

Financial Statements

Operador Nacional do Sistema Elétrico - ONS

December 31, 2012
with Independent Auditors' Report on the Financial
Statements

Operador Nacional do Sistema Elétrico - ONS

Financial statements

December 31, 2012

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Independent auditors' report on the financial statements

To
Administrators
Operador Nacional do Sistema Elétrico - ONS
Rio de Janeiro - RJ

We have audited the financial statements of Operador Nacional do Sistema Elétrico - ONS ("Entity"), which comprise the balance sheet as at December 31, 2012 and the related statements of income, comprehensive income, changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Administration's responsibility for the financial statements

The Entity's Administration is responsible for the preparation and proper presentation of these financial statements in accordance with the accounting practices adopted in Brazil and for internal controls established by it as necessary to allow the preparation of financial statements free of material misstatement, whether caused by fraud or by error.

Independent Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit conducted in accordance with Brazilian and international auditing standards. These standards require that we comply with ethical demands for auditors and that the audit is planned and implemented in order to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The selected procedures depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial statements, regardless of whether due to fraud or error. In this risk assessment, the auditor considers internal control relevant to the preparation and fair presentation of the Entity's financial statements to plan the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Entity. An audit also includes the evaluation of the appropriateness of accounting practices used and the reasonableness of accounting estimates made by Administration, as well as the assessment of the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operador Nacional do Sistema Elétrico - ONS on December 31, 2012, the results of its operations and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Rio de Janeiro, March 25, 2013

ERNST & YOUNG TERCO
Independent Auditors SS
CRC - 2SP 015.199/O-6 - F - RJ

Márcio F. Ostwald
Accountant CRC - 1RJ 086.202/O-4

Operador Nacional do Sistema Elétrico - ONS

Balance sheets (financial position)

On December 31, 2012 and 2011

(In thousands of Brazilian Reais)

	Notes	2012	2011
Active			
Current Assets			
Cash and cash equivalents	5	12,349	12,429
Resources from fees for the use of the transmission system	6	53,062	37,277
Provision for Doubtful Accounts	6	(2145)	1,792
Contribution of Associate Members	7	84	70
Compensable taxes and social contributions	8	6,629	13,384
Stock/Inventory		292	312
Advance payment of vacation and 13th salary	19	1,522	1,103
Prepaid expenses and others.		1,476	1855
		534	182
Total current assets		73,803	64,820
Non-current Assets			
Deferred income tax and social contribution	9	11,680	12,614
Compensable taxes and social contributions	8	183	412
Escrow deposits	21	1,144	2,264
{0}Fixed assets{/0}	10	44,606	32,149
{0}Intangible asset{/0}	11	28,883	25,327
Atypical Lease Contracts and others.	12/28	7875	-
		5	113
Non-Current Assets Total		94,376	72,879
Total assets		168 179	137 699
Current liabilities			
Suppliers		12,225	8,736
Wages and social charges	13	9180	9,327
Taxes and social contributions	14	6,218	4318
{0}Loans and Financing{/0}	15	2436	3,223
Leasing	16	324	1,612
Pledged collateral	17	250	500
Complementary Pension Plan	1	3,220	3,077
Labor obligations and others.	19	44,113	33,140
		19	15
Current Liabilities Total		77,985	63,948
Non-current liabilities			
{0}Loans and Financing{/0}	15	5591	8028
Leasing	16	-	324
Pledged collateral	17	-	250
Provision for contingencies	20	3,832	3,707
Total non-current liabilities		9,423	12,309
Net equity			
Reserve fund		80,771	61,442
Total equity		80,771	61,442
Total liabilities and equity		168 179	137 699

The explanatory notes are part of the financial statements.

Operador Nacional do Sistema Elétrico - ONS

Income Statements

Years ended December 31, 2012 and 2011

(In thousands of Brazilian Reais)

	Notes	2012	2011
Gross operating revenue			
Revenue from contributions from third parties		408,000	335 502
Other Revenues			
Contribution of Associate Members	7	13,898	13,179
Other Revenues		100	100
Total		421 998	348 781
Deductions from gross operating revenue			
PIS (Social Integration Program)		(6962)	(5743)
COFINS (Contribution to Social Security Financing)		(32,067)	(26,451)
ISS		(20,400)	(16,776)
Total		(59,429)	(48,970)
Net operating revenues		362 569	299 811
Costs and expenses from System Operation			
Staff		(235 156)	(199 435)
Material		(1625)	(2201)
Third party service		(74,917)	(66 227)
Depreciation and amortization		(13,766)	(14,095)
Taxes and social contributions		(428)	(172)
Leases and rents		(5580)	(5238)
Provision for Doubtful Accounts	6	(353)	(1156)
Provision for contingencies	20	(125)	(1824)
and others.		(1277)	(507)
		(333 227)	(290 855)
Operating result		29,342	8,956
Financial result			
Financial income	22	1,483	1,123
Financial expense	22	(969)	(1473)
Total		514	(350)
Surplus before income tax and social contribution		29,856	8,606
Current income tax and social contribution	23	(9593)	-
Deferred income tax and social contribution	23	934	(3298)
Surplus for the year		19,329	5308

The explanatory notes are part of the financial statements.

Operador Nacional do Sistema Elétrico - ONS

Comprehensive income statements
Years ended December 31, 2012 and 2011
(In thousands of Brazilian Reais)

	2012	2011
Surplus for the year	19,329	5308
Comprehensive income in shareholders' equity	-	-
Total comprehensive income	19,329	5308

The explanatory notes are part of the financial statements.

Operador Nacional do Sistema Elétrico - ONS

Statements of changes in equity

Years ended December 31, 2012 and 2011

(In thousands of Brazilian Reais)

	Reserve fund	Total
Balance on December 31, 2010	56,134	56,134
Surplus for the year	5308	5308
Balance on December 31, 2010	61,442	61,442
Surplus for the year	19,329	19,329
on December 31, 2012	80,771	80,771

The explanatory notes are part of the financial statements.

Operador Nacional do Sistema Elétrico - ONS

Statement of Cash Flows

Years ended December 31, 2012 and 2011

(In thousands of Brazilian Reais)

	2012	2011
Cash flow from operating activities		
Surplus for the year	19,329	5308
Adjustments for		
Recognition of deferred income and social contribution taxes - net	934	3,298
Depreciation and amortization	13,766	14,095
Recognition of provision for contingencies, net	125	1,824
Recognition of provision for doubtful accounts, net	353	1,156
Loss on disposal of fixed and intangible assets	47	-
Pledged collateral	500	500
and others.	-	37
	34,054	25,218
(Increase) decrease in assets		
Resource usage charges of Transmission	(15,785)	(8070)
Contribution of Associate Members		401
Compensable taxes and social contributions	6,984	(5780)
Advance payment of vacation and 13th salary	(419)	166
Prepaid expenses	379	1,737
Escrow deposits	1,120	(1258)
Atypical Lease Contracts	(7875)	-
and others.	224	308
Increase (decrease) in liabilities		
Suppliers	3,489	1,705
Wages and social charges	(147)	104
Taxes and social contributions	1,900	1,955
Labor obligations	11,116	5,730
and others.	4	-
Net cash generated by the operational activities	34,582	22,216
Cash flow from investing activities		
Purchase of fixed assets	(19,598)	(4913)
Additions to intangible assets	(10,228)	(10,044)
Net cash used by investing activities	(29,826)	(14,957)
Cash flow from financing activities		
Financing payments	(3224)	(3951)
Payment of lease installments	(1612)	(2729)
Net cash used in financing activities	(4836)	(6680)
Increase (decrease) of cash and cash equivalents	80%	579
Cash and cash equivalents at beginning of year	12,429	11,850
Cash and cash equivalents at end of year	12,349	12,429
Increase (decrease) of cash and cash equivalents	80%	579

The explanatory notes are part of the financial statements.

Operador Nacional do Sistema Elétrico - ONS

Explanatory notes to the financial statements
December 31, 2012 and 2011
(In thousands of Brazilian Reais)

1. Operational context

Operador Nacional do Sistema Elétrico - ONS, based in the Department of Industries and Supplies - Public Services Area - Lot A, Brasília - DF and the Central Office at Rua da Quitanda, 196 - Centro - Rio de Janeiro, RJ, is a private law legal entity, constituted in the form of civil association, nonprofit, established by Law No. 9648 of May 27, 1998, authorized to carry out its activities through Decree No. 5081 of May 14, 2004, and governed by the laws and regulations, Bylaw and other normative acts issued by administration bodies.

Under the bylaws, approved by the Brazilian Electricity Regulatory Agency - ANEEL ("ANEEL"), on August 12, 2004, by means of Resolution No. 328, as amended by Resolution No. 1,888, of April 22, 2009, ONS, with indefinite duration, is engaged to perform activities of coordination and control of generation and transmission operation of electricity in the Brazilian Interconnected Power System - BIPS ("BIPS"), under the supervision and regulation of ANEEL, with views to:

- ▶ Promote the optimal operation of the power system, targeting the lowest cost to the system, subject to the technical standards and reliability criteria established in the Grid Procedures approved by ANEEL;
- ▶ Ensure that all power agents have access to the transmission grid in a non-discriminatory way;
- ▶ Contribute, according to the nature of its activities, so that the expansion of the BIPS is done at the lowest cost, aiming at better operational conditions in the future.

The duties of ONS are:

- I. Operation planning and scheduling and centralized dispatch of generation, in order to optimize the BIPS;
- II. Supervision and coordination of the power systems operation centers, supervision and operation of the BIPS and international interconnections;
- III. Contracting and management of electric power transmission services and related conditions, as well as ancillary services;

Operador Nacional do Sistema Elétrico - ONS

Notes to financial statements - Continued

December 31, 2012 and 2011

(In thousands of Brazilian Reais)

1. Operational context - Continued

IV. Proposition to the Granting Authority of expansions to the main grid facilities, as well as reinforcements to the BIPS, to be considered in the transmission system expansion planning;

V. Proposition of rules for the operation of the BIPS Basic Grid transmission facilities through public and transparent process, consolidated in Grid Procedures to be approved by ANEEL, observing the provisions of art. 4, § 3, of Law 9,427 of December 26, 1996;

VI. Disclosure of carried out dispatches performance indicators to be audited every six months by ANEEL;

VII. Permanent Disclosure to the Power Sector Monitoring Committee - CMSE on the BIPS operating conditions for continuity and electric supply, and

VIII. Other than that assigned by the Granting Authority.

The assets of ONS is formed by the National Center for System Operation - CNOS facilities, the set of goods and equipment belonging to the National Center for System Operation - CNOS, Central Office and Regional Operation Centers North / Midwest, Northeast, Southeast and South, including related systems associated with them.

ONS is constituted of participating members and associate members. Associate members are represented by generation agents with centrally dispatched power plants, transmission agents, importers and exporters with transmission assets connected to the Basic Grid, distribution agents members of the BIPS and consumers who have exercised the option provided for in Articles 15 and 16 of Law No. 9074 of July 7, 1995, and are connected to the Basic Grid.

Participating members of ONS are the Granting Authority, through the Ministry of Mines and Energy - MME, the Consumer Councils and generation agents with non-centrally dispatched power plants and distribution agents that hold concession, permission or authorization to distribute electric energy in amounts less than 500 GWh / year, members of the BIPS.

1. Operational context - Continued

Under art. 34 of the Social Bylaws, ONS' funds sources are:

- I. Contributions of its members, in proportion to the number of votes at the General Assembly, including the Parcel "A" for purposes of tariff transfer and collected by other members and agents of the power sector that are not subject to tariff transfer, and
- II. Resources under the budget prepared by ONS and approved by ANEEL:
 - a) Transferred by members and agents of the power sector connected to the grid, whose values are included in the Tariff for Use of the Transmission System - TUST and Parcel "A" of the Electric Power Service Rates ;
 - b) collected by other members and agents of the power sector that are not subject to transfer pricing, and
 - c) Other income authorized by ANEEL.

As art. 36 of the Bylaws, the remaining balance of all the resources provided above, received and not applied, shall be refunded by deduction in the subsequent budget, when approved by ANEEL, in accordance with law.

ONS is constituted in the form of non-profit private law civil association, however, is taxable for federal and municipal taxes.

2. Presentation of financial statements

The financial statements have been prepared with support in different valuation bases used in accounting estimates. The accounting estimates used in the preparation of the financial statements were supported by objective and subjective factors, based on Administration's judgment to determine the appropriate amount to be recorded in the financial statements. Relevant items subject to such estimates and premisses include the selection of the life cycle of fixed assets and their recoverability in operations, credit risk analysis to determine the allowance for doubtful accounts, as well as the assessment of other risks to determine other provisions, including provisions for contingencies. The settlement of transactions involving these estimates may result in amounts different from those recorded in the financial statements due to uncertainties inherent in the estimation process. ONS revises its estimates and premisses at least annually.

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, which comprise the pronouncements of the Accounting Pronouncements Committee (CPC) and in accordance with the instructions contained in ONS Accounting Manual, established by ANEEL.

ONS' Administration have authorized the completion of these financial statements in Board Meeting held on March 8, 2013.

3. Accounting policies

3.1. Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will be generated for ONS and when it can be measured reliably. Revenue is measured based on the fair value of the consideration received.

Revenue from contributions from third-party charges of Use of the Transmission System is approved by ANEEL, based on ONS' annual budget, in an amount sufficient to cover the expenditures to be made in the next budget cycle, since the collection to energy sector members and agents is modulated monthly according to the need for resources to cover the expenses and recognized in the income by the amounts actually billed.

3. Accounting Policies - Continued

3.1. Revenue Recognition - Continued

Interest income

Revenues and expenses are recognized using the effective interest rate on financial income / expense.

3.2. Financial instruments - initial recognition and measurement

a) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, investments held to maturity, financial assets available for sale, or derivatives classified as effective *hedging* instruments, as appropriate.

ONS determines the classification of its financial assets upon initial recognition when it becomes a party to the contractual provisions of the instrument.

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

The financial assets of ONS include cash and cash equivalents, resources from charges of use of the transmission system and contribution of associate members.

3. Accounting Policies - Continued

3.2. Financial instruments - initial recognition and measurement - Continued

a) Financial assets - Continued

Subsequent measurement

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

Financial assets at fair value through income

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the short term. Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with the corresponding gain or loss recognized in the income statement.

ONS has not designated any financial assets at fair value through profit or loss upon initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are carried at amortized cost using the effective interest method (effective interest rate), less loss due to impairment. Amortized cost is calculated taking into account any discount or "premium" on acquisition and fees or costs incurred. The amortization of the effective interest method is included under financial income in the income statement. The losses due to impairment are recognized as an expense in the statements.

3. Accounting Policies - Continued

3.2. Financial instruments - initial recognition and measurement - Continued

a) Financial assets - Continued

Subsequent measurement - Continued

Investments held to maturity

Derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when ONS expresses intention and ability to hold them to maturity. After the initial assessment, investments held to maturity are measured at amortized cost using the method of effective interest rate, less losses due to impairment.

ONS has not registered investments held to maturity during the years ended December 31, 2012 and 2011.

Financial assets available for sale

Financial assets available for sale are those non-derivative financial assets that are not classified as: (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

After initial measurement, financial assets available for sale are measured at fair value, with unrealized gains and losses recognized directly in other comprehensive income until the investment is derecognized, except losses due to impairment, interest calculated using the effective interest method and gains or losses with foreign exchange variation on monetary assets which are recognized directly in the income statement.

When the investment is derecognized or when there is loss due to impairment, the cumulative gains or losses previously recognized in other comprehensive income shall be recognized in income.

ONS has not recorded financial assets available for sale during the years ended December 31, 2012 and 2011.

3. Accounting Policies - Continued

3.2. Financial instruments - initial recognition and measurement - Continued

a) Financial assets - Continued

Subsequent measurement - Continued

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset expire;
- ▶ The Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows without material delay to a third party under an agreement of "transfer", and (i) the Entity has transferred substantially all the risks and rewards of the asset, or (ii) the Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

When the Entity has transferred its rights to receive cash flows from an asset or has entered into an agreement for the transfer, and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the continuing involvement of the Entity with the asset. In this case, the Entity also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis of rights and obligations that the Entity retained.

The continuing involvement in the form of a guarantee over the transferred asset is measured at original book value of the asset or the maximum consideration that may be required of the Entity, whichever is lower.

3. Accounting Policies - Continued

3.2. Financial instruments - initial recognition and measurement - Continued

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and financing, or as derivatives designated as *hedging* instruments, as appropriate. ONS determines the classification of its financial liabilities at initial recognition. Financial liabilities are initially recognized at fair value and, in the case of loans and financing, the costs of the directly related transaction are added.

Financial liabilities of ONS include accounts payable to suppliers and other payables and loans and financing.

Subsequent measurement

The measurement of financial liabilities depends on their classification, which can be as follows:

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the short term. Gains and losses on liabilities held for trading are recognized in the income statement.

ONS did not have any financial liabilities at fair value through profit or loss during the years ended December 31, 2012 and 2011.

3. Accounting Policies - Continued

3.2. Financial instruments - initial recognition and measurement - Continued

b) Financial liabilities - Continued

Subsequent measurement - Continued

{0}Loans and Financing{/0}

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, using the method of effective interest rate. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process method of the effective interest rate.

Derecognition

A financial liability is derecognized when the obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender under substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in corresponding carrying amounts is recognized in the income statement.

c) Financial instruments - net presentation

Financial assets and liabilities are presented net in the balance sheet when there, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to offset, or to realize the asset and settle the liability simultaneously.

3. Accounting Policies - Continued

3.3. Cash and cash equivalents

Cash equivalents are held for the purpose of meeting cash commitments, short-term, rather than for investment or other purposes. ONS considers cash equivalents a financial investment that is readily convertible into known amounts of cash and which is subject to an insignificant risk of change in value. Therefore, an investment normally qualifies as a cash equivalent in case of short-term maturity, by definition, three months or less from the date of hire.

3.4. Resources from charges for use of the transmission system and contribution of Associate Members

Correspond to the revenues from charges for use of the transmission system and contribution of associate members, which include the collection from ONS agents and associates, less, where applicable, probable losses on realization of receivables, accounted based on the accrual method.

3.5. Fixed assets

Fixed assets are recorded at cost of acquisition or construction, less accumulated depreciation and / or accumulated losses from impairment, if any.

The expenses incurred for repairs and maintenance are recorded only if the economic benefits associated with these items are probable and the amounts can be reliably measured, while other costs are charged to income when incurred.

3. Accounting Policies - Continued

3.5. Fixed Assets - Continued

The residual value and life cycle of assets are reviewed and adjusted, if necessary, in the year-end.

Depreciation is calculated on a straight-line basis over the life cycle of the asset, at rates that take into account the estimated live cycle of the assets as follows:

Facilities	25 years
Machinery and equipment	5 to 10
Vehicles	5 years
Furniture and appliances	10. years

An item of fixed assets is derecognized when sold or when no future economic benefits are expected from its use or sale. Any gains and losses arising on derecognition of the asset (calculated as the difference between the net sale price and the book value of the asset) is included in the statement of income when the asset is derecognized.

The residual value and life cycle of the assets and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

3.6. Leasing

Characterization of a contract as a lease is based on substantive aspects relating to the use of a specific asset or even the right to use a particular asset on the date of the start of its implementation.

Assets acquired through finance leases which transfer to ONS, basically all the risks and rewards related to ownership of the leased item are capitalized at the inception of the contract at fair value of the leased property or, if lower, the present value of minimum payments lease. Costs are increased, where applicable, by the initial direct costs incurred in the operation. Payments of leasing are allocated to finance charges and reduction of the lease liability so as to achieve a constant interest rate on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are depreciated over their life cycle.

3. Accounting Policies - Continued

3.7. Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. After initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, where applicable. The life cycle of an intangible asset is assessed as either finite or indefinite.

Intangible assets with finite life cycle are amortized over the economic life cycle and assessed for impairment loss recoverable whenever there is an indication of loss of economic value of the asset. The period and the amortization method for an intangible asset with a finite life cycle are reviewed at least at the end of each fiscal year. Changes in the estimated life cycle or the expected consumption of the future economic benefits of these assets are accounted by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite life cycle is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite life cycle are not amortized but are tested annually for losses on impairment either individually or at the level of the cash generating unit. Evaluation of indefinite life cycle is reviewed annually to determine whether this assessment continues to be supportable. Otherwise, the change in life cycle from indefinite to finite is made on a prospective basis.

ONS Intangible assets with finite life cycle are represented by software and projects in progress that will be used in the implementation of activities to coordinate and control the operation of generation and transmission of electricity in the BIPS. On December 31, 2012 and 2011, ONS does not have any intangible assets with indefinite life cycle.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net sale price and the book value of the asset and are recognized in the income statement upon derecognition of the asset.

3. Accounting Policies - Continued

3.8. Loss from reduction in the recoverable value of non-financial assets

Administration annually reviews the net book value of assets with the aim of evaluating events or changes in economic, operating or technological circumstances that may indicate an impairment of its recoverable amount.

If such evidence is identified and the net book value exceeds the recoverable amount, a provision for impairment by adjusting the book value to the recoverable amount is constituted. The recoverable amount of an asset is defined as the highest between the value in use and net selling.

3.9. Taxes

Current income tax and social contribution

Current tax assets and liabilities for the last year and prior years are measured at the amount recoverable expected or payable to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax and social contribution

Deferred tax is generated by temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book values. Deferred tax liabilities are recognized for all temporary tax differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available so that deductible temporary differences can be realized, and credits and unused tax losses can be utilized.

The book value of deferred tax assets is reviewed at each balance sheet date and derecognized to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

3. Accounting Policies - Continued

3.9. Taxes - Continued

Deferred Income tax and social contribution --- Continued

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset tax assets against tax liabilities.

3.10. Provisions

Overall

Provisions are recognized when ONS has a present obligation (legal or not formalized) as a result of a past event, it is probable that economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. The expense relating to any provision is presented in the income statement, net of any reimbursement.

Provision for tax, civil or labor risks

ONS is party to certain administrative proceedings and lawsuits. Provisions are recognized for all contingencies related to lawsuits for which it is probable that an outflow of resources will be made to settle the contingency / obligation and a reliable estimate can be made. Assessing probability of loss includes evaluating available evidence, the hierarchy of laws, jurisprudences available, recent court decisions and their relevance in the legal system, as well as the evaluation of external counsel. Provisions are reviewed and adjusted in consideration of changes in circumstances, such as the applicable limitation period, findings from tax inspections or additional exposures identified based on new issues or court decisions.

3.11. Statement of Cash Flows

The statements of cash flows are prepared and presented in accordance with CPC 03 (R2) - Statement of Cash Flows.

3. Accounting Policies - Continued

3.12. New or revised pronouncements applied for the first time in 2012

Some technical pronouncements and interpretations issued by the Accounting Pronouncements Committee ("CPC") were reviewed and their adoption is mandatory from January 1, 2012. Given the nature of the changes that were made and the operations of ONS, the adoption of the standards and interpretations listed below did not produce significant effects on ONS financial statements.

► CPC 40 (R1) - Financial Instruments: Disclosures ("CPC 40")

A review of CPC 40 incorporate amendments made by IASB - *International Accounting Standards Board* ("IASB") after editing this pronouncement, which also includes some text compatibilizations in order to make it clear that the intention is to produce the same accounting effects introduced by IFRS 7 - *Financial Instruments: Disclosures*.

► ICPC 09 (R1) - Individual Financial Statements, Financial Statements, Statements and Application of the Equity Method ("ICPC 09")

The revision of ICPC 09 is due to the revision to CPC Technical Pronouncement 18.

► CPC 30 (R1) - Income ("CPC 30")

A review of 30 CPC incorporate amendments made by IASB after editing this pronouncement, which also includes some text reconciliations in order to make it clear that the intention is to produce the same accounting effects introduced by the application of IAS 18 - *Revenues*.

► CPC 35 (R2) - Separate Financial Statements ("CPC 35")

A review of 35 CPC incorporate amendments made by IASB after editing this pronouncement, which also includes some text reconciliations in order to make it clear that the intention is to produce the same accounting effects introduced by the application of IAS 27 - *Separate Financial Statements*.

3. Accounting Policies - Continued

3.13. Pronouncements not yet in force at December 31, 2012

We have listed below certain standards issued that had not yet entered into force as of the date of issuance of ONS financial statements. ONS' Administration intends to adopt these standards, which are applicable to its operations, when they enter into force.

► **CPC 33 (R1) - Employee Benefits ("CPC 33")**

The revision of CPC 33 substantially covers the changes in the text of IAS 19 - *Employee Benefits*, issued by IASB, which is effective on or after January 1, 2013. The objective of this Statement is to establish accounting and disclosure of employee benefits. Thus, the standard requires the entity to recognize: (a) a liability when an employee has provided service in exchange for benefits to be paid in the future, and (b) an expense when the entity uses the economic benefit from the service received from the employee in exchange for benefits to this employee.

► **CPC 46 - Fair Value Measurements ("CPC 46")**

CPC 46 includes substantially the convergence to the text of IFRS 13 - Fair Value Measurement, issued by IASB, which becomes effective on or after January 1, 2013. The objective of this Standard is to (i) define fair value, (ii) establish in a single pronouncement a framework for measuring fair value, and (iii) establish disclosures about fair value measurements.

4. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of ONS' financial statements requires the Administration to make judgments and estimates and assumptions that affect the figures of revenue, expenses, assets and liabilities and disclosures of contingent liabilities, on the financial statements base date.

4. Significant accounting judgments, estimates and assumptions

- Continued

Estimates and assumptions

The key assumptions concerning the sources of uncertainty in future estimates and other key sources of estimation uncertainty at the balance sheet date, involving significant risk of causing material adjustments to the book value of assets and liabilities within the next financial year are: (i) loss impairment of non-financial assets, (ii) taxes, (iii) the fair value of financial instruments, and (iv) provisions.

5. Cash and cash equivalents

	Variable (% Of CDI)	2012	2011
Bank accounts		2,058	1,943
{0}Financial Investments{/0}			
Certificates of Deposit ("CDB")			
Banco Itaú SA	99.44	3,000	-
Banco Itaú SA	97.50	2,014	-
Banco Santander Brasil S.A.	101.70	3,320	-
Banco Santander Brasil S.A.	102.00	353	-
Banco Bradesco S.A.	102.00	1,604	-
Banco Itaú SA	101.00	-	3,003
Banco Itaú SA	100.30	-	2,021
Banco Santander Brasil SA	100.50	-	2,601
Banco Safra SA	100.50	-	2,102
Banco do Brasil S.A.	100,00	-	759
		10,291	10,486
Total cash and cash equivalents		12,349	12,429

The investments of ONS in Bank Deposit Certificates ("CDB") have their compensation based on the variation of the Interbank Deposit Certificate ("CDI").

6. Resources from charges for use of the transmission system

The contributions of third parties arising from charges for use of the transmission system are charged of generation and distribution agents, importers, exporters and free consumers, as conditions provided in the Contracts for Use of Transmission System (CUST), which seek to establish the terms and conditions that will regulate, namely: (i) the use of the basic grid by agents, (ii) the administration by ONS of charging and settlement of charges for use of transmission, and (iii) the execution of the guarantee system, acting for and on behalf of the transmission utilities.

The amount of R\$ 53,062 (R\$ 37,277 in 2011) in current assets, net of taxes withheld at source, corresponds to receivables for settlement in four installments, maturing in 5, 15, 25 and 35 days.

	2012	2011
Maturing	50,877	35,491
Matured		
From 1 to 30 days	95	62
From 31 to 60 days	46	61
From 61 to 90 days	64	37
From 91 to 120 days	36	48
Over 120 days	1,944	1,578
	2,185	1,786
	53,062	37,277

Centrais Elétricas da Paraíba SA - EPASA filed an injunction by which requested ONS suspension and abstaining of charge prior to December 2010 regarding its subsidiary UTE Termonordeste and prior to January 2011 regarding its other subsidiary UTE Termoparaíba.

On April 25, 2012, by Order No. 1159, 2012, ANEEL granted the request for reconsideration filed by EPASA in process No. 48500.001697/2011-92.

6. Resources from charges for use of the transmission system - Continued

On June 13, 2012, was handed down a judgment extinguishing the said resolution process without merit, resulting in the reversal of the provision for doubtful accounts in the amount of R\$ 399, in contrast to the corresponding permanent derecognition of accounts receivable recorded by ONS.

	2012	2011
Balance at beginning of year	1.792	636
Additional provision in the year	1,366	1,156
Reversal / derecognition of provision in the year	1,013	-
Balance at end of year	2,145	1.792

7. Contribution of Associate Members

The contribution of Associate Members is defined and approved annually by ONS Ordinary General Assembly, by apportionment based on the number of votes of each member to be applied in each budget cycle, which corresponds to the period from July to June of the following year.

Thus, the total revenue of these contributions to be charged in each budget cycle and the values corresponding to the years are shown in the following table:

Date of OGA	Budget cycle	Total approved	Revenues for the period January to June	Revenues for the period July to December	Total
26/04/2010	The July/2010 June/2011	12,784	6,406	-	6,406
15/04/2011	The July/2011 June/2012	13,546	-	6,773	6,773
Total for the year ended December 31, 2012			6,406	6,773	13,179
15/04/2011	The July/2011 June/2012	13,546	6,773	-	6,773
04/20/2012	The July/2012 June/2013	14,250	-	7125	7125
Total for the year ended December 31, 2012			6,773	7125	13,898

On December 31, 2012, accounts receivable from contribution of associate members was R\$ 84 (R\$ 70 in 2011).

ONS' Ordinary General Assembly, based on the proposition formulated and considered in the Budget Proposal for the period July 2012 to June 2013, approved on April 20, 2012, the amount of R\$ 14,250 for payment of the contribution of Associate Members in the period from July 2012 to June 2013.

This claim was approved by ANEEL, through ANEEL Resolution No. 3559, upon approval of the proposed budget on June 26, 2012.

8. Compensable taxes and social contributions

	2012	2011
Current		
Income Tax (CIT)	2,945	7,914
Social Contribution on Net Profit (CSLL);	1,816	3,573
Social Integration Program (PIS)	333	338
Contribution to Social Security Financing (COFINS)	1,535	1,559
	6,629	13,384
Non-current		
Contribution to Social Security Financing (COFINS)	-	196
Social Integration Program (PIS)	-	42
INSS	183	174
	183	412

ONS is subject to taxation and withholding of certain taxes. The balances related to tax credits will be subject to offset against future taxes payable.

9. Deferred income tax and social contribution

The major components of income tax and social contribution tax assets are presented below:

	2012	2011
Deferred income tax		
Provision for labor contingencies	555	555
Provision for tax	403	372
Provision for Doubtful Accounts	536	448
Organizational performance program	4,737	2,136
Provision for the collective bargaining agreement	945	1,357
RTT Adjustments leases and intangible assets	431	595
Tax loss and negative basis	-	2,609
Other provisions	981	1,205
	8,588	9,277
Deferred social contribution		
Provision for labor contingencies	200	200
Provision for tax contingencies	145	134
Provision for Doubtful Accounts	193	161
Organizational performance program	1,705	769
Provision for the collective bargaining agreement	340	488
RTT Adjustments leases and intangible assets	156	214
Tax loss and negative basis	-	939
Other provisions	353	432
	3,092	3,337
	11,680	12,614

Depending on the nature of the components of income tax and social contribution tax assets, which refer exclusively to temporary differences, the expected realization of the balance established in December 31, 2012 is provided in large part to the subsequent year, if there is still an outstanding balance, this should be achieved by 31 December 2014.

10. Fixed assets

	{0}Annual{/0} {1}depreciation{/1} Rate	2012			2011
		Cost	Depreciation accumulated	Value income.	Value income.
In service					
Ground		3,829	-	3,829	3,829
Facilities	4%	5,208	(2122)	3,086	3295
Machinery and equipment	10% to 20%	62,626	(46,581)	16,045	17,959
Vehicles	20%	486	(261)	225	254
Furniture and appliances	10%	6413	4,902	1,511	1,702
Improvements	20%	5,266	(5266)	-	8
		83,828	(59,132)	24,696	27,047
Ongoing					
Facilities		5,412	-	5,412	-
Machinery and equipment		10,846	-	10,846	1,140
Furniture and appliances		97	-	97	9
Advances to suppliers		3,555	-	3,555	3,953
		19,910	-	19,910	5,102
		103,738	(59,132)	44,606	32,149

The changes in fixed assets can be demonstrated as follows:

	2011	Additions	Transferences	Write offs	Reclassification to current	2012
In service						
Cost						
Operation	52,180	-	3,150	(1127)	(981)	53,223
Administration	29,523	-	1,640	(505)	{0}52.{/0}{1} {/1}	30,605
	81,703	-	4790	(1,632)	(1033)	83,828
Depreciation						
Operation	(34,457)	(3301)	-	1,113	975	(35,670)
Administration	(20,199)	(3793)	-	482	49	(23,462)
	(54,656)	(7094)	-	1,594	1,024	(59,132)
Ongoing						
Operation	4,885	8,156	(3150)	-	-	9,891
Administration	217	11,442	(1640)	-	-	10,019
	5,102	19,598	(4790)	-	-	19,910
	32,149	12,504	-	(38	{0}/{1} (9){/1}	44,606

10. Fixed Assets - Continued

	2010	Additions	Transferences	Write offs	Reclassification to current	2011
In service						
Cost						
Operation	46,971	-	5,209	-	-	52,180
Administration	29,988	-	245	(710)	-	29,523
	<u>76,959</u>	<u>-</u>	<u>5,454</u>	<u>(710)</u>	<u>-</u>	<u>81,703</u>
Depreciation						
Operation	(30,958)	(3499)	-	-	-	(34,457)
Administration	(15,663)	(4536)	-	-	-	(20,199)
	<u>(46,621)</u>	<u>(8035)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,656)</u>
Ongoing						
Operation	5,107	4,987	(5209)	-	-	4,885
Administration	5	457	(245)	-	-	217
	<u>5112</u>	<u>5,444</u>	<u>5,454</u>	<u>-</u>	<u>-</u>	<u>5,102</u>
	<u>35,450</u>	<u>(2591)</u>	<u>-</u>	<u>(710)</u>	<u>-</u>	<u>32,149</u>

The balances reclassified from fixed assets in service to current assets refer to ONS assets that are in the process of donation, leaving only the effective approval by ANEEL, in circumstance of permanent derecognition of these items. On December 31, 2012, the net value of these assets {0 totals R\$ 9.

Acquisitions of fixed assets in progress in fiscal year 2012 generated PIS and COFINS credits in the amount of R\$ 1,048 (R\$ 531 in 2011), and have been classified under 'compensable taxes and social contributions' in current assets, and refer mainly to the New Project Facilities (see Note 28). Acquisitions relating to this project refer to items 'trousseau' that aims at the implementation of a set of actions involving ONS management, development and execution of projects, procurement and commissioning of various items related to habitualness and building infrastructure, such as Operation Centers, Data Processing Center - DPC, Automation and Building Security System, Environment of HVDC simulators, accessory items (furniture, computer and telecommunications equipment) and associated civil works.

ONS has ground and building located in Brasilia, where they are installed the Regional Operation Center North / Midwest (COSR-NCI) and the National Center for System Operation (CNOS).

11. Intangible assets

	Annual amortization	2012	2011
In service			
Software	-	92,291	84,588
Amortization	20%	(76,671)	(69,999)
		15,620	14,589
Ongoing			
Ongoing projects	-	13,263	10,738
		28,883	25,327

The changes in intangible assets can be demonstrated as follows:

	2011	Additions	Transferences	Write offs	Provision for losses	2012
In service						
Cost						
Operation	68,867	-	313	-	-	69,180
Administration	15,721	-	7,390	-	-	23,111
	84,588	-	7,703	-	-	92,291
Amortization						
Operation	(59,459)	3,284	-	-	-	(62,743)
Administration	(10,540)	(3388)	-	-	-	(13,928)
	(69,999)	(6672)	-	-	-	(76,671)
Ongoing						
Operation	10,738	2,318	(313)	-	-	12,743
Administration	-	7,910	7,390	-	-	520
	10,738	10,228	(7703)	-	-	13,263
	25,327	3,556	-	-	-	28,883
	2010	Additions	Transferences	Write offs	Provision for losses	2011
In service						
Cost						
Operation	65,736	-	3131	-	-	68,867
Administration	12,899	-	2,822	-	-	15,721
	78,635	-	5953	-	-	84,588
Amortization						
Operation	(55,535)	3,924	-	-	-	(59,459)
Administration	(8404)	(2136)	-	-	-	(10,540)
	(63,939)	(6060)	-	-	-	(69,999)
Ongoing						
Operation	6521	7347	(3130)	-	-	10,738
Administration	126	2,697	(2823)	(20,024)	20,024	-
	6,647	10,044	(5953)	(20,024)	20,024	10,738
	21,343	3,984	-	(20,024)	20,024	25,327

12. Atypical Lease Agreements

The Atypical Lease Agreements (ALA) and its amendments signed by ONS with entrepreneurs regarding the project New Facilities (see Note 28), predict, besides the monthly rental of the property upon completion of the interim payment of installments on specified dates in the respective contracts.

Thus, pursuant to the aforementioned provisions, during the year ended December 31, 2012, the payments held are shown in the table below to entrepreneurs from three locations, namely:

	2012	2011
New Facilities - Rio de Janeiro	4,029	-
New Facilities - Florianópolis	1,036	-
New Facilities - Recife	2,810	-
	7875	-

13. Wages and social charges

	2012	2011
Wages	-	13
Withholding tax on payroll	4,600	4,500
SOCIAL SECURITY (INSS)	3390	3,598
Government Severance Indemnity Fund for Employees (FGTS)	1,177	1,209
Union dues	13	7
	9180	9,327

14. Taxes and social contributions

	2012	2011
Withholding tax on services	121	68
ISS	2,084	1,452
Social contributions withheld at source	203	97
COFINS (Contribution to Social Security Financing)	3130	2,210
PIS (Social Integration Program)	680	480
CIDE	-	11
	6,218	4318

15. Loans and Financing

	2012			2011		
	Current	Not Current	Total	Current	Not Current	Total
Eletrobrás - Centrais Elétricas Brasileiras S.A.	-	-	-	935	-	935
Eletrosul - Centrais Elétricas SA	739	1,318	2,057	703	2,058	2761
Furnas SA	1,697	4,273	5,970	1,585	5,970	7,555
	2436	5591	8027	3,223	8028	11,251

On December 31, 2012, existing contracts with Eletrosul - Centrais Elétricas SA and Furnas Centrais Elétricas SA are related to the transfer of assets constituting the Operation Centers of Florianopolis and Rio de Janeiro, in accordance with the conditions established by Ordinance No. 468/2002 of the Ministry of Mines and Energy ("MME"). The corresponding balance of funding from Eletrobras, referring to the National Center for System Operation, existing at 31 December 2011 was paid on June 20, 2012.

The amount due on December 31, 2012 has the following features:

	Maturity (months)	Early amortization	Periodicity of repayment	Financial charges per year.	Balance
Eletrosul - Centrais Elétricas S.A.	152	Jan/03	Monthly	RGR ^(*) 7% +	2,057
Furnas Centrais Elétricas S.A.	159	Jan/03	Monthly	RGR ^(*) 7% +	5,970
					8027

^(*) RGR - Global Reversal Reserve, consisting of a charge of the electricity sector, in order to finance the expansion and improvement of services as a whole.

On December 31, 2012, installments related to the principal of loans and financing presented in noncurrent liabilities had the following maturities:

2014	2,595
2015	2,487
2016	509
Total	5591

16. Leasing

On December 31, 2012, the only leasing operation held by ONS refers to Contract No. GEF-CT-069/10 carried out with HP Financial Services Leasing SA, with settlement scheduled for April /2013 as described below:

Type of accommodation	Financial charges (per month)	Value of benefits to win	Value Present	Interest incurred
Hubs	1.25	333	324	9
		333	324	9

The movement of the lease can be demonstrated as follows:

	2012	2011
Lease balance on January 1	1,936	4,665
Depreciation	(1612)	(2729)
Lease balance on December 31	324	1,936
Current	324	1,612
Non-current	-	324
	324	1,936

17. Pledged collateral

On July 18, 2008, ONS has signed an exclusive contract with Banco Real AMRO BANK (currently named Banco Santander (Brasil) SA) to manage their bank resources, having received R\$ 2,500 for maintenance of contractual terms for a period of 5 years, which were recognized as deferred income under "pledged collateral" for future amortization by equal contractual term. On December 31, 2012, the balance corresponding to the yet unrealized revenue is R\$ 250, recorded in current assets (R\$ 500 and R\$ 250 recorded, respectively, in assets in 2011).

18. Complementary Pension Plan

ONS sponsors the pension plan for its employees, managed by Fundação Eletrobrás de Seguridade Social ("ELETROS").

The benefit plan, implemented in September 2000, is a defined contribution plan, in which the programmable benefits, such as monthly income for retirement, are calculated from the accumulated balance in the individual account, whose contributions are credited and monetized on behalf of each participant. Therefore, there is no risk of actuarial liabilities for ONS.

The regulation of the plan was adjusted to the new contribution modeling, of optional nature for current participants and mandatory nature for new participants, which improved regulatory devices. The new regulation was approved by the Department of Pension Funds (SPC) as Official Letter DEPAT / SPC No. 3,268, of January 7, 2010.

In the previous model, the participant defined the basic contribution rate between 2% and 6%, applicable on the value of their compensation. Under the new basic contribution calculation model, two different percentages apply as follows:

- ▶ The participant contributes 2% of the share of compensation lower than a basic reference wage (BRW), plus 10% of the value of their compensation in excess of a BRW.
- ▶ The initial value of the basic reference wage corresponds to the Social Security contribution limit, effective in February 2010, in the amount of R \$ 3,218.90. Annually, the value of the basic reference wage is adjusted by the same index of salary adjustments approved in ONS Collective Bargaining Agreement.

In both forms of contribution, ONS participation as a sponsor is equal.

During the year ended December 31, 2012, ONS contributed with R\$ 9,380 (R\$ 8,126 in 2011), which is recorded in costs and personnel expenses in the income statement. On December 31, 2012, the obligations of ONS with these contributions totaled R\$ 3,220 (R\$ 3,077 in 2011).

18. Complementary Pension Plan--Continued

In addition to the pension plan, ONS provides life and personal accident insurances , also in partnership with employees to contribute towards the cost of the policy, at the rate of 60% for ONS, limited to 1.5% of net sheet, and 40% for participants. During the year ended December 31, 2012, ONS contributions totaled R\$ 977 (R\$ 909 in 2011), which were recorded under costs and personnel expenses in the income statement.

ELETROS also manages the completion of Sickness Assistance, which is funded exclusively by ONS, and the contribution is limited to 0.5% from the net payroll. Both the benefit of life insurance as the one concerning sickness assistance do not bring any actuarial risk for ONS..

19. Labor obligations

	2012	2011
Accrued vacation and payroll taxes	21,384	19,169
Organizational Performance Program - PO	18,948	8,545
Collective Labour Agreement	3,781	5,426
	44,113	33,140
Advance payment for vacation and 13th salary	(1522)	(1103)
	42,591	32,037

The payment of up to two salaries for the Organizational Performance Program was approved by ONS' Board of Directors and ANEEL, through Authorizing Resolution No. 3,828, of November 20, 2012.

20. Provision for contingencies

Contingent liabilities assessed as probable loss

On December 31, the provision for contingencies was composed as follows:

	2012	2011
Tax	2,864	2,675
Labor	968	1,032
	3,832	3,707

In the year 2012, ONS received a notification via Dispatch Decision from the Internal Revenue Service of Brazil by the non-approval of compensation taxes and social contributions with tax credits recorded in past period.

Whereas the non-recognition of part of these credits to offset the taxes is founded, ONS increased its provision for contingencies corresponding to said subject, amounting on December 31, 2012 R\$ 1,676 (R\$ 1,487 in 2011), of which R\$ 887 principal and R\$ 789 of financial charges (R\$ 815 and R\$ 672, respectively, in 2011).

On April 29, 2010, ONS received the Notice of Debt No. 20215 in the amount of R\$ 1,188 concerning the additional contribution of 20% to be paid to SENAI for the entities having more than 500 employees. On May 31, 2010, ONS filed its objection to the notice of debt, and awaits consideration by SENAI. In accordance with the understanding of their lawyers, that assess how likely the chances of loss in this action, ONS kept the corresponding provision in the amount of R\$ 1,188 in 2012.

There are also labor claims filed against ONS, which in the opinion of its lawyers, have likely prognosis of negative outcome, and the total estimated value is R\$ 968 (R\$ 1,032 in 2011).

20. Provision for contingencies - Continued

Contingent liabilities assessed as probable loss - Continued

Changes in the provision for contingencies can be demonstrated as follows:

	2012	2011
Balance on January 1	3,707	1,883
Constitution of provision	372	1,828
Reversal of provision	(247)	(4)
Balance on December 31	3,832	3,707

In addition to the contingencies described above, there are other actions that in the understanding of the legal advisers of ONS have possible loss, and the main are described below:

Regulatory risks (I)

On May 7, 2002, ANEEL, through administrative proceedings, filed a notice of infraction No. 006/2002, through which imposed a fine to ONS in the amount of R\$ 300, due to the interruption in the power supply occurred in the region southeast on January 21, 2002.

On December 16, 2005, when analyzing the administrative appeal filed by ONS, the Board of ANEEL, through Decision No. 1.904/05, confirmed the imposition of the penalty.

On August 6, 2007, ONS filed the Ordinary Action in view of ANEEL, distributed before the 4th Federal Court of Distrito Federal, in order to deconstruct the assessment notice, with a request for preliminary injunction in order to suspend the enforceability of the fine. With the granting of the preliminary injunction, ONS was authorized to deposit the amount of the fine in court until the final decision, whose sentence of first degree was not given until December 31, 2012. The fine in the amount of U.S. \$ 559, was deposited in escrow on 26 August 2007.

20. Provision for contingencies - Continued

Contingent liabilities assessed as probable loss - Continued

Regulatory risks (II)

On October 29, 2010, ANEEL, through punitive administrative process, filed a notice of infraction No. 108/2010, through which imposed a fine in the amount of R\$ 1,318, due to the interruption in the power supply occurred in the southern and southeast on November 10, 2009.

On November 18, 2010, ONS appealed to ANEEL, which, by Decision dated January 17, 2011, reconsidered in part the notice of infraction, reducing the fine to R\$ 1,111. On February 4, 2011, the case was distributed for further deliberation by the Board of ANEEL, with respect to the portion of the fine that was not reconsidered. The Board of ANEEL upheld the fine imposed, as Dispatch No. 2.790/2011, published on July 11, 2011. Thus, on October 20, 2011, ONS filed an Ordinary Action with a request for preliminary injunction, distributed before the 5th Federal Court of Distrito Federal, in order to suspend the enforceability of the fine until final decision. The injunction was granted on October 28, 2011, upon the completion of the full deposit on a temporary basis, adjusted for R\$ 1,233. In this same act was also granted the possibility of replacing the escrow deposit by Bank Letter of Guarantee.

ONS held in August 2012, the replacement of the escrow deposit by Bank Letter of Guarantee issued by Banco Bradesco SA receiving the return of the escrow deposit in the amount of R\$ 1,333.

Social security risks

In 2008, it was proposed by the Federal Union a Tax Enforcement, distributed before the 19th Federal Court of Distrito Federal relating to debts of social security nature, in view of the existence of possible differences between the amounts collected through the Government Severance Indemnity Fund for Employees - FGTS Receipts of Payment and the information provided to Social Security through GFIP. On July 24, 2008, ONS made an escrow deposit of the alleged debt of R\$ 230 and filed embargo to enforcement. The embargo is awaiting a hearing until the present date.

20. Provision for contingencies - Continued

Contingent liabilities assessed as probable loss - Continued

Labour risks

There are lawsuits against ONS with possible losses in the total value of R \$ 786.

Civil risks

In 2007, Ponte de Pedra Energética SA filed a civil-regulatory-nature claim against ONS, ANEEL and transmission companies regarding the duplicity of the installments of charges for use of the Transmission System. For the part corresponding to ONS was estimated the amount of R\$ 190.

21. Escrow deposits

On August 26, 2007, ONS made an escrow deposit of R\$ 559, to cover the process 'interruption in power supply in the Southeast occurred on January 21, 2002' mentioned in Note 20. The amount updated on December 31, 2012 is R\$ 744 (R\$ 696 in 2011).

On July 24, 2008, ONS made an escrow deposit originally amounting R\$ 230 to cover the Federal Tax Enforcement on social security nature debts, as mentioned in Note 20. The amount updated on December 31, 2012 is R\$ 332 (R\$ 255 in 2011).

On December 31, 2012, there are other escrow deposits related to labor claims totaling R\$ 68 (R\$ 80 in 2011).

The escrow deposit made by ONS in August 2012 to address the process of 'interruption in power supply in south and southeast' mentioned in Note 20, recorded the amount of R\$ 1,233 on December 31, 2011, was replaced in August 2012 by Bank Letter of Guarantee issued by Banco Bradesco SA

22. Financial result

	2012	2011
Financial revenues		
Income on investments	510	650
Charges on overdue invoices	48	60
Monetary / exchange rate	697	316
Other	228	97
	1,483	1,123
Financing expenses		
Interest on loans and financing	(804)	(1374)
Monetary / passive currency exchange	(41)	-
Other	(124)	99.
	(969)	(1473)
Net Financial result	514	(350)

23. Income tax and social contribution

	2012	2011
{0}Profit before income tax and social contribution{/0}	29,856	8,606
Permanent differences		
Permanent losses	1653	943
Tax Incentives	254	148
Donations	15	-
Others.	1	2
Adjusted Surplus before income tax and social contribution	31,779	9,699
Combined rate of income tax and social contribution	34%	34%
Income tax and social contribution at statutory rates	10,805	3,298
Others.	(278)	-
Income and social contribution taxes recorded in income	10,527	3,298

24. Insurance

According to the bylaws, ONS has no power generation, transmission or distribution assets.

Insured assets include property occupied by the National Center for System Operation (CNOS), computer equipment, telecommunications equipment, infrastructure equipment, furniture and fixtures of the regional operation centers and the central office.

Due to contractual obligations signed in Atypical Lease Agreements of Property and Other Agreements to lease new facilities, commented in detail in Note 28, on the cities of Florianopolis, Recife and Rio de Janeiro, it is ONS' responsibility hiring insurance for the value of the buildings during the term of the contract and keeping the lessor as the main beneficiary. Respecting actuarial market practices ONS held in year 2012 endorsement of its insurance policy to incorporate the value of such buildings under construction.

As a result of the incorporation of the buildings in multi-risk policy, the total declared amount is R\$ 128,900 (R\$ 80,000 in 2011), the type of contract corresponding to the Maximum Limit of Indemnity (LMI), which considers higher risk the value of R\$ 30,000, based on CNOS (R\$ 30,000 in 2011). In case of claims by the Basic Coverage (fire / lightning / explosion), all locations will be covered up to the limit.

25. Remuneration of directors

In line with the predicted values and approved under the conditions established in ONS bylaws, in fiscal year 2012 have been paid R\$ 5,660 as remuneration of directors (R \$ 5,218 in 2011).

26. Transactions with related parties

Under the bylaws, the Board of Directors is composed, representatively, by the representatives of the categories of Production, Transport and Consumption, for which charges are made of the resources from charges for use of the transmission system and membership contributions to provide the feasibility of the budget expenditures required for the activities and tasks of the operator. All values and conditions applied by ONS in these transactions are regulated and defined by ANEEL, and therefore held in normal market conditions, considering the nature of activities carried out by ONS.

27. Financial instruments

ONS has made assessment of its assets and liabilities in relation to market values, using available information and appropriate valuation methodologies.

ONS' main financial liabilities relate to liabilities to suppliers and loans and financing. ONS' main financial assets consist of cash and cash equivalents, resources from charges for use of the transmission system, contribution of associate members and other receivables, which arise directly from its operations.

Fair value measurement

The fair value of cash and cash equivalents, resources from charges for use of the transmission system, contributions from members, other receivables and liabilities to suppliers approximate their book values due largely to the nature and maturity in the short term of these instruments. Loans and financing are classified as financial liabilities held-to-maturity and are recorded at their contractual amounts. Interest rates on loans and financing contracted with Furnas and Eletrosul present rates not consistent with the market regarding the "usual market rates". These fees are contracted considering its purpose and specific risk assessments, not being calculable its fair value.

On December 31, 2012 and 2011, ONS did not have any structured transactions with derivatives, forward contracts, swaps, options, futures or derivatives transactions embedded in other products, so there is no risk associated with policies on use of derivative financial instruments.

27. Financial Instruments - Continued

Fair value measurement - Continued

The main risk factor that affects ONS business refers to credit risk linked to cash and accounts receivable s, in general. All ONS' operations are performed with reputable banks , thus minimizing their risks. Regarding accounts receivable, in general, to be held with reputable companies in the energy sector, regulated by ANEEL and with imposition of penalties in case of default, the Administration of ONS does not expect to face difficulties in realization of receivables.

28. Project New Facilities - future commitments

Since 1998, ONS, from its constitution, has been using the facilities of the subsidiary companies of Eletrobras through lease contracts, in the localities of Rio de Janeiro, Recife and Florianopolis to allocate their regional facilities, mainly their operation centers .

The main office, located in Rio de Janeiro, is housed in a building belonging to Fundação Eletros de Seguridade Social - ELETROS also through lease.

The National Operation Center located in Brasilia is the only property owned by ONS, whose facilities were transferred by Eletrobras in 2002.

Thus, considering the need to enable the expansion of ONS in a permanent and structured form, studies have been conducted and pointed to the achievement of a project for the implementation of its facilities, including the unification of the central office to the Regional Operation Center of the Southeast, and the installation of Recife and Florianopolis Operation Centers in units independent of current.

The project, called New Facilities, consists of managing the construction and installation of buildings that meet the needs of ONS, which considered the main constraints and steps: (i) survey of suppliers, (ii) analysis of executive projects of the building base and complementary infrastructure (trousseau items), (iii) preparation of terms of reference for necessary acquisitions, (iv) commissioning of the work and trousseau, and (v) management of moving and delivery of the facilities currently occupied by ONS.

28. Project New Facilities - future commitments - Continued

The main strategic objectives of the project New Facilities include:

- ▶ Solve the exhaustion of the capacities of current spaces in Rio de Janeiro, Recife and Florianópolis, and
- ▶ Implement standards for reliability of infrastructure critical services of the Operation Centers and Data Processing Center - CPD.

For enabling the construction of facilities to be used by ONS, in order to meet the needs its needs, it has been adopted the mode of Atypical lease Agreement (ALA) of property (real state) - *built to suit*, which consists of custom lease where the lessee presents the lessor all the characteristics of the property being leased, such as location, size, type of construction, among other requirements.

Accordingly, we have identified qualified entrepreneurs to build and lease facilities specific to ONS, whose contracts are detailed as shown below:

Locality	Entrepreneur	{0}Term of {1}validity.{/1}{/0} {2} {/2}
Rio de Janeiro	Confidere Imobiliária, Incorporadora e Administradora de Imóveis Cidade Nova Ltda.	25 years, with renewal at least 6 years
Florianópolis	Gomes Participações Societárias Ltda.	15 years, with renewal at least the same period
Recife	Maxxima Aurora Negócios Imobiliários Ltda.	15 years, with renewal at least the same period