



2018

**Complete Annual
Financial Statements**

Message from Management

Once again, our Values led us to overcome challenges in the incessant pursuit of excellence and ongoing sustainable growth.

We did it. We are proud of Energisa Group's achievements in 2018:

- ✓ We consolidated ourselves as the 5th largest energy distribution group in Brazil in terms of distributed energy, serving some 7.7 million customers (20 million people) in 24% of the country's landmass.
- ✓ We grew in the transmission segment.
- ✓ We enhanced the customer's experience and all distribution companies closed the year in compliance with regulatory quality requirements.
- ✓ We increase our headcount in line with our concern to be an excellent company for these professionals.
- ✓ We revisited our health and safety procedures and
- ✓ initiated a major digital transformation project.
- ✓ We increased energy sales, delivering constant growing results.
- ✓ We ramped up our social investments and bolstered our commitment to sustainability.

Below we will take you on the journey that led to these achievements.

Enjoy!

5th largest distribution group

We bet on the sector's future and achieved our goal of being a leading group.

Intentionally audacious, in April we made an offer to acquire the share control of Eletropaulo. However, while we are ambitious, we are also prudent and subsequently withdrew the proposal, in order to responsibly allocate our capital, create better value for our shareholders and bolster our business sustainability.

After a two-year study, our efforts were rewarded with the acquisition of the electricity distribution companies in Rondônia and Acre, undertaking the commitment to deliver quality services to a further 900 thousand customers.

Without doubt, we will draw on our successful experience in transforming companies to deliver better services, recover financial health and transform the precarious situation these distribution companies are in.

Transmission growth

In line with our *raison d'être* to be one of the best and most respected Companies in Brazil's energy sector, we have also progressed in the transmission segment.

We obtained the construction licenses for Energisa Pará Transmissora and Energisa Goiás Transmissora, just one year after signing the concession agreement.

We expanded our transmission asset portfolio, successively bidding for two lots in the states of Pará, Bahia and Tocantins at the Aneel auction. As a result we then had four concessions, consisting of 1,343 km of transmission lines, transformation capacity of 4,294 MVA and Annual Permitted Revenue of R\$ 184 million.

Quality services for our CUSTOMERS

The customer is our *raison d'être*. We want to be an important business partner for these people for a long time and make a difference in their lives.

For this reason we seek to anticipate their demands and expectations, always thinking on how to make their life easier and continually enhance their relationship journeys with the Company.

In order to get to know this public better and better, meet their requirements and prepare for major transformations in our relationship, in 2018 we created the Customer Experience Board.

We also continued investing to enhance service quality: all our distribution companies closed the year within regulatory limits. We received nine awards in the 2018 Abradee Awards and four of our distribution companies are amongst the best in the country. We won in five categories at the 2018 IASC Awards, which reflects the clients perceived satisfaction, measured by Aneel. We have seven distribution companies among the top ten in two categories in Aneel's continuity ranking,

Our energy comes from PEOPLE

Following the acquisition of the distribution companies Ceron and Eletroacre, our headcount grew to 19 thousand people, who are now part of a winning team which makes the difference.

We want all the members of this team to be happy here. This is why we set ourselves the challenge of being amongst the Best Companies to work for. In 2018, we conducted the GPTW (Great Place to Work) survey in all Group companies, which yielded a confidence rate of 78%, and with great pride we commemorated Energisa Mato Grosso do Sul being classified amongst the top ten in the Midwest.

HEALTH and SAFETY 1st

It is our target to be a leader in Occupational Health and Safety in our sector by 2020.

To achieve this we reviewed the map of the more critical processes for preventing and addressing health and safety risks and restructured the everyday management of these processes.

We tirelessly mobilized employees and partners about occupational safety. The company's entire leadership, including directors, kept an eye on the figures, in order to eliminate risks and nurture a prevention-based safety culture.

One of the most INNOVATIVE companies in the sector

As a leading group, Energisa wishes to evolve together with the customer and innovation, which permeates our culture, is an essential part of this journey.

To continue our progress we are investing in a sweeping digital transformation project: A series of improvements to accompany it in an increasingly agile, more audacious and more digital journey, and in 2018 we were elected one of the most innovative companies in the sector by Valor Econômico.

This transformation involves projects related to operational and administrative efficiency, and the customer and the employee's journey, in order to provide a unique experience all round.

The projects created will simplify the processes, diminish bureaucracy, enhance the management of receivables, the combating of losses and permit the adoption of new preventive maintenance, thereby avoiding failures. In addition to driving up service quality, customers will also have access to new ways of paying energy bills and a multichannel services center, integrating all relationship channels.

We are also focused on thinking up new innovative businesses expanding the services offered to our customers.

Higher energy sales and consistent RESULTS

The year was dominated by uncertainty due to the presidential elections and the modest economic recovery, still feeling the effects of the longest most intense recession experienced by the country. Despite this, GDP expanded by 1.1%. Hydrological conditions were unfavorable in the sector, with greater thermal output, negatively affecting consumers' energy bills.

Despite the unfavorable situation, our results continued to grow, with invoiced electricity sales growing 2.9%, over and above the average of 1.1% in Brazil. We achieved gross revenue of R\$ 23.7 billion, up by 16.4% on 2017, an Adjusted EBITDA of R\$ 4.1 billion, 72.5% higher, and a record net income of R\$ 1.2 billion, 106.0% higher.

In 2018 we also concluded the fourth Tariff Revision Cycle of all the Groups' companies after the revisions of Energisa Mato Grosso, Energisa Mato Grosso do Sul and Energisa Sergipe.

We continued making significant investments amounting to R\$ 2.2 billion in the year and R\$ 5.8 billion, in nominal terms, over the past three years.

The shareholders recognized our positive performance and with consistent achievements of late we have achieved our goal of always generating superior value. Our shares gained 40% the year, one of the best performances in sector and easily outperforming the IEE (24%) B3 (15%) indexes.

COMMITMENT to the present-day and the future

We are committed to creating value for all stakeholders with respect. Sustainability is an inseparable part of our business strategy. Our success is only possible if we act ethically and responsibly, which will enable us to continue creating value forever.

To this end we invest in the joint work with other sections of the chain to produce gains for everyone and to effectively meet the actual requirements of consumers, thereby ensuring satisfaction, cost-cutting and a smaller economic footprint.

In 2018 we continued implementing important biodiversity preservation project at our distribution companies, and invested R\$ 18.1 million in human and social development projects, a 56.3% increase on 2017, expanding our positive image with society.

On the operating front, in 2019 we will invest R\$ 2.8 billion in the Group's companies, with R\$ 700 million focused on recently acquired distribution companies, who will bring important improvements to the service provided to the population.

We thank all our shareholders, staff, customers and suppliers for their confidence in us.

We know we are on the right path to strengthening the sector, are aware what is necessary to leverage a series of new capabilities and are willing to change to continue being important to our customers.

We are confident that we have the force of incumbency and the scale to bolster our business with agility, simplicity, entrepreneurialism and audacity, honoring the legacy of our founders for 114 years.

Cataguases, March 19, 2019.

Ricardo Perez Botelho
CEO

Ivan Müller Botelho
Chairman of the Board of Directors

1 Economic and financial headlines

Energisa S/A hereby presents its headlines for the 2018 financial year, along with the respective Financial Statements, prepared in accordance with International Financial Reporting Standards - IFRS. These statements were reviewed and approved by the Board of Directors and Executive Board on March 19, 2019.

MAIN ECONOMIC INDICATORS

Description	Accumulated		
	2018	2017	Change %
Gross Operating Revenue	23,684.7	20,347.6	+ 16.4
Net Operating Revenue, without construction revenue	14,274.6	12,245.1	+ 16.6
Manageable costs and expenses	2,328.2	2,188.6	+ 6.4
EBITDA	3,817.6	2,052.6	+ 86.0
Adjusted EBITDA	4,092.3	2,372.8	+ 72.5
Net Income	1,179.7	572.6	+ 106.0
Net Indebtedness ⁽¹⁾	10,845.7	7,202.0	+ 50.6
Investments	1,980.8	2,002.9	- 1.1
Total Number of Consumers	7,675,322	6,650,613	+ 15.4
Number of Own Staff	14,054	12,573	+ 11.8
Work Force (own + outsourced staff) ⁽²⁾	19,599	16,924	+ 15.8

2 Corporate structure and profile

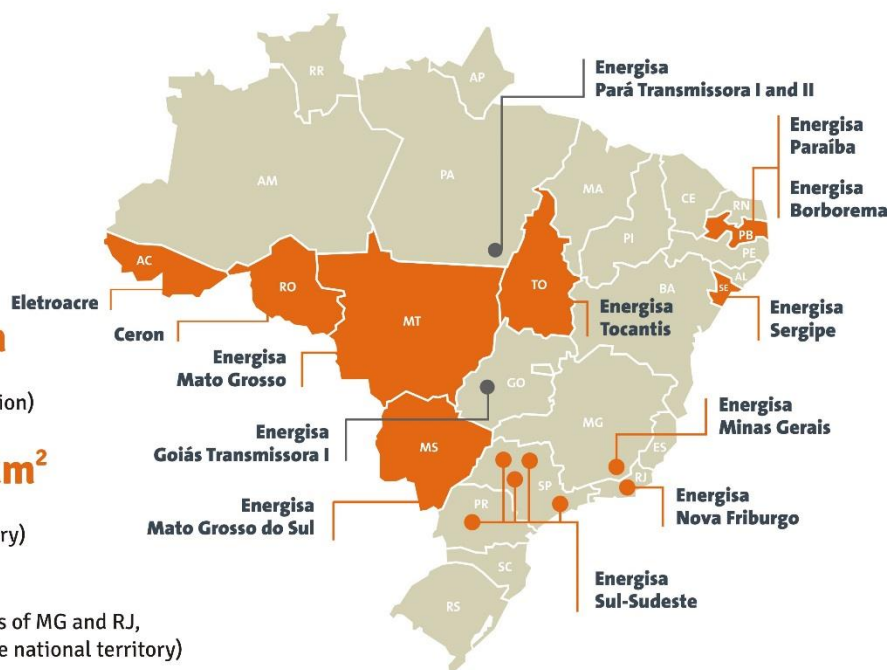
Energisa Group completed 114 years of history on February 26, 2019 and as of February 26, 2019 is the fifth largest energy distribution group in Brazil in terms of energy distribution. In our segment we serve approximately 7.7 million consumers in eleven Brazilian states (following the acquisitions of Ceron and Eletroacre) - equal to 10% of Brazil's population.

The Company currently controls 11 distribution companies located in the states of Minas Gerais, Sergipe, Paraíba, Rio de Janeiro, Mato Grosso, Mato Grosso do Sul, Tocantins, São Paulo, Paraná, Acre and Rondônia, with a concession area embracing 2,034 thousand Km², equal to 24% of Brazil's landmass (Source: IBGE, July 2016).

Energisa Group's activities includes energy transmission assets (resulting from the acquisition of two lots of Transmission Auction 5/2016, held on 4/24/2017 and a lot at Transmission Auction 002/2018 acquired on 6/28/2018 and a lot at Transmission Auction 004/2018 acquired on 12/20/2018). In addition to grid services, the group operates in energy trading, provides various services related to construction, operation and maintenance of electric assets, carries out energy generation studies, and other activities related to the electric sector.

ENERGISA GROUP COVERAGE AREA

- 11** power distribution concessions across Brazil
- 862** municipalities served
- 7.7 million** clients
- 20.0 million** people served (10% of Brazil population)
- 2,034,000 km²** total area covered (24% of Brazil's territory)
- 6** service companies (headquartered in the states of MG and RJ, with operations in the whole national territory)
- 3** transmission companies (headquartered in the state of MG, with operations in PA and GO)



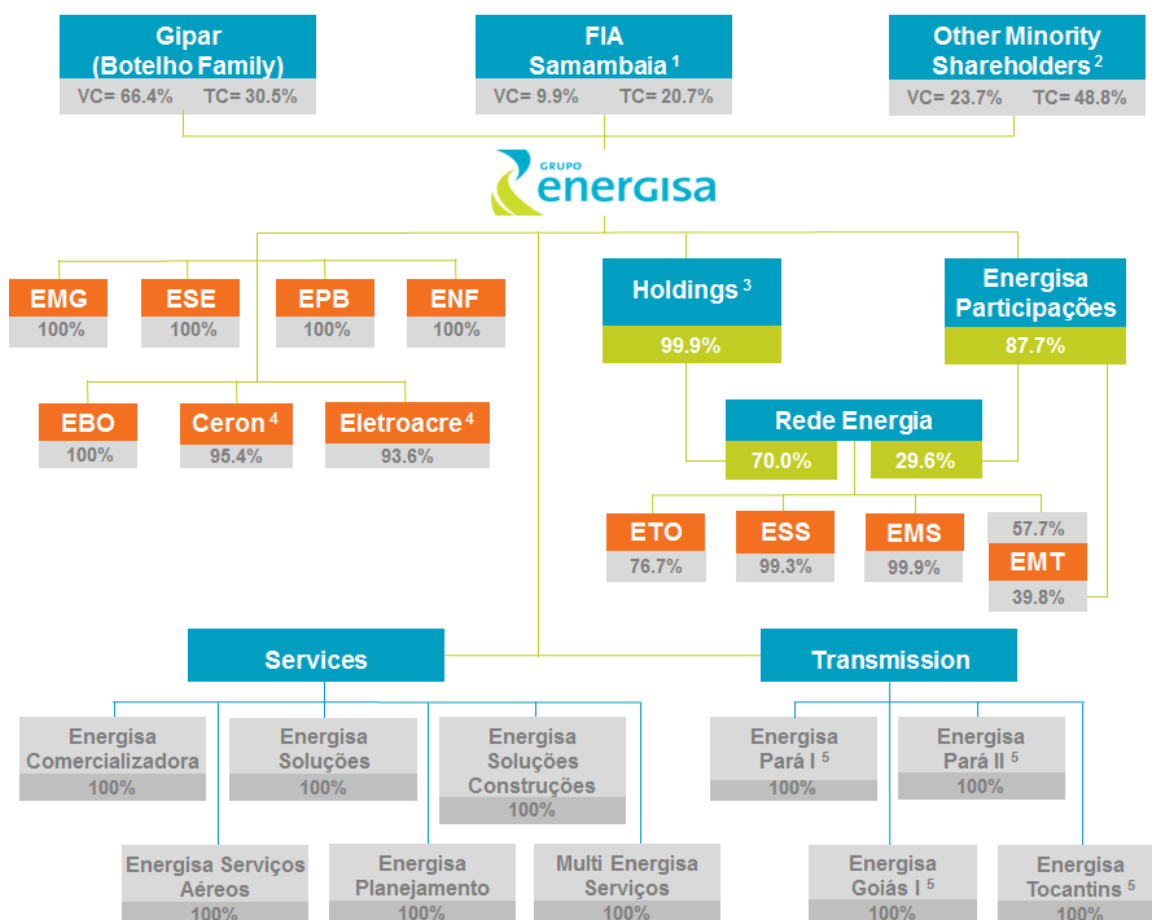
Corporate Structure of Energisa Group

Energisa Group's share control is exercised by Gipar S/A, controlled by the Botelho Family. The Company is listed in Level 2 Corporate Governance of B3 and the most liquid shares are traded under the symbol ENGI11 (Units, certificates comprising one common share and four preferred shares). In addition to these securities, it has shares traded under the symbols ENGI3 (common shares) and ENGI4 (preferred shares).

In a privatization auction on August 30, 2018, Energisa S/A acquired a controlling interest in Centrais Elétricas de Rondônia ("Ceron") and Companhia de Eletricidade do Acre ("Eletoacre"). Pursuant to the auction notice, we acquired 90.00% and 87.61% of the total share capital of Ceron and Eletoacre, respectively, and in accordance with the contract we increased the share capital of these distribution companies after effectively taking over the management thereof by R\$ 253.8 million at Ceron, on October 30, 2018, and R\$ 238.8 million at Eletoacre, on December 6, 2018. On March 01, 2019 the Company also subscribed and paid in surpluses of the shares offered to employees and retirees of the distribution companies in the amount of R\$ 27.8 million at Ceron and R\$ 35.3 million at Eletoacre, then holding 95.4% and 93.6% of these distribution companies' share capital respectively.

After these two acquisitions, Energisa now owns 11 electricity distribution concessions spanning five regions of the country. Company management believes its successful track record of implementing operational and financial transformations will be essential to enhancing the service quality metrics and the economic and financial equilibrium of these distribution companies.

On December 28, 2018 Energisa closed the Investment Agreement with Itaú Unibanco S/A (“Itaú”). On this date Itaú made a primary contribution of R\$ 600 million, equal to 12.3% of Energisa NCI, and in turn the Company capitalized its NCIs in Rede Energia and Energisa Mato Grosso (EMT). See below the simplified organizational structure of Energisa Group:



CV - Voting Capital | CT - Total Capital

(1) Shareholding held directly and indirectly through investment vehicles.

(2) Fundo GIF IV had an interest in Energisa's capital lower than 5%.

(3) Directly and by way of holding companies, Energisa directly and indirectly owns 95.9% of Rede Energia.

(4) Distribution companies acquired at privatization auctions held on 8/30/2018.

(5) Transmission SPEs (Transmission Auctions 5/2016, 2/2018 and 4/2018).

3 Operating performance

3.1 Number of Consumers

Energisa closed 2018 with 7,675,322 captive consumer units, or 15.4% more than the 6,650,613 units at the end of December 2017. Acquiring Ceron and Eletroacre added 905,780 consumer units for Energisa and in the course of 2018 its original distribution companies added 118,929 units to its consumer base.

**Number of captive and free consumers by region
Distribution companies position at 12/31/2018**

Description	Captive	Free	Total
North Region	1,492,182	90	1,492,272
✓ ETO	586,458	34	586,492
✓ Eletroacre	263,729	19	263,748
✓ Ceron	641,995	37	642,032
Northeast	2,413,173	117	2,413,290
✓ EPB	1,424,082	51	1,424,133
✓ ESE	776,347	52	776,399
✓ EBO	212,744	14	212,758
Midwest	2,421,463	372	2,421,835
✓ EMT	1,403,355	210	1,403,565
✓ EMS	1,018,108	162	1,018,270
South/Southeast Region	1,347,710	215	1,347,925
✓ EMG	455,359	54	455,413
✓ ENF	108,287	9	108,296
✓ ESS	784,064	152	784,216
Total Energisa	7,674,528	794	7,675,322
Total Energisa (exc. ERO and EAC)	6,768,804	738	6,769,542

3.2 Electricity sales

Acquiring Ceron and Eletroacre boosted Energisa's consolidated annual sales by 4,179 GWh, an increase of 13.7% on the Group's overall sales. To facilitate a comparative analysis, the following analyses include the energy sales of Ceron and Eletroacre since 2017.

In FY 2018, total energy consumption in Energisa Group's concession areas (including Ceron and Eletroacre) increased by 2.9%, with growth across all consumption sectors, especially industrial and rural, which saw consumption rise by more than 4.5% (315.5 GWh) and 5.0% (160.8 GWh) respectively. EMT's concession area, which accounts for approximately 37% of the total rural volume, was the main driver behind this solid performance. In terms of concessions, we draw your attention to the total consumption in the areas of the following distribution companies: EMT (+3.2% or 268.1 GWh), EMS (+3.6% or 183.8 GWh), ESS (+3.8% or 156.3 GWh), EPB (+3.2 or 132.0 GWh), ESE (+3.0% or 89.6 GWh), Ceron (+2.9 or 89.3 GWh) and ETO (+3.4% or 77.3 GWh).

Energy sales of distribution companies

Description Amounts in GWh	Year		
	2018	2017	Change %
✓ Billed Sales to the Captive Market	29,121.8	28,682.2	+ 1.5
✓ Energy transportation to free clients (TUSD)	5,558.3	5,006.6	+ 11.0
Subtotal (Captive Sales + Invoiced TUSD)	34,680.1	33,688.8	+ 2.9
Subtotal (Captive Sales + TUSD), exc. Ceron and Eletroacre	30,500.9	29,604.8	+ 3.0
✓ Unbilled consumption	69.1	15.5	+ 345.8
Total (captive sales + TUSD + unbilled)	34,749.2	33,704.3	+ 3.1

Note: For the purpose of calculating sales growth we used the energy sales of the Ceron and Eletroacre companies as if they were subsidiaries of Energisa in 2018 and 2017.

Captive Sales Invoiced by Consumption Class + TUSD (Consolidated)

Description Amounts in GWh	Year		
	2018	2017	Change %
✓ Residential	12,466.0	12,167.1	+ 2.5
✓ Industrial	7,264.1	6,948.6	+ 4.5
▪ Captive	2,547.8	2,680.6	- 5.0
▪ Free	4,716.3	4,267.9	+ 10.5
✓ Commercial	6,879.5	6,778.5	+ 1.5
▪ Captive	6,164.3	6,144.3	+ 0.3
▪ Free	715.2	634.2	+ 12.8
✓ Rural	3,356.4	3,195.6	+ 5.0
▪ Captive	3,292.0	3,141.2	+ 4.8
▪ Free	64.5	54.4	+ 18.6
✓ Other sectors	4,714.1	4,599.1	+ 2.5
▪ Captive	4,651.7	4,549.0	+ 2.3
▪ Free	62.4	50.1	+ 24.6
Energy sales to consumers (Invoiced Captive Sales)	29,121.8	28,682.2	+ 1.5
Energy associated with free consumers (TUSD)	5,558.3	5,006.6	+ 11.0
Invoiced Captive Sales + TUSD	34,680.1	33,688.8	+ 2.9
Unbilled consumption	69.1	15.5	+ 345.8
Invoiced Captive Sales + Uninvoiced TUSD	34,749.2	33,704.3	+ 3.1

Note: For the purpose of calculating sales growth we used the energy sales of the Ceron (ERO) and Eletroacre (EAC) companies as if they were subsidiaries of Energisa in 2018 and 2017.

3.3 Electricity trading

Energisa Comercializadora (ECOM) energy sales in 2018 to its 351 contracts 4,755.0 GWh, an increased by 20.3% over the previous year.

3.4 Electricity losses ("losses")

Following the acquisitions of Ceron and Eletroacre, Energisa Group's consolidated total losses in 2018 amounted to 5,558.8 GWh, or 13.57% of the injected energy, up by 0.03 percentage points on the result for the 12 months ended September 2018 and down by 0.28 percentage points on December 2017. If we consider the original distribution companies (excluding Ceron and Eletroacre), the total losses remain at the same level in relation to the percentage in September 2018, at 4,095.5 GWh, or 11.60% of the injected energy. This figure diminished by 0.17 percent on December 2017.

Under the new concession agreement, Ceron and Eletroacre had their non-technical losses relaxed for a period of five years. The total losses diminished by 0.42% and 2.35% respectively in relation to December 2017. These regions will be subject to intensive combating initiatives in the years ahead as they are experiencing extremely high levels of losses.

Energy Losses (% in past 12 months)

Discos % Injected Energy (12 months)	Technical Losses (%)			Non-Technical Losses (%)			Total Losses (%)			ANEEL
	Dec/17(*)	Sep/18	Dec/18	Dec/17(*)	Sep/18	Dec/18	Dec/17(*)	Sep/18	Dec/18	
EMG	10.19	10.05	10.22	0.20	0.30	-0.09	10.39	10.35	10.12	9.62
ENF	5.02	4.61	4.61	-0.75	-0.68	-0.66	4.28	3.93	3.94	5.84
ESE	6.85	7.08	7.11	1.93	2.53	2.53	8.78	9.61	9.63	10.12
EBO	7.64	6.63	6.65	-1.78	-0.69	-0.79	5.86	5.95	5.85	7.41
EPB	10.23	9.57	9.35	2.56	3.17	3.29	12.80	12.74	12.64	12.71
EMT	9.51	9.46	9.42	4.97	4.93	4.59	14.48	14.39	14.01	13.71
EMS	10.00	9.37	9.11	3.44	3.00	3.55	13.44	12.37	12.66	13.52
ETO	11.41	11.38	11.47	1.57	1.23	1.78	12.98	12.61	13.24	13.93
ESS	6.53	6.27	6.17	-0.21	-0.19	0.22	6.32	6.08	6.39	6.72
ERO	11.15	11.15	11.20	16.99	16.13	16.52	28.14	27.28	27.72	22.88
EAC	9.89	9.85	9.85	12.17	10.49	9.86	22.06	20.34	19.71	20.77
Energisa	9.35	9.14	9.07	4.50	4.40	4.50	13.85	13.54	13.57	13.30
Energisa (without ERO e EAC)	9.11	8.86	8.78	2.66	2.73	2.82	11.77	11.59	11.60	11.84

Scores: To calculate the percentages presented above, we considered the values of uninvoiced energy. All distribution companies are undergoing CRTP 4. The A1 Free Market was included in the calculation of the Total Realized and Regulatory Loss.

*Amounts reclassified due to the rerecording of energy for the accrual period September 2017.

3.5 Delinquency rate

In 2018, the delinquency rate (calculated as the percentage ratio between the allowance for doubtful accounts (PCLD) and the invoiced supply) was 1.15%. If the original distribution companies are disregarded (exc. Ceron and Eletroacre), this figure would be 0.66% in 2018, relatively unchanged on 2017.

PCLD (% of Supply invoiced)	In 12 months (%)		
	2018	2017	Change in p.p.
EMG	0,25	0,13	+ 0,12
ENF	0,19	0,19	-
ESE	0,62	(0,35)	-
EBO	0,32	0,28	+ 0,04
EPB	0,95	0,58	+ 0,37
EMT	0,86	1,42	- 0,56
EMS	0,80	0,75	+ 0,06
ETO	0,50	0,41	+ 0,09
ESS	0,01	0,01	- 0,00
ERO	11,55	(0,06)	-
EAC	(1,57)	0,93	-
Energisa - Consolidated	1,48	0,62	+ 0,86

3.6 Collection Rate

Energisa Group's consolidated collection rate (consisting of collections in the last 12 months over accumulated sales in the same period) was 96.67%, virtually unchanged on 2017.

Collection Success Rate (%)	In 12 months (%)		
	2018	2017	Change in p.p.
EMG	98.77	98.53	+ 0.24
ENF	98.83	98.61	+ 0.23
ESE	98.30	98.48	- 0.18
EBO	98.57	98.74	- 0.17
EPB	97.24	97.67	- 0.44
EMT	96.27	96.54	- 0.28
EMS	97.32	97.06	+ 0.27
ETO	97.53	96.74	+ 0.82
ESS	99.05	99.04	+ 0.01
ERO	91.29	91.58	- 0.32
EAC	90.03	90.05	- 0.02
Energisa - Consolidated	96.67	96.70	- 0.03

3.7 Service quality indicators - DEC and FEC

In December 2018 all original distribution companies (which does not include Ceron and Eletroacre) presented a better performance than the regulatory target for the DEC and FEC metrics. The quality indicators performed as followed in December 2018 (12 months):

Discos 12 months moving average	DEC (hours)			FEC (times)			DEC Limit	FEC Limit
	Dec/18	Dec/17	Var.(%)	Dec/18	Dec/17	Var.(%)	Dec/18	Dec/18
EMG	9.43	8.44	+ 11.7	5.33	5.05	+ 5.6	11.45 ●	8.91 ●
ENF	6.66	5.78	+ 15.2	3.90	3.82	+ 2.2	10.24 ●	9.48 ●
ESE	11.17	12.09	- 7.6	6.55	6.99	- 6.3	12.39 ●	8.88 ●
EBO	6.18	4.03	+ 53.3	3.18	2.46	+ 29.3	13.16 ●	9.84 ●
EPB	14.80	14.60	+ 1.4	5.90	6.30	- 6.3	17.12 ●	10.64 ●
EMT	20.84	25.35	- 17.8	9.13	12.49	- 26.9	23.19 ●	19.05 ●
EMS	10.92	11.92	- 8.4	4.73	5.72	- 17.3	11.89 ●	8.62 ●
ETO	24.45	27.98	- 12.6	10.31	12.72	- 18.9	25.92 ●	18.01 ●
ESS	6.06	6.60	- 8.1	4.60	4.97	- 7.5	8.13 ●	8.27 ●
ERO	35.47	32.32	+ 9.7	16.69	19.21	- 13.1	27.61 ●	18.94 ●
EAC	43.81	47.88	- 8.5	31.12	35.55	- 12.5	44.06 ●	35.23 ●

Note: The data presented is obtained from ANEEL databases and can be changed if requested by the regulator.

4 Financial performance

4.1 Net operating revenue

In 2018, consolidated net operating revenue excluding construction revenue, amounted to R\$ 14,274.6 million, an increase of 16.6% on 2017.

4.2 Rate reviews and adjustments

Between 2016 and 2018, the National Electricity Regulatory Agency ("Aneel") ratified the 4th Cycle of the Periodical Rate Reviews ("4CRTP") of Energisa S/A's distribution companies, except for the distribution companies Ceron and Eletroacre, acquired in August 2018.

4.3 Operating costs and expenses

Consolidated operating costs and expenses (official), excluding construction costs, amounted to R\$ 11,422.1 million in 2018, an increase of 3.8% (R\$ 420.6 million) on 2017.

Consolidated operating costs and expenses break down as follows:

Breakdown of operating expenses and costs Amounts in R\$ million	Quarter			Year		
	4Q18	4Q17	Change %	2018	2017	Change %
1 Non Manageable costs and expenses	2,203.8	2,066.4	+ 6.6	9,241.9	7,955.4	+ 16.2
1.1 Energy purchased	1,910.3	1,942.1	- 1.6	8,158.6	7,385.7	+ 10.5
1.2 Transmission of electricity	293.5	124.3	+ 136.1	1,083.3	569.7	+ 90.2
2 - Manageable costs and expenses	793.4	673.5	+ 17.8	2,328.2	2,188.6	+ 6.4
2.1 PMSO	647.7	719.1	- 9.9	2,153.8	2,107.0	+ 2.2
2.2 Provisions/Reversals	145.7	(45.6)	-	174.4	81.6	+ 113.7
2.2.1 Contingencies	86.6	(66.2)	-	19.7	(28.6)	-
2.2.2 Doubtful accounts	59.1	20.6	+ 186.9	154.7	110.2	+ 40.4
3 Other revenue/expenses	(852.8)	256.7	-	(147.9)	857.5	-
3.1 Depreciation and amortization	330.6	220.4	+ 50.0	949.7	807.7	+ 17.6
3.2 Other revenue/expenses	(1,183.4)	36.3	-	(1,097.6)	49.8	-
Total (1+2+3, exc. construction)	2,122.4	2,996.6	- 28.4	11,422.2	11,001.5	+ 3.8
Construction cost	506.0	341.9	+ 48.0	1,497.4	1,390.7	+ 7.7
Total (1+2+3, inc. construction)	2,650.4	3,338.5	- 20.6	12,919.6	12,392.2	+ 4.3

4.4 Financial Result

In 2018 this item presented net finance costs of R\$ 950.5 million, compared to R\$ 638.0 million in 2017, an increase of 49.0% (R\$ 312.5 million).

Finance Income Amounts in R\$ million	Quarter			Change %		
	4Q18	4Q17	Change %	2018	2017	Change %
Finance revenue	168.5	356.8	- 52.8	535.0	783.7	- 31.7
Revenue on short-term investments	42.9	44.0	- 2.5	154.9	237.6	- 34.8
Interest on overdue energy bills	84.8	157.6	- 46.2	274.7	320.2	- 14.2
Financial restatement of regulatory assets (CVA)	24.0	(1.6)	-	53.8	20.5	+ 162.4
Restatement of recoverable tax credits	14.2	20.8	- 31.7	23.0	44.1	- 47.8
Monetary restatement of judicial bonds	1.4	4.2	- 66.7	8.0	9.4	- 14.9
Adjustment to present value	-	-	-	-	-	-
(-) Pis/Cofins on finance income	(13.5)	(21.1)	- 36.0	(38.9)	(49.7)	- 21.7
Other financial revenue	14.7	152.9	- 90.4	59.5	201.6	- 70.5
Finance costs	(473.9)	(621.5)	- 23.7	(1,485.5)	(1,421.7)	+ 4.5
Debt charges - interest	(203.5)	(136.5)	+ 49.1	(713.0)	(588.2)	+ 21.2
Debt charges - monetary and exchange variance	49.8	(117.3)	-	(511.5)	(177.7)	+ 187.8
Derivative financial instruments	(111.8)	57.8	-	316.2	(116.3)	-
Adjustment to present value	(6.3)	(11.4)	- 44.7	(2.4)	10.0	-
Mark-to-market of derivatives	(14.9)	(133.9)	- 88.9	(179.4)	(106.9)	+ 67.8
Mark-to-market of debt	(150.5)	19.1	-	(108.4)	14.1	-
Financial restatement of regulatory liabilities	(8.4)	2.4	-	(50.5)	(34.6)	+ 46.0
Monetary restatement of R&D and energy efficiency	(3.1)	(3.4)	- 8.8	(6.0)	(19.4)	- 69.1
(-) Transfer of capitalized interest to orders in progress	(0.1)	(15.1)	- 99.3	(6.6)	(12.2)	- 45.9
Bank expenses	(1.5)	(19.5)	- 92.3	(11.0)	(30.6)	- 64.1
Incorporation of grids	37.2	(81.0)	-	(24.1)	(55.4)	- 56.5
Endorsement expense	(3.1)	(2.7)	+ 14.8	(11.8)	(11.4)	+ 3.5
Restatement of contingencies	(10.8)	-	-	(24.4)	-	-
Other financial expenses	(46.9)	(180.0)	- 73.9	(152.6)	(293.1)	- 47.9
Financial income	(305.4)	(264.7)	+ 15.4	(950.5)	(638.0)	+ 49.0

4.5 Net Income

Consolidated net income was R\$ 1,179.7 million in 2018, 106.0% (R\$ 607.1 million) more than in 2017.

See below the consolidated net income of Energisa and its subsidiaries by segment:

Net income by Company Amounts in R\$ million	Quarter			Year		
	4Q18	4Q17	Change %	2018	2017	Change %
Electricity distribution	39.9	218.8	- 81.8	941.1	738.7	+ 27.4
EMG	8.6	9.1	- 5.5	36.2	29.2	+ 24.0
ENF	2.0	6.7	- 70.1	9.4	5.4	+ 74.1
ESE	35.8	86.6	- 58.7	92.5	139.0	- 33.5
EBO	7.2	8.7	- 17.2	31.0	30.7	+ 1.0
EPB	48.1	123.4	- 61.0	238.2	232.6	+ 2.4
EMT	107.0	(130.5)	-	427.0	4.8	+ 8,795.8
EMS	55.1	32.4	+ 70.1	170.6	87.0	+ 96.1
ETO	25.4	45.4	- 44.1	98.9	107.9	- 8.3
ESS	24.6	37.0	- 33.5	111.2	102.1	+ 8.9
ERO	(266.0)	-	-	(266.0)	-	-
EAC	(7.9)	-	-	(7.9)	-	-
Sales, energy services and other	(18.7)	4.0	-	(16.4)	18.3	-
ECOM	10.0	3.5	+ 185.7	17.9	17.5	+ 2.3
ESOL Consol.	(7.9)	2.2	-	(13.9)	2.0	-
MULTI	1.4	1.3	+ 7.7	4.6	4.3	+ 7.0
EGO	0.7	(0.2)	-	1.6	(0.4)	-
EPAI	0.8	(0.2)	-	2.9	(0.5)	-
Other	(23.7)	(2.6)	+ 811.5	(29.5)	(4.6)	+ 541.3
Holding companies (without equity income)	477.9	(25.7)	-	200.2	(83.7)	-
ESA Parent company	566.7	11.6	+ 4,785.3	340.7	38.3	+ 789.6
Rede parent company	(3.5)	(53.7)	- 93.5	(27.7)	(100.5)	- 72.4
DENERGE	(9.8)	(10.2)	- 3.9	(38.5)	(48.9)	- 21.3
Other holding companies	(75.5)	26.6	-	(74.3)	27.4	-
Business combination - Pro forma adjustments	175.5	35.5	+ 394.6	54.8	(100.7)	-
Energisa - Consolidated	674.5	232.6	+ 190.0	1,179.7	572.6	+ 106.0

4.6 Cash generation (EBITDA)

Cash generation, as expressed by the Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization plus arrears charges revenue) amounted to R\$ 4,092.3 million, up by 72.5% on the recorded in 2016.

5. Capital structure

5.1 Financial operations in 2018

Energisa Group took out financing of R\$ 7,397.0 million in 2018, at an average cost of 118.7% of the CDI rate and an average term of 4.0 years.

Company	Issue type	Total amount (R\$ millions)	Average Cost (p.a.)	Average Term (years)
EMT, EPB, ESE, ETO, ENF, ESS, EMG, EMS, EBO, ESA, ECOM and EAC	Law 4.131	2,699.5	121.4 % CDI	3.0
ETO	Promissory Notes ICVM 476	300.0	110.0 % CDI	1.5
ETE, EMG, ESE, ESS, EPB, EMT, EMS and ETO	Debentures ICVM 476 - Infrastructure	1,347.5	103.9 % CDI	6.2
ESA, EPB, EMS, ERO, and EMT	Debentures ICVM 476	3,050.0	117.6 % CDI	4.7
Total		7,397.0	118.7% CDI	4.0

5.2 Cash and debt

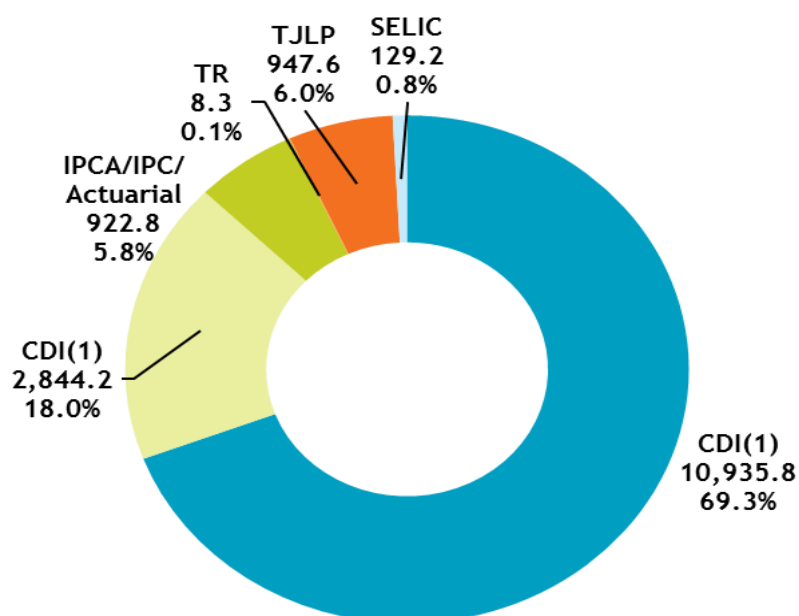
The consolidated position of cash, cash equivalents short-term investments and sector credits amounted to R\$ 6,242.1 million at the end of December 2018, against R\$ 3,171.6 million in December 2017. We emphasize that these balances include credits relating to the Energy Development Account (CDE), Consumption Account of R\$ 1,891.4 million in December 2018 and R\$ 353.3 million in December 2017.

The net debt as of December 31, 2018 less sector credits amounted to R\$ 10,845.7 million, compared with R\$ 7,202.0 million in December 2017 and R\$ 8,656.8 million in September 2018. As a result, the ratio between consolidated net debt and adjusted EBITDA fell from 3.0 in December 2017 to 2.7 in December 2018.

5.3 Cost and average debt tenor

The average debt tenor fell to 5.1 years at the end of December 2018 (against 6.7 years in December 2017) and the average cost of the net debt fell 0.90 percentage points in 2018, closing the year at 8.42% (131.61% of the CDI rate) against 9.32% (135.20% of the CDI rate) in December 2017.

Bank Debt and Issuances Consolidated by Index (R\$ million)

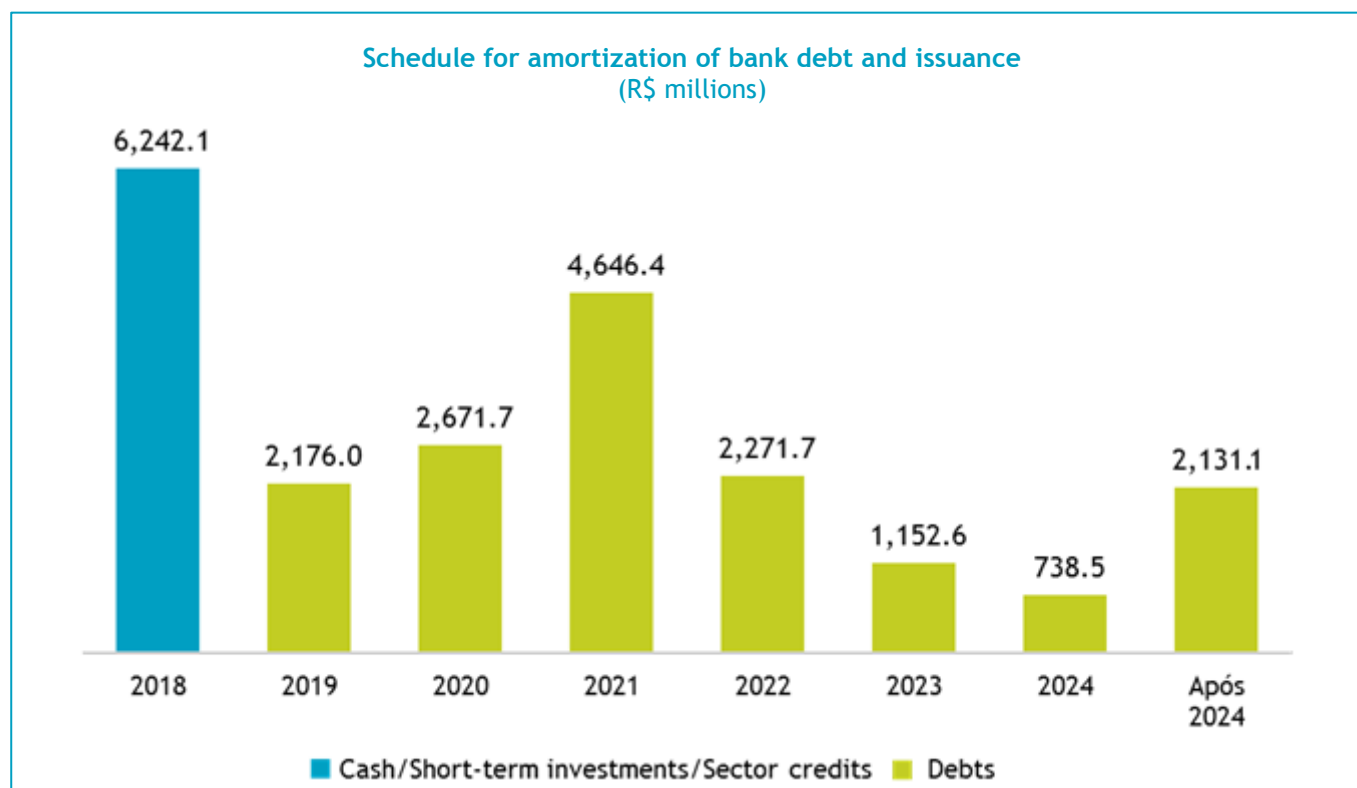


Note: The foreign currency debt is subject to swaps for the CDI rate and other currency hedge instruments. This balance was a net liability of R\$ 480.0 million in December 2018.

(1) Dollar and Euro debt converted to CDI, without a hedge cap.

5.4 Debt repayment schedule

The repayment schedule for consolidated loans, financing, debt charges and debentures vis-à-vis cash as of December 31, 2018 is shown in the graph below:



5.5 Ratings

See below Energisa S/A's current ratings issued by the agencies Standard & Poor's, Moody's and Fitch Ratings:

Agency	Domestic Rating/Outlook	Global Rating/Outlook	Latest Report
Standard & Poor's	brAAA (stable)	BB- (stable)	Sep/2018
Moody's	Aa2.br (stable)	Ba2 (stable)	Sep/2018
Fitch Ratings	AAA (bra) (stable)	BB+ (stable)	Feb/2019

6 Investments

In 2018 Energisa and its subsidiaries made investments of R\$ 1,980.8 million, 1.1% less than in 2017 (R\$ 2,002.9 million). If we consider distribution companies alone, this amount was R\$ 1,780.5 million, a decrease of 7.7%, especially after the completion of the rate reviews of EMT, EMS and ESE, ratified in April 2018.

The following investments were made:

Investment Amounts in R\$ million	Total Investment		
	2018	2017	Change %
EMG	77.8	85.0	- 8.5
ENF	8.1	6.7	+ 20.9
ESE	82.0	107.4	- 23.6
EBO	19.5	14.3	+ 36.4
EPB	156.4	140.4	+ 11.4
EMT	700.3	710.6	- 1.4
EMS	252.6	467.1	- 45.9
ETO	291.2	246.1	+ 18.3
ESS	139.0	151.5	- 8.3
ERO	45.2	-	-
EAC	8.4	-	-
Total distribution companies	1,780.5	1,929.1	- 7.7
EPA I	79.7	8.7	+ 816.1
EPA II	2.9	-	-
EGO	90.5	6.0	+ 1,408.3
Energisa Soluções e Const.	12.1	19.4	- 37.6
Other	15.1	39.7	- 62.0
Total	1,980.8	2,002.9	- 1.1

Note: The investment data of Ceron and Eletroacre reflect the period after the acquisition by Energisa, from 10/30/2018 and 12/6/2018 respectively.

7 Capital market

7.1 Stock performance

Traded on B3, the Energisa shares with the greatest liquidity ENGI11 - Units (consisting of 1 common share and 4 preferred shares) appreciated by 38.8% in 2018, and closed the year quoted at R\$ 37.10 per Unit. Over the same period, the main stock exchange index, Ibovespa, gained 15.0%, while the IEE index gained 24.0%. See below the market indicators of Energisa's shares at the end of the year:

	2018	2017	Change %
Market indexes			
Enterprise value (EV - R\$ million) ⁽¹⁾	24,309.7	16,323.3	+ 48.9
Market value at the end of the year (R\$ million)	13,464.0	9,301.8	+ 44.7
Average daily volume traded in the year - Units (R\$ million)	29.9	15.3	+ 95.4
Share prices			
ENGI11 (Unit) closing price at the end of the year (R\$ /Unit)	37.10	27.30	+ 35.9
ENGI3 (ON) closing price at the end of the year (R\$ /share)	8.10	9.80	- 17.3
ENGI4 (PN) closing price at the end of the year (R\$ /share)	7.32	4.44	+ 64.9
Relative indicators			
Dividends paid in the year (R\$ / Unit)	0.93	0.78	+ 19.2
Dividend yield of ENGI11 (Units) - % ⁽³⁾	2.6	2.5	+ 4.0
Total return to Units shareholder (TSR) - %	38.8	50.0	- 11.2 p.p
Market Value / Shareholders' Equity (times)	2.5	1.8	+ 38.9

(1) EV = Market value (R\$/share vs. number of shares) + consolidated net debt.

(2) Price plus proceeds; and

(3) Dividends paid out in the last four quarters / closing price of the Units.

7.2 Distribution of dividends

Based on the results achieved in 2018, Energisa's Administration allocated R\$ 387.2 million for payment of dividends (R\$ 0.213 per common and preferred share or R\$ 1.067 per Unit) from the account for the year. These dividends have been completely paid in two payments: i) R\$ 96.9 million on September 4, 2018 (R\$ 0.056 per

share or R\$ 0.28 per Unit); and ii) R\$ 235.9 million on March 11, 2019 (R\$ 0.13 per common and preferred share or R\$ 0.65 per Unit).

The additional dividend in the amount of R\$ 54.4 million (R\$ 0.03 per common and preferred share or R\$ 0.15 per Unit) will be paid on April 10, 2019, based on the shareholder base of March 22. The total dividends represent 35.5% of the Parent Company net income, adjust by the Legal Reserve.

	2018	2017	Change %
Dividends paid in the year (R\$ million)	387.2	269.8	+ 43.5
Dividends / Adjusted Net income, (Parent Company) - %	35.5	50.8	- 15.3 p.p

7.3 Energisa completes capital increase through private subscription and share conversion

On December 17, 2018 Energisa's Board of Directors ratified the Company's share capital increase of R\$ 567.7 million via the issuance of 84,734,605 new shares, consisting of 35,611,655 common shares and 49,122,950 preferred shares, for the price of R\$ 6.70 per share or R\$ 33.50 per Unit. It was also resolved to open another period for converting shares into units between December 19, 2018 and January 11, 2019. After the conversions, the Company's share capital rose from R\$ 2,796.0 million to R\$ 3,363.7 million, consisting of 1,814,561,910 shares, of which 755,993,938 are common shares and 1,058,567,972 are preferred shares.

8 Human Resources

One of the chief focuses of attention by Energisa Group's management is its personnel. Developing Our People is a daily chore, and as part of Energisa's goal of becoming a Leading Group by 2020, we have encouraged creating career opportunities, qualifying staff members and their active participation in business development, in addition to training leaderships for succession processes.

Besides access to development and opportunities, the group seeks to ensure that the working environment is placed among the best. In 2018 every Energisa Group and Energisa Soluções distributor was certified with the GPTW (*Great Place to Work*) seal, which selects the Best Companies to Work: an acknowledgment by employees. The result of the Atmosphere Survey held by the GPTW Institute found an average of 78% in satisfaction across Energisa Group.

Another important assessment was its own survey on atmosphere, which in 2018 was amply disclosed and had 82.7% in staff member participation. In addition, The Leadership Academy inserted a module on Atmosphere in order to encourage managers to discuss this topic with their teams and to stress the importance of a good organizational atmosphere in achieving results. All of this converts the 14.1 thousand staff members into a winning team.

Diversity

Besides the commitment to encouraging equal opportunities for all staff members, Energisa also ensures non-discrimination, whether of gender, race, beliefs or of other natures. It also seeks to promote the inclusion of minorities at all Company levels, developing partnerships with institutions such as Funad - *Fundação Nacional de Apoio ao Deficiente* and *Centro Integrado de Apoio ao Portador de Deficiência* [entities in support of disabled persons].

Training and qualifying

Energisa believes that qualifying staff members is essential in achieving strategic objectives, and in this regard invests continuously in training in order to enhance expertise and competencies by its staff members at all levels, beginning with leadership and undergoing programs that ensure training for new leaderships, for their development at every level. This cycle is supplemented by ongoing educational actions such as the Study and Language Scholarship Program, which rounds off talent development at the technical as well as behavioral levels.

The Group's managers attend the Leadership Academy, an accelerated training program that in 2018 provided roughly 6.7 thousand hours of training. Other staff members are provided with training devised by the Company

based on Individual Development Plans created through Performance Assessments. All of this is focused on continuous development.

The Multiskill Program stands out among actions during 2018 and serves to train teams for Centro de Serviços Energisa (CSE), in which educational and on-the-job actions are combined in order to make better use of the teams involved, which are enabled to develop synergies between areas. Another new development during the year was the subject of Digital Thinking and agile methodologies, which provided a number of new remote learning courses on these topics.

We provided on-site courses, literature, technical visits, video-conference contents and remote learning for field staff members on driving and defensive driving, NR 10 (Regulation Standards 10), Safety in Electric Facilities and Services.

Another novelty in 2018 was the partnership with CNI (*Confederação Nacional da Indústria*), the Energy School Project, to provide training for technicians and electricians. In 2018 over 300 professionals were trained for the working community, which raised employability and income generation in assisted venues. Overall, there were 848.6 thousand man-hours in training during 2018, with an average of 77 hours per staff member.

Career development

At Energisa we prioritize internal recruiting in order to always provide staff members with an attractive career offering. The model employed is based on Competency Management, whereby each position requires specific competencies in addition to Energisa basic skills, features that are expected from staff members that contribute to business development.

Benefits and compensation

Energisa provides benefits that are in line with the market, including medical assistance, hospital and dental plans, a retirement supplementation plan, meal allowances, nursery refunds, life insurance, scholarships, among others. In addition to a fixed compensation, our actual staff members enjoy variable compensation by means of the PLR (Profit Sharing) policy, which represents an acknowledgment and encouragement of a culture of excellence. Profit sharing results from performance in connection with goals consisting of Company and of area indicators, as well as from each staff member's assessed competencies.

Health and safety

Energisa's corporate goal is to become a reference in Occupational Health and Safety in its area of activity by 2020, adopting as a parameter the Eloy Chaves Medal's criteria, which rewards companies in the field of electricity for best occupational accident prevention practices and for records of best accident indicators.

To this end, plotting of the most critical risk prevention and treatment processes were subjected to a review, in order to detect structural and behavioral weak points likely to affect Company performance. Based on this diagnosis, a mitigation and control plan for health and safety indicators was prepared and in 2018 the reviewed health and safety processes had their management routine restructured, with a follow-up of indicators by senior management, managers and the company's entire leadership, focusing on risk elimination and development of a prevention awareness culture on safety.

Energisa also has a Health and Safety Executive Committee that stresses even more the subject's relevance, which provides a specific agenda between senior management and leadership to discuss strategic health and safety topics by the Group. In 2018 there was a 40% drop in accidents with leave by Group employees, and 48% in the severity rate.

9 Social and environmental responsibility

The Company has a country-wide coverage and a large positive impact potential on society, in particular regarding topics related to its business. Energisa Group's investment policy focuses on sponsoring culture and education, in addition to encouraging income creation, entrepreneurship, social and economic development and environmental preservation in the communities in which it is present. R\$ 18.1 million were invested in 2018, which is equal to a sum 56.3% greater than that invested in 2017.

Fundação Ormeo Junqueira Botelho

The Ormeo Junqueira Botelho Foundation is a cultural entity maintained by Energisa Group, organized in 1987 and based in Cataguases (MG). It is active in the technical and cultural analysis of sponsored projects and oversees management of cultural facilities maintained by Energisa. Below follow the chief projects undertaken by the Foundation

Facilities dedicated to the communities

Cultural Workshops

Responsible for culture and science in facilities located in Nova Friburgo (RJ) and João Pessoa (PB), by means of activities involving literature, music, motion pictures, theater and visual arts. In the course of the year both workshops sponsored 470 events and welcomed over 76 thousand visitors.

Museu Energisa

The Museum is located in Cataguases (MG) and boasts facilities that exhibit in an educational and interactive manner Energisa's background panorama of the regional economy to which it gave rise, jointly with the history of electricity since the universe's big bang to present-day hydroelectric plants.

Anfiteatro Ivan Muller Botelho

Located in Cataguases (MG), the amphitheater is an annex to the Energisa Museum, has 300 seats and is dedicated to holding theater and musical performances.

Memorial e Centro Cultural Humberto Mauro

The Humberto Mauro Cultural Center is a multiple facility in the Cataguases (MG) town center, which holds visual arts exhibitions, theater, dance and domestic and international musical performances, cinema festivals and seminars, forums and presentations on a number of cultural areas.

Casa de Leitura Lya Botelho

Located in Leopoldina (MG), these premises house cultural events. Exhibitions dedicated to topics involving Brazilian history attract a large number of visitors. In 2018 it topped 24.3 thousand visitors and one of the outstanding events was the exhibition "*Asas, o Sonho de Voar*", which outlined the development of aviation from mythical times to the conquest of space, highlighting the image of Brazilian inventor Alberto Santos Dumont and having been visited by 16.4 thousand persons.

Sponsorships and social programs

Festival Ver e Fazer Filmes

The Festival is held in Cataguases (MG) and proposes to raise awareness in children and teenagers to understand audiovisual language.

FestAruanda do Audiovisual Brasileiro

FestAruanda do Audiovisual Brasileiro is the greatest audiovisual event in the state of Paraíba. Energisa was the event's Master Sponsor with over 30 films, all of which free of charge.

Festival de Inverno de Bonito

The Bonito Winter Festival is the most traditional artistic and cultural festival in the state of Mato Grosso do Sul. Energisa sponsored the event, which catalogued 106 artistic attractions in a daily free-of-charge program.

Festival Comida de Boteco de Extrema

The Comida de Boteco de Extrema Festival arose in 2009, in an effort to value the state of Minas Gerais traditional cooking and its bars and restaurants.

Arte na Empresa

The entrance hall of the Company's headquarters in Aracaju (SE) has served since 2002 to bring together the art and culture of staff members and visitors, sponsoring exhibitions by local artists or of those who settled in the state.

Orquestra Jovem de Sergipe

Energisa sponsors this orchestra, which has been active in training children and teenagers in classical music, with a focus on social inclusion.

Centro de Convenções Arquiteto Rubens Gil de Camilo

Energisa Mato Grosso do Sul was a partner in revamping the air-conditioning system in this convention center, a facility located in Campo Grande (MS) and managed by Fundação de Turismo de Mato Grosso do Sul.

Nova Friburgo - 200 Years Old

By means of the Projeto Iluminarte - Música, Energisa participated in the 200 years of the foundation of Nova Friburgo (RJ).

Programa Zé da Luz na Escola

A program intended to educate children and teenagers in order to create awareness in the community on the risks and hazards of electricity.

Nossa Energia na Escola

By means of educational presentations on conscious use, pupils and basic and middle school teachers are trained as multipliers of concepts on the efficient and safe use of electricity at home, with a view to creating habits to develop sustainable development and to prevent wasting electricity.

Espaço Energia

With a unit in the state of Mato Grosso do Sul and another in Paraíba, Espaço Energia is dedicated to visits by basic and middle school students from the public private school networks, which provide guidance on the safe and efficient use of electricity.

Energy efficiency

Energy efficiency projects are undertaken within the scope of PEE (*Programa de Eficiência Energética*) and in compliance with regulations published by Aneel. In 2018 over R\$ 49 million were invested in projects that encourage energy efficiency.

10 Subsequent Event

10.1 Subsidiaries Ceron and Eletroacre complete capital increases

The term ended on 2/28/2019 for the employees and retirees of Centrais Elétricas de Rondônia S/A (Ceron) and Companhia de Eletricidade do Acre (Eletroacre) to subscribe and pay in the capital increases of the subsidiaries, as resolved on October 30 and December 6, 2018 respectively.

As no the shareholder requested to reserve a share surplus, the shareholder Energisa S/A subscribed and paid in all of the surpluses resulting from the aforesaid capital increases on March 01, 2019. Energisa subscribed R\$ 281.6 million in Ceron's capital increase, i.e. 1,302,052,635 common shares. Energisa's capitalization of Eletroacre amounted to R\$ 274.1 million, subscribing 78,194,953,309 common shares and 29,499,332,667 preferred shares. Energisa consequently held the following interests in the capital of these distribution companies: 95.4% of the total capital of Ceron and 93.6% of the total capital of Eletroacre.

10.2 Exercising the put option in the capital of Rede Energia

On February 28, 2019 Energisa S/A received a letter from BNDESPar serving notice that it had exercise its put option over the entire 67,642,986 common shares, accounting for 3.29% of the total share capital of Rede Energia Participações S.A. ("Rede Energia"), held by BNDESPar, pursuant to the Private purchase and sale agreement for shares issued by Rede Energia, signed on 2/4/1999 and the amendments thereto.

On March 8, 2019 Energisa paid BNDES R\$ 614.3 million in local currency for exercising the put option. In exchange Energisa received 67,642,986 common shares, accounting for 3.29% of Rede Energia's total share capital.

11 Services rendered by the independent auditor

The auditors Ernst & Young Auditores Independentes received overall compensation of R\$ 8.8 million for revising the financial statements of the Company and its subsidiaries in 2018. The Company's engagement policy complies with the principles that sustain the auditor's independence, in accordance with existing standards, which mainly determine that the auditor should not audit its own work, perform managerial duties for its client or pursue its interests.

Management.

Financial Statements

1. Statement of Financial Position - Assets

ENERGISA S/A
STATEMENT OF FINANCIAL POSITION
AT December 31, 2018
(In thousands of reais)

		Parent company		Consolidated	
	Note	2018	2017	2018	2017
Assets					
Current					
Cash and cash equivalents	6	313,687	134,406	706,738	921,481
Money market and secured funds	6	1,182,802	660,798	3,538,730	1,758,953
Clients, consumers and concessionaires	7	34,842	34,280	3,041,247	2,246,232
Credit receivables	8	144	1,167	20,031	19,940
Inventory		104	94	70,749	57,039
Recoverable taxes	10	88,855	29,502	925,676	575,826
Dividends receivable	9	101,938	21,122	-	-
Derivative financial instruments	36	2,286	3,457	49,171	87,782
Financial sector assets	12	-	-	1,763,567	729,368
Other accounts receivable	13	25,049	30,468	921,242	702,103
Total current		1,749,707	915,294	11,037,151	7,098,724
Non-current					
Noncurrent assets					
Money market and secured funds	6	1,248,900	1,250,113	105,242	137,837
Clients, consumers and concessionaires	7	-	-	948,933	472,789
Credit receivables	8	78	1,881	15,106	23,906
Financial sector assets	12	-	-	1,064,247	384,656
Related-party credits	14	186,396	417,515	-	-
Recoverable taxes	10	20,185	42,870	267,447	223,424
Tax credits	15	-	195,205	1,374,384	1,400,036
Restricted deposits and escrows	26	179	357	495,947	249,138
Derivative financial instruments	36	26,970	57	518,518	90,635
Concession financial asset	16	-	-	5,515,275	4,420,666
Other accounts receivable	13	171,623	62,023	244,343	175,551
		1,654,331	1,970,021	10,549,442	7,578,638
Investments	17	7,095,503	4,204,270	52,184	49,177
Property, plant and equipment	18	51,068	48,785	209,612	178,136
Intangible assets	19	13,687	11,549	13,232,308	7,143,681
Contractual asset - Infrastructure under construction	19	-	-	1,337,311	-
Total noncurrent		8,814,589	6,234,625	25,380,857	14,949,632
Total assets		10,564,296	7,149,919	36,418,008	22,048,356

See the accompanying notes to the financial statements.

2. Statement of Financial Position - Liabilities

ENERGISA S/A
STATEMENT OF FINANCIAL POSITION
AT December 31, 2018
(In thousands of reais)

		Note	Parent company		Consolidated	
			2018	2017	2018	2017
Liabilities						
Current						
Trade payables	20	2,962	7,069	1,653,312	1,418,407	
Debt charges	21	2,331	563	89,057	64,008	
Loans and financing	21	155,677	82,914	1,560,366	1,609,488	
Debentures	22	492,103	241,939	526,593	326,147	
Taxes and social contributions	23	6,965	5,824	546,841	496,763	
Tax financing	24	-	-	31,881	10,157	
Dividends payable		288,540	91,962	294,605	100,832	
Estimated obligations		7,080	5,755	95,755	84,202	
Public lighting fee		-	-	106,475	63,327	
Post-employment benefits	37	1,845	1,217	63,190	46,583	
Sector charges	25	-	-	292,898	289,867	
Financial sector liabilities	12	-	-	871,502	714,923	
Regulatory fees	27	-	-	39,494	58,635	
Derivative financial instruments	36	1,480	10,749	691,352	63,568	
Incorporation of grids	28	-		93,708	111,053	
Other liabilities	29	235,573	65,475	580,805	287,481	
Total current		1,194,556	513,467	7,537,834	5,745,441	
Non-current						
Trade payables	20	265	-	75,302	95,767	
Loans and financing	21	311,354	-	6,611,201	3,924,448	
Debentures	22	2,886,169	2,525,598	7,000,681	3,030,470	
Derivative financial instruments	36	422,906	151,945	428,333	709,016	
Taxes and social contributions	23	115	-	400,123	215,466	
Deferred income and social contribution taxes	15	277,778	647	4,358,684	1,876,706	
Tax financing	24	-	-	44,956	61,706	
Debts to related parties	14	68,926	106,042	-	-	
Provision for labor, civil and tax risks	26	1,286	1,493	2,393,125	486,111	
Post-employment benefits	37	8,038	3,115	490,258	414,483	
Financial sector liabilities	12	-	-	366,928	314,140	
Regulatory fees	27	-		-	38,282	
Sector charges	25	-	-	272,675	181,948	
Incorporation of grids	28	-		166,437	98,917	
Other liabilities	29	4,762	4,159	223,943	70,933	
Total noncurrent		3,981,599	2,792,999	22,832,646	11,518,393	
Shareholders' equity						
Share capital	30.1	3,363,685	2,795,963	3,363,685	2,795,963	
Stock issuance cost	30.2	(65,723)	(65,723)	(65,723)	(65,723)	
Capital reserve	30.2	260,452	(78,835)	260,452	(78,835)	
Profit reserves	30.3 a 30.5	2,047,953	1,286,719	2,047,953	1,286,719	
Additional dividends proposed	30.6	5,346	84,114	5,346	84,114	
Other comprehensive income	30.8	(223,572)	(178,785)	(223,572)	(178,785)	
		5,388,141	3,843,453	5,388,141	3,843,453	
NCI	30.9	-	-	659,387	941,069	
Total shareholders' equity		5,388,141	3,843,453	6,047,528	4,784,522	
Total liabilities and shareholders' equity		10,564,296	7,149,919	36,418,008	22,048,356	

See the accompanying notes to the financial statements.

3. Statements of Income

ENERGISA S/A
STATEMENT OF INCOME
FINANCIAL YEAR ENDED December 31, 2018
(In thousands of reais, except for net income per share)

	Note	Parent company		Consolidated	
		2018	2017	2018	2017
Continued operations					
Net operating revenue	31	167,678	126,800	15,787,581	13,637,154
Cost of the electricity service	32	-	-	(9,241,819)	(7,955,394)
Costs of operations and services provided to third parties	32	(74,921)	(52,657)	(4,040,884)	(3,793,834)
Gross profit		92,757	74,143	2,504,878	1,887,926
General and administrative expenses	32	(96,983)	(56,318)	(734,548)	(593,193)
Other revenue	33	1,171,354	-	1,288,500	96,759
Other expenses	33	-	(72)	(190,949)	(146,599)
Equity in net income of subsidiaries	17	807,768	520,334	-	-
Net income before financial revenue (expenses)		1,974,896	538,087	2,867,881	1,244,893
Finance revenue	34	312,584	206,488	534,999	783,713
Financial expenses	34	(665,687)	(397,740)	(1,485,495)	(1,421,716)
Net financial expenses		(353,103)	(191,252)	(950,496)	(638,003)
Income (loss) before tax		1,621,793	346,835	1,917,385	606,890
Current income and social contribution taxes	15	-	18,800	1,795,900	(150,891)
Deferred income and social contribution taxes	15	(473,359)	192,977	(2,533,613)	116,583
Earnings from continued operations		1,148,434	558,612	1,179,672	572,582
Earnings from discontinued operations		-	-	-	-
Net income for the year	30.6	1,148,434	558,612	1,179,672	572,582
Net income attributable to:					
Shareholders of parent entity		1,148,434	558,612	1,148,434	558,612
Noncontrolling shareholders		-	-	31,238	13,970
Basic and diluted net income per common and preferred share - R\$	42	0.6612	0.3229	0.6612	0.3229
Basic and diluted net income (loss) per common and preferred share from continued operations - R\$	42	-	0.4386	-	0.4386

See the accompanying notes to the financial statements.

4. Statement of Comprehensive Income

ENERGISA S/A
COMPREHENSIVE STATEMENT OF INCOME
FINANCIAL YEAR ENDED December 31, 2018
(In thousands of reais)

	Note	Parent company		Consolidated	
		2018	2017	2018	2019
Net income for the year		1,148,434	558,612	1,179,672	572,582
Items that will not be reclassified to the income statement					
Other comprehensive income	30.8	(39,169)	(39,169)	(49,906)	(43,050)
Items that might be reclassified to the income statement					
Other comprehensive income	30.8	-	-	-	-
Total comprehensive income for the year, net of tax		1,109,265	519,443	1,129,766	529,532
Attributable to:					
Controlling shareholders		1,109,265	519,443	1,098,528	515,562
Noncontrolling shareholders		-	-	31,238	13,970

See the accompanying notes to the financial statements.

5. Statement of Cash Flows

ENERGISA S/A
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED December 31, 2018 (In thousands of Reais)

		Note	Parent company		Consolidated	
			2018	2017	2018	2017
Operating activities						
Net income for the year from continued operations			1,148,434	558,612	1,179,672	572,582
Current and deferred income and social contribution taxes		15	473,359	(211,777)	737,713	34,308
Gain made on business combination			(1,169,562)	-	(1,169,562)	-
Expenses on interest and monetary and exchange variance - net			81,231	67,879	1,128,706	594,180
Provisions for adjustments to realizable value of credits receivable			-	-	-	19,672
Adjustment to fair value of concession financial asset		16	-	-	(295,119)	(211,384)
Depreciation and amortization		32	8,875	5,228	949,710	807,675
Allowance for doubtful accounts		32	-	-	154,736	110,248
Provision for labor, civil and tax risks		32	(265)	129	19,691	(28,609)
Loss (gain) on the sale of PP&E and intangible assets		33	(39)	72	76,293	65,019
(Gain) on the sale of aircraft			-	-	-	(18,560)
Equity in net income of subsidiaries		17	(807,768)	(520,334)	-	-
Mark-to-market of debt securities		34	1,840	844	108,369	(14,117)
Mark-to-market of derivatives		34	271,505	135,460	179,376	106,943
Derivative financial instruments		34	(28,126)	15,477	(316,174)	116,265
Variable Remuneration Plan			-	-	1,502	-
Changes in current and noncurrent assets						
(Increase) in consumers and concessionaires			(562)	(28,291)	(578,645)	(577,000)
Decrease (Increase) in credit receivables			2,826	(3,048)	(59,152)	(13,853)
(Increase) decrease in inventories			(10)	(35)	4,360	(19,098)
(Increase) in recoverable taxes			(36,668)	(18,296)	(297,728)	(85,611)
Decrease (Increase) in escrow deposits			183	(269)	(12,978)	(41,221)
Increase in financial sector assets		12	-	-	(418,313)	(456,798)
Decrease (increase) in other accounts receivable			5,461	(20,763)	(231,891)	(240,570)
Changes in current and noncurrent liabilities						
(Decrease) in suppliers payable			(3,842)	4,699	(1,783,171)	239,390
Increase (decrease) in taxes and social contributions			-	20,328	87,084	85,889
Income and social contribution taxes paid			234	-	(321,457)	(204,649)
Increase (decrease) in estimated obligations			1,325	3,417	(25,820)	2,449
Increase in financial sector liabilities		12	-	-	14,039	245,265
Increase (decrease) in other accounts payable			33,452	9,963	(99,519)	160,866
Net cash produced by (used by) operating activities			(18,117)	19,295	(968,278)	1,249,281
Investment activities						
Capital increase and acquisition of shares in subsidiaries and other investments			(654,014)	(35,057)	-	-
Short-term investments and secured funds			(373,735)	(1,011,004)	(1,550,229)	244,608
Investment			-	-	-	(25,529)
Investments in PP&E, intangible assets and contractual asset - Infrastructure under construction		18, 19 and 41	(13,297)	(37,703)	(1,526,338)	(1,303,492)
Applications to electricity transmission lines			-	-	(188,862)	(16,081)
Cash and cash equivalents acquired under the business combination			-	-	26,714	-
Related parties			243,702	186,505	-	-
Business combination payment			(91)	-	(91)	-
Sale of PP&E, intangible assets and contractual asset - Infrastructure under construction		16, 18, 19 and 41	-	72	7,618	119,673
Receipt of dividends			640,166	253,666	-	-
Net cash used in investment activities			(157,269)	(643,521)	(3,231,188)	(980,821)
Financing activities						
New loans, financing and debentures		21 and 22	1,133,731	1,224,946	7,482,460	3,287,736
Loans and debentures payments - principal		21 and 22	(245,867)	(131,212)	(2,884,959)	(2,092,017)
Loans and financing payments - interest		21 and 22	(256,682)	(152,838)	(658,669)	(593,615)
Settlement of derivative financial instruments			(7,429)	(28,670)	35,558	(88,405)
Payment of dividends			(269,390)	(195,472)	(288,238)	(203,387)
Capital increase through share subscription			567,722	-	1,222,639	-
Acquisition of non-controlling stake			(567,418)	-	(567,418)	-
Payment of grid acquisition		28	-	-	(158,134)	(211,330)
Payment of financed payables		20	-	-	(127,181)	(159,928)
Payment of financing of sector charges		27	-	-	(61,741)	(70,350)
Payment of tax financing			-	-	(9,594)	(12,883)
Net cash provided (used) in financing activities			354,667	716,754	3,984,723	(144,179)
Net cash variation			179,281	92,528	(214,743)	124,281
Opening cash and cash equivalents		6	134,406	41,878	921,481	797,200
Closing cash and cash equivalents		6	313,687	134,406	706,738	921,481
Net cash variation			179,281	92,528	(214,743)	124,281

See the accompanying notes to the financial statements.

6. Statement of Added Value - DVA

ENERGISA S/A
STATEMENT OF ADDED VALUE - DVA
FINANCIAL YEAR ENDED December 31, 2018
(In thousands of reais)

		Parent company		Consolidated	
	Note	2018	2017	2018	2017
Generation of added value:					
Revenue					
Revenue from energy sales and services	31	189,863	143,193	22,079,574	18,955,554
Other revenue	33	1,171,354	-	1,288,500	96,759
Revenue relating to construction of company assets	31 e 34	-	-	1,506,401	1,379,866
Allowance for doubtful accounts	32	-	-	(154,736)	(110,248)
(-) Consumables acquired from third parties					
Cost of electricity sold		-	-	10,128,705	8,670,930
Materials and outsourced services		68,373	31,423	868,975	794,824
Other operating costs		1,890	2,060	1,773,526	1,591,276
	32	70,263	33,483	12,771,206	11,057,030
Gross added value		1,290,954	109,710	11,948,533	9,264,901
Depreciation, amortization and realization of goodwill	17	8,875	5,228	949,710	807,675
Net added value		1,282,079	104,482	10,998,823	8,457,226
Transferred added value					
Equity in net income of subsidiaries		807,768	520,334	-	-
Financial revenue		322,909	217,860	573,887	833,449
Total added value to be distributed		2,412,756	842,676	11,572,710	9,290,675
Distribution of added value:					
Personnel					
Direct compensation		60,895	47,849	779,386	680,099
Benefits		13,674	10,287	234,206	244,587
FGTS	34	4,267	3,133	56,858	61,981
Taxes, charges and contributions					
Federal		514,084	(178,827)	2,066,332	1,337,146
State	30.6	-	-	3,999,625	3,564,253
Municipal	30.6	4,446	3,152	19,573	18,162
Intrasector Obligations	30.6	-	-	1,735,351	1,382,973
Interest expenses					
Interest		665,687	397,740	1,478,882	1,409,528
Rent		1,269	730	22,825	19,364
Interest on equity					
Dividends	30.6	381,854	185,738	381,854	185,738
Additional dividends proposed	30.6	5,346	84,114	5,346	84,114
Legal reserve	30.6	57,422	27,931	57,422	27,931
Retained earnings		703,812	260,829	703,812	260,829
Discontinued operations		-	-	-	-
NCI in profits		-	-	31,238	13,970
		2,412,756	842,676	11,572,710	9,290,675

See the accompanying notes to the financial statements.

7. Statements of Changes in Shareholders' Equity

ENERGISA S/A
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED December 31, 2018 (In thousands of reais)

	Notes	Share capital	Stock issuance cost	Treasury stock	Other capital reserves	Profit reserves			Additional dividends proposed	Retained earnings (accumulated losses)	Other comprehensive income	Total attributed to controlling shareholders	NCI	Consolidated total
						Legal reserve	Profit retention	Retention of retained earnings due to a change in the accounting practices						
Balances at January 1, 2017		2,795,963	(65,723)	-	6,121	121,489	813,931	62,539	87,163	-	(139,616)	3,681,867	1,091,174	4,773,041
Capital increase as per the AGM and EGM held 11/23/2016		-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of additional dividends		-	-	-	-	-	-	-	(87,163)	-	-	(87,163)	-	(87,163)
New acquisition of subsidiary shares	30.2	-	-	-	4,497	-	-	-	-	-	-	4,497	(1,765)	2,732
Capital transactions - MTM financial instrument - reflection	30.2	-	-	-	(89,453)	-	-	-	-	-	-	(89,453)	(119,109)	(208,562)
Net income for the year		-	-	-	-	-	-	-	-	558,612	-	558,612	13,970	572,582
Proposed allocation of net income:	30.6											-	-	-
. Legal Reserve		-	-	-	-	27,931	-	-	-	(27,931)	-	-	-	-
. Dividends	30.3	-	-	-	-	-	-	-	-	(185,738)	-	(185,738)	(39,320)	(225,058)
. Additional dividends proposed	30.6	-	-	-	-	-	-	-	84,114	(84,114)	-	-	-	-
. Profit retention	30.6	-	-	-	-	-	260,829	-	-	(260,829)	-	-	-	-
Other comprehensive income, net of tax	30.4	-	-	-	-	-	-	-	-	-	(39,169)	(39,169)	(3,881)	(43,050)
Balances at December 31, 2017	30.8	2,795,963	(65,723)	-	(78,835)	149,420	1,074,760	62,539	84,114	-	(178,785)	3,843,453	941,069	4,784,522
Capital increase as per minutes from the Board Meeting held 12/17/2018		567,722	-	-	-	-	-	-	-	-	-	567,722	654,917	1,222,639
Payment of additional dividends		-	-	-	-	-	-	-	(84,114)	-	-	(84,114)	(41,395)	(125,509)
New acquisition of subsidiary shares		-	-	-	391,957	-	-	-	-	-	-	391,957	(921,299)	(529,342)
Capital transactions - MTM financial instrument - reflection	30.2	-	-	-	(59,069)	-	-	-	-	-	-	(59,069)	(24)	(59,093)
Tax Incentive Reserves-Reinvestment	30.2	-	-	-	4,991	-	-	-	-	-	-	4,991	-	4,991
Net income for the year		-	-	-	-	-	-	-	-	1,148,434	-	1,148,434	31,238	1,179,672
Proposed allocation of net income:	30.6											-	-	-
. Legal Reserve		-	-	-	-	57,422	-	-	-	(57,422)	-	-	-	-
. Dividends	30.3	-	-	-	-	-	-	-	-	(381,854)	-	(381,854)	-	(381,854)
. Additional dividends proposed	30.6	-	-	-	-	-	-	-	5,346	(5,346)	-	-	-	-
. Profit retention	30.6	-	-	-	-	-	703,812	-	-	(703,812)	-	-	-	-
Variable compensation program (ILP)	30.4	-	-	-	1,408	-	-	-	-	-	-	1,408	-	1,408
Other comprehensive income, net of tax		-	-	-	-	-	-	-	-	-	(44,787)	(44,787)	(5,119)	(49,906)
Balances at December 31, 2018	30.8	3,363,685	(65,723)	-	260,452	206,842	1,778,572	62,539	5,346	-	(223,572)	5,388,141	659,387	6,047,528

See the accompanying notes to the financial statements.

8. Social Balance Sheet

ENERGISA S/A CONSOLIDATED ANNUAL SOCIAL BALANCE SHEET - 2018 (In thousands of reais)						
1 - Calculation Base	2018			2017		
Net revenue (RL)	15,787,581			13,637,154		
Operating income (RO)	1,917,385			606,890		
Gross payroll (FPB)	969,324			905,435		
2 - Internal Social Indicators	Amount	% of FPB	% over RL	Amount	% of FPB	% over RL
Food and Restaurants	138,630	14.30%	0.88%	126,485	13.97%	0.93%
Compulsory social charges	217,684	22.46%	1.38%	204,194	22.55%	1.50%
Private pension plan	74,636	7.70%	0.47%	107,508	11.87%	0.79%
Health	82,631	8.52%	0.52%	66,176	7.31%	0.49%
Occupational health and safety	31,926	3.29%	0.20%	22,091	2.44%	0.16%
Education	3,120	0.32%	0.02%	1,149	0.13%	0.01%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Training and professional development	9,707	1.00%	0.06%	6,187	0.68%	0.05%
Day care and day care allowance	3,144	0.32%	0.02%	5,052	0.56%	0.04%
Profit sharing	101,441	10.47%	0.64%	59,701	6.59%	0.44%
Other	16,163	1.67%	0.10%	16,245	1.79%	0.12%
Total - Internal social metrics	679,082	70.05%	4.29%	614,788	67.90%	4.51%
3 - External Social Indicators	Amount	% over RO	% over RL	Amount	% over RO	% over RL
Education	6,346	0.33%	0.04%	4,621	0.76%	0.03%
Culture	8,592	0.45%	0.05%	9,400	1.55%	0.07%
Health care and sanitation	0	0.00%	0.00%	31	0.01%	0.00%
Sports	776	0.04%	0.00%	522	0.09%	0.00%
Combating hunger and food safety	0	0.00%	0.00%	0	0.00%	0.00%
Other	3,664	0.19%	0.02%	2,420	0.40%	0.02%
Total contributions to society	19,378	1.01%	0.11%	16,994	2.80%	0.12%
Taxes (not including social charges)	6,102,431	318.27%	38.65%	4,919,561	810.62%	36.07%
Total - External social metrics	6,121,809	319.28%	38.76%	4,936,555	813.42%	36.20%
4 - Environmental Metrics	Amount	% over RO	% over RL	Amount	% over RO	% over RL
Investments related to company production / operation	865,287	45.13%	5.48%	89,110	14.68%	0.65%
Investments in external programs and/or projects	279,475	14.58%	1.77%	55	0.01%	0.00%
Total environmental investment	1,144,762	59.71%	7.25%	89,165	14.69%	0.65%
Regarding the establishment of annual targets to minimize waste and overall consumption in production/operations and improve resource usage efficiency, the company	() has no targets () performs 0 to 50%		() performs 51 to 75% (X) performs 76 to 100%	() has no targets () performs 0 to 50%		() performs 51 to 75% (X) performs 76 to 100%
5 - Functional Staff Indicators	2018			2017		
Number of employees at period-end	14,054			12,573		
Number of new hires in the period	1,812			2,275		
Number of outsourced employees	5,545			4,351		
Number of trainees	366			387		
Number of employees over 45	2,037			1,524		
Number of women working at the company	2,598			2,383		
% management positions held by women	14.26%			23.99%		
Number of black people working at the company	6,492			5,911		
% management positions held by black employees	24.62%			13.62%		
No of workers with handicaps or special needs	421			387		
6 - Material information regarding corporate citizenship	2018			2019 Targets		
Ratio of lowest to highest earners at the company	19.6			17.8		
Total number of occupational injuries	148			127		
The social and environmental projects implemented by the company were defined by:	(x) directors	() directors and managers	() all employees	(x) directors	() directors and managers	() all employees
The occupational health and safety standards were defined by:	(x) directors and managers	() all employees	() all + Cipa	(x) directors and managers	() all employees	() all + Cipa
In respect of trade union freedom, the right to collective bargaining and internal representation of workers, the company:	() does not get involved	(x) follows the OIT rules	() promotes and follows OIT	() does not get involved	(x) follows the OIT rules	() promotes and follows OIT
The private pension embraces:	() directors	() directors and managers	(x) all employees	() directors	() directors and managers	(x) all employees
Profit-sharing embraces:	() directors	() directors and managers	(x) all employees	() directors	() directors and managers	(x) all employees
When selecting suppliers the same ethical, social responsibility and environmental standards adopted by the company:	() are not considered	() are suggested	(x) are demanded	() are not considered	() are suggested	(x) are demanded
In respect of employee participation in voluntary work programs, the company:	() does not get involved	() gives support	(x) offers organization and incentives	() does not get involved	() gives support	(x) offers organization and incentives
Total number of consumer complaints and criticism:	to the company 2,254,270	at Procon 17,685	to the Courts 25,162	to the company 2,140,270	to Procon 16,300	to the Courts 24,416
% complaints and criticism handled or resolved:	at the company 100%	at Procon 96%	at the Courts 62%	at the company 100%	at Procon 96%	at the Courts 87%
Added value to be distributed (in R\$ thousand):	In 2018: 11,572,708		In 2017: 9,290,675			
Distribution of Added Value (DVA):	75% government 10% employees 1% shareholders 14% third parties 0% withheld		68% government 11% employees 3% shareholders 15% third parties 3% withheld			
7 - Further Information	2018			2017		
7) Social investments						
7.1 - The Light for All Program						
7.1.1 - Government Investment	1,133			-		
7.1.2 - State Investment	-			-		
7.1.3 - Municipal Investment	-			-		
7.1.4 - Concession Operator Investment	124,566			6,468		
Total - Light for All program (7.1.1 to 7.1.4)	125,699			6,468		
7.2 - Energy efficiency program	57,395			69,981		
7.3 - Research and development program	28,684			34,937		
Total social investment (7.1 to 7.3)	211,778			111,386		

Notes to the Financial Statements

Energisa S/A Notes to the financial statements for the Year ended December 31, 2018 (In thousands of reais, unless stated otherwise)

1. Operations

Energisa S/A (“Energisa” or “Company”) is a publicly traded company whose core activity is to hold interests in other companies, with its head office in Cataguases, Minas Gerais state. It also provides administrative services to its electricity distribution subsidiaries and other subsidiaries.

Energisa is indirectly entitled to operate electricity distribution, transmission, generation and sale concessions and/or authorizations. Its main contracts are:

Electricity distribution companies	Site	Concession date	Date of expiry
Energisa Minas Gerais - Distribuidora de Energia S/A (“EMG”)	Minas Gerais	7/7/2015	7/7/2045
Energisa Nova Friburgo - Distribuidora de Energia S/A (“ENF”)	Nova Friburgo	7/7/2015	7/7/2045
Energisa Sul Sudeste - Distribuidora de Energia S/A (“ESS”)	São Paulo	7/7/2015	7/7/2045
Energisa Tocantins - Distribuidora de Energia S/A (“ETO”)	Palmas	6/28/1999	1/30/2020
Energisa Sergipe Distribuidora de Energia S/A (“ESE”)	Aracaju	12/23/1997	12/23/2027
Energisa Mato Grosso - Distribuidora de Energia (“EMT”)	Cuiabá	12/11/1997	12/11/2027
Energisa Mato Grosso do Sul - Distribuidora de Energia S/A (“EMS”)	Campo Grande	12/4/1997	12/4/2027
Energisa Borborema - Distribuidora de Energia S/A (“EBO”)	Campina Grande	2/4/2000	2/4/2030
Energisa Paraíba - Distribuidora de Energia S/A (“EPB”)	João Pessoa	3/21/2001	3/21/2031
Centrais Elétricas de Rondônia S/A (“ERO”)	Rondônia	10/30/2018	10/29/2048
Companhia de Eletricidade do Acre (“EAC”)	Acre	12/7/2018	12/6/2048

Electricity transmission (Preoperating)	Site	Concession date	Date of expiry
LT 230 kV Rio Verde Norte - Jataí, CD an expansion of SE Rio Verde Norte	Goiás	8/11/2017	8/11/2047
LT 230 kV Xinguara II - Santana do Araguaia C1 and C2, CD and SE 230/138 kV Santana do Araguaia	Pará	8/11/2017	8/11/2047
Serra Pelada - Integradora Sossego 500 kV TL, DC; Integradora Sossego - Xinguara II 230 kV TL, C2; Serra Pelada 500/138 kV SE; and Integradora Sossego 500/230 kV SE.	Pará	9/21/2018	9/21/2048
LT 230 kV Dianópolis II - Barreiras II, C1; LT 230 kV Dianópolis II - Gurupi, C1; LT 230 kV Dianópolis II - Palmas 2, C1 and SE 500/230 kV Gurupi - (3+1 Res) x 150 MVA; SE 230/138 kV Dianópolis II - 2 x 200 MVA	Bahia and Tocantins	(*)	(*)

(*) The signing of the contract is scheduled for 3/23/2019.

Generation (projects)	Plant	Site	Date authorization awarded	Date authorization expires
Complexo Parque Eólico Sobradinho:				
EOL Alecrim	Wind power	Bahia	9/1/2015	9/1/2050
EOL Umbuzeiro Muquim	Wind power	Bahia	9/1/2015	9/1/2050
EOL Mandacaru	Wind power	Bahia	9/1/2015	9/1/2050
EOL Boa Esperança	Wind power	Bahia	9/1/2015	9/1/2050

Electricity trading	Site	Authorization date
Energisa Comercializadora de Energia Ltda (“ECOM”)	Rio de Janeiro	3/21/2006

Other Services	Nature
Energisa Soluções S/A (“ESOL”)	Operating and maintenance services and services related to electricity distribution generation, commission, preparation, remote and local operation and electrical and mechanical maintenance of plants, substations, transmission lines and facilities.
Multi Energisa Serviços S/A (“MULTI”)	Construction, operation, maintenance and services related to electricity distribution and generation, tele-services and personal services for electricity consumers.
Energisa Serviços Aéreos de Aeroinspeção S/A (“ESER”)	Aerial surveying services (SAE), mainly supporting companies operating high-voltage lines, oil pipelines and reforestation engineering works.

The concession operators’ obligations stipulated in the public electricity distribution concession agreement are:

Electricity distribution:

I - to operate and maintain facilities in a manner that ensures continuity and efficiency of the Regulated Service, safety of people and preservation of assets and facilities, and to supply electricity to consumers located in its concession area with quality and continuity levels as defined by specific legislation;

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

III - to organize and maintain control of assets and facilities related to the concession and caring for their integrity, ensuring that those that by virtue of technical reasons are essential for the electrical system’s assurance and reliability, will always be adequately protected by insurance, and the concessionaire will be restricted from disposing of or giving in guarantee such assets without the regulating agent’s express approval;

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

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

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

VII - maintain the document archives auditable in accordance with existing regulations;

The information regarding rate reviews and adjustments, sector financial assets and liabilities (CVA), compensable financial asset of the concession, concession assets and construction revenue can be seen in notes 11, 12, 16, 19 and 30 respectively.

Electricity transmission:

Energisa prevailed in four lots of the transmission auctions organized by the National Electricity Regulatory Agency (ANEEL). In April 2017 at Transmission Auction 005/2016 concessions were required for lots 3 and 26 to build and operate Transmission Lines in the states of Goiás and Pará respectively. At Transmission Auction 02/2018 on June 28, 2018, a concession was acquired to build and operate another Transmission Line consisting of Lot 19 of said Auction, also in Pará state, and on December 20, 2018 at Transmission Auction 4/2018 a concession was acquired to build and operate another Transmission Line consisting of Lot 4 of said Auction, located in the states of Bahia and Tocantins, resulting in an estimated investment of R\$ 1,804,304.

The deadline for the line in Goiás to come into commercial operation is August 2021, February 2022 and March 2023 for the Pará state lines respectively and March 2024 for the line acquired in Bahia and Tocantins states. The environmental licensing processes are in progress for the first three projects with the respective state environmental agencies, while the last project expired in December 2018 is starting its licensing phase. The company has been engaged for the construction work of all concessions and we are looking to meet deadlines early.

Lot 3 - Auction 005/2016 consists of facilities in the state of Goiás, including the 230 kV Rio Verde Norte - Jataí transmission line, with 136 kilometers in a dual electricity circuit, and the Rio Verde Norte substation. The investment forecast for the venture amounts to R\$ 295,294 and the time frame for delivering the works is 48 months. The line is located in the proximity of Mato Grosso and Mato Grosso do Sul, where Energisa Group has two companies.

Lot 26 - Auction 005/2016 to be located in Pará state, in an area lying on the border between Tocantins and Mato Grosso. The lot consists of the Xinguara II - Santana do Araguaia 230 kV transmission line, with 296 kilometers in a dual electricity circuit, and the Santana do Araguaia substation. The investment projection is R\$ 329,791 and the time frame for delivering the works is 54 months. These works are important for completing the reinforcements in the Baixo Araguaia region of Mato Grosso, which is the most dynamic agricultural frontier in the state.

Lot 19 - Auction 002/2018 to be located in Pará state, in an area on the border between Tocantins and Mato Grosso states. The lot consists of the 500 kV, 66.5 km Serra Pelada Transmission Line in a dual electricity circuit, the 230 kV, 72.3 km Integradora Sossego - Xinguara II Transmission Line, and the Serra Pelada and Integradora Sossego substations. The investment forecast amounts to R\$ 479,796 and the time frame for delivering the works is up to 54 months. These works are important for completing the reinforcements in the Baixo Araguaia region of Mato Grosso, which is the most dynamic agricultural frontier in the state.

Lot 4 - Auction 004/2018 will take place in the states of Bahia and Tocantins. The lot consists of the 255-km, 230-kV Dianópolis II - Barreiras II Transmission Line; 256-Km, 230-kV Dianópolis II - Gurupi Transmission Line and 261-km, 230-kV Dianópolis II - Palmas Transmission Line. The investment estimated for these works amounts to R\$ 699,423 and the time frame for delivering the works is 60 months. These works are important for carrying the potential hydropower and photovoltaic power generation from Bahia and Tocantins states, in addition to supplying the regions of Dianópolis and Gurupi in Tocantins state.

Electricity generation:

Energisa has ventures intended to install wind farms in Bahia state, a small hydropower generation plant in Nova Friburgo (RJ) and Minas Gerais (MG) and solar generation ventures.

In addition to these projects, the subsidiary EMT has Generation Concession Agreement 04/1997 for 1 thermal power plant, with the respective associated substation, expiring on December 10, 2027.

According to article 8 of Law 10848 issued on March 15, 2004, and regulated by Decree 5163 issued July 30, 2004, concession operators engaged in electricity distribution cannot carry out generation activities in the national interconnected transmission system. An exception was made for cases of serving the insulated electric grid, i.e. those not connected to the interconnected transmission grid. Although as it has 1 thermoelectric plants in the insulated system, the subsidiary EMT's core activity is the distribution of electricity. The subsidiary EMT's management therefore considers its minor generation activity to be an integral part of its core activity, which required the segregation of the concession's assets into financial assets and intangible assets.

The assets of the subsidiary Ceron include a Small Hydroelectric Power Station called Rio Vermelho SHP, located in the municipality of Vilhena in Rondônia state, at KM 27, with a capacity of 2,600 kW, whose transfer of its ownership was decreed by the Rondônia State Congress Legislative Assembly on February 19, 1992.

By way of memorandum 331/2017-SCG/ANEEL, on November 16, 2017 SCG completed the registration process of reduced capacity generation center-RCG CEG: CGH.PH.RO.002530-5.02, Rio Vermelho on behalf of Centrais Elétricas de Rondônia.

Management considers the minor generation activity as an integral part of the subsidiary's business activities.

The SHP is not operational, and its operations were shut down on July 24, 2015.

The obligations established in the ANEEL authorizations/concessions to explore energy generation are as follows:

- I - Operate thermal power plants and SHPs;
- II - Enter into the contracts for connecting to and using the transmission and distribution systems;
- III - Organize and maintain permanently up-to-date the record of generating facilities and assets;
- IV - Maintain a file at the disposal of the ANEEL audit all the studies and projects of the plants;

V - In an adequate operating and conservation structure permanently maintain the equipment and facilities of the SHPs, and wind farm and solar ventures in a perfect state of repair and conservation with an inventory of spare parts, technical and administrative personnel legally qualified and trained in order to ensure the continuity, regularity, efficiency and safety of the exploration of the generation asset.

VI - Perform all tax, labor, social security, environmental and regulatory obligations and any other related obligations; and

VII - Request the prior consent of ANEEL, in the event the share control is transferred.

Electricity trading:

The sale of electricity and related services proposing integrated solutions with objectives to optimize costs is made through the subsidiary Energisa Comercializadora de Energia Ltda (“ECOM”), which also participate in the Free Contracts System (ACL).

Services:

By way of its direct and indirect subsidiaries Energisa Soluções S/A (“ESOL”) and Multi Energisa Serviços S/A (“MULTI”), Energisa provides operating, maintenance services and services related to electricity generation, transmission and distribution, commission, preparation, remote and local operation and electrical and mechanical maintenance of plants, substations, transmission lines and wind generation facilities. The subsidiary Energisa Serviços Aéreos de Aeroinspeção S/A (“ESER”) provides aerial surveying services (SAE), mainly supporting companies operating high-voltage lines, oil pipelines and reforestation engineering works.

Judicial Reorganization of subsidiaries:

On November 26, 2012 the subsidiary Rede Energia S/A (“REDE”) announced it had filed for Judicial Reorganization (“RJ”). On the same date applications for judicial reorganization were submitted by Companhia Técnica de Comercialização de Energia (“CTCE”), QMRA Participações S/A. (“QMRA”), Empresa de Eletricidade Vale Paranapanema S/A. (“EEVP”) and Denerge Desenvolvimento Energético S/A. (“Denerge”).

In February 2016 the trustee filed a petition stating that the reorganization plan was being duly performed, requesting the termination of the Judicial Reorganization. In August 2016, the trustee’s opinion was accepted, and a decision delivered declaring the judicial reorganization over, as all of the obligations established in the Judicial Reorganization Plan had been performed within the required period and creditors submitted motions for clarification against this decision, which were duly rejected by the reorganization court. One of the creditors then appealed against the termination decision, which is pending judgment by the São Paulo Court of Appeal. Although judgment of this appeal is pending, the reorganization court authorized the term “under judicial reorganization” be removed from the name of the companies under judicial organization, a change which was registered at the respective board of trade.

The position as of December 31, 2018 of the remaining balance of the debts qualified under the Judicial Reorganization, where R\$ 428,790 consists of Loans, R\$ 56,966 of Debentures and R\$ 57,679 of Trade payables and Other Accounts Payable:

Description	Rede Energia	Denerge	CTCE	Total
Balances in 2016	155,357	261,574	47,751	464,682
(+) Restatement (1)	11,481	29,941	3,485	44,907
Reversal of the provision for adjustment to present value	17,857	2,821	3,992	24,670
(-) Settlement/Assignment of Credits	(4,456)	(21,885)	(961)	(27,302)
Balances in 2017	180,239	272,451	54,267	506,957
(+) Restatement (1)	11,480	29,492	3,499	44,471
Reversal of the provision for adjustment to present value	16,273	5,673	4,970	26,916
(-) Settlement/Assignment of Credits	(4,456)	(29,492)	(961)	(34,909)
Balances in 2018	203,536	278,124	61,775	543,435

(1) Adjustments made to other finance revenue in the statement of income of REDE, Denerge and CTCE. At Energisa these amounts were recorded in finance income in profit or loss for the year.

(2) Adjustments to Present Value: denotes the adjustment to present value recorded by the subsidiaries REDE, Denerge and CTCE, for the credits of the creditors who chose to receive their credits in accordance with options A and B in the Judicial Reorganization Plan. A rate of 15.19% p.a. was used to discount the amount to present value, which the Company believes is an adequate rate of return for realizing the credits. This rate is compatible with the nature, tenor and risk for similar transactions on market conditions in the current situation. Company Management believes this discount rate adequately denotes the capital cost at the companies acquisition date.

Acquisition of controlling interest:

After the conditions set out in notice 2/2018-PPI/PND had been performed or waived, on October 30 and December 6, 2018 Energisa officially transferred the equity interests guaranteeing the share control of Centrais Elétricas de Rondônia ("ERO") and Companhia de Eletricidade do Acre ("EAC"), respectively, in accordance with CVM Rule 358/02. The acquisition took place by officially transferring 90.00% of ERO's capital and 87.61% of EAC's capital to Energisa.

On these dates these General Meetings the place of ERO and EAC to elect the new management members nominated by Energisa as the new parent company, in addition to approving the capital contributions made by Energisa at ERO of R\$ 282,049 and EAC of R\$ 274,374, with all the suspensive conditions established in the Notice having been performed and/or waived.

The effect of the business combinations can be seen in note 17.

2. Presentation of the financial statements

2.1 Statement of compliance

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, which include the provisions of Law 6404/76 as amended by Law 11638/07 and Law 11941/09, and the pronouncements, instructions and interpretations issued by the Accounting Pronouncement Committee ("CPC") approved by the Brazilian Securities Commission ("CVM") and the International Financial Reporting Standards ("IFRS") issued by the Accounting Standards Board (IASB).

The Company also observes the guidelines laid down in the Brazilian Power Sector Accounting Manual and the standards issued by Brazilian power sector regulator, ANEEL, where not conflicting with Brazilian generally accepted accounting principles and/or with international financial reporting standards.

Management also took into account the guidelines issued in OCPC Technical Guidance 07 by the CPC in November 2014 when preparing its financial statements, so that all material information related to the financial statements is being disclosed, which corresponds to that used by it in its management.

They were authorized for issue by the Board of Directors on March 19, 2019.

2.2 Functional currency and basis of measurement

These individual and consolidated financial statements are being presented in Brazilian reais, which is the Company and its subsidiaries' functional currency.

The financial statements have been prepared based on historic cost, except for the following items: (i) Derivative financial instruments measured at fair value and (ii) non-derivative financial instruments, measured at fair value through profit or loss.

2.3 Judgment, estimates and assumptions

The preparation of the financial statements in conformity with the accounting practices adopted in Brazil requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The actual results of such transactions when actually realized in subsequent years may differ from these estimates. Revisions to accounting estimates are recognized in the period in which they are revised and in future periods affected. The main estimates include trade receivables, consumers and concession operators (unbilled electricity sales to consumers), allowance for doubtful accounts, tax credits, concession financial assets, property, plant and equipment, intangible assets, provisions for labor, civil, tax and regulatory risks, cost of electricity purchased for resale - consolidated, Financial instruments and risk management and post-employment benefit.

3. Adoption of international accounting standards

3.1 New pronouncements issued by the CPC- Accounting Pronouncements Committee and IASB - International Accounting Standards Board

New revised standards and interpretations issued by the CPC but not yet adopted by the Company:

Standards	Description	Mandatory application: Annual periods beginning on or after
CPC 06 (R2)/IFRS 16	Leasing companies / Leases	January 01, 2019
IFRS 17	Insurance contracts	January 01, 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associated company or joint venture	Postponed indefinitely

The Company and its subsidiaries did not early adopt these amendments for its financial statements as of December 31, 2018.

The main impacts of adopting the new standards and interpretations in force as of January 01, 2019 are as follows:

(i) CPC 06 (R2) Leases//IFRS 16-Leases:

CPC 06 (R2) establishes principles for the recognition, measurement, presentation and disclosure of leases, requiring lessees to all leases in a single accounting model in the statement of financial position, substantially unchanged from its predecessor, CPC 06 (R1). There are two recognition exemptions for short-term

leases (i.e. lease term of 12 months or less) and leases of low-value items (for example, PCs). At the start date of a lease contract, the lessee recognizes a liability relating to the lease payments (i.e. a lease liability) and an asset representing the right to use the underlying asset during the lease term (right-of-use assets). Lessees are obliged to separately recognize the interest expense on the lease liability and the depreciation expense on right-of-use assets. Lessees should also revalue the lease liability in the case of certain events (for example, a change to the lease term, a change to future payments deriving from the lease as a result of changing an index or rate already used to determine such payments). The lessee will generally recognize the increase in the revalued lease liability as an adjustment to the right-of-use assets.

The Company and its subsidiaries are lessees in contracts for non-residential properties for the installation of customer service branches, establishments to carry out commercial activities and distribution centers.

There is no substantial change to lessor accounting under CPC 06 (R2) compared with the current accounting model under CPC 06 (R1). Lessors will continue classifying all leases in accordance with the same classification of CPC 06 (R1), distinguishing between two types of lease: operating and financial.

Effective for annual periods beginning on or after January 01, 2019, CPC 06 (R2) requires lessees and lessors to make further disclosures in relation to CPC 06 (R1).

Transition: As a lessee, the Company and its subsidiaries can either apply the standard using a: - Retrospective approach; or modified retrospective approach with optional practical expedients. The Company and its subsidiaries applied CPC 06(R2) initially on January 01, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting CPC 06 (R2) will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company and its subsidiaries expect that adoption of CPC 06 (R2) will not impact their ability to comply with the revised maximum leverage threshold loan covenants described in notes 21 and 22.

In FY 2018 the Company and its subsidiaries conducted a detailed assessment of the impacts of CPC 06 (R2), determining the following amounts:

Impact on the statement of financial position on January 1, 2019	Parent Company		Consolidated	
	Assets	Liabilities	Assets	Liabilities
Usage rights	777	-	40,535	-
Operating leases	-	777	-	40,535

(ii) **Other changes:** The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

- Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28.
- - Amendments to CPC 10 (IFRS 2) Classification and Measurement of Share-based Payment Transactions.
- Investment Property Transfers (Amendments to CPC 28 / IAS 40);
- ICPC 21 / IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- ICPC 22 / IFRIC 23 - Uncertainty over Income Tax Treatments - This Interpretation clarifies how to apply the recognition and measurement requisites of CPC 32 when there is uncertainty over income tax treatments. In this case the entity should recognize and measure its current deferred tax asset or liability, applying the requisites of CPC 32 based on taxable earnings (tax loss), tax bases, unused tax losses, unused tax credits and the determined tax rates, applying this Interpretation. The Company is assessing the impacts of adopting this new standard.
- Amendments to CPC 36 Consolidated Statements (IFRS 10) and CPC 18 Investments in Associates and Joint Ventures (IAS 28) in relation to the sale or contribution of assets between an investor and its associate or joint venture.

Revised standards and interpretations already issued by CPC, adopted by the company on January 1, 2018:

(i) CPC 47 - Revenue from contracts with customers / IFRS 15

CPC 47 establishes a new concept for revenue recognition, replacing CPC 30 - Revenue, CPC 17 (R1) - Construction Contracts and related interpretations.

The Company and its direct and indirect subsidiaries adopted CPC 47 using the cumulative effect method, with the initial application from 1 January 2018, and did not apply the requirements of this standard for the comparative period presented.

The new standard states that the Company will recognize revenue to show the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue should therefore be recognized net of variable consideration. Discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items are classified under the above standard as variable consideration.

The new reporting requirements provide better information to users of the financial statements to understand the nature, amount, timing and uncertainty regarding revenue and cash flows resulting from contracts with customers.

The Company and its subsidiaries conducted a detailed analysis of the impact resulting from applying CPC 47, including an assessment of the five steps for recognizing and measuring revenue, i.e.: (i) identifying the types of contracts entered into with its clients; (ii) identifying the obligations in each type of contract; (iii) determining the price of each transaction type; (iv) allocating the prices to the obligations in each contract; and (v) recognizing revenue when (or to the extent) the Company satisfies each contractual obligation.

Distribution activities currently have the following revenues:

- Energy supply and provision revenue;
- Revenue from grid availability - Distribution System Usage Charge (TUSD);
- Electricity spot revenue;
- Construction revenue; and
- CVA revenue and other financial items.

The electricity transmission and distribution companies were assessed by ANEEL on several aspects of power supply to customers. These include the quality of service and products delivered to consumers. Quality-of-service assessments include an assessment of outage rates. The individual continuity metrics DIC, FIC, DMIC and DICRI are an important part of the service quality. If these thresholds are not met the concession operators are required to reimburse customers by awarding a discount on their monthly bills.

Based on the analysis conducted of the impacts of CPC 47, the Company concluded there were no significant impacts on the revenue and/or compliance with the new standard, except for the recognition of costs on the DIC, FIC, DMIC and DICRI metrics, previously recorded under operating expenses, from operating revenue..

CPC 47 also states the subsidiaries may only recognize the effects of a contract with a customer when it is probable that they will collect the consideration to which they will be entitled in exchange for the goods or services that will be transferred to the customer. Revenue is not recognized from contracts with customers with a long history of delinquency but which, for any reason, have not had their power supply suspended.

The standard also requires that the right to receive a payment in exchange for goods and services transferred to a client be classified as a contractual asset when this right is subject to performance of obligations and not just the passage of time. This classification applies to energy transmission, which even if they have concluded the performance obligation for the construction of their transmission infrastructure, are entitled to receive a payment linked to performance of two other performance obligations: maintain and operate built transmission infrastructure.

Moreover, for the direct and indirect subsidiaries in the specialized services segment, referring to the provision of electric infrastructure works execution and planning services, in addition to services entailing operating solutions for SHPs - Small Hydroelectric Power Stations, and sale settlement of energy, revenue at the fair value of the consideration receivable when excess capacity is settled at the Electricity Trading Chamber (CCEE). The Company's assessment did not identify any material impact on its financial statement and we believe revenues recognize as and when its performance obligation is performed and delivered.

See below the impacts of adopting CPC 47 on the consolidated statement of financial position and income statements as of December 31, 2018.

Statement of financial position	2018 (Presented)	REF	Reclassifications	2018 (Excluding impact of CPC47/IFRS15)
Assets				
Intangible assets	13,232,308	(a)	1,337,311	14,569,619
Contractual asset - infrastructure under construction	1,337,311	(a)	(1,337,311)	-
Non-impacted assets	21,848,389			21,848,389
Total current and noncurrent assets	36,418,008			36,418,008

(a) Adopting CPC47 on works building and improving the public electricity distribution service infrastructure.

Statement of Income	2018 (Presented)	REF	Reclassifications	2018 (Excluding impact of CPC47/IFRS15)
Net revenue	15,787,581	(a)	33,037	15,820,618
Operating and administrative expenses	(734,548)	(a)	(33,037)	(767,585)
Profit for the year	1,148,434			1,148,434
Attributable to				
Owners of the Company	1,148,434		-	1,148,434
Non-controlling interests	31,238		-	31,238

(a) Following the adoption of CPC 47 we reclassified the regulatory fines (DIC, FIC, DMIC and DRIC), which are now recognized as a deduction from revenue.

(ii) CPC - 48 Financial Instruments / IFRS 9

Classification and measurement - financial assets and liabilities

CPC 48 contains three main classification categories for financial assets: Amortized cost (CA), Fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The CPC 38/IAS 39 categories held-to-maturity, loans and receivables, measured at fair value through profit or loss and available-for-sale have been eliminated.

The classification is based on two conditions: (i) the Company's business model under which the asset is held; and (ii) its contractual terms generate cash flows on specified dates that constitute solely payments of principal and interest on the outstanding principal (SPPI).

In short, the business models are divided into the following three categories:

Model	Context
1 - Hold them to receive contractual cash flows only	Those entailing entail the collection of contractual cash flows consisting only of principal and interest and whose purpose is to hold this instrument through maturity. Sales are incidental to this objective and are expected to be insignificant or infrequent.
2 - Both collecting contractual cash flows and selling these assets	Those showing characteristic of collecting contractual cash flows of principal and interest and selling these assets, with the purpose of selling them before maturity.
3 - Other business models for financial instruments	Those that do not meet either of the two models above.

Business model assessment - The Company evaluates the objective of the business model that best reflects the way it manages its financial asset portfolios and to what extent the cash flows from these assets are generated solely from the receipt of contractual flows, the sale thereof or both.

Contractual cash flow characteristics - Contractual cash flows that are solely receipts of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement, where the time value of money and credit risk are typically the most significant elements of interest.

The following accounting policies apply to the classification and measurement of financial assets, as defined below:

Classification and Measurement - CPC 48/IFRS 9	
Financial assets at amortized cost	These assets are measured at the amortized cost using the effective interest rate method. The amortized cost is reduced for impairment. Revenue from interest, exchange gains and losses and impairment is recognized in profit or loss. Any gain or loss resulting from derecognition is recorded in profit or loss.
Financial assets stated at FVTPL	These assets are stated at fair value. The net income including interest or dividend revenue is recognized in profit or loss.
Debt instruments at FVOCI	These assets are stated at fair value. Interest yields calculated by the effective interest rate, exchange gains and losses and impairment are recognized in profit and loss. Other net income is recognized in OCI. Upon initial recognition of an investment in an equity instrument that is not held for trading, the company can elect to make irrevocable subsequent changes to the fair value of the investment in OCI. This choice is made for each investment. Upon derecognition, the gain or loss accumulated in OCI is reclassified to profit or loss.
Equity instruments at FVOCI	These assets are stated at fair value. The dividends are recognized as a gain in profit and loss, unless the dividend clearly represents a recovery of part of the investment cost. Other net income is recognized in OCI and never reclassified to net income.

The table below show the original measurement categories in CPC 38/IAS 39 and the new measurement categories of CPC 48/IFRS 9 for each class of financial assets and liabilities:

	Classification CPC 38/IAS 39	Classification CPC 48/IFRS 9
FINANCIAL ASSETS (Current / Noncurrent)		
Cash and cash equivalents	Loans and receivables	Amortized Cost
Customers, consumers and concessionaires	Loans and receivables	Amortized Cost
Credit receivables	Loans and receivables	Amortized Cost
Financial sector assets	Loans and receivables	Amortized Cost
Money market and secured funds	Held to maturity	Amortized Cost
Money market and secured funds	Stated at fair value through profit or loss	FVTPL
Derivative Financial Instruments	Stated at fair value through profit or loss	FVTPL
Investments	Available-for-sale	FVOCI
Concession financial asset	Available-for-sale	FVTPL

	Classification CPC 38/IAS 39	Classification CPC 48/IFRS 9
FINANCIAL LIABILITIES (Current / Noncurrent)		
Trade accounts payable	Measured at Amortized Cost	Amortized Cost
Loans, financing and debt charges	Measured at Amortized Cost	Amortized Cost
Debentures	Measured at Amortized Cost	Amortized Cost
Financial sector liabilities	Measured at Amortized Cost	Amortized Cost
Refinancing of taxes	Measured at Amortized Cost	Amortized Cost
Regulatory fees	Measured at Amortized Cost	Amortized Cost
Derivative Financial Instruments	Stated at fair value through profit or loss	FVTPL
Financial Instruments - MTM	Stated at fair value through profit or loss	FVTPL

Impairment - Financial Assets

CPC 48 replaced the ‘incurred loss’ model in CPC38/IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model.

The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments (shares).

The Company adopted a simplified approach and calculated the expected loss based on the expected risk of default over the life of the financial instrument. A calculation was established of loss rates separately for each customer segment (residential, industrial, commercial, rural and government).

The Company considers a financial asset to be in default when:

- It is highly unlikely that the creditor pays all of its credit obligations to the without resorting to actions such as realizing the guarantee (if applicable) or
- The financial asset is overdue according to the Company’s receivables rules.

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company evaluates whether the financial assets recorded at amortized cost and the debt instruments measured at FVOCI are credit impaired.

The Company and its subsidiaries did not find any significant impacts from the application of CPC 48 on its financial statements.

3.2 Description of significant accounting policies

The accounting policies described below were applied consistently to all the years presented in these individual and consolidated financial statements.

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

1. Financial instruments

Accounting standard applicable from January 01, 2018:

CPC 48 simplified the current measurement model for financial assets and established three measurement categories: (i) at amortized cost; (ii) at fair value through profit or loss (“FVTPL”); at (iii) fair value through other comprehensive income (“FVOCI”), depending on the business model and its cash flow features. As regards the recognition and measurement of financial liabilities, the standard largely retains the existing requirements, except for recognition of changes in the own credit risk in other comprehensive income for those liabilities stated at fair value through profit and loss.

Financial assets:

Initial recognition and measurement - classified upon initial recognition as subsequently measured at amortized cost at fair value through other comprehensive income or at fair value through profit or loss plus transaction costs, in the case of a financial asset not measured at fair value through profit or loss.

Financial instruments are classified upon initial recognition depending on the features of the financial asset’s contractual cash flows and the business model for managing these financial assets.

In order to be classified and measured at amortized cost or at fair value through other comprehensive income, a financial asset must generate the cash flows that solely constitute payments of principal and interest on the outstanding principal. This assessment is executed at each instrument level.

Acquisitions or sale of financial assets that require the delivery of assets within a term established by regulations or market convention are recognized at the trade data, i.e. the date on which the Company and the subsidiaries undertake to buy or sell the asset.

A financial asset is derecognized when the contractual rights to the asset's cash flows expire or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred to the buyer.

Subsequent measurement - for the purpose of subsequent measurement, financial assets are classified as financial assets at amortized cost (debt instruments); financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments); financial assets at fair value through other comprehensive income without reclassification of accumulated gains and losses upon derecognition (equity instruments); and financial assets at fair value through profit or loss.

The Company and its subsidiaries measure the financial assets at amortized cost if the financial asset is maintained within a business model with the objective of maintaining financial assets in order to receive contractual cash flows, and the contractual terms of the financial asset generated the cash flows on specified dates that solely constitute payments of principal and interest on the outstanding principal.

The financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is written off, modified or incurs impairment.

The Company and its subsidiaries value their debt instruments at fair value through other comprehensive income if the financial asset is maintained within a business model with the objective of maintaining financial assets in order to receive contractual cash flows, and whether the contractual terms of the financial asset generated the cash flows on specified dates that solely constitute payments of principal and interest on the outstanding principal.

For debt instruments at fair value through other comprehensive income, interest revenue, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and calculated in the same way as financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income.

Upon derecognition, the accumulated change in fair value recognized in other comprehensive income is reclassified to profit or loss.

Assessment of the business model:

The Company assesses the objective of the business model under which a financial asset is maintained in the portfolio that better reflects how the business is managed and the information is provided to Management. The information considered includes: (i) the policies and objectives stipulated for the portfolio and the practical application of these policies, including ascertaining whether the Management strategy is focused on obtaining contractual interest income, maintaining a given interest rate profile, the correspondence between the duration of financial assets and the duration of related liabilities or expected cash flows, or the realization of cash flows through the sale of assets; (ii) how the portfolio's performance is assessed and reported to Company Management; (iii) the risks affecting the performance of the business model (and the financial asset maintained under said business model) and how such risks are managed; (iv) how business managers are compensated - for example, if the compensation is based on the fair value of the assets managed or the contractual cash loans obtained; and (v) the frequency, volume and timing of the financial asset sales in previous periods, the reasons for these sales and expectations for future sales.

The transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a way consistent with the ongoing recognition of the Company and its subsidiaries' assets.

Financial assets held-for-trading or managed with performance assessment based on fair value are measured at fair value through profit or loss.

Assessment as to whether the contractual cash flows are merely payments of principal and interest:

For the purpose of assessing cash flows, principal is defined as the cost value of the financial asset upon initial recognition. Interest is defined as a payment of the time value of money and the credit risk posed by the outstanding principal over a given period of time and other underlying loan costs and risks (for example liquidity risk and administrative cost), in addition to a spread.

The Company and its subsidiaries examine the instrument's contractual terms to determine whether the contractual cash flows only entail payments of the principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows so that it would no longer meet this condition. When making this assessment the Company takes into account contingent events modifying the value or timing of the cash flows; the terms that could adjust the contractual rate, including variable fees; prepayment and extending the term; the terms limiting the Company's access to specific cash flows from specific assets based on an asset's performance.

The allowance for doubtful accounts (ADA) - was recorded in an amount deemed sufficient to cover any probable losses incurred on the collection of loans with poor prospects of realization.

The allowance for expected doubtful accounts was calculated at historic loss rates observed by the Company.

Receivables are written off to losses after all administrative collection initiatives have been exhausted, subject to the amounts and time frames established by the existing tax legislation.

Financial liabilities:

Measured at the amortized cost using the effective interest rate method. As of December 31, 2018, they consist of loans, financing and debentures, trade payables and other accounts payable.

Initial recognition and measurement financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, accounts payable or as derivatives designated as hedging instruments, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs directly attributable to the financial liability's issue.

Subsequent measurement - financial liabilities are measured as follows:

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 initially recognized at fair value through profit or loss. Financial liabilities are classified as held for trading if they are undertaken for the purpose of buyback in the short term. This category also includes derivative financial instruments taken out by the Group not designated as hedging instruments in the hedge relations established by CPC 48. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date, if and only if the CPC 48 criteria have been met. The Company did not designate any financial liability at fair value through profit and loss.

Loans and receivables - After initial recognition, interest-bearing loans and receivables taken out and granted are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when liabilities are written off, and the process of amortization of the effective interest rate. The amortized cost is calculated by taking into account any negative goodwill or goodwill and rates or costs that are an integral part of the effective interest rate. Amortization by the effective interest method is included in finance costs in the statement of profit or loss. This category generally applies to loans and borrowings granted and taken out, that incur interest.

Derecognition:

A financial liability is derecognized when the obligation under the liability no longer exists, i.e. when the contractual obligation is discharged, canceled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments:

Financial assets and liabilities are offset and the net amount recorded in the statement of financial position when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Derivative financial instruments:

The Company and its subsidiaries' derivative financial instruments consist of swaps, solely aiming to hedge foreign-exchange risks associated with positions in the statement of financial position, acquisition of goods for intangible assets and property, plant and equipment, in addition to cash flows from capital contributions at the subsidiaries projected in foreign currency.

Measured at fair value, with changes recorded in profit or loss for the year, except when designated as a hedging cash flow, whose fair value changes are recognized in other comprehensive income in shareholders' equity.

The fair value of derivative financial instruments is calculated by an independent company specialized in cash and debt risk management, which means that the main macroeconomic metrics and their impact on results are monitored on a daily basis, in particular derivative transactions.

2. Derivative financial instruments and hedge accounting

The Company and its subsidiaries classify certain hedge instruments related to exchange variance risk and interest rate risk posed by loans as fair value hedge. At the start of the hedge, the Company and its subsidiaries document the relationship between the hedge instrument and the hedge item, according to financial strategy and risk management goals. At the start of the hedge and on an ongoing basis, the Company and its subsidiaries document whether the hedge instrument used is highly effective in offsetting the changes in fair value or cash flow of the hedged item, attributable to the hedged risk. Note 36 provides more information about the fair value of the derivative instruments used for hedge purposes.

Fair value hedge: hedges exposure to changes in the fair value of the assets or liabilities recognized or firm commitment not recognized, or identified part of such asset, liability, or firm commitment, which is attributable to a specific risk and could affect earnings. Changes in the fair value of derivative hedging instrument designated as a fair value hedge are recognized in profit or loss with any changes in the fair value of the hedged asset respect of the risk. Hedge accounting is discontinued prospectively when the Company and its subsidiaries cancel the hedge relationship, the hedge instrument expires or is sold, terminated or executed, or when it is no longer classified as hedge accounting. The adjustment to fair value of the hedged item deriving from the hedged risk is recorded in profit and loss from this date.

Prior to January 01, 2018, the documentation includes identifying the hedge instrument, covered transaction or position, the nature of the risk to be covered and the way the entity assesses the hedge instrument's effectiveness in offsetting exposure to changes in fair value for cash flows from the hedged item attributable to the covered risk. The hedge is expected to be highly effective in offsetting the changes in the fair value or cash flows of attributable to the hedged risk, and it will be assessed continually and effectively determined as having been highly effective in all reporting periods to which the hedge was designated.

From January 01, 2018 the documentation includes identifying the hedge instrument, the hedged item, the nature of the risk being hedged and how the entity assesses whether the hedge relation meets the hedge effectiveness requisites (including its analysis of the sources of hedge ineffectiveness and how to determine the hedge index). They hedge relationship qualifies for hedge accounting if it meets all the following effectiveness requisites:

- There is an economic relationship between the hedged item and the hedge instrument.

- The credit risk effect does not influence the changes in value resulting from this economic relationship.
- The hedge index of the hedge relationship is the same as that resulting from the number of items hedged that the entity effectively hedges and the number of hedge instruments the entity effectively uses to hedge this amount of hedged items.

The hedges meeting all the hedge accounting qualification criteria are recorded as described below:

Fair value hedges: the change in fair value of a hedge instrument is recognized in the income statement as other expenses. The change in fair value of the item subject to a hedge attributable to the covered risk is recorded as part of the carrying amount of the hedged item and is also recognized in profit or loss as other expenses.

For fair value hedges related to items measured at amortized cost, any adjustment to the carrying amount is amortized through profit and loss during the remaining hedge term, using the effective interest rate method. Amortization of the effective interest rate can commence as soon as there is an adjustment and at the latest when the hedged item is no longer adjusted for changes to fair value attributable to the hedged risk.

If the hedged item is derecognized, the fair value not amortized is immediately recognized in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the accumulated subsequent change in fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability and the corresponding gain or loss is recognized in profit and loss.

- c. **Clients, consumers and concessionaires** - primarily embrace electricity sales to consumers billed and unbilled electricity, the latter determined by estimate, services provided, interest on energy bills, and others recognized on the accrual basis of accounting, up to closure of the financial statements;
The Company also presents in this item the amounts renegotiated and the estimate for allowance for doubtful accounts and credit securities.
- d. **Inventory** - valued at the average acquisition cost not in excess of market value or acquisition cost.
- e. **Public services concession agreement** - denotes the public electricity transmission and distribution concession agreements between the concession authority and the direct and indirect subsidiaries. These agreements establish and determine for the electricity distribution segment that the estimated portion of capital invested in public service infrastructure not completely amortized by the end of the concession will be an unconditional right to receive money or other financial asset from the concession authority, as compensation for the infrastructure investment.

- **Electricity distribution:**

The electricity distribution companies' concession arrangements state that the end of the concession the infrastructure assets will return to the concession authority in exchange for compensation, the price practice is regulated by a rate mechanism in accordance with parametric formulas for portions A and B and the periodical rate review to cover costs, amortize investments and remunerate the invested capital. The estimated portion of the investments made and not amortized or depreciated by the end of the concession period is, classified as financial assets, since receiving cash or another financial asset directly from the concession authority is an unconditional right.

The concession arrangement characteristics lead Management to believe that the conditions have been met, and it decided to apply ICPC Technical Interpretation ICPC 01 (IFRIC 12) - Service Concession Arrangements to the distribution companies and CPC Technical Pronouncement 47 - Revenue from Contracts with Customers to the transmission companies, in order to reflect the energy distribution and transmission business.

The financial assets related to the distribution concession agreement are classified and measured as at fair value through profit or loss, were valued based on BRR - Regulatory Remuneration Base, the replacement value concept, which is the criteria used by ANEEL to determine the distribution companies' electricity rates. The compensation is also recognized of the portion of assets comprising the compensation base, including the portion not yet ratified by ANEEL, where the latter is calculated based on estimates, taking into account expected disallowance is based on Management's experience and the history of disallowances in previous

ratifications, in addition to the IPCA price index, which presents the best estimate of the asset's fair value.

The Company records the restatement of the concession financial asset to offset under operating revenue as it better reflects its energy distribution and transmission business model and its financial and equity position, corroborating paragraph 23 of OCPC 05 - Concession Agreements. These assets are detailed in note 16.

- **Electricity transmission:**

As stated in the concession agreement arrangement, an energy electricity transmission firm company is responsible for transporting energy transmitting electric power from the generation plants to the distribution points. To perform this responsibility that end, the transmission company has two distinct performance obligations: (i) to build and (ii) maintain and operate the transmission infrastructure.

Upon performing these two performance obligations, the energy transmission company maintains its transmission infrastructure available for users in exchange receives Annual Permitted Revenue (RAP) throughout the term of the concession arrangement. These receipts amortize investments made in this transmission infrastructure. Any investments not amortized create an entitlement to compensation from the concession authority, which receives the entire transmission infrastructure at the end of the concession arrangement.

In the electricity transmission agreements through December 31, 2017, the transmission infrastructure was measured from the start of the concession at fair value and then maintained at amortized cost. Construction and operating revenue used to be recorded with a margin of zero, in addition to revenue compensating the concession infrastructure based on each project's TIR revenue, along with the change in the IPCA price index. At the start of each concession, the Company estimates the Financial Asset Remuneration Rate - TRAF using internal and external market components, and is used to compensate the financial asset of said concession during the construction period. After the commercial operation comes into force, the rate is revised according to the investments made after the project has been built.

Following the adoption of CPC 47 / IFRS 15 on January 1, 2018 the right to a payment for goods and services was conditional on the Company performing its obligations, which and it began complying with the prerogatives of the new standard that required it to recognize the payments as a "Contract Asset", with revenue relating to the transmission infrastructure being recognized based on the RAP amount allocated to asset investment, which considers the construction margin according to the project's initial projections. The construction margin is received over the course of the works and changes in construction costs are immediately allocated to profit or loss, when incurred. To estimate the Construction Revenue, the Company used a model that determines the cost of financing the client customer (in this case, the concession authority). The rate applied to the present net value of the construction (and operation) margin is defined at the start inception of the project and is not subsequently changed. It is determined according to the client's customer's credit risk and financing terms, in addition to recognition of the operating and maintenance revenue resulting from the necessary costs incurred required to perform for the operating and maintenance performance obligations established in the concession agreement arrangement, after the end of the construction stage, recognizing remuneration revenue on the recognized contractual asset. Financial remuneration revenue income was also recognized under contractual asset remuneration, at the discount rate defined at the start inception of each project.

- f. **Financial sector assets and liabilities (CVA)** - denote assets and liabilities dating from temporary differences between the ratified costs of Parcel A and other financial components, which are included in the rate at the start of the rate period and those which are effectively incurred throughout the period the rate is in force. This difference constitutes a receivable from subsidiaries whenever the ratified costs included in the rate are lower than the costs effectively incurred, or an obligation under the ratified costs is greater than the costs incurred. These amounts are effectively settled during the coming rate periods, or in the event the concession is terminated with balances that have not been recovered, they will be included in the compensation base that exists in the case of termination for any reason of the concession. As the subsidiaries' concession agreements were restated in December 2014, to include in the compensation basis the remaining balances of temporary differences between the amounts ratified and included in the existing rates and those which are effectively incurred in the course of the concession term, and given the technical guidelines set out in OCPC-08 (Recognition of Certain Assets and Liabilities in General Financial and Accounting Reports of Electricity Distribution Companies Issued in Accordance with Brazilian and International Accounting Standards), the subsidiaries acquired a right or unconditional obligation to receive or deliver cash or other financial instrument to the Concession Authority and accordingly began recording the amounts within their respective accrual periods. These assets and liabilities are detailed in note 12.

- g. Investments** - investments in subsidiaries are recorded at the value established by the equity method of accounting in the individual financial statements, based on these investees' shareholders' equities at the reporting date. The other investments are recorded at acquisition cost less a provision for devaluation, when applicable.
- h. Business combinations** - Equity interests acquired are valued at fair value of the assets and liabilities held by the entities subject to the transaction and differences from the amount paid are classified as: (i) intangible assets (goodwill) when the amount paid exceeds the fair value of the assets and liabilities; (ii) net income for the year (favorable acquisition) when the amount paid is lower than the fair value of the assets and liabilities. The goodwill referring to entities subject to an economic exploration arrangement and/or concession for a fixed term are amortized over the exploration term.
- i. Property, Plant and Equipment** - Items of property, plant and equipment are measured at the historic cost of acquisition or construction, minus accumulated depreciation and impairment, when applicable.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labor.
- Any other costs to bring the asset to its location and condition necessary so it can be fully operated.
- The disassembly costs, and the restoration of the site where these assets are located, and
- Loan costs on qualifiable assets.

If parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses deriving from the sale of property, plant and equipment (determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment), are recorded net amongst other revenue/expense figures in the income statement for the year.

Depreciation:

Items of property, plant and equipment are depreciated by the straight-line method in the income statement for the year, based on the estimated useful economic life of each component and/or according to the term of the concession/arrangement (note 18).

- j. Intangible assets** - (i) concession arrangement: the assets operated by the subsidiaries to provide public electricity distribution services. The amortization is based on the consumption pattern of the benefits expected during the arrangement term. (ii) concession usage right: paid on acquisitions of the share control of the distribution subsidiaries. The amortization is taking place over the concession term of the subsidiaries, i.e. Energisa SE (30 years from December 1997), Energisa PB (30 years from December 2000), Energisa BO for 30 years, from January 2000; Companies acquired on April 11, 2014: EMT for 30 years expiring on December 10, 2027, EMS for 30 years expiring on December 04, 2027, EMT for 20 years expiring on January 30, 2020, ERO for 30 years expiring on October 29, 2048 and EAC for 30 years expiring on December 6, 2048; and (iii) appreciation of tangible assets (companies acquired on April 11, 2014, October 30 and December 6, 2018), amortization takes place over the asset's useful life, limited to the concession term.
- k. Contractual asset - infrastructure under construction** - The contractual asset is the right to payment in exchange for goods or services transferred to the client a customer. As determined by CPC 47 - Revenue from contracts with customers, assets related to the concession under construction recorded in accordance with the scope of ICPC 01 (R1) - Service Concession Agreements Arrangements ("ICPC 01"), should shall be classified as contractual assets because the Company is entitled to charge for the services provided to the public service consumers or to receive money or other financial assets for investing in the public service infrastructure, only after the assets under construction (contractual asset) have been transferred to the concession intangible assets, with and the nature of the remuneration consideration paid by the concession authority to the concession operator is determined according to the terms of the concession agreement arrangement.

As this does not depend on compensation via through rates (intangible assets) or subsequent settlement (financial asset), the contractual assets under construction or improvements in the amount of R\$ 643,065 recorded at December 31, 2017 under the scope of ICPC 01 (R1), under concession intangible assets were

reclassified to contractual assets (see note 19), reclassified on January 1, 2018, in accordance with CPC 47.

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

m. Decrease in recoverable value

Nonfinancial assets:

Company and its subsidiaries' management review the net carrying amounts of their tangible and intangible assets in order to evaluate events or changes in operational and technological economic circumstances to determine whether such assets have incurred impairment. If there are signs of impairment, the asset's recoverable value is estimated in order to measure the impairment.

When an asset's recoverable value cannot be estimated individually, the Company and its subsidiaries calculate the recoverable value of the cash generating unit the asset belongs to. When a reasonable and consistent allocation basis can be identified, the corporate assets are also allocated to the individual cash generating units or the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

For the purpose of assessing impairment via value in use, assets are allocated to the smallest asset group for which there are separately identifiable cash flows (cash generating units - CGUs). Impairment is recognized in profit or loss at the amount by which the carrying amount of the asset exceeds its recoverable value.

An impairment loss previously recognized is reversed in the event of a change in the assumptions made to determine the recoverable value of the asset or CGUs, since the last impairment loss was recognized. The reversal is limited, so that the carrying amount of the asset does not exceed its recoverable value, nor the carrying amount determined, net of depreciation, if no impairment had been recognized for the asset in previous years. This reversal is recognized in profit and loss, when applicable.

The following criteria are used to assess the recoverable value of the following assets:

. **Goodwill:** goodwill is tested for impairment annually at the end of the year or before this if circumstances indicate impairment has arisen. An impairment loss is recognized when the recoverable value is less than the carrying amount. Goodwill impairment losses cannot be reversed in future years.

. **Intangible assets:** Indefinite-lived intangible assets are tested annually for impairment at the end of the year, either individually or at cash generating unit level, as the case may be, or when circumstances indicate impairment.

. **Value-in-use assessment:** the main assumptions used in value-in-use estimation are:

- (i) **Revenue** - revenue is projected based on the growth in customer base, historical revenues for a market and the company and its subsidiaries' share of that market;
- (ii) **Operating costs and expenses** - variable costs and expenses are projected based on customer base dynamics, and fixed costs are projected to reflect the historical performance of the Company and its subsidiaries, and historical revenue growth; and
- (iii) **Capital expenditure** - capital expenditure is estimated based on the infrastructure required to deliver power supply and services.

Key assumptions are based on market projections, the historical performance of the Company and its subsidiaries, and macroeconomic assumptions that have been documented and approved by the Management of the Company and its subsidiaries.

Impairment tests performed on the property, plant and equipment and intangible assets of the Company and its subsidiaries did not reveal the need to recognize impairment for the financial years 2018 and 2017, as recoverable amounts exceed the relevant carrying amounts on the valuation date.

- n. Loans, financing and debentures** - stated net of transaction costs incurred, and subsequently stated at the

amortized cost using the effective interest rate method.

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

- o. Derivatives** - the Company and its subsidiaries have financial derivatives to hedge against foreign currency (subsidiaries) and interest rate (Company and subsidiaries) risks. Derivative financial instruments are recognized initially at fair value; any attributable transaction costs are recognized

in profit or loss as incurred. Subsequent to initial recognition, the derivatives are measured at fair value and any changes therein are recorded in profit or loss. Details can be seen in note 36.

- p. Income and social contribution taxes** - These expenses and revenue consist of current and deferred income tax. The deferred tax is recorded in the income statement unless it is related to items recorded in comprehensive income in the shareholders' equity. The deferred tax is recognized in relation to temporary differences between the values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes. The income and social contribution taxes was calculated on the presumed profit basis for the generation subsidies.

Income tax was calculated at the rate of 15% over the taxable income, plus the surcharge of 10% over taxable income in excess of R\$ 240 thousand. The social contribution was calculated at the rate of 9%.

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

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

- q. SUDENE/SUDAM tax incentives** - as the terms established will almost certainly be met by the subsidiaries, these incentives received by the subsidiaries in the north, north-east and central western region of Brazil have been recognized in profit or loss for the year and allocated to a specific profit reserve, where they are held until capitalization (see note 15);
- r. Provisions** - a provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded using best estimates of the risk involved. Liabilities related to court cases are provisioned for to amounts deemed adequate by the legal advisors and directors to cover unfavorable outcomes
- s. Restatement** - certain receivables have been restated based on specific interest rates, which reflect the nature of these assets in terms of term, risk, currency and receipt terms at the dates of the respective transactions
- t. Dividends** - Dividends declared in excess of the minimum mandatory dividend after the accounting period reported on by the financial statements are recorded separately in the shareholders' equity, as they do not constitute a present obligation, and the respective liability is not recorded until it has been approved
- u. Revenue** - revenue are recognized in the income statement for the year on the accrual basis of accounting. Revenue is not recognized if there are significant uncertainties as to its realization. Revenue is measured at the fair value of the consideration received or receivable. net of any variable payments, such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

Operating revenue consists of build and unbilled electricity sales to consumers, construction revenue and other revenue related to other services provided by the parent company and subsidiaries. Revenue from electricity distribution services is recognized monthly by issuing electricity bills according to the measurement month. Unbilled revenue determined by estimate through the reporting date, recognized on the accrual basis, based on individual average daily consumption between the latest reading date and the close of the month.

The subsidiaries record revenue and costs relating to the construction or upgrading of the assets used to provide the electricity distribution and transmission services. Electricity purchases and sales at the CCEE are recognized on

the accrual basis based on information disclosed by that entity or by Management estimate.

The direct and indirect subsidiaries initially applied CPC 47 / IFRS 15 on January 01, 2018, where additional information about the impacts of adopting the accounting policies can be seen in note 3.1.

- v. Post-employment benefits** - Retirement and pension supplementation plan and other post-employment benefits- The Company and its subsidiaries sponsor post-employment pension funds, retirement supplementation plans and medical assistance plans. The net obligation of the Company and its subsidiaries under defined-benefit (BD) and Defined-Contribution (CD) pension plans is calculated for each plan by estimating the future benefit the employees are entitled to in return for their work in the current year and previous years, discounted to present value. Any unrecognized past service costs and the fair values of any of the plan's assets are deducted. The discount rate is the yield at the reporting date for securities which mature on dates near the obligations of the Company and its subsidiaries denominated in the same currency in which the benefits are expected to be paid. Calculation is made annually by a qualified actuary using the projected units credit method. When the calculation produces a benefit, the asset to be recognized is limited to the total of any past service costs not recognized and the present value of economic benefits available in the form of future reimbursements under the plan or decrease in the plan's future contributions. To calculate the present value of the economic benefits, any minimum costing requirements applying to any plan are taken into account. An economic benefit is available if it can be realized within the plan's life or upon settlement of the plan's liabilities.

The Company and its subsidiaries sponsor a medical assistance plan for retirees and former employers who contribute a fixed sum to the plan, in compliance with Law 9656/98 (that provides on private health insurance plans). Pursuant to the Law's articles 30 and 31, the right is assured of extending the medical assistance plan to which participants are entitled while actively employed.

Actuarial gains and losses are directly recognized in other comprehensive income in shareholders' equity;

- w. Other (current and non-current) assets and liabilities** - other assets and liabilities are stated at known or calculable values, plus the corresponding earnings/charges incurred up to the reporting date, when applicable.
- x. Statement of added value** - prepared relying on information obtained from the accounting records, in accordance with CPC 09 - Statement of Added Value. This shows the wealth created by the Company and the distribution thereof in a given period, and is being presented in accordance with Brazilian corporate legislation, for listed Companies, as part of its financial statements.

4. Consolidated financial statements

The consolidated financial statements include the financial statements of Energisa and its subsidiaries as of December 31, 2018. Control is obtained when Energisa is exposed to or entitled to variable returns resulting from its involvement with the investee and has the ability to affect those returns through its power over the investees.

The Group controls an investee if and only if it has:

- Power over the investee (i.e., existing rights guaranteeing it the current capacity to manage the investor's respective activities).
- The exposure to or right to variable returns deriving from its involvement in the investee.
- The capacity to use the power over the investee to affect the value of its returns.

Holding a majority of voting rights is generally presumed to result in control. To support this assumption and when Energisa Group has less than the majority of an investee's voting rights, the Group considers all pertinent facts and circumstances when assessing whether it has power over an investee, including:

- The contractual agreement between the investor and other holders of voting rights.
- Rights deriving from other contractual agreements.
- The voting rights and potential voting rights of the Group (investor).

The Company assesses whether or not it exercises control over an investee if facts and circumstances indicate changes in one or more of the three control elements mentioned above. A subsidiary is consolidated when the

company obtains control over it and ends when the Group no longer exercises this control. Assets, liabilities and income of a subsidiary acquired or sold during the year are included in the consolidated financial statements as from the date on which the Group exercises control until the date the Company no longer exercises control over the subsidiary.

The result and each component of other comprehensive income is attributed to the controlling shareholders and noncontrolling shareholders of the Group, even if this results in a loss for the noncontrolling shareholders. When necessary, adjustments are made to the subsidiaries' financial statements to align their accounting policies with the Group's accounting policies. All assets and liabilities, profit or loss, revenue, expenses and cash flows of the same group related to transactions between Group companies, are eliminated upon consolidation.

The change in the subsidiary's equity interest that does not result in control being lost is recorded as an equity transaction.

If the company loses the control exercised over a subsidiary, the subsidiary's corresponding assets (including any goodwill) and liabilities are written off at their carrying amount on the date control is lost and the carrying amount is written out of any noncontrolling interest on the date controller is lost (including any components of other comprehensive income attributed to them). Any difference resulting in a gain or loss is recorded in profit or loss. Any investment retained is recognized at fair value on the date control is lost.

The consolidated financial information includes the financial information of Energisa and the subsidiaries:

	Line of business	% interest	
		2018	2017
Direct subsidiaries			
Energisa Sergipe - Distribuidora de Energia S/A (ESE) (1)	Electricity distribution	100	100
Energisa Borborema - Distribuidora de Energia S/A (EBO)	Electricity distribution	100	100
Energisa Paraíba - Distribuidora de Energia S/A (EPB) (1)	Electricity distribution	100	100
Energisa Minas Gerais - Distribuidora de Energia S/A (EMG) (1)	Electricity distribution	100	100
Energisa Nova Friburgo Distribuidora de Energia S/A (ENF)	Electricity distribution	100	100
Centrais Elétricas de Rondônia S/A (2)	Electricity distribution	90	-
Companhia de Eletricidade do Acre S/A (2)	Electricity distribution	87.61	-
Energisa Soluções S/A (ESO)	Energy distribution and generation services	100	100
Energisa Serviços Aéreos de Aeroinspeção S/A (ESER)	Aerial thermographic inspections	100	100
Energisa Planejamento e Corretagem de Seguros Ltda. (EPLA)	Insurance brokerage	58.26	58.26
Energisa Comercializadora de Energia Ltda (ECOM)	Electricity trading	100	100
Parque Eólico Sobradinho Ltda (3)	Wind energy generation	100	100
Energisa Geração Usina Maurício S/A (GUM)	Electricity generation	100	100
Energisa Geração Central Solar Coremas S/A (3)	Solar energy generation	100	100
Energisa Geração Eólica Boa Esperança S/A (3)	Wind energy generation	100	100
Energisa Geração Eólica Mandacaru S/A (3)	Wind energy generation	100	100
Energisa Central Eólica Alecrim S/A (3)	Wind energy generation	100	100
Energisa Geração Central Eólica Umbuzeiro -Muquim S/A (3)	Wind energy generation	100	100
Energisa Participações Minoritárias S/A (***)	Holding Company	87.7	100
FIM Zona da Mata	Exclusive investment fund	100	100
Caixa FI Energisa	Exclusive investment fund	100	100
Dinâmica Credit Receivables	Securitization of credits	100	100
Denerge Desenvolvimento Energético S/A	Holding Company	99.97	99.97
Energisa Pará Transmissora de Energia I S/A (3)	Electricity transmission	-	100
Energisa Goiás Transmissora de Energia I S/A (3)	Electricity transmission	-	100
Energisa Transmissão de Energia S/A (the new company name of Energisa Empreendimentos de Energia II S/A) (3) (*)	Holding Company	100	100
Energisa Pará Transmissora de Energia II S/A (3)	Electricity transmission	-	100
Indirect subsidiaries			
Empresa Energética Vale Paranapanema S/A - EEVP	Holding Company	99.99	99.99
Rede Energia Participações S.A (1)	Holding Company	92.62	96.28
Rede Power do Brasil S/A	Holding Company	92.62	96.18
QMRA Participações S/A	Holding Company	92.62	96.18
Energisa Mato Grosso Distribuidora de Energia S/A (1)	Electricity distribution	73.38	66.60
Energisa Mato Grosso do Sul Distribuidora de Energia S/A (1) (4)	Electricity distribution	92.58	99.93
Energisa Tocantins Distribuidora de Energia S/A	Electricity distribution	77.07	76.67

Multi Energisa Serviços S/A	Services	92.66	99.9
Vale do Vacaria Açúcar e Alcool S/A (**)	Services	-	100
Energisa Sul - Sudeste - Distribuidora de Energia S/A (5)	Electricity distribution	92.12	98.99
Energisa Soluções Construções e Serviços em linhas e Redes S/A	Energy distribution and generation services	100	100

(*) The Extraordinary General Meeting held July 18, 2018 approved the change to the company's name.

(**) The indirect subsidiary Vale do Vacaria Açúcar e Alcool S/A had its write-off application ratified in the year.

(***) The Extraordinary General Meeting held December 27, 2018 approved the change to the Company's name from Companhia de Energisa Geração de Energia S/A to Energisa Participações Minoritárias S/A.

- (1) Publicly held companies
- (2) Companies acquired by Energisa S/A in October and December 2018 with a direct interest of 90% in the share capital of Centrais Elétricas de Rondônia ("Ceron") and 87.61% in Companhia de Eletricidade do Acre ("Eletroacre"), respectively.
- (3) Preoperational.
- (4) Rede Power do Brasil S/A is controlled by Rede Energia Participações S.A. and has an interest of 35.92% in EMS.
- (5) The Extraordinary General Meeting held June 30, 2017 approved the mergers into Energisa Sul-Sudeste - Distribuição de Energia S.A of EBB, EDEVP, CNEE and CFLO.

Description of main consolidation procedures:

- 1) Elimination of inter-company asset and liability account balances;
- 2) Elimination of the balances of investments and corresponding interests in the capital and earnings of subsidiaries; and
- 3) Elimination of inter-company income and expense balances arising from inter-company transactions.

Business combination and goodwill:

Business combinations are recorded based on the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, which is valued based on fair value at the acquisition date and the value of any noncontrolling interests in the acquiree. For each business combination, the acquirer measures the noncontrolling interests in the acquiree at fair value or based on a proportionate share of the acquiree's net assets. Costs directly attributable to the acquisition are expensed when incurred. When acquiring a business, the Company values the financial assets acquired and the liabilities assumed in order to classify and allocate them pursuant to the terms of the agreements, economic circumstances and the conditions prevailing at the acquisition date, which includes segregation by the acquired company of any embedded derivatives existing in host agreements in the acquired company.

Any contingent consideration to be transferred by the acquiring company is recognized at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent consideration considered as an asset or liability should be recognized in accordance with CPC 48 in the income statement.

Goodwill is initially measured as the excess of the consideration paid over the fair value of the net assets acquired (identified assets and liabilities assumed). If the consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain in profit or loss.

After initial recognition, the goodwill is measured at cost, less any accumulated impairment losses. For the purposes of impairment testing, the goodwill resulting from a business combination is allocated to each one of the Group's cash generating units expected to benefit from the combined synergies, regardless of other assets or liabilities of the acquired company being attributed to these units.

When goodwill comprises a cash generating unit and a portion of this unit is sold, the goodwill associated with the sold portion shall be included in the operation's cost if a gain or loss is determined on the sale. The goodwill sold in these circumstances is determined based on the proportional values of the portion sold in relation to the cash generating unit maintained.

Classifying current and non-current assets and liabilities:

Assets and liabilities are presented in the statement of financial position based on their classification as current or noncurrent. An asset is classified as current when:

- It is expected or intended to be sold or consumed within the entity's normal operational cycle.
- It is essentially maintained for trading.
- It is expected to be realized within 12 months of the reporting date.
- It is a cash or cash equivalent (as defined in CPC Technical Pronouncement 03 - Statement of Cash Flows), unless its exchange or use to settle a liability is forbidden for at least 12 months after the reporting date.

All other assets are classified as noncurrent. A liability is classified as current when:

- It is expected to be settled within the entity's normal operational cycle.
- It is essentially maintained for trading.
- It should be settled within 12 months of the reporting date.
- The entity does not have the unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified in noncurrent assets and liabilities.

Government grants:

Government grants are recognized when there is reasonable assurance that the entity will perform all the established conditions related to the grant and the grant will be received. When the benefit covers an expense, it is recognized as revenue over the benefit period on a systematic basis in relation to the respective expenses the benefit is intends to offset. When the benefit consists of an asset, it is recognized as deferred revenue in liabilities and on a systematic and rational basis over the useful life of the asset.

When we receive non-monetary benefits, the asset and the benefit are recorded at nominal value and reflected in profit or loss over the expected useful life of the asset, in equal annual installments. the benefit obtained under a government loan is initially recognized or measured at fair value in accordance with CPC 48, and the benefit related to an interest rate below that observable in the market is classified as a government grant (measured at the difference between the initial carrying value of the loan, determined pursuant to CPC 48, and the amount received).

Current income and social contribution taxes:

Current tax assets and liabilities for the current and previous years are measured at the amount expected to be paid to the tax authorities, using the tax rates in force at the end of the year.

Current income and social contribution taxes relating to items recognized directly in equity are recognized in equity. Management periodically assesses the tax position of situations where the tax regulations require interpretation and makes provisions when appropriate.

Deferred taxes:

Deferred tax is generated by temporary differences, at the reporting date, between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or the asset or liability in a transaction other than a business combination and that the transaction date does not affect the net income or taxable profit or tax loss.
- On temporary tax differences relating to investments in subsidiaries, where the period for reversing the temporary differences can be controlled and the temporary differences will probably not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences and unused tax credits and tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax credits and tax losses can be used, except:

- When the deferred tax asset relating to the deductible temporary difference is generated upon initial recognition of the asset or liability in a transaction other than a business combination and that the transaction date does not affect the net income or taxable profit (or tax loss).
- For temporary deductible differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent it is probable that the temporary differences will be reversed in the near future and the taxable income is available so that the temporary differences can be used.

The carrying amount of deferred tax assets is revised at each reporting date and written off when it is no longer probable that taxable income will be available to permit usage of all or part of the deferred tax asset. Deferred tax assets are written off at each reporting date and recognized when it is probable that sufficient future taxable income will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year when the asset is realized or the liability is settled using tax rates enacted at the reporting date.

Deferred tax on assets directly recognized in equity is also recognized in equity and not the income statement. Deferred tax items are recognized according to the transaction that originated the deferred tax, in comprehensive income or directly in equity.

Tax incentives acquired as part of a business combination, but which do not meet the criteria for separate recognition on that date, are subsequently recognized in the event of new information about facts and changes in circumstances. The adjustment is treated as a reduction in goodwill (providing it does not exceed the goodwill) if incurred during the measurement period or recognized in profit or loss.

Current tax assets and liabilities are stated net if, and only if, said entities have the legally enforceable right to make or receive a lump sum and the entities intend to make or receive this sum or recover the asset and settle the liability simultaneously. Deferred net tax assets liabilities are recorded if, and only if, the Company has the legally enforceable right to offset current tax assets against current tax liabilities and if the deferred tax assets and the deferred tax liabilities are related to income taxes demanded by the same tax authority: (i) at the same taxable company; or (ii) at different taxable companies that intend to settle the current tax liabilities and assets on a net basis or realize the assets and settle the liability simultaneously in each future period in which it is expected that significant deferred tax assets or liabilities will be settled or recovered.

Income taxes:

Expenses and assets are recognized net of sales tax except:

- When sales tax incurred on purchase of goods or services is not recoverable from taxation authorities, in which case sales tax is recognized as part of the acquisition cost of the asset or expense item, as applicable.
- When the amounts receivable and payable are presented along with the sales taxes.
- When net sales tax recoverable or payable is included as a component of receivables or payables on the statement of financial position.

5. Segment reporting - consolidated

The Company and its subsidiaries operate in energy distribution and sale and the provision of maintenance and operation of services for electricity distribution generation ventures. Summary segment reporting follows:

a) Segment reporting

	2018					
	Distribution	Generation	Transmission	Sales	Services	Total
External Revenue	14,649,800	255	182,864	935,839	18,823	15,787,581
Intersegment Revenue	101,424	-	-	-	314,769	416,193
Total	14,751,224	255	182,864	935,839	333,592	16,203,774
Financial Revenue	472,700	7	153	4,005	333,398	810,263
Financial Expenses	(879,410)	(8)	(1,791)	(7,071)	(872,479)	(1,760,759)
Total	(406,710)	(1)	(1,638)	(3,066)	(539,081)	(950,496)
Depreciation and amortization	912,107	50	22	35	37,497	949,711
Reportable net income by segment before income and social contribution taxes	1,291,145	(172)	5,997	27,235	593,180	1,917,385

	2017					
	Distribution	Generation	Transmission	Sales	Services	Total
External Revenue	12,840,237	341	15,008	747,531	34,037	13,637,154
Intersegment Revenue	-	-	-	-	279,605	279,605
Total	12,840,237	341	15,008	747,531	313,642	13,916,759
Financial Revenue	672,149	5	-	2,819	273,835	948,808
Financial Expenses	(1,049,630)	(12)	(322)	(4,359)	(532,488)	(1,586,811)
Total	(377,481)	(7)	(322)	(1,540)	(258,653)	(638,003)
Depreciation and amortization	773,623	37	(1)	28	33,988	807,675
Reportable net income by segment before income and social contribution taxes	836,526	(78)	(1,343)	26,781	(254,996)	606,890

	Distribution	Generation	Transmission	Sales	Services	2018	2017
Assets by reportable segment	32,086,289	6,811	473,423	170,495	5,145,453	37,882,471	23,393,801
Current assets	8,057,262	382	258,648	147,756	2,788,671	11,252,719	7,213,366
Non-current assets	24,029,027	6,429	214,775	22,739	2,356,782	26,629,752	16,180,435
Liabilities by reportable segment	23,788,966	996	328,347	152,020	7,564,612	31,834,941	18,609,279
Current liabilities	5,679,281	986	59,782	97,685	1,915,661	7,753,395	5,860,077
Non-current liabilities	18,109,685	10	268,565	54,335	5,648,951	24,081,546	12,749,202

b) Reconciliation of segment revenue, profits, assets and liabilities

	2018	2017
Revenue		
Total net revenue of reportable segments	16,203,774	13,916,759
Elimination of intersegment revenue	(416,193)	(279,605)
Consolidated net revenue	15,787,581	13,637,154
Depreciation and amortization		
Total depreciation and amortization of reportable segments	949,711	807,675
Consolidated depreciation and amortization	949,711	807,675
Financial revenue		
Total financial revenue of reportable segments	810,263	948,808
Elimination of intersegment revenue	(275,264)	(165,095)
Consolidated financial revenue	534,999	783,713
Financial expense		
Total financial expense of reportable segments	(1,760,759)	(1,586,811)
Elimination of intersegment expense	275,264	165,095
Consolidated financial expense	(1,485,495)	(1,421,716)
Profits		
Total earnings of reportable segments	1,917,385	606,890
Income before tax	1,917,385	606,890

	2018	2017
Assets		
Total reportable segment assets	37,882,471	23,393,801
Other unallocated amounts	(1,464,463)	(1,345,338)
Total consolidated assets	36,418,008	22,048,463
Liabilities		
Total reportable segment liabilities	31,834,941	18,609,279
Other unallocated amounts	(1,464,463)	(1,345,445)
Total consolidated liabilities	30,370,478	17,263,834

6. Cash and cash equivalents, short-term investments in the money market and secured funds
6.1. Cash and cash equivalents (stated at fair value through profit and loss)

The portfolio of short-term investments consists of Bank Deposit Certificates (CDBs) and Securities subject to repurchase agreements. Weighted average interest on the portfolio in the year ended December 31, 2018 was 96.0% of the CDI rate (95.38 % of the CDI rate in 2017).

Description	Parent Company		Consolidated	
	2018	2017	2018	2017
Cash and sight deposits	2,930	522	173,785	87,119
Liquid financial investments:	310,757	133,884	532,953	834,362
Bank Deposit Certificate (CDBs)	178,789	914	184,590	63,800
Repurchase	131,968	132,970	348,363	770,562
Total cash and cash equivalents - current	313,687	134,406	706,738	921,481

6.2. Money market and secured funds (stated at fair value through profit and loss)

The investment portfolio consists largely of Closed-End Investment Funds investing in assets selected to improve returns with minimal risk, including fixed-income securities, government bonds, repurchase agreements, debentures and CDBs. Weighted average interest on the portfolio at December 31, 2018 was 100.0% of the CDI rate (107.89% of the CDI in 2017).

Description	Parent Company		Consolidated	
	2018	2017	2018	2017
1) At fair value through profit or loss	2,451,010	1,910,911	3,643,972	1,887,061
Bank Deposit Certificate (CDBs)	13,597	16,263	33,064	24,498
Bank Deposit Certificates Commercial Guarantees (CDB) ⁽¹⁾	-	-	8,454	10,041
Subject to repurchase commitments ⁽²⁾	-	28	342	14,599
Debentures ⁽³⁾	1,272,160	1,479,608	-	229,708
Investment Funds ⁽⁴⁾	14,310	104,123	723,726	571,385
Exclusive Investment Funds ⁽⁴⁾	1,131,635	291,581	2,778,399	915,693
Bank Deposit Certificate (CDBs)	8,816	6,201	16,238	15,238
Bank Credit Note (CCB)	2,991	2,301	5,508	5,656
Debentures	-	66,358	-	163,054
Securities subject to repurchase agreements	238,504	6,309	439,285	15,503
Government securities	408	1,186	443,894	18,616
Fixed-Income Fund	620,420	95,233	1,142,711	234,003
Financial Treasury Bills (LFT)	210,690	31,411	541,796	101,452
Financial bill (LF)	9,969	81,406	64,626	359,281
Subordinated financial bill (LFS)	-	1,176	-	2,890
Financial bill (LTN)	8,089	-	29,627	-
National Treasury Notes (NTNB)	31,748	-	94,714	-
CCB bills ⁽⁵⁾	74,711	75,114	74,711	75,114
(-) Provision for losses on CCB bills ⁽⁵⁾	(74,711)	(55,806)	(74,711)	(55,806)
Commercial paper	-	-	252	302
Other instruments	-	-	-	-
Credit receivables investment funds ⁽⁶⁾	-	-	99,735	101,527
2) Amortized cost	-	-	-	9,729
Credit receivables investment funds ⁽⁶⁾	-	-	-	9,729
Total balance of money market and secured funds	2,431,702	1,910,911	3,643,972	1,896,790
Current	1,182,802	660,798	3,538,730	1,758,953
Noncurrent	1,248,900	1,250,113	105,242	137,837

(1) Bank Deposit Certificate (CDB) - Commercial Guarantees - These investments denote funds underlying commercial client guarantees, pursuant to the energy sale contract. Funds in this amount were credited to current liabilities, yielding 99.0% to 100.0% and a weighted average of 99.9% of the CDI rate.

(2) Debentures held under repurchase agreements - Sales of securities subject to a repurchase agreement undertaken by the seller, alongside the resale commitment undertaken by the buyer. They yield 65.0% to 90.0% and the weighted average of the CDI rate and underlie debentures;

(3) Private debentures issued by the distribution companies:

(4) Investment Funds - Includes funds classified as fixed income and Multimarket and yield 35.4% to 117.6% and the weighted average of 105.2% of the CDI rate. as well as exclusive investment funds, includes investments in CDB, CCB, Debentures, Securities subject to a repurchase agreements, Fixed-Income Funds, Credit Funds and LFT, LFS, LF bills and yield 105.2% of CDI Fundo FI Energisa and 101.3% of the CDI Fundo Zona da Mata.

(5) CCB bills - the Company has securities issued by or whose payment is the responsibility of an unrelated party that has filed for judicial reorganization. As the Judicial Reorganization Plan was only approved in April 2017 and to be conservative, a provision was made for credit impairment of R\$ 74,711 (R\$ 55,806 in 2017).

(6) Non-standardized credit receivables investment fund IV Energisa Centro Oeste - FIDC maturing on 10/1/2034 and Credit receivables investment fund (FIDC) Energisa 2008 maturing on 12/29/2020, respectively.

7. Customers, consumers and concessionaires

At the parent company this mainly includes specialized services provided to the subsidiaries, as detailed in note 14 - related-party transactions and the consolidated statement mainly includes billed and unbilled electricity sales to consumers, the latter determined by estimate recognized on an accrual basis, based on individual average daily consumption between the last reading date and the close of the financial statements close date.

	Parent Company		Consolidated							Total	
	2018	2017	Outstanding balances		Overdue balances				PPECLD (7)	2018	2017
			Up to 60 days	Over 60 days	Up to 90 days	91 to 180 days	181 to 360 days	Over 360 days			
Current amounts: ⁽¹⁾											
Residential	-	-	359,363	-	390,652	58,751	21,419	11,606	(103,649)	738,142	564,936
Industrial	-	-	168,981	-	31,067	6,663	6,297	40,441	(37,900)	215,549	168,908
Commercial	-	-	276,582	-	97,074	15,633	11,205	22,081	(40,135)	382,440	299,762
Rural	-	-	98,966	-	53,793	14,830	4,401	3,140	(7,942)	167,188	125,111
Government	-	-	98,934	-	21,406	2,234	3,228	11,248	(16,251)	120,799	94,168
Public lighting	-	-	58,418	-	8,462	3,698	7,584	7,341	(15,032)	70,471	34,771
Public utility	-	-	50,115	-	9,640	6,712	8,833	49,984	(62,701)	62,583	53,091
Taxed service	-	-	4,323	-	-	-	-	-	-	4,323	1,047
Unbilled sales	-	-	754,443	-	-	-	-	-	-	754,443	478,111
Collection	-	-									
Classification	-	-	92,269	-	-	-	-	-	-	92,269	71,711
Process	-	-									
Renegotiated amounts:											
Residential	-	-	28,636	62,503	16,222	7,118	6,964	40,870	(65,107)	97,206	48,563
Industrial	-	-	8,600	19,791	3,082	1,044	1,891	20,430	(28,083)	26,755	18,104
Commercial	-	-	13,160	79,012	5,506	3,788	2,372	16,285	(37,293)	82,830	61,833
Rural	-	-	6,558	16,672	2,913	1,466	1,273	4,497	(10,881)	22,498	10,691
Government ⁽²⁾	-	-	17,072	348,676	2,508	545	679	41,335	(20,098)	390,717	289,591
Public lighting	-	-	2,884	19,213	262	74	-	15	(153)	22,295	22,623
Public utility	-	-	1,194	18,721	271	58	55	239	(2859)	17,679	6,098
Taxed service	-	-	-	-	-	-	-	-	-	-	115
(-) Adjustment to present value ⁽³⁾	-	-	(4,781)	(106,837)	-	-	-	-	-	(111,618)	(61,183)
Subtotal - receivables	-	-	2,035,717	457,751	642,858	122,614	76,201	269,512	(448,084)	3,156,569	2,288,051
Sales to concession operators - local currency ⁽⁴⁾	-	-	44,187	-	671	638	1,115	34,589	(5,632)	75,568	122,456
Charge for using transmission and distribution system	-	-	1,850	-	90	-	-	106	(391)	1,655	3,786
Specialized Services ⁽⁸⁾	34,842	34,280	17,203	-	-	-	-	-	(2,433)	14,770	11,328
Decrease in use of the distribution system ⁽⁵⁾	-	-	12,201	-	-	-	-	-	-	12,201	12,201
Others ⁽⁶⁾	-	-	374,950	81,974	144,679	18,720	2,097	143,649	(36,652)	729,417	281,199
Total	34,842	34,280	2,486,108	539,725	788,298	141,972	79,413	447,856	(493,192)	3,990,180	2,719,021
Current	34,842	34,280								3,041,247	2,246,232
Noncurrent	-	-								948,933	472,789

- (1) Maturities are scheduled for the 5th working day after the bills are delivered, except for government consumers who have 10 working days to pay.
- (2) Adjustment recognized to present value on the debt of R\$ 12,926 as of December 31, 2018, recorded in profit or loss for the year under other financial expenses in the consolidated statement, calculated by applying the annual CDI rate of 6.60% p.a.
- (3) Adjustment to present value: calculated for renegotiated contracts without interest and/or those with an interest-rate of IPCA or IGPM. The annual average rate of CDI of 6.40% p.a. was used for discounting to present value (6.99% p.a. in 2017).
- (4) Includes energy sold at the Electricity Commercialization Chamber - CCEE.

Breakdown of CCEE credits	Consolidated	
	2018	2017
Outstanding balances	43,963	89,825
Credits linked to court injunctions up to December 2002 ^(a)	34,589	34,589
Overdue credits	-	812
Sub-total credits CCEE ^(*)	78,552	125,226
(-) Energy acquisitions at CCEE	(157,619)	(286,417)
(-) System service charges	(31,628)	(11,716)
Total CCEE credits	(110,695)	(172,907)

(*) The sub-total of R\$ 78,552 (R\$ 125,226 in 2017) does not include the expected allowance for doubtful accounts of R\$ 2,913 (R\$ 2,770 in 2017).

(a) Amounts linked to court injunctions that can be subject to change, depending on the outcome of the legal proceedings in progress. The subsidiaries ESE, EMG, ENF and ESS did not make a provision for expected possible loan losses referring to the balances bound to these injunctions, as they hold that the amounts will be received in full either from the borrowers judicially contesting the loans or from other companies which the CCEE specifies in the future.

- (5) The amounts intended to restore the subsidiary EMT's revenue for providing the distribution grid to free consumers, generators and incentivized sources. For the remaining balance of R\$ 12,201 (R\$ 12,201 in 2017), recorded under noncurrent assets, suspended by injunction, the same amount is recorded against other accounts payable in the consolidated noncurrent liabilities.
- (6) ICMS payable on energy demand which has been suspended under injunctions. The amount has been recorded in the consolidated financial statement as ICMS in taxes and social contributions, under non-current liabilities and includes service fees and other consumer receivables.
- (7) Allowance for expected doubtful accounts. The allowance was made to an amount deemed sufficient to cover any losses incurred on the realization of credits on trade accounts receivable, consumers and concession operators.

The Company and its subsidiaries adopted CPC 48/IFRS 9 with initial application on January 01, 2018, and the assessment made does not indicate material changes to the provision.

See below the change in provisions:

Changes in provisions	2018	2017
Opening balance - current - 2017 and 2016	388,025	353,151
Balance of acquisition of the business combination	170,936	-
Provisions recorded in the year	154,736	110,248
Write-off of electricity bills - uncollectible	(108,634)	(75,374)
Closing balance - current - 2018 and 2017	605,063	388,025

Allocation:

Clients, consumers and concessionaires	493,192	373,973
Credit receivables	71,175	2,387
Other accounts receivable	40,696	11,665

- (8) The balance of specialized services at the parent company includes amounts for Services provided to Centrais Elétricas de Rondônia in the amount of R\$ 116 (R\$ 304 in 2017) and R\$ 34,726 (R\$ 33,976 in 2017) referring to related-party transactions (see note 14).

8. Credit receivables

	Parent Company		Consolidated	
	2018	2017	2018	2017
Enforcement of PM securities of Cuiabá (1)	-	-	16,590	21,042
Municipality Securities (1)	-	-	65,763	-
Credit receivables (2)	222	3,048	47,125	49,286
Allowance for doubtful accounts	-	-	(71,175)	(2,387)
Adjustment to present value (1 and 2)	-	-	(23,166)	(24,095)
Total	222	3,048	35,137	43,846
Current	144	1,167	20,031	19,940
Non-current	78	1,881	15,106	23,906

In 2018 the credits mature as follows :

Invoice due dates	Parent Company	Consolidated (*)
	2018	2018
Overdue by	-	9,452
2019	144	11,498
2020	-	11,825
2021	78	5,290
2022 onwards	-	68,247
Total	222	106,312

(*) Presented net of the adjustment to present value.

Parent Company:

In 2018 Energisa S/A has R\$ 222 (R\$ 3,048 in 2017) of receivables from Raizen do Brasil which will be settled over 36 monthly payments of R\$ 85, incurring monthly interest equal to the CDI rate. The balance of R\$ 1,224 was received on May 2, 2018, and a supplement of R\$ 104, amounting to R\$ 1,328.

In the financial year ended December 31, 2018, a provision for losses was made of R\$ 1,336 and recognized in the income statement for the year and R\$ 162 was reclassified to short-term investments in the money market and secured funds.

Consolidated:

(1) Indirect subsidiary EMT:

- (i) **Government securities** under proceeding (383/2001 - 3rd Lower Treasury Court - Cuiabá), filed against the municipality of Cuiabá, which resulted in order 13.699/2004/TJMT. Receivables amounting to R\$ 16,590 (R\$ 21,042 in 2017) are in the process of receipt, and 30 installments have been received, there remaining 36 fixed installments of R\$ 500, restated at the rate of 0.5% per month, and the last installment, no. 67, of R\$ 183. Subsidiary management constituted the present value of R\$ 57 (R\$ 711 in 2017) at the average annual interest rate of CDI 6.40% p.a. (6.99% p.a. in 2017).
- (ii) **In June 2018 the subsidiary recorded** municipal government securities, where the securities were issued after the final legal conviction of the debtors, in accordance with the court order, in addition to payment requisitions to demand the municipalities pay debts related to electricity bill debits for the period July 1998 to June 2014 in the amount of R\$ 65,763 (historic values), payable from July 27, 1998, which have been provisioned for in their entirety. On June 30, 2018 the entire amount was transferred to the item consumers and concession operators. All the cases have had the evidentiary stages completed, and are final and unappealable. The amount is fully provisioned for and formed as follows:

	2018
Municipal government of Alta Floresta	1,025
Municipal Government of Cáceres	4,021
Municipal Government of Juscimeira	4,127
Water and sewage department of Várzea Grande - DAE VG	56,590
Total	65,763

(2) Credit receivables:

Indirect subsidiary EMT

Acquisition of carbon credits of R\$ 1,625 (R\$ 1,625 in 2017), for which a provision has been recognized.

Indirect subsidiary ESS:

- (i) In 2003 the indirect subsidiary acquired R\$ 44,033 (R\$ 44,033 in 2017) non-tax credits arising from an award against the Federal Government in proceedings seeking a right to offset federal taxes and contributions recognized under a *res judicata* court decision. These credits are under dispute in proceedings brought by the party holding credit rights against the Federal Government. The indirect subsidiary brought these proceedings with an claim for assistance which was rejected by the first instance court for purely procedural reasons. An appeal was brought against the decision which is pending adjudication by the Federal Court of the 1st Region. Following their accession to the Special Tax Financing Program (PAEX) on 12/15/2006 under Provisional Measure 303/2006, the subsidiary ESS withdrew from their claim to offset those credits but remain party to the proceedings to seek recognition of their credit rights. The realization of these credits depends on a successful outcome from the proceedings, the probability of which has been rated as "possible" by the Company's legal advisers. Management recognized a provision for impairment losses of this asset, recorded as a deduction to consolidated credits receivable of R\$ 21,400 (R\$ 21,400 in 2017) and R\$ 22,633 (R\$ 22,633 in 2017) in the item adjustment to present value.
- (ii) Includes the collection arrangement, mutual use of poles and other items amounting to R\$ 8,299 (R\$ 5,586 in 2017). The subsidiary has a mutual pole use recoverable loss of R\$ 762 (R\$ 762 in 2017).

(iii) In 2018 the indirect subsidiary acquired municipal government securities of R\$ 684, which were issued after a final decision against the debtors had been convicted by the highest courts. The subsidiary recorded an impairment loss for Regente Feijó municipal government securities of R\$ 290.

Municipal Governments	2018
REGENTE FEIJÓ	290
SANTO ANASTÁCIO	394
Total	684

Indirect subsidiary ETO:

In FY 2018 the indirect subsidiary ETO recorded the amount of R\$ 12,496 (R\$ 15,208 in 2017), where details of the securities are as follows:

- (i) R\$ 9,135 (R\$ 11,859 in 2017) denotes municipal government securities, which after the final legal conviction of the debtors the securities were issued, in accordance with the court order, in addition to payment requisitions to demand the municipalities pay debts related to electricity bill debits.

All the cases have had the evidentiary stages completed, and are final and unappealable, as a consequence the municipal securities were formed as follows:

Municipal Governments	2018	2017
Araguaína	-	1,427
Araguatins	163	541
Palmeirópolis	3	97
Paraíso	2,358	3,478
Silvanópolis	28	186
Taguatinga	4,601	6,130
Divinópolis (*)	442	-
Miranorte (*)	699	-
Porto Nacional (*)	651	-
Cachoeirinha (*)	33	-
Colmeia (*)	107	-
Ponte Alta do Bom Jesus (*)	50	-
Total	9,135	11,859

(*) amounts fully provisioned for until payments begin.

- (ii) Includes overdue unpaid electricity bill credits of R\$ 3,126, (R\$ 3,227 in 2017) resulting from the collection proceeding filed against the debtor Itafós Mineração S/A, accepted by the courts and made final and unappealable, where Energisa Tocantins' credits were fully qualified in the case records of the Extradjudicial Reorganization Proceeding of the debtor 0000459-40.2016.827.2709, ratified on August 29, 2016, and in progress before the 1st Civil Court of Arraias - TO.

Management of the subsidiary ETO made a provision for adjustment to present value of receivable credit securities in the amount of R\$ 455 (R\$ 751 in 2017) recorded under other financial expenses in the consolidated income statement for the year.

Other subsidiaries:

- (i) R\$ 1,665 (R\$ 1,186 in 2017), other receivables from third parties, by the subsidiaries CTCE, EPB, EMG and Dinâmica.
(ii) In the year the subsidiary EMG recorded an impairment loss for Manhuaçu municipal government securities of R\$ 748.

9. Dividends receivable

Dividends receivable	Parent Company	
	2018	2017
Energisa Mato Grosso - Distribuidora de Energia S/A	42,445	1,525
Rede Energia Participações S/A	-	7,809
Denerge Desenvolvimento Energético S/A	53,486	5,954
Energisa Nova Friburgo Distribuidora de Energia S/A	1,289	1,289
Energisa Comercializadora de Energia Ltda.	4,471	4,237
Energisa Planejamento e Corretagem de Seguros Ltda.	-	298
Energisa Borborema Distribuidora de Energia S/A	247	-
Dinâmica Credit Receivables	-	10
Total Current Assets	101,938	21,122

10. Recoverable taxes

	Parent Company		Consolidated	
	2018	2017	2018	2017
Value Added Tax on Sales and Services - ICMS	-	-	270,539	206,363
Income tax withheld at source - IRRF	29,306	14,180	38,986	17,105
Corporate Income Tax - IRPJ	71,591	53,217	567,338	350,673
Social Contribution on Net Income -CSLL	6,663	4,043	162,289	85,406
PIS and COFINS Contributions	1,309	880	111,555	104,033
Other	171	52	42,416	35,670
	109,040	72,372	1,193,123	799,250
Current	88,855	29,502	925,676	575,826
Non-current	20,185	42,870	267,447	223,424

This denotes tax credits on negative balances of income and social contribution taxes, ICMS on the acquisition of intangible assets/property, plant and equipment and overpayments of taxes and contributions, which will be recovered or offset against taxes in future periods, in due accordance with the applicable existing tax legislation.

11. Readjustments, Rate Reviews and other regulatory matters - consolidated

11.1 Rate adjustments:

The rates are adjusted annually and the concession operator's revenue is divided into two parcels: A Parcel (consisting of uncontrollable costs) and B Parcel (efficient operating costs and capital costs). The annual rate adjustment aims to pass through uncontrollable costs and to monetarily restate controllable costs.

The subsidiaries' rates have been readjusted as follows:

Distribution company	Ratifying Resolution	Average effect to be faced by (%)	Valid from
ESS	Resolution 2414, issued 7/3/2018	15.55%	7/12/2018
EMG	Resolution 2,403, issued 6/19/2018	12.05%	6/19/2018
EBO	Resolution 2,367, issued 1/30/2018	18.21%	2/4/2018
ENF	Resolution 2,400, issued 6/12/2018	13.95%	6/22/2018
EPB	Resolution 2,439, issued 8/22/2018	15.73%	8/28/2018
ETO	Resolution 2,413, issued 7/3/2018	10.13%	7/4/2018
CERON	Resolution 2,496, issued 12/11/2018	25.34%	12/13/2018
ELETROACRE	Resolution 2,497, issued 12/11/2018	21.29%	12/13/2018

11.2 Rate reviews:

The subsidiaries' periodic rate reviews take place: (i) every four years at EBO, EPB and ETO, and (ii) every five years at ESE, EMT, EMS, EMG, ENF, ESS^(*), ERO and EAC.

In this process ANEEL recalculated the rates according to the changes in the structure of the concession operators' costs and sales, in order to foster the efficiency and affordability of the rates. The adjustments and reviews are rate restatement mechanisms, both stipulated in the concession agreement. The concession operators may also request an extraordinary review whenever an event causes a significant economic and financial imbalance in the concession.

The rate adjustments in force have been summarized below:

Distribution company	ANEEL Ruling	Average effect on consumers (%)	Valid from
ESS (*)	Resolution 2,071, issued 5/3/2016	-0.94%	5/10/2016
CFLO (*)	Resolution 2,095, issued 6/21/2016	-16.48%	6/29/2016
CNEE (*)	Resolution 2,073, issued 5/3/2016	-0.37%	5/10/2016
EBO	Resolution 2,200, issued 1/31/2017	0.43%	2/4/2017
EDEVP (*)	Resolution 2,072, issued 5/3/2016	1.69%	5/10/2016
EEB (*)	Resolution 2,074, issued 5/3/2016	1.84%	5/10/2016
EMG	Resolution 2,092, issued 6/21/2016	2.16%	6/22/2016
EMS	Resolution 2,380, issued 4/3/2018	9.87%	4/8/2018
EMT	Resolution 2,379, issued 4/3/2018	11.53%	4/8/2018
ENF	Resolution 2,091, issued 6/21/2016	8.86%	6/22/2016
EPB	Resolution 2,291, issued 8/22/2017	14.55%	8/28/2017
ESE	Resolution 2,387, issued 4/17/2018	11.30%	4/22/2018
ETO	Resolution 2,105, issued 6/28/2016	12.81%	7/4/2016
CERON	Resolution 1,657, issued 11/26/2013	13.17%	11/30/2013
ELETRACRE	Resolution 1,655, issued 11/26/2013	10.73%	11/30/2013

(*) As of June 30, 2017 ESS, took over CFLO, CNEE, EDEVP and EEB. By way of Authorizing Resolution 6318 and Ratifying Resolution 2271 issued June 11, 2017, ANEEL approved the first rate adjustment index of Energisa Sul Sudeste, which had a single rate. As the distribution companies used to have different rates, the average increase felt by consumers in the new concession grouped in this first year was differentiated.

11.3 Rate flags:

From 2015 energy bills will start using the Rate Flag System.

The rate flags are used to inform consumers of the electricity generation conditions in the National Interconnected Grid - SIN by including a surcharge in the Energy Rate - TE.

The rate flag system consists of:

Green rate flag

Yellow rate flag

Red rate flag, segregated into Tiers 1 and 2

The green rate flag signals favorable energy generation conditions, with no surcharge.

The Yellow Rate Flag signals less favorable generation conditions. The rate rises R\$ 2.00 for each 100 kilowatt-hours Kwh consumed in the month. From November 2017 the rate increase changed to R\$ 1.00 for every 100 kilowatt-hours (kWh).

The Red Rate Flag signals costlier energy generation conditions. This flag is split into the following two tiers:

Tier 1: a rate of R\$ 3.00 for each 100 kilowatt-hours (Kwh) consumed in the month;

Tier 2: a rate of R\$ 3.50 for each 100 kilowatt-hours (Kwh) consumed in the month. From November 2017 the rate increase changed to R\$ 5.00 for every 100 kilowatt-hours (kWh).

Effective from February/2017, Ratifying Resolution 2203/2017 ratified the aforesaid values of the yellow and red rate flags. After completing Public Hearing AP 61/2017, ANEEL approved raising the values of the Yellow and Red Rate Flags - Level 2.

In 2018 and 2017, the rate flags were in force as follows:

	2018	2017
January	Green	Green
February	Green	Green
March	Green	Yellow
April	Green	Red Level 1
May	Yellow	Red Level 1
June	Red Level 2	Green
July	Red Level 2	Yellow
August	Red Level 2	Red Level 1
September	Red Level 2	Yellow
October	Red Level 2	Red Level 2
November	Yellow	Red Level 2
December	Green	Red Level 1

11.4 Other regulatory issues - overpurchasing:

Overpurchasing by the Energisa Group distribution companies is primarily due to the obligation imposed on electricity concession operators to acquire energy at the 2015 A-1 auction and the migration of special clients to the Free Contracts System (ACL).

Regardless of their requirement, electricity distribution companies in Brazil are subject to the mandatory acquisition of at least 96% of their Replacement Amounts in the last auction of 2015, where failure to comply with this rule will constitute risks outside the agents' management, including the imposition of losses on the subsidiaries, electricity distribution companies due to an activity that does not compensate (energy acquisition).

Due to the worsening economic recession and falling income levels and consequently the demand met by distribution agents, the Concession Authority issue Decree 8828/16, changing the obligation to acquire the minimum mandatory amount for future auctions, when not necessary. In respect of the past, the matter continues to be discussed and analyzed with the agents.

Similarly, in relation to the migration of special clients from the captive market to the free market ANEEL changed the regulations permitting the returning to them of the corresponding energy as from the A-1 auction in 2016. As it is not possible to reduce the existing contracts as this possibility was not clear for the winner in the notice of the previous auctions, these surpluses have to be recognized as involuntary.

Energisa Group accordingly appealed to ANEEL to have this overcontracting recognized as involuntary, thereby countering the losses of the electricity distribution subsidiaries. At an Executive Board meeting held April 25, 2017, ANEEL determined that each distribution company's involuntary contracting be assessed individually, considering the maximum effort to achieve the contractual coverage level, as established in Normative Resolution 453/2011. Note that the administrative proceedings opened by the electricity companies have not been resolved by ANEEL.

In recent years, Energisa Group made every effort and used the available mechanisms, such as participating in the Monthly Surplus and Deficit Offsetting Mechanism (MCSD) and Energia Nova, and the performing of bilateral agreements with generators. Energisa Group's distribution companies accordingly estimated they jointly closed FY 2018 within the regulatory limit (between 100% and 105%), as was the case in FY 2017.

In the financial year ended December 31, 2018 includes the provision for consolidated gain of R\$ 4,495, which Management does not expect will be passed through to consumers during the rate procedures carried about the Concession Authority.

As regards the recently acquired subsidiaries Ceron and Eletroacre, we have made every effort and used the available mechanisms, such as participating in the Monthly Surplus and Deficit Offsetting Mechanism (MCSD) and Energia Nova, and entering into bilateral agreements with generators. We reiterate that ANEEL published Ruling 4008/2018 in December 2017 preventing the participation of virtually all hydroelectric plants in the MCSDs and the execution of new bilateral agreements. Such agreement will only be permitted again in July 2018 after the publication of Resolution 824/2018, but only for plants that are not yet operational. The resolution also prevents new energy from operating generators from participating in the MCSDs, i.e. only plants with overdue works can lose their contracts.

These measures limited the flexibility of managing the contracting of distribution companies. Accordingly, Eletroacre ended 2018 with overcontracting of 106%, with a positive impact and Ceron falling within the regulatory rate, i.e. between 100% and 105%.

12. Consolidated financial sector assets and liabilities (CVA)

Denote assets and liabilities dating from temporary differences between the ratified costs of Parcel A and other financial components, which are included in the rate at the start of the rate period and those which are effectively incurred throughout the period the rate is in force. The amounts are realized when other rate periods come into force or the concession is terminated with calculated unrecovered balances, which will be included in the compensation base.

The recognized amounts of financial sector regulatory assets and liabilities were charged to revenue from the sale of goods and services.

The contractual amendments issued by ANEEL guarantee that the CVA amounts and other financial item shall be incorporated into the compensation calculation upon termination of the concession.

The electricity distribution subsidiaries recorded the changes in these costs as financial sector assets and liabilities, as shown below:

Financial sector assets	Balance in 2017	Opening balance of the business combination	Operating Revenue		Financial Income/Loss	Transfer	Balance in 2018	Amounts undergoing amortization	Amounts being recorded	Current	Noncurrent
			Addition	Amortization	Yield						
Items of Parcel A (1)											
Electricity purchased for resale	751,577	438,804	920,325	(575,416)	47,013	(6,985)	1,575,318	762,441	812,877	1,287,452	287,866
Alternative Energy Sources Incentive Program - PROINFA	295	1,326	4,755	(2,322)	69	(223)	3,900	3,766	134	3,855	45
Transportation of electricity to national grid	35,114	4,700	42,065	(31,358)	2,001	974	53,496	29,547	23,949	43,464	10,032
Transportation of electric power - Itaipu	2,386	-	9,194	(2,007)	232	311	10,116	1,112	9,004	7,247	2,869
System Service Charges - ESS (2)	-	954	-	(954)	-	-	-	-	-	-	-
Energy Development Account - CDE	232	24,177	106,719	(1,005)	1,012	(12,912)	118,223	31,967	86,256	81,305	36,918
Financial components											
Neutrality of Parcel A (3)	28,049	-	39,463	(23,054)	685	(30,259)	14,884	1,515	13,369	8,263	6,621
Over-purchased electricity (4)	140,881	130,382	20,574	(98,284)	(316)	(16,242)	176,995	165,984	11,011	173,229	3,766
CUSD	10,485	-	10,306	(11,946)	217	(97)	8,965	7,386	1,579	8,340	625
Submarket exposure (6)	59,506	23,719	122,432	(73,697)	4,826	14,137	150,923	65,101	85,822	123,910	27,013
Designated RGR - CVA asset (7)	-	665,047	(421)	-	8,150	-	672,776	-	672,776	-	672,776
Security (8)	4,229	456	4,100	(4,330)	159	-	4,614	2,098	2,516	3,703	911
Recoverable Balance (9)	26,091	2,240	13,270	(25,827)	(10,604)	20,808	25,978	10,775	15,203	12,744	13,234
Other financial items (10)	55,179	-	(9,121)	(15,148)	362	(19,646)	11,626	7,180	4,446	10,055	1,571
Total Assets	1,114,024	1,291,805	1,283,661	(865,348)	53,806	(50,134)	2,827,814	1,088,872	1,738,942	1,763,567	1,064,247

Financial sector liabilities	Balance in 2017	Opening balance of the business combination	Operating Revenue		Financial Income/Loss	Transfer	Balance in 2018	Amounts undergoing amortization	Amounts being recorded	Current	Noncurrent
			Addition	Amortization	Compensation						
Items of Parcel A (1)											
Electricity purchased for resale	33,471	-	3,691	(31,265)	14,136	(6,985)	13,048	-	13,048	666	12,382
Alternative Energy Sources Incentive Program - PROINFA	3,565	167	(183)	(3,318)	(7)	(224)	-	-	-	-	-
Transportation of electricity to national grid	16,391	-	698	(10,963)	140	974	7,240	3,831	3,409	5,575	1,665
Transportation of electric power - Itaipu	1,481	-	(1,122)	(490)	15	311	195	195	-	195	-
System Service Charges - ESS (2)	538,066	136,623	343,841	(402,617)	16,361	1	632,275	314,309	317,966	513,291	118,984
Energy Development Account - CDE	164,600	2,523	(29,074)	(108,905)	1,996	(12,911)	18,229	18,180	49	18,226	3
Financial components											
Neutrality of Parcel A (3)	48,894	15,395	79,851	(52,342)	1,904	(30,259)	63,443	42,687	20,756	55,070	8,373
Over-purchased electricity (4)	140,540	23,127	249,328	(108,939)	8,066	(16,242)	295,880	87,887	207,993	213,572	82,308
Rate Returns (5)	40,749	10,168	94,149	(9,869)	4,465	-	139,662	8,925	130,737	-	139,662
CUSD	71	-	169	(58)	4	(97)	89	-	89	64	25
Submarket exposure (6)	26,128	-	(1,077)	(20,668)	36	(4,416)	3	(3)	6	-	3
Recoverable Balance (8)	7,727	3,538	24,572	(32,782)	3,359	24,545	30,959	23,189	7,770	27,446	3,513
Other financial items (9)	7,380	3,437	93,039	(61,627)	9	(4,831)	37,407	37,375	32	37,397	10
Total Liabilities	1,029,063	194,978	857,882	(843,843)	50,484	(50,134)	1,238,430	536,575	701,855	871,502	366,928
Net balance	84,961	1,096,827	425,779	(21,505)	3,322	-	1,589,384	552,297	1,037,087	892,065	697,319

- (1) Recoverable uncontrollable rates of Portion A - CVA:** Interministerial Ruling 25, issued January 24, 2002 by the Ministries of State Finance and Mines and Energy, established the Compensation Account for the Variation in the Values of the Items of "A Parcel - CVA", as the account for recording negative or positive changes in costs occurring in the period between annual rate adjustments, relating to the items established in the electricity distribution concession agreements. These changes are determined as the difference between the expense effectively incurred and the expenses estimated when the rate is established in the annual rate adjustments. The amounts included in the CVA are restated monetarily based on the Selic base interest rate.
- (2) System Service Charges - ESS:** Denotes a charge intended to cover the system service costs, which includes auxiliary services provided by users of the National Interconnected Grid - SIN.
- (3) Neutrality of the "A" Parcel:** Denotes the neutrality of sector charges in the rate, determining the monthly differences between the amounts invoiced and the amounts included in the rates.
- (4) Pass-through of energy overcontracting (surplus energy):** By way of the regulated energy contracts, distribution companies should ensure the entire market demand is met. Purchases greater than or lower than this parameter will result in ANEEL applying the rate of review and adjustment processes to determine the cost of passing through the acquisition of the excess amount contracted, limited to 5% in relation to the annual regulatory supply charge of the distribution company and the energy cost regarding exposure to the spot market.
- (5) Rate returns:** Denotes revenue from surplus demand and surplus reactive energy revenue earned as from the 4th Cycle of the Periodical Rate Reviews (4CRTP), from November 2017, appropriated in sector financial liabilities and restated monthly by applying the variance of the SELIC and to be amortized as from commencement of the 5th periodical rate review cycle (5CRTP).
- (6) Submarket exposure:** Denotes the financial gain deriving from differences between the Difference Settlement Price (PLD) as a result of energy transfers between submarkets.
- (7) Designated RGR -** the subsidiaries CERON and ACRE held the concession to operate public electricity distribution services in accordance with the Concession Agreements in force at the time. On July 22, 2016 the shareholder Eletrobrás resolve not to extend the Public Electricity Distribution Concessions held by Eletrobrás' distribution companies, which ceased to be concession operators to begin providing temporary electricity distribution services.
In order to regulate the matter, the Ministry of Mines and Energy published Ordinance 388/2016, defined the terms and conditions for providing the temporary public service by agency or entity of the federal public administration and designated Eletrobrás's distribution companies as temporary electricity distribution service providers, by way of Ordinances 420, 421, 422, 423, 424 and 425, all in 2016.
Until the show control was transferred on October 30 for Ceron and December 6, 2018 for Eletroacre respectively, the distribution companies boosted their sources of refunds by using and taking out loans from the Global Reversal Reserve - RGR.
Upon taking out these financial obligations, the subsidiaries were economically encumbered by the lack of an active payment for such obligations.
By way of official notice 242/2018, Aneel established that in both situations, permission (settlement) or joint procurement (sale of sale control) the liability taken out from the RGR Fund over the entire designation period will be transferred to the new concession, where the new concession operator will be entitled to a rate receipt in accordance with the Law as defined by the procurement notice. Aneel also concluded in this notice that: "Not in the case at hand, meaning the liability stays with the designated distribution company until there is a corresponding asset.
It also removed the condition that this revenue can only be recognized via consumption, constituting an unconditional right, similar to the asset established in OCP-08 - Recognition of Certain Assets and Liabilities in General Financial and Accounting Reports of Electricity Distribution Companies issued in accordance with Brazilian and International Accounting Standards, thereby meeting the conditions necessary to record the recognition of the right as CVA revenue - other financial components against the concession's financial sector asset. As per Normative Resolution 748 issued November 29, 2016 art. 6 (9 to 10). The loan will incur interest of 111% of the Selic base interest rate.
On the date the new concession agreements were signed, the negative goodwill rates offered by the Company for regulatory flexibilization and the concession was 21% for Ceron and 31% for Eletroacre, resulting in the designated RGR of Ceron and Eletroacre diminishing by R\$ 101,038 and R\$ 52,454 respectively.

- (8) **Financial Guarantees:** Pass-through of costs deriving from the settlement and custody of financial guarantees established in the contracts addressed in article 15 (generation distributed by public order), art. 27 (CCEAR of new and existing energy auctions) and art. 32 (adjustment auctions) of Decree 5163/2004.
- (9) **Balance offsettable of the CVA of the previous cycle:** Pursuant to article 3 (4) of Interministerial Ordinance MME/MF 25/2002, we found that the balance of the CVA being process included in the rate process was effectively offset, taking into account the changes occurring between the electricity market used to define this rate process and the market verified in the 12 months of the offsetting, in addition to the difference between the projected interest rate and the actual Selic base interest rate.
- (10) **Other financial items:** This includes the other nonrecurrent specific financial items of the distribution companies, such as Reversal of the financial RTE2015, Eletronuclear Differential, Eletronuclear Offsetting Pass-through, etc. In 2018 the direct subsidiaries EPB, ESE, EMG, ENF, ERO and EAC and the indirect subsidiaries EMT, EMS, ETO and ESS recognized under Other Financial Items the amount of R\$ 102,879 included in the column "addition", denoting the reimbursement of funds paid by the public electricity distribution service concession operators (Law 12111 issued December 9, 2009) as stated in Official Circular 210/2018-SFF/ANEEL, to be returned to the consumers from April 2018.

13. Other accounts receivable

	Parent Company		Consolidated	
	2018	2017	2018	2017
Low-income Subsidy ⁽¹⁾	-	-	68,727	58,657
Service orders in progress - PEE and R&D	-	-	147,378	141,889
Service orders in progress - other	-	-	15,218	10,048
Deactivation orders in progress	-	-	18,521	10,284
Expenses to be reimbursed - ODR	-	-	1,512	1,368
Advances to suppliers and employees	610	465	46,593	32,064
CDE subsidy - rate discount ⁽²⁾	-	-	178,121	179,251
Banco Daycoval ⁽³⁾	-	-	176,791	176,791
Provision for losses Banco Daycoval ⁽³⁾	-	-	(176,791)	(176,791)
Other credits receivable -CELPA ⁽⁴⁾	-	-	80,581	76,357
(-) Adjustment to present value - CELPA ⁽⁴⁾	-	-	(27,808)	(28,629)
Subrogation of CCC ⁽⁵⁾	-	-	24,316	30,439
Low income standard	-	-	3,264	3,357
Universalization Plan	-	-	-	836
Advance of post-employment benefits	-	-	8,704	8,704
Credits receivable Banco Pine	-	-	1,663	1,663
Prepaid expenses	8,257	7,766	61,325	50,485
Accounts receivable from sale of generation companies ⁽⁶⁾	62,020	62,020	62,020	62,020
Credits receivable from third parties ⁽⁷⁾	-	-	39,284	47,138
Credits receivable from Eletrobrás - LPT ⁽⁸⁾	-	-	16,166	26,546
Credits receivable from Tocantins state ⁽⁹⁾	-	-	50,343	75,696
(-) Provision for adjustment to realizable value of credits receivable ⁽⁹⁾	-	-	(40,000)	(40,000)
Acquisition of fuel via CCC account ⁽¹⁰⁾	-	-	55,162	54,652
Reinvestment deposit - tax incentives	-	-	8,049	-
Advances - Inergus ⁽¹¹⁾	-	-	58,089	14,363
CCC total generation cost - Law 12111/2009 ⁽¹²⁾	-	-	244,971	-
Capitalization pass-through ERO and EAC ^(**)	109,604	-	-	-
Other ^(*)	16,181	22,240	43,386	60,466
Total	196,672	92,491	1,165,585	877,654
Current	25,049	30,468	921,242	702,103
Non-current	171,623	62,023	244,343	175,551

(*) This includes R\$ 705 (R\$ 1,062 in 2017) at the parent company denoting related-party transactions for endorsement commission services provided and in the consolidated statement R\$ 40,696 (R\$ 11,665 in 2017) consisting of the allowance for expected doubtful accounts.

(**)Refers to the amount of services subscribed in shares of Ceron and Eletroacre that were not acquired by employees and retirees, equal to 128,665,217 common shares of ERO and 10,088,904,771 common shares and 3,768,032,911 preferred shares of EAC (see note 42).

(1) These low-income subsidy credits consist of the subsidy for the low-income residential sector with monthly consumption of under 220 kWh, subject to certain requirements being met. This revenue is paid for with funds from the RGR - Global Reversal Reserve and the CDE - Energy Development Account, both administrated by CCEE. The balance denotes the provisions for November and December/2018. Management does not expect to record any losses in the realization of the balance.

See the changes occurring in the year:

	EMG	ENF	ESE	EPB	EBO	EMT	ETO	EMS	ESS	ERO	EAC	Total
Consolidated balances in 2017	4,310	299	11,346	10,964	2,326	12,524	6,831	5,973	4,084	-	-	58,657
Acquisition balance	-	-	-	-	-	-	-	-	-	2,357	12,191	14,548
Low-income subsidy	16,837	1,679	47,563	88,655	9,270	43,306	36,796	36,340	18,808	2,181	2,309	303,744
Reimbursement via CCEE	(16,887)	(1,645)	(50,059)	(89,168)	(9,785)	(46,999)	(36,530)	(34,420)	(18,446)	(1,157)	(3,126)	(308,222)
Consolidated balances in 2018	4,260	333	8,850	10,451	1,811	8,831	7,097	7,893	4,446	3,381	11,374	68,727

(2) The CDE subsidy balance - Rate Discount denotes funds transferred to the concession operators authorized by the federal government to cover the CDE subsidy for discounts to rates applicable to the users of the public electricity distribution service. The balances denote the subsidies incurred in November and December 2018, which will be offset/reimbursed in the first quarter of 2019.

	EMG	ENF	ESE	EPB	EBO	EMT	ETO	EMS	ESS	ERO	EAC	Total
Consolidated balances in 2017	16,203	747	3,466	19,155	3,998	74,710	11,797	27,836	21,339	-	-	179,251
Acquisition balance	-	-	-	-	-	-	-	-	-	13,781	7,430	21,211
Rate discount due to Irrigation and Rural subsidy	59,336	2,622	44,205	88,923	9,746	283,836	65,480	153,120	98,685	12,973	(6,319)	812,607
Reimbursement via CCEE	(65,341)	(2,995)	(46,018)	(81,902)	(14,148)	(304,104)	(64,413)	(153,857)	(99,665)	(5,246)	2,741	(834,948)
Consolidated balances in 2018	10,198	374	1,653	26,176	(404)	54,442	12,864	27,099	20,359	21,508	3,852	178,121

The subsidiaries EMG, ENF, ESS and EMS on September 2, 2015 claimed the right to monthly offset the CDE and low-income subsidies receivable against the CDE amounts payable to CCEE - Electricity Trading Chambers (the fund used to be managed by Eletrobrás). In the financial year ended December 2018, R\$ 92,119 was accordingly offset and reimbursed as the CDE subsidy and R\$ 24,295 as the low-income subsidy.

(3) Banco Daycoval - denotes the amounts transferred by Banco Daycoval S.A. to the current account of Rede Energia Participações S.A on February 28, 2012 to settle outstanding debts, as justified by the Financial Institution. Management of the subsidiaries EMT, ESS and EMS consider these transfers improper and have filed suit to recover this amount. This is covered by a provision as this is a contingent asset, as its realization will only be confirmed as a result of future events occurring or not, which not completely under the subsidiaries' control.

(4) Banco Daycoval - denotes the amounts transferred by Banco Daycoval S.A. to the current account of Rede Energia Participações S.A on February 28, 2012 to settle outstanding debts, as justified by the Financial Institution. Management of the subsidiaries EMT, ESS and EMS consider these transfers improper and have filed suit to recover this amount. This is covered by a provision as this is a contingent asset, as its realization will only be confirmed as a result of future events occurring or not, which not completely under the subsidiaries' control.

(5) Subrogation to CCC - the subsidiary EMT was classified in the subrogation of the right to use the Fuel Consumption Account - CCC due to the implementation of electricity ventures that led to a decrease in the CCC expense, which helped secure rates for end consumers. The following ventures with outstanding receivables were approved to calculate the benefit:

Project	Status	Amount invested	Amount subrogated	Received	Receivable	
					2018	2017
Sapezal / Comodoro Transmission System	in service	36,225	32,254	13,235	19,019	22,416
Rondolândia Transmission System	in service	10,203	4,613	3,459	1,154	3,210
Paranorte Transmission System	in service	6,697	4,915	772	4,143	4,813
Total		53,125	41,782	17,466	24,316	30,439
Current (Principal)					10,414	5,321
Noncurrent (Principal)					13,902	25,118

(6) Accounts receivable for generation company sales denotes the amount Energisa is entitled to receive R\$ 113,500 from the selling of its electricity generation assets relating to additional price adjustments subject to other conditions precedent under the purchase and sale agreements signed with the buyer.

The Company has estimated the dispute to be worth R\$ 51,480, an amount Energisa has charged to income from discontinued operations in the financial year ended December 31, 2016.

Receipt of this amount is part of an arbitration proceeding filed by the Company against the buyer, with a probable chance of realization.

(7) Denotes third-party credits for mutual use of a pole and sale of scrap.

(8) Credits receivable from Centrais Elétricas Brasileiras for the amount subsidiary Energisa TO recognized in the period of R\$ 16,166 (R\$ 26,546 in 2017), referring to the final releases of Tranches 4 and 5 of the economic subsidy under the Light for All Program established in Contract ECFS-343/2013 entered into on 12/19/2013 with Eletrobrás, given the completion of the account provision process, where the funds

come from the Energy Development Account (CDE), and are intended for full application in the Program, charged to obligations related to the public electricity service concession and permission.

(9) Credits receivable from state of Tocantins for receivables the subsidiary ETO has against the Tocantins state government, as follows:

	2018	2017
Principal	95,561	95,561
Monetary restatement - IGPM (*)	76,589	76,589
Amortization - Dividends	(88,744)	(63,391)
Amortization - Shares	(33,063)	(33,063)
Total	50,343	75,696
(-) Provision for adjustment to realizable value of credits receivable	(40,000)	(40,000)
Total noncurrent	10,343	35,696

(*) In July 2017 the subsidiary ceased to apply the balance of the monetary restatement index to the contract as it was engaged in negotiations with the state government.

- Reluz Tocantins Program

This is a credit held by the subsidiary ETO against the Tocantins State Government regarding implementation of the Tocantins Reluz Program and Arrangement 028/2008. The subsidiary has been negotiating with the State Government in order to permit the settlement of the balance, as ETO has performed all the works and all contractual obligations.

On July 1, 2016 the Tocantins state government issued Official Notice 909/2016/SEFAZ/GASEC confirming the debit balance to the indirect subsidiary ETO of R\$ 103,185, as of March 31, 2016 under arrangement 028/2008 - the Xambioá to Tocantinópolis transmission line and the Reluz program. This notice also confirms that the parties are negotiating to find a way of financing and settling the aforesaid debit balance.

In light of prospects of completing negotiations, in 2017 management reassessed the expected realization of the credits held by the indirect subsidiary ETO against the shareholder Tocantins state in 2017 and recalculated the adjustment to present value, resulting in an increase in the provision of R\$ 19,672, which then amounted to R\$ 40,000, to better reflect the expected realization of credits, recorded other under finance expenses in profit or loss for the year.

(10) Acquisition of CCC account fuel is the amount the subsidiary Energisa Mato Grosso Distribuição de Energia S.A (EMT) has balances receivable under the Fuel consumption account - CCC of R\$ 55,162 (R\$ 54,652 in 2017). ANEEL recognized R\$ 53,621 of this total by way of Technical Note 01/2018-SFF issued January 3, 2018 for the period July 30, 2009 to June 30, 2016 which detailed the methodology established to audit and reprocess the benefits monthly, demonstrated the technical analyses of the information collected on energy, power and fuel purchase contracts, electricity and fuel measurements and regulatory treatments given to the company's statements, in order to determine any asset or liability of the beneficiary in accordance with Normative Resolution 427/2011.

(11) INERGUS advance denotes funds advanced by the subsidiary Energisa Sergipe to Instituto Energipe de Seguridade Social ("INERGUS") to guarantee the liquidity and financial flow from the Defined-Benefit Plan (BD). The amounts transferred to the BD Plan comprise an advance for covering part of the technical deficit, which will be subject to a debt acknowledgment agreement to be entered into by the subsidiary ESE and INERGUS.

(12) The reimbursement rights corresponding to the energy costs in Islanded Systems and Bilateral Contracts, which are paid for by the CDE-CCC Fund are recorded under current and noncurrent assets. They are recognized based on Law 12111/2009 whose information is provided by the subsidiaries Ceron and Eletroacre at the Electricity Trading Chamber- CCEE, which manages the CDE Account. After being approved by the manager, these amounts are passed through to subsidiaries and used to settle amounts owed to the corresponding suppliers involved in the process.

14. Related-party transactions

The Company is directly controlled by Gipar S/A (30.47% of the voting capital), which in turn is controlled by Nova Gipar (81.40% of the voting capital). The latter is controlled by Itacatu S/A (67.27% of the voting stock) and by Multisetor S/A (32.73% of the voting stock). Itacatu S/A is controlled by Multisetor S/A (72.15% of the voting stock).

Multisetor is controlled by Mr. Ivan Muller Botelho (78.83% of the voting stock).

The related-party balances are as follows:

Parent Company	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Clients, consumers and concession operators specialized services	34,842	-	49,627	-
Other receivables - other - Endorsement commission	706	-	1,979	-
Money market and secured funds - Debentures	1,272,160	-	1,249,900	-
Loans (1):				
. Energisa Soluções S/A (1)	-	-	18,281	-
. Companhia Técnica de Comercialização de Energia S/A (1)	995	-	2,523	-
. Empresa de Eletricidade Vale Paranapanema S/A (2)	-	-	-	27,583
. Companhia Técnica de Comercialização de Energia S/A (3)	14,413	-	108,704	-
. QMRA Participações S/A (option "C" credits - RJ) (3)	-	-	24,673	-
. QMRA Participações S/A (1)	-	-	-	78,459
. Rede Energia Participações S/A (new name of Rede Energia S/A) (3) and (4)	95,434	5,827	263,334	-
. Companhia de Eletricidade do Acre	75,554	-	-	-
Others (*):				
. Companhia de Eletricidade do Acre	-	35,264	-	-
. Centrais Elétricas de Rondônia S/A	-	27,835	-	-
Total Noncurrent	186,396	68,926	417,515	106,042
Investments - Funds allocated to future capital increase (5):				
. Energisa Geração Central Solar Coremas S/A	10	-	15	-
. Parque Eólico Sobradinho S/A	932	-	782	-
. Energisa Geração Usina Maurício S/A	41	-	127	-
. Energisa Geração Central Eólica Boa Esperança S/A	10	-	12	-
. Energisa Geração Central Eólica Mandacaru S/A	10	-	12	-
. Energisa Geração Central Eólica Alecrim S/A	11	-	12	-
. Energisa Geração Central Eólica Umbuzeiro Muquim S/A	11	-	12	-
. Energisa Participações Minoritárias S/A (**)	11	-	8	-
. Energisa Pará Transmissora de Energia I S/A	60,201	-	9,304	-
. Energisa Pará Transmissora de Energia II S/A	948	-	-	-
. Energisa Goiás Transmissora de Energia I S/A	52,771	-	6,627	-
. Energisa Soluções S/A	32,819	-	-	-
. Energisa Transmissora de Energia S/A	134	-	-	-
	147,909	-	16,911	-
Total	1,642,013	68,926	1,735,932	106,042

(*) Denotes the parent company's commitment to subscribe the surplus shares allocated to employees and retirees, as per note 42.

(**) The Extraordinary General Meeting held December 27, 2018 approved the change to the company's name from Companhia de Energisa Geração de Energia S/A to Energisa Participações Minoritárias S/A.

(1) The loans have a term of 24 months under the contracts, and can be extended for equal and successive periods. The loans with related parties are charged interest at the average borrowing rate, which in the period was an average of the CDI rate + 0.6668 a p.a. (CDI + 0.9663 p.a. as of December 31, 2017), and includes the private assignment and acquisition of credit receivables and other covenants entered by Energisa on December 31, 2016 with the subsidiaries Rede Energia and Rede Power.

(2) Credit facility agreements with a maturity of 24 months extendable for equal and successive periods, with the borrower paying only IOF (financial transaction) tax or other charges incurred on financial transactions over the term of the agreement.

(3) Acquisition of credits assigned under the judicial reorganization process of the indirect subsidiary.

(4) The credits receivable of Rede Energia Participações S/A, acquired from the creditors, will be paid initially by the company undergoing reorganization on the following conditions: (i) amount equal to 25% of the total credits assigned will be paid in a lump sum within up to 1 year of the date this assignment is paid, incurring interest of 12.5% p.a. as from the date the assignment is made; and (ii) remaining amount equal to 75% of the total credits assigned will be paid after 22 years in a lump sum with capitalized interest of 0.5% p.a. due as from the date the assignment is paid. In 2014 the parties agreed to extend the maturity of the single installment maturing in July 2015 by 10 years, corresponding to 25% of the total debt amount. However, the term is maintained of 22 years for payment of the remaining amount equal to 75% of the total debt with capitalized interest of 0.5% per annum, due as from the date of payment. At the end of the

period the parties renegotiated the debt by applying interest equal to the CDI rate + 2% per annum with semiannual amortization payable on June and December 26 each year.

(5) The funds intended for future capital increase are not remunerated and are recorded under investments.

Contract conditions:

Subsidiaries	Rate	Maturity (*)
. Energisa Soluções S/A	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	1/1/2019
. Rede Energia Participações S/A	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	7/3/2020
. Companhia Técnica de Comercialização de Energia S/A	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	9/12/2020
. Empresa de Eletricidade Vale Paranapanema S/A	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	6/30/2018
. Companhia Técnica de Comercialização de Energia S/A (option "C" credits)	1% p.a.	4/11/2036
. QMRA Participações S/A (option "C" credits)	1% p.a.	2/13/2036
. QMRA Participações S/A ⁽¹⁾	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	6/30/2020
. Rede Energia Participações S/A (option "C" credits - RJ)	CDI + 2% p.a.	10/11/2036
. Denerge Desenvolvimento Energético S/A	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	5/5/2019
. Multi Energisa Serviços S/A	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	8/3/2019
. Centrais Elétricas de Rondônia S/A	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	10/31/2021
. Companhia de Eletricidade do Acre	Weighted average of interest on loans taken out by group companies + variance of the CDI rate	12/6/2021

(*) The contracts with Denerge Desenvolvimento Energético S/A, Multi Energisa Serviços S/A, were settled in December 2017, Companhia Técnica de Comercialização S/A (option "C" credits) in April 2018, Empresa de Eletricidade Vale do Paranapanema S/A in May 2018 Energisa Soluções S/A settled in July 2018. The contracts with QMRA Participações S/A (option "C" credits) and QMRA Participações S/A (1), Centrais Elétricas de Rondônia S/A were settled in December 2018.

Transactions conducted in the year by the Company and its subsidiaries:

Direct and indirect subsidiaries and their parent company	Administrative services provided (1)	Restatement of loans/commission endorsement and security yield (Financial revenue (expense)) (2 and 3)	Balance receivable (Receivables, consumers and concession operators)	Balance receivable (Endorsement commission and debentures (6))
. Energisa Minas Gerais - Distribuidora de Energia S/A	10,712	9,722	1,488	68,260
. Energisa Paraíba - Distribuidora de Energia S/A	25,840	21,259	5,877	194,382
. Energisa Sergipe - Distribuidora de Energia S/A	15,798	19,533	2,923	119,278
. Energisa Borborema - Distribuidora de Energia S/A	4,814	1,274	1,538	92
. Energisa Soluções S/A (*)	2,228	787	522	-
. Energisa Nova Friburgo - Distribuidora de Energia S/A	2,166	1,300	342	39
. Energisa Mato Grosso - Distribuidora de Energia S/A (4)	43,072	27,791	6,946	316,134
. Energisa Mato Grosso do Sul - Distribuidora de Energia S/A	40,598	10,853	8,858	150,722
. Energisa Tocantins - Distribuidora de Energia S/A (4)	17,644	17,228	4,501	215,233
. Energisa Sul-Sudeste Distribuidora de Energia S/A (5)	22,339	16,422	3,715	208,726
. QMRA Soluções Construções e Serv em Linhas e Rede S.A	1,206	-	324	-
. QMRA Participações S/A	-	97,033	-	-
. Companhia Técnica de Comercialização de Energia	-	6,895	-	-
. Multi Energisa Serviços S/A	1,643	-	276	-
. Energisa Planejamento e Corretagem de Seguros Ltda	8	-	7	-
. Energisa Serviços Aéreos e Aeroinspeção S/A	5	-	1	-
. Energisa Comercializadora de Energia Ltda	761	-	178	-
. Empresa de Eletricidade Vale Paranapanema S/A	-	(916)	-	-
. Energisa Geração Usina Mauricio S/A	2	-	1	-
. Gipar S/A (2)	-	(11,791)	-	-
. Rede Energia Participações S/A	-	24,945	-	-
. Centrais Elétricas de Rondônia S/A	146	6,230	116	-
. Companhia de Eletricidade do Acre	-	392	-	-
2018	188,982	248,957	37,613	1,272,866
2017	142,353	135,284	49,627	1,251,878

(*) Includes outsourced administrative services.

- (1) Consists of administrative services and sharing of human resources for delivering the portion of macro processes provided to its subsidiaries. The costs are benchmarked to the benchmark company model used by the ANEEL regulated department for rate purposes. The contracts have been approved by ANEEL. The sharing contracts were signed on March 1, 2017, with a term of validity of 60 months, and can be extended via an amendment subject to approval by ANEEL;
- (2) This consists of the endorsement commission on loans charging 1.5% p.a. for subsidiaries - electricity distribution companies and the parent company Gipar, with interest of 1% p.a.;

The endorsement commission referring to the contract with Gipar S/A yields interest of 1% p.a. and includes prepayments. In FY 2018, the amount of R\$ 12,199 was paid and classified as a prepayment recorded under "prepaid expenses" and recognized in profit and loss at the rate of 1/12 per month. R\$ 11,791 was recorded in the period ended December 31, 2018 (R\$ 11,362 in 2017) recorded in other financial expenses - endorsement commission in profit and loss for the period. The unappropriated balance as of December 31, 2018 is R\$ 8,133, which will be recognized by August 2019;

- (3) This denotes the interest costs on loans entered into with the subsidiaries for the period ended December 31, 2018, comprising the respective balances of each loan;
- (4) Includes the amount of R\$ 814 (R\$ 32,544 in 2017) which denotes the yields on short-term investments in the 33,540 debentures issued by the subsidiary EMT and bought back by the subsidiary on January 15, 2018 and R\$ 11,942 as of December 31, 2017 of series 1 and 2 commercial papers issued by the subsidiary ETO - see note 6.2.
- (5) The Extraordinary General Meeting held June 30, 2017 approved the merger into ESS of EBB, EDEVP, CNEE and CFLO (see note 1); and
- (6) In 2017 the Company acquired all of the incentivized series 1 and 2 debentures issued by the subsidiaries EMG, ESE, EPB, EMT, ESS, ETO and EMS, maturing on 6/15/2022 and yielding the IPCA price index plus 5.60% per annum for Series 1 and maturing on 6/15/2024 and yielding the IPCA price index plus 5.6601% per annum for Series 2. As of December 31, 2018 the restated value is R\$ 1,272,160 (R\$ 1,249,899 as of December 31, 2017) for its direct subsidiaries EMG, ESE and EPB and for its indirect subsidiaries ESS, EMT, ETO and EMS, as follows: (i) EMG R\$ 68,184; EPB - R\$ 194,159; ESE - R\$ 119,003; EMT - R\$ 316,133; ETO - R\$ 215,234; ESS - R\$ 208,726 and EMS R\$ 150,721 (EMG R\$ 67,153; EPB - R\$ 191,856; ESE - R\$ 117,589; EMT - R\$ 308,206; ETO - R\$ 211,002, ESS - R\$ 204,298 and EMS (R\$ 149,796).

Cost of procuring endorsement and guarantee commission of the parent company for loans and financing agreements of the subsidiaries, at the rate of 1.5% p.a. The balance payable as of December 31, 2018 amounts to R\$ 705 (R\$ 2,183 in 2017).

D&O compensation

	Parent Company		Consolidated	
	2018	2017	2018	2017
Annual compensation ^(a)	7,809	4,732	74,126	69,718
Compensation of the board of directors' members	999	978	7,000	6,393
Executive Board compensation	5,093	2,751	43,194	24,003
Other Benefits ^(b)	739	675	12,035	17,111

(a) Denotes the overall limit on the annual compensation of directors and officers for FY 2018 which was approved at the AGM held April 24, 2018.

(b) It includes payroll charges and private pension, health care and life insurance benefits.

The highest and lowest compensation attributed to directors and officers for December 2018 was R\$ 121 and R\$ 1 for the parent company and R\$ 192 and R\$ 2 in the consolidated statement (R\$ 118 and R\$ 1 for the parent company and R\$ 187 and R\$ 2 in the consolidated statement in 2017) respectively. The average compensation in the year ended December 31, 2018 was R\$ 18 at the parent company and R\$ 44 in the consolidated statement (R\$ 15 at the parent company and R\$ 41 in the consolidated statement in 2017).

Variable Compensation Program (ILP)

The Company and its subsidiaries offered their executives a Variable Compensation Program through the 1st options program, called long-term incentive (ILP), approved by the parent company Energisa S/A at the Extraordinary and Ordinary General Meetings held on April 25, 2018, and regulations approved at the Board of Directors meeting held May 10, 2018. The stock option program seeks to (i) align the interests between shareholders and executives (ii) promote meritocracy (iii) retain high-performing executives (iv) encourage sustainable results and achieve corporate goals, while sharing the value created. The benefit is intended for Company executives and will be paid in Units of the parent company Energisa S/A up to the established limit of 244,980 units, based on a value defined for each level, taking into account individual performance, to be established in the option grant agreement, and performance according to each executive's scope. The program is subject to performance conditions (Relative Total Shareholder Return (TSR) and Free cash flow), which modify the goals according to the ranges achieved.

The benefit aims to attract and retain key personnel and reward them for the performance, based on the Company's performance targets. There is a vesting period of 3 years as from the grant date of May 2, 2018.

Pursuant to IFRS 2/CPC 10, the Company and its subsidiaries determine the fair value of restricted (units) subject to performance conditions (Performance Shares) awarded based on the Monte Carlo model to permit the grace period conditions be factored into the asset's fair value. The expense is recognized on a "pro rata temporis" basis, which begins at the grant date until the date of the beneficiary acquires the right to receive the shares. There are no exercisable or expired options as of December 31, 2018.

Assumptions and calculating the fair value of shares granted:

The fair value was determined using the following assumptions:

	1 st ILP program
Calculation Method	Monte Carlo
Total share options awarded	244,980
Vesting period	3 years
Risk-free interest rate ^(a)	8.2%
Volatility ^(b)	25.61%
Fair value at grant date	R\$ 27.65

(a) Interest rate = 8.2% (projected DI for a maturity term equal to the end of the grace period of the Program - DI1J2021).

(b) Volatility and correlation between the share prices (of Energisa S/A and competitors included in the IEE ("Electricity Index and its peers")) for the Total Shareholder Return (TSR)) were calculated based on historic values one year prior to the program's grant date.

Due to the specific features of the Company's long-term incentive plan mentioned above, there is no strike price or exercise limit for associates.

In FY 2018 a consolidated R\$ 1,502 was recognized under the Share Option Grant Plan in the income statement for the year under operating costs and expenses, with R\$ 322 denoting the parent company's costs and R\$ 1,180 the subsidiaries' costs.

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

The deferred IRPJ and CSLL are calculated on differences between the balances of assets and liabilities in the Financial Statements and the corresponding tax bases used in the current IRPJ and CSLL calculation. The probability of recovering these balances is reviewed at the end of each year, and when it is no longer probable that future taxable income will be available to enable the recovery of all or part of the taxes, the asset balance is reduced by the amount expected to be recovered.

	Parent Company		Consolidated	
	2018	2017	2018	2017
Assets				
Tax loss carryforwards	-	143,533	256,779	438,182
Negative basis of social contribution	-	51,672	94,733	173,317
Temporary differences	-	-	1,022,872	788,537
Total noncurrent assets	-	195,205	1,374,384	1,400,036

	Parent Company		Consolidated	
	2018	2017	2018	2017
Liabilities				
Temporary Differences:				
Income Tax	204,249	475	3,204,915	1,379,931
Social Contributions	73,529	172	1,153,769	496,775
Total - noncurrent liabilities	277,778	647	4,358,684	1,876,706
Total net noncurrent assets and liabilities	(277,778)	194,558	-	-

Temporary differences are as follows:

	Parent Company			
	2018		2017	
	Calculation basis (*)	IRPJ + CSLL	Calculation basis	IRPJ + CSLL
Assets/Liabilities				
Tax loss carryforward	-	-	574,133	143,533
Negative basis of social contribution	-	-	574,133	51,672
Gain made on business combination	(818,693)	(278,356)	-	-
Other exclusions/additions	1,700	578	(1,906)	(647)
Total	(816,993)	(277,778)	1,146,360	194,558
Total Noncurrent Assets	-	-	1,148,266	195,205
Total - Noncurrent Liabilities	(816,993)	(277,778)	(1,906)	(647)

(*) calculation base less the tax limit of 30%.

	Consolidated			
	2018		2017	
	Calculation Base	IRPJ + CSSL	Calculation Base	IRPJ + CSSL
Assets/Liabilities				
Tax loss carryforward	1,027,119	256,780	1,752,729	438,182
Negative basis of social contribution	1,052,590	94,733	1,925,744	173,317
Allowance for expected doubtful accounts - (PPECLD and Daycoval)	629,406	213,998	610,525	207,579
Provisions for labor, civil, tax and regulatory risks	888,905	302,228	469,730	159,708
Tax credits - goodwill (1)	265,453	90,254	290,586	98,799
Provision for actuarial adjustment	570,949	194,123	458,373	155,847
Other provisions (PEE; R&D; Fees and Other)	453,810	154,295	407,372	138,507
Mark-to-market of debt securities	118,536	40,302	11,456	3,896
Other temporary additions	81,385	27,671	71,180	24,201
Intangible assets - appreciation (2)	(7,728,320)	(2,627,629)	(1,710,338)	(581,515)
Gain/loss made on business combination (*)	(1,007,100)	(342,414)	(188,407)	(64,058)
Portion of VNR - compensable financial asset of the concession and restatement (3)	(918,172)	(312,178)	(644,026)	(218,969)
Adjustments to present value (4)	(2,575,562)	(875,691)	(2,680,627)	(911,413)
Mark-to-market - derivatives	(445,379)	(151,429)	(121,502)	(41,311)
Revaluation reserve charges	(137,959)	(46,906)	(170,303)	(57,903)
Other temporary exclusions	(7,172)	(2,437)	(4,519)	(1,537)
Total	(7,731,511)	(2,984,300)	477,973	(476,670)
Total Noncurrent Assets	5,088,153	1,374,384	5,997,695	1,400,036
Total - Noncurrent Liabilities	(12,819,664)	(4,358,684)	(5,519,722)	(1,876,706)

(*) calculation base less the tax limit of 30%.

- (1) The tax credits - goodwill of R\$ 90,254 (R\$ 98,799 in 2017) are being realized over the remaining term of the subsidiaries' concession term: EBO (12 years) and EPB (13 years) by the straight-line method.
- (2) Includes deferred income and social contribution taxes of R\$ 1,941,743 on the goodwill attributed to the concession value calculated in the business combination of Ceron and Eletroacre, less realized amortization in the year of R\$ 9,057.
- (3) This denotes income and social contribution taxes payable on the portion of the concession financial asset - VNR of the subsidiaries EMG, ENF and ESS, which as a result of having signed the new amendments to the concession agreement extending the concession term to 2045, transferred the balance of the compensable financial asset of the concession determined up to the signature of these amendments to intangible assets to be amortized over the remaining useful life of the assets in accordance with the new concession term, which will result in the realization of the deferred credits to be realized under the amortization.
- (4) Basically denotes the value recorded by the subsidiaries Rede Energia Participações and CTCE, for the credits of the creditors who chose options A and B in the Judicial Reorganization Plan.

The deferred tax credits were realized as follows:

Years	Consolidated
2019	99,215
2020	147,184
2021	96,531
2022	100,335
2023	96,959
2024 to 2027	834,160
Total	1,374,384

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

	Parent Company	
	2018	2017
Income before tax	1,621,793	346,835
Combined tax bracket	34%	34%
Income and social contribution taxes calculated at the total tax bracket	(551,410)	(117,924)
Adjustments:		
Permanent items:		
Equity income	274,640	176,914
Effects of tax losses recorded in the Year (2)	-	213,944
Income tax and social contribution (3)	-	(2,191)
Tax credits written off - made in previous years	(195,205)	-
Tax credits not recorded in the year	(120,561)	(58,966)
Recognizing the tax limit of 30% on the gain/loss made on business combination	119,295	-
Other additions	(118)	-
Current and deferred income and social contribution taxes	(473,359)	211,777
Effective rate	29.19%	61.06%

	Consolidated	
	2018	2017
Income before tax	1,917,385	606,890
Combined tax bracket	34%	34%
Income and social contribution taxes calculated at the total tax bracket	(651,911)	(206,343)
Adjustments:		
Permanent items:		
Decrease in income tax and surcharges (1)	160,586	99,310
Decrease in income tax and surcharges - PERT Effects (1)	-	(29,105)
Effects of tax losses not recorded in the year (2)	(124,849)	(63,060)
Effects of tax losses recorded in the Year (2)	-	186,483
Tax credits written off - made in previous years	(195,205)	-
Income tax and social contribution (3)	163	(18,892)
Recognizing the tax limit of 30% on the gain/loss made on business combination	119,295	-
Technological innovation tax incentive - Lei do Bem act (4)	20,978	-
Other	(66,770)	(2,701)
Current and deferred income and social contribution taxes	(737,713)	(34,308)
Effective rate	38.47%	5.65%

- (1) In 2012 ESE, EPB and EBO obtained approval from the Superintendência do Desenvolvimento do Nordeste (Northeast Development Agency - SUDENE) of their tax incentive applications, thereby reducing the income tax and surcharges by 75% on exploration profit for the period 1/1/2012 to 12/31/2021. In December/2014 the Amazônia Development Agency - SUDAM approved the applications made by the subsidiaries ETO and EMT for reductions to their income tax and surcharges (75%) for the period 1/1/2014 to 12/31/2023.

The decreases to the income tax and surcharges obtained by the subsidiaries amount to R\$ 146,933 (R\$ 70,205 in 2017). These amounts were recorded directly in the income statement for the year under "current income and social contribution taxes", and will be allocated to the tax incentive reserve at the subsidiaries.

Supported by the existing legislation, in 2018 the subsidiary submitted a new application to obtain the tax incentive, in order to extend it for the period of 10 years as from approval.

The subsidiaries accordingly have processes being analyzed by the Northeast Development Agency (SUDENE).

The publication of Law 13799/2019 extended the term for approving and obtaining the incentive containing a 75% decrease in IRPJ and surcharges until 12/31/2023. The subsidiaries' projects are therefore expected to have the benefits guaranteed by SUDENE until 2028, after the issuance of Constitutive Reports, increasing the incentive term for a further 7 years.

- (2) Despite making a tax loss of R\$ 124,849 in the financial year ended December 31, 2018, the Company did not recognize it, and wrote off the balance of R\$ 195,205 as the projected future earnings did not demonstrate realization capacity, impacted by transfers of cash to the new acquisitions, a position which is different than in the previous year when the studies demonstrated there was capacity to

recover the recorded asset. In FY 2017 we recognized R\$ 213,944 of part of the tax credits on tax losses and the negative basis of social contribution, of which R\$ 195,205 was supported according to future projected earnings demonstrating the realization capacity and R\$ 18,739 was used in the Special Tax Regularization Program - PERT, of which R\$ 2,669 was used by the Company itself and R\$ 16,070 was transferred to the subsidiaries ESE, EPB and EBO. The consolidated statement includes income and social contribution tax credits on profits recorded in the year by the subsidiaries Denerge (R\$ 3,944), EEVP (R\$ 475) and Rede Energia Participações, which reverted the amount of R\$ 31,880 recorded in FY 2016, as there were no prospects of realization.

- (3) In FY 2017 the Company and its subsidiaries recalculated the taxable bases for FYs 2013, 2014, 2015 and 2016, due to changing the taxation basis from the cash basis to the accrual basis for sector financial assets and liabilities (CVA) and the withdrawal of proceedings involving judicial disputes about tax matters and income and social contribution taxes on profit, where the debits originating in these new calculations have been included in the Special Tax Regularization Program - PERT, resulting in the recording of the effects of income and social contribution taxes on profit for the financial year of R\$ 2,191 at the parent company and R\$ 18,892 in the consolidated statement.
- (4) Denotes the deductible income tax incentive originating from funds invested in research and development projects approved by the Ministry of Science and Technology.

16. Concession financial assets - consolidated

Law 12783/13 determines the methodology that should be adopted for the compensation of generation, transmission and distribution assets at the end of the concession, the VNR - New replacement value.

Company Management believes that this fact changed the contractual terms of the concession regarding the means of compensating the subsidiaries and electricity distribution companies Company for investments made in concession assets, which was recognized at historic cost until FY 2011.

Since December 31, 2012 the electricity direct and indirect distribution subsidiaries have been recognizing the VNR - New Replacement Value, ratified by ANEEL, of concession assets, by applying the variance of the IGP-M price index. In November 2015, ANEEL Normative Resolution 686/2015 approved a revision of Submodule 2.3 of the Rate Review Procedures (PRORET) for the Regulatory Asset Base (BRR), which determined the compensation basis be restated by the IPCA price index.

The compensation of the concession financial asset for the financial year ended December 31, 2018 was therefore recorded under operating revenue as a concession financial asset amounting to R\$ 295,119 (R\$ 211,384 in 2017).

See the changes occurring in the year:

	Balances 2017	Acquisition balances	Additions (1)	Write- offs	Operating revenue - compensable financial asset of the concession (2)	Balances 2018
Energisa Minas Gerais (EMG)	15,782	-	7,375	(12)	646	23,791
Energisa Paraíba (EPB)	464,587	-	67,143	(1,468)	17,965	548,227
Energisa Sergipe (ESE)	396,701	-	18,364	(3,550)	517	412,032
Energisa Nova Friburgo (ENF)	3,149	-	179	(36)	117	3,409
Energisa Borborema (EBO)	55,615	-	5,720	(62)	2,087	63,360
Energisa Mato Grosso (EMT)	1,827,340	-	165,025	(28,422)	154,900	2,118,843
Energisa Tocantins (ETO)	897,543	-	240,711	(19,237)	33,099	1,152,116
Energisa Mato Grosso do Sul (EMS)	704,613	-	140,188	(9,587)	80,630	915,844
Energisa Sul Sudeste (ESS)	38,984	-	4,882	(21)	1,503	45,348
Centrais Elétricas de Rondônia S/A (CERON)	-	15,700	1,320	-	(1,601)	15,419
Companhia de Eletricidade do Acre (ELETROACRE)	-	6,438	-	(22)	(3,396)	3,020
Energisa Pará Transmissora de Energia I S/A (1)	9,565	-	87,136	-	4,468	101,169
Energisa Goiás Transmissora de Energia I S/A (1)	6,787	-	98,564	-	4,158	109,509
Energisa Pará II Transmissora de Energia S/A (1)	-	-	3,162	-	26	3,188
	4,420,666	22,138	839,769	(62,417)	295,119	5,515,275

	Balance 2016	Additions	Write-offs	Operating revenue - concession financial asset of (2)	Concession financial asset	Incorporation	Balance 2017
Energisa Minas Gerais (EMG)	12,075	3,356	(3)	354	-	-	15,782
Energisa Paraíba (EPB)	425,000	24,935	(5,299)	2,783	17,168	-	464,587
Energisa Sergipe (ESE)	345,783	21,494	(13)	29,437	-	-	396,701
Energisa Nova Friburgo (ENF)	3,046	33	(19)	89	-	-	3,149
Energisa Borborema (EBO)	47,949	5,573	(441)	846	1,688	-	55,615
Energisa Mato Grosso (EMT)	1,327,640	433,949	(27,269)	93,020	-	-	1,827,340
Energisa Tocantins (ETO)	704,017	197,786	(26,217)	21,957	-	-	897,543
Energisa Mato Grosso do Sul (EMS)	585,801	73,781	2,171	42,860	-	-	704,613
Energisa Sul Sudeste (ESS) (*)	12,572	4,580	-	739	-	21,093	38,984
Empresa Elétrica Bragantina S.A. (*)	8,331	-	-	63	-	(8,394)	-
Companhia Nacional de Energia Elétrica (*)	5,854	3	-	37	-	(5,894)	-
Companhia Força e Luz do Oeste (*)	1,527	3	-	19	-	(1,549)	-
Empresa de Distrib. De Energia Vale Paranapanema S.A. (*)	5,203	-	-	53	-	(5,256)	-
Energisa Pará Transmissora de Energia I S/A (1)	-	9,413	-	152	-	-	9,565
Energisa Goiás Transmissora de Energia I S/A (1)	-	6,668	-	119	-	-	6,787
	3,484,798	781,574	(57,090)	192,528	18,856	-	4,420,666

- (1) The additions, including PIS and COFINS, are related to the investment in the public electricity transmission service infrastructure, which we recovered via the cash flow to be received directly from users delegated by the concession authority, with the amount invested in the year amounting to R\$ 188,862 (R\$ 16,081 in 2017).
- (2) The assets are restated by applying the monthly fluctuation of the IPCA price index, which is the index used by the regulatory agency in rate adjustment processes, Management's best expectation and the history of disallowances in previous ratifications, which reflects the best estimate of the asset's fair value. By way of technical notes 68/2018, 65/2018 and 86/2018 on March 29, 2018 and April 11, 2018, ANEEL approved the new compensation base of subsidiaries for the 4th rate cycle which made it possible to fully recognize the fair value measurement of the VNR of the concession financial asset to offset, generating an addition for subsidiaries EMT of R\$ 98,341, EMS of R\$ 31,987 and a decrease for subsidiary ESE of R\$ 13,377, recorded in the year.

(*) Merged into ESS on June 30, 2017.

17. Investments

	Parent Company		Consolidated	
	2018	2017	2018	2017
Interest in subsidiaries	7,085,524	4,194,291	-	-
Other	9,979	9,979	52,184	49,177
Total	7,095,503	4,204,270	52,184	49,177

Interest in subsidiaries:

2018									
Information about subsidiaries								Information about the parent company's investment	
Subsidiaries	%	No. shares/ quotas held/ thousand	Share capital	Assets	Liabilities	Shareholders' Equity	Profit or loss	Equity in net income of subsidiaries and associated companies	Investments
Distribution								482,392	3,343,444
Energisa Minas Gerais (EMG)	100	819	228,428	909,753	633,848	275,905	36,228	36,228	275,905
Energisa Sergipe (ESE)	100	196	417,227	1,843,730	1,497,379	346,351	92,535	92,535	346,353
Energisa Paraíba (EPB)	100	918	571,865	2,441,918	1,629,194	812,724	238,215	238,215	812,723
Energisa Borborema (EBO)	100	293	82,532	307,974	179,244	128,730	30,958	30,958	128,731
Energisa Nova Friburgo (ENF)	100	30	63,343	212,636	126,594	86,042	9,351	9,351	86,040
Energisa Mato Grosso (EMT)	-	-	-	-	-	-	-	152,465	-
Companhia de Eletricidade do Acre (ACRE)	87.61	117,540,239	828,374	3,281,883	2,198,142	1,083,741	53,151	46,566	949,463
Centrais Elétricas de Rondônia S/A (CERON)	90.00	3,773,054	3,412,143	7,372,163	6,545,242	826,921	(137,695)	(123,926)	744,229
Generation								(179)	5,816
Parque Eólico Sobradinho	100	8,359	8,359	4,280	42	4,238	(166)	(166)	4,238
Energisa Geração Usina Maurício	100	1,748	1,748	2,210	954	1,256	40	40	1,256
Energisa Geração Solar Coremas	100	1,004	1,004	318	-	318	(11)	(11)	318
Energisa Geração Eólica Boa Esperança	100	58	49	1	-	1	(10)	(10)	1
Energisa Geração Eólica Mandacaru	100	58	49	1	-	1	(10)	(10)	1
Energisa Geração Eólica Alecrim	100	58	49	1	-	1	(11)	(11)	1
Energisa Geração Eólica Umbuzeiro - Muquim	100	57	48	1	-	1	(11)	(11)	1
Transmission								2,771	145,074
Energisa Pará Transmissora de Energia I S/A	-	-	-	-	-	-	-	2,457	60,201
Energisa Goiás Transmissora de Energia I S/A	-	-	-	-	-	-	-	1,255	52,771
Energisa Pará Transmissora de Energia II S/A	-	-	-	-	-	-	-	(3)	948
Energisa Transmissão de Energia S/A S/A	100	31,993	31,993	473,424	328,348	145,076	(938)	(938)	31,154
Commercialization								17,883	18,476
Energisa Comercializadora de Energia Ltda	100	5,119	5,119	170,495	152,019	18,476	17,883	17,883	18,476
Rendering of Services								(14,470)	118,589
Energisa Soluções	100	95,000	95,000	176,933	64,327	112,606	(13,942)	(13,942)	112,604
Energisa Serviços Aéreos de Aeroinspeção	100	6,312	6,313	3,277	343	2,934	(1,515)	(1,515)	2,934
Energisa Planejamento	58.26	1,686	4,109	6,821	1,584	5,237	1,694	987	3,051
Holding companies and other companies								334,489	3,293,248
Dinâmica Credit Receivables	100	1,955	1,877	1,800	-	1,800	(77)	(77)	1,800
Denerge S/A	99.97	531	1,316,157	1,726,483	561,230	1,165,253	217,970	217,917	1,164,971
Rede Energia Participações S/A (new name of (Rede Energia S.A.))	-	-	-	-	-	-	-	134,113	-
Energisa Participações Minoritárias S/A (*)	87.70	427,958	4,879,167	2,451,804	27,196	2,424,608	(19,911)	(17,464)	2,126,477
Goodwill paid in the acquisition of subsidiaries								(15,118)	160,877
Total								807,768	7,085,524

(*) The Extraordinary General Meeting on held December 27, 2018 approved the change to the company's name from Companhia de Energisa Geração de Energia S/A to Energisa Participações Minoritárias S/A.

2017									
Information about subsidiaries								Information about the parent company's investment	
Subsidiaries	%	No. shares/quotas held/ thousand	Share capital	Assets	Liabilities	Shareholders' Equity	Profit or loss	Equity in net income of subsidiaries and associated companies	Investments
Distribution								435,802	1,900,672
Energisa Minas Gerais (EMG)	100	819	228,428	898,301	624,812	273,489	29,227	29,227	273,489
Energisa Sergipe (ESE)	100	196	400,475	1,782,228	1,400,345	381,883	138,997	138,997	381,883
Energisa Paraíba (EPB)	100	918	526,991	2,232,644	1,400,617	832,027	232,570	232,570	832,027
Energisa Borborema (EBO)	100	293	78,159	352,561	226,057	126,504	30,739	30,739	126,504
Energisa Nova Friburgo (ENF)	100	30	63,343	234,985	148,117	86,868	5,427	5,427	86,868
Energisa Mato Grosso (EMT)	8.94	19,026	1,514,569	6,591,217	4,354,212	2,237,005	(10,783)	(1,158)	199,901
Generation								(87)	4,966
Parque Eólico Sobradinho	100	7,577	7,577	3,644	178	3,466	(117)	(117)	3,466
Energisa Geração Usina Maurício	100	1,621	1,621	1,186	12	1,174	100	100	1,174
Energisa Geração Solar Coremas	100	989	989	320	-	320	(16)	(16)	320
Energisa Geração Eólica Boa Esperança	100	45	36	1	-	1	(12)	(12)	1
Energisa Geração Eólica Mandacaru	100	46	37	1	-	1	(12)	(12)	1
Energisa Geração de Energia S.A	100	38	38	2	-	2	(6)	(6)	2
Energisa Geração Eólica Alecrim	100	46	37	1	-	1	(12)	(12)	1
Energisa Geração Eólica Umbuzeiro - Muquim	100	45	36	1	-	1	(12)	(12)	1
Transmission								(887)	15,047
Energisa Pará Transmissora de Energia I S/A	100	1	1	9,934	1,123	8,811	(495)	(495)	8,811
Energisa Goiás Transmissora de Energia I S/A	100	1	1	7,025	789	6,236	(392)	(392)	6,236
Commercialization								17,544	17,831
Energisa Comercializadora de Energia Ltda	100	5,119	5,119	151,758	133,927	17,831	17,544	17,544	17,831
Rendering of Services								2,706	101,507
Energisa Soluções	100	95,000	95,000	159,795	66,028	93,767	2,025	2,025	93,766
Energisa Serviços Aéreos de Aeroinspeção	100	6,313	6,313	4,842	372	4,470	(1,244)	(1,244)	4,470
Energisa Planejamento	58.3	1,686	4,109	7,202	1,587	5,615	2,045	1,925	3,271
Holding companies and other companies								80,374	1,978,273
Alvorada Direitos Creditórios S.A	100	400	-	-	-	-	(33)	(33)	-
Dinâmica Credit Receivables	100	1,955	1,877	1,919	12	1,907	41	41	1,907
Denerge S/A	99.97	531	1,316,157	1,635,495	552,308	1,083,187	44,520	40,657	1,082,924
Rede Energia Participações S/A (new name of (Rede Energia S.A.))	29.56	608,344	2,777,404	4,182,729	1,160,441	3,022,288	140,251	39,709	893,442
Goodwill paid in the acquisition of subsidiaries								(15,118)	175,995
Total								520,334	4,194,291

Changes in the investments:

Subsidiaries	Balance in 2017	Acquisition/Advances for future capital increase	Investments Acquired	Gain/Loss on share acquisition (1)	Capital transactions (2)	Merger	Dividends	OCI	Equity Income	Balance in 2018
Electricity Distribution	1,900,672	1,060,068	1,333,257	78,546	-	(864,947)	(649,146)	2,602	482,392	3,343,444
Energisa Minas Gerais (EMG)	273,489	-	-	76	-	-	(34,862)	974	36,228	275,905
Energisa Sergipe (ESE)	381,883	-	-	453	-	-	(126,646)	(1,872)	92,535	346,353
Energisa Paraíba (EPB)	832,027	-	-	1,299	-	-	(261,054)	2,236	238,215	812,723
Energisa Borborema (EBO)	126,504	-	-	42	-	-	(29,383)	610	30,958	128,731
Energisa Nova Friburgo (ENF)	86,868	-	-	19	-	-	(10,852)	654	9,351	86,040
Energisa Mato Grosso (EMT) (1)	199,901	567,418	-	131,512	-	(864,947)	(186,349)	-	152,465	-
Companhia de Eletricidade do Acre (ACRE)	-	238,806	693,680	(29,589)	-	-	-	-	46,566	949,463
Centrais Elétricas de Rondônia S/A (CERON)	-	253,844	639,577	(25,266)	-	-	-	-	(123,926)	744,229
Electricity Generation	4,964	1,026	-	-	-	-	-	5	(179)	5,816
Parque Eólico Sobradinho	3,466	933	-	-	-	-	-	5	(166)	4,238
Energisa Geração Usina Maurício	1,174	42	-	-	-	-	-	-	40	1,256
Energisa Geração Solar Coremas	320	9	-	-	-	-	-	-	(11)	318
Energisa Geração Eólica Boa Esperança	1	10	-	-	-	-	-	-	(10)	1
Energisa Geração Eólica Mandacaru	1	10	-	-	-	-	-	-	(10)	1
Energisa Geração Eólica Alecrim	1	11	-	-	-	-	-	-	(11)	1
Energisa Geração Eólica Umbuzeiro - Muquim	1	11	-	-	-	-	-	-	(11)	1
Transmissora de Energia Elétrica	15,047	127,292	-	20	-	-	-	(56)	2,771	145,074
Energisa Pará Transmissora de Energia I S/A	8,811	65,933	(17,000)	-	-	-	-	-	2,457	60,201
Energisa Goiás Transmissora de Energia I S/A	6,236	58,280	(13,000)	-	-	-	-	-	1,255	52,771
Energisa Pará Transmissora de Energia II S/A	-	2,943	(1,992)	-	-	-	-	-	(3)	948
Energisa Transmissora de Energia S/A	-	136	31,992	20	-	-	-	(56)	(938)	31,154
Electricity Trading	17,831	-	-	39	-	-	(17,180)	(97)	17,883	18,476
Energisa Comercializadora	17,831	-	-	39	-	-	(17,180)	(97)	17,883	18,476
Rendering of Services	101,507	32,819	-	81	-	-	(1,140)	(208)	(14,470)	118,589
Energisa Soluções	93,766	32,819	-	81	-	-	-	(120)	(13,942)	112,604
Energisa Serviços Aéreos de Aeroinspeção	4,470	-	-	-	-	-	-	(21)	(1,515)	2,934
Energisa Planejamento	3,271	-	-	-	-	-	(1,140)	(67)	987	3,051
Holding companies and other companies	1,978,275	326	-	272,843	(59,069)	864,947	(53,516)	(45,047)	334,489	3,293,248
Dinâmica Credit Receivables	1,907	-	-	-	-	-	(30)	-	(77)	1,800
Denerge S/A	1,082,924	(3)	-	2,355	(59,069)	-	(53,486)	(25,667)	217,917	1,164,971
Rede Energia S.A.	893,442	318	-	693	-	(1,028,566)	-	-	134,113	-
Energisa Participações Minoritárias S/A (*) (3)	2	11	-	269,795	-	1,893,513	-	(19,380)	(17,464)	2,126,477
Goodwill paid in the acquisition of subsidiaries	175,995	-	-	-	-	-	-	-	(15,118)	160,877
Total	4,194,291	1,221,531	1,333,257	351,529	(59,069)	-	(720,982)	(42,801)	807,768	7,085,524

(*) The Extraordinary General Meeting held December 27, 2018 approved the change to the company's name from Companhia de Energisa Geração de Energia S/A to Energisa Participações Minoritárias S/A.

- Refers to gains on the acquisition of the noncontrolling interest at the public share offering auction held on January 16 and February 2, 2018, at which 65,740,888 shares of the subsidiary EMT were acquired for R\$ 567,418 (R\$ 566,161 net of the applicable fees, charges and commission), resulting in a gain of R\$ 131,513 charged directly to shareholders' equity under transactions with partners. Shares were also acquired of Denerge and Rede Energia shares amounting to R\$ 319 were also acquired, resulting in a loss of R\$ 2,656 also directly recorded in Equity. R\$ 377 and R\$ 1,138 denotes the Tax Incentive Reserve - for companies ESE and EPB.
- Includes a portion resulting from the percentage interest held in subsidiary EEVP, referring to the derivative financial instrument described in note 36, which amounted to R\$ 43,873 in the year, which was charged to shareholders' equity.
- The subsidiary Energisa Participações Minoritárias S/A (EPM), the new name of Energisa Geração de Energia S/A, is a special purpose entity created to acquire capital in other companies, under the guidance of parent company Energisa S/A to enhance the group's corporate structure.
EPM currently holds an interest in the common shares of Rede Energia of 29.57% (twenty-nine-point fifty seven percent) of the total share capital of Rede Energia ("Rede Energia Shares"); and common shares and preferred shares of EMT, accounting for 39.82% (thirty-nine point eight two percent) of EMT's total share capital ("EMT Shares").
On December 28, 2018 EPM received a primary contribution of R\$ 600,000 for the subscription of preferred shares by a non-controlling shareholder, whose interest accounts for 12.3% of EPM's share capital.
As a result of the contribution the Company directly and indirectly owned 92.7% (previously 96.3%) of the total share capital of Rede Energia and 88.4% (previously 95.3%) of the total share capital of EMT.
Note that the rights and obligations of the Energisa Participações shareholders were set out in a shareholders' agreement between the parties.
Amongst other clauses usual in such documents, the shareholders' agreement guaranteed the Company a call option over all of the noncontrolling shareholder's preferred shares. There is no put option obliging the Company to acquire the noncontrolling interest in full or in part.

New business combination acquisition - electricity distribution companies.

At an auction held August 30, 2018, and in accordance with the regulations of notice 2/2018-PPI/PND ("Notice"), Energisa acquired a 90% interest in Centrais Elétricas de Rondônia ("Ceron") and 87.61% in Companhia de Eletricidade do Acre ("Eletroacre"), from Centrais Elétricas Brasileiras S.A. ("Eletrobrás"). The negative goodwill offered by the Company for regulatory flexibility purposes and the concession was 21% for Ceron and 31% for Eletroacre.

After complying with all terms and conditions of the Notice, on October 30, 2018 the Company acquired 2,599,666,099 Ceron common shares accounting for 90.0% of the latter's total share capital, pursuant to the Share Purchase and Sale Commitment and Other Covenants ("Agreement") between Energisa and Eletrobrás.

On the same date the Company signed the Ceron Shareholders' Agreement with Eletrobrás and held an Extraordinary General Meeting, in which a capital increase of R\$ 282,049 (amount greater than the mandatory capital increase and established upon acquisition of R\$ 253,844) was approved, at R\$ 0.21633448 per share, under in article 170 (1,I) of the Brazilian Corporation Law. Energisa thereby subscribed and paid in the mandatory capital increase established. On March 01, 2019 the Company also subscribed and paid in surpluses of Ceron in the amount of R\$ 27,834, then holding 95.43% of Ceron.

After all conditions had been met, on December 6, 2018 the Company concluded the acquisition of Eletroacre by receiving 117,538,360,880 shares in this distribution company (86,020,249,480 common shares and 31,518,111,400 preferred shares), accounting for 87.61% of its total share capital, pursuant to the Share Purchase and Sale Commitment ("Agreement") signed on that date by Energisa and Eletrobrás. On the same date the Company signed the Eletroacre Shareholders' Agreement with Eletrobrás and approved a capital increase of R\$ 274,374 (amount greater than the mandatory capital increase and established in the acquisition of R\$ 238,806), at the price of R\$ 0.00254489 per share, under article 170 (1,I) of Brazilian Corporation Law. The Company thereby subscribed and paid in the mandatory capital increase. On March 01, 2019 the Company also subscribed and paid in surpluses of Eletroacre in the amount of R\$ 35,264, then holding 93.58% of Eletroacre.

The Notice entitles Eletrobrás to make a capital increase within up to 6 months after settlement of the auction in order to increase its interest in the share capital of the two distribution companies by up to 30%.

On October 30 and December 6, 2018 Ceron and Eletroacre respectively signed the public electricity distribution concession arrangements with the government pursuant to Law 12783, enacted January 11, 2013.

After these acquisitions, Energisa held eleven electricity distribution concessions spanning five regions of the country. The Company Management believes its successful track record of implementing operational and financial transformations will be essential to enhancing the quality, loss and default metrics and the economic and financial equilibrium of the distribution companies, bringing benefits for consumers. The Company maintains its commitment to prudently allocate capital, seeking to create value for its shareholders and make its business sustainable.

Measurement period of the Purchase Price Allocation (PPA):

The Company provisionally determined the values of the business combination in accordance with topic 45 of CPC 15 (R1) - Business Combination and IFRS 3 (R) - "Business Combination", which determines the business combination be initially recorded at the end of the reporting period in which the combination takes place, in its financial statements.

During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, it shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities. The measurement period ends when the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date. During this period the Company does not expect changes that could modify the position of results obtained in the business combination.

The Company had incurred costs of R\$ 9,620 on acquiring the companies through December 31, 2018.

The fair values of the identifiable assets and liabilities acquired at the business combination date are as follows:

	CERON	Eletroacre	Total
Fair value of the assets acquired	710,640	791,782	1,502,422
% interest	90.00%	87.61%	
Value of interest	639,576	693,681	1,133,257
Acquisition price	137,548	26,147	163,695
Gain/loss made on business combination	502,028	667,534	1,169,562

Gain/loss made on business combination:

In the business combination involving the acquisitions of Ceron and Eletroacre by the Company in accordance with CPC 15 (R1) - Business Combination and IFRS 3 (R) - Business Combination, income was recorded of R\$ 1,169,562 was recognized under “investments” at the parent company and “intangible assets” in the consolidated statement, charged to other operating revenue - income obtained from the business combination in the income statement for the year. The income made under the acquisition primarily derived from the prospects of earnings due to additional revenue resulting from growth in the region, which is still facing restrictions on electricity supply, lower operating costs and the strategic investments to be made.

In addition to the geographical synergy with the subsidiary Energisa Mato Grosso, the two distribution companies have many similarities with the group’s two other concession operators, such as customer concentration by km of grid and hold the “Northeast corridor” that connects the bordering states and starts in Acre, running through Rondônia, Mato Grosso, Mato Grosso do Sul and Tocantins state.

Provision for labor, civil, tax and regulatory contingencies

The Company recognized the amount of R\$ 467,403 as a provision for labor, civil, tax and regulatory contingencies, rated as possible and remote likelihood of loss. The contingent liabilities assumed upon initial recognition of the business combination were recorded at fair value.

Determination of fair values

Appreciation of intangible assets

The acquisitions described in the above note were recorded in accordance with CPC 15 (R1) - Business Combination and IFRS 3 (R) - “Business Combination”. In accordance with accounting regulations that consider the economic essence of the operation, Energisa began evaluating the subsidiaries’ assets at fair value, after acquiring the share control thereof. As a result and in accordance with the determinations of CPC 15 (R1) and IFRS 3 (R), the net assets and liabilities of the companies were valued at fair value and allocated according to the appraisal report prepared by a specialized company, which resulted in the companies recording: (a) an intangible asset - concession right of R\$ 5,737,649; (b) deferred income and social contribution taxes in noncurrent liabilities of R\$ 1,950,801; and (c) other current liabilities of R\$ 467,403 (provision for labor, civil, tax and regulatory contingencies) amounting to R\$ 3,319,445, recorded at each subsidiary as an equity appraisal adjustment in shareholders’ equity on December 31, 2018.

The deferred taxes (liabilities) were created over the difference between the appreciation of identifiable assets acquired and the respective carrying amounts thereof, as their tax bases were not affected by the business combination, and consequently generated temporary differences. These deferred taxes were created at the rate of 34% over the appreciation of these assets. The deferred income tax will be realized in the accounts as the intangible asset is amortized or if the investment is sold by the parent company. The subsidiaries are also taxed on the taxable profit basis, under which amortization of the intangible asset is not deductible. The tax realization at the parent companies therefore occurs on the sale of the property, plant and equipment at the subsidiary or sale of the investment by the parent company, which would lead to a tax rate of 34% for the parent company, as a result of the gain recorded.

Subsidiaries	Cost of intangible assets and property, plant and equipment	Deemed cost of contingencies	Taxes	Effect on shareholders' equity
Ceron	3,851,936	(437,451)	(1,309,659)	2,104,826
Eletroacre	1,885,713	(29,952)	(641,142)	1,214,619
Sub-total	5,737,649	(467,403)	(1,950,801)	3,319,445

See below the financial statements of the acquirees as of the acquisition date, Ceron on October 30, 2018 and Eletroacre on December 6, 2018.

	Ceron	Eletroacre
Cash and cash equivalents	11,715	14,999
Money market and secured funds	33,554	8,520
Customers, consumers and concessionaires	522,083	226,731
Inventories	16,466	1,604
Recoverable taxes	79,016	17,129
Other current assets	193,668	72,668
Escrow and secured deposits	217,841	7,953
Accounts receivable from the concession	15,700	6,438
Financial sector assets	1,037,577	254,228
Intangible assets, PP&E and contractual assets - infrastructure under construction	5,101,109	2,421,759
Trade accounts payable	1,700,096	360,870
Loans, financing and debt charges	977,705	588,685
Provision for labor, civil, tax and regulatory risks	1,606,836	302,875
Financial sector liabilities	144,662	50,316
Deferred income and social contribution taxes	1,293,606	732,522
Other liabilities	795,184	204,979
NCI	71,064	98,101

The acquired companies contributed net revenue of R\$ 240,038 and a loss for the period of R\$ 119,268 between the acquisition date and December 31, 2018 to the Company's consolidated net income.

Subsidiaries	Balance in 2016	Acquisition	Gain/Loss on share acquisition (1)	Capital transactions (2)	Incorporation	Dividends	Other comprehensive income	Equity Income	Balance in 2017
Electricity Distribution	1,727,766	-	458	-	-	(233,901)	(29,453)	435,802	1,900,672
Energisa Minas Gerais (EMG)	267,785	-	-	-	-	(22,241)	(1,282)	29,227	273,489
Energisa Sergipe (ESE)	313,347	-	-	-	-	(50,241)	(20,220)	138,997	381,883
Energisa Paraíba (EPB)	745,602	-	-	-	-	(138,632)	(7,513)	232,570	832,027
Energisa Borborema (EBO)	115,571	-	-	-	-	(19,806)	-	30,739	126,504
Energisa Nova Friburgo (ENF)	82,557	-	-	-	-	(1,289)	173	5,427	86,868
Energisa Mato Grosso (EMT) (1)	202,904	-	458	-	-	(1,692)	(611)	(1,158)	199,901
Electricity Generation	4,075	978	-	-	-	-	-	(87)	4,966
Parque Eólico Sobradinho	2,801	782	-	-	-	-	-	(117)	3,466
Energisa Geração Usina Maurício	948	126	-	-	-	-	-	100	1,174
Energisa Geração Solar Coremas	321	15	-	-	-	-	-	(16)	320
Energisa Geração Eólica Boa Esperança	1	12	-	-	-	-	-	(12)	1
Energisa Geração Eólica Mandacaru	1	12	-	-	-	-	-	(12)	1
Energisa Geração de Energia S.A	1	7	-	-	-	-	-	(6)	2
Energisa Geração Eólica Alecrim	1	12	-	-	-	-	-	(12)	1
Energisa Geração Eólica Umbuzeiro - Muquim	1	12	-	-	-	-	-	(12)	1
Transmissora de Energia Elétrica	-	15,934	-	-	-	-	-	(887)	15,047
Energisa Pará Transmissora de Energia I S/A	-	9,306	-	-	-	-	-	(495)	8,811
Energisa Goiás Transmissora de Energia I S/A	-	6,628	-	-	-	-	-	(392)	6,236
Electricity Trading	4,481	-	-	-	-	(4,236)	42	17,544	17,831
Energisa Comercializadora de Energia Ltda	4,481	-	-	-	-	(4,236)	42	17,544	17,831
Rendering of Services	84,461	14,831	2	-	-	(1,967)	1,474	2,706	101,507
Energisa Soluções	75,301	15,000	-	-	-	-	1,440	2,025	93,766
Energisa Serviços Aéreos de Aeroinspeção	5,893	(179)	-	-	-	-	-	(1,244)	4,470
Energisa Planejamento	3,267	10	2	-	-	(1,967)	34	1,925	3,271
Holding companies and other companies	2,004,194	3,314	4,037	(89,453)	-	(13,940)	(10,253)	80,374	1,978,273
Alvorada Direitos Creditórios S.A	137	-	-	-	(104)	-	-	(33)	-
Dinâmica Credit Receivables	1,760	12	-	-	104	(10)	-	41	1,907
Denerge S/A	1,141,347	-	3,425	(89,453)	-	(5,956)	(7,096)	40,657	1,082,924
Rede Energia Participações S.A.	860,950	3,302	612	-	-	(7,974)	(3,157)	39,709	893,442
Goodwill paid in the acquisition of subsidiaries	191,113	-	-	-	-	-	-	(15,118)	175,995
Total	4,016,090	35,057	4,497	(89,453)	-	(254,044)	(38,190)	520,334	4,194,291

(1) Gain/loss on transactions with subsidiaries as of December 31, 2017, recorded directly in shareholders' equity.

- (2) Includes a portion resulting from the percentage interest in the subsidiary EEVP, referring to the derivative financial instrument described in note 36, which in the year amounted to R\$ 89,453, which was charged to shareholders' equity.

Accumulated amortization of intangible assets in the year ended December 31, 2018, which are recorded in the income statement under amortization and depreciation and income tax and social contribution originate as follows:

						Total	
	EMT	ETO	EMS	Ceron	Eletroacre	2018	2017
Amortization in the year	(63,867)	(63,634)	(71,409)	(21,400)	(5,238)	(225,548)	(198,910)
IR and CSSL	21,715	21,636	24,279	7,276	1,781	76,687	67,630
Amortization net of taxes	(42,152)	(41,998)	(47,130)	(14,124)	(3,457)	(148,861)	(131,280)

The Company holds indirect interests in the electricity distribution and services companies, directly controlled by Rede Energia S/A, as follows:

2018					
Indirect subsidiaries	% indirect	Assets	Liabilities	Shareholders' Equity	Profit or loss
Electricity Distribution					
Energisa Tocantins	77.07	2,502,695	1,729,365	773,330	57,261
Energisa Mato Grosso	73.38	7,206,607	5,063,042	2,143,565	386,422
Energisa Mato Grosso do Sul	92.58	3,779,625	2,530,962	1,248,663	124,129
Energisa Sul-Sudeste - Distribuidora de Energia S/A (1)	92.12	1,915,387	1,344,037	571,350	111,156
Multi Energisa Serviços S/A	92.66	24,875	16,050	8,825	4,590
QMRA Participações S.A.	92.62	2,350	156	2,194	(74,209)
Rede Power do Brasil S.A.	92.62	526,927	58,864	468,063	48,067
Companhia Técnica de Comercialização de Energia	92.66	18,289	197,828	(179,539)	(7,533)

2017					
Indirect subsidiaries	% indirect	Assets	Liabilities	Shareholders' Equity	Profit or loss
Electricity Distribution					
Energisa Tocantins	73.80	2,241,115	1,412,235	828,880	39,811
Energisa Mato Grosso	55.51	6,591,217	4,354,212	2,237,005	(10,783)
Energisa Mato Grosso do Sul	96.18	3,558,377	2,275,413	1,282,964	58,141
Energisa Sul-Sudeste - Distribuidora de Energia S/A (1)	95.28	1,758,422	1,158,409	600,013	69,190
Multi Energisa Serviços S/A	96.26	40,621	28,894	11,727	4,348
QMRA Participações S.A.	96.25	79,923	49,870	30,053	3,902
Rede Power do Brasil S.A.	96.25	577,742	70,946	506,796	45,007
Companhia Técnica de Comercialização de Energia	96.26	131,333	303,339	(172,006)	(5,372)
Vale Do Vacaria Açúcar e Álcool S/A	96.25	1,288	-	1,288	(127)

18. Property, plant and equipment

Items of property, plant and equipment are recorded at the historic cost of acquisition or construction, minus accumulated depreciation and impairment, when applicable.

The consolidated property, plant and equipment breaks down as follows by nature:

	Parent Company					
	Average depreciation rate (%)	Balances 2017	Addition	Transfers	Depreciation	Balances 2018
Property, plant and equipment in service						
Cost:						
Land	-	16	-	590	-	606
Buildings and improvements	3.39%	23,766	-	3,582	-	27,348
Plant and equipment	14.50%	17,137	-	5,180	-	22,317
Vehicles	14.29%	16,396	-	720	-	17,116
Fixtures and fittings	7.97%	15,142	-	435	-	15,577
Total property, plant and equipment in service		72,457	-	10,507	-	82,964
Accumulated depreciation:						
Buildings and improvements		(1,661)	-	(387)	(837)	(2,885)
Plant and equipment		(5,350)	-	-	(2,487)	(7,837)
Vehicles		(8,576)	-	-	(1,299)	(9,875)
Fixtures and fittings		(12,756)	-	-	(341)	(13,097)
Total accumulated depreciation		(28,343)	-	(387)	(4,964)	(33,694)
Subtotal Property, Plant and Equipment		44,114	-	10,120	(4,964)	49,270
Property, plant and equipment in progress		4,671	7,247	(10,120)	-	1,798
Total of Property, plant and equipment		48,785	7,247	-	(4,964)	51,068

	Parent Company						
	Average depreciation rate (%)	Balance 2016	Addition	Transfers	Write-offs	Depreciation	Balance 2017
Property, plant and equipment in service							
Cost:							
Land	-	16	-	-	-	-	16
Buildings and improvements	3.33%	5,291	-	19,402	(927)	-	23,766
Plant and equipment	13.39%	8,977	-	8,160	-	-	17,137
Vehicles	13.57%	8,450	-	7,946	-	-	16,396
Fixtures and fittings	6.95%	13,764	-	1,378	-	-	15,142
Total property, plant and equipment in		36,498	-	36,886	(927)	-	72,457
Accumulated depreciation:							
Buildings and improvements		(2,333)	-	-	855	(183)	(1,661)
Plant and equipment		(4,023)	-	-	-	(1,327)	(5,350)
Vehicles		(7,930)	-	-	-	(646)	(8,576)
Fixtures and fittings		(12,385)	-	-	-	(371)	(12,756)
Total accumulated depreciation		(26,671)	-	-	855	(2,527)	(28,343)
Subtotal Property, Plant and Equipment		9,827	-	36,886	(72)	(2,527)	44,114
Property, plant and equipment in progress		8,505	33,052	(36,886)	-	-	4,671
Total of Property, plant and equipment		18,332	33,052	-	(72)	(2,527)	48,785

	Consolidated							
	Average depreciation rate (%)	Balance 2017	Acquisition balance	Addition	Transfers	Write-offs (*)	Amortization/Depreciation	Balance 2018
Property, plant and equipment in service								
Cost:								
Land	-	1,448	512	-	590	-	-	2,550
Reservoirs, Dams and Power Tunnels	3.05%	2,792	-	-	-	(18)	-	2,774
Buildings and improvements	3.27%	35,905	18,850	-	4,141	(75)	-	58,821
Plant and equipment	13.72%	176,775	31,431	-	71,783	(721)	-	279,268
Vehicles	14.26%	64,341	6,013	-	4,362	(441)	-	74,275
Fixtures and fittings	7.54%	65,193	7,515	443	10,571	(1)	-	83,721
Total property, plant and equipment in service		346,454	64,321	443	91,447	(1,256)	-	501,409
Accumulated depreciation:								
Reservoirs, Dams and Power Tunnels		(818)	-	-	-	18	(24)	(824)
Buildings and improvements		(5,806)	(14,567)	-	(375)	26	(1,250)	(21,972)
Plant and equipment		(99,578)	(21,748)	-	(31,138)	209	(22,806)	(175,061)
Vehicles		(30,943)	(5,475)	-	42	420	(7,748)	(43,704)
Fixtures and fittings		(45,977)	(5,385)	-	(4,462)	1	(2,456)	(58,279)
Total accumulated depreciation		(183,122)	(47,175)	-	(35,933)	674	(34,284)	(299,840)
Subtotal Property, Plant and Equipment		163,332	17,146	443	55,514	(582)	(34,284)	201,569
Property, plant and equipment in progress		14,804	-	48,753	(55,514)	-	-	8,043
Total of Property, plant and equipment		178,136	17,146	49,196	-	(582)	(34,284)	209,612

(*) The amount of R\$ 582 denotes write-offs in the year, initially recorded in Deactivation orders - ODD and at the end of the process the amounts are transferred to profit or loss for the year in other operating income (expenses).

	Consolidated						
	Average depreciation rate (%)	Balance 2016	Addition (*)	Transfers	Write-offs (**)	Amortization/Depreciation	Balance 2017
Property, plant and equipment in service							
Cost:							
Software	20.00%	23	-	-	(23)	-	-
Land	-	1,448	-	-	-	-	1,448
Reservoirs, Dams and Power Tunnels	2.60%	2,191	-	609	(8)	-	2,792
Buildings and improvements	2.94%	16,976	-	19,566	(637)	-	35,905
Plant and equipment	12.40%	150,106	12,883	21,628	(7,842)	-	176,775
Vehicles	13.30%	86,480	-	17,278	(39,417)	-	64,341
Fixtures and fittings	6.23%	55,719	6,678	2,956	(160)	-	65,193
Total property, plant and equipment in service		312,943	19,561	62,037	(48,087)	-	346,454
Accumulated depreciation:							
Software		(20)	-	-	20	-	-
Reservoirs, Dams and Power Tunnels		(812)	-	-	4	(10)	(818)
Buildings and improvements		(5,995)	(51)	(164)	855	(451)	(5,806)
Plant and equipment		(80,097)	(13,605)	-	3,174	(9,050)	(99,578)
Vehicles		(60,891)	(385)	-	37,154	(6,821)	(30,943)
Fixtures and fittings		(38,011)	(5,809)	-	41	(2,198)	(45,977)
Total accumulated depreciation		(185,826)	(19,850)	(164)	41,248	(18,530)	(183,122)
Subtotal Property, Plant and Equipment		127,117	(289)	61,873	(6,839)	(18,530)	163,332
Property, plant and equipment in progress		15,296	61,381	(61,873)	-	-	14,804
Total of Property, plant and equipment		142,413	61,092	-	(6,839)	(18,530)	178,136

(*) R\$ 289 of the additions of R\$ 61,092 entail the transfer of intangible assets to the property, plant and equipment.

(**) The amount of R\$ 6,839 denotes write-offs in the year, initially recorded in Deactivation orders - ODD and at the end of the process the amounts are transferred to profit or loss for the year in other operating income (expenses).

19. Intangible assets

19.1 Intangible assets - parent company

	Parent Company					
	Average amortization rate (%)	Balance 2017	Additions	Transfers	Amortization	Balance 2018
In Service						
Cost of software	20.00%	17,147	-	10,229	-	27,376
Accumulated Amortization		(10,118)	-	-	(3,912)	(14,030)
Subtotal		7,029	-	10,229	(3,912)	13,346
In Progress		4,520	6,050	(10,229)	-	341
Grand Total		11,549	6,050	-	(3,912)	13,687

	Parent Company					
	Average amortization rate (%)	Balance 2016	Additions	Transfers	Amortization	Balance 2017
In Service						
Cost of software	20.00%	17,016	-	131	-	17,147
Accumulated Amortization		(7,417)	-	-	(2,701)	(10,118)
Subtotal		9,599	-	131	(2,701)	7,029
In Progress		-	4,651	(131)	-	4,520
Grand Total		9,599	4,651	-	(2,701)	11,549

19.2 Intangible assets and Contractual asset - Infrastructure under construction - Consolidated

	Average amortization rate (%)	Balance 2017	Acquisition balance	Addition	Transfers	Write-offs (*)	Amortization / Depreciation (**)	Balance 2018
Intangible assets in service								
Cost:	10.86%	16,079,665	8,147,850	38,243	1,068,557	(209,613)	-	25,124,702
Accumulated Amortization		(8,297,458)	(763,061)	-	(75,402)	307,510	(1,203,857)	(10,032,268)
Subtotal		7,782,207	9	38,243	993,155	97,897	(1,203,857)	15,092,434
In Progress		8,127	-	8,498	(12,272)	-	-	4,353
Total Intangible Assets		7,790,334	9	46,741	980,883	97,897	(1,203,857)	15,096,787
(-) Obligations linked to the concession								
In Service								
Cost	3.80%	3,722,038	476,086	-	408,488	-	-	4,606,612
Accumulated Amortization		(2,028,539)	(77,911)	1,079	(110,565)	42,516	(204,675)	(2,378,095)
Total obligations linked to the Concession		1,693,499	398,175	1,079	297,923	42,516	(204,675)	2,228,517
Subtotal of Intangible Assets		6,096,835	4	45,662	682,960	55,381	(999,182)	12,868,270
Contractual asset - infrastructure under construction (**)								
Under construction		840,185	536,753	1,750,344	(678,631)	(797,172)	-	1,651,479
(-) Obligations linked to the concession								
Under construction		197,120	17,645	241,339	4,329	(146,265)	-	314,168
Total contractual assets - infrastructure under construction		643,065	519,108	1,509,005	(682,960)	(650,907)	-	1,337,311
Total Intangible Assets		6,739,900	2	7	-	(595,526)	(999,182)	14,205,581

(*) R\$ 650,907 of the write-offs of R\$ 595,526 denotes the transfer of intangible assets net of special obligations to the compensable financial asset of the concession, and R\$ 97,897 consists of write-offs in the year. They are initially recorded in Deactivation orders - ODD and at the end of the process the amounts are transferred to profit or loss for the year in other operating income (expenses), R\$ 42,516 denotes the amortization of the provision for incorporating the grid of the indirect subsidiary Centrais Elétricas de Rondônia S/A.

"The amount transferred from the contractual asset of infrastructure, net of special obligations to the concession financial asset of R\$ 650,907 (R\$ 765,493 in 2017), denotes the bifurcated portion of the intangible asset to be compensated at the end of the concession by the concession authority, as per the electricity distribution concession agreement classified under the technical interpretation of ICPC 01 (IFRIC 12)."

(**) In the year the company recorded PIS and COFINS credits on the amortization of assets and equipment in the amount of R\$ 35,554 (R\$ 36,118 in 2017) and R\$ 24 for depreciation of the future use assets of the direct subsidiary EMS.

(***) The contractual asset records expenses directly attributable to the acquisition and construction of the assets, such as: (i). The cost of materials and direct labor; (ii). Any other costs to bring the asset to its location and condition necessary so it can be fully operated. and

(iii). the interest incurred on loans, financing at the infrastructure construction cost, appropriated based on the established criteria for capitalization, such as applying the average weighted rate and specific contract interest in accordance with CPC 20.

	CONSOLIDATED						
	Average amortization rate (%)	Balance 2016	Addition	Transfers	Write-offs (*)	Amortization/ Depreciation (**)	Balance 2017
Intangible assets in service							
Cost	11.47%	14,651,198	-	1,648,921	(220,454)	-	16,079,665
Accumulated Amortization		(6,867,309)	14,703	(687,133)	162,992	(920,711)	(8,297,458)
Subtotal		7,783,889	14,703	961,788	(57,462)	(920,711)	7,782,207
In Progress		1,166,531	1,926,805	(1,196,033)	(1,048,991)	-	848,312
Total		8,950,420	1,941,508	(234,245)	(1,106,453)	(920,711)	8,630,519
(-) Obligations linked to the concession							
In Service							
Cost	3.91%	2,819,616	213	902,209	-	-	3,722,038
Accumulated Amortization		(1,219,826)	-	(673,522)	-	(135,191)	(2,028,539)
Subtotal		1,599,790	213	228,687	-	(135,191)	1,693,499
In Progress		327,810	615,740	(462,932)	(283,498)	-	197,120
Total obligations linked to the concession		1,927,600	615,953	(234,245)	(283,498)	(135,191)	1,890,619
Grand Total		7,022,820	1,325,555	-	(822,955)	(785,520)	6,739,900

(*) R\$ 765,493 of the write-offs of R\$ 822,955 denotes the transfer of intangible assets net of special obligations to the compensable financial asset of the concession, and R\$ 57,462 consists of write-offs in the year. They are initially recorded in Deactivation orders - ODD and at the end of the process the amounts are transferred to profit or loss for the year in other operating income (expenses).

"The amount transferred from intangible assets net of special obligations to the compensable financial asset of the concession of R\$ 765,493 (R\$ 527,173 in 2016), denotes the bifurcated portion of the intangible asset to be compensated at the end of the concession by the concession authority, as per the electricity distribution concession agreement classified under the technical interpretation of ICPC 01 (IFRIC 12)."

(**) In the year the company recorded PIS and COFINS credits on the amortization of assets and equipment in the amount of R\$ 36,118 (R\$ 33,935 in 2016).

(**) Includes R\$ 15,780 of the indirect subsidiary EMT of amortization expense related to the recognition of assets of the Comodoro project.

19.3 Intangible assets - Concession Agreement - Consolidated

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

The assets used by the subsidiaries in their operations are tied to public energy distribution services, and may not be removed, sold, transferred or pledged under mortgage guarantee without the prior, express consent of the Regulatory Authority. ANEEL Normative Resolution 691/2015 issued December 8, 2015 regulates the freeing up of the public electricity service concessions' infrastructure, awarding preliminary authorization for the release for the purpose of disposal. It also determines the proceedings of the disposal be deposited into a specific bank account and the funds reinvested into the concession's assets.

The intangible assets are being amortized at the rates established by ANEEL Normative Resolution 674 issued August 11, 2015, limited to the concession term based on the economic benefits generated annually. The average weighted amortization rate used is 10.86% (11.47% in 2017) .

The balance of intangible assets and compensable financial asset of the concession is reduced by obligations linked to the concession, consisting of:

Obligations linked to the concession:	2018	2017
Consumer contributions ⁽¹⁾	3,855,868	3,584,197
Government Subsidy - CDE funds ⁽²⁾	1,661,740	1,192,783
State Government Subsidy ⁽²⁾	571,959	306,022
Reversal reserve ⁽³⁾	9,206	9,972
Revenue from surplus demand and Surplus Reactive Energy	310,467	296,465
(-) Accumulated amortization	(2,378,095)	(2,028,539)
Total	4,031,145	3,360,900
Allocation:		
Concession financial asset	1,488,460	1,470,281
Infrastructure - Intangible assets in service	2,228,517	1,693,499
Contractual asset - infrastructure under construction and Intangible assets in progress	300,166	197,120
Excess Power Revenue	14,002	-
Total	4,031,145	3,360,900

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

Revenue from surplus demand and Surplus Reactive Energy

Pursuant to Normative Resolution 660 issued April 28, 2015 and ANEEL Order 245 issued January 28, 2016, as from the 4th rate review cycle the Excess Demand and Excess Reactive Power Revenue is now recorded under Sector Financial Assets (CVA). Energisa's direct and indirect subsidiaries have undergone the 4th rate review cycle.

19.4 Concession right - consolidated

	Consolidated	
	2018	2017
Recognized by subsidiaries ⁽¹⁾	538,012	538,012
Recognized by parent company ⁽²⁾	298,589	298,589
Acquisition of interest ⁽³⁾	67,358	67,358
Accumulated amortization	(539,921)	(500,178)
Subtotal	364,038	403,781

The change is as follows:

	Consolidated	
	2018	2017
Opening balance	403,781	443,524
Amortization in the year	(39,743)	(39,743)
Closing balance	364,038	403,781

(1) Intangible assets recognized by the subsidiary:

Refers to the concession right incorporated by the subsidiary ESE which is being amortized from April 1998 and will continue to be amortized until the end of the electricity distribution concession (December 2027).

The amortization will reduce the income and social contribution taxes by 34%. As of December 31, 2018 the balance to be amortized by the subsidiary is R\$ 203,159 (R\$ 233,940 in 2017).

(2) Intangible assets recognized by parent company:

Donates the concession rights for equity interests in the subsidiaries EBO, ESE and EPB, in the amount of R\$ 115,931 (R\$ 125,788 in 2017). In accordance with IAS 16, since January 1, 2017 the Company has been recording amortization of concession goodwill over the remaining period of the respective concession exploration licenses, by the straight line method.

The Company holds the share control of the specific purpose entity Parque Eólico Sobradinho, located in the municipality Sobradinho - BA, which owns windfarm ventures amounting to R\$ 7,022 (R\$ 7,022 in 2017). The amounts paid to acquire the wind farm have been recorded under concession arrangements, to be amortized over 35 years as from start-up.

(3) Business combinations - Acquisition of equity interest

The equity interests assuring the share control of the companies comprising Rede Group were officially transferred to Energisa on April 11, 2014, pursuant to the Investment and Share Purchase and Sale Commitment and Other Covenants.

The goodwill determined under the acquisition of the Companies stands at R\$ 165,552 and was recognized in "investment" for the parent company and "intangible assets" in the consolidated statement. The symbolic acquisition price of R\$ 1.00 (one real) was based on the market value valuation of the equity of the companies

acquired. The goodwill determined on the acquisition is primarily due to the fact the PPA calculations did not include the renewal of the electricity distribution concessions introduced by Law 12783/2013, which despite the issuance of Decree 8461/2015, which regulated the extension of the electricity distribution concession agreements, suspended by the Federal Audit Court, which meant it was not possible to sign the new concession agreement, and the variance between the average used to determine the price and the best estimate of the shareholders' equity at fair value at the effective acquisition date.

Capital gains on the greater interest in the capital increases via capital contributions made at the subsidiaries JQMJ, BBPM, Denerge and Rede Energia amounting to R\$ 96,345 was deducted from the goodwill (R\$ 165,552), amounting to R\$ 69,207. Given the sale of the assets of the indirect subsidiary Tangará S/A, R\$ 6,361 was transferred to assets held for sale in May 2015. In addition to amortization of R\$ 29,432 realized through December 31, 2018.

On May 14, 2015 the Company acquired the share control of the subsidiary Dinâmica Direitos Creditórios, recording goodwill of R\$ 4,512.

The amortization of these concession rights and reduction to the income and social contribution taxes has been projected as follows:

Amortization period	Consolidated	Reduction in income and social contribution taxes
2019 and 2020	34,576	8,374
2021 and 2022	74,289	16,745
2023 and 2024	74,289	16,745
2025 and 2026	74,289	16,745
2027 and 2028	55,484	10,466
2029 and 2030	24,145	-
2031 onwards	26,966	-
Total	364,038	69,075

20. Trade accounts payable

	Parent Company		Consolidated	
	2018	2017	2018	2017
Furnas	-	-	136	136
Ampla - CUSD	-	-	3,653	2,604
CCEE ^(1 and 2)	-	-	157,619	286,417
Bilateral Contracts ⁽²⁾	-	-	873,138	935,623
Use of the high-voltage national grid ⁽²⁾	-	-	59,801	49,795
Connection to the grid ⁽²⁾	-	-	19,008	8,004
Service charges in the system ⁽²⁾	-	-	31,628	11,716
Use of the distribution system (CUSD) ⁽²⁾	-	-	16,043	15,670
Petrobras ⁽³⁾	-	-	55,397	-
Materials, services and other ⁽⁴⁾	3,227	7,069	512,191	204,209
Total	3,227	7,069	1,728,614	1,514,174
Current	2,962	7,069	1,653,312	1,418,407
Noncurrent	265	-	75,302	95,767

(1) CCEE's liability at the end of 2017 and 2018 essentially consists of the costs for the months of November and December of the respective year. The decrease in the liability was primarily due to the decrease in PLD (Difference Settlement Price), from R\$ 425 in November 2017 (submarket average) to R\$ 123 in November 2018 and R\$ 234 in December 2017 to R\$ 70 in December 2018. In addition to the sharp price decrease, another factor that helped reduce the CCEE liability was the increase in GSF, from 66.8% and 79.3% in November and December 2017, respectively, to 78.8% and 99.4% in November and December 2018. The increase in GSF and decrease in PLD contributed to reducing the amounts to be paid by the distribution companies of the hydrological risk (physical guarantee quotas, Itaipu and Renegotiated), in addition to the fact the lower PLD directly influences the cost of spot energy purchased, which had a lower volume in the last two months of 2018 in relation to the same period of 2017.

(2) The acquisition of electricity from generators, use of the high-voltage grid and the distribution system, with an average settlement of 25 days. This includes R\$ 78,031 (R\$ 195,078 in 2017) of debits to Eletrobrás, of which (R\$ 78,031 in 2017) has been recorded in noncurrent liabilities, owed by the subsidiary EMT, referring to the Itaipu pass-through, where the overdue debits were financed over a consolidated 60 payments. The compensatory interest on the principal will be amortized in the first 24 payments and the principal over the rest. The interest is being calculated at the rate of 115% of the CDI rate. In 2018 debit installments were paid to energy

suppliers amounting to R\$ 127,181 (R\$ 159,928 in 2017) and consolidated financial restatement of R\$ 10,134 recognized (R\$ 28,778 in 2017).

- (3) Denotes the remaining debt with Petrobras relating to the debt acknowledgment agreements - CCD with Petrobras as being: CCD1 signed on December 31, 2014 deriving from the acquisition of fuel to produce electricity for the islanded system in the period September 2011 to June 2015, in the amount of R\$ 247,526 financed over 120 payments; CCD2: contract signed in May 2018 for the same purpose as the first contract, related to fuel supplies in the period November 2014 to June 2015. The debt amount restated through November 30, 2018 was R\$ 426,034, when pursuant to the auction's modeling Eletrobrás will assume the debt of R\$ 370,995. The debit balance of R\$ 55,038 will be assumed by Eletroacre.
- (4) Acquisitions of materials, services and other items required to implement, conserve and maintain the electricity generation, sale and distribution services, with an average settlement of 40 days.

21. Loans, financing and debt charges

The balance of loans and financing - stated net of transaction costs incurred, and subsequently stated at the amortized cost using the effective interest rate method.

Loans, financing and debt charges	Parent Company		Consolidated	
	2018	2017	2018	2017
Loans and financing - local currency	-	-	4,701,681	3,805,459
Loans and financing - foreign currency	464,977	82,700	3,454,162	1,728,549
Debt charges - local currency	-	-	72,801	53,473
Debt charges - Foreign currency	2,331	563	16,256	10,535
(-) unamortized costs - Local currency	-	-	(984)	(7,865)
(-) unamortized costs - Foreign currency	-	-	(2,606)	(3,663)
Mark-to-market of debt securities	2,054	214	19,314	11,456
Total	469,362	83,477	8,260,624	5,597,944
Current	158,008	83,477	1,649,423	1,673,496
Noncurrent	311,354	-	6,611,201	3,924,448

The composition of the loans, financing and leases portfolio, and significant terms and conditions, are detailed below:

Company / Operation	Total		Charges Annual Charges	Maturity	Amortization Frequency	(Effective interest rate) (4)		Security (*)
	2018	2017						
Energisa S/A								
Resolution 4131 - Citibank (1)	-	83,263	Libor + 1.64% p.a.	Apr/18	Annual	18.77%		A
Resolution 4131 - Itaú (1)	467,308	-	4.0375% p.a.	May/21	Annual	21.17%		A
(-) Mark-to-market of debt (2)	2,054	214	-	-	-	-		-
Total foreign currency	469,362	83,477						
Total Energisa S/A	469,362	83,477						
Energisa Sergipe								
FIDC Energisa Group III	10,802	15,089	CDI + 0.70% p.a	Dec/20	Monthly	7.12%		R
BNDES pass-through I - ABC	2,759	8,299	TJLP + 2.20% to 4.10% p.a.	May/19	Monthly	8.92%	10.82%	A
BNDES pass-through II - ABC	271	916	TJLP + 3.10% to 4.10% p.a. (fixed)	May/19	Monthly	9.82%	10.82%	A
BNDES pass-through - Citibank (3)	-	17,217	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68%	10.98%	A
BNDES pass-through - Itaú (3)	-	4,604	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68%	10.98%	A
BNDES pass-through - Bradesco (3)	-	3,508	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68%	10.98%	A
BNDES pass-through - Citibank (3)	-	14,240	SELIC + 4.34%	Nov/21	Monthly	10.77%		A
BNDES pass-through - Itaú (3)	-	3,808	SELIC + 4.34%	Nov/21	Monthly	10.77%		A
BNDES pass-through - Bradesco (3)	-	2,901	SELIC + 4.34%	Nov/21	Monthly	10.77%		A
BNDES FINEM pass-through - Itaú (1.5)	-	7,505	TJLP + 2.90% to 3.90% p.a.	Mar/20	Monthly	9.62%	10.62%	A
FINAME - Itaú BBA	10,926	13,650	2.50% to 8.70% p.a (Fixed)	Jan/25	Monthly	2.50%	8.70%	A
INERGUS Portion	12,864	13,184	IPC + 5.5% p.a.	Dec/39	Monthly	8.49%		F
INERGUS financing - Migration	127,118	-	IPCA + +5.78% p.a.	Jun/26	Monthly	9.53%		F
SAFRA COMMERCIAL PAPER - SERIES 1 (1)	-	9,676	CDI + 1.65%	Apr/18	Final	8.07%		A
SAFRA COMMERCIAL PAPER - SERIES 2 (1)	94,196	87,084	CDI + 1.65%	Apr/19	Final	8.07%		A
(-) Borrowing cost incurred on acquisition	(122)	(715)	-	-	-	-		-
Total Local Currency	258,814	200,966						
Resolution 4131 - Itaú BBA	-	105,389	3.49% to 4.53 p.a. (Fixed)	Apr/18	Annual	20.62%	21.66%	A

Company / Operation	Total		Charges Annual Charges	Maturity	Amortization Frequency	(Effective interest rate) (4)		Security (*)
	2018	2017						
Resolution 4131 - Citibank (1)	326,955	254,053	Libor + 0.72% to 2.16% p.a	Apr/21	Final	20.19 %	t o 21.63 %	A
Resolution 4131 - Bank of America ML (1)	134,004	41,396	Libor + 1.20% to 1.75% p.a	Jan/21	Final	20.67 %	t o 21.22 %	A
Resolution 4131 - Citibank (1)	43,146	-	Libor + 0.82% p.a.	Sep/21	Final		20.29%	A
Resolution 4131 - JL Morgan (1)	14,031	-	Libor + 1.30% p.a.	Sep/21	Final		20.77%	A
(-) Borrowing cost incurred on acquisition	-	(250)						
(-) Mark-to-market of debt (2)	467	1,671	-	-	-	-	-	-
Total foreign currency	518,603	402,259						
Total Energisa Sergipe	777,417	603,225						

Energisa Paraíba								
FIDC Energisa Group III	43,927	61,362	CDI + 0.70% p.a	Dec/20	Monthly	7.12%		R
BNDES FINEM pass-through - Itaú (1.5)	-	14,923	TJLP + 2.90% to 4.00% p.a.	Dec/23	Monthly	9.62%	t o 10.72 %	A
BNDES pass-through - Citibank (3)	-	34,884	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 %	t o 10.98 %	A
BNDES pass-through - Itaú (3)	-	9,441	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 %	t o 10.98 %	A
BNDES pass-through - Bradesco (3)	-	7,205	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 %	t o 10.98 %	A
BNDES pass-through - Citibank (3)	-	25,941	SELIC + 4.34%	Nov/21	Monthly		10.77%	A
BNDES pass-through - Itaú (3)	-	7,021	SELIC + 4.34%	Nov/21	Monthly		10.77%	A
BNDES pass-through - Bradesco (3)	-	5,358	SELIC + 4.34%	Nov/21	Monthly		10.77%	A
FINAME - Itaú	20,163	25,283	2.50% to 10.0% p.a (Fixed)	Jan/25	Monthly	2.50%	t o 10.00 %	A
FUNASA financing	3,843	4,192	IPCA + 5.94%	Dec/29	Monthly	9.69%		-
SAFRA COMMERCIAL PAPER - SERIES 1 (1)	-	6,988	CDI + 1.65%	Apr/18	Final	8.07%		A
SAFRA COMMERCIAL PAPER - SERIES 2 (1)	68,030	62,894	CDI + 1.65%	Apr/19	Final	8.07%		A
(-) Borrowing cost incurred on acquisition	(240)	(1,119)	-	-	-	-	-	-
Total Local Currency	135,723	264,373						
Resolution 4131 - Itaú BBA (1)	98,814	184,890	3.7995% p.a. (Fixed)	Jun/20	Final	20.93%		A
Resolution 4131 - Citibank (1)	126,393	73,779	Libor + 0.73% to 2.16% p.a	Jan/21	Final	20.20 %	t o 21.63 %	A
Resolution 4131 - Bank of America ML (1)	121,966	104,043	Libor + 2.25% p.a.	Sep/19	Final		21.72%	A
(-) Mark-to-market of debt (2)	968	3,519	-	-	-	-	-	-
Total foreign currency	348,141	366,231						
Total Energisa Paraíba	483,864	630,604						

Energisa Minas Gerais								
FIDC Energisa Group III	10,798	15,089	CDI + 0.70% p.a	Dec/20	Monthly	7.12%		R
Luz para Todos - Eletrobrás	1,446	2,892	6.00% p.a. (Fixed)	Dec/19	Monthly	6.00%		R
Subtransmission - Eletrobrás	-	70	7.00% p.a. (Fixed)	Feb/18	Monthly	7.00%		R
BNDES pass-through I - Itaú BBA	978	1,439	TJLP + 4.75% p.a.	Jan/21	Monthly		11.47%	A
BNDES pass-through II - Itaú BBA	551	715	UMBND + 3.75% p.a. (*)	Jan/21	Monthly		3.82%	A
BNDES pass-through III - Itaú BBA	408	600	TJLP + 5.95% p.a.	Jan/21	Monthly		12.67%	A
BNDES pass-through IV - Itaú BBA	622	922	5.50% p.a. (Fixed)	Jan/21	Monthly		5.50%	A
BNDES pass-through V - Itaú (3)	-	20,997	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 %	t o 10.98 %	A
BNDES pass-through VI - Itaú (3)	-	12,219	SELIC + 4.34%	Nov/21	Monthly		10.77%	A
FINAME - Itaú BBA	8,583	10,864	2.50% to 10.0% p.a (Fixed)	Dec/24	Monthly	2.50%	t o 10.00 %	A
FINAME - CEF (6)	-	2,116	8.70% p.a. (Fixed)	Nov/21	Monthly		8.70%	A
BNDES FINEM - Itaú BBA (1.5)	-	14,581	TJLP + 2.90% to 3.90% p.a.	Dec/23	Monthly	9.62%	t o 10.62 %	A
Floating Interest Note - Santander (1)	110,067	110,082	CDI + 1.3248%	Dec/20	Semi-annual	7.74%		A
Floating Interest Note - Santander (1)	20,426	-	CDI + 0.70%	Sep/19	Final	7.12%		A
(-) Borrowing cost incurred on acquisition	(48)	(313)	-	-	-	-	-	-
Total Local Currency	153,831	192,273						
Resolution 4131 - Itaú BBA	34,876	60,703	3.7995% to 4.8535% p.a (Fixed)	Jun/20	Final	20.93 %	t o 21.98 %	A
Resolution 4131 II - Citibank (1)	120,775	89,051	Libor + 0.72% to 2.16% p.a	May/21	Final	20.19 %	t o 21.63 %	A
(-) Mark-to-market of debt (2)	337	1,372	-	-	-	-	-	-
Total foreign currency	155,988	151,126						
Total Energisa Minas Gerais	309,819	343,399						

Energisa Nova Friburgo								
FIDC Energisa Group III	2,880	4,024	CDI + 0.70% p.a	Dec/20	Monthly	7.12%		R
Luz para Todos - Eletrobrás	52	155	7.00% p.a. (Fixed)	Jun/19	Monthly	7.00%		-
BNDES pass-through I - Itaú	380	566	TJLP + 4.75% p.a.	Dec/20	Monthly		11.47%	A
BNDES pass-through II - Itaú	211	286	UMBND + 3.75% p.a.	Dec/20	Monthly		3.82%	A
BNDES pass-through III - Itaú	158	236	TJLP + 5.95% p.a.	Dec/20	Monthly		12.67%	A

Company / Operation	Total		Charges Annual Charges	Maturity	Amortization Frequency	(Effective interest rate) (4)	Security (*)
	2018	2017					
BNDES pass-through IV - Itaú	251	377	5.50% p.a. (Fixed)	Dec/20	Monthly	5.50%	A
BNDES pass-through V - Itaú (1.5)	-	2,040	TJLP + 3.10% p.a.	Apr/21	Monthly	9.82%	A
BNDES pass-through VI - Itaú	-	1,036	SELIC + 3.10% p.a.	Apr/21	Monthly	9.53%	A
BNDES pass-through VII - Itaú (3)	-	4,466	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 t 10.98 % o %	A
BNDES pass-through VIII - Itaú (3)	-	2,685	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
FINAME - Itaú	901	1,115	2.50% to 6.00% p.a (Fixed)	Nov/24	Monthly	2.50% t 6.00% o	A
BNDES Automático I - Itaú	-	725	TJLP + 4.65% p.a.	Jun/18	Monthly	11.37%	A
BNDES Automático II - Itaú	-	315	UMBND + 3.65% p.a.	Jun/18	Monthly	3.72%	A
Floating Interest Note - Santander (1)	35,021	35,026	CDI + 1.3248% p.a	Dec/20	Semi-annual	7.74%	A
(-) Borrowing cost incurred on acquisition	(13)	(73)	-	-	-	-	-
Total Local Currency	39,841	52,979					
Resolution 4131 - Itaú BBA III (1)	-	25,804	4.29% p.a. (Fixed)	Feb/18	Final	21.42%	A
Resolution 4131 - Citibank (1)	49,575	27,300	LIBOR + 0.65% to 1.62% p.a (Fixed)	Sep/22	Final	20.12 t 21.09 % o %	A
(-) Mark-to-market of debt (2)	865	822	-	-	-	-	-
Total foreign currency	50,440	53,926					
Total Energisa Nova Friburgo	90,281	106,905					
Energisa Borborema							
FIDC Energisa Group III	3,601	5,030	CDI + 0.70% p.a	Dec/20	Monthly	7.12%	R
BNDES pass-through I - BNB	-	2,565	UMBND + 3.90% p.a.	Mar/23	Monthly	3.97%	A
BNDES pass-through II - BNB	-	7,233	TJLP + 3.90% p.a.	Mar/23	Monthly	10.62%	A
BNDES pass-through - Bradesco (3)	-	3,013	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 t 10.98 % o %	A
BNDES pass-through - Itaú (3)	-	2,630	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 t 10.98 % o %	A
BNDES pass-through - Bradesco (3)	-	2,187	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
BNDES pass-through - Itaú (3)	-	1,909	SELIC + 4.34%	Nov/21	Monthly	8.06%	A
FINAME - Itaú BBA	1,880	2,351	2.50% to 8.70% p.a (Fixed)	Nov/24	Monthly	2.50% t 8.70% o	A
SAFRA COMMERCIAL PAPER - SERIES 1 (1)	-	1,077	CDI + 1.65%	Apr/18	Monthly	8.07%	A
SAFRA COMMERCIAL PAPER - SERIES 2 (1)	10,488	9,696	CDI + 1.65%	Mar/19	Monthly	8.07%	A
BNDES FINEM - Itaú BBA (1.5)	-	4,085	TJLP + 3.10% p.a.	Apr/21	Monthly	9.82%	A
BNDES FINEM - Itaú BBA (1.5)	-	2,194	SELIC + 3.10% p.a.	Apr/21	Monthly	9.53%	A
Floating Interest Note - Santander (1)	40,024	40,030	CDI + 1.3248%	Dec/20	Semi-annual	7.74%	A
Floating Interest Note - Santander (1)	20,426	-	CDI + 0.70%	Sep/19	Final	7.12%	A
(-) Borrowing cost incurred on acquisition	(21)	(133)	-	-	-	-	-
Total Local Currency	76,398	83,867					
Resolution 4131 - Itaú BBA	-	20,624	4.8535% p.a. (Fixed)	Jul/18	Final	21.98%	A
Resolution 4131 - Citibank (1)	23,906	20,370	Libor + 0.97% p.a.	Nov/20	Final	20.44%	A
(+) Mark-to-market of debt (2)	163	327					
Total foreign currency	24,069	41,321					
Total Energisa Borborema	100,467	125,188					
Energisa Mato Grosso							
FIDC Energisa Group IV - Series 1	353,307	353,307	TR + 7.00% p.a.	Oct/34	Monthly	7.00%	R
FIDC Energisa Group IV - Series 2	483,240	483,452	CDI + 0.70% p.a	Apr/31	Monthly	7.12%	R
CCB - Santander (1)	5,363	16,093	CDI + 2.28% p.a	Jun/19	Monthly	8.70%	R + A
BNDES pass-through - Bradesco (3)	-	93,102	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 t 10.98 % o %	A
BNDES pass-through - Itaú (3)	-	85,858	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 t 10.98 % o %	A
BNDES pass-through - Bradesco (3)	-	63,277	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
BNDES pass-through - Itaú (3)	-	58,354	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
Commercial paper issuance 1 (1)	-	252,778	105.5% CDI	Oct/18	Final	6.77%	A
Floating Interest Note - Santander (1)	517,965	200,149	CDI + 1.25% to 1.3248% p.a.	Dec/20	Semi-annual	7.67% t 7.74% o	A
(-) Borrowing cost incurred on acquisition	-	(2,755)					
Total Local Currency	1,359,875	1,603,615					
Resolution 4131 - Bank of America ML (1)	205,940	93,576	Libor + 1.20% to 1.60% p.a	Jan/21	Final	20.67 t 21.07 % o %	A
Citibank Loan - 4131 (1)	55,688	47,525	Libor + 1.70% p.a.	Jun/22	Annual from 2021 onwards	21.17%	A
Citibank EDC Loan - 4131 (1)	55,678	47,518	Libor + 1.80% p.a.	Jun/22	Annual from 2021 onwards	21.27%	A
Citibank Loan - 4131 (1)	123,546	-	Libor + 0.82% p.a.	Sep/21	Final	20.29%	A
BBM Loan - 4131 (1)	73,707	-	3.39% p.a. Fixed	Oct/19	Final	20.52%	A
J P MORGAN Loan (1)	103,664	-	Libor + 1.05% p.a.	Nov/21	Final	20.52%	A
(-) Borrowing cost incurred on acquisition	(766)	(1,006)					
(-) Mark-to-market of debt (2)	4,650	1,886					
Total foreign currency	622,107	189,499					

Company / Operation	Total		Charges Annual Charges	Maturity	Amortization Frequency	(Effective interest rate) (4)	Security (*)
	2018	2017					
Total Energisa Mato Grosso	1,981,982	1,793,114					
Energisa Mato Grosso do Sul							
FIDC Energisa Group IV - Series 1	291,414	291,414	TR + 7.00% p.a.	Oct/34	Monthly	7.00%	R
FIDC Energisa Group IV - Series 2	220,504	220,602	CDI + 0.70% p.a.	Apr/31	Monthly	7.12%	R
BNDES pass-through - Bradesco (3)	-	41,942	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 % t o 10.98 %	A
BNDES pass-through - Itaú (3)	-	37,013	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 % t o 10.98 %	A
BNDES pass-through - Bradesco (3)	-	29,287	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
BNDES pass-through - Itaú (3)	-	25,838	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
(-) Borrowing cost incurred on acquisition	-	(1,091)	-	-	-	-	-
Total Local Currency	511,918	645,005					
Loan Citi - 4131 (1)	56,189	47,898	Libor + 1.70% p.a.	May/22	Annual from 2021	21.17%	A
Loan Citi EDC - 4131 (1)	56,152	47,877	Libor + 1.80% p.a.	May/22	Annual from 2021	21.27%	A
Loan Citi - 4131 (1)	66,525	-	Libor + 0.825% p.a.	Sep/21	Final	20.30%	A
(-) Borrowing cost incurred on acquisition	(757)	(988)	-	-	-	-	-
(-) Mark-to-market of debt (2)	1,573	(57)	-	-	-	-	-
Total foreign currency	179,682	94,730					
Total Energisa Mato Grosso do Sul	691,600	739,735					
Energisa Tocantins							
Luz para Todos I - Eletrobrás	13,027	18,324	6.0% p.a.	Apr/22	Monthly	6.00%	R
Luz para Todos II - Eletrobrás	18,706	41,153	SELIC	Oct/19	Monthly	6.43%	R
CCB - Santander (1)	13,909	41,742	CDI + 2.28% p.a.	Jun/19	Monthly	8.70%	R
BNDES pass-through - Bradesco (3)	-	65,697	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 % t o 10.98 %	A
BNDES pass-through - Itaú (3)	-	28,856	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 % t o 10.98 %	A
BNDES pass-through - Bradesco (3)	-	47,462	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
BNDES pass-through - Itaú (3)	-	20,848	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
Commercial paper Itaú 2 nd Issuance (1)	315,566	151,667	105.50% to 110.0% CDI	Sep/19	Final	6.77% t o 7.06%	A
(-) Borrowing cost incurred on acquisition	(540)	(1,661)	-	-	-	-	-
Total Local Currency	360,668	414,088					
Resolution 4131 - Itaú (1)	201,514	163,159	4.352% p.a. (Fixed)	Jun/21	Final	21.48%	R
Loan Citi - 4131 (1)	43,660	37,207	Libor + 1.70% p.a.	May/22	Annual from 2021 onwards	21.17%	A
Loan Citi EDC - 4131 (1)	43,624	37,187	Libor + 1.80% p.a.	May/22	Annual from 2021 onwards	21.27%	A
Merrill lynch Loan	121,160	-	Libor + 1.20% p.a.	Jan/21	Final	20.67%	A
(-) Borrowing cost incurred on acquisition	(717)	(939)	-	-	-	-	-
(-) Mark-to-market of debt (2)	3,355	1,469	-	-	-	-	-
Total foreign currency	412,596	238,083					
Total Energisa Tocantins	773,264	652,171					
Energisa Sul Sudeste							
CCB - Santander (1)	1,425	4,275	CDI + 2.28% p.a.	Jun/19	Monthly	8.70%	R + A
BNDES pass-through I - Itaú (3)	-	43,812	TJLP + 3.96% to 4.26% p.a.	Nov/21	Monthly	10.68 % t o 10.98 %	A
BNDES pass-through II - Itaú (3)	-	29,111	SELIC + 4.34%	Nov/21	Monthly	10.77%	A
Commercial paper - SAFRA (1)	10,615	10,903	CDI + 1.65%	Feb/19	Final	8.07%	A
Total Local Currency	12,040	88,101					
Resolution 4131 - Itaú BBA	-	25,804	4.29% p.a. (Fixed)	Feb/18	Quarterly	21.42%	A
Loan Citi - 4131 (1)	26,607	22,706	Libor + 1.70% p.a.	Jun/22	Annual from 2021 onwards	21.17%	A
Loan Citi EDC - 4131 (1)	26,605	22,703	Libor + 1.80% p.a.	Jun/22	Annual from 2021 onwards	21.27%	A
Banco BBM 55722 Operation 4131	-	21,398	2.76% p.a. (Fixed)	Apr/18	Final	19.89%	A
Merrill Lynch Loan (1)	116,332	-	Libor + 1.10% p.a.	Apr/20	Final	20.57%	A
Citi Loan - 4131 (1)	62,383	-	Libor + 1.27% p.a.	Jul/23	Annual from 2022 onwards	20.74%	A
Merrill Lynch Loan (1)	76,653	-	Libor + 1.20% p.a.	Aug/21	Final	20.67%	A
(-) Borrowing cost incurred on acquisition	(366)	(480)	-	-	-	-	-
(-) Mark-to-market of debt (2)	4,436	(8)	-	-	-	-	-
Total foreign currency	312,650	92,123					
Total Energisa Sul Sudeste	324,690	180,224					
Energisa Rondônia							
CCEE - Eletrobrás	620,757	-	111.0% SELIC	Oct/22	Monthly	7.14%	R
Luz para Todos - Eletrobrás	16,245	-	8.50% p.a. fixed	Jun/21	Monthly	8.50%	R
Luz para Todos - Eletrobrás	12,744	-	7.00% p.a. fixed	Dec/26	Monthly	7.00%	R
Luz para Todos - Eletrobrás	21,149	-	6.00% p.a. fixed	Nov/25	Monthly	6.00%	R
Eletrobrás Ordinary Funds	297,821	-	119.50% CDI + 0.5%	Dec/24	Monthly	8.18%	R
Eletrobrás Ordinary Funds	2,853	-	Selic + 0.50%	Oct/18	Monthly	6.93%	R
Total Local Currency	971,569	-					

Company / Operation	Total		Charges Annual Charges	Maturity	Amortization Frequency	(Effective interest rate) (4)	Security (*)
	2018	2017					
Total Energisa Rondônia	971,569	-					
Energisa Acre							
CCEE - Eletrobrás	205,019	-	111.0% SELIC	Jun/22	Monthly	7.14%	R
Luz para Todos - Eletrobrás	218	-	6.00% p.a. fixed	Sep/24	Monthly	6.00%	R
Luz para Todos - Eletrobrás	82,423	-	6.90% p.a. fixed	Feb/20	Monthly	6.90%	R
Luz para Todos - Eletrobrás	16,679	-	6.40% p.a. fixed	Dec/17	Monthly	6.40%	R
Luz para Todos - Eletrobrás	634	-	7.00% p.a. fixed	Feb/19	Monthly	7.00%	R
Luz para Todos - Eletrobrás	86,074	-	8.19% p.a. fixed	Jul/22	Monthly	8.19%	R
Luz para Todos - Eletrobrás	103,855	-	7.85% p.a. fixed	Jul/22	Monthly	7.85%	R
Luz para Todos - Eletrobrás	88,961	-	IPCA + 8.43% p.a.	Jun/21	Monthly	12.18%	R
Total Local Currency	583,863	-					
Merrill Lynch Loan (1)	351,794	-	1.40% p.a.	Dec/23	Monthly from 2020 onwards	13.23%	R + A
(-) Mark-to-market of debt (2)	703	-					
Total foreign currency	352,497	-					
Total Energisa Acre	936,360	-					
Energisa Soluções							
FINPE -	-	1,026	8.00% p.a. (Fixed)	Oct/18	Monthly	8.00%	A
FINAME - Itaú BBA	2,191	2,608	2.50 to 6.00% p.a. (Fixed)	Sep/24	Monthly	2.50% to 6.00%	A
(-) Borrowing cost incurred on acquisition	-	(5)	-	-	-	-	-
Total Local Currency	2,191	3,629					
Total Energisa Soluções	2,191	3,629					
Energisa Soluções Construções							
FINAME - Itaú BBA	2,915	3,919	6.00% p.a. (Fixed)	Nov/24	Monthly	6.00%	A
FINAME - Itaú BBA	1,234	1,494	SELIC + 5.14% to 5.20%	Apr/22	Monthly	11.57% to 11.63%	A
FINAME - Itaú BBA	3,329	3,794	TJLP + 4.80% to 4.87% p.a.	Apr/22	Monthly	11.52% to 11.59%	A
Total Local Currency	7,478	9,207					
Total Energisa Soluções Construções	7,478	9,207					
Energisa Comercializadora							
ITAU BBA - 4131 ECOM No. AGE923670	-	33,861	4.85% p.a. (Fixed)	Jul/18	Final	21.98%	-
SANTANDER - 4131	40,545	-	4.5883% p.a. (Fixed)	Jun/20	Final	21.72%	-
(+) Mark-to-market of debt (2)	446	241					
Total foreign currency	40,991	34,102					
Total Energisa Comercializadora	40,991	34,102					
Rede Energia S.A.							
"RJ" Creditors - Bicbanco	5,326	4,925	1.0% p.a. (Fixed)	Nov/35	Final	1.00%	R
"RJ" Creditors - BNB	11,741	10,859	1.0% p.a. (Fixed)	Nov/35	Final	1.00%	R
Total Local Currency	17,067	15,784					
Total Rede Energia S.A.	17,067	15,784					
Denerge							
FI-FGTS (Restructured)	278,125	273,391	TR + 4.00% p.a.	Nov/35	Final	4.00%	-
Total Local Currency	278,125	273,391					
Total Denerge	278,125	273,391					
Cia Téc.de Comercialização de Energia							
"RJ" Creditors - BMG	4,097	3,789	1.0% p.a. (Fixed)	Nov/35	Final	0.75%	-
Total Local Currency	4,097	3,789					
Total Cia Téc.de Comerc.de Energia	4,097	3,789					
In local currency	4,773,498	3,851,067					
Foreign currency	3,487,126	1,746,877					
Energisa - Consolidated	8,260,624	5,597,944					

(*) A=Endorsement of Energisa S/A, F=Guarantee, R=Receivables

Covenants:

- The contract has covenants which in general require the maintenance of certain financial indexes at certain levels. These guarantees are structured based on benchmarks established by Energisa S/A. Failure to maintain these levels could result in early maturity of the debts (see note 36 - financial instruments and risk management). These requirements were being performed as of December 31, 2018.
- These operations are being measured at fair value through profit and loss, according to the fair value hedge accounting or designated as fair value options (see note 36 - Financial instruments and risk management).
- The Company entered an investment agreement with BNDES Participações S.A - BNDESPAR via a bank syndicate has also been contracted consisting of Itaú Unibanco S/A, Banco Bradesco S/A, Banco BTG Pactual S/A and Banco Citibank S/A, to make pass-throughs

under the FINAME and FINEM programs, which the Company's electricity distribution subsidiaries have qualified, subject to performance of conditions established by the Onlending Agencies and the subsidiaries and confirmation, approval and provision of the Funds by BNDES. These funds will be used for the expansion and modernization of subsidiaries' power distribution systems, investments in machinery and equipment and social investments not included under the environmental licenses.

The Investment Agreement includes a commitment to amend the Company's By-laws in accordance with best governance practices and to subscribe to BM&F Bovespa's Level 2 Listing Regulations for Corporate Governance within 48 months of issuance of the 7th issue debentures (see note 22).

These funds will be used for the expansion and modernization of subsidiaries' power distribution systems, investments in machinery and equipment and social investments not included under the environmental licenses.

The amount released by December 31, 2018 for the financing was R\$ 922,221 made under the 1st tranche of the Investment Agreement program, as detailed below:

Company	Amount (R\$)
Energisa Mato Grosso Distribuidora de Energia S/A	323,408
Energisa Mato Grosso Sul Distribuidora Energia S/A	143,798
Energisa Tocantins Distribuidora de Energia S/A	175,096
Energisa Paraíba - Distribuidora de Energia S/A	96,970
Energisa Sergipe - Distribuidora de Energia S/A	49,754
Energisa Minas Gerais - Distribuidora de Energia S/A	36,264
Energisa Sul-Sudeste - Distribuição de Energia S/A	78,666
Energisa Borborema - Distribuidora de Energia S/A	10,541
Energisa Nova Friburgo - Distribuidora de Energia S/A	7,724
Total	922,221

The table below shows the contracts settled early on February 08 and March 28, 2018:

Company	Amount (R\$)
Energisa Mato Grosso Distribuidora de Energia S/A	283,344
Energisa Mato Grosso Sul Distribuidora Energia S/A	126,388
Energisa Tocantins Distribuidora Energia S/A	153,839
Energisa Paraíba - Distribuidora de Energia S/A	84,723
Energisa Sergipe - Distribuidora de Energia S/A	43,652
Energisa Minas Gerais - Distribuidora de Energia S/A	31,293
Energisa Sul-Sudeste - Distribuição de Energia S/A	71,753
Energisa Borborema - Distribuidora de Energia S/A	9,583
Energisa Nova Friburgo - Distribuidora de Energia S/A	6,737
Total	811,312

(4) The effective interest rate present the changes in the financial year ended December 31, 2018. The effects of hedge accounting are not being taken into account for foreign-currency debt, demonstrated in Note 36 - Financial instruments and risk management.

(5) On May 15, 2018 the direct subsidiaries made early repayment at Banco Itaú in the total amount of R\$ 42,551, as per the table below.

Company	Amount (R\$)
Energisa Paraíba - Distribuidora de Energia S/A	13,516
Energisa Sergipe - Distribuidora de Energia S/A	6,426
Energisa Minas Gerais - Distribuidora de Energia S/A	13,568
Energisa Borborema - Distribuidora de Energia S/A	6,025
Energisa Nova Friburgo - Distribuidora de Energia S/A	3,016
Total	42,551

(6) On May 15, 2018 EMG settled early contracts in the amount of R\$ 13,568.

(7) On April 9, 2018 the indirect subsidiary ESS took out a foreign currency loan from Bank Of America N.A in the amount of R\$ 100,000 maturing on 4/9/2020 and incurring interest at the Libor rate plus a spread of 1.10% p.a. The Company made a swap for a rate equivalent to CDI + 1.35% p.a., thereby hedging the operation's currency risk, intended to settle early the debt and manage the company's cash. On May 30, 2018 the indirect subsidiary ETO took out a foreign currency loan from Banco Itaú in the amount of R\$ 192,614 maturing on 5/30/2021 and incurring interest at the Libor rate plus a spread of 1.10% p.a. The Company made a swap for a rate equivalent to CDI + 1.35% p.a., thereby hedging the operation's currency risk, intended to pay dividends and debt.

To guarantee payment of the portions, the subsidiaries maintain short-term investments of R\$ 99,734 (R\$ 147,271 in 2017), recorded under "short-term investments in money market and secured funds" in the consolidated non-current assets.

The foreign-currency financing contracts are subject to a currency swap and financial derivative instruments (see note 36 - Financial instruments and risk management).

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

The Company and its subsidiaries usually allocate interest payments on financing to the cash flow statement.

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

Currency/indicators	2018	2017
USD x R\$	17.13%	1.50%
TJLP	6.72%	7.12%
SELIC	6.43%	9.85%
CDI	6.42%	9.94%
IPCA	3.75%	2.95%
IGP-M	7.55%	-0.53%
LIBOR	2.34%	1.30%
UMBNB	0.07%	0.06%
TR	0.00%	0.60%
IPC-FIPE	2.99%	2.26%
Euro	11.83%	0.00%

The financing classified in noncurrent liabilities are scheduled as follows:

	Parent Company	Consolidated
2020	155,677	1,663,751
2021	155,677	2,362,578
2022	-	735,210
2023	-	291,272
2023 onwards	-	1,558,390
Total	311,354	6,611,201

See the changes occurring in the years:

Description	Parent Company		Consolidated	
	2018	2017	2018	2017
Balances in 2017 and 2016	83,477	162,893	5,597,944	5,394,110
Acquisition balance	-	-	1,566,390	-
New loans and financing obtained	436,800	-	3,126,932	1,790,920
Costs Appropriated	-	-	(2,225)	(5,336)
Debt charges - interest, cost and monetary and exchange variance	47,393	3,591	791,919	443,507
Mark-to-market of debt	1,840	844	8,560	(14,117)
Principal payment	(87,443)	(79,618)	(2,469,370)	(1,638,458)
Interest payment	(12,705)	(4,233)	(359,526)	(372,682)
Balances in 2018 and 2017	469,362	83,477	8,260,624	5,597,944
Current	158,008	83,477	1,649,423	1,673,496
Non-current	311,354	-	6,611,201	3,924,448

The borrowing costs of the financing to be amortized over subsequent years is:

Company	Contracts	2019	2020	2021 onwards	Total
ESE	Credit Receivables Investment Fund - Energisa Group III	25	24	-	49
	Banco ABC - BNDES Pass-through	3	-	-	3
	Banco SAFRA	70	-	-	70
		98	24	-	122
EPB	Credit Receivables Investment Fund - Energisa Group III	97	97	-	194
	SAFRA Commercial Paper - Series 2	46	-	-	46
		143	97	-	240
EMG	Credit Receivables Investment Fund - Energisa Group III	24	24	-	48
		24	24	-	48
ENF	Credit Receivables Investment Fund - Energisa Group III	7	6	-	13
		7	6	-	13
EBO	Credit Receivables Investment Fund - Energisa Group III	8	7	-	15
	SAFRA Commercial Paper - Series 2	6	-	-	6
		14	7	-	21
ETO	Banco Santander	13	-	-	13
	Banco Citibank	189	189	268	646
	Banco Citibank - EDC	21	21	29	71
	Commercial Paper - Issuance 3	527	-	-	527
		750	210	297	1,257
ESS	Banco Citibank	94	94	141	329
	Banco Citibank - EDC	10	10	17	37
		104	104	158	366
EMT	LOAN Citibank	197	197	296	690
	LOAN EDC	22	22	32	76
		219	219	328	766
EMS	Loan Citibank	199	199	283	681
	Banco Citibank - EDC	22	22	32	76
		221	221	315	757
TOTAL		1,580	912	1,098	3,591

22. Debentures (nonconvertible)

The balance of debentures and other related components is as follows:

Description	Parent Company		Consolidated	
	2018	2017	2018	2017
Debentures - local currency	3,383,121	2,771,141	7,480,904	3,382,727
(-) borrowing costs incurred	(4,849)	(3,604)	(53,439)	(26,110)
Mark-to-market of debt	-	-	99,809	-
Total	3,378,272	2,767,537	7,527,274	3,356,617
Current	492,103	241,939	526,593	326,147
Noncurrent	2,886,169	2,525,598	7,000,681	3,030,470

The breakdown of debenture balances and main contractual conditions are as follows:

Operations	Total		Issuance	No. Securities Issued / free float	Yields	Maturity	Amortizations/ parcels	Effective interest rate
	2018	2017						
ESA								
5 th Issuance/ 2 nd Series	196,685	352,643	7/15/2012	27,143 / 27,143	IPCA+10.7011% p.a	Jul / 19	Annual, Jul.2018 onwards	14.45%
7 th Issuance/ 1 st Series	201,666	194,273	11/25/2015	166,667 / 117,001	IPCA+8.75% p.a	Aug / 20	Final	12.50%
7 th Issuance/ 2 nd Series	201,666	194,274	11/25/2015	166,667 / 117,001	IPCA+8.75% p.a	Aug / 21	Final	12.50%
7 th Issuance/ 3 rd Series	201,666	194,274	11/25/2015	166,667 / 117,001	IPCA+8.75% p.a	Aug / 22	Final	12.50%
7 th Issuance/4 th Series	202,687	195,259	11/25/2015	166,667 / 117,001	IPCA+10.25% p.a	Aug / 20	Final	14.00%
7 th Issuance/ 5 th Series	202,687	195,259	11/25/2015	166,667 / 117,001	IPCA+10.25% p.a	Aug / 21	Final	14.00%
7 th Issuance/ 6 th Series	202,687	195,259	11/25/2015	166,667 / 117,001	IPCA+10.25% p.a	Aug / 22	Final	14.00%
8 th Issuance/ 1 st Series	214,211	205,291	7/19/2017	197,598 / 197,598	IPCA+5.60% p.a	Jun / 22	Final	9.35%
8 th Issuance/ 2 nd Series	192,317	184,299	7/19/2017	177,348 / 177,348	IPCA+5.6601% p.a	Jun / 24	Final	9.41%
Debentures 9 th Issuance / 1 st Series	65,142	62,623	10/31/2017	7,126 / 7,126	IPCA+4.4885% p.a	Oct / 22	Final	8.24%
Debentures 9 th Issuance / 2 nd Series	12,147	11,676	10/31/2017	1,328 / 1,328	IPCA+4.7110% p.a	Oct / 24	Final	8.46%
Debentures 9 th Issuance / 3 rd Series	22,622	21,742	10/31/2017	2,472 / 2,472	IPCA+5.1074% p.a	Oct / 27	Final	8.86%
Debentures 9 th Issuance / 4 th Series	765,721	764,268	10/31/2017	87,074 / 87,074	107.75% CDI	Oct / 22	Annual, after Oct/20	6.92%
10 th Issuance	701,217	-	6/20/2018	70,000 / 70,000	CDI+1.10% p.a	Jun / 21	Annual, after Jun/19	7.52%
(-) borrowing costs	(4,849)	(3,604)	-	-	-	-	-	-
Total ESA	3,378,272	2,767,536						
ESE								
3 rd Issuance	-	24,316	10/30/2013	60 / 60	115,5% of CDI	Oct / 19	Annual	7.42%
6 th Issuance	65,654	-	10/19/2018	65,000 / 65,000	IPCA+5.0797% p.a	Sep / 25	Annual after Sep/23	8.83%
(-) borrowing costs	(1,124)	-						
Total ESE	64,530	24,316						
EPB								
Debentures 4 th Issuance	184,844	-	3/7/2018	18,000 / 18,000	CDI+1.00% p.a	Feb / 21	Final	7.42%
Debentures 5 th Issuance	136,359	-	10/19/2018	135,000 / 135,000	IPCA+5.0797% p.a	Sep / 25	Annual after Sep/23	8.83%
(-) borrowing costs	(3,302)	-						
EPB	317,901	-						
REDE ENERGIA								
4 th Issuance	51,089	47,253	12/22/2009	370,000 / 0	1% p.a.	Jul / 36	Final	1.00%
Total REDE ENERGIA	51,089	47,253						
EMS								
Debentures 8 th Issuance	305,689	306,200	7/19/2017	30,000 / 30,000	107.50% CDI	Sep / 22	Semi-annual	6.90%
Debentures 10 th Issuance	154,008	-	2/15/2018	15,000 / 15,000	CDI +0.95%	Feb / 21	Final	7.37%
Debentures 11 th Issuance	156,560	-	10/19/2018	155,000 / 155,000	IPCA+5.0797% p.a	Sep / 25	Annual after Sep/23	8.83%
(-) borrowing costs	(3,497)	(923)						
Total EMS	612,760	305,277						
EMT								
Debentures 5 th Issuance	-	233,818	5/15/2014	34,140 / 34,140	CDI+2.28% p.a	May / 21	Monthly, after Jun.2016	8.70%
Debentures 8 th Issuance	482,824	-	3/7/2018	47,000 / 47,000	CDI+1.10% p.a	Feb / 21	Final	7.52%
Debentures 9 th Issuance	388,874	-	10/19/2018	385,000 / 385,000	IPCA+5.0797% p.a	Sep / 25	Annual after Sep/23	8.83%
(-) borrowing costs	(10,912)	(1,071)						
Total EMT	860,786	232,747						
EMG								
Debentures 10 th Issuance	50,503	-	10/19/2018	50,000 / 50,000	IPCA+5.0797% p.a	Sep / 25	Annual after Sep/23	8.83%
(-) borrowing costs	(1,185)	-						
Total EMG	49,318	-						
ETO								
Debentures 4 th Issuance	242,415	-	10/19/2018	240,000 / 240,000	IPCA+5.0797% p.a	Sep / 25	Annual after Sep/23	8.83%
(-) borrowing costs	(5,443)	-						
Total ETO	236,972	-						
ESS								
Debentures 4 th Issuance	70,704	-	10/19/2018	70,000 / 70,000	IPCA+5.0797% p.a	Sep / 25	Annual after Sep/23	8.83%
(-) borrowing costs	(1,672)	-						
Total ESS	69,032	-						
ETE								
Debentures 1 st Issuance / 1 st Series	75,512	-	12/27/2018	75,500 / 75,500	IPCA+4.9238% p.a	Dec / 25	Final	8.67%
Debentures 1 st Issuance / 2 nd Series	51,471	-	12/27/2018	51,462 / 51,462	IPCA+5.1410% p.a	Dec / 28	Annual after Dec/26	8.89%
Debentures 1 st Issuance / 3 rd Series	123,058	-	12/27/2018	123,038 / 123,038	IPCA+4.9761% p.a	Dec / 25	Final	8.73%
(-) borrowing costs	(47)	-						
Total ETE	249,994	-						
ERD								
Debentures 1 st Issuance / 1 st Series	1,558,219	-	12/15/2018	155,000 / 155,000	CDI+1.65% p.a	Nov / 23	Final	8.07%
(-) borrowing costs	(5,100)	-						
Total ERD	1,553,119	-						
Total	7,480,904	3,382,727						
(-) borrowing costs (*)	(16,308)	(20,512)	-	-	-	-	-	-
(-) borrowing costs	(37,131)	(5,598)	-	-	-	-	-	-
Total funding costs	(53,439)	(26,110)						
(-) Mark-to-market of debt	99,809	-						
Total local currency	7,527,274	3,356,617						

(*) Subscription debentures conjugated with subscription bonus

In the last quarter of FY 2015 the Company issued three common debenture series jointly with an underwriting bonus (part of the 7th Energisa Debenture Issue), which is equal to converting such debentures into Energisa shares. On the date of issue the sum of the three debenture series was of R\$ 500,001. The debenture value was recorded as debt, while concurrently IAS39/CPC38 provides that the convertibility option should be priced and stated, which is construed as recognizing in the year a financial expense of R\$ 272,906 (R\$ 150,000 in 2017), totaling R\$ 422,906, under the title of derivative financial instruments.

The right to exercise the underwriting bonus (convertibility) by debenture holders would take place at the price of one UNIT (ENGI11) at R\$ 18.25 (12/31/2017), while it was being traded at R\$ 27.30 on that same date. This is an “in the money” option, which reflects the good likelihood of conversion. Despite this large likelihood of exercising the conversion right, resulting in a debt reduction and an Equity Capital increase, maintaining the indebtedness plus the effect of a derivative financial instrument.

- The funds raised under the issuance were allocated to investments in electricity distribution infrastructure entailing the expansion, renewal or enhancement of electricity distribution infrastructure.

The debentures have covenants which in general require the maintenance of certain financial indexes at certain levels. Failure to maintain these levels could result in early maturity of the debts. These requirements were being performed as of December 31, 2018.

As of December 31, 2018 the maturities of the debentures in noncurrent liabilities are scheduled as follows:

Year	Parent Company	Consolidated
2020	874,602	1,007,922
2021	875,298	2,283,784
2022	915,159	1,536,454
2023	-	861,356
2023 onwards	221,110	1,311,165
Total	2,886,169	7,000,681

See the changes occurring in the years:

Description	Parent Company		Consolidated	
	2018	2017	2018	2017
Balances in 2017 and 2016	2,767,537	1,533,467	3,356,617	2,267,613
New debentures issued	700,000	1,224,946	4,395,217	1,524,946
Costs Appropriated	(3,069)	-	(37,464)	(22,794)
Debt charges - interest, cost and monetary and exchange variance	316,205	209,323	427,827	293,566
Mark-to-market of debt	-	-	99,809	-
Principal payment	(158,424)	(51,594)	(415,589)	(192,074)
Buyback of debentures	-	-	-	(293,707)
Interest payment	(243,977)	(148,605)	(299,143)	(220,933)
Balances in 2018 and 2017	3,378,272	2,767,537	7,527,274	3,356,617
Current	492,103	241,939	526,593	326,147
Non-current	2,886,169	2,525,598	7,000,681	3,030,470

23. Taxes and social contributions

	Parent Company		Consolidated	
	2018	2017	2018	2017
Value-added tax on sales and services - ICMS (a)	-	-	623,089	467,510
Social Charges	2,050	1,551	41,080	26,317
Corporate Income Tax - IRPJ	-	-	20,974	57,911
Social Contribution on Net Income - CSSL	-	-	8,777	23,402
PIS and COFINS Contributions	1,845	1,511	160,903	98,094
Services tax - ISS	716	972	15,258	7,215
Tax on Financial Transactions - IOF	859	330	1,220	1,044
Income Tax Withheld at Source - IRRF	986	924	19,270	4,463
Social security contribution on gross revenue - CPRB	-	-	429	525
Other	624	536	55,964	25,747
Total	7,080	5,824	946,964	712,228
Current	6,965	5,824	546,841	496,762
Noncurrent	115	-	400,123	215,466

- (a) ICMS - The indirect subsidiary ESS has been awarded an injunction suspending payment of ICMS tax on billing amounts for subsidized low-income consumers, while the subsidiaries EMT, ESS, ETO, EMS, EPB, ESE, EBO, EMG and ENF have R\$ 260,331 (R\$ 136,840 in 2017) relating to ICMS on the use of the distribution and transmission system by free consumers and ICMS on energy demand which has been suspended under injunctions filed by consumers (see note 7, item 6). All amounts are recorded in noncurrent liabilities.

- **Tax Financing Program - State Refis**

In FY 2018, the direct subsidiaries EPB, EBO, ESE, EMG, ENF and EAC entered the ICMS tax debt financing plans published by the respective finance departments, introduced by Provisional Law 273 and Decrees 40137, 47433, 46453 and 10352, all published in 2018.

Entering the charge reduction programs for the payment of tax liabilities made it possible to make an at sight payment within the financial year in the consolidated amount of R\$ 123,958.

	EPB	EBO	ESE	EMG	ENF	EAC	Total
ICMS - Principal	5,417	500	5,447	2,795	116	92,365	106,640
Fine, interest and fees	16,135	3,304	5,469	1,771	78	96,786	123,543
Fine and interest reduction	(12,749)	(2,453)	(2,431)	(1,419)	(66)	(87,107)	(106,225)
	8,803	1,351	8,485	3,147	128	102,044	123,958

The subsidiaries recorded R\$ 105,714 of the principal of R\$ 106,640 under clients, consumers and concession operators, and ESE recorded R\$ 926 as other non-operating expenses. The fines, interest and reductions of R\$ 17,318 were recorded under other financial expenses in the consolidated income statement for the year.

- **Special tax regularization program (PERT)**

In FY 2017 the Company and its subsidiaries entered the Special Tax Regularization Program (PERT) introduced by Law 13496/2017 (MP 783), which enabled the at-sight payment of 5% to 20% of the debit balance, with no reductions, in up to five monthly successive installments payable in August through December, plus the variance of the Selic base interest rate and settlement of debit balances by using its own credits on tax losses and negative base of CSLL or those of its parent companies and subsidiaries directly or indirectly, or companies directly or indirectly controlled by the same company.

The Company and its subsidiaries determined the amounts payable of R\$ 3,592 at the parent company and R\$ 74,485 in the 2017 consolidated statement consisting of income tax (IRPJ), Social Contribution on Net Income (CSLL), PIS, COFINS and INSS included in the program, as follows:

Company, direct and indirect subsidiaries	INSS	IRPJ /CSLL	PIS/COFINS	Debit restated in 2017
. Energisa S/A	474	3,118	-	3,592
. Energisa Minas Gerais - Distribuidora de Energia S/A	897	3,594	-	4,491
. Energisa Paraíba - Distribuidora de Energia S/A	10,856	2,278	2,409	15,543
. Energisa Borborema - Distribuidora de Energia S/A	763	5,446	-	6,209
. Energisa Sergipe - Distribuidora de Energia S/A	1,542	4,412	139	6,093
. Energisa Nova Friburgo - Distribuidora de Energia S/A	368	316	1,444	2,128
. Energisa Mato Grosso - Distribuidora de Energia S/A	238	-	-	238
. Energisa Mato Grosso do Sul - Distribuidora de Energia S/A	837	5,347	5,840	12,024
. Energisa Tocantins - Distribuidora de Energia S/A	347	-	-	347
. Energisa Sul Sudeste - Distribuidora de Energia S/A	434	2,435	12,004	14,873
. Energisa Soluções S/A	176	-	-	176
. Energisa Comercializadora de Energia Ltda.	68	-	-	68
. Energisa Planejamento e Corretagem de Seguros Ltda	10	68	-	78
. Empresa de Eletricidade Vale do Paranaapanema S/A	1100	-	-	1,100
. Denerge Desenvolvimento Energético S/A	-	7,525	-	7,525
TOTAL	18,110	34,539	21,836	74,485

Statement of amounts determined included in the Program:

	2017	
	Parent Company	Consolidated
Debit amount	2,607	47,334
Restatement (interest + fines)	985	27,151
Total	3,592	74,485
Settlement:		
. Payment at sight (prepayments) - 5%	(180)	(3,771)
. Decrease in fines and interest (other financial expenses)	(743)	(21,340)
Settled balances of tax loss carryforwards and negative base	(2,669)	(26,250)
. Settled balances of tax loss carryforwards and negative base - Subsidiary	-	(23,124)
Total	(3,592)	(74,485)

The parent company and the subsidiaries should maintain the regular payment of taxes, contributions and other obligations to guarantee the program's conditions. The debits will be consolidated by the federal tax authorities within up to five years.

- Tax Credits Regularization Plan (Regularize)**

In December 2017 the subsidiaries EMG and ESS entered the Tax Credits Regularization Plan (Regularize) introduced by the Minas Gerais State Government by way of Law 22549/2017, to settle amounts related to ICMS credits on Intangible assets/Property, plant and equipment and ICMS payable on the CDE - electricity sale subsidy, taking into account the plan's benefits, as follows:

Law 22549/2017 - Regularize	EMG	ESS	Total
Principal	10,728	7,548	18,276
Fine, interest and fees	35,207	578	35,785
Fine and interest reduction	(32,543)	(202)	(32,745)
Amount settled on 12/20/2017	13,392	7,924	21,316

R\$ 4,461 of the principal of R\$ 18,276 was recorded by the subsidiary EMG as an increase in the value of intangible assets/PPE and R\$ 13,815 recognized by the subsidiaries under trade receivables, consumers and concession operators. The fines, interest and reductions of R\$ 3,040 were recorded under other financial expenses in the consolidated income statement for the year.

24. Financing of taxes - consolidated

The subsidiaries have state and federal financing programs, including the respective benefits and discounts, distributed as follows. The federal tax financing programs are restated by the change in the Selic base interest rate and the state rates by the indexes adopted in each state.

	Consolidated	
	2018	2017
ICMS	70,113	71,863
COFINS/PIS - PRT	6,575	-
INSS WITHHELD AT SOURCE	149	-
Total	76,837	71,863
Current	31,881	10,157
Noncurrent	44,956	61,706

The amounts are distributed as shown below:

	ESS	CERON	ELETROACRE	2018	2017
ICMS	62,269	-	7,844	70,113	71,863
COFINS/PIS - PRT	-	4,712	1,863	6,575	-
INSS WITHHELD AT SOURCE	-	-	149	149	-
Total	62,269	4,712	9,856	76,837	71,863
Current	17,313	4,712	9,856	31,881	10,157
Noncurrent	44,956	-	-	44,956	61,706

The subsidiary ESS has ordinary and tax liability installments of R\$ 62,269 (R\$ 71,641 in 2017) owing to the São Paulo and Paraná state tax authorities, as follows:

The subsidiary CERON has a special debt financing program for tax regularization at the federal tax authorities, applied for in May 2017, with payments over 24 monthly installments. As of December 31, 2018 the balance of the financing is R\$ 4,712 and the number of installments to be settled is 4.

The subsidiary ELETROACRE has:

- Special debit financing with the Acre State Government for ICMS resulting from the reversal of ICMS credits on the acquisition of diesel oil to produce electricity in the islanded system. As of December 31, 2018 the balance of the financing is R\$ 7,844, with 1 installment remaining to be settled.
- Special debt financing program for tax regularization at the federal tax authorities, applied for in May 2017, with payments over 24 monthly installments. As of December 31, 2018 the balance of the financing is R\$ 1,863 and the number of installments to be settled is 4.
- Ordinary debt financing program for INSS withheld at source on freelancers at the federal tax authorities, applied for in January 2018, with payments over 15 monthly installments. As of December 31, 2018 the balance of the financing is R\$ 149 and the number of installments to be settled is 3.

Balances in 2018:

	Original value	Fine	Interest	Total
ICMS	33,377	4,887	31,849	70,113
COFINS/PIS - PRT	4,377	585	1,613	6,575
INSS WITHHELD AT SOURCE	53	28	68	149
TOTAL	37,807	5,500	33,530	76,837

The consolidated balance of the financed taxes is scheduled as follows:

	Consolidated	
	2018	2017
2018	-	10,157
2019	31,881	14,819
2020	15,371	13,859
2021	13,648	13,523
After	15,937	19,505
Total	76,837	71,863
Current	31,881	10,157
Noncurrent	44,956	61,706

25. Sector charges - consolidated

	2018	2017
Energy Development Account - CDE	85,173	118,930
National Scientific and Technological Development Fund - FNDCT	4,746	4,071
Ministry of Mining and Energy - MME	2,344	2,016
National Electricity Conservation Program - PROCEL	23,930	7,896
Research and Development - R&D ⁽¹⁾	197,961	154,483
Energy Efficiency Program - PEE ⁽¹⁾	249,940	184,419
Alternative Energy Sources Incentive Program - PROINFA	1,479	-
Total	565,573	471,815
Current	292,898	289,867
Non-current	272,675	181,948

⁽¹⁾ Sector charges account for 1% of net operating revenue and aim to finance and combat electricity waste and the technological development of the electric sector related to the Energy Efficiency Program (PEE) and Research and Development (R&D) programs.

PEE and R&D project expenditure is recorded as work in progress until completion of the relevant project, at which time the expenditure is recorded as program funding, while the realization of obligations on the acquisition of intangible assets is charged to the special liabilities balance.

26. Provisions for labor, civil, tax and regulatory risks

A provision is recognized when the obligation is deemed probable by the Company's legal advisors. An expense is recorded for the year as a counter entry to the obligation. This obligation can be measured with reasonable certainty and is restated according to the developments in the judicial proceeding or financial charges incurred and may be reversed if the estimated loss is no longer deemed probable, or written off when the obligation is settled. Because of their nature, judicial proceedings will be resolved when one or future events occur or do not occur. Whether or not these events arise typically depends on the Company's performance and uncertainties in the legal system involve the estimates and judgments made by Management in respect of future events.

See below the change in provisions:

Parent Company	Labor	Tax	2018	2017
Opening balances - noncurrent - 2017 and 2016	1,480	13	1,493	1,332
Making of provisions	26	107	133	141
Reversal of provisions	(29)	(124)	(153)	(5)
Payments made	(245)	-	(245)	(7)
Monetary restatement	55	3	58	32
Closing balances - noncurrent - 2018 and 2017	1,287	(1)	1,286	1,493
Restricted and escrow deposits (*)			(57)	(64)

(*) The Company has restricted and escrow deposits recorded in its noncurrent assets of R\$ 179 (R\$ 357 in 2017). No provisions for risks have been made for R\$ 122 (R\$ 293 in 2017) of this total, as the chances of loss have been rated as possible or remote.

Consolidated	Labor	Civil	Tax	Regulatory	2018	2017
Opening balances - noncurrent - 2017 and 2016	216,806	233,992	16,480	18,833	486,111	504,345
Business combinations	64,543	350,426	1,387,819	106,923	1,909,711	-
Making of provisions	91,911	225,414	26,383	520	344,228	219,379
Reversal of provisions	(23,686)	(96,645)	(103,021)	(2,418)	(225,770)	(104,734)
Payments made	(89,396)	(56,190)	-	-	(145,586)	(143,254)
Monetary restatement	6,600	9,335	7,456	1,040	24,431	10,375
Closing balances - noncurrent - 2018 and 2017	266,778	666,332	1,335,117	124,898	2,393,125	486,111
Restricted and escrow deposits (*)					(75,815)	(106,320)

(*) The direct and indirect subsidiaries have escrow deposits and pledges in their noncurrent assets amounting to R\$ 495,947 (R\$ 249,138 in 2017). No provisions for risks have been made for R\$ 420,132 (R\$ 142,818 in 2017) of this total, as the chances of loss have been rated as possible or remote.

Probable losses - consolidated

• Labor

Most of the claims address: (i) Work-related accidents (ii) Overtime and respective obligations; (iii) Severance notice period and respective obligations; (iv) Salary parity; (v) Allowance for driving vehicles; (vi) FGTS (40% on inflationary restatement); (vii) health hazard allowance. Provisions have been made for the aforesaid labor proceedings rated as having a probable chance of defeat by the Company and its subsidiaries' legal advisers. In general proceedings rated as having a probable chance of defeat take between 3 and 5 years to reach the final judgment and effective disbursement of the amounts provisioned for, in the event the Company does not prevail.

• Civil

The civil proceedings are mainly disputing indemnification for moral and material damages and consumer complaints for issues such as (i) Improper cut-offs from electricity supply, (ii) Improper listing in credit protection agency (SPC/Serasa); (iii) Cancellation/Revision of consumption irregularity invoice; (iv) Cancellation/Revision of normal consumption invoice; (v) Reimbursement for electrical damage; (vi) Connection or changing of ownership of consumer unit; (vii) Luz no Campo Program/Light for All program; (viii) Incorporation/ Compensation for construction of private electricity grid; (ix) Accidents involving third parties; (x) indemnification

Lawsuits have also been filed by consumers claiming reimbursement of amounts paid to the subsidiaries resulting from tariff increases introduced under DNAEE Ordinances 38 and 45 applied during the term of the Cruzado Plan in 1986. A provision has been made for the amount of the tariff increase.

• Tax

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

The Company and its direct and indirect subsidiaries are also subject to several legal, civil and labor claims arising out of the normal course of business.

The Company's judgment relies on the opinion of its legal advisers. Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the completion of tax inspections or exposure identified as a result of new issues or court decisions.

• Regulatory

The subsidiaries EMT, EMS, ETO and ESS have proceedings before ANEEL, due to non-compliance with regulations.

Possible losses

The Company and its subsidiaries are party to labor, civil, tax and regulatory claims in progress where the chance of success has been estimated as possible, meaning no provision was required.

See the changes below:

Parent Company	Labor	Civil	Tax	2018	2017
Opening balances - 2017 and 2016	166	217	56,295	56,678	106,066
New cases	64	42,648	-	42,712	75
Change in order amount	-	49,851	(2,571)	47,280	(1,090)
Changes in prognosis	-	-	-	-	(51,143)
Close	(27)	(91)	-	(118)	(1,542)
Monetary restatement	7	1,785	3,364	5,156	4,312
Closing balances 2018 and 2017	210	94,410	57,088	151,708	56,678

Consolidated	Labor	Civil	Tax	Regulatory	2018	2017
Opening balances - 2017 and 2016	170,858	1,250,853	2,284,751	32,497	3,738,959	4,431,780
Business combinations	59,156	1,039,801	680,286	-	1,779,243	-
New cases	70,144	638,661	218,843	-	927,648	582,373
Change in order amount	76,159	2,388,072	748,146	-	3,212,377	(410,895)
Changes in prognosis	1,883	648,200	82,747	(69)	732,761	(286,949)
Close	(59,516)	(251,803)	(127,991)	-	(439,310)	(764,592)
Monetary restatement	6,995	74,553	132,811	2,079	216,438	187,242
Closing balances 2018 and 2017	325,679	5,788,337	4,019,593	34,507	10,168,116	3,738,959

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

- **Labor**

Labor proceedings consist of the following claims: claims submitted by employees seeking overtime, danger hazard allowances, "on call" time, indemnity for work-related accidents, in addition to claims from former employees of service providers hired by the subsidiaries, claiming joint liability for severance pay and salaries and charging union fees. notice, compensation for damages resulting from work-related accidents, public procurements, severance incentivization plan, transposition to federal institutions.

- **Civil**

Civil proceedings consist primarily of the following claims: (i) revision or cancellation of electricity invoices due to the uncertainty of the amount; (ii) indemnification for material and moral damages due to the suspension of the electricity supply due to non-payment, irregularities in meters, surges in voltages or temporary blackouts; and (iii) regulatory fines originating from inspections conducted by the concession authority which are undergoing administrative defense; claims in which consumers are seeking reimbursement of amounts due to the rate adjustments determined by Ordinances 38 and 45/1986, of the former National Department of Electricity and Water - DNAEE, during the freezing of prices under the Cruzado Plan. In addition to the regulatory fines originating from inspections conducted by the concession authority which are undergoing administrative defense.

Main cases:

Parent Company

On April 25, 2016 the Company and its subsidiary Energisa Soluções (defendants) were notified of a petition to file arbitration proceedings before the Arbitration Chamber of the Brazil-Canada Chamber of Commerce, filed by São João Energética (petitioner).

The petition submitted by the petitioner claims a violation of the share purchase and sale agreement signed November 19, 2014, by which the defendants agreed to sell to petitioner three investment funds contractually referred to as FIP Eólicas, FIP Biomassa and FIP PCH.

By selling these funds the defendants indirectly sold petitioner the shares in certain companies held by said investment funds.

This case is currently at the evidentiary stage. An expert examination was conducted through technical reports presented by the parties' technical assistants. An evidentiary hearing was held to hear factual and technical witnesses. The case is currently awaiting the submission of further documentary evidence by the parties.

Main cases:

Subsidiaries

. Main cases:

EPB

. Case 0053723-89.2016.4.01.3400, in the amount of R\$ 171,952 disputing the claimed reimbursement of amounts charged in electricity bills related to technical and commercial losses. where new analyses conducted by our legal advisers led to the chance of defeat being changed from a remote to a possible loss.

. Case 0002664-83.2015.815.0131 involving R\$ 53,369 (R\$ 51,187 in 2017), disputing issues related to contractual severance (annulment action filed by Cooperativa de Eletrificação Rural). The plaintiff is contesting the transfer of the electrification network made by Cervap and Energisa, requiring annulment of the public transaction date between the companies and all resulting effects.

ESE

. Case 0053723-89.2016.4.01.3400, in the amount of R\$ 99,138 disputing the claimed reimbursement of amounts charged in electricity bills related to technical and commercial losses. where new analyses conducted by our legal advisers led to the chance of defeat being changed from a remote to a possible loss.

EMS

. Collective civil action 00651268720144013800 in the amount of R\$ 170,148 (R\$ 162,739 in 2017), by which the Energy Consumer Defense Association is claiming a return of amounts unfairly charged in double. The impact in the case of defeat is possible recalculation of the rates practiced, resulting in a change to the contractual bases of the concession agreement and the entire methodology for creating rates prepared by the Concession authority. Rating changed from remote to possible in December 2018.

. Case 00537238920164013400, in the amount of R\$ 160,579 disputing the claimed reimbursement of amounts charged in electricity bills related to technical and commercial losses. where new analyses conducted by our legal advisers led to the chance of defeat being changed from a remote to a possible loss.

. Public civil action 00081923720034036000 in the amount of R\$ 63,094 (R\$ 60,955 in 2017), by which the Federal Prosecutions Department is claiming the annulment of ANEEL Resolution 167, which established the Company's rate replacement index, to establish an index other than the IGP-M price index.

EMT

. Case 1004068-45.2018.4.01.3600 related to the collection proceeding involving compensation for the right-of-way, in the amount of R\$ 304,145, received in October 2018.

. Case 0053723-89.2016.4.01.3400, in the amount of R\$ 295,727 disputing the claimed reimbursement of amounts charged in electricity bills related to technical and commercial losses. where new analyses conducted by our legal advisers led to the chance of defeat being changed from a remote to a possible loss.

. Compensation claim 17436-75.2014.811.0041 in the amount of R\$ 70,392 (R\$ 67,513 in 2017) filed by Conel Construções Elétricas Ltda, in order to obtain reimbursement for material and moral damages due to the allegedly unjustified termination by the defendant of the service provision agreement.

. Compensation claim 54570-73.2013.811.0041 in the amount of R\$ 39,891 (R\$ 38,259 in 2017), seeking reimbursement of amounts due to excessive cost of the service provision agreements and nonperformance of obligations established in the agreements.

. Compensation claim 13549-66.2015.811.0003 for R\$ 34,453 (R\$ 33,044 in 2017) involving issues related to moral and property damages.

ETO

. Case 2008.34.00.007382-8 for R\$ 33,555 (R\$ 32,182 in 2017) involving contractual expropriation issues.

ERO

Case 0038260-55.2015.807.0001 for R\$ 422,673, related to the class action filed against all electricity concession operators in Brazil to prevent and compensate various damages against consumers, with application for an injunction to stop the companies charging energy bills, the demanded losses, even if by pro rating, and losses incurred due to billing or measurement errors, theft and fraud in the period 2010 to 2014. It also claims annulment of all ANEEL Resolutions permitting the charges and including amounts charged as non-technical losses in bills. The Company rated this case as possible for the following reasons: (i) the plaintiff does not have the legal grounds to file this case, as required by the Supreme Federal Court following the judgment of the repetitive appeal regarding the matter pursuant to art. 543-C of CPC 73. The plaintiff's CNPJ has been canceled as proven in the case and (ii) the civil case does not entail charges made by the Company, but rather criteria adopted by ANEEL (legal competence) regarding the elements comprising electricity rates, meaning only ANEEL can take the measures related to the matter under scrutiny, there being no illegality in including the non-technical losses when forming these rates. This means the exclusive competence of ANEEL has been violated. We emphasize that in the event of a defeat, the case amount will be passed through to rates in its entirety.

. Compensation claim 7040117-63.2016.8.22.0001 in the amount of R\$ 803,464, filed by Petrobrás Distribuidora S.A. relating to the collection proceeding for the supply of diesel.

. Compensation claim 0013664-30.2015.401.4100 in the amount of R\$ 457,037, seeking reimbursement of amounts due to excessive cost of the service provision agreements and nonperformance of obligations established in the agreements.

. Public Civil Action 0011930-44.2015.401.4100 in the amount of R\$ 50,200, filed by the Brazilian Bar Association disputing issues related to energy shortages.

. Ordinary Proceeding 0008746-40.2015.822.0001 in the amount of R\$ 48,810, filed by the Brazilian Bar Association disputing issues related to energy shortages.

EAC

. Case 0038260-55.2015.807.0001 for R\$ 119,523, related to the class action filed against all electricity concession operators in Brazil to prevent and compensate various damages against consumers, with application for an injunction to stop the companies charging energy bills, the demanded losses, even if by pro rating, and losses incurred due to billing or measurement errors, theft and fraud in the period 2010 to 2014. It also claims annulment of all ANEEL Resolutions permitting the charges and including amounts charged as non-technical losses in bills. The Company rated this case as possible for the following reasons: (i) the plaintiff does not have the legal grounds to file this case, as required by the Supreme Federal Court following the judgment of the repetitive appeal regarding the matter pursuant to art. 543-C of CPC 73. The plaintiff's CNPJ has been canceled as proven in the case and (ii) the civil case does not entail charges made by the Company, but rather criteria adopted by ANEEL (legal competence) regarding the elements comprising electricity rates, meaning only ANEEL can take the measures related to the matter under scrutiny, there being no illegality in including the non-technical losses when forming these rates. This means the exclusive competence of ANEEL has been violated. We emphasize that in the event of a defeat, the case amount will be passed through to rates in its entirety.

Rede Energia

. Public Civil Action 00313063920124013900 with claim for interim relief filed by Federal Prosecutions Department in the amount of R\$ 214,439 (R\$ 195,977 in 2017), which intends to annul Authorizing Resolution 3731 issued by ANEEL on 12/30/2012, which authorized CELPA to authorize the investment in the concession area of funds deriving from the compensation owed to consumers due to violations of the electricity distribution service quality indicators in the period 2/29/2012 to 8/7/2015, a case which in 2Q17 had its case amount changed, with a reduction occurring due to the need to adapt the risk involved to reflect the legal adviser's opinion.

. Enforcement proceeding 01415375820128260100 for a fixed sum, involving R\$ 33,758 (R\$ 27,277 in 2017), to charge alleged credits established in Bank Credit Notes issued by Centrais Elétricas do Pará - CELPA. If CELPA is convicted, this debit could be subject to the Judicial Reorganization Plan. The case amount did not change in the period, although a reduction was made due to the need to adapt the risk involved according to the legal adviser's opinion.

• Tax

The tax and labor claims basically consist of disputes about: (i) PIS and COFINS on electricity invoices; (ii) ICMS on energy sales; (iii) offsetting and appropriation of ICMS credits; (iv) rate differential; and (v) income and social contribution taxes; (vi) collection of ISS on concession services; (vii) offsetting and appropriation of ICMS credits on equipment for providing for energy transmission and distribution services allocated to the company's permanent assets, (viii) ICMS credit, (ix) tax bookkeeping, (x) CIAP non-bookkeeping fine, (xi) ICMS due to disallowance of credits on the acquisition of diesel for on-demand manufacturing.

Main cases:

Parent Company

. Assessment notice 18471.000772.2008-26 seeking collection of the IOF tax in the period 2003 to 2005, on the advance for future capital increase - AFAC on behalf of the subsidiary Energisa SE, in the amount of R\$ 57,088 (R\$ 57,695 in 2017).

Subsidiary:

EMG

. Case 0087729-97.2016.8.13.0153 involving R\$ 35,268 (R\$ 33,947 in 2017), disputing: (i) payment of ICMS due to closure of the tax payment deferral, as part of the energy acquired domestically was deferred and subject to tax-exempt sales, contravening the existing tax regulations; and (ii) issuance of invoices for payment of deferred tax, pursuant to article 15 (1,I) of the General Section of RICMS/2002 and Article 49-A of Appendix IX of RICMS/2002. The increase observed in the year is based on the reassessment of the financial risk posed by the case as analyzed by the legal advisers.

ETO

. Case 5003614-42.2012.827.2729 - tax debit collection resulting from assessment notice for ICMS on purchases of property, plant and equipment by the company, in the amount of R\$ 168,278 (R\$ 158,140 in 2017).

. Case 5008221-35.2011.827.2729 - tax debit collection resulting from assessment notice for disallowance of ICMS credits on the acquisition of property, plant and equipment, in the amount of R\$ 78,677 (R\$ 73,936 in 2017).

. Assessment Notice 2014/003353 of R\$ 41,962 (R\$ 39,434 in 2017), related to disputes about the recording of incoming energy and transmission invoices in the period 2010 to 2014.

EPB

. Assessment notice 10467.720529/2011-81 for an amount of R\$ 105,792 (R\$ 102,164 in 2017), by which the federal tax authority is asserting the alleged failure to include in the taxable income and social contribution calculation bases expenses considered nondeductible on the amortization of goodwill referring to the privatization of the Company, and the allegedly improper offsetting of tax losses and the social contribution calculation base.

. Assessment Notice numbers: (I) 93300008.09.00000271/2017.59 in the amount of R\$ 126,698 (R\$ 89,956 in 2017) - for the period January 2012 to December 2015 and (II) Assessment Notice 93300008.09.70/2016-70 for R\$ 41,286 (R\$ 28,991 in 2017) for the period January to December 2011. All issued by the state tax authorities as a result of disallowing ICMS on the grounds that the acquisition of goods on which credits were recorded in the CIAP (fixed assets credit register) cannot be considered fixed assets, as they are not owned by the plaintiff, but rather the concession authority (federal government). The state claims that the transactions could only have been recorded in property, plant and equipment through the end of 2009. From 2010 the accounting standards began to require the recording of new acquisitions in intangible assets.

. Administrative proceeding 14751.002.618/2009-72 involving R\$ 49,586 (R\$ 46,598 in 2017), under which the federal tax authority imposed a reflexive assessment on the supplementary IRPJ charged on taxable events in 2001 and 2002 and the calendar years of 2005 and 2006, charging disallowed expense deductions, monetary variance losses, additions not included in the taxable income and unauthorized offsetting. In April 2018 this case had its rating change from possible to remote, as the thesis had been accepted by CARF.

ESE

. Assessment notice 10.510.724763/2011-12 for an amount of R\$ 179,795 (R\$ 170,848 in 2017), by which the federal tax authority is asserting the alleged failure to include in the taxable income and social contribution calculation bases expenses considered nondeductible on the amortization of goodwill referring to the privatization of the Company, and the allegedly improper offsetting of tax losses and the social contribution calculation base.

EMS

. Assessment notice 10140720806201057 involving R\$ 48,692 (R\$ 65,786 in 2017), issued by the federal tax authority charging PIS and COFINS liabilities for the accrual periods December 2007 to February 2008, deriving from the disallowance of credits appropriated on the non-cumulative basis on amounts to be returned to consumers by order of ANEEL.

EMT

. Proceedings 5044000/2015, 1189910010000012009-19, 5069184/2013, 167410016000122008-11 and 5028005/2011, involving ICMS on demand amounted to R\$ 597,373 (R\$ 677,204 in 2017), for which the Company has not made a provision based on the opinion of its legal advisers. The proceedings related to the ICMS claim result from the assessment for non-payment of the tax due to judicial impediment (court decisions staying the payment requirement, secured by consumers). Since the effects of these decisions expired, the Company has been engaged in dialog with SEFAZ/MT to find a solution for the payment of this tax, with the Company participating as a mere collections agent. The discussions resulted in the possibility of consumers directly entering the financing program offered by the State (MT Refis - State Laws 10433/2016 and Decree 780/2016).

. There are also important proceedings 1000985-84.2016.811.0041, 1189910010000092010-19, 122752000142016115, 1035343/630/96/2014, 5205023/2012 and 5095376/2016, relating to the appropriation of credits on the ICMS rate differential on the acquisitions of permanent assets in the total amount of R\$ 291,146 (R\$ 199,673 in 2017), including: (i) tax enforcement 1000985-84.2016.811.0041 for R\$ 72,592 (R\$ 60,068 in 2017); contrary to the constitution and Supplementary Law 87/96, State Law 7098/98 (art. 25,6) issued by Mato Grosso state prohibits the appropriation of such credits; the matter is subject to ADI 4.623/MT, in progress before the STF, where the Federal Attorney General has issued a favorable opinion. (ii) assessment notice 011178550.20128130699 issued by the Mato Grosso State Finance Department, with ICMS charged for the period January 2010 to January 2012, on the grounds that the Company allegedly improperly appropriated a tax credit on the rate differential on the acquisitions of permanent assets, which after the submission of the statement had its assessment transferred to case 5205023/2012, in the amount of R\$ 76,303 (R\$ 71,705 in 2017) and (iii) assessment notice (administrative) 0408/2018, of R\$ 70,000 due to nonratification of the changes made to the Declarations of Federal Contributions and Taxes - DCTFs for the period 2014 to 2016 (case entertained in December 2018).

ERO

. Assessment Notice 2016-2700100711 (CDA20160600058378) for R\$ 130,916 disputing issues related to the improper appropriation of tax credits on oil acquisitions.

. Assessment Notice 2009.31.00100061 (CDA 20090600042124) for R\$ 98,433 disputing issues related to the reversal of diesel credits - 2008.

. Assessment Notice 2009.31.00100058 (CDA 20180200007119) for R\$ 91,735 disputing issues related to the reversal of diesel credits - 2005.

Assessment Notice 20162700100692 (CDA 20161700242462) for R\$ 90,896 disputing issues related to failure to keep tax records in the EFD/SPED - 2011.

EAC

. Case 46.743/2018 filed for the amount of R\$ 108,569, entertained in December 2018, disputing issues related to ICMS - Disallowance of credits - Auxiliary Obligation.

Regulatory

Cases of regulatory contingencies at ANEEL, primarily deriving from the penalty applied as a result of the acquisition of tax credits between the distribution companies and QMRA to use the Refis da Copa benefit and Assessment Notices issued by the regular ANEEL audit.

27. Regulatory fees - consolidated

Change	2018	2017
Opening balance -2017 and 2016	96,917	154,340
Interest	4,318	12,927
Amortization	(61,741)	(70,350)
Closing balance -2018 and 2017	39,494	96,917
Quotas for Global Reversal Reserve - RGR	15,176	37,321
Quota - Energy Development Account - CDE	24,318	59,596
Current	39,494	58,635
Non-current	-	38,282

The regulatory fees were fully financed on July 01, 2014 with Eletrobras by the indirect subsidiaries EMT, and ETO, as follows: (i) RGR and CDE financed over 60 months, with the SELIC interest on the principal, amortized in the first 24 payments and the principal over the remainder;

28. Incorporation of grids - consolidated.

In order to enable the handling of applications to connect new consumer units, the applicant, individually or jointly, and the public agencies, including the indirect management, can contribute funds, in part or in full, for the works necessary to bring forward the connection or carry out the works to extend the grid by contracting a legally qualified third party. The funds advanced or the value of the works carried out by the party concerned shall be reimbursed by the subsidiaries EMT, EMS, ETO, ESS, EAC and ERO by the year in which the supply application is met according to the Universalization Plans, for cases of consumers meeting the qualification criteria without cost or by the deadlines establishing the regulations addressing the performance with financial participation of the party concerned.

The electricity universal access time frame of the subsidiary EMT in rural areas of Mato Grosso was extended to 2020 respectively. The schedule revision was approved by the National Electricity Regulatory Agency (ANEEL).

The balances of private grid acquisitions incur charges calculated by the change in the IGP-M price index plus interest of 0.5% to 1% per month.

See the changes occurring in the year:

Description	2018	2017
Balance in 2017 and 2016	209,970	313,013
Opening balance of the business combination	160,401	-
Additions in the year	23,833	51,778
Monetary restatement and interest	24,075	56,509
Payments	(158,134)	(211,330)
Balance in 2018 and 2017	260,145	209,970
Current	93,708	111,053
Non-current	166,437	98,917

29. Other liabilities

Description	Parent Company		Consolidated	
	2018	2017	2018	2017
Employee profit sharing	11,739	7,889	78,240	44,762
Payroll payable	1,733	-	96,337	17,462
Banco Daycoval Rede Energia RJ	50,693	50,693	50,693	50,693
Other employee benefits	2,488	2,070	22,943	13,867
Provision for pension fund (HSBC)	2,000	2,000	4,000	4,000
Insurance premiums	103	26	10,387	2,970
Customer advances	4,223	-	114,102	34,957
Withholding of contractual guarantee of contractors	329	235	30,136	13,655
Rede Energia Participações S/A - Banco Pine	-	-	-	1,663
Financing of regulatory fines	-	-	810	17,498
Rate amounts and charges recoverable - TUSD	-	-	12,201	12,201
ANEEL inspection fee - monthly contribution	-	-	1,289	3,229
Emergency charges (ECE and EAE)	-	-	18,650	18,684
Eletrobrás reimbursement - acquisition of the business combination	163,604	-	163,604	-
EPB Reimbursement - Salto Paraíso (*)	-	-	43,229	47,022
Capitalization commitment undertaken ERO and EAC (**)	-	-	63,099	-
Other accounts payable	3,423	6,721	95,028	75,751
Total	240,335	69,634	804,748	358,414
Current	235,573	65,475	580,805	287,481
Noncurrent	4,762	4,159	223,943	70,933

(*) Denotes the integration of the connection of the plants at the SE Salto Paraíso with reimbursement to be paid by the company to EBP (Enel Brasil Participações) by offsetting the credit deriving from the distribution system usage agreement ("CUSD")

(**) Parent company's commitment to subscribe the surplus shares allocated to employees and retirees, as per note 42.

30. Equity

30.1 Share capital

The share capital is R\$ 3,363,685 (R\$ 2,795,963 in 2017), represented by 1,814,561,910 registered shares (1,729,827,305 in 2017), consisting of 755,822,033 common shares (720,210,378 in 2017) and 1,058,739,877 preferred shares (1,009,616,927 in 2017), with no par value. The amount of shares converted into Units (share certificate denoting ownership of 4 preferred shares and 1 common share of the Company) is 262,325,118 (250,070,594 in 2017).

The Board of Directors' meeting held December 17, 2018 approved the capital increase of the Company in the amount of R\$ 567,722 via the issuance of 84,734,605 new registered book-entered shares with no par value, comprising 35,611,655 common shares and 49,122,950 preferred shares, resulting in a share capital of R\$ 3,363,685.

Preferred shares have no voting rights, have priority in capital reimbursements in premiums and to are included in the public offering of the control sale, being assured a price equal to 80% of the amount paid for voting shares comprising the control block.

The company recorded the amount of R\$ 90,282 (R\$ 65,723 in 2017) directly in shareholders' equity regarding transaction costs incurred on funds raised via new share issuances, which were recorded separately as a decrease in shareholders' equity.

Irrespective of amendments to the bylaws, the share capital may be increased up to a maximum of 3,000,000,000 shares, consisting of up to 1,626,300,000 common shares and up to 1,373,700,000 preferred shares, via resolution by the Board of Directors, which will determine the payment conditions, features of the shares to be issued an issuance price.

30.2 Capital Reserve

	2018	2017
Sale of treasury shares	1,849	1,849
Transactions amongst partners	252,205	(80,683)
Funding cost - Capital increase	(65,724)	(65,724)
Tax incentives for reinvestments ⁽¹⁾	4,991	-
Variable compensation program (ILP) ⁽²⁾	1,408	-
Balances in 2018 and 2017	194,729	(144,558)

- (1) Reinvestment tax incentives (reflects) - benefits intended for companies with operational ventures in the fields embraced by Sudene and SUDAM, with the reinvestment of 30% (thirty percent) of the tax payable through 2018 and 50% from 2019, in equipment modernization or upgrading projects through 2023.

Funds released, less the project management fee of 2%, as per article 19 (2) of Law No. 8167/1991, were provided in other capital reserves and after their approval within 180 (one hundred and eighty) days as from the end of the financial year in which the official release notice was issued by the regional development agency, will be capitalized.

- (2) Implementation of the variable known as the compensation program through the granting of shares known as the Long-term incentive (ILP) (see note 14).

Transactions amongst partners	2018	2017
Opening balance -2017 and 2016	(80,683)	4,273
Transactions between partners - reflection (1)	(59,069)	(89,453)
Gain determined on new acquisitions of interests in direct and indirect subsidiaries (2)	391,957	4,497
Closing balance -2018 and 2017	252,205	(80,683)

- (1) Includes a portion resulting from the percentage interest in the subsidiary EEVP, referring to the derivative financial instrument described in note 36.

- (2) The amount of R\$ 391,957 (R\$ 4,497 in 2017) has been disclosed in note 17.

30.3 Profit reserve - legal reserve

Allocated 5% of the net income for the year prior to any other allocations, limited to 20% of the share capital, in accordance with article 193 of Law No. 6404/76.

30.4 Profit reserve - retained earnings reserve

The amount allocated to the profit retention reserve in the financial year ended December 31, 2018 was R\$ 703,812 (R\$ 260,829 in 2017), withheld based on the capital budget approved at the Annual General Meeting.

30.5 Profit reserve - retained earnings due to a change in the accounting practices

The gain on a favorable acquisition occurred on the acquisition of a minority interest in subsidiaries in FY 2007. R\$ 60,000 and R\$ 131,210 respectively was capitalized at the EGM held in 2012 and 2011. The remaining balance of R\$ 62,539 has been recorded as retained earnings due to a change in the accounting practice, in shareholders' equity, as explained in CPC 15 and ICPC 09, at the disposal of the General Shareholders' Meeting.

30.6 Dividends

The corporate bylaws determine the distribution of a mandatory dividend of 35% of the net income for the year, adjusted as stipulated by article 202 of Law 6404/76 issued December 15, 1976, and allows dividends to be paid out in interim results.

Management is proposing to pay out the following dividends:

	2018	2017
Profit for the year	1,148,434	558,612
Legal reserve (5%)	(57,422)	(27,931)
Adjusted net income	1,091,012	530,681
Mandatory dividends 35%	381,854	185,738
Mandatory dividends provisioned for - amount per share R\$ 0.051 and R\$ 0.3553 per Units.	-	88,869
Dividend payments:		
Amount paid per share ⁽²⁾ R\$ 0.0572 (R\$ 0.0572 in 2017) and amount paid per Unit R\$ 0.286 (R\$ 0.286 in 2017)	96,870	96,870
Additional proposed dividends ⁽¹⁾ - amount per share (R\$ 0.048626 in 2017) and amount per unit (R\$ 0.336361 in 2017)	-	84,114
Interim dividends ⁽³⁾ , paid at the rate of R\$ 0.13 per common and preferred share and R\$ 0.65 per Unit	235,893	-
Dividends of R\$ 49,091 attributed to the minimum mandatory dividends and R\$ 5,346 attributed to the additional dividends proposed calculated at the rate of R\$ 0.03 per common and preferred share and R\$ 0.15 per Unit ⁽¹⁾	54,437	-
Total dividends	387,200	269,853
% over adjusted net income	35.49%	50.85%

- (1) The additional dividends proposed declared in excess of the minimum mandatory dividend after the accounting period reported on by the financial statements are recorded separately in the shareholders' equity, as they do not constitute a present obligation, and the respective liability is not recorded until it has been approved, in accordance with ICPC-08, and will be paid on the date to be determined by the Board of Directors meeting.
- (2) On August 8, 2018 the Company's Board of Directors approved the distribution of interim dividends presented in the statement of financial position prepared by the Company through June 30, 2018 amounting to R\$ 96,870, or R\$ 0.28 (twenty-eight cents) per Unit and R\$ 0.056 per common and preferred share of the Company. Payments began to be made on September 4, 2018 based on the Company's share position as of August 14, 2018, including trading up to this date.
- (3) On February 22, 2019 the Company's Board of Directors approved the distribution of interim dividends from the net income account of R\$ 235,893. This amount is equal to R\$ 0.13 per Company share (common and preferred) and R\$ 0.65 per share deposit certificate (Unit). Payments started on March 11, 2019 based on the shareholding position as of February 27, 2019.

30.7 Incentive Profit reserve - income tax reduction reserve (subsidiaries)

Because the subsidiaries EPB, ESE, EBO, EMT and ETO operate in the infrastructure sector of the North-East region, central and western and northern regions they obtained a reduction to the income tax payable for the purposes of investments in projects expanding their installed capacity, as determined by article 551 (3) of Decree 3000, dated March 26, 1999.

This reduction was approved by the Constitutive Reports, which impose a number of obligations and restrictions:

- The amount obtained as a benefit cannot be distributed to the shareholders
- The amount should be recorded as a profits reserve and capitalized by December 31 of the successive year and/or used to offset losses, with the approval of the AGM/EGM; and
- The amount should be invested in activities directly related to production in the region subject to the tax incentive.

The tax incentives are now recorded in the income statement for the year and subsequently transferred to the profits reserve and income tax reduction reserve.

See the information about the incentives obtained by:

Subsidiaries	Government Agency	No. of constitutive report	Income tax decrease (consolidated)	
			2018	2017
EPB	SUDENE	197/2012	48,675	44,784
ESE	SUDENE	205/2012	11,250	16,752
EBO	SUDENE	206/2012	5,841	4,373
EMT	SUDAM	114/2014	65,205	(11,627)
ETO	SUDAM	113/2014	15,963	15,923
Total			146,934	70,205

These amounts were recorded directly in net income for the year under consolidated "current income and social contribution taxes", and were allocated to the tax incentive reserve in the subsidiaries' shareholders' equity.

30.8 Other comprehensive income

Denotes the recording of the employee benefit plan net of tax. These balances have been recorded in accordance with CPC 26 (IAS 01) - Presentation of Financial Statements

See the changes occurring in the years:

	2018	2017
Opening balance - 2017 and 2016	(178,785)	(139,616)
Actuarial gain and loss - employee benefits	(67,859)	(59,347)
Taxes on actuarial gain and loss - employee benefits	23,072	20,178
Closing balance - 2018 and 2017	(223,572)	(178,785)

30.9 NCI

Disclosure of the interests in subsidiaries in accordance with IFRS 12 and CPC 45, is as follows:

Change in noncontrolling interest

	Equity interest and interest in voting capital	Balance in 2017	Earnings attributed to noncontrolling interests	Dividends	Other comprehensive income	Transactions amongst partners	Companies acquired	Capital Increase	Balance in 2018
Energisa Mato Grosso Distribuidora de Energia S/A	2.51%	747,023	11,885	(11,420)	(677)	(692,958)	-	-	53,853
Energisa Tocantins Distribuidora de Energia S/A	23.33%	193,367	13,358	(25,353)	(1,617)	652	-	-	180,407
Energisa Mato Grosso do Sul Distribuidora de Energia S/A	0.07%	836	81	(102)	(1)	1	-	-	815
Rede Power do Brasil	0.01%	51	5	(9)	-	-	-	-	47
Cia Técnica de Comercialização de Energia	0.09%	(138)	(6)	-	-	-	-	-	(144)
Multi Energisa Serviços S/A	0.10%	12	5	(4)	(3)	-	-	-	10
Rede Energia Participações S.A	3.72%	14,853	14,457	(3,531)	-	(1,427)	-	-	24,352
Centrais Elétricas de Rondônia S.A	10.00%	-	(13,769)	-	-	(44,889)	71,064	25,384	37,790
Companhia de Eletricidade do Acre-ELETROACRE	12.39%	-	6,585	-	-	(64,701)	98,104	29,589	69,577
Empresa E. Vale Parapanema S/A - EEVP	0.01%	(21,258)	19	(5)	(2)	11,228	-	-	(10,018)
Energisa Sul Sudeste Distribuidora de Energia S/A	0.75%	6,060	1,013	(956)	(93)	(1,739)	-	-	4,285
Rede Participações Minoritárias S.A.	12.30%	-	(2,448)	-	(2,717)	(296,647)	-	599,944	298,132
Denerge S/A	0.03%	263	53	(15)	(9)	(11)	-	-	281
Total		941,069	31,238	(41,395)	(5,119)	(1,090,491)	169,168	654,917	659,387

	Equity interest and interest in voting capital	Balance in 2016	Earnings attributed to noncontrolling interests	Dividends	Merger ESS (*)	Other comprehensive income	Transactions amongst partners	Balance in 2017
Energisa Mato Grosso Distribuidora de Energia S/A	33.40%	758,246	(4,327)	(4,612)	-	(2,285)	1	747,023
Energisa Tocantins Distribuidora de Energia S/A	23.33%	215,295	12,357	(33,233)	-	(1,051)	(1)	193,367
Empresa Elétrica Bragantina S/A (*)	4.15%	4,232	285	(108)	(4,409)	-	-	-
Companhia Nacional de Energia Elétrica (*)	1.30%	1,062	167	(97)	(1,132)	-	-	-
Companhia Força e Luz do Oeste (*)	1.47%	330	21	(29)	(322)	-	-	-
Energisa Mato Grosso do Sul Distribuidora de Energia S/A	0.07%	882	36	(83)	-	-	1	836
Rede Power do Brasil	0.01%	47	5	(1)	-	-	-	51
Cia Técnica de Comercialização de Energia	0.09%	(137)	(1)	-	-	-	-	(138)
Multi Energisa Serviços S/A	0.10%	9	4	(1)	-	-	-	12
Rede Energia Participações S.A	3.79%	110,708	4,695	(1,001)	-	(405)	(99,144)	14,853
Empresa E. Vale Parapanema S/A - EEVP	0.01%	129	210	(1)	-	(1)	(21,595)	(21,258)
Energisa Sul Sudeste (formerly Caiuá)	0.97%	-	508	(152)	5,863	(137)	(22)	6,060
Denerge S/A	0.03%	371	10	(2)	-	(2)	(114)	263
Total		1,091,174	13,970	(39,320)	-	(3,881)	(120,874)	941,069

(*) The Extraordinary General Meeting held June 30, 2017 approved the merger of the companies Companhia Nacional de Energia Elétrica (“CNEE”), Empresa de Distribuição de Energia Vale Parapanema S/A (“EDEV”), Empresa Elétrica Bragantina S/A (“EEB”) and Companhia Força e Luz do Oeste (“CFLO”) into Energisa Sul Sudeste - Distribuidora de Energia S/A (the new name of Caiuá Distribuição de Energia S/A (“CAIUA”), so that the new concession area would be operated by Energisa Sul-Sudeste (ESS) by way of the sixth amendment to concession agreement 13/1999.

31. Revenue

31.1 Gross operating revenue - parent company

	2018	2017
Revenue		
Specialized services (*)	189,863	143,193
Deductions from operating revenue		
PIS	3,185	2,363
COFINS	14,671	10,883
ISS	4,329	3,147
Net operating revenue	167,678	126,800

(*) Refers to administrative services and the sharing of human resources provided to its subsidiaries.

31.2 Operating revenue - consolidated

	2018			2017		
	Outside the scope of the independent auditors		R\$	Outside the scope of the independent auditors		R\$
	No. of consumers	MWh		No. of consumers	MWh	
Residential	6,236,064	11,003,510	7,863,525	5,454,252	10,475,448	6,909,414
Industrial	44,117	2,251,771	1,477,450	44,893	2,321,453	1,469,398
Commercial	531,387	5,451,774	3,999,957	465,540	5,312,988	3,614,670
Rural	774,979	2,967,164	1,515,000	607,237	2,765,887	1,312,333
Government	70,590	1,401,509	953,276	62,170	1,348,265	853,262
Public lighting	7,313	1,563,476	587,527	6,702	1,493,843	511,105
Public utility	8,432	1,062,831	526,882	7,722	1,015,024	466,053
Own consumption	1,646	35,642	-	1,451	35,614	-
Subtotal	7,674,528	25,737,677	16,923,617	6,649,967	24,768,522	15,136,235
Electricity sales to concession operators	2	1,846,352	792,505	2	2,359,736	525,134
Supplies not billed (net)	-	69,073	228,662	-	15,549	28,128
Provision of the transmission and distribution system	794	-	1,112,189	646	-	905,494
Energy sold to free clients	-	4,717,806	1,030,065	-	3,951,610	828,263
Construction revenue - assets (1)	-	-	1,513,014	-	-	1,392,054
Specialist services	-	-	54,014	-	-	95,198
Regulatory Penalties (2)	-	-	(33,037)	-	-	-
Other operating revenue	-	-	147,040	-	-	127,567
Concession financial asset	-	-	295,119	-	-	211,384
(-) Revenue from surplus demand	-	-	(368)	-	-	(32,421)
(-) Reactive Surpluses	-	-	(1,612)	-	-	(49,485)
Creation and amortization - CVA assets and liabilities (3)	-	-	507,153	-	-	230,765
Subsidies for service awarded under concession	-	-	1,116,351	-	-	949,292
Total - gross operating revenue	7,675,324	32,370,908	23,684,712	6,650,615	31,095,417	20,347,608
Deductions from operating revenue						
ICMS	-	-	3,999,623	-	-	3,564,253
PIS	-	-	364,842	-	-	310,249
COFINS	-	-	1,684,373	-	-	1,433,805
CPRB	-	-	5,551	-	-	4,919
ISS	-	-	15,266	-	-	14,338
Rate Flag Deductions (4)	-	-	92,125	-	-	46,052
Energy Efficiency Program - PEE -	-	-	65,447	-	-	56,241
Energy Development Account - CDE	-	-	1,585,599	-	-	1,207,941
Research and Development Program - R&D	-	-	65,400	-	-	56,267
Inspection fee for electricity services - TFSEE	-	-	18,905	-	-	16,389
Total - deductions from operating revenue	-	-	7,897,131	-	-	6,710,454
Total net operating revenue	7,675,324	32,370,908	15,787,581	6,650,615	31,095,417	13,637,154

- (1) Infrastructure construction revenue is represented by the same amount as the infrastructure construction cost, except for the transmission companies Pará I and Goiás I, where it differs from the construction cost by R\$ 15,596, because of PIS/COFINS. These amounts must be recognized under ICPC 01 - Concession Agreements and denote the construction cost of assets in the electricity distribution and transmission concession.
- (2) As a result of adopting CPC 47 - Revenue from contracts with customers on January 01, 2018, on the modified retrospective method, regulatory fines (DIC, FIC, DMIC) are now recognized as a deduction from revenue. For comparative purposes, the amount of fines as of December 31, 2017 is R\$ 24,759 and is classified as operating expenses.
- (3) Denotes the sector financial assets and liabilities (CVA) recognized in profit and loss for FYs 2018 and 2017 in accordance with OCPC 08.
- (4) From January 2015 energy bills will start using the Rate Flag System. The rate flag is "raised" on a monthly basis by ANEEL, in accordance with the information submitted by the National Electric System Operator (ONS), based on the country's electricity generation capacity.

By way of Official Notice 185 issued April 8, 2015, as amended by Order 245 issued January 28, 2016, amended by order 4356 dated December 22, 2017, ANEEL established new accounting procedures to record the Additional Revenue of the Rate Flags. Under the proposed amendment, the flag amounts are now recorded in operating revenue.

This revenue earned by subsidiaries on rate flags in the financial year ended December 31, 2018 amounted to R\$ 571,112 (R\$ 501,576 in 2017), and R\$ 92,125 (R\$ 46,052 in 2017) was passed through to the CCRBT. The net effect of the rate flags on the Companies' earnings through December 31, 2018 was therefore R\$ 478,987 (R\$ 455,524 in 2017).

Aneel ratified the amounts below for January to October 2018 and FY 2017:

Months	Order	2018	2017
January	No. 516 issued March 6, 2018 (no. 592 issued March 2, 2017)	(4,604)	183
February	No. 728 issued April 2, 2018 (no. 899 issued March 30, 2017)	2,447	155
March	No. 981 issued April 30, 2018 (no. 1,237 issued May 5, 2017)	2,298	(2,097)
April	No. 1,210 issued June 1, 2018 (no. 1,492 issued May 30, 2017)	2,634	(8,027)
May	No. 1,472 issued July 3, 2018 (no. 1,944 issued July 4, 2017)	(5,102)	(8,343)
June	No. 1,706 issued July 30, 2018 (no. 2,330 issued August 1, 2017)	(39,296)	(7,034)
July	No. 1,965 issued August 29, 2018 (no. 2,742 issued August 30, 2017)	(28,396)	(12,547)
August	No. 2,258 issued October 3, 2018 (no. 3,365 issued October 2, 2017)	(16,186)	(9,163)
September	No. 2,498 issued October 30, 2018 (no. 3,711 issued November 1, 2017)	2,274	4,705
October	No. 2,807 issued December 3, 2018 (no. 4,068 issued December 4, 2017)	(9,443)	(2,713)
November	To be ratified (No. 2 on January 2, 2018)	(701)	(5,529)
December	To be ratified (No. 242 on January 30, 2018)	1,950	4,358
Total		(92,125)	(46,052)

32. Operating costs and expenses

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

Parent Company				
	Cost of Services provided to Third Parties	General and administrative operating expenses	Total	
			2018	2017
Personnel and management	59,293	28,649	87,942	68,916
Variable compensation program (ILP)	-	322	322	-
Post-employment benefits	1,173	1,942	3,115	685
Material	878	589	1,467	1,504
Outsourced services	7,580	59,325	66,905	29,918
Depreciation and amortization	5,283	-	8,875	5,228
Allowance for doubtful accounts	-	(265)	(265)	-
Provisions for labor, civil, tax and regulatory risks	-	-	-	129
Other	714	2,829	3,543	2,595
	74,921	96,983	171,904	108,975

Consolidated						
	Service Cost			Operating Expenses General and Administrative	Total	
	Electric Energy	Operating Cost	Provided to Third Parties		2018	2017
Electricity purchased for resale	8,158,562	-	-	-	8,158,562	7,385,694
Charge for using transmission and distribution system	1,083,257	-	-	-	1,083,257	569,700
Personnel and management	-	741,693	86,239	304,888	1,132,820	1,007,543
Variable compensation program (ILP)	-	-	-	1,502	1,502	-
Post-employment benefits	-	24,688	2,032	51,816	78,536	108,133
Material	-	131,588	(1,421)	33,453	163,620	138,911
Outsourced services	-	433,727	38,862	200,850	673,439	645,628
Depreciation and amortization	-	848,182	8,713	92,815	949,710	807,675
Allowance for doubtful accounts	-	-	154,736	-	154,736	110,248
Provision for labor, civil, tax and regulatory risks	-	-	-	19,691	19,691	(28,609)
Infrastructure construction cost	-	-	1,497,418	-	1,497,418	1,390,720
Other	-	66,162	8,265	29,533	103,960	206,778
	9,241,819	2,246,040	1,794,844	734,548	14,017,251	12,342,421

Electricity purchased for resale:

	Consolidated		Electricity purchased for resale	
	MWH (1)			
	2018	2017	2018	2017
Energy from Itaipú - Binational	3,197,734	3,562,884	953,435	942,662
Auction energy	14,057,777	12,224,735	3,248,863	2,594,370
Bilateral energy and other supplies	6,211,943	10,134,867	2,578,304	2,390,690
Angra Quotas Normative Resolution 530/12 (2)	972,845	938,948	210,681	211,475
Short-term electricity - CCEE	367,467	564,380	796,993	691,704
Physical Guarantee Quotas- Ratifying Resolution 1,410	7,182,725	7,655,137	1,038,207	1,065,792
Alternative Energy Sources Incentive Program - PROINFA	632,291	621,256	225,086	207,981
Reserve Energy - ERR	-	-	70,798	-
(-) Recoverable portion of noncumulative PIS/COFINS	-	-	(963,805)	(718,980)
Total	32,622,782	35,702,207	8,158,562	7,385,694

(1) Information outside the scope of the independent auditors.

(2) Includes the value of Normative Resolution 1585/2013.

33. Other Income

	Parent Company		Consolidated	
	2018	2017	2018	2017
Other Revenue:				
Gains on deactivation	39	-	92,600	95,282
Gain/loss made on business combination (1)	1,169,562	-	1,169,562	-
Other (2)	1,753	-	26,338	1,477
Total	1,171,354	-	1,288,500	96,759
Other Expenses:				
Losses on deactivation	-	(72)	(168,893)	(141,741)
Other	-	-	(22,056)	(4,858)
Total	-	(72)	(190,949)	(146,599)

(1) The information can be seen in Note 17.

(2) The consolidated statement includes the mark-to-market of electricity trading contracts - The subsidiary ECOM operates in the Free Contracts System ("ACL") and signed bilateral energy purchase and sale contracts with the counterparties. These transactions resulted in a loss and gain with an energy surplus for the subsidiary, which was recognized at fair value. Realization of the fair value through the physical settlement of energy purchase and sale contracts in the net amount of R\$ 13,003 was recognized in the consolidated statement, as shown below.

	2018
Mark-to-market of energy trading sale contracts	15,296
Mark-to-market of energy trading purchase contracts	(2,293)
Total	13,003

The actual result of financial instruments (futures) can vary substantially, as the mark-to-markets of these contracts were made at the base date December 31, 2018.

34. Finance income and costs

	Parent Company		Consolidated	
	2018	2017	2018	2017
Financial revenue:				
Revenue on short-term investments	147,056	102,382	154,879	237,642
Monetary variation and arrears surcharge on energy sold	-	-	274,760	320,211
Exchange and monetary variance	-	-	28	2,743
Financial restatement of financial sector assets	-	-	53,806	20,475
Selic interest recoverable	2,358	5,933	22,950	44,108
Restatement of judicial deposits	5	8	8,037	9,355
Endorsement commission	28,509	34,512	-	-
Restatement of loans	142,623	73,810	-	-
Taxes on financial revenue - PIS and COFINS	(10,325)	(11,372)	(38,888)	(49,736)
Interest Earnings - Tocantins state	-	-	-	1,121
Negative goodwill on acquisition of IRPJ and CSLL tax credits - PERT	-	-	-	2,807
Reductions in Selic interest and fines - PERT	-	743	-	21,340
Selic base interest rate on PERT	-	-	-	35,764
Other	2,358	472	59,427	137,883
Total financial revenue	312,584	206,488	534,999	783,713
Finance costs				
Debt charges - interest	(259,845)	(160,436)	(712,995)	(588,165)
Debt charges - monetary and exchange variance	(103,753)	(52,478)	(511,460)	(177,686)
(-) Transfer to orders in progress	-	-	(6,613)	(12,188)
Mark-to-market of derivatives	(271,505)	(135,460)	(179,376)	(106,943)
Mark-to-market of debt	(1,840)	(844)	(108,369)	14,117
Derivative Financial Instruments	28,126	(15,477)	316,174	(116,265)
Restatement of loans	(7,258)	(31,117)	-	-
Restatement PEE and R&D	-	-	(5,956)	(19,363)
Adjustment to present value - AVP	-	-	(2,367)	9,996
Restatement of provision for labor, civil, tax and regulatory risks	(58)	(32)	(24,431)	(10,375)
IOF expenses	(1,706)	(5,932)	(11,004)	(30,557)
Expenses on endorsement commission	(11,791)	(11,361)	(11,792)	(11,361)
Financial restatement - Financial sector liabilities	-	-	(50,484)	(34,609)
Fine and interest	(48)	(4,156)	(110,465)	(27,243)
Interest and fines - PERT	-	(984)	-	(27,151)
Other tax debits - PERT	-	-	-	(5,255)
Interest in grid acquisition	-	-	(24,075)	(55,393)
Interest on Regulatory Fees	-	-	(537)	(11,323)
Monetary restatement, interest and fines	-	-	-	(44,215)
Provision for loss of ICMS credits	-	-	-	(73,821)
Health care - Actuary	(409)	-	(8,651)	-
Other	(35,600)	20,537	(33,094)	(93,916)
Total financial expenses	(665,687)	(397,740)	(1,485,495)	(1,421,716)
Net finance costs	(353,103)	(191,252)	(950,496)	(638,003)

35. Insurance coverage

The insurance policy of the Company and its subsidiaries is based on taking out suitable insurance coverage deemed sufficient to cover losses caused by any impairment to its assets, and indemnification resulting from civil liability or any involuntary material and/or personal damages inflicted on third parties resulting from its operations, considering the nature of its activity. The risk assumptions adopted, given their nature, are not part of an independent audit.

The main items covered are:

Lines	Date of expiry	Amount Insured (R\$ thousand)	Parent Company	
			2018	2017
Operating Risks	11/7/2020	90,000	96	21
Auto-Frota	10/23/2019	Up to R\$ 360 / vehicle	27	8
Collective Life Insurance and Personal Accidents (*)	12/31/2019	1,130,142	224	221
Civil Liability Directors and Officers (D&O)	11/26/2019	50,000	2	4
Total			349	254

Lines	Date of expiry	Amount Insured (R\$ thousand)	Consolidated	
			2018	2017
Operating Risks	11/7/2020	90,000	5,749	3,011
General Civil Liability	11/23/2020	90,000	3,898	2,188
Auto Frota	10/23/2019	Up to R\$ 1,110 / vehicle	1,608	1,127
General civil liability to 2nd Risk	11/23/2020	10,000	133	102
Aeronautical - civil liability (RETA)	12/12/2019	1,129	2	2
Aeronautical - Hull/LUC	12/12/2019	123,860	132	114
Comprehensive Business Insurance	-	-	-	2
Collective Life Insurance and Personal Accidents (*)	12/31/2019	1,460,722	1,947	2,240
National transportation	4/4/2019	Up to 2,000/ transportation	136	161
Civil Liability Directors and Officers (D&O)	11/26/2019	50,000	431	281
Explorer or Transportation Liability - R.E.T.A (Drones)	1/12/2020	289/drone	26	-
Total			14,062	9,228

(*) Amount insured for December/18 and annualized premium.

36. Financial instruments and risk management

Fair value hierarchy

The different levels were assigned as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Because the distribution subsidiaries have classified the compensable financial asset of the concession as the best estimate of the fair value through profit and loss, the relevant factors for the fair value appraisal are not publicly observable, meaning the fair value hierarchy is classified at level 3. The change and respective gains in net income for the year of R\$ 295,119 (R\$ 211,384 in 2017) and the main assumptions used, can be seen in note 16.

The carrying amounts, fair values and hierarchical levels of the principal financial instrument assets and liabilities have been compared below:

Parent Company					
	Level	2018		2017	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Amortized cost					
Cash and cash equivalents		313,687	313,687	134,406	134,406
Receivables		34,842	34,842	34,280	34,280
Notes and credits receivable		222	222	3,048	3,048
Related-party credits		186,396	186,396	417,515	417,515
		535,147	535,147	589,249	589,249
Fair value through profit or loss					
Money market and secured funds	2	2,431,702	2,431,702	1,910,911	1,910,911
Derivative financial instruments	2	29,256	29,256	3,514	3,514
		2,460,958	2,460,958	1,914,425	1,914,425
Liabilities					
Amortized cost					
Trade accounts payable		3,227	3,227	7,069	7,069
Debts to related parties		68,926	68,926	106,042	106,042
Loans, financing, debt charges and debentures		3,847,634	3,787,691	2,851,014	2,782,580
		3,919,787	3,859,844	2,964,125	2,895,691
Fair value through profit or loss					
Derivative financial instruments	2	424,386	424,386	162,694	162,694

Consolidated					
	Level	2018		2017	
		Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>					
Amortized cost					
Cash and cash equivalents		706,738	706,738	921,481	921,481
Clients, consumers and concessionaires		3,990,180	3,990,180	2,719,021	2,719,021
Credit receivables		35,137	35,137	43,846	43,846
Financial sector assets (CVA)		2,827,814	2,827,814	1,114,024	1,114,024
		7,559,869	7,559,869	4,798,372	4,798,372
Fair value through profit or loss					
Money market and secured funds	2	3,643,972	3,643,972	1,896,790	1,896,790
Concession financial asset	3	5,515,275	5,515,275	4,420,666	4,420,666
Derivative financial instruments	2	567,689	567,689	178,417	178,417
		9,726,936	9,726,936	6,495,873	6,495,873
<u>Liabilities</u>					
Amortized cost					
Trade accounts payable		1,728,614	1,728,614	1,514,174	1,514,174
Loans, financing, debt charges, debentures and lease		15,787,898	15,736,911	8,954,561	8,894,799
Financial sector liabilities (CVA)		1,238,430	1,238,430	1,029,063	1,029,063
Refinancing of taxes		76,837	76,837	71,863	71,863
Regulatory fees (*)		124,667	124,667	215,847	215,847
		18,871,273	18,877,709	11,785,508	11,725,746
Fair value through profit or loss					
Derivative financial instruments	2	515,333	515,333	216,095	216,095
Financial instrument - MTM (**)	2	604,352	604,352	556,489	556,489
		1,119,685	1,119,685	772,584	772,584

(*) Includes the balance of the Energy Development Account - CDE of R\$ 85,173 and (R\$ 118,930 in 2017), disclosed in note 25).

(**) The subsidiary EEVP and BNDESPAR signed a contract assuring BNDESPAR, at its sole discretion, the right to exercise against the subsidiary the put option for up to 67,642,986 preferred shares issued by Rede Energia S/A, owned by BNDESPAR. BNDESPAR may exercise the put option for up to all of the shares within the term of 60 days as from 1/3/2019. BNDESPAR exercised its PUT on March 8, 2019, with the indirect subsidiary EEVP making the payment of R\$ 614,296.

On February 04, 1999, the subsidiary EEVP, BNDES Participações ("BNDESPAR") and Mr. Jorge Queiroz de Moraes Júnior (former shareholder of Rede group), entered into a Private purchase and sale agreement for shares issued by Rede Energia Participações S/A (current name of

CAIUÁ Serviços de Eletricidade S/A/), as updated by Amendments 1, 2, 3 and 4 made March 29, 2006, August 09, 2007, April 27, 2010 and August 01, 2013, respectively.

On March 31, 2014, the subsidiary EEVP, BNDESPAR, Energia S/A and Mr. Jorge Queiroz de Moraes Júnior made Amendment 5 and Restated the Private purchase and sale agreement for shares issued by Rede Energia S/A. The parties negotiated that the subsidiary EEVP would award BNDESPAR, at its sole discretion, the right to exercise the put option for up to 67,642,986 preferred shares issued by Rede Energia Participações S/A. This put option may be exercised within the term of 60 days as from January 03, 2019. Said Amendment 5 was subject to the indirect share control of the subsidiary EEVP and Rede Energia being transferred to Energia S/A.

Strike price

If the option is exercised, the subsidiary EEVP and/or Energia S/A shall pay BNDESPAR the amount of R\$ 390,800 for all the shares, restated by the change in the TJLP rate, plus 1.76% per annum, from July 01, 2013.

The strike price of the option shall be paid in local currency or via a capital increase of Energia S/A, consisting of 4 preferred shares and 1 common share ("Units"), at the sole discretion of the subsidiary EEVP and/or Energia S/A.

In the event of payment via a capital increase of Energia S/A, the price of each preferred share to be issued will be the amount sufficient to comprise R\$ 14.40 per Unit, restated from July 01, 2013. If the value of the Units is less than 25% of the average weighted price in the previous 60 sessions, Energia will indemnify BNDESPAR for this difference within a maximum of 5 days of the capital being paid.

The strike price is the number of Units to be adjusted whenever there are capital increases via bonuses, splitting or grouping of shares or Units of Energia S/A.

Guarantees

The subsidiary EEVP shall issue BNDESPAR as security for performance of the obligation to purchase preferred shares a pledge of at least 117,643,852 common shares issued by Rede Energia, that it owns.

The share pledge shall account for a minimum of 40% of the voting capital of Rede Energia S/A at all times.

Pricing

The strike price - R\$ 8.94/share - calculated by the initial strike price of R\$ 5.78/share plus TJLP + 1.76% p.a. accumulated between July 01, 2013 and December 31, 2018 and projected up to the strike date with TJLP of 6.56% + 1.76% p.a. The risk-free rate used in the calculation is 6.67% p.a. and the average weighted volatility in the year was 12.66% p.a. On December 31, 2018 Rede's stock closed at R\$ 6.00/share.

There are 67,642,986 put options and the exercise term is 60 days as from January 03, 2019.

In compliance with CVM Instruction 475/2008 and Resolution 604/2009, the description of the book balances and the fair values of the financial instruments included in the balance sheet at December 31, 2018 and 2017 are shown below:

Derivatives

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

The Company and its subsidiaries have the policy of managing market risks, thereby avoiding assuming material positions exposed to fair value fluctuations. They therefore only seek to use instruments which provide greater risk control. The derivative contracts involve swap operations and options with interest and exchange rates, in order to counter the exposure to changes in US dollar exchange rate and to bring the debt cost in line with market trends.

The hedge transactions against adverse exchange variance require constant monitoring in order to preserve the efficiency of their structures. The transactions in force are subject to restructuring at any time and can be reversed or subject to additional transactions in order to reduce potential material losses.

Hedge Accounting

On July 01, 2015 the Company and its subsidiaries formally classified part of its swap transactions (hedge instruments) used to swap exchange variance and interest variance for CDI variance as hedge accounting. In 2018 these transactions and the debts (subject to hedges) are being valued as fair value hedges. In these hedge designations, the Company and its subsidiaries documented: (i) the hedge ratio; (ii) the risk management goal and strategy; (iii) the financial instrument's identification; (iv) the item or transaction covered; (v) the nature of the risk to be covered; (vi) the description of the coverage relation; (vii) statement of the correlation between the hedge and the hedged item; and (viii) statement of the hedge's effectiveness.

Swap contracts are designated and effective as fair value hedges in relation to the exchange variance and/or interest rate, when applicable. During the year the hedge was highly effective in the exposure of fair value to change in interest rates and as a consequence, the carrying amount of securities classified as hedge was

impacted by R\$ 97,195 (R\$ 45,369 in 2017) and recognized in financial income at the same time as the fair value of the interest rate swap was recognized in profit or loss.

Fair Value Option

The Company and its subsidiaries opted to formally classify new debt securities secured in the FY 2018, for which the Company and its subsidiaries have derivative financial instruments to swap exchange and interest rate variance, as measured at fair value. The fair value option aims to eliminate or reduce inconsistency in the measurement or recognition of certain liabilities, which would otherwise arise. Both the swaps and the respective debts can therefore be measured at fair value and this option is irreversible, and should only be made upon initial recognition of the transaction. As of December 31, 2018 these debt and derivatives, and any other assets and liabilities measured at fair value through profit or loss have any gains or losses resulting from their remeasurement recognized in the Company's profit and loss.

During the year, the carrying amount of debts classified as fair value option was impacted by R\$ 11,174 (R\$ 8,748 in 2017) and recognized in financial income at the same time the interest rate swap's fair value was recognized in profit and loss.

The Company and its subsidiaries do not have credit risk assessment or derivative instruments taken out for this exposure. In the Company's opinion the change in the credit risk does not have a significant impact.

Uncertainty

The amounts were estimated at the reporting date based on information available in the market and appropriate appraisal techniques. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate fair value. Consequently, the estimates used and presented below do not necessarily indicate the values that could be realized in the current exchange market.

Financial risk management

The Board of Directors is generally responsible for establishing and supervising the risk management model of the Company and its subsidiaries. The Company has therefore implemented operating limits with pre-established amounts and indicators in the "Financial Risk Management policy" (reviewed annually and available on the Company's site) and in the internal regulations of the Executive Board of the Company and its subsidiaries.

The Risk Management Committee, consisting of the Financial Board and specialist independent consultant, monitors compliance of operations with the "Financial Market Risk Management Policy" by way of the Quarterly Risk Management Report.

Furthermore, the Company and its subsidiaries' risk management aims to detect, analyze and monitor risks encountered, in order to establish limits and check compliance with them. For this, the Company and its subsidiaries have been using the services of an independent company specialized in cash and debt risk management, which means that the main macroeconomic metrics and their impact on results are monitored on a daily basis, in particular derivative transactions. This allows contracting and repositioning strategies to be devised, pursuing low risk and higher financial income.

Credit risk management

The debt index at the end of the years is the following:

	Consolidated	
	2018	2017
Debt (a)	15,787,898	8,954,561
Cash and cash equivalents	(706,738)	(921,481)
Net debt	15,081,160	8,033,080
Net equity (b)	5,388,141	3,843,453
Net debt index	2.80	2.09

- (a) The debt is defined as short and long-term loans, financing and debentures (excluding derivatives and financial surety contracts) and debt charges, as detailed in notes 21 and 22.
(b) The shareholders' equity includes the entire capital and reserves of the Group, managed as capital.

a) Liquidity risk

By way of the projected cash flow, Management schedules its obligations to generate financial liabilities to the flow of receipts or sources of financing in order to ensure the greatest possible liquidity so as to honor its obligations, thereby avoiding delinquency which hinders the operational progress of Energisa and its subsidiaries.

The contractual maturities of the main financial liabilities, including estimated interest payments and excluding the impact of currency trading agreements at the net position are as follows:

Parent Company							
	Average effective weighted interest rate (%) months	Up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Trade accounts payable		2,962	-	-	-	265	3,227
Loans and financing, debt charges and debentures	9.93%	497,411	346,061	2,576,499	1,096,979	253,282	4,770,232
Derivative Financial Instruments		5,920	(5,114)	26,970	(422,906)	-	(395,130)
Total		506,293	340,947	2,603,469	674,073	253,547	4,378,329

Consolidated							
	Average effective weighted interest rate (%) months	Up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Trade accounts payable		1,637,550	20,756	-	-	75,302	1,733,608
Loans and financing, debt charges and debentures	7.67%	1,308,997	1,495,218	8,932,265	3,905,079	4,804,913	20,446,472
Derivative Financial Instruments		(5,970)	(31,859)	159,850	(285,925)	216,260	52,356
Total		2,940,577	1,484,115	9,092,115	3,619,154	5,096,475	22,232,436

The liquidity risk denotes the risk of the Company struggling to honor its obligations posed by financial liabilities. The Company monitors the liquidity risk by maintaining investments readily convertible to meet obligations and commitments, in addition to foreseeing its future cash requirements.

b) Credit risk

Management believes the risks posed by its cash and cash equivalents, short-term investments and derivative financial instruments are minimal, as there is no concentration and transactions are conducted with banks which assess risk in accordance with the "Financial Risk Management policy". The Board of Directors' Audit Committee was convened in the first quarter of 2010 to oversee the group's management, according to the rules and principles established in the policy.

The credit risk, especially that of Energisa Group's distribution companies, is posed by accounts receivable, which is, however, mitigated by sales to a broad consumer base and legal prerogatives which allow the provision of services to defaulting clients to be suspended.

Part of the receivables referring to sales, energy acquisition and system service charges, incurred at CCEE, are also subject to change depending on the outcome of legal proceedings in progress, filed by a number of companies in the sector. These proceedings have resulted from the interpretation of market rules in force between June 2001 and February 2002, during which the Emergency Electricity Rationing Program was in force.

Exposure to credit risks

The carrying amount of the financial assets denotes the maximum credit exposure as shown below:

	Note	Parent Company		Consolidated	
		2018	2017	2018	2017
Cash and cash equivalents	6	313,687	134,406	706,738	921,481
Money market and secured funds	6	2,431,702	1,910,911	3,643,972	1,896,790
Clients, consumers and concessionaires	7	34,842	34,280	3,990,180	2,719,021
Credit receivables	8	222	3,048	35,137	43,846
Financial sector assets (CVA) net	12	-	-	1,589,384	84,961
Concession financial asset	16	-	-	5,515,275	4,420,666
Derivative financial instruments	33	29,256	3,514	567,689	178,417

c) Interest and exchange rate risk

Part of the local-currency loans and financing presented in note 21 consist of financing from several national development agencies (Eletrobrás, Banco do Nordeste, BNDES, BDMG and FINEP) and other institutions in the capital market. The interest rate is defined by these Agents, taking into account the underlying interest rate, the risk premium compatible with the financed companies, their guarantees and the sector they are engaged in. In the event it is not possible to acquire alternatives or different market hypotheses and/or methods for their estimates, in view of the subsidiaries' business and sector specifics, these are measured by the amortized cost method at the contractual rates.

The Company's earnings are susceptible to variations due to the volatility of the exchange rate on the sale of options underlying swaps of liabilities denominated in foreign currencies, mainly the US dollar. The US dollar exchange rate closed the year ended December 31, 2018 up by 17.1% over December 31, 2017, quoted at R\$ 3.8748 / USD. The volatility of the US dollar as of December 31, 2018 was 14.34%, compared with 11.95% as of December 31, 2017.

R\$ 3,489,732 (R\$ 1,750,540 in 2017) of the Company's consolidated bank debts and issuances of R\$ 15,844,927 (R\$ 8,992,198 in 2017) as of December 31, 2018 is denominated in US dollars, as per note 21. The operations subject to hedging and the respective financial instruments used are detailed below.

The USD loans have a short- and long-term maturity (last maturity in December 2023) and maximum costs of USD plus 4.8535% per annum plus exchange variance.

The subsidiary's statement of financial position as of December 31, 2018 presents R\$ 2,286 (R\$ 3,457 in 2017) in the current assets, R\$ 26,970 (R\$ 57 in 2017) in noncurrent assets, R\$ 1,480 (R\$ 10,749 in 2017) in current liabilities and R\$ 422,906 (R\$ 151,945 in 2017) in the noncurrent liabilities at the parent company, R\$ 49,171 (R\$ 87,782 in 2017) in the current assets, R\$ 518,518 (R\$ 90,635 in 2017) in the noncurrent assets, R\$ 691,352 (R\$ 63,568 in 2017) in current liabilities and R\$ 428,333 (R\$ 709,016 in 2017) in consolidated noncurrent liabilities referring to the mark-to-market of the derivative financial instruments related to the foreign exchange rate and interest, resulting from a combination of factors usually adopted for the mark-to-market of these instruments, such as volatility, currency coupon, interest rates and the US dollar exchange rate. This is not a material liability, because the reversal value of derivatives at the calculation date is estimated, which does not correspond to the hedge objective. In the financial year Energisa recognized directly in its shareholders' equity a reduction of R\$ 43,873 (R\$ 89,453 in 2017) consisting of its interest in the effects reflected in the subsidiaries' equity.

The Company and its subsidiaries have hedged 100% of the dollar-indexed liabilities against adverse exchange variance, thereby hedging the principal and interest through maturity. These hedges are split into the following instruments:

Transaction	Notional (USD)	Financial Cost (% p.a.)		Maturity	Description
		Receivable Position	Payable Position		
ENERGISA S/A					
Resolution 4131 - Itaú BBA	120,000	VC + 4.75%	CDI +1.28%	5/24/2021	Fair Value Option
ESE					
Resolution 4131 - Citibank	7,438	(Libor + 1.77%) x 117.65%	CDI + 1.85%	5/28/2019	Fair Value Hedge
Resolution 4131 - Citibank	5,700	(Libor + 2.16%) x 117.65%	CDI + 2.50%	4/26/2019	Fair Value Option
Resolution 4131 - Citibank	61,805	(Libor + 0.73%) x 117.65%	CDI + 1.43%	1/19/2021	Fair Value Option
Resolution 4131 - Bank of America ML	34,321	(Libor + 1.20%) x 117.65%	CDI + 1.48%	1/29/2021	Fair Value Option
Resolution 4131 - Citibank	8,798	(Libor + 0.72%) x 117.65%	CDI + 1.35%	4/26/2021	Fair Value Option
Resolution 4131 - Citibank	11,100	(LIBOR + 0.82%) x 117.647%	CDI + 0.80%	9/8/2021	Fair Value Option
Resolution 4131 - JL Morgan	3,612	(LIBOR + 1.30%) x 117.647%	CDI + 0.85%	9/13/2021	Fair Value Option
EPB					
Resolution 4131 - Citibank	5,500	(Libor + 1.88%) x 117.65%	CDI + 1.80%	2/27/2019	Fair Value Hedge
Resolution 4131 - Citibank	6,907	(Libor + 1.77%) x 117.65%	CDI + 1.85%	5/28/2019	Fair Value Hedge
Resolution 4131 - Citibank	1,450	(Libor + 2.16%) x 117.65%	CDI + 2.50%	4/26/2019	Fair Value Option
Resolution 4131 - Bank of America ML	21,374	(Libor + 2.25%) x 117.65%	CDI + 1.99%	9/20/2019	Fair Value Option
Resolution 4131 - Bank of America ML	10,000	(Libor + 2.25%) x 117.65%	116.75% CDI	5/21/2019	Fair Value Option
Resolution 4131 - Itaú BBA	25,480	VC + 4.47%	119.03% CDI	6/23/2020	Fair Value Option
Resolution 4131 - Citibank	18,541	(Libor + 0.73%) x 117.65%	CDI + 1.43%	1/19/2021	Fair Value Option
EMG					
Resolution 4131 - Citibank	4,782	(Libor + 1.77%) x 117.65%	CDI + 1.85%	5/28/2019	Fair Value Hedge
Resolution 4131 - Citibank	8,600	(Libor + 2.16%) x 117.65%	CDI + 2.50%	4/26/2019	Fair Value Option
Resolution 4131 - Itaú BBA	8,993	VC + 4.47%	119.03% CDI	6/23/2020	Fair Value Option
Resolution 4131 - Citibank	17,595	Libor + 0.72% x 117.65%	CDI + 1.35%	5/17/2021	Fair Value Option
ENF					
Resolution 4131 - Citibank	8,250	(Libor + 1.62%) x 117.65%	CDI + 1.50%	9/28/2022	Fair Value Option
Resolution 4131 - Citibank	4,539	(Libor + 0.65%) x 117.65%	CDI + 1.32%	3/29/2021	Fair Value Option
EMT					
Resolution 4131 - Bank of America ML	28,235	(Libor + 1.60%) x 117.65%	CDI + 1.70%	6/15/2020	Fair Value Option
Resolution 4131 - Citibank	14,351	(Libor + 1.70%) x 117.65%	CDI + 1.53%	6/21/2022	Fair Value Option
Resolution 4131 - Citibank	14,351	(Libor + 1.80%)	CDI + 1.53%	6/21/2022	Fair Value Option
Resolution 4131 - Bank of America ML	24,615	(Libor + 1.20%) x 117.65%	CDI + 1.43%	1/15/2021	Fair Value Option
Resolution 4131 - Citibank	31,785	(LIBOR + 0.82%) x 117.65%	CDI + 0.80%	9/8/2021	Fair Value Option
Resolution 4131 - BBM	18,861	VC + 4.52%	CDI + 0.65%	10/21/2019	Fair Value Option
Resolution 4131 - JPM	26,709	(LIBOR + 1.05%) x 117.647%	CDI + 1.33%	11/12/2021	Fair Value Option
EMS					
Resolution 4131 - Citibank	14,429	(Libor + 1.70%) x 117.65%	CDI + 1.55%	5/26/2022	Fair Value Option
Resolution 4131 - Citibank	14,429	(Libor + 1.80%)	CDI + 1.55%	5/26/2022	Fair Value Option
Resolution 4131 - Citibank	17,115	(LIBOR + 0.82%) x 117.65%	CDI + 0.80%	9/8/2021	Fair Value Option
ETO					
Resolution 4131 - Citibank	11,196	(Libor + 1.70%) x 117.65%	CDI + 1.56%	5/16/2022	Fair Value Option
Resolution 4131 - Citibank	11,196	(Libor + 1.80%)	CDI + 1.56%	5/16/2022	Fair Value Option
Resolution 4131 - Bank of America ML	31,032	(Libor + 1.20%) x 117.65%	CDI + 1.47%	1/29/2021	Fair Value Option
Resolution 4131 - Itaú BBA	51,778	VC + 5.12%	CDI + 1.28%	6/1/2021	Fair Value Option
EBO					
Resolution 4131 - Citibank	6,135	(Libor + 0.97%) x 117.65%	116.00% CDI	11/13/2020	Fair Value Option
ECOM					
Resolution 4131 - Santander	10,459	VC + 5.53%	CDI + 1.35%	6/22/2020	Fair Value Option
ENERGISA SUL SULDESTE					
Resolution 4131 - Citibank	6,857	(Libor + 1.70%) x 117.65%	CDI + 1.53%	6/21/2022	Fair Value Option
Resolution 4131 - Citibank	6,857	(Libor + 1.80%)	CDI + 1.53%	6/21/2022	Fair Value Option
Resolution 4131 - Bank of America ML	29,740	(Libor + 1.10%) x 117.65%	CDI + 1.35%	4/9/2020	Fair Value Option
Resolution 4131 - Citibank	15,928	(LIBOR + 1.27%) x 117.647%	CDI + 1.25%	7/3/2023	Fair Value Option
Resolution 4131 - Bank of America ML	19,704	(LIBOR + 1.20%) x 117.647%	CDI + 0.80%	8/31/2021	Fair Value Option
ELETROACRE					
Resolution 4131 - Bank of America ML	79,186	EURO + 1.65%	CDI + 1.65%	12/13/2023	Fair Value Option
Centrais Elétricas de Rondônia S/A					

(*) These operations were originally subject to a call option with cap linked to the swap. These operations were reverted, thereby minimizing exposure to foreign exchange variance.

The Company also has swaps (fixed rates, CDI, TJLP, among others) for the notional value of its local currency debt (Reais). See below the interest swaps:

Transaction	Notional (BRL)	Financial Cost (% p.a.)		Maturity	Description
		Receivable Position	Payable Position		
Parent Company					
Santander X ESA	271,430	IPCA + 6.15%	IPCA + 5.85% + (TJLP-5.50%)	7/15/2019	Not applicable
Itaú BBA X EMT	81,885	IPCA + 5.60%	101.75% CDI	6/15/2022	Fair Value Hedge
Itaú BBA X EMT	73,494	IPCA + 5.66%	102.65% CDI	6/14/2024	Fair Value Hedge
JP Morgan X EMT	10,544	IPCA + 4.49%	100.90% CDI	10/17/2022	Fair Value Hedge
JP Morgan X EMT	1,965	IPCA + 4.71%	101.60% CDI	10/15/2024	Fair Value Hedge
JP Morgan X EMT	3,657	IPCA + 5.11%	103.50% CDI	10/15/2027	Fair Value Hedge
Itaú BBA X ETO	39,771	IPCA + 5.60%	101.75% CDI	6/15/2022	Fair Value Hedge
Itaú BBA X ETO	35,696	IPCA + 5.66%	102.65% CDI	6/14/2022	Fair Value Hedge
JP Morgan X ETO	9,526	IPCA + 4.49%	100.90% CDI	10/17/2022	Fair Value Hedge
JP Morgan X ETO	1,775	IPCA + 4.71%	101.60% CDI	10/15/2024	Fair Value Hedge
JP Morgan X ETO	3,304	IPCA + 5.11%	103.50% CDI	10/15/2027	Fair Value Hedge
Itau BBA x ETO	240,000	IPCA + 5.08%	103.70% CDI	9/15/2025	Fair Value Hedge
Itaú BBA X ESS	24,647	IPCA + 5.60%	101.75% CDI	6/15/2022	Fair Value Hedge
Itaú BBA X ESS	18,397	IPCA + 5.60%	101.75% CDI	6/15/2022	Fair Value Hedge
Itaú BBA X ESS	22,121	IPCA + 5.66%	102.65% CDI	6/14/2024	Fair Value Hedge
Itaú BBA X ESS	16,511	IPCA + 5.66%	102.65% CDI	6/14/2024	Fair Value Hedge
JP Morgan X ESS	8,580	IPCA + 4.49%	100.90% CDI	10/17/2022	Fair Value Hedge
JP Morgan X ESS	1,599	IPCA + 4.71%	101.60% CDI	10/15/2024	Fair Value Hedge
JP Morgan X ESS	2,977	IPCA + 5.11%	103.50% CDI	10/15/2027	Fair Value Hedge
Itau BBA x ESS	70,000	IPCA + 5.08%	103.70% CDI	9/15/2025	Fair Value Hedge
JP Morgan X EMS	10,762	IPCA + 4.49%	100.90% CDI	10/17/2022	Fair Value Hedge
JP Morgan X EMS	2,006	IPCA + 4.71%	101.60% CDI	10/15/2024	Fair Value Hedge
JP Morgan X EMS	3,733	IPCA + 5.11%	103.50% CDI	10/15/2027	Fair Value Hedge
Itau BBA x EMS	155,000	IPCA + 5.08%	103.70% CDI	9/15/2025	Fair Value Hedge
Itaú BBA X EMG	8,392	IPCA + 5.60%	101.75% CDI	6/15/2022	Fair Value Hedge
Itaú BBA X EMG	7,532	IPCA + 5.66%	102.65% CDI	6/14/2024	Fair Value Hedge
JP Morgan X EMG	3,636	IPCA + 4.49%	100.90% CDI	10/17/2022	Fair Value Hedge
JP Morgan X EMG	678	IPCA + 4.71%	101.60% CDI	10/15/2024	Fair Value Hedge
JP Morgan X EMG	1,261	IPCA + 5.11%	103.50% CDI	10/15/2027	Fair Value Hedge
Itau BBA x EMG	50,000	IPCA + 5.08%	103.70% CDI	9/15/2025	Fair Value Hedge
Itaú BBA X EPB	15,173	IPCA + 5.60%	101.75% CDI	6/15/2022	Fair Value Hedge
Itaú BBA X EPB	13,618	IPCA + 5.66%	102.65% CDI	6/14/2024	Fair Value Hedge
JP Morgan X EPB	11,635	IPCA + 4.49%	100.90% CDI	10/17/2022	Fair Value Hedge
JP Morgan X EPB	2,169	IPCA + 4.71%	101.60% CDI	10/15/2024	Fair Value Hedge
JP Morgan X EPB	4,035	IPCA + 5.11%	103.50% CDI	10/15/2027	Fair Value Hedge
Safra x EPB	135,000	IPCA + 5.08%	103.70% CDI	9/15/2025	Fair Value Hedge
Itaú BBA X ESE	9,333	IPCA + 5.60%	101.75% CDI	6/15/2022	Fair Value Hedge
Itaú BBA X ESE	8,376	IPCA + 5.66%	102.65% CDI	6/14/2024	Fair Value Hedge
JP Morgan X ESE	7,126	IPCA + 4.49%	100.90% CDI	10/17/2022	Fair Value Hedge
JP Morgan X ESE	1,328	IPCA + 4.71%	101.60% CDI	10/15/2024	Fair Value Hedge
JP Morgan X ESE	2,472	IPCA + 5.11%	103.50% CDI	10/15/2027	Fair Value Hedge
Safra x ESE	65,000	IPCA + 5.08%	103.70% CDI	9/15/2025	Fair Value Hedge

In accordance with CPC 40, the values of the Company and its subsidiaries' derivative financial instruments, which were not recorded as fair value hedge, as of 2018 and 2017 are presented below:

• Parent Company

Derivatives	Reference value		Description	Fair value	
	2018	2017		2018	2017
			Receivable Position		
			Fixed interest rate, CDI and IPCA	206,485	629,803
Interest swaps	135,715	493,639	Liability Position		
			CDI interest rate + TJLP and IPCA	(207,965)	(631,629)
			Total Swap Position	(1,480)	(1,826)

The Company classifies certain hedge instruments related to exchange variance risk and interest rate risk posed by loans as fair value hedge, as shown below:

Fair Value Option	Reference value	Description	Fair value
	2018		2018
Debt (Hedge Object)*	436,800	Foreign Currency - USD and LIBOR	(469,177)
		Receivable Position	
		Foreign Currency - USD and LIBOR	469,177
		Liability Position	
		CDI Interest Rate	(439,921)
		Net swap position	29,256
		Net debt position + Swap	(439,921)

Fair Value Hedge	Reference value	Description	Fair value
	2017		2017
Debt (Hedge Object)*	89,700	Foreign Currency - USD and LIBOR	(83,477)
Forex Swap (Hedge Instrument)	89,700	Receivable Position	
		Foreign Currency - USD and LIBOR	83,245
		Liability Position	
		CDI Interest Rate	(90,831)
		Net swap position	(7,586)
		Net debt position + Swap	(91,063)

• Consolidated

Derivatives	Reference value		Description	Fair value	
	2018	2017		2018	2017
Debt (Hedge Object)*	1,955,429	493,639	Fixed rate	(2,178,669)	(629,803)
Interest swaps (Hedge Instrument)	1,955,429	493,639	Receivable Position		
			Fixed rate	2,177,606	629,803
			Liability Position		
			CDI Interest Rate	(2,055,369)	(631,629)
			Net swap position	122,237	(1,826)
			Net debt position + Swap	(2,056,432)	(631,629)

Fair Value Option	Reference value		Description	Fair value	
	2018	2017		2018	2017
Debt designated to Fair Value Option	3,049,286	988,946	Foreign Currency - USD and LIBOR	(3,392,648)	(1,004,803)
Forex Swap (Derivative)	3,049,286	988,946	Receivable Position		
			Foreign Currency - USD and LIBOR	3,392,648	1,004,803
			Liability Position		
			CDI Interest Rate	(3,072,596)	(1,002,333)
			Net swap position	320,052	2,470
			Net debt position + Swap	(3,072,596)	(1,002,333)

In accordance with CPC 40, the values of the Company's derivative financial instruments, which were not recorded as fair value hedge, as of 2018 and 2017 are presented below:

Fair Value Hedge	Reference value		Description	Fair value	
	2018	2017		2018	2017
Debt (Hedge Object)*	75,785	1,357,436	Foreign Currency - USD and LIBOR	(96,269)	(1,511,156)
Forex Swap (Hedge Instrument)	75,785	1,357,436	Receivable Position		
			Foreign Currency - USD and LIBOR	96,269	1,524,988
			Liability Position		
			CDI Interest Rate	(76,299)	(1,337,529)
			Net swap position	19,970	187,459
			Net debt position + Swap	(76,299)	(1,323,697)

(*) Loans formally classified as Fair Value Hedges are recognized at fair value in proportion to the effective portion relating to the risk being hedged.

The subsidiaries calculated the Fair Value of the derivatives as of December 31, 2018 based on the market price quotes for similar contracts. Their variance is directly associated with the variance of the debt balances listed in the note 21 and 22 and the positive performance of the hedge mechanisms used, as described above. The Company and its subsidiaries do not intend to settle these contracts before maturity. They also have different expectations for the results presented as Fair Value - as shown below. To ensure perfect management, daily monitoring is conducted in order to keep risk to a minimum and obtain better financial results.

The mark-to-market (MtM) of the Company and its subsidiaries' operations was calculated by an accepted method generally used by the market. The method basically consists of calculating the future value of the operations agreed in each contract, discounting the present value at market rates. A variant of the Black & Scholes formula is used to calculate the MtM of options. This formula is normally used to calculate the premium on currency options. The data used in these calculations was obtained from reliable sources. The market rates, such as the fixed rate and dollar coupon, were obtained directly from the BM&F site (Market Rates for Swaps). The Ptax exchange rate was obtained from the Central Bank's site. The implicit dollar volatility for options were obtained from BM&F.

Sensitivity analysis

Pursuant to CPC 40, the Company and its subsidiaries conducted sensitivity analyses on the main risks to which the financial instruments and derivatives are exposed, as shown:

Exchange variance

If the exchange exposure as of December 31, 2018 were maintained, and the effects on the future financial statements simulated by type of financial instrument and for three different scenarios, the following results would be obtained (restated as for the reporting date):

Transaction	Exposure	Risk	Scenario I (Probable) (*)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Foreign-Currency Debt - USD and LIBOR	(3,125,071)	Increase in USD	(2,881,448)	(3,692,772)	(4,504,095)
Change in Debt	-		243,623	(567,701)	(1,379,024)
Forex Swap					
Receivable Position		Increase in USD			
Derivative Financial Instruments - USD and LIBOR	3,488,917		3,245,294	4,056,618	4,867,941
Variance - USD and LIBOR	-		(243,623)	567,701	1,379,024
Liability Position					
Derivative Financial Instruments - CDI Interest Rate	(3,148,895)		(3,148,895)	(3,148,895)	(3,148,895)
Variance - CDI Interest Rate	-		-	-	-
Subtotal	340,022		96,399	907,723	1,719,046
Net Total	(2,785,049)		(2,785,049)	(2,785,049)	(2,785,049)

(*) The probable scenario is calculated based on the expected future dollar rate in the last Focus bulletin disclosed for the calculation date. The deterioration scenarios of 25% and 50% are calculated based on the probable scenario curve. In these scenarios the dollar curve is

impacted, the CDA curve holds steady and the exchange coupon curve is recalculated. This is done to ensure the parity between the spot dollar, CDI, currency coupon and future dollar is always valid.

The derivatives in the "Probable Scenario" calculated based on the net analysis of the above operations until the maturity thereof, adjusted to present value by the fixed rate in Brazilian reais as of December 31, 2018, which is reflected in the negative present value of R\$ 2,785,049, that shows how the adverse exchange variance in existing debts was mitigated. The greater the deterioration of the exchange rate (risk variable considered), the greater the positive results of the swaps. However, there would be negative present value of R\$ 2,785,049 in the scenarios where the Brazilian real lost 25% and 50% against the US dollar, a scenario in which some of the current caps would be exceeded.

Interest rate variance

If the interest-rate exposure as of December 31, 2018 were maintained, and the effects on the future financial statements simulated by type of financial instrument and for two different scenarios, the following results would be obtained (restated as for the reporting date):

Transaction	Exposure	Risk	Scenario I (Probable)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Local Currency Debt - Interest Rate	(2,091,144)		(2,091,144)	(2,091,144)	(2,091,144)
Interest swaps					
Receivable Position					
Derivative Financial Instruments - Fixed	1,971,121		1,971,121	1,971,121	1,971,121
Liability Position					
Derivative Financial Instruments - CDI	(1,847,404)		(1,847,404)	(2,022,467)	(2,196,504)
Variance - CDI + TJLP	-		-	(175,063)	(349,100)
Subtotal	123,717		123,717	(51,346)	(225,383)
Net Total	(1,967,427)		(1,967,427)	(2,142,490)	(2,316,527)

Transaction	Exposure	Risk	Scenario I (Probable)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Local Currency Debt - Interest Rate	135,715		135,715	135,715	135,715
Interest swaps					
Receivable Position					
Derivative Financial Instruments - Fixed	206,485		206,485	206,485	206,485
Liability Position					
Derivative Financial Instruments - CDI	(207,965)		(207,965)	(209,225)	(210,476)
Variance - CDI + TJLP	-		-	(1,260)	(2,511)
Subtotal	(1,480)		(1,480)	(2,740)	(3,991)
Net Total	134,235		134,235	132,975	131,724

Considering the exposure of financial instruments indexed to interest rates as of December 31, 2018 is maintained and the respective accumulated annual indexes are (CDI = 6.42%, LTIR = 6.72% and FNE = 8.0%) and if the indexes vary in accordance with the three scenarios defined, the net financial result would be affected by:

Instruments	Exposure (R\$ thousand)	Risk	Scenario I (Probable)(1)	Scenario II (Deterioration of 25%)	Scenario III (Deterioration of 50%)
Receivable financial instruments:					
Money market and secured funds	4,173,834	Increase in CDI	271,299	339,124	406,949
Payable financial instruments:					
Swap	(3,148,895)	Increase in CDI	(204,678)	(255,848)	(307,017)
	(6,489,616)	Increase in CDI	(421,825)	(527,281)	(632,738)
	(8,834)	Increase in TJLP	(617)	(771)	(926)
Loans, financing and debentures	(3,466,063)	Rise in IPCA	(129,977)	(162,471)	(194,966)
	(827,010)	Increase in SELIC	(53,756)	(67,195)	(80,634)
	(644,721)	High TR	-	-	-
Subtotal (2)	(14,585,139)		(810,853)	(1,013,566)	(1,216,281)
Total -losses (2)	(10,411,305)	-	(539,554)	(674,442)	(809,332)

- (1) Considers the CDI rate at December 31, 2019 (6.50% per annum), quote of the estimates presented by the recent BACEN survey, dated December 31, 2018, TJLP 6.98% per annum, Selic of 6.50% per annum, TR of 0.0% per annum and IPCA 3.75% per annum.
- (2) Does not include fixed-interest transactions worth R\$ 1,259,788.

Liquidity risk management

The liquidity risk denotes the risk of the Company and its subsidiaries struggling to honor their obligations posed by financial liabilities. The Company and its subsidiaries monitor the liquidity risk by maintaining investments readily convertible to meet obligations and commitments, in addition to foreseeing its future cash requirements.

37. Post-employment benefits

Pension plan:

The subsidiaries sponsor defined-contribution retirement plans and defined-benefit retirement plans for their employees. The plans are no longer accepting new participants and current participants have the status of assisted participants. The defined-benefit plan undergoes an actuarial assessment at the end of each financial year, in order to ascertain whether the contribution rates are sufficient to establish the reserves required to meet the current and future payment commitments.

In the year the expense incurred on sponsoring these plans stood at R\$ 1,217 (R\$ 597 in 2017) at the parent company and R\$ 37,289 (R\$ 58,267 in 2017), recorded under post-employment benefits private pension entity in the consolidated statement of income.

Retirement bonus and premium:

The Company and its subsidiaries EMG, ENF, Energisa Soluções S/A, Energisa Soluções Construções e Serviços em Linhas e Redes S/A, ETO, ESE and ECOM are parties to a collective agreement under which employees are entitled to a retirement bonus paid upon application for retirement at the National Social Security Institute (INSS).

The retirement bonus ranges from 1.5 to 15 times the employee's salary, depending on seniority (at least 5 months, but limited to 35 years) upon applying for retirement.

In 2018 the expense on maintaining this plan amounted to R\$ 1,217 (R\$ 597 in 2017) at the parent company and R\$ 4,458 (R\$ 2,485 in 2017) in post-employment benefits in the statement of profit or loss.

Health care plan:

The subsidiaries also sponsor their employees' health care plans, which are managed by operators regulated by the Brazilian National Supplementary Health Care Agency (ANS). In the case of severance and/or retirement, employees can remain continue as plan members, provided they bear the entire costs.

In 2018 the expenses on this benefit amounted to R\$ 4,017 (R\$ 1,394 in 2017) at the parent company and R\$ 83,468 (R\$ 57,038 in 2017) in the consolidated statement. Includes R\$ 967 at the parent company and R\$ 12,444 in the consolidated origin of actuarial calculations in the post-employment benefit plan - health care.

A breakdown follows of the actuarial deficit balances of the retirement and pension plans, retirement bonus and health care plan:

Plan balances	Pension Plan				Bonus Retirement		Share Health		Total	
	Defined Benefit		Paid-in Plan		2018	2017	2018	2017	2018	2017
	2018	2017	2018	2017						
Inergus (1)	(111,645)	(220,282)	(28,098)	(25,692)	-	-	-	-	(139,743)	(245,974)
Funasa	(115,322)	(107,754)	-	-	-	-	-	-	(115,322)	(107,754)
Cagipe	-	-	-	-	-	-	(52,806)	(29,328)	(52,806)	(29,328)
Eletros (Ceron) (2)	(71,774)	-	-	-	-	-	-	-	(71,774)	-
Redeprev	(56,331)	(29,558)	-	-	-	-	-	-	(56,331)	(29,558)
Unimed (Cuiabá and CNU)	-	-	-	-	-	-	(107,997)	(39,812)	(107,997)	(39,812)
Other	-	-	-	-	(22,339)	(21,824)	-	-	(22,339)	(21,824)
Total	(355,072)	(357,594)	(28,098)	(25,692)	(22,339)	(21,824)	(160,803)	(69,140)	(566,312)	(474,250)
Current									(63,190)	(46,583)
Non-current									(503,122)	(427,667)

- (1) The subsidiary Energisa Sergipe Distribuidora de Energisa S/A and INERGUS signed a debt assumption agreement on January 31, 2016 for R\$ 13,753, corresponding to the value of the funds necessary to settle the technical deficit and capitalize the other deficiencies of the mathematical reserves of the INERGUS Paid-in Plan - PSI. The debt was financed over 287 payments of R\$ 85 (restated by the SAC table with interest calculated and paid monthly). If the interest is lower than the actuarial rate, the actuarial rate will be used to calculate the monthly amount to be paid.

The balance as of December 31, 2018 is R\$ 12,864 (R\$ 13,485 in 2017) recorded in loans and financing (see note 21).

- (2) The subsidiary Ceron has the CD plan - CERON constituted with ELETROS, in 2011 without including the past service of employees. The employees therefore made their administrative claim where by way of Official Notice 147/2017 the head of the strategic management special advisory service of the Ministry of Mines and Energy sent to SEST documentation regarding the change to the CD CERON Plan's regulations, whose proposal aimed to make it possible to include the option to make extraordinary contributions to pay for past service time, to be covered equally by the sponsor and the participants. The claim presented the content as follows "participants enrolled in the CD CERON plan by September 30, 2017, who joined the sponsor's staff before September 2011 are entitled to opt for the extraordinary contribution". The proposal was analyzed at the various decision-making levels, with a favorable decision issued by the Eletros Governing Board on October 10, 2017, the CERON Board of Directors on October 13, 2017 and the Eletrobrás Executive Board on October 16, 2017.

After requesting further information to help analyze the claim, it was concluded that the proposal aims to meet a long-standing claim of the employees, stated in the collective bargaining agreement, which as it entails a retirement incentive should be added to the pension plan and, in exchange, excluded from the ACT and that the claim was supported by the existing legislation both regarding the projected past service time -, and costing through equal contributions from the participants and sponsors. by way of Official Notice 22592 issued by the Ministry of Planning, Budgets and Management (MP), the Office for Management and Governance of Government-Owned Companies (SEST) accepted the claim made in respect of Official notice 147/2017/AEGE/SE-MME, on October 31, 2017, regarding the proposal to change the Complementary Pension Plan regulations - CD CERON, introduced in the form of Defined Contributions - CD, sponsored by its subsidiary Eletrobrás Distribuição Rondônia (EDRO) and administrated by Fundação Eletrobrás de Seguridade Social - ELETROS.

Based on the initial actuarial calculations presented in actuarial report 010/2017 issued by ELETROS in the amount of R\$ 90,010, which was assessed and approved by SEST, subject to the conditions and recommendations described in Technical Note 4.614/2018-MP, the subsidiary made a provision for the actuarial liability. As the term for joining the plan had ended, the provision was reduced by R\$ 18,237, recorded under personnel expenses in the consolidated income statement for the year, with the current balance amounting to R\$ 71,773, with R\$ 16,661 classified in consolidated current liabilities and R\$ 55,113 in consolidated noncurrent liabilities.

Energisa PB (Funasa) and Energisa SE (Inergus)

Said Plans were approved by the Private Pensions Office with the following changes:

- Closure of Defined-Benefit Plans (BD) for new participants.
- Creation of Paid-in Plans (PS) to which current active participants can migrate, and
- Creation of the Defined-Contribution Plans (CD) which can be migrated to by all current active participants who have simultaneously migrated to the PS plans.

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

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

The direct subsidiary ESE and INERGUS then signed a migration reserves financing contract on December 31, 2018 for R\$ 127,118, consisting of the portion of the actuarial deficit of the BD-1 plan, of the migration incentive, of R\$ 94,783 which affects the participants, assisted parties and beneficiaries, who formalized the option to migrate to PCD INERGUS, and for the advance in the BD-1 plan of R\$ 32,335, due to the lack of liquidity of certain assets that should be transferred to the PCD plan. An installment of the debt will be paid of R\$ 3,000 in January 2019 and the balance financed over 89 monthly successive payments maturing on day 15 every month, the first due on February 15, 2019 and the last on June 15, 2026.

The balance as of December 31, 2018 is R\$ 127,118, recorded in loans and financing (see note 21).

Energisa MG - Multibra/Bradesco

The subsidiary EMG also has a defined-benefit plan, which is no longer accepting new participants following its closure on 11/19/1997. Currently only 33 participants are still enrolled as assisted participants and pensioners. This plan is administrated by Bradesco and is recording a surplus.

Energisa BO

The subsidiary EBO has a BD benefits plan which was administrated until April 2018 by BBPrevidencia, when its administration was transferred to EnergisaPrev, As authorized by Ordinance PREVIC 1138 on 12/11/2017. This plan undergoes an actuarial assessment at the end of each financial year, in order to ascertain whether the contribution rates are sufficient to establish the reserves required to meet the current and future payment commitments.

Energisa MT, Energisa TO and Energisa Sul Sudeste (Redeprev) and Energisa MS (Energisaprev)

In conjunction with their employees, former employees and respective beneficiaries, the subsidiaries sponsor retirement and pension benefit plans in order to complement and supplement the benefits paid by the official social security system, which is administrated by way of Redeprev - Fundação Rede de Previdência, Fundação Enersul and Energisaprev, multi-sponsor private complementary pension entities, incorporated as a non-profit foundation with administrative and financial autonomy.

The benefits plan introduced by the subsidiaries are as follows:

i. **BD-I Benefits Plan:**

It is structured as a defined-benefit plan and is paid for by active participants, assisted participants and the sponsor. The plan is closed to new participants. It provides supplementary benefits to the retirement for length of service/old age, invalidity retirement, sickness allowance, pension for death and lump sum in the case of death.

ii. **Benefits Plan - R:**

It obtained authorization and approval of the application of the Regulations by way of Ordinance 880 issued 1/12/2007 by the Technical Analysis Department of the Supplementary Pensions Office of the Ministry of Social Security. This plan has resulted from the merger of the former benefits plans CELPA-R, EMT-R and ELÉTRICAS-R, whose Regulations have been consolidated into a single Regulation, without a continuity solution. The plan has been structured in the form of a Defined Benefit.

It ensures the following structured-risk benefits: disability retirement supplements, sick pay supplements; supplements to the pension for death and lump sum in the case of death.

The benefits are paid for exclusively by the subsidiaries and jointly with the other sponsors and the companies of the group Rede Energia Participações S.A.

iii. Benefit Plan - OP:

Introduced on 1/1/1999, this ensures lifetime monthly income after the deferral term.

During the benefit's deferral term, this plan is structured in the form of a defined contribution and the lifetime monthly income is always linked to the financial amount of the contributions accumulated by the participant. Once triggered, the lifetime monthly income is monetarily restated every year, and this date is considered to be a Defined Benefit.

The plan is paid for by active participants and the sponsor. At their choice, the participants contribute a percentage of between 2% to 20% of the contribution salary and the sponsor in turn contributes an additional 10% over and above the amount contributed by the participant.

Defined-contribution and defined-benefits plan

The subsidiaries have a defined-contribution plan, as follows:

Company	Beneficiary Plan	Annual contribution		% over payroll	Actuarial surplus (deficit)	
		2018	2017		2018	2017
Energisa S/A	DC	1,027	719	2.32%		(4,333)
Energisa MG	CD	798	808	2.54%	(16,525)	(7,030)
Energisa NF	CD	75	107	1.35%	-	(13,390)
Energisa Soluções	CD	391	361	1.40%	(1,729)	(2,157)
Energisa SE	CD	593	555	1.42%	-	7,340
Energisa SE	PS	101	92	0.24%	(28,098)	(25,692)
Energisa SE	BD	2549	2,353	6.12%	(111,642)	(220,282)
Energisa PB	PS	565	594	0.94%	-	-
Energisa PB	BD	11,034	11,496	18.34%	(115,332)	(107,754)
Energisa PB	CD	1,391	789	2.31%	-	-
Energisa BO	BD	25	46	0.48%	1,825	1,140
Energisa BO	CD	152	144	1.63%	-	-
Energisa COM	CD	117	98	5.66%	(63)	(62)
Energisa Planejamento	CD	25	20	5.73%	(10)	(10)
Energisa MT	BD/CV	4,249	4,229	3.05%	(34,795)	(20,863)
Energisa MT	CD	232	294	0.17%	-	-
Sobradinho	CD	-	-	-	-	(7)
Energisa MS	BD	3,682	4,221	4.69%	(120)	(66)
Energisa MS	CD	187	287	0.24%	-	-
Energisa TO	BD	2,178	2,192	3.48%	(3,625)	(1,874)
Energisa TO	CD	182	210	0.29%	-	-
ESS	BD	1,825	1,850	3.23%	(17,791)	(2,644)
ESS	CD	88	92	0.16%	-	-

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

See below the actuarial position of the assets and liabilities related to the retirement plans in 2018 and 2017, in accordance with CPC 33 R (IAS 19 R). The Projected Credit Unit Method was used to determine the actuarial deficit:

See below the reconciliation and changes in the pension plans' assets and liabilities:

	Defined benefit	
	2018	2017
Present value of actuarial obligations	(368,289)	(513,923)
Fair value of the plan's assets	131,802	185,138
Reduction of plan assets	(225)	(3,383)
Present value of the obligations in excess of the fair value of the assets / net liabilities	(236,712)	(332,168)

Reconciliation of the funds' position

Consolidated	Defined benefit	
	2018	2017
Opening balance FYs 2017 and 2016	485,095	428,091
Current service cost	1,419	1,265
Interest cost	43,765	48,973
Benefits paid	(56,238)	(36,102)
Past service cost (regulatory change to OP Plan)	(9,604)	-
Actuarial gains/losses	54,920	42,868
Closing balance FYs 2018 and 2017	519,357	485,095
Fair value of the plan's assets	524,789	475,801
Opening balance FYs 2017 and 2016	47,613	54,987
Expected return	2,933	3,392
Contributions made (participants and company)	(56,241)	(36,102)
Benefits paid	(10,569)	26,711
Actuarial gains/losses	508,525	524,789
Closing balance FYs 2018 and 2017	508,525	524,789
Net position	(10,832)	39,694

The amounts recognized in profit or loss relating to these defined-benefit plans are presented below

	Consolidated	
	BD, PS	
Current service cost		105
Interest cost		16,695
Cost of the service rendered		(6,640)
Expected return on the plan's assets		10,594
Expenses projected for 2019		20,754

Percent allocation of the fair value of the plans' assets:

	2018			2017		
	BD-I	OP	R	BD-I	OP	R
Investments:						
Government securities	72.63%	63.80%	72.79%	71.93%	73.10%	63.17%
Private loans and deposits	5.43%	11.81%	6.57%	10.86%	11.51%	10.95%
Investments funds	16.67%	15.04%	0.00%	16.14%	12.72%	17.82%
Loans and borrowings	0.49%	4.70%	19.77%	1.05%	1.22%	2.55%
Securities held under repurchase agreements	0.00%	0.00%	0.86%	0.03%	0.01%	0.00%
Property investment	4.75%	4.62%	0.00%	0.00%	1.44%	5.47%
Other	0.03%	0.03%	0.01%	0.00%	0.00%	0.04%
Total	100%	100%	100%	100%	100%	100%

Assumptions made in this actuarial appraisal:

Rates per annum	2018 Actuarial appraisal											
	Inergus		Funasa		EnergisaPrev			Enersul			Retirement bonus (*)	Retirement bonus Energisa SE
	Defined Benefit	Paid-in Plan	Defined Benefit	Paid-in Plan	Plan BD Elétricas	Plan OP - Elétricas	Plan R	Plan I	Plan II	Plan R		
Actuarial discount rate	4.85%	4.96%	4.96%	4.96%	4.85%	4.85%	5.11%	4.85%	4.96%	5.11%	5.15%	5.11%
Expected return on assets	9.04%	9.16%	9.16%	9.16%	9.04%	9.04%	9.31%	9.04%	9.16%	9.31%	9.36%	9.31%
Salary growth rate (*)	7.00%	-	7.43%	N/A	7.38%	N/A	7.38%	N/A	7.95%	7.38%	7.38%	7.12%
Projected inflation rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
General mortality table	BR-SEM 2015 by sex		BR-SEM 2015 by sex		BR-SEM 2015			BR-SEM 2015			BR-SEM 2015	BR-SEM 2015
Mortality table of disabled people	MI by sex		MI by sex		MI 85			MI 85			MI 85	MI 85
Disability rate table	LIGHT AVERAGE		LIGHT AVERAGE		LIGHT AVERAGE			LIGHT AVERAGE			LIGHT AVERAGE	LIGHT AVERAGE

(*) ECO, EMG, ENF, PLANEJ, ESA, ESO and SOBRADINHO

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

The actuarial gains and losses generated by adjustments and alterations to the actuarial premises of the pension and retirement benefit plans and the actuarial commitments related to the health coverage plan are recognized in full in other comprehensive income in the shareholders' equity.

Retirement bonus:

The Company and its subsidiaries EMG, ENF, Energisa Soluções S/A, Energisa Soluções Construções e Serviços em Linhas e Redes S/A, ETO, ESE and ECOM are parties to a collective agreement under which employees are entitled to a retirement bonus paid upon application for retirement at the National Social Security Institute (INSS).

The retirement bonus ranges from 1.5 to 15 times the employee's salary, depending on seniority (at least 6 months, but limited to 25 years) upon applying for retirement.

The participants of the CD Plan who at the requested retirement date present amounts deposited by the sponsor in their individual counts in excess of 15 base salaries, are not entitled to the premium.

A reconciliation of assets and liabilities recognized in the balance sheet, a statement of changes in net actuarial liabilities (assets) for the year, and the total expense recognized in the consolidated statement of income.

The actuarial position of assets and liabilities recognized in the balance sheet is shown below:

	Consolidated	
	2018	2017
Present value of actuarial obligations - covered	22,338	21,824
Fair value of the plan's assets	1	-
Actuarial liability to be provisioned for	22,339	21,824

See below the change in net actuarial liabilities:

	Consolidated	
	2018	2017
Net actuarial deficit at the start of the year	21,824	11,312
Balances of discontinued plans	-	(379)
Benefits paid	(466)	-
Expense (revenue) recognized in the statement of income	4,458	2,485
Other comprehensive income	(3,477)	8,406
Net actuarial deficit at end the year	22,339	21,824

Reconciliation of the present value of the obligations in 2018.

	Consolidated	
	2018	2017
Present value of the obligations at the beginning of the year	21,824	11,312
Current gross service cost (including interest)	1,492	1,466
Interest on actuarial obligation	2,966	1,258
Benefits paid in the year	(592)	(619)
Actuarial losses (gains) on actuarial liability	(3,351)	8,407
Value of the obligations calculated at the end of year	22,339	21,824

Statement of the expenses for FYs 2019 and 2018 according to the criteria of CPC33 (IAS 19):

	Consolidated	
	2019	2018
Current service cost (including interest)	2,087	2,421
Interest on actuarial obligations	1,937	1,924
Expected returns on plan assets	(132)	-
Value of the obligations calculated at the end of year	3,892	4,345

Statement of the expenses for FYs 2019 and 2018 according to the criteria of CPC33 (IAS 19):

	Consolidated	
	2019	2018
Current service cost (including interest)	2,087	2,421
Interest on actuarial obligations	1,937	1,924
Expected returns on plan assets	(132)	-
Remeasurement of financial cost	-	-
Value of the obligations calculated at the end of year	3,892	4,345

Health care plan:

Welfare benefit plan - the Company and its subsidiaries maintain a post-employment benefit plan for medical and hospital assistance for active and retired employees and pensioners and their legal dependents. The Company's monthly contributions are for the average premiums calculated by the insurance company, multiplied by the number of lives insured. These premiums are adjusted annually for the variance in medical and hospital costs, sales costs and other expenses incurred on the insurance operation; and according to the claims ratio, in order to maintain the technical and actuarial equilibrium of the policy. Contributions collected from retired employees, pensioners and former employees are restated for inflation (INPC).

The Company and its subsidiaries EMG and ESOL have their own refund policies, under which employees are entitled to a reimbursement of 60% of their medical expenses. This benefit ceases immediately upon termination or retirement.

A reconciliation of balances recognized in the statement of financial position, a statement of changes in net actuarial liabilities (assets) for the year, and the total expense recognized in the consolidated statement of income.

	Consolidated	
	2018	2017
Present value of the obligations at the beginning of the year	69,067	45,006
Current gross service cost (including interest)	12,444	1,221
Interest on actuarial obligation	8,768	5,257
Actuarial losses (gains) on actuarial liability	70,521	17,656
Value of the obligations calculated at the end of year	160,800	69,140
Current	20,526	8,660
Noncurrent	140,274	60,480

Statement of the expenses for FYs 2019 according to the criteria of CPC33 (IAS 19):

	Consolidated
	2019
Current service cost (including interest)	6,076
Interest on actuarial obligations	14,450
Value of the obligations calculated at the end of year	20,526

Assumptions made in this actuarial appraisal:

Rates per annum	2018 Actuarial appraisal		
	Unimed Cuiabá	CNU	CAGIPE
Real discount rate of the actuarial obligation	4.96%	4.97%	4.96%
Real projected future inflation	4.00%	4.00%	4.00%
Discount rate of the actuarial obligation	9.16%	9.17%	9.16%
Benefits growth rate	4.00%	4.00%	4.00%
Real growth rate of medical costs	4.00%	4.00%	4.00%
Growth rate of medical costs	8.16%	8.16%	8.16%
Turnover Rate	16.66%	16.44%	6.70%
Permanency in the retirement plan	50.00%	45.56%	70.00%
Aging factor	2.80%	2.80%	2.80%
General mortality table	BR-EMS 2015 by sex		
Mortality table of disabled people	MI-85 by sex		
Disability rate table	LIGHT (Average)		

38. Consolidated commitments

The subsidiaries have the following commitments under long-term energy sale contracts:

	Energy sale contract - reais thousand					
	Effective date	2019	2020	2021	2022	2022 onwards
Energisa Comercializadora de Energia Ltda	2019 to 2029	802,663	386,349	178,445	51,092	25,719

The subsidiaries have the following commitments under short- and long-term energy acquisition contracts:

	Term	Energy purchase contract - reais thousand (*)				
		2019	2020	2021	2022	2022 onwards
Energisa Nova Friburgo Distribuidora Energia S/A	2019 to 2029	19,886	79,102	81,240	83,593	652,432
Energisa Minas Gerais Distribuidora Energia S/A	2019 to 2050	256,235	252,486	248,844	246,689	5,577,583
Energisa Paraíba Distribuidora Energia S/A	2019 to 2050	734,745	670,445	652,192	557,475	11,116,003
Energisa Sergipe Distribuidora Energia S/A	2019 to 2050	508,657	499,517	468,619	417,894	9,447,564
Energisa Borborema Distribuidora Energia S/A	2019 to 2050	111,606	101,379	99,997	86,845	1,653,759
Energisa Mato Grosso Distribuidora Energia S/A	2019 to 2050	1,568,105	1,673,516	1,725,308	1,538,349	26,730,973
Energisa Tocantins Distribuidora Energia S/A	2019 to 2050	409,365	396,555	406,517	379,745	8,081,231
Energisa Mato Grosso do Sul Distribuidora S/A	2019 to 2050	774,171	745,018	759,918	716,639	15,826,502
Energisa Sul - Sudeste Distribuidora Energia S/A	2019 to 2050	482,447	469,900	481,876	507,399	10,107,061
Energisa Comercializadora de Energia Ltda.	2019 to 2029	799,234	366,407	175,476	48,391	22,535
Centrais Elétricas de Rondônia S/A	2019 to 2050	745,050	648,866	546,469	447,339	16,922,031
Companhia de Eletricidade do Acre	2019 to 2050	266,513	253,273	267,763	208,125	4,964,115
		6,676,014	6,156,464	5,914,219	5,238,483	111,101,789

(*) This does not include the Proinfa and Itaipu quotas.

The amounts referring to energy acquisition contracts lasting between 8 and 30 years represent the volume contracted at the average current price at the end of FY 2018, which have been ratified by ANEEL.

39. Environment (*)

The Company and its subsidiaries handle the social and environmental impacts caused by their products, services, processes and facilities through programs and practices that evidence their concern about and responsibility for the environment,

In the financial year ended December 31, 2018, the investment in these programs and practices amounted to R\$ 173,358 (R\$ 85,606 in 2017), R\$ 149,427 (R\$ 73,014 in 2017) of which was allocated to property, plant and equipment and R\$ 23,931 (R\$ 12,592 in 2017) to consolidated operating expenses.

(*) Information outside the scope of the independent auditors.

40. Additional information to the cash flows

As of December 31, 2018 and 2017 the equity changes that did not affect the Company's consolidated cash flows relating to the business combination are as follows:

	2018	2017
Other noncash transactions		
Compensable financial asset of the concession - Segregation of Assets	650,907	765,493
Compensable financial asset of the concession - Fair value compensatable asset	295,119	211,384
Operating activities		
Payment of suppliers	174,055	120,363
Inventory - transfer to intangible assets	-	2,791
Acquisition of grids - transfer to special obligations	23,383	51,778
Other accounts receivable - Tocantins state government	25,353	35,107
Investment activities		
Credit acquisition of intangible assets	174,055	120,363
Special obligations - transfer for acquisition of grids	23,383	51,778
Intangible assets - transfer to inventory	-	2,791
Financing activities		
Dividends offset Tocantins state government	25,353	35,107
Business combination		
Cash and cash equivalents	26,714	-
Money market and secured funds	42,074	-
Clients, consumers and concessionaires	748,814	-
Inventories	18,070	-
Recoverable taxes	96,145	-
Financial sector assets	1,291,805	-
Restricted deposits and escrows	225,794	-
Concession financial asset	22,138	-
Other accounts receivable	266,336	-
Property, plant and equipment, intangible assets and contractual assets	7,522,868	-
Trade accounts payable	2,060,966	-
Loans, financing and debt charges	1,566,390	-
Deferred income and social contribution taxes	2,026,128	-
Financial sector liabilities	194,978	-
Provision for labor, civil, tax and regulatory risks	1,909,711	-
Other liabilities	1,000,163	-
NCI	169,165	-
Sale of aircraft		
Operating activities		
Other Accounts Receivable	-	11,630
Restricted deposits and escrows	-	9,661
Recoverable taxes	-	5,620
Taxes and social contributions	-	3,593
Investment activities		
Intangible assets	-	1,718
Financing activities		
Leases	-	32,222

41. Earnings per share

The basic and diluted earnings per share were calculated through profit and loss of the year and the respective number of common and preferred shares in circulation.

	2018	2017
Net income for the year - parent company	1,148,434	558,612
Average weighted by shares	1,736,874	1,729,827
Basic and diluted net income per share - R\$ (*)	0.6612	0.3229
Net income for the year - consolidated	1,179,672	572,582
Earnings on continued operation:	1,179,672	572,582
Shareholders of parent entity	1,148,434	588,612
Non-controlling interests	31,238	13,970

(*) The Company does not have any diluting instruments.

42. Subsequent events

- Rate flags**

ANEEL decided to trigger the Green Flag for January to March 2019, after analyzing the hydrological situation in Brazil.

- Payment of interim dividends**

On February 22, 2019 the Company's Board of Directors approved the distribution of interim dividends from the net income account of R\$ 235,893. This amount is equal to R\$ 0.13 per Company share (common and preferred) and R\$ 0.65 per share deposit certificate (Unit). Payments will start on March 11, 2019 based on the shareholding position as of February 27, 2019.

- Rate adjustment difference:**

On January 29, 2019 ANEEL Resolution 2,512 (Technical Note 07/2019-SGT/ANEEL) ratified Energisa Borborema's rate review to come into force on February 4, 2019. The effective rate impact felt by consumers was an average increase of 4.36%.

Voltage Level	Average Effect on EBO's Consumer
Low Voltage	+4.60%
High and Medium Voltage	+3.81%
Total	+4.36%

- Loans**

- On February 28, 2019 the direct subsidiaries Ceron and Eletroacre settled early Eletrobrás loans of R\$ 281,720 and R\$ 359,694 respectively.
- BNDESPAR exercised its entire PUT on March 8, 2019, and indirect subsidiary EEVP making the paid R\$ 614,296.
- On March 18, 2019 the direct subsidiary ESO took out a foreign-currency loan from Banco Bocom BBM S/A., in the amount of R\$ 20,000 maturing on 3/1/2021 and indexed to VC (USD) plus a spread of 2.96% p.a. The Company made a swap for a rate equivalent to CDI + 0.93% p.a., thereby hedging the transaction's currency risk.

- **Capital subscription - Ceron and Eletroacre**

Further to the information released in the company announcements on August 30, October 30 and December 6, 2018 and pursuant to article 12 of the Employee and Retiree Stock Offering Manual ("Offering") referring to the Sale of Shares and Capital Increase of Centrais Elétricas de Rondônia S.A. ("Ceron") and Companhia de Eletricidade do Acre ("Eletroacre"), Energisa S.A. announces that after period for exercising pre-emptive rights to subscribe shares in the capital increases of said distribution companies had ended, on March 01, 2019 it acquired the share surpluses of Ceron and Eletroacre not acquired by the employees and retirees, as follows :

- (1) Ceron: Energisa subscribed and paid in surpluses amounting to 128,665,217 common shares, all registered and with no par value, worth a total of R\$ 27,834, thus holding a 95.43% interest in this distribution company.
- (2) Eletroacre: Energisa subscribed and paid in surpluses amounting to 10,088,904,771 common shares and 3,768,032,911 preferred shares, all registered and with no par value, worth a total of R\$ 35,264, then holding a 93.58% interest in this distribution company.

A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Energisa S.A.
Cataguases - MG

Opinion

We have audited the individual and consolidated financial statements of Energisa S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2018, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Energisa S.A. as at December 31, 2018, its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recognition of revenue from electricity distribution

The revenues of the Company's subsidiaries are mainly derived from the electric power distribution and related activities, and are recognized when the control over the goods or services is transferred to the customer for an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services. The revenue recognition process is significant to the performance of those subsidiaries and to the achievement of performance goals at the financial statement reporting date. Furthermore, the flow of the power distribution transactions of the subsidiaries involves a large volume of dispersed data, being substantially processed by means of automated routines. This process also includes the auditor's judgment on management's estimate in relation to the portion of revenue from power distribution subsequent to the last consumption

reading period, but whose supply occurred within the year, which will only be billed in the subsequent month, on an accrual basis.

We considered this matter significant for our audit in view of the amounts involved and potential effects on the accounting record of revenue and accounts receivable, the dependence on effective internal controls and the criteria involved in determining the portion of energy distributed, but not billed.

How our audit conducted this matter

Our audit procedures included, among others, the assessment of the design and operational effectiveness of internal controls in place over revenue recognition and billing; checking reconciliation of revenue against accounting balances; and analysis of the subsequent settlement of the balance of outstanding accounts receivable. In addition, we performed analytical procedures crosschecking revenues recognized based on energy consumption information, number of consuming units per class and corresponding tariffs against those approved by the regulator, as well as the recalculation, on a sampling basis, of unbilled revenue amounts at the audit base date, in addition to the analysis of manual and electronic entries that could override internal controls for the flow of transactions of recognition of revenue from energy distribution. Our audits also included tests, on a sampling basis, to check the integrity of databases and information used in the revenue recognition process.

Based on the results of the audit procedures performed, which are consistent with management's assessment, we consider that the policies and estimates adopted by management for recognizing its energy distribution revenues, as well as the respective disclosures in Notes 3.2 and 31.2, are acceptable, in the context of the financial statements taken as a whole.

Provisions for tax contingencies

As disclosed in Note 26, the Company and its subsidiaries are involved in various tax, labor, civil and regulatory proceedings, whose aggregate amount totals R\$10,168,116 thousand as at December 31, 2018, for which no provision was set up considering that their likelihood of loss was assessed as "possible". Out of that amount, R\$4,019,593 thousand refer to tax proceedings.

This issue was considered a key audit matter due to the materiality of the amounts involved in the proceedings, the degree of judgment involved in determining whether a provision should accrued for, its estimate of value and likelihood of financial disbursement, as well as the complexity of the matters and of the tax environment in Brazil.

How our audit conducted this matter

Our procedures included, among others, the involvement of subject matter experts to assist us in evaluating the legal opinions obtained by the Company for tax proceedings, as well as holding regular meetings with management and reviewing the minutes of the Board of Directors to discuss the progress of outstanding legal proceedings, as well as the reading and evaluation of the legal opinions of external experts, when applicable. Also, we obtained confirmation letters from the Company's external legal advisors in order to compare their assessments regarding outstanding proceedings with the positions considered by management.

In addition, we assessed the adequacy of disclosures on these matters, which are mentioned in Note 26 to the financial statements and, specifically, on the most significant contingencies.

Based on the result of the audit procedures performed on the progress of tax, labor, civil and regulatory proceedings, which is consistent with management's assessment, we consider that the criteria and assumptions adopted by management for assessing the likelihood of losses for recognition purposes, for the judgments applied in measuring the amount of these provisions, as well as the respective disclosures in Note 26, are acceptable, in the context of the financial statements taken as a whole..

Business combinations

As detailed in Notes 1 and 17 to the financial statements, on October 30, 2018 and December 6, 2018, Energisa S.A. satisfied all the conditions provided for in the Auction Public Notice No. 2/2018-PPI/PND, for acquisition of the shareholding control of Centrais Elétricas de Rondônia S.A. (“Ceron”) and Companhia de Eletricidade do Acre S.A. (“Eletroacre”), respectively, companies operating in the same business segment of the Company’s main subsidiaries. These transactions were accounted for using the acquisition method (CPC 15 (R1)/IFRS 3 - Business Combinations), which requires that, among other procedures, the Company determines: the control effective acquisition date, the fair value of the consideration transferred, the fair value of acquired assets and liabilities assumed, and the calculation of the results earned in the business combination. These procedures involve a high degree of judgment and the need to develop fair value estimates based on calculations and assumptions related to the future performance of the business acquired, which are subject to a high degree of uncertainty. In view of the related high degree of judgment and the impact that any changes in assumptions could have on the financial statements, this issue was considered a key audit matter.

How our audit conducted this matter

Our audit procedures included, among others: (i) the reading of the documents that formalized the transaction, and the obtaining of evidences that served as base to determine the acquisition date of the shareholding control of the companies acquired, and the determination of the fair value of the consideration transferred; (ii) analysis of the financial information of the companies acquired and discussion with management about the consistency of accounting practices and estimates, in addition to understanding of the flow of significant transactions and audit of significant accounting balances of the companies acquired; (iii) assessment of the objectivity, independence and technical expertise of the external experts involved in the measurement at fair value of assets acquired and liabilities assumed; (iv) supported by our valuation model experts, we analyzed the assumptions and methodology used by the Company, related to the measurement of fair values and allocations, on the acquisition date, to assets acquired and liabilities assumed; (v) review of due diligence reports conducted by the Company, supported by external experts; and (vi) assessment of the adequacy of the disclosures made by the Company in relation to this subject.

Based on the results of the audit procedures performed on the recognition of the accounting effects from business combinations and their respective disclosures, which is consistent with management’s assessment, we consider that the criteria and assumptions applied by management to business combinations, as well as the respective disclosures in Note 17, are acceptable, in the context of the financial statements taken as a whole..

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2018, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company’s financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by CPC 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor’s report

Management is responsible for such other information, which comprises the Management Report and the Social Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and the Social Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and the Social Report and, in doing so, consider whether these reports are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material

misstatement of the Management Report and/or Social Report, we are required to report that fact. We have nothing to report in this regard

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve, collusion, forgery, intentional omissions or misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's and its subsidiaries' internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 19, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6

Roberto Cesar Andrade dos Santos
Accountant CRC - 1RJ 093.771/O-9

Board of Directors

Ivan Müller Botelho

Chairman

Ricardo Perez Botelho

Vice Chairman

José Luiz Alquéres

Board Member

Luiz Henrique Fraga

Independent Board Member

Marcílio Marques Moreira

Independent Board Member

Omar Carneiro da Cunha Sobrinho

Independent Board Member

Antônio José de Almeida Carneiro

Board Member

Marcelo Silveira da Rocha

Alternate Board Member

André da La Saigne de Botton

Alternate Independent Board Member

Maurício Perez Botelho

Alternate Board Member

Pedro Boardman Carneiro

Alternate Board Member

Leonardo Prado Damião

Alternate Independent Board Member

Luciana de Oliveira Cezas Coelho

Alternate Board Member

Executive Board

Ricardo Perez Botelho

CEO

Mauricio Perez Botelho

CFO and Investor Relations Director

Alexandre Nogueira Ferreira

Regulatory Affairs and Strategy Director

José Marcos Chaves de Melo

Logistics and Supplies Director

Daniele Araújo Salomão Castelo

Personnel Management Director

Vicente Cortes de Carvalho

Accountant

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