NEOENERGIA

Consolidated Financial Statements

December 31, 2018, 2017 and 2016



Neoenergia S.A.

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Neoenergia S.A.

Consolidated statement of financial position
December 31, 2018, 2017 and 2016
(In thousands of Reais)

	Notes	2018	2017	2016
Assets		(Restated)	(Restated)	(Restated)
Current assets				
Cash and cash equivalents	6	3,933,675	3,856,434	380,935
Accounts receivable and other receivables	7	5,160,926	4,922,952	2,736,361
Securities		21,517	16,701	1,012,660
Derivative financial instruments	16	108,921	573,187	322,352
Recoverable taxes and social contributions	8	819,838	572,550	503,640
Prepaid expenses		98,692	80,299	43,567
Post-Employment Benefits	30			16,000
Services in progress		59,859	54,544	41,003
"Portion A" and other financial items	10	1,023,290	507,804	62,104
Concession financial assets	13.1	-	67,449	62,106
Concession contract assets	13.2	51,901	-	-
Other current assets		218,847	354,808	124,451
Assets held for sale	3.6	-	-	981,705
Total current assets		**11,497,466**	**11,006,728**	**6,286,884**
Non-current assets				
Accounts receivable and other receivables	7	343,704	370,793	293,424
Securities		109,804	2,997	68,529
Derivative financial instruments	16	1,045,220	403,483	516,374
Recoverable taxes and social contributions	8	362,319	346,926	210,490
Dividends and interests on equity		12,828	11,110	18,020
Deferred income tax and social contribution	9	1,031,035	1,303,799	754,293
Judicial deposits	19	792,014	731,866	574,983
Prepaid expenses		6,780	7,140	7,499
Post-Employment Benefits	30	31,354	13,065	20,452
"Portion A" and other financial items	10	8,599	218,619	25,517
Concession financial assets	13.1	9,255,797	7,928,268	5,234,443
Concession contract assets	13.2	4,312,815	-	-
Other non-current assets		111,837	92,261	42,552
Investments	11	2,418,124	2,252,440	2,498,060
Investments in associates		2,416,139	2,243,962	2,489,419
Other investments		1,985	8,478	8,641
Property, plant and equipment	12	5,894,392	5,602,006	3,413,534
Intangible assets	14	9,330,390	11,854,268	8,002,350
Total non-current assets		**35,067,012**	**31,139,041**	**21,680,520**
Total Assets		**46,564,478**	**42,145,769**	**27,967,404**

Neoenergia S.A.

Consolidated statement of financial position
December 31, 2018, 2017 and 2016
(In thousands of Reais)

	Notes	2018	2017	2016
Liabilities		(Restated)	(Restated)	(Restated)
Current liabilities				
Suppliers	15	2,646,752	3,221,085	1,846,704
Loans and financing	16	1,933,847	5,138,572	3,441,530
Debentures	16	892,201	987,183	390,975
Derivative financial instruments	16	23,277	31,657	170,556
Salaries and charges payable		269,609	294,378	132,965
Regulatory charges	17	293,997	456,290	193,380
Taxes payable and social contribution	18	826,468	876,278	592,630
Dividends and interests on equity		342,499	110,821	403,884
Provisions	19	151,377	148,306	139,655
Post-Employment Benefits	30	61,833	62,982	53,382
"Portion A" and other financial items	10	-	-	90,652
Concession for public services (Use of Public Property)		4,178	3,976	4,018
Other current liabilities	20	584,250	607,475	472,670
		8,030,288	**11,939,003**	**7,933,001**
Liabilities directly associated with assets held for sale		-	-	333,649
Total current liabilities		**8,030,288**	**11,939,003**	**8,266,650**
Non-current liabilities				
Suppliers	15	113,711	100,484	79,107
Loans and financing	16	10,371,871	8,100,590	6,132,265
Debentures	16	7,858,173	4,087,893	1,996,151
Derivative financial instruments	16	4,906	16,520	54,256
Regulatory charges	17	159,120	162,558	61,908
Taxes payable and social contribution	18	6,403	5,408	5,947
Deferred tax and social contribution	9	116,544	136,510	13,955
Provisions	19	865,626	774,276	414,442
Post-Employment Benefits	30	879,759	913,521	762,075
"Portion A" and other financial items	10	185,221	-	57,674
Concession of public service (Use of Public Property)		51,267	49,835	50,322
Other non-current liabilities	20	344,794	250,817	852,887
Total non-current liabilities		**20,957,395**	**14,598,412**	**10,480,989**
Equity				
Capital	21	12,919,982	11,919,982	4,739,025
Capital reserves	21	93,276	100,711	2,288
Retained earnings		6,006,961	4,956,463	4,850,375
Reserve for capital transactions with shareholders	21	(1,594,067)	(1,586,080)	(990,972)
Other comprehensive income	21	(172,375)	(212,579)	(111,276)
Reserve for distribution of additional dividends		-	200,556	216,376
Equity attributable to equity holders of the parent		17,253,777	15,379,053	8,705,816
Non-controlling interest		323,018	229,301	513,949
Total Equity		**17,576,795**	**15,608,354**	**9,219,765**
Total Liabilities and Equity		**46,564,478**	**42,145,769**	**27,967,404**

The accompanying notes are an integral part of the consolidated financial statements.

Neoenergia S.A.

Consolidated income statement
Years ended December 31, 2018, 2017 and 2016
(In thousands of Reais, except profit per share)

	Notes	2018	2017	2016
		(Restated)	(Restated)	(Restated)
Net Revenue	22	**25,953,659**	**20,508,070**	**14,834,231**
Costs of services		(20,877,786)	(16,889,682)	(11,544,240)
Electric power costs	23	(13,933,341)	(11,119,617)	(6,694,223)
Operating costs	24	(3,430,847)	(3,201,474)	(2,791,659)
Constructions costs		(3,513,598)	(2,568,591)	(2,059,358)
Gross Profit		**5,075,873**	**3,618,388**	**3,288,991**
Expected credit risk losses		(274,400)	(197,682)	(235,861)
Sales expenses	24	(305,972)	(374,706)	(408,306)
General and administrative expenses	24	(1,104,874)	(717,134)	(657,440)
Equity earnings		(120,741)	(205,081)	(129,959)
Equity in the result of associates	11	56,320	(92,696)	(20,099)
Amortization of surplus value	11	(177,061)	(112,385)	(109,860)
Operating profit		**3,269,886**	**2,123,785**	**1,857,425**
Financial income	25	6,123,717	2,792,085	4,166,788
Financial expenses	25	(7,292,683)	(4,186,349)	(5,463,402)
Profit before income tax and social contribution		**2,100,920**	**729,521**	**560,811**
Income tax and social contribution expense		(506,969)	(277,992)	(206,508)
Current		(265,844)	(135,208)	(120.692)
Deferred		(241,125)	(142,784)	(85.816)
Profit for the year		**1,593,951**	**451,529**	**354,303**
Attributable to:				
Equity holders of the parent		1,536,330	406,088	302,869
Non-controlling interests		57,621	45,441	51,434
		1,593,951	**451,529**	**354,303**
Basic and diluted profit per share for the year attributable to ordinary equity holders of the parent		1.28	0.48	0.39

The accompanying notes are an integral part of the consolidated financial statements.

Neoenergia S.A.

Consolidated Statement of comprehensive income
Years ended December 31, 2018, 2017 and 2016
(In thousands of Reais)

	2018	2017	2016
Profit for the year	**1,593,951**	**451,529**	**354,303**
Other comprehensive income			
Items that will not be reclassified to the income statement			
Effects of employee benefits and health care plans	53,644	(155,978)	(132,728)
Gain (Loss) on cash flow hedges	9,972	(289)	(46,648)
(Expense)/benefit on taxes on comprehensive income	(18,239)	53,032	45,127
Total Items that will not be Reclassified to the income statement	45,377	(103,235)	(134,249)
Items that will be reclassified subsequently to the income statement			
Loss on cash flow hedges	(8,873)	(1,401)	-
Benefit on taxes on comprehensive income	5,242	-	-
Total Items that will be reclassified subsequently to the income statement	(3,631)	(1,401)	-
Other comprehensive income/(loss) of the year, net of taxes	**41,746**	**(104,636)**	**(134,249)**
Total comprehensive income for the year, net of tax	**1,635,697**	**346,893**	**220,054**
Attributed to			
Equity holders of the parent	1,576,534	305,231	173,801
Non-controlling interests	59,163	41,662	46,253

The accompanying notes are an integral part of the consolidated financial statements.

Neoenergia S.A.

Consolidated statement of changes in equity
Years ended December 31, 2018, 2017 and 2016
(In thousands of Reais)

	Equity attributable to equity holders of the parent											
					Appropriated retained earnings							
	Capital	**Capital reserves**	Reserve for capital transactions with shareholders	Other comprehen sive income	Legal reserves	Appropriated retained earnings to be paid-in	Retained earnings	Reserve for distribution of additional dividends	Accumulated profits of the year	Total	Non-controlling interest	Total
Balances as of January 1st, 2016	**4,739,025**	2,288	(990,972)	17,792	633,474	73,046	4,140,986	188,935	-	8,804,574	510,308	9,314,882
Additional dividends approved	-	-	-	-	-	-	-	(188,935)	-	(188,935)	(18,621)	(207,556)
Other comprehensive income												
Effects employees benefits and health care plans of the subsidiaries, net	-	-	-	(82,420)	-	-	-	-	-	(82,420)	(5,181)	(87,601)
Gain (Loss) on cash flow hedges	-	-	-	(46,648)	-	-	-	-	-	(46,648)	-	(46,648)
Profit for the Year	-	-	-	-	-	-	-	-	302,869	302,869	51,434	354,303
Appropriation												
Legal Reserve	-	-	-	-	17,605	-	-	-	(17,605)	-	-	-
Minimum Mandatory Dividends		-	-	-	-	-	-	-	(83,624)	(83,624)	(23,991)	(107,615)
Proposed Additional Dividends	-	-	-	-	-	-	-	216,376	(216,376)	-	-	-
Profit retention reserve	-	-	-	-	-	-	(27,876)	-	27,876	-	-	-
Unrealized profit reserve	-	-	-	-	-	13,140	-	-	(13,140)	- -	-	-
Balances as of December 31, 2016	**4,739,025**	2,288	(990,972)	(111,276)	651,079	86,186	4,113,110	216,376	-	8,705,816	513,949	9,219,765
Additional dividends approved	-	-	-	-	-	-	-	(216,376)	-	(216,376)	-	(216,376)
Transactions between shareholders												
Capital Increase	7,180,957	-	-	-	-	-	-	-	-	7,180,957	5,431	7,186,388
Capital reserve (See Note 11.2)	-	98,423	-	-	-	-	-	-	-	98,423	-	98,423
Adjustment of transaction with shareholders (See Note 11.2)	-	-	(595,108)	-	-	-	-	-	-	(595,108)	(87,278)	(682,386)
Elektro Holding Merger (See Note 11.2)	-	-	-	-	-	-	-	-	-	-	11,286	11,286
Merge of additional interest with non-controlling shareholders (See Note 11.2)	-	-	-	-	-	-	-	-	-	-	(179,966)	(179,966)
Other Comprehensive Income												
Effects employees benefits and health care plans of the subsidiaries, net	-	-	-	(99,613)	-	-	-	-	-	(99,613)	(3,780)	(103,393)
Gain (Loss) on cash flow hedges				(1,690)						(1,690)	-	(1,690)
Profit for the Year	-	-	-	-	-	-	-	-	406,088	406,088	45,441	451,529
Appropriation												
Legal Reserve	-	-	-	-	20,936	-	-	-	(20,936)	-	-	-
Minimum Mandatory Dividends	-	-	-	-	-	-	-		(99,444)	(99,444)	(31,622)	(131,066)
Proposed Additional Dividendsd	-	-	-	-	-	-	-	200,556	(200,556)	-		-
Profit retention reserve	-	-	-	-	-	-	97,776	-	(97,776)	-		-
Unrealized profit reserve	-	-	-	-	-	(12,624)	-	-	12,624	-	-	-
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(44,160)	(44,160)
Balances as of December 31, 2017	**11,919,982**	**100,711**	**(1,586,080)**	**(212,579)**	**672,015**	**73,562**	**4,210,886**	**200,556**	**-**	**15,379,053**	**229,301**	**15,608,354**

Neoenergia S.A.

Consolidated statement of changes in equity - continued
Years ended December 31, 2018, 2017 and 2016
(In thousands of Reais)

	Equity attributable to equity holders of the parent											
					Appropriated retained earnings							
	Capital	Capital reserves	Reserve for capital transactions with shareholders	Other comprehensive income	Legal reserves	Appropriated retained earnings to be paid-in	Retained earnings	Reserve for distribution of additional dividends	Accumulated profits of the year	Total	Non-controlling interest	Total
Balances as of December 31, 2017	**11,919,982**	**100,711**	**(1,586,080)**	**(212,579)**	**672,015**	**73,562**	**4,210,886**	**200,556**	**-**	**15,379,053**	**229,301**	**15,608,354**
Effect of adoption of new accounting standards												
Adjustment on initial application of IFRS 15	-	-	-						161,305	161,305	16,970	178,275
Adjustment on initial application of IFRS 9	-	-	-	-	-	-	-	-	(60,497)	(60,497)	(2,679)	(63,176)
Additional dividends approved	-	-	-	-	-	-	-	(200,556)	-	(200,556)	(26,966)	(227,522)
Transactions with shareholders												
Capital Increase	1,000,000	-	-	-	-	-	-	-	-	1,000,000	56,934	1,056,934
Constitution of capital reserve	-	(7,435)	-	-	-	-	-	-	-	(7,435)	261	(7,174)
Adjustment of transaction with shareholders			(7,987)							(7,987)	(9,966)	(17,953)
Other Comprehensive Income												
Effects employees benefits and health care plans of the subsidiaries, net	-	-	-	35,114	-	-	-	-	-	35,114	2,013	37,127
Gain (Loss) on cash flow hedges, net	-	-	-	6,812	-	-	-	-	-	6,812	(471)	6,341
Pension Plan	-	-	-	(1,722)	-	-	-	-	1,722	-	-	-
Profit for the Year									1,536,330	1,536,330	57,621	1,593,951
Appropriation												
Legal Reserve	-	-	-	-	81,968			-	(81,968)	-		-
Profit retention reserve	-	-	-	-	-		807,741	-	(807,741)	-	-	-
Appropriated retained earnings to be paid-in	-	-	-	-	-	160,789	-	-	(160,789)	-	-	-
Interest on Net Equity	-	-	-	-	-	-	-	-	(522,362)	(522,362)	-	(522,362)
Dividends	-	-	-	-	-	-	-	-	(66,000)	(66,000)	-	(66,000)
Balances as of December 31, 2018	**12,919,982**	**93,276**	**(1,594,067)**	**(172,375)**	**753,983**	**234,351**	**5,018,627**	**-**	**-**	**17,253,777**	**323,018**	**17,576,795**

The accompanying notes are an integral part of the consolidated financial statements.

Neoenergia S.A.

Consolidated statement of cash flow
Years ended December 31, 2018, 2017 and 2016
(In thousands of Reais)

	2018	2017	2016
Operating activities	(Restated)	(Restated)	(Restated)
Profit for the year	**1,593,951**	**451,529**	**354,303**
Adjustments to reconcile profit before income tax and social contribution to net cash flows:			
Depreciation and amortization (*)	1,128,058	880,037	733,218
"Portion A" and other financial items	(813,260)	(1,010,436)	1,510
Equity in the result of associates	(56,320)	92,696	20,099
Amortization of surplus value	177,061	112,385	109,860
Income tax expense	359,117	266,193	206,508
Debt charges and monetary indexation, foreign exchange and derivatives and other	1,267,296	1,601,791	1,140,324
Concession financial assets fair value	(489,441)	(351,813)	(233,716)
Gain/ (loss) with residual value of the intangible/property, plant and equipment	114,283	113,086	109,825
Provision/ (Provision reversal) for civil, tax and labor contingencies	172,091	131,089	113,464
Expected credit risk loss	299,928	197,682	90,464
Monetary indexation of post-employment benefit	90,623	87,596	65,223
Provisions for Contingencies indexation	123,363	121,721	94,539
Bonds and securities indexation	(13,871)	(87,110)	(124,977)
Other provisions	12,061	58,320	68,234
	3,964,940	**2,664,766**	**2,748,878**
Reduction (increase) in operating assets			
Accounts receivable from clients and other	(201,303)	(1,141,678)	(105,873)
Recoverable income tax and social contribution	(238,239)	(70,438)	(9,078)
Recoverable taxes	(31,075)	15,044	(162,686)
Receiving of dividends and interests on equity	55,223	15,916	11,838
Judicial deposits	(51,430)	(42,738)	(40,728)
Prepaid expenses	(104,436)	(15,965)	11,623
Post-retirement benefits	22,645	29,911	(104)
"Portion A" and other financial items	763,145	(3,238)	229,631
Public Service Concession	52,935	58,210	44,123
Other assets	352,884	(110,403)	(204,604)
	620,349	**(1,265,379)**	**(225,858)**
Increase (reduction) in operating liabilities			
Suppliers	(896,988)	796,367	(338,425)
Salaries and social security charges payable	(24,767)	98,618	(13,530)
Interest payments and swap notes liquidation	(1,276,450)	(1,276,025)	(1,169,780)
Regulatory charges	(173,853)	109,091	(26,378)
Income tax and social contribution paid	(257,028)	(173,901)	(164,045)
Other tax and contributions payable	54,788	41,603	68,372
"Portion A" and other financial items	(70,130)	-	111,738
Paid Indemnifications/Contingencies	(258,308)	(179,230)	(161,504)
Post-retirement benefits and other benefits	(112,819)	(79,188)	(59,399)
Other liabilities	(241,289)	(42,360)	309,680
	(3,256,844)	**(705,025)**	**(1,443,271)**
Net cash flows from operating activities	**1,328,445**	**694,362**	**1,079,749**

Neoenergia S.A.

Consolidated statement of cash flow - continued
Years ended December 31, 2018, 2017 and 2016
(In thousands of Reais)

	2018	2017	2016
	(Restated)	(Restated)	(Restated)
Investing activities			
Capital increase in associates	(174,071)	(233,363)	(639,852)
Acquisition of property, plant & equipment	(402,615)	(818,006)	(441,226)
Acquisition of intangible assets	(1,114)	(2,984,641)	(2,234,687)
Acquisition of investments	-	(3,134)	(52,581)
Concession financial assets	(3,739,356)	(4,771)	(31,453)
Redemption/(Acquisition) of securities	(55,670)	1,022,449	1,507,007
Sale of associates	-	519,115	-
Business combinations	-	1,533,272	-
Net cash flows used in investing activities	**(4,372,826)**	**(969,079)**	**(1,892,792)**
Financing activities			
Capital increase	1,039,126	1,100,000	-
Proceeds from loans and financing	3,562,991	3,955,592	2,007,778
Proceeds from debentures	4,759,853	2,222,862	1,506,890
Repayment of loans and financing	(4,909,330)	(3,394,816)	(2,239,776)
Repayment of debentures	(1,206,288)	(487,354)	(414,841)
Repayments of borrowing costs	(54,032)	(8,565)	(5,353)
Collateral	182,893	(65,748)	25,052
Special obligations	280,788	449,375	233,449
Payments of dividends and interest on equity	(534,379)	(21,090)	(58,099)
Net cash flow from financing activities	**3,121,622**	**3,750,216**	**1,055,100**
Net increase (decrease) in cash and cash equivalents	**77,241**	**3,475,499**	**242,057**
Cash and cash equivalents at the beginning of the year	3,856,434	380,935	138,878
Cash and cash equivalents at the end of the year	3,933,675	3,856,434	380,935
Net increase (decrease) in cash and cash equivalents	**77,241**	**3,475,499**	**242,057**
Non-cash transactions			
Merged assets - Elektro Holding	-	63,151	-
Merged liabilities - Elektro Holding	-	26,827	-
Share purchase obligation - Previ	-	64,747	-
Capitalization of interest and financial expenses	188,383	182,732	-
Provisions capitalized	-	-	(42,550)
Reversal of provision of fixed assets	-	-	17,563
Decommissioning provision	4,831	1,738	2,630
Insurance indemnifications receivable	-	-	854
Business Combination	-	2,658,206	-

(*) Gross amount, not deducted from PIS/COFINS credits

The accompanying notes are an integral part of the consolidated financial statements.

1. Corporate information

NEOENERGIA S.A. ("Neoenergia" or the "Company"), with its headquarters at Praia do Flamengo, 78 - 3º andar - Flamengo - Rio de Janeiro - RJ, is a publicly traded company primarily engaged in the distribution, transmission, generation and sale of electricity. The Company's activities are conducted through its subsidiaries (collectively, the "Group") and its associates and jointly controlled investments. See Note 11.

The consolidated financial statements of the Company were authorized for issuance by Management on April 23, 2019.

2. Concessions

The Company owns the following concessions, authorizations/permissions to distribute, sale, transmit and generate power:

Distribution	Number of Cities	Location	Concession Date	Due Date
COELBA	415	Bahia State	08/08/1997	08/07/2027
CELPE	184	Pernambuco State	03/30/2000	03/29/2030
CELPE	1	District of Fernando de Noronha	03/30/2000	03/29/2030
CELPE	1	Paraíba State	03/30/2000	03/29/2030
COSERN	167	State of Rio Grande do Norte	12/31/1997	12/30/2027
Elektro Redes	223	São Paulo State	08/27/1998	08/26/2028
Elektro Redes	5	Mato Grosso do Sul State	08/27/1998	08/26/2028

Transmission in Operation	Location	Concession Date	Due Date
Afluente T	Bahia State	08/08/1997	08/08/2027
SPE SE Narandiba S.A. (SE Narandiba)	Bahia State	01/28/2009	01/28/2039
SPE SE Narandiba S.A. (SE Extremoz)	State of Rio Grande do Norte	05/10/2012	05/10/2042
SPE SE Narandiba S.A. (SE Brumado)	Bahia State	08/27/2012	08/27/2042
Potiguar Sul	States of Paraíba and Rio Grande do Norte	08/01/2013	08/01/2043

Transmission under Construction	Location	Concession Date	Due Date
EKTT 01	States of Tocantis, Bahia and Piauí	03/08/2018	03/08/2048
EKTT 02	States of Paraíba and Ceará	03/08/2018	03/08/2048
EKTT 12	States of Mato Grosso do Sul and São Paulo	07/31/2017	07/31/2047
EKTT 13	São Paulo State	07/31/2017	07/31/2047
EKTT 14	Santa Catarina State	07/31/2017	07/31/2047
EKTT 15	Ceará State	07/31/2017	07/31/2047

Trading	Location	Authorization Date
NC Energia	Rio de Janeiro - RJ	11/22/2000
Elektro Comercializadora	Campinas - SP	05/26/2003

Operating Generation	Type of Plant	Location	Installed Power (MV) (*)	Ensured Power (MWmed) (*)	Power Contracted (MWmed) (*)	Date of Concession / Authorization	Due Date
Itapebi	Hydro Power Plant	Rio Jequitinhonha - BA	462.011 MW	209.1 MW	207.076 MW (ACL)	05/28/1999	08/31/2035
Termopernambuco	Thermal Power Plant - UTE	Complexo Portuário do Suape - PE	532.756 MW	504.12 MW	455.0 MW	12/18/2000	12/18/2030
CELPE							
Fernando de Noronha	Diesel Power Station	District of Fernando de Noronha - PE	4.8 MW	1.9 MW	1.9 MW	12/21/1989	12/21/2019
Baguari I	Hydro Power Plant - HPP	Rio Doce - MG	140.0 MW	84.7 MW	77.0 MW	08/15/2006	12/31/2039
Geração CIII							
Corumbá III	Hydro Power Plant - HPP	Rio Corumbá - GO	96.447 MW	49.3 MW	50.9 MW	11/07/2001	02/14/2037
Energética Águas Da Pedra							
Dardanelos	Hydro Power Plant - HPP	Rio Aripuanã - MT	261.0 MW	154.9 MW	147.0 MW	07/03/2007	01/02/2043
Companhia Hidrelétrica Teles Pires	Hydro Power Plant - HPP	Rio Teles Pires - MT	1,819.8 MW	930.7 MW	778 MW (ACR) / 339.233 MW (ACL)	06/07/2011	06/06/2046
Norte Energia							
Belo Monte (a)	Hydro Power Plant - HPP	Rio Xingu - PA	11,233.1 MW	4,571.0 MW	3,024.83 MW (ACR) 864.24 MW (ACL)	08/26/2010	08/25/2045
WIND FARMS							
Arizona 01	Wind Power	Rio do Fogo - RN	28.0 MW	12.9 MW	12.3 MW	03/04/2011	03/03/2046
Mel 2	Wind Power	Areia Branca - RN	20.0 MW	9.8 MW	9.3 MW	02/28/2011	02/27/2046
Caetité 1	Wind Power	Caetité - BA	30.0 MW	13.0 MW	13.0 MW	10/29/2012	10/29/2042
Caetité 2	Wind Power	Caetité - BA	30.0 MW	12.1 MW	11.0 MW	02/07/2011	02/06/2046
Caetité 3	Wind Power	Caetité - BA	30.0 MW	11.2 MW	11.1 MW	02/24/2011	02/23/2046
Calango 1	Wind Power	Bodó, Santana do Matos, Lagoa Nova - RN	30.0 MW	13.9 MW	13.8 MW	04/28/2011	04/27/2046
Calango 2	Wind Power	Bodó, Santana do Matos, Lagoa Nova - RN	30.0 MW	11.9 MW	11.8 MW	05/09/2011	05/08/2046
Calango 3	Wind Power	Bodó, Santana do Matos, Lagoa Nova - RN	30.0 MW	13.9 MW	13.8 MW	05/30/2011	05/29/2046
Calango 4	Wind Power	Bodó, Santana do Matos, Lagoa Nova - RN	30.0 MW	12.8 MW	12.8 MW	05/19/2011	05/18/2046
Calango 5	Wind Power	Bodó, Santana do Matos, Lagoa Nova - RN	30.0 MW	13.7 MW	13.6 MW	06/02/2011	06/01/2046
Calango 6	Wind Power	Bodó - RN	30.0 MW	18.5 MW	18.5 MW	11/20/2014	11/19/2049
Santana 1	Wind Power	Bodó - RN	30.0 MW	17.3 MW	17.2 MW	11/14/2014	11/13/2049
Santana 2	Wind Power	Lagoa Nova - RN	24.0 MW	13.1 MW	12.9 MW	11/14/2014	11/13/2049
Canoas	Wind Power	São José do Sabugi/PB	31.5 MW	17.7 MW	16.1 MW	08/04/2015	08/03/2050
Lagoa 1	Wind Power	Santa Luzia/PB	31.5 MW	18.7 MW	17.2 MW	08/04/2015	08/03/2050
Lagoa 2	Wind Power	São José do Sabugi/PB	31.5 MW	17.5 MW	15.5 MW	08/04/2015	08/03/2050
Enerbrasil	Wind Power	Rio do Fogo - RN	49.3 MW	20.74 MW	17.9 MW	12/20/2001	12/20/2031

Construction Generation	Type of Plant	Location	Installed Power (MV)	Ensured Power (MWmed)	Power Contracted (MWmed)	Date of Concession / Authorization	Due Date
Geração Céu Azul							
Baixo Iguaçu	Hydro Power Plant - HPP	Rio Iguaçu - PR	350.2 MW	172.4 MW	121.0 MW (ACR)/ 51.8 MW (ACL)	08/20/2012	09/14/2049

Wind Farms under Construction	Type of Plant	Location	Installed Power (MV)	Ensured Power (MWmed)	Power Contracted (MWmed)	Date of Concession / Authorization	Due Date
Chafariz 1	Wind Power	Paraíba - State of Paraíba	34.65 MW	17.7 MW	17 MW	06/21/2018	06/20/2053
Chafariz 2	Wind Power	Paraíba - State of Paraíba	34.65 MW	17.5 MW	17 MW	06/21/2018	06/20/2053
Chafariz 3	Wind Power	Paraíba - State of Paraíba	34.65 MW	18.1 MW	17.2 MW	06/21/2018	06/20/2053
Chafariz 6	Wind Power	Paraíba - State of Paraíba	31.19 MW	15.2 MW	14.4 MW	06/21/2018	06/20/2053
Chafariz 7	Wind Power	Paraíba - State of Paraíba	34.65 MW	19 MW	17.7 MW	06/21/2018	06/20/2053
Lagoa 3	Wind Power	Paraíba - State of Paraíba	34.65 MW	18.3 MW	16.9 MW	06/26/2018	06/25/2053
Lagoa 4	Wind Power	Paraíba - State of Paraíba	20.79 MW	11.7 MW	10.1 MW	06/26/2018	06/25/2053
Canoas 2	Wind Power	Paraíba - State of Paraíba	34.65 MW	17.3 MW	15.9 MW	06/26/2018	06/25/2053
Canoas 4	Wind Power	Paraíba - State of Paraíba	34.65 MW	16.7 MW	15.5 MW	06/26/2018	06/25/2053

(*) information in MW has not been audited by the external auditors.

(a) Out of the total installed capacity, as a result of the operations of the twelve (12) first generating units, the volume annually generated is 7,333.3 MW.

Additionally, in 2016, the Company owned the following authorizations/permissions to generate power, as listed below. As mentioned in Note 3.6.g, on March 17, 2017, the Company sold its equity interest held in those companies.

Generation in operation	Plant type	Location	Installed Capacity (MW) (*)	Assured energy (MW (avg) (*)	Contracted energy (MW avg) (*)	Date when authorization was granted	Expiration date
AFLUENTE G	Rio das Fêmeas - São Desidério						
Alto Fêmeas I	Hydroelectric PCH	- - BA	10.65 MW	8.55 MW	9.0 MW	06/08/1997	19/10/2027
Presidente Goulart	Hydroelectric PCH	- Rio Correntina - BA	8.0 MW	5.1 MW	8.0 MW	06/08/1997	08/08/2027
RIO PCH I							
Pedra do Garrafão	Hydroelectric PCH	- Rio Itabapoana - RJ	19.0 MW	10.75 MW	11.0 MW	18/12/2002	19/03/2033
Pirapetinga	Hydroelectric PCH	- Rio Itabapoana - RJ	20.0 MW	12.71 MW	11.0 MW	18/02/2002	09/03/2033
GOIAS SUL							
Goiandira	Hydroelectric PCH	- Rio Veríssimo - GO	27.0 MW	17.09 MW	16.0 MW	18/12/2002	16/04/2033
Nova Aurora	Hydroelectric PCH	- Rio Veríssimo - GO	21.0 MW	12.37 MW	12.0 MW	18/02/2004	25/06/2034
BAHIA PCH I	Hydroelectric PCH	- Rio das Fêmeas - BA	25.0 MW	19.62 MW	19.0 MW	10/12/1999	09/12/2029
ENERGYWORKS							
Kaiser Jacareí	Thermoelectric UHE	- Av. Pres. Humberto de Alencar - SP	8.592 MW (*)	7.9 MW	7.9 MW	1998	2028
Corn Mogi	Thermoelectric UHE	- Rua Paula Bueno - SP	30.775 MW (*)	30.0 MW	30.0 MW	2003	2031
Corn Balsa	Thermoelectric UHE	- Rua Francisco Manuel da Cruz - PR	9.119 MW (*)	8.7 MW	8.7 MW	2002	2031
Brahma Rio	Thermoelectric UHE	- Antiga estrada Rio São Paulo - RJ	13.8 MW (*)	11.6 MW	11.6 MW	1999	2028

(*) information in MW has not been audited by the external auditors

3. Basis of accounting and significant accounting policies

3.1. Compliance Statement

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company also uses instructions in the Accounting Manual of the Brazilian Electric Sector and the standards set out by the National Agency of Electric Power (ANEEL), when they do not conflict with IFRSs.

3.2. Functional and presentation currency

The consolidated financial statements are presented in thousands of Reais (R$), which is the Company's functional currency.

Transactions in foreign currencies are originally recorded at the functional currency's exchange rate in force on the date of the transaction for monetary assets and liabilities denominated in foreign currency are converted into the functional currency, using exchange rate in force on the date of the respective balance sheets.

Exchange gains and losses resulting from differences arising on settlement or translation of monetary assets and liabilities are recognized in the income statement.

3.3. Basis of preparation

The financial statements were prepared using the historical cost, except for certain financial instruments measured by their fair values, when provided for under the standards. The classification of the fair value measurement under categories 1, 2 or 3 (according to the degree of abidance by the variables used) is shown in Note 27 - Financial risk management.

3.4. Use of estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions are continuously revised using as a reference the Company's historical experience and changes in scenarios that may affect the financial position and results of operations of the Company. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur, prospectively. Revisions to accounting estimates are recognized in the period in which estimates are revised, and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are the following:

(i) unbilled revenue from energy sales (note 22)

(ii) energy transactions within the scope of the Electric Power Trading Chamber (CCEE), such as spot market transactions (note 23);
(iii) recognition of deferred tax assets: estimation of future taxable income against which tax losses can be compensated (note 9);
(iv) calculation and monetary indexation criteria for concession assets; straight-line amortization of the intangible asset based on its concession term corresponding to the right to charge consumers for the use of the concession asset (regulatory useful life of the assets) or for the term of the concession agreement (note 13);
(v) credit risk analysis to determine estimated credit risk loss (note 7);
(vi) definition of fair value through valuation techniques, including the discounted cash flow method, for financial assets and liabilities not quoted in active markets (note 27);
(vii) provisions for tax, civil, labor and regulatory risks by assessing the likelihood of loss, including evaluation of available evidence, hierarchy of laws, available case law, recent court decisions and their relevance in the legal background, as well as external lawyer's evaluation (note 19);
(viii) "Portion A" and other financial items (note 10);
(ix) costs of retirement plan with benefits and the present value of the retirement obligation, through the actuarial valuation that involves the use of assumptions about discount rates, expected return rates of expected assets, future salary increases, mortality rates and future increases of retirement and pension benefits (note 30).

Information on judgements performed on the adoption of accounting policies that materially impact the amounts recognized in the consolidated financial statements are as follows:

(i) Consolidation: whether the Company has de facto control over a subsidiary (note11).

3.5. Consolidation basis, investments in associates and joint ventures

3.5.1. Subsidiaries

The consolidated accounting statements include the accounting information of Neoenergia and its subsidiaries.

Subsidiaries are all entities wherein the Company holds control, which means that the parent company is exposed or is entitled to variable returns arising out of its management on the entity and the capacity of interfering with such returns owing to the power it exercises on the entity. The subsidiaries are fully consolidated as of the date on which the control is transferred to the Company and is discontinued as of the date on which the Company has no longer control. The subsidiaries are listed below:

			2018		2017		2016	
Companies	**Ref.**	**Activity**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Companhia de Eletricidade do Estado da Bahia - Coelba		Distribution	96.65%	-	96.35%	-	96.34%	-
Companhia Energética de Pernambuco – Celpe		Distribution	89.65%	-	89.65%	-	89.65%	-
Companhia Energética do Rio Grande do Norte – Cosern		Distribution	91.50%	-	91.50%	-	91.48%	-
Elektro Redes S.A. – Elektro	(a)	Distribution	99.68%	-	99.68%	-	n/a	n/a
Afluente Transmissão de Energia Elétrica S.A. – Afluente T		Transmission	87.84%	-	87.84%	-	87.84%	-
SE Narandiba S.A. – Narandiba		Transmission	100.00%	-	100.00%	-	100.00%	-
Potiguar Sul Transmissão de Energia S.A. – Potiguar Sul		Transmission	-	100.00%	-	100.00%	-	100.00%
EKTT 1 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 2 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 3 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 4 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 5 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 6 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 7 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 8 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 9 A Serviços de Transmissão de Energia Elétrica SPE S.A.		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 10 A Serviços de Transmissão de Energia Elétrica SPE S.A		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 11 A Serviços de Transmissão de Energia Elétrica SPE S.A		Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 12 A Serviços de Transmissão de Energia Elétrica SPE S.A	(a)	Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 13 A Serviços de Transmissão de Energia Elétrica SPE S.A	(a)	Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 14 A Serviços de Transmissão de Energia Elétrica SPE S.A	(a)	Transmission	100.00%	-	100.00%	-	n/a	n/a
EKTT 15 A Serviços de Transmissão de Energia Elétrica SPE S.A	(a)	Transmission	100.00%	-	100.00%	-	n/a	n/a
NC Energia S.A. – NC		Commercialization	100.00%	-	100.00%	-	100.00%	-
Elektro Comercializadora de Energia Ltda – EKCE	(a)	Commercialization	99.99%	0.01%	99.99%	0.01%	n/a	n/a
Termopernambuco S.A. – Termope		Thermal Generation	100%	-	100%	-	100%	-
Itapebi Geração de Energia S.A. – Itapebi		Hydraulic Generation	42%	58%	42%	58%	42%	58%
Baguari I Geração de Energia Elétrica S.A. - Baguari		Hydraulic Generation	99.99%	0.01%	99.99%	0.01%	99.99%	0.01%
Geração CIII S.A. – Geração CIII		Hydraulic Generation	99.99%	0.01%	99.99%	0.01%	99.99%	0.01%
Geração Céu Azul S.A. – Geração Céu Azul		Hydraulic Generation	100.00%	-	100.00%	-	100.00%	-
Goias Sul Geração de Energia S.A. - Goias Sul	(b)	Hydraulic Generation	n/a	n/a	n/a	n/a	100.00%	-
Rio PCH I S.A. - Rio PCH	(b)	Hydraulic Generation	n/a	n/a	n/a	n/a	70.00%	-
Bahia PCH I S.A. - Bahia PCH	(b)	Hydraulic Generation	n/a	n/a	n/a	n/a	100.00%	-
Bahia Pequena Central Hidrelétrica S.A. – Bahia PCH II		Hydraulic Generation	99.99%	0.01%	99.99%	0.01%	99.99%	0.01%
Afluente Geração de Energia Elétrica S.A. – Afluente G	(b)	Hydraulic Generation	n/a	n/a	n/a	n/a	87,84%	-
Santana 1 Energia Renovável S.A. – Santana 1	(a)	Wind Power Generation	-	100.00%	-	100.00%	n/a	n/a
Santana 2 Energia Renovável S.A. – Santana 2	(a)	Wind Power Generation	-	100.00%	-	100.00%	n/a	n/a
Calango 6 Energia Renovável S.A. – Calango 6	(a)	Wind Power Generation	-	100.00%	-	100.00%	n/a	n/a
Lagoa 2 Energia Renovável S.A. – Lagoa 2	(a)	Wind Power Generation	-	100.00%	-	100.00%	n/a	n/a
Canoas Energia Renovável S.A. - Canoas	(a)	Wind Power Generation	-	100.00%	-	100.00%	n/a	n/a
Lagoa 1 Energia Renovável S.A. – Lagoa 1	(a)	Wind Power Generation	-	100.00%	-	100.00%	n/a	n/a
Força Eólica do Brasil S.A. – FEB	(a)	Wind Power Generation	50.00%	50.00%	50.00%	50.00%	n/a	n/a
Calango 1 Energia Renovável S.A. – Calango 1		Wind Power Generation	-	100.00%	-	100.00%	-	50.00%
Calango 4 Energia Renovável S.A. – Calango 4		Wind Power Generation	-	100.00%	-	100.00%	-	50.00%
Calango 5 Energia Renovável S.A. – Calango 5		Wind Power Generation	-	100.00%	-	100.00%	-	50.00%
Caetité 1 Energia Renovável S.A. – Caetité 1		Wind Power Generation	-	100.00%	-	100.00%	-	50.00%
Caetité 2 Energia Renovável S.A. – Caetité 2		Wind Power Generation	-	100.00%	-	100.00%	-	50.00%
Força Eólica do Brasil 1 S.A. - FEB 1		Wind Power Generation	50,00%	50,00%	50,00%	50,00%	50.00%	-
Calango 2 Energia Renovável S.A. – Calango 2	(a)	Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Calango 3 Energia Renovável S.A. – Calango 3	(a)	Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Caetité 3 Energia Renovável S.A. – Caetité 3	(a)	Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Arizona 1 Energia Renovável S.A. – Arizona 1	(a)	Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Mel 2 Energia Renovável S.A. – Mel 2	(a)	Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
FE Participações S.A. – FPAR	(a)	Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Força Eólica do Brasil S.A. - FEB 2	(a)	Wind Power Generation	50,00%	50,00%	50,00%	50,00%	n/a	n/a
Energia Renováveis do Brasil S.A. - Enerbrasil	(a)	Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Elektro Renováveis do Brasil S.A. – Elektro Renováveis	(a)	Wind Power Generation	99,99%	0,01%	99,99%	0,01%	n/a	n/a
Energyworks do Brasil Ltda - EW	(b)	Co-Generation	n/a	n/a	n/a	n/a	100,00%	-
Chafariz 1 Energia Renovável S.A. – Chafariz 1		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Chafariz 2 Energia Renovável S.A. – Chafariz 2		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Chafariz 3 Energia Renovável S.A. – Chafariz 3		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Chafariz 6 Energia Renovável S.A. – Chafariz 6		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Chafariz 7 Energia Renovável S.A. – Chafariz 7		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Lagoa 3 Energia Renovável S.A. – Lagoa 3		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Lagoa 4 Energia Renovável S.A. – Lagoa 4		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Canoas 2 Energia Renovável S.A. - Canoas 2		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Canoas 4 Energia Renovável S.A. - Canoas 4		Wind Power Generation	-	100,00%	-	100,00%	n/a	n/a
Chafariz 4 - Chafariz 4 Energia Renovável S.A. – Chafariz 4		Wind Power Generation	-	100,00%	-	-	n/a	n/a
Chafariz 5 - Chafariz 5 Energia Renovável S.A. – Chafariz 5		Wind Power Generation	-	100,00%	-	-	n/a	n/a
Canoas 3 - Canoas 3 Energia Renovável S.A. – Canoas 3		Wind Power Generation	-	100,00%	-	-	n/a	n/a
Ventos de Arapuá 1 Energia Renovável S.A. – Arapuá 1		Wind Power Generation	-	100,00%	-	-	n/a	n/a
Ventos de Arapuá 2 Energia Renovável S.A. – Arapuá 2		Wind Power Generation	-	100,00%	-	-	n/a	n/a
Ventos de Arapuá 3 Energia Renovável S.A. – Arapuá 3		Wind Power Generation	-	100,00%	-	-	n/a	n/a
Capuava Energy Ltda - Capuava	(b)	Co-Generation	n/a	n/a	n/a	n/a	-	100,00%
Elektro Operação e Manutenção Ltda - Elektro O&M	(a)	Service	99,99%	0,01%	99,99%	0,01%	n/a	n/a
Neoenergia Serviços Ltda - Neoserv		Service	99,99%	0,01%	99,99%	0,01%	n/a	n/a
Neoenergia Operação e Manutenção S.A. - Neoenergia O&M		Service	100,00%	-	100,00%	-	100,00%	-
Belo Monte Participações S.A. – Belo Monte		Other	99,00%	1,00%	99,00%	1,00%	99,00%	1,00%
Neoenergia investimentos S.A. - Neoinvest		Other	99,99%	0,01%	99,99%	0,01%	99,99%	0,01%
Garter Properties Inc	(c)	Other	-	-	100,00%	-	100,00%	-

(a) These companies are under Neoenergia's control following the merger of Elektro Holding, see note 11.2.
(b) On March 17, 2017, Neoenergia concluded the sale of these companies, see note 3.6.g
(c) Garter was dissolved during the year of 2018.

The accounting criteria adopted in the determination of the subsidiaries' accounting information were uniformly applied. The main consolidation practices applied were:

- Elimination of the financial position of assets and liabilities among subsidiaries;
- Elimination of interests in capital, reserves and retained earnings among subsidiaries;
- Elimination of revenues, cost, income and expenses resulting from business among subsidiaries;
- Outstanding non-controlling interest are demonstrated in the statement financial position and income statement.

For the purposes of presenting the consolidated financial statements, the surplus paid by Neoenergia S.A. on the acquisition of investments, which is related to the concession, was classified as intangible assets, contingencies and deferred taxes by applying the acquisition method set forth in IFRS 3 - Business Combination. Additionally, some expenses were capitalized in the parent company to perform projects in its subsidiaries, mainly in the thermal power plant already in operation. These expenses were allocated with the constructed assets, registered as fixed assets in the consolidated financial statements.

3.5.2. Associates and Joint Ventures

Associates are all entities that the Group has significant influence, but not control, generally through a 20% to 50% ownership interest in the voting rights.

Joint agreements refer to all entities in which the Group has shared control, either with one or more parties. Investments in joint ventures are classified as joint operations or joint ventures depending on the rights and contractual obligations of each investor.

The associates and/or joint ventures are listed below:

			Percentage of Interest (%)					
			2018		2017		2016	
Companies		Activity	Direct	Indirect	Direct	Indirect	Direct	Indirect
Associates								
Norte Energia S.A. - NESA		Hydraulic Generation	-	10.00%	-	10.00%	-	10.00%
Energética Corumbá III S.A. - ECIII		Hydraulic Generation	-	25.00%	-	25.00%	-	25.00%
Joint control								
Teles Pires Participações S.A. - Teles Pires		Hydraulic Generation	50.56%	-	50.56%	-	50.56%	-
Companhia Hidrelétrica Teles Pires S.A - CHTP		Hydraulic Generation	00.90%	50.10%	00.90%	50.10%	00.90%	50.10%
Energética Águas da Pedra S.A. - EAPSA		Hydraulic Generation	51.00%	-	51.00%	-	51.00%	-
Santana 1 Energia Renovável S.A. - Santana 1	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Santana 2 Energia Renovável S.A. - Santana 2	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Calango 6 Energia Renovável S.A. - Calango 6	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Lagoa 2 Energia Renovável S.A. - Lagoa 2	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Canoas Energia Renovável S.A. - Canoas	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Lagoa 1 Energia Renovável S.A. - Lagoa 1	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Força Eólica do Brasil S.A. - FEB	a)	Wind Farm	n/a	n/a	n/a	n/a	50,00%	-
Calango 2 Energia Renovável S.A. - Calango 2	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Calango 3 Energia Renovável S.A. - Calango 3	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Caetité 3 Energia Renovável S.A. - Caetité 3	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Arizona 1 Energia Renovável S.A. - Arizona 1	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Mel 2 Energia Renovável S.A. - Mel 2	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
FE Participações S.A. - FPAR	a)	Wind Farm	n/a	n/a	n/a	n/a	-	50,00%
Força Eólica do Brasil S.A. - FEB 2	a)	Wind Farm	n/a	n/a	n/a	n/a	50,00%	-

(a) These companies are under Neoenergia's control following the merger of Elektro Holding, see note 11.2.

Projects	Interest (%)	Consortium Party
Consórcio UHE Baguari	51%	Baguari I Geração de Energia Elétrica S.A.
Consórcio Empreendedor Corumbá III	60%	Geração CIII S.A.
Consórcio Empreendedor Baixo Iguaçu	70%	Geração Céu Azul S.A.

3.6. Main Accounting Policies

The accounting policies adopted by the Company are described below.

a) Financial Instruments

i) Financial assets

The financial assets include cash and cash equivalents, accounts receivable from customers, bonds and securities, concession's financial asset, amounts receivable from "Portion A" and other financial items, in addition to other cash realizable credits.

Recognition and initial measurement

The Company recognizes the receivables initially on the date in which they were originated. All other financial assets are recognized on the date of the negotiation when the entity becomes part of the contract provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus, for an item not at FVTPL (Fair value through profit and loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when the contractual rights on the asset cash flows expire, or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company in such transferred financial assets is recognized as a separate asset.

Classification and Subsequent Measurement

Policy applicable from January 1st, 2018

On the initial recognition, a financial asset is classified as measured at amortized cost; at fair value through other comprehensive income ("FVOCI") or at fair value through the income statement ("FVTPL") based both:

(a) on the business model of the entity for the management of financial assets; and

(b) on the characteristics of the contractual cash flow of the financial asset.

The Company measures the financial asset at amortized cost when: (i) the financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and (ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that exclusively constitute payments of principal and interest on the principal amount outstanding.

The Company measures the financial asset at fair value through other comprehensive income when: (i) the financial asset is maintained within a business model whose objective is achieved both by receiving contractual cash flows and by the sale of financial assets; and (ii) the contractual terms of the financial asset give rise, at specified dates, to cash flows that exclusively comprise principal and interest payments on the principal amount outstanding.

Financial assets shall be measured at fair value through profit and loss, unless measured at amortized cost or at fair value through other comprehensive income. However, at initial recognition, the Company may irrevocably designate a financial asset that otherwise satisfies the requirements to be measured at amortized cost or FVOCI as FVTPL if it eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified after their initial recognition unless the Company changes its business model to the management of financial assets, in which case all the affected financial assets are reclassified on the first day of the first financial year following the change in the financial business model.

Business model evaluation: policy applicable from January 1st, 2018

The Company performs an assessment of the business model purpose in which a given financial asset is kept at a portfolio level, as this better reflects how the business is managed and the information supplied to the management. Information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows, or realizing cash flows through the sale of assets.

- How the portfolio performance is assessed and reported to the Company's management; the risks that impact the business model performance (and the financial assets held in this business model) and how these risks are managed;

- How the managers of the company are compensated, as, for example: the compensation is based on the fair value of the assets managed or on the contracted cash flows collected; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and expectations of future sales activity.

The transfers of financial assets to third parties in transactions which are not qualified for derecognition are not considered sales for such purpose, consistent with the continuous recognition of assets by the Company.

The financial assets which are held for negotiation or managed, and whose performance is assessed based on the fair value are measured by FVTPL.

Evaluation of contractual cash flows for only payments of principal and interest: Policy applicable from January 1st, 2018

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at the initial recognition; Interest is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding over a given period of time and for other basic risks and costs of borrowing (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether contractual cash flows are only principal and interest payments, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that may change the term or value of the contractual cash flows so that it does not meet this condition.

Subsequent measurement and gains and losses: Policy applicable as of January 1st, 2018

Financial assets to FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized in the income statement.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the income statement. Any gain or loss on derecognition is recognized in the income statement.
FVOCI debt instruments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and the impairment are recognized in the income statement. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). In derecognition, the accumulated gains and losses in OCI are reclassified to the income statement.
FVOCI equity instruments	These assets are subsequently measured at fair value. Dividends are recognized as income in the income statement, unless the dividend represents a clear recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the income statement.

Policy applicable before January 1st, 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- FVTPL, and within this category as:
    i. held for trading;
    ii. derivative hedging instruments; or
    iii. designated as at FVTPL.

Subsequent Measurement and Gains and Losses: Policy applicable before January 1st, 2018

Financial Assets at FVTPL Measure at fair value and subsequent changes, including interest or dividend income, were recognized in the income statement

Financial Assets Held to Maturity	Measured at amortized cost using the effective interest rate method.
Loans and Receivables	Measured at amortized cost using the effective interest rate method.
Financial Assets Available for Sale	Measured at fair value and subsequent changes, except for impairment losses, interest income and foreign currency differences on debt instruments, which were recognized in OCI and accrued in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in stockholder' equity was reclassified to the income statement.

ii) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, if it is a derivative or if it is designated as such at the time of initial recognition. FVTPL financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognized in the income statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and exchange gains and losses are recognized in the income statement.

The Company derecognises a financial liability when its contractual obligations are written off, canceled or expired.

In the derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any transferred non-monetary assets or liabilities assumed) is recognized in the income statement.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when the Company has a legal right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Derivative Financial Instruments and Hedge Accounting

The Company uses derivatives to hedge its exposure to foreign currency and interest rate risk using hedge accounting.

Policy applicable after January 1st, 2018

At the beginning of the designated hedges, the Company documents the objective and risk management strategy for the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging instrument should be mutually offset.

Cash Flow Hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the derivative is recognized in OCI, and is limited to the cumulative change in the fair value of the hedged item, determined based on the present value, since the designation of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

If the hedge no longer meets the hedge accounting criteria or if the hedging instrument is sold, terminated, exercised or expires, hedge accounting will be discontinued prospectively.

Policy applicable before January 1st, 2018

The policy applied for the comparative information presented for the years ended December 31, 2017 and December 31, 2016 is similar to that applied for 2018. However, for all cash flow hedges, the accumulated OCI amounts were reclassified to income in the same year or during which the expected future cash flow protected by hedge affected the income statement.

b) Recoverability analysis for assets other than PP&E, Intangibles and Income Tax

The Company's Management annually reviews the net book value of its assets, with the purpose of evaluating events or changes in economic, operating or technological circumstances which may indicate deterioration or loss of its recoverable value. If such evidence is identified and the net book value exceeds the recoverable amount, a provision for impairment is recorded, adjusting the net book value to the recoverable value.

c) Public Utility Concession Contract

Public Electricity Service Concession Agreements entered into between the Federal Government (grantor) and Coelba, Celpe, Cosern, Elektro Redes, Afluente T, SE Narandiba, Potiguar Sul, EKT1, EKT2, EKT12, EKT13, EKT14 and EKT15, respectively, regulate the services of the public electricity distribution and transmission and establish that:

Distribution Companies

According to the concession contracts:

- At the end of the concession, assets related to infrastructure are reverted to the grantor upon payment of an indemnity.

- The price is regulated through a tariff mechanism established in concession agreements based on parametric equation (Parcels A and B), as well as tariff revision mechanisms, which should cover costs, amortization of investments and remuneration for the invested capital.

Based on the characteristics of the concession agreements, Management understands that the contracts meet the conditions to apply Technical Interpretation IFRIC 12 - Concession Agreements for the Distribution Companies and Technical Standard IFRS 15 - Contract Revenue with client for Transmission Companies, which provide guidance on accounting of concessions of public services to private operators, in order to reflect the electricity distribution and transmission business, covering:

(i) Estimated portion of the investments performed and not amortized or depreciated up to the end of the concession classified as a financial asset, as it is an unconditional right to receive cash or other financial assets directly from the grantor.

(ii) Remaining portion after the determination of the financial asset (residual value) classified as an intangible asset, once its recovery is conditioned by the use of the public service, in this case, the consumption of power by consumers.

Thus, this accounting rule requires that all assets that are componentes of the energy distribution infraestructre must be bifurcated between financial and intangible asset, right after the beggining of operation of such investments or the end of infrastructure improvement. After IFRS 15 adoption, and its impacts on IFRIC 12, there is the requirement that such amounts must be accounted as contract asset, from January 1st, 2018 onwards, during the time when such investments in expansion or improvements are ongoing, until their completion.

Before IFRS 15 adoption, such investments in expansions and improvements remained registered as intangible assets in progress, until their completion. Interest incurred on loans and financing also integrates construction cost, in both situations.

When the distribution system construction or improvement phase ends, these amounts must be reclassified from contract assets to intangible or financial asset, according to each portion’s nature.

The infrastructure received or built for the distribution activity is recovered through two cash flows, as follows:

(i) Part through consumption of electric power by consumers (monthly billing of electric power consumed/sold) during the term of concession.

(ii) Part as indemnity for reversible assets at the end of the term of concession. This is to be received directly from the grantor or to whom it delegates this task.

Transmission Companies

According to the concession agreement, an electric power transmission company is responsible for transporting the electric power from generation centers until distribution points. To meet this responsibility, the transmission company has two different performance obligations: (i) constructing and (ii) maintaining and operating the transmission infrastructure.

When such performance obligations are met, the electric power transmission company keeps its transmission infrastructure available for users and, as a consideration, receives a compensation referred to as Annual Permitted Revenue (RAP), during the effectiveness of the concession agreement. Such receipts amortize the investments made in this transmission infrastructure. Any investments not amortized lead to the right of indemnity from the grantor (when established in the concession agreement), who receives the entire transmission infrastructure by the end of the concession agreement.

Until December 31, 2017, the transmission infrastructure was classified as financial asset under the scope of IFRIC 12 and measured at amortized cost. Construction and operating revenues were booked with zero margin, in addition to Revenue from compensation of the concession infrastructure based on the Internal Rate of Return ("IRR") of each project, jointly with the variation of IPCA inflation index.

Upon the effectiveness of IFRS 15 on January 1 st, 2018, the right to get a consideration for goods and services conditioned to the fulfillment of performance obligations, and not only the lapse of time, is a criterion of eligibility for transmission companies under such standard. Therefore, the considerations start being classified as a "Contract asset." Revenue related to the transmission infrastructure are calculated as follows:

(i) Recognition of Construction Revenue, based on the RAP installment related to the asset investment, which considers the construction margin according to the project's initial forecasts. Every construction margin is received during the work execution, and positive or negative variations of the construction cost are allocated immediately as income or loss at that period, when incurred. For the estimate regarding to the Construction Revenue, the Company used a model that assesses the cost of financing the client (in the case, the grantor). The rate defined for the present net value of the construction margin (and operation) is defined at the beginning of the project, and does not change subsequently, being assessed according to the client's credit risk and financing term.

(ii) Recognition of operation and maintenance revenue arising from the costs incurred and required to meet the performance obligations of operation and maintenance provided for in concession agreement, after the end of the construction phase.

(iii) Recognition of the contract asset remuneration revenue, as a financial compensation recognized, through the discount rate defined in the beginning of each project.

The infrastructure received or built for the transmission activity is recovered by means of two cash flows, namely:

(i) Part through receivables guaranteed by the grantor regarding RAP during the term of concession. The guaranteed RAP amounts are determined by the Electric System National Operator (ONS) according to the agreement and received from participants of the electric sector designated by the operator for use of the available transmission grid.

(ii) Part as indemnity for reversible assets at the end of the term of concession. This is to be received directly from the grantor or to whom it delegates this task.

d) Government Grants

Government grants are initially recognized as deferred income at fair value, when there is reasonable certainty that they will be received and that the Company will meet the grant conditions; subsequently, they are recognized in the income statement as "Other Revenues," on a systematic basis over of the useful life of the asset.

Grants intended to offset the Company for expenses incurred are booked in the income statement as "Other Income" on a systematic basis during years in which related expenses are recorded.

e) "Portion A" and other financial assets and liabilities

They refer to the assets and liabilities arising from temporary differences between approved costs by the Regulator (Portion A and other financial components) that are included in the tariff at the beginning of the tariff period, and those that are effectively incurred during the 12-month period in which that tariff is in place. This difference constitutes a right to receive whenever the costs approved and included in the tariff are lower than the costs actually incurred or an obligation when the approved costs and included in the tariff are higher than the costs actually incurred.

These amounts will be pass-through to consumers in the next tariff period (included in tariffs) or, if the concession ends with existing and unrecovered balances, these will be included in the amounts to be basis for indemnification, in case of concession termination for any reason.

f) Impairment of non-financial assets

The Company assesses, annually, whether there is an indication, such as events or changes in the economic, operating or technological circumstances of each asset or cash generating unit (CGU), that asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount, which is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable amount.

Impairment losses are recognized in the income statement and reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

A CGU is defined as the smallest identifiable group of assets generating a cash inflow regardless of cash inflow from other assets or groups of assets. The recoverable value of a CGU is defined as the higher of the value in use and the fair value deducted from sales expenses.

The value in use of an asset calculation is based on the discounted cash flow model, using a pre-tax discount rate reflecting the average weighed cost of capital of the segment in which the CGU operates. The fair value less costs of disposal calculation is based on available data from sales transactions conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

Impairment indicators are as follows:

- Observable indications of a significant reduction in the asset value;
- Technological changes of a market, economic or legal character in which the entity operates the asset;
- Increase in interest rates in the market for returns on investment affecting the discount rates used by the Company;
- Evidence of obsolescence or physical damage of an asset;
- Discontinuity or restructuring of the operations to which an asset relates to;
- Observable data indicating that the economic performance of an asset is or will be worse than expected.

For the years ended December 31, 2018, 2017 and 2016 the Company performed an impairment analysis of some of its assets for which impairment indicators were identified, however, no impairment loss was required to be recognized.

g) Assets held for sale

On November 28, 2016, the Company signed a purchase and sale agreement to dispose of its investments in: (i) Afluente Geração de Energia Eletrica S.A.; (ii) Bahia PCH I S.A.; (iii) Goiás Sul S.A.; (iv) Rio PCH I S.A.; and (v) EnergyWorks do Brasil Ltda., with Capuava Energy Ltda.

The completion of the transaction was subject to the approval of regulatory bodies such as the Administrative Council for Economic Defense (CADE), which was obtained as of December 16, 2016, and the National Agency of Electric Power (ANEEL), which was obtained on January 24, 2017.

Following the signature of the purchase and sale agreement in November 2016, the Company accounted these investments as assets held for sale as per IFRS 5, *"Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5")*.

IFRS 5 requires that assets classified as held for sale be measured at the lower of their carrying value and the fair value less costs to sell. The fair value less costs to sell of the assets held for sale was lower than their carrying amount, by R$ 73,738, which was recognized in the income statement for the year ended December 31, 2016.

On March 17, 2017 Neoenergia S.A. completed the sale of such companies, generating a positive impact in the income for the year of 2017 of R$ 13,450.

Details on assets held for sale are as follows:

Statement of financial position	Goias Sul	Rio PCH I	Bahia PCH I	Afluente G	Energy Works	Capuava	ELIMINATIONS	Total
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	434	292	65	135	77	49	-	1,052
Accounts Receivable	6,225	5,104	3,602	3,532	10,220	1,361	(5,891)	24,153
Securities	9,213	7,130	13,815	4,361	76,817	22,653	-	133,989
Recoverable taxes	33	2	99	-	4,248	446	-	4,828
Inventories	2	-	-	6	-	-	-	8
Prepaid expenses	132	107	3	49	266	10	-	567
Other current assets	74	6	106	6	1,274	-	-	1,466
TOTAL CURRENT ASSETS	***16,113***	***12,641***	***17,690***	***8,089***	***92,902***	***24,519***	***(5,891)***	***166,063***
NON-CURRENT ASSETS								
Securities	-	-	-	638	6,858	2,476	-	9,972
Recoverable taxes	2	1	-	-	1,115	23	-	1,141
Dividends receivable	-	-	-	-	2,908	-	(2,908)	-
Judicial deposits	6,860	1,503	49	144	8	-	-	8,564
Prepaid expenses	1,961	1,551	-	444	-	-	-	3,956
Concession financial assets	-	-	-	12,786	-	-	-	12,786
Other non-current assets	-	1	-	-	-	-	-	1
Investments	-	-	-	-	31,533	-	(31,533)	-
Investments in associates and subsidiaries	-	-	-	-	31,533	-	(31,533)	-
Other investments	-	-	-	-	-	-	-	-
Property, plant and equipment	274,691	209,199	198,546	-	62,298	8,068	-	752,802
Intangible assets	1,409	1,778	-	23,228	5	-	-	26,420
TOTAL NON-CURRENT ASSETS	**284,923**	**214,033**	**198,595**	**37,240**	**104,725**	**10,567**	**(34,441)**	**815,642**
TOTAL ASSETS	**301,036**	**226,674**	**216,285**	**45,329**	**197,627**	**35,086**	**(40,332)**	**981,705**

Statement of financial position	Goias Sul	Rio PCH I	Bahia PCH I	Afluente G	Energy Works	Capuava	ELIMINATIONS	Total
LIABILITIES								
CURRENT LIABILITIES								
Suppliers	3,139	940	7,146	513	7,760	107	(652)	18,953
Loans and financing	10,130	9,983	7,999	-	33,441	-	-	61,553
Debentures	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	13,184	-	-	13,184
Salaries and charges payable	-	-	-	-	782	86	-	868
Regulatory charges	10	8	5	155	-	1	-	179
Taxes payable	1,376	679	792	608	2,076	443	-	5,974
Dividends and interests on equity	8,789	22,336	17,846	162	-	2,908	(2,908)	49,133
Provisions	-	-	-	17	-	-	-	17
Other current liabilities	73	432	42	213	80	8	-	848
TOTAL CURRENT LIABILITIES	***23,517***	***34,378***	***33,830***	***1,668***	***57,323***	***3,553***	***(3,560)***	***150,709***
NON-CURRENT LIABILITIES								
Loans and financing	56,611	55,976	46,844	-	-	-	-	159,431
Regulatory charges	-	-	-	444	-	-	-	444
Provisions	8,311	6,405	-	528	7,616	-	-	22,860
Other non-current liabilities	165	1	11	28	-	-	-	205
TOTAL NON-CURRENT LIABILITIES	**65,087**	**62,382**	**46,855**	**1,000**	**7,616**	**-**	**-**	**182,940**
EQUITY								
Capital social	198,346	116,118	108,937	30,916	117,964	11,456	(11,456)	572,281
Retained earnings	14,086	13,796	25,898	11,745	14,724	14,226	(14,226)	80,249
Reserve for distribution of additional dividends	-	-	765	-	-	5,851	(5,851)	765
TOTAL EQUITY	**212,432**	**129,914**	**135,600**	**42,661**	**132,688**	**31,533**	**(31,533)**	**653,295**
TOTAL LIABILITIES AND EQUITY	**301,036**	**226,674**	**216,285**	**45,329**	**197,627**	**35,086**	**(35,093)**	**986,944**

Classified in the Statement of financial position as:

Assets held for sale	981,705
Liabilities directly associated with the assets held for sale	333,649

Income statements as of December 31, 2016:

INCOME STATEMENT	Goias Sul	Rio PCH I	Bahia PCH I	Afluente G	Energy Works	Capuava	eliminations	Total
GROSS REVENUE	44,920	42,234	39,944	37,511	71,863	17,043	-	253,515
(-) DEDUCTIONS FROM GROSS REVENUE	(1,646)	(1,542)	(1,459)	(2,116)	(12,727)	(3,717)	-	(23,207)
NET REVENUE	**43,274**	**40,692**	**38,485**	**35,395**	**59,136**	**13,326**	**-**	**230,308**
COST OF SERVICES	**(20,431)**	**(19,607)**	**(12,209)**	**(22,818)**	**(20,636)**	**(2,202)**	**-**	**(97,903)**
Electric power costs	(6,400)	(4,229)	(2,396)	(15,084)	(6,056)	-	-	(34,165)
Operating costs	(14,031)	(15,378)	(9,813)	(6,958)	(14,580)	(2,202)	-	(62,962)
Construction costs	-	-	-	(776)	-	-	-	(776)
GROSS REVENUE	**22,843**	**21,085**	**26,276**	**12,577**	**38,500**	**11,124**	**-**	**132,405**
General and administrative expenses	(1,123)	(2,031)	(1,270)	(808)	(4,304)	(80)	-	(9,616)
Equity interest result	-	-	-	-	12,718	-	(12,718)	-
Equity in the result of associates	-	-	-	-	12,718	-	(12,718)	-
OPERATING PROFIT	**21,720**	**19,054**	**25,006**	**11,769**	**46,914**	**11,044**	**(12,718)**	**122,789**
Finance income	2,380	925	3,432	1,024	35,812	3,319	-	46,892
Finance expenses	(8,605)	(9,068)	(6,480)	(186)	(29,578)	(15)	-	(53,932)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	**15,495**	**10,911**	**21,958**	**12,607**	**53,148**	**14,348**	**(12,718)**	**115,749**
Income tax and social contribution	(2,171)	(1,591)	(2,374)	(1,392)	(9,756)	(1,630)	-	(18,914)
PROFIT FOR THE YEAR	**13,324**	**9,320**	**19,584**	**11,215**	**43,392**	**12,718**	**(12,718)**	**96,835**

Statement of cash flow at December 31, 2016:

STATEMENTS OF CASH FLOW	Goiás Sul	Rio PCH I	Bahia PCH I	Afluente G	Energy Works	Capuava	Total
OPERATING CASH FLOW							
Profit before income tax and social contribution	15,495	10,911	21,958	12,607	53,148	14,348	128,467
Adjustments to reconcile profit before income tax and social contribution to net cash flows	25,238	12,408	8,580	(306)	(9,661)	(2,040)	34,219
(INCREASE) REDUCTION IN OPERATING ASSETS	(1,931)	1,421	(1,379)	(1,416)	2,540	(366)	(1,131)
(INCREASE) REDUCTION IN OPERATING LIABILITIES	(19,656)	(14,177)	(6,936)	(6,798)	(4,079)	(1,278)	(52,924)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**19,146**	**10,563**	**22,223**	**4,087**	**41,948**	**10,664**	**108,631**
GENERATION (UTILIZATION) OF CASH IN INVESTMENT ACTIVITIES	**(2,736)**	**3,429**	**15,968**	**4,653**	**(54,025)**	**(2,097)**	**(34,808)**
UTILIZATION OF CASH IN FINANCING ACTIVITIES	**(17,184)**	**(14,909)**	**(38,422)**	**(8,649)**	**12,113**	**(8,566)**	**(75,617)**
INCREASE (REDUCTION) IN CASH AND CASH EQUIVALENTS	**(774)**	**(917)**	**(231)**	**91**	**36**	**1**	**(1,794)**
Cash and cash equivalents at the beginning of the year	1,208	1,209	296	44	41	48	2,846
Cash and cash equivalents at the end of the year	434	292	65	135	77	49	1,052

h) Benefits to employees

Defined Contribution Plans

Contribution obligations to defined contribution plans are booked in the income statement as personnel expenses when related services are provided by employees. Prepaid contributions are booked as an asset to the extent that a cash refund or a reduction in future payments is possible.

Defined Benefit Plans

The Company's net obligation for defined benefit plans is calculated for each of the plans based on the estimated future benefit amount that employees will receive as a return for services rendered in the current and prior years. This amount is discounted to its present value and is presented net of the fair value of any plan assets.

The actuarial valuation of defined benefit plans is calculated by the projected unit credit method. When the calculation results in an asset for the Company, the asset to be recognized is limited to the present value of the economic benefits available in the form of future reimbursements of the plan or reduction in future contributions to the plan. To calculate the present value of the economic benefits, any applicable minimum cost requirements are taken into account. The benefit plan net asset is assessed by market values (fair value). For actuarial assessment purposes, economic and financial assumptions are discussed with independent actuaries approved by Company's Management.

i) Income Tax and Social Contribution

The current and deferred income tax and social contribution for the year are calculated based on the rates of 15%, plus an additional 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on profit for the year, and take into account the offsetting of tax losses and negative basis of social contribution, limited to 30% of the taxable income for the year.

Income tax (IRPJ) and social contribution (CSLL) expenses comprise current and deferred income and social contribution taxes. Current and deferred taxes are recognized in the income statement unless they are connected to a business combination or items directly recognized in equity or other comprehensive income.

(i) Current income tax and social contribution expenses

The current tax expense is the tax payable or receivable estimated on the taxable the income statement for the year, and any adjustment to taxes payable in respect of the previous years. The amount of current taxes payable or receivable is recognized in the Statement of financial position as a tax asset or liability for the best estimate of the expected value of the taxes to be paid or received, which reflects the uncertainties connected to its calculation, if any. It is measured based on the tax rates enacted on the Statement of financial position date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred income tax and social contribution expenses

Deferred IRPJ and CSLL are calculated on the differences between the balances of assets and liabilities of the Financial Statements and the corresponding tax bases used in the calculation of current IRPJ and CSLL. The probability of recovery of these balances is reviewed by each year-end, and, when the recoverability of future taxable bases is no longer probable, the balance of assets is reduced to the amount expected to be recovered.

j) Provisions

Provisions are booked based on a past event when there is a legal or constructive obligation that may be reliably estimated, and if it is probable that a payment would be required to settle this obligation. When applicable, provisions are calculated by discounting the expected future cash outflows at a rate that considers the current market valuations and the specific risks for the liability.

k) Expected credit risk losses

Expected credit risk losses is deemed as a sufficient value by the Management to cover the losses in the realization of accounts receivable from consumers and securities receivable, whose recovery is deemed unlikely.

The Company has policies to calculate the provision for expected losses of doubtful accounts whose methodology is based on the historical experience of actual losses.

The write-offs of receivables for losses are performed only after all administrative collection efforts are exhausted, in accordance with the terms and values defined in the tax legislation in force.

The Company initially applied IFRS 9 as of January 1st, 2018. Additional information on the Company's accounting policies connected to the expected credit risk losses and the effect of the initial application IFRS 9 are described in note 3.7. The information on the exposure of the Company to credit and market risks are included in note 27.

l) Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will be generated for the Company and can be reliably measured. Revenue is measured at the fair value of the compensation received or receivable, net of any variable considerations, such as discounts, deductions, reimbursements, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

Operating revenue is comprised of revenues from electricity supply (billed or unbilled), construction revenue and other revenues related to other services provided by Company's subsidiaries.

Revenue and respective revenue recognition of electricity distribution services are carried out in accordance with the reading schedule established by the subsidiaries. The unbilled revenue corresponds to the electric power delivered and not invoiced to the consumer, and is calculated on an estimated basis, up to the Statement of financial position date. This unbilled revenue estimate is calculated based on the total volume of energy available in the month and the annualized technical and commercial losses index.

Subsidiaries account revenues and costs related to construction services or infrastructure improvement used to provide electricity distribution and transmission services.

The records of operations of purchase and sale of energy in CCEE are recognized on accrual basis according to the information disclosed by said entity or by estimate by the Company's Management.

The Company adopts the following assumptions for the sale of power in CCEE, the forecast of the generation plant's measurement accessed on CCEE power data collection system, the forecast of the internal loss based on the history, and loss of the conservative basic network by 3%, purchase and sale agreements defined in the short run, in addition to those in effect at the time, value of the spot energy price (PLD, realized and forecasted) disclosed by CCEE and the preview of GSF according to the information made available by ONS (National System Operator).

The Company initially applied IFRS 15 as of January 1st, 2018. Additional information on the Company's accounting policies connected to contracts with customers and the effect of the initial application of IFRS 15 are described in note 3.7.

m) Financial revenues and expenses

Interest income and expense are recognized in the income statement using the effective interest method or FVTPL depending on the corresponding asset or liability classification under IFRS 9 categories.

The Company classifies interests received from cash investments as cash flows from investing activities.

n) Transactions in Foreign Currency

Transactions in foreign currency are tranlated to the Company's respective functional currencies by the exchange rates on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated to the functional currency at the exchange rate on that date. Foreign currency differences resulting from translation are booked in the income statement.

o) Business Combination

Business combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated by the sum of the fair values of assets transferred by the Company, of the liabilities incurred on the date of acquisition and due to the controlling shareholders of the acquiree and the shares issued in exchange for control of the acquiree.

The assets and liabilities of a subsidiary are measured at their fair value at the acquisition date. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. In cases where the acquisition cost is less than the fair value of the net assets identified, the difference is recorded as a gain in the income statement for the year in which the acquisition occurs.

Transaction costs, other than those associated with the issuance of debt or equity interest, which the Company incurs in connection with a business combination, are recognized as expenses as incurred.

p) Information by Segment

An operating segment is a component of the Company (i) which has operating activities through which it generates revenues and incurs expenses, (ii) whose operating results are regularly reviewed by the Chief Operating Decision Maker on resource allocation and segment performance evaluation, and (iii) for which there is individualized financial information.

The Company's Management grounds on reports its strategic decision-making, breaking down its business in (i) activities of distribution and transmission of electric power ("Networks"); (ii) activities of generation of thermal power and activities of power trading ("Liberalized"); (iii) activities of generation of electric power by wind power and hydraulic sources ("Renewable") and (iv) back-office and operation support activities and others ("Others").

3.7. Main Changes to Accounting Policies

I - IFRS 15 - Revenue from Contracts with Customers

The Company started applying IFRS 15 using the cumulative effect method, with initial application on January 1, 2018. As a result, the Company will not apply the requirements of the standard to the comparative years presented.

The standard establishes that the Company should recognize its revenues in the best to reflect the transfer of goods or services provided to customers at an amount that reflects the consideration that the Company expects to be entitled in exchange for such goods or services. Therefore, Revenue should be booked net of variable consideration. Any discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items are classified based on the standard as a variable consideration.

The Company is supervised by ANEEL in several aspects in the supply of electricity to customers. One of these aspects is the quality of service and product offered to consumers. The quality of the services provided includes the assessment of interruptions in the electricity supply. Individual Interruption Duration per consumer unit (DIC), Individual Interruption Frequency per consumer unit (FIC), Maximum continious interruption per consumer unit (DMIC) and Duration of the interruption occurred on critical day per consumer unit or connection spot (DICRI) are individual continuity indicators stand out with respect to the category of quality of service. The information related to the performance indicators and their accounting impact after the application of IFRS 15 is as follows:

Type of Product / Service	Nature and time of satisfaction of performance obligations, including significant repayment terms	Recognition of revenue according to IFRS 15 (applicable as of January 1, 2018)	Recognition of Revenue under IAS 18 (applicable before January 1, 2018)
Revenue from the Use of Distribution Network (TUSD)	Indicators of Continuance of Individual Services. If the indicators are not met, the Company has to pay the clients, by means of the penalties that are discounted from the energy consumption bill.	Revenue should be booked net of variable consideration. Therefore, penalties should be accounted for as a reduction of Revenue from the Use of Distribution Network (TUSD).	Revenue should be recognized at fair value, deducing any commercial discounts and/or bonuses. Therefore, the penalties were accounted for as operating expense.

The standard also establishes that the Company may only account for the effects of a contract with a customer when it is probable that it will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred. Contracts entered into with clients that have a long history of default and that for several reasons are not with the power supply suspended did not have their respective revenues booked.

The standard also demands that the right to receiving consideration for goods and services transferred to a client should be classified as a contract asset when such right is conditioned to the fulfillment of performance obligations, and not only the lapse of time. This classification is applicable to transmission companies that, even though they have completed the performance obligation related to the construction of their transmission infrastructures, have the right to receive consideration due to the fulfillment of two other performance obligations: to maintain and operate the transmission infrastructure built.

Table below sums up the impact, net of taxes, of the transition to IFRS 15 on retained earnings on January 1st, 2018:

In Thousand R$	Impact of the application of IFRS 15 on January 1st, 2018
Retained Earnings	
Contract asset	191,280
Interests Payable	(382)
Related Income Tax and Social Contribution	(12,623)
Impact on January 1st, 2018 Consolidated	**178,275**

The following tables summarize the impacts of applying IFRS15 on the company's statement of financial position as of December 31, 2018 and in the income statement for the year then ended on each of the lines impacted. There was no significant impact in the cash flow statement of the Company for the fiscal year ending as of December 31, 2018.

As detailed in item 3.6.c, there is also a statement of financial position impact on distribution companies, once their infraestructure expansion and improvement works are in progress, the standard requires the classification of such amounts as contract asset, until the works are completely done. Only then, the financial and intangible assets are calculated. As a consequence, there is a reclassification between lines in noncurrent assets as shown below.

Statement of financial position	2018 (as currently presented)	Ref.	Adjustments	2018 (as previous reported without IFRS15 adoption)
Current Assets				
Concession of Public Utilities (Financial Asset)	-	**(a)**	59,057	59,057
Concession of Public Utilities (Contract asset)	51,901	**(a)**	(51,901)	-
Other Not Impacted Current Assets	11,445,565		-	11,445,565
Total Current Assets	**11,497,466**		**7,156**	**11,504,622**
Noncurrent Assets				
Concession of Public Utilities (Financial Asset)	9,255,797	**(a)**	511,975	9,767,772
Concession of Public Utilities (Contract asset)	4,312,815	**(a)**	(4,312,815)	-
Intangible	9,330,390	**(a)**	3,568,391	12,898,781
Other Not Impacted Noncurrent Assets	12.168.010		-	12.168.010
Total Noncurrent Assets	**35,067,012**		**(232,449)**	**34,834,563**
Total Assets	**46,564,478**		**(225,293)**	**46,339,185**
Current Liabilities				
Other Not Impacted Current Liabilities	8,030,288		-	8,030,288
Total Current liabilities	**8,030,288**		**-**	**8,030,288**
Noncurrent Liability				
Deferred Income Tax and Contribution	116,544	**(b)**	(16,451)	100,093
Other Noncurrent Liabilities	344,794		(10,316)	334,478
Other Not Impacted Noncurrent Liabilities	20,496,057		-	20,496,057
Total Noncurrent Liabilities	**20,957,395**		**(26,767)**	**20,930,628**
Stockholder's Equity				
Unrealized Retained Earnings	234,351	**(c)**	(161,305)	73,046
Retained earnings reserve	5,772,610	**(c)**	(19,560)	5,753,050
Other Not Impacted Stockholders' Equity Items	11,246,816		-	11,246,816
Total Stockholders' Equity before Non-Controlling Shareholders' Interests	**17,253,777**		**(180,865)**	**17,072,912**
Attributable to Interest of Non-controlling Shareholders	323,018		(17,662)	305,356
Total Liabilities and Stockholder's Equity	**46,564,478**		**(225,294)**	**46,339,184**

(a) Application of IFRS15 that defines the concession assets of the energy transmission companies as contract assets (please refer to note 3.6.c);
(b) Impact of Deferred Taxes on the Application of Contract asset;
(c) The effect of adjustments was reflected in the shareholders' equity.

The impacts of the application of IFRS 15 in the Income Statement as of December 31, 2018 are presented below:

	Ref.	Balance currently presented in 2018	IFRS 15 Adjustments	Balances previous reported without IFRS15 adoption
Net Revenue	(a)/(d)/(e)	25,953,659	72,719	25,880,940
Service cost	(b)/(e)	(20,877,786)	(83,770)	(20,794,016)
Expenses with Sales	(b)/(d)	(570,089)	(18,930)	(551,159)
Other General and Administrative Revenues/(Expenses)		(1,115,157)	2,812	(1,117,969)
Equity interest		(120,741)	-	(120,741)
Financial Income		(1,168,966)	-	(1,168,966)
Income Tax and Social Contribution	(c)	(506,969)	6,920	(513,889)
Profit for the Year		**1,593,951**	**(20,249)**	**1,614,200**
Attributable to				
Controlling shareholders		1,536,330	(19,560)	1,555,890
Non-controlling shareholders		57,621	(689)	58,310

(a) Higher amount of financial income due to an increase in the contract asset base, on which the financial compensation is calculated.
(b) Reversal of the write-off amount, partially offset by the reversal of construction cost/revenue.
(c) Impact of Deferred Taxes on the Application of Contract asset;
(d) Total amount of unrecognized revenue from contracts with customers with a long history of default.
(e) Total amount of penalties accounted for as a reduction of TUSD.

II - IFRS 9 - Financial Instruments

The Company started applying IFRS 9 with initial application as of January 1st, 2018, using the exemption, which does not require it to restate comparative information from prior years, in connection with changes in the classification and measurement of financial instruments, including expected credit losses. Any differences in the accounting balances of financial assets and liabilities resulting from the initial application of IFRS 9 were recognized in retained earnings.

- Classification and Measurement - Financial Assets and Liabilities

IFRS 9 includes three main classification categories for financial assets: (i) measured at amortized cost, (ii) measured at fair value through other comprehensive income (FVOCI) and (iii) at fair value through the income statement (FVTPL). The standard eliminates existing IAS 39 categories.

The new classification requirements had no impact on the measurement of the Company's financial assets and liabilities, as shown below, and therefore there was no significant impact on the accounting information.

Statement of financial position	IAS 39 Classification	IFRS 9 Classification	Balances as of January 1st, 2018
(Current/ Non-current) Financial Assets			
Cash and Cash Equivalents - Financial Investments	Amortized Cost	Amortized Cost	584,905
Securities - Financial Investments	Held to Maturity	Amortized Cost	10,778
Accounts receivable and other receivables	Loans and Receivables	Amortized Cost	5,236,975
Concession of Public Utilities - Indemnity	Available for Sale	FVTPL	7,572,548
"Portion A" and Other Financial Items	Loans and Receivables	Amortized Cost	726,423
Cash and Cash Equivalents - Investment Funds Quotas	FVTPL	FVTPL	3,271,415
Securities - Investment Funds Quotas	FVTPL	FVTPL	9,036
Derivative financial instruments	FVTPL	FVTPL	976,659
Total Financial Assets			18,388,739
(Current/Non-current) Financial Liabilities			
Suppliers	Amortized Cost	Amortized Cost	3,324,055
Loans and Financing	Amortized Cost	Amortized Cost	6,233,755
Debentures	Amortized Cost	Amortized Cost	4,826,390
Loans and Financing	FVTPL	FVTPL	7,005,399
Debentures	FVTPL	FVTPL	248,686
Derivative financial instruments	FVTPL	FVTPL	43,833
Derivative financial instruments - Non-deliverable forwards (NDF)	FVOCI	FVOCI	4,352
Total Financial Liabilities			21,686,470

- Hedge Accounting

On the initial application of IFRS 9, the Company may choose as the accounting policy to continue to applying the hedge accounting requirements of IAS 39 or to apply the new requirements of IFRS 9.

The new requirements of IFRS 9 established a less restrictive hedge model, requiring an economic relation between the hedged item and the hedging instrument, where the hedge ratio is the same as that applied by the entity for risk management.

The Company already used hedge accounting for foreign currency differences between the functional currency of the foreign operation and the parent company's functional currency (Brazilian Reais), in derivative contracts to hedge the variability of cash flows arising from changes in loan exchange rates. The application of this standard did not generate any impact for the Company.

- Impairment - Financial Assets and Contract asset s

IFRS 9 replaces the "Incurred losses" model in IAS 39 with a prospective "expected credit loss" model. The new expected loss model applies to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments and contract assets. The provisions for expected credit losses were measured based on the expected credit losses for the whole period, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

Estimated losses were calculated based on the actual experience of credit loss over the last years. The Company calculated the loss rates separately for each customer segment (residential, industrial, commercial, rural and public sector). Additionally, where applicable, changes in credit risk were considered, in accordance with the external credit assessments made public.

(i) Initial application of IFRS 9 on 01/01/2018 - Differences recognized in retained earnings

In Thousand R$	Additional Impairment
Accounts receivable from clients and other accounts receivable	44,342
Other Assets	33,751
Deferred Taxes	(14,917)
Impact on January 1st, 2018 Consolidated	**63,176**
Attributable to Interest of Non-controlling Shareholders	(2,679)

The impacts of the application of IFRS 9 in the Income Statement as of December 31, 2018 are presented below:

	Balance currently presented in 2018	IFRS 9 Adjustments	Balances previous reported without IFRS15 adoption
Net Revenue	25,953,659	(15,192)	25,938,467
Service cost	(20,877,786)	-	(20,877,786)
Expenses with Sales	(570,089)	-	(570,089)
General and Administrative Expenses	(1,115,157)	-	(1,115,157)
Equity holders of the parent	(120,741)	-	(120,741)
Financial Income	(1,168,966)	-	(1,168,966)
Income Tax and Social Contribution	(506,969)	-	(506,969)
Profit for the Year	**1,593,951**	**(15,192)**	**1,578,759**

III - Other Changes:

The following amended standards and interpretations did not lead to significant impact on the Company's financial statements:

- Changes to IFRS 2 - Share-based payment connected to the classification and measurement of certain share-based payment transactions.

- Changes to IFRS 4 (Insurance Contracts) for adjustment to the application of IFRS 9 (Financial Instruments).

- Transfers of Investment Property (Amendments to IAS 40).

- Cycle of annual improvements for IFRS 2014-2016 - Amendments to IFRS 1 and IAS 28.

- Changes to IFRS 10 Restated Statements and and IAS 28 - Investments in Affiliated Companies connected to sales or contributions of assets between an investor and its affiliated company or its jointly controlled enterprise.

- IFRIC 22 Transactions in foreign currency and prepayment.

3.8. New standards and interpretations and effective in future periods

A number of new standards or changes in standards and interpretations will be effective for years beginning on or after January 1, 2019. The Company has not adopted these changes in this financial statements and does not adopt them in advance.

(i) IFRS 16 Leases

The standard is effective for annual years beginning on or after January 1, 2019. Early application is allowed only for financial statements in accordance with IFRS standards, and only for companies applying IFRS 15 Revenue of Contracts with Clients on or before the date of initial application of IFRS 16.

IFRS 16 introduces a single model for the accounting of leases in the Statement of financial position for lessees. A lessee recognizes a right of use an asset that represents his right to use the leased asset and a lease liability that represents his obligation to make lease payments. Exemptions are available for short-term leases and low value items. The lessor's accounting remains similar to the current standard, i.e., lessors continue to classify the leases as financial or operating.

The Company assessed the impact on its financial statements, considering, as for the impact of the application of IFRS 16 on the financial statements in the initial period of application, the economic conditions as of January 1, 2019, including the Company's indebtedness rate, the composition of the Company's leasing portfolio, and the Company's intention to exercise any leasing renewal options. The Company has chosen to use the practical transition established under IFRS 16, which implies the retrospective modified application with optional practical expedients of the adjustments promoted by said standard, which stands as the non-restatement of balances in the subsequent financial statements to be published, evidencing in explanatory notes the impacts of adoption on the balances as of January 1, 2019. In accordance with IFRS 16, the Company has also chosen to adopt recognition exemptions for short-term leases with no purchase option and estimated renewals, as well as for low value items.

The most significant impacts identified by the adoption of IFRS 16 in the Company's assets and liabilities were the following operating leases:

(a) Non-residential real estate leases for the installation of agencies and distribution centers.
(b) Land in which Hydro Power Plant (HPP) Termopernambuco S.A. was built; and
(c) Lands in which assessments about the potential construction of wind farms are under analysis.

Additionally, IFRS 16 replaces the operating lease linear expense with a cost of depreciation of assets object of use rights of these contracts and interest expense on lease obligations at the effective raising rates at the time of contracting of such transactions.

The Company does not expect that the adoption of IFRS 16 will not impact its ability to comply with the covenants, whose maximum leverage thresholds for the loans are described in explanatory note 16.1.

The Company is evaluating the impacts of adopting this new standard for application of the requirements of IFRS 16 on January 1st, 2019, resulting in the following initial impact:

	Balances as of January 1st, 2019	
In Thousand R$	**Asset**	**Liability**
Right of Use Assets	80,772	-
Obligations per Operating Leases	-	80,772

(ii) IFRIC 23 - Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about income tax treatments on profit. In this circumstance, the entity should recognize and measure its current or deferred tax asset or liability, applying the requirements of IAS 12, based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and certain tax rates, applying this Interpretation.

The Company is evaluating the impacts of adopting this new standard.

(iii) Other Changes

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

Technical Pronouncement / Interpretation	**Purpose of Changes**	**Effectiveness as of**
Cycle of annual improvements for IFRS 2015-2017 - Amendments to several accounting pronouncements.	● Changes related to the issuance of IFRS 16; ● Changes to long-term interests in affiliates, subsidiaries, and joint ventures; ● Changes to IAS 19 as a result of change, reduction or settlement of plan; ● Transition for resources of advanced payment with negative offsetting; ● Annual changes performed by the IASB of the 2015 - 2017 Improvement Cycle.	January 1st, 2019
(IAS 26 - Accounting and Reporting by Retirement Benefit Plans)	This technical pronouncement establishes the principles applied for the financial statements of pension benefit plans. Retirement benefit plans are sometimes referred to by several other names, such as "pension benefit plans," "pension plans," "retirement plans," or "retirement benefit plans." This pronouncement considers a retirement benefits plan as the separate reporting entity of the plan's participants/employers. All other pronouncements issued by the IASB apply to the financial statements of retirement benefit plans to the extent they are not superseded by this pronouncement.	January 1st, 2019
IFRS 9 - Financial Instruments	Changes to the technical pronouncement for inclusion of provisions about prepayment resources with negative offsetting.	January 1st, 2019
IAS 28 - Investments in Associates and Joint Ventures	Changes to the technical pronouncement for inclusion of provisions about long-term interests in affiliates and joint ventures.	January 1st, 2019

Technical Pronouncement / Interpretation	Purpose of Changes	Effectiveness as of
IAS 19 - Employee Benefits	Changes to the technical pronouncement for inclusion of provisions about the change of the Plan, provisionionings/reductions or settlement.	January 1st, 2019
Conceptual Framework in IFRS Standards	Amendments for adjustment of the references of Conceptual Framework in IFRS Standards.	January 1st, 2019
IFRS 10 - Consolidated Financial Statements e IAS 28 -Investments in Associates and Joint Ventures	Changes to technical pronouncements for inclusion of provisions about the sale or contribution with assets between an investor and its affiliate or joint venture.	Available for optional adoption. Effective date for application indefinitely postponed.

4. Balances Restatement

The Company's financial statements for years ended December 31, 2018, 2017 and 2016 were restated in order to provide comparable and more relevant information about the effects of some transactions, as disclosed below.

The restatements were classified in the following categories:

- Change in accounting policies;
- Error.

The reclassifications performed did not impact Shareholders' Equity and Profit for the year in any of the years presented.

The individual and consolidated financial statements as of and for the year ended December 31, 2018, originally filed at CVM on February 14, 2019, December 31, 2017 originally filed at CVM on February 14, 2018 and the individual and consolidated financial statements as of and for the year ended December 31, 2016, originally filed at CVM on February 22, 2017 are being restated in order to reflect the adjustments and reclassifications arising from following matters described below:

The consolidated financial statements for the year ended December 31, 2016 originally issued on November 23, 2017 has also being restated due to the same matters.

4.1.a. Statement of financial position as of December 31, 2018

Statement of financial position	2018 (As previously reported)	Ref.	Adjustments	2018 (As Restated)
Current Assets				
Other Not Impacted Current Assets	11,497,466		-	11,497,466
Total current assets	**11,497,466**		**-**	**11,497,466**
Non-current assets				
Concession contract assets	744.424	**(a)**	3.568.391	4.312.815
Intangible	12.898.781	**(a)**	(3.568.391)	9.330.390
Other Not Impacted non-Current Assets	21,423,807		-	21,423,807
Total non-current assets	**35,067,012**			**35.067.012**
Total assets	**46,564,478**			**46,564,478**
Current liabilities				
Other Not Impacted current liabilities	8,030,288		-	8,030,288
Total current liabilities	**8,030,288**		**-**	**8,030,288**
Non-current liabilities				
Other Not Impacted non-current liabilities	20,957,395		-	20,957,395
Total non-current liabilities	**20,957,395**		**-**	**20,957,395**
Equity				
Other Not Impacted Equity	**17,253,777**		**-**	**17,253,777**
Total Equity	**17,253,777**		**-**	**17,253,777**
Equity attributable to equity holders of the parent	323,018			**323,018**
Total Liabilities and Equity	**46,564,478**			**46,564,478**

(a) IFRS15 Implementation (see note 3.6.c): reclassification of distribution system ongoing investments in expansions or improvements from intangible asset in progress to contract asset. This adjustment is classified as correction of error.

4.1.b. Income Statement as of December 31, 2018

		Consolidated		
Income Statement	**Ref**	**2018**	**Adjustements**	**2018**
Net Revenue		**25,953,659**	**-**	**25,953,659**
Operating Costs		(20,877,786)	-	(20,877,786)
Gross Profit		**5,075,873**	**-**	**5,075,873**
Provision for expected losses of doubtful accounts	**(a)**	-	(274,400)	(274,400)
Sales expenses	**(a)**	(570,089)	(264,117)	(305,972)
General and administrative expenses	**(a)**	(1,115,157)	(10,283)	(1,104,874)
Equity Earnings		(120,741)	-	(120,741)
Operating Profit		**3,269,886**	**-**	**3,269,886**
Financial income		6,123,717	-	6,123,717
Financial expenses		(7,292,683)	-	(7,292,683)
Profit before taxes		**2,100,920**	**-**	**2,100,920**
Income tax and social contribution expense		(506,969)	-	(506,969)
Profit for the year		**1,593,951**	**-**	**1,593,951**

(a) Reclassification of expected credit risk losses, previously classified under Sales /Expenses R$ 264,117 and Other general and administrative income/expenses R$ 10,283 to a new group in the income statement, as recommended by CPC 26. This adjustment is classified as correction of error.

4.1.c. Statement of cash flows as of December 31, 2018

Cash Flow Statement	**Ref.**	**2018** (As previously reported)	**Adjustments**	**2018** (As Restated)
Profit for the Year		**1,593,951**	**-**	**1,593,951**
Adjustments to reconcile profit before income tax and social contribution to net cash flows:				
Reduction (increase) in operating assets		620,349	-	620,349
Increase (reduction) in operating liabilities		(3,256,844)	-	(3,256,844)
Net cash flows from operating activities		**1,328,445**	**-**	**1,328,445**
Net cash flows used in investing activities		**(4,372,826)**	**-**	**(4,372,826)**
Acquisition of intangible assets	**(a)**	(3,587,854)	3,586,740	(1,114)
Concession financial assets	**(a)**	(152,616)	(3,586,740)	(3,739,356)
Other Not impacted activities		(632,356)	-	(632,356)
Net cash flows used in investing activities		**3,121,622**	**-**	**3,121,622**
Net increase (decrease) in cash and cash equivalents		**77,241**	**-**	**77,241**

(a) IFRS15 Implementation (see note 3.6.c): reclassification of distribution system ongoing investments in expansions or improvements from intangible asset in progress to contract asset. This adjustment is classified as correction of error.

4.2.a. Statement of financial position as of December 31, 2017

Statement of financial position	Ref.	2017 (As previously reported)	Adjustments	2017 (As Restated)
Current Assets				
Cash and Cash Equivalents	**(e)**	3,856,320	114	3,856,434
Accounts Receivable and other receivables	**(a)/(f)/(g)/(h)/(i)**	4,866,182	56,770	4,922,952
Securities	**(e)**	16,817	(116)	16,701
Recoverable taxes and social contributions	**(j)**	572,393	157	572,550
Inventory	**(m)**	40,799	(40,799)	-
Prepaid Expenses	**(l)**	55,391	24,908	80,299
Post-Employment Benefits	**(b)**	19,894	(19,894)	-
Other Impacted Current Assets	**(a)/(b)/(f)/(g)/(l)/(m)**	344,678	10,130	354,808
Other Not Impacted Current Assets		1,202,984	-	1,202,984
Total Current Assets		**10,975,458**	**31,270**	**11,006,728**
Non-current Assets				
Post-Employment Benefits	**(b)**	33,296	(20,231)	13,065
Other Noncurrent Assets	**(b)**	72,030	20,231	92,261
Other Not Impacted Noncurrent Assets		31,033,715	-	31,033,715
Total Non-current Assets		31,139,041	-	31,139,041
Total Assets		**42,114,499**	**31,270**	**42,145,769**
Current liabilities				
Suppliers	**(c)**	3,223,571	(2,486)	3,221,085
Loans and financing	**(k)**	5,138,564	8	5,138,572
Debentures	**(d)**	955,289	31,894	987,183
Derivative financial instruments	**(k)**	31,665	(8)	31,657
Regulatory Charges	**(h)**	428,675	27,615	456,290
Taxes payable and social contribution	**(j)**	876,121	157	876,278
Other Impacted Current Liabilities	**(c)/(i)**	601,491	5,984	607,475
Other Not Impacted Current Liabilities		620,463	-	620,463
Total Current liabilities		11,875,839	63,164	11,939,003
Non-current Liability				
Debentures	**(d)**	4,119,787	(31,894)	4,087,893
Other Not Impacted Noncurrent Liabilities		10,510,519	-	10,510,519
Total Non-current Liabilities		14,630,306	(31,894)	14,598,412
Total Stockholders' Equity before Non-Controlling Shareholders' Interests		15,379,053	-	15,379,053
Attributable to Interest of Non-controlling Shareholders		229,301	-	229,301
Total Stockholder's Equity		15,608,354	-	15,608,354
Total Liabilities and Stockholder's Equity		**42,114,499**	**31,270**	**42,145,769**

(a) Reclassification of the special rebate check balances that were accounted as Other Current Assets to Accounts Receivable from Customers and Other, amounting R$ 1,300. This adjustment is classified as correction of error.
(b) Reclassification of the balances receivable from Private Pension entities that were accounted as Post-Employment Benefit to Other Current Assets, in the amount of R$ 19,894, and to Other Noncurrent Assets, amounting R$ 20,231. This adjustment is classified as correction of error.
(c) Reclassification of R$ 2,486 from Suppliers to Other Current Liabilities. This adjustment is classified as correction of error.
(d) Reclassification of Debentures from long term to short term: R$ 31,894. This adjustment is classified as correction of error.
(e) Reclassification of accounts with immediate liquidity from short-term Securities to Cash and cash equivalents amounting to R$ 116. This adjustment is classified as correction of error.
(f) Reclassification of R$ 14,088 related to CCRBT - Centralizing Account of Tariff Flag Resources, from Other assets to Accounts receivable. This adjustment is classified as correction of error.
(g) Reclassification of R$ 10,265 related to service invoiced, from Other assets to Accounts Receivable. This adjustment is classified as correction of error.
(h) Reclassification of R$ 27,615 related to CDE - Unbilled Tariff Flag, from Accounts Receivable to Regulatory charges. This adjustment is classified as correction of error.
(i) Reclassification of R$ 3,502 related tol billing adjustments, from Accounts receivable to Other liabilities. This adjustment is classified as correction of error.
(j) Reclassification of R$ 157 of social contribution payable, from Recoverable taxes to Taxes payable. This adjustment is classified as correction of error.

(k) Reclassification of debt charges, from Derivatives to Loans and financing: R$ 8. This adjustment is classified as correction of error.
(l) Reclassification of R$ 24,908 from Other current assets to Prepaid expenses. This adjustment is classified as correction of error.
(m) Reclassification from Inventories to Other Current Assets: R$ 40,799. This adjustment is classified as a change in accounting policy

4.2.b. Income Statement as of December 31, 2017

Income Statement	Ref	2017 (As previously reported)	Adjustements	2017 (As Restated)
Gross Revenues	(a)	29,705,905	(157,036)	29,548,869
(-) Revenue Deductions	(a)/(e)/(f)/(g)/(h)/(i)	(9,188,386)	147,587	(9,040,799)
Net Revenue		**20,517,519**	**(9,449)**	**20,508,070**
Cost of Services		**(16,958,857)**	**69,175**	**(16,889,682)**
Electric power costs	(g)/(h)	(11,126,824)	7,207	(11,119,617)
Operating Costs	(b)/(i)/(j)/(k)/(l)	(3,263,442)	61,968	(3,201,474)
Constructions Costs		(2,568,591)	-	(2,568,591)
Gross Profit		**3,558,662**	**59,688**	**3,618,388**
Expected credit risk loss	(b)	-	(197,682)	(197,682)
Sales expenses	(b)/(k)/(l)	(527,344)	152.638	(374,706)
General and administrative expenses	(c)/(f)/(j)	(710,861)	(6,273)	(717,134)
Equity Earnings		(205,081)	-	(205,081)
Operating Profit		**2,115,376**	**8,409**	**2,123,785**
Financial Income	(c)/(d)/(e)/(l)	2,307,956	484,129	2,792,085
Financial Expenses	(d)	(3,693,811)	(492,538)	(4,186,349)
Profit before taxes		**729,521**	-	**729,521**
Income tax and social contribution expense		(277,992)	-	(277,992)
Profit for the year		**451,529**	**-**	**451,529**

(a) Reclassification of R$ 157,036 related to Tariff Flags from Regulatory Charge to Portion A and other financial items (between lines in Net Revenues). This adjustment is classified as correction of error.
(b) Reclassification of the expected credit risk loss, previously classified under operating cost items R$ 38 and sales expenses of R$ 197,644 for a specif account in the income statement, as required by standard IAS 1. This adjustment is classified as correction of error.
(c) Reclassification of R$ 8,004 of penalty from delayed payments charged from consumers from Financial income to General and administrative expenses. This adjustment is classified as correction of error.
(d) Reclassification of R$ 492,538 between Financial Income and Financial expenses related to financial instruments, monetary indexation, exchange rate changes, and debt charges. This adjustment is classified as correction of error.
(e) Reclassification of R$ 1,726 between interests, fees and interest from delayed payments. This adjustment is classified as correction of error.
(f) Reclassification of R$ 4,624 related to VAT (ICMS) on materials from Revenue deductions to Materials expenses (Other General and Administrative Revenues/Expenses). This adjustment is classified as correction of error.
(g) Reclassification of R$ 17,114 related to Consumer charges - PROINFA, segregation of electricity costs between captive and free market, from Costs of service to Revenue deductions. This adjustment is classified as correction of error.
(h) Reclassification of R$ 9.907 related to Consumer charges - PROINFA, segregation of electricity costs between captive and free market, from Revenue deductions to Costs of service. This adjustment is classified as correction of error.
(i) Reclassification of Electric Power Service Inspection Fee (TFSEE) and financial compensation of water resources (CFURH) from Cost of service to Revenue deduction in the amount of R$ 5,781 and R$ 2,901, respectively. This adjustment is classified as correction of error.
(j) Reclassification from Other operating expenses - Service costs loss to Other General and Administrative Revenues/Expenses: R$ 9,653. This adjustment is classified as correction of error.
(k) Reclassification from Operating cost to Sales expense: R$ 20,605. This adjustment is classified as correction of error.
(l) Reclassification from Financial Income to Operating cost: R$ 1,333. This adjustment is classified as correction of error.

4.2.c. Statement of cash flows as of December 31, 2017

Cash Flow Statement	Ref.	2017 (As previously reported)	Adjustments	2017 (As Restated)
Profit before income tax and social contribution	**(a)**	729,521	(729,521)	-
Profit for the year	**(a)**	-	451,529	451,529
Adjustments to reconcile profit to cash from operating activities	**(a)/(b)/(h)/(j)/(k)**	1,989,883	223,354	2,213,237
Decrease (Increase) in Operating Assets	**(c)/(e)/(g)/(h)/(i)/(l)/(m)**	(1,314,746)	49,367	(1,265,379)
Increase (Decrease) in Operating Liabilities	**(a)/(c)/(d)/(e)/(g)/(i)/(j)**	(789,126)	84,101	(705,025)
Net cash flows from operating activities		615,532	78,830	694,362
Net cash flows used in investing activities		(969,080)	1	(969,079)
Financing activities				
Utilization of cash in financing activities	**(b)/(d)/(f)/(k)/(m)**	3,828,933	(78,717)	3,750,216
Net Increase (decrease) in cash and cash equivalents		**3,475,385**	**114**	**3,475,499**

(a) The Company changed its statement of cash flows' preparation policy, defining to start the presentation of the statement from the Profit for the Year and no longer from Profit before Income Taxes and Social Contribution, as originally presented. This adjustment is classified as change in accounting policy and is being carried out retrospectively to enable the comparability of the financial statements, in the amount of R$ 277,992.

(b) Reclassification of balances of Guarantee deposits from cash flow from Operating Activities to cash flow from Financing Activities, in the amount of R$ 546. This adjustment is classified as correction of error.

(c) Reclassification of taxes between assets and liabilities for a better presentation, in the amount of R$ 9,303. This adjustment is classified as correction of error.

(d) Reclassification of payment of debt's cost issuance, from Amortization of principal of loans and financing and debentures (cash flow from Financing Activities) to Debt and derivative charges paid and settlement of derivative financial instruments (cash flow from Operating Activities), in the amount of R$ 19,072. This adjustment is classified as correction of error.

(e) Reclassification of the Selic interest on taxes and contributions recoverable to taxes payable (cash flow from Operating Activities), in the amount of R$ 3,042. This adjustment is classified as correction of error.

(f) Reclassification of Debt charges, in the amount of R$ 864. This adjustment is classified as correction of error.

(g) Reclassification of taxes between assets and liabilities for a better presentation, in the amount of R$ 383. This adjustment is classified as correction of error.

(h) Reclassification of billing adjustments to be returned to customers, revenue recovery and monetary indexation from "Adjustments to Reconcile Profit to Cash from Operating Activities" to "Reduction (Increase) in Operating Assets" in the amount of R$ 28,337, classified as correction of error.

(i) Reclassification of CDE - Unbilled Tariff Flag, from Accounts receivable to Regulatory charges, being the effect between lines of current assets and liabilities in the amount of R$ 27,615. This adjustment is classified as correction of error.

(j) Reclassification of R$ 16,034 of financial instruments from change in "Operating Liabilities" to "Adjustments to Reconcile Profit to Cash from Operating Activities". This adjustment is classified as correction of error.

(k) Reclassification of Interest from Loans Capitalized (JOA) from "Adjustments to Reconcile Profit to Cash" from "Operating Activities" to "Financing Activity" in the amount of R$ 5,968. This adjustment is classified as correction of error.

(l) Reclassification of Immediate liquidity accounts from Investment activity to Cash and cash equivalents, in the amount of R$ 116. This adjustment is classified as correction of error.

(m) Reclassification of Escrow funds from "Reduction/(Increase) in Operating Assets" to Guarantee deposits in "Financing Activities", in the amount of R$ 65,748. This adjustment is classified as change in accounting policy

4.3.a. Statement of financial position as of December 31, 2016

Statement of financial position	Ref.	2016 (As previously reported)	Adjustments	(As Restated)
Current Assets				
Post-Employment Benefits	**(a)**	17,632	(1,632)	16,000
Inventory	**(b)**	27,160	(27,160)	-
Other Current Assets	**(a)/(b)**	95,659	28,792	124,451
Other Not Impacted Current Assets		6,146,433	-	6,146,433
Total Current Assets		**6,286,884**	**-**	**6,286,884**
Non-current Assets				
Post-Employment Benefits	**(a)**	28,683	(8,231)	20,452
Other non-current assets	**(a)**	34,321	8,231	42,552
Other non-adjusted non-current assets		21,617,516	-	21,617,516
Total Non-current Assets		**21,680,520**	**-**	**21,680,520**
			-	
Total Assets		**27,967,404**	**-**	**27,967,404**
Current liabilities				
Other Not Impacted Current Liabilities		8,266,650	-	8,266,650
Total Current liabilities		**8,266,650**	**-**	**8,266,650**
Non-current Liability				
Other Not Impacted Non-current liabilities		10,480,989	-	10,480,989
Total Non-current Liabilities		**10,480,989**	**-**	**10,480,989**
Total Stockholders' Equity before Non-Controlling Shareholders' Interests				
Other Not Impacted Accounts of the equity		8,705,816	-	8,705,816
Equity attributable to equity holders of the parent		8,705,816	-	8,705,816
Non-controlling interests		513,949	-	513,949
Total Stockholder's Equity		**9,219,765**	**-**	**9,219,765**
Total Liabilities and Stockholder's Equity		**27,967,404**	**-**	**27,967,404**

(a) Reclassification of the balances receivable from Private Pension entities that were registered as Post-Employment Benefit to Other Current Assets, in the amount of R$ R$ 1,632, and to Other Noncurrent Assets, amounting R$ 8,231. This adjustment is classified as correction of error.

(b) Reclassification of the inventory balance to the "Other current assets" for a better presentation of R$ 27,160. This adjustment is classified as a change in accounting policies.

4.3.b. Income Statement as of December 31, 2016

	Ref	2016	Adjustment	2016
		(As previously reported)		(As Restated)
Gross Revenue		22,199,181		22,199,181
(-) Revenue deductions	(a) (b) (c)	(7,359,484)	(5,466)	(7,364,950)
Net Revenue		14,839,697	(5,466)	14,834,231
Cost of Serrvices		(11,440,093)	(105,147)	(11,545,240)
Electric power costs	(b)	(6,698,251)	4,028	(6,694,223)
Operating cost	(c)(d)(e)(f)(g)	(2,682,484)	(109,175)	(2,791,659)
Construction costs		(2,059,358)		(2,059,358)
Gross profit		**3,399,604**	**(110,613)**	**3,288,991**
Expected credit risk loss	(f)	-	(235,861)	(235,861)
Sales expenses	(e)(f)	(624,606)	216,300	(408,306)
General and administrative expenses	(a) (d) (g)	(787,614)	130,174	(657,440)
Equity earniings		(129,959)	-	(129,959)
Operating profit		1,857,425		1,857,425
Net Financial Income/Expenses		(1,296,614)	-	(1,296,614)
Income tax and social contribution		(206,508)	-	(206,508)
Profit for the Year		**354,303**	**-**	**354,303**

(a) Reclassification of R$ 7,604 related to VAT (ICMS) on materials from Revenue deductions to Materials expenses (Other General and Administrative Revenues/Expenses). This adjustment is classified as correction of error.
(b) Reclassification of R$ 4,028 related to Consumer charges - PROINFA, segregation of electricity costs between captive and free market, from Costs of service to Revenue deductions. This adjustment is classified as correction of error.
(c) Reclassification of Electric Power Service Inspection Fee (TFSEE) and financial compensation of water resources (CFURH) from Cost of service to Revenue deduction in the amount of R$ 3,958 and R$ 5,084, respectively. This adjustment is classified as correction of error.
(d) Reclassification of R$ 6,734, originally presented as Other operating expenses - Service disposal, to Other General and Administrative Revenues/Expenses. This adjustment is classified as correction of error.
(e) Reclassification from Operating cost to Sales expense: R$ 20,110. This adjustment is classified as correction of error.
(g) Reclassification of the expected credit risk loss, previously classified under operating cost items R$ 549 and sales expenses of R$ 236,410 for a specif account in the income statement, as required by standard IAS 1. This adjustment is classified as Change in accounting policies.
(h) Reclassification of the revenue from a fine for consumer default, in the amount of R$ 144,512, from cost of service to Other general and administrative income / expenses. This adjustment is classified as Change in accounting policies.

4.3.c. Statements of cash flows as of December 31, 2016

Cash Flow Statement	Ref.	2016 (As previously reported)	Adjustments	2016 (As Restated)
Profit before income tax and social contribution	**(a)**	560,811	(560,811)	-
Profit for the year	**(a)**	-	354,303	354,303
Adjustments to reconcile the earnings to cash from operating activities	**(a)**	2,188,067	206,508	2,394,575
Decrease (Increase) in Operating Assets	**(b) (c)**	(149,664)	(76,194)	(225,858)
Increase (Decrease) in Operating Liabilities	**(b)**	(1,494,413)	51,142	(1,443,271)
Net cash from Operating Activities		1,104,801	(25,052)	1,079,749
Net cash flows used in investing activities		(1,892,792)	-	(1,892,792)
Financing activities				
Utilization of cash in financing activities	**(c)**	1,030,048	25,052	1,055,100
Net increase (decrease) in cash and cash equivalents		**242,057**	**-**	**242,057**

(a) The Company changed its statement of cash flows' preparation policy, defining to start the presentation of the statement from the Profit for the Year and no longer from Profit before Income Taxes and Social Contribution, as originally presented. This adjustment is classified as change in accounting policy and is being carried out retrospectively to enable the comparability of the financial statements, in the amount of R$ 206,508.

(b) Reclassification of gains from derivative financial instruments from the reduction (increase) in operating assets to Increase (decrease) in operating liabilities, amounting to R$ 51,142. This adjustment is classified as change in accounting policy.

(c) Reclassification of balances of Guarantee deposits from cash flow from Operating Activities to cash flow from Financing Activities, in the amount of R$ 25,052. This adjustment is classified as change in accounting policy.

5. Regulatory matters

(i) Tariff flags

ANEEL's Resolution n° 547/2013 has created the Tariff Flag mechanism, applicable from January 1st, 2015 onwards, aiming to pass through to consumers the addicional cost related to thermal generation, spot market energy purchases, system charges and hydrological risks.

The Tariff Flag System is comprised of four flag ranges: red (threshold 2), with an increase in the energy tariff of R$ 45/MWh, red (threshold 1), with an increase in the energy tariff of R$ 30/MWh; yellow, with an increase in the energy tariff of R$ 15/MWh and green, with no increase in the energy tariff.

Resources generated from the application of tariff flags revert to the Centralizing Account of Tariff Flag Resources (CCRBT) managed by the Electric Power Trading Chamber (CCEE) and are remitted to distribution agents for the difference between the actual incurred realized values and the effective tariff coverage. Every month, the additional invoiced amounts of the tariff flags is calculated, along with the value of the exposure incurred by distributors, and the calculation the net difference to be remitted by the distribution company to ACCOUNT-CCRBT, or to be received by the distribution company.

On August 13, 2018, ANEEL Resolution n° 826 amended the rules of this pass through. The monthly amounts of the financial transfers Centralizing Account of Tariff Flag Resources (CCRBT) are now calculated considering the allocation to concession area that generated them first. With this change, deficit companies started disbursing in CCRBT only the surplus revenues. On the other hand, surplus companies now receive a portion of this surplus, proportionally to their cost not covered by their own funds. This change implies in a more efficient allocation of the funds coming from the Tariff Flags, mitigating the cross subsidy between the distributors and prioritizing the allocation of resources in their areas of origin of the concession.

In the twelve months of 2018, 2017 and 2016, the following tariff flags were in force:

	Flag Color		
Month	**2018**	**2017**	**2016**
January	Green	Green	Red Threshold 2
February	Green	Green	Red Threshold 1
March	Green	Yellow	Yellow
April	Green	Red Threshold 1	Green
May	Yellow	Red Threshold 1	Green
June	Red Threshold 2	Green	Green
July	Red Threshold 2	Yellow	Green
August	Red Threshold 2	Red Threshold 1	Green
September	Red Threshold 2	Yellow	Green
October	Red Threshold 2	Red Threshold 2	Green
November	Yellow	Red Threshold 2	Yellow
December	Green	Red Threshold 1	Green

The subsidiaries Coelba, Celpe, Cosern and Elektro Redes recognized the following amounts related to Tarriff Flags: R$ 984,985 fas of December 31, 2018; R$ 918,919 as of December 31, 2017 and R$ 330,581 as of December 31, 2016. From these totals, R$ 70,013, R$ 218,319 and R$ 39,909, were transferred to the Centralizing Account of the Tariff Flag Resources CCRBT, for each one of the periods, respectively.

(ii) Decree No. 9642/2018 - Gradual Elimination of Subsidies

Decree n° 9642, dated December 27, 2018, changed Article 1° of Decree n° 7891/2013, which provides for the application of tariff discounts, preventing cumulative discounts on electric power distribution tariffs to be given to customers. The customer should be given the discount that benefits him most (this situation was only applicable to consumers served with low voltage power, such as those in rural areas, with irrigation or fish farming activity performed at a special period of the daytime). The decree also establishes that, as from 2019 onwards, in the processes of tariff adjustment or review of the distribution companies, the discounts referred to in paragraph 2 of said article, which are those applied to consumers classified as Rural; Rural Electrification Cooperative; Water, Sewage and Sanitation Utility; and Irrigation Utility; shall be reduced by 20% per annum until it reaches zero. The discounts currently granted to consumers are covered by the Energy Development Account - CDE, which passes on to the distributors the amount of subsidies granted. With the reduction of these discounts, the distribution companies gradually cease receiving CDE funds and start receiving directly from these consumers.

(iii) Energy Overcontracting

According to the Regulatory Model, the distribution companies must contract in advance 100% of the electric power required to the supply of its customers through auctions regulated by ANEEL. Such auctions, carried out with the support of CCEE, occur in advance of one to seven years as of the beginning of the supply of contracted energy. The possibility of hiring in advance of up to seven years came into existence after the publication of Decree n° 9143, dated August 22, 2017.

As provided for in the regulation for the sector, particularly Decree n° 5163/2004, if the energy contracted is within the limit of up to 5% above the total need of the distribution company, the cost variations incurred with the purchase of surplus energy wil be fully pass through to tariffs. However, if the distribution company voluntarily exceeds such limit, it will be exposed to the price variation between the purchase and sales of the exceeding amount in the short term market.

In the end of 2014, aiming a higher balance of energy costs purchased by distribution companies, ANEEL proposed a relocation of energy quotas from generation units that have a lower average price, and had their concession contracts extended under the terms of Act n° 12783/2013, by changing, from January 2015, the sums contracted of each distribution company.

For the purpose of avoiding a financial and economic unbalance for companies in the sector, ANEEL, by means of Resolution n° 706, issued on April 1, 2016, stated that the effect of such relocation of quotas would be considered as involuntary, that is, subject to tariff coverage.

Concerning the issue of quotas, the impact of the drop in the consumption of energy - due to the unfavorable economic scenario and the increasing migration of potentially free consumers to the free energy market (ACL) due to the lowest prices practiced in the free market - has contributed to the fact that companies presented an energy overcontracting scenario.

On April 19, 2016, ANEEL issued Resolution n° 711, revoking Resolution n° 508/2012 and defining mechanisms to ensure the adequacy of the energy contracting levels, by means of bilateral agreements, which can change the conditions initially agreed in the Regulated Market Electricity Sale Contracts (CCEARs), through the following modalities: a) temporary total or partial reduction of the contracted energy; b) partial permanent reduction of the contracted energy; and c) contractual termination. The Company signed agreements under the terms of this resolution with the purpose of reducing the future impact of overcontracting.

On June 21, 2016, through Resolution n° 726, ANEEL changed the effective regulation, allowing the reduction of contracted energy related to the consumption of special clients that migrate to the free market in contracts that may be signed after the decision in question. Additionally, on August 02, 2016 it was issued Decree n° 8828/16, which eliminates the re-contracted limits on the replacement values of existing energy contracts that are to expire without charges and penalties for distribution companies.

Decree n° 9.143, dated August 22, 2017, determined a reduction of the ballast for distribution coverage, from 95% to 90%, referring to the quotas of physical energy guarantee, hydroelectric plants with concessions extended or bidding under Law n° 12783/2013, effective as of September 1, 2017.

For all periods presented, the subsidiaries used the mechanisms available to manage overcontracting.

(iv) Decree n° 8221/14

The electric power distribution companies faced during the years of 2013 and 2014 a significant pressure on their profit and cashflows due to the significant increase of energy costs caused by: (i) rise of prices in the short term market due to the reduction in the offer of energy contracts as from the non-renewal of a few concessions of power plants; (ii) unfavorable hydrological and energy conditions at the time, which culminated in the dispatch of thermal power plants with much higher prices. In this scenario, the Federal Government, among other measures, allowed for the transfer of funds derived from the CDE fund to the distribution companies in order to neutralize such effects.

As the funds derived from the CDE fund were not sufficient to neutralize the exposure suffered by the distribution companies, Decree n° 8221, published in April 2014, created the Account in the Regulated Contracting Environment - ACCOUNT-ACR, in order to standardize the procedure adopted by the Electric Power Trading Chamber (CCEE) to contract loans with banks and the resulting transfer to the distribution companies.

In order for CCEE to be able to begin the repayment of its financing with the banks, all distribution companies included an amount in tariffs as from their Tarrif Adjusment or Review month in 2015 to start charging the customers. Therefore, by means of Normative Resolution n° 2004/15, ANEEL approved an increase in the tariff equivalent to R$ 32,191, R$ 22,090, R$ 9,093 and R$ 27,535 per month, for Coelba, Celpe, Cosern and Elektro Redes respectively, which has been transferred to CCEE from April 2015 to March 2021. Such amounts are subject to monetary indexation.

On April 25, 2017, ANEEL published Resolution n° 2231, which approved updated values to be included in tariffs, to R$ 24,720, R$ 16,963, R$ 6,982 and R$ 21,145 per month, to Coelba, Celpe, Cosern and Elektro, respectively, from April 2017 to March 2018, and R$ 32,191, R$ 22,090, R$ 9,093 and R$ 27,535 to Coelba, Celpe, Cosern an Elektro, from April 2018 to March 2020. In the year ending as of December 31, 2018, the subsidiaries paid R$ 1,027,620 (R$ 901,034, as of December 31, 2017 and R$ 750,081 as of December 31, 2016).

CCEE has been repaying this financial commitment with the earnings from the installments associated to the payment of obligations of each distribution company to CCEE. These installments are established by ANEEL for the monthly payment by each energy distribution company and are not associated to the amount of reimbursement received through the loan operation acquired by CCEE. Furthermore, the Company did not provide any direct or indirect guarantee for such contracts.

(v) Annual Tariff Adjustment - IRT 2018, 2017 and 2016

ANEEL, through the issuance of Resolutions n° 2066/16, 2067/16 and 2064/16 determined the Annual Tariff Adjustment applicable to the following distribution companies, Coelba, Celpe and Cosern, respectively, which was effective for the period from April 2016 to April 2017. The average tariff effects noticed by consumers of concessionaires was 10.72% in Coelba, 9.9% in Celpe and 7.73% in Cosern.

ANEEL, through Resolutions n° 2,222 and 2,221 of April 18, 2017, ratified the result of the Annual Tariff Adjustment of the Company's distribution companies, Coelba and Cosern respectively, which was effective from April 2017 to April 2018. The average tariff effect noticed consumers of the utility companies was of 3% in Coelba and 3.38% in Cosern.

ANEEL, through Resolution n° 2388, dated April 24, 2018, and n° 1437, dated August 21, 2018, approved the result of the Annual Tariff Adjustment of Celpe and Elektro Redes, which is effective from April 29, 2018 to April 28, 2019 and August 27, 2018 to August 26, 2019, respectively. The average tariff effect noticed by consumers of Celpe was 8.89% and 24.42% to the consumers of Elektro Redes.

(vi) Regulatory Asset Base (BRR)

The process of Tariff Review is targeted at reviewing the economic and financial balance of the concession, after the five or four-year period of investments made by the company (being this period defined as a Cycle of Increment, defined in each Concession Contract).

By the time of the Tariff Review, the appropriate compensation on investments made by the company in the Incremental Cycle shall be defined. This is when the National Agency of Electric Power - ANEEL evaluates the investments performed by the utility to identify if they were prudent and efficient, according to the criteria defined, to mantain/improve the concession operating within quality limits.

One possibility is that, when the Tariff Review is carried out, the regulatory costs defined by ANEEL are higher or smaller than those incurred by the distributor. In this sense, the utility may have a profit or a loss in the process of Tariff Review.

In 2017, Celpe had gone through Tariff Review (from November, 2012 to October, 2016). The investments made by Celpe were recognized by ANEEL at a higher value than those incurred by it. This way, New Replacement Value - VNR compared to the Original Book Value - VOC represented a gain of 7.7%.

In 2018, Coelba and Cosern had gone through (November 2012 to October 2017) their Cycle of Tariff Review. The investments made by these companies were recognized by ANEEL at a higher value than those incurred by them. This way, New Replacement Value - VNR compared to the Original Book Value - VOC represented a gain of 11.4% and 17.9%, respectively for subsidiaries Coelba and Cosern.

The result of the Tariff Review has a direct impact on the Concession's Financial Assets concession once the Regulatory Asset Base measured at New Replacement Value is the proxy utilized to determine the market value of unamortized concession assets upon concession end. As a result of the recognition by ANEEL of the investments made in the incremental cycle, the subsidiaries Coelba and Cosern recognized R$ 89,826 and R$ 61,279 as revenues in 2018, and Celpe recognized R$ 52,554, as revenues in 2017, as descried in note 13.

(vii) Tariff Review

ANEEL approved, on April 25, 2018, Celpe's Tariff Review, effective from April 29, 2018, according to the Resolution n° 2226/2017. The Tariff Review implied in a tariff adjustment of 10.47%, 8.36% relating to the economic tariff repositioning, and 2.11% connected to financial components, with average effect noticed by consumers of 7.62%, given that, for the high-voltage consumers, the adjustment will reach 4.85%, while for low voltage consumers it will reach 8.87%.

ANEEL approved, on April 17, 2018, Coelba and Cosern's Tariff Review, effective from April 22, 2018, according to the Resolutions n° 2382/2018 and n° 2386/2018, respectively. Their Tariff Review implied in a tariff adjustment of 21.18% and 14.94%, 18.45% and 10.80% of which relating to the economic tariff repositioning, and 2.73% and 4.13% connected to financial components, with average effect noticed by consumers of 16.95%, given that, for the high-voltage consumers, the adjustment will reach 16.17% and 17.47%, while for low voltage consumers will reach 17.27% and 14.88%, respectively.

(viii) Generation Scaling Factor (GSF) Agreement

The issuance of Act 13,203 as of December 08, 2015 and Resolution n° 684 as of December 11, 2015, established the conditions for the renegotiation of the hydrological risk concerning electric energy generation by agents that are members of the Energy Reallocation Mechanism (MRE), in order to seek a solution to the adverse hydrologic conditions.

The referred Act provides that the hydrological risk supported by energy generation agents who are members of the MRE may be renegotiated by generation plants, provided that ANEEL consents, with retroactive effect on January 1, 2015, upon the consideration of such agents. For the purposes of this consent and to the extent set out by said Act, ANEEL by means of Resolution n° 684 of December 11, 2015, established the criteria and other conditions for renegotiation. Based on the Act and Resolution, eligible generation agents observing the criteria and conditions set out in the Resolution, the renegotiation would depend on the decision of the companies, and it would fall to ANEEL to check the data of companies and homologate values.

In this sense, as of December 18, 2015, the Meetings of the Boards of Directors of the Company's generation plants approved the proposal to renegotiate the hydrological risk on the products introduced in presentation made in the referred Meeting for the following subsidiaries and associates:

- Itapebi Geração de Energia S.A. - product SP100.
- Afluente Geração de Energia S.A. - product SP90.
- Baguari I Geração de Energia S.A. - product SP91.
- Geração CIII S.A. - product SP90.
- Goiás Sul Geração de Energia S.A. - product SP90.
- Rio PCH I S.A. - product SP90.

The terms for the renegotiation of the hydrological risk determine that generation plants should monthly pay to CCRBT (Centralizing Account of Tariff Flag Resources) the result of the multiplication of the monthly sum of physical guarantee of the plant by the unit value of the selected risk premium, referenced to the base date of January 2015. The reimbursement of the 2015 hydrological risk, specifically, will be compensated by means of the postponement of the payment of the risk premium up to the end of the energy sale agreement in the regulated environment (CCEAR). Considering that the term for compensation is not enough to recover the anticipated value, ANEEL would extend the concession for a period that is sufficient to recover the anticipated sums.

As a condition of the renegotiation set forth on these contracts, generation plants waived, in an irrevocable and irreparable manner, the right to discuss, in the administrative, arbitration and legal areas, an alleged exemption for the mitigation of hydrological risks related to MRE.

6. Cash and cash equivalents

	Ref.	2018	2017	2016
			(Restated)	(Restated)
Cash and cash equivalents	**(a)**			
Cash and bank deposits on demand		293,680	183,182	125,687
Bank Deposit Certificate (CDB)		709,154	577,341	256,300
Investment Funds		2,930,841	3,095,911	-
Transfer to assets held for sale	**(b)**	-	-	(1,052)
		3,933,675	**3,856,434**	**380,935**

(a) December 31, 2018, and December 31, 2017 Cash and Cash Equivalents include cash, bank deposits on demand and short-term financial investments. They are operations that present high liquidity, no restrictions on use, promptly convertible into a known amount of cash and are subject to an insignificant risk of change in value. As of December 31, 2016 there were no investments funds classified as Cash and Cash Equivalents.

(b) See note 3.6.g.

The portfolio of financial investments consists mainly of exclusive investment funds of the Company and its subsidiaries, composed of several assets, aiming at better profitability with the lowest level of risk, as follows:

Portfolio	2018	2017
BB Polo 28 FI Fixed Income		
BB TOP Short Term		
Agreements Guaranteed by Govermment Securities	713,011	1,148,836
Public Bonds	27,642	31,105
Agreements Guaranteed by Govermment Securities	769	792
BB Polo 28 FI Fixed Income	241	-
BB TOP RF Moderate FI RF Long Term	-	-
BB TOP RF Conservative FI RF Long Term	-	-
CDBs	-	-
LF	-	-
Debentures	-	-
DPGE	-	-
Others	4	41
	741,667	**1,180,774**
Bradesco FIC FI RF Referenciado DI Recife		
Agreements Guaranteed by Govermment Securities	531,899	840,489
BRAM FI REF DI Coral	-	-
BRAM FI REF DI Ruby	-	-
Others	19	5
	531,918	**840,494**
Itaú Salvador Fixed Income FICFI		
Itaú Short Term		
Agreements Guaranteed by Govermment Securities	272,710	579,268
Public Bonds	60,913	-
Agreements Guaranteed by Govermment Securities	598,064	-
SPECIAL RF REFERENCIADO DI FI	-	-
ITAÚ High Grade RF Private Credit FI	-	-
ITAÚ Verso Fixed Income Referenced DI LP FI	-	-
Others	8	1
	931,695	**579,269**
Santander FIC FI Natal Fixed Income Referenciado DI		
Agreements Guaranteed by Govermment Securities	621,207	495,374
Santander FI Profit Fixed Income Referenced DI	-	-
Santander FI Public Titles Referenced Fixed Income DI	-	-
Others	125	-
	621,332	**495,374**
BB Amplo FIC FI Fixed Income		
Agreements Guaranteed by Govermment Securities	104,229	-
	104,229	**-**
Total CEC - Exclusive Funds	**2,930,841**	**3,095,911**

7. Accounts receivable and other receivables

	Ref.	2018	2017	2016
			(Restated)	(Restated)
Consumers	(a)	4,846,207	4,470,042	3,268,060
Accounts receivable	(b)	310,168	368,471	172,816
Energy traded through CCEE		244,653	489,790	212,794
Use of the Distribution Network (TUSD)		490,858	398,066	94,588
Services provided to third parties		33,640	39,892	16,609
Taxed and administrative services		27,159	29,699	32,722
Government grants	(c)	313,657	320,611	217,857
Other credits		222,619	179,855	90,702
(-) Expected credit risk losses	(d)	(984,331)	(1,002,681)	(1,052,210)
		5,504,630	**5,293,745**	**3,053,938**
Transfer to assets held for sale	3.6.g	-	-	(24,153)
Total		**5,504,630**	**5,293,745**	**3,029,785**
Current		5,160,926	4,922,952	2,736,361
Non-current		343,704	370,793	293,424

a) Consumers

	Current Balances	Overdue Balances: Up to 90 days	Overdue Balances: Over 90 days	Total 2018	Total 2017 (Restated)	Total 2016 (Restated)	Expected credit loss 2018	Expected credit loss 2017 (Restated)	Expected credit loss 2016 (Restated)
Private sector									
Residential	548,848	610,227	525,893	1,684,968	1,582,064	1,296,984	(474,238)	(553,543)	(623,178)
Industrial	222,517	69,850	145,544	437,911	421,062	269,276	(117,113)	(109,089)	(75,968)
Commercial. services and others	415,845	157,027	157,749	730,621	679,725	506,113	(121,497)	(122,344)	(109,340)
Rural	95,614	67,949	116,986	280,549	260,022	186,303	(99,475)	(76,254)	(64,016)
	1,282,824	**905,053**	**946,172**	**3,134,049**	**2,942,873**	**2,258,676**	**(812,323)**	**(861,230)**	**(872,502)**
Public sector									
Federal	22,040	7,192	2,639	31,871	28,445	22,579	(1,159)	(1,725)	(1,986)
State	148,922	39,622	10,454	198,998	177,394	189,563	(20,568)	(1,200)	(2,583)
Local	130,078	34,565	55,754	220,397	217,470	178,920	(38,934)	(52,543)	(34,838)
	301,040	**81,379**	**68,847**	**451,266**	**423,309**	**391,062**	**(60,661)**	**(55,468)**	**(39,407)**
Public lighting	76,428	43,068	81,412	200,908	128,225	88,453	(20,989)	(7,860)	(6,195)
Public services	103,239	15,819	40,768	159,826	158,817	110,127	(20,458)	(16,678)	(14,307)
Unbilled supply	900,158	-	-	900,158	816,818	419,742	(4,623)	-	-
	1,079,825	**58,887**	**122,180**	**1,260,892**	**1,103,860**	**618,322**	**(46,070)**	**(24,538)**	**(20,502)**
Consumers	**2,663,689**	**1,045,319**	**1,137,199**	**4,846,207**	**4,470,042**	**3,268,060**	**(919,054)**	**(941,236)**	**(932,411)**
Current	-	-	-	4,619,801	4,247,331	3,035,967	(901,412)	(928,147)	(932,411)
Non-current	-	-	-	226,406	222,711	232,093	(17,642)	(13,089)	-

The trade accounts receivable classified as non-current assets represent the amounts resulting from the consolidation of payments in installments under energy supply bills due from defaulting consumers and with future maturity, charged in electricity bills. This includes interest and fines calculated proportionally.

In 2018, the subsidiary Elektro Redes carried out cession of credits of accounts receivable from customers, with financial institutions, with the purpose of anticipate its cash flow. These accounts receivable from customers were derecognized from the Statement of financial position, considering that the Subsidiary transferred, to the financial institution, all risks and benefits of receivables assigned without any return right, and the cost of the credit assignment transaction recognized as financial expenses. Information below shows the accounting value of accounts receivable assigned, and the assessment of the cost of transaction of the credit assignment:

Book value of accounts receivable assigned	132,607
Assignment price	(131,348)
Result of Assignment	**1,259**

b) Accounts receivable

These are energy supply accounts of generation and trade companies with several market agents.

		Overdue		Total			Expected credit loss		
	Balances falling due	Up to 90 days	Over 90 days	2018	2017	2016	2018	2017	2016
					(Restated)	(Restated)		(Restated)	(Restated)
Private sector	227,021	75,189	7,958	310,168	368,471	172,816	(12,109)	(6,008)	(5,126)
Total	**227,021**	**75,189**	**7,958**	**310,168**	**368,471**	**172,816**	**(12,109)**	**(6,008)**	**(5,126)**

The debt installments include interest and monetary indexation at market rates, terms and indexes and the net amounts of credit risk loss are considered recoverable by the Company's Management.

c) Government grants

(c.1) Low Income - Social Tariff:

The Federal Government, through Laws n° 12,212 and 10,438 established the application of low income social tariff with the purpose of contributing to the sliding-scale rates of electric power supply to end consumers, members of low income residential subclass.

The balance receivable as of December 31, 2018 is R$ 98,718 and refers to the months of October, November and December 2018 (R$ 105,233 as of December 31, 2017 and R$ 85,242 as of December 31,2016).

(c.2) CDE:

Presidential Decree n° 7,583 defined that economic government grants are to be funded using resources from CDE and with changes in the tariff structure of each concessionaire. This government grant is calculated monthly by the Company's distribution companies and submitted to ANEEL for approval and homologation after which the transfer occurs.

On April 18, 2017, ANEEL Resolution n° 2,222/2017 was issued, approving the monthly amount of R$ 121,101, to be transferred by Eletrobras from April 2017 to March 2018.

The receivable balance as of December 31, 2018 is R$ 214,939 (R$ 215,378 as of December 31, 2017 and R$ 132,615 as of December 31,2016).

d) Expected credit risk loss

Up to December 31, 2017, expected credit risk loss was calculated based on the amounts receivable from residential consumers overdue for more than 90 days and commercial consumers overdue for more than 180 days, as well as from the industrial, rural, public authorities, public lighting and services classes overdue for more than 360 days. It also considered an individual analysis of the accounts receivable and the balance of each consumer to obtain an estimate of the balances that most likely will not be receive based on Management's experience of actual losses and the existence of collateral among other factors.

However, for the period ending December 31, 2018, the Company changed its calculation methodology, following IFRS 9 requirements, and as of 2018 onwards, expected credit risk loss is determined based on the analysis of the customers' payment behavior on previous periods in order to estimate the balances that most likely will not be received based on Management's experience and risk estimate.

	Consumers	Accounts receivable	Energy traded at CCEE	Other credits	Total
Balances as of at January 1st, 2016 (Restated)	**(867,727)**	**(9,142)**	**(116,719)**	**(8,453)**	**(1,002,041)**
Additions	(335,568)	(424)	-	(11,171)	(347,163)
Reversals	88,434	4,440	-	21,670	114,544
Written-off to uncollectables	182,450	-	-	-	182,450
Balances as of December 31, 2016 (Restated)	**(932,411)**	**(5,126)**	**(116,719)**	**2,046**	**(1,052,210)**
Businesses combination	(79,050)	-	-	(3,948)	(82,998)
Additions	(427,404)	(1,856)	-	(3,817)	(433,077)
Reversals	160,955	974	61,780	5,221	228,930
Written off to uncollectables	336,674	-	-	-	336,674
Balances as of December 31, 2017 (Restated)	**(941,236)**	**(6,008)**	**(54,939)**	**(498)**	**(1,002,681)**
Initial adoption of IFRS 9 **(a)**	(36,522)	(1,089)	-	(6,731)	(44,342)
Additions	(604,973)	(8,885)	-	(16,506)	(630,364)
Reversals	320,073	3,279	-	25,506	348,858
Written off to uncollectables	343,604	594	-	-	344,198
Balances as of December 31, 2018	**(919,054)**	**(12,109)**	**(54,939)**	**1,771**	**(984,331)**

(a) The Company initially applied IFRS 9 as of January 1st, 2018, as described in note 3.7.

8. Recoverable taxes and social contributions

	Ref.	2018	2017	2016
			(Restated)	(Restated)
Income Tax (IR)	**(a)**	433,544	230,913	190,072
Social Contribution on Profit for the year (CSLL)	**(a)**	72,745	38,888	42,277
Value added tax (ICMS)	**(b)**	540,971	517,805	358,483
Federal Social Integration Program (PIS)	**(c)**	15,616	18,154	19,092
Social Security Financing Contribution (COFINS)	**(c)**	82,831	89,686	88,321
National Social Security System (INSS)		23,814	18,483	17,477
Services Tax (ISS)		1,259	1,792	1,859
Tax Recovery Program (REFIS)		2,434	2,413	2,413
Other		8,943	1,342	105
		1,182,157	919,476	720,099
Transfer to assets held for sale	**3.6.g**	-	-	(5,969)
Total		1,182,157	919,476	714,130
Current		819,838	572,550	503,640
Non-current		362,319	346,926	210,490

(a) Corresponds mainly to the amounts paid monthly, after tax calculation, as well as anticipated redemption of financial investments, retention by public entities, withholding tax on services provided and negative Income Tax and Social Contribution tax calculation.

(b) From the total ICMS recoverable, R$ 420,004 (R$ 367,933 as of December 31, 2017, R$ 220,757 as of December 31, 2016)

refers to the ICMS recoverable on the Fixed Asset (CIAP) arising from the acquisition of assets destined to the operating assets of the subsidiaries.

(c) PIS and COFINS to be offset as a result of the non-cumulative calculation of the subsidiaries.

9. Current and deferred taxes and social contribution

The composition of deferred taxes and contributions is as follows:

	2018	2017	2016
(I) Income tax and social contribution	208,162	373,517	415,993
(II)Tax benefit of merged goodwill (a)	706,329	793,772	324,345
Total	**914,491**	**1,167,289**	**740,338**
Asset	1,031,035	1,303,799	754,293
Liability	(116,544)	(136,510)	(13,955)

(a) The tax benefit of the merged goodwill (incorporated surplus value) refers to the tax credit calculated on merged acquisition surplus value. In order to avoid that the amortization of the surplus value adversely affects the flow of dividends to shareholders, a provision was constituted for the maintenance of the integrity of the shareholders' equity of its incorporator was constituted.

(i) Deferred income tax and social contribution

The Company recorded deferred taxes and social contribution on temporary differences and tax losses which financial effects will occur at the time of realization of the amounts that gave rise to the calculation basis. Income tax is calculated at a 15% rate added by the additional 10% rate for the amount of tax base above of R$ 240 annual, and social contribution is constituted at a 9% rate.

The deferred tax base is as follows:

	2018		2017		2016	
Assets	**Income tax**	**Social Contribution**	**Income tax**	**Social Contribution**	**Income tax**	**Social Contribution**
Tax loss	506,449	506,463	598,941	598,792	472,999	473,205
Tax rate	25%	9%	25%	9%	25%	9%
Total Tax loss	**126.612**	**45.582**	**149.735**	**53.891**	**118,250**	**42,588**
Assets						
Expected credit risk loss	365,654	365,654	263,150	263,150	212,010	212,010
Actuarial liability provision	762,476	762,476	758,063	758,063	567,195	567,195
Contingency provisions	658,858	658,858	590,872	590,872	478,099	478,099
Collecting agent provision	2,099	2,099	2,099	2,099	2,099	2,099
Profit sharing provision	69,909	69,909	60,398	60,400	40,590	40,590
Nondeductible depreciation (Environmental contingencies provision)	6,422	6,422	6,232	6,232	6,042	6,042
Right of use of the exceeding concession income	315,083	315,083	325,236	325,236	282,112	282,112
CCEE/ Loss/Free Energy	49,260	49,260	56,263	56,263	17,093	17,093
Adjustment of the annual amortization quota	101,138	101,138	73,050	73,050	50,575	50,575
Fair value of financial derivatives	8,236	8,236	(19,928)	(19,928)	1,663	1,663
Difference between fair value of the current year and the year of initial adoption	-	-	-	-	1,299	1,299
Pension plan deficit	181,061	181,061	225,419	225,419	245,896	245,896
Use of public asset	9,076	9,076	9,671	9,671	10,266	10,266
Difference of deferred amortization	-	-	(20,336)	(20,336)	-	-
Mark to market	-	-	-	-	(7,485)	(7,485)
Other	141,680	141,680	380,652	380,596	76,031	75,850
Total temporary diferences - ASSETS	**2,670,952**	**2,670,952**	**2,710,841**	**2,710,787**	**1,983,485**	**1,983,304**
Liability (-)						
Accelerated Depreciation/Amortization	(9,883)	(9,881)	-	-	-	-
Fair value of financial derivatives	(4,622)	(4,622)	(10,893)	(10,893)	(3,218)	(3,218)
Difference between fair value of the current year and fair value on the initial adoption	(1,492,499)	(1,492,499)	(1,111,241)	(1,111,241)	(836,414)	(835,180)
Adjustment of the annual amortization quota	(95,596)	(95,596)	(71,386)	(71,386)	(93,292)	(93,292)
Capitalization (amortization) of interests according to IFRS	(399,719)	(399,719)	(325,243)	(325,243)	(211,196)	(211,196)
Pension plan deficit	(22,538)	(22,538)	(8,232)	(8,232)	-	-
Pension plan surplus	(9,343)	(9,343)	(3,840)	(3,840)	(27,053)	(27,053)
Financing cost	(57,134)	(57,134)	(31,974)	(31,974)	(21,094)	(21,094)
Initial adoption of IFRS 15/9	(4,450)	(4,450)	-	-	-	-
Other	(462,779)	(487,716)	(693,698)	(522,340)	(39,480)	(45,380)
Total temporary diferences - LIABILITY	**(2,558,563)**	**(2,583,498)**	**(2,256,507)**	**(2,085,149)**	**(1,231,747)**	**(1,236,413)**
Total temporary diferences - NET	112,389	87,454	454.334	625.638	751,738	746,891
Tax rate	25%	9%	25%	9%	25%	9%
Total temporary diferences	**28,097**	**7,871**	**113,584**	**56.307**	**187,935**	**67,220**
SUB TOTAL	**154,709**	**53,453**	**263,319**	**110,198**	**306,185**	**109,808**

TOTAL NET	**208,162**	**373,517**	**415,993**

Technical feasibility studies, appraised and approved by the Board of Directors and appraised by the Company's Advisory Board and its subsidiaries, indicate the full recovery of the deferred tax amounts recognized. Such amounts correspond to Management's best estimates of the future evolution of subsidiaries and the market in which they operate.

The expectation of the realization of deferred tax assets is presented below:

2019	2020	2021	2022	2023	After 2023
116,784	48,833	45,106	28,041	26,946	49,519

The reconciliation of income tax (revenue) expenses disclosed and the amounts calculated by applying the effective rates as at December 31, 2018, 2017 and 2016 is presented below:

		2018		2017		2016	
	Ref.	IR	CSLL	IR	CSLL	IR	CSLL
Profit before income tax and social contribution		**2,100,920**	**2,100,920**	**729,521**	**729,521**	**560,811**	**560,811**
Income tax and social contribution rate		25%	9%	25%	9%	25%	9%
Income tax and social contribution at the rates provided by legislation		**525,230**	**189,083**	**182,380**	**65,657**	**140,203**	**50,473**
Effect of the (additions) exclusions in the tax calculation		**(230,216)**	**(40,898)**	**19,891**	**15,583**	**4,711**	**13,558**
Effect of assumed profit regime	(a)	(60,461)	(18,890)	(37,750)	(11,493)	(35,948)	(10,307)
Permanent differences	(b)	7,911	2,526	89,849	28,463	147,694	50,327
Tax incentives and others	(c)	(87,131)	18	(24,762)	1,286	(33,530)	-
Exclusions	(d)	(90,535)	(24,552)	(7,446)	(2,673)	(73,505)	(26,462)
Income tax and social contribution for the period		**295,014**	**148,185**	**202,271**	**81,240**	**144,914**	**64,031**
Generated (compensated) tax loss and negative basis of social contribution		38,966	12,633	1,920	694	(1,740)	(697)
Other		9,118	3,053	(1,679)	(6,454)	-	-
Income tax and social contribution in the income statement		**343,098**	**163,871**	**202,512**	**75,480**	**143,174**	**63,334**
Current		**176,768**	**89,076**	**94,825**	**40,383**	**109,928**	**51,046**
Collected and Paid		138,027	110,177	80,728	49,160	101,069	52,573
Payable		11,393	4,568	8,993	(637)	29,531	12,680
Compensated and deducted		163,235	4,782	97,800	6,148	43,166	5,299
Recoverable anticipated taxes		(136,470)	(30,599)	(92,696)	(14,288)	(63,838)	(19,506)
Recoverable pre-paid taxes		583	148	-	-		
Deferred		166,330	74,795	107,687	35,097	33,246	12,288
		343,098	**163,871**	**202,512**	**75,480**	**143,174**	**63,334**

(a) The assumed profit regime is adopted by some subsidiaries. In this method, the income tax and social contribution tax are calculated on a presumed income previously defined in relation to the Company's activity.
(b) Permanent Differences are related non-deductible expenses (e.g. penalties), goodwill amortization and Interest on Net Equity.
(c) Tax incentives: mainly due to an incentive called SUDENE, applicable for some subsidiaries in northeast. On it, companies have a 75% reduction of income tax when there are infrastructure investments in the northeast region of the country.
(d) Exclusions are mainly due to Equity in the result of associates, not included in the taxable income.

The reconciliation of income tax expense disclosed as of December 31, 2018, 2017 and 2016 is presented below.

	2018	2017	2016
Current	(265,844)	(135,208)	(120,692)
Deferred	(204,877)	(104,535)	(45,534)
Goodwill amortization and tax benefit from merged goodwill reversal	(36,248)	(38,249)	(40,282)
Income tax and social contribution for the fiscal year	**(506,969)**	**(277,992)**	**(206,508)**

(ii) Tax benefit - Tax benefit from merger

The tax benefit from the merger refers to the tax credit calculated on the surplus value of the merged acquisitions. In order to prevent the amortization of surplus value adversely affecting the flow of dividends to shareholders, a provision was established to maintain the equity integrity of the absorbing company (PMIPL), the balances of which are as follow:

Tax benefit from merger	3,443,490
Provision booked	(2,272,705)
Tax benefit	**1,170,785**
Accumulated amortization	(2,371,057)
Accumulated reversal	1,564,899
Balances as of January 1st, 2016	**364,627**
Amortization	(118,465)
Reversal	78,183
Balances as of December 31, 2016	**324,345**
Business Combination	524,807
Amortization	(162,890)
Reversal	107,510
Balances as of December 31, 2017	**793,772**
Amortization	(157,807)
Reversal	70,364
Balances as of December 31, 2018	**706,329**

The amortization of the tax benefit from the merger net of the provision for and the corresponding tax credit results in a zero effect on the result for the year and consequently on the minimum mandatory dividend tax base.

The tax benefit from the merger is being amortized monthly for the remaining period of the concession of the subsidiaries Coelba, Celpe, Cosern, Termopernambuco and Itapebi, according to future profitability projections. For the subsidiaries Elektro Redes, FEB, Enerbrasil, FEB 2 and EKCE amortization is being carried out in a straight line manner for the concession/authorization period, as presented below:

Amortization curves of surplus value

Year	Coelba	Celpe	Cosern	Termope	Itapebi	Elektro Redes	FEB	Enerbrasil	FEB 2	EKCE
2019	0,03680	0,02573	0,03022	0,01820	0,01558	0.09091	0.03098	0.11268	0.03509	0.09091
2020	0,03480	0,02335	0,02907	0,01580	0,01338	0.09091	0.03098	0.11268	0.03509	0.09091
2021	0,03280	0,02238	0,02784	0,01380	0,01149	0.09091	0.03098	0.11268	0.03509	0.09091
2022	0,03130	0,02140	0,02666	0,01220	0,00986	0.09091	0.03098	0.11268	0.03509	0.09091
2023	0,02970	0,02045	0,02551	0,01010	0,00847	0.09091	0.03098	0.11268	0.03509	0.09091
2024	0,02820	0,01860	0,02442	0,00830	0,00727	0.09091	0.03098	0.11268	0.03509	0.09091
2025	0,02680	0,01773	0,02336	-	0,00625	0.09091	0.03098	0.11268	0.03509	0.09091
2026	0,02540	0,01690	0,02235	-	0,00536	0.09091	0.03098	0.11268	0.03509	0.09091
2027	-	0,01609	0,02140	-	0,00461	0.09091	0.03098	-	0.03509	0.09091
2028	-	0,01476	-	-	0,00396	0.09091	0.03098	-	0.03509	0.09091
2029	-	-	-	-	0,00340	-	0.03098	-	0.03509	-
2030	-	-	-	-	0,00292	-	0.03098	-	0.03509	-
2031	-	-	-	-	0,00250	-	0.03098	-	0.03509	-
2032	-	-	-	-	0,00215	-	0.03098	-	0.03509	-
2033	-	-	-	-	0,00185	-	0.03098	-	0.03509	-
2034	-	-	-	-	-	-	0.03098	-	0.03509	-
2035	-	-	-	-	-	-	0.03098	-	0.03509	-
2036	-	-	-	-	-	-	0.03098	-	0.03509	-
2037	-	-	-	-	-	-	0.03098	-	0.03509	-
2038	-	-	-	-	-	-	0.03098	-	0.03509	-
2039	-	-	-	-	-	-	0.03098	-	0.03509	-
2040	-	-	-	-	-	-	0.03098	-	0.03509	-
2041	-	-	-	-	-	-	0.03098	-	0.03509	-
2042	-	-	-	-	-	-	0.03098	-	0.03509	-
2043	-	-	-	-	-	-	0.03098	-	0.03509	-
2044	-	-	-	-	-	-	0.03098	-	0.03509	-
2045	-	-	-	-	-	-	0.03098	-	0.03509	-
2046	-	-	-	-	-	-	0.03098	-	0.03509	-
2047	-	-	-	-	-	-	0.03098	-	-	-
2048	-	-	-	-	-	-	0.03098	-	-	-
2049	-	-	-	-	-	-	0.03098	-	-	-
2050	-	-	-	-	-	-	0.03098	-	-	-

10. "Portion A" and other financial items

Refers to the assets and liabilities arising from temporary differences between the approved costs (Portion A and other financial components) that are included in the tariff at the beginning of the tariff period, and those that are effectively incurred during the tariff period. This difference constitutes a right to receive whenever the costs approved and included in the tariff are lower than the costs actually incurred or an obligation when the costs approved and included in the tariff are higher than the costs actually incurred. These cost variances are technically called Account of "Portion A" Price Variances (CVA). These amounts will be effectively settled during the next tariff period or, in case of extinction of the concession with the existence of balances established that have not been recovered, will be included in the indemnification basis already foreseen upon the extinction, for any reason, of the concession.

The composition of sector assets and liabilities is as it follows:

		2018						
		Current			Non-Current			
	Ref.	Asset	Liabilities(-)	Total Assets/(liabilities)	Asset	Liabilities(-)	Total Assets/(liabilities)	Net Total
"Portion A" (CVA and Neutrality)								
Energy purchase	(a)	1,975,720	(130,194)	1,845,526	410,336	(7,386)	402,950	2,248,476
System Service Charges - ESS	(b)	-	(661,909)	(661,909)	-	(156,404)	(156,404)	(818,313)
Use of transmission network - TUST		72,606	-	72,606	12,050	(3,400)	8,650	81,256
Regulatory charges neutrality		40,151	(29,368)	10,783	23,098	(7,960)	15,138	25,921
Energy Development Account (CDE) resources		40,473	(60,921)	(20,448)	7,988	(17,070)	(9,082)	(29,530)
Other CVAs		102,980	-	102,980	23,000	-	23,000	125,980
Financial Components and Subsidies								
Tariff Review		3,803	-	3,803	-	-	-	3,803
Overcontracted energy	(c)	200,175	(245,434)	(45,259)	2,275	(93,484)	(91,209)	(136,468)
Hydrological risk	(d)	-	(266,449)	(266,449)	-	(44,534)	(44,534)	(310,983)
Changes in CCEE transactions		8,037	(599)	7,438	-	-	-	7,438
Energy recomposition - Termope		49,288	-	49,288	10,808	-	10,808	60,096
Tariff sucharges		-	(17,363)	(17.363)	-	(319,783)	(319,783)	(337,146)
R&D refunds		-	(64,743)	(64,743)	-	-	-	(64,743)
Other financial components		22,163	(15,126)	7,037	5,714	(21,870)	(16,156)	(9,119)
Total		**2,515,396**	**(1,492,106)**	**1,023,290**	**495,269**	**(671,891)**	**(176,622)**	**846,668**

		2017						
		Current			Non-Current			
	Ref.	Asset	Liabilities(-)	Total Assets/(liabilities)	Asset	Liabilities(-)	Total Assets/(liabilities)	Net Total
"Portion A" (CVA and Neutrality)								
Energy purchase		1,686,586	(54,298)	1,632,288	772,747	(6,940)	765,807	2,398,095
System Service Charges - ESS		-	(629,284)	(629,284)	-	(235,930)	(235,930)	(865,214)
Use of transmission network - TUST		61,426	-	61,426	19,379	(3,195)	16,184	77,610
Regulatory charges neutrality		100,139	(17,323)	82,816	40,947	(96)	40,851	123,667
Energy Development Account (CDE) resources		2,061	(141,705)	(139,644)	-	(80,936)	(80,936)	(220,580)
Other CVAs		40,867	(118,849)	(77,982)	36,829	(22,544)	14,285	(63,697)
Financial Components and Subsidies								
Tariff Review		5,548	(4,884)	664	-	-	-	664
Overcontracted energy	(c)	12,390	(250,361)	(237,971)	-	(82,695)	(82,695)	(320,666)
Hydrological risk		-	(245,111)	(245,111)	-	(38,205)	(38,205)	(283,316)
Changes in CCEE transactions		18,122	-	18,122	-	-	-	18,122
Energy recomposition - Termope		38,762	-	38,762	12,921	-	12,921	51,683
Tariff sucharges		-	-	-	-	(165,024)	(165,024)	(165,024)
Other financial components		5,550	(1,832)	3,718	6,706	(35,345)	(28,639)	(24,921)
Total		**1,971,451**	**(1,463,647)**	**507,804**	**889,529**	**(670,910)**	**218,619**	**726,423**

		2016						
		Current			Non-Current			
	Ref.	Asset	Liabilities(-)	Total Assets/(liabilities)	Asset	Liabilities(-)	Total Assets/(liabilities)	Net Total
"Portion A" (CVA and Neutrality)								
Energy purchase		243,596	(73,373)	170,223	15,094	(24,459)	(9,365)	160,858
System Service Charges - ESS		15,093	(154,626)	(139,533)	-	(33,991)	(33,991)	(173,524)
Regulatory charges neutrality		5,623	(27,403)	(21,780)	925	(7,076)	(6,151)	(27,931)
Other CVAs		70,330	(27,248)	43,132	19,413	(6,904)	12,509	55,641
Financial Components and Subsidies								
Tariff Review		-	(20,398)	(20,398)	-	-	-	(20,398)
Overcontracted energy	(c)	71,537	(151,385)	(79,848)	23,846	(14,087)	9,759	(70,089)
Energy recomposition - Termope		29,969	(398)	29,571	229	-	229	29,800
Eletronuclear energy		130	-	130	-	-	-	130
Extraordinary Tariff Review Reversal		11,167	(25,221)	(14,054)	-	-	-	(14,054)
Other financial components		11,065	(7,056)	4,009	529	(5,676)	(5,147)	(1,138)
Total		**458,560**	**(487,108)**	**(28,548)**	**60,036**	**(92,193)**	**(32,157)**	**(60,705)**

(a) Energy purchases

In the year ending as of December 31, 2018, the subsidiaries Coelba, Celpe, Cosern and Elektro Redes calculated the price variances (CVA) on energy purchases, registering an asset in the amount of R$ 865,798, R$ 564,993, R$ 202,257 and R$ 622,814, respectively, related to incurred costs higher than tariffs' coverage, mainly due spot transacions occurred in CCEE and amortization of balances approved in previous tariff adjustment processes.

(b) System Service Charge - ESS

In the year ending as of December 31, 2018, the subsidiaries Coelba, Celpe, Cosern and Elektro Redes recognized a liability in the total amount of R$ 288,582, R$ 184,605, R$ 80,439 and R$ 264,688, respectively, indicating that for this charge, actual incurred costs were lower than tariff coverage for the tariif year, including amortization of the balances approved in previous tariff adjustment processes.

(c) Overcontracted energy

As of December 31, 2016, the subsidiaries Coelba, Celpe and Cosern maintained an adjusted total overcontracting financial asset component of R$16.397, which included not only the transfer for the current year, but also the transfer of overcontracting for the year 2015, recognized in 2106 tariff adjustment in the amortization phase, and the revaluations of previous years.

In the fiscal year ended as of December 31, 2017, the subsidiaries Coelba, Celpe, Cosern and Elektro Redes recognized an updated liability financial adjustment of R$ 220,982, R$ 19,485, R$ 22,531 and R$ 75,811, respectively, in order to offset the effect in income obtained with the purchase and sale of the surplus or with the purchase of the energy exposure in the spot market.

As of December 31, 2017, the subsidiaries Coelba, Celpe, Cosern and Elektro Redes hold an updated total overcontracting financial component liability of R$ 396,477.

In the year ending as of December 31, 2018, the subsidiaries Coelba, Celpe, Cosern and Elektro Redes recognized a financial liability in the amount of R$ 85,303, R$ 114,233, R$ 7,811 and R$ 6,578, in order to offset the effect on the result obtained with the purchase and sale of the energy surplus or with the purchase of power exposure in the short-term market.

(d) Hydrological Risk

In the year ending as of December 31, 2018, the subsidiaries Coelba, Celpe and Cosern registered a liability financial component related to hydrological risk in the amount of R$ 163,802, R$ 105,938 and R$ 41,243, referring to amounts to be returned to consumers, as approved by ANEEL in 2017 tariff adjustment process, in compliance with ANEEL Resolution n° 796/2017.

The changes in the balances of assets and liabilities are as follows:

	2018	2017	2016
Initial Balances	**726,423**	**(60,705)**	**282,093**
Business Combination	-	(226,548)	-
Recognition of asset (Liability)	750,776	993,142	(20,376)
Reversal (Amortization)	(693,015)	3,238	(341,289)
Monetary indexation	62,484	17,296	18,867
Final Balances Asset (Liability)	**846,668**	**726,423**	**(60,705)**

11. Investments

Information on associates are as follows:

		Database	Asset		Liability		Equity	Profit (Loss) for the fiscal year
Subsidiaries	Ref.	Result	Current	Noncurrent	Current	Noncurrent		
COELBA		2018	3,352,774	11,177,792	2,715,489	6,610,076	5,205,001	638,557
		2017	3,014,429	9,539,246	3,927,324	5,460,663	3,165,688	177,044
		2016	2,161,174	8,368,709	3,031,961	4,542,214	2,955,708	259,677
CELPE		2018	2,308,999	5,454,426	1,704,952	4,465,003	1,593,470	111,904
		2017	1,815,494	4,860,506	2,164,656	2,973,989	1,537,355	56,395
		2016	1,334,439	4,190,703	1,919,138	2,031,673	1,574,331	(333)
COSERN		2018	853,326	2,343,835	612,896	1,617,496	966,769	241,683
		2017	908,766	1,956,728	899,879	1,113,176	852,439	188,278
		2016	631,386	1,772,481	704,842	853,883	845,142	171,260
ELEKTRO REDES S.A.	(a)	2018	3,116,613	4,737,127	1,622,810	3,937,104	2,293,826	414,332
		2017	2,239,055	4,214,472	2,365,186	2,058,041	2,030,300	173,004
AFLUENTE TRANSMISSÃO		2018	51,621	154,578	2,655	7,790	195,754	22,615
		2017	53,085	1,705	2,459	7,397	44,934	12,517
		2016	68,881	18,735	3,960	7,450	76,206	14,288
SE NARANDIBA		2018	19,035	164,816	40,408	15,033	128,410	13,777
		2017	15,533	116,805	40,422	21,906	70,010	5,024
		2016	16,482	119,835	39,696	33,722	62,899	6,045
POTIGUAR SUL		2018	34,753	269,024	37,091	19,322	247,364	15,689
		2017	48,517	254,395	27,553	8,318	267,041	24,334
		2016	25,940	264,735	28,703	7,654	254,318	11,930
EKTT 1		2018	15,805	29,135	1,629	1,811	41,500	3,447
		2017	-	-	-	-	-	-
EKTT 2		2018	8,457	10,409	1,371	688	16,807	1,279
		2017	-	-	-	-	-	-
EKTT 12	(a)	2018	9,640	51,517	6,472	3,795	50,890	5,849
		2017	3,311	6,617	2,476	35	7,417	(43)
EKTT 13	(a)	2018	7,095	29,639	2,200	2,065	32,469	3,347
		2017	7,701	3,813	182	21	11,311	59
EKTT 14	(a)	2018	7,905	26,367	1,736	1,828	30,708	2,924
		2017	7,159	3,861	202	24	10,794	55
EKTT 15	(a)	2018	2,650	26,942	5,330	1,874	22,388	3,007
		2017	7,602	3,542	234	20	10,890	49
NC ENERGIA		2018	416,995	288,417	347,509	127,080	230,823	87,606
		2017	472,479	309,002	386,522	152,450	242,509	96,070
		2016	161,821	289,362	174,754	107,173	169,256	12,140
ELEKTRO COM. DE ENERGIA LTDA - EKCE	(a)	2018	23,234	123	17,024	-	6,333	1,616
		2017	39,424	183	34,328	-	5,279	1,236
TERMOPE		2018	580,016	1,685,313	355,095	1,126,576	783,658	72,518
		2017	744,583	1,707,928	581,721	1,146,537	724,253	93,885
		2016	390,139	1,786,459	725,830	814,250	636,518	73,104
ITAPEBI		2018	297,016	510,123	153,210	343,565	310,364	46,600
		2017	429,395	494,443	440,131	196,399	287,308	97,815
		2016	205,152	499,668	198,692	131,847	374,281	180,985
BAGUARI I		2018	51,056	265,731	32,052	116,622	168,113	28,572
		2017	44,272	273,390	47,461	123,882	146,319	26,704
		2016	31,692	278,921	59,754	124,903	125,956	27,115
GERAÇÃO C III		2018	23,302	325,932	32,488	59,061	257,685	28,929
		2017	33,938	326,640	57,125	71,798	231,655	20,644
		2016	29,273	323,255	64,158	73,415	214,955	27,545
GERAÇÃO CÉU AZUL		2018	61,416	1,811,557	168,340	590,023	1,114,610	(50,893)
		2017	120,869	1,518,337	563,016	125,565	950,625	1,246
		2016	20,464	1,036,093	307,669	40,938	707,950	(6,641)
BAHIA PCH II		2018	-	869	-	-	869	-
		2017	-	878	-	-	878	-
SANTANA 1	(a)	2018	32,238	179,769	24,570	4,913	182,524	24,701
		2017	17,099	185,864	11,421	4,579	186,963	7,628
		2016	5,098	188,949	28,235	1,328	164,484	238
SANTANA 2	(a)	2018	24,871	144,387	19,911	4,529	144,818	17,348
		2017	15,062	149,377	11,681	4,257	148,501	4,882
		2016	3,796	152,288	23,476	1,062	131,546	256
CANOAS 1	(a)	2018	13,554	206,244	18,926	5,034	195,838	9,559
		2017	13,579	201,877	45,148	4,564	165,744	4,465
		2016	125	54,868	33,109	25	21,859	33
CANOAS 2	(a)	2018	1,004	2,633	23	-	3,614	(14)
CANOAS 4	(a)	2018	1,004	2,633	23	-	3,614	(14)
LAGOA I	(a)	2018	33,897	590,767	35,131	353,156	236,377	(868)
		2017	22,401	534,006	56,284	292,973	207,150	4,985
		2016	3,455	89,894	7,412	41	85,896	134

		Database	Asset		Liability		Equity	Profit/ loss for the year
Subsidiaries	Ref.	Result	Current	Noncurrent	Current	Noncurrent		
LAGOA 2	a)	2018	7,594	201,866	14,177	5,019	190,264	9,369
		2017	16,846	198,694	43,523	4,539	167,478	4,522
		2016	130	47,596	27,775	-	19,951	15
LAGOA 3	a)	2018	1,002	2,641	28	1	3,614	(14)
LAGOA 4	a)	2018	776	1,589	23	-	2,342	(15)
CALANGO I		2018	19,051	114,528	16,130	58,538	58,911	15,550
		2017	11,053	103,705	12,435	35,991	66,332	8,172
		2016	7,021	108,544	10,355	45,351	59,859	8,492
CALANGO II	a)	2018	16,815	106,463	12,651	60,549	50,078	14,256
		2017	11,303	109,593	12,563	54,854	53,479	6,498
		2016	5,240	112,427	8,763	66,692	42,212	3,201
CALANGO III	a)	2018	17,288	115,418	13,747	65,785	53,174	13,774
		2017	11,278	112,263	12,205	57,167	54,169	4,954
		2016	11,009	116,600	9,547	69,472	48,590	4,164
CALANGO IV		2018	16,501	106,433	15,015	59,188	48,731	15,131
		2017	10,850	101,330	14,843	38,880	58,457	15,603
		2016	7,052	103,375	17,135	47,228	46,064	6,989
CALANGO V		2018	19,174	105,822	14,752	59,147	51,097	13,620
		2017	12,704	100,228	13,697	38,081	61,154	10,156
		2016	9,978	103,309	12,235	48,278	52,774	8,124
CALANGO VI	a)	2018	56,073	498,724	25,140	299,255	230,402	38,011
		2017	27,250	511,394	36,922	300,304	201,418	2,671
		2016	14,225	477,536	58,598	249,300	183,863	(1,225)
CAETITÉ I		2018	9,333	122,507	11,298	46,716	73,826	10,620
		2017	5,159	113,686	9,363	24,961	84,521	12,007
		2016	6,662	117,110	13,788	34,923	75,061	7,546
CAETITÉ II		2018	17,800	118,510	11,671	40,090	84,549	16,887
		2017	11,408	109,825	11,375	6,232	103,626	18,480
		2016	15,091	107,296	15,373	20,306	86,708	17,915
CAETITÉ III	a)	2018	9,480	115,665	10,322	42,858	71,965	8,967
		2017	5,356	110,811	7,707	29,818	78,642	5,044
		2016	5,679	113,420	6,936	40,811	71,352	5,354
ARIZONA I	a)	2018	8,697	115,000	13,122	61,388	49,187	7,897
		2017	5,374	110,519	12,242	53,381	50,270	4,541
		2016	6,722	112,101	10,622	60,786	47,415	3,198
MEL II	a)	2018	5,878	79,973	7,855	45,287	32,709	4,296
		2017	3,708	77,885	7,743	44,239	29,611	(612)
		2016	4,008	81,694	10,435	47,073	28,194	(3,138)
FORÇA EÓLICA PARTICIPAÇÕES	a)	2018	17,343	258,578	13,877	-	262,044	49,965
		2017	14,545	307,954	34,218	-	288,281	22,315
		2016	4,534	282,051	30,676	-	255,909	19,263
FORÇA EÓLICA DO BRASIL	a)	2018	18,751	603,070	141,910	62	479,849	(12,939)
		2017	18,010	484,562	41,054	92,211	369,307	(9,625)
		2016	7,503	351,407	39,483	14,237	305,190	(24,252)
FORÇA EÓLICA DO BRASIL I		2018	31,334	319,033	17,645	-	332,722	72,114
		2017	24,598	376,010	21,248	-	379,360	64,982
		2016	10,259	339,441	20,765	-	328,935	50,692
FORÇA EÓLICA DO BRASIL II	a)	2018	22,516	263,942	11,978	-	274,480	50,235
		2017	27,863	288,281	23,202	-	292,942	22,295
		2016	3,044	273,580	14,522	-	262,102	19,099
ENERBRASIL RENOVÁVEIS DO BRASIL	a)	2018	46,603	108,906	19,305	6,082	130,122	28,024
		2017	76,628	119,506	33,363	12,952	149,819	6,951
ELEKTRO RENOVÁVEIS DO BRASIL	a)	2018	79,539	673,996	100,760	-	652,775	80,381
		2017	36,534	670,691	83,554	-	623,671	19,329
ELEKTRO O&M	a)	2018	11,507	6,552	3,983	6	14,070	(3,142)
		2017	7,725	15,144	5,657	-	17,212	3,312
NEOENERGIA SERVIÇOS		2018	3,018	6,352	2,489	744	6,137	1,184
		2017	1,890	6,958	2,244	787	5,817	815
		2016	2,451	5,086	1,712	628	5,197	(2,070)
NEOENERGIA O&M		2018	12,748	10,396	7,260	608	15,276	4,322
		2017	9,664	9,625	4,928	796	13,565	2,882
		2016	7,123	14,974	4,837	632	16,628	6,671
BELO MONTE PARTICIPAÇÕES		2018	1,080	1,368,928	29	-	1,369,979	89,341
		2017	548	1,155,270	90	-	1,155,728	(28,087)
		2016	168	1,071,694	106	-	1,071,756	(3,636)
NEOENERGIA INVESTIMENTOS		2018	983	13,700	77	-	14,606	822
		2017	138	11,557	101	-	11,594	(1,255)
		2016	1,089	10,718	91	-	11,716	(979)
GARTER		2017	35	-	-	2	33	1

		Database	Asset		Liability		Equity	Profit/ loss for the year
Subsidiaries	Ref.	Result	Current	Noncurrent	Current	Noncurrent		
		2016	34	-	-	2	32	(12)
CHAFARIZ 1		2018	1,002	2,633	28	1	3,606	(14)
CHAFARIZ 2		2018	1,004	2,625	23	-	3,606	(14)
CHAFARIZ 3		2018	1,254	2,625	23	-	3,856	(14)
CHAFARIZ 6		2018	1,166	2,363	23	-	3,506	(14)
CHAFARIZ 7		2018	1,254	2,625	23	-	3,856	(14)
GOIAS SUL	b)	2016	16,113	284,923	23,517	65,087	212,432	13,324
RIO PCH I	b)	2016	12,641	214,033	34,378	62,382	129,914	9,320
AFLUENTE G	b)	2016	8,089	37,240	1,668	1,000	42,661	11,215
ENERGYWORKS	b)	2016	92,902	104,725	57,323	7,616	132,688	43,392
CAPUAVA	b)	2016	24,519	10,567	3,553	-	31,533	12,718
BAHIA PCH I	b)	2016	17,690	198,595	33,830	46,855	135,600	19,584

	Database	Asset		Liability		Equity	Profit/ loss for the year
Joint control	Equity Result	Current	Noncurrent	Current	Noncurrent		
TELES PIRES PARTICIPAÇÕES	2018	5,495	2,160,996	54,942	636,081	1,475,468	(228,423)
	2017	7,494	2,282,198	56,009	687,203	1,546,483	(230,077)
	2016	8,009	2,304,991	220,822	474,275	1,617,903	(121,888)
COMPANHIA HIDROELETRICA TELESPIRES	2018	161,529	4,909,171	319,964	2,837,194	1,913,542	(173,462)
	2017	171,993	5,094,604	340,005	2,915,695	2,010,897	(149,055)
	2016	163,004	5,267,165	332,669	2,989,390	2,108,110	(74,035)
ÁGUAS DA PEDRA	2018	114,471	723,720	75,670	266,801	435,848	99,040
	2017	82,641	741,313	91,376	291,040	441,538	88,386
	2016	85,740	762,310	92,109	321,793	434,148	90,699

	Database	Assets				Equity	Profit/ loss for the year
Associated Companies	Assets Income	Current	Noncurrent	Current	Noncurrent		
NORTE ENERGIA	2018	870,676	43,043,974	3,805,799	26,807,077	13,301,774	904,477
	2017	765,221	40,955,428	3,730,257	26,731,596	11,258,796	(277,975)
	2016	783,777	36,755,357	1,620,280	25,420,276	10,498,578	(76,968)
ECIII	2018	19,979	207,397	24,611	35,457	167,308	13,901
	2017	24,316	206,695	22,553	41,981	166,477	11,042
	2016	25,631	206,116	11,340	49,715	170,692	12,918

(a) Companies which integrated Neoenergia after Elektro Holding Merger, on August 24, 2017
(b) Companies sold on March 17, 2017. See note 3.6.g

The table below presents the financial information respect of the companies Teles Pires Participações and Norte Energia:

(i) Norte Energia S.A.

Statement of financial position s	2018	2017	2016
ASSETS			
Current			
Cash and cash equivalents	85,993	6,662	205,796
Accounts receivable from clients and other accounts receivable	570,959	385,934	201,030
Other current assets	213,724	372,625	376,951
Total current	**870,676**	**765,221**	**783,777**
Non-current			
Property, plant and equipment	41,511,052	39,708,683	36,048,090
Other non-current assets	1,532,922	1,246,745	707,267
Total non-current	**43,043,974**	**40,955,428**	**36,755,357**
Total assets	**43,914,650**	**41,720,649**	**37,539,134**
LIABILITIES			
Current			
Loans and financing	2,389,264	1707983	630,932
Other current liabilities	1,416,535	2,022,274	989,348
Total current	**3,805,799**	**3,730,257**	**1,620,280**
Non-current			
Loans and financing	25,560,954	25,546,587	24,984,318
Other non-current liabilities	1,246,123	1,185,009	435,958
Total non-current	**26,807,077**	**26,731,596**	**25,420,276**
Equity			
Capital	13,010,058	12,165,858	11,127,665
Retained earnings/losses	291,716	(907,062)	(629,087)
Total equity	**13,301,774**	**11,258,796**	**10,498,578**
Total liabilities and equity	**43,914,650**	**41,720,649**	**37,539,134**

Income statement	2018	2017	2016
Profit for the year	4,256,828	2,598,916	654,543
Operating costs and expenses	(1,668,182)	(1,908,466)	(599,459)
Operating profit	**2,588,646**	**690,450**	**55,084**
Financial income	**140,201**	**98,227**	**25,268**
Income from financial investments	133,871	27,780	20,360
Other financial income	6,330	70,447	4,908
Financial expenses	**(1,352,520)**	**(754,831)**	**(175,959)**
Debt charges	(1,251,094)	(727,321)	(174,993)
Other finance costs	(101,426)	(27,510)	(966)
Income before income tax and social contribution	**1,376,327**	**33,846**	**(95,607)**
Income tax and social contribution	(471,850)	(311,821)	18,640
Profit for the year	**904,477**	**(277,975)**	**(76,967)**

(ii) Teles Pires Participações

Statement of financial position s	2018	2017	2016
ASSETS			
Current			
Cash and cash equivalents	27,857	30,484	27,907
Other current assets	139,166	149,004	143,105
Total current	**167,023**	**179,488**	**171,012**
Non-current			
Property, plant and equipment	4,673,740	4,840,430	5,007,165
Investments	-	-	-
Other non-current assets	500,111	543,571	580,445
Total non-current	**5,173,851**	**5,384,001**	**5,587,610**
Total assets	**5,340,874**	**5,563,489**	**5,758,622**
LIABILITIES			
Current			
Loans and financing	159,213	139,663	-
Debentures	54,913	55,753	220,487
Other current liabilities	160,783	200,595	333,004
Total current	**374,909**	**396,011**	**553,491**
Non-current			
Loans and financing	2,417,310	2,526,580	2,596,363
Debentures	636,081	687,203	578,775
Other non-current liabilities	419,883	389,116	393,027
Total non-current	**3,473,274**	**3,602,899**	**3,568,165**
Equity			
Capital	2,313,539	2,156,130	1,997,563
Retained earnings/losses	(838,070)	(609,647)	(379,570)
Total equity	**1,475,469**	**1,546,483**	**1,617,993**
Non-controlling interest	17,222	18,096	18.973
Total liabilities and equity	**5,340,874**	**5,563,489**	**5,758,622**

Income statement	2018	2017	2016
Operating costs and expenses	772,602	866,743	713,680
Results of equity interest	(710,959)	(840,664)	(638,786)
Operating profit	**61,643**	**26,079**	**74,894**
Financial income	**13,550**	**32,640**	**36,607**
Income from financial investments	9,155	28,695	33,519
Other financial income	4,395	3,945	3,088
Financial expenses	**(316,654)**	**(369,888)**	**(321,778)**
Debt charges	(272,340)	(327,642)	(305,123)
Other finance costs	(44,314)	(42,246)	(16,655)
Loss before income tax and social contribution	**(241,461)**	**(311,169)**	**(210,277)**
Income tax and social contribution	11,477	79,749	87.812
Profit for the year	**(229,984)**	**(231,420)**	**(122.465)**

The table below presents the investments rollforward:

	Balances on January 1st, 2016	Capital increase	Acquisition	Other comprehensive income	Equity result of associates	Amortization of surplus value	Dividends and Interest on equity	Balances as at December 31, 2016
ÁGUAS DA PEDRA	225,062	-	-	-	46,257	-	(49,904)	221,415
CIA HIDRELÉTRICA TELES PIRES (b)	-	875	28,957	-	(791)	(142)	-	28,899
ENERGÉTICA CORUMBÁ	26,411	-	25,628	-	2,671	(130)	(378)	54,202
FORÇA EÓLICA DO BRASIL	145,433	77,859	-	(46,649)	(12,126)	-	-	164,517
FORÇA EÓLICA DO BRASIL II	126,678	-	-	-	8,248	-	(3,875)	131,051
NORTE ENERGIA S.A.(a)	674,788	400,000	-	-	(3,383)	-	-	1,071,405
TELES PIRES PARTICIPAÇÕES	717,786	161,119	-	-	(60,975)	-	-	817,930
TOTAL	**1,916,158**	**639,853**	**54,585**	**(46,649)**	**(20,099)**	**(272)**	**(54,157)**	**2,489,419**

	Balances as at December 31, 2016	Capital increase	Other Comprehensive Income	Equity result of associates	Amortization of surplus value	Dividends and Interest on equity	Business Combination	Balance as of December 31, 2017
ÁGUAS DA PEDRA	221,415	-	-	45,077	-	(41,308)	-	225,184
CIA HIDRELÉTRICA TELES PIRES	28,899	401	-	(1,342)	(337)	-	-	27,621
ENERGÉTICA CORUMBÁ	54,202	-	-	3,969	(300)	(3,591)	-	54,280
FORÇA EÓLICA DO BRASIL	164,517	41,303	2,645	(5,358)	-	-	(203,107)	-
FORÇA EÓLICA DO BRASIL II	131,051	-	-	9,075	-	-	(140,126)	.
NORTE ENERGIA S.A. (a)	1,071,405	111,487	-	(27,798)	-	-	-	1,155,094
TELES PIRES PARTICIPAÇÕES	817,93	80,172	-	(116,319)	-	-	-	781,783
TOTAL	**2,489,419**	**233,363**	**2,645**	**(92,696)**	**(637)**	**(44,899)**	**(343,233)**	**2,243,962**

	Balance as of December 31, 2017	Capital increase	Equity results of associates	Dividends and Interest on equity	Balance as of December 31, 2018
ÁGUAS DA PEDRA	225,184	-	50,510	(53,413)	222,281
CIA HIDRELÉTRICA TELES PIRES	27,621	685	(1,833)	-	26,473
ENERGÉTICA CORUMBÁ	54,280	-	3,278	(4,801)	52,757
NORTE ENERGIA S.A. (a)	1,155,094	93,800	119,878	-	1,368,772
TELES PIRES PARTICIPAÇÕES	781,783	79,586	(115,513)	-	745,856
TOTAL	**2,243,962**	**174,071**	**56,320**	**(58,214)**	**2,416,139**

(a) Norte Energia S.A. (the "investee") is a privately held company whose object is to construct, operate, maintain and explore the Belo Monte Power Plant (UHE Belo Monte) on the Xingu River located in the State of Pará and the transmission facilities restricted to the generation plant. The Company indirectly holds 10% of the capital of this investee. Considering that the Belo Monte Power Plant ("UHE Belo Monte") is in the process of construction and implementation, it still needs financial input from its shareholders and/or third parties to enable the works to be concluded. According to forecasts and projections, these will be absorbed by Revenue from future operations. Shareholders may be required to provide additional capital contributions proportional to each shareholder's interest in the capital of NESA subject to the obligations set forth in the Shareholders' Agreement.

In 2015, the Management became aware of the investigation process being carried out in the context of one of the shareholders of the investee Centrais Elétricas Brasileiras S.A. - Eletrobras which approved the creation of an Independent Committee to manage and supervise the investigation being carried out by an independent specialized company.

In 2016, the investigation work led by the independent specialized company was completed and determined that certain contracts with some contractors and suppliers of the UHE Belo Monte project had estimated impacts of 1% on the contract price plus some other estimates of fixed amounts determined in the context of the overcharging and manipulation of illicit proposals.

The adjustments resulting from the independent investigation above were fully recognized in the Company's income statements for the year ended December 31, 2015 in proportion to its interest in the investment. The investigation being conducted by the Brazilian authorities is still in progress.

(b) On August 19, 2016 as provided in the shareholders' agreement of the investee "Companhia Hidrelétrica Teles Pires" dated December 5, 2012 after UG5 began operating, the Company acquired shares owned by Odebrecht (0.9% of the capital of CHTP) for the total amount of R$ 28,957.

11.1. Impairment of investments

Management annually reviews the events or changes in the economic, operational or technological circumstances that may impact each asset or cash-generating unit (CGU).

As of December 31, 2018, 2017 and 2016, the assets that presented previous indications of impairment or impairment were submitted to a sensitivity analysis to identify a real impact for possible impairment loss, and as a result, there was no need for recognition from impairment of any assets of the Company.

The assumptions used by management in this analysis include the present value of estimated cash flows as well as market's long-term growth projections.

Cash flows are estimated based on the results already achieved, taking into account the Company's annual corporate budget, while the analysis of the market's long-term growth projection takes into account the maturity of each concession and the expectation of market growth, using compatible projections with historical data and solid growth prospects for the Brazilian economy.

In 2018, these cash flows are discounted at average rates of 8.97% (post taxes), with their nominal rate depending on each project and using a methodology widely applied for the energy industry.

11.2. Business Combination

Description of Elektro Holding Merger

On August 24, 2017, at the Special Meeting of Shareholders the merger of Elektro Holding SA ("Elektro Holding") into Neoenergia SA ("Company") was approved, as disclosed to the market in a Relevant Fact on the same date.

Elektro Holding was a privately-held corporation headquartered in the city of Campinas, State of São Paulo, which consisted of holding interests in other companies engaged in the distribution, generation and sale of electricity, as well as services rendering to the subsidiaries.

On July 4, 2017, the Administrative Council for Economic Defense - CADE approved the settlement, and the absence of opposition was certified on July 20, 2017; on August 3, 2017 ANEEL's authorization was obtained and on August 17, 2017, BNDES's consent was obtained.

This merger was made upon the issuance of new shares of the Company to Elektro's shareholders, combining their respective net assets. As a consequence, the Company controlled all the subsidiaries of Elektro Holding: Elektro Redes S.A., a power distribution company, Enerbrasil Energias Renováveis do Brasil SA (Enerbrasil), a wind power producer, Elektro Renováveis do Brasil SA (Elektro Renováveis), a holding of the wind power business, Elektro Comercializadora de Energia Ltda. (EKCE) and Elektro Operação e Manutenção Ltda. (Elektro O & M), consisting of a business combination. As a result of the conclusion of the transaction, Elektro Holding, whose net assets were merged into Neoenergia, was dissolved.

The share exchange ratio of Elektro Holding for shares issued by the Company ("Exchange Ratio") fixed at 1: 0.4385271074 was approved, i.e., for each one (1) share issued by Elektro Holding a fraction of the Company's share corresponding to 0.4385271074 was attributed, as provided for in the Protocol of Merger of Elektro Holding ("Protocol of Merger"), executed on June 7, 2017. In view of the Exchange Ratio, the merger resulted in the issuance of one billion, six hundred and fifty-four million, one hundred and twenty-four thousand, two hundred and forty-nine (1,654,124,249) new registered, book-entry, common shares at no par value of the Company in exchange for three billion, seven hundred seventy-two million (3,772,000,000) registered common shares at no par value issued by Elektro Holding. Thus, no cash disbursement occurred for this merger. The impacts of non-cash effects are shown as additional information in the Statement of cash flows.

As a result of this transaction:

(i) the Company's capital stock was increased by R$ 4,595,577 and capital reserves increased by R$ 98,423;
(ii) Iberdrola Energia owns 52.45%, PREVI owns 38.21% and BB-BI owns 9.34% of the Company's capital stock, thus Iberdrola becomes the controlling shareholder of the Company.

The merger, in addition to consolidating the Company as the largest company in the Brazilian electricity sector, will allow to structure and to use more efficiently the assets and the transactions, by unifying management and activities, considering expectations of synergy and rationalization of administrative and financial expenses, as well as greater liquidity for the parties involved.

As of December 31, 2017, the companies held by the merged company contributed with R$ 2,881,583 on net revenue and with R$ 288,515 on profit for the year to the consolidated financial statements. If the merger had occurred on January 1st, 2017, Management estimates that consolidated net revenue would have been R$ 29,757,201 and consolidated profit for the year would have been R$ 530,082 (unaudited information by the independent auditors). In order to estimate these amounts, management considered that the fair value adjustments determined at the merger date would have been the same had the merger occurred on January 1 st, 2017.

Additional merger information

a) Consideration

The total amount of the transferred consideration was determined according to the estimated fair value of Elektro Holding on the date of the merger, calculated under an independent professional appraisal report ("Appraisal Report") ordered by the Company, in the amount of R$ 4,840,551. This information was used in the interim determination of the effects of the merger on the interim financial statements as of September 30, 2017.

More recently, as described in item 11.2.d below, the Company's Management identified the need to revise the fair value estimate initially assigned by the Appraisal Report to the investment in Elektro Holding, in order to better reflect the facts and circumstances existing on the date of the merger, considered by market participants and calculated based on the indicative ranges of offers received in the primary and secondary offer process, immediately after the settlement, which was canceled as of December 14, 2017, but which, if known, would have affected the estimate of the fair value of the consideration transferred on that date.

Considering those market components that were not measurable at the time, the Company carried out a new analysis in December 2017, as set forth by IFRS 13 - Fair Value Measurement, estimating the fair value of R$ 4,191,478, which is the amount to be considered as final transferred consideration in accordance with IFRS 3 - Business Combination.

The difference between the originally estimated fair value of R$ 4,840,551 and the revised fair value of R$ 4,191,478 was recorded as a Transaction with Shareholders.

b) Pre-existing Relations

The subsidiaries of Elektro Holding mantained, and remain unchanged, the contractual transactions of purchase of electric power, services of transmission of electric power and the provision of maintenance and operation services, with the Company and its subsidiaries, even after the date of merger.

c) Assets and Liabilities Entered in the Date of Merger

The consideration transferred of R$ 4,191,478, defined in item (a), was distributed among assets and liabilities, according to the report for allocation of fair value of the independent evaluator on the base date of merger ("Allocation Report"). The assets and liabilities assumed are at fair value, including:

i. Intangible Assets connected to the right of exploration of current concession (amortized until August 2028) and right of renewal of concession to Elektro Redes (the amortization of which will only start as of the renewal itself, in 2028, until 2058), trading and client portfolio agreements to Elektro Comercializadora (amortized until 2022) and power agreements and authorizations for several projects of wind power generation (amortized until 2050), arranged through the methodology of discounted cash flow;

ii. Other contingent liabilities, based on the best loss estimate, according to the judgment of Company's Management;

iii. The effects of deferred assets on the fair value adjustments.

d) Fair Value Measurement

The updated fair value of Elektro used for the purposes of the merger, R$ 4,191,478, considered the updating of the economic and financial forecast previously prepared by third party on the date of the transaction, for purposes of the Evaluation Report, using the discounted cash flow methodology.

The need for this updating was identified considering the indications based on observable market events, as follows:

- The cancellation, as of December 14, 2017, of the Initial Public Offering ("IPO") issued by Neoenergia in November 2017, stated that the sum of R$ 4,840,551 attributed to the investment in Elektro Holding on August 24, 2017, previously calculated in the Valuation Report, did not reflect all risks observed by the market players because this data was not available when calculating the fair value of the investment on that date (the Valuation Report was finalized by the independent evaluator on October 9, 2017).

- Additionally, as a result of the non-fulfillment of IPO, there was increase of capital in Neoenergia as of

December 28, 2017, amounting to R$ 2,585,380 (please refer to explanatory note 21), in which the amount approved by unanimous vote of the shareholding members was R$ 16.77 per share. This ratio, R$/share, amounts to a value for Neoenergia Company, including for the acquired companies, less than those obtained through the Evaluation Report originally used in the interim financial statements fothe period ending on September 30, 2017.

The value of the investment in Elektro Holding updated with these assumptions of R$ 4,191,478 was obtained through a refinement in the discount rates calculation used in the initial report, reflecting the perception of risk more adjusted to market behavior, but with the forecasts used and their respective economic/financial/operational assumptions remaining unchanged, as well as the valuation methodology.

The discounted cash flow method best represents the value of a company based on its future profitability (Income Approach). The assessment was made considering the long-term forecasts, mainly supported by the following assumptions:

(i) Growth and profitability in line with historical and market data;
(ii) The implicit multiples in the results obtained are in line with the market multiples of each sector of Elektro's performance;
(iii) Cash flows in this industry have high predictability;
(iv) The evaluation parameters are consistent with Elektro's size and long-term expectation.

The projections were prepared individually per company:

(i) For Elektro Redes, a public service utility operating in the electricity distribution industry, the forecasts consider the completion of the first concession period in August 2028, followed by its renewal, for an additional period of 30 years. By the end of the period forecasted, the receipt of the remaining regulatory asset was considered, defined by the regulatory agency based on investments at fair value by the end of the concession (nor depreciated) and not compensated through tariff until this date.

(ii) Elektro's projected cash flows were discounted at the weighted average cost of capital (WACC), plus a premium of 0.1% (11.07%).

(iii) he period of authorization for exploration of wind farms is higher than the projected period of cash flows. The projected period considered was only for the term for which there are PPAs (Power Purchase Agreements) due to uncertainties about the cash flows after the termination of these contracts.

The fair value of the identifiable assets and liabilities on the merger date, as of August 24, 2017, as defined by IFRS 3 - Business Combination - to identify the acquired company, is presented below:

	Fair Value Recognized on Merger	Força Eólica do Brasil (50%)(a)	Final Allocation
Current Assets			
Cash and Cash Equivalents	1,532,546	727	1,533,273
Accounts Receivable	1,160,063	7,036	1,167,099
Derivatives	22,850	-	22,850
Portion A and Other Financial Items	357,092	-	357,092
Other Current Assets	221,623	67,851	289,474
	3,294,174	**75,614**	**3,369,788**
Noncurrent Assets			
Fixed	1,055,400	414,723	1,470,123
Intangible	3,072,445	365	3,072,810
Indemnifiable Asset (concession)	1,221,302	-	1,221,302
Portion A and Other Financial Items	90,899	-	90,899
Accounts Receivable	31,177	-	31,177
Derivatives	102,021	-	102,021
Deferred taxes and social contributions	632,428	87	632,515
Other Noncurrent Assets	443,116	2,210	445,326
	6,648,788	**417,385**	**7,066,173**
Total Assets	**9,942,962**	**492,999**	**10,435,961**
Current liabilities			
Loans, Financing and Debentures	1,345,406	89,977	1,435,383
Derivatives	8,845	-	8,845
Suppliers	379,352	10,656	390,008
Portion A and Other Financial Items	298,890	-	298,890
Other Current Liabilities	559,177	2,374	561,551
	2,591,670	**103,007**	**2,694,677**
Noncurrent Liability			
Loans, Financing and Debentures	2,287,850	196,484	2,484,334
Derivatives	10,228	-	10,228
Deferred taxes and social contributions	203,159	-	203,159
Portion A and Other Financial Items	375,649	-	375,649
Provisions	257,954	2,034	259,988
Other Liabilities	14,406	37	14,443
	3,149,246	**198,555**	**3,347,801**
Total Liabilities	**5,740,916**	**301,562**	**6,042,478**
Non-controlling shareholders	**10,568**	**-**	**10,568**
Total Net Assets Acquired	**4,191,478**	**191,437**	**4,382,915**

(a) The Company and Elektro Holding held ownerships which were impacted by the merger as follows: (i) the Company was the controlling shareholder of Força Eólica do Brasil 1 (FEB1) with a direct interest of 50% in its capital, and the remaining interest belonged to Elektro Holding; (ii) the Company held an interest of 50% in Força Eólica do Brasil 2 (FEB 2), and the remaining 50% of the capital was held by Elektro Holding, which was the controlling shareholder.

The costs connected to this operation, recorded as an expense of the result of December 31, 2017, are not material.

Company's Management completed the analysis of effects of fair value of Elektro Holding jointly with the appraiser, based on the Allocation Report, for the purposes of this annual financial statement. In this allocation process, no goodwill was identified, since the fair value of the assets acquired coincides with the updated consideration transferred.

e) Contingent Consideration

No clauses related to the contingent consideration are not included in the Protocol of Merger.

f) Indemnity Assets

The Protocol of Merger does not include any clauses connected to indemnity assets.

g) Contingent Liabilities Recognized

	Elektro Holding Aug 24, 2017
Civil Lawsuits	86,258
Labor Claims	40,699
Tax Lawsuits	97,869
Regulatory Lawsuits	10,975
Contingent Liability at Fair Value (i)*	**235,801**
Provisions recorded in the merged company (ii)	(161,244)
Adjustment at Fair Value (i) - (ii)	**74,557**

(*) Such amounts stand as fair values of the lawsuits of civil, labor, tax, and regulatory nature, based on the best loss estimate, according to the judgment of Company's Management.

12. Property, plant and equipment

Property, plant and equipment by nature is as follows:

	Ref	Weighted average annual depreciation (%)	2018 Cost	2018 Accumulated depreciation Amortization	2018 Net Value	2017 Cost	2017 Accumulated depreciation Amortization	2017 Net Value	2016 Cost	2016 Accumulated depreciation Amortization	2016 Net Value
In use											
Land			48,610	-	48,610	49,348	-	49,348	76,444	-	76,444
Reservoirs, dams and water mains		2.33%	765,403	(206,954)	558,449	760,185	(189,459)	570,726	1,146,062	(218,317)	927,745
Buildings, civil works and leasehold improvements		4.00%	634,620	(163,987)	470,633	1,058,344	(151,892)	906,452	619,243	(165,736)	453,507
Machinery and equipment		5.00%	3,681,030	(1,039,945)	2,641,085	3,205,415	(897,104)	2,308,311	2,171,763	(697,024)	1,474,739
Vehicles		20.00%	4,966	(2,290)	2,676	6,105	(2,857)	3,248	4,010	(2,538)	1,472
Furniture and appliances		9.00%	2,550	(1,900)	650	3,236	(2,248)	988	3,582	(2,480)	1,102
Other			29,278	(3,139)	26,139	29,486	(2,696)	26,790	878	-	878
			5,166,457	**(1,418,215)**	**3,748,242**	**5,112,119**	**(1,246,256)**	**3,865,863**	**4,021,982**	**(1,086,095)**	**2,935,887**
In progress											
Land			215,883	-	215,883	140,203	-	140,203	40,801	-	40,801
Reservoirs, dams and water mains			78,872	-	78,872	59,969	-	59,969	49,615	-	49,615
Buildings, civil works and leasehold improvements			993,361	-	993,361	837,351	-	837,351	606,674	-	606,674
Machinery and equipment			545,040	-	545,040	366,438	-	366,438	187,187	-	187,187
Vehicles			5,168	-	5,168	1,706	-	1,706	1,946	-	1,946
Furniture and appliances			1,563	-	1,563	1,248	-	1,248	2,282	-	2,282
Materials in storage			21,290	-	21,290	21,290	-	21,290	21,290	-	21,290
Advances to Suppliers and Other			284,973	-	284,973	-	-	-			
Other	(a)		-	-	-	307,938	-	307,938	320,654	-	320,654
			2,146,150	**-**	**2,146,150**	**1,736,143**	**-**	**1,736,143**	**1,230,449**	**-**	**1,230,449**
Transfer to assets held for sale	3.6.g										(752,802)
Total			**7,312,607**	**(1,418,215)**	**5,894,392**	**6,848,262**	**(1,246,256)**	**5,602,006**	**5,252,431**	**(1,086,095)**	**3,413,534**

(a) These refer mainly to advances to suppliers made during the construction period of projects, and were written off upon delivery of goods and/or completion of work.

Accumulated depreciation is generally calculated at rates that consider the useful lives of assets, being defined by ANEEL. The Company periodically evaluates any changes in technology, environment, or any other factor that may impact depreciation calculation and implements adjustments in depreciation curves if necessary.

In 2018, the Company concluded the analysis on the useful life of its wind farms. As a result, a better estimate was considered, changing the useful life from 25 years for all equipment and parts (in use up to December 31, 2017) to: (i) 25 years for the civil works, wind farms' turbine towers and all moving parts and (ii) 40 years or the end of the concession term for fixed parts, whatever occurs first.

As a consequence, consolidated depreciation expense in 2018 includes the impact of this change in estimated useful life of approximately R$ 6,000 for the year (expense reduction). According to the accounting standard, this have been applied prospectively from January 1st, 2018 onwards.

Upon termination of the concession including possible extensions, the property and plant built for the independent generation of electricity and bound to the concession will become property of Federal Government by mean of compensation payment for investments made as per the Concession Agreements.

The changes in property, plant and equipment consolidated are as follows:

	In service			In progress		
	Cost	Accumulated depreciation	Net value	Cost	Net Value	Total
Balances as at January 1st, 2016	**3,954,755**	**(965,152)**	**2,989,603**	**899,476**	**899,476**	**3,889,079**
Additions	889	-	889	443,058	443,058	443,947
Write-offs	(6,485)	(6,018)	(12,503)	(26,047)	(26,047)	(38,550)
Depreciation	-	(128,140)	(128,140)	-	-	(128,140)
Transfers	72,823	13,215	86,038	(86,038)	(86,038)	-
	4,021,982	**(1,086,095)**	**2,935,887**	**1,230,449**	**1,230,449**	**4,166,336**
Transfers to assets held for sale	(959,398)	245,967	(713,431)	(39,371)	(39,371)	(752,802)
Balances as of December 31, 2016	**3,062,584**	**(840,128)**	**2,222,456**	**1,191,078**	**1,191,078**	**3,413,534**
Balances on January 1st, 2017	**3,062,584**	**(840,128)**	**2,222,456**	**1,191,078**	**1,191,078**	**3,413,534**
Business Combination	1,410,656	(277,880)	1,132,776	337,347	337,347	1,470,123
Additions	488	-	488	851,335	851,335	851,823
Write-offs	(1,549)	605	(944)	(4,753)	(4,753)	(5,697)
Depreciation	-	(127,471)	(127,471)	-	-	(127,471)
Transfers	640,246	(1,382)	638,864	(638,864)	(638,864)	-
Transfers - Others (a)	(306)	-	(306)	-	-	(306)
Balances as of December 31, 2017	**5,112,119**	**(1,246,256)**	**3,865,863**	**1,736,143**	**1,736,143**	**5,602,006**
Additions	11,698	-	11,698	467,933	467,933	479,631
Write-offs	(10,006)	9,889	(117)	(6,964)	(6,964)	(7,081)
Depreciation	-	(182,191)	(182,191)	-	-	(182,191)
Transfers	51,855	(89)	51,766	(51,766)	(51,766)	-
Transfers - Others	791	432	1,223	804	804	2,027
Balances as of December 31, 2018	**5,166,457**	**(1,418,215)**	**3,748,242**	**2,146,150**	**2,146,150**	**5,894,392**

(a) Transfers from Property, Plant and Equipment to Intangible Assets.

13. Public Utilities Concession

i. Public Utilities Concessions (Financial Asset)

The following is a breakdown of the concession financial assets:

	Ref	2018	2017	2016
Receivables	(a)	-	423,169	419,226
Indemnity	(b)	9,255,797	7,572,548	4,890,109
		9,255,797	7,995,717	5,309,335
Transfer to assets held for sale	(c)	-	-	(12,786)
Total		**9,255,797**	**7,995,717**	**5,296,549**
Current		-	67,449	62,106
Non-current		9,255,797	7,928,268	5,234,443

(a) Future cash flow values of transmission companies which were discounted through the December 31, 2017 internal rate of return of projects.
(b) Portion of residual values of permanent assets at the end of the concession agreement.
(c) See note 3.6.g.

The changes in balances relating to concession financial assets and receivables of transmission companies are as follows:

	Ref	
Balance on January 1st, 2016		**4,138,056**
Additions		66,482
Write-offs		(5,787)
Amortization/reversal		(34,507)
Transfer	(a)	890,135
Fair Value Adj./Monetary indexation		254,956
		5,309,335
Transfers to assets held for sale	(c)	(12,786)
Balance as of December 31, 2016		**5,296,549**
Business Combination		1,221,301
Additions		18,258
Write-offs		(23,841)
Amortization/reversal		(28,019)
Transfer	(a)	1,163,304
Fair Value Adj./Monetary indexation		348,165
Balance as of December 31, 2017		**7,995,717**
Initial Application of IFRS 15 (transfer to contract asset)	(b)	(448,043)
Balance on January 1, 2018		**7,547,674**
Additions		482
Write-offs		(16,486)
Reversal		1,855
Transfer	(a)	1,290,450
Fair Value Adj./Monetary indexation		431,822
Balance as of December 31, 2018		**9,255,797**

(a) Transfer of the Intangible Asset in progress due to the recognition of new assets incorporated in the period.
(b) The balances connected to the financial assets of the transmission companies, as of January 1st, 2018, started being recognized in the Statement of financial position as contract asset, detailed in note 13.2.
(c) See note 3.6.g.

The recognized value of the financial asset, the changes to the fair value and effective interest rates will be reviewed monthly, based on IPCA inflation index variation, and through Tariff Review inputs, which takes place every four years at Celpe and Elektro Redes, and every five years at Coelba and Cosern.

The concessions of the Distribution and Transmission Companies are not onerous, therefore, there are no fixed financial obligations and payments to be made to the grantor. The concessions granted are valid for 30 years and the concession agreements provide for the possibility of extending the concession term at the exclusive discretion of the grantor and upon concessionaire's request. In the event of termination of the concession at the end of the final term or other of the hypotheses it provides, the reversal of concession service-related assets shall be fully exercised, and the indemnity payable to the Companies shall be calculated, assessed and ascertained, subject to the values and dates of their incorporation into the electricity system.

ii. Public Utilities Concession (Contract asset)

The changes in balances relating to receivables of transmission companies are as follows:

	Ref.	Cost	Special Obligations	Total
Initial Application of IFRS 9 (transfer of financial asset)	(a)	448,043	-	448,043
Initial Application of IFRS 9 (transfer of intangible in progress)	(a)	2,784,774	(309,268)	2,475,506
Initial Application of IFRS 15 (Shareholders' Equity impact)	(a)	191,280	-	191,280
Balance on January 1st, 2018 (Contract asset)		**3,424,097**	**(309,268)**	**3,114,829**
Additions		3,868,981	(282,241)	3,586,740
Write-offs		(28,039)	-	(28,039)
Amortization		(52,936)	-	(52,936)
Transfer of intangible		(1,247,462)	116,604	(1,130,858)
Transfer of financial asset		(1,495,505)	212,232	(1,283,273)
Other transfers	(b)	58,471	38,959	97,430
Monetary indexation /fair value		60,823	-	60,823
Balance as of December 31, 2018 (Contract asset)		**4,588,430**	**(223,714)**	**4,364,716**
Current				51,901
Non-Current				4,312,815

(a) As mentioned in note 3.6.c, the Transmission Subsidiaries adopted IFRS15 as of January 1, 2018, measuring the concession assets as contract asset s. As a consequence of the same standard, the distributors also had to consider their investments in infrastructure expansion and improvements as contract asset s, during the construction period, until their completion, when they are bifurcated into financial and intangible assets.

(b) Refer to the transfers between inventory, work in progress and on going asset disposal services.

14. Intangibles

By nature, the consolidated intangible assets are as follows:

	2018 (Restated)				2017	2016
	Annual weighted averages of amortization (%)	Cost	Accumulated amortization	Special Obligations	Net value	Net value	Net Value
In service							
Right to use the concession	4.27%	23,140,117	(11,649,756)	(2,237,184)	9,253,177	9,343,030	6,429,657
Surplus value attributed to the concession	19.61%	-	-	-	-	-	1,356
Right to use the software		10,979	(6,162)	-	4,817	544	1,212
Other		49,933	(7,517)	-	42,416	479	1,405
		23,201,029	(11,663,435)	(2,237,184)	9,300,410	9,344,053	6,433,630
In progress							
Right to use the concession		23,860	-	-	23,860	2,499,450	1,586,764
Right to use the software		6,120	-	-	6,120	10,765	3,955
Other		-	-	-	-	-	4,421
		29,980	-	-	29,980	2,510,215	1,595,140
Transfers to assets held for sale (Note 3.6.g)		-	-	-	-	-	(26,420)
Total		**23,231,009**	**(11,663,435)**	**(2,237,184)**	**9,330,390**	**11,854,268**	**8,002,350**

According to Decree n° 41,019, dated February 26, 1957, assets and facilities used in energy generation, transmission and distribution are linked to these services and cannot be withdrawn, sold, assigned or given as guarantees without the prior and express Regulator's consent.

ANEEL is responsible for establishing the estimated economic/useful life of each asset of its distribution infrastructure, for the purposes of calculating the tariff, as well as for determining the amount of indemnity related to reversible assets when concession ends. This estimate is periodically reviewed and accepted by the market as a reasonable estimate, suitable for accounting and regulatory purposes and stands as the best estimate for the useful lives of the assets.

Company's Management understands that the amortization of the intangible assets should be in line with the useful life of each set of tangible assets contained in the distribution infrastructure, reflecting the manner in which future benefits arising from the use of the assets are expected to be received by the company, or the end of the concession, whichever occurs earlier. Therefore, these assets should be amortized individually, limited to the term of the concession.

The residual value of any asset that exceeds the term of the concession is allocated as a concession financial asset.

The Company understands that there is no indication that the book value of assets exceeds their recoverable amounts.

The balances of the right to use the concession are as follows:

	In service				In progress			
	Cost	Accumulated amortization	Special obligations	Net value	Cost	Special obligations	Net value	Total
Balances as of January 1st, 2016	16,144,363	(8,212,938)	(1,767,827)	6,163,598	1,946,738	(531,374)	1,415,364	7,578,962
Additions	-	-	-	-	2,365,965	(233,449)	2,132,516	2,132,516
Write-offs	(224,808)	149,494	3,171	(72,143)	(31,579)	-	(31,579)	(103,722)
Amortization	-	(856,867)	132,374	(724,493)	-	-	-	(724,493)
Transfers - intangibles	1,210,725	-	(146,526)	1,064,199	(1,210,722)	146,525	(1,064,197)	2
Transfers - financial assets	(4,910)	-	-	(4,910)	(1,076,461)	191,237	(885,224)	(890,134)
Transfer - other **(a)**	4,941	1,914	524	7,379	64,525	(36,265)	28,260	35,639
Transfers to assets held for sale (Note 3.6.g)	(85,027)	58,607	-	(26,420)	-	-	-	(26,420)
Balances as of December 31, 2016	**17,045,284**	**(8,859,790)**	**(1,778,284)**	**6,407,210**	**2,058,466**	**(463,326)**	**1,595,140**	**8,002,350**
(Restated)								
Business Combination	4,102,465	(1,018,420)	(420,013)	2,664,032	435,516	(26,738)	408,778	3,072,810
Additions	120	-	709	829	3,133,557	(422,637)	2,710,920	2,711,749
Write-offs	(300,182)	235,493	-	(64,689)	(31,592)	-	(31,592)	(96,281)
Amortization	-	(928,646)	148,090	(780,556)	-	-	-	(780,556)
Transfers - intangibles	1,307,709	-	(250,945)	1,056,764	(1,307,709)	250,945	(1,056,764)	-
Transfers - financial assets	52,090	-	(882)	51,208	(1,576,522)	362,010	(1,214,512)	(1,163,304)
Transfer - other **(a)**	(8,714)	(460)	18,429	9,255	107,766	(9,521)	98,245	107,500
Balances as of December 31, 2017	**22,198,772**	**(10,571,823)**	**(2,282,896)**	**9,344,053**	**2,819,482**	**(309,267)**	**2,510,215**	**11,854,268**
Initial Application of IFRS 9 (transfer of contract asset) **(b)**					(2,784,774)	309,267	(2,475,507)	(2,475,507)
Balances as of January 1, 2018	**22,198,772**	**(10,571,823)**	**(2,282,896)**	**9,344,053**	**34,708**	**-**	**34,708**	**9,378,761**
(Restated)								
Additions	155	-	289	444	1,114	-	1,114	1,558
Write-offs	(250,219)	193,705	-	(56,514)	1	-	1	(56,513)
Amortization	-	(1,283,728)	161,012	(1,122,716)	-	-	-	(1,122,716)
Transfers - intangibles	1,251,103	149	(116,538)	1,134,714	(3,856)	-	(3,856)	1,130,858
Transfers - financial assets	(7,177)	-	-	(7,177)	-	-	-	(7,177)
Transfer - other **(a)**	8,395	(1,738)	949	7,606	(1,987)	-	(1,987)	5,619
Balances as of December 31, 2018	**23,201,029**	**(11,663,435)**	**(2,237,184)**	**9,300,410**	**29,980**	**-**	**29,980**	**9,330,390**

(a) Refer to the transfers between inventory, work in progress and on going asset disposal services.

(b) As mentioned in note 3.6.c, the distributors considered their investments in infrastructure expansion and improvements as contract asset s, as a result of the impact of IFRS 15 on IFRIC 12, during the construction period, up to operation datre, when they are bifurcated into financial and intangible assets.

Special obligations related to energy distribution concession

Special obligations represent Federal, State, Local and Consumer contributions, as well as donations and grants for investment in public electricity services. These obligations are being amortized at the same amortization rates as the assets that make up the infrastructure. At the end of the concession, any residual value of special obligations will be deducted from the indemnity financial asset.

15. Suppliers

	2018	2017	2016
		Restated)	(Restated)
Energy purchase	1,245,407	2,078,771	1,072,375
Use of network (charges)	305,140	253,214	81,179
Materials and services	1,096,103	882,900	694,013
Free energy	113,813	106,684	97,197
	2,760,463	**3,321,569**	**1,944,764**
Transfers to liabilities directly associated with assets held for sale (Note 3.6.g)	-	-	(18,953)
Total	**2,760,463**	**3,321,569**	**1,925,811**
Current	2,646,752	3,221,085	1,846,704
Non-current	113,711	100,484	79,107

16. Loans and financing, debentures and derivative financial instruments

		2018			2017	2016
Loans and Financing	**Ref.**	**Debt**	**Derivative financial instruments**	**Total (a)**	**Total (a)**	**Total (a)**
National currency						
Banco do Brasil		1,089,153	-	1,089,153	1,772,542	1,730,888
Bank of China		-	-	-	19,400	19,630
BNB		-	-	-	45,640	94,802
BNDES		3,859,200	-	3,859,200	3,433,385	2,573,550
CEF		90,302	-	90,302	102,368	85,692
Eletrobrás		21,113	-	21,113	68,899	108,273
FINEP (Funding Agency for Studies and Projects)		19,743	-	19,743	37,483	54,762
IBM		42,222	-	42,222	77,810	73,038
Santander		45,055	-	45,055	58,143	355,467
Promissory Note		461,899	-	461,899	955,725	-
Commercial Leasing		16,071	-	16,071	10,036	-
(-) Transaction costs		(13,710)	-	(13,710)	(21,440)	(18,259)
(-) Escrows		(105,456)	-	(105,456)	(289,569)	(174,033)
Total national currency		**5,525,592**	-	**5,525,592**	**6,270,422**	**4,903,810**
National Currency - Current		1,256,105	-	1,256,105	1,854,092	1,540,143
National Currency - Noncurrent		4,269,487	-	4,269,487	4,416,330	3,363,667
Foreign currency						
Banco ABC		-	-	-	-	40,044
Bank Safra		-	-	-	405,578	147,625
Banco Tokio		758,308	(59,104)	699,204	411,332	184,356
Bank of America		734,801	(149,246)	585,555	335,942	440,328
BNP Paribas		200,170	(47,737)	152,433	390,428	240,845
Bradesco		-	-	-	202,987	205,591
China Construction Bank		159,027	-	159,027	131,827	133,991
HSBC		-	(77,150)	(77,150)	142,147	144,176
Itaú		1,301,261	(165,923)	1,135,338	952,191	921,006
JP Morgan		96,875	(11,639)	85,236	141,459	58,352
Kreditanstalt Fur Wiederaufbau - KFW		808	-	808	935	849
Mizuho		198,102	-	198,102	491,841	233,091
Santander		-	(76,666)	(76,666)	-	400,388
External Bonds		-	-	-	266,249	399,976
Non Deliverable Forward - NDF		-	(24,488)	(24,488)	4,341	17,847
Citibank		318,910	(66,819)	252,091	959,155	620,739
BEI		1,616,635	-	1,616,635	1,250,502	-
Goldman Sachs		-	(191,305)	(191,305)	(198,009)	-
Votorantim		-	(36,243)	(36,243)	(8,982)	-
Sumitomo		199,689	(38,365)	161,324	158,918	-
ICBC		141,682	-	141,682	120,150	-
Scotia Bank		1,053,858	(63,981)	989,877	-	-
Options		-	(2,576)	(2,576)	-	-
(-) Transaction costs		-	-	-	-	(1,318)
Total foreign currency		**6,780,126**	**(1.011.242)**	**5,768,884**	**6.158.991**	**4,187,886**
Foreign Currency - Current		677,742	(86,087)	591,655	2,741,397	1,823,059
Foreign Currency - Noncurrent		6,102,384	(925,155)	5,177,229	3,417,594	2,364,827
Transfer to liabilities directly associated with assets held for sale	**3.6.g**	-	-	-	-	(234,168)
Current		-	-	-	-	(74,736)
Non-current		-	-	-	-	(159,432)
Consolidation Adjustments	**(b)**	-	-	-	(36,667)	137,864
Total loans and financing		**12,305,718**	**(1,011,242)**	**11,294,476**	**12,392,746**	**8,995,392**
Current		1,933,847	(86,087)	1,847,760	4,595,489	3,288,466
Noncurrent		10,371,871	(925,155)	9,446,716	7,797,257	5,706,926

		2018			2017 (Restated)	2016 (Restated)
Debentures	**Ref.**	**Debt**	**Derivative financial instruments**	**Total**	**Total**	**Total**
Coelba		2,463,406	(15,880)	2,447,526	660,622	664,841
Celpe		1,912,704	(11,319)	1,901,385	935,183	377,566
Cosern		768,623	(25,052)	743,571	705,162	103,836
NC Energia		34,111	(9,329)	24,782	22,052	28,189
Termope		1,086,841	(53,136)	1,033,705	1,080,207	735,794
Itapebi		100,085	-	100,085	158,316	41,130
Neoenergia		550,279	-	550,279	672,558	429,155
Elektro Redes		1,801,024	-	1,801,024	700,525	-
Calango 6		54,952	-	54,952	48,692	-
Lagoa 1		52,900	-	52,900	47,533	-
(-) Transaction costs		(74,551)	-	(74,551)	(37,851)	(28,896)
Total Debentures		**8,750,374**	**(114,716)**	**8,635,658**	**4,992,999**	**2,351,615**
Debentures - Current		892,201	443	892,644	988,736	392,243
Debentures - Non-Current		7,858,173	(115,159)	7,743,014	4,004,263	1,959,372
Total Indebtedness		**21,056,092**	**(1,125,958)**	**19,930,134**	**17,385,745**	**11,347,007**
Total Indebtedness - Current		2,826,044	(85,644)	2,740,404	5.584.225	3,680,709
Total Indebtedness - NonCurrent		18,230,048	(1,040,314)	17,189,730	11.801.520	7,666,298

(a) Total Net of Derivative Instruments.

(b) In December 2016, the subsidiary Termopernambuco prepaid to the financial institution the receivables it had with Celpe amounting to R$ 157,773, at a prepayment cost of R$ 19,909, resulting in a net balance of BRL 137,864. For consolidation purposes, this transaction was classified as debt, and the cost generated classified as transaction cost, which was amortized until the total settlement of the debt by Celpe in January 2018. The impact on the income as of December 31, 2018 was BRL 516.

In support of the cash flow statement, the reconciliation of liabilities resulting from financing activities as of December 31, 2018, 2017 and 2016:

		Cash Flow					
	2017	**Fund-raising**	**Amortizations of Principal**	**Interest Payments**	**Payments of Fund Raising Costs**	**Non-cash Changes (a)**	**2018**
Loans and Financing	13,239,162	3,562,991	(4,909,330)	(425,912)	(4.820)	843.627	12.305.718
Debentures (b)	5,075,076	4,759,853	(1,206,288)	(502,279)	(49.212)	673.224	8.750.374

		Cash Flow					
	2016	**Fund-raising**	**Amortizations of Principal**	**Interest Payments**	**Payments of Fund Raising Costs**	**Non-cash Changes (a)**	**2017**
Loans and Financing	9.573.795	3.955.592	(3.394.816)	(770.446)	(6.432)	3.881.469	13.239.162
Debentures	2.386.526	2.222.862	(487.354)	(283.942)	(2.133)	1.239.117	5.075.076

		Cash Flow					
	2015	**Fund-raising**	**Amortizations of Principal**	**Interest Payments**	**Payments of Fund Raising Costs**	**Non-cash Changes (a)**	**2016**
Loans and Financing	10,568,992	2,007,778	(2,239,776)	(780,505)	(5,353)	22,659	9,573,795
Debentures	1,238,634	1,506,890	(414,841)	(242,242)	-	298,085	2,386,526

(a) Changes that do not impact the cash include the appropriation of financial charges, exchange rate change, mark-to-market, movements of collateral, and the write-off of transaction costs, connected to debts and derivatives.
(b) 2018 proceeds from debentures is net of Termope debentures repurchase

Companies' contractual conditions for loans and financing and debentures as at December 31, 2018

Creditor	Currency	Objective	Annual Financial Charges	Due Date	Guarantees	Principal value	Balances as of 12/31/2018
Banco do Brasil	Real	Working capital / Investments	2,5000% to 9,5000% / TJLP + 1,9300% / 108,00% to 122,90% of CDI	2019 to 2030	Collateral given by Neoenergia / Reserve Account / Clean	1,980,903	1,160,312
Bank of América	Dollar/ Euro	Working capital / NDFs	1,679% / Libor + 1,5000% to Libor + 1,9000%	2020 to 2022	Collateral given by Neoenergia / Promissory Note	657,800	664,320
BNDES	Real	Investments	3,0000% to 6,0000% / TJLP + 1,5900% to TJLP + 3,0600% / SELIC + 2,0900% to SELIC + 2,5300%	2019 to 2035	Collateral given by Neoenergia / Reserve Account / Fiduciary assignment / Bank guarantee	7,149,021	3,672,406
BNP Paribas	Dollar	Working capital	Libor + 1,9000%	2020	Collateral given by Neoenergia	157,815	161,678
Citibank	Dollar	Working capital / NDFs	Libor + 1,8000% to Libor + 1,9000%	2020 to 2021	Collateral given by Neoenergia	254,955	248,656
Eletrobrás	Real	"Luz para todos" National Program	5,0000% to 6,0000%	2019 to 2022	Bank guarantee	102,746	21,112
European Investment Bank	Dollar	Investments	2,9730% to 3,4020% / Libor + 0,7690% to Libor + 0,8620%	2025 to 2030	Bank guarantee	1,327,742	1,226,685
FINEP	Real	Research and Development	5,0000% / TJLP + 0,5000%	2019 to 2022	Collateral given by Neoenergia / Bank guarantee	125,897	19,608
IBM	Real	Investments	CDI + 0,2600% to CDI + 0,3100%	2019 to 2020	Collateral given by Neoenergia	110,923	42,222
Itaú	Dollar	Working capital / NDFs	3,6380% to 4,6495%	2019 to 2021	Collateral given by Neoenergia / Promissory Note / Fiduciary assignment of Swap	1,090,000	1,128,394
JP Morgan	Dollar	Working capital	376670%	2020	Collateral given by Neoenergia	82,750	85,597
Mizuho	Dollar	Working capital	Libor + 1,4000%	2020	Collateral given by Neoenergia	256,869	161,939
Santander	Real	Working capital / NDFs / Options	127,50% of CDI	2019	Collateral given by Neoenergia	41,823	38,966
Sumitomo	Dollar	Working capital	Libor + 1,9000%	2020	Collateral given by Neoenergia	157,815	161,326
Scotia Bank	Dollar	Working capital	3,4560% to 3,6937%	2021 to 2023	Collateral given by Neoenergia / Clean	958,199	989,877
MUFG	Dollar	Working capital	109,00% to 124,40% of CDI / CDI + 0,9500% / IPCto + 4,6410% to IPCto + 8,7345%	2022	Collateral given by Neoenergia	224,181	228,639
Tokyo-Mitsubishi	Dollar	Working capital / NDFs	41450%	2020 to 2021	Collateral given by Neoenergia / Clean	458,934	469,691
Caixa Econômica Federal	Real	"Luz para todos" National Program	5,0000% to 6,0000%	2025 to 2026	Collateral given by Neoenergia / Receivables / Bank guarantee	128,852	90,303
Industrial and Commercial Bank of China	Dollar	Working capital	Libor + 1,9000%	2020	Collateral given by Neoenergia	110,470	113,919
KFW Bankengruppe	Euro	Investments	20000%	2026	Collateral given byof the Government of the State of Pernambuco / Bank guarantee	1,042	413
China Construction Bank	Dollar	Working capital	Libor + 2,3125%	2019	Clean	129,600	132,348
Credores Leasing	Real	Lease of Building or Computer Equipment	IGP-M	2019 to 2022	Clean	50,068	16,071
Debentures	Real	Working capital / Investments / Debt Restructuring	109,00% to 124,40% of CDI / CDI + 0,9500% / IPCto + 4,6410% to IPCto + 8,7345%	2019 to 2029	Collateral given by Neoenergia / Clean	9,343,700	8,635,686
Promissory Note	Real	Working capital	108,00% to 122,60% of CDI	2019 to 2022	Collateral given by Neoenergia	411,000	459,966
						25,313,105	**19,930,134**

For some loans, guarantees given were own revenue, promissory notes, administrative properties, bank guarantee, restricted investments (reserve accounts), conditional disposal of contracts, pledge of rights related to the concession, maintenance of reserve account and Company's collateral.

16.1 Loans and financing

The changes in loans and financing and their related derivative instruments are as follow:

	National currency		Foreign currency		
	Current liabilities	Non-current	Current liabilities	Non-current	Total
Statement of Financial Positions as at January 1st, 2016	**1,696,476**	**3,351,978**	**898,391**	**2,969,848**	**8,916,693**
Cash inflows	559,770	630,499	197,500	620,009	2,007,778
Financing Charges	458,364	13	123,732	482	582,591
Monetary indexation and exchange variation	6,153	61,766	(252,676)	(699,522)	(884,279)
Swap	-	-	378,035	1,053,347	1,431,382
Cumulative fair value effects	-	-	(18,701)	(2,466)	(21,167)
Transfers	524,511	(674,511)	1,740,822	(1,590,822)	-
Interest payments	(1,730,973)	(5,194)	(1,244,875)	14,002	(2,967,040)
Collateral	24,054	998	-	-	25,052
(-) Transaction costs	1,788	(1,882)	831	(51)	686
Transfers to liabilities directly associated with assets held for sale (Note 3.6.g)	(28.111)	(159.432)	(46.625)	-	(234,168)
Consolidation adjustments	-	137,864	-	-	137,864
Statement of Financial Positions as at December 31, 2016 (Restated)	**1,540,143**	**3,363,667**	**1,823,898**	**2,364,827**	**8,995,392**
Businesses Combination	714,137	1,037,700	471,740	716,807	2,940,384
Cash inflows	266,426	959,822	500,000	2,229,304	3,955,552
Financing Charges	440,303	12,916	182,015	34,527	669,761
Monetary indexation and Exchange Change	10,558	51,506	86,447	87,049	235,560
Derivatives	-	-	160,747	(74,656)	86,091
Cumulative fair value effects	-	-	(1,335)	(1,554)	(2,889)
Transfers	852,997	(811,174)	1,897,517	(1,939,340)	-
Principal payments	(1,512,411)	(295)	(1,882,110)	-	(3,394,816)
Payments of interest rates, cost transactions and other net currency and exchange rate changes	(411,554)	(9,790)	(471,656)	-	(893,000)
Collateral	(34,140)	(32,511)	-	-	(66,651)
(-) Transaction Costs	15,744	3,921	21,598	630	41,893
Consolidation adjustments	-	(174,531)	-	-	(174,531)
Statement of Financial Position as of December 31, 2017 (Restated)	**1,854,092**	**4,379,663**	**2,741,397**	**3,417,594**	**12,392,746**
Cash inflows	354,479	959,436	-	2,249,076	3,562,991
Financing Charges	402,564	26,518	263,463	-	692,545
Monetary indexation and Exchange Change	10,638	46,189	363,516	801,100	1,221,443
Derivatives	-	-	(346,092)	(734,748)	(1,080,840)
Cumulative fair value effects	-	-	399	6,210	6,609
Transfers	1,372,160	(1,372,160)	562,003	(562,003)	-
Interest amortizations and payments	(2,225,391)	(1,800)	(2,682,139)	-	(4,909,330)
Payments of interest rates, cost transactions and other net currency and exchange rate changes	(512,988)	(1,959)	(310,931)	-	(825,878)
(-) Collateral	(10,989)	196,799	-	-	185,810
(-) Transaction Costs	11,540	134	39	-	11,713
Consolidation adjustments	-	36,667	-	-	36,667
Statement of Financial Position as of December 31, 2018	**1,256,105**	**4,269,487**	**591,655**	**5,177,229**	**11,294,476**

New loans issued in 2018 are as follows:

	Consolidated		
Modality	**Maturity**	**Indexers**	**Amount Collected**
Debt Contracts in the International Market			
Dollar			
4131	Nov/2023	PRE	1,512,214
4131	Jan/2021	LIBOR	150,000
Financing	Jan/2030	LIBOR	236,862
Average Rate/Subtotal		**7.39%**	**1,899,076**
Euro			
4131	Jul/2022	PRE	350,000
Average Rate/Subtotal		**7.56%**	**350,000**
Debt Contracts in the International Market			
Financing	Jun/2035	TJLP	836,344
Financing	Mar/2024	SELIC	216,009
Financing	Nov/2022	PRE	61
Promissory Note	Apr/2019	CDI	250,000
Leasing	May/2021	IGPM	11,501
Average Rate/Subtotal		8.50%	**1,313,915**
Average Rate and Total		**7.81%**	**3,562,991**

In addition to the indexers referred to above, the fund-raising made in the year incur spreads established under contract, according to the negotiations with the financing institutions.
The maturity dates of the noncurrent installments are as follows:

	2018		
	Debt	**Transaction Costs**	**Net Total**
2020	3,132,141	(2,859)	3,129,282
2021	2,079,403	(2,236)	2,077,167
2022	1,806,557	(1,577)	1,804,980
2023	627,424	(798)	626,626
2024	307,147	(201)	306,946
After 2024	1,548,772	(512)	1,548,260
Total Obligations	**9,501,444**	**(8,183)**	**9,493,261**
(-) Collateral			(58,646)
Fair value			12,101
Total			**9,446,716**

Covenants

The contracts with several creditors have restrictive clauses that require the maintenance of certain financial indexes raised based on the financial statements of the subsidiaries or in the parent company, with pre-established parameters, the main ones are listed below.

- Net Indebtedness divided by EBITDA, smaller than or equal to 3 or 4;
- EBITDA divided by the financial income higher or equal to 1.5 or 2.

In financial statements for the years ended December 31,2018, 2017 and 2016 the company complied with the limits mentioned above, except for:

(i) Coelba: that exceeded the covenant limits established with Eletrobras which require consent to contract new debts. This subsidiary obtained approval for new loans made over the years.

(ii) Coelba, Celpe and Cosern exceeded the covenant limits established with BNDES as of December 31, 2017: Proforma EBITDA for 2017 (Elektro Holding merger year) calculation was not considered in the contract. The agreement entered into with BNDES, which is annually assessed, establishes that, in the event of noncompliance with the financial indexes, the Company should constitute guarantees for 130% of the outstanding balance, within 30 days as of the bank's notification. In January 2018, the Company provided the additional guarantees. It should be noted that the noncompliance with the financial index does not imply early maturity.

16.2 Debentures

The changes in debentures and their related derivative instruments are as follow:

	Liabilities		
	Current	Non-current	Total
Balances as at January 1st, 2016	**345,139**	**892,843**	**1,237,982**
Cash inflows	50,000	1,456,890	1,506,890
Financing Charges	290,136	7,428	297,564
Monetary indexation and exchange variations	312	11,566	11,878
Derivatives	1,710	(2,144)	(434)
Cumulative fair value effect	-	(28,996)	(28,996)
Transfers	368,704	(368,704)	-
Interest amortization and payments	(649,753)	(9,712)	(659,465)
(-) Transaction costs	(14,005)	201	(13,804)
Balances as at December 31, 2016 (Restated)	**392,243**	**1,959,372**	**2,351,615**
Businesses Combination	234,187	638,880	**873,067**
Cash inflows	150,000	2,072,862	**2,222,862**
Financing Charges	373,480	1,721	**375,201**
Monetary indexation and exchange variations	-241	20,898	**20,657**
Derivatives	7,762	(10,718)	**(2,956)**
Cumulative fair value effect	-	(13,405)	**(13,405)**
Transfers	656,010	(656,010)	**-**
Amortizations of Principal	(485,153)	(2,201)	**(487,354)**
Payments of interest rates, cost transaction and other net currency and exchange rate changes	(354,321)	(7,017)	**(361,338)**
(-) Transaction Costs	14,769	(119)	**14,650**
Balance as of December 31, 2017 (Restated)	**988,736**	**4,004,263**	**4,992,999**
Cash inflows	-	4,930,000	**4,930,000**
Financing Charges	502,557	6,261	**508,818**
Monetary indexation and exchange variations	6,150	68,221	**74,371**
Derivatives	(2,184)	(18,872)	**(21,056)**
Cumulative fair value effect	-	2,056	**2,056**
Transfers	1,028,827	(1,028,827)	**-**
Amortizations of Principal	(1,191,874)	(14,414)	**(1,206,288)**
Payments of interest rates, cost transaction and other net currency and exchange rate changes	(461,475)	(40,804)	**(502,279)**
Repurchase of Debentures (a)	-	(170,147)	**(170,147)**
(-) Transaction Costs	21,907	5,277	**27,184**
Balance as of December 31, 2018	**892,644**	**7,743,014**	**8,635,658**

(a) On November 26, 2018, the subsidiary Termope repurchased 17,000 debentures related to the Company's 6th issuance. The repurchase amount considers the principal and interest calculated up to the date of the transaction. The debentures will remain in the possession of Termope until they are reallocated in the market or cancelled.

The debentures issued in 2018 are as follows:

		Consolidated	
Company	**Maturity**	**Annual Financial Charges - %**	**Amount Collected**
CELPE	Feb/2023	117.30% CDI	500,000
CELPE	Jul/2025	IPCA	600,000
ITAPEBI	Dec/2020	115% CDI	100,000
COELBA	Apr/23	116% CDI	1,200,000
COELBA	Aug/25	IPCA	800,000
ELEKTRO REDES	May/23	CDI	1,000,000
ELEKTRO REDES	May/23	IPCA	300,000
TERMOPE	Aug/2023	CDI	300,000
COSERN	Jul/2023	IPCA	130,000
Total			**4,930,000**

Debentures of subsidiaries are guaranteed by the Company.

The maturities of consolidated long term installments are as follow:

	2018		
	Debentures	**Transaction Costs**	**Net Total**
2020	1,278,444	(7,168)	1,271,276
2021	662,408	(10,029)	652,379
2022	1,577,533	(10,554)	1,566,979
2023	2,626,812	(12,266)	2,614,546
2024	795,745	(7,934)	787,811
After 2024	877,664	(6,715)	870,949
Total	**7,818,606**	**(54,666)**	**7,763,940**
Mark-to-Market			(20,926)
Total			**7,743,014**

Covenants

The contracts with several creditors have restrictive clauses that require the maintenance of certain financial indexes raised based on the financial statements of the subsidiaries or in the parent company, with pre-established parameters, the main ones are listed below.

- Net Indebtedness divided by EBITDA, smaller than or equal to 3.0 or 4.0;
- EBITDA divided by the financial income higher or equal to 1.5 or 2.

17. Regulatory charges

	Ref	2018	2017 (Restated)	2016 (Restated)
Global Reversal Reserve - RGR		253	127	171
Energy Development Account - CDE	(a)	109,104	259,303	99,529
National Fund for Scientific and Technological Development -FNDCT	(b)	7,692	8,910	6,159
Energy Research Company - EPE	(b)	2,889	2,971	2,547
Research and Development - R&D	(b)	170,805	159,048	97,373
Energy Efficiency Program - PEE	(b)	156,681	94,873	30,756
Electric Power Service Inspection Fee - TFSEE	(c)	1,955	1,764	1,622
Financial Compensation for Use of Water Resources - CFURH		1,507	822	1,848
Centralizing Account of Tariff Flag Resources - CCRBT	(d)	-	88,275	15,376
Ministry of Mines and Energy - MME		2,231	2,755	530
		453,117	**618,848**	**255,911**
Transfer to liabilities directly associated with assets held for sale (Note 3.6.g)				(623)
Total		**453,117**	**618,848**	**255,288**
Current liabilities		293,997	456,290	193,380
Non-current liabilities		159,120	162,558	61,908

(a) Energy Development Account (CDE): Its goal is to promote the energy development of the States, as well as the competitiveness of the energy produced, from alternative sources, in the areas served by interconnected systems, allowing the universalization of the electric energy service. The values to be paid are also defined by ANEEL

(b) Energy Efficiency Program (PEE): including the programs of Research and Development (R&D) - National Fund for Scientific and Technological Development (FNDCT) and Energy Research Company (EPE) These are reinvestment programs required by ANEEL for electric energy distributors and given Company's generation companies, which are required to annually accrue 1% of their net operating revenue for use in these programs The balance represents amounts already invoiced in tariffs, but not yet applied for PEE and R&D programs. These amounts are updated monthly based on the SELIC Rate

(c) Electric Power Service Inspection Fee (TFSEE): The inspection fee amounts levied on electricity distribution are differentiated and proportionate to the service concession granted, calculated annually by ANEEL, considering the economic value added by the utility

(d) Centralizing Account of the Tariff Flag Resources - CCRBT: amount of transfer connected to the resources coming from the application of tariff flags which will be reverted to the centralizing account

18. Taxes payable and social contribution

	2018	2017	2016
		(Restated)	
Income Tax - IR	12,855	10,133	50,772
Social Contribution on Profit for the year - CSLL	7,514	6,032	20,610
Value added tax (ICMS)	383,430	465,759	274,632
Federal Social Integration Program (PIS)	43,155	36,804	33,327
Social Security Financing Contribution (COFINS)	199,447	169,480	152,842
National Social Security System (INSS)	19,814	16,781	11,331
Unemployment Compensation Fund - FGTS	3,856	3,240	2,995
Service Tax - ISS	11,910	7,178	7,362
Withholding taxes and contributions	134,671	116,926	32,513
Others	16,219	49,353	18,167
	832,871	**881,686**	**604,551**
Transfer to liabilities directly associated with assets held for sale (Note 3.6.g)			(5,974)
Total	**832,871**	**881,686**	**598,577**
Current	826,468	876,278	592,630
Non-current	6,403	5,408	5,947

19. Provisions and judicial deposits

The Company and its subsdiaries are part to labor, civil and tax lawsuits arising from their ordinary course of business.

To record provisions, the Company considers the opinion of its legal counsel towards the nature of claims, the similarity to previous lawsuits, complexity and the courts position whenever a loss is assessed as probable.

Management, based on the opinion of its legal counsel regarding the possibility of success litigations, understands that the provisions recorded in the Statement of financial position are sufficient to cover probable losses with such judicial actions. Provision-related expenses are presented as operating expenses in the income statement.

The liability under judicial discussion is maintained until the outcome of the lawsuit, represented by judicial decisions, over which there is no more recourse, or its prescription.

Provisions made are as follows:

	Contingencies					Provisions			
	Labor	Civil	Tax	Regulatory	Environmental	Environmental	Dismantling	Reimbursement	Total
Balances as at January 1st, 2016	225,023	242,968	29,237	4,408	3,679	9,758	5,112	-	520,185
Additions	71,647	107,094	3,271	-	-	-	7,446	-	189,458
Write-offs/reversals	(31,404)	(39,516)	(295)	-	-	-	(287)	-	(71,502)
Payments/Indemnities	(52,134)	(105,588)	(3,783)	-	-	(287)	-	-	(161,792)
Monetary Indexation	31,291	61,849	3,898	727	361	668	1,831	-	100,625
	244,423	**266,807**	**32,328**	**5,135**	**4,040**	**10,139**	**14,102**	-	**576,974**
Transfers to liabilities directly associated with assets held for sale (Note 3.6.g)	(640)	(10,581)	-	-	(4,040)	-	(7,616)	-	(22,877)
Balances as at December 31, 2016	**243,783**	**256,226**	**32,328**	**5,135**	**-**	**10,139**	**6,486**	-	**554,097**
Business combination	40,699	90,619	96,466	10,975	18	-	16,636	10,757	266,170
Additions	69,341	195,530	1,833	1,320	-	10,590	3,912	17,263	299,789
Write-offs/reversals	(36,770)	(51,593)	(2,980)	(1,380)	-	(27)	(3,333)	(3,813)	(99,896)
Payments/Indemnities	(48,505)	(155,357)	3,003	(100)	-	(293)	-	-	(201,252)
Monetary Indexation	36,713	61,491	3,396	690	-	225	1,159	-	103,674
Balances as at December 31, 2017	**305,261**	**396,916**	**134,046**	**16,640**	**18**	**20,634**	**24,860**	24,207	**922,582**
Additions	106,582	186,308	553	3,045	-	17,795	2,751	9,250	326,284
Write-offs/reversals	(47,931)	(54,023)	(6,017)	-	(18)	(1,300)	(729)	(897)	(110,915)
Payments/Indemnities	(53,400)	(197,285)	(867)	(10,508)	-	(262)	-	-	(262,322)
Monetary Indexation	49,098	82,597	3,534	942	-	2,394	2,809	-	141,374
Balances as at December 31, 2018	**359,610**	**414,513**	**131,249**	**10,119**	**-**	**39,261**	**29,691**	32,560	**1,017,003**
Current	34,762	95,923	463	-	-	-	1,018	19,211	151,377
Non-current	324,848	318,590	130,786	10,119	-	39,261	28,673	13,349	865,626

a) Provisions for lawsuits

Labor

They refer to the lawsuits brought by employees and former employees against the subsidiaries, involving the charge of overtime, hazard pay, salary increases, debate over the career and salary plan and others lawsuits brought by former-employees of its contractors. In addition to the provisioned amounts, the subsidiaries have an estimated total of R$ 938,459 (R$ 1,145,450 as of December 31, 2017 and R$ 1,047,150 as of December 31, 2016) in labor lawsuits of various natures with forecasts of possible losses.

The amounts of labor lawsuits were restated by the variations of the rates used for adjustment of savings accounts (TR) plus interest of 1% p.m.

Civil

They refer to lawsuits of commercial and indemnity nature, brought by individuals and legal entities, involving the recovery of undue payment, property damages, personal injury, among others. In addition to the provisioned amounts, the subsidiaries have an estimated total of R$ 1,573,589 (R$ 1,720,930 as of December 31, 2017 and R$ 1,852,078 as of December 31, 2016) in civil lawsuits of various natures with forecasts of possible losses.

The amounts were restated by inflation index variation plus interest of 1% p.m.

Tax

They refer to tax lawsuits and challenges to collections, legal notices and notices of deficiency related to a number of taxes such as ICMS, ISS, CPMF, IRPJ, CSLL, IPTU, REFIS, PIS/COFINS, INSS, CIDE, ITD on donations received, among others. In addition to the provisioned amounts, the Company has an estimated total of R$ 6,484,110 (R$ 5,964,995 as of December 31, 2017 and R$ 3,441,874 as of December 31, 2016) related to tax lawsuits of various natures with forecasts of possible losses. In this respect, we highlight the tax assessment notices of the subsidiaries motivated by:

(i) the non inclusion of the expense with amortization of surplus value in the tax bases of IRPJ and CSLL, estimated at R$ 2,460,166 (R$ 2,157,487 as of December 31, 2017 and R$ 1,916,196 as of December 31, 2016) by the subsidiaries Celpe, Coelba, Cosern, Itapebi and Termopernambuco;

(ii) lack of withholding of tax income levied on the payment of interests on own capital amounting to R$ 268,763 (R$ 257,746 dated December 31, 2017);

(iii) Elektro's tax assessment amounting to R$ 1,409,270 (R$ 1,325,854 as of December 31, 2017 and R$ 1,205,431 on Decemeber 31, 2016), issued by the Federal Revenue Service with respect to the income tax arising from the capital gain coming from the corporate operation with the acquisition of corporate control of Elektro Redes by the shareholder at the time, Iberdrola do Brasil S.A.

Company´s legal advisers believe that both the basis for the existence of surplus value and its use for benefit purposes are lawful and legitimate. Although the most recent judgments in the Superior Chamber of Tax Appeals have altered the previous understandings, ceasing to recognize the surplus value resulting from the privatization, the Company's legal advisors maintain their analysis and understanding as to the validity of the operation and the tax benefit, since the discussion will still be brought before the Judiciary, who will be responsible for making a final decision on the matter

The amounts were adjusted by SELIC rate variations

Regulatory

ANEEL may impose penalties or assessments to distributors Coelba, Celpe, Cosern and Elektro, referring to questionings on the procedures for calculation of service's technical quality indicators, either individually or collectively, commercial issues, the discounts given to customers' related to quality index penalties, the recovery of global indicators, matters connected to tariff calculation and those connected to the administrative actions that ANEEL has enacted.

b) Judicial Deposits

Related to the provisions and contingent liabilities, the Company makes judicial deposits as a guarantee for potential contingency payments. The judicial deposits are recorded under noncurrent assets of the Company until the court decision for withdrawal of these deposits by one of the concerned parties:

	2018	2017	2016
Labor	357,470	347,413	252,347
Civil	223,285	190,360	176,052
Tax	198,592	182,003	144,543
Other	12,667	12,090	10,605
	792,014	**731,866**	**583,547**
Transfers to assets held for sale (Note 3.6.g)	-	-	(8,564)
Net	**792,014**	**731,866**	**574,983**

Judicial deposits are adjusted on a monthly basis in accordance with rates used for adjustment of savings accounts (TR), in case of deposits for civil and labor claims, and the SELIC rate in case of deposits for tax claims.

c) Provisions

The other provisions are comprised of: (i) environmental expenditure, referring to additional obligations arising from social and environmental impacts caused by the construction of the plants; (ii) dismantling expenses related to the demobilization costs of subsidiaries' plants and wind farms; (iii) loss provision for non delivered contractual energy on current fiscal year.

The calculations were made based on an estimate of the total cost of disassembly of the subsidiaries according to a wind energy market study and, taking into account the total MW installed in the companies. This estimate is reassessed annually in accordance with the estimated cash flow required to settle the obligations.

20. Other liabilities

	Ref	2018	2017	2016
			(Restated)	(Restated)
Consumers	(a)	143,555	143,166	118,502
Healthcare plan		9,466	10,498	4,046
Contribution to Funding the Public Lighting Services - COSIP		51,606	40,232	28,582
Collateral	(b)	445,970	385,822	301,237
Advance payments received	(c)	16,102	18,024	22,072
Cooperatives - acquisition of assets		-	7,503	17,495
Accounts payable - Iberdrola	(d)	-	-	790,166
Related Parties			30,891	-
Obligation of Purchase of Shares from Shareholder Previ	(e)	151,464	151,464	-
Transfer to Third Party		20,540	5,194	-
Others		90,341	65,498	44,513
		929,044	**858,292**	**1,326,613**
Transfers to liabilities directly associated with assets held for sale	(Note 3.6.g)	-	-	(1,056)
Total		**929,044**	**858,292**	**1,325,557**
Current		584,250	607,475	472,670
Non-current		344,794	250,817	852,887

(a) Obligations with energy consumers arising from the anticipation of funds for construction in cities where the energy wide access (universalization) government program was not yet in place, bills paid twice, billing adjustments and others.

(b) Guarantees in cash to ensure compliance with contracts, operating clauses and payment of charges of service provider employees.

(c) Refers to advances for the execution of technical services, such as moving poles along the distribution grid and transmission lines.

(d) On February 27, 2015 the Company acquired from Iberdrola Energia SAU an additional equity interest of 8.50% and 7,01% of the shares of the subsidiaries Coelba and Cosern for R$ 532,101 and R$ 107,049 respectively, restated at an annual rate of 12.19% with payment in a single installment due on February 26, 2018. As of December 31, 2016, the restated amounts correspond to R$ 790,166. As of December 27, 2017, the updated amounts were converted into capital (R$ 885,380).

(e) On August 24, 2017, the merger of Elektro Holding S.A. into Neoenergia S.A. (“Company”) was approved. On August 31, 2017, the Company filed with CVM a request for filing the public offering for primary and secondary distribution of its common shares, under the terms of CVM Instruction n° 400, dated December 29, 2003, as amended (“CVM Instruction n° 400” and “Offering”); and with B3- Brasil, Bolsa, Balcão SA (“B3”), the request for filing the negotiation of common shares it has issued at the New Market of B3 (“Listing”). The request was cancelled as of December 14, 2017.

In any case, the Company’s Shareholders’ Agreement establishes that, within 360 days, after the settlement of a possible initial public offering, the Company submits to Previ a firm proposal to purchase its minority shareholdings in Coelba, Cosern and Afluente-T Although the Offering has not been actually performed, neither there is an estimate for when the company will start a new IPO process, there is need for recording a liability, since the provisions in the Shareholders’ Agreement stands as an liability to be entered at fair value.

21. Equity

i. Capital

The subscribed and fully paid capital as at December 31, 2018, 2017 and 2016 is R$ 12,919,982, R$ 11,919,982 and R$ 4,739,025, repectively. The capital breakdown by class of shares (with no par value) and major shareholders are as follows:

2018	Per thousand shares		
	Common shares		R$
Shareholders	Single	%	
Iberdrola Energia S.A.	636,576	52.45%	6,775,886
Previ-Caixa de Prev dos Func do Banco do Brasil	463,791	38.21%	4,936,712
BB - Banco de Investimentos S A	113,430	9.34%	1,207,384
Total	1,213,797	100.00%	12,919,982

2017	Per thousand shares		
	Common shares		
Shareholders	Single	%	R$
Iberdrola Energia S.A.	605,303	52.45%	6,251,436
Previ-Caixa de Prev dos Func do Banco do Brasil	441,006	38.21%	4,554,613
BB - Banco de Investimentos S A	107,858	9.34%	1,113,933
Total	1,154,167	100.00%	11,919,982

2016	Per thousand shares		
	Common shares		
Shareholders	Single	%	R$
Iberdrola Energia S.A.	304,040	39.00%	1,848,220
Previ-Caixa de Prev dos Func do Banco do Brasil	173,409	22.24%	1,054,133
BB - Banco de Investimentos SA	93,451	11.99%	568,076
Fundo Mútuo Inv em ações Cart Liv - BB Carteira Livre I	208,690	26.77%	1,268,596
Total	779,590	100.00%	4,739,025

At Neoenergia's Extraordinary Shareholders' Meeting, held on August 24, 2017, the Company's capital increase was approved in the amount of R $ 4,595,577 through the merger of Elektro Holding, through the issuance of 1,654,124,249 new shares.

Also in 2017, as of December 27, in another Extraordinary General Meeting, the Company's capital increase was approved in the amount of R $ 2,585,380 with the subscription of 154,166,958 new shares, which were paid in the following manner: i) R $ 1,100,000 in national currency; (ii) R $ 885,380 through the capitalization by the shareholder Iberdrola Energia SA of credits arising from purchase and sale agreements entered into with the Company and (iii) R$ 600,000 through the capitalization by the shareholders of declared and unpaid dividend credits for the years 2015 and 2016.

At Neoenergia's Extraordinary Shareholders' Meeting, held on March 26, 2018, the Company's capital increase was approved in the amount of R$ 1,000,000, with the subscription of 59,630,290 new common shares.

21.2. Profit per share

The calculation of basic and diluted (the Company has no dilutive instrument) earnings per share as of December 31, 2018, 2017 and 2016 was based on the Profit for the year and the weighted average number of common shares outstanding during the periods presented, as demonstrated below:

	2018	2017	2016
Profit for the year	1,536,330	406,088	302,869
Weighted average of shares held by shareholders **(a)**	1,199,911	848,219	779,590
Profit for the year/Total shares	**1.28**	**0.48**	**0.39**

(a) Considers the following events:

i. August 24, 2017: capital increase by issuance of 1,654,124,249 new shares

ii. December 27, 2017: capital increase through issuance of 154,166,958 new shares

iii. March 26, 2018: capital increase by issuance of 59,630,290 new shares

21.3. Reserve for capital transactions with shareholders

The amounts recognized under reserve for capital transactions with shareholders are as follows:

	Ref	2018
		1,594,067
Acquisition of interest in Itapebi by Termope	**(a)/(b)**	657,542
Acquisition of additional interests in Coelba and Cosern by Neoenergia	**(c)**	333,430
Obligation to purchase equity interest Previ		64,747
Merger fair value	**(d)**	530,361
Ownership interest gain in Coelba	**(e)**	7,987

(a) As of December 23, 2013, Termopernambuco acquired an additional 35.4% interest in the shares of Itapebi for a consideration of R$ 503,748. The Company now holds 77.4% of Itapebi's capital and reduced its non-controlling interest in R$ 103,458. As a result, it recorded a consolidated shareholders' equity decrease resulting from a transaction with shareholders in the amount of R$ 400,290.

(b) Additional share from the acquisition of Termopernambuco in 2014, which acquired from the parent company, Iberdrola Energia SAU, the Company's controlling shareholder, additional interest of 22.6% in the shares of controlled company Itapebi for R$ 325,475. As a result, the Company now holds 100% of Itapebi's capital, generating an adjustment to consolidated shareholders' equity in transaction with shareholders' in the amount of R$ 257,252.

(c) On February 27, 2015, Neoenergia acquired from the parent company Iberdrola Energia SAU, an additional interest of 8.50% in the shares of Coelba and 7.01% in Cosern's for R$ 532,101 and R$ 107,049, respectively. As a result, Neoenergia increased its ownership interest on Coelba and Cosern, generating an adjustment in the shareholders' equity in the amount of R$ 333,430.

(d) This additional share refers to the difference between the revised Elektro Holding Merger fair value of R$ 4,191,478, and the amount used as basis for Neoenergia's capital increase of R$ 4,694,000. It also considers adjustments as a result of obtaining control in FEB and FEB 2, amounting to R$ 27,839.

(e) In March and July 2018, capital increases were approved in Coelba, where some non-controlling shareholders did not subscribe their shares, resulting in changes in the percentage of Neoenergia's participation. Changes in the Company's participation in a subsidiary that do not result in a loss of control should be accounted for as transactions with shareholders.

21.4. Retained earnings

Tax incentive reserve in subsidiaries

Income tax legislation allows legal entities in Northeast Brazil operating in the infrastructure sector to reduce the amount of income tax payable due on investments in projects aimed at increasing their installed capacity.

The SUDENE tax incentive for the subsidiaries Coelba, Celpe, Cosern and Termopernambuco, effective until 2020, 2023, 2023 and 2024, respectively, provides the Company with a 75% reduction in IRPJ, calculated based on the profit from tax-incentive activities. Until December 31, 2018, the subsidiaries accrued R$ 84,222 as incentives (R$ 27,952 as of December 31, 2017; and R$ 32,604 as of December 31, 2016)

21.5. Legal reserve

Legal reserve is calculated at 5% of profit for the year as defined in current legislation, limited to 20% of total capital.

21.6. Retained earnings reserve

On December 31, 2016 Management proposed an *ad referendum* at the Shareholders' Meeting, the retention of earnings amounting to R$ 27,876 for future investments as provided for in the Company's capital budget. In 2017, it was proposed R$ 97,776 and in 2018 R$ 81,968.

21.7. Other comprehensive income

Variations from the changes of expected returns on assets from the post-employment benefit actuarial assets and liabilities and fair value of cash flow hedges are recognized in Other Comprehensive Income.

For more details of Post-employment benefits see note 30.

21.8. Dividends and interest on net equity

The following amounts of interest on equity and dividends were approved by Management:

Decision	Proceeds	Approved amount	Value per share Ordinary Shares
2018			
Annual Shareholders' Meeting of April 22, 2018	Minimum mandatory dividends 2017	99,444	0,0861609
Annual Shareholders' Meeting of April 22, 2018	Additional dividends 2017	200,556	0,1737668
Board of Directors' Meeting as of June 28, 2018	Interest on Equity 2018	159,216	0,1311718
Board of Directors'Meeting as of October 24, 2018	Interim Dividends	66,000	0,0543748
Board of Director' Meeting as of Dec. 19, 2018	Interest on Equity 2018	363,146	0,2991818
		888,362	
2017			
Annual Shareholders' Meeting of April 13, 2017	MInimum mand div.increase 2016	83,624	00142931
Annual Shareholders' Meeting of April 13, 2017	Additional dividends 2016	216,376	00369834
		300,000	
2016			
Annual Shareholders' Meeting of April 29, 2016	MInimum mand div.increase 2015	188,935	00322931
Annual Shareholders' Meeting of April 26, 2016	Proposed dividends 2015	111,065	00189834
		300,000	

In accordance with the Company's Articles of Incorporation, the mandatory minimum dividend corresponds to 25% of Profit for the Year, adjusted pursuant to the Corporation Law. The calculation basis as follows:

	Ref.	2018	2017	2016
Minimum mandatory dividends				
Profit for the Year - Parent Company	**(a)**	1,536,846	418,712	289,729
IFRS 9 initial adoption		(60,497)	-	-
IFRS 15 initial adoption		161,305	-	-
Pension Plan Reversal		1,722	-	-
Set-up of a legal reserve (5%)		(81,968)	(20,936)	(17,605)
Dividend tax base		1,557,408	397,776	334,495
Minimum mandatory dividends (25%)	**(b)**	**389,352**	**99,444**	**83,624**

(a) For 2016, both legal reserve and minimum mandatory dividends were calculated considering the net profit originally presented in the amount of R$ 370,400 deducting Norte Energia's loss of R$ 18,300, published on February 22, 2017.

(b) For 2018, the Company declared interest on equity and intermediate dividends in the amount of R$ 522,362 and R$ 66,000, respectively, in a higher amount of 25% corresponding to minimum mandatory dividends.

	2018	2017	2016
Initial balance	**99,444**	**383,626**	**213,564**
Dividends and Interest on net equity			
Declared	788,918	315,818	272,559
Income Tax Withheld - IRRF	(48,415)	-	-
Paid in the year	(510,459)	-	(102,497)
Capitalized	-	(600,000)	-
Final balance	**329,488**	**99,444**	**383,626**

Dividends and interest on equity not claimed within three years are reversed to the Company.

22. Revenue

Revenue is recognized to the extent that it is probable that economic benefits will be generated for the Company and can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Operating revenue is comprised of revenue from electricity supply (billed or unbilled) construction revenue and other revenue related to other services provided by the Company's subsidiaries.

Electricity distribution services are billed, and their revenue is recognized in compliance with the reading schedule determined by subsidiaries. Unbilled revenue corresponds to the unbilled electric power delivered to the consumer, and is calculated based on an estimate until the statement of financial position date.

Subsidiaries record revenue and costs related to construction services or infrastructure improvement used to provide electricity distribution and transmission services. The construction margin adopted is set equal to zero for distribution companies. For transmission companies, a constructor margin is considered as explained in note 3.6.c. On a monthly basis, all additions made to assets are transferred to the result as construction costs after deducting the proceeds from the entry of special obligations.

The records of energy purchase and sale at the CCEE are recognized on an accruals basis according to information disclosed by that entity or by Management's estimates.

The composition of the consolidated net revenue by nature, segment, geographical region and its deductions, is as follows:

	Segments						
	2018					2017	2016
	Networks	Liberalized	Renewable	Others	Total	Total	Total
Main Revenues						(Restated)	(Restated)
Energy supply	16,232,518	2,428,208	199,338	-	18,860,064	13,914,304	10,661,203
Electric Power Trading Chamber - CCEE	724,264	237,210	95,934	-	1,057,408	1,413,432	604,984
Distribution grid availability	13,455,403	-	-	-	13,455,403	9,964,159	8,710,585
Contract asset remuneration (Note 3.6.c)	60,821	-	-	-	60,821	54,108	-
Portion A and other financial items	124,048	-	-	-	124,048	1,035,668	(361,665)
Construction revenue (Concession Infrastructure) (a)	3,544,072	-	-	-	3,544,072	2,568,591	35,099
Operation and maintenance revenue (note 3.6.c)	18,129	-	-	-	18,129	17,230	2,059,358
Contractual and regulatory fines	(18,948)	-	-	-	(18,948)	-	26,064
Other revenues	685,970	41,082	(12,453)	-	714,599	581,377	463,553
Total Gross Operating Revenue Recognized	**34,826,277**	**2,706,500**	**282,819**	**-**	**37,815,596**	**29,548,869**	**22,199,181**
(-) Revenue Deductions	(11,144,259)	(632,840)	(83,770)	(1,068)	(11,861,937)	(9,040,799)	(7,364,950)
Total Net Operating Revenue Recognized	**23,682,018**	**2,073,660**	**199,049**	**(1,068)**	**25,953,659**	**20,508,070**	**14,834,231**

(a) Out of the total concession infrastructure construction revenue, the amount of R$ 3,394,953 refers to distribution companies' construction revenues, and R$ 149,119 refers to transmission companies' construction revenues. Additionally, out of the total construction cost stated in the Income Statement of R$ 3,513,598, the amount of R$ 3,394,953 refers to the cost of construction of the distributors and R$ 118,645 refers to the construction cost of transmission companies.

	Geographical Regions of Brazil							
	2018						2017	2016
	South	North	Northeast	Central Western	Southeast	Total	Total	Total
Main Revenues							(Restated)	(Restated)
Energy supply	94,570	55,545	11,477,237	251,855	6,980,857	18,860,064	13,914,304	10,661,203
Electric Power Trading Chamber - CCEE	-	-	605,189	8,723	443,496	1,057,408	1,413,432	604,984
Distribution grid availability	-	-	10,572,939	45,718	2,836,746	13,455,403	9,964,159	8,710,585
Contract asset remuneration (Note 3.6.c)	6,507	15,406	15,785	8,787	14,336	60,821	54,108	-
Portion A and other financial items	-	-	42,089	2,459	79,500	124,048	1,035,668	(361,665)
Construction revenue (Concession Infrastructure) (a)	21,527	-	2,761,712	61,356	699,477	3,544,072	2,568,591	35,099
Operation and maintenance revenue (note 3.6.c)	2,078	5,559	2,662	4,517	3,313	18,129	17,230	2,059,358
Contractual and regulatory fines	(601)	(1,179)	(2,406)	(522)	(14,240)	(18,948)	-	26,064
Other revenues	6,119	3,504	566,415	18,880	119,681	714,599	581,377	463,553
Total Gross Operating Revenue Recognized along the Time	**130,200**	**78,835**	**26,041,622**	**401,773**	**11,163,166**	**37,815,596**	**29,548,869**	**22,199,181**
(-) Revenue Deductions						(11,861,937)	(9,040,799)	(7,364,950)
Total Net Operating Revenue Recognized along the Time						**25,953,659**	**20,508,070**	**14,834,231**

a) Electric power supply

Breakdown of electric energy supply, per consumption class, is as follows:

	Ref.	2018	2017 (Restated)	2016
Consumers:				
Residential		12,717,584	9,356,637	7,720,861
Industrial		2,684,908	1,908,304	1,902,103
Commercial		6,347,662	4,769,543	4,127,828
Rural		1,567,637	1,137,745	886,141
Government		1,243,932	981,403	854,653
Public lighting		866,586	626,369	476,743
Utilities		952,418	630,244	559,976
Supply		2,627,546	2,294,033	1,371,363
Unbilled revenues		112,494	43,704	(35,725)
Reclassification of revenue from distribution grid availability Captive consumers	(a)	(12,034,533)	(9,132,453)	(8,281,304)
		17,086,234	**12,615,529**	**9,582,639**
Subsidy to low income social tariff		1,773,830	1,298,775	1,078,564
Total		**18,860,064**	**13,914,304**	**10,661,203**

(a) In compliance with ANEEL Dispatch nº, 1,618 on April 23, 2008, the Company's distributors separated the trading and distribution revenues using an "average TUSD" calculated from the TUSD ratified for captive consumers

The table below shows the composition of the gross revenue from the supply of electric power supply, per class of consumers, disregarding the reclassification by availability of the power network supply - captive consumer, and the geographical region in the year ending as of December 31, 2018:

	2018				2017	2016
	Northeast	Central Western	Southeast	Total	Total	Total
Consumers:					(Restated)	
Residential	9,490,482	96,813	3,130,289	12,717,584	9,356,637	7,720,861
Industrial	1,636,223	31,461	1,017,224	2,684,908	1,908,304	1,902,103
Commercial	4,765,128	47,476	1,535,058	6,347,662	4,769,543	4,127,828
Rural	1,111,623	13,680	442,334	1,567,637	1,137,745	886,141
Government	1,020,718	6,696	216,518	1,243,932	981,403	854,653
Public Lighting	653,229	6,401	206,956	866,586	626,369	476,743
Public Utility	634,008	9,552	308,858	952,418	630,244	559,976
Unbilled revenues	44,138	2,051	66,305	112,494	43,704	(35,725)
Total	**19,355,549**	**214,130**	**6,923,542**	**26,493,221**	**19,453,949**	**16,492,580**

b) Electric Power Trade Chamber (CCEE)

Revenue and expenses invoiced and/or paid by concessionaires with a surplus/lack of energy commercialized through the CCEE were informed by the CCEE and agreed by the Company subsidiaries.

c) Distribution grid availability revenues

Revenue from the Use of Distribution Network (TUSD) refers basically to the sale of power to free and captive consumers with the payment of tariffs for the use of the distribution grid.

Provision of transmission and distribution system	2018	2017	2016
Distribution grid availability - free consumption	1,420,870	831,706	455,344
Distribution grid availability - captive consumption **(a)**	12,034,533	9,132,453	8,281,305
Total	**13,455,403**	**9,964,159**	**8,736,649**

(a) In compliance with ANEEL Dispatch nº, 1,618 on April 23, 2008, the Company's distributors separated the trading and distribution revenues using an "average TUSD" calculated from the TUSD ratified for captive consumers.

d) Portion A and Other Financial Items

	2018	2017 (Restated)	2016
CVA			
Power	(334,655)	1,830,871	(433,719)
System Service Charge - ESS	139,170	(448,582)	(3,220)
Use of transmission network - TUST	(5,864)	55,266	-
Regulatory charges neutrality	(100,603)	35,837	(10,035)
Other CVA's	330,916	(157,404)	(110,851)
Other Financial Items			
Eletronuclear Power	-	(42)	(7,499)
Financial Exposure	-	82	(27,366)
Reversal RTE	-	1,533	(10,067)
Tariff Revision	587	21,398	12,947
Overcontracted Energy	(15,528)	(188,823)	197,100
Hydrological Risk	267,751	(277,911)	-
Changes in CCEE transactions (reopenings)	(19,392)	(40,701)	-
Energy recomposition Termope	5,307	21,599	28,964
Tariff surcharges **(a)**	(85,626)	(21,011)	-
Reimbursement of R&D	(53,739)	-	-
Other Financial Items	(4,276)	203,555	2,081
Total	**124,048**	**1,035,667**	**(361,665)**

(a) Demand surpass and reactive surplus

e) Other revenue

	2018	2017 (Restated)	2016
Service revenue	78,141	76,965	90,169
Leases and rentals	144,015	95,778	55,025
Charged service	16,749	27,837	24,806
Public lighting fee	11,761	4,782	3,413
Fraud invoices	4,425	3,300	3,395
Third party service commission	28,161	23,985	25,158
Consumer penalties	339	516	537
Fair value of concession's assets refundable by the government (a)	428,620	297,705	212,899
Other revenues	2,388	50,509	48,151
Total	**714,599**	**581,377**	**463,553**

(a) As mentioned in note 13.1, the Company adjusts the recoverable financial asset of the concession based on the same index used to update RAB (IPCA).

f) Revenue deductions

Deductions from gross revenue by the nature of expenditure are as follows:

Revenue deductions	2018	2017	2016
		(Restated)	(Restated)
Taxes			
ICMS	(6,184,545)	(4,691,236)	(3,982,902)
PIS	(582,741)	(457,307)	(349,940)
COFINS	(2,683,679)	(2,112,500)	(1,609,882)
ISS	(15,060)	(14,122)	(12,999)
Regulatory charges			
Global Reversal Reserve - RGR	(1,443)	(1,594)	(2,055)
Energy Development Account - CDE	(2,204,196)	(1,314,006)	(767,944)
Fuel Consumption Account - CCC	-	-	(420,807)
Energy Efficiency Program - PEE	(97,763)	(76,709)	(38,420)
National Fund for Scientific and Technological Development - FNDCT	(39,105)	(30,839)	(37,442)
Energy Research Company - EPE	(14,138)	(13,067)	(16,529)
Research and Development - R&D	91,083	(50,948)	(35,542)
Consumer Charges - PROINFA	(48,881)	(34,987)	(42,153)
Centralizing Account of Tariff Flag Resources - CCRBT	(47,292)	(217,161)	(7,835)
Charges - CBEE	(29,252)	-	(15,541)
Ministry of Mines and Energy - MME	(4,925)	-	(15,917)
Electric Power Service Inspection Fee - TFSEE	-	-	(3,958)
Financial Compensation for Use of Water Resources - CFURH	-	-	(5,084)
Others	-	(26,323)	-
Total	**(11,861,937)**	**(9,040,799)**	**(7,364,950)**

23. Electric Power Costs

	2018	2017	2016
		(Restated)	(Restated)
Electricity purchased for resale			
Electricity acquired through auction in the regulated environment - ACR	(5,046,050)	(3,563,258)	(2,840,533)
Electricity acquired under a bilateral agreement	(279,389)	(485,382)	(241,452)
Agreement based on physical assurance quotas	(1,204,052)	(759,268)	(800,394)
Electricity acquired in the free environment - ACL	(2,571,888)	(2,063,195)	(1,083,255)
Angra I and Angra II Power Plant quotas	(432,026)	(329,508)	(257,578)
Spot market electricity - MRE	(17,860)	(16,383)	(8,501)
Spot market electricity - PLD	(529,870)	(874,616)	52,582
PROINFA	(360,889)	(273,842)	(244,563)
Refund of electricity	79,839	82,727	19,006
Reserve electricity charge - EER	-	-	(97,568)
PIS and CONFINS credits	1,445,471	1,154,892	804,090
Variable MCP costs	(2,867,844)	(3,119,441)	(1,270,293)
CCEE fee	(1,238)	(549)	(511)
Total	**(11,785,796)**	**(10,247,823)**	**(5,968,970)**
Transmission and distribution system usage charges			
Basic grid charges	(2,052,125)	(1,093,386)	(403,143)
Transport Charges	(37,871)	(24,461)	-
Connection charges	(179,605)	(89,810)	(55,473)
Distribution system usage charges	(46,420)	(25,352)	(13,834)
System service charges - ESS	(126,616)	(54,783)	(305,470)
Reserve power charges - EER	77,505	325,279	29
PIS and CONFINS credits	217,587	90,719	52,638
Total	**(2,147,545)**	**(871,794)**	**(725,253)**
	(13,933,341)	**(11,119,617)**	**(6,694,223)**

24. Operating costs and expenses

Breakdown of operating costs and expenses by nature is as follows:

	2018				2017	2016
					(Restated)	(Restated)
Costs/expenses	**Operating costs**	**Sales**	**General and administrative**	**Total**	**Total**	**Total**
Personnel (i)	(705,729)	(132,754)	(373,795)	(1,212,278)	(1,070,522)	(842,135)
Management	-	-	(52,981)	(52,981)	(30,553)	(21,212)
Post-retirement benefits	(45)	(94)	(2,588)	(2,727)	(8,054)	57,310
Materials	(120,077)	(1,059)	(23,780)	(144,916)	(105,605)	(88,603)
Fuel for electricity production	(366,151)	-	-	(366,151)	(431,158)	(424,911)
Third party services	(1,069,656)	(144,743)	(401,216)	(1,615,615)	(1,531,443)	(1,435,128)
Depreciation and amortization (ii)	(1,025,755)	(38)	(79,393)	(1,105,186)	(858,503)	(719,127)
Leases and rental	(27,558)	(1,014)	(11,378)	(39,950)	(27,055)	(20,240)
Taxes	(4,857)	(494)	(13,793)	(19,144)	(17,630)	(11,532)
Net provisions - contingencies	(3,045)	-	(169,046)	(172,091)	(131,089)	(125,052)
Regulatory fines	(289)	-	(24)	(313)	(3,766)	-
Disposal/decommissioning of assets and rights	-	-	(2,998)	(2,998)	1,332	(1,680)
Other (expenses)/operating income (iii)	(107,685)	(25,776)	26,118	(107,343)	(79,268)	(225,095)
Total costs/expenses	**(3,430,847)**	**(305,972)**	**(1,104,874)**	**(4,841,693)**	**(4,293,314)**	**(3,857,405)**

(i) Personnel costs and expenses

Personnel	**2018**	**2017**	**2016**
		(Restated)	
Compensation	(571,024)	(563,711)	(398,421)
Payroll charges	(215,927)	(195,550)	(177,709)
Meal voucher	(103,823)	(72,300)	(49,039)
Other benefits	(134,558)	(59,323)	(73,067)
Severance pay	(53,635)	(18,160)	(22,216)
Vacation and Christmas bonus accrual	(157,306)	(103,539)	(78,054)
Healthcare plan	(83,388)	(75,877)	(77,639)
Labor contingencies	(113)	-	-
Profit sharing	(123,993)	(116,686)	(56,561)
Termination of projects in progress	(2,042)	(2,057)	(3,385)
(-) Capitalized costs in intangible accounts	243,564	141,667	97,930
Other	(10,034)	(4,986)	(3,974)
Total	**(1,212,279)**	**(1,070,522)**	**(842,135)**

The Company maintains an employee profit sharing program based on operating and financial goals previously determined.

(ii) Depreciation and amortization

Depreciation and amortization	**2018**	**2017**	**2016**
		(Restated)	
Depreciation and amortization in the year	(1,127,881)	(876,699)	(733,026)
(-) Depreciation and amortization transferred to projects in progress	(183)	(173)	(193)
(-) PIS/COFINS credits	22,878	18,369	14,092
Residual depreciation and amortization in profit and loss	**(1,105,186)**	**(858,503)**	**(719,127)**

(iii) Other operating costs and expenses

Other operating costs and expenses	2018	2017	2016
		(Restated)	(Restated)
Insurance	(30,990)	(23,550)	(22,494)
Donations and contributions	(1,826)	(3,722)	(3,793)
Recovery of expenses	26,795	71,291	21,096
Electricity industry workers' unions	(7,545)	(7,965)	(7,487)
Travel expenses	(31,998)	(21,958)	(18,216)
Own consumption and electricity	(26,781)	(25,185)	(21,635)
Advertising and publicity	(7,170)	(5,396)	(9,887)
Regulatory penalties	-	(56,902)	(66,130)
Meals	(4,983)	(4,397)	(3,645)
Fines from delayed payments	203,477	143,103	133,055
Provision for investment devaluation	-	-	(73,738)
Non-compliance with regulated deadlines	-	-	(2,818)
Losses/disposals/ decommissioning	(173,944)	(95,477)	(100,494)
Indemnification - Electrical damages	(8,418)	(9,769)	(6,777)
Events	(2,812)	(1,406)	(692)
Others	(41,148)	(37,935)	(41,440)
Total	**(107,343)**	**(79,268)**	**(225,095)**

25. Financial income and expense

	2018	2017	2016
		(Restated)	
Financial income			
Income from financial investments	310,478	214,995	227,064
Interest and charges on delayed payments	202,361	124,545	96,823
Monetary indexation and exchange variation - Debt	2,901,580	1,540,278	2,677,257
Monetary indexation and exchange variation -Other income	8,288	19,403	53,233
Derivative Financial Instruments	2,547,526	793,719	1,045,056
Judicial deposits monetary indexation	21,968	29,439	30,597
Monetary indexation on Portion A and other financial items receivable	62,484	35,105	22,374
(-) PIS and COFINS on financial income	(44,975)	(25,536)	(23,742)
Other financial revenue	114,007	60,137	38,126
Total	**6,123,717**	**2,792,085**	**4,166,788**
Financial expenses			
Debt charges	(1,100,364)	(878,286)	(753,201)
Monetary indexation and exchange variations -Debt	(4,205,364)	(1,737,069)	(1,764,339)
Monetary indexation and exchange variations -Other expenses	(34,756)	(47,792)	(70,868)
Derivative Financial Instruments	(1,500,502)	(1,002,160)	(2,452,657)
Post-employment benefits and other benefits	(94,439)	(91,692)	(83,147)
IOF	(23,715)	(31,614)	(19,796)
R&D/PEE Charges	(15,692)	(22,384)	(12,749)
Monetary Indexation on Portion A and other financial items returnable	-	(17,809)	(3,506)
Provisions for contingencies monetary indexation	(123,363)	(121,721)	(94,539)
Other financial expenses	(194,488)	(235,822)	(208,600)
Total	**(7,292,683)**	**(4,186,349)**	**(5,463,402)**
Net financial result	**(1,168,966)**	**(1,394,264)**	**(1,296,614)**
Summary of Monetary Indexation and Exchange variation			
Loans, financing and debentures	(1,303,785)	(196,791)	912,918
Others	(29,462)	(28,389)	17,635
Net Total	**(1,333,247)**	**(225,180)**	**895,283**

26. Balances and transactions with related parties

The following companies maintain commercial operations with related parties of the same economic group. The balances and natures of these transactions are stated below:

		Consolidated					
		Assets/(Liabilities)			Revenue/(Expense)		
		2018	2017	2016	2018	2017	2016
Revenue / (Purchase) of Electric Power							
NORTE ENERGIA S.A.	(a)	(97,785)	(62,113)	(21,260)	(812,767)	(506,317)	(82,178)
ENERGÉTICA ÁGUAS DA PEDRA	(a)	(7,525)	(7,281)	(3,420)	(61,952)	(60,339)	(36,283)
CALANGO 6		-	-	(11)	-	-	-
CALANGO 2		-	-	(17)	-	-	(984)
CALANGO 3		-	-	(18)	-	-	(1,155)
CAETITÉ 3		-	-	(23)	-	-	(971)
MEL 2		-	-	(93)	-	-	(1,051)
ARIZONA 1		-	-	(107)	-	-	(1,382)
TELES PIRES PARTICIPAÇÕES		-	-	(3,053)	-	-	(28,240)
COMPANHIA HIDROELÉTRICA TELESPIRES	(a)	(27,533)	(37,713)	(22,693)	(282,363)	(364,819)	(176,747)
		(132,843)	**(107,107)**	**(50,695)**	**(1,157,082)**	**(931,375)**	**(328,991)**
Use and Connection of Transmission System (CUST) and (CTT)							
ENERGÉTICA ÁGUAS DA PEDRA	(a)	3	6	11	4	48	72
CALANGO 2		-	-	-	-	-	2
CALANGO 3		-	-	-	-	-	2
CAETITÉ 3		-	-	1	-	-	3
COMPANHIA HIDROELÉTRICA TELESPIRES	(a)	36	79	138	37	511	694
		39	**85**	**150**	**41**	**559**	**773**
Use of the Distribution System (CUSD)							
MEL 2		-	-	47	-	-	545
ARIZONA 1		-	-	65	-	-	751
		-	**-**	**112**	**-**	**-**	**1,296**
Administrative Services							
ENERGÉTICA ÁGUAS DA PEDRA	(b)	-	-	-	7,828	7,292	4,929
COMPANHIA HIDROELÉTRICA TELESPIRES	(c)	-	-	-	777	-	-
CELPOS / FAELBA / FASERN	(d)	(51,152)	(66,277)	-	(45,217)	(41,241)	-
PREVI	(e)	(151,464)	(151,464)	-	-	-	-
BANCO DO BRASIL	(f)	-	-	4,159	(11,499)	(8,401)	(6,964)
IBERDROLA ENERGIA	(g)/(h)	(44,178)	(23,739)	(790,339)	(44,178)	(104,955)	(86,871)
IBERDROLA RENOVABLES	(g)	(9,262)	(11,635)	-	-	-	-
OTHER MINORITY HOLDERS		-	-	7	-	-	-
IBERDROLA GENERACION	(i)	(2,400)	(24,447)	-	(2,400)	(6,637)	-
FORÇA EÓLICA DO BRASIL		-	-	(4,503)	-	-	286
CALANGO 6		-	-	2,500	-	-	-
SANTANA 1		-	-	877	-	-	-
SANTANA 2		-	-	956	-	-	-
FORÇA EÓLICA DO BRASIL		-	-	(3,177)	-	-	-
FE PARTICIPAÇÕES		-	-	7,375	-	-	-
CALANGO 2		-	-	(4,808)	-	-	-
CALANGO 3		-	-	(4,634)	-	-	-
CAETITÉ 3		-	-	(3,169)	-	-	-
MEL 2		-	-	307	-	-	-
ARIZONA 1		-	-	460	-	-	-
		(258,456)	**(277,562)**	**(793,989)**	**(94,689)**	**(153,942)**	**(88,620)**

		Consolidated					
		Assets/(Liabilities)			Revenue/(Expense)		
		2018	2017	2016	2018	2017	2016
Dividends and Interest on Equity							
ENERGÉTICA ÁGUAS DA PEDRA	(j)	11,998	10,706	10,986	-	-	-
ENERGÉTICA CORUMBA III S.A.	(j)	830	404	-	-	-	-
OTHER MINORITY HOLDERS	(j)	(8,335)	(11,377)	(5,949)	-	-	-
PREVI	(j)	(143,434)	(37,997)	(88,459)	-	-	-
BANCO DO BRASIL	(j)	(28,846)	(9,293)	(148,363)	-	-	-
IBERDROLA ENERGIA	(j)	(161,884)	(52,154)	(166,887)	-	-	(793)
FORÇA EÓLICA DO BRASIL		-	-	(2,273)	-	-	-
CALANGO 6		-	-	(117)	-	-	-
SANTANA 1		-	-	56	-	-	-
SANTANA 2		-	-	61	-	-	-
FORÇA EÓLICA DO BRASIL II		-	-	(7,376)	-	-	-
FE PARTICIPAÇÕES		-	-	9,784	-	-	-
CALANGO 2		-	-	762	-	-	-
CALANGO 3		-	-	1,427	-	-	-
CAETITÉ 3		-	-	1,272	-	-	-
MEL 2		-	-	405	-	-	-
ARIZONA		-	-	1,871	-	-	-
		(329,671)	**(99,711)**	**(392,800)**	**-**	**-**	**(793)**
Loans, Financial Investment and Loan Agreement							
BANCO DO BRASIL	(k)/(l)	(288,564)	(614,258)	(1,067,069)	(52,495)	(123,630)	(12,785)
FORÇA EÓLICA DO BRASIL		-	-	(27,762)	-	-	-
CALANGO 6		-	-	27,762	-	-	-
		(288,564)	**(614,258)**	**(1,067,069)**	**52,495**	**(123,630)**	**(12,785)**

The main transactions with related parties refer to:

(a) Electric power supply contracts, contracts of use of the transmission system (CUST), contracts of use of the distribution system (CUSD), contracts in the regulated environment (CCEAR) and Contracts of Connection to the Transmission System (CCT) signed between the Companies Group. Major contracts are detailed below:

- (i) Norte Energia S.A.: energy purchase contracts entered by Coelba, Cosern, Celpe and Elektro Redes through regulated auctions (and regulated prices), with supply period between 2015-2044.
- (ii) Águas da Pedra: energy purchase contracts entered by Coelba, Cosern, Celpe and Elektro Redes through regulated auctions (and regulated prices), with supply period between 2011-2040.
- (iii) Teles Pires: energy purchase contracts entered by Coelba, Cosern, Celpe and Elektro Redes through regulated auctions (and regulated prices), with supply period between 2015-2044. Additionally, there are energy purchase contracts entered by NC Comercializadora in the free market, with supply period starting in 2018 and reaching 2036.

(b) Services provided by Neonergia O&M to Aguas da Pedra, related to operation and maintenance services, from 2016 to 2020, with prices being adjusted by inflation

(c) Services provided by Neoserv to Teles Pires: transactional and accounting services, preparation of periodic reports to regulators, attendance to external audit, preparation of quarterly and annual financial statements, as well as tax services, from 2018 to 2020, with prices being adjusted by inflation.

(d) Coelba, Celpe and Cosern's contributions to the pension funds of the active employees, as detailed in note 30.

(e) Obligation with PREVI, as already explained in note 20

(f) Contract for service of collection of energy bills entered by Elektro Redes with Banco do Brasil, with prices adjusted by IPCA inflation index.

(g) Administrative service agreement, both contracts follow the same methodology for pricing (cost plus margin) and the contracts are automatically renewed:

(i) Iberdrola Energia: Services provided by Iberdrola Energia related to human resources, information technology (hardware and softwares), purchasing, financial, regulatory, control, infrastructure services, among others, with the objective of máxime operational effciency of tIberdrola's units in different locations, by sharing best practices through service rendering.

(ii) Iberdrola Renovables: Services provided by Iberdrola Renovables related to management, promotion, construction and operation of the wind farms in Brazil.

(h) Agreement with Iberdrola Energia, relating to interest on payables resulting from the sale of Coelba and Cosern shares, which were converted into capital in December 2017, as explained in note 21.1.

(i) Iberdrola Generacion Engineering Service Agreement to Termope.

(j) Dividends and Interest on equity to be paid or received by Neoenergia.

(k) Subsidiaries hold loans with Banco do Brasil S.A., which owns controlling interests on BB - Banco de Investimento S.A. (which is shareholder of the Company), for working capital financing purposes (Coelba, Cosern, Celpe, at a cost of CDI plus spread, maturing up to 2021) and investment financing (wind farms, at a cost of TJLP plus spread, maturing up to 2030.

(l) Subsidiaries hold investment funds in BB - Banco de Investimentos S.A (BB Polo 28 and BB Amplo, as disclosed in note 6), subject to market rates and high liquidity.

i. Management compensation

The total amount of compensation of the Company's management for the year ending as of December 31, 2018 is R$ 53,192 (R$ 49,501 as of December 31, 2017 and R$ 33,037 as of December 31, 2016). These are recorded on an accrual basis, including the following items:

Composition of Managers' Compensation	Consolidated		
	2018	2017	2016
Recurring compensation	19,702	22,894	16,254
Short-term Benefits	17,882	15,569	6,317
Long-term Benefits	13,130	9,232	2,366
Contract Terminations	2,478	1,806	8,100
Total	**53,192**	**49,501**	**33,037**

The Annual Shareholders' Meetings held between March and April, 2018 approved the amount of up to R$ 69,674 for management annual global compensation payment ceiling, as a limit on the compensation to be paid in 2018 (cash basis). Until December, 2018, the amounts paid under cash basis were R$ 56,025, including the items below:

Composition of Managers' Compensation	Consolidated		
	2018	2017	2016
Recurring compensation	31,076	20,218	16,254
Short-term Benefits	9,862	8,488	6,317
Long-term Benefits	13,170	2,506	2,165
Contract Terminations	1,917	1,804	8,100
Total	**56,025**	**33,016**	**32,836**

In addition, the Company does not maintain any stock-based compensation program or other long-term benefits to its employees and / or managers

27. Financial risk management

a) General and political considerations

The management of the Company's financial risks is in line with the treatment proposed in the internal Credit Risk Policy approved by the Board of Directors, and other regulations.

Among the guidelines set forth in this policy and other regulations are: foreign exchange hedge of the total debt in foreign currency; evaluation of interest rate hedge of debt in local currency; foreign currency disbursements hedge evaluation; diversification of debt instruments, maturities and counterparties and extension of the average payment period.

In addition, the use of derivatives has as its sole purpose the protection and risk mitigation, so that is forbidden contracting exotic derivatives, leveraged or for speculative purposes.

Risk monitoring is carried out through the management of controls, which aims to promote continuous monitoring of contracted operations, and compliance with the approved risk limits.

The Company is exposed to a number of financial risks, including market risks (exchange rate risk, interest rate and price index risk, among others), credit risk and liquidity risk.

b) Market risk management

Foreign exchange risk

The Company, aiming at ensuring that the significant fluctuations do not affect its income and cash flow, had as of December 31, 2018, foreign exchange hedge operations for all its debts in foreign currency and for the main disbursements and investments in foreign currency.

The foreign exchange hedging strategies are described in item "e" - Complementary information on derivative financial instruments.

Interest rate risk

This risk arises from the possibility that the Company may incur in losses due to fluctuations in interest rates or other debt indexes such as price indexes, that increase the finance costs related to loans and financing raised in the market. In order to monitor the market interest rates based on CDI, the Company has derivatives and uses interest rate swaps and CDI indexes. Nevertheless, the Company continuously monitors market interest rates to assess the possible need to hedge against the risk of the volatility of these rates.

Therefore, the Company continuously monitors market interest rates in order to assess the possible need to hedge against the risk of volatility of these rates.

The interest rate hedging strategies are described in Item “e” - Complementary information on derivative financial instruments.

c) Liquidity risk management

Liquidity risk is characterized by the possibility that the companies will not honor their commitments upon maturity. The financial policy adopted by the Company constantly seeks to mitigate liquidity risk with the main points being the extension of the maturities of loans and financing, not concentrating due dates, the diversification of financial instruments and the hedging of foreign currency debt.

The continuous monitoring of the cash flow allows the identification of eventual fundraising needs, with the necessary advance for structuring and choosing the best sources.

In the event of cash surpluses, financial investments are made for surplus funds are invested based on the Company’s credit policy, in order to preserve liquidity and mitigate credit risk (attributed to the ratings of financial institutions). The investments are concentrated in funds exclusive to Company companies and aim to allocate the maximum amount of funds possible in assets with daily liquidity.

As of December 31, 2018, the Company held total investments in the short term in the amount of R$ 3,933,675, R$ 2,930,841 out of it in exclusive funds and R$ 1,002,834 in other assets.

Additionally, the Company held, as of December 31, 2018, a volume of R$ 800,000 in standby credit facilities for its Companies with financial institutions as a strategy of liquidity.

The table below shows the total value of the Group's monetizable debt flows, by maturity, corresponding to the remaining contractual period and uses the Group's current indebtedness as of December 31, 2018, the future market curves for the indexes and currencies.

	2018							
	Book value	Total Contractual cash flow	2019	2020	2021	2022	2023	More than 5 years
Non-derivative Financial Liabilities:								
Loans and Financing	12,305,718	16,211,616	2,493,076	4,162,914	2,665,893	2,594,129	1,083,406	3,212,19
Debentures	8,750,374	12,034,208	1,342,423	1,837,578	1,652,279	2,365,624	2,883,874	1,952,43
Suppliers	2,760,463	2,262,607	2,149,642	-	-	-	-	112,965
Derivative financial liabilities								
		-						
Foreign exchange Swap and Interest Rate	(1,098,894)	(1,605,493)	2,734	(434,387)	(239,054)	(295,595)	(111,057)	(528,134
Non-deliverable Forwards (NDF)	(24,488)	(24,488)	(19,995)	(4,713)	220	-	-	-
Options	(2,576)	(2,576)	(1,061)	(1,515)	-	-	-	-

d) Credit risk management

Credit risk arises from the possibility of the Company incurring losses due to non-compliance with obligations and commitments by the counterparties.

Credit risk with commercial counterparties

The main credit exposure arises from the possibility that Company incurring losses resulting from the difficulty of receiving amounts billed in the distribution, transmission, generation and commercialization businesses.

In order to mitigate this type of risk and to help manage the risk of default, the Company monitors the accounts receivable and periodically performs various collection actions.

Credit risk with financial institutions

For operations involving cash and cash equivalents, marketable securities and derivatives, the Company follows the provisions of its credit policy, which aims to mitigate risk through financial institution diversification and the selection of financial institutions with good credit ratings.
The exposure of each counterpart is also followed up, in addition to the quality of credit and its long-term ratings published by rating agencies, for the main institutions with which the Company has current operations.

The derivative positions per counterparty are presented in item "e" - Complementary information on derivative financial instruments.

The table below presents long term ratings nationwide published by Moody's or S&P for the main financial institutions with which the Company had outstanding operations as at December 31, 2018.

Long-term ratings nationwide[1]	Moody's	S&P	Fitch
Banco do Brasil	Aa1		AA
BNP Paribas		AAA	
Bradesco	Aa1	AAA	AAA
Caixa Econômica Federal	Aa1	AAA	AA
Citibank		AAA	AAA
Goldman Sachs			AAA
Itaú	A1	AAA	AAA
Santander	Aaa	AAA	
Morgan Stanley		AAA	
MUFG		AAA	
Votorantim	Aa3	AAA	

[1] Bank of America, HSBC, JP Morgan, Sumitomo and Scotiabank have ratings only on a global scale

Below is the total credit exposure of the Company's consolidated financial assets. These are gross amounts not including any provision for impairment of assets.

	2018	2017
Measured at Amortized Cost		
Cash and cash equivalents	293,680	183,182
Securities	131,320	19,698
Trade and other receivables	6,488,961	6,296,426
"Portion A" and other financial items	846,668	726,423
Measured at Fair Value through the Income		
Cash and Cash Equivalents	3,639,995	3,673,252
Public Utilities	9,291,376	7,559,909

	2016
Measured at fair value through profit and loss	
Cash and cash equivalents	380,935
Securities	1,012,660
Derivatives - Swap with active balance	-
Loans and receivables	
Trade and other receivables	3,029,785
Concession financial assets - Receivables Transmission Companies	419,226
"Portion A" and other financial items	17,586
Held to maturity	
Securities	68,529
Available for sale	
Concession financial assets - Indemnity	4,890,109

e) Complementary information on derivative financial instruments

As of December 31, 2018, there was no margin amount deposited referring to derivative positions.

The Company has derivative instruments for economic and financial protection against exchange rate risk, interest rates and price indexes. The main instruments used are swaps and Non-Deliverable Forwards (NDF).

Derivative transactions not qualifying for hedge accounting are stated as economic hedges, as the Company uses derivative instruments for the management of financial risks as a means to mitigate these risks. Derivative instruments are recognized as assets and liabilities in the Statement of financial position and measured at fair value. Changes in the fair values of derivatives are recorded in the income statement or equity, when the transaction is eligible and characterized as effective hedge accounting. At the beginning of the hedge accounting operation, the Company documents the relationship between the hedging instruments and the hedged items in order to better manage risks and come up with the best strategy for hedge operations. The Company also documents its assessment, both initially and on an ongoing basis, of whether derivatives used in hedging transactions are highly effective. Changes in the fair values of derivative financial instruments designated as effective cash flow hedges have their effective component recorded in the equity and the ineffective component recorded in the income statement. The amounts recorded in equity are only transferred to the income statement in the appropriate account (costs, operating expenses or finance costs), when the hedged item is effectively realized.

All derivative operations of hedge programs are detailed in the following table, which includes, for each derivative contract, information on the type of instrument, reference value, fair value, contracting date, due date, the counterparty and the hedge index.

In order to determine the economic relation between the hedged item and the hedging instrument, the Company adopts a prospective effectiveness test methodology through the critical terms of the object and of the derivatives contracted with the purpose of concluding whether there is an expectation that changes in cash flows of the hedged item and the hedging instrument can be offset against each other.

(i) Hedging program for loans and financing in Dollar

With the purpose of economic and financial protection, the Company contracts swap transactions to convert USD-denominated debts and loans into R$. In these swaps, the Company assumes a passive position in Real pegged to CDI and an active position in USD pegged to fixed or floating rates (Libor).

	Reference Value				Fair Value			Amount Receivable/Received or Payable/Paid
Post Swap USD vs. Post R$	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
Company								
Asset	$ 744,776	$ 901,401	$ 661,652	2018 - 2029	2,928,163	3,580,508	2,561,134	
Liability	R$ 2,430,231	R$ 2,900,736	R$ 1,647,363		(2,431,335)	(2,900,473)	(1,979,146)	
Net Credit risk					(806)	1,689	1,333	
Total					**496,022**	**681,724**	**583,321**	**185,702**

	Reference Value				Fair Value			Amount Receivable/Received or Payable/Paid
Post Swap USD vs. Post R$	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
Company								
Asset	$ 910,581	$ 677,161	$ 386,473	2018 - 2021	**3,510,967**	**1,906,977**	**1,900,671**	
Liability	R$ 2,981,557	R$ 1,082,736	R$ 1,237,292		(3,025,869)	(1,803,400)	(1,908,258)	
Net Credit risk					296	632	(1,331)	
Total					**485,394**	**104,209**	**(8,918)**	**381,185**

This program is classified in accordance with accounting criteria for hedge accounting and measured at fair value.

(ii) Hedging program for loans and financing in Euro

With the purpose of economic and financial protection, the Company contracts swap transactions to convert EUR-denominated debts and loans into R$. In these swaps, the Company assumes a passive position in Real pegged to CDI and an active position in EUR pegged to fixed or floating rates (Euribor).

	Reference Value				Fair Value			Retained Effect Amount Receivable/Received or Payable/Paid
Pre Swap EUR vs. Post R$	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
Company								
Asset	€ 79,814	€ 75,849	€ 75,868	2026	374,207	300,240	263,534	
Liability	R$ 356,547	R$ 235,682	R$ 241,685		(371,423)	(235,682)	(241,742)	
Net Credit risk					(3)	256	(45)	
Total					**2,781**	**64,814**	**21,747**	**(62,033)**

This program is classified in accordance with accounting criteria for hedge accounting and measured at fair value.

(iii) Hedging program for loans and financing in Reais indexed to IPCA

With the purpose of economic and financial protection, the Company contracts swap operations to convert to CDI debts and loans in Reais pegged to IPCA inflation index. In these swaps, the Company assumes a passive position in CDI and an active position in IPCA.

	Reference Value				Fair Value			Retained Effect Amount Receivable/Received or Payable/Paid
Swap IPCA VS CDI	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
Company								
Asset	R$ 505,869	R$ 388,890	R$ 252,675	2021 - 2025	848,962	429,941	290,754	
Liability	R$ 735,892	R$ 348,241	R$ 223,417		(734,290)	(348,241)	(254,855)	
Net Credit risk					16	374	(388)	
Total					**114,688**	**82,074**	**35,511**	**32,614**

This program is classified in accordance with accounting criteria for hedge accounting and measured at fair value.

(iv) Hedge program for dollar disbursements:

In order to reduce cash flow volatility, the Company may enter into non-deliverable forwards (NDF) and options to mitigate currency exposure arising from dollar-denominated or dollar-indexed outflows.

	Reference Value				Fair Value			Retained Effect Amount Receivable/Received or Payable/Paid
NDF	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
USD Disbursement Company								
Term	$ 119,707	$ 35,866	$ 33,462	2021	27,744	3,007	17,748	
Total					**27,744**	**3,007**	**17,748**	**24,737**

	Reference Value				Fair Value			Retained Effect Amount Receivable/Received or Payable/Paid
Options	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
Company								
Purchase of Call Option	R$ 4,519	-	-	2018	2,176	-	-	
Sale of Put Option	-	-	-	2020	410	-	-	
Total					**2,586**	**-**	**-**	**2,586**

This program is classified in accordance with accounting criteria for hedge accounting and measured at fair value.

(v) Hedge program for Euro disbursements

In order to reduce cash flow volatility, the Company may enter into non-deliverable forwards (NDF) operations to mitigate currency exposure arising from dollar-denominated or euro-indexed outflows.

	Reference Value				Fair Value			Retained Effect Amount Receivable/Received or Payable/Paid
NDF	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
EUR Disbursement Company								
Term	€ 45,855	$ 23,928	-	2021	(2,791)	1,329	-	
Total					**(2,791)**	**1,329**	**-**	**(4,120)**

This program is classified in accordance with accounting criteria for hedge accounting and measured at fair value.

(vi) Hedge program for Swedish Kronor disbursements

In order to reduce cash flow volatility, the Comapny may enter into non-deliverable forwards (NDF) operations to mitigate currency exposure arising from dollar-denominated or Swedish kronor-indexed outflows.

	Reference Value				Fair Value			Retained Effect Amount Receivable/Received or Payable/Paid
NDF	**2018**	**2017**	**2016**	**Maturity (Year)**	**2018**	**2017**	**2016**	**2018**
SEK Disbursement Company								
Term	SEK 127,388	SEK 23,928	-	2021	(466)	-	-	
Total					**(466)**	**-**	**-**	**(466)**

This program is classified in accordance with accounting criteria for hedge accounting and measured at fair value.

Accounting treatment of Derivatives

Derivative instruments are recognized as assets and liabilities in the Statement of financial position and measured at fair value. When the transaction is eligible and designated as hedge accounting, changes in the fair value of the derivatives are recorded as follows:

(i) Fair Value Hedge: the gain or loss resulting from the new measurement of derivatives at fair value is booked under the income account.

(ii) Cash Flow Hedge: Changes in fair value of derivative financial instruments designated as effective cash flow hedge have their effective component recorded in the stockholders' equity (other comprehensive income) and the ineffective component recorded in the year. The amounts recorded in the stockholders' equity are only transferred to the income statement in the appropriate account (cost, operating expense or financial expense), when the hedged item is effectively realized.

At the beginning of the hedge accounting operation, the Company documents the relationship between the hedging instruments and the hedged items in order to better manage risks and come up with the best strategy for hedge operations. The Company also documents, both initially and continuously, its assessment that derivatives used in hedging transactions are highly effective.

Derivatives which are not earmarked for hedge accounting are classified as economic hedge, and changes in their fair value are fully booked under the income account.

g) Sensitivity analysis

In compliance with CVM Instruction 475 dated December 17, 2008, the following analysis estimates the potential value of the instruments in hypothetical stress scenarios of the main market's risk factors, each one impacting the positions, while all other variables keep constant.

- Probable Scenario: The charges and income for the following year were projected considering the balances, exchange rates and/or interest rates in force at the end of the fiscal year.
- Scenario II: This projection was increased by 25% compared to the probable scenario.
- Scenario III: This projection was increased by 50% compared to the probable scenario.

For income from financial investments in Scenarios II and III consider a reduction of 25% and 50%, respectively, in relation to the probable scenario.

For a sensitivity analysis of derivative instruments, Management understands that there is a need to consider the liabilities with exposure to fluctuations in exchange rates and their respective derivative instruments recorded in the Statement of financial position.

As 100% of foreign currency debt is protected by swaps, the risk of US Dollar variations is shown in the table below:

Operation	Currency	Risk	Quote	Exposure (Balance/Notional)	Scenario of Impact (II)	Scenario of Impact (III)
Debt in Dollar	Dollar ($)	Dollar increase	3,875	(6,426,048)	(1,605,107)	(3,212,245)
Swap Short Position in Dollar		Dollar decrease		6,439,137	1,609,756	3,219,511
Net Exposure				**13,089**	**4,649**	**7,266**
Debt in Euro	Euro (€)	Euro Increase	4,439	(354,076)	(88,261)	(176,780)
Swap Short Position in Euro		Euro decrease		374,200	93,552	187,104
Net Exposure				**20,124**	**5,291**	**10,324**
Collar	Dollar ($)	Dollar decrease	3,954	2,586	-	-
Hedged Item: part of disbursements in USD				-	(1,771)	(4,824)
Net Exposure					**(1,771)**	**(4,824)**
NDF	Dollar ($)	Dollar decrease	3,875	27,743	-	-
Hedged Item: part of disbursements in USD				-	(109,418)	(218,839)
Net Exposure					**(109,418)**	**(218,839)**
NDF	Euro (€)	Euro decrease	4,439	(2,789)	-	-
Hedged Item: part of disbursements in USD				-	(50,309)	(100,622)
Net Exposure					**(50,309)**	**(100,622)**
NDF	SEK	Swedish Kronor decrease	0.434	(467)	-	-
Hedged Item: part of disbursements in USD				-	(13,770)	(27,541)
Net Exposure					**(13,770)**	**(27,541)**

The table below shows the losses (gains) due to the variation in interest rates that may be recognized in the Company's income in the subsequent year, if one of the scenarios shown below occurs:

Operation	Indexer	Risk	Rate for the period	Exposure (Balance/Notional)	Likely Scenario	Scenario of Impact (II)	Scenario of Impact (III)
FINANCIAL ASSETS							
Financial investments in CDI	CDI	CDI Drop	6.40%	3,848,974	242,870	(60,292)	(120,837)
FINANCIAL LIABILITIES							
Loans, financing and debentures							
CDI debt	CDI	Increase of CDI	6.40%	(6,833,477)	(409,516)	(241,203)	(343,210)
Dollar x CDI Swaps (Short Position)	CDI	Increase of CDI	6.40%	(5,921,298)	(378,890)	(94,561)	(189,061)
Debt in IPCA	IPCA	Increase in IPCA	2.90%	(2,668,599)	(232,701)	(19,747)	(39,495)
IPCA x CDI Swaps (Short Position)	IPCA	Increase in IPCA	2.90%	971,571	81,163	6,720	13,439
Debt in LIBOR 3M	LIBOR	Increase of LIBOR 3M	2.80%	(1,599,919)	(38,149)	(8,221)	(16,442)
Libor 3M x CDI Swaps (Short Position)	LIBOR	Increase of LIBOR 3M	2.80%	1,419,336	39,079	8,099	16,196
Debt in LIBOR 6M	LIBOR	Increase of LIBOR 6M	2.90%	(1,095,219)	(31,800)	(7,475)	(14,949)
Libor 6M x CDI Swaps (Short Position)	LIBOR	Decrease of LIBOR 6M	2.90%	1,094,083	33,225	7,747	15,494
Debt in SELIC	SELIC	Increase of SELIC	6.40%	(687,231)	(66,261)	(8,792)	(17,574)
Debt in TJLP	TJLP	Increase of TJLP	7.00%	(3,188,767)	(262,905)	(51,409)	(102,819)
Debt in IGP-M	IGP-M	Increase of IGP-M	7.00%	(221,801)	(20,680)	(3,898)	(7,796)

h) Fair value measurement

The Company's Management understands that the fair values of accounts receivable and suppliers since they hold the majority of their maturities in the short term, are already reflected in their book value. The same is true for securities classified as held-to-maturity.

For financial liabilities classified and measured at amortized cost the method used is that of effective interest rates. These operations are bilateral and do not have an active market or another similar source with conditions comparable to those presented that may be used as a parameter to determine their fair values.

Financial assets classified as measured at fair value are mostly invested in restricted funds so that the fair value is reflected in the fund's quota value.

For financial liabilities (loans) measured at fair value, including derivative financial instruments for hedge purposes, the Company measures the fair value based on the present value of projected flows considering the contractual characteristics of each transaction. The method used consists in the calculation of the present value of future debt flows and debt and credit swap positions.

The Company understands that the above method reflects the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a non-forced transaction among market participants as at the measurement date.

The resulting concession indemnities and receivables are accounted for through application of contractual and legal regulatory criteria. There is no active market for these assets. Since all contractual characteristics are reflected in the amounts recorded the Company understands that the book value recorded reflects their fair values.

The three levels of the fair value hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (prices) or indirectly (derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the book and fair values of Company's financial instruments and other assets and liabilities which are at fair value as at December 31, 2018, 2017 and 2016:

	Level (*)	2018		2017	
		Book Value	Fair Value	Book Value (Restated)	Fair Value (Restated)
(Current/Noncurrent) Financial Assets					
Measured at Amortized Cost		**7,707,072**	**7,707,072**	**6,646,217**	**6,646,217**
Cash and Cash Equivalents		293,680	293,680	183,182	183,182
Securities	2	131,320	131,320	19,698	19,698
Accounts Receivable from Customers and Other	2	5,489,437	5,489,437	5,293,745	5,293,745
Concession of Public Service - Receivables Transmission Companies	3	760,746	760,746	423,169	423,169
Portion A and Other Financial Items	3	1,031,889	1,031,889	726,423	726,423
Measured at Fair Value through the Income		**13,927,132**	**13,927,132**	**12,222,459**	**12,222,459**
Cash and Cash Equivalents		3,639,995	3,639,995	3,673,252	3,673,252
Accounts Receivable from Customers and Other*	3	15,193	15,193	-	-
Interest Rate and Exchange Rate Swap	2	980,568	980,568	976,659	976,659
Concession of Public Utilities - Indemnity	3	9,255,797	9,255,797	7,572,548	7,572,548
Measured at Fair Value through the Comprehensive Income		**173,573**	**173,573**	**11**	**11**
Non-deliverable forwards (NDF)	2	25,010	25,010	11	11
Options	2	2,598	2,598	-	-
Interest Rate and Exchange Rate Swap	2	145,965	145,965		
(Current/Noncurrent) Financial Liabilities					
Measured at Amortized Cost		**16,450,106**	**16,450,106**	**14,435,533**	**14,412,693**
Suppliers		2,760,463	2,760,463	3,321,569	3,321,569
Loans and Financing	2	5,525,592	5,525,592	6,233,763	6,225,285
Debentures	2	7,923,385	7,923,385	4,826,390	4,812,028
Concession of Public Service (Use of public property)	2	55,445	55,445	53,811	53,811
Portion A and Other Financial Items	3	185,221	185,221	-	-
Measured at Fair Value through the Income		**7,617,091**	**7,617,091**	**7,297,918**	**7,300,033**
Loans and Financing	2	6,780,126	6,780,126	7,005,399	7,005,399
Debentures	2	826,989	826,989	248,686	250,801
Interest Rate and Exchange Rate Swap	2	9,976	9,976	43,833	43,833
Measured at Fair Value through the Comprehensive Income		**18,207**	**18,207**	**4,344**	**4,344**
Non-deliverable forwards (NDF)	2	523	523	4,344	4,344
Options	2	12	12	-	-
Interest Rate and Exchange Rate Swap	2	17,672	17,672	-	-

(*) Refers to contracts of portfolio for trading of power of subsidiary NC Energia which are booked as derivatives and measured at fair value through the income statement, as provided for under the Technical Pronouncement IFRS 9.

		2016	
	Level (*)	Book value	Fair value
Financial assets (Current/Non-current)			
Loans and receivables		**3.536.632**	**3.536.632**
Trade and other receivables	2	3.029.785	3.029.785
Concessions for Public Services - Receivables Transmission Companies	3	419,226	419,226
"Portion A" and other financial items	3	87,621	87,621
Held to maturity		**68,259**	**68,259**
Securities	2	68,259	68,259
Measured at fair value through profit and loss		**2,232,321**	**2,232,321**
Cash and cash equivalentes	1	380,935	380,935
Securities	2	1,012,660	1,012,660
Exchange and interest rate swaps	2	838,726	838,726
Available for sale		**5,859,028**	**5,859,028**
Concession financial assets - Indemnity	3	4,877,323	4,877,323
Assets classified as held for sale	2	981,705	981,705
Financial liabilities (Current / Non-current)			
Measured at amortized cost		**9,045,077**	**9,045,077**
Suppliers	2	1,925,811	1,925,811
Loans and financing	2	4,820,690	4,820,690
Debentures	2	2,141,994	2,141,994
Concession of Public Service (Use of public property)	2	8,256	8,256
"Portion A" and other financial items	3	148,326	148,326
Measured at fair value through profit and loss		**5,556,698**	**5,556,698**
Loans and financing	2	4,753,105	4,753,105
Debentures	2	245,132	245,132
Exchange and interest rate swaps	2	224,812	224,812
Liabilities directly associated with assets held for sale	2	333,649	333,649

There were no transfers between Level 1 and Level 2, or between Level 2 and Level 3 during the year ending as of December 31, 2018.

Changes in level 3 assets and respective gains (losses) in the income statement for the period ending December 31, 2018 were R$ 428,620 (R$ 297,705 as of December 31, 2017).

Assessment Methods and Techniques

The Company understands that since the majority of the fair value of accounts receivable and suppliers matures in the short term, it is already reflected in its book value. As well as for bonds and securities classified as maintained to maturity. In this case, the Company understands that its fair value is similar to the registered book value, since both have interest rates indexed to the DI (Interbank Deposits) curve that reflects the variations of the market conditions.

The financial assets classified as measured at fair value are, for the most part, invested in exclusive funds, that way the fair value is reflected in the value of the share in the fund.

i) Concession of Public Utilities

As the distribution subsidiaries classified the respective financial assets of the concession as measured at fair value through the income statement, the factors relevant to fair value measurement are not publicly observable and there is no active market. Thus, the fair value hierarchy classification is of level 3.

Since all the contractual characteristics are reflected in the amounts accounted for, the Company understands that the book value recorded impacts their fair values. The accounting measurement of the compensation and the receivables resulting from the concession is carried out through the application of contractual and legal regulatory criteria.

ii) Loans and Financing

For financings classified and measured at amortized cost, the Company understands that, since these are bilateral operations and do not have an active market or other similar source with conditions comparable to those already presented and that may be a parameter for determining their fair values, the values reflect the fair value of the transactions.

For the loans classified as measured at fair value, the Company measured the fair value through the present value of the estimated flows taking into account the contractual characteristics of each operation. The method used is calculating the present value of future debt flows.

For equity market debt, fair values are measured based on the market approach and their reference prices are available on the secondary market.

iii) Derivatives

As a result of the reassessment of the methodology for the Fair value calculation of the Company, implemented in 2018, the present value started being calculated using the currencies of 100% of the foreign exchange coupon for the asset and 100% of the future DI of BM&F under liabilities. Until December 31, 2017, a rate based on the CDI cost at the beginning of each operation was used for this calculation. This change in accounting estimates did not have a material impact in the period and the same behavior is expected for subsequent periods.

In the case of swaps, both the present value of the asset and the short term one are estimated by discounting the future cash flows. The difference between the present value of the asset side and the short position of the swap generates its fair value.

28. Segment information

The Company has four strategic divisions, which are its reportable segments based on the internal operational management structure. This management is performed through the segmentation per types of business: Networks, Liberalized, Renewables and Others activities. However, this structure has changed over the three-year period presented.
In 2016, the Company originally managed its activities considering 5 segments: Distribution, Transmission, Generation, Commercialization and Others. After Elektro Holding merger, in 2017, and the change in control to Iberdrola, the Company changed its internal structure as well as its organization through business segments, now reporting results considering Networks (comprised by both distribution and transmission segments), Liberalized (hydraulic, thermo generators, commercialization), Renewables (wind farms) and Others. In 2018, following new internal changes aligned with the controlling shareholder, hidraulic generators started being reported under Renewables segment.

Iberdrola, controlling shareholder of Neoenergia, uses the same grouping in the daily management of its business, in its internal and external presentations of financial results, in the analysis of operating performance, having a corporate managing structure responsible for each one of these lines of business in each country that it operates, reporting to the parent in Spain. There is, however, a wide array of support activities, such as financing, cash management, tax management, which are not attributable to each line of business and, therefore, are not allocated.

The results, assets and liabilities per segment include items directly attributable to the segment and also those which may reasonably be allocated when applicable. The prices charged between the segments are defined based on similar market transactions.

Once the Company has changed the composition of the segments, the information of prior periods was adjusted to reflect the most recent one (equivalent to 2018 criteria), in order to provide comparability for the financial statements here presented. Below we present the new structure used as of December 31, 2018, and the structure previously used as of December 31, 2017 and 2016 detailed by Company:

Information per segment as of December 31, 2018	
Networks	Coelba Celpe Cosern Elektro Afluente T Narandiba Potiguar Sul EKTT 1 EKTT 2 EKTT 12 EKTT 13 EKTT 14 EKTT 15 Neoserv
Liberalized	Termope NC Energia EKCE Neoinvest Elektro O&M
Renewables	Itapebi Baguari Geração CIII Geração Céu Azul Bahia PCH II Belo Monte Neoenergia O&M Calango 1 Calango 2 Calango 3 Calango 4 Calango 5 Calango 6 Mel 2 Arizona 1 Caetité 1 Caetité 2 Caetité 3 Força Eólica do Brasil Força Eólica Participações Força Eólica do Brasil 1 Força Eólica do Brasil 2 Elektro Renováveis do Brasil Lagoa 1 Lagoa 2 Canoas 1 Santana 1 Santana 2 Enerbrasil Chafariz 1 Chafariz 2 Chafariz 3 Chafariz 6 Chafariz 7 Lagoa 3 Lagoa 4 Canoas 2 Canoas 4
Others	Neoenergia

Information per segment as of December 31, 2017	
Networks	Coelba Celpe Cosern Elektro Afluente T Narandiba Potiguar Sul EKTT 12 EKTT 13 EKTT 14 EKTT 15 Neoserv
Liberalized	Termope NC Energia EKCE Neoinvest Elektro O&M
Renewables	Itapebi Baguari Geração CIII Geração Céu Azul Bahia PCH II Belo Monte Neoenergia O&M Calango 1 Calango 2 Calango 3 Calango 4 Calango 5 Calango 6 Mel 2 Arizona 1 Caetité 1 Caetité 2 Caetité 3 Força Eólica do Brasil Força Eólica Participações Força Eólica do Brasil 1 Força Eólica do Brasil 2 Elektro Renováveis do Brasil Lagoa 1 Lagoa 2 Canoas 1 Santana 1 Santana 2 Enerbrasil
Others	Neoenergia Garter

Information per segment as of December 31, 2016	
Networks	Coelba Celpe Cosern Afluente T Narandiba Potiguar Sul Neoserv
Liberalized	Termope NC Energia Neoinvest
Renewables	Itapebi Baguari I Geração CIII Geração Céu Azul Goiás Sul (a) Afluente G (a) Energyworks (a) Capuava (a) Rio PCH I (a) Bahia PCH I (a) Bahia PCH II Belo Monte Neoenergia O&M Força Eólica do Brasil 1 Calango 1 Calango 4 Calango 5 Caetité 1 Caetité 2
Others	Neoenergia Garter

The information separated per segment is presented below, in accordance with the criteria established by the Company's Management:

Information on Reportable Segments

	Networks			Liberalized			Renewables			Others			Consolidation Adjustments			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
		(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)
Third-party revenue	23,683,342	18,241,500	13,690,171	2,040,964	1,955,488	284,398	229,353	306,617	859,847	-	4,465	(185)	-	-	-	25,953,659	20,508,070	14,834,231
Intersegment Revenue	44,742	39,537	34,077	1,500,438	1,633,354	1,782,790	816,643	516,734	28,052	3,808	4,525	3,941	-	-	-	2,365,631	2,194,150	1,848,860
Eliminations	(44,742)	(39,537)	(34,077)	(1,500,438)	(1,633,354)	(1,782,790)	(816,643)	(516,734)	(28,052)	(3,808)	(4,525)	(3,941)	-	-	-	(2,365,631)	(2,194,150)	(1,848,860)
Net revenue	23,683,342	18,241,500	13,690,171	2,040,964	1,955,488	284,398	229,353	306,617	859,847	-	4,465	(185)	-	-	-	25,953,659	20,508,070	14,834,231
Gross Income	4,150,122	2,739,097	2,374,095	396,613	429,292	292,225	526,028	440,965	619,464	3,110	8,996	3,756	-	-	-	5,075,873	3,618,350	3,289,540
Depreciation and amortization	(924,760)	(729,235)	(586,663)	(45,859)	(45,729)	(45,767)	(131,416)	(80,389)	(83,401)	(3,151)	(3,150)	(3,296)	-	-	-	(1,105,186)	(858,503)	(719,127)
Surplus value amortization	(174)	-	-	(165)	-	-	(3,337)	(300)	(130)	(173,385)	(112,085)	(109,730)	-	-	-	(177,061)	(112,385)	(109,860)
Result of equity method	-	-	-	-	-	-	122,850	(20,115)	8,128	(66,530)	(72,581)	(28,227)	-	-	-	56,320	(92,696)	(20,099)
Financial income	5,568,391	2,387,652	3,138,724	106,337	104,380	385,545	214,674	132,398	199,754	234,315	167,655	442,765	-	-	-	6,123,717	2,792,085	4,166,788
Financial expenses	(6,374,009)	(3,272,453)	(3,904,640)	(234,153)	(254,535)	(627,592)	(350,009)	(213,974)	(268,022)	(333,730)	(426,260)	(682,826)	(782)	(19,127)	19,678	(7,292,683)	(4,186,349)	(5,463,402)
Income tax and social contribution expense Current and Deferred	(418,234)	(129,385)	(56,996)	(55,588)	(65,268)	(11,200)	(55,731)	(67,521)	(120,205)	22,318	(22,321)	(11,338)	266	6,503	(6,769)	(506,969)	(277,992)	(206,508)
Profit for the year	1,483,038	637,531	461,459	146,959	143,567	7,918	316,651	193,469	353,521	(352,181)	(510,414)	(481,735)	(516)	(12,624)	13,140	1,593,951	451,529	354,303
Assets of reportable segments	**29,663,620**	**25,977,560**	**16,775,728**	**1,200,269**	**1,313,826**	**1,005,529**	**5,392,282**	**4,945,761**	**2,653,172**	**77,040**	**75,286**	**84,872**	**-**	**-**	**-**	**36,333,211**	**32,312,433**	**20,519,300**
Investments[1]	3,602,647	3,150,301	2,427,796	75,332	37,574	64,061	391,939	814,665	381,358	1,549	1,218	3,179	-	-	-	4,071,467	4,003,758	2,876,394
Liabilities of reportable segments	**4,233,373**	**4,473,559**	**3,227,444**	**267,100**	**368,705**	**210,495**	**389,052**	**382,810**	**204,136**	**70,200**	**55,586**	**13,729**	**-**	**(6,195)**	**(157,773)**	**4,959,725**	**5,274,465**	**3,498,031**

Reconciliation of information on reportable segments

	Consolidated		
	2018	2017 (Restated)	2016 (Restated)
a) Earnings before income tax and Social Contribution			
Total pre-tax profit for reportable segments	2,100,920	753,254	541,113
Amounts not allocated:			
Other expenses	-	(23,733)	19,678
Consolidated income before income tax and social contribution	**2,100,920**	**729,521**	**560,811**

	Consolidated		
	2018	2017 (Restated)	2016 (Restated)
(b) Assets			
Reportable segments' assets	36,333,211	32,312,433	20,519,300
Cash and cash equivalents, Bonds and Securities and Derivative financial instruments	5,219,136	4,852,802	2,300,850
Recoverable taxes and contributions	1,182,157	919,476	714,130
Dividends and interest on the stockholders' equity	12,828	11,110	18,020
Deferred taxes and contributions	1,031,035	1,303,799	754,293
Investments	2,418,124	2,252,440	2,498,060
Other current and noncurrent assets	367,987	493,709	181,046
Assets classified as held for sale	-	-	981,705
Total assets	**46,564,478**	**42,145,769**	**27,967,404**
(c) Liabilities			
Liabilities of reportable segments	4,959,725	5,274,465	3,498,031
Loans, financing, debentures and derivative financial instruments	21,084,275	18,362,415	12,185,733
Payable salaries and charges	269,609	294,378	132,965
Regulatory charges	453,117	618,848	255,288
Taxes and contributions to collect	832,871	881,686	598,577
Dividends and interest on the stockholders' equity	342,499	110,821	403,884
Deferred taxes and contributions	116,544	136,510	13,955
Other liabilities (current and non-current)	929,043	858,292	1,325,557
Liabilities directly associated with assets held for sale	-	-	333,649
Total liabilities	**28,987,683**	**26,537,415**	**18,747,639**

29. Commitments

Commitments related to long term electric power purchase contracts are as follows:

Commitments (a)	Effectiveness	2020	2021	2022	2023	2024	After 2024
Coelba	2020 to 2030	3,923,263	4,269,791	4,557,444	4,904,268	5,254,528	40,906,272
Celpe	2020 to 2030	3,012,522	3,176,726	3,356,606	3,551,471	3,498,607	26,151,573
Cosern	2020 to 2030	1,129,836	1,202,651	1,274,236	1,326,384	1,413,476	10,909,551
Elektro	2020 to 2028	2,445,902	2,591,615	2,775,149	2,991,955	3,157,658	14,677,377
NC Energia	2020 to 2030	1,487,284	842,064	695,869	360,853	217,056	1,130,825

(a) Unaudited information

Amounts related to electric power purchase agreements, with terms varying from 6 to 30 years, represent the total contracted volume and were approved by ANEEL.

The Company's distribution companies analyzed contracted electric power commitments that exceed 5% of overcontracting limit, as these may not be considered for tariff pass-through since they are considered voluntary exposure. According to the demand forecasts and market price estimates, the results observed were not considered significant to their operations.

Neoenergia is guarantor of loans, financings and debentures of its subsidiaries and affiliates.

30. Post-employment benefits

The Company's distribution companies sponsor retirement, pension, healthcare and dental assistance supplementary plans to its active and retired employees, pensioners and their legal dependents.

Post-employment benefit plans

a) Coelba

Coelba sponsors COELBA Foundation for Complementary Pension (FAELBA), which maintains the following pension plans: Mixed pension benefit plan nº01 - (CD - FAELFLEX Plan) and Pension Plan nº2 - (BD Plan).

Plan n°01 - FAELFLEX, has defined contribution features, including scheduled retirement income and death and disability benefits. The plan was implemented in 1998, with more than 98% of active participants joining. Due to its individual savings feature, does not present a deficit or surplus, since the results of the investments are fully transferred to participants. FAELFLEX also gives participants the benefit of recompose the mathematic reserve in cases of death or permanent disability occurring during work activity up to the age of 62. Because of this peculiarity, FAELFLEX is also subject to actuarial valuations.

Plan No. 2 - BD (defined benefit) is a mature plan and is closed to new participants since 1998. The sponsor and the participants will cover occasional insufficiencies.
As of December 31, 2018, Coelba hired with insurance company AXA risks coverage related to such benefits, which allowed the settlement of the actuarial obligation that had been recognized. The insurance policy is effective for one year, from January 1, 2019 to December 31, 2019 and, over the effectiveness, covers all risks related to the mathematical reserve recomposition in the cases of death or permanent disabling condition. As of 2019 and in the subsequent years, Coelba intends to annually renew, according the new policy adopted by the Company.

Post-Employment Healthcare Plan

The Company has a Corporate Collective Insurance to cover Medical/Hospital Assistance and Dental Assistance Expenses for active, retired and pensioners' employees, and their legal dependents.

Company's monthly contributions correspond to the average premiums calculated by the Insurance Company multiplied by the number of insured lives. These premiums are adjusted annually by fluctuations in medical and hospital costs, marketing costs and other expenses on the insurance operation; and in the event of claims, in order to keep the technical-actuarial balance of the policy.

The contributions paid of retirees, pensioners and former employees are adjusted for inflation (INPC).

b) Cosern

Cosern sponsors the Cosern Foundation for Complementary Pension Plan, a non-profit legal entity of private law, which aims to provide its participants, and the respective beneficiaries, a pecuniary income as a complement to retirement and pensions, according to the regulations of benefit plans to which they are bound.

The BD Plan (Defined Benefit) is a mature plan and is closed to new participants since March 1999. The sponsor and the participants will cover occasional insufficiencies.

The Pension Benefit Plan nº001 - CD Plan has defined contribution features, including scheduled retirement income and death and disability benefits. The plan was implemented in 1999, with more than 99% of active participants joining. Due to its individual savings feature, does not present deficit or surplus, since the result of the investments is fully transfered to participants. The CD Plan also gives participants the benefit of recompose the mathematical reserve in cases of death or permanent disability occurring during work activity up to the age of 62. Because of this peculiarity, the CD Plan is also subjected by actuarial calculations.

As of December 31, 2018, Cosern hired with insurance company AXA risks coverage related to such benefits, which allowed the settlement of the actuarial obligation that had been recognized. The insurance policy is effective for one year, from 01/01/2019 to 12/31/2019, and, over the effectiveness, covers all risks related to the mathematical reserve recomposition in the cases of death or permanent disabling condition. As of 2019 and in the subsequent years, Cosern intends to annually renew, according the new policy adopted by the Company.

The current contributions (from the sponsor and the participants) are intended to constitute reserves to cover benefits to be paid to participants, and are accumulated since their inclusion in the plans. In the FASERN Pension Benefit Plan - Regulation 001 (Defined Benefit), the Company will be co-responsible for any insufficiencies.

The current contributions (of the sponsor and participants, under the parity of 1 to 1) are intended to cover the benefits to be paid to the participants, accumulated since their inclusion in the plan.

c) Celpe

Celpe sponsors CELPE Foundation of Social Security - CELPOS, which holds pension plans: Benefit Plan Defined - BD Plan and Mixed Plan I of Benefits - CD Plan.

The BD Plan is a mature plan and is closed to new participants since January 31, 2006. The sponsor and the participants will cover occasional insufficiencies.

The Benefit Mixed I Plan - CD Plan has defined contribution features, including scheduled retirement income and death and disability benefits. It was implemented in 2006, with about 22% of active participants joining. Because of its individual savings feature, it does not present deficit or surplus, since the result of the investments is fully transferred to participants. The CD Plan also gives participants the benefit of recompose the mathematical reserve in cases of death or permanent disability occurring during work activity up to the age of 62. Because of this peculiarity, the CD Plan is also subjected by actuarial calculations.

As of December 31, 2018, Celpe hired with insurance company AXA the coverage related to such benefits, which allowed the settlement of the actuarial obligation that had been recognized. The insurance policy is effective over one year, from 01/01/2019 to 12/31/2019, and, over the effectiveness, covers all risks risks related to the mathematical reserve recomposition in the cases of death or permanent disabling condition. As of 2019 and in the subsequent years, Celpe intends to annually renew the new policy adopted by the Company.

The current contributions (of the sponsor and participants, under the parity of 1 to 1) are intended to cover the benefits to be paid to the participants, accumulated since their inclusion in the plan.

In order to write off the actuarial liability corresponding to the portion appropriated to income, equivalent to 4/5, in 2011, the Company entered into a contractual instrument with CELPOS, in which is expected to be amortized until 2022, with amounts referring to reserves to be amortized and other existing actuarial liabilities to be amortized.

The values of Celpe's liabilities are as follows:

	Current			Non-current		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
Debt acknowledgment agreement						
Benefits to be granted	18,413	17,788	17,521	73,413	88,614	104,654
	18,413	**17,788**	**17,521**	**73,413**	**88,614**	**104,654**
Sponsor contribution						
Actuarial obligation			-	87,290	113,171	120,949
Dismissed Employees - Voluntary Dismissal Program	-	(30)	2	-	(25)	(15)
	-	**(30)**	**2**	**87,290**	**113,146**	**120,934**
	18,413	**17,758**	**17,523**	**160,703**	**201,760**	**225,588**

d) Elektro Redes

Elektro Redes sponsors CESP Foundation of Complementary Pension - FUNCESP, which holds pension plans:

PSAP/CESP B: Proportional Supplementary Benefit - BSPS, which corresponds to the benefits assured to employees connected to the plan in force until December 31, 1997, that is, before the implementation of the mixed plan, calculated proportionally up to that date. This plan is closed for new registrations.

PSAP/CESP B1: Supplementary Pension and Pension Plan Elektro - PSAP Elektro, started on January 1, 1998, being a mixed plan, whose benefit purpose is the wage completeness in the retirement, being 70% of the real wage of contribution as Defined Benefit and 30 % as Defined Contribution.

When the PSAP/CESP B1 Plan was created, the transfer of the PSAP/CESP B Plan to PSAP/CESP B1 was offered to the participants. Those which migrated acquired the right to receive the settled benefit (BSPS) proportional to the time contributing to the previous plan, and this resource may be allocated as a contribution to the new plan or wait for the eligibility to the benefit, without accumulation of any other additional benefit in the future.

Contributions paid or provisioned for

The contributions paid or under provision by the Company's Distribution Companies in the year are as follows:

	2018				2017				2016			
	FAELBA	**FASERN**	**CELPOS**	**FUNCESP**	**FAELBA**	**FASERN**	**CELPOS**	**FUNCESP**	**FAELBA**	**FASERN**	**CELPOS**	**FUNCESP**
Cost of Intangible Asset in Progress	(2,360)	(585)	(1,262)	-	(2,017)	(396)	(2,354)	-	(1,663)	(1,663)	(2,455)	-
Operating Expenses	(12,440)	(3,533)	(6,436)	(2,997)	(15,927)	(4,279)	(20,831)	(5,796)	(10,940)	(10,940)	(19,317)	(3,994)
Total	**(14,800)**	**(4,118)**	**(7,698)**	**(2,997)**	**(17,944)**	**(4,675)**	**(23,185)**	**(5,796)**	**(12,603)**	**(12,603)**	**(21,772)**	**(3,994)**

IAS 19 - Benefits to employees

CVM Resolution No. 695/12 of December 13, 2012, according to the accounting procedures established in IAS 19 - Benefits to employees, requires the recording of a liability when the obligation amount exceeds the benefit plan's asset value, and the recording of an asset when the amount of the assets exceeds the plan's obligation value. In this last case, the asset should only be recorded when there is evidence that it will effectively reduce sponsor's contributions or that it will be refundable in the future. The actuarial earning and losses shall be recognized in other comprehensive income.

Short-term employee benefit obligations are recognized as personnel expenses, as the corresponding service is provided. The liability is recognized by the amount of the expected payment if the Company has a present legal or constructive obligation to pay this amount based on previous service provided by the employee, and the obligation can be reliably estimated.

The actuarial opinion, issued by an independent actuary, considering the economic and financial situation of the pension plans maintained by FAELBA and health care insurance, as of December 31, 2018 is summarized below, as well as the other information required by CVM Resolution no. 695, December 13, 2012

The main economic assumptions adopted in the actuarial calculations for the fiscal years 2018, 2017 and 2016 were as follow:

	FAELBA								
	Complementary Pension Plans						Post-Employment Healthcare Plan		
	CD			BD					
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Nominal Discount Rate for Actuarial Obligation	9.10%	9.59%	11.83%	9.25%	9.93%	11.83%	9.46%	10.21%	11.83%
Estimated Index for Nominal Increase of Salaries	5.29%	5.55%	7.08%	5.29%	5.55%	7.08%	5.29%	Not applicable	Not applicable
Estimated Index for Nominal Increase of Benefits	4.25%	Not applicable	Not applicable	4.25%	4.50%	5.50%	Not applicable	Not applicable	Not applicable
Estimated Long-Term Inflation Rate	4.25%	5.50%	5.50%	4.25%	4.50%	5.50%	4.25%	4.50%	5.50%
Expected Turnover Rate	8.82%	8.73%	0.15 / (length of service +1)	Nil	Nil	Nil	8.82%	8.73%	0.15 / (length of service +1)
Duration	0.98	0.98	-	0.98	0.98	-	-	-	-
Biometric table of general mortality rate	AT-2000 Basic	AT-2000 Basic	AT - 2000 Basic	BR-EMSsb-2015 Male (Lessened in 15%)	BR-EMSsb-2015 Male (Lessened in 15%)	AT - 2000 Basic	AT-2000 Basic	AT-2000 Basic	AT - 2000 Basic
Biometric Table of Mortality Rate of Disabled Persons	Not applicable	Not applicable	Not applicable	BR-EMSsb-2010 Male	BR-EMSsb-2010 Male	AT-83 male	AT-83 Male	AT-83 Male	AT-83 separated by sex
Biometric Table of Early Disabling Condition	Light - Average	Light - Average	Light - Average	Light - Average	Light - Average	Light - Average	Light - Average	Light - Average	Light - Average
Probability of Retirement	100% in the First Eligibility	100% in the First Eligibility	Not applicable	100% in the First Eligibility	100% in the First Eligibility	100% in the First Eligibility	100% in the First Eligibility	100% in the First Eligibility	56 years. according to COELBA experience

	FASERN					
	Complementary Pension Plans					
	CD			BD		
	2018	2017	2016	2018	2017	2016
Nominal Discount Rate for Actuarial Obligation	9.10%	9.59%	11.83%	9.20%	9.93%	11.83%
Estimated Index for Nominal Increase of Salaries	5.29%	5.55%	7.08%	Not applicable	Not applicable	Not applicable
Estimated Index for Nominal Increase of Benefits	Not applicable	Not applicable	Not applicable	4.25%	4.50%	Not applicable
Estimated Long-Term Inflation Rate	4.25%	4.50%	5.50%	4.25%	4.50%	5.50%
Expected Turnover Rate	6.66%	6.87%	0.15 / (length of service + 1)	Nil	Nil	Nil
Duration	0.98	0.98	-	0.98	0.98	-
Biometric table of general mortality rate	AT-2000 separated per gender and lessened in 10%	AT-2000 separated per gender and lessened in 10%	AT-2000 separated by sex, softened by 10%	Weighted AT-2000 (40% male and 60% female), 10% lessened	Weighted AT-2000 (40% male and 60% female), 10% lessened	AT-2000 separated by sex, softened by 10%
Biometric Table of Mortality Rate of Disabled Persons	Not applicable	Not applicable	Not applicable	Weighted AT-83 (40% male and 60% female), 10% lessened	Weighted AT-83 (40% male and 60% female), 10% lessened	AT-83 separated by sex, softened by 10%
Biometric Table of Early Disabling Condition	Light - Average	Light - Average	Light - Average	Not applicable	Not applicable	Not applicable
Probability of Retirement	100% in the First Eligibility	100% in the First Eligibility	Not applicable	100% in the First Eligibility	100% in the First Eligibility	100% in the First Eligibility

	CELPOS					
	Complementary Pension Plans					
	CD			BD		
	2018	2017	2016	2018	2017	2016
Nominal Discount Rate for Actuarial Obligation	8.94%	9.59%	11.83%	9.36%	9.93%	11.83%
Estimated Index for Nominal Increase of Salaries	5.29%	5.55%	7.08%	5.29%	5.55%	7.08%
Estimated Index for Nominal Increase of Benefits	4.25%	Not applicable	Not applicable	4.25%	4.50%	5.50%
Estimated Long-Term Inflation Rate	4.25%	4.50%	5.50%	4.25%	4.50%	5.50%
Expected Turnover Rate	8.09%	8.57%	0.15 / (length of service + 1)	Nil	Nil	Nil
Duration	0.98	0.98	0.98	0.98	0.98	0.98
Biometric table of general mortality rate	AT-2000	AT-2000	AT-2000 Male	AT2000 Male	AT2000 Male	AT-2000 Male
Biometric Table of Mortality Rate of Disabled Persons	Not applicable	Not applicable	Not applicable	AT-83 male	AT-83 Male	AT-83 male
Biometric Table of Early Disabling Condition	Light - Weak	Light - Weak	Light-weak	Light - Average	Light - Average	Light-weak
Probability of Retirement	100% in the First Eligibility	Not applicable	Not applicable	50% on the first eligibility to early retirement, 10% between such date and the date of Regular Retirement and 100% on the date of eligibility to regular retirement	50% on the first eligibility to early retirement, 10% between such date and the date of Regular Retirement and 100% on the date of eligibility to regular retirement	100% on the date of normal retirement

	FUNCESP		
	Complementary Pension Plans		
	BD		
	2018	2017	2016
Nominal Discount Rate for Actuarial Obligation	9.46%	10.10%	-
Estimated Index for Nominal Increase of Salaries	6.33%	6.60%	-
Estimated Index for Nominal Increase of Benefits	4.25%	4.50%	-
Estimated Long-Term Inflation Rate	4.25%	4.50%	-
Expected Turnover Rate	Experience of Cesp 2012 Foundation	Experience of Cesp 2012 Foundation	Not applicable
Duration	14.72	13.55	Not applicable
Biometric table of general mortality rate	AT-2000 male, lessened in 10%	AT-2000 separated per gender	Not applicable
Biometric Table of Mortality Rate of Disabled Persons	AT-49 male	AT-49 male	Not applicable
Biometric Table of Early Disabling Condition	Light - Weak	Light - Weak	Not applicable
Probability of Retirement	100% in the First Eligibility	100% in the First Eligibility	Not applicable

The sensitivity analysis of significant assumptions adopted in actuarial calculations regarding the fiscal years of 2018, 2017 and 2016 are as follows:

	FAELBA							
	Plan CD		Plan BD			Post-Employment Health Plan		
	2017	2016	2018	2017	2016	2018	2017	2016
Present value of defined benefit obligations								
Nominal discount rate - 50 basis points	6,796	9,430	351,191	345,405	320,460	806,774	798,044	598,478
Nominal discount rate - + 50 basis points	6,545	8,938	322,521	316,921	295,784	722,223	710,058	535,808
% impact on defined benefit obligation								
Nominal discount rate - 50 basis points	1.92%	2.75%	4.43%	4.48%	4.16%	5.81%	6.14%	5.52%
Nominal discount rate - + 50 basis points	-1.84%	-2.60%	-4.10%	-4.14%	-3.86%	-5.28%	-5.56%	-5.53%
Impact on average duration of the defined benefit obligation								
Nominal discount rate - 50 basis points	3.81	5.43	9.75	8.76	8.15	12.75	11.91	10.74
Nominal discount rate - + 50 basis points	3.71	5.27	9.23	8.45	7.88	11.89	11.45	11.39

	FASERN				
	CD		BD		
Sensitivity analysis in the adopted hypothesis	**2017**	**2016**	**2018**	**2017**	**2016**
Present value of defined benefit obligations					
Nominal discount rate - 50 basis points	1,703	1,349	88,046	85,866	81,289
Nominal discount rate - + 50 basis points	1,636	1,288	81,400	79,293	75,245
% impact on the defined benefit obligation					
Nominal discount rate - 50 basis points	2.05%	2.37%	4.07%	4.13%	4.01%
Nominal discount rate - + 50 basis points	-1.95%	-2.26%	-3.79%	-3.84%	-3.73%
Impact on average duration of the defined benefit obligation					
Nominal discount rate - 50 basis points	4.05	4.69	8.95	8.10	7.85
Nominal discount rate - + 50 basis points	3.95	4.57	8.50	7.83	7.60

	CELPOS				
	CD Plan		BD Plan		
	2017	**2016**	**2018**	**2017**	**2016**
Current Value of the Defined Benefit Obligations					
Nominal discount rate - 50 basic points	1,483	1,778	1,018,886	1,000,340	960,968
Nominal Discount Rate + 50 Basic Points	1,433	1,699	930,759	914,723	882,837
% of Impact in Defined Benefit Obligation					
Nominal discount rate - 50 basic points	1.74%	2.34%	4.72%	4.67%	4.40%
Nominal Discount Rate + 50 Basic Points	-1.67%	-2.23%	-4.34%	-4.29%	-4.07%
Impact on average duration of defined benefit obligation					
Nominal discount rate - 50 basic points	3.45	4.63	10.40	9.12	8.61
Nominal Discount Rate + 50 Basic Points	3.37	4.52	9.76	8.78	8.31

	FUNCESP		
	BD		
Sensitivity analysis in the adopted hypothesis	**2018**	**2017**	**2016**
Present value of defined benefit obligations			
Nominal discount rate - 100 basis points	1,263,031	1.063.991	-
Nominal discount rate - + 100 basis points	1,427,506	1.347.580	-
% impact on the defined benefit obligation			
Nominal discount rate - 100 basis points	-5.81%	-10.70%	-
Nominal discount rate - + 100 basis points	6.46%	13.11%	-
Impact on average duration of the defined benefit obligation			
Nominal discount rate - 100 basis points	12.31	14.59	-
Nominal discount rate - +100 basis points	11.83	12.62	-

Expected maturity of undiscounted benefits of pension plan and post-retirement health benefits:

	FAELBA				
	Less than 1 year	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
As of December 31, 2018					
Retirement Benefits - BD	29,630	29,164	84,188	126,627	269,609
Post-Employment Health Benefits	43,420	44,722	138,558	242,783	469,483

	CELPOS				
	Less than 1 year	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
As of December 31, 2018					
Retirement Benefits - BD	79,123	79,049	232,511	361,009	751,692

	FASERN				
	Less than 1 year	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
As of December 31, 2018					
Retirement Benefits - BD	8,089	7,916	22,553	32,635	71,193

	FUNCESP				
	Less than 1 year	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
As of December 31, 2018					
Retirement Benefits - BD	75,642	76,099	230,286	462,312	844,339

Below we present the values recognized in assets, liabilities, the income statement and comprehensive income related to pension and healthcare plans:

	2018	2017	2016
Amount recognized in the Statement of financial position			
Pension benefits - CD	-	(4,933)	(3,285)
Pension benefits-BD	(8,955)	(48,677)	(234,385)
Post-employment health benefits	(762,476)	(751,901)	(567,196)
Allocation of special reserve with reversal of values to the sponsor	(138,807)	(157,927)	25,861
	(910,238)	**(963,438)**	**(779,005)**
Expenses recognized in the income statement			
Pension benefits - CD	1,909	(637)	554
Pension benefits-BD	31,312	20,768	(7,140)
Post-employment health benefits	(76,891)	(69,139)	(43,884)
	(43,670)	**(49,008)**	**(50,470)**
Actuarial rightsizing recognized in the comprehensive income of the year			
Pension benefits - CD	3,025	(1,011)	(3,245)
Pension benefits-BD	30,145	1,068	(39,087)
Post-employment health benefits	20,474	(156,035)	(90,393)
	53,644	**(155,978)**	**(132,725)**

The values recognized in the income statement are:

	Complementary Pension Plans						Post-Employment Health Plan		
	CD			BD					
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Former Service Cost	791	-	-	-	-	-	-		-
Current Service Cost	(1,225)	(1,721)	(1,111)	(5,218)	(7,079)	457	(2,430)	(4,161)	1,209
Interest Cost	(402)	(286)	75	(17,899)	(23,787)	(23,979)	(74,461)	(64,978)	(45,094)
Contributions Paid by Sponsor	2,745	1,370	1,590	49,195	43,798	16,382	45,842	40,470	31,633
Total included in revenue	**1,909**	**(637)**	**554**	**26,078**	**12,932**	**(7,140)**	**(31,049)**	**(28,669)**	**(12,252)**

Changes in post-retirement benefit obligations as at December 31, 2018, 2017 and 2016:

	Supplemental Pension Plans		Post-Employment Health Plan
	CD	BD	
Actuarial obligations on January 1st, 2016	**(8,484)**	**(1,105,581)**	**(451,383)**
Past service cost	-	-	3,796
Current service cost	(1,111)	457	(2,587)
Interest cost	(1,012)	(138,097)	(45,094)
Contributions paid by participants	(56)	(2,390)	-
Benefits paid by the plan	-	110,702	31,633
Demographic assumptions	-	-	10,266
Financial Assumptions	(739)	(123,742)	22,795
Plan's Experience	(830)	(47,459)	(136,624)
Actuarial obligations as of December 31, 2016	**(12,233)**	**(1,306,110)**	**(567,198)**
Addition by Business Combination	-	(1,146,466)	-
Current service cost	(1,721)	(7,079)	(4,161)
Cost of interest	(1,325)	(269,936)	(64,978)
Contributions paid by participants	(54)	(6,382)	-
Benefits paid by the plan	395	191,123	40,470
Demographic assumptions	4,038	(14,514)	7,167
Financial Assumptions	(162)	(132,648)	(64,767)
Plan Experience	1,269	131,765	(98,435)
Actuarial obligations as of December 31, 2017	**(9,792)**	**(2,560,247)**	**(751,902)**
Former Service Cost	10,897	-	-
Current service cost	(1,225)	(5,218)	(2,430)
Cost of interest	(841)	(246,890)	(74,460)
Contributions paid by participants	(95)	(6,186)	-
Benefits paid by the plan	348	154,900	45,842
Demographic assumptions	(36)	-	453
Financial Assumptions	(63)	(140,628)	(37,170)
Plan Experience	807	69,462	57,190
Actuarial obligations as of December 31, 2018	**-**	**(2,734,807)**	**(762,477)**

Changes in the fair values of benefit plan assets in the years presented are as follow:

	Supplemental Pension Plans		Post-Employment Health Plan
	CD	BD	
Fair value of assets on January 1st, 2016	13,688	1,083,286	-
Interest on the fair value of plan assets	1,849	137,867	-
Actuarial rightsizing	(1,837)	71,180	-
Contributions paid by the sponsor	1,590	39,185	31,633
Contributions paid by participants	56	2,390	-
Benefits paid by the plan	-	(110,702)	(31,633)
Interest on fair value	(317)	66,802	-
Fair value of the assets on 31 December 2016	**15,029**	**1,290,008**	**-**
Addition by Business Combination	-	1,282,314	
Interest on the fair value of plan assets	1,760	286,001	-
Actuarial rightsizing	(12,957)	9,616	-
Contributions paid by the sponsor	1,370	43,797	40,470
Contributions paid by participants	53	6,382	-
Benefits paid by the plan	(395)	(196,000)	(40,470)
Interest on fair value	-	(9,851)	-
Fair value of the assets on 31 December 2017	**4,861**	**2,712,267**	**-**
Interest on the fair value of plan assets	438	264,873	-
Actuarial rightsizing	2,316	103,298	-
Contributions paid by the sponsor	2,745	49,194	45,842
Contributions paid by participants	96	6,186	-
Benefits paid by the plan	(348)	(230,822)	(45,842)
Interest on fair value	-	58,812	-
Plan Assets Cost	(10,108)	-	-
Fair value of the assets on 31 December 2018	**-**	**2,963,808**	**-**

The tables below show the allocation (by asset segment) of Company Neoenergia's pension plan assets as at December 31, 2018, 2017 and 2016:

	Assets Managed by FAELBA							
	2018		2017			2016		
	BD	Total	CD	BD	Total	CD	BD	Total
Fixed Income	543,585	543,585	2,418	493,750	496,168	3,557	469,119	472,676
Variable Income	1,748	1,748	303	1,954	2,257	424	1,318	1,742
Real Estate Investments	11,656	11,656	41	10,784	10,825	47	7,581	7,628
Total	**556,989**	**556,989**	**2,762**	**506,488**	**509,250**	**4,028**	**478,018**	**482,046**
Fixed Income	98%	98%	88%	98%	98%	88%	98%	98%
Variable Income	0%	0%	11%	0%	0%	11%	-	-
Real Estate Investments	2%	2%	1%	2%	2%	1%	2%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

	Assets managed by CELPOS							
	2018		2017			2016		
	BD	Total	CD	BD	Total	BD	CD	Total
Fixed Income	737,170	737,170	1,482	657,966	659,448	565,573	124,785	690,358
Variable Income	17,862	17,862	126	22,876	23,002	22,115	14,918	37,033
Real Estate Investments	38,836	38,836	-	55,393	55,393	5,438	-	5,438
Total	**793,868**	**793,868**	**1,608**	**736,235**	**737,843**	**593,126**	**139,703**	**732,829**
Fixed Income	93%	93%	92%	89%	89%	95%	89%	94%
Variable Income	2%	2%	8%	3%	3%	4%	11%	5%
Real Estate Investments	5%	5%	-	8%	8%	1%	-	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

	Assets managed by FASERN							
	2018		2017			2016		
	BD	Total	CD	BD	Total	CD	BD	Total
Fixed Income	125,864	125,864	387	113,806	114,193	1,410	127,499	128,909
Variable Income	6,550	6,550	104	5,660	5,764	361	6,489	6,850
Real Estate Investments	815	815	-	720	720	-	825	825
Total	**133,229**	**133,229**	**491**	**120,186**	**120,677**	**1,771**	**134,813**	**136,584**
Fixed Income	94%	94%	79%	94%	94%	80%	94%	94%
Variable Income	5%	5%	21%	5%	5%	20%	5%	5%
Real Estate Investments	1%	1%	-	1%	1%	-	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

	Assets managed by FUNCESP					
	2018		2017		2016	
	BD	Total	BD	Total	BD	Total
Fixed Income	1,247,569	1,247,569	1,130,358	1,130,358	-	-
Variable Income	166,860	166,860	85,549	85,549	-	-
Real Estate Investments	65,293	65,293	64,634	64,634	-	-
Other	-	-	68,818	68,818	-	-
Total	**1,479,722**	**1,479,722**	**1,349,359**	**1,349,359**	**-**	**-**
Fixed Income	85%	85%	84%	84%	-	-
Variable Income	11%	11%	6%	6%	-	-
Real Estate Investments	4%	4%	5%	5%	-	-
Other	0%	0%	5%	5%	-	-
Total	**100%**	**100%**	**100%**	**100%**	**-**	**-**

Defined benefit pension plan, defined contribution and healthcare plan expected cost are:

	CD Plan		BD Plan		Health Care Insurance	
	2019	2018	2019	2018	2019	2018
Current Service Cost	-	(1,225)	(5,312)	(5,218)	(1,260)	(2,430)
Interest Cost	-	(402)	(11,109)	(17,899)	(70,076)	(74,460)
Obligation costs (OCI)	-	-	5	28	-	-
Total Obligation Cost	-	(1,627)	(16,416)	(23,089)	(71,336)	(76,890)

Other benefits

In addition to benefits granted through complementary pension plans, distribution companies offer other benefits to their employees, such as: meal allowances, transportation, funeral and daycare, training and professional development, which are periodically negotiated in collective bargaining agreements. In the year ended December 31, 2018, the subsidiaries Coelba, Celpe and Cosern spent R$ 129,797, R$ 80,988 and R$ 30,496 (R$ 117,624, R$ 74,579 and R$ 48,429 as of December 31, 2017 and R$ 75,567, R$ 53,612 and R$ 17,335 as of December 31, 2016) respectively.

31. Insurance

The Company maintains the following insurance coverage compatible with the risks of the activities carried out which are considered sufficient by the Management to safeguard the assets and businesses of eventual insurance claims: The main insurances policies, specified by risk type and the effective date, according to the insurance brokers contracted by the Company, are as follows:

Risks	Effective date	Insured amount (R$)	Premium (R$ thousand)
Named Risks - Substations and Plants	11/30/2018 to 05/31/2019	1,752,970	5,457
Named Risks - Terrorism	05/31/2018 to 05/31/2019	3,143,740	445
Civil and Environmental Responsibility	05/31/2018 to 05/31/2019	306,000	13
General Liability Insurance - Operations	05/31/2018 to 05/31/2020	1,518,000	4,864
Natural Catastrophes	05/31/2018 to 05/31/2019	5,518,965	9
Vehicles	05/31/2018 to 05/31/2019	100% FIPE(a)	392
Operating Risks - Substations and Plants	05/31/2018 to 05/31/2020	9,469,065	4,969

(a) FIPE: Institute that is responsible for the elaboration of a price table that summarizes the market value for vehicles in Brazil

Company insurances are contracted in accordance with the respective risk management policies and current insurances and given their nature they are not part of the scope of our independent audit.

32. Environmental issues

The Company bases its conduct on environmental conservation and respect for environmental laws, through various actions, and on compliance with its Integrated Management (Quality and Environment) Guidelines.

The Company capitalizes part of the costs of a project, expenses related to environmental demands, based on the regulatory forecasts of the electric energy sector and requirements of competent public agencies, for the concession of respective licenses that will allow the execution of the projects.

In the event that the expenses arise from agreements with nonprofit organizations and other entities that promote environmental preservation, without, however, being related to investment projects, the expense is appropriate to the result as an operating expense.
In 2018, some actions focused on sustainability and environmental conservation stand out:

- Compact network / Green line - One of the efforts of great importance in the environmental preservation is the use of protected networks. The protected electrical cables avoid accidents caused by contact with trees, reducing the need for pruning of trees and improving electrical system performance.

- Environmental Offset - Planting in Areas of Permanent Preservation (APP) with the use of native species of Cerrado and Caatinga biomes; Stingless Bee Honey Production project that allows creating and managing the Uruçu bee, in a sustainable way, in a remnant area of Atlantic Forest, located in the metropolitan area of Salvador; support to the project of botanical research at Parque das Dunas, in a swap area of the Atlantic Forest biome, in the city of Salvador, as well as the preparation and distribution of the Tour and Cultural Guide with the participation of local leaders in the cities of Ibicoara and Iramaia. All these projects stand as environmental offsets coming from the licensing of projects of the distribution company. The reforestation of subsidiary Celpe fulfills the applicable standards, which establish compensatory measures when there is need for suppression of vegetation for installation of projects to subsidiary Cosern backed by the state environmental compensation, through payment of tree/value to the environmental agency for reforestation of preservation units.

- Waste Management - Reuse of wooden reels through reverse logistics; reform of electric system equipment and recycling of the insulating mineral oil of transformers; refining of lube oil coming from the Power Generation of Fernando de Noronha, recycling of paper and residual cooking oil from the kitchen of the restaurant of subsidiary Coelba; the Class I (hazardous) and Class II (non-hazardous) residues are collected, transported and disposed of by licensed companies, in order to comply with the applicable laws Through the Logisverde Project, the subsidiary Cosern furthers the reuse of wooden reels and, through the *Poste Ecológico Project*, the reuse of concrete waste, both through reverse logistics; The Corporate Solid Waste Management Plan (PGRS) was also prepared for the Company's distribution companies.

We highlight below the resources applied to meet company's environmental commitments.

	Asset			Result		
	2018	2017	2016	2018	2017	2016
Funds invested*	499,343	502,778	425,872	80,419	87,665	81,573

(*) Unaudited Information

33. Subsequent events

a) On February 5, 2019, Neoenergia signed concession contracts for the six wind farms located in Paraíba, with installed capacity ranging from 13.86 MW to 34.65 MW.

b) On February 14, 2019, Coelba's Board of Directors approved additional dividends, from reserve, in the amount of R$ 500,000.

c) On March 25, 2019, Neoenergia signed the concession contracts for the four transmission line allotments related to the Transmission Auction n. 04/2018 carried out by ANEEL, located among the states of Paraná, Santa Catarina, Rio Grande do Sul, Rio de Janeiro, Minas Gerais and Espírito Santo. This investment represents an increase of 3,000 km of transmission lines and 20 substations, enabling the Company to reach the 5,336 km mark of transmission lines in the national territory. The investments to be performed represent an increase in the relevance of transmission business of the group.

d) The following debt issuances occurred between January 1st, 2019 and the approval of these Financial Statements:

Type	Maturity	Indexers	Amount Collected
National Currency			
Financing	jul/2029	IPCA	515,200
Financing	jul/2030	TJLP	2,077
Average rate/Total		**9.39%**	**517,277**

Following details related to debentures which will be issued in 2019:

Company	Concrat date	Issue	Amount
TERMOPE	04/10/2019	8th issue	500,000
COELBA	04/01/2019	12 th issue	700,000
CELPE	04/01/2019	10 th issue	500,000
COSERN	04/17/2019	9 th issue	500,000
Total			**2,200,000**

e) Neoenergia paid interest on net equity on February 27, 2019 in the net amount of R$ 329,488 thousand. This amount was previously aproved by the Board of Directors as of December 19, 2018.

f) In March 2019, the Company obtained a favorable decision with the cancellation of the tax assessment imposed by Federal Revenue Office to Elektro Redes in December, 2017, in the amount of R$ R$1,205,431. Through this assessment, tax authorities charged income taxes from Elektro related to capital gains derived from its acquisition by Iberdrola, back in 2011, which had acquired direct ownership in Elektro, then. After Elektro's defense presentation, the tax assessment was cancelled in first instance. Tax authorities had appealed against this first favorable decision to the Taxpayers' Council (CARF). The council had confirmed the results obtained in first instance, definitely cancelling the tax assessment in the updated amount of R$ 1,421,083, as of March 2019.

g) Tariff adjustments for Neoenergia's energy distribution subsidiaries in 2019

The National Agency of Electric Power (ANEEL) approved, on April 4, 2019, through 2019 12th Ordinary Public Meeting, the Annual Tariff Adjustment for COELBA and COSERN, effective as of April 22, 2019 onwards, pursuant to ANEEL Homologatory Resolution no. 2,532 and 2,533/2019. COSERN's tariff adjustment will represent an average effect for consumers of 4.73%, being 2.81% to high voltage consumers, and 5.48% for low voltage customers. COELBA's tariff adjustment will represent an average effect to consumers of 6.22%, being 5.09% for high voltage customers and 6.67% to low voltage customers.

The National Agency of Electric Power (ANEEL) approved, on April 23, 2019, through 2019 13th Ordinary Public Meeting, the Annual Tariff Adjustment for CELPE, effective as of April 29, 2019 onwards, pursuant to ANEEL Homologatory Resolution no. 2,535/2019. CELPE's tariff adjustment will represent an average effect for consumers of 5.04%, being 3.76% to high voltage consumers, and 5.56% for low voltage customers.

h) Initial Public Offering of Shares (IPO)

Neoenergia will submit for the resolution of the Extraordinary General Meeting, to be held on April 29, 2019, the application to join the special listing segment of B3 Novo Mercado ("New Market"), the request for registration of a public offering of secondary distribution of common shares ("Offering of Shares"), the amendment and consolidation of the Company's Bylaws to adapt it to the requirements of the New Market Regulation.

i) Public Offering of Distribution of the 6th Issue of Debentures

Neoenergia will submit to the Brazilian Association of Financial and Capital Market Entities ("ANBIMA") the request for prior analysis to register a public offer for the 6th issue of simple non-convertible debentures, unsecured, up to two series, of the Company ("Issue"), to be carried out in accordance with the procedures of CVM Instruction 400, CVM Instruction 471 and Law Nº 12,431, of June 24, 2011, as amended ("Law 12.431,2011 and Incentive Debentures"), under the system of guarantee of placement to the initial value of the Issue of R$ 1,250,000 and of best efforts in the amount of up to R$ 250,000 for any additional debentures issued in accordance with paragraph 2nd of the article 14 of CVM Instruction 400.

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Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors of
Neoenergia S.A.
Rio de Janeiro - RJ

Opinion

We have audited the consolidated financial statements of Neoenergia S.A. ("the Company"), which comprise the statement of financial position as of December 31, 2018 and 2017, the related statements of income, statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Neoenergia S.A. as of December 31, 2018 and 2017, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), issued by the *International Accounting Standards Board* (IASB).

Basis for Opinion

We conducted our audits in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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a. Provision for tax, labor and civil risks	
See Note 3.6 j) and 19 of financial statements	
Key audit matters	How our audit addressed this matter
The Company and its subsidiaries are parties to several tax, labor and civil administrative and court lawsuits and make relevant judgments to determine amounts that must be recognized as provisions for such lawsuits, as well as to disclose relevant contingent liabilities. In view of the materiality, complexity and judgment involved in the evaluation, measurement, definition of recognition and disclosures related to Provisions and Contingent Liabilities in financial statements, we have considered this issue significant to our audit.	We have requested from the Company and its subsidiaries' legal advisors' information on tax, labor and civil lawsuits including evaluation of loss prognosis and, when applicable, we analysed theses that back legal opinions. In addition, when applicable, we evaluated changes in scenario from financial statements' base date and audit report date that could change evaluation made. We have analyzed if the disclosures made in the financial statements consider the relevant aspects required by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Based on evidence from the procedures aforementioned, we have considered that provisions and respective disclosures are acceptable in the context of financial statements taken as a whole.

b. Derivative financial instruments	
See Notes 3.6 a), 16 and 27 of financial statements	
Key audit matters	How our audit addressed this matter
The Company and its subsidiaries maintain significant transactions with derivative financial instruments to hedge against certain risks deriving from exchange rate exposure, in accordance with criterion established in their risk management policy. To mitigate the risk of exchange rate change, the Company contracts derivative transactions (NDF's, Asian options and Swaps). Also, the measurement, designation of such financial instruments as hedge accounting (fair value and cash flow hedge) and measurement of the effectiveness thereof, require the fulfillment of certain formal obligations, and include the need for the Company to make significant judgments regarding the effective hedge of exchange change and interest rate risks. As relevance, judgment involved in measuring effectiveness of these derivative financial instruments, evaluation, measurement and disclosures related to fair value of such derivative financial instruments are complex, we consider this matter as significant for our audit.	Our procedures had the involvement of our financial instruments' specialists to help evaluate determination of derivative financial instruments' fair values and effectiveness of hedge relations, using observable data such as flows discounted based on market curves. Based on transactions sample, we evaluated sufficiency of documentation prepared for these transactions to demonstrate assignment of instrument as hedge accounting, and evaluated calculation of hedge relations effectiveness and their respective bookkeeping. We also evaluated if the disclosures made in the financial statements consider the relevant aspects required by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Based on the evidence obtained through the procedures summarized above, we have considered that the assumptions and methodologies used to measure the fair value of derivative financial instruments and hedge accounting, as well as related disclosures are acceptable in the context of the financial statements taken as a whole.

c. Measurement of concession financial assets and intangible assets	
See Notes 13 (i) and 14 of financial statements	
Key audit matters	**How our audit addressed this matter**
According to Technical Interpretation IFRIC 12 - Service Concession Arrangements, the Company should comply with certain characteristics in the energy distribution construction contract, considering that investments made and not amortized up to the end of the concession contract should be classified as financial assets as an unconditional right to receive cash or other financial asset directly from the Concession Grantor, while the remaining investment must be classified as an financial asset since its recovery is conditional on the use of the public service through the consumption of energy by consumers. ANEEL - Brazilian Electricity Regulatory Agency considers distribution infrastructure also as the basis to determine tariff for each tariff cycle and represents indemnity to be paid by the Concession Grantor to the concessionaire at concession end. The evaluation of bifurcation between the financial and intangible assets involves complexity and judgment by the Company's subsidiaries which may impact the value of these assets in the financial statements. Due to this fact, as well as to relevance of involved amounts and disclosures, we consider measurement of Concession Financial Assets and Intangible Assets as significant for our audit.	We evaluated design, implementation and operating effectiveness of key internal controls related to analysis of investments made and also of financial assets related to assets not amortized up to the end of concession period, as well as allocation into concession financial asset or intangible asset. We evaluated assumptions used in bifurcation between financial and intangible asset and reviewed whether calculations of remuneration basis adjustment associated to assets currently in operation are consistent and in accordance with the last tariff cycle of the Company and with the Tariff Regulation Procedures Manual approved by ANEEL. We inspected documents sample for additions occurred during the year to analyze allocation of concession expenditures. We have analyzed if the disclosures made in the financial statements consider the relevant information required by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Based on results of procedures carried out and evidence obtained, we have considered that the measurement and disclosure of concession financial assets and Intangible assets are acceptable in the context of the financial statements taken as a whole.
d. Measurement of contractual asset and revenue from transmission infrastructure	
See Note 3.6 c), 3.7, 13 (ii) and 22 of financial statements	
Key audit matters	**How our audit addressed this matter**
The recognition of the contractual asset and revenue from transmission infrastructure by Company's subsidiaries according to IFRS 15 - Revenue from Contract with Customer requires the exercise of significant judgment regarding when the customer obtains control of the asset. Moreover, measuring the subsidiaries of the Company in meeting the performance obligation over time also requires the use of significant estimates and judgments by Management to estimate the efforts or inputs required to fulfill the performance obligation, such as materials and manpower, expected profit margins on each identified performance obligation, and expected revenue projections. Due to the relevance of the amounts and the significant judgment involved,	Our audit procedures included, among others: i) evaluation of design of key internal controls related to expenditures made for contract execution; ii) reading of concession contract and its addenda to identify performance obligations included in contract, in addition to aspects related to variable components applicable to contract price; iii) evaluation, with the support of corporate finance specialists, of relevant assumptions used in cost projections, contract margin and definition of discount rate used in the model; and iv) evaluation of disclosures made by the Company in financial statements. Based on the evidence obtained through the procedures described above, we consider that the measurement of the contractual asset and revenue

we have considered the measurement of revenue from contract with customers as a material matter for our audit.	from transmission infrastructure and respective disclosures are acceptable in the context of the financial statements taken as a whole.

Emphasis of Matter

Risks related to compliance with laws and regulations

As mentioned in explanatory note 11 to the consolidated financial statements, the Company has an investment in the affiliate Norte Energia S.A., which is measured using the equity method. That affiliate, in the context of the investigations of its controlling shareholders, recognized an adjustment in its financial statements of previous years. Considering that investigations of the operation conducted by the Federal Public Prosecutor's Office are still ongoing, it is no way to determine the results of other developments in this investigation that may involve the affiliate. Our conclusion does not contain modification related to this subject.

Other matters

Report reissue

On February 14, 2019 and February 7, 2018, we issued audit reports on the Company's consolidated financial statements for the years ended December 31, 2018 and 2017, respectively, both without modification and with the inclusion of emphasis paragraph on risks related to compliance with laws and regulations. The aforementioned consolidated financial statements are being restated to consider the corrections described in the explanatory note 4. Consequently, our opinion replaces the opinions previously expressed.

Consolidated financial statements audited by another independent auditor

The consolidated financial statements of the Company for the year ended on December 31, 2016, restated as result of the matters described in the explanatory note 4, were audited by another independent auditor who expressed an unmodified opinion on those statements on April 23, 2019.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the 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, 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

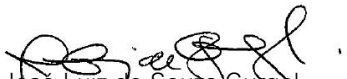
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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, April 23, 2019

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CRC SP-014428/O-6 F-RJ



José Luiz de Souza Gurgel
Accountant CRC RJ-087339/O-4

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