

Management Report
and Financial Statements
for Fiscal Years
2018 and **2017**

ENGIE Brasil Energia S.A.
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Dear Shareholders,

The Management of ENGIE Brasil Energia S.A. ("ENGIE Brasil Energia" or "Company") is pleased to submit for your examination the Management Report and the corresponding Financial Statements for fiscal years 2018 and 2017 in accordance with international as well as accounting practices adopted in Brazil. The Management Report is accompanied by the reports of the Independent Auditors and the Fiscal Council for the year ending 12.31.2018. The data shown in the Management Report is stated in millions of Reais and is on a consolidated basis, unless otherwise stated.

This Management Report complies with the requirements of Law 6,404/76 and is in line with the recommendations of CVM Guidance Opinion 15 of 12.28.1987 of the Brazilian Securities and Exchange Commission (CVM) and the Accounting Manual of the National Electric Energy Agency (Aneel). While the Report is directed primarily at the Company's shareholders, it can be accessed by the public at large from the ENGIE Brasil Energia's, CVM's and B3's websites. It is also published in the press of the city and the state in which the Company's head offices are located (Florianópolis, state of Santa Catarina) pursuant to Brazilian legislation.

Complementary to the information published in this document, the Company also publishes the Sustainability Report according to the Global Reporting Initiative (GRI) framework. As the Sustainability Report involves more comprehensive content, it is usually published after the Management Report at the end of April.

MESSAGE FROM THE MANAGEMENT

Energy lies at the very foundations of human progress. As a leading company in the power sector worldwide, our commitment to sustainable development reconciles the individual and collective interests of society in the quest for harmonious progress.
Below we report on ENGIE Brasil Energia in 2018 and how the Company supports the business and the generation of sustainable value for all our stakeholders.

Expansion and diversification of the portfolio: sustainability and renewal

We are the largest private sector power generator in Brazil and continue to invest in the expansion and diversification of our portfolio, ranking us at the forefront of the energy transition in pursuit of a low carbon economy.

In those projects currently being implemented, we have demonstrated our capacity to execute and deliver. At those units already in operation, we have maintained the level of excellence and constant technological evolution:

- We concluded the Campo Largo Wind Complex – Phase I in December, more than six months ahead of plan, below budget and with sustainability, safety for our employees and outsourced personnel

and using advanced technology, the Complex having been operated remotely since startup.

By the end of 2018, the Umburanas wind farm units 08, 16, 17 and 21 were already licensed to go into operation, this effectively occurring in 2019, only one year after construction work began at the site.

- We consolidated the Jaguara and Miranda hydroelectric plants during their first year under ENGIE management, investing in the operational improvements at the plants and allowing us to anticipate remote operations at both units.

- We continued work on the installation of the Pampa Sul Thermal Power Plant preparatory to the testing and commissioning phase and in parallel, made progress in negotiating all our coal-fired plants for eventual disposal in line with decarbonization objectives.

- We concluded the acquisition of the remaining 50% of ENGIE Geração Solar Distribuída, reaffirming our commitment to operations in the segment and contributing to a more dynamic energy matrix and one closer to the end consumer.

We also continued to pursue opportunities in other segments of operations:

- We signed the concession agreement, proceeding to obtain the necessary licenses and preliminary approvals for construction of the Gralha Azul Project – the lot for which the Company successfully bid at the 02/2017 auction.

- During the year we advanced up the learning curve with participation in new project auctions such as transmission through a structured process of analysis and improvements for enhancing our competitiveness and efficiency.

- We remained alert to the market for existing projects with the aim of capturing opportunities with a continued focus on portfolio diversification. For instance, the Company identifies good prospects in the Brazilian gas sector and in transmission line projects either existing or under construction.

Advances in commercial strategy: dynamism and evolution

An important competitive differential in our trajectory is the Company's commercial intelligence, driven by proactive portfolio management, combining flexibility and security in the light of constant market oscillations, especially of a short-term nature.

This characteristic together with the revamping of the electricity sector as a whole and gradual expansion in the free market, equipped us with the necessary means to continue dynamically developing our commercial area:

- We began the restructuring of the commercial area by introducing greater segmentation to serve different client profiles with enhanced specialization, offering the appropriate communication channels tailor-made for client requirements. In this context, the retail trading company was constituted, providing us with the first learning experiences and broadening our commercial vision in a more dynamic scenario.

- Again on the customer front, we finalized the first phase of the digitization of the commercial area with the implementation of a customer relationship management (CRM) system as well as making advances in the interaction and organization between teams with respect to internal flows.

- We saw significant developments in our energy pricing tools, supported by systems, robots and artificial intelligence, bringing about a veritable digital transformation in the process. In practice, this means that by 2020, the system will require hourly prices rather than weekly. We are already preparing to capture the opportunities this change will engender.

- We increased power sales to the free market, above all from incentivized sources, this ensuring the viability of the investment in the second phase of the Campo Largo Wind Complex, to be implemented from 2019, and selling exclusively into this market.

- We established a trading area for increasing the sensitivity to short term oscillations and to meet the needs of our clients in a more agile fashion.

People: commitment and transformation

The evolution in the Company's management and the commitment to sustainable development to create value for all stakeholders, are key to our achievements:

- We have introduced a more proactive management system to provide us with greater dynamism in our strategic planning– (Balanced Score Card - BSC) with improved integration and alignment to all areas, incorporating the principal business objectives.

- We redesigned our road map for innovation, pinpointing the priority areas over the short and medium terms.

- We have restructured our system of Performance Management, more aligned to merit and the long-term interests of the Company. We shall be monitoring this evolution through the methodologies adopted for Profit Sharing and Bonuses.

- We have been tracking a consistent evolution in engagement and positive perception indicators in the employee survey for 2018 – ENGIE&Me in the light of the implementation of improvements launched early in the year.

- We continue to meet our goals for tree-planting, spring/headwater protection, programs for environmental upgrading and community relationship, always based on certification and socio-environmental improvements.

Excelling: success in results

Successful results during 2018 reflect and crown a trajectory of excelling and perseverance on the part of all our teams:

- We reported an Ebitda of R$ 4,367.6 million and Net Income of R$ 2,315.4 million, representing increases of 24.1% and 15.5%, respectively, relative to 2017.

- We maintained a payout equivalent to 100% of adjusted net income for 2018, particularly impressive when set against a background of major investments in the period.

- Our shareholder base increased 65% over 2018, testimony to market confidence in the Company.

- We continue to be a component of the Corporate Sustainability Stock Index (ISE) for the 14th consecutive year since the portfolio's inception in 2005.

A glimpse of the future

ENGIE Brasil Energia commemorated its 20th anniversary in 2018. In the same year that we celebrate this story of success, we are encouraging our employees and stakeholders to look to the future in the "Imagine 2030" initiative. This is an exercise for mapping and discussing tendencies that must be confronted in relation to every aspect of our activities in the near future.

This concept of relating past and future, brings with it an important symbolism. The achievements and experiences over our history lead us to new challenges in the years to come: we are inspired to move forward by a constant ambition of going further and always doing the best.

The next years should see an intense rate of transformation, but at the same time, never ceasing to evolve gradually and sustainably. We continue to make headway in the Company's modernization, preparatory to changes in the domestic power sector and consolidating our strategy of promoting harmonious progress and spearheading the energy transition in Brazil.

We would like to thank each one of our stakeholders that have, with us, marked out this path of excellence by placing their trust in our capabilities, sharing objectives and collaborating in the development of an ethical and healthy relationship and one which serves as a catalyst of value.

Good reading,

Maurício Stolle Bähr

Chairman of the Board of Directors

Eduardo Antonio Gori Sattamini

Chief Executive Officer

1. AWARDS AND RECOGNITIONS RECEIVED IN 2018

- **Component of ISE – Corporate Sustainability Index of B3 – 2019 Portfolio**

For the 14th consecutive year, since the inception of the ISE, the Company has been included in the Index's portfolio which comprises companies recognized for their commitment and practices in relation to economic efficiency, environmental equilibrium, social justice and corporate governance.

- **Transparency Trophy**

Promoted by Anefac, Fipecafi and Serasa Experian, at category "Companies with net revenue up to R$ 5 billion". Award received for the ninth time, being the seventh time in a row.

- **Presence at Guia Exame de Sustentabilidade 2018** – Energy sector

- ***Institutional Investor*** **Magazine ranking 2018 –** ***Mid Caps***

  Best ESG / SRI metrics – 1st position
  Best Analyst Day - 1st position
  Best CEO – 2nd position
  Best CFO – 2nd position
  Best RI professional – 2nd position;

- **52 nd at "Global 100" ranking – Corporate Knight Magazine – Most Sustainable Corporations in the World index**

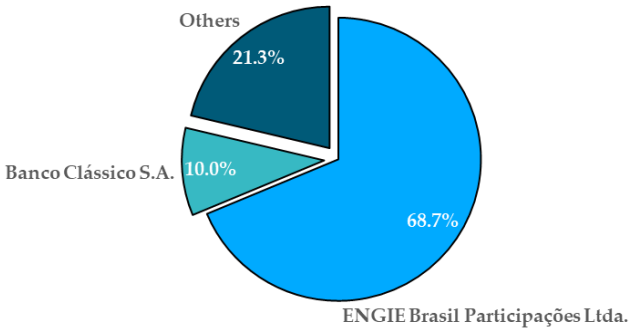
- **Fritz Muller Award** in the "Conservation of Natural Resources and Wild Life" category with the Biodiversity Matrix project

- **VALOR Innovation Brazil Award** – One of the 150 most innovative companies in the country

2. THE COMPANY

After 20 years in Brazil, ENGIE Brasil Energia has become a major provider of energy solutions, segmented into the activities of centralized and distributed generation, trading and transmission. The Company is currently the largest private sector power generator in the country.

Shareholding structure – ENGIE Brasil Energia as at 12.31.2018



At the end of 2018, the Company´s capital stock amounted R$ 4.903 million, a total of 815.927.740 common shares trading regularly on B3. The Company is also present in the United States over-the-counter market, where Level I American Depositary Receipts (ADRs) are traded under the EGIEY symbol at a ratio of one ADR for every common share.

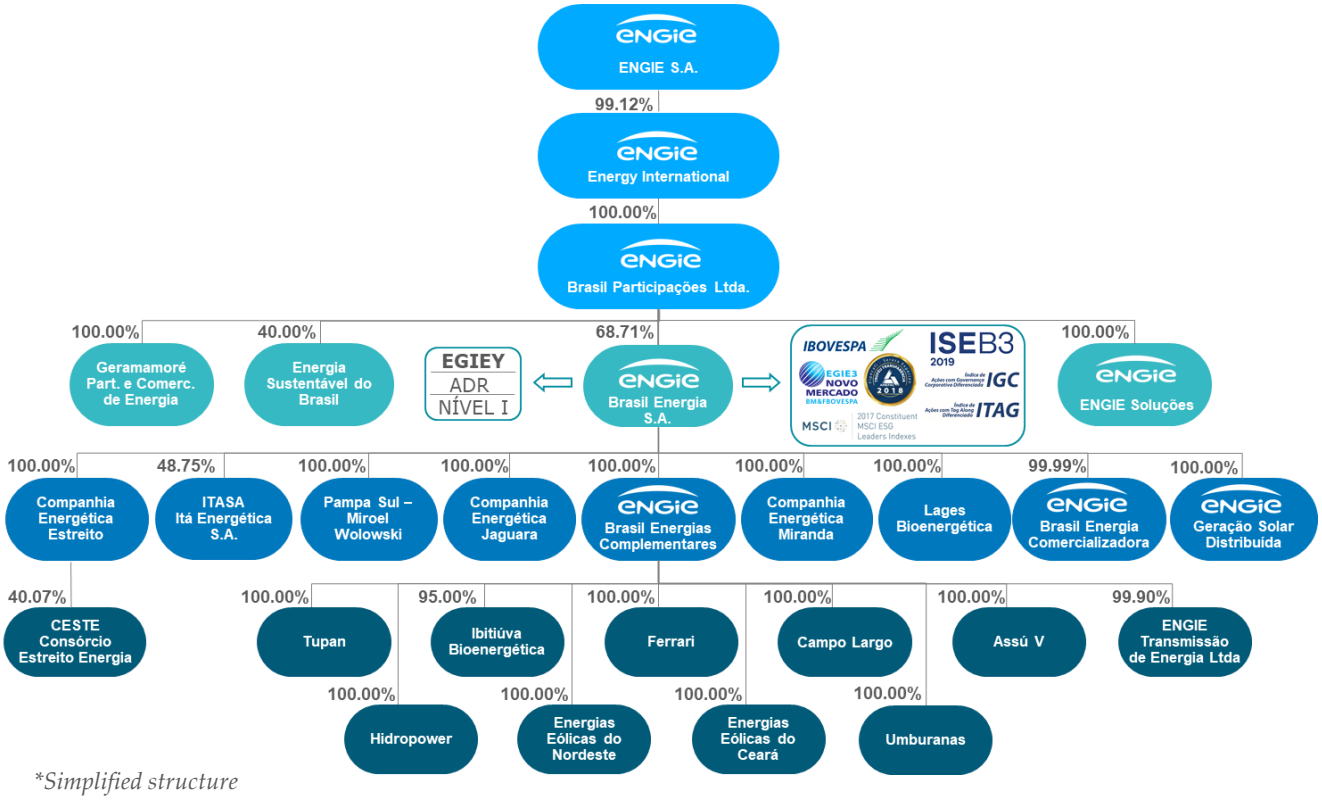
GENERATION		COMMERCIALIZATION				TRANSMISSION
CENTRALIZED	DISTRIBUTED	DISTRIBUTION COMPANIES	FREE CONSUMERS	TRADING COMPANIES	TRADING	
41 Plants	1,954 installed systems	32%	48%	13%	8%	1,000 km of transmission lines + 5 substations (under construction)
9,398.8 MW of installed capacity operated in 13 states	15,920.6 kWp, present in 13 states	515 customers in 24 states 4,099 average MW traded in the year				
LARGEST PRIVATE ENERGY GENERATOR OF THE COUNTRY - 6.4% SHARE		**LARGEST AGENT IN THE FREE ENERGY MARKET - 5.7% SHARE**				

MISSION: Provide innovative and sustainable solutions in energy
VISION: Transform people's relationship with energy aiming at a sustainable world.
VALUES: Professionalism, sense of partnership, team work, creation of value, respect for the environment, ethics.

2.1 Corporate Structure

As the following infographic shows, ENGIE Brasil Energia controls subsidiaries and also maintains stakes in plant concession consortia in its generator complex. The main corporate event during the year was the acquisition of the remaining shares in ENGIE Geração Solar Distribuída S.A.

Corporate structure* as at 12.31.2018



Simplified structure

2.2 Generating Complex

At 12.31.2018, ENGIE Brasil Energia operated a generation park with an installed capacity of 9,725.5 MW and composed of 41 plants, being 11 hydroelectric plants, three conventional thermal power plants and 27 complementary plants: two Small Hydroelectric Plants (SHP), 20 wind plants, three biomass and two solar photovoltaic. The Company fully controls 37 of these ventures - in the others, it participates in consortia that own the concession. Thus, the total installed capacity was 8,004.8 MW in a matrix formed predominantly by renewable sources (89.3%).

The principal event in the generator complex during the year was the conclusion of work on the Campo Largo Wind Complex - Phase I. This project has added 326.7 MW to the Company's portfolio and more than doubled current wind generation capacity, reinforcing our commitment to growth in renewable sources of generation. Subsequent to the period covered by this Report, another key development was the start of commercial operations in early 2019 of 4 of the 18 windfarms comprising the Umburanas Wind Complex - Phase I, adding a further 95 MW to the installed capacity mentioned above.

As part of the Company's commitments to decarbonize its portfolio, the gauging of the market to identify potential buyers for the Jorge Lacerda Thermal Power Complex, state of Santa Catarina, and the Pampa Sul Thermal Power, state of Rio Grande do Sul, under construction, still proceeds, but with no final definition.

Composition of the generating complex as at 12.31.2018

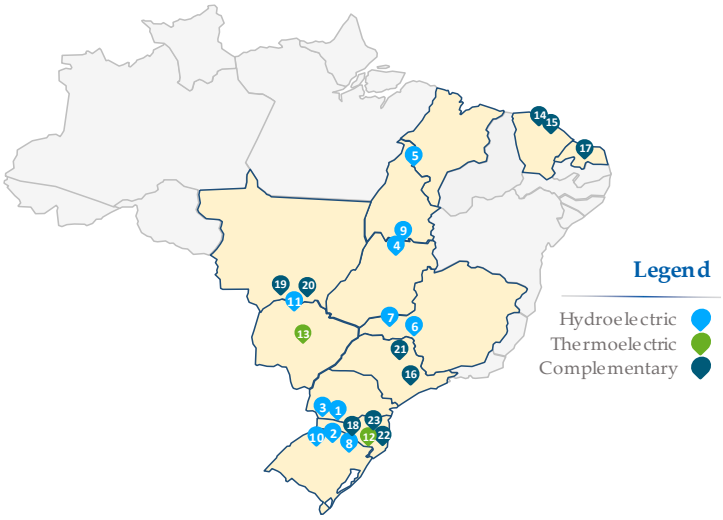
	Hydroelectric power plants	Total installed capacity (MW)	Total physical guarantee (aMW)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
1	Salto Santiago	1,420.0	733.3	100%	1,420.0	733.3	09.27.2028
2	Itá	1,450.0	740.5	69.0%	1,126.9	564.7	10.16.2030
3	Salto Osório	1,078.0	502.6	100%	1,078.0	502.6	09.27.2028
4	Cana Brava	450.0	260.8	100%	450.0	260.8	08.26.2033
5	Estreito	1,087.0	641.1	40.1%	435.6	256.9	11.26.2037
6	Jaguara	424.0	341.0	100.0%	424.0	341.0	12.28.2047
7	Miranda	408.0	198.2	100.0%	408.0	198.2	12.28.2047
8	Machadinho	1,140.0	547.1	19.3%	403.9	165.3	07.14.2032
9	São Salvador	243.2	148.2	100%	243.2	148.2	04.22.2037
10	Passo Fundo	226.0	113.1	100%	226.0	113.1	09.27.2028
11	Ponte de Pedra	176.1	133.6	100%	176.1	133.6	09.30.2034
	Total	**8,102.3**	**4,359.5**		**6,391.7**	**3,417.7**	
	Thermoelectric power plants	**Total installed capacity (MW)**	**Total physical guarantee (aMW)**	**Owner-ship**	**Own installed capacity (MW)**	**Own physical guarantee (aMW)**	**Expiration of concession/ authorization**
12 [1]	Jorge Lacerda Complex	857.0	649.9	100%	857.0	649.9	09.27.2028
	Total	**857.0**	**649.9**		**857.0**	**649.9**	
	Complementary power plants	**Total installed capacity (MW)**	**Total physical guarantee (aMW)**	**Owner-ship**	**Own installed capacity (MW)**	**Own physical guarantee (aMW)**	**Expiration of concession/ authorization**
13 [2]	Campo Largo Complex - Phase I (Wind)	326.7	169.6	100%	326.7	169.6	08.03.2050
14 [3]	Trairi Complex (Wind)	115.4	54.9	100%	115.4	54.9	09.28.2041
15 [3]	Santa Mônica Complex (Wind)	97.2	47.4	100%	97.2	47.4	02.04.2045
16	Ferrari (Biomass)	80.5	35.6	100%	80.5	35.6	09.28.2041
17	Assu V (Solar)	30.0	9.2	100%	30.0	9.2	07.06.2051
18	Lages (Biomass)	28.0	14.6	100%	28.0	14.6	10.28.2032
19	Rondonópolis (SHP)	26.6	10.1	100%	26.6	10.1	07.26.2042
20	José G. da Rocha (SHP)	23.7	9.2	100%	23.7	9.2	12.18.2032
21	Ibitiúva (Biomass)	33.0	20.0	69.3%	22.9	13.9	08.03.2033
22	Cidade Azul R&D (Solar)	3.0	not applicable	100%	3.0	not applicable	not applicable
23	Tubarão R&D (Wind)	2.1	not applicable	100%	2.1	not applicable	not applicable
	Total	**766.2**	**370.6**		**756.1**	**364.5**	
	General total	**9,725.5**	**5,380.0**		**8,004.8**	**4,432.1**	

1 Complex made up of three plants

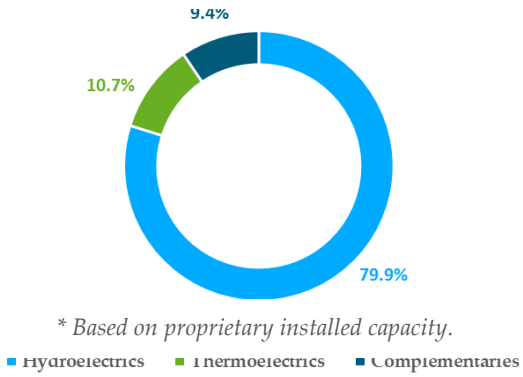
2 Complex made up of eleven wind farms

3 Complex made up of four wind farms

Geographical distribution of the generating complex



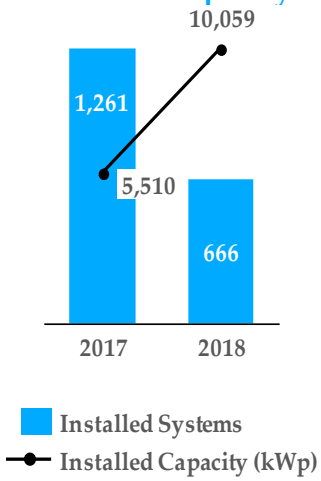
ENGIE Brasil Energia - Energy matrix*



2.3 Distributed generation

The Company has operated in the distributed generation market since 2016 through ENGIE Geração Solar Distribuida S.A. (ENGIE Solar), the acquisition of the total capital stock of which being concluded in August 2018. The increased investment in the distributed solar energy segment is one of the ways the Company reaffirms its commitment to operations in the segment and contributes to a more dynamic energy matrix, one closer to the end consumer.

Trend - units and installed capacity



In 2018, the Solar Industry Program, an initiative of the Federation of Industries of the State of Santa Catarina (FIESC), with execution by ENGIE Geração Solar Distribuída and WEG S.A., reached 2,126 and 695 registered applicants in the residential and industrial profiles, respectively. Thanks to its success, the Program has been extended to the states of Mato Grosso, with 252 and 109 registered residential and industrial applicants, respectively. In the state of Rio Grande do Sul, 208 applicants were signed up in the residential segment together with a further 120 industrial names.

The agribusiness segment also took a significant share of business during the period with a particularly important project being finalized with a cooperative in the municipality of Concórdia (SC), with an installed capacity of 2 MW, and another in the state of Goiás, adding further capacity of about 1 MW.

Since the inception of its operations, ENGIE Geração Solar Distribuída has concluded a total of 1,954 systems in 13 Brazilian states with an installed capacity of 15,920.6 kWp.

3. CORPORATE GOVERNANCE

ENGIE Brasil Energia conducts its business on the basis of ethics and integrity, endeavoring to guarantee shareholder rights and the transparency of its actions and consequently, ensuring the Company's sustainable growth.

In this context, the Company pursues alignment with the best practices of corporate governance in the market. Such practices include adhering to the guidelines of the Sarbanes-Oxley Act and the differentiated practices of the Novo Mercado, a listing segment on B3 which requires the adoption of corporate rules focused on enhancing investor rights as well as a comprehensive policy for the disclosure of information to the market.

Over the year, we have continued to work on the adaptation to changes introduced to Novo Mercado regulations, a process which must be completed by 2021. At the next Annual General Meeting in 2019, we shall be submitting amended Corporate Bylaws to comply with the changes and in so doing, anticipating the final date. The principal changes involve the creation of the Audit Committee for the evaluation of risk management and internal controls systems, supervision of the activities of the internal and outside audit as well as accounting information, internal policies and ethical issues.

Subordinated to the Board of Directors, the majority of the members of the Audit Committee will be independent as provided in the regulations, with the members of the

Shareholders' rights

- Voting in General Meetings, both annual and extraordinary.
- Submitting recommendations to the Board of Directors through a specific channel in the website's Investors Portal.
- Receiving dividends and participating in the distribution of earnings or other distributions.
- Supervising management activities and withdrawing from the Company should specific situations enshrined in the Joint Stock Company Law arise.
- Receiving at least 100% of the price paid per common share of the controlling bloc in the event of a public offering of shares in the light of a proposed sale of a controlling stake (100% tag along) in accordance with Novo Mercado listing regulations.

Internal Audit reporting to the Audit Committee, assuring greater autonomy and isonomy to the work of the area and thus improving risk management and corporate governance.

3.1 Policies and Management Guidelines

Our values and organizational culture are enshrined in codes and policies which when validated by the Board of Directors, provide guidance for conducting the businesses and the relationship with the different stakeholders with which we interact. These documents are periodically prepared, revised and updated to ensure alignment with the external and internal scenarios. The policies and codes which we share with our value chain and which therefore are made public through our website, are:

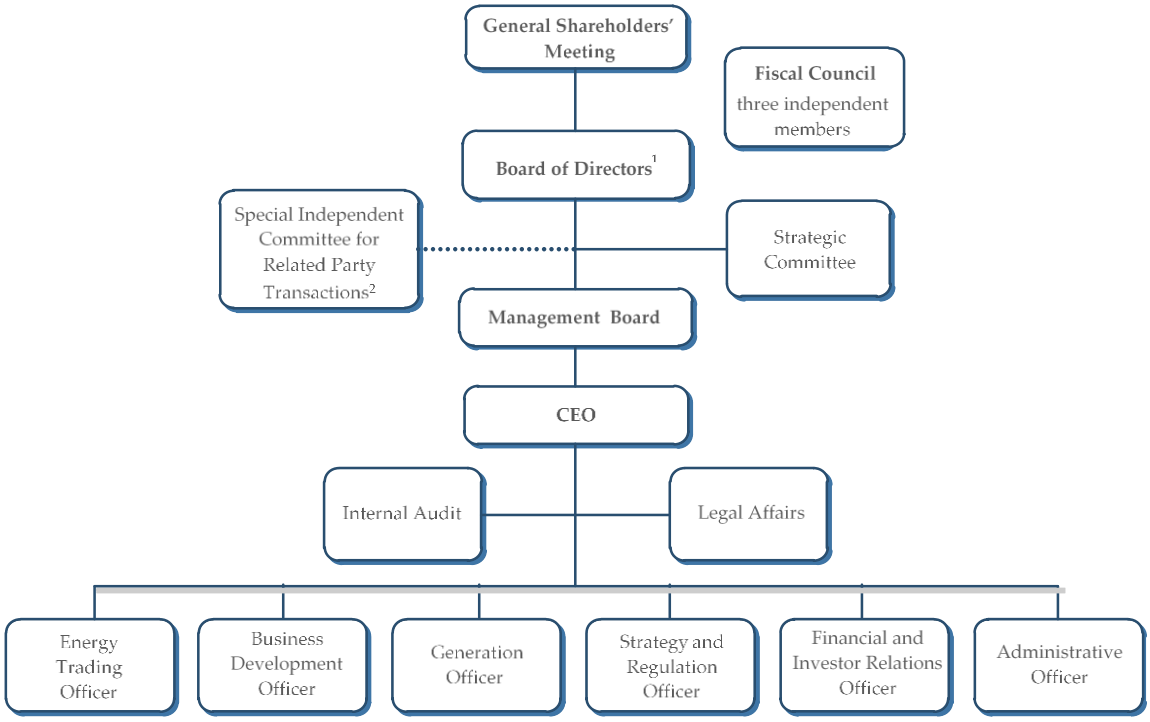
- *Ethics Code and Practical Guide to Ethics*: a series of fundamental principles to be followed by all who directly or indirectly are involved in actions of responsibility at the Company.
- *Policy for Combating Corruption and Bribery* establishes the commitment to comply with all the laws for prevention of corruption and bribery in the conducting of the businesses.
- *Sustainable Management Policy:* expresses the Company's guidelines with respect to quality, energy management, environment, climate change, occupational health and safety, social responsibility and stakeholder engagement.
- *Human Rights Policy:* establishes commitments and guidelines focusing on the Company's projects, operations and value chain.
- *Investments and Derivatives Policy* establishes the criteria for investing available resources in the financial market and limits on the use of derivatives.
- *Trading and Disclosure Policy:* lays down practices for disclosure and the use of corporate information as well as for the trading of securities issued by ENGIE Brasil Energia, such as shares and debentures.

As from 2018, we began publishing annually the Report on the Brazilian Code of Corporate Governance pursuant to the requirements of the Brazilian Securities and Exchange Commission (CVM). In this document, we publish information on which principles/practices of governance required in the Code are applied by the Company and which are not, presenting a justification on the "practice or explain" principle. The Code supports the continual evolution of our corporate governance practices in line with the best recommended practices and the maturity of our structures. The report can be accessed in our website – www.engie.com.br/en/investors/corporate-governance/.

3.2 Management Structure

The General Shareholders' Meeting is the most senior deliberative body in ENGIE Brasil Energia's governance structure, followed by the Board of Directors and the Management Board.

Management Organization Chart as at 12.31.2018



(1) Consists of nine members: chairman, vice chairman and seven directors: four representing the controlling company, two, minority interests and one, a representative of the employees.

(2) Non-permanent and made up of independent members who are not appointed by the controlling company.

Board of Directors

ENGIE Brasil Energia's Board of Directors has the duty of establishing policies, strategies and general guidelines for conducting the business. Thus, the analysis of aspects and impacts related to sustainability in the economic, environmental and social spheres are also the responsibility of the directors.

At the Shareholders' Meeting on April 11, 2018, representatives of the shareholders elected the members of the Board of Directors of ENGIE Brasil Energia for a two year term of office (2018-2020). Pursuant to the best governance practices, none of the Board members holds an executive position in the Company.

Board of Directors as at 12.31.2018

Members	Alternates
Maurício Stolle Bähr *Chairman*	--- *
Manoel Arlindo Zaroni Torres *Vice-Chairman*	Karin Koogan Breitman
Dirk Achiel Marc Beeuwsaert	Gil de Methodio Maranhão Neto
José Pais Rangel *Minority shareholders representative*	José João Abdalla Filho *Minority shareholders representative*
Leonardo Augusto Serpa **	---
Paulo de Resende Salgado *Minority shareholders representative*	Antonio Alberto Gouvêa Vieira *Minority shareholders representative*
Paulo Jorge Tavares Almirante	Raphael Vincent Philippe Barreau
Pierre Jean Bernard Guiollot	Simone Cristina de Paola Barbieri
Roberto Henrique Tejada Vencato *Employee Representative*	Luiz Antônio Barbosa *Employee Representative*

**The elected alternate Director, Natacha Herrero Et Guichard Marly, resigned her position having assumed new duties in the group controller. The position remains vacant.*

*** The elected effective Director, Claude Emile Jean Turbet, resigned from his position in the light of his retirement. He was replaced by the alternate director, Leonardo Serpa and the alternate director's position remains vacant.*

Fiscal Council

ENGIE Brasil Energia's Fiscal Council is permanently installed and responsible for examining the Company's Financial Statements, supervising the acts of the Management Board and evaluating the risk management and internal controls' systems. In addition, it is incumbent on this body to analyze the proposals to be submitted to the Board of Directors in the event of engaging services complementary to the function of auditing the Financial Statements.

In accordance with the Corporate Bylaws, the fiscal councilors are elected annually at the Annual General Meeting, reelection being permitted.

Fiscal Council as at 12.31.2018

Members	Alternates
Carlos Guerreiro Pinto	Manoel Eduardo Bouzan de Almeida
Manoel Eduardo Lima Lopes	Ailton Pinto Siqueira
Carla Carvalho de Carvalho	Waltamir Barreiros

Management Board

Nominated by the Board of Directors and elected by the General Meeting, the Management Board works on a collegiate basis, adopting a matricial approach to all matters within its purview, although respecting the specific duties of each executive officer on the Board. In addition to the Chief Executive Officer, upon whom it is incumbent to coordinate and provide guidance to the remaining members of the Management Board, the other six officers execute the strategies outlined by the Board of Directors.

At the end of 2018, Gabriel Mann dos Santos assumed as Energy Commercialization Officer, this position previously occupied by Marco Antônio Amaral Sureck, who retired.

Management Board as at 12.31.2018

Name	Position
Eduardo Antonio Gori Sattamini	Chief Executive
Carlos Henrique Boquimpani de Freitas	Chief Financial and Investor Relations Officer
Edson Luiz da Silva	Chief Strategy and Regulation Officer
Gabriel Mann dos Santos	Energy Commercialization Officer
Gustavo Henrique Labanca Novo	Chief Business Development Officer
José Luiz Jansson Laydner	Chief Generation Officer
Júlio César Lunardi	Administration Officer

3.3 Ethics and Integrity

Integrity is one of the basic principles underlying our ethical behavior, to be observed by EBE's employees and management when relating to all our stakeholders.

The Code of Ethics and the Policy for Combating Corruption and Bribery establish the guidelines for these relations. In addition, primers and guides are available with a focus on the behavior to adopt in the case of specific instances such as Procedures for Gifts and the Offer of Hospitality (supported by a digitized system), the Guide to Relationship with Business Consultants and the Guide to Ethics in Supplier Relations.

We conduct regularly practices for preventing and verifying situations of risk and improprieties such as due diligence processes, audits, training and awareness programs, contractual provisions and a program for the internal control of the Company's activities. Additionally, in 2018, 100% of the operations listed below were submitted for risk evaluation relating to corruption, fraud (or suspicion thereof), influence peddling, improper use of social assets, violation of fundamental human rights, drug trafficking, money laundering, terrorism, sanctions or embargoes, serious problems in relation to health and safety or environmental regulations, or human rights:

- acquisition, sale of projects or assets (goods, rights and shares) from or to third parties (including developers of projects in the process of being sold to the Company);
- partnerships/joint ventures;
- engagement of Engineering, Procurement and Construction (EPC) and civil construction services;
- environmental licensing;
- leasing of areas;
- engagement of intermediaries;
- agreements with funding banks.

As laid down in the Ethical Risk Analysis Policy, for projects developed or acquired by the Company, initial ethical due diligence by an independent outside service provider is mandatory. Subsequent to this process, any risks identified are analyzed by the Ethics & Compliance area of BU Brasil, the relevant recommendations being shared with the teams involved. In some cases, ENGIE's Ethics, Compliance & Privacy team in Paris will also be included. The fact that no cases of corruption involving the Company were recorded in 2018 is a reflection of this work.

It is the responsibility of the Ethics Committee to strictly monitor all Company policies, procedures and processes related to the prevention of corruption and bribery.

Complaints

The Ethics Committee is the priority channel, confidential and with the option of anonymity, aimed at receiving and investigating complaints of cases that contradict our Code and Policies. All reported situations will remain completely confidential and non-retaliation guaranteed.

4. STRATEGY

We seek to respond proactively to the challenges and opportunities provoked by the so-called "energy transition" experienced by the energy sector at global and local levels. Considering the impacts that this set of transformations has had on the activities and the perception of value of the companies in the sector, the Company has sought to be at the forefront of this process in Brazil. As the largest electric energy generator in the Brazilian private sector and with the benefits of the controlling company's global leadership in supplying efficient energy services, ENGIE Brasil Energia has a head start in becoming a bellwether in this process.

Thus, at the same time that it maintains centralized generation and commercialization of energy as its key areas of operation, the Company seeks to increasingly offer more integrated and innovative solutions. Based on the execution of the strategy, ENGIE Brasil Energia offers competitive advantages which differentiate it from other entities in the sector.

4.1 Competitive Advantages

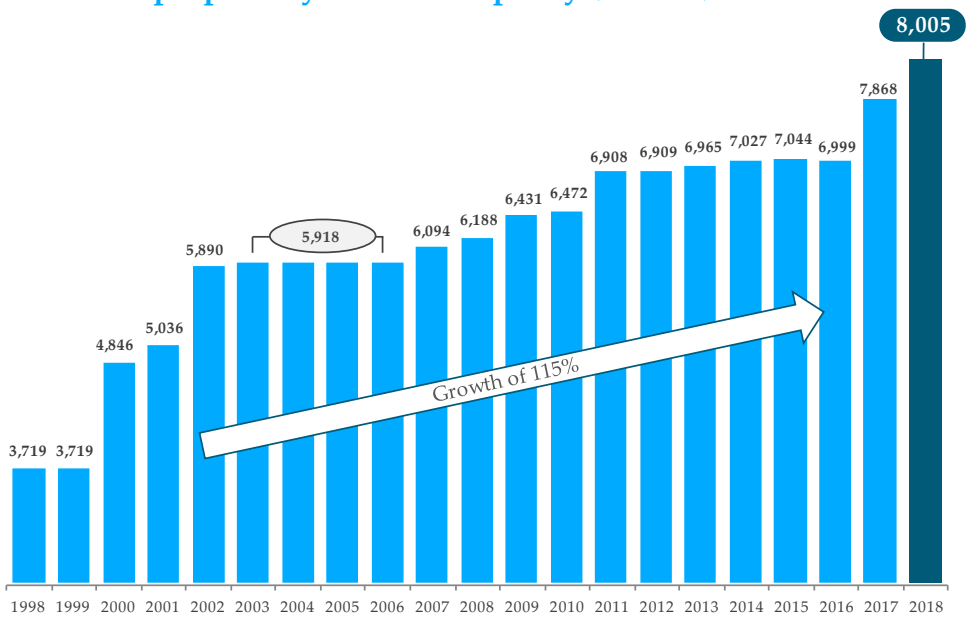
- *Key sector:* energy sector is considered strategic to the development of the country, since energy constitutes a fundamental input for production and for a great number of society's daily activities. This guarantees greater predictability of revenue and investments with projects readily attracting finance.
- *Leadership:* The Company is the largest private energy producer in Brazil and its parent company is the largest independent producer in the world, which reinforces its potential for leveraging business opportunities.
- *Commercial intelligence:* ENGIE Brasil Energia maintains high contracting levels in the long term, reducing exposure to short-term market fluctuations. In addition, its sales portfolio is balanced between free customers, different sectors, and regulated customers (distribution companies).
- *Predictability of cash flow:* in addition to the above-mentioned long-term contracting, energy sales agreements are indexed to inflation.
- *High degree of operational performance*: the power generating units the Company operates, show a high level of uptime and reliability. Contributing to this result are NBR ISO 9001 (management of quality), NBR ISO 14001 (management of the environment) and OSHAS 18001 (occupational health and safety management) certification, which most of the plants possess. In recent years, we have invested in the remote operation and preventive maintenance of the developments, which increase the level of standardization and optimize the operational costs.
- *Stable financial performance:* the association of strong cash generation, high average Ebitda margin, consistent net income and the absence of currency exposure all contribute to the financial stability of the Company and its consequent resilience in inclement macroeconomic scenarios. Additionally, as a solid organization with a market value of R$ 26.9 billion at the end of 2018, ENGIE Brasil Energia has access to attractive lines of credit, thus enhancing its competitive edge.
- *Differentiated risk classification:* Fitch Ratings has assigned a Long-Term National Company Rating of 'AAA (bra)' and on the global scale, 'BB(bra)', one notch above Brazilian sovereign rating.

- *Best practices of governance and sustainability:* just as with the Management Board, the Board of Directors is made up of experienced professionals with a broad-based knowledge of the sector, prepared to take decisions covering the interests of the shareholders and other stakeholders involved. Thus, economic, social and environmental aspects are indissolubly part of the decision-making process.

4.2 Expansion and Diversification

The combination of highly selective investment projects, the capacity to raise funds at competitive costs, superior skills in planning and strict execution inevitably means that expansion is one of the central pillars to the Company's business strategy. In this way, EBE grows, maintaining high rates of return while accepting risks which are appropriate to the profile of the organization.

Trend in proprietary installed capacity (in MW)



A discussion of the expansion in centralized generation projects is as follows:

Expansion projects – generation

Expansion - generation	Total installed capacity	Total physical guarantee (aMW)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
Jirau (Hydro)[1]	3.750,0	2.184,6	40%	1500,0	882,0	08.13.2043
Umburanas Wind Complex - Phase I[2]	360,0	215,1	100%	360,00	215,1	08.03.2050
Pampa Sul (Thermal)	345,0	323,5	100%	345,0	323,5	03.30.2050
Campo Largo Wind Complex - Phase II	361,2	200,0	100%	361,2	200,0	-
Total	**4.816,2**	**2.923,2**		**2.566,2**	**1.620,6**	

1 The project pertains to the Controlling Company in Brazil, ENGIE Brasil Participações Ltda. Possibilities exist for the plant to be transferred to ENGIE Brasil Energia.

2 Some of the Plants of the Complex have already entered in commercial operation in early 2019

Jirau Hydroelectric Power Plant

Energia Sustentável do Brasil (ESBR) is responsible for the maintenance, operation and sale of energy generated by the Jirau Hydroelectric Power Plant, located on the Madeira River in the city of Porto Velho, state of Rondônia. Since November 2016, Jirau HPP has 50 generating units in operation, representing a total installed capacity of 3,750 MW.

In May 2017, ENGIE Brasil Participações (EBP) announced the engagement of Banco Itaú BBA S.A. to provide financial advisory services in the form of an economic-financial study for the preparation of a proposal for the eventual transfer to ENGIE Brasil Energia (EBE) of EBP's stakes of 40%.

Umburanas Wind Complex – Phase I

Located in the Municipality of Umburanas (BA), the Complex will have a total installed capacity of 605 MW to be harnessed in two phases. The installed capacity under Phase I is 360.0 MW, of which 257.5 MW will be sold on the free market. The Company is investing about R$ 1.8 billion (as of September 2017) for 18 wind farms. The remaining 245 MW will be harnessed during Phase II. The project is being developed adjacent to the Campo Largo Wind Complex, thereby capturing synergies both during installation as well as subsequently when commercial operations begin.

At the end of 2018, the project was 87% complete. The following work was concluded: concreting of the 144 wind turbine tower foundations; assembly of the 230kV Transmission Line; construction of the accesses to the wind farms and; the building of the substation.

Subsequent to events in the period covered by this Report, Umburanas wind farms numbers 8, 16, 17 and 21 all went into commercial operations in the first few months of 2019.

Pampa Sul Thermal Power Plant

The plant's 294.5 average MW of commercial capacity was sold for a 25-year term at the A-5 Auction held on 11.28.2014. The investment approved for the construction of the Plant was approximately R$ 1.8 billion (as of November 2014). Also in November 2014, the Company protected the investment portion in foreign currencies against the exchange rate variation effects through hedging operations.

At the end of the year, among the activities that warrant mention are: first fire, dry out and chemical cleaning of the boiler; commissioning of the cooling towers; completion of internal piping in the chimney stack; and assembly and testing of the boiler feed pump. All auxiliary works such as the dam and pipeline, coal conveyor belt, transmission line, the Candiota Substation connection bay, were all completed and transferred to the operations team in December 2018. The principal physical work involving the electromechanical assembly and civil work is now 96% complete. Worthy of mention in the occupational health and safety area is the mark of more than 19.9 million man hours worked without a fatal accident.

The plant is scheduled to begin commercial operations in the second quarter of 2019.

Campo Largo Wind Complex – Phase II

Was given approval for a start on the installation of the Campo Largo Wind Complex – Phase II, located in the municipalities of Umburanas and Sento Sé (BA). Phase II represents 361.2 MW of installed capacity and 200.0 average MW of assured energy with investments of about R$ 1.6 billion. Operations are scheduled to begin early in 2021.

The Project will enjoy the benefits of synergies with existing structures such as the substation and transmission line, installed by the Company to support both the Campo Largo – Phase I and Umburanas – Phase I wind complexes with a total of 686.7 MW of installed capacity. With the installation of the second phase of Campo Largo, EBE's total installed wind capacity will surpass the mark of 1 gigawatt (GW) in the region. Power output from Campo Largo – Phase II will be sold entirely in the Free Contracting Environment (ACL).

Gralha Azul Transmission System

Expansion projects – transmission

Expansion - transmission	Kms	Subestations	Owner-ship	Expiration of concession/ authorization
Gralha Azul (PR)	1,000.0	5	100%	03.2053 (estim)

On 12.15.2017, the Company made a successful bid for Lot 1 of Aneel Transmission Auction 02 for a stretch of about 1,050 kilometers in the State of Paraná (PR), marking EBE's debut into the energy transmission sector in Brazil. The project also includes the installation of five new substations and expansion of another five already in existence.

The expiry date by which time the transmission line must be operational is 03.09.2023, but we will reduce this lead time for installing the operation by at least 12 months. In addition, the plan is to reduce the Aneel investment forecast by about 15%.

Currently with work in progress are activities involving the executive project, topography and test drilling as well as selecting and hiring subcontractors. The environmental, land ownership and archeological teams continue undertaking studies in the field. The environmental impact studies, or simplified environmental reports, where applicable, have been concluded and filed with the state of Paraná environmental protection agency. In the case of archeological licensing, the first phase of studies was concluded and approved by the National Historic and Artistic Heritage Institute (IPHAN) and work is now proceeding on the second phase. Public utility declarations for all areas of the project have already been obtained.

Projects under development - generation

Projects under development – generation

Projects under development	Total capacity (MW)	Type	Owner-ship	Location
Santo Agostinho Complex	600.0	wind	100%	Lajes and Pedro Avelino (RN)
Norte Catarinense	600.0	thermal	100%	Garuva (SC)
Umburanas Complex - Fase II	245.0	wind	100%	Umburanas (BA)
Alvorada Photovoltaic Complex	90.0	solar	100%	Bom Jesus da Lapa (BA)
Assú Complex - Units I, II, III e IV	146.8	solar	100%	Assú (RN)
Total	**1,681.8**			

- *Santo Agostinho Wind Complex (RN):* The Complex is made up of 24 Specific Purpose Companies (SPEs), representing a total development capacity of 600 MW. In June 2016, the State of Rio Grande do Norte's environmental protection agency, the Environmental and Sustainable Development Institute (IDEMA), declared the project to be environmentally viable. The project is eligible to take part in future energy auctions.

- *Norte Catarinense Thermal Power Plant (SC):* a project for the construction of a natural gas-fired combined cycle thermal power plant, with an installed capacity of approximately 600 MW. The project has a Preliminary Environmental License and the Company is evaluating alternatives ensure a secure supply of natural gas for eventual participation future electric energy auctions.

- *Umburanas Wind Complex– phase II (BA):* With an installed capacity of 245 MW, the environmental licensing for the Second Phase has been issued with energy under this second phase to be harnessed by EBE in due course alongside the Campo Largo Wind Complex, thus maximizing synergies during implementation and subsequent commercial operations.

- *Alvorada Photovoltaic Complex (BA*): Comprise the development of three projects comprising the Alvorada Photovoltaic Complex. The projects, which will have a total installed capacity of 90 MWp. All projects are at the stage of raising solar irradiance data and received their Preliminary License in August 2016, qualifying them to take part in new energy auctions.

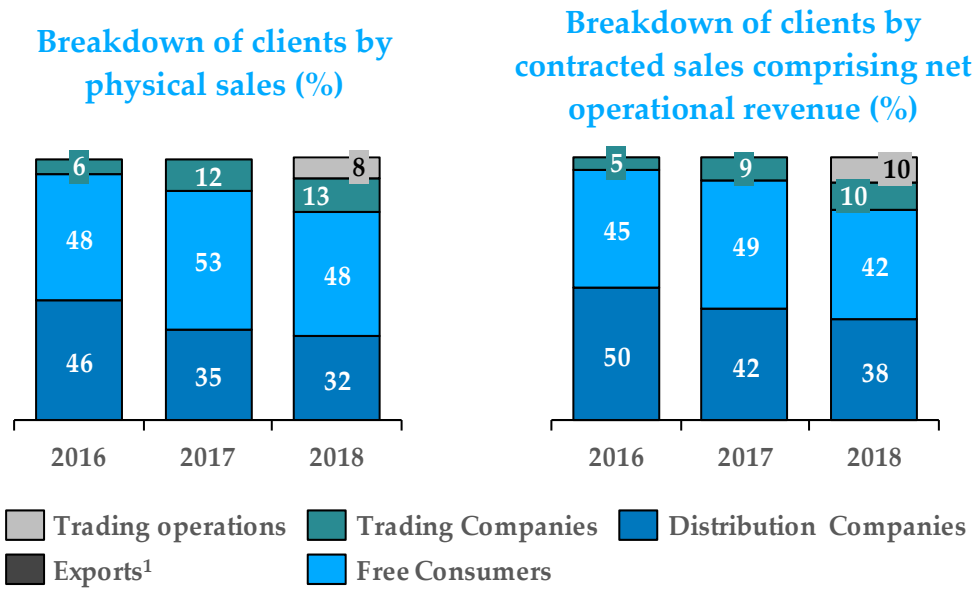
- *Assú Photovoltaic Complex (RN):* With installed capacity of approximately 183 MWp, consisting of five projects, among them Assú V. Assú V went into commercial operations in December 2017. The remaining projects are at the stage of evaluating solar radiation, with a Preliminary License already issued, and qualified to take part in future new energy auctions.

4.3 Energy commercialization

The Company's strategy for commercialization is to sell available energy gradually in any given year in order to mitigate the risk of undue exposure to the Price for the Settlement of Differences — PLD (spot price) for that year. Sales are affected during windows of opportunity which arise when the market shows a greater purchasing propensity.

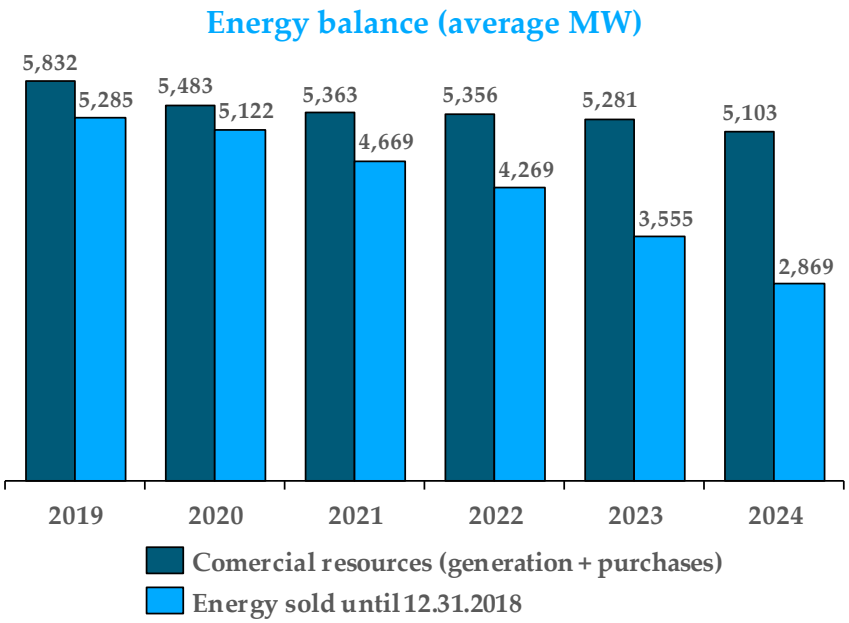
Additionally, diversification of the client portfolio – made up of companies of different sizes and sectors -, helps offset the impact of negative situations in certain segments, thus protecting the Company against declining revenue. Monitoring the dynamic of the free market, the Company began offering new models of contracting in 2017 and assisting the interaction of clients with different profiles. In this context, negotiations were intensified with medium sized retailers, extending for one more year the number of existing energy sales contracts. At the end of the year, the Company had 515 clients, 84% higher than the 280 registered in 2017.

In 2018, free consumers accounted for 48.2% of physical sales and 42.2% net operating revenues (with the exception of CCEE and other revenues), a decline of 5.2 p.p. and 6.8 p.p., respectively, compared with 2017. The reduction in the participation of free consumers by and large reflects the reduction in consumption together with lower prices practiced with industrial clients.

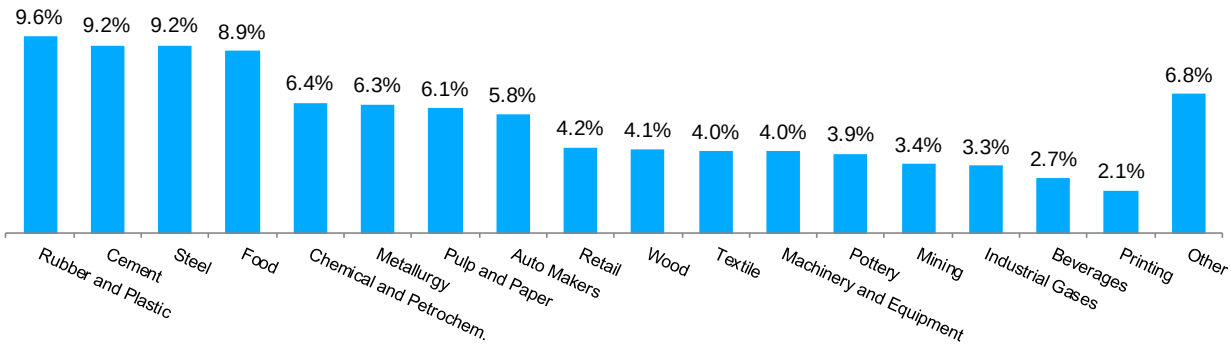


1 - Energy exports as a share of physical sales and of net operating revenue (except CCEE and other revenues) was 0.01% in 2017

Data for proprietary commercial capacity and outstanding power purchasing/sale agreements on December 31, 2018 is shown below with a breakdown of ENGIE Brasil Energia's energy balance:



Diversification of clients portfolio



4.4 Innovation

Essential to business continuity and the capture of new opportunities, product and process innovation is increasingly linked to corporate strategy, taking into account the highly dynamic context of energy transition and expansion of the free energy market, which require new solutions for meeting the demands of society.

The Research and Development (R&D) Program is an important tool in this regard. Anchored in partnerships with universities and research institutions, which reinforces the Company's open innovation culture, the Program follows the provisions of Law 9.991/2000, which requires companies in the industry to apply 1% of their annual net revenue in R&D projects.

In 2018, the percentage totaled the equivalent of R$ 44.8 million, split as follows:

- R$ 17.9 million to the National Scientific and Technological Development Fund (FNDCT);
- R$ 9.0 million to the Ministry of Mines and Energy (MME) for funding the Energy Research Company (EPE);
- R$ 17.9 million to investments in new or pending R&D projects.

The Company invested R$ 2.56 million in projects already underway, related to the following topics:

R&D project areas - 2018

Area (according to Aneel definitions)	**Amount invested (thousand R$)**
Alternative sources of electric energy	1,245.5
Management of the R&D program	588.3
Environment	700.4
Electric energy generation	25.8
Total	**R$ 2,560.1**

Some of the principal initiatives where work is in progress include research related to the energy transition. For example, in 2017, the Company began a project for the technical, regulatory, and economic development and evaluation of energy storage systems for centralized and distributed generation. Budgeted at R$ 25.4 million over a 36-month period, the work involves an assessment of electrochemical battery systems under several different conditions. The Universidade Federal de Santa Catarina (UFSC) is responsible for the execution of the project. On another front and in partnership with the Controlling Company's research centers in Europe as well as companies in Brazil, ENGIE Brasil Energia has begun developing a methodology for verifying natural hydrogen using detectors installed in different regions of Brazil. The aim is to identify areas that are rich in the production of this gas and monitor them for 12 months to understand the potential of the reserves as a source of energy.

Another way to foster innovation is to bring together startups and large companies to take advantage of the best characteristics of each one - thus generating "open innovation", which is one that does not limit knowledge to the internal use of organizations. To this end, we have a participation in Linklab, with eight other large organizations. Located in Florianópolis, the initiative celebrated its second year in January 2019, with partnerships and promising results.

5. RISK AND OPPORTUNITIES MANAGEMENT

At ENGIE Brasil Energia, risk analysis is an exercise which involves the employees, managers and officers including the Company's Chief Executive Officer as well as the Risk Management Committee. Results of this joint evaluation are registered in the Risks and Business Opportunities Matrix, an internal document which serves as guidance for the Company. Approved in 2016 by the Board of Directors, the Management of Risks and Opportunities Policy provides an analysis of the Company in relation to these aspects. Systematically permeating all activities and involving both senior management and staff, this analysis is based on three core principles:

- Creation and maintenance of value, reputation and internal motivation.
- Encouraging a certain degree of risk taking, deemed reasonable relative to legal, economic and social aspects.
- Assurance of compliance of actions with legal and regulatory obligations as well as with ENGIE Brasil Energia's values.

Thus, the analysis of business risks encompasses their identification and classification in relation to the probability of occurrence and significance in terms of financial, strategic and operational impact.

- **Project development and installation risk:** the occurrence of events during the development or installation of projects which can result in: (i) delays in the construction work schedule; (ii) and/or additional installation costs; (iii) and/or inefficiencies in project operation.
- **IT&Digital Risk:** due to the increasing dependence of the business in relation to Information and Communication Technology (ICT), Automation Technology (AT) and the Internet of Things (IoT), insecurity in these resources can negatively impact continuity of operations and the Company's image.
- **Regulatory risk:** adverse developments in electricity sector regulation. Traditionally, the government exercises a substantial degree of influence over sector business including the models, the terms and conditions of the power purchasing/selling agreements which ENGIE Brasil Energia is authorized to sign as well as its production levels.
- **Tax risk:** adverse developments in the tax legislation. For some years, the tax risk was included within the scope of regulatory risk. Given the magnitude of its possible impact, the risk is now being considered as a separate item.
- **Operational performance and efficiency risk**: Absence of physical guarantee or inefficient performance of ENGIE Brasil Energia's wholly-owned plants or other assets in which it has a stake.
- **Country risk:** change in the political environment and economic variables such as interest rates, exchange rates, commodity prices and inflation, impacting the Company's business.
- **Socio-environmental risk:** Unfavorable changes in the environmental regulations and the activities of organized social movements in relation to the business of the Company.
- **Market risk:** The supply of and demand for electricity can deviate from forecast so affecting energy prices and volume.

- **Major accident risk:** Major accidents and disasters due to natural and human causes, involving the implementation of projects, plant operations and company management causing an interruption to the business.
- **Operationalization risk of the strategy:** adversity in the process of ENFIE's strategic repositioning around its three basic pillars: digitization, decentralization and decarbonization, both in the external context (partners, maturity of the market regulation, financing mechanisms, etc.) as well as the internal context (skills and attitudes of management and employees, capacity in adaptation and agility in decision making, clarity in relation to the strategic plan).
- **Ethics and compliance risk:** non-compliance, internally or involving external collusion, with values and principles enshrined in the Code of Ethics: corruption, fraudulent use of the Company's properties, interference in competitive processes, disrespect for human rights, including labor conditions and relationship in the workplace. Failure to observe the applicable rules and regulations relative to the Company's activities.
- **Occupational health and security:** occurrence of any type of accident which poses a threat to the health of the employees, contracted employees and other outsourced personnel, including occupational diseases.

6. QUALITY MANAGEMENT

The five dimensions covered by the integrated Management System (SIG) and adopted at all the plants operated by ENGIE Brasil Energia are quality, the environment, occupational health and safety, social responsibility and energy management. In 2018, of the 41 plants in operation, 12 were certified according to NBR ISO 9001 (quality), NBR ISO 14001 (environment) and NBR OHSAS 18001 (Occupational Health and Safety) standards. In addition, the Jorge Lacerda Thermal Power Complex is NBR ISO 50001 certified with respect to Energy Efficiency.

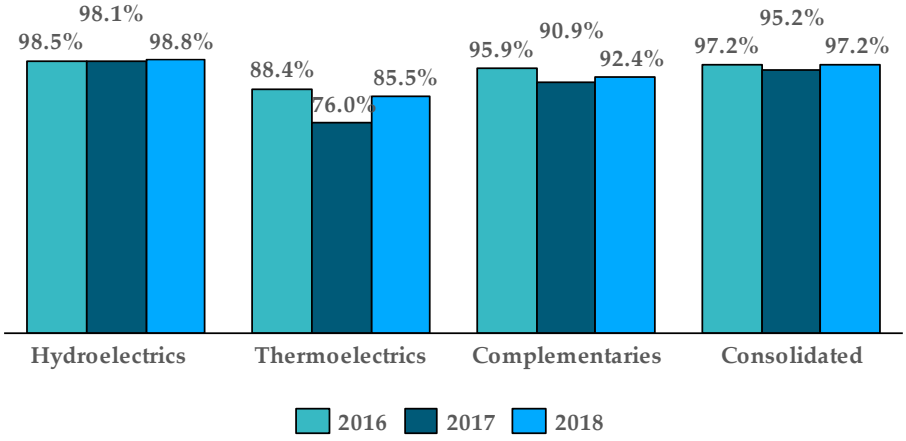
Consequently, the percentage of certified installed capacity is 83,6%.

The certification process of Jaguara and Miranda plants is under way, and should be materialize during 2019, increasing the percentage of certified capacity of the Company.

6.1 Operating performance

The plants operated by ENGIE Brasil Energia reported uptime working of 97.2%, ignoring scheduled stoppages. If all scheduled shutdowns are taken into account, the aggregate uptime was 91.5%. The increase in plant uptime in 2018, compared with 2017, is principally due to fewer significant occurrences in the period. Such occurrences include the Passo Fundo Hydroelectric Power Plant, Unit 2 of São Salvador Plant as well as Number 2 Unit of the Jorge Lacerda A Thermal Power Plant. In 2018, a general overhaul was undertaken of the Number 3 Unit of the Jorge Lacerda A Thermal Power Plant and there was a short circuit in the generator of the Number 4 Unit of the Jaguara Plant.

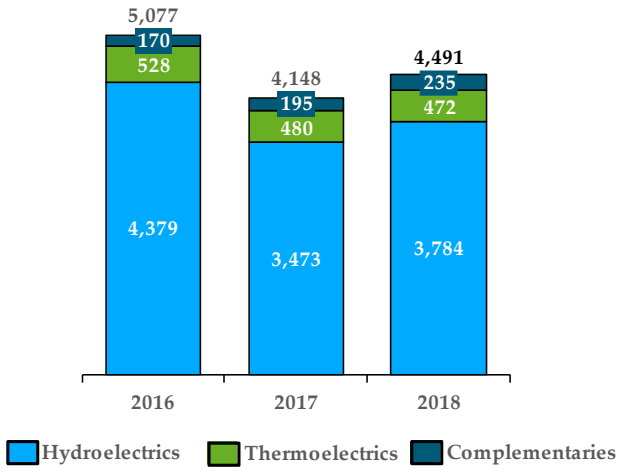
Plant uptime, excluding scheduled stoppages



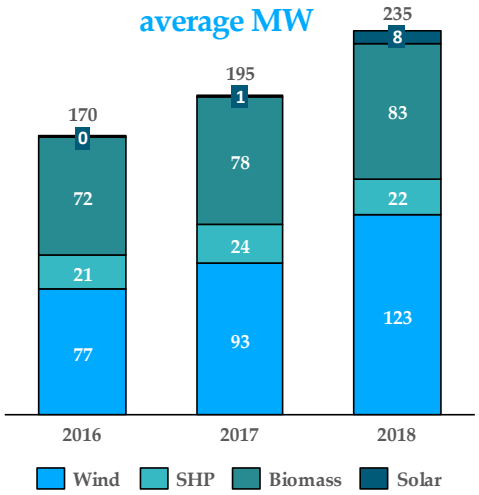
Electricity output reached 39,340 GWh (4,491 average MW): an increase of 8.3% (in average MW) compared with 2017. Of the total generated amount, the hydroelectrics accounted for 33,144 GWh (3,784 average MW), an increase of 8.9%; the thermal power plants reported output of 4,134 GWh (472 average MW), a reduction of 1.7%; and the complementary plants for 2,062 GWh (235 average MW), an increase of 20.9%.

In 2018, the increase in global generation is mainly due to the incorporation of the hydro plants successfully auctioned to the Company as well as the entry into commecial operations of the Assú V Photovoltaic Plant and the Campo Largo Wind Complex – Phase I, hence the significant increase in generation from the hydroelectric and complementary plants. The small drop in output from the thermoelectric plants was due to smaller volumes of generation by order of merit.

Generation – average MW



Generation by complementary source – average MW



In this context, it is worth pointing out that an increase in the Company's hydroelectric generation does not necessarily reflect an improvement in economic-financial performance. Conversely, a reduction in this type of generation does not inevitably imply a deterioration in economic-financial performance due to the adoption of the Energy Reallocation Mechanism (MRE), which defrays the risks of hydro generation among its participants.

As to the Company's thermal generation, its increase might reduce (as a function of the Company's level of contracting) exposure to the Price for the Settlement of Differences (PLD), the opposite being the case when there is a decrease, all other variables being equal.

6.2 Remote operations

In 2018, the Company took the expansion in the remote operation of its generator complex a stage further with the Generation Operations Center (COG), installed at the Company's headquarters. With its focus on digitization and operational excellence, the COG's infrastructure includes highly sophisticated technological resources allowing real time monitoring and ensuring the reliability of the system. By year-end, 28 of the Company's 41 plants were being operated out of the COG, as shown in the following table:

Plants operated via COG (as at 12.31.2018)

Plant	Installed Capacity (MW)
Ponte de Pedra Hydroelectric Power Plant	176.1
José Gelazio da Rocha SHP	23.7
Rondonópolis SHP	26.6
Cana Brava Hydroelectric Power Plant	450.0
São Salvador Hydroelectric Power Plant	243.2
Passo Fundo Hydroelectric Power Plant	226.0
Assú V Photovoltaic Plant	30.0
Jaguara Hydroelectric Power Plant	424.0
Miranda Hydroelectric Power Plant	408.0
Santa Monica Wind Complex[1]	97.2
Trairí Wind Complex[1]	115.4
Campo Largo Wind Complex – phase I [2]	326.7
TOTAL	**2,546.9**

1 – Complex made up of four wind farms

2 – Complex made up of eleven wind farms

7. ECONOMIC-FINANCIAL MANAGEMENT

7.1 Macroeconomic scenario

According to the Focus Report, the market consensus is that the 2018 Gross Domestic Product (GDP) will have grown approximately 1.3% compared with 1.0% in 2017. The official figure will only be announced in March.

Inflation was 3.75% for the year – against the Central Bank target of 4.5% with a 1.5 point tolerance plus or minus, in other words a variation of between 3% and 6%. The US dollar/Real (Ptax) exchange rate ended the year at R$3.87, an appreciation of 17.1% compared to 2017. The basic interest rate (SELIC) a year-end 2018 wast 6.5% p.a., its lowest ever.

For 2019, the Focus Report consensus is for a slight increase in the basic interest rate (7.0% p.a.), inflation close to the center of the band (4.0%) and faster growth in the economy (2.53%).

7.2 Eletricity power industry

Energy Research Company (*Empresa de Pesquisa Energética*) data in the January 2019 edition of the Electric Energy Market Monthly Review reported that in 2018 net energy consumption in Brazil rose by 1.1% to 472,242 GWh. Household consumption increased by 1.2%, commercial by 0.6% and industrial demand by 1.3%. On a region-by-region basis, the North posted a significant decrease in consumption of 5.8%. The country's other regions recorded increases: 2.3% in the Central-West, 1.7% in the South, 1.6% in the Southeast and 1.5% in the Northeast.

Free market consumption rose once again in 2018: a 6.3% increase against a decline in the captive market of 1.3% for the same period. One third of electric energy consumption was channeled through the free market (156.6 TWh) and two thirds through the captive (315.7 TWh). For the purposes of comparison and evolution in tendencies, this same relation just two years ago was a quarter to the free market and three quarters to the captive.

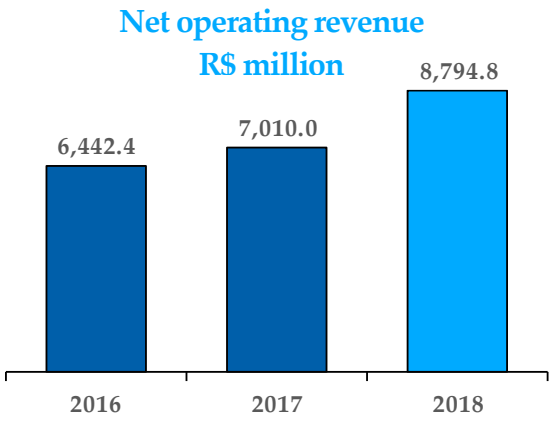
Influence of the hydrological scenario on the sector

There was a slight improvement in hydrology during the year in relation to 2017. Nevertheless, in 2018, energy volumes reaching the reservoirs remained below the historical average, registering 86% against 76% in 2017.

Growth in gross energy consumption came in at below forecast and closed the year at 1.4%, very similar to consumption recorded in 2017. In the light of this scenario, storage levels in the reservoirs in the Northeast rose, thus contributing to the improvement in the system's storage as a whole. Total storage at the end of 2018 was 32% against 23% at year-end 2017. The Price for Settlement of Differences (PLD) in 2018 reached the regulatory ceiling (R$ 505.18/MWh) for 10 weeks in a row while the annual average was R$ 280/MWh. According to the CCEE report for January 2019, average GSF (Generation Scaling Factor) for 2018 was 81.6% against 79.4% in 2017.

7.3 Economic-financial performance

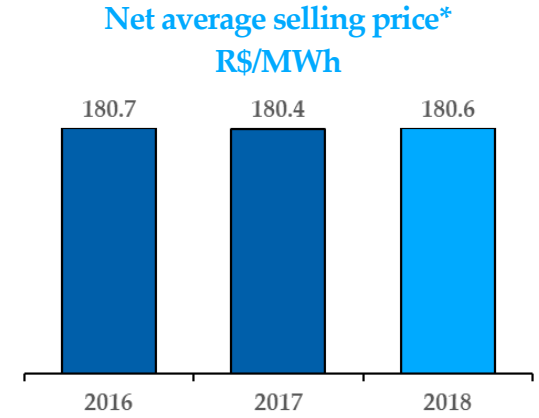
Net operating revenue



Net operating revenue increased from R$ 7,010.0 million in 2017 to R$ 8,794.8 million in 2018, an increase of R$ 1,784.8 million, (25.5%). This increase is mainly due to the following factors: (i) R$ 723.7 million, from energy trading operations, which began in 2018; (ii) R$ 461.3 million an increase in revenue due to transactions conducted in the short-term market; (iii) R$ 292.5 million, as remuneration of financial assets and R$ 111.5 million resulting from GAG (Generation Assets Management) for the Jaguara and Miranda hydroelectric plants; (iv) R$ 85.1 million, relating mainly to indemnification revenues for compensating the negative impact of interruption to business with respect to a claim for downtime at the Jorge Lacerda A Thermal Power Plant as well as the collection of contractual fines for the partial delay in modernization of one of the generator units at the Salto Santiago Hydroelectric Plant and downtime at the Santa Mônica Wind Complex plants; (v) R$ 46.6 million, related to revenue flows remunerating the installation of infrastructure of the Gralha Azul transmission line; (vi) R$ 36.9 million in revenue from the sale of photovoltaic panels; (vii) R$ 20.1 million, due to the increase in net average selling price; and (viii) R$ 13.6 million, due to the growth in volume of energy sold.

Net average selling price

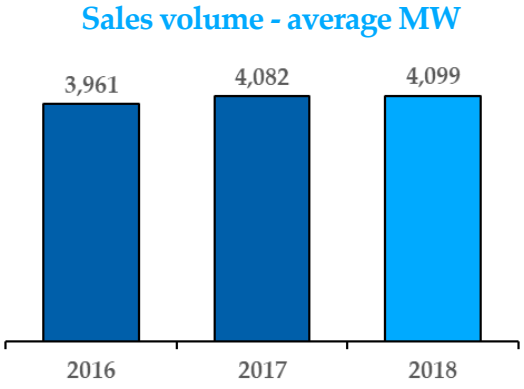
The average energy selling price, net of charges on revenue, reached R$ 180.60/MWh, 0.1% greater than the R$ 180.39 in 2017. These prices exclude the trading operations which the Company began to transact in January 2018. Price increases are largely a reflection of monetary restatement of existing agreements as well as new energy sales contracts for trading companies at higher prices than for expiring or existing agreements, effects mitigated by the reduction in the average net price of energy sold to free consumers.



** Net of taxes and exports and without trading operations*

Sales Volume

In 2018, energy sales volume was 35,904 GWh (4,099 average MW) against 35,761 GWh (4,082 average MW) reported for 2017, a growth of 143 GWh (17 average MW) or 0.4%. These volumes exclude energy trading operations, details of which are shown under a specific heading.



The increase reflects the entry into commercial operations in 2018 of the Campo Largo Wind Complex - Phase I and the sale of the portion of energy transacted on the free market generated by the Jaguara and Miranda plants, these factors outweighing the impacts from the reduction in purchase volume and disposal of the Beberibe and Pedra do Sal wind plants and Areia Branca Small Hydroelectric Power Plant in October 2017, resulting in an increase in sales volume.

Comments on variation in net operating revenue

Revenue from Sale of Electric Energy

Distribution companies:

In 2018, revenue was R$ 2,721.8 million, an increase of 1.3% over 2017 when the Company reported R$ 2,687.3 million. This increase is explained as follows: (i) R$ 53.3 million — an increase of 2.0% in average net selling prices; and (ii) R$ 18.8 million — a reduction of 85 GWh (10 average MW) in sales volume, mainly due to reductions in the Surplus and Deficits Compensation Mechanism (MCSD). The increase in net average prices between successive years is principally due to the monetary restatement of existing agreements.

Trading companies:

Revenues from sales to trading companies in 2018 were R$ 742.8 million, 23.6% greater than the R$ 600.9 million recorded in 2017. The improvement is the result of the following factors: (i) R$ 88.4 million – an increase of 578 GWh (67 average MW) in energy sales volume; and (ii) R$ 53.4 million — growth of 8.9% in the net average price of sales due to the closing of new agreements at higher prices than the average of outstanding or expiring contracts. Growth in volume during the years under analysis is largely due to the portion of energy transacted by the Jaguara and Miranda hydroelectric power plants – acquired at the end of 2017 - in the Free Contracting Environment (ACL) and the entry into commercial operations of the Campo Largo Wind Complex – Phase I in 2018, partially offset by a reduction in purchase volume for resale and the disposal of the Beberibe and Pedra do Sal wind farms and the Areia Branca SHP in October 2017. The foregoing information excludes trading operations which the Company initiated in January 2018.

Free consumers:

In 2018, revenues were R$ 3,020.1 million, amount 4.5% lower than the R$ 3,162.1 million recorded in 2017. The explanation for this reduction is: (i) R$ 86.0 million – a decrease of 2.7% in the net average selling price of energy; and (ii) R$ 56.0 million – a reduction of 348 GWh (40 average MW) in the energy sales volume.

The decrease in volumes is principally due to the reduction in the consumption of industrial clients. Price decline on an annual basis is largely a function of the lower prices practiced with industrial clients when compared to agreements which either expired during the period or already outstanding, albeit partially attenuated by the increase of prices in the fourth quarter of 2018 compared to the same quarter in 2017.

Energy trading operations:

In January 2018, the Company entered the energy trading market with the aim of taking market positions in the light of variations in prices, this contingent on the availability of risk limits as well as pre-established counterparty risk.

Energy trading operations are transacted in an active market and for accounting purposes, are defined as financial instruments on the basis of fair value. This is due principally to the fact that there is no commitment to match buying and selling operations given the flexibility of managing the contracts for obtaining results from price variations in the market.

The revenue from trading, resulting from energy sales recorded in 2018 was R$ 680.5 million or 3,049 GWh (348 average MW). Additionally, at the end of the year, the Company recognized R$ 43.2 million in unrealized net gains due to marking to market – a difference between contracted and market prices – of contracted operations net and open on 12.31.2018.

Transactions in the short-term energy market

Revenue generated in the short-term energy market was an increase of R$ 461.3 million from R$ 467.5 million in 2017 to R$ 928.8 million in 2018. A more detailed explanation of these variations is to be found in the item below "Details of Short-Term Operations".

Remuneration of concession financial assets

The concessions' financial assets represent the present value of future cash flows from power generated by the Jaguara and Miranda hydroelectric plants and transacted through the Regulatory Contracting Environment - equivalent to 70% of the plants' physical guarantee. These assets are remunerated at the internal rate of return and restated according to the variation in the Amplified Consumer Price Index (IPCA). The remuneration of the concessions' financial assets increased from R$ 47.9 million in 2017 to R$ 340.4 million in 2018. This increase reflects the acquisition of the Jaguara and Miranda hydroelectric plants in November 2017 and the variation in the IPCA.

Revenue from services rendered

Again in relation to the Jaguara and Miranda hydro plants, for energy sold in the ACR, the companies receive proportionally the GAG for covering operations and maintenance costs as well as expenditures for improvements and investments during the term of the concession agreement. The value of the GAG recognized in 2018 was R$ 111.5 million.

Revenue from the implementation of transmission infrastructure

In 2017, the Company diversified into the transmission segment following its successful bid for the Gralha Azul Transmission Line (Gralha Azul). The Company has primary responsibility for the construction and installation of infrastructure related to the transmission concession, the implementation of which began in 2018, and to which the Company is exposed in terms of the concession's risks and benefits. Consequently, based on prevailing accounting practices, the Company has been recognizing revenues from the implementation of transmission line infrastructure over the period of installation, corresponding to construction costs plus a gross residual margin for covering construction management costs. Such construction expenditures are recognized in costs as mentioned below.

Revenue from the implementation of transmission infrastructure and recognized in 2018 was R$ 46.6 million.

Costs of electric energy and services

The costs of energy sold and services totaled R$ 4,876.0 million, 21.8%, or R$ 872.1 million more than in 2017, when this item reported costs of R$ 4,003.9 million. These variations essentially reflect the following key components:

- Energy purchases: an increase of R$ 578.9 million (33.2%) in relation to 2017, due to the following items: (i) R$ 694.0 million — purchases of 3,131 GWh (358 average MW) allocated to energy trading operations; (ii) R$ 87.6 million — a decline of 532 GWh (61 average MW) in acquisitions of power for portfolio management; and (iii) R$ 27.4 million — a reduction of 1.6% in the net average purchasing price. The reduction in the net average purchasing price between periods was largely due to a decline in the average price of outstanding agreements.
- Transactions in the short-term energy market: comparing the years under analysis, there was an increase of R$ 213.8 million (59.4%) in these costs. More details are given in the specific item below.
- Charges for use of and connection to the electricity grid: an increase of R$ 37.6 million (8.9%) between fiscal years 2017 and 2018, principally due to the annual readjustment in transmission tariffs, the charges relative to the block of energy from the Jaguara and Miranda hydroelectric plants, sold in the free market, and the entry into commercial operations in 2018 of the 11 wind farms in the Campo Largo Wind Complex – Phase I. These variations were partially attenuated by the cessation of operations of the William Arjona Thermal Power Plant and no longer viable in the light of increased gas costs.
- Fuels for the generation of electricity: a decrease of R$ 302.5 million (66.5%) between the two compared fiscal years and basically due to the recognition of a legal agreement with a natural gas supplier in a lawsuit involving a dispute over the difference in the price of fuel supplied between September 2014 and June 2017 in the amount of R$ 216.6 million in the second quarter of 2017 and R$ 138.9 million in the fourth quarter of 2017. In addition, in the fourth quarter of 2018, there was a reduction in coal consumption between periods due to low thermoelectric generation. Conversely, in 2018, there was an increase in coal consumption costs due to limitations imposed on reimbursement under the coal subsidy mechanism through the Energy Development Account (CDE) as from 2018, subsequent to the issue of Aneel Resolution 801 of December 19, 2017, this attenuating the above-mentioned effects recognized in the legal agreement with the natural gas supplier.

- Financial compensation for the use of water resources (Royalties): a growth of R$ 6.3 million (21.8%) between quarters under comparison and R$ 5.9 million (5.0%) between fiscal years 2018 and 2017, principally reflecting greater generation from the hydroelectric plants in the periods analyzed, recognition in 2018 of the liabilities of the Jaguara and Miranda hydroelectric plants and the readjustment of 2.5% in the Restated Reference Tariff (TAR) in 2018 for use of hydric resources.
- Personnel: an increase of R$ 3.9 million (1.8%) between the two fiscal years, resulting largely from the annual readjustment in employee compensation and benefits. This item was also inflated by new hiring and incorporation of the payroll of ENGIE Geração Solar Distribuída, acquired in full in August 2018, the cost of personnel being R$ 3.5 million in the August-December 2018 period. The increase in annual personnel overheads was partially offset by the recognition in the third quarter of the year of a claw-back of PIS and Cofins tax credits on certain payroll-related operating costs in the amount of R$ 5.1 million.
- Depreciation and amortization: an increase of R$ 9.7 million (1.5%) between fiscal years, due above all to the following aspects: (i) amortization of an intangible asset with respect to the acquisition of the Jaguara and Miranda hydroelectric plants; and (ii) entry into commercial operations of the Campo Largo Wind Complex – Phase I during 2018. This rising trend was partially attenuated by the following: (i) the ending of the depreciation on major maintenance work at the Jorge Lacerda Thermal Power Complex in earlier periods; and (ii) the disposal of the Beberibe and Pedra do Sal wind power plants and the Areia Branca Small Hydroelectric Power Plant in October 2017.
- Net operating provisions: a negative effect of R$ 243.7 million (101.5%) when comparing the fiscal years. The variation reported is due to the reversal of a provision for loss on the disposal of fuel oil in 2017 pertaining to the Alegrete Thermal Power Plant, which is being returned to the federal government, but mainly due to the signature of a court ratification of an agreement on natural gas prices between the Company and the fuel supplier. This resulted in the reversal of the value booked as a provision in 2Q17 in the amount of R$ 219.2 million, and its recognition as cost of fuel for the production of electricity.
- Cost of implementation of transmission infrastructure: recognition of R$ 45.4 million in 2018 relating to the costs of infrastructure construction for the Gralha Azul Transmission Line, counterbalanced by the recording of infrastructure implementation revenue, calculated on the bases of incurred costs in addition to the gross margin allocated to cover the construction management costs.

- Cost of sale of photovoltaic solar panels: recognition of R$ 22.8 million in 2018 with respect to costs associated with the sale of photovoltaic solar panels to households and companies through the ENGIE Geração Solar Distribuída subsidiary, full control of which was acquired in August 2018.

Details of short term operations

Short-term operations are classified as energy purchase or sale operations, the principal objective being the management of exposure on the CCEE. Consequently, the price of these operations is characterized by the linkage with the Price for Settlement of Differences (PLD). This item also includes the transactions conducted through the CCEE, given their volatile and seasonal nature, therefore, short-term, of the results originating from accounting movement in the CCEE. Additionally, the long and short positions are settled at the PLD, thus, similar to the short-term operations described above.

In relation to the transactions conducted through the CCEE, the various monthly credit or debit entries to the account of a Board agent are summarized in a single billing as a receivable or a payable. This therefore requires an entry to either an income or an expense item. In this context, it is worth pointing out that due to adjustments in the Company's portfolio management strategy, changes have been taking place in the profile of the mentioned billings. Such fluctuations complicate the direct comparison of the elements comprising each billing for the periods being analyzed - the reason for including this specific topic. The strategy allows us to analyze the fluctuations of the principal elements involved in spite of allocation being either to an income or expenses account according to the credit or debit nature of the billing to which they relate.

Generically, these elements are revenues or expenses arising, for example, (i) from the application of the Energy Reallocation Mechanism (MRE); (ii) from the Generation Scaling Factor, triggered when generation of plants, part of the MRE, is greater or smaller (Secondary Energy) than the allocated energy; (iii) from the so-called "submarket risk"; (iv) dispatch driven by the Risk Aversion Curve (CAR); (v) the application of System Service Charges (ESS), resulting in dispatch which diverges from the thermal plants order of merit; and (vi) naturally, exposure (a short or long position in the monthly accounting) and settled at the PLD.

For the full 2018 period, the net result, generated from short-term transactions, was positive at R$ 354.7 million, a growth of R$ 247.4 million relative to the positive result of R$ 107.3 million in 2017. This improvement is a reflection largely of greater revenue, net of purchases, arising from short-term operations, reflecting the strategy for managing the position on the CCEE and the rebooking process for the William Arjona Thermal Power Plant, combined with (ii) and (iii) items mentioned above.

In December 2017, Aneel set maximum and minimum limits for the PLD for 2018 at R$ 505.18/MWh and R$ 40.16/MWh, respectively. On a quarterly comparison basis, the average PLD for the South and Southeast/Center-West submarkets fell 60.25%, from R$ 398.06/MWh in 4Q17 to R$ 158.24/MWh in 4Q18. Comparing fiscal years, the average PLD for these submarkets declined by 10.25% from R$ 320.59/MWh to R$ 287.73/MWh.

Selling, general and administrative expenses

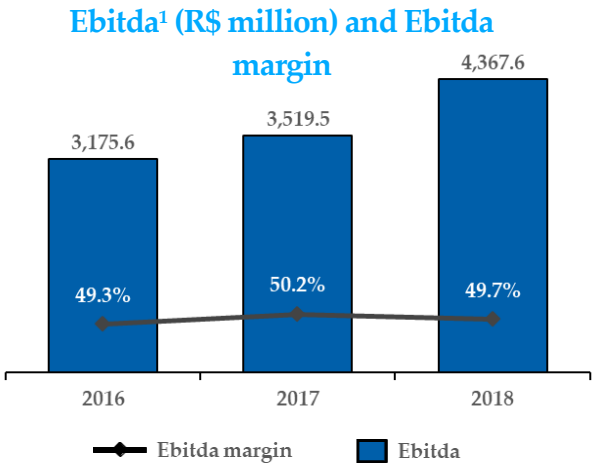
Selling, general and administrative expenses increased by R$ 11.8 million (6.0%) in the years under analysis, due principally to the reversal in 2017 of a provision for a legal dispute over retirement benefits following an agreement signed with the participants of one of the pension funds sponsored by the Company, partially offset by the recognition in the same year of expenditures with indemnifications relative to the same legal agreement. The value of this reversal, net of indemnification expenditures was R$ 11.3 million. Excluding the impact of this transaction, growth in expenses would have been R$ 0.5 million (0.3%).

Result from the Disposal of Investments

Following the fulfillment of agreed conditions precedent, on 12.31.2017, the Company concluded the sale of the Beberibe and Pedra do Sal wind farms and the Areia Branca Small Hydroelectric Plant subsidiaries, recognizing in 4Q17, a capital gain from the disposal of investments in the amount of R$ 56.9 million. In 2018, no transactions of this nature were contemplated.

Ebitda and Ebitda margin

Set against a background of factors already mentioned, Ebitda increased R$ 848.1 million (24.1%) from R$ 3,519.5 million in 2017 to R$ 4,367.6 million in 2018. The improvement is principally due to a combination of these positive effects: (i) an increase in revenue from remuneration and monetary restatement on financial assets and recognition of revenue from Generation Assets Management (GAG) relative to Jaguara and Miranda hydroelectric plants of R$ 404.0 million; (ii) a decrease of R$ 302.5 million in fuel costs, above all due to the recognition of a legal agreement with a natural gas supplier in an action over fuel prices and mentioned under the item " Fuels for the generation of electric energy"; (iii) the positive effect of R$ 247.4 million in transactions executed in the short-term market; (iv) a reduction of R$ 115.1 million in acquisitions for company portfolio management purposes; (v) recognition in 2018 of R$ 85.1 million



1 - Ebitda: net income + income tax and social contribution and financial expenses, net + depreciation and amortization.

principally relating to revenues from indemnification rights due to interruption of business and a contractual fine; (vi) R$ 29.7 million due to the net result from trading operations; (vii) R$ 20.1 million, due to the increase in net average energy selling prices; (viii) R$ 13.6 million, an increase due to the larger volumes of energy sold; and (ix) a reduction of R$ 0.4 million in other operating costs and expenses. The above-mentioned positive effects were counterbalanced by the following negative effects: (i) the negative impact of R$ 243.7 million, due principally to the reversal of a provision with respect to the signature and ratification of a legal agreement on natural gas prices between the Company and the natural gas supplier in 2017, as mentioned in the item "Net operating provisions" and concomitantly recognition of the cost of fuel for electricity generation; (ii) recognition of a capital gain in 4Q17 on the disposal of investments of R$ 56.9 million; (iii) an increase of R$ 43.5 million in costs with charges in the use of the electric energy network and connections plus royalties; (iv) an increase of R$ 13.9 million in the cost of personnel, insurance and rents; and (v) an increase of R$ 11.8 million in selling general and administrative expenses.

The Ebitda margin in 2018 reached 49.7%, a 0.5 p.p. reduction compared with 2017. This reduction is largely reflective of the effects in 2018 of trading operations and the recognition of construction revenues and costs of the transmission line as already discussed. If the latter effects are ignored, the Ebitda margin would be 54.0%, and therefore an increase of 3.8 p.p. between the periods of analysis.

The following table reconciles net income with Ebitda:

(In millions of R$)	2016	2017	2018	Var. % 2018/2017
Net income	1,548.3	2,004.6	2,315.4	15.5
(+) Income tax and social contribution	518.4	618.8	652.4	5.4
(+) Net financial result	354.9	226.8	699.3	208.3
(+) Depreciation and amortization	630.3	649.0	660.2	1.7
Ebitda	**3,051.9**	**3,499.2**	**4,327.3**	**23.7**
(+) Impairment	120.9	18.4	39.3	113.6
(+) Equity loss	2.8	1.9	1.0	-47.4
Adjusted Ebitda	**3,175.6**	**3,519.5**	**4,367.6**	**24.1**

Provision for reduction in impairment

In 2017, the Company recognized a provision for a reduction in the asset impairment amount of R$ 18.4 million of which R$ 16.0 million corresponded to thermoelectric generation assets at the William Arjona plant and Lages and R$ 2.4 million to non-operating assets pertaining to the Jacuí thermoelectric project. In 2018, an additional generation asset impairment amount was made in respect of the William Arjona facility for R$ 39.3 million.

Financial results

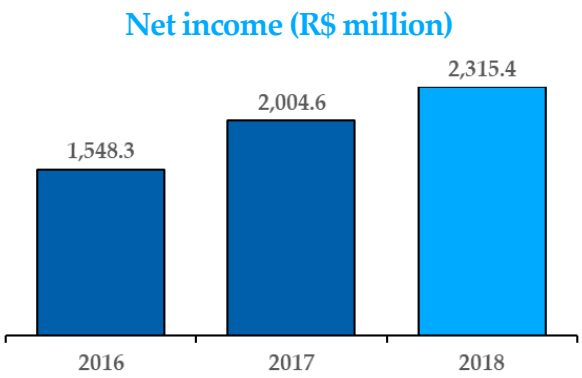
- Financial income: financial revenues fell R$ 68.8 million (or 30.8%) from R$ 223.5 million in 2017 to R$ 154.7 million in 2018. The explanation for such a variation is essentially due to the following factors: (i) a decrease of R$ 85.4 million in revenue from financial investments due to the lower balance of invested resources and falling interest rates; (ii) the increase of R$ 26.2 million in interest on accounts receivable, mainly on outstandings held with the CCEE; (iii) a reduction of interest on income tax and social contribution to be compensated relative to previous fiscal years and amounting to R$ 7.4 million; and (iv) a decrease or R$ 2.9 million in monetary restatement on court escrow deposits.
- Financial expenses: expenses increased from R$ 450.3 million to R$ 854.0 million, or R$ 403.7 million (89.6%), the result of the combination principally of the following variations: (i) an increase of R$ 201.2 million in interest and monetary restatement on concessions payable in the light of increased inflation during 2018; (ii) an increase of R$ 191.4 million in interest and monetary restatement on debt, largely the result of the issue of debentures by the Companhia Energética Jaguara and Companhia Energética Miranda subsidiaries in June 2018 as well as by the controlling company in July, 2018 and on recent loan agreements; and (iii) recognition of R$ 17.6 million in 2018 of monetary restatement on other values payable.

Income Tax and Social Contribution on Net Income

For the year as a whole, Income Tax and CSLL expenses rose R$ 33.6 million from R$ 618.8 million in 2017 to R$ 652.4 million in 2018, principally due to the growth in pretax profits, partially offset by changes in 2018 to subsidiary company tax regimes.

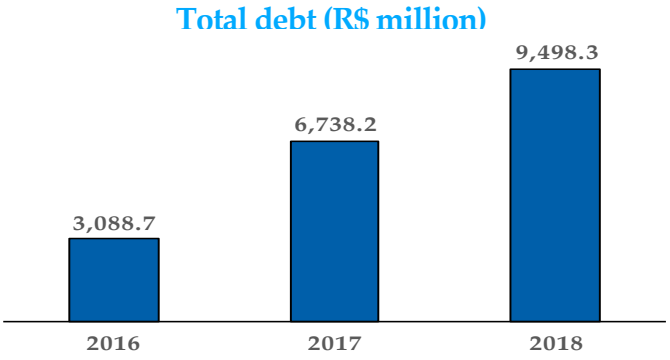
Net Income

In fiscal year 2018, net income increased from R$ 2,004.6 million in 2017 to R$ 2,315.4 million, an increase of R$ 310.8 million or 15.5%. The increase is a combination of the following factors: (i) growth of R$ 848.1 million in Ebitda; (ii) an increase of R$ 11.2 million in depreciation and amortization; (iii) an increase of R$ 472.5 million in net financial expenses; (iv) an increase in asset impairment of R$ 20.9 million; (v) a positive result for equity income of R$ 0.9 million; and (vi) an increase of R$ 33.6 million in income tax and social contribution.

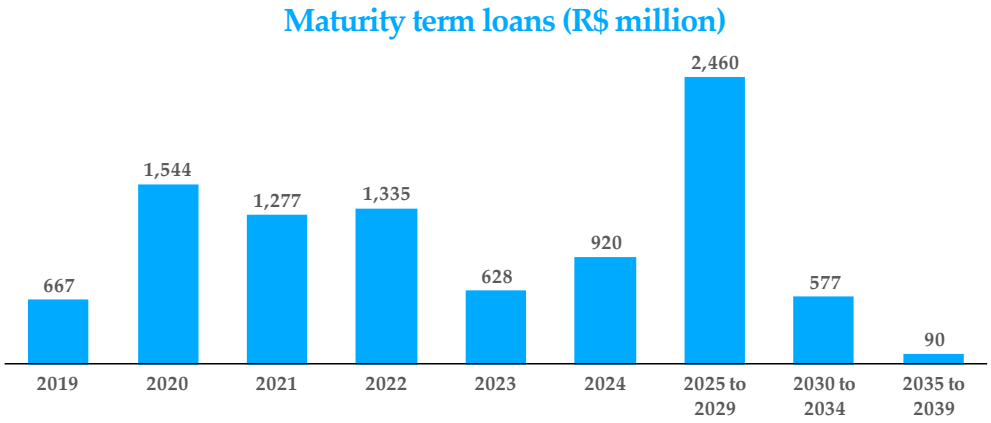


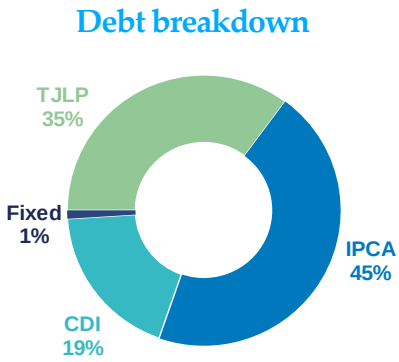
Debt

The Company's total gross consolidated debt as at December 31, 2018, represented mainly by loans, financing and debentures, net of the effects of hedge operations, totaled R$ 9,498.3 million, an increase of 41.0% (R$ 2,760,1 million) compared to the position as at 12.31.2017.



The variation in Company debt is largely related to a combination of the following factors occurring in 2018: (i) drawdowns from the BNDES and its financial agents and other private institutions in the aggregate amount of R$ 2,397.0 million, directed, substantially, for the construction of the Campo Largo Wind Complex, Pampa Sul TPP, the Assú V Photovoltaic Plant and the Santa Mônica Wind Complex and the modernization of the Salto Santiago Hydroelectric Power Plant; (ii) the issue of R$ 2,486.2 million in debentures; (iii) generation of R$ 651.1 million in charges incurred to be paid and monetary restatement; and (iv) R$ 2,775.9 million in the settlement of loans, financing and debentures.





The average weighted nominal cost of debt at the end of 2018 was 8.6% (8.1% at the end of 2017).

On 12.31.2018, the Company's net debt (total debt less result of derivatives operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was R$ 6,856.3 million, an increase of 49.6% compared with the end of 2017.

Net debt (R$ million)

	31.12.2016	31.12.2017	31.12.2018	Chg. % 2018/2017
Gross debt	3.088,7	6.756,4	9.720,2	43,9
Result of derivatives operations	0,0	(18,2)	(221,9)	1.119,0
Deposits earmarked for the payment of debt	(180,2)	(225,5)	(226,2)	0,3
Cash and cash equivalents	(1.815,3)	(1.930,1)	(2.415,8)	25,2
Total net debt	**1.093,2**	**4.582,6**	**6.856,3**	**49,6**

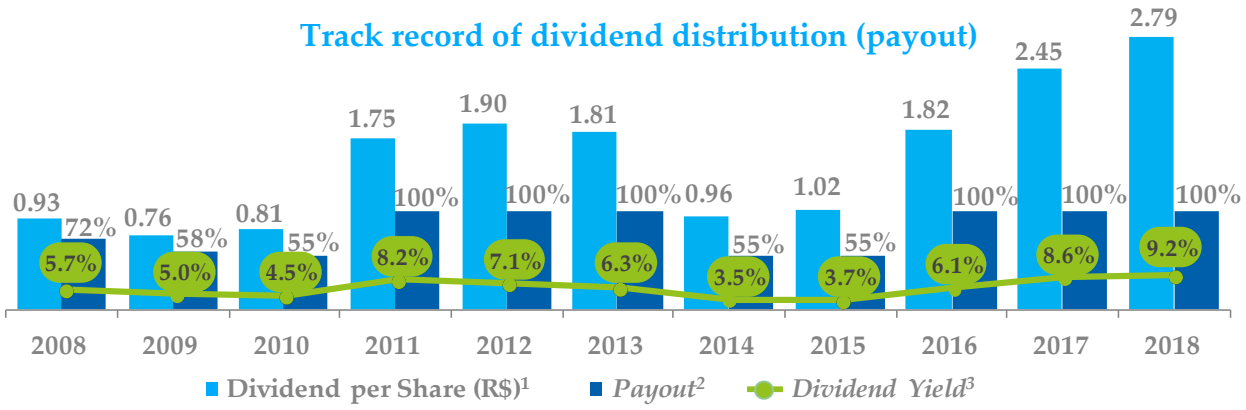
Capital Expenditure

In 2018, ENGIE Brasil Energia's invested R$ 3,452.1 million in the construction, maintenance, revitalization of the generator complex and in the acquisition of corporate stakes, of which: R$ 3,220.1 million for the construction of the Campo Largo – Phase I and Umburanas – Phase I wind complexes, the Pampa Sul Thermal Power Plant, Assú V Photovoltaic Plant and the Gralha Azul Transmission Line; R$ 144.1 million in work for maintenance and revitalization of the generator complex; R$ 48.1 million in shareholdings among which the investment for the acquisition of the remaining shares of ENGIE Geração Solar Distribuída; and R$ 39.8 million in modernization of the Salto Santiago and Salto Osório hydroelectric power plants.

Proposed complementary dividends

At a meeting on 02.19.2019, ENGIE Brasil Energia's Board of Directors approved the proposal of complementary dividends for the period from January 1 to December 31, 2018 in the amount of R$ 76.7 million (R$ 0.0940069200 per share). This proposal is to be ratified by the Annual General Meeting, on which it is also incumbent to establish conditions for payout.

Total payout of profits in 2018 will amount to R$ 2,272.5 million (R$ 2.7851510063 per share) equivalent to 100% of net adjusted distributable income. Value per share already takes into consideration the increase in capital with a share bonus in the last quarter of 2018, in the amount of R$ 652.7 million.



1 - For the purposes of comparability between fiscal years, an adjustment in dividend per share was made in the light of the share bonus approved on December 07, 2018.

2 - Considers the annual payable net income.

3 - Based on volume-weighted closing price of ON shares in the period.

7.4 Capital Markets

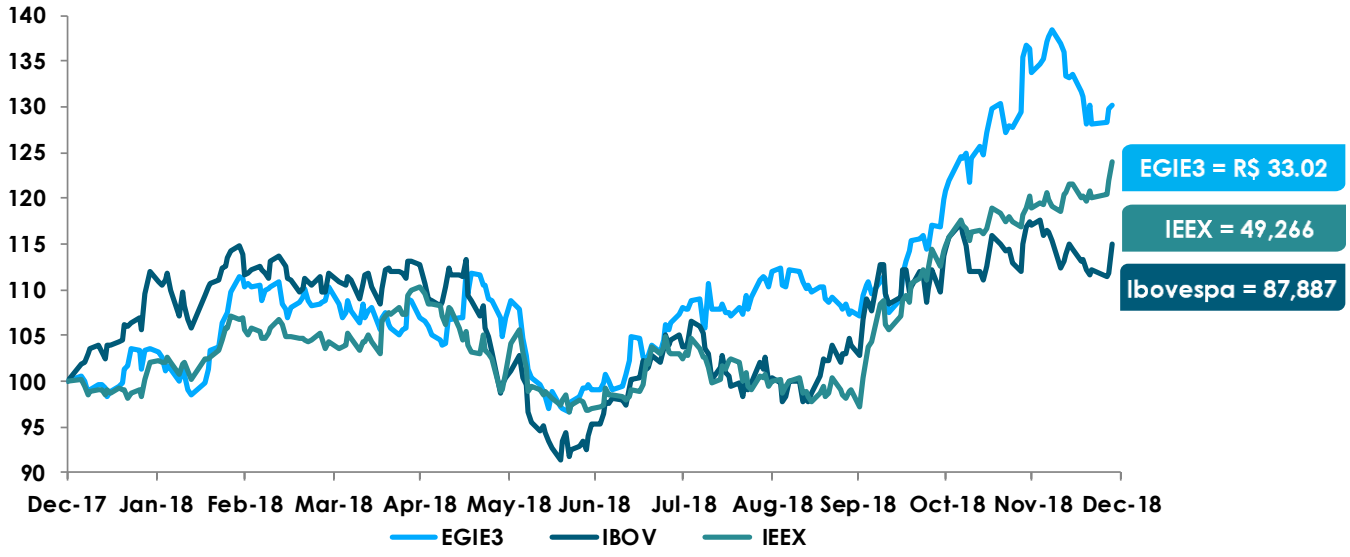
The Company's shares are traded on the Brazilian stock exchange under the EGIE3 (100% common shares) symbol. In addition, the Company has a Level I American Depositary Receipts (ADRs) Program, the securities for which are traded on the United States Over-The-Counter (OTC) market under the EGIEY symbol at a ratio of one ADR to every one common share.

In December 2018, the 32nd Extraordinary General Meeting of the Company approved a capital increase with the issue of 163,185,548 new common, book entry shares with no par value, distributed to its shareholders in the form of a bonus issue in the proportion of 1 new share for every 4 common shares already held. The benefits of the bonus was extended to the ADRs in the same proportion.

Share performance

For the full year of 2018, EBE's shares appreciated 30.3%, exceeding results for both the IEEX and Ibovespa, which appreciated 24.0% and 15.0%, respectively in the period. The closing price for EBE's shares on the last trading day of December 2018 was R$ 33.02/share, giving the Company a market capitalization of R$ 26.9 billion. The average daily trading volume was R$ 38.5 million, a growth of 23.9% over 2017, when trading volume reached R$ 31.0 million.

EGIE3 vs. Ibovespa vs. IEEX (Base 100 – 12.31.2017)



Ratings

In the light of the downgrading of Brazil's sovereign debt rating to 'BB-', in February 2018, Fitch Ratings also downgraded the Long-Term International Rating in foreign currency for the Company to 'BB' with a stable outlook, thus remaining one notch above sovereign rating.

The rating agency attributed an "AAA(exp)(bra)" classification for the first debenture issuances in June 2018 in the name of the Jaguara and Miranda subsidiaries.

Fitch Ratings Agency	
Issue	**Classification**
Domestic Rating	AAA(bra)
International Rating – Issues in Reais	BBB
International Rating – Foreign Currency issues	BB+
Sixth debenture issue	AAA (bra)
Seventh debenture issue	AAA (bra)
First debenture issue – Companhia Energética Jaguara	AAA(exp)(bra)
First debenture issue – Companhia Energética Miranda	AAA(exp)(bra)

8. SOCIO-ENVIRONMENTAL MANAGEMENT

The socio-environmental management model adopted by ENGIE Brasil Energia in its operations has a broad-based vision which reflects the inclusion of the principle of sustainability in its business strategy. In the global context of the energy sector, agents are required to operate and plan their future actions based on the principles of sustainable development. Structural changes to the energy system which characterize the energy transition have seen companies and governments focus their efforts on making energy supply increasingly more comprehensive and efficient, at the same time reducing carbon emissions. The aim is to seek a balance between expanding access to energy and mitigating climate change in order to meet the goal established under the Paris Agreement.

8.1 Environmental Management

ENGIE Brasil Energia views respect for the environment as a fundamental value and as such, adopts as a practice, the identification of environmental aspects and impacts which its activities provoke using monitoring and control programs and actions. In addition to the measures for ensuring compliance with the prevailing environmental legislation, the Company is developing a series of voluntary initiatives focused on the conservation of natural resources and minimization of impacts.

As part of the process of complying with legal requirements, the following licenses were renewed during the period:

- *Ferrari Thermal Power Plant* – Operational license 65003077 (on 05.30.2018, expiring on 05.30.2023)
- *Cidade Azul Solar Photovoltaic Power Plant* - Operational license 1634/2018 (on 03.05.2018, expiring on 03.05.2022)

- *Jaguara Hydroelectric Power Plant* – Operational licensee 1191/2013 (on 01.12.2018, expiring on 10.04.2023)
- *Jorge Lacerda Thermoectric Power Plant – Unit C* – Operational license 202/2018 (on 01.18.2018, expiring on 01.18.2022)

The year was also dedicated to the evolution of the Matrix Biodiversity project, which aims to identify the species of fauna and flora present in surrounding areas. A pioneer in the sector, the project encompasses six Brazilian biomes and will contribute to the definition of guidelines for environmental management and stewardship, reinforcing the mechanisms for protecting the species and ecosystems in the regions where ENGIE Brasil Energia has its operations.

It is also worth mentioning the Spring/Headwaters Protection Program, carried out in partnership with governmental organizations and the third sector. In addition to conservation of natural resources, the initiative aims to contribute to improving the quality of water consumed by the community, with a consequent reduction of diseases caused by pathogenic organisms. By the end of the year, 1,781 springs had been protected, 182 of them in 2018, in the area of influence of 12 plants operated by the Company.

8.2 People management

As a critical intangible asset, ENGIE Brasil Energia's human capital forms the basis for the execution of its corporate strategy. In this context, the Company endeavors to foster an ethical working environment, providing favorable conditions for both personal and professional development, benefiting quality of life, as well as recognition and satisfaction.

At the end of 2018, ENGIE Brasil Energia had a payroll of 1,186, of which 1,177 were on contracts of an indeterminate duration and nine were apprentices. In addition to this group, the Company had a further 12 interns and another 184 professionals employed by controlled companies (27 at Companhia Energética Estreito, six at Itá Energética, 48 at the Pampa Sul Thermal Power Plant and 103 at ENGIE Geração Solar Distribuída).

Direct payroll numbers on 12.31.2018, by gender and functional category

Category	men	% men	women	% women	total	% total
Managerial	112	11%	22	11%	134	11%
Analysts, engineers and specialists	363	37%	110	53%	473	40%
Operators, maintenance technicians and administrative personnel	672	51%	75	36%	579	49%

The Company offers its employees fair compensation compatible with the local and sector markets, along with a comprehensive benefit plan, which includes:

- Life insurance (with coverage for permanent total or partial invalidity due to accident or illness);
- Healthcare plan (encompassing medical/hospital assistance, dental and drugstore expenses; psycho-therapy, physiotherapy and specialized reeducation treatment; eye glasses and ophthalmological lenses; hearing aids and orthopedic devices);
- Disability and invalidity coverage (for dependents there is a Program for Assistance of Dependents with Special Needs);
- Extended maternity and paternity leave (*Empresa Cidadã* Program);
- Child daycare facilities;
- Agreements with fitness centers;
- Parent company stock ownership plan;
- Food/meal (including vacations) and transportation vouchers; and
- Complementary Pension Plan (with co-sponsorship or 100% matching by the Company).

In addition, ENGIE Brasil Energia subsidizes 80% of drug prescription charges for employees and their dependents, 60% of the monthly tuition fees for language courses and 50% of the monthly fees for university graduation or post-graduation programs. Outsourced workers also are entitled to a benefits program on a permanent basis, consisting of food vouchers and medical and dental care plans. The cost of these benefits is incorporated in the contracts signed with the companies supplying goods and services to ENGIE Brasil Energia.

The results of the employee perception survey conducted during the year showed an increased positive perception in all categories compared with 2017. The principal highlights are:

- 93% recommended ENGIE Brasil Energia as a good place to work (+1%)
- 96% feel pride in being associated to the Company (+5%)
- 98% believe that ENGIE Brasil Energia is an environmentally responsible company (+2%)
- 96% believe that the Company is a socially responsible entity (+1%)

Training and Development

	Training investments (R$ million)	Variation %	Hours of training	Variation %
2018	4.53	51.0%	83,124	60.4%
2017	3.00	-38.8%	51,829	19.9%
2016	4.90		43,238	

During 2018, there was an unusual volume of new hiring (188 new employees). This reflects the conclusion of work on the Campo Largo Wind Complex – Phase I, and the ensuing need to hire professionals for operating and maintenance at the project. Manpower also increased with the consolidation of Jaguara and Miranda hydroelectric plants, the operational and maintenance personnel for which had not been included in the figures for 2017.

Hiring and terminations, by gender and age group

Age group	Men		Women	
	new hires	terminations	new hires	terminations
Less than 30	68	14	21	2
Between 30 and 50	86	18	12	0
More than 50	1	12	0	6
Total	**155**	**44**	**33**	**8**

As set forth in the Sustainable Management Policy, the physical and psychic integrity, professionalism, training and competence of the employees are priorities for ENGIE Brasil Energia. The same care taken with direct employees is also dispensed to the service providers – the latter's agreements include clauses to this effect, also prioritizing the occupational health and safety of subcontractors and outsourced entities. In the period under review, there were no fatal accidents - always reason for commemoration. Indicators and targets are in line with historical levels, despite one target not having been reached.

Work related accidents

Work related accidents	2017	2018
Direct employees		
Number of hours exposed to risk	1,910,390	2,060,731
Number of work-related and commuting accidents with and without time off work	8	3
Number of lost days – work related accidents with time off work	8	0
Number of fatal accidents	0	0
Employees of contracted companies		
Number of hours exposed to risk	6,311,671	18,728,672
Number of work related and commuting accidents with and without time off work	31	155
Number of fatal accidents	1	0

Occupational Health and Safety Indicators (OHS)

Indicator	2017	2018	Variation	Target 2018 reached?	Target 2019
Frequency Rate (FR) – direct employees[1]	1.050	0.000	↓	-	-
Severity Rate (SR) - direct employees[2]	0.004	0.000	↓	YES (≤ 0,020)	≤ 0,020
Frequency Rate (FR) – direct employees + long-term service providers[1]	1.030	1.390	↑	NO (≤ 0,80)	≤ 0,80
Frequency Rate (FR) – short-term service providers + work under construction[1]	0.690	1.640	↑	YES (≤ 2,40)	≤ 2,30

1) FR = number of work-related accidents occurring for every million hours of exposure to risk.
2) SR = number of lost days due to work-related accidents for every million hours of exposure to risk.

8.3 Social responsibility and relationship with communities

The communities surrounding the operating units constitute priority stakeholders for ENGIE Brasil Energia. It is in this context that the Company maintains its channels for dialog open as well as providing support for projects initiated by the communities. Based on mutual respect, this relationship is built on partnerships with local agents – such as universities, third sector organizations and representative entities.

In 2018, investments in social responsibility amounted to R$ 20.4 million, either in the form of own funds or tax breaks, as shown below.

Investments in social responsibility (in thousand of R$)

Indicator	2017	2018	Variation
Non-incentivized investments	2,898.14	3,497.00	20.6%
Investments through the Infancy and Adolescence Fund - FIA	2,022.85	1,836.98	-9.2%
Investments under the Culture Incentive Law – Rouanet Law	9,537.11	8,798.00	-7.7%
Investments under the Sport Incentive Law	1,895.20	1,610.00	-15.0%
Investments under the National Support Program for Oncological Care - PRONON	2,118.97	1,597.00	-24.6%
Investments under the National Care Support Program for People with Special Needs - PRONAS/PCD	1,383.46	1,607.40	16.2%
Investments through the Municipal Fund for the Elderly	2,423.19	1,430.90	-40.9%

One of the principal outreach initiatives with the communities in which the Company operates are the Culture and Sustainability Centers. Installed with the support of ENGIE Brasil Energia since 2011, the Centers are designed to stimulate cultural and educative initiatives in the communities adjacent to our plants, encouraging community coexistence as well as access to artistic endeavor such as theater, music, dance and cinema – so unusual in small towns in the interior of Brazil. Five centers are already in place and operating and a sixth in the municipality of Minaçu (GO), is to be inaugurated in March 2019.

The plant-visiting program is another important initiative for engaging local communities and propagating the culture of sustainability. In partnership with other entities, the Company operates structured programs for visits by students, researchers and tourists to the plants in its generator complex. During these visits, presentations are made on plant operations and the implementation of socio-environmental programs. Complementary to this program are the presentations made in schools and other community facilities with the focus on the same themes and an emphasis on environmental education. In 2018, a total of 106 thousand took part in the program.

8.4 Social Balance

1 – Calculation basis	2018 (R$ thousand)				2017 (R$ thousand)			
Net Revenues (NR)	8.794.792				7.009.957			
Operating Income (OI)	2.967.816				2.623.380			
Gross Payroll (GPR)	165.921				155.113			
Total Value Added (TVA)	5.490.284				4.454.017			
2 – Internal social indicators	**R$ thousand**	**% over GPR**	**% over NR**	**% over TVA**	**R$ thousand**	**% over GPR**	**% over NR**	**% over TVA**
Meals	19.381	11,68	0,22	0,35	20.927	13,49	0,30	0,47
Compulsory social charges	64.871	39,10	0,74	1,18	61.371	39,57	0,88	1,38
Private pension	38.910	23,45	0,44	0,71	38.413	24,76	0,55	0,86
Health	19.167	11,55	0,22	0,35	19.659	12,67	0,28	0,44
Occupational health and safety	5.997	3,61	0,07	0,11	5.396	3,48	0,08	0,12
Education	387	0,23	0,00	0,01	393	0,25	0,01	0,01
Culture	25	0,02	0,00	0,00	25	0,02	0,00	0,00
Professional training and development	4.638	2,80	0,05	0,08	3.830	2,47	0,05	0,09
Daycare or daycare assistance	326	0,20	0,00	0,01	252	0,16	0,00	0,01
Sport	506	0,30	0,01	0,01	566	0,36	0,01	0,01
Profit-sharing	42.147	25,40	0,48	0,77	43.019	27,73	0,61	0,97
Transportation	5.111	3,08	0,06	0,09	4.543	2,93	0,06	0,10
Others	1.519	0,92	0,02	0,03	1.338	0,86	0,02	0,03
Total – internal social indicators	**202.985**	**122,34**	**2,31**	**3,70**	**199.732**	**128,77**	**2,85**	**4,48**
3 – External social indicators	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**
Education	36	0,02	-	-	176	0,11	-	-
Culture	10.515	6,34	0,12	0,19	11.457	7,39	0,16	0,26
Health and sanitation	3.205	1,93	0,04	0,06	3.502	2,26	0,05	0,08
Sports	1.610	0,97	0,02	0,03	1.906	1,23	0,03	0,04
Others	5.012	3,04	0,06	0,09	5.236	3,38	0,07	0,12
Total contributions to society	**20.378**	**12,30**	**0,23**	**0,37**	**22.277**	**14,36**	**0,32**	**0,50**
Taxes (excluding social charges)	1.835.167	1.106,05	20,87	33,43	1.400.037	902,59	19,97	31,43
Total – external social indicators	**1.855.545**	**1.118,35**	**21,10**	**33,80**	**1.422.314**	**916,95**	**20,29**	**31,93**
4 – Environmental indicators	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**
4.1 – Investments related to the production/operation of the company								
Liabilities and environmental contingencies	11.655	7,02	0,13	0,21	10.797	6,96	0,15	0,24
Technological and industrial development program	2.185	1,32	0,02	0,04	3.452	2,23	0,05	0,08
Sector indicator	221	0,13	-	-	2.689	1,73	0,04	0,06
Others	344	0,21	-	0,01	567	0,37	0,01	0,01
Total investment related to the operation/production of the company	**14.405**	**0,49**	**0,16**	**0,26**	**17.505**	**0,67**	**0,25**	**0,39**

4.2 – Investment in external programs and/or projects								
Environmental education projects in communities	846	0,03	0,01	0,02	734	0,03	0,01	0,02
Preservation and/or revitalization of degraded environments	4.207	0,14	0,05	0,08	4.731	0,18	0,07	0,11
Others	5.049	0,17	0,06	0,09	9.172	0,35	0,13	0,21
Total investments in external programs and/or projects	**10.102**	**0,34**	**0,11**	**0,18**	**14.637**	**0,56**	**0,21**	**0,33**
Total environmental investment (4.1 + 4.2)	**24.507**	**0,83**	**0,28**	**0,45**	**32.142**	**1,23**	**0,46**	**0,72**

Distribution of environmental investment	**R$ thousand**	**% over total**	**R$ thousand**	**% over total**
Total investment in environmental prevention activities	2.046	8,35	5.749	17,89
Total investment in environmental maintenance activities	20.695	84,45	25.013	77,82
Total investment in environmental compensation activities	1.766	7,21	1.380	4,29
Number of environmental, administrative and legal claims filed against the company:	49		41	
Total fines and indemnifications judicially or administratively determined for environmental matters:	0,00		7,00	

5 – Workforce indicators	**2018 (in units)**	**2017 (in units)**
Number of employees at the end of the period	1186	1048
Number of new hires in the period	188	44
Number of dismissals in the period	52	39
Number of interns	12	41
Number of employees by age group:		
Less than 30	229	173
From 30 to 50	734	639
Over50	223	236
Number of employees by education level:		
Illiterate	0	0
Elementary education	4	4
High school education	621	547
Higher education	373	332
Postgraduate	188	165
Number and percentage of women working at the Company	207 (17,5%)	186 (17,7%)
Percentage of management positions held by women	16,4%	15,8%
Number and percentage of men working at the Company	979 (82,5%)	862 (82,3%)
Percentage of management positions held by men	83,6%	84,2%
Number of blacks working at the company	N.d.	N.d.
Percentage of management positions held by blacks	N.d.	N.d.
Number of handicapped or special-needs employees	46	35
Proportion between the highest salary paid by the company and the average salary of the other employees	5,2	5,0

6 – Relevant corporate citizenship information	**2018**	**2017**
Total on-the-job accidents	ENGIE: 3 Service provider: 155	ENGIE: 8 Service provider: 31
The social and environmental projects implemented by the company were decided upon by:	( ) Directors	( ) Directors
	( ) Directors and management	( ) Directors and management
	(X) All staff	(X) All staff
The risk and security standards in the workplace were decided upon by:	( ) Directors and management	( ) Directors and management
	( ) All staff	( ) All staff
	(X) All staff + CIPA	(X) All staff + CIPA
With regard to labor unions, right for collective bargaining and internal representation of workers, the company:	( ) Does not get involved	( ) Does not get involved
	(X) Follows ILO rules	(X) Follows ILO rules
	( ) Encourages and follows ILO	( ) Encourages and follows ILO
Private pension arrangements contemplate:	( ) Directors	( ) Directors
	( ) Directors and management	( ) Directors and management
	(X) All staff	(X) All staff
Profit-sharing contemplates:	( ) Directors	( ) Directors
	( ) Directors and management	( ) Directors and management
	(X) All staff	(X) All staff

Regarding the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the company:	( ) Are not considered		( ) Are not considered	
	( ) Are suggested		( ) Are suggested	
	(X) Are required		(X) Are required	
Regarding the participation of employees in volunteer activities, the company:	( ) Does not get involved		( ) Does not get involved	
	(X) Supports		(X) Supports	
	( ) Organizes and encourages		( ) Organizes and encourages	
Total number of consumer complaints and criticism:	To the company: 0		To the company: 0	
	To Procon: N.A.		To Procon: N.A.	
	To the Courts: 0		To the Courts: 0	
Distribution of Value Added:	**R$ thousand**	**% over total**	**R$ thousand**	**% over total**
Government	2.155.815	39,3	1.759.449	39,5
Employees	280.961	5,1	277.097	6,2
Shareholders	2.176.224	39,6	1.966.945	44,2
Third Parties	738.101	13,4	412.912	9,3
Retained	139.183	2,5	37.614	0,8
7 – Other information	**2017**		**2016**	
Water consumption ((water withdrawn from the source - water returned)	4.528.581,45 m^3		6.540.736,79 m^3	
Electric energy consumption*	85,03 GWh		Not avaliable	
Annual amount of waste produced (evacuated)	1.114.487,22 ton		1.412.429,89 ton	
Annual amount of waste recovered	1.113.692,27 ton		1.379.248,21 ton	

* There was an improvement in the measurement systematic of consumption of electric energy, no longer accounting for consumption when the plants act as a synchronous compensator. The new methodology effectively considers the energy consumed from the grid.

9. ADDITIONAL INFORMATION

Sustainability Report

Complementary information and details on the Company's socio-environmental activities as well as issues relating to the creation of value for stakeholders will be included in ENGIE Brasil Energia's Sustainability Report, to be published at the end of April 2018.

Exploitation of children, forced and compulsory labor, and anti-discriminatory policy

ENGIE Brasil Energia does not permit, under any circumstances, the exploitation of children, or forced or compulsory labor, and reserves the right not to engage the services of, or have a commercial relationship with, entities that adopt such practices. The Company is committed to informing the responsible authorities of any cases of which it may become cognizant.

Respect is one of ENGIE Brasil Energia's main ethical principles. On the issue of human rights, the Company is alert to sensitive situations that may compromise the performance of its activities, such as its relationship with resettled members of the community.

Again, in this context, every one of ENGIE Brasil Energia's employees must ensure that he or she does not practice any discrimination, in words or deeds, particularly with respect to age, gender, ethnic, social or cultural origins, political or labor union-related opinions, personal lifestyle choices, particularities or physical disabilities.

All these principles and the conduct expected from the Company's employees, suppliers and partners are available in ENGIE Brasil Energia's Human Rights Policy and Code of Ethics, made widely available to all stakeholders on its website.

Volunteer practices

The Company sponsors Junior Achievement and the Volunteers in Action Institute.

Identification of those responsible for the socio-environmental data and means of contact

The secretary of the Sustainability Committee has managerial responsibility for information on the Company's socially responsible activities, and can be contacted by email: comitesustentabilidade.brenergia@engie.com

Independent Auditors

In accordance with Article 2 of CVM Instruction 381/03, ENGIE Brasil Energia states that in 2018 Touche Tohmatsu Auditores Independentes, the independent auditors of the Company and its subsidiaries, did not provide any services unrelated to the independent audit.

On June 07, 2018, the Company obtained a comfort letter for issuance of debt instruments from its independent auditor - Deloitte. The service was provided during 2018. The fees with respect to this service were R$ 686 thousand and represent 59.7% of the total relative to outside audit services provided for 2018.

The Company's policies for the contracting of independent auditors services are to ensure there are no conflicts of interest and loss of independence or objectivity and are enshrined in the principles which preserve the independence of the auditor: (i) the auditor must not audit their own work; (ii) the auditor must not exercise any managerial functions on behalf of their client; and (iii) the auditor must not promote the interests of his client.

The additional services contracted relate to the preparation of a comfort letter for the issuance of a debt instrument, this not representing any kind of consultancy or conflict of interest.

The contracting of this service was approved by the Board of Directors at its Meeting 174 of June 4, 2018.

Statement from the Management Board

The Management Board states that in compliance with Article 25, Paragraph 1, items V and VI of CVM Instruction 480/2009, it has reviewed, discussed and agreed with the Financial Statements contained in this Report, and the opinions expressed in the Independent Auditor's report.

The Management

ENGIE BRASIL ENERGIA S.A.

CNPJ Nº 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4

BALANCE SHEETS AT DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

ASSETS

	Note	Parent Company		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
CURRENT ASSETS					
Cash and cash equivalents	4	1,282,395	1,305,015	2,415,792	1,930,070
Trade accounts receivable	5	532,430	689,885	1,181,379	1,058,469
Income tax and social contribution credits	19	88,854	-	98,978	12,395
Dividends receivable from subsidiaries	31	61,468	30,550	-	-
Insurance indemnities receivable	32	71,888	22,062	74,780	22,062
Inventories	6	14,604	94,946	125,681	98,249
Unrealized gains on hedge operations	15	-	3,933	3,135	3,933
Unrealized gains on trading operations	15	-	-	116,202	-
Restricted deposits	7	4,471	10,751	8,956	15,423
Hydrological risk renegotiation to be recognized	8	13,016	23,991	15,089	26,064
Concession financial asset	9	-	-	277,502	301,904
Other current assets		177,880	107,517	225,455	261,641
		2,247,006	**2,288,650**	**4,542,949**	**3,730,210**
Non-current assets held for sale		13,728	5,569	13,728	5,569
		2,260,734	**2,294,219**	**4,556,677**	**3,735,779**
NON-CURRENT ASSETS					
Long Term Assets					
Unrealized gains on hedge operations	15	247,878	14,274	256,464	14,274
Unrealized gains on trading operations	15	-	-	44,429	-
Restricted deposits	7	9,915	9,546	232,450	231,489
Judicial deposits	10	96,099	98,646	97,721	100,095
Hydrological risk renegotiation to be recognized	8	103,306	115,406	130,776	144,950
Concession financial asset	9	-	-	2,317,608	2,245,463
Other non-current assets		20,313	22,236	151,108	90,377
		477,511	**260,108**	**3,230,556**	**2,826,648**
Investments	11	**10,540,737**	**7,523,753**	**-**	**19,027**
Property, plant and equipment	12	**4,288,507**	**5,043,803**	**14,635,467**	**11,678,108**
Intangible assets	13	**38,507**	**30,823**	**1,312,845**	**1,308,951**
		15,345,262	**12,858,487**	**19,178,868**	**15,832,734**
TOTAL		**17,605,996**	**15,152,706**	**23,735,545**	**19,568,513**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

CNPJ Nº 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4

BALANCE SHEETS AT DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Parent Company		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
CURRENT LIABILITIES					
Suppliers	14	466,734	408,772	588,471	617,396
Dividends and interest on equity	26	2,136,939	1,300,237	2,137,039	1,300,516
Loans and financing	16	142,536	787,856	454,513	948,158
Debentures and promissory notes	17	36,882	17,849	210,369	2,127,760
Income tax and social contribution payable	19	59,389	166,346	102,033	181,351
Other tax and regulatory liabilities	20	53,816	56,639	104,410	93,668
Labor obligations	21	90,989	93,115	99,572	94,879
Unrealized losses on trading operations	15	-	-	98,047	-
Concessions payable	18	79,051	61,367	84,931	67,051
Provisions	22	7,880	10,647	8,883	11,651
Retirement benefits obligations	23	35,369	30,683	35,369	30,683
Other current liabilities		169,003	171,130	246,624	203,358
		3,278,588	**3,104,641**	**4,170,261**	**5,676,471**
NON-CURRENT LIABILITIES					
Loans and financing	16	2,840,909	1,291,810	5,854,915	2,867,783
Debentures	17	1,580,252	812,715	3,200,437	812,715
Unrealized losses on trading operations	15	-	-	19,395	-
Concessions payable	18	2,717,339	2,385,027	2,765,538	2,432,348
Provisions	22	81,637	71,349	88,977	77,723
Retirement benefits obligations	23	283,765	280,971	283,765	280,971
Deferred income tax and social contribution	24	426,754	340,204	768,814	507,905
Other non-current liabilities		80,566	35,395	262,866	77,872
		8,011,222	**5,217,471**	**13,244,707**	**7,057,317**
SHAREHOLDERS' EQUITY	25				
Capital		4,902,648	2,829,056	4,902,648	2,829,056
Profit reserves		1,029,574	2,963,983	1,029,574	2,963,983
Proposed additional dividends		76,703	636,755	76,703	636,755
Valuation adjustments		307,261	400,800	307,261	400,800
		6,316,186	**6,830,594**	**6,316,186**	**6,830,594**
Non-controlling interest		-	-	4,391	4,131
		6,316,186	**6,830,594**	**6,320,577**	**6,834,725**
TOTAL		**17,605,996**	**15,152,706**	**23,735,545**	**19,568,513**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

CNPJ Nº 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4

INCOME STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais, except when stated otherwise)

	Note	Parent Company		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
NET OPERATING REVENUE	27	**4,892,121**	**4,405,774**	**8,794,792**	**7,009,957**
Cost of energy sold and services rendered					
Electricity purchases	28	(1,317,006)	(548,232)	(2,324,901)	(1,745,974)
Transactions in the short-term energy market		(436,837)	(154,348)	(574,092)	(360,168)
Charges for the use of and connection to the power grid		(314,446)	(347,249)	(461,132)	(423,490)
Cost of electricity production	28	(584,736)	(1,096,061)	(1,491,179)	(1,443,369)
Cost of services rendered	28	(24,632)	(30,834)	(24,682)	(30,870)
		(2,677,657)	**(2,176,724)**	**(4,875,986)**	**(4,003,871)**
GROSS PROFIT		**2,214,464**	**2,229,050**	**3,918,806**	**3,006,086**
Other operating income (expenses)					
Selling expenses	28	(1,891)	(10,511)	(6,744)	(17,347)
General and administrative expenses	28	(189,842)	(173,251)	(201,005)	(178,617)
Provision for asset impairment		(39,327)	(14,863)	(39,327)	(18,419)
Income (loss) from divestments		-	-	-	56,892
Other operating income (expenses), net		(1,746)	3,417	(3,648)	3,498
		(232,806)	**(195,208)**	**(250,724)**	**(153,993)**
Equity income (loss)					
Equity	11	1,302,906	685,025	(971)	(1,883)
Amortization of goodwill	11	(3,341)	(3,341)	-	-
		1,299,565	**681,684**	**(971)**	**(1,883)**
INCOME BEFORE FINANCIAL INCOME (LOSS) AND TAXES		**3,281,223**	**2,715,526**	**3,667,111**	**2,850,210**
Financial result					
Financial income	29	72,701	114,753	154,685	223,483
Financial expenses	29	(769,542)	(421,692)	(853,980)	(450,313)
		(696,841)	**(306,939)**	**(699,295)**	**(226,830)**
INCOME BEFORE INCOME TAXES		**2,584,382**	**2,408,587**	**2,967,816**	**2,623,380**
Income tax and social contribution					
Current	30	(181,391)	(276,713)	(392,447)	(419,560)
Deferred	30	(88,630)	(128,462)	(259,962)	(199,261)
NET INCOME FOR THE YEAR		**2,314,361**	**2,003,412**	**2,315,407**	**2,004,559**
NET INCOME ATTRIBUTABLE TO:					
Shareholders of ENGIE Brasil Energia		**2,314,361**	**2,003,412**	**2,314,361**	**2,003,412**
Non-controlling shareholder		**-**	**-**	**1,046**	**1,147**
		2,314,361	**2,003,412**	**2,315,407**	**2,004,559**
BASIC AND DILUTED EARNINGS PER SHARE – IN BRAZILIAN REAL	**25**	**2.83648**	**2.45538**	**2.83648**	**2.45538**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

CNPJ Nº 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4

COMPREHENSIVE INCOME STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

	Note	Parent Company		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
NET INCOME FOR THE YEAR		**2,314,361**	**2,003,412**	**2,315,407**	**2,004,559**
Other comprehensive income that in the future:					
- Will not be reclassified as profit or loss					
Remeasurement of retirement obligations	23	(6,119)	(6,970)	(6,119)	(6,970)
Deferred income tax and social contribution		2,080	2,370	2,080	2,370
		(4,039)	**(4,600)**	**(4,039)**	**(4,600)**
- Will be reclassified as profit or loss					
Fair value of cash flow hedge					
Unrealized gains generated in the fiscal year		-	-	1,356	16,447
Deferred income tax and social contribution		-	-	(551)	(5,592)
Unrealized gains (losses) in the year		-	-	3,576	(17,238)
Equity income (loss) of the effects above		4,381	(6,383)	-	-
	15	**4,381**	**(6,383)**	**4,381**	**(6,383)**
COMPREHENSIVE INCOME FOR THE YEAR		**2,314,703**	**1,992,429**	**2,315,749**	**1,993,576**
INCOME ATTRIBUTABLE TO:					
Shareholders of ENGIE Brasil Energia		**2,314,703**	**1,992,429**	**2,314,703**	**1,992,429**
Non-controlling shareholder		**-**	**-**	**1,046**	**1,147**
		2,314,703	**1,992,429**	**2,315,749**	**1,993,576**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

CNPJ Nº 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4

CHANGES IN SHAREHOLDERS' EQUITY STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

				Profit reserves					Valuation adjustments				
	Note	Capital	Capital reserves	Legal Reserve	Tax incentive reserve	Retained Earnings Reserve	Proposed additional dividends	Retained earnings	Attributed cost	Other comprehensive income	Parent Company Shareholders' Equity	Non-controlling interest	Consolidated Shareholders' Equity
Balances at 12.31.2016		**2,829,056**	**-**	**565,811**	**113,459**	**2,247,099**	**409,644**	**-**	**413,987**	**32,171**	**6,611,227**	**3,167**	**6,614,394**
Additional dividends paid from 2016		-	-	-	-	-	(409,644)	-	-	-	**(409,644)**	-	**(409,644)**
Net income for the year		-	-	-	-	-	-	2,003,412	-	-	**2,003,412**	1,147	**2,004,559**
Re-measurement of retirement obligations	23	-	-	-	-	-	-	-	-	(4,600)	**(4,600)**	-	**(4,600)**
Fair value of cash flow hedge	15	-	-	-	-	-	-	-	-	(6,383)	**(6,383)**	-	**(6,383)**
Realization of attributed cost		-	-	-	-	-	-	34,375	(34,375)	-	**-**	-	**-**
Allocations proposed to ASM:													
- Tax incentive reserve	25	-	-	-	37,614	-	-	(37,614)	-	-	**-**	-	**-**
- Interim dividends	26	-	-	-	-	-	-	(938,918)	-	-	**(938,918)**	(183)	**(939,101)**
- Interest on equity (IOE)	26	-	-	-	-	-	-	(424,500)	-	-	**(424,500)**	-	**(424,500)**
- Additional dividends proposed	26	-	-	-	-	-	636,755	(636,755)	-	-	**-**	-	**-**
Balances at 12.31.2017		**2,829,056**	**-**	**565,811**	**151,073**	**2,247,099**	**636,755**	**-**	**379,612**	**21,188**	**6,830,594**	**4,131**	**6,834,725**
Additional dividends paid from 2017		-	-	-	-	-	(636,755)	-	-	-	**(636,755)**	-	**(636,755)**
Net income for the year		-	-	-	-	-	-	2,314,361	-	-	**2,314,361**	1,046	**2,315,407**
Re-measurement of retirement obligations	23	-	-	-	-	-	-	-	-	(4,039)	**(4,039)**	-	**(4,039)**
Fair value of cash flow hedge	15	-	-	-	-	-	-	-	-	4,381	**4,381**	-	**4,381**
Unclaimed dividends and IOE		-	-	-	-	-	-	3,423	-	-	**3,423**	-	**3,423**
Capital increase approved	25	2,073,592	-	-	(4,166)	(1,594,357)	-	(475,069)	-	-	**-**	-	**-**
Realization of attributed cost		-	-	-	-	-	-	93,881	(93,881)	-	**-**	-	**-**
Allocations proposed to ASM:													
- Legal reserve	25	-	-	115,718	-	-	-	(115,718)	-	-	**-**	-	**-**
- Tax incentive reserve	25	-	-	-	23,465	-	-	(23,465)	-	-	**-**	-	**-**
- Interim dividends	26	-	-	-	-	(652,742)	-	(1,146,037)	-	-	**(1,798,779)**	(786)	**(1,799,565)**
- Interest on equity (IOE)	26	-	-	-	-	-	-	(397,000)	-	-	**(397,000)**	-	**(397,000)**
- Additional dividends proposed	26	-	-	-	-	-	76,703	(76,703)	-	-	**-**	-	**-**
- Profit retention reserve	25	-	-	-	-	177,673	-	(177,673)	-	-	**-**	-	**-**
Balances at 12.31.2018		**4,902,648**	**-**	**681,529**	**170,372**	**177,673**	**76,703**	**-**	**285,731**	**21,530**	**6,316,186**	**4,391**	**6,320,577**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

CNPJ Nº 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4

CASH FLOW STATEMENT (INDIRECT METHOD) FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Cash flow from operating activities				
Income before income taxes	2,584,382	2,408,587	2,967,816	2,623,380
Reconciliation of net income with cash generated by operations:				
Equity income (loss)	(1,299,565)	(681,684)	971	1,883
Depreciation and amortization	289,513	416,587	660,172	648,947
Provision for asset impairment	39,327	14,863	39,327	18,419
Monetary and foreign exchange variance	222,659	35,415	237,060	38,800
Interest	497,263	356,152	532,911	354,199
Accrual (reversal) of operating provisions	1,801	(258,703)	3,221	(257,636)
Remuneration of the concession financial asset	-	-	(340,403)	(47,917)
Unrealized gains on trading operations	-	-	(43,189)	-
Income (loss) from divestments	-	-	-	(56,892)
Other	2,424	3,568	4,851	2,264
Adjusted net income before taxes	**2,337,804**	**2,294,785**	**4,062,737**	**3,325,447**
(Increase) decrease in assets				
Trade accounts receivable	182,042	(180,259)	(67,831)	(222,910)
Income tax and social contribution credit	(82,084)	39,676	(84,291)	29,212
Insurance indemnities receivable	(49,826)	(14,444)	(52,718)	(14,444)
Inventories	882	11,345	(30,708)	11,499
Restricted and judicial deposits	12,518	47,314	12,156	49,158
Hydrological risk renegotiation to be recognized	23,075	23,992	25,149	26,065
Concession and financial asset	-	-	246,088	(2,499,450)
Other assets	(3,177)	(31,645)	(12,391)	(28,713)
(Decrease) increase in liabilities				
Suppliers	66,307	208,991	(124,518)	225,277
Other tax and regulatory liabilities	(9,488)	(8,826)	3,659	(1,597)
Retirement benefits obligations	(26,703)	(26,250)	(26,703)	(26,250)
Fuel payable to CDE	-	-	180,959	-
Other liabilities	39,047	70,763	32,029	17,093
Cash generated from operations	**2,490,397**	**2,435,442**	**4,163,617**	**890,387**
Payment of interest on debt, net of hedge	(196,669)	(99,148)	(485,755)	(243,844)
Payment of income tax and social contribution	(359,269)	(174,363)	(531,156)	(314,741)
Net cash generated from operating activities	**1,934,459**	**2,161,931**	**3,146,706**	**331,802**

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Continued

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Investment activities				
Dividends received from subsidiaries	631,357	558,301	-	-
Capital increase at subsidiaries	(1,968,357)	(2,969,949)	-	-
Capital decrease in subsidiaries	184,432	150,000	-	-
Acquisition of investment	(28,957)	(8,012)	(18,958)	(45,460)
Investment in property, plant and equipment and intangible assets	(115,775)	(177,176)	(3,305,514)	(2,956,348)
Receivables from divestments	32	-	111,817	212,091
Cash and equivalents from divested subsidiaries	-	-	-	(19,263)
Net cash consumed from investment activities	**(1,297,268)**	**(2,446,836)**	**(3,212,655)**	**(2,808,980)**
Financing activities				
New loans and financing	700,248	1,656,297	2,397,050	1,951,482
Issue of debentures and promissory notes	727,621	-	2,486,240	2,096,112
Payment of loans and financing, net of hedge	(33,658)	(340,525)	(2,290,194)	(505,399)
Payment of concession installments payable	(64,729)	(62,760)	(70,885)	(68,719)
Payment of dividends and interest on equity	(1,989,966)	(838,155)	(1,989,966)	(838,621)
Others	673	(196)	19,426	(42,947)
Net cash from financing activities	**(659,811)**	**414,661**	**551,671**	**2,591,908**
(Decrease) increase in cash and cash equivalents	**(22,620)**	**129,756**	**485,722**	**114,730**
Reconciliation of cash and cash equivalents				
Opening balance	1,305,015	1,175,259	1,930,070	1,815,340
Closing balance	1,282,395	1,305,015	2,415,792	1,930,070
(Decrease) increase in cash and cash equivalents	**(22,620)**	**129,756**	**485,722**	**114,730**

Additional information on transactions not affecting cash and cash equivalents is presented in Note 34 - Additional information to the cash flow

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

CNPJ Nº 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4

ADDED-VALUE STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
GENERATION OF ADDED VALUE				
Gross operating revenue	5,410,949	4,875,069	9,623,109	7,734,910
Revenue from construction	-	-	3,259,330	1,767,570
Other	(1,746)	5,606	(3,648)	62,579
	5,409,203	**4,880,675**	**12,878,791**	**9,565,059**
(-) Inputs				
Electricity purchase	(1,317,006)	(548,232)	(2,324,901)	(1,745,974)
Transactions in the short-term energy market	(436,837)	(154,348)	(574,092)	(360,168)
Charges for the use of and connection to the power grid	(314,446)	(347,249)	(461,132)	(423,490)
Fuels used in energy production	(23,308)	(442,809)	(152,091)	(454,600)
Materials and services	(91,532)	(188,082)	(253,363)	(256,481)
Insurance	(13,553)	(25,777)	(40,725)	(32,289)
(Accrual) reversal of operating provisions	(1,801)	258,703	(3,221)	257,636
Construction costs	-	-	(2,963,825)	(1,600,575)
Provision for asset impairment	(39,327)	(14,863)	(39,327)	(18,419)
Other	(34,449)	(44,504)	(69,372)	(49,335)
	(2,272,259)	**(1,507,161)**	**(6,882,049)**	**(4,683,695)**
GROSS ADDED VALUE	**3,136,944**	**3,373,514**	**5,996,742**	**4,881,364**
Depreciation and amortization	(289,513)	(416,587)	(660,172)	(648,947)
NET ADDED VALUE GENERATED	**2,847,431**	**2,956,927**	**5,336,570**	**4,232,417**
ADDED VALUE RECEIVED IN TRANSFER				
Financial income	72,701	114,753	154,685	223,483
Equity income (loss)	1,299,565	681,684	(971)	(1,883)
ADDED VALUE TO DISTRIBUTE	**4,219,697**	**3,753,364**	**5,490,284**	**4,454,017**

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DISTRIBUTION OF ADDED VALUE

	Parent Company				Consolidated			
	12.31.2018	%	12.31.2017	%	12.31.2018	%	12.31.2017	%
Remuneration:								
Labor								
Remuneration and charges	119,036	2.8	162,343	4.3	182,809	3.3	167,849	3.8
Benefits	36,395	0.9	65,452	1.7	51,829	0.9	66,295	1.5
Profit sharing	21,673	0.5	29,104	0.8	31,398	0.6	29,301	0.7
FGTS	8,797	0.2	13,317	0.4	14,925	0.3	13,652	0.3
	185,901	**4.4**	**270,216**	**7.2**	**280,961**	**5.1**	**277,097**	**6.3**
Government								
Federal taxes	781,090	18.5	877,875	23.4	1,524,961	27.8	1,345,665	30.2
State taxes	22,266	0.5	19,237	0.5	22,989	0.4	19,458	0.4
Municipal taxes	2,893	0.1	2,591	0.1	3,435	0.1	2,765	0.1
Sectorial charges	140,410	3.3	147,660	3.9	182,475	3.3	170,819	3.8
Charges on concessions payable	414,725	9.8	214,188	5.7	421,955	7.7	220,742	5.0
	1,361,384	**32.2**	**1,261,551**	**33.6**	**2,155,815**	**39.3**	**1,759,449**	**39.5**
Third-party capital								
Interest and monetary variation	334,458	7.9	199,565	5.3	392,535	7.1	216,235	4.9
Capitalized financial interest and monetary variation	-	-	2,189	0.1	294,297	5.4	169,184	3.8
Rentals	6,820	0.2	9,078	0.2	15,920	0.3	15,299	0.3
Other financial expenses	16,773	0.4	7,353	0.2	35,349	0.6	12,194	0.3
	358,051	**8.5**	**218,185**	**5.8**	**738,101**	**13.4**	**412,912**	**9.3**
Own capital								
Capital increase	475,069	11.3	-	-	475,069	8.7	-	-
Legal reserve	115,718	2.7	-	-	115,718	2.1	-	-
Tax incentive reserve	23,465	0.6	37,614	1.0	23,465	0.4	37,614	0.8
Dividends	1,222,740	29.0	1,575,673	42.0	1,222,740	22.3	1,575,673	35.4
Interest on equity	397,000	9.4	424,500	11.3	397,000	7.2	424,500	9.5
Realization of attributed cost	(93,881)	(2.2)	(34,375)	(0.9)	(93,881)	(1.7)	(34,375)	(0.8)
Unclaimed dividends and IOE	(3,423)	(0.1)	-	-	(3,423)	-	-	-
Profit retention reserve	177,673	4.2	-	-	177,673	3.2	-	-
Non-controlling shareholder	-	-	-	-	1,046	-	1,147	-
	2,314,361	**54.9**	**2,003,412**	**53.4**	**2,315,407**	**42.2**	**2,004,559**	**44.9**
	4,219,697	**100.0**	**3,753,364**	**100.0**	**5,490,284**	**100.0**	**4,454,017**	**100.0**

The notes are an integral part of the financial statements.

NOTE 1 – OPERATIONS

ENGIE Brasil Energia S.A. ("Company" or "ENGIE Brasil Energia" or "EBE") is an independent utility concessionaire and a publicly held corporation with its registered headquarters in the municipality of Florianópolis, Santa Catarina state, Brazil. The core business and main operating activity of the Company and its subsidiaries is the generation and sale of electricity, regulated by the Brazilian Electricity Regulatory Agency (ANEEL), which is linked to the Ministry of Mines and Energy (MME). In 2018, the Company entered the transmission, distributed generation and electricity trading segments, as described below in items "f", "k" and "n", respectively. The amounts transacted in these new segments during fiscal year 2018 had no significant impact on the Company's results.

The shares of the Company are listed in the New Market segment of B3 S.A. – Brasil, Bolsa, Balcão (B3) under the ticker EGIE3. ENGIE Brasil Energia also trades Level 1 American Depositary Receipts (ADR) in the U.S. Over-the-Counter market under the ticker EGIEY, in the proportion of one ADR for each common share.

The Company is controlled by ENGIE Brasil Participações Ltda. ("ENGIE Participações"), a company established in Brazil and controlled by International Power S.A., headquartered in Belgium. International Power is a subsidiary of International Power Ltd., a company headquartered in the United Kingdom, which is part of the economic group ENGIE group, headquartered in France.

ENGIE Brasil Energia is part of the largest independent energy producer in Brazil, accounting for approximately 6.4%[1] of the country's installed capacity. At 12.31.2018, its installed capacity, including its stakes in energy generation consortiums, was 8,004.8 MW. Out of this total, 79.9% arises from hydroelectric power plants, 10.7% from thermal power plants and 9.4% from complementary energy (wind, solar, biomass and small hydroelectric power plants). Physical guarantee for sale averaged was 4,432.1 MW, of which 377.4 average MW are related to the portion of 70% of physical guarantee of the Jaguara and Miranda Hydroelectric Power Plants, which were allocated to the Regulated Contracting Environment (ACR) in the Physical Guarantee Quota System.

On 12.31.2018, the Company's generation facilities in operation consist of 41 plants, of which 11 hydroelectric power plants (HPP), 3 conventional thermal power plants (TPP), 20 wind farms, 3 biomass plants, 2 photovoltaic solar power plants and 2 small hydroelectric power plants (SHPP).

[1] The non-financial information herein, such as MW, average MW, installed power and others has not been audited by the independent auditors.

The main corporate and operational events occurred in 2018 are as follows:

a) Fuel reimbursement

On 12.19.2017, ANEEL issued a Normative Resolution, in effect from 1.1.2018, which established rules for the reimbursement of the fuel costs for domestic coal thermal power generation, intermediated by the Energy Development Account (CDE) The new resolution determined the mandatory acquisition, on 1.1.2018, of charcoal belonging to CDE under the management of the Company on the base date of 12.31.2016 for payment in five years from the acquisition. The balance amounts payable on 12.31.2018 were R$42,028 and R$138,931, recognized as "Other current liabilities" and "Other non-current liabilities."

b) Capital increase at Diamante Geração de Energia Ltda. ("Diamante") through assets from Jorge Lacerda Thermal Power Complex (CTJL)

On 1.2.2018, ENGIE Brasil Energia increased the capital stock of the direct subsidiary Diamante by R$562,431, mainly by paying for the property, plant and equipment and inventory, at book value, related to CTJL. The main purpose of said operation was to maintain the coal-fired generation operations in a separate company and did not have any effect on the Company's operations and consolidated results. In February, ANEEL authorized the transfer of plants belonging to CTJL of ENGIE Brasil Energia to Diamante.

c) Payment of dividends and interest on equity relating to 2017

In January, March and June 2018, the Company respectively paid interim dividends related to the 1st half of 2017, totaling R$938,918 and corresponding to R$1.4384206188 per share; interest on equity for fiscal year 2017, totaling R$424,500 and equivalent to R$0.6503333249 per share; and supplementary dividends for fiscal year 2017, totaling R$636,755 and corresponding to R$0.9755096548 per share.

d) Revocation of authorization of the William Arjona TPP

On 2.20.2018, answering the Company's request, ANEEL revoked the authorization of William Arjona TPP, whose operations had been suspended since the beginning of 2017, in view of the economic and financial unfeasibility due to the increase in fuel (natural gas) prices at the Plant. Total assets related to the Power Plant, amounting to R$48,026, were transferred to "Non-current assets held for sale" at their expected sale value.

e) Downgrade of long-term international rating in foreign currency

On 2.27.2018, the risk rating agency Fitch Ratings, consequent to the recent downgrading of Brazil's sovereign rating to 'BB-', downgraded the Company's long-term foreign currency rating to 'BB', with a stable outlook, thus remaining one notch above sovereign rating. The Company's long-term national rating, on the local scale, remained 'AAA(bra)', with a stable outlook.

f) Signing of concession agreement relating to Transmission Auction 02/2017

On 3.8.2018, the Company, through its direct subsidiaries ENGIE Brasil Energias Complementares Participações Ltda. ("ECP") and ENGIE Brasil Energia Comercializadora Ltda. ("EBC"), signed the concession agreement relating to said auction.

The term of the concession, including construction, assembly, operation and maintenance of transmission facilities will be 30 years from the date of signing of the concession agreement, and the deadline for commercial startup is 3.8.2023. The Permitted Annual Revenue (RAP) contracted in the auction was R$231,725, amount on 8.11.2017.

g) Loans and financing

In 2018, the Company took loans and financing in order to refinance debts falling due and to expand its generation facilities by building the Campo Largo Wind Power Complex – Phase I, the Pampa Sul S.A. Thermal Power Plant ("Pampa Sul"), and the Assú V Photovoltaic Plant. The total amount raised was R$2,232,544. For more information on the transactions, see Note 16 – Loans and Financing.

h) Possible divestment of coal energy generation assets

On 4.10.2018, the Company informed its shareholders and the market that negotiations with CountourGlobal for the divestment of the subsidiaries Diamante and Pampa Sul, did not progress satisfactorily. The Company is evaluating alternatives for continuing the process to decarbonize its portfolio.

i) Registration as issuer before the Securities and Exchange Commission of Brazil (CVM) and issue of debentures by Companhia Energética Jaguara ("Jaguara") and by Companhia Energética Miranda ("Miranda")

On 4.27.2018, CVM granted the registration as category "B" issuer of the direct subsidiaries Jaguara and Miranda. After the approval of registration, on 6.26.2018, the subsidiaries issued debentures, in two series, for public distribution with restricted placement efforts, at the par value of R$1, totaling R$1,117,000 and R$685,000, respectively. For more information on funding operations, see Note 17 – Debentures and promissory notes.

j) Issue of debentures of ENGIE Brasil Energia

On 7.30.2018, the Company concluded the public distribution of simple debentures, in accordance with CVM Instruction 400/2003, in the total amount of R$746,610. For more information, see Note 17 – Debentures and Promissory Notes.

k) Acquisition of controlling interest in ENGIE Geração Solar Distribuída S.A. ("ENGIE Solar").

On 8.10.2018, the Company concluded the acquisition of the remaining 50% of shares issued by ENGIE Solar for R$35,161. For more information on the transaction, see Note 11 –Investments.

l) Commercial start-up of the Campo Largo Wind Power Complex - Phase I and construction of Campo Largo Wind Power Complex - Phase II.

The year 2018 saw the commercial start-up of the 11 wind farms comprising the Campo Largo Wind Power Complex - Phase I, with total installed capacity of 326.7 MW and physical guarantee of 169.6 average MW. In addition, in December 2018, construction of the Campo Largo Wind Power Complex - Phase II began after contracts were signed in the Free Contracting Environment. The implementation of Phase II was approved at a Board of Directors Meeting held on 2.19.2019. Investments are estimated at approximately R$1.6 billion. This phase has an installed capacity of approximately 361.2 MW. Construction is expected to begin in 2019.

m) Capital increase through bonus shares

On 12.7.2018, the Company's shareholders approved the capital increase of R$2,073,592 through capitalization of profits and profit reserves, with the issue of 163,185,548 new shares, which will be distributed to shareholders as bonus shares in the ratio of one (1) new share for four (4) common shares held on 12.11.2018. For more information, see Note 25 - Shareholders' Equity.

n) Entering the energy trading market

In January 2018, the Company entered the trading market to capitalize on variations in electricity prices, within the risk limits and offsets pre-established by the Company's Management. For more information, see Note 15 - Risk Management and Financial Instruments.

NOTE 2 – PRESENTATION OF FINANCIAL STATEMENTS

a) Preparation basis

The financial statements were elaborated considering the operational continuity and historical costs based on value, adjusted to reflect the fair value of certain financial instruments, when applicable. These financial statements provide the relevant information, which is consistent with that used by the Management in its activities.

The Company is presenting one package, containing these consolidated and individual financial statements.

The consolidated financial statement were prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the Brazilian accounting practices, issued by the Accounting Pronouncements Committee (CPC), which were approved by the Brazilian Securities and Exchange Commission (CVM).

The individual financial statements of the parent Company were prepared in accordance with the accounting practices adopted in Brazil, which are convergent with the IFRS standards, except for the recording of the joint venture Itá Energética S.A. (Itasa) which, under Brazilian rules, is recognized by the equity method, whereas, according to IFRS, it stipulates that assets, liabilities and profit or loss are recognized in proportion to its share in the joint venture.

Preparation of the financial statements requires the use of estimates and assumptions for recording transactions affecting assets, liabilities, revenues and expenses, as well as disclosing

information in the financial statements. The assumptions are based on information available on the date of the financial statements, as well as experience from past and/or current events, also considering assumptions related to future events. These estimates are periodically revised, and results may differ from those initially estimated. Material estimates and assumptions requiring stricter judgment are disclosed in Note 3 - Summary of the Main Accounting Practices.

b) Functional currency and presentation currency

The Company's functional currency is the Brazilian real, which is the main currency in the Company's business and operational environment. The financial information is stated in thousands of reais, unless otherwise stated.

c) Business segment

The Company manages its main business as one operating segment, composed of the generation and commercialization of electricity generated by its assets or acquired through near and long-term agreements to manage its energy portfolio. This segment concentrated 92.5% and 99.4% of net revenue from consolidated sales in 2018 and 2017, respectively.

In 2018, the Company entered the following new segments: (i) electricity trading; (ii) distributed generation through the sale and installation of photovoltaic panels, by acquiring control of ENGIE Solar; and (iii) electricity transmission through the Gralha Azul Transmission Line ("LT Gralha Azul"), whose construction began in 2018 and is still in progress. These new segments are not significant in relation to the Company's total assets, revenue and net income, and hence were not considered as disclosable segments in these financial statements.

d) Net earnings per share – basic and diluted

There is no difference between the net earnings per share – basic and diluted – as there was no issue of shares with diluting effects in the presented years.

e) Consolidation basis

The consolidated financial statements include information of ENGIE Brasil Energia and its subsidiaries and joint operations, all of which headquartered in Brazil, with their accounting practices being consistent with those adopted by the Company.

The dates of the financial statements for the subsidiaries and joint venture used for consolidation and equity accounting coincide with those of the Company. The companies consolidated with ENGIE Brasil Energia are:

	Investor	Equity interest (%) 12.31.2018	12.31.2017
Direct subsidiaries			
ENGIE Brasil Energia Comercializadora Ltda. ("EBC")	EBE	99.99	99.99
ENGIE Comercializadora Varejista de Energia Ltda. ("ECV")	EBE	99.99	99.99
Companhia Energética Estreito ("CEE")	EBE	99.99	99.99
Lages Bioenergética Ltda. ("Lages")	EBE	99.99	99.99
ENGIE Brasil Energias Complementares Participações Ltda. ("ECP")[2]	EBE	99.99	99.99
Companhia Energética Jaguara ("Jaguara")	EBE	99.99	99.99
Companhia Energética Miranda ("Miranda")	EBE	99.99	99.99
Diamante Geração de Energia Ltda. ("Diamante")	EBE	99.99	99.99
Usina Termelétrica Pampa Sul S.A. ("Pampa Sul")	EBE	99.99	99.99
Usina Termelétrica Norte Catarinense Ltda. ("Norte Catarinense")	EBE	99.99	99.99
ENGIE Geração Solar Distribuída S.A. ("ENGIE Solar")	EBE	99.99	50.00
ENGIE Trading Comercializadora de Energia Ltda. ("ENGIE Trading")	EBE	99.99	-
ENGIE Transmissão de Energia II Ltda. ("ENGIE Transmissão II")	EBE	99.99	-
Joint ventures			
Itá Energética S.A. ("Itasa")	EBE	48.75	48.75
Indirect subsidiaries			
Tupan Energia Elétrica Ltda. ("Tupan")	ECP	99.99	99.99
Hidropower Energia S.A. ("Hidropower")	ECP	99.99	99.99
Ibitiúva Bioenergética S.A. ("Ibitiúva")	ECP	95.00	95.00
Ferrari Termoelétrica S.A. ("Ferrari")	ECP	99.99	99.99
Energias Eólicas do Nordeste S.A. ("EEN")[2] and subsidiaries[3]	ECP	99.99	99.99
Energias Eólicas do Ceará S.A. ("EEC")[2] and subsidiaries[3]	ECP	99.99	99.99
CLWP Brasil Participações Ltda. ("CLWP")[2] and subsidiaries[3]	ECP	99.99	99.99
CLWP Brasil II Participações Ltda. ("CLWP II")[2] and subsidiaries[3]	ECP	99.99	99.99
Conjunto Eólico Umburanas ("Umburanas")[3]	ECP	99.99	99.99
Santo Agostinho Participações Ltda. and Eólico Santo Agostinho Complex[3]	ECP	99.99	99.99
Central Fotovoltaica Assú I, II, III, IV & V ("Assú")[3]	ECP	99.99	99.99
Alvorada Participações Ltda. ("Alvorada")[2] and subsidiaries	ECP	99.99	99.99
ENGIE Transmissão de Energia Ltda. ("ENGIE Transmissão")	ECP	99.99	99.99
Exclusive investment Fund			
Fundo de Investimento Energy Renda Fixa[4]	-	100	100

The consolidation of the balance sheet accounts and income statement occurs with the sum of assets, liabilities, and consolidated income statement, according to their respective accounting natures, adjusted through the elimination of transactions made between the consolidated companies.

Assets, liabilities, revenues and expenses of the joint operation Itasa are recognized in the consolidated financial statements in proportion to the Company's interest.

The indirect subsidiary Ibitiúva is fully consolidated. The 5% non-controlling interest held in that company is presented separately in the balance sheets and in the consolidated statements of income.

[2] Holding company.

[3] For more information, see Note 11 – Investments.

[4] Fixed income investment fund that has ENGIE Brasil Energia and its direct and indirect subsidiaries as shareholders, managed by Banco Santander (Brasil) S.A.

f) Added-value statement (DVA)

The Company prepared these statements in accordance with CPC 09 –Added-Value Statements. Under international standards, the presentation of these statements is not mandatory and, consequently, these statements are presented as supplementary information, without prejudice to the financial statements. The purpose of these statements is to provide information on the wealth generated by the Company and how it was distributed.

g) Approval of the financial statements

These financial statements were approved at the Board of Directors Meeting held on 2.19.2019.

NOTE 3 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

The main accounting practices adopted in the Parent company and consolidated financial statements have been applied by the Company consistently between the years presented.

a) Financial instruments

a.1) Cash and cash equivalents

Consist of cash, bank deposits, and short-term marketable securities with immediate liquidity, without any significant risk of change of value. These financial investments are maintained with the purpose of meeting short-term cash commitments, and measured at the fair value on the financial statements date. The fair value variation is recorded in the profit or loss when obtained.

a.2) Trade accounts receivable

These are initially recorded at fair value of the consideration to be received, and subsequently measured at amortized cost, deducted from expected impairment losses. These expected losses are determined based on the history of impairment losses, adjusted based on recent observable data to reflect current and future effects and conditions, when applicable.

a.3) Restricted deposits

These are maintained to meet legal and contractual requirements. They are initially accounted for at the value deposited, and later measured at their amortized cost.

a.4) Concession financial asset

Corresponds to the unconditional right to receive cash through the Return of the Grant Bonus (RBO), in order to recover the investment made to acquire concessions for hydroelectric power plants granted by the Federal Government. Initially recorded at the present value of guaranteed future cash flows and, subsequently, at amortized cost based on the rate used to calculate present value.

a.5) Loans, financing, debentures and promissory notes

These are initially accounted for at fair value, net of any transaction costs incurred, and subsequently measured at the amortized cost using the effective interest rate method, except loans and debentures to which the Company applied hedge accounting rules, which are subsequently measured at fair value through profit or loss.

a.6) Concessions payable

Corresponds to the contractual financial obligations of payments for the grants for consideration of concessions of hydroelectric power plants. These are initially recorded at the present value of concession installments payable over the term of the concession, and subsequently at the amortized cost based on the interest rate used for calculating the present value.

In order to accurately reflect in shareholders' equity the granted concession and the related obligation, amounts corresponding to concessions were recorded in property, plant and equipment with a corresponding entry in liabilities.

a.7) Derivative financial instruments

Identified when: (i) their values are affected by rate or price fluctuations; (ii) there is no initial investment; and (iii) settlement is on a future date.

Derivative financial instruments held by the Company correspond to hedging operations against exposure to risks related to exchange variation and interest rates of debts and future commitments, which are recognized in accordance with the standards applicable to hedge accounting, as mentioned below. Moreover, the Company carries out energy trading operations to capitalize on price variations in the market.

Derivative financial instruments are recognized as asset and/or liability in the balance sheet and measured at fair value. Gains or losses resulting from changes in their fair value are recognized as financial income (loss), except when the derivative qualifies for and is designated for hedge accounting.

a.7.1) Hedge accounting

At the start of the hedge operation, the Company prepares a formal documentation describing the objectives and strategies of the risk hedging and the relationship between the underlying hedge transaction and the hedge instrument used to provide the expected protection.

The following hedge operations of the Company qualify for hedge accounting:

Fair value hedge

Hedge operations to protect the Company's loans and debentures from foreign exchange and interest rate variations result from short positions tied to the IPCA or CDI rate variation, i.e. non-fixed components, therefore designated as "fair value hedge." In these transactions, any gains or losses arising from fair value measurement variations of loans and debentures and hedge operations are recognized as financial income (loss).

Cash flow hedge

Hedging against exposure to foreign currencies of financial commitments for acquisition of assets is designated as "Cash flow hedge". In these transactions, for the highly effective portion of the hedge, gains and losses arising from changes in the instrument's fair value are recognized as shareholders' equity, under "Other comprehensive income (loss)", and transferred to assets when the hedged financial commitment is finally realized. The ineffective portion of the hedge instrument is recorded as profit or loss for the period.

b) Inventories

These are assessed at the lower value between the average weighted cost of acquisition and the net realization value.

c) Judicial deposits

Are initially registered at the total amount deposited, plus any interest obtained until the date of the financial statements, which are recognized in the financial result.

d) Non-current assets held for sale

Assets are classified as held-for-sale when their book value is recoverable particularly through their sale and not through their continuous use. These assets are measured by the lowest between their book value and their fair value, net of selling expenses, and are presented separately in the balance sheet.

e) Investments

e.1) Investments in directly or indirect subsidiaries

Investments in subsidiaries are those in which the Company is exposed to or has rights to the variable returns resulting from its involvement with the entity and is capable of interfering in these returns through its power over such entity.

These investments are evaluated using the equity method in the Parent company financial statements, and fully consolidated for purposes of presentation of the consolidated financial statements.

e.2) Investments in joint arrangements

Joint arrangements are those in which the Company and one or more investors hold shared control over operating and financial activities of the entity. These may be classified as joint operations or joint ventures, depending on the contractual rights and obligations of investors.

The Company holds joint operations in Itasa and in consortiums. The investment in joint operations in entities with their own legal personality is recognized through the equity method in the parent company. In the consolidated statements, assets, liabilities, revenues and expenses of said joint operation are recognized in proportion to the interest in the business. Regarding interest in consortia (entities without their own legal personality), assets, liabilities, revenue and expenses are recognized directly in the financial statements of the consortium member, based on the respective interest held in the consortium.

Investments in joint ventures are initially booked at cost and subsequently recognized through the equity method. On 12.31.2018, the Company had no interest in a joint venture, given the acquisition of all the shares issued by ENGIE Geração Solar Distribuída in August 2018.

e.3) Business combination and "Goodwill" in investment acquisition

Business combination is a method used for recognizing acquisitions of control in the consolidated statements. This method requires identifiable assets acquired and liabilities assumed to be measured at their fair values. Goodwill from the business combination is tested for impairment every year.

In the parent company, the difference between the amount paid and the book value of the shareholders' equity of acquired companies is recognized in the investment as (i) surplus, when the economic ground is substantially related to the fair value of net assets from the acquired subsidiary; and (ii) goodwill, when the amount paid exceeds the fair value of net assets and this difference represents the expected future value creation.

f) Property, plant and equipment

f.1) Measurement

The assets that compound the property, plant and equipment are recorded at acquisition or construction cost. The interests and other financial charges arising from loans, financing and debentures related to the constructions in progress, are calculated as the cost of the respective fixed asset. The assets, or set of assets, that had accounting values significantly different from their fair values on the date of adoption of new accounting practices in Brazil, on 1.1.2009, started to have their fair value taken as deemed cost in assets.

The costs of property, plant and equipment are deducted from accumulated depreciations and provisions for asset impairment, when applicable.

The components of certain assets that are regularly replaced during the economic useful life of the asset are recognized as separate assets and then depreciated for the expected period for the substitution. The costs incurred in small regular maintenance activities and also routine activities are recognized in the profit or loss, when incurred.

In the consolidated statements, the Company recognizes the fair values of intangible assets arising from the concession of or authorization to use public assets, acquired in a business combination, as a single asset in the group of property, plant and equipment. This procedure was adopted in view of the impossibility of these fixed and intangible assets to be sold or transferred separately and to the similar durations of said rights and useful lives of the assets.

f.2) Depreciation

Depreciation of fully operating assets is calculated by the linear method, based on the annual rates established by ANEEL, which are practiced by the companies of the Brazilian electrical sector and represent the estimated useful life of the assets. Initial investments in generation assets are depreciated based on the useful lives defined by ANEEL, limited to the period of concession or authorization of the power plants.

g) Intangible assets

Are registered at acquisition cost or at the fair value of the intangible assets acquired in a business combination, deducted from the accumulated amortization calculated by the linear method. Intangible assets have useful lives that are well defined based on commercial contracts or contracts of concession and authorization.

h) Assessment of the recovery value of property, plant and equipment and intangible assets – Impairment

The Company appraises, at least on an annual basis, the assets comprising its property, plant and equipment and its intangible assets, in order to identify evidences that could lead to impairment losses from the respective units generating cash or intangibles, or also when events or significant change indicate that their book values may not be recoverable. If identified that the book value of the asset exceeds its recoverable value, then this provision for impairment loss is recognized in the profit or loss of the year.

The recoverable value of an asset is the larger value between its current value in use and the sale fair value, net of necessary costs to sell the asset. The value in use corresponds to the discounted cash flows – before tax – generated by the use of the asset during its useful life.

i) Provisions

Are recognized when there is a present obligation resulting from a past event, in which there shall probably be an outflow of resources for the settlement and that this obligation can be reasonable estimated. The updating of the provision through time is recognized in the item of financial expenses.

The significant contingent liabilities which have been assessed as possible and remote risk of loss are not recorded, but disclosed in the explanatory note, when relevant.

j) Retirement benefits obligations

Actuarial commitments to defined retirement benefit plans are recognized at the present value of the estimated liabilities, net of the amount of assets guaranteeing the plan.

The present value of the commitments is calculated based on an actuarial appraisal elaborated annually by independent actuarial, based on the Projected Unit Credit Method. The method considers each period of employment as a generator of an additional benefit unit, and the units are accumulated to build up the final obligation. Net assets are substantially composed of investments comprising the benefits plan portfolio, which are valued at their fair value.

Changes in the net defined benefit are recognized when incurred as follows: (i) cost of service and net interest, in profit or loss for the year; and (ii) annual remeasurements of retirement benefit obligations, net of the assets of the plans, under "Other comprehensive income".

The Company also maintains defined contribution plans, whose contributions are recognized in profit or loss when incurred.

k) Income tax and social contribution

Segmented in the balance sheet and the result as current and deferred taxes.

k.1) Current income tax and social contribution

Are individually calculated by each entity according to the rates in force in the financial statement period and recorded at the net amount in the balance sheet, when the taxes correspond to the same tax entities and will be paid at the net amount.

The tax benefit of reduction of income tax for projects built in a tax-incentive region, is recognized as an offsetting account of income tax and transferred from the "Retained earnings" account to the "Tax incentive reserve", in shareholders' equity.

k.2) Deferred income tax and social contribution

Are calculated with the application of the effective rates forecasted for the years in which there is an expectation of realizing or demanding temporary differences - differences between the book value of liabilities and assets and their tax base – or offsetting tax losses, and social contribution tax loss carryforwards, when applicable. These deferred taxes are fully presented in the non-current group, on a net basis, regardless of the expectations of realization and enforceability of the amounts that give rise to them.

l) Other assests and liabilities current and non-current

Other assets are recorded at acquisition cost, deducted from the impairment provision, when applicable. Other obligations are recorded at the known or calculable values with the addition, when applicable, of the corresponding interest and monetary readjustments incurred.

m) Equity instruments

Equity instruments issued by the Company are recognized in the equity when the funds are received, net of any direct costs incurred in its issue, as applicable.

n) Distribution of dividends and interest on equity

The dividends and interest on equity are recognized as liabilities in the following moments: (i) interim dividends – when approved by the Board of Directors; (ii) interest on equity – on the date when credit is paid to the shareholders; and (iii) additional dividends as proposed at the end of the year – on approval at a General Meeting (AGO).

o) Related party transactions

Transactions for the purchase and sale of energy, services and intercompany loans are carried out under conditions and durations agreed between the parties and registered according to contractual terms and conditions, which are restated at their contractual charges.

p) Revenue from contracts with customers

Revenue is measured based on the consideration established in contracts with customers, at the fair value of consideration received or to be received, less all applicable taxes.

Revenue is recognized in accordance with the following stages: (i) identification of the rights and commitments established in the customer contract; (ii) identification of the contracted performance obligations; (iii) definition of the transaction price; (iv) pricing of the performance obligations; and (v) recognition when (or to the extent that) performance obligations are met. Revenue is only recognized when there is no significant uncertainty regarding its realization.

Revenue is recognized in accordance with the contracts signed, the performance obligation of which is met on a monthly basis, given that the customer simultaneously receives and consumes the benefits supplied by the Company and, consequently, the consideration amount reflects the fair value receivable when the energy is effectively delivered to the customer.

Information regarding the nature and time of compliance with the performance obligations established in contracts with customers is provided below, including significant payment conditions and related revenue recognition policies.

p.1) Electricity supply and provision

The Company recognizes revenue from electricity supply and provision at the fair value of consideration, through the delivery of electricity during a certain period. The energy volume delivered to the buyer is determined on a monthly basis. Customers obtain control of electricity the moment they consume it. The bills are issued on a monthly basis and usually paid within 30 days from their issue date.

Revenue is recognized based on the assured energy, with prices established in the supply and provision contracts. The Company can sell the energy produced in two environments: (i) the Free Contracting Environment (ACL), where electricity is traded based on free negotiation of prices and conditions between the parties, through bilateral contracts; and (ii) the Regulated Contracting Environment (ACR), where electricity is sold to distributors and the price is established by the regulatory agency through energy auctions.

p.2) Transactions in the short-term market

The Company recognizes revenue at the fair value of consideration receivable at the time when the short-term market transactions occur. Energy price in these transactions is linked to the Differences Settlement Price (PLD).

p.3) Trading operations

Energy trading operations take place in the active market, and for the purposes of accounting measurement, comply with the definition of financial instruments at fair value.

The Company recognizes revenue upon delivery of energy to the customer, at the fair value of the consideration. Unrealized net gains from the mark-to-market (difference between contracted and market prices) of outstanding net contracted operations on the date of the financial statements are also recognized as revenue.

p.4) Service revenue

For energy sold in the ACR, HEPs Jaguara and Miranda receive, as part of the Annual Generation Revenue (RAG), the portion related to the Management of Generation Assets (GAG), which is allocated for remunerating Plant operation and maintenance services and aims to shutdowns. The Company recognizes revenue at the fair value of the consideration to be received every month, to the extent that the performance obligation to keep the Plant in operation is met.

p.5) Revenue from implementation of transmission infrastructure

Revenue from implementation of transmission infrastructure is recognized in accordance with ICPC 01 (R1) - Service Concession Arrangements (IFRIC 12) and CPC 47, to the extent that all performance obligations are met over time. This revenue corresponds to construction costs plus residual gross margin to cover construction management costs. This construction spending is recognized at cost.

q) Leasing contracts

The Company's leasing contracts are considered operational, where the contractual amounts are registered as profit or loss, while the contract remains valid.

r) Application of judgments and critical accounting practices

Critical accounting practices are those important to present the financial conditions and also the results, and require more difficult, subjective or complex judgments made by Management, often as a result of the need of making estimates that have an impact on questions that are inherently uncertain. As the number of variables and assumptions that affect the possible future solution of such uncertainties increases, these judgments become even more subjective and more complex.

In the preparation of financial statements, the Company adopted certain assumptions arising from the historical experience and other factors which are considered reasonable and relevant. Even though these estimates and assumptions are reviewed by the Company in the normal course of business, the statement of its financial conditions and the results of the operations often require the use of judgments in relation to the book value of its assets and liabilities.

Effective results can be different from those estimated due to variables, assumptions or different conditions. In order to provide understanding of how the Company prepares its judgments about future events, including variables and assumptions used in the estimates, comments are included about each critical accounting practice as described below:

r.1) Derivative financial instruments

Derivative financial instruments are recognized at their fair values in the financial statements. Determining the fair value of the Company's derivatives requires the use of valuation methodologies that can be complex and involve the use of future estimates for exchange, inflation, long-term interest rates and energy prices.

r.2) Useful life of property, plant and equipment

The Company hereby recognizes the depreciation of its property, plant and equipment, based on the annual rates established by ANEEL, which are practiced by the companies of the Brazilian electrical sector and represent the estimated useful lives of the different assets – limited to the time frame for concession or authorization of the power plants, when applicable. However, the real useful lives may vary based on the technological updates made to the assets of each generation unit. The useful lives of fixed assets also affect the impairment tests of property, plant and equipment, when these are necessary.

r.3) Long-term assets impairment test

There are specific rules for test the long-term assets impairment, particularly property, plant and equipment. At the end of the year, the Company conducts an analysis to assess if there is any evidence that the total value of the long-lived assets may not be recovered. In uncommon situations, if this evidence is identified, then the Company proceeds to the impairment of these assets. These tests involve a few variables and uncertainties regarding cash flow forecasts for the valuation of assets in use and definition of the market value of assets held for sale.

r.4) Retirement benefits obligations

The Company recognizes its obligations in relation to benefits plans for employees and related costs, net of plan assets, adopting the following practices: (i) the future obligations arising from the pension benefit plans are discounted to present value, based on the interest rates on Federal Government bonds with average duration similar to those expected for the payment of the future forecasted commitments; and (ii) the assets of the pension plans are assessed at fair value on the date of the financial statements.

In actuarial calculations, the actuarial consultants also use subjective factors, such as mortality tables, inflation estimates and forecasts of salary growth, resignation, and staff turnover.

The actuarial assumptions used by the Company may be different from the real results, due to changes in the economic or market conditions, regulatory events, court decisions, or shorter or longer life periods of the participants. However, the Company and its actuaries use assumptions consistent with the internal and external analysis carried out for the definition of the estimates. The sensitivity analysis of discount rates is disclosed in Note 23 - Retirement Benefit Obligations.

r.5) Provisions

These are defined based on an appraisal and a qualification of the risks for which the probability of a loss is considered as probable. This appraisal is supported by the judgment and experience of the Management, together with its legal advisors, considering cases of jurisprudence, decisions taken at lower and higher levels, and other applicable aspects. Risk assessments and estimated amounts may differ from those effectively incurred by the Company.

s) New standards, amendments a and interpretations

The main accounting standards issued by the International Accounting Standards Board (IASB) and replicated by the Accounting Pronouncements Committee (CPC), taking effect on 1.1.2018, are the following:

s.1) CPC 47 – Revenue from Contracts with Customers (IFRS 15)

This pronouncement replaces CPC 30 (R1) - Revenue (IAS 18), CPC 17 (R1) - Construction Contracts (IAS 11) and related interpretations, in addition to establishing a new model of revenue recognition and measurement for contracts with customers.

In accordance with the new standard, revenue must be recognized in amounts that reflect the consideration the Company expects to be entitled to in exchange for the transfer of assets and services to a customer. Revenue should be recognized based on the transfer of control of assets or services to customers, as opposed to the principle of transfer or risks and benefits. The pronouncement establishes the need to follow a number of revenue recognition stages, as mentioned in item p) above, as well as requirements for more detailed presentation and disclosure than previous standards.

In compliance with the standard, the Company adopted the retroactive method for the purpose of analysis, measurement and recognition of the effects of its application. The analysis revealed no differences between the practices in terms of recognition and measurement of the Company's revenue and hence it was not necessary to restate any of the comparative accounting information.

s.2) CPC 48 – Financial Instruments (IFRS 9)

This standard replaces CPC 38 – Financial Instruments: Recognition and Measurement (IAS 39) and establishes new requirements for: (i) classifying and measuring financial assets and liabilities; (ii) measuring and recognizing impairment losses of financial assets; (iii) hedge accounting; and (iv) disclosing information.

The CPC 48 requirements related to the classification and measurement of financial assets and liabilities and the measurement and recognition of impairment losses of financial assets were retroactively adopted, and the initial adoption date was 1.1.2018. Comparative accounting information was not restated - meaning that the financial statements are presented as previously reported, pursuant to CPC 38 and its related interpretations, since no differences were found in the book values of financial assets and liabilities as a result of the adoption of CPC 48.

The main changes in the standard were:

Classification and measurement of financial assets and liabilities

The pronouncement seeks to reflect the Company's business model and its cash flow characteristics. Based on that, financial instruments are now classified in three different categories: measured at amortized cost, at fair value through other comprehensive income ("VJORA"), and at fair value through profit or loss ("VJR").

On 1.1.2018, the Company started reporting financial instruments in accordance with the aforementioned categories.

There was no change in the measurement and recording of financial instruments as a result of the new pronouncement.

The table below shows the categories of measurement of the financial assets and liabilities of the Company on 12.31.2017, presented in accordance with the previous and current accounting practices.

		Parent Company		Consolidated		Classified according to	
	Note	12.31.2017	01.01.2017	12.31.2017	01.01.2017	CPC 38/IAS 39	CPC 48/IFRS 9
Financial assets:							
Cash and bank deposits	4	2,331	1,418	21,809	12,007	Loans and receivables	Amortized cost
Financial investments	4	1,302,684	1,173,841	1,908,261	1,803,333	FVPL	FVPL
Trade accounts receivable	5	689,885	505,348	1,058,469	824,079	Loans and receivables	Amortized cost
Dividends receivable from subsidiaries	31	30,550	167,202	-	-	Loans and receivables	Amortized cost
Restricted deposits	7	20,297	10,985	246,912	194,528	Loans and receivables	Amortized cost
Concession financial asset	9	-	-	2,547,367	-	Loans and receivables	Amortized cost
Fuel to be reimbursed		44,089	49,472	44,089	49,472	Loans and receivables	Amortized cost
Fair value hedge	15	18,207	-	18,207	-	FVPL	FVPL
Cash flow hedge	15	-	-	-	3,455	FVOCI	FVOCI
		2,108,043	**1,908,266**	**5,845,114**	**2,886,874**		
Financial liabilities:							
Trade accounts payable	14	408,772	211,777	617,396	371,149	Amortized cost	Amortized cost
Dividends and IOE	26	1,300,237	371,478	1,300,516	372,040	Amortized cost	Amortized cost
Loans and financing – Domestic currency	16	409,534	715,993	2,145,809	2,284,277	Amortized cost	Amortized cost
Loans and financing – Hedged foreign currency	16	1,670,132	-	1,670,132	-	FVPL	FVPL
Debentures and promissory notes	17	830,564	804,455	2,940,475	804,455	Amortized cost	Amortized cost
Concessions payable	18	2,446,394	2,294,966	2,499,399	2,347,376	Amortized cost	Amortized cost
Payables from acquisition of investments		-	-	21,146	43,068	Amortized cost	Amortized cost
Cash flow hedge	15	-	-	1,944	21,846	FVOCI	FVOCI
		7,065,633	**4,398,669**	**11,196,817**	**6,244,211**		

Measurement and recognition of impairment losses – financial assets

CPC 48 replaces the "incurred losses" model of CPC 38 with a prospective model of "expected loan losses." This requires from the Company Management significant judgment of how changes in economic factors impact expected loan losses, which will be determined based on weighted probabilities. This new model applies to financial assets measured at amortized cost and at fair value through other comprehensive income.

The adoption of the new pronouncement did not impact the impairment of financial assets of the Company.

Hedge accounting

The standard requires that the hedge accounting relationships are aligned with the Company's risk management objectives and strategies, and to ensure the application of a qualitative and prospective approach to assess the effectiveness of the hedge.

As determined in the pronouncement, when applying CPC 48 the Company chose to continue adopting the CPC 38 requirements for hedge accounting.

Thus, the adoption of said standard did not have an impact on the Company's hedge accounting on 1.1.2018.

s.3) Interpretations of, amendments to and revisions of standards

The following pronouncements, which took effect on 1.1.2018, had no material impact on the Company's transactions carried out in previous or subsequent periods.

- ICPC 21 – Foreign Currency Transactions and Advance Consideration (IFRIC 22);

- Amendments to CPC 10 (R1) – Share-based Payment (IFRS 2);

- Amendments to CPC 11 – Insurance Contracts (IFRS 4);

- Amendments to CPC 28 – Investment Property (IAS 40);

- Amendments to CPC 18 (R2) – Investments in Associates and Joint Ventures (IAS 28); and

- Annual revision of CPC 12/2017 (IASB 2014-2016 cycle).

t) New standards, amendments and interpretations taking effect on 1.1.2019

The following pronouncements will take effect on 1.1.2019 and have not been adopted by the Company in advance: (i) Amendments to CPC 06 (R2) – Leases (IFRS 16); (ii) Amendments to CPC 18 (R2) – Investments in Associates and Joint Ventures (IAS 28); (iii) Amendments to CPC 33 (R1) – Employee Benefits (IAS 19); (iv) Amendments to CPC 48 – Financial Instruments (IFRS 9); (v) ICPC 22 – Uncertainty over Income Tax Treatments (IFRIC 23); and (vi) Annual Revision of CPC no. 13/2018 (IASB 2015-2017 cycle).

The Company evaluated the application of these new standards and amendments, and except for the amendments to CPC 06, the Company does not expect any material impact on its financial statements resulting from adoption of the new requirements.

Amendments to CPC 06 (R2) – Leases (IFRS 16)

These amendments introduce requirements for recognizing, measuring, presenting and disclosing leases. The new standard requires lessees to recognize liabilities from future payments of lease agreements, in exchange for the right to use the leased asset.

The definition of lease covers all contracts granting the right to use and control an identifiable asset, including rental agreements and, potentially, some components of service agreements.

The Company examined its contracts and has so far identified as part of the standard's scope all leases of the areas where wind and photovoltaic solar farms are or will be installed, as well as the areas where the Company's registered office is located. Upon application of the standard on 1.1.2019, these lease contracts will be recognized as a right to use the asset in exchange for an obligation.

As established in the pronouncement, the Company will apply the simplified transition approach and will not restate the comparative figures for the year before the first adoption.

Assets subject to rights of use are measured at the value of lease liabilities at the time of adoption, net of early payments made.

Due to the adoption of the new rules, the Company expects to recognize right-of-use assets of approximately R$32,135 and R$119,986 in the parent company and consolidated, respectively, on 1.1.2019, in exchange for the lease liabilities.

With regard to impacts on EBITDA, net income and cash flow, the Company estimates the following amounts for the year 2019, considering the contracts included in the scope of the standard and in effect on 12.31.2018.

EBITDA - increase of approximately R$6,300 and R$15,467 in the parent company and consolidated, respectively, since the amortization of right-of-use assets and interest on lease liabilities are not included in EBITDA, while costs and expenses arising from operating lease, in accordance with the previous practice, reduce EBITDA.

Net income - decrease of approximately R$548 and R$2,766 in the parent company and consolidated, respectively, due to the higher impact of amortization of the right of use and interest on lease liabilities when compared to lease costs and expenses.

Cash flows – cash flows from operations will increase, while cash flows from financing will decrease by R$6,300 and R$15,467, respectively, in the parent company and consolidated, since the amortization of the principal of lease liabilities will be classified as cash flows from financing activities.

These amounts were determined based on assumptions and estimates, such as the definition of discount rates and other aspects that require detailed evaluation so that we can attribute measurement values.

The Company believes that the adoption of CPC 06 (R2) will not affect its capacity to comply with the covenants described in Note 16 - Loans and Financing and in Note 17 – Debentures and promissory notes, in case such obligations are included in the calculation of the covenants.

NOTE 4 – CASH AND CASH EQUIVALENTS

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Cash and bank deposits	**956**	**2,331**	**58,293**	**21,809**
Marketable securities:				
Exclusive investment fund				
Repurchase transactions backed by federal bonds	1,281,353	1,302,541	2,341,726	1,899,491
Other marketable securities	86	143	15,773	8,770
	1,281,439	**1,302,684**	**2,357,499**	**1,908,261**
	1,282,395	**1,305,015**	**2,415,792**	**1,930,070**

The Company's financial investments are held for payment of short-term cash liabilities, mainly concentrated in the exclusive fund Energy Renda Fixa Fundo de Investimento Exclusivo (FIE), which is managed by Banco Santander. The fund has a policy of allocating its equity to very-low-risk assets and on 12.31.2018, 100% of its portfolio had assets with the Brazilian Government risk, all with daily liquidity and floating rate interest linked to the Selic rate.

The average yield of the Fund in 2018 and 2017 was around 100% of the CDI (the reference rate of Interbank Deposit Certificates).

NOTE 5 – TRADE ACCOUNTS RECEIVABLE

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Distributors	264,100	248,206	344,452	309,080
Transactions within the CCEE	109,648	241,676	312,492	304,216
Traders	137,171	182,214	56,207	78,148
Free Consumers	27,691	23,969	367,873	373,494
Trading operations	-	-	65,733	-
Others	-	-	40,819	-
Estimated losses with doubtful accounts	(6,180)	(6,180)	(6,197)	(6,469)
	532,430	**689,885**	**1,181,379**	**1,058,469**

The average term for receiving amounts relative to electricity sold through agreements is approximately 30 days, as from the first day of month subsequent to the sale, whereas the term of amounts settled within CCEE is approximately 45 days.

The breakdown of overdue accounts receivable recorded under current assets is as follows:

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Overdue up to 30 days	3,269	503	6,170	3,442
Overdue more than 30 days	6,928	6,920	9,560	7,626
	10,197	**7,423**	**15,730**	**11,068**

In addition to the aforementioned amounts receivable, the Company also has amounts to be received for transactions carried out in the Wholesale Electricity Market (MAE), currently referred to as CCEE, between the years 2000 and 2002, the amounts of which are fully hedged by the provision for estimated losses on doubtful accounts. The nature and amounts of these transactions are:

(i) R$ 110,598 – corresponds to credits from transactions made within the MAE between September 2000 and September 2002, which were not received due to lawsuits filed by certain debtor agents that disagree with the interpretation given by that organization, in relation to the provisions of the General Agreement of the Electrical Segment. The estimated losses were recognized due to uncertainty in relation to the receipt of the values regarding the aforementioned transactions.

(ii) R$ 12,388 – refers, substantially, to debts by defaulting agents in the first financial settlement made by MAE, on 12.30.2002, regarding the transactions made within the scope of that market. Such amounts are being the objects of bilateral negotiations for a long time. However, due to uncertainties regarding payment, the Company has set some cash aside as allowance for doubtful accounts, regardless of any legal action applicable to the case.

NOTE 6 – INVENTORIES

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Supplies	17,252	60,058	59,971	62,445
Inputs for energy production	-	36,219	52,404	37,089
Advances to suppliers	273	149	8,534	149
Other	261	507	7,954	553
Reduction to net realizable value	(3,182)	(1,987)	(3,182)	(1,987)
	14,604	**94,946**	**125,681**	**98,249**

The inventory of energy production inputs mainly comprises coal used to produce energy at the Jorge Lacerda Thermal Power Complex. In early 2018, the Company paid up the fixed assets of Jorge Lacerda into the capital stock of the subsidiary Diamante, resulting in the transfer of coal inventories to said subsidiary.

NOTE 7 – RESTRICTED DEPOSITS

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Reinvestment deposits	3,241	3,241	3,241	3,241
Contractual commitment guarantees	1,200	-	1,920	1,094
Guarantees for negative balance at CCEE	30	7,510	3,795	11,088
Current assets	**4,471**	**10,751**	**8,956**	**15,423**
Financing guarantees	9,915	9,095	226,210	225,516
Others	-	451	6,240	5,973
Non-current assets	**9,915**	**9,546**	**232,450**	**231,489**
	14,386	**20,297**	**241,406**	**246,912**

Guarantees for loans are aimed at ensuring the payment of debt with the Brazilian Development Bank (BNDES) and onlending banks and are mostly constituted for the amount equivalent to 3 months of debt service and contractual operating and maintenance expenses for plants that hire third-party services to perform these activities.

NOTE 8 – HYDROLOGICAL RISK RENEGOTIATION TO BE RECOGNIZED

a) Breakdown

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Itá HPP	41,578	45,633	41,578	45,633
Cana Brava HPP	32,378	35,537	32,378	35,537
Estreito HPP	-	-	29,543	31,617
Ponte de Pedra HPP	14,977	18,571	14,977	18,571
São Salvador HPP	16,990	18,182	16,990	18,182
Machadinho HPP	10,399	11,414	10,399	11,414
Salto Santiago HPP	-	10,060	-	10,060
	116,322	**139,397**	**145,865**	**171,014**
Classification in the balance sheet				
Current assets	13,016	23,991	15,089	26,064
Non-current assets	103,306	115,406	130,776	144,950
	116,322	**139,397**	**145,865**	**171,014**

In December 2015, ANEEL approved the renegotiation of hydrological risk relating to the Company's plants whose energy was being sold in the Regulated Contracting Environment (ACR). As a condition for adhering to said agreement, the Company formally withdrew from any legal dispute with ANEEL that prevented the direct application of mechanism to reduce the physical guarantee, called Generation Scaling Factor (SGF)

The renegotiation rules established options to choose the hydrological risk level to be assumed by generators who, in turn, assumed the commitment to pay a risk premium defined by ANEEL during the term of the energy sale agreement within ACR. Based on the new risk level defined in the renegotiation, GSF for 2015 was recalculated, which resulted in an overpayment in relation to the calculated amount, which is being offset by "risk premiums" due by the Company and calculated at present value.

	Parent Company	Consolidated
Balances at 12.31.2016	**163,389**	**197,079**
Amortization of the "risk premium"	(23,992)	(26,065)
Balances at 12.31.2017	**139,397**	**171,014**
Amortization of the "risk premium"	(23,075)	(25,149)
Balances at 12.31.2018	**116,322**	**145,865**

b) Expected realization of non-current assets

	Parent Company	Consolidated
2020	13,016	15,090
2021	13,016	15,090
2022	13,016	15,090
2023	10,021	12,094
2024	9,422	11,495
2025 to 2029	40,938	51,304
2030 to 2033	3,877	10,613
	103,306	**130,776**

NOTE 9 – CONCESSION FINANCIAL ASSET

a) Breakdown

	Consolidated					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Jaguara HPP	172,165	1,437,860	1,610,025	187,304	1,393,093	1,580,397
Miranda HPP	105,337	879,748	985,085	114,600	852,370	966,970
	277,502	**2,317,608**	**2,595,110**	**301,904**	**2,245,463**	**2,547,367**

Changes in financial assets were as follows:

	Consolidated		
	Jaguara HPP	Miranda HPP	Total
Initial recognition – grant bonus	1,550,673	948,777	**2,499,450**
Interest	21,913	13,402	**35,315**
Monetary variation	7,811	4,791	**12,602**
Balances at 12.31.2017	**1,580,397**	**966,970**	**2,547,367**
Amounts received	(181,566)	(111,094)	**(292,660)**
Interest	154,506	94,536	**249,042**
Monetary variation	56,688	34,673	**91,361**
Balance at 12.31.2018	**1,610,025**	**985,085**	**2,595,110**

b) Realization profile of the concession financial asset presented under non-current assets

	Consolidated		
	Jaguara HPP	Miranda HPP	Total
2020	146,127	89,406	235,533
2021	132,190	80,879	213,069
2022	119,585	73,167	192,752
2023	108,182	66,190	174,372
2024	97,842	59,864	157,706
2025 to 2029	365,790	223,808	589,598
2030 to 2047	468,144	286,434	754,578
	1,437,860	**879,748**	**2,317,608**

On 9.27.2017, the Company won the Auction for Non-Extended Concessions for the concession of the Jaguara and Miranda Hydroelectric Power Plants for 30 years starting 11.10.2017. The bonus for the concession grant was paid in a single installment on 11.30.2017.

As part of the Auction process, the Government guarantees the Company's right to sell 70% of the physical guarantee of its plants in the Physical Guarantee Quota System, thus ensuring the unconditional right to receive cash during the concession period with no demand, market and hydrological risks. As such, the amount paid for the concession grant corresponding to the present value of future cash flows, calculated based on the reference discount rate on the date of initial recognition (6.9%), to be received for the sale of energy in the ACR, was recognized as financial asset.

NOTE 10 – JUDICIAL DEPOSITS

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Tax and social security	68,546	75,136	69,383	75,945
Civil	22,388	18,784	23,030	19,318
Labor	5,165	4,726	5,308	4,832
	96,099	**98,646**	**97,721**	**100,095**

Of the total amount of judicial deposits, R$27,223 (R$21,650 at 12.31.2017), in the parent company and consolidated, are directly related to probable-risk contingencies recognized as provision in the Company's liabilities.

NOTE 11 – INVESTMENTS

a) Breakdown

	Parent Company	
	12.31.2018	12.31.2017
Interest on subsidiaries:		
Measured at the equity method		
Equity in earnings of subsidiaries (b)	10,436,421	7,445,053
Goodwill from investment acquisition (c)	63,488	68,016
Goodwill from expected future profitability (d.8)	40,828	10,684
	10,540,737	**7,523,753**

b) Changes in investments evaluated through the equity method

	Balance at 12.31.2017	Capital increase	Capital decrease	Equity in earnings of subsidiaries	Dividends	Other comprehen sive income	Balance at 12.31.2018
ECP	**2,572,787**	1,430,049	(184,431)	300,587	(56,400)	-	**4,062,592**
Pampa Sul	**1,762,593**	477,847	-	115,748	-	4,489	**2,360,677**
CEE	**1,066,881**	-	-	190,623	(145,896)	-	**1,111,608**
Jaguara	**869,064**	90	-	167,548	(32,024)	-	**1,004,678**
Miranda	**591,393**	90	-	121,003	(21,136)	-	**691,350**
EBC	**280,613**	-	-	204,406	(275,000)	-	**210,019**
Itasa	**247,371**	-	-	9,187	(14,011)	-	**242,547**
Lages	**38,302**	-	-	15,259	(15,690)	-	**37,871**
ENGIE Solar	**7,156**	36,310	-	(2,663)	-	(108)	**40,695**
ECV	**5,302**	18,970	-	(5,034)	-	-	**19,238**
Diamante	**1**	562,431	-	186,242	(102,118)	-	**646,556**
ENGIE Trading	**-**	5,000	-	-	-	-	**5,000**
Others	**3,590**	1	(1)	-	-	-	**3,590**
	7,445,053	**2,530,788**	**(184,432)**	**1,302,906**	**(662,275)**	**4,381**	**10,436,421**

	Balance at 12.31.2016	Capital increase	Capital decrease	Equity in earnings of subsidiaries	Dividends	Other comprehen sive income	Balance at 12.31.2017
ECP	**1,989,942**	648,617	(150,000)	260,810	(191,000)	14,418	**2,572,787**
Pampa Sul	**833,924**	875,826	-	73,644	-	(20,801)	**1,762,593**
CEE	**1,100,780**	-	-	135,154	(169,053)	-	**1,066,881**
Jaguara	**-**	854,319	-	16,292	(1,547)	-	**869,064**
Miranda	**-**	582,573	-	9,746	(926)	-	**591,393**
EBC	**136,806**	-	-	162,391	(18,584)	-	**280,613**
Itasa	**254,655**	-	-	10,788	(18,072)	-	**247,371**
Lages	**42,985**	-	-	17,784	(22,467)	-	**38,302**
ENGIE Solar	**1,027**	8,012	-	(1,883)	-	-	**7,156**
ECV	**4,403**	600	-	299	-	-	**5,302**
Diamante	**-**	1	-	-	-	-	**1**
Others	**3,589**	1	-	-	-	-	**3,590**
	4,368,111	**2,969,949**	**(150,000)**	**685,025**	**(421,649)**	**(6,383)**	**7,445,053**

The proceeds from the capital increase in the subsidiaries ECP and Pampa Sul in 2018 were mainly allocated to the construction of the Campo Largo Wind Power Complexes - Phase I and Umburanas, as well as the Pampa Sul Thermal Power Plant.

In January 2018, the Company increased the capital of Diamante largely by paying up the property, plant and equipment and inventories related to the Jorge Lacerda Thermal Power Complex.

The decrease in ECP's capital in 2018 was mainly due to the release of financing in 2018 for companies of the Campo Largo and Santa Mônica Wind Complexes, as well as the Assú V Photovoltaic Plant, which have been funding the construction of their plants with their own capital before the financing was released.

b.1) Information on the main subsidiaries

	12.31.2018						
	Capital	Assets	Liabilities	Adjusted shareholders' equity	Net revenue	Adjusted net income (loss)	Interest (%)
ECP	3,352,642	5,684,076	1,762,516	4,066,983	597,436	301,633	**99.99**
Pampa Sul	600,000	2,800,818	667,612	2,360,677	-	115,748	**99.99**
CEE	920,380	2,309,227	1,197,619	1,111,608	543,622	190,623	**99.99**
Jaguara	854,409	2,258,057	1,253,379	1,004,678	430,087	167,548	**99.99**
Miranda	582,663	1,430,063	738,713	691,350	281,349	121,003	**99.99**
EBC	4,200	614,942	404,923	210,019	4,592,918	204,406	**99.99**
Itasa	510,135	535,116	37,584	497,532	166,359	18,845	**48.75**
Lages	30,530	40,496	2,625	37,871	62,306	15,259	**99.99**
ENGIE Solar	29,611	73,909	33,214	40,695	37,150	(2,663)	**99.99**
ECV	23,970	31,169	11,931	19,238	30,781	(5,034)	**99.99**
Diamante	785,247	1,042,725	396,169	646,556	668,383	186,242	**99.99**

	12.31.2017						
	Capital	Assets	Liabilities	Adjusted shareholders' equity	Net revenue	Adjusted net income (loss)	Interest (%)
ECP	2,107,024	3,216,427	723,272	2,576,918	403,327	261,957	**99.99**
Pampa Sul	600,000	1,695,329	42,834	1,762,593	-	73,644	**99.99**
CEE	920,380	2,357,189	1,290,308	1,066,881	479,169	135,154	**99.99**
Jaguara	854,319	2,201,594	1,332,530	869,064	31,836	16,292	**99.99**
Miranda	582,573	1,378,898	787,505	591,393	19,520	9,746	**99.99**
EBC	4,200	649,007	368,394	280,613	3,685,073	162,391	**99.99**
Itasa	510,135	547,936	40,508	507,428	168,195	22,129	**48.75**
Lages	30,530	40,867	2,565	38,302	45,689	17,784	**99.99**
ENGIE Solar	39	25,920	11,608	14,312	26,912	(3,766)	**50.00**
ECV	5,000	5,306	4	5,302	-	299	**99.99**

Non-controlling shareholder

The non-controlling interest of Ibitiúva in 2018 in the shareholders' equity and the net income of ECP presented above is R$4,391 and R$1,046 (R$4,131 and R$1,147 in 2017), respectively.

Capitalized interests

ENGIE Brasil Energia took out loans and debentures to finance the construction of the Campo Largo Phase I, Santa Mônica and Umburanas Wind Power Complexes and the Assú V Photovoltaic Power Plant, investments that are part of ECO, and of the Pampa Sul Thermal Power Plant. The interest on these debts was capitalized as construction assets in the consolidated financial statements and recognized using the equity method in the parent company's financial statements.

The total amounts capitalized in the direct subsidiaries ECP and Pampa Sul until 12.31.2018 were R$145,423 and R$227,471 (R$83,763 and R$110,098 in 2017), respectively. In 2018, capitalized interest in these subsidiaries were R$61,660 and R$117,373 (R$33,714 and R$74,753), respectively. In the table above, "Adjusted shareholders' equity" and "Adjusted net income (loss)" include the items described above.

c) Goodwill from investment acquisition – Parent company

This items substantially records "goodwill" (concession rights and acquired rights) paid in the acquisition of the direct subsidiary CEE, whose economic grounds are the rights over the concession granted by ANEEL for the use of public assets in the generation of electricity, and which was defined based on the present value of the cash flow projections obtained through economic and financial evaluations. The "goodwill" is being amortized through the straight-line method over the period of the concession contract of the plant, as the economic benefits arising from the acquisitions of these investments will occur over the course of this period. In 2018 and 2017, the amortized amount was R$3,341.

d) Information on subsidiaries

d.1) Usina Termelétrica Pampa Sul S.A. ("Pampa Sul")

Pampa Sul holds the Pampa Sul Thermal Power Plant, which is being installed in the municipality of Candiota, state of Rio Grande do Sul and will have installed capacity of 345.0 MW. In November 2014, Pampa Sul sold, in an auction held by ANEEL, 294.5 average MW for a period of 25 years. Construction of the Plant started in 2015 and commercial operation is scheduled to start in the second quarter of 2019.

d.2) Companhia Energética Estreito ("CEE")

CEE has a 40.07% share in the Estreito Energia Consortium (Ceste) and leads the consortium, which was created for the implementation and exploitation of the Estreito Hydroelectric power plant, situated on the Tocantins River, between the Brazilian states of Tocantins and Maranhão.

d.3) Companhia Energética Jaguara ("Jaguara")

Jaguara is the owner of the Jaguara Hydroelectric power plant, located in the city of Rifaina, São Paulo, with installed capacity of 424.0 MW. The Plant's concession for power generation under the regime of quotas was acquired by ENGIE Brasil Energia at the Auction of non-Extended Concessions held by ANEEL on 9.27.2017.

d.4) Companhia Energética Miranda ("Miranda")

Miranda is the owner of the Miranda Hydroelectric power plant, located in the city of Indianópolis, Minas Gerais, with installed capacity of 408.0 MW. The Plant's concession for power generation under the regime of quotas was acquired by ENGIE Brasil Energia at the aforementioned auction.

d.5) ENGIE Brasil Energia Comercializadora Ltda. ("EBC")

EBC's main purpose is electricity trading, which includes the purchase, sale, import and export of electricity, as well as the intermediation of any of these operations, and all measures and execution of commercial agreements arising from such activities. The Company's sales in the Free Contracting Environment (ACL) are concentrated in EBC.

d.6) Itá Energética S.A. ("Itasa") – joint operation

ENGIE Brasil Energia has joint control over Itasa, with a 48.75% share in the voting and paid-up capital of the company.

The Company and Itasa own the exploration rights over the Itá Hydroelectric Power Plant, situated on the Uruguay River, on the border of the Brazilian States of Rio Grande do Sul and Santa Catarina, by means of a consortium in which Itasa has a 60.5% share and ENGIE Brasil Energia has 39.5%.

The main groups, of assets, liabilities and income statement of Itasa, as shown below, are consolidated in ENGIE Brasil Energia's consolidated financial statements proportionally to its equity interest in the capital of this Company, since that Company has its legal personality.

BALANCE SHEET	12.31.2018	12.31.2017
ASSETS		
Current assets	51,701	36,070
Non-current assets		
Long-term assets	25,840	27,460
Property, plant and equipment	457,567	484,396
Intangible assets	8	10
TOTAL	**535,116**	**547,936**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	30,450	37,036
Non-current liabilities	7,134	3,472
Shareholders' equity	497,532	507,428
TOTAL	**535,116**	**547,936**

STATEMENT OF INCOME FOR THE YEAR	12.31.2018	12.31.2017
NET OPERATING REVENUE	**166,359**	**168,195**
COSTS OF ENERGY SOLD	**(134,451)**	**(131,399)**
GROSS PROFIT	**31,908**	**36,796**
OPERATING EXPENSES		
Administrative and general expenses	(3,483)	(3,899)
INCOME BEFORE FINANCIAL INCOME (LOSS) AND TAXES	**28,425**	**32,897**
Financial result	**(125)**	**338**
INCOME BEFORE INCOME TAXES	**28,300**	**33,235**
Income tax and social contribution	(9,455)	(11,106)
NET INCOME FOR THE YEAR	**18,845**	**22,129**

d.7) Lages Bioenergética Ltda. ("Lages")

Lages is a thermal power plant located in the municipality of Lages, state of Santa Catarina, which makes use of a 28.0 MW steam turbogenerator powered by wood residue.

d.8) ENGIE Geração Solar Distribuída S.A. ("ENGIE Solar")

The corporate purpose of ENGIE Solar is to develop, sell in retail or wholesale, operate and maintain photovoltaic solar generators and panels with installed capacity below 5.0 MW.

In August 2018, the Company concluded the acquisition of control of ENGIE Solar. The acquisition of the subsidiary occurred in phases, starting in April 2016 with the acquisition of 50% of the capital of the investee. The total acquisition amount was R$59,437, namely: (i) R$24,276 – acquisition of 50% of capital in April 2016, through subscription to capital and premium on the subscription of shares; and (ii) R$35,161 – acquisition of 50% of the remaining capital, concluded in August 2018.

The Company is currently assessing the fair value of assets and liabilities acquired to make all the due allocations in the acquisition balance sheet in accordance with business combination rules. Based on preliminary analyses, the difference between the amount paid for the acquisition of control and the fair value of assets and liabilities acquired, initially measured at an amount equivalent to the book value, was allocated to "Goodwill on future expected profitability," in the amount of R$40,828.

d.9) ENGIE Comercializadora Varejista de Energia Ltda. ("ENGIE Varejista")

ENGIE Varejista's corporate purpose is the retail sale of electricity, including the purchase, wholesale or retail, and the retail sale and import of electricity. In December 2017, CCEE authorized the commercial operation of Engie Varejista. The figure of retail seller was regulated by ANEEL in 2015 to reduce the complexity of adhesion and facilitate the development of the Free Contracting Environment (ACL).

d.10) Diamante Geração de Energia Ltda. ("Diamante")

Located in the city of Capivari de Baixo, state of Santa Catarina, it consists of the Jorge Lacerda Thermal Power Complex, which is formed by seven generator groups within three plants: Jorge Lacerda A, with two generation units of 50 MW and two of 66 MW each, Jorge Lacerda B, with two units of 131 MW each, and Jorge Lacerda C, with a generator unit of 363 MW, totaling 857 MW. The physical guarantee for the sale of its energy is 649.9 average MW, and its license to operate expires in 2028.

d.11) ENGIE Brasil Energias Complementares Participações Ltda. ("ECP")

ECP is a holding company with the objective of participating in the capital of other companies and also concentrating the investments in projects related to complementary energy of the Company. The following table presents financial information for the most significant subsidiaries of ECP for the year ended 12.31.2018.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income (loss)	Equity interest in the capital (%)
Umburanas Project	1,275,817	1,286,394	111,084	1,175,310	230	(2,229)	99.99
CECL[5]	1,236,470	2,267,227	987,403	1,279,824	117,766	52,337	99.99
EEN	187,983	597,103	271,026	326,077	117,018	45,195	99.99
EEC	179,903	537,890	315,014	222,876	115,434	33,151	99.99
Assú Project	126,301	223,157	86,451	136,706	21,660	10,372	99.99
Ferrari	87,640	192,324	55,952	136,372	113,526	58,266	99.99
Tupan	58,879	68,504	276	68,228	25,461	18,254	99.99
Ibitiúva	38,501	108,460	20,636	87,824	33,565	20,925	95.00
Hidropower	33,393	53,074	459	52,615	21,780	14,795	99.99
CESA[6]	1,964	587	-	587	-	(507)	99.99
ENGIE Transmissão	41,841	48,568	5,301	43,267	47,698	1,426	99.99
Other	10	10	-	10	-	-	99.99

Further details on installed capacity and physical guarantee are included in Note 12 – Property, plant and equipment.

At 12.31.2018, the effects on ECP's consolidated assets deriving from the allocation of the fair value of the rights linked to authorizations and other rights acquired in the business combination total R$344,013 (R$243,039 at 12.31.2017), of which R$15,696 are related to the goodwill in the acquisition of the Umburanas Project.

[5] Campo Largo Wind Power Complex.
[6] Santo Agostinho Wind Power Complex.

- Umburanas Project

In 2017, the Company acquired, through its direct subsidiary ECP, the entire capital of the companies comprising the Umburanas Project, in the state of Bahia. The Project is composed of the right to build and operate wind power potential with installed capacity of 605.0 MW, of which 360.0 MW should be implemented by mid-2019. The total installed capacity of 257.5 MW will be allocated to the ACL and the other 102.5 MW were sold in the ACR. The remaining 245.0 MW will remain in the Company's portfolio for future development.

The operation was concluded on 11.24.2017, at the adjusted acquisition price of R$16,938. In 2018, the Company concluded the allocation of fair value determined at R$17,528, of which R$1,798 was allocated to property, plant and equipment and R$15,696 to intangible assets. Fair value recognized in intangible assets results from energy sale agreements signed with SPEs. The difference between the amount paid and the net fair value of assets, amounting to R$590, was recognized as a favorable purchase in the Company's results, under "Other net operating revenue (expenses)."

The following table provides financial information on the companies composing the Umburanas Project, for the fiscal year ended 12.31.2018.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Loss	Equity interest (%)
Umburanas 1	146,403	143,994	18,509	125,485	-	(204)	99.99
Umburanas 6	94,843	97,346	9,808	87,538	51	(131)	99.99
Umburanas 15	89,460	95,559	6,314	89,245	-	(204)	99.99
Umburanas 12	87,571	93,821	6,446	87,375	-	(181)	99.99
Umburanas 14	80,501	86,000	5,701	80,299	-	(191)	99.99
Umburanas 16	79,899	85,991	6,139	79,852	179	(28)	99.99
Umburanas 7	76,977	66,561	4,773	61,788	-	(77)	99.99
Umburanas 10	67,670	73,039	5,545	67,494	-	(159)	99.99
Umburanas 8	69,182	71,326	5,441	65,885	-	(77)	99.99
Umburanas 5	63,703	55,878	5,355	50,523	-	(74)	99.99
Umburanas 4	63,452	55,682	4,623	51,059	-	(108)	99.99
Umburanas 3	61,552	52,853	5,352	47,501	-	(82)	99.99
Umburanas 2	55,843	49,779	6,548	43,231	-	(74)	99.99
Umburanas 18	54,035	58,112	4,242	53,870	-	(153)	99.99
Umburanas 9	54,001	57,756	3,903	53,853	-	(137)	99.99
Umburanas 11	42,496	47,507	5,097	42,410	-	(75)	99.99
Umburanas 13	26,718	28,837	2,244	26,593	-	(106)	99.99
Bela Vista XV	61,511	66,353	5,044	61,309	-	(167)	99.99

Further details on installed capacity and physical guarantee are included in Note 12 – Property, plant and equipment.

- Campo Largo Wind Power Complex ("CECL")

CECL is formed by a set of wind power projects totaling an approximate development potential of 656.7 MW, all of which located in the cities of Umburanas and Sento Sé, Bahia, which will be developed in stages.

The Complex is composed of 2 holding companies, each one formed to hold interest in 11 SPEs, acquired during 2013 and 2014. The total acquisition amount was R$87,801, of which R$81,392 correspond basically to the fair value of the basic environmental projects, the power generation certification, winds measurements, preliminary environmental licenses and leasing agreements.

During 2018, all the 11 wind farms comprising the Campo Largo Wind Power Complex - Phase I had their commercial start-up (Note 1 - Operating Context). Financial information regarding the CECL - Phase I subsidiaries for the fiscal year ended 12.31.2018 is presented below.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income (Loss)	Equity interest (%)	Operational Startup
CLWP I	123,026	221,379	93,849	127,530	11,366	5,448	99.99	9.20.2018
CLWP II	86,317	188,333	103,559	84,774	953	(1,098)	99.99	12.21.2018
CLWP III	110,980	200,956	83,191	117,765	16,732	7,894	99.99	8.22.2018
CLWP IV	101,038	190,750	81,918	108,832	18,425	9,041	99.99	8.22.2018
CLWP V	104,125	193,418	87,284	106,134	6,989	2,640	99.99	10.31.2018
CLWP VI	103,532	191,605	86,842	104,763	5,041	1,789	99.99	11.2. 2018
CLWP VII	147,631	262,319	102,535	159,784	26,370	13,858	99.99	7.4.2018
CLWP XV	95,527	182,090	85,881	96,209	3,824	1,157	99.99	11.23.2018
CLWP XVI	135,490	231,474	90,773	140,701	11,958	6,175	99.99	9.28.2018
CWLP XXI	116,999	207,547	87,369	120,178	9,361	3,885	99.99	10.6.2018
CLWP XVIII	97,014	184,673	85,530	99,143	6,747	2,754	99.99	10.31.2018

Further details on installed capacity and physical guarantee are included in Note 12 – Property, plant and equipment.

- Energias Eólicas do Nordeste S.A. ("EEN")

EEN is a holding company incorporated to concentrate the investments in SPEs that hold wind power projects of the Trairí Wind Power Complex in the state of Ceará. The following table presents selected financial information for the subsidiaries of EEN for the fiscal year ended 12.31.2018.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income	Equity interest (%)
Mundaú	52,128	123,742	63,844	59,898	25,410	7,200	99.99
Fleixeiras I	43,391	125,982	71,637	54,345	31,441	10,280	99.99
Guajiru	40,068	125,656	69,256	56,400	33,226	14,129	99.99
Trairí	36,554	107,556	59,328	48,228	26,941	9,726	99.99

Further details on installed capacity and physical guarantee are included in Note 12 – Property, plant and equipment.

- Energias Eólicas do Ceará S.A. ("EEC")

EEC is a holding company incorporated to concentrate investments in the SPEs comprising the wind farms in the Santa Mônica Wind Power Complex, in the state of Ceará. The following table presents financial information on EEC's subsidiaries for the fiscal year ended 12.31.2018.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income	Equity interest (%)
Ouro Verde	60,420	161,806	94,617	67,189	31,276	7,800	99.99
Estrela	48,621	164,712	102,581	62,131	35,499	9,451	99.99
Cacimbas	34,727	104,145	59,529	44,616	26,033	9,309	99.99
Santa Mônica	29,118	99,991	58,262	41,729	22,626	6,814	99.99

Further details on installed capacity and physical guarantee are included in Note 12 – Property, plant and equipment.

- Assú Project

In 2015 and 2016, the direct subsidiary ECP acquired projects to implement five photovoltaic plants in the city of Assú, Rio Grande do Norte, with potential installed capacity of 183 MW. In November 2015, ECP, through its direct subsidiary Assú V, executed one of the projects acquired and sold 9.2 average MW at the Reserve Energy Auction (LER) conducted by ANEEL, for a period of 20 years, with supply to begin on 11.1.2018. The Assú V Photovoltaic Plant had its commercial start-up in December 2017.

- Santo Agostinho Wind Power Complex ("CESA")

In August 2014, the direct subsidiary ECP acquired the rights to develop CESA, located in the cities of Lajes and Pedro Avelino, Rio Grande do Norte, which is composed of 24 SPEs, each responsible for developing one wind power project, totaling 600.0 MW of potential installed capacity.

The process for acquisition of CESA was concluded in 2016. The surplus in the acquired business, considering principal and inflation adjustment, in the amount of R$58,899, substantially corresponds to the fair value of the basic environmental projects, the certification of power generation, measurements of winds, environmental licenses and leasing agreements, and was fully allocated to intangible assets.

- ENGIE Transmissão

The corporate purpose of ENGIE Transmissão is electricity transmission. The company was established to take part in Transmission Auction no. 02/2017 held by ANEEL on 12.15.2017.

The venture, entitled "Gralha Azul Project," will receive an investment of approximately R$2 billion and comprise approximately 1,000 km of transmission lines in the Center-South region of the state of Paraná, with the construction of five substations and ten transmission lines across 25 cities.

The term of concession of the public transmission service, including construction, assembly, operation and maintenance of transmission facilities, will be 30 years from the date of execution of the concession agreement, which happened on 3.8.2018.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

		Parent Company					
		12.31.2018			12.31.2017		
	Average rate of depreciation	Adjusted cost	Accumulated depreciation	Net amount	Adjusted cost	Accumulated depreciation	Net amount
In service							
Reservoirs, dams and ducts	3.1%	5,109,943	(3,158,818)	1,951,125	5,086,548	(3,021,797)	2,064,751
Buildings and improvements	2.3%	1,287,160	(784,639)	502,521	1,523,726	(995,050)	528,676
Machinery and equipment	3.6%	4,161,375	(2,408,876)	1,752,499	7,059,454	(4,788,170)	2,271,284
Furniture and fixtures	6.3%	6,929	(4,181)	2,748	9,768	(5,882)	3,886
Vehicles	14.3%	1,933	(1,581)	352	3,146	(2,373)	773
Special obligations		(50,539)	4,841	(45,698)	(50,905)	3,068	(47,837)
		10,516,801	**(6,353,254)**	**4,163,547**	**13,631,737**	**(8,810,204)**	**4,821,533**
In progress							
Reservoirs, dams and ducts		788	-	788	4,151	-	4,151
Buildings and improvements		3,710	-	3,710	10,099	-	10,099
Machinery and equipment		82,771	-	82,771	188,972	-	188,972
Advances to suppliers		28,113	-	28,113	13,129	-	13,129
Acquisitions to be apportioned		9,578	-	9,578	5,919	-	5,919
		124,960	**-**	**124,960**	**222,270**	**-**	**222,270**
		10,641,761	**(6,353,254)**	**4,288,507**	**13,854,007**	**(8,810,204)**	**5,043,803**

	Average rate of depreciation	Consolidated					
		12.31.2018			12.31.2017		
		Adjusted cost	Accumulated depreciation	Net amount	Adjusted cost	Accumulated depreciation	Net amount
In service							
Reservoirs, dams and ducts	3.8%	7,097,445	(3,751,594)	3,345,851	7,070,044	(3,539,470)	3,530,574
Buildings and improvements	2.6%	1,877,043	(1,089,580)	787,463	1,837,298	(1,105,844)	731,454
Machinery and equipment	4.1%	11,389,360	(5,264,505)	6,124,855	9,824,789	(5,444,387)	4,380,402
Furniture and fixtures	6.3%	10,810	(6,191)	4,619	10,564	(6,220)	4,344
Vehicles	14.3%	5,147	(3,886)	1,261	4,636	(3,465)	1,171
Special obligations		(51,030)	4,987	(46,043)	(51,030)	3,068	(47,962)
		20,328,775	**(10,110,769)**	**10,218,006**	**18,696,301**	**(10,096,318)**	**8,599,983**
In progress							
Reservoirs, dams and ducts		117,788	-	117,788	113,713	-	113,713
Buildings and improvements		340,129	-	340,129	314,503	-	314,503
Machinery and equipment		1,883,743	-	1,883,743	1,291,572	-	1,291,572
Advances to suppliers		1,373,386	-	1,373,386	826,630	-	826,630
Acquisitions to be apportioned		702,415	-	702,415	531,707	-	531,707
		4,417,461	**-**	**4,417,461**	**3,078,125**	**-**	**3,078,125**
		24,746,236	**(10,110,769)**	**14,635,467**	**21,774,426**	**(10,096,318)**	**11,678,108**

b) Changes in property, plant and equipment

	Parent Company						
	Reservoirs, dams and ducts	Buildings and improvements	Machinery and equipment	Other	Construction in progress	Special obligations	Total
Balance at 12.31.2016	**2,203,596**	**564,765**	**2,204,840**	**5,344**	**310,265**	**(12,238)**	**5,276,572**
Additions	-	-	-	-	224,471	(37,374)	187,097
Capitalized interest and monetary variation	-	-	-	-	2,189	-	2,189
Impairment	-	-	(12,472)	-	-	-	(12,472)
Reversal of impairment	-	-	20,047	-	-	-	20,047
Transfers	(1,968)	5,420	309,392	36	(314,655)	1,775	-
Write-offs	-	-	(18,902)	(46)	-	-	(18,948)
Depreciation	(136,877)	(41,509)	(231,621)	(675)	-	-	(410,682)
Balance at 12.31.2017	**2,064,751**	**528,676**	**2,271,284**	**4,659**	**222,270**	**(47,837)**	**5,043,803**
Additions	-	-	-	-	59,373	-	59,373
Capital contribution with assets	(2,055)	(13,599)	(351,415)	(2,557)	(125,043)	228	(494,441)
Held-for-sale assets	-	-	(32,769)	(716)	(4,126)	-	(37,611)
Transfers	23,629	16,341	(14,623)	2,167	(27,514)	-	-
Write-offs	(275)	(382)	(103)	(9)	-	-	(769)
Depreciation	(134,925)	(28,515)	(119,875)	(444)	-	1,911	(281,848)
Balance at 12.31.2018	**1,951,125**	**502,521**	**1,752,499**	**3,100**	**124,960**	**(45,698)**	**4,288,507**

	Consolidated						
	Reservoirs, dams and ducts	Buildings and improvements	Machinery and equipment	Other	Construction in progress	Special obligations	Total
Balance at 12.31.2016	**3,741,964**	**768,052**	**4,044,356**	**6,303**	**1,646,585**	**(12,362)**	**10,194,898**
Additions	-	-	-	-	1,990,794	(37,375)	1,953,419
Capitalized interest and monetary variation	-	-	-	-	169,184	-	169,184
Impairment	-	(622)	(15,363)	(43)	-	-	(16,028)
Reversal of impairment	-	-	20,047	-	-	-	20,047
Held-for-sale assets	2,532	730	13,366	10	175	-	16,813
Transfers	1,481	17,428	707,744	185	(728,613)	1,775	-
Write-offs	-	-	(29,928)	(47)	-	-	(29,975)
Depreciation	(215,403)	(54,134)	(359,820)	(893)	-	-	(630,250)
Balance at 12.31.2017	**3,530,574**	**731,454**	**4,380,402**	**5,515**	**3,078,125**	**(47,962)**	**11,678,108**
Additions	-	-	-	-	3,314,976	-	3,314,976
Capitalized interest and monetary variation	-	-	-	-	294,297	-	294,297
Held-for-sale asset	-	-	(32,769)	(716)	(4,126)	-	(37,611)
Transfers	26,536	102,795	2,134,474	2,006	(2,265,811)	-	-
Write-offs	(275)	(3,344)	(175)	(10)	-	-	(3,804)
Depreciation	(210,984)	(43,442)	(357,077)	(915)	-	1,919	(610,499)
Balance at 12.31.2018	**3,345,851**	**787,463**	**6,124,855**	**5,880**	**4,417,461**	**(46,043)**	**14,635,467**

Capital contribution with assets

On 1.2.2018, ENGIE Brasil Energia increased the capital of the direct subsidiary Diamante by R$562,431, of which R$494,441 were through the payment of property, plant and equipment related to Jorge Lacerda Thermal Power Complex (CTJL). The transfer of power plants from CTJL to Diamante was approved by ANEEL in February 2018.

c) Breakdown of property, plant and equipment in consolidated services, by group of power plants

	Parent Company				
	12.31.2018				12.31.2017
	Average rate of depreciation	Adjusted cost	Accumulated depreciation	Net amount	Net amount
Hydroelectric Power Plants	3.2%	10,516,801	(6,353,254)	4,163,547	4,293,748
Thermal power plants	-	-	-	-	527,785
		10,516,801	**(6,353,254)**	**4,163,547**	**4,821,533**

	Consolidated				
	12.31.2018				12.31.2017
	Average rate of depreciation	Adjusted cost	Accumulated depreciation	Net amount	Net amount
Hydroelectric Power Plants	3.5%	13,854,430	(7,319,713)	6,534,717	6,672,263
Wind power plants	3.9%	2,863,411	(172,990)	2,690,421	877,520
Thermal power plants	4.2%	2,575,037	(2,272,572)	302,465	527,785
Biomass power plants	2.6%	478,693	(190,084)	288,609	312,558
Solar power plants	3.8%	213,956	(8,129)	205,827	-
SHPP	4.1%	343,248	(147,281)	195,967	209,857
		20,328,775	**(10,110,769)**	**10,218,006**	**8,599,983**

d) Depreciation

The useful lives set by ANEEL, which correspond to the estimated useful life of assets, for the main groups of assets which make up the generator parks of the Company, are the following:

	Depreciation (% p.a.)	Average useful life (years)
Reservoirs and dams	2.0	50
Buildings and improvements	3.3	30
Generators	3.3	30
Boilers	4.0	25
Hydraulic Turbines	2.5	40
Engine Rooms	2.0	50
Wind Turbines (aerogenerators)	5.0	20
General Equipment	6.3	16

The amounts of fully depreciated items, which make up the value of the cost and depreciation, at 12.31.2018 and 12.31.2017, were as follows:

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Reservoirs, dams and pipelines	713,316	488,655	713,316	488,655
Buildings and improvements	33,695	106,883	65,099	107,160
Machinery and equipment	901,210	2,174,865	2,356,583	2,199,647
Furniture and fixtures	910	1,473	1,911	2,229
Vehicles	760	1,367	2,002	1,912
	1,649,891	**2,773,243**	**3,138,911**	**2,799,603**

The reduction in the fully depreciated balance of the Parent Company is due to the transfer of CTJL assets to the subsidiary Diamante and William Arjona assets to "Non-current assets held for sale."

Depreciation of assets comprising the Power Plants' Original Project

The Management of the Company, solely based on the interpretation of Law 8,987/95 and Decree 2,003/96, considers that there is no guarantee of restitution by the Granting Power of the residual value of the Original Project of the hydroelectric projects at the end of the concession and authorization terms.

Therefore, these assets are depreciated based on the rates determined by ANEEL, limited to the concession or amortization term, even though the agreements and the law provide the possibility of renewing said concessions and authorizations.

e) Fair value adjustment of property, plant and equipment

In compliance with the guidelines of accounting pronouncements, on 1.1.2009, date of the adoption of the international financial reporting standards (IFRS) and the standards provided by CPC, the Company adopted the fair value as the deemed cost of property, plant and equipment of its plants whose book values differed substantially from their fair value.

The adjustment to the fair value of property, plant and equipment, net of deferred income tax and social contribution was offset by the 'Asset Valuation Adjustments' account under Shareholders' Equity. Depreciation and write-off of said adjustment to assets will not produce any effects on the income tax and social contribution calculation base or on the dividend distribution base.

Consolidated balances of property, plant and equipment at 12.31.2018 and 12.31.2017 include the fair value adjustment, net of depreciation and write-offs, in the amounts of R$530,833 and R$575,170, respectively. The depreciation and write-offs over the amounts of fair value adjustment in the fiscal year ended at 12.31.2018 was R$44,337 (R$52,409 at 12.31.2017).

f) Record of the onerous concessions contracted or acquired in a business combination

The Company, for the purpose of preparing the consolidated information, considered as reference to record the onerous concessions and authorizations granted by the Federal Government for the use of public assets to generate electricity, contracted or acquired in a business combination, the IFRS 3 - Business Combination Application Guide, which enables the recognition of the fair value for the concession and the property, plant and equipment as the single asset in the financial statements, when these assets can no longer be sold or transferred separately.

In accordance with this pronouncement, the Company recognized the onerous concession and the authorizations contracted or acquired in a business combination as a single asset in the property, plant and equipment group, broken-down by the nature of the assets proportionally to their cost of acquisition. This procedure has already been adopted by the Company before the adoption of IFRS and CPC became compulsory, in 1.1.2009, and was maintained for transactions after that date in order to maintain the consistency of procedures.

The balance of concessions and authorizations to use public assets for power generation, in Property, Plant and Equipment, on 12.31.2018 was R$583,192 (R$625,248 at 12.31.2017) at the parent company, and R$962,460 (R$984,227 at 12.31.2017) in the consolidated.

g) Appropriation of financial charges

Financial charges linked to loans, financings, debentures and concession payables are capitalized in property, plant and equipment assets in progress during the construction of the power plants and, after the conclusion of construction, transferred to the property, plant and equipment assets in operation.

h) Regulatory agency concessions and authorizations

h.1) Concessions of hydroelectric power plants

Concessions	Concession holder	Installed capacity (MW)	Physical guarantee (avg. MW)	Date of minutes	Expiration
Salto Santiago HPP	ENGIE Brasil Energia	1,420	733	09.1998	09.2028
Salto Osório HPP	ENGIE Brasil Energia	1,078	503	09.1998	09.2028
Passo Fundo HPP	ENGIE Brasil Energia	226	113	09.1998	09.2028
Itá HPP	ENGIE Brasil Energia /Itasa	1,450	741	12.1995	10.2030
Machadinho HPP	ENGIE Brasil Energia	1,140	547	07.1997	07.2032
Cana Brava HPP	ENGIE Brasil Energia	450	261	08.1998	08.2033
Ponte de Pedra HPP	ENGIE Brasil Energia	176	134	10.1999	09.2034
São Salvador HPP	ENGIE Brasil Energia	243	148	04.2002	04.2037
Estreito HPP	CEE	1,087	641	11.2002	11.2037
Jaguara HPP	Jaguara	424	341	11.2017	12.2047
Miranda HPP	Miranda	408	198	11.2017	12.2047

Itá Hydroelectric Power Plant has physical guarantee of 740.5 average MW (720.0 average MW through 12.31.2017), of which, under the terms of the Consortium Contract, Itasa is entitled to 404.1 average MW and ENGIE Brasil Energia to 336.4 average MW. The Company, directly and indirectly, through Itasa, is entitled to 564.7 average MW (544.2 average MW through 12.31.2017) of the physical guarantee by the project.

The Company has, directly and indirectly, in the Estreito and Machadinho Hydroelectric Power Plants, respectively, the equivalent to 435.6 MW and 403.9 MW of the Plants' installed capacity, and 256.9 MW average and 165.3 MW average of the Plants' physical guarantees, which correspond to their interest as shareholders or consortium members.

h.2) Authorizations for thermal, small hydroelectric and wind power plants

Authorizations	Authorization holder	Installed capacity (MW)[7]	Physical guarantee (avg. MW)[7]	Date of minutes	Expiration
Thermal power plants (TPP)					
Jorge Lacerda Thermal Complex	Diamante	857	650	09.1998	09.2028
Ibitiúva Bioenergética TPP	Consórcio Andrade[8]	33	20	04.2000	04.2030
Lages Cogeneration Unit	Lages	28	15	10.2002	10.2032
Ferrari TPP	Ferrari Termoelétrica	80	36	07.2007	07.2042
TPP – Under construction					
Pampa Sul TPP	Pampa Sul	345	324	03.2015	03.2050
Small Hydro Power Plants (SHPP)					
Rondonópolis SHPP	Tupan	27	10	12.2002	12.2032
Engenheiro José Gelazio da Rocha SHPP	Hidropower	24	9	12.2002	12.2032
Wind Power Plants (WPP)					
Trairí Wind Complex	Joint SPEs	115	55	09.2011	09.2041
Santa Mônica Wind Complex	Joint SPEs	98	47	01.2015	01 and 02.2045
Campo Largo WPP III, IV, VI and VII	CLWP Eólicas	119	60	07.2015	07.2050
Campo Largo WPP V and XXI	CLWP Eólicas	59	29	08.2015	08.2050
Campo Largo WPP I, II, XV, XVI XVIII	CLWP Eólicas	148	80	05.2017	05.2052
Tubarão P&D WPP	ENGIE Brasil Energia	2	N.A.	05.2015	N.A.
WPP – Under construction					
Umburanas WPP 1-3.5-6.9-11.13.15-16.18	Umburanas Eólicas Umburanas	234	142	08.2014	08.2049
Umburanas WPP 8	Umburanas Eólicas	25	15	10.2014	10.2049
Umburanas WPP 17	Umburanas Eólicas	22	13	07.2015	07.2050
Umburanas WPP 19, 21, 23 & 25	Umburanas Eólicas	80	44	08.2015	08.2050
Photovoltaic solar power plants					
Central Fotovoltaica Assú V	Assú V	30	9	06.2016	06.2051
Cidade Azul	ENGIE Brasil Energia	3	N.A.	04.2014	N.A.

The Company has 22.9 average MW and 13.9 average MW of the installed capacity and physical guarantee of Ibitiúva Bioenergética Power Plant, respectively, which corresponds to its interest as shareholders or consortium member.

Alegrete Thermal Power Plant had its authorization revoked in February 2014, and there is an ongoing process to return the Plant to the Federal Government.

[7] As of 1.1.2018.

[8] Consortium members are: Ibitiúva Bioenergética S.A. (72.9%) and Andrade Açúcar e Álcool S.A. (27.1%).

h.3) Unavailability of assets

The assets and facilities used in the production, transmission, distribution and sale of electricity are linked to those services and cannot be removed, sold, assigned or pledged in mortgage guarantee without the previous and express authorization of the Regulatory Agency. ANEEL regulates the release of assets from the concessions of the Public Electricity Service, granting prior authorization to release the property and other fixed assets not usable by the concession when they are destined for sale, and also determining that the sales proceeds less respective charges be deposited in a restricted bank account to be invested in the concession.

NOTE 13 – INTANGIBLE ASSETS

a) Breakdown

		Parent Company					
		12.31.2018			12.31.2017		
	Amortization period	Adjusted cost	Accumulated amortization	Net amount	Adjusted cost	Accumulated amortization	Net amount
Right to use	Until 2034	88,015	(49,508)	38,507	74,150	(43,327)	30,823

		Consolidated					
		12.31.2018			12.31.2017		
	Amortization period	Adjusted cost	Accumulated amortization	Net amount	Adjusted cost	Accumulated amortization	Net amount
Grant bonus							
Jaguara	Until 2047	620,327	(24,067)	596,260	620,327	(3,535)	616,792
Miranda	Until 2047	411,223	(15,954)	395,269	411,223	(2,327)	408,896
		1,031,550	**(40,021)**	**991,529**	**1,031,550**	**(5,862)**	**1,025,688**
Project rights							
WPPs in operation	Until 2052	58,457	(3,694)	54,763	19,233	(2,472)	16,761
Assú Solar Power Plant	Until 2051	15,194	(471)	14,723	15,194	-	15,194
WPPs under construction / development		123,477	-	123,477	163,943	-	163,943
		197,128	**(4,165)**	**192,963**	**198,370**	**(2,472)**	**195,898**
Right to use assets	Until 2037	112,228	(53,171)	59,057	98,189	(45,279)	52,910
Energy purchase right	Until 2023	64,561	(36,093)	28,468	64,561	(30,106)	34,455
Premium - Engie Solar		40,828	-	40,828	-	-	-
		1,446,295	**(133,450)**	**1,312,845**	**1,392,670**	**(83,719)**	**1,308,951**

a.1) Grant bonus

The difference between the amount paid as bonus for the grant and the amount recorded as concession financial asset, as mentioned in Note 10 – Concession financial asset, represents the right to use the infrastructure of the Jaguara and Miranda Hydroelectric Plans to generate and sell energy. This amount was recognized under intangible assets and is being amortized using the straight-line method over the term of the concession of the Plants.

a.2) Right over projects

Rights over the projects in the table above arise from the fair value of the basic environmental projects, the certification of power generation, wind measurements, preliminary environmental licenses and leasing agreements acquired jointly with the companies. The amortization of these rights will start after the wind farms start to operate commercially and will be recognized through the straight-line method over the term of the authorization for use of the assets.

a.3) Goodwill – ENGIE Solar

As mentioned in Note 11 – Investments, on 8.10.2018, the Company concluded the acquisition of control of ENGIE Solar. In the Consolidated, the Company allocated goodwill on future expected profitability arising from the acquisition under "Intangible Assets," according to business combination rules.

b) Changes

	Consolidated					
	Grant bonus	Project rights	Right to use assets	Energy purchase right	Goodwill on expected future profitability	Total
Balances on 12.31.2016	**-**	**172,989**	**39,054**	**40,471**	**-**	**252,514**
Addition	-	-	19,932	-	-	19,932
Grant bonus for Jaguara and Miranda	1,031,550	-	-	-	-	1,031,550
Fair value of acquired project rights	-	23,652	-	-	-	23,652
Amortization	(5,862)	(743)	(6,076)	(6,016)	-	(18,697)
Balances on 12.31.2017	**1,025,688**	**195,898**	**52,910**	**34,455**	**-**	**1,308,951**
Addition	-	-	13,981	-	-	13,981
Business combination	-	-	-	-	40,828	40,828
Fair value of acquired project rights	-	(1,242)	-	-	-	(1,242)
Amortization	(34,159)	(1,693)	(7,834)	(5,987)	-	(49,673)
Balances on 12.31.2018	**991,529**	**192,963**	**59,057**	**28,468**	**40,828**	**1,312,845**

c) Asset impairment

At least once a year, the Company evaluates the need to establish a provision for impairment.

On 12.31.2018, no evidence was found of intangible assets with reported costs higher than their recovery values.

NOTE 14 – SUPPLIERS

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Electricity purchased	399,497	101,237	207,553	224,593
Transactions in the short-term market	1,351	-	712	272
Trading operations	-	-	57,004	-
Fossil fuels and biomass	-	207,315	47,831	208,220
Charges for the use of the power grid	30,580	34,632	49,436	42,228
Suppliers of materials and services	33,577	51,985	72,590	64,838
Suppliers of property, plant and equipment	1,729	13,603	153,345	77,245
	466,734	**408,772**	**588,471**	**617,396**

NOTE 15 – RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In order to conduct more efficiently risk evaluation and monitoring process in its business, the Company has the Risk Management Committee, which is responsible for: (i) internally promote the awareness on risk treatment; (ii) define goals and guidelines for its management; (iii) promote and suggest improvements in its evaluation processes; and (iv) classify and define control procedures.

The Company's business, the financial conditions and the results of operations may be adversely affected by any of the following risk factors:

a) Market risk

The Company and its subsidiaries use financial instruments with the objective of hedging assets and liabilities, minimizing exposure to market risks, mainly in connection with fluctuations in interest rates, price indices and currencies and energy prices in trading operations.

These risks are monitored by the Financial Committee that periodically evaluates the Company's exposure and propose operating strategies, control system and position and credit limits with other market partners. The Company does not perform financial operations in derivatives or any other instruments on a speculative basis, except for energy trading operations, described in item "a.4" of this note.

In 2018, there were no changes in the Company's exposure to market risks or in the management and measurement of these risks, except for the trading operations that the Company began to transact as from January 2018.

The main market risks to which the Company is exposed are as follows:

a.1) Risk related to debts with floating interest rates

This risk is related to the possibility of the Company incurring losses as a result of fluctuations in interest rates applied to its liabilities, affecting its financial expenses. The Company and its subsidiaries are exposed to floating interest rates linked to TJLP, DI rate, IGP-M and IPCA variations.

With respect to the risk of inflation acceleration, all prevailing electricity sale contracts, except for trading operations, have an inflation adjustment clause for the application of IGP-M or IPCA, which represents a natural long-term hedge for debts and obligations indexed at inflation rates and/or linked to inflation acceleration, which is the case of debts linked to CDI.

Regarding the risk of floating interest rates, part of the Company's debt is linked to the Brazilian long-term interest rate (TJLP), which usually follows the fluctuation in interest and inflation rates. Therefore, debt pegged to TJLP is usually hedged by the aforementioned adjustments to energy contracts. Note that, for agreements entered into by 12.31.2018, any amount corresponding to the portion of TJLP that exceeds 6% p.a. is added to the principal of the debt, which mitigates the immediate impact on the Company's cash flow, in case of an increase in the TJLP.

a.2) Risk related to liabilities denominated in foreign currency

The exchange rate risk is associated with the possibility of variation in foreign exchange rates, which affects the financial result and the balance of liabilities denominated in foreign currencies. The Company's policy to hedge against exchange rate variation risks seeks to achieve a low level of exposure for its liabilities and obligations denominated in foreign currency, which are permanently monitored by the Company's Financial Committee.

At 12.31.2018, the Company held no financial obligation denominated in foreign currencies whose exchange variation was not fully hedged against.

Unrealized gains (losses) with hedge operations are as follows:

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Long position				
Fair value hedge on loans and debentures	247,878	18,207	259,549	18,207
Cash flow hedge on obligations	-	-	50	-
	247,878	**18,207**	**259,599**	**18,207**
Classification in the balance sheet				
Current assets	-	3,933	3,135	3,933
Non-current assets	247,878	14,274	256,464	14,274
	247,878	**18,207**	**259,599**	**18,207**
Short position				
Fair value hedge on loans and debentures	(37,599)	-	(37,599)	-
Cash flow hedge on obligations	-	-	(638)	(1,944)
	(37,599)	**-**	**(38,237)**	**(1,944)**
Classification in the balance sheet				
Current liabilities[9]	(5,020)	-	(5,658)	(1,944)
Non-current liabilities [9]	(32,579)	-	(32,579)	-
	(37,599)	**-**	**(38,237)**	**(1,944)**
Net position	**210,279**	**18,207**	**221,362**	**16,263**

Fair value hedge operations on loans and debentures

The Company contracted swap operations with the Brazilian subsidiaries of the same lending financial institutions in U.S. dollars, in order to hedge future payment flows of principal and interest, including any income tax levied thereon, against foreign exchange fluctuation.

In addition, on 12.19.2018, direct subsidiaries Jaguara and Miranda contracted swap operations from Banco Itaú BBA to hedge all future payment flows of the principal and interest of debentures from fluctuations in the DI rate.

Due to the characteristics of said financial instruments, the Company applied the rules of fair value hedge accounting to record them. As a result, both the underlying loans and debentures object of the hedge operation and the hedge instrument itself (swap) are measured at fair value through profit or loss, thus protecting the Company from the financial effects, as well as impacts on its results from exchange variation on loans of ENGIE Brasil Energia and CDI variation on debentures of Jaguara and Miranda.

[9] Recorded as part of "Other current liabilities" and "Other non-current liabilities".

At 12.31.2018, the amounts of loans, debentures and swaps valued at cost amortized and at fair value are:

Financial instrument	Notional value	Principal maturity	Interest payments	Interest rates[10]	Amortized cost	Fair value adjustment	Book balance
Parent Company:							
HSBC France VI	US$ 100,000	10,2020	Semiannual	8.459% p.a.	329,775	10,926	340,701
Swap	R$ 325,080	10,2020	Semiannual	103.0% of CDI	(328,436)	693	(327,743)
BNP	US$ 100,000	04,2020	Semiannual	3.684% p.a.	390,691	(2,342)	388,349
Swap	R$ 339,030	04,2020	Semiannual	102.0% of CDI	(343,600)	310	(343,290)
Bank of Tokyo III	US$ 100,000	04,2021	Semiannual	3.998% p.a.	390,665	1,000	391,665
Swap	R$ 370,080	04,2021	Semiannual	103.0% of CDI	(374,734)	372	(374,362)
Bank of Tokyo IV	US$ 100,000	04,2020	Semiannual	3.712% p.a.	390,436	(638)	389,798
Swap	R$ 370,080	04,2020	Semiannual	101.0% of CDI	(374,616)	263	(374,353)
Scotiabank II	US$ 100,000	04,2021	Semiannual	3.798% p.a.	390,055	(3,061)	386,994
Swap	R$ 342,000	04,2021	Semiannual	102.0% of CDI	(345,625)	543	(345,082)
Scotiabank I	US$ 200,000	11,2022	Semiannual	3.371% p.a.	778,632	(10,055)	768,577
Swap	R$ 650,180	11,2022	Semiannual	IPCA + 5.2% p.a.	(685,804)	(5,171)	(690,975)
Subtotal					**217,439**	**(7,160)**	**210,279**
Subsidiaries							
Jaguara							
Itaú BBA	R$ 483,000	06,2023	Semiannual	107.0% of CDI	473,828	7,044	480,872
Swap	R$ 483,000	06,2023	Semiannual	IPCA + 4.47% p.a.	(473,437)	(227)	(473,664)
Miranda							
Itaú BBA	R$ 299,000	06,2023	Semiannual	107.0% of CDI	293,084	4,361	297,445
Swap	R$ 299,000	06,2023	Semiannual	IPCA + 4.47% p.a.	(292,841)	(141)	(292,982)
Subtotal					**634**	**11,037**	**11,671**
Position at 12.31.2018					**218,073**	**3,877**	**221,950**

The change in the fair value adjustment is presented in the table above:

	Parent Company	Consolidated
Fair value adjustment recognized in profit or loss	10,246	10,246
Balances at 12.31.2017	**10,246**	**10,246**
Fair value adjustment recognized in profit or loss	(17,406)	(6,369)
Balances at 12.31.2018	**(7,160)**	**3,877**

[10] Interest rates include the income tax rate of 15% on remittances abroad.

Net changes in fair value hedge operations on loans and debentures

	Parent Company			Consolidated		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets at 12.31.2016	**-**	**-**	**-**	**-**	**-**	**-**
Interest	(5,749)	(3,337)	(9,086)	(5,749)	(3,337)	(9,086)
Exchange variation	5,627	11,420	17,047	5,627	11,420	17,047
Fair value adjustment	4,055	6,191	10,246	4,055	6,191	10,246
Assets at 12.31.2017	**3,933**	**14,274**	**18,207**	**3,933**	**14,274**	**18,207**
Interest	(65,370)	-	(65,370)	(64,737)	-	(64,737)
Exchange variation	144	320,650	320,794	144	320,650	320,794
Fair value adjustment	-	(17,406)	(17,406)	2,452	(8,821)	(6,369)
Transfers	102,219	(102,219)	-	102,218	(102,218)	-
Repayment of principal	(84,140)	-	(84,140)	(84,140)	-	(84,140)
Repayment of interest rates	38,194	-	38,194	38,195	-	38,195
(Liabilities) Assets on 12.31.2018	**(5,020)**	**215,299**	**210,279**	**(1,935)**	**223,885**	**221,950**

a.3) Sensitivity analysis of the exposure to risks related to interest rates, floating rates and foreign currency quotation variation

In compliance with CVM Instruction no. 475/08 and for reference purposes, the Company prepared a sensitivity analysis on its loans, financing, debentures, concessions payable and concession financial asset exposed to interest rate variation risks and floating rate risks.

The probable basic scenario for 2019 was defined using the following assumptions available in the market (Source: Central Bank of Brazil Market Readout).

	Change	Probable Scenario	Sensitivity		
Risk of variation in interest rates and indices:	**2018**	**2019**	**Probable**	**Δ + 25% (*)**	**Δ + 50% (*)**
TJLP	6.7%	7.0%	0.3 p.p.	1.8 p.p.	3.5 p.p.
CDI	6.5%	7.1%	0.6 p.p.	1.9 p.p.	3.8 p.p.
IPCA	3.7%	4.0%	0.3 p.p.	1.0 p.p.	2.0 p.p.
IGP-M	7.5%	4.3%	-3.2 p.p.	1.1 p.p.	2.2 p.p.

(*) Variations on probable scenario for 2019.

The probable sensitivity was calculated based on the variation of indices in 2018 and those expected for 2019, and showed any additional impacts in the Company's profit or loss. The other sensitivities shown were calculated based on the variation of 25% and 50% on the probable scenario for 2019. Variations that could impact the consolidated result, and consequently the consolidated shareholders' equity in 2019 compared to 2018, if the scenarios materialize are the following:

	Balance at 12.31.2018	Sensitivity		
		Probable	Δ + 25%	Δ + 50%
Risk of increase (liability)				
Loans and financing				
TJLP	3,321,430	(8,645)	(59,109)	(119,102)
CDI (Loans with swap to CDI rate)	1,897,507	(11,256)	(32,024)	(64,300)
IPCA (Loans with swap to IPCA rate)	768,577	(1,873)	(7,100)	(14,200)
IPCA	195,478	(484)	(1,836)	(3,672)
Debentures				
IPCA	2,632,489	(7,392)	(28,027)	(56,051)
IPCA (debentures with swap for IPCA)	778,317	(1,999)	(7,576)	(15,149)
Concessions payable				
IGP-M	2,250,616	105,463	(25,539)	(51,079)
IPCA	599,853	(1,523)	(5,795)	(11,590)
Risk of decrease (asset)				
Concession financial asset				
IPCA	2,595,110	**8,409**	**(27,768)**	**(55,536)**
Total		**80,700**	**(194,774)**	**(390,679)**

a.4) Risk related to energy prices in trading operations

In January 2018, the Company entered the trading market to capitalize on variations in energy prices, within the risk limits and offsets pre-established by Management, exposing the Company to the price risk of this commodity.

Equity position and unrealized gains from energy trading operations, net

Trading operations take place in the active market and are recognized at fair value through profit or loss, based on the difference between the contracted price and the market price of outstanding contracts on the balance sheet date.

This fair value is mainly estimated in the prices used in the active over-the-counter market, to the extent that such observable market data exist and, to a lesser degree, using the valuation techniques that consider the prices established in the purchase and sale operations and market prices projected by specialist entities, in the period when this information is available. The discount rate used to calculate fair value on 12.31.2018 was 7.1%.

The balance sheets for outstanding trading transactions on 12.31.2018 are presented below.

	Consolidated		
	Assets	Liabilities	Net gain
Classification in balance sheet			
Current	116,202	(98,047)	18,155
Non-current	44,429	(19,395)	25,034
	160,631	**(117,442)**	**43,189**

Sensitivity analysis regarding trading operations

The main risk factor impacting prices in trading operations is the exposure to energy market prices. The scenarios used in the sensitivity analysis for this factor are prepared based on market data and specialized sources.

The sensitivity analysis was prepared in accordance with CVM Instruction no 475/08, considering the increase of 25% and 50% in future prices, applied on the market curves on 12.31.2018. The results obtained are:

	Consolidated		
	12.31.2018	Scenario I (+25%)	Scenario II (+50%)
Unrealized gains (losses) on trading operations	43,189	19,581	(4,027)

The variation in the discount rate does not significantly impact the fair value determined, given the short duration of the outstanding trading portfolio, which is lower than three years, which is why no sensitivity analysis was presented.

b) Capital management risk

The Company manages its capital so as to maximize return to investors by optimizing the debt and equity balances, seeking to structure capital and maintaining indebtedness and debt coverage ratios that provide the return to investors.

The Company's capital structure is formed by net indebtedness (loans and debentures – net of hedging effects, financing, and promissory notes less cash, cash equivalents and escrow deposits linked to debt) and shareholders' equity, which includes capital reserves and profit reserves. The ratio of net debt to shareholders' equity is as follows:

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Debt[11]	4,390,300	2,892,023	9,498,284	6,738,209
(-) Deposits pegged to debt service	(9,915)	(9,095)	(226,210)	(225,516)
(-) Cash and cash equivalents	(1,282,395)	(1,305,015)	(2,415,792)	(1,930,070)
Net debt	**3,097,990**	**1,577,913**	**6,856,282**	**4,582,623**
Shareholders' equity	**6,316,186**	**6,830,594**	**6,320,577**	**6,834,725**
Net debt	**0.5**	**0.2**	**1.1**	**0.7**

ENGIE Brasil Energia and its subsidiaries have debts that stipulate a gross indebtedness maximum limit, calculated based on EBITDA. The most restrictive limit is the one that limits debts to 3.5 times EBITDA.

c) Risk of acceleration of debt maturity

The Company has loan agreements and debentures with covenants, usually applicable to operations of this nature, related to the achievement of financial performance indicators. If the Company fails to comply with any of these clauses, the maturities of its debts may be accelerated. On 12.31.2018, the Company was in compliance with all the covenants of its agreements (Note 16 - Loans and Financing and Note 17 - Debentures and Promissory Notes).

d) Credit risk

The transactions that are relevant to the Company's business in which there exists credit risk are energy sales, financial investments and hedge operations. The Company's history of losses resulting from difficulties of banks and customers to honor their commitments is practically zero. The Company is the guarantor of certain financing agreements for its subsidiaries to guarantee compliance with the commitments assumed.

d.1) Risks related to energy sale

In long-term agreements entered into with distributors, including relative to the regulated market (CCEAR), the Company minimizes its credit risk through a mechanism for the establishment of guarantees involving customers' receivables.

In order to minimize credit risk in the agreements to sell electricity to free consumers, sellers and generating companies, the Company requires bank guarantee and secured CDB. For counterparties that wish to present another type of guarantee, the Company, through its credit area, analyzes and establishes, in accordance with its Credit Policy, guarantees that should be required from these counterparties.

Credits of all customers are annually revised and its exposure to several economy factors is periodically assessed, so as to maintain the diversification of its portfolio and reduce its exposure to the specific sector risk.

[11] Composed of loans – net of hedge impacts, financing, debentures and promissory notes.

d.2) Risks related to marketable securities

The Company and its subsidiaries' financial investments follow the rule of allocating a minimum of 90% of funds to Federal Public Securities – as final purchase and/or repurchase and resale commitments – and a maximum of 10% of funds to Private Securities – acquisition of CDBs from eligible banks and repurchase and resale commitments backed by debentures issued by lease companies controlled by eligible banks.

The Company uses Fitch Ratings (Fitch), Moody's or Standard & Poor's (S&P) ratings to identify banks eligible to receive funds. They should comply with the following parameters: (i) shareholders' equity of at least R$ 1 billion; and (ii) minimum rating equivalent to AA- (S&P and Fitch) or Aa3 (Moody's) in the domestic ambit.

The Company's available resources are allocated to a Fixed Income Exclusive Investment Fund whose policy is to allocate its equity to very low-risk assets. As of 12.31.2018, this fund had 100% of its portfolio in Brazilian Government credit-risk assets, all of them with floating rates and daily liquidity, linked to Selic variation.

Following the Company's financial planning, this fund will be used in the short-term, substantially reducing the risk of any significant effects on earnings as a result of possible reduction in Brazilian economy's basic interest rate.

d.3) Risks related to hedge operations

The "Investment and Derivatives Policy" imposes strong restrictions to the realization of derivative transactions and determines that exposures be continuously monitored in case this type of transaction is contracted.

As already mentioned previously, the main hedge operations contracted by the Company were swap operations to hedge against exchange and CDI variation of the payment of principal and interest of U.S. dollar-denominated loans and the debentures of Jaguara and Miranda adjusted for CDI rate, respectively.

e) Liquidity risk

The management of the Company's liquidity risk is under the responsibility of the Financial Committee, which manages fund raising requirements and short-, medium- and long-term liquidity by permanently monitoring forecasted and actual cash flows. The Company, in order to ensure the capacity to pay its obligations, uses a minimum cash policy that is annually reviewed based on cash projections and monthly monitored in the Financial Committee meetings. The management of marketable securities focuses on short-term instruments, especially with daily maturities, in order to provide maximum liquidity and to cover disbursements.

The Company's cash generating feature and the low volatility in receipts and payment obligations throughout the months guarantee to the Company the stability of its flows, reducing its liquidity risk.

The following statement presents the estimated settlement profile for the Company's main financial liabilities recorded at 12.31.2018. Amounts were determined based on the estimated undiscounted cash flows, considering estimates of principal amortization and future interest payment, when applicable. For debts with floating interest rates, the amount was obtained based on interest curve at year end.

	Parent Company				
	Up to 1 year	From 2 to 3 years	From 4 to 5 years	Over 5 years	Total
Suppliers	466,734	-	-	-	466,734
Post-fixed interest rates:					
Loans and financing[12]	278,348	2,071,250	789,355	-	3,138,953
Debentures	94,636	282,542	489,242	1,354,814	2,221,234
Fixed interest rates:					
Loans and financing	1,679	3,240	1,778	8	6,705
Concessions payable	83,833	348,344	516,275	5,067,448	6,015,900
	925,230	**2,705,376**	**1,796,650**	**6,422,270**	**11,849,526**

	Consolidated				
	Up to 1 year	From 2 to 3 years	From 4 to 5 years	Over 5 years	Total
Suppliers	588,471	-	-	-	588,471
Post-fixed interest rates:					
Loans and financing[12]	735,856	3,017,339	1,652,787	2,949,622	8,355,604
Debentures and promissory notes[12]	367,219	855,099	1,068,078	2,255,129	4,545,525
Fixed interest rates:					
Loans and financing	6,015	3,593	1,778	8	11,394
Concessions payable	90,001	360,659	528,590	5,154,172	6,133,422
	1,787,562	**4,236,690**	**3,251,233**	**10,358,931**	**19,634,416**

The concession financial asset of the Jaguara and Miranda HPPs is not subject to liquidity risk, since it is related to the portion of energy allocated to the ACR, in the Physical Guarantee Quota System, whose payment is guaranteed by the Concession Authority.

f) Hydrological Risk

Most of energy of the National Interconnected System (SIN) is generated by hydroelectric power plants. Since SIN operates in a dispatch system optimized and centralized by ONS, each hydroelectric power plant, including the Company's plants, is subject to changes in hydrological conditions in both the regions where they operate and in other regions across Brazil.

[12]Including hedge effects

Adverse hydrological conditions, combined with the obligation to deliver physical guarantee, may result in an exposure of the Company to the short-term energy market, which may affect its future financial results. However, most of the Company's hydroelectric generation capacity is included in the MRE, which distributes the hydrological risk across all the plants linked to MRE.

In order to reduce this risk, in December 2015, the Company joined the renegotiation of hydrological risk relating to the Company's plants, whose energy was sold in the ACR. For more information, see Note 8 – Renegotiation of hydrological risk to appropriate.

At 12.31.2018, the physical guarantee of the Company's hydroelectric power plants totaled 3,417.7 average MW. The aforementioned agreement renegotiated 1,344.5 average MW, of which 1,243.7 average MW, approximately 92.5%, are hedged against hydrological risk. The portion of the Jaguara and Miranda Hydroelectric Power Plants allocated to the ACR - 377.4 average MW – is guaranteed by the Concession Authority and is also hedged against this risk. See Note 9 - Concession financial asset.

To reduce the exposure to short-term market fluctuations, ENGIE Brasil Energia maintains a large part of its energy portfolio contracted in the long term. In the free market, the Company gradually sells the available energy at attractive prices and also to minimize the risk of exposure to spot prices (PLD). Therefore, the sale is concluded as the market appears to be more inclined to purchases. Additionally, due to the constant deficit of hydroelectric generation in recent years, the Company chose to leave most of its commercial capacity not contracted in the spot market and, when necessary or attractive, to acquire energy from third parties to replenish its own resources.

g) Category and fair value of financial instruments

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Financial assets				
Fair value through profit or loss				
Marketable securities	1,281,439	1,302,684	2,357,499	1,908,261
Unrealized gains on hedge operations	247,878	18,207	259,549	18,207
Unrealized gains on trading operations	-	-	160,631	-
Amortized cost				
Cash and bank deposits	956	2,331	58,293	21,809
Trade accounts receivable	532,430	689,885	1,181,379	1,058,469
Dividends receivable from subsidiaries	61,468	30,550	-	-
Restricted deposits	14,386	20,297	241,406	246,912
Fuel reimbursable [13]	-	44,089	52,136	44,089
Concession financial asset	-	-	2,595,110	2,547,367
Fair value through other comprehensive income				-
Cash flow hedge on obligations	-	-	50	-
	2,138,557	**2,108,043**	**6,906,053**	**5,845,114**
Financial assets				
Fair value through profit or loss				
Foreign currency	2,666,084	1,670,132	2,666,084	1,670,132
Debentures	-	-	778,317	-
Unrealized losses on hedge operations [14]	37,599	-	37,600	-
Unrealized losses on trading operations	-	-	117,442	-
Amortized cost				
Suppliers	466,734	408,772	588,471	617,396
Dividends and interest on equity	2,136,939	1,300,237	2,137,039	1,300,516
Loans in foreign currency	317,361	409,534	3,643,344	2,145,809
Debentures and promissory notes	1,617,134	830,564	2,632,489	2,940,475
Concessions payable	2,796,390	2,446,394	2,850,469	2,499,399
Liabilities linked to investment acquisition [14]	-		8,582	21,146
Fuel payable to CDE [14]	-	-	180,959	-
Fair value through other comprehensive income				
Cash flow hedge on obligations [14]	-	-	638	1,944
	10,038,241	**7,065,633**	**15,641,434**	**11,196,817**

Financial assets and liabilities measured at fair value through profit or loss are assessed based on observable data (Level 2), except for marketable securities, which are assessed based on the market prices in active markets (Level 1).

[13] Presented under "Other current assets."

[14] Presented under "Other current liabilities" and "Other non-current liabilities."

h) Market value of financial instruments

In operations involving financial instruments, differences were identified only between amounts presented in the balance sheet and their market values, in concession financial assets, loans and financing, debentures, and concessions payable. These differences occurred mainly because these instruments have long-term settlements and different costs in relation to interest rates currently used for similar contracts. The market values were determined based on future cash flows discounted to present value at rates considered as adequate for operations with similar characteristics.

	Parent Company			
	12.31.2018		12.31.2017	
	Book	Market	Book	Market
Loans and financing in local currency	317,361	331,658	409,534	411,432
Debentures	1,617,134	1,649,870	830,564	844,201
Concessions payable	2,796,390	2,810,475	2,446,394	2,362,809
	4,730,885	**4,792,003**	**3,686,492**	**3,618,442**

	Consolidated			
	12.31.2018		12.31.2017	
	Book	Market	Book	Market
Assets				
Concession financial asset	2,595,110	2,591,844	2,547,367	2,552,129
	2,595,110	**2,591,844**	**2,547,367**	**2,552,129**
Liabilities				
Loans and financing in local currency	3,643,344	3,619,175	2,145,809	2,156,600
Debentures and promissory notes	2,632,489	2,689,900	2,940,475	2,957,676
Concessions payable	2,850,469	2,866,718	2,499,399	2,416,189
	9,126,302	**9,175,793**	**7,585,683**	**7,530,465**

NOTA 16 – LOANS AND FINANCING

a) Breakdown

	Parent Company					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Measured at amortized cost						
Local currency						
BNDES	91,481	107,253	198,734	82,329	183,875	266,204
Nordic Investment Bank (NIB)	27,723	83,186	110,909	26,715	106,879	133,594
BNDES onlendings (Banks)	1,533	4,822	6,355	1,535	6,355	7,890
Charges	1,363	-	1,363	1,846	-	1,846
	122,100	**195,261**	**317,361**	**112,425**	**297,109**	**409,534**
Measured at fair value						
Foreign currency – with hedge						
Scotiabank	-	1,147,237	1,147,237	-	665,785	665,785
Bank of Tokyo	-	775,322	775,322	665,260	-	665,260
BNP	-	387,123	387,123	-	-	-
HSBC	-	335,966	335,966	-	328,916	328,916
Charges	20,436	-	20,436	10,171	-	10,171
	20,436	**2,645,648**	**2,666,084**	**675,431**	**994,701**	**1,670,132**
Loans and financing	**142,536**	**2,840,909**	**2,983,445**	**787,856**	**1,291,810**	**2,079,666**

Balances of loans and financing in the parent company, net of hedge effects, are:

	Parent Company					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Loans and financing	**142,536**	**2,840,909**	**2,983,445**	**787,856**	**1,291,810**	**2,079,666**
Hedge (swap) effects on balance sheet						
Long position	-	(247,878)	(247,878)	(3,933)	(14,274)	(18,207)
Short position[15]	5,020	32,579	37,599	-	-	-
Loans and financing, net of hedge effects	**147,556**	**2,625,610**	**2,773,166**	**783,923**	**1,277,536**	**2,061,459**

[15] Hedge short position is presented as part of "Other current liabilities" and "Other non-current liabilities."

	Consolidated					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Measured at amortized cost						
Local currency						
BNDES	237,606	2,667,330	2,904,936	197,456	1,356,046	1,553,502
BNDES onlendings (Banks)	37,677	374,959	412,636	40,548	410,156	450,704
Safra	115,497	-	115,497	-	-	-
Nordic Investment Bank (NIB)	27,723	83,186	110,909	26,715	106,880	133,595
BNB[16]	-	83,792	83,792	-	-	-
Charges	15,574	-	15,574	8,008	-	8,008
	434,077	**3,209,267**	**3,643,344**	**272,727**	**1,873,082**	**2,145,809**
Measured at fair value						
Foreign currency – with hedge						
Scotiabank	-	1,147,237	1,147,237	-	665,785	665,785
Bank of Tokyo	-	775,322	775,322	665,260	-	665,260
BNP	-	387,123	387,123	-	-	-
HSBC	-	335,966	335,966	-	328,916	328,916
Charges	20,436	-	20,436	10,171	-	10,171
	20,436	**2,645,648**	**2,666,084**	**675,431**	**994,701**	**1,670,132**
Loans and financing	**454,513**	**5,854,915**	**6,309,428**	**948,158**	**2,867,783**	**3,815,941**

[16] Banco do Nordeste do Brasil S.A.

Balances of loans and financing in the consolidated, net of hedge effects, are:

	Consolidated					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Loans and financing	**454,513**	**5,854,915**	**6,309,428**	**948,158**	**2,867,783**	**3,815,941**
Hedge (swap) effects on balance sheet						
Long position	-	(247,878)	(247,878)	(3,933)	(14,274)	(18,207)
Short position[17]	5,020	32,579	37,599	-	-	-
Loans and financing, net of hedge effects	**459,533**	**5,639,616**	**6,099,149**	**944,225**	**2,853,509**	**3,797,734**

b) Changes in loans and financing

	Parent Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balances at 12.31.2016	**137,759**	**578,234**	**715,993**	**283,196**	**2,001,081**	**2,284,277**
Additions	664,034	992,263	1,656,297	679,693	1,271,789	1,951,482
Interest	57,944	-	57,944	98,245	-	98,245
Monetary variations	2,063	7,398	9,461	3,857	25,195	29,052
Capitalized interest and monetary variations	871	-	871	110,323	-	110,323
Exchange variations	5,627	11,420	17,047	5,627	11,420	17,047
Fair value adjustment	3,820	8,161	11,981	3,820	8,161	11,981
Transfers	305,666	(305,666)	-	463,939	(463,939)	-
Loans of subsidiaries held for sale	-	-	-	(1,044)	14,076	13,032
Payment of principal	(340,525)	-	(340,525)	(505,399)	-	(505,399)
Repayment of interest	(49,403)	-	(49,403)	(194,099)	-	(194,099)
Balances at 12.31.2017	**787,856**	**1,291,810**	**2,079,666**	**948,158**	**2,867,783**	**3,815,941**
Additions	7,980	692,268	700,248	135,589	2,261,461	2,397,050
Interest rates	116,166	-	116,166	70,183	-	70,183
Monetary variations	1,653	4,524	6,177	1,438	18,149	19,587
Capitalized interest and monetary variations	-	-	-	219,892	-	219,892
Exchange variations	144	320,650	320,794	144	320,650	320,794
Fair value adjustment	(2,645)	(13,507)	(16,152)	(2,645)	(13,507)	(16,152)
Transfers	(545,164)	545,164	-	(400,379)	400,379	-
Payment of principal	(117,798)	-	(117,798)	(274,334)	-	(274,334)
Payment of interest	(105,656)	-	(105,656)	(243,533)	-	(243,533)
Balances at 12.31.2018	**142,536**	**2,840,909**	**2,983,445**	**454,513**	**5,854,915**	**6,309,428**

[17] Hedge short position is presented as part of the the items "Other current liabilities" and "Other non-current liabilities.

c) Main transactions in 2018

c.1) Rollover of maturity of foreign currency loan

In April 2018, the Company rolled over the maturity of a loan in foreign currency (U.S. dollar) and the respective cash flow hedge instruments (swap) with the Bank of Tokyo and its Brazilian subsidiary, respectively.

c.2) Financing in domestic currency

- Release of funds

In April 2018, BNDES released R$19,218 and R$29,791, net of transaction costs, related to the installments of the financing contracted in 2014 and 2016 for the modernization of HPP Salto Santiago and construction of the Santa Mônica Wind Power Complex, respectively.

- New financing

In April 2018, the Company, through Campo Largo Wind Power Complex – Phase I and Pampa Sul, contracted financing from BNDES in the amounts of R$1,039,100 and R$728,950, respectively. Furthermore, in June 2018, the indirect subsidiary Assú V contracted financing from BNB in the amount of R$88,061. Until 12.31.2018, the amounts of R$851,970, R$615,650 and R$83,894 were released, net of funding costs, under the financing contracted by subsidiaries CECL, Pampa Sul and Assú V, respectively. The proceeds were used to finance the construction of the generation facilities.

c.2) Loans in foreign currency with hedge

In April 2018, the Company took loans in U.S. dollars for US$200,000, equivalent to R$681,030. The proceeds were used mainly to manage cash flow to continue implementing its business plan.

In order to hedge all its future payment flows against fluctuation in the U.S. dollar, the Company contracted swap operations with Brazilian subsidiaries of the same lending financial institutions extending the loans, for the same amounts and maturities of interests and principal.

d) Breakdown of debt by index and currency

	Parent Company				Consolidated			
	12.31.2018	%	12.31.2017	%	12.31.2018	%	12.31.2017	%
Local currency								
TJLP	199,365	6.7	267,167	12.8	3,321,430	52.6	1,994,636	52.3
IPCA	111,635	3.7	134,470	6.5	195,478	3.1	134,470	3.5
Not indexed	6,361	0.2	7,897	0.4	126,436	2.0	16,703	0.4
	317,361	**10.6**	**409,534**	**19.7**	**3,643,344**	**57.7**	**2,145,809**	**56.2**
Foreign currency								
U.S. dollar – with hedge for CDI	1,897,507	63.6	1,001,126	48.1	1,897,507	30.1	1,001,126	26.3
U.S. dollar – with hedge for IPCA	768,577	25.8	669,006	32.2	768,577	12.2	669,006	17.5
	2,666,084	**89.4**	**1,670,132**	**80.3**	**2,666,084**	**42.3**	**1,670,132**	**43.8**
Loans and financing	**2,983,445**	**100.0**	**2,079,666**	**100.0**	**6,309,428**	**100.0**	**3,815,941**	**100.0**

e) Interest rates and foreign currency variation

	2018	2017
TJLP	6.7%	7.1%
CDI	6.5%	9.9%
IPCA	3.7%	3.0%
U.S. dollar	17.1%	1.5%

f) Maturity of loans and financing under non-current liabilities

	Parent Company	Consolidated
2020	1,192,543	1,433,651
2021	823,492	1,053,724
2022	810,834	1,044,910
2023	14,040	250,451
2024	-	239,706
2025 to 2029	-	1,165,453
2030 to 2034	-	577,125
2035 to 2039	-	89,895
Loans and financing	**2,840,909**	**5,854,915**

g) Main contracted loan conditions

Company/Bank	Interest	Payment Conditions		Balances at 12.31.2018
		Maturity	Principal and interest	
Parent Company:				
Local currency				
BNDES – Modernization	TJLP + 2.26% p.a. [a]	07.2020	Monthly	118,960
NIB	IPCA + 3.55% p.a.	10.2022	Principal: Monthly Interest: Quarterly	111,635
BNDES – Usina São Salvador	TJLP + 2.7% p.a. [a]	10.2023	Monthly	80,405
BNDES onlending (Banks)	3.68% p.a.	11.2024	Monthly	6,361
Foreign currency (USD)				
HSBC France	8.459% p.a. swap for 103% of CDI	10.2020	Principal: 10.2020 Interest: Semiannually	340,701
Bank of Tokyo	3.712% p.a. with swap for 101% of CDI	04.2020	Principal: 04.2020 Interest: Semiannually starting 04.2019	389,798
BNP Paribas	3.684% p.a. with swap for 102% of CDI	04.2020	Principal: 04.2020 Interest: Semiannually starting 10.2018	388,349
Bank of Tokyo	3.998% p.a. with swap for 103% of CDI	04.2021	Principal: 04.2021 Interest: Semiannually starting 04.2019	391,665
Scotiabank	3.798% p.a. with swap for 102% of CDI	04.2021	Principal: 04.2021 Interest: Semiannually starting 10.2018	386,994
Scotiabank	3.3710% p.a. with swap for IPCA + 5.2% p.a.	11.2022	Principal: 11.2022 Interest: Semiannually	768,577
Subsidiaries:				
Companhia Energética Estreito				
BNDES	TJLP + 1.89% p.a. [a]	09.2029	Monthly	593,460
BNDES onlending (Banks) [b]	TJLP + 2.95% p.a. [a]	09.2029	Monthly	402,938
Ibitiúva				
BNDES (Subcredit B)	4.5% p.a.	01.2020	Monthly	4,578
BNDES (Subcredit A and C)	TJLP + 2.05% p.a. [a]	01.2021	Monthly	7,740
Ferrari				
BNDES	TJLP + 1.91% p.a. [a]	06.2021	Monthly	10,955
BNDES Expansion	TJLP + 1.76% p.a. [a]	07.2032	Monthly	38,015
BNDES onlending (Banks) [b]	TJLP + 3.40% p.a. [a]	06.2021	Monthly	4,781
Trairí Wind Power Complex [c]				
BNDES – Social Credit	TJLP	07.2029	Monthly	1,307
BNDES	TJLP + 2.51% [a]	07.2029	Monthly	251,876
Santa Mônica Wind Complex[d]				
BNDES	TJLP + 2.18% [a]	05.2033	Monthly	304,916
Assu V				
BNB	IPCA + 1.7624% p.a.	07.2038	Principal: Monthly starting 08.2023 Interest: Quarterly up to 07.2023; Monthly starting 08.2023.	83,843
Campo Largo Wind Power Complex				
BNDES	TJLP + 2.52% p.a. [a]	06.2035	Monthly, starting July 2019	390,438
BNDES	TJLP + 1.82% p.a. [a]	06.2035	Monthly, starting July 2019	488,037
Pampa Sul				
BNDES	TJLP + 3.09% p.a. [a]	01.2036	Monthly, starting February 2020	627,602

[a] The amount corresponding to the TJLP installment that exceeds 6% p.a. is incorporated into the principal.

[b] The banks are the following: Itaú Unibanco, Itaú BBA, Bradesco, Santander and Votorantim.
[c] Financing of the Trairí Wind Complex, composed of the following companies:: Trairí, Mundaú, Guajiru and Fleixeiras I.
[d] Financing of the Santa Mônica Wind Complex, composed of the following companies: Santa Mônica, Cacimbas, Estrela e Ouro Verde.

h) Guarantees

h.1) BNDES and BNDES onlending (Banks)

- Financing of hydroelectric projects: (a) pledge of rights deriving from concession; (b) pledge of credit rights deriving from electricity purchase and sale contracts; (c) reserve account at amount equivalent to 3 months of debt service; (d) reserve account at amount equivalent to 3 months of operating and maintenance contract expenses applicable to plants that contract third parties' services to execute these activities; and (e) security deposit for total shares.

In addition to these guarantees, in the contract with CEE, there is the guarantee for the pledge of dividends to be paid by ENGIE Brasil Energia to its parent company, ENGIE Participações.

- **Modernization**: fiduciary assignment of revenues arising from Agreements for Energy Sale in the Regulated Environment - CCEAR

- **Financing of São Salvador Hydroelectric Plan:** bank guarantee.

- **Financing of Biomass and Wind Farm Projects:** (a) pledge of assets and equipment, (b) total shares representing subsidiaries' capital; (c) receivables and reserve account; and (d) ENGIE Brasil Energia corporate collateral signature.

h.2) Banco do Nordeste do Brasil (BNB)

- Financing of photovoltaic solar project: (a) pledge of rights and credits emerging from the concession and credit rights from the electricity purchase and sale agreements; (b) establishment of an Operation and Maintenance Reserve Account, equivalent to 25% of the annual amount of O&M expenses; (c) Fiduciary Assignment of Reserve Account; (d) reserve account with minimum amount equivalent to 4.09% of the total outstanding balance of the loan; (e) fiduciary assignment of assets and equipment; (f) corporate suretyship of ENGIE Energias Complementares Participações Ltda.; and (g) Shareholder Support Agreement entered into with ENGIE Energias Complementares Participações Ltda.

h.3) Nordic Investment Bank (NIB)

- Financing of Wind Projects - the Company contracted a guarantee in U.S. dollar in the amount of R$112,034, maturing in 2019. This obligation to deliver guarantee began in February 2018, when Fitch Rating downgraded Brazil's sovereign rating, thus impacting the Company's long-term foreign currency rating. This loan from NIB was contracted in December 2012 to finance the construction of the Trairí Wind Complex.

i) Contract commitments (covenants)

Debt	Covenants
Parent company:	
Nordic Investment Bank	(i) Parent company: Total debt /EBITDA ≤ 3.5 (ii) Consolidated: Total debt /EBITDA ≤ 4.5 (iii) Parent company and Consolidated: EBITDA/ financial expenses ≥ 2.0
BNDES – Modernization	Parent company: Net debt /EBITDA ≤ 3.5
BNDES – São Salvador Hydroelectric Power Plant	Consolidated: Gross debt /EBITDA ≤ 4.5
HSBC France, Scotiabank, Bank of Tokyo and BNP Paribas	(i) Consolidated: EBITDA/financial expenses ≥ 2.0 (ii) Consolidated: Gross debt /EBITDA ≤ 4.5
Subsidiaries:	
BNDES and Banks (BNDES onlending)	Debt service coverage ratio [18] ≥ 1.2 or ≥1.3, depending on the subsidiary
BNDES Expansion	Net debt/EBITDA ≤ 3.5
BNDES – Ibitiúva	(i) Debt service coverage ratio [18] ≥ 1.3 (ii) Total debt ratio ≤ 0.80

The financial commitments established in the loan and financing agreements are being fulfilled by the Company and its subsidiaries. Covenants are calculated annually, as established in these contracts.

NOTE 17 – DEBENTURES E NOTAS PROMISSÓRIAS

a) Breakdown

	Parent Company					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
EBE – 5th issue	-	206,871	206,871	-	198,967	198,967
EBE – 6th issue	-	639,256	639,256	-	613,748	613,748
EBE – 7th issue	-	734,125	734,125	-	-	-
Charges	36,882	-	36,882	17,849	-	17,849
Debentures	**36,882**	**1,580,252**	**1,617,134**	**17,849**	**812,715**	**830,564**

[18] Debt service coverage rate: Activity cash generation/ Debt service.

	Consolidated					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Debentures						
EBE – 5th issue	-	206,871	206,871	-	198,967	198,967
EBE – 6th issue	-	639,256	639,256	-	613,748	613,748
EBE – 7th issue	-	734,125	734,125	-	-	-
Jaguara – 1st issue	104,599	1,004,860	1,109,459	-	-	-
Miranda – 1st issue	64,700	615,325	680,025	-	-	-
Promissory notes	-	-	-	2,096,436	-	2,096,436
Charges	41,070	-	41,070	31,324	-	31,324
Debentures and promissory notes	**210,369**	**3,200,437**	**3,410,806**	**2,127,760**	**812,715**	**2,940,475**
Hedge (swap) effects – Long position	(3,085)	(8,586)	(11,671)	-	-	-
Debentures and promissory notes, net of hedge effects	**207,284**	**3,191,851**	**3,399,135**	**2,127,760**	**812,715**	**2,940,475**

a.1) Issue of debentures of Jaguara and Miranda

On 6.26.2018, the direct subsidiaries Jaguara and Miranda issued debentures, in two series, with restricted placement efforts, at the par value of R$1, totaling R$1,117,000 and R$685,000, respectively. The proceeds of R$1,758,619, net of funding costs, were used to pay in advance a part of the amount raised through promissory notes.

In order to hedge all future payment flows of the principal and interest of debentures from DI rate fluctuations, swap operations were contracted from Banco Itaú BBA on 12.19.2018.

a.2) 7th issue of debentures of ENGIE Brasil Energia

On 7.25.2018, the Company settled the unsecured, non-convertible debentures (7th issue) in two series, in accordance with CVM Instruction 400/2003, of ENGIE Brasil Energia, at the unit par value of R$ 1, totaling R$746,610 (R$727,621, net of funding costs).

b) Changes in debentures and promissory notes

	Parent Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balances at 12.31.2016	**16,547**	**787,908**	**804,455**	**16,547**	**787,908**	**804,455**
Issue of debentures	-	-	-	2,096,112	-	2,096,112
Interest	51,617	-	51,617	25,627	-	25,627
Monetary variation	595	22,324	22,919	595	4,570	5,165
Capitalized interest and monetary variation	763	555	1,318	40,552	18,309	58,861
Transfers	(1,928)	1,928	-	(1,928)	1,928	-
Payment of interest	(49,745)	-	(49,745)	(49,745)	-	(49,745)
Balances at 12.31.2017	**17,849**	**812,715**	**830,564**	**2,127,760**	**812,715**	**2,940,475**
Issue of debentures	-	727,621	727,621	86,621	2,399,619	2,486,240
Interest	73,414	-	73,414	175,046	-	175,046
Monetary variation	1,192	37,162	38,354	1,326	25,936	27,262
Capitalized interest and monetary variation	-	-	-	46,958	27,447	74,405
Fair value adjustment	-	-	-	2,534	8,871	11,405
Transfers	(2,754)	2,754	-	74,151	(74,151)	-
Payment of principal	-	-	-	(2,100,000)	-	(2,100,000)
Payment of interest	(52,819)	-	(52,819)	(204,027)	-	(204,027)
Balances at 12.31.2018	**36,882**	**1,580,252**	**1,617,134**	**210,369**	**3,200,437**	**3,410,806**

c) Main conditions contracted

				Payment Conditions				
		Quantity	Remuneration	Charges	Principal	Maturity	Guarantee	Balances at 12.31.2018
Parent Company	5th Issue – Single series	165,000	IPCA + 6.3% p.a.	Annually in December	3 annual installments as of 12.2022	12.2024	Without guarantee	207,326
	6th Issue – Series 1	246,600	IPCA + 6.2621% p.a.	Annually in July	3 annual installments as of 07.2021	07.2023	Without guarantee	270,592
	6th Issue – Series 2	353,400	IPCA + 6.2515% p.a.	Annually in July	3 annual installments as of 07.2024	07.2026	Without guarantee	386,898
	7th Issue – Series 1	515,353	IPCA + 5.6579%	Annually starting 07.2019	2 annual installments as of 07.2024	07.2025	Without guarantee	519,188
	7th Issue - Ser 2	231,257	IPCA + 5.9033%	Annually starting 07.2019	3 annual installments as of 07.2026	07.2028	Without guarantee	233,130
Subsidiaries	1st Issue - Seri 1	782,000	107% p.a. over Δ DI Rate with swap for IPCA + 4.47%	Semiannually starting 12.2018	9 semiannual installments as of 06.2019	06.2023	Guarantee	778,317
	1st Issue - Seri 2	1,020,000	IPCA + 6.4962%	Semiannually starting 12.2018	15 semiannual installments as of 06.2020	06.2027	Guarantee	1,015,355

d) Maturities of debentures recorded under non-current liabilities

	Parent Company	Consolidated
2020	-	185,757
2021	84,556	284,809
2022	154,024	368,231
2023	154,372	386,439
2024	453,028	680,600
2025 to 2029	734,272	1,294,601
Debentures	**1,580,252**	**3,200,437**

e) Contractual covenants

	Debt	Covenants
Parent Company	5th and 6th issues	(i) Consolidated: EBITDA/ financial expenses ≥ 2.0 (ii) Consolidated: Gross debt/EBITDA ≤ 4.5
	7th issue	(i) Consolidated: EBITDA/ financial expenses ≥ 2.0 (ii) Consolidated: Gross debt/EBITDA ≤ 4.5
Subsidiaries	1st issue	Individual: ICSD[19] ≥ 1.10

The covenants are being fully met by the Company and its subsidiaries.

NOTE 18 – CONCESSIONS PAYABLE

a) Breakdown

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Cana Brava Hydroelectric Power Plant	1,226,969	1,035,551	1,226,969	1,035,551
Ponte de Pedra Hydroelectric Power Plant	1,023,647	875,569	1,023,647	875,569
São Salvador Hydroelectric Power Plant	545,774	535,274	545,774	535,274
Estreito Hydroelectric Power Plant	-	-	54,079	53,005
	2,796,390	**2,446,394**	**2,850,469**	**2,499,399**
Classification in the balance sheet				
Current liabilities	79,051	61,367	84,931	67,051
Non-current liabilities	2,717,339	2,385,027	2,765,538	2,432,348
	2,796,390	**2,446,394**	**2,850,469**	**2,499,399**

The Company has onerous concession agreements with the Federal Government to Use the Public Asset (UBP) to generate electricity in the power plants listed in the table above. The features of the businesses and the agreements show the condition and the intention of the parties to execute them in full.

Considering that contractual amounts are stated at future prices, the Company adjusted them to present value based on reference discount rates on the date the obligation assumed.

[19] Debt Service Coverage Ratio.

b) Original contracted amounts

Original amount, adjusted at annual General Market Price Index (IGP-M) (Cana Brava and Ponte de Pedra) and IPCA (Estreito and São Salvador) variation are paid in monthly installments equivalent to 1/12 of respective annual amount, as follows:

	Original value		Restated amount	
Plants and payment years	Annual Payment	Total payment	Annual Payment	Total payment
Cana Brava Hydroelectric power plant				
Until 07.31.2023	680	3,117	3,208	14,858
De 08.01.2023 a 07.31.2033	61,280	612,800	292,989	2,929,886
		615,917		**2,944,744**
Ponte de Pedra Hydroelectric power plant				
Until 09.30.2019	150	150	636	636
From 10.01.2019 to 09.30.2020	16,200	16,200	68,391	68,391
From 10.01.2020 to 09.30.2034	31,109	435,531	131,334	1,838,674
		451,881		**1,907,701**
São Salvador Hydroelectric power plant				
Until 04.30.2037	20,000	**388,333**	62,891	**1,163,455**
Estreito Hydroelectric power plant				
Until 12.31.2037	1,960	**37,408**	6,168	**117,522**

c) Changes

	Parent Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balances at 12.31.2016	**59,907**	**2,235,059**	**2,294,966**	**65,408**	**2,281,968**	**2,347,376**
Interest	-	212,093	212,093	-	217,146	217,146
Monetary variations	-	2,095	2,095	-	3,596	3,596
Transfers	64,220	(64,220)	-	70,362	(70,362)	-
Amortizations	(62,760)	-	(62,760)	(68,719)	-	(68,719)
Balances at 12.31.2017	**61,367**	**2,385,027**	**2,446,394**	**67,051**	**2,432,348**	**2,499,399**
Interest	-	237,075	237,075	-	242,225	242,225
Monetary variations	-	177,650	177,650	-	179,730	179,730
Transfers	82,413	(82,413)	-	88,765	(88,765)	-
Amortizations	(64,729)	-	(64,729)	(70,885)	-	(70,885)
Balances at 12.31.2018	**79,051**	**2,717,339**	**2,796,390**	**84,931**	**2,765,538**	**2,850,469**

d) Maturities of concessions payable disclosed in non-current liabilities

	Parent Company	Consolidated
2020	131,402	136,737
2021	159,480	164,330
2022	146,532	150,942
2023	210,793	214,801
2024	294,563	298,206
2025 to 2029	1,131,100	1,144,908
2030 to 2034	613,929	622,501
2035 to 2038	29,540	33,113
	2,717,339	**2,765,538**

NOTE 19 – INCOME TAX AND SOCIAL CONTRIBUTION PAYABLE

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Income tax	58,992	146,410	80,620	155,502
Social contribution	397	26,707	21,434	33,148
	59,389	**173,117**	**102,054**	**188,650**
(-) Taxes to offset	-	(6,771)	(21)	(7,299)
	59,389	**166,346**	**102,033**	**181,351**

On 12.31.2018, the Company presents the amounts of R$88,854 and R$98,978 for the parent company and consolidated, respectively, related to income tax and social contribution recoverable, expected to be recovered in 2019.

NOTE 20 – OTHER TAX AND REGULATORY OBLIGATIONS

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
PIS[20] and Cofins[21]	25,893	29,032	43,628	38,822
INSS	1,714	5,347	4,843	7,831
ICMS[22]	423	1,426	21,567	22,502
ISSQN[23]	543	889	2,812	1,936
Royalties[24]	22,240	18,532	28,973	21,038
Inspection rate	936	1,161	1,600	1,415
Other	2,912	2,099	3,170	2,236
	54,661	**58,486**	**106,593**	**95,780**
(-) Federal and state rates to offset	(845)	(1,847)	(2,183)	(2,112)
	53,816	**56,639**	**104,410**	**93,668**

[20] Social Integration Program.
[21] Contribution to Social Security Financing.
[22] State Goods and Services Tax.
[23] Tax on Services of Any Nature.
[24] Financial offset for use of water resources.

NOTE 21 – LABOR LIABILITIES

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Provision for profit sharing and bonuses	61,304	59,964	66,621	59,963
Provision for vacation	24,596	22,734	27,210	24,003
Payroll and social charges	4,892	4,377	5,544	4,873
Provision for voluntary termination expenses	197	4,337	197	4,337
Other	-	1,703	-	1,703
	90,989	**93,115**	**99,572**	**94,879**

To supplement fixed salary payment, the Company maintains a variable remuneration system, of annual periodicity, comprised of two programs: (i) Profit Sharing Program – applicable to all employees of the Company and linked to results obtained; and (ii) Manager Bonus Program – applicable to all employees classified as managers and linked to the results in their areas and individual performance.

NOTE 22 – PROVISIONS

Provisions are recognized by the Company in amounts considered sufficient to settle the respective liabilities, when according to the legal counsels and Management, they involve probable risk of future disbursement.

a) Breakdown

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Civil				
Expropriations and administrative servitude	38,421	35,019	38,421	35,019
Environmental	11,655	10,797	11,655	10,797
Retirement benefits	2,803	2,603	2,803	2,603
Sundry lawsuits	15,946	14,905	23,308	21,696
	68,825	**63,324**	**76,187**	**70,115**
Tax	**7,070**	**6,812**	**7,400**	**7,137**
Labor	**13,622**	**10,860**	**14,273**	**11,122**
Divestment of generation assets	**-**	**1,000**	**-**	**1,000**
	89,517	**81,996**	**97,860**	**89,374**
Classification in the balance sheet				
Current liabilities	7,880	10,647	8,883	11,651
Non-current liabilities	81,637	71,349	88,977	77,723
	89,517	**81,996**	**97,860**	**89,374**

a.1) Expropriations and administrative servitudes

The Company is defendant in lawsuits filed by individuals and legal persons regarding expropriation processes of areas that were impacted by the reservoirs of some plants and establishment of administrative services of properties where connection lines and wind farms will be constructed.

b) Change in provisions

	Parent Company				
	Civil	Tax	Labor	Divestment	Total
Balance at 12.31.2016	**284,288**	**6,929**	**10,806**	**19,379**	**321,402**
Additions	52	-	-	-	52
Restatements	14,443	458	900	-	15,801
Payments	(224,192)	-	(345)	(3,863)	(228,400)
Reversals from revision	(11,267)	(575)	(501)	(14,516)	(26,859)
Balance at 12.31.2017	**63,324**	**6,812**	**10,860**	**1,000**	**81,996**
Additions	-	-	3,410	-	3,410
Restatements	5,510	258	1,342	-	7,110
Payments	(9)	-	(22)	-	(31)
Reversal from revision	-	-	(1,968)	(1,000)	(2,968)
Balance at 12.31.2018	**68,825**	**7,070**	**13,622**	**-**	**89,517**

	Consolidated				
	Civil	Tax	Labor	Divestment	Total
Balance at 12.31.2016	**289,510**	**7,270**	**10,948**	**19,379**	**327,107**
Additions	1,226	6	120	-	1,352
Restatements	14,846	553	900	-	16,299
Payments	(224,308)	-	(345)	(3,863)	(228,516)
Reversals from revision	(11,267)	(692)	(501)	(14,516)	(26,976)
Other	108	-	-	-	108
Balance at 12.31.2017	**70,115**	**7,137**	**11,122**	**1,000**	**89,374**
Additions	431	3	3,813	-	4,247
Restatements	6,250	260	1,343	-	7,853
Payments	(429)	-	(37)	-	(466)
Reversal from revision	(180)	-	(1,968)	(1,000)	(3,148)
Balance at 12.31.2018	**76,187**	**7,400**	**14,273**	**-**	**97,860**

c) Possible and remote risks

The Company is also a party to lawsuits that, in the opinion of the legal counsels and its Management, do not represent a probable risk of future disbursement, for which reason the amounts related to those lawsuits are not provisioned for.

	12.31.2018			12.31.2017		
	Possible risk	Remote risk	Total	Possible risk	Remote risk	Total
Parent Company						
Tax and social security	778,965	237,990	1,016,955	272,636	228,166	500,802
Civil	77,891	152,316	230,207	105,589	136,579	242,168
Labor	13,892	138,831	152,723	6,442	132,025	138,467
	870,748	**529,137**	**1,399,885**	**384,667**	**496,770**	**881,437**
Consolidated						
Tax and social security	856,780	260,570	1,117,350	348,509	249,898	598,407
Civil	93,329	152,458	245,787	122,334	136,673	259,007
Labor	16,774	157,278	174,052	10,077	143,737	153,814
	966,883	**570,306**	**1,537,189**	**480,920**	**530,308**	**1,011,228**

c.1) Tax risks

The main tax-related risks evaluated by the Company and its legal counsel as having a possible risk are the following:

- Recovery of PIS and Cofins taxes

In 1998, Law no 9,718 was published, extending the PIS and Cofins calculation basis that, so far, only levied on the companies' gross revenues. The Company challenged in court the constitutionality of said Law, obtaining a favorable decision on 9.1.2006, which enabled its settling the contributions, calculated on several revenues resulting from the gross revenues for the period assessed from February of 1999 to November of 2002, for PIS, and February of 1999 to January of 2004, for Cofins.

The main amount included in the calculation base of PIS and Cofins regards the accounting caption named Fuel Consumption Account (CCC), which accounted for the reimbursement of the consumption of fossil fuel acquired for thermal energy generation with funds from CCC. In 2016, ANEEL amended the Electricity Sector Accounting Manual (MCSE) to reflect the offset in a rectifying account of operating costs and no longer as revenue.

As a result of the recognition, by ANEEL, that the accounting procedure adopted until then was inadequate, the Company also offset the amounts of taxes overpaid in 2004 and 2005.

In 2009, the Brazilian Federal Revenue Service (RFB) notified the Company to collect the amount of R$135,982 referred to the period from February of 1999 to January of 2004, interest and fines already included, pleading that the CCC Subsidy represents a billing and, thus must be included in the calculation basis of PIS and Cofins for the mentioned period, and therefore the offset was inappropriate. The Company submitted its Appeal on 3.31.2009, which, on 4.30.2014, RFB, through an appeal settlement issued by the Office of the Federal Revenue Service of Brazil in Florianópolis, recognized the claimed credit rights and the offsets were fully ratified, resulting in the cancelation of the debits.

In relation to the period from February 2004 to December 2005, the RFB issued 44 tax deficiency notices, which correspond to a portion of the offset amount, claiming that the consumption of fossil fuel under the CCC is considered as revenue by nature. The Company submitted a statement of discontentment with all proceedings, which was deemed invalid by the respective authorities. Consequently, the Company filed a voluntary appeal against the decisions.

Of the 44 proceedings submitted to the Administrative Council of Tax Appeals (CARF), only one was favorable for the Company, by unanimous vote, which annulled the Decision Order amounting to R$117. Of the 43 proceedings remaining at CARF and with the Upper Chamber of Tax Appeals (CSRF), 11 were decided, totaling R$7,570, with an unfavorable ruling against the Company. After this decision, the Management of ENGIE Brasil Energia filed a request for analysis of Special Appeal at CSRF, which was also denied. As a result, the risk of the claims was classified as possible.

Due to the final and unappealable denial of the Special Appeals in the administrative sphere, on 11.18.2015 the Company filed a suit for the declaration of non-existence of tax–legal relationship against the National Treasury, relating to the 11 tax liabilities constituted by the Federal Revenue Service (RFB), as a result of the non-ratification of offset of PIS and Cofins taxes paid in excess.

The proceedings pending judgment in the administrative and legal spheres totaled R$135,469 (R$131,767 on 12.31.2017) in the parent company and consolidated statements.

- Value-Added Tax on Operations of Sale, Interstate and Intermunicipal Transport Services and Communication Services (ICMS)

The Company and its direct subsidiary EBC were notified by the São Paulo State Revenue Office (FESP), claiming that the invoices of electricity sold to free consumers are issued in the month following the taxable event. The tax authority understands that this practice postpones for one month the collection of the tax due to the state. The measurement of the electricity used by the client is carried out by the distribution company to which the client is connected by the eighth day of the month following the supply. Therefore, only after the consumption the consumed energy can be billed to the client. As a result, the procedure adopted by the Company and by EBC would be deemed compliant with the usual practices of the Brazilian power sector, against the interpretation of the tax authorities of the state of São Paulo.

Despite the partial success of the Company's defenses, the Company's Management and legal counsels understand that the total amounts of debits claimed by tax authorities are subject to calculation mistakes and legal grounds, where the chance of success for these disputes is higher than the risk of losses. The assessment notices are being challenged in court by the Company and its lawyers. The restated amount of the proceedings, assessed as having possible risk of loss, at 12.31.2018 is R$16,526 (R$16,160 at 12.31.2017), in the parent company, and R$93,481 (R$91,198 at 12.31.2017) in the consolidated.

Even if the tax deficiency notices are partially upheld, the Company's management and legal advisors understand that the contingent amount would be less than 10% of the abovementioned value that charged by the tax authorities, who adopted calculation criteria not supported by law, and therefore the aforementioned amount would be substantially reduced.

- Voluntary confession

The mechanism called "voluntary confession" allows the payment of overdue taxes without the application of a late payment penalty, provided it is made before any administrative procedure or inspection measure. Once the RFB accepts the payments after the deadline without the corresponding late payment penalty, the Company submits administrative, and when necessary, legal challenges.

On 5.18.2012, RFB notified administratively ENGIE Brasil Energia of an Appellate Decision rendered by the CARF, conferring a favorable decision for the Company, by unanimous vote, and it also obtained judicially a favorable decision in a process amounting to R$140. However, in 2015 three administrative procedures totaling R$13,187 resulted in unfavorable decisions for the Company. Since all appeals in the administrative sphere have been exhausted, the Company filed lawsuits in December 2015, which are pending judgment.

The restated amount of administrative proceedings and lawsuits whose risk of loss is deemed as possible at 12.31.2018 is R$57,545, and whose risk of loss is deemed remote is R$5,694 (R$ 63,848 at 12.31.2017, of which R$58,259 classified as possible risk and R$5,589 as remote loss risk), at the parent company and consolidated statements.

- Compensation of tax loss carryforwards in the succession and waiver of fines in voluntary confession

The Company used CSLL tax loss carryforwards arising from the merger of a company on 4.29.1998, or after the amendment to the tax legislation introduced in 2001, prohibiting the use of tax loss carryforwards from mergers, consolidations or spin-offs of companies.

As the merger took place before said Provisional Measure (MP) prohibited the use of taxes, when it was still possible to use the social contribution tax loss carryforwards from the former company, the Company understands that the new rule does not apply to the merger brought in effect. The amounts were added to its equity, as the successor company, ensuring the right to use said amounts.

In June 2008, the Company obtained a favorable decision of the Judgment Office of Florianópolis, regarding the portion of the tax deficiency notice regarding the use of the social contribution tax loss carryforwards in the calendar year 2003, originated from a merger.

The lawsuit is pending decision of the Administrative Council of Tax Appeals (CARF), issued by the Brazilian Federal Revenue Service, and with voluntary appeal from the Company exclusively focusing on the non-levy of interest in arrears. The restated amount of this notice, whose risk of loss was deemed as possible, at 12.31.2018 is R$28,236 (R$27,746 at 12.31.2017) at the parent company and consolidated statements.

- Use of the Income Tax Loss and the Negative Social Contribution Base above the 30% limit in the calculation basis for the Merger of Companhia Energética São Salvador (CESS).

On 10.27.2017, the Company was notified in a proceeding related to the use, above the 30% limit, of the income tax loss and negative social contribution based accrued in calendar year 2013 in the CESS merger process.

Federal tax authorities issued a notice of deficiency for considering that EBE is responsible by succession, as envisaged in Article 2017, Item III and 209 of the Income Tax Regulation (RIR).

The Company understands that, in the event of termination of activities, the limit imposed on the use of income tax loss and negative base ceases to exist. Furthermore, within the 30% limit, as required by tax authorities, taxation would be more onerous and would impact the company's equity and not equity addition.

On 11.27.2017, the Company filed an objection demonstrating the nullity of the notices of deficiency, since serious errors were made by the Federal Tax Authorities in calculating the Income Tax and Social Contribution amounts, thus invalidating the tax entries.

However, the Federal Revenue Trial Office (DRJ) of Florianópolis analyzed the objection and maintained the notice (decision received on 4.18.2018). After receiving the DRJ decision, the Company filed a Voluntary Appeal with CARF on 5.10.2018.

The restated amount of the notification, which has a possible risk of loss, is R$17,753 on 12.31.2018, both for the parent company and consolidated.

- Notice of Deficiency - PIS/COFINS on fuel reimbursements

On 12.14.2018, the Company received a notice of deficiency issued by the Federal Revenue Service of Brazil, stating that PIS and Cofins taxes should apply to the amounts transferred by Eletrobras as reimbursement for other fuels used in energy generation operations at the Company's thermal power plants between January 2014 and December 2016, based on the principal argument that the funds received from Eletrobras are essentially revenue in order to subsidize costs. Said reimbursements are based on the government's incentive to purchasing fossil fuels used in thermal power plants.

In accordance with Federal Law no. 10,438/02, the federal government created a public fund called Energy Development Account (CDE) to promote competitiveness among plants using coal as fuel, therefore limiting the scope of the erstwhile CCC public fund to isolated systems.

The CDE public fund mentioned in the notice of deficiency is formed as follows: (i) in its bills, the distribution company charges end consumers for the amounts related to electricity consumption, which are subject to PIS and Cofins taxes, and transfers these amounts to Eletrobras; (ii) generation companies using fossil fuels acquire such fuels and store the physical inventories on behalf of Eletrobras, the legal owner of these assets; and (iii) Eletrobras reimburses generation companies for the amounts related to the fuel consumed.

Based on the CDE mechanism, on 1.15.2019 the Company filed an objection to the notice of deficiency through its external advisors, arguing that: (i) the Company is not the legal owner of the fuels, which belong to Eletrobras; (ii) the reimbursement cannot be treated as subsidy, since it is financed by end consumers, not the government; and (iii) the reimbursed amount does not increase the Company's revenue, and there is jurisprudence in superior courts determining that PIS and Cofins taxes should only be levied on inflows that effectively increase wealth. As such, the Company understands that the reimbursements addressed in the notice of deficiency are not subject to PIS and Cofins. Moreover, in the event of an unsuccessful conclusion of this dispute, the Company intends to seek reimbursement of these taxes through the revision of the plant's Unit Variable Cost (CVU) and reimbursement by the CDE.

The restated amount of the notice is R$480,531 for the parent company and consolidated, of which R$229,359 refer to the principal, R$172,019 refer to the fine, and R$79,153 refer to interest.

As summarized above, considering there is no consolidated jurisprudence regarding the specific hypothesis addressed in the notice of deficiency, the Company's Management and legal advisors understand that the risk should be classified as a possible loss with a favorable outlook.

c.2) Civil risks

The main civil risks assessed by the Company and its legal counsel as possible are the following:

- Environmental

These lawsuits are divided as follows: (i) lawsuits requiring the installation of a lock, fish ladder and "lair out" in a certain plant; (ii) eight lawsuits requiring reforesting and the establishment of a Permanent Conservation Area (APP) of one hundred meters around the reservoirs of two hydroelectric power plants; and (iii) other lawsuits related to alleged damage caused by the filling of a plant's reservoir, disposal of ashes by in allegedly inadequate areas, influence of the plant's operation in a river, construction of a wind farm and the process of environmental licensing of two small hydroelectric power plants (SHPP).

The amount related to these actions, whose risk of loss is assessed as possible, on 12.31.2018 was R$53,768 (R$53,000 at 12.31.2017), in the parent company and consolidated.

- Contract with supplier

Claim for indemnity filed by a former energy supplier seeking to obtain the right to receive the difference related to the application of a foreign exchange adjustment foreseen in the agreement, and its termination due to a supposed breach of a contractual clause.

In November 2012, a court ruled against the suit filed by the plaintiff, which opposed this decision through a motion for resettlement, which was not admitted, and filed an appeal with the Court of Appeals of Santa Catarina (TJSC), whose decision did not cause significant changes. New Motions for Clarification were filed by the plaintiff, and were not accepted by TJSC. The claimant filed a Special Appeal, which was denied by the Superior Court of Justice.

The final and unappealable Appellate Decision was handed on 12.6.2018, and the notices were submitted for settlement. On 12.31.2017, the balance classified as possible risk was R$34,542 in the parent company and consolidated. Based on the decision, the Company wrote off the amount from the statement of lawsuits.

NOTE 23 – RETIREMENT BENEFITS OBLIGATIONS

The Company offers complementary pension plans for its employees through PREVIG - Sociedade de Previdência Complementar. The foundation is a nonprofit closed pension entity, sponsored by the Company, as its Founder, and by other ENGIE companies in Brazil. The benefit plans managed by PREVIG are: Defined Contribution (CD) and Defined Benefit (BD), the latter closed for new adhesions.

The Company also sponsors the BD plan of ELOS, also closed for new adhesions. The participants in this plan are mainly retirees that were entitled to benefits until 12.23.1997, the date of spin-off of Eletrosul, and creation of Gerasul, current ENGIE Brasil Energia, as well as participants that opted for the proportional benefit deferred until that date, who did not migrate to PREVIG. The plans managed by the Company have the following main characteristics:

a) Defined Benefit Plan (BD)

BD plan uses the financial system for capitalization of retirements, pension plans and aid benefits. The Plan's costs are covered by contributions made by members and sponsor, and the Company's contribution is twice the contribution of its participants. Benefits provided for in the Plan are as follows: (i) retirement per length of work, disability and age supplement; (ii) special retirement and former combatant retirement supplement; (iii) pension supplement; (iv) inmate pension supplement; (v) annual bonus; and (vi) funeral allowance.

At PREVIG, this Plan had 7 active members at 12.31.2018 (11 at 12.31.2017). At ELOS, the plan had 2 active members at 12.31.2018 (3 at 12.31.2017). On the same date, PREVIG had 424 (423 at 12.31.2017) retired employees and pension holders enjoying benefits, while ELOS had 2,061 (2,077 at 12.31.2017).

b) Settled Proportional Supplementary Benefit Plan (BSPS)

The Company also maintains a defined contribution plan (CD) at PREVIG, denominated "Prevflex", created in 2005. ENGIE Brasil Energia employees, on the date of creation, could choose to remain in the defined benefit (BD) plan or to transfer to Prevflex (CD).

However, members that comply with some pre-conditions established upon Prevflex creation had the option of maintaining existing reserves in the BD Plan up to that date and, from then on, making direct contributions to the CD Plan. This plan was called "BSPS", and is closed for new membership. However, in case they chose to transfer their reserves directly to the CD Plan, they were entitled to a special contribution, which was accepted by 94% of members.

On 12.31.2018, this Plan had 17 active participants (20 on 12.31.2017) and 73 retired employees and pension holders enjoying benefits (70 on 12.31.2017).

c) Breakdown of obligations with retirement benefits

	Parent Company and Consolidated					
	12.31.2018			12.31.2017		
	Current	Non-current	Total	Current	Non-current	Total
Contracted obligations	17,101	171,688	188,789	15,666	181,924	197,590
Current contributions and service costs	18	-	18	159	-	159
Uncontracted deficit	18,250	112,077	130,327	14,858	99,047	113,905
Recorded actuarial liability	**35,369**	**283,765**	**319,134**	**30,683**	**280,971**	**311,654**

Retirement benefits obligations recognized in the balance sheet are partially covered by contracted obligations and/or obligations acknowledged through an instrument for the acknowledgment of debt and agreement entered into by the Company with respective Foundations.

Contracted amounts presented in non-current liabilities are expected to be settled as follows:

	ELOS	PREVIG	Total
2019	14,191	3,424	17,615
2020	15,024	3,630	18,654
2021	15,905	2,220	18,125
2022	16,838	1,515	18,353
2023	13,662	235	13,897
2024	63,085	-	63,085
2025 to 2028	21,959	-	21,959
2029 to 2032	**160,664**	**11,024**	**171,688**

d) Statement of retirement benefit obligations, net

	Plans				
	ELOS BD	PREVIG BD	PREVIG BSPS	GC*	Total
12.31.2017					
Present value of obligations	1,307,730	347,174	64,533	3,265	1,722,702
Fair value of assets	(1,016,086)	(331,842)	(75,296)	-	(1,423,224)
Actuarial Evaluation	**291,644**	**15,332**	**(10,763)**	**3,265**	**299,478**
Surplus of contracted obligations	-	215	11,961	-	12,176
Liabilities recorded at 12.31.2017	**291,644**	**15,547**	**1,198**	**3,265**	**311,654**
12.31.2018					
Present value of obligations	1,319,519	358,357	67,244	3,655	1,748,775
Fair value of assets	(1,022,834)	(340,557)	(78,685)	-	(1,442,076)
Actuarial Evaluation	**296,685**	**17,800**	**(11,441)**	**3,655**	**306,699**
Surplus of contracted obligations	-	-	12,435	-	12,435
Liabilities recorded at 12.31.2018	**296,685**	**17,800**	**994**	**3,655**	**319,134**

(*) Confidentiality bonus

e) Breakdown of plan assets per investment nature, as of 12.31.2018

	Plans		
	ELOS BD	PREVIG BD	PREVIG BSPS
Fixed income	93.2%	98.3%	100.0%
Loans	2.8%	1.7%	-
Real estate	3.3%	-	-
Other	0.7%	-	-
	100.0%	**100.0%**	**100.0%**
Change in assets' market value	6.8%	6.4%	5.2%

Fixed income assets are mainly comprised of Federal Public Securities, substantially, National Treasury Notes (NTN).

f) Changes in actuarial liabilities

	Plans				
	ELOS BD	PREVIG BD	PREVIG BSPS	GC	Total
Liabilities recorded at 12.31.2016	**276,944**	**17,856**	**1,438**	**3,229**	**299,467**
Current contribution and cost of service	982	(1,002)	(8)	(484)	(512)
Payment of contracted obligations	(21,899)	(3,502)	(316)	-	(25,717)
Interest on actuarial liabilities/assets, net	29,314	1,718	140	274	31,446
Losses (Gains) from remeasuring liabilities, net					
Adjustment by demographic experience	(16,152)	(217)	3,306	177	(12,886)
Changes in financial assumptions	61,645	16,387	(1,241)	(2)	76,789
Changes in demographic assumptions	2,221	(5,654)	(2,654)	71	(6,016)
Return on asset higher than the rate of discount	(33,919)	(1,840)	(1,154)	-	(36,913)
Changes to the limits of surplus and deficit	-	(8,199)	1,687	-	(6,512)
Balancing of deficit assumed by participants	(7,492)	-	-	-	(7,492)
	6,303	**477**	**(56)**	**246**	**6,970**
Liabilities recorded at 12.31.2017	**291,644**	**15,547**	**1,198**	**3,265**	**311,654**
Current contribution and cost of service	72	(44)	1	18	47
Payment of contracted obligations	(22,629)	(3,599)	(325)	-	(26,553)
Interest on actuarial liabilities/assets, net	26,259	1,287	97	224	27,867
Losses (Gains) from remeasuring liabilities, net					
Adjustment by demographic experience	(4,797)	1,783	(247)	160	(3,101)
Changes in financial assumptions	22,046	6,886	1,311	(12)	30,231
Return on asset lower than the rate of discount	(15,910)	(3,824)	(381)	-	(20,115)
Changes to the limits of surplus and deficit	-	(236)	(660)	-	(896)
	1,339	**4,609**	**23**	**148**	**6,119**
Liabilities recorded at 12.31.2018	**291,644**	**15,547**	**1,198**	**3,265**	**311,654**

g) Net expenses to be recognized as profit or loss over the course of 2019

	Plans				
	ELOS BD	PREVIG BD	PREVIG BSPS	GC	Total
Interest on liabilities, net of assets	26,851	1,502	78	240	28,671
Current cost of service	-	49	-	160	209
Net expenses	**26,851**	**1,551**	**78**	**400**	**28,880**

h) Actuarial assumptions adopted

Assumptions	12.31.2018	12.31.2017
Rate of discount and of implicit return (p.a.)		
Plan ELOS BD	9.4%	9.4%
Plan PREVIG BD	9.4%	9.4%
Plan PREVIG BSPS	9.5%	9.5%
GC	8.9%	8.6%
Duration, in years		
Plan ELOS BD	9.26	9.11
Plan PREVIG BD	10.12	10.03
Plan PREVIG BSPS	10.77	10.69
GC	3.43	3.54
Inflation	4.2%	4.0%
Future salary growth (p.a.)		
Plans ELOS BD, PREVIG BD and GC	4.2%	4.0%
Plan PREVIG BD	4.8%	4.6%
Benefit growth (p.a.)	4.2%	4.0%
Capacity factor (Wages and Benefits)	100.0%	100.0%

Hypothesis	12.31.2018	12.31.2017
Mortality Table (assets)		
BD ELOS Plan	AT 2000 Basic (unisex, 34.00% for women and 66.00% for men)	AT 2000 Basic (unisex, composed 33.53% by women and 66.47% by men)
BD and BSPS PREVIG Plan and GC	AT-2000 (men, at 10%)	AT-2000 (men, at 10%)
Mortality Table of Disabled	AT-1983 (IAM) Men	AT-1983 (IAM) Men
Table of Start of Disability	Light Average	Light Average
Turnover Table	Null	Null
% of active employees married at the time of retirement		
BD and BSPS PREVIG Plan	85	85
Age of Retirement	First date to comply with all requirements	First date to comply with all requirements
Age difference between participant and spouse		
BSPS PREVIG Plan	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands
BD PREVIG Plan	Wives are 5 years younger than husbands	Wives are 5 years younger than husbands

The assumption of household composition ("Average Household") is adopted specifically for projections related to active participants, whereas projects related to participants assisted by the plan (retirees and pension holders) consider information in the record base ("Actual Household").

The assumption of household composition was not adopted for the ELOS BD Plan, since all commitments with participants were considered the information in the record base ("Actual Household"), including for the two active participants, who are members of the Deferred Proportional Benefit (BPD) plan and may already choose to receive the benefit.

i) Sensitivity analysis

	Plans			
	ELOS BD	PREVIG BD	PREVIG BSPS	GC
Effect in the present value of obligations				
Increase of 0.1 p.p. in the discount rate	(11,682)	(3,472)	(696)	(12)
Reduction of 0.1 p.p. in the discount rate	11,861	3,532	708	12

j) Confidentiality Bonus benefit

Refers to the payment of remuneration to manager-level employees upon the termination of their employment.

k) Defined Contribution Plan (CD)

In addition to the BD and BSPS Plan, PREVIG manages the CD Plan whose benefits are supported by contributions of participants and the sponsoring entity. The Company's contribution corresponds to the same amount of its employees' basic contribution, limited to a limit, in accordance with the plan's regulations. The net worth of the CD Plan on 12.31.2018 amounted to R$1,005,229 (R$920,273 on 12.31.2017). In 2018, the Company made contributions to the plan in the amount of R$14,099 (R$15,174 in 2017).

NOTE 24 – DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution assets and liabilities, are presented net, as follows:

a) Breakdown

	Parent Company				
	12.31.2018				12.31.2017
Description of credits	Calculation basis	IR	CSSL	Total	Total
Liabilities:					
Property, plant and equipment deemed cost (fair value)	751,303	187,826	67,617	255,443	207,148
Accelerated depreciation	703,368	175,842	63,303	239,145	270,220
Unrealized gains on hedge operations	214,447	53,612	19,300	72,912	4,176
Unrealized sale at MAE (currently CCEE)	107,456	26,864	9,671	36,535	36,535
Capitalized financial charges	64,159	16,040	5,774	21,814	22,606
Adjustment to fair value in business combination	34,709	8,677	3,124	11,801	12,553
Other	5,303	1,326	477	1,803	1,435
		470,187	**169,266**	**639,453**	**554,673**
Assets:					
Retirement benefits obligations	130,327	32,582	11,729	44,311	38,767
Estimated losses with doubtful accounts	129,166	32,292	11,625	43,917	43,917
Provision for asset impairment	125,565	31,391	11,301	42,692	41,751
Fair value adjustment in business combinations	107,074	26,769	9,637	36,406	35,280
Civil, tax and labor provisions	81,615	20,404	7,345	27,749	24,853
Interest on property, plant and equipment in progress (RIC)	36,148	9,037	-	9,037	15,609
Other	25,259	6,314	2,273	8,587	14,292
		158,789	**53,910**	**212,699**	**214,469**
Net total		**311,398**	**115,356**	**426,754**	**340,204**

Description of credits	Consolidated				
	12.31.2018				12.31.2017
	Calculation basis	IR	CSSL	Total	Total
Liabilities:					
Accelerated depreciation	931,265	232,816	83,814	316,630	335,795
Property, plant and equipment deemed cost (fair value)	751,303	187,826	67,617	255,443	207,148
Capitalized financial charges	629,180	157,295	56,616	213,911	122,474
Interest on concession financial asset	388,319	97,080	34,949	132,029	11,878
Unrealized gains on hedge operations	214,714	53,679	19,324	73,003	4,176
Unrealized sale at MAE (currently CCEE)	107,456	26,864	9,671	36,535	36,535
Amortization of the difference between tax and book value of intangible asset on the bonus paid for grant	96,971	24,243	8,727	32,970	9,075
Revenue from implementation of transmission infrastructure	46,572	11,642	4,191	15,833	-
Unrealized gains on trading operations, net	43,189	10,798	3,887	14,685	-
Adjustment to fair value in business combination	34,709	8,677	3,124	11,801	12,553
Other	6,630	1,658	608	2,266	1,435
		812,578	**292,528**	**1,105,106**	**741,069**
Assets:					
Revenue from Return of Grant Bonus (RBO)	315,416	78,854	28,387	107,241	17,793
Estimated losses with doubtful accounts	131,032	32,758	11,793	44,551	44,643
Retirement benefits obligations	130,327	32,582	11,729	44,311	38,767
Provision for asset impairment	125,565	31,391	11,301	42,692	41,424
Fair value adjustment in business combinations	107,074	26,769	9,637	36,406	35,280
Civil, tax and labor provisions	86,961	21,740	7,826	29,566	26,652
Construction costs of transmission line	45,363	11,340	4,083	15,423	-
Tax losses and social contribution tax loss carryforwards	40,591	10,148	3,653	13,801	13,722
Interest on property, plant and equipment in progress (RIC)	36,148	9,037	-	9,037	15,609
Fair value adjustment of property, plant and equipment	30,457	7,614	2,741	10,355	11,591
Other	47,317	11,827	4,340	16,167	18,465
		274,060	**95,490**	**369,550**	**263,946**
Net amount		**538,518**	**197,038**	**735,556**	**477,123**

Classification in the balance sheet				
Liabilities	562,916	205,898	768,814	507,905
Assets [25]	(24,398)	(8,860)	(33,258)	(30,782)
Total	**538,518**	**197,038**	**735,556**	**477,123**

b) Change in deferred income tax and social contribution, net

	Parent Company	Consolidated
Balance at 12.31.2016	**214,112**	**274,640**
Taxes deferred in profit or loss	128,462	199,261
Taxes deferred in other comprehensive income	(2,370)	3,222
Balance at 12.31.2017	**340,204**	**477,123**
Taxes deferred in profit or loss	88,630	259,962
Taxes deferred in other comprehensive income	(2,080)	(1,529)
Balance at 12.31.2018	**426,754**	**735,556**

c) Expected realization and required payments

The Company's Management prepares a forecast of future taxable income, considering its discounts at present value, demonstrating its capacity to realize tax credits in the fiscal years specified. Based on the technical study of taxable income forecasts, the Company expects to recover tax credits in the following fiscal years:

	Parent Company		Consolidated	
	Assets	Liabilities	Assets	Liabilities
2019	59,462	29,196	73,032	53,092
2020	8,373	52,131	20,691	79,306
2021	52,869	86,134	88,369	123,497
2022	9,814	56,447	23,058	76,030
2023	8,640	31,793	17,269	50,219
2024 to 2026	19,754	104,688	41,372	148,027
2027 to 2029	29,794	93,770	46,135	143,085
2030 to 2032	19,921	89,275	30,939	159,205
After 2033	4,072	96,019	28,685	272,645
	212,699	**639,453**	**369,550**	**1,105,106**

[25] Amount presented under "Other non-current assets"

NOTE 25 – SHAREHOLDERS' EQUITY

a) Authorized capital stock

On 12.7.2018, the Shareholders of ENGIE Brasil Energia decided, at the Extraordinary Shareholders Meeting (ESM), to revise its Bylaws, authorizing the Company to increase its capital stock up to the limit of R$7,000,000 (R$5,000,000 at 12.31.2017), by resolution of Board of Directors, regardless of any amendment to its bylaws. Under the B3's New Market listing regulations, the Company cannot issue preferred shares or founder shares.

The Company has no treasury shares and did not perform any purchase and sale transactions involving shares of its own issuance in 2018 and 2017.

b) Subscribed and paid-in capital

At the same ASM, the Shareholders approved a capital increase in the amount of R$2,073,592, by capitalizing: (i) the balance in the Retained Earnings Reserve, of R$1,594,357; (ii) the Reserve of Tax Incentives to Capitalize, related to the incentive from the Amazon Development Authority (Sudam) to HEP Ponte de Pedra, in the amount of R$4,166; and (iii) Net Income in the 3rd quarter of 2018, in the amount of R$475,069, through the issue of 163,185,548 new book-entry common shares with no par value, which were granted to shareholders, as bonus shares, at the ratio of one (1) new share for four (4) common shares already held on 12.11.2018.

Thus, at 12.31.2018, the Company's fully subscribed and paid-in capital is R$4,902,648 (R$2,829,056, at 12.31.2017), represented by 815,927,740 (652,742,192 at 12.31.2017) registered common shares without par value.

The book value of the share in Reais, at 12.31.2018, is R$7.74 (R$10.47 for each share at 12.31.2017).

The Company's ownership structure at 12.31.2018 and 12.31.2017 was as follows:

	Tranche of 1,000 common shares		
Shareholders	**12.31.2018**	**12.31.2017**	**% of capital**
ENGIE Brasil Participações Ltda.	560,640,791	448,512,633	68.71%
Banco Clássico S.A.	81,585,930	65,268,744	10.00%
Other shareholders	173,701,019	138,960,815	21.29%
	815,927,740	**652,742,192**	**100.00%**

As of 12.31.2018 and 12.31.2017, the number of Company shares held by its managers was 467,516 and 374,628 shares, respectively.

c) Profit reserves

The item Profit reserves is broken down as follows:

	Parent Company / Consolidated	
	12.31.2018	12.31.2017
Legal reserve	681,529	565,811
Tax incentive reserve	170,372	151,073
Profit retention reserve	177,673	2,247,099
	1,029,574	**2,963,983**

c.1) Legal reserve

Of net income for the year, 5% are allocated, before any other destination, to establish the legal reserve, which will not exceed 20% of the Company's capital. Said reserve is intended to ensure capital integrity and may only be used to offset losses or increase capital.

c.2) Tax incentive reserves

This reserve is established by allocating the portion of net income that is equivalent to tax benefit granted by Amazon Region Development Authority (Sudam) and by the Northeast Development Superintendence (Sudene). This benefit corresponds to a 75% reduction in income tax calculated on earnings from exploration of activities developed by the plants entitled to the benefit.

c.3) Retained earnings reserve

This reserve was established based on capital budget and was intended to finance the implementation of new plants, maintenance of production plants and possible acquisition of interest in other companies. As mentioned above, a portion of the balance on 12.31.2017 was fully capitalized in December 2018. Furthermore, on 12.31.2018, the Company's Management is proposing the allocation of R$177,673 from the profit recorded in 2018 to the profit retention reserve. These funds will be invested in the Company's generation facilities.

d) Asset valuation adjustments

d.1) Deemed cost

As provided for in accounting practices, the Company recognized the adjustment to fair value of property, plant and equipment on the date of first-time adoption of CPCs in 1.1.2009. Contra entry to said adjustment, net of deferred income tax and social contribution, was recognized under caption "Equity evaluation adjustments", in shareholders' equity. Realization of this reserve is recorded as a contra entry to account "Accumulated earnings" to the extent that depreciation or write-off of property, plant and equipment fair value adjustment are recognized in the Company's profit or loss.

d.2) Other comprehensive income

The account records variations of the fair value, net of deferred income tax and social contribution, of the following transactions: (i) obligations with the retirement benefits of defined benefit plans sponsored by the Company; and (ii) cash flow hedges of future commitments in foreign currency signed by the Company.

e) Non-controlling interest

Refers to the equivalent of 5% shareholding held by third parties in the capital of indirect subsidiary Ibitiúva.

f) Basic and diluted earnings per share

	Parent Company and Consolidated	
	12.31.2018	**12.31.2017**
Net income in the year	2,314,361	2,003,412
Number of common shares	815,927,740	815,927,740
Basic and diluted earnings per share – in R$	**2.83648**	**2.45538**

Due to the increase in the number of shares in 2018, through the bonus of 163,185,548 new common shares to shareholders, the "Basic and Diluted Earnings per Share - in R$" for 2017, Parent Company and Consolidated, was recalculated based on the current number of shares, and restated for the purposes of comparison of the reported information.

The Company does not have shares with dilution effects in the current fiscal year, for which reason there is no difference between the basic and diluted earnings per share.

NOTE 26 – DIVIDENDS AND INTEREST ON EQUITY

a) Calculation

	12.31.2018	12.31.2017
Adjusted dividend calculation basis		
Net income for the year attributable to controlling shareholders	2,314,361	2,003,412
Legal reserve	(115,718)	-
Tax incentive reserve	(23,465)	(37,614)
Realization of deemed cost of property, plant and equipment	93,881	34,375
Dividends and interest on equity not claimed	3,423	-
Net income for the year adjusted for dividends and interest on equity purposes	**2,272,482**	**2,000,173**
Proposed dividends / interest on equity		
Interim dividends for the first half of the year (d.1)	1,146,037	938,918
Interim dividends related to profit reserves (d.2)	652,742	-
Interest on equity, net of withholding income tax (d.3)	338,160	361,319
Additional dividends proposed (d.4)	76,703	636,755
Subtotal	**2,213,642**	**1,936,992**
Withholding income tax on interest on equity (d.3)	58,840	63,181
Total annual dividends and interest on equity	**2,272,482**	**2,000,173**
Equivalent percentage of adjusted net income	**100%**	**100%**

Changes in dividends and interest on equity payable[26]

	Parent Company	Consolidated
Balance at 12.31.2016	**435,818**	**436,380**
Dividends and interest on equity approved	1,773,062	1,773,245
Dividends and interest on equity paid	(838,155)	(838,621)
Transfer of unclaimed dividends and interest on equity	(7,307)	(7,307)
Balance at 12.31.2017	**1,363,418**	**1,363,697**
Dividends and interest on equity approved	2,832,534	2,833,320
Dividends and interest on equity paid	(1,989,966)	(1,989,966)
Dividends offset	-	(965)
Transfer of unclaimed dividends and interest on equity	(10,207)	(10,207)
Balance at 12.31.2018	**2,195,779**	**2,195,879**

[26] The amounts include income withholding income tax on interest on equity.

b) Dividend policy

The dividends policy established in the Company's Bylaws provides for a minimum mandatory dividend of 30% of net income for the year, adjusted pursuant to the terms of the Brazilian Corporation Law, and establishes the intention of paying, at every calendar year, dividends and/or Interest on equity at an amount not lower than the equivalent of 55% of adjusted net income, in half-annual installments.

c) Distribution and proposed distributions of net income for fiscal year 2018

d.1) Interim dividends related to the first six months of the year

The Board of Directors, in a meeting held on 8.8.2018, approved the distribution on interim dividends, based on the financial statements drafted on 6.30.2018, in the amount of R$1,146,037 corresponding to R$1,7557267392 per share, which were paid on 1.26.2019.

d.2) Interim Dividend

At a meeting held on 10.31.2018, the Company's Board of Directors approved the payment of interim dividends, based on the profit retention reserve, amounting to R$652,742 and corresponding to R$1.00 per share.

d.3) Interest on equity

In a meeting held on 10.31.2018, the Company's Board of Directors approved interest on equity from 1.1.2018 to 12.31.2018 in the gross amount of R$397,000, corresponding to R$0.4865626949 per share, considering the total number of shares on 12.31.2018.

Credits of the Company's interest on equity were recognized from at 12.31.2018 based on shareholding position on 12.26.2018. The Company's shares were negotiated ex-Interest on equity beginning as of 12.27.2018.

Interest net of withheld income tax was charged to mandatory dividends and will be paid at 3.27.2019.

d.4) Proposed additional dividends

The Company submitted to the Board of Directors, for approval in the meeting held on 2.19.2019, the proposal for payment of additional dividends on net income for fiscal year 2018, in the amount of R$76,703 (R$0.0940069200 per share).

The amount of dividends that is higher than minimum mandatory value established by the law or other legal instrument, and that is not yet approved by Shareholders Meeting, is presented and segregated in shareholders' equity. Thus, these dividends are presented in the shareholders' equity account denominated "Proposed additional dividends" until approval by the Annual Shareholders Meeting (AGO).

NOTE 27 – RECONCILIATION OF NET OPERATING REVENUE

The table below presents the reconciliation between gross operating income and net operating revenue reported in the income statement.

	Parent Company		Consolidated	
	2018	2017	2018	2017
GROSS OPERATING INCOME				
Electricity distributors	2,446,477	2,269,042	3,013,593	2,965,171
Electricity traders	2,197,352	1,950,123	860,651	670,578
Free consumers	283,023	268,437	3,355,479	3,496,497
Transactions in the short-term market	335,585	313,674	1,006,734	499,867
Trading operations	-	-	752,252	-
Services rendered	50,717	47,680	141,332	22,945
Other revenues	97,795	26,113	152,665	31,935
	5,410,949	**4,875,069**	**9,282,706**	**7,686,993**
DEDUCTIONS FROM OPERATING INCOME				
PIS and Cofins	(472,891)	(423,153)	(813,980)	(674,760)
ICMS	(15,730)	(11,980)	(16,112)	(11,980)
ISSQN	(2,524)	(1,807)	(2,537)	(1,807)
Research and development	(27,683)	(32,355)	(42,260)	(36,406)
	(518,828)	**(469,295)**	**(874,889)**	**(724,953)**
OTHER				
Interest on concession financial asset	-	-	340,403	47,917
Revenue from implementation of transmission infrastructure	-	-	46,572	-
	-	**-**	**386,975**	**47,917**
NET OPERATING REVENUE	**4,892,121**	**4,405,774**	**8,794,792**	**7,009,957**

As mentioned above, in January 2018 the Company entered the energy trading market. These operations had an impact on gross operating revenue of R$752,252, of which R$709,063 refers to revenue realized in the year and R$43,189 refers to unrealized gains on 12.31.2018 in trading operations.

As of 12.31.2018, the Company did not have any client individually accounting for more than 5% of its consolidated net operating revenue.

NOTE 28 – DETAIL OF OPERATING EXPENSES BY NATURE

a) Energy purchase

	Parent Company		Consolidated	
	2018	2017	2018	2017
Energy purchase for portfolio management	1,317,006	548,232	1,630,942	1,745,974
Trading operations	-	-	693,959	-
	1,317,006	**548,232**	**2,324,901**	**1,745,974**

b) Costs of electricity production and services rendered:

	Parent Company				Consolidated			
	Power generation		Services		Power generation		Services	
	2018	2017	2018	2017	2018	2017	2018	2017
Depreciation and amortization	279,129	407,570	-	-	649,627	639,899	-	-
Personnel	94,223	187,480	18,274	24,601	203,424	193,188	18,324	24,637
Third party materials and services	40,758	137,496	4,459	4,744	198,708	201,532	4,459	4,744
Royalties	101,416	101,375	-	-	123,197	117,298	-	-
Fuels	23,308	442,809	-	-	152,091	454,600	-	-
Accrual (reversal) of provisions, net	2,577	(241,097)	-	-	3,715	(239,950)	-	-
Transmission line construction cost	-	-	-	-	45,363	-	-	-
Other	43,325	60,428	1,899	1,489	115,054	76,802	1,899	1,489
	584,736	**1,096,061**	**24,632**	**30,834**	**1,491,179**	**1,443,369**	**24,682**	**30,870**

Personnel costs include, in addition to salaries and payroll charges, benefits such as health recovery aid, group life insurance, day care aid to female employees, meal voucher and transportation voucher, and pension plans, courses and training, and other.

Share-based payment

ENGIE Brasil Energia has no specific program of share-based payments. However, its indirect parent company ENGIE, headquartered in France, maintains the following stock plans for some executives and employees: (i) Paris Stock Exchange (France) stock option plan; and (ii) share-based performance award or bonus. It also offers the program for free granting of shares to all employees.

Stock option plans and the share-based performance award are valid for four or five years and their values are related to the achievement of certain financial indicators of ENGIE. Due to global economic background, throughout the years, a reduction occurred in market value of these stock options and performance shares, which will possibly influence the exercise of options and the possibility of obtaining the benefit of performance shares on maturities.

These programs' costs are irrelevant and fully paid by ENGIE, and ENGIE Brasil Energia is not responsible for any disbursement related to them.

c) Selling, general and administrative expenses

	Parent Company				Consolidated			
	Selling		General and administrative		Selling		General and administrative	
	2018	2017	2018	2017	2018	2017	2018	2017
Personnel	5,929	7,082	80,232	73,827	5,929	7,082	81,845	74,574
Management	-	-	18,302	24,832	-	-	20,214	26,331
Third party materials and services	(4,941)	278	51,256	45,564	(3,743)	3,944	53,939	46,261
Depreciation and amortization	26	-	10,358	9,017	50	-	10,495	9,048
Rentals	(800)	92	6,111	6,116	(800)	92	7,919	7,605
Pension funds	-	-	6,425	7,777	-	-	6,425	7,777
Contributions and donations	1,272	3,048	7,356	6,335	3,720	5,305	7,807	7,345
Reversal of provisions, net	-	-	(776)	(17,606)	(272)	-	(222)	(17,686)
Other	405	11	10,578	17,389	1,860	924	12,583	17,362
	1,891	**10,511**	**189,842**	**173,251**	**6,744**	**17,347**	**201,005**	**178,617**

NOTE 29 – FINANCIAL RESULT

	Parent Company		Consolidated	
	2018	2017	2018	2017
Financial income				
Income from marketable securities	38,390	87,948	91,325	171,966
Interest on receivables	29,317	16,449	40,570	20,919
Monetary variation on judicial deposits	3,175	5,890	3,258	6,112
Income from restricted deposits	600	1,066	14,614	19,324
Other financial income	1,219	3,400	4,918	5,162
	72,701	**114,753**	**154,685**	**223,483**
Financial expenses				
Interest and monetary variation on				
Concessions payable	414,725	214,188	421,955	220,742
Loans and financing	122,343	67,405	89,770	127,297
Debentures and promissory notes	111,768	74,536	202,308	30,792
Fair value hedge on loans	65,370	9,086	64,737	9,086
Retirement benefit obligations	27,867	31,446	27,867	31,446
Provisions	7,110	15,801	7,853	16,299
Other	3,831	2,510	13,923	3,692
Exchange variation on:				
Loans	320,794	17,047	320,794	17,047
Fair value hedge on loans	(320,794)	(17,047)	(320,794)	(17,047)
Fair value adjustment	1,254	1,735	1,622	1,735
Other financial expenses	15,274	4,985	23,945	9,224
	769,542	**421,692**	**853,980**	**450,313**
Financial expenses, net	**696,841**	**306,939**	**699,295**	**226,830**

NOTE 30 – INCOME TAXES RECONCILIATION, IN THE INCOME STATEMENT

	Parent Company			
	2018		2017	
	Income Tax	Social Contribution	Income Tax	Social Contribution
Income before taxes	**2,584,382**	**2,584,382**	**2,408,587**	**2,408,587**
Standard rates	25%	9%	25%	9%
Tax expense at standard rates	**(646,096)**	**(232,594)**	**(602,147)**	**(216,773)**
Permanent differences				
Equity in net income of subsidiaries	325,727	117,262	171,256	61,652
Interest on equity	99,250	35,730	106,125	38,205
Tax incentives	33,654	-	40,695	-
Other	(2,177)	(777)	(3,634)	(554)
	(189,642)	**(80,379)**	**(287,705)**	**(117,470)**
Breakdown of taxes in the income statement				
Current	(122,734)	(58,657)	(192,285)	(84,428)
Deferred	(66,908)	(21,722)	(95,420)	(33,042)
	(189,642)	**(80,379)**	**(287,705)**	**(117,470)**

	Consolidated			
	2018		2017	
	Income Tax	Social Contribution	Income Tax	Social Contribution
Income before taxes	**2,967,816**	**2,967,816**	**2,623,380**	**2,623,380**
Standard rates	25%	9%	25%	9%
Tax expense at standard rates	**(741,954)**	**(267,103)**	**(655,845)**	**(236,104)**
Permanent differences:				
Interest on equity	99,250	35,730	106,125	38,205
Tax incentives	78,595	-	68,275	-
Variation between the calculation base of taxable and presumptive profit tax regimes	121,769	37,096	33,701	10,760
Other	(12,924)	(2,868)	11,516	4,546
	(455,264)	**(197,145)**	**(436,228)**	**(182,593)**
Breakdown of taxes in the income statement				
Current	(262,334)	(130,113)	(288,743)	(130,817)
Deferred	(192,930)	(67,032)	(147,485)	(51,776)
	(455,264)	**(197,145)**	**(436,228)**	**(182,593)**

NOTE 31 – TRANSACTIONS WITH RELATED PARTIES

a) Amounts recognized in balance sheet accounts – Parent Company

	ASSETS			LIABILITIES		
	Accounts receivable			Supplier		IOE
	Energy	Services	Dividends	Energy	Other	Dividends
12.31.2018						
EBC	129,808	574	-	2,951	-	-
Itasa	-	1,441	-	10,392	-	-
Jaguara[27]	53,100	635	33,571	-	-	-
Miranda	-	453	22,063	326	-	-
Diamante	-	26,435	-	305,489	-	-
ECP and subsidiaries	-	9,344	5,834	-	-	-
ENGIE Participações	-	3,012	-	-	-	1,467,847
Geramamoré[28]	-	-	-	10,692	-	-
Other	-	4,281	-	1,299	319	-
Total	**182,908**	**46,175**	**61,468**	**331,149**	**319**	**1,467,847**
12.31.2017						
EBC	182,214	207	-	3,995	-	-
Itasa	-	1,438	2,562	9,539	-	-
Jaguara	-	-	1,548	-	-	-
Miranda	-	-	926	-	-	-
CEE	-	-	25,204	-	-	-
ECP and subsidiaries	-	6,068	-	-	-	-
ENGIE Participações	-	471	-	-	-	893,081
Geramamoré	-	-	-	9,421	-	-
Other	-	1,843	310	1,349	393	-
Total	**182,214**	**10,027**	**30,550**	**24,304**	**393**	**893,081**

[27] The balance of accounts receivable from energy includes the amount of R$ 51,494 related to advances to related party resulting from energy purchase agreement.
[28] Geramamoré Participações e Comercializadora de Energia Ltda.

b) Amounts recognized in the income statement – Parent Company

	Revenue			Cost	Expense
	Sale of energy	O&M Services	Administrative services	Energy purchase	Third party services
12.31.2018					
EBC	2,084,095	-	395	37,651	-
CEE	44,043	-	395	25,876	-
Jaguara	54,968	-	132	147,572	-
Miranda	24,221	-	132	75,255	-
Diamante	-	-	395	584,432	-
Ceste	-	22,397	-	-	-
Itasa	-	19,422	-	103,216	-
Lages	7,422	684	230	18,295	-
ECP and subsidiaries	-	-	3,802	7,722	-
Geramamoré	26,187	-	-	132,473	-
ESBR[29]	-	-	-	15,041	-
Other	-	-	2,732	-	2,321
Total	**2,240,936**	**42,503**	**8,213**	**1,147,533**	**2,321**
12.31.2017					
EBC	1,950,123	-	387	35,429	-
CEE	1,253	-	387	-	-
Ceste	-	21,832	-	-	-
Itasa	-	19,240	-	102,002	-
Lages	4,293	2,671	226	-	-
ECP and subsidiaries	242	-	2,549	-	-
Geramamoré	-	-	-	171,382	-
ESBR	-	-	-	15,173	-
Other	-	-	387	-	4,039
Total	**1,955,911**	**43,743**	**3,936**	**323,986**	**4,039**

The transactions with related parties include mainly: (i) energy purchase and sale; (ii) operation and maintenance services of power plants; (iii) rendering of administrative services; and (iv) guarantees granted to third parties.

c) Future commitments

Main commitments contracted with related parties and whose recognition in the income statement will occur in future accrual periods over contract periods are as follows:

[29] Energia Sustentável do Brasil.

c.1) Purchase and sale of electricity

Seller	Buyer	Maturity	Annual adjustment index	Adjustment base date	Future commitment Base 12.31.2018
Trairí Wind Complex	EBC	2032	IPCA	January	1,694,984
Diamante	EBE	2021	IPCA	January	1,356,396
Jaguara	EBE	2028	IPCA	January	1,121,158
CLWP I/CLWP XVI	EBV	2036	IPCA	January	1,123,898
Itasa	EBE	2030	Dollar variation + U.S. Inflation	October	752,540
Itasa	EBE	2030	IGP-M	January	691,277
Miranda	EBE	2028	IPCA	January	655,576
EBC	CEE	2041	IPCA	January	449,843
ESBR	EBE	2042	IPCA	January	398,044
Lages	EBC	2023	IPCA	August	131,035
Pampa Sul	EBC	2019	IGP-M	July	3,290
EBC	EBE	2019	IGP-M	January	450

In accordance with the Company's commercial policy, sales to free consumers are carried out preferably through direct subsidiary EBC.

c.2) Operation and maintenance

Related party	Maturity	Annual adjustment index	Future commitment Base 12.31.2018
Itasa	10.16.2030	IGP-M	262,166
Ceste	5.1.2025	INPC (80%) and IPCA (20%)	170,839

The Company has the strategy of concentrating in ENGIE Brasil Energia the operation and maintenance of its subsidiaries' plants whenever they do not outsource these services. The negotiated prices are based on the Company's costs with personnel directly involved in the execution of these activities.

c.3) Administrative and financial services

ENGIE Brasil Energia provides those services necessary to the administrative and financial activities of the direct and indirect subsidiaries. The contracted values are defined based on the last billing of subsidiaries and annually adjusted at INPC. The amount annually contracted from its subsidiaries is R$6,099.

d) Guarantees

The Company intermediates financial contracts entered into by its direct and indirect subsidiaries with BNDES, Banks (BNDES onlending). The main guarantees are the following:

Bank	Type of guarantee	Amount of debt at 12.31.2018
BNDES onlending (Banks)	Pledge of all the shares issued by the following companies: CEE, Ibitiúva, Ferrari, Fleixeiras, Guajiru, Mundaú, Trairí, Cacimbas, Estrela, Ouro Verde, Santa Mônica, Pampa Sul, CLWP I, CLWP II, CLWP III, CLWP IV, CLWP V, CLWP VI, CLWP VII, CLWP XV, CLWP XVI, CLWP XVIII e CLWP XXI.	3,172,020

e) Sureties and guarantees

The Company is the guarantor of and jointly liable for energy purchase transactions of certain subsidiaries, in the amount of R$258,306 at 12.31.2018. The guarantees' maturities are scheduled as follows: R$56,411 in 2019, R$87,835 in 2020, R$44,167 in 2021, R$18,097 in 2022 and R$51,796 in 2023.

The Company is also guarantor of the issue of guarantees related to CUST and CUSD contracts, totaling R$25,259. In 2019 and 2020, the amounts of R$18,815 and R$6,444 will mature respectively.

In addition, the Company is guarantor to the construction of four projects: Pampa Sul Thermal Power Plant, Campo Largo Wind Power Complex, Assú V Photovoltaic Power Plant and Umburanas Wind Power Complex, as well as the Transmission Line. At 12.31.2018, the amount under these guarantees was R$428,447, maturing R$296,464 in 2019, R$31,133 in 2020 and R$100,850 in 2023.

f) Loan between Ibitiúva and Andrade Açúcar e Álcool (Andrade)

The indirect subsidiary Ibitiúva has a loan agreement with Andrade – its related party in the Andrade Consortium. The loan is restated by the variation of the IPCA and the loan matures in 2025. The balance payable on 12.31.2018 is R$13,116 (R$14,234 at 12.31.2017).

g) Remuneration of key management personnel

The remuneration of key Management personnel is presented below:

	Parent Company		Consolidated	
	2018	2017	2018	2017
Fixed compensation	9,753	10,290	10,727	11,027
Variable compensation	4,186	8,486	4,771	8,703
Payroll charges	2,483	2,732	2,773	3,117
Other	1,546	1,276	1,609	1,436
	17,968	**22,784**	**19,880**	**24,283**

The Management does not receive share-based compensation from ENGIE Brasil Energia.

NOTE 32 – INSURANCE

a) Operating and lost profit risks

The Company is covered by the international insurance policy for Property Damage and Business Interruption (PDBI) of the insurance program of its parent company ENGIE. The insurance is valid until 5.31.2019 and the risk coverage amount is R$13,705,156 in the parent company and R$25,508,638 in the consolidated statements, namely:

	Parent Company		Consolidated	
Type of plant	Material damages	Loss of profit	Material damages	Loss of profit
Hydroelectric power plants	10,196,817	3,457,678	14,773,163	3,898,679
Thermal power plants	-	-	3,138,883	1,083,644
Complementary plants (wind, solar, biomass and SHPP)	49,291	1,370	2,173,083	441,186
	10,246,108	**3,459,048**	**20,085,129**	**5,423,509**

The maximum combined limit of indemnification for material damages and loss of profits is R$2,621,832 per event.

b) Engineering risks

The projects for construction of Pampa Sul Thermal Power Plant and the Wind Power Complexes Campo Largo – Phase 1 and Umburanas have an engineering risk coverage of R$ 1,830,000, R$1,982,000 and R$1,663,000, respectively for the entire duration of construction works. Coverage for civil liability amounts to R$190,000, R$60,000 and R$60,000, respectively.

c) Other coverages

The Company has insurance to cover national and international transportation risks, civil liability of the directors, officers and management, political violence and terrorism extended to its subsidiaries, as well as group life insurance for its employees and officers.

d) Accidents

In April 2017, there was an accident at a generation unit of the Jorge Lacerda A Thermal Power Plant (UTLA). Coverage for loss of profit, net of deductibles, amounted to R$60,063 and was recognized in 2018 and received in January 2019.

In April 2018, there was an accident at a generation unit of the Jaguara Hydroelectric Power Plant, causing long-term loss of profits and material damages. The unit was shut down until December 2018. The estimated indemnity related to damages and loss of profits is R$37 million. Furthermore, in September 2018 there was an accident at the UTLA generation unit. The Company and the insurer are currently evaluating the coverage for material damages and loss of profits arising from this accident.

NOTE 33 – LONG-TERM COMMITMENTS

The Company has the following long-term commitments that are considered relevant:

	Parent Company						
	2019	2020	2021	2022	2023	2024 and later	Total
Contract for connection	13,490	13,490	13,490	13,490	13,490	93,133	160,583
Contract for the Use of the Transmission System	346,527	346,527	346,527	346,527	346,527	2,027,670	3,760,305
Contract for the Use of Distribution System	2,843	2,843	2,843	2,843	2,843	13,507	27,722
Operation and maintenance contracts	9,446	4,733	4,148	1,866	-	-	20,193
Modernization of Salto Osório Hydroelectric power plant	79,764	31,515	4,111	-	-	-	115,390
Renegotiation of hydrological risk	16,340	-	-	-	13,931	55,078	85,349
Balances at 12.31.2018	**468,410**	**399,108**	**371,119**	**364,726**	**376,791**	**2,189,388**	**4,169,542**

	Consolidated						
	2019	2020	2021	2022	2023	2024 and later	Total
Contract for connection	13,540	13,540	13,540	13,540	13,540	93,975	161,675
Agreement for the Use of the Transmission System	572,612	573,670	573,670	573,670	573,670	5,047,214	7,914,506
Contract for the Usage of Distribution System	31,275	31,275	31,275	31,275	31,275	655,406	811,781
Operation and maintenance agreements	33,453	41,501	58,955	74,712	90,885	132,342	431,848
Modernization of Salto Osório Hydroelectric Power Plant	79,764	31,515	4,111	-	-	-	115,390
Pampa Sul	48,827	-	-	-	-	-	48,827
Umburanas Wind Power Complex	400,480	-	-	-	-	-	400,480
Transmission lines	41,572	502,572	859,883	42,509	-	-	1,446,536
Renegotiation of hydrological risk	16,340	-	-	-	13,931	91,930	122,201
Balances at 12.31.2018	**1,237,863**	**1,194,073**	**1,541,434**	**735,706**	**723,301**	**6,020,867**	**11,453,244**

a) Contract for connection

The Company and its subsidiaries CEE and Trairí have contracts for connection with transmission companies. The contracts are valid up to termination of the concessions and authorization of the Company's power plants linked to these contracts.

b) Contract for the Use of the Transmission System (CUST)

For the use of the transmission system and basic network, the Company and its subsidiaries CEE, Itasa, Jaguara, Diamante and Pampa Sul and the Wind Power Complexes of Trairí, Santa Mônica, Campo Largo and Umburanas maintain contracts with The National Operator of the Power Grid (ONS). Contracts are valid up to the termination of power plants concessions or authorizations.

c) Contract for the Use of Distribution System (CUSD)

For plants that are not directly connected to the basic network, contracts for the use of the distribution system are maintained with electricity distributors of the regions where these plants are installed. Contracts are normally valid up to the Company's power plants concessions or authorizations termination dates.

d) Operation and maintenance contracts

The Company, its subsidiary Ferrari and the Wind Power Complexes of Trairí, Santa Mônica and Campo Largo have contracts for operation and maintenance with third parties.

e) Modernization of the Salto Osório Hydroelectric power plant

The Company maintains contracts with suppliers for the modernization of the Salto Osório Hydroelectric power plant. The Agreement was signed on 11.20.2017 and will result in an increase in the commercial capacity of the Plant by 13.9 average MW.

f) Pampa Sul Thermal Power Plant ("Pampa Sul")

Pampa Sul signed contracts for the construction of its coal-fired plant in the state of Rio Grande do Sul, after selling 294.5 average MW in the ANEEL auction held in November 2014, to be delivered as from 2019.

g) Umburanas Wind Power Complex

The Umburanas Wind Power Complex signed contracts to implement 18 wind farms in the state of Bahia, with installed capacity of 360.0 MW, of which 257.5 MW will be allocated to the free market and 102.5 MW to the regulated market. Supply is expected to start during 2019.

h) Transmission Lines

On 3.8.2018, the Company, through its direct subsidiaries ECP and EBC, signed the concession agreement relating to the Transmission Auction 02/2017.

i) Renegotiation of hydrological risk

In December 2015, the Company joined the renegotiation of hydrological risk of plants whose energy was sold in regulated market. This renegotiation was made through the transfer of hydrological risk to the consumer, with the payment of risk premium by the Company.

Based on the new risk level defined in the renegotiation, GSF for 2015 was recalculated, which resulted in an overpayment that is being offset by risk premiums due by the Company, calculated at present value.

j) Bilateral contracts for purchase and sale of electricity

According to data on physical guarantee and prevailing purchase and sale contracts, the Company's energy balance shows that current capacity has the following contracting levels for the next six years:

	Average MW					
	2019	2020	2021	2022	2023	2024
Own funds	4,530	4,706	4,880	4,930	4,928	4,929
Purchases	1,302	777	483	426	353	174
Total availability	5,832	5,483	5,363	5,356	5,281	5,103
Contracted availability	5,285	5,122	4,669	4,269	3,555	2,869
Contracted %	90.62%	93.42%	87.06%	79.71%	67.32%	56.22%

NOTE 34 – ADDITIONAL CASH FLOW INFORMATION

The following complementary cash low transactions were as follows:

	Parent Company		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Capital increase with profit reserves and net income	2,073,592	-	2,073,592	-
Capital increase in subsidiary with inventories and property, plant and equipment	(562,431)	-	-	-
Dividends from subsidiaries	662,275	421,649	-	-
Interest on equity paid	397,000	424,500	397,000	424,500
Income tax and social contribution credit	(60,521)	33,216	(48,024)	45,367
Measuring of obligations with retirement benefits	6,119	6,970	6,119	6,970
Capitalized interest and monetary variation	-	2,189	294,297	169,184
Estimate for future costs with investments in property, plant and equipment	(29,179)	35,568	(27,269)	28,960
Suppliers of fixed and intangible assets	(11,874)	(9,757)	76,100	23,298
Non-current assets/liabilities held for sale	(48,038)	-	(48,038)	(1,858)
Amounts payable from investment acquisition	-	-	-	12,152

NOTE 35 – SUBSEQUENT EVENTS

a) Commercial start-up - Umburanas Wind Power Complex

Until the reporting date of these financial statements on 02.19.2019, ANEEL had authorized the commercial start-up of 4 wind farms at the Umburanas Wind Power Complex. These farms increased the Company's installed and commercial capacity by 95.0 average MW and 56.4 average MW respectively. The commercial start-up of other Wind Farms of this Complex is scheduled for 2019.

b) Allocation of profit from the year

At a meeting held on 2.19.2019, the Company's Board of Directors approved the proposal for allocation of profit from the fiscal year ended 12.31.2018 as follows: (ii) payment of additional dividends on adjusted income from the fiscal year ended 12.31.2018, in the amount of R$76,703, or R$0.0940069200 per share; and (iii) earnings retention based on the capital budget, totaling R$177,673. The proposal shall be ratified by the Annual Shareholders Meeting, which will also set the dividend payment terms.

DECLARATION OF THE COMPANY'S MANAGEMENT

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Financial Statements (individual and consolidated) and agrees with the opinion of the independent auditors of the Company, Deloitte Touche Tohmatsu Auditores Independentes as presented in the Special Review Report of the Independent Auditors.

Eduardo Antonio Gori Sattamini
Chief Executive Officer

Carlos Henrique Boquimpani de Freitas
Chief Financial and Investor Relations Officer

Gabriel Mann dos Santos
Energy Commercialization Officer

Gustavo Henrique Labanca Novo
Business Development Officer

José Luiz Jansson Laydner
Generation Officer

Edson Luiz da Silva
Strategy and Regulation Officer

Júlio César Lunardi
Administrative Officer

Florianópolis, February 19, 2019.

BOARD OF DIRECTORS

Maurício Stolle Bähr
Chairman

Manoel Arlindo Zaroni Torres
Vice- Chairman

Pierre Jean Bernard Guiollot
Member

Paulo Jorge Tavares Almirante
Member

Dirk Achiel Marc Beeuwsaert
Member

José Pais Rangel
Member

Roberto Henrique Tejada Vencato
Member

Paulo de Resende Salgado
Member

Leonardo Augusto Serpa
Member

BOARD OF EXECUTIVE OFFICERS

Eduardo Antonio Gori Sattamini
Chief Executive Officer

Carlos Henrique Boquimpani de Freitas
Chief Financial and Investor Relations Officer

Gabriel Mann dos Santos
Chief Trading Officer

Gustavo Henrique Labanca Novo
Chief Business Development Officer

José Luiz Jansson Laydner
Chief Generation Officer

Edson Luiz da Silva
Chief Strategy and Regulation Officer

Júlio César Lunardi
Chief Administrative Officer

ACCOUNTING DEPARTMENT

Marcelo Cardoso Malta
Accounting Department Manager
Accountant - CRC RJ 072259/O-5 T-SC

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders, Directors and Managers of
Engie Brasil Energia S.A.

Opinion

We have examined the individual and consolidated financial statements of Engie Brasil Energia S.A. ("Company"), identified as parent company and consolidated, respectively, which comprise the balance sheets as of December 31, 2017, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2018, as well as the corresponding notes, including a summary of the main accounting policies.

Opinion on individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the equity and financial position of Engie Brasil Energia S.A. on December 31, 2018, as well as its operating performance and cash flows for the year ended on that date, in accordance with the accounting practices adopted in Brazil.

Opinion on consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated equity and financial position of Engie Brasil Energia S.A. on December 31, 2018, as well as its consolidated operating performance and consolidated cash flows for the year ended on that date, in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international standards on auditing. In accordance with said standards, our responsibilities are described in the next section, namely "Responsibilities of the auditor for the audit of financial statements." We are independent in relation to the Company, in accordance with the relevant ethical principles set forth in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Accounting Council – CFC and we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence we obtained is sufficient and adequate to substantiate our opinion.

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Main audit issues

Main audit issues are those that, in our professional judgment, were most significant in our audit of the current year. These issues were addressed within the scope of our audit of the financial statements as a whole and in forming our opinion on said financial statements and, therefore, we do not express a separate opinion on said issues.

Revenue recognition

As detailed in Notes 3.p and 27 to the financial statements, the Company's revenue originates substantially from the supply and sale of electricity. This issue was considered significant for our audit, due to the volume and specific characteristics of power supply and sale contracts, processes that support their recognition, dependency on systems and respective internal controls.

Our audit procedures on revenue recognition included, among others: (i) appraisal of the design and implementation of the Company's internal control activities related to the Management process to measure the revenue from the supply of electricity to be recognized according to accounting requirements and contractual terms; (ii) involvement of our specialists in Information Technology to evaluate the systems and the computerized environment used to register said amounts; (iii) tests of energy supply and sale contracts, by sampling, considering their specific characteristics and accounting record; (iv) test of subsequent receipt of invoices, by sampling; (v) test on unbilled revenues, evaluating the Management's estimation process; and (vi) evaluating if the disclosures made by the Management in the financial statements are adequate.

Based on the audit procedures described above, we consider that the processing, recording and recognition of revenue made by the Company, as well as their respective disclosures, are adequate, in the context of the financial statements taken as a whole.

Provisions (for litigation)

As disclosed in Note 22 to the financial statements, the Company is the defendant in several lawsuits related to civil, tax and labor issues, which involve large amounts. While determining the amounts to be booked to meet these risks, as well as the amounts of possible and remote risks disclosed in the financial statements, the Management applies a high level of judgement that requires the use of technical knowledge and the Company's history, analysis of case law and individual analysis of the lawsuits.

To answer this main audit issue, our procedures included: (i) appraisal of the design and implementation of relevant internal controls on contingencies, specifically for determining the provisions for said risks; (ii) tests, with help from our specialists in information technology, on the computerized systems used by Management to control and evaluate the provisions; (iii) executing integrity and precision tests on the database used by Management to prepare estimates on the possibility of loss on lawsuits; (iv) independent confirmation with external legal counsel and attorneys responsible for the lawsuits regarding the classification of loss risk, the phase and the amount involved; (v) challenging the assumptions and judgements used by Management in preparing these estimates; and (vi) assessing if the disclosures made by Management in the financial statements are appropriate.

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Based on the audit procedures described above, we consider that the measurement of the provision for litigation made by the Company, as well as the respective disclosures, are adequate in the context of the financial statements taken as a whole.

Recording of energy trading agreements – Trading Portfolio

As disclosed in notes 15 and 27 to the financial statements, the Company, through its subsidiary Engie Brasil Energia Comercializadora Ltda., has energy trading agreements, for which there are no commitments to combine a purchase transaction with a specific sale, and for which the Company has certain flexibility in managing the respective agreements, with the purpose of obtaining gains due to variations in market prices, considering its policies and risk limits. This was considered a main subject of the audit given the high level of judgment necessary to measure the fair value of energy sale and purchase agreements with these characteristics at December 31, 2018, and the Company had to consider the technical and market knowledge.

To answer this main audit issue, our procedures included: (a) understanding the design of significant internal controls on energy trading agreements and on calculations of fair value of energy purchase and sale agreements in the trading portfolio; (b) an assessment of the criteria used to identify energy purchase and sale agreements pertaining to the trading portfolio and the measurement of fair value of these agreements on the reporting date; (c) an assessment of the assumptions and judgments used by Management in determining the fair value and analyzing contradictory evidence; and (d) evaluating if the disclosures made by the Management in the financial statements are adequate.

Based on the audit procedures described above, we consider that the measurement of the fair value of energy purchase and sale operations of the trading portfolio of the subsidiary Engie Brasil Energia Comercializadora Ltda., as well as the respective disclosures, are adequate in the context of the financial statements taken as a whole.

Other topics

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2018, prepared under the responsibility of the Company's Management and presented as additional information for IFRS purposes, were audited together with the financial statements of the Company. In forming our opinion, we assessed whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 – Statement of Value Added. In our opinion, the statements of value added were presented fairly, in all material respects, in accordance with the criteria set forth in this technical pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other information that accompanies the individual and consolidated financial statements and the auditor's report

The Company's Management is responsible for such other information that makes up the Management Report.
Our opinion on the financial statements does not cover the Management Report and hence we did not express any audit judgment on this report.

With regard to the audit of financial statements, our responsibility is to read the Management Report and verify if it is substantially inconsistent with the financial statements

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or with the knowledge we gained from the audit or otherwise appears to be materially misstated. If, based on the work performed, we conclude that there is a material misstatement in the Management Report, we are required to communicate the fact. We have nothing to report in this regard.

Responsibilities of Management and governance for the financial statements

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

In preparing the financial statements, Management is responsible for evaluating the Company's ability to continue as a going concern and disclosing, as applicable, the issues related to its ability to continue as a going concern and the use of this accounting base to prepare financial statements, unless Management intends to liquidate the Company or close down its operations, or if it does not have any realistic alternative to prevent the closing down of operations.

People in charge of governance at the Company are those responsible for supervising the process of preparing the financial statements.

Responsibilities of the auditor for the audit of financial statements

Our objective is to obtain reasonable assurance that the financial statements, taken as a whole, are free of material misstatements, whether caused by error or fraud, and to issue an audit report with our opinion. Reasonable assurance is a high level of security but not a guarantee that an audit performed in accordance with the Brazilian and international audit standards always detect a material misstatement. Misstatements may result from fraud or error and are considered relevant when, individually or taken together, they can influence, within a reasonable perspective, the economic decisions made by users based on said financial statements.

As part of an audit performed in accordance with Brazilian and international audit standards, we exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- We identified and assessed the risks of material misstatement in the financial statements, whether caused by fraud or error, we planned and carried out audit procedures in response to such risks, and obtained adequate and sufficient audit evidence to support our opinion. The risk of non-detection of material misstatement resulting from fraud is higher than that arising out of error, since fraud may involve the bypassing of internal controls, collusion, forgery, omission or intentional misrepresentations.
- We gained an understanding of internal controls that are significant for the audit so that we can plan appropriate audit procedures for the circumstances, but, not with the aim of expressing an opinion on the effectiveness of the internal controls of the Company.
- We evaluated the adequacy of accounting policies used and the reasonableness of accounting estimates and respective disclosures made by Management.
- We issued an opinion on the appropriateness of the use by management of the going concern basis of accounting and, based on the audit evidence obtained, if there is material uncertainty regarding events or conditions that might raise significant doubts

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about the Company's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we must draw attention in our audit report to the respective disclosures in the financial statements or, if the disclosures are inappropriate, include a modification to our opinion. Our conclusions are based on the audit evidences obtained until the date of our report. However, future events or conditions may impair the ability of the Company to continue as a going concern.

- We assessed the general presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and the events in a manner compatible with the aim of a fair presentation.

- We obtained appropriate and sufficient audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the directing, supervising and performing the audit of the group and, consequently, for the audit opinion.

We communicated with those in charge of governance regarding, among other aspects, the planned scope, the time of audit and the significant audit findings, including any significant deficiencies in the internal controls identified during our work.

We also provided those in charge of governance with a declaration of our compliance with relevant ethical requirements, including those applicable to independence, and we reported all relationships or issues that could significantly affect our independence, including the respective safeguards, when applicable.

Of the issues that we discussed with those in charge of governance, we determined the most significant ones in the audit of the financial statements of the current year and, as such, constitute the main audit issues. We described these issues in our audit report, unless any law or regulation prohibits disclosure of the issue to the public, or when, in extremely rare circumstances, we determine that the issue should not be mentioned in our report because the adverse consequences of such disclosure might reasonably overcome the benefits of its communication for public interest.

Joinville, February 19, 2019

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC n° 2 SP 011609/O-8 "F" SC

Fernando de Souza Leite
Accountant
CRC n° 1PR 050.422/O-3

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FISCAL COUNCIL'S OPINION

The undersigned members of the Fiscal Council of the Company, Carla Carvalho de Carvalho, Carlos Guerreiro Pinto and Manoel Eduardo Lima Lopes, having examined the Management's Annual Report, the Financial Statements and Management's proposal for Allocation of Net Income for the fiscal year ended December 31, 2018 to the legal reserve, the tax incentive reserve, and to the distribution of dividends and interest on equity, based on the report by the independent auditors – Deloitte Touche Tohmatsu issued on February 19, 2019 on such financial statements, hereby state that they fairly represent in all material aspects the balance sheet and financial position of ENGIE Brasil Energia S.A. on December 31, 2018, and are appropriate for being submitted to the Company's Annual Shareholders Meeting.

Rio de Janeiro, February 19, 2018.

Carla Carvalho de Carvalho
Chairman

Carlos Guerreiro Pinto
Member

Manoel Eduardo Lima Lopes
Member