Celesc

2Q18




CLSC4 NÍVEL 2 BM&FBOVESPA — IGC — ITAG — ISE

Conference Call

Preferred Share Price at 06/30/2018

CLSC4 BRL 28.50/share

Change in 2Q18

CLSC4: 8.9%

Ibovespa: -14.76%

Market Value at 06/30/2018

BRL 1,099.0 MM

USD 285.0 MM

Free Float: 75.5%

Other Indicators at 06/30/2018

Net Debt\Aj EBITDA LTM (DisCo):	0.5x
EPS 4Q17 (BRL/share):	1.79
Book Value (BRL/share):	51.03
Price/BV:	0.6x

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Florianópolis – Santa Catarina, **August 14, 2018** – Centrais Elétricas de Santa Catarina SA - Celesc (BM&FBOVESPA: CLSC3, CLSC4; OTC: CEDWY), *holding* of the energy sector, with operations in the areas of generation, transmission, distribution of electricity and natural gas, announces the income for the **second quarter of 2018 (2Q18)**. The Company's financial information, except where otherwise indicated, is presented in millions of Reais (R$ million) as of June 30, 2018 and has been prepared in accordance with Brazilian accounting rules resulting from the effective application of international accounting standards (International Financial Reporting Standards - IFRS).

Consolidated EBITDA reaches R$ 199.8 million in 2Q18 and R$ 391.7 million in 6M18

Celesc D's billed energy grew 6.2% in the second quarter of 2018

Main Highlights:

- ✓ Total Billed Energy, in the concession area of CELESC D, totaled 6,158 GWh, with highlight to the Captive Market, which expanded by 6.6% in the quarter, totaling 3,964 GWh;
- ✓ Indicators of service quality: DEC was 5.26 hours (18% reduction) and FEC was 3.61 times (14.8% decrease) in the first six months of 2018;
- ✓ Consolidated Net Operating Revenue (excluding Construction Revenue) totaled R$ 1.9 billion in the quarter, an increase of 19.6% and R$ 3.7 billion in the year (17.5% increase);
- ✓ Non-manageable expenses (energy costs) increased 20% (+ R$ 244.6 million) in 2Q18 and 22.7% (+ R$ 508.6 million) in 6M18;
- ✓ Managed expenses (PMSO) decreased 21.5% (- R$ 50.5 million) in the quarter, the effect of the company's actions to reduce expenses;
- ✓ Consolidated Net Profit amounting to R$ 69.2 million (169% increase), with the subsidiary Celesc D totaling R$ 62.2 million (158% increase) and the subsidiary Celesc Geração R$ 13.5 million (6.1% increase);
- ✓ Consolidated EBITDA of R$ 199.8 million (151%), with the subsidiary Celesc D totaling R$ 183.2 million (214% expansion) and Celesc Generation R$ 23 million (11% contraction);
- ✓ The Celesc Group ended the period with a Consolidated Net Debt of R$ 304.9 million, equivalent to 0.5x Adjusted EBITDA 12M;
- ✓ Investments in distribution and generation of electricity totaled R$ 116.9 million in the quarter, of which R$ 111.7 million was in distribution and R$ 5.2 million in generation; and
- ✓ The preferred shares of Celesc (CLSC4) changed positively 8.99% in the quarter and in the accumulated of twelve months presented a 61.11% appreciation.

Main Highlights	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Operating Indexes						
Celesc Distribuição - Energy Sales (GWh)	5,801	6,158	*6.2%*	12,119	12,476	*2.9%*
Celesc Geração - Energy Produced (GWh)	130	70	*-46.4%*	264	187	*-28.9%*
SCGÁS - Natural Gas Sales (thousand/m³)	164	218	*32.5%*	317	384	*21.1%*
Financial Indexes - Consolidated (R$ Million)						
Gross Operating Revenue	2,687.2	3,168.2	*17.9%*	5,314.0	6,105.8	*14.9%*
Net Operating Revenue	1,555.0	1,874.9	*20.6%*	3,000.2	3,555.3	*18.5%*
Operating Costs and Expenses	(1,630.5)	(1,833.4)	*12.4%*	(3,011.8)	(3,474.1)	*15.4%*
EBITDA (IFRS)	**79.6**	**199.8**	***151.2%***	**294.0**	**391.7**	***33.2%***
EBITDA Margin	***5.1%***	***10.7%***		***9.8%***	***11.0%***	
EBITDA (IFRS - Non-Recurring)	58.1	199.8	*244.1%*	272.5	391.7	*43.7%*
Adjusted EBITDA Margin	*3.7%*	*10.7%*		*9.1%*	*11.0%*	
Net Income (IFRS)	**(99.4)**	**69.2**	***169.6%***	**2.2**	**140.2**	***6232.9%***
Net Margin	***-6.4%***	***3.7%***		***0.1%***	***3.9%***	
Net income (IFRS - Non-Recurring)	(2.1)	69.2	*3349.9%*	97.4	140.2	*43.9%*
Adjusted Net Margin	-0.1%	3.7%		3.2%	3.9%	
Investments Made in Generation and Distribution of Electricity	107.0	116.9	*9.3%*	211.3	223.2	*5.6%*

DISCLAIMER

The information contained in this Income Release may include statements that represent expectations about the Company's business, financial and operational goals and projections. Any such statements are mere forecasts based on the administration's expectations that may not materialize and are not a guarantee of the Company's future performance.

Such statements and forward-looking data are and will be subject to risks, uncertainties and are and will be highly dependent on market conditions, on the general economic performance of the country, industry and international markets, as the case may be.

It should also be noted that the estimates and projections refer to the date they were expressed, and the Company does not undertake to publicly update or revise any of these estimates due to the occurrence of new information, future events or any other factors, subject to the current regulations to which we submit.

Thus, none of the Company's representatives, advisors or related parties may be liable for any decision arising out of the use of the contents of this document. The information contained in this material should not be construed as an offer, invitation or request of an offer to subscribe or purchase any securities, nor does it form the basis of a contract or commitment of any kind.

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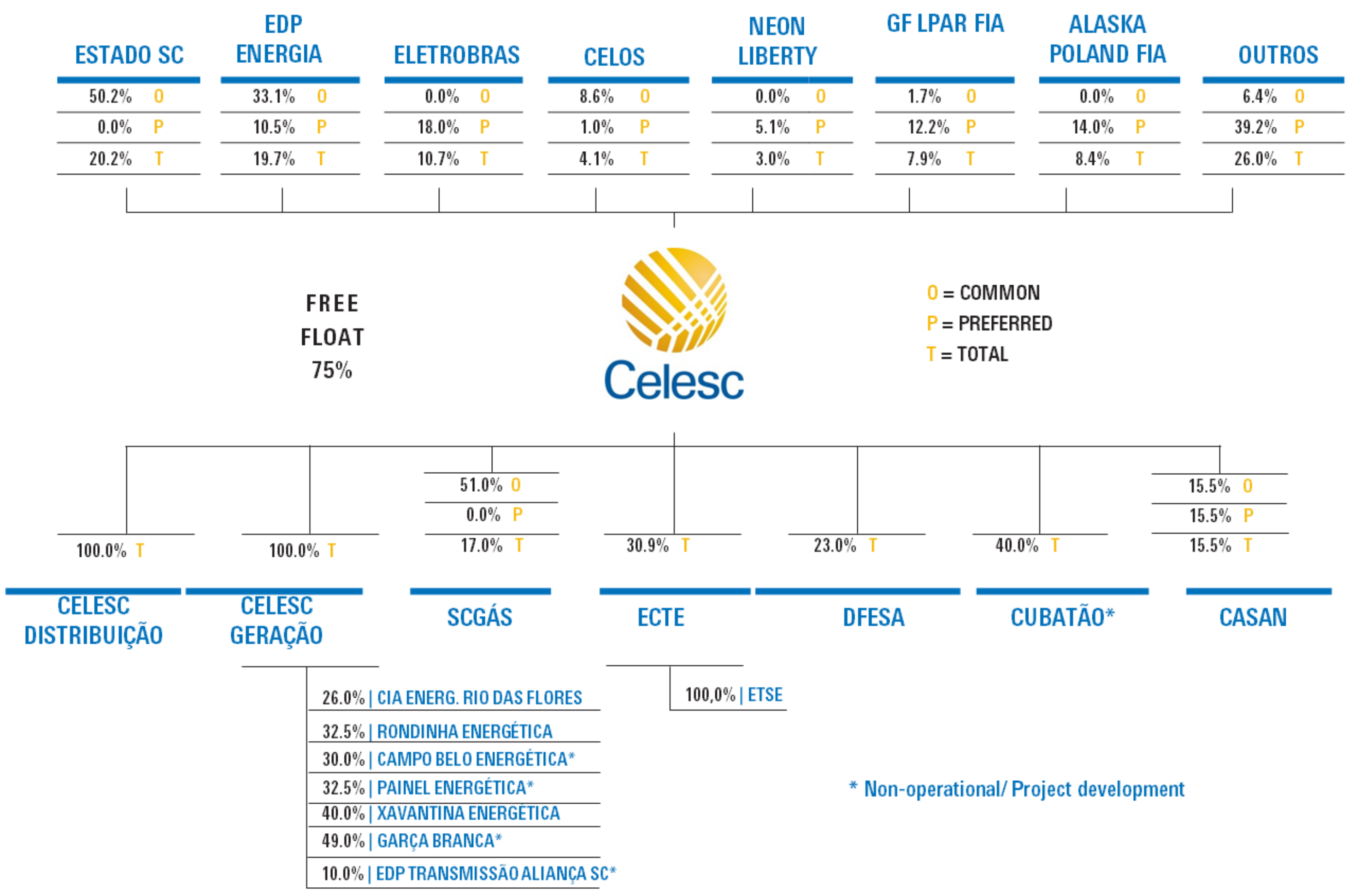
1 – Overview

Centrais Elétricas de Santa Catarina S.A. - CELESC is one of the largest companies in the Brazilian electric sector, with emphasis in the areas of distribution and energy generation. Structured as a Holding Company in 2006, the Company has two wholly-owned subsidiaries - Celesc Geração S.A. and Celesc Distribuição S.A. In addition, it holds the shareholding control of Companhia de Gás de Santa Catarina (SCGÁS) and is a partner of the companies Dona Francisca Energética S.A. (DFESA), Empresa Catarinense de Transmissão de Energia S.A. (ECTE), Companhia Catarinense de Água e Saneamento (CASAN), and the Cubatão S.A Hydroelectric Plant project.

Its controlling shareholder is the State of Santa Catarina, holder of 50.2% of the Company's ordinary shares, corresponding to 20.2% of the Total Capital.

CELESC Ownership and Corporate Structure

June – 2018



Pursuant to the Material Fact of the Shareholding Acquisition by EDP published by the company on 12/20/2017, EDP - Energias do Brasil S.A. acquired 33.1% of the ordinary shares and 1.9% of the preferred shares of PREVI - Banco do Brasil Employees' Pension Fund, accounting for 14.5% of Celesc's total shares. The operation was approved by the Administrative Council for Economic Defense (CADE) and the National Superintendence of Predecessional Complementary (PREVIC), and was concluded on March 21, 2017. The aforementioned shareholding structure is already adjusted to the increase of EDP's share.

Of note in the quarter was the disclosure of Notice of Voluntary Public Offering ("Voluntary OPA") on 03/27/2018, pursuant to the Joint Stock Act and article 31 of CVM Instruction 361, dated from March 5, 2002, to acquire up to 7,374,000 (seven million, three hundred seventy-four thousand) PN shares issued by the Company in circulation at the market ("Shares Subject to OPA"), at the price of twenty-seven reais (R$ 27.00) per share, corresponding to up to 32.0% (thirty-two percent) of the total PN shares issued by CELESC.

At the OPA auction held on April 26, 2018, at 4:00 p.m., São Paulo time, through the Electronic Trading System of the BOVESPA Segment of B3, 1,990,013 PN shares were purchased for the price of R$ 27.00 (twenty-seven reais) each, totaling the amount of R$ 53,730,351.00 (fifty-three million, seven hundred thirty thousand, three hundred fifty-one reais). Following the settlement of the purchases made at the Auction held on May 2, 2018, EDP now holds 2,427,820 PN shares, which, together with 5,140,868 ordinary shares, represent 19.62% of CELESC's share capital.

Wholly-owned subsidiaries

Celesc Distribuição S.A.

The company carries energy to more than 2.9 million consumer units located in 258 municipalities in Santa Catarina (92% of the state's territory) and in Rio Negro, in Paraná. The company is still responsible for the supply of electric power to the service of four concessionaires and 16 licensees, which operate in the other municipalities of Santa Catarina.

Celesc Distribuição is the second largest ICMS collector in Santa Catarina and the 6th largest Brazilian electricity distributor in supply revenue, the 7th in volume of distributed energy and the 10th in number of consumer units[1]. On a monthly basis, the company distributes more than 1.8 million MWh and its annual gross sales reached the house of R$ 11.3 billion in 2017.

Celesc Geração S.A.[2]

Celesc Geração is the subsidiary of the Celesc Group that operates in the electric power generation segment through the operation, maintenance, marketing and expansion of its own generation site and participation in energy projects in partnerships with private investors.

On June 30, 2018, the company had its own generating plant made up of 12 plants, of which 08 were Small Hydroelectric Plants - PCHs and 04 Hydroelectric Generating Centers - HGCs. In addition, the company holds a minority interest in another 08 SHPs developed in partnership with private investors, in the format of Special Purpose Companies (SPE or SPC). Celesc Geração's total generation capacity in operation in the period was 115.02 MW, with 106.97 MW referring to its own site and 8.05 MW referring to the generator set established with partners - already proportional to the Celesc Geração shareholding in these ventures. The following table presents the main characteristics of Celesc's 100% generation plants:

[1] Source: www.aneel.gov.br (Managerial Information – March/18).
[2] Further details of the relevant regulatory and legal aspects that involve the Company's projects are available in item 2.2.3 of this Release.

Own Generating Plants | Plants 100% from Celesc Geração S.A.

PLANTS	Location	Concession Expiration	Installed Capacity (MW)	Guaranteed Energy (MW)	Physical Security in Quotas
PCH Pery	Curitibanos/SC	09/07/2047	30.00	14.08	100%
PCH Palmeiras	Rio dos Cedros/SC	07/11/2046	24.60	16.70	70%
PCH Bracinho	Schroeder/SC	07/11/2046	15.00	8.80	70%
PCH Garcia	Angelina/SC	05/01/1946	8.92	7.10	70%
PCH Cedros	Rio dos Cedros/SC	07/11/2046	8.40	6.75	70%
PCH Salto	Blumenau/SC	07/11/2046	6.28	3.99	70%
PCH Celso Ramos	Faxinal dos Guedes/SC	17/03/2035	5.62	3.80	N/A
PCH Caveiras	Lages/SC	10/07/2018***	3.83	2.77	N/A
CGH Ivo Silveira	Campos Novos/SC	**	2.60	2.03	N/A
CGH Rio do Peixe	Videira/SC	**	0.52	0.50	N/A
CGH Piraí	Joinville/SC	**	0.78	0.45	N/A
CGH São Lourenço	Mafra/SC	**	0.42	0.22	N/A
Total - MW			**106.97**	**67.19**	

* Power plants with a power of less than 5 MW are exempt from the concession act.

** It depends on regulatory procedures.

*** Plant under conversion to CGH

*** Plant to be reactivated with expansion project

The company participates in Special Purpose Companies (SPE or SPC), which enables new ventures in which Celesc Geração holds a minority interest. The following are the main characteristics of the projects that are already in operation:

Projects in operation | Celesc Geração S.A. holds minority Stake

Plants	Location	Concession Expiration	Installed Capacity (MW)	Guaranteed Energy (MW)	% Stake Celesc Geração	Equivalent Installed Capacity (MW)	Equivalent Guaranteed Energy (MW)
PCH Rondinha	Passos Maia/SC	05/10/2040	9.60	5.48	32.5%	3.12	1.78
PCH Prata	Bandeirante/SC	05/05/2039	3.00	1.68	25.0%	0.78	0.44
PCH Belmonte	Belmonte/SC	05/05/2039	3.60	1.84	25.0%	0.94	0.48
PCH Bandeirante	Bandeirante/SC	05/05/2039	3.00	1.76	25.0%	0.78	0.46
PCH Xavantina	Xanxerê/SC	07/04/2040	6.08	3.54	40.0%	2.43	1.42
Total - MW			**25.28**	**14.30**		**8.05**	**4.57**

In recent years, driven by the strategic positioning of increasing its own generation capacity, the Company started investing in the repowering of its own plants and in the expansion of partnerships to make projects that aim to build new projects feasible. The tables below present other ventures under development by the company and their respective stages. As for the physical warranty (new or incremental), the company seeks to obtain on average 55% of the total plant capacity factor after expansion, a standard met for other ventures in operation, with similar characteristics:

Undertakings in development | Celesc Geração S.A. holds 100%

Plants	Location	Concession Expiration	Installed Capacity (MW)	Acréscimo de Potência (MW)	Power Addition (MW)	Expected date of commissioning	STATUS
PCH Celso Ramos	Faxinal dos Guedes/SC	17/03/2035	5.62	7.20	12.82	N/D	Project Review
PCH Salto	Blumenau/SC	07/11/2046	6.28	23.00	29.28	N/D**	Basic Design Approved
PCH Caveiras	Lages/SC	10/07/2018***	3.83	10.00	13.83	N/D**	Inventory Study
PCH Cedros Etapa 1	Rio dos Cedros/SC	07/11/2046	8.40	3.60	12.00	N/D**	Inventory Study
PCH Cedros Etapa 2	Rio dos Cedros/SC	07/11/2046	12.00	1.00	13.00	N/D**	Inventory Study
PCH Palmeiras	Rio dos Cedros/SC	07/11/2046	24.60	0.75	25.35	N/D**	Inventory Study
CGH Maruim****	São José/SC	*	0.00	1.40	1.40	N/D**	Project Review
Total - MW			**48.73**	**46.95**	**95.68**		

* Power plants with a power of less than 5 MW are exempt from the concession act.

** It depends on regulatory procedures.

*** Plant under conversion to CGH

*** Plant to be reactivated with expansion project

Projects under development | Celesc Geração S.A. holds minority Stake

Plants	Location	Concession Expiration	Installed Capacity (MW)	% Stake Celesc Geração	Equivalent Installed Capacity (MW)	Date of entry of new capacity	STATUS
PCH Painel	São Joaquim/SC	18/03/2043	9.20	30.0%	2.76	N/D	Project Review
PCH Campo Belo	Campo Belo do Sul/SC	19/05/2044	9.95	30.0%	2.99	N/D	Project Review
PCH Garça Branca	Anchieta/SC	13/03/2043	6.50	49.0%	3.19	2016	Project started in 1S15
Total - MW			**25.65**		**8.93**		

All the plants of the own generating plant and all the plants in partnership in operation participate in the Energy Reallocation Mechanism - MRE, a system for sharing hydrological risks where the participating plants transfer the generated energy exceeding their physical warranty to the generated plants below.

As disclosed in the Notice to the Market on 04/24/2017, the Aliança Consortium, formed by EDP - Energias do Brasil, with a 90.00% stake, and by Celesc Geração, with a 10.00% stake, won the bidding for Lot 21 of Auction No. 05/2016 of ANEEL, referring to the Bidding for the Concession of the Public Service of Electric Power Transmission, including the Construction, Operation and Maintenance of Transmission Facilities of the National Interconnected System, which happened in B3, by offering a discount of 34.99%, or a proposal of annual revenue (RAP) of R$ 171,824 million, compared to the maximum amount of R$ 264,343 million established by Aneel. The conditions obtained in the auction result in a profitability of 12% real shareholder, above the target established in the Company's Master Plan (10%).

Lot 21 was the third largest project offered at the auction, and demanded investments in the order of R$ 1.121 billion. It is composed of several facilities in the state of Santa Catarina, including three 525 kV transmission lines (Abdon Batista - Siderópolis 2, with 261 kilometers, Biguaçu - Siderópolis 2, with 149 kilometers, and Campos Novos - Abdon Batista with 39 kilometers); two 230 kV lines (Siderópolis 2 - Forquilhinha, with 28 kilometers, and Siderópolis 2 - Siderópolis, with 7.5 kilometers), in addition to the 525/230 kV Siderópolis 2 substation, covering 28 municipalities in Santa Catarina. The facilities aim to expand the system of the southern and plateau region of the state of Santa Catarina and will also enable Celesc to connect its distribution system to the new structure, in order to bring direct benefits to critical regions in the state's energy system. The deadline for implementing the works is 60 months and the determined commercial start-up date is August 2022, with a possibility of anticipation.

SPE EDP Transmission Aliança SC S.A. was incorporated in July 2017 and the Concession Agreement was signed in August 2017. Currently, the project is in the environmental licensing and land management phase.

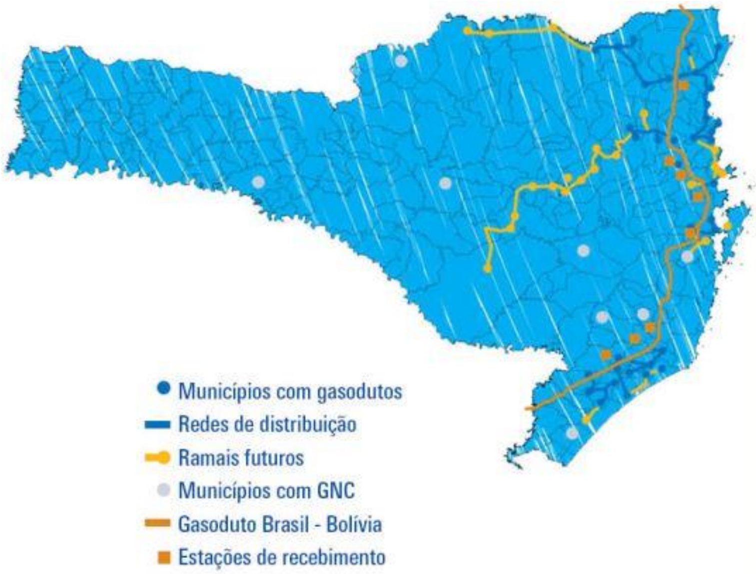
The table below summarizes the main information of the venture:

TRANSMITTER	Location	Concession Expiration	Km Line	Substations	Expected date of commissioning	STATUS
EDP Transmissão Aliança SC	Santa Catarina	11/08/2047	485	1	11/08/2022	Licensing

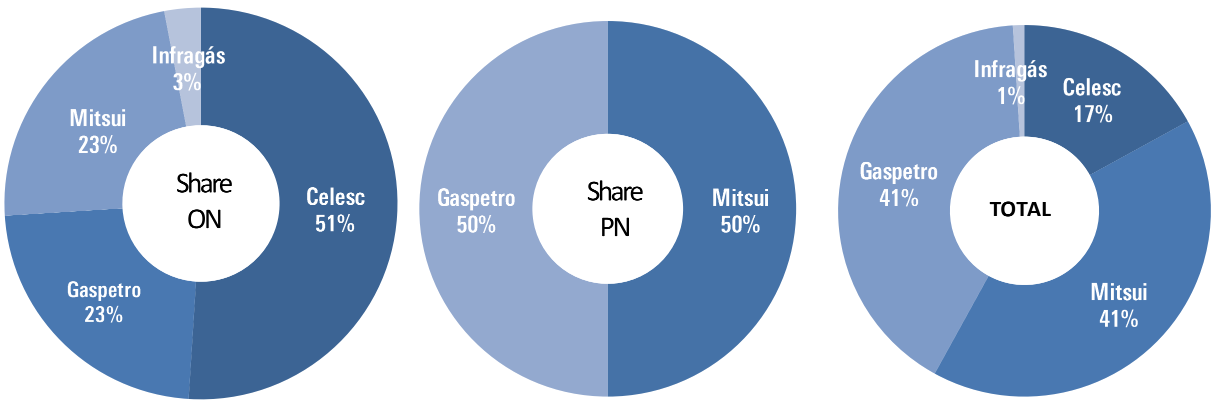
Subsidiary

Companhia de Gás de Santa Catarina – SCGÁS

SCGÁS is the second largest gas distributor in the number of municipalities served in Brazil. Santa Catarina is the third state with the largest natural gas distribution network (1,134.8 kilometers) and the third with the largest number of industries served with natural gas (227), as well as having the third largest network of vehicular gas stations (GNV) in the country (134).



With 100% of the concession to operate natural gas distribution services in the territory of Santa Catarina, the company markets and distributes approximately 1.8 million cubic meters of natural gas on a daily basis to approximately 12.1 thousand customers. SCGÁS has a concession agreement for operating piped gas distribution services, signed on March 28, 1994, with a 50 year term (2044). Below is a chart of Celesc's stake in SCGás, of which 51% are common shares and 17% is the total share capital.



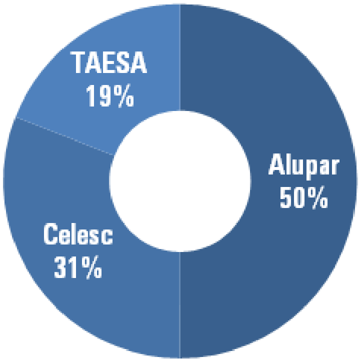
It should be noted that in 2013, the Attorney General of the State of Santa Catarina - PGE, representing the Government of the State of Santa Catarina and Celesc, filed a reimbursement claim against SCGÁS, Petrobras Gás S.A. - Gaspetro, Mitsui Gás and Energia do Brasil Ltda. and Infragás S.A., questioning an amendment in the share capital and in the Shareholders' Agreement signed in 1994, obtaining a favorable injunction in a 1st degree judgment. Nonetheless, shareholders Mitsui Gás and Gaspetro filed an injunction, suspending the effects of such injunction in the lower court, presenting the appropriate judicial remedies. Currently, the effects of the sentence are suspended until said appeals are judged.

In 2016, as per the Notice to the Market from June 13 - TCE DECISION - SCGÁS STAKE RETURN, the Company became aware of Decision No. 0129/2016 by the Plenary of the Court of Accounts of the State of Santa Catarina - TCE/SC, where item 6.7. states: "Determine to the Government of the State and CELESC that, within 180 (one hundred eighty) days, from the publication of this Decision in the Electronic Official Gazette of this Court of Accounts - DOTC-e, they take measures to return to the State of Santa Catarina the 1,827,415 (one million, eight hundred twenty-seven thousand, four hundred fifteen) ordinary shares issued by SCGás sold to Celesc on June 5, 2007, under the same conditions and amounts originally transacted, R$ 93,000,000.00 (ninety three million), monetarily restated, confirming compliance with this Decision in 30 (thirty) days to this Court (item 2.3 of the DCE Report); (.....). " In light of this decision, the Company filed an appeal for revocation of this Decision No. 129/2016 at the Court of Accounts, with a suspensive effect, once it has been duly established that the sale of the shares by the State of Santa Catarina has been duly demonstrated to CELESC, being constituted in a perfect and finished legal act, carried out in the light of the legislation in force at the time of its accomplishment, without any offense to the principles of motivation of the administrative act, conflict of interest or public interest.

Other Stakes

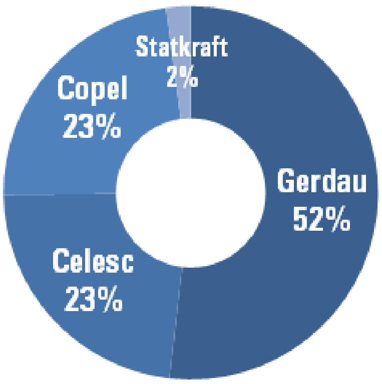
Empresa Catarinense de Transmissão de Energia – ECTE

Constituted with the specific purpose of exploring electric power transmission lines in the South, Southeast and Litoral regions of Santa Catarina, the company is a concessionary of the LT SE Campos Novos - SE Blumenau, with a length of 252.5 km. The line is responsible for transporting approximately 20% of the assured energy to supply demand in the concession area of Celesc Distribuição. In December 2011, by expanding its business, the company acquired the right to build the Abdon Batista (525/230kV) and Gaspar (230/138kV) substations through its subsidiary Empresa de Transmissão Serrana S.A. – ETSE. These lines were energized in January and March 2015, respectively. The affiliate ECTE holds a power transmission concession contract dated from November 1, 2000, with a 30-year term. For its subsidiary ETSE, the concession contract for transmission of electric power is dated from May 10, 2012, with a 30-year validity term. Celesc holds 30.88% of the Company's share capital, as shown below:



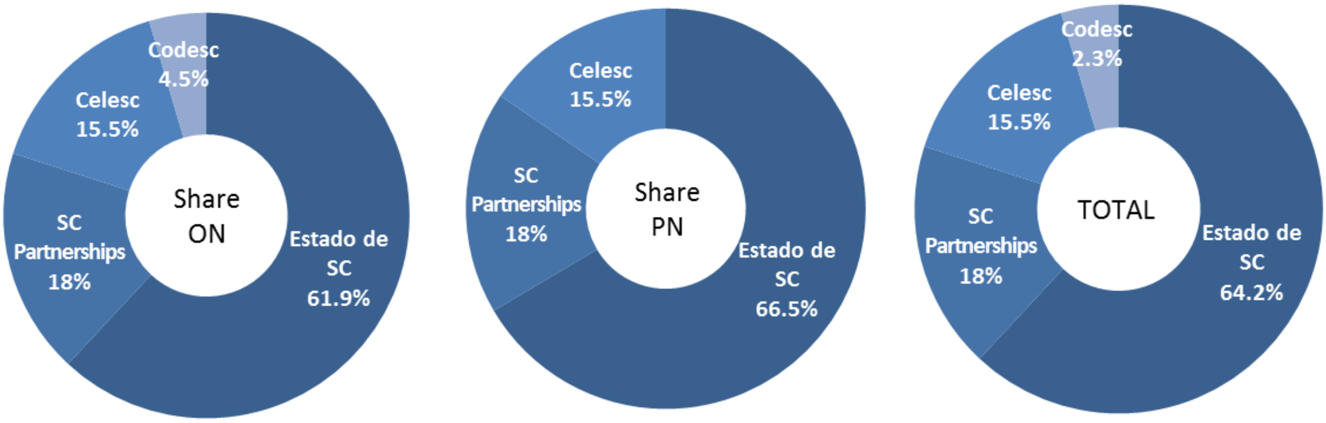
Dona Francisca Energética S.A. – DFESA

An independent power producer, DFESA owns the Dona Francisca Hydroelectric Power Plant, built on the Jacuí River in Rio Grande do Sul, with an installed capacity of 125MW and assured energy of 80MW. The project was inaugurated in May 2001. The affiliate DFESA has a concession agreement dated from August 28, 1998, with a 35-year term. Celesc holds 23.03% of the company's share capital, as shown by the graph below:



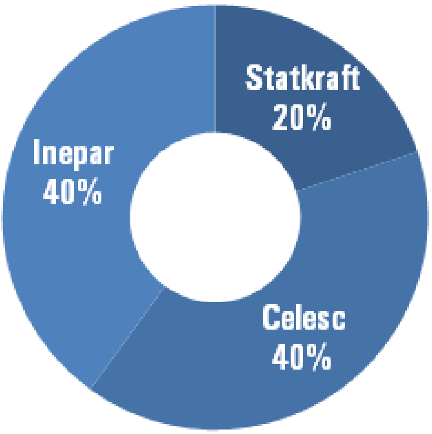
Companhia Catarinense de Água e Saneamento – CASAN

As a publicly-held joint-stock company controlled by the Government of the State of Santa Catarina, CASAN's role is to plan, execute, operate and explore the drinking water supply and sanitation services in its (municipal) concession areas. Currently, the services provided by the company include 197 municipalities in Santa Catarina and 1 in Paraná, serving a population of 2.8 million consumers with treated water and 587 thousand with collection, treatment and final destination of sanitary sewage.
Celesc holds 15.48% of the Company's total share capital, as shown in the graph below:



Usina Hidrelétrica Cubatão S.A.

Specific Purpose Company established in 1996 for the implementation of the Cubatão Hydroelectric Power Plant, in the region of Joinville (SC), with an installed capacity of 50MW. With the history of the environmental obstacles, the rejection of the litigation for the concession period and consequent economic impracticability for the development of the project, the enterprise requested the regulatory body to amicably terminate Concession Agreement No. 04/1996 (ANEEL Case No. 48100.003800/1995-89). Celesc holds 40% of the Company's Share Capital, as follows:



At the 9th Ordinary Public Meeting of the Executive Board of ANEEL, held on March 27, 2018, a decision was unanimously taken to recommend the termination of the Cubatão Hydroelectric Power Plant Concession and SCG Technical Note (No. 82/2018-SCG/ANEEL, from March 1, 2018) to MME. Ordinance No. 310, from July 27, 2018, of the Ministry of Mines and Energy extinguished the concession of the Cubatão HPP.

2.1 – Celesc Distribuição S.A.

2.1.1 – Operational Performance

Electricity charge

		Ano	2T18	6M18
Carga Brasil (GWh)*		2018	141.847	291.405
		2017	139.409	288.420
	Δ		1,7%	1,0%
Carga Sul (GWh)		2018	24.440	50.831
		2017	23.464	49.949
	Δ		4,2%	1,8%
Carga Celesc Distribuição S.A. (GWh)**		2018	6.553	13.646
		2017	6.243	13.404
	Δ		5,0%	1,8%

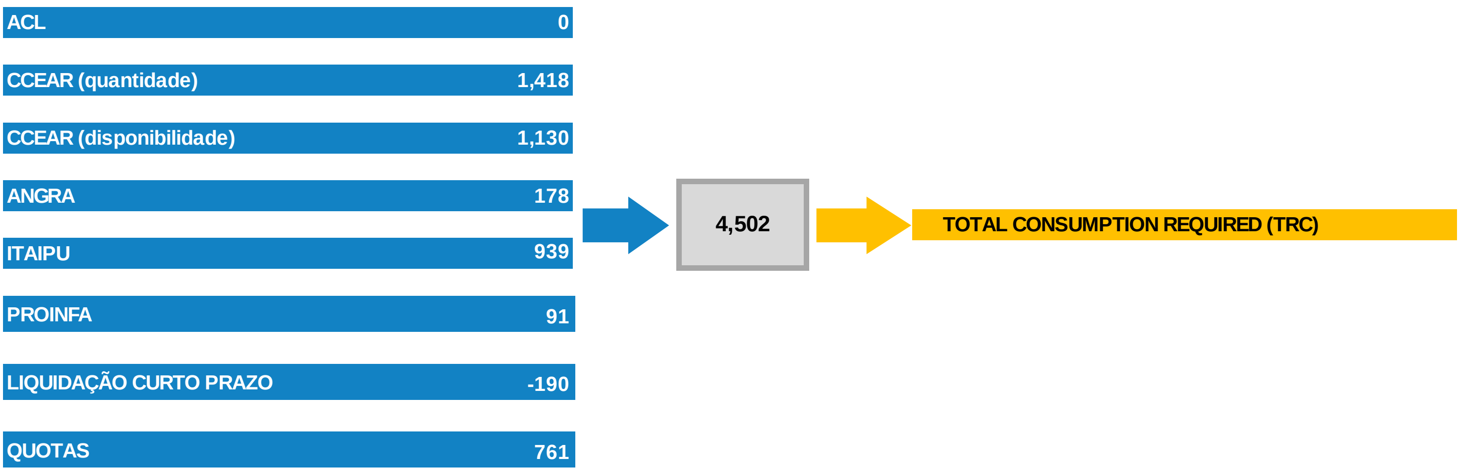
Fonte: ONS / Celesc D
* Referente ao Sistema Interligado Nacional - SIN.
** Energia Injetada no sistema de distribuição da concessionária.

The total charge served by the concessionaire includes the portions related to the Captive Market charge, the losses of the electric system, charges related to consumers, self-producers consumption units and independent producers connected to its network.

Electric Power Balance

We can summarize the TRC (total required consumed) as the total charge (measured), withdrawing the energy from free consumers (measured) and adding the total losses (internal and basic network). In the second quarter of 2018, CCEE accounted for 60.5% (2,724 GWh) of CCEAR contracts (quantity and availability modalities), 20.8% (939 GWh) Itaipu and 16.9% (761 GWh) Quotas, and 1.8% (79 GWh) for others.

Celesc Distribuição S.A. | Energy Balance (GWh)



According to the regulation of the electricity system, Distributors must have a contracting level within the regulatory limit (currently between 100% and 105% of overcontracting), and contracting within this limit has a full tariff transfer, with the counterpart being accounted for as an asset financial sector. The amount that falls outside the regulatory range, and which is considered voluntary by the regulator, is the distributor's risk. The company's contracting level in the second quarter of 2018 was 103.08%, therefore, within the range of 100% and 105%, thus guaranteeing the full pass-through of the cost of energy purchased.

Billed Energy[3]

Celesc Distribuição S.A. | Energy Billed by Consumption Class (in GWh)

Consumption Class	Nº Consumer Units**			Consumption (GWh)					
	jun/17	jun/18	Δ	2Q17	2Q18	Δ	6M17	6M18	Δ
Captive Market	**2,867,110**	**2,939,394**	**2.5%**	**3,719**	**3,964**	**6.6%**	**8,161**	**8,223**	**0.8%**
Residential	2,244,686	2,305,464	2.7%	1,268	1,407	10.9%	2,959	2,995	1.2%
Industrial	102,465	105,043	2.5%	649	643	-1.0%	1,297	1,259	-2.9%
Commercial	258,645	267,167	3.3%	773	816	5.6%	1,737	1,719	-1.0%
Rural	234,877	234,603	-0.1%	317	337	6.3%	707	734	3.8%
Other Classes	26,437	27,117	2.6%	711	761	7.0%	1,461	1,516	3.8%
Public Pow er	22,482	22,989	2.3%	106	116	9.2%	223	229	2.6%
Street lighting	704	779	10.7%	155	162	4.6%	313	326	4.2%
Public service	3,226	3,321	2.9%	86	90	5.4%	177	182	3.0%
Energy Supply	25	28	12.0%	365	393	7.7%	748	779	4.1%
Free Consumers	**770**	**876**	**13.8%**	**2,079**	**2,190**	**5.3%**	**3,951**	**4,246**	**7.5%**
Industrial	478	536	12.1%	1,827	1,897	3.8%	3,448	3,675	6.6%
Commercial	262	312	19.1%	189	227	20.2%	380	447	17.7%
Rural	6	7	16.7%	13	16	17.0%	24	30	25.4%
Supply*	24	21	-12.5%	51	51	0.1%	99	94	-5.4%
Total Market	**2,868,267**	**2,940,652**	**2.5%**	**5,801**	**6,158**	**6.2%**	**12,119**	**12,476**	**2.9%**
Residential	2,244,686	2,305,464	2.7%	1,268	1,407	10.9%	2,959	2,995	1.2%
Industrial	102,943	105,579	2.6%	2,476	2,540	2.6%	4,745	4,934	4.0%
Commercial	258,907	267,479	3.3%	962	1,043	8.4%	2,117	2,166	2.3%
Rural	234,883	234,610	-0.1%	331	353	6.7%	731	764	4.5%
Other Classes	26,461	27,138	2.6%	762	811	6.5%	1,561	1,610	3.2%
Own consumption	387	382	-1.3%	3	4	48.2%	6	7	7.6%

* Can be reconciled by CCEE.

** Number of Consumer Units (UC) according to consumption billed.

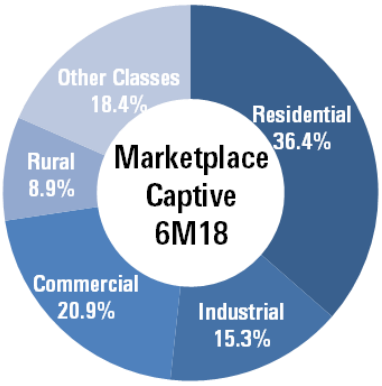
According to the table above, the billed energy supplied to the Captive Market increased by 6.6% (+245 GWh) in the quarter, compared to the second quarter of 2017, reaching 3,964 GWh, reversing the downward trend of the first quarter, which is a performance directly influenced by the growth of the residential and commercial classes. Year-to-date, it recorded a 0.8% increase (+61 GWh) totaling 8,223 GWh.

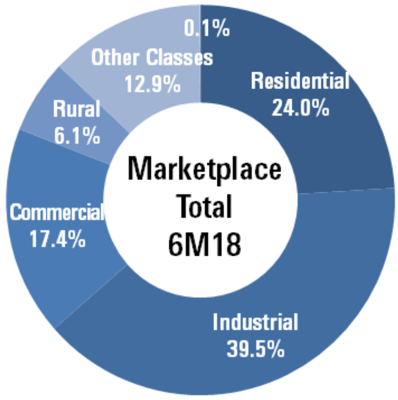
The Free Market[2], as per the operation that has been occurring since 2015, increased by 5.3% (+110 GWh) in the quarter and by 7.5% (+295 GWh), due to the increase in the number of free consumers, registering 876, an increase of 106 units in comparison with 2Q17 when it was 770 units.

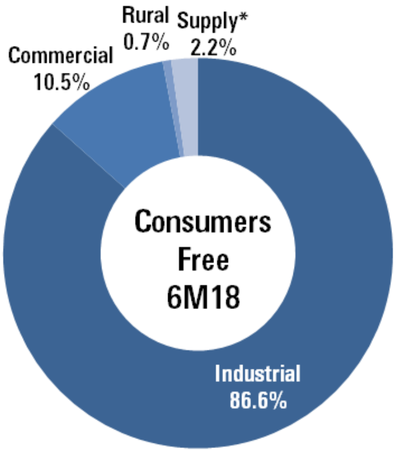
In June 2017, the Captive Market accounted for 67.3% of the total energy billed, while the Free Market accounted for 32.7%. As for June 2018, the Captive Market represents 67.4% of the total energy distributed in the concession area of Celesc Distribuição, while the Free Market represents 32.6%. The migration from the Captive Market to the free market is a liberality of consumers, not economically impacting on the distributor's result, since all migrated energy is likely to be unplanned or considered as an unintentional surplus, and the revenue from the Distribution System Use Tariff - TUSD remains unchanged, as consumers continue to pay for the service.

The graph below shows the participation of each class of consumption in the Captive Market, between free consumers and in the total market (captive + free):

[3] As of 4Q17, the distributed energy considered is the billed one, and in the previous quarters we considered the measured energy.

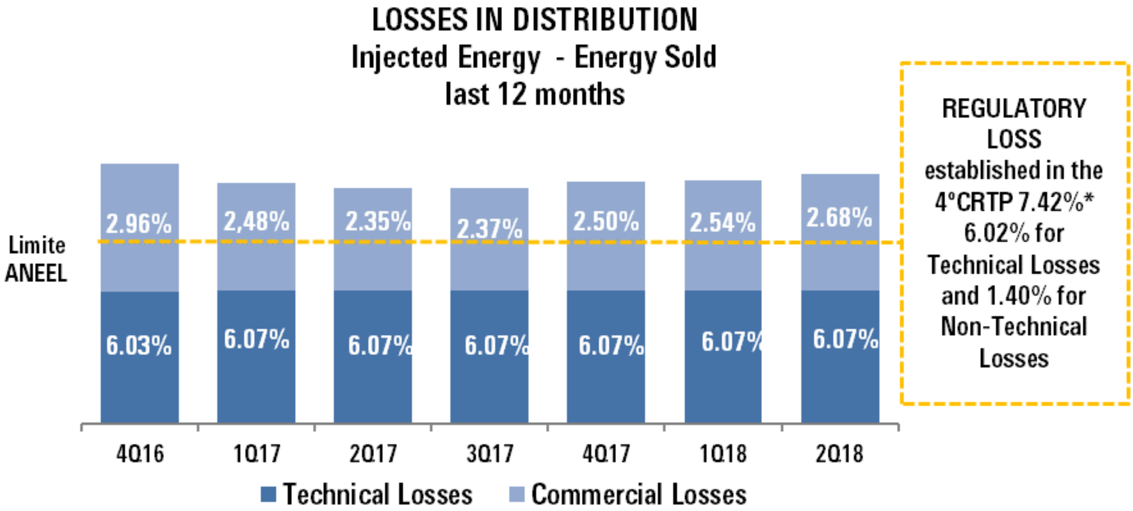






Losses in Distribution

According to the latest Celesc Distribuição Tariff Review (4CRT), the regulatory loss of distribution was estimated at 7.42% of the energy injected into the distribution system of the concessionaire. Of this total, 6.02% refers to the volume of technical losses and 1.40% of non-technical losses. In the accumulated amount of the last 12 months up to June 2018, the global losses represented 8.75% of injected energy, being 6.07% related to technical losses defined by PRODIST - Module 7, revised at the beginning of each year, thus adjusting the moving average of 12 months, and 2.68% correspond to non-technical losses, calculated by difference. The graph below shows the development of losses in distribution, in the Company's concession area:

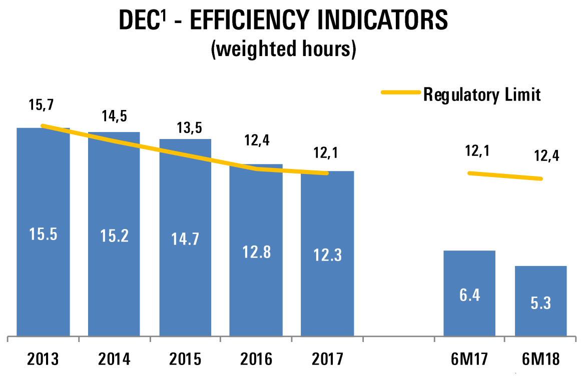


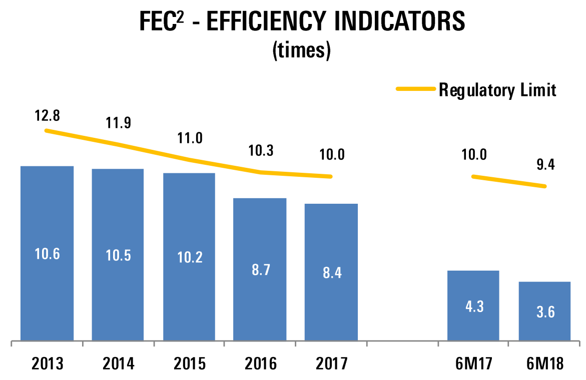
Thus, total losses were 1.33% above the limit covered by the tariff, making an estimated value, without an accumulated tariff coverage from January to June, of R$ 39.2 million, of which R$ 6.0 million was due to technical losses, R$ 30 million to non-technical losses and R$ 3.2 million due to losses in the basic grid.

The company has been continually performing a task force to reduce and recover these losses, acting for its detection, identifying cases of suspected irregularity through algorithms (online verification), continuous procedures and keeping focused on the identification of fraud and/or technical deficiency cases, in addition to integrating corporate systems, revising work processes (control targets), implementing anti-theft systems and regularizing clandestine connections, aiming to converge to regulatory limits within the current tariff cycle.

Quality in Electricity

Celesc Distribuição S.A.'s DEC (average duration of interruptions per consumer unit) ratio was 5.26 hours in the first six months of 2018, 18.7% lower than in the same period of 2017, equivalent to 44.8 % of the limit established by ANEEL for 2018. In this same period, the FEC (number of interruptions per consumer unit) dropped by 15.85%, representing 3.61 interruptions, which is equivalent to 38.4% of the regulatory limit established for 2018 in this indicator.





Observing the criteria set out in Module 8 of the Electric Power Distribution Procedures - PRODIST, establishing every year, to distributors, limits to global interrupt indicators (DEC and FEC), and the violation of individual limits (DIC, FIC and DMIC) generates compensation from the distributors to the affected consumers, automatically occurring by crediting the invoice up to two months after the calculation period.

In the second quarter of 2018, the violation of quality indicators in their individual form generated consumer credits in the amount of R$ 3.9 million for Celesc Distribuição, 32.9% lower than in the second quarter of 2017 when it was R$ 5.75 million. In the year, the cost incurred was R$ 7.8 million, 14.8% lower than in the first half of 2017 (R$ 9.1 million).

In the event of non-compliance with the annual overall targets of the DEC or FEC for two consecutive years or three times in five years from the calendar year following the conclusion date of the contract or the addendum to the concession contract, the concessionaire is prohibited from distributing to the shareholders dividends or to pay interest on capital - JCP, when those amounts, individually or jointly, exceed 25% of the net income. The limitation on the distribution of dividends or payment of interest on shareholders' equity is effective as of January 1 of the calendar year subsequent to the year of default, remaining until the regulatory parameters are performed (Normative Resolution No. 747 from 2016). Therefore, since the Company has not complied with the global DEC targets in the years 2016 and 2017, the distribution of dividends and/or JCP is limited to a legal minimum of 25%.

2.1.2 – Financial-Economic Performance

Celesc Distribuição S.A. | Main Highlights (IFRS)

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	6M17	6M18	Δ
Gross Operating Revenue	**2,644.6**	**3,128.0**	***18.3%***	**5,236.4**	**6,028.6**	***15.1%***
Deductions from Operating Revenue	(1,029.9)	(1,187.2)	*15.3%*	(2,114.0)	(2,346.2)	*11.0%*
Net Revenue	**1,614.7**	**1,940.8**	***20.2%***	**3,122.4**	**3,682.4**	***17.9%***
Operating Costs and Expenses	(1,606.3)	(1,809.3)	*12.6%*	(2,966.6)	(3,434.7)	*15.8%*
Electricity Costs	*(1,219.2)*	*(1,460.0)*	*19.7%*	*(2,234.2)*	*(2,737.8)*	*22.5%*
Operating Expenses	*(387.0)*	*(349.3)*	*-9.7%*	*(732.4)*	*(696.9)*	*-4.8%*
Operating Results	**8.4**	**131.5**	***1461%***	**155.8**	**247.8**	***59.0%***
EBITDA	**58.3**	**183.2**	***214.1%***	**255.1**	**350.7**	***37.5%***
EBITDA margin IFRS, former Construction Revenue (%	*3.8%*	*10.0%*		*8.7%*	*10.1%*	
Financial Result	**(134.1)**	**(29.9)**	***77.7%***	**(127.5)**	**(48.4)**	***62.0%***
LAIR	**(125.7)**	**101.6**	***180.8%***	**28.3**	**199.4**	***605.2%***
Income Tax / Social Contribution	**19.1**	(39.4)		(39.7)	(79.7)	
Profit / Loss Net	**(106.6)**	**62.2**	***158.4%***	**(11.4)**	**119.6**	***1150%***
Net Margin IFRS, ex-Construction Revenue (%)	*-7.0%*	*3.4%*		*-0.4%*	*3.4%*	

Income Highlights

The main highlights in Celesc Distribuição's income in the period were:

i. An 18.3% increase in Gross Operating Revenue (ROB) in the quarter and 15.1% year-on-year, due to the positive effect of regulatory assets and Donations and Subsidies compared to 2Q17;
ii. ROL (Net Operating Revenue) increased 20.2% (+ R$ 326.1 million) in the quarter and 17.9% (+ R$ 560 million) year, due to the same reasons mentioned above;
iii. 19.7% increase in the quarter and 22.5% in the year in energy costs, mainly due to the increase in electricity network usage charges;
iv. Reduction of 22.7% in the quarter and 10.7% in manageable expenses (PMSO);
v. EBITDA increased by 214.1% in the quarter (37.5% year-on-year);
vi. The Financial Result was negative in the quarter by R$ 29.5 million, influenced by the decrease in income from financial investments and the increase in exchange variation with purchased energy;
vii. Net Income was positive by R$ 62.2 million in the quarter (R$ 119.6 million year) due to the above reasons.

Considering that the company did not present any non-recurring effects in the quarters, both EBITDA and IFRS Profit were similar to EBITDA and to the adjusted profit.

Celesc Distribuição S.A. | Ajusted Result*

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	6M17	6M18	Δ
Adjusted EBITDA	36.8	183.2	*397.4%*	233.6	350.7	*50.2%*
Adjusted EBITDA Margin (%)	*2.4%*	*10.0%*		*8.0%*	*10.1%*	
Adjusted Net Profit / Loss	(9.3)	62.2	*771.3%*	83.8	119.6	*42.7%*
Adjusted Net Margin (%)	*-0.6%*	*3.4%*		*2.9%*	*3.4%*	

** IFRS - Non Recurring Items. Margin calculation excludes Construction Revenue.*

Gross Operational Revenue

Celesc Distribuição S.A. | Gross Operating Revenue

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	6M17	6M18	Δ
GROSS OPERATING REVENUE	**2,644.6**	**3,128.0**	**18.3%**	**5,236.4**	**6,028.6**	**15.1%**
Energy Sales to Distributors***	1,172.9	1,603.7	36.7%	3,013.6	3,291.5	9.2%
Energy Supply	55.0	74.0	34.5%	117.3	148.8	26.9%
Regulatory Asset	164.8	286.9	*74.1%*	(44.4)	282.5	*735.6%*
Short-Term Electricity	173.0	101.6	*-41.2%*	207.0	143.1	-30.9%
Availability Energy System (TUSD)***	841.0	758.9	*-9.8%*	338.5	1,573.5	7.0%
Donations and grants*	135.8	194.7	*43.4%*	271.7	382.2	40.7%
Income from Services	0.6	0.6	*0.0%*	1.2	1.2	6.6%
Taxed service	3.3	3.6	8.7%	6.2	6.7	8.9%
VNR Update **	0.2	1.7	895.4%	0.9	2.3	*151.1%*
Construction Revenue	**98.1**	**102.3**	***4.3%***	**192.0**	**196.7**	***2.4%***

* Includes receipt of CDE subsidy referring to Decree No. 7,891 / 2013

** Includes VNR revenue before 4Q16 recorded as Financial Revenue

*** Reclassified in 1Q18 with the segregation of TUSD revenue previously accounted for as revenue from supply was accounted for as Availability Electric Network (TUSD)

The main factors influencing the ROB performance in this second quarter are highlighted below[4]:

i. 36.7% increase in the *Revenue from Electricity Supply* item, reflecting the increase in consumption in the Captive Market, due to the expansion of 20.3% in the quarter (+ R$ 349 million) and 9.8% year-on-year. (+ R$ 167 million) and 19.7% (+ R$ 87 million), respectively. Also noteworthy is the Revenue with its detailed tariff flag as follows;
ii. Increase of R$ 35.9 million in the quarter (R$ 58.6 million/year) of Revenue with supply of tariffs, lower than the amount made in the second quarter of 2017, when it reached R$ 79.8 million (R$ 91.2 million in 6M17);
iii. Increase of 34.5% (+ R$ 19.0 million) in the quarter and 26.9% (+ R$ 31.5 million) in the energy supply line;
iv. In *Regulatory Assets/Regulatory Liabilities*, a positive result of R$ 286.9 million (Regulatory Assets) in the quarter, of which R$ 295 million in CVA formation in the period;
v. Reduction of 9.8% in the revenue, recorded as *Electric Power Availability (TUSD)* in the quarter, totaling R$ 758.9 million in the quarter, of which R$ 163.7 million (R$ 323 million/year) related to the provision of electricity to free consumers R$ 21.1 million (R$ 41.5 million/year) to commercial free consumers and R$ 1.5 million (R$ 3.1 million/year) to rural free consumers. As from 1Q18, this segment also began to include the segregation of TUSD's revenue from Captive Consumers, previously accounted for with Electricity Supply, and in the second quarter of 2018, totaled R$ 574.3 million (R$ 841 million in 2Q17);
vi. Donation and subsidy of R$ 194.7 million in the quarter (R$ 382.2 million/year), an increase of 43.4% (+ R$ 58.9 million in the quarter and R$ 110.5 million) compared to the same period in 2017, with R$ 180.3 million (compared to R$ 131.1 million in 2Q17) in the quarter and R$ 360.6 million (compared to R$ 262.2 million in 6M17) in relation to tariff subsidies (Decree 7,891/2013).

Gross Operational Revenue Deductions

Celesc Distribuição S.A. | Deductions from Operating Revenue

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	6M17	6M18	Δ
DEDUCTIONS FROM OPERATING REVENUE	**(1,029.9)**	**(1,187.2)**	***15.3%***	**(2,114.0)**	**(2,346.2)**	***11.0%***
ICMS	(430.8)	(506.1)	*17.5%*	(962.6)	(1,041.3)	*8.2%*
PIS/COFINS	(226.1)	(279.5)	*23.6%*	(456.1)	(539.0)	*18.2%*
Energy Development Account - CDE	(276.4)	(351.7)	*27.2%*	(571.5)	(696.2)	*21.8%*
Research & Development - R&D (0,5% of NOI)	(7.6)	(9.2)	*21.6%*	(14.6)	(17.5)	*19.2%*
Energy Efficiency Program - EEP (0,5% of NOI)	(7.6)	(9.2)	*21.6%*	(14.6)	(17.5)	*19.2%*
Aneel Regulatory Inspection Free	(1.6)	(1.7)	*1.7%*	(3.3)	(3.3)	*1.7%*
Other	(79.8)	(29.8)	*-62.6%*	(91.3)	(31.5)	*-65.5%*

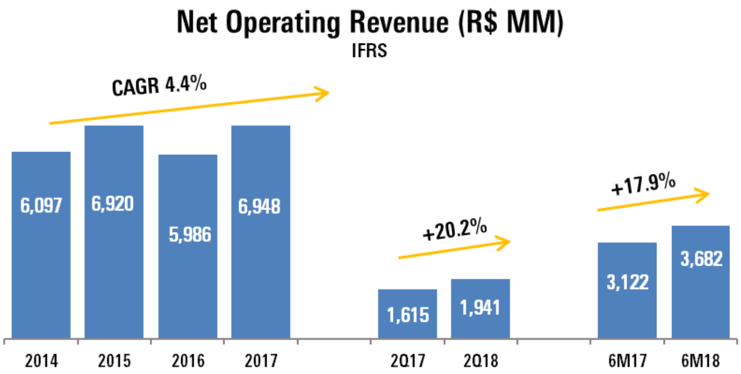
The deductions represent 38% of the ROB and its variation, generally, follows the ROB variation. Below are the factors that contributed to the reduction:

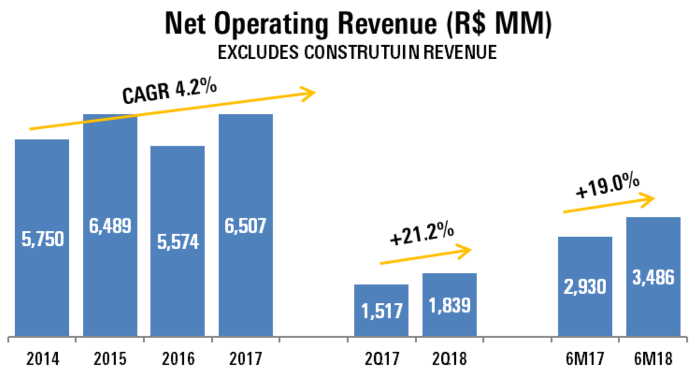
i. Increase of 17.5% (8.2% per year) in the *ICMS account* in the quarter reaching R$ 506.1 million (R$ 1,041.3 million/year). This tax accompanies the Revenue with Electricity Supply, which increased by 36.7% (considering the transfers from the Captive Market to the Free Market);
ii. Increase in the *Energy Development Account - CDE or EDA*, which amounted to R$ 351.7 million in the quarter (27.2% higher than in 2Q17) and R$ 696.2 million (21.8% above 6M17);
iii. *ANEEL's Regulatory Inspection Fee* item, formerly classified from the Other Operating Revenue/Expenses group, had a small increase of 1.7% in the quarter, signaling R$ 1.7 million in the deduction of operating income;
iv. The Other Charges item recorded R$ 29.8 million in the quarter and R$ 31.5 million in the year, due to the revenues related to the unbilled supply related to the application of the Tariff Tariffs, launched as a contra-entry to the item Revenue with energy supply - Tariff Flag. This item was considerably reduced compared to 2017, since in 2Q17 it had reached R$ 79.8 million due to the red flag in April, May and June;
v. PIS/COFINS increased 23.6% in the quarter and 18.2% year-on-year, recording R$ 279.5 million and R$ 539.0 million, respectively. This tax follows the ROB development, and together with the ICMS, represents 67.4% of the deductions.

[4] Excludes Construction Revenue. Pursuant to the IFRS accounting standards, the corresponding cost of the same amount is recorded in operating expenses and, therefore, does not affect the Company's results.

Net Operational Revenue

Celesc Distribuição's Revenue shows an average annual growth of 4.4% (Revenue from Construction included) and 4.2% (excluding Construction Revenue) in the last four years, as shown by the graph below:





Costs and Operational Expenses

Celesc Distribuição S.A. | Operating Costs and Expenses

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	6M17	6M18	Δ
OPERATING COSTS AND EXPENSES	**(1,606.3)**	**(1,809.3)**	***12.6%***	**(2,966.6)**	**(3,434.7)**	***15.8%***
Electric Energy Costs - Non-Manageable	**(1,219.2)**	**(1,460.0)**	***19.7%***	**(2,234.2)**	**(2,737.8)**	***22.5%***
Electric Energy Purchased for Resale	(1,083.8)	(1,164.5)	*7.4%*	(1,959.5)	(2,163.4)	*10.4%*
Electric grid usage charge	(98.7)	(256.0)	*159.3%*	(201.3)	(495.3)	*146.1%*
PROINFA	(36.7)	(39.5)	*7.7%*	(73.4)	(79.1)	*7.7%*
PMSO - Manageable Expenses	**(220.4)**	**(170.3)**	***-22.7%***	**(394.2)**	**(352.0)**	***-10.7%***
Personnel	(164.7)	(134.9)	*-18.1%*	(314.6)	(279.5)	*-11.1%*
Material	(3.2)	(3.4)	*6.3%*	(6.6)	(6.5)	*-1.0%*
Third-Party Services	(43.3)	(47.3)	*9.2%*	(84.6)	(92.2)	*8.9%*
Othes Expenses	(9.2)	15.3	*266.9%*	11.5	26.2	*127.2%*
Provision (Net)	**(18.7)**	**(25.1)**	***34.2%***	**(46.9)**	**(45.3)**	***-3.4%***
Depreciation / Amortization	**(49.9)**	**(51.7)**	***3.6%***	**(99.3)**	**(103.0)**	***3.8%***
Construction Costs	**(98.1)**	**(102.3)**	***4.3%***	**(192.0)**	**(196.7)**	***2.4%***

Excluding the Cost of Construction item (which has no effect on the outcome), the increase in the quarter was 13.2% (+ R$ 198.8 million), totaling R$ 1,707.0 million in the quarter. The increase was due to the increase in non-manageable expenses, with manageable expenses reduced by 22.7%. The impact on the energy cost was mainly due to the Charges for the Use of the Electric Grid, as detailed below.

Year-to-date, operating costs and expenses, with no effect on construction costs, totaled R$ 3,238.0 million, an increase of 16.7% (+ R$ 463.4 million) compared to 2017, with non-manageable costs (Energy) increased 22.5% and non-manageable (PMSO) contracted 10.7%, as will be commented on the next topic.

Costs with Electricity - Non-Managerial

The sum of R$ 1,460.0 million in the quarter (R$ 2,737.8 million year) in non-manageable costs (Portion A) can be explained by the following reasons:

i. Reflection of the 10.8% increase in energy from Hydro origin, 13.9% of Itaipu's energy and 55.0% in other contracts, as shown in the table below;
ii. Increase of 159.3% (+ R$ 157.3 million), totaling R$ 256.0 million (R$ 495.3 million year), with Charges for Use of the Electricity Grid (transmission system) that accompany the tariff adjustments/revisions ;
iii. Increase of 7.7% (+ R$ 2.8 million), totaling R$ 39.5 million in expenses with PROINFA (Act 10,438/2002).

The table below shows the cost by modality and respective participation in the company's energy purchase mix:

Celesc Distribuição S.A. | Purchased Energy Costs by Type of Contract

Average Rate of energy Purchased by Type (R$/MWh)	2Q17	2Q18	Chg. Of Price %	Share in % 2Q17 Mix	Share in % 2Q18 Mix	Average Rate of Tariff Adjustment* (R$/MWh)
AUCTION - CCEAR / Hydro	173.4	192.2	10.8%	33.6%	30.7%	147.1
AUCTION - CCEAR / Thermal	220.6	203.0	-8.0%	29.4%	32.7%	296.5
ITAIPU	208.6	237.6	13.9%	20.0%	20.3%	198.0
BILATERAL AGREEMENTS	308.3	272.0	-11.8%	0.1%	0.1%	293.7
OTHER	58.8	91.1	55.0%	16.9%	16.2%	62.7
Total - (R$/MWh)	**175.1**	**188.6**	**7.7%**	**100%**	**100%**	**190.3**

* The data contains forecasts of expenditures on energy purchases according to the methodology used in the accounting. The revenue with tariff flags is not included in the calculations above. This revenue is treated separately because its coverage depends on the hydrological conditions, which can be changed from one month to the other.

*Homologatory Resolution 2,286 / 2017

Sectorial Financial Assets and Liabilities (Portion A Regulatory Assets and Regulatory)

The following table shows the balance of Regulatory Assets and Liabilities established by the Company and accrued at the end of each period. These balances are included in the Company's tariff readjustment base.

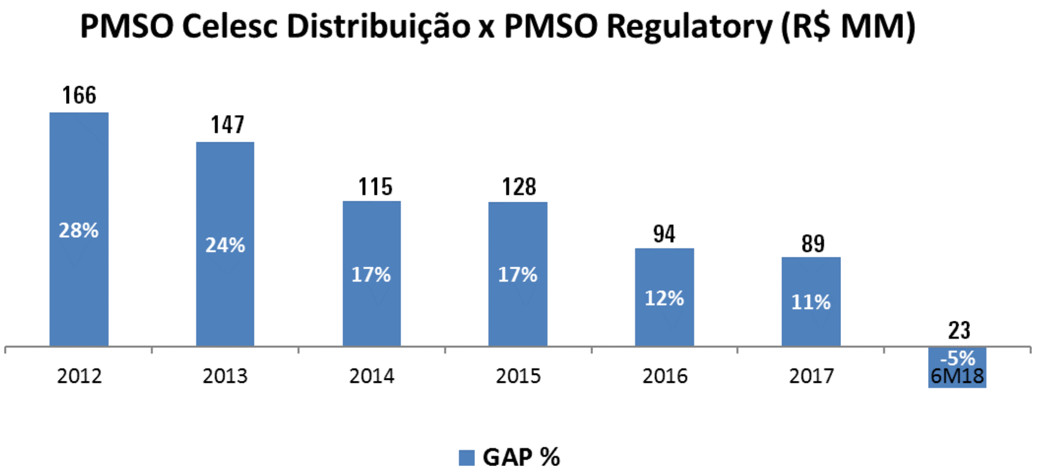
Celesc Distribuição S.A. | Accumulated Regulatory Assets and Liabilities

R$ Million	in 03/31/2016	in 06/30/2016	in 09/30/2016	in 12/31/2016	in 03/31/2017	in 06/30/2017	in 09/30/2017	in 12/31/2017	in 03/31/2018	in 06/30/2018
Regulatory Assets	921.4	806.1	154.2	267.9	129.9	268.1	578.9	680.4	646.8	902.4
Regulatory Liabilities	(820.5)	(1,266.2)	(705.9)	(674.5)	(769.0)	(566.3)	(638.2)	(706.7)	(686.2)	(664.1)
Net Balance	**101.0**	**(460.1)**	**(551.7)**	**(406.6)**	**(639.1)**	**(298.2)**	**(59.3)**	**(26.3)**	**(39.4)**	**238.4**

Regulatory assets totaled R$ 902.4 million, of which R$ 893.0 million refers to the constitution of Active CVA (R$ 778.1 million referring to the purchase of energy, R$ 108.5 million to the Basic and Energy Network transportation) and R$ 9.3 million to the other Sectorial Financial Assets. Regulatory liabilities totaled R$ 664.1 million, of which R$ 455.3 million refers to CVA Passiva (R$ 323.3 million related to system charges and R$ 130.1 million to CDE) and R$ 208.7 million to other Sector Financial Liabilities (R$ 23.4 million referring to the 2016 energy overcontracting, R$ 70.2 million corresponding to Portion A neutrality, and R$ 99.1 million tariff devolution).

PMSO - Manageable Operating Expenses (Personnel, Materials, Services and Others)

Below is the development of the PMSO Celesc Distribution x Regulatory PMSO estimated by the Company. The continuous reduction of GAP (difference between PMSO Celesc Distribution and Regulatory PMSO) is observed. In the first six months of 2018, we closed with R$ 23 million lower than the regulatory one, mainly due to MSO expenses.



Personnel

Personnel and directors items is comprised of employee compensation expenses (including charges) and regular contributions to the pension plans managed by the CELOS Foundation (*Private Social Security* item).

Celesc Distribuição S.A. | Total Personnel Expenses

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Personnel Total	**(164.7)**	**(134.9)**	***-18.1%***	**(314.6)**	**(279.5)**	***-11.1%***
Personnel and Management	(146.3)	(126.6)	*-13.5%*	(279.5)	(264.7)	*-5.3%*
Personnel and Management	*(139.6)*	*(119.6)*	*-14.3%*	*(265.6)*	*(250.4)*	*-5.7%*
Pension Plan	*(6.7)*	*(7.0)*	*3.6%*	*(13.9)*	*(14.3)*	*3.0%*
Actuarial Expense	(18.4)	(8.3)	*-54.9%*	(35.1)	(14.8)	*-57.8%*

The reduction of 18.1% (- R$ 29.8 million) in the quarter and 11.1% (- R$ 35.0 million) in the accumulated for the year in the Personnel and Administrators item was mainly due to: (i) 3.8% decrease in fixed funds, especially fixed wages (+ 2.4%, due to the effects of the annual adjustment provided for in the Collective Labor Agreement - ACT and the application of the Position and Wages Plan - PCS), annual supplementary bonus (-1.6%), productivity (7.6%), personal advantage (-21.8%); (ii) 6.6% reduction in charges (labor charges and FGTS); (iii) 4.5% contraction in the hazard bonus; (iv) 5.9% retraction in variable amounts: 50% overtime (-18.5%), overtime 100% (+ 4.4%) and on-call (+ 0.4%); (v) 57.8% decrease in actuarial expense.

Private Pension Plans and Actuarial Expenses

Celesc Distribuição is a sponsor of the CELES Foundation for Social Security - CELOS, which administers the social security benefit plans and the health care plan offered to its employees. The *Actuarial Expense* recognized in the Statement of Income follows the definition in the Annual Actuarial Assessment of Post-Employment Benefits performed by independent actuaries. The estimated amount to be recognized in the year as actuarial expense in the result considers both the amount to be recorded in personnel expenses (actuarial expense) and the amount recorded as financial expenses (mathematical reserve update[5]). The amount to be recognized in 2018 is R$ 71.5 million, and in the first half (6M18) R$ 35.7 million were effectively recognized, totaling R$ 14.8 million as personnel expenses (actuarial expenses) and R$ 20.9 million as financial expenses (update of the mathematical reserve).

[5] Explanatory Note 28 - ITR 2Q18.

Celesc Distribuição S.A. | Actuarial Expense to be recognized

R$ Million	Amount actually recognized in 2014	Amount actually recognized in 2015	Amount actually recognized in 2016	Estimated value to be recognized in 2017	Estimated value to be recognized in 2018
Transitional Plan	33.6	42.6	47.0	32.2	25.2
Mixed Plan	23.1	35.5	40.0	34.8	4.8
Plan annuity	0.1	0.1	1.1	1.0	0.9
DVP 2002	0.6	-	-	-	-
DVP 2012	20.3	12.9	9.9	3.6	-
Healthcare Plan -	5.9	11.6	33.1	38.9	36.0
Other benefits	3.2	3.1	4.1	4.6	4.6
Total	**74.9**	**105.7**	**135.2**	**115.1**	**71.5**

The chart below sets forth the Actuarial Liabilities recognized on 06/30/2018 in comparison to the closing of 2017 and demonstrating a reduction of the estimated obligations of Celesc Distribuição.

Celesc Distribuição S.A. | Actuarial Liabilities

R$ Million	in December 31, 2017	in March 31, 2018	Chg. %
Pension Plan	**1,179.8**	**1,137.3**	**-3.6%**
Mixed Plan + Transitional Plan	1,179.8	1,137.3	
Other benefits post-employment	**698.1**	**689.9**	**-1.2%**
Healthcare Plan	652.2	643.6	-1.3%
Other benefits	45.8	46.3	1.0%
Total	**1,877.9**	**1,827.2**	**-2.7%**
Short Term	139.2	138.3	*-0.7%*
Long Term	1,738.7	1,688.9	*-2.9%*

Materials

The *Materials* item amounted to R$ 3.4 million in the quarter of 2018, an increase of 6.3% compared to the second quarter of 2017, but in the year it indicates a reduction of 1%. Among the items that contributed to the variation in the quarter (year), we point out: (i) 5.8% reduction in material for maintenance and conservation of Administrative Units and Operating Units; (ii) 72% increase in material with computing maintenance.

Third-Party Services

Third-party service expenses totaled R$ 47.3 million in the second quarter of 2018 (R$ 92.2 million), an increase of 9.2% (8.9% year-over-year) compared to 2Q17 (6M17). The increase is mainly due to: (i) 6.4% increase in services with pruning and mowing; (ii) 4.1% increase with commercial services; (iii) 9.7% increase in financial services; (iv) 2.7% increase in LIES; (v) 1.1% reduction in services with network maintenance; (vi) 2.3% increase in vehicle maintenance services.

Other Operating Expenses

Celesc Distribuição S.A. | Other Operating Expenses

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Other Expenses - Total	**(9.2)**	**15.3**	***266.9%***	**11.5**	**26.2**	***127.2%***
Leasing and Rentals	(3.9)	(5.3)	*35.9%*	(8.4)	(9.6)	*14.3%*
Insurance	(1.5)	(1.3)	*-15.0%*	(1.5)	(1.3)	*-14.9%*
Taxes	(1.2)	(1.3)	*12.2%*	(2.8)	(3.6)	*25.7%*
Losses (Net)	(3.9)	(7.3)	*84.8%*	(8.2)	(14.4)	*76.1%*
Other	1.4	30.6	*2094.9%*	32.4	55.0	*69.6%*

* Miscellaneous Expenses: Own Energy Consumption, Advertising, Fines, Consumer Indemnities, Donations / Grants, etc.

The item *Other Operating Expenses* recorded a positive value of R$ 15.3 million in the quarter (R$ 26.2 million/year) in this item, an increase of R$ 24.5 million in the quarter compared to the same period of the previous year when expenses were negative in the order of R$ 9.2 million. Among the factors that contributed to the variation in the quarter, we highlight: (i) Rents and leases decreased by 35.9%; (ii) Taxes increased by 15%; (iii) Net Losses with Credit increased by R$ 3.3 million, most of these credits were recorded as losses in previous quarters; (iv) Standard Quality Breach decreased by 32.9% (+ R$ 1.8 million), totaling R$ 3.8 million in 2Q18, compared to R$ 5.7 million in 2Q17; (v) Own Consumption showed a reversal of expense equivalent to R$ 7.8 million in the quarter; (vi) Arbitration Arrangement Rate recorded revenues of R$ 10.6 million; (vi) Gains from Alienation of Goods and Rights added revenues of R$ 2.6 million; (vii) Recovery of Expenses amounted to R$ 7.8 million, including recovery of expenses with PIS and Damage on Lines and Network.

Provisions and Reversals of Provisions

Celesc Distribuição S.A. | Provisions

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Provisions, net - Total	**(18.7)**	**(25.1)**	***34.3%***	**(46.9)**	**(45.3)**	***-3.4%***
Allowance for doubtfull Accounts, net	**(21.6)**	**(10.4)**	***-52.1%***	**(26.5)**	**(20.1)**	***-24.0%***
Provision for Doubtfull Accounts	*(21.7)*	*(13.4)*	*-38.4%*	*(30.9)*	*(23.4)*	*-24.3%*
Reversal of Provision for Doubtfull Accounts	*0.1*	*3.0*	*3201.2%*	*4.4*	*3.3*	*-25.5%*
Other Provisions, net	**2.9**	**(14.7)**	***-601.4%***	**(20.4)**	**(25.1)**	***23.4%***
Other Provisions	*(23.3)*	*(21.0)*	*-10.1%*	*(49.6)*	*(35.5)*	*-28.4%*
Reversal of Other Provisions	*26.3*	*6.3*	*-76.2%*	*29.2*	*10.4*	*-64.6%*

<u>Main changes in provisions for estimated losses on loan losses - PECLD</u>

(i) PECLD Provisions totaled R$ 13.4 million in 2Q18 (R$ 23.4 million in the year), reflecting higher Company revenues due to the increase in electricity supply tariffs and the settled former provisions;

(ii) Reversal of Provision amounting to R$ 3.0 million in the quarter (R$ 3.3 million in the year).

<u>Main Variations in Other Provisions for Losses (Labor, Civil, Tax, Environmental and Regulatory Contingencies)</u>

(i) Reduction in the item Other Net Provisions totaling R$ 14.7 million in the quarter and R$ 25.1 million in the year (reducing effect on the distributor's operating expenses);

(ii) Other provisions recorded a balance of R$ 21.0 million, 10.1% (-28.4% year) lower than in 2Q17 (6M17), segregating: R$ 6.1 million in Labor (R$ 10.1 million in 2Q17), R$ 14.9 million in Civil (compared to R$ 13.1 million in 2Q17);

(iii) Details of the reversal of other provisions, which totaled R$ 6.3 million in the quarter (R$ 10.4 million), were as follows: R$ 4.1 million for Labor (R$ 2.6 million in 2Q17), R$ 1.5 million in Civil (before R$ 2.0 million in 2Q17) and R$ 0.7 million in Regulatory (compared to R$ 0.02 million in 2Q17).

EBITDA and Adjusted EBITDA (unaudited)

The following table shows the reconciliation of corporate EBITDA (ICVM No. 527/12) and also the EBITDA adjustments (Non-Recurring Effects).

Celesc Distribuição S.A. | EBITDA IFRS - Non-Recurring

R$ Milhões	2º Trimestre			Acumulado 6 meses		
	2017	2018	Δ	2017	2018	Δ
Profit / Loss Net	**(106.6)**	**62.2**	***158.4%***	**(11.4)**	**119.6**	***1150.2%***
(+) Income Tax and Social Contribution	(19.1)	39.4	*305.9%*	39.7	79.7	*101.1%*
(+) Financial Result	134.1	29.9	*-77.7%*	127.5	48.4	*-62.0%*
(+) Depreciation and Amortization	49.9	51.7	*3.6%*	99.3	103.0	*3.8%*
EBITDA	**58.3**	**183.2**	**214.1%**	**255.1**	**350.7**	**37.5%**
(+) Effects on Regulatory Assets and Liabilities						
(=) Adjusted EBITDA by Regulatory Assets and Liabilities	**58.3**	**183.2**	**214.1%**	**255.1**	**350.7**	**37.5%**
(-) Non-Recurring Effects	**21.5**	**0.0**			**0.0**	
Low Civil Provision	21.5			21.5		
(=) EBITDA Adjusted by Non recurring Effects	**36.8**	**183.2**	**397.4%**	**233.6**	**350.7**	**50.2%**
EBITDA Margin without Adjustments (IFRS)	*3.8%*	*10.0%*		*8.7%*	*10.1%*	
Adjusted EBITDA margin, without Construction Revenue (%)	*2.4%*	*10.0%*		*8.0%*	*10.1%*	

Considering that we had no non-recurring effects in the quarter and consequently adjustments, adjusted EBITDA and margin are similar to the IFRS, with a 397.4% expansion, recording R$ 183.2 million in the quarter (R$ 350.7 million) and EBITDA Margin equivalent to 10.0% (10.1% in the year) due to: (i) Tariff Adjustment of 7.85% applied in August 2017; (ii) Market Growth amounting to 2.9%; (iii) 22.7% decrease in Manageable Expenses (PMSO) with a direct impact of R$ 50 million on income, due to the positive effects of the POS executed in December 2017.

Regulatory EBITDA (Portion B amount minus the Regulatory Operational Cost amount - PMSO) of Celesc Distribuição estimated by the Company recorded R$ 317.8 million in 6M18, an amount of R$ 32.9 million below the Adjusted EBITDA.

Financial Income

Celesc Distribuição S.A. | Financial Statement

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Financial Income	**101.9**	**40.5**	***-60.2%***	**168.3**	**79.5**	***-52.8%***
Interest Income	24.5	2.9	*-88.1%*	49.0	6.8	*-86.1%*
Monetary Variation	5.3	6.4	*20.6%*	7.9	10.1	*28.4%*
Financial Incentive - Social Fund	0.0	0.0		1.2	0.0	*-100.0%*
Interest and Arrears on Invoices	29.1	22.2	*-24.0%*	58.1	44.8	*-22.9%*
Currency Devaluation on Energy Sold	33.9	9.1	*-73.1%*	38.3	17.0	*-55.6%*
Exchange rate energy purchased	0.0	0.1		7.5	1.5	*-80.5%*
Other Financial Revenues	9.1	(0.1)	*-101.3%*	6.3	(0.7)	*-111.5%*
Financial Expenses	**(236.1)**	**(70.4)**	***-70.2%***	**(295.8)**	**(127.9)**	***-56.8%***
Debt Charges	(18.6)	(20.7)	*11.1%*	(41.6)	(40.2)	*-3.2%*
Monetary Variation	(0.1)	(0.4)	*178.6%*	(0.4)	(0.6)	*55.9%*
Adjustment of R&D and Energy Efficiency	(6.1)	(3.9)	*-35.8%*	(13.1)	(7.7)	*-40.9%*
Exchange rate energy purchased	(6.2)	(14.6)	*135.3%*	(6.5)	(16.4)	*154.4%*
Regulatory Liability / Regulatory Fees	(188.9)	(23.1)	*-87.8%*	(204.7)	(46.5)	*-77.3%*
Interest on Debêntures	(6.3)	(2.8)	*-55.0%*	(16.4)	(6.7)	*-59.3%*
Other Expenses	(9.9)	(4.9)	*-50.0%*	(13.2)	(9.8)	*-25.7%*
Net Financial Result	**(134.1)**	**(29.9)**	***77.7%***	**(127.5)**	**(48.4)**	***62.0%***

Financial Revenues totaled R$ 40.5 million in the quarter (R$ 79.5 million year), a contraction of 60.2% (52.8% in 6M18) compared to 2Q17 (6M17), especially: (i) Financial Application Income of R$ 2.9 million (R$ 6.8 million/year), a 88.1% decrease (86.1%), influenced by the reduction of interest; (ii) Monetary Variation, a 20.6% increase (28.4% year-on-year), recording R$ 6.4 million (R$ 10.1 million), compared to 2Q17 (6M17); (iii) Interest and Increase on Invoices, a 24% decrease (22.9% in the year) due to the reduction in sales and a very short-term default, totaling R$ 22.2 million (R$ 44.8 million), including both the arrears increase (R$ 14.3 million in the quarter and R$ 28.5 million in the year) and other charges (R$ 7.8 million in the quarter and R$ 16.3 million in the year) on the invoice (fine, interest in arrears) ; (iv) Regulatory Assets/Regulatory Fees, totaling R$ 9.1 million quarterly (R$ 17.0 in the year), with changes in this item arising from the application of SELIC on sectorial financial assets (regulatory assets); (v) Other financial revenues presented a negative variation of 0.1 million; in this item, revenues with contractual fines, suppliers discount, invoice payments with negative goodwill and also tax compensation are included.

Financial Expenses were R$ 70.4 million in the quarter (R$ 127.9 million/year), contraction of 70.2% (- R$ 167.5 million) in the quarter and 56.8% (- R$ 167.9 million) in the year compared to the comparative period of 2Q17 and 6M17 respectively. The main factors of influence are described below: (i) Debt charges totaled R$ 20.7 million (R$ 40.2 million) arising from: 1) Interest paid on the debt stock and its main indexer (CDI rate) totaling R$ 11 million (R$ 19.4 million) and 2) Reclassification of the mathematical reserve, classified as operating expense up to 3Q15, with an impact of R$ 9.7.4 million in the quarter (R$ 20.8 million/year), but reducing operating expenses; (ii) Interest on Debentures, totaling R$ 2.8 million in the quarter (R$ 6.7 million) related to funding raised in September/2015; (iii) Regulatory Liabilities/Regulatory Ratios (SELIC) totaling R$ 23.1 million in the quarter (R$ 46.5 million), especially: 1) R$ 10.8 million in the quarter (R$ 19.8 million year) related to monetary restatement of regulatory liabilities; 2) R$ 12.3 million in the quarter (R$ 26.7 million) related to the CDE update[6]; (iv) Update of R&D and Energy Efficiency totaling R$ 3.8 million in the quarter; (v) Other expenses recorded R$ 4.9 million in the quarter (R$ 9.7 million), of which R$ 2.2 million (R$ 4.5 million) related to the litigation and R$ 1.3 million in expenses with IOF and R$ 1.3 million in others.

Net Profit and Adjusted Net Profit

Celesc Distribuição S.A. | NET INCOME IFRS - Non-Recurring

R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	6M17	6M18	Δ
Net Income / Loss - IFRS Reported	**(106.6)**	**62.2**	***158.4%***	**(11.4)**	**119.6**	***1150.2%***
(+) Effects on Regulatory Assets and Liabilities						
(=) Net Income / Loss Adjusted by Regulatory Assets and Liabilities	**(106.6)**	**62.2**	158.4%	**(11.4)**	**119.6**	1150.2%
(-) Efeitos Não-Recorrentes	**(97.3)**	**0.0**		**(95.2)**	**0.0**	
CDE Financial Update	(111.5)			(109.4)		
Civil Provision	**14.2**			14.2		
(=) Net Income Adjusted by Non-Recurring Effects	**(9.3)**	**62.2**	771.3%	**83.8**	**119.6**	42.7%
EBITDA Margin without Adjustments (IFRS)	*-7.0%*	*3.4%*		*-0.4%*	*3.4%*	
Adjusted EBITDA margin, without Construction Revenue (%)	*-0.6%*	*3.4%*		*2.9%*	*3.4%*	

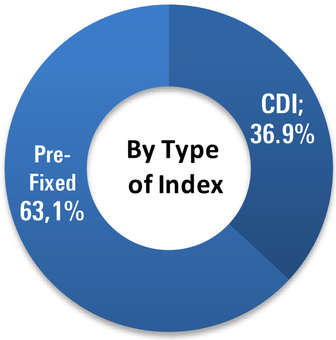
Considering R$ 97.3 million in the quarter (R$ 95.2 million/year) recorded in 2Q17 (6M17) there was an expansion of 771.3% in the quarter and 42.7% year-on-year, resulting from: (i) Tariff Adjustment of 7.85% applied in August 2017; (ii) Market Growth amounting to 2.9%; (iii) 22.7% decrease in Manageable Expenses (PMSO) with a direct impact of R$ 50 million on income, due to the positive effects of the POS executed in December 2017.

[6] See Notice to the Market on 07/25/2017 - Debt Installment Agreement with the Energy Development Account Fund - CDE.

Indebtedness

Celesc Distribuição S.A. | Debts and Loans

R$ Million	Annual Interest Rate	in June 30, 2017	in June 30, 2018	Δ
National Currency				
Bank Loans	110% to 121.5% CDI	64.3	0.0	-100.0%
Bank Loans	7,40% to 7.67% a.a.		301.0	
Eletrobrás	5.00%	30.6	23.1	-24.5%
Debentures	CDI + 1.30%	201.5	100.7	-50.0%
Finame	2,50% a 8.70%	35.6	31.6	-11.2%
Mutual Celesc D/G	125% do CDI	45.5	107.6	136.5%
Total		**377.5**	**564.0**	**49.4%**
Short Term - Current		*235.2*	*532.6*	
Long Term - 1 to 5 Five Years		*140.8*	*30.6*	
Long Term - Over 5 Five Years		*1.5*	*0.8*	



The average cost of Celesc's total financial debt is 6.11% (year), of which 4.53% p.a. is the average cost of debt linked to CDI and 7.04% p.a. is the pre-fixed debt, being in line with the rates charged in the market. The average term of the total financial debt is 2.1 years, corresponding to 1.5% of the debt indexed to the CDI and 2.5 years to the pre-fixed debt, evidencing the shortening of the terms. The Company has been structuring the possible extension of the average term of the financial debt, with new medium/long-term funding, and its proposal was unanimously approved in the Meeting of the Administration Council held on May 10, 2018. Breakdown of the structuring will be disclosed to the market as soon as it is finalized/settled.

Celesc Distribuição's gross financial debt totaled R$ 564.0 million on June 30, 2018, an increase of 49.4% (+ R$ 186.5 million) compared to the closing of 2017 (R$ 377.5 million), as a result of an increased need for working capital to meet the costs of buying electricity for resale.

Loans

In March 2014, R$ 300.00 million was collected from Caixa Econômica Federal at a rate of 121.5% of CDI. The Company repaid the debt in June 2018.

Celesc D contracted in April 2018 the credit operation with Banco Safra, through the Agroindustrial Credit Line, in the amount of R$ 150.0 million, due on April 22, 2019. The amortization of the operation will occur in the last month of validity (bullet). The interest rate will be fixed at 7.40% p.a., with monthly payments. The fee was 0.40% and the transaction will be guaranteed with receivables from the Company, in a 1:1 ratio of the outstanding balance.

Eletrobrás

The loans and financing contracted are for the rural electrification programs and others, and the resources come from the Global Reversion Reserve (RGR or GRR) and from the Eletrobrás Finance Fund. In general, these contracts have a grace period of 24 months, amortization in 60 months, some of which are over 96 months, with an interest rate of 5% p.a. and an administration rate of 2% p.a. These contracts are collateralized by receivables and are accounted for by ANEEL.

Debentures

In May 2013, the subsidiary Celesc Distribuição issued for the first time 30,000 non-convertible debentures of an unsecured kind, with a fiduciary guarantee exercised by Centrais Elétricas de Santa Catarina S.A., raising funds to be used to increase working capital and investments by the Company. The Debentures were subject to public distribution with restricted placement efforts, under the terms of Instruction No. 476 of the Brazilian Securities and Exchange Commission ("CVM") of January 16, 2009, under the firm guarantee regime, and are entitled to payment of compensatory interest corresponding to 100% of the accumulated variation of the average daily rates of Interbank Deposits (DI or ID), plus a surcharge or spread of 1.30% per annum, due within 72 months from the issuance date (May 2019). The Remuneration is paid in semiannual and consecutive installments, without shortage, as of the Issuance Date (5/15/2013). The amortization is made in 3 equal, annual and consecutive installments, the first installment being due as from the 48th month counted from the Issuance Date. The Debentures have a covenant commitment to present a Net Debt/EBITDA ratio of less than 2 and a maximum dividend distribution limit of 30%. The outstanding balance on 06/30/2018 is R$ 101.0 million.

Debentures – 3rd issuance Celesc D

Celesc D, pursuant to Notice to the Market - 3rd Issuance of Simple Debentures by Celesc Distribuição S.A. issued on July 13, 2018 the 3rd issuance of non-convertible debentures issued by the Company, together with Banco Santander (Brazil) S.A., as the leading intermediary institution and Banco BOCOM BBM S.A. The purpose of said issuance is the public distribution with restricted placement efforts under the firm guarantee regime; with a total issuance amount of R$ 250 million, in a single series; with 250,000 (two hundred fifty thousand) Debentures issued, at the nominal unit value of R$ 1k, and the nominal unit value of the Debentures will not be monetarily restated.

The actual guarantee is the fiduciary assignment of existing and/or future receivables arising from the gross electricity supply to Celesc D's customers and Celesc will provide surety in favor of the Debenture holders, being obligated as guarantor and principal payment of all amounts due under the Issuance Deed.

The Debentures will have a five (5) year term as of the date of issuance, so that they will expire on July 13, 2023; with a remuneration of interest corresponding to 100% of the cumulative variation of the average daily rates of ID - one day Interbank Deposits, plus a surcharge or spread of 1.9% per annum, calculated exponentially and cumulatively *pro rata temporis* per business days from the date of subscription and payment of Debentures or the date of payment of Remuneratory Interest immediately preceding, as the case may be, until the effective payment date. The amortization will be as of the 18th month, counted from the issuance date, in quarterly and consecutive installments, always on the 13th of January, April, July and October, with the first payment due on January 13, 2020 and the last on the Due Date, July 13, 2023, except for the hypotheses of optional early redemption, early redemption of the Debentures as a result of the unavailability of the ID Rate, or early due date of the Debentures, by reason of the occurrence of one of the default events set forth in the Issuance Deed.

As of December 31, 2018, the Company has a contractual commitment (covenant) related to the issuance of the Debentures not to present a Net Debt/EBITDA ratio of more than 2.5. Failure to comply with this financial indicator may lead to the early due date of the total debt.

The resources from this funding came into Celesc D's cash on August 10, 2018 and will be used to strengthen cash for the ordinary management of its business.

Finame

The loans contracted were used to purchase machinery and equipment, having interest rates of 2.5% p.a. to 8.7% p.a. In the event of default, the guarantee is linked to the receivables of the contractor and is approved by ANEEL.

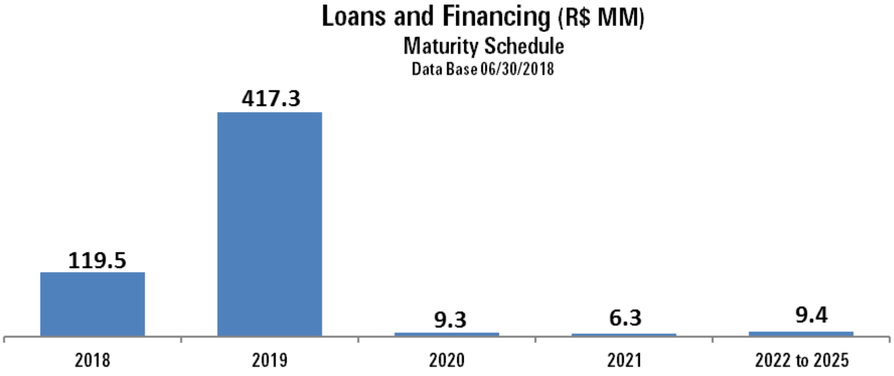
Loan owed by Celesc Distribuição S.A to Celesc Geração S.A.

On August 16, 2016, Celesc Geração S.A (Lender) and Celesc Distribuição (Borrower) entered into a loan agreement, with ANEEL's agreement, for a 24 month period and a 125% interest rate of CDI. The payment of interest and amortization of principal will be made at the end of the operation.

The lender, according to the needs of the borrower, may make financial allocations up to the limit of R$ 110 million, in the form of revolving credit, and the borrower must make partial cover or full coverage of the balance during the term of the agreement. The outstanding balance on 06/30/2018 is R$ 107.6 million (Principal + Interest).

Loans and Financing Schedule

The estimated timing for the maturity of loans and financing is set out in the following chart.



The Company recorded on 06/30/2018 a financial debt representing 0.6x of the EBITDA in the last 12 months (0.5x Adjusted EBITDA) and 0.3x of its Net Worth as follows:

Celesc Distribuição S.A. | Debt

Financial Debt 2Q18			
R$ Million	in June 30, 2017	in June 30, 2018	Δ
Short-Term Debt	235.2	532.6	126.5%
Long-Term Debt	142.3	31.4	-77.9%
Total Debt	**377.5**	**564.0**	**49.4%**
(-) Cash and Cash equivalents	462.5	262.2	-43.3%
Net Debt	**(85.0)**	**301.8**	**455.0%**
Net Debt / EBITDA LTM	**-0.2x**	**0.6x**	
Net Debt / Ajusted EBITDA LTM	**-0.2x**	**0.5x**	
Total Debt / Equity	**0.4x**	**0.5x**	
Net Debt / Equity	**-0.1x**	**0.3x**	

It is important to note that Notice to the Market - CDE Installment of 07/25/2017, Celesc Distribuição divided the balance in the amount of R$ 1,166 million related to the CDE charge to CCEE in thirty installments from July 2017 (until December 2019). The outstanding balance on 06/30/2018 is R$ 750.7 million (Explanatory Note No. 26 of ITR2Q18).

Considering the Pension Obligations, which totaled R$ 1,137.3 million as of June 30, 2018 and Other Employee Benefits (Health Plan, POSs, others) in the amount of R$ 689.9 million, the Company's Adjusted Net Debt amounts to R$ 1,636.1 million, which represents 3.1x EBITDA 12M and 1.4x the Company's Net Worth at the end of the second quarter of 2018, as shown in the table below:

Celesc Distribuição S.A. | Debt + Actuarial Liabilities

R$ Million	in December 31, 2017	in June 30, 2018	Δ
Total Financial Debt	**377.5**	**564.0**	**49.4%**
(+) Net Actuarial Liabilities	**1,364.5**	**1,334.4**	**-2.2%**
Pension Obligations	1,179.8	1,137.3	-3.6%
Other benefits	698.1	689.9	-1.2%
(-) Deferred Taxes[1]	513.5	492.8	-4.0%
(-) Cash and Cash equivalents	**462.5**	262.2	-43.3%
Adjusted Net Debt	**1,279.4**	**1,636.1**	**27.9%**
Adjusted Net Debt / EBITDA LTM	**2.9x**	**3.1x**	
Adjusted Net Debt / Ajusted EBITDA LTM	**2.7x**	**2.8x**	
Equity	1,052.9	1,161.5	10.3%
Adjusted Total Debt / Equity	**1.7x**	**1.6x**	
Adjusted Net Debt / Equity	**1.2x**	**1.4x**	

[1] Quarterly Information 1Q18, Explanatory Note 20.a

It should be noted that the Company has already negotiated the contracts with the Inter-American Development Bank (IDB) and was approved on the Bank's Board of Directors on 11/21/17. The objective of the loan is to finance 60% of the distribution investment plan for the next 5 (five) years. The contract value will be up to US$ 276 million, the disbursement deadline will be 5 (five) years from the date of entry into force of the Agreement, the annual interest rate will be equivalent to the quarterly LIBOR plus the cost of IDB funding and the margin applicable to loans of the bank's ordinary capital, with a total term of 25 (twenty-five) years with a 5.5 (five and a half) year grace period, semi-annual payment of interest and amortization. The operation is guaranteed by the Federal Government, which, in turn, has counter-guarantees both from the State of Santa Catarina - according to State Act No. 17,274, dated from October 05, 2017, as amended by State Act No. 17,305, dated from November 6, 2017 - and the Company. In order to complete the formal procedures, a few steps will still be necessary in the Ministry of Finance and PGFN. The final stage of the process will be the formal referral by the President of the Republic to the Federal Senate, which issues a law authorizing the Minister of Finance to sign the contract. In addition, CELESC D obtained a favorable opinion from COFIEX, authorizing the change of the financing agent, AFD to CAF, pursuant to Resolution No. 001/0127, from 12/20/2017, to supplement the counterpart funds of the loan with the IDB amounting to US$ 69 million.

Ratings for Celesc Distribuição and Parent Company

Moody's Latin America Ltda (Moody's) assigned Ba3 issuer ratings on a global scale and A2.br on a national scale to Celesc Distribuição S.A. (CELESC D). At the same time, Moody's assigned Ba3 and A2.br ratings to BRL 300.0 million in unsecured amortizable debentures of 6-year amortizable assets due in 2019, issued by CELESC D and guaranteed by CELESC in the local market. The negative insight reflects Moody's expectation that CELESC D, despite some deterioration in credit indicators, relative to historical performance, will achieve a gradual reduction in its operating costs, as well as securing a sufficiently long-term debt to fund its investment program in fixed assets.

Investments | CAPEX

The investments made by Celesc Distribuição in the second quarter of 2018 totaled R$ 111.7 million (R$ 74.5 million in materials and services, R$ 19.8 million in own labor and R$ 17.4 million in consumer financial share[7]). In the year, investments totaled R$ 212.2 million (R$ 74.5 million in materials and services, R$ 33.9 million in own labor and R$ 34.7 million in consumer financial participation).

The table below shows the investment of the distributor indicating what makes up the RAB (Regulatory Assets Base):

CAPEX - Celesc Distribuição S.A.

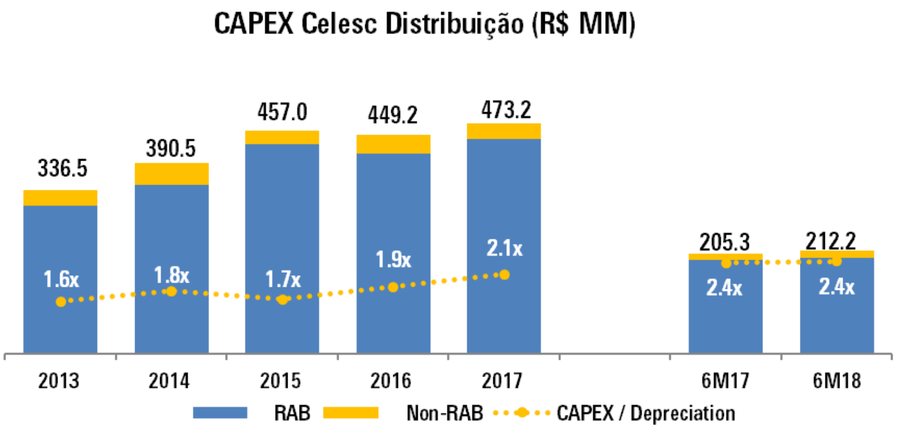
R$ MM	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Investments Celesc Distribuição	**105.2**	**111.7**	**6.2%**	**205.3**	**212.2**	**3.3%**
RAB *	98.1	102.3	4.3%	192.0	196.7	2.4%
Non - RAB	7.1	9.4	32.0%	13.3	15.5	16.7%
Depreciation / Amortization	**(49.9)**	**(51.7)**	3.6%	**(99.3)**	**(103.0)**	3.8%
CAPEX x Depreciation Ratio	**2.4x**	**2.5x**		**2.4x**	**2.4x**	

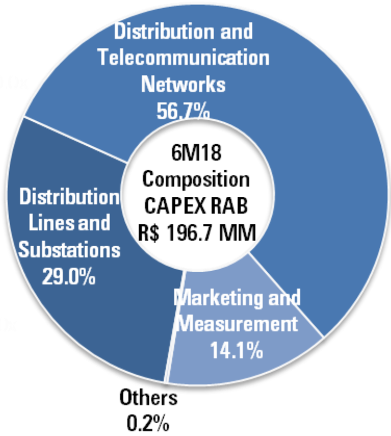
* RAB: Regulatory Assets Base

** Excludes Consumer Financial Interest

The graphs below illustrate the CAPEX performed by the company in recent years (and its relation to Depreciation), as well as the composition of CAPEX in electric assets carried out in 6M18, which will comprise the Regulatory Remuneration Base - BRR or RRB:

[7] Rules of Consumer Financial Participation are set out in the ANEEL Normative Resolution No. 414 from September 09, 2010.





The investments in the distribution network seek to meet the continuous improvement of the quality indicators (DEC and FEC) signed in the concession renewal agreement. Demand for CAPEX RAB in the current tariff cycle should be between 1.6x and 1.9x depreciation, in line with the industry average.

Celesc Distribuição made the mandatory investment of R$ 2.5 million in Research and Development (R&D)[8] and R$ 4.8 million in Energy Efficiency[9] in the first half of 2018.

For 2018, as per the Notice to Market released on December 14, 2017, the approved budget for materials/services, including the financial participation of consumers, was R$ 395 million, of which R$ 349 million were intended for Distribution Systems and R$ 46 million for General Facilities and Vehicles.

2.1.3 – Regulatory Aspects of Celesc Distribuição S.A.

2014 Contract Exhibit – ANEEL Notifications 2,642/15 and 2,078/16

In 2015, ANEEL determined the contractual exposures of the distributors for the year 2014, disclosing the amounts of involuntary exposure through Order No. 2,642/2015. For CELESC D, the amount of 117.2MW of contractual exposure was determined, of which 64.36MW were recognized as involuntary. In the face of this Order, an appeal was filed with ANEEL, which was based on 3 (three) points: (i) 2MW arising from consumers that ANEEL understood to have returned to the captive market for a voluntary act of CELESC D, which did not occur, as they were returned by court order or were only disconnected; (ii) 15,818MW relating to a material error in filing a declaration form in the A-1 auction of 2013, since said amount of energy was declared in a different field of the form, in addition to the fact that said amounts had already been declared in another two auctions (A-0 from 2013 and A-0 from 2014) which were frustrated; and (iii) 35.02MW due to the extraordinary market variation that occurred as a result of the intense heat wave that struck the state in the first quarter of 2014, and consequently an annual growth of around 6.7% in the market, against a 2.5% history. Faced with the inoperation of contractual adjustment mechanisms in 2013 and 2014, such extraordinary market growth could not be adjusted, generating a contractual exposure of around 1.5% of the market.

Through Order No. 2,078/2016, the company was granted partial recognition in order to: a) consider another 2MW average as an involuntary exposure related to the cessation of activities and return to the captive market of special consumers; and (b) consider an additional 15,818 megawatts as an unintentional exposure due to recognition of material error in completing the declaration of energy needs for Auction A-1 2013. In view of the Order, the exposure considered by the Regulatory Body to be voluntary went from 52.84 average MW to 35.02 average MW; thus, the Company recognized in the second quarter of 2016 the amount of R$ 256 million related to the voluntary exposure in 2014, recording in 2Q16 the amount of R$ 225 million in the account of Financial Assets/Liabilities of Gross Operating Revenue, with a negative effect, and R$ 31 million as financial expenditure (overcontracting update).

[8] ANEEL's R&D program is currently governed by Act 9,991 of 2000 and its amendments, being regulated by Normative Resolutions No. 316 of 2008 and No. 504 from 2012 and related norms.

9 The Energy Efficiency Program regulated by ANEEL - PEE was created by Act 9,991 from 2000.

CELESC D filed a Judicial Lawsuit in 2016 with the purpose of challenging Order No. 2,078/2016, in order to obtain the full recognition of contractual exposures as involuntary, at the same time as it requested the grant of a preliminary injunction to suspend the application of a tariff reduction of R$ 256 million, expected to be applied together with the homologation of the Periodic Tariff Review process that would occur by August 22, 2016.

After the lawsuit was filed, a preliminary injunction was granted in order to avoid the application of said tariff reducer, ANEEL's decision when the Tariff Review was approved, and at the moment the company continues to discuss the merits of the lawsuit, seeking the full recognition of the contractual exposure as involuntary, and thus eliminating any tariff reducer, as well as, application of penalties by the Electricity Trading Chamber - CCEE.

During 2017, the judge in charge of the process that discusses the 2014 contract exposition, after examining ANEEL's statement regarding the arguments presented by Celesc D, decided to maintain the injunction previously granted, constituting a stabilization condition to the proceeding.

2014 Contract Exhibit - CCEE Penalties
On October 14, 2016, the CCEE issued a Notification No. 1,438/2015 due to the non-presentation by Celesc D of physical guarantee or contractual coverage to cover one hundred percent of its market, based on the accounting performed in January of 2015, referring to the year 2014, indicating the applicable technical penalty in the amount of R$ 77 million.

In light of this Notice, the Company filed a defense requesting (i) the suspension of the application of the assessed penalty until the final decisions on the merits of the lawsuits, in which Celesc D discusses with ANEEL the contractual exposures of 2014; and (ii) a review of the penalty after the definitive establishment of the amounts of involuntary contractual exposure, as well as the amounts of energy to be considered for the 2014 ex-post MCSD round, should any lack of contractual ballast is maintained for the year of 2014.

On December 22, 2016, the Administration Council of CCEE - CAD decided at its 903rd meeting to turn down the defense arguments presented in the defense of TN 1438/2015.

On January 4, 2017, Celesc D challenged this decision, and on January 10, 2017, at its 905th meeting, the CAD faced the allegations presented by Celesc D and opted for deliberation No. 0036 for forwarding to ANEEL the Request for the Dispute filed.

In view of the facts presented, ANEEL, through Order No. 180/2017, decided not to grant a suspensive effect to the Celesc D Appeal against the decision issued by the CCEE at its 903rd Meeting rejecting the defense arguments presented in the defense to Notification No.1438/2015.

In the 7th public meeting of the Executive Board of ANEEL, held on March 7, 2017, considering the foregoing and that set forth in Case No. 48500.000391/2017-12, it voted to hear the Request for a Dispute, with a request for a suspensive effect, filed by Celesc D, in the face of a decision issued by the CCEE at the 903rd Meeting, related to Notification Term No. 1,438, of 2015, and, in the merit, dismiss it. However, the rapporteur was requested to review it, postponing the decision.
After requesting a review, the Request for Dispute was again reviewed by the Executive Board of ANEEL at the 19th Ordinary Public Meeting, knowing it, and, in the merit, dismissing it as provided in Order No. 1,489/2017.

Sequentially, the Company filed a lawsuit (cases No. 1005589-77.2017.4.01.3400) in the face of CCEE and ANEEL requesting the grant of a preliminary injunction in order to suspend the enforceability of the penalty imputed to Celesc D until the judicial proceeding that discusses the contractual exposure of 2014 has its developments, so as the judicial proceeding that the Jirau HPP moves in the face of ANEEL also reach its final appreciation, of which these two are factors that directly impact on the maintenance of the applied penalty.

After examining the request, the judge in charge of the proceedings issued a decision *"suspending the collection by the Respondents of the above mentioned amount, as of any other amount (whether punitive or not), due to exposure (considered voluntary) by the requesting party in 2014."* Thus, the collection of the penalty applied by CCEE is suspended.

Tariff Flags
The Federal Government, through Decree No. 8,401/2015, created the CCRBT Tariffs Resource Center Account, which establishes that flags should be activated whenever variations in generation costs by thermoelectric source and exposure to settlement prices in the short-term market affected the electricity distribution agents connected to the National Interconnected System (SIN or NIS). The mechanism has served as a signal for consumers to be aware of consumption during low hydraulicity situations.

For the year 2017, through Public Hearing No. 091/2016 ANEEL defined new levels of activation as well as the additional ones considering the data updating and the distribution of costs between the levels.

On October 24, 2017, during the Public Meeting of the Board of Directors of ANEEL, a public hearing was approved, No. 061/2017, to discuss the revision of the methodology of tariff flags and the values of their triggering ranges. Exceptionally, for the month of November, the additional value proposed for an audience of R$ 50.00/MWh was already implemented, considering red flag level 2.

According to the proposal, the amount of the additional yellow flag fell from R$ 20 to R$ 10.00/MWh and the additional red flag on level 1 remains at R$ 30.00/MWh. This situation was justified due to the fact that there was no evolution in the situation of the reservoirs of the hydroelectric power plants in relation to the previous month, and it is necessary to reinforce the actions related to the conscious use and fight against the waste.

After the period of contributions received in the first phase of Public Hearing No. 61/2017, held in the period from October 26, 2017 to December 27, 2017, on April 24, 2018, through Homologatory Resolution No. 2,392/2018 ANEEL ratified the triggering ranges and additional tariff flags, which are addressed to PRORET sub-module 6.8, effective as of May 2018, proposed at the opening of public hearing no. 061/2017 on October 24, 2017 during a Public Meeting of the Executive Board of ANEEL.

In addition, at the same Ordinary Public Meeting of the Executive Board from April 24, 2018, where the proposed ranges and additional ratifications were ratified, a new phase was established for the same Public Hearing with a contribution submission period from 04/25/2018 to 06/11/2018, through a documentary exchange with the objective of obtaining subsidies to exclusively deal with the methodology of transferring Flags Account.

Below is a summary table with the history of the tariffs practiced in the concession area of Celesc Distribution:

Historic tariff flags	
Month	**Flag**
jan/17	Green
feb/17	Green
mar/17	Yellow
apr/17	Red-Portion 1
may/17	Red-Portion 1
jun/17	Green
jul/17	Yellow
aug/17	Red-Portion 1
sep/17	Amarela
oct/17	Red-Portion 2
nov/17	Red-Portion 2
dec/17	Red-Portion 1
jan/18	Green
feb/18	Green
mar/18	Green
apr/18	Green
may18	Amarela
jun/18	Red-Portion 2

In order to account for the Variation Compensation Account of Portion A - CVA in relation to the amount collected for the Tariff Flag from January 2018, the methodology defined by the Superintendence of Economic and Financial Supervision (SFF) through Order No. 4,356/2017 is met.

Extension of Concession - Provisional Measure - MP No. 579/12, Act No. 12,783/13 and Decree No. 8,461/15

In 2016, the follow-up of the conditions for the maintenance of the concession began, as established in the Addendum signed.

The new addendum that extends the concession term for 30 years has imposed conditioning factors on the distributor's quality of service, as well as the sustainability of the economic and financial management. During the first five years of the new contract, non-compliance of conditions for two consecutive years or any of the limits at the end of the period of the first five years will result in the termination of the concession. From the sixth year following the conclusion of the contract, non-compliance with the quality criteria for three consecutive years, or economic and financial management for two consecutive years, will lead to the opening of the expiration process. In addition, throughout the contractual period, non-compliance with the global goals of collective continuity indicators for two consecutive years or three times in five years, will result in the limitation of the distribution of dividends or payment of interest on own capital to the legal minimum (Normative Resolution No. 747 from 2016), while non-compliance with the indicators of economic and financial sustainability will reflect the need for capital contribution from the controlling shareholders.

Below are the targets to be followed by Celesc Distribuição in the first 5 years of the extension:

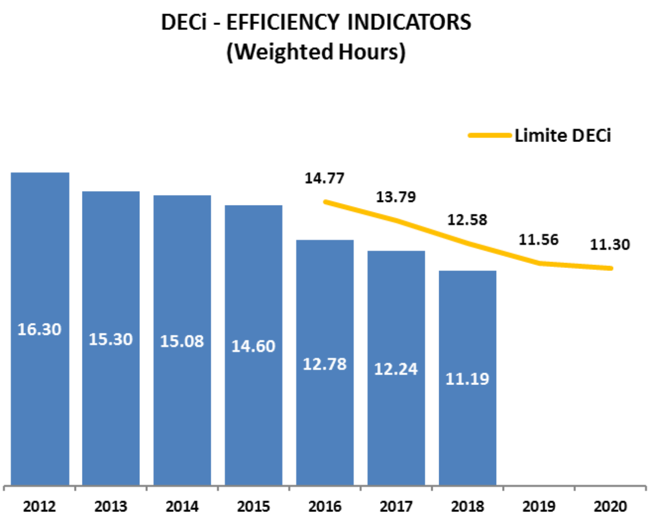
Year	Financial Management	QUALITY INDICATORS (LIMIT ESTABLISHED)		VERIFICATION
		DECi[1]	FECi[1]	
2016		14.77	11.04	ATTENDED
2017	LAJIDA>0	13.79	10.44	ATTENDED
2018	{LAJIDA (-)QRR}>0	12.58	9.84	
2019	{DIVIDA LIQUIDA/}LAJIDA (-)QRR[2]}<(1/0.8*SELIC[3])	11.56	9.25	
2020	DIVIDA LIQUIDA/}LAJIDA (-)QRR}<(1/1.11*SELIC)	11.30	8.65	

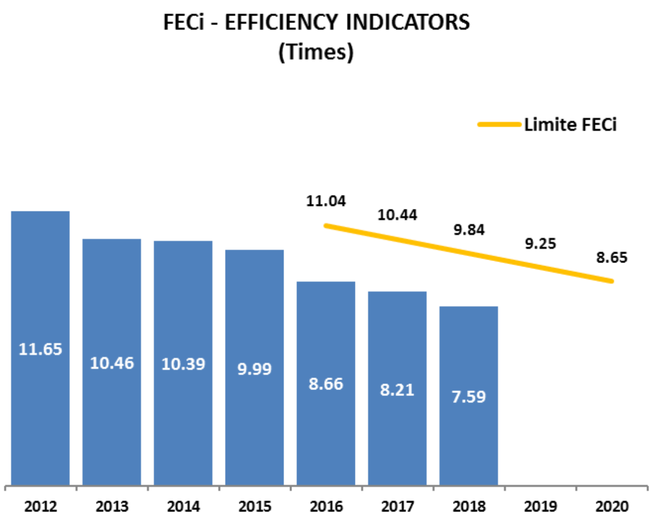
[1] DECIi-Equivalent Duration of Interruption of Internal Origin per Consumer Unit; and FECi-Frequency Equivalent of Interruption of Internal Origin per Consumer Unit;

[2] QRR: Regulatory integration quota or Regulatory Expenses. It will be the value defined in the last Periodic Tariff Review-RTP, plus IGP-M between the month prior to the 12-month period of economic-financial sustainability measurement.

[3] Selic: Limited to 12.87% a.a.

The chart below shows the monitoring of the quality indicators until the end of the second quarter of 2018 (cumulative last 12 months).





In relation to the Company's performance, CELESC D complied with the adjusted LAJIDA requirement of greater than or equal to zero for the year 2017. The accumulated adjusted LAJIDA determined by ANEEL's Superintendence of Economic and Financial Inspection up to the 3rd quarter of 2017 is R$ 556 million, according to the 3rd Edition of the Distributors' Sustainability Report released in February 2018.

As reported in the Operational Performance, although the Company met the DECi and FECi targets of the Concession Agreement, the overall goals (cycle goals) of the DEC in the years 2016 and 2017 were not met, so the distribution of dividends and/or JCP in the legal minimum, 25%, is limited, remaining until the regulatory parameters are performed.

Income Plan

Celesc D was called by ANEEL to participate in the second tranche of the distributors that will go through the Income Plan, aiming at improving the quality of services under the technical and commercial aspects, as well as the safety aspects of employees and the population, as well as monitoring of the economic-financial sustainability indicator, and consequently guarantee the achievement of the indicators established in the Concession Agreement.

The Income Plan is associated with the new strategic surveillance model adopted by ANEEL, with the primary objectives being education and orientation of agents from the electric energy sector, and the prevention of conducts that violates the legislation and concession contracts. During this process, Celesc D initially underwent a first phase of surveillance of technical and commercial electricity distribution services throughout the year 2016, with the analysis of the 2014 and 2015 outcomes. In order to comply with this methodology, Celesc D presented to ANEEL the Improvement Plan, focusing on the Duration of Interruptions, Number of Interruptions, Service Timeframes, Telephone Answering Quality and Internal and External Demand.

The Income Plan was presented to ANEEL at the end of September/2017, with the objective of defining and presenting the actions required to meet regulatory demands, promoting the improvement of services provided to consumers, and converging to compliance with the contract of concession, extended in 2015, thus representing a gain in the quality of the services, besides being an excellent complementary management tool in search of maintenance of the concession. The term of validity for the Income Plan will be 24 months, as of September 10, 2017, with a quarterly periodic control by the regulatory body.

ANEEL recently received the report for the second quarter of the Income Plan, which was positively reviewed by the regulatory agency, according to statements presented at a technical meeting held at ANEEL with Director Rapporteur of the proceeding, Dr. Tiago de Barros Correia, together with the Superintendents responsible for monitoring the proceeding.

Following up on the implementation of the Income Plan, the company has been advancing in the execution of the planned actions, and at the end of September, the 3rd Quarter Plan Report will be submitted to ANEEL.

2017 Annual Tariff Readjustment - Ratifying Resolution No. 2286 and Technical Note 236/2017 - SGT/ANEEL
The Tariff Adjustment of Celesc Distribuição, applied as of August 22, 2017, resulted in an average tariff effect to be perceived by consumers in the order of 7.85%, composed of the Tariff Readjustment Ratio (IRT) of 3.80% (economic effect resulting from the updating of Portion A and B costs), the financial component of 2.83% in the current proceeding and the effect of the withdrawal of the financial components considered in the previous ordinary proceeding, 1.22%. In the composition of the IRT for the 2017-2018 period, Portion A (non-manageable costs) changed by 3.67% in relation to the costs that were added in the RTE by financial component and Portion B (manageable costs) presented a 0.13%.

2017 Tariff Readjustment (Homologation Resolution ANEEL 2.286/2017)		
Portion A	Payroll	-3.17%
	Transmission Cost	6.61%
	Energy Acquisition	0.21%
	Total Portion A	**3.67%**
Portion B		**0.13%**
Economic Adjustment (IRT), considering the tariff variation of the RTE		**3.80%**
Current Process Financial Components		2.83%
Withdrawal of the Financial Components of the Previous Process		1.22%
Average effect to be perceived by consumers		**7.85%**

Celesc Distribuição Tariff Revision - Ratifying Resolution No. 2.120, Technical Note No. 258/2016-SRE/ANEEL and Technical Note No. 287/2016-SGT/ANEEL.
The Tariff Review of Celesc Distribuição, applied as of August 22, 2016, resulted in an average tariff effect to be perceived by consumers of -4.16%, composed of the Tariff Readjustment Ratio (IRT) of -1.54% (economic effect resulting from the updating of Portion A and B costs), the financial component of -0.47% in the current proceeding and the effect of the withdrawal of financial components considered in the previous ordinary proceeding of -2.15%. In the IRT composition for the 2016-2017 period, Portion A (non-manageable costs) underwent a variation of -2.20% in relation to the costs that were added in the RTE by means of a financial component. Portion B (manageable costs) represented a variation of 0.66%. The table below details the composition of the readjustment items:

Participation Tariff Review 2016 (Homologation Resolution 2.120/2016)		
Portion A	Payroll	-1.73%
	Transmission Cost	0.71%
	Energy Acquisition	-1.18%
	Total Portion A	-2.20%
Portion B		0.66%
Economic Readjustment, considering tariff variation of RTE		-1.54%
Current Process Financial Components		-0.47%
Removal of Financial Components of Previous Process		-2.15%
Total Readjustment		-4.16%

Regarding the remuneration of the assets from the Regulatory Remuneration Base - BRR defined for the 4th tariff cycle, R$ 3.0 billion net (Order No. 1,920/16), the agreement set forth was 8.09% referring to the WACC Real Regulatory, and an average depreciation rate of 3.78% p.a.

Annual Tariff Readjustment – Celesc D

ANEEL, within the scope of the Executive Board Public Meeting held on August 13, 2018, authorized the amount of tariff readjustment to be practiced by its wholly-owned subsidiary Celesc D, as of August 22, 2018. When calculating the readjustment, as set forth in the concession agreement, ANEEL considers the variation of costs associated with the provision of the service, and takes into account the acquisition and transmission of electricity, as well as the sectorial charges. The average tariff effect to be perceived by consumers, in the order of 13.86%, has the participation of 4.77% of Sector Charges, -1.42% of Costs with Transmission, 5.08% with Energy Expenses, 0.06% of Unrecoverable Revenues, 0.37% with Distributor Costs, 7.48% related to the Financial Components of the current proceeding, and -2.48% related to the withdrawal of the Financial Components of the previous ordinary proceeding. In the composition of the Net Revenue for the 2018-2019 period, Portion A (non-manageable costs with charges, transmission and energy) participates with 81.4%. Portion B (manageable costs) represents 18.6%, defined in the amount of R$ 1,506,197,069.50.

Public Inquiry MME No. 33/2017 – Enhancement of the Electric Sector Legal Framework

In July 2017, the Ministry of Mines and Energy - MME launched the Public Inquiry No. 33, with the objective of inquiring society and the agents of the electric sector regarding the proposal to improve the legal framework of the electric sector, whose guidelines were based on new technological and environmental paradigm factors that have impacted the sector and the current regulation, as well as regulatory phenomena verified during the last years, which demand a structural revision of the legal framework, seeking to improve the regulatory balance between agents, consumers and governmental public interests, in addition to the reduction in the level of judicialization faced by the electricity sector nowadays.

After numerous contributions received by MME, the Public Inquiry was closed at the end of 2017, with the recent dissemination of the guidelines aimed at the new legal frameworks to be established, whose focus is on providing mechanisms to encourage efficiency in business decisions of industry players, especially regarding security of supply, investments and socio-environmental sustainability.

Another proposal is the end of the extended quota system for plants, with the allocation of some of the economic benefit to the CDE. The removal of barriers for the participation of agents in the market, expanding the free market is also a direction outlined in the new legal framework. Improving short-term price formation criteria is also a challenge to be addressed in the new regulations. In terms of distribution, there is a focus on the separation of ballast and energy, with the creation of other transition mechanisms to mitigate the effects of the migration of consumers to the free market. There is still a focus on the rationalization of subsidies and correction of inadequate incentives for migrating to the free market. Another aspect addressed is the allocation of resources of the RGR for the indemnification of transmission assets. There is a review of the R&D resource utilization guidelines and incentives for alternative sources of energy. Lastly, there is a re-discussion of the structure of the regulated distribution market, seeking modernization and the creation of incentives. The calculation bases for the determination of penalties to distributors will also be revised. Finally, there is a concern to seek the misallocation of the hydrological risk, seeking to reestablish the balance in the settlements of the short-term market.

All of these guidelines were translated into a Draft Bill disclosed by MME, whose partial content was instructed through Provisional Measure No. 814/2018, as well as Bill No. 1,917/2015. The Provisional Measure cited lost its effectiveness and was not converted into law. On the other hand, PL 1,917/2015 is evolving in the Chamber of Deputies, and is currently awaiting to become conclusive.

IASC / ANEEL ward - Assessment of the Quality Perceived by Consumers

ANEEL published on February 1, 2018 the winning distributors of the IASC 2017 Award, the ANEEL Consumer Satisfaction Ratio, which recognizes the best evaluated distributors based on the perception of residential consumers. The ratio is measured through an opinion poll conducted with consumers from all over Brazil.

The analyzed variables are: Perceived quality; perceived value (cost-benefit ratio); total satisfaction; confidence in the supplier; and loyalty.

Celesc D was chosen as the second best distributor in Brazil in consumer assessment, behind only Copel D, with a perceived equality rate of 74.43%, compared to a national average of 63.66%. In terms of satisfaction, Celesc D reached 73.90%, against 63.16% of Brazil's average ratio. Regarding confidence, Celesc reached 71.63%, compared to 62.27% of the national average ratio and 43.21% in loyalty, compared to 37.20% of the national average ratio.

Payment to Celesc D by Eletrosul - Indemnity to Transmission Facilities

On May 22, 2018, by Order No. 1,139/18, the Executive Board of ANEEL ratified the understanding of the technical area of the Regulatory Agency confirming the need to pay Celesc D, by Eletrosul, in the amount of R$ 46,304,394.24 (forty-six million, three hundred four thousand, three hundred ninety-four reais and twenty-four cents) referring to the double indemnity received by the transmitter affecting the connecting facilities of consumer ArcelorMittal serviced at 230kV.

In a brief context, the connection of the ArcelorMittal consumer, at the time of its installation in Santa Catarina, occurred in 230kV, being configured as "Other Transmission Facilities - DIT", which is a work contracted by Celesc D with Eletrosul to enable the service in these characteristics. In order to pay for this contract, Celesc D has contractually entered into, with the companies, the period of 5 years for paying the facilities by Celesc D, which has a regulatory receivable for 30 years.

In an assessment of the legislation of the sector, since the publication of Provisional Measure No. 579/12, later converted into Act No. 12,783, from January 11, 2013, ANEEL confirmed, after Celesc D's action, that since Eletrosul opted for the early extension of its transmission concession, there was an indemnification referring to assets not depreciated or not amortized, in the form of the Act and its regulations, including the facilities dedicated to the consumer ArcelorMittal.

The activities of Celesc D with ANEEL to discuss the theme began in 2014, extending until 2017, when ANEEL formally declared that the mistake was made in the procedure adopted by ANEEL/Union in proceeding with the indemnification of the assets not amortized to Eletrosul and not to Celesc D, which is the holder of this right, in view of having already paid the facilities to Eletrosul between 2002 and 2007, by virtue of the signed CCT.

Following a regulatory procedure and the terms of the payment agreement entered into with Eletrosul, there remained formalized among the companies the Debt Confession Term, with the payment by Eletrosul of R$ 9,573,585.00 (nine million five hundred seventy-three thousand five hundred eighty-five thousand reais) being defined on July 20, 2018, followed by 11 monthly and successive installments, equivalent to 2% of the amount due, each ending with a further 12 consecutive monthly installments, equivalent to 4.83% of the balance due, with occasional adjustments in the final portion.

2.2 – Celesc Geração

2.2.1 – Operational Performance

Production

The total volume of energy generated in the second quarter of 2018 by Celesc Geração's plants was 69.7 GWh (187.5 GWh per year), 46.4% less than in the second quarter of 2017, when production was 129, 9 GWh (263.6 GWh per year).

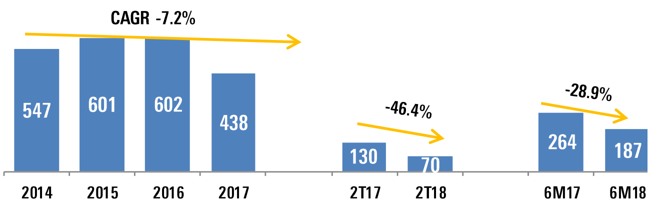
Among the factors that influenced the negative variation in the quarter, we emphasize: (i) The low rainfall ratio in the Power Plants of the western region of the State; (ii) The Pery Plant (monthly impact of 12% of total availability) has a maintenance generating unit; (iii) The Salto Plant (monthly impact of 3.5% of the total availability) is impeded from channel downgrading to maintenance (SAMAE); (iv) Cedros Plant (monthly impact of 8% of total availability) is paralyzed due to the change of wood driver; and (v) Garcia Plant (monthly impact of 8% of total availability) is disconnected due to the process of automation and execution of investments.

The overall capacity factor in the second quarter of 2018 was 29.8%, representing 25.9 p.p. (percentage points) below the level registered in the second quarter of 2017 (55.7%).

Celesc Geração S.A. | Energy Production

Operating Performance (MWh)	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Own Generating Plants	**129.9**	**69.7**	*-46.4%*	**263.6**	**187.5**	*-28.9%*
PCH Palmeiras	37.1	23.5	*-36.7%*	71.5	64.3	*-10.1%*
PCH Bracinho	14.1	12.9	*-8.2%*	21.7	33.2	*53.0%*
PCH Garcia	16.9	2.3	*-86.3%*	34.0	9.1	*-73.2%*
PCH Cedros	12.0	0.0	*-100.0%*	27.5	0.0	*-100.0%*
PCH Salto	2.7	3.8	*42.1%*	8.5	5.9	*-29.9%*
PCH Celso Ramos	7.6	7.1	*-6.7%*	17.3	16.5	*-4.2%*
PCH Pery	28.6	12.7	*-55.8%*	58.4	39.0	*-33.1%*
PCH Caveiras	5.0	3.2	*-36.3%*	11.2	8.8	*-21.3%*
PCH Ivo Silveira	4.0	3.3	*-17.7%*	9.3	8.3	*-10.9%*
PCH Piraí	0.9	0.1	*-93.1%*	1.8	0.1	*-96.7%*
CGH Rio do Peixe	0.8	0.6	*-27.6%*	1.7	1.4	*-15.9%*
CGH São Lourenço	0.2	0.3	*23.5%*	0.8	0.8	*0.2%*
Fator de Capacidade Global	**55.7%**	**29.8%**	**-25.9%**	**56.8%**	**40.3%**	**-16.5%**

Electric Power Production | Generator Park Own GWh



All the plants of the generator site itself participate in the Energy Reallocation Mechanism - MRE, a hydrological risk sharing system where the participating plants transfer the excess generated energy to their physical warranty to the plants they generated below. As a result, the decrease in production in the quarter does not impact the company's billed energy.

2.2.2 – Financial Performance

Celesc Geração S.A. | Main Financial Indicators

R$ Million	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Gross Operating Revenue	**43.9**	**41.3**	***-5.9%***	**80.2**	**79.6**	***-0.7%***
Deductions from Operating Revenue	(4.3)	(3.8)	*-11.4%*	(7.8)	(7.7)	*-1.3%*
Net Revenue	**39.6**	**37.5**	***-5.3%***	**72.4**	**71.9**	***-0.6%***
Operating Costs and Expenses	(16.4)	(16.4)	*-0.2%*	(30.3)	(27.0)	*-10.7%*
Electricity Costs	*(4.4)*	*(8.2)*	*85.6%*	*(8.8)*	*(13.6)*	*55.7%*
Operating Expenses	*(12.0)*	*(8.2)*	*-31.5%*	*(21.5)*	*(13.4)*	*-37.7%*
Equity Result	(0.7)	0.4	*168.1%*	(0.6)	0.5	*170.3%*
Operating Results	**22.5**	**21.5**	***-4.2%***	**41.5**	**45.4**	***9.3%***
EBITDA	**26.7**	**23.0**	***-14.0%***	**49.4**	**48.2**	***-2.3%***
EBITDA Margin (%)	*67.5%*	*61.3%*		*68.2%*	*67.0%*	
Financial Result	**(2.9)**	**(1.5)**	***-48.2%***	**(6.8)**	**(3.1)**	***54.4%***
LAIR	**19.6**	**20.0**	***2.3%***	**34.7**	**42.3**	***21.8%***
IR/CSLL	(6.9)	(6.6)		(12.0)	(14.1)	
Net Profit / Losses	**12.7**	**13.5**	***6.1%***	**22.7**	**28.2**	***24.1%***
Net Margin (%)	*32.1%*	*35.9%*		*31.3%*	*39.1%*	

Income Highlights

Celesc Geração's Net Operating Revenue decreased by 5.3% (+ R$ 2.1 million) in the second quarter of 2018, to R$ 37.5 million, mainly reflecting negative fluctuations in the supply of energy available for sale. In the year, it registered a negative variation of 0.6%.

EBITDA changed by 14.0% (2.3% in the year) and profit positively varied by 6.1% (24.1% in the year), influenced by the same factors that led to the change in Net Operating Revenue (ROL). As we did not have, in the quarter, the reversal of provision for loss in Fixed Assets (impairment), EBITDA and Adjusted Income were similar to EBITDA and IFRS Profit.

Celesc Geração S.A. | IFRS - Non-Recurring

R$ Million	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2014	2015	Δ
EBITDA (IFRS - Non-Recurring)	**26.7**	**23.0**	*-14.0%*	**49.4**	**48.2**	*-2.3%*
Adjusted EBITDA Margin (%)	*67.5%*	*61.3%*		*68.2%*	*67.0%*	
Net Profit / Loss (IFRS - Non-Recurring)	**12.7**	**13.5**	*6.1%*	**22.7**	**28.2**	*24.1%*
Adjusted Net Margin (%)	*32.1%*	*35.9%*		*31.3%*	*39.1%*	

Gross Operational Revenue

Celesc Geração S.A. | Gross Operating Revenue

R$ Million	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
GROSS OPERATING REVENUE	**43.9**	**41.3**	*-5.9%*	**80.2**	**79.6**	*-0.7%*
Electric Sales	9.0	9.7	*7.7%*	15.7	18.8	*19.9%*
Electric Energy Supply	22.1	18.1	*-18.1%*	37.6	33.8	*-10.2%*
Spot Energy	4.6	0.5	*-88.8%*	8.8	4.5	*-49.1%*
Financial Income - Interest and update BO	8.2	13.0	*59.4%*	18.1	22.6	*24.6%*

The negative variation of 5.9% in the quarter (0.7% year) is mainly explained by:

i. 18.1% reduction in the quarter (10.2% in the year) in the Energy Supply account;
ii. Revenue from Short-Term Energy shrinked 88.8% in the quarter (49.1% in the year), reaching R$ 0.5 million in the quarter (R$ 4.5 million);
iii. Fall of the average selling price of R$ 225.00 (R$ 205.27 without CCEE) in the second quarter of 2018 versus R$ 258.53 (R$ 243.41 without CCEE) contraction of 13% (15.7% without CCEE);
iv. Financial Revenue of R$ 13.0 million in the quarter (R$ 22.6 million in the quarter), R$ 5.1 million in the quarter (R$ 6.9 million) in updating and R$ 7.9 million in the quarter (R$ 15.7 million) of interest on grant bonus.

The table below shows the physical quantities of energy billed in the second quarter of 2018 (6M18) for each of the segments.

Celesc Geração S.A. | Energia Sold

GWh	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	6M17	6M18	Δ
Electric Energy Supply	**158.3**	**176.4**	*11.4%*	**331.6**	**360.8**	*8.8%*
Industrial	32.8	36.8	*12.3%*	60.2	71.9	*19.4%*
Commercial, Services and Other	11.2	14.4	*28.5%*	23.1	27.0	*17.0%*
Electric Energy Sales to distributors	111.5	123.1	*10.4%*	217.6	245.6	*12.9%*
Electric Energy Trading Chamber (CCEE)	2.8	2.1	*-26.2%*	30.6	16.3	*-46.8%*
Average Sales Price Without CCEE (R$/MWh)	**243.41**	**205.27**	-15.7%	**223.33**	**198.70**	-11.0%
Average Sales Price With CCEE (R$/MWh)	**258.53**	**225.00**	*-13.0%*	**234.96**	**208.44**	*-11.3%*

Energy invoiced increased by 11.4% in the quarter (+18.1 GWh), with 6M18 accumulating an increase of 8.8% (+29.3 GWh). This operation was mainly due to the: (i) Stronger seasonality in relation to the second quarter of 2017; (ii) GSF being less unfavorable than the previous half (average of 98.78% versus 86.80% in 2017).

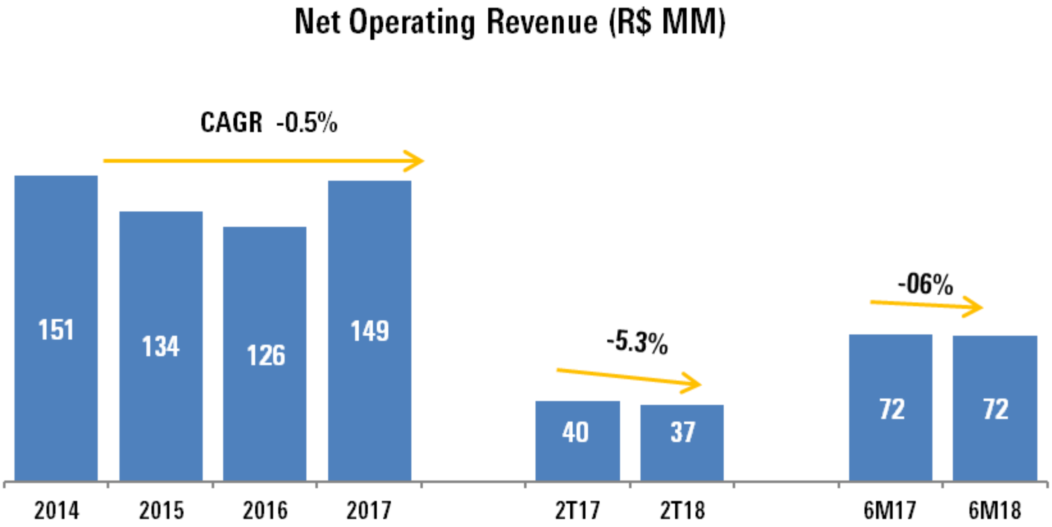
Due to the default scenario and injunctions, minimizing the leftovers to be settled in CCEE was sought after, so much that it was the only billing profile that showed a decrease in relation to the last year. Despite that, the average sale price has fallen down. The main factor of this decline was the Pery Power Plant, which sold its energy in the Free Market in the first half of last year, and from July/2017 started to commercialize its energy in the ACR, under the quota regime, according to Act No. 12,783/2013, and because of this has a low sale value. Pery is the largest Celesc Geração plant, with 30 MW of installed capacity, as well as 14.08 MW of physical warranty, and that is why it has such a great impact on the final income.

According to the table below, RAG (Annual Generation Revenue) of the Celesc Generation Plants shall be monthly charged, in accordance with the Monthly Revenue specified in the Resolution Homologation. By means of Resolution No. 2,421 from July 17, 2018, ANEEL approved the readjustment of the Annual Generation Revenue - RAG for hydroelectric plants under quotas, pursuant to Act No. 12,783/2013. The new RAG adjustment is effective from July 1, 2018 to June 30, 2019.

Plants	Concessionaire	RAG (R$) Cycle 2018/2019	Monthly Revenue (R $) July/2018 to June/2019
Pery	Celesc G	9,453,052.76	787,754.40
Garcia	Celesc G	9,757,843.83	813,153.65
Bracinho	Celesc G	12,667,306.99	1,055,608.92
Cedros	Celesc G	9,267,258.06	772,271.51
Palmeiras	Celesc G	19,354,682.55	1,612,890.21
Salto	Celesc G	6,585,086.76	548,757.23

Net Operational Revenue

Net Operating Revenue (ROL or NOR) was reflected in the reduction of ROB (Supplies, Short-term Energy and PLD) between the periods.



Costs and Operational Expenses

Celesc Geração S.A. | Operating Costs and Expenses

R$ Million	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
OPERATING COSTS AND EXPENSES	**(16.4)**	**(16.4)**	***-0.2%***	**(30.3)**	**(27.0)**	***-10.7%***
Electric Energy Costs	**(4.4)**	**(8.2)**	***85.6%***	**(8.8)**	**(13.6)**	***55.7%***
Electric Energy Purchased for Relase + Charges	(3.8)	(7.6)	*97.9%*	(7.6)	(12.5)	*63.8%*
Electric Grid Usade	(0.6)	(0.6)	*3.0%*	(1.1)	(1.2)	*1.9%*
PMSO	**(7.8)**	**(6.8)**	***-12.9%***	**(13.6)**	**(10.5)**	***-22.8%***
Personnel and Management	(3.9)	(3.1)	*-20.1%*	(7.6)	(6.0)	*-20.7%*
Material	(0.1)	(0.2)	*294.5%*	(0.1)	(0.3)	*118.5%*
Third Parties Services	(1.8)	(2.3)	*26.5%*	(3.7)	(4.2)	*13.2%*
Financial compensation for use of Hidric Sources	(1.9)	(1.0)	*-48.0%*	0.0	0.0	*108.6%*
Other Expenses	(0.2)	(0.2)	*6.7%*	(0.4)	(0.3)	*-22.3%*
Provision / Reversion Impairment Test	**0.0**	**0.0**		**0.0**	**0.0**	
Depreciation / Amortization	**(4.2)**	**(1.4)**	***-66.0%***	**(7.9)**	**(2.9)**	***-63.7%***

Operating costs and expenses decreased 0.2% (10.7% in the year) to R$ 16.4 million in the quarter (R$ 27.0 million). Among the energy costs, we highlight the purchase of 16 MW from a conventional source for resale (commercialization), a contract valid until March 31, 2025. PMSO expenses contracted 12.9% (22.8% year), indicating savings: R$ 0.8 million in Personnel (R$ 1.6 million) and R$ 0.9 million in Net Provisions (GSF provisions).

Equity Income

The table below reflects Celesc Generação Equity in 2Q18 (6M18). The plants in operation (Rondinha, Rio das Flores and Xavantina) were impacted mainly by the GSF and by the cost of energy ballast in 2017. It is important to highlight that in 2018, all participate in the MRE. Further details of these deals are available in the Celesc Geração Overview.

Celesc Geração| Equity Result

R$ thousand	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Rondinha Energética S.A.	(247.7)	320.5	229.4%	(246.9)	204.6	182.9%
Painel Energética S.A.	(9.2)	(2.0)	-78.6%	(17.3)	(3.1)	-82.3%
Campo Belo Energética S.A.	(12.1)	(2.2)	-81.4%	(22.1)	(3.8)	-82.6%
Companhia Energética Rio das Flores	377.9	406.4	7.6%	739.5	800.1	8.2%
Xavantina Energética S.A.	(255.6)	(22.2)	-91.3%	(361.7)	168.4	146.6%
Garça Branca	(508.8)	(252.4)	-50.4%	(735.7)	(718.1)	-2.4%
EDP Transmissão Aliança SC S.A.		(1.4)			4.8	
Equity Result	**(655.5)**	**446.6**	***168.1%***	**(644.2)**	**452.9**	***170.3%***

It is noteworthy that the Garça Branca SPE went into operation in July 2018.

EBITDA and Net Profit

Celesc Geração's IFRS EBITDA recorded R$ 23.0 million in the second quarter of 2018 (R$ 48.2 million), a decrease of 14.0% (2.3% in the year) compared to the second quarter of 2017 (6M17), the EBITDA Margin was 61.3% in the quarter (67% year). The decrease in EBITDA is due to the reduction in Net Operating Revenue (ROL), due to the previously mentioned reasons: (i) Drop in Supply and Energy; (ii) LDP decrease between periods. Considering that we did not have a reversal of a provision for impairment, adjusted EBITDA was corresponding to the IFRS EBITDA.

Celesc Geração S.A. | EBITDA IFRS Conciliation

R$ Million	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2014	2015	Δ
Profit / Loss Net	**12.7**	**13.5**	*6.1%*	**22.7**	**28.2**	*24.1%*
(+) Income Tax and Social Contribution	6.9	6.6		12.0	14.1	
(+) Financial Result	2.9	1.5		6.8	3.1	
(+) Depreciation and Amortization	4.2	1.4		7.9	2.9	
EBITDA	26.7	23.0	-14.0%	49.4	48.2	-2.3%
(-) Non-Recurring Effects						
SPHs Impairment Tests - Reversal of Provision		0.0				
(=) Adjusted EBITDA by Non-Recurring Effects	26.7	23.0	-14.0%	49.4	48.2	-2.3%
EBITDA IFRS Margin	*67.5%*	*61.3%*		*68.2%*	*67.0%*	
Adjusted Net Margin (%)	*67.5%*	*61.3%*		*68.2%*	*67.0%*	

Similarly to EBITDA, Adjusted Profit was corresponding to IFRS Net Profit with a Net Margin of 35.9% (39.1% year).

Celesc Geração S.A. / Adjustments - Net Profit / Loss

R$ Million	2nd quater			Accumulated 6 Months		
	2017	2018	Δ	2014	2015	Δ
Profit / Loss Net (IFRS Reported)	**12.7**	**13.5**	*6.1%*	**22.7**	**28.2**	*24.1%*
(-) Non-Recurring Effects						
SPHs Impairment Tests - Reversal of Provisior	0.0	0.0		0.0	0.0	
(=) Profit / Loss Adjusted by Non-Recurring Effects	12.7	13.5	6.1%	22.7	28.2	24.1%
Net Margin (%)	*32.1%*	*35.9%*		*31.3%*	*39.1%*	
Adjusted Net Margin (%)	*32.1%*	*35.9%*		*31.3%*	*39.1%*	

Indebtedness

Celesc Geração S.A. | Debt

Financial Debt 2Q18			
R$ Million	in December 31, 2017	in June 30, 2017	Δ
Short-Term Debt	150.7	9.4	-93.75%
Long-Term Debt	0.0	139.3	
Total Debt	**150.7**	**148.7**	**-1.33%**
(-) Cash and Cash equivalents	77.1	21.0	-72.69%
Net Debt	**73.6**	**127.6**	**73.40%**
EBITDA LTM (last twelve months)	99.6	98.4	-1.14%
Net Debt / EBITDA LTM	**0.7x**	**1.3x**	
Ajusted EBITDA LTM	96.5	95.3	-1.17%
Net Debt / Ajusted EBITDA LTM	**0.8x**	**1.3x**	
Equity	425.9	451.7	6.07%
Total Debt / Equity	**0.4x**	**0.3x**	
Net Debt / Equity	**0.2x**	**0.3x**	

Debentures - 1st Issuance

On January 28, 2016, the Company approved the issuance of 15,000 simple debentures, non-convertible in to shares, all unsecured, with an additional fiduciary warranty, in a single series, with a unitary nominal value of R$ 10k, totaling R$ 150 million, due within 24 months from the issuance date, without monetary restatement. Compensatory interest corresponded to 125.0% of the accumulated variation of DI's average daily rates and was paid on a quarterly basis, with no grace period, in June, September, December and March, with the first payment being June 3, 2016 and the last payment due on the due date. The unit nominal value of Debentures will be fully amortized on the due date, except for the early settlement of the debentures resulting from the early redemption, extraordinary amortization or early due date. The Debentures have a covenant commitment to present the Net Debt/EBITDA ratio of less than 2.5 in the first two semesters and the Net Debt/EBITDA ratio of less than 2 in the last two semesters. Celesc Geração's debenture issuance funds were used to pay the second installment of the granting of hydroelectric plants that had their concession renewed at the end of 2015. The issuance was guaranteed by the controlling shareholder, the Celesc holding company.

In the General Meeting of Debenture Holders, renegotiating the 1st Issuance of Simple Debentures by Celesc Geração was authorized, as per Notice to the Market on 03/05/2018, changing the due date to 6/1/2018. In total, R$ 44.4 million of interest was paid, of which R$ 6.6 million was paid in the first half of 2018.

Debentures - 2nd Issuance

As per Notice to the Market - 2nd Issuance of Simple Debentures by Celesc Geração S.A. Celesc Geração issued, on June 1, 2018, the 2nd issuance of non-convertible debentures issued by the company, together with BB - Banco de Investimentos S.A. The purpose of said issuance is the public distribution with restricted placement efforts under the firm guarantee regime; with a total issuance amount of R$ 150 million, in a single series; 15,000 (fifteen thousand) Debentures, with a par value of R$ 10k, and the nominal unit value of the Debentures will not be monetarily restated. The actual guarantee is a fiduciary assignment of present and/or future receivables arising from the gross electricity supply to Celesc G's customers and a guarantee of trust in favor of Debenture holders, being obligated as guarantor and main responsible for all amounts due under the Issuance Deed. The Debentures will have a term of five (5) years as of the date of issuance, so as they will expire on June 1, 2023; with remuneration of interest corresponding to 100% of the cumulative variation of the average daily rates of the ID - Interbank Deposits of one day, plus a surcharge or spread of 2.50% per year, calculated exponentially and cumulatively *pro rata temporis* per business days from the date of subscription and payment of the Debentures or the date of payment of Remuneratory Interest immediately preceding, as the case may be, until the effective payment date. The amortization will be from the 12th month (including the last one), counted from the issuance date, in quarterly and consecutive installments, except for the optional early redemption, early redemption of Debentures as a result of the unavailability of the ID Rate, or early due date of Debentures by reason for the occurrence of one of the default events provided for in the Issuance Deed. On a six-monthly basis, the Company has a covenant commitment related to the issuance of the Debentures not to present a Net Debt/EBITDA above 2. Failure to comply with this financial indicator may lead to the early due date of the total debt.

Ratings for Celesc Geração and Parent Company

Fitch Ratings has assigned A+ (A plus) ratings to Centrais Elétricas de Santa Catarina S.A. (Celesc) and its wholly-owned subsidiary, Celesc Geração S.A. (Celesc G). At the same time, the agency assigned the long-term national rating 'A + (bra)' (A plus (bra)) to Celesc G's first issuance of debentures proposal in the amount of up to BRL 150 million and a two-year term. The Corporate Ratings Perspective is Stable.

Investments | CAPEX

Investments in SPEs totaled R$ 3.2 million in the second quarter of 2018 (R$ 7.6 million year), with R$ 1.7 million being invested in the Garça Branca SPE in the quarter (R$ 3.2 million). On the other hand, investments in the generating plant itself amounted to R$ 2.0 million in the quarter (R$ 3.4 million year), resulting in R$ 1.4 million in investments in the Cedros Plant and R$ 1.3 million in the Usina Garcia Plant.

Celesc Geração S.A. | CAPEX

R$ Million	2nd quater			Acumulado 6 meses		
	2017	2018	Δ	2017	2018	Δ
Investments Celesc Geração	**1.8**	**5.2**	**191.2%**	**6.0**	**11.0**	**82.9%**
Investiments in SPEs	0.8	3.2	*317.1%*	2.7	7.6	183.4%
Own Power Plants Generating Complex	1.0	2.0	*96.8%*	3.3	3.4	2.4%

For 2018, as per the Notice to the Market released on December 14, 2017, the investment budget is R$ 59.7 million, of which R$ 13.0 million for New Businesses, R$ 19.1 million for Expansions, R$ 11.2 million for Subsidiaries and R$ 16.4 million for Improvements.

2.2.3 – Regulatory Aspects of Celesc Geração S.A.

Ordinance MME No. 218 from May 15, 2015

The Ministry of Mines and Energy (MME), through Ordinance No. 218/2015, determined that ANEEL should promote an Auction for the concessions of several Hydropower Plants, among which 05 (five) SHPs 100% owned by Celesc Geração, for which the Company's governing bodies had decided not to adhere to the terms of the early extension of the concessions, subject to the terms and conditions established in Provisional Measure 579/2012, later converted into Act 12,783/2013.

According to the sectorial regulation established by said Act, after the concession ends, the plant will be bidden in the form of revenue per tariff, established through the Annual Revenue Generation - RAG. Following the publication of Provisional Measure No. 688/2015, the economic conditions for participating in the auction became considerably more attractive, since the Annual Compensation for Plant Management - GAG-O & M, compensation for improvements - GAG - Improvements, as well as the Return on Bonus of Grant - RBO in rate of 9.04% real p.a. On the other hand, the Concession Bonus was required as the portion of the bid to be carried out in the auction, the winner of which would be the one offering the lowest annual cost of managing the generation assets, expressed in R$/year.

Celesc Geração won Lot C by offering a discount equivalent to 5.21% of the ceiling price defined for the management of generation services for the 5 plants, added to the financial contribution of R$ 228 million as Grant Bonus. Lastly, as a result of the auction, Celesc Geração signed the Concession Agreements for Generation Service No. 006/2016 and 007/2016 on January 5, 2016. The Palmeiras, Bracinho, Cedros and Salto SHP plants had concessions prior to the auction 12/15 still in force until November 7, 2016, and from that date on, the execution of the new Concession Agreement in the regime of Allocation of Quotas of Physical and Energy Guarantee. Below is the list of the plants of Lot C won by Celesc Generation:

Own Generator Park | Plants included in Ordinance of MME nº 218 of 05/15/2015

Plants	Localization	Termo Final da Concessão	Power Installed (MW)	Physical Warranty (MW)
PCH Palmeiras	Rio dos Cedros/SC	07/11/2016	24.60	16.70
PCH Bracinho	Schroeder/SC	07/11/2016	15.00	8.80
PCH Garcia	Angelina/SC	07/07/2015	8.92	7.10
PCH Cedros	Rio dos Cedros/SC	07/11/2016	8.40	6.75
PCH Salto	Blumenau/SC	07/11/2016	6.28	5.25
Total - MW			**63.20**	**44.60**

The energy generated by the plants was allocated to the quota system, which is the percentage of the Energy and Plant Power Assurance allocated to the Distributors of the National Interconnected System (SIN). The quota system was 100% of the Physical Warranty in 2016 and 70% as of January 1, 2017.

Celso Ramos SHP Concession

With respect to the Celso Ramos SHP concession, with the 7.2MW expansion project (5.4MW to 12.6MW) approved by the Regulatory Body, Celesc G obtained, through ANELL Authorization Resolution No. 5,078/15, authorization to carry out the expansion works, as well as the extension of the concession in advance for 20 years. The term for the works to expand the plant ends in the year 2021.

Physical warranty adjustment factor - GSF

Celesc Geração filed an Ordinary Judicial Lawsuit against the Federal Government and ANEEL requested that it determines to CCEE the review of the method of calculating the MRE and that the energy supply equivalent to the physical warranty - GF is guaranteed to it.

In an application for early protection, Celesc G requested:

ii) if item i) is not granted, let it guarantee to the author the energy equivalent to 95% of the Physical Warranty;
iii) or alternatively, an amount of electricity equivalent to what would be the total generation of the MRE, if there was no physical warranty.

It also required that items (i), (ii) or (iii), mentioned above, are preemptively secured until the final and unappealable decision.

In summary, Celesc Geração seeks to suspend the registration of costs incurred by hydroelectric generators, resulting from the application of the Generation Scaling Factor - GSF[10], since the frustration of the hydroelectric generation in the current scenario stems from both a structural and conjunctural order.

The GSF represents a ratio that expresses the ratio between the sum of all the energy produced by the hydroelectric plants that are part of the Energy Reallocation Mechanism (MRE) and the sum of the physical warranties of the plants. Between 2005 and 2012, the annual GSF of the MRE was always above 100%, not burdening the hydroelectric generators. As of 2013, this scenario began to reverse, severely worsening in 2014 (90.6%), 2015 (84.7%), 2016 (86.8%), 2017 (79.5%) when it was below 100% throughout the year. In 2018, it recorded 71.3% adjusted up to June. The GSF below 100% imposed on generators an adjustment in their physical warranty under the MRE, which may fall short of the amount of their energy trading contracts and which forces generators to acquire the deficit energy at the free market price.

The Federal Government has been looking for alternatives to solve the great standoff of the legal system in force, which has been causing significant financial impacts to agents in the electricity sector. Recently the government has launched a counterpart proposal for generation agents through Provisional Measure No. 814/2018, which is currently being processed in the National Congress.

In this context, the company is carrying out strategic analysis regarding the action in the case, as well as evaluating the market operations, in order to anticipate measures, if necessary.

Caveiras HGP Concession - Registration and Inventory Study
After Provisional Measure 735/16 is processed and its conversion into Act 13,360/2016, the Caveiras HGP may have the benefit of being subject only to the condition of registration before the regulatory body ANEEL, since article 5 of the act concerned, which included paragraph nine to article 1 of Act 1283/13, states that "Once the term of concessions or authorizations for hydroelectric generation of 5 megawatts or less has been exceeded, it shall apply the provisions of art. 8 of Act No. 9,074 from July 7, 1995." Thus, due to the expiration of the Caveiras HGP concession in July/2018, the procedures for registering the plant before ANEEL have already been initiated, with its ownership being maintained by Celesc Geração and with no defined concession period. In parallel, ANEEL has already filed an application to carry out inventory studies for the stretch of the river where the Caveiras HGP is installed, with a view to promoting the expansion of its installed capacity.

2.3 SCGÁS

2.3.1 – Operational Performance

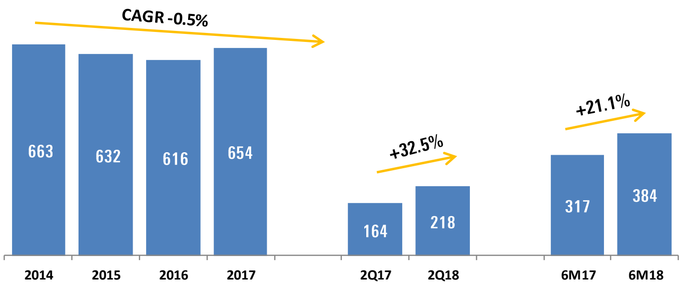
The expansion of 32.5% in the quarter (21.1% in the year) regarding the volume of gas sold was mainly due to:

i. 21.3% increase (+29,563 m³) in the industrial class, since the class concentrates 77.3% of the gas consumed;
ii. A 96.5% increase (+21,253 m³) in the automotive segment, as this class represents 19.9% of the total gas consumed and is also severely influenced by the economic context and by the price of gasoline/ethanol; and
iii. Rise of 320.7% (+1,278 m³) in the residential segment.

SCGÁS S.A. | Gas Sales per Segment

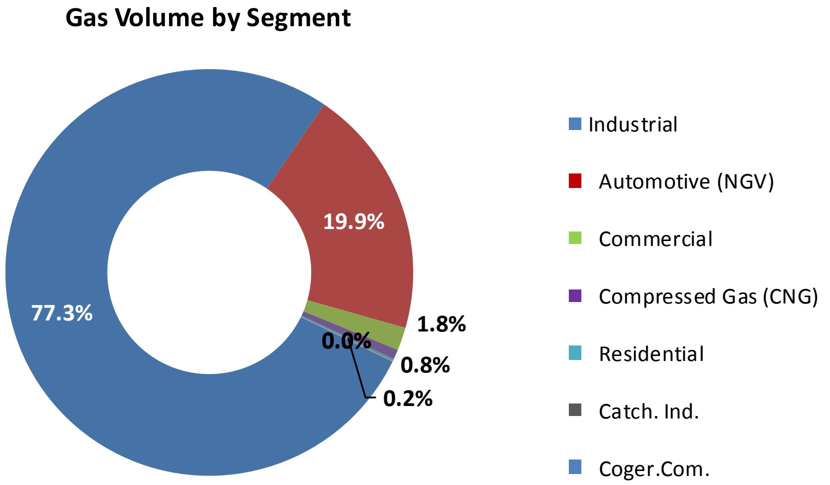
Volume (mil m³)	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Industrial	138,775	168,338	*21.3%*	266,347	305,567	*14.7%*
Automotive (NGV)	22,018	43,271	*96.5%*	44,264	69,190	*56.3%*
Commercial	1,390	3,983	*186.6%*	2,556	5,165	*102.1%*
Residential	391	1,669	*326.7%*	625	1,964	*214.3%*
Compressed Gas (CNG)	1,736	376	*-78.3%*	3,636	2,397	*-34.1%*
Industrial Cogeneration	20	104	*418.1%*	20	178	*788.7%*
Commercial Cogeneration	9	13	*49.1%*	13	22	*70.6%*
Total	164,339	217,754	*32.5%*	317,460	384,483	*21.1%*

Sold Gas Volume (MM m³)



Next, in the graph, the representation of each segment of consumption in the volume of sales in the quarter:

10 It is the division between the total generated energy and the sum of the physical guarantees of the MRE participating plants. This factor is applied to the physical warranty of all the plants, resulting in the so-called "adjusted physical warranty".



2.3.2 – Financial-Economic Performance

SCGÁS S.A. | Main Financial Indicators

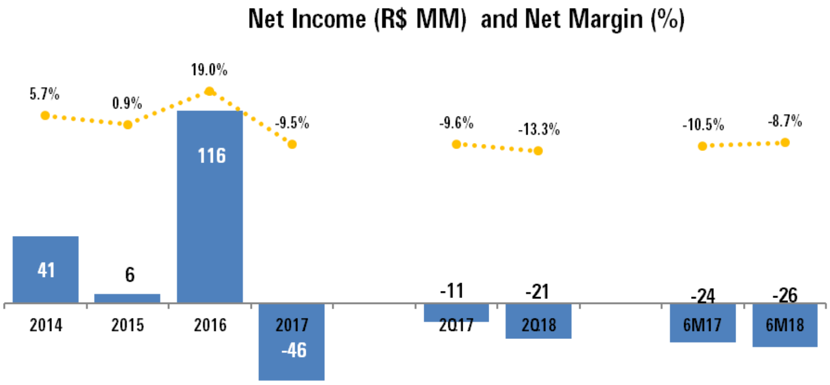
R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Gross Operating Revenue	**149.9**	**203.5**	***35.8%***	**290.1**	**384.5**	***32.5%***
Deductions from Operating Revenue	(33.8)	(45.2)	*33.9%*	(66.0)	(85.6)	*29.8%*
Net Revenue	**116.1**	**158.3**	***36.3%***	**224.1**	**298.9**	***33.3%***
Operating Costs and Expenses	(126.9)	(181.6)	*43.1%*	(247.7)	(320.5)	*29.4%*
Operating Results	**(10.8)**	**(23.3)**	***115.3%***	**(23.6)**	**(21.7)**	***8.3%***
EBITDA	**(10.3)**	**(22.9)**	***122.2%***	**(20.7)**	**(24.6)**	***18.6%***
EBITDA Margin (%)	*-8.9%*	*-14.5%*		*-9.3%*	*-8.2%*	
Financial Result	**0.3**	**(1.0)**	***-457.4%***	**1.4**	**(1.5)**	***-202.3%***
IR/CSLL	(6.3)	(10.8)		(12.7)	12.2	
Net Profit / Losses	**(11.2)**	**(21.0)**	***87.5%***	**(23.5)**	**(26.0)**	***10.8%***
Net Margin(%)	*-9.6%*	*-13.3%*		*-10.5%*	*-8.7%*	

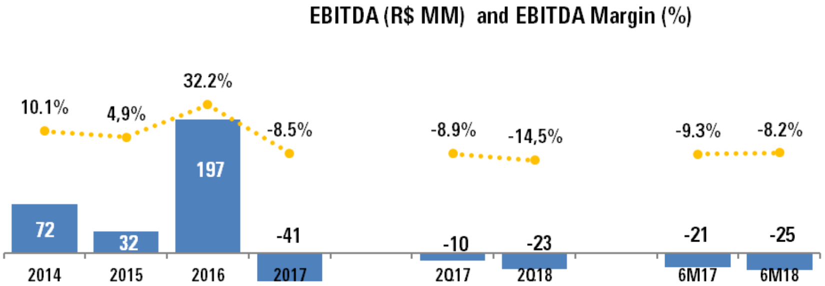
**Adjusted Margins, excluding Contruction Revenue.*

SCGÁS's Gross Operating Revenue (ROB) in the second quarter of 2018 was R$ 203.5 million (R$ 161.4 Industrial, R$ 36.9 million Vehicles, R$ 2.7 Commercial, R$ 1.2 million Compressed Gas and R$ 1.1 million Residential). The ROB increase is due to: (i) improvement of the economic model; (ii) Comparative base of 2Q17 deeply impacted by ARESC Resolution No. 06/62 and No. 074/2016 (cumulative reduction of average tariff by 39%); and (iii) ARESC Resolution No. 094 from December 2017 authorized the transfer of the recovery portion and updating of the gas price, IRPGT (Gas and Transport Pricing Adjustment) of 9% (Graphic Account transferred to tariffs beginning on January 1, 2018.

It is noteworthy that the Company contracted loans in April with Banco BBM in the order of R$ 30 million.

EBITDA totaled R$ 22.9 million in the quarter (R$ 24.6 million), driven by an increase in operating costs and expenses of 43.1% (+ R$ 54.7 million in the quarter and + R$ 72.8 million in the quarter) negatively impacted by the increase in exchange variation (cost with gas purchase). In the quarter, the company posted a loss of R$ 21.0 million (R$ 26.0 million/year), due to the reasons already mentioned.



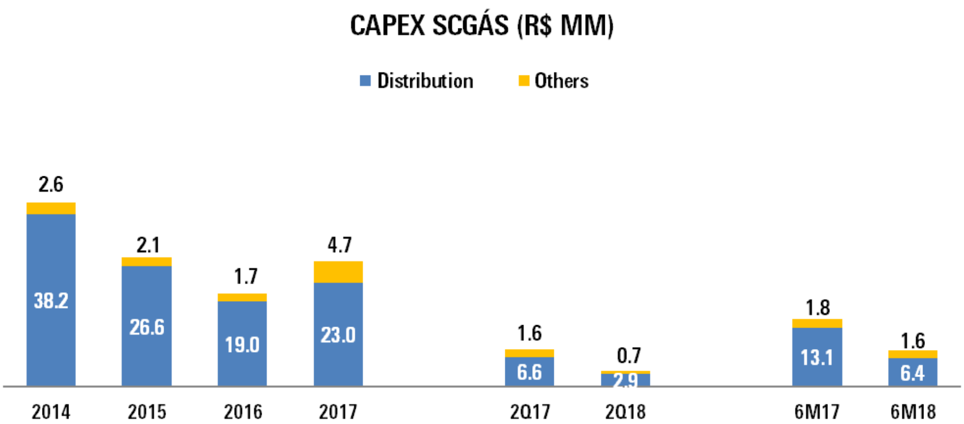


Investments

The investments made in the second quarter (6M18) were mainly intended to the expansion of the natural gas distribution network, as shown in the table and graph below:

SCGÁS S.A. | CAPEX

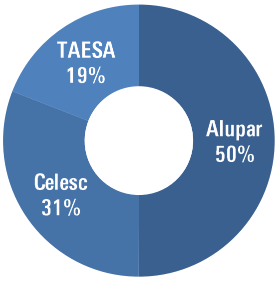
R$ Million	2nd quater			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Distribution Grid	**6.6**	**2.9**	***-56.1%***	**13.1**	**6.4**	***-51.3%***
Expansion	5.1	1.5	***-70.7%***	10.2	3.5	*-65.8%*
Expenses Management Projects	1.3	1.2	***-3.7%***	2.5	2.5	*-0.2%*
Basic Projects	0.2	0.2	***-22.4%***	0.4	0.4	*1.6%*
Other	**1.6**	**0.7**	***-59.9%***	**1.8**	**1.6**	***-11.2%***
Total	**8.2**	**3.5**	***-56.9%***	**14.9**	**8.0**	***-46.4%***



***4 – Other Stakes** (financial data equivalent to 100% of the results of each investee)*

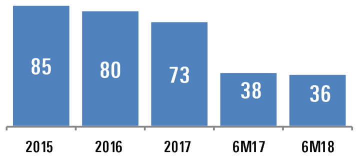
ECTE

Asset	Equity.	Net Debt.
•R$ 439MM	•R$ 174.2 MM	•R188.8MM

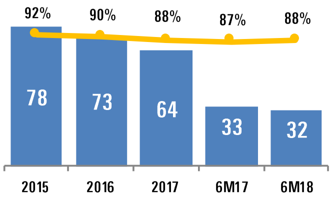


Founded in 2000, it has a 30-year concession to operate the SE Campos Novos - SE Blumenau Transmission Line, with a length of 252.5 km. Created the wholly owned subsidiary ETSE to manage new transmission lines, with a 30-year concession (auction won in Dec / 2011).

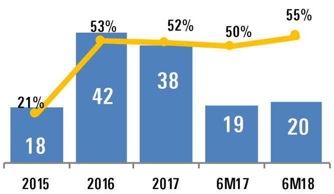
Net Operating Revenue (R$ MM)
Excludes Construction Revenue



EBITDA (R$ MM) and EBITDA Margin (%)

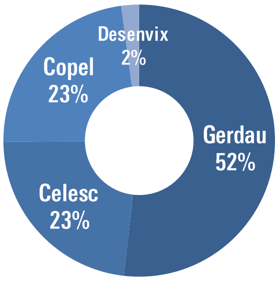


Net Income (R$ MM) and Net Margin (%)



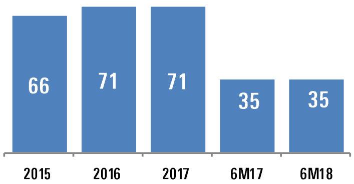
Dona Francisca Energética S.A. DFESA

Asset	Equity.	Net Debt.
•R$ 137.5 MM	•R$ 107.1 MM	•R$ 0 MM • *liquid box

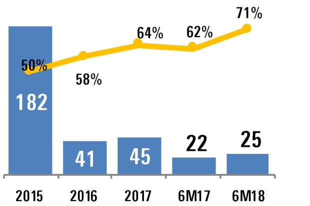


An independent power producer, formed in 1998, it holds a 35-year concession from the Dona Francisca Hydroelectric Power Plant. It is located in Rio Jacuí (RS) with installed capacity of 125MW and assured energy of 80 MW.

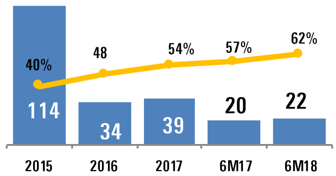
Net Operating Revenue (R$ MM)



EBITDA (R$ MM) and EBITDA Margin (%)



Net Income (R$ MM) and Net Margin (%)



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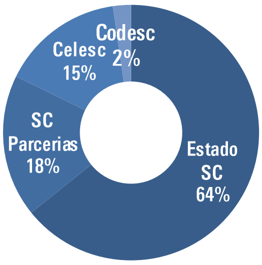
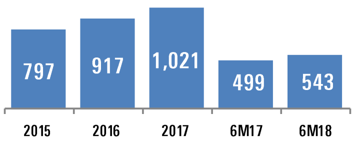
Asset	Equity.	Net Debt.
•R$ 3.267 MM	•R$ 1.154 MM	•R$ 1.159 MM

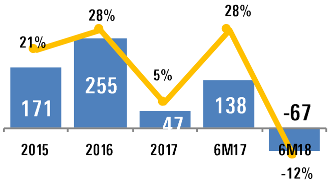


It operates water and sewage services for a population of 2.5 million inhabitants through concession contracts signed with 201 municipalities in the State of Santa Catarina and 01 municipality in the State of Paraná. The strategic guidance contained in the Celesc Master Plan provides for the sale of this shareholding.

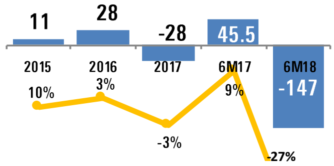
Net Operating Revenue (R$ MM)



EBITDA (R$ MM) and EBITDA Margin (%)



Net Income (R$ MM) and Net Margin (%)



3 – Holding

3.1 – Income from the Company's interest in the Parent Company

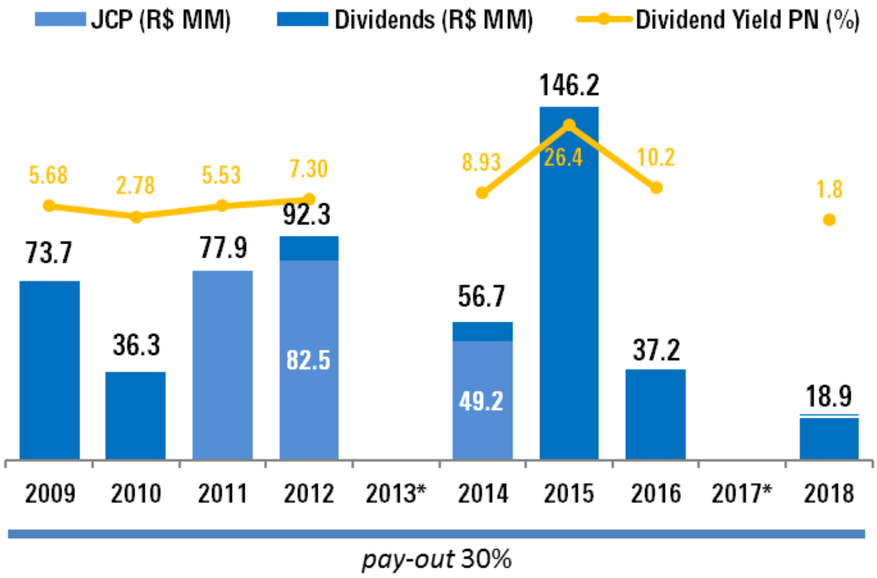
Holding | Equity Result

R$ Million	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Celesc Distribuição (100%)	(106.6)	62.2	158.4%	(11.4)	119.6	1150.2%
Celesc Geração (100%)	12.7	13.5	6.1%	22.7	28.2	24.1%
SCGÁS (17%)	(1.9)	(1.9)	-130.2%	(4.0)	(4.4)	-128.4%
ECTE (30.9%)	2.9	3.1	8.4%	5.8	6.0	3.3%
DFESA (23%)	2.1	2.5	19.8%	4.3	5.0	16.8%
Equity Result	**(90.8)**	**79.4**	***187.4%***	**17.4**	**154.4**	***786.9%***

3.2 – Dividends

As per Notice to Shareholders - Payment of Dividends of 05/04/2018, the dividends for the year 2017, in the amount of R$ 18.9 million, will be paid in two installments: 1) the first installment, in the amount of R$ 9.45 million, was held on 06/29/2018, dividends paid being R$ 0.23177562 per ordinary share and R$ 0.254953185 per preferred share; 2) The second installment, also in the amount of R$ 9.45 million, will be available to shareholders on December 28, 2018, with dividends being paid in the amount of R$ 0.23177562 per ordinary share and R$ 0.254953185 per preferred share. Company's shareholders who hold shareholding positions on April 30, 2018 will be entitled to dividends.

Since 2009, the company has implemented a pay-out (percentage of net income) equal to 30%, five percentage points above the statutory minimum, following the current dividend distribution policy approved in the Master Plan. The chart below shows the earnings history, as well as the dividend-yield (dividend return) provided to holders of the Company's CLSC4 preferred shares.



* There was no distribution in 2013 and 2017 due to the loss recorded in 2012 of R$ 225MM and 2016 of

4.1 – Consolidated Economic-Financial Performance

Consolidated | Main Financial Indicators

R$ Million	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Gross Operating Revenue	**2,687.2**	**3,168.2**	***17.9%***	**5,314.0**	**6,105.8**	***14.9%***
Deductions from Operating Revenue	(1,034.2)	(1,191.1)	*15.2%*	(2,121.8)	(2,353.9)	*10.9%*
Net Revenue	**1,653.0**	**1,977.1**	***19.6%***	**3,192.2**	**3,752.0**	***17.5%***
Operating Costs and Expenses	(1,630.5)	(1,833.4)	*12.4%*	(3,011.8)	(3,474.1)	*15.4%*
Equity Result	**2.4**	**2.5**	***3.7%***	**5.5**	**7.0**	***28.8%***
Operating Results	**24.9**	**146.2**	***486.0%***	**185.9**	**284.9**	***53.2%***
EBITDA	**79.6**	**199.8**	***151.2%***	**294.0**	**391.7**	***33.2%***
EBITDA Margin (%)	*5.1%*	*10.7%*		*9.8%*	*11.0%*	
Financial Result	**(136.6)**	**(31.0)**	***-77.3%***	**(132.0)**	**(50.8)**	***61.5%***
LAIR	**(111.7)**	**115.2**	***203.1%***	**53.9**	**234.1**	***334.2%***
Tax and Social Contribution	12.2	(46.0)	***-475.8%***	(51.7)	(93.9)	***81.6%***
Net Profit / Losses	**(99.4)**	**69.2**	***169.6%***	**2.2**	**140.2**	***6232.9%***
Net Margin(%)	*-6.4%*	*3.7%*		*0.1%*	*3.9%*	
Depreciation /Amortization	**(54.6)**	**(53.6)**	***-1.8%***	**(108.1)**	**(106.8)**	***-1.2%***
Costruction Costs	**98.1**	**102.3**	***4.3%***	**192.0**	**196.7**	***2.4%***

Among the factors that contributed to the ROL expansion of 19.6% in the quarter (17.5% year), the following stand out:

i. Increase in Energy supply of 36.7% in the quarter (9.2% year) at the subsidiary Celesc D;
ii. R$ 35.9 million increase in the quarter (R$ 58.6 million year) of Revenue with supply of tariff flag in the subsidiary Celesc D;
iii. Increase of 6.2% in the quarter (2.9% year) in billed energy;
iv. 22.7% reduction (R$ 50 million) in Management Expenses (PMSO) in the subsidiary Celesc D;
v. Positive change of 74.1% in the quarter, in terms of Regulatory Assets for the subsidiary Celesc D, as detailed in the respective topic;
vi. Positive performance of the subsidiary Celesc Geração, as addressed in the respective topic;
vii. 187.4% increase in the interest income (SCGás, DFESA, ECTE and SPEs of Celesc Geração).

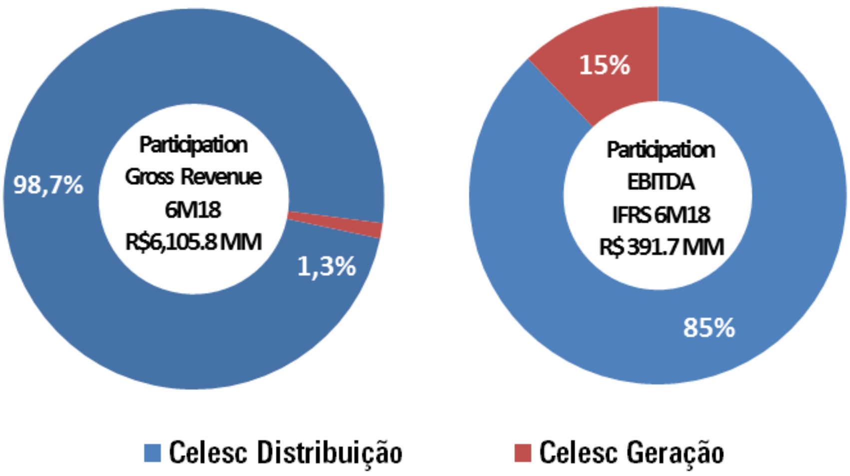
We did not have any non-recurring items in the consolidated income of the quarter, therefore, EBITDA and adjusted profit were similar to EBITDA and IFRS.

Consolidated | Adjusted Result*

R$ Million	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Adjusted EBITDA	58.1	199.8	*244.1%*	272.5	391.7	*43.7%*
Adjusted EBITDA Margin, excluding Construction Reve	*3.7%*	*10.7%*		*9.1%*	*11.0%*	
Adjusted Net Profit / Loss	(2.1)	69.2	*3349.9%*	97.4	140.2	*43.9%*
Adjusted Net Margin, excluding Construction Revenue	*-0.1%*	*3.7%*		*3.2%*	*3.9%*	

** IFRS + Regulatory Assets and Liabilities - Non-Recurring itens.*

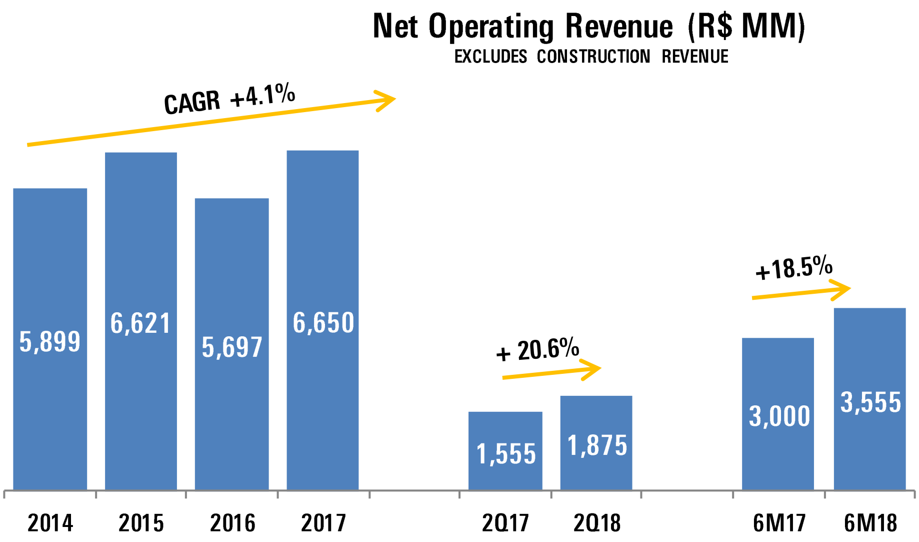
Gross Operating Revenue - ROB and Share in the Consolidated EBITDA



ROB is composed mainly of revenues from electricity distribution activities. The graphs below indicate, respectively, the participation in Gross Revenue, EBITDA IFRS.

Net Consolidated Operational Revenue

The graph below shows the development of ROL not considering the effects of construction revenue.



Costs and Consolidated Operational Expenses

Consolidated | Operating Costs and Expenses

R$ Million	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
OPERATING COSTS AND EXPENSES	**(1,630.5)**	**(1,833.4)**	*12.4%*	**(3,011.8)**	**(3,474.1)**	*15.4%*
Electric Energy Costs	**(1,222.4)**	**(1,467.0)**	*20.0%*	**(2,240.4)**	**(2,749.0)**	*22.7%*
Electric Energy purchased for Relase	(1,222.4)	(1,467.0)	*20.0%*	(2,240.4)	(2,749.0)	*22.7%*
PMSO	**(234.9)**	**(184.4)**	*-21.5%*	**(420.3)**	**(376.4)**	*-10.4%*
Personnel and Management	(175.6)	(144.4)	*-17.7%*	(334.2)	(296.8)	*-11.2%*
Material	(3.3)	(3.6)	*11.1%*	(6.7)	(6.8)	*1.2%*
Third Parties Services	(46.4)	(51.2)	*10.4%*	(89.9)	(98.4)	*9.4%*
Other Expenses	(9.7)	14.9	*-253.7%*	10.4	25.4	*143.9%*
Net provisions	**(20.5)**	**(26.1)**	*27.1%*	**(50.9)**	**(45.2)**	*-11.3%*
Depreciation / Amortization	**(54.6)**	**(53.6)**	*-1.8%*	**(108.1)**	**(106.8)**	*-1.2%*
Costruction Costs	**(98.1)**	**(102.3)**	*4.3%*	**(192.0)**	**(196.7)**	*2.4%*

Details of the main variations can be found in the topics of Celesc Distribuição and Celesc Geração. The following chart sets forth the total expense with Consolidated Personnel, also detailed in the topics of distribution and generation companies.

Consolidated | Personnel Expenses

R$ Million	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Personnel - Total	**(175.6)**	**(144.4)**	*-17.7%*	**(334.2)**	**(296.8)**	*-11.2%*
Personnel and Management	(157.2)	(136.2)	*-13.4%*	(299.1)	(281.9)	*-5.7%*
Personnel and Management	(150.5)	(129.2)	-14.1%	(285.3)	(267.7)	-6.2%
Private Pension	(6.7)	(7.0)	3.6%	(13.9)	(14.3)	3.0%
Actuarial Expenses	(18.4)	(8.3)	*-54.9%*	(35.1)	(14.8)	*-57.8%*

Equity Income

The chart below shows the impact on Celesc Group's Consolidated Income, regarding the income of SCGÁS, ECTE, Dona Francisca Energética - DFESA and the SPEs in which Celesc Geração holds a minority interest, previously mentioned. The main information on variations shown can be queried in the specific topics.

Consolidated | Equity Result

R$ Million	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
SCGÁS (17%)	(1.9)	(1.9)	0.0%	(4.0)	(4.4)	10.8%
ECTE (30.9%)	2.9	3.1	8.4%	5.8	6.0	3.3%
DFESA (23%)	2.1	2.5	19.8%	4.3	5.0	16.8%
SPEs - Celesc Geração	(0.7)	0.4	168.1%	(0.6)	0.5	170.3%
Equity Result	**2.4**	**4.2**	***73.0%***	**5.5**	**7.0**	***28.9%***

Adjusted EBITDA and EBITDA

IFRS EBITDA Consolidated - Non-Recurring

R$ Million	2st Quarter 2017	2st Quarter 2018	Δ	Accumulated 6 Months 2017	Accumulated 6 Months 2018	Δ
Profit / Loss Net	**(99.4)**	**69.2**	***-169.6%***	**2.2**	**140.2**	***6232.9%***
(+) Income Tax and Social Contribution	12.2	(46.0)	***-475.8%***	(51.7)	(93.9)	***81.6%***
(+) Financial Result	(136.6)	(31.0)	***-77.3%***	(132.0)	(50.8)	***-61.5%***
(+) Depreciation and Amortization	(54.6)	(53.6)	***-1.8%***	(108.1)	(106.8)	***-1.2%***
EBITDA	**79.6**	**199.8**	**151.2%**	**294.0**	**391.7**	**33.2%**
Celesc Distribuicao | Non-Recurring Effects	21.5	0.0		21.5	0.0	
Celesc Geração | SHPs Impairment Test	0.0	0.0			0.0	
(=) Adjusted EBITDA by Non-Recurring Effects	**58.1**	**199.8**	**244.1%**	**272.5**	**391.7**	**43.7%**
EBITDA Margin without Adjustments (IFRS)	*5.1%*	*10.7%*		*9.8%*	*11.0%*	
Adjusted EBITDA Margin, excluding Construction Revenue (%)	*3.7%*	*10.7%*		*9.1%*	*11.0%*	

Financial Income

Consolidated | Financial Results Statement

R$ Million	2st Quarter 2017	2st Quarter 2018	Δ	Accumulated 6 Months 2017	Accumulated 6 Months 2018	Δ
Financial Income	**103.2**	**41.7**	***-59.6%***	**172.0**	**82.1**	***-52.3%***
Interest Income	25.7	4.1	*-84.0%*	51.4	9.5	*-81.5%*
Monetary Variation	5.3	6.4	*20.4%*	8.0	10.2	*27.2%*
Interest and Arrears on Invoices	29.2	22.2	*-24.0%*	58.1	44.8	*-22.9%*
Financial Incentive - Social Fund	0.0	0.1		7.5	1.5	*-80.5%*
Monetary Devaluation on Energy Sold	33.9	9.1	*-73.1%*	38.3	17.0	*-55.6%*
Dividend income	0.0	0.0	*-100%*	1.3	0.0	*-100.0%*
Other Revenue	9.1	(0.3)	*-102.9%*	7.3	(1.0)	*-113.2%*
Financial Expenses	**(239.9)**	**(72.7)**	***-69.7%***	**(304.0)**	**(132.9)**	***-56.3%***
Debt Charges	(17.3)	(19.5)	*12.6%*	(38.6)	(38.1)	*-1.2%*
Monetary Variation	(6.3)	(14.9)	*136.2%*	(6.8)	(17.0)	*149.3%*
Regulatory Liability / Regulatory Fees	(188.9)	(23.1)	*-87.8%*	(204.7)	(46.5)	*-77.3%*
Adjustment of R&D and Energy Efficiency	(6.1)	(3.9)	*-35.6%*	(13.2)	(7.8)	*-40.8%*
Interest on Debentures	(11.3)	(6.3)	*-44.1%*	(27.4)	(13.5)	*-50.7%*
Other Expenses	(10.0)	(5.0)	*-50.2%*	(13.3)	(10.0)	*-24.7%*
Net Financial Results	**(136.6)**	**(31.0)**	***-77.3%***	**(132.0)**	**(50.8)**	***-61.5%***

** VNR revenue w as reclassified to Gross Revenue as Other Income item as of 4Q16.

Net Consolidated Profit

LUCRO LÍQUIDO Consolidado IFRS - Não-Recorrentes

R$ Milhões	2º Trimestre			Acumulado 6 meses		
	2017	2018	Δ	2017	2018	Δ
Lucro/Prejuízo Líquido - Reportado IFRS	**(99,4)**	**69,2**	***169,6%***	**2,2**	**140,2**	***6232,9%***
(+) Celesc Distribuição | Efeitos de Ativos e Passivos Regulatórios	0,0			0,0		
(=) Lucro/Prejuízo Ajustado por Ativos/Passivos Regulatórios	**(99,4)**	**69,2**	**169,6%**	**2,2**	**140,2**	**6232,9%**
(-) Celesc Distribuição | Efeitos Não-Recorrentes	(97,3)	0,0		(95,2)	0,0	
(-) Celesc Geração | Teste Impairment PCHs	0,0	0,0			0,0	
(=) Lucro Líquido Ajustado	**(2,1)**	**69,2**	**3349,9%**	**97,4**	**140,2**	**43,9%**
Margem Líquida sem Ajustes (IFRS)	*-6,4%*	*3,7%*		*0,1%*	*3,9%*	
Margem Líquida Ajustada, exclui Receita de Construção (%)	*-0,1%*	*3,7%*		*3,2%*	*3,9%*	

Indebtedness

It reflects the operations already presented to the subsidiaries Celesc Distribuição and Celesc Geração.

Consolidated | Debt

Financial Debt 2Q18			
R$ Million	in December 31, 2017	in March 30 2018	Δ
Short-Term Debt	340.4	434.5	27.6%
Long-Term Debt	142.3	170.7	20.0%
Total Debt	**482.7**	**605.1**	**25.4%**
(-) Cash and Cash equivalents	564.6	**300.2**	-46.8%
Net Debt	**(81.9)**	**304.9**	**472.2%**
Net Debt / EBITDA LTM	**-0.2x**	**0.5x**	
Net Debt / Ajusted EBITDA LTM	**-0.2x**	**0.5x**	
Net Debt / Equity	**0.0x**	**0.2x**	

The table below shows the Pension Obligations (actuarial liability).

Consolidated | Debt + Post-Employment Benefits

Financial Debt + Post-Employment Benefits 2Q18			
R$ Million	in December 31, 2017	in March 30 2018	Δ
Short-Term Debt	340.4	434.5	27.6%
Long-Term Debt	142.3	170.7	20.0%
Total Financial Debt	**482.7**	**605.1**	**25.4%**
(+) Net Actuarial Liability	**1,364.5**	**1,334.4**	**-2.2%**
Pension Obligations	**1,179.8**	**1,137.3**	-3.6%
Other benefits	698.1	689.9	-1.2%
(-) deferred tax[1]	513.5	492.8	-4.0%
(-) Cash and Cash equivalents	564.6	300.2	-46.8%
Adjusted Net Debt	**1,282.5**	**1,639.3**	**27.8%**
Adjusted Net Debt / EBITDA LTM	**2.5x**	**2.6x**	
Adjusted Net Debt / Ajusted EBITDA LTM	**2.4x**	**2.5x**	
Adjusted Total Debt / Equity	**1.0x**	**1.0x**	
Adjusted Net Debt / Equity	**0.7x**	**0.8x**	

[1] Quarterly Information 2Q18, Explanatory Note 20.a

Ratings for Centrais Elétricas de Santa Catarina S.A. – CELESC

Moody's in February 2017 assigned ratings of B1 issuer on a global scale and Baa1.br on a national scale to the parent company of the Celesc Group.

Group's Investments

Celesc | Investments Made in the Period						4.9%
R$ Million	2st Quarter			Accumulated 6 Months		
	2017	2018	Δ	2017	2018	Δ
Energy Generation	1.8	5.2	*191.2%*	6.0	11.0	*82.9%*
Energy Distribution	105.2	111.7	*6.2%*	205.3	212.2	*3.3%*
Total	**107.0**	**116.9**	**9.3%**	**211.3**	**223.2**	**5.6%**

For the year 2018, the consolidated investment budget totals R$ 462.8 million, of which R$ 395.1 million in Electric Energy Distribution, R$ 59.7 million in Electric Energy Generation and R$ 8 million in New Businesses.

5 - Performance in the Capital Market

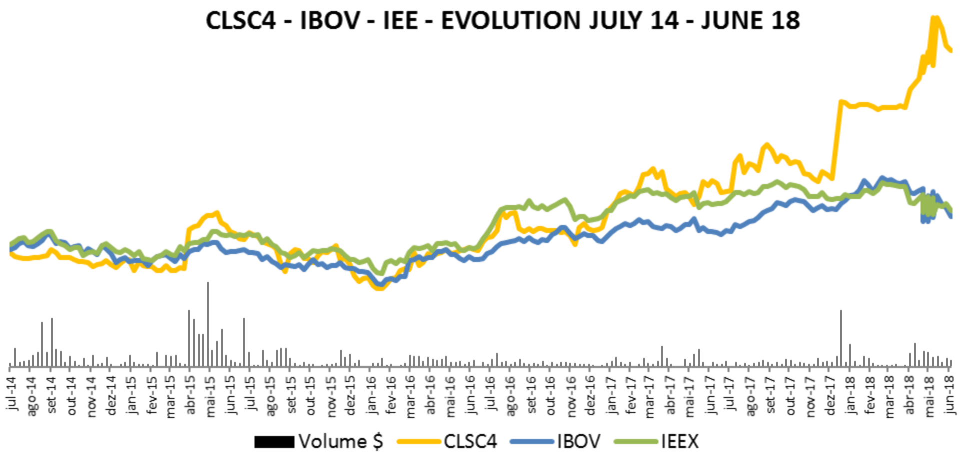
Celesc shares are traded on the BM&FBOVESPA under the ticker codes CLSC3 (15,527,137 ordinary shares - ON, 40.26%) and CLSC4 (23,044,454 preferred shares - PN, 59.74%). Since joining Level 2 of Corporate Governance in 2002, the company has joined IGC and ITAG, ratios made up of companies that offer transparency and protection to minority shareholders.

The main ratio of the Brazilian Stock Exchange, Ibovespa, showed a negative return of 14.73% in the quarter and a positive variation of 15.68% in the cumulative twelve months. The Electric Energy Ratio (IEE), which measures the behavior of the main shares of the electricity sector, showed a 6.96% devaluation in the quarter and a positive variation of 1.22% in the last twelve months. Even in this scenario, the Company's Preferred Shares - PN had a positive performance of 8.9% in the quarter and a 61.11% increase in the last twelve months.

Accompaniment CLSC4	2Q17	3Q17	4Q17	1Q18	2Q18
Closing quote adjusted to earnings (R $ / share)	18.00	21.49	27.10	26.60	28.50
Price / Profit	4,8x	10,2x	15,7x	28,5x	5,3x
Price / Asset Value	0,3x	0,4x	0,5x	0,6x	0,5x
Average volume traded (Thousand shares)	11	8	16	8	13
Average volume traded (R $ thousand)	204	160	358	206	379
Market Value (R $ Million)	694	885	1090	1,158	1,099
Market Value (US $ Million)	210	281	330	353	285
Profitability (%)	-1.59	19.39	26.1	-1.84	8.9
Profitability in the last 12 months (%)	36.36	54.38	70.55	45.43	61.11
Ibovespa Profitability (%)	-3.21	19.37	2.84	11.73	-14.76
Profitability Ibovespa last 12 months (%)	22.07	27.32	26.86	31.36	15.68
IEE Profitability (%)	-4.69	9.39	-3.81	4.31	-6.96
IEE Profitability for the last 12 months (%)	23.74	13	10.04	3.36	1.22

Source: Economática

The chart below shows CLSC4 performance against Ibovespa and IEE in recent years:



ANNEXES

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

CONSOLIDATED BALANCE SHEET — In R$ thousand

Assets	12/31/2017	06/30/2018	Liabilities and Shareholders´Equity	12/31/2017	06/30/2018
Current			**Current**		
Cash and cash equivalents	564,594	300,232	Suppliers	831,582	887,137
Indemnification asset - concession	-	-	Bank Loans and financing	88,057	324,354
Receivable Accounts	1,399,563	1,355,331	Debentures	252,333	110,101
Inventories	9,732	11,310	Accrued Payroll	200,623	176,944
Tax to Recoverable	75,831	124,894	Tax and Social Contribution	208,823	256,833
Dividends	9,045	4,321	Proposed Dividends	16,301	9,893
CDE Resources to cover CVA	30,277	293,904	Regulatory Charges	2,677,615	2,485,493
Other credits	1,783,575	1,760,174	Related Parties	19,732	13,729
			Obligation w ith Employees Benefits	139,305	138,317
			Other Liabilities	47,658	49,515
			Financial Asset - Portion A - CVA	4,638	-
	3,872,617	**3,850,166**		**4,486,667**	**4,452,316**
Non Recurring Assets			**Long Term Liabilities**		
Accounts Receivable	35,380	50,738	Bank Loans and financing	42,409	31,425
Related Parties	6,622	4,859	Debentures	99,883	139,257
Marketable Securities	137,478	137,478	Regulatory Charges	156,610	146,903
Asset Compensatorium - concession	397,355	367,052	Deferred Taxes	9,613	13,123
Recoverable Taxes	19,440	27,323	Obligation w ith Employees Benefits	1,738,673	1,688,901
Deferred Taxes	641,806	637,849	Provision for contigencies	618,934	651,821
Escrow Deposits	161,430	185,595	Other Liabilities	2,476	2,476
Other credits	3,524	1,794	Financial Asset - Portion A - CVA	21,689	24,247
Investments	216,481	225,214	salary and social charges	41,060	26,603
Intangible	3,174,561	3,257,175		**2,731,347**	**2,724,756**
Property, plant and equipment	151,672	152,621			
Financial Asset - Portion A - CVA	241,886	247,527		**7,218,014**	**7,177,072**
			Shareholders´Equity		
	5,187,635	**5,295,225**	Capital	1,340,000	1,340,000
			Capital Reserves	316	316
			Accumulated Loss/Profit	-	141,852
			Other	1,189,031	1,174,901
			Adjustement for IFRS adoption	(687,109)	(688,750)
				1,842,238	**1,968,319**
Total Assets	**9,060,252**	**9,145,391**	**Total of Liabilities and Shareholders´Equity**	**9,060,252**	**9,145,391**

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

INCOME STATEMENT - CONSOLIDATED — In R$ Thousand

	2Q16	2Q17	Chg %	6M17	6M186	Chg %
Gross Operating Revenue (RS thousand)	**2,687,229**	**3,168,209**	**17.9%**	**5,314,016**	**6,105,849**	**14.9%**
Electricity Sales	1,844,210	1,613,427	-12.5%	4,161,791	3,310,297	-20.5%
Electricity Supply	81,060	92,054	13.6%	162,236	185,808	14.5%
Regulatory Asset	164,779	286,882	74.1%	(44,438)	282,459	735.6%
Short Term Energy	172,951	101,610	-41.2%	206,970	143,112	-30.9%
Provision of Electricity Network	178,102	758,297	325.8%	337,340	1,572,383	366.1%
Leasing and Rentals	135,786	194,709	43.4%	271,693	382,221	40.7%
Service Income	645	645	0.0%	1,166	1,243	6.6%
Taxed Services	3,307	3,595	8.7%	6,182	6,735	8.9%
Financial Income	8,158	13,007	59.4%	18,111	22,574	
Other Revenues	174	1,732	895.4%	927	2,328	
Construction Revenue	**98,057**	**102,251**	**4.3%**	192,038	196,689	2.4%
Deductions from Operating Revenue (RS thousand	**(1,034,212)**	**(1,191,081)**	**15.2%**	**(2,121,796)**	**(2,353,893)**	**10.9%**
Value-Added Tax (ICMS)	(430,814)	(506,134)	17.5%	(962,588)	(1,041,327)	8.2%
PIS / COFINS	(229,874)	(282,861)	23.1%	(462,867)	(545,582)	17.9%
Regulatory Charges (RGR)	-	-		-	-	
Energy Development Account (CDE)	(276,399)	(351,678)	27.2%	(571,455)	(696,215)	21.8%
Research and Development	(7,780)	(9,421)	21.1%	(15,026)	(17,861)	18.9%
Energetic Efficency	(7,582)	(9,223)	21.6%	(14,647)	(17,456)	19.2%
ANEEL Regulatory Inspection Fee	(1,724)	(1,725)	0.1%	(3,446)	(3,450)	0.1%
Other Expenses	(80,039)	(30,039)	-62.5%	(91,767)	(32,002)	
Net Operating Revenue (RS thousand)	**1,653,017**	**1,977,128**	**19.6%**	**3,192,220**	**3,751,956**	**17.5%**
Electricity Cost (RS thousand)	**(1,630,476)**	**(1,833,414)**	**12.4%**	**(3,011,779)**	**(3,474,102)**	**15.4%**
Purchases of Electricity for Resale	(1,222,378)	(1,467,014)	20.0%	(2,240,384)	(2,748,980)	22.7%
Personnel, Management	(157,182)	(136,150)	-13.4%	(299,105)	(281,946)	-5.7%
Actuarial Expenses	(18,388)	(8,290)	-54.9%	(35,083)	(14,807)	-57.8%
Materials	(3,277)	(3,641)	11.1%	(6,686)	(6,763)	1.2%
Third-Party Services	(46,363)	(51,203)	10.4%	(89,891)	(98,364)	9.4%
Depreciation & Amortization	(54,616)	(53,624)	-1.8%	(108,121)	(106,838)	-1.2%
Provision for doubtful accounts	(23,560)	(14,334)	-39.2%	(32,767)	(24,385)	-25.6%
Reversal of provision for doubtfull accounts	91	3,011	3208.8%	4,425	4,433	0.2%
Other Provisions	(23,326)	(21,043)	-9.8%	(51,811)	(35,572)	-31.3%
Reversal of other provisions	26,254	6,258	-76.2%	29,248	10,361	-64.6%
ANEEL Regulatory Inspection Fee	-	-		-	-	
Other	(9,674)	14,867	253.7%	10,434	25,448	-100.0%
Construction Costs	(98,057)	(102,251)	4.3%	(192,038)	(196,689)	2.4%
Equity Result (R$ thousand)	**2,408**	**2,498**	**3.7%**	**5,470**	**7,048**	**28.8%**
Operating Income (Loss) before Financial Income	**24,949**	**146,212**	**486.0%**	**185,911**	**284,902**	**53.2%**
Operating Margin (%)	1.5%	7.4%		5.8%	7.6%	
EBITDA (R$ thousand)	**79,565**	**199,836**	**151.2%**	**294,032**	**391,740**	**33.2%**
EBITDA Margin (%)	4.8%	10.1%		9.2%	10.4%	
Net Financial Income (RS thousand)	**(136,623)**	**(31,024)**	**-77.3%**	**(132,006)**	**(50,823)**	**61.5%**
Financial Revenues	103,234	41,673	-59.6%	171,991	82,058	-52.3%
Financial Expenses	(239,857)	(72,697)	-69.7%	(303,997)	(132,881)	-56.3%
Income before Tax (RS thousand)	**(111,674)**	**115,188**	**203.1%**	**53,905**	**234,079**	**334.2%**
Income Tax and Social Contribution	13,782	(34,940)	-353.5%	(11,766)	(80,694)	585.8%
Deferred Tax and Social Contribution	(1,550)	(11,031)	611.7%	(39,925)	(13,174)	-67.0%
Net Income (RS thousand)	**(99,442)**	**69,217**	**169.6%**	**2,214**	**140,211**	**6232.9%**
Net Margin (%)	**-6.0%**	**3.5%**		**0.1%**	**3.7%**	

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.		
Consolidated Cash Flow (DFC)		Em R$ Thousand
	12M17	6M18
Profit / Losses before Income Tax and Social Contribution	**156,156**	**234,079**
Adjusts	**477,668**	**210,447**
Depreciation and Amortization	218,046	106,838
Asset Write-Off	856	260
Fixed Assets Write-Off	53,695	23,592
Equity Result	(9,563)	(7,048)
Update on Financial Assets - VNR	(2,328)	(2,328)
Reversal of Provision for losses in Coligated Companies Assets	(3,092)	-
Impairmant Marketable Securities	-	-
Interest and Monetary Variation	112,833	44,061
Update monetary subsidy Grant	(40,808)	(22,574)
Other Adjusts in Investments	-	-
Provision for Actuarial Liabilities	73,047	14,807
Allowance for Doubtfull Accounts	54,167	19,952
Contigencies	20,815	-
Provision/Reversal for losses of assets	-	32,887
Changes in Assets / Liabilities	**(162,181)**	**(502,822)**
Accounts Receivable	(187,508)	(7,234)
Inventories	274	(1,578)
Recoverble Taxes	44,475	(56,946)
Other Assets	(105,006)	53,862
Subssidy Decree Nº 7.891/2013	(303,171)	15,285
Regulatory Assets	(381,977)	(206,155)
Scrow Deposits	(37,094)	(24,165)
Suppliers	206,482	55,555
Salaries and Social Charges	32,757	(38,142)
Tax Payable	57,601	41,680
Regulatory Charges	381,255	(201,698)
Regulatory Liabilities	288,746	(42,619)
Other Liabilities	1,120	(4,147)
Actuarial Liabilities	(160,135)	(86,520)
Cash Flow from Operating activities	**471,643**	**(58,296)**
Income Tax and Social Contribution Paid	(75,689)	(74,364)
Interest Paid	(74,485)	(22,543)
Net Cash from Operating Activities	**321,469**	**(155,203)**
Cash Flow from Investments Activities	**(371,561)**	**(223,358)**
Acquisition of Property, Plant and Equipment and Intangible Assets	(389,643)	(225,664)
Capital Increase	(9,926)	(7,558)
Capital reduction invested	-	-
Reveived Dividends	28,008	9,864
Net Cash Financing Activities	**(302,778)**	**114,199**
Related Parties	-	-
Loan Amortization	(201,765)	(75,665)
Payment of cost of debentures acquisition	-	-
Pagamento de juros de debêntures	-	-
Inflows - Loans	202	300,000
Inflows - Debentures	-	147,509
Ingressos valores ANEEL	(99,990)	(249,991)
Resgate Fundo de Investimento - FIDC	-	-
Dividends Paid	(1,225)	(7,654)
Total Effects of Cash and Cash Equivalents	**(352,870)**	**(264,362)**
Opening Balance of Cash and Equivalents	**917,464**	**564,594**
Closing Balance of Cash and Equivalents	**564,594**	**300,232**

CELESC DISTRIBUIÇÃO S.A.

CONSOLIDATED BALANCE SHEET — In R$ Thousand

Assets	12/31/2017	06/30/2018
Current		
Cash and Cash Equivalents	462,466	262,235
Receivables	1,381,421	1,338,729
Indemnification asset - concession	-	-
Inventories	9,549	11,153
Recoverable Taxes	73,310	118,489
Subsíddy Dec. nº 7.891/13	1,532,912	1,517,627
Financial Asset - Portion A - CVA	-	-
Other Credits	252,561	507,047
	3,712,219	**3,755,280**
Non-Current		
Receivable	35,380	50,738
Indemnification asset - concession	394,934	364,631
Recoverable / Compensable Taxes	18,217	25,922
Deferred Taxes	641,806	637,849
Escrow Deposits	143,465	166,977
Financial Asset - Portion A - CVA	-	-
Other Credits	3,524	1,794
Intangible	3,164,619	3,247,878
	4,401,945	**4,495,789**
Total Asset	**8,114,164**	**8,251,069**

Liabilities and Shareholders´Equity	12/31/2017	06/30/2018
Current		
Suppliers	828,637	883,476
Loans and Financing	88,057	324,354
Debentures	101,648	100,681
Payroll	199,630	176,350
Tax and Social Contributions	189,463	244,292
Proposed Dividends	7,919	3,959
Regulatory Charges	2,677,229	2,485,239
Related Parties	45,454	107,560
Obligation with Employees Benefits	139,247	138,270
Financial Asset - Portion A - CVA	4,638	-
Private Pension	19,732	13,729
Other Liabilities	47,385	49,150
	4,349,039	**4,527,060**
Non-Current		
Loans	42,409	31,425
Debêntures	99,883	-
Taxes and Contribution Diferred	-	-
Regulatory Tariff	154,583	144,648
Related Parties	-	-
Employees´ benefits	1,738,673	1,688,901
Contingency Provision	611,433	644,250
Financial Asset - Portion A - CVA	21,689	24,247
Other liabilities	2,476	2,476
Labor and Social Security Obligations	41,060	26,603
	2,712,206	**2,562,550**
	7,061,245	**7,089,610**
Shareholders´Equity		
Capital	1,053,590	1,053,590
Accumulated Porofit / Loss	-	119,617
Other Reserves	704,067	692,990
Equity Valuation Adjustment	(704,738)	(704,738)
	1,052,919	**1,161,459**
Total liabilities and shareholders' equity	**8,114,164**	**8,251,069**

CELESC DISTRIBUIÇÃO S.A.

INCOME STATEMENT		In thousand R$			In thousand R$	
	2Q17	2Q18	Chg %	6M17	6M18	Chg %
Gross Operating Revenue (RS thousand)	**2,644,583**	**3,128,017**	**18.3%**	**5,236,427**	**6,028,634**	**15.1%**
Electricity Sales	1,835,213	1,603,733	-12.6%	4,146,122	3,291,506	-20.6%
Electricity Supply	55,001	73,978	34.5%	117,284	148,793	26.9%
Active Regulatorio	164,779	286,882	74.1%	(44,438)	282,459	735.6%
Short Term Energy	172,951	101,610	-41.2%	206,970	143,112	-30.9%
Provision of Electricity Network	178,670	758,882	324.7%	338,483	1,573,548	364.9%
Leasing and Rentals	135,786	194,709	43.4%	271,693	382,221	40.7%
Service Income	645	645	0.0%	1,166	1,243	6.6%
Taxed Service	3,307	3,595	8.7%	6,182	6,735	8.9%
Other Revenues	174	1,732		927	2,328	151.1%
Construction Revenue	98,057	**102,251**	**4.3%**	192,038	**196,689**	2.4%
Deductions from Operating Revenue (RS thousand	**(1,029,883)**	**(1,187,246)**	**15.3%**	**(2,114,027)**	**(2,346,225)**	**11.0%**
Value-Added Tax (ICMS)	(430,814)	(506,134)	17.5%	(962,588)	(1,041,327)	8.2%
PIS/COFINS	(226,094)	(279,490)	23.6%	(456,139)	(538,967)	18.2%
CDE	(276,399)	(351,678)	27.2%	(571,455)	(696,215)	21.8%
Research and Development	(7,582)	(9,223)	21.6%	(14,647)	(17,456)	19.2%
Energetic Efficency	(7,582)	(9,223)	21.6%	(14,647)	(17,456)	19.2%
ANEEL Regulatory Inspection Fee	(1,632)	(1,659)	1.7%	(3,263)	(3,318)	1.7%
Other Charges	(79,780)	(29,839)	-62.6%	(91,288)	(31,486)	
Net Operating Revenue (RS thousand)	**1,614,700**	**1,940,771**	**20.2%**	**3,122,400**	**3,682,409**	**17.9%**
Energy Costs (R$ thousand)	**(1,219,246)**	**(1,459,998)**	**19.7%**	**(2,234,217)**	**(2,737,754)**	**22.5%**
Electricity Purchased for Resale	(1,083,799)	(1,164,480)	7.4%	(1,959,528)	(2,163,429)	10.4%
Charge of the Transmission Use of System	(98,736)	(255,992)	159.3%	(201,267)	(495,272)	146.1%
Proinfa	(36,711)	(39,526)	7.7%	(73,422)	(79,053)	7.7%
Recovery of expenses		-			-	
Operational Costs and Expenses (R$ Thousand)	**(387,033)**	**(349,303)**	**-9.7%**	**(732,404)**	**(696,904)**	**-4.8%**
Personnel and Management	(146,299)	(126,600)	-13.5%	(279,480)	(264,710)	-5.3%
Actuarial Expenses	(18,388)	(8,290)	-54.9%	(35,083)	(14,807)	-57.8%
Materials	(3,222)	(3,424)	6.3%	(6,567)	(6,503)	-1.0%
Third-Party Services	(43,315)	(47,294)	9.2%	(84,645)	(92,151)	8.9%
Depreciation & Amortization	(49,895)	(51,693)	3.6%	(99,271)	(102,996)	3.8%
Provision for doubtful accounts	(21,705)	(13,362)	-38.4%	(30,912)	(23,414)	-24.3%
Reversal of provision for doubtfull accounts	91	3,005	3202.3%	4,425	3,298	-25.5%
Other Provisions	(23,319)	(20,973)	-10.1%	(49,618)	(35,502)	-28.4%
Reversal of other provisions	26,254	6,257	-76.2%	29,248	10,361	-64.6%
Other Expenses	(9,178)	15,322	266.9%	11,537	26,210	127.2%
Construction cost	(98,057)	**(102,251)**	**4.3%**	(192,038)	**(196,689)**	2.4%
Operating Income (Loss) before Financial Income	**8,421**	**131,470**	**1461.2%**	**155,779**	**247,751**	**59.0%**
Operating Margin (%)	0.5%	6.8%		5.0%	6.7%	
EBITDA (R$ thousand)	**58,316**	**183,163**	**214.1%**	**255,050**	**350,747**	**37.5%**
EBITDA Margin (%)	3.6%	9.4%		8.2%	9.5%	
Net Financial Income (RS thousand)	**(134,137)**	**(29,850)**	**77.7%**	**(127,510)**	**(48,392)**	**62.0%**
Financial Revenues	101,937	40,525	-60.2%	168,272	79,490	-52.8%
Financial Expenses	(236,074)	(70,375)	-70.2%	(295,782)	(127,882)	-56.8%
Income before Tax (RS thousand)	**(125,716)**	**101,620**	**180.8%**	**28,269**	**199,359**	**605.2%**
Income Tax and Social Contribution	21,264	(30,320)	-242.6%	-	(70,078)	
Deferred Tax and Social Contribution	(2,129)	(9,078)		(39,659)	(9,664)	
Net Income (RS thousand)	**(106,581)**	**62,222**	**158.4%**	**(11,390)**	**119,617**	**1150.2%**
Annual Return on Equity	-6.6%	3.2%		-0.4%	3.2%	

CELESC DISTRIBUIÇÃO S.A.

Cash Flow (DFC)		Em R$ Thousand
	12M17	**6M18**
Profit / Losses before Income Tax and Social Contribution	**96,713**	**199,359**
Non-Cash Itens:	**727,300**	**266,119**
Amortization	200,322	102,996
Update on Financial Assets - VNR	(2,328)	(2,328)
Allowance for Doubtfull Accounts - PCLD	47,998	20,117
Labor, Civil and Tax Contingencies	20,770	32,817
Interest and Monetary Variation - Net	334,698	73,675
Costs of Debentures	365	183
Provision for Post-Employment Benefits	73,047	14,807
Assets Write-Off	52,428	23,852
Changes in Assets / Current and Non-Current	**(977,486)**	**(284,499)**
Receivable from Clients	(199,849)	(8,938)
Inventories	285	(1,604)
Recoverble Taxes	45,090	(52,884)
Scrow Deposits	(36,535)	(23,512)
Resources CDE / Account in the Regulated Market	-	-
Subssidy Decree Nº 7.891/2013	(303,171)	15,285
Financial Assets	(412,438)	(222,062)
Other Credits	(70,868)	9,216
Changes in Liabilities / / Current and Non-Current	**575,836**	**(314,319)**
Suppliers	210,862	54,839
Salaries and Social Charges	(67,889)	(37,737)
Tax and Social Contributioon	58,269	38,343
Regulatory Charges	144,110	(236,392)
Pension Plan	2,716	(6,003)
Actuarial Liabilities	(59,576)	(86,515)
Financial Liabilities	288,746	(42,619)
Other Liabilities	(1,402)	1,765
Cash from Operating Activities	**422,363**	**(133,340)**
Interest Paid	(55,489)	(16,208)
Income Tax and Social Contribution Paid	(67,341)	(53,592)
Net Cash from Operating Activities	**299,533**	**(203,140)**
Investments Activities	**(416,401)**	**(177,476)**
Acquisition of the Concession Properties	(416,401)	(177,476)
Net Cash Financing Activities	**(301,553)**	**180,385**
Cash Flow	202	300,000
Related party Ticket	-	60,000
Amortization of Loans and Financing	(301,755)	(175,655)
Dividends and Interest on Equity - IOE	-	(3,960)
Total Effects of Cash	**(418,421)**	**(200,231)**
Opening Balance of Cash and Equivalents	**880,887**	**462,466**
Closing Balance of Cash and Equivalents	**462,466**	**262,235**

CELESC GERAÇÃO S.A.

BALANCE SHEET

In R$ Thousand

Assets	12/31/2017	06/30/2018
Current		
Cash and Cash Equivalents	77,080	21,047
Receivables	18,358	16,820
Inventories	183	157
Recoverable Income and Social Contribution Tax	466	4,225
Other Credits	248	27
Financial Asset	30,277	31,303
Prepaid Expenses		25
	126,612	**73,604**
Non Current		
Recoverable Taxes	45,942	108,048
Recoverable Taxes	1,223	1,401
Escrow Deposits	342	342
Investments	51,058	59,069
Intangible	3,490	3,097
Property, plant and equipment	151,631	152,582
Financial Asset	241,886	247,527
Other Credits	2,421	2,421
Related Searches		
	497,993	**574,487**
Total Assets	**624,605**	**648,091**

Liabilities and Shareholders´Equity	12/31/2017	06/30/2018
Current		
Suppliers	2,931	3,580
Tax and Social Contributions	19,283	12,451
Dividendos Propostos	11,628	13,954
Regulatory Charges	386	254
Debêntures	150,685	9,420
Related Parts	-	
Other Liabilities	1,170	1,080
	186,083	**40,739**
Non Current		
Deferred Taxes	9,613	13,123
Regulatory Charges	2,027	2,255
Provision for Contigencies	1,002	1,002
Debêntures	-	139,257
	12,642	**155,637**
Total Liabilities	**198,725**	**196,376**
Shareholder´s Equity		
Capital Social	250,000	250,000
Accumulated Profit / Loss	-	29,802
Other	158,251	155,925
Equity Valuation Adjustment	17,629	15,988
	425,880	**451,715**
Total of Liabilities and Shareholders´Equity	**624,605**	**648,091**

CELESC GERAÇÃO S.A.

INCOME STATEMENT — In R$ Thousand

	2Q17	2Q18	Chg %	6M16	6M17	Chg %
Gross Operating Revenue (RS thousand)	**43,907**	**41,331**	**-5.9%**	**80,174**	**79,616**	**-0.7%**
Electricity Sales	8,997	9,694	7.7%	15,669	18,791	19.9%
Electricity Supply	22,107	18,112	-18.1%	37,587	33,766	-10.2%
Short Term Energy	4,645	518	-88.8%	8,807	4,485	-49.1%
Financial Revenue - Interest and BO Update	8,158	13,007	59.4%	18,111	22,574	-
Deductions from Gross Operating Revenue (RS thousand)	**(4,329)**	**(3,835)**	**-11.4%**	**(7,769)**	**(7,668)**	**-1.3%**
Value-Added Tax (ICMS)	-	-		-	-	
Pis/Cofins	(3,780)	(3,371)	-10.8%	(6,728)	(6,615)	-1.7%
Financial Compensation by Use of Water Resources	(259)	(200)	-22.8%	(479)	(516)	7.7%
Regulatory Charges (RGR) and Research and Development	(198)	(198)	0.0%	(379)	(405)	6.9%
ANEEL Regulatory Inspection Fee	(92)	(66)	-28.3%	(183)	(132)	
Net Operating Revenue (RS thousand)	**39,578**	**37,496**	**-5.3%**	**72,405**	**71,948**	**-0.6%**
Electricity Cost (RS thousand)	**(4,393)**	**(8,155)**	**85.6%**	**(8,752)**	**(13,627)**	**55.7%**
Electricity Purchased for Resale	(3,825)	(7,570)	97.9%	(7,609)	(12,462)	63.8%
Charge of the Transmission Use of System	(568)	(585)	3.0%	(1,143)	(1,165)	1.9%
Operating Costs (R$ thousand)	**(12,047)**	**(8,247)**	**-31.5%**	**(21,498)**	**(13,388)**	**-37.7%**
Personnel, Management	(3,889)	(3,106)	-20.1%	(7,560)	(5,994)	-20.7%
Materials	(55)	(217)	294.5%	(119)	(260)	118.5%
Third-Party Services	(1,842)	(2,331)	26.5%	(3,674)	(4,159)	13.2%
Depreciation / Amortization	(4,227)	(1,438)	-66.0%	(7,862)	(2,855)	-63.7%
Net Provisions	(1,856)	(965)	-48.0%	(1,916)	165	108.6%
ANEEL Regulatory Inspection Fee	-	-		-	-	
Financial Compensation by Use of Water Resources	-	-		-	-	
Other	(178)	(190)	6.7%	(367)	(285)	-22.3%
Provision / Reversal Impairment Test	-	-		-	-	
Equity Result (R$thousand)	**(655)**	**446**	**168.1%**	**(644)**	**453**	**170.3%**
Operating Income (Loss) before Financial Income	**22,483**	**21,540**	**-4.2%**	**41,511**	**45,386**	**9.3%**
Operating Margin (%)	56.8%	57.4%		57.3%	63.1%	
EBITDA (R$ thousand)	**26,710**	**22,978**	**-14.0%**	**49,373**	**48,241**	**-2.3%**
EBITDA Margin (%)	67.5%	61.3%		68.2%	67.0%	
Net Financial Income (RS thousand)	**(2,879)**	**(1,492)**	**48.2%**	**(6,794)**	**(3,099)**	**54.4%**
Financial Revenues	2,222	2,017	-9.2%	4,398	3,977	-9.6%
Financial Expenses	(5,101)	(3,509)	-31.2%	(11,192)	(7,076)	-36.8%
Income before Tax (RS thousand)	**19,604**	**20,048**	**2.3%**	**34,717**	**42,287**	**21.8%**
Income Tax and Social Contribution	(7,482)	(4,620)		(11,766)	(10,616)	
Deferred Tax and Social Contribution	579	(1,953)		(266)	(3,510)	
Net Income (RS thousand)	**12,701**	**13,475**	**6.1%**	**22,685**	**28,161**	**24.1%**
Annual Return on Equity	**32.1%**	**35.9%**		**31.3%**	**39.1%**	

CELESC GERAÇÃO S.A.

Cash Flow (DFC) — In R$ Thousand

	12M17	6M18
Profit / Losses before Income Tax and Social Contribution	**75,260**	**42,287**
Adjusts	**38,656**	**6,950**
Depreciation and Amortization	15,748	2,855
Asset Write-Off	2,124	-
Fixed Assets Write-Off	3,209	(453)
Equity Result	-	-
Update on Financial Assets - VNR	63	-
Reversal of Provision for losses in Coligated Companies Assets	(3,092)	-
Impairmant Marketable Securities	-	-
Interest and Monetary Variation	14,435	6,819
Mutual Financial Revenue	-	(2,106)
Other Adjusts in Investments	6,169	(165)
Changes in Assets / Liabilities	**(55)**	**(5,328)**
Receivable from Clients	12,341	1,703
Accounts Receivable	(1,836)	(586)
Inventories	(11)	26
Other Assets	(193)	-
Regulatory Assets	30,461	15,907
Scrow Deposits	(40,808)	(22,574)
Suppliers	(9)	196
Cash Flow from Operating activities	**(4,355)**	**759**
Income Tax and Social Contribution Paid	(4,567)	649
Regulatory Charges	463	227
Tax and Social Contributioon	95	(27)
Other Liabilities	(346)	(90)
Net Cash from Operating Activities	**109,506**	**44,668**
Interest Paid / Received	(18,996)	(20,772)
Income tax and social contribution paid	(8,348)	(6,336)
Net Cash from Operating Activities	**82,162**	**17,560**
Cash Flow from Investments Activities	**(7,165)**	**(2,491)**
Partes Relacionadas	-	147,509
Reveived Dividends	(7,165)	(150,000)
Net Cash Financing Activities	**(16,508)**	**(71,102)**
Related Parties	(9,925)	(7,558)
Loan Amortization	(5,828)	(3,297)
Payment of cost of debentures acquisition	(1,224)	(247)
Inflows - Loans	-	(60,000)
Inflows - Debentures	469	-
Total Effects of Cash and Cash Equivalents	**58,489**	**(56,033)**
Opening Balance of Cash and Equivalents	**18,591**	**77,080**
Closing Balance of Cash and Equivalents	**77,080**	**21,047**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

CONSOLIDATED BALANCE SHEET — In R$ thousand

Assets	12/31/2017	06/30/2018
Current		
Cash and cash equivalents	530	1,752
Financial Investments	917	35,073
Cash in Transit	605	4,328
Gas Supply	36,662	49,207
Provision for Liabilities and Charges	(4,292)	(4,294)
Taxes to Compensate	1,438	5,747
Inventories	2,209	2,721
Judicial Deposits	-	-
Other Receivables	897	946
Advance Payment	1,201	2,564
	40,167	**98,046**
Non Recurring Assets		
Financial Investments	1,947	2,002
Related Parties	9,766	9,627
Taxes Recoverable	52,144	65,353
Judicial Deposits	2,337	4,023
Other Debtors	112,308	119,298
Intangible in Use	179,541	169,455
Intangible in Formation	8,544	10,158
Stockroom Improvements	-	-
Investments	7,490	8,288
Client installment	-	-
	374,077	**388,204**
Total Assets	**414,244**	**486,250**

Liabilities and Shareholders´Equity	12/31/2017	06/30/2018
Current		
Suppliers	83,820	124,766
Tax and Contributions Payable	2,495	2,522
Social and Labor Obligations	9,610	9,209
Tax and Social Contribution	-	-
Profit Sharing	-	-
Dividends	-	497
Interest on Capital	-	-
Financing - BNDES	5,525	5,450
Provisions	2,800	2,674
Financial Guarantee	-	60,000
Financial Guarantee	855	765
	105,106	**205,883**
Long Term Liabilities		
Deferred Tax	206	174
Financing - BNDES	18,591	15,896
Suppliers / G.N	471	437
Suppliers of Materials and Services	-	-
Financial Guarantee	-	-
	19,268	**16,507**
	124,374	**222,390**
Shareholders´Equity		
Share Capital	167,968	167,968
Legal Reserve	30,118	30,118
Profit Retention Reserve	71,202	17,438
Statutory Reserve	66,645	74,347
Special Reserve	-	-
Accumulated Profits	(46,063)	(26,010)
Dividends	-	-
	289,870	**263,860**
Total of Liabilities and Shareholders´Equity	**414,244**	**486,250**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

RESULTS REPORT

	2Q17	2Q18	Chg %	6M17	6M18	Chg %
Gross operating revenue	**149,853**	**203,478**	**35.8%**	**290,099**	**384,483**	**32.5%**
Deductions from Operating Revenue (RS thousand)	33,770	45,219	33.9%	65,987	85,633	29.8%
Net operating revenue	**116,083**	**158,259**	**36.3%**	**224,112**	**298,850**	**33.3%**
Variable Cost	110,683	161,730	46.1%	242,545	276,284	13.9%
Overhead Costs	4,832	4,764	-1.4%	9,344	9,411	0.7%
Selling Expenses	3,302	2,185	-33.8%	5,908	4,060	-31.3%
Administrative Costs	7,471	7,474	0.0%	14,540	14,478	-0.4%
Other Expenses/ Operating Income	631	5,437	762.2%	(24,603)	16,282	166.2%
Operating Profit	**(10,836)**	**(23,331)**	**115.3%**	**(23,622)**	**(21,666)**	**-8.3%**
Depreciation and Amortization	6,979	7,525	7.8%	13,976	15,061	7.8%
EBITDA	**(10,302)**	**(22,895)**	**122.2%**	**(20,744)**	**(24,611)**	**18.6%**
EBITDA Margin (%)	-8.87%	-14.47%		-9.26%	-8.24%	
Net Financial Income	**267**	**(955)**	**-457.4%**	**1,439**	**(1,473)**	**-202.3%**
Financial Revenues	1,395	436	-68.7%	3,517	765	-78.2%
Financial Expenses	-	164			277	
	-	-				
Financial Expenses	1,128	1,391	23.3%	2,078	2,238	7.7%
		461			630	
		494		-	1,173	
Income before Tax	**(17,548)**	**(31,811)**	**81.3%**	**(36,159)**	**(38,199)**	**5.6%**
Provision for Income Tax	(383)	-	-100.0%	(383)	1,208	415.9%
Deferred Income Tax	(5,966)	(10,815)	81.3%	(12,292)	(13,398)	9.0%
Net Income (RS thousand)	**(11,200)**	**(20,996)**	**87.5%**	**(23,484)**	**(26,010)**	**10.8%**
Net Margin (%)	-9.6%	-13.3%		-10.5%	-8.7%	

COMPANHIA DE GÁS DE SANTA CATARIA - SCGÁS

Cash Flow (DFC) In R$ Thousand

	12M17	6M18
Net income/loss in the period	**(46,063)**	**(26,010)**
Adjustments	**(4,035)**	**17,013**
Depreciation	29,173	16,302
Gain/losses for Losses in Fixed Assets	754	(126)
Equity Result	1,258	1
Gain/losses on Coligated Companies	-	-
Provision for Contigencies	(11,694)	14,234
Reversal/Provisionfor Losses in Fixed Assets	(23,913)	(13,398)
Realization of allow ance for losses	387	-
Allow ance for Doubtfull Accounts - PCLD	-	-
	-	-
Changes in Assets and Liabilities	**7,782**	**(551)**
Accounts receivable	(11,542)	(19,536)
Recoverable taxes	(277)	(4,152)
Inventories	(235)	(512)
Taxes and Securities	291	(55)
Credits in transactions of gas sales and acquisitions	40,452	(14,098)
Other assets	(781)	(3,096)
Suppliers	29,752	40,946
Tax duties	(4,048)	(976)
Income tax and social contribution	(41,603)	-
Payroll and related charges	(4,556)	600
Securities held in guarantee	329	328
Net cash provided from operating activities	**(42,316)**	**(9,548)**
Cash flow from investing activities	**(25,986)**	**(8,628)**
Additions to intangible	(25,986)	(8,628)
Cash flow from financing activities	**(30,760)**	**57,278**
Dividends and interest on capital paid	(27,591)	-
Loans Amortization	(3,169)	(2,722)
Loans	-	60,000
Total Effects of Cash and Cash Equivalents	**(99,062)**	**39,102**
Opening Balance of Cash and Equivalents	**101,114**	**2,052**
Closing Balance of Cash and Equivalents	**2,052**	**41,154**