

# Quarterly Information

3Q18

**ENGIE Brasil Energia S.A.**
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EGIE 3 NOVO MERCADO BM&FBOVESPA
BRASIL BOLSA BALCÃO
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# Company Information / Capital Composition

| Number of shares (Units) | Current quarter 9/30/2018 |
|---|---|
| **Paid-in capital** | |
| **Common** | 652,742,192 |
| **Preferred** | 0 |
| **Total** | 652,742,192 |
| **Treasury shares** | |
| **Common** | 0 |
| **Preferred** | 0 |
| **Total** | 0 |

# Company Information / Profit Distribution in Cash

| Event | Approval | Profit Distribution | Commencement of Payment | Type of Share | Class of Share | Profit Distribution per Share (Reais / Share) |
|---|---|---|---|---|---|---|
| Board of Directors' Meeting | 10/26/2017 | Interest on equity | 3/27/2018 | Common shares | | 0.65033 |
| Annual Shareholders’ Meeting | 4/11/2018 | Dividends | 6/28/2018 | Common shares | | 0.97551 |
| Board of Directors' Meeting | 8/8/2018 | Dividends | | Common shares | | 1.75573 |
| Board of Directors' Meeting | 10/31/2018 | Interest on equity | | Common shares | | 0.60820 |
| Board of Directors' Meeting | 10/31/2018 | Dividends | | Common shares | | 1.00000 |

# Parent company Financial Statements / Balance Sheet - Assets (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2018 | Prior Year 12/31/2017 |
|---|---|---|---|
| 1 | Total Assets | 16,737,074 | 15,152,706 |
| 1.01 | Current Assets | 1,595,293 | 2,294,219 |
| 1.01.01 | Cash and Cash Equivalents | 801,126 | 1,305,015 |
| 1.01.03 | Accounts Receivable | 551,781 | 720,435 |
| 1.01.03.01 | Trade Accounts Receivable | 517,182 | 689,885 |
| 1.01.03.02 | Other Accounts Receivable | 34,599 | 30,550 |
| 1.01.03.02.01 | Dividends receivable from subsidiaries | 34,599 | 30,550 |
| 1.01.04 | Inventories | 17,082 | 94,946 |
| 1.01.08 | Other Current Assets | 225,304 | 173,823 |
| 1.01.08.03 | Other | 225,304 | 173,823 |
| 1.01.08.03.01 | Restricted deposits | 3,271 | 10,751 |
| 1.01.08.03.02 | Unrealized hedge gains | 0 | 3,933 |
| 1.01.08.03.03 | Renegotiation of hydrological risk to appropriate | 23,991 | 23,991 |
| 1.01.08.03.04 | Other current assets | 177,814 | 129,579 |
| 1.01.08.03.05 | Non-current assets held for sale | 20,228 | 5,569 |
| 1.02 | Non-current Assets | 15,141,781 | 12,858,487 |
| 1.02.01 | Long Term Assets | 594,264 | 260,108 |
| 1.02.01.09 | Receivables from Related Parties | 594,264 | 260,108 |
| 1.02.01.09.05 | Restricted deposits | 9,816 | 9,546 |
| 1.02.01.09.06 | Judicial deposits | 95,507 | 98,646 |
| 1.02.01.09.07 | Renegotiation of hydrological risk to appropriate | 97,414 | 115,406 |
| 1.02.01.09.08 | Unrealized hedge gains | 348,088 | 14,274 |
| 1.02.01.09.09 | Other non-current assets | 43,439 | 22,236 |
| 1.02.02 | Investments | 10,163,493 | 7,523,753 |
| 1.02.02.01 | Equity Interest | 10,163,493 | 7,523,753 |
| 1.02.02.01.02 | Interest on Subsidiaries | 9,922,752 | 7,257,355 |
| 1.02.02.01.03 | Interest in Joint Ventures | 240,741 | 266,398 |
| 1.02.03 | Property, Plant and Equipment | 4,352,236 | 5,043,803 |
| 1.02.03.01 | Property, Plant and Equipment in Operation | 4,229,672 | 4,821,533 |
| 1.02.03.03 | Construction in Progress | 122,564 | 222,270 |
| 1.02.04 | Intangible Assets | 31,788 | 30,823 |
| 1.02.04.01 | Intangible Assets | 31,788 | 30,823 |

# Parent Company Financial Statements / Balance Sheet - Liabilities (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2018 | Prior Year 12/31/2017 |
|---|---|---|---|
| 2 | Total Liabilities | 16,737,074 | 15,152,706 |
| 2.01 | Current Liabilities | 2,080,044 | 3,104,641 |
| 2.01.01 | Social and Labor Obligations | 90,890 | 93,115 |
| 2.01.01.02 | Labor Obligations | 90,890 | 93,115 |
| 2.01.02 | Suppliers | 328,250 | 408,772 |
| 2.01.02.01 | Domestic Suppliers | 328,250 | 408,772 |
| 2.01.03 | Tax Liabilities | 2,245 | 166,346 |
| 2.01.03.01 | Federal Tax Liabilities | 2,245 | 166,346 |
| 2.01.03.01.01 | Income Tax and Social Contribution Payable | 2,245 | 166,346 |
| 2.01.04 | Loans and Financing | 187,342 | 805,705 |
| 2.01.04.01 | Loans and Financing | 161,285 | 787,856 |
| 2.01.04.01.01 | In Local Currency | 121,778 | 112,425 |
| 2.01.04.01.02 | In Foreign Currency | 39,507 | 675,431 |
| 2.01.04.02 | Debentures | 26,057 | 17,849 |
| 2.01.05 | Other Liabilities | 1,432,159 | 1,589,373 |
| 2.01.05.02 | Other | 1,432,159 | 1,589,373 |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable | 1,156,268 | 1,300,237 |
| 2.01.05.02.04 | Concessions payable | 63,249 | 61,367 |
| 2.01.05.02.05 | Other tax and regulatory liabilities | 31,015 | 56,639 |
| 2.01.05.02.06 | Other current liabilities | 181,627 | 171,130 |
| 2.01.06 | Provisions | 39,158 | 41,330 |
| 2.01.06.01 | Tax, Social Security, Labor and Civil Provisions | 8,475 | 9,647 |
| 2.01.06.01.01 | Fiscal Provisions | 150 | 150 |
| 2.01.06.01.02 | Social Security and Labor Provisions | 1,988 | 3,154 |
| 2.01.06.01.04 | Civil Provisions | 6,337 | 6,343 |
| 2.01.06.02 | Other Provisions | 30,683 | 31,683 |
| 2.01.06.02.04 | Retirement benefits obligations | 30,683 | 30,683 |
| 2.01.06.02.05 | Provision for sale of fixed assets | 0 | 1,000 |
| 2.02 | Non-current liabilities | 8,042,217 | 5,217,471 |
| 2.02.01 | Loans and Financing | 4,466,599 | 2,104,525 |
| 2.02.01.01 | Loans and Financing | 2,898,067 | 1,291,810 |
| 2.02.01.01.01 | In Local Currency | 224,509 | 297,109 |
| 2.02.01.01.02 | In Foreign Currency | 2,673,558 | 994,701 |
| 2.02.01.02 | Debentures | 1,568,532 | 812,715 |
| 2.02.02 | Other Liabilities | 2,728,217 | 2,420,422 |
| 2.02.02.02 | Other | 2,728,217 | 2,420,422 |
| 2.02.02.02.03 | Concessions payable | 2,678,975 | 2,385,027 |
| 2.02.02.02.04 | Other Non-Current Liabilities | 49,242 | 35,395 |
| 2.02.03 | Deferred Taxes | 485,938 | 340,204 |
| 2.02.03.01 | Deferred Tax Income tax and social contribution | 485,938 | 340,204 |
| 2.02.04 | Provisions | 361,463 | 352,320 |
| 2.02.04.01 | Tax, Social Security, Labor and Civil Provisions | 79,698 | 71,349 |
| 2.02.04.01.01 | Tax Provisions | 6,859 | 6,662 |
| 2.02.04.01.02 | Social Security and Labor Provisions | 11,684 | 7,706 |
| 2.02.04.01.04 | Civil Provisions | 61,155 | 56,981 |
| 2.02.04.02 | Other Provisions | 281,765 | 280,971 |

# Parent Company Financial Statements / Balance Sheet - Liabilities (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2018 | Prior Year 12/31/2017 |
|---|---|---|---|
| 2.02.04.02.04 | Retirement benefits obligations | 281,765 | 280,971 |
| 2.03 | Shareholders' equity | 6,614,813 | 6,830,594 |
| 2.03.01 | Paid-in Capital Stock | 2,829,056 | 2,829,056 |
| 2.03.04 | Profit Reserves | 2,981,490 | 3,600,738 |
| 2.03.04.01 | Legal Reserve | 565,811 | 565,811 |
| 2.03.04.05 | Retained Earnings Reserve | 2,247,099 | 2,247,099 |
| 2.03.04.07 | Tax Incentive Reserve | 168,580 | 151,073 |
| 2.03.04.10 | Dividends | 0 | 636,755 |
| 2.03.05 | Retained Earnings/Losses | 482,339 | 0 |
| 2.03.06 | Assets Valuation Adjustments | 290,232 | 379,612 |
| 2.03.08 | Other Comprehensive Income | 31,696 | 21,188 |

## Parent Company Financial Statements / Income Statement
## (In thousands of Reais)

| Account Code | Account description | Current Quarter 7/1/2018 to 9/30/2018 | YTD Current Year 1/1/2018 to 9/30/2018 | Year-ago Quarter 7/1/2017 to 9/30/2017 | YTD Previous Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|---|---|
| 3.01 | Revenue from Sales of Goods and/or Services | 1,242,622 | 3,781,575 | 961,275 | 3,068,068 |
| 3.02 | Cost of Products and/or Services Sold | -955,030 | -2,062,842 | -520,422 | -1,471,295 |
| 3.02.01 | Electrical energy purchased for resale | -359,367 | -952,345 | -133,610 | -351,748 |
| 3.02.02 | Transactions in the short-term energy market | -395,585 | -430,851 | -38,785 | -125,019 |
| 3.02.03 | Charges for the use of and connection to the power grid | -79,705 | -235,271 | -88,405 | -258,765 |
| 3.02.04 | Cost of electrical energy production | -115,004 | -427,020 | -251,700 | -713,224 |
| 3.02.05 | Cost of services rendered | -5,369 | -17,355 | -7,922 | -22,539 |
| 3.03 | Gross Profit | 287,592 | 1,718,733 | 440,853 | 1,596,773 |
| 3.04 | Operating Expenses/Income | 393,612 | 697,447 | 94,196 | 303,185 |
| 3.04.01 | Sales Expenses | 6,956 | 1,014 | -2,328 | -7,962 |
| 3.04.02 | General and Administrative Expenses | -47,423 | -135,048 | -36,980 | -120,650 |
| 3.04.03 | Impairment losses | -10,416 | -32,827 | 0 | 0 |
| 3.04.04 | Other Operating Income | 0 | 0 | 667 | 2,357 |
| 3.04.05 | Other Operating Expenses | -724 | -1,419 | 0 | 0 |
| 3.04.06 | Equity income | 445,219 | 865,727 | 132,837 | 429,440 |
| 3.04.06.01 | Equity | 446,054 | 868,233 | 133,672 | 431,946 |
| 3.04.06.02 | Goodwill amortization | -835 | -2,506 | -835 | -2,506 |
| 3.05 | Income before Financial Result and Taxes | 681,204 | 2,416,180 | 535,049 | 1,899,958 |
| 3.06 | Financial Result | -191,408 | -535,432 | -72,972 | -194,929 |
| 3.06.01 | Financial Income | 26,907 | 47,849 | 11,668 | 73,248 |
| 3.06.02 | Financial Expenses | -218,315 | -583,281 | -84,640 | -268,177 |

# Parent Company Financial Statements / Income Statement
# (In thousands of Reais)

| Account Code | Account description | Current Quarter 7/1/2018 to 9/30/2018 | YTD Current Year 1/1/2018 to 9/30/2018 | Year-ago Quarter 7/1/2017 to 9/30/2017 | YTD Previous Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|---|---|
| 3.07 | Income before Income Taxes | 489,796 | 1,880,748 | 462,077 | 1,705,029 |
| 3.08 | Income Tax and Social Contribution | -14,727 | -327,668 | -104,321 | -405,994 |
| 3.08.01 | Current | 14,005 | -181,934 | -92,208 | -292,878 |
| 3.08.02 | Deferred | -28,732 | -145,734 | -12,113 | -113,116 |
| 3.09 | Net Income from Continuing Operations | 475,069 | 1,553,080 | 357,756 | 1,299,035 |
| 3.11 | Net Income for the Period | 475,069 | 1,553,080 | 357,756 | 1,299,035 |
| 3.99 | Earnings per share (R$ /share) | | | | |
| 3.99.01 | Basic Earnings per Share | | | | |
| 3.99.01.01 | ON | 0.72781 | 2.37932 | 0.54808 | 1.99012 |
| 3.99.02 | Diluted Earnings per Share | | | | |
| 3.99.02.01 | ON | 0.72781 | 2.37932 | 0.54808 | 1.99012 |

# Parent Company Financial Statements / Comprehensive Income Statement (In thousands of Reais)

| Account Code | Account description | Current Quarter 7/1/2018 to 9/30/2018 | YTD Current Year 1/1/2018 to 9/30/2018 | Year-ago Quarter 7/1/2017 to 9/30/2017 | YTD Previous Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|---|---|
| 4.01 | Net Income for the Period | 475,069 | 1,553,080 | 357,756 | 1,299,035 |
| 4.02 | Other comprehensive income | -825 | 10,508 | -13,681 | -8,799 |
| 4.02.01 | Equity income in the cash flow hedge of subsidiaries | -825 | 10,508 | -13,681 | -8,799 |
| 4.03 | Comprehensive Income for the Period | 474,244 | 1,563,588 | 344,075 | 1,290,236 |

# Parent Company Financial Statements / Cash Flow Statement – Indirect Method
# (In thousands of Reais)

| Account Code | Account Description | YTD Current Year 1/1/2018 to 9/30/2018 | YTD Prior Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|
| 6.01 | Net Cash from Operating Activities | 1,497,688 | 1,518,169 |
| 6.01.01 | Cash Generated from Operations | 1,823,379 | 1,595,009 |
| 6.01.01.01 | Income before income taxes | 1,880,748 | 1,705,029 |
| 6.01.01.02 | Equity Interest income | -865,727 | -429,440 |
| 6.01.01.03 | Depreciation and amortization | 217,158 | 308,928 |
| 6.01.01.04 | Monetary variation | 202,704 | -7,410 |
| 6.01.01.05 | Interest | 364,654 | 261,080 |
| 6.01.01.06 | Accrual (Reversal) of operating provisions, net | 712 | -243,901 |
| 6.01.01.07 | Provision for asset impairment | 32,827 | 0 |
| 6.01.01.08 | Other | -9,697 | 723 |
| 6.01.02 | Changes in Assets and Liabilities | -325,691 | -76,840 |
| 6.01.02.01 | Trade accounts receivable | 191,119 | 108,946 |
| 6.01.02.02 | Inventories | -400 | 3,582 |
| 6.01.02.04 | Restricted and judicial deposits | 13,356 | 54,143 |
| 6.01.02.05 | Renegotiation of hydrological risk to recognize | 17,992 | 17,993 |
| 6.01.02.07 | Other assets | -50,176 | -33,700 |
| 6.01.02.08 | Suppliers | -74,050 | -366 |
| 6.01.02.09 | Payment of income tax and social contribution | -284,620 | -136,111 |
| 6.01.02.10 | Payment of interest on debt | -116,967 | -74,327 |
| 6.01.02.11 | Other tax and regulatory obligations | -24,052 | -18,279 |
| 6.01.02.12 | Retirement benefits obligations | -20,093 | -19,888 |
| 6.01.02.13 | Other liabilities | 22,200 | 21,167 |
| 6.02 | Net Cash from Investment Activities | -1,303,437 | -585,699 |
| 6.02.01 | Capital increase in subsidiaries and joint venture | -1,551,806 | -1,170,011 |
| 6.02.02 | Acquisition of investment | -28,957 | 0 |
| 6.02.03 | Capital decrease in subsidiary | 0 | 150,000 |
| 6.02.04 | Dividends received from subsidiaries | 375,639 | 553,425 |
| 6.02.05 | Acquisition of property, plant and equipment and intangible assets | -98,345 | -113,351 |
| 6.02.07 | Other | 32 | -5,762 |
| 6.03 | Net Cash from Financing Activities | -698,140 | -962,019 |
| 6.03.01 | New loans, financing and debentures | 1,427,972 | 25,346 |
| 6.03.02 | Loans and financing paid, net of hedge | -87,453 | -102,447 |
| 6.03.03 | Payment of concession installments payable | -48,046 | -46,817 |
| 6.03.04 | Dividends and interest on equity paid | -1,989,943 | -838,143 |
| 6.03.05 | Other | -670 | 42 |
| 6.05 | Increase (Decrease) in Cash and Cash Equivalents | -503,889 | -29,549 |
| 6.05.01 | Opening Balance of Cash and Cash Equivalents | 1,305,015 | 1,175,259 |
| 6.05.02 | Closing Balance of Cash and Cash Equivalents | 801,126 | 1,145,710 |

## Parent Company Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2018 to 9/30/2018

## (In thousands of Reais)

| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,829,056 | 0 | 3,600,738 | 0 | 400,800 | 6,830,594 |
| 5.03 | Adjusted Opening Balances | 2,829,056 | 0 | 3,600,738 | 0 | 400,800 | 6,830,594 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -636,755 | -1,142,614 | 0 | -1,779,369 |
| 5.04.08 | Additional Dividends from 2017 Paid | 0 | 0 | -636,755 | 0 | 0 | -636,755 |
| 5.04.09 | Dividends from the First Half of 2018 | 0 | 0 | 0 | -1,146,037 | 0 | -1,146,037 |
| 5.04.11 | Dividends and Interest on Equity not Claimed | 0 | 0 | 0 | 3,423 | 0 | 3,423 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 1,553,080 | 10,508 | 1,563,588 |
| 5.05.01 | Net Income for the Period | 0 | 0 | 0 | 1,553,080 | 0 | 1,553,080 |
| 5.05.02 | Other Comprehensive Income | 0 | 0 | 0 | 0 | 10,508 | 10,508 |
| 5.05.02.06 | Hedge of Cash Flow of Subsidiaries | 0 | 0 | 0 | 0 | 10,508 | 10,508 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 17,507 | 71,873 | -89,380 | 0 |
| 5.06.05 | Tax Incentive Reserve | 0 | 0 | 17,507 | -17,507 | 0 | 0 |
| 5.06.06 | Realization of Deemed Cost | 0 | 0 | 0 | 89,380 | -89,380 | 0 |
| 5.07 | Closing Balances | 2,829,056 | 0 | 2,981,490 | 482,339 | 321,928 | 6,614,813 |

## Parent Company Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2017 to 9/30/2017

## (In thousands of Reais)

| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,829,056 | 0 | 3,336,013 | 0 | 446,158 | 6,611,227 |
| 5.03 | Adjusted Opening Balances | 2,829,056 | 0 | 3,336,013 | 0 | 446,158 | 6,611,227 |
| 5.04 | Capital transactions with partners | 0 | 0 | -409,644 | -938,918 | 0 | -1,348,562 |
| 5.04.08 | Additional dividends from 2016 paid | 0 | 0 | -409,644 | 0 | 0 | -409,644 |
| 5.04.09 | Dividends from the First Half 2017 | 0 | 0 | 0 | -938,918 | 0 | -938,918 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 1,299,035 | -8,799 | 1,290,236 |
| 5.05.01 | Net Income for the Period | 0 | 0 | 0 | 1,299,035 | 0 | 1,299,035 |
| 5.05.02 | Other Comprehensive Income | 0 | 0 | 0 | 0 | -8,799 | -8,799 |
| 5.05.02.06 | Hedge of Cash Flow of Subsidiaries | 0 | 0 | 0 | 0 | -8,799 | -8,799 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 27,268 | -1,477 | -25,791 | 0 |
| 5.06.05 | Tax incentive Reserve | 0 | 0 | 27,268 | -27,268 | 0 | 0 |
| 5.06.06 | Realization of Deemed Cost | 0 | 0 | 0 | 25,791 | -25,791 | 0 |
| 5.07 | Closing Balances | 2,829,056 | 0 | 2,953,637 | 358,640 | 411,568 | 6,552,901 |

## Parent Company Financial Statements / Value Added Statement
## (In thousands of Reais)

| Account Code | Account Description | YTD Current Year 1/1/2018 to 9/30/2018 | YTD Prior Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|
| 7.01 | Revenues | 4,181,058 | 3,410,066 |
| 7.01.01 | Sale of Products and Services | 4,182,477 | 3,405,520 |
| 7.01.02 | Other revenues | -1,419 | 4,546 |
| 7.02 | Raw material Acquired from Third Parties | -1,762,055 | -958,065 |
| 7.02.01 | Cost of Products and Services Sold | -1,414,292 | -774,622 |
| 7.02.02 | Materials, Energy, Third Parties Services and Other | -59,200 | -135,794 |
| 7.02.04 | Other | -288,563 | -47,649 |
| 7.02.04.01 | Charges for the Use of and Connection to the Power Grid | -235,271 | -258,765 |
| 7.02.04.02 | (Constitution) Reversal of Operating Provisions, net | -712 | 243,901 |
| 7.02.04.03 | Provision for Impairment – Assets | -32,827 | 0 |
| 7.02.04.04 | Other | -19,753 | -32,785 |
| 7.03 | Gross Added Value | 2,419,003 | 2,452,001 |
| 7.04 | Retentions | -217,158 | -308,928 |
| 7.04.01 | Depreciation, Amortization and Depletion | -217,158 | -308,928 |
| 7.05 | Net Added Value Generated | 2,201,845 | 2,143,073 |
| 7.06 | Added Value Received in Transfer | 913,576 | 502,688 |
| 7.06.01 | Equity income | 865,727 | 429,440 |
| 7.06.02 | Financial Income | 47,849 | 73,248 |
| 7.07 | Total Added Value to Distribute | 3,115,421 | 2,645,761 |
| 7.08 | Distribution of Added Value | 3,115,421 | 2,645,761 |
| 7.08.01 | Labor | 131,877 | 196,484 |
| 7.08.01.01 | Direct Remuneration | 86,589 | 117,258 |
| 7.08.01.02 | Benefits | 23,469 | 47,876 |
| 7.08.01.03 | F.G.T.S. - Workers' Severance Fund | 6,599 | 9,518 |
| 7.08.01.04 | Other | 15,220 | 21,832 |
| 7.08.01.04.01 | Profit sharing | 15,220 | 21,832 |
| 7.08.02 | Taxes, Duties and Contributions | 740,920 | 764,392 |
| 7.08.02.01 | Federal | 722,095 | 749,180 |
| 7.08.02.02 | State | 16,788 | 13,503 |
| 7.08.02.03 | Municipal | 2,037 | 1,709 |
| 7.08.03 | Third Parties Capital Remuneration | 241,509 | 148,704 |
| 7.08.03.01 | Interest | 242,326 | 135,481 |
| 7.08.03.02 | Rentals | 4,840 | 6,816 |
| 7.08.03.03 | Other | -5,657 | 6,407 |
| 7.08.03.03.01 | Capitalized Interest and Monetary Variation | 0 | 2,189 |
| 7.08.03.03.02 | Other Financial Expenses | -5,657 | 4,218 |
| 7.08.04 | Remuneration of Own Capital | 1,628,376 | 1,297,558 |
| 7.08.04.02 | Dividends | 1,146,037 | 938,918 |
| 7.08.04.03 | Retained Earnings / Loss for the Period | 482,339 | 358,640 |
| 7.08.05 | Other | 372,739 | 238,623 |
| 7.08.05.01 | Sectorial Charges | 104,159 | 109,191 |
| 7.08.05.02 | Charges on Concessions Payable | 343,876 | 127,955 |
| 7.08.05.03 | Tax Incentive Reserve | 17,507 | 27,268 |
| 7.08.05.04 | Realization of Deemed Cost | -89,380 | -25,791 |
| 7.08.05.05 | Dividends and Interest on Equity not Claimed | -3,423 | 0 |

## Consolidated Financial Statements / Balance Sheet - Assets
## (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2018 | Prior Year 12/31/2017 |
|---|---|---|---|
| 1 | Total Assets | 22,737,832 | 19,568,513 |
| 1.01 | Current Assets | 4,388,038 | 3,735,779 |
| 1.01.01 | Cash and Cash Equivalents | 2,442,566 | 1,930,070 |
| 1.01.03 | Accounts Receivable | 1,146,146 | 1,058,469 |
| 1.01.03.01 | Trade Accounts Receivable | 1,146,146 | 1,058,469 |
| 1.01.04 | Inventories | 95,562 | 98,249 |
| 1.01.08 | Other Current Assets | 703,764 | 648,991 |
| 1.01.08.03 | Other | 703,764 | 648,991 |
| 1.01.08.03.01 | Restricted deposits | 7,707 | 15,423 |
| 1.01.08.03.02 | Unrealized hedge gains | 9,436 | 3,933 |
| 1.01.08.03.03 | Renegotiation of hydrological risk to appropriate | 26,064 | 26,064 |
| 1.01.08.03.04 | Concession financial asset | 274,584 | 301,904 |
| 1.01.08.03.05 | Other current assets | 365,745 | 296,098 |
| 1.01.08.03.06 | Non-current assets held for sale | 20,228 | 5,569 |
| 1.02 | Non-current Assets | 18,349,794 | 15,832,734 |
| 1.02.01 | Long Term Assets | 3,264,027 | 2,826,648 |
| 1.02.01.10 | Other Non-current Assets | 3,264,027 | 2,826,648 |
| 1.02.01.10.03 | Restricted deposits | 276,307 | 231,489 |
| 1.02.01.10.04 | Judicial deposits | 97,030 | 100,095 |
| 1.02.01.10.05 | Renegotiation of hydrological risk to appropriate | 125,403 | 144,950 |
| 1.02.01.10.06 | Unrealized hedge gains | 348,088 | 14,274 |
| 1.02.01.10.07 | Concession financial asset | 2,316,021 | 2,245,463 |
| 1.02.01.10.08 | Other non-current assets | 101,178 | 90,377 |
| 1.02.02 | Investments | 0 | 19,027 |
| 1.02.02.01 | Equity interest | 0 | 19,027 |
| 1.02.03 | Property, Plant and Equipment | 13,764,885 | 11,678,108 |
| 1.02.03.01 | Property, Plant and Equipment in Operation | 9,060,311 | 8,599,983 |
| 1.02.03.03 | Construction in Progress | 4,704,574 | 3,078,125 |
| 1.02.04 | Intangible Assets | 1,320,882 | 1,308,951 |
| 1.02.04.01 | Intangible Assets | 1,320,882 | 1,308,951 |

## Consolidated Financial Statements / Balance sheet - Liabilities
## (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2018 | Prior Year 12/31/2017 |
|---|---|---|---|
| 2 | Total Liabilities | 22,737,832 | 19,568,513 |
| 2.01 | Current Liabilities | 3,224,954 | 5,676,471 |
| 2.01.01 | Social and Labor Obligations | 95,496 | 94,879 |
| 2.01.01.02 | Labor Obligations | 95,496 | 94,879 |
| 2.01.02 | Suppliers | 593,957 | 617,396 |
| 2.01.02.01 | Domestic Suppliers | 593,957 | 617,396 |
| 2.01.03 | Tax Liabilities | 85,494 | 181,351 |
| 2.01.03.01 | Federal Tax Liabilities | 85,494 | 181,351 |
| 2.01.03.01.01 | Income Tax and Social Contribution Payable | 85,494 | 181,351 |
| 2.01.04 | Loans and Financing | 910,426 | 3,075,918 |
| 2.01.04.01 | Loans and Financing | 335,473 | 948,158 |
| 2.01.04.01.01 | In Local Currency | 295,966 | 272,727 |
| 2.01.04.01.02 | In Foreign Currency | 39,507 | 675,431 |
| 2.01.04.02 | Debentures | 574,953 | 2,127,760 |
| 2.01.04.02.01 | Debentures and promissory notes | 574,953 | 2,127,760 |
| 2.01.05 | Other Liabilities | 1,499,420 | 1,664,593 |
| 2.01.05.02 | Other | 1,499,420 | 1,664,593 |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable | 1,156,399 | 1,300,516 |
| 2.01.05.02.04 | Concessions payable | 69,126 | 67,051 |
| 2.01.05.02.05 | Other tax and regulatory liabilities | 86,208 | 93,668 |
| 2.01.05.02.06 | Other current liabilities | 187,687 | 203,358 |
| 2.01.06 | Provisions | 40,161 | 42,334 |
| 2.01.06.01 | Tax, Social Security, Labor and Civil Provisions | 9,478 | 10,651 |
| 2.01.06.01.01 | Tax Provisions | 327 | 327 |
| 2.01.06.01.02 | Social Security and Labor Provisions | 1,988 | 3,153 |
| 2.01.06.01.04 | Civil Provisions | 7,163 | 7,171 |
| 2.01.06.02 | Other Provisions | 30,683 | 31,683 |
| 2.01.06.02.04 | Retirement benefits obligations | 30,683 | 30,683 |
| 2.01.06.02.05 | Provision for sale of fixed assets | 0 | 1,000 |
| 2.02 | Non-current liabilities | 12,893,856 | 7,057,317 |
| 2.02.01 | Loans and Financing | 8,703,246 | 3,680,498 |
| 2.02.01.01 | Loans and Financing | 5,442,639 | 2,867,783 |
| 2.02.01.01.01 | In Local Currency | 2,769,081 | 1,873,082 |
| 2.02.01.01.02 | In Foreign Currency | 2,673,558 | 994,701 |
| 2.02.01.02 | Debentures | 3,260,607 | 812,715 |
| 2.02.02 | Other Liabilities | 3,046,158 | 2,510,220 |
| 2.02.02.02 | Other | 3,046,158 | 2,510,220 |
| 2.02.02.02.03 | Concessions payable | 2,727,210 | 2,432,348 |
| 2.02.02.02.04 | Other Non-Current Liabilities | 318,948 | 77,872 |
| 2.02.03 | Deferred Taxes | 776,851 | 507,905 |
| 2.02.03.01 | Deferred Income Tax and Social Contribution | 776,851 | 507,905 |
| 2.02.04 | Provisions | 367,601 | 358,694 |
| 2.02.04.01 | Tax, Social Security, Labor and Civil Provisions | 85,836 | 77,723 |
| 2.02.04.01.01 | Tax Provisions | 7,011 | 6,810 |
| 2.02.04.01.02 | Social Security and Labor Provisions | 11,955 | 7,969 |
| 2.02.04.01.04 | Civil Provisions | 66,870 | 62,944 |

## Consolidated Financial Statements / Balance Sheet - Liabilities
## (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2018 | Prior Year 12/31/2017 |
|---|---|---|---|
| 2.02.04.02 | Other Provisions | 281,765 | 280,971 |
| 2.02.04.02.04 | Retirement benefits obligations | 281,765 | 280,971 |
| 2.03 | Consolidated Shareholders' equity | 6,619,022 | 6,834,725 |
| 2.03.01 | Paid-in Capital Stock | 2,829,056 | 2,829,056 |
| 2.03.04 | Profit Reserves | 2,981,490 | 3,600,738 |
| 2.03.04.01 | Legal Reserve | 565,811 | 565,811 |
| 2.03.04.05 | Retained Earnings Reserve | 2,247,099 | 2,247,099 |
| 2.03.04.07 | Tax Incentive Reserve | 168,580 | 151,073 |
| 2.03.04.10 | Additional Dividend Proposed | 0 | 636,755 |
| 2.03.05 | Retained Earnings/Losses | 482,339 | 0 |
| 2.03.06 | Assets Valuation Adjustments | 290,232 | 379,612 |
| 2.03.08 | Other Comprehensive Income | 31,696 | 21,188 |
| 2.03.09 | Non-Controlling Interest | 4,209 | 4,131 |

# Consolidated Financial Statements / Income Statement
# (In thousands of Reais)

| Account Code | Account description | Current Quarter 7/1/2018 to 9/30/2018 | YTD Current Year 1/1/2018 to 9/30/2018 | Year-ago Quarter 7/1/2017 to 9/30/2017 | YTD Previous Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|---|---|
| 3.01 | Revenue from Sales of Goods and/or Services | 2,488,646 | 6,492,471 | 1,654,738 | 4,942,593 |
| 3.02 | Cost of Products and/or Services Sold | -1,583,250 | -3,549,896 | -1,066,020 | -2,839,343 |
| 3.02.01 | Electrical energy purchased for resale | -657,715 | -1,623,062 | -462,691 | -1,239,474 |
| 3.02.02 | Transactions in the short-term energy market | -427,848 | -505,935 | -149,955 | -293,761 |
| 3.02.03 | Charges for the use of and connection to the power grid | -117,245 | -340,588 | -107,760 | -315,844 |
| 3.02.04 | Cost of electrical energy production | -375,063 | -1,062,922 | -337,676 | -967,696 |
| 3.02.05 | Cost of services rendered | -5,379 | -17,389 | -7,938 | -22,568 |
| 3.03 | Gross Profit | 905,396 | 2,942,575 | 588,718 | 2,103,250 |
| 3.04 | Operating Expenses/Income | -56,275 | -178,580 | -42,063 | -133,551 |
| 3.04.01 | Sales Expenses | 5,326 | -2,866 | -3,652 | -12,453 |
| 3.04.02 | General and Administrative Expenses | -50,865 | -140,944 | -39,122 | -121,817 |
| 3.04.03 | Impairment losses | -10,416 | -32,827 | 0 | 0 |
| 3.04.04 | Other Operating Income | 0 | 0 | 705 | 2,412 |
| 3.04.05 | Other Operating Expenses | -463 | -972 | 0 | 0 |
| 3.04.06 | Equity income (loss) | 143 | -971 | 6 | -1,693 |
| 3.05 | Income Before Financial Result and Taxes | 849,121 | 2,763,995 | 546,655 | 1,969,699 |
| 3.06 | Financial Result | -195,316 | -537,953 | -50,458 | -128,928 |
| 3.06.01 | Financial Income | 46,180 | 101,821 | 38,613 | 164,246 |
| 3.06.02 | Financial Expenses | -241,496 | -639,774 | -89,071 | -293,174 |
| 3.07 | Income Before Income Taxes | 653,805 | 2,226,042 | 496,197 | 1,840,771 |
| 3.08 | Income Tax and Social Contribution | -178,454 | -672,197 | -138,150 | -540,882 |

## Consolidated Financial Statements / Income Statement
## (In thousands of Reais)

| Account Code | Account description | Current Quarter 7/1/2018 to 9/30/2018 | YTD Current Year 1/1/2018 to 9/30/2018 | Year-ago Quarter 7/1/2017 to 9/30/2017 | YTD Previous Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|---|---|
| 3.08.01 | Current | -109,754 | -405,999 | -108,827 | -381,224 |
| 3.08.02 | Deferred | -68,700 | -266,198 | -29,323 | -159,658 |
| 3.09 | Net Income from Continuing Operations | 475,351 | 1,553,845 | 358,047 | 1,299,889 |
| 3.11 | Consolidated Net Income for the Period | 475,351 | 1,553,845 | 358,047 | 1,299,889 |
| 3.11.01 | Attributable to the Partners of the Parent Company | 475,069 | 1,553,080 | 357,756 | 1,299,035 |
| 3.11.02 | Attributable to Non-Controlling Partners | 282 | 765 | 291 | 854 |
| 3.99 | Earnings per share (R$ /share) | | | | |
| 3.99.01 | Basic Earnings per Share | | | | |
| 3.99.01.01 | ON | 0.72781 | 2.37932 | 0.54808 | 1.99012 |
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | ON | 0.72781 | 2.37932 | 0.54808 | 1.99012 |

## Consolidated Financial Statements / Comprehensive Income Statement
## (In thousands of Reais)

| Account Code | Account description | Current Quarter 7/1/2018 to 9/30/2018 | YTD Current Year 1/1/2018 to 9/30/2018 | Year-ago Quarter 7/1/2017 to 9/30/2017 | YTD Previous Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|---|---|
| 4.01 | Consolidated Net Income for the Period | 475,351 | 1,553,845 | 358,047 | 1,299,889 |
| 4.02 | Other comprehensive income | -825 | 10,508 | -13,681 | -8,799 |
| 4.02.01 | Unrealized (losses) gains from cash flow hedge operations | -3,654 | 11,380 | -7,667 | 13,325 |
| 4.02.02 | Deferred income tax and social contribution | 1,243 | -3,869 | 2,606 | -4,531 |
| 4.02.03 | Realized gains (losses) from cash flow hedge operations | 1,586 | 2,997 | -8,620 | -17,593 |
| 4.03 | Consolidated Comprehensive Income for the Period | 474,526 | 1,564,353 | 344,366 | 1,291,090 |
| 4.03.01 | Attributed to the Parent Company's Shareholders | 474,244 | 1,563,588 | 344,075 | 1,290,236 |
| 4.03.02 | Attributed to Non-controlling Shareholders | 282 | 765 | 291 | 854 |

# Consolidated Financial Statements / Cash Flow Statement - Indirect Method
## (In thousands of Reais)

| Account Code | Account Description | YTD Current Year 1/1/2018 to 9/30/2018 | YTD Prior Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|
| 6.01 | Net Cash from Operating Activities | 2,503,367 | 2,001,169 |
| 6.01.01 | Cash Generated from Operations | 3,070,277 | 2,337,106 |
| 6.01.01.01 | Income tax before income | 2,226,042 | 1,840,771 |
| 6.01.01.02 | Equity Interest income | 971 | 1,693 |
| 6.01.01.03 | Depreciation and amortization | 486,465 | 480,423 |
| 6.01.01.04 | Monetary variation | 212,273 | -2,675 |
| 6.01.01.05 | Interest | 391,432 | 259,610 |
| 6.01.01.06 | Remuneration of concession financial asset | -270,127 | 0 |
| 6.01.01.07 | Reversal of operating provisions, net | -75 | -243,466 |
| 6.01.01.08 | Provision for asset impairment | 32,827 | 0 |
| 6.01.01.09 | Other | -9,531 | 750 |
| 6.01.02 | Changes in Assets and Liabilities | -566,910 | -335,937 |
| 6.01.02.01 | Trade accounts receivable | -49,225 | 90,133 |
| 6.01.02.02 | Inventories | 607 | 3,826 |
| 6.01.02.04 | Restricted and judicial deposits | 13,790 | 52,537 |
| 6.01.02.05 | Renegotiation of hydrological risk to recognize | 19,547 | 19,548 |
| 6.01.02.06 | Concession financial asset | 226,890 | 0 |
| 6.01.02.07 | Other assets | -126,342 | -84,938 |
| 6.01.02.08 | Suppliers | -144,211 | 14,068 |
| 6.01.02.09 | Payment of income tax and social contribution | -379,808 | -238,578 |
| 6.01.02.11 | Payment of interest on debt | -289,126 | -182,530 |
| 6.01.02.12 | Other tax and regulatory obligations | 24,304 | -10,117 |
| 6.01.02.13 | Retirement benefits obligations | -20,093 | -19,888 |
| 6.01.02.14 | Fuel payable to CDE | 149,880 | 0 |
| 6.01.02.15 | Other liabilities | 6,877 | 20,002 |
| 6.02 | Net Cash from Investment Activities | -2,287,555 | -1,423,974 |
| 6.02.02 | Acquisition of investment | -17,361 | -25,151 |
| 6.02.03 | Acquisition of property, plant and equipment and intangible assets | -2,324,365 | -1,382,987 |
| 6.02.04 | Cash and equivalents from subsidiaries divested | 0 | -15,836 |
| 6.02.06 | Receivable from divestment | 54,171 | 0 |
| 6.03 | Net Cash from Financing Activities | 296,684 | -831,018 |
| 6.03.01 | New loans, financing and debentures | 4,267,706 | 320,943 |
| 6.03.02 | Loans, financing and promissory notes paid, net of hedge | -1,890,285 | -226,488 |
| 6.03.03 | Payment of concession installments payable | -52,648 | -51,264 |
| 6.03.04 | Dividends and interest on equity paid | -1,989,944 | -838,610 |
| 6.03.06 | Other | -38,145 | -35,599 |
| 6.05 | Increase (Decrease) in Cash and Cash Equivalents | 512,496 | -253,823 |
| 6.05.01 | Opening Balance of Cash and Cash Equivalents | 1,930,070 | 1,815,340 |
| 6.05.02 | Closing Balance of Cash and Cash Equivalents | 2,442,566 | 1,561,517 |

# Consolidated Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2018 to 9/30/2018 (In thousands of Reais)

| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity | Interest of Non-Controlling Shareholders | Consolidated Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,829,056 | 0 | 3,600,738 | 0 | 400,800 | 6,830,594 | 4,131 | 6,834,725 |
| 5.03 | Adjusted Opening Balances | 2,829,056 | 0 | 3,600,738 | 0 | 400,800 | 6,830,594 | 4,131 | 6,834,725 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -636,755 | -1,142,614 | 0 | -1,779,369 | -687 | -1,780,056 |
| 5.04.08 | Additional dividends from 2017 paid | 0 | 0 | -636,755 | 0 | 0 | -636,755 | 0 | -636,755 |
| 5.04.09 | Dividends from the first half of 2018 | 0 | 0 | 0 | -1,146,037 | 0 | -1,146,037 | -687 | -1,146,724 |
| 5.04.11 | Dividends and interest on equity not claimed | 0 | 0 | 0 | 3,423 | 0 | 3,423 | 0 | 3,423 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 1,553,080 | 10,508 | 1,563,588 | 765 | 1,564,353 |
| 5.05.01 | Net Income for the Period | 0 | 0 | 0 | 1,553,080 | 0 | 1,553,080 | 765 | 1,553,845 |
| 5.05.02 | Other Comprehensive Income | 0 | 0 | 0 | 0 | 10,508 | 10,508 | 0 | 10,508 |
| 5.05.02.06 | Hedge of cash flow | 0 | 0 | 0 | 0 | 10,508 | 10,508 | 0 | 10,508 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 17,507 | 71,873 | -89,380 | 0 | 0 | 0 |
| 5.06.05 | Tax Incentive Reserve | 0 | 0 | 17,507 | -17,507 | 0 | 0 | 0 | 0 |
| 5.06.06 | Realization of Deemed Cost | 0 | 0 | 0 | 89,380 | -89,380 | 0 | 0 | 0 |
| 5.07 | Closing Balances | 2,829,056 | 0 | 2,981,490 | 482,339 | 321,928 | 6,614,813 | 4,209 | 6,619,022 |

# Consolidated Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2017 to 9/30/2017 (In thousands of Reais)

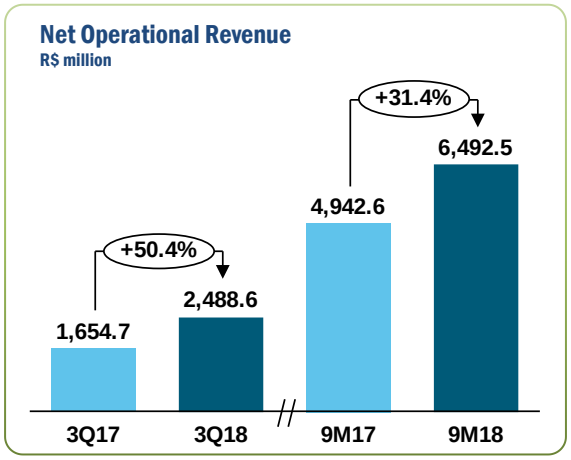
| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity | Interest of Non-Controlling Shareholders | Consolidated Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,829,056 | 0 | 3,336,013 | 0 | 446,158 | 6,611,227 | 3,167 | 6,614,394 |
| 5.03 | Adjusted Opening Balances | 2,829,056 | 0 | 3,336,013 | 0 | 446,158 | 6,611,227 | 3,167 | 6,614,394 |
| 5.04 | Capital transactions with partners | 0 | 0 | -409,644 | -938,918 | 0 | -1,348,562 | 0 | -1,348,562 |
| 5.04.08 | Additional dividends from 2016 paid | 0 | 0 | -409,644 | 0 | 0 | -409,644 | 0 | -409,644 |
| 5.04.09 | Dividends from the first half of 2017 | 0 | 0 | 0 | -938,918 | 0 | -938,918 | 0 | -938,918 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 1,299,035 | -8,799 | 1,290,236 | 854 | 1,291,090 |
| 5.05.01 | Net Income for the Period | 0 | 0 | 0 | 1,299,035 | 0 | 1,299,035 | 854 | 1,299,889 |
| 5.05.02 | Other Comprehensive Income | 0 | 0 | 0 | 0 | -8,799 | -8,799 | 0 | -8,799 |
| 5.05.02.06 | Cash flow hedge | 0 | 0 | 0 | 0 | -8,799 | -8,799 | 0 | -8,799 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 27,268 | -1,477 | -25,791 | 0 | 0 | 0 |
| 5.06.05 | Tax incentive reserve | 0 | 0 | 27,268 | -27,268 | 0 | 0 | 0 | 0 |
| 5.06.06 | Realization of deemed cost | 0 | 0 | 0 | 25,791 | -25,791 | 0 | 0 | 0 |
| 5.07 | Closing Balances | 2,829,056 | 0 | 2,953,637 | 358,640 | 411,568 | 6,552,901 | 4,021 | 6,556,922 |

# Consolidated Financial Statements / Value Added Statement
# (In thousands of Reais)

| Account Code | Account Description | YTD Current Year 1/1/2018 to 9/30/2018 | YTD Prior Year 1/1/2017 to 9/30/2017 |
|---|---|---|---|
| 7.01 | Revenues | 9,543,688 | 6,830,020 |
| 7.01.01 | Sale of Products and Services | 7,175,654 | 5,467,357 |
| 7.01.02 | Other Income | -972 | 4,601 |
| 7.01.03 | Income related to the Construction of Own Assets | 2,369,006 | 1,358,062 |
| 7.02 | Raw material Acquired from Third Parties | -5,042,128 | -3,382,686 |
| 7.02.01 | Cost of Products and Services Sold | -2,306,778 | -1,844,892 |
| 7.02.02 | Materials, Energy, Third Parties Services and Other | -174,751 | -183,743 |
| 7.02.04 | Other | -2,560,599 | -1,354,051 |
| 7.02.04.01 | Charges for the use of and connection to the power grid | -340,588 | -315,844 |
| 7.02.04.02 | Reversal of operating provisions, net | 75 | 243,466 |
| 7.02.04.03 | Expenses with construction of plants | -2,156,924 | -1,246,657 |
| 7.02.04.04 | Provision for impairment of assets | -32,827 | 0 |
| 7.02.04.05 | Other | -30,335 | -35,016 |
| 7.03 | Gross Added Value | 4,501,560 | 3,447,334 |
| 7.04 | Retentions | -486,465 | -480,423 |
| 7.04.01 | Depreciation, Amortization and Depletion | -486,465 | -480,423 |
| 7.05 | Net Added Value Generated | 4,015,095 | 2,966,911 |
| 7.06 | Added Value Received in Transfer | 100,850 | 162,553 |
| 7.06.01 | Equity income (loss) | -971 | -1,693 |
| 7.06.02 | Financial Income | 101,821 | 164,246 |
| 7.07 | Total Added Value to Distribute | 4,115,945 | 3,129,464 |
| 7.08 | Distribution of Added Value | 4,115,945 | 3,129,464 |
| 7.08.01 | Labor | 197,910 | 200,711 |
| 7.08.01.01 | Direct Remuneration | 130,305 | 120,514 |
| 7.08.01.02 | Benefits | 34,683 | 48,439 |
| 7.08.01.03 | F.G.T.S. - workers' severance fund | 11,074 | 9,780 |
| 7.08.01.04 | Other | 21,848 | 21,978 |
| 7.08.01.04.01 | Profit sharing | 21,848 | 21,978 |
| 7.08.02 | Taxes, Duties and Contributions | 1,372,008 | 1,085,490 |
| 7.08.02.01 | Federal | 1,352,487 | 1,069,955 |
| 7.08.02.02 | State | 16,948 | 13,652 |
| 7.08.02.03 | Municipal | 2,573 | 1,883 |
| 7.08.03 | Third Parties Capital Remuneration | 508,684 | 283,945 |
| 7.08.03.01 | Interest | 279,326 | 152,343 |
| 7.08.03.02 | Rentals | 9,461 | 10,577 |
| 7.08.03.03 | Other | 219,897 | 121,025 |
| 7.08.03.03.01 | Capitalized interest and monetary variation | 212,082 | 113,594 |
| 7.08.03.03.02 | Other financial expenses | 7,815 | 7,431 |
| 7.08.04 | Remuneration of Own Capital | 1,628,376 | 1,297,558 |
| 7.08.04.02 | Dividends | 1,146,037 | 938,918 |
| 7.08.04.03 | Retained Earnings / Loss for the Period | 482,339 | 358,640 |
| 7.08.05 | Other | 408,967 | 261,760 |
| 7.08.05.01 | Sectorial charges | 133,913 | 126,654 |
| 7.08.05.02 | Charges on concessions payable | 349,585 | 132,775 |
| 7.08.05.03 | Non-controlling shareholder | 765 | 854 |
| 7.08.05.04 | Tax incentive reserve | 17,507 | 27,268 |
| 7.08.05.05 | Realization of deemed cost | -89,380 | -25,791 |
| 7.08.05.06 | Dividends and interest on equity not claimed | -3,423 | 0 |

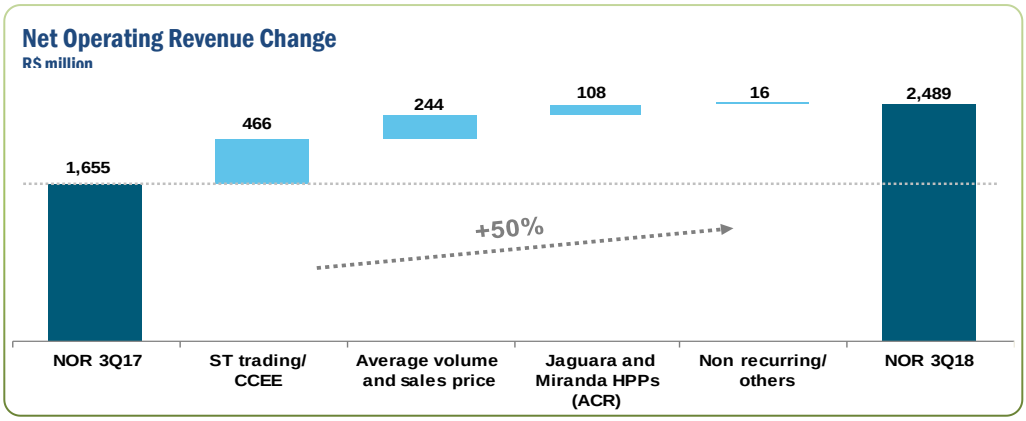
## Economic-Financial Performance

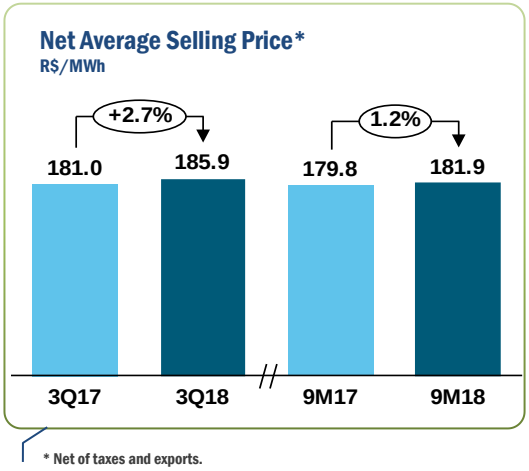
### Net Operating Revenue




In 3Q18, **net operating revenue reported an increase of 50.4%** (R$ 833.9 million), compared with 3Q17, from R$ 1,654.7 million to R$ 2,488.6 million.

The principal factors that can be ascribed to this variation were: (i) R$ 466.1 million – growth in revenue due to transactions in the short-term market, more especially those transacted through the Electric Energy Trade Board (CCEE); (ii) R$ 243.7 million, due to higher energy volumes sold and the increase in the average selling price to distributors and trading companies; (iii) R$ 108.1 million, due to revenue from operations at the Jaguara and Miranda Hydroelectric Power Plants in the Regulated Contracting Environment (ACR), of which R$ 80.2 million corresponds to the remuneration of the financial asset and R$ 27.9 million to Generation Assets Management revenue (GAG) to cover the costs of operation, maintenance and improvements; and (iv) R$ 15.1 million, as recognition of revenue relative to the contractual fine due to downtime at the Santa Mônica Wind Complex plants and indemnification for interruption to business in the light of events at the Passo Fundo and São Salvador Hydroelectric Power Plants.

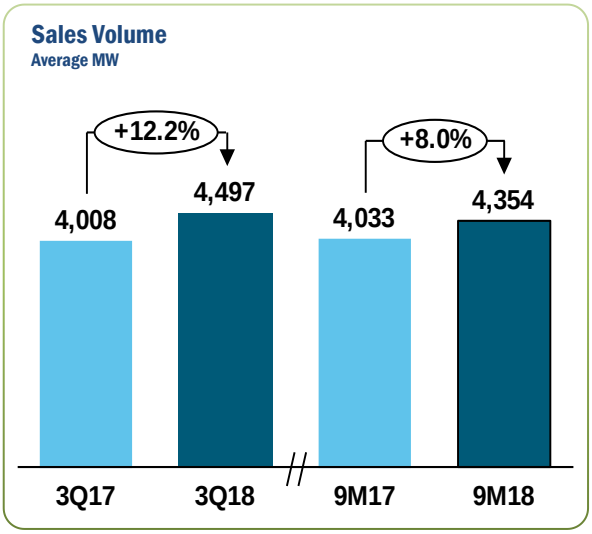



### Net Average Selling Price

**The average energy selling price**, net of tax on revenues was R$ 185.92/MWh in 3Q18, **2.7% above** 3Q17, when the amount was R$ 181.04/MWh.

The higher price was largely due to new sales contracts with trading companies at increased average prices than the average for existing or expiring contracts. This increase was partially attenuated by lower average prices charged to industrial clients.




### Sales Volume

**The amount of energy sold** increased from 8,850 GWh (4,008 average MW) in 3Q17 to 9,928 GWh (4.497 average MW) in 3Q18, **an increase of 1,078 GWh** (489 average MW) or 12.2% between compared periods.

These variations largely reflect the combination of growth in sales to trading companies, including trading operations, reflecting energy traded in the Regulated Contracting Environment (ACL) of the Jaguara and Miranda Hydroelectric Power Plants, both acquired in late 2017.

## Comments on Variation in Net Operating Revenue

### Revenue from Sale of Electric Energy - Distribution Companies

**Net operating revenue from sales to distributors** was R$ 661.8 million in 3Q18, **0.4% greater** than the R$ 659.3 million recorded in 3Q17, variation of which was due to the following factors: (i) R$ 8.2 million — an increase of 1.2% in net average selling prices; and (ii) R$ 5.7 million — reduction of 25 GWh (12 average MW) in sales volume from 3,009 GWh (1,363 average MW) in 3Q17 to 2,984 GWh (1,351 average MW) in 3Q18.

The increase in the average net price of sales between the periods under analysis was due principally to the monetary restatement of existing agreements. The decrease in sales volume is mainly a reflection of the reductions in the Surplus and Deficits Compensation Mechanism (MCSD), partially offset by the start of energy sales at the Assú V Photovoltaic Plant, commercial operations of which began in late December 2017.

### Revenue from Sale of Electric Energy - Trading Companies

In the quarter, **revenue from sales to trading companies** was R$ 410.9 million, **200.6% higher** than the revenue of R$ 136.7 million reported for 3Q17.

This increase reflects the following aspects: (i) R$ 167.2 million – from sales agreements for trading operations (309 average MW); (ii) R$ 68.8 million – an increase of 391 GWh (177 average MW) in energy sales volume; and (iii) R$ 38.2 million – a growth of 27.9% in the average net selling price. The variations shown under (ii) and (iii) do not include trading operations.

The variation in volume in the quarter was mainly due to new sales agreements for trading companies, reflecting trading operations and the portion of energy negotiated in the Free Contracting Environment (ACL) generated from the Jaguara and Miranda Hydroelectric Power Plants, acquired in late 2017. The increase in price largely reflects new agreements at prices higher than the average for existing and expiring contracts.

**Revenue from Sale of Electric Energy - Free Consumers**

**Revenue from sales to free consumers fell 4.1%** from R$ 806.1 million in 3Q17 to R$ 773.1 million in 3Q18. The following events contributed to this variation: (i) R$ 37.9 million – a decrease of 4.7% in the average net selling price of energy. The decline in prices was largely due to lower prices practiced with industrial clients; and (ii) R$ 4.9 million – an increase of 31 GWh (15 average MW) in the amount of energy sold, this increasing from 4,847 GWh (2,195 average MW) in 3Q17 to 4,878 GWh (2,210 average MW) in 3Q18, basically a reflection of slightly increased consumption by the industrial sector.

The number of free consumers in the Company's portfolio rose from 369 in 3Q17 to 480 in 3Q18, an increase of 30.1%.

**Transactions in the Short-term Market – Especially those Conducted through the Electric Energy Trade Board (CCEE)**

In 3Q18**, revenue generated in the short-term market**, especially within the scope of the CCEE, was R$ 507.6 million, while in 3Q17, the amount was R$ 41.5 million, **an increase of R$ 466.1 million** when comparing the same quarters for successive years. A more detailed explanation of these variations is to be found in the item below "Details of Short-Term Operations - Especially Transactions in CCEE".

**Remuneration of concession financial assets**

The equivalent amount to 70% of the physical guarantee of the Jaguara and Miranda Hydroelectric Power Plants, the concession agreements for which became effective on December 29, 2017, is remunerated through the Grant Bonus Return (RBO) comprising the Generation Annual Revenue (RAG) reported by the companies. According to the economic essence of the transaction the part which is equivalent to the amount paid for the concession grant has been recorded as a financial asset and the remuneration from these assets, recognized as operating financial revenue. The remuneration from these assets, recognized in 3Q18 for the Jaguara and Miranda Hydroelectric Power Plants, was R$ 49.8 million and R$ 30.4 million, respectively.

**Revenue from services rendered**

Again, in relation to the Jaguara and Miranda Hydroelectric Power Plants, for energy sold in the ACR, also as part of the RAG, the companies will receive the portion relating to the Generation Assets Management (GAG) for covering the costs with operations and maintenance as well as expenditures with improvements and investments during the term of the concession agreement. The value of the GAG recognized in 3Q18 was R$ 15.4 million and R$ 12.5 million for the Jaguara and Miranda Hydroelectric Power Plants, respectively.

**Other revenues**

In 3Q18, certain non-recurring revenues amounting to R$ 15.1 million were recognized in the light of the following aspects: (i) R$ 9.2 million – the imposition of a contractual fine due to downtime at plants in the Santa Mônica Wind Complex; and (ii) R$ 5.9 million – reflecting the Company's right to indemnification as a result of an interruption to business due to incidents at the Passo Fundo and São Salvador Hydroelectric Power Plants in March 2017 and December 2015, respectively.

**Costs of Electric Energy and Services**

**The costs of energy sold and services increased by R$ 517.2 million (48.5%**) between compared quarters, increasing from R$ 1,066.0 million in 3Q17 to R$ 1,583.2 million in 3Q18. Such variations are due essentially to tendencies in the principal components as follows:

✓ **Electric energy purchased for resale:** an increase of R$ 195.0 million (42.2%) in 3Q18 compared to 3Q17, reflecting mainly the following factors: (i) R$ 168.8 million – purchases of electric energy for allocation to trading operations (300 average MW); (ii) R$ 18.0 million – an increase of 105 GWh (47 average MW) due to increased medium and long-term purchases for management of the Company's portfolio; and (iii) R$ 8.2 million – an increase of 1.8% in the net average price of purchases due to new agreements at prices higher than the average for expiring agreements as well as the application of monetary restatement on existing agreements. Additionally, the difference between the amount of energy bought and sold for trading operations, was settled on the CCEE.

✓ **Transactions in the short-term market - especially those within the scope of the CCEE:** comparing the quarters under analysis, the costs of transactions rose by R$ 277.9 million (185.3%) compared with 3Q17. More details are given in the specific item below.

✓ **Charges for use of and connection to the electricity grid:** an increase of R$ 9.5 million (8.8%) between quarters under analysis due principally to the annual readjustment in transmission fees and charges relative to the portion of energy from the Jaguara and Miranda Hydroelectric Power Plants sold in the ACL and the startup in commercial operations and test runs at 9 of the 11 wind farms of Phase I of the Campo Largo Wind Complex in 2018. This was partially attenuated by deactivation of operations at the William Arjona Thermoelectric Power Plant and no longer viable following an increase in the cost of gas.

✓ **Fuels for the generation of electricity:** growth of R$ 72.4 million (395.0%), largely due to the higher cost of coal consumption in 3Q18, this in turn driven by the increase of 82.8% in thermoelectric generation when comparing the third quarters for successive years, and by the limitations on reimbursement of costs under the coal subsidy through the Energy Development Account (CDE) as from 2018, subsequent to the issue of Aneel Resolution 801 of December 19, 2017.

✓ **Financial compensation for the use of water resources (Royalties):** an increase of R$ 1.3 million (4.1%) between comparable quarters, principally reflecting the booking in 3Q18 of liabilities with respect to the Jaguara and Miranda Hydroelectric Power Plants and an increase of 2.5% in the Adjusted Reference Tariff (TAR) in 2018. This effect was partially offset by lower net generation from the hydroelectric plants in 3Q18, despite a small increase in overall gross generation.

✓ **Personnel:** reduction of R$ 6.5 million (11.4%) in relation to the preceding quarter, mainly reflecting recognition in 3Q18 of PIS and Cofins tax credit clawbacks on certain payroll costs, in the amount of R$ 5.1 million.

✓ **Materials and third-party services:** decrease of R$ 22.3 million (38.0%) between the quarters analyzed. This variation is again essentially due to the recognition of R$ 16.6 million in 3Q18 of the PIS and Cofins tax credit clawback on the acquisition from third parties of certain materials and services and a reduction in costs due to the shutdown in operations at the William Arjona Thermoelectric Power Plant. These effects were partially attenuated by the booking of operational and maintenance costs for the Jaguara and Miranda Hydroelectric Power Plants in 3Q18.

✓ **Depreciation and amortization:** reduction of R$ 4.2 million (2.6%) between comparable quarters due above all to the combination of the following aspects: (i) the end to depreciation of major maintenance work on the Jorge Lacerda Thermal Power Complex in earlier periods; and (ii) the disposal of the Beberibe and Pedra do Sal Wind Farms and the Areia Branca Small Hydroelectric Power Plant in October 2017. This decrease is partially offset by the recognition of an intangible asset arising from the acquisition of the Jaguara and Miranda Hydroelectric Power Plants in 3Q18.

✓ **Net reversal of operational provisions:** a positive impact of R$ 6.2 million (147.5%) between comparable quarters basically in the light of the reversal of operational provisions in 3Q18 and 3Q17.

**Details of Short-Term Operations – Especially Transactions in CCEE**

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.

**On a 3Q18 x 3Q17 comparative basis, net results** (the difference between revenues and costs – deducting taxes on revenues and costs) due to short-term transactions, particularly those transactions conducted across the CCEE, **reported a positive impact on results of R$ 188.2 million**, representing an improvement from an expense of R$ 108.4 million in 3Q17, to revenue of R$ 79.8 million in the current quarter under review.

This variation is largely due to the following: (i) negative impact from the increase in the Adjustment Factor of the MRE (GSF), the effects from the renegotiation of the hydrological risk already deducted; (ii) the enhanced volume of free energy for settlement through the CCEE by virtue of the strategy for allocating water resources combined with the active management of the portfolio; (iii) positive effect of greater thermal generation; (iv) recognition of recovery of costs resulting from the recalculation of the Generation Uptime Factor for the Santo Antônio HPP, pursuant to a court ruling; and (v) reduced MRE revenue.

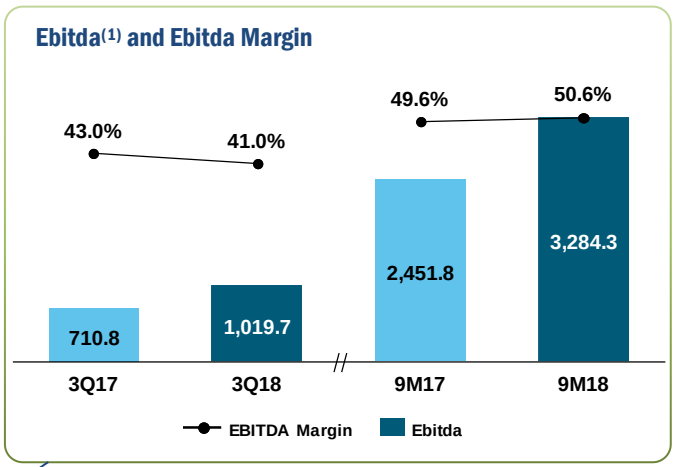
In December 2017, Aneel set maximum and minimum limits for the PLD for 2018 at R$ 505.18/MWh and R$ 40.16/MWh, respectively. On a quarterly comparison basis, the average PLD for the South and Southeast/Center-West submarkets increased by 13.3%, from R$ 436.20/MWh in 3Q17 to R$ 494.37/MWh in 3Q18.

### Selling, General and Administrative Expenses

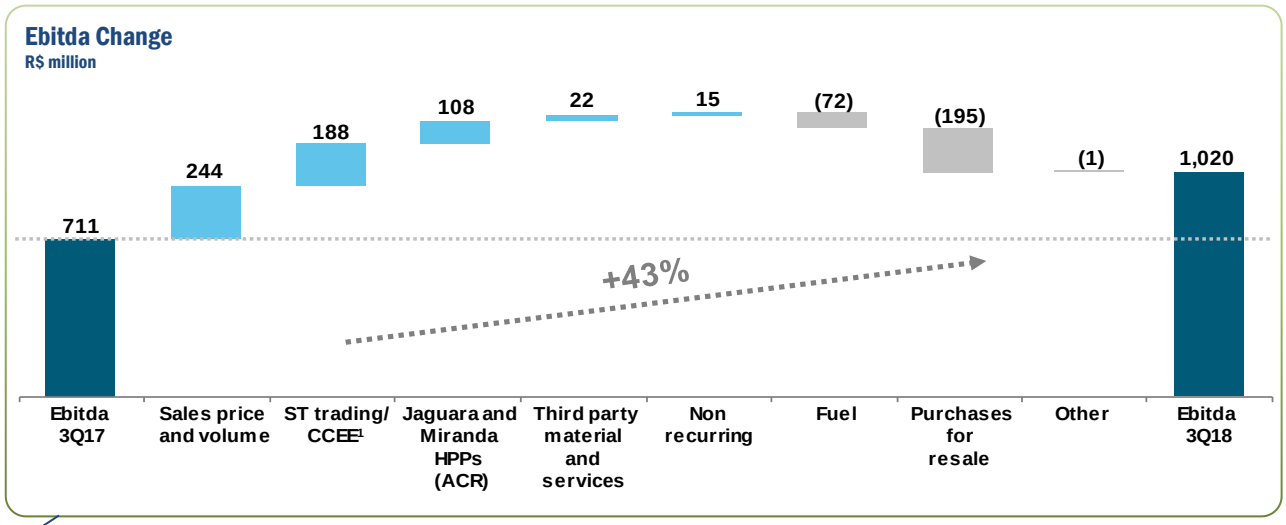
Selling, general and administrative expenses relative to the quarters under analysis increased R$ 2.8 million (6.5%), due for the most part to a reversal of a provision for civil contingencies in 3Q17 of R$ 16.0 million, partially compensated by recognition in 3T17 of an expense of R$ 4.1 million relative to a legal agreement relative to the unblocking of the maximum social security limit and the recovery of PIS and Cofins tax credits on certain expenses in 3Q18 for R$ 9.9 million. Excluding the effect of non-recurring items, selling, general and administrative expenses would have increased year-on-year by R$ 0.8 million (1.8%).

### Ebitda and Ebitda Margin

Set against the background of the effects already discussed, **Ebitda** in 3Q18 was R$ 1,019.7 million, that is **R$ 308.9 million (43.5%) above** the amount reported for 3Q17 of R$ 710.8 million. The 3Q18 Ebitda margin was 41.0%, a decrease of 2.0 p.p. in relation to the same period in 2017.



The above variations are a combination of the following factors: (i) the increase of R$ 243.7 million from a combination of price and energy volume sold through energy agreements; (ii) the increase of R$ 195.0 million in energy purchases for trading and making up the portfolio; (iii) the positive effect of R$ 188.2 million in transactions conducted in the short-term market – especially transactions on the CCEE; (iv) revenue of R$ 108.1 million from the Jaguara and Miranda Hydroelectric Power Plants, acquired in late 2017; (v) a growth of R$ 72.4 million in fuel costs; (vi) a decrease of R$ 22.3 million in the costs of materials and services from third parties; (vii) recognition of revenue of R$ 15.1 million with respect to the contractual fine for downtime at the plants in the Santa Mônica Wind Power Complex and the result of recourse to indemnification rights following interruption to operations due to incidents at the Passo Fundo and São Salvador Hydroelectric Power Plants; and (viii) an increase of R$ 1.1 million of other operational costs and expenses.




1 Considers the combined effect of changes in revenue and expenses.

The following table reconciles net income with Ebitda:

| (In millions of R$) | 3Q18 | 3Q17 | Chg. % | 9M18 | 9M17 | Chg. % |
|---|---|---|---|---|---|---|
| Net income | 475.4 | 358.0 | 32.8 | 1,553.8 | 1,299.9 | 19.5 |
| (+) Income tax and social contribution | 178.4 | 138.2 | 29.1 | 672.2 | 540.9 | 24.3 |
| (+) Net financial result | 195.3 | 50.5 | 286.7 | 538.0 | 128.9 | 317.4 |
| (+) Depreciation and amortization | 160.3 | 164.1 | -2.3 | 486.5 | 480.4 | 1.3 |
| **Ebitda** | **1,009.4** | **710.8** | **42.0** | **3,250.5** | **2,450.1** | **32.7** |
| (+) Impairment | 10.4 | 0.0 | - | 32.8 | 0.0 | - |
| (+) Equity loss | -0.1 | 0.0 | - | 1.0 | 1.7 | -41.2 |
| **Adjusted Ebitda** | **1,019.7** | **710.8** | **43.5** | **3,284.3** | **2,451.8** | **34.0** |

**Financial Result**

**Financial income:** in 3Q18, revenues reached R$ 46.2 million, that is, **R$ 7.6 million (19.7%) above** the R$ 38.6 million reported for the same quarter in 2017. This variation is largely due to: (i) the increase of R$ 14.4 million in interest on accounts receivable, mainly on outstandings held with the CCEE; (ii) the decrease of R$ 9.1 million in revenue from financial applications by virtue of the decline in interest rates and (iii) the increase of R$ 0.4 million in monetary restatement of court deposits held in escrow.

**Financial expenses:** financial expenses in 3Q18 were R$ 241.5 million, that is, **R$ 152.4 million (171.0%) above** those reported in 3Q17, which were R$ 89.1 million. The principal variations observed were: (i) an increase of R$ 72.2 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 loans recently agreed; (ii) elevation of R$ 70.0 million in interest and monetary restatement on concessions payable due to an increase in inflation in 3Q18; and (iii) recognition of R$ 8.2 million in 3Q18 of monetary restatement on other values payable.

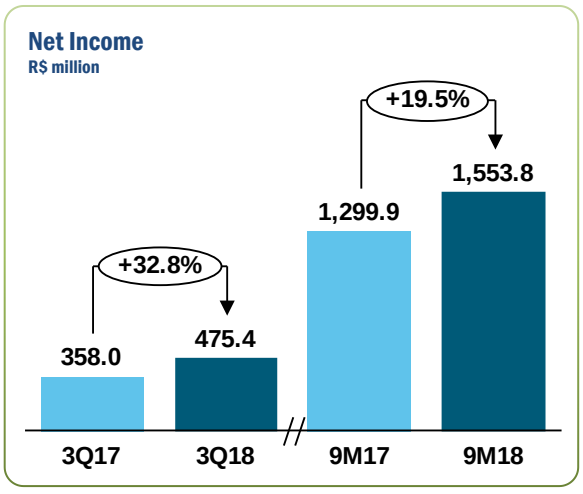
**Income Tax and Social Contribution on Net Income**

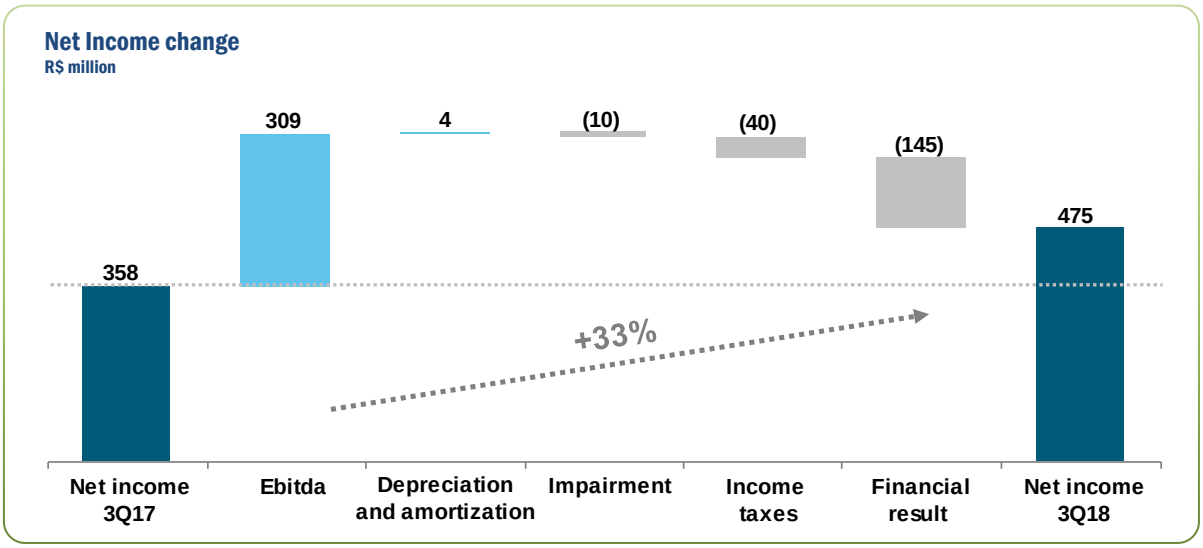
Income Tax and Social Contribution overheads in **3Q18 were R$ 178.4 million**, R$ 40.2 million (29.1%) higher than for the same quarter of 2017 of R$ 138.2 million, reflecting above all the increase of pretax net income. The effective rate of Income Tax and Social Contribution in 3Q18, was 27.3% against 27.9% in 3Q17. In 3Q18 and 3Q17, the Company enjoyed tax breaks from the Superintendência de Desenvolvimento da Amazônia (Sudam – Superintendence for the Development of the Amazon) for the Ponte de Pedra and São Salvador Hydroelectric Power Plants and from the Superintendência de Desenvolvimento do Nordeste (Sudene – Superintendence for the Development of the Northeast) for the Estreito Hydroelectric Power Plant, as well as subsidiaries operating under the presumed net income regime.

**Net Income**

**Net income** for 3Q18 was R$ 475.4 million, **R$ 117.4 million (32.8%) higher** than the R$ 358.0 million recorded in 3Q17.

The increase is a combination of the following factors: (i) growth of R$ 308.9 million in Ebitda; (ii) a negative effect of R$ 144.8 million in the financial result; (iii) a decrease of R$ 3.8 million in depreciation and amortization expenses; (iv) an increase of R$ 40.2 million in income tax and social contribution; (v) recognition of an asset impairment of R$ 10.4 million; and (vi) a positive equity income result of R$ 0.1 million.




Net Income change
R$ million
358
309
4
(10)
(40)
(145)
475
+33%
Net income 3Q17
Ebitda
Depreciation and amortization
Impairment
Income taxes
Financial result
Net income 3Q18

# ENGIE BRASIL ENERGIA S.A.

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

## NOTES TO THE QUARTERLY INFORMATION AS OF SEPTEMBER 30, 2018

**(In thousands of Reais or other currencies, unless otherwise indicated)**

## 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 electrical energy, regulated by the Brazilian Electricity Regulatory Agency (Aneel), which is linked to the Ministry of Mines and Energy (MME). In March 2018, the Company entered the electrical energy transmission sector, as described below in item "g".

The shares of the Company are listed in the Novo Mercado 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.

The ENGIE group is the largest private energy generator in Brazil's electric power industry, accounting for approximately 7.2%[1] [2] of the country's installed capacity. At 9.30.2018, its installed capacity, including its stakes in energy generation consortiums, is 7,826.6 MW. Out of this total, 81.7% comes from hydroelectric power plants, 10.9% from thermoelectric power plants and 7.4% from complementary energy (wind farms, solar, biomass and Small Hydroelectric Power Plants – SHPP). Physical guarantee for sale averaged was 4,345.5 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.

The Company's generation facilities in operation consist of 35 plants, of which 11 hydroelectric power plants (HPP), six thermoelectric power plants (TPP), of which three coal and three biomass, 14 wind farms, two photovoltaic solar power plants and two small hydroelectric power plants.

The main corporate and operational events occurred in the first nine-month period of 2018 are summarized as follows:

[1] Information based on data verified on reference date 12.31.2017.

[2] The non-financial information contained in this Quarterly Information, such as MW, average MW, installed capacity and others, is not reviewed by the independent auditors.

**a) Normative Resolution no. 801/2017 Aneel**

On 12.19.2017, Aneel issued Normative Resolution no. 801/2017, in effect from 1.1.2018, which established new rules for planning, formation, processing and management of the Fuel Consumption Account (CCC) and 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. The amount will be paid in 5 years and is recognized in other current and non-current liabilities. Balances payable on 9.30.2018 totaled R$888 and R$149,880.

**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 interim dividends related to the 1st half of 2017**

On 1.10.2018, the Company paid interim dividends for the first half of 2017 in the amount of R$938,918, corresponding to R$1.4384206188 per share.

**d) New financing operations**

On 4.9.2018 and 4.13.2018, the Company entered into new financing operations from the Brazilian Development Bank (BNDES) for the construction of the Campo Largo Wind Power Complex – Phase I and Pampa Sul TPP, in the amounts of R$1,039,100 and R$728,950, respectively, of which, up to 9.30.2018, R$710,264 and R$340,904 have already been released, net of funding costs. For more information on transactions, see "Note 12 – Loans and Financing."

**e) 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 were transferred to non-current assets held for sale.

**f) 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.

**g) 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 the Transmission Auction 02/2017.

The term of the concession of the public transmission service, 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.

**h) Payment of interest on equity for the fiscal year ended December 31, 2017**

Interest on equity for fiscal year 2017 was paid on 3.27.2018. The gross amount credited was R$424,500, corresponding to R$0.6503333249 per share.

**i) New loans**

On 4.5.2018 and 4.17.2018, the Company took loans from financial institutions abroad in the amount of US$200,000, equivalent to R$681,030 and, at the same time, contracted hedge operations with the Brazilian subsidiary of the same financial institution that granted the loan, in order to hedge all future cash flows.

**j) Possible divestment of coal energy generation assets**

On 4.12.2018, the Company informed its shareholders and the market that negotiations with CountourGlobal for the divestment of CTJL and Pampa Sul Thermal Power Complex, did not progress satisfactorily. The Company is evaluating alternatives for continuing the process to decarbonize its portfolio.

**k) 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 13 – Debentures and promissory notes."

**l) Payment of additional dividends for fiscal year 2017**

On 6.28.2018, the Company paid additional dividends for fiscal year 2017 in the amount of R$636,756, corresponding to R$0.9755096548 per share.

**m) Issue of debentures of ENGIE Brasil Energia**

On 7.30.2018, the Company announced the end of the public distribution of 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. Financial settlement of the issue was on 7.25.2018. For more information, see "Note 13 – Debentures and promissory notes".

### n) Interim Dividends

At the meeting held on 8.8.2018, the Board of Directors approved the distribution of interim dividends based on the financial statements as of 6.30.2018, in the amount of R$1,146,037, corresponding to R$1.7557267392 per share, equivalent to 100% of the adjusted net income from the first half of 2018. The date of payment will be defined later by the Executive Board and informed through a Notice to Shareholders.

### o) Acquisition of remaining interest in ENGIE Geração Solar Distribuída S.A. ("ENGIE Solar")

On 8.10.2018, the Company announced to its shareholders and the market that, after complying with conditions precedent, it concluded the acquisition of the remaining shares of ENGIE Solar for R$ 35,161. For more information on the transaction, see "Note 7 – Investments".

### p) Operational startup of wind farms at Campo Largo – Phase I Wind Power Complex

In 3rd quarter of 2018, Aneel authorized the operational startup of five of the 11 wind farms pertaining to the Campo Largo – Phase I Wind Power Complex located in the cities of Umburanas and Sento Sé (BA). The Company estimates that by the 1st quarter of 2019, all the wind farms in the Complex will be operational. The main characteristics of the wind farms already operational are:

| Company | Commercial startup: | Installed capacity (MW) | Physical Guarantee (Average MW) | Energy sold in auction (Average MW) |
|---|---|---|---|---|
| CLWP VII | 7.4.2018 | 29.7 | 16.3 | 14.1 |
| CLWP III | 8.22.2018 | 29.7 | 14.6 | 13.8 |
| CLWP IV | 8.22.2018 | 29.7 | 15.5 | 13.4 |
| CLWP I | 9.20.2018 | 29.7 | 15.3 | (*) |
| CLWP XVI | 9.28.2018 | 29.7 | 15.4 | (*) |

(*) Energy allocated to sale in the Free Contracting Environment (ACL).

In 2014, part of the physical guarantee of the Campo Largo Wind Complex – Phase I was sold in an auction conducted by Aneel, for a period of 20 years starting 1.1.2019.

## NOTE 2 – PRESENTATION OF QUARTERLY FINANCIAL INFORMATION

### a) Preparation basis

The parent company quarterly information (ITR) was prepared in compliance with Accounting Pronouncement CPC 21 – Interim Statements and with the consolidated ITR presented simultaneously, in accordance with the international standard IAS 34 – Interim Financial Reporting and with CPC 21.

The Brazilian accounting standards are convergent with the international standards – International Financial Reporting Standards (IFRS) -, except for the recording, in the parent company's balance sheet, of the controlling interest in the joint venture in Itá Energética S.A. ("Itasa") which, under Brazilian rules, is recognized by the equity method, while according to IFRS, by the rules applicable to joint ventures, it is stipulated that assets, liabilities and profit or loss be recognized in proportion to its share in the joint venture.

There is no difference between shareholders' equity and parent company and consolidated results included, respectively, in the individual and consolidated ITR. There are also no differences between net earnings per share – basic and diluted – due to the fact that no shares with diluting effects were issued in the presentation periods.

The ITR was also prepared in accordance with the rules established by the Securities and Exchange Commission of Brazil (CVM), using amortized historical cost as base value, excluding fair value assessment of certain financial instruments, when required by the rules.

In the ITR elaboration it is necessary that the Company´s management rely on estimates when recording certain transactions that affect its assets and liabilities, revenues and expenses.

The content and values of certain explanatory notes presented in the financial statements for the year ended on 12.31.2017, which did not require significant updates, have not been repeated in the notes selected for the quarterly information of 9.30.2018. Therefore, these financial statements should be read together with the financial statements for the year ended on 12.31.2017.

The accounting practices and calculation methods adopted in the preparation of the ITR of 9.30.2018, as well as the main judgments and uncertainties in the estimates used in applying accounting practices are the same as those used in the preparation of the financial statements for the year ended on 12.31.2017.

**a) Pronouncements applicable to the Company starting from 1.1.2018**

**a.1) CPC 47 – Revenues from contracts with customers (IFRS 15)**

CPC 47 introduces a comprehensive framework to determine if and when a revenue is recognized and for how long it should be measured, and replaces the standards for revenue recognition, including CPC 30 – Revenues (IAS 18), CPC 17 – Construction contracts (IAS 11) and CPC 30 Interpretation A – Customer loyalty programs (IFRIC 13).

The adoption of said standard had no effect on the individual and consolidated financial statements for 2017 and ITR of 9.30.2018.

**a.2) CPC 48 – Financial instruments (IFRS 9)**

CPC 48 replaces CPC 38 – Financial instruments: recognition and measurement (IAS 39) and establishes new requirements for classification, measurement, impairment, hedge accounting and recognition of financial assets and liabilities.

**- Classification – Financial Assets**

The standard in effect introduces a new approach to the classification and measurement of financial assets, which reflects the business model in which the assets are managed and their cash flow characteristics.

CPC 48 contains three main categories for classification of financial assets: measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. The standard eliminates the categories existing under CPC 38. As demonstrated in Note 11 – Risk Management and Financial Instruments, as of 1.1.2018, the Company started to present its financial assets according to the aforementioned categories.

**- Impairment – 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's Management significant judgment of how changes in economic factors impact expected loan losses, which will be determined based on weighted probabilities.

The new model of expected losses applies to financial assets measured at amortized cost and at fair value through other comprehensive income, namely:

(i) Cash, bank deposits and restricted deposits: held with top-tier financial institutions. Based on external credit score assessments of the counterparties, the Company considers these assets to have low credit risk.

(ii) Trade accounts receivable and other receivables: the Company calculated estimated losses based on its actual loan loss experience in recent years. When calculating expected losses, the Company used a matrix, from the segregation of clients based on common characteristics. Note that the Company does not have a history of losses.

(iii) Concession financial asset: this asset corresponds to the present value of future cash flows that will be calculated for the recovery of bonus paid for the concessions of Jaguara and Miranda HEPs, which have unconditional guarantee of receipt and no significant market risks.

The adoption of CPC 48 did not impact the impairment of financial assets of the Company.

**- Classification – Financial liabilities**

CPC 48 retains most of the requirements of CPC 38 for the classification of financial liabilities, except the treatment of the fair value of liabilities designated as measured at fair value through profit or loss.

**- Hedge accounting**

CPC 48 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. In applying CPC 48, the Company opted to continue to apply the CPC 38 requirements for hedge accounting, as permitted by the standard. Thus, the adoption of said standard did not have change impact on hedge accounting of the Company contracted on 12.31.2017.

**b) EmpresasNet System**

It is worth noting that the table "Statement of Changes in Shareholders' Equity" of CVM's EmpresasNet System, the Adjustment to fair value of property, plant and equipment mentioned in "Other Comprehensive Income", is presented in the column as such, since there is no more appropriate option in the standard CVM statement for the presentation of said transactions.

**c) Approval of the ITR**

The ITR as herein presented has been approved by the Board of Directors in a meeting held on 10.31.2018.

## NOTE 3 – CASH AND CASH EQUIVALENTS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| **Cash and bank deposits** | **1,103** | **2,331** | **52,635** | **21,809** |
| **Marketable securities:** | | | | |
| Exclusive investment fund | | | | |
| Repurchase transactions backed by federal bonds | 799,935 | 1,302,541 | 2,378,877 | 1,899,491 |
| Other marketable securities | 88 | 143 | 11,054 | 8,770 |
| | **800,023** | **1,302,684** | **2,389,931** | **1,908,261** |
| | **801,126** | **1,305,015** | **2,442,566** | **1,930,070** |

## NOTE 4 – TRADE ACCOUNTS RECEIVABLE

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| Distributors | 253,878 | 248,206 | 320,596 | 309,080 |
| Traders | 172,288 | 182,214 | 113,775 | 78,148 |
| Transactions within the CCEE[3] | 67,471 | 241,676 | 319,883 | 304,216 |
| Free Consumers | 29,725 | 23,969 | 366,761 | 373,494 |
| Other | - | - | 31,328 | - |
| Estimated losses with doubtful accounts | (6,180) | (6,180) | (6,197) | (6,469) |
| | **517,182** | **689,885** | **1,146,146** | **1,058,469** |

The average term for receiving amounts relative to electrical energy sale invoices is approximately 30 days, as from the first day of month subsequent to the sale, while amounts billed monthly to the CCEE are received in approximately 45 days.

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| Overdue up to 30 days | 1,285 | 503 | 3,394 | 3,442 |
| Overdue more than 30 days | 6,928 | 6,920 | 10,403 | 7,626 |
| | **8,213** | **7,423** | **13,797** | **11,068** |

## NOTE 5 – RESTRICTED DEPOSITS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| Financing guarantees | 9,816 | 9,095 | 270,796 | 225,516 |
| Reinvestment deposits | 3,241 | 3,241 | 3,241 | 3,241 |
| CCEE debt position guarantees | 30 | 7,510 | 3,756 | 11,088 |
| Other | - | 451 | 6,221 | 7,067 |
| | **13,087** | **20,297** | **284,014** | **246,912** |
| **Classification in the balance sheet** | | | | |
| Current assets | 3,271 | 10,751 | 7,707 | 15,423 |
| Non-current assets | 9,816 | 9,546 | 276,307 | 231,489 |
| | **13,087** | **20,297** | **284,014** | **246,912** |

[3] Electric Energy Commercialization Chamber

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

## NOTE 6 – CONCESSION FINANCIAL ASSET

On 9.27.2017, Aneel conducted the Auction of non-Extended Concessions, in which the Company was awarded two lots, corresponding to the concessions of the Jaguara and Miranda Hydroelectric Power Plants.

The installed capacity of the Plants is allocated at the proportion of 70% to the ACR, in the Physical Guarantee Quota System, and 30% to the Free Contracting Environment (ACL). The portion allocated to the ACR is guaranteed by the Government and has no significant demand, market or hydrological risk.

The bonus grant for 30 years of the Jaguara HPP and Miranda HPP was R$2,171,000 and R$ 1,360,000, respectively. Payment was made in a single installment on 11.30.2017.

The Company calculated the present value of future cash flows of energy to be settled in the ACR, based on the discount rate before taxes, which best represents the expected return on this portion of investments. The amount represents an unconditional right to receive cash during the concession period and, therefore, it was classified as financial asset.

### a) Changes

| | Consolidated | | |
|---|---|---|---|
| | Jaguara HPP | Miranda HPP | Total |
| **Balance at 12.31.2017** | **1,580,397** | **966,970** | **2,547,367** |
| Received | (140,762) | (86,127) | (226,889) |
| Interest | 115,627 | 70,749 | 186,376 |
| Monetary variation | 51,967 | 31,784 | 83,751 |
| **Balance at 9.30.2018** | **1,607,229** | **983,376** | **2,590,605** |
| **Classification in balance sheet** | | | |
| Current assets | 170,354 | 104,230 | 274,584 |
| Noncurrent assets | 1,436,875 | 879,146 | 2,316,021 |
| | **1,607,229** | **983,376** | **2,590,605** |

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

| | Consolidated | | |
|---|---|---|---|
| | Jaguara HPP | Miranda HPP | Total |
| October to December 2019 | 37,832 | 23,147 | 60,979 |
| 2020 | 142,182 | 86,992 | 229,174 |
| 2021 | 128,621 | 78,696 | 207,317 |
| 2022 | 116,357 | 71,192 | 187,549 |
| 2023 | 105,262 | 64,403 | 169,665 |
| 2024 to 2028 | 393,453 | 240,733 | 634,186 |
| 2029 to 2047 | 513,168 | 313,983 | 827,151 |
| | **1,436,875** | **879,146** | **2,316,021** |

## NOTE 7 – INVESTMENTS

### a) Breakdown

| | Parent Company | |
|---|---|---|
| | 9.30.2018 | 12.31.2017 |
| Interest on subsidiaries: | | |
| Measured at the equity method | | |
| Equity in earnings of subsidiaries | 10,058,342 | 7,445,053 |
| Surplus value in the acquisition of investments | 65,420 | 68,016 |
| Goodwill on expected future profitability | 39,731 | 10,684 |
| | **10,163,493** | **7,523,753** |

On 8.10.2018, the Company concluded the acquisition of control of ENGIE Solar. The acquisition of the subsidiary occurred in three 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".

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.

### b) Changes in investments evaluated through the equity method

| | Balance at 12.31.2017 | Capital increase | Transfer of Control | Equity in earnings of subsidiaries | Dividends | Other comprehensive income | Balance at 9.30.2018 |
|---|---|---|---|---|---|---|---|
| ECP | **2,572,787** | 1,067,039 | - | 198,295 | (56,400) | - | **3,781,721** |
| Pampa Sul[4] | **1,762,593** | 477,847 | - | 84,846 | - | 10,499 | **2,335,785** |
| CEE[5] | **1,066,881** | - | - | 131,582 | (136,296) | - | **1,062,167** |
| Jaguara | **869,064** | 90 | - | 109,691 | (16,251) | - | **962,594** |
| Miranda | **591,393** | 90 | - | 81,542 | (9,730) | - | **663,295** |
| EBC | **280,613** | - | - | 182,752 | (105,000) | - | **358,365** |
| Itasa | **247,371** | - | - | 7,381 | (14,011) | - | **240,741** |
| Lages[6] | **38,302** | - | - | 13,993 | (12,000) | - | **40,295** |
| ENGIE Solar | **7,156** | 6,739 | - | (1,789) | - | 9 | **12,115** |
| ECV[7] | **5,302** | - | - | 5,491 | - | - | **10,793** |
| Diamante | **1** | 562,431 | - | 54,449 | (30,000) | - | **586,881** |
| Others | **3,590** | 1 | (1) | - | - | - | **3,590** |
| | **7,445,053** | **2,114,237** | **(1)** | **868,233** | **(379,688)** | **10,508** | **10,058,342** |

[4] Pampa Sul S.A. Thermal Power Plant
[5] Companhia Energética Estreito.
[6] Lages Bioenergética Ltda.
[7] ENGIE Comercializadora Varejista de Energia Ltda.

The proceeds from the capital increase at the subsidiaries ECP and Pampa Sul in the first nine months of 2018 were mainly allocated to the construction of the Campo Largo – Phase I and Umburanas Wind Power Complexes, and the Pampa Sul TPP. In January 2018, the Company substantially increased the capital of Diamante by paying up the property, plant and equipment and inventories related to CTJL.

### b.1) Information on the main subsidiaries

| | ECP | Pampa Sul | CEE | Jaguara | Miranda | EBC | Itasa | Lages | Diamante |
|---|---|---|---|---|---|---|---|---|---|
| **Interest (%)** | **99.99** | **99.99** | **99.99** | **99.99** | **99.99** | **99.99** | **48.75** | **99.99** | **99.99** |
| **12.31.2017** | | | | | | | | | |
| Assets | 3,216,427 | 1,695,329 | 2,357,189 | 2,201,594 | 1,378,898 | 649,007 | 547,936 | 40,867 | - |
| Adjusted shareholders' equity | 2,576,918 | 1,762,593 | 1,066,881 | 869,064 | 591,393 | 280,613 | 507,428 | 38,302 | - |
| **9.30.2018** | | | | | | | | | |
| Assets | 5,222,890 | 2,526,365 | 2,268,026 | 2,467,816 | 1,556,698 | 799,381 | 530,737 | 43,900 | 868,800 |
| Adjusted shareholders' equity | 3,785,930 | 2,335,785 | 1,062,167 | 962,594 | 663,295 | 358,365 | 493,828 | 40,295 | 586,881 |
| **3Q18** | | | | | | | | | |
| Net Revenue | 171,585 | - | 166,976 | 119,322 | 60,025 | 1,425,227 | 39,926 | 14,669 | 203,873 |
| Adjusted Net Income | 108,931 | 31,165 | 84,970 | 29,178 | 21,665 | 143,279 | 3,040 | 7,648 | 13,316 |
| **First 9 months of 2018** | | | | | | | | | |
| Net Revenue | 354,145 | - | 404,877 | 328,837 | 222,493 | 3,392,558 | 123,733 | 35,172 | 462,775 |
| Adjusted Net Income | 199,060 | 84,846 | 131,582 | 109,691 | 81,542 | 182,752 | 15,141 | 13,993 | 54,449 |

### Capitalized interests

ENGIE Brasil Energia took out loans and issued 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 ECP and Pampa Sul TPP, Pampa Sul's project. Interest on this debt was capitalized as construction assets in the consolidated financial statements and recognized using the equity method in the parent company's financial statements.

Total interest capitalized in the direct subsidiaries ECP and Pampa Sul through 9.30.2018 was R$130,319 and R$195,820, respectively. In the third quarter of 2018, capitalized interest in the same subsidiaries amounted to R$19,978 and R$31,825 (R$46,556 and R$85,722 in the nine-month period), respectively. In the table above, "Adjusted shareholders' equity" and "Adjusted net income" include the items described above.

# NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

## a) Breakdown

| | | Parent Company | | | |
|---|---|---|---|---|---|
| | | 9.30.2018 | | | 12.31.2017 |
| | Average rate of depreciation | Adjusted cost | Accumulated depreciation | Net amount | Net amount |
| **In service** | | | | | |
| Reservoirs, dams and ducts | 3.0% | 5,117,024 | (3,153,437) | 1,963,587 | 2,064,751 |
| Buildings and improvements | 2.9% | 1,287,835 | (797,507) | 490,328 | 528,676 |
| Machinery and equipment | 4.7% | 4,149,328 | (2,330,511) | 1,818,817 | 2,271,284 |
| Furniture and fixtures | 6.3% | 6,864 | (4,185) | 2,679 | 3,886 |
| Vehicles | 14.3% | 1,904 | (1,467) | 437 | 773 |
| Special obligations | | (46,176) | - | (46,176) | (47,837) |
| | | **10,516,779** | **(6,287,107)** | **4,229,672** | **4,821,533** |
| **In progress** | | | | | |
| Reservoirs, dams and ducts | | 788 | - | 788 | 4,151 |
| Buildings and improvements | | 3,428 | - | 3,428 | 10,099 |
| Machinery and equipment | | 86,128 | - | 86,128 | 188,972 |
| Advances to suppliers | | 24,506 | - | 24,506 | 13,129 |
| Acquisitions to be apportioned | | 7,714 | - | 7,714 | 5,919 |
| | | **122,564** | **-** | **122,564** | **222,270** |
| | | **10,639,343** | **(6,287,107)** | **4,352,236** | **5,043,803** |

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | 9.30.2018 | | | 12.31.2017 |
| | Average rate of depreciation | Adjusted cost | Accumulated depreciation | Net amount | Net amount |
| **In service** | | | | | |
| Reservoirs, dams and ducts | 3.3% | 7,104,547 | (3,727,416) | 3,377,131 | 3,530,574 |
| Buildings and improvements | 3.1% | 1,839,019 | (1,098,292) | 740,727 | 731,454 |
| Machinery and equipment | 4.7% | 10,111,076 | (5,127,970) | 4,983,106 | 4,380,402 |
| Furniture and fixtures | 6.3% | 10,543 | (6,138) | 4,405 | 4,344 |
| Vehicles | 14.3% | 5,184 | (3,719) | 1,465 | 1,171 |
| Special obligations | | (46,523) | - | (46,523) | (47,962) |
| | | **19,023,846** | **(9,963,535)** | **9,060,311** | **8,599,983** |
| **In progress** | | | | | |
| Reservoirs, dams and ducts | | 118,699 | - | 118,699 | 113,713 |
| Buildings and improvements | | 416,549 | - | 416,549 | 314,503 |
| Machinery and equipment | | 1,911,005 | - | 1,911,005 | 1,291,572 |
| Advances to suppliers | | 1,508,886 | - | 1,508,886 | 826,630 |
| Acquisitions to be apportioned | | 749,435 | - | 749,435 | 531,707 |
| | | **4,704,574** | **-** | **4,704,574** | **3,078,125** |
| | | **23,728,420** | **(9,963,535)** | **13,764,885** | **11,678,108** |

## b) Changes

| | Parent Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reservoirs, dams and ducts | Buildings and improvements | Machinery and equipment | Other | Construction in progress | Special obligations | Total |
| **Balance at 12.31.2017** | **2,064,751** | **528,676** | **2,271,284** | **4,659** | **222,270** | **(47,837)** | **5,043,803** |
| Additions | - | - | - | - | 52,541 | - | 52,541 |
| Capital contribution with assets | (2,055) | (13,599) | (351,415) | (2,557) | (125,043) | 228 | (494,441) |
| Assets held for sale | - | - | (32,769) | (716) | (4,126) | - | (37,611) |
| Transfers | 2,649 | (5,316) | 22,242 | 2,070 | (23,078) | 1,433 | - |
| Write-offs | (275) | (382) | (48) | (9) | - | - | (714) |
| Depreciation | (101,483) | (19,051) | (90,477) | (331) | - | - | (211,342) |
| **Balance at 9.30.2018** | **1,963,587** | **490,328** | **1,818,817** | **3,116** | **122,564** | **(46,176)** | **4,352,236** |

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reservoirs, dams and ducts | Buildings and improvements | Machinery and equipment | Other | Construction in progress | Special obligations | Total |
| **Balance at 12.31.2017** | **3,530,574** | **731,454** | **4,380,402** | **5,515** | **3,078,125** | **(47,962)** | **11,678,108** |
| Additions | - | - | - | - | 2,362,491 | - | 2,362,491 |
| Capitalized interest and monetary variation | - | - | - | - | 212,082 | - | 212,082 |
| Assets held for sale | - | - | (32,769) | (716) | (4,126) | - | (37,611) |
| Transfer | 5,360 | 39,331 | 896,132 | 1,736 | (943,998) | 1,439 | - |
| Write-offs | (275) | (382) | (64) | (10) | - | - | (731) |
| Depreciation | (158,528) | (29,676) | (260,595) | (655) | - | - | (449,454) |
| **Balance at 9.30.2018** | **3,377,131** | **740,727** | **4,983,106** | **5,870** | **4,704,574** | **(46,523)** | **13,764,885** |

### 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 CTJL. The transfer of power plants from CTJL to Diamante was approved by Aneel in February 2018.

## NOTE 9 – INTANGIBLE ASSETS

| | | Parent Company | | | |
|---|---|---|---|---|---|
| | | 9.30.2018 | | | 12.31.2017 |
| | Amortization period | Adjusted cost | Accumulated amortization | Total | Total |
| Right to use | Until 2034 | 79,866 | (48,078) | **31,788** | **30,823** |

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | 9.30.2018 | | | 12.31.2017 |
| | Amortization period | Adjusted cost | Accumulated amortization | Total | Total |
| Grant bonus – Jaguara | Until 2047 | 620,327 | (18,909) | 601,418 | 616,792 |
| Grant bonus – Miranda | Until 2047 | 411,223 | (12,535) | 398,688 | 408,896 |
| Right to use assets | Until 2037 | 106,786 | (51,618) | 55,168 | 52,910 |
| Energy purchase right | Until 2023 | 64,561 | (34,589) | 29,972 | 34,455 |
| Rights over wind farm projects in operation | Until 2045 | 29,930 | (3,208) | 26,722 | 16,761 |
| Rights over Solar Project Assú | Until 2051 | 15,194 | (354) | 14,840 | 15,194 |
| Goodwill on future expected profitability of ENGIE Solar | - | 40,828 | - | 40,828 | - |
| Rights over wind farm projects under construction/development | - | 153,246 | - | 153,246 | 163,943 |
| | | **1,442,095** | **(121,213)** | **1,320,882** | **1,308,951** |

As mentioned in Note 7 – 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.

## NOTE 10 – SUPPLIERS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| Fossil fuels and biomass | - | 207,315 | 65,105 | 208,220 |
| Electrical energy purchased | 264,372 | 101,237 | 207,804 | 224,593 |
| Charges for the use of the power grid | 30,701 | 34,632 | 48,493 | 42,228 |
| Suppliers of materials and services | 29,574 | 51,985 | 94,761 | 64,838 |
| Property, plant and equipment suppliers | 3,603 | 13,603 | 177,794 | 77,245 |
| Transactions in the spot market | - | - | - | 272 |
| | **328,250** | **408,772** | **593,957** | **617,396** |

## NOTE 11 – 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.

In 2018, there were no changes in risks the Company and its subsidiaries are exposed to or in the management and measurement of these risks, when compared to those reported in Note 20 – Risk Management and Financial Instruments of the financial statements for 12.31.2017.

### a) Liabilities denominated in foreign currency

At 9.30.2018, the Company and its subsidiaries held no financial obligation denominated in foreign currencies whose exchange variation was not fully hedged against.

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

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| **Long position** | | | | |
| Fair value hedge on loans | 348,088 | 18,207 | 348,088 | 18,207 |
| Cash flow hedge on liabilities | - | - | 9,436 | - |
| **Short position**[8] | | | | |
| Fair value hedge on loans | (14,887) | - | (14,887) | - |
| Cash flow hedge on liabilities | - | - | - | (1,944) |
| **Net position** | **333,201** | **18,207** | **342,637** | **16,263** |

### a.1) Fair value hedge operations on loans

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

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 loan object of the hedge operation and the hedge instrument itself (swap) were measured at fair value through profit or loss, thus fully protecting the Company from the financial effects, as well as impacts from exchange variation in its results.

| | Parent Company and Consolidated | | |
|---|---|---|---|
| | Current | Non-current | Total |
| **Assets at 12.31.2017** | **3,933** | **14,274** | **18,207** |
| Interest | (52,351) | - | (52,351) |
| Exchange variation | 2,140 | 398,110 | 400,250 |
| Fair value adjustment | - | (54,878) | (54,878) |
| Transfer | 13,208 | (13,208) | - |
| Interest amortization | 21,973 | - | 21,973 |
| **Net (liabilities) assets at 9.30.2018** | **(11,097)** | **344,298** | **333,201** |

### a.2) Cash flow hedge operations

As at 9.30.2018, the Company maintains a Non-Deliverable Forward (NDF) operation to hedge all of its future foreign-denominated payments arising from contractual commitments related to the construction of the coal-fired Pampa Sul TPP.

The notional value of these NDF operations at 9.30.2018 is US$43,349, of which is contracted from Citibank and Itaú, and mature up to January 2019.

The corresponding entry of unrealized gains (losses) was recognized directly in shareholders' equity under "Other comprehensive income", net of deferred income tax and social contribution, totaling R$6,228. In addition, an amount of R$4,178 is recognized under "Other comprehensive income", relating to the gains realized from NDF contracted again due to the revision of the

[8] Presented as part of the items "Other current liabilities" and "Other non-current liabilities."

supplier payment flows. Unrealized gains, net of impacts of deferred income tax and social contribution, incurred in the first nine months of 2018, were R$7,511, while unrealized losses were recognized in the third quarter of 2018 totaling R$2,411. These amounts are recorded in the "Statement of comprehensive income".

**b) Sensitivity analysis of the exposure to risks related to interest rates and floating rates and foreign currency variation**

In compliance with CVM Instruction no. 475/2008 and for reference purposes, the Company prepared a sensitivity analysis on its loans and financing, debentures, promissory notes, concessions payable and concession financial assets exposed to interest rate variation risks and floating rate risks.

The probable basic scenario for 9.30.2018 was defined using the following assumptions available in the market (source: Central Bank of Brazil Market Readout on the last business day of the month):

| Variation of interest rates and indices | Change 12 months 9.30.2018 | Probable Scenario 9.30.2019 | Sensitivity | | |
|---|---|---|---|---|---|
| | | | Probable | Δ + 25% (*) | Δ + 50% (*) |
| **Risk of increase in interest rate and indices** | | | | | |
| TJLP[9] | 6.7% | 6.6% | -0.2 p.p. | 1.6 p.p. | 3.3 p.p. |
| CDI[10] | 6.7% | 6.5% | -0.2 p.p. | 1.7 p.p. | 3.4 p.p. |
| IPCA | 4.5% | 4.0% | -0.5 p.p. | 1.0 p.p. | 2.0 p.p. |
| IGP-M[11] | 10.0% | 4.5% | -5.5 p.p. | 1.1 p.p. | 2.3 p.p. |
| **Risk of decrease in interest rate and indices** | | | | | |
| IPCA | 4.5% | 4.0% | -0.5 p.p. | -1.0 p.p. | -2.0 p.p. |

(*) Variations in probable scenario for 2019.

The probable sensitivity was calculated based on the variation of indices in the last twelve months recorded on 9.30.2018 and those expected for the next 12 months ending on 9.30.2019, and show the probable additional effects on the Company's consolidated results. Variations that could affect the consolidated result, and, consequently, shareholders' equity, in the next 12 months compared to the last 12 months if the scenarios materialize are the following:

[9] Long-term Interest Rate (TJLP).
[10] Interbank Deposit Certificate.
[11] General Market Price Index.

| | Balance at 9.30.2018 | Sensitivity | | |
|---|---|---|---|---|
| | | Probable | Δ + 25% | Δ + 50% |
| **Risk of increase (liability)** | | | | |
| **Loans and financing** | | | | |
| TJLP | 2,947,255 | 4,837 | (47,665) | (96,002) |
| CDI (Loans with swap to CDI) | 1,932,931 | 3,922 | (27,493) | (55,187) |
| IPCA (Loan with swap to IPCA) | 780,134 | 3,568 | (6,934) | (13,867) |
| IPCA | 117,792 | 525 | (1,021) | (2,041) |
| | | **12,852** | **(83,113)** | **(167,097)** |
| **Debentures** | | | | |
| IPCA | 2,619,262 | 14,116 | (27,433) | (54,864) |
| CDI | 777,598 | 1,862 | (13,052) | (26,188) |
| | | **15,978** | **(40,485)** | **(81,052)** |
| **Promissory notes** | | | | |
| CDI | 438,700 | 145 | (1,017) | (2,037) |
| **Concessions payable** | | | | |
| IGP-M | 2,196,027 | 126,600 | (25,708) | (51,415) |
| IPCA | 600,309 | 1,853 | (5,932) | (11,864) |
| | | **128,453** | **(31,640)** | **(63,279)** |
| **Risk of decrease (asset)** | | | | |
| **Concession financial asset** | | | | |
| IPCA | 2,590,605 | (2,710) | (10,758) | (21,516) |
| **Total** | | **154,718** | **(167,013)** | **(334,981)** |

## c) Category and fair value of financial instruments

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| **Financial assets** | | | | |
| **Fair value through profit or loss** | | | | |
| Marketable securities | 800,023 | 1,302,684 | 2,389,931 | 1,908,261 |
| Fair value hedge on loans | 348,088 | 18,207 | 348,088 | 18,207 |
| **Amortized cost** | | | | |
| Cash and bank deposits | 1,103 | 2,331 | 52,635 | 21,809 |
| Trade accounts receivable | 517,182 | 689,885 | 1,146,146 | 1,058,469 |
| Dividends receivable from subsidiaries | 34,599 | 30,550 | - | - |
| Restricted deposits | 13,087 | 20,297 | 284,014 | 246,912 |
| Fuel reimbursable[12] | - | 44,089 | 44,690 | 44,089 |
| Concession financial asset | - | - | 2,590,605 | 2,547,36 |
| **Fair value through other comprehensive income** | | | | |
| Cash flow hedge on liabilities | - | - | 9,436 | - |
| | **1,714,082** | **2,108,043** | **6,865,545** | **5,845,114** |
| **Financial liabilities** | | | | |
| **Fair value through profit or loss** | | | | |
| Loans in foreign currency | 2,713,065 | 1,670,132 | 2,713,065 | 1,670,132 |
| Fair value hedge on loans[12] | 14,887 | - | 14,887 | - |
| **Amortized cost** | | | | |
| Suppliers | 328,250 | 408,772 | 593,957 | 617,396 |
| Loans in local currency | 346,287 | 409,534 | 3,065,047 | 2,145,809 |
| Debentures and promissory notes | 1,594,589 | 830,564 | 3,835,560 | 2,940,475 |
| Dividends and interest on equity | 1,156,268 | 1,300,237 | 1,156,399 | 1,300,516 |
| Concessions payable | 2,742,224 | 2,446,394 | 2,796,336 | 2,499,399 |
| Liabilities linked to investment acquisition[12] | - | - | 10,121 | 21,146 |
| Fuel payable to the CDE[12] | - | - | 149,880 | - |
| **Fair value through other comprehensive income** | | | | |
| Cash flow hedge on liabilities[12] | - | - | - | 1,944 |
| | **8,895,570** | **7,065,633** | **14,335,252** | **11,196,817** |

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

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

**d) 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 loans and financing, debentures, promissory notes 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 | | | |
|---|---|---|---|---|
| | 9.30.2018 | | 12.31.2017 | |
| | Book | Market | Book | Market |
| Loans and financing in local currency | 346,287 | 360,927 | 409,534 | 416,018 |
| Debentures | 1,594,589 | 1,573,052 | 830,564 | 904,938 |
| Concessions payable | 2,742,224 | 3,434,688 | 2,446,394 | 3,036,163 |
| | **4,683,100** | **5,368,667** | **3,686,492** | **4,357,119** |

| | Consolidated | | | |
|---|---|---|---|---|
| | 9.30.2018 | | 12.31.2017 | |
| | Book | Market | Book | Market |
| Loans and financing in local currency | 3,065,047 | 3,117,570 | 2,145,809 | 2,161,186 |
| Debentures | 3,835,560 | 3,855,987 | 2,940,475 | 3,018,413 |
| Concessions payable | 2,796,336 | 3,504,018 | 2,499,399 | 3,102,350 |
| | **9,696,943** | **10,477,575** | **7,585,683** | **8,281,949** |

## NOTE 12 – LOANS AND FINANCING

### a) Breakdown

| | Parent Company | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2018 | | | 12.31.2017 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Measured at the amortized cost** | | | | | | |
| **Local currency** | | | | | | |
| BNDES | 91,266 | 129,835 | 221,101 | 82,329 | 183,875 | 266,204 |
| BNDES onlending (Banks) | 1,533 | 5,205 | 6,738 | 1,535 | 6,355 | 7,890 |
| Nordic Investment Bank (NIB) | 27,524 | 89,469 | 116,993 | 26,715 | 106,879 | 133,594 |
| Financial charges | 1,455 | - | 1,455 | 1,846 | - | 1,846 |
| | **121,778** | **224,509** | **346,287** | **112,425** | **297,109** | **409,534** |
| **Measured at fair value** | | | | | | |
| **Foreign currency – with hedge** | | | | | | |
| HSBC | - | 325,879 | 325,879 | - | 328,916 | 328,916 |
| Scotiabank | - | 1,160,669 | 1,160,669 | - | 665,785 | 665,785 |
| Bank of Tokyo | - | 792,516 | 792,516 | 665,260 | - | 665,260 |
| BNP Paribas | - | 394,494 | 394,494 | - | - | - |
| Financial charges | 39,507 | - | 39,507 | 10,171 | - | 10,171 |
| | **39,507** | **2,673,558** | **2,713,065** | **675,431** | **994,701** | **1,670,132** |
| **Loans and financing** | **161,285** | **2,898,067** | **3,059,352** | **787,856** | **1,291,810** | **2,079,666** |

The balances of loans and financing at the parent company, net of hedge effects, are as follows:

| | Parent Company | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2018 | | | 12.31.2017 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Loans and financing** | **161,285** | **2,898,067** | **3,059,352** | **787,856** | **1,291,810** | **2,079,666** |
| Effects of hedge (swap) on the balance sheet | | | | | | |
| Long position[13] | - | (348,088) | (348,088) | (3,933) | (14,274) | (18,207) |
| Short position[14] | 11,097 | 3,790 | 14,887 | - | - | - |
| **Loans and financing, net of hedge effects** | **172,382** | **2,553,769** | **2,726,151** | **783,923** | **1,277,536** | **2,061,459** |

[13] The long position of the hedge is presented as part of the item "Unrealized hedge gains".
[14] The short position of the hedge is presented as part of the item "Other current liabilities" and/or "Other non-current liabilities".

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2018 | | | 12.31.2017 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Measured at the amortized cost** | | | | | | |
| **Local currency** | | | | | | |
| BNDES | 216,597 | 2,298,154 | 2,514,751 | 197,456 | 1,356,047 | 1,553,503 |
| BNDES onlending (Banks) | 40,727 | 381,458 | 422,185 | 40,548 | 410,156 | 450,704 |
| Nordic Investment Bank (NIB) | 27,524 | 89,469 | 116,993 | 26,715 | 106,879 | 133,594 |
| Financial charges | 11,118 | - | 11,118 | 8,008 | - | 8,008 |
| | **295,966** | **2,769,081** | **3,065,047** | **272,727** | **1,873,082** | **2,145,809** |
| **Measured at fair value** | | | | | | |
| **Foreign currency – with hedge** | | | | | | |
| HSBC | - | 325,879 | 325,879 | - | 328,916 | 328,916 |
| Scotiabank | - | 1,160,669 | 1,160,669 | - | 665,785 | 665,785 |
| Bank of Tokyo | - | 792,516 | 792,516 | 665,260 | - | 665,260 |
| BNP Paribas | - | 394,494 | 394,494 | - | - | - |
| Financial charges | 39,507 | - | 39,507 | 10,171 | - | 10,171 |
| | **39,507** | **2,673,558** | **2,713,065** | **675,431** | **994,701** | **1,670,132** |
| **Loans and financing** | **335,473** | **5,442,639** | **5,778,112** | **948,158** | **2,867,783** | **3,815,941** |

The balances of loans and financing in the consolidated, net of hedge effects, are as follows:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2018 | | | 12.31.2017 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Loans and financing** | **335,473** | **5,442,639** | **5,778,112** | **948,158** | **2,867,783** | **3,815,941** |
| Effects of hedge (swap) on the balance sheet | | | | | | |
| Long position[15] | - | (348,088) | (348,088) | (3,933) | (14,274) | (18,207) |
| Short position[16] | 11,097 | 3,790 | 14,887 | - | - | - |
| **Loans and financing, net of hedge effects** | **346,570** | **5,098,341** | **5,444,911** | **944,225** | **2,853,509** | **3,797,734** |

## b) Changes

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balance at 12.31.2017** | **787,856** | **1,291,810** | **2,079,666** | **948,158** | **2,867,783** | **3,815,941** |
| New amounts | 7,980 | 692,268 | 700,248 | 15,404 | 1,765,957 | 1,781,361 |
| Interest | 82,691 | - | 82,691 | 41,968 | 74 | 42,042 |
| Monetary variation | 1,233 | 3,616 | 4,849 | 1,448 | 11,422 | 12,870 |
| Capitalized interest and monetary variation | - | - | - | 156,403 | - | 156,403 |
| Foreign exchange variation | 111,700 | 288,550 | 400,250 | 111,700 | 288,550 | 400,250 |
| Adjustment at fair value | (3,820) | (61,870) | (65,690) | (3,820) | (61,870) | (65,690) |
| Transfers | (683,693) | 683,693 | - | (570,723) | 570,723 | - |
| Principal amortization | (87,453) | - | (87,453) | (205,285) | - | (205,285) |
| Interest amortization | (55,209) | - | (55,209) | (159,780) | - | (159,780) |
| **Balance at 9.30.2018** | **161,285** | **2,898,067** | **3,059,352** | **335,473** | **5,442,639** | **5,778,112** |

[15] The long position of the hedge is presented as part of the item "Unrealized hedge gains".
[16] The short position of the hedge is presented as part of the item "Other current liabilities" and/or "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.

The main conditions were:

| Contracted conditions | | | |
|---|---|---|---|
| Interest | Maturity | Principal and interest | Amount in US$ |
| 3.7120% p.a. with swap to 101.0% CDI (from 10.18.2018 to 4.23.2020) | 04/2020 | Principal: 4/2020 Interest: Semiannual | 100,000 |
| 3.9977% p.a. with swap to 103.6% CDI (from 10.18.2018 to 4.23.2021) | 04/2021 | Principal: 4/2021 Interest: Semiannual | 100,000 |

### c.2) Financing in domestic currency

**- Release of funds**

In April 2018, BNDES released R$19,218 and R$29,945, 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**

On 4.9.2018 and 4.13.2018, the Company, through Campo Largo Wind Power Complex – Phase I and the direct subsidiary Pampa Sul, contracted financing from BNDES in the amounts of R$1,039,100 and R$728,950, respectively, for the construction of generating facilities. In the third quarter of 2018, loans of R$710,264 and R$340,904, net of funding costs, were released, related to the financing of Campo Largo Wind Power Complex – Phase I and Pampa Sul, respectively.

The main conditions were:

| | Contracted conditions | | |
|---|---|---|---|
| Company | Interest | Maturity | Payments of principal and interest |
| CLWP I, II, XV, XVI e XVIII | TJLP + 2.52% p.a. | 6/2035 | Monthly as of July 2019 |
| CLWP III, IV, V, VI, VII e XXI | TJLP + 1.82% p.a. | 6/2035 | Monthly as of July 2019 |
| Pampa Sul | TJLP + 3.09% p.a. | 1/2036 | Monthly as of February 2020 |

Campo Largo Wind Power Complex – Phase I and the subsidiary Pampa Sul should report debt service ratio equal to or greater than 1.25 and 1.2, respectively.

### c.2) Loans in foreign currency with hedge

On 4.5.2018 and 4.17.2018, the Company took loans in U.S. dollars for US$200,000, equivalent to R$681,030. The proceeds were used mainly to implement the Company's business plan.

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

### d) Maturity of balances under non-current liabilities

| | Parent Company | Consolidated |
|---|---|---|
| October to December 2019 | 30,579 | 80,157 |
| 2020 | 1,207,177 | 1,421,569 |
| 2021 | 831,160 | 1,040,635 |
| 2022 | 815,143 | 1,021,179 |
| 2023 | 14,000 | 220,036 |
| 2024 to 2028 | 8 | 1,030,188 |
| 2029 to 2033 | - | 628,875 |
| **Loans and financing** | **2,898,067** | **5,442,639** |

### e) Financial contract commitments (covenants)

In 2018, there were no changes in the financial covenants compared to those presented in Note 17 – Loans and Financing of the financial statements for 12.31.2017, except for those changes in the main transactions conducted in 2018. The financial commitments established in the main loan and financing agreements are being fulfilled by the Company and its subsidiaries.

## NOTE 13 – DEBENTURES AND PROMISSORY NOTES

### a) Breakdown

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| Debentures | 1,594,589 | 830,564 | 3,396,860 | 830,564 |
| Promissory notes | - | - | 438,700 | 2,109,911 |
| | **1,594,589** | **830,564** | **3,835,560** | **2,940,475** |
| **Classification in balance sheet** | | | | |
| Current liabilities | 26,057 | 17,849 | 574,953 | 2,127,760 |
| Non-current liabilities | 1,568,532 | 812,715 | 3,260,607 | 812,715 |
| | **1,594,589** | **830,564** | **3,835,560** | **2,940,475** |

### b) Changes

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balance at 12.31.2017** | **17,849** | **812,715** | **830,564** | **2,127,760** | **812,715** | **2,940,475** |
| New amounts | - | 727,724 | 727,724 | 86,622 | 2,399,723 | 2,486,345 |
| Interest | 48,621 | - | 48,621 | 127,234 | 4 | 127,238 |
| Monetary variation | 1,024 | 26,441 | 27,465 | 1,025 | 17,171 | 18,196 |
| Capitalized interest and monetary variation | - | - | - | 34,702 | 20,977 | 55,679 |
| Transfers | (1,652) | 1,652 | - | (10,017) | 10,017 | - |
| Principal amortization | - | - | - | (1,685,000) | - | (1,685,000) |
| Interest amortization | (39,785) | - | (39,785) | (107,373) | - | (107,373) |
| **Balance at 9.30.2018** | **26,057** | **1,568,532** | **1,594,589** | **574,953** | **3,260,607** | **3,835,560** |

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$1,758,621, net of funding costs, were used to pay in advance a part of the amount raised through promissory notes.

On 7.30.2018, the Company announced the end of the public distribution of 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$727,724, net of funding costs). Financial settlement of the issue was on 7.25.2018.

The main conditions were:

| | | | | Payment Condition | | | |
|---|---|---|---|---|---|---|---|
| | | Volume | Remuneration | Interest due | Principal | Maturity | Guarantee |
| Subsidiaries | 1st Issue – Series 1 | 782,000 | 107% p.a. over Δ DI Rate | Semiannually as of 12/2018 | 9 semiannual installments as of 6.2019 | 6/2023 | Security interest |
| | 1st Issue – Series 2 | 1,020,000 | IPCA + 6.4962% | Semiannually as of 12/2018 | 15 semiannual installments as of 6.2020 | 6/2027 | Security interest |
| Parent Company | 7th Issue – Series 1 | 515,353 | IPCA + 5.6579% | Annually as of 7.2019 | 2 semiannual installments as of 7.2024 | 7/2025 | Security interest |
| | 7th Issue – Series 2 | 231,257 | IPCA + 5.9033% | Annually as of 7.2019 | 3 semiannual installments as of 7.2026 | 7/2028 | Security interest |

## c) Maturities of balances recorded as non-current liabilities

| | Parent Company | Consolidated |
|---|---|---|
| October to December 2019 | - | 85,276 |
| 2020 | - | 188,155 |
| 2021 | 82,876 | 282,910 |
| 2022 | 149,681 | 363,575 |
| 2023 | 152,230 | 374,355 |
| 2024 to 2028 | 1,183,745 | 1,966,336 |
| **Debentures** | **1,568,532** | **3,260,607** |

## d) Contractual covenants

| | Debt | Covenants |
|---|---|---|
| Subsidiaries | 1st Issue – Series 1 and 2 | Individual: ICSD[17] ≥ 1.10 |
| Parent Company | 5th, 6th and 7th Issues – sole series | Consolidated: Ebitda/financial expenses ≥ 2.0<br>Consolidated: Gross debt/Ebitda ≤ 4.5 |

The covenants of the debentures are being fully met by the Company and its subsidiaries, and the promissory notes do not contain financial covenants.

[17] Debt service ratio.

## NOTE 14 – CONCESSIONS PAYABLE

### a) Breakdown

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| Cana Brava HPP | 1,195,550 | 1,035,551 | 1,195,550 | 1,035,551 |
| Ponte de Pedra HPP | 1,000,477 | 875,569 | 1,000,477 | 875,569 |
| São Salvador HPP | 546,197 | 535,274 | 546,197 | 535,274 |
| Estreito HPP | - | - | 54,112 | 53,005 |
| | **2,742,224** | **2,446,394** | **2,796,336** | **2,499,399** |
| **Classification in the balance sheet** | | | | |
| Current liabilities | 63,249 | 61,367 | 69,126 | 67,051 |
| Non-current liabilities | 2,678,975 | 2,385,027 | 2,727,210 | 2,432,348 |
| | **2,742,224** | **2,446,394** | **2,796,336** | **2,499,399** |

### b) Changes

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balance at 12.31.2017** | **61,367** | **2,385,027** | **2,446,394** | **67,051** | **2,432,348** | **2,499,399** |
| Interest | - | 174,004 | 174,004 | - | 177,845 | 177,845 |
| Monetary variation | - | 169,872 | 169,872 | - | 171,740 | 171,740 |
| Transfers | 49,928 | (49,928) | - | 54,723 | (54,723) | - |
| Amortizations | (48,046) | - | (48,046) | (52,648) | - | (52,648) |
| **Balance at 9.30.2018** | **63,249** | **2,678,975** | **2,742,224** | **69,126** | **2,727,210** | **2,796,336** |

### c) Maturities of balances disclosed in non-current liabilities

| | Parent Company | Consolidated |
|---|---|---|
| October to December 2019 | 30,334 | 31,710 |
| 2020 | 128,120 | 133,306 |
| 2021 | 155,582 | 160,298 |
| 2022 | 142,953 | 147,239 |
| 2023 | 499,816 | 503,713 |
| 2024 to 2028 | 1,110,029 | 1,124,796 |
| 2029 to 2033 | 569,464 | 578,632 |
| 2034 to 2038 | 42,677 | 47,516 |
| | **2,678,975** | **2,727,210** |

## NOTE 15 – PROVISIONS

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

### a) Breakdown

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 12.31.2017 | 9.30.2018 | 12.31.2017 |
| **Civil** | | | | |
| Expropriations and administrative servitude | 37,534 | 35,019 | 37,534 | 35,019 |
| Environment | 11,492 | 10,797 | 11,492 | 10,797 |
| Retirement benefits | 2,766 | 2,603 | 2,766 | 2,603 |
| Sundry lawsuits | 15,700 | 14,905 | 22,241 | 21,696 |
| | **67,492** | **63,324** | **74,033** | **70,115** |
| **Labor** | **13,672** | **10,860** | **13,943** | **11,122** |
| **Tax** | **7,009** | **6,812** | **7,338** | **7,137** |
| **Divestment of generation assets** | **-** | **1,000** | **-** | **1,000** |
| | **88,173** | **81,996** | **95,314** | **89,374** |
| **Classification in the balance sheet** | | | | |
| Current liabilities | 8,475 | 10,647 | 9,478 | 11,651 |
| Non-current liabilities | 79,698 | 71,349 | 85,836 | 77,723 |
| | **88,173** | **81,996** | **95,314** | **89,374** |

### b) Possible and remote risks

The Company and its subsidiaries are 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.

| | 9.30.2018 | | | 12.31.2017 | | |
|---|---|---|---|---|---|---|
| | Possible risk | Remote risk | Total | Possible risk | Remote risk | Total |
| **Parent Company** | | | | | | |
| Tax and pension | 296,612 | 235,897 | 532,509 | 289,591 | 228,166 | 517,757 |
| Civil | 113,226 | 150,015 | 263,241 | 105,589 | 136,579 | 242,168 |
| Labor | 14,061 | 147,155 | 161,216 | 6,442 | 132,025 | 138,467 |
| | **423,899** | **533,067** | **956,966** | **401,622** | **496,770** | **898,392** |
| **Consolidated** | | | | | | |
| Tax and pension | 373,965 | 258,275 | 632,240 | 365,464 | 249,898 | 615,362 |
| Civil | 129,609 | 150,154 | 279,763 | 122,334 | 136,673 | 259,007 |
| Labor | 17,340 | 165,140 | 182,480 | 10,077 | 143,737 | 153,814 |
| | **520,914** | **573,569** | **1,094,483** | **497,875** | **530,308** | **1,028,183** |

In the first nine-month period of 2018, there were no significant updates in the first quarter related to the main risks assessed as being possible risk, which are presented in Note 24 – Provisions to the financial statements of 12.31.2017.

## NOTE 16 – RETIREMENT BENEFITS OBLIGATIONS

### a) Breakdown

| | Parent Company and Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2018 | | | 12.31.2017 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| Contracted obligations | 16,721 | 175,032 | 191,753 | 15,666 | 181,924 | 197,590 |
| Uncontracted deficit | 13,934 | 106,733 | 120,667 | 14,858 | 99,047 | 113,905 |
| Current contributions and service costs | 28 | - | 28 | 159 | - | 159 |
| **Recorded actuarial liability** | **30,683** | **281,765** | **312,448** | **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 |
|---|---|---|---|
| October to December 2019 | 3,337 | 777 | 4,114 |
| 2020 | 14,128 | 3,409 | 17,537 |
| 2021 | 14,957 | 3,613 | 18,570 |
| 2022 | 15,834 | 2,210 | 18,044 |
| 2023 | 16,759 | 1,509 | 18,268 |
| 2024 to 2028 | 76,404 | 234 | 76,638 |
| 2029 to 2032 | 21,861 | - | 21,861 |
| | **163,280** | **11,752** | **175,032** |

### b) Changes in retirement benefit obligations

| | Plans | | | | |
|---|---|---|---|---|---|
| | ELOS BD | PREVIG BD | PREVIG BSPS[18] | GC[19] | Total |
| **Liabilities recorded at 12.31.2017** | **291,644** | **15,547** | **1,198** | **3,265** | **311,654** |
| Contribution and cost of current services | 7 | (133) | - | 22 | (104) |
| Payments of contracted obligations | (17,012) | (2,748) | (242) | - | (20,002) |
| Net interest on actuarial liabilities | 19,693 | 966 | 73 | 168 | 20,900 |
| **Liabilities recorded at 9.30.2018** | **294,332** | **13,632** | **1,029** | **3,455** | **312,448** |

[18] Paid Supplementary Proportional Benefit.
[19] Confidentiality Bonus.

## NOTE 17 – DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

### a) Breakdown

| | Parent Company | | | | |
|---|---|---|---|---|---|
| | | 9.30.2018 | | | 12.31.2017 |
| Description of credits | Calculation basis | IR | CSLL | Total | Total |
| **Liabilities** | | | | | |
| Property, plant and equipment deemed cost (fair value) | 771,280 | 192,820 | 69,415 | 262,235 | 207,148 |
| Accelerated depreciation | 668,100 | 167,025 | 60,129 | 227,154 | 270,220 |
| Unrealized hedge gains | 386,908 | 96,727 | 34,822 | 131,549 | 4,176 |
| Unrealized sale ate MAE[20] (currently CCEE) | 107,456 | 26,864 | 9,671 | 36,535 | 36,535 |
| Capitalized financial charges | 64,744 | 16,186 | 5,827 | 22,013 | 22,606 |
| Adjustment to fair value in business combination | 35,264 | 8,816 | 3,174 | 11,990 | 12,553 |
| Other | 5,060 | 1,265 | 456 | 1,721 | 1,435 |
| | | **509,703** | **183,494** | **693,197** | **554,673** |
| **Assets** | | | | | |
| Allowance for doubtful accounts | 129,166 | 32,292 | 11,625 | 43,917 | 43,917 |
| Retirement benefit obligations | 120,667 | 30,167 | 10,860 | 41,027 | 38,767 |
| Provision for asset impairment | 119,091 | 29,773 | 10,718 | 40,491 | 41,751 |
| Adjustment to fair value in business combination | 108,182 | 27,046 | 9,736 | 36,782 | 35,280 |
| Civil, tax and labor provisions | 80,272 | 20,068 | 7,224 | 27,292 | 24,853 |
| Interest on property, plant and equipment in progress (RIC) | 36,876 | 9,219 | - | 9,219 | 15,609 |
| Other | 25,096 | 6,272 | 2,259 | 8,531 | 14,292 |
| | | **154,837** | **52,422** | **207,259** | **214,469** |
| **Net total** | | **354,866** | **131,072** | **485,938** | **340,204** |

[20] Wholesale Electricity Market.

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 9.30.2018 | | | | 12.31.2017 |
| Description of credits | Calculation basis | IR | CSLL | Total | Total |
| **Liabilities:** | | | | | |
| Accelerated depreciation | 887,236 | 221,809 | 79,851 | 301,660 | 335,795 |
| Property, plant and equipment deemed cost (fair value) | 771,280 | 192,820 | 69,415 | 262,235 | 207,148 |
| Capitalized financial charges | 558,894 | 139,731 | 50,293 | 190,024 | 122,474 |
| Unrealized hedge gains | 386,908 | 96,727 | 34,822 | 131,549 | 4,176 |
| Interest on concession financial asset | 318,045 | 79,511 | 28,624 | 108,135 | 11,878 |
| Unrealized sale ate MAE (currently CCEE) | 107,456 | 26,864 | 9,671 | 36,535 | 36,535 |
| Amortization of concession financial asset | 76,192 | 19,048 | 6,857 | 25,905 | 9,075 |
| Adjustment to fair value in business combination | 35,264 | 8,816 | 3,174 | 11,990 | 12,553 |
| Other | 5,060 | 1,265 | 456 | 1,721 | 1,435 |
| | | **786,591** | **283,163** | **1,069,754** | **741,069** |
| **Assets:** | | | | | |
| Revenue from Return of Grant Bonus (RBO) | 249,644 | 62,411 | 22,468 | 84,879 | 17,793 |
| Allowance for doubtful accounts | 131,031 | 32,758 | 11,793 | 44,551 | 44,643 |
| Provision for asset impairment | 120,667 | 30,167 | 10,860 | 41,027 | 38,767 |
| Retirement benefit obligations | 119,091 | 29,773 | 10,718 | 40,491 | 41,424 |
| Adjustment to fair value in business combination | 108,182 | 27,046 | 9,736 | 36,782 | 35,280 |
| Civil, tax and labor provisions | 84,802 | 21,201 | 7,632 | 28,833 | 26,652 |
| Tax losses and social contribution tax loss carryforwards | 36,588 | 9,147 | 3,293 | 12,440 | 13,722 |
| Interest on property, plant and equipment in progress (RIC) | 36,876 | 9,219 | - | 9,219 | 15,609 |
| Fair value adjustment of property, plant and equipment | 31,101 | 7,775 | 2,799 | 10,574 | 11,591 |
| Other | 40,502 | 10,099 | 3,669 | 13,768 | 18,465 |
| | | **239,596** | **82,968** | **322,564** | **263,946** |
| **Net total** | | **546,995** | **200,195** | **747,190** | **477,123** |
| **Classification in the separate balance sheet of subsidiaries** | | | | | |
| Liabilities | | 568,780 | 208,071 | 776,851 | 507,905 |
| Assets[21] | | 21,785 | 7,876 | 29,661 | (30,782) |
| **Total** | | **546,995** | **200,195** | **747,190** | **477,123** |

The variations in deferred tax liabilities related to accelerated depreciation and deemed cost of property, plant and equipment resulted from the realizations caused by the capital increase through transfer of assets of CTJL in the wholly-owned subsidiary Diamante.

[21] Presented under "Other non-current assets"

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

| | Parent Company | Consolidated |
|---|---|---|
| **Balance at 12.31.2017** | **340,204** | **477,123** |
| Taxes deferred in profit or loss | 145,734 | 266,198 |
| Taxes deferred in other comprehensive income | - | 3,869 |
| **Balance at 9.30.2018** | **485,938** | **747,190** |

### c) Expected realization and required payments

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| October to December 2018 | 47,177 | 3,828 | 47,491 | 3,828 |
| 2019 | 11,304 | 30,366 | 16,080 | 34,194 |
| 2020 | 53,226 | 110,571 | 69,410 | 129,534 |
| 2021 | 7,528 | 71,534 | 20,240 | 89,232 |
| 2022 | 9,587 | 77,108 | 17,897 | 93,661 |
| 2023 | 8,413 | 32,674 | 16,035 | 48,192 |
| 2024 to 2028 | 39,091 | 195,273 | 68,160 | 289,778 |
| 2029 to 2033 | 30,059 | 156,117 | 66,377 | 270,150 |
| After 2034 | 874 | 15,726 | 874 | 111,185 |
| | **207,259** | **693,197** | **322,564** | **1,069,754** |

## NOTE 18 – SHAREHOLDERS' EQUITY

### a) Authorized capital stock

The Company is authorized to increase its capital stock up to the limit of R$5,000,000, by resolution of Board of Directors, regardless of any amendment to its bylaws. Under the listing regulations of the Novo Mercado segment of B3, 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 the periods ending 9.30.2018 and 12.31.2017.

### b) Subscribed and paid-in capital

The Company's fully subscribed and paid-in capital on 9.30.2018 and 12.31.2017 was R$2,829,056, represented by 652,742,192 registered common shares without par value.

The book value of the share in Reais, at 9.30.2018, is R$10.13 (R$10.47 for each share at 12.31.2017).

The Company's ownership structure at 9.30.2018 and 12.31.2017 was as follows:

| Shareholders | % of capital |
|---|---|
| ENGIE Participações | 68.71% |
| Banco Clássico S.A. | 10.00% |
| Other shareholders | 21.29% |
| | **100.00%** |

As of 9.30.2018 and 12.31.2017, the number of Company shares held by its managers was 378,403 and 374,628, respectively.

**c) Other comprehensive income**

The account records the following variations of the fair value, net of deferred income tax and social contribution: (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.

## NOTE 19 – RECONCILIATION OF NET OPERATING REVENUE

In compliance with CPC 47 – Revenue from contracts with clients, the following table presents the reconciliation between gross operating revenue and net operating revenue:

| | Parent Company | | | |
|---|---|---|---|---|
| | Third quarter | | 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| **GROSS OPERATING REVENUE** | | | | |
| Electrical energy traders | 630,007 | 422,684 | 1,721,214 | 1,419,328 |
| Electrical energy distributors | 595,575 | 553,832 | 1,822,491 | 1,683,806 |
| Free consumers | 73,453 | 68,127 | 210,730 | 199,520 |
| Transactions in the short-term market | 52,807 | 2,114 | 295,716 | 49,933 |
| Services rendered | 11,830 | 12,103 | 36,485 | 35,673 |
| Other revenues | 11,111 | 7,889 | 95,841 | 17,260 |
| | **1,374,783** | **1,066,749** | **4,182,477** | **3,405,520** |
| **DEDUCTIONS FROM OPERATING REVENUE** | | | | |
| PIS[22] and Cofins[23] | (121,752) | (95,370) | (365,522) | (305,305) |
| Research and Development | (5,209) | (6,525) | (21,700) | (22,522) |
| ICMS[24] | (4,600) | (3,119) | (11,858) | (8,273) |
| ISSQN[25] | (600) | (460) | (1,822) | (1,352) |
| | **(132,161)** | **(105,474)** | **(400,902)** | **(337,452)** |
| **NET OPERATING REVENUE** | **1,242,622** | **961,275** | **3,781,575** | **3,068,068** |

[22] Social Integration Program.
[23] Contribution to Social Security Financing.
[24] State Tax on Sales of Goods and Services related to Interstate and Intermunicipal Transport and Communication.
[25] Tax on Services of Any Nature.

| | Consolidated | | | |
|---|---|---|---|---|
| | Third quarter | | First 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| **GROSS OPERATING REVENUE** | | | | |
| Free consumers | 873,130 | 891,329 | 2,497,487 | 2,608,005 |
| Electrical energy distributors | 734,018 | 727,600 | 2,221,594 | 2,211,060 |
| Transactions in the short-term market | 552,079 | 44,854 | 907,676 | 181,203 |
| Electrical energy traders | 451,949 | 151,933 | 1,063,826 | 432,617 |
| Interest on concessional financial asset | 80,150 | - | 270,127 | - |
| Services rendered | 34,771 | 5,798 | 104,225 | 17,147 |
| Other revenues | 25,830 | 7,889 | 110,719 | 17,325 |
| | **2,751,927** | **1,829,403** | **7,175,654** | **5,467,357** |
| **DEDUCTIONS FROM OPERATING REVENUE** | | | | |
| PIS and Cofins | (248,751) | (163,542) | (636,473) | (489,821) |
| Research and Development | (9,318) | (7,544) | (33,017) | (25,318) |
| ICMS | (4,604) | (3,119) | (11,863) | (8,273) |
| ISSQN | (608) | (460) | (1,830) | (1,352) |
| | **(263,281)** | **(174,665)** | **(683,183)** | **(524,764)** |
| **NET OPERATING REVENUE** | **2,488,646** | **1,654,738** | **6,492,471** | **4,942,593** |

## NOTE 20 – DETAILS OF OPERATING EXPENSES BY NATURE

### a) Costs of electrical energy production and services rendered

| | Parent Company | | | |
|---|---|---|---|---|
| | Third quarter | | First 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| Depreciation and amortization | 69,750 | 103,354 | 209,364 | 302,309 |
| Royalties[26] | 28,690 | 28,735 | 73,958 | 76,222 |
| Personnel | 23,840 | 55,378 | 78,902 | 156,161 |
| Fuel | 5,176 | 15,181 | 23,307 | 279,422 |
| Third party materials and services | (2,385) | 42,689 | 26,825 | 102,602 |
| (Reversal) accrual of provision, net | (10,416) | (3,494) | 1,827 | (226,463) |
| Other | 5,718 | 17,779 | 30,192 | 45,510 |
| | **120,373** | **259,622** | **444,375** | **735,763** |
| **Classification in the result** | | | | |
| Electricity production cost | 115,004 | 251,700 | 427,020 | 713,224 |
| Cost of services rendered | 5,369 | 7,922 | 17,355 | 22,539 |
| | **120,373** | **259,622** | **444,375** | **735,763** |

A part of the variation recorded under "Electricity production cost" and "Cost of services rendered" of the Parent Company in the third quarter and first nine months of 2018 stems from the transfer of operations of CTJL from ENGIE Brasil Energia to the wholly-owned subsidiary Diamante. The main purpose of said operation was to maintain coal-fired generation operations in a separate company and did not have any effect on the Company's consolidated results.

[26] Financial compensation for the use of water resources.

| | Consolidated | | | |
|---|---|---|---|---|
| | Third quarter | | First 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| Depreciation and amortization | 157,617 | 161,782 | 478,623 | 473,781 |
| Fuel | 90,698 | 18,325 | 151,147 | 288,382 |
| Personnel | 50,455 | 56,922 | 155,811 | 160,570 |
| Royalties | 33,006 | 31,699 | 88,101 | 88,479 |
| Third party materials and services | 36,375 | 58,712 | 139,717 | 147,578 |
| (Reversal) accrual of provision, net | (10,411) | (4,206) | 1,252 | (225,917) |
| Other | 22,702 | 22,380 | 65,660 | 57,391 |
| | **380,442** | **345,614** | **1,080,311** | **990,264** |
| **Classification in the result** | | | | |
| Electricity production cost | 375,063 | 337,676 | 1,062,922 | 967,696 |
| Cost of services rendered | 5,379 | 7,938 | 17,389 | 22,568 |
| | **380,442** | **345,614** | **1,080,311** | **990,264** |

## b) Selling, general and administrative expenses

| | Parent Company | | | |
|---|---|---|---|---|
| | Third quarter | | First 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| Personnel | 19,692 | 20,431 | 59,073 | 59,045 |
| Third party materials and services | 7,818 | 13,169 | 32,375 | 33,192 |
| Management | 5,892 | 6,451 | 16,624 | 17,457 |
| Depreciation and amortization | 2,706 | 2,329 | 7,794 | 6,619 |
| Pension funds | 1,473 | 2,851 | 4,796 | 6,131 |
| Rent | 660 | 1,449 | 3,737 | 4,659 |
| Contributions and donations | 468 | 1,989 | 3,624 | 5,537 |
| Reversal of provisions, net | (1,101) | (16,017) | (1,115) | (17,438) |
| Other | 2,859 | 6,656 | 7,126 | 13,410 |
| | **40,467** | **39,308** | **134,034** | **128,612** |
| **Classification in the result** | | | | |
| Sale expenses | (6,956) | 2,328 | (1,014) | 7,962 |
| General and administrative expenses | 47,423 | 36,980 | 135,048 | 120,650 |
| | **40,467** | **39,308** | **134,034** | **128,612** |

| | Consolidated | | | |
|---|---|---|---|---|
| | Third quarter | | First 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| Personnel | 20,147 | 20,597 | 59,920 | 59,636 |
| Third party materials and services | 9,008 | 14,070 | 35,034 | 36,165 |
| Management | 6,746 | 6,472 | 17,602 | 17,523 |
| Depreciation and amortization | 2,738 | 2,337 | 7,842 | 6,642 |
| Pension funds | 1,473 | 2,851 | 4,796 | 6,131 |
| Contributions and donations | 1,251 | 2,651 | 5,834 | 7,455 |
| Rent | 934 | 1,406 | 4,046 | 4,732 |
| Reversal of provisions, net | (1,101) | (16,013) | (1,327) | (17,549) |
| Other | 4,343 | 8,403 | 10,063 | 13,535 |
| | **45,539** | **42,774** | **143,810** | **134,270** |
| **Classification in the result** | | | | |
| Sale expenses | (5,326) | 3,652 | 2,866 | 12,453 |
| General and administrative expenses | 50,865 | 39,122 | 140,944 | 121,817 |
| | **45,539** | **42,774** | **143,810** | **134,270** |

## NOTE 21 – FINANCIAL RESULT

| | Parent Company | | | |
|---|---|---|---|---|
| | Third quarter | | First 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| **Financial income** | | | | |
| Interest on receivables | 14,510 | 242 | 18,931 | 4,618 |
| Income from marketable securities | 10,791 | 10,158 | 25,335 | 60,128 |
| Monetary variation on judicial deposits | 1,173 | 747 | 2,222 | 5,430 |
| Income on restricted deposits | 140 | 250 | 465 | 847 |
| Other financial income | 293 | 271 | 896 | 2,225 |
| | **26,907** | **11,668** | **47,849** | **73,248** |
| **Financial expenses** | | | | |
| Interest and monetary variation on | | | | |
| Concessions payable | 116,008 | 46,190 | 343,876 | 127,955 |
| Loans and financing | 34,430 | 13,278 | 87,540 | 43,220 |
| Debentures | 33,564 | 14,174 | 76,086 | 53,758 |
| Fair value hedge on loans | 19,977 | - | 52,351 | - |
| Retirement benefit obligations | 6,967 | 7,862 | 20,900 | 23,584 |
| Provisions | 2,681 | 1,058 | 5,449 | 13,629 |
| Other | 1,123 | 702 | 2,774 | 2,419 |
| Exchange variation on | | | | |
| Loans | 89,546 | - | 400,250 | - |
| Fair value hedge on loans | (89,546) | - | (400,250) | - |
| Fair value adjustment | 1,960 | - | (10,812) | - |
| Other financial expenses | 1,605 | 1,376 | 5,117 | 3,612 |
| | **218,315** | **84,640** | **583,281** | **268,177** |
| **Financial expenses, net** | **191,408** | **72,972** | **535,432** | **194,929** |

| | Consolidated | | | |
|---|---|---|---|---|
| | Third quarter | | First 9 months | |
| | 2018 | 2017 | 2018 | 2017 |
| **Financial income** | | | | |
| Income from marketable securities | 23,842 | 32,214 | 60,121 | 132,040 |
| Interest on receivables | 16,101 | 1,725 | 24,088 | 8,729 |
| Monetary variation on judicial deposits | 1,201 | 785 | 2,286 | 5,565 |
| Income on restricted deposits | 3,753 | 4,502 | 10,800 | 15,456 |
| Other financial income | 1,283 | (613) | 4,526 | 2,456 |
| | **46,180** | **38,613** | **101,821** | **164,246** |
| **Financial expenses** | | | | |
| Interest and monetary variation on | | | | |
| Concessions payable | 117,706 | 47,743 | 349,585 | 132,775 |
| Debentures and promissory notes | 55,715 | 3,507 | 145,434 | 11,881 |
| Loans and financing | 23,390 | 25,288 | 54,912 | 101,706 |
| Fair value hedge on loans | 19,977 | - | 52,351 | - |
| Retirement benefit obligations | 6,967 | 7,862 | 20,900 | 23,584 |
| Provisions | 2,813 | 1,115 | 5,729 | 13,858 |
| Other | 9,537 | 813 | 11,968 | 2,881 |
| Exchange variation on | | | | |
| Loans | 89,546 | - | 400,250 | - |
| Fair value hedge on loans | (89,546) | - | (400,250) | - |
| Fair value adjustment | 1,960 | - | (10,812) | - |
| Other financial expenses | 3,431 | 2,743 | 9,707 | 6,489 |
| | **241,496** | **89,071** | **639,774** | **293,174** |
| **Financial expenses, net** | **195,316** | **50,458** | **537,953** | **128,928** |

## NOTE 22 – INCOME TAXES RECONCILIATION IN THE INCOME STATEMENT

| | Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Third Quarter | | | | First 9 months | | | |
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | IR | CS | IR | CS | IR | CS | IR | CS |
| **Income before taxes** | **489,796** | **489,796** | **462,077** | **462,077** | **1,880,748** | **1,880,748** | **1,705,029** | **1,705,029** |
| Standard rates | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| **Tax expenses at standard rates** | **(122,449)** | **(44,082)** | **(115,519)** | **(41,587)** | **(470,187)** | **(169,267)** | **(426,257)** | **(153,453)** |
| **Permanent differences** | | | | | | | | |
| Equity in net income of subsidiaries | 111,514 | 40,145 | 33,418 | 12,030 | 217,058 | 78,141 | 107,987 | 38,875 |
| Tax incentives | 1,053 | - | 8,279 | - | 18,658 | - | 29,407 | - |
| Other | (761) | (147) | (845) | (97) | (1,720) | (351) | (2,312) | (241) |
| | **(10,643)** | **(4,084)** | **(74,667)** | **(29,654)** | **(236,191)** | **(91,477)** | **(291,175)** | **(114,819)** |
| **Breakdown of taxes in the income statement** | | | | | | | | |
| Current | 10,531 | 3,474 | (65,520) | (26,688) | (127,343) | (54,591) | (207,279) | (85,599) |
| Deferred | (21,174) | (7,558) | (9,147) | (2,966) | (108,848) | (36,886) | (83,896) | (29,220) |
| | **(10,643)** | **(4,084)** | **(74,667)** | **(29,654)** | **(236,191)** | **(91,477)** | **(291,175)** | **(114,819)** |
| **Effective rate** | **2.2%** | **0.8%** | **16.2%** | **6.4%** | **12.6%** | **4.9%** | **17.1%** | **6.7%** |

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Third Quarter | | | | First 9 months | | | |
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | IR | CS | IR | CS | IR | CS | IR | CS |
| **Income before taxes** | **653,805** | **653,805** | **496,197** | **496,197** | **2,226,042** | **2,226,042** | **1,840,771** | **1,840,771** |
| Standard rates | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| **Tax expenses at standard rates** | **(163,451)** | **(58,842)** | **(124,049)** | **(44,658)** | **(556,511)** | **(200,344)** | **(460,193)** | **(165,669)** |
| **Permanent differences** | | | | | | | | |
| Tax incentives | 20,374 | - | 15,803 | - | 46,183 | - | 49,345 | - |
| Difference between actual and presumed profit calculation bases | 12,659 | 4,202 | 10,545 | 3,452 | 26,649 | 8,520 | 25,589 | 8,217 |
| Other | 4,797 | 1,807 | 436 | 321 | 2,334 | 972 | 1,006 | 823 |
| | **(125,621)** | **(52,833)** | **(97,265)** | **(40,885)** | **(481,345)** | **(190,852)** | **(384,253)** | **(156,629)** |
| **Breakdown of taxes in the income statement** | | | | | | | | |
| Current | (75,053) | (34,701) | (75,463) | (33,364) | (283,913) | (122,086) | (266,135) | (115,089) |
| Deferred | (50,568) | (18,132) | (21,802) | (7,521) | (197,432) | (68,766) | (118,118) | (41,540) |
| | **(125,621)** | **(52,833)** | **(97,265)** | **(40,885)** | **(481,345)** | **(190,852)** | **(384,253)** | **(156,629)** |
| **Effective rate** | **19.2%** | **8.1%** | **19.5%** | **8.2%** | **21.6%** | **8.6%** | **20.9%** | **8.5%** |

## NOTE 23 – TRANSACTIONS WITH RELATED PARTIES

The Company has related-party transactions that are described in more details in Note 33 - Transactions with Related Parties of the financial statements as at 12.31.2017. The main transactions are the following:

- Purchase and sale of energy;

- Operation and maintenance;

- Administrative services;

- Guarantees;

- Sureties and guarantees; and

- Loan between Ibitiúva and Andrade Açúcar e Álcool S.A.

In January 2018, ENGIE Brasil Energia signed energy purchase agreements with the following direct subsidiaries:

| Seller | Expiry | Index for annual adjustment | Base date for adjustment | Future Commitments Basis 9.30.2018 |
|---|---|---|---|---|
| Diamante | 2021 | IPCA | January | 1,308,216 |
| Jaguara | 2031 | IPCA | January | 1,484,545 |
| Miranda | 2031 | IPCA | January | 868,075 |

Additionally, there were no other significant changes in these transactions in the first nine months of 2018.

### a) Amounts recognized in balance sheet accounts:

| | ASSETS | | | | LIABILITIES | | |
|---|---|---|---|---|---|---|---|
| | Accounts receivable | | | | Supplier | | IOE[27] |
| | Energy | Services | Loan | Dividends | Energy | Other | Dividends |
| **9.30.2018** | | | | | | | |
| EBC | 165,372 | - | - | - | 2,856 | - | - |
| Jaguara | 11,491 | 532 | - | 17,799 | 19,744 | - | - |
| Miranda | - | 461 | - | 10,656 | 3,769 | - | - |
| Diamante | - | 6,720 | - | - | 200,109 | 22,117 | - |
| Ceste[28] | - | 1,672 | - | - | - | - | - |
| Itasa | - | 1,441 | - | - | 8,870 | - | - |
| ECP and subsidiaries | - | 4,064 | - | 5,834 | - | - | - |
| Geramamoré[29] | - | - | - | - | 13,362 | - | - |
| ENGIE Solar | - | - | 22,960 | - | - | - | - |
| ENGIE Participações | - | 670 | - | - | - | - | 787,466 |
| Other | - | 111 | - | 310 | 1,567 | 240 | - |
| | **176,863** | **15,671** | **22,960** | **34,599** | **250,277** | **22,357** | **787,466** |
| **12.31.2017** | **182,214** | **10,027** | **-** | **30,550** | **24,304** | **393** | **893,081** |

[27] Interest on equity.
[28] Consórcio Estreito Energia.
[29] Geramamoré Participações e Comercializadora de Energia Ltda.

## b) Amounts recognized in the income statement:

| | Revenue | | | Cost | Expense | |
|---|---|---|---|---|---|---|
| | Supply of energy | O&M Services | Administrative services | Energy purchase | Third party services | Financial income |
| **3rd quarter of 2018** | | | | | | |
| EBC | 609,450 | - | 98 | 9,256 | - | - |
| Jaguara | 31,599 | - | - | 52,081 | - | - |
| CEE | - | - | 98 | - | - | - |
| Miranda | - | - | - | 10,489 | - | - |
| Diamante | - | - | 98 | 184,743 | - | - |
| Ceste | - | 5,635 | - | - | - | - |
| Itasa | - | 4,857 | - | 24,687 | - | - |
| ECP subsidiaries | - | - | 948 | - | - | - |
| Geramamoré | - | - | - | 37,187 | - | - |
| ESBR[30] | - | - | - | 4,360 | - | - |
| Other | - | - | 156 | - | 583 | 281 |
| | **641,049** | **10,492** | **1,398** | **322,803** | **583** | **281** |
| **3rd quarter of 2017** | **422,685** | **11,105** | **997** | **121,725** | **1,222** | **-** |

| | Revenue | | | Cost | Expense | |
|---|---|---|---|---|---|---|
| | Supply of energy | O&M Services | Administrative services | Energy purchase | Third party services | Financial income |
| **First 9 months of 2018** | | | | | | |
| EBC | 1,653,377 | - | 296 | 27,995 | - | - |
| Jaguara | 46,252 | - | 132 | 114,026 | - | - |
| CEE | 44,043 | - | 296 | - | - | - |
| Miranda | 24,221 | - | 132 | 63,259 | - | - |
| Diamante | - | - | 296 | 435,732 | - | - |
| Ceste | - | 16,763 | - | - | - | - |
| Itasa | - | 14,565 | - | 75,241 | - | - |
| ECP subsidiaries | - | - | 2,850 | - | - | - |
| Geramamoré | - | - | - | 101,890 | - | - |
| ESBR | - | - | - | 11,254 | - | - |
| Other | - | 684 | 469 | - | 1,227 | 494 |
| | **1,767,893** | **32,012** | **4,471** | **829,397** | **1,227** | **494** |
| **First 9 months of 2017** | **1,425,117** | **32,683** | **2,990** | **256,494** | **2,979** | **-** |

## c) Compensation of key Management personnel

In the third quarter of 2018, management compensation was R$5,766 and R$6,620 (R$6,451 and R$6,472 in 3Q17) at the parent company and consolidated, respectively.

Compensation of key management personnel on 9.30.2018 was R$16,247 and R$17,225 (R$17,457 and R$17,523 on 9.30.2017) in the parent company and consolidated, respectively.

[30] Energia Sustentável do Brasil S.A.

## NOTE 24 – 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 covered risk amount is R$13,705,156 in the parent company and R$25,508,638 in the consolidated statements, as shown below:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| Type of plant | Material damages | Loss of profit | Material damages | Loss of profit |
| HPP | 10,196,817 | 3,457,678 | 14,773,163 | 3,898,679 |
| TPP | - | - | 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 the Pampa Sul Thermal Power Plant and the Campo Largo - Phase I and Umburanas Wind Power Complexes has 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, extended to its subsidiaries, as well as group life insurance for its employees and officers.

### d) Accidents

In April 2017, there were accidents at generation unit no. 2 of the UTLA 1 plant of CTJL. The plant has installed capacity of 100 MW and comprises two identical generation units of 50 MW each, and commercial capacity of 34.7 MW average. The insurance regulator has already confirmed coverage of the claim and determined loss of profits receivable by the Company of R$60,063, which was recognized in profit or loss for the second quarter of 2018 under "Other income". The Company expects to receive the amount of loss of profits in the fourth quarter of the current year.

In April 2018, there was an accident at Jaguara HPP generation unit, generating exposure to long-term loss of profits and material damages. The damaged unit will be unavailable during the period of repairs, which are expected to be concluded by the end of 2018. The Company and the insurer are currently evaluating the coverage for material damages and loss of profits arising from this accident.

## NOTE 25 – LONG-TERM COMMITMENTS

The Company and its subsidiaries have long-term agreements, and further information can be obtained in Note 35 – Long-term Commitments to the financial statements of 12.31.2017.

The main long-term commitments are as follows:

- Power grid connection agreement;
- Transmission and Distribution System Use Agreement (CUST and CUSD);
- Operation and maintenance agreements
- Bilateral power purchase and sale agreements;
- Lease agreements;
- Plant modernization and expansion agreements;
- Ongoing construction agreements;
- Lease agreement for the administrative office; and
- Renegotiation of hydrological risk.

On 3.8.2018, the Company, through its direct subsidiaries ECP and EBC, signed the concession agreement relating to Transmission Auction 02/2017. The Company signed agreements for the construction of substations and transmission lines, whose future commitments total R$1,409,278.

Furthermore, there were no major changes in long-term commitments in first 9 months of 2018.

## NOTE 26 – ADDITIONAL CASH FLOW INFORMATION

The following complementary cash flow transactions were as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2018 | 9.30.2017 | 9.30.2018 | 9.30.2017 |
| Dividends allocated by subsidiaries | 379,688 | 386,534 | - | - |
| Offsetting of income tax and social contribution | 4,324 | 16,514 | 13,069 | 30,122 |
| Capitalized interest and monetary variation | - | 2,189 | 212,082 | 113,594 |
| Capital increase in subsidiary with inventory and property, plant and equipment | (562,431) | - | - | - |
| Addition of non-current asset held for sale | (48,038) | - | (48,038) | - |
| Estimated disbursement for future investments in property, plant and equipment | (29,023) | 36,350 | (27,679) | 39,187 |
| Suppliers of property, plant and equipment and intangible assets | (10,000) | (5,708) | 100,549 | 66,163 |

## NOTE 27 – SUBSEQUENT EVENTS

### a) Commercial startup of CLWP Eólica Parque XXI S.A. (CLWP XXI)

On 10.6.2018, Aneel authorized the commercial startup of the indirect subsidiary CLWP Eólica Parque XXI, located in the city of Sento Sé, Bahia, which increased the Company's installed capacity by 29.7 MW and commercial capacity by 15.2 average MW. CLWP XXI is part of the Campo Largo Wind Power Complex – Phase I and sold 13.4 average MW in an auction conducted by Aneel, for a period of 20 years starting 1.1.2019.

### b) Interim dividends and interest on equity

At a meeting held 10.31.2018, the Board of Directors of the Company approved the distribution of interim dividends, based on retained earnings reserve, totaling R$652,742, corresponding to R$1.00 per share.

It also approved the credit of interest on equity related to the period from January 1 to December 31, 2018, in the gross amount of R$397,000, corresponding to R$0.6082033686 per share. The credit of interest on equity will be recorded in the Company's books on 12.31.2018, for shareholders of record on 1.3.2019. Interest, net of withholding income tax, will be calculated towards the minimum mandatory dividends and paid based on the shareholder registration information available with Itaú Unibanco Banco Múltiplo S.A.

The shares of the Company will trade ex-dividends and ex-interest on equity as of 11.13.2018 and 1.4.2019, respectively, and the date of payment will be defined later by the Executive Board and informed through a Notice to Shareholders.

### c) Capital increase

On 10.31.2018, the Board of Directors of the Company approved the proposal to be submitted to the Extraordinary Shareholders Meeting for increasing the Company's capital by R$2,073,592 through capitalization of: (i) the balance in the retained earnings reserve, in the amount of R$1,594,357; (ii) tax incentive reserve, in the amount of R$4,166; and (iii) net income from 3Q18, in the amount of R$475,069.

The capital increase will be made with the issue of 163,185,548 book-entry common shares with no par value, which will be allotted to shareholders, as bonus shares, at the ratio of one new share for four common shares held on 12.11.2018.

Thus, the Company's capital will be R$4,902,648, divided into 815,927,740 book-entry common shares with no par value. Consequently, the head paragraph of article 5 of the Bylaws will be amended to include the new capital amount and the new number of shares.

After the capital increase is approved by the shareholders meeting, the shares will be traded on B3 S.A. – Bolsa, Brasil, Balcão "ex-right" of bonus shares, as from 12.12.2018.

## 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

Claude Emile Jean Turbet
Member

Roberto Henrique Tejada Vencato
Member

José Pais Rangel
Member

Paulo de Resende Salgado
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 Commercialization 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

## Comments on Business Projections

Identification of projections

***a. Purpose of projection***

Investments in equity interest, maintenance, revitalization and expansion of the generation facilities.

The Company's investment statements segregate values in two groups:

• Investments financed with own capital, including acquisitions, and

• Investments financed with debts, including debts assumed in the acquisitions.

Both projection models are included in item "d" below.

The projections made are mere reasonable estimates that usually depend on future events, thus cannot be regarded as a promise to perform by the Company and its managers.

***b. Period projected and projection term***

ENGIE Brasil Energia quarterly discloses to the market its investment projections for the current year and the two subsequent years, valid until its realization or replacement by another projection.

***c. Prospect assumptions, indicating which ones can be influenced by the Company's management***

The Company's projections for investment are mainly based on the following assumptions:

• Schedule for maintenance of the generating units;

• Diagnosis of equipment;

• Regulatory obligations; and

• Strategic initiatives.

The amounts informed, projected and actual, do not consider interest on construction (interest on loan capital).

The Management can influence all assumptions, except for the regulatory obligations that are beyond its control.

In case of a significant change in the foregoing assumptions, the projections can be reviewed.

### *d. Value of the indicators that are the subject matter of the projection*

The estimated and actual amounts for the quarter ended 9.30.2018 are shown in the tables below. These amounts are expressed in millions of Brazilian real and do not include interest on financing that were capitalized during the construction of the plants.

**Third quarter of 2018**

**Estimate for the years 2018, 2019 and 2020, announced in the second quarter of 2018:**

| Description \ Projection period | 2018 | 2019 | 2020 |
|---|---|---|---|
| Financed with debt | 3,097 | 1,953 | 433 |
| Financed with own capital[31] | 639 | (903) | 1,158 |
| **Total** | **3,736** | **1,050** | **1,591** |

**Estimate for the years 2018, 2019 and 2020, announced in the third quarter of 2018:**

| Description \ Projection period | 2018 | 2019 | 2020 |
|---|---|---|---|
| Financed with debt | 2,599 | 2,332 | 433 |
| Financed with own capital | 1,068 | (1,011) | 731 |
| **Total** | 3,667 | 1,321 | 1,164 |

**Changes in the estimates informed for the years 2018, 2019 and 2020 between the second and third quarters of 2018:**

| Description \ Projection period | 2018 | 2019 | 2020 |
|---|---|---|---|
| Financed with debt | (489) | 379 | - |
| Financed with own capital | 429 | (108) | (427) |
| **Total** | **(69)** | **271** | **(427)** |

**Analysis of material changes:**

Changes from the last reporting period were mainly due to the update of physical and financial schedules of Transmission Line projects of Energia Gralha Azul and Umburanas and Campo Largo Wind Power Complexes.

The updated forecasts mainly refer to:

- 2018 and 2019: the construction of the Campo Largo and Umburanas Wind Power Complexes, of Pampa Sul TPP and the Gralha Azul Energy Transmission Line, the modernization of Salto Osório HPP and the maintenance of the Company's generation park.
- 2020: the development of the Gralha Azul Energy Transmission Line project, the modernization of Salto Osório HPP and the maintenance of the Company's generation park.

[31] The negative amounts presented under "Financed with own capital" refer to the reimbursement using third-party funds of the own capital initially invested, due to a change in the schedule of release of financing facilities.

**Investments made in the third quarter of 2018:**

ENGIE Brasil Energia's investments in the first nine months of 2018 totaled R$2,384.8 million, of which: (i) R$2,256.3 million were invested in the construction of new projects: R$954,7 million in the Campo Largo Wind Power Complex; R$566,2 million invested in the construction of Pampa Sul TPP; R$707.9 million to the Umburanas Wind Power Complex; and R$27.5 million in other investments; (ii) R$102.5 million were allocated to maintenance and renovation projects of the generation facilities; and (iii) R$26.0 million for modernization of Salto Santiago and Salto Osório Hydroelectric Power Plants.

# Other Relevant Information

## Other Relevant Information

There is no other information considered relevant by the Company.

## Opinions and Statements / Special Review Report - Unqualified

To the Shareholders and Managers of

Engie Brasil Energia S.A.

Florianópolis - SC

Introduction

We have reviewed the interim, separate and consolidated financial information of Engie Brasil Energia S.A. (“Company”), identified as Parent Company and Consolidated, respectively, contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2018, which comprise the balance sheet as of September 30, 2018 and the related statements of income and of comprehensive income for the three- and nine-month periods then ended, and of changes in shareholders' equity and cash flows for the nine-month period then ended, including the summary of the main accounting policies and other explanatory notes.

The Management of the Company is responsible for the preparation of the parent company and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) – Interim Financial Statements and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission of Brazil - CVM, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. The scope of a review is significantly lower than that of an audit held in accordance with auditing rules, and as a result we were unable to ascertain whether we became aware of all the significant matters likely to be detected in an audit. Accordingly, we do not express an audit opinion.

Conclusion on quarterly information

Based on our review, we are not aware of any facts that would lead us to believe that the parent company interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with the technical pronouncement CPC 21 (R1) and international standard IAS 34 applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the CVM.

Other matters

Value added statement

We also reviewed the parent company and consolidated value-added statements (SVA) for the nine-month period ended on September 30, 2018, prepared by the Company's Management, whose presentation in the quarterly information is required according to the standards issued by the CVM, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, consistent with the parent company and consolidated interim financial information taken as a whole.

Joinville, October 31, 2018

DELOITTE TOUCHE TOHMATSU
Independent Auditors
CRC n.º 2 SP-011.609/O-8 F-SC

Fernando de Souza Leite
Accountant
CRC n.º 1 PR-050.422/O-3

# Opinions and Statements/Statement of the Executive Officers on the Financial Statements

STATEMENT OF THE EXECUTIVE OFFICERS OF THE COMPANY

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Financial Statements (parent company and consolidated) and also, 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 Administrative, Finance and Investor Relations Officer

Gabriel Mann dos Santos

Chief Commercialization 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

Florianópolis, October 31, 2018

# Opinions and Statements / Statement of the Executive Officers on the Independent Auditors' Report

STATEMENT OF THE EXECUTIVE OFFICERS OF THE COMPANY

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Financial Statements (parent company and consolidated) and also, 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.

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Florianópolis, October 31, 2018