ENGIE Brasil Energia S.A.

Management Report

and Financial Statements
for Fiscal Years

2019 and 2018

CNPJ: 02.474.103/0001-19
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ISEB3
Índice de Ações com Governança Corporativa Diferenciada IGC
Índice de Ações com Tag Along Diferenciado ITAG
2019

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MANAGEMENT REPORT

Dear Shareholders,

The Management of ENGIE Brasil Energia S.A. ("ENGIE Brasil Energia", "EBE" or "Company") is pleased to submit for your examination the Management Report and the corresponding Financial Statements for fiscal years 2019 and 2018 in accordance with international as well as accounting practices adopted in Brazil. The Management Report is accompanied by the reports of the Independent Auditors and the Fiscal Council for the year ending 12.31.2019. The data shown in the Management Report is stated in millions of Reais and is on a consolidated basis, unless otherwise stated.

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

Complementary to the information published in this document, the Company also publishes, at the end of April, his Sustainability Report, with a more comprehensive content, according to the Global Reporting Initiative (GRI) framework.

MESSAGE FROM THE MANAGEMENT

Aligned with the purpose of contributing to the harmonious progress of society, ENGIE Brasil Energia continues steadfast in the delivery of consistent results in the present while at the same time, advancing in the collective construction of a society which combines development and the common good. We are committed to driving this transformation, conscious that contingent on the creation of the future is a change in the way we produce and consume energy. The Company's achievements in 2019 are confirmation of the positive impact of this commitment.

The year was characterized by a more favorable environment for the development of the businesses in Brazil following the approval of structural measures fundamental to the recovery of economic growth such as Social Security Reform. The promising prospects give us the necessary security to pursue our growth strategy. On this basis, we made our debut in the natural gas value chain by acquiring Transportadora Associada de Gás S.A. - TAG, in partnership with a subsidiary of ENGIE S.A. and Caisse de Dépôt et Placement du Québec (CDPQ). The business, with an investment from the partners of the order of R$ 35 billion, and involving several financial institutions, was the largest in more than 20 years of ENGIE's operations in Brazil – a size justified by our conviction of the crucial role gas is to play in the Brazilian energy transition. Firstly, as a resource which enhances the flexibility of a system with a greater degree of intermittent renewable energy sources, such as solar and wind power, and from the perspective of a broader spectrum because of the multiple uses of natural gas along the production chain.

With TAG, the curtains were raised on a new cycle anchored in the credibility achieved by the Company over two decades of activities in the electricity sector. In this way, we have consolidated our position as a platform of investments in energy infrastructure aligned to the proposal for diversifying our activities. At the end of the year, there was another important acquisition in the direction of diversification: the Novo Estado Energia, the concessionaire for the construction, operation and maintenance of 1.8 thousand kilometers of power lines in the states of Pará and Tocantins.

As in the past, the success of our new businesses has been accompanied by consistent deliveries. We reported net income of R$ 2,311.1 million, pratically unchanged from 2018, largely due to the impact of interest and monetary restatement of the addition debt contracted to render our recent expanson a viable proposition - although the effect of this debt tends to lessen over subsequent fiscal years. Represented by Ebitda, cash generation was very positive: R$ 5,163.1 million – a year-on-year increase of 18.2% in relation to 2018 – a reflection of the assets acquired or going into operation in the period, to the postive performance of existing plants, the indemnity payment received for non-compliance with contractual conditions during construction work on Pampa Sul, as well as efficiency in the management of the portfolio and costs, which characterize the financial discipline responsible for the Company's solid performance.

As to the unveiling of new capacity, particular mention must be made of the operational startup of the Umburanas Wind Complex – Phase I in the state of Bahia – an audacious project given the short time frame set for installation but nevertheless concluded in record time below budget, reaffirming the Company's efficiency in the construction of its projects. The Ubaranas Wind Complex - Phase I together with the Campo Largo Wind Complex – Phase I, the latter in commercial operations since December 2018, constitutes ENGIE's largest wind farm cluster in Brasil, repesenting a total investment of R$ 3.5 billion. In this context, also worthy of mentioned is the start of work on the Gralha Azul Transmission System in the state of Paraná, with about a thousand kilometers extension, as well as early construction work on Phase II of the Campo Largo Wind Complex, its energy output fully absorbed through the intermediary of more than 60 agreements already concluded with free market clients – a virtuous circle whereby anticipating the sale of energy, enables the construction of the project. which in turn permits the expansion of installed capacity to supply new consumers.

And to further increase our proximity to clients, in 2019, we ramped up our Go To Market project dedicated to improving the relationship and strategies for operations with this stakeholder group. Additionally, we reinforced the understanding that by acquiring energy from ENGIE Brasil Energia, our clients become part of a value chain which has socio-enviromental responsibility as its key differential. Only reasonable therefore that our clients should also enjoy the benefits accruing from the positive impact of our business on the environment and the communities, examples being the partnerships concluded with L'Oréal Brasil and Grupo Claro for the supply of renewable energy.

All the changes we seek to capitalize in society cannot be achieved without the integral care of the people in our team. In 2019, we upgraded even more our vigilence of the health as well as the occupational safety of our employees, the focus being on the identifcation and correction of risk situations. The result was one more year without fatal accidents. On another front, we robustly promoted diversity, notably in the form of gender equality, signing up to the United Nations Organization's "Women's Empowerment Principles" (WEPs) initiative which represents our long-term commitment so that the theme becomes a value which is shared throughout the Company.

Conscious that dialog is the key to the sharing of values, we are dedicated to listening to different stakeholders, especially employees, suppliers, clients, communities and investors. Besides our daily interactions, we promote events and panels of engagement in different regions of Brazil. In this way we are able to capture stakeholder perceptions as to our operations on our potential for contributing to sustainable development. The result of such interactions render our action plans richer and more assertive, particularly the socio-environmental initiatives, having as their base the genuine demands of those that are close to the businesses.

Continuing alert to the interests of each stakeholder has also served as the lodestone in the decarbonization process which includes the divestment of the Jorge Lacerda Thermelectric Complex in the state of Santa Catarina and the Pampa Sul Thermoelectric Power Plant in the state of Rio Grande do Sul – startup of operations at which took place in 2019. In addition to ensuring fair and just negotiations in the light of the value of the assets, we are sparing no effort to guarantee that once divestment occurs, the new operators are attentive to the needs of the people involved and to the environment as ENGIE Brasil Energia before them.

While decarbonization involves complex challenges, the energy transition is accelerating, now driven by the consumer market, increasingly conscious of the environmental and climatic impact of non-renewable sources of energy. The process has thus been shown as a journey for which there is no return and one which requires strategies, investments and an effective capacity of execution. At the same time, a speedy modernization of sector regulations is called for. In Brazil, there is consensus on the need to adapt the rules as for example the reduction in subsidies for non-conventional sources of energy in order to avoid market distortions leading to inadequate conditions of competitiveness. While regulatory questions did not advance up the legislative agenda in 2019, we are confident that given their relevance, they will be made a priority in 2020.

At ENGIE Brasil Energia, sustainability continues a priority in all its facets. The expansion and consolidation of our position as a provider of energy infrastructure lies ahead on the horizon. Looking at the more distant future, we are alert to the maturities of some of our concessions in 2028 as well as the concessions of other operators – which could present opportunities in the market in the same way as Jaguara and Miranda hydroelectric plants in the Southeast, acquired by ENGIE in 2017.

We believe in Brazil and work daily to create prosperity – with the aim of "guaranteeing full and prosperous lives in harmony with nature", as UNO's proposed Agenda 2030 for Sustainable Development suggests. People's relationship with energy is an essential component in the transformation needed for the future of society. A transformation which we are leading with consistency and courage.

Good reading!

Maurício Stolle Bähr

Chairman of the Board of Directors

Eduardo Antonio Gori Sattamini

Chief Executive Officer

AWARDS AND RECOGNITIONS RECEIVED IN 2019

- **Component of 2020's Corporate Sustainability Index (ISE) of B3 –** for the 15th consecutive year, from the advent of the ISE**.**

- Company of the Year and Best Company in the Energy Sector, **Época Negócios 360º** Award**, sponsored by Editora Globo's Época Negócios magazine.**

- **Component of the "Global 100" 2019 ranking of the *Corporate Knights* magazine: 72nd place among the world's 100 most sustainable companies.**

- Sustainability highlight and second place overall in the **Broadcast Economática Ranking of Publicly Listed Companies**.

- Winner of the **Transparency Trophy of the National Association of Finance, Administration and Accounting Executives (Anefac)** – category "companies with net revenues up to R$ 5 billion".

- Best Company in the Energy Industry in the **As Melhores da Dinheiro Award**, hosted by Istoé Dinheiro magazine.

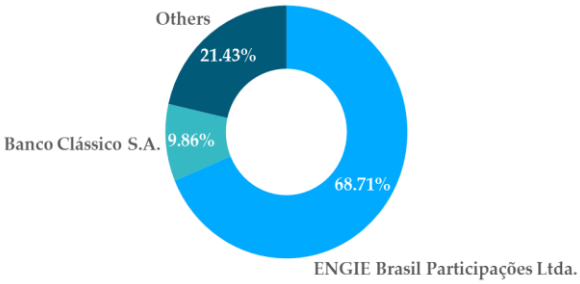
- Ranked by the **Institutional Investor magazine (Electric & Other Utilities),** as follows:
    - Best CEO: 1st place, sell-side
    - Best CFO: 1st place, sell-side
    - Best ESG Metrics: 1st place
    - Best Analyst Day: 2nd place

- Highlight of the **ALAS20 (Agenda Líderes Sustentables 2020)**, a Latin-American initiative that reviews sustainable development- and corporate governance-related practices. Among Brazilian companies, ENGIE Brasil Energia was recognized as follows:
    - "Investor relations leaders" category: 2nd place
    - "Sustainability leaders" category": 4th place
    - "Corporate governance leaders" category: 6th place

THE COMPANY

Present in Brazil for 21 years, ENGIE Brasil Energia acts as an energy infrastructure operator whose activities break down into centralized and distributed generation, sales, trading, and transmission. In 2019, it also began to operate in the natural gas transportation sector after acquiring a stake in Transportadora Associada de Gás (TAG). Through this and other new projects, we extended our direct present in Brazil to 21 states.

Shareholding structure at



At the end of 2018, the Company´s capital stock amounted R$ 4,903 million, a total of 815.927.740 common shares trading regularly on B3. The Company is also present in the United States over-the-counter market, where Level I American Depositary Receipts (ADRs) are traded under the EGIEY symbol at a ratio of one ADR for every common share.

Operating segments ENGIE Brasil

TRANSMISSION (under construction)
~2,800 km of transmission lines
6 substations

CENTRALIZED GENERATION
60 operated power plants
8,710.5 MW own installed capacity
6,3% of Brazil's installed capacity

TRADING
Beginning of operations in 2018

DISTRIBUTED SOLAR GENERATION
2,413 photovoltaic systems installed since 2016, which corresponds to **35,935kWp** of installed capacity, in **17 Brazilian states**

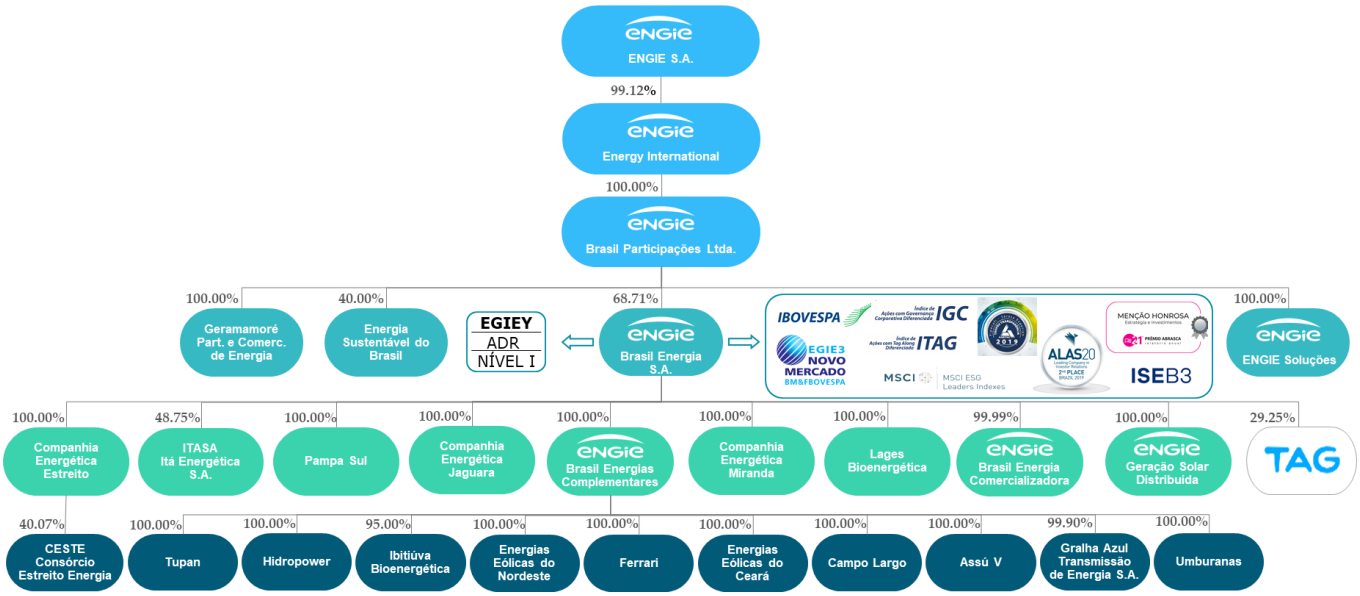
GAS TRANSPORTATION
29.25% of EBE participation in the Company
4,500 km of gas pipelines in operation in the Southeast, Northeast and North regions
47% of the Brazil's gas transmission capacity

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

Corporate Structure

As the following infographic shows, ENGIE Brasil Energia controls subsidiaries and also maintains stakes in plant concession consortia in its generator complex. In 2019, the main corporate change was the inclusion of TAG, in which ENGIE Brasil Energia has a 29.25% stake.

Corporate structure* as at 12.31.2019



** Simplified structure*

Centralized generation

At 12.31.2019, ENGIE Brasil Energia operated a generation complex with an installed capacity of 10,431.2 MW, composed of 60 plants – 11 hydroelectric plants, four conventional thermoelectric plants and 45 complementary plants: two Small Hydroelectric Plants (SHP), 38 wind plants, three biomass and two solar photovoltaic. Of these ventures, 56 are wholly owned by the Company – in the others, it participates in consortia that own the concession or grant. Thus, the total installed capacity at the end of 2019 was 8.710,5 MW, in a matrix formed predominantly by renewable sources (86.2% of total).

In relation to the generating complex, the main changes that occurred during the year were the completion of works on two new projects: the Pampa Sul Thermoelectric Plant, in Candiota (RS) - which added 345 MW to the Company's installed capacity - and the Umburanas Wind Farm - Phase I, located in Umburanas (BA), contributing 360 MW of renewable energy.

As part of the Company's commitments with the decarbonization of its portfolio, the market analysis to identify potential buyers for the Jorge Lacerda Thermoelectric Complex (SC) and for the Pampa Sul Thermoelectric Plant (RS) continued, but without conclusion up to the end of 2019.

Composition of the generating complex as at 12.31.2019

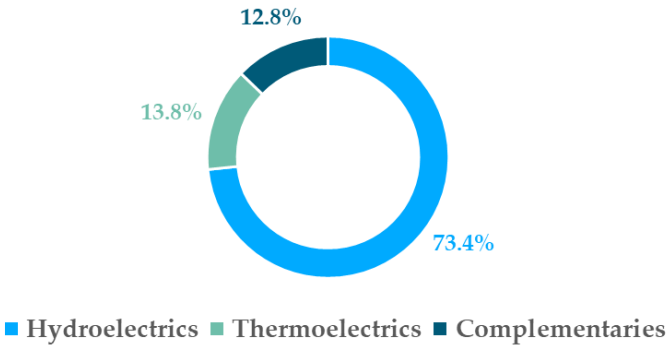
	Hydroelectric power plants	Total installed capacity (MW)	Total physical guarantee (aMW)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
1	Salto Santiago	1,420.0	733.3	100%	1,420.0	733.3	09.27.2028
2	Itá	1,450.0	740.5	69.0%	1,126.9	564.7	10.16.2030
3	Salto Osório	1,078.0	502.6	100%	1,078.0	502.6	09.27.2028
4	Cana Brava	450.0	260.8	100%	450.0	260.8	08.26.2033
5	Estreito	1,087.0	641.1	40.1%	435.6	256.9	11.26.2037
6	Jaguara	424.0	341.0	100.0%	424.0	341.0	12.28.2047
7	Miranda	408.0	198.2	100.0%	408.0	198.2	12.28.2047
8	Machadinho	1,140.0	547.1	19.3%	403.9	165.3	07.14.2032
9	São Salvador	243.2	148.2	100%	243.2	148.2	04.22.2037
10	Passo Fundo	226.0	113.1	100%	226.0	113.1	09.27.2028
11	Ponte de Pedra	176.1	133.6	100%	176.1	133.6	09.30.2034
	Total	**8,102.3**	**4,359.5**		**6,391.7**	**3,417.7**	
	Thermoelectric power plants	**Total installed capacity (MW)**	**Total physical guarantee (aMW)**	**Owner-ship**	**Own installed capacity (MW)**	**Own physical guarantee (aMW)**	**Expiration of concession/ authorization**
12 [1]	Jorge Lacerda Complex	857.0	649.9	100%	857.0	649.9	09.27.2028
13	Pampa Sul	345.0	323.5	100%	345.0	323.5	03.30.2050
	Total	**1,202.0**	**973.4**		**1,202.0**	**973.4**	
	Complementary power plants	**Total installed capacity (MW)**	**Total physical guarantee (aMW)**	**Owner-ship**	**Own installed capacity (MW)**	**Own physical guarantee (aMW)**	**Expiration of concession/ authorization**
14 [2]	Umburanas Complex - Phase I (Wind)	360.0	213.3	100%	360.0	213.3	08.03.2050
15 [3]	Campo Largo Complex - Phase I (Wind)	326.7	169.6	100%	326.7	169.6	08.03.2050
16 [4]	Trairi Complex (Wind)	212.6	100.8	100%	212.6	100.8	02.04.2045
17	Ferrari (Biomass)	80.5	35.6	100%	80.5	35.6	07.26.2042
18	Assu V (Solar)	30.0	9.2	100%	30.0	9.2	07.06.2051
19	Lages (Biomass)	28.0	16.5	100%	28.0	16.5	10.28.2032
20	Rondonópolis (SHP)	26.6	14.0	100%	26.6	14.0	12.18.2032
21	José G. da Rocha (SHP)	24.4	11.9	100%	24.4	11.9	12.18.2032
22	Ibitiúva (Biomass)	33.0	17.3	69.3%	22.9	12.0	04.05.2030
23	Nova Aurora R&D (Solar)	3.0	not applicable	100%	3.0	not applicable	not applicable
24	Tubarão R&D (Wind)	2.1	not applicable	100%	2.1	not applicable	not applicable
	Total	**1126.9**	**588.2**		**1116.8**	**582.9**	
	General total	**10,431.2**	**5,921.1**		**8,710.5**	**4,974.0**	

(1) Complex made up of three plants
(2) Complex made up of eighteen wind farms
(3) Complex made up of eleven wind farms
(4) Complex made up of eight wind farms

Geographical distribution of generation



ENGIE Brasil Energia energy matrix – proprietary installed capacity



Distributed generation

The Company has operated in the distributed generation market since 2016 through ENGIE Geração Solar Distribuida S.A. ("EGSD"). The presence in the distributed solar generation segment is a strategic move, contributing to a more dynamic energy matrix and closer to the final consumer.

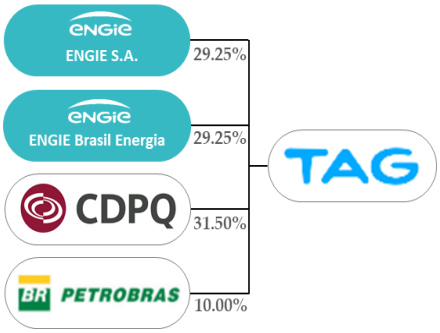
The solution goes from technical feasibility visit, through project design and arrangements with the concession holder, to monitoring and maintenance of the installed system. Since the beginning of its operations, the company has reached a total of 2,413 installed systems, totaling 35,935 kWp of installed capacity, with a footprint in 17 Brazilian states.

Transportadora Associada de Gás S.A. – TAG

TAG is the largest natural gas transportation operation in Brazil, with an infrastructure of 4,500 km of high pressure gas pipelines extending along the country's southeastern and northeastern seaboards as well as a further section of line between Urucu and Manaus, in the state of Amazonas, crossing 10 Brazilian states and 181 municipalities.

The gas pipeline network has several interconnection points, among them, 10 gas distributors, 13 active gas entry points (including two Liquified Natural Gas (LNG) terminals) and a further 90 gas exit points as well as 11 compressor stations for supplying refineries, fertilizer plants and thermoelectric power plants.

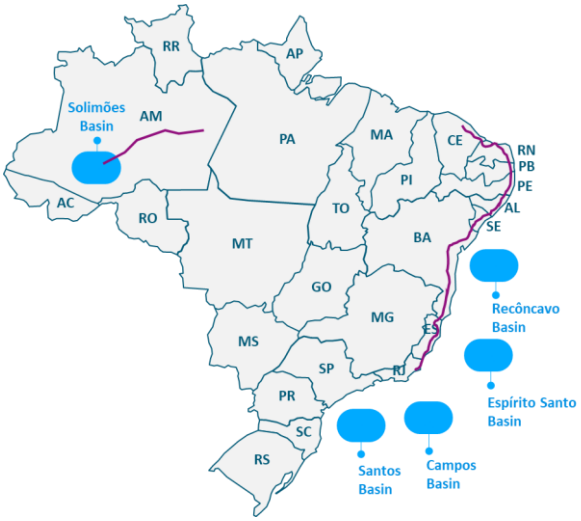
Corporate Structure



This acquisition marks EBE`s entry into the natural gas segment in Brazil and is in line with the Group`s global strategy of being a leader in the energy transition. This requires large scale and sophisticated infrastructure such as TAG`s gas pipelines, contributing to the diversification and decarbonization of the Brazilian energy mix.

Following expiry of the current agreements, a five-year tariff revision cycle will be triggered under the responsibility of the National Petroleum Agency (ANP), which will decide the revised maximum permitted revenue flow. TAG is significantly contracted (~99%) for an average term of approximately 10 years through current agreements with Petróleo Brasileiro S.A. (Petrobras).

Geographical distribution -



CORPORATE GOVERNANCE

ENGIE Brasil Energia conducts its business based on ethics and integrity, striving to ensure the rights of shareholders and the transparency of its actions, and consequently, the mitigation of risks and sustainable growth. For this reason, we operate in line with the best governance practices, such as those defined in the Brazilian Corporate Governance Code, and we integrate the Novo Mercado - B3 listing segment composed of companies with superior transparent corporate rules and with enhanced minority investor rights.

Over the course of 2019, we continued to work on adapting to the changes in Novo Mercado regulations. To adjust to the new regulations, among other reasons, the Corporate Bylaws were revised at the 22nd Annual Shareholders' Meeting, held April 26, 2019. The next meeting, to be held in 2020, will install the Audit Committee, an organ that will assist the Board of Directors in matters related with risk management, ethics-related topics, internal controls, compliance, and internal and external audits. At the same time, the Fiscal Council will become non-permanent, reversing the model that was previously justified by the absence of an Audit Committee.

The Company publishes its annual Report on the Brazilian Corporate Governance Code. The document discloses information on what governance principles and practices prescribed in the Code that ENGIE Brasil Energia subscribes – those that it does not, are justified under the "comply or explain" principle. The Report is available on our Website – www.engie.com.br/investidores/governanca-corporativa/. It is worth emphasizing that the Code supports the continued evolution of our corporate governance practices and undergoes annual review by the Board of Directors as a means to monitor practices and enable reflection on them.

Policies and Management guidelines

Our values and organizational culture are enshrined in codes and policies which when validated by the Board of Directors, provide guidance for conducting the businesses and the relationship with the different stakeholders with which we interact. In 2019, we published Policies for the Appointment, Compensation and Evaluation of Directors, Officers, and Committee Members.

The policies and codes which we share with our value chain and which therefore are made public through our website, are:

- *Ethics Code and Practical Guide to Ethics:* a series of fundamental principles to be followed by all who directly or indirectly are involved in actions of responsibility at the Company.

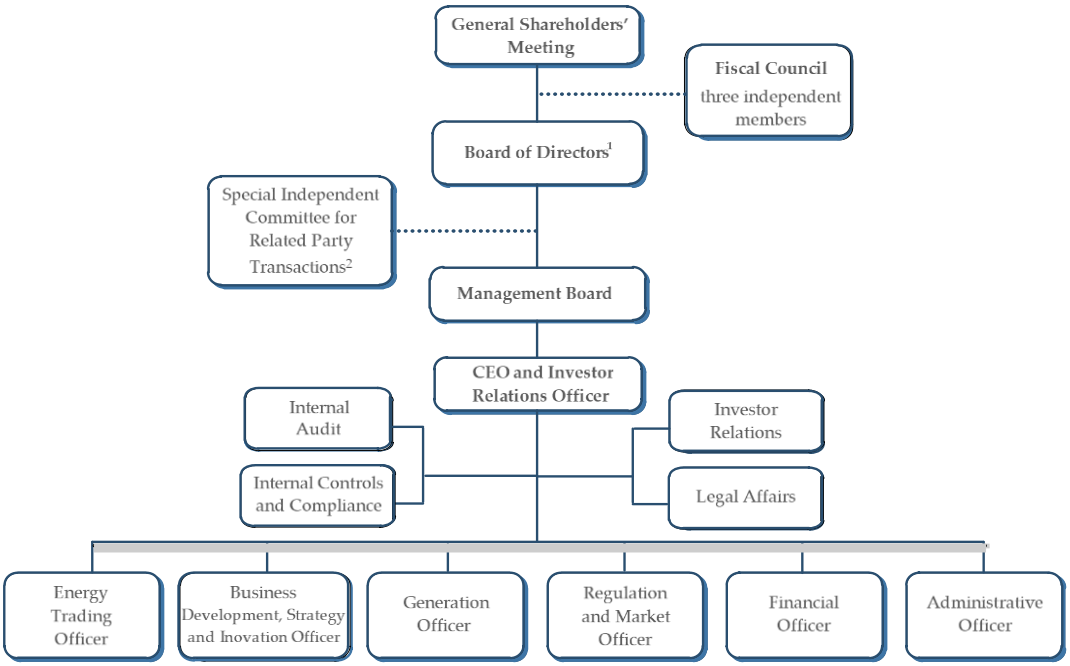
- *Policy for Combating Corruption and Bribery:* establishes the commitment to comply with all the laws for prevention of corruption and bribery in the conducting of the businesses.
- *Sustainable Management Policy*: expresses the Company's guidelines with respect to quality, energy management, environment, climate change, occupational health and safety, social responsibility and stakeholder engagement.
- *Human Rights Policy:* establishes commitments and guidelines focusing on the Company's projects, operations and value chain.
- *Investments and Derivatives Policy:* establishes the criteria for investing available resources in the financial market and limits on the use of derivatives.
- *Trading and Disclosure Policy:* lays down practices for disclosure and the use of corporate information as well as for the trading of securities issued by ENGIE Brasil Energia, such as shares and debentures.
- *Risks and Opportunities Management Policy*: aims to maintain and enhance the Company's value, reputation and internal motivation, encouraging the taking of legally reasonable risks that are deemed acceptable and economically viable.
- *Policies for the Appointment, Compensation and Evaluation of Directors, Officers and Committee Members:* these were published in 2019 and aim to add transparency to the Company's top-management activities and procedures.

All the mentioned policies can be accessed through https://www.engie.com.br/en/investors/corporate-governance/bylaws-codes-and-polices/.

Management structure

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

Management Organization Chart as at 12.31.2019



(1) Consists of nine members: chairman, vice chairman and seven directors: four representing the controlling company, two, minority interests and one, a representative of the employees.
(2) Non-permanent and made up of independent members who are not appointed by the controlling company.

Board of Director

ENGIE Brasil Energia's Board of Directors has the duty of establishing policies, strategies and general guidelines for conducting the business. Thus, the analysis of aspects and impacts related to sustainability in the economic, environmental and social spheres are also the responsibility of the directors, who meet regularly to analyze performance, oversee administrative acts and provide guidance to the Management Board. In line with best governance practices, none of the Directors has an executive role at the Company.

Board of Directors as at 12.31.2019

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

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

Fiscal Council

With the Bylaws revision of April 26, 2019, the Fiscal Council became non-permanent. Evaluation of risk-management and internal-control systems, as well as analysis of proposals for submission to the Board of Directors in the event of the retainer of complementary Financial Statement auditing, remained under the Council's purview over the course of the year – but will no longer after the next Annual General Shareholders' Meeting, which is set to convene April 28, 2020. These changes are associated with the installation of the Audit Committee, which will take over these activities in addition to others. Members of the Fiscal Council will continue to be elected annually by the Shareholders' Meeting, and reelection is permitted. However, convening the Council will be contingent on the shareholders' requirement, pursuant to the Corporate Law.

Fiscal Council as at 12.31.2019

Members	Alternates
Carla Carvalho de Carvalho	Waltamir Barreiros
Carlos Guerreiro Pinto	Manoel Eduardo Bouzan de Almeida
Manoel Eduardo Lima Lopes ***Minority shareholders' representative***	Ailton Pinto Siqueira *Minority shareholders' representative*

Management Board

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

The following changes were made to the Management Board in 2019:

- Marcelo Cardoso Malta, formerly the Manager of the Company's Accounting Organizational Unit ("O.U."), became Chief Financial Officer, taking over from Carlos Henrique Boquimpani de Freitas;
- Marcos Keller Amboni, formerly the Manager of the Company's Trading O.U., became Regulations and Market Officer (the position formerly called Strategy and Regulation Officer), taking over from Edson Luiz da Silva – who resigned to become CEO of Energia Sustentável do Brasil ("ESBR");
- Guilherme Slovinski Ferrari, formerly the Manager of the New Business Development O.U., became New Business, Strategy and Innovation Officer (the position formerly called Business Development Officer), taking over from Gustavo Henrique Labanca Novo, who became CEO of TAG.
- The position of Investor Relations Officer, formerly under the purview of the Chief Financial Officer, has been entrusted to the Chief Executive Officer, Eduardo Antonio Gori Sattamini, who will accumulate the duties of both.

Management Board as at 12.31.2019

Name	Position
Eduardo Antonio Gori Sattamini	Chief Executive and Investor Relations Officer
Gabriel Mann dos Santos	Energy Commercialization Officer
Guilherme Slovinski Ferrari	Business Development, Strategy and Innovation Officer
José Luiz Jansson Laydner	Generation Officer
Júlio César Lunardi	Administrative Officer
Marcelo Cardoso Malta	Financial Officer
Marcos Keller Amboni	Regulation and Market Officer

Ethics and Integrity

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

The Code of Ethics and the Policy for Combating Corruption and Bribery establish the guidelines for these relations. In addition, primers and guides are available with a focus on the behavior to adopt in the case of specific instances such as Procedures for Gifts and the Offer of Hospitality (supported by a digitized system), the Guide to Relationship with Business Consultants and the Guide to Ethics in Supplier Relations. We also have in place regular practice of preventing and verifying situations of risk and improprieties such as due diligence processes, audits, training and awareness programs, contractual provisions and a program for the internal control of the Company's activities.

In 2019, the Company created the Internal Controls and Compliance Advisory, which is intended to add robustness and focus to the Company's second line of defense. While reporting on an interim basis to the Chief Executive Officer, the Advisory will subsequently report to the Audit Committee – to be installed in 2020 – as well as to Internal Audit.

Ethics-related doubts or whistleblowing

One of 2019's highlights was the creation of an external channel for reporting or whistleblowing on ethics-related matters, complementing the existing internal channels. Access takes place at the Website https://www.canalintegro.com.br/engiebrasil or by telephone at (+55) 0800 580 2586 (toll-free).

Every situation reported is kept completely confidential, with guaranteed non-retaliation. Regardless of the channel used, reports are investigated by ENGIE Brasil Energia's Ethics Forum.

STRATEGY

ENGIE Brasil Energia strives to respond dynamically to energy transition-related challenges and opportunities, essential to consolidate the low-carbon economy. The Company is attuned to the local and global impacts that industry transformation has been having on the activities and perceived value of businesses in this sector as well as the attempts to stay ahead of the process in Brazil. Recognized as a large energy infrastructures operator – and supported by its Controlling Entity's energy and energy efficiency services expertise –, ENGIE Brasil Energia has a head start in spearheading this transformation.

We summarize the corporate strategy as three key pillars that complement one another mutually in pursuit of the corporate objectives:

Expansion and diversification
- Growth through acquisitions (capturing opportunities with results in the short run)
- Organic growth (constructivist vision for long-term results)

Commercial and portfolio-management dynamism
- Proper balance of terms, prices, and market risk management
- Customized offerings and consolidated partnerships

Innovation and zero carbon transition (3Ds)
- Decarbonization
- Decentralization
- Digitalization

Competitive advantages

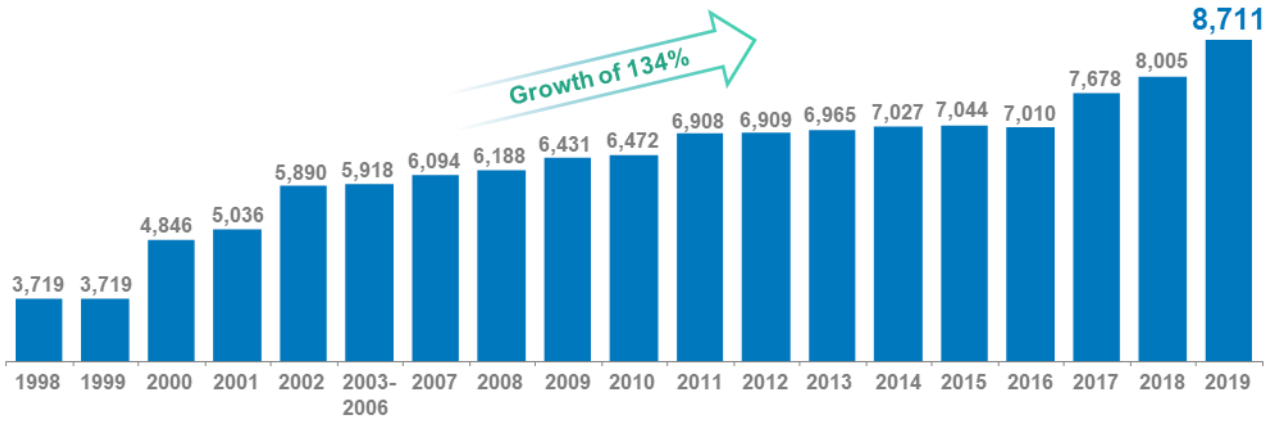
- *Key sector:* energy sector is considered strategic to the development of the country, since energy constitutes a fundamental input for production and for a great number of society's daily activities. This guarantees greater predictability of revenue and investments with projects readily attracting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

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

Expansion and diversification

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

Trend in proprietary installed capacity (in MW)



Below, we present the expansion project in centralized generation.

Jirau Hydroelectric Power Plant

Expansion projects – energy generation

Expansion - generation	Total installed capacity (MW)	Total physical guarantee (aMW)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
Jirau (Hydro)	3,750.0	2,184.6	40%	1,500.0	883.2	08.13.2043

Energia Sustentável do Brasil (ESBR) is responsible for the maintenance, operation and sale of energy generated by the Jirau Hydroelectric Power Plant, located on the Madeira River in the city of Porto Velho, state of Rondônia. Since November 2016, Jirau HPP has 50 generating units in operation, representing a total installed capacity of 3,750 MW. Its inauguration took place on December 16, 2016.

In May 2017, ENGIE Brasil Participações (EBP) announced the engagement of Banco Itaú BBA SA to provide financial advisory services in the form of an economic-financial study to prepare the proposed transfer to ENGIE Brasil Energia of its stake of 40% in ESBR Participações SA (ESBRpar), holder of 100% of ESBR's share capital, and its 100% interest in Geramamoré Participações e Comercializadora de Energia Ltda. The transfer assessment has been put on hold, awaiting more favorable conditions for the discussions to resume.

Below, we present the project under construction in centralized generation.

Campo Largo Wind Complex – Phase II

Projects under construction – energy generation

Expansion - generation	Total installed capacity (MW)	Total physical guarantee (aMW)	Owner-ship	Own installed capacity (MW)	Own physical guarantee (aMW)	Expiration of concession/ authorization
Campo Largo Wind Complex - Phase II (Wind)	361.2	196.5	100%	361.2	196.5	12.10.2054

Activities are underway to implement the Campo Largo Wind Complex – Phase II, located in the muncipalities of Umburanas and Sento Sé, approximately 420 km distant from the state capital, Salvador. Phase II represents 361.2 MW of installed capacity and 196.5 average MW of assured energy with investments of about R$ 1.6 billion. Operations are scheduled to conclude early in 2021.

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

In the fourth quarter 2019, significant headway was made in the civil works for access roads and assembly platforms. The tower anchor bolts were delivered, permitting a start on the wind turbine foundations. The installation of the medium voltage networks is underway, these connecting the wind turbines to the collector substation. Significant progress with civil works, manufacture and inspection of the principal substation equipment was also achieved during the period.

All the installation licenses for the eleven wind farms have been obtained, thus allowing activities in all areas of the project to proceed.

Expansion in Energy Transmission

Expansion projects – energy transmission

Expansion – transmission	Extension (km)	Substations	Ownership	Estimate of concession/ authorization expiration
Gralha Azul (PR)	1,000.0	5	100%	03.2053
Novo Estado (PA and TO)	1,800.0	1	100%	03.2053

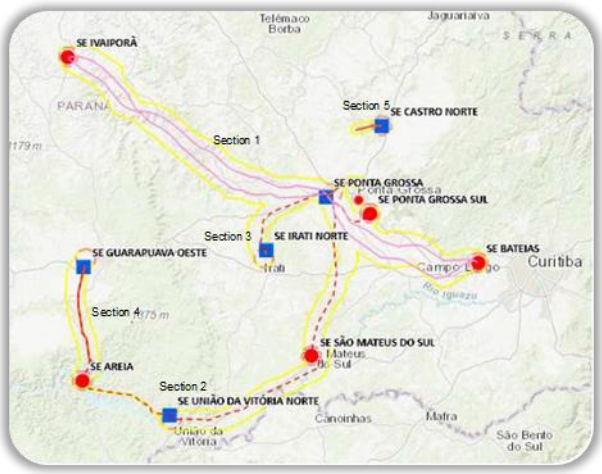
Gralha Azul Transmission System

On December 15, 2017, the Company made a successful bid for Lot 1 of Aneel Transmission Auction 02 for a stretch of about 1,000 kilometers in the State of Paraná (PR), marking EBE's debut into the energy transmission sector in Brazil. The project also includes the installation of five new substations and expansion of another five existing ones. The concession term for the public utility transmission service, including the licensing, the construction, assembly and the operation and maintenance of the transmission line installations will be 30 years as from signature date of the concession agreement.

The stipulated cut-off date for startup in operations of the transmission line is March 9, 2023. The estimated reduction in investment relative to that stipulated by Aneel remains at approximately 15%.

Implementation of the executive projects continues while topographic and drilling activities are almost concluded. The subcontractors for the principal equipment have been selected and key agreements already signed.

Location – Gralha Azul (Paraná



From the licensing point of view, all the Project's Preliminary Licenses and Installation Licenses were issued. With respect to the archeological licensing, the necessary agreements have been obtained from the National Heritage Institute (Instituto de Patrimônio Histórico e Artístico Nacional - IPHAN) for almost the entire project with the exception of one sectioning.

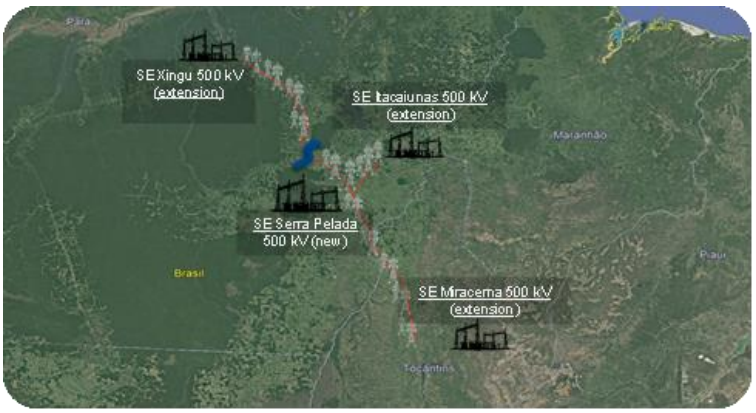
As to land ownership issues, negotiations have been concluded in the case of 98% of the properties, approximately 65% amicably and 35% submitted for court adjudication as to the institution of rights of way. Indemnity payments are currently being made, the inclusion of rights of way in property documentation and legal actions pursued in cases where no amicable agreement has been possible.

Transmissora Novo Estado Energia

In December 2019, through its subsidiary, ENGIE Transmissão de Energia Participações S.A., the Company signed a purchase and sale agreement for the purchase of stock, the issue of Sterlite Novo Estado Energia S.A., held by Sterlite Brasil Participações S.A., as the successful bidder for Lot 3 of Aneel Transmission Auction 002/2017, held in December 2017.

The object of the concession is the construction, operation and maintenance of approximately 1,800 kilometers of transmission lines, a new substation and upgrades to a further three existing substations in the states of Pará and Tocantins, for a term of 30 years. The installation license of the project has already been issued by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama) and construction is scheduled to begin in the first half of 2020. The cutoff date for the transmission line to go into operation is March 9, 2023.

Location – Novo Estado (Pará and Tocantins

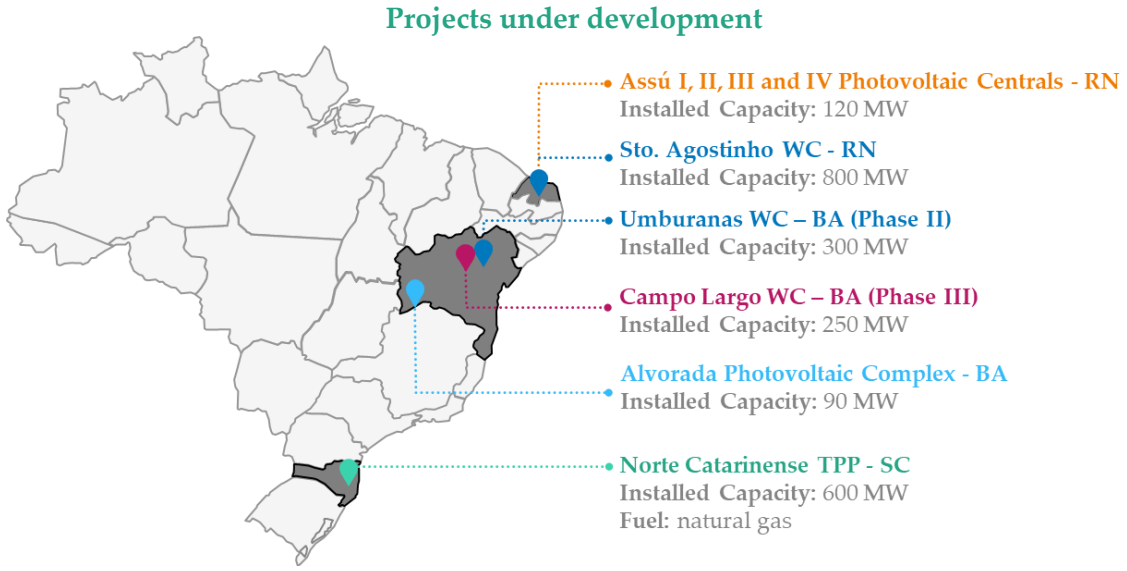


The closing of the operation is subject to satisfying certain conditions precedent, and the acquisition price of the shares is a maximum of R$ 410 million, subject to adjustments until the date the operation is finalized.

The projects under development by the Company, and which are in the pipeline for implementation, are:

Projects under development

Currently, the Company has in its portfolio several projects under development, as shown in the diagram:

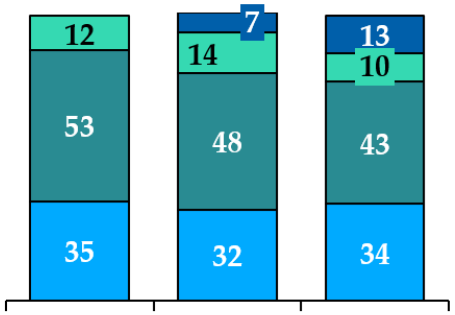


Commercial and portfolio-management dynamism

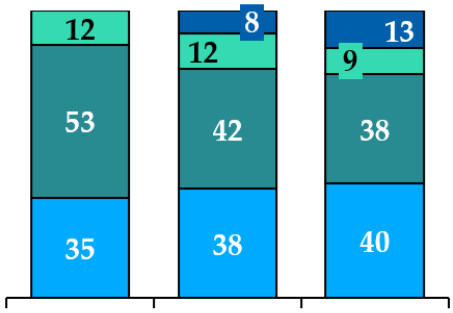
We trade energy both on the Regulated Contracting Environment (ACR), through Aneel-sponsored auctions, and on the Free Contracting Environment (ACL), entering into contracts directly with business firms or energy traders.

Our energy trading management strategy on the free market is based on two important distinctions: management of the energy portfolio and the chosen sales dynamics. Together, they enable superior results because few players share our characteristics – which emerge from the fact that we are one of the largest energy generators in Brazil, with the weight to offer competitive short- and long-term offerings, agility, and the dynamics of a private-sector global player, attuned to the market's opportunities and needs.

Breakdown of clients by physical sales (%)



Breakdown of clients by contracted sales comprising net operational revenue (%)



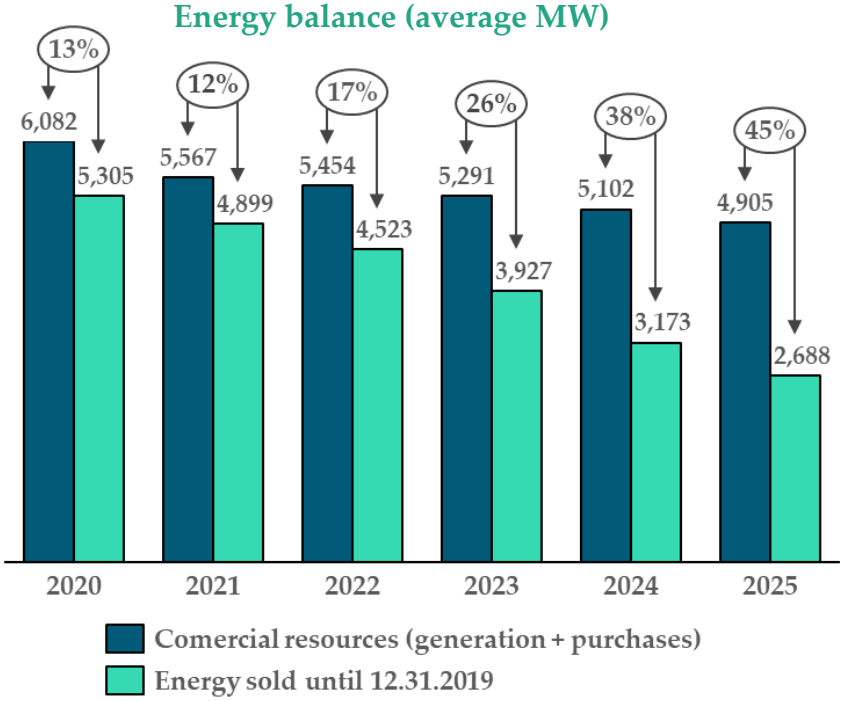


Based on proprietary selling capacity data and energy sale agreements in force on December 31, 2019, the Figure summarizes the Company's energy balance.

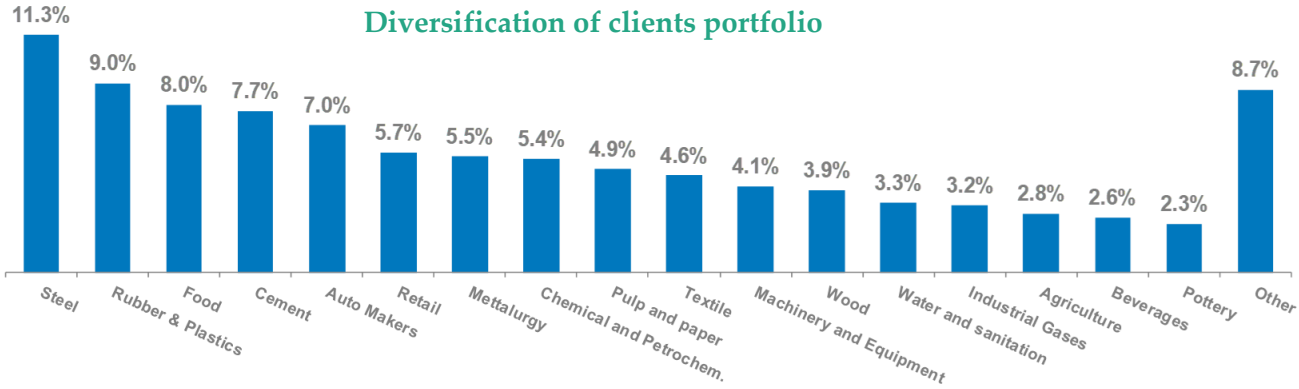
Management of the energy portfolio allows the Company to minimize short-term exposure risk, thereby avoiding payment of high prices when there is a shortage of hydroelectric generation – as has often been the case in recent years.

Within the context of trading dynamics, we have formed a diverse portfolio of customers made up of companies of different sizes and in different industries, mitigating the potential impacts of negative circumstances for certain segments, reducing the risk of revenue losses.

Energy balance (average MW)



Diversification of clients portfolio



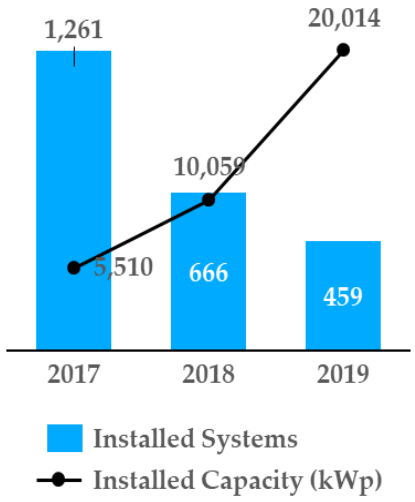
We are the leaders of free-market energy trading, adapting as needed to different scenarios to capture the opportunities created by the market's expansion and to new relationship models. We had 621 free-market customers in 2019, up 20.6% from 2018's 515. In addition to energy from renewable sources, the Company has other related offerings, such as distributed generation products and services, and solutions for carbon emission neutralization, offsetting or reduction.

These three "green products" were released in 2019 and are intended for companies looking for solutions to decarbonize their activities: Renewable Energy Certificates (I-REC), Renewable Energy Contracts (ENGIE-REC) and Carbon Credits. The Company thus contributes to the strategies of customers seeking not only to reduce their CO_2 emissions but also to add value to their business and contribute to socio-environmental projects.

Photovoltaic Solar Generation

Through ENGIE Geração Solar Distribuída, we deployed 459 photovoltaic systems in 2019, with total capacity of 20,014 kWp, increase of 99.0% when compared to the 10,059 kWp registered in 2018, and 666 installed systems. Since the outset of its operations, ENGIE Geração Solar Distribuída has installed 2,413 systems with an installed capacity of 35,935 kWp across 17 states of the country.

Number of systems and installed



The B2B (business-to-business) segment strengthens the Company's relationship with leading corporations responsible for projects with higher installed capacities and representing 91.4% of total commercialized capacity in 2019 (40.6 MWp). Total sales are distributed throughout the country, 44.7% in the Southeast, 24.4% in the Northeast, 17.3% in the South, 7.0% in the Central-Western region and 6.6% in the North

The Solar Industry Program, an initiative of the Industries' Federation of the states of Santa Catarina, Mato Grosso and Rio Grande do Sul in conjunction with the Unicred Solar and Credifoz Solar programs – both of the latter with regional cooperatives, reached 3,000 enrollments in the residential class and more than 1,000 in the commercial category. These programs were concluded and new ones are under study.

Innovation and zero-carbon transition

Products and processes innovation is key to the longevity of the business and is becoming increasingly connected with the corporate strategy. This is due to the fact that it blends in with the highly dynamic context of the energy transition and the expansion of the free energy market, which require new solutions to meet society's demands.

In this sense, we launched an internal project in 2019 that aims to develop a management process to prioritize, plan and execute ENGIE Brasil Energia's Research, Development and Innovation (RD&I) investments, focusing on technological maturity diagnoses trend spotting. The purpose, therefore, is to consolidate a list of technological paths to explore, including estimated durations and costs.

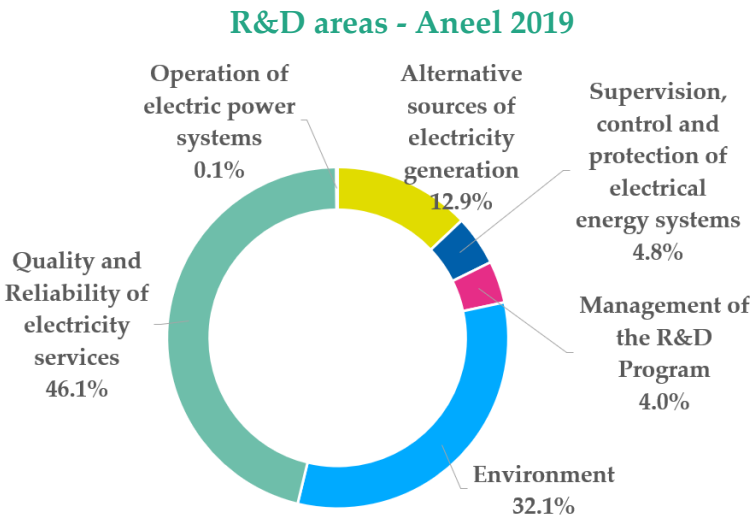
We showcase, next, the main innovation fronts on which the Company is active:

R&D

The Research and Development (R&D) program is an important link in our innovation-promotion strategy. Aligned to open innovation culture, R&D is conducted on the basis of partnerships with companies, universities and research institutes, pursuant to Law 9.991/2000, which requires energy companies to invest 1% of its annual net revenues in R&D. Throughout 2019, R$ 48.5 million was invested in the Program with the following distribution:

- R$ 19.4 million to the National Science and Technology Development Fund (FNDCT);
- R$ 9.7 million to the Ministry of Mines and Energy (MME) as funding for the Empresa de Pesquisa Energética (EPE); and
- R$ 19,4 million to investment in new or ongoing R&D Projects.

The 11 ongoing projects received R$ 14.1 million during the year, distributed in 6 different research areas, as shown in the graph.



ENGIE Lab

As a global company that aims to value and integrate with local competences, ENGIE started an internationalization movement of the R&D + Innovation laboratories, the ENGIE Labs, promoting development projects in areas with a vocation for their application. In Brazil, the 11th ENGIE Lab was installed in 2018, a laboratory for open innovation projects - disruptive, incubation and venture capital fund.

Link Lab

ENGIE Brasil Energia is part of the Link Lab, a program that aims to bring large companies and startups closer together to maximize synergy in the development of innovative projects. In 2019, one of the highlights of the program was the tests carried out on the team management platform and environmental services of hydroelectric plants, developed in partnership with a startup in Florianópolis (SC). After the tests, the system was validated and will be used in all hydroelectric plants in our generating complex.

Inove Program

Mechanisms to stimulate internal innovation, "Inove" underwent significant revamping in 2019. With the new guidelines, 89 ideas were received throughout the year - 11 of which were approved for implementation, with a total budget estimated at R$ 643 thousand.

RISK AND OPPORTUNITIES MANAGEMENT

Risk analysis is an exercise which involves the employees, managers and officers including the Company's Chief Executive Officer as well as the Risk Management Committee. The analysis is guided by the Risk and Opportunity Management Policy, approved in 2016 by the Board of Directors, and comprises the identification and classification as to the probability of occurrence and the significance in terms of financial, strategic and operational impact.

Systematically permeating all activities and involving both senior management and staff, this analysis is based on three core principles:

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

Results of this joint evaluation are registered in the Risks and Business Opportunities Matrix, an internal document which serves as guidance to the Company. The analyzes and risks are categorized as follows:

- Tax risk: adverse developments in the tax legislation, with potential impact on our results.
- Industrial safety risk: damage to asset integrity, to the environment, and/or to occupational health and safety stemming from the Company's operating activities.
- Project installation risk: the occurrence of events during the development or installation of projects which can result in delays in the construction work schedule, additional installation costs and/or inefficiencies in project operation.
- Regulatory risk: unfavorable trend in the regulation governing the electric energy sector, which may impact the modality, terms and conditions of energy sales agreements that we are authorized to enter into and our production levels.
- Market risk: The supply of and demand for electricity can deviate from forecast so affecting energy prices and volume.
- IT&Digital risk: due to the increasing dependence of the business in relation to Information and Communication Technology, Automation Technology and the Internet of Things, insecurity in these resources can negatively impact continuity of operations and the Company's image.
- Personal data privacy risk (Brazilian Data Protection Law – LGPD): lacking or faulty planning, management or security in connection with personal information may lead to unauthorized disclosure, exposing the company to regulatory risk associated with private personal information security.
- Commercial counterparty risk: the risk of a commercial counterparty with which EBE has energy purchase or sale operations failing to fully honor their obligations.
- Operationalization of the strategy risk: adversity in the process of ENGIE's strategic repositioning around its three basic pillars: digitalization, decentralization and decarbonization.

- Ethics and compliance risk: non-compliance, whether internal or with outside collusion, with values and principles under the Code of Ethics or with standards and regulations applicable to the Company's activities.
- Digital Transformation Risk: absence of technological innovation and slow response time developing and evolving the technology in line with what the business strategies require, in a safe, economical and sustainable manner.

OPERATIONAL PERFORMANCE

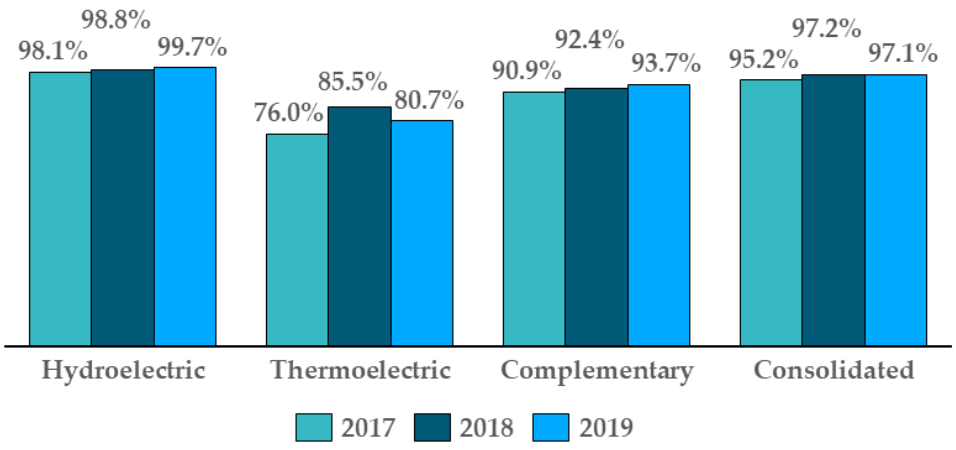
In addition to abiding by corporate policies in every activity, the Company's operational evolution is based on the strictness of the controls forming its Integrated Management System (SIG), a platform that consolidates information and performance indicators.

In 2019, out of the 60 plants in operation, 12 were certified according to NBR ISO 9001 (quality), NBR ISO 14001 (environment) and NBR OHSAS 18001 (Occupational Health and Safety) standards. In addition, the Jorge Lacerda Thermoelectric Complex is NBR ISO 50001 certified with respect to Energy Efficiency. Consequently, the percentage of certified installed capacity is 77.9%.

Out of the 10,431.2 MW operated by the Company, 41.5% (4,327.6 MW) are done remotely, by the Generation Operation Center (COG), located at ENGIE's Florianópolis (SC) headquarters. In this model, sophisticated technological resources, which allow real-time monitoring and ensure system reliability, increase the operational efficiency of the generating complex. In all, 47 of the 60 plants in the generator park are operated via COG, including the Salto Santiago Hydroelectric Plant, which began remote operations in 2019 - a milestone, since it is the second largest plant in capacity, among all that make up the Company's generating complex, and the 18th largest in the country.

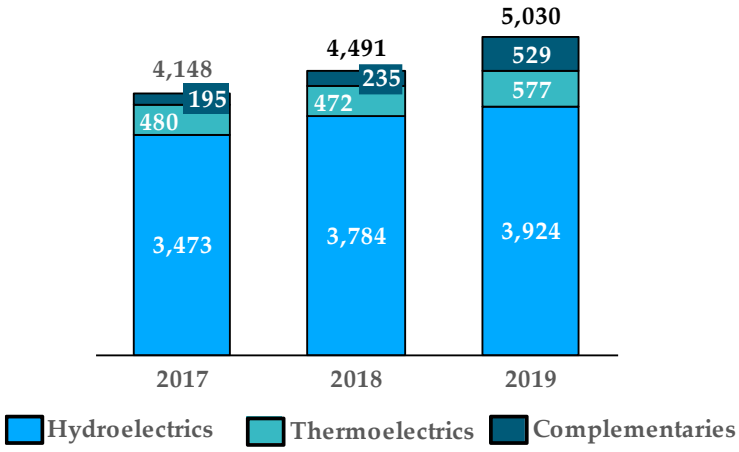
During the year, the plants operated by the Company reached an uptime working of 97.1%, ignoring scheduled stoppages, aggregate uptime was 89.7%, 1.8 p.p. lower than that obtained in 2018. The reduction is mainly due to the delay in concluding the modernization of Generator Unit 5 at the Salto Osório Hydroelectric Plant, maintenance work on the Generator Unit 1 at the Jaguara Hydroelectric Power Plant and the overhaul of the Generator Units of the Jorge Lacerda B Thermoelectric Power Plant (GUs 5 and 6). The increase in uptime of the wind farms was due to the solutions to pending post-commissioning glitches.

Uptime Operating, not considering scheduled shutdowns

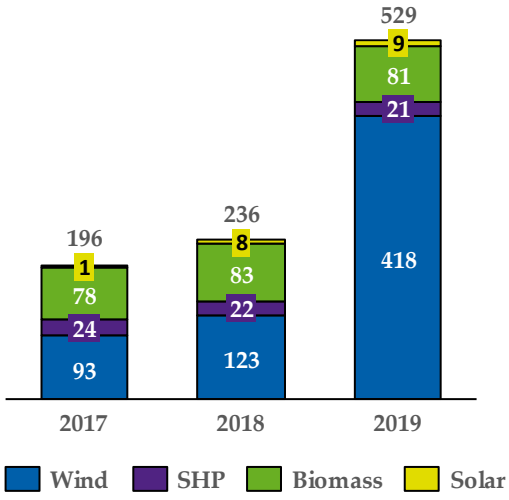


The entry into commercial operations of new plants (thermoelectric and wind) contributed to production reaching 44,058 GWh (5,030 average MW), that is, 12.0% greater than 2018, when the total was 39,340 GWh (4,491 average MW). In 2019, production from all energy sources was greater year-on-year, 3.7% in the case of the hydroelectric plants, 22.2% for the thermoelectric plants and 124.7% for the plants operated from complementary sources of energy.

Generation – aMW



Generation by Complementary Source - aMW



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

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

Modernizations

Began in 2018, this year saw the conclusion of modernization works on instrumentation and control systems (turbine speed regulator, generator voltage regulator and oversight system) of the Itá (first half of 2019) and Machadinho (second half) HPPs, to add reliability and modernity to plant operations.

The Salto Osório Hydroelectric Plant, in turn, is undergoing more extensive renovations. The project began in November 2017 and is set to deliver the first modernized generation unit in the first half of 2020 and to achieve full completion in early 2022. In addition to enhancing operational functions, modernization will also improve efficiency, with 13.9 MWa physical guarantee increase.

ECONOMIC-FINANCIAL MANAGEMENT

Macroeconomic scenario

Over the course of 2019, the Brazilian economy showed signs of resumed growth, albeit at a slower pace than expected. According to the Focus Report published by the Central Bank of Brazil in late December, the market estimates that Gross Domestic Product (GDP) grew 1.17%, vis-à-vis 1.10% in 2018 – official figures are expected to be published by the end of the 1Q20.

Inflation as measured by the National Consumer Prices Index – Comprehensive (IPCA) was 4.31% in 2019, according to the Federal Statistics Office (IBGE). It remains above the center of the target – 4.25% - but within the plus or minus 1.5 p.p. range set by the National Monetary Council. In 2018, the IPCA was 3.75%.

The SELIC funds rate reached year-end at its lowest level in history: 4.5% p.a., whereas the US Dollar (Ptax) was being traded at R$ 4.03 – 4.0% appreciation from 2018.

Electricity power industry

According data from Energy Research Company (EPE), the net energy consumption in the country grew 1.4% in 2019, registering 482,085 GWh - growth had been 1.1% in 2018. Residential consumption grew 3.1% and commercial consumption 4.0%, while industrial consumption decreased by 1.6%. Other classes grew 2.1%. On a breakdown by region, the North region grew 2.0%, the Northeast 3.1%, the South 2.0%, the Central-West, 4.3% and the worst performance was registered by the Southeast region, with 0. 2%.

Free market consumption grew by 1.9% in 2019, at a considerably lower rate than in recent years - in 2018 growth had been 6.3% and in 2017, 18.4%. The captive market, which registered a drop in consumption in recent years, in 2019 reported a slight increase of 1.2%.

Influence of the hydrological scenario on the sector

2019's hydrological scenario (at 54.8 GWa Natural Energy Input into the National Interconnected System – SIN) was even more restrictive than 2018 (at 60.9 GWa) in terms of hydroelectric energy supply. All subsystems reached year-end 2019 with storage levels below those of January. Despite the low supply of hydroelectric energy and an increase in electric energy consumption of around 2%, the greater supply from other sources of energy – wind and solar in particular – ended up keeping 2019's average PLD below the previous year's.

According to CCEE data, the GSF (Generation Scaling Factor) in 2019 was 81.0%, down slightly from 2018's 81.6%.

Economic-financial performance

	Result by segment – 2019 x 2018 (in R$ million)					
	Electric Energy					
	Generation[1]	Trading	Transmission[2]	Solar panels[3]	Gas transportation	Consolidated
2019						
Net operating revenue	8,427.7	1,109.0	169.9	97.9	-	9,804.5
Operational costs	(4,294.1)	(1,111.4)	(151.5)	(96.0)	-	(5,653.0)
Gross income (loss)	**4,133.6**	**(2.4)**	**18.4**	**1.9**	**-**	**4,151.5**
Selling, general and administrative expenses	(243.2)	(2.9)	-	(7.1)	-	(253.2)
Other operating revenues, net	320.4	-	-	-	-	320.4
Impairment	(4.9)	-	-	-	-	(4.9)
Equity income	-	-	-	-	81.1	81.1
Income (loss) before financial results and taxes	**4,205.9**	**(5.3)**	**18.4**	**(5.2)**	**81.1**	**4,294.9**
2018						
Net operating revenue	8,095.0	614.9	47.7	37.2	-	8,794.8
Operational costs	(4,217.0)	(580.2)	(45.4)	(33.4)	-	(4,876.0)
Gross income	**3,878.0**	**34.7**	**2.3**	**3.8**	**-**	**3,918.8**
Selling, general and administrative expenses	(203.5)	(2.1)	-	(2.1)	-	(207.7)
Other operating expenses, net	(3.7)	-	-	-	-	(3.7)
Impairment[4]	(39.3)	-	-	-	-	(39.3)
Equity income	-	-	-	(1.0)	-	(1.0)
Income before financial results and taxes	**3,631.5**	**32.6**	**2.3**	**0.7**	**-**	**3,667.1**
Variation						
Net operating revenue	332.7	494.1	122.2	60.7	-	1,009.7
Operational costs	(77.1)	(531.2)	(106.1)	(62.6)	-	(777.0)
Gross income (loss)	**255.6**	**(37.1)**	**16.1**	**(1.9)**	**-**	**232.7**
Selling, general and administrative expenses	(39.7)	(0.8)	-	(5.0)	-	(45.5)
Other operating revenues, net	324.1	-	-	-	-	324.1
Impairment	34.4	-	-	-	-	34.4
Equity income	-	-	-	1.0	81.1	82.1
Income (loss) before financial results and taxes	**574.4**	**(37.9)**	**16.1**	**(5.9)**	**81.1**	**627.8**

(1) Generation and sale of electric energy from the Company's portfolio ("Generation").

(2) Segment represented by the Gralha Azul Transmission System, under construction.

(3) The solar panels sales and installation segment was consolidated in the Company's financial statements in August 2018.

(4) Provision for reduction in impairment ("Impairment").

The Company's financial result is allocated by segment since Management administers the cash flow on a corporate basis.

The Company operates in the Gas Transportation segment through the jointly-controlled subsidiary Transportadora Associada de Gás S.A. ("TAG"), the effects of which are recognized as "Equity income" in the Company's financial statements. Accordingly, the results obtained by TAG are not consolidated by the Company and, therefore, are not shown in the "Net operating revenue" and "operational costs".

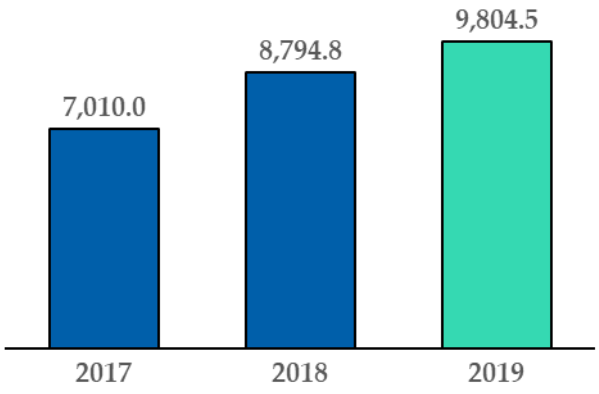
Net operating revenue

	Operating revenue by segment – 2019 x 2018 (in R$ million)				
	Electric energy				
	Generation	Trading	Transmission	Solar panels[1]	Consolidated
2019					
Electricity distributors	3,292.7	-	-	-	3,292.7
Free consumers	3,164.1	-	-	-	3,164.1
Energy trading operations	-	1,078.4	-	-	1,078.4
Unrealized gains on trading operations	-	23.5	-	-	23.5
Transactions in the short-term market	699.1	7.1	-	-	706.2
Trading companies	728.0	-	-	-	728.0
Remuneration of concession assets	382.7	-	14.5	-	397.2
Construction revenue	-	-	155.4	-	155.4
Services rendered revenue	116.0	-	-	-	116.0
Other revenues	45.1	-	-	97.9	143.0
Net operating revenue	**8,427.7**	**1,109.0**	**169.9**	**97.9**	**9,804.5**
2018					
Electricity distributors	2,721.8	-	-	-	2,721.8
Free consumers	3,020.1	-	-	-	3,020.1
Energy trading operations	-	566.3	-	-	566.3
Unrealized gains on trading operations	-	43.2	-	-	43.2
Transactions in the short-term market	923.4	5.4	-	-	928.8
Trading companies	856.8	-	-	-	856.8
Remuneration of concession assets	340.4	-	1.1	-	341.5
Construction revenue	-	-	46.6	-	46.6
Services rendered revenue	111.5	-	-	-	111.5
Other revenues	121.0	-	-	37.2	158.2
Net operating revenue	**8,095.0**	**614.9**	**47.7**	**37.2**	**8,794.8**
Variation					
Electricity distributors	570.9	-	-	-	570.9
Free consumers	144.0	-	-	-	144.0
Energy trading operations	-	512.1	-	-	512.1
Unrealized gains on trading operations	-	(19.7)	-	-	(19.7)
Transactions in the short-term market	(224.3)	1.7	-	-	(222.6)
Trading companies	(128.8)	-	-	-	(128.8)
Remuneration of concession assets	42.3	-	13.4	-	55.7
Construction revenue	-	-	108.8	-	108.8
Services rendered revenue	4.5	-	-	-	4.5
Other revenues	(75.9)	-	-	60.7	(15.2)
Net operating revenue	**332.7**	**494.1**	**122.2**	**60.7**	**1,009.7**

(1) The solar panels sales and installation segment was consolidated in the Company's financial statements in August 2018.

In comparison between years, net operating revenue increased from R$ 8,794.8 million in 2018 to R$ 9,804.5 million in 2019, that is an increase of R$ 1,009.7 million (11.5%). This variation reflects the following effects: (i) R$ 494.1 million (80.4%) from an increase in energy trading operations; (ii) R$ 332.7 million (4.1%) from an increase in the generation and sale of electric energy segment from the Company's portfolio, mainly due to (ii.i) growth of R$ 383.3 million given the large energy volume sold; (ii.ii) R$ 202.8 million corresponding to the increase in the net average selling price; (ii.iii) R$ 42.3 million increase in remuneration of financial assets relative to the payment of the concession grant for the Jaguara and Miranda Hydroelectric Power Plants; and (ii.iv) R$ 4.5 million increase in revenues from Generation Asset Management (GAG) relative to Jaguara and Miranda. These increases were partially attenuated by: (ii.v) a decrease in the transactions conducted on the short-term market amounting to R$ 224.3 million; and (ii.vi) a decrease of R$ 73.9 million of revenue from the indemnification from a business interruption claim and the collection of a contractual fine for downtime; (iii) R$ 122.2 million (256.2%) increase relating to the transmission segment; and (iv) R$ 60.7 million (163.2%) increase relative to revenues from the sale and installation of solar panels which started to be consolidated in the financial statements in August 2018. Results for the trading and transmission segments will be commented under separate headings.

Net operating revenue (R$ million)



The variations in items (ii.i), (ii.ii) and (ii.v), were impacted by the growth of R$ 574.3 million due to the entry into commercial operations of Pampa Sul, Campo Largo - Phase I and Umburanas. Excluding this effect as well as the effect of the non-recurring transaction in item (ii.vi), net operating revenue from the generation and sale of electric energy segment from the Company's portfolio fell by R$ 167.7 million (2.1%), on a 2018 x 2019 comparison.

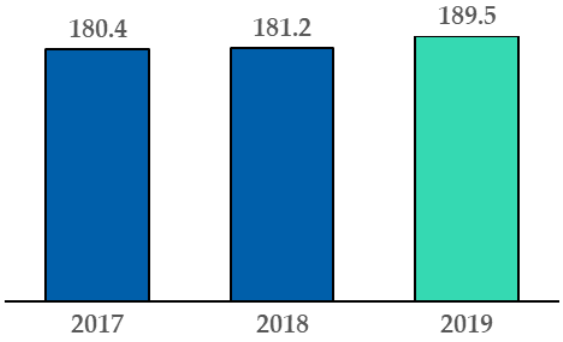
Comments on Variation in Net Operating Revenue

Generation and Sales of Energy from the Portfolio

Net Average Selling Price

The average energy selling price, net of revenue charges, reached in 2019 R$ 189.45/MWh, 4.5% greater than practiced in 2018, when the net average selling price was R$ 181,23/MWh. These prices exclude energy-trading operations which the Company began in January 2018 and are shown below under a specific heading.

Net average sales price (R$/MWh)[1]



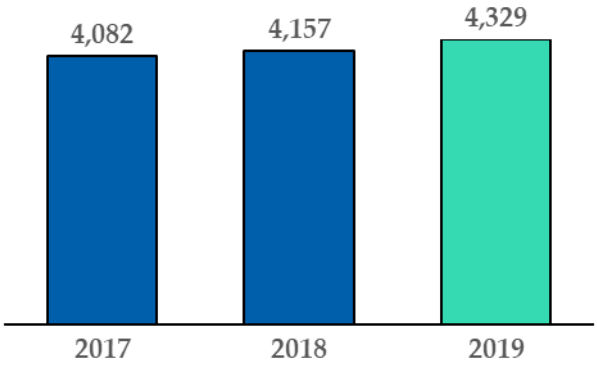
(1) Net of taxes and trading operations.

The price increases were largely driven by monetary restatement of current agreements, and new agreements via traders, with average prices higher than in the case of expired and existing contracts, but partially attenuated by the lower average price in the Regulated Contracting Environment (ACR) of agreements where supplies began in first quarter of 2019, and for new agreements via free consumers with average prices less than existing agreements.

Sales volume

In 2019, energy sales volume was 37,925 GWh (4,329 average MW), against 36,411 GWh (4,157 average MW) reported in 2018, a growth of 1,514 GWh (172 average MW) or 4.1%. These volumes exclude energy-trading operations shown below under a specific heading.

Sales Volume (Average MW)



The increase in sales volume is largely a result of stronger sales to distributors through fresh agreements effective first quarter of 2019 arising from the new energy auctions, and the entry into commercial operations of Pampa Sul at the end the second quarter of 2019, energy from which also attends requirements under new energy auctions, the increase in sales volume partially offset by the reduction in consumption on the part of free consumers.

Revenue from sale of electric energy

- Distribution companies: revenue from sales to distribution companies in 2019 reached R$ 3,292.7 million, an increase of R$ 570.9 million (21.0%) in relation to fiscal year 2018, when this item was R$ 2,721.8 million. This growth reflects: (i) R$ 592.1 million — an increase of 2,694 GWh (307 average MW) in sales volume; and (ii) R$ 21.2 million — a 0.8% reduction in the net average selling price. The increase in sales volume was driven mainly by the start in supplies from the Ferrari Thermoelectric Power Plant under new energy auction agreements, from the wind farms in the Campo Largo - Phase I, Umburanas - Phase I and Trairí wind complexes, which delivered their energy to the regulated market from first quarter of 2019, and energy generated by Pampa Sul. The decrease in prices was largely driven by lower average prices under the aforementioned auctions, agreements with supplies beginning in first quarter of 2019, partially ameliorated by monetary restatement of existing agreements and by the average selling price of energy generated from Pampa Sul, higher than the average for existing agreements.
- Trading companies: in 2019, revenues from traders was R$ 728.0 million, R$ 128.8 million (15.0%) down on revenue recorded in 2018, which was R$ 856.8 million. This reduction is a result of a combination of the following: (i) R$ 218.4 million — a decrease of 1,237 GWh (141 average MW) in energy sales volume; and (ii) R$ 89.6 million — growth of 10.5% in net average selling price. The decrease in volumes between periods is largely due to the migration of some clients - which had acquired energy through the trading companies – to the free consumer class, this being partially ameliorated by increased consumption on the part of the other clients. Price increases occurred basically due to new agreements at higher prices than the average for existing or expired agreements and to the monetary restatement of prevailing agreements.

- Free consumers: Revenue from sales to free consumers reached R$ 3,164.1 million, R$ 144.0 million (4.8%) higher than R$ 3,020.1 million registered in 2018. This increase is related to: (i) R$ 134.4 million — an increase of 4.4% in net average selling price; and (ii) R$ 9.6 million — an increase of 57 GWh (6 average MW) in energy sales volume. Higher prices largely reflect monetary restatement on prevailing agreements partially attenuated by new agreements at lower average prices than existing or expiring agreements. Increased energy volume sold is driven by growth in sales volume to industrial customers, some of which changed category from traders to free consumers, but partially attenuated by lower consumption on the part of clients relative to contracted amounts.

Transactions in the short-term energy market

In 2019, relative to 2018, there was a reduction of R$ 224.3 million (24.3%) in short-term transactions from R$ 923.4 million in 2018 to R$ 699.1 million in 2019. These amounts exclude transactions in the short-term market involving trading operations, details of which are shown under a separate heading below. A more detailed explanation of these short-term operations is to be found in the item below "Details of Short-Term Operations".

Remuneration of concession financial assets

The financial assets of concessions represent the present value of future cash flows of the portion of energy from the Jaguara and Miranda Hydroelectric Power Plants transacted through the Regulatory Contracting Environment (ACR) and equivalent to 70% of the plants' physical guarantee. These assets are remunerated at the internal rate of return and according to the variation in the Amplified Consumer Price Index (IPCA).

The remuneration of the concession financial assets growth was R$ 42.3 million (12.4%), from R$ 340.4 million in 2018 to R$ 382.7 million in 2019. The increases were mainly driven by the higher average balances of the asset and the variation in the IPCA index between compared periods.

Revenue from Services Rendered

In the case of the Jaguara and Miranda Hydroelectric Power Plants, for energy sold in the ACR, also as part of the Annual Generation Revenue (RAG), the companies receive a tranche under the Generation Asset Management (GAG) for covering operational and maintenance costs in addition to the expenditures with improvements and investments during the term of the concession. On an annual comparative basis, there was an increase in the amount of the GAG booked of R$ 4.5 million (4.0%), from R$ 111.5 million in 2018 to R$ 116.0 million in 2019. The increase is largely a reflection of monetary restatement of the amounts.

Solar Panels

Revenue from the sale and installation of solar panels through the ENGIE Geração Solar Distribuída S.A. (EGSD) subsidiary posted an increase of R$ 60.7 million (163.2%) from R$ 37.2 million in 2018 to R$ 97.9 million in 2019. The control of EGSD was acquired in August 2018, when the controlled company was consolidated by EBE and the reason for the significant increase on an annual basis.

Operational costs

	Costs by segment – 2019 x 2018 (in R$ million)				
	Electric energy				
	Generation	Trading	Transmission	Solar panels[1]	Consolidated
2019					
Electric power purchases	1,561.5	1,090.5	-	-	2,652.0
Unrealized losses on trading operations	-	14.2	-	-	14.2
Transactions in the short-term market	421.0	6.7	-	-	427.7
Charges for the use of and connection to the power grid	513.7	-	-	-	513.7
Fuel for generation	173.0	-	-	-	173.0
Royalties	131.6	-	-	-	131.6
Personnel	254.7	-	-	10.1	264.8
Materials and third parties' services	277.6	-	-	16.1	293.7
Depreciation and amortization	844.3	-	-	0.1	844.4
Insurance	65.6	-	-	-	65.6
Construction costs	-	-	151.3	-	151.3
Cost of selling solar panels	-	-	-	70.8	70.8
Other operational costs, net	51.1	-	0.2	(1.1)	50.2
Operational costs	**4,294.1**	**1,111.4**	**151.5**	**96.0**	**5,653.0**
2018					
Electric power purchases	1,746.3	578.6	-	-	2,324.9
Unrealized losses on trading operations	-	-	-	-	-
Transactions in the short-term market	572.5	1.6	-	-	574.1
Charges for the use of and connection to the power grid	461.1	-	-	-	461.1
Fuel for generation	152.1	-	-	-	152.1
Royalties	123.2	-	-	-	123.2
Personnel	218.2	-	-	3.5	221.7
Materials and third parties' services	198.4	-	-	4.8	203.2
Depreciation and amortization	649.6	-	-	-	649.6
Insurance	39.5	-	-	-	39.5
Construction costs	-	-	45.4	-	45.4
Cost of selling solar panels	-	-	-	22.8	22.8
Other operational costs, net	56.1	-	-	2.3	58.4
Operational costs	**4,217.0**	**580.2**	**45.4**	**33.4**	**4,876.0**
Variation					
Electric power purchases	(184.8)	511.9	-	-	327.1
Unrealized losses on trading operations	-	14.2	-	-	14.2
Transactions in the short-term market	(151.5)	5.1	-	-	(146.4)
Charges for the use of and connection to the power grid	52.6	-	-	-	52.6
Fuel for generation	20.9	-	-	-	20.9
Royalties	8.4	-	-	-	8.4
Personnel	36.5	-	-	6.6	43.1
Materials and third parties' services	79.2	-	-	11.3	90.5
Depreciation and amortization	194.7	-	-	0.1	194.8
Insurance	26.1	-	-	-	26.1
Construction costs	-	-	105.9	-	105.9
Cost of selling solar panels	-	-	-	48.0	48.0
Other operational costs, net	(5.0)	-	0.2	(3.4)	(8.2)
Operational costs	**77.1**	**531.2**	**106.1**	**62.6**	**777.0**

(1) The solar panels sales and installation segment was consolidated in the Company's financial statements in August 2018.

In 2019, operational costs were R$ 5,653.0 million, exceeding by R$ 777.0 million (15.9%) costs reported in 2018 of R$ 4,876.0 million. This variation reflects the following factors: (i) an increase of R$ 531.2 million (91.6%) in the costs of energy trading operations; (ii) growth of R$ 106.1 million (233.7%) in costs in the transmission segment; (iii) an increase for the year 2019 of R$ 77.1 million (1.8%) in relation to 2018, in costs of the generation and sale of electric energy segment from the Company's portfolio; and (iv) an increase of R$ 62.6 million (187.4%) of solar panel sales and installation costs reported by EGSD, which has been consolidated in the financial statements since August 2018. The costs of the trading and transmission segments will be commented under a separate heading.

In the variation in item (iii), of note is the increase of R$ 429.7 million due to the entry into commercial operations of Pampa Sul, Campo Largo — Phase I and Umburanas. If this effect is excluded, the operational costs of the generation and sale of electric energy segment from the Company's portfolio fell R$ 352.6 million (8.4%) in relation to 2018.

These variations basically reflect the following key components:

Comments on Variations in Operational Costs

Generation and Energy Sales from the Portfolio

- Energy purchases: in comparison between years, there was a reduction of R$ 184;8 million (10.6%) in these operations, mainly due to the following events: (i) R$ 280.5 million — decrease of 1,678.9 GWh (192 average MW) in purchase volume; and (ii) R$ 95.7 million — growth of 6.5% in net average purchase price from R$ 167.09/MWh in 2018 to R$ 178.00/MWh in 2019. The increase in energy purchase prices was largely due to monetary restatement in the period, by the increase in the Differences Settlement Price (PLD) between comparative quarters, given that the PLD is used as a parameter for the establishment of short-term market prices. The decrease in purchase volumes in the compared periods, was particularly due to the expansion of the generator complex with the entry into commercial operations of Campo Largo - Phase I and Umburanas - Phase I.
- Transactions in the short-term energy market: costs with these transactions were R$ 151.5 million (26.5%) lower in 2018 versus 2019. Greater details are to be found under a specific heading below.
- Charges for use of and connection to the electricity grid: elevation of R$ 52.6 million (11.4%) between the years, of which R$ 43.9 million is due to the startup in commercial operations of Pampa Sul, Campo Largo — Phase I and Umburanas Phase I. Excluding these effects, there was an increase of R$ 8.7 million (1.9%) between 2018 and 2019, largely reflecting the annual readjustment in transmission and distribution tariffs.

- Fuels for the generation of electricity: an increase of R$ 20.9 million (13.7%) between 2018 and 2019, motivated, substantially, by the fuel consumption resulting from the commercial operation of the Pampa Sul Thermoelectric Plant, in June 2019, in the amount of R$ 53.5 million and by the effects of the annual readjustment in fuel costs. These effects were partially mitigated by the recognition in 2018 of an additional cost arising from a judicial agreement with a natural gas supplier of R$ 23.3 million at the William Arjona Thermoelectric Plant ("UTWA"), and by the reduction in annual fuel consumption at the Thermoelectric Plant Jorge Lacerda, in the amount of R$ 9.1 million. Excluding the effect of the entry into commercial operation of Pampa Sul and the additional cost of UTWA, fuel costs would have decreased by R$ 9.3 million (7.2%).
- Financial compensation for use of hydro resources (royalties): On an annual comparison basis, there was an increase of R$ 8.4 million (6.8%), reflecting mainly, higher generation from the hydroelectric plants in 2019 and the hike of 4.5% in the Updated Reference Rate (TAR) in 2019.
- Personnel: increase of R$ 36.5 million (16.7%) in the comparison between 2019 and 2018 resulting, substantially from new hires and reduction of capitalized personnel costs during the execution of the construction works of Pampa Sul, Campo Largo - Phase I and Umburanas - Phase I, in the amount of R$ 21.2 million. Disregarding the effect from Pampa Sul, Campo Largo - Phase I and Umburanas - Phase I, there was an increase of e R$ 15.3 million (7.0%) due to annual readjustments and new hires.
- Material and third party services: increases R$ 79.2 million (39.9%) on an annual comparison, mainly due to increases of R$ 57.4 million in operation and maintenance costs resulting from new contracts arising from the startup of Pampa Sul, Campo Largo - Phase I and Umburanas - Phase I and in the maintenance costs of the Jaguara and Miranda hydroelectric plants, related to GAG improvements, of R$ 14.0 million . Disregarding these effects, costs with third-party materials and services increased by R$ 7.8 million (3.6%), largely driven by monetary restatement of existing agreements in the period.
- Depreciation and amortization: an increase of R$ 194.7 million (30.0%) between the years analyzed, of which R$ 158.1 million came from commercial operations in Pampa Sul, Campo Largo - Phase I and Umburanas and R$ 36.6 million (5.8%) originating, mainly, from the major maintenance work in the Company's generating complex as of the second half of 2018, which started to generate depreciation after completion.
- Insurance: In the comparison between 2018 and 2019, there was an increase of R$ 26.1 million (66.1%), of which R$ 7.8 million came from the start-up of commercial operations in Pampa Sul, Campo Largo - Phase I and Umburanas and R$ 18.3 million (46.3%) due to an increase in the premium on the renewal of the operational risk policy in June 2019.

Solar panels

On an annual comparison basis, the increase was largely due to the following effects: (i) an increase of R$ 48.0 million (210.5%) in solar panel sales and installation costs; (ii) an increase of R$ 11.3 million (235.4%) in the costs of materials and third party services; and (iii) a growth of R$ 6.6 million in personnel costs (188.6%). The increases reflect mostly the change in status of EGSD as a wholly owned subsidiary as from August 2018.

Operational result of the energy-trading segment

In January 2018, the Company made its debut in the energy trading market with the aim of leveraging results through fluctuations in energy prices within pre-established risk limits. Energy trading operations are transacted in an active market and for accounting purposes, are defined as financial instruments at fair value. This is due principally to the fact that there is no commitment to match buying and selling operations given the flexibility of managing the contracts for leveraging results from price variations in the market.

On an annual basis, the gross result reported a reduction of R$ 37.1 million (63.9%) with profits of R$ 34.7 million in 2018 declining to a loss of R$ 2.4 million in 2019. The cause of this variation is due to the following negative effects: (i) R$ 33.9 million due to marking to market; and (ii) R$ 3.4 million from the result of transactions executed across the short-term energy market. These impacts were partially offset by growth of R$ 0.2 million from a positive result in executed transactions.

Operational result from the energy transmission segment

The Company has primary responsibility for the construction and installation of the infrastructure related to the Gralha Azul Transmission System's concession, the implementation of which began in the second half of 2018, thus being exposed to the risks and benefits arising from the construction work. Consequently, based on prevailing accounting practices, the Company books revenues from the implementation of transmission line infrastructure over the period of installation, in an amount which corresponds to the construction costs plus a gross residual margin for covering related management costs of the construction. The expenditures incurred in the construction are booked to the transmission infrastructure cost.

Transmission revenue

Revenue from the energy transmission segment increased R$ 122.2 million (256.2%), of which: (i) R$ 108.8 million corresponds to the increase in construction revenue; and (ii) R$ 13.4 million result from the increase in the remuneration of the contract assets - both as a result of the evolution in the execution of the construction works of the Gralha Azul Transmission System. In addition, revenue from transmission infrastructure revenue is also subject to restatement at the IPCA.

Construction cost

The construction cost reported an increase of R$ 105.9 million (233.3%) between years, reflecting the construction costs of Gralha Azul as a counter entry to revenue booked for the installation of the infrastructure, and calculated based on incurred costs, in addition to a gross margin for covering the costs of management of the construction. The increases reflect progress in executing the work on the project.

Details of short term operations

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

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

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

For fiscal year 2019, the net result, fruit of short term transactions, was positive at R$ 278.5 million, a decrease of R$ 76.2 million compared to the also positive result of R$ 354.7 million for 2018, being R$ 72.8 million in the result from transactions in the generation and sale of electric energy segment from the portfolio and R$ 3.4 million, the result from energy trading transactions.

This reduction is a reflection essentially of the combination of the following factors: (i) reduction of short-term operations and the long position at the CCEE, reflecting the strategy for allocation of hydro resources combined with the active management of the portfolio; (ii) lesser negative effect of the GSF — already adjusted for the effects of the renegotiation of the hydrological risk; (iii) the negative effect of the difference in prices between the North/Northeast and Southeast/Center-West, between the two years analyzed; (iv) increased thermoelectric generation between the periods analyzed; and (v) the increase in MRE revenue.

In December 2018, Aneel set maximum and minimum PLD limits for 2019 at R$ 513.89/MWh and R$ 42.35/MWh, respectively. The following table shows the average amounts of the PLD for the submarkets in which the Company operates per MWh.

Average PLD in R$/MWh	2018	2019	Var. (%)
South	287.73	227.10	(21.1%)
Southeast/Center-West	287.73	227.10	(21.1%)
Northeast	273.90	166.73	(39.1%)

Selling, general and administrative expenses

Selling, general and administrative expenses reported an increase of R$ 45.5 million (21.9%) between 2018 and 2019, from R$ 207.7 million in 2018 to R$ 253.2 million in 2019, due to a combination of the following: (i) an increase of R$ 39.7 million (19.5%) in the generation and sale of electric energy segment from the Company's portfolio, largely driven by the following effects: (i.i) an increase of R$ 17.8 million in payroll expenses (17.0%); (i.ii) booking of a non-recurring effect originating from the recovery of credits on PIS and Cofins tax payments in 2018, collected on the acquisition of certain materials and third party services amounting to R$ 9.9 million; (i.iii) R$ 6.3 million increase in expenses with materials and services (11.5%); (ii) an increase of R$ 5.0 million (238.1%) from the solar panel sales and installation segment; and (iii) R$ 0.8 million (38.1%) from the energy trading segment.

The solar panels sales and installation segment was consolidated in the Company's financial statements in August 2018.

The increase in selling, general and administrative expenses was largely due to: (i) the growth in the Company's operational capacity with an increase 2018 x 2019 of 8.8% in installed capacity from 8,004.8 MW on December 31, 2018 to 8,710.5 MW on December 31, 2019; (ii) the new market dynamic based on the energy transition and the expanded access to the free market; and (iii) the effects of inflation on existing agreements and on payroll expenses between periods under analysis. These impacts were partially attenuated by reductions in certain expenses in the light of the Company's drive for expense optimization.

Other Operating Revenues (Expenses), Net

Other operating revenues (expenses), net, reported a positive R$ 324.1 million in 2019, the Company booking other operating revenues, net in the amount of R$ 320.4 million, while in 2018 R$ 3.7 million was booked to the same account. This variation is largely refection of the booking in third quarter of 2019 of other operating revenues amounting to R$ 321.0 million in indemnities received for noncompliance with contractual conditions by the supplier responsible for the construction of Pampa Sul, principally related to the delay in concluding the work. The amount in question received is enshrined in the agreement with the contractor and is calculated based on the product of the number of days' delay and a fixed amount per day. This amount is calculated to compensate the Company for loss on earnings due to delays concluding the work.

Equity income – gas transportation

On June 13, 2019, the jointly controlled Aliança Transportadora de Gás S.A. ("Aliança") acquired a 90% corporate control in Transportadora Associada de Gás S.A. ("TAG"). The Company had a 32.5% direct corporate stake in the jointly controlled company, Aliança, and therefore a 29.25% indirect corporate stake in TAG. On September 2, 2019, TAG incorporated Aliança and as from this date, the Company holds a 29.25% direct corporate stake in TAG.

In 2019 the Company booked a positive result via the equity income method of R$ 81.1 million: (i) R$ 272.5 million from a positive result from the jointly held controlled company TAG, a consequence of the combination of the following effects: (i.i) R$ 778.9 million in positive Ebitda; (i.ii) R$ 258.3 million of depreciation and amortization, of which R$ 86,4 million relates to amortization of the mais-valia result from the reverse incorporation of Aliança; (i.iii) R$ 159.9 million of financial expenses, net, impacted by loans raised by Aliança prior to incorporation; and (i.iv) R$ 88.2 million relative to expenses of income tax and social contribution on net income; and (ii) R$ 191.4 million of a negative result of the jointly held controlled company Aliança until August 2019 (prior to incorporation), due mainly to the combination of the following effects: (ii.i) negative financial result of R$ 106.0 million due largely to debt service charges; (ii.ii) amortization of the mais-valia originating from the acquisition of the shared control of TAG, in the amount of R$ 58.1 million; (ii.iii) non-recurring expenses of R$ 44.7 million with respect to financial, legal, tax, corporate, regulatory consultancies, among others, relating to the structuring of the project for acquisition of TAG; (ii.iv) positive effect of income tax and social contribution expenses of R$ 20.4 million; and (ii.v) general and administrative expenses of R$ 3.0 million.

TAG is a jointly held controlled company of EBE, for which reason it is not consolidated in the financial statements of the Company, its effects being recognized by the equity income method. TAG's equity income result is comprising the following items:

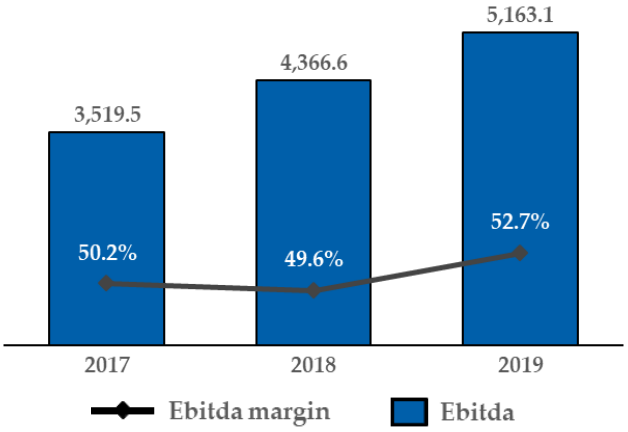
Income Statement – in R$ million	2019	
	100%	Company's share
Aliança (32.5%)		
General and administrative expenses	(325.4)	(105.8)
Amortization of mais-valia	*(178.7)*	*(58.1)*
TAG acquisition expenses	*(137.5)*	*(44.7)*
Other	*(9.2)*	*(3.0)*
Loss before financial result and taxes	**(325.4)**	**(105.8)**
Financial result	(326.3)	(106.0)
Loss before taxes	**(651.7)**	**(211.8)**
Income tax and social contribution	62.8	20.4
Aliança's net loss for the period from 01/01/2019 to 09/02/2019	**(588.9)**	**(191.4)**
Equity income – Aliança	**(191.4)**	
TAG (29.25%)		
Net operational revenue	2,915.7	852.8
Costs of services provided	(1,002.1)	(293.1)
Gross income	**1,913.6**	**559.7**
General and administrative expenses	(133.7)	(39.1)
Income before financial result and taxes	**1,779.9**	**520.6**
Financial result	(546.6)	(159.9)
Income before taxes	**1,233.3**	**360.7**
Income tax and social contribution	(301.6)	(88.2)
TAG's net income for the period from 06/13/2019 to 12/31/2019	**931.7**	**272.5**
Equity income – TAG	**272.5**	
Impact on EBE's equity income for 2019	**81.1**	

Ebitda and Ebitda Margin

	Ebitda by segment – 2019 x 2018 (in R$ million)					
	Electric energy					
	Generation	Trading	Transmission	Solar panels	Gas transportation	Consolidated
2019						
Income (loss) before financial results and taxes	4.205.9	(5.3)	18.4	(5.2)	81.1	4.294.9
Depreciation and amortization	862.5	-	-	0.8	-	863.3
Ebitda	**5.068.4**	**(5.3)**	**18.4**	**(4.4)**	**81.1**	**5.158.2**
Impairment	4.9	-	-	-	-	4.9
Adjusted Ebitda	**5.073.3**	**(5.3)**	**18.4**	**(4.4)**	**81.1**	**5.163.1**
Adjusted Ebitda Margin	**60.2%**	**(0.5%)**	**10.8%**	**(4.5%)**	**-**	**52.7%**
2018						
Income before financial results and taxes	3.631.5	32.6	2.3	0.7	-	3.667.1
Depreciation and amortization	660.0	-	-	0.2	-	660.2
Ebitda	**4.291.5**	**32.6**	**2.3**	**0.9**	**-**	**4.327.3**
Impairment	39.3	-	-	-	-	39.3
Adjusted Ebitda	**4.330.8**	**32.6**	**2.3**	**0.9**	**-**	**4.366.6**
Adjusted Ebitda Margin	**53.5%**	**5.3%**	**4.8%**	**2.4%**	**-**	**49.6%**
Variation						
Income (loss) before financial results and taxes	574.4	(37.9)	16.1	(5.9)	81.1	627.8
Depreciation and amortization	202.5	-	-	0.6	-	203.1
Ebitda	**776.9**	**(37.9)**	**16.1**	**(5.3)**	**81.1**	**830.9**
Impairment	(34.4)	-	-	-	-	(34.4)
Adjusted Ebitda	**742.5**	**(37.9)**	**16.1**	**(5.3)**	**81.1**	**796.5**
Adjusted Ebitda Margin	**6.7 p.p.**	**(5.8 p.p.)**	**6.0 p.p.**	**(6.9 p.p.)**	**-**	**3.1 p.p.**

On a 2019 x 2018 comparison basis, there was an increase in Ebitda of R$ 796.5 million (18.2%) from R$ 4,366.6 million in 2018 to R$ 5,163.1 million in 2019. The variation reflects the following combination of positive effects: (i) R$ 383.3 million due the increase in sales volume, excluding trading operations; (ii) R$ 321.0 million with respect to the booking in 3Q19 of other operating revenues from an indemnity for contractual non-compliance received from the supplier responsible for construction of Pampa Sul, mainly relating to the delay in the conclusion of the work and resulting in loss of earnings by the Company; (iii) R$ 202.8 million due to the increase of net average price of energy sold, excluding trading operations; (iv) R$ 184.8 million relating to lower energy purchase volumes for management of the Company's portfolio; (v) R$ 81.1 million positive result from the corporate stake in TAG/Aliança; and (vi) growth of R$ 55.7 million of revenues in remuneration and monetary restatement on assets of the Jaguara and Miranda Hydroelectric Power Plants and the Gralha Azul Transmission System.

Ebitda[1] (R$ million) and Ebitda



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

The positive impacts were counterbalanced by the following negative effects: (i) increase of R$ 90.5 million in costs of materials and third party services; (ii) reduction of R$ 73.9 million in non-recurring revenue with respect to non-recurring revenue from an indemnification for interruption to business due to contractual non-compliance and collection of a fine from a supplier (iii) decrease of R$ 72.8 million in positive result from transactions executed across the short-term market in the generation segment and the sale of energy from the Company's portfolio; (iv) increase of R$ 52.6 million in the costs with charges for the use of the electricity network and connection; (v) growth of R$ 43.1 million in personnel costs; (vi) R$ 37.9 million from the increase in the net negative result from energy trading operations – of which R$ 33.9 million reflects the effects of marking to market and R$ 4.0 million originating from transactions executed in this segment; (vii) increase of R$ 37.2 million in sales, general and administrative expenses; (viii) increase of R$ 20.9 million in fuel costs; and (ix) increase of R$ 3.3 million of other operational costs and expenses.

The positive and negative effects reported above are impacted by the entry into commercial operations of Pampa Sul, Campo Largo - Phase I and Umburanas - Phase I, total Ebitda of which was R$ 719.0 million and R$ 95.5 million in 2019 and 2018, respectively.

The Ebitda margin recorded an increase of 3.1 p.p. from 49.6% in 2018 to 52.7% in 2019. Considering only the results reported by the generation segment and energy sales from the portfolio, excluding the results from the entry into commercial operations and non-recurring operations mentioned above (items (ii) for the positive effects and (ii) for the negative effects), Ebitda would be R$ 4,343.1 million in 2019 and R$ 4,150.2 million in 2018 while the Ebitda margin for 2019 would be 56.2% and in 2018, 52,6%, which would represent a 3.6 p.p. increase between the years under analysis.

In order to enable the reconciliation of net income with Ebitda, we present the table below:

(In millions of R$)	2017	2018	2019	Chg. % 2019/2018
Net income	2,004.6	2,315.4	2,311.1	-0.2
(+) Income tax and social contribution	618.8	652.4	776.8	19.1
(+) Net financial result	226.8	699.3	1,207.0	72.6
(+) Depreciation and amortization	649.0	660.2	863.3	30.8
Ebitda	**3,499.2**	**4,327.3**	**5,158.2**	**19.2**
(+) Impairment	18.4	39.3	4.9	-87.5
Adjusted Ebitda	**3,519.5**	**4,366.6**	**5,163.1**	**18.2**

Ebitda includes the equity income result of the jointly owned TAG, given the expectation that the subsidiary will distribute dividends both frequently and on a recurrent basis.

Provision for Reduction in Impairment

The Company complemented the impairment of the William Arjona Thermoelectric Power Plant, the commercial operation of which was discontinued due to no longer being viable economically and financially, in the amount of R$ 39,3 million in 2018 and R$ 4.9 million in 2019.

Financial Result

- Financial income: On a 2018 x 2019 comparison, financial revenues were down R$ 7.6 million (4.9%) from R$ 154.7 million in 2018 to R$ 147.1 million in 2019. This variation reflects largely the following factors: (i) a reduction of R$ 16.8 million in interest on accounts receivable, principally on amounts due from the CCEE; and (ii) an increase of R$ 10.2 million in revenues from financial investments due to the higher amounts invested, partially offset by a decline in interest rates.
- Financial expenses: expenses increased from R$ 854.0 million in 2018 to R$ 1,354.1 million in 2019, an increase of R$ 500.1 million (58.6%), as result of the following effects: (i) increase of R$ 380.1 million in interest and R$ 70.6 million in monetary variation and fair value adjustment on debts, mainly due to the issuance of debentures by the Company in July 2018, May 2019 and in August 2019, the contracting of loans and financing throughout 2018 and 2019 to manage cash flow and carry out investments and reduce capitalized interest, due to the entry into operation of Campo Largo, Umburanas and Pampa Sul and (ii) increases of R$ 30.1 million in interest and R$ 13.7 million in the monetary restatement on concessions payable.

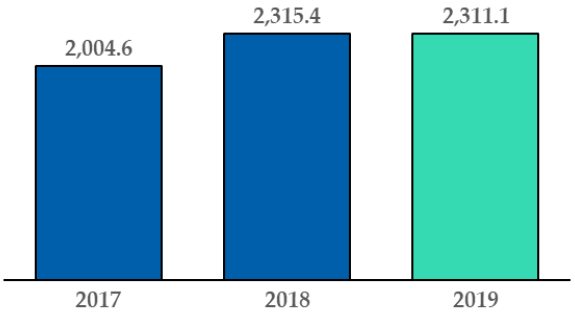
Income Tax and Social Contribution

Income tax and Social Contribution (IR and CSLL) increased R$ 124.4 million (19.1%) from R$ 652.4 million in 2018 to R$ 776.8 million in 2019, due mainly to the increase in before tax profits and changes made in 2018 in the tax regime of subsidiaries and from the decrease of the benefit resulting from interest on capital credited to shareholders during 2019, compared to amounts credited in 2018. The effective rate of IR and CSLL in 2019 was 25.2%, 3.2 p.p. greater that the rate for 2018 of 22.0%.

Net income

Net income fell from R$ 2,315.4 million in 2018 to R$ 2,311.1 million, equivalent to a reduction of R$ 4.3 million or 0.2%. This decrease is a consequence of the following effects: (i) an increase of R$ 796.5 million in Ebitda; (ii) an increase of R$ 507.7 million in net financial expenses; (iii) an increase of R$ 203.1 million in depreciation and amortization costs; (iv) an increase of R$ 124.4 million in income tax and social contribution; and (v) a reduction in asset impairment of R$ 34.4 million.

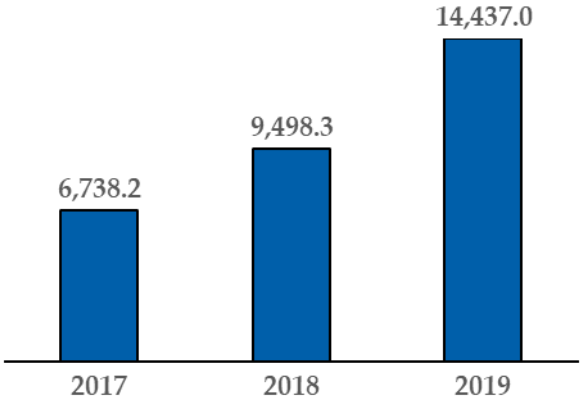
Net income (R$ million)



Debt

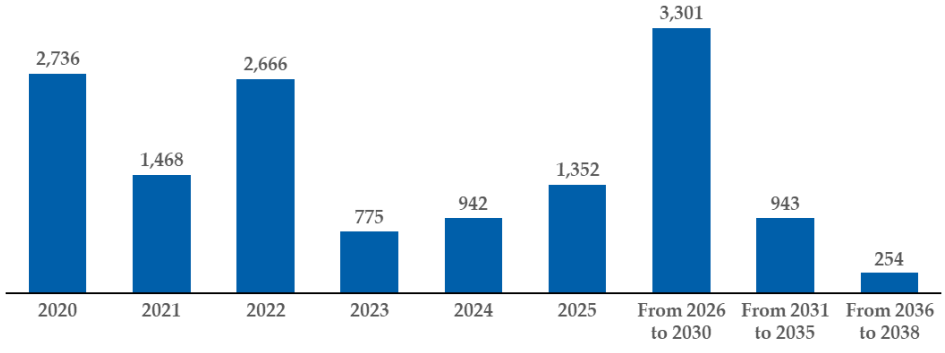
The Company's total gross consolidated debt as at December 31, 2019, represented mainly by loans, financing and debentures, net of the effects of hedge operations, totaled R$ 14,436.7 million, an increase of 52.0% (R$ 4,938.4 million) compared to the position as at December 31, 2018.

Total debt (R$ million)

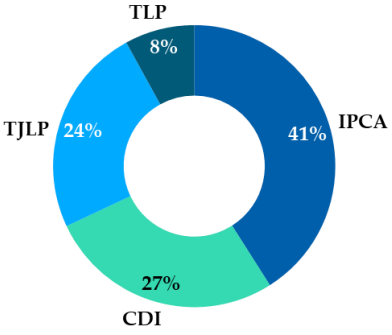


The variation in the Company's debt is related essentially to a combination of the following events during 2019: (i) the issue of debentures for R$ 4,065.0 million with the purpose of providing working capital to finance the implementation of the Company's business plan and projects such as Assú V, Umburanas – Phase I, Jaguara and Miranda; (ii) drawdowns from the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social - BNDES), totaling R$ 1,519.3 million for the construction of Pampa Sul TPP, Campo Largo – Phase I and Umburanas – Phase I Wind Complexes and, the expansion of the Ferrari Thermoelectric Power Plant and modernization of the Salto Santiago Hydroelectric Power Plant; (iii) raising of loan amounting to R$ 1,127.2 million from overseas financial institutions, totally protected by swap operations for safeguarding future cash flows; (iv) generation of R$ 963.6 million in charges incurred to be paid and monetary restatement; and (v) R$ 2,752.7 million in amortization of loans, financing and debentures.

Maturity term loans (R$ million)



Debt breakdown



The average weighted nominal cost of debt at the end of 2019 was 7.6% (8.6% at the end of 2018).

On December 31, 2019, the Company's net debt (total debt less result of derivatives operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was R$ 10,191.8 million, an increase of 48.6% compared with the end of 2018.

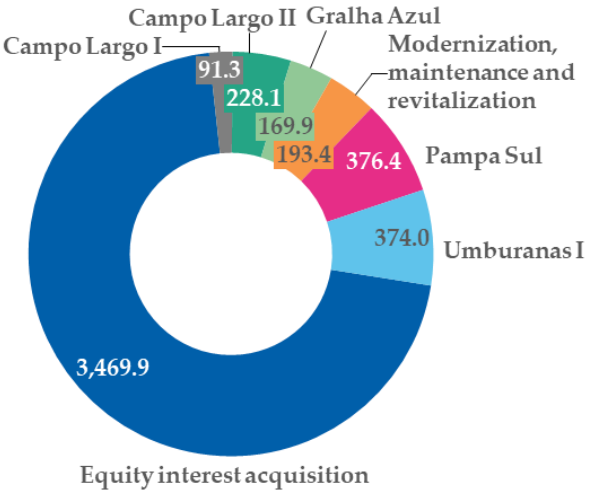
Net Debt (R$ million)

	12.31.2017	12.31.2018	12.31.2019	Chg % 2019/2018
Gross debt	6,756.4	9,720.2	14,763.1	51.9
Result of derivatives operations	(18.2)	(222.0)	(326.3)	47.0
Deposits earmarked for the payment of debt	(225.5)	(226.2)	(374.7)	65.6
Cash and cash equivalents	(1,930.1)	(2,415.8)	(3,870.3)	60.2
Total net debt	**4,582.6**	**6,856.3**	**10,191.8**	**48.6**

Capital expenditures

In 2019, the Company invested R$ 4,903.0 million, of which (i) R$ 3,469.9 million were allocated for the acquisition of a corporate stake in Aliança, the acquiring company of 90% of the stock of TAG; (ii) R$ 1,239.7 million invested in the construction of new projects, being: R$ 376.4 million in Pampa Sul; R$ 374.0 million Umburanas – Phase I; R$ 228.1 million in Campo Largo – Phase II; R$ 169.9 million in the Sistema de Transmissão Gralha Azul; and R$ 91.3 million in Campo Largo – Phase I; (iii) R$ 138.9 million were expended on maintenance and revitalization projects in the generating complex; and (iv) R$ 54.5 million designated for the modernization of Salto Santiago and Salto Osório hydroelectric plants.

Capital expenditures (R$

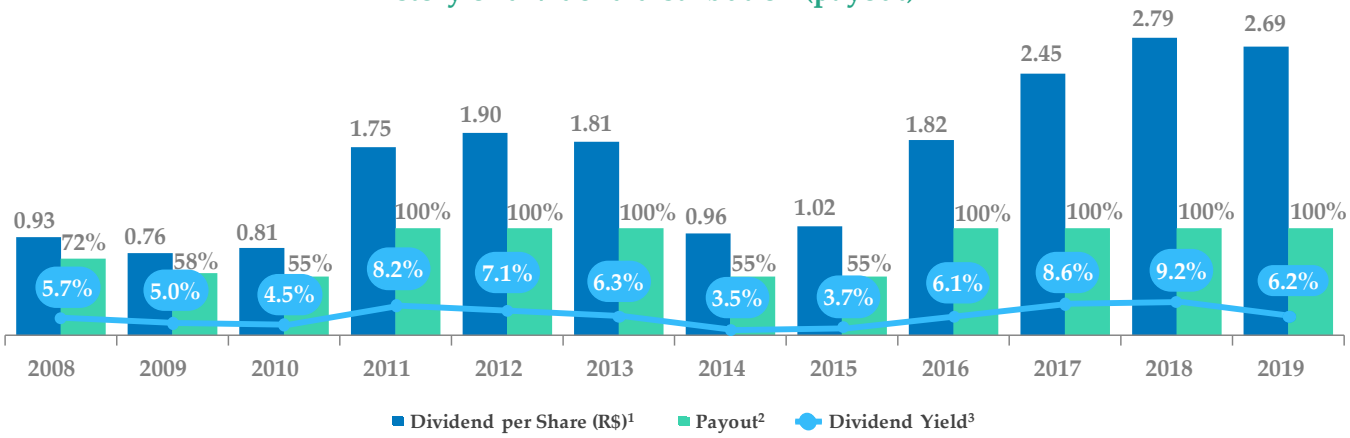


Dividends

Even in the light of the significant cycle of investments and growth experienced in 2019, ENGIE Brasil Energia's Board of Directors approved payment of a total R$ 2,197.1 million in proceeds from 2019 (R$ 2.6928163914 per share), equivalent to 100% of the year's adjusted payable net earnings.

Out of the foregoing total, R$ 949.7 million (R$ 1.1640046498 per share), concern the complementary dividends proposal to be ratified by the Annual General Meeting, which will determine terms of payment.

History of dividend distribution (payout)



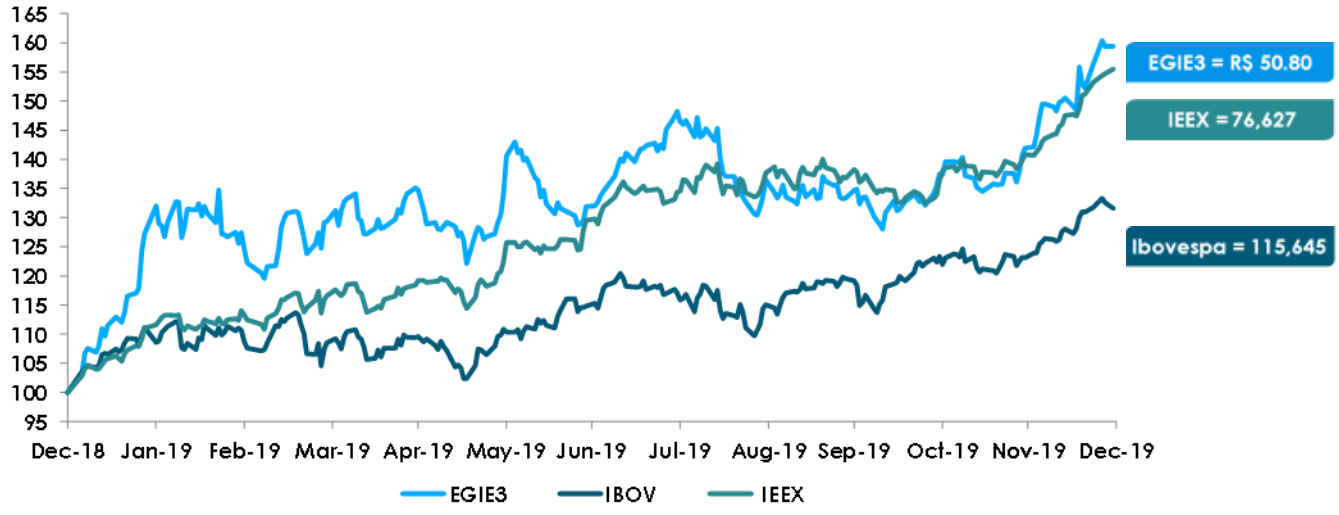
(1) For the purposes of comparability between fiscal years, an adjustment in dividend per share was made in the light of the share bonus approved on December 07, 2018.
(2) Considers the annual payable net income.
(3) Based on volume-weighted closing price of ON shares in the period.

Capital markets and performance of shares

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

The shares of ENGIE Brasil Energia recorded an appreciation of 53.9%, slightly less than the IEEX, which increased 55.5% and much above the appreciation of 31.6%, registered by the Ibovespa. The average daily trading volume was R$ 60.0 million, an increase of 56.1% in relation to R$ 38.5 million in 2018. EBE's shares on the last trading day of December 2019 closed at R$ 50.80/share, equivalent to a Company market capitalization of R$ 41.4 billion.

EGIE3 vs. Ibovespa vs. IEEX (Base 100 – 12.31.2018)



Ratings

In 2019, Fitch Ratings reaffirmed the Company's National Long-Term Rating at 'AAA(bra)', stable outlook, and its international rating at 'BB', stable outlook, one level above the sovereign rating.

Fitch Ratings Agency	Classification
Domestic Rating	AAA(bra)
International Rating – Issues in Reais	BBB-
International Rating – Foreign Currency issues	BB
Sixth debenture issue Rating, due 2024	AAA(bra)
Seventh debenture issue, due 2026	AAA(bra)

SOCIO-ENVIRONMENTAL MANAGEMENT

ENGIE Brasil Energia's socio-environmental management is divided into two main areas of focus. One concerns managing the Plants' operations and catchment areas, and focuses on actions to monitor positive impacts on the communities where we operate, protect the environment, biodiversity and the health and safety of employees and service providers, from the implementation of a new project through to the operational phase.

The second area aims to keep track of society's behavioral and consumer changes induced by rising awareness of the effects of climate change. These effects have immediate consequences for the environment and in broader terms, directly reflect on people and the economic model. For companies in the energy business, which are regarded as part of any economy's "base" industry, this shift translates into the so-called energy transition, which ENGIE has internalized since 2015 as the 3 D´s – decarbonization, decentralization, and digitalization. This is therefore a goal that applies not only to our operations, but also emerges in the offer of innovative solutions for customers so that the decarbonization process may spread along our value chain. This is closely related with ENGIE's sustainability and with the future of society.

Environmental management

Respect for the environment is a key value for ENGIE Brasil Energia. Therefore, the company embraces the practice of identifying environmental aspects and impacts of its activities, based on programs and actions intended to monitor and control operations. To complement activities carried out to ensure compliance with the environmental laws in force, the Company undertakes a series of voluntary initiatives that focus on the conservation of natural resources and the minimization of impacts.

To achieve corporate environmental objectives and goals, the Company's Integrated Management System (SIG) regularly tracks several performance and compliance indicators. Some of the main aspects monitored include items related with greenhouse gas emissions, water and effluent management, solid waste, and plant and wildlife handling.

As concerns compliance with the law, the following Operating Licenses (LO) were renewed during the fiscal year:

- Tubarão Wind Farm: LO No. 4099/2019, issued on 07.12.2019, expiring on 07.12.2023;
- Ferrari Thermal Power Plant: LO No. 65003519, issued on 08.02.2019, expiring on 08.02.2024 (increased steam flow – boiler 4);
- José Gelásio Small Hydroelectric Plant: LO No. 319451/2019, issued on 05.14.2019, expiring on 05.12.2024;
- Ponte de Pedra Hydroelectric Plant: LO No. 319926/2019, issued on 07.18.2019, expiring on 07.16.2024, for the 230 kV Transmission Line connecting the Plant and the Rondonópolis substation;
- Pampa Sul Thermal Power Plant: LO No. 1520/2019, issued on 06.13.2019, expiring on 06.13.2029;
- Lages Co-Generation Plant: LO No. 6446/2019, issued on 10.09.2019, expiring on 10.09.2023;
- The expiration date of the LOs for the Jorge Lacerda Thermal Power Complex has been extended to 04.01.2022 because of its NBR ISO 14001 Certification, as provided in Consema Resolution No. 98/2017.

Some highlights among the voluntary programs that the Company undertakes in the areas where it operates include:

- *Headwaters Protection Program*: conducted in partnership with governmental and third-sector organizations, it promotes the conservation of natural resources and contributes to improving the quality of the water that communities consume. Since the program's launch, 1,907 headwaters have been protected – 126 of them in 2019 alone – in the catchment areas of 14 Company-operated plants.

- *Seedlings donation and planting*: ENGIE Brasil Energia keeps eight sapling nurseries that help maintain the biomes of the regions where they stand by raising native species seedlings, donations to the community, and planting by the Company itself. All told, more than 400 thousand seedlings were planted or donated in 2019. In addition to helping conserve biodiversity, the project has an educational aspect insofar since some of the donations take place at events held at schools and other communal environments.

Social Responsibility and community relations

As partners in the pursuit of the sustainable development of the regions where the Company operates, communities surrounding our projects are a priority for ENGIE Brasil Energia. For this reason, the Company keeps dialog channels open and maintains supporting mechanisms for projects implemented at the communities' initiative. The relationship is driven by mutual respect and based on building partnerships with local actors.

In 2019, the Company invested R$ 26.0 million in community development projects not associated with project implementation. These investments break down into own and incentivized funds, as the Table next shows. Out of the projects supported in 2019, we emphasize 12 accessibility-related ones using funds from the National Special Needs Persons Health Care Support Program (Pronas/PCD) and six devoted to cancer treatment with funding from the National Cancer Care Support Program (Pronon) – historically, these areas showed little demand for support. ENGIE Brasil Energia encourages the pursuit of funding with social ends, particularly when it comes to communities surrounding its projects.

Investments in social responsibility (in thousands of R$)

Source	2017	2018	2019	Change
Non-incentivized investments	2,898.1	3,497.0	4,179.0	19.5%
Investments through the Infancy and Adolescence Fund - FIA	2,022.9	1,837.0	2,609.0	42.0%
Investments under the Culture Incentive Law – Rouanet Law	9,537.1	8,798.0	9,375.0	6.6%
Investments under the Sport Incentive Law	1,895.2	1,610.0	2,490.0	54.7%
Investments under the National Support Program for Oncological Care - PRONON	2,119.0	1,597.0	2,535.0	58.7%
Investments under the National Care Support Program for People with Special Needs - PRONAS/PCD	1,383.5	1,607.4	2,546.0	58.4%
Investments through the Municipal Fund for the Elderly	2,423.2	1,430.9	2,286.0	59.8%
TOTAL	**22,278.9**	**20,377.3**	**26,020.0**	**27.7%**

One of the main means of relating with the areas where the Company operates lies with the Culture and Sustainability Centers – designed, implemented and maintained since 2011 under EBE sponsorship, using both incentivized and own funds. The Centers foster cultural and educational initiatives in the communities surrounding the Company's operations, creating opportunities for communal confraternization and access to the Arts, including drama, music, dance and theater – seldom available in the smaller towns in the Brazilian interior. Six centers currently exist, the latest having opened in the municipality of Minaçu (GO) in August 2019 – near the Cana Brava Hydroelectric Plant. Two more Centers have been given the Ministry of Citizenship's and the Bureau of Culture's approval to begin construction – as they use funds from Culture-Related Tax Incentives. They are the Trairi Culture Center (CE) and the Saudade do Iguaçu Culture Center (PR).

Another important tool for community outreach and the dissemination of the sustainability culture is the Visitations Program. The Company partners with other entities to maintain structured visitation routines at the plants that form its generation complex, introducing the projects' operations and the socio-environmental projects carried out in the surrounding areas. The program is supplemented by presentations at schools and in other community environments, focusing on the same topic and emphasizing environmental education. Around 90 thousand people attended the program's activities in 2019.

People Management

Intangible assets fundamental to the development of the business, ENGIE Brasil Energia employees are increasingly aligned with the execution of the corporate strategy, focusing on the energy transition. To this end, the Company strives to provide an ethical work environment, with favorable conditions for personal and professional development, which enables quality of life, recognition and satisfaction.

At the end of 2019, 1,398 employees were part of ENGIE Brasil Energia's staff, which also includes the employees of projects fully controlled by EBE – with the following breakdown:

Direct payroll numbers on 12.31.2019, by gender and functional category

Employees by gender and functional category	Men	% men	Women	% women	Total	% total
Managerial	204	18%	31	12%	235	17%
Analysts, engineers and specialists	320	28%	132	49%	452	32%
Operators, technicians	607	54%	104	39%	711	51%
Total	**1.131**		**267**		**1.398**	

In addition, the Company also had 49 interns and an additional 68 workers were employed at entities jointly owned by the Company (37 at TAG, 25 at Companhia Energética Estreito and six at Itá Energética).

To determine the adequacy of the programs developed for employees, the Company regularly holds organizational climate surveys. In 2019, 86% of employees completed their questionnaires. Highlights from this survey cycle include:

- 94% recommended ENGIE Brasil Energia as a good place to work
- 94% feel pride in being associated to the Company
- 98% believe that ENGIE Brasil Energia is an environmentally responsible company
- 97% believe that the Company is a socially responsible entity
- 86% believe that management supports diversity and inclusion in ENGIE

Hiring and terminations, by gender and region of Brazil

	Gender		Region					TOTAL
	Women	Men	N	NE	CO	SE	S	
Total hiring	26	114	1	9	2	1	127	**140**
Total terminations	6	73	0	3	2	0	74	**79**
Turnover rate	1.1%	6.7%	0.0%	0.4%	0.1%	0.0%	7.2%	**7.8%**

As set forth in the Sustainable Management Policy, the physical and psychic integrity, professionalism, training and competence of the employees are priorities for ENGIE Brasil Energia. The same care taken with direct employees is also dispensed to the service providers – the latter's agreements include clauses to this effect, also prioritizing the occupational health and safety of subcontractors and outsourced entities. In 2019, no fatal accidents were recorded. However, the target related to the accident frequency rate was not achieved, which led to correction plans to be carried out at all plants and at headquarters.

Work related accidents except EGSD

Direct employees	
Number of hours exposed to risk	2,338,743
Number of work-related and commuting accidents with and without time off work	7
Number of lost days – work related accidents with time off work	0
Number of fatal accidents	0
Employees of contracted companies	
Number of hours exposed to risk	8,603,756
Number of work related and commuting accidents with and without time off work	55
Number of fatal accidents	0

Work related accidents EGSD

Direct employees	
Number of hours exposed to risk	215,037
Number of work-related and commuting accidents with and without time off work	1
Number of lost days – work related accidents with time off work	65
Number of fatal accidents	0
Employees of contracted companies	
Number of hours exposed to risk	126,073
Number of work related and commuting accidents with and without time off work	4
Number of fatal accidents	0

Occupational Health and Safety Indicators except EGSD

Indicator	2017	2018	2019	Meta 2019	Meta 2020
Frequency Rate (FR) – direct employees	1.050	0.970	0.000	n.a	n.a
Severity Rate (SR) - direct employees	0.004	0.000	0.000	≤ 0.020	≤ 0.020
Frequency Rate (FR) – direct employees + long-term service providers	1.030	1.390	1.720	≤ 0.800	≤ 0.800
Frequency Rate (FR) – short-term service providers + work under construction	0.690	1.640	0.630	≤ 2.300	≤ 2.400

Occupational Health and Safety Indicators EGSD

Indicator	2019	Meta 2019	Meta 2020
Frequency Rate (FR) – direct employees	4.650	≤ 10	≤ 4.63
Severity Rate (SR) - direct employees	0.302	≤ 0.02	≤ 0.069

Social Balance

1 – Calculation basis	2019 (R$ thousand)				2018 (R$ thousand)			
Net Revenues (NR)	9,804,478				8,794,792			
Operating Income (OI)	3,087,937				2,967,816			
Gross Payroll (GPR)	194,608				165,921			
Total Value Added (TVA)	6,201,746				5,490,284			
2 – Internal social indicators	**R$ thousand**	**% over GPR**	**% over NR**	**% over TVA**	**R$ thousand**	**% over GPR**	**% over NR**	**% over TVA**
Meals	19,011	9.77	0.19	0.31	19,381	11.68	0.22	0.35
Compulsory social charges	76,673	39.40	0.78	1.24	64,871	39.10	0.74	1.18
Private pension	38,635	19.85	0.39	0.62	38,910	23.45	0.44	0.71
Health	19,379	9.96	0.20	0.31	19,167	11.55	0.22	0.35
Occupational health and safety	6,917	3.55	0.07	0.11	5,997	3.61	0.07	0.11
Education	424	0.22	-	0.01	387	0.23	-	0.01
Culture	28	0.01	-	-	25	0.02	-	-
Professional training and development	5,725	2.94	0.06	0.09	4,638	2.80	0.05	0.08
Daycare or daycare assistance	413	0.21	-	0.01	326	0.20	-	0.01
Sport	560	0.29	0.01	0.01	506	0.30	0.01	0.01
Profit-sharing	49,669	25.52	0.51	0.80	42,147	25.40	0.48	0.77
Transportation	6,242	3.21	0.06	0.10	5,111	3.08	0.06	0.09
Others	1,522	0.78	0.02	0.02	1,519	0.92	0.02	0.03
Total – internal social indicators	**225,198**	**115.72**	**2.30**	**3.63**	**202,985**	**122.34**	**2.31**	**3.70**
3 – Indicadores sociais externos	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**
Education	50	0.03	-	-	36	0.02	-	-
Culture	11,539	5.93	0.12	0.19	10,515	6.34	0.12	0.19
Health and sanitation	5,312	2.73	0.05	0.09	3,205	1.93	0.04	0.06
Sports	2,515	1.29	0.03	0.04	1,610	0.97	0.02	0.03
Others	6,604	3.39	0.07	0.11	5,012	3.02	0.06	0.09
Total contributions to society	**26,020**	**13.37**	**0.27**	**0.42**	**20,378**	**12.28**	**0.23**	**0.37**
Taxes (excluding social charges)	2,081,252	1,069.46	21.23	33.56	1,835,167	1,106.05	20.87	33.43
Total – external social indicators	**2,107,272**	**1,082.83**	**21.49**	**33.98**	**1,855,545**	**1,118.33**	**21.10**	**33.80**
4 – Environmental indicators	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**	**R$ thousand**	**% over OI**	**% over NR**	**% over TVA**
4.1 – Investments related to the production/operation of the								
Land expropriation	-	-	-	-	-	-	-	-
Liabilities and environmental contingencies	12,476	6.41	0.13	0.20	11,655	7.02	0.13	0.21
Technological and industrial development program	12,033	6.18	0.12	0.19	2,185	1.32	0.02	0.04
Others	2,233	1.15	0.02	0.04	344	0.21	-	0.01
Total investment related to the operation/production of the company	**26,742**	**0.87**	**0.27**	**0.43**	**14,405**	**0.49**	**0.16**	**0.26**
4.2 – Investment in external programs and/or projects								
Environmental education projects in communities	945	0.03	0.01	0.02	846	0.03	0.01	0.02
Preservation and/or revitalization of degraded environments	4,604	0.15	0.05	0.07	4,207	0.14	0.05	0.08
Others	4,502	0.15	0.05	0.07	5,049	0.17	0.06	0.09
Total investments in external programs and/or projects	**10,051**	**0.33**	**0.10**	**0.16**	**10,102**	**0.34**	**0.11**	**0.18**
Total environmental investment (4.1 + 4.2)	**36,793**	**1.19**	**0.38**	**0.59**	**24,507**	**0.83**	**0.28**	**0.45**
Distribution of environmental investment	**R$ thousand**		**% over total**		**R$ thousand**		**% over total**	
Total investment in environmental prevention activities	11,507		31.27		2,046		8.35	
Total investment in environmental maintenance activities	23,665		64.32		20,695		84.45	
Total investment in environmental compensation activities	1,621		4.41		1,766		7.21	
Number of environmental, administrative and legal claims filed against the company:	45				49			
Total added value to be distributed (in thousands of R$)	6,201,746				5,490,284			
Distribution of Value Added:	**R$ thousand**		**% over total**		**R$ thousand**		**% over total**	
Government	2,509,783		40.47		2,155,815		39.27	
Employees	332,905		5.37		280,961		5.12	
Shareholders	2,167,173		34.94		2,176,224		39.64	
Third Parties	1,047,959		16.90		738,101		13.44	
Retained	143,926		2.32		139,183		2.54	

ADDITIONAL INFORMATION

Sustainability Report

Complementary information and details on the Company's socio-environmental activities as well as issues relating to the creation of value for stakeholders will be included in ENGIE Brasil Energia's Sustainability Report, to be published at the end of April 2020.

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

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

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

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

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

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

The coordinator of the Sustainability Forum (former Sustainability Committee) is the person responsible for socioenvironmental information and contact can be made by e-mail: comitesustentabilidade.brenergia@engie.com

Independent Auditors

In accordance with Article 2 of CVM Instruction 381/03, ENGIE Brasil Energia states that in 2018 Touche Tohmatsu Auditores Independentes, the independent auditors of the Company and its subsidiaries, provided services unrelated to the independent audit.

On 05.24.2019 the Company obtained a comfort letter for issuance of debt instruments from its independent auditor - Deloitte. The service was provided during 2019. The fees with respect to this service were R$ 560 thousand and represented 34,1% of the total relative to outside audit services provided for 2019.

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

Statement from the Management Board

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

The Management

ENGIE BRASIL ENERGIA S.A.

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

BALANCE SHEETS AT DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

ASSETS

	Note	Parent Company		Consolidated	
		12.31.2019	12.31.2018	12.31.2019	12.31.2018
CURRENT ASSETS					
Cash and cash equivalents	4	2,590,507	1,282,395	3,870,261	2,415,792
Trade accounts receivable	5	643,570	532,430	1,451,227	1,181,379
Income tax and social contribution credits	22	120,317	88,854	166,833	98,978
Dividends receivable	35	300,926	61,468	-	-
Insurance indemnities receivable	37	-	71,888	10,719	74,780
Inventories	6	15,435	14,604	220,964	125,681
Unrealized gains on hedge operations	17	114,550	-	115,131	3,135
Unrealized gains on trading operations	17	-	-	288,771	116,202
Restricted deposits	7	838	4,471	4,856	8,956
Hydrological risk renegotiation to be recognized	8	13,016	13,016	15,089	15,089
Concession financial asset	10	-	-	296,232	277,502
Other current assets	12	137,506	177,880	300,759	225,455
		3,936,665	**2,247,006**	**6,740,842**	**4,542,949**
Non-current assets held for sale		4,829	13,728	4,829	13,728
		3,941,494	**2,260,734**	**6,745,671**	**4,556,677**
NON-CURRENT ASSETS					
Long Term Assets					
Unrealized gains on hedge operations	17	311,577	247,878	311,577	256,464
Unrealized gains on trading operations	17	-	-	42,695	44,429
Restricted deposits	7	10,388	9,915	381,064	232,450
Judicial deposits	9	100,833	96,099	102,878	97,721
Hydrological risk renegotiation to be recognized	8	90,289	103,306	115,686	130,776
Concession financial asset	10	-	-	2,411,942	2,317,608
Contract asset	11	-	-	217,611	47,698
Other non-current assets	12	5,950	20,313	68,688	103,410
		519,037	**477,511**	**3,652,141**	**3,230,556**
Investments	**13**	**12,825,104**	**10,540,737**	**2,948,920**	**-**
Property, plant and equipment	**14**	**4,072,139**	**4,288,507**	**15,330,211**	**14,635,467**
Intangible assets	**15**	**49,717**	**38,507**	**1,296,769**	**1,312,845**
Right of use of leases	**20**	**28,281**	**-**	**161,866**	**-**
		17,494,278	**15,345,262**	**23,389,907**	**19,178,868**
TOTAL		**21,435,772**	**17,605,996**	**30,135,578**	**23,735,545**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

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

BALANCE SHEETS AT DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Parent Company		Consolidated	
		12.31.2019	12.31.2018	12.31.2019	12.31.2018
CURRENT LIABILITIES					
Suppliers	16	149,361	466,734	765,020	588,471
Dividends and interest on equity	30	1,195,925	2,136,939	1,197,924	2,137,039
Loans and financing	18	1,263,400	142,536	1,637,691	454,513
Debentures	19	1,018,177	36,882	1,204,469	210,369
Leases payable	20	6,222	-	19,824	-
Concessions payable	21	139,008	79,051	145,136	84,931
Income tax and social contribution payable	22	52,788	59,389	176,395	102,033
Other tax and regulatory liabilities	23	48,036	53,816	104,855	104,410
Labor liabilities	24	83,943	90,989	106,005	99,572
Unrealized losses on trading operations	17	-	-	258,305	98,047
Provisions	25	7,537	7,880	8,579	8,883
Retirement benefits obligations	26	42,815	35,369	42,909	35,369
Other current liabilities	28	177,941	169,003	312,532	246,624
		4,185,153	**3,278,588**	**5,979,644**	**4,170,261**
NON-CURRENT LIABILITIES					
Loans and financing	18	2,882,714	2,840,909	7,181,363	5,854,915
Debentures	19	3,267,237	1,580,252	4,739,535	3,200,437
Leases payable	20	11,853	-	114,483	-
Unrealized losses on trading operations	17	-	-	20,644	19,395
Concessions payable	21	3,042,295	2,717,339	3,091,354	2,765,538
Provisions	25	88,664	81,637	288,301	88,977
Retirement benefits obligations	26	363,504	283,765	364,253	283,765
Deferred income tax and social contribution	27	468,526	426,754	941,468	768,814
Other non-current liabilities	28	130,672	80,566	415,713	262,866
		10,255,465	**8,011,222**	**17,157,114**	**13,244,707**
SHAREHOLDERS' EQUITY					
Capital	29	4,902,648	4,902,648	4,902,648	4,902,648
Profit reserves	29	1,173,501	1,029,574	1,173,501	1,029,574
Proposed additional dividends	30	949,744	76,703	949,744	76,703
Valuation adjustments	29	(30,739)	307,261	(30,739)	307,261
		6,995,154	**6,316,186**	**6,995,154**	**6,316,186**
Non-controlling interest		-	-	3,666	4,391
		6,995,154	**6,316,186**	**6,998,820**	**6,320,577**
TOTAL		**21,435,772**	**17,605,996**	**30,135,578**	**23,735,545**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

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

INCOME STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	Note	Parent Company		Consolidated	
		12.31.2019	12.31.2018	12.31.2019	12.31.2018
NET OPERATING REVENUE	31	**4,733,631**	**4,892,121**	**9,804,478**	**8,794,792**
Operating costs					
Electricity purchases	32	(1,052,585)	(1,317,006)	(2,666,211)	(2,324,901)
Transactions in the short-term energy market	32	(197,245)	(436,837)	(427,677)	(574,092)
Charges for the use of and connection to the power grid		(325,522)	(314,446)	(513,740)	(461,132)
Other operating costs	32	(593,774)	(584,736)	(2,016,402)	(1,491,179)
Cost of services rendered	32	(28,886)	(24,632)	(28,933)	(24,682)
		(2,198,012)	**(2,677,657)**	**(5,652,963)**	**(4,875,986)**
GROSS PROFIT		**2,535,619**	**2,214,464**	**4,151,515**	**3,918,806**
Other operating income (expenses)					
Selling expenses	32	(14,782)	(1,891)	(26,566)	(6,744)
General and administrative expenses	32	(211,190)	(189,842)	(226,670)	(201,005)
Provision for asset impairment	3.q	(4,900)	(39,327)	(4,900)	(39,327)
Other operating income (expenses), net	1.f	(881)	(1,746)	320,405	(3,648)
		(231,753)	**(232,806)**	**62,269**	**(250,724)**
Equity income (loss)					
Equity	13	1,258,405	1,302,906	81,114	(971)
Amortization of goodwill	13	(3,341)	(3,341)	-	-
		1,255,064	**1,299,565**	**81,114**	**(971)**
INCOME BEFORE FINANCIAL INCOME (LOSS) AND TAXES		**3,558,930**	**3,281,223**	**4,294,898**	**3,667,111**
Financial result					
Financial income	33	65,045	72,701	147,151	154,685
Financial expenses	33	(998,647)	(769,542)	(1,354,112)	(853,980)
		(933,602)	**(696,841)**	**(1,206,961)**	**(699,295)**
INCOME BEFORE INCOME TAXES		**2,625,328**	**2,584,382**	**3,087,937**	**2,967,816**
Income tax and social contribution					
Current	34	(243,972)	(181,391)	(555,024)	(392,447)
Deferred	34	(71,431)	(88,630)	(221,814)	(259,962)
		(315,403)	**(270,021)**	**(776,838)**	**(652,409)**
NET INCOME FOR THE YEAR		**2,309,925**	**2,314,361**	**2,311,099**	**2,315,407**
NET INCOME ATTRIBUTABLE TO:					
Shareholders of ENGIE Brasil Energia		2,309,925	2,314,361	2,309,925	2,314,361
Non-controlling shareholder		-	-	1,174	1,046
		2,309,925	**2,314,361**	**2,311,099**	**2,315,407**
BASIC AND DILUTED EARNINGS PER SHARE – IN BRAZILIAN REAL	**29.f**	**2.83104**	**2.83648**	**2.83104**	**2.83648**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

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

COMPREHENSIVE INCOME STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian reais)

	Note	Parent Company		Consolidated	
		12.31.2019	12.31.2018	12.31.2019	12.31.2018
NET INCOME FOR THE YEAR		**2,309,925**	**2,314,361**	**2,311,099**	**2,315,407**
Other comprehensive income that in the future:					
- Will not be reclassified as profit or loss					
Retirement benefit					
Remeasurement of retirement obligations	26	(87,233)	(6,119)	(87,233)	(6,119)
Deferred income tax and social contribution	27	29,659	2,080	29,659	2,080
		(57,574)	**(4,039)**	**(57,574)**	**(4,039)**
- Will be reclassified as profit or loss					
Cash flow hedge					
Unrealized gains generated in the fiscal year	17	-	-	1,024	1,356
Deferred income tax and social contribution	27	-	-	(214)	(551)
Unrealized (losses) gains in the year		-	-	(4,766)	3,576
Equity income (loss) of the effects above		(3,956)	4,381	-	-
		(3,956)	**4,381**	**(3,956)**	**4,381**
Interest in joint venture					
Change in interest in joint venture	13	(99,230)	-	(99,230)	-
Cash flow hedge in joint venture	13	(151,833)	-	(151,833)	-
		(251,063)	**-**	**(251,063)**	**-**
COMPREHENSIVE INCOME FOR THE YEAR		**1,997,332**	**2,314,703**	**1,998,506**	**2,315,749**
INCOME ATTRIBUTABLE TO:					
Shareholders of ENGIE Brasil Energia		1,997,332	2,314,703	1,997,332	2,314,703
Non-controlling shareholder		-	-	1,174	1,046
		1,997,332	**2,314,703**	**1,998,506**	**2,315,749**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

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

CHANGES IN SHAREHOLDERS' EQUITY STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian reais)

			Profit reserves					Valuation adjustments				
	Note	Capital	Legal Reserve	Tax incentive reserve	Retained Earnings Reserve	Proposed additional dividends	Retained earnings	Attributed cost	Other comprehensive income	Parent Company Shareholders' Equity	Non-controlling interest	Consolidated Shareholders' Equity
Balances at 12.31.2017		**2,829,056**	**565,811**	**151,073**	**2,247,099**	**636,755**	**-**	**379,612**	**21,188**	**6,830,594**	**4,131**	**6,834,725**
Additional dividends paid from 2017		-	-	-	-	(636,755)	-	-	-	**(636,755)**	-	**(636,755)**
Net income for the year		-	-	-	-	-	2,314,361	-	-	**2,314,361**	1,046	**2,315,407**
Re-measurement of retirement obligations	26	-	-	-	-	-	-	-	(4,039)	**(4,039)**	-	**(4,039)**
Fair value of cash flow hedge	17	-	-	-	-	-	-	-	4,381	**4,381**	-	**4,381**
Unclaimed dividends and IOE		-	-	-	-	-	3,423	-	-	**3,423**	-	**3,423**
Capital increase approved	29	2,073,592	-	(4,166)	(1,594,357)	-	(475,069)	-	-	**-**	-	**-**
Realization of attributed cost		-	-	-	-	-	93,881	(93,881)	-	**-**	-	**-**
Allocations proposed to ASM:												
- Legal reserve	29	-	115,718	-	-	-	(115,718)	-	-	**-**	-	**-**
- Tax incentive reserve	29	-	-	23,465	-	-	(23,465)	-	-	**-**	-	**-**
- Interim dividends	30	-	-	-	(652,742)	-	(1,146,037)	-	-	**(1,798,779)**	(786)	**(1,799,565)**
- Interest on equity (IOE)	30	-	-	-	-	-	(397,000)	-	-	**(397,000)**	-	**(397,000)**
- Additional dividends proposed	30	-	-	-	-	76,703	(76,703)	-	-	**-**	-	**-**
- Profit retention reserve	29	-	-	-	177,673	-	(177,673)	-	-	**-**	-	**-**
Balances at 12.31.2018		**4,902,648**	**681,529**	**170,372**	**177,673**	**76,703**	**-**	**285,731**	**21,530**	**6,316,186**	**4,391**	**6,320,577**
Additional dividends paid from 2018 credited	30	-	-	-	-	(76,703)	-	-	-	**(76,703)**	-	**(76,703)**
Net income for the year		-	-	-	-	-	2,309,925	-	-	**2,309,925**	1,174	**2,311,099**
Re-measurement of retirement obligations	26	-	-	-	-	-	-	-	(57,574)	**(57,574)**	-	**(57,574)**
Fair value of cash flow hedge	17	-	-	-	-	-	-	-	(3,956)	**(3,956)**	-	**(3,956)**
Interest in joint venture												
Dividends and interest not claimed												
Realization of attributed cost		-	-	-	-	-	-	-	(251,063)	**(251,063)**	-	**(251,063)**
Allocations proposed to ASM:		-	-	-	-	-	5,738	-	-	**5,738**	-	**5,738**
- Legal reserve												
- Tax incentive reserve		-	-	-	-	-	25,407	(25,407)	-	**-**	-	**-**
- Interim dividends												
- Interest on equity (IOE)	29	-	115,496	-	-	-	(115,496)	-	-	**-**	-	**-**
- Additional dividends proposed	29	-	-	28,431	-	-	(28,431)	-	-	**-**	-	**-**
Balances at 12.31.2019	30	-	-	-	-	-	(893,399)	-	-	**(893,399)**	(1,899)	**(895,298)**

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

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CASH FLOW STATEMENT (INDIRECT METHOD) FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Cash flow from operating activities				
Income before income taxes	2,625,328	2,584,382	3,087,937	2,967,816
Reconciliation of net income with cash generated by operations:				
Equity income (loss)	(1,255,064)	(1,299,565)	(81,114)	971
Depreciation and amortization	296,829	289,513	863,343	660,172
Provision for asset impairment	4,900	39,327	4,900	39,327
Monetary variation	275,160	222,659	320,045	237,060
Interest rates	700,099	497,263	970,559	532,911
Remuneration of the concession and contract financial asset	-	-	(397,284)	(341,529)
Unrealized gains on trading operations, net	-	-	(9,328)	(43,189)
Other	248	4,225	9,369	9,198
Adjusted net income before taxes	**2,647,500**	**2,337,804**	**4,768,427**	**4,062,737**
(Increase) decrease in assets				
Trade accounts receivable	(99,138)	182,042	(247,000)	(67,831)
Income tax and social contribution credit	(31,463)	(82,084)	(67,056)	(84,291)
Insurance indemnities receivable	71,888	(49,826)	74,780	(52,718)
Inventories	2,352	882	(92,101)	(30,708)
Restricted and judicial deposits	3,055	12,518	3,318	12,156
Hydrological risk renegotiation to be recognized	13,017	23,075	15,090	25,149
Concession financial asset	-	-	269,671	246,088
Other assets	86,698	(3,177)	(233,725)	(12,391)
(Decrease) increase in liabilities				
Suppliers	(128,055)	66,307	65,601	(124,518)
Other tax and regulatory liabilities	(6,743)	(9,488)	(3,561)	3,659
Labor liabilities	(7,046)	(2,126)	6,433	2,974
Retirement benefits obligations	(29,251)	(26,703)	(29,432)	(26,703)
Fuel payable to CDE	-	-	(36,192)	180,959
Other liabilities	19,155	41,173	195,353	29,055
Cash generated from operations	**2,541,969**	**2,490,397**	**4,689,606**	**4,163,617**
Payment of interest on debt, net of hedge	(305,081)	(196,669)	(579,734)	(485,755)
Payment of income tax and social contribution	(287,511)	(359,269)	(488,606)	(531,156)
Net cash generated from operating activities	**1,949,377**	**1,934,459**	**3,621,266**	**3,146,706**

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	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Investment activities				
Dividends received from subsidiaries and joint ventures	614,534	631,357	351,000	-
Capital increase at subsidiaries and joint ventures	(3,296,626)	(1,968,357)	(2,789,257)	-
Acquisition of investment	(680,612)	(28,957)	(680,612)	(18,958)
Capital decrease in subsidiaries	1,645,461	184,432	-	-
Investment in property, plant and equipment and intangible assets	(93,631)	(115,775)	(1,165,832)	(3,305,514)
Indemnifications for nonperformance of contractual obligations resulting from the delay in the conclusion of works	-	-	71,886	-
Fair value of rights of projects acquired	-	-	(16,977)	-
Receivables from divestments	-	32	-	111,817
Net cash consumed from investment activities	**(1,810,874)**	**(1,297,268)**	**(4,229,792)**	**(3,212,655)**
Financing activities				
New loans and financing	1,127,997	700,248	2,664,545	2,397,050
Issue of debentures	4,064,987	727,621	4,064,987	2,486,240
Payment of loans, financing, debentures and promissory notes, net of hedge	(1,682,828)	(33,658)	(2,172,993)	(2,290,194)
Payment of concession installments payable	(73,356)	(64,729)	(79,755)	(70,885)
Deposits pegged to debt service	59	(285)	(132,399)	13,646
Payment of dividends and interest on equity	(2,260,725)	(1,989,966)	(2,260,825)	(1,989,966)
Payment of leases	(6,525)	-	(16,743)	-
Others	-	958	(3,822)	5,780
Net cash from financing activities	**1,169,609**	**(659,811)**	**2,062,995**	**551,671**
Increase (decrease) in cash and cash equivalents	**1,308,112**	**(22,620)**	**1,454,469**	**485,722**
Reconciliation of cash and cash equivalents				
Opening balance	1,282,395	1,305,015	2,415,792	1,930,070
Closing balance	2,590,507	1,282,395	3,870,261	2,415,792
Increase (decrease) in cash and cash equivalents	**1,308,112**	**(22,620)**	**1,454,469**	**485,722**

Additional information on transactions not affecting cash and cash equivalents is presented in Note 39 - Additional information to the cash flow

The notes are an integral part of the financial statements.

ENGIE BRASIL ENERGIA S.A.

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ADDED-VALUE STATEMENT FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
GENERATION OF ADDED VALUE				
Gross operating revenue	5,259,702	5,410,949	10,656,659	9,623,109
Revenue from construction	-	-	1,299,470	3,259,331
Other	(881)	(1,746)	353,122	(3,647)
	5,258,821	**5,409,203**	**12,309,251**	**12,878,793**
(-) Inputs				
Electricity purchase	(1,052,585)	(1,317,006)	(2,666,211)	(2,324,901)
Transactions in the short-term energy market	(197,245)	(436,837)	(427,677)	(574,092)
Charges for the use of and connection to the power grid	(325,522)	(314,446)	(513,740)	(461,132)
Fuels used in energy production	-	(23,308)	(172,962)	(152,091)
Materials and services	(114,961)	(91,532)	(357,872)	(253,363)
Insurance	(21,602)	(13,553)	(66,984)	(40,725)
Construction costs	-	-	(1,143,509)	(2,963,825)
Provision for asset impairment	(4,900)	(39,327)	(4,900)	(39,327)
Other	(40,545)	(36,250)	(118,572)	(72,595)
	(1,757,360)	**(2,272,259)**	**(5,472,427)**	**(6,882,051)**
GROSS ADDED VALUE	**3,501,461**	**3,136,944**	**6,836,824**	**5,996,742**
Depreciation and amortization	(296,829)	(289,513)	(863,343)	(660,172)
NET ADDED VALUE GENERATED	**3,204,632**	**2,847,431**	**5,973,481**	**5,336,570**
ADDED VALUE RECEIVED IN TRANSFER				
Financial income	65,045	72,701	147,151	154,685
Equity income (loss)	1,255,064	1,299,565	81,114	(971)
ADDED VALUE TO DISTRIBUTE	**4,524,741**	**4,219,697**	**6,201,746**	**5,490,284**

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DISTRIBUTION OF ADDED VALUE

	Parent Company				Consolidated			
	12.31.2019	12.31.	12.31.2019	12.31.	12.31.2018	%	12.31.2017	%
Remuneration:								
Labor								
Remuneration and charges	131,889	2.9	119,036	2.8	210,009	3.4	182,809	3.3
Benefits	43,973	1.0	36,395	0.9	67,222	1.1	51,829	0.9
Profit sharing	22,749	0.5	21,673	0.5	35,114	0.6	31,398	0.6
FGTS	11,295	0.2	8,797	0.2	20,560	0.3	14,925	0.3
	209,906	**4.6**	**185,901**	**4.4**	**332,905**	**5.4**	**280,961**	**5.1**
Government								
Federal taxes	826,778	18.4	781,090	18.5	1,808,008	29.0	1,524,961	27.8
State taxes	24,327	0.5	22,266	0.5	34,680	0.6	22,989	0.4
Municipal taxes	4,059	0.1	2,893	0.1	4,664	0.1	3,435	0.1
Sectorial charges	150,307	3.3	140,410	3.3	196,655	3.2	182,475	3.3
Charges on concessions payable	458,269	10.1	414,725	9.8	465,776	7.5	421,955	7.7
	1,463,740	**32.4**	**1,361,384**	**32.2**	**2,509,783**	**40.4**	**2,155,815**	**39.3**
Third-party capital								
Interest and monetary variation	531,665	11.8	334,458	7.9	847,460	13.6	392,535	7.1
Capitalized financial interest and monetary variation	-	-	-	-	151,931	2.4	294,297	5.4
Rentals	1,944	-	6,820	0.2	11,285	0.2	15,920	0.3
Other financial expenses	7,561	0.2	16,773	0.4	37,283	0.6	35,349	0.6
	541,170	**12.0**	**358,051**	**8.5**	**1,047,959**	**16.8**	**738,101**	**13.4**
Own capital								
Capital increase	-	-	475,069	11.3	-	-	475,069	8.7
Legal reserve	115,496	2.6	115,718	2.7	115,496	1.9	115,718	2.1
Tax incentive reserve	28,431	0.6	23,465	0.6	28,431	0.5	23,465	0.4
Dividends	1,843,143	40.7	1,222,740	29.0	1,843,143	29.7	1,222,740	22.3
Interest on equity	354,000	7.8	397,000	9.4	354,000	5.7	397,000	7.2
Realization of attributed cost	(25,407)	(0.6)	(93,881)	(2.2)	(25,407)	(0.4)	(93,881)	(1.7)
Unclaimed dividends and IOE	(5,738)	(0.1)	(3,423)	(0.1)	(5,738)	-	(3,423)	-
Profit retention reserve	-	-	177,673	4.2	-	-	177,673	3.2
Non-controlling shareholder	-	-	-	-	1,174	-	1,046	-
	2,309,925	**51.0**	**2,314,361**	**54.9**	**2,311,099**	**37.4**	**2,315,407**	**42.2**
	4,524,741	**100.0**	**4,219,697**	**100.0**	**6,201,746**	**100.0**	**5,490,284**	**100.0**

The notes are an integral part of the financial statements.

NOTE 1 – OPERATIONS

ENGIE Brasil Energia S.A. ("Company" or "ENGIE Brasil Energia" or "EBE") is an independent utility concessionaire and a publicly held corporation with its registered headquarters in the municipality of Florianópolis, Santa Catarina state, Brazil. The core business and main operating activity of the Company and its subsidiaries is the generation and sale of electricity, regulated by the Brazilian Electricity Regulatory Agency (ANEEL), which is linked to the Ministry of Mines and Energy (MME). The Company, through its subsidiaries and joint ventures, also operates in the electricity trading, distributed generation, and gas transportation segments, and is in construction phase of Gralha Azul Transmission System. For more information, see Note 36 – Segment Information.

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

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

ENGIE Brasil Energia is part of the largest independent energy producer in Brazil, accounting for approximately 6.3%[1] of the country's installed capacity. At 12.31.2019, its installed capacity, including its stakes in energy generation consortiums, was 8,710.5 MW. Out of this total, 73.4% arises from hydroelectric power plants, 13.8% from thermal power plants and 12.8% from complementary energy (wind, solar, biomass and small hydroelectric power plants). Physical guarantee for sale averaged was 4,874.0 MW, of which 377.4 average MW are related to the portion of 70% of physical guarantee of the Jaguara and Miranda Hydroelectric Power Plants, which were allocated to the Regulated Contracting Environment (ACR) in the Physical Guarantee Quota System.

On 12.31.2019, the Company's generation facilities in operation consisted of 60 plants, of which 11 hydroelectric power plants (HPP), 4 conventional thermal power plants (TPP), 38 wind farms, 3 biomass plants, 2 photovoltaic solar power plants and 2 small hydroelectric power plants (SHPP).

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

The main corporate and operational events occurred in 2019 are as follows:

a) Start of construction of Campo Largo Wind Complex – Phase II

On 2.19.2019, the 181st Board of Directors Meeting approved the investments necessary for construction of the Campo Largo Wind Complex – Phase 2, located in the cities of Sento Sé and Umburanas, Bahia. The Complex will add 361.2 MW of installed capacity and approximately 196.5 average MW of physical guarantee to the Company's generating facilities. The 11 plants making up the project have installation licenses and the investments for building the Complex are estimated at R$1.6 billion and the entire Complex is expected to start commercial operations by early 2021.

b) Startup of commercial operations – Umburanas Wind Complex - Phase I

In the 1st four-month period of 2019, Aneel authorized the startup of commercial operations at the 18 wind farms that make up the Umburanas Wind Complex – Phase I, located in the city of Umburanas, Bahia, with installed capacity of 360.0 MW and physical guarantee of 213.3 average MW.

c) Winning offer for the acquisition of interest in gas transportation company

On 4.5.2019, the Company, together with a wholly-owned subsidiary of ENGIE S.A. (its holding company) and Caisse de Dépôt et Placement du Québec ("Offerors") took cognizance that they won the competitive bidding process conducted by Petrobras to acquire 90% of Petrobras' ownership interest in Transportadora Associada de Gás S.A. (TAG), which has a gas pipeline structure of approximately 4,500 km and 12 gas compression facilities (6 own and 6 subcontractors) and 91 delivery points.

The final and binding offer submitted by the Offerors amounts to R$35.1 billion for 100% of TAG on the base date of December 2017. Submission of the offer was approved by the Board of Directors of the Company at a meeting held on 3.26.2019, which also took into account the favorable opinion from the Special Independent Committee for Transactions with Related Parties, as set up in the 173rd Board of Directors Meeting held on 5.11.2018. On 4.25.2019, an agreement for the sale and other covenants was entered into between Aliança Transportadora de Gás Participações S.A. ("Aliança"), as buyer, the Company, GDF International (wholly -owned subsidiary of ENGIE S.A., its parent company) and Caisse de Dépôt et Placement du Québec, as members of the acquiring group, Petrobras, as seller, TAG, as consenting intervening party, and ENGIE Participações, as guarantor intervening party, which regulates the acquisition by the members of the acquiring group, through Aliança, of ownership interest in TAG equivalent to 90% of its capital stock owned by Petrobras. The Company's direct interest in Aliança was 32.5%. Accordingly, the Company held indirect interest of 29.25% in TAG. Petrobras continued to hold a non-controlling interest of 10% in TAG.

On 6.13.2019, after all the conditions precedent established in the sale agreement were met, Aliança, members of the acquiring group, TAG and Petrobras performed the closing acts, as set forth in the agreement, including the transfer of shares issued by TAG held by Petrobras, representing 90% of the total capital of TAG, to Aliança and the payment, by Aliança and members of the acquiring group, of approximately R$ 31.5 billion to Petrobras as consideration for the shares, and approximately R$ 2.0 billion, corresponding to the prepayment, by TAG, of its debts owed to the Brazilian Development Bank (BNDES) using the funds provided by Aliança to TAG. As a result of the share purchase operation, the Company injected capital into the joint venture Aliança, which totaled R$ 3.5 billion. On the same date, Aliança, members of the acquiring group and Petrobras signed a shareholders' agreement to regulate their relationship as direct and indirect shareholders of TAG, including the exercise of their respective voting rights and restrictions to share transfers. For more information, see Note 8 – Investments.

On 9.2.2019, TAG merged with Aliança and the members of the acquiring group now hold direct interest in TAG at the same percentage of the indirect interest previously held. On 10.14.2019, the Extraordinary Shareholders Meeting of the Company ratified the acquisition of shared controlling interest in TAG. For more information, see Note 13 – Investments.

d) Reaffirmation of ratings

On 3.14.2019 and 4.9.2019, the rating agency Fitch Ratings reaffirmed the Company's 'AAA(bra)' long-term national rating with stable outlook and 'BB' international rating with stable outlook, remaining one level above the sovereign rating.

e) Fresh borrowings

In 2Q19, the Company took fresh loans and issued debentures, as mentioned below, to raise the working capital required to finance the implementation of the Company's business plan.

On 5.17.2019, the Company took loans amounting to US$ 285 million, which is equivalent to R$1,127,195, from overseas financial institutions and, at the same time, contracted hedge operations (swap).

On 10.29.2019, the Company signed a financing agreement with BNDES for the construction of the Umburanas – Phase Wind Complex I. This financing, approved by the Company's Board of Directors, in the amount of R$1,230,694, with amortization over 230 months, represents around 78% of the project items eligible for financing. For more information on said transactions, see Note 18 – Loans and Financing.

On 5.21.2019 and 8.7.2019, the 8th and 9th issues of debentures were settled in the amount of R$2,500,000 and R$1,600,000, respectively. On 8.9.2019, R$1,570,930 was paid in advance for the 8th issue. For more information on the transactions, see Note 19 – Investments.

f) Start of commercial operations of Pampa Sul Thermal Power Plant

On 6.28.2019, Aneel authorized the start of commercial operations of Pampa Sul Thermal Power Plant ("Pampa Sul"), located in the city of Candiota, Rio Grande do Sul, with installed capacity of 345.0 MW and physical guarantee of 323.5 average MW. The plant uses charcoal from the mine as fuel for power generation and its energy was contracted for 25 years at the A-5 Auction held on 11.28.2014, at the price of R$235.68/MWh, adjusted for inflation as of 12.31.2019.

The date established in the Engineering, Procurement and Construction (EPC) agreement for the conclusion of works is 12.31.2018.

Since the deadline and other conditions contracted were not honored, on 8.2.2019, Pampa Sul executed the contractual guarantees totaling R$353,702 (equivalent to US$89 million) and R$71,886 (corresponding to US$18 million) to cover the damages resulting from the delay in the conclusion of works and its technical acceptance and material obligations under the EPC agreement. These amounts were received by the Company on 8.12.2019.

According to the Company's management and legal advisors, there are solid technical and legal arguments to sustain that the amounts are practically accurate and that the amounts received from the execution of guarantees will not be returned, even partially, to the supplier if the latter claims them in the future.

Accordingly, the amount of R$353,702 (R$320,984, net of PIS and Cofins) received to offset net gains that the Company failed to earn due to the delay in the conclusion of construction was recognized in the "Other operating income, net" item. The amount of R$71,886 received to cover material damages under the EPC agreement was recorded as a deduction from property, plant and equipment resulting from additional payments made to the supplier not established in the agreement.

g) Acquisition of electricity transmission company

The Board of Directors of the Company, at a meeting held on December 23, 2019, approved the acquisition of all the shares of Sterlite Novo Estado Energia S.A. ("Novo Estado") by ENGIE Transmissão de Energia Participações S.A. ("ENGIE Transmissão"), a direct subsidiary of the Company. On that date, ENGIE Transmissão, as buyer, Sterlite Brazil Participações S.A. ("Sterlite Participações") as seller, and Novo Estado, as the consenting-intervening party, signed the stock purchase agreement.

The closing of the transaction envisaged in the agreement is subject to the fulfillment of certain conditions precedent, which include approval of the sale by Aneel. The price for acquisition of 100% of Novo Estado's shares will be up to R$410 million, subject to adjustments until the closing date of the transaction.

Novo Estado won Lot 3 of Aneel Transmission Auction 002/2017 held in December 2017, which resulted in the execution of concession agreement 003/2018. The purpose of the concession is the construction, operation and maintenance of approximately 1,800 kilometers of transmission lines, a new substation and the expansion of three other existing substations in the states of Pará and Tocantins. All licenses for installation of the project have already been obtained and construction is expected to start in 2020.

h) Net working capital

The negative net working capital of R$243,659 shown in the balance sheet of the Parent Company on December 31, 2019 was mainly due to the allocation in current liabilities of 12 months of payments of loans, financing, debentures and concessions payable, while other relevant accounts under current assets and current liabilities have turnover of approximately two months, according to their operational cycle. As such, this situation does not reflect the Company's actual liquidity. The obligations will be settled through funds raised from operating activities. In addition, the Management has been analyzing borrowing alternatives.

NOTE 2 – PRESENTATION OF FINANCIAL STATEMENTS

a) Preparation basis

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

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

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

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

b) Functional currency and presentation currency

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

c) Operational continuity

The Management evaluated the Company's capacity to continue operating normally and concluded that it has the resources to continue its businesses in the future. In addition, it is not aware of any uncertainty that could give rise to doubts about its capacity to continue operating. As such, as per CPC 26 – Apresentação das demonstrações contábeis, these financial statements were prepared based on the presumption of continuity.

d) Use of estimates and judgments

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

e) Fair value measurement

The Company measures some financial instruments and non-financial assets at their fair value, i.e., at the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm's length transaction between market players on the date of measurement.

The fair value is calculated by using assessment techniques appropriate for the circumstances and for which sufficient data is available, in order to minimize the use of non-observable data.

Assets and liabilities whose fair amounts are measured and disclosed in the financial statements are classified according to the fair value hierarchy described below:

- Level 1: Prices quoted (not adjusted) in asset or liability markets identical to those to which the Company may have access on the date of measurement;

- Level 2: Assessment techniques for which the lowest level and significant information for measuring the fair value is obtained directly or indirectly; and

- Level 3: Assessment techniques for which the lowest level and significant information for measuring the fair value is not available.

f) Information by segment

A business segment is an identifiable component of the Company aimed at providing an individual product or service or a group of related products or services, and which is subject to risks and benefits that can be differentiated from other business segments.

In 2018, the Company entered the following segments: (i) electricity trading; (ii) distributed generation through the sale and installation of solar panels, by acquiring control of ENGIE Geração Solar Distribuída S.A. ("EGSD"); and (iii) electricity transmission. In 2019, the Company also entered the gas transportation segment by acquiring interest in the jointly-controlled subsidiary TAG.

Due to the relevance of the segments, as from 2019 the Company began to present information by segment, consistent with the internal report provided to the principal operational decision-making body - the Board of Executive Officers. Based on the internal report, the Board of Executive Officers evaluates the performance of various segments and decides on the allocation of resources to each business segment identified.

The results by segment include items directly attributable to the segment, as well as those that can be reasonably allocated. The financial result of the Company is not allocated by segment, since Management manages the Company's cash flow at the corporate level.

g) Net earnings per share – basic and diluted

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

h) Consolidation basis

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

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

	Investor	Operating segment	Equity interest (%) 12.31. 2019	12.31.2018
Direct wholly owned subsidiaries				
ENGIE Brasil Energia Comercializadora Ltda. ("EBC")	EBE	Generation / Trading	99.99	99.99
ENGIE Comercializadora Varejista de Energia Ltda. ("ECV")	EBE	Generation	99.99	99.99
Companhia Energética Estreito ("CEE")	EBE	Generation	99.99	99.99
Lages Bioenergética Ltda. ("Lages")	EBE	Generation	99.99	99.99
ENGIE Brasil Energias Complementares Participações Ltda. ("ECP")[2]	EBE	Generation	99.99	99.99
Companhia Energética Jaguara ("Jaguara")	EBE	Generation	99.99	99.99
Companhia Energética Miranda ("Miranda")	EBE	Generation	99.99	99.99
Diamante Geração de Energia Ltda. ("Diamante")	EBE	Generation	99.99	99.99
Usina Termelétrica Pampa Sul S.A. ("Pampa Sul")	EBE	Generation	99.99	99.99
Usina Termelétrica Norte Catarinense Ltda. ("Norte Catarinense")	EBE	Generation	99.99	99.99
ENGIE Geração Solar Distribuída S.A. ("EGSD")	EBE	Solar Panels	99.99	99.99
ENGIE Trading Comercializadora de Energia Ltda. ("ENGIE Trading")	EBE	Trading	99.99	-
ENGIE Transmissão de Energia Participações S.A. ("ENGIE Transmissão")	EBE	Transmission	99.99	99.99
Joint ventures				
Itá Energética S.A. ("Itasa")	EBE	Generation	48.75	48.75
Indirect subsidiaries				
Tupan Energia Elétrica Ltda. ("Tupan")	ECP	Generation	99.99	99.99
Hidropower Energia S.A. ("Hidropower")	ECP	Generation	99.99	99.99
Ibitiúva Bioenergética S.A. ("Ibitiúva")	ECP	Generation	95.00	95.00
Ferrari Termoelétrica S.A. ("Ferrari")	ECP	Generation	99.99	99.99
Energias Eólicas do Nordeste S.A. ("EEN")[2] and subsidiaries[3]	ECP	Generation	99.99	99.99
Energias Eólicas do Ceará S.A. ("EEC")[2] and subsidiaries[3]	ECP	Generation	99.99	99.99
CLWP Brasil Participações S.A. ("CLWP")[2] and subsidiaries[3]	ECP	Generation	99.99	99.99
CLWP Brasil II Participações S.A. ("CLWP II")[2] and subsidiaries[3]	ECP	Generation	99.99	99.99
Umburanas Participações S.A.[2] and subsidiaries[3]	ECP	Generation	99.99	99.99
Santo Agostinho Participações Ltda. and Conjunto Eólico Santo Agostinho[3]	ECP	Generation	99.99	99.99
Central Fotovoltaica Assú I, II, III, IV & V ("Assú")[3]	ECP	Generation	99.99	99.99
Alvorada Participações Ltda. ("Alvorada")[2] and subsidiaries	ECP	Generation	99.99	99.99
Gralha Azul Transmissão de Energia S.A. ("Gralha Azul")	ECP	Transmission	99.99	99.99
NPW Brasil II Gestão Imobiliária Ltda. ("NPW")	ECP	Generation	99.99	-

[2] Holding company.
[3] For more information, see Note 13 – Investments.

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

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

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

In addition, on December 31, 2019, the Company held 29.25% interest in the joint venture TAG. For more information, see Note 13 – Investments.

i) Added-value statement (DVA)

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

j) EmpresasNet system

Note that in the "Statement of Changes in Shareholders' Equity" table of the EmpresasNet System of the CVM, the equity valuation adjustment, though not corresponding to "Other Comprehensive Income," is presented in the column with this indication because there is not a more appropriate option to present said transaction in the standard statement of CVM.

k) Approval of the financial statements

These financial statements were approved at the Board of Directors Meeting held on 2.18.2020.

NOTE 3 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

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

a) Financial instruments

a.1) Financial assets

While analyzing the financial assets for classification, the Company evaluates the following aspects: (i) the business model for management of financial assets; and (ii) the characteristics of contractual cash flows of the financial asset.

a.1.1) Cash and cash equivalents

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

a.1.2) Trade accounts receivable

These are recognized when the receipt of consideration is unconditional, i.e., if only time lapse is required for its receipt. These are initially recorded at fair value of the consideration to be received, and subsequently measured at amortized cost, deducted from expected impairment losses. These expected losses are determined based on the history of impairment losses, adjusted based on recent observable data to reflect current and future effects and conditions, when applicable.

a.1.3) Restricted deposits

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

a.1.4) Concession assets

Concession assets are remunerated at the internal rate of return and the variation in the IPCA index.

a.1.4.1) Concession financial asset

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

a.1.4.2) Contract asset

The transmission contract asset corresponds to the consideration of the revenue for implementation of the transmission infrastructure, during execution of the implementation of the transmission line. This revenue is recognized based on the costs of implementation of the transmission infrastructure plus residual gross margin intended to cover construction management costs. The receipt of consideration associated with the contract asset depends on the conclusion of such implementation and subsequent operation and maintenance of said infrastructure.

a.2) Financial liabilities

a.2.1) Loans, financing and debentures

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

a.2.2) Concessions payable

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

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

a.3) Derivative financial instruments

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

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

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

a.3.1) Hedge accounting

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

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

Fair value hedge

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

Cash flow hedge

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

b) Inventories

These are assessed at the lower value between the average weighted cost of acquisition and the net realization value and include the transfer of gains and losses from cash flow hedge recorded under net equity that qualify as inventory acquisition.

c) Judicial deposits

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

d) Non-current assets held for sale

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

e) Investments

e.1) Investments in directly or indirect subsidiaries

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

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

e.2) Investments in joint arrangements

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

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

Investments in joint ventures are initially booked at cost and subsequently recognized through the equity method. On 12.31.2019, the Company had interest in a joint venture, given the acquisition of shared control of TAG. The results of joint ventures are recognized under "Equity" in the individual and consolidated income statements, while changes in other comprehensive income are presented as part of other comprehensive income of the Company.

The Company is currently assessing whether there is objective evidence that the investment in the joint venture suffered impairment loss, which is the difference between the recoverable amount of the joint venture and its book value. The premium related to joint ventures is included in the book value of the investment and hence is not amortized or separately tested for impairment loss of assets.

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

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

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

f) Property, plant and equipment

f.1) Measurement

The assets that compound the property, plant and equipment are recorded at acquisition or construction cost. The interests and other financial charges arising from loans, financing and debentures related to the constructions in progress are calculated as the cost of the respective fixed asset, just like the gains and losses from cash flow hedge recorded as equity, which qualify as property, plant and equipment. The present value of the cost expected for demobilization of an asset after its use, when applicable, is included in the cost of the respective asset.

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

The assets, or set of assets, that had accounting values significantly different from their fair values on the date of adoption of new accounting practices in Brazil, on 1.1.2009, started to have their fair value taken as deemed cost in assets.

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

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

f.2) Depreciation

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

The residual value and useful life of the assets and the depreciation methods are reviewed at the end of each fiscal year and adjusted prospectively, as applicable.

g) Intangible assets

Are registered at acquisition cost or at the fair value of the intangible assets acquired in a business combination.

Intangible assets with definite life are amortized at the linear method, based on the defined useful life considering commercial contracts or contracts of concession and authorization. Intangible assets with undefined useful life are not amortized, but tested annually for any impairment loss.

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

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

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

i) Provisions

Are recognized when there is a present, court-ordered or not formalized obligation resulting from a past event, in which there shall probably be an outflow of resources for the settlement and that this obligation can be reasonable estimated. The updating of the provision through time is recognized in the item of financial expenses.

i.1) Provisions for civil, tax and labor risks

The Company is a party in various lawsuits and administrative proceedings, for which provisions are constituted when it is likely that funds will be used to settle a contingency and when such funds can be reasonably estimated. The significant contingent liabilities which have been assessed as possible and remote risk are not recorded. When relevant, the proceedings which have been evaluated as possible risk are disclosed in the explanatory note.

i.2) Provision for demobilization of generation assets

The costs of demobilizing generation assets are provisioned for based on the present value of costs expected for compliance with the obligation, using expected cash flows, based on the best estimate on the reporting date and are recognized as a corresponding entry to the costs of the asset. The financial update of the provision is recognized in the income statement. The provision is revised annually and any estimate adjustments are recognized as a corresponding entry to the cost of the asset.

j) Retirement benefits obligations

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

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

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

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

k) Income tax and social contribution

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

k.1) Current income tax and social contribution

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

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

k.2) Deferred income tax and social contribution

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

Deferred income tax and social contribution are recognized in accordance with the transaction that gave rise to the deferred tax, whether in profit or loss, in comprehensive income or directly in net equity.

l) Lease agreements

The Company assesses, on the start date of the agreement, if such agreement is or contains a lease and whether the single approach of recognition and measurement, except for short-term leases and assets of low individual value.

l.1) Rights of use of leases The rights of use of leases, initially, comprise lease liabilities plus advance payments. These assets are depreciated based on the term of the lease agreements and assessed in terms of impairment loss. In addition, they are adjusted by any new remeasurement of lease assets.

l.2) Leases payable

Leases payable are initially measured at present value of future payment flows, discounted by the incremental financing rate, since the implicit interest rate of the lease cannot be easily determined. The flow of future payments comprises variable payments that depend on an index or rate.

Subsequently, the lease liability is measured at amortized cost using the effective interest method and remeasured (with corresponding adjustment in related right of use) when there is any change, modification in the lease term, change in future payments triggered, for example, by monetary adjustments, or change in the assessment of a call option of the underlying asset.

The variable lease payments that do not depend on an index or rate are recognized as expenses in the period in which they are made. In addition, the Company applies exemption from short-term lease recognition, that is, leases of assets whose lease term is 12 months or less at the start date, and assets of low individual value, which are recognized as expense throughout the lease duration.

m) Other assets and liabilities current and non-current

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

n) Distribution of dividends and interest on equity

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

o) Related party transactions

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

p) Revenue from contracts with customers

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

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

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

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

p.1) Electricity supply and provision

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

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

p.2) Transactions in the short-term market

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

p.3) Trading operations

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

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

p.4) Service revenue

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

p.5) Revenue from implementation of transmission infrastructure

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

q) Application of judgments and critical accounting practices

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

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

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

q.1) Derivative financial instruments

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

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

The Company hereby recognizes the depreciation of its property, plant and equipment, based on the annual rates established by ANEEL, which are practiced by the companies of the Brazilian electrical sector and represent the estimated useful lives of the assets. The initial investments in generation assets whose power plants hold public service concessions are depreciated based on the useful lives defined by Aneel, limited to the time frame for concession of the power plants. However, the real useful lives may vary based on the technological updates made to the assets of each generation unit. The useful lives of fixed assets also affect the impairment tests of property, plant and equipment, when these are necessary.

q.3) Long-term assets impairment test

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

The Company complemented the impairment of thermal generation asset William Arjona, classified as non-current asset maintained for sale on the occasion, whose commercial operation was discontinued due to economic and financial unfeasibility, in the amounts of R$4,900 in 2019 and R$39,327 in 2018.

q.4) Retirement benefits obligations

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

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

The actuarial assumptions used by the Company may be different from the real results, due to changes in the economic or market conditions, regulatory events, court decisions, or shorter or longer life periods of the participants. However, the Company and its actuaries use assumptions consistent with the internal and external analysis carried out for the definition of the estimates. The sensitivity analysis of discount rates is disclosed in Note 26 - Retirement Benefit Obligations.

q.5) Provisions

- Provisions for civil, tax and labor risks

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

- Provision for demobilization of generation assets

The Company recognized a provision for costs with the demobilization of its wind power plants based on estimates and assumptions related to discount rates and the expected cost of demobilization and removal by the end of the term of authorization for these plants. These costs may diverge from those incurred by the Company.

q.6) Estimated incremental rate of leases

The implicit interest rate of current leases is not readily identifiable, which is why the Company considers the incremental rate on loans to measure lease liabilities. The incremental rate is the interest rate the Company would have to pay to take out loans, for a similar term, to obtain the funds necessary for acquiring assets at amounts similar to the right of use asset in a similar economic scenario. The Company calculates the incremental rate using observable data, when available.

r) New standards, amendments a and interpretations

The following standards and amendments are effective since 1.1.2019: (i) Amendments to CPC 06 (R2) – Leases (IFRS 16); (ii) Amendments to CPC 18 (R2) – Investments in Associates and Joint Ventures (IAS 28); (iii) Amendments to CPC 33 (R1) – Employee Benefits (IAS 19); (iv) Amendments to CPC 48 – Financial Instruments (IFRS 9); (v) ICPC 22 – Uncertainty over Income Tax Treatments (IFRIC 23); and (vi) Annual Revision of CPC no. 13/2018 (IASB 2015-2017 cycle).

The adoption of these new standards and amendments did not result in material impacts on the individual and consolidated financial statements for 2019, except for the amendments to CPC 06 (R2), whose impacts are presented below.

r.1) Amendments to CPC 06 (R2) – Leases (IFRS 16)

The amendments in CPC 06 (R2) introduced requirements for recognizing, measuring, presenting and disclosing leases. The amended standard requires lessees to recognize liabilities from future payments of lease agreements, in exchange for the right to use the leased asset.

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

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

As established in the pronouncement, the Company applied the simplified transition approach and will not restate the comparative figures for the year before the first adoption (1.1.2019). Assets subject to right of lease use were measured at the value of lease liabilities at the time of adoption, plus early payments made up to the date of adoption of CPC 06 (R2).

The Company chose to use the recognition exemptions for lease agreements that, on their start date, have a lease term of 12 months or less and for which the underlying asset has a low individual amount.

Due to the adoption of the new rules, the Company recognized right-of-use assets of R$33,145 and R$119,805, plus advances on leases, in the parent company and consolidated, respectively, on 1.1.2019, in exchange for the lease liabilities in the amounts of R$21,839 and R$89,187 in the parent company and consolidated, respectively.

More details are presented in Note 20 – Lease operations.

These amounts were determined based on assumptions and estimates, such as the definition of discount rates and other aspects that required evaluation for measurement.

On January 1, 2019, the following effects were observed:

	Parent Company			Consolidated		
	Prior to adoption of CPC 06 (R2)	Adjustments	Prior to adoption of CPC 06 (R2)	Prior to adoption of CPC 06 (R2)	Adjustments	Prior to adoption of CPC 06 (R2)
Current assets	**2,260,734**	**-**	**2,260,734**	**4,556,677**	**(996)**	**4,555,681**
Other current assets	177,880	-	177,880	225,455	(996)	224,459
Non-current assets	**15,345,262**	**21,839**	**15,367,101**	**19,178,868**	**90,183**	**19,269,051**
Right of use of leases	-	33,145	33,145	-	119,805	119,805
Other non-current assets	20,313	(11,306)	9,007	151,108	(29,622)	121,486
TOTAL	**17,605,996**	**21,839**	**17,627,835**	**23,735,545**	**89,187**	**23,824,732**
Current liabilities	**3,278,588**	**6,208**	**3,284,796**	**4,170,261**	**14,240**	**4,184,501**
Leases payable	-	6,208	6,208	-	14,240	14,240
Non-current liabilities	**8,011,222**	**15,631**	**8,026,853**	**13,244,707**	**74,947**	**13,319,654**
Leases payable	-	15,631	15,631	-	74,947	74,947
Equity	**6,316,186**	**-**	**6,316,186**	**6,320,577**	**-**	**6,320,577**
TOTAL	**17,605,996**	**21,839**	**17,627,835**	**23,735,545**	**89,187**	**23,824,732**

The effects observed in the fiscal year ended December 31, 2019, net of PIS and Cofins, resulting from the adoption of CPC 06 (R2), were:

	Parent Company	Consolidated
INCOME STATEMENT		
Operating costs		
Depreciation and amortization	-	(2,525)
Rentals	-	7,708
General and administrative expenses		
Depreciation and amortization	(4,508)	(5,251)
Rentals	5,938	7,596
Financial result		
Lease interest	(2,577)	(11,282)
Deferred income tax and social contribution	**390**	**1,276**
TOTAL	**(757)**	**(2,478)**

The adoption of CPC 06 (R2) does not affect the Company's capacity to comply with the covenants described in Note 18 - Loans and Financing and in Note 19 – Debentures.

s) New standards, amendments and interpretations not yet in force

As of January 1, 2020, the following pronouncements will be in force, which were not adopted in advance by the Company: (i) Revision of CPC 00 – Estrutura Conceitual para Relatório Financeiro; (ii) Changes in CPC 15 (R1) – Combinação de Negócios; and (iii) Changes in CPC 26 (R1) – Apresentação das Demonstrações Contábeis and CPC 23 – Políticas Contábeis, Mudança de Estimativa e Retificação de Erro.

These changes are not expected to have a significant impact on the individual and consolidated financial statements of the Company.

NOTE 4 – CASH AND CASH EQUIVALENTS

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Cash and bank deposits	**2,200**	**956**	**90,893**	**58,293**
Marketable securities:				
Exclusive investment fund				
Repurchase transactions backed by federal bonds	2,588,144	1,281,353	3,746,004	2,341,726
Other marketable securities	163	86	33,364	15,773
	2,588,307	**1,281,439**	**3,779,368**	**2,357,499**
	2,590,507	**1,282,395**	**3,870,261**	**2,415,792**

The Company's financial investments are held for payment of short-term cash liabilities, mainly concentrated in the exclusive fund Energy Renda Fixa Fundo de Investimento Exclusivo (FIE), which is managed by Banco Santander. The fund has a policy of allocating its equity to very-low-risk assets and on 12.31.2019, 100% of its portfolio had assets with the Brazilian Government risk, all with daily liquidity.

The average yield of the Fund in 2019 and 2018 was around 99.3% and 100% of the CDI (the reference rate of Interbank Deposit Certificates), respectively.

NOTE 5 – TRADE ACCOUNTS RECEIVABLE

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Distributors	276,984	264,100	428,598	344,452
Free Consumers	34,464	27,691	360,538	367,873
Transactions within the CCEE	136,334	109,648	344,953	312,492
Trading operations	-	-	139,299	65,733
Traders	201,663	137,171	92,546	56,207
Others	305	-	91,490	40,819
Estimated losses with doubtful accounts	(6,180)	(6,180)	(6,197)	(6,197)
	643,570	**532,430**	**1,451,227**	**1,181,379**

The average term for receiving amounts relative to electricity sold through agreements is approximately 30 days, as from the first day of month subsequent to the sale, including trading operations, whereas the term of amounts settled within the Electricity Trading Chamber (CCEE) is approximately 45 days. Despite the increase in defaults at CCEE due to the legal imbroglio surrounding the Generating Scaling Factor (GSF) since 2015, the Company has been constantly managing its portfolio in order to mitigate this situation.

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

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Overdue up to 30 days	-	3,269	4,318	6,170
Overdue more than 30 days	7,044	6,928	14,815	9,560
With estimated losses recognized	*6,180*	*6,180*	*6,197*	*6,197*
Other	*864*	*748*	*8,618*	*3,363*
	7,044	**10,197**	**19,133**	**15,730**

The Company did not recognize estimated losses on doubtful accounts in the fiscal year ended December 31, 2019, given its experience of historic credit loss and expectation of receiving those credits. In 2019 and 2018, no trade accounts receivable were written off on account of losses verified.

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

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

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

NOTE 6 – INVENTORIES

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Supplies	14,344	17,252	83,766	59,971
Inputs for energy production	-	-	47,675	52,404
Advances to suppliers	1,015	273	86,518	8,534
Other	76	261	3,005	7,954
Reduction to net realizable value	-	(3,182)	-	(3,182)
	15,435	**14,604**	**220,964**	**125,681**

In 2019, the subsidiary Pampa Sul advanced R$65,932 to a coal supplier. The balance on 12.31.2019 was R$38,949, to be realized when the purchase of coal exceeds the minimum monthly quota established in the 106,000 ton agreement. The Company expects to fully pay the advance by the end of 2020. In addition, the subsidiary EGSD made advance payments to suppliers for acquisition of solar panels, whose balance at December 31, 2019 is R$46,246 (R$7,524 on December 31, 2018).

NOTE 7 – RESTRICTED DEPOSITS

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Reinvestment deposits	807	3,241	807	3,241
Contractual commitment guarantees	-	1,200	-	1,920
Guarantees for negative balance at CCEE	31	30	4,049	3,795
Current assets	**838**	**4,471**	**4,856**	**8,956**
Financing guarantees	10,388	9,915	374,676	226,210
Others	-	-	6,388	6,240
Non-current assets	**10,388**	**9,915**	**381,064**	**232,450**
	11,226	**14,386**	**385,920**	**241,406**

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

NOTE 8 – HYDROLOGICAL RISK RENEGOTIATION TO BE RECOGNIZED

a) Breakdown

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Itá HPP	37,519	41,578	37,519	41,578
Cana Brava HPP	29,220	32,378	29,220	32,378
Estreito HPP	-	-	27,470	29,543
Ponte de Pedra HPP	11,382	14,977	11,382	14,977
São Salvador HPP	15,799	16,990	15,799	16,990
Machadinho HPP	9,385	10,399	9,385	10,399
	103,305	**116,322**	**130,775**	**145,865**
Classification in the balance sheet				
Current assets	13,016	13,016	15,089	15,089
Non-current assets	90,289	103,306	115,686	130,776
	103,305	**116,322**	**130,775**	**145,865**

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

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

The changes in balances are as follows:

	Parent Company	Consolidated
Balances at 12.31. 2017	**139,397**	**171,014**
Amortization of the "risk premium"	(23,075)	(25,149)
Balances at 12.31. 2018	**116,322**	**145,865**
Amortization of the "risk premium"	(13,017)	(15,090)
Balances at 12.31. 2019	**103,305**	**130,775**

b) Expected realization of non-current assets

	Parent Company	Consolidated
2021	13,016	15,090
2022	13,016	15,090
2023	10,021	12,094
2024	9,422	11,495
2025	9,422	11,495
2026 to 2030	32,708	43,075
2031 to 2033	2,684	7,347
	90,289	**115,686**

NOTE 9 – JUDICIAL DEPOSITS

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Tax and social security	70,913	68,546	71,495	69,383
Civil	23,176	22,388	24,330	23,030
Labor	6,744	5,165	7,053	5,308
	100,833	**96,099**	**102,878**	**97,721**

Of the total amount of judicial deposits, R$29,471 (R$27,223 at 12.31.2018), in the parent company and consolidated, are directly related to probable-risk contingencies recognized as provision in the Company's liabilities.

NOTE 10 – CONCESSION FINANCIAL ASSET

a) Breakdown

	Consolidated					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Jaguara HPP	183,783	1,496,385	1,680,168	172,165	1,437,860	1,610,025
Miranda HPP	112,449	915,557	1,028,006	105,337	879,748	985,085
	296,232	**2,411,942**	**2,708,174**	**277,502**	**2,317,608**	**2,595,110**

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

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

Changes in financial assets were as follows:

	Consolidated		
	Jaguara HPP	Miranda HPP	Total
Balances at 12.31.2017	**1,580,397**	**966,970**	**2,547,367**
Amounts received	(181,566)	(111,094)	(292,660)
Interest	154,506	94,536	249,042
Monetary variation	56,688	34,673	91,361
Balances at 12.31.2018	**1,610,025**	**985,085**	**2,595,110**
Amounts received	(167,303)	(102,368)	(269,671)
Interest	153,638	94,001	247,639
Monetary variation	83,808	51,288	135,096
Balances at 12.31.2019	**1,680,168**	**1,028,006**	**2,708,174**

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

	Consolidated		
	Jaguara HPP	Miranda HPP	Total
2021	153,132	93,692	246,824
2022	138,531	84,758	223,289
2023	125,321	76,676	201,997
2024	113,343	69,348	182,691
2025	102,532	62,734	165,266
2026 to 2030	383,315	234,530	617,845
2031 to 2047	480,211	293,819	774,030
	1,496,385	**915,557**	**2,411,942**

NOTE 11 – CONTRACT ASSET

Concession agreements define the public energy transmission service as the service provided upon construction (implementation of infrastructure) and operation & maintenance (O&M) of transmission facilities.

When the electricity transmission concessionaire provides infrastructure implementation services, the corresponding revenue must be recognized at fair value and respective related costs must also be recognized. Added to the revenue from implementation of the transmission infrastructure is the residual gross margin, intended to cover construction management costs. While booking the revenue from infrastructure implementation, the Company Management evaluates issues related to primary responsibility for the provision of such service, even in cases where such service is substantially outsourced.

On December 15, 2017, the Company, through its indirect subsidiary Gralha Azul, won Lot 1 of Transmission Auction 002/2017 held by Aneel, located in Paraná state, which totals approximately 1,000 km of transmission lines. The Permitted Annual Revenue (RAP) submitted by the Company was R$ 231,725, a discount of 34.8% from the maximum revenue determined by Aneel, of R$ 355,407.

The term of the public transmission service concession, including construction, assembly, operation and maintenance of transmission facilities, is 30 years from the date of signing of the concession agreement (March 8, 2018), and the deadline for commercial startup is March 9, 2023.

The margin for implementation of this transmission infrastructure was 2.66%, which was measured by the proportion estimated for the "management and/or monitoring of the construction" in relation to the "Capex of the Project," both defined in the Business Plan for participating in the auction. The proposed margin, which is net of applicable charges, is sufficient to cover the costs of managing the implementation of the transmission infrastructure.

The Company Management understands that the implementation revenue, plus residual gross margin, consists of a right to consideration that is conditioned on the contractual obligation to build, operate and maintain the transmission infrastructure during the concession period and hence it classified this asset as a contract asset. Thus, the contract asset will be recognized to the extent the Company complies with the contractual obligation (implementation of infrastructure) to be entitled to receive the RAP.

Concession agreement assets are remunerated at the internal rate of return and the variation in the IPCA index.

The concession agreement assets are presented under non-current assets and their changes are shown below:

	Consolidated
Revenue from implementation of infrastructure	46,572
Interest	1,007
Monetary variation	119
Balance at 12.31. 2018	**47,698**
Revenue from implementation of infrastructure	155,364
Interest	10,292
Monetary variation	4,257
Balance at 12.31.2019	**217,611**

On December 31, 2019, the agreements for construction and agreement with main equipment suppliers had already been formalized. For more information, see Note 38 – Long-term Commitments. In addition, the Preliminary Licenses of Projects and a part of the Installation Licenses had already been issued.

The balance shown under non-current assets will start being realized from the commercial startup of the electricity transmission system, whose deadline is 2023.

NOTE 12 – OTHER ASSETS

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Tax credits recoverable	2,179	11,701	114,415	43,982
Fuels to reimburse	-	-	52,533	52,136
Divestments and services in course	29,740	47,738	38,322	35,974
Prepaid expenses	16,957	13,516	38,823	29,402
Advances to suppliers	14,856	62,800	-	29,622
Advances to the R&D entity	25,277	13,568	25,597	20,402
Deferred tax asset	-	-	13,543	33,258
Loan – Andrade Açúcar e Álcool	-	-	11,662	13,116
Advances to employees	4,930	6,113	6,608	6,624
Income tax and social contribution recoverable	-	-	5,104	5,899
Other amounts receivable	49,517	42,757	62,840	58,450
	143,456	**198,193**	**369,447**	**328,865**
Classification in balance sheet				
Current assets	137,506	177,880	300,759	225,455
Non-current assets	5,950	20,313	68,688	103,410
	143,456	**198,193**	**369,447**	**328,865**

a) Tax credits recoverable

Mainly corresponds to PIS and Cofins dues stemming from the acquisition of machinery and equipment and expenses with construction of Plants.

b) Fuel to be reimbursed

Refers to amounts receivable from the reimbursement of fuel consumed for thermal power generation at the Jorge Lacerda Thermal Power Complex, which are reimbursed by CCEE. The amounts eligible for reimbursement correspond to the limit of 2,400,000 tons per annum, discounting the percentage indicated every year by the regulatory body regarding the Plant's availability and efficiency indices.

NOTE 13 – INVESTMENTS

a) Breakdown

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Interest on subsidiaries:				
Measured at the equity method				
Equity in earnings of subsidiaries	12,649,936	10,436,421	2,874,727	-
Goodwill from investment acquisition	82,453	85,794	-	-
Goodwill from expected future profitability	92,715	18,522	74,193	-
	12,825,104	**10,540,737**	**2,948,920**	**-**

b) Changes in investments evaluated through the equity method

	Balance at 12.31.2018	Capital increase / acquisition of investment	Allocation of goodwill	Capital decrease	Equity in earnings of subsidiaries	Dividends	Other comprehensive income	Balances at 12.31.2019
Subsidiaries								
ECP	**4,062,592**	427,834	-	(1,420,000)	292,726	-	-	**3,363,152**
Pampa Sul	**2,360,677**	50,156	-	(225,461)	227,756	(15,604)	(4,396)	**2,393,128**
CEE	**1,111,608**	-	-	-	183,125	(158,496)	-	**1,136,237**
Jaguara	**1,004,678**	-	-	-	160,769	(157,220)	-	**1,008,227**
Miranda	**691,350**	-	-	-	90,854	(111,295)	-	**670,909**
Diamante	**646,556**	-	-	(146,307)	72,551	(57,156)	-	**515,644**
EBC	**210,019**	-	-	-	116,175	(30,000)	-	**296,194**
EGSD	**40,695**	29,379	-	-	(3,560)	-	440	**66,954**
Lages	**37,871**	-	-	-	8,015	(15,356)	-	**30,530**
ECV	**19,238**	-	-	-	5,710	-	-	**24,948**
ENGIE Trading	**5,000**	-	-	-	17,175	-	-	**22,175**
Other	**3,590**	-	-	-	-	-	-	**3,590**
Under shared control								
Itasa	**242,547**	-	-	-	5,995	(5,021)	-	**243,521**
Joint venture								
TAG[4]	**-**	3,469,869	(74,193)	-	81,114	(351,000)	(251,063)	**2,874,727**
	10,436,421	**3,977,238**	**(74,193)**	**(1,791,768)**	**1,258,405**	**(901,148)**	**(255,019)**	**12,649,936**

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

b.1) ECP

The capital increase in the subsidiary ECP in 2019 was allocated to investments in Umburanas – Phase I and Campo Largo Wind Complex – Phase II and Gralha Azul Transmission System, controlled by the Company's subsidiary. This period, the Company also reduced the capital in ECP chiefly due to the releases in 2018 and 2019 of the portions of financing taken from BNDES by the Campo Largo Wind Power Complex – Phase I and Umburanas – Wind Complexes - Phase I. The construction of these Complexes' plants was financed with own cash transferred by ECP, the controlling shareholder, until said financing was released.

[4] TAG is a joint venture, therefore it is not consolidated by the Company.

b.2) Pampa Sul

In 2019, there was a capital reduction at Pampa Sul driven by the release of BNDES financing, which had been financed with its own capital until financing was released.

b.3) Diamante

In 2019, the capital stock of the subsidiary Diamante was reduced through an offset of balances payable to the subsidiary, in the amount of R$146,238, and the transfer of ownership of land from Diamante to the Company, whose cost was R$69.

b.4) Information on main subsidiaries

Key information about the subsidiaries, which also have their fiscal year ended on December 31, is shown below:

	12.31.2019						
	Capital	**Assets**	**Liabilities**	**Adjusted shareholders' equity**	**Net revenue**	**Adjusted net income (loss)**	**Interest (%)**
ECP	2,360,476	6,651,195	3,437,891	3,366,818	1,006,341	293,900	**99.99**
Pampa Sul	1,956,692	3,286,422	1,181,076	2,393,128	219,027	227,756	**99.99**
CEE	920,380	2,244,465	1,108,228	1,136,237	515,054	183,125	**99.99**
Jaguara	854,409	2,354,079	1,345,852	1,008,227	451,054	160,769	**99.99**
Miranda	582,663	1,485,078	814,169	670,909	293,104	90,854	**99.99**
Diamante	638,940	774,980	259,336	515,644	620,319	72,551	**99.99**
EBC	4,200	1,115,447	819,253	296,194	4,970,262	116,175	**99.99**
EGSD	29,611	185,458	118,504	66,954	97,926	(3,560)	**99.99**
Lages	30,530	37,991	7,461	30,530	36,138	8,015	**99.99**
ECV	23,970	55,105	30,157	24,948	331,806	5,710	**99.99**
ENGIE Trading	5,000	97,507	75,332	22,175	71,672	17,175	**99.99**

	12.31.2018						
	Capital and AFCI[5]	**Assets**	**Liabilities**	**Adjusted shareholders' equity**	**Net revenue**	**Adjusted net income (loss)**	**Interest (%)**
ECP	3,352,642	5,684,076	1,762,516	4,066,983	597,436	301,633	**99.99**
Pampa Sul	2,131,997	2,800,818	667,612	2,360,677	-	115,748	**99.99**
CEE	920,380	2,309,227	1,197,619	1,111,608	543,622	190,623	**99.99**
Jaguara	854,409	2,258,057	1,253,379	1,004,678	430,087	167,548	**99.99**
Miranda	582,663	1,430,063	738,713	691,350	281,349	121,003	**99.99**
Diamante	785,247	1,042,725	396,169	646,556	668,383	186,242	**99.99**
EBC	4,200	614,942	404,923	210,019	4,592,918	204,406	**99.99**
EGSD	29,611	73,909	33,214	40,695	37,150	(2,663)	**99.99**
Lages	30,530	40,496	2,625	37,871	62,306	15,259	**99.99**
ECV	23,970	31,169	11,931	19,238	30,781	(5,034)	**99.99**

[5] Advance for future capital increase.

Non-controlling shareholder

The non-controlling interest of Ibitiúva in 2019 in the shareholders' equity and the net income of ECP presented above is R$3,666 and R$1,174 (R$4,391 and R$1,046 in 2018), respectively.

Capitalized interests

ENGIE Brasil Energia took out loans and debentures to finance the construction of the Campo Largo Phase I, Umburanas Phase I and Campo Largo Phase II Wind Power Complexes and the Assú V Photovoltaic Power Plant, investments that are part of ECO, and of the Pampa Sul Thermal Power Plant. The interest on these debts is capitalized during the construction period of the Plants in the consolidated financial statements and recognized using the equity method in the parent company's financial statements. After the commercial startup, the amounts capitalized are amortized in the period corresponding to the amortization of property, plant and equipment. The Campo Largo Complex – Phase II is in the construction phase and hence interest on debt has not been amortized yet.

The total amounts capitalized in the direct subsidiaries ECP and Pampa Sul until 12.31.2019 were R$153,514 and R$287,782 (R$145,423 and R$227,471 in 2018), respectively. In 2019, capitalized interest in these subsidiaries were R$8,091 and R$60,311 (R$61,660 and R$117,373 in 2018), respectively. In the table above, "Information on main subsidiaries", the amounts under "Adjusted shareholders' equity" and "Adjusted net income (loss)" include the items described above.

c) Goodwill from investment acquisition – Parent company

This item substantially records "goodwill" (concession rights and acquired rights) paid in the acquisition of the direct subsidiaries CEE and EGSD, whose economic grounds are the rights over the concession granted by ANEEL for the use of public assets in the generation of electricity and the rights on brand and non-competition, respectively, and which were defined based on the present value of the cash flow projections obtained through economic and financial evaluations. The "goodwill" is being amortized through the straight-line method, as the economic benefits arising from the acquisitions of these investments will occur over the course of this period. In 2019 and 2018, the amortized amount was R$3,341.

d) Information on subsidiaries

d.1) Subsidiaries

d.1.1) Usina Termelétrica Pampa Sul S.A. ("Pampa Sul")

Pampa Sul holds the Pampa Sul Thermal Power Plant, located in the municipality of Candiota, state of Rio Grande do Sul, with installed capacity of 345.0 MW. Thermal Power Plant Pampa Sul started operations in June 2019. In November 2014, Pampa Sul sold, in an auction held by ANEEL, 294.5 average MW for a period of 25 years.

d.1.2) Companhia Energética Estreito ("CEE")

CEE has a 40.07% share in the Estreito Energia Consortium (Ceste) and leads the consortium, which was created for the implementation and exploitation of the Estreito Hydroelectric power plant, situated on the Tocantins River, between the Brazilian states of Tocantins and Maranhão. The Company's share of the Plant's installed capacity is 435.6 MW.

d.1.3) Companhia Energética Jaguara ("Jaguara")

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

d.1.4) Companhia Energética Miranda ("Miranda")

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

d.1.5) Diamante Geração de Energia Ltda. ("Diamante")

Located in the city of Capivari de Baixo, state of Santa Catarina, it consists of the Jorge Lacerda Thermal Power Complex, which is formed by seven generator groups within three plants: Jorge Lacerda A, with two generation units of 50 MW and two of 66 MW each, Jorge Lacerda B, with two units of 131 MW each, and Jorge Lacerda C, with a generator unit of 363 MW, totaling 857 MW.

d.1.6) ENGIE Brasil Energia Comercializadora Ltda. ("EBC")

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

d.1.7) ENGIE Geração Solar Distribuída S.A. ("EGSD")

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

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

The Company assessed 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 appraisal report, the difference between the amount paid for the acquisition of control and the fair value of assets and liabilities acquired was allocated to "Goodwill from investment acquisition," in the amount of R$22,306, and to "Goodwill on future expected profitability," in the amount of R$18,522. The surplus corresponds to the present value of cash flow projections corresponding to the brand and the non-competition right secured in the business combination.

d.1.8) Lages Bioenergética Ltda. ("Lages")

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

d.1.9) ENGIE Comercializadora Varejista de Energia Ltda. ("ENGIE Varejista")

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

d.1.10) ENGIE Trading Comercializadora de Energia Ltda. ("ENGIE Trading")

ENGIE Trading's corporate purpose is trading of electricity, both wholesale and retail, including the purchase, sale, import and export of electricity, as well as intermediating any of such operations and the performance and execution of commercial actions arising from these activities. The subsidiary was established in 2019 and is the main agent of trading operations, designed to deliver results through the variation in electricity prices, within pre-established risk limits.

d.1.11) ENGIE Brasil Energias Complementares Participações Ltda. ("ECP")

ECP is a holding company with the objective of participating in the capital of other companies and also concentrating the investments in projects related to complementary energy of the Company. The following table presents financial information for the most significant subsidiaries of ECP for the year ended 12.31.2019.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income (loss)	Interest (%)
CECL[6]	1,122,949	2,417,706	1,213,358	1,204,348	245,889	42,217	99.99
CEUR[7]	336,721	1,785,939	1,406,221	379,718	227,433	113,922	99.99
CETR[8]	353,855	1,214,055	642,583	571,472	189,684	54,216	99.99
Assú	126,629	224,993	95,031	129,962	22,416	6,484	99.99
Ferrari	69,440	159,849	75,532	84,317	66,176	12,284	99.99
Tupan	58,879	68,042	398	67,644	26,576	18,916	99.99
Ibitiúva	38,501	96,548	23,228	73,320	34,814	23,470	95.00
Hidropower	33,393	54,365	4,136	50,229	23,440	16,723	99.99
CESA[9]	2,282	3,257	2,760	497	-	(408)	99.99
Gralha Azul	185,641	219,192	22,849	196,343	169,913	12,165	99.99
Other	10	10	-	10	-	-	99.99

Further details on installed capacity and physical guarantee are included in Note 14 – Property, plant and equipment.

At 12.31.2019, the effects on ECP's consolidated assets deriving from the allocation of the fair value of the rights linked to authorizations and other rights acquired in the business combination total R$345,949 (R$344,013 at 12.31.2018).

- Campo Largo Wind Power Complex ("CECL")

CECL is formed by a set of wind power projects, with total installed capacity of 687.9 MW, all of which located in the cities of Umburanas and Sento Sé, Bahia.

The Complex is composed of 2 holding companies, each one formed to hold interest in 11 SPEs, acquired during 2013 and 2014.

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[6] Campo Largo – Phases I and II Wind Power Complex.
[7] Umburanas Wind Power Complex.
[8] Trairí Wind Power Complex.
[9] Santo Agostinho Wind Power Complex.

During 2018, all the 11 wind farms comprising the Campo Largo Wind Power Complex - Phase I had their commercial start-up. Financial information regarding the CECL - Phase I subsidiaries for the fiscal year ended 12.31.2019 is presented below.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income	Interest (%)
CLWP I	78,163	197,242	110,653	86,589	22,169	4,334	99.99
CLWP II	78,100	192,285	110,698	81,587	22,202	5,396	99.99
CLWP III	81,543	200,424	109,253	91,171	23,400	3,141	99.99
CLWP IV	85,034	203,402	105,137	98,265	26,634	6,009	99.99
CLWP V	81,774	191,948	105,939	86,009	19,750	2,460	99.99
CLWP VI	81,980	191,051	105,884	85,167	19,757	2,161	99.99
CLWP VII	78,499	217,617	119,360	98,257	30,883	8,403	99.99
CLWP XV	80,092	193,328	109,074	84,254	21,338	3,845	99.99
CLWP XVI	76,113	197,979	112,618	85,361	21,989	4,461	99.99
CLWP XVIII	84,803	193,515	103,568	89,947	21,196	3,332	99.99
CLWP XXI	84,660	195,136	106,962	88,174	17,360	371	99.99

Further details on installed capacity and physical guarantee are included in Note 14 – Property, plant and equipment.

The wind farms of Campo Largo Wind Complex – Phase II started being built in 2019. The park's generation will be 100% allocated to the free market. The first turbines are expected to start commercial operations in early 2021.

The following table provides financial information for the fiscal year ended 12.31.2019 of the subsidiaries of CECL – Phase II.

	Capital	Assets	Liabilities	Shareholders' equity	Net revenue	(Loss)	Interest (%)
CLWP VIII	18,908	20,463	1,989	18,474	-	(146)	99.99
CLWP IX	14,107	15,428	1,747	13,681	-	(138)	99.99
CLWP X	18,843	20,425	2,029	18,396	-	(160)	99.99
CLWP XI	17,849	19,727	2,295	17,432	-	(130)	99.99
CLWP XII	27,850	29,892	2,505	27,387	-	(175)	99.99
CLWP XIII	24,274	26,019	2,194	23,825	-	(162)	99.99
CLWP XIV	16,622	18,068	1,883	16,185	-	(149)	99.99
CLWP XVII	18,960	20,566	2,047	18,519	-	(153)	99.99
CLWP XIX	20,660	22,355	2,139	20,216	-	(157)	99.99
CLWP XX	25,670	27,590	2,367	25,223	-	(159)	99.99
CLWP XXII	24,172	26,181	2,465	23,716	-	(167)	99.99

Further details on installed capacity and physical guarantee are included in Note 14 – Property, plant and equipment.

- Umburanas Wind Complex ("CEUR")

The Umburanas Wind Complex located in the city of Umburanas, Bahia, has installed capacity of 360.0 MW and started operations in early 2019.

The following table provides financial information for the fiscal year ended 12.31.2019 of the companies that are part of CEUR.

	Capital	Assets	Liabilities	Shareholders' equity	Net revenue	Net income	Interest (%)
Umburanas 1	130,990	228,477	111,464	117,013	13,645	6,939	99.99
Umburanas 2	24,956	124,177	103,774	20,403	14,980	8,059	99.99
Umburanas 3	25,539	98,222	81,691	16,531	9,988	5,043	99.99
Umburanas 4	20,354	84,120	70,824	13,296	10,185	5,335	99.99
Umburanas 5	24,098	99,632	81,929	17,703	12,668	6,786	99.99
Umburanas 6	19,666	123,480	102,323	21,157	17,172	9,261	99.99
Umburanas 7	24,814	86,260	71,742	14,518	13,510	4,893	99.99
Umburanas 8	14,858	99,889	82,947	16,942	13,240	6,029	99.99
Umburanas 9	7,742	73,490	62,470	11,020	8,572	4,448	99.99
Umburanas 10	11,055	99,029	83,762	15,267	11,014	5,700	99.99
Umburanas 11	9,873	97,021	83,163	13,858	10,346	5,312	99.99
Umburanas 12	12,209	123,289	103,922	19,367	17,528	9,584	99.99
Umburanas 13	3,279	36,709	31,737	4,972	4,789	2,347	99.99
Umburanas 14	11,405	114,264	96,267	17,997	16,756	8,847	99.99
Umburanas 15	12,158	123,869	106,508	17,361	15,452	7,038	99.99
Umburanas 16	11,974	112,144	94,247	17,897	15,516	7,815	99.99
Bela Vista XV	7,997	86,644	74,553	12,091	11,521	5,571	99.99
Umburanas 18	6,729	74,432	64,081	10,351	10,551	4,915	99.99

Further details on installed capacity and physical guarantee are included in Note 14 – Property, plant and equipment.

- Trairí Wind Complex ("CETR")

CETR is formed by a set of wind power projects with total installed capacity of 216.6 MW, all located in the city of Trairi, Ceará.

The complex is formed by 2 holding companies established to focus the investments on 4 SPEs each. The following table presents financial information on EEN subsidiaries for the fiscal year ended 12.31.2019.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income	Equity interest (%)
Mundaú	52,128	128,260	68,587	59,673	23,505	6,554	99.99
Fleixeiras I	43,391	130,772	75,927	54,845	27,972	10,266	99.99
Guajiru	40,068	130,849	74,008	56,841	31,650	13,835	99.99
Trairí	36,554	109,504	62,537	46,967	24,670	7,796	99.99

Further details on installed capacity and physical guarantee are included in Note 14 – Property, plant and equipment.

The following table presents financial information on EEC's subsidiaries for the fiscal year ended 12.31.2019.

	Capital	Assets	Liabilities	Net Assets	Net Revenue	Net Income	Equity interest (%)
Ouro Verde	54,420	167,004	103,946	63,058	20,596	2,065	99.99
Estrela	48,621	171,353	112,558	58,795	24,640	3,586	99.99
Cacimbas	27,984	108,964	67,909	41,055	20,508	3,515	99.99
Santa Mônica	27,830	107,125	65,681	41,444	16,143	2,960	99.99

Further details on installed capacity and physical guarantee are included in Note 14 – Property, plant and equipment.

- Assú

In 2015 and 2016, the direct subsidiary ECP acquired projects to implement five photovoltaic plants in the city of Assú, Rio Grande do Norte. Until 12.31.2019, ECP, through its direct subsidiary Assú V, executed one of the projects acquired, the Assú V Photovoltaic Plant, whose installed capacity is 30MW and commercial start-up occurred in December 2017.

- Santo Agostinho Wind Power Complex ("CESA")

In August 2014, the direct subsidiary ECP acquired the rights to develop CESA, located in the cities of Lajes and Pedro Avelino, Rio Grande do Norte, which is composed of 24 SPEs, each responsible for developing one wind power project, totaling 600.0 MW of potential installed capacity. CESA is still undergoing studies and construction of wind farms has not started.

d.2) Joint Operation - Itá Energética S.A. ("Itasa")

ENGIE Brasil Energia has joint control over Itasa, with a 48.75% share in the voting and paid-up capital of the company. The Company and Itasa own the exploration rights over the Itá Hydroelectric Power Plant, situated on the Uruguay River, on the border of the Brazilian States of Rio Grande do Sul and Santa Catarina, by means of a consortium in which Itasa has a 60.5% share and ENGIE Brasil Energia has 39.5%.

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

BALANCE SHEET	12.31.2019	12.31.2018
ASSETS		
Current assets	**82,519**	**51,701**
Cash and cash equivalents	65,793	29,870
Other current assets	16,726	21,831
Non-current assets	**450,764**	**483,415**
Long-term assets	24,361	25,840
Property, plant and equipment	426,396	457,567
Intangible assets	7	8
TOTAL	**533,283**	**535,116**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	25,763	30,450
Non-current liabilities	7,989	7,134
Shareholders' equity	499,531	497,532
TOTAL	**533,283**	**535,116**

STATEMENT OF INCOME FOR THE YEAR	12.31.2019	12.31.2018
Net operating revenue	163,048	166,359
Costs of energy sold	(142,480)	(134,451)
GROSS PROFIT	**20,568**	**31,908**
Operating expenses		
Administrative and general expenses	(3,307)	(3,483)
INCOME BEFORE FINANCIAL INCOME (LOSS) AND TAXES	**17,261**	**28,425**
Financial result	**1,183**	**(125)**
INCOME BEFORE INCOME TAXES	**18,444**	**28,300**
Income tax and social contribution	(6,147)	(9,455)
NET INCOME FOR THE YEAR	**12,297**	**18,845**

d.2.1) Joint Venture – Transportadora Associada de Gás ("TAG")

On 6.13.2019, all the conditions precedent were met for consummating the acquisition, by Aliança, a joint venture until 9.2.2019, not consolidated in the Company's financial statements, of ownership interest in TAG, representing 90% of the capital stock, owned by Petrobras, as per the agreement for sale and other covenants signed on 4.25.2019. TAG has a gas pipeline network spanning approximately 4,500 km, 12 gas compression facilities (6 own and 6 subcontracted) and 91 delivery points. The Company's direct interest in Aliança was 32.5%. Accordingly, the Company held a 9.25% indirect interest in TAG. Due to the share purchase operation, the Company increased the capital in the joint venture Aliança by R$2,789,257.

On 9.2.2019, TAG merged with Aliança and, therefore, the Company now holds direct interest in TAG, as shown below.

	Shareholders' equity	OCI[10]	Shareholders' equity, excluding OCI[10]
Shareholders' Equity of TAG before merger	**11,812,881**	**-**	**11,812,881**
Negative net assets	**(3,110,923)**	**(961,440)**	**(2,149,483)**
Shareholders' equity of Aliança	7,513,033	(961,440)	8,474,473
Investment in TAG valued through the equity method	(10,623,956)	-	(10,623,956)
Shareholders' equity of TAG after merger	**8,701,958**	**(961,440)**	**9,663,398**

In light of this, the Company recognized R$99,230 in "Other comprehensive income" in "Changes in interest in joint venture," due to the effects of said merger, as already agreed to by the parties. In order to reestablish its 29.25% interest in TAG, defined in the purchase and sale agreement, the Company acquired TAG shares amounting to R$680,612. The Company, after said merger, recognized the allocation of the goodwill generated from the acquisition of TAG, in the amount of R$74,193.

The main asset and liability groups of TAG on 12.31.2019 were:

[10] Other comprehensive income arising from operations to hedge cash flows contracted by Aliança.

Balance Sheet – TAG	12.31.2019
ASSETS	
Current assets	**1,832,485**
Cash and cash equivalents	340,902
Other current assets	1,491,583
Non-current assets	**34,830,027**
Long-term assets	1,715,066
Property, plant and equipment	30,616,602
Intangible assets	2,498,359
Total	**36,662,512**
Liabilities and shareholders' equity	
Current liabilities	**2,797,400**
Borrowings, financing and debentures	2,341,762
Other non-current liabilities	455,638
Non-current liabilities	**24,036,987**
Borrowings, financing and debentures	21,250,775
Other non-current liabilities	2,786,212
Shareholders' equity	**9,828,125**
Total	**36,662,512**
Company's interest in shareholders' equity – 29.25%	**2,874,727**

Equity income (loss) of the Company was composed of the following items:

	2019
Aliança (32.5%)	
General and administrative expenses	(325,409)
Amortization of surplus of assets	*(178,705)*
Expenses with TAG acquisition project	*(137,527)*
Others	*(9,177)*
Loss before financial result, interest and taxes	**(325,409)**
Financial result	(326,320)
Loss before taxes	**(651,729)**
Income tax and social contribution	62,803
Loss of Aliança	**(588,926)**[11]
Ownership interest in Aliança	**32.5%**
Equity income from Aliança's results	**(191,401)**
TAG (29.25%)	
Net operating income	2,915,672
Cost of services rendered	(1,002,079)
Gross income	**1,913,593**
General, administrative and other expenses	(133,720)
Profit before financial result, interest and taxes	**1,779,873**
Financial result	(546,556)
Profit before taxes	**1,233,317**
Income tax and social contribution	(301,642)
Net income of TAG	**931,675**[12]
Ownership interest in TAG	**29,25%**
Equity income from TAG's results	**272,515**
Equity income – Aliança and TAG	**81,114**

[11] Loss related to the period prior to merger (1.1.2019 to 9.2.2019), excluding effects arising from effects from equity in the earnings (losses).
[12] Net income for the period between the acquisition of interest, from 6.13.2019 to 12.31.2019.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

		Parent Company					
		12.31.2019			12.31.2018		
	Average rate of depreciation	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
In service							
Reservoirs, dams and ducts	3.0%	5,109,946	(3,292,039)	1,817,907	5,109,943	(3,158,818)	1,951,125
Buildings and improvements	3.1%	1,283,460	(814,894)	468,566	1,287,160	(784,639)	502,521
Machinery and equipment	3.4%	4,232,160	(2,515,345)	1,716,815	4,161,375	(2,408,876)	1,752,499
Furniture and fixtures	6.3%	8,559	(4,388)	4,171	6,929	(4,181)	2,748
Vehicles	14.3%	2,150	(1,693)	457	1,933	(1,581)	352
Special obligations		(49,655)	6,428	(43,227)	(50,539)	4,841	(45,698)
		10,586,620	**(6,621,931)**	**3,964,689**	**10,516,801**	**(6,353,254)**	**4,163,547**
In progress							
Reservoirs, dams and ducts		1,828	-	1,828	788	-	788
Buildings and improvements		909	-	909	3,710	-	3,710
Machinery and equipment		67,120	-	67,120	82,771	-	82,771
Advances to suppliers		26,280	-	26,280	28,113	-	28,113
Acquisitions to be apportioned		11,313	-	11,313	9,578	-	9,578
		107,450	**-**	**107,450**	**124,960**	**-**	**124,960**
		10,694,070	**(6,621,931)**	**4,072,139**	**10,641,761**	**(6,353,254)**	**4,288,507**

		Consolidated					
		12.31.2019			12.31.2018		
	Average rate of depreciation	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
In service							
Reservoirs, dams and ducts	3.2%	7,287,215	(3,961,881)	3,325,334	7,097,445	(3,751,594)	3,345,851
Buildings and improvements	2.9%	2,186,622	(1,141,959)	1,044,663	1,877,043	(1,089,580)	787,463
Machinery and equipment	3.8%	16,321,893	(5,750,245)	10,571,648	11,389,360	(5,264,505)	6,124,855
Furniture and fixtures	6.3%	14,583	(6,703)	7,880	10,810	(6,191)	4,619
Vehicles	14.3%	5,813	(3,968)	1,845	5,147	(3,886)	1,261
Special obligations		(50,146)	6,588	(43,558)	(51,030)	4,987	(46,043)
		25,765,980	**(10,858,168)**	**14,907,812**	**20,328,775**	**(10,110,769)**	**10,218,006**
In progress							
Reservoirs, dams and ducts		7,344	-	7,344	117,788	-	117,788
Buildings and improvements		42,005	-	42,005	340,129	-	340,129
Machinery and equipment		166,870	-	166,870	1,883,743	-	1,883,743
Advances to suppliers		174,402	-	174,402	1,373,386	-	1,373,386
Acquisitions to be apportioned		31,778	-	31,778	702,415	-	702,415
		422,399	**-**	**422,399**	**4,417,461**	**-**	**4,417,461**
		26,188,379	**(10,858,168)**	**15,330,211**	**24,746,236**	**(10,110,769)**	**14,635,467**

b) Changes in property, plant and equipment

	Parent Company						
	Reservoirs, dams and ducts	Buildings and improvements	Machinery and equipment	Other	Construction in progress	Special obligations	Total
Balance at 12.31.2017	**2,064,751**	**528,676**	**2,271,284**	**4,659**	**222,270**	**(47,837)**	**5,043,803**
Additions	-	-	-	-	59,373	-	59,373
Capital contribution with assets	(2,055)	(13,599)	(351,415)	(2,557)	(125,043)	228	(494,441)
Held-for-sale assets	-	-	(32,769)	(716)	(4,126)	-	(37,611)
Transfers	23,629	16,341	(14,623)	2,167	(27,514)	-	-
Write-offs	(275)	(382)	(103)	(9)	-	-	(769)
Depreciation	(134,925)	(28,515)	(119,875)	(444)	-	1,911	(281,848)
Balance at 12.31.2018	**1,951,125**	**502,521**	**1,752,499**	**3,100**	**124,960**	**(45,698)**	**4,288,507**
Additions	-	-	-	-	69,932	-	69,932
Transfers	(1,788)	5,300	78,859	2,145	(87,442)	-	(2,926)
Write-offs	-	-	(1,718)	(139)	-	574	(1,283)
Depreciation	(131,430)	(39,255)	(112,825)	(478)	-	1,897	(282,091)
Balance at 12.31.2019	**1,817,907**	**468,566**	**1,716,815**	**4,628**	**107,450**	**(43,227)**	**4,072,139**

	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	-	-	-	-	3,314,976	-	3,314,976
Capitalized interest and monetary variation	-	-	-	-	294,297	-	294,297
Held-for-sale asset	-	-	(32,769)	(716)	(4,126)	-	(37,611)
Transfers	26,536	102,795	2,134,474	2,006	(2,265,811)	-	-
Write-offs	(275)	(3,344)	(175)	(10)	-	-	(3,804)
Depreciation	(210,984)	(43,442)	(357,077)	(915)	-	1,919	(610,499)
Balance at 12.31.2018	**3,345,851**	**787,463**	**6,124,855**	**5,880**	**4,417,461**	**(46,043)**	**14,635,467**
Additions	-	-	-	-	1,233,569	-	1,233,569
Additions – Provision for divestment	-	-	-	-	187,314	-	187,314
Indemnifications for nonperformance of contractual obligations	-	-	-	-	(71,886)	-	(71,886)
Capitalized interest and monetary variation	-	-	-	-	151,931	-	151,931
Transfers	188,855	318,091	4,980,961	5,157	(5,495,990)	-	(2,926)
Write-offs	-	-	(2,119)	(139)	-	574	(1,684)
Depreciation	(209,372)	(60,891)	(532,049)	(1,173)	-	1,911	(801,574)
Balance at 12.31.2019	**3,325,334**	**1,044,663**	**10,571,648**	**9,725**	**422,399**	**(43,558)**	**15,330,211**

b.1) Capital contribution with assets

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

b.2) Inflow – Demobilization provision

The Company recognized in its property, plant and equipment the provision of costs arising from the demobilization of its wind farms, based on the present value of expected cash flows for meeting the obligation to withdraw the assets related to those farms and to restore the site at the end of the authorization periods.

	Amortization period	12.31.2019
Campo Largo Wind Power Complex – Phase I	2050 and 2052	56,962
Umburanas – Phase I Wind Power Complex	2049 and 2050	73,504
Trairí Wind Power Complex	2041 and 2045	56,849
		187,315

The real discount rate used to calculate the present value was 3.59%, based on the rates of public securities with maturity similar to the end of authorizations.

b.3) Indemnifications for nonperformance of contractual obligations

On August 2, 2019, Pampa Sul executed a guarantee of R$71,886, aimed at covering damages arising from the non-fulfillment of material obligations of the EPC agreement. This amount was registered as impairment of property, plant and equipment.

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

	12.31.2019				12.31.2018
	Average rate of depreciation	Adjusted cost	Accumulated depreciation	Net amount	Net amount
Hydroelectric Power Plants	3.2%	10,586,620	(6,621,931)	3,964,689	4,163,547
		10,586,620	**(6,621,931)**	**3,964,689**	**4,163,547**

	Consolidated				
	12.31.2019				12.31.2018
	Average rate of depreciation	Adjusted cost	Accumulated depreciation	Net amount	Net amount
Hydroelectric Power Plants	3.4%	16,635,363	(7,950,453)	8,684,910	6,534,717
Wind power plants	3.2%	5,624,610	(2,392,959)	3,231,651	2,690,421
Thermal power plants	4.2%	2,764,164	(243,721)	2,520,443	302,465
Biomass power plants	4.2%	352,150	(173,978)	178,172	288,609
Solar power plants	3.7%	216,143	(15,913)	200,230	205,827
SHPP	3.9%	173,550	(81,144)	92,406	195,967
		25,765,980	**(10,858,168)**	**14,907,812**	**10,218,006**

d) Depreciation

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

	Correlation with "a" table	Depreciation (% p.a.)	Average useful life (years)
Reservoirs and dams	Reservoirs, dams and water mains	2.0	50
Buildings and improvements	Buildings and improvements	3.3	30
Generators	Machinery and equipment	3.3	30
Boilers	Machinery and equipment	4.0	25
Hydraulic Turbines	Machinery and equipment	2.5	40
Engine Rooms	Buildings and improvements	2.0	50
Wind Turbines (aerogenerators)	Machinery and equipment	5.0	20
General Equipment	Machinery and equipment / Furniture and fixtures /Vehicles	6.3	16

The amounts of fully depreciated items, which make up the value of the cost and depreciation, at 12.31.2019 and 12.31.2018, were as follows:

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Reservoirs, dams and pipelines	713,316	713,316	713,316	713,316
Buildings and improvements	24,275	33,695	55,706	65,099
Machinery and equipment	920,791	901,210	2,399,441	2,356,583
Furniture and fixtures	1,649	910	2,073	1,911
Vehicles	894	760	2,212	2,002
	1,660,925	**1,649,891**	**3,172,748**	**3,138,911**

Depreciation of assets comprising the Original Project of the Hydroelectric Power Plants under concession

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

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

e) Fair value adjustment of property, plant and equipment

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

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

Consolidated balances of property, plant and equipment at 12.31.2019 and 12.31.2018 include the fair value adjustment, net of depreciation and write-offs, in the amounts of R$481,429 and R$533,321, respectively. The depreciation and write-offs over the amounts of fair value adjustment in the fiscal year ended at 12.31.2019 was R$51,892 (R$44,337 at 12.31.2018).

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

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

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

The balance of concessions to use public assets for power generation, in Property, Plant and Equipment, on 12.31.2019 was R$549,250 (R$583,192 at 12.31.2018) at the parent company, and R$638,673 (R$677,713 at 12.31.2018) in the consolidated.

g) Appropriation of financial charges

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

h) Impairment

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

On 12.31.2019 and 12.31.2018, no evidence was found of property, plant and equipment with reported costs higher than their recovery values.

i) Regulatory agency concessions and authorizations

i.1) Concessions of hydroelectric power plants

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

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

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

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

Authorizations	Authorization holder	Installed capacity (MW)[13]	Physical guarantee (avg. MW)[13]	Date of minutes	Expiration
Thermal power plants (TPP)					
Jorge Lacerda Thermal Complex	Diamante	857	650	09.1998	09.2028
Pampa Sul TPP	Pampa Sul	345	324	03.2015	03.2050
Ibitiúva Bioenergética TPP	Consórcio Andrade[14]	33	20	04.2000	04.2030
Lages Cogeneration Unit	Lages	28	17	10.2002	10.2032
Ferrari TPP	Ferrari Termoelétrica	80	36	07.2007	07.2042
Small Hydro Power Plants (SHPP)					
Rondonópolis SHPP	Tupan	27	14	12.2002	12.2032
Engenheiro José Gelazio da Rocha SHPP	Hidropower	24	12	12.2002	12.2032
Wind Power Plants (WPP)					
Trairí Wind Complex	SPEs do Conjunto	213	102	09.2011 and	09.2041, 01 and 02.2045
Campo Largo WPP III, IV, VI and VII	CLWP Eólicas	119	60	07.2015	07.2050
Campo Largo WPP V and XXI	CLWP Eólicas	59	29	08.2015	08.2050
Campo Largo WPP I, II, XV, XVI and XVIII	CLWP Eólicas	148	80	05.2017	05.2052
Tubarão P&D WPP	ENGIE Brasil Energia	2	N.A.	05.2015	N.A.
Umburanas WPP 1-3,5-6,9-11,13,15-16,18	Umburanas Eólicas	234	142	08.2014	08.2049
Umburanas WPP 8	Umburanas Eólicas	25	15	10.2014	10.2049
Umburanas WPP 17	Umburanas Eólicas	22	13	07.2015	07.2050
Umburanas WPP 19, 21, 23 and 25	Umburanas Eólicas	80	44	08.2015	08.2050
WPP – Under construction					
Campo Largo WPP VIII to XIV, XVII, XIX, XX, XXII	CLWP Eólicas	361	N.A.[15]	12.2019	12.2054
Photovoltaic solar power plants					
Assú V Photovltaic Complex	Assú V	30	9	06.2016	06.2051
Nova Aurora	ENGIE Brasil Energia	3	N.A.	04.2014	N.A.

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

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

[13] For generating plants with capacity equal to or lower than 5 MW, the applicable legal instrument is registration.
[14] Consortium members are: Ibitiúva Bioenergética S.A. (72.9%) and Andrade Açúcar e Álcool S.A. (27.1%).
[15] Up to the disclosure of these financial statements, the respective companies do not have Physical Guarantee issued by Aneel.

i.3) Unavailability of assets

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

NOTE 15 – INTANGIBLE ASSETS

a) Breakdown

		Parent Company					
		12.31.2019			12.31.2018		
	Amortization period	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount
Right to use	Until 2034	109,428	(59,711)	49,717	88,015	(49,508)	38,507

		Consolidated					
		12.31.2019			12.31.2018		
	Amortization period	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount
Grant bonus							
Jaguara	Until 2047	620,327	(44,695)	575,632	620,327	(24,067)	596,260
Miranda	Until 2047	411,223	(29,629)	381,594	411,223	(15,954)	395,269
		1,031,550	**(74,324)**	**957,226**	**1,031,550**	**(40,021)**	**991,529**
Project rights							
WPPs in operation	Until 2052	74,153	(6,098)	68,055	58,457	(3,694)	54,763
Assú Solar Power Plant	Until 2051	15,194	(943)	14,251	15,194	(471)	14,723
WPPs under construction / development		124,758	-	124,758	123,477	-	123,477
		214,105	**(7,041)**	**207,064**	**197,128**	**(4,165)**	**192,963**
Right to use assets	Until 2037	133,168	(63,969)	69,199	112,228	(53,171)	59,057
Energy purchase right	Until 2023	64,561	(42,109)	22,452	64,561	(36,093)	28,468
Brand – EGSD		22,306	-	22,306	22,306	-	22,306
Premium – EGSD		18,522	-	18,522	18,522	-	18,522
		1,484,212	**(187,443)**	**1,296,769**	**1,446,295**	**(133,450)**	**1,312,845**

a.1) Grant bonus

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

a.2) Right over projects

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

b) Changes

	Consolidated					
	Grant bonus	Project rights	Right to use assets	Energy purchase rights	Other	Total
Balances on 12.31.2017	**1,025,688**	**195,898**	**52,910**	**34,455**	**-**	**1,308,951**
Addition	-	-	13,981	-	-	13,981
Business combination	-	-	-	-	40,828	40,828
Fair value of acquired project rights	-	(1,242)	-	-	-	(1,242)
Amortization	(34,159)	(1,693)	(7,834)	(5,987)	-	(49,673)
Balances on 12.31.2018	**991,529**	**192,963**	**59,057**	**28,468**	**40,828**	**1,312,845**
Addition	-	-	20,940	-	-	20,940
Fair value of acquired project rights	-	16,977	-	-	-	16,977
Amortization	(34,303)	(2,876)	(10,798)	(6,016)	-	(53,993)
Balances on 12.31.2019	**957,226**	**207,064**	**69,199**	**22,452**	**40,828**	**1,296,769**

c) Acquisition of rights for project NPW

The Company recognized R$16,799 of fair vale arising from the acquisition, on September 18, 2019, of the project related to the CLWP Wind Complex – Phase III, through NPW, due to the Company's strategy to add an average of 110MW in its portfolio.

d) Asset impairment

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

On 12.31.2019 and 12.31.2018, no evidence was found of intangible assets with reported costs higher than their recovery values.

NOTE 16 – SUPPLIERS

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Electricity purchased	79,403	399,497	119,384	207,553
Transactions in the short-term market	1,864	1,351	5,056	712
Trading operations	-	-	120,324	57,004
Fossil fuels and biomass	-	-	61,410	47,831
Charges for the use of the power grid	32,040	30,580	55,184	49,436
Suppliers of materials and services	30,195	33,577	139,238	72,590
Suppliers of property, plant and equipment and intangible assets[16]	5,859	1,729	264,424	153,345
	149,361	**466,734**	**765,020**	**588,471**

[16] On 12.31.2019, the balance of property, plant and equipment suppliers include estimated future disbursements arising from the conclusion of the construction of Pampa Sul Thermal Power Plant.

The Company's average payment term is approximately 30 days, and no interest is charged on the balances.

NOTE 17 – RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

a) Market risk

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

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

In 2019, there were no changes in the Company's exposure to market risks or in the management and measurement of these risks.

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

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

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

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

Regarding the risk of floating interest rates, part of the Company's debt is linked to the TJLP and TLP, which usually follows the fluctuation in interest and inflation rates. Therefore, debt pegged to TJLP is usually hedged by the aforementioned adjustments to energy contracts. Note that, for agreements entered into by 12.31.2018, any amount corresponding to the portion of TJLP that exceeds 6% p.a. is added to the principal of the debt, which mitigates the immediate impact on the Company's cash flow, in case of an increase in the TJLP. As of 01.01.2019, the Company has not signed any agreement pegged to the TJLP.

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

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

At 12.31.2019, the Company held no financial obligation denominated in foreign currencies whose exchange variation was not fully hedged against.

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

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Long position				
Fair value hedge on loans and debentures				
Current assets	114,550	-	114,550	3,085
Non-current assets	311,577	247,878	311,577	256,464
	426,127	**247,878**	**426,127**	**259,549**
Cash flow hedge on obligations				
Current assets	-	-	581	50
	-	**-**	**581**	**50**
Short position				
Fair value hedge on loans and debentures				
Current liabilities	(2,933)	(5,020)	(8,616)	(5,020)
Non-current liabilities	(76,932)	(32,579)	(91,169)	(32,579)
	(79,865)	**(37,599)**	**(99,785)**	**(37,599)**
Cash flow hedge on obligations				
Current liabilities	-	-	(145)	(638)
	-	**-**	**(145)**	**(638)**
Net position	**346,262**	**210,279**	**326,778**	**221,362**

Fair value hedge operations on loans and debentures

The Company maintains contracts for swap operations with the Brazilian subsidiaries of the same lending financial institutions in U.S. dollars, in order to hedge future payment flows of principal and interest, including any income tax levied thereon, against foreign exchange fluctuation. In addition, direct subsidiaries Jaguara and Miranda contracted swap operations from Banco Itaú BBA to hedge all future payment flows of the principal and interest of 1st series debentures from fluctuations in the DI rate.

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

At 12.31.2019, the amounts of loans, debentures and swaps valued at cost amortized and at fair value are:

Financial instrument	Notional value	Principal maturity	Interest payments	Interest rates [17]	Amortized cost	Fair value adjustment	Book balance
Parent Company:							
HSBC France VI	US$ 100,000	10.2020	Semiannual	8.459% p.a.	329,798	12,286	342,084
Swap	R$ 325,080	10.2020	Semiannual	103.0% of CDI	(327,672)	683	(326,989)
Bank of Tokyo IV	US$ 100,000	04.2020	Semiannual	3.712% p.a.	408,324	(1,738)	406,586
Swap	R$ 341,010	04.2020	Semiannual	101.0% of CDI	(373,387)	219	(373,168)
BNP Paribas I	US$ 100,000	04.2020	Semiannual	3.684% p.a.	408,801	(2,702)	406.099
Swap	R$ 339,030	04.2020	Semiannual	102.0% of CDI	(342,695)	184	(342,511)
Bank of Tokyo III	US$ 100,000	04.2021	Semiannual	3.998% p.a.	408,547	5,162	413,709
Swap	R$ 341,010	04.2021	Semiannual	103.0% of CDI	(373,472)	938	(372,534)
Scotiabank II	US$ 100,000	04.2021	Semiannual	3.798% p.a.	408,177	2,847	411,024
Swap	R$ 342,000	04.2021	Semiannual	102.0% of CDI	(344,866)	749	(344,117)
Scotiabank I	US$ 200,000	11.2022	Semiannual	3.3710% p.a.	814,526	16,788	831,314
Swap	R$ 650,180	11.2022	Semiannual	IPCA + 5.2% p.a.	(708,151)	(467)	(708,618)
HSBC France	US$ 135,000	05.2022	Semiannual	7.3706% p.a.	538,217	(23,846)	514,371
Swap	R$ 533,520	05.2022	Semiannual	101.72% of CDI	(536,495)	538	(535,957)
Scotiabank III	US$ 100,000	05.2022	Semiannual	3.3600% p.a.	407,067	7,263	414,330
Swap	R$ 396,100	05.2022	Semiannual	101.75% of CDI	(398,310)	404	(397,906)
BNP Paribas II	US$ 50,000	05.2022	Semiannual	3.9515% p.a.	203,579	3,435	207,014
Swap	R$ 197,575	05.2022	Semiannual	101.85% of CDI	(198,678)	209	(198,469)
Subtotal					**323,310**	**22,952**	**346,262**
Subsidiaries							
Jaguara							
Itaú BBA	R$ 483,000	06.2023	Semiannual	107.0% of CDI	368,376	2,939	371,315
Swap	R$ 483,000	06.2023	Semiannual	IPCA + 4.47% p.a.	(380,666)	(2,950)	(383,616)
Miranda							
Itaú BBA	R$ 299,000	06.2023	Semiannual	107.0% of CDI	227,855	1,861	229,716
Swap	R$ 299,000	06.2023	Semiannual	IPCA + 4.47% p.a.	(235,464)	(1,871)	(237,335)
Subtotal					**(19,899)**	**(21)**	**(19,920)**
Position at 12.31.2019					**303,411**	**22,931**	**326,342**

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

Net changes in fair value hedge operations on loans and debentures

	Parent Company			Consolidated		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets at 12.31.2017, net	**3,933**	**14,274**	**18,207**	**3,933**	**14,274**	**18,207**
Interest	(65,370)	-	(65,370)	(64,737)	-	(64,737)
Exchange variation	144	320,650	320,794	144	320,650	320,794
Fair value adjustment	-	(17,406)	(17,406)	2,452	(8,821)	(6,369)
Transfers	102,219	(102,219)	-	102,218	(102,218)	-
Payment of principal	(84,140)	-	(84,140)	(84,140)	-	(84,140)
Repayment of interest	38,194	-	38,194	38,195	-	38,195
(Liabilities) Assets at 12.31.2018, net	**(5,020)**	**215,299**	**210,279**	**(1,935)**	**223,885**	**221,950**
Interest	(28,081)	(22,308)	(50,389)	(20,857)	(41,443)	(62,300)
Exchange variation	38,281	86,325	124,606	38,281	86,325	124,606
Fair value adjustment	(280)	30,392	30,112	(2,736)	21,790	19,054
Transfers	75,063	(75,063)	-	70,149	(70,149)	-
Payment of principal	-	-	-	4,905	-	4,905
Repayment of interest	31,654	-	31,654	18,127	-	18,127
Assets at 12.31.2019, net	**111,617**	**234,645**	**346,262**	**105,934**	**220,408**	**326,342**

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

	Parent Company	Consolidated
Balances at 12.31.2017	**10,246**	**10,246**
Fair value adjustment recognized in profit or loss	(17,406)	(6,369)
Balances at 12.31.2018	**(7,160)**	**3,877**
Fair value adjustment recognized in profit or loss	30,112	19,054
Balances at 12.31.2019	**22,952**	**22,931**

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

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

The probable basic scenario for 2020 was defined using the following assumptions available in the market (Source: Central Bank of Brazil Market Readout).

	Change	Probable Scenario	Sensitivity		
Risk of variation in interest rates and indices:	**2019**	**2020**	**Probable**	**Δ + 25% (*)**	**Δ + 50% (*)**
TJLP	6.2%	5.6%	-0.6 p.p.	1.4 p.p.	2.8 p.p.
TLP	6.1%	5.6%	-0.5 p.p.	1.4 p.p.	2.8 p.p.
CDI	5.9%	4.5%	-1.4 p.p.	1.2 p.p.	2.3 p.p.
IPCA	4.3%	3.6%	-0.7 p.p.	0.9 p.p.	1.8 p.p.
IGP-M	7.3%	4.2%	-3.1 p.p.	1.1 p.p.	2.2 p.p.

(*) Variations on probable scenario for 2020.

The probable sensitivity was calculated based on the variation of indices in 2019 and those expected for 2020, and showed any additional impacts in the Company's profit or loss. The other sensitivities shown were calculated based on the variation of 25% and 50% on the probable scenario for 2020. Variations that could impact the consolidated result, and consequently the consolidated shareholders' equity in 2020 compared to 2019, if the scenarios materialize are the following:

	Balance at 12.31.2019	Sensitivity		
		Probable	Δ + 25%	Δ + 50%
Risk of increase (liability)				
Loans and financing				
TJLP	3,446,892	20,195	(45,565)	(92,483)
TLP	1,231,362	8,878	(11,253)	(22,505)
CDI (Loans with swap to CDI rate)	3,115,217	24,591	(19,796)	(39,677)
IPCA (Loans with swap to IPCA rate)	831,314	26,138	(11,909)	(23,814)
IPCA	171,007	1,569	(637)	(1,273)
Debentures				
IPCA	4,365,740	41,549	(41,369)	(82,736)
IPCA (debentures with swap for IPCA)	601,031	12,034	(5,338)	(10,674)
CDI	977,233	20,826	(16,758)	(33,654)
Concessions payable				
IGP-M	2,625,719	78,441	(28,639)	(57,278)
IPCA	610,771	3,183	(5,538)	(11,076)
Risk of decrease (asset)				
Concession financial asset				
IPCA	2,708,174	(18,935)	(23,616)	(47,232)
Total		**218,339**	**(210,418)**	**(422,402)**

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

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

Equity position and unrealized gains from energy trading operations, net

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

This fair value is mainly estimated in the prices used in the active over-the-counter market, to the extent that such observable market data exist and, to a lesser degree, using the valuation techniques that consider the prices established in the purchase and sale operations and market prices projected by specialist entities, in the period when this information is available. The discount rate used to calculate fair value on 12.31.2019 was 7.1%.

The balance sheets for outstanding trading transactions are presented below.

	Consolidated					
	12.31.2019			12.31.2018		
	Assets	Liabilities	Net gain	Assets	Liabilities	Net gain
Classification in balance sheet						
Current	288,771	(258,305)	30,466	116,202	(98,047)	18,155
Non-current	42,695	(20,644)	22,051	44,429	(19,395)	25,034
	331,466	**(278,949)**	**52,517**	**160,631**	**(117,442)**	**43,189**

The variation in the balances for outstanding trading transactions is follows:

	Consolidated
Net gain recognized for the year	43,189
Balances at 12.31.2018	**43,189**
Gain recognized for the year	23,489
Loss recognized for the year	(14,161)
Balances at 12.31.2019	**52,517**

Sensitivity analysis regarding trading operations

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

The sensitivity analysis was prepared in accordance with CVM Instruction no 475/08, considering the increase of 25% and 50% in future prices, applied on the market curves on 12.31.2019. The results obtained are:

	Consolidated		
	12.31.2019	Scenario I (+25%)	Scenario II (+50%)
Unrealized gains on trading operations	52,517	1,546	3,093

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

b) Capital management risk

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

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

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Debt[18]	8,085,266	4,390,300	14,436,716	9,498,284
(-) Deposits pegged to debt service	(10,388)	(9,915)	(374,676)	(226,210)
(-) Cash and cash equivalents	(2,590,507)	(1,282,395)	(3,870,261)	(2,415,792)
Net debt	**5,484,371**	**3,097,990**	**10,191,779**	**6,856,282**
Shareholders' equity	**6,995,154**	**6,316,186**	**6,998,820**	**6,320,577**
Total debt/Shareholders' equity	**0.8**	**0.5**	**1.5**	**1.1**

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

c) Risk of acceleration of debt maturity

The Company has loan agreements and debentures with covenants, usually applicable to operations of this nature, related to the achievement of financial performance indicators. If the Company fails to comply with any of these clauses, the maturities of its debts may be accelerated. On 12.31.2019, the Company was in compliance with all the covenants of its agreements (Note 18 - Loans and Financing and Note 19 - Debentures).

d) Credit risk

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

d.1) Risks related to energy sale

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

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

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

d.2) Risks related to marketable securities

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

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

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

The Company's available resources are allocated to a Fixed Income Exclusive Investment Fund whose policy is to allocate its equity to very low-risk assets. As of 12.31.2019, this fund had 100% of its portfolio in Brazilian Government credit-risk assets, all of them with floating rates and daily liquidity, linked to Selic variation.

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

d.3) Risks related to hedge operations

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

As already mentioned previously, the main hedge operations contracted by the Company were swap operations to hedge against exchange and CDI variation of the payment of principal and interest of U.S. dollar-denominated loans and the 1st series debentures of Jaguara and Miranda adjusted for CDI rate, respectively.

e) Liquidity risk

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

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

The following statement presents the estimated settlement profile for the Company's main financial liabilities recorded at 12.31.2019. Amounts were determined based on the estimated undiscounted cash flows, considering estimates of principal amortization and future interest payment, when applicable. For debts with floating interest rates, the amount was obtained based on interest curve at year end.

	Parent Company				
	Up to 1 year	From 2 to 3 years	From 4 to 5 years	Over 5 years	Total
Suppliers	149,361	-	-	-	149,361
Post-fixed interest rates:					
Loans and financing[19]	1,312,524	2,846,148	14,375	-	4,173,047
Debentures	1,129,146	633,580	919,076	2,640,603	5,322,405
Fixed interest rates:					
Loans and financing	1,640	3,162	225	-	5,027
Concessions payable	145,317	419,581	858,903	4,901,911	6,325,712
	2,737,988	**3,902,471**	**1,792,579**	**7,542,514**	**15,975,552**

	Consolidated				
	Up to 1 year	From 2 to 3 years	From 4 to 5 years	Over 5 years	Total
Suppliers	765,020	-	-	-	765,020
Post-fixed interest rates:					
Loans and financing[19]	1,926,840	4,047,850	1,129,594	4,055,369	11,159,653
Debentures[19]	1,419,679	1,234,970	1,510,377	3,289,104	7,454,130
Fixed interest rates:					
Loans and financing	1,993	3,162	225	-	5,380
Concessions payable	151,745	432,395	871,717	4,985,730	6,441,587
	4,265,277	**5,718,377**	**3,511,913**	**12,330,203**	**25,825,770**

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

f) Hydrological Risk

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

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

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

At 12.31.2019, the physical guarantee of the Company's hydroelectric power plants totaled 3,417.7 average MW. The aforementioned agreement renegotiated 1,344.5 average MW, of which 1,243.7 average MW, approximately 92.5%, are hedged against hydrological risk. The portion of the Jaguara and Miranda Hydroelectric Power Plants allocated to the ACR - 377.4 average MW – is guaranteed by the Concession Authority and is also hedged against this risk. See Note 10 - Concession financial asset.

[19]Net of hedge effects

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

g) Category and fair value of financial instruments

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Financial assets				
Fair value through profit or loss				
Marketable securities	2,588,307	1,281,439	3,779,368	2,357,499
Unrealized gains on fair value hedge operations	426,127	247,878	426,127	259,549
Unrealized gains on trading operations	-	-	331,466	160,631
Amortized cost				
Cash and bank deposits	2,200	956	90,893	58,293
Trade accounts receivable	643,570	532,430	1,451,227	1,181,379
Restricted deposits	11,226	14,386	385,920	241,406
Fuel reimbursable [20]	-	-	52,533	52,136
Concession financial asset	-	-	2,708,174	2,595,110
Fair value through other comprehensive income				
Unrealized gains on cash flow hedge operations	-	-	581	50
	3,671,430	**2,077,089**	**9,226,289**	**6,906,053**
Financial liabilities				
Fair value through profit or loss				
Foreign currency	3,946,531	2,666,084	3,946,531	2,666,084
Debentures	-	-	601,031	778,316
Unrealized losses on hedge operations [21]	79,865	37,599	99,785	37,599
Unrealized losses on trading operations	-	-	278,949	117,442
Amortized cost				
Suppliers	149,361	466,734	765,020	588,471
Loans in foreign currency	199,583	317,361	4,872,523	3,643,344
Debentures	4,285,414	1,617,134	5,342,973	2,632,490
Concessions payable	3,181,303	2,796,390	3,236,490	2,850,469
Liabilities linked to investment acquisition[21]	-	-	8,179	8,582
Fuel payable to CDE[21]	-	-	144,767	180,959
Fair value through other comprehensive income				
Unrealized losses on cash flow hedge operations	-	-	145	638
	11,842,057	**7,901,302**	**19,296,393**	**13,504,394**

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

[20] Presented under "Other current assets."

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

h) Market value of financial instruments

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

	Parent Company			
	12.31.2019		12.31.2018	
	Book	Market	Book	Market
Loans and financing in local currency	199,583	211,229	317,361	331,658
Debentures	4,285,414	4,343,955	1,617,134	1,649,870
Concessions payable	3,181,303	3,168,792	2,796,390	2,810,475
	7,666,300	**7,723,976**	**4,730,885**	**4,792,003**

	Consolidated			
	12.31.2019		12.31.2018	
	Book	Market	Book	Market
Assets				
Concession financial asset	2,708,174	2,615,077	2,595,110	2,591,844
	2,708,174	**2,615,077**	**2,595,110**	**2,591,844**
Liabilities				
Loans and financing in local currency	4,872,523	4,814,931	3,643,344	3,619,175
Debentures	5,944,004	6,633,870	3,410,806	3,468,216
Concessions payable	3,236,490	3,226,023	2,850,469	2,866,718
	14,053,017	**14,674,824**	**9,904,619**	**9,954,109**

NOTE 18 – LOANS AND FINANCING

a) Breakdown

	Parent Company					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Measured at amortized cost						
Local currency						
BNDES	60,774	47,125	107,899	91,481	107,253	198,734
Nordic Investment Bank (NIB)	28,634	57,285	85,919	27,723	83,186	110,909
BNDES onlendings (Banks)	1,533	3,289	4,822	1,533	4,822	6,355
Charges	943	-	943	1,363	-	1,363
	91,884	**107,699**	**199,583**	**122,100**	**195,261**	**317,361**
Measured at fair value						
Foreign currency – with hedge						
Scotiabank	-	1,646,598	1,646,598	-	1,147,237	1,147,237
Bank of Tokyo	337,823	411,087	748,910	-	775,322	775,322
BNP Paribas	468,617	207,656	676,273	-	387,123	387,123
HSBC	337,348	509,674	847,022	-	335,966	335,966
Charges	27,728	-	27,728	20,436	-	20,436
	1,171,516	**2,775,015**	**3,946,531**	**20,436**	**2,645,648**	**2,666,084**
Loans and financing	**1,263,400**	**2,882,714**	**4,146,114**	**142,536**	**2,840,909**	**2,983,445**

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

	Parent Company					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Loans and financing	**1,263,400**	**2,882,714**	**4,146,114**	**142,536**	**2,840,909**	**2,983,445**
Hedge (swap) effects						
Long position	(114,550)	(311,577)	(426,127)	-	(247,878)	(247,878)
Short position[22]	2,933	76,932	79,865	5,020	32,579	37,599
Loans and financing, net of hedge effects	**1,151,783**	**2,648,069**	**3,799,852**	**147,556**	**2,625,610**	**2,773,166**

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

	Consolidated					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Measured at amortized cost						
Local currency						
BNDES	374,965	3,911,805	4,286,770	237,606	2,667,330	2,904,936
BNDES onlendings (Banks)	19,003	353,335	372,338	37,677	374,959	412,636
Safra	-	-	-	115,497	-	115,497
Nordic Investment Bank (NIB)	28,634	57,285	85,919	27,723	83,186	110,909
BNB[23]	-	83,923	83,923	-	83,792	83,792
Other	18,083	-	18,083	-	-	-
Charges	25,490	-	25,490	15,574	-	15,574
	466,175	**4,406,348**	**4,872,523**	**434,077**	**3,209,267**	**3,643,344**
Measured at fair value						
Foreign currency – with hedge						
Scotiabank	-	1,646,598	1,646,598	-	1,147,237	1,147,237
Bank of Tokyo	337,823	411,087	748,910	-	775,322	775,322
BNP	468,617	207,656	676,273	-	387,123	387,123
HSBC	337,348	509,674	847,022	-	335,966	335,966
Charges	27,728	-	27,728	20,436	-	20,436
	1,171,516	**2,775,015**	**3,946,531**	**20,436**	**2,645,648**	**2,666,084**
Loans and financing	**1,637,691**	**7,181,363**	**8,819,054**	**454,513**	**5,854,915**	**6,309,428**

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

	Consolidated					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Loans and financing	**1,637,691**	**7,181,363**	**8,819,054**	**454,513**	**5,854,915**	**6,309,428**
Hedge (swap) effects						
Long position	(114,550)	(311,577)	(426,127)	-	(247,878)	(247,878)
Short position[24]	2,933	76,932	79,865	5,020	32,579	37,599
Loans and financing, net of hedge effects	**1,526,074**	**6,946,718**	**8,472,792**	**459,533**	**5,639,616**	**6,099,149**

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

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

b) Changes in loans and financing

	Parent Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balances at 12.31.2017	**787,856**	**1,291,810**	**2,079,666**	**948,158**	**2,867,783**	**3,815,941**
Additions	7,980	692,268	700,248	135,589	2,261,461	2,397,050
Interest rates	116,166	-	116,166	70,183	-	70,183
Monetary variations	1,653	4,524	6,177	1,438	18,149	19,587
Capitalized interest and monetary variations	-	-	-	219,892	-	219,892
Exchange variations	144	320,650	320,794	144	320,650	320,794
Fair value adjustment	(2,645)	(13,507)	(16,152)	(2,645)	(13,507)	(16,152)
Transfers	(545,164)	545,164	-	(400,379)	400,379	-
Payment of principal	(117,798)	-	(117,798)	(274,334)	-	(274,334)
Payment of interest	(105,656)	-	(105,656)	(243,533)	-	(243,533)
Balances at 12.31.2018	**142,536**	**2,840,909**	**2,983,445**	**454,513**	**5,854,915**	**6,309,428**
Additions	543	1,127,454	1,127,997	98,108	2,566,437	2,664,545
Interest	170,908	-	170,908	338,335	-	338,335
Monetary variations	1,138	2,579	3,717	676	16,833	17,509
Capitalized interest and monetary variations	-	-	-	113,663	-	113,663
Exchange variations	32,691	91,915	124,606	32,691	91,915	124,606
Fair value adjustment	7,829	15,838	23,667	7,829	15,838	23,667
Transfers	1,195,981	(1,195,981)	-	1,364,575	(1,364,575)	-
Payment of principal	(147,822)	-	(147,822)	(459,381)	-	(459,381)
Repayment of interest	(140,404)	-	(140,404)	(313,318)	-	(313,318)
Balances at 12.31.2019	**1,263,400**	**2,882,714**	**4,146,114**	**1,637,691**	**7,181,363**	**8,819,054**

c) Main transactions in 2019

c.1) Financing in domestic currency

- Release of funds

In 2019, BNDES released R$802, R$23,129, R$99,893 and R$164,749, net of transaction costs, related to the installments of the financing for the modernization of HPP Salto Santiago, the expansion of Ferrari TPP and construction of the Pampa Sul Thermal Power Plant and Campo Largo Wind Power Complex – Phase I, respectively.

- New financing

In October 2019, the Company, through Umburanas Wind Power Complex, contracted financing from BNDES in the amount of R$1,260,182. Until 12.31.2019, all proceeds for financing were released (R$1,168,877 in November and R$61,817 in December, net of funding costs). The proceeds were used to finance the construction of the generation facilities.

c.2) Loans in foreign currency with hedge

On 5.17.2019, the Company contracted three loans from overseas financial institutions - BNP Paribas, HSBC France and Scotiabank – amounting to US$50 million, US$135 million and US$100 million, equivalent to R$197,575, R$533,520 and R$396,100, respectively, and, at the same time, contracted hedge operations (swap) with the Brazilian subsidiary of the same financial institution in which the loan was contracted, to protect all future cash flows. These loans were taken to raise the working capital and to finance the implementation of the Company's business plan.

d) Breakdown of borrowings and financing by index and currency

	Parent Company				Consolidated			
	12.31.2019	%	12.31.2018	%	12.31.2019	%	12.31.2018	%
Local currency								
TJLP	108,250	2,6	199,365	6,7	3,446,892	39,1	3,321,430	52.6
TLP	-	-	-	-	1,231,362	14,0	-	-
IPCA	86,506	2,1	111,635	3,7	171,007	1,9	195,478	3.1
Not indexed	4,827	0,1	6,361	0,2	23,262	0,2	126,436	2.0
	199,583	**4,8**	**317,361**	**10,6**	**4,872,523**	**55,2**	**3,643,344**	**57.7**
Foreign currency – with hedge								
U.S. dollar – with swap for CDI	3,115,217	75,1	1,897,507	63,6	3,115,217	35,4	1,897,507	30.1
U.S. dollar – with swap for IPCA	831,314	20,1	768,577	25,8	831,314	9,4	768,577	12.2
	3,946,531	**95,2**	**2,666,084**	**89,4**	**3,946,531**	**44,8**	**2,666,084**	**42.3**
Loans and financing	**4,146,114**	**100,0**	**2,983,445**	**100,0**	**8,819,054**	**100,0**	**6,309,428**	**100.0**

e) Interest rates and foreign currency variation

	2019	2018
TJLP	6.2%	6.7%
TLP	6.1%	6.8%
CDI	5.9%	6.5%
IPCA	4.3%	3.7%
U.S. dollar	4.0%	17.1%

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

	Parent Company	Consolidated
2021	847,700	1,171,697
2022	2,020,932	2,341,472
2023	14,082	336,960
2024	-	326,177
2025	-	326,169
2026 to 2030	-	1,481,099
2031 to 2035	-	943,349
2036 to 2038	-	254,440
Loans and financing	**2,882,714**	**7,181,363**

g) Main contracted loan conditions

Company/Bank	Interest	Payment Conditions		Balances at 12.31.2019
		Maturity	Principal and interest	
Parent Company:				
Local currency				
BNDES – Modernization	TJLP + 2.26% p.a. [a]	07.2020	Monthly	44,281
NIB	IPCA + 3.55% p.a.	10.2022	Principal: Monthly Interest: Quarterly	86,506
BNDES – Usina São Salvador	TJLP + 2.7% p.a. [a]	10.2023	Monthly	63,969
BNDES onlending (Banks)	3.68% p.a.	11.2024	Monthly	4,827
Foreign currency (USD)				
HSBC France (USA VI)	8.459% p.a. swap for 103% of CDI	10.2020	Principal: 10.2020 Interest: Semiannually	342,084
Bank of Tokyo IV	3.712% p.a. with swap for 101% of CDI	04.2020	Principal: 04.2020 Interest: Semiannually starting 04.2019	406,586
BNP Paribas I	3.684% p.a. with swap for 102% of CDI	04.2020	Principal: 04.2020 Interest: Semiannually starting 10.2018	406,099
Bank of Tokyo III	3.998% p.a. with swap for 103% of CDI	04.2021	Principal: 04.2021 Interest: Semiannually starting 04.2019	413,709
Scotiabank II	3.798% p.a. with swap for 102% of CDI	04.2021	Principal: 04.2021 Interest: Semiannually starting 10.2018	411,024
Scotiabank I	3.3710% p.a. with swap for IPCA + 5.2% p.a.	11.2022	Principal: 11.2022 Interest: Semiannually	831,314
HSBC France	7.3706% p.a. with swap for 101.72% of CDI	05.2022	Principal: 05.2022 Interest: Semiannually	514,371
Scotiabank III	3.3600% p.a. with swap for 101.75% of CDI.	05.2022	Principal: 05.2022 Interest: Semiannually	414,330
BNP Paribas II	3.9515% p.a. with swap for 101.85% of CDI	05.2022	Principal: 05.2022 Interest: Semiannually	207,014
Subsidiaries:				
Companhia Energética Estreito				
BNDES	TJLP + 1.89% p.a. [a]	09.2029	Monthly	539,952
BNDES onlending (Banks) [b]	TJLP + 2.95% p.a. [a]	09.2029	Monthly	366,604
Ibitiúva				
BNDES (Subcredit B)	4.5% p.a.	01.2020	Monthly	352
BNDES (Subcredit A and C)	TJLP + 2.05% p.a. [a]	01.2021	Monthly	4,047
Ferrari				
BNDES	TJLP + 1.91% p.a. [a]	06.2021	Monthly	6,594
BNDES Expansion	TJLP + 1.76% p.a. [a]	07.2032	Monthly	58,551
BNDES onlending (Banks) [b]	TJLP + 3.40% p.a. [a]	06.2021	Monthly	2,878
Trairí Wind Power Complex [c]				
BNDES – Social Credit	TJLP	07.2029	Monthly	1,187
BNDES	TJLP + 2.51% [a]	07.2029	Monthly	228,792
BNDES	TJLP + 2.18% [a]	05.2033	Monthly	284,229
Assú V				
BNB	IPCA + 1.7624% p.a.	07.2038	Principal: Monthly starting 08.2023 Interest: Quarterly up to 07.2023; Monthly starting 08.2023.	84,501
Campo Largo Wind Power Complex – Phase I				
BNDES	TJLP + 2.52% p.a. [a]	06.2035	Monthly, starting July 2019	486,018
BNDES	TJLP + 1.82% p.a. [a]	06.2035	Monthly, starting July 2019	566,074
Pampa Sul				
BNDES	TJLP + 3.09% p.a. [a]	01.2036	Monthly, starting February 2020	793,716
Umburanas Wind Power Complex				
BNDES	TLP + 3.91% p.a.	12.2038	Monthly, starting December 2019	1,231,362

[a] The amount corresponding to the TJLP installment that exceeds 6% p.a. is incorporated into the principal.
[b] The banks are the following: Itaú Unibanco, Itaú BBA, Bradesco, Santander and Votorantim.
[c] Financing of the Trairí Wind Complex, composed of the following companies: Trairí, Mundaú, Guajiru, Fleixeiras I, Santa Mônica, Cacimbas, Estrela e Ouro Verde.

h) Guarantees

Guarantees are described below, except for foreign currency loans that do not have any.

h.1) BNDES and BNDES onlending (Banks)

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

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

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

- **Financing of thermal power projects:** (a) assignment of rights arising from authorization; (b) assignment of credit rights arising from electricity purchase and sale agreements; (c) pledge of all shares; (d) pledge of machinery and equipment related to the project; (e) mortgage of urban land it owns for implementation of project; (f) reserve account in an amount equivalent to three months of debt service; and (g) reserve account in an amount equivalent to three months of operating and maintenance contract expenses.

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

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

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

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

h.3) Nordic Investment Bank (NIB)

- Financing of Wind Projects: the Company contracted a guarantee in U.S. dollar in the amount of R$85,691, maturing in 2020. This obligation to deliver guarantee began in February 2018, when Fitch Rating downgraded Brazil's sovereign rating, thus impacting the Company's long-term foreign currency rating. This loan from NIB was contracted in December 2012 to finance the construction of the Trairí Wind Complex.

i) Contract commitments (covenants)

Debt	Covenants	Measurement on 12.31.2019
Parent company:		
Nordic Investment Bank	(i) Parent company: Total debt /EBITDA ≤ 3.5 (ii) Consolidated: Total debt /EBITDA ≤ 4.5 (iii) Parent company and Consolidated: EBITDA/ financial expenses ≥ 2.0	(i) 2.09 (ii) 2.8 (iii) 3.87 and 3.81
BNDES – Modernization	Parent company: Net debt /EBITDA ≤ 3.5	1.42
HSBC France, Scotiabank, Bank of Tokyo e BNP Paribas	(i) Consolidated: EBITDA/financial expenses ≥ 2.0 (ii) Consolidated: Gross debt /EBITDA ≤ 4.5	(i) 3.81 (ii) 2.8
Subsidiaries:		
BNDES and BNDES Onlending (Banks)	Debt service coverage ratio [25] ≥ 1.1 or ≥ 1.2 or ≥ 1.3 depending on the subsidiary	Between 1.24 and 2.11
BNDES Ferrari Expansion (Obligation of the Intervening Party)	Net debt/EBITDA ≤ 3.5	2.05
BNDES – CEE (Obligation of the Intervening Party)	Gross debt/EBITDA ≤ 3.5	2.05
BNDES – Ibitiúva	(i) Debt service coverage ratio[25] ≥ 1.3 (ii) Total debt ratio ≤ 0.80	(i) 2.02 (ii) 0.24

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

NOTE 19 – DEBENTURES

a) Breakdown

	Parent Company					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
EBE – 5th issue	-	214,994	214,994	-	206,871	206,871
EBE – 6th issue	-	665,444	665,444	-	639,256	639,256
EBE – 7th issue	-	765,013	765,013	-	734,125	734,125
EBE – 8th issue	956,829	-	956,829	-	-	-
EBE – 9th issue	-	1,597,535	1,597,535	-	-	-
Charges	61,348	24,251	85,599	36,882	-	36,882
Debentures	**1,018,177**	**3,267,237**	**4,285,414**	**36,882**	**1,580,252**	**1,617,134**

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

	Consolidated					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Debentures						
EBE – 5th issue	-	214,994	214,994	-	206,871	206,871
EBE – 6th issue	-	665,444	665,444	-	639,256	639,256
EBE – 7th issue	-	765,013	765,013	-	734,125	734,125
EBE – 8th issue	956,829	-	956,829	-	-	-
EBE – 9th issue	-	1,597,535	1,597,535	-	-	-
Jaguara – 1st issue	114,710	911,652	1,026,362	104,599	1,004,860	1,109,459
Miranda – 1st issue	67,779	560,646	628,425	64,700	615,325	680,025
Charges	65,151	24,251	89,402	41,070	-	41,070
Debentures	**1,204,469**	**4,739,535**	**5,944,004**	**210,369**	**3,200,437**	**3,410,806**
Hedge (swap) effects						
Long position	-	-	-	(3,085)	(8,586)	(11,671)
Short position[26]	5,683	14,237	19,920	-	-	-
Debentures, net of hedge effects	**1,210,152**	**4,753,772**	**5,963,924**	**207,284**	**3,191,851**	**3,399,135**

b) Changes in debêntures and promissory notes

	Parent Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balances at 12.31.2017	**17,849**	**812,715**	**830,564**	**2,127,760**	**812,715**	**2,940,475**
Issue of debentures	-	727,621	727,621	86,621	2,399,619	2,486,240
Interest rates	73,414	-	73,414	175,046	-	175,046
Monetary variations	1,192	37,162	38,354	1,326	25,936	27,262
Capitalized interest and monetary variations	-	-	-	46,958	27,447	74,405
Fair value adjustment	-	-	-	2,534	8,871	11,405
Transfers	(2,754)	2,754	-	74,151	(74,151)	-
Payment of principal[27]	-	-	-	(2,100,000)	-	(2,100,000)
Payment of interest	(52,819)	-	(52,819)	(204,027)	-	(204,027)
Balances at 12.31.2018	**36,882**	**1,580,252**	**1,617,134**	**210,369**	**3,200,437**	**3,410,806**
Issue of debentures	-	4,064,987	4,064,987	-	4,064,987	4,064,987
Interest rates	166,414	24,035	190,449	265,976	24,035	290,011
Monetary variations	1,907	78,966	80,873	2,661	100,871	103,532
Capitalized interest and monetary variations	-	-	-	21,188	17,080	38,268
Fair value adjustment	-	-	-	(8,438)	1,834	(6,604)
Transfers	2,481,003	(2,481,003)	-	2,669,709	(2,669,709)	-
Payment of principal	(1,535,006)	-	(1,535,006)	(1,708,707)	-	(1,708,707)
Payment of interest	(133,023)	-	(133,023)	(248,289)	-	(248,289)
Balances at 12.31.2019	**1,018,177**	**3,267,237**	**4,285,414**	**1,204,469**	**4,739,535**	**5,944,004**

[26] Hedge short position is presented as part of the items "Other current liabilities" and "Other non-current liabilities."
[27] The amount refers to payment of promissory notes of subsidiaries Jaguara e Miranda.

c) Main transactions in 2019

c.1) 8th issue of debentures

On 5.17.2019, the Company issued unsecured, non-convertible debentures (8th issue) in a single series, in accordance with CVM Instruction 476/2009, at the unit par value of R$1, totaling R$2,500,000 (R$2,486,626, net of funding costs). The financial settlement was on 5.21.2019. On 8.9.2019, a part of these debentures was paid in advance, in the amount of R$1,570,930, of which R$1,535,006 refers to the principal.

c.2) 9th issue of debentures

On 7.15.2019, the Company issued unsecured, non-convertible debentures (9th issue) for public distribution, in accordance with CVM Instruction 400 of 12.29.2003 at the unit par value of R$ 1, totaling R$1,600,000 (R$1,578,361, net of funding costs). The financial settlement occurred on 8.7.2019.

d) Breakdown of debentures by index

	Parent Company				Consolidated			
	12.31.2019	%	12.31.2018	%	12.31.2019	%	12.31.2018	%
IPCA	3,308,181	77.2	1,617,134	100.0	4,365,740	73.4	2,632,490	77.2
CDI	977,233	22.8	-	-	977,233	16.4	-	-
CDI – with swap for IPCA	-	-	-	-	601,031	10.2	778,316	22.8
Debentures	**4,285,414**	**100.0**	**1,617,134**	**100.0**	**5,944,004**	**100.0**	**3,410,806**	**100.0**

e) Maturities of debentures recorded under non-current liabilities

	Parent Company	Consolidated
2021	85,206	386,042
2022	157,297	458,116
2023	156,810	435,161
2024	467,301	615,373
2025	877,439	1,025,511
2026 to 2029	1,523,184	1,819,332
Debentures	**3,267,237**	**4,739,535**

f) Main conditions contracted

	Quantity	Remuneration	Payment Conditions		Maturity	Guarantee	Balances at 12.31.2019
			Charges	Principal			
Parent Company:							
5th Issue – Single series	165,000	IPCA + 6.3% p.a.	Annually in December	3 annual installments as of 12.2022	12.2024	Without guarantee	215,519
6th Issue – Series 1	246,600	IPCA + 6.2621% p.a.	Annually in July	3 annual installments as of 07.2021	07.2023	Without guarantee	282,061
6th Issue – Series 2	353,400	IPCA + 6.2515% p.a.	Annually in July	3 annual installments as of 07.2024	07.2026	Without guarantee	402,974
7th Issue – Series 1	515,353	IPCA + 5.6579% p.a.	Annually starting 07.2019	2 annual installments as of 07.2024	07.2025	Without guarantee	542,481
7th Issue – Series 2	231,257	IPCA + 5.9033% p.a.	Annually starting 07.2019	3 annual installments as of 07.2026	07.2028	Without guarantee	243,360
8th Issue – Single Series	2,500,000	102.05% of CDI	11.2020	11.2020	11.2020	Without guarantee	977,233
9th Issue – Series 1	576,095	IPCA + 3.7000% p.a.	Annually starting 07.2021	2 annual installments as of 07.2025	07.2026	Without guarantee	583,884
9th Issue – Series 2	539,678	IPCA + 3.9000% p.a.	Annually starting 07.2021	3 annual installments as of 07.2027	07.2029	Without guarantee	547,301
9th Issue – Series 3	378,827	IPCA + 3.6000% p.a.	Semiannually starting 07.2021	2 annual installments as of 07.2025	07.2026	Without guarantee	383,797
9th Issue – Series 4	105,400	IPCA + 3.7000% p.a.	Semiannually starting 07.2021	3 annual installments as of 07.2027	07.2029	Without guarantee	106,804
Subsidiaries:							
Jaguara							
1st Issue – Series 1	483,000	107% p.a. on Δ DI rate with swap for IPCA + 4.47% p.a.	Semiannually starting 12.2018	9 semiannual installments as of 06.2019	06.2023	Security interest	371,315
1st Issue – Series 2	634,000	IPCA + 6.4962% p.a.	Semiannually starting 12.2018	15 semiannual installments as of 06.2020	06.2027	Security interest	657,406
Miranda							
1st Issue – Series 1	299,000	107% p.a. on Δ DI rate with swap for IPCA + 4.47% p.a.	Semiannually starting 12.2018	9 semiannual installments as of 06.2019	06.2023	Security interest	229,716
1st Issue – Series 2	386,000	IPCA + 6.4962% p.a.	Semiannually starting 12.2018	15 semiannual installments as of 06.2020	06.2027	Security interest	400,153

g) Contractual covenants

	Debt	*Covenants*	Measured on 12.31.2019
Parent Company	5th, 6th, 7th, 8th and 9th issues	(i) Consolidated: EBITDA/ financial expenses ≥ 2.0 (ii) Consolidated: Gross debt/EBITDA ≤ 4.5	(i) 3.81 (ii) 2.8
	1st issue	Individual: ICSD[28] ≥ 1.10	Between 2.24 and 2.47
Subsidiaries			

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

NOTE 20 – LEASE OPERATIONS

On 1.1.2019, the Company recognized a right-of-use asset and lease liability resulting from the adoption of changes in CPC 06 (R2), as mentioned in Note 2 – Presentation of financial statements.

a) Right of use of leases

		12.31.2019					
		Parent Company			Consolidated		
	Depreciation period	Cost	Depreciation	Net amount	Cost	Depreciation	Net amount
Buildings							
Headquarters - EBE	Until 2025	33,145	(4,910)	28,235	33,145	(4,910)	28,235
Headquarters - EGSD	Until 2025	-	-	-	1,759	(182)	1,577
Land							
CLWP – Phase I and II	Until 2063	-	-	-	51,664	(1,148)	50,516
Trairí Wind Complex	Until 2047	-	-	-	27,480	(1,421)	26,059
Santo Agostinho Wind Complex	Until 2040	-	-	-	2,777	(129)	2,648
Umburanas Wind Complex	Until 2057	-	-	-	47,906	(106)	47,800
Assú	Until 2043	-	-	-	4,739	(194)	4,545
Other		60	(14)	46	623	(137)	486
		33,205	**(4,924)**	**28,281**	**170,093**	**(8,227)**	**161,866**

The change in right of use is presented below:

	Parent	Consolidated
First-time adoption	33,145	119,805
New	60	50,288
Depreciation	(4,924)	(8,227)
Balances at 12.31.2019	**28,281**	**161,866**

The right of use of leases was measured considering the cost of lease liability plus lease advances made until the date of adoption of CPC 06 (R2), which totaled R$11,306 and R$30,618, in the parent company and consolidated, respectively.

[28] Debt service coverage index.

b) Leases payable

	Parent Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
First-time adoption	6,208	15,631	21,839	14,240	74,947	89,187
New	11	49	60	6,312	43,976	50,288
Interest	2,701	-	2,701	11,575	-	11,575
Transfers	3,827	(3,827)	-	4,440	(4,440)	-
Amortizations	(6,525)	-	(6,525)	(16,743)	-	(16,743)
Balances at 12.31.2019	**6,222**	**11,853**	**18,075**	**19,824**	**114,483**	**134,307**

Leases payable were measured at present value of future payment flows. The average discount rates used to calculate the present value were 8.2% and 10.2% for the headquarters building and the land in which the wind farms and photovoltaic solar facilities are established or will be built, respectively, and represent the incremental financing rate.

c) Recoverable PIS and Cofins

The rental agreements of EBE's headquarters and lease of lands of the CLWP Wind Complexes – Phase I and II and Umburanas are subject to PIS and Cofins recovery and, therefore, have a potential right of recoverable PIS and Cofins embedded in the payment of leases, in accordance with the terms set forth for payment in which the taxable income method is established for these companies. The potential recoverable amounts of PIS and Cofins related to the amounts not deducted and the balance of lease liability for the parent company are R$1,441 and R$1,096, respectively. In consolidated terms, the PIS and Cofins amounts on amounts not deducted and the balance of lease liability are R$3,198 and R$2,530, respectively.

The recognition of PIS and Cofins to be recovered was booked as an offset to depreciation on the right to use leases and interest expense of lease liabilities, in the results for the period. The following table shows the reconciliation of amounts recognized in these items:

	Parent Company		Consolidated	
	Interest	Depreciation	Interest	Depreciation
Gross amounts	2,701	4,924	11,575	8,227
PIS and Cofins credited	(124)	(416)	(293)	(451)
Net amounts in profit or loss	**2,577**	**4,508**	**11,282**	**7,776**

d) Maturities of leases payable recorded under non-current liabilities

	Parent Company			Consolidated		
	Amounts not discounted	Embedded interest	Balance of lease liability	Amounts not discounted	Embedded interest	Balance of lease liability
2021	5,081	(784)	**4,297**	16,773	(2,734)	**14,039**
2022	5,197	(1,255)	**3,942**	17,093	(4,324)	**12,769**
2023	5,301	(1,687)	**3,614**	17,385	(5,771)	**11,614**
2024	-	-	**-**	14,794	(7,088)	**7,706**
2025	-	-	**-**	14,629	(7,642)	**6,987**
2026 to 2030	-	-	**-**	62,467	(39,224)	**23,243**
2031 to 2035	-	-	**-**	62,890	(47,733)	**15,157**
After 2036	-	-	**-**	269,620	(246,652)	**22,968**
Leases payable	**15,579**	**(3,726)**	**11,853**	**475,651**	**(361,168)**	**114,483**

e) Payment for leases of variable rentals, low-value individual and short-term assets

In the twelve-month period ended 12.31.2019, the Company recognized the amount of R$1,944 and R$11,285, in the parent company and consolidated, respectively, related to costs and expenses related to the payments of short-term and variable rentals and assets with low individual value, as exempted by CPC 06 (R2).

f) Analysis of inflation impact on lease agreements

The Company, pursuant to CPC 06 (R2), when measuring and remeasuring its lease liabilities and the right to use of leases, used the discounted cash flow technique without considering projected inflation in the flows to be discounted, in view of the barrier imposed by the accounting standard.

As such, in order to comply with CVM instructions, the comparative balances of lease liabilities, right to use of leases, financial expenses and depreciation expenses for 2019 are presented.

	Parent Company	Consolidated
Lease liability – closing balance		
As presented under IFRS 16	18,075	134,307
With effect from inflation	22,469	199,696
	24.31%	**48.69%**
Right of use of leases, net – closing balance		
As presented under IFRS 16	28,281	161,866
With effect from inflation	31,901	223,082
	12.80%	**37.82%**
Financial expenses		
As presented under IFRS 16	2,701	11,575
With effect from inflation	2,803	14,456
	3.78%	**24.89%**
Depreciation expenses		
As presented under IFRS 16	4,924	8,227
With effect from inflation	5,548	10,015
	12.67%	**21.73%**

NOTE 21 – CONCESSIONS PAYABLE

a) Breakdown

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Cana Brava Hydroelectric Power Plant	1,440,918	1,226,969	1,440,918	1,226,969
Ponte de Pedra Hydroelectric Power Plant	1,184,801	1,023,647	1,184,801	1,023,647
São Salvador Hydroelectric Power Plant	555,584	545,774	555,584	545,774
Estreito Hydroelectric Power Plant	-	-	55,187	54,079
	3,181,303	**2,796,390**	**3,236,490**	**2,850,469**
Classification in the balance sheet				
Current liabilities	139,008	79,051	145,136	84,931
Non-current liabilities	3,042,295	2,717,339	3,091,354	2,765,538
	3,181,303	**2,796,390**	**3,236,490**	**2,850,469**

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

Considering that contractual amounts are stated at future prices, the Company adjusted them to present value based on reference discount rates on the date the obligation assumed, namely: Cana Brava, São Salvador and Estreito – 10% p.a. and Ponte de Pedra – 8.3% p.a.

b) Original contracted amounts

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

	Original value		Restated amount	
Plants and payment years	Annual Payment	Total payment	Annual Payment	Total payment
Cana Brava Hydroelectric power plant				
Until 07.31.2023	680	2,437	3,419	12,408
De 08.01.2023 a 07.31.2033	61,280	612,800	313,589	3,135,895
		615,237		**3,148,303**
Ponte de Pedra Hydroelectric power plant				
From 01.01.2020 to 11.30.2020	14,850	14,850	65,090	65,090
From 12.01.2020 to 11.30.2034	31,109	450,381	140,568	1,967,958
		465,231		**2,033,048**
São Salvador Hydroelectric power plant				
Until 04.30.2037	20,000	**348,333**	65,094	**1,144,361**
Estreito Hydroelectric power plant				
Until 01.31.2038	1,960	**35,447**	6,429	**115,875**

c) Changes

	Parent Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balances at 12.31.2017	**61,367**	**2,385,027**	**2,446,394**	**67,051**	**2,432,348**	**2,499,399**
Interest	-	237,075	237,075	-	242,225	242,225
Monetary variations	-	177,650	177,650	-	179,730	179,730
Transfers	82,413	(82,413)	-	88,765	(88,765)	-
Amortizations	(64,729)	-	(64,729)	(70,885)	-	(70,885)
Balances at 12.31.2018	**79,051**	**2,717,339**	**2,796,390**	**84,931**	**2,765,538**	**2,850,469**
Interest	-	267,096	267,096	-	272,339	272,339
Monetary variations	-	191,173	191,173	-	193,437	193,437
Transfers	133,313	(133,313)	-	139,960	(139,960)	-
Amortizations	(73,356)	-	(73,356)	(79,755)	-	(79,755)
Balances at 12.31.2019	**139,008**	**3,042,295**	**3,181,303**	**145,136**	**3,091,354**	**3,236,490**

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

	Parent Company	Consolidated
2021	184,153	189,704
2022	169,208	174,254
2023	245,142	249,730
2024	344,020	348,189
2025	314,153	317,944
2026 to 2030	1,206,344	1,220,710
2031 to 2035	560,410	569,327
2036 to 2038	18,865	21,496
Concessions payable	**3,042,295**	**3,091,354**

NOTE 22 – INCOME TAX AND SOCIAL CONTRIBUTION PAYABLE

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Income tax	52,058	58,992	141,268	80,620
Social contribution	730	397	35,144	21,434
	52,788	**59,389**	**176,412**	**102,054**
(-) Taxes to offset	-	-	(17)	(21)
	52,788	**59,389**	**176,395**	**102,033**

On 12.31.2019, the Company presents the amounts of R$120,317 and R$166,833 (R$88,854 and R$98,978 on 12.31.2018) for the parent company and consolidated, respectively, related to income tax and social contribution recoverable, expected to be recovered in 2020.

NOTE 23 – OTHER TAX AND REGULATORY OBLIGATIONS

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
PIS and Cofins	23,943	25,893	38,177	43,628
INSS	643	1,714	4,978	4,843
ICMS	1,731	423	28,065	21,567
ISSQN	651	543	3,653	2,812
Royalties	19,206	22,240	26,515	28,973
Inspection rate	1,122	936	1,907	1,600
Other	2,208	2,912	3,133	3,170
	49,504	**54,661**	**106,428**	**106,593**
(-) Federal and state rates to offset	(1,468)	(845)	(1,573)	(2,183)
	48,036	**53,816**	**104,855**	**104,410**

NOTE 24 – LABOR LIABILITIES

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Provision for profit sharing and bonuses	54,871	61,304	71,914	66,621
Provision for vacation	24,454	24,596	27,631	27,210
Payroll and social charges	4,421	4,892	6,263	5,544
Provision for voluntary termination expenses	197	197	197	197
	83,943	**90,989**	**106,005**	**99,572**

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

NOTE 25 – PROVISIONS

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

a) Breakdown

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Civil				
Expropriations and administrative servitude	46,062	42,207	48,565	44,422
Environmental	12,476	11,655	12,476	11,655
Retirement benefits	2,995	2,803	2,995	2,803
Sundry lawsuits	12,922	12,160	23,054	17,307
	74,455	**68,825**	**87,090**	**76,187**
Tax	**6,767**	**7,070**	**7,100**	**7,400**
Labor	**14,979**	**13,622**	**15,376**	**14,273**
Divestment of generation assets	**-**	**-**	**187,314**	**-**
	96,201	**89,517**	**296,880**	**97,860**
Classification in the balance sheet				
Current liabilities	7,537	7,880	8,579	8,883
Non-current liabilities	88,664	81,637	288,301	88,977
	96,201	**89,517**	**296,880**	**97,860**

a.1) Expropriations and administrative servitudes

The Company is defendant in lawsuits filed by individuals and legal persons regarding expropriation processes of areas that are necessary for the formation of the reservoirs of some plants and establishment of administrative services of properties where connection lines and projects will be constructed.

a.1) Demobilization of generation assets

Encompass the present value of estimated costs regarding the demobilization of generation assets. For more information, see Note 14 - Property, Plant and Equipment.

b) Change in provisions

	Parent Company				
	Civil	Tax	Labor	Divestment	Total
Balance at 12.31.2017	**63,324**	**6,812**	**10,860**	**1,000**	**81,996**
Additions	-	-	3,410	-	3,410
Restatements	5,510	258	1,342	-	7,110
Payments	(9)	-	(22)	-	(31)
Reversal from revision	-	-	(1,968)	(1,000)	(2,968)
Balance at 12.31.2018	**68,825**	**7,070**	**13,622**	**-**	**89,517**
Additions	507	56	400	-	963
Restatements	5,127	219	1,296	-	6,642
Payments	(4)	(578)	-	-	(582)
Reversals from revision	-	-	(339)	-	(339)
Balance at 12.31.2019	**74,455**	**6,767**	**14,979**	**-**	**96,201**

	Consolidated				
	Civil	Tax	Labor	Divestment	Total
Balance at 12.31.2017	**70,115**	**7,137**	**11,122**	**1,000**	**89,374**
Additions	431	3	3,813	-	4,247
Restatements	6,250	260	1,343	-	7,853
Payments	(429)	-	(37)	-	(466)
Reversal from revision	(180)	-	(1,968)	(1,000)	(3,148)
Balance at 12.31.2018	**76,187**	**7,400**	**14,273**	**-**	**97,860**
Additions	5,338	57	420	187,314	193,129
Restatements	5,569	221	1,296	-	7,086
Payments	(4)	(578)	(274)	-	(856)
Reversals from revision	-	-	(339)	-	(339)
Balance at 12.31.2019	**87,090**	**7,100**	**15,376**	**187,314**	**296,880**

c) Possible and remote risks

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

	12.31.2019			12.31.2018		
	Possible risk	Remote risk	Total	Possible risk	Remote risk	Total
Parent Company						
Tax and social security	767,016	255,863	1,022,879	778,965	237,990	1,016,955
Civil	83,956	91,294	175,250	77,891	152,316	230,207
Labor	15,165	136,031	151,196	13,892	138,831	152,723
	866,137	**483,188**	**1,349,325**	**870,748**	**529,137**	**1,399,885**
Consolidated						
Tax and social security	847,990	269,914	1,117,904	856,780	260,570	1,117,350
Civil	98,903	91,429	190,332	93,329	152,458	245,787
Labor	16,323	146,266	162,589	16,774	157,278	174,052
	963,216	**507,609**	**1,470,825**	**966,883**	**570,306**	**1,537,189**

c.1) Tax risks

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

- Recovery of PIS and Cofins taxes

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

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

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

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

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

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

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

The proceedings pending judgment in the administrative and legal spheres totaled R$138,990 on 12.31.2019 (R$135,469 on 12.31.2018) in the parent company and consolidated statements.

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

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

Despite the partial success of the Company's defenses, the Company's Management and legal counsels understand that the total amounts of debits claimed by tax authorities are subject to calculation mistakes and legal grounds, where the chance of success for these disputes is higher than the risk of losses. The assessment notices were challenged in court by the Company and its lawyers, through Court Injunctions and Actions for Annulment. Simultaneously, FESP filed Tax Foreclosures related to the same infraction notices.

In 2018, one Tax Foreclosure notice against EBC and two Court Injunctions filed by EBC were res judicata with rulings favorable to the Company's interests. The exception of pre-execution was accepted, extinguishing the execution under the allegation that the tax credit requirement was suspended at the time of distribution, besides allowing the issue of Positive Debt Certification with Negative Effect (CPD-EN) and suspending the inclusion in the Federal Register of Defaulters (CADIN). As a result, in 2019 there was the write-off of the subsidiary's liability in the amount of R$8,955.

In 2019, the Action for Annulment filed by EBE against FESP was res judicata with a ruling ensuring the cancellation of the infraction notices. Subsequently, decisions were made cancelling the respective Tax Foreclosures, with a pending discussion of loss of suit in the appeals phase.

The restated amount of the proceedings, assessed as having possible risk of loss, at 12.31.2019 is R$2,886 (R$16,526 at 12.31.2018), in the parent company, and R$69,147 (R$93,481 at 12.31.2018) in the consolidated.

- Voluntary confession

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

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

The restated amount of administrative proceedings and lawsuits at 12.31.2019 is R$51,255, (R$63,239 at 12.31.2018) at the parent company and consolidated statements.

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

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

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

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

The lawsuit is pending decision of the Administrative Council of Tax Appeals (CARF), issued by the Brazilian Federal Revenue Service, and with voluntary appeal from the Company exclusively focusing on the non-levy of interest in arrears. The restated amount of this notice, whose risk of loss was deemed as possible, at 12.31.2019 is R$28,967 (R$28,236 at 12.31.2018) at the parent company and consolidated statements.

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

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

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

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

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

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

The restated amount of the notification, which has a possible risk of loss, is R$18,234 at 12.31.2019 (R$17,753 at 12.31.2018), both for the parent company and consolidated.

- Notice of Deficiency - PIS/Cofins on fuel reimbursements

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

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

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

Based on the CDE mechanism, on 1.15.2019 the Company filed a Voluntary Appeal to the notice of deficiency through its external advisors, arguing that: (i) the Company is not the legal owner of the fuels; (ii) the reimbursement has characteristics of subsidy for costs, since it is financed by energy end consumers, not the government; and (iii) the reimbursed amount does not increase the Company's revenue, and there is jurisprudence in superior courts determining that PIS and Cofins taxes should only be levied on inflows that effectively increase wealth. As such, the Company understands that the reimbursements addressed in the notice of deficiency are not subject to PIS and Cofins.

On 01.24.2020, the Company was informed of the unfavorable decision on the Appeal filed with CARF. However, in the Company's opinion, the procedures adopted are in accordance with the accounting rules and tax laws and hence it will file a special appeal with CARF.

Lastly, the position of the Company and its lawyers is that the progress of the case at CARF, even if the outcome is unfavorable in the administrative sphere, does not alter the assessment of favorable success, i.e., the Company's opinion is that it has solid arguments to extinguish this improper surcharge of PIS and Cofins at higher spheres.

The restated amount of the proceeding is R$491,724 (R$480,531 at 12.31.2018) for the parent company and consolidated, of which R$229,359 refer to the principal, R$172,019 refer to the fine, and R$90,346 refer to interest.

c.2) Civil risks

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

- Environmental

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

The amount related to these actions, whose risk of loss is assessed as possible, on 12.31.2019 was R$59,222 (R$53,768 at 12.31.2018), in the parent company and consolidated.

d) Contingent assets

- Exclusion of ICMS from PIS and Cofins calculation base

In 2007, the Company filed a lawsuit excluding ICMS from PIS and Cofins calculation base, whereas its lawsuit saw a favorable ruling by TRF-4. However, the decision was not res judicata, which is why the company did not recognize the effects of such lawsuit in its balance sheet. Moreover, an analysis by the STF of the modulation effects regarding the recoverable amounts is still pending.

NOTE 26 – RETIREMENT BENEFITS OBLIGATIONS

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

In 2019, employees of the parent company were transferred to the subsidiaries Pampa Sul and Diamante. However, the amounts of the retirement benefits obligations of these subsidiaries are not significant and hence only the consolidated changes and balances are presented herein.

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

a) Defined Benefit Plan (BD)

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

At PREVIG, this Plan had 7 active members at 12.31.2019 and 12.31.2018. At ELOS, the plan had 1 active participant on 12.31.2019 (2 at 12.31.2018). On the same date, PREVIG had 429 (424 at 12.31.2018) retired employees and pension holders enjoying benefits, while ELOS had 2,064 (2,061 at 12.31.2018).

b) Settled Proportional Supplementary Benefit Plan (BSPS)

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

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

On 12.31.2019, this Plan had 14 active participants (17 on 12.31.2018) and 77 retired employees and pension holders enjoying benefits (74 on 12.31.2018).

c) Breakdown of obligations with retirement benefits

	Parent Company and Consolidated					
	12.31.2019			12.31.2018		
	Current	Non-current	Total	Current	Non-current	Total
Contracted obligations	17,746	159,267	177,013	17,101	171,688	188,789
Current contributions and service costs	19	-	19	18	-	18
Uncontracted deficit	25,144	204,986	230,130	18,250	112,077	130,327
Recorded actuarial liability	**42,909**	**364,253**	**407,162**	**35,369**	**283,765**	**319,134**

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
2021	15,529	3,752	19,281
2022	16,440	2,295	18,735
2023	17,407	1,567	18,974
2024	14,122	243	14,365
2025 to 2028	14,944	-	14,944
2029 to 2032	72,968	-	72,968
	151,410	**7,857**	**159,267**

d) Statement of retirement benefit obligations, net

	Plans				
	ELOS BD	PREVIG BD	PREVIG BSPS	GC*	Total
12.31.2018					
Present value of obligations	1,319,519	358,357	67,244	3,655	1,748,775
Fair value of assets	(1,022,834)	(340,557)	(78,685)	-	(1,442,076)
Actuarial Evaluation	**296,685**	**17,800**	**(11,441)**	**3,655**	**306,699**
Surplus of contracted obligations	-	-	12,435	-	12,435
Liabilities recorded at 12.31.2018	**296,685**	**17,800**	**994**	**3,655**	**319,134**
12.31.2019					
Present value of obligations	1,530,565	439,568	84,097	3,339	2,057,569
Fair value of assets	(1,154,301)	(412,753)	(95,135)	-	(1,662,189)
Actuarial Evaluation	**376,264**	**26,815**	**(11,038)**	**3,339**	**395,380**
Surplus of contracted obligations	-	-	11,782	-	11,782
Liabilities recorded at 12.31.2019	**376,264**	**26,815**	**744**	**3,339**	**407,162**

(*) Confidentiality bonus

e) Breakdown of plan assets per investment nature, as of 12.31.2019

	Plans		
	ELOS BD	PREVIG BD	PREVIG BSPS
Fixed income	93.9%	98.6%	99.8%
Loans	2.3%	1.4%	-
Real estate	3.2%	-	-
Other	0.6%	-	0.2%
	100.0%	**100.0%**	**100.0%**
Change in assets' market value	10.64%	9.9%	8.6%

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

f) Changes in actuarial liabilities

	Plans				
	ELOS BD	PREVIG BD	PREVIG BSPS	GC	Total
Liabilities recorded at 12.31.2017	**291,644**	**15,547**	**1,198**	**3,265**	**311,654**
Current contribution and cost of service	72	(44)	1	18	47
Payment of contracted obligations	(22,629)	(3,599)	(325)	-	(26,553)
Interest on actuarial liabilities/assets, net	26,259	1,287	97	224	27,867
Losses (Gains) from remeasuring liabilities, net					
Adjustment by demographic experience	(4,797)	1,783	(247)	160	(3,101)
Changes in financial assumptions	22,046	6,886	1,311	(12)	30,231
Return on asset lower than the rate of discount	(15,910)	(3,824)	(381)	-	(20,115)
Changes to the limits of surplus and deficit	-	(236)	(660)	-	(896)
	1,339	**4,609**	**23**	**148**	**6,119**
Liabilities recorded at 12.31.2018	**296,685**	**17,800**	**994**	**3,655**	**319,134**
Current contribution and cost of service	842	(1,824)	2,114	(587)	545
Payment of contracted obligations	(24,354)	(1,616)	(2,451)	-	(28,421)
Interest on actuarial liabilities/assets, net	26,850	1,502	79	240	28,671
Losses (Gains) from remeasuring liabilities, net:					
Adjustment by demographic experience	(21,793)	(3,173)	(4,101)	(258)	(29,325)
Changes in financial assumptions	251,555	77,693	15,096	289	344,633
Return on asset higher than the rate of discount	(141,263)	(63,567)	(8,601)	-	(213,431)
Changes to the limits of surplus and deficit	-	-	(2,386)	-	(2,386)
Risk Sharing – Balancing of deficit plan	(12,258)	-	-	-	(12,258)
	76,241	**10,953**	**8**	**31**	**87,233**
Liabilities recorded at 12.31.2019	**376,264**	**26,815**	**744**	**3,339**	**407,162**

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

	Plans				
	ELOS BD	PREVIG BD	PREVIG BSPS	GC	Total
Interest on liabilities, net of assets	24,916	1,725	39	190	26,870
Current cost of service	-	61	-	683	744
Net expenses	**24,916**	**1,786**	**39**	**873**	**27,614**

h) Actuarial assumptions adopted

Assumptions	12.31.2019	12.31.2018
Rate of discount and of implicit return (p.a.)		
Plan ELOS BD	6.9%	9.4%
Plan PREVIG BD	6.9%	9.4%
Plan PREVIG BSPS	7.0%	9.5%
GC	6.5%	8.9%
Duration, in years		
Plan ELOS BD	9.18	9.26
Plan PREVIG BD	10.00	10.12
Plan PREVIG BSPS	10.65	10.77
GC	5.96	3.43
Inflation	3.7%	4.2%
Future salary growth (p.a.)		
Plans ELOS BD, PREVIG BD and GC	3.7%	4.2%
Plan PREVIG BD	3.7%	4.8%
Benefit growth (p.a.)	3.7%	4.2%
Capacity factor on ELOS BD, PREVIG BSPS and PREVIG BD benefits	98.0%	97.5%
Capacity factor (on wages and ELOS BD, PREVIG BSPS and PREVIG BD benefits)	100.0%	100.0%
Capacity factor (wages and salaries) GC	100.0%	100.0%

Hypothesis	12.31.2019	12.31.2018
Mortality Table (assets)		
BD ELOS Plan	AT 2000 Basic (unisex, 34% for women and 66.00% for men)	AT 2000 Basic (unisex, 34% for women and 66% for men)
BD and BSPS PREVIG Plan and GC	AT-2000 (men, at 10%)	AT-2000 (men, at 10%)
Mortality Table of Disabled	AT-1983 (IAM) Men	AT-1983 (IAM) Men
Table of Start of Disability	Light Average	Light Average
Turnover Table	Null	Null
% of active employees married at the time of retirement		
BD and BSPS PREVIG Plan	85	85
Age of Retirement	First date to comply with all requirements	First date to comply with all requirements
Age difference between participant and spouse		
BSPS PREVIG Plan	Wives are 4 years younger than husbands	Wives are 4 years younger than husbands
BD PREVIG Plan	Wives are 5 years younger than husbands	Wives are 5 years younger than husbands

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

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

i) Sensitivity analysis

	Plans			
	ELOS BD	PREVIG BD	PREVIG BSPS	GC
Effect in the present value of obligations				
Increase of 0.1 p.p. in the discount rate	(15,019)	(4,796)	(985)	(23)
Reduction of 0.1 p.p. in the discount rate	15,268	4,886	1,005	23

j) Confidentiality Bonus benefit

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

k) Defined Contribution Plan (CD)

In addition to the BD and BSPS Plan, PREVIG manages the CD Plan whose benefits are supported by contributions of participants and the sponsoring entity. The Company's contribution corresponds to the same amount of its employees' basic contribution, limited to a limit, in accordance with the plan's regulations. The net worth of the CD Plan on 12.31.2019 amounted to R$852,596 (R$939,906 on 12.31.2018). In 2019, the Company made contributions to the plan in the amount of R$11,262 (R$14,099 in 2018).

NOTE 27 – DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

a) Breakdown

Description of credits	Parent Company				
	12.31.2019				12.31.2018
	Calculation basis	IR	CSSL	Total	Total
Liabilities:					
Accelerated depreciation	839,721	209,930	75,575	285,505	239,145
Property, plant and equipment deemed cost (fair value)	671,544	167,886	60,439	228,325	255,443
Unrealized gains on hedge operations	373,576	93,394	33,622	127,016	72,912
Unrealized sale at MAE (currently CCEE)	107,456	26,864	9,671	36,535	36,535
Capitalized financial charges	61,835	15,459	5,565	21,024	21,814
Adjustment to fair value in business combination	32,503	8,126	2,925	11,051	11,801
Other	11,779	2,945	1,060	4,005	1,803
		524,604	**188,857**	**713,461**	**639,453**
Assets:					
Retirement benefits obligations	229,288	57,322	20,636	77,958	44,311
Estimated losses with doubtful accounts	129,168	32,292	11,625	43,917	43,917
Fair value adjustment in business combinations	115,268	28,817	10,374	39,191	36,406
Civil, tax and labor provisions	88,300	22,075	7,947	30,022	27,749
Provision for asset impairment	50,147	12,537	4,513	17,050	42,692
Unrealized losses on hedge operations	46,812	11,703	4,213	15,916	-
Interest on property, plant and equipment in progress (RIC)	33,308	8,327	-	8,327	9,037
Other	36,925	9,231	3,323	12,554	8,587
		182,304	**62,631**	**244,935**	**212,699**
Net total		**342,300**	**126,226**	**468,526**	**426,754**

Description of credits	Consolidated				
	12.31.2019				12.31.2018
	Calculation basis	IR	CSSL	Total	Total
Liabilities:					
Accelerated depreciation	1,123,535	280,884	101,118	382,002	316,630
Interest on concession financial asset	771,054	192,764	69,395	262,159	132,029
Capitalized financial charges	751,698	187,925	67,651	255,576	213,911
Property, plant and equipment deemed cost (fair value)	671,544	167,886	60,439	228,325	255,443
Unrealized gains on hedge operations	373,576	93,394	33,622	127,016	73,003
Revenue from implementation of transmission infrastructure	201,936	50,484	18,174	68,658	15,833
Amortization of the difference between tax and book value of intangible asset on the bonus paid for grant	180,089	45,022	16,208	61,230	32,970
Unrealized sale at MAE (currently CCEE)	107,456	26,864	9,671	36,535	36,535
Unrealized gains on trading operations, net	52,517	13,129	4,727	17,856	14,685
Adjustment to fair value in business combination	32,503	8,126	2,925	11,051	11,801
Other	62,968	15,703	5,662	21,365	2,266
		1,082,181	**389,592**	**1,471,773**	**1,105,106**
Assets:					
Revenue from Return of Grant Bonus (RBO)	588,287	147,072	52,945	200,017	107,241
Retirement benefits obligations	230,130	57,533	20,712	78,245	44,311
Construction costs of transmission line	196,697	49,174	17,703	66,877	15,423
Estimated losses with doubtful accounts	131,035	32,759	11,793	44,552	44,551
Fair value adjustment in business combinations	115,268	28,817	10,374	39,191	36,406
Civil, tax and labor provisions	98,921	24,730	8,903	33,633	29,566
Unrealized losses on hedge operations	71,933	17,983	6,474	24,457	-
Provision for asset impairment	50,147	12,537	4,513	17,050	42,692
Fair value adjustment of property, plant and equipment	27,877	6,969	2,509	9,478	10,355
Interest on property, plant and equipment in progress (RIC)	33,308	8,327	-	8,327	9,037
Tax losses and social contribution tax loss carryforwards	2,494	623	225	848	13,801
Other	62,083	15,521	5,652	21,173	16,167
		402,045	**141,803**	**543,848**	**369,550**
Net amount		**680,136**	**247,789**	**927,925**	**735,556**

Classification in the balance sheet				
Liabilities	690,095	251,373	941,468	768,814
Assets [29]	(9,959)	(3,584)	(13,543)	(33,258)
Total	**680,136**	**247,789**	**927,925**	**735,556**

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	88,630	259,962
Taxes deferred in other comprehensive income	(2,080)	(1,529)
Balance at 12.31.2018	**426,754**	**735,556**
Taxes deferred in profit or loss	71,431	221,814
Taxes deferred in other comprehensive income	(29,659)	(29,445)
Balance at 12.31.2019	**468,526**	**927,925**

c) Expected realization and required payments

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

	Parent Company		Consolidated	
	Assets	Liabilities	Assets	Liabilities
2020	36,870	65,853	63,180	116,457
2021	16,802	65,476	43,531	108,597
2022	74,150	122,021	163,820	233,317
2023	14,385	43,158	32,763	77,843
2024	13,930	47,834	29,919	78,704
2025 to 2027	41,141	137,892	77,565	231,416
2028 to 2030	27,094	92,520	53,817	179,235
2031 to 2033	15,446	79,402	34,668	157,550
After 2034	5,117	59,305	44,585	288,654
	244,935	**713,461**	**543,848**	**1,471,773**

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

NOTE 28 – OTHER LIABILITIES

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Fuels –Aneel Resolution 500/2012	118,465	113,004	118,465	113,004
Energy Development Account (CDE)	-	-	144,767	180,959
Reimbursement to distributors	-	-	136,887	-
Unrealized losses in hedge operations	79,865	37,599	99,930	38,237
R&D obligations	48,934	41,983	70,465	59,739
Advances from clients	9,293	6,124	54,427	16,073
Liabilities linked to acquisition of investments	-	-	8,179	8,582
Other accounts payable	52,056	50,859	95,125	92,896
	308,613	**249,569**	**728,245**	**509,490**
Classification in balance sheet				
Current liabilities	177,941	169,003	312,532	246,624
Non-current liabilities	130,672	80,566	415,713	262,866
	308,613	**249,569**	**728,245**	**509,490**

a) Fuels – Aneel Resolution no. 500/2012

Corresponds to the estimate of amounts payable as a result of the application of Aneel Resolution no. 500/2012 in 2016. Such resolution envisages a reduction in the reimbursement of mineral coal acquired with funds from the Energy Development Account (CDE) due to the energy efficiency of the generating unit.

b) Energy Development Account (CDE)

On 12.19.2017, Aneel issued a Normative Resolution, in effect from 1.1.2018, which established rules for the reimbursement of the fuel costs for domestic coal thermal power generation, intermediated by the Energy Development Account (CDE).

The resolution determined the mandatory acquisition, on 1.1.2018, of charcoal belonging to CDE under the management of the Jorge Lacerda Thermal Power Complex on the base date of 12.31.2016 for payment in five years from the acquisition. The total amount acquired was 780,712 tons.

c) Reimbursement to distributors

In 2019, the revenues earned by distributors were reduced by the recognition of R$136,887 related to the reimbursement mechanism envisaged in the electricity agreements signed in the Regulated Contracting Environment (ACR) of plants of the Trairí, Campo Largo - Phase I and Umburanas Wind Complexes - Phase I, Assú V Photovoltaic Plant (Assú V) and Pampa Sul.

The main recognition criteria were:

(i) Pampa Sul – The amount recognized was R$106,095, which was calculated based on the difference between the verified scheduled shutdown and the declared shutdown to calculate the physical guarantee. Such reimbursement is priced considering the amount of the agreement's Cost-Benefit Ratio (BCR), adjusted by IPCA. The calculation for reimbursements will be done by 2021 and settlement will take place in 2022. From 2022 onwards, any differences between generation and maximum contractual availability will be settled monthly at CCEE.

(ii) Trairí, Campo Largo Wind Power Complex – Phase I and Umburanas – Wind Complexes - Phase I – The amount recognized was R$27,355, of which R$8,595 will be reimbursed in 2020 and R$18,760 correspond to the provision for reimbursement in 2024. These plants signed availability agreements, which envisage payment by distributors of a fixed revenue, regardless of the generation verified month by month. The reimbursement calculation considers the difference between generation (electricity delivered), which is affected by the wind scenario, and the contractual amount sold.

(iii) Assú V – The amount recognized was R$3,437, to be reimbursed during 2020. The reimbursement calculation is done annually, based on the difference between annual generation and the annual contractual commitment.

NOTE 29 – SHAREHOLDERS' EQUITY

a) Authorized capital stock

The Company is authorized to increase its capital stock up to the limit of R$7,000,000, by resolution of Board of Directors, regardless of any amendment to its bylaws. Under the B3's New Market listing regulations, the Company cannot issue preferred shares or founder shares.

The Company has no treasury shares and did not perform any purchase and sale transactions involving shares of its own issuance in the years ended 12.31.2019 and 12.31.2018.

b) Subscribed and paid-in capital

At 12.31.2019 and 12.31.2018, the Company's fully subscribed and paid-in capital was R$4,902,648, represented by 815,927,740 registered common shares without par value.

On 12.07.2018, the Shareholders of ENGIE Brasil Energia approved at an Extraordinary Shareholders Meeting (ESM) a capital increase of R$2,073,592. On 12.31.2018, it went up to R$4,908,648 (R$2,829,056 on 12.31.2017).

The book value of the share in Reais, at 12.31.2019, is R$8.57 (R$7.74 for each share at 12.31.2018).

The Company's ownership structure at 12.31.2019 and 12.31.2018 was as follows:

	12.31.2019		12.31.2018	
Shareholders	Tranche of common shares	% of capital	Tranche of common shares	% of capital
ENGIE Brasil Participações Ltda.	560,640,791	68.71%	560,640,791	68.71%
Banco Clássico S.A.	80,464,085	9.86%	81,585,929	10.00%
Other shareholders	174,822,864	21.43%	173,701,020	21.29%
	815,927,740	**100.00%**	**815,927,740**	**100.00%**

As of 12.31.2019 and 12.31.2018, the Board of Directors, the Board of Executive Officers and the Audit Board held 490,673 and 473,548 shares issued by the Company, respectively.

c) Profit reserves

The item Profit reserves is broken down as follows:

	Parent Company / Consolidated	
	12.31.2019	12.31.2018
Legal reserve	797,025	681,529
Tax incentive reserve	198,803	170,372
Profit retention reserve	177,673	177,673
	1,173,501	**1,029,574**

c.1) Legal reserve

Of net income for the year, 5% are allocated, before any other destination, to establish the legal reserve, which will not exceed 20% of the Company's capital. Said reserve is intended to ensure capital integrity and may only be used to offset losses or increase capital.

c.2) Tax incentive reserves

This reserve is established by allocating the portion of net income that is equivalent to tax benefit granted by Amazon Region Development Authority (Sudam) and by the Northeast Development Superintendence (Sudene). This benefit corresponds to a 75% reduction in income tax calculated on earnings from exploration of activities developed by the plants entitled to the benefit – Ponte de Pedra and São Salvador Plants, based on Article 626 of Decree no. 9,580/2018, as shown below:

	12.31.2019	12.31.2018
Exploration profit	**176,238**	**134,271**
Nominal income tax (15%)	26,436	20,141
Additional of income tax	11,472	11,146
Income tax calculated	**37,908**	**31,287**
Tax incentive (%)	75%	75%
Tax incentive	**28,431**	**23,465**

c.3) Retained earnings reserve

This reserve was established based on capital budget and was intended to finance the implementation of new plants, maintenance of production plants and possible acquisition of interest in other companies.

d) Asset valuation adjustments

d.1) Deemed cost

As provided for in accounting practices, the Company recognized the adjustment to fair value of property, plant and equipment on the date of first-time adoption of CPCs in 1.1.2009. Contra entry to said adjustment, net of deferred income tax and social contribution, was recognized under caption "Equity evaluation adjustments", in shareholders' equity. Realization of this reserve is recorded as a contra entry to account "Accumulated earnings" to the extent that depreciation or write-off of property, plant and equipment fair value adjustment are recognized in the Company's profit or loss.

d.2) Other comprehensive income

The account records variations of the fair value, net of deferred income tax and social contribution, of the following transactions: (i) obligations with the retirement benefits of defined benefit plans sponsored by the Company; and (ii) cash flow hedges of future commitments in foreign currency signed by the joint venture TAG; and (iii) the effects from change in interest due to the merger of Aliança into the joint venture TAG.

e) Non-controlling interest

Refers to the equivalent of 5% shareholding held by third parties in the capital of indirect subsidiary Ibitiúva.

f) Basic and diluted earnings per share

	Parent Company and Consolidated	
	12.31.2019	12.31.2018
Net income in the year	2,309,925	2,314,361
Number of common shares	815,927,740	815,927,740
Basic and diluted earnings per share – in R$	**2.83104**	**2.83648**

The Company does not have shares with dilution effects in the fiscal years presented, for which reason there is no difference between the basic and diluted earnings per share.

NOTE 30 – DIVIDENDS AND INTEREST ON EQUITY

a) Calculation

	12.31.2019	12.31.2018
Adjusted dividend calculation basis		
Net income for the year attributable to controlling shareholders	2,309,925	2,314,361
Legal reserve	(115,496)	(115,718)
Tax incentive reserve	(28,431)	(23,465)
Realization of deemed cost of property, plant and equipment	25,407	93,881
Dividends and interest on equity not claimed	5,738	3,423
Net income for the year adjusted for dividends and interest on equity purposes	**2,197,143**	**2,272,482**
Proposed dividends / interest on equity		
Interim dividends for the first half of the year	893,399	1,146,037
Interim dividends related to profit reserves	-	652,742
Interest on equity, net of withholding income tax	302,525	338,160
Additional dividends proposed	949,744	76,703
Subtotal	**2,145,668**	**2,213,642**
Withholding income tax on interest on equity	51,475	58,840
Total annual dividends and interest on equity	**2,197,143**	**2,272,482**
Equivalent percentage of adjusted net income	**100%**	**100%**

b) Changes in dividends and interest on equity payable[30]

	Parent Company	Consolidated
Balance at 12.31.2017	**1,363,418**	**1,363,697**
Dividends and interest on equity approved	2,832,534	2,833,320
Dividends and interest on equity paid	(1,989,966)	(1,989,966)
Dividends offset	-	(965)
Transfer of unclaimed dividends and interest on equity	(10,207)	(10,207)
Balance at 12.31.2018	**2,195,779**	**2,195,879**
Dividends and interest on equity approved	1,324,102	1,326,101
Dividends and interest on equity paid	(2,260,725)	(2,260,825)
Transfer of unclaimed dividends and interest on equity	(11,756)	(11,756)
Balance at 12.31.2019	**1,247,400**	**1,249,399**

c) Dividend policy

The dividends policy established in the Company's Bylaws provides for a minimum mandatory dividend of 30% of net income for the year, adjusted pursuant to the terms of the Brazilian Corporation Law, and establishes the intention of paying, at every calendar year, dividends and/or Interest on equity at an amount not lower than the equivalent of 55% of adjusted net income, in half-annual installments.

d) Distribution and proposed distributions of net income for fiscal year 2019

d.1) Payments of dividends and interest on equity for 2018

On 1.29.2019 and 3.27.2019, the Company paid interim dividends related to the first half of 2018, totaling R$1,146,037, and interest on equity for 2018, in the gross amount of R$397,000, respectively. Additionally, on 9.27.2019, interim and additional dividends proposed for fiscal year 2018 were paid in the amount of R$652,742 and R$76,703, respectively.

d.2) Interim dividends related to the first six months of the year

The Board of Directors, in a meeting held on 11.5.2019, approved the distribution on interim dividends, based on the financial statements drafted on 6.30.2019, in the amount of R$893,399 corresponding to R$1.0949497919 per share, which were paid on 1.29.2020.

d.3) Interest on equity

In a meeting held on 11.5.2019, the Company's Board of Directors approved interest on equity from 1.1.2019 to 12.31.2019 in the gross amount of R$354,000, corresponding to R$0.4338619496 per share.

Credits of the Company's interest on equity were recognized from at 12.31.2019 based on shareholding position on 12.31.2019. The Company's shares were negotiated ex-Interest on equity beginning as of 12.3.2019.

d.4) Proposed additional dividends

The Company submitted to the Board of Directors, for approval in the meeting held on 2.18.2020, the proposal for payment of additional dividends on net income for fiscal year 2019, in the amount of R$949,744 (R$1.1640046498 per share).

[30] The amounts include income withholding income tax on interest on equity, which are reported in line "Income Tax and Social Contribution Payable".

The amount of dividends that is higher than minimum mandatory value established by the law or other legal instrument, and that is not yet approved by Shareholders Meeting, is presented and segregated in shareholders' equity. Thus, these dividends are presented in the shareholders' equity account denominated "Proposed additional dividends" until approval by the Annual Shareholders Meeting (AGO).

NOTE 31 – RECONCILIATION OF NET OPERATING REVENUE

The table below presents the reconciliation between gross operating income and net operating revenue reported in the income statement.

	Parent Company		Consolidated	
	2019	2018	2019	2018
Gross operating income				
Electricity distributors	2,505,483	2,446,477	3,643,439	3,013,593
Electricity traders	2,004,473	2,197,352	809,430	944,165
Free consumers	400,603	283,023	3,512,960	3,355,479
Transactions in the short-term market	270,708	335,585	777,138	1,005,930
Trading operations	-	-	1,196,138	630,008
Services rendered	59,941	50,717	157,013	141,332
Other revenues	18,494	97,795	139,768	147,884
	5,259,702	**5,410,949**	**10,235,886**	**9,238,391**
Deductions from operating income				
PIS and Cofins	(472,692)	(472,891)	(931,886)	(813,980)
ICMS	(19,526)	(15,730)	(28,774)	(16,112)
ISSQN	(3,114)	(2,524)	(3,119)	(2,537)
Research and development	(30,739)	(27,683)	(43,766)	(42,260)
	(526,071)	**(518,828)**	**(1,007,545)**	**(874,889)**
Other				
Interest on concession and contract financial asset	-	-	397,284	341,529
Revenue from construction	-	-	155,364	46,572
Unrealized gains on trading operations	-	-	23,489	43,189
	-	**-**	**576,137**	**431,290**
Net operating revenue	**4,733,631**	**4,892,121**	**9,804,478**	**8,794,792**

As of 12.31.2019 and 12.31.2018, the Company did not have any client individually accounting for more than 5% of its consolidated net operating revenue.

NOTE 32 – DETAIL OF OPERATING EXPENSES BY NATURE

a) Energy purchase

	Parent Company		Consolidated	
	2019	2018	2019	2018
Energy purchases				
Energy purchase for portfolio management	1,052,585	1,317,006	1,561,442	1,746,302
Trading operations	-	-	1,090,608	578,599
Unrealized losses on trading operations	-	-	14,161	-
	1,052,585	**1,317,006**	**2,666,211**	**2,324,901**
Transactions in the short-term energy market				
Purchases in the short-term market	197,245	436,837	421,021	572,518
Trading operations	-	-	6,656	1,574
	197,245	**436,837**	**427,677**	**574,092**

b) Other operating costs and costs of services rendered:

	Parent Company				Consolidated			
	Operating costs		Services		Operating costs		Services	
	2019	2018	2019	2018	2019	2018	2019	2018
Fuels	-	23,308	-	-	172,962	152,091	-	-
Royalties	106,090	101,416	-	-	131,606	123,197	-	-
Personnel	102,588	94,223	20,705	18,274	244,030	203,424	20,752	18,324
Third party materials and services	52,839	40,758	4,661	4,459	288,993	198,708	4,661	4,459
Depreciation and amortization	279,202	279,129	-	-	844,390	649,627	-	-
Insurance	18,375	11,158	2,452	1,889	63,158	37,647	2,452	1,889
Construction costs	-	-	-	-	151,334	45,363	-	-
Costs of sale of solar panels	-	-	-	-	70,800	22,766	-	-
Other operating costs	34,680	34,744	1,068	10	49,129	58,356	1,068	10
	593,774	**584,736**	**28,886**	**24,632**	**2,016,402**	**1,491,179**	**28,933**	**24,682**

Personnel costs include, in addition to salaries and payroll charges, benefits such as health recovery aid, group life insurance, day care aid to female employees, meal voucher and transportation voucher, and pension plans, courses and training, and other.

Share-based payment

ENGIE Brasil Energia does not have a specific share-based payment program. However, its indirect parent company ENGIE, headquartered in France, offers its management the Long-Tern Incentive Plan ("LTI") based on phantom shares. The purpose of LTI is to motivate and reward key executives of the Company for achieving results in the medium and long term and ensuring that the overall rewards package is competitive.

LTI establishes that the duration of the plan is four years and their values are related to the achievement of certain financial indicators of ENGIE. Due to global economic background, throughout the years, a reduction occurred in market value of these stock options and performance shares, which will possibly influence the exercise of options and the possibility of obtaining the benefit of performance shares on maturities.

These programs' costs are irrelevant and fully paid by ENGIE, and ENGIE Brasil Energia is not responsible for any disbursement related to them.

c) Selling, general and administrative expenses

	Parent Company				Consolidated			
	Selling		General and administrative		Selling		General and administrative	
	2019	2018	2019	2018	2019	2018	2019	2018
Personnel	10,996	5,929	92,097	80,232	10,996	5,929	95,492	81,845
Management	-	-	20,464	18,302	-	-	22,167	20,214
Third party materials and services	425	(4,941)	57,036	51,256	1,805	(3,743)	62,413	53,939
Depreciation and amortization	38	26	17,589	10,358	62	50	18,891	10,495
Rentals	43	(800)	633	6,111	43	(800)	931	7,919
Pension funds	-	-	7,416	6,425	-	-	7,416	6,425
Contributions and donations	2,865	1,272	4,602	7,356	6,521	3,720	5,744	7,807
Reversal of provisions, net	-	-	11	(776)	5,096	(272)	1,032	(222)
Other	415	405	11,342	10,578	2,043	1,860	12,584	12,583
	14,782	**1,891**	**211,190**	**189,842**	**26,566**	**6,744**	**226,670**	**201,005**

NOTE 33 – FINANCIAL RESULT

	Parent Company		Consolidated	
	2019	2018	2019	2018
Financial income				
Income from marketable securities	43,382	38,390	99,841	91,325
Interest on receivables	14,550	29,317	23,808	40,570
Monetary variation on judicial deposits	4,155	3,175	4,256	3,258
Income from restricted deposits	532	600	16,322	14,614
Other financial income	2,426	1,219	2,924	4,918
	65,045	**72,701**	**147,151**	**154,685**
Financial expenses				
Interest and monetary variation on				
Concessions payable	458,269	414,725	465,776	421,955
Loans and financing	174,625	122,343	355,844	89,770
Debentures and promissory notes	271,322	111,768	393,543	202,308
Fair value hedge on loans	50,389	65,370	62,300	64,737
Retirement benefit obligations	28,671	27,867	28,671	27,867
Provisions	6,642	7,110	7,086	7,853
Other	2,577	-	11,282	-
Leases	2,001	3,831	10,488	13,923
Exchange variation on:				
Loans	124,606	320,794	124,606	320,794
Fair value hedge on loans	(124,606)	(320,794)	(124,606)	(320,794)
Fair value adjustment	(6,445)	1,254	(1,991)	1,622
Other financial expenses	10,596	15,274	21,113	23,945
	998,647	**769,542**	**1,354,112**	**853,980**
Financial expenses, net	**933,602**	**696,841**	**1,206,961**	**699,295**

NOTE 34 – INCOME TAXES RECONCILIATION, IN THE INCOME STATEMENT

	Parent Company					
	2019			2018		
	IR	CSLL	Total	IR	CSLL	Total
Income before taxes	**2,625,328**	**2,625,328**	**2,625,328**	**2,584,382**	**2,584,382**	**2,584,382**
Standard rates	25%	9%	34%	25%	9%	34%
Tax expense at standard rates	**(656,332)**	**(236,280)**	**(892,612)**	**(646,096)**	**(232,594)**	**(878,690)**
Permanent differences						
Equity in net income of subsidiaries	314,601	113,256	427,857	325,727	117,262	442,989
Interest on equity	88,500	31,860	120,360	99,250	35,730	134,980
Tax incentives	30,314	-	30,314	33,654	-	33,654
Other	(1,254)	(68)	(1,322)	(2,177)	(777)	(2,954)
	(224,171)	**(91,232)**	**(315,403)**	**(189,642)**	**(80,379)**	**(270,021)**
Breakdown of taxes in the income statement						
Current	(171,460)	(72,512)	(243,972)	(122,734)	(58,657)	(181,391)
Deferred	(52,711)	(18,720)	(71,431)	(66,908)	(21,722)	(88,630)
	(224,171)	**(91,232)**	**(315,403)**	**(189,642)**	**(80,379)**	**(270,021)**
Effective rate	**8.5%**	**3.5%**	**12.0%**	**7.3%**	**3.1%**	**10.4%**

	Consolidated					
	2019			2018		
	IR	CSLL	Total	IR	CSLL	Total
Income before taxes	**3,087,937**	**3,087,937**	**3,087,937**	**2,967,816**	**2,967,816**	**2,967,816**
Standard rates	25%	9%	34%	25%	9%	34%
Tax expense at standard rates	**(771,984)**	**(277,914)**	**(1,049,898)**	**(741,954)**	**(267,103)**	**(1,009,057)**
Permanent differences						
Equity income	20,279	7,300	27,579	-	-	-
Interest on equity	88,500	31,860	120,360	99,250	35,730	134,980
Tax incentives	68,993	-	68,993	78,595	-	78,595
Variation between the calculation base of taxable and presumptive profit tax regimes	46,720	15,757	62,477	121,769	37,096	158,865
Other	(4,894)	(1,455)	(6,349)	(12,924)	(2,868)	(15,792)
	(552,386)	**(224,452)**	**(776,838)**	**(455,264)**	**(197,145)**	**(652,409)**
Breakdown of taxes in the income statement						
Current	(389,112)	(165,912)	(555,024)	(262,334)	(130,113)	(392,447)
Deferred	(163,274)	(58,540)	(221,814)	(192,930)	(67,032)	(259,962)
	(552,386)	**(224,452)**	**(776,838)**	**(455,264)**	**(197,145)**	**(652,409)**
Effective rate	**17.9%**	**7.3%**	**25.2%**	**15.3%**	**6.6%**	**22.0%**

NOTE 35 – TRANSACTIONS WITH RELATED PARTIES

a) Amounts recognized in balance sheet accounts – Parent Company

	ASSETS			LIABILITIES		
	Accounts receivable			Supplier		IOE/
	Energy	Services and other	Dividends	Energy	Other	dividends
12.31.2019						
EBC	187,639	14,856	-	14,334	37	-
Itasa	-	1,774	-	10,083	-	-
Jaguara	5,412	591	167,792	14,926	-	-
Miranda	1,184	463	106,701	11,664	-	-
Diamante	-	-	-	-	-	-
ECP and subsidiaries	2,169	12,304	5,834	-	-	-
ENGIE Participações	-	5,561	-	-	-	820,629
Geramamoré[31]	-	193	-	-	-	-
Pampa Sul	1,599	8,659	15,604	-	154	-
Other	-	2,637	4,995	4,344	379	-
Total	**198,003**	**47,038**	**300,926**	**55,351**	**570**	**820,629**
12.31.2018						
EBC	129,808	574	-	2,951	-	-
Itasa	-	1,441	-	10,392	-	-
Jaguara[32]	53,100	635	33,571	-	-	-
Miranda	-	453	22,063	326	-	-
Diamante	-	26,435	-	305,489	-	-
ECP and subsidiaries	-	9,344	5,834	-	-	-
ENGIE Participações	-	3,012	-	-	-	1,467,847
Other	-	4,281	-	1,299	319	-
Total	**182,908**	**46,175**	**61,468**	**320,457**	**319**	**1,467,847**

[31] Geramamoré Participações e Comercializadora de Energia Ltda.

[32] The balance of accounts receivable from energy includes the amount of R$ 51,494 related to advances to related party resulting from energy purchase agreement.

b) Amounts recognized in the income statement – Parent Company

	Revenue			Cost	Expense
	Sale of energy	O&M Services	Administrative services	Energy purchase	Third party services
12.31.2019					
EBC	1,615,586	-	409	117,197	-
ECV	54,624	-	136	63,233	-
Pampa Sul	42,515	-	409	7,082	-
Jaguara	31,591	-	204	135,537	-
Miranda	25,404	-	204	89,849	-
ECP and subsidiaries	11,444	-	4,090	21,425	-
Diamante	8,431	-	5,028	209,896	-
Itasa	-	18,895	-	106,888	-
Ceste	-	21,142	812	-	-
CEE	-	-	409	-	-
ESBR[33]	-	-	-	15,008	-
Other	-	-	4,746	-	7,240
Total	**1,789,595**	**40,037**	**16,447**	**766,115**	**7,240**
12.31.2018					
EBC	2,084,095	-	395	37,651	-
CEE	44,043	-	395	25,876	-
Jaguara	54,968	-	132	147,572	-
Miranda	24,221	-	132	75,255	-
Diamante	-	-	395	584,432	-
Ceste	-	22,397	-	-	-
Itasa	-	19,422	-	103,216	-
Lages	7,422	684	230	18,295	-
ECP and subsidiaries	-	-	3,802	7,722	-
Geramamoré	26,187	-	-	132,473	-
ESBR	-	-	-	15,041	-
Other	-	-	2,732	-	2,321
Total	**2,240,936**	**42,503**	**8,213**	**1,147,533**	**2,321**

The transactions with related parties include mainly: (i) energy purchase and sale; (ii) operation and maintenance services of power plants; (iii) rendering of administrative services; and (iv) guarantees granted to third parties.

[33] Energia Sustentável do Brasil.

c) Future commitments

Long-term agreements executed between related parties are presented in the table below, under market conditions, and whose recognition in the income statement will occur in future accrual periods over contract periods.

c.1) Purchase and sale of electricity

Seller	Buyer	Maturity	Annual adjustment index	Adjustment base date	Future commitment Base 12.31.2019
EBV	EBC	2036	IPCA	January	4,708,607
Umburanas Wind Complex	EBV	2036	IPCA	January	2,612,553
Campo Largo Wind Complex	EBV	2036	IPCA	January	2,035,918
Trairí Wind Complex	EBC	2032	IPCA	January	1,438,901
Jaguara	EBE	2028	IPCA	January	1,345,237
Diamante	EBC	2021	IPCA	June	1,151,030
Miranda	EBE	2028	IPCA	January	891,787
Itasa	EBE	2030	Dollar variation + U.S. Inflation	October	698,804
Itasa	EBE	2030	IGP-M	January	573,114
EBC	CLWP II	2026	IGP-M	June	501,294
EBC	CEE	2041	IPCA	January	446,424
ESBR	EBE	2042	IPCA	January	380,599
Umburanas Wind Complex	EBC	2038	IPCA	December	227,371
Campo Largo Wind Complex	EBC	2038	IPCA	December	145,000
Lages	EBC	2023	IPCA	August	82,703
Ferrari	EBC	2029	IPCA	July	82,423
EBC	Trading	2020 to 2023	IPCA/IGP-M	October	15,027
CLWP III	CLWP V and VI	2038	IPCA	December	10,206
Trading	EBC	2021 and 2022	n/a[34]	n/a[34]	951

In accordance with the Company's commercial policy, sales to free consumers are carried out preferably through direct subsidiary EBC.

c.2) Operation and maintenance

The Company conducts operation and maintenance activities at its subsidiaries' plants whenever they do not outsource these services. The negotiated prices are based on the Company's costs with personnel directly involved in the execution of these activities.

Related party	Maturity	Annual adjustment index	Future commitment Base 12.31.2019
Itasa	10.16.2030	IGP-M	258,300
Ceste	5.1.2025	INPC (80%) and IPCA (20%)	151,224

c.3) Administrative and financial services

ENGIE Brasil Energia provides those services necessary to the administrative and financial activities of the direct and indirect subsidiaries. The contracted values are defined based on the last billing of subsidiaries and annually adjusted at INPC. The amount annually contracted from its subsidiaries is R$11,332 (R$6,099 at 12.31.2018).

[34] 12-month supply agreements.

d) Guarantees

The Company intermediates financial contracts entered into by its direct and indirect subsidiaries with BNDES, Banks (BNDES onlending). The main guarantees are the following:

Bank	Type of guarantee	Amount of debt at 12.31.2019
BNDES and Onlending BNDES (Banks)	Pledge of all the shares held by the Company's subsidiary (ENGIE Brasil Energias Complementares Participações Ltda) issued by the following companies: Ibitiúva, Ferrari, Fleixeiras, Guajiru, Mundaú, Trairi, Cacimbas, Estrela, Ouro Verde, Santa Mônica, CLWP I, CLWP II, CLWP III, CLWP IV, CLWP V, CLWP VI, CLWP VII, CLWP XV, CLWP XVI, CLWP XVIII, CLWP XXI, Bela Vista XV, Umburanas 1, Umburanas 2, Umburanas 3, Umburanas 4, Umburanas 5, Umburanas 6, Umburanas 7, Umburanas 8, Umburanas 9, Umburanas 10, Umburanas 11, Umburanas 12, Umburanas 13, Umburanas 14, Umburanas 15, Umburanas 16 and Umburanas 18.	2,932,364
	Pledge of all the shares held by the Company issued by the following subsidiaries: CEE and Pampa Sul.	1,715,657

In addition to share pledge, the Company is guarantor of obligations assumed in the financing agreements until the financial completion of operations contracted by the abovementioned companies, except for contracts signed by Umburanas 1 to 18 and Bela Vista XV, in which ENGIE Brasil Energias Complementares Participações Ltda. is the guarantor.

e) Sureties and guarantees

- Construction of projects

The Company is guarantor to the construction of the Campo Largo – Wind Complex - Phase II and Gralha Azul projects. On 12.31.2019, these guarantees totaled R$314,011, maturing as follows: R$72,240 in 2021, R$100,850 in 2023 and R$140,921 in 2024.

- Energy purchase

The Company is the guarantor of and jointly liable for energy purchase transactions of certain subsidiaries, in the amount of R$232,584 at 12.31.2019. The guarantees' maturities are scheduled as follows: R$98,693 in 2020, R$63,998 in 2021, R$18,097 in 2022 and R$51,796 in 2023.

- Charges for the use of and connection to the power grid

The Company is guarantor of the issue of guarantees related to the electricity network and connection charges (CUST, CCT and CUSD) contracts, totaling R$72,066. The amount of R$48,103 will mature in 2020 and R$23,963 will mature in 2034.

- Loans

The Company has a guarantee in foreign currency at an amount equivalent to R$85,691, with maturity in 2020, in compliance with the loan agreement with Nordic Investment Banking (NIB). Said obligation of delivering the guarantee started in February 2018, when Fitch Rating downgraded Brazil's sovereign rating, which affected the Company's long-term rating in foreign currency. This loan from NIB was contracted in December 2012 for constructing the Trairí Wind Complex.

Moreover, the Company has a bank-issued guarantee to cover obligations of the financing agreement for the construction of Assú V Photovoltaic Plant. On 12.31.2019, this guarantee totaled R$88,061, with maturity in 2020.

f) Loan between Ibitiúva and Andrade Açúcar e Álcool (Andrade)

The indirect subsidiary Ibitiúva has a loan agreement with Andrade – its related party in the Andrade Consortium. The loan is restated by the variation of the IPCA and the loan matures in 2025. The balance payable on 12.31.2019 is R$11,662 (R$13,116 at 12.31.2018).

g) Remuneration of key management personnel

The remuneration of key Management personnel, composed of the Board of Executive Officers established by the Bylaws, Board of Directors and Audit Board, was approved at the AESM held on 4.26.2019 and is presented below:

	2019	2018
Fixed compensation	10,002	9,753
Variable compensation	6,242	4,186
Payroll charges	2,764	2,483
Other	1,456	1,546
	20,464	**17,968**

The Management does not receive share-based compensation from ENGIE Brasil Energia.

NOTE 36 – INFORMATION BY SEGMENT

The Company's operating segments reflect its management and organizational structure and monitoring of results, summarized as follows:

- Generation: it is the Company's core business and includes generation and sale of the electricity in the portfolio. The Parent Company only conducts activities related to this operating segment.
- Trading: this segment delivers results through variation in energy prices, within previously established risk limits. The activities of this segment are conducted by ENGIE Trading and EBC.
- Transmission: the Company has primary responsibility for the construction and installation of infrastructure related to the transmission concession of Gralha Azul Transmission System, whose implementation started in the second half of 2018, and is exposed to the risks and benefits of this construction. This segment has not started operating yet and depends on the progress of construction work and which will be conducted by the subsidiary Gralha Azul.
- Solar Panels: manufacture, wholesale and retail sale, and operation and maintenance of solar panels conducted by the subsidiary EGSD, whose control was acquired in August 2018, date on which it started to be consolidated by the Company.
- Gas Transportation: The Company also operates in the gas markets through its joint venture TAG since June 2019.

The amounts reported by each business segment result from the combination of subsidiaries and business units defined within each segment, as well as the annulment of transactions between segments.

The Company's financial result is not allocated by segment because Management manages cash flows at the corporate level. The Board of Executive Officers is responsible for managing operations and does not use balance sheet by segments to take decisions and analyze the results of each segment. For this reason, the balance sheet is not presented by segment.

The Company reviews regularly information related to the joint venture TAG, based on its proportional share in revenue, profits, assets and liabilities, to take decisions regarding the resources to be allocated to the segment and to evaluate its performance. However, as required by CPC 19 (R2), the Company's interest in the joint venture is recorded in the individual and consolidated financial statements using the equity method of accounting.

The information by segment refers to 2019 and 2018 and is presented in a consolidated manner in the tables below:

	12.31.2019					
	Electric energy					
	Generation	Trading	Transmission	Solar panels	Gas transportation	Consolidated
NET OPERATING INCOME	**8,427,655**	**1,108,984**	**169,913**	**97,926**	**-**	**9,804,478**
Operating costs	(4,294,067)	(1,111,425)	(151,489)	(95,982)	-	(5,652,963)
GROSS PROFIT (LOSS)	**4,133,588**	**(2,441)**	**18,424**	**1,944**	**-**	**4,151,515**
Operating income (expenses)						
Selling, general and administrative expenses	(243,216)	(2,902)	-	(7,118)	-	(253,236)
Provision for impairment of assets	(4,900)	-	-	-	-	(4,900)
Other operating income, net	320,405	-	-	-	-	320,405
	72,289	**(2,902)**	**-**	**(7,118)**	**-**	**62,269**
Equity income	**-**	**-**	**-**	**-**	**81,114**	**81,114**
PROFIT (LOSS) BEFORE FINANCIAL AND TAX RESULTS	**4,205,877**	**(5,343)**	**18,424**	**(5,174)**	**81,114**	**4,294,898**

	12.31.2018					
	Electric energy					
	Generation	Trading	Transmission	Solar panels	Gas transportation	Consolidated
NET OPERATING INCOME	**8,095,022**	**614,922**	**47,698**	**37,150**	**-**	**8,794,792**
Operating costs	(4,217,061)	(580,173)	(45,363)	(33,389)	-	(4,875,986)
GROSS PROFIT	**3,877,961**	**34,749**	**2,335**	**3,761**	**-**	**3,918,806**
Operating income (expenses)						
Selling, general and administrative expenses	(203,522)	(2,136)	-	(2,091)	-	(207,749)
Provision for impairment of assets	(39,327)	-	-	-	-	(39,327)
Other operating expenses, net	(3,648)	-	-	-	-	(3,648)
	(246,497)	**(2,136)**	**-**	**(2,091)**	**-**	**(250,724)**
Equity income	**-**	**-**	**-**	**(971)**	**-**	**(971)**
PROFIT BEFORE FINANCIAL AND TAX RESULTS	**3,631,464**	**32,613**	**2,335**	**699**	**-**	**3,667,111**

NOTE 37 – 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 corporate insurance program of its parent company ENGIE. The PDBI policy is valid until 5.31.2020 and the risk coverage amount is R$14,068,816 in the parent company and R$33,875,801 in the consolidated statements, namely:

	Parent Company		Consolidated	
Type of plant	Material damages	Loss of profit	Material damages	Loss of profit
Hydroelectric power plants	10,196,817	3,821,654	14,773,163	4,337,046
Thermal power plants	-	-	5,051,842	2,707,076
Complementary plants (wind, solar, biomass and SHPP)	49,291	1,054	5,535,401	1,471,273
	10,246,108	**3,822,708**	**25,360,406**	**8,515,395**

In 2019, the Pampa Sul Thermal Power Plant and Umburanas Wind Complex were added to the PDBI policy, expanding the coverage of material damages and loss of profits by R$3,545,959 and R$1,795,950, respectively

The maximum combined limit of indemnification for material damages and loss of profits is R$2,659,800 per event.

b) Engineering risks

In 2019, the insurance policy for Campo Largo Wind Power Complex - Phase II was signed in the amount of R$1,393,182 for material damages and R$293,550 for engineering risks. The insurance related to Gralha Azul project is in the contracting process.

c) Other coverages

The Company has insurance to cover national and international transportation risks, civil liability of the directors, officers and management, political violence and terrorism extended to its subsidiaries, as well as group life insurance for its employees and officers.

d) Insurance indemnifications receivable

The item "Insurance indemnifications receivable" under current assets is broken down as follows:

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
UTLA[35]	-	60,063	-	60,063
UHSA[36]	-	5,178	-	5,178
UHPF[37]	-	6,647	-	6,647
Jaguara	-	-	-	2,892
Diamante	-	-	10,719	-
	-	**71,888**	**10,719**	**74,780**

[35] Jorge Lacerda A. Thermal Power Plant.
[36] São Salvador Hydroelectric Power Plant.
[37] Passo Fundo Hydroelectric Power Plant.

In April 2017, there was an accident at a generation unit of UTLA, whose coverage for loss of profit, net of deductibles, amounted to R$60,063. The receipt was in January 2019. Furthermore, in September 2018 there was an accident at another UTLA generation unit. In 2019, the coverage, net of deductible, was recognized in the amount of R$10,719.

In April 2018, there was an accident at a generation unit of the Jaguara Hydroelectric Power Plant, causing long-term loss of profits and material damages. The unit was shut down until December 2018. The estimated indemnities related to damages and loss of profits are R$17 and R$24 million, respectively. Of this amount, in March 2019, the Company received the amount related to loss of profits. The recognition of this amount in profit or loss will occur simultaneously with the effects from the loss of revenue resulting from the accident.

NOTE 38 – LONG-TERM COMMITMENTS

The Company has the following long-term commitments that are considered relevant:

	Parent Company						
	2020	2021	2022	2023	2024	2025 and later	Total
Contracts for connection	13,265	13,265	13,265	13,265	13,265	81,086	147,411
Contracts for the Use of the Transmission System	364,634	364,634	364,634	364,634	364,634	1,768,985	3,592,155
Contracts for the Use of Distribution System	3,038	3,038	3,038	3,038	3,038	11,394	26,584
Operation and maintenance contracts	22,283	10,401	5,333	2,701	-	-	40,718
Modernization of Salto Osório Hydroelectric power plant	55,888	37,259	-	-	-	-	93,147
Renegotiation of hydrological risk	-	-	-	7,226	8,672	67,944	83,842
Balances at 12.31.2019	**459,108**	**428,597**	**386,270**	**390,864**	**389,609**	**1,929,409**	**3,983,857**

	Consolidated						
	2020	2021	2022	2023	2024	2025 and later	Total
Contracts for connection	13,319	13,319	13,319	13,319	13,319	81,913	148,508
Contracts for the Use of the Transmission System	638,528	638,754	638,754	638,754	638,754	5,644,599	8,838,143
Contracts for the Usage of Distribution System	31,491	31,491	31,491	31,491	31,491	622,840	780,295
Operation and maintenance agreements	72,667	67,935	62,867	60,235	57,534	307,558	628,796
Modernization of Salto Osório Hydroelectric Power Plant	55,888	37,259	-	-	-	-	93,147
Campo Largo Wind Power Complex – Phase II Wind Power Complex	1,207,602	64,351	-	-	-	-	1,271,953
Transmission System – Gralha Azul	729,212	662,607	41,609	-	-	-	1,433,428
Renegotiation of hydrological risk	-	-	-	7,226	8,672	93,425	109,323
Balances at 12.31.2019	**2,748,707**	**1,515,716**	**788,040**	**751,025**	**749,770**	**6,750,335**	**13,303,593**

a) Contracts for connection

The Company and its subsidiaries CEE and Trairí have contracts for connection with transmission companies. The contracts are valid up to termination of the concessions and authorization of the Company's power plants linked to these contracts.

b) Contracts for the Use of the Transmission System (CUST)

For the use of the transmission system and basic network, the Company and its subsidiaries CEE, Itasa, Jaguara, Diamante and Pampa Sul and the Wind Power Complexes of Trairí, Campo Largo Wind Power Complex – Phase I and Umburanas – Phase I maintain contracts with ONS. Contracts are valid up to the termination of power plants concessions or authorizations.

c) Contracts for the Use of Distribution System (CUSD)

For plants that are not directly connected to the basic network, contracts for the use of the distribution system are maintained with electricity distributors of the regions where these plants are installed. Contracts are normally valid up to the Company's power plants concessions or authorizations termination dates.

d) Operation and maintenance contracts

The Company, its subsidiary Ferrari and the Wind Power Complexes of Trairí, Campo Largo Wind Power Complex – Phase I and Umburanas – Phase I have contracts for operation and maintenance with third parties.

e) Modernization of the Salto Osório Hydroelectric power plant

The Company maintains contracts with suppliers for the modernization of the Salto Osório Hydroelectric power plant. The Agreement was signed on 11.20.2017 and will result in an increase in the commercial capacity of the Plant by 13.9 average MW.

f) Campo Largo Wind Power Complex – Phase II Wind Power Complex

The Campo Largo Wind Complex - Phase II started construction work in the second half of 2019. The Complex's installed capacity will be 361.2 MW distributed in 11 SPE. The facilities' generation is allocated 100% to the free market. The first turbines should become operational early 2021.

g) Transmission System – Gralha Azul

On 3.8.2018, the Company, through its direct subsidiaries ECP and EBC, signed the concession agreement relating to the Transmission Auction 02/2017, having, subsequently, signed agreements for the construction of Gralha Azul Transmission System.

h) Renegotiation of hydrological risk

In December 2015, the Company joined the renegotiation of hydrological risk of plants whose energy was sold in regulated market. This renegotiation was made through the transfer of hydrological risk to the consumer, with the payment of risk premium by the Company.

Based on the risk level defined in the renegotiation, GSF for 2015 was recalculated, which resulted in an overpayment that is being offset by risk premiums due by the Company, calculated at present value.

i) Bilateral contracts for purchase and sale of electricity

According to data on physical guarantee and prevailing purchase and sale contracts, the Company's energy balance shows that current capacity has the following contracting levels for the next six years:

	Average MW					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
Own funds	4,706	4,864	4,921	4,917	4,917	4,731
Purchases	1,376	703	533	374	185	174
Total availability	6,082	5,567	5,454	5,291	5,102	4,905
Contracted availability	5,305	4,899	4,523	3,927	3,173	2,688
Distributors	*40.3%*	*43.7%*	*47.3%*	*54.4%*	*67.2%*	*79.4%*
Traders	*9.0%*	*8.4%*	*7.1%*	*6.3%*	*5.9%*	*4.3%*
Free clients	*50.7%*	*47.9%*	*45.6%*	*39.3%*	*26.9%*	*16.3%*
Contracted %	**87.22%**	**88.00%**	**82.93%**	**74.22%**	**62.19%**	**54.80%**

NOTE 39 – ADDITIONAL CASH FLOW INFORMATION

The following complementary cash low transactions were as follows:

	Parent Company		Consolidated	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Dividends from subsidiaries	901,148	662,275	-	-
Interest on equity paid	354,000	397,000	354,000	397,000
Offset of suppliers with capital reduction and dividends from subsidiaries	193,462	-	-	-
First-time adoption - IFRS 16/CPC 06 (R2)	21,899	-	139,475	-
Measuring of obligations with retirement benefits	87,233	6,119	87,233	6,119
Income tax and social contribution credit	(41,903)	(60,521)	(24,682)	(48,024)
Transfer of property, plant and equipment to other non-current assets	(2,926)	-	(2,926)	-
Suppliers of fixed and intangible assets	(2,259)	(41,053)	88,677	48,831
Capital increase with profit reserves and net income	-	2,073,592	-	2,073,592
Capital increase in subsidiary with inventories and property, plant and equipment	-	(562,431)	-	-
Capitalized interest and monetary variation	-	-	151,931	294,297
Non-current assets/liabilities held for sale	-	(48,038)	-	(48,038)

NOTE 40 – SUBSEQUENT EVENTS

a) Proposed additional dividends

At a meeting held on 2.18.2020, the Company's Board of Directors submitted to ASM the proposal for payment of additional dividends on adjusted income from the fiscal year ended 12.31.2019, in the amount of R$949,744, or R$1.1640046498 per share. The proposal shall be ratified by the Annual Shareholders Meeting, which will also set the dividend payment terms.

b) Approval of issue of debentures by ENGIE Transmissão

At meeting held on 1.31.2020, the Company's Board of Directors approved the 1st issue of non-convertible, unsecured debentures, in a single series, of ENGIE Transmissão, in the total amount of up to R$500,000, with compensatory interest corresponding to 100% of the DI Rate, plus spread of 0.67% p.a., maturing in 9 months starting from the issue date and the payment of principal and compensatory interest on the maturity date. Additionally, the Company approved the provision of personal guarantee within the scope of the issue represented by corporate guarantee.

DECLARATION OF THE COMPANY'S MANAGEMENT

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Financial Statements (individual and consolidated) and agrees with the opinion of the independent auditors of the Company, Deloitte Touche Tohmatsu Auditores Independentes as presented in the Report of the Independent Auditors.

Eduardo Antonio Gori Sattamini
Chief Executive and Investor Relations Officer

Marcelo Cardoso Malta
Chief Financial Officer

Gabriel Mann dos Santos
Energy Commercialization Officer

Guilherme Slovinski Ferrari
New Business, Strategy and Innovation Officer

José Luiz Jansson Laydner
Generation Officer

Marcos Keller Amboni
Regulation and Market Officer

Júlio César Lunardi
Administrative Officer

Florianópolis, February 18, 2020.

BOARD OF DIRECTORS

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Chairman

Manoel Arlindo Zaroni Torres
Vice- Chairman

Pierre Jean Bernard Guiollot
Member

Paulo Jorge Tavares Almirante
Member

Dirk Achiel Marc Beeuwsaert
Member

José Pais Rangel
Member

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Paulo de Resende Salgado
Member

Gustavo Henrique Labanca Novo
Member

BOARD OF EXECUTIVE OFFICERS

Eduardo Antonio Gori Sattamini
Chief Executive and Investor Relations Officer

Marcelo Cardoso Malta
Chief Financial Officer

Gabriel Mann dos Santos
Energy Commercialization Officer

Guilherme Slovinski Ferrari
New Business, Strategy and Innovation Officer

José Luiz Jansson Laydner
Generation Officer

Marcos Keller Amboni
Regulation and Market Officer

Júlio César Lunardi
Administrative Officer

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Paulo Roberto Keller de Negreiros
Accounting Department Manager
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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, Directors and Management of
Engie Brasil Energia S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Engie Brasil Energia S.A. and its subsidiaries ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Engie Brasil Energia S.A. as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Engie Brasil Energia S.A. and its subsidiaries as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the individual and consolidated financial statements* section of our report. We are independent of the Company in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

As described in notes 3.p and 31 to the individual and consolidated financial statements, the Company's revenue substantially derives from electricity supply and sales. We considered it a key audit matter in our audit due to the volume and specificity of electricity supply contracts, processes supporting the relevant recognition and the reliance on systems and related internal controls.

Our audit procedures on revenue recognition included, but were not limited to: (i) assessing the design and implementation of the Company's internal controls adopted by Management to measure the amount of revenues from electricity supply and sales to be recognized in accordance with the accounting requirements and contractual terms and conditions; (ii) involving our Information Technology specialists to assess the systems and IT environment used in recording those amounts; (iii) testing the electricity supply and sale contracts, on a sample basis, based on their specificities and accounting recognition; (iv) testing the subsequent receipt of invoices on a sample basis; (v) testing unbilled revenues to assess Management's estimation process; and (vi) assessing whether the disclosures made by Management in the individual and consolidated financial statements are appropriate.

Based on our audit procedures above, we consider that the revenue processing, recording and recognition conducted by the Company, as well as the relevant disclosures, are appropriate in the context of the individual and consolidated financial statements taken as a whole.

Provisions (for lawsuits)

As disclosed in note 25 to the individual and consolidated financial statements, the Company is a defendant to several civil, tax and labor lawsuits, which involve material amounts. We considered it a key audit matter in our audit since, in determining the amounts to be recognized to cover those risks, as well as the amounts of possible and remote risks reported in the individual and consolidated financial statements, Management exercises considerable judgment that requires the use of the Company's technical and historical knowledge, the analysis of case rulings and individual analysis of lawsuits.

Our audit procedures to address such key audit matter included: (i) assessing the design and implementation of relevant internal controls over contingencies, specifically while recognizing the provisions for said risks; (ii) involving our IT specialists to test the IT systems used by Management to control and assess provisions; (iii) testing the accuracy and completeness of the database used by Management to determine the likelihood of loss of lawsuits; (iv) independently confirming, together with the outside legal counsel and case attorneys, the classification of the risk of loss, procedural stages and relevant amounts; (v) challenging the assumptions and judgment used by Management to prepare those estimates; and (vi) assessing whether the disclosures made by Management in the individual and consolidated financial statements are appropriate.

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Based on our audit procedures above, we consider that the provisions for lawsuits recognized by the Company, as well as the relevant disclosures, are appropriate in the context of the individual and consolidated financial statements taken as a whole.

Acquisition of equity interest in Transportadora Associada de Gás S.A. ("TAG")

As described in notes 1.c and 13 to the individual and consolidated financial statements, in June 2019, the subsidiary and Aliança Transportadora de Gás S.A. ("Aliança") acquired a 90% equity interest in Transportadora Associada de Gás S.A. ("TAG"). The Company, together with Aliança, held a 32.5% direct equity interest in the subsidiary and, therefore, a 29.25% indirect equity interest in TAG. In September 2019, TAG absorbed Aliança. From that date, the Company became the holder of a 29.25% direct equity interest in TAG.

When acquiring the business, Aliança measured the fair value of acquired assets, including the concession rights on permits and assumed liabilities, as well as the fair value of the consideration transferred. Aliança also measured the fair value and recognized goodwill separately.

We considered it a key audit matter in our audit, because: (i) the amount involved in the acquisition of TAG was considered material for the audit work; (ii) measuring the fair values of assets, liabilities and concession rights on permits involves the application of relevant valuation methodologies and assumptions, which are complex and require a high level of judgment by Management and its specialists, such as those concerning discount rates and business growth, among others; and (iii) the Company's Management strongly interacted in assessing the matter.

Our audit procedures included, but were not limited to: (i) assessing the Company's accounting policies adopted for the recognition and measurement of business combinations; (ii) reviewing the agreement that documented the business combination and the related supporting documentation; (iii) involving our corporate finance specialists to evaluate the main assumptions and methodologies used by the Company in measuring and appropriately recognizing the fair value of acquired assets, assumed liabilities and goodwill; and (iv) assessing whether the disclosures made by Management in the individual and consolidated financial statements are appropriate.

Based on our audit procedures performed in testing the recognition and allocation of the fair values of acquired assets, assumed liabilities and goodwill, we consider that the recognition of TAG business combination and related disclosures are appropriate in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2019, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these individual and consolidated statements of value added are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Joinville, February 18, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Fernando de Souza Leite
Engagement Partner

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FISCAL COUNCIL'S OPINION

The undersigned members of the Fiscal Council of the Company, Carla Carvalho de Carvalho, Carlos Guerreiro Pinto and Manoel Eduardo Lima Lopes, having examined the Management's Annual Report, the Financial Statements and Management's proposal for Allocation of Net Income for the fiscal year ended December 31, 2019 to the legal reserve, the tax incentive reserve, and to the distribution of dividends and interest on equity, based on the report by the independent auditors – Deloitte Touche Tohmatsu issued on February 18, 2020 on such financial statements, hereby state that they fairly represent in all material aspects the balance sheet and financial position of ENGIE Brasil Energia S.A. on December 31, 2019, and are appropriate for being submitted to the Company's Annual Shareholders Meeting.

Rio de Janeiro/RJ, February 18, 2020.

Carla Carvalho de Carvalho
Chairwoman

Carlos Guerreiro Pinto
Member

Manoel Eduardo Lima Lopes
Member