CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Individual (Parent) and consolidated financial statements for the year ended December 31, 2018, prepared in accordance with the technical pronouncements issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS).

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MESSAGE FROM MANAGEMENT

2018 was certainly one of the best years in ISA CTEEP´s history. We are proud of submitting our financial and operating performance and our contributions to significant themes such as the social, environmental and technology agendas. A year marked by sound results in all of our management fronts, completely aligned with the achievements we have made over the last years and that consolidate our position as a cutting-edge company in Brazil´s energy transmission segment.

Our strong cash generation was one of the highlights of the year. In 2018, we reached the first cycle of receipts for unamortized assets existing in May 2000 (RBSE), arising from the concession extension process. Net operating revenue under IFRS totaled R$3.2 billion and consolidated EBITDA under IFRS, according to ICVM 527/12, reached R$ 2.5 billion, with a margin of 78%. Consolidated profit under IFRS achieved R$1.9 billion, a growth of R$510 million when compared to 2017.

The robust balance allowed the best capital raising in the year in the infrastructure debentures market, with a R$621 million issuance of "Green Debentures", the first issuance in the transmission industry falling into this classification. In these conditions, Fitch has affirmed ISA CTEEP rating as *Investment Grade* at 'AAA (bra)', with a stable outlook.

Our Company's solid financial performance has reflected positively in the market, with a 24% appreciation in preferred shares traded at the stock exchange, which, in December, reached the amount of R$75.74 per TRPL4 share, a historical maximum quote then already recorded and continues to beat new records. We have also enhanced the generation of value to our shareholders, with the distribution of approximately R$2 billion in proceeds, the highest ever recorded since the Company's recognition.

In operating terms, we raised our efficiency, quality and safety standards. In this context, one of the key indicators was the Energy Not Supplied Index, which has for years qualified our Company as a benchmark in the energy sector -, which recorded our best result over the past 15 years.

Another significant matter in 2018 was the Company's participation in the tariff revision process. We keep paying attention to the definition of an adequate amount for the Annual Permitted Revenue (RAP) from Operation & Maintenance as well as for the Weighted Average Cost of Capital (WACC) of the projects and the Regulatory Compensation Base (BRR), so that companies may have the conditions necessary to maintain the quality of its operations and continue to invest.

Growth continues to be one of our strategic drivers. Last year, the Company's investments in reinforcements and improvements totaled R$144 million while the energizations of new projects added a RAP of R$61 million. Whereas, investments in our subsidiaries, both operating and nonoperating, totaled R$294 million. The two new businesses we acquired in June 2018 through ANEEL's auction in June 2018 reinforces our position as a highly competitive player. Overall, we are working in the execution of 10 new businesses won at auctions which represent an investment commitment of around R$2.9 billion. Our attention will continue to be focused on new projects that can provide proper profitability.

Concerning sustainability-related actions, we remain as signatories of the Global Compact and made contributions to social projects that totaled the highest amount already invested by the Company under tax incentive laws. As important as these amounts was the selection of the initiatives to be supported, which are in line with the priority social and environmental themes, namely, the youth education and empowerment, development of communities surrounding our premises and climate change - showing that we keep in tune with and committed to tackling the challenges proposed by the current global agenda.

Also, a highlight was our actions towards technological challenges and innovation themes in the electric power sector. We invested R$9 million in R&D projects and opened our doors for startups to seek new solutions and inspire a more agile and innovative work environment and ranked second in the Top 50 Open Corps, organized by the 100 Open Startups.

2018´s unprecedented performance is mostly due to the capabilities and efforts endeavored by our team of more than 1,500 employees, which makes building a healthy and productive work environment one of our priorities. Therefore, the results of our 2018 organizational climate survey – the best ever recorded for the Company – and our presence, for the third consecutive year, in the GPTW's Great Place to Work ranking are highly satisfying.

2018 also marked the definition of a new strategic direction for our organization towards 2030, the key focus of which is the generation of sustainable value. To achieve this, we will pursue growth based on continued efficiency gains and greater incorporation of innovation at every level of the company. This positioning will enable us to play a leading role in the face of the technological and regulatory transformations that will chart the future course of Brazil's electricity sector.

Last year's outstanding results make 2019 a particularly challenging year. The past achievements magnify the responsibility for raising the bar of our operations, management and value generation. Besides that, 2019 is a unique year for us for another reason: we will be celebrating our 20th anniversary, walking a path closely connected with the history of the Brazilian electricity sector itself.

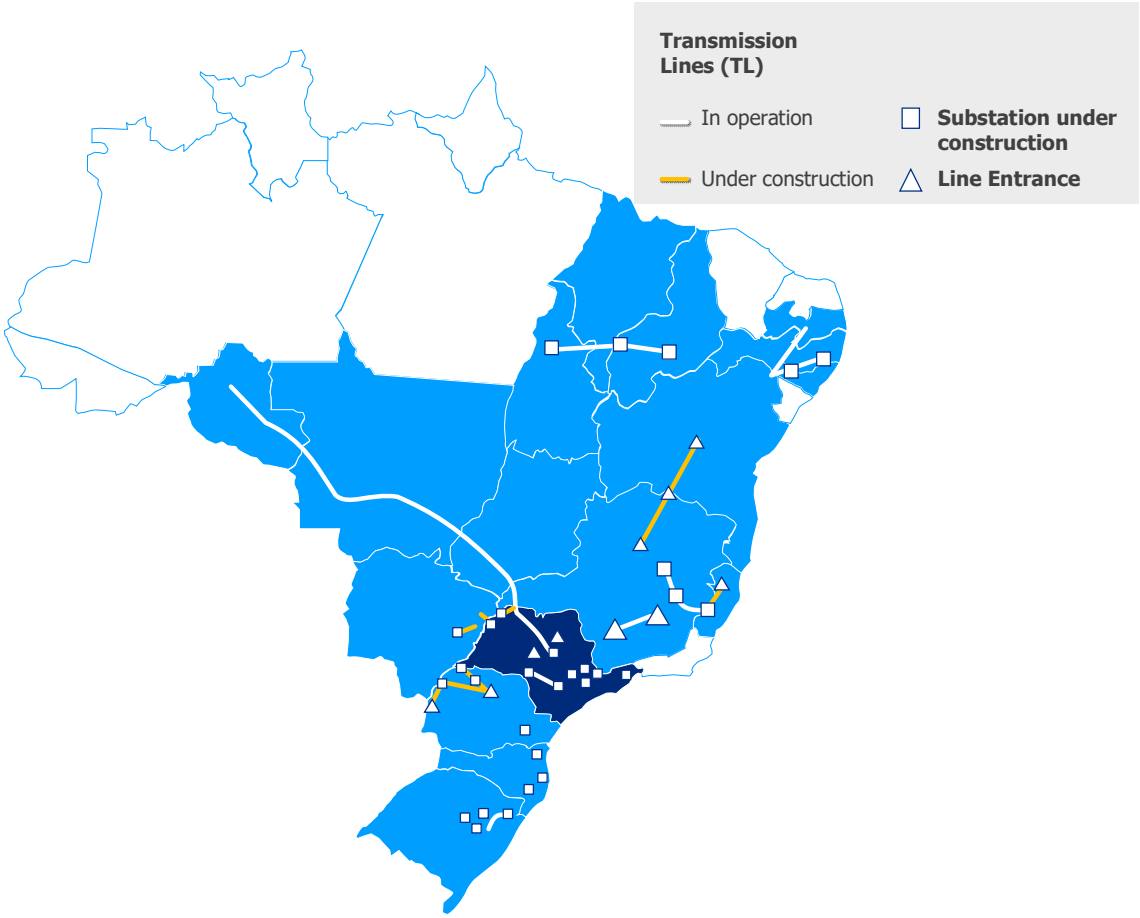
These are highly satisfying and motivating times. Our proven ability to reinvent ourselves to overcome challenges enables us to take advantage of the opportunities that the country's resumed growth puts forward. Completing two decades makes us proud of everything that we have built and encourages us to persist as a company that epitomizes quality and remains committed to Brazil's development.

Reynaldo Passanezi Filho
Chief Executive Officer

COMPANY PROFILE

ISA CTEEP is the largest private-sector electricity transmission company in the Brazilian electricity sector and part of the Interconnected National System ("SIN"), which serves approximately 99% of the system's total load. Its activities and those of its subsidiaries and associates, present in 17 Brazilian states (Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Minas Gerais, Rondônia, Mato Grosso, Mato Grosso do Sul, Goiás, Tocantins, Maranhão, Piauí, Paraíba, Pernambuco, Alagoas, Espírito Santo, and Bahia), transmit approximately 25% of all the electricity in Brazil, 60% of the energy consumed in the Southeast Region, and almost 100% of the energy in the State of São Paulo.

As at December 31, 2018, the installed transformation capacity of the Company (Parent, subsidiaries and associates) was 65.9 thousand MVA, 18.6 thousand kilometers of transmission lines, 25.8 thousand kilometers of circuits and 126 substations with tension up to 550 kV.



To operate our complex system efficiently, we count on a team of over 1,500 employees and facilities that enable the provision of quality and reliable services.

Committed with the development of Brazil's energy infrastructure, we continually invest, maintaining our network modern and contributing directly to the expansion of the national transmission system.

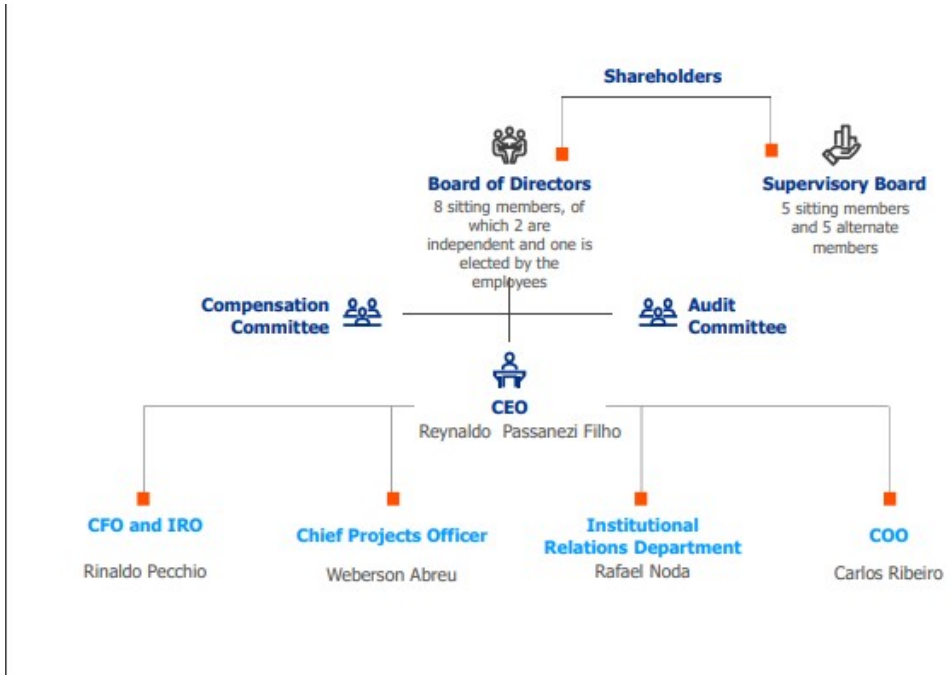
SHAREHOLDING COMPOSITION AND CORPORATE GOVERNANCE

Controlled by ISA, a multi-latin, linear infrastructure systems company, ISA CTEEP has among its investors Eletrobras, the largest Brazilian electric power group.

Shareholders	TRPL3	%	TRPL4	%	Total	%
ISA Capital do Brasil	**57,714,208**	**89.5%**	**1,286,132**	**1.3%**	**59,000,340**	**35.8%**
Free Float	**6,770,225**	**10.5%**	**98,950,261**	**98.7%**	**105,720,486**	**64.2%**
Eletrobras	6,289,661	9.8%	52,005,758	51.9%	58,295,419	35.4%
Others	480,564	0.7%	46,944,503	46.8%	47,425,067	28,8%
Total	**64,484,433**	**100%**	**100,236,393**	**100%**	**164,720,826**	**100%**

ISA CTEEP is listed on Level 1 of São Paulo Stock Exchange ("B3") Corporate Governance segment since 2002, recognizing the value it places on ethics and transparency in its relationship with shareholders and other stakeholders.

ISA CTEEP's Board of Directors is composed of up to 10 members, one of them a Company's employee. The Company's Supervisory Board operates on a permanent basis and is composed of 3 to 5 sitting members and an equal number of alternate members, for a 1-year term of office. The company has 2 non-statutory committees: The Audit Committee and the Compensation Committee.



In 2018 we further strengthened our compliance function and revised our Code of Ethics and Conduct, enhancing our internal controls. We work relentlessly to increase value generation for our stakeholders. Therefore, we also adopt industry sustainability guidelines to direct our processes and commitments to the theme.

It is incumbent on the Board of Directors to provide business guidance and monitor, among others, enterprise risks based on the risk management model adopted by the Company, in addition to keeping track of exposures and related mitigation plans. The Board of Directors is also responsible for monitoring and tracing any weaknesses in controls and/or processes, as well as any deficiencies in adhering to

significant regulatory requirements by following up the remediation plans proposed by the Company's Executive Board.

The Company's Executive Board is responsible for conducting the Company's businesses within the respective risk limits and, when necessary, taking actions to avoid exposure to risks that exceed such limits by submitting mitigation actions that may be required.

The Company understands that its internal control and operating structure is appropriate to conclude on the effectiveness of the policy adopted.

RISK MANAGEMENT

The enterprise risk management enables Management to effectively address uncertainty as well as the related risks and opportunities associated with uncertainty so as to improve the Company's capacity to generate value, which is maximized when the organization sets strategies and objectives to reach an ideal balance between the growth goals and the return on investments.

We adopted a structured Risk Management process that is based on Standard ABNT NBR ISO 31000 (Risk Management – Principles and Guidelines). Integral Risk Management practices were implemented in 2008 and, since then, the risks inherent in the Company's activities are revised and reported on a quarterly basis to the Executive Board and the areas responsible therefor.

ISA CTEEP's risk governance adopts the Three Lines of Defense Model created by the Institute of Internal Auditors (IIA) and establishes the responsibilities of the business areas, the Integral Risk Management function, the Internal Audit function and the Senior Management. Thus, all risks included in the Risk Matrix, regardless of their classification, are assigned a direct function in charge.

Prevention and mitigation actions are monitored by the responsible individuals as set out in the action plan. Out of the total, around 7% of the Company's risks are classified as priority and tolerable.

ECONOMIC AND REGULATORY SCENARIO

2018 was marked by a high degree of uncertainty about the economic policy coupled with the electoral race. It was a year of slow economic recovery (an estimated GDP of +1.1%), with an inflation rate of 3.7% (IPCA). The benchmark interest rate (Selic) achieved the minimum historical level of 6.5% p.a.

In the electric power industry, one of the most relevant discussions was the one on the recognition of transmission companies' right to receive their claimed indemnity for reversible assets (so-called "RBSE"). Early 2018, a clause was included in the Bill of Law for the Electricity Sector which changed the term for receiving the financial component of RBSE amounts from eight to 25 years in addition to replacing Ke (equity capital cost) for WACC (weighted average cost of capital). We worked to prove government bodies and the regulatory agency that the increased term was not the best alternative in the face of the transmission companies' investment prospects in renewing their assets while ensuring tariff affordability. This clause was removed from the Bill of Law during 2018. The Bill of Law on the privatization of Eletrobras, which also covered RBSE, was added a clause that maintained the 8-year payment term of said component and the replacement of Ke for WACC for all transmission companies. Currently, the Ke payment is suspended by virtue of a court injunction granted to ABRACE (Brazilian Association of Large Energy Consumers).

Another theme of critical importance for the industry is the Tariff Revision, originally scheduled for July 2018 and postponed to July 2019 (retrospectively to July 2018). This process has involved an intensive analysis and dialogue with the energy companies by means of public hearings to discuss matters such as Price Bank, Efficient Operating Costs, and Small-Sized Improvements. We have been participating actively for the Company to obtain a fair compensation, thus ensuring the financial-economic balance, in addition to taking part in discussions to define the regulatory WACC methodology.

In 2018, two auctions were held by the National Electric Energy Agency (ANEEL), with an investment estimated at R$20 billion, subdivided into 36 lots, of which our Company won two. Our active

participation in auctions reinforces out sustainable growth strategy, with projects that will help to expand the electric power transmission system in Brazil.

For 2019, the key challenges are ensuring that the Company receives the full RBSE amounts and working for the transmission companies' main contributions to the Tariff Revision methodology are considered, thus preserving the financial-economic balance of the concession agreements.

STRATEGY AND GROWTH

Our strategy is focused on the generation of sustainable value as it seeks to balance respect to society´s demands, environmental preservation and proper return to shareholders. This approach, coupled with our ongoing search for high rates of return from our investments, enables us to remain competitive in the aggressive Brazilian electric power transmission segment.

In this scenario, growth is one of the management pillars of the Company, which has actively participated in the transmission auctions held by ANEEL over the last years. In 2018, we completed the acquisition of 100% of IE Sul's capital stock and, at the auction held in June, we won two lots, which will strengthen our presence in the State of São Paulo and in the South Region of Brazil. Today, we have 10 projects under way, which represent total investments of R$2.9 billion and whose implementation will occur within the planned schedule.

INNOVATION

With a focus on operating efficiency and increased profitability, our innovation strategy places an emphasis on smart, digital processes based on technological platforms. In 2018, R$9 million were invested in projects under our Research and Development (R&D) program.

Disruptive technologies associated to the digitalization, decentralization and decarbonization of the electricity sector have changed the electric power-related businesses. ISA CTEEP's innovation initiatives will contribute to position the Company as a leader in this new configuration that will transform the electricity sector. Throughout 2018, projects will be developed for both the utilization of drones in the inspection of assets and incorporation of artificial intelligence algorithms to enhance efficiency and security of the operations center, besides reducing maintenance costs. Also, in development are smart systems for the sustainable management of rights of way along our thousands of transmission line kilometers.

We study new products and business models to exploit opportunities. In this regard, we have developed a project to store energy which was developed to incorporate this technology into the National Interconnected System and, thus, provide an important transmission service, positioning our organization as a leading player in the transformations the electricity sector will experience over the coming years. Likewise, through the digitalization of our substations, we have already prepared ourselves for the complex changes that the distributed generation will bring to the energy transmission dynamics.

In 2018, we partnered with renowned universities, research centers and startups in Brazil. We signed a technical cooperation agreement with the U.S. Trade and Development Agency (USTDA) to study the implementation of technologies and solutions to modernize our substations by embracing innovation in monitoring, control and supervision of our operational facilities across Brazil.

AWARDS AND RECOGNITION

The industry recognition and awards reaffirm our organization's the quality of management and operations. For the third consecutive year, the Company was named by *Great Place to Work* (GPTW) as one of the best companies to work. We ranked among the largest 80 national and multinational companies (having more than 1,000 employees).

We were also granted the *Transparency Award 2018*, an initiative organized by ANEFAC (National Association of Finance, Business Administration and Accounting Executives), in a partnership with Fipecafi (Research Institute of Accounting, Actuarial and Financial Foundation) and Serasa Experian.

This Award recognizes companies showing excellence in reporting financial information; we won in the category of companies with net revenue of up to R$5 billion.

In addition, we ranked second in the *Top 50 Open Corps*, which recognizes the Brazilian companies most engaged with startups, organized by the *100 Open Startups*, a platform connecting startups and large companies.

SUSTAINABILITY

In addition to delivering a highly qualified service to society, we endeavor to create connections with people and contribute to the sustainable development of communities in which we are present.

Last year, we contributed R$15 million to sponsored projects. The purpose of the initiatives is to develop and prepare young people for the labor market, promote access to quality health care and support projects focused on environmental education.

We are also committed to environmental conservation by means of Jaguar Connection, which is ISA Group's main corporate sustainability project. Designed to preserve the habitat of the jaguar ("onça-pintada" in Brazil), the objective of this initiative is to protect biodiversity, mitigate the climate change and develop rural communities.

We incorporate sustainability in managing our chain of suppliers. Besides technical, financial and compliance analyses, our supplier assessment system establishes and monitors environmental and social aspects.

PEOPLE

The business of our Company requires a team of highly qualified and prepared professionals to act in the complex transmission system operation. And this also includes caring for the well-being of our professionals. Among the various people initiatives taken in 2018 was a project designed to enhance the process for monitoring the physical and psychological health of operators working in the Power System Control Room. This project was awarded in the 5th edition of the Meeting to Discuss Operation-Related Matters (EDAO), the main event to debate the electrical system operation and its facilities, promoted by the National Electrical System Operator (ONS) and the Brazilian National Electric Power Generation and Transmission Committee ("CIGRÉ Brazil").

Yet, in 2018 our organizational climate survey achieved a record satisfaction rate, which maintained us in the industry benchmark group in climate management, according to Hay Group.

OPERATING PERFORMANCE

ISA CTEEP is an industry benchmark in terms of performance. We constantly pursue improved levels of efficiency, closely tracking operational indicators. Among these, of particular importance is the Index of Non-Supplied Energy ("IENS"), represented by the percentage between the total amount of energy not supplied during the year's events and the total amount of energy demanded by the Company that it did in fact supply. In 2018, IENS totaled 0.000303%, the best result in the past 15 years. To the effect of comparison, the National Interconnected System (SIN) registered 0.0117% in 2018.

Additionally, the availability indexes for assets, such as transmission lines, reached 99.9% in 2018.

Another highlight in 2018 was Asset Management, which proposes systematic and coordinated practices and activities to manage our assets in an optimal and sustainable manner throughout their life cycle. We made developments in asset management and will continue to make progress to reach results that are aligned to industry best practices regarding this aspect.

FINANCIAL-ECONOMIC PERFORMANCE – IFRS

The Company and its subsidiaries adopted the new Technical Pronouncements CPC 47 – Revenue from Contracts with Customers (IFRS 15) and CPC 48 – Financial Instruments (IFRS 9), revised by the Accounting Pronouncements Committee (CPC), the Brazilian Securities and Exchange Commission (CVM) and the International Accounting Standards Board (IASB), effective beginning January 01, 2018.

The Company's service revenue has been recognized and measure in accordance with such standards since January 01, 2018; however, their effects are not reflected in the figures of 2017, the comparative year.

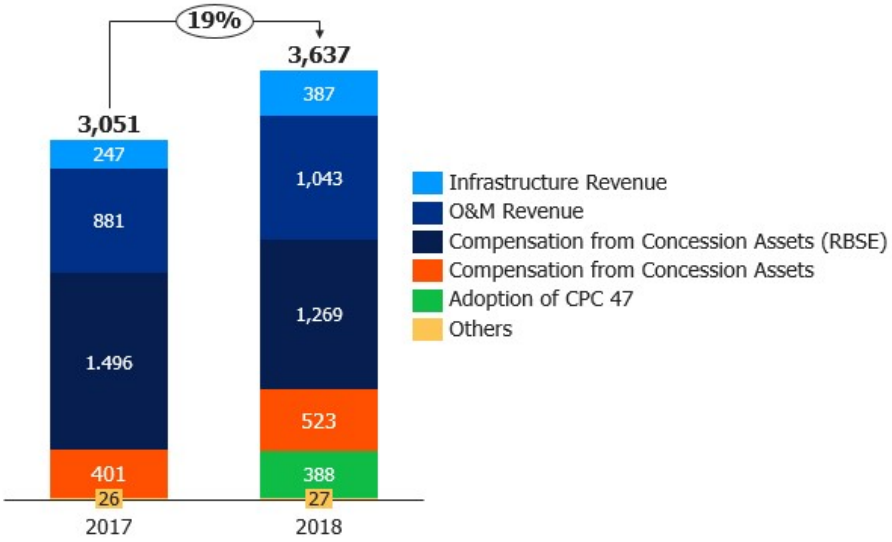
As a result of the application of **CPC 47**, all concessions of the Company and its subsidiaries were classified as **contract asset** in which the flow of receipts (RAP) is compensated at a rate of discount that includes industry risks and premiums and that is set at the start of each project and adjusted by the Extended Consumer Price Index (IPCA) and General Market Price Index (IGPM). For assets under construction, the defined infrastructure revenue is sufficient to cover the expenditures incurred and the project implementation charges. Any variances in relation to the project profitability are recognized in profit (loss) at the beginning of the operation. The application of CPC 47 generated a positive impact of R$188 million on profit for 2018 and R$680 million on equity.

The financial asset from reversible assets (RBSE), formerly classified as financial assets at amortized cost, is measured at **fair value** with the application of **CPC 48**.

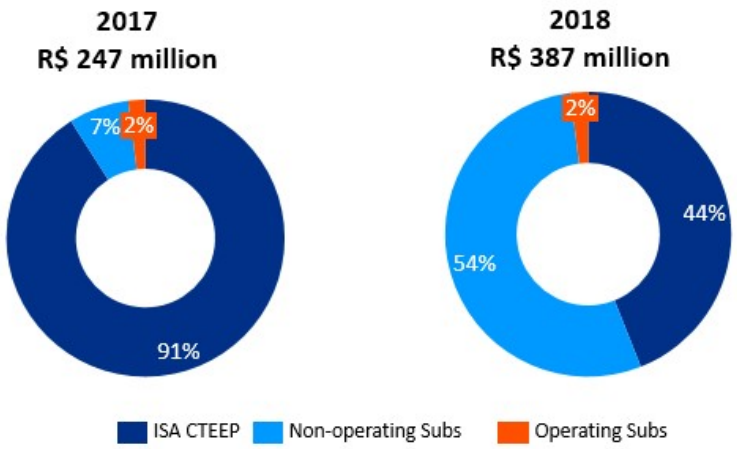
2018 IFRS Results

In 2018, Consolidated Gross Operating Revenue totaled R$3,637 million, a 19% increase when compared to 2017, which is mainly attributable to adoption of CPC 47 (+R$388 million) and the rise recorded in infrastructure revenue (+R$ 140 million) due to the advance in the completion of construction of subsidiaries.

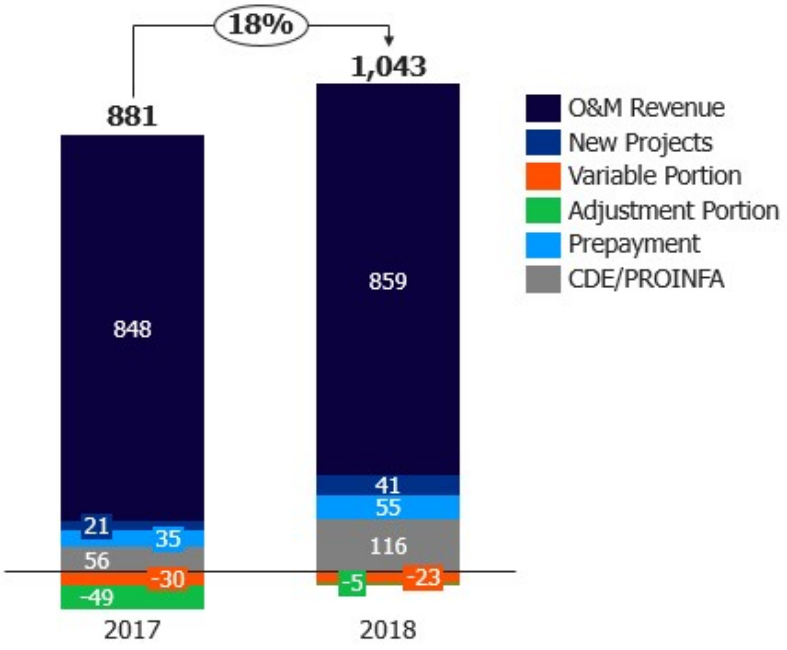
R$ million



- Consolidated **Infrastructure Revenue** totaled R$387 million in 2018, up 57% from 2017, primarily arising from the increased investments in subsidiaries in the pre-operating stage.



- Consolidated **Operation and Maintenance (O&M) Revenue** amounted to R$1,043 million in 2018, a rise of 18% in relation to 2017. This increase is mainly due to the positive variance in IPCA/IGPM applicable to the Annual Permitted Revenue (RAP) from the 2017/2018 to the 2018/2019 cycle; the variance in the adjustment portion; the placement into operation of new reinforcement and improvement projects, and the rise in the Energy Development Account (CDE) tariff for free consumers.



- **Revenue from Compensation from RBSE Concession Assets** (reversible assets) totaled R$1,269 million in 2018, a decrease of 15% when compared to 2017 mainly due to the nonrecurring recognition of the supplemental amount of R$ 432 million supported by the RBSE-related report, which was partially offset by the monthly IPCA adjustment and the inflation adjustment of the 2018/2019 RAP cycle.

- Consolidated **Revenue from Compensation from Concession Assets** was R$523 million in 2018, up 30% from 2017, chiefly reflecting the monthly recognition of the inflation effect and the updated IPCA and IGPM applicable to the adjustment of the 2018/2019 RAP cycle.

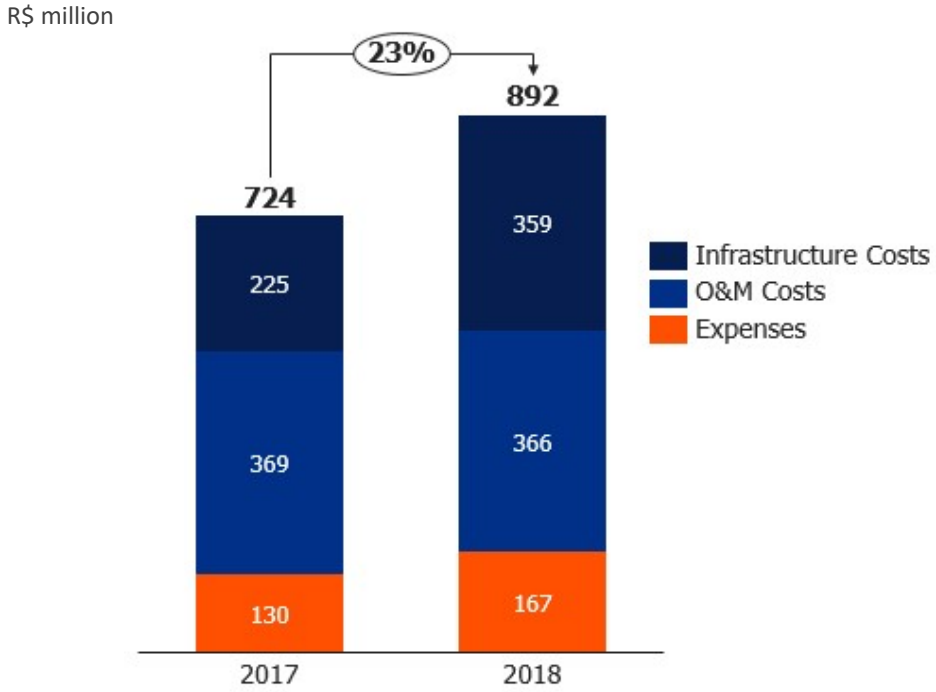
- The **adoption of CPC 47** resulted in a revenue of R$388 million being recorded in 2018, due to the change from the formerly used discount rate (TEJ) to the market rate.

- **Other Revenues** substantially refer to leases of infrastructure to telecommunication, optical fiber cable and lightning rod cable companies and totaled R$27 million in 2018. There was no significant variance in relation to 2017, when such revenues totaled R$26 million.

Consolidated **Deductions from Operating Revenue** achieved R$452 million in 2018, a 30% rise year-on-year, mainly due to the increased regulatory charges arising from the rise in the tariff of CDE related to free consumers.

As a result, consolidated **Net Operating Revenue** in 2018 reached R$3,185 million, an 18% increase when compared to the R$2,701 million recorded in 2017.

Administrative expenses and **infrastructure implementation services and O&M costs** in 2018 stood at R$892 million, up 23% from the R$724 million posted in 2017.



Consolidated **infrastructure costs** totaled R$359 million in 2018, a 60% year-on-year rise. This increase in in line with the variance in the infrastructure revenue, as a higher volume of purchases were made for use in the construction works related to the pre-operating subsidiaries.

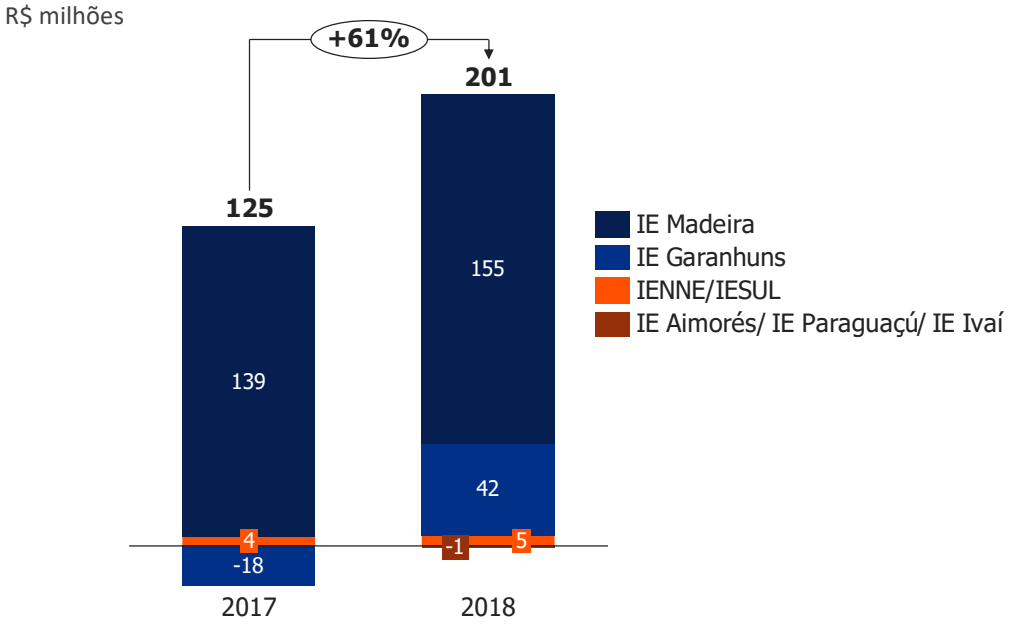
The variance in **operation and maintenance (O&M) costs** was negative, despite the inflation recorded in the period, which impacts the personnel account due to the collective bargaining agreement in 2018.

Consolidated **general administrative expenses** amounted to R$167 million in 2018, up 28% from 2017 mainly due to (i) the rise in lawsuits, (ii) higher personnel expenses recorded by virtue of the collective bargaining agreement (iii) the increase in outside services, namely external consulting, information technology, and legal fees, and (iv) higher expenses on projects falling under tax incentive laws.

Other operating income and expenses resulted in an expense of R$24 million, mainly due to the recognition of the acquisition of IESUL, in the amount of R$25 million. In 2017, an expense of R$55 million was recorded due to the nonrecurring provision for reversal of the facilities under the Existing System (RBSE), in the amount of R$57 million.

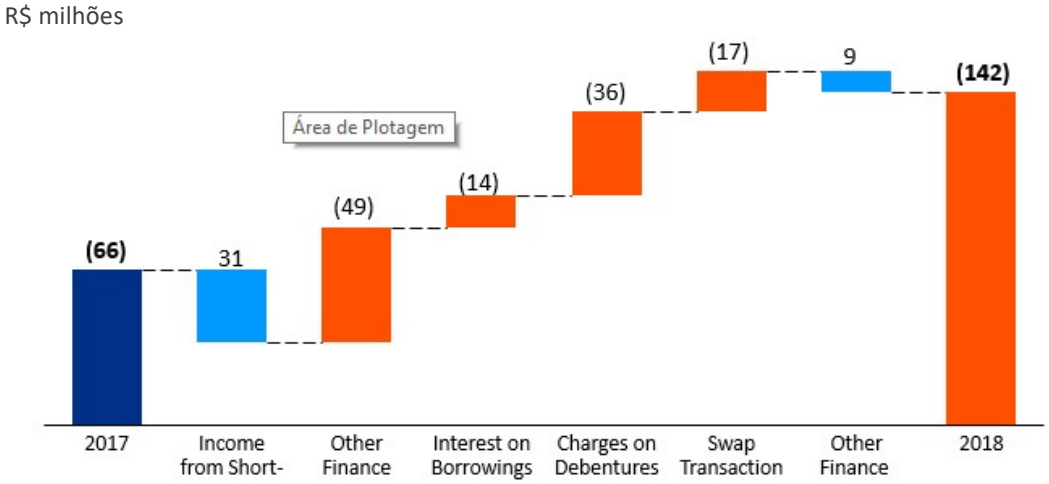
Consolidated **share of profit (loss) of investees** in 2018 recorded a revenue of R$201 million, a 61% rise in relation to 2017, primarily resulting from the negative impact of the tariff revision for IE Garanhuns

occurred in 2017, the adjustment of the 2018/2019 RAP cycle for inflation, and the adjustment of the monthly IPCA applicable to the flow from the concession finance asset.



Consolidated **Ebitda** in 2018, according to CVM Instruction No. 527/12, was R$2,471 million, a R$411 million increase in relation to the Ebitda recorded in 2017. The Ebitda margin in 2018 was 78%.

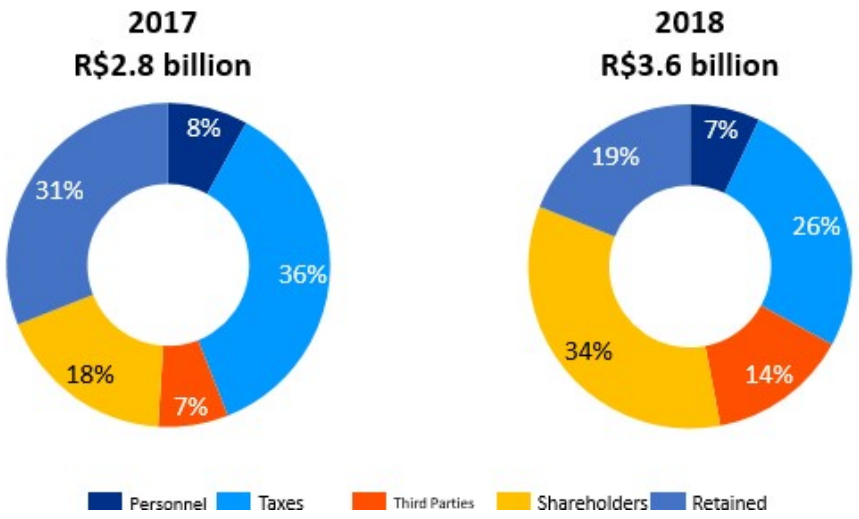
Finance income (costs) totaled an expense of R$142 million in 2018, compared to an expense of R$66 million in 2017. The variance is due to: (i) the nonrecurring recognition in 2017 of the reduction in interest and charges recorded as the Company joined the Special Tax Regularization Program (PERT), in the amount of R$54 million, (ii) the rise in charges and interest on borrowings as debt increased, which was offset by (iii) a higher income from short-term investments.



Income tax and social contribution declined 29%, totaling R$421 million in 2018, as a result of tax savings of R$201 million as interest on capital was paid to shareholders. The effective income tax and social contribution rate was 18% in 2018, compared to 30% in 2017.

Profit in 2018 amounted to R$1,895 million, up 37% from 2017 mainly attributable to: (i) the reduction in income tax and social contribution due to the payment of interest on capital; (ii) the adoption of CPC 47, which had an impact of R$188 million on 2018 profit, (iii) the revenue from the share of profit (loss) of investees, and (iv) the decline recorded in other operating expenses.

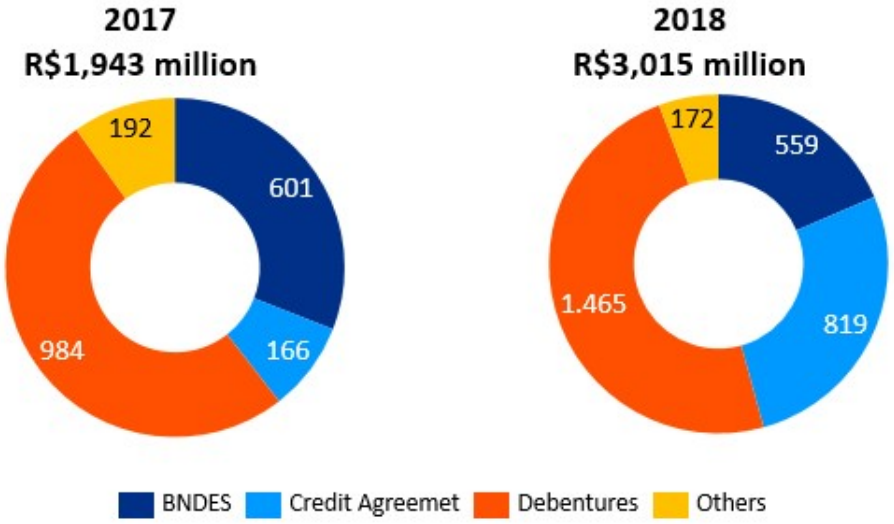
In 2018, based on the Statement of Value Added, the Company recorded wealth of R$3.6 billion, compared to R$2.8 billion in 2017.



INDEBTEDNESS

As at December 31, 2018, gross debt achieved R$3,015 million, a rise of R$1,072 million when compared to the balance posted as at December 31, 2017, mainly due to the capital raising conducted in the period, especially the 7th issuance of debentures (green bonds), in the amount of R$621 million, and Credit Agreement operations, under Law No. 4.131/62, in the amount of USD 210 million, for which swaps instruments were contracted to hedge against fluctuations in currency in the period.

The Company's consolidated cash and cash equivalents amounted to R$698 million at December 31, 2018, up 13% from December 31, 2017, when consolidated cash and cash equivalents totaled R$617 million. This rise is mainly due to a higher volume of funds raised in the period as well as generation of operating cash and the flow of receipts from RBSE (reversible assets). Consequently, the consolidated net debt totaled R$2,317 million.



The average cost of the consolidated debt decreased from 8.3% at December 31, 2017, to 7.9% p.a. at December 31, 2018. The average term of the consolidated debt at December 31, 2018 was 3.2 years.

RATING

Over 2018, Fitch Ratings affirmed the national scale long-term rating 'AAA+(bra)' of ISA CTEEP and its unsecured debentures (4th, 5th, 6th and 7th issuances), with a 'Stable' outlook.

SHAREHOLDERS' PAYOUT

Under the Company's bylaws, minimum dividends will be distributed at the higher amount between R$359 million and 25% of profit for the year. Additionally, extraordinary dividend payment may be made.

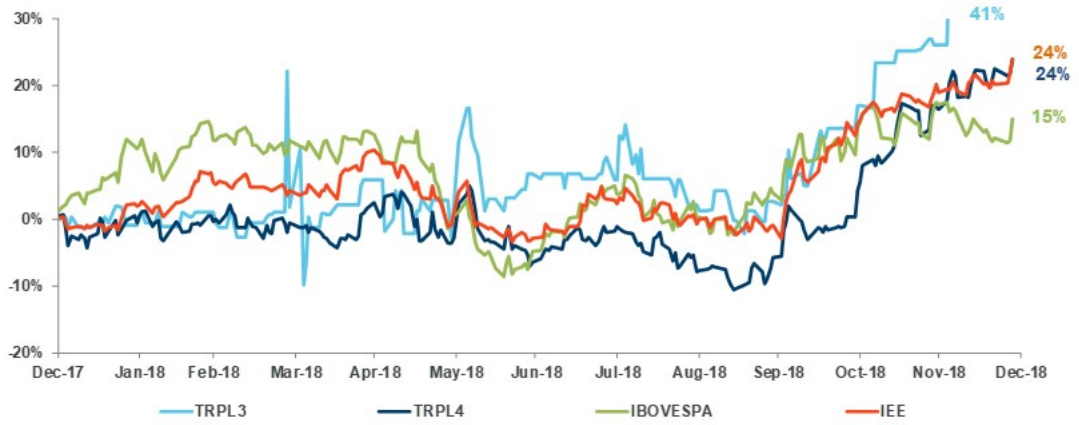
In June 2018, Management announced to the market the compensation practice by proposing distribution of at least 75% of the regulatory profit (used as a proxy for cash flow generation), subject to the General Shareholders Meeting's approval, limited to a maximum leverage of 3.0x Net Debt/EBITDA, and possibility of making interim dividends, as permitted by the bylaws.

In 2018, the Company paid out approximately R$2.0 billion, corresponding to R$12.05 per share. The payout in IFRS was 105% and on regulatory profit was 154%.

CAPITAL MARKET

ISA CTEEP has common ("TRPL3") and preferred shares ("TRPL4") listed and traded on the São Paulo Stock Exchange ("B3") and since 2002 has been also listed on Level 1 of the Corporate Governance segment, recognizing the value it places on ethics and transparency in its relationship with shareholders and other stakeholders. The Company's shares are part of several stock indexes, including the Corporate Governance Index in which companies with distinctive corporate governance standards are listed, and the Brazil 100 stock index, comprising companies with the most traded equities on B3. Additionally, the Company has an American Depositary Receipts ("ADRs") program – Rule 144A in the United States under the tickers "CTPTY" (common share) and "CTPZY" (preferred share).

The closing prices of ISA CTEEP's common and preferred shares in 2018 were R$68.89 and R$69.18, respectively. The Company's market value as at December 31, 2018 was R$11.4 billion. In December 2018, TRPL4's value reached the highest historical closing price recorded through that date, R$75.74 per share, and continue to achieve new records.
In 2018, ISA CTEEP preferred shares posted a daily trading volume at B3 of R$26.9 million, with daily trades averaging 2.3 thousand per day.



INDEPENDENT AUDITORS

Regarding the external audit services, ISA CTEEP declares that Ernst & Young Auditores Independentes S.S. only provided audit services related to the audit of the individual and consolidated financial statements for 2018.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Balance sheets
As at December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

		Parent		Consolidated	
Assets	**Note**	**2018**	**2017**	**2018**	**2017**
Current assets					
Cash and cash equivalents	5	6,224	3,031	16,740	6,585
Short-term investments	6	426,551	346,287	680,909	610,066
Concession assets - Contract	7	215,211	-	389,082	-
Concession assets - Financial	7	1,685,759	1,746,061	1,697,216	1,924,928
Inventories		36,485	34,896	39,173	37,639
Recoverable taxes	9	26,339	11,725	29,521	14,162
Derivative financial instruments	31	-	2,611	-	2,611
Restricted cash		1,787	1,141	1,787	1,141
Receivables from related parties	30	2,067	3,943	323	903
Prepaid expenses		8,285	4,604	8,384	4,607
Other		33,955	39,437	36,509	41,067
		2,442,663	**2,193,736**	**2,899,644**	**2,643,709**
Noncurrent assets					
Long-term assets					
Restricted cash	14	11,357	6,594	42,268	35,674
Concession assets - Contract	7	2,593,107	-	4,485,207	-
Concession assets - Financial	7	7,561,488	9,690,468	7,562,351	11,213,952
Receivables - Finance Department	8	1,426,083	1,312,791	1,426,083	1,312,791
Sureties and judicial deposits	10	66,344	66,389	66,987	66,414
Inventories		3,244	32,388	13,551	37,034
Deferred income tax and social contribution	29(b)	-	-	9,037	-
Post-employment benefit – Actuarial surplus	22(a)	105,444	-	105,444	-
Derivative financial instruments	31	235	-	2,643	-
Other		25,236	1,513	25,236	1,513
		11,792,538	**11,110,143**	**13,738,807**	**12,667,378**
Investments	11	3,514,001	3,089,974	1,848,092	1,880,845
Property, plant and equipment	12	25,447	22,782	25,539	22,879
Intangible assets	13	11,878	16,492	30,142	37,362
		3,551,326	**3,129,248**	**1,903,773**	**1,941,086**
		15,343,864	**14,239,391**	**15,642,580**	**14,608,464**
Total assets		**17,786,527**	**16,433,127**	**18,542,224**	**17,252,173**

The accompanying notes are an integral part of these financial statements.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Balance sheets
As at December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

		Parent		Consolidated	
Liabilities	**Note**	**2018**	**2017**	**2018**	**2017**
Current liabilities					
Borrowings and financing	14	280,729	209,511	334,067	268,588
Debentures	15	23,707	182,852	23,707	182,852
Trade payables		56,483	66,114	88,358	69,923
Taxes and social security contributions payable	16	50,934	86,118	54,382	90,502
Taxes in installments	17	-	57,997	-	57,997
Regulatory charges payable	19	38,834	14,973	40,262	16,550
Interest on capital and dividends payable	24(b)	7,835	3,112	7,835	3,112
Payroll and related taxes	20	36,867	35,108	37,047	36,344
Payables - Funcesp	22	4,250	2,056	4,250	2,056
Other		31,501	52,852	36,790	61,180
		531,140	**710,693**	**626,698**	**789,104**
Noncurrent liabilities					
Long-term liabilities					
Borrowings and financing	14	940,564	393,002	1,215,689	690,541
Debentures	15	1,441,504	801,007	1,441,504	801,007
Deferred PIS and Cofins (taxes on revenue)	18	1,085,129	1,032,436	1,176,566	1,147,381
Deferred income tax and social contribution	29(b)	2,544,469	2,308,785	2,603,438	2,418,125
Regulatory charges payable	19	32,238	50,378	35,925	54,250
Provisions	21	90,665	121,553	90,708	121,553
Global Reversal Reserve (RGR)	23	19,093	24,053	19,093	24,053
Other		33,078	6,503	33,078	6,503
		6,186,740	**4,737,717**	**6,616,001**	**5,263,413**
Equity					
Capital	24 (a)	3,590,020	3,590,020	3,590,020	3,590,020
Capital reserves	24 (c)	666	666	666	666
Earnings reserves	24 (d)	7,404,769	7,309,338	7,404,769	7,309,338
Other comprehensive income	24 (e)	73,192	-	73,192	-
Additional dividends proposed	24 (b)	-	84,693	-	84,693
		11,068,647	**10,984,717**	**11,068,647**	**10,984,717**
Noncontrolling interests in investment funds		-	-	230,878	214,939
		11,068,647	**10,984,717**	**11,299,525**	**11,199,656**
Total liabilities and equity		**17,786,527**	**16,433,127**	**18,542,224**	**17,252,173**

The accompanying notes are an integral part of these financial statements.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Income statements
For the years ended December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

		Parent		Consolidated	
	Note	**2018**	**2017**	**2018**	**2017**
Net operating revenue	25,1	2,750,621	2,529,462	3,184,654	2,701,193
Costs on infrastructure implementation services and operation and maintenance	26	(500,569)	(553,599)	(725,246)	(593,278)
Gross profit		**2,250,052**	**1,975,863**	**2,459,408**	**2,107,915**
Operating income (expenses)					
General and administrative expenses	26	(148,292)	(116,290)	(154,746)	(122,112)
Management fees	26 and 30	(10,749)	(7,585)	(11,890)	(8,282)
Other operating income (expenses), net	28	(23,480)	(54,958)	(34,736)	(55,006)
Share of profit (loss) of investees	11	405,590	228,307	200,822	124,806
		223,069	49,474	(550)	(60,594)
Profit before finance income (costs) and income taxes		**2,473,121**	**2,025,337**	**2,458,858**	**2,047,321**
Finance income	27	332,301	98,080	352,778	123,673
Finance costs	27	(468,926)	(171,046)	(494,992)	(189,889)
		(136,625)	(72,966)	(142,214)	(66,216)
Profit before income tax and social contribution		**2,336,496**	**1,952,371**	**2,316,644**	**1,981,105**
Income tax and social contribution					
Current	29	(400,243)	(346,610)	(407,423)	(354,491)
Deferred	29	(54,585)	(240,249)	(13,976)	(241,154)
		(454,828)	(586,859)	(421,399)	(595,645)
Profit for the year		**1,881,668**	**1,365,512**	**1,895,245**	**1,385,460**
Attributable to:					
Company's owners				1,881,668	1,365,512
Noncontrolling interests				13,577	19,948
Basic earnings per share	24 (f)	11,42337	8,28985		
Diluted earnings per share	24 (f)	11,42208	8,28898		

The accompanying notes are an integral part of these financial statements.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Statements of comprehensive income
for the years ended December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

		Parent		Consolidated	
	Note	**2018**	**2017**	**2018**	**2017**
Profit for the year		1,881,668	1,365,512	1,895,245	1,385,460
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss:					
Post-employment benefit - Actuarial surplus	22(a)	107,360	-	107,360	-
Deferred income tax and social contribution	29(b)	(36,502)	-	(36,502)	-
Adjustment subsidiaries' financial instruments, under equity accounting	31(a)	2,408	-	2,408	-
Deferred income tax and social contribution	29(b)	(74)	-	(74)	-
Total other comprehensive income, net		**73,192**	**-**	**73,192**	**-**
Total comprehensive income for the year		**1,954,860**	**1,365,512**	**1,968,437**	**1,385,460**
Attributable to:					
Company's owners				1,954,860	1,365,512
Noncontrolling interests				13,577	19,948

The accompanying notes are an integral part of these financial statements.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Statements of changes in equity
for the years ended December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

														Parent and Consolidated
					Earnings reserves									
	Note	Capital	Capital reserves	Funds intended for capital increase	Legal reserve	Statutory reserve	Earnings retention reserve	Unrealized special earnings reserve	Retained earnings	Additional dividends proposed	Other comprehensive income	Total	Noncontrolling interest	Total
As at December 31, 2016		**2,372,437**	**1,217,583**	**666**	**474,488**	**237,244**	**1,491,748**	**4,324,224**	**-**	**-**	**-**	**10,118,390**	**178,733**	**10,297,123**
Capital increase	24(a)	1,217,583	(1,216,917)	(666)	-	-	-	-	-	-	-	-	-	-
Forfeited interest on capital		-	-	-	-	-	-	-	671	-	-	671	-	671
Forfeited dividends		-	-	-	-	-	-	-	544	-	-	544	-	544
Acquisition of additional interest from noncontrolling shareholders		-	-	-	-	-	-	-	-	-	-	-	16,258	16,258
Profit for the year		-	-	-	-	-	-	-	1,365,512	-	-	1,365,512	19,948	1,385,460
Profit allocation:										-	-			
Recognition of legal reserve	24(b)	-	-	-	68,275	-	-	-	(68,275)	-	-	-	-	-
Recognition of statutory reserve	24(b)	-	-	-	-	259,447	-	-	(259,447)	-	-	-	-	-
Recognition of special unrealized earnings reserve	24(b)	-	-	-	-	-	-	453,912	(453,912)	-	-	-	-	-
Interim dividends (R$0.819569 per share)	24(b)	-	-	-	-	-	-	-	(135,000)	-	-	(135,000)	-	(135,000)
Interim dividends (R$2.218299 per share)	24(b)	-	-	-	-	-	-	-	(365,400)	-	-	(365,400)	-	(365,400)
Additional dividends proposed	24(b)	-	-	-	-	-	-	-	(84,693)	84,693	-	-	-	-
As at December 31, 2017		**3,590,020**	**666**	**-**	**542,763**	**496,691**	**1,491,748**	**4,778,136**	**-**	**84,693**	**-**	**10,984,717**	**214,939**	**11,199,656**
Adoption CPC 47, effective January 01, 2018	24 (d)	-	-	-	-	-	-	-	198,051	-	-	198,051	-	198,051
Recognition of special unrealized earnings reserve - adoption CPC 47	-	-	-	-	-	-	-	198,051	(198,051)	-	-	-	-	-
Additional dividends proposed	24(b)	-	-	-	-	-	-	-	-	(84,693)	-	(84,693)	-	(84,693)
Forfeited dividends	-	-	-	-	-	-	-	-	1,017	-	-	1,017	-	1,017
Acquisition of additional interest from noncontrolling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	2,362	2,362
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-
Post-employment benefit - Actuarial surplus	22(a)	-	-	-	-	-	-	-	-	-	107,360	107,360	-	107,360
Deferred income tax and social contribution	29(b)	-	-	-	-	-	-	-	-	-	(36,502)	(36,502)	-	(36,502)
Adjustment subsidiaries' financial instruments, under equity accounting	24(e)	-	-	-	-	-	-	-	-	-	2,408	2,408	-	2,408
Deferred income tax and social contribution	24(e)	-	-	-	-	-	-	-	-	-	(74)	(74)	-	(74)
Profit for the year		-	-	-	-	-	-	-	1,881,668	-	-	1,881,668	13,577	1,895,245
Profit allocation:		-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of legal reserve	24(b)	-	-	-	94,083	-	-	-	(94,083)	-	-	-	-	-
Recognition of statutory reserve	24(b)	-	-	-	-	357,517	-	-	(357,517)	-	-	-	-	-
Recognition of special unrealized earnings reserve, net	24(b)	-	-	-	-	-	-	62,415	(62,415)	-	-	-	-	-
Recognition of earnings retention reserve	24(b)	-	-	-	-	-	143,670	-	(143,670)	-	-	-	-	-
Interest on capital paid (R$3.593960 per share)	24(b)	-	-	-	-	-	-	-	(592,000)	-	-	(592,000)	-	(592,000)
Interim dividends (R$4.615728 per share)	24(b)	-	-	-	-	-	(760,305)	-	-	-	-	(760,305)	-	(760,305)
Interim dividends (R$3.842866 per share)	24(b)	-	-	-	-	-	-	-	(633,000)	-	-	(633,000)	-	(633,000)
As at December 31, 2018		**3,590,020**	**666**	**-**	**636,846**	**854,208**	**875,113**	**5,038,602**	**-**	**-**	**73,192**	**11,068,647**	**230,878**	**11,299,525**

The accompanying notes are an integral part of these financial statements.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Statements of cash flows
for the years ended December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash flow from operating activities				
Profit for the year	1,881,668	1,365,512	1,895,245	1,385,460
Adjustments to reconcile profit to cash provided by operating activities				
Deferred PIS and Cofins (note 18)	9,345	86,956	(29,041)	87,778
Depreciation and amortization (note 26)	8,347	8,873	9,214	9,627
Deferred income tax and social contribution (Note 29 [a])	54,586	240,249	13,976	241,154
Lawsuits (note 21 [a])	(27,090)	(27,967)	(27,070)	(27,982)
Residual cost of property, plant and equipment/intangible assets disposed of (notes 12 and 13)	599	510	599	510
Tax benefits - merged goodwill (note 28)	37	37	37	37
Realization of concession asset in acquisition of subsidiary (note 11 [a])	2,490	2,490	2,490	2,490
Realization of loss in jointly-controlled subsidiary (note 11 [a])	(2,093)	(2,195)	(2,093)	(2,195)
Gain (loss) on acquisition of control	24,756	(5,042)	24,756	(5,042)
Share of profit (loss) of investee (note 11 [a])	(405,590)	(228,307)	(200,822)	(124,806)
Interest, inflation adjustments and exchange rate changes of assets and liabilities	160,350	127,210	186,416	145,426
	1,707,405	1,568,326	1,873,707	1,712,457
(Increase) decrease in assets				
Restricted cash	(5,409)	(6,594)	(5,494)	(7,631)
Concession asset - Investment in infrastructure	(169,297)	(225,082)	(387,115)	(247,126)
Concession asset - RBSE receivable	1,786,291	661,267	1,786,291	661,267
Concession asset	(1,723,832)	(1,505,553)	(1,697,608)	(1,513,212)
Concession asset - Operation & maintenance	(43,570)	(52,216)	(43,488)	(53,851)
Inventories	27,555	(6,050)	21,949	(4,438)
Recoverable taxes	(14,614)	(3,379)	(14,546)	(3,316)
Prepaid expenses	(3,681)	5,500	(3,765)	5,696
Sureties and judicial deposits	4,478	6,777	4,478	6,761
Receivables - Finance Department	(113,292)	(162,433)	(113,292)	(162,433)
Receivables from subsidiaries	(920)	(797)	580	1,945
Other	(18,275)	1,127	(16,090)	1,832
	(274,566)	(1,288,533)	(468,100)	(1,314,506)
Increase (decrease) in liabilities				
Trade payables	(9,631)	26,835	15,212	24,598
Taxes and social security contributions payable	(35,143)	57,768	(36,585)	59,683
Payroll and related taxes	1,759	2,546	656	2,668
Taxes in installments	(58,146)	(86,777)	(58,146)	(86,777)
Regulatory charges payable	3,535	19,917	2,355	20,423
Provisions	(13,142)	(21,839)	(13,142)	(21,839)
Payables - Funcesp	2,194	(3,439)	2,194	(3,439)
Global Reversal Reserve (RGR)	(2,480)	-	(2,480)	-
Other	2,744	9,640	(1,294)	11,157
	(108,310)	4,651	(91,230)	6,474
Net cash provided by operating activities	**1,324,529**	**284,444**	**1,314,377**	**404,425**

The accompanying notes are an integral part of these financial statements.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Statements of cash flows
for the years ended December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash flows from investing activities				
Short-term investments	(80,264)	(221,808)	(54,966)	(237,724)
Property, plant and equipment (note 12)	(6,988)	(1,485)	(6,988)	(1,553)
Intangible assets (note 13)	(50)	(3,552)	(797)	(4,039)
Investments (note 11)	(224,842)	(147,713)	(51,381)	(119,113)
Cash acquired in business combinations	-	-	3,667	479
Dividends received (note 11 [a])	103,753	63,801	7,752	-
Cash provided by (used in) investing activities	**(208,391)**	**(310,757)**	**(102,713)**	**(361,950)**
Cash flows from financing activities				
Additions to borrowings (notes 14 and 15)	1,431,606	962,500	1,431,606	962,500
Repayment of borrowings (principal) (notes 14 and 15)	(406,035)	(220,352)	(453,451)	(250,123)
Repayment of borrowings (interest) (notes 14 and 15)	(92,317)	(78,295)	(119,888)	(96,725)
Transactions with noncontrolling shareholders	-	-	(13,577)	(19,948)
Derivative financial instruments	18,059	-	18,059	-
Dividends and interest on capital paid (note 23 [b])	(2,064,258)	(636,118)	(2,064,258)	(636,118)
Cash flows provided by (used in) financing activities	**(1,112,945)**	**27,735**	**(1,201,509)**	**(40,414)**
Increase in cash and cash equivalents, net	**3,193**	**1,422**	**10,155**	**2,061**
Cash and cash equivalents at the beginning of year	3,031	1,609	6,585	4,524
Cash and cash equivalents at the end of year	6,224	3,031	16,740	6,585
Changes in cash and cash equivalents	**3,193**	**1,422**	**10,155**	**2,061**

The total income tax and social contribution paid by the Company and its subsidiaries in 2018 was R$421,021 (R$293,095 in 2017) and R$427,058 (R$297,996 in 2017), respectively, of which R$298,841 in 2018 (R$204,034 in 2017) due to accounts receivable collected - Law No. 12.783 – SE, Parent and consolidated.

The accompanying notes are an integral part of these financial statements.

CTEEP – Companhia de Transmissão de Energia Elétrica Paulista

Statements of value added
for the years ended December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Revenue				
Operating revenue	3,182,317	2,864,941	3,636,827	3,050,502
Other	15,246	14,813	15,256	14,822
	3,197,563	2,879,754	3,652,083	3,065,324
Inputs acquired from third parties				
Cost of services	(28,932)	(29,066)	(38,038)	(36,658)
Materials, electric power, outside services and other	(319,792)	(402,779)	(541,231)	(427,215)
	(348,724)	(431,845)	(579,269)	(463,873)
Gross value added	**2,848,839**	**2,447,909**	**3,072,814**	**2,601,451**
Retentions				
Depreciation and amortization	(8,347)	(8,873)	(9,214)	(9,627)
Net wealth created by the entity	**2,840,492**	**2,439,036**	**3,063,600**	**2,591,824**
Received in transfer				
Share of profit of investees	405,588	228,307	200,822	124,806
Finance income	332,301	98,080	352,778	123,673
Total wealth for distribution	**3,578,381**	**2,765,423**	**3,617,200**	**2,840,303**
Wealth distributed				
Personnel				
Salaries and wages	(173,242)	(148,199)	(179,898)	(156,448)
Benefits	(58,264)	(56,184)	(60,487)	(58,186)
Severance Pay Fund (FGTS)	(21,108)	(19,134)	(21,660)	(19,641)
	(252,614)	(223,517)	(262,045)	(234,275)
Taxes and contributions				
Federal	(927,782)	(967,320)	(916,107)	(991,662)
State	(711)	(884)	(791)	(898)
Municipal	(34,811)	(28,993)	(34,828)	(29,006)
	(963,304)	(997,197)	(951,726)	(1,021,566)

The accompanying notes are an integral part of these financial statements.

Statements of value added
for the years ended December 31, 2018 and 2017
(In thousands of reais, unless stated otherwise)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Lenders and lessors				
Rentals	(12,525)	(12,740)	(13,919)	(13,837)
Interest, inflation adjustments and exchange rate changes	(468,270)	(166,457)	(494,265)	(185,165)
	(480,795)	(179,197)	(508,184)	(199,002)
Shareholders				
Interest on capital and dividends	(1,225,000)	(500,400)	(1,225,000)	(500,400)
Retained earnings	**656,668**	**865,112**	**670,245**	**885,060**

The accompanying notes are an integral part of these financial statements.

1. General information

1.1 Corporate purpose

CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("ISA CTEEP", "CTEEP" or "Company") is a publicly-held company authorized to operate as an electric power public service concessionaire, and is principally engaged in the planning, infrastructure implementation, and operation and maintenance of subordinated power transmission systems. In performing its operating activities, the Company is required to make investments and manage research & development programs related to power transmission and other activities related to the technology available. These activities are regulated and supervised by the National Electric Power Agency ("ANEEL").

The Company derived from a partial spin-off of Companhia Energética de São Paulo ("CESP") and started to operate on April 1, 1999. In November 10, 2001, the Company merged EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A. ("EPTE"), which was originated from the partial spin-off of Eletropaulo - Eletricidade de São Paulo S.A.

In a privatization auction held on June 28, 2006 at São Paulo Stock Exchange (currently "B3 S.A. - Brasil, Bolsa, Balcão), in accordance with Invitation to Bid SF/001/2006, the State Government of São Paulo, then the controlling shareholder, sold their 31,341,890,064 common shares in CTEEP, corresponding to 50.10% of the common shares issued by CTEEP. The winning bidder was Interconexión Eléctrica S.A. E.S.P. ("ISA").

Currently, the Company is consolidated in the electric power transmission sector, operating as a group, directly controls 12 companies and have shared control of other five companies, which, together, hold 25 concession agreements (note 1.2) and 18,642 kilometers of lines built and 2,041 kilometers in the pre-operating stage.

The Company's shares are traded on B3 S.A. – Brasil, Bolsa, Balcão. Additionally, CTEEP has an American Depositary Receipts (ADRs) program - Rule 144 A in the United States. The depositary of the ADRs is JP Morgan Chase Bank and the custodian is Banco Santander.

The Company has adopted B3's Differentiated Corporate Governance Practices - Level 1 since September 2002. The commitments undertaken in adhering to such practices ensure greater transparency by the Company towards the market, investors and shareholders, thus facilitating the monitoring of Management's actions.

The Company is a member of Brasil Amplo Index (IBRA), Brazil 100 Index, Dividends Index (IDIV), Electric Power Index, Index of Shares with Differentiated Corporate Governance (IGCX), Trade Corporate Governance Index (IGCT), Small Cap Index and Public (BZUTIL).

1.2 Concessions

The Company and its subsidiaries are authorized to operate the following concession agreements relating to electric energy transmission services:

					Periodic Tariff Revision			Annual Permitted Revenue - RAP	
Concessionaire	**Agree-ment**	**Sta-ke (%)**	**Term (years)**	**Maturity**	**Term/ years**	**Next**	**Adjust. index**	**R$ thousand**	**Base Month**
CTEEP (i)	059/2001		30	12.31.42	5	2019	IPCA	2,421,123	06/18
Subsidiaries									
IE Serra do Japi	143/2001	100	30	12.20.31	n/a	n/a	IGPM	22,422	06/18
IEMG	004/2007	100	30	04.23.37	5	2022	IPCA	18,120	06/18
IENNE (ii)	001/2008	100	30	03.16.38	5	2023	IPCA	44,279	06/18
IE Pinheiros	012/2008	100	30	10.15.38	5	2019	IPCA	10,749	06/18
IESul (iii)	013/2008	100	30	10.15.38	5	2019	IPCA	6,155	06/18
IE Pinheiros	015/2008	100	30	10.15.38	5	2019	IPCA	34,823	06/18
IESul (iii)	016/2008	100	30	10.15.38	5	2019	IPCA	11,716	06/18
IE Pinheiros	018/2008	100	30	10.15.38	5	2019	IPCA	6,061	06/18
Evrecy	020/2008	100	30	07.17.25	4	2021	IGPM	7,164	06/18
IE Serra do Japi	026/2009	100	30	11.18.39	5	2020	IPCA	37,243	06/18
IE Pinheiros	021/2011	100	30	12.09.41	5	2022	IPCA	2,344	06/18
IE Itaúnas	018/2017	100	30	02.10.47	5	2022	IPCA	47,200	RAP auctioned
IE Tibagi	026/2017	100	30	08.11.47	5	2023	IPCA	18,371	RAP auctioned
IE Itaquerê	027/2017	100	30	08.11.47	5	2023	IPCA	46,183	RAP auctioned
IE Itapura	042/2017	100	30	08.11.47	5	2023	IPCA	10,729	RAP auctioned
IE Aguapeí	046/2017	100	30	08.11.47	5	2023	IPCA	53,678	RAP auctioned
IE Biguaçu	012/2018	100	30	09.20.48	5	2024	IPCA	38,231	RAP auctioned
IE Itapura	021/2018	100	30	09.20.48	5	2024	IPCA	10,114	RAP auctioned
Jointly-controlled									
IEMadeira	013/2009	51	30	02.25.39	5	2019	IPCA	303,736	06/18
IEMadeira (iv)	015/2009	51	30	02.25.39	5	2019	IPCA	193,155	06/18
IEGaranhuns	022/2011	51	30	12.09.41	5	2022	IPCA	87,125	06/18
Paraguaçu	003/2017	50	30	02.10.47	5	2022	IPCA	106,613	RAP ofertada
Aimorés	004/2017	50	30	02.10.47	5	2022	IPCA	71,425	RAP ofertada
Ivaí (v)	022/2017	50	30	08.11.47	5	2023	IPCA	267,317	RAP ofertada

(i) In CTEEP, the Annual Permitted Revenue ("RAP") relating to the Existing Service ("SE") assets is R$1,461,152 as of June 2018. The Periodic Tariff Revision (RTP) by energy transmission concessionaires was postponed to July 2019, with effects retrospective to July 201, according to Technical Note No. 79/2018-SRM/ANEEL.

(ii) In September 2017, the Company acquired the equity interest held by other shareholders (75%) and became the holder of 100% of IENNE shares (note 11).

(iii) In September 2018, the Company acquired the equity interest held by Cymi Construções e Participações S.A (CYMI), corresponding to 50% less 1 share in the total capital of thus becoming the holder of 100% of the shares (note 11).

(iv) In May 2014, the facilities under Concession Agreement 015/2009 for the jointly-controlled entity IE Madeira were completed and delivered to the National Electric System Operator ("ONS") for testing. In June 2014, considering the existence of systemic and third-party restrictions, ONS issued the Partial Release

Agreement ("TLP") for provisional commercial operation. Currently, facilities are operating with tests yet to be completed: (i) some tests have not yet been authorized by ONS due to system restrictions and (ii) the completion of joint studies (paralleling poles). Despite not interfering with the converters' capacity to transmit energy at their full power, these pending issues may influence in their operations for some types of configuration, keeping the application of the reduction factor equivalent to 10% of the revenue associated to the agreement. On March 13, 2018, IE Madeira received a Circular Letter from SCT (ANEEL's Superintendence of Transmission and Distribution Concessions, Permits and Authorization) informing the company that an administrative proceeding was started regarding the likelihood of a loss event in the amount of R$99.9 million, due to its failure to fully complete the transmission facilities under Concession Agreement No. 015/2009, since parts and/or operating requirements under the Agreement were not delivered. IE Madeira replied to ANEEL, informing that the facilities commissioning step was already completed and that only certain pending aspects need to be addressed by the company and third parties so that the Final Release Instrument ("TLD") may be obtained.

In IE Madeira's and its legal advisors' opinion, the application of a penalty as intended by ANEEL lacks legal grounds, since it is not mentioned in the Auction Notice and in IE Madeira Concession Agreement.

(v) On December 18, 2018, the corporate name of ERB1 - Elétricas Reunidas do Brasil S.A. was changed to Interligação Elétrica Ivaí S.A.

All concession arrangements above provide for the right of compensation from concession-related assets at the end of their term. For agreements subject to periodic tariff revision, according to ANEEL regulations, yielding income on investments in expansion, enhancements and improvements is provided for.

Law No. 12.783/2013

The Extraordinary Shareholders Meeting of December 3, 2012 unanimously approved the extension Concession Agreement No. 059/2001, under Law No. 12783/2013, to December 2042, ensuring the Company the right to receive the amounts relating to NI and SE assets (*).

For amounts relating to NI assets, equivalent to R$2,891,291, according to Interministerial Ruling No. 580, were received from 2013 and 2015 (note 7).

For the SE amounts, ANEEL Order No. 1484/17, of May 30, 2017, recognized as the total value of the assets the amount of R$4,094,440 as at December 31, 2012. The initial impact of RBSE amounts was accounted for in September 2016, and the additional value recognized by ANEEL was recognized during the second quarter of 2017 in Trade receivables (concession asset) (note 7 (d) (ii)).

As disclosed in a material fact notice of April 11, 2017, a temporary injunction granted in connection with a lawsuit filed by three business associations determined the exclusion, on a provisional basis, of the "remuneration" portion provided for in article 15, paragraph 2, of Law No. 12783/13 and consequent recalculation of the Annual Permitted Revenues (RAPs) by ANEEL. In complying with such injunction, ANEEL issued Technical Notice No. 170/17 providing for the new calculation whereby the capital cost was excluded from the RAP amounts (note 7). Based on the opinion of its legal counsel, the Company understands that this is a provisional order and that the Company's right to receive the RBSE asset amounts is assured by law. Therefore, no adjustment to the amount recorded through December 31, 2018 was deemed necessary.

(*) NI - facilities energized as of June 1, 2000.
SE - facilities of nondepreciated assets existing on May 31, 2000.

2 Presentation of financial statements

2.1 Basis of preparation and presentation

The individual interim financial information, identified as "Parent", and the consolidated interim financial information, identified as "Consolidated", has been prepared and is presented in accordance with the accounting practices adopted in Brazil, which comprise the provisions set out by Brazilian Corporate Law and the pronouncements, interpretations and guidance issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities Commission ("CVM"), which are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and disclose all relevant information for the financial statements, and only this information, which is consistent with that used by management in managing the Company.

Since there is no difference between the consolidated equity and consolidated profit or loss attributable to the Company's owners, included in the consolidated financial statements prepared in accordance with IFRS and the accounting practices adopted in Brazil, and the Company's equity and profit or loss, included in the individual financial statements, the Company elected to present the individual and consolidated financial statements as a single set, in a side-by-side format.

The individual and consolidated financial statements have been prepared based on the historical cost, unless stated otherwise, as described in the accounting policies described below. The historical cost is generally based on the value of the consideration paid in exchange for an asset.

Nonfinancial data included in these financial statements, such as electric power volume and capacity, contract information, projections, insurance and environment, was not audited.

These financial statements were approved and authorized for publication by the Board of Directors on February 28, 2019.

These financial statements, as well as the regulatory financial statements, mentioned in note 2.5, will be available on the Company's website from February 28 to April 30, 2019, respectively.

2.2 Functional and reporting currency

The financial statements of the Parent and each of its subsidiaries, included in the consolidated financial statements, are presented in Brazilian reais, the currency of the main economic environment where the companies operate ("functional currency").

2.3 Critical accounting judgments and key estimates and assumptions

The preparation of individual and consolidated financial statements requires Management to make judgments using estimates and assumptions based on objective and subjective factors and on the legal counsel´s opinion, to determine the appropriate amounts for recording certain transactions that affect assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

These judgments, estimates and assumptions are revised at least annually, and any adjustments are recognized in the period in which estimates are revised.

Critical judgments, estimates and assumptions are related to the following aspects: accounting for concession agreements, timing to recognize the contract financial assets, determination of infrastructure and operation & maintenance revenue, definition of the effective interest rate on the contract assets, recognition of deferred tax assets or liabilities, analysis of credit risk and other risks to determine the need to recognize provisions, including provision for tax, civil and labor risks.

- Accounting for concession arrangements

In accounting for concession agreements, the Company makes analyses that require Management's judgment, substantially, on the applicability of the interpretation of concession agreements, determination and classification of expenditures on the infrastructure implementation, expansion, reinforcement, and improvements as contract assets.

- Timing to recognize contract assets

The Company's management assesses the timing to recognize concession assets based on the economic features of each concession agreement. A contract assets arises when the concessionaires fulfills its obligation to build and implement the transmission infrastructure, with revenue being recognized over the term of the project. The contract asset is recorded with a contra entry to infrastructure revenue, which is recognized as expenditures are incurred. The indemnifiable portion of the contract asset is identified when the infrastructure implementation is completed.

- Determination of the discount rate of the contract asset

The rate applied to the contract asset is a discount rate that best represents the Company's estimate for the financial compensation from the transmission infrastructure investments, since risks and premiums specific to the business are considered. The rate to price the financial component of the contract asset is established at the date of start of each concession agreement. When the Grantor revises or adjusts the revenue the Company is entitled to receive, the bookkept contract asset amount is adjusted to reflect the revised flows, and the adjustment is recognized as income or expenses in profit or loss.

- Determination of infrastructure revenue

When the concessionaire provides infrastructure implementation services, the infrastructure revenue at fair value and the respective costs relating to the infrastructure implementation services are recognized, taking into consideration that sufficient margin to cover infrastructure implementation costs and charges is embedded in the projects.

- Determination of operation and maintenance revenues

When the concessionaire provides operation and maintenance services, revenue at fair value, based, among others, on the amounts estimated by the Grantor, and the respective costs are recognized, according to the consideration paid for the services.

2.4 Consolidation procedures

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

Control is obtained when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power in the investee.

Subsidiaries are fully consolidated from the date control is obtained until the date on which control ceases to exist.

As at December 31, 2018 and 2017, equity interests in subsidiaries were as follows:

		Equity interest - %		
	Reporting date	**12.31.2018**		**12.31.2017**
Subsidiaries				
Interligação Elétrica Serra do Japi S.A. (Serra do Japi)	12.31.2018	100		100
Interligação Elétrica de Minas Gerais S.A. (IEMG)	12.31.2018	100		100
Interligação Elétrica Norte e Nordeste S.A. (IENNE)	12.31.2018	100		100
Interligação Elétrica Pinheiros S.A. (Pinheiros)	12.31.2018	100		100
Interligação Elétrica do Sul S.A. (IESul) (**)	12.31.2018	100		50
Evrecy Participações Ltda. (Evrecy)	12.31.2018	100		100
Interligação Elétrica Itaúnas S.A. (Itaúnas)	12.31.2018	100		100
Interligação Elétrica Tibagi S.A. (Tibagi)	12.31.2018	100		100
Interligação Elétrica Itaquerê S.A. (Itaquerê)	12.31.2018	100		100
Interligação Elétrica Aguapeí S.A. (Aguapeí)	12.31.2018	100		100
Interligação Elétrica Biguaçu S.A. (Biguaçu)	12.31.2018	100		-
Interligação Elétrica Itapura S.A. (Itapura)	12.31.2018	100		100
Fundo de Investimento Referenciado DI Bandeirantes	12.31.2018	68	(*)	30
Fundo de Investimento Xavantes Referenciado DI	12.31.2018	43	(*)	72
Fundo de Investimento Assis Referenciado DI	12.31.2018	100	(*)	100

(*) Includes direct and indirect equity interests.
(**) In September 2018, IESUL became a subsidiary of the Company, which acquired the equity interest held by another shareholder (50%) and became the holder of 100% of the shares. Through the acquisition date, the Company was a party to a Shareholders Agreement that established the shared control of 50% of IESUL shares (note 11).

The following procedures were adopted in preparing the consolidated financial statements:

- elimination of subsidiaries' equity;
- elimination of profit (loss) of investees; and
- elimination of assets and liabilities, and income and expenses between consolidated entities.

The accounting policies were consistently applied to all consolidated companies, and the fiscal year of these companies coincides with that of the Parent.

Noncontrolling interests are reported as part of equity and profit and are presented separately in the consolidated financial statements.

Jointly-controlled entities are accounted for under the equity method of accounting, as required by CPCs 18, 19 (R2) and 36 (R3), and a shareholders' agreement governing the shared control has been executed.

As at December 31, 2018 and 2017, equity interests in jointly-controlled subsidiaries were as follows:

		Equity interest - %	
	Reporting date	**12.31.2018**	**12.31.2017**
Jointly-controlled subsidiaries			
Interligação Elétrica do Sul S.A. (IESul)	12.31.2018	-	50
Interligação Elétrica do Madeira S.A. (IEMadeira)	12.31.2018	51	51
Interligação Elétrica Garanhuns S.A. (IEGaranhuns)	12.31.2018	51	51
Interligação Elétrica Paraguaçu S.A. (Paraguaçu)	12.31.2018	50	50
Interligação Elétrica Aimorés S.A. (Aimorés)	12.31.2018	50	50
Interligação Elétrica Ivaí S.A. (Ivaí) (*)	12.31.2018	50	50

(*) On December 18, 2018, the corporate name of ERB1 - Elétricas Reunidas do Brasil S.A. was changed to Interligação Elétrica Ivaí S.A.

2.5 Regulatory Financial Statements

Pursuant to the Energy Industry Accounting Guide, the Company is required to disclose regulatory financial statements containing a complete set of financial statements for regulatory purposes. Regulatory financial statements must be presented independently from the current statutory financial statements

and are audited by the same firm as that engaged to audit the statutory financial statements and, as established in the Electricity Sector Accounting Manual (MCSE) and Energy Industry Accounting Guide and Order No. 4356, of December 22, 2017, issued by ANEEL, must be made available on ANEEL's and the Company's website through April 30, 2019.

3 Significant accounting policies

3.1 Revenue and expense recognition

Revenue and expenses are recorded on the accrual basis.

3.2 Revenue recognition

The Company and its subsidiaries applied CPC 47 – Revenue from Contracts with Customers beginning January 01, 2018. Additional information on the Company's accounting policies relating to contracts with customers and the effect of the initial application of CPC 47 is provided in notes 3.7 and 3.23.

Concessionaries are required to record and measure service revenue according to CPC 47 – Revenue from Contracts with Customers and CPC 48 – Financial Instruments, even though when services are provided under a single concession agreement. Revenues are recognized when or as the entity fulfills its performance obligations assumed under the contract with the customer and only when there is an approved contract; identifying the rights is possible; there is commercial substance and it is likely that the entity will receive the consideration it is entitled to. The Company's revenues are classified into the following groups:

(a) Infrastructure revenue

Refers to services such as infrastructure implementation, expansion, reinforcement and improvements in electric power transmission facilities. Infrastructure revenue is recognized as expenditures are incurred and is calculated plus PIS and Cofins rates at the investment value, since projects included sufficient margin to cover infrastructure implementation costs and charges, considering that most of their facilities are implemented under the outsourced contracts with unrelated parties. Any positive or negative changes in relation to the estimated margin are allocated at the end of each work.

All the construction margin is received for the duration of the work and any positive or negative changes are allocated immediately to profit or loss, when incurred. To estimate the Construction Revenue, the Company used a model that calculates the cost to finance the customer (in this case, the Grantor). The rate set for the construction (and operation) margin's net present value is defined at the beginning of the project and does not change subsequently; it is determined based on the customer´s credit risk and the financing term.

Beginning January 01, 2013, as Concession Agreement 059/2001, regulated by Law No. 12.783/2013, was extended, the Company has recognized infrastructure implementation revenue for improving electric power facilities, as prescribed by ANEEL Order No. 4.413, of December 27, 2013, and Normative Resolution No. 443, of July 26, 2011.

(b) Compensation from concession assets

Refers to interest recognized under the straight-line method at the rate that best represents the compensation from the transmission infrastructure investments, since the risks and premiums specific to the business are considered. The rate seeks to price the financial component of the contract asset, determined at the date of start of each concession agreement. The rate of return is applied on the total amount receivable from the future cash flow.

(c) Operation and maintenance revenue

Refers to services related to operation and maintenance of the electric power transmission facilities, which start after the construction phase and aim to ensuring the availability of these facilities.

3.3 Current and deferred income tax and social contribution

Current and deferred income tax and social contribution are calculated according to the legislation applicable, based on profit, adjusted by the inclusion of nondeductible expenses, exclusion of nontaxable revenues and inclusion and/or exclusion of temporary differences.

The Company elected to adopt the taxable income regime. Current and deferred income tax for the year is calculated at the rate of 15%, plus a surtax of 10% on taxable income exceeding R$240 for income tax, and current and deferred social contribution is calculated at the rate of 9% on taxable income; this calculation takes into consideration tax loss carryforwards, if any, limited to 30% of taxable income. Subsidiaries Pinheiros, IEMG, Serra do Japi, Evrecy, IENNE, Itaúnas, Tibagi, Itaquerê, Itapura, Aguapeí and Biguaçu elected to adopt the deemed income regime. Subsidiary IESUL elected to adopt the quarterly taxable income regime.

Deferred tax assets arising from temporary differences were recognized according to CVM Instruction No. 371, of June 27, 2002 and CPC 32 (IAS 32) – Taxes on Income, and considered the history of profitability and expectation that future taxable income will be generated, based on a technical feasibility study approved by management bodies.

The recovery of deferred tax assets is revised at the end of each year and, when it is no longer probable that future taxable income will be available to allow the recovery of all or part of the assets, these are adjusted for the expected recoverable amount.

Deferred tax assets and liabilities are measured using the tax rates applicable for the period in which the liability is expected to be settled or the asset is expected to be realized, based on the tax rates set forth in the tax law prevailing at the end of each year, or when a new legislation has been substantially approved.

Deferred tax assets and liabilities are offset only when there is the legal right to offset the current tax asset against the current tax liability and when they are related to the taxes managed by the same tax authority and the Company intends to settle its current tax assets and liabilities.

3.4 Taxes and regulatory charges fees on revenue

(a) Tax on services

Revenues, expenses and assets are recognized net of taxes on services, except when taxes on sales incurred upon the purchase of goods or services cannot be recovered from tax authorities, in which case taxes on services are recognized as part of the acquisition cost of the asset or expense item, as applicable.

(b) Regulatory charges

The regulatory charges below are part of the government's policies for the electric power sector and all of them are required by law. Their amounts are established by ANEEL Resolutions or Orders, based on which concessionaires charge their clients. by means of the electric power tariff, and are classified as regulatory charges payable in the balance sheet.

(i) Energy Development Account (CDE)

The Energy Deelopment Account (CDE) was created by Law No. 10438, of April 26, 2002, to provide funds for: i) the energy development in the States; ii) the competitiveness of the energy produced from wind power plants, small hydroelectric power plants, biomass, natural gas and mineral coal, in the areas serve by the interconnected electric power systems; iii) promote the universalization of the electric power service throughout the country. The CDE amount is set by ANEEL annually based on the power used by the consuming units connected to the transmission facilities. This amount is paid to the Electric Power Trade Chamber (CCEE) and transferred to the consuming units by means of the Transmission System Use Tariff (TUST).

(ii) Alternative Power Sources Incentive Program (PROINFA)

Launched by Law No. 10438, of April 26, 2002, Proinfa is aimed at increasing the share of alternative renewable power sources in Brazil, such as wind power plants, biomass and small hydroelectric power plants. The amount is set based on the expected electric power generation by plants taking part in Proinfa. This amount is paid to Eletrobras and transferred to the consuming units by means of the Transmission System Use Tariff (TUST).

(iii) Global Reversal Reserve (RGR)

This charge was created by Decree No. 41019, of February 26, 1957. Refers to an annual amount set by ANEEL, paid monthly in twelfths by concessionaires to provide fund for reversal and/or takeover of electric power supply services as well as to finance the expansion and improvement of such services. Pursuant to article 21 of Law No. 12.783/2013, beginning January 1, 2013, power transmission companies under concession agreements extended as set forth in the aforementioned Law are exempted from paying the annual RGR amount.

(iv) Research and Development (R&D)

Concessionaires of public services of electric power distribution, transmission and generation, the licensees of public services of electric power distribution, and the authorized independent producers of electric power, excluding those that generate energy exclusively from wind, sun, biomass, qualified cogeneration and small hydroelectric power plants, are required to invest annually a percentage of its net operating revenue (NOR) in Technological Research and Development projects in the electric power sector, according to regulations established by ANEEL.

(v) Electric Power Service Inspection Fee (TFSEE)

Created by Law No. 9.427/1996, TFSEE is applied on electric power generation, transmission, distribution and sale. According to article 29 of Law No. 12.783/2013, TFSEE is equivalent to 0.4% of the annual economic benefit amount.

3.5 Financial instruments

The Company and its subsidiaries applied the requirements of CPC 48 – Financial Instruments beginning January 01, 2018, relating to the classification and measurement of financial assets and financial liabilities and the measurement and recognition of impairment losses.

(a) Financial assets

(i) Classification and measurement

With the adoption of CPC 48, financial instruments have been classified into three categories: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The standards also eliminate the categories “held-to-maturity”, “loans and receivables” and “available for sale” provided for in CPC 38.

The classification of financial assets at the initial recognition depends on the characteristics of the contract cash flows and the business model used to manage such financial assets. Since January 01, 2018, the Company has disclosed financial instruments according to the categories mentioned above:

- *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss on initial recognition or financial assets that should mandatorily be measured at fair value.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss. Net changes in fair value are recognized in profit or loss.

Through December 31, 2017, the financial concession asset – Law No. 12.783 – SE was classified as a financial asset into the receivables category. Since January 01, 2018, this asset has been classified as a financial asset at fair value through profit or loss.

As at December 31, 2018 and 2017, other financial assets classified into this category are related to cash and cash equivalents and short-term investments.

- *Amortized Cost*

A financial asset is classified and measured at amortized cost when there is an intent to receive contract cash flows and generate cash flows that are "solely payments of principal and interest" on the outstanding principal amount. This valuation is performed at the instrument level.

Assets measured at amortized cost use effective interest rate method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

As at December 31, 2018 and 2017, the main financial assets classified into this category are receivables from the Finance Department and O&M services.

(i) Impairment of financial assets

CPC 48 replaces the "loss incurred" model provided for in CPC 38 with the prospective "expected credit loss" model. The new expected loss model will apply to financial assets measured at amortized cost or at fair value through other comprehensive income, except investments in equity instruments.

(ii) Derecognition of financial assets

A financial asset is derecognized when the contract rights to the cash flows of the asset expire or when the rights to receive contract cash flows on a financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset are transferred to third parties. Any interest created or retained by the Company in these financial assets is recognized as a separate asset or liability.

(b) Financial liabilities

Financial liabilities are classified at fair value through profit or loss when they are either held for trading or designated at fair value through profit or loss. Other financial liabilities (including borrowings) are measured at amortized cost using the effective interest method.

(c) Derivatives and hedging activities

CPC 48 provides for an approach to account for hedge based on Management´s risk management, mainly based on principles. One of the main amendments to the standard is the measurement of the effectiveness. The new standard requires management to evaluate the conditions and percentages of effectiveness, bringing a qualitative vision to the process.

The Company and its subsidiary Biguaçu use derivative financial instruments for hedging purposes such as interest rate swaps and forward currency contracts. These financial instruments are recognized initially at the fair value at the derivative contract date and are subsequently remeasured at fair value.

The Company designates and documents the hedge relationship to which it intends to apply the hedge accounting and the objective and strategy of the risk management to contract the hedge. The documentation includes the identification of the hedge instrument, the hedged item, the nature of the hedged risk and how the entity evaluates if the hedging relationship meets the hedge effectiveness requirements.

Financial instruments are classified as fair value hedge and cash flow hedge:

Fair value hedge*:* intended for hedging the exposure to changes in the fair value of an asset or liability. The changes in the fair value of a hedge instrument and the hedged item are recognized in profit or loss.

Cash flow hedge: Intended to hedge against changes in the cash flow that is attributable to a specific risk associated to an asset or liability. A financial instrument classified as cash flow hedge, the effective portion of the gain or loss of the hedge instrument is recognized in other comprehensive income whereas any ineffective portion is immediately recognized in the income statement. The amounts accrued in other comprehensive income are accounted for according to the nature
of the transaction originated by the hedged item. If the hedged item transaction subsequently results in the recognition of a non-financial item, the amount accrued in equity is included in the initial cost of the hedged asset or liability.

The Company's swap financial instruments are classified as fair value hedge and Biguaçu's forward currency contract is classified as cash flow hedge, as described in note 31.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, banks and short-term investments.

In order to be qualified as a cash equivalent, an investment needs to be readily convertible into a known cash amount and be subject to an insignificant risk of change in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, for example, three months or less from the date of acquisition.

3.7 Concession asset

As provided for in the concession agreement, the concessionaire operates as a service provider. The concessionaire implements, expands, reinforces or improve the infrastructure (infrastructure implementation services) used to provide a public utility service in addition to operating and maintaining this infrastructure (operation and maintenance services) during a specified term. The energy transmission company is compensated for the availability of the infrastructure over the term of the concession.

The concession agreement does not transfer the right to control the use of the public service infrastructure to the concessionaire. Only the assignment of ownership of these assets is expected for purposes of providing public services, which are reversed to the concession grantor after the end of the respective agreement. The concessionaire is entitled to operate the infrastructure for the provision of public services on behalf of the concession grantor, based on the terms and conditions set forth in the concession agreement.

Concessionaries are required to record and measure service revenue according to CPC 47 - Revenue from Contracts with Customers, CPC 48 - Financial Instruments and ICPC 01 (R1) - Concession Agreements. If the concessionaire provides more than one service governed by one single contract, the compensation received or receivable should be allocated based on the performance obligation based on the amounts relating to the services provided if the amounts are separately identifiable.

The concession asset records amount receivable relating to the infrastructure implementation, the compensation revenue from the concession asset, operation and maintenance services, and assets under Law No. 12.783 – SE, classified in:

(a) Concession assets - Financial

Concession Agreement No. 059/2001 was extended to December 2042 under Law No. 12.783/2013, ensuring the company the unconditional right to receive the amounts relating to the reversal of SE investments, not amortized, whose amounts are determinable according to conditions set forth in Ruling No. 120/16. This financial asset is formed by the cash flow regulated by ANEEL Technical Note No. 336/2016.

Financial assets recorded in "Assets under Law No. 12.783 - SE", since January 01, 2018, have been classified as measured at fair value through profit or loss, pursuant to CPC 48. As at December 31, 2017, these financial assets were classified as loans and receivables.

The operation and maintenance of the transmission infrastructure begins after the end of the construction phase and placement into service. The recognition of receivables and the respective revenue only originates after the performance obligation is completed monthly. Accordingly, these receivables, recorded in "O&M services", have been considered financial assets at amortized cost.

(b) Concession Assets - Contract

All the Company's and its subsidiaries' concessions were classified under the contract asset model beginning January 01, 2018, as required by CPC 47 – Revenue from Contracts with Customers. A contract asset originates when the concessionaire satisfies the obligation to build and implement the transmission infrastructure, with the revenue being recognized over the term of the project; however, receipt of cash flow is contingent on the satisfaction of the performance operation and maintenance obligation. Monthly, as the Company operates and maintains the infrastructure, the portion of the contract asset equivalent to the consideration for that month for the satisfaction of the construction performance obligation becomes a financial asset, since nothing other than the passage of time will be required for such amount to be received. The benefits of this asset are future cash flows.

The value of the contract asset of energy transmission concessionaires is formed by the present value of its future cash flows. The future cash flow is estimated at the beginning of the concession, or its extension, and the assumptions of its measurement are revised in the Periodic Tariff Revision (RTP).

Cash flows are defined based on the Annual Permitted Revenue (RAP), which is the consideration that concessionaires are paid for providing energy transmission public services to users. These receivables amortize the investments in this transmission infrastructure, and any unamortized investments (reversible assets) generate the Grantor's right to indemnity at the end of the concession agreement term. This flow of receipts is (i) compensated at a rate that represents the business financial component set at the start of each project, which ranges between 6.6% and 10.5%; and (ii) adjusted for inflation based on IPCA/IGPM.

The infrastructure implementation, which is an activity performed during the construction phase, is entitled to a consideration contingent on the completion of the work and performance obligations to operate and maintain, and not only the passage of time, and the revenue and costs on works relating to the formation of this asset are recognized through expenditures incurred.

Therefore, the consideration for the infrastructure implementation services made over the concession assets beginning January 01, 2018, have been recorded in "Infrastructure implementation", as a contract asset, since their right to the consideration is still contingent on the satisfaction of another performance obligation.

Infrastructure implementation revenues and revenues from compensation on concession assets are subject to deferral of cumulative PIS and Cofins (taxes on revenue), recorded in "deferred taxes", in noncurrent liabilities.

3.8 Inventories

Inventories are reported by items of the maintenance store room and recorded at the lower of cost and net realizable value. Inventory costs are determined at average cost method.

3.9 Investments

In the individual financial statements (Parent), the Company recognizes and states investments in subsidiaries and jointly-controlled subsidiaries under the equity method. In consolidated, only jointly-controlled subsidiaries are recognized.

3.10 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, based on the fair value on acquisition date, and the amount of any noncontrolling interest in the acquiree. Costs directly attributable to the acquisition are accounted for as expense when incurred.

When acquiring a business, the Company measures the financial assets acquired and financial liabilities assumed for the purpose of classifying and allocating them according to the contractual terms, the economic circumstances and the conditions prevailing on the acquisition date.

The goodwill is initially measured as the excess of the consideration transferred in relation to the fair value of the net assets acquired (identifiable assets acquired less the liabilities assumed). If the consideration is lower than the fair value of the net assets acquired, the difference should be recognized as a gain in the income statement.

The realization of intangible assets arising from the acquisition of right of operation, concession or permission granted by government occurs in the estimated or contracted term of utilization, effectiveness or loss of economic substance, or derecognition due to sale or impairment of the investment.

3.11 Property, plant and equipment

Basically, represented by administrative assets. Depreciation is calculated on a straight-line basis, based on the estimated economic useful life of the assets.

Other expenses are capitalized only when there is an increase in the economic benefits derived from such property, plant and equipment item. Any other type of cost is recognized in profit or loss as expense, when incurred.

3.12 Intangible assets

Separately acquired intangible assets are carried at cost on initial recognition.

The useful life of intangible assets is either finite or indefinite: (i) intangible assets with finite useful life are amortized over their useful lives and tested for impairment whenever there is any indication that the asset might be impaired. (ii) intangible assets with indefinite useful lives are not amortized, but they are tested for impairment at least on an annual basis, either individually or at the level of the cash-generating unit.

Gains or losses arising from the write-off of an intangible asset are calculated as the difference between the net revenue from sale and its carrying amount and are recognized in the statement of profit and loss when the asset is

written off.

3.13 Leases

(a) The Company as lessee

- *Operating leases*

Operating lease payments are recognized as expenses on a straight-line basis over the lease term, except when another approach is more appropriate to reflect the timing the economic benefits of the leased asset are consumed. Contingent operating lease payments are recognized as an expense when incurred.

- *Finance leases*

Initially, finance leases are recognized as balances of assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, at the present value of minimum lease payments.

The discount rate to be used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease, if practicable, or the entity's incremental borrowing rate. Any direct initial costs of the lessee are added to the amount recognized in assets.

3.14 Other current and noncurrent assets

Stated at their net realizable value.

Expected losses for reduction of the carrying amount to the recoverable value are recognized at the amounts considered as unlikely for the realization of assets on the balance sheet date.

3.15 Current and noncurrent liabilities

Stated at known or estimated amounts, plus charges, inflation adjustment and/or exchange gains or losses incurred through the balance sheet date, when applicable.

3.16 Provisions

Provisions are recognized for present obligations resulting from past events, when it is possible to reliably estimate the amounts and whose financial settlement is probable.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured based on the cash flows estimated to settle an obligation, its carrying amount corresponds to the present value of such cash flows.

Provisions are quantified at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks. Provisions are adjusted through the balance sheet date for the probable loss amount, according to the nature of each contingency and based on the opinion of the Company's and its subsidiaries' legal counsel.

Provisions for risks are recognized when the Company and its subsidiaries have a legal or constructive obligation as a result of past events, and it is probable that a cash disbursement will be required to settle the obligation, and its present value can be reliably estimated.

The bases for and nature of the provisions for tax, civil, and labor risks are described in Note 21 (a).

3.17 Employee benefits

The Company sponsors supplementary retirement and death benefit plans for its employees, former employees and related beneficiaries, administered by Fundação CEPS (Funcesp), the objective of which is to supplement the social security benefits.

Payments to defined contribution plans are recognized as expense when the services they entitle to are provided.

In the actuarial appraisal of the liabilities under this plan, the projected unit credit method was adopted, according to CPC 33 (R1).

This appraisal is conducted on an annual basis, and the effects of the remeasurement of the plan liabilities, which includes actuarial gains and losses, the effect of changes in the asset ceiling (if applicable) and the return on plan assets (less interest), are immediately reflected in the balance sheet as a charge or credit recognized in other comprehensive income in the period in which they occur.

As at December 31, 2018, the Company recorded actuarial assets and liabilities (equity) accounted for, as mentioned in note 22.

3.18 Dividends and interest on capital

The dividend recognition policy is in accordance with CPC 24 (IAS 10) and ICPC 08 (R1), which determine that proposed dividends that are based on statutory obligations be recorded in current liabilities. The Company's bylaws establish mandatory minimum dividend, as described in note 24 (b).

The Company may pay interest on capital, which is deductible for tax purposes and considered part of the mandatory dividends, and reported as profit allocation directly in equity.

3.19 Segment reporting

Operating segments are defined as business activities from which the Company obtains revenues and incurs expenses, whose financial information may be made available individually and whose operating profit or loss is revised by Management on an ongoing basis in the decision-making process.

Although the Company's Management recognizes revenue from infrastructure implementation, operation and maintenance activities, they considered that these revenues are originated by concession agreements that have only one business segment: electric power transmission.

3.20 Statement of value added (DVA)

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not required by IFRS.

3.21 Statement of cash flows (DFC)

The statement of cash flows was prepared using the indirect method and is presented in accordance with CVM Decision No. 641, of October 07, 2010, which approved technical pronouncement CPC 03 (R2) - Statement of Cash Flows issued by CPC.

3.22 Earnings per share

The Company calculates earnings per shares based on the weighted average number of common and preferred shares outstanding during the period corresponding to the profit or loss, as prescribed by CPC 41 (IAS 33).

The basic earnings per share is calculated by dividing the profit for the period by the weighted average number of shares issued. The diluted earnings is affected by instruments convertible into shares, as mentioned in note 24 (f).

3.23 Significant changes in accounting policies

The Company, its subsidiaries and jointly-controlled subsidiaries adopted the new pronouncements and the new interpretations issued or revised by CPC, CVM and IASB, with initial application beginning January 01, 2018, as follows:

- **CPC 47 – Revenue from Contracts with Customers (IFRS 15 Revenue from Contracts with Customers)**

In the adoption of CPC 47, the Company and its subsidiaries applied the cumulative effective method and did not reflect the effects of this CPC for the comparative year (2017). The account balance adjustments due to the initial adoption were recorded in accumulated losses.

CPC 47 established a five-step model to account for revenues from contracts with customers. In accordance with said CPC, revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to a customer.

The Company evaluated its operations in light of the new standards and, as described in item 3.7, concluded that the infrastructure implementation activity is affected by the new CPC, since the right to the consideration for goods and services is contingent on compliance with another performance obligation. As a consequence of the application of CPC 47, receivables relating to infrastructure implementation, which were formerly classified as financial assets, and whose balance as at January 01, 2018 amounted to R$1,715,668, Parent, and R$3,405.618, consolidated, have been classified as contract asset, in the amounts of R$2,808,317 and R$4,874,289, Parent and consolidated, respectively. The difference in measurement criteria, in the amount of R$198,051, was accounted for directly in retained earnings, net of taxes.

- **CPC 48 – Financial instruments (IFRS 9 - Financial Instruments)**

CPC 48 combines the three aspects of the project relating to accounting for financial instruments: classification and measurement, impairment of assets and hedge accounting.

The Company adopted the new standard and, based on the simplified initial application, used the exemption from presenting comparative information for prior periods.

With the adoption of 48, the Company concluded that the financial asset under Law No. 12.783 – SE (R$9,198,198, Parent and consolidated), which was formerly classified as financial asset measured at amortized cost, has been classified at fair value through profit or loss, as described in item 3.7, since it does not meet the criteria of contract cash flow limited to the principal and interest under the new standard.

The table below summarizes the impact, net of taxes, of adopting CPC 47 on retained earnings as at January 01, 2018:

	Parent and Consolidated
	Impact on adoption of CPC 47/IFRS 15 at January 01, 2018
Retained earnings	
Contract asset	269,650
Related deferred assets	(71,599)
Impact as at January 01, 2018	**198,051**

The adoption of CPC 47 and 48 impacted the Company's and its subsidiaries' balance sheet and income statements, as shown below:

Balance Sheet	**Before the effects 31.12.2018**	**Impact on adoption of CPC 47 and 48**	**Reported 31.12.2018**
Assets			
Concession assets - contract	-	4,874,289	4,874,289
Concession assets - financial	13,303,339	(4,043,772)	9,259,567
Investment	2,007,455	(159,363)	1,848,092
Deferred taxes	-	9,037	9,037
Assets not impacted	2,551,239	-	2,551,239
Total Assets	17,862,033	680,191	18,542,224
Liabilities			
Liabilities not impacted	3,462,695	-	3,462,695
Deferred taxes	3,486,349	293,655	3,780,004
Total Liabilities	6,949,044	293,655	7,242,699
Equity			
Earnings reserves	5,311,473	198,051	5,509,524
Profit	1,706,760	188,485	1,895,245
Items not impacted	3,894,756	-	3,894,756
Total Equity	10,912,989	386,536	11,299,525
Total Liabilities and Equity	17,862,033	680,191	18,542,224
Income statement			
Net revenue	2,832,967	340,954	3,173,921
Share of profit (loss) of investees	232,058	(31,236)	200,821
Other	(1,058,101)	2	(1,058,098)
Income tax and social contribution	(300,166)	(121,233)	(421,399)
Profit for the year	1,706,758	188,487	1,895,245

4 New and revised standards and interpretations issued but not yet adopted

The Company and its subsidiaries adopted all the new or revised pronouncements and interpretations issued by the CPC, where applicable, that were effective as at December 31, 2018.

The new and/or revised standards and interpretations issued by CPC, CVM and IASB are:

(a) New and/or revised standards, instructions and interpretations

Standards that will become effective beginning on January 01, 2019:

CPC 06 (R2) – Leases – CVM Decision No. 787, of December 21, 2017 *(IFRS 16 - Leases)*

CPC 06 (R2) establishes principles for the recognition, measurement, presentation and disclosure of leases and require lessees to account for all leases under a single model, similarly to accounting for leases under CPC 06 (R1).

This standard includes two recognition exemptions for lessors – leases of low value assets and short-term leases.

At the commencement of a lease, the lessee recognizes a liability for future payments and an asset representing the right to use the underlying asset over the lease term.

Lessees are required to recognize separately interest expense on lease liabilities and amortization expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability if certain events, such as, for example, a change in the lease term, in the future lease payments as a result of a change in an index or a rate used to determine those payments) occur.

In general, lessees will recognize the remeasured lease liability value as an adjustment to the right-of-use asset.

The Company has a low volume of lease contracts and the involved amounts are not significant. Therefore, no significant impacts on the financial statements are expected from the adoption of |CPC 06 (R2).

IFRIC 22 – IFRIC 23 – Uncertainty over income tax treatments

This interpretation, effective for annual periods beginning on or after January 01, 2019, clarifies how to apply recognition and measurement requirements when there is uncertainty about the acceptance of the treatments adopted by tax authorities in applying the CPC 32 requirements.

The Company is in process of evaluating uncertainties and does not expect significant impacts on its financial statements.

(b) Standards and interpretations that are new and revised by IASB, already issued, and that will become effective beginning 2019:

- IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 17 – Insurance Contracts

The Management of the Company and its subsidiaries are analyzing the impacts of these standards.

5 Cash and cash equivalents

		Parent		Consolidated	
	% of CDI	2018	2017	2018	2017
Cash and banks		4,744	1,234	7,712	2,981
Cash equivalents					
Bank Certificates of Deposit (CDBs)	94.0% to 97.0%	386	130	6,254	136
Repurchase transactions (a)	95.0% to 97.0%	682	886	2,362	2,687
Short-term investment fund	40.0% to 70.0%	412	781	412	781
		6,224	**3,031**	**16,740**	**6,585**

Cash equivalents are measured at fair value through profit or loss and have daily liquidity.

The Company's Management's analysis of these assets' exposure to interest rate risks, among others, is disclosed in note 31 (c).

(a) Repurchase transactions refer to securities issued by banks for repurchase by the bank and resale by the customer, at fixed rates and fixed maturities, backed by private or government bonds registered with CETIP.

6 Short-term investments

	Parent	Consolidated	Parent		Consolidated	
	Average yield in the portfolio in 2018 % of CDI		2018	2017	2018	2017
Fundo de Investimento Referenciado DI Bandeirantes	100.9%	100.7%	169,128	159,393	250,321	262,952
Fundo de Investimento Xavantes Referenciado DI:			90,087	27,644	263,252	187,864
Fundo de Investimento Assis Referenciado DI:			167,336	159,250	167,336	159,250
			426,551	**346,287**	**680,909**	**610,066**

(*) Investments funds are consolidated as described in note 2.4.

The Company, its subsidiaries and jointly-controlled subsidiaries concentrate their short-term investments in the following investment funds:

- Fundo de Investimento Referenciado DI Bandeirantes: an investment fund organized exclusively for the Company, its subsidiaries and jointly-controlled entities, managed by Banco Bradesco, having its portfolio comprised of units in Fundo de Investimento Referenciado DI Coral.

- Fundo de Investimento Xavantes Referenciado DI: an investment fund organized exclusively for the Company, its subsidiaries and jointly-controlled entities, managed by Banco Itaú Unibanco, having its portfolio comprised of units in Fundo de Investimento Special DI (Corp Referenciado DI merged by Special DI).

- Fundo de Investimento Assis Referenciado DI: an investment fund organized exclusively for the Company, its subsidiaries and jointly-controlled entities, managed by Banco Santander, having its portfolio comprised of units in Fundo de Investimento Santander Renda Fixa Referenciado DI.

  Said investment funds are highly liquid, readily convertible into a cash amount, regardless of the assets, and any risk of change in the amount will be directly linked to the composition of the funds, which holds government bonds and private securities. Portfolios are comprised of fixed income securities, such as federal government bonds and private securities, in order to follow the variation of the CDI of Selic rate.

  The Company's Management's analysis of these assets' exposure to interest rate risks, among others, is disclosed in note 31 (c).

7 Concession asset

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Financial assets				
Assets under Law No. 12.783 - SE (a)	9,069,651	9,586,834	9,069,651	9,586,834
Infrastructure implementation (c)	-	1,715,668	-	3,405,618
O&M services (b)	177,597	134,027	189,916	146,428
	9,247,248	11,436,529	9,259,567	13,138,880
Contract asset				
Infrastructure implementation (c)	2,808,317	-	4,874,289	-
	12,055,565	**11,436,529**	**14,133,856**	**13,138,880**
Current liabilities	**1,900,970**	**1,746,061**	**2,086,298**	**1,924,928**
Noncurrent liabilities	**10,154,595**	**9,690,468**	**12,047,558**	**11,213,952**

(a) Receivables under Law No. 12.783 - amounts receivable relating to investments under Concession Agreement No. 059/2001, which was extended under Law No. 12783 and had the right to the receivable subdivided into NI and SE:

NI facilities

The compensation relating to NI facilities corresponded to the original amount of R$2,891,291, inflation adjusted to R$2,949,121, as determined by Interministerial Ruling No. 580. The equivalent to 50% of this amount was received on January 18, 2013, and the remaining 50% was divided into 31 monthly installments, which had been transferred to the Company by Eletrobras. However, the terms under which these remaining installments should be adjusted are still under discussion. Following a Federal Court of Auditors' request, ANEEL revised the amounts transferred as compensation for NI facilities to all concessionaires and understood that erroneous adjustment calculations were made, which resulted in overpayments to concessionaires. Although recognizing that calculations were erroneous, Eletrobras challenged ANEEL`S understanding of the matter. Based on an independent appraisal report and on the opinion of its legal counsel, the Company's interpretation of the adjustment approach differs from that applied by ANEEL. Accordingly, its best estimate for the amount under discussion, totaling R$28,287, remains recorded in "Other", in noncurrent liabilities, not including the fine and late payment interest that would be due in favor of the Company, considering the delays occurred in the transfers.

SE facilities

(i) According to the conditions provided for in Ruling No. 120/16 and the amounts regulated by ANEEL Technical Note No. 336/2016, in line with CPC 48 – Financial Instruments, the amount relating to SE facilities has been treated as a financial asset at fair value through profit or loss, with the portion of the revenue payable in an estimated term of 8 years while the remaining portion is payable in 6.3 years, beginning July 2017.

(ii) As mentioned in note 1.2, ANEEL Order No. 1.484 recognized the Company's net remuneration basis from R$3,896,328 to R$4,094,440, as at December 31, 2012 resulting in a revision of cash flows and an increase of R$432,641in financial assets in the second quarter of 2017, for SE facilities, R$392,622 in net operating revenue (R$40,019 for deferred PIS and COFINS), R$133,491 in provisions for deferred income tax and social contribution, and R$259,131 in profit for the year.

In June 2017, ANEEL Order No. 1779 and Technical Note No. 170, which, in complying with a temporary injunction (note 1.2), excluded the portion relating to cost of equity capital (ke) from the amounts not paid from January 2013 to June 2017, in the calculation of the 2017/2018 RAP, temporarily reducing said RAP from R$1,738,154 to R$1,502,128, until the grounds are judged. For the 2018/2019 cycle, the provisions of said Order remained effective, and the transfer of the cost of equity capital is still suspended. According to Approval Resolution No. 2.408/18, the RBSE RAP corresponds to R$1,461,152 and is included the economic components on a straight-line basis expected for the five (5) years (Note 25.4). Therefore, receivables relating to the cost of equity capital considered in the cash flows from the financial assets for SE facilities relating to the 2017/2018 and 2018/2019 tariff cycles are recorded in noncurrent assets and are not adjusted for inflation as of the maturity date.

(b) O&M - Operation and Maintenance refers to the portion of revenues monthly and separately informed by the ONS for compensation of O&M services, with an average collection period below 30 days.

(c) Infrastructure implementation – flow of expected cash receipt relating to the compensation of the investments in the energy transmission infrastructure implementation, discounted to present value, as described in note 3.7. Includes the portion of the investments made and not amortized through the end of the concession term (reversible assets).

The aging list of trade receivables is as follows:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Current	12,044,320	11,413,683	14,121,484	13,115,131
Past due				
up to 30 days	1,299	1,709	1,411	1,717
31 to 60 days	59	151	103	159
61 to 360 days	350	11,698	380	11,842
over 361 days (i)	9,537	9,288	10,478	10,031
	11,245	**22,846**	**12,372**	**23,749**
	12,055,565	**11,436,529**	**14,133,856**	**13,138,880**

(i) Some market players challenged in the courts the balances amounts relating to the Basic Grid. By virtue of this challenge, escrow deposits are made by such members, classified as noncurrent receivables. The Company billed the amounts in accordance with authorizations granted by regulatory agencies and, therefore, no provision

for risk relating to this discussion was recognized.

The Company does not have any history of losses on trade receivables, which are collateralized by sureties and/or accesses to bank accounts operated by the National System Operator (ONS) or directly by the Company and, therefore, no allowance for expected credit losses was recognized.

Changes in trade receivables:

	Parent	Consolidated
Balances in 2016	**10,313,845**	**11,446,824**
Infrastructure revenue (note 25.1)	225,082	247,126
Compensation from concession assets - RBSE (Note 25.1)	1,495,791	1,495,791
Compensation from concession assets (note 25.1)	249,268	400,615
O&M revenues (Note 25.1)	865,174	880,901
Business combination (*)	-	534,973
Provision for reversal of facilities (note 28)	(57,178)	(57,178)
Amounts received	(1,655,453)	(1,810,172)
Balances in 2017	**11,436,529**	**13,138,880**
Infrastructure revenue (Note 25.1)	169,297	387,115
Compensation from concession assets - RBSE (note 25.1)	1,269,108	1,269,108
Compensation from concession assets (Note 25.1)	300,613	523,219
O&M revenues (note 25.1)	1,016,041	1,042,534
Adoption of CPC 47	864,363	830,517
Business combination (**)	-	193,663
Amounts received	(3,000,386)	(3,251,180)
Balances in 2018	**12,055,565**	**14,133,856**

(*) Amounts derived from the acquisition of IENNE (note 11).
(**) Amounts derived from the acquisition of IESUL (note 11 [c] ii).

8 Receivables - Finance Department

	Parent and Consolidated	
	2018	**2017**
Payroll processing - Law No. 4819/58 (a)	1,666,841	1,560,759
Labor claims - Law No. 4819/58 (b)	275,497	268,287
Allowance for expected credit losses (c)	(516,255)	(516,255)
	1,426,083	**1,312,791**

(a) Refers to amounts receivable for settlement of the payroll relating to the retirement supplementation plan governed by State Law No. 4.819/58, in the period from January 2005 to December 2018. The increase in relation to prior year is due to compliance with the court decision issued by the 49th Labor Court whereby CTEEP, as the defendant, monthly transfers funds to Funcesp to process payments to retired employees.

(b) Refer to certain labor claims settled by CTEEP, upon a court order, relating to employees retired under the terms of State Law No. 4.819/58, which should be borne by the State Government of São Paulo.

(c) The expected loss recognized was based on decisive factors such as the extension of the expected term for realization of part of accounts receivable from the State of São Paulo and on the status of pending litigation. The Company monitors the progress of this issue and regularly revises the provision, evaluating the need for supplementing or reversing the provision based on legal events that may change the opinion of its advisors. Through December 31, 2018, no events occurred that would indicate the need to change the expected loss.

9 Recoverable taxes

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Income tax	11,439	1,012	12,601	1,064
Social contribution	-	-	16	16
Withholding income tax	1,462	1,701	2,489	3,259
Withholding social security contribution	31	223	783	852
Tax on revenue (Cofins)	7,192	6,681	7,249	6,708
PIS (tax on revenue)	1,863	1,450	1,879	1,456
Taxes in installments	3,649	-	3,649	-
Other	703	658	855	807
	26,339	**11,725**	**29,521**	**14,162**

10 Sureties and judicial deposits

Pledges and restricted deposits are recorded in noncurrent assets, given the uncertainties around the outcome of the related litigation.

Deposits are recognized at nominal value and adjusted for inflation based on the Benchmark Rate (TR) for labor and social security deposits and on Selic for tax and regulatory deposits. Balance is broken down as follows:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Judicial deposits				
Labor (Note 20 (a) (i))	34,506	37,348	34,563	37,373
Social security - INSS (Note 20 (a) (iv))	2,819	2,905	2,819	2,905
PIS/COFINS (a)	11,688	9,446	11,688	9,446
Assessments - ANEEL (b)	16,985	16,366	16,985	16,366
Other	346	324	932	324
	66,344	**66,389**	**66,987**	**66,414**

(a) In March 2015, through Decree No. 8426/15, the PIS/COFINS rate applicable on financial income was reinstated at 4.65% effective July 1, 2015. The Company filed, for the period from July 2015 to February 2018, a lawsuit seeking the non-levy of such tax based on the fact that the levy could only be required by Law as defined in article 150, item I, of the Federal Constitution, and that Decree No. 8426/15 also violates the principle of non-cumulative taxation established in paragraph 12 of article 194.

(b) Refers to deposits for the purpose of voiding ANEEL assessment notices which the Company has challenged.

11 Investments

(a) Changes in investments

								Parent
	Balances in 2016	**Capital payment**	**Share of profit (loss) of investees**	**Acquisition of equity interest**	**Adjustment and realization of control acquisition**	**Dividends (receivable)/ cancelled**	**Dividends received**	**Balances in 2017**
Serra do Japi	277,530	-	43,812	-	-	(2,797)	(27,700)	290,845
IEMG (*)	100,659	-	18,313	-	2,195	-	(3,700)	117,467
IENNE	104,893	-	(2,869)	101,163	5,042	-	-	208,229
Pinheiros	480,784	-	39,341	-	-	-	(22,001)	498,124
Evrecy (*)	71,881	-	7,337	-	(2,490)	-	(10,400)	66,328
Itaúnas	-	7,500	(182)	-	-	-	-	7,318
Tibagi	-	2,500	(120)	-	-	-	-	2,380
Itaquerê	-	10,500	43	-	-	-	-	10,543
Itapura	-	3,400	(98)	-	-	-	-	3,302
Aguapeí	-	4,700	(107)	-	-	-	-	4,593
IESul	119,661	2,211	2,204	-	-	-	-	124,076
IEMadeira	1,213,772	-	138,586	-	-	15,810	-	1,368,168
IEGaranhuns	388,604	-	(17,759)	-	-	-	-	370,845
Paraguaçu	-	5,150	(110)	-	-	-	-	5,040
Aimorés	-	3,800	(140)	-	-	-	-	3,660
Ivaí	-	9,000	56	-	-	-	-	9,056
Total	**2,757,784**	**48,761**	**228,307**	**101,163**	**4,747**	**13,013**	**(63,801)**	**3,089,974**

(*)The fair values of the investments as at the acquisition dates were assigned to concession assets and are amortized over the term of each concession agreement.

Parent

	Balances in 2017	Adoption of CPC 47 prior years	Capital payment	Share of profit (loss) of investees	Acquisition of equity interest	Adjustment and realization of control acquisition	Dividends	Financial instrument adjustment	Balances in 2018
Serra do Japi	290,845	158,023	-	41,999	-	-	(56,804)	-	434,063
IEMG (*)	117,467	(60,376)	-	14,067	-	2,093	(5,300)	-	67,951
IENNE	208,229	(46,492)	11,700	100,808	-	-	-	-	274,245
Pinheiros	498,124	(20,012)	-	51,452	-	-	(25,600)	-	503,964
Evrecy (*)	66,328	14,608	-	(7,109)	-	(2,490)	(5,500)	-	65,837
Itaúnas (**)	7,318	(40)	35,986	1,796	-	-	-	-	45,060
Tibagi (**)	2,380	(8)	10,323	(228)	-	-	-	-	12,467
Itaquerê (**)	10,543	(198)	101,099	2,455	-	-	-	-	113,899
Itapura (**)	3,302	-	4,302	(468)	-	-	-	-	7,136
Aguapeí (**)	4,593	(9)	6,786	169	-	-	-	-	11,539
IESul	124,076	-	2,363	4,361	20,530	(24,756)	-	-	126,574
Biguaçu	-	-	903	(63)	-	-	-	2,334	3,174
IEMadeira	1,368,168	(89,000)	-	155,059	-	-	-	-	1,434,227
IEGaranhuns	370,845	(38,981)	-	41,739	-	-	(7,752)	-	365,851
Paraguaçu (**)	5,040	(46)	9,700	(194)	-	-	-	-	14,500
Aimorés (**)	3,660	(42)	7,650	(309)	-	-	-	-	10,959
Ivaí (**)	9,056	(57)	13,500	56	-	-	-	-	22,555
Total	**3,089,974**	**(82,630)**	**204,312**	**405,590**	**20,530**	**(25,153)**	**(100,956)**	**2,334**	**3,514,001**

(*)The fair values of the investments as at the acquisition dates were assigned to concession assets and are amortized over the term of each concession agreement.
(**) The amounts of investments of these subsidiaries is financed by the 7th issuance of debentures, classified as “Green Bonds” (Note 15).

	Consolidated					
	Balances in 2016	**Capital payment**	**Share of profit (loss) of investees**	**Acquisition of shareholding control**	**Dividends cancelled**	**Balances in 2017**
IENNE	104,893	-	1,969	(106,862)	-	-
IESul	119,661	2,211	2,204	-	-	124,076
IEMadeira	1,213,772	-	138,586	-	15,810	1,368,168
IEGaranhuns	388,604	-	(17,759)	-	-	370,845
Paraguaçu	-	5,150	(110)	-	-	5,040
Aimorés	-	3,800	(140)	-	-	3,660
Ivaí	-	9,000	56	-	-	9,056
Investment	**1,826,930**	**20,161**	**124,806**	**(106,862)**	**15,810**	**1,880,845**

	Consolidated						
	Balances in 2017	**Adoption of CPC 47 prior years**	**Capital payment**	**Share of profit (loss) of investees**	**Acquisition of shareholding control**	**Dividends**	**Balances in 2018**
IESul	124,076	-	-	4,471	(128,547)	-	-
IEMadeira	1,368,168	(89,000)	-	155,059	-	-	1,434,227
IEGaranhuns	370,845	(38,981)	-	41,739	-	(7,752)	365,851
Paraguaçu	5,040	(46)	9,700	(194)	-	-	14,500
Aimorés	3,660	(42)	7,650	(309)	-	-	10,959
Ivaí	9,056	(57)	13,500	56	-	-	22,555
Investment	**1,880,845**	**(128,126)**	**30,850**	**200,822**	**(128,547)**	**(7,752)**	**1,848,092**

(b) Information on investments in subsidiaries

	Reporting date	Number of common shares	Share of paid-in capital - %	Paid-in capital	Assets	Liabilities	Equity	Adjusted equity (*)	Gross revenue	Profit (loss)
Serra do Japi	2018	130,857,000	100.0	130,857	522,074	88,010	434,064	-	61,497	41,999
	2017	130,857,000	100.0	130,857	378,552	87,707	290,845	-	63,738	43,812
IEMG	2018	83,055,292	100.0	83,055	128,639	31,796	96,843	67,951	21,629	14,067
	2017	83,055,292	100.0	83,055	192,985	44,533	148,452	117,467	29,115	18,133
IENNE	2018	338,984,000	100.0	338,984	480,586	206,340	274,246	-	75,440	100,808
	2017	327,284,000	100.0	327,284	763,056	340,441	422,615	208,229	2,692	(3,043)
Pinheiros	2018	300,910,000	100.0	300,910	609,206	105,242	503,964	-	66,738	51,452
	2017	300,910,000	100.0	300,910	625,987	127,863	498,124	-	62,400	39,341
Evrecy	2018	21,512,367	100.0	21,512	53,711	4,268	49,443	65,838	(2,008)	(7,991)
	2017	21,512,367	100.0	21,512	51,643	4,199	47,444	62,329	12,895	6,539
Itaúnas	2018	43,486,000	100.0	43,486	48,730	3,670	45,060	-	42,570	1,796
	2017	7,500,000	100.0	7,500	8,416	1,098	7,318	-	6,045	(182)
Tibagi	2018	12,823,000	100.0	12,823	14,526	2,059	12,467	-	13,199	(228)
	2017	2,500,000	100.0	2,500	2,531	151	2,380	-	1,184	(120)
Itaquerê	2018	111,599,000	100.0	111,599	129,824	15,925	113,899	-	119,966	2,455
	2017	10,500,000	100.0	10,500	11,282	739	10,543	-	9,913	43
Itapura	2018	7,702,000	100.0	7,702	28,653	21,517	7,136	-	27,512	(468)
	2017	3,400,000	100.0	3,400	3,379	77	3,302	-	83	(98)

(*) The adjusted equity includes the adjustments at fair value according to appraisal report as of the acquisition date.

	Reporting date	Number of common shares	Share of paid-in capital - %	Paid-in capital	Assets	Liabilities	Equity	Adjusted equity (*)	Gross revenue	Profit (loss)
Aguapeí	2018	11,486,000	100.0	11,486	13,139	1,600	11,539	-	11,937	169
	2017	4,700,000	100.0	4,700	4,736	143	4,593	-	1,054	(107)
IESul	2018	220,660,000	100.0	220,660	232,621	45,664	186,957	126,571	29,266	9,225
	2017	107,969,499	50.0	215,937	334,490	86,337	248,153	127,199	155,454	4,408
Biguaçu	2018	903,000	100.0	903	3,645	471	3,174	-	1,152	(63)
	2017	-	-	-	-	-	-	-	-	-

(*) The adjusted equity includes the adjustments at fair value according to appraisal report as of the acquisition date.

(c) Information on investments in jointly-controlled subsidiaries

	2018					2017				
	IEMadeira	**IEGaranhuns**	**Paraguaçu**	**Aimorés**	**Ivaí**	**IEMadeira**	**IEGaranhuns**	**Paraguaçu**	**Aimorés**	**Ivaí**
Current assets										
Cash and cash equivalents	182,163	37,490	6,785	5,105	4,590	160,027	47,547	4,746	3,335	3,845
Trade receivables	429,886	87,315	-	-	-	544,485	91,678	-	-	-
Other assets	44,271	5,766	1,128	1,324	86	13,586	4,615	320	91	3
Noncurrent assets										
Trade receivables	5,085,371	1,017,004	24,651	18,022	50,576	5,084,032	1,064,276	12,869	8,827	19,404
Other noncurrent assets	206,992	15,501	322	193	220	138,696	15,864	67	43	-
Current liabilities										
Borrowings and financing	242,975	33,400	-	-	-	220,000	33,443	-	-	-
Other liabilities	46,046	26,959	1,078	671	4,664	88,492	37,041	7,056	4,382	3,834
Noncurrent liabilities										
Borrowings and financing	1,805,371	218,523	-	-	-	1,973,559	249,996	-	-	-
Other liabilities	1,042,081	166,840	2,808	2,056	5,699	976,093	176,354	866	594	1,306
Equity	2,812,210	717,354	29,000	21,917	45,109	2,682,682	727,146	10,080	7,320	18,112

	2018					2017				
	IEMadeira	**IEGaranhuns**	**Paraguaçu**	**Aimorés**	**Ivaí**	**IEMadeira**	**IEGaranhuns**	**Paraguaçu**	**Aimorés**	**Ivaí**
Net operating revenue	637,390	139,060	10,077	7,945	27,325	623,807	118,561	12,399	8,505	18,696
Infrastructure and O&M costs	(117,732)	(12,370)	(9,221)	(7,275)	(25,480)	(113,911)	(168,785)	(11,872)	(8,033)	(17,324)
Operating expenses	(24,785)	(3,675)	(1,526)	(1,444)	(1,617)	(19,421)	(3,288)	(399)	(509)	(763)
Finance income (costs)	(172,268)	(16,280)	428	283	317	(175,780)	(18,057)	48	30	101
Nonoperating profit (loss)	139									
Income tax and social contribution	(18,705)	(15,530)	(145)	(127)	(434)	(42,958)	36,746	(396)	(272)	(598)
Profit (loss)	304,037	91,205	(387)	(618)	111	271,737	(34,823)	(220)	(279)	112
Equity interest CTEEP (%)	51%	51%	50%	50%	50%	51%	51%	50%	50%	50%

(i) Subsidiaries and jointly-controlled subsidiaries

Operating

Subsidiary	Incorporation date	Segment	Start of commercial operations	Substations	Installed power	Transmission lines	Extension of lines	Region
Operating								
Serra do Japi	07.01.2009	Transmission	2012	Jandira and Salto	2,000 MVA	Botucatu – Chavantes C4	137.0	São Paulo
IEMG	12.13.2006	Transmission	2009	-	-	Neves 1 – Mesquita	172.0	Minas Gerais
IENNE	12.03.2007	Transmission	2011	-	-	Colinas – São João do Piauí	710.0	Maranhão, Piauí and Tocantins
Pinheiros	07.22.2008	Transmission	2010	Piratininga ll, Mirassol ll, Getulina, Araras, Atibaia II, and Itapeti	2,800 MVA	Interlagos – Piratininga II	0.72	São Paulo
Evrecy	11.14.2006	Transmission	2008	Aimorés, Conselheiro Pena and Mascarenhas	150 MVA	Governador Valadares – Mascarenhas	154.0	Espírito Santo and Minas Gerais
IESul	07.23.2008	Transmission	2010	Curitiba, Forquilhinha, Jorge Lacerda, Joinville, Nova Santa Rita, Scharlau 2, Siderópolis	900 MVA	Nova Santa Rita – Scharlau, Joinville Norte – Curitiba, Jorge Lacerda B – Siderópolis and Siderópolis – Lajeado Grande	168.0	Paraná, Santa Catarina and Rio Grande do Sul
IEMadeira	12.18.2008	Transmission	2013	Porto Velho rectifying station and Araraquara reversing	6,100 MVA	Porto Velho – Araraquara II	2,385.0	Rondônia, Mato Grosso, Goiás, Minas Gerais and São Paulo
IEGaranhuns	10.07.2011	Transmission	2015	Garanhuns ll and Pau Ferro	2,100 MVA	Luiz Gonzaga – Garanhuns, Garanhuns – Pau Ferro, Garanhuns – Campina Grande III, Garanhuns – Angelim, Angelim I	633.0	Paraíba, Pernambuco and Alagoas

Pre-operating

Subsidiary	Incorporation date	Segment	Expected start of operations (*)	Substations	Transmission lines	Extension of lines	Region	Estimated investment	Contract execution date
Itaúnas	13.01.2017	Transmission	60 months	João Neiva 2	Viana 2 – João Neiva 2	79,0	Espírito Santo	R$297.819	10.02.2017
Tibagi	04.11.2017	Transmission	48 months	Rosana	Nova Porto Primavera – Rosana CD	36,4	São Paulo and Paraná	R$134.646	11.08.2017
Itaquerê	04.11.2017	Transmission	48 months	Araraquara 2	-	-	São Paulo	R$397.733	11.08.2017
Itapura	04.11.2017	Transmission	42 months	Bauru	-	-	São Paulo	R$125.794	11.08.2017
			48 months	Lorena	-	-	São Paulo	R$237.947	21.09.2018
Aguapeí	04.11.2017	Transmission	48 months	Biguaçu e Alta Paulista	Marechal Rondon – Taquaruçu and Ilha Solteira – Bauru C1 and C2	120,0	São Paulo	R$601.879	11.08.2017
Biguaçu	07.06.2018	Transmission	60 months	Ratones	-	-		R$641.382	21.09.2018
Paraguaçu	11.18.2016	Transmission	60 months	-	Poções III – Padre Paraíso 2 C2	338,0	Bahia and Minas Gerais	R$509.595	10.02.2017
Aimorés	11.18.2016	Transmission	60 months	-	Padre Paraíso 2 – Governador Valadares 6 C2	208,0	Minas Gerais	R$341.118	10.02.2017
Ivaí	05.17.2017	Transmission	60 months	Guaíra, Sarandi and Paranavaí Norte	Guaíra – Sarandi, Foz do Iguaçu – Guaíra, Londrina – Sarandi, Sarandi – Paranavaí Norte	79,0	Espírito Santo	R$1.936.474	11.08.2017

(*) Term for placement into operation as from the contract execution date.

(ii) Business combinations

Interligação Elétrica Norte e Nordeste S.A. (IENNE) (IENNE)

In 2017, the Company acquired all the equity interests held by other IENNE shareholders. This transaction was approved by ANEEL Order No. 2.604, of August 22, 2017, for the 50% equity interest held by Isolux Energia e Participações S.A. ("Isolux"), and Official Letter No. 545/2017, of September 29, 2017, for the 25% equity interest held by Cymi Construções e Participações S.A ("Cymi"). The Brazilian Antitrust Authority (CADE) approved without restrictions the acquisition of IENNE by the Company.

The purchase price paid to Isolux and Cymi for the 50% and 25% equity interests were R$68,460 and R$32,703, respectively, corresponding to the price offered, adjusted for inflation.

As a result of the transaction, the Company became the holder of 100% of IENNE operations after the approval of the regulatory body, which occurred on September 29, 2017, and the acquisition was completed on October 5, 2017, according to material fact notice disclosed on that date.

The fair value of assets acquired, and liabilities assumed and the bargain purchase gain were supported by an appraisal report prepared by an independent consulting firm based on the balance sheet as at September 30, 2017, as shown below:

	Book value at 09/30/2017	Fair value adjustment – definitive (*)	Assets and liabilities at fair value
Trade receivables (concession asset)	749,223	(214,386)	534,837
Restricted cash	16,041	-	16,041
Other current assets	2,687	-	2,687
	767,951	(214,386)	553,565
Borrowings and financing	195,224	-	195,224
Other current liabilities	4,545	-	4,545
Deferred income tax and social contribution	70,569	-	70,569
Deferred PIS and Cofins (taxes on revenue)	70,158	-	70,158
	340,496	-	340,496
Equity	427,455	(214,386)	213,069
Interest acquired			75%
			159,802
Amount paid			(101,163)
Bargain purchase gain			58,639

(*) Reflects the difference between the value in use and the fair value, supported by an independent appraisal report. The other Company's investments are stated at their recoverable value, which, according to CPC 01 (R1), is represented by the higher of the fair value and value and use.

The Company remeasured its former 25% equity interest in IENNE at fair value, as shown below:

	R$ thousand
Book value of the investment before acquisition of control (25%)	106,864
Fair value of the investment (25%)	53,267
Loss on acquisition of control of IENNE	(53,597)

The net value of R$5,042, resulting from the bargain purchase gain, deducted from the adjustment in the acquisition of the equity interest formerly held by the Company, is recorded in the Company's income statement under line item "Other operating income (expenses), net", and net of deferred income tax and social contribution, amounts to R$3,328.

As a result of this operation, the balance of the Company's investment in IENNE has reflected the fair value of the assets and liabilities, which differs from the book value of IENNE's net assets.

Interligação Elétrica Sul S.A. (IESul)

On April 06, 2018, the Company entered into with Cymi Construções e Participações S.A. an agreement for the acquisition of 50.00% less 1 share in the capital of IESUL for the amount of R$20,075. The Brazilian Antitrust Authority (CADE) and ANEEL authorized the transaction in April and June 2018, respectively. The completion of the transactions and actual acquisition occurred in September 2018 for the amount of R$20,530. As a result of the transaction, IESUL became CTEEP's wholly-owned subsidiary.

The fair value of assets acquired and liabilities assumed and the bargain purchase gain were supported by an appraisal report prepared by an independent consulting firm based on the balance sheet as at August 31, 2018 and shown below:

	Book value at 08/31/2018	Book value after adoption of CPC 47 at 08/31/2018	Adjustments to fair value (*)	Assets and liabilities at fair value
Trade receivables (concession asset)	326,071	254,049	(60,386)	193,663
Restricted cash	1,738	1,738	-	1,738
Other current assets	8,240	8,240		8,240
	336,049	264,027	(60,386)	203,641
Borrowings and financing	21,229	21,229	-	21,229
Other current liabilities	8,291	8,291	-	8,291
Deferred income tax and social contribution	22,636	22,636	-	22,636
Deferred PIS and Cofins (taxes on revenue)	32,254	32,254	-	32,254
	84,410	84,410	-	84,410
Equity	251,639	179,617	(60,386)	119,231
Interest acquired				50%
				59,616
Amount paid				(20,530)
Capital contribution - 50% equity interest Cymi				2,362
Bargain purchase gain				41,448

(*) Reflects the difference between the value in use and the fair value, supported by an independent appraisal report. The Company's investments are stated at their recoverable value, which, according to CPC 01 (R1), is represented by the higher of the fair value and value and use.

The Company remeasured its former 50% equity interest in IESUL at fair value, as shown below:

	R$ thousand
Book value of the investment before acquisition of control (50%)	125,820
Fair value of the investment (50%)	59,616
Loss on acquisition of control of IESUL	(66,204)

The net value of R$24,756, resulting from the negative goodwill, deducted from the adjustment in the acquisition of the equity interest formerly held by the Company, is recorded in the Company's income statement under line item "Other operating income (expenses)", and, net of deferred income tax and social contribution, amounts to R$16,339.

As a result of this operation, the balance of the Company's investment in IESUL has reflected the fair value of the assets and liabilities, which differs from the book value of IESUL's equity.

12 Property, plant and equipment

Refers mainly to chattels used by the Company and not related to the concession arrangement.

					Parent
			2018	2017	Average annual depreciation rates - %
	Cost	Accumulated depreciation	Net	Net	-%
Land	2,060	-	2,060	2,060	-
Machinery and equipment	5,812	(2,213)	3,599	3,433	6.51%
Furniture and fixtures	7,617	(5,856)	1,761	1,878	6.23%
IT equipment	17,361	(11,607)	5,754	4,820	16.66%
Vehicles	11,179	(4,850)	6,329	7,015	14.29%
Leasehold improvements	1,161	(459)	702	1,026	27.91%
Construction in progress	5,204	-	5,204	-	
Other	981	(943)	38	2,550	4.0%
	51,375	**(25,928)**	**25,447**	**22,782**	

					Consolidated
			2018	2017	Average annual depreciation rates - %
	Cost	Accumulated depreciation	Net	Net	-%
Land	2,060	-	2,060	2,060	-
Machinery and equipment	5,812	(2,213)	3,599	3,433	6.51%
Furniture and fixtures	7,620	(5,856)	1,764	1,881	6.23%
IT equipment	17,391	(11,624)	5,767	4,837	16.66%
Vehicles	11,179	(4,850)	6,329	7,015	14.29%
Leasehold improvements	1,161	(459)	702	1,026	27.91%
Construction in progress	5,204	-	5,204	-	-
Other	1,057	(943)	114	2,627	4.0%
	51,484	**(25,945)**	**25,539**	**22,879**	

Changes in property, plant and equipment are as follows:

					Parent
	Balances in 2016	**Addition s**	**Depreciation**	**Write-offs/ Transfers**	**Balances in 2017**
Land	2,060	-	-	-	2,060
Machinery and equipment	3,637	125	(286)	(43)	3,433
Furniture and fixtures	2,006	199	(294)	(33)	1,878
IT equipment	6,383	-	(1,563)	-	4,820
Vehicles	8,536	-	(1,488)	(33)	7,015
Leasehold improvements	-	1,161	(135)	-	1,026
Construction in progress	2,760	-	-	(250)	2,510
Other	42	-	(2)	-	40
	25.424	**1. 485**	**(3.768)**	**(359)**	**22.782**

					Parent
	Balances in 2017	**Additions**	**Depreciation**	**Write-offs/ Transfers**	**Balances in 2018**
Land	2,060	-	-	-	2,060
Machinery and equipment	3,433	510	(307)	(37)	3,599
Furniture and fixtures	1,878	191	(258)	(50)	1,761
IT equipment	4,820	2,581	(1,623)	(24)	5,754
Vehicles	7,015	1,012	(1,586)	(112)	6,329
Leasehold improvements	1,026	-	(324)	-	702
Construction in progress	2,510	2,694	-	-	5,204
Other	40	-	(2)	-	38
	22,782	**6,988**	**(4,100)**	**(223)**	**25,447**

	Consolidated				
	Balances in 2016	**Additions**	**Depreciation**	**Write-offs/ Transfers**	**Balances in 2017**
Land	2,060	-	-	-	2,060
Machinery and equipment	3,637	125	(286)	(43)	3,433
Furniture and fixtures	2,009	199	(294)	(33)	1,881
IT equipment	6,405	-	(1,568)	-	4,837
Vehicles	8,536	-	(1,488)	(33)	7,015
Leasehold improvements	-	1,161	(135)	-	1,026
Construction in progress	2,692	68	-	(250)	2,510
Other	118	-	(1)	-	117
	25,457	**1,553**	**(3,772)**	**(359)**	**22,879**

	Consolidated				
	Balances in 2017	**Additions**	**Depreciation**	**Write-offs/ Transfers**	**Balances in 2018**
Land	2,060	-	-	-	2,060
Machinery and equipment	3,433	510	(307)	(37)	3,599
Furniture and fixtures	1,881	191	(258)	(50)	1,764
IT equipment	4,837	2.581	(1,628)	(23)	5,767
Vehicles	7,015	1,012	(1,586)	(112)	6,329
Leasehold improvements	1,026	-	(324)	-	702
Construction in progress	2,510	2,694	-	-	5,204
Other	117	-	(2)	(1)	114
	22,879	**6,988**	**(4,105)**	**(223)**	**25,539**

13 Intangible assets

The balance of R$11,878, Parent, and R$30,142, consolidated, the amount of R$13,748 primarily refers to expenses incurred to upgrade ERP-SAP and software licenses, amortized on a straight-line basis over five years.

Out of the balance of R$30,142, consolidated, the amount of R$16,394 refers to the concession asset, determined according to a report prepared by an independent firm (Note 11), generated on the acquisition of subsidiary Evrecy, whose economic basis is the expected earnings during the effective concession agreement term. The concession asset is amortized over the subsidiary concession agreement, which matures on July 17, 2025, as determined by ICPC 09 (R2) – Individual Financial Statements, Separate Financial Statements, Consolidated Financial Statements and Application of the Equity Method of Accounting.

Changes in intangible assets:

	Parent	Consolidated
Balance in 2016	**18,219**	**41,843**
Additions	3,552	4,039
Write-offs	(151)	(151)
Amortization	(5,128)	(8,369)
Balance in 2017	**16,492**	**37,362**
Additions	50	797
Write-offs	(376)	(376)
Amortization	(4,288)	(7,641)
Balance in 2018	**11,878**	**3,142**

14 Borrowings and financing

Borrowings and financing are broken down as follows:

a) Local currency

											Parent		Consolidated	
Agreement	**Company**	**Borrow-ing amount**	**Start date**	**Charges**	**IRR p.a.**	**Final date**	**Purpose**	**Payment term**	**Colla-teral**	**Financial indicator**	**2018**	**2017**	**2018**	**2017**
BNDES														
Agreement 13.2.1344.1 (*)	CTEEP	284,136	12.23.2013	TJLP + 1.80% p.a.	9.90%	03.15.2029	Pluriannual Investments Plan 2012 - 2015	Quarterly interest through March 2015 and payment of principal and interest beginning April 2015	Bank guarante e	Net debt/Adjusted EBITDA < 3.0 and Net debt/Net debt + Equity < 0.6.	196,700	214,231	196,700	214,231
		105,231		3.50% p.a.	3.80%	01.15.2024					51,830	61,926	51,830	61,926
		1,940		TJLP	7.60%	03.15.2029					24	9	24	9
Agreement 17.2.0291.2 (*)	CTEEP	272,521	08.08.2017	TJLP + 2.62% p.a.	5.60%	03.15.2032	Pluriannual Investments Plan 2016 - 2019	Principal and monthly interest beginning April 15, 2018	Fiduciar y assignm ent	Net debt/Adjusted EBITDA < 3.0 and Net debt/Net debt + Equity < 0.6.	150,987	155,607	150.987	155.607
Agreement 13.2.0650.1	Pinheiros	23,498	08.13.2013	TJLP + 2.06% p.a.	8.90%	02.15.2028	Finance Projects of Lots E, H and K - Auction 004/2008	Principal and interest - 168 monthly installments beginning March 15, 2014	-	DSCR of at least 1.3 determined annually	-	-	5,015	5,526
				3.50% pa.	3.80%	04.15.2023					-	-	7,847	9,660
Agreement 10.2.2034.1	Pinheiros	119,886	12.30.2010	TJLP + 2.62% p.a.	9.40%	05.15.2026	Finance Projects of Lot K - Auction 004/2011	Principal and interest - 168 monthly installments beginning September 15, 2011	-	DSCR of at least 1.3 determined annually	-	-	27,020	30,589
				5.50% p.a.	5.80%	01.15.2021					-	-	20,935	30,993
Agreement 11.2.0842.1	Serra do Japi	93,373	10.28.2011	TJLP + 1.95% p.a.	8.60%	05.15.2026	Finance Projects of Lot I - Auction 001/2009	Principal and interest - 168 monthly installments beginning June 15, 2012	-	DSCR of at least 1.2 determined annually	-	-	28,531	32,142
				TJLP + 1.55% p.a.	8.30%	05.15.2026					-	-	24,655	27,776

											Parent		Consolidated	
Agreement	**Company**	**Borrow-ing amount**	**Start date**	**Charges**	**IRR p.a.**	**Final date**	**Purpose**	**Payment term**	**Colla-teral**	**Financial indicator**	**2018**	**2017**	**2018**	**2017**
Agreement 08.2.0770.1	IEMG	70,578	14.01.2009	TJLP + 2.39% p.a.	9.00%	04.15.2023	Finance Projects of Lot D - Auction 005/2006	Principal and interest - 168 monthly installments beginning May 15, 2009	-	DSCR of at least 1.3 determined annually	-	-	22,821	27,908
				5.5% p.a.	5.50%	01.15.2021					-	-	2,334	-
Agreement 10.2.1883.1	IESUL	18,166	21.12.2010	TJLP + 2.58% p.a.	5.50%	05.15.2025	Finance Projects of Lot F - Auction 004/2008	Principal and interest - 168 monthly installments beginning June 15, 2011	-	DSCR of at least 1.3 determined annually	-	-	4,884	-
				3.0% p.a.	3.00%	04.15.2023					-	-	5,170	-
Agreement 13.2.0422.1	IESUL	28,200	28.06.2013	TJLP + 2.58% p.a.	8.80%	02.15.2028	Finance Projects of Lot I - Auction 004/2008	Principal and interest - 168 monthly installments beginning May 26, 2014	-	DSCR of at least 1.3 determined annually	-	-	7,572	-
Finame PSI		-	-	4.0% p.a.	4.10%	08.15.2018		Principal and interest - 54 monthly installments beginning February 2014	-	-				
	CTEEP						Financing of machinery and equipment				-	51	-	51
Finame PSI		10,346	04.11.2014	6.0% p.a.	6.00%	11.18.2019		Principal and interest - 54 monthly installments beginning February 2015	-	-	2,113	4,418	2,113	4,418

											Parent		Consolidated	
Agreement	**Company**	**Borrow-ing amount**	**Start date**	**Charges**	**IRR p.a.**	**Final date**	**Purpose**	**Payment term**	**Collateral**	**Financial indicator**	**2018**	**2017**	**2018**	**2017**
Eletrobras	CTEEP	-	-	8.0% p.a.	8.00%	11.15.2021	-	-	-	-	69	111	69	111
BNB	IENNE	220,000	05.19.2010	10.0% p.a.	10.00%	05.19.2030	Finance Projects of Lot A - Auction 004/2008	Quarterly interest through May 2012 and monthly beginning June 2012	Reserve account held in BNB	-	-	-	171,679	182,674
Conta Garantida		20,000	07.23.2012	CDI + 0.56% p.m.	20.13%	01.16.2018	-	Monthly interest	-	-	-	-	-	9.348
Finance leases	CTEEP	887	09.30.2016	8.86% p.m.	-	12.31.2020	Acquisition of vehicles	Principal and interest - 36 monthly installments beginning September 30, 2016	-	-	512	134	512	134
Total in local currency											**402,235**	**436,487**	**730,698**	**793,103**

b) Foreign currency

									Parent		Consolidated	
Agreement	**Company**	**Borrowing amount**	**Start date**	**Charges**	**Internal Rate of Return - IRR p.a.**	**Final date**	**Financial indicator**	**Payment term**	**2018**	**2017**	**2018**	**2017**
Law 4131(**)												
MFUG	CTEEP	USD 50,000	07.13.2017	Forex + Libor 3M + 0.28% p.a. + IR (Swap for 101.40% CDI)	6.50%	07.17.2018	Net debt/Adjusted EBITDA < 3.5 and Adjusted EBITDA/Net Interest Expense ≥ 2.0	Quarterly interest and principal by the end	-	166,026	-	166,026
MUFG	CTEEP	USD 75,000	07.20.2018	Forex + 3.3415% p.a. + IR (Swap for 102.3% CDI)	6.62%	07.20.2020	Net debt/Adjusted EBITDA < 3.5 and Adjusted EBITDA/Net Interest Expense ≥ 2.0	Quarterly interest and principal by the end	293,902	-	293,902	-
CITI	CTEEP	USD 75,000	08.24.2018	Forex + Libor 3M + 0.47% p.a. + IR (Swap for 102.3% CDI)	6.65%	08.24.2020	Net debt/Adjusted EBITDA < 3.5 and Adjusted EBITDA/Net Interest Expense ≥ 2.0	Quarterly interest and principal by the end	292,027	-	292,027	-
CITI	CTEEP	USD 60,000	11.08.2018	Forex + Libor 3M + 0.25% p.a. + IR (Swap for 102.5% CDI)	6.63%	11.08.2019	Net debt/Adjusted EBITDA < 3.5 and Adjusted EBITDA/Net Interest Expense ≥ 2.0	Quarterly interest and principal by the end	233,129	-	233,129	-
Total in foreign currency									**819,058**	**166,026**	**819,058**	**166,026**
Total in local and foreign currency									**1,221,293**	**602,513**	**1,549,756**	**959,129**
Current									**280,729**	**209,511**	**334,067**	**268,588**
Noncurrent									**940.564**	**393,002**	**1,215,689**	**690,541**

(*) For purposes of calculating and showing that such ratios are reached, the Company consolidates all subsidiaries and jointly-controlled subsidiaries (proportionately to equity interests), provided that equity interest is equal or higher than 10%.
(**) The effects of contracting swap financial instruments for foreign currency contracts 4131 are described in note 31.

The noncurrent portion of borrowings and financing is as follows:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
2019	-	42,257	-	79,972
2020	623,626	40,081	665,263	78,554
2021	40,673	40,081	74,360	70,913
2022	40,657	40,065	74,190	70,836
2023	40,657	40,064	69,500	66,938
2024	31,329	30,734	58,194	56,027
2025 to 2029	138,064	135,202	240,968	235,128
2030 to 2032	25,558	24,518	33,214	32,173
	940,564	**393,002**	**1,215,689**	**690,541**

Changes in borrowings and financing are as follows:

	Parent	Consolidated
Balances in 2016	**312,561**	**504,151**
Additions	312,500	312,500
Principal repayments	(31,907)	(61,678)
Interest payments	(29,574)	(48,004)
Business combination (*)	-	195,224
Interest, inflation adjustments and exchange rate changes	38,933	56,936
Balances in 2017	**602,513**	**959,129**
Additions	810,606	810,606
Principal repayments	(236,035)	(283,451)
Interest payments	(38,207)	(65,778)
Business combination (**)	-	21,229
Interest, inflation adjustments and exchange rate changes	82,416	108,021
Balances in 2018	**1,221,293**	**1,549,756**

(*) Amounts derived from the acquisition of IENNE (note 11).
(**) Amounts derived from the acquisition of IESUL (note 11).

The Company participates as intervening guarantor, to the limit of its interests in subsidiaries, jointly-controlled subsidiaries, in their financing agreements, as shown below.

Subsidiary	Equity interest in subsidiary	Bank	Debt type	Outstanding balance at 12/31/2018	Collaterals	Balance guaranteed by CTEEP	End of guarantee term
IEMG	100%	BNDES	FINEM	22,821	Pledge of shares	22,821	04.15.2023
Serra do Japi	100%	BNDES	FINEM	53,186	Pledge of shares	53,186	05.15.2026
Pinheiros	100%	BNDES	FINEM and PSI	12,862	Pledge of shares	12,862	02.15.2028
Pinheiros	100%	BNDES	FINEM and PSI	47,955	Pledge of shares	47,955	05.15.2026
IENNE	100%	Banco do Nordeste	FNE	171,679	Pledge of shares/Corporate	171,679	05.19.2030
IESul	100%	BNDES	FINEM and PSI	7,218	Pledge of shares	7,218	05.15.2025
IESul	100%	BNDES	FINEM and PSI	12,742	Pledge of shares	12,742	02.15.2028
IEMadeira	51%	Banco da Amazônia	Cédula de crédito bancária	299,781	Pledge of shares	152,888	07.10.2032
					Bank guarantee		08.30.2019
IEMadeira	51%	BNDES	FINEM and PSI	1.248.694	Pledge of shares	637.344	02.15.2030
					Bank guarantee		08.31.2019
IEMadeira	51%	Itaú/BES	Infrastructure debentures	499,870	Pledge of shares/Corporate	254,934	03.18.2025
IEGaranhuns	51%	BNDES	FINEM and PSI	251,922	Pledge of shares	128,480	12.15.2028

In addition to the collaterals above, the financing agreements between the subsidiaries and jointly-controlled subsidiaries with BNDES/BASA require the creation and maintenance of a reserve account for the debt service in an amount equivalent to three to six times the last installment under the financing, including the portion of principal and interest, classified under restricted cash in the balance sheet in the amount of R$6,584, Parent, and R$37,495, consolidated.

The BNDES financing agreements and debentures of subsidiaries and jointly-controlled subsidiaries contain covenants that require the maintenance of financial indicators for the Debt Service Coverage Ratio (DSCR) as well as cross default clauses that provided for the acceleration of payment in case of failure to comply with the obligations under the agreements.

As at December 31, 2018, no acceleration of payment occurred relating to covenants under the agreements with the Parent, subsidiaries and jointly-controlled subsidiaries.

15 Debentures

					Parent and Consolidated	
	Maturity	**Number**	**Charges**	**IRR p.a.**	**2018**	**2017**
Single series (i)	12.26.2018	50,000	116.0% do CDI p.a.	9.9%	-	169,441
Single series (ii)	07.15.2021	148,270	IPCA + 6.04%	10.0%	162,328	155,185
Single series (iii)	02.15.2024	300,000	IPCA + 5.04%	9.1%	325,049	309,119
Single series (iv)	12.13.2020	350,000	105.65% do CDI p.a.	8.0%	350,330	350,114
Single series (v)	04.15.2025	621,000	IPCA+ 4.70%	8.9%	627,504	-
					1,465,211	**983,859**
Current					**23,707**	**182,852**
Noncurrent					**1,441,504**	**801,007**

(i) In December 2013, the Company issued 50,000 single series debentures, to a total amount of R$500,000. The maturity of the debentures will occur annually on December 26, 2016, 2017 and 2018, with remuneration paid semi-annually in June and December of each year, with the first installment paid on June 26, 2015 and the last installment paid on December 26, 2018.

(ii) In August 2016, the Company issued 148,270 infrastructure debentures, in accordance with article 2 paragraph 1 of Law No. 12431/2001 in a single series, to a total amount of R$148,270 with the purpose of reimbursing contributions and investments in jointly-controlled entities IEMadeira and IEGaranhuns. These debentures will mature on July 15, 2021 and yield will be paid annually in July of each year, with the first installment due on July 15, 2017.

(iii) Financial ratios established in the indenture are as follows: Net Debt/Adjusted EBITDA < 3.5 and Adjusted EBITDA/Finance Income (Costs) > 1.5 through the measurement made as of June 30, 2017 and, as from the measurement made at September 30, 2017, > 2.0.

(iv) In March 2017, the Company issued 300,000 infrastructure debentures under article 2, paragraph 1, of Law No. 12431/2001, in a single series, in the total amount of R$300,000, to cover future payments and/or reimbursement of expenditures, expenses or debts relating to investments in enhancements and improvements in transmission facilities, encompassing the installation, replacement or renovation with a view to maintain proper quality services, the reliability of the National Interconnected System (SIN), the useful life of equipment and/or connect new users. Debentures will mature on February 15, 2024 and yield will be paid every February of each year, the first installment falling due on February 15, 2018. Issuance costs, net of transaction costs, amounted to R$292,603 and will be amortized on a straight-line basis over the transaction term.

Financial ratios established in the indenture are as follows: Net Debt/Adjusted EBITDA < 3.5 and Adjusted EBITDA/Finance Income (Costs) > 1.5 through the measurement made as of June 30, 2017 and, as from the measurement made at September 30, 2017, > 2,00.

(v) In December 2017, the Company issued 350,000 debentures, in a single series, in the total amount of R$350,000, exclusively for working capital purposes and to extend the financial liabilities. Debentures will mature on December 13, 2020 and yield will be paid on a semi-annual basis in June and December of each year, the first

installment falling due on June 13, 2018 Issuance costs, net of transaction costs, amounts to R$348,041 and will be amortized on a straight-line basis over the transaction term.

The financial indicators established in the deed are Net Debt/Adjusted EBITDA < 3.5 and Adjusted EBITDA/Finance income (costs) > 2.0.

(vi) In May 2018, the Company issued 621,000 infrastructure debentures, under article 2 of Law No. 12.431/2011, in a single series, in the total amount of R$621,000, with a view to reimburse the costs incurred in up to 24 months as of the the disclosure of the Offering Closing Notice, or future payment in the scope of the investment in Paraguaçu, Aimorés, Itaúnas, Ivaí, Tibagi, Itaquerê, Itapura and Aguapeí projects. Debentures were classified as "green bonds", since the use of funds contributes to the sustainable development by means of the support to the renewable energy output, according to the independent report issued by specialists with experience and technical capacity in the sustainability, disclosed in May 2018. The debentures will mature on April 15, 2025 and yield will be paid semi-annually in October and April of each year, the first installment paid on October 15, 2018. The net issuance amount of the transaction costs totals R$604,113. Costs will be amortized on a straight-line basis for the concession term.

Indicator of provision of transmission services to green users

	2018 (unaudited)			2017 (unaudited)				
Environmental benefit (*)	**Green Clients**	**Total Clients**	**Share (%)**	**Green Clients**	**Total Clients**	**Share (%)**	**Absolute Variance**	**Variance (%)**
Number of green users (**)	599	872	68.69	522	793	65.83	77	14.75
Revenue from green users (R$)	4,047	218,881	1.85	3,930	231,067	1.7	117	2.97

(*) Environmental benefit is measured based on CTEEP´s total customer portfolio
(**) Green users in CTEEP's portfolio: generate energy by means of wind power plants, solar-biomass and PCHs.

All requirements and covenants set out in the indentures of the issuances have been properly met and satisfied by the Company and its subsidiaries through the reporting date.

Issuance costs recognized in financial transactions through December 31, 2018 totaled R$32,888. The balance of the remaining costs to be recognized beginning December 31, 2018 is R$23,589.

The noncurrent portion of installments matures as follows:

	2018	**2017**
2020	349,672	349,493
2021	158,330	152,098
2024	311,428	299,416
2025	622,074	-
	1,441,504	**801,007**

Changes in debentures are as follows:

Balances in 2016	**506,299**
Additions	650,000
Principal repayments	(188,445)
Interest payments	(48,721)
Interest, inflation adjustments and exchange rate changes	64,726
Balances in 2017	**983,859**
Additions	621,000
Principal repayments	(170,000)
Interest payments	(54,110)
Interest, inflation adjustments and exchange rate changes	84,462
Balances in 2018	**1,465,211**

16 Taxes and payroll charges payable

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Income tax	84	32,911	1,018	34,706
Social contribution	2,222	14,127	2,906	15,031
Cofins (tax on revenue)	26,654	25,987	27,217	26,583
PIS (tax on revenue)	5,320	5,209	5,446	5,337
Social Security Contribution (INSS)	5,522	415	5,767	477
ISS (Service tax)	2,500	2,411	3,139	2,972
Severance Pay Fund (FGTS)	2,124	118	2,125	155
Withholding income tax	3,912	3,565	3,970	3,752
Other	2,596	1,375	2,794	1,489
	50,934	**86,118**	**54,382**	**90,502**

17 Taxes in installments

17.1 Special Tax Debt Refinancing Program – PERT – Law No. 13.496/2017

The Company joined the Special Tax Debt Refinancing Programa (PERT) launched by Law No. 13.496, of October 24, 2017, for: (i) debts relating to installment payments under Law No. 11941, and (ii) an administrative proceeding discussing income tax and social contribution tax loss carryforwards relating to 2002.

The Company elected to pay 20% of the consolidated debt in five monthly, consecutive installments, maturing from August to December 2017. The remaining balance was fully settled in January 2018, in a single installment, with a 90% reduction in late payment interest and 70% in late payment fines. The debts were consolidated by the Federal Revenue Service in December 2018.

Changes in the year ended December 31, 2018 are as follows:

Balance at 12/31/2017	57,997
Inflation adjustment after adhesion to PERT	148
Payments made	(58,145)
Balance at 12/31/2018	-

18 Deferred PIS and Cofins (taxes on revenue)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
PIS	193,564	183,858	209,853	204,328
Cofins	891,565	848,578	966,713	943,053
	1,085,129	**1,032,436**	**1,176,566**	**1,147,381**

Deferred PIS and Cofins relate to infrastructure implementation revenues and compensation from concession assets determined on financial assets and recorded in the proper accounting period. Payment is made as monthly revenues are billed, as provided for in Law No. 12973/14.

19 Regulatory charges payable

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Research & Development - R&D (i)	59,982	47,217	64,453	51,171
Global Reversal Reserve - RGR (ii)	548	548	801	1,703
Energy Development Account - CDE (iii)	8,340	15,954	8,340	15,954
Alternative Power Sources Incentive Program (Proinfa)	2,202	1,632	2,202	1,632
ANEEL inspection fee	-	-	391	340
	71,072	**65,351**	**76,187**	**70,800**
Current	**38.834**	**14.973**	**40.262**	**16.550**
Noncurrent	**32.238**	**50.378**	**35.925**	**54.250**

(i) The Company and its subsidiaries recognize obligations relating to tariff amounts already billed (1% of net operating revenue), applied to the Research and Development (R&D) Program, monthly adjusted, as from the second month subsequent to its recognition through its actual realization, based on Selic (The Central Bank interest rate) as established in ANEEL Resolutions 300/2008 and 316/2008. According to Official Letter No. 0003/2015, of May 18, 2015, expenditures applied to R&D are accounted for in assets and, by completion of the project, recognized as obligation settled and, subsequently, submitted to audit and final evaluation by

ANEEL. The total amount invested in projects not completed by December 31, 2018 amounts to R$12.859 (R$3,484 at December 31, 2017)

(ii) Pursuant to article 21 of Law No. 12783, beginning January 1, 2013, power transmission companies under concession agreements extended as set forth in the aforementioned Law are exempted from paying the annual RGR amount. In Parent, as at December 31, 2018, the balance of RGR payable refers to an additional amount relating to the 2010 inspection fee, as established in ANEEL Order No. 2513/2012, superseded by Order No. 034/2013.

(iii) The CDE is a fee transmission companies are in charge of transferring based on amounts collected from free consumers.

20 Payroll and related taxes

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Vacation, 13th salary and related taxes	25,219	24,427	25,399	25,267
Profit sharing (PRL)	11,648	10,681	11,648	11,077
	36,867	**35,108**	**37,047**	**36,344**

21 Provisions

(a) Provision for risks

Lawsuits are assessed periodically and classified based on their likelihood of loss for the Company and its subsidiaries. Provisions are recognized for all lawsuits for which it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate can be made.

Lawsuits assessed as probable loss are as follows:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Labor (i)	86,763	98,679	86,765	98,679
Civil (ii)	2,900	4,235	2,941	4,235
IPTU (property tax) (iii)	996	18,581	996	18,581
Other (iv)	6	58	6	58
	90,665	**121,553**	**90,708**	**121,553**

(i) Labor

The Company is a defendant in certain lawsuits that are under discussion at different courts relating to claims of salary equalization, overtime, hazardous duty premium, among others. The Company made escrow deposits for labor claims in the amount of R$34,506 (R$37,348 as at December 31, 2017), as described in note 10.

(ii) Civil

The Company is a party to civil lawsuits relating to issues including real estate, indemnities, collections, annulment and class actions arising in the normal course of business, that is, operation and maintenance of transmission lines, substations and equipment under the electric power transmission concession agreements.

(iii) Tax – IPTU (property tax)

The Company is a party to proceedings relating to the collection of Property Tax (IPTU) and recognizes a provision to cover debts to the municipal government of various municipalities in the State of São Paulo.

(iv) Other

In December 2018, the balance of R$6 refers to lawsuits involving social security issues (INSS). On August 10, 2001, the Company was issued a tax assessment by the National Institute of Social Security (INSS), which required the payment of social security contributions on additional compensations paid to employees, as meal allowance, breakfast and food staples, in the period from April 1999 to July 2001. Management started its defense in such proceeding and the decision was favorable to the Company. Currently, the judicial deposit amount for this lawsuit totals R$2,819 (R$2,905 as at December 31, 2017), according to Note 10 and is in process of being reversed by the Company.

(v) Changes in provisions for risks:

					Parent
	Labor	**Civil**	**Tax – IPTU (property tax)**	**Other**	**Total**
Balances in 2016	**118,537**	**16,343**	**16,839**	**1,316**	**153,035**
Recognition	29,498	2,530	190	-	32,218
Reversal	(49,269)	(9,603)	(1)	(1,312)	(60,185)
Payment	(15,963)	(5,845)	(31)	-	(21,839)
Adjustment	15,876	810	1,584	54	18,324
Balances in 2017	**98,679**	**4,235**	**18,581**	**58**	**121,553**
Recognition	22,403	10,481	166	872	33,922
Reversal	(29,760)	(11,634)	(18,694)	(924)	(61,012)
Payment	(12,557)	(584)	(1)	-	(13,142)
Adjustment	7,998	402	944	-	9,344
Balances in 2018	**86,763**	**2,900**	**996**	**6**	**90,665**

	Consolidated				
	Labor	**Civil**	**Tax – IPTU (property tax)**	**Other**	**Total**
Balances in 2016	**118,537**	**16,343**	**16,839**	**1,316**	**153,035**
Recognition	29,995	2,594	190	-	32,779
Reversal	(49,781)	(9,667)	(1)	(1,312)	(60,761)
Payment	(15,963)	(5,845)	(31)	-	(21,839)
Adjustment	15,891	810	1,584	54	18,339
Balances in 2017	**98,679**	**4,235**	**18,581**	**58**	**121,553**
Recognition	22,442	10,736	166	872	34,216
Reversal	(29,798)	(11,870)	(18,694)	(924)	(61,286)
Payment	(12,557)	(584)	(1)	-	(13,142)
Adjustment	7,999	424	944	-	9,367
Balances in 2018	**86,765**	**2,941**	**996**	**6**	**90,708**

(b) Lawsuits whose likelihood of loss is assessed as possible - Parent and consolidated

The Company and its subsidiaries are parties to labor, civil, social security and tax lawsuits involving risks of loss which, based on the assessment of the legal counsel, Management classified as possible loss, in the estimated amount of R$672,385 and R$675,657 as at December 31, 2018 (R$837,851 and R$839,890 as at December 31, 2017), Parent and consolidated, respectively, for which no provision was recognized.

	Parent		Consolidated	
Classification	**Number**	**Total**	**Number**	**Total**
Labor	130	14,559	133	14,826
Civil	52	63,986	65	66,782
Social security	48	3,322	48	3,322
Civil - Annulment of merger of EPTE by CTEEP (i)	1	203,529	1	203,529
Civil - Ace Seguradora (ii)	1	15,509	1	15,509
Tax - Goodwill amortization (iii)	3	229,795	3	229,795
Tax - IRPJ and CSLL (iv)	-	-	-	-
Tax - CSLL tax loss carryforwards (v)	1	28,746	1	28,746
Tax - Other	264	112,939	266	113,148
Regulatory – Resolution authorizing the implementation of reinforcements (vi)	-	-	-	-
Plan Law No. 4819/58 (note 34)	-	-	-	-
	500	**672,385**	**518**	**675,657**

(i) Annulment of merger of EPTE by CTEEP

Lawsuit whereby minority shareholders claim the annulment of EPTE's merger by the Company or, in a jointly liable manner, the declaration of its right to withdrawal and determination of the payment of the share reimbursement value. Currently in the execution phase, pending final assessment of the pre-enforcement exception. The Company filed a cancellation claim and obtained an injunction conditioned to the possible raising of amounts by the filing party in order to submit a suitable surety.

(ii) ACE Seguradora

Collection lawsuit filed by the insurers of CESP - Companhia Energética de São Paulo, alleging CTEEP's responsibility in the claim incurred in Generation Unit No. 5 - "UG-05" of Hydro Power Plant Três Irmãos, resulting in serious damage to its generator and transformer on June 21, 2013. The amount charged refers to the amount received by CESP and its insurers, totaling R$8.8 million on July 27, 2015, for repair of the generator and transformer allegedly damaged in the event. The lawsuit awaits judgment by the lower court.

(iii) Tax - Goodwill amortization

Lawsuits arising from tax assessment notices issued by the Federal Revenue Service from 2013 to 2017 (period from 2008 to 2013), relating to the goodwill paid by ISA on the acquisition of CTEEP shareholding control.

- The 2008 case was judged at the higher court of the Administrative Board of Tax Appeals (CARF), which granted an unfavorable decision. An appeal was filed and a court injunction was issued so that giving guarantee to obtain tax clearance certificates for the duration of the process is not necessary.

- The 2009, 2010 and 2011 cases were awarded a favorable decision by the higher court of the Administrative Board of Tax Appeals (CARF).

The lawsuit relating to 2012 was granted a favorable decision by CARF and that relating to 2013 was granted an unfavorable decision to the Company at the lower court. The Company may file an appeal.

(iv) Tax - IRPJ and CSLL

Refers to a proceeding discussing income tax and social contribution loss carryforwards (relating to 2002), used to offset debts related to the same taxes, which was partially disallowed. Since the proceeding is unlikely to be granted a CARF's favorable decision, the respective amounts were included in PERT Program (note 17.1). Awaiting debt consolidation by the Federal Revenue Service in December 2018.

(v) Tax - CSLL tax loss carryforwards

Lawsuit arising from a tax assessment notice issued in 2007, in connection with the failure to confirm the CSLL tax loss carryforwards basis, arising from the partial spin-off of CESP. Pending judgment by the Administrative Tax Appeals Board (CARF).

(vi) Regulatory - Resolution authorizing the implementation of reinforcements

Legal proceeding to annul REAs in order to ensure fair remuneration for the enhancements in transmission lines, with the purpose of ensuring that the prices determined by ANEEL are adjusted in relation to the market. The request for advanced relief of the claim was partially granted, determining that ANEEL initiate the administrative process to update the Reference Price Bank, and that it issue new Authorizing Resolutions.

(c) Lawsuits whose likelihood of loss is assessed as remote - Parent and consolidated

(i) Collection lawsuit filed by Eletrobras against Eletropaulo and EPTE

In 1989, Centrais Elétricas Brasileiras S.A. - Eletrobras filed an ordinary collection lawsuit against Eletropaulo - Eletricidade de São Paulo S.A. (currently Eletropaulo Metropolitana Eletricidade de São Paulo S.A. - "Eletropaulo"), relating to the financing agreement. Eletropaulo did not agree with the inflation adjustment criterion applied to the aforementioned financing agreement and deposited in court the amounts that it believed to be due. In 1999 a decision was handed down in connection with the aforementioned lawsuit, which sentenced Eletropaulo to pay the balance determined by Eletrobras.

Under Eletropaulo's partial spin-off protocol, whose spin-off occurred on December 31, 1997 and which resulted in the establishment of EPTE and other companies, the obligations of any nature relating to the actions

performed up to the spin-off date should be solely borne by Eletropaulo, except for the contingencies whose provisions were allocated to the merging companies. In the case under discussion, at the date of the partial spin-off, there was no allocation to the EPTE of a provision for any such purpose, and it was evident to the Management of CTEEP and its legal counsel that the responsibility for the aforementioned contingency should be solely borne by Eletropaulo.

At the spin-off date, there was only the transfer to EPTE's assets of an escrow deposit in the historical amount of R$4.00 made in 1988 by Eletropaulo, relating to the amount that company believed to be payable to ELETROBRAS as a balance of the aforementioned financing agreement, and allocation in the EPTE's liabilities of an amount equivalent to this balance.

Therefore, in view of Eletropaulo's partial spin-off protocol, the EPTE would be the owner of the transferred asset and Eletropaulo would be responsible for the contingency relating to the amount claimed in courts by Eletrobras. In October 2001, Eletrobras executed the decision relating to the aforementioned financing agreement and charged R$429 million from Eletropaulo and R$49 million from EPTE, and believed that EPTE would make the payment of this portion using the adjusted funds of the aforementioned escrow deposit. CTEEP merged EPTE on November 10, 2001 and became the successor of its obligations and rights.

On September 26, 2003, a decision handed down by the Court of Justice of the State of Rio de Janeiro was published and excluded Eletropaulo from the execution of the aforementioned decision. In light of the abovementioned facts, Eletrobras filed on December 16, 2003 a special appeal to the Superior Court of Justice and a special appeal to the Supremo Federal Court, to keep the aforementioned collection relating to Eletropaulo. Appeals similar to those of Eletrobras were filed by the Company.

On June 29, 2006, the Superior Court of Justice has approved the special appeal of CTEEP, in the sense of reversing the decision handed down by the Court of Justice of the State of Rio de Janeiro which excluded Eletropaulo as the defendant in the execution action filed by Eletrobras.

Due to the aforementioned approval by the Superior Court of Justice, on December 4, 2006, Eletropaulo has offered motions to clarify, according to the court decision published on April 16, 2007, as well as special and extraordinary appeals which upheld the decision handed down by the Superior Court of Justice, which was made final and unappealable on October 30, 2008.

In December 2012, a decision that denied the taking of evidence by the parties completing the phase of proof for calculation of the award and declaring that Eletropaulo is liable for the award payment, deducting the amount deposited in courts relating to the consignment action.

Eletropaulo filed an appeal requesting the proceeding to return to the evidentiary hearing stage for expert evidence preparation. The expert report conclusion submitted in September 2015 is in line with the Company's defense allegations. In 2016, Eletropaulo also submitted legal and accounting opinions supporting its position.

In October 2017, Eletrobrás and Eletropaulo entered into an agreement and required the stay of the lawsuit for a possible mediation.

In addition to the expert report submitted in November 2017, the expert ratified his prior understanding in line with the Company's defense allegations.

In March 2018, Eletropaulo disclosed a material fact notice informing the market that a settlement has been made with Eletrobras to close the lawsuit involving Eletrobras, the Company and Eletropaulo regarding the liability for paying the finance charges on the loan granted by Eletrobrás to Eletropaulo.

In April 2018, a court decision was issued to ratify the settlement made between Eletrobras and Eletropaulo, excluding the Company from the dispute. The court decision also clarified that, in the event the obligations under the settlement are not fulfilled, Eletropaulo will be liable for paying the full remaining amount. Eletrobras and

Eletropaulo have challenged such decision. In February 2009, the apelas filed by Eletropaulo and CTEEP were judged, the settlement was approved and CTEEP was removed from the lawsuit. Appeals still may be filed.

(ii) Taxes on revenue (PIS/Cofins)

The Company is a defendant to tax assessment notices relating to PIS and Cofins (taxes on revenue) for the period from 2003 to 2011, under the allegation that the Company would be required to pay PIS/Cofins on a cumulative basis. The Company paid PIS/COFINS on a cumulative basis until 2003. With the changes introduced in legislation in October 2003, the general rule became paying PIS/COFINS on a noncumulative basis, except for revenues meeting the following requirements: i) agreements executed before October 2003, ii) with an effective term longer than one year, iii) at predetermined prices, iv) for purchases of goods or services. As SE revenue meets these requirements, and, also, following ANEEL's instructions, the Company requested the offset of the amounts overpaid in the period the Company paid PIS and Cofins on a noncumulative basis and begun paying such taxes cumulatively on the portion of SE revenue.

The administrative proceedings at the highest CARF level (involving the years 2003 to 2010) total R$1,556 million. These cases are the subject of a lawsuit that discuss the analysis of an expert report by CARF, and an unfavorable decision was granted to the Company. Currently, the Company waits judgment of an appeal. The court injunction was suspended, and the Company will file an appeal claiming the suspension of the collection and the analysis of the expert report by CARF.

The proceeding relating to 2011 involves the amount of R$535.0 million, adjusted for inflation, and was granted an unfavorable decision at CARF's lower level. CARF´s Lower Panel determined that the National Treasury Attorney General should analyze the report prepared by the specialized consulting firm, which was analyzed and validated. The Company awaits a new decision by CARF's Lower Panel.

22 Post-employment Benefit /Amounts payable - Fundação CESP – Parent and consolidated

The Company sponsors retirement and survivors' pension complementation and supplementation and health care plans managed by Funcesp, which, together with the administrative costs of the fund, amounts to R$4,250 as at December 31, 2018 (R$2,056 as at December 31, 2017), relating to monthly installments payable as contribution to the fund.

(a) Retirement and pension plan - PSAP/CTEEP

PSAP/CTEEP includes the following subplans:

- Proportional Supplemental Settled Benefit (BSPS) - (Plan "B");
- Defined Benefit (DB) - (Plan "B1");
- Variable contribution (VC) - (Plan "B1").

PSAP/CTEEP, governed by Supplementary Law No. 109/2001 and managed by Funcesp, is sponsored by the Company itself and offers retirement and survivors' pension supplementation benefits, whose reserves are determined on a funded basis.

PSAP/CTEEP originated from the spin-off of PSAP/CESP B1 on September 1, 1999 and covers all participants transferred to the Company. On January 1, 2004, PSAP/EPTE was incorporated by PSAP/Transmissão, the name of which was changed from that date to PSAP/Transmissão Paulista and from December 1, 2014 changed to PSAP/CTEEP.

Subplan "BSPS" refers to the Proportional Supplemental Settled Benefit arising from the Supplementary Retirement and Pension Plan PSAP/CESP B, transferred to this plan on September 1, 1999 and from PSAP/Eletropaulo Alternativo, transferred to this plan after the merger of PSAP/EPTE on January 1, 2004, calculated on December 31, 1997 (CTEEP) and March 31, 1998 (EPTE), based on effective regulations, and the actuarial asset-liability balance was obtained at the time.

The Defined Benefit ("DB") subplan defines contributions and related matching responsibilities between the Company and Participants on 70% of employees' Actual Contribution Salary in order to obtain the plan's actuarial asset-liability balance. This subplan ensures annuity post-retirement and death benefits to employees, former employees and beneficiaries in order to supplement the benefits provided by the official social security system.

The CV sub-plan defines voluntary contributions from Participants with limited compensation of the Company, levied on 30% of the Actual Contribution Salary of these employees in order to provide additional supplementation in the cases of retirement and death pension. On the date of receipt of the benefit, the Variable Contribution (CV) sub-plan may become a Defined Benefit ("BD") if the annuity is chosen by the Participant as a form of receipt of this supplementation.

(i) Actuarial valuation

The actuarial valuation prepared by an independent actuary relating to the PSAP/CTEEP pension plans, sponsored by the Company, under the projected unit credit method.

As at December 31, 2018, PSAP/CTEEP recorded actuarial surplus of R$502,525 (R$590,803 as at December 31, 2017).

As at December 31, 2018, as provided for in paragraph 65 of CPC 33 (R1) - Employee Benefits, the Company recognized the net value of assets from future economic benefits that are available in form of partial reduction of future contributions to the Plan, limited to the present value of these benefits, in the amount of R$107,360 and R$1,916 relating to the cost of the defined benefit obligation in noncurrent assets, in the amount of R$105,444.

The main financial and actuarial information is as follows:

	2018	2017
Amount recognized in the Company's balance sheet		
Defined benefit obligation	3,317,667	2,943,030
Fair value of plan assets	(3,820,192)	(3,533,832)
(Surplus)/ Deficit	**(502,525)**	**(590,802)**
Nonrecoverable surplus (effect of the asset limit)	395,165	590,802
Net liability / (asset)	**(107,360)**	**-**
Changes in nonrecoverable surplus		
Nonrecoverable surplus at the end of prior year	590,803	568,247
Interest on nonrecoverable surplus	59,789	62,621
Changes in nonrecoverable surplus during the year	(255,427)	(40,066)
Nonrecoverable surplus at the end of year	**395,165**	**590,802**
Reconciliation of defined contribution obligations		
Benefit definition obligation at the end of prior year	2,943,030	2,859,958
Cost of current service	11,088	10,725
Interest cost	287,991	304,661
Benefits paid by the plan	(204,119)	(203,622)
Participants' contribution	686	816
Actuarial (gain)/loss	278,991	(29,508)
Benefit definition obligation at the end of year	**3,317,667**	**2,943,030**
Reconciliation of the fair value of plan assets		
Fair value of the plan assets at the end of prior year	(3,533,832)	(3,428,206)
Expected return on investments	(347,821)	(367,334)
Employer's contribution	(1,188)	(562)
Participants' contribution	(686)	(816)
Benefits paid by the plan	204,119	203,622
(Gain)/Loss on return on investments	(140,784)	59,464
Fair value of the plan assets at the end of year	**(3,820,192)**	**(3,533,832)**

	2018	2017
Components of defined benefit cost/ (revenue)		
Cost of current service	11,088	10,725
Interest on defined benefit obligation	287,991	304,661
Interest / (yield) on fair value of plan assets	(347,821)	(367,334)
Interest on nonrecoverable surplus	50,658	62,621
Cost of defined benefit obligation on the Company's profit or loss	**1,916**	**10,673**
Resizing in other comprehensive income ("OCI")		
Actuarial (gain)/loss	278,991	(29,508)
(Gain)/Loss on return on investments	(140,784)	59,464
Changes in nonrecoverable surplus during the year	(156,069)	(40,066)
Resizing of the obligation included in OCI	**(17,862)**	**(10,110)**
Total cost of defined benefit obligation on the Company's profit or loss and OCI	**(15,946)**	**563**
Reconciliation of the defined benefit net value of liabilities/ (assets)		
Net Liabilities / (Assets) at the end of the prior year	(90,226)	-
Cost of defined benefit obligation on the Company's profit or loss	1,916	10,673
Resizing of the obligation included in "OCI"	(17,862)	(10,110)
Employer's contribution	(1,188)	(563)
Net Liabilities / (Assets) at the end of the year	**(107,360)**	**-**
Estimated costs for the subsequent year		
Cost on defined benefit obligation	1,951	11,047
Estimated value for the subsequent year	**1,951**	**11,047**
Sensitivity analysis for assumptions adopted		
Defined benefit obligation (interest rate - 100 base points)	3,717,705	3,294,675
Defined benefit obligation (interest rate - 100 base points)	2,985,967	2,651,104
Expected cash flows for the subsequent year and duration of the commitment		
Expected employer's contribution	358	363
Total estimated benefit payments under the plan:		
Year 1	215,912	194,544
Year 2	229,028	204,605
Year 3	243,219	217,788
Year 4	255,233	231,403
Year 5	268,693	242,938
Next 5 years	1,526,448	1,397,077
Duration of commitments under the plan	**11.3 years**	**11.2 years**

	2018	2017
Breakdown of investments portfolio (in R$)		
Fixed income	3,063,794	2,823,532
Floating income	542,467	473,534
Structured investments	87,864	120,150
Foreign investments	34,382	45,940
Properties	61,123	42,406
Operations with participants	30,562	28,271
	3,820,192	**3,533,832**
Main financial and actuarial assumptions		
Discount rate	9.74% p.a.	10.12% p.a.
Salary increase rate	1.87% p.a.	2.00% p.a.
Rate of adjustment to benefits granted on a continuing basis	4.50% p.a.	4.50% p.a.
General mortality table	AT-2000(M/F)	AT-2000(M/F)
Disability table	Light-Fraca	Light-Fraca
Disability mortality table	AT-1949	AT-1949
Turnover	Exp.Funcesp	Exp.Funcesp
Demographic data		
Number of active participants	1,346	1,375
Number of affiliates	132	124
Number of assisted beneficiaries	2,558	2,496

23 Global Reversal Reserve (RGR)

As at December 31, 2018, the amount of R$19,093 (R$24,053 at December 31, 2017) refers to the funds deriving from the reversal reserve, amortization and portion retained in the Company of the monthly shares of the Global Reversal Reserve (RGR) relating to investments of funds to expand power services and repay borrowings raised for the same purpose, occurred through December 31, 1971. Annually, according to the ANEEL Order, interest of 5% is charged on the value of the reserve, with monthly settlement. Under article 27 of Decree No. 9022, of March 31, 2017, electric power concessionaires shall amortize fully the RGR debits beginning January 2018 to December 2026.

24 Equity

(a) Capital

As at December 31, 2018 and 2017, the Company's capital is R$5,000,000, of which R$1,957,386 in common shares and R$3,042,614 in preferred shares, all registered, book-entry, and without par value.

The subscribed and paid-in capital as at December 31, 2018 and 2017 totals R$3,590,020 and is represented by common and preferred shares, as follows:

	2018	R$ thousand	2017	R$ thousand
Common	64,484,433	1,405,410	64,484,433	1,405,410
Preferred	100,236,393	2,184,610	100,236,393	2,184,610
	164,720,826	**3,590,020**	**164,720,826**	**3,590,020**

Common shares entitle their holders the right to one vote at the resolutions of general meetings.

Preferred shares are not entitled to vote; however, they have priority in the refund of capital and payment of dividends corresponding to this class of shares.

The Extraordinary Shareholders' Meeting held on December 18, 2017 approved a capital increase of R$1,217,583 through absorption of the capital reserve, without issuance of new shares. However, of this amount, R$666 from the "reserve of funds intended for capital increase", originated from the spin-off of CESP, completed in 1999, was used. Accordingly, in such transaction, the increase amount of R$1,217,583 was paid up with R$1,216,917 from the capital reserve and R$666 from the reserve of funds intended for capital increase.

(b) Dividends and interest on capital

In 2017, the Board of Directors resolved to distribute interim dividends as follows:

	Interim dividends		
BoD meeting date	**Total**	**Per share**	**Payment**
05. 29.2017	135,000	0.819569	06.13.2017
11. 13.2017	365,400	2.218299	11.21.2017
	500,400	**3.037868**	

Total dividends paid through December 31, 2017 is R$636,118, upon resolutions made in 2016 and 2017.

The General Shareholders' Meeting of April 12, 2018 approved the proposal for distribution of additional dividends relating to 2017, as follows:

	Additional dividends proposed		
GSM date	**Total**	**Per share**	**Payment**
04.12.2018	84,693	0.514164	06.15,2018
	84,693	**0.514164**	

In 2018, the Board of Directors resolved to distribute interim dividends and interest on capital, as follows:

	Interim dividends		Interest on capital		
BoD meeting date	**Total**	**Per share**	**Total**	**Per share**	**Payment**
05.30.2018	760,305	4.615728	-	-	06.18.2018
12.03.2018	633,000	3.842866	592,000	3.593960	12.17.2018
	1,393,305	**8.458594**	**592,000**	**3.593960**	

Total dividends and interest on capital paid through December 31, 2018 is R$2,064,258, with resolutions made in 2017 and 2018. The amount of R$7,835 recorded in interest on capital and dividends payable refer to the balance to be settled subsequently.

The Company's bylaws establish that the allocation of profit for the year in the following order: (i) recognition of the legal reserve; (ii) balance, payment of dividends attributed to preferred and common shares, at the higher value between R$218,461and R$140,541, respectively, and 25% of profit for the year; (iii) of balance, up to 20% of profit for recognition of the statutory reserve.

	2018	**2017**
Profit for the year	**1,881,668**	**1,365,512**
Recognition of legal reserve	(94,083)	(68,275)
Dividends and interest on capital forfeited	1,017	1,215
	1,788,602	1,298,452
Recognition of statutory reserve	(357,517)	(259,447)
Recognition of unrealized earnings reserve, net	(62,415)	(453,912)
Interim dividends paid	(633,000)	(500,400)
Interest on capital paid	(592,000)	-
Recognition of earnings retention reserve	(143,670)	-
Additional dividends proposed	-	(84,693)
	-	**-**

(c) Capital reserves

	2018	2017
Investment grants - CRC (i)	78	78
Special goodwill reserve on merger (note 28)	588	588
	666	**666**

(i) Investment grants - CRC

The Offsettable Profit or Loss Account (CRC) was established by Decree No. 41019/1957 and Law No. 5655/1971 to compensate electric power concessionaires for certain investments made by them. Law No. 8631/1993 extinguished the CRC and, thereafter, Law No. 8724/1993 established that the CRC credits should be recorded in equity as investment grants in line item "Capital reserve". As permitted by CPC 13 - First-Time Adoption of Law No. 11638/07 and Provisional Act No. 449/08, the Company elected to maintain the balance as at December 31, 2007 relating to the CRC.

(d) Earnings reserves

	2018	2017
Legal reserve (i)	636,846	542,763
Statutory reserve (ii)	854,208	496,691
Earnings retention reserve (iii)	875,113	1,491,748
Unrealized special earnings reserve (iv)	5,038,602	4,778,136
	7,404,769	**7,309,338**

(i) Legal reserve

Recognized as 5% of profit for the year, before any allocation, up to 20% of capital.

(ii) Statutory reserve

The Company's bylaws provide for the recognition of reserve for investment in expansion of activities of up to 20% of profit for the year, limited to the balance after deducting the legal reserve and mandatory minimum dividends, whose amount may not exceed the capital amount.

(iii) Earnings retention reserve

Management proposes to maintain in equity prior years' retained earnings, in a retained earnings reserve, which is intended to meet the capital budget approved at the General Shareholders' Meeting in the respective periods.

(iv) Unrealized special earnings reserve

The unrealized special earnings reserve includes the impacts of (i) amounts receivables from SE (note 7); (ii) adjustments due to application of ICPC01 (R1); (iii) initial application of CPC 47 (note 3.23); and (iv) share of profit of investees, since they do not comprise the portion realized in profit for the year. Allocation in this reserve is made to reflect the fact that the financial realization of earnings from these operations will occur in future years. Once realized, in case the reserve is not absorbed by subsequent losses, the Company will allocate its balance under Article 19 of CVM Instruction No. 247/1996 for capital increase, distribution of dividends or recognition of other earnings reserves, considering Management's proposals to be made on a timely basis.

Changes in the unrealized earnings reserve:

Balance at 12/31/2017	4,778,136
Recognition	62,415
Adoption of CPC 47	198,051
Balance at 12/31/2018	**5,038,602**

(e) Other Comprehensive Income (OCI)

In 2018, the Company recognized in Other Comprehensive Income an asset and the respective tax effects arising from an actuarial surplus supported by a report prepared by an independent actuarial specialist in the amount of R$70,858, net of taxes (note 22).

Also classified in other Comprehensive Income are derivative financial instruments, namely non-deliverable forwards (NDF) to manage subsidiary Biguaçu's currency risk in the amount of R$2,334 net of taxes, whereby the effective portion of changes in the fair value of the hedge accounting is recorded in equity, not in profit or loss (note 11 (a)).

(f) Earnings per share

Basic earnings or loss per share are calculated through the Company's profit or loss, based on the weighted average number of common and preferred shares outstanding in the respective period. Diluted earnings or loss per share is calculated by obtaining such average number of outstanding shares, adjusted by instruments potentially convertible into shares. In this case, the Company considered shares that may be issued through capitalization of the special goodwill reserve on merger in favor of the controlling shareholder.

As prescribed in CVM Instruction No. 319, to the extent that the tax benefit of the special goodwill reserve on merger is realized, included in the Company's equity, this benefit can be capitalized on behalf of the Parent, and other shareholders shall have an interest in such capital increase, so as to maintain its ownership interest in the Company.

Those shares issued based on this realization will be considered as dilutive for purposes of calculation of the Company's earnings or loss per share, based on the assumption that all issuance conditions have been met. As at December 31, 2018 and 2017, the share issuance conditions relating to goodwill amortization were satisfied.

The table below shows the profit or loss and share data used to calculate basic and diluted earnings per share:

	Parent	
	2018	**2017**
Basic and diluted earnings per share		
Profit - R$ thousand	1,881,668	1,365,512
Weighted average number of shares		
Common shares	64,484,433	64,484,433
Preferred shares	100,236,393	100,236,393
	164,720,826	164,720,826
Weighted adjusted average number of shares		
Common shares	64,494,360	64,493,613
Preferred shares	100,245,592	100,244,531
	164,739,952	164,738,144
Basic earnings per share	11.42337	8.28985
Diluted earnings per share	11.42208	8.28898

25 Net operating revenue

25.1 Breakdown of net operating revenue

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Gross revenue				
Infrastructure revenue (a) (note 7)	169,297	225,082	387,115	247,126
O&M (a) (Note 7)	1,016,041	865,174	1,042,534	880,901
Compensation from concession assets - RBSE (b) (Note 7)	1,269,108	1,495,791	1,269,108	1,495,791
Compensation from concession assets (b) (Note 7)	300,613	249,268	523,219	400,615
Adoption of CPC 47	395,734	-	387,946	-
Rentals	19,326	18,480	19,605	18,757
Services	12,198	11,146	7,300	7,312
Total gross revenue	3,182,317	2,864,941	3,636,827	3,050,502
Taxes on revenue				
Cofins (tax on revenue)	(238,930)	(214,737)	(249,696)	(220,583)
PIS (tax on revenue)	(51,873)	(46,663)	(54,185)	(47,930)
State VAT (ICMS)	(114)	(67)	(115)	(85)
ISS (Service tax)	(569)	(529)	(569)	(529)
	(291,486)	(261,996)	(304,565)	(269,127)
Regulatory charges				
Energy Development Account (CDE)	(82,438)	(34,605)	(82,438)	(34,605)
Global Reversal Reserve (RGR)	-	-	(4,809)	(4,662)
Research and development (R&D)	(25,620)	(15,809)	(27,491)	(17,246)
Alternative Power Sources Incentive Program (Proinfa)	(22,497)	(16,605)	(22,497)	(16,605)
Electric Power Services Inspection Fee	(9,655)	(6,464)	(10,373)	(7,064)
	(140,210)	(73,483)	(147,608)	(80,182)
	2,750,621	**2,529,462**	**3,184,654**	**2,701,193**

(a) Infrastructure implementation and operation and maintenance services

Revenue from infrastructure implementation for provision of electric power transmission services under a service concession agreement is recognized as costs are incurred. Revenue from operation and maintenance services is recognized in the period in which the services are provided by the Company, as well as the adjustment portion (25.3). When the Company provides more than one service under a concession agreement, the consideration received is allocated based on the fair values of the services delivered

(b) Compensation from concession assets

Interest income is recognized at the market interest rate that reflects the economic volatility on the future flow of cash receipts that compensates the transmission infrastructure investment. The discount rate is represented by a market rate that considers the risks and premiums specific to the transmission business.

25.2 Periodic revision of the Annual Permitted Revenue (RAP)

Under concession agreements, at every four and/or five years, after the agreement execution date, ANEEL can will periodically revise the electric power transmission RAP to promote tariff efficiency and moderation.

Each agreement has its specifics; however, in general terms, concessionaires have their RAP revised for three times (every five years), when the cost of debt capital is revised. Reinforcements and improvements related to the tendered agreements are revised every five years. A revenue reduction may also be applied for Operation and Maintenance (O&M) costs to capture Business Efficiency Gains.

The tendered revenue associated with the Concession Agreement No. 143/2001 of subsidiary Serra do Japi is not subject to periodic tariff revision of the portion related to the revenue tendered in the auction.

The periodic tariff revision for concession agreements, such as Concession Agreement No. 059/2011, of concessionaires considered as existing, is made every 5 years and includes the revenue repositioning upon determination of the following:

a) the regulatory compensation basis for RBNI;
b) efficient operating costs;
c) the optimal capital structure and definition of the compensation of transmission companies;
d) identification of the amount to be considered as tariff reduction - Other revenues;
e) application of the "x" factor (ratio set by ANEEL in the periodic revision process to foster efficiency and capture productivity gains for the consumer).

The information on the latest periodic tariff revisions is described below:

Concessionaire	Agreement	Approval Resolution (REH)	REH date	Effective term
Subsidiaries				
IE Serra do Japi	026/2009	1.901	06.16.2015	07.01.2015
IEMG	004/2007	2.257	06.20.2017	07.01.2017
IENNE (*)	001/2008	2.405	06.19.2018	07.01.2018
IE Pinheiros	012 and 015/2008	1.762	07.09.2014	07.01.2014
IE Pinheiros	18/2008	1.755	06.24.2014	07.01.2014
Evrecy (*)	020/2008	2.404	06.19.2018	07.01.2018
IE Pinheiros	021/2011	2.257	06.20.2017	07.01.2017
IE Sul	013 and 016/2008	1.755	06.24.2014	07.01.2014
Jointly-controlled subsidiaries				
IE Madeira	013 and 015/2009	1.755	06.24.2014	07.01.2014
IE Garanhuns	022/2011	2.257	06.20.2017	07.01.2017

(*) As a result of the tariff revision, Evrecy's Annual Permitted Revenue reduced by 16.7% while IENNE's increased by 0.61%.

The next periodic tariff revisions for the RAP of the Company and its subsidiaries and jointly-controlled subsidiaries are described in note 1.2.

25.3 Variable Portion – PV, RAP Additional and Adjustment Portion - PA

Regulatory Resolution 729, of July 28, 2016, regulates the Variable Portion (PV) and RAP Additional. The Variable Portion is the pecuniary penalty applied by the Grantor for any unavailability or operating restrictions of the facilities comprising the Basic Network. The RAP Additional corresponds to the pecuniary premium granted to transmission companies as an incentive for improving the availability of transmission facilities. Both situations are recognized as revenue and/or O&M revenue reduction, in the period in which they occur.

Regulatory Resolution No. 782/2017 amended REN No. 729/16, which extinguished the additional RAP for all power transmission companies beginning March 2018. The power transmission companies covered by Law No. 12.783/2013 had not been receiving since October 2012 (REN No. 512/2012).

The Adjustment Portion ("PA") is the portion of revenue arising from the enforcement of a mechanism established in the agreement, which is used in the periodic annual adjustments by adding to or subtracting from the RAP in order to offset a surplus or deficit of collection in the period prior to the adjustment.

25.4 Annual revenue adjustment

On June 28, 2018, Approval Resolution No. 2408 was published to establish annual permitted revenues of the Company and its subsidiaries for the availability of the transmission facilities comprising the Basic Grid and other transmission facilities, for a 12-month cycle, from July 1, 2018 to June 30, 2019.

According to Approval Resolution No. 2408, RAP and amounts corresponding to the Company's adjustment portion (Agreement No. 059/2001), net of PIS and Cofins (known as Regulatory Revenue), which was R$2,427,811* on July 1, 2017, increased to R$2,421,123* on July 1, 2018, representing a reduction of R$6,688 equivalent to -0.28%. 2.89% (R$70,046) of IPCA adjustment, -0.09% (R$2,090) relating to the variation in the adjustment portion, 2.51% (R$60,952) relating to the additional RAP for new investments and -5.59% (-R$135,596) relating to RBSE assets (MME Ruling No. 120/2016, covered by Law No. 12783/2013). Regarding RBSE assets, two effects were identified, an additional 0.57% (R$13,807) relating to the adjustments to assets fully depreciated and -6.15% (-R$149,403) relating to the receivables from the 2018/2019 to 2022/2023 cycles on a straight-line basis. We emphasize that the straight-line basis transforms a descending revenue flow into a constant flow, considering the regulatory WACC.

The Company's annual regulatory revenue, net of PIS and Cofins, is as follows:

Concession agreement	Basic Network			Other Transmission Facilities – DIT			Total
	Existing assets	New investments	Adjustment portion	Existing assets	New investments	Adjustment portion	
059/2001	1,634,681	134,179	(30,954)	579,523	104,268	(574)	2,421,123
	1,634,681	**134,179**	**(30,954)**	**579,523**	**104,268**	**(574)**	**2,421,123**

The Company and its subsidiaries' regulatory revenue, which was R$2,569,882* on July 1, 2017, increased to R$2,622,199* on July 1, 2018, an increase of R$52,317, equivalent to 2.04%. -0.09% (-R$2,358) relating to Evrecy's tariff revenue, 1.78% relating to the acquisition of IENNE (R$45,823), 2.89% (R$74,318) relating to the IPCA/IGPM adjustment, -0.34% (-R$8,739) relating to the variation in the adjustment portion, 2.37% (R$60,998) of the additional RAP for new investments and -5.28% (-R$135,596) relating to RBSE assets, and 0.7% (R$17,871) relating to the acquisition of IESUL (MME Ruling No. 120/2016, covered by Law No. 12783/2013).

* Does not include the revenue from authorized investments that will start operations in the next cycles, in the estimated amount of R$99,081 (R$109,108 - R$2017).

The Company's and its subsidiaries' Regulatory Revenue, net of PIS and Cofins, is composed as follows:

Concession agreement	Basic Network				Other Transmission Facilities – DIT				Total
	Existing assets	New investments	Tendered	Adjustment portion	Existing assets	New investments	Tendered	Adjustment portion	
059/2001	1,634,681	134,179	-	(30,954)	579,523	104,268	-	(574)	2,421,123
143/2001	-	-	23,292	(870)	-	-	-	-	22,422
004/2007	-	-	18,828	(708)	-	-	-	-	18,120
012/2008	-	6	9,129	(797)	-	977	1,376	58	10,749
015/2008	-	14,625	17,331	(1,813)	-	4,295	424	(39)	34,823
018/2008	-	54	4,496	(140)	-	1,641	54	(44)	6,061
021/2011	-	-	4,200	(3,397)	-	-	1,541	-	2,344
026/2009	-	5,197	28,889	(3,414)	-	-	6,571	-	37,243
001/2008	-	4	45,823	(1,548)	-	-	-	-	44,279
020/2008	-	9,621	-	(3,984)	-	2,105	-	(578)	7,164
013/2008	-	-	6,375	(220)	-	-	-	-	6,155
016/2008	-	1,789	11,222	(1,545)	-	-	259	(9)	11,716
	1,634,681	**165,475**	**169,585**	**(49,390)**	**579,523**	**113,286**	**10,225**	**(1,186)**	**2,622,199**

26 Cost of infrastructure implementation, operation and maintenance services, and general and administrative expenses

				Parent
			2018	2017
	Costs	Expenses	Total	Total
Management fees	-	(10,749)	(10,749)	(7,585)
Personnel	(242,792)	(70,758)	(313,550)	(295,409)
Services	(128,608)	(56,850)	(185,458)	(159,733)
Depreciation	-	(8,347)	(8,347)	(8,873)
Materials	(92,278)	(1,102)	(93,380)	(171,537)
Leases and rentals	(7,610)	(4,915)	(12,525)	(12,740)
Lawsuits	-	15,195	15,195	26,971
Other	(29,281)	(21,515)	(50,796)	(48,568)
	(500,569)	**(159,041)**	**(659,610)**	**(677,474)**

				Consolidated
			2018	2017
	Costs	Expenses	Total	Total
Management fees	-	(11,890)	(11,890)	(8,282)
Personnel	(251,022)	(72,615)	(323,637)	(307,038)
Services	(182,607)	(59,346)	(241,953)	(173,819)
Depreciation	-	(9,214)	(9,214)	(9,627)
Materials	(249,422)	(1,106)	(250,528)	(186,476)
Leases and rentals	(8,850)	(5,069)	(13,919)	(13,837)
Lawsuits	-	14,659	14,659	26,109
Other	(33,345)	(22,055)	(55,400)	(50,702)
	(725,246)	**(166,636)**	**(891,882)**	**(723,672)**

Out of the costs shown above, the costs of implementing infrastructure, Parent, totaled R$153,637 in 2018 and R$204,261 in 2017. Consolidated infrastructure implementation costs totaled R$359,197 in 2018 and R$225,450 in 2017. The respective infrastructure implementation revenue, shown in note 25.1, is calculated by adding the PIS and COFINS rates and other charges to the cost of the investment.

27 Finance income (costs)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Income				
Income from short-term investments	55,275	18,387	74,512	43,907
Interest income	168	222	201	240
Inflation adjustments	4,636	3,381	4,651	3,387
Hedge transactions (i)				
MtM (mark to market) adjustment	55,140	1,632	55,140	1,632
Exchange gains	87,952	4,369	87,952	4,369
Adjustment of swap - hedging instruments	119,246	10,170	119,246	10,170
Other (ii)	9,884	59,919	11,076	59,968
	332,301	98,080	352,778	123,673
Expenses				
Interest on borrowings	(35,954)	(29,612)	(61,530)	(47,905)
Interest expense	(2,505)	(10,711)	(2,514)	(10,723)
Charges on debentures	(84,899)	(63,599)	(84,899)	(63,599)
Inflation adjustments	(51,464)	(35,166)	(51,587)	(35,376)
Hedging instrument (i)				
Charges on swap	(23,288)	(1,351)	(23,288)	(1,351)
MtM (mark to market) adjustment	(55,140)	(2,242)	(55,140)	(2,242)
Exchange rate changes - borrowings	(119,246)	(9,275)	(119,246)	(9,275)
Adjustment of swap - hedging instruments	(87,952)	(9,764)	(87,952)	(9,764)
Other	(8,478)	(9,326)	(8,836)	(9,654)
	(468,926)	(171,046)	(494,992)	(189,889)
	(136,625)	**(72,966)**	**(142,214)**	**(66,216)**

(i) Refers to gains (losses) on financial transactions under Law No 4131, of September 03, 1962.
(ii) includes the amounts of reduction of interest and charges, of R$53,759, relating to adhesion to PERT (note 17.1).

28 Other operating income/(expenses)

Other operating income (expenses), amounting to R$23,480, Parent, and R$34,736, consolidated, refer substantially to bargain purchase gain less adjustment in the acquisition of IESUL in the amount of R$24,756 (note 11 (c)). In 2017, other operating income (expenses) primarily refer to: (i) recognition of the provision for reversal for SE facilities, according to article 5 of ANEEL Normative Resolution No. 762/2017, in the amount of R$57,178 (note 7); (ii) partially offset by the bargain purchase gain in the acquisition of IENNE in the amount of R$5,042 (note 11 (c)).

29 Income tax and social contribution

The provision for income tax and social contribution is recognized monthly on an accrual basis and computed as provided for in Law No. 12973/14.

The Company adopts the taxable income regime on an estimate basis and makes monthly payments by applying the deemed income rates on gross revenue while subsidiaries adopt the deemed income regime.

(a) Reconciliation of the effective tax rate

The reconciliation of the income tax and social contribution expense for the year to book income is as follows:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Profit before income tax and social contribution	2,336,496	1,952,371	2,316,644	1,981,105
Statutory rates	34%	34%	34%	34%
Estimated income tax and social contribution	(794,409)	(663,806)	(787,659)	(673,576)
Income tax and social contribution on permanent differences				
Interest on capital	201,280	-	201,280	-
Realization of losses	(359)	(96)	(359)	(96)
Share of profit (loss) of investees	137,900	77,624	68,279	42,434
Effect of adoption of deemed income regime by subsidiaries	-	-	101,610	36,174
Other	760	(581)	760	(581)
Effective income tax and social contribution	**(454,828)**	**(586,859)**	**(416,089)**	**(595,645)**
Income tax and social contribution				
Current	(400,243)	(346,610)	(407,423)	(354,491)
Deferred	(54,585)	(240,249)	(13,976)	(241,154)
	(454,828)	**(586,859)**	**(421,399)**	**(595,645)**
Effective rate	**19%**	**30%**	**18%**	**30%**

(b) Breakdown of deferred income tax and social contribution

	Parent		Consolidated	
Assets / (Liabilities)	**2018**	**2017**	**2018**	**2017**
Receivables - Law No. 12783 – SE (i)	(2,088,467)	(2,373,365)	(2,088,467)	(2,373,365)
Concession agreement - ICPC 01 (R1)) (ii)	(375,499)	(156,928)	(469,059)	(266,268)
Adoption of CPC 47 - IN 1753/17	(266,701)	-	(223,147)	-
First-time adoption of Law No. 12973/2014 (iii)	(21,309)	(22,121)	(21,309)	(22,121)
Provision SEFAZ-SP (iv)	175,527	175,527	175,527	175,527
Provision for risks	30,953	41,328	30,953	41,328
Provision for actuarial surplus	(36,502)	-	(36,502)	-
Subsidiaries' financial instruments	-	-	74	-
Other temporary differences	37,529	26,774	37,529	26,774
Total, net	**(2,544,469)**	**(2,308,785)**	**(2,594,401)**	**(2,418,125)**

(i) Deferred income tax and social contribution on the compensation from concession asset relating to SE facilities, which will be incorporated into the tax base as amounts are actually received.

(ii) Refers to income tax and social contribution on profit from infrastructure implementation operation to provide the electric power transmission services and compensation from concession assets (ICPC 01 (R1)) recognized on an accrual basis, which are taxed when amounts are actually received, as provided in article 168 of Normative Instruction No. 1700/17 and article 36 of Law No. 12973/14.

(iii) Reflects the amounts subject to income tax and social contribution due to the first-time adoption of Law No. No. 12973/14 on a straight-line basis over the term of the concession agreement.

(iv) According to note 8 (c).

The Company's management believes that deferred income tax and social contribution assets arising from temporary differences will be realized proportionately to the contingencies, trade receivables and the materialization of the events that gave rise to the provisions for risks.

30 Related-party transactions

The main balances and transactions with related parties in the year are as follows:

		2018		2017		2018	2017
Nature of transaction	**Related party**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Revenue/ (Expense)**	**Revenue/ (Expense)**
Short-term benefits (a)	Management	-	-	-	-	(10,749)	(7,585)
		-	-	-	-	(10,749)	(7,585)
Dividends	Serra do Japi	-	-	2,797	-	-	-
		-	-	2,797	-	-	-
Sublease, reimbursements and sharing of personnel expenses (b)	ISA Capital	27	-	26	-	337	292
	IEMG	202	-	3	-	58	47
	Pinheiros	571	-	3	-	93	46
	Serra do Japi	394	-	9	-	116	120
	Evrecy	172	-	4	-	55	44
	IENNE	12	-	5	-	192	67
	Itaúnas	15	-	-	-	43	-
	Tibagi	15	-	-	-	82	-
	Itaquerê	15	-	-	-	128	-
	Itapura	15	-	-	-	115	-
	Aguapeí	15	-	-	-	88	-
	IESul	16	-	7	-	224	92
	IEGaranhuns	1	-	91	-	10	-
	Aimorés	22	-	91	-	103	-
	Paraguaçu	21	-	119	-	100	-
	Ivaí	20	-	92	-	111	-
	Internexa	-	-	-	-	-	13
		1,533	-	450	-	1,855	721
Service provision (c)	ISA Capital	16	-	16	-	196	195
	IEMG	13	-	6	-	938	152
	Pinheiros	116	-	43	-	1,532	1,343
	Serra do Japi	93	-	91	-	1,116	1,083
	Evrecy	80	-	74	-	920	879
	IEGaranhuns	36	-	32	-	397	181
	Internexa	180	19	434	14	(213)	98
		534	19	696	14	4,886	3,931
Total		**2,067**	**19**	**3,943**	**14**	**6,741**	**(2,933)**

(a) Refers to management fees, which, as disclosed in the Company's income statement, amounts to R$10.749, Parent, and R$11.890, consolidated (R$7,585 and R$8,282 in 2017).

The Company's compensation policy does not include postemployment benefits, other long-term benefits, severance benefits or share-based compensation.

(b) The sublease agreement comprises the sub-leased area of the Company's headquarters building, as well as apportionment of condominium and maintenance expenses, reimbursement of shared services, among others.

The personnel expenses sharing agreement requires the proportional allocation of expenses relating to employees shared the Company and its subsidiaries.

(c) The Company maintains the following service agreements: (i) ISA Capital - tax and accounting bookkeeping services, tax calculation and payroll processing; (ii) IEMG, Pinheiros, Serra do Japi, Evrecy and Garanhuns - operation and maintenance of its facilities; (iii) Internexa, a subsidiary of ISA Group - two service agreements including assignment of right of use, on a remunerated basis, of the infrastructure support necessary for the installation of fiber optical cables, auxiliary services and related improvements and sharing of IT infrastructure. Additionally, the Company contracted the provision of 100 Mbps internet link services with Internexa. In March 2018, Internexa was contracted to update the telephony functionalities and requirements.

These transactions are conducted under specific conditions agreed upon between the parties.

Additionally, the Company recorded noncurrent liabilities in the amount of R$28,287 relating to the estimated amount payable to Eletrobras in connection with the method used to adjust receivables from NI facilities (note 7 (d)) and in current assets, as short-term investments, in the amount of R$680,909, with the investment funds Referenciado DI Bandeirantes, Xavantes Referenciado DI and Assis Referenciado DI (note 6).

31 Financial instruments

(a) Identification of the main financial instruments

		Parent		Consolidated	
	Level	2018	2017	2018	2017
Financial assets					
Fair value through profit or loss					
Cash and cash equivalents	2	6,224	3,031	16,740	6,585
Short-term investments	2	426,551	346,287	680,909	610,066
Accounts receivable - Financial asset - Law No. 12.783 (**)	-	9,069,651	9,586,834	9,069,651	9,586,834
Derivative financial instruments	2	235	2,611	2,643	2,611
Restricted cash	2	13,144	7,735	44,055	36,815
Amortized cost					
Accounts receivable - O&M services	-	177,597	134,027	189,916	146,428
Accounts receivable - Infrastructure implementation services (*)	-	-	1,656,504	-	3,267,487
Accounts receivable – Financial asset – indemnity (*)	3	-	59,164	-	138,131
Accounts receivable - São Paulo State Finance Department	-	1,426,083	1,312,791	1,426,083	1,312,791
Receivables from related parties	-	2,067	3,943	323	903
Sureties and judicial deposits	-	66,344	66,389	66,987	66,414
Financial liabilities					
Amortized cost					
Borrowings and financing					
Current	-	280,729	209,511	334,067	268,588
Noncurrent	-	940,564	393,002	1,215,689	690,541
Debentures					
Current	-	23,707	182,852	23,707	182,852
Noncurrent	-	1,441,504	801,007	1,441,504	801,007
Trade payables	-	56,483	66,114	88,358	69,923
Interest on capital and dividends payable	-	7,835	3,112	7,835	3,112

(*) After the adoption of CPC 47, these assets have been classified as contract asset.
(**) Through December 31, 2017, these assets were classified as financial assets at amortized cost (note 3.23).

The carrying amounts of financial assets and financial liabilities, when compared to the amounts that could be obtained if they are traded in an active market or, in the absence of such market, the net present value adjusted based on the prevailing market interest rate, approximate their fair values. The Company classifies financial instruments as required by CPC 46:

Level 1 - quoted prices (unadjusted) in active markets, net and observable for identical assets or liabilities, available of measurement date;

Level 2 - quoted prices (which can be adjusted or unadjusted) of similar assets or liabilities in active markets, other inputs not directly or indirectly observable in level 1, in the asset or liability terms; and

Level 3 - assets and liabilities whose prices are unavailable, or prices or valuation techniques supported by a small or inexistent, unobservable or net market. In this level, the fair value estimate becomes highly subjective.

The Company contracted swap transactions to hedge against fluctuations in currency and interest rate on foreign-currency borrowings under Law No. 4.131/1962. For swap transactions, the rates are 102.3% and 102.5% of the CDI.

The Company classifies derivatives contracted as fair value hedge and, based on the requirements of CPC 48 and IFRS 9, the Company adopted hedge accounting for its transactions.

On October 09, 2018, subsidiary Biguaçu entered into NDF hedge contracts with Citibank, whereby the company bought future dollar with a notional value of USD29,301. The purpose of these transactions was to hedge commitments assumed (CAPEX) by Biguaçu in foreign currency.

The Company classifies derivatives contracted as cash flow hedge and, based on the requirements of CPC 48 and IFRS 9, the Company adopted hedge accounting.

The Company classifies derivatives contracted as fair value hedge and, based on the requirements of CPC 48 and IFRS 9, the Company adopted hedge accounting for its transactions.

Financial instrument management is in line with the Risk Management Policy and Financial Risk Guidelines of the Company and its subsidiaries. The results from these transactions and adoption of controls to manage this risk are part of the monitoring of the financial risks adopted by the Company and its subsidiaries as follows:

Swap transaction			**Parent and Consolidated**	
Short and long term	**Maturity**	**Notional value**	**Reference value (Accrual)**	**Fair value***
			12/31/2018	**12/31/2018**
Short position:				
MUFG	July 2020	USD 75,000	292,768	293,902
CITI	August 2020		291,660	292,027
CITI	November 2019	USD 60,000	233,675	233,129
Long position:				
MUFG	July 2020	USD 75,000	(291,050)	(291,699)
CITI	August 2020		(300,687)	(301,414)
CITI	November 2019	USD 60,000	(225,435)	(225,710)
Net value			**931**	**235**

(*) The fair value refers to mark-to-market as at December 31, 2018.

NDF transaction				Consolidated		
				2018		
	Instrument	Hedging purpose	Nature	Notional value - US$	Notional value - BRL	Fair value adjustment
Biguaçu	Non Deliverable Forward - NDF	Dollar US$	Purchase	29,301	118,239	2,408

(b) Financing

Debt-to-equity ratio

The debt ratio at the end of the year is as follows:

	Parent		Consolidated	
	2018	2017	2018	2017
Borrowings and financing				
Current	280,729	209,511	334,067	268,588
Noncurrent	940,564	393,002	1,215,689	690,541
Debentures				
Current	23,707	182,852	23,707	182,852
Noncurrent	1,441,504	801,007	1,441,504	801,007
Total debt	2,686,504	1,586,372	3,014,967	1,942,988
Cash and cash equivalents and short-term investments	432,775	349,318	697,649	616,651
Net debt	2,253,729	1,237,054	2,317,318	1,326,337
Equity	11,068,647	10,984,717	11,299,525	11,199,656
Debt ratio, net	20.4%	11.3%	20.5%	11.8%

CTEEP and its subsidiaries are parties to borrowings and financing agreements that contain covenants determined based on debt ratios (Notes 14 and 15). The Company is compliant with the requirements relating to covenants.

The carrying amount of borrowings and financing, considering the financial instruments applicable, and debentures is pegged to the TJLP, CDI and IPCA fluctuation and approximates the fair value.

(c) Risk management

The main risk factors inherent in the Company's and its subsidiaries' transactions are as follows:

(i) Credit risk - The Company and its subsidiaries enter into agreements with the National Electric System Operator (ONS), concessionaires and other agents, governing the provision of services relating to the basic network, including a bank guarantee clause. The Company and its subsidiaries also maintain agreements governing the provision of services directly to free consumers, also containing a bank guarantee clause, to

mitigate the risk of default.

(ii) Price risk - The Company's and its subsidiaries' revenues are, as set forth in the concession agreement, annually adjusted by ANEEL, based on the IPCA and IGP-M fluctuation, and a portion of the revenues is subject to periodic tariff revision (note 25.2).

(iii) Interest rate risk - The adjustment of financing agreements is pegged to the TJLP, IPCA and CDI fluctuation (notes 14 and 15).

(i) Currency risk - The Company manages the currency risk of its borrowing liabilities by contracting swap derivatives designated as fair value hedge for the Foreign Currency Borrowings Agreement (note 14). The Company and its subsidiaries do not have trade receivables and other foreign-currency assets; however, there are transactions involving the acquisition of underground and subsea cables and respective accessories as well as the provision of the services necessary to their implementation, in subsidiary Biguaçu, with future cash disbursements in dollars, for which a NDF derivative instrument has been contracted to manage the cash flow's currency risk.

(ii) Borrowing risk - The Company and its subsidiaries may face difficulties in the future to raise funds at costs and reimbursement terms aligned with their cash generation profile and/or debt obligations.

(iii) Guarantee risk - The main guarantee risks are the following:

- Management of risks related to the retirement and health care benefits via Funcesp (pension entity), through its representation in management bodies.

- Participation as intervening guarantor, to the limit of its interests in subsidiaries, jointly-controlled subsidiaries, in their financing agreements (note 14).

(iv) Liquidity risk - The Company's and its subsidiaries' main sources of cash are the following:

Its operations, mainly from the use of the electric power transmission system by other utilities and agents of the sector. The cash amount, represented by the RAP linked to the basic grid's facilities and other transmission facilities (DIT) is defined, as set forth in prevailing laws, by ANEEL.

The Company is compensated for the transmission system availability, and any electric power rationing will have no impact on revenue and respective cash receipts.

The Company manages the liquidity risk by maintaining adequate credit facilities and lines of credit to raise borrowings it considers appropriate, based on the continuous monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

Receipt of the facilities indemnity installment related to the SE represents an important source of cash generation for the Company in order to be able to comply with its financial planning for the coming years. The Company manages any changes to the timeframe and legal proceedings that may impact cash receipts.

(d) Sensitivity analysis

Under CVM Instruction No. 475, of December 17, 2008, the Company conducts the sensitivity analysis of interest rate and currency risks. The Company's management does not consider as material its exposure to other risks described above.

For purposes of defining a base scenario for analyzing the sensitivity of interest rate, price risk and currency fluctuations, we used the same assumptions defined for the Company's long-term financial and economic plan.

These assumptions are based on the macro-economic environment in Brazil and the opinions of market experts.

Therefore, to assess the effects of changes in the Company's cash flow, the sensitivity analysis below, for items pegged to floating rates, considers:

Base scenario: Interest rate quotation (pre-DI curve) and exchange rate (future dollar) on March 31, 2019, determined on December 28, 2018, according to B3, which are shown in the interest risk and currency risk tables; and positive and negative 25% (scenario I) and 50% (scenario II) were applied.

			Currency risk - Effects on finance income (costs) - Parent and consolidated				
				Risk of increase in indices		Risk of decrease in indices	
Transaction	**Risk**	**Balance at 12/31/2018 (Accrual)**	**Base Scenario**	**Scenario I**	**Scenario II**	**Scenario I**	**Scenario II**
Financial assets and financial liabilities							
Law No. 4131 – Credit Agreement – MUFG	Forex + 3.3415% p.a. +IR		(2,798)	(3,498)	(4,197)	(2,099)	(1,399)
Swap (short position) - Law No. 4131 - Credit Agreement - MUFG	Forex + 3.3415% p.a. +IR	292,768	2,798	3,498	4,197	2,099	1,399
Law No. 4131 - Credit Agreement - CITI	Forex + Libor 3M + 0.47% p.a. +IR		(2,723)	(3,404)	(4,085)	(2,042)	(1,362)
Swap (short position) - Law No. 4131 - Credit Agreement - CITI	Forex + Libor 3M + 0.47% p.a. +IR	291,660	2,723	3,404	4,085	2,042	1,362
Law No. 4131 - Credit Agreement - CITI	Forex + Libor 3M + 0.25% p.a. +IR		(1,959)	(2,449)	(2,939)	(1,470)	(980)
Swap (short position) – Law No. 4131 – Credit Agreement - CITI	Forex + Libor 3M + 0.25% p.a. +IR	233,675	1,959	2,449	2,939	1,470	980
Net effect of changes			-	-	-	-	-
Reference for financial assets and financial liabilities							
Us dollar rate USD/R$ (March 2019) (*)			**3.8950**	**4.8691**	**5.8430**	**2.9215**	**1.9477**

			Interest rate risk - Effects on finance income (costs) - Parent and consolidated				
				Risk of increase in indices		Risk of decrease in indices	
Transaction	**Risk**	**Balance at 12/31/2018**	**Base Scenario**	**Scenario I**	**Scenario II**	**Scenario I**	**Scenario II**
Financial assets							
Short-term investments	100.86% of CDI	428,031	8,397	10,036	11,656	6,740	5,063
Financial liabilities							
Debentures - single series (i)	IPCA+6.04%	162,328	4,025	4,424	4,821	3,622	3,217
Debentures - single series (ii)	IPCA + 5.04%	325,049	7,269	8,067	8,859	6,465	5,655
Debentures - single series (iii)	105.65% of CDI p.a.	350,330	6,135	7,624	9,097	4,629	3,104
Debentures - single series (iv)	IPCA + 4.70%	627,504	14,032	15,572	17,102	12,481	10,918
FINEM BNDES (i), (ii)	TJLP+1.80% to 2.62%	347,711	7,778	8,908	10,347	6,035	4,558
Derivatives							
SWAP MUFG	102.30% of CDI p.a.	291,699	4,372	5,434	6,484	3,298	2,212
SWAP CITI	102.30% of CDI p.a.	301,414	4,543	5,647	6,738	3,427	2,298
SWAP CITI	102.50% of CDI p.a.	225,710	3,405	4,234	5,056	2,567	1,720
Net effect of changes			**(43,162)**	**(49,874)**	**(56,848)**	**(35,784)**	**(28,619)**
Reference for financial assets and financial liabilities							
100% CDI (March 2019) (*)			6.43% p.a.	8.04% p.a.	9.65% p.a.	4.82% p.a.	3.22% p.a.
IPCA (March 2019)			4.01% p.a	5.01% p.a.	6.02% p.a.	3.01% p.a	2.01% p.a
TJLP (March 2019)			7.03% p.a.	8.79% p.a.	10.55% p.a.	5.27% p.a	3.52% p.a

			Interest rate risk - Effects on finance income (costs) - Parent and consolidated				
				Risk of increase in indices		Risk of decrease in indices	
Transaction	**Risk**	**Balance as at 31.12.2018**	**Base Scenario**	**Scenario I**	**Scenario II**	**Scenario I**	**Scenario II**
Financial assets							
Short-term investments	100.81% CDI	685,344	12,767	15,389	17,981	10,116	7,434
Financial liabilities							
Debentures - single series (i)	IPCA+6.04%	162,328	4,025	4,424	4,821	3,622	3,217
Debentures - single series (ii)	IPCA + 5.04%	325,049	7,269	8,067	8,859	6,465	5,655
Debentures - single series (iii)	105.65% of CDI p.a.	350,331	6,135	7,624	9,097	4,629	3,104
Debentures - single series (iv)	IPCA + 4.70%	627,504	14,032	15,572	17,102	12,481	10,918
FINEM BNDES (i), (ii)	TJLP+1.80% to 2.62%	347,711	7,778	8,908	10,347	6,035	4,558
BNDES (subsidiaries)	TJLP + 1.55% p.a. 2.62% p.a.	120,498	2,565	3,039	3,508	2,085	1,593
Derivatives							
SWAP MUFG	102.30% of CDI p.a.	291,699	4,372	5,434	6,484	3,298	2,212
SWAP CITI	102.30% of CDI p.a.	301,414	4,543	5,647	6,738	3,427	2,298
SWAP CITI	102.50% of CDI p.a.	225,710	3,405	4,234	5,056	2,567	1,720
Net effect of changes			**(41,357)**	**(47,560)**	**(54,031)**	**(34,493)**	**(27,841)**
Reference for financial assets and financial liabilities							
100% CDI (March 2019) (*)			6.43% p.a.	8.04% p.a.	9.65% p.a.	4.82% p.a.	3.22% p.a.
IPCA (March 2019)			4.01% p.a.	5.01% p.a.	6.02% p.a.	3.01% p.a	2.01% p.a
TJLP (March 2019)			7.03% p.a.	8.79% p.a.	10.55% p.a.	5.27% p.a	3.52% p.a

(*) Source:http://www.bmfbovespa.com.br/pt_br/servicos/market-data/consultas/mercado-de-derivativos/precos-referenciais/taxas-referenciais-bm-fbovespa

32 Commitments assumed - operating leases

The main commitments assumed by the Company and its subsidiaries are related to operating leases of vehicles and rental of the Head Office building, whose minimum future payments, overall and for each one of the periods, are as follows:

	Parent and consolidated	
	2018	**2017**
Up to 1 year	11,516	9,399
1 to 5 years	14,663	16,345
	26,179	**25,744**

33 Insurance

The Company's insurance coverage and effective terms by insurance line is as follows:

			Parent
Type	**Effective term**	**Insured amount - R$ thousand**	**Premium - R$ thousand**
Property (a)	06/01/18 to 12/01/19	2,415,345	5,908
General civil liability (b)	12/19/18 to 12/19/19	50,000	125
National transportation (c)	12/19/18 to 12/19/19	360,000	33
Group personal accident (d)	04/30/18 to 04/30/19	85,000	5
Vehicles (e)	02/04/18 to 12/19/19	Market value	418
Court guarantee (f)	01/28/16 to 12/12/23	428,582	2,889
			9,378

			Consolidated
Type	**Effective term**	**Insured amount - R$ thousand**	**Premium - R$ thousand**
Property (a)	06/01/18 to 12/01/19	2,936,921	6,248
General civil liability (b)	12/19/18 to 12/19/19	50,000	125
National transportation (c)	12/19/18 to 12/19/19	360,000	33
Group personal accident (d)	04/30/18 to 04/30/19	85,000	5
Vehicles (e)	02/04/18 to 12/19/19	Market value	418
Court guarantee (f)	01/28/16 to 12/12/23	428,582	2,889
			9,718

(a) **Property** - coverage against fire and electrical damages for the main equipment installed in transmission substations, buildings and related components, storeroom supplies and facilities, as set forth in concession arrangements, where the transmission companies should keep insurance policies to ensure the proper coverage of the most import equipment of the transmission system facilities, and the transmission company should define the assets and facilities to be insured.

(b) **General Civil Liability** - coverage against repairs for involuntary, personal and/or property damages caused to third parties, as a result of the Company's activities.

(c) **National transportation** - coverage against damages caused to the Company's assets and equipment transported in Brazilian territory.

(d) **Collective personal accident -** Coverage against personal accidents of executives and apprentices.

(e) **Vehicles** - coverage against crash, fire, theft and third parties.

(f) **Court guarantee** - replacement of sureties and/or escrow deposits made by the Judicial Branch.

There is no coverage for eventual damages to the transmission lines against fire, lightning, explosion, short circuit and power interruption.

The assumptions adopted to contract insurance, given their nature, are not included in the scope of an audit work. Consequently, they were not reviewed by our independent auditors.

34 Retirement supplementation plan governed by Law No. 4819/58

The supplementary pension plan under State Law No. 4819/58, which established the creation of the State Social Security Fund, is applicable to mixed-capital entities' employees, corporations in which the State of São Paulo holds the majority of shares, with right to control and to industrial services owned and managed by the State, hired through May 13, 1974, and also provided for supplementary pension plans, bonus leave and family allowance. The funds necessary to cover the charges under such plan are borne by the relevant bodies of the State Government of São Paulo, whose implementation was made as set forth in the agreement entered into among the Finance Department of the State of São Paulo (SEFAZ-SP) and CTEEP, on December 10, 1999.

Such procedure was properly carried out through December 2003 by Funcesp, with the funds provided by SEFAZ-SP, transferred by CESP and subsequently by CTEEP. Since January 2004, SEFAZ-SP has processed payments of benefits directly, without the intermediation of the Company and Funcesp, at amounts lower than those historically paid through December 2003.

(a) Civil class action under discussion at the 2nd Court of the Treasury Department

The change in SEFAZ's method used to pay retirements and pensions led retirees to file lawsuits, especially a civil class action. The 2nd Court of the Treasury Department issued a decision thereon in June 2005 overruling the pension supplementation claim and allowing the processing of payroll and payments of retirements and pensions by SEFAZ-SPunder Law No. 4819/58. The Association of Funcesp Retirees (AAFC), which represents retirees and pensioners, filed an appeal against the decision and the fact that the lawsuit was upheld to the regular courts. On November 24, 2015, a final and unappealable was issued by the Superior Court of Justice, which maintained the discussion at the regular courts.

Accordingly, on June 27, 2016, AAFC's appeal was stayed and the labor court injunction (item (b, below) should be maintained until the appeal was judged.

On August 02, 2017, São Paulo Court of Justice unanimously (3 votes x 0) considered the decision groundless, condemned AAFC's position as bad-faith litigation, and revoked the injunction.

Following the decision above, on August 08, SEFAZ sent an Official Letter to the Company informing that they were assuming the payroll of the retirees and pensioners under Law No. 4819/58 beginning August 2017. AAFC filed an appeal against São Paulo Court of Justice's unanimous decision: one special appeal with the Superior Court of Justice (STJ) and an extraordinary appeal with the Federal Supreme Court (STF), both of them claiming São Paulo Court of Justice's unanimous decision to be stayed.

São Paulo Court of Justice, on October 18, 2017, and STJ, on October 31, 2017, denied the request filed by AAFC. However, STF granted an injunction staying the effects of the decision issued by São Paulo Court of Justice and ordering that defendants shall continue to adopt the same procedures as those were adopted before the matter was judged by São Paulo Court of Justice until STF analyzes the grounds of the request.

As a result of this court injunction, SEFAZ determined that the payroll should be processed by Funcesp beginning December 2017.

In December 2017, the Company filed an appeal against the court injunction issued by STF; the appeal awaits judgment. Special and extraordinary appeals filed by AAFC await judgment.

(b) Civil class action under discussion at the 2nd Court of the Treasury Department (former Labor Claim which was discussed at the 49th Sao Paulo Labor Court)

Class action started by AAFC, simultaneously to the civil class action referred to above. This time, however, the Labor Court, in an individual lawsuit for which the Entity had been granted advanced relief. On July 11, 2005, the advanced relief was ratified so that Funcesp resumed the processing of payments of those benefits under Law No. 4819/58 the same way as that effective until December 2003, in which the Company was acting as an intermediary between SEFAZ-SP and Funcesp.

Currently, the class action and civil class action are being discussed at the regular courts, as established in the decision obtained by the Compamny in a conflict of jurisdiction raised at STF.

Following the decision on the Conflict of Jurisdictions mentioned above, the class action was received at the 2nd Court of the Treasury Department on May 20, 2016 and, on May 30, 2016, a decision was issued revoking the preliminary injunction that ordered the Company to make monthly payments, extinguishing the requests relating to payroll processing, and considering groundless the request for refunding any differences that may be owed to retirees and pensioners under Law No. 4819/58.

SEFAZ-SP resumed payroll processing in June 2016. However, after filing an appeal against the decision, AAFC requested São Paulo Court of Justice to stay the effect of the appeal, which was granted on June 27, 2016.

On July 22, 2016, a new decision was issued clarifying that the labor injunction should be maintained until AAFC's appeal was judged.

On August 02, 2017, São Paulo Court of Justice unanimously (3 votes x 0) considered the decision groundless, condemned AAFC's position as bad-faith litigation, and revoked the injunction.
Following the decision above, on August 08, SEFAZ sent an Official Letter to the Company informing that they were assuming the payroll of the retirees and pensioners under Law No. 4819/58 beginning August 2017. AAFC filed an appeal against São Paulo Court of Justice's unanimous decision: one special appeal with the Superior Court of Justice (STJ) and an extraordinary appeal with the Federal Supreme Court (STF), both of them claiming São Paulo Court of Justice's unanimous decision to be stayed.
São Paulo Court of Justice, on October 18, 2017, and STJ, on October 31, 2017, denied the request filed by AAFC. However, STF granted an injunction staying the effects of the decision issued by São Paulo Court of Justice and ordering that defendants shall continue to adopt the same procedures as those were adopted before the matter was judged by São Paulo Court of Justice until STF analyzes the grounds of the request.

As a result of this court injunction, SEFAZ determined that the payroll should be processed by Funcesp beginning December 2017.

In December 2017, the Company filed an appeal against the court injunction issued by STF; the appeal awaits judgment. Special and extraordinary appeals filed by AAFC await judgment.

(c) Collection claim

SEFAZ-SP has transferred to the Company, since September 2005, amounts lower than those established by the decision issued by the 49th Labor Court, referred to in letter (a) above.

By virtue of this decision, CTEEP transferred to Funcesp, from January 2005 to September 2018, the amount of R$4,400,821 for the payment of benefits under State Law No.4819/58, and received from SEFAZ-SP the amount of R$2,733,980 for such purpose. The difference between the amounts transferred to Funcesp and reimbursed by SEFAZ-SP, in the amount of R$1,666,841 (Note 8 (a)), has been requested by CTEEP for reimbursement on the part of SEFAZ-SP. In addition, there are amounts relating to labor claims settled by the Company and under the responsibility of SEFAZ-SP, in the amount of R$275,497 (Note 8 (b)), totaling R$1,942,338.

In December 2010, CTEEP filed a collection claim against SEFAZ-SP to recover the amounts that were not received. After a decision that dismissed the case without analyzing its grounds in May 2013, the decision was upheld by São Paulo Court of Justice in December 2014.

The Company filed an appeal and, on August 31, 2015, São Paulo Court of Justice accepted the Company's appeal and condemned SEFAZ-SP to make the transfers relating to supplementary retirement and pension as agreed with the Company and in accordance with the prevailing legislation, except for the disallowed amounts.

Seeking the inclusion of the disallowed amounts in the decision, the Company filed a new appeal for clarifications, which was accepted on February 1, 2016 by the São Paulo Court of Justice, which upheld the decision of August 31, 2015 and determined the measurement of the amounts pending transfers by SEFAZ-SP at the settlement phase.

SEFAZ-SP, on March 7, 2016, filed an appeal that was rejected by a judgment made on July 4, 2016, thus upholding the conviction of SEFAZ-SP, which filed a new appeal also denied by TJ/SP on June 5, 2017.

After the Special Appeal was rejected by TJ/SP, SEFAZ filed a new appeal which awaits judgment by STJ.

In August 2018, CTEEP was granted a decision by São Paulo Court Justice under which SEFAZ is required not to make any disallowance in the transfer to pay the benefits provided for by Law No. 4819/58 until the administrative proceedings started to determine irregularity in payments are closed.

CTEEP's opinion

The Company continues to seek a final and unappealable decision that maintains the procedure of making direct payments of the benefit payroll under State Law No. 4819/58 by SEFAZ-SP. The Company also reinforces the opinion of its legal department and legal advisors that the expenses in connection with State Law No. 4819/58 and respective regulation should be fully assumed by SEFAZ-SP and continues to adopt addition measures to protect the Company's interests.

Due to the new developments occurred in 2013, especially those related to the claim in progress for collection of the amounts payable by SEFAZ-SP, as described above, and also considering the progress of the other proceedings mentioned above, the CTEEP's management recognized in 2013 an allowance for losses on the collection of receivables relating to a portion of the amounts receivable, which is expected to be increased over the realization period and not established as an exclusive responsibility of SEFAZ-SP so far.

Management is monitoring the new legal and business developments, as well as the impacts on the Company's financial statements.

35 Events after the reporting period

Stock split

On February 2019, the Board of Directors submitted to the Extraordinary and General Shareholders Meeting called for April 04, 2019, the proposal to split 100% of the Company's shares, in the proportion of 1 common shares to 4 common shares and of 1 preferred share to 4 preferred shares. The stock split will not change the Company's capital, which will remain in the amount of R$3,590,020.

	Before the split	After the split
Common shares	64,484,433	257,937,732
Preferred shares	100,236,393	400,945,572
Total shares	**164,720,826**	**658,883,304**
Capital	**3,590,020**	**3,590,020**

* * *

Independent auditor's report

To the Shareholders, Directors and Management of
CTEEP - Companhia de Transmissão de Energia Elétrica Paulista S.A.
São Paulo – SP

Opinion

We have audited the accompanying individual and consolidated financial statements of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista S.A. (¨CTEEP" or "Company"), identified as Parent and consolidated, respectively, which comprise the balance sheet as at December 31, 2018, and the income statement, 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.

In our opinion, the financial statements present fairly, in all material respects, the individual and consolidated financial position of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista S.A. as at December 31, 2018, and its individual and consolidated financial performance and individual and consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council 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.

Emphasis of Matters

Law No. 4819/58

As described in notes 8 and 34, the Company recorded a net balance of receivables from the State of São Paulo Finance Department of R$1,426,083 thousand, relating to the impacts of Law No. 4819/58, which granted to the Company's employees, while under the control of the State of São Paulo, benefits already granted to other public servants. The Company's Management has monitored any new facts related to court decision and negotiations on the matter and has, also, continuously assessed their potential impacts on its financial statements. Our opinion is not modified with respect to this matter.

Adoption of CPC 47 (IFRS 15)

We draw attention to note 3.23 to the financial statements, which describes the impacts relating to the adoption of CPC 47 - Revenue from contracts with customers (IFRS15 - Revenue from contracts with customers). The opening balances relating to the year ended December 31, 2018 were adjusted due to introduction of a contract asset (formerly classified as a financial asset) in the amounts of R$2,808,317 thousand and R$4,874,289 thousand, Parent and consolidated, respectively, and an adjustment was made to retained earnings, in the amount of R$198,051 thousand. Our opinion is not modified with respect to this matter.

Key audit matters

Key audit matters are those matters that, in our judgment, were of most significance in our audit of the financial statements in the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements taken as a whole and in forming our opinion on such individual and consolidated financial statements, and, therefore, we do not provide a separate opinion on these matters. For each of the matters below, the description of how our audit addressed the matter, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We complied with the responsibilities described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements", including those related to these key audit matters. Accordingly, our audit included performing procedures designed to respond to our assessment of risks of material misstatements in the

financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our opinion for the Company's financial statements.

Measurement of the contract asset

As disclosed in note 3.7, the Company understands that, even after completion of the transmission infrastructure construction phase, a contract asset still exists, as a balancing entry will be made to construction revenue, since satisfying the obligation to operate and maintain is required so that the Company becomes entitled to an unconditional right to receive cash. As at December 31, 2018, the Company's contract asset balance is R$2,808,317 thousand, Parent, and R$4,874,289 thousand, consolidated.

The recognition of the Company's contract asset and revenue under CPC 47 - Revenue from contracts with customers (IFRS15 - Revenue from contracts with customers) requires a significant amount of judgment to be applied when the customer obtains control over the asset. Additionally, the measurement of the Company's progress in relation to the satisfaction of the performance obligation over time also requires Management to make estimates and significant judgments to estimate the efforts or inputs necessary to satisfy the performance obligation, such as materials and labor, expected profit margins, or non-existence of expected profit margins, in each performance obligation identified and the expected revenue projections. Finally, since this is a long-term contract, the identification of the discount rate that represents the financial component embedded in the flow of future receipts also requires judgment by Management. Due to the materiality of the amounts and the significant judgment involved, we considered the measurement of the revenue from contracts with customers a key audit matter.

How our audit addressed the matter

Our auditing procedures included, among others: i) an evaluation of the design of the key internal controls over the expenditures made to perform the obligations under the contract; ii) an analysis of the existence or not of margins on contracts; iii) an analysis of the concession agreement and its amendments to identify the performance obligations provided for in the contract, in addition to aspects related to the variable components applicable to the contract price; iv) an analysis of whether the infrastructure already built falls under the concept of contract asset, including the receivables from the indemnity provided for in Law No. 12.783/13 and disclosed in note 7; v) business valuation specialists assisted us in revising the projects cash flows, significant assumptions used in cost projections and in defining the discount rate used in the model; and vi) an evaluation of the disclosures made by the Company in the individual and consolidated financial statements.

Based on the evidence obtained by performing the abovementioned procedures, we consider that the measurement of the contract asset, the construction revenue and the contract asset, and the respective disclosures, are acceptable in the context of the financial statements taken as a whole.

Provision for risks

Under CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, the Company records provisions for those risks assessed and classified as probable loss. This assessment is supported by the Management's judgment, together with its legal counsel, taking into consideration case law, lower and appellate courts' decisions, the history of any settlements and decisions, the experience of Management and its legal counsel, and other relevant aspects. Lawsuits assessed as possible or remote loss are only disclosed in an explanatory note.

As at December 31, 2018, the Company has provision for risks assessed as probable loss in the amounts of R$90,665 thousand, Parent, and R$90,708 thousand, consolidated. Additionally, the Company discloses lawsuits assessed as possible loss in the amounts of R$672,385 thousand and R$675,657 thousand, Parent and consolidated, respectively, of which R$320,275 thousand, Parent and consolidated, refer to tax lawsuits and for which no provision has been recognized. This matter is disclosed in note 21 to the financial statements.

This matter was considered a KAM due to the materiality of the amounts involved, especially with respect to lawsuits assessed as probable loss, the degree of judgment required from the Company's Management to determine whether a provision should be recorded as well as the complexity of Brazil´s legal environment. The assessment of the involved amount and likelihood of cash disbursement also required judgment from Management and its external legal counsel.

How our audit addressed the matter

Our auditing procedures included, among others, mailing confirmation letters to external attorneys as at December 31, 2018, obtaining the Company's external attorneys' opinion on the most complex issues, and

discussing pending litigation with internal and external legal advisors, and cross-checking reports on contingencies to replies to confirmation letters. Additionally, we verified the changes in the balances of provisions for risks in the year and analyzed the changes in the likelihood of loss for significant lawsuits and the reasonableness of these changes. We also focused on the adequacy of the disclosures of each class of provision made by the Company and other requirements under CPC 25.

Based on the results of the auditing procedures performed, which are consistent with Management´s evaluation, we consider that the criteria and assumptions adopted by Management in determining the likelihood of loss and the need to recognize a provision for the pending lawsuits, as well as the respective disclosures in note 21, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's management and presented as supplemental information for IFRS purposes, have been subject to auditing procedures which were performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, according to the criteria defined in said technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and auditor's report thereon

The Company's Management is responsible for this other information that is included in 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 assurance 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 Management Report, we are required to report this fact. We have nothing to report in this regard.

Responsibility 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 International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free 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 in preparing the financial statements, unless Management either intends to liquidate the company and its subsidiaries or to cease operations, or has no realistic alternative to avoid doing so.

Those charged with the Company's and its subsidiaries' governance are those responsible for overseeing the financial reporting process.

Auditor's responsibility 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, taken 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. In addition, we:

- 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 override of internal control, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and 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 and, consequently, for the 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, including those regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements for the current year 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.

São Paulo, February 28, 2019

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Adilvo França Junior
Accountant CRC 1BA021419/O-4-T-SP

Supervisory Board's Opinion

The Supervisory Board of CTEEP – Companhia de Transmissão de Energia Elétrica Paulista ("Company"), in the discharge of its legal and statutory duties, and in compliance with the provisions of Article 163 of Law No. 6404/76, and subsequent amendments, examined the Management Report and the Company's Financial Statements for the year ended December 31, 2018. Based on our examination and on the report issued by our independent auditors, Ernst & Young Auditores Independentes S.S., the Supervisory Board's opinion is that the abovementioned documents are adequate to be submitted to the analysis and approval of the Company's shareholders.

São Paulo, February 28, 2019

Manuel Domingues de Jesus e Pinho

Flávio Cesar Maia Luz

Ricardo Lopes Cardoso

Paula Prado Rodrigues Couto

Felipe Baptista da Silva

Management's Statement on the Independent Auditor's Report

The Company's executive officers hereby declare that they reviewed, discussed and agreed with the opinions expressed in the independent auditor's report.

São Paulo, February 28, 2019

Reynaldo Passanezi Filho
Chief Executive Officer

Rinaldo Pecchio Junior
CFO and Investor Relations Officer

Carlos Ribeiro
Chief Technical Officer

Weberson Eduardo Guioto Abreu
Chief Projects Officer

Rafael Falcão Noda
Chief Institutional Relations Officer

Management's Statement on the Interim Financial Information

The Company's executive officers hereby declare that they reviewed, discussed and agreed with the information contained in the Financial Statements for the year ended December 31, 2018, as well as with the opinion expressed in the respective report issued by the independent auditors, Ernst & Young, and, also, declare that all significant information relating to the Financial Statements, and only it, has been disclosed and corresponds to that used in management. Therefore, the Executive Officers hereby approve the issuance of the Financial Statements for the year ended December 31, 2018.

São Paulo, February 28, 2019

Reynaldo Passanezi Filho
Chief Executive Officer

Rinaldo Pecchio Junior
CFO and Investor Relations Officer

Carlos Ribeiro
Chief Technical Officer

Weberson Eduardo Guioto Abreu
Chief Projects Officer

Rafael Falcão Noda
Chief Institutional Relations Officer

The information below was not reviewed by our independent auditors:

Other Information that the Company Deems Relevant

1. Reconciliation of the Statutory and Regulatory Balance Sheet and Income Statement

			Consolidated
Assets	**Statutory**	**Adjustments**	**Regulatory**
Current assets			
Cash and cash equivalents	16,740	-	16,740
Short-term investments	680,909	-	680,909
Trade receivables	-	270,923	270,923
Concession Assets - Contract	389,082	(389,082)	-
Concession assets - financial	1,697,216	(1,697,216)	-
Inventories	39,173	(18,808)	20,365
Services in progress	-	14,879	14,879
Recoverable taxes	29,521	-	29,521
Restricted cash	1,787	-	1,787
Receivables from related parties	323	-	323
Prepaid expenses	8,384	-	8,384
Other	36,509	12,309	48,818
	2,899,644	**(1,806,995)**	**1,092,649**
Noncurrent liabilities			
Long-term assets			
Restricted cash	42,268	-	42,268
Trade receivables (concession asset)	-	10,574	10,574
Concession Assets - Contract	4,485,207	(4,485,207)	-
Concession assets - financial	7,562,351	(7,562,351)	-
Receivables - Finance Department	1,426,083	-	1,426,083
Sureties and judicial deposits	66,987	-	66,987
Inventories	13,551	(13,551)	-
Deferred income tax and social contribution	9,037	(9,037)	-
Benefício à empregado – Superávit atuarial	105,444	-	105,444
Derivative financial instruments	2,643	-	2,643
Other	25,236	(23,760)	1,476
	13,738,807	**(12,083,332)**	**1,655,475**
Investments	1,848,092	(697,817)	1,150,275
Property, plant and equipment	25,539	7,088,983	7,114,522
Intangible assets	30,142	239,839	269,981
	1,903,773	**6,631,005**	**8,534,778**
	15,642,580	**(7,259,322)**	**10,190,253**
Total Assets	**18,542,224**	**(7,259,322)**	**11,282,902**

	Consolidated		
Liabilities	**Statutory**	**Adjustments**	**Regulatory**
Current			
Borrowings and financing	334,067	-	334,067
Debentures	23,707	-	23,707
Trade payables	88,358	-	88,358
Taxes and payroll charges payable	54,382	-	54,382
Regulatory charges payable	40,262	-	40,262
Interest on capital and dividends payable	7,835	-	7,835
Payroll and related taxes	37,047	-	37,047
Payables - Funcesp	4,250	-	4,250
Other	36,790	-	36,790
	626,698	**-**	**626,698**
Noncurrent liabilities			
Long-term liabilities			
Borrowings and financing	1,215,689	-	1,215,689
Debentures	1,441,504	-	1,441,504
Deferred PIS and Cofins (taxes on revenue)	1,176,566	(1,176,566)	-
Deferred income tax and social contribution	2,603,438	(1,870,173)	733,265
Regulatory charges payable	35,925	-	35,925
Provisions	90,708	-	90,708
Global Reversal Reserve (RGR)	19,093	-	19,093
Concession-related obligations	-	332,930	332,930
Other	33,078	-	33,078
	6,616,001	**(2,713,809)**	**3,902,192**
Equity			
Capital	3,590,020	-	3,590,020
Capital reserves	666	-	666
Earnings reserves	7,404,769	(6,644,318)	760,451
Other comprehensive income	73,192	-	73,192
Revaluation reserve	-	2,098,805	2,098,805
	11,068,647	**(4,545,513)**	**6,523,134**
Noncontrolling interests in investment funds	230,878	-	230,878
	11,299,525	**(4,545,513)**	**6,754,012**
Total liabilities and equity	**18,542,224**	**(7,259,322)**	**11,282,902**

	Consolidated 2018		
	Statutory	**Adjustments**	**Regulatory**
O&M revenues	1,047,612	-	1,047,612
Revenue from CAAE (Annual Cost of Electric Assets)	-	417,976	417,976
Revenue RBSE	1,269,108	516,275	1,785,383
Infrastructure implementation	387,115	(387,115)	-
Compensation from concession assets	911,165	(911,165)	-
Adjustment portion	(5,078)	(69,266)	(74,344)
Other revenues	26,905	-	26,905
Deductions from operating revenue	(452,173)	15,932	(436,241)
Net operating revenue	**3,184,654**	**(417,363)**	**2,767,291**
Infrastructure implementation cost (*)	(353,589)	353,589	-
O&M costs	(371,657)	5,757	(365,900)
Cost on construction and O&M services	**(725,246)**	**359,346**	**(365,900)**
General and administrative expenses	(157,422)	-	(157,422)
Depreciation and amortization	(9,214)	(569,759)	(578,973)
Finance income (costs)	(142,214)	-	(142,214)
Share of profit (loss) of investees	200,822	(154,661)	46,161
Goodwill amortization	(2,527)	101	(2,426)
Other operating income/(expenses)	(32,209)	28,581	(3,628)
Profit before income tax and social contribution	**2,316,644**	**(753,756)**	**1,562,888**
Income tax and social contribution	(421,399)	148,399	(273,000)
Profit for the year	**1,895,245**	**(605,357)**	**1,289,888**

(*) The infrastructure implementation cost is equivalent to CAPEX for concession assets in the regulatory financial statements.

2. Reconciliation EBITDA – IFRS and Regulatory

	Consolidated
	2018
EBITDA IFRS (ICVM 527)	2,470,599
(-) Infrastructure implementation revenue	(387,115)
(-) Compensation from concession assets	(2,180,273)
(-) O&M revenues	(1,042,535)
(+) Revenue from use of electric power	3,176,627
(-) Deferred PIS and COFINS (taxes on revenue)	15,932
(+) Infrastructure implementation cost	353,589
(-) O&M costs	5,757
(-) Share of profit (loss) of investees	(154,661)
(-) Other operating income (expenses)	28,581
REGULATORY EBITDA (ICVM 527)	**2,286,501**