to meet the needs and priorities of local communities and drive positive social change. In addition, Chesf has invested in areas such as education, training and knowledge sharing, job creation and income and regional development, and promotion of health and citizenship. The projects are chosen via the analysis of the benefits that will be generated to the benefited community.

Carrying out Social Responsibility actions contributes to the construction of a more sustainable and fair society, promotes the reduction of social inequalities, increases employee motivation, promotes the recognition and fidelity of the target public and improves the image of Chesf and its products. Most social programs and projects supported by the Company are developed in communities near its business units and benefit thousands of needy people. In 2013, this area received R\$ 38.1 million in investments and benefited more than 120 thousand people.

The Company supported two projects related to education, training and knowledge sharing, benefiting more than 200 people, among low-income children and youths, and their relatives. Another six projects served more than 900 people, and their purpose was complementing the formal education and the development of social-educative actions. The results obtained included the improvement of the performance in areas such as oral and written language skills, interpersonal relationship, computer literacy, sports, culture and pedagogic issues, etc. Other developments are the access to higher education, professional orientation, psychosocial support, better family integration, acknowledgment of ethical principles and respect for the environment. The Company continued to support the Somos Todos Aprendizes (We are all apprentices) project, which resulted in the training of 44 young individuals with intellectual disability resulting from Down syndrome. They received training for basic formation courses and qualification for the labor market.

Another seven social projects were supported for the purposes of job and income generation and regional development. The Ventos da Mudança (Winds of Change) and Educação Profissional de Jovens e Adultos (Professional Education for Youths and Adults) projects benefited more than 400 youths and adults, resulting in both individual and collective growth, social and professional inclusion, income growth, education improvement, professional training and placement in the local job market. In addition to generating income, the Community Gardening projects being carried out in Teresina (State of Piauí) and Salvador (State of Bahia) also benefits the population by avoiding wild fires and acts of vandalism, because such gardens are planted beneath Chesf's transmission lines.

There are two other major projects supported by Chesf and performed by Embrapa which are bringing significant improvements to the related beneficiaries concerning job and income generation and regional development: the Lago de Sobradinho (Sobradinho Lake) project and the Boa Esperança Project. The Sobradinho Lake project involves actions for agricultural producers and fishermen living in the area of the Sobradinho dam (State of Bahia), which includes the implementation of technological learning and training centers. The Boa Esperança project promotes technological alternatives for the sustainable development of the rural communities located in the area of the Boa Esperança dam reservoir (serving municipalities of the Piauí and Maranhão States), including the development and improvement of agricultural and family-based animal production systems and agribusiness industries, as well as apiculture, fishing and fish farming actions. At the end of these two

projects, the Company estimates the number of small producers in the region covered by the projects to be approximately 13 thousand.

Chesf promotes a number of health projects and social actions with the purpose of improving both life quality and health of the beneficiaries. Through the Saúde Para Todos (Health for All) social project, Chesf maintains a first-aid room to attend to poor families of the Muribeca community, in Jaboatão dos Guararapes (State of Pernambuco), which are currently in a risk or abandoned situation. Because of the lack of other local similar rooms, and benefiting from the quality of the service, Chesf extended this benefit to the communities of Jardim Muribeca and the Integration/Extension region, serving an average of 1,300 people per month.

In addition to these projects, the Chesf's headquarters and regional units promoted a number of actions, such as Health, Education and Citizenship Fairs and Health and Safety, Action and Citizenship Lecture, which benefited approximately 2,000 people through several activities, such as events for guidance on oral health, educational and recreational workshops, food education, medical services, including appointments and exams (general, gynecology and pediatrics), dental treatments (preventive care, oral health and dental extraction), various medical examinations (blood pressure, blood sugar, weight/height, Body Mass Index (BMI), etc), vaccines, visual acuity testing, haircuts, lectures on STD, recreation activities with children and distribution of snacks. At the Headquarters' facilities, in the city of Recife, the Company entered into an agreement with the Brazilian Social Service for Industry (SESI) and is now offering dental treatment to its employees, employees of contractors and to the local community.

Concerning the wide subject of citizenship, Chesf continued with (i) the Fazendinha (Little Farm) social project, which deals with the urbanization of estates into 132 low-cost houses, to be delivered to the people living in the Community of Nossa Senhora das Graças in Piranhas (State of Alagoas); (ii) the Dignity for Needy Elderly People, which provides psychosocial treatment, entertainment, health and nutrition activities to 25 elderly people living in the Abrigo Cristo Redentor Institution, in Jaboatão dos Guararapes (State of Pernambuco); (iii) two projects - one with the governments of the States of Ceará and Pernambuco, related to the implementation of definite actions for fighting drought in periods of semi-arid climate; and (iv) support project offered to inmates of the Aníbal Bruno prison and to their relatives.

In addition to these projects, a number of social actions were carried out, including campaigns and lectures promoting awareness and encouraging education about subjects such as gender and race, violence against women (such as the Laço Branco Campaign), and men for the elimination of violence against women, among others, with the participation of the Company's employees from Chesf's headquarters and regional units. Also, the facilities of Paulo Afonso Hydroelectric Complex, including the Xingó and Itaparica units, were allowed to be used in field classes for universities, federal institutes and other technical schools in a variety of engineering areas, such as Electrics, Civil, Mechanics, Environmental, Production, Fishing, etc, in addition to technical classes about Environment, Work Safety, Electromechanics, Electrotechnics, among others, involving the technical visits, monitored by Chesf professionals, of 4,858 visitors, including students and teachers. The Company also promoted the Environment and School project for the Jardim Cordeiro community involving 120 elementary school students (located in the area of Chesf substations in the municipality of Delmiro Gouveia, State of Alagoas), with a thematic approach about the preservation of historical and environmental heritage, including a visit to the Hydroelectric Complex, the exhibition of educational videos and donation of native plant seedlings. The Company also granted access to the Chesf Library/Memorial (Paulo Afonso management (APA)) for the community of Paulo Afonso and the surrounding towns to be used by students from elementary school, university, postgraduate, master's degree and doctor's degree research, looking for information about specific subjects, such as the history of Chesf and of Paulo Afonso, the Chesf Hospital, Chesf's socio-environmental responsibility policy, among others, being visited in 2013 by 1,120 users. The following actions were also carried out in 2013: (i) donation of 75 books for children to the library of the Leitura para Miúdos (Reading for Small Children) project of the Social and Urban Center of San Martin, in the State of Pernambuco; (ii) collection and donation of 425 new toys to children of the Vietnã favela, in Pernambuco; (iii) collection and donation of 596 kg of non-perishable food to the Lar Vida Institution located at Aliomar Baleeiro Avenue in the neighborhood of Novo Marotinho, State of Pernambuco, benefiting 300 people; and (iv) collection, through the Recicla Chesf (Chesf Recycling) program, of paper used in the workplace and donation for alternative recycling by the Paulo Afonso Institute. With this income, the benefited institution can invest in the improvement of its facilities and in other social projects. The Regional Administration of Paulo Afonso assigns an employee to monitor the program, in addition to providing transportation and support personnel to load/carry the related material. In 2013, donations amounted to 2,875.60 kg.

Two Christmas-related actions were carried out at the end of the year. The first collected cash from employees in order to purchase gifts for 84 children from 2 to 6 years old and to organize a party for

the delivery. The second collected and donated gifts to 153 children of the Social and Cultural Educational Center (CESC), located in the neighborhood of Coqueiral, in the city of Recife.

Chesf coordinates regional development projects aligned with the Federal Government's social programs. In 2013, the 'Luz para Todos' (Light for All) Program made 52,451 power connections, benefiting 262,255 persons in the Northeast.

The Nair Alves de Souza Hospital (HNAS) in Paulo Afonso is maintained through a partnership between the Company and the Public Centralized Health System (SUS), and serves Chesf's employees and their families and the population living in the region.

Throughout its existence, this hospital has focused on providing medical and hospital services to the general population. In 2013 some 98% of the aid services were used by the population of 22 towns in four states of the Northeast region (Alagoas, Bahia, Pernambuco and Sergipe) in a total of 87,652 people.

In addition, the transfer of the HNAS to the Federal University of Vale do São Francisco (UNIVASF) continued in 2013, with conclusion estimated for 2014, and included the following activities:

- The parties involved received the draft of the Commitment Agreement between Chesf, UNIVASF, the government of Paulo Afonso and the Secretariat of Health of the State of Bahia/Government of the State of Bahia.
- The donation of 100,000 square meters of land in Paulo Afonso for the construction of a UNIVASF campus, beginning with the implementation of the School of Medicine, for which the HNAS will serve as a hospital school.
- Renovation of the Center for Professional Education of Paulo Afonso (CFPPA) classrooms that will receive initially the first students of Medicine of UNIVASF until the construction of the building on the land donated for such purpose is concluded.
- Donation of HNAS building facilities and equipment to UNIVASF.
- Chesf negotiated the construction commitment (included in the aforementioned Commitment Agreement) of the Intensive Care Unit (ICU) for 30 beds in the hospital.
- Negotiation of the commitment (also included in the Commitment Agreement) for the State of Bahia Government to acquire and install the necessary ICU equipment and accessories at the HNAS.
- Establishment of the commitment for the operational maintenance of the hospital (physical facilities and personnel) up to 2014. As from 2014, the management will be the responsibility of the Brazilian Company of Hospital Services.

ENVIRONMENTAL RESPONSIBILITY

In accordance with the planned actions for 2013, Chesf provided funds in the order of R\$ 16 million to eco-sustainability programs, which include the maintenance and recuperation of the culture of communities and their traditional practices and customs, in addition to actions aimed at preserving the environment, always in conformity with Eletrobras Group's Environmental Policy and its Mission. Chesf has been following certain principles underlying its concern about socio-environmental matters, mainly the Principle of the Sustainable Use of Energy Resources, by which the potential of local and regional energy resources is to be used in accordance with the principles of sustainable development and the Environmental Management Principle.

All Chesf's ventures are either licensed or in the process of renewal or regularization. Chesf made every efforts to obtain environmental licenses for several electric energy transmission ventures with a number of environmental agencies (state, municipal and federal). During the period, the Company obtained 23 licenses, that is, 15 Preliminary Licenses (LP) and 8 Authorizations for Vegetation Suppression (ASV), in addition to 2 Installation License Renewals (RLI) and 5 Operation License Renewals (RLO). On July 4, 2013, the head office of IBAMA Renewed Chesf's license to operate the Boa Esperança Hydroelectric Power Plant, which is located at the middle region of the Parnaíba River, between the States of Piauí and Maranhão, with an installed capacity of 235,300 kW. This license is effective for 10 years as from the issue date. With regards to the handling of dangerous products, the Company obtained the renewal of the Licenses for Operation of the Oil Treatment and Storage Station of Bongi (State of Pernambuco) and of the Ascarel Temporary Storage Deposit in the municipality of Abreu e Lima (State of Pernambuco).

Chesf continued with the Socio-environmental Action Plan (PAS) at the Paulo Afonso Complex. This Plan works as a management process to intermediate conflicts, strengthen consensus and contribute to the formation of citizens, allowing the creation of a new perspective on the significance of the population's cultural roots, the importance of preserving ecological processes, and the conservation of the natural resources as a basis for ensuring sustainability.

In addition, the Company promoted in 2013 campaigns against fires in sugarcane plantations in the municipalities of Penedo, Messias and São Miguel dos Campos (State of Alagoas).

The Environment in the Company Program (MAE) launched a number of internal events, such as the Environment Week, the World Water Day, the World Recycling Day, the International Forest Day, and the São Francisco Day, among others.

The Company carried out reforestation activities in the lower region of the São Francisco River and its tributaries, from Paulo Afonso, in the State of Bahia, up to the mouth of the São Francisco River (States of Alagoas and Sergipe), planting 64,000 seedlings in 2013 and planning another 236,000 up to 2016. The Land Degradation Recovery Program was carried out in the Hydroelectric Power Plants of Sobradinho (62.35 ha affected), Itaparica (55.94 ha affected), Boa Esperança (21.00 ha affected), Xingó (28.11 ha affected), and the Paulo Afonso Complex (21.14 ha affected), covering a total area of 388.54 ha.

The Erosion Process Program was carried out in Paulo Afonso with the containment and monitoring of a 20.76 ha area. The Chesf team at Itaparica and Sobradinho carried out the diagnosis and the preparation of an executive project for the recovery of approximately 35 ha. At Boa Esperança 74 erosion points were diagnosed and mapped, and the executive project for the recovery of another 26 critical erosion points was prepared.

In 2013, the Company continued with the Inventory of water-dependent ecosystems of the Parnaíba River, which included the Limnology and Quality of Water, Ichthyofauna and the Macrophytes. Other on-going programs include the Programs for the monitoring of water-dependent Ecosystems at the Sobradinho, Itaparica, Paulo Afonso Complex, and Xingó power plants located on the São Francisco River and in the lower region of this river up to its mouth.

Chesf implemented the Program for Environmental Monitoring of the São Francisco River during the low outflow period, which includes monthly activities for the Monitoring of the Water Quality and Erosion Processes and fortnightly activities for analysis of the saline water layer formed at the mouth of the river.

With the purpose of repopulating the São Francisco River within the region affected by Chesf's generation ventures, Chesf maintains the Paulo Afonso Fish Farming Station (EPPA), which allowed the development of 580,037 fry. The Dourival Guimarães Fish Farming Station (EPDG), located in Porto Alegre do Piauí, developed in 2013 129,922 native fry with the purpose of repopulating the Parnaíba River.

At the Casa Nova Wind Power Generating Center (CGE) I, Chesf continued with the Archaeological Monitoring works, collecting some vestiges which are occasionally found. It also carried out 10 workshops disclosing the works and the results obtained to the existing communities in the areas both directly and indirectly affected by the CGE activities.

The History and Heritage Educational Program and the Inventory of the Casa Nova Municipality Cultural Manifestation Program resulted in a book, a booklet, a CD with traditional music, a Geographic Information System (GIS) about the local cultural manifestations, a seminar, and an exhibition of photos.

In 2013, the Flora and Fauna Monitoring Program in the area where the Xingó Hydroelectric Power Plant is located was concluded. The floristic and phytosociological results included the registration of 2,662 individuals, belonging to 46 species.

In the area where the Boa Esperança Hydroelectric Power Plant is located, two Fauna and Flora Monitoring and Inventorying Programs were carried out, resulting in the following information: the floristic and phytosociological inventory registered 1,780 individuals, belonging to 42 species, with the identification of 17 families. Concerning the fauna, 22 species of mammals were found, while the number of bird species reached 145.

For the actions related to the Camaçari Thermal Power Plant (UTE) (located in the State of Bahia), Chesf contracted specialized companies to monitor the effluent materials of the drainage system and to prepare the Atmospheric Emission Inventory, the Preliminary Danger Analysis and the Risk Management Program related to the maintenance of the recomposition process for the vegetation of

Camaçari's green belt. Additionally, the Company continued with the Solid Waste Management Program, and an awareness campaign for the selective waste collection was carried out. Chesf also started to record the quantity of waste generated by its ventures.

In order to improve its environmental management processes, the Technological Complex of Campina Grande was contracted by Chesf to develop the "Environmental Management System with Support to Geospace, Multimedia, and Mobile Device Data" R&D+I. The contract is effective for 30 years. Within this project, the following systems were developed in 2013: (i) Information System for the Socio-Environmental Action Plan (SIPAS), which includes the storage and recovery of diagnosis-related data, the support to the actions established in the plan and the effective communication of Chesf with the communities; and (ii) the Information System for supporting the Environmental Management of the ventures and the requirements from the Operational License (SISLIC). Both these systems are at the final testing stage and are to be incorporated into Chesf's operating system.

In 2013, Chesf settled the environmental compensation arising from the implementation of the Transmission line Paraíso-Açu II, depositing R\$ 170,886.03 in a specific environmental offsetting account belonging to the Foundation for the Sustainable Development of the Land in Rio Grande do Norte State (FUNDEP).

Regarding the handling of residues, the Company carried out the eco-friendly final disposal of 145,213 kg of Class I residues (Dangerous), comprised of 20,206 kg of lead-acid batteries, 99,320 kg of polychlorinated biphenyl residues (Ascarel), 2,800 kg of oil no longer usable, 722 kg of burned out fluorescent lamps, 19,075 kg of tires no longer usable and 3,090 kg oil-contaminated residues.

In 2013, Chesf was not fined for any noncompliance with environmental protection standards, and there are no restrictions on the Company's operating activities.

ITAPARICA RESETTLEMENT PROGRAM

Chesf invested R\$ 99 million (81.43% of the budget) in the Resettlement of Itaparica, referring to construction works, services, purchase of equipment, assistance to resettled persons, support to agricultural production and environmental programs, in addition to regularization of the land acquired.

The implementation of the Downstream Irrigated Project (Glória/State of Bahia) continued, and COELBA concluded the construction works at SE 69/13.8 kV- Downstream. In addition, the construction works at LT 69 kV, which is necessary to supply energy to the project, are 50% complete. The construction works continue for the road system, railings and divisions of the lots and the polygonal areas of the project. The last stage of the implementation of the irrigation structure has begun, the distribution and division (micro-sprinkler irrigation) network of soil was concluded for Area 1 and is being concluded for Area 3.

Implementation could not be initiated at the 2A, 2B, and 2C areas (which, together, represent 43% of the project) because the local residents are filing motions to stop the forest clearing at the areas where the irrigation infrastructures will be positioned. Chesf is making efforts at the law enforcement, judicial and negotiation level, but these motions, supported by the beneficiaries living in that area, are hindering the works to be performed there. As a result, the Company is considering the possibility that these structures will not have been implemented by the time the contract ends.

There are land regularization lawsuits in progress related to the rural resettlement areas, in addition to several judicial measures involving the removal of irregular residents as well as the continuance of the Downstream Project construction works. Chesf is also defending itself against a group of individuals who seek to be included as beneficiaries, without legal or factual basis, in the Itaparica Resettlement Program. There are also administrative proceedings in progress to resolve, through indemnities, some pending situations related to benefits which could not be finalized. In the period, this resulted in the issue of deeds resolving seven situations with the beneficiaries of the Fulgêncio perimeters and of the Itacoatiara settlement. Another eleven benefits of the Fulgêncio and Apolônio Sales were settled through a financial compensation in order to reclassify areas which had presented restrictions to irrigated exploration.

It is important to mention the Higher Court of Justice (STJ) decision in the Special Appeal of the Public Civil Suit 5,419/96, originated in the judicial district of Petrolândia, State of Pernambuco, which recognized that the Union Center is legally allowed to subscribe to the 1991 Amendment to the Agreement entered into in 1986 that changed the calculation method for the temporary maintenance

payment. This legal proceeding is very significant to Chesf due to its importance and to the multiplier effect that would result from this precedent among the residents of other settlements with outstanding proceedings of the same nature.

Concerning the environment, the Company obtained the renewal of the licenses for utilization of the water resources of the irrigated projects of Borda do Lago and Fulgêncio, in the State of Pernambuco, and of Pedra Branca, in the State of Bahia. All environmental requirements at the Downstream Perimeter construction works were met, including the vegetation suppression with disturbance and redemption of the fauna, the recovery of degraded areas and areas with permanent preservation, together with an environmental awareness program for the population living in the area. The legal reserves of the irrigated perimeters were monitored, and the diagnosing and mapping works were continued, with the preparation of a project whose purpose is to minimize the erosion in the area around the Itaparica reservoir.

In order to continue with the operation and maintenance of the irrigated perimeters, the Company entered into a new Technical and Financial Cooperation Agreement with Companhia de Desenvolvimento dos Vales do São Francisco e do Parnaíba (Company for Development of São Francisco and Parnaíba Valleys) - Codevasf, establishing that its infrastructure assets used by both parties for the production activities will be transferred to Codevasf. The performance period comprises 32 months as from March 2013.

According to Decision 101/2013 of the Federal Audit Court (TCU), the President's Chief of Staff, the Ministry of National Integration, and the Ministry of Mines and Energy should, together, prepare an Action Plan regarding the transfer of the irrigated perimeters to Codevasf and of the public services that are still administered by Chesf in those perimeters to the municipal authorities. This is important because it will relieve Chesf from certain obligations related to the management of the Itaparica Settlement irrigated perimeters.

The Company also transferred the road system maintenance public service to the municipalities of Santa Maria da Boa Vista (State of Pernambuco) and Abará (State of Bahia) as well as the health and drinking water supply public services to the municipality of Abaré (State of Bahia).

Finally, with regards to indigenous matters, Chesf is waiting the decision regarding the definition of the boundaries of the Tumbalalá indigenous territory, which is next to the Pedra Branca perimeter. The Company is also waiting for the definition of the Brazilian National Indian Foundation (FUNAI) about the acquisition of land that will comprise the Tuxá indigenous territory in the municipality of Rodelas. The funds to be used in this purchase are deposited in court.

CULTURE

In 2013, Chesf invested R\$ 1.7 million in Brazilian culture and sports. The Company supported 13 projects: 7 related to culture, 5 to technical-scientific matters and 1 to sports. The following events are among the expressive highlights of such actions: the International Conference on Climate, held in Pernambuco in 2013; All About Energy 2013 - International Seminar and Exposition on Alternative and Renewable Energy Sources; XXIX National Seminar on Large Dams (SNGB); Bahia em Cena Festival - 2nd Edition; 15th Lençóis Festival for Music, Arts and Sustainability in Bahia; and the XI Bahia Book Biennial. When Chesf allocates resources to cultural events throughout Brazil, in addition to promoting job creation and income, it raises culture to a higher level, in Brazil's political, economic and social scenarios.

AWARDS AND RECOGNITIONS

In 2013, Chesf received the following awards and recognitions:

- Promotion of Ethnical and Racial Diversity Award- Commitment Category, granted by the Municipal Department of Reparation of the City of Salvador.
- Gender and Race Equality Award, an initiative of the Federal Government via SPM and SEPPIR, in partnerships with UN Women and the International Labor Organization.
- Camélia da Liberdade (Freedom Camellia) award, an institutional and public manifestation of the Center for the Articulation of Marginalized Population (Ceap), as indicated by entities in Salvador.

- Maintenance of certification of the System for Management of Work Safety and Health (SGSST) for Xingó Hydroelectric Power Plant, based on the international standard Occupational Health and Safety Assessment Series (OHSAS) 18.001.
- Award given to the "Psychosocial Interventions as strategy for the Management of Sickness Absence at Chesf" program during the 23rd Interamerican Congress of Human Management (CIGEH) 2013, which was held in Panamá during July 2013;
- Chesf's employees received awards in a number of sports activities in the SESI Games, with 12 trophies and 56 medals in the State, Northeast Regional and National stages.
- The recognition of the TCU, related to the Information Technology (IT) area, regarding:
 - ✓ IT management and governance mechanisms via an operating IT planning committee, with adequate roles, responsibilities and constitution, whose purpose is to support senior management in relevant IT decisions;
 - ✓ adequate mechanisms for managing IT costs;
 - ✓ IT risk events considered, monitored and reviewed on a regular and constant basis, in accordance with the policy for and as a process of risk management.

SOCIAL AND ENVIRONMENTAL INFORMATION

The main indicators that represent Chesf's corporate and social and environmental responsibility are as follows:

SOCIAL AND ENVIRONMENTAL INFORMATION

(Amounts in thousands of reais)

1 - Generation and Distribution of Wealth		In 2013:		1,493,102		In 2012:		(4,124,730)	
Distribution of value added		31.2% government		94.8% employees		7.8% government		17.5% employees	
The Statement of Value Added is presented in full in the set of financial statements.		-31.2% stockholders		5.2% financing agents		-129.5% stockholders		4.2% financing agents	
2- HUMAN RESOURCES		In 2013:				In 2012:			
2.1 - Compensation									
Gross payroll (GP)		1,160,272		520,131					
- Employees		1,156,525		517,185					
- Managers		3,747		2,946					
Ratio between the highest and lowest compensation:									
- Employees		34.1		33.7					
- Managers		1.1		1.1					
2.2 - Benefits granted		Amount (000)	% on GP	% on NI	Amount (000)	% on GP	% on NI		
Social charges		187,882	16.2%	4.6%	187,490	36.0%	3.1%		
Food		45,692	3.9%	1.1%	49,065	9.4%	0.8%		
Transportation		657	0.1%	0.0%	828	0.2%	0.0%		
Private pension plan		113,139	9.8%	2.8%	4,786	8.2%	0.7%		
Health		79,654	6.9%	1.9%	66,567	12.8%	1.1%		
Occupational safety and medicine		3,079	0.3%	0.1%	3,148	0.6%	0.1%		
Education and day care center		12,951	1.1%	0.3%	11,925	2.3%	0.2%		
Culture		0	0.0%	0.0%	0	0.0%	0.0%		
Training and professional development		3,389	0.3%	0.1%	6,707	1.3%	0.1%		
Other		28,666	2.5%	0.7%	8,438	1.6%	0.1%		
Total		475,109	40.9%	11.6%	376,954	72.5%	6.3%		
2.3 - Personnel Information									
No. of employees at the end of the year		4,427		5,631					
No. of hires		172		22					
No. of dismissals		1,369		51					
No. of interns at the end of the year		13		108					
No. of employees with special needs at the end of the year		165		192					
No. of outside service providers at the end of the year		0		0					
No. of employees by gender:									
- Male		3,518		4,464					
- Female		909		1,167					
No. of employees by age:									
- Under 18		-		-					
- From 18 to 35		928		969					
- From 36 to 60		3,152		3,964					
- Over 60		347		698					
No. of employees by education level:									
- Illiterate		-		-					
- Elementary school		530		842					
- High school		713		977					
- Technical school		1,389		1,581					
- Higher education		1,655		2,029					
- Postgraduate education		140		202					
Percentage of employees in management positions by gender:									
- Male		81.9%		82.0%					
- Female		18.1%		18.0%					
2.4 - Labor Contingencies and Liabilities:									
- No. of labor lawsuits filed against the entity		850		850					
- No. of labor lawsuits deemed valid		269		405					
- No. of labor lawsuits deemed unfounded		106		36					
Total amount of indemnities and fines paid under court orders		689		0					
3- Company's Interaction with the External Environment		Amount (000)	% on OI	% on NI	Amount (000)	% on OI	% on NI		
3.1 - Relationship with the community									
Total investments in:									
Education		1,080	-0.1%	0.0%	2,109	0.0%	0.0%		
Culture		3,411	-0.5%	0.1%	16,853	-0.3%	0.3%		
Health and infrastructure		24,463	-3.4%	0.6%	23,132	-0.4%	0.4%		
Sport and leisure		131	0.0%	0.0%	688	0.0%	0.0%		
Food		205	0.0%	0.0%	205	0.0%	0.0%		
Job and income creation		1,629	-0.2%	0.0%	3,223	0.0%	0.1%		
Resettling of families		98,988	-13.6%	2.4%	105,394	-1.6%	1.8%		
Total investments		129,907	-17.8%	3.2%	151,604	-2.4%	2.5%		
Taxes (excluding social charges)		-2,156	0.3%	-0.1%	-496,284	7.7%	-8.3%		
Financial compensation for use of water resources		19,504	-2.7%	0.5%	240,074	-3.7%	4.0%		
Total - Relationship with the community		147,255	-20.2%	3.6%	-104,606	1.6%	-1.7%		
3.2 - Interaction with Suppliers									
Social responsibility criteria used in the choice of suppliers		Controls are required for: Environmental risks, workplace environment, environmental health hazards, night shift or hazardous conditions for minors under the age of 18.							

4 - Interaction with the Environment	In 2013			In 2012		
	Amount (000)	% on OI	% on NI	Amount (000)	% on OI	% on NI
Investments and expenditures with maintenance of the operational processes to improve the environment	10,281	-1.4%	0.3%	8,028	-0.1%	0.1%
Investments and expenditures with preservation and/or recovery of degraded areas	2,432	-0.3%	0.1%	2,734	0.0%	0.0%
Investments and expenditures with environmental education for employees, outsourced staff, independent contractors and management	445	-0.1%	0.0%	896	0.0%	0.0%
Investments and expenditures with environmental education for the community	706	-0.1%	0.0%	656	0.0%	0.0%
Investments and expenditures with other environmental projects	2,298	-0.3%	0.1%	5,895	-0.1%	0.1%
Number of environmental, administrative and judicial proceedings filed against the company	1	0.0%	0.0%	2	0.0%	0.0%
Amount of fines and indemnities related to environmental matters, established administratively or by court decision	685	-0.1%	0.0%	2,000	0.0%	0.0%
Environmental liabilities and contingencies	-	0.0%	0.0%	-	0.0%	0.0%
Total interaction with the environment	16,847	-2.3%	0.4%	20,209	-0.3%	0.3%
5 - Other information	2013			2012		
Net income (NI)	4,098,483			5,996,028		
Operating income (OI)	(728,858)			(6,449,315)		

Recife, March 26, 2014

The Management.

BALANCE SHEETS

(all amounts expressed in thousands of reais)

	Notes	12/31/2013	12/31/2012	1/1/2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	841,111	94,745	268,638
Marketable securities	6	1,971,964	229,018	917,439
Trade receivables	7	298,542	734,810	745,277
Amounts receivable - Law 12,783/2013	8	1,254,584	4,736,747	-
Taxes and social contributions	9	95,587	177,508	12,898
Pledges and restricted deposits	10	10,982	11,003	11,003
Inventories	11	90,426	85,380	85,098
Financial assets - public service concessions	12	74,448	77,023	258,455
Others	13	440,419	175,362	189,734
		5,078,063	6,321,596	2,488,542
NON-CURRENT ASSETS				
Long-term receivables				
Trade receivables	7	14,334	19,571	-
Amounts receivable - Law 12,783/2013	8	1,455,151	2,719,769	-
Marketable securities	6	3,582	4,308	5,173
Taxes and social contributions	9	2,110,186	1,857,298	566,303
Pledges and restricted deposits	10	666,567	482,794	295,785
Financial assets - public service concessions	12	2,645,459	2,599,705	5,813,526
Others	13	334,434	57,906	40,697
		7,229,713	7,741,351	6,721,484
Investments	14	3,191,947	2,250,456	1,408,698
Property, plant and equipment	15	1,602,600	1,371,394	11,173,867
Intangible assets	16	31,930	29,458	29,566
		12,056,190	11,392,659	19,333,615
TOTAL ASSETS		17,134,253	17,714,255	21,822,157

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

(all amounts expressed in thousands of reais)

(continued)

	Notes	12/31/2013	12/31/2012	1/1/2012
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	17	444,526	321,729	370,788
Payroll		109,302	16,228	14,362
Taxes and social contributions	18	87,562	115,895	220,996
Borrowings	19	60,192	71,017	329,699
Other operating provisions		109,722	106,461	102,451
Stockholders' remuneration		34	41	299,328
Estimated obligations	20	102,167	134,787	126,443
Voluntary Termination Program (PIDV)	21	166,189	-	-
Post-employment benefits	22	121,025	2,523	109,063
Industry charges		155,935	201,408	162,554
Others	23	29,853	51,561	62,955
		1,386,507	1,021,650	1,798,639
NON-CURRENT LIABILITIES				
Taxes and social contributions	18	80,617	67,797	81,113
Borrowings	19	791,819	398,087	462,149
Post-employment benefits	22	489,283	705,788	272,497
Industry charges		235,348	151,718	167,190
Provisions for contingencies	24	1,404,872	1,388,685	923,549
Provision for onerous contract	25	1,434,251	2,303,556	-
Advances for future capital increase		-	-	1,293,000
Others	23	5,641	5,515	5,382
		4,441,831	5,021,146	3,204,880
EQUITY				
Share capital	27	9,753,953	9,753,953	7,720,760
Capital reserves	27	4,916,199	4,916,199	4,916,199
Revenue reserves	27	-	-	3,841,698
Additional dividends proposed	27	-	-	897,877
Other comprehensive income (loss)	27	(705,357)	(805,879)	(557,896)
Accumulated deficit	27	(2,658,880)	(2,192,814)	-
		11,305,915	11,671,459	16,818,638
TOTAL LIABILITIES AND EQUITY		17,134,253	17,714,255	21,822,157

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(all amounts expressed in thousands of reais unless otherwise stated)

	Notes	12/31/2013	12/31/2012
NET OPERATING REVENUE	28	4,098,483	5,996,028
OPERATING COSTS	30		
Cost of electric energy			
Electric energy purchased for resale		(682,356)	(19,058)
Charges on transmission network usage		(796,324)	(867,885)
Operating costs			
Personnel, materials and third-party services		(404,274)	(407,887)
Fuels for electric energy production		(730,443)	(2,522)
Financial compensation for use of water resources		(19,504)	(240,074)
Depreciation and amortization		(37,702)	(339,815)
Provision for onerous contract		869,305	(711,375)
Others		30,939	12,942
		(1,770,359)	(2,575,674)
COST OF SERVICES PROVIDED TO THIRD PARTIES	30	(1,308)	(5,371)
CONSTRUCTION COSTS	30	(939,590)	(603,420)
GROSS PROFIT		1,387,226	2,811,563
OPERATING EXPENSES	30	(2,597,709)	(1,278,418)
RESULTS FROM ELECTRIC ENERGY SERVICE		(1,210,483)	1,533,145
EQUITY IN THE RESULTS OF INVESTEEES	14	65,378	46,521
FINANCE RESULT	31	416,247	216,261
OPERATING RESULT BEFORE LAW 12,783/2013		(728,858)	1,795,927
Effects of Law 12,783/2013		-	(8,245,242)
OPERATING RESULT AFTER LAW 12,783/2013		(728,858)	(6,449,315)
Income tax and social contribution		262,792	1,108,003
LOSS FOR THE YEAR		(466,066)	(5,341,312)
Basic loss per share - R\$		(8.34)	(95.54)
Diluted loss per share - R\$		(8.34)	(95.54)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME (LOSS) FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(all amounts expressed in thousands of reais)

	<u>Notes</u>	<u>12/31/2013</u>	<u>12/31/2012</u>
Loss for the year		(466,066)	(5,341,312)
Other comprehensive income (loss)			
Share of other comprehensive income (loss) of investees	27	133	(231)
Actuarial result on post-employment benefit obligations	27	144,365	(500,466)
Deferred income tax and social contribution	27	(43,976)	252,714
Other comprehensive income (loss) for the year		100,522	(247,983)
Total comprehensive income (loss) for the year		(365,544)	(5,589,295)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

(all amounts expressed in thousands of reais)

	SUBSCRIBED/ PAID-UP CAPITAL	CAPITAL RESERVES	REVENUE RESERVES					ADDITIONAL DIVIDENDS PROPOSED	OTHER COMP. INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL
			UNREALIZED PROFITS	LEGAL	STATUTORY	PROFIT RETENTION	TAX INCENTIVES				
BALANCE AT 12/31/2011	7,720,760	4,916,199	428,599	501,886	8,179	2,209,834	693,200	897,877	(557,896)	-	16,818,638
Capital increase	2,033,193	-	-	-	-	-	(693,200)	-	-	-	1,339,993
Share of other comprehensive income (loss) of investees	-	-	-	-	-	-	-	-	(231)	-	(231)
Actuarial result on post-employment benefit obligations	-	-	-	-	-	-	-	-	(247,752)	-	(247,752)
Loss for the year	-	-	-	-	-	-	-	-	-	(5,341,312)	(5,341,312)
Tax incentive reserve	-	-	-	-	-	-	925	-	-	(925)	-
Allocation:											
Approval of additional dividends by Annual Meeting of Stockholders	-	-	-	-	-	-	-	(897,877)	-	-	(897,877)
Offset of loss for 2012	-	-	(428,599)	(501,886)	(8,179)	(2,209,834)	(925)	-	-	3,149,423	-
BALANCE AT 12/31/2012	9,753,953	4,916,199	-	-	-	-	-	-	(805,879)	(2,192,814)	11,671,459
Share of other comprehensive income (loss) of investees	-	-	-	-	-	-	-	-	133	-	133
Actuarial result on post-employment benefit obligations	-	-	-	-	-	-	-	-	100,389	-	100,389
Loss for the year	-	-	-	-	-	-	-	-	-	(466,066)	(466,066)
BALANCE AT 12/31/2013	9,753,953	4,916,199	-	-	-	-	-	-	(705,357)	(2,658,880)	11,305,915

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(all amounts expressed in thousands of reais)

Notes	12/31/2013	12/31/2012 (Restated)
Operating activities		
Loss before income tax and social contribution	(728,858)	(6,449,315)
Expenses (income) not affecting cash:		
Depreciation and amortization	104,645	408,878
Monetary and foreign exchange variations (net)	(193,077)	(9,777)
Equity in the results of investees	(65,378)	(46,521)
Provision for contingencies	40,613	209,193
Provision for impairment of trade receivables	43,370	81,287
Provisions for loss on realization of investments	246,915	-
Post-employment benefits - actuarial adjustment	110,199	30,651
Other operating provisions (reversals)	97,546	106,461
Adjustment of pledges and restricted deposits	(24,191)	(16,869)
Adjustment of agrarian debt bonds (TDA)	(176)	(206)
Finance income - financial asset	(44,390)	(684,098)
Losses on property, plant and equipment - Law 12,783/2013	-	4,091,507
Losses on financial assets - Law 12,783/2013	-	2,161,420
Provision (reversal) for onerous contract	(869,305)	2,303,556
Provision (reversal) for impairment	620,274	400,135
Adjustment of amounts receivable - Law 12,783/2013	(158,179)	(203,231)
Finance charges	40,241	40,276
Adjustment of dividends	-	70,144
Scheduled Voluntary Termination Program	168,049	-
Others	(5,751)	-
	(617,453)	2,493,491
Finance charges paid to stockholders and related parties	(6,967)	(8,875)
Payments to the private pension entity	(63,832)	(204,362)
Finance charges paid to financial institutions and others	(34,699)	(42,171)
Income tax and social contribution payments	-	(260,074)
Profit sharing payments	(94,285)	(102,451)
Judicial deposits	(49,894)	(167,846)
Changes in assets and liabilities		
Trade receivables	398,135	(90,391)
Warehouse	(5,046)	(282)
Taxes and social contributions	36,215	46,769
Advances to employees	(11,862)	14,583
Pledges and restricted deposits	(109,667)	(2,294)
Services in progress	(95,231)	(8,086)
Fatchesf Saúde Mais	(114,043)	-
Trade payables	122,797	(49,059)
Environmental compensation	-	(13,640)
Estimated obligations	(32,620)	8,344
Industry charges	26,543	23,382
TAC Tuxá Indigenous Community - Itaparica	-	-
Provision for contingencies	(24,426)	255,943
Acquisition of Pirapama II Substation connection	(20,961)	-
Other operating assets and liabilities	(9,984)	32,378
	(89,827)	(568,132)
Total operating activities	(707,280)	1,925,359
Investing activities		
Amounts receivable - Law 12,783/2013	5,089,452	-
Investments in property, plant and equipment and intangible assets	(398,025)	(774,325)
Realization of financial asset - public service concessions	(814,203)	330,771
Permanent investments	(938,577)	(817,456)
Dividends received	50,956	28,639
Investments in (redemptions of) marketable securities	(1,742,220)	689,286
Disposals of property, plant and equipment and intangible assets	101,073	12,331
Advances for future capital increase in jointly-controlled subsidiary	(243,275)	(34,525)
Consortium advances	(33,226)	-
	1,071,955	(565,279)
Financing activities		
Funds from stockholders and related parties	-	46,993
Borrowings	500,000	4,741
Repayments of borrowings	(118,309)	(318,417)
Stockholders' remuneration	-	(1,267,290)
	381,691	(1,533,973)
TOTAL EFFECTS ON CASH	746,366	(173,893)
Cash and cash equivalents at the beginning of the year	94,745	268,638
Cash and cash equivalents at the end of the year	841,111	94,745
CASH VARIATION	746,366	(173,893)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(amounts expressed in thousands of reais)

	Notes	12/31/2013	12/31/2012
GENERATION OF VALUE ADDED			
Revenue			
Sales of electric energy, transmission and others		4,787,360	7,001,333
Provision for impairment of trade receivables		(43,370)	(81,287)
Losses - customers		(9,794)	(26,591)
		<u>4,734,196</u>	<u>6,893,455</u>
(-) Inputs acquired from third parties			
Material		25,029	26,782
Fuels for electric energy production		730,443	2,522
Third-party services		177,617	192,444
Electric energy purchased for resale		682,356	19,058
Charges on transmission network usage		796,324	867,885
Construction costs		939,590	603,420
Losses on the realization of assets - Law 12,783/2013		-	6,252,927
Provision (reversal) for impairment		620,274	400,135
Provision (reversal) for onerous contract		(869,305)	2,303,556
Others		577,760	410,447
		<u>3,680,088</u>	<u>11,079,176</u>
(=) Gross value added		1,054,108	(4,185,721)
(-) Retentions			
Depreciation and amortization		<u>104,645</u>	<u>408,878</u>
(=) Net value added		949,463	(4,594,599)
(+) Transferred value added			
Equity in the results of investees		65,378	46,521
Dividends and interest on capital		7,245	8,130
Rentals		74	71
Adjustment of amounts receivable - Law 12,783/2013		342,671	203,231
Finance income		128,271	211,910
		<u>543,639</u>	<u>469,863</u>
(=) Value added to distribute		1,493,102	(4,124,736)
DISTRIBUTION OF VALUE ADDED			
Personnel:			
Salaries/benefits/Government Severance Indemnity Fund for Employees (FGTS)		735,511	697,134
Scheduled Voluntary Termination Program		630,841	-
Executive officers' fees		2,996	2,569
Provisions for labor contingencies/indemnities		45,641	23,562
		<u>1,414,989</u>	<u>723,265</u>
Governments:			
Payroll charges		152,144	152,770
Taxes net of tax incentives		(2,156)	(496,284)
Industry charges		316,721	664,033
		<u>466,709</u>	<u>320,519</u>
Financing agents:			
Finance charges, monetary variation and other:			
Eletrobras		4,994	78,295
Other financing agents		56,310	73,483
Rentals		16,166	21,014
		<u>77,470</u>	<u>172,792</u>
Stockholders:			
Loss for the year		(466,066)	(5,341,312)
		<u>(466,066)</u>	<u>(5,341,312)</u>
		<u>1,493,102</u>	<u>(4,124,736)</u>
Average value added per employee		337	(733)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013 AND 2012

(All amounts expressed in thousands of reais unless otherwise stated)

1 - OPERATIONS

Companhia Hidro Elétrica do São Francisco - Chesf ("Chesf" or "Company"), headquartered at Rua Delmiro Gouveia, 333, Bairro de San Martin, CEP 50761-901, in the City of Recife, capital of the State of Pernambuco, is a mixed private/state publicly-held company controlled by Centrais Elétricas Brasileiras S.A. - Eletrobras (Brazilian Electricity Company). The Company was created by Decree-Law 8,031/1945 and started its operations on March 15, 1948. Its main activities comprise electric energy generation and transmission, throughout Brazil, and currently its main markets are the Southeast and Northeast regions.

The Company's electric energy is generated by 14 hydroelectric energy plants and 1 thermoelectric energy plant, with a total installed capacity of 10,615 MW, and the electric energy is transmitted by a system composed of 111 substations (including Sapeaçu substation located in the State of Bahia, for which Chesf has an agreement for the assignment of the right of use) and 19,344.0 km of high-voltage lines.

In addition to its own generation facilities and transmission systems, as previously mentioned, the Company participates, in partnership with other companies, in the construction and operation of hydraulic generation and wind generation plants that will have an installed capacity of 15,244.1 MW and 602.1 MW, respectively, in which the Company's participation is equivalent to 2,498.9 MW and 295.0 MW, respectively, and in transmission enterprises comprising 4,175 km of transmission lines in service and 1,121.5 km of transmission lines under construction.

After the issue of the Provisional Measure 579, of September 11, 2012, converted into Law 12,783, the concessions for hydroelectric energy plants, transmission lines and substations, maturing in 2015, were extended for a maximum of 30 years as from January 2013, in accordance with the new conditions set forth in the amendments to the corresponding Concession Contracts entered into with the concession authority.

As from March 1, 1999, the National Electric System Operator (ONS), a private, non-profit entity, whose operations were authorized by Resolution 351/1998 of the National Electric Energy Agency (ANEEL), assumed the control and operation of the National Interconnected System (SIN). In this context, the Company's power plants and basic transmission network are under the coordination, supervision and control of that entity.

2 - CONCESSIONS

2.1 - Chesf

The Company holds the following concessions:

• Generation

CONCESSIONS/PERMISSIONS	River	Installed capacity (MW)*	Capacity utilized in 2013 (average MW/year)	Date of concession/permission	Expiry date
POWER PLANTS					
Hydroelectric					
Paulo Afonso I	São Francisco	180.001	2.166	10/3/1945	12/31/2042
Paulo Afonso II	São Francisco	443.000	-	10/3/1945	12/31/2042
Paulo Afonso III	São Francisco	794.200	23.380	10/3/1945	12/31/2042
Paulo Afonso IV	São Francisco	2,462.400	1,272.487	10/3/1945	12/31/2042
Apolônio Sales (Moxotó)	São Francisco	400.000	8.209	10/3/1945	12/31/2042
Luiz Gonzaga (Itaparica)	São Francisco	1,479.600	566.004	10/3/1945	12/31/2042
Xingó	São Francisco	3,162.000	1,447.158	10/3/1945	12/31/2042
Piloto	São Francisco	2.000	-	2/16/1949	7/7/2015
Araras	Acaraú	4.000	-	8/29/1958	7/7/2015
Funil	de Contas	30.000	3.350	8/25/1961	12/31/2042
Pedra	de Contas	20.007	0.410	8/25/1961	12/31/2042
Boa Esperança (Castelo Branco)	Parnaíba	237.300	120.026	10/11/1965	12/31/2042
Sobradinho	São Francisco	1,050.300	294.773	2/10/1972	2/9/2022
Curemas	Piancó	3.520	0.236	11/26/1974	11/25/2024
Thermoelectric Power Plant					
Camaçari	-	346.803	126.437	8/11/1977	8/10/2027

Wind Power

The Company was the winner of ANEEL's auction for alternative energy sources 007/2010, in respect of the Casa Nova Wind Power Plant, which will be installed in the municipality of Casa Nova, in the State of Bahia, with a capacity of 180 MW*. The Installation Permit for the initiation of the project was granted through the Institute of Environment and Water Resources (INEMA) Ordinance 2,656, dated May 18, 2012, of the Bahia State Environmental Agency.

*Unaudited information

The capacity utilized corresponds to the average generation, in MW, during the period.

The installed capacity of the power plants, which always exceeds production, takes into consideration:

- the existence of periods, both during the day and annually, in which there is a higher or lower demand for electric energy in the system for which the power plant, or generation system, is designed;
- the existence of periods in which machinery is removed from operations for preventive or corrective maintenance;
- the fact that the production of the hydroelectric energy plants also depends on the availability of the water of the river where they are located. In periods of higher water levels, it could be possible to increase generation; likewise, it could be necessary to reduce generation during periods of water shortages, as occurs in times of electric energy rationing.

After the issue of the Provisional Measure 579, of September 11, 2012, converted into Law 12,783, of January 11, 2013, part of these power plants, which were the object of the concession contract 006/2004, and part of the following transmission systems, which were the object of the concession

contract 061/2001, were extended as from the amendments to these contracts, which were signed on December 5, 2012, under new conditions, as mentioned in Note 2.3.

• **Transmission**

CONCESSIONS/PERMISSIONS	Date of concession	Expiry date
TRANSMISSION SYSTEM		
Concession Contract No. 061/2001 -ANEEL:		
In service:		
- 87 transmission substations, 15 step-up substations and 18,545.8 km of high voltage lines.	6/29/2001	12/31/2042
Contracts obtained through ANEEL auctions:		
In service:		
- Milagres/Tauá (CE) transmission line, in 230 kV, with a length of 208.1 km and Tauá Substation (CE), in 230 kV.	3/4/2005	3/3/2035
- Milagres/Coremas (CE/PB) transmission line, in 230 kV, with a length of 119.8 km.	3/4/2005	3/3/2035
- Paraíso/Açu II (RN) transmission line, in 230 kV, with a length of 132.8 km.	6/14/2007	6/14/2037
- Ibicoara Substation in 500/230 kV(PE).	6/14/2007	6/14/2037
- Ibicoara/Brumado (BA) transmission line, in 230 kV, with a length of approximately 94.5 km.	6/14/2007	6/14/2037
- Paulo Afonso III/Zebu (AL) transmission line, in 230 kV, with a length of 10.8 km; and Santa Rita II (PB) substation, in 230/69kV; Zebu, in 230/69 kV (AL); and Natal III (RN), in 230/69 kV.	8/3/2009	8/3/2039
- Pirapama II/Suape II transmission line, with a length of 41.8 km; Suape III/Suape II transmission line, C1 and C2, in 230 kV, with a length of 7.2 km; and Suape III (PE) substation, in 23/69 kV.	1/28/2009	1/28/2039
- Picos/Tauá (PI/CE) transmission line, in 230 kV, with a length of 183.2 km.	6/14/2007	6/14/2037
- Camaçari IV (BA) substation, in 500 kV.	7/12/2010	7/12/2040
- Suape II (PE) substation, in 500 kV.	1/28/2009	1/28/2059
- Arapiraca III (AL) substation, in 230/69 kV.	10/6/2010	10/6/2040
Under construction:		
- Funil/Itapebi (BA) transmission line, in 230 kV, with a length of approximately 223 km.	4/20/2007	4/20/2037
- Jardim/Penedo (SE/AL) transmission line, in 230 kV, with a length of approximately 110 km.	3/17/2008	3/17/2038
- Eunápolis/Teixeira de Freitas II (BA) transmission line, circuit 1, in 230 kV, with a length of approximately 145 km, and Teixeira de Freitas II substation, in 230/138 kV (BA).	10/16/2008	10/16/2038
- Pau Ferro/Santa Rita II (PE/PB) transmission line, in 230kV, with a length of approximately 97 km.	8/3/2009	8/3/2039
- Eunápolis/Teixeira de Freitas II (BA) substation, circuit 2, in 230 kV, with a length of approximately 152 km.	8/3/2009	8/3/2039
- Pólo substation, in 230/69 kV (BA).	10/6/2010	10/6/2040
- Paraíso/Açu II (RN) transmission line, in 230 kV, circuit 3, with a length of approximately 123 km; Açu/Mossoró II (RN) transmission line, in 230 kV, circuit 2, with a length of approximately 69 km; João Câmara/Extremoz II (RN) transmission line in 230 kV, C1, with a length of approximately 82 km, and João Câmara (RN) substation, in 230 kV, and Extremoz II (RN) substation, in 230 kV.	11/23/2010	11/23/2040
- Igaporã/Bom Jesus da Lapa II (BA) transmission line, in 230 kV, C1, with a length of approximately 115 km, and Igaporã (BA) substation in 230 kV.	11/23/2010	11/23/2040
- Sobral III/Acaraú II (CE) transmission line, in 230 kV, C2, with a length of approximately 97 km, and Acaraú II (CE) substation, in 230 kV.	11/23/2010	11/23/2040
- Paraíso/Lagoa Nova (RN) transmission line, in 230 kV, simple circuit, with a length of approximately 65 km, and Lagoa Nova substation (RN), in 230/69 kV.	10/13/2011	10/13/2041
- Ibiapina (CE) substation, in 230/69 kV.	10/13/2011	10/13/2041
- Morro do Chapéu/Irecê (BA) transmission line in 230 kV, simple circuit, with a length of approximately 65 km, and Morro do Chapéu (BA) substation, in 230/69 kV.	10/13/2011	10/13/2041
- Teresina II/Teresina III (PI) transmission line, in 230 kV, double circuit, with a length of approximately 26 km, and Teresina III (PI) substation, in 230/69 kV.	12/9/2011	12/9/2041

Continued

CONCESSIONS/PERMISSIONS	Date of concession	Expiry date
- Recife II/Suape II (PE) transmission line, in 500 kV, simple circuit, with a length of approximately 44 km.	12/9/2011	12/9/2041
- Camaçari IV/Sapeaçu (BA) transmission line, in 500 kV, simple circuit, with a length of approximately 105 km.	12/9/2011	12/9/2041
- Sapeaçu/Santo Antônio de Jesus (BA) transmission line, in 230 kV, simple circuit, with a length of approximately 31 km.	12/9/2011	12/9/2041
- Jardim/Nossa Senhora do Socorro (SE) transmission line, in 230 kV, in double circuit, with a length of approximately 1 km; Messias/Maceió II (AL) transmission line, in 230 kV, in double circuit, with a length of approximately 20 km; Nossa Senhora do Socorro substation, in 230/69 kV (SE) - 300 MVA; Maceió II (AL), in 230/69 kV - 400 MVA.; Poções II (BA) substation, in 230/138 kV - 200 MVA.	5/10/2012	5/10/2042
- Camaçari IV/Pirajá (BA) transmission line, in 230 kV, in simple circuit, with a length of approximately 45 km, and Pituvaçu/Pirajá (BA) transmission line, in 230 kV, in simple circuit, with a length of approximately 5 km.	5/10/2012	5/10/2042
- Mirueira II (PE) transmission line, in 230/69 kV - 300 MVA and Jaboatão II (PE), in 230/69 kV - 300 MVA.	6/1/2012	6/1/2042
- Russas/Banabuiu C2 (CE) transmission line, in 230 kV, simple circuit, with a length of approximately 110 km; Touros/Ceará Mirim II (RN) transmission line, in 230 kV, simple circuit, with a length of approximately 56 km; Mossoró IV/Mossoró II (RN) transmission line, in 230 kV, with a length of approximately 40 km; Touros (RN) substation, in 230 kV; and Mossoró IV (RN) substation, in 230 kV.	6/1/2012	6/1/2042
- Igaporã III/Pindaí II (BA) transmission line, in 230 kV, simple circuit, with a length of approximately 46 km; Igaporã III/Igaporã II (BA), C1 and C2, in 230 kV, simple circuit, with a length of approximately 2 km each; Igaporã III (BA), in 500/230 kV - (6+1) x 250 MVA.	6/1/2012	6/1/2042

2.2 - Associated and jointly-controlled subsidiaries

The Company also holds, through its associated and jointly-controlled subsidiaries, the following concessions:

• Hydraulic Generation

Plants	Investee	Company's interest	River	Capacity in MW	Year of the concession	Expiry year
In service:						
UHE Dardanelos	Energética Águas da Pedra S.A.	24.50%	Aripuanã	261.000	2007	2042
UHE Jirau (*)	ESBR Participações S.A.	20.00%	Madeira	3,750.000	2008	2043
Under construction:						
UHE Belo Monte	Norte Energia S.A.	15.00%	Xingu	11,233.100	2010	2045
UHE Sinop	Consórcio Energético SINOP	24.50%	Teles Pires	400.000	2014	2049

(*) In September 2013, the Company started the operations of the first Generating Unit, with 75 MW, out of a total of 50 Generating Units.

• Wind Generation

Plants	Investee	Company's interest	Location	Capacity in MW	Year of the authorization	Expiry year
In service:						
UEE São Pedro do Lago	São Pedro do Lago S.A.	49.00%	São Pedro do Lago (BA)	30.00	2011	2046
UEE Pedra Branca	Pedra Branca S.A.	49.00%	Pedra Branca(BA)	30.00	2011	2046
UEE Sete Gameleiras	Sete Gameleiras S.A.	49.00%	Sete Gameleiras (BA)	30.00	2011	2046
Under construction:						
UEE Junco I	EOL Junco I S.A.	49.00%	Jijoca de Jericoacoara (CE)	30.00	2012	2047
UEE Junco II	EOL Junco II S.A.	49.00%	Jijoca de Jericoacoara (CE)	30.00	2012	2047
UEE Caiçara I	EOL Caiçara I S.A.	49.00%	Cruz (CE)	30.00	2012	2047
UEE Caiçara II	EOL Caiçara II S.A.	49.00%	Cruz (CE)	21.00	2012	2047
UEE Santa Joana IX	Ventos de Santa Joana IX	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana X	Ventos de Santa Joana X	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana XI	Ventos de Santa Joana XI	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana XII	Ventos de Santa Joana XII	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana XIII	Ventos de Santa Joana XIII	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana XV	Ventos de Santa Joana XV	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana XVI	Ventos de Santa Joana XVI	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Baraúnas I	Baraúnas I	49.00%	Sento Sé (BA)	29.70	2014	2049
UEE Mussambê	Mussambê	49.00%	Sento Sé (BA)	29.70	2014	2049
UEE Morro Branco I	Morro Branco I	49.00%	Sento Sé (BA)	29.70	2014	2049
UEE Caititú 2	Caititú 2 Energia S.A.	49.00%	Pindaí (BA)	14.00	2014	2049
UEE Caititú 3	Caititú 3 Energia S.A.	49.00%	Pindaí (BA)	14.00	2014	2049
UEE Teiú 2	Teiú 2 Energia S.A.	49.00%	Pindaí (BA)	14.00	2014	2049
UEE Arapapá	Arapapá Energia S.A.	49.00%	Pindaí (BA)	10.00	2014	2049
UEE Carcará	Carcará Energia S.A.	49.00%	Pindaí (BA)	10.00	2014	2049
UEE Corrupião 3	Corrupião 3 Energia S.A.	49.00%	Pindaí (BA)	14.00	2014	2049
UEE Acauã	Acauã Energia S.A.	49.00%	Pindaí (BA)	12.00	2014	2049
UEE Angical 2	Angical 2 Energia S.A.	49.00%	Pindaí (BA)	14.00	2014	2049

Continued

Plants	Investee	Company's interest	Location	Capacity in MW	Year of the authorization	Expiry year
UEE Santa Joana I	Ventos de Santa Joana I (*)	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana III	Ventos de Santa Joana III (*)	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana IV	Ventos de Santa Joana IV (*)	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana V	Ventos de Santa Joana V (*)	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santa Joana VII	Ventos de Santa Joana VII (*)	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Santo Augusto IV	Ventos de Santo Augusto IV (*)	49.00%	Marcolândia, Caldeirão Grande and Simões (PI)	30.00	2014	2049
UEE Serra das Vacas I	Serra das Vacas I S.A. (*)	49.00%	Saloá (PE)	30.00	2014	2049
UEE Serra das Vacas II	Serra das Vacas II S.A. (*)	49.00%	Saloá (PE)	30.00	2014	2049
UEE Serra das Vacas III	Serra das Vacas III S.A. (*)	49.00%	Saloá (PE)	30.00	2014	2049
UEE Serra das Vacas IV	Serra das Vacas IV S.A. (*)	49.00%	Saloá (PE)	30.00	2014	2049
UEE Coqueirinho 2	Coqueirinho 2 Energia S.A. (*)	49.00%	Pindaí (BA)	20.00	2014	2049
UEE Papagaio	Papagaio Energia S.A. (*)	49.00%	Pindaí (BA)	18.00	2014	2049
UEE Banda de Couro	Banda de Couro S.A. (*)	49.00%	Sento Sé (BA)	30.00	2014	2049
UEE Baraúnas II	Baraúnas II S.A. (*)	49.00%	Sento Sé (BA)	24.00	2014	2049
UEE Tamanduá Mirim 2	Tamanduá Mirim 2 Energia S.A. (*)	49.00%	Pindaí (BA)	24.00	2014	2049

(*) In the process of being established.

Transmission

TRANSMISSION SYSTEM	Investee	Company's interest	Year of the concession	Expiry year
In service:				
- Teresina (PI)/Sobral/ Fortaleza(CE) transmission line, in 500 kV with a length of 546 km.	STN - Sistema de Transmissão Nordeste S.A.	49.00%	2004	2034
- Colinas/Miracema/Urupi/Peixe 2/Serra da Mesa (TO/GO) transmission line, in 500 kV, with a length of 695 km.	Integração Transmissora de Energia S.A.	12.00%	2006	2036
- Oriximiná/Silves CD transmission line, in 500 kV, with a length of 335km, and Silves/Lechuga (PA/AM)transmission line, in 500 kV, with a length of 224 km; Silves substation, (500/138 kV), and Lechuga substation (500/230 kV).	Manaus Transmissora de Energia S.A.	19.50%	2008	2038
- Coletora Porto Velho (RO)/Araraquara 2 (SP) transmission line, No. 01, CC, +/- 600 kV, with a length of 2,375 km; Rectifier Station No. 02, CA/CC, 500 kV/+/- 600kV - 3.150 MW; and Inverter Station No. 02 CC/CA, +/- 600 kV/500kV - 2.950 MW.	Interligação Elétrica do Madeira S.A.	24.50%	2009	2039
Under construction:				
- São Luiz II/São Luiz III (MA) transmission line, in 230 kV, with a length of approximately 156 km; Pecém II (CE) substation, 500 kV, and Aquiraz II (CE) substation, in 230 kV.	TDG - Transmissora Delmiro Gouveia S.A.	49.00%	2010	2040
- Ceará Mirim/João Câmara II transmission line, in 500 kV, with a length of 64 km; Ceará Mirim/Campina Grande III transmission line, in 500 kV, with a length of 201 km; Ceará Mirim/Extremoz II transmission line, in 230 kV, with a length of 26 km; Campina Grande III/Campina Grande II transmission line, in 230 kV, with a length of 8.5 km; João Câmara II substation, in 500 kV; Ceará Mirim substation, in 500/230 kv, and Campina Grande III substation, 500/230 kV.	Extremoz Transmissora do Nordeste - ETN S.A.	49.00%	2011	2041
- Luiz Gonzaga/Garanhuns transmission line, in 500 kV, with a length of 224 km; Garanhuns/Campina Grande III transmission line, in 500 kV, with a length of 190 km; Garanhuns/Pau Ferro transmission line, in 500 kV, with a length of 239 km; Garanhuns/Angelim I transmission line, with a length of 13 km; Garanhuns substation, 500/230 kV, and Pau Ferro substation, 500/230 kV.	Interligação Elétrica Garanhuns S.A.	49.00%	2011	2041

2.3 - Concession extension of electric energy public utility

On January 11, 2013, the Federal Government issued Law 12,783/2013, regulated by Decree 7,891, of January 23, 2013, which deals with concessions of electrical energy generation, transmission and distribution, reduction of industry charges, reasonable tariffs, as well as other matters.

Through this Law, the electric energy concessions, which are addressed by articles 17, §5, 19 and 22 of Law 9,074, of July 7, 1995, with maturity terms as from 2015, were extended for another 30 years, in accordance with conditions established in this Law and in the respective amendments to the Concession Contracts.

This extension considered the acceleration of the maturity of these concessions and the establishment, with the Concession Authority, of amendments to the corresponding Concession Contracts, in which the new conditions would be set forth; it also depends on the express consent to the remuneration criteria, allocation of energy and quality standards, contained in the Law, which also established an indemnification for the assets not yet amortized nor depreciated, based on the New Replacement Value (VNR).

Additionally, the Ministry of Mines and Energy (MME) and the Ministry of Finance, issued, on November 1, 2012, the Joint Ministerial Ordinance 580, which fixed the amounts of the indemnifications of the generation and transmission assets impacted by the Provisional Measure, referenced to prices of June 2012 and October 2012, respectively. The indemnification values of generation assets were restated on November 29, 2012 through the Joint Ministerial Ordinance 602.

The Law establishes that the electric energy concessions that are not extended through the acceptance of the conditions presented by the Concession Authority will be subject to bids upon the termination of the current term (2015 - 2017), in auctions or through competitive bidding, for up to thirty years.

The main impacts on the generation and transmission concessions directly affected by Law 12,783/2013 are as follows:

	Generation	Transmission
Assets indemnified and to be indemnified, and their amounts	<p>Generation assets (Basic Project) not amortized as at December 31, 2012, at the amounts established under MME Ordinances 580 and 602 referred to above.</p> <p>The concessionaires must submit to ANEEL supplementary information (after the Basic Project), required for the calculation of the portion of investments linked to assets that will be returned to the concession authority realized up to December 31, 2012 and not yet amortized nor depreciated (renovations and improvements).</p>	<p>Transmission assets purchased after May 31, 2000 and, as of the concession extension date, not amortized (New Basic Network Investments (RBNI)), at the amounts established under Ordinance 580 referred to above.</p> <p>The transmission concessionaires must submit to ANEEL information referring to the assets acquired prior to May 31, 2000 (Basic Network of the Existing System (RBSE)) that have not yet been depreciated nor amortized, required for the calculation of the supplementary indemnification, in a period to be defined by the concession authority, which, when approved, will be paid in 30 years, and restated in the form of a regulation.</p>
Indemnification restatement	The amount of the indemnification will be restated at the Amplified Consumer Price Index (IPCA) (Article 3 of Ordinance 580, mentioned above) up to the date of its effective payment. The payment method requested by the Company, as provided by Article 4 of Ordinance 580 referred to above, is described in Note 8.	
Assets acquired after the concession extension date.	New investments made after December 31, 2012 must be either formally approved or contemplated in future tariff processes, at the discretion of the concession authority.	
Changes in sector charges	Elimination of the Global Reversion Reserve (RGR) and Fuel Consumption Account (CCC), and reduction of the Energy Development Account (CDE) to 25% of the current rate, upon extension of the concessions.	
Changes in business models	<p>Change from fixed price to tariff, with a periodic tariff review as already applied to the transmission activity so far. The tariff will be calculated based on the operating and maintenance (O&P) costs, plus remuneration.</p> <p>The allocation of the quotas of the physical guarantee of energy and capacity of hydroelectric energy plants to the electric energy distribution public utility concessionaires of the National Integrated System (SIN) is to be defined by ANEEL, which will be destined to the regulated market.</p>	The tariff (new Authorized Annual Revenue (RAP)) will be calculated in order to cover the Company's O&M costs, plus remuneration.

The Company has the following concessions impacted by Law 12,783/2013:

- Transmission - Concession Contract 061/2001
- Generation - Concession Contract 006/2004:
 - UHE Paulo Afonso I
 - UHE Paulo Afonso II
 - UHE Paulo Afonso III
 - UHE Paulo Afonso IV
 - UHE Apolônio Sales (Moxotó)
 - UHE Luiz Gonzaga (Itaparica)
 - UHE Xingó
 - UHE Piloto
 - UHE Araras
 - UHE Funil
 - UHE Pedra
 - UHE Boa Esperança (Castelo Branco)

The financial statements at December 31, 2012, presented for comparison purposes, were materially impacted by these changes in Law 12,783/2013, as follows:

- Generation concessions

Basic project

Plants	Net carrying amount	Indemnity PI 602, of 11/29/2012	Gain (loss)
<u>Renewed concessions:</u>			
Paulo Afonso I	290	-	(290)
Paulo Afonso II	-	-	-
Paulo Afonso III	132	-	(132)
Paulo Afonso IV	47,472	360,473	313,001
Apolônio Sales	13,991	84,613	70,622
Luiz Gonzaga	2,159,205	1,730,602	(428,603)
Xingó	3,548,798	2,929,832	(618,966)
Boa Esperança	36,013	72,783	36,770
Pedra	861	-	(861)
Funil	166	-	(166)
<u>Not renewed concessions:</u>			
Araras	611	-	(611)
Piloto	3	-	(3)
Total	5,807,542	5,178,303	(629,239)

Investments after the Basic Project

Plants	Net carrying amount	New Replacement Value (VNR)	Receivable*
Paulo Afonso I	113,359	92,612	92,612
Paulo Afonso II	107,093	146,660	107,093
Paulo Afonso III	70,418	66,259	66,259
Paulo Afonso IV	62,077	20,832	20,832
Apolônio Sales	43,392	38,250	38,250
Luiz Gonzaga	2,405,478	28,174	28,174
Xingó	1,001,072	15,150	15,150
Boa Esperança	115,492	98,759	98,759
Pedra	13,176	8,067	8,067
Funil	18,531	12,626	12,626
Total	3,950,088	527,389	487,822

*Amounts subject to the approval of ANEEL.

- Transmission concessions

	Extended ventures	Extendable ventures (after 2017)	Total
Net carrying amount- prior to Law 12,783/2013	5,225,287	1,200,023	6,425,310
Indemnity received	(1,587,160)	-	(1,587,160)
Impairment/Provision	(41,511)	-	(41,511)
Gain (loss)	(2,119,911)	-	(2,119,911)
Net carrying amount- after Law 12,783/2013	1,476,705	1,200,023	2,676,728
Basic Network of the Existing System (RBSE)	1,187,029	-	1,187,029
Basic Network of New Facilities (RBNI)	289,676	1,200,023	1,489,699

*Amounts subject to the approval of ANEEL.

	Extended ventures	Extendable ventures (after 2017)	Total
Gain (loss) - Law 12,783/2013	(2,161,422)	-	(2,161,422)

Indemnification of the assets and finance result

	Indemnity	Financial restatement	Total
Generation - PI 602, of 11/29/2002	5,178,303	171,485	5,349,789
Transmission - NT 396/2012-SRE/ANEEL	1,587,160	31,746	1,618,907
Total	6,765,464	203,232	6,968,695

Impairment impacts/Onerous contracts

Plants	Impairment/Onerous contract
<u>Onerous contract:</u>	
Camaçari	(357,043)
Luiz Gonzaga (Itaparica)	(1,018,534)
Paulo Afonso Complex	(34,107)
Contract 61/2001	(84,139)
Energy purchase	(98,358)
<u>Impairment:</u>	
Camaçari	(399,040)
Curemas	(1,095)
Total	(1,992,316)

The indemnification of the unamortized generation assets, at the amounts established under Ordinances 580 and 602, and of the unamortized transmission assets acquired after May 31, 2000, at the amounts established under Article 3 of Ordinance 580, are being restated at the Amplified Consumer Price Index (IPCA), up to the date of its effective payment. As permitted by Art. 4 of Ordinance 580, mentioned above, the Company requested the receipt of indemnification in accordance with the following alternative: 50% cash, payable in up to 45 days from the date of the signature of the addendum to the concession contract, and 50% in monthly installments, payable up to the maturity date of the concession contract in effect on the date of publication of the respective Ordinance, both portions increased by the remuneration at the Weighted Average Cost of Capital (WACC) of 5.59% real per annum, as from the first day of the month in which the addendum to the concession contract was signed.

ANEEL Normative Resolution 596, of December 19, 2013, complementing Article 2 of Decree 7,850, of November 30, 2012, establishes criteria and procedures for the calculation of the portion of investments in hydroelectric assets that will be returned to the concession authority, realized up to December 31, 2012 and not yet amortized nor depreciated. The concessionaire expressed at December 12, 2013 interest in receiving the supplementary indemnification relating to investments made after the Basic Project, and will have 180 days, as from the date when its interest is formally expressed, to provide evidence of realization of those investments. At December 31, 2013, these amounts totaled

R\$ 487,822, subject to approval by the regulatory agency. Payment will be made in cash or by recognition in the tariff base.

On December 10, 2013, ANEEL issued Normative Resolution 589, which establishes the criteria for calculation of the New Replacement Value (VNR), for the purposes of indemnifying the transmission facilities of the concessionaires that opted for the extension provided by Law 12,783/2013. This resolution establishes that the concessionaire must engage a company certified by ANEEL to prepare an appraisal report that includes the assets existing as of May 31, 2000 and not yet depreciated as at December 31, 2012. On December 27, 2013, the Company sent to ANEEL a schedule for issue of the report. These amounts totaled R\$ 1,187,029 at December 31, 2013.

3 - FINANCIAL STATEMENT PRESENTATION

The Company presents its financial statements in accordance with the accounting practices adopted in Brazil, and the Pronouncements, Guidance and Interpretations of the Brazilian Accounting Pronouncements Committee (CPC), as well as the standards issued by the Brazilian Securities Commission (CVM) in effect at 12/31/2013.

The Company's Board of Directors, at a meeting held on March 26, 2014, authorized the issue of these financial statements.

4 - SIGNIFICANT ACCOUNTING POLICIES

4.1 CHANGE IN ACCOUNTING POLICIES

In compliance with CPC 19 (R2), the Company is no longer presenting consolidated financial statements. As from 2013, investments made in jointly-controlled entities are reflected only by use of the equity method of accounting.

According to paragraph 22 of CPC 23 - "Accounting policies, changes in accounting estimates and correction of errors", when a change in an accounting policy is applied on a retroactive basis, the Company should adjust the opening balance of each component of equity affected for the earliest period presented, as well as all other comparative amounts for each prior period presented, as if the new accounting policy had always been applied.

The effects that this change in the accounting policy had on the comparative periods presented in the balance sheet and in the statement of operations, as per CPC 26 (R1), are presented below:

Balance sheet	December 31, 2012			January 1, 2012		
	Original balance with proportional consolidation	Effect of jointly-controlled companies	Balance without proportional consolidation	Original balance with proportional consolidation	Effect of jointly-controlled companies	Balance without proportional consolidation
ASSETS						
CURRENT						
Cash and cash equivalents	427,647	(332,902)	94,745	564,024	(295,386)	268,638
Marketable securities	319,923	(90,905)	229,018	917,439	-	917,439
Trade receivables	741,615	(6,805)	734,810	752,450	(7,173)	745,277
Amounts receivable - Law 12,783/13	4,736,747	-	4,736,747	-	-	-
Taxes and social contributions	200,041	(22,533)	177,508	21,964	(9,066)	12,898
Pledges and restricted deposits	13,653	(2,650)	11,003	36,297	(25,294)	11,003
Inventories	85,380	-	85,380	85,098	-	85,098
Financial assets - public service concessions	199,991	(122,968)	77,023	332,222	(73,767)	258,455
Others	211,016	(35,654)	175,362	204,381	(14,647)	189,734
	6,936,013	(614,417)	6,321,596	2,913,875	(425,333)	2,488,542
NON-CURRENT						
Long-term receivables						
Trade receivables	19,571	-	19,571	-	-	-
Amounts receivable - Law 12,783/13	2,719,769	-	2,719,769	-	-	-
Marketable securities	4,463	(155)	4,308	5,173	-	5,173
Taxes and social contributions	1,992,800	(135,502)	1,857,298	660,150	(93,847)	566,303
Pledges and restricted deposits	490,065	(7,271)	482,794	302,423	(6,638)	295,785
Financial assets - public service concessions	4,091,985	(1,492,280)	2,599,705	6,768,014	(954,488)	5,813,526
Others	54,812	3,094	57,906	53,888	(13,191)	40,697
	9,373,465	(1,632,114)	7,741,351	7,789,648	(1,068,164)	6,721,484
Investments	90,764	2,159,692	2,250,456	79,516	1,329,182	1,408,698
Property, plant and equipment	5,086,435	(3,715,041)	1,371,394	13,263,521	(2,089,654)	11,173,867
Intangible assets	77,258	(47,800)	29,458	72,124	(42,558)	29,566
	14,627,922	(3,235,263)	11,392,659	21,204,809	(1,871,194)	19,333,615
TOTAL ASSETS	21,563,935	(3,849,680)	17,714,255	24,118,684	(2,296,527)	21,822,157

	December 31, 2012			January 1, 2012		
	Original balance with proportional consolidation	Effect of jointly-controlled companies	Balance without proportional consolidation	Original balance with proportional consolidation	Effect of jointly-controlled companies	Balance without proportional consolidation
LIABILITIES AND EQUITY						
CURRENT						
Trade payables	557,832	(236,103)	321,729	562,558	(191,770)	370,788
Taxes and social contributions	185,296	(69,401)	115,895	231,765	(10,769)	220,996
Borrowings	976,650	(905,633)	71,017	778,842	(449,143)	329,699
Debentures	-	-	-	105,492	(105,492)	-
Stockholders' remuneration	41	-	41	299,328	-	299,328
Estimated obligations	136,942	(2,155)	134,787	127,019	(576)	126,443
Post-employment benefits	2,523	-	2,523	109,063	-	109,063
Other operating provisions	106,461	-	106,461	102,451	-	102,451
Industry charges	203,584	(2,176)	201,408	164,385	(1,831)	162,554
Others	79,156	(11,367)	67,789	83,292	(5,975)	77,317
	2,248,485	(1,226,835)	1,021,650	2,564,195	(765,556)	1,798,639
NON-CURRENT						
Taxes and social contributions	134,070	(66,273)	67,797	110,016	(28,903)	81,113
Borrowings	2,887,198	(2,489,111)	398,087	1,915,691	(1,453,542)	462,149
Post-employment benefits	705,788	-	705,788	272,497	-	272,497
Industry charges	151,718	-	151,718	167,190	-	167,190
Provisions for contingencies	1,389,660	(975)	1,388,685	924,508	(959)	923,549
Provision for onerous contract	2,303,556	-	2,303,556	-	-	-
Concessions payable - Use of public assets	45,509	(45,509)	-	41,641	(41,641)	-
Advances for future capital increase	-	-	-	1,293,000	-	1,293,000
Debentures	12,364	(12,364)	-	-	-	-
Others	14,128	(8,613)	5,515	11,308	(5,926)	5,382
	7,643,991	(2,622,845)	5,021,146	4,735,851	(1,530,971)	3,204,880
EQUITY						
Share capital	9,753,953	-	9,753,953	7,720,760	-	7,720,760
Capital reserves	4,916,199	-	4,916,199	4,916,199	-	4,916,199
Revenue reserves	-	-	-	3,841,698	-	3,841,698
Additional dividends proposed	-	-	-	897,877	-	897,877
Other comprehensive income (loss)	(805,879)	-	(805,879)	(557,896)	-	(557,896)
Accumulated deficit	(2,192,814)	-	(2,192,814)	-	-	-
	11,671,459	-	11,671,459	16,818,638	-	16,818,638
TOTAL LIABILITIES AND EQUITY	21,563,935	(3,849,680)	17,714,255	24,118,684	(2,296,527)	21,822,157

Statement of operations for the year	Year ended December 31, 2012		
	Original balance with proportional consolidation	Effect of jointly-controlled companies	Balance without proportional consolidation
NET OPERATING REVENUE	6,660,383	(664,355)	5,996,028
OPERATING COSTS			
Cost of electric energy			
Electric energy purchased for resale	(19,058)	-	(19,058)
Charges on transmission network usage	(867,885)	-	(867,885)
Personnel, materials and third-party services	(413,493)	5,606	(407,887)
Financial compensation for use of water resources	(240,074)	-	(240,074)
Depreciation and amortization	(339,877)	62	(339,815)
Provision for onerous contract	(711,375)	-	(711,375)
Others	10,743	2,199	12,942
	(2,583,541)	7,867	(2,575,674)
COST OF SERVICES PROVIDED TO THIRD PARTIES	(5,408)	37	(5,371)
GROSS PROFIT	2,939,409	(127,846)	2,811,563
FINANCE RESULT	175,420	40,841	216,261
PROFIT (LOSS) BEFORE RESULT FROM EQUITY INVESTMENTS AND INTEREST	1,829,902	(33,975)	1,795,927
Effects of Law 12,783/2013	(8,245,242)	-	(8,245,242)
OPERATING RESULT AFTER LAW 12,783/2013	(6,415,340)	(33,975)	(6,449,315)
Income tax and social contribution	1,074,028	33,975	1,108,003
LOSS FOR THE YEAR	(5,341,312)	-	(5,341,312)
Basic loss per share - R\$	(95.54)	-	(95.54)

4.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value, as described in the accounting practices below. Historical cost is usually based on the fair value of the consideration paid on the exchange of the assets.

The financial statements are presented in Brazilian reais (R\$), which is the Company's functional and presentation currency.

4.3 Investments in jointly-controlled entities

In the Company's financial statements, the financial information related to jointly-controlled subsidiaries is recognized using the equity method of accounting.

In accordance with items 24 and 25 of Technical Pronouncement CPC 18 (R2) (IAS 28), to determine the equity in the results of its associates and subsidiaries, the Company utilizes the equity of its investees in the financial statements prepared on the same date as that of its own financial statements. If the investee's financial statements with the same date as that of the Company's are not available, the Company utilizes the financial statements with a difference of 30 days, with appropriate adjustments in case of material events and transactions occurring between the different dates of the financial statements.

When necessary, the financial statements of jointly-controlled subsidiaries are adjusted to conform to the accounting policies established by the Company.

4.4 Investments in associates

An associate is an entity over which the Company has significant influence, but which is not a subsidiary or a jointly-controlled subsidiary (joint venture). Significant influence is the power to participate in decisions about the financial and operating policies of the investee, without exercising individual or joint control over such policies.

The assets and liabilities of associates are included in the financial statements based on the equity method of accounting, and are initially recognized at cost and subsequently adjusted for recognition of the Company's share in the associate's profit or loss and other comprehensive income (loss).

4.5 Investment in joint ventures

A joint venture is an agreement whereby the Company and other parties exercise an economic activity subject to joint control, a situation in which decisions on strategic financial and operating policies related to the investee require the approval of all parties that share the control.

Joint venture agreements that involve the creation of a separate entity in which each of the parties holds a share are called jointly-controlled subsidiaries.

The investor's participation in jointly-controlled subsidiaries is recognized in its financial statements using the equity method of accounting.

4.6 Non-current assets held for sale

Assets or groups of assets are classified as held for sale when their carrying value is recoverable, particularly in the case of a sale and not due to continuing use. This condition is complied with only when the sale is highly probable and the assets or group of assets are available for immediate sale in their current condition.

The assets or groups of assets classified as held for sale are measured at the lower of the previously recorded carrying value and the fair value less cost of sale.

4.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Company's activities, less discounts, rebates and charges on sales.

The Company recognizes revenue when: (i) the amount can be reliably measured; (ii) it is probable that future economic benefits will flow to the Company; and (iii) when specific criteria have been met for each of its activities.

Revenue also includes:

Finance income arising from the remuneration on financial assets through the end of the concession period on a pro-rata basis and considering the project's rate of return.

Income to cover operating and maintenance expenses of transmission assets based on costs incurred.

Construction revenue for expansions, reinforcements and improvement of the infrastructure utilized to provide the electric energy transmission services, not calculating any construction margin.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of certain qualifying assets, which, necessarily, require a substantial period of time to be ready for use or sale, are added to the cost of such assets until the date they are ready for the intended use or sale.

All other borrowing costs are recognized in the statement of operations for the year when incurred.

4.9 Government grants

Government grants arising from tax incentives are recorded in the statement of operations for the period as a reduction of the tax charge, in compliance with Technical Pronouncement CPC 07 (R1) (IAS 20). The portion of the profit arising from these tax incentives is allocated to the Tax Incentive Revenue Reserve, in compliance with Article 195-A of Law 6,404/1976, which is only utilized to increase share capital or offset losses.

4.10 Taxation

The income tax and social contribution benefit or expense represents the sum of current and deferred taxes.

4.10.1. Current taxes

The provision for income tax and social contribution is based on the taxable profit for the year. Taxable profit differs from the profit presented in the statement of operations because it excludes revenues or expenses that are taxable or deductible in other years, besides excluding permanently non-taxable or non-deductible items. The provision for income tax and social contribution is calculated individually for each investee based on the rates in effect at the end of the year.

4.10.2. Deferred taxes

Deferred income tax and social contribution (deferred taxes) are recognized on the temporary differences at the end of each year between the asset and liability balances recognized in the financial statements and the corresponding tax bases, including the balance of tax losses when applicable. A deferred tax liability is usually recognized on all taxable temporary differences and a deferred tax asset is recognized on all deductible temporary differences, only when it is probable that the Company will have future taxable profit in a sufficient amount to permit the utilization of the deductible temporary differences.

The recovery of the balance of the deferred tax asset is reviewed every year-end and, when it is no longer probable that future taxable profit will be available to permit the recovery of whole or part of the asset, the balance is adjusted to the amount expected to be recovered.

The deferred tax asset and liability are measured at the rates applicable in the period when it is expected that the deferred tax liability will be settled or the deferred tax asset will be realized, based on the rates established in the tax legislation in effect at the end of each year or when new legislation is approved. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which the Company expects, at the end of each year, to recover or settle the carrying value of these assets and liabilities.

4.10.3. Current and deferred income tax and social contribution for the year

Current and deferred income tax and social contribution are recognized in the statement of operations, except to the extent that they relate to items recognized in other comprehensive income (loss) or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income (loss) or directly in equity, respectively.

4.11. Property, plant and equipment

Property, plant and equipment are recorded at acquisition or construction cost, less accumulated depreciation, and principally comprise generation assets which were not subject to the concession extensions, set forth under Provisional Measure 579/2012, as well as administrative assets.

Environmental expenditures related to actions and programs realized up to the release of the first operating permit are recorded in property, plant and equipment and the expenses incurred after that period are recorded in the statement of operations.

Depreciation is calculated using the straight-line method, at annual rates established by ANEEL, which are reviewed periodically and accepted by the market as an adequate estimate for accounting and regulatory purposes and which represent the best estimate of the useful lives of the assets.

4.12. Intangible assets

Intangible assets with defined useful lives, acquired separately, are recorded at cost less amortization and accumulated impairment losses. Amortization is recognized on the straight-line method based on the estimated useful lives of the assets.

Corporate software is capitalized on the basis of the costs incurred to acquire and make specific software ready to use. These costs are amortized over their estimated useful lives.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use.
- Management intends to complete the product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated that it is probable that the product will generate future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available.
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

4.13. Impairment of non-financial assets

At the end of each year, the Company reviews the carrying values of its assets to determine whether there are any indications that the carrying values may not be recoverable. If there are such indications, the asset's recoverable amount is estimated to measure the amount of the loss, if any. If it is not possible to estimate the recoverable amount of an individual asset, the Company calculates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. To evaluate the value in use, the estimated future cash flows are discounted to present value at the discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset for which the estimated future cash flows were not adjusted.

If the calculated recoverable amount of an asset, or cash-generating unit, is lower than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount, and the loss from such reduction is recognized in the statement of operations.

4.14. Inventories

Materials held in inventory, recorded in current assets, as well as those destined for investments, recorded in non-current assets/property, plant and equipment, are recorded at the average acquisition cost less a provision for losses, when applicable, not exceeding replacement costs or realizable values.

4.15. Financial instruments

4.15.1. Financial assets

The Company classifies its financial assets as at fair value through profit and loss, receivables, and investments held to maturity.

Financial assets are recognized at fair value plus, in the case of assets not designated at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset.

The Company's financial assets include cash and cash equivalents, trade receivables, indemnifications receivable from the concession authority, marketable securities, financial investments, public utility concessions, and other credits.

4.15.1.1. Subsequent measurement of financial assets

The subsequent measurement of the financial assets depends on their classification, which could be as follows:

- **Financial assets at fair value through profit or loss**

Financial assets are classified at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are presented in the balance sheet at fair value and the corresponding gains or losses are recognized in the statement of operations.

- **Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are carried at amortized cost utilizing the effective interest method, less estimated impairment. Amortized cost is calculated considering the discount on acquisition and charges or costs incurred.

- **Investments held to maturity**

Non-derivative financial assets with fixed or determinable payments are classified as held to maturity when the Company has expressed its intention and has the financial capability to hold them through maturity. After initial measurement, the investments held through maturity are carried at amortized cost utilizing the effective interest method, less impairment.

4.15.1.2. Derecognition of financial assets

A financial asset is derecognized when:

- The rights to receive cash flows from the asset expire.
- The Company transfers its right to receive cash flows from the asset, or assumes the obligation to fully pay the cash flows received to a third party due to a "transfer" agreement; and (a) The Company transfers all of the asset's risks and benefits, or (b) The Company does not transfer nor holds all of the risks and benefits related to the asset, but transfers the control over the asset.

4.15.2. Financial liabilities

Financial liabilities are classified as borrowings, financial liabilities at fair value through profit or loss, or as held for trading. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially recognized at fair value plus, in the case of borrowings, the directly related transaction costs.

The Company's financial liabilities include trade payables and borrowings.

4.15.2.1. Subsequent measurement of financial liabilities

Financial liabilities are measured in accordance with their classification, which could be as follows:

- **Borrowings**

After the initial recognition, borrowings are measured at amortized cost plus charges, interest and monetary and/or foreign exchange variations pursuant to the contract terms, incurred through the balance sheet date.

- **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated on initial recognition as at fair value through profit or loss.

The Company did not have any financial liability at fair value through profit or loss.

4.15.2.2. Derecognition of financial liabilities

A financial liability is derecognized when the obligation is revoked, canceled or has expired. When an existing financial liability is replaced by another from the same lender with substantially different terms, or when the terms of an existing liability are significantly changed, this replacement or change is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the corresponding amounts is recognized in the statement of operations.

4.15.3. Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on the market bid prices at the close of business on the balance sheet date, with no deduction of transaction costs.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These techniques can include the use of recent market transactions carried out on an arm's length basis; reference to the current fair value of a similar instrument; discounted cash flow analysis or other valuation methods.

4.16. Statement of Value Added (DVA)

This statement was prepared in accordance with the provisions of CPC 09 - Statement of Value Added, and is intended to evidence the wealth created by the Company and its distribution during the year. It is presented as required by Brazilian Corporation Law.

4.17. New and revised standards and interpretations already issued and not yet adopted

The following are the IFRS standards, amendments to standards and interpretations, issued by the International Accounting Standards Board (IASB), which were not in effect for the year ended December 31, 2013:

Standard	Effective date	Comments
IAS 32 - Offsetting of financial assets and liabilities	As from 1/1/2014	Amendment that clarifies the requirements for offsetting financial instruments.
IFRS 9 - Financial Instruments - Classification and measurement	As from 1/1/2015	Refers to the classification and measurement of financial assets and liabilities, as established by IAS 39.

The CPC has not yet issued pronouncements equivalent to the above-mentioned IFRS, but they are expected to be issued before the date they will take effect. Early adoption of the IFRS Pronouncements is subject to prior approval in a regulatory act of the Brazilian Securities Commission.

Some technical pronouncements and interpretations issued by the CPC were reviewed by that body, and their adoption is mandatory as from year 2014. However, no significant impacts were identified in the Company's financial statements as a result of these revisions.

4.18. Post-employment benefits

a) Pension obligations

Payments to defined contribution pension plans are recognized as expenses when the services that grant the right to these payments are provided.

In the case of defined benefit pension plans, the cost of the benefits is determined using the Projected Unit Credit Method based on the actuarial valuation realized annually at the end of each period. Actuarial gains and losses, arising from adjustments based on experience and on changes in actuarial assumptions, are charged or credited directly to equity - other comprehensive income (loss) - in the period in which they occur.

The pension benefit obligation recognized in the balance sheet represents the present value of the obligation with defined benefits adjusted for actuarial gains or losses and for the cost of past services, reduced by the fair value of the plan's assets.

b) Other post-employment obligations

The Company subsidizes part of the premiums of a life insurance policy for active employees. Retired former employees who opted to remain linked to this policy pay the full premium, which is collectively established for the entire population of active and inactive participants. However, considering the age characteristics of the population of active and inactive participants, the actuarial calculation of the segregated premium attributable to the group of inactive participants indicates the existence of an indirect post-retirement benefit paid by the Company. These obligations are evaluated annually by independent actuaries and the actuarial gains and losses, arising from adjustments based on experience and changes to the actuarial assumptions, are charged or credited directly to equity - other comprehensive income (loss) - in the period in which they occur.

4.19. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the result attributable to stockholders of the Company by the number of common and preferred shares outstanding in the respective period. Diluted earnings (loss) per share is calculated by reference to the number of shares outstanding, adjusted for instruments potentially convertible into shares, with a dilutive effect in the periods presented, in accordance with CPC 41 and IAS 33.

4.20. Dividend distribution

The Company's dividend recognition policy is in compliance with the standards determined in CPC 25 (IAS 37) and ICPC 08 (R1), which establish that proposed dividends payable based on statutory obligations be recorded in current liabilities.

The Company's Bylaws provide for the distribution of a minimum of 25% of the profit for the year as dividends.

Accordingly, at the end of the fiscal year and after the legal appropriations, the Company records a provision equivalent to the minimum mandatory dividends in current liabilities and the proposed dividends which exceed the mandatory minimum are recorded as proposed additional dividends in equity.

Dividends not claimed within three years revert to the Company, as determined in the applicable legislation.

4.21. Other accounting practices

a) Critical accounting estimates and judgments

In preparing these financial statements, the Company adopted estimates and assumptions based on its experience and other factors that it considered to be reasonable and relevant for a fair presentation. Although these estimates and assumptions are continually monitored and reviewed by the Company, the materialization of the amounts of assets and liabilities and results of operations are uncertain as they are based on judgment.

Concerning the accounting estimates considered as being the most critical to its financial statements, the Company makes its judgments on future events, variables and assumptions as follows:

- Deferred tax assets and liabilities - calculated and recognized utilizing the rates applicable to the estimated taxable profit to be offset in the years in which these temporary differences and the accumulated income tax and social contribution losses should be realized.

Income tax and social contribution losses - can be carried forward indefinitely, but their utilization is limited to 30% of the taxable income for each year. The taxable profit is estimated based on the Company's periodically revised strategic plan. However, future taxable income can be higher or lower than that estimated when deciding to record, or not, the amount of the deferred tax asset.

- Provisions - recognized when an obligation has arisen as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation in the future, and the amount can be reliably estimated. The amount recognized as a provision is therefore the best estimate of the expenditure required to settle the obligation at the date of the financial statements, taking into consideration the risks and uncertainties that surround the underlying events.

Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statute of limitations periods or additional exposures identified as a result of new issues or court decisions. The actual results may differ from the estimates.

- Onerous contracts - present obligations arising from onerous contracts are measured and recognized as provisions. An onerous contract exists when the unavoidable costs of meeting the obligations under the contract exceed the expected benefits to be derived during the term of the contract. The Company uses assumptions relating to the economic costs and benefits of each contract to determine whether or not an onerous contract exists.

The long-term amount is recognized at present value, based on a post-tax discount rate (post-tax Weighted Average Cost of Capital (WACC)) approved by managements.

The critical estimate used in determining the amount of the provision for future sales under the contract is the historical average Price of Settlement of Differences (PLD) approved by the Eletrobras System as an assumption for the calculation of the provision for onerous contract, exclusively for accounting purposes.

- Impairment of long-lived assets - management of the Company adopts variables and assumptions for the impairment testing of long-lived assets so as to estimate the recoverable amount of the assets and recognize an impairment loss, if any. In this context, judgments are applied based on the experience with the management of the asset, group of assets or cash-generating unit, which may not materialize in the future, including as regards the estimated useful lives of the assets, which reflect the applicable practices determined by ANEEL for assets related to the electricity public service concession, and may vary due to the periodic review of the economic useful lives of the assets. In addition, several intrinsically uncertain events impact the choice of variables and assumptions utilized to determine future discounted cash flows to measure the impairment loss of long-lived assets. Such events include the maintenance of power consumption levels, growth rate of the country's economic activity, availability of water resources, in addition to those inherent to the expiration of the electricity concessions held by the Company, especially as regards the amount to be returned to the concession authority at the end of the concession. In this connection, the assumption adopted is that an indemnity as set forth in the contract will be due, if applicable, at the lower of the residual amount at the end of the energy generation and transmission concessions and the new replacement value.
- Basis for the determination of the indemnity due by the concession authority for public service concessions - Provisional Measure 579, of September 11, 2012, converted into Law 12,783/2013, on January 11, 2013, defined a New Replacement Value (VNR) as the basis for the determination of the indemnity due by the concession authority for public service concessions. The Company adopts the assumption that the assets are to be returned at the maturity of the concession contracts, with the right to receive an indemnity from the concession authority for investments not yet amortized, at the lower amount between the residual book value and the new replacement value. In accordance with this assumption, amounts receivable from the concession authority related to the Basic Network of the Existing System (RBSE) and investments realized after the basic project of the power plants, which are still subject to the approval of ANEEL, were recorded.
- Actuarial obligations - actuarial obligations are calculated by independent actuaries, and the actual results could differ from the estimates utilized in these financial statements, under variables, assumptions and conditions differing from those existing and utilized at the time of the appraisal.
- Useful lives of property, plant and equipment - the Company utilizes the criteria defined in ANEEL Resolution 367, of June 2, 2009, rewarded by Resolution 474, of February 7, 2012, to estimate the useful lives of the assets.

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, and high liquidity short-term investments, which are readily convertible into known amounts of cash and subject to insignificant risk of change in value.

c) Trade receivables

Trade receivables arise from the sale of electric energy, the availability of the transmission system, services provided, late payment and other charges, up to the balance sheet date, recorded on the accrual basis and adjusted to present value.

The provision for impairment of trade receivables is recorded at an amount deemed sufficient by management to cover losses on the realization of trade receivables.

d) Marketable securities

The financial investments in Financial Treasury Bills (LFT), National Treasury Bills (LTN) and Federal Treasury Notes (NTN), Series B and F, are held for trading in a wholly-owned investment fund, in accordance with current regulations. Other securities, which constitute a small portion of this account, refer to Agrarian Debt Notes (TDA) and National Treasury Notes (NTN), Series P, with definite maturities, which the Company intends to hold to maturity. Marketable securities are recorded at acquisition cost plus interest and monetary restatement, which are credited to the statement of operations, and are adjusted to the probable realizable value, if applicable.

e) Pledges and restricted deposits

Pledges and restricted deposits refer to collaterals granted to financial institutions, and for electric energy auctions, as well as judicial deposits relating to ongoing administrative and court proceedings, and are stated at cost plus the respective earnings accrued through the balance sheet date.

f) Indexed assets

Indexed assets are adjusted through the balance sheet date and the other assets are stated at cost, net of provisions for losses.

g) Financial assets - public service concessions

The financial assets refer to amounts receivable under electric energy concession contracts in the form of Authorized Annual Revenue or Indemnity.

The financial asset - Authorized Annual Revenue is the estimated amount receivable during the concession period.

The indemnifiable financial assets refer to the estimated portion of investments made and not amortized by the end of the concession period, classified as a financial asset as there is an unconditional right to receive cash or another financial asset directly from the concession authority. The accounting treatment is in line with Technical Interpretation ICPC 01 (R1) - Concession Contracts (IFRIC 12), and Technical Guidance OCPC 05 - Concession Contracts. These financial assets are remunerated at an internal rate of return calculated based on the projected cash flow of the investments.

The indemnification amounts receivable from the concession authority, arising from the installations covered by concession renewal, will be received restated at the IPCA, as follows: 50% cash, payable in up to 45 days from the date of the signature of the addendum to the concession contract, and 50% in monthly installments, payable up to the maturity date of the concession contract in effect on the date of publication of Ordinance 580/2012, both portions increased by the remuneration at the Weighted Average Cost of Capital (WACC) of 5.59% real per annum, as from the first day of the month in which the addendum to the concession contract was signed.

h) Adjustment to present value

Assets and liabilities arising from long-term transactions, and those arising from short-term transactions when their effect on the financial statements is considered material, are adjusted to present value based on market discount rates on the date of the transaction.

i) Statement of operations

The result for the year is calculated on the accrual basis and considers the recognition and realization of tax credits in the year and the income tax reduction arising from the Superintendency for the Development of the Northeast (SUDENE) tax incentives, determined based on the operating profit (Note 32).

j) Finance income and costs

Finance income and costs mainly comprise interest and monetary variations arising from financial investments, amounts receivable (Law 12,783/2013), and borrowings, and are recognized on the accrual basis.

l) Onerous contracts

Present obligations arising from onerous contracts are measured and recognized as provisions. An onerous contract exists when the unavoidable costs of meeting the obligations under the contract exceed the expected benefits to be derived during the term of the contract.

4.22. ASPECTS SPECIFIC TO THE ELECTRIC ENERGY SECTOR

4.22.1 - Authorized Annual Revenue (RAP)

The Authorized Annual Revenue (RAP) defined in the Electric Energy Transmission Public Utility Service Concession Contract refers to the revenue authorized by ANEEL, by means of a resolution, to be earned by the Company for the availability of the facilities of its Transmission System. It is comprised of the portion referring to the facilities of the Basic Network and the portions related to the other transmission facilities and connections.

According to the first amendment to Concession Agreement 061/2001, the RAP of this contract will be adjusted by the Amplified Consumer Price Index (IPCA), instead of the General Market Price Index (IGP-M), and will be subject to tariff review every five years. This amendment changes the previous provision, effective up to the extension of the concession, which established a tariff review every four years.

For new concessions, obtained at Public Transmission Auctions, the revenue, which will be fixed, will comprise the amount indicated in the bids plus an annual adjustment by the IPCA index throughout the concession period, being also subject to tariff adjustments every five years, during the 30 years of the concession period.

4.22.2. Annual Generation Revenue (RAG)

Approved by ANEEL, the Annual Generation Revenue (RAG) corresponds to the revenue obtained through the availability of physical guarantee, under the system of quotas, of energy and power of the power plants, payable in installments at the rate of one-twelfth, and subject to adjustments due to unavailabilities or generation performance, less the amount necessary to cover expenses with social contributions to the Social Integration Program (PIS), the Public Service Employee Savings Program (PASEP), and the Social Contribution on Revenues (COFINS).

4.22.3. Obligations linked to the electric energy utility service

The obligations refer to the balance of funds and/or assets received from the Federal Government and Consumers in general, in partnership with the Company.

4.22.4. Global Reversion Reserve (RGR)

Charge introduced by Decree 41,019, of February 26, 1957, whose effectiveness was extended to 2035 through Law 12,431, of June 24, 2011, which refers to an annual amount established by ANEEL, payable monthly at the rate of one-twelfth by the concessionaires, for the purpose of providing resources for the reversal and/or expropriation of the Electric Energy Utility Service, as well as to fund the expansion and improvement of this service. Its annual amount is equivalent to 2.5% of the investments made by the concessionaire in assets linked to the provision of the electric energy utility service and is limited to 3.0% of annual revenue. The RGR is administered by Eletrobras. The electric energy generation and transmission concessions that were extended or subject to bid as established by Law 12,783/2013 are released from the payment of the annual quota of RGR, as from January 1, 2013.

4.22.5. Alternative Sources of Electric Energy Incentive Program (Proinfa)

Introduced by Article 3 of Law 10,438/2002, as amended by Article 9 of Law 10,762/2003, and by Article 2 of Law 10,889/2004, this program aims at increasing the share of alternative renewable sources in electric energy production, benefiting entrepreneurs with companies independent of electric

energy generation, transmission, or distribution concessionaires. The program also aims at increasing the participation of companies in the Electric Energy Sector.

4.22.6. Financial Compensation for Use of Water Resources (CFURH)

Established by Law 7,990/1989, its purpose is to provide compensation for the municipalities affected by the loss of farmland in areas flooded for the construction of hydroelectric energy plant reservoirs. Of the amount collected monthly as financial compensation, 45% is allocated to the States, 45% to the Municipalities, 3% to the Ministry of the Environment, 3% to the Ministry of Mines and Energy, and 4% to the Ministry of Science and Technology. The calculation of the CFURH is based on the actual generation of the hydroelectric energy plants, in accordance with the following formula: $CFURH = TAR \times GH \times 6.75\%$, where TAR stands for Adjusted Reference Tariff, established annually by ANEEL (in R\$/MWh), and GH is the amount (in MWh) of the monthly generation of the hydroelectric energy plant. It is managed by ANEEL. As from this year, as provided by Law 12,783/2013, the financial compensation for the use of water resources relating to the hydroelectric power plants that had their concession extended started to be paid by the Company and collected from the distributors through its billings.

4.22.7. Fossil Fuel Consumption Account (CCC)

Established by Decree 73,102/1973 and payable monthly by all the companies that sell electric energy to end consumers. Its purpose is to apportion the costs related to the consumption of fuel for thermoelectric energy generation in Isolated Systems, mainly in the Northern region of Brazil. The CCC amounts are established annually by ANEEL, for each concessionaire, based on their market, and can vary according to the need to use the thermoelectric energy plants. The CCC is administered by Eletrobras. Law 12,783/2013 extinguished the apportionment of the consumption cost of fuels for Generation as from 2013.

4.22.8. Energy Development Account (CDE)

Established by Law 10,438/2002, its purposes are to: i) provide resources for the development of the energy in the States; ii) increase the competitiveness of the energy generated from wind power sources, small hydroelectric energy plants, biomass, natural gas and coal, in the areas served by interconnected electricity systems; iii) offer electric energy utility services throughout Brazil. The resources originate from: (i) the annual payments made for the Use of Public Assets (UBP), established by the generation concessions; (ii) fines imposed by ANEEL; and (iii) payments of the annual fees by all companies that sell electric energy to the end consumers of the National Interconnected System (SIN), based on the CCC amounts of the interconnected systems referring to 2001, adjusted annually based on the market growth and the Amplified Consumer Price Index (IPCA). It is managed by the Ministry of Mines and Energy and Eletrobras. This contribution was reduced to 25% of the previous rate, as from 2013, as one of the instruments to viabilize the reduction of the energy bill.

4.22.9. Research and Development (R&D)

Created by Law 9,991/2000, the R&D Program establishes that concessionaires and grantees of electric energy generation and transmission utility services must annually invest at least one percent (1%) of net operating revenue in research and development of the Electric Energy Sector. The funds are allocated to the Ministry of Science and Technology, National Fund for Scientific and Technological Development (FNDCT), the Ministry of Mines and Energy and to companies, for investments in projects approved by ANEEL. This Program is managed by the Ministries of Science and Technology and Mines and Energy, as well as ANEEL and the companies themselves.

4.22.10. Electric Energy Utility Service Inspection Fee (TFSEE)

Introduced by Law 9,427/1996, this fee is equivalent to 0.5% of the annual economic benefit obtained by concessionaires, grantees or authorized companies of the Electric Energy Utility Service. Its annual amount is established by ANEEL for the purpose of obtaining revenues to cover the costs of its activities. For the generation and transmission sectors (independent producers, self-producers, concessionaires, grantees) the amount is determined at the beginning of each calendar year, whereas the fee payable by the distributors is calculated on the anniversary of the concession. The amounts established are payable monthly at the rate of one-twelfth, and are managed by ANEEL.

4.22.11. Charge for Electric Energy Reserve (EER)

This charge is being collected from all users of the National Interconnected System (SIN), arising from the sale of Reserve Electric Energy, since the issue of Decree 6,353, of January 16, 2008, for the purpose of increasing the security of SIN's supply of electric energy. Since January 2009 the Electric Energy Trading Chamber (CCEE) has been representing consumers of this electric energy and centralizing the contractual relationship between the parties (Reserve Electric Energy Contracts - CER), being responsible for collecting the charge and managing the Reserve Electric Energy Account (CONER). The charge is determined in accordance with the Electric energy Sales Rules, approved by ANEEL's Regulatory Instruction 385/2009.

4.22.12. Regulatory assets and liabilities

The Company did not recognize regulatory assets and liabilities in its accounting records, since they did not meet the definition of assets and/or liabilities set out in the international accounting practices and the CPC Pronouncement, which defines the conceptual framework for the preparation and presentation of financial statements.

5 - CASH AND CASH EQUIVALENTS

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Cash and bank deposits	145,978	29,098	3,306
Financial investments	695,133	65,647	265,332
Total	<u>841,111</u>	<u>94,745</u>	<u>268,638</u>

Cash and cash equivalents include cash in hand, bank deposits, and high liquidity short-term investments, which are readily convertible into known amounts of cash and that are subject to insignificant risk of change in value.

The Company holds its short-term financial investments, of immediate liquidity, in a wholly-owned extra-market fund, in a portfolio composed mostly of securities issued by the Federal Treasury, with Banco do Brasil Distribuidora de Títulos e Valores Mobiliários S.A. - BB-DTVM and Caixa Econômica Federal, in accordance with specific legislation applicable to state-owned companies through Decree-Law 1,290, of December 3, 1973, and Resolution 4,034, of November 30, 2011, of the Brazilian Central Bank, which determined new mechanisms for the investments of state-owned companies and mixed private/state owned companies that comprise the Indirect Federal Administration (Note 6) These operations have daily liquidity and low risk, and received the following remuneration this year:

	<u>Remuneration of the year</u>
Banco do Brasil FAE2	6.72%
Banco do Brasil Extram. Exclusivo 8	4.11%
FI Caixa Extramercado IV	-1.80%
FI Caixa Extramercado III	0.13%

Short-term investments include repurchase commitments that have a guarantee of daily repurchase by the financial institution at a rate previously agreed between the parties, and are backed by government bonds, with an average return of indices of the Brazilian Association of Financial and Capital Market Entities (ANBIMA) and fixed rates.

6. MARKETABLE SECURITIES

	<u>Maturity</u>	<u>Remuneration</u>	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Shares		Interest on capital/Dividends	25	31	33
Investment funds - Financial Treasury Bills (LFT)	After 90 days	11.39% p.a.	-	-	914,071
National Treasury Bills (LTN)	After 90 days	Fixed	989,360	112,546	-
Federal Treasury Notes (NTN) - B	After 90 days	IPCA	810,890	50,873	-
Federal Treasury Notes (NTN) - F	After 90 days	Fixed	167,033	61,675	-
National Treasury Notes (NTN) - P	9/7/2014	TR + 6% p.a.	191	-	-
	Up to				
Agrarian Debt Bonds (TDA)	March/2014	TR + 3% p.a.	4,465	3,893	3,335
Total current			1,971,964	229,018	917,439
National Treasury Notes (NTN) - P	12/28/2015	TR + 6% p.a.	357	530	883
	Up to				
Agrarian Debt Bonds (TDA)	March/2019	TR + 3% p.a.	3,225	3,778	4,290
Total non-current			3,582	4,308	5,173
Total			1,975,546	233,326	922,612

The common and preferred shares mainly represent minority interests in companies of the Telecommunications Sector, adjusted to probable realizable values and recorded in current assets.

The Agrarian Debt Bonds (TDA) originate from expropriations by the Federal Government, for social interest reasons in connection with agrarian reform, of rural properties belonging to the Company, pursuant to the Land Statute - Law 4,504, of November 30, 1964, and are classified as held to maturity. The bonds recorded in non-current assets/long-term receivables have maturities up to 2019.

The Series P National Treasury Notes (NTN) originate from the sale of shares representing minority interests, deposited with the National Privatization Fund (FND), under Decree 1,068/1994, recorded in non-current assets/long-term receivables and classified as held to maturity.

The investment fund portfolio is substantially comprised of National Treasury Bonds (LTFs, LTNs and NTNs, Series B and F) and is classified as held for trading and measured at fair value through profit or loss.

The significant change presented in the Company's financial investments results mainly from the receipt of a portion of the indemnity for the facilities of the concession agreements which were extended as per Law 12,783/2013.

7 - TRADE RECEIVABLES

The composition of short and long-term trade receivables arising from electric energy operations and from the availability of the transmission system is as follows:

	Overdue			Total			
	Not yet due	Up to 90 days	More than 90 days	Total	12/31/2013	12/31/2012	1/1/2012
Current							
Energy supply	141,596	3,615	67,194	70,809	212,405	513,705	472,309
Energy sales	70,716	6,022	90,864	96,886	167,602	159,702	153,437
Availability of the transmission system	61,775	1,844	29,616	31,460	93,235	169,755	161,718
Connection to the transmission system	5,533	1,168	18,555	19,723	25,256	24,282	21,753
Sales at CCEE	-	-	-	-	-	26,948	29,091
Renegotiated receivables	6,334	1,655	20,339	21,994	28,328	27,221	9,423
(-) Adjustment to present value	(1,174)	-	-	-	(1,174)	(3,063)	-
(-) Provision for impairment of trade receivables	(1,602)	(17,436)	(208,072)	(225,508)	(227,110)	(183,740)	(102,454)
Total current	283,178	(3,132)	18,496	15,364	298,542	734,810	745,277
Non-current							
Renegotiated receivables	15,916	-	-	-	15,916	19,571	-
(-) Adjustment to present value	(1,582)	-	-	-	(1,582)	-	-
Total non-current	14,334	-	-	-	14,334	19,571	-
Total	297,512	(3,132)	18,496	15,364	312,876	754,381	745,277

• RENEGOTIATED RECEIVABLES

A portion of the above-mentioned receivables has been renegotiated as follows:

	12/31/2013	12/31/2012	1/1/2012
Companhia Energética do Piauí S.A.	-	-	3,064
Ligas do Brasil S.A.	21,487	17,520	14,228
Celipa S.A.	20,648	25,810	4,975
Santana Têxtil	2,109	3,462	1,384
	44,244	46,792	23,651
(-) Provision for impairment of trade receivables	(23,596)	(17,520)	(14,228)
(-) Adjustment to present value	(2,757)	(3,063)	-
Total	17,891	26,209	9,423
Current	3,557	6,638	9,423
Non-current	14,334	19,571	-

The renegotiated receivables have the following characteristics:

- **Ligas do Brasil S.A. - Libra**- Debt Acknowledgment Agreement dated September 1, 2004 between Chesf and Ligas do Brasil S.A. - Libra, in the amount of R\$ 3,423, payable in 36 monthly installments, falling due as from September 25, 2004, subject to the official interest rate (Special System for Settlement and Custody (Selic)), plus 1% per month. The installments overdue since November 2005 were under court-ordered collection through Lawsuit 0126653-84.2009.8.17.0001, filed at the State Courts of Pernambuco, 24th Lower Civil Court. Because of the agreement signed between Chesf and Libra, this lawsuit was canceled on May 5, 2010. This transaction, however, referred only to the invoices for electric energy consumption maturing as from May 2010. Chesf filed a new Ordinary Collection Proceeding, with the 17th Lower Civil Court, Lawsuit 00282992-95.2010.8.17.0001, aimed at recovering the overdue receivables.

The Company maintained a provision for impairment of trade receivables for these amounts during the year.

- **Celpe S.A.** - Petition for a court-supervised recuperation, of R\$ 25,810, approved on September 1, 2012 by the Creditors Meeting. This amount will be paid by Celpe in 60 equal and successive monthly installments, without interest and monetary restatement. The Company maintains a provision of R\$ 2,757 for the adjustment to present value of these trade receivables.
- **Santana Têxtil** - Agreement 001/2012 of Acknowledgment and Payment of Debt of R\$ 4,055, payable in 24 installments; 002/2012 of R\$ 922, payable in 6 installments, and 003/2012 of R\$ 955, payable in 6 installments; all from June 18, 2012, with their respective installments subject to the SELIC interest rate plus 1% per month.

The Company has set up a provision for impairment of these amounts.

• PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

At 1/1/2012	(102,454)
Provision	(81,286)
At 12/31/2012	(183,740)
Provision	(43,370)
At 12/31/2013	(227,110)

The provision for impairment of trade receivables is recognized at an amount considered sufficient by management to cover probable losses on accounts receivable, the recovery of which is considered to be unlikely. It is calculated based on an individual analysis of past-due receivables in order to properly evaluate accounts that are likely to remain uncollectible, considering management's experience in relation to actual losses, existence of collateral, and other factors.

8 - AMOUNTS RECEIVABLE - LAW 12,783/2013

	<u>12/31/2013</u>	<u>12/31/2012</u>
Prior balance	7,456,516	-
Indemnity	-	7,253,286
Amounts received	(5,089,452)	-
Monetary restatement	342,671	203,230
	<u>2,709,735</u>	<u>7,456,516</u>
Current	1,254,584	4,736,747
Non-current	<u>1,455,151</u>	<u>2,719,769</u>
	<u>2,709,735</u>	<u>7,456,516</u>

As permitted by Art. 4 of Ordinance 580, the Company requested the receipt of indemnification in accordance with the following alternative: 50% cash, payable in up to 45 days from the date of the signature of the addendum to the concession contract, and 50% in monthly installments, payable up to the maturity date of the concession contract in effect on the date of publication of the respective Ordinance, both portions increased by the remuneration at the Weighted Average Cost of Capital (WACC) of 5.59% real per annum, as from the first day of the month in which the addendum to the concession contract was signed.

The amounts receivable resulting from this indemnity are restated by the IPCA up to the date they are effectively paid.

9 - TAXES AND SOCIAL CONTRIBUTIONS - ASSETS

a) Composition

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Current			
Taxes recoverable	95,587	177,508	12,898
	<u>95,587</u>	<u>177,508</u>	<u>12,898</u>
Non-current			
Taxes recoverable	155,446	134,193	189,545
Deferred taxes	1,954,740	1,723,105	376,758
	<u>2,110,186</u>	<u>1,857,298</u>	<u>566,303</u>
	<u>2,205,773</u>	<u>2,034,806</u>	<u>579,201</u>

b) Taxes recoverable

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Current			
Corporate Income Tax (IRPJ)/Social	79,540	167,672	874
Withholding income tax (IRRF)	82	82	82
Tax for Social Security Financing (FINSOCIAL)	2,076	1,961	1,717
Social Integration Program (PIS)/Public	2,119	1,191	1,613
Social Contribution on Revenues (COFINS)	9,761	5,486	7,430
Other	2,009	1,116	1,182
	<u>95,587</u>	<u>177,508</u>	<u>12,898</u>
Non-current			
Tax for Social Security Financing (FINSOCIAL)	6,383	6,030	12,020
Social Integration Program (PIS)/Public Service	15,007	-	-
Social Contribution on Revenues (COFINS)	134,056	128,163	177,525
	<u>155,446</u>	<u>134,193</u>	<u>189,545</u>
	<u>251,033</u>	<u>311,701</u>	<u>202,443</u>

PIS/PASEP and COFINS - Unconstitutionality of the increase in the calculation basis

The Federal Supreme Court (STF) declared the unconstitutionality of paragraph 1 of Article 3 of Law 9,718/1998, which increased the PIS/PASEP and COFINS calculation basis and changed the concept of billing, which started to include all the revenues of a legal entity, regardless of the type of activity carried out and the accounting classification adopted. This paragraph was not supported by the constitution and was subsequently amended.

This decision only benefited the companies that filed extraordinary appeals which have already been finally judged. Based on the National Tax Code (CTN), the Company filed, on June 9, 2005, an administrative appeal at the Brazilian Federal Revenue Secretariat seeking recognition of the right to reimbursement of overpaid amounts resulting from the declaration by the STF of the unconstitutionality of the increase in the calculation basis of these taxes.

The aforementioned appeal was denied by the Brazilian Federal Revenue Secretariat, and the Company filed ordinary lawsuits, in July 2006, to recover the PIS/PASEP and COFINS credits, and obtained a favorable decision.

However, when the Federal Supreme Court (STF) analyzed the constitutionality of the application of the Supplementary Law 118/2005 (RE 566,621/RS), it concluded that the prescriptive period of 10 years only applies to the claims filed or administrative proceedings presented up to June 8, 2005. Considering this understanding of the Supreme Court, the Federal Government (Federal Finance Department) contested the settlement of the judgment amount (calculation of the amounts) and also filed an indemnity lawsuit with the Federal Regional Court of the 5th Region, aiming at partially rejecting the decision favorable to the Company.

In view of the position taken by the Federal Supreme Court (STF), it is probable that the appeals pending judgment will return to their respective origins to be aligned with the orientation of the Constitutional Court.

Based on the opinion of its legal advisors in the lawsuit referring to COFINS, whose judgment was final and unappealable, and in accordance with Technical Communication 05/2009 of the Institute of Independent Auditors of Brazil (Ibracon), and CVM Resolution 594/2009, the Company maintains recognized, in "taxes and contributions recoverable", the estimated amount of the credit claimed at the probable realization amount (adjusted original amount), corresponding to R\$ 134,056, which will be offset in the future against federal taxes payable by the Company.

The lawsuit relating to PIS/PASEP has also been given a final and unappealable decision and is currently undergoing its settlement phase, with an estimated final tax credit for the period of August 2001 to November 2002 corresponding to R\$ 15,007, after monetary restatement up to the end of this year. This amount was recorded in "taxes and contributions recoverable", according to the previously mentioned Ibracon Technical Pronouncement and CVM Resolution.

c) Deferred tax assets

• Corporate income tax and social contribution

The Company has recognized deferred tax assets in the amount of R\$ 1,954,740, in non-current assets, pursuant to Technical Pronouncements CPC 26 (R1) (IAS 1) and 32 (IAS 12), approved by CVM Resolutions 595 and 599, both of September 15, 2009, resulting from temporary differences and tax loss carryforwards, as follows:

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Temporary differences			
. DNAEE Agreement 250/1985 - restated credit generated in 1994*	-	-	77,077
. Provisions for contingencies	1,404,872	1,283,546	416,076
. Provision for impairment of trade receivables	256,559	198,533	102,454
. Provision for losses - studies and projects	259,473	10,882	10,882
. Scheduled Voluntary Termination Program	166,189	-	-
. Life insurance provision - Actuarial assessment	81,922	81,922	81,922
. Adoption of new practices - BRGAAP	3,554,693	3,985,503	714,357
. Other provisions	149,446	123,948	119,694
	<u>5,873,154</u>	<u>5,684,334</u>	<u>1,522,462</u>
Tax credits			
. Income tax on temporary differences	1,221,144	1,211,515	246,673
. Income tax on loss carryforwards	128,450	-	-
. Social contribution on temporary differences	528,584	511,590	130,085
. Social contribution on loss carryforwards	76,562	-	-
Non-current	<u>1,954,740</u>	<u>1,723,105</u>	<u>376,758</u>

* Refers to income tax only.

These tax effects contemplate the application of 9% for social contribution and 15% for income tax on the calculation basis, with an additional of 10% for income tax, reduced to 6.25% during the fruition period of the tax incentive (Note 32), for those temporary differences which will affect the calculation of this incentive, in conformity with Law 9,430, of December 30, 1996.

The tax credits relating to Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), arising from temporary differences - inflation effects recorded in property, plant and equipment, DNAEE Agreement 250/1985, provision for contingencies, provision for impairment of trade receivables, provision for losses - studies and projects, profit sharing, life insurance provision and adoption of new accounting practices (BRGAAP), - will be utilized in accordance with the realization of property, plant and equipment, the final outcome of the lawsuits, the reimbursement and collection from consumers and concessionaires, completion or allocation of studies and projects, payments to employees and changes in Post-Employment Benefits arising from adoption of CPC 33 (R1) (IAS 19), approved by CVM Resolution 695, of December 13, 2012, respectively.

The realization of these assets is estimated as follows:

2014	30,511
2015 to 2019	174,710
After 2019	<u>1,749,519</u>
	<u>1,954,740</u>

• **Transitional Tax System (RTT)**

Provisional Measure (MP) 627 was issued on November 11, 2013. This MP repeals the Transitional Tax System (RTT) and: (i) amends Decree-law 1,598/1977, which deals with the corporate income tax, as well as the legislation related to the social contribution on net income; (ii) provides that future changes in or adoption of accounting methods and criteria will have no effects on the calculation of federal taxes unless and until the tax law addresses those changes; (iii) establishes a specific approach for the potential taxation of profits or dividends; (iv) addresses certain aspects of the calculation of interest on capital; and (v) provides considerations about investments recorded under the equity accounting method.

The MP becomes effective as from 2015. Voluntary early adoption of this MP in 2014 may eliminate certain possible tax effects, especially those related to dividends and interest on capital effectively paid prior to the issuance date of this MP, as well as those related to investments recorded under the equity accounting method. The Company is currently studying the possible effects that could arise from the early or normal adoption of this new MP and, based on the current text, concluded that the effects on the financial statements would be immaterial in either case. Management is monitoring discussions and negotiations of possible amendments to the MP before deciding whether to elect early adoption of the MP.

The Company's conclusions consider our best interpretation of the current wording of MP 627, given the high number of amendments that have been proposed so far. When converted into law, it is possible that the wording of the MP will be changed, which may cause our studies and conclusion to be reviewed in light of the final wording.

10 - PLEDGES AND RESTRICTED DEPOSITS

a) Composition

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Current			
Pledges and other restricted deposits	10,982	11,003	11,003
	<u>10,982</u>	<u>11,003</u>	<u>11,003</u>
Non-current			
Judicial deposits	526,730	452,645	267,930
Pledges and other restricted deposits	139,837	30,149	27,855
	<u>666,567</u>	<u>482,794</u>	<u>295,785</u>
	<u>677,549</u>	<u>493,797</u>	<u>306,788</u>

b) Judicial deposits

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Labor	152,455	131,530	114,121
Civil	291,787	243,185	80,701
Tax	82,488	77,930	73,108
	<u>526,730</u>	<u>452,645</u>	<u>267,930</u>

These amounts refer to lawsuits and administrative proceedings. Of the amount recorded at December 31, 2013, R\$ 427,412 (R\$ 326,897 at December 31, 2012) relates to the provisions for labor and civil lawsuits, in which the likelihood of loss is probable, as disclosed in Note 24.

c) Pledges and other restricted deposits

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Current			
Pledges for electric energy auctions	10,980	11,000	11,000
Other	<u>2</u>	<u>3</u>	<u>3</u>
	10,982	11,003	11,003
Non-current			
Escrow account - BB	107,290	-	-
Letter of credit - BNB	31,465	29,067	26,773
Contract collateral - BNB	<u>1,082</u>	<u>1,082</u>	<u>1,082</u>
	139,837	30,149	27,855
	150,819	41,152	38,858

11 - INVENTORIES

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Raw materials for electric power production	9,586	6,391	6,511
Material			
Warehouse	59,217	56,598	57,026
For sale	19,123	18,174	16,363
OtherS	<u>2,119</u>	<u>3,821</u>	<u>2,845</u>
	80,459	78,593	76,234
Purchases in progress	-	-	1,979
Advances to suppliers	381	396	374
	90,426	85,380	85,098

12 - FINANCIAL ASSETS - PUBLIC SERVICE CONCESSIONS

The Company has signed concession contracts in the electric energy generation and transmission segment with the Concession Authority - the Federal Government represented by ANEEL -, and all of the contracts, by segment, are very similar in terms of rights and obligations of the concessionaire and the Concession Authority.

The transmission tariffs are controlled by ANEEL and are adjusted annually and reviewed every five years, aimed at maintaining the economic and financial balance of the contract, considering both the investments made by the Company and its cost and expense structure. The charge for the services is made directly to the users of the transmission lines, through the invoicing of the Authorized Annual Revenue (RAP), which is adjusted monthly by the National Electric System Operator (ONS) by means of credit advices.

The revenues and charging system for electric energy generation are effected through price definition for the plants that did not have their concession extended, and through tariffs for the other plants, and the sale of electric energy is made through contracts signed with the distribution concessionaires, contracts for power reserve and electric energy supply signed with industrial consumers directly served by the Company, contracts arising from electric energy auctions held by the Electric Energy Trading Chamber (CCEE), as well as through electric energy sales and purchase auctions held by traders or free consumers. Potential differences between the electric energy generated and the energy sold under these contracts are traded on the short-term market through CCEE.

The concession terms and other information are described in Note 2.

ICPC 01 (R1) (IFRIC 12) and OCPC 05 provide guidelines for concessionaires on the manner of accounting for public utility services concessions and define the general principles of recognition and measurement of rights and obligations related to the concession contracts of these services.

ICPC 01 (R1) (IFRIC 12) applies to public-private concession contracts in which the Concession Authority:

- Controls or regulates the types of services that can be provided using underlying infrastructures.
- Controls or regulates the price for the services provided.
- Controls/holds significant interest in the infrastructure at the end of the concession period.

According to ICPC 01 (R1) (IFRIC 12), a public-private concession must have the following characteristics:

- There is an underlying infrastructure in the concession which is utilized to provide services.
- There is an agreement/contract between the concession authority and the operator.
- The operator provides a series of services during the concession.
- The operator receives remuneration during the entire concession contract period, either directly from the concession authority or from the users of the infrastructures, or from both.
- The infrastructures are transferred to the concession authority at the end of the concession, with or without a charge.

ICPC 01 (R1) (IFRIC 12) is applicable through the utilization of the Financial Model for both the electric energy transmission business and the generation business relating to the plants whose concessions were extended.

In view of the adoption of these standards and as a result of the electric energy public utility service concession contract, which grants it the right to charge for the use of the concession's infrastructure, the Company recognized a Financial Asset corresponding to the remuneration for the use of the infrastructure and an indemnifiable Financial Asset corresponding to the amount payable by the concession authority.

As at December 31, 2013, the Company had R\$ 766,641 receivable from the concession authority, after the effects of Law 12,783/2013, related to the expected amount receivable at the end of the concessions (R\$ 1,343,489 as at December 31, 2012). The amounts of the financial assets - Authorized Annual Revenue receivable during the concession were recognized at the difference between the fair value of the financial assets - public service concession and the financial assets - indemnifiable, which represents the lower amount between the residual book value and the new replacement value, of the assets constructed or acquired for the rendering of concession services at the termination of the contract.

The fair value of the financial asset is calculated based on the cash flow of the contracts, which contemplate cash inflows estimated through the Authorized Annual Revenue, less the portion corresponding to costs of operation and maintenance of the assets, in addition to the indemnity due at the end of the concession contract, restated by the corresponding internal return rate.

After the issue of Law 12,783/2013, a part of the extended transmission facilities was indemnified. The facilities related to the Basic Network of Existing Service (RBSE) remained and their indemnification was measured at the lower between the residual book value and the new replacement value, being presented in the indemnifiable financial asset item. These amounts are expected to be received within the remaining term of the concession.

The changes in financial assets in 2013 were as follows:

	Balance	Changes					Balance
	12/31/2012	New	Restatement	Provision	Amortization	Impairment	12/31/2013
Transmission							
Indemnifiable financial asset	1,343,489	61,358	-	-	-	(638,206)	766,641
Financial asset - Authorized	1,333,239	808,525	44,390	(177,208)	(55,680)	-	1,953,266
Annual Revenue							
Generation							
Indemnifiable financial asset	-	69,707	-	(69,707)	-	-	-
Total	2,676,728	939,590	44,390	(246,915)	(55,680)	(638,206)	2,719,907

	Balance	Changes					Balance	Effects of Law	After Law
	1/1/2012	New	Restatement	Provision	Amortization	Impairment	12/31/2012	12,783/2013	12,783/2013
Transmission									
Indemnifiable financial asset	4,245,062	325,682	-	-	-	-	4,570,744	(3,227,255)	1,343,489
Financial asset - Authorized	1,826,919	276,787	684,098	-	(933,238)	-	1,854,566	(521,327)	1,333,239
Annual Revenue									
Total	6,071,981	602,469	684,098	-	(933,238)	-	6,425,310	(3,748,582)	2,676,728

The Company carried out an impairment test for its cash generating units in 2013, utilizing the discounted cash flow criteria at a rate of 6.45% p.a. Based on this test, the Company recognized in its results a provision for loss referring to the impairment of the transmission assets, amounting to R\$ 638,206.

13 - OTHER ASSETS

	12/31/2013	12/31/2012	1/1/2012
Current			
Advances to employees	16,404	4,542	19,125
Loans to third parties	3,404	3,427	2,323
Disposals in progress	15,896	14,614	7,889
Shutdowns in progress	13,903	15,641	18,098
Insurance premiums	2,888	2,941	2,914
Reimbursable expenses	9,908	6,893	4,432
Sales of assets and rights	2,084	1,461	1,473
Advances to suppliers	16,370	12,889	8,490
Advances to Eletropar	5,279	5,279	5,279
Dividends receivable	25,090	6,821	13,293
Services provided to third parties	9,594	8,700	6,335
Services in progress	195,561	100,330	92,244
Fachesf Saúde Mais	114,043	-	-
Other operating provisions	(15,410)	(14,793)	-
Others	25,405	6,617	7,839
	440,419	175,362	189,734
Non-current			
Advances to Eletropar	1,456	1,456	1,456
Government Severance Indemnity Fund for Employees (FGTS) - Company account	4,185	4,058	3,926
Advances to jointly-controlled subsidiaries	277,800	34,525	-
Assets intended for sale	10,432	7,129	12,122
Global reversion reserve	-	-	9,965
Consortium advances	33,226	-	-
Others	7,335	10,738	13,228
	334,434	57,906	40,697
Total	774,853	233,268	230,431

14 - INVESTMENTS

14.1 - Composition:

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Permanent investments			
Jointly-controlled subsidiaries	3,095,252	2,159,692	1,329,182
Associates	92,842	86,707	75,638
Others investments	543	545	535
Total investments	<u>3,188,637</u>	<u>2,246,944</u>	<u>1,405,355</u>
Other investments			
Assets and rights for future use	2,217	2,419	2,250
Others	1,093	1,093	1,093
Total other investments	<u>3,310</u>	<u>3,512</u>	<u>3,343</u>
Total	<u><u>3,191,947</u></u>	<u><u>2,250,456</u></u>	<u><u>1,408,698</u></u>

14.2 - Permanent investments:

	12/31/2012	Capital increase	Dividends	Other comprehensive income (loss)	Results from investments	Other	12/31/2013
Recorded on the equity method of accounting							
<u>Jointly-controlled subsidiaries</u>							
STN - Sistema de Transmissão Nordeste S.A.	188,861	-	(31,789)	-	38,082	-	195,154
Integração Transmissora de Energia S.A.	35,646	-	(1,154)	-	3,660	-	38,152
Interligação Elétrica do Madeira S.A.	274,366	69,825	(7,556)	-	34,409	-	371,044
ESBR Participações S.A.	939,825	475,000	-	133	(38,888)	-	1,376,070
Manaus Transmissora de Energia S.A.	187,758	8,398	-	-	10,882	-	207,038
Manaus Construtora Ltda.	15,410	-	(12,356)	-	479	-	3,533
TDG - Transmissora Delmiro Gouveia S.A.	45,183	-	(2,152)	-	6,798	-	49,829
Norte Energia S.A.	409,824	228,000	-	-	(6,000)	-	631,824
Pedra Branca S.A.	13,504	1,327	-	-	(735)	-	14,096
São Pedro do Lago S.A.	14,098	1,078	-	-	(58)	-	15,118
Sete Gameleiras S.A.	19,810	1,176	-	-	(743)	-	20,243
Extremoz Transmissora do Nordeste - ETN S.A.	53	-	-	-	1,452	-	1,505
Interligação Elétrica Garanhuns S.A.	14,956	80,850	-	-	2,853	-	98,659
Usina Energia Eólica Junco I S.A.	106	5,235	-	-	(148)	-	5,193
Usina Energia Eólica Junco II S.A.	111	5,235	-	-	(61)	-	5,285
Usina Energia Eólica Caiçara I S.A.	114	5,235	-	-	(69)	-	5,280
Usina Energia Eólica Caiçara II S.A.	67	3,388	-	-	(56)	-	3,399
- Ventos de Santa Joana IX Energias Renováveis S.A.	-	4,419	-	-	-	3,271	7,690
- Ventos de Santa Joana X Energias Renováveis S.A.	-	4,419	-	-	-	3,271	7,690
- Ventos de Santa Joana XI Energias Renováveis S.A.	-	4,419	-	-	-	3,271	7,690
- Ventos de Santa Joana XII Energias Renováveis S.A.	-	4,419	-	-	-	3,271	7,690
- Ventos de Santa Joana XIII Energias Renováveis S.A.	-	4,419	-	-	-	3,271	7,690
- Ventos de Santa Joana XV Energias Renováveis S.A.	-	4,419	-	-	-	3,271	7,690
- Ventos de Santa Joana XVI Energias Renováveis S.A.	-	4,419	-	-	-	3,271	7,690
<u>Associate</u>							
Energética Águas da Pedra S.A.	86,707	-	(7,386)	-	13,521	-	92,842
Stated at cost							
Others investments	545	-	-	-	-	(2)	543
Total	2,246,944	915,680	(62,393)	133	65,378	22,895	3,188,637

	12/31/2011	Capital increase	Dividends	Other comprehensive income (loss)	Results from investments	Other	1/1/2012
Recorded on the equity method of accounting							
<u>Jointly-controlled subsidiaries</u>							
STN - Sistema de Transmissão Nordeste S.A.	195,267	-	(24,021)	-	17,615	-	188,861
Integração Transmissora de Energia S.A.	31,692	-	(153)	-	4,107	-	35,646
Interligação Elétrica do Madeira S.A.	179,878	67,620	-	-	26,868	-	274,366
ESBR Participações S.A.	554,408	390,000	-	(231)	(4,352)	-	939,825
Manaus Transmissora de Energia S.A.	122,268	70,942	-	-	(5,452)	-	187,758
Manaus Construtora Ltda.	6,392	-	5,462	-	3,556	-	15,410
TDG - Transmissora Delmiro Gouveia S.A.	15,235	34,300	-	-	(4,352)	-	45,183
Norte Energia S.A.	217,672	198,000	-	-	(5,848)	-	409,824
Pedra Branca S.A.	1,737	11,885	-	-	(118)	-	13,504
São Pedro do Lago S.A.	1,803	12,412	-	-	(117)	-	14,098
Sete Gameleiras S.A.	1,850	18,048	-	-	(88)	-	19,810
Extremoz Transmissora do Nordeste - ETN S.A.	-	-	-	-	53	-	53
Interligação Elétrica Garanhuns S.A.	980	13,721	-	-	255	-	14,956
Usina Energia Eólica Junco I S.A.	-	144	-	-	(38)	-	106
Usina Energia Eólica Junco II S.A.	-	144	-	-	(33)	-	111
Usina Energia Eólica Caiçara I S.A.	-	144	-	-	(30)	-	114
Usina Energia Eólica Caiçara II S.A.	-	96	-	-	(29)	-	67
<u>Associate</u>							
Energética Águas da Pedra S.A.	75,638	-	(3,455)	-	14,524	-	86,707
Stated at cost							
Others investments	535	-	-	-	-	10	545
Total	1,405,355	817,456	(22,167)	(231)	46,521	10	2,246,944

14.2.2 - Summary of the main characteristics of the permanent investments

Company	Concession agreement	Investment	Purpose	Start of operations
• STN - Sistema de Transmissão Nordeste S.A.	005/2004	Chesf - 49% Alupar - 51%	To build and operate transmission line.	Jan/2006
• Integração Transmissora de Energia S.A.	002/2006	Chesf - 12% FIP Brasil - 51% Eletronorte - 37%	To build, implement, operate and provide maintenance for the Electric Energy Transmission Public Utility Service of the Basic Network of the National Interconnected System.	May/2008
• Interligação Elétrica do Madeira S.A.	013/2009 015/2009	Chesf - 24.5% Furnas - 24.5% CTEEP - 51%	To build, implement, operate and provide maintenance for the electric energy transmission facilities of the Basic Network of the National Interconnected System.	Aug/2013
• ESBR Participações S.A.	002/2008	Chesf - 20% Eletrosul - 20% Suez Energy - 40% Mizha Energia - 20%.	To obtain the concession and authorization to sell the energy produced by the Jirau Hydroelectric Power Plant - UHE Jirau.	Sep/2013
• Manaus Transmissora de Energia S.A.	010/2008	Chesf - 19.5% Abengoa Holding - 50.5% Eletronorte - 30%.	To implement the transmission lines and to build the substations.	Mar/2013
• Manaus Construtora Ltda.	-	Chesf - 19.5% Abengoa Holding - 50.5% Eletronorte - 30%.	To build, assemble and supply materials, labor and equipment for the transmission line.	-
• TDG - Transmissora Delmiro Gouveia S.A.	004/2010	Chesf - 49% ATP Engenharia - 51%.	To build, implement, operate and provide maintenance for the electric energy transmission facilities of the Basic Network of the National Interconnected System.	Sep/2014
• Norte Energia S.A.	001/2010	Chesf - 15% Eletrobras - 15% Eletronorte - 19.98% Petros - 10% J. Malucelli Energia - 0.25% Vale S.A. - 9% Caixa FIP Cevix - 5% Sinobras - 1% Funcef - 5% Belo Monte Participações - 10% Amazônia Energia Participações - 9.77%.	To obtain the concession and authorization to sell the energy produced by the Belo Monte Hydroelectric Power Plant.	Feb/2015

Continued

Company	Concession agreement	Investment	Purpose	Start of operations
• Pedra Branca S.A.	Ordinance 123/2011	Chesf - 49% Brennand Energia - 50.9% Brennand Energia Eólica - 0.1%	To contract, in the regulated environment, energy generated by alternative sources, in the energy availability type.	Jan/2013
• São Pedro do Lago S.A.	Ordinance 132/2011	Chesf - 49% Brennand Energia - 50.9% Brennand Energia Eólica - 0.1%	To contract, in the regulated environment, energy generated by alternative sources, in the energy availability type.	Jan/2013
• Sete Gameleiras S.A.	Ordinance 131/2011	Chesf - 49% Brennand Energia - 50.9% Brennand Energia Eólica - 0.1%	To contract, in the regulated environment, energy generated by alternative sources, in the energy availability type.	Jan/2013
• Extremoz Transmissora do Nordeste - ETN S.A.	008/2011	Chesf - 49% CTEEP - 51%	To build, assemble, operate and provide maintenance for the electric energy transmission facilities of the Basic Network of the National Interconnected System, as well as transmission facilities of exclusive interest to the generation plants, for shared connection.	Jan/2015
• Interligação Elétrica Garanhuns S.A.	022/2011	Chesf - 49% CTEEP - 51%	To build, assemble, operate and provide maintenance for the electric energy transmission facilities of the Basic Network of the National Interconnected System.	Jun/2014
• Usina Energia Eólica Junco I S.A.	Ordinance 399/2011	Chesf - 49% Envolver Participações - 51%	To purchase energy from new wind power generation ventures.	Jan/2016
• Usina Energia Eólica Junco II S.A.	Ordinance 417/2011	Chesf - 49% Envolver Participações - 51%	To purchase energy from new wind power generation ventures.	Jan/2016
• Usina Energia Eólica Caiçara I S.A.	Ordinance 388/2011	Chesf - 49% Envolver Participações - 51%	To purchase energy from new wind power generation ventures.	Jan/2016
• Usina Energia Eólica Caiçara II S.A.	Ordinance 418/2011	Chesf - 49% Envolver Participações - 51%	To purchase energy from new wind power generation ventures.	Jan/2016
• Ventos de Santa Joana IX Energias Renováveis S.A. • Ventos de Santa Joana X Energias Renováveis S.A. • Ventos de Santa Joana XI Energias Renováveis S.A. • Ventos de Santa Joana XII Energias Renováveis S.A. • Ventos de Santa Joana XIII Energias Renováveis S.A. • Ventos de Santa Joana XV Energias Renováveis S.A. • Ventos de Santa Joana XVI Energias Renováveis S.A.	-	Chesf - 49% Contour Global - 36% Salus FIP - 14.9% Ventos Santa Joana - 0.1%	To purchase energy from new wind power generation ventures.	Sep/2015

Continued

Company	Concession agreement	Investment	Purpose	Start of operations
<ul style="list-style-type: none"> • Baraúnas I Energética S.A. • Mussambê Energética S.A. • Morro Branco I Energética S.A. 	-	Chesf - 49% Brennand Energia - 50.9% Brennand Energia Eólica - 0.1%	To purchase energy from new wind power generation ventures.	Sep/2015
<ul style="list-style-type: none"> • Energética Águas da Pedra S.A. 	002/2007	Chesf - 24.5% Eletronorte - 24.5% Neoenergia S.A. 51%	To contract energy provided by new ventures, with subsequent grant of concession within the Regulated Contracting Environment (ACR), for implementation of the Dardanelos Hydroelectric Power Plant.	Aug/2011
<ul style="list-style-type: none"> • Acauã Energia S.A. • Angical 2 Energia S.A. • Arapapá Energia S.A. • Caititú 2 Energia S.A. • Caititú 3 Energia S.A. • Carcará Energia S.A. • Corrupião 3 Energia S.A. • Teiú 2 Energia S.A. 	-	Chesf - 49% Sequoia Capital - 51%	To purchase energy from new wind power generation ventures.	Sep/2015
<ul style="list-style-type: none"> • Consórcio Energético SINOP 	-	Chesf - 24.5 Eletronorte - 24.5% Alupar - 51%	To purchase energy from new energy generation ventures.	Jan/2018
<ul style="list-style-type: none"> • Ventos de Santa Joana I Energias Renováveis S.A. (*) • Ventos de Santa Joana III Energias Renováveis S.A. (*) • Ventos de Santa Joana IV Energias Renováveis S.A. (*) • Ventos de Santa Joana V Energias Renováveis S.A. (*) • Ventos de Santa Joana VII Energias Renováveis S.A. (*) • Ventos de Santo Augusto IV Energias Renováveis S.A. (*) 	-	Chesf - 49% Contour Global - 46% Salus FIP - 4.9% Ventos Santa Joana - 0.1%	To purchase energy from new wind power generation ventures.	Jan/2016
<ul style="list-style-type: none"> • Serra das Vacas I S.A. (*) • Serra das Vacas II S.A. (*) • Serra das Vacas III S.A. (*) • Serra das Vacas IV S.A. (*) 	-	Chesf - 49% PEC Energia - 51%	To purchase energy from new wind power generation ventures.	Jan/2016
<ul style="list-style-type: none"> • Coqueirinho 2 Energia S.A. (*) • Papagaio Energia S.A. (*) 	-	Chesf - 49% Sequoia - 51%	To purchase energy from new wind power generation ventures.	Jan/2016
<ul style="list-style-type: none"> • Banda de Couro S.A. (*) 	-	Chesf - 49% Brennand Energia - 50.9% Brennand Energia Eólica - 0.1%	To purchase energy from new wind power generation ventures.	May/2018
<ul style="list-style-type: none"> • Baráunas II S.A. (*) 	-	Chesf - 49% Brennand Energia - 50.9% Brennand Energia Eólica - 0.1%	To purchase energy from new wind power generation ventures.	May/2018
<ul style="list-style-type: none"> • Tamanduá Mirim 2 Energia S.A. (*) 	-	Chesf - 49% Sequoia - 51%	To purchase energy from new wind power generation ventures.	May/2018

(*) In the process of being established.

14.3 - Equity in the results of investees

	Ownership interest %	Investment	Equity	Profit (loss) of the investees as at 30/11/2013	Equity in the results of investees	Comprehensive income (loss)
<u>Associate</u>						
Energética Águas da Pedra S.A.	24.5	92,842	378,947	55,187	13,521	-
<u>Jointly-controlled subsidiaries</u>						
STN - Sistema de Transmissão Nordeste S.A.	49.0	195,154	398,274	77,719	38,082	-
Integração Transmissora de Energia S A.	12.0	38,152	317,932	30,505	3,660	-
Interligação Elétrica do Madeira S.A.	24.5	371,044	1,514,466	140,444	34,409	-
ESBR Participações S.A.	20.0	1,376,070	6,880,352	(194,439)	(38,888)	133
Manaus Transmissora de Energia S.A.	19.5	207,038	1,061,735	55,804	10,882	-
Manaus Construtora Ltda.	19.5	3,533	18,116	2,456	479	-
TDG - Transmissora Delmiro Gouveia S.A.	49.0	49,829	101,690	13,874	6,798	-
Norte Energia S.A.	15.0	631,824	4,212,159	(40,004)	(6,000)	-
Pedra Branca S.A.	49.0	14,096	28,768	(1,498)	(735)	-
São Pedro do Lago S.A.	49.0	15,118	30,852	(119)	(58)	-
Sete Gameleiras S A.	49.0	20,243	41,312	(1,516)	(743)	-
Extremoz Transmissora do Nordeste - ETN S.A.	49.0	1,505	3,071	2,962	1,452	-
Interligação Elétrica Garanhuns S.A.	49.0	98,659	201,342	5,822	2,853	-
Usina Energia Eólica Junco I S.A.	49.0	5,193	10,599	(302)	(148)	-
Usina Energia Eólica Junco II S.A.	49.0	5,285	10,788	(124)	(61)	-
Usina Energia Eólica Caiçara I S.A.	49.0	5,280	10,778	(140)	(69)	-
Usina Energia Eólica Caiçara II S.A.	49.0	3,399	6,937	(114)	(56)	-
Ventos de Santa Joana IX Energias Renováveis S.A.	49.0	7,690	9,017	-	-	-
Ventos de Santa Joana X Energias Renováveis S.A.	49.0	7,690	9,017	-	-	-
Ventos de Santa Joana XI Energias Renováveis S.A.	49.0	7,690	9,017	-	-	-
Ventos de Santa Joana XII Energias Renováveis S A.	49.0	7,690	9,017	-	-	-
Ventos de Santa Joana XIII Energias Renováveis S.A.	49.0	7,690	9,017	-	-	-
Ventos de Santa Joana XV Energias Renováveis S.A.	49.0	7,690	9,017	-	-	-
Ventos de Santa Joana XVI Energias Renováveis S A.	49.0	7,690	9,017	-	-	-
Baraúnas I Energética S.A.	49.0	-	1	-	-	-
Mussambê Energética S.A.	49.0	-	1	-	-	-
Morro Branco I Energética S.A.	49.0	-	1	-	-	-

14.4 - Summarized information of associates and jointly-controlled subsidiaries

	Ownership interest	Financial assets, intangible assets and property, plant and equipment	Other assets	Borrowings	Other liabilities	Equity	Net operating revenue	Retained earnings (accumulated deficit) for the period
Recorded on the equity method of accounting								
<u>Jointly-controlled subsidiaries</u>								
- STN - Sistema de Transmissão Nordeste S.A.	49.0%	674,032	31,820	201,814	105,764	398,274	138,203	77,719
- Integração Transmissora de Energia S.A.	12.0%	624,947	20,725	212,154	115,586	317,932	78,224	30,505
- Interligação Elétrica do Madeira S.A.	24.5%	4,072,023	109,230	2,058,501	608,286	1,514,466	1,185,972	140,444
- ESBR Participações S.A.	20.0%	16,808,947	1,342,317	10,179,845	1,091,067	6,880,352	126,857	(194,439)
- Manaus Transmissora de Energia S.A.	19.5%	2,076,820	177,653	876,820	315,918	1,061,735	381,778	55,804
- Manaus Construtora Ltda.	19.5%	-	68,486	-	50,370	18,116	9,316	2,456
- TDG - Transmissora Delmiro Gouveia S.A.	49.0%	368,805	64,163	155,465	175,813	101,690	131,980	13,873
- Norte Energia S.A.	15.0%	12,757,333	1,180,925	8,745,145	980,954	4,212,159	-	(40,004)
- Pedra Branca S.A.	49.0%	104,709	6,432	77,598	4,775	28,768	14,766	(1,498)
- São Pedro do Lago S.A.	49.0%	109,058	6,540	80,004	4,742	30,852	15,759	(119)
- Sete Gameleiras S.A.	49.0%	117,698	6,411	77,819	4,978	41,312	14,849	(1,516)
- Extremoz Transmissora do Nordeste - ETN S.A.	49.0%	150,795	35,917	-	183,641	3,071	140,806	2,962
- Interligação Elétrica Garanhuns S.A.	49.0%	365,665	39,306	-	203,629	201,342	335,351	5,822
- Usina Energia Eólica Junco I S.A.	49.0%	1,588	9,020	-	9	10,599	-	(302)
- Usina Energia Eólica Junco II S.A.	49.0%	1,614	9,177	-	3	10,788	-	(123)
- Usina Energia Eólica Caiçara I S.A.	49.0%	1,681	9,103	-	6	10,778	-	(139)
- Usina Energia Eólica Caiçara II S.A.	49.0%	1,058	5,898	-	19	6,937	-	(115)
- Ventos de Santa Joana IX Energias Renováveis S.A.	49.0%	-	9,017	-	-	9,017	-	-
- Ventos de Santa Joana X Energias Renováveis S.A.	49.0%	-	9,017	-	-	9,017	-	-
- Ventos de Santa Joana XI Energias Renováveis S.A.	49.0%	-	9,017	-	-	9,017	-	-
- Ventos de Santa Joana XII Energias Renováveis S.A.	49.0%	-	9,017	-	-	9,017	-	-
- Ventos de Santa Joana XIII Energias Renováveis S.A.	49.0%	-	9,017	-	-	9,017	-	-
- Ventos de Santa Joana XV Energias Renováveis S.A.	49.0%	-	9,017	-	-	9,017	-	-
- Ventos de Santa Joana XVI Energias Renováveis S.A.	49.0%	-	9,017	-	-	9,017	-	-
- Baraúnas I Energética S.A.	49.0%	-	1	-	-	1	-	-
- Mussambê Energética S.A.	49.0%	-	1	-	-	1	-	-
- Morro Branco I Energética S.A.	49.0%	-	1	-	-	1	-	-
<u>Associate</u>								
- Energética Águas da Pedra S.A.	24.5%	761,238	117,037	442,144	57,184	378,947	180,387	55,187
Total		38,998,011	3,303,282	23,107,309	3,902,744	15,291,240	2,754,248	146,517

14.5 - Summary of the financial statements of associate and jointly-controlled subsidiaries

BALANCE SHEET

Companies	2013								2012							
	Assets				Liabilities				Assets				Liabilities			
	Current	Non-current		Total	Current	Non-current	Equity	Total	Current	Non-current		Total	Current	Non-current	Equity	Total
Other		PP&E, intang. assets and investments	Other							PP&E, intang. assets and investments						
STN - Sistema de Transmissão Nordeste S.A.	170,670	534,487	695	705,852	40,846	266,732	398,274	705,852	169,916	532,203	766	702,885	41,250	276,204	385,431	702,885
Integração Transmissora de Energia S.A.	94,145	551,527	-	645,672	51,345	276,395	317,932	645,672	110,520	510,102	-	620,622	62,482	261,092	297,048	620,622
Energética Águas da Pedra S.A.	99,313	17,724	761,238	878,275	81,619	417,709	378,947	878,275	94,229	23,077	781,798	899,104	95,581	449,617	353,906	899,104
Interligação Elétrica do Madeira S.A.	225,112	3,954,616	1,525	4,181,253	181,819	2,484,968	1,514,466	4,181,253	430,028	2,854,984	375	3,285,387	391,478	1,774,046	1,119,863	3,285,387
ESBR Participações S.A.	676,225	666,092	16,808,947	18,151,264	691,049	10,579,863	6,880,352	18,151,264	800,924	580,233	13,111,699	14,492,856	661,617	9,132,115	4,699,124	14,492,856
Manaus Transmissora de Energia S.A.	167,210	2,087,263	-	2,254,473	283,656	909,082	1,061,735	2,254,473	223,878	1,839,593	-	2,063,471	315,414	785,193	962,864	2,063,471
Manaus Construtora Ltda.	68,365	121	-	68,486	50,370	-	18,116	68,486	137,484	406	-	137,890	58,866	-	79,024	137,890
TDG - Transmissora Delmiro Gouveia S.A.	59,203	373,620	145	432,968	74,967	256,311	101,690	432,968	72,064	246,921	104	319,089	213,775	13,105	92,209	319,089
Norte Energia S.A.	1,050,703	130,222	12,757,333	13,938,258	818,184	8,907,915	4,212,159	13,938,258	775,659	80,626	6,724,029	7,580,314	4,694,329	153,823	2,732,162	7,580,314
Pedra Branca S.A.	6,397	35	104,709	111,141	8,766	73,607	28,768	111,141	3,626	35	88,611	92,272	64,708	4	27,560	92,272
São Pedro do Lago S.A.	6,540	-	109,058	115,598	8,889	75,857	30,852	115,598	4,527	-	88,377	92,904	64,134	-	28,770	92,904
Sete Gameleiras S.A.	6,411	-	117,698	124,109	8,983	73,814	41,312	124,109	11,069	-	90,416	101,485	61,055	-	40,430	101,485
Extremoz Transmissora do Nordeste - ETN S.A.	35,917	150,667	128	186,712	2,789	180,852	3,071	186,712	24,811	9,861	105	34,777	131	34,538	108	34,777
Interligação Elétrica Garanhuns S.A.	31,875	372,870	226	404,971	200,365	3,264	201,342	404,971	26,303	30,178	211	56,692	674	25,497	30,521	56,692
Usina de Energia Eólica Junco I S.A.	8,997	23	1,588	10,608	9	-	10,599	10,608	116	-	102	218	1	-	217	218
Usina de Energia Eólica Junco II S.A.	9,153	24	1,614	10,791	3	-	10,788	10,791	141	-	87	228	1	-	227	228
Usina de Energia Eólica Caiçara I S.A.	9,066	37	1,681	10,784	4	2	10,778	10,784	106	-	127	233	-	-	233	233
Usina de Energia Eólica Caiçara II S.A.	5,883	15	1,058	6,956	2	17	6,937	6,956	55	-	82	137	1	-	136	137
Ventos de Santa Joana IX Energias Renováveis S.A.	9,017	-	-	9,017	-	-	9,017	9,017	-	-	-	-	-	-	-	-
Ventos de Santa Joana X Energias Renováveis S.A.	9,017	-	-	9,017	-	-	9,017	9,017	-	-	-	-	-	-	-	-
Ventos de Santa Joana XI Energias Renováveis S.A.	9,017	-	-	9,017	-	-	9,017	9,017	-	-	-	-	-	-	-	-
Ventos de Santa Joana XII Energias Renováveis S.A.	9,017	-	-	9,017	-	-	9,017	9,017	-	-	-	-	-	-	-	-
Ventos de Santa Joana XIII Energias Renováveis S.A.	9,017	-	-	9,017	-	-	9,017	9,017	-	-	-	-	-	-	-	-
Ventos de Santa Joana XV Energias Renováveis S.A.	9,017	-	-	9,017	-	-	9,017	9,017	-	-	-	-	-	-	-	-
Ventos de Santa Joana XVI Energias Renováveis S.A.	9,017	-	-	9,017	-	-	9,017	9,017	-	-	-	-	-	-	-	-
Baraúnas I Energética S.A.	1	-	-	1	-	-	1	1	-	-	-	-	-	-	-	-
Mussambê Energética S.A.	1	-	-	1	-	-	1	1	-	-	-	-	-	-	-	-
Morro Branco I Energética S.A.	1	-	-	1	-	-	1	1	-	-	-	-	-	-	-	-
Total	2,794,307	8,839,343	30,667,643	42,301,293	2,503,665	24,506,388	15,291,240	42,301,293	2,885,456	6,708,219	20,886,889	30,480,564	6,725,497	12,905,234	10,849,833	30,480,564

Note: Base date of the financial statements: November 30, 2013.

STATEMENT OF OPERATIONS

Companies	2013								2012							
	Net operating revenue	Operating expenses	Service result	Finance result	Operating result	Inc. tax and soc. cont.	Tax incentives	Profit (loss) for the year	Net operating revenue	Operating expenses	Service result	Finance result	Operating result	Inc. tax and soc. cont.	Tax incentives	Profit (loss) for the year
STN - Sistema de Transmissão Nordeste S.A.	138,203	(14,079)	124,124	(27,533)	96,591	(31,228)	12,356	77,719	137,365	(16,841)	120,524	(31,105)	89,419	(67,315)	13,845	35,949
Integração Transmissora de Energia S.A.	78,224	(16,117)	62,107	(23,883)	38,224	(13,826)	6,107	30,505	78,381	(12,151)	66,230	(24,263)	41,967	(13,580)	5,832	34,219
Energética Águas da Pedra S.A.	180,387	(85,873)	94,514	(28,799)	65,715	(10,528)	-	55,187	180,676	(59,994)	120,682	(33,277)	87,405	(28,122)	-	59,283
Interligação Elétrica do Madeira S.A.	1,185,972	(934,117)	251,855	(39,099)	212,756	(72,312)	-	140,444	1,493,442	(1,327,316)	166,126	-	166,126	(56,459)	-	109,667
ESBR Participações S.A.	126,857	(339,671)	(212,814)	(2,484)	(215,298)	20,859	-	(194,439)	(87)	(35,645)	(35,732)	4,541	(31,191)	9,431	-	(21,760)
Manaus Transmissora de Energia S.A.	381,778	(241,985)	139,793	(61,287)	78,506	(22,702)	-	55,804	548,832	(517,260)	31,572	(76,587)	(45,015)	17,058	-	(27,957)
Manaus Construtora Ltda.	9,316	(6,482)	2,834	885	3,719	(1,263)	-	2,456	43,224	(15,957)	27,267	64	27,331	(9,096)	-	18,235
TDG - Transmissora Delmiro Gouveia S.A.	131,980	(101,143)	30,837	(7,051)	23,786	(9,912)	-	13,874	179,154	(170,957)	8,197	(18,739)	(10,542)	1,660	-	(8,882)
Norte Energia S.A.	-	(58,902)	(58,902)	(952)	(59,854)	19,850	-	(40,004)	-	(60,015)	(60,015)	1,611	(58,404)	19,420	-	(38,984)
Pedra Branca S.A.	14,766	(11,621)	3,145	(4,269)	(1,124)	(374)	-	(1,498)	-	(293)	(293)	72	(221)	(19)	-	(240)
São Pedro do Lago S.A.	15,759	(11,123)	4,636	(4,355)	281	(400)	-	(119)	-	(288)	(288)	66	(222)	(18)	-	(240)
Sete Gameleiras S.A.	14,849	(11,809)	3,040	(4,175)	(1,135)	(381)	-	(1,516)	-	(331)	(331)	200	(131)	(50)	-	(181)
Extremoz Transmissora do Nordeste - ETN S.A.	140,806	(136,536)	4,270	1,394	5,664	(2,702)	-	2,962	9,861	(9,732)	129	(8)	121	(13)	-	108
Interligação Elétrica Garanhuns S.A.	335,351	(317,826)	17,525	(8,703)	8,822	(3,000)	-	5,822	30,087	(29,512)	575	209	784	(264)	-	520
Usina Energia Eólica Junco I S.A.	-	(301)	(301)	(1)	(302)	-	-	(302)	-	(77)	(77)	-	(77)	-	-	(77)
Usina Energia Eólica Junco II S.A.	-	(123)	(123)	(1)	(124)	-	-	(124)	-	(67)	(67)	-	(67)	-	-	(67)
Usina Energia Eólica Caiçara I S.A.	-	(139)	(139)	(1)	(140)	-	-	(140)	-	(61)	(61)	-	(61)	-	-	(61)
Usina Energia Eólica Caiçara II S.A.	-	(113)	(113)	(1)	(114)	-	-	(114)	-	(60)	(60)	-	(60)	-	-	(60)
Ventos de Santa Joana IX Energias Renováveis S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de Santa Joana X Energias Renováveis S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de Santa Joana XI Energias Renováveis S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de Santa Joana XII Energias Renováveis S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de Santa Joana XIII Energias Renováveis S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de Santa Joana XV Energias Renováveis S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ventos de Santa Joana XVI Energias Renováveis S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,754,248	(2,287,960)	466,288	(210,315)	255,973	(127,919)	18,463	146,517	2,700,935	(2,256,557)	444,378	(177,216)	267,162	(127,367)	19,677	159,472

Note: Base date of the financial statements: November 30, 2013.

15 - PROPERTY, PLANT AND EQUIPMENT

15.1 - Segregated by nature and activity

	Annual average depreciation rates (%)	12/31/2013	12/31/2012	1/1/2012
Generation				
Property, plant and equipment in service	2.35%	1,797,251	1,797,252	18,020,392
Accumulated depreciation		(1,123,094)	(1,083,754)	(7,970,258)
Property, plant and equipment in progress		601,233	397,378	564,568
Impairment		(382,170)	(400,135)	-
Total generation		893,220	710,741	10,614,702
Administration				
Property, plant and equipment in service	6.52%	1,201,446	1,243,950	1,208,721
Accumulated depreciation		(728,480)	(710,995)	(659,315)
Property, plant and equipment in progress		327,350	222,981	132,401
Total administration		800,316	755,936	681,807
Special obligations		(90,936)	(95,283)	(122,642)
Total		1,602,600	1,371,394	11,173,867

After the publication of Provisional Measure 579, of September 11, 2012, converted into Law 12,783, of January 11, 2013, a significant amount in property, plant and equipment was derecognized, and part was transformed into receivables for the indemnification established in the Law and part was recorded as a loss (Note 2.3).

Management tested the Company's long-lived assets for impairment at December 31, 2013, mainly property, plant and equipment held and used in the Company's operations, and will continue to do so on an annual basis, or whenever events or changes in circumstances indicate that any of these assets or group of assets is impaired and the respective book values will not be fully recovered, in compliance with Technical Pronouncement CPC 01 (R1) (IAS 36) - Impairment of assets.

The circumstances that could require the application of impairment tests on assets are identified in the evaluation process, so as to determine the amount of potential losses. The cash generating unit is considered to be each power plant for the generation activity, in view of the characteristics of the Company's management and operations.

The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. To establish the value in use, the estimated future cash flows are discounted to present value at the discount rate that reflects the current market assessment of the time value of money, and the specific risks of the asset for which the estimated future cash flows prepared were not adjusted.

If the calculated recoverable amount of an asset, or cash-generating unit, is lower than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount, and the loss is recognized in the statement of operations.

The Company's management, supported by its concession contracts and the rules applied for the indemnification of assets established by Provisional Measure 579/2012, converted into Law 12,783, of January 11, 2013, considered the return of the residual net assets at the end of the concession of the electric energy public service, based on the lower amount between the residual book value and the new replacement value. It also considered the depreciation by taking into consideration the estimated useful lives of the assets rather than the concession period, in view of the indemnity clause in the contracts.

The Company carried out an impairment test for its cash generating units in 2013, utilizing the discounted cash flow criteria at a rate of 6.8% p.a. Based on this test, the Company recognized in its results a provision for loss referring to the impairment of the assets of Camaçari Thermal Power Plant amounting to R\$ 382,170.

The costs of borrowings related to the acquisition, construction or production of qualifying assets are included in the costs of property, plant and equipment under construction until the date they are ready for their intended use, as established in CVM Resolution 577, of June 5, 2009, which approved CPC 20 (R1) - Borrowing Costs (IAS 23).

15.2 - Changes in property, plant and equipment

	12/31/2012	Purchases	Disposals	Depreciation	Transfers		12/31/2013
					Service transfer	Other transfers*	
Generation							
In service	1,797,252	-	(1)	-	8	(8)	1,797,251
Depreciation	(1,083,754)	-	-	(38,947)	-	(393)	(1,123,094)
In progress	397,378	233,539	(258)	-	(8)	(29,418)	601,233
Impairment	(400,135)	(4,276)	182	22,051	-	8	(382,170)
Total generation	710,741	229,263	(77)	(16,896)	-	(29,811)	893,220
Administration							
In service	1,243,950	-	(54,224)	-	11,708	12	1,201,446
Depreciation	(710,995)	-	45,318	(62,807)	-	4	(728,480)
In progress	222,981	117,211	(4)	-	(11,708)	(1,130)	327,350
Total administration	755,936	117,211	(8,910)	(62,807)	-	(1,114)	800,316
Special obligations	(95,283)	-	-	4,347	-	-	(90,936)
Total	1,371,394	346,474	(8,987)	(75,356)	-	(30,925)	1,602,600

* Investment in the connection system facilities, initially recorded in the generation activity.

	1/1/2012	Purchases	Disposals	Depreciation	Transfers		12/31/2012	Effects of Law	
					Service transfer	Other transfers*		12,783/2013	After Law 12,783/2013
Generation									
In service	18,020,392	-	(22,010)	-	79,901	(1,898)	18,076,385	(16,279,133)	1,797,252
Depreciation	(7,970,258)	-	2,013	(342,044)	-	(129)	(8,310,418)	7,226,664	(1,083,754)
In progress	564,568	631,690	(486)	-	(79,901)	-	1,115,871	(718,493)	397,378
Impairment	-	-	-	-	-	-	-	(400,135)	(400,135)
Total generation	10,614,702	631,690	(20,483)	(342,044)	-	(2,027)	10,881,838	(10,171,097)	710,741
Administration									
In service	1,208,721	-	(9,272)	-	42,305	2,196	1,243,950	-	1,243,950
Depreciation	(659,315)	-	8,375	(61,984)	-	1,929	(710,995)	-	(710,995)
In progress	132,401	134,422	(63)	-	(42,305)	(1,474)	222,981	-	222,981
Total administration	681,807	134,422	(960)	(61,984)	-	2,651	755,936	-	755,936
Special obligations	(122,642)	-	-	4,917	-	-	(117,725)	22,442	(95,283)
Total	11,173,867	766,112	(21,443)	(399,111)	-	624	11,520,049	(10,148,655)	1,371,394

* Investment in the connection system facilities, initially recorded in the generation activity.

15.3 - Annual depreciation rates

The Company calculates and accounts for depreciation by applying the rates established by ANEEL Resolution 474, of February 7, 2012, which altered tables I and XVI of the Asset Control Manual of the Electric Energy Sector (MCPSE), approved by Normative Resolution 367 of June 2, 2009. The rates are applied considering the internal codes that identify the Units of Registration.

The main annual depreciation rates, by activity, are as follows:

	<u>Annual depreciation rate (%)</u>
<u>Generation</u>	
Floodgate	3.3
Reservoir	2.0
Power house	2.0
Generator	3.3
Command and measurement panel	3.5
Water turbine	2.5
Crane, hoist and portico	3.3
Gas turbine	4.0
<u>Central administration</u>	
General equipment	6.2
Vehicles	14.2
Buildings, constructions and improvements	3.3

15.4 - Financial charges

In accordance with Technical Pronouncement CPC 27 (IAS 16), part of the finance charges were transferred to property, plant and equipment under construction, as shown below:

	<u>12/31/2013</u>	<u>12/31/2012</u>
Total finance charges	5,007	6,491
(-) Transfer to property, plant and equipment under	(1,164)	28
Net effect on the results	<u>3,843</u>	<u>6,519</u>

15.5 - Obligations linked to the concession

Composition:

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Federal government funds	69,456	69,456	92,557
Donations and government investment grants	36,138	36,138	36,855
Research and development	606	606	605
Reversals and amortizations	(15,264)	(10,917)	(7,375)
	<u>90,936</u>	<u>95,283</u>	<u>122,642</u>

Funds received from the Federal Government were invested in electric energy generation and transmission projects.

In view of their nature, the accounts recorded in this group are presented as reductions of property, plant and equipment, as they do not represent actual financial obligations, and, accordingly, should not be classified as liabilities for the determination of economic and financial indicators.

16 - INTANGIBLE ASSETS

16.1 - Segregated by nature and activity

	Average annual amortization rate (%)	12/31/2013			12/31/2012	1/1/2012
		Cost	Accumulated amortization	Net amount	Net amount	Net amount
In service						
Administration	20.00%	64,291	(52,032)	12,259	19,082	13,710
		64,291	(52,032)	12,259	19,082	13,710
In progress						
Administration		19,671	-	19,671	10,376	15,856
		19,671	-	19,671	10,376	15,856
		83,962	(52,032)	31,930	29,458	29,566

16.2 - Changes in intangible assets

	12/31/2012	Additions	Amortization	12/31/2013
Not linked to concessions				
In service				
Cost	64,291	-	-	64,291
Amortization	(45,209)	-	(6,823)	(52,032)
In progress				
Cost	10,376	9,295	-	19,671
Total intangible assets	29,458	9,295	(6,823)	31,930

	1/1/2012	Additions	Disposals	Transf. to service	Amortization	12/31/2012
Not linked to concessions						
In service						
Cost	49,152	-	-	15,139	-	64,291
Amortization	(35,442)	-	-	-	(9,767)	(45,209)
In progress						
Cost	15,856	8,185	-	(15,139)	1,474	10,376
Total intangible assets	29,566	8,185	-	-	(8,293)	29,458

17 - TRADE PAYABLES

The composition of trade payables is as follows:

	12/31/2013	12/31/2012	1/1/2012
Current			
Electric energy purchased	114,135	-	-
Materials and services	269,738	207,063	276,659
Charges on electricity network usage:			
Eletronorte	2,689	8,902	8,760
Eletrosul	6,540	7,689	7,835
Furnas	6,206	14,473	14,708
CTEEP	3,443	11,556	11,892
Other	41,775	72,046	50,934
Total	444,526	321,729	370,788

18 - TAXES AND CONTRIBUTIONS - LIABILITIES

18.1 - Composition

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Current			
Taxes payable	87,562	115,895	220,996
	87,562	115,895	220,996
Non-current			
Taxes payable	13,572	13,572	13,443
Deferred tax liabilities	67,045	54,225	67,670
	80,617	67,797	81,113
	168,179	183,692	302,109

18.2 - Taxes payable

The Company's current and non-current taxes and contributions payable are as follows:

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Current			
Corporate Income Tax (IRPJ)	136	-	15,264
Social Contribution on Net Income (CSLL)	94	-	76,640
Social Contribution on Revenues (COFINS)	19,240	34,485	33,482
Value-added Tax on Sales and Services (ICMS)	18,749	16,406	12,213
National Institute of Social Security (INSS)	16,862	18,054	17,417
Social Integration Program (PIS)/Public Service Employee Savings Program (PASEP)	4,177	7,486	7,268
Withholding Income Tax (IRRF) Government Severance Indemnity Fund for Employees (FGTS)	12,701	23,251	43,923
Others	4,512	5,217	5,071
	11,091	10,996	9,718
	87,562	115,895	220,996
Non-current			
Deferred ICMS	13,572	13,572	13,443
	13,572	13,572	13,443
	101,134	129,467	234,439

18.3 - Deferred tax liabilities

- Corporate income tax and social contribution on net income**

Pursuant to Technical Pronouncements CPC 26 (R1) (IAS 1) and 32 (IAS 12), approved by CVM Resolutions 595 and 599, both of September 15, 2009, the Company recognized in non-current liabilities the entire amount of its tax debts, of R\$ 67,045, resulting from temporary differences, as follows:

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Temporary differences			
Initial adjustments arising from CPC 33	306,688	355,574	296,071
Initial adjustments arising from ICPC 01	132,949	-	147,665
	439,637	355,574	443,736
Tax debts			
Income tax on temporary differences	27,477	22,223	27,734
Social contribution on temporary differences	39,568	32,002	39,936
Non-current	67,045	54,225	67,670

These tax effects contemplate the application of 9% for social contribution and 6.25% for income tax on the adjustments and reclassifications resulting from the adoption of the new accounting pronouncements since they will affect the tax incentive calculation.

The tax debts related to income tax and social contribution arising from temporary differences - derecognition of regulatory assets and liabilities, initial adjustments arising from CPC 33 (R1) (IAS 19) and ICPC 01 (R1) (IFRIC 12) - entirely recorded in non-current liabilities, in compliance with Technical Pronouncement CPC 26 (R1) (IAS 1), will be realized in accordance with the settlement of regulatory assets and liabilities, in accordance with changes in the post-employment benefits resulting from the adoption of CPC 33 (R1) (IAS 19) and changes in the financial assets resulting from the adoption of ICPC 01 (R1) (IFRIC 12), respectively.

The realization of these liabilities is estimated as shown below:

After 2019	<u>67,045</u>
	<u><u>67,045</u></u>

19 - BORROWINGS

The main information on the Company's borrowings is as follows:

19.1 - Composition:

	12/31/2013			12/31/2012			1/1/2012	Total	
	Charges	Current	Non-current	Charges	Current	Non-current	Total		
Local currency									
Related parties									
Eletrobras	-	12,745	42,368	55,113	744	24,766	103,163	128,673	143,020
Financial institutions									
Banco do Brasil	1,918	-	500,000	501,918	-	-	-	-	257,527
Banco do Nordeste	56	45,473	249,451	294,980	34	45,473	294,924	340,431	391,301
Total	<u>1,974</u>	<u>58,218</u>	<u>791,819</u>	<u>852,011</u>	<u>778</u>	<u>70,239</u>	<u>398,087</u>	<u>469,104</u>	<u>791,848</u>

Of the total borrowings obtained from Eletrobras, the amount of R\$ 44,383 is secured by the Company's own revenue, supported by a public deed of power of attorney signed on the date of signature of the contracts, providing for the direct receipt, by Eletrobras, of overdue and unpaid amounts. The remaining amount of R\$ 10,730 is secured by bond insurance in an amount corresponding to 125% of the debt balance estimated for the year, renewable on an annual basis, whose receipt by Eletrobras is subject to the provisions of each contract, under the conditions and up to the limit of the amount of the insurance policy.

The borrowings from Banco do Nordeste are secured by receivables represented by collectible trade bills at an amount equivalent to three to six installments of the borrowing repayments, in addition to a liquidity reserve fund account, given as additional guarantee, which is equivalent to three installments of the repayments.

The borrowing from Banco do Brasil, guaranteed by Bank Credit Certificate issued to Eletrobras, had the exclusive purpose of ensuring the provision of funds in the deposit current account.

The main source of the borrowings from Eletrobras is the Global Reversion Reserve (RGR), and such funds are mainly utilized as finance coverage for the direct costs of transmission systems projects.

19.2 - Composition of borrowings by index:

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
IPCA	429	496	536
No index	851,582	468,608	791,312
Total	852,011	469,104	791,848
Principal	850,037	468,326	781,980
Charges	1,974	778	9,868
Total	852,011	469,104	791,848

A major portion of the borrowings obtained by Chesf is not indexed and is only subject to the following average remuneration:

- Balance of R\$ 54,684 (R\$ 128,178, at December 31, 2012) contracted with Eletrobras, arising from the Global Reversion Reserve (RGR), collected from the Electric Sector to be reinvested in the sector itself. Of this total, R\$ 43,954 (80.38%) bears interest of 5% p.a. and an administration fee of 2% p.a., and R\$ 10,730 (19.62%) bears interest of 5% p.a. and an administration fee of up to 1.5% p.a., respectively. These borrowings have no monetary restatement as they are linked to the same restatement system as permanent assets, which has been suspended by law.
- Balance of R\$ 280,943 (R\$ 324,165 at December 31, 2012) contracted with Banco do Nordeste do Brasil S.A., subject to interest of 10% p.a. and a 2.5% bonus for timely repayment.
- Balance of R\$ 14,037 (R\$ 16,266 at December 31, 2012) contracted with Banco do Nordeste do Brasil S.A., subject to interest of 4.5% p.a.
- Balance of R\$ 501,918 contracted with Banco do Brasil S.A., subject to interest of 9.77% p.a. (115% of the CDI rate).

Chesf has a contract with Eletrobras indexed at the IPCA, with a balance of R\$ 429 at December 31, 2013 (R\$ 496 at December 31, 2012), with an interest rate of 7.2% p.a. The variation of the IPCA in the year was 5.9% (5.8% in the previous year).

19.3 - Maturities of the installments of non-current liabilities

The principal amount of long-term borrowings, in the amount of R\$ 791,819 (R\$ 398,087 in 2012), matures as follows:

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
2013	-	-	67,485
2014	-	68,335	67,485
2015	183,135	68,248	67,398
2016	183,020	68,137	67,288
2017	180,606	65,723	65,171
2018	177,498	60,084	45,473
2019	45,473	45,473	45,473
After 2019	22,087	22,087	36,376
Total non-current	791,819	398,087	462,149

19.4 - Interest rate of the domestic market

Borrowings are subject to the following interest rates:

	Domestic market (% p.a.)
Fixed rates	
12/31/2013	4.50 to 7.50
12/31/2012	4.50 to 7.50
1/1/2012	4.50 to 7.51
Floating rates	
12/31/2013	9.77
12/31/2012	-
1/1/2012	10.87

19.5 - Changes in borrowings

	Current			Non-current Principal
	Charges	Principal	Total	
Balance at 1/1/2012	9,868	319,831	329,699	462,149
New	-	-	-	4,551
Refinancing	(190)	-	(190)	190
Provision for charges	41,955	-	41,955	-
Monetary variations	1	9	10	13
Transfers	-	68,816	68,816	(68,816)
Amortizations/payments	(50,856)	(318,417)	(369,273)	-
Balance at 12/31/2012	778	70,239	71,017	398,087
New	-	-	-	500,000
Provision for charges	42,863	-	42,863	-
Monetary variations	(1)	-	(1)	20
Transfers	-	106,288	106,288	(106,288)
Amortizations/payments	(41,666)	(118,309)	(159,975)	-
Balance at 12/31/2013	1,974	58,218	60,192	791,819

19.6 - Guarantees

The Company is the guarantor of many ventures whose guaranteed amounts, projections and payments already made are presented below:

Company	Financing bank	Type	Interest in investee	Finance amount (share of the Company)	Debt balance at December 31, 2013	Debt balance projection			End of guarantee
						2014	2015	2016	
IE Garanhuns	Securities regulated by CVM	SPE	49.0%	88,200	198,467	-	-	-	4/30/2014
TDG	BNB (FNE)	SPE	49.0%	29,764	59,776	60,978	59,178	56,778	3/30/2031
TDG	BNB (FNE)	SPE	49.0%	58,346	94,453	93,464	91,923	90,200	10/30/2032
IE Madeira	BASA (FNO)	SPE	24.5%	65,415	282,764	295,145	309,786	315,072	6/30/2016
Manaus Transmissora	BASA (FNO)	SPE	19.5%	48,750	294,102	337,454	362,014	310,690	7/10/2030
Manaus Transmissora	BASA (FDA)	SPE	19.5%	29,250	176,461	162,086	161,855	138,908	7/10/2031
Total				319,725	1,106,023	949,127	984,756	911,648	

20 - ESTIMATED OBLIGATIONS

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Social contributions	26,698	35,197	33,208
Vacation pay	38,912	51,302	48,412
Vacation bonus	29,811	39,296	37,044
Other	6,746	8,992	7,779
Total	102,167	134,787	126,443

21 -SCHEDULED VOLUNTARY TERMINATION PROGRAM (PIDV)

The Company approved a program entitled "Scheduled Voluntary Termination Program (PIDV)", the purpose of which is encourage the termination of the employment relationship with employees that have been working for the Company for more than 20 years or who are receiving pensions from the National Institute of Social Security (INSS) and wish to join the program.

The last day for application was July 10, 2013, when the program totaled 1,472 applicants, 1,354 of which have completed the formalization process, that is, have registered their application with the Human Resources department. Terminations under this program totaled 1,326 and 28 in 2013 and 2014, respectively.

The PIDV-related expenses include financial incentives and a health insurance plan for the maximum period of 60 months from the date of termination of employment for terminations carried out in 2013, and for a maximum period of 12 months for terminations carried out in 2014.

In order to cover such expenses, the Company recorded the amount of R\$ 630,841 in the statement of operations.

Healthcare plan

Employees participating in the PIDV program, as well as their family members, will be entitled to a healthcare plan administered by Fachesf, called "Fachesf Saúde Mais", for a period of 60 months from the date of termination of employment for terminations carried out in 2013, and for a period of 12 months for terminations carried out in 2014.

"Fachesf Saúde Mais" is a private healthcare plan, for the exclusive use of the Company's employees who participate in the Fachesf Pension Plan and who have joined the PIDV program, as well as for their dependents and members of the household participating in Chesf's Employer's Assistance Plan (PAP) on the date when the employee joins the PIDV program.

Based on actuarial appraisal, the Company recorded R\$ 152,117 as a provision for PIDV-related costs arising from the "Fachesf Saúde Mais" plan.

22-EMPLOYEE BENEFITS

The Company sponsors Fundação Chesf de Assistência e Seguridade Social (Fachesf), a non-profit pension entity governed by private law, the main purpose of which is to supplement the benefits granted by the Government Social Security System.

The actuarial regime of Fachesf is the capitalization system and the Plan originally established was of the Defined Benefit type (BD Plan). On June 29, 2001, the Company implemented the Defined Contribution Plan (CD Plan) and the Settled Benefit Plan (BS Plan), and the migration of the participants of the BD Plan to the new Plans ended on November 19, 2001, attaining 97.1% of the participants.

The Company adopts the procedures recommended by Technical Pronouncement CPC 33 (R1) (IAS 19), approved by CVM Resolution 695/2012, and performs an actuarial valuation of the liabilities arising from post-employment benefits. The criteria and assumptions adopted in this valuation could differ from those adopted by the administrator of the program, which follows specific legislation, thereby impairing a simple comparisons of results.

In compliance with the accounting practices determined in CVM Resolution 695/2012, the Company opted for recognizing actuarial gains and losses in the period in which they occur, in other comprehensive income (loss), in accordance with CPC 33 (R1) and IAS 19.

The commitments at December 31, 2013, referring to the Pension Plans, pursuant to CVM Resolution 695/2012, are detailed below:

PENSION PLAN

- **Basic characteristics**

Fachesf administers, on behalf of Chesf employees, three Pension Plans: the Defined Benefit Plan, the Defined Contribution Plan and the Settled Benefit Plan.

The Defined Benefit Plan assures participants a benefit of 100% of the average of their last salaries.

The Defined Contribution Plan is a plan under which the participant chooses the amount of his/her contribution and the sponsor contributes a variable percentage of the contribution chosen by the participant. The accumulation of these resources will determine the amount of the participant's benefit in the future. Chesf is also responsible for the costs of the risk benefits and administration of the plan. This is the only Plan open to new adhesions.

The participants who elected to be transferred from the Defined Benefit Plan to the Defined Contribution Plan were given the option to maintain the proportional amount they had accumulated in the original plan in the Settled Benefit Plan, or to transfer the present value of such benefit to the Defined Contribution Plan.

- **Accounting policy adopted by the Company for the recognition of actuarial gains and losses.**

The pension obligation recognized in the balance sheet represents the present value of the obligation with the defined benefits adjusted by actuarial gains and losses and by the cost of past services, less the fair value of the plan's assets, as provided in the Pronouncement on the Recognition of Employee Benefits.

Statistics on the participants:

POPULATION DATA	12/31/2013			12/31/2012		
	BD Plan	BS Plan	CD Plan	BD Plan	BS Plan	CD Plan
Active participants						
Number of participants	39	1,780	5,259	47	2,026	5,802
Average age (years)	60.42	58	50	59	57	49
Average salary in R\$	9,581.59	2,019.06	9,265.77	9,310.61	1,974.12	8,745.27
Retirees						
Number of retired participants	4,724	587	727	4,829	454	553
Average age	70.53	63	63	70	63	63
Average benefit in R\$	3,559.74	2,828	1,523	3,391	2,907	1,130
Pensioners (surviving dependents)						
Number of pensioners	1,518	113	182	1,593	115	192
Average benefit in R\$	1,375.33	883	1,345	1,208	788	1,027
Total population	6,281	2,480	6,168	6,469	2,595	6,547

LIFE INSURANCE

The Company subsidizes part of the premiums of a life insurance policy for active employees. Retired former employees who opted to remain linked to this policy pay the full premium, which is collectively established for the entire population of active and inactive participants. However, considering the age characteristics of the population of active and inactive participants, the actuarial calculation of the segregated premium attributable to the group of inactive participants indicates the existence of an indirect post-retirement benefit paid by the Company.

Based on the above characteristics, the Company records, in non-current liabilities, the actuarial valuation for coverage of inactive policyholders, considering the total policy in effect, segregated between the parties.

In view of the new accounting practices, the Company recognizes the actuarial gains and losses related to the life insurance benefit in the period in which they occur, in other comprehensive income (loss) in accordance with CPC 33 (R1) and IAS 19.

ACTUARIAL AND ECONOMIC ASSUMPTIONS

	<u>2013</u>	<u>2012</u>
Economic assumptions		
Annual actuarial discount interest rate (i)	11.98%	8.24%
Annual actuarial discount effective interest rate	6.34%	3.20%
Projected average increase in salaries	7.41%	6.99%
Projected average increase in benefits	5.30%	4.89%
Average annual inflation rate	5.30%	4.89%
Expected return on the plan assets	11.98%	8.24%
Demographic assumptions		
Turnover rate	0.00%	0.00%
Active and inactive mortality table	AT-2000	AT-2000
Disability mortality table	AT - 83	AT - 83
Disability table	Light Fraca	Light Fraca
% married employees on the retirement date	95%	95%
Age difference between men and women	4 years	4 years

The long-term interest rate used was based on the market of Federal Government securities, in accordance with the criterion recommended by Brazilian and international standards, for maturities similar to those of the flows of the benefit program obligation.

BENEFIT PLANS AT 12/31/2013

	<u>12/31/2013</u>				
	<u>BD Plan</u>	<u>BS Plan</u>	<u>CD Plan</u>	<u>Insurance</u>	<u>Total</u>
CHANGES IN OBLIGATIONS					
Present value of the net actuarial obligation at the beginning of the year	<u>3,431,959</u>	<u>1,161,318</u>	<u>27,807</u>	<u>(55,980)</u>	<u>4,565,104</u>
Interest cost	282,814	95,606	2,291	(4,702)	376,009
Current service cost	1,584	-	2,200	-	3,784
Benefits paid by the plan	(245,805)	(22,669)	(4,023)	-	(272,497)
Remeasurement of actuarial gains (losses)	(1,166,398)	(505,360)	389,380	55,500	(1,226,878)
Due to experience adjustment	(503,874)	(133,504)	565,229	54,640	(17,509)
Due to changes in financial assumptions	(662,524)	(371,856)	(175,849)	860	(1,209,369)
Present value of the net actuarial obligation at the end of the year	<u>2,304,154</u>	<u>728,895</u>	<u>417,655</u>	<u>(5,182)</u>	<u>3,445,522</u>
CHANGES IN THE FINANCIAL ASSETS					
Fair value of plan assets at the beginning of the year	<u>2,782,150</u>	<u>1,261,009</u>	<u>45,004</u>	-	<u>4,088,163</u>
Interest income	229,228	103,994	3,708	-	336,930
Sponsor contributions	8,549	2,293	10,725	-	21,567
Participant contributions	7,698	-	1,100	-	8,798
Benefits paid by the plan	(248,805)	(22,669)	(4,023)	-	(275,497)
Gains (losses) on the plan assets (except interest income)	(610,276)	(232,929)	390,013	-	(453,192)
Fair value of plan assets at the end of the year	<u>2,171,544</u>	<u>1,111,699</u>	<u>446,527</u>	-	<u>3,729,770</u>

BENEFIT PLANS AT 12/31/2012

CHANGES IN OBLIGATIONS	12/31/2012				
	BD Plan	BS Plan	CD Plan	Insurance	Total
Present value of the net actuarial obligation at the beginning of the year	2,663,799	775,266	1,283,933	82,887	4,805,885
Interest cost	264,572	64,614	119,839	8,399	457,424
Current service cost	501	8,091	74,209	1,247	84,048
Benefits paid by the plan	(227,993)	(17,239)	(10,188)	-	(255,420)
Purchase of shares	-	-	248,370	-	248,370
Remeasurement of actuarial gains (losses)	731,080	330,586	-	(36,553)	1,025,113
Present value of the net actuarial obligation at the end of the year	3,431,959	1,161,318	1,716,163	55,980	6,365,420
CHANGES IN THE FINANCIAL ASSETS					
Fair value of plan assets at the beginning of the year	2,407,965	1,023,635	1,278,049	-	4,709,649
Interest income	233,820	102,373	129,488	-	465,681
Sponsor contributions	6,428	1,974	62,525	-	70,927
Participant contributions	7,112	497	62,354	-	69,963
Benefits paid by the plan	(227,993)	(17,239)	(10,188)	-	(255,420)
Gains (losses) on the plan assets (except interest income)	354,819	149,768	-	-	504,587
Compensation of shares	-	-	211,132	-	211,132
Fair value of plan assets at the end of the year	2,782,151	1,261,008	1,733,360	-	5,776,519

PLAN ASSETS BY CATEGORY

The main categories of the plan assets at the end of the year were as follows:

Asset category	12/31/2013			12/31/2012		
	BD Plan	BS Plan	CD Plan	BD Plan	BS Plan	CD Plan
Immediately available amounts	998	34	53	465	140	182
Realizable amounts	214,068	10,812	35,482	1,177	308	19,114
Government securities	1,267,430	602,772	876,594	1,675,240	737,845	953,742
Private deposit credit	21,340	9,535	4,246	-	-	-
Shares	18	8	9	257,561	111,154	121,863
Investments in funds	798,163	431,741	629,060	686,696	343,457	549,869
Investments in real estate developments	21,563	-	2,688	38,786	89	2,754
Borrowings	128,642	68,306	78,283	126,269	68,642	87,383
Other realizable amounts	-	-	192	660	-	-
(-) Social security liabilities	(25,743)	(5,797)	(22,906)	(4,703)	(627)	(1,548)
(-) Contingent liabilities	(249,669)	-	-	-	-	-
(-) Investment fund	(5,266)	(5,713)	(4,534)	-	-	-
Fair value of plan assets	2,171,544	1,111,698	1,599,167	2,782,151	1,261,008	1,733,359

PROJECTED FLOW OF BENEFIT PAYMENTS

Expected amounts	Position at 12/31/2013		
	BD Plan	BS Plan	CD Plan
Up to 1 year	239,672	30,481	31,080
From 1 to 2 years	234,185	34,104	31,144
From 2 to 5 years	668,465	124,007	93,572
More than 5 years	2,933,707	1,672,994	811,921
Total expected plan payments, at current amounts:	4,076,029	1,861,586	967,717

EFFECTS OF THE CHANGES IN THE SIGNIFICANT ACTUARIAL ASSUMPTIONS

The significant actuarial assumptions for the calculation of the defined benefit obligation are discount and mortality rates. The sensitivity analyses below have been established based on reasonably possible changes in the related assumptions, at the end of the reporting period. All other assumptions remained unchanged.

BD Plan

- If the discount rate were 0.25% higher (lower), the defined benefit obligation would be reduced by R\$ 41,161 (increased by R\$ 42,567).
- If the life expectancy increased (decreased) by one year for both men and women, the defined benefit obligation would be increased by R\$ 60,183 (decreased by R\$ 61,022).

BS Plan

- If the discount rate were 0.25% higher (lower), the defined benefit obligation would be reduced by R\$ 20,937 (increased by R\$ 21,930).
- If the life expectancy increased (decreased) by one year for both men and women, the defined benefit obligation would be increased by R\$ 9,792 (decreased by R\$ 10,224).

CHANGES IN THE LIABILITIES FOR POST-EMPLOYMENT BENEFITS

	BD	BS	CD	Insurance	Total
Balance at 12/31/2011	289,506	-	9,167	82,887	381,560
Cost of interest and services	23,732	(30,162)	27,435	9,646	30,651
Payments	(139,004)	-	(65,361)	-	(204,365)
Actuarial adjustment	475,574	30,162	31,282	(36,553)	500,465
Balance at 12/31/2012	649,808	-	2,523	55,980	708,311
Cost of interest and services	47,471	(8,388)	66,409	4,702	110,195
Payments	(772)	-	(63,061)	-	(63,833)
Actuarial adjustment	(91,381)	8,388	(5,872)	(55,500)	(144,365)
Balance at 12/31/2013	605,126	-	-	5,182	610,308

PERIODIC COST, NET

	2013				
	BD Plan	BS Plan	CD Plan	Insurance	Total
PERIODIC COST COMPONENTS					
Cost of service	1,584	-	135,756	-	137,340
Interest costs	53,586	(8,388)	(1,469)	4,702	48,431
Participant contributions	(7,698)	-	(67,878)	-	(75,576)
COST OF BENEFITS IN THE PERIOD	47,472	(8,388)	66,409	4,702	110,195

	2012				
	BD Plan	BS Plan	CD Plan	Insurance	Total
PERIODIC COST COMPONENTS					
Cost of service	(7,019)	7,597	37,083	1,247	38,908
Interest costs	264,572	64,614	119,839	8,399	457,424
Participant contributions	-	-	-	-	-
Expected return on financial assets	(233,820)	(102,374)	(129,487)	-	(465,681)
COST OF BENEFITS IN THE PERIOD	23,733	(30,163)	27,435	9,646	30,651

CHANGES IN POST-EMPLOYMENT BENEFITS IN OTHER COMPREHENSIVE INCOME (LOSS)

	BD	BS	CD	Insurance	Total
Balance at 12/31/2011	(339,662)	(9,261)	(161,494)	(48,177)	(558,594)
Gains and losses	(475,574)	(30,162)	(31,282)	36,553	(500,465)
Deferred taxes	205,835	10,850	38,516	(2,487)	252,714
Balance at 12/31/2012	(609,401)	(28,573)	(154,260)	(14,111)	(806,345)
Gains and losses	91,382	(8,388)	5,872	55,499	144,365
Deferred taxes	(27,837)	2,555	(1,789)	(16,906)	(43,977)
Balance at 12/31/2013	(545,856)	(34,406)	(150,177)	24,482	(705,957)

ACTUARIAL LIABILITIES OF THE PENSION PLANS CONTRACTED

The Company provides its employees with a pension plan and post-employment life insurance, as follows:

Description	12/31/2013	12/31/2012
Pension plans	605,126	652,331
Life insurance	5,182	55,980
Total	610,308	708,311
Current	121,025	2,523
Non-current	489,283	705,788

The amounts recognized in the period were calculated based on the actuarial report prepared for the year ended December 31, 2013.

Actuarial valuations are intrinsically uncertain and, accordingly, are subject to changes at the time of the annual actuarial review.

OTHER EMPLOYEE BENEFITS

In addition to the benefits paid under the supplementary pension plans, the Company offers other benefits to its employees, such as: healthcare plan, life insurance, meal and transportation vouchers and education allowance, which are periodically renegotiated at the time of collective labor agreements. The cost of these benefits to the Company was R\$ 158,835 in 2013 (R\$ 142,950 in 2012).

23 - OTHER LIABILITIES

	12/31/2013	12/31/2012	1/1/2012
Current			
Aneel inspection fee	964	1,753	1,788
Fachesf - normal contribution	14,238	11,001	9,317
Purchase of properties - camp	1,493	1,493	1,493
MME agreement	4,210	4,210	4,210
Pledges as collateral	3,692	3,116	3,313
Chesf/Senai settlement agreement	1,223	855	759
Insurance entity	482	271	58
Acquisition of Pirapama II substation connection	1,353	22,314	22,314
Environmental compensation	-	-	13,640
Others	2,198	6,548	6,063
	29,853	51,561	62,955
Non-current			
FGTS - Company account	4,185	4,058	3,926
Eletropar	1,456	1,456	1,456
Others	-	1	-
	5,641	5,515	5,382
Total	35,494	57,076	68,337

24 - TAX, CIVIL, LABOR AND ENVIRONMENTAL RISKS

	Provision at 12/31/2012	Additions (reversals)	Reductions	Provision at 12/31/2013
Labor	127,521	61,367	(26,105)	162,783
Civil	1,250,244	77,567	(96,642)	1,231,169
Tax	10,920	-	-	10,920
Total	1,388,685	138,934	(122,747)	1,404,872

	Provision at 1/1/2012	Additions (reversals)	Reductions	Provision at 12/31/2012
Labor	109,721	23,496	(5,696)	127,521
Civil	803,197	448,029	(982)	1,250,244
Tax	10,631	37	252	10,920
Total	923,549	471,562	(6,426)	1,388,685

Chesf is a party to tax, civil and labor lawsuits and administrative proceedings in progress at government bodies, resulting from its normal operations.

In compliance with the accounting practices adopted in Brazil, Chesf classifies the claims against the Company according to the risk of loss, based on the opinion of its legal advisors, as follows:

- Provisions are constituted for litigation in which an unfavorable outcome is regarded as **probable**.
- For the cases in which an unfavorable outcome is regarded as **possible**, the corresponding information is disclosed in the notes to the financial statements.
- For the cases in which an unfavorable outcome is regarded as **remote**, only information deemed relevant by management for a full understanding of the financial statements is disclosed in the notes.

Labor contingencies mostly refer to claims concerning hazardous duty premiums; overtime; supplementary retirement contributions to Fachesf; and equalization/reclassification of position and of severance indemnities arising from the default of outsourced companies.

The most significant civil cases refer to indemnity claims, expropriations and the financial restructuring of agreements.

In the tax area, there are disputes basically involving annulment actions against tax assessment notices; and claims for reimbursement of credits (PIS, COFINS, IRPJ, CSLL, ITR, ICMS, among others).

The Company is appealing against all such contingencies, and the corresponding judicial deposits have been made, whenever required.

1) The cases for which an **unfavorable outcome** is regarded as **probable** are the following:

- 1.1)** Chesf filed a lawsuit claiming the partial annulment of the amendment (K Factor of Analytical Price Adjustment) to the contracted civil works for the Xingó Hydroelectric Power Plant, entered into with the Consortium formed by Companhia Brasileira de Projetos e Obras - CBPO, CONSTRAN S.A. - Construções e Comércio and Mendes Júnior Engenharia S.A. (hereinafter referred to as "defendants"), and the return, in double, of amounts paid as K factor, totaling approximately R\$ 350 million (amount at the time). The defendants, in turn, not only challenged the claim, but also filed a counterclaim requesting that Chesf be sentenced to the payment of overdue amounts that have not been settled on time by the Company and which result from the same amendment to the contract (partial disallowance of the K Factor between July 1990 and December 1993, in compliance with Law 8,030/1990, as well as the full suspension of payment of the K Factor from January 1994 to January 1996).

After a long process in the lower courts, including a dispute about the appropriate judiciary branch for the development and judgment of the case (Chesf and the Federal Government, its interested party, believed the case should be the responsibility of the Federal Court). The Federal Regional Court of the 5th Region, based on Law 8,197/1991, understood that the State Court should be responsible for judging the case, which was confirmed by the Appeals Court of Pernambuco (TJPE). The High Court of Justice (STJ), the opinion of which was requested on the matter, did not hear the corresponding special appeal, for exclusively (procedural reasons). TJPE deemed Chesf's lawsuit without merit, whereas the counterclaim filed by the defendants was deemed with merit.

Chesf and the Federal Government, during the lawsuit - for incidental reasons - and, especially at the end of the process in the lower courts, filed special and extraordinary appeals. The High Court of Justice (STJ) did not hear the extraordinary appeal because it understood that the dispute was not directly related to a constitutional matter. In August 2010, the High Court of Justice (STJ) rejected Chesf's special appeal (RESP 726.446), giving rise to motions for clarification filed by the Company, the judgment of which started in December 2012 and was finalized in December 2013, all being rejected. As at December 31, 2013, the related decision was pending publication and corresponding notification to the parties.

At the same time, and since the conclusion of the case in the lower courts, the defendants have been taking several initiatives before the same courts of the Judicial Power of the State of Pernambuco, in order to obtain the settlement of the amount requested through their counterclaim.

Accordingly, in November 1998, the defendants filed an injunction for the provisional enforcement of the decision, upon judicial anticipation of the claimed protection, but the case was suspended by a decision of the STJ.

Subsequently, the defendants requested the settlement of the provisional decision that was favorable to them, which was, ultimately, dismissed without judgment on the merit, by decision of the first trial court (but not without having first been rejected, for lack of jurisdiction, to the Federal Court, which was reversed by the TJPE on request of the defendants). This decision was reversed by the TJPE, which accepted the defendants' claim (AI 205.097-7), to a large extent, and approved, with exclusions, the experts' final arbitration report of the amounts presented in the case in the first trial court. After successive analysis of many motions for declarations filed by the parties involved in the lawsuit, the TJPE accepted Chesf's claim to eliminate, from the previously approved amounts, the incorrectly calculated contractual and legal interest on arrears, therefore drastically reducing the amount ruled in favor of the defendants.

Once the case was formally analyzed in the lower courts of the Judicial Power of the State of Pernambuco, except (at December 31, 2013) as regards the incidental matter relating to the procedural condition of the Federal Government - which Chesf claims to unequivocally be its interested party in the process, as accepted and sustained by the Federal Government -, the parties filed appeals in the higher courts - Chesf filed a special appeal in the STJ (pointing out many procedural irregularities and other legally required manifest reductions in the settlement amount approved by the TJPE), as well as an extraordinary appeal in the STF (pointing out procedural issues relating to constitutional fundamental guarantees). All of these appeals awaited submission to the Vice-President of the TJPE for analysis of its merit, as at December 31, 2013.

As regards this settlement case, it is also important to mention that, regardless of the previously mentioned special and extraordinary appeals now pending appreciation of the TJPE, the case RESP 1.366.295 has also been filed in the STJ, where, after the initial effectiveness of Law 9,469/1997, the jurisdiction for development and judgment of that case has been questioned again (Chesf and the Federal Government, its interested party in the matter, understand that it should be ruled upon by the Federal Court, whereas the defendants believe that it should be ruled upon by the Judicial Power of the State of Pernambuco). In this extraordinary appeal, there was a first-instance decision issued by the Reporting Justice, who did not hear the special appeal filed by Chesf, giving rise to the presentation of another special appeal, which started to be tried in May 2013 and is currently awaiting return after Minister Og Fernandes requested the records for analysis, for issuance of a final decision.

In August 2013, after this settlement case had been analyzed by the lower courts - and without prejudice to the pending appeals filed with the aforementioned higher courts -, the defendants took measures before the 12th Lower Civil Court of the Judicial District of Recife, State of Pernambuco, so as to cause the provisional foreclosure of the amounts that, according to their calculations, corresponded to the adjusted amount approved by the TJPE in their favor. In this case, Chesf was notified to pay the corresponding amounts, but filed an "objection of pre-execution" (by pointing out, as authorized by case law of the STJ, many procedural irregularities that would discredit the continuation of this provisional execution claim, from then on and without prejudice to other specific topics that could cause the challenge of the defendants' calculations, in light of TJPE's opinion). After the defendants presented a response and Chesf its refutation, the case is waiting for the judicial appreciation as regards the aforementioned "objection" at December 31, 2013.

Considering the progression of the entire lawsuit mentioned above, as well as all the judgments of the appeals presented so far, the Company's management, based on the opinion of its legal advisors, set up a provision of R\$ 786,515 in non-current liabilities, to cover losses arising from this matter. This provision corresponds to (i) the overdue payments at the time and not settled by the Company, referring to the K Factor (partial disallowance of the K Factor between July 1990 and December 1993, in compliance with Law 8,030/1990, as well as the full suspension of payment of the K Factor from January 1994 to January 1996); and (ii) the settlement amount approved by TJPE, restated based on the criteria of the TJPE and adjusted by the portions that were questioned by Chesf in that case by the previously-mentioned corresponding special appeal.

It is not possible to estimate how long it will take for this litigation to be concluded.

1.2) Lawsuit for indemnity relating to 14,400 hectares of land on Aldeia Farm, filed in the Court of Sento Sé, State of Bahia, by the Estate of Aderson Moura de Souza and his wife (Proc. 0085/1993). The lower court decision accepted the claim, ordering Chesf to pay the amount of R\$ 50,000, which corresponds to the principal plus interest and monetary restatement. On December 31, 2008, Chesf filed an appeal at the Appeals Court of Bahia and on December 31, 2009 the court records were transferred to the Federal Courts because the Federal Government was included in the case as an interested third-party. On June 30, 2011 an appeal filed by Chesf at the Federal Regional court was partially accepted, and the plaintiff's appeal was rejected. On September 30, 2011 an indemnity lawsuit was filed at the Federal Regional Court of the 1st Region. On December 31, 2011 an injunction was granted ordering the interruption of the enforcement of the main lawsuit. The Company recognizes in non-current liabilities a provision to cover losses on this matter in the amount of R\$ 100,000. The motion for a new trial was still pending judgment at December 31, 2013.

1.3) Lawsuit for indemnity filed by Indústrias Reunidas Raimundo da Fonte S.A. (Vitivinícola Santa Maria S.A.), Proc. 0028240-80.2002.8.17.0001, in the 1st Lower Civil Court of the Judicial District of Recife, State of Pernambuco, arising from a flood caused by the overflowing of the São Francisco River in 1992.

The final and unappealable decision established the provisional settlement, leaving it to the appointed experts to determine the resulting damages and loss of profits. An expert agronomist engineer was engaged for this assignment, in which the resulting damages were assessed, but not the loss of profits. Chesf rejected the report and requested the 1st Civil Court that an accounting study be carried out in order for an amount, even if an estimated one, to be established for the loss of profits, based on the activities performed by the execution party. The request was denied and Chesf filed a bill of review, which confirmed the denial; a special appeal, which was denied by the TJPE; and a special interlocutory appeal (AREsp 377.209-PE), which was still pending appreciation of the merit by the Reporting Justice as at December 31, 2013. The Company set up a provision of R\$ 57,651 to cover losses arising from this matter, considering that the amounts relating to the resulting damages have already been paid and that the dispute is restricted only to the validity of the expert assessment report as regards the loss of profits.

1.4) Expropriation lawsuit filed by the Company against Herculano Galdino do Nascimento - proc. 0000538-66.2007.805.0245 - with Henrique Moraes do Nascimento as a party now. The object

of the lawsuit is the challenge of the amount paid in the lawsuit. The Company recognizes in non-current liabilities a provision to cover losses on this case in the amount of R\$ 52,000.

- 2) Provisions have not been recognized for the following additional lawsuits filed against the Company involving a possible risk of loss:

Contingencies	12/31/2013	12/31/2012	1/1/2012 (Restated)
Labor	84,300	63,986	53,852
Civil and tax	2,341,061	1,281,275	1,260,679
Total	2,425,361	1,345,261	1,314,531

- 2.1) The main lawsuits are as follows:

- 2.1.1) Lawsuit for damages filed by the Consortium formed by the companies CBPO/CONSTRAN/Mendes Júnior requesting the condemnation of the Company and the payment of additional financial compensation due to the late payment of invoices under the agreement related to the Xingó Hydroelectric Power Plant, dated June 8, 1999, in respect of the invoices issued after April 30, 1990. The plaintiffs presented generic requests in this case, limited to claiming the existence of an alleged right to financial compensation, deferring the calculation of the amounts involved to the issuance of the sentence.

Chesf filed its defense and requested that the Federal Government be included in the lawsuit, and that the records be sent to the Appeals Court of Pernambuco. After presentation of the expert's report, the lawsuit was judged by the State Court and Chesf was ordered to pay to the plaintiffs the amount of R\$ 23,766, adjusted through September 2004 (R\$ 51,568 at March 31, 2010, according to Chesf's calculations). Chesf filed an appeal against this decision, and the TJPE decided on the nullity of the sentence, on the grounds that it had lacked jurisdiction (since the Federal Government had been included in the lawsuit), and established that the records be sent to the Federal Court. The Appeals Court of Pernambuco accepted the lawsuit as it was, without requesting that another expert's report be obtained and issued a new decision, condemning Chesf to the payment of the amounts referred to above. The Company then filed an appeal with the Federal Regional Court of the 5th Region, requesting the annulment of the process as from the expert report stage. Immediately thereafter, the plaintiff filed a counter-appeal as well. The lawsuit is currently pending judgment of these appeals in that Court. Based on the opinion of the Company's legal advisors, this lawsuit is classified as having a possible loss likelihood.

- 2.1.2) Public civil action filed against the Company by the Community Association of Cabeço and Surrounding Areas, at the 2nd Federal Court of the State of Sergipe (proc. 0002809-27.2002.4.05.8500), in the amount of R\$ 368,548, seeking indemnity for alleged environmental damage to fishermen of Cabeço, by the Xingó Hydroelectric Power Plant, caused by the construction of this plant.

Ibama, IMA-AL, CRA-BA, Federal Government and Adema-SE were included as co-defendants in this case.

Another public civil action on the same grounds of the aforementioned lawsuit was filed against Chesf by the Fishermen's Community Association of Cabeço and Saramém in the judicial district of Brejo Grande, State of Sergipe, and the amount attributed to the case was R\$ 309,114. On April 15, 2008, a sentence was issued, recognizing the jurisdiction of the Federal Court to process and judge the case, and established that the records be sent to the 2nd Federal Court of the State of Sergipe. On February 19, 2009, both lawsuits were considered as being connected to each other and started to be dealt with jointly by the 2nd Federal Court of the State of Sergipe.

On May 14, 2009, a new hearing was held, aiming at deciding on the nature of the procedural evidence to be accepted, including the realization of an expert inspection, and established a three-month deadline for the parties to submit questions to be addressed in the expert's report. After some hearing rescheduling, the Court decided to invert the burden of proof and the financial burden relating to the expert inspection, and therefore established that the expense would be paid by Chesf. Chesf filed a bill of review against this decision. The bill of

review was converted into an interlocutory appeal by the Reporting Justice, which maintained the appealed decision. Chesf filed other measures against this Reporting Justice's decision, such as motions and appeals, which did not succeed favorably.

On March 29, 2011, a trial court judge appointed a team of experts to prepare a report, and on April 8, 2011 Chesf submitted to the Court a list of its experts and corresponding questions. In a hearing held on November 30, 2011, the purpose of which was to define the best form to carry out the expert work, the judge ordered Chesf to make a court deposit of R\$ 50, by January 31, 2012, to cover the expenses of court-appointed experts. On May 21, 2013, a hearing was held to establish a schedule for the expert work that would be carried out by a team of multidisciplinary professionals. The expert work reports are expected to be completed in January 2015. On November 27, 2013, a hearing was held to approve the work plans for the teams that would carry out the expert examination, as well as to establish that Chesf would have to make a monthly deposit of R\$ 100, starting in December 2013 and ending in May 2015, to cover the inspection-related expenses, including the fees charged by the professionals assigned by the court. It has also been decided that both lawsuits will have their progression exclusively targeted at the performance of the expert inspection work and will be suspended until the issuance of the final expert's report - status at December 31, 2013.

Supported by the opinion of the Company's attorneys, management's expectation is that a loss on these actions is possible with respect to the failure of the defense, and remote with respect to the amounts of the claims.

- 2.1.3)** Ordinary lawsuit filed by AES Sul Distribuidora Gaúcha de Energia (proc. 2002.34.00.026509-0 - 15th Federal Court - DF) aimed at the accounting and settlement by Aneel of the market transactions related to the positive exposure (profit) verified by reason of not opting for the relief (insurance) made in December 2000. Interlocutory decision rendered in Bill of Review of AES Sul (proc. 2002.01.00.040870-5) filed against ANEEL, resulted in a debt of approximately R\$ 110,000, whose payment was ordered to be made on November 7, 2008.

In order to suspend the debt, the following legal steps were adopted at that time: 1) filing of Petition for Suspension of Injunction with the STJ; 2) filing of Writ of Mandamus with the Courts of Justice of the Federal District (TJDF); 3) filing of petition requesting the inclusion of Chesf in the lawsuit as a necessary co-defendant. Procedures 2 and 3 were accepted with the consequent reversal of the injunction and suspension of the debt. Chesf was included in the lawsuit as a necessary co-defendant and challenged the action. At December 31, 2011 the Federal Regional Court of the 1st Region granted the Writ of Mandamus requested by Chesf (step 2), and AES filed a Special Appeal. The action was judged to be groundless and the petitions requesting clarification were dismissed, and, therefore, the claimant issued appeals. Chesf presented responses on December 31, 2012, and the remittance to the TRF - 1st Region is pending judgment. At December 31, 2013, the TRF - 1st Region accepted the Writ of Mandamus requested by Chesf (step 2). AES REsp, judged. Writ of Mandamus maintained. Case deemed without merit. Motions for clarification denied. Appeal filed by the claimant with the TRF1. Based on the evaluation of the legal advisors, management classified the loss risk on this litigation as "possible", in the estimated amount of R\$ 110,000.

- 2.1.4)** Declaratory action (proc. 7125-2009/434-78.2009.8.06.0115) filed by Carbomil Química S.A. seeking indemnity due to the installation of an electric energy transmission line at Lajedo do Mel mining, located in the municipalities of Jaguaruana and Quixeré, in the State of Ceará, and in Baraúna, State of Rio Grande do Norte. An expert examination was carried out and subsequently the Company filed a petition stating lack of jurisdiction, which was rejected. The likelihood of loss in this case was considered to be possible, at the amount of R\$ 70,000. The action was considered valid, and Chesf lodged appeals on September 30, 2012. The judge in charge of the case proposed the execution of fees attributed to an incident of relative incompetence. Chesf filed an objection of pre-execution, as well as a writ of mandamus in order to prevent the payment of this amount. In its decision on the writ of mandamus filed by Chesf, the Appeals Court of Ceará (TJCE) determined the annulment of the acts practiced and

the remittance of the records to the Federal Court. All acts practiced by the State Court were annulled, and the lawsuit was transferred to the 15th Federal Court of the State of Ceará, under number 0000033-04.2013.4.05.8101, and the Federal Government was included as a necessary co-defendant. On October 15, 2013, the 15th Federal Court of the State of Ceará issued a favorable sentence to Chesf in light of the structure of limitations, and ordered Carbomil Química S.A. to pay attorneys' fees corresponding to 10% of the value of the case. The claimant filed a civil appeal, which was responded by Chesf and is currently waiting for the records to be sent to the TRF - 5th Region for judgment (December 31, 2013).

2.1.5) Public Civil Action filed by the Public Prosecution Office of Pernambuco (MPPE) in Petrolândia (Proc. 81643-3), resulting from resettlement rights of rural workers affected by the construction of the Itaparica Electric Energy Plant. The Claimant stated that the agreement signed with the São Francisco Union (Polo Sindical dos Trabalhadores Rurais do Submédio São Francisco) on December 6, 1986 lacked legitimacy, and requires compensation for the difference of the temporary maintenance amounts paid during the period, establishing for the case the adjusted amount of approximately R\$ 87,000. Chesf's appeal, alleging MPPE's illegitimacy to file the action, was accepted by the Appeals Court of Pernambuco (TJPE). However, on a special appeal filed by the Claimant, the STJ recognized the legitimacy of the MPPE and determined that the case records be sent to the TJPE. On April 19, 2010, the TJPE judged the merits of Chesf's appeal and dismissed it by unanimous vote. Chesf jointly filed a Special and Extraordinary Appeal and corresponding bills of review. On November 7, 2012, a decision was issued denying the continuation of the Special Appeal of Chesf. Chesf filed an appeal against this decision and it was accepted. The decision was reconsidered and the special appeal was processed. On October 11, 2013, a decision was issued, accepting the RESP and unanimously declaring the limitation and preemption. The Public Prosecution Office filed motions on October 23, 2013. These motions were pending judgment on December 31, 2013.

2.1.6) Hidroservice filed a lawsuit for indemnity with the 2nd Federal Court of the State of Pernambuco, under number 0009364-44.2003.4.05.8300, for the purpose of annulling the energy sector securitization agreement, claiming indemnification for discounts on the trading of received securities and bank interest. The value of the matter in dispute is R\$ 250,000 (historical), and is currently estimated in R\$ 598,500. Appeals dismissed. The sentence that deemed the lawsuit without merit was maintained. Motions for clarification judged on November 26, 2013 to correct the material mistake pointed out by Chesf and dismiss both of the parties' appeals. Hidroservice filed RESP and RE appeals. Chesf was awaiting notification as at December 31, 2013, before it could present a response to the appeals.

3) The main lawsuits in which the risk of **loss is remote** are the following:

3.1) There is an ongoing collection action filed by Construtora Mendes Junior S.A., which was contracted by the Company to build the Itaparica Hydroelectric Power Plant, for alleged financial losses caused by late payment of invoices by the Company.

This collection action is based on the declaratory action considered valid as regards the existence of a credit in favor of Mendes Junior owed by Chesf, thereby requiring financial reimbursement.

In this collection action, Construtora Mendes Júnior S.A. was granted a decision by the 4th Lower Civil Court, which was later annulled, ordering Chesf to pay a sum that, including attorneys' fees and monetary adjustments through August 1996, calculated in accordance with the criteria determined by the Court - would total approximately R\$ 7 billion, an amount which has not been adjusted since that date.

After a decision rendered by the High Court of Justice (STJ), rejecting the special appeal filed by Mendes Junior S.A., and confirming the decision of the 2nd Civil Appeals Court of Pernambuco, which annulled the award and determined the redistribution of the case to a Federal Court in Pernambuco, the case was sent to the 12th Federal Court, under number 2000.83.00.014864-7, in order that a new expert examination could be realized and a new decision rendered.

The expert examination was submitted, and the expert, when answering the questions proposed by Chesf, stated the following: "it is not possible to affirm, from the analysis of the accounting records of Mendes Junior S.A., that it had raised funds in the financial market,

during the periods in which the delays in the payments of the invoices occurred, specifically for the financing of the Itaparica project". This answer was confirmed by the analysis made by the expert hired by Chesf.

The Federal Public Attorney's Office issued its opinion and requested the annulment of the process. It also requested that the lawsuit be considered groundless as regards the merit.

The lawsuit was partially maintained through a decision issued on March 8, 2008. Chesf filed a motion for clarification of judgment of this sentence, which was accepted by the Judge through a decision that clarified some points of the decision related to the determination of a possible debt of Chesf to Mendes Júnior.

Chesf filed an appeal against this decision, seeking total rejection of the lawsuit, especially considering that Mendes Junior, in this collection action, should be responsible for evidencing that it raised funds for the specific purpose of financing the Itaparica project, due to the delay of Chesf in paying some invoices, and that the financial costs incurred exceeded the total additional amounts paid by Chesf as a result of such delays. The Federal Government and the Public Attorney's Office filed similar appeals to that filed by Chesf.

In a session held on October 25, 2010, the Federal Regional Court of the 5th Region accepted the appeals filed by Chesf, the Federal Government and the Public Attorney's Office, and judged the action to be entirely groundless. Special and extraordinary appeals have been filed by Construtora Mendes Júnior, which were rejected by the TRF - 5th Region, giving rise to the filing of bills of review. At December 31, 2012, motions filed by Mendes Júnior had been escalated to the High Court of Justice - ARES 205.843 (2012/0155289-6), reported by Min. Sergio Kukina. The Federal Public Prosecution Office issued an opinion against the acceptance of the motions. The case currently awaits judgment of the High Court of Justice.

Considering the decision of the Federal Regional Court of the 5th Region, the risk of Chesf obtaining an unfavorable decision in this lawsuit is remote.

4) Environmental risks

As a result of its activities, Chesf is a party to lawsuits of an environmental nature for which no provisions have been recognized as they involve the risk of loss which management and its legal advisors have classified as possible or remote. Based on the opinion of these legal advisors, management believes that the resolution of these lawsuits will not cause adverse material effect on its financial position and, based on experience, believes that no provision, or insurance of losses, related to environmental issues is necessary.

25 - PROVISION FOR ONEROUS CONTRACTS

The Company carried out a test of its generation and transmission units at December 31, 2013, in order to identify the capacity to individually generate economic benefits higher than the costs necessary to meet its obligations.

The following provisions were constituted as a result of this test:

	<u>12/31/2013</u>	<u>12/31/2012</u>
Camaçari	267,117	357,043
Itaparica	863,146	1,018,534
Jirau	303,988	711,375
Paulo Afonso Complex	-	34,107
Transmission contract 061/2001	-	84,139
Energy purchase	-	98,358
	<u>1,434,251</u>	<u>2,303,556</u>

In the contracts above, the Company adopted the bases established for the Eletrobras System companies, such as the price of R\$ 109.78, which represented the average Price of Settlement of Differences (PLD) for the last 10 years, as adjusted by the IPCA, for the sale of energy on canceled contracts.

26 - LONG-TERM OPERATIONAL COMMITMENTS

The Company has the following long-term operational commitments. The amounts and prices are presented at their nominal value and any possible subsidies and reimbursements of costs to which the Company is entitled are not deducted.

26.1 - Purchase of energy

Refers to contracts for the purchase of electric energy, entered into with generating companies.

	2014/2015	2016/2017	2018/2019	As from 2019 (remaining payments)
Eletrobras System	438,000	-	-	-
Other	3,887,676	3,291,184	3,286,682	14,931,215
Average price (R\$)	148.25	146.43	136.24	155.45

26.2 - Sale of energy

	2014/2015	2016/2017	2018/2019	As from 2019 (remaining payments)
Contracts entered into	12,807,958	2,078,964	-	-
Average price (R\$)	112.66	192.17	-	-

27 - EQUITY

• Share capital

The Company's share capital, in the amount of R\$ 9,753,953 (R\$ 9,753,953 in 2012), is represented by shares with no par value, held as follows:

Stockholders	Number of shares - in thousands					
	Common		Preferred		Total	%
	Number	%	Number	%		
Eletrobras	54,151	100.000	1,518	86.545	55,669	99.578
Ministry of Finance	-	-	194	11.060	194	0.347
Light	-	-	9	0.513	9	0.016
Others	-	-	33	1.882	33	0.059
	54,151	100.000	1,754	100.000	55,905	100.000

Common shares are registered and have voting rights. Preferred shares, also registered, have no specific class, nor voting rights, and are not convertible into common shares. However, preferred shares have priority in the payment of dividends, of at least 10% per year, calculated on the capital relating to this type of shares.

- **Capital reserves**

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Donations/government investment grants	4,759,353	4,759,353	4,759,353
Remuneration of assets and rights established with own capital	156,846	156,846	156,846
	<u>4,916,199</u>	<u>4,916,199</u>	<u>4,916,199</u>

- **Comprehensive income (loss)**

The Company recognized in 2013, in equity, under the equity method of accounting, the effects of adjustments in other comprehensive income (loss) arising from the result of the effective cash flow hedge operations recorded in the equity of its jointly-controlled subsidiary ESBR Participações S.A., proportionally to its interest in this investee, in the amount of R\$ 133 (gain of R\$ 231, in 2012).

In compliance with Technical Pronouncement CPC 33 (R1) (IAS 19), the Company recognized in 2013 actuarial losses on post-employment benefits, net of deferred income tax and social contribution, in Other comprehensive income (loss), in the amount of R\$ 100,389 (loss of R\$ 247,752, in 2012).

- **Accumulated deficit**

In accordance with Brazilian Corporation Law, the loss for the year should be compulsorily offset against retained earnings, the revenue reserves and the legal reserve, in this order, and the balance must remain in the accumulated deficit account for offset against future positive results, net of any participations.

The Company ended 2013 with an accumulated deficit of R\$ 2,658,880.

- **Stockholders' remuneration**

The Company recorded a loss of R\$ 466,066 for the year ended December 31, 2013. Accordingly, no dividends were distributed in the year, as established by Brazilian Corporation Law.

28 - NET OPERATING REVENUE

In compliance with the requirements of CPC 30 (R1) - Revenues (IAS 18), the reconciliation between gross operating revenue and net operating revenue presented in the statement of operations is as follows: Pursuant to the previously adopted accounting practices, the presentation of the Company's revenue in the statement of operations segregated the gross operating revenue, the deductions from the gross operating revenue and the net operating revenue. The new accounting practices establish that the Company must present in its statement of operations only the net operating revenue since it represents the inflows of economic benefits received and receivable arising from its own activities.

	<u>12/31/2013</u>	<u>12/31/2012</u>
GROSS OPERATING REVENUE		
GENERATION		
Sale of electric energy	830,276	844,474
Operation and maintenance of plants and supply	1,641,544	3,623,076
Short-term electric energy (CCEE)	672,780	629,676
Construction revenue	69,707	-
TRANSMISSION		
Operation and maintenance of the transmission system	642,797	604,911
Construction revenue	869,883	603,420
Finance income	44,390	684,098
OTHER OPERATING REVENUE	16,057	11,749
	<u>4,787,434</u>	<u>7,001,404</u>
DEDUCTIONS FROM OPERATING REVENUE		
Industry charges		
Global Reversion Reserve (RGR)	(41,923)	(174,560)
Research and development	(31,693)	(56,442)
Fossil Fuel Consumption Account (CCC)	(5,187)	(93,581)
Energy Development Account (CDE)	(6,343)	(18,737)
Financial compensation for use of water resources	(141,999)	-
Proinfra	(50,961)	(46,580)
Value-Added Tax on Sales and Services (ICMS) on electric energy	(105,700)	(108,351)
Services Tax (ISS)	(799)	(730)
Social Integration Program (PIS)/Public Service Employee Savings Program (PASEP)	(53,754)	(89,772)
Social Contribution on Revenues (COFINS)	(250,592)	(416,623)
	<u>(688,951)</u>	<u>(1,005,376)</u>
NET OPERATING REVENUE	<u>4,098,483</u>	<u>5,996,028</u>

The Company's revenue mainly originates from the sale of electric energy, from construction, operation and maintenance, and the income on financial assets arising from its transmission system. These transactions are supported by electric energy sales and purchase contracts, the transactions carried out in the short-term market through the Electric Energy Trading Chamber (CCEE) and the contracts of the transmission system.

As from this year, as provided by Law 12,783/2013, the financial offsetting for the use of water resources relating to the hydroelectric power plants that had their concession extended started to be paid by the Company and collected from the distributors through its billings.

29 - INDUSTRY CHARGES

The Company incurred regulatory charges totaling R\$ 316,721 in 2013 (R\$ 664,033, in 2012), as follows:

	<u>12/31/2013</u>	<u>12/31/2012</u>
Global Reversion Reserve (RGR)	41,923	174,560
Research and Development (R&D)	31,693	56,442
Fossil Fuel Consumption Account (CCC)	5,187	93,581
Energy Development Account (CDE)	6,343	18,737
Alternative Energy Source Incentive Program - Proinfra	50,961	46,580
Electric Energy Utility Service Inspection Fee (TFSEE)	16,303	21,119
Financial Compensation for Use of Water Resources (CFURH)	161,503	240,074
Charge for Electric Energy Reserve (EER)	2,808	12,940
Total	<u>316,721</u>	<u>664,033</u>

30 - OPERATING COSTS AND EXPENSES

The costs and general and administrative expenses presented in the statement of operations for the year are as follows:

	<u>12/31/2013</u>		<u>12/31/2012</u>	
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Total</u>
Electric energy purchased for resale	682,356	-	682,356	19,058
Charges on transmission network usage	796,324	-	796,324	867,885
Construction costs	939,590	-	939,590	603,420
Personnel	321,299	1,200,521	1,521,820	852,540
Material	10,241	14,788	25,029	26,782
Fuels for electric energy production	730,443	-	730,443	2,522
Third-party services	74,042	103,575	177,617	192,444
Depreciation and amortization	37,702	66,943	104,645	408,878
Financial compensation for use of water resources	19,504	-	19,504	240,074
Onerous contract (provision/reversal)	(869,305)	-	(869,305)	711,375
Post-employment benefits	-	110,199	110,199	30,651
Leases and rentals	5,437	10,729	16,166	21,014
Taxation	223	4,486	4,709	4,988
Provisions for contingencies	-	40,613	40,613	209,193
Provision for impairment of trade receivables	-	43,370	43,370	81,287
Losses on customers	-	9,794	9,794	26,591
Provisions for losses on realization of investments	-	246,915	246,915	-
Other operating provisions	-	97,546	97,546	106,461
Others	(36,599)	648,230	611,631	57,720
Total	<u>2,711,257</u>	<u>2,597,709</u>	<u>5,308,966</u>	<u>4,462,883</u>

The main changes in the Company's operating costs and expenses in 2013 relate to the "Personnel" account, arising from provision to cover the expenditures related to the Scheduled Voluntary Termination Program (PIDV) (Note 21), and in the "Purchase of fuel for the production of electric energy" account, due to the dispatch by the National Electric System Operator (ONS) for operation of the Camaçari Thermal Power Plant.

31 - FINANCE RESULT

	<u>12/31/2013</u>	<u>12/31/2012</u>
Finance income		
Income from financial investments	16,782	114,537
Monetary variations and late payment charges - electric energy sold	56,765	65,608
Other monetary variation income	855	1,632
Adjustment of amounts receivable - Law 12,783/2013	342,671	203,231
Others finance income	61,114	38,263
PIS/Pasep and Cofins	(636)	(55,232)
	<u>477,551</u>	<u>368,039</u>
Finance costs		
Debt charges	(40,241)	(40,276)
Monetary variations on borrowings	(623)	(550)
Other monetary variation expenses	(299)	(816)
Interest on stockholders' remuneration	-	(70,144)
Other finance costs	(20,141)	(39,992)
	<u>(61,304)</u>	<u>(151,778)</u>
	<u>416,247</u>	<u>216,261</u>

32 - TAX INCENTIVE - SUDENE

Provisional Measure 2,199-14, of August 8, 2001, amended by Law 11,196, of November 21, 2005, permits companies based in the regions covered by the Superintendency for the Development of the Northeast Region (Sudene) and the Superintendency for the Development of the Amazon (Sudam), which have developments in the infrastructure sector, regarded by the Executive Branch as one of the priority sectors for regional development, to reduce the income tax amount due in order to make investments in installation, expansion, modernization or diversification projects.

Chesf has the right to a 75% reduction in Income Tax and Non-refundable Additional Amounts, calculated based on operating profit, as defined.

For the concession contracts 006/2004 (generation) and 061/2001 (transmission), the right to the incentive of a reduction of 75% of the income tax covers the years 2008 to 2017. For the transmission contracts 008/2005 and 007/2005, the right to the incentive of reduction was granted in respect of the years 2011 to 2020.

For the contracts with the tax incentive, the rate of the income tax reduces from 25% to 6.25%.

The tax incentive of reduction of Income Tax and Non-refundable Additional Amounts calculated are recorded in the statement of operations for the year as a reduction of income tax, in compliance with Technical Pronouncement CPC 07 (R1) (IAS 20). The portion of the profit arising from these tax incentives is allocated to a Revenue Reserve ("Tax Incentive Reserve"), in compliance with Article 195-A of Law 6,404/1976, which can only be utilized to increase share capital or offset losses.

The Company did not benefit from the tax incentive of the reduction of 75% of the income tax in 2013 and 2012, because it had no taxable profit.

33- EARNINGS (LOSS) PER SHARE

a) Basic earnings (loss)

Basic earnings (loss) per share is calculated by dividing the result for the period attributable to the stockholders by the number of outstanding shares of the capital in the respective period.

	12/31/2013			12/31/2012		
	Common	Preferred	Total	Common	Preferred	Total
Basic						
Numerator						
Loss attributable to stockholders	(451,443)	(14,623)	(466,066)	(5,173,730)	(167,582)	(5,341,312)
Denominator						
Number of shares	54,151	1,754	55,905	54,151	1,754	55,905
Basic loss per share - R\$	(8.34)	(8.34)	(8.34)	(95.54)	(95.54)	(95.54)

b) Diluted earnings (loss)

Diluted earnings (loss) per share is calculated based on the weighted average number of shares outstanding, adjusted for instruments potentially convertible into shares that have a dilutive effect in the reporting periods. The Company did not have any dilutive effects for the result computed in 2013.

	12/31/2013			12/31/2012		
	Common	Preferred	Total	Common	Preferred	Total
Diluted						
Numerator						
Loss attributable to stockholders	(451,443)	(14,623)	(466,066)	(5,173,730)	(167,582)	(5,341,312)
Denominator						
Number after the supposed conversion	54,151	1,754	55,905	54,151	1,754	55,905
Diluted loss per share - R\$	(8.34)	(8.34)	(8.34)	(95.54)	(95.54)	(95.54)

34 - RELATED PARTIES

Related-party transactions are carried out under market conditions and prices or based on contracts of the Electric Energy Sector. The companies/entities which are related parties of the Company are presented below:

Companies	Nature of transaction	12/31/2013			12/31/2012		
		Assets	Liabilities	Result	Assets	Liabilities	Result
Eletrobras	Receivables	1,339	-	-	1,813	-	-
	Borrowings	-	55,113	-	-	128,673	-
	Payables	-	542	-	-	430	-
	Finance costs	-	-	(5,235)	-	-	(8,650)
	Adjustment of dividends	-	-	-	-	-	(69,969)
		1,339	55,655	(5,235)	1,813	129,103	(78,619)
Furnas	Trade receivables	2,650	-	-	4,865	-	-
	Receivables	42	-	-	14	-	-
	Trade payables	-	6,206	-	-	14,473	-
	Energy supply	-	-	-	-	-	3,796
	Charge for transmission network usage	-	-	(64,503)	-	-	(134,256)
Adjustment of dividends	-	-	-	-	-	(1)	
		2,692	6,206	(64,503)	4,879	14,473	(130,461)
Eletrosul	Trade receivables	50	-	-	72	-	-
	Receivables	64	-	-	55	-	-
	Trade payables	-	6,540	-	-	7,689	-
	Charge for transmission network usage	-	-	(62,012)	-	-	(71,119)
		114	6,540	(62,012)	127	7,689	(71,119)
Eletronorte	Trade receivables	3,776	-	-	7,577	-	-
	Trade payables	-	48,259	-	-	8,902	-
	Receivables	6	-	-	18	-	-
	Electricity purchased	-	-	(536,550)	-	-	-
Charge for transmission network usage	-	-	(28,151)	-	-	(81,420)	
		3,782	48,259	(564,701)	7,595	8,902	(81,420)
Eletronuclear	Trade receivables	391	-	-	620	-	-
	Payables	-	-	-	-	11	-
		391	-	-	620	11	-
CGTEE	Trade receivables	180	-	-	68,833	-	-
	Energy supply	-	-	-	-	-	97,303
		180	-	-	68,833	-	97,303
Eletropar	Receivables	14,693	-	-	14,693	-	-
	(-) Provision for losses	(13,237)	-	-	(13,237)	-	-
	Advances to suppliers	5,279	-	-	5,279	-	-
	Payables	-	1,456	-	-	1,456	-
		6,735	1,456	-	6,735	1,456	-
Ceal	Trade receivables	29,703	-	-	31,487	-	-
	Receivables	42	-	-	27	-	-
	Payables	-	83	-	-	75	-
	Energy supply	-	-	25,694	-	-	67,117
		29,745	83	25,694	31,514	75	67,117
Fachesf	Payables	-	302	-	-	2,160	-
	Regular contribution	-	14,238	-	-	11,001	-
	Actuarial contracts	-	-	-	-	2,523	-
	Finance costs	-	-	(60)	-	-	(31,363)
	Operating expenses	-	-	(17,732)	-	-	(18,581)
	Actuarial expenses	-	-	(110,199)	-	-	(30,651)
		-	14,540	(127,991)	-	15,684	(80,595)

Continued

Companies	Nature of the transaction	12/31/2013			12/31/2012		
		Assets	Liabilities	Result	Assets	Liabilities	Result
Celg - D	Trade receivables	3,800	-	-	14,799	-	-
	Energy supply	-	-	41,849	-	-	86,163
	Charge for transmission network usage	-	-	(1,382)	-	-	(2,340)
		3,800	-	40,467	14,799	-	83,823
Cepisa	Trade receivables	3,744	-	-	8,151	-	-
	Energy supply	-	-	27,610	-	-	48,332
		3,744	-	27,610	8,151	-	48,332
STN	Receivables	191	-	-	177	-	-
	Permanent investment	195,154	-	-	188,861	-	-
	Trade payables	-	1,439	-	-	1,226	-
	Revenue from services rendered	-	-	2,297	-	-	2,134
	Finance income (Interest on capital)	-	-	1,519	-	-	7,494
	Interest on capital	1,292	-	-	-	-	-
	Equity in the results of investees	-	-	38,082	-	-	17,615
	Charge for transmission network usage	-	-	(14,740)	-	-	(11,321)
			196,637	1,439	27,158	189,038	1,226
Integração Transmissora de Energia S.A.	Permanent investment	38,152	-	-	35,646	-	-
	Trade payables	-	1,108	-	-	924	-
	Finance income (interest on capital)	-	-	720	-	-	-
	Dividends	722	-	-	762	-	-
	Interest on capital	612	-	-	-	-	-
	Charge for transmission network usage	-	-	(11,347)	-	-	(8,696)
		39,486	1,108	(6,967)	36,408	924	(4,589)
Energética Águas da Pedra S.A.	Permanent investment	92,842	-	-	86,707	-	-
	Trade receivables	131	-	-	242	-	-
	Dividends	3,379	-	-	3,090	-	-
	Equity in the results of investees	-	-	13,521	-	-	14,524
		96,352	-	13,521	90,039	-	14,524
ESBR Participações S.A.	Permanent investment	1,376,070	-	-	939,825	-	-
	Equity in the results of investees	-	-	(38,888)	-	-	(4,352)
	Other comprehensive income (loss)	-	133	-	-	(231)	-
		1,376,070	133	(38,888)	939,825	(231)	(4,352)
I.E. Madeira	Permanent investment	371,044	-	-	274,366	-	-
	Trade payables	-	1,624	-	-	-	-
	Dividends	7,556	-	-	-	-	-
	Revenue from services rendered	-	-	1,981	-	-	-
	Equity in the results of investees	-	-	34,409	-	-	26,868
		378,600	1,624	36,390	274,366	-	26,868
Manaus Transmissora	Permanent investment	207,038	-	-	187,758	-	-
	Advance for capital increase	13,650	-	-	-	-	-
	Equity in the results of investees	-	-	10,882	-	-	(5,452)
		220,688	-	10,882	187,758	-	(5,452)
Manaus Construtora	Permanent investment	3,533	-	-	15,410	-	-
	Dividends	9,377	-	-	2,970	-	-
	Equity in the results of investees	-	-	479	-	-	3,556
		12,910	-	479	18,380	-	3,556
TDG	Permanent investment	49,829	-	-	45,183	-	-
	Payables	-	125	-	-	-	-
	Revenue from services rendered	-	-	57	-	-	875
	Advance for capital increase	86,000	-	-	-	-	-
	Dividends	2,152	-	-	-	-	-
	Equity in the results of investees	-	-	6,798	-	-	(4,352)
		137,981	125	6,855	45,183	-	(3,477)

Continued

Companies	Nature of the transaction	12/31/2013			12/31/2012		
		Assets	Liabilities	Result	Assets	Liabilities	Result
Norte Energia S.A.	Permanent investment	631,824	-	-	409,824	-	-
	Revenue from services rendered	-	-	-	-	-	274
	Equity in the results of investees	-	-	(6,000)	-	-	(5,848)
		631,824	-	(6,000)	409,824	-	(5,574)
Ceron	Trade receivables	840	-	-	145	-	-
	Energy supply	-	-	3,835	-	-	-
		840	-	3,835	145	-	-
Eletroacre	Trade receivables	284	-	-	319	-	-
	Energy supply	-	-	3,793	-	-	3,328
		284	-	3,793	319	-	3,328
Sete Gameleiras	Trade receivables	5	-	-	-	-	-
	Receivables	-	-	-	15	-	-
	Revenue from services rendered	-	-	25	-	-	56
	Permanent investment	20,243	-	-	19,810	-	-
	Equity in the results of investees	-	-	(743)	-	-	(88)
		20,248	-	(718)	19,825	-	(32)
São Pedro	Trade receivables	5	-	-	-	-	-
	Receivables	-	-	-	15	-	-
	Revenue from services rendered	-	-	25	-	-	56
	Permanent investment	15,118	-	-	14,098	-	-
	Equity in the results of investees	-	-	(58)	-	-	(117)
		15,123	-	(33)	14,113	-	(61)
Pedra Branca	Trade receivables	5	-	-	-	-	-
	Receivables	25	-	-	15	-	-
	Revenue from services rendered	-	-	329	-	-	56
	Permanent investment	14,096	-	-	13,504	-	-
	Equity in the results of investees	-	-	(735)	-	-	(118)
		14,126	-	(406)	13,519	-	(62)
Cepel	Operating expenses	-	-	(10,924)	-	-	(13,921)
		-	-	(10,924)	-	-	(13,921)
IE Garanhuns	Permanent investment	98,659	-	-	14,956	-	-
	Equity in the results of investees	-	-	2,853	-	-	255
		98,659	-	2,853	14,956	-	255
Junco I	Permanent investment	5,193	-	-	106	-	-
	Equity in the results of investees	-	-	(148)	-	-	(38)
		5,193	-	(148)	106	-	(38)
Junco II	Permanent investment	5,285	-	-	111	-	-
	Equity in the results of investees	-	-	(61)	-	-	(33)
		5,285	-	(61)	111	-	(33)
Caiçara I	Permanent investment	5,280	-	-	114	-	-
	Equity in the results of investees	-	-	(69)	-	-	(30)
		5,280	-	(69)	114	-	(30)
Caiçara II	Permanent investment	3,399	-	-	67	-	-
	Equity in the results of investees	-	-	(56)	-	-	(29)
		3,399	-	(56)	67	-	(29)
Extemoz	Permanent investment	1,505	-	-	53	-	-
	Advance for capital increase	178,150	-	-	34,525	-	-
	Equity in the results of investees	-	-	1,452	-	-	53
		179,655	-	1,452	34,578	-	53

Continued

Companies	Nature of the transaction	12/31/2013			12/31/2012		12/31/2012
		Assets	Liabilities	Result	Assets	Liabilities	Result
Ventos de Santa Joana IX	Permanent investment	7,690	-	-	-	-	-
		7,690	-	-	-	-	-
Ventos de Santa Joana X	Permanent investment	7,690	-	-	-	-	-
		7,690	-	-	-	-	-
Ventos de Santa Joana XI	Permanent investment	7,690	-	-	-	-	-
		7,690	-	-	-	-	-
Ventos de Santa Joana XII	Permanent investment	7,690	-	-	-	-	-
		7,690	-	-	-	-	-
Ventos de Santa Joana XIII	Permanent investment	7,690	-	-	-	-	-
		7,690	-	-	-	-	-
Ventos de Santa Joana XV	Permanent investment	7,690	-	-	-	-	-
		7,690	-	-	-	-	-
Ventos de Santa Joana XVI	Permanent investment	7,690	-	-	-	-	-
		7,690	-	-	-	-	-
Amazonas Distribuidora	Payables	-	59	-	-	-	-
		-	59	-	-	-	-

The origins of the main transactions, by company, are as follows:

Eletrobras

- Loan agreements entered into between the parties, pursuant to the terms and conditions mentioned in Note 19.
- Dividends on investment.

Furnas

- Contracts entered into for availability of the transmission system.
- Contracts entered into for transmission network usage.
- Dividends on investment.

Eletrosul

- Contracts entered into for availability of the transmission system.
- Contracts entered into for transmission network usage.

Eletronorte

- Contracts entered into for availability of the transmission system.
- Contracts entered into for transmission network usage.
- Contracts for purchase of energy.

Eletronuclear

- Contracts entered into for availability of the transmission system.
- Dividends on investment.

CGTEE

- Agreements entered into for the supply of electric energy.
- Contracts entered into for availability of the transmission system.

Eletropar

- Contracts entered into for services.

Ceal

- Contracts entered into for the supply of electric energy.
- Contracts entered into for transmission system network usage.

Fachesf

- Actuarial obligations related to supplementary pension plan.
- Contracts for lease of the Company's headquarters and attached buildings.
- Intermediation for the provision of healthcare services, life insurance, and other benefits for the Company's employees.

Celg - D

- Contracts entered into for the supply of electric energy.
- Contracts entered into for availability of the transmission system.

Cepisa

- Contracts entered into for the supply of electric energy.

STN - Sistema de Transmissão do Nordeste S.A.

- Amount invested in equity, recorded on the equity accounting method.
- Contracts for the provision of transmission line operation and maintenance services.
- Contracts for transmission system network usage.
- Dividends on investment.

Integração Transmissora de Energia S.A.

- Amount invested in equity, recorded on the equity accounting method.
- Contracts for transmission system network usage.
- Dividends on investment.

Energética Águas da Pedra S.A.

- Contracts entered into for availability of the transmission system.
- Amount invested in equity, recorded on the equity accounting method.
- Dividends on investment.

ESBR Participações S.A.

- Amount invested in equity, recorded on the equity accounting method.

Interligação Elétrica do Madeira S.A.

- Amount invested in equity, recorded on the equity accounting method.

Manaus Transmissora de Energia S.A.

- Amount invested in equity, recorded on the equity accounting method.
- Service agreement formalized.

Manaus Construtora Ltda.

- Amount invested in equity, recorded on the equity accounting method.
- Dividends on investment.

TDG - Transmissora Delmiro Gouveia S.A.

- Amount invested in equity, recorded on the equity accounting method.

Norte Energia S.A.

- Amount invested in equity, recorded on the equity accounting method.

Centrais Elétricas de Rondônia S.A. - Ceron

- Contracts entered into for supply of electric energy.

Companhia de Eletricidade do Acre - Eletroacre

- Contracts entered into for supply of electric energy.

Sete Gameleiras

- Amount invested in equity, recorded on the equity accounting method.

São Pedro do Lago

- Amount invested in equity, recorded on the equity accounting method.

Pedra Branca S.A.

- Amount invested in equity, recorded on the equity accounting method.

Cepel

- Contract for payment of a monthly contribution as a member.

Interligação Elétrica Garanhuns S.A.

- Amount invested in equity, recorded on the equity accounting method.

Usina Energia Eólica Junco I S.A.

- Amount invested in equity, recorded on the equity accounting method.

Usina Energia Eólica Junco II S.A.

- Amount invested in equity, recorded on the equity accounting method.

Usina Energia Eólica Caçara I S.A.

- Amount invested in equity, recorded on the equity accounting method.

Usina Energia Eólica Caçara II S.A.

- Amount invested in equity, recorded on the equity accounting method.

Extremoz Transmissora do Nordeste - ETN S.A.

- Amount invested in equity, recorded on the equity accounting method.

Ventos de Santa Joana IX, X, XI, XII, XIII, XV, XVI Energias Renováveis S.A.

- Amount invested in equity, recorded on the equity accounting method.

Amazonas Distribuidora de Energia S.A.

- Ceded employees.

In addition to the companies presented above, Chesf also has the following related parties:

- Itaipu Binacional
- Boa Vista Energia S.A.
- Baraúnas I Energética S.A.
- Mussambê Energética S.A.
- Morro Branco I Energética S.A.

- Acauã Energia S.A.
- Angical 2 Energia S.A.
- Arapapá Energia S.A.
- Caititú 2 Energia S.A.
- Caititú 3 Energia S.A.
- Carcará Energia S.A.
- Corrupião 3 Energia S.A.
- Teiú 2 Energia S.A.
- Consórcio Energético SINOP
- Consórcio Ventos de Santa Joana - Expansão
- Consórcio Serra das Vacas
- Consórcio GPEXPAN - Expansão I
- Consórcio Banda de Couro
- Consórcio Baraúnas II
- Consórcio GPEXPAN - Expansão II

Key management remuneration

Key management personnel include members of the Board of Directors, Statutory Audit Board and Executive Officers. The total expenses in 2013 and 2012 were as follows:

	<u>12/31/2013</u>	<u>12/31/2012</u>
Remuneration of directors and officers	2,860	2,762
Social charges	751	668
Benefits	549	456
	<u>4,160</u>	<u>3,886</u>

Management members do not receive share-based payments.

35 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 - FINANCIAL INSTRUMENT CATEGORIES

The Company operates with various financial instruments, the most significant of which are: cash and banks, including financial investments, trade receivables, indemnifiable financial assets - public service concession, amounts receivable - Law 12,783/2013, trade payables and borrowings all of which are recorded in asset and liability accounts, at amounts compatible market values, at December 31, 2013 and December 31, 2012.

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>1/1/2012</u>
Financial assets			
Loans and receivables			
Trade receivables	312,876	754,381	745,277
Financial assets - public service concessions	2,719,907	2,676,728	6,071,981
Advances for future capital increase	277,800	34,525	-
Consortium advances	33,226	-	-
Held to maturity			
Marketable securities	8,263	8,232	8,541
Amounts receivable - Law 12,783/2013	2,709,735	7,456,516	-
Pledges and restricted deposits	150,819	41,152	38,858
Measured at fair value through profit or loss			
Marketable securities	1,967,283	225,094	914,071
Total financial assets	<u>8,179,909</u>	<u>11,196,628</u>	<u>7,778,728</u>
Financial liabilities			
Measured at amortized cost			
Borrowings	852,011	469,104	791,848
Payables	444,526	321,729	370,788
Advances for future capital increase	-	-	1,293,000
Total financial liabilities	<u>1,296,537</u>	<u>790,833</u>	<u>2,455,636</u>

35.1.1 - Financial assets - classified in the following categories

- **Cash and cash equivalents**

Classified as held for trading and stated at market value in the balance sheet.

- **Trade receivables**

These receivables, which result directly from the Company's operations, are recorded at their original values, subject to a provision for impairment and adjustment to present value, when applicable.

- **Financial assets - Public service concessions**

The amounts of the financial assets to be received during the concession are recognized at the difference between the fair value of the assets built or acquired for the purpose of providing the concession services and the lower of the carrying value of the financial assets expected to be received at the end of the concession and the new replacement value.

- **Pledges and restricted deposits**

Pledges and restricted deposits refer to collaterals granted to financial institutions, and for electric energy auctions, and judicial deposits relating to ongoing administrative and court proceedings, and are stated at cost plus the respective earnings accrued through the balance sheet date.

- **Marketable securities**

The financial investments in National Treasury Bills (LTN) and Federal Treasury Notes (NTN), Series B and F, are held for trading in a wholly-owned investment fund, in accordance with the applicable regulation, and are measured at fair value through profit or loss. Other securities, which constitute a small portion of this account, refer to Agrarian Debt Notes (TDA) and National Treasury Notes (NTN), Series P, with definite maturities, which the Company intends to hold to maturity. Marketable securities are recorded at acquisition cost plus interest and monetary restatement, which is credited to the statement of operations, and are adjusted to the probable realizable value, if applicable.

35.1.2 - Financial liabilities - classified in the following categories

- **Trade payables**

Trade payables result directly from the Company's operations and are classified as financial liabilities not measured at fair value.

- **Borrowings**

These operations are adjusted through the balance sheet date and the related charges are accrued based on fixed or floating rates effective at December 31, 2013. The most significant borrowings are: the borrowing from Banco do Brasil, representing 58.9% of the total borrowings, exclusively to provide funds in a deposit current account; and the contracts entered into with the controlling stockholder, Eletrobras, representing roughly 6.5% of the total borrowings, 79.6% of which are remunerated at an interest rate of 5.0% p.a. and an administration fee of 2.0%. Eletrobras defines its market rate by taking into consideration the risk premium compatible with the activities of the Electric Energy Sector. In view of the special circumstances involved in the funding of Chesf's expansion projects, the market value of these loans corresponds to the carrying amounts.

35.2 RISK MANAGEMENT

In the exercise of its activities, the Company is affected by risk events that could compromise its strategic objectives. The risk management has the main objectives of forecasting and minimizing adverse effects of these events on the Company's economic and financial result.

The Company has defined financial and operating policies and strategies for financial risk management, approved by internal committees and management, which intend to ensure the liquidity, security and profitability of its assets and maintain the levels of indebtedness and debt profile defined for the financial and economic flows.

The main financial risks identified in the risk management process are as follows:

- **Market risk**

This is the risk of market changes, such as the change in interest rates and prices, which can affect the Company's revenues or the amount of its financial instruments.

- **Debt charge risk**

This risk arises from the possibility that the Company could incur losses due to fluctuations of interest rates or other debt indexes that could increase the financial expenses related to borrowings or reduce the gains obtained on the Company's financial investments.

The Company's management has not identified significant differences arising from operations with financial instruments between the market values and those presented in the financial statements as of December 31, 2013, which would otherwise require specific disclosure.

- **Capital structure risk (or financial risk)**

This risk arises from the choice that the Company makes between using its own capital (capital contributions and revenue retention) or third-party capital to finance its operations. The Company follows the capital structure determined by technical studies prepared to define the business, as well as the limits established by financial agents.

- **Early maturity risk**

The Company has entered into borrowing agreements that have restrictive clauses which, normally, require the maintenance of economic and financial indices at certain levels (financial covenants). Failure to comply with these restrictions could result in the early maturity of the debt.

- **Interest rate risk**

This risk is related to the possibility that the Company could record losses due to variations of the market interest rates, thereby impacting the results due to the increase of financial expenses.

Exposure to interest rate risk	12/31/2013	12/31/2012	1/1/2012
Assets			
Special System for Settlement and Custody (SELIC)	-	-	914,071
Amplified Consumer Price Index (IPCA)	3,520,625	7,507,389	-
Total	3,520,625	7,507,389	914,071
Liabilities			
Amplified Consumer Price Index (IPCA)	429	496	536
Exposed net liabilities	(3,520,196)	(7,506,893)	(913,535)

- **Price risk**

The prices of supplies of electric power arising from the generating activity were set by ANEEL up to 2004. As from Auction 001/2004, realized by the regulatory agency, the generation companies started to trade their electric power with a greater number of customers, at prices defined by the market.

With the renewal of the concession in accordance with Law 12,783/2013, the hydroelectric power plants of Chesf, which were affected by the Law, started to receive the Annual Generation Revenue, approved by ANEEL, through the availability of physical guarantee, under the system of quotas, of energy and power of their power plants, payable in installments at the rate of one-twelfth and subject to adjustments due to unavailabilities or generation performance, less the amount necessary to cover expenses with social contributions to the Social Integration Program (PIS), the Public Service Employee Savings Program (PASEP), and the Social Contribution on Revenues (COFINS).

The electric power transmission activity has its remuneration defined by ANEEL, through the determination of Permitted Annual Revenue (RAP), considered sufficient for the coverage of operating costs and maintenance of the economic and financial balance of the concession.

- **Credit risk**

This risk arises from the possibility of the Company incurring losses resulting from the difficulty in the realization of its trade receivables, as well as from the default of financial institution counterparties in operations.

The Company operates in the electric energy generation and transmission markets supported by contracts formalized in a regulated environment. The Company seeks to minimize its credit risks through guarantee mechanisms involving trade receivables and, when applicable, bank guarantees. Additionally, measures that make it possible for the Company to receive overdue amounts are also taken.

The available cash is invested in investment funds, according to specific regulations of the Brazilian Central Bank. These funds are comprised of government bonds in the custody of the Special System for Settlement and Custody (SELIC), and there is no exposure to counterparty risk.

In its relations with financial institutions, the Company's practice is to carry out operations only with low risk institutions evaluated by rating agencies and that meet the equity requirements previously defined and formalized. Furthermore, the credit limits are defined and periodically reviewed.

- **Liquidity risk**

The Company permanently monitors short, medium and long-term cash flows, expected and realized, seeking to avoid possible mismatches and consequent financial losses and ensure the liquidity requirements for its operating needs.

The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
At December 31, 2013				
Trade payables	444,526	-	-	-
Borrowings	80,412	199,623	577,945	71,373
Estimated obligations	102,167	-	-	-
At December 31, 2012				
Trade payables	321,729	-	-	-
Borrowings	91,339	87,911	238,910	137,970
Estimated obligations	134,787	-	-	-
At January 1, 2012				
Trade payables	370,788	-	-	-
Borrowings	336,680	133,348	173,262	123,507
Estimated obligations	126,443	-	-	-
Advances for future capital increase	1,293,000	-	-	-

35.3 - CAPITAL MANAGEMENT

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

The Company has an excellent gearing capacity, which arises from its economic and financial situation generated by the concessions, the indemnification funds from the concession extensions, and its expected cash flow generation, sufficient to finance its investments. This excellent financial capacity can be demonstrated by the gearing ratio utilized by the Company's parent for the Eletrobras System. This ratio corresponds to net debt expressed as a percentage of total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as well as trade payables, as shown in the balance sheet), less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

The gearing ratios at December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

	12/31/2013	12/31/2013	1/1/2012
Borrowings	852,011	469,104	791,848
Trade payables	444,526	321,729	370,788
(-) Cash and cash equivalents	841,111	94,745	268,638
Net debt	455,426	696,088	893,998
Equity	11,305,915	11,671,459	16,818,638
Total capital	11,761,341	12,367,547	17,712,636
Gearing ratio	3.9%	5.6%	5.0%

35.4-FAIR VALUE ESTIMATION

The Company uses the following valuation hierarchy to determine and disclose the fair value of financial instruments:

	12/31/2013			
	Level 1	Level 2	Level 3	Total
Marketable securities	1,975,546	-	-	1,975,546
Financial investments	695,133	-	-	695,133
Total	2,670,679	-	-	2,670,679
	12/31/2012			
	Level 1	Level 2	Level 3	Total
Marketable securities	233,326	-	-	233,326
Financial investments	65,647	-	-	65,647
Total	298,973	-	-	298,973
	1/1/2012			
	Level 1	Level 2	Level 3	Total
Marketable securities	922,612	-	-	922,612
Financial investments	265,332	-	-	265,332
Total	1,187,944	-	-	1,187,944

The financial assets and liabilities at fair value are classified and disclosed using the three-level hierarchy:

Level 1 - quoted prices (unadjusted) in active, liquid and visible markets for identical assets and liabilities that are accessible at the measurement date.

Level 2 - quoted prices (adjusted or unadjusted) for similar assets and liabilities in active markets, and other inputs that are not observable within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - assets and liabilities the prices for which do not exist or where prices or valuation techniques are supported by a small or nonexistent, unobservable or illiquid market. The fair value estimate is highly subjective at this level.

35.5 - SENSITIVITY ANALYSIS

Sensitivity analyses of the assets and liabilities subject to indexation and floating interest rates were carried out in four different scenarios: two with the increase of the rates and two with the decrease of these rates. The analyses were limited to the contracts that are exposed to interest rates.

Reduction in index

	Balance 12/31/2013	Index			Amount		
		Probable scenario	Scenario I (-25%)	Scenario II (-50%)	Probable scenario	Scenario I (-25%)	Scenario II (-50%)
Assets							
IPCA	3,520,625	6.00	4.50	3.00	3,731,863	3,679,053	3,626,244
Liabilities							
IPCA	429	6.00	4.50	3.00	455	448	442
Net effect	3,520,196				3,731,408	3,678,605	3,625,802

Increase in index

	Balance 12/31/2013	Index			Amount		
		Probable scenario	Scenario I (+25%)	Scenario II (+50%)	Probable scenario	Scenario I (+25%)	Scenario II (+50%)
Assets							
IPCA	3,520,625	6.00	7.50	9.00	3,731,863	3,784,672	3,837,481
Liabilities							
IPCA	429	6.00	7.50	9.00	455	461	468
Net effect	3,520,196				3,731,408	3,784,211	3,837,014

36 - SEGMENT INFORMATION

Operating segments are business activities that can generate revenue and expenses. The chief operating decision-maker, responsible for allocating resources and assessing the performance of the operating segments, is the Board of Directors. The Board of Directors assesses the performance of operating segments based on net profit.

	12/31/2013			12/31/2013		
	Generation	Transmission	Total	Generation	Transmission	Total
NET OPERATING REVENUE	2,657,005	1,441,478	4,098,483	4,372,731	1,623,297	5,996,028
OPERATING COSTS						
Cost of electric energy						
Electric energy purchased for resale	(682,356)	-	(682,356)	(19,058)	-	(19,058)
Charges on transmission network usage	(796,324)	-	(796,324)	(867,885)	-	(867,885)
Operating costs						
Personnel	(91,112)	(228,884)	(319,996)	(88,851)	(233,959)	(322,810)
Material	(3,853)	(6,387)	(10,240)	(5,144)	(8,061)	(13,205)
Fuels for electric energy production	(730,443)	-	(730,443)	(2,522)	-	(2,522)
Third-party services	(21,060)	(52,978)	(74,038)	(17,392)	(54,480)	(71,872)
Financial compensation for use of water	(19,504)	-	(19,504)	(240,074)	-	(240,074)
Depreciation and amortization	(37,702)	-	(37,702)	(339,815)	-	(339,815)
Aneel inspection fee	(8,980)	(7,323)	(16,303)	(12,524)	(8,595)	(21,119)
Onerous contract (provision/reversal)	785,166	84,139	869,305	(711,375)	-	(711,375)
Others	48,315	(1,073)	47,242	40,463	(6,402)	34,061
	(1,557,853)	(212,506)	(1,770,359)	(2,264,177)	(311,497)	(2,575,674)
COST OF SERVICES RENDERED TO THIRD PARTIES	-	(1,308)	(1,308)	-	(5,371)	(5,371)
CONSTRUCTION COSTS	(69,707)	(869,883)	(939,590)	-	(603,420)	(603,420)
GROSS PROFIT	1,029,445	357,781	1,387,226	2,108,554	703,009	2,811,563
OPERATING EXPENSES	(527,790)	(2,069,919)	(2,597,709)	(453,247)	(825,171)	(1,278,418)
RESULTS FROM ELECTRIC ENERGY SERVICE	501,655	(1,712,138)	(1,210,483)	1,655,307	(122,162)	1,533,145
EQUITY IN THE RESULTS OF INVESTEEES						
Equity in the earnings of investees	13,521	98,615	112,136	14,524	52,454	66,978
Equity in losses of investees	(46,758)	-	(46,758)	(10,653)	(9,804)	(20,457)
	(33,237)	98,615	65,378	3,871	42,650	46,521
FINANCE INCOME (COSTS)						
Results with financial investments	(8,752)	25,534	16,782	84,270	30,267	114,537
Monetary variations and late payment charges - electric	47,049	9,716	56,765	58,567	7,041	65,608
Others monetary variation income	245	610	855	420	1,212	1,632
Adjustment of amounts receivable - Law 12,783/2013	264,053	78,618	342,671	171,485	31,746	203,231
Others finance income	27,675	33,439	61,114	17,712	20,551	38,263
PIS/Pasep and Cofins	(371)	(265)	(636)	(43,446)	(11,786)	(55,232)
Debt charges	(3,843)	(36,398)	(40,241)	(6,519)	(33,757)	(40,276)
Monetary variations on borrowings	(1)	(622)	(623)	-	(550)	(550)
Others monetary variation expenses	(164)	(135)	(299)	(222)	(594)	(816)
Others finance costs	(13,905)	(6,236)	(20,141)	(90,889)	(19,247)	(110,136)
	311,986	104,261	416,247	191,378	24,883	216,261
Operating result before Law 12,783/2013	780,404	(1,509,262)	(728,858)	1,850,556	(54,629)	1,795,927
Effects of Law 12,783/2013	-	-	-	(5,999,682)	(2,245,560)	(8,245,242)
Operating result	780,404	(1,509,262)	(728,858)	(4,149,126)	(2,300,189)	(6,449,315)
Income tax and social contribution	-	-	-	-	-	-
Deferred income tax and social contribution	(250,395)	513,187	262,792	872,020	235,983	1,108,003
PROFIT (LOSS) FOR THE YEAR	530,009	(996,075)	(466,066)	(3,277,106)	(2,064,206)	(5,341,312)
Basic earnings (loss) per share - R\$	9.48	(17.82)	(8.34)	(58.62)	(36.92)	(95.54)
Diluted earnings (loss) per share - R\$	9.48	(17.82)	(8.34)	(58.62)	(36.92)	(95.54)

37 - INSURANCE COVERAGE

Chesf currently has three insurance agreements, each one effective for one year and all of them starting from April 30, 2013, whose objective is to provide coverage for its main assets, such as property, plant and equipment in service and inventories. These assets are also covered by annual insurance policies, specified by type of risk, as shown in the table below:

<u>Policies</u>	<u>Insured amounts</u>	<u>Annual premiums</u>
- Specified risks:		
Fire, lightning, explosion, electrical damage, electronic equipment	4,222,476	8,942
- Aircraft	38,118	420
- Transportation	173,680	177
	4,434,274	9,539

Two policies are issued for the Specified Risk Insurance, one of which is for the plants, and the other one is for substations. These policies have a listing of the main equipment and their corresponding insured values and indemnity limits, in addition to the assets held in warehouses. The insurance provides basic coverage against fire, lightning and explosion of any kind, electrical damages, and risks related to electronic equipment and computers.

In addition to the amount of R\$ 9,637 relating to aircraft damages, the aircraft insurance includes R\$ 2,664 for civil liability and R\$ 25,817 for civil liability of second risk, as set out in the Brazilian Aeronautical Code, which refer to damages caused to third parties.

The Company also has insurance policies to cover transportation of materials as follows: road transportation and national and international maritime and air transportation, endorsed monthly, with registered insured amounts up to December 31, 2013.

In determining its insurance and risk management policy, the Company takes into consideration the physical locations, the risks to which its assets are exposed and the cost-benefit ratio.

38 - ASSETS AND RIGHTS OF THE FEDERAL GOVERNMENT UTILIZED BY THE CONCESSIONAIRE

Pursuant to Accounting Instruction 6.3.13 of the Accounting Manual for the Electric Energy Sector, the Company recognizes in subsidiary records the assets and rights of the Federal Government under a special utilization system, segregated by activity, in the amount of R\$ 68,465 (adjusted cost), as shown below:

	12/31/2013								12/31/2012		1/1/2012	
	Generation				Transmission				Generation	Transmission	Generation	Transmission
	No. of items	Adjusted cost	Estimated depreciation	Net amount	No. of items	Adjusted cost	Estimated depreciation	Net amount	Net amount	Net amount	Net amount	Net amount
Castelo Branco Hydroelectric Power Plant Dam	1	56,858	(55,721)	1,137	-	-	-	-	2,274	-	3,412	-
Land	10	2,958	-	2,958	4	223	-	223	2,958	223	2,958	223
Buildings	223	1,688	(1,688)	-	2	13	(13)	-	-	-	-	-
Resettlement at the Itaparica Hydroelectric Power Plant	1	5,201	(3,127)	2,074	-	-	-	-	2,282	-	2,490	-
Guadalupe Airport - Piauí	1	926	(926)	-	-	-	-	-	-	-	-	-
Access road to the Castelo Branco Plant	1	508	(508)	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	3	90	(90)	-	-	-	-	-
Total	237	68,139	(61,970)	6,169	9	326	(103)	223	7,514	223	8,860	223

39 - EMPLOYEE AND MANAGEMENT REMUNERATION

Based on December 2013 and in accordance with the Company's salary policy, the highest and lowest monthly remuneration paid to employees were R\$ 46,370.53 and R\$ 1,361.53, respectively. The highest fee payable to the Company's officers was R\$ 38,759.22. This remuneration comprises fixed salaries, bonuses and additional amounts.

40 - ENVIRONMENT

The following are the Company's individual expenditures to meet its environmental commitments:

Nature of the expenditures	12/31/2013			12/31/2012
	Expenditures			Total
	Property, plant and equipment	Result	Total	
Maintenance of operating processes to improve the	7,280	3,001	10,281	8,029
Preservation and/or recovery of degraded environments	477	1,955	2,432	2,733
Environmental education for the community	16	1,135	1,151	1,552
Others environmental projects	1,318	980	2,298	5,894
Total	9,091	7,071	16,162	18,208

- *Maintenance of operating processes to improve the environment* comprises expenditure on studies, diagnoses, surveys, usage plans, monitoring programs, among other expenses, and does not include actions to recover or mitigate the impact on the environment.
- *Preservation and/or recovery of degraded environments* comprises expenditure for the execution of actions aimed at the preservation and/or recovery of degraded environments for which impacts have already been detected, with a recovery action in progress, and these recovery/preservation actions could relate to water, land or atmospheric environments.
- *Environmental education for the community* comprises expenses incurred with sustainability education and/or training actions focused on the communities affected by the Company's projects.
- *Other environmental projects* comprise expenditure for other actions adopted by the Company aiming at the preservation of the environment.

The Company has environmental commitments in the amount of R\$ 51,462, and expects to disburse R\$ 28,229 in 2014, and R\$ 23,233 as from 2015.

41 - PERSONNEL TRAINING AND DEVELOPMENT (UNAUDITED)

Chesf adopts the permanent policy of training and developing its managers and employees, with the following indicators in 2013 and 2012:

Indicators	12/31/2013	12/31/2012
Number of employees who have undergone training	3,724	4,320
Man-hours of training	220,264	363,698
Average hours of training	40	65
Percentage of trained employees (%)	68	77
Trained workforce (%)	2	3.32
Total investment (R\$ thousand)	3,390	6,707
Average amount invested per employee (R\$ 1.00)	619	1,198

COMPOSITION OF THE BOARD OF DIRECTORS, STATUTORY AUDIT BOARD AND BOARD OF EXECUTIVE OFFICERS

BOARD OF DIRECTORS

Armando Casado de Araújo
Chairman

Marcos Aurélio Madureira da Silva
Director

Marcelo Bruto da Costa Correia
Director

Altino Ventura Filho
Director

Virgínia Parente de Barros
Director

Iranilton Leal dos Santos
Director

STATUTORY AUDIT BOARD

Pedro Gaudêncio de Castro
Chairman

Antônio de Pádua Ferreira Passos
Member

Marcelo Cruz
Member

EXECUTIVE BOARD OF DIRECTORS

Marcos Aurélio Madureira da Silva
CEO

José Ailton de Lima
Engineering and Construction Officer

Mozart Bandeira Arnaud
Operations Officer

José Pedro de Alcântara Júnior
Administrative Officer

SUPERINTENDENCY OF FINANCIAL/ECONOMIC CONTROL AND EXECUTION

Denilson Veronese da Costa
Superintendent
CRC-PB-004638/O-7 "S" PE - Accountant

Independent auditor's report

To the Board of Directors and Stockholders
Companhia Hidro Elétrica do São Francisco - Chesf

We have audited the accompanying financial statements of Companhia Hidro Elétrica do São Francisco - Chesf ("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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements referred to above present fairly, in all material respects, the financial position of Companhia Hidro Elétrica do São Francisco 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.

Emphasis of matter

Basis of preparation of the parent company financial statements

As discussed in Note 4 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Companhia Hidro Elétrica do São Francisco - Chesf, these practices differ from International Financial Reporting Standards (IFRS) applicable to separate financial statements only in relation to the measurement of investments in associates and jointly-controlled subsidiaries based on equity accounting, whereas IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Impacts of Law 12,783/2013

As described in Note 2.3 to these financial statements, the Federal Government issued Provisional Measure 579 on September 11, 2012, which deals with the renewal of concessions of generation, distribution and transmission of electric energy, and the reduction of the charges of the sector. This Provisional Measure was converted into Law 12,783/2013 on January 11, 2013, and started to be regulated by Decree 7,891, of January 23, 2013. The new tariffs and the amount of the indemnity of the assets linked to the concessions were disclosed by the Ministry of Mines and Energy Ordinance 579 and the Ministry of Mines and Energy and Ministry of Finance Joint Ministerial Ordinance 580, published in an extraordinary edition of the Federal Official Gazette of November 1, 2012.

The Company accepted the conditions for the early renewal of the concessions established in Provisional Measure 579 (Law 12,783/13), and signed the contracts of extension of the concessions subject to the MP on December 4, 2012.

Concerning the concessionaires that opted for the extension of the electric energy transmission concessions, addressed by § 5 of Art. 17 of Law 9,074, of 1995, Law 12,783/2013 in its Article 15, § 2, authorizes the concession authority to pay, in the form of the regulation, the amount related to the assets considered not depreciated, existing on May 31, 2000, recorded by the concessionaire and recognized by the National Electric Energy Agency (ANEEL). The Company is currently preparing the appraisal report on those assets for submission to ANEEL, which will have 150 days to express an opinion.

Also, for the generation ventures, except for the respective basic projects, ANEEL Normative Resolution 596/2013 established that the companies should express their interest in the indemnity by no later than December 31, 2013, and they would have another 180 days, as from the date when their interest was expressed, to submit to ANEEL supplementary information for the calculation of the portion of investments linked to assets that will revert to the concession authority, realized up to December 31, 2012 and not yet amortized nor depreciated. The Company expressed its interest within the deadline established by ANEEL.

The amounts of the transmission and generation assets included in this situation corresponded to R\$ 1,187,029 thousand and R\$ 487,822 thousand, respectively, at December 31, 2013, and were determined by management based on its best assumptions and interpretation of the above legislation, as described in Note 2.3 to the financial statements, and could be subject to changes up to their final approval.

Our opinion is not qualified in respect of this matter.

Other matters**Supplementary information - statement of value added**

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

Rio de Janeiro, March 26, 2014

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

Marco Aurélio de Castro e Melo
Contador CRC 1SP15070/O-3 "S" PE

Guilherme Naves Valle
Contador CRC 1MG070614/O-5 "S" PE

REPORT OF THE STATUTORY AUDIT BOARD

The Statutory Audit Board of Companhia Hidro Elétrica do São Francisco - Chesf, in compliance with its legal and corporate statutory duties, considering the decision of the Executive Board of February 28, 2014, approved by the Board of Directors on March 26, 2014, analyzed the **Management Report**, referring to the year 2013 and, supported by the Company's Financial/Economic Control and Execution Superintendent, Denilson Veronese da Costa, and by the representatives of PricewaterhouseCoopers Auditores Independentes, analyzed the **Financial Statements** for the year ended December 31, 2013, comprising the Balance sheet, Statement of operations for the year, Statement of changes in equity, Statement of cash flows, Statement of value-added, and Notes to the financial statements, accompanied by the Independent Auditor's Report issued on March 26, 2014, which contains two emphasis of matter paragraphs, entitled "Basis of preparation of the financial statements" and "Impacts of Law 12,783/2013".

Based on the fact that the Company recorded a loss of R\$ 466.1 million in 2013, management did not present a proposal for distribution of dividends, and that loss amount was recorded in the Accumulated deficit account.

Accordingly, the Statutory Audit Board is of the opinion that the aforementioned corporate documents fairly present, in all material respects, the financial, equity and operating position of Companhia Hidro Elétrica do São Francisco - CHESF, and endorses the submittal of the aforementioned documents to the Annual General Meeting of Stockholders, as established in Law 6,404, of December 15, 1976, and amendments introduced by subsequent legislation.

Brasília, March 26, 2014.

Pedro Gaudêncio de Castro
Chairman

Antonio de Pádua Ferreira Passos
Member

Marcelo Cruz
Member