Celesc




CLSC4 NÍVEL 2 BM&FBOVESPA   IGC   ITAG   ISE

Conference Call

Preferred Share Price at 03/31/2018

CLSC4 BRL 26,60/share

Change in 1Q18

CLSC4: -1,84%

Ibovespa: 11,73%

Market Value at 03/31/2018

BRL 1.158,0 MM

USD 353,0 MM

Free Float: 75,5%

Other Indicators at 03/31/2018

Net Debt\Aj EBITDA LTM (DisCo):	0,2x
EPS 4Q17 (BRL/share):	1,84
Book Value (BRL/share):	49,17
Price/BV:	0,5x

For more information, please access the website www.celesc.com.br/ri or contact the Investor Relations Area:

Phone: 55 48 3231-5100

ri@celesc.com.br

Florianópolis – Santa Catarina, **May 15, 2018** – Centrais Elétricas de Santa Catarina SA - Celesc (BM&FBOVESPA: CLSC3, CLSC4; OTC: CEDWY), a holding company in the energy sector, with operations in the areas of generation, transmission, distribution of electricity and distribution of natural gas, announces the income of the **first quarter of 2018 (1Q18).** The Company's financial information, except where otherwise stated, is presented in millions of Reais (R$ million) as of **March 31, 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).

First quarter with a positive Net Profit of R$ 71 million

The performance reflects an economic recovery in the concession area

Main Highlights:

- ✓ Total Billed Energy in the CELESC D concession area amounted to 6,318 GWh, particularly the industrial consumer class, which grew 5.5% in relation to 1Q17, totaling 2,394 GWh;
- ✓ Service quality indicators: DEC was 3.12 hours (reduction of 12.8%) and FEC was 2.12 times (decrease of 12.7%) in the first three months of 2018;
- ✓ Consolidated Net Operating Revenue (excluding Construction Revenue) totaled R$ 1.7 billion in the quarter, an increase of 16.3%;
- ✓ Energy expenditures (non-manageable costs) increased 25.9% (+ R$ 264 million) in 1Q18 compared to 1Q17;
- ✓ Personnel expenses decreased by 4% (- R$ 6.3 million) in the period;
- ✓ Consolidated Net Income of R$ 71.0 million (30.2% drop), with the subsidiary Celesc D totaling R$ 57.4 million (39.7% drop) and the subsidiary Celesc Geração R$ 14.7 million (increase of 47.1%);
- ✓ Consolidated EBITDA totaled R$ 191.9 million (10.5% drop), with the subsidiary Celesc D totaling R$ 167.6 million (14.8% drop) and Celesc Generation R$ 25.3 million (an increase of 11.5%);
- ✓ The Celesc Group ended the period with a Net Consolidated Debt of R$ 108.9 million, equivalent to 0.2x Adjusted EBITDA 12M;
- ✓ Investments in distribution and generation of electric energy totaled R$ 106.2 million, of which R$ 100.5 million in distribution and R$ 5.7 million in generation; and
- ✓ The preferred shares of Celesc (CLSC4) negatively ranged at the order of 1.84% in the quarter, however in the accumulated twelve months it shows an appreciation of 45.43%.

Main Highlights	1nd Quarter		
	2017	2018	Δ
Operating Indexes			
Celesc Distribuição - Energy Sales (GWh)	6,318	6,318	*0.0%*
Celesc Geração - Energy Produced (GWh)	173	184	*6.5%*
SCGÁS - Natural Gas Sales (thousand/m³)	153,121	166,729	*8.9%*
Financial Indexes - Consolidated (R$ Million)			
Gross Operating Revenue	2,626.8	2,937.6	*11.8%*
Net Operating Revenue	1,445.2	1,680.4	*16.3%*
Operating Costs and Expenses	(1,381.3)	(1,640.7)	*18.8%*
EBITDA (IFRS)	**214.5**	**191.9**	***-10.5%***
EBITDA Margin	***14.8%***	***11.4%***	
EBITDA (IFRS - Non-Recurring)	214.5	191.9	*-10.5%*
Adjusted EBITDA Margin	*14.8%*	*11.4%*	
Net Income (IFRS)	**101.7**	**71.0**	***-30.2%***
Net Margin	***7.0%***	***4.2%***	
Net income (IFRS - Non-Recurring)	101.7	71.0	*-30.2%*
Adjusted Net Margin	7.0%	4.2%	
Investments Made in Generation and Distribution of Electricity	104.3	106.2	*1.8%*

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 management's expectations that may not materialize and are not a guarantee of the Company's future performance.

Such statements and forward-looking statements are and will be subject to risks, uncertainties and are highly dependent on market conditions, 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, which we submit.

Accordingly, 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 solicitation 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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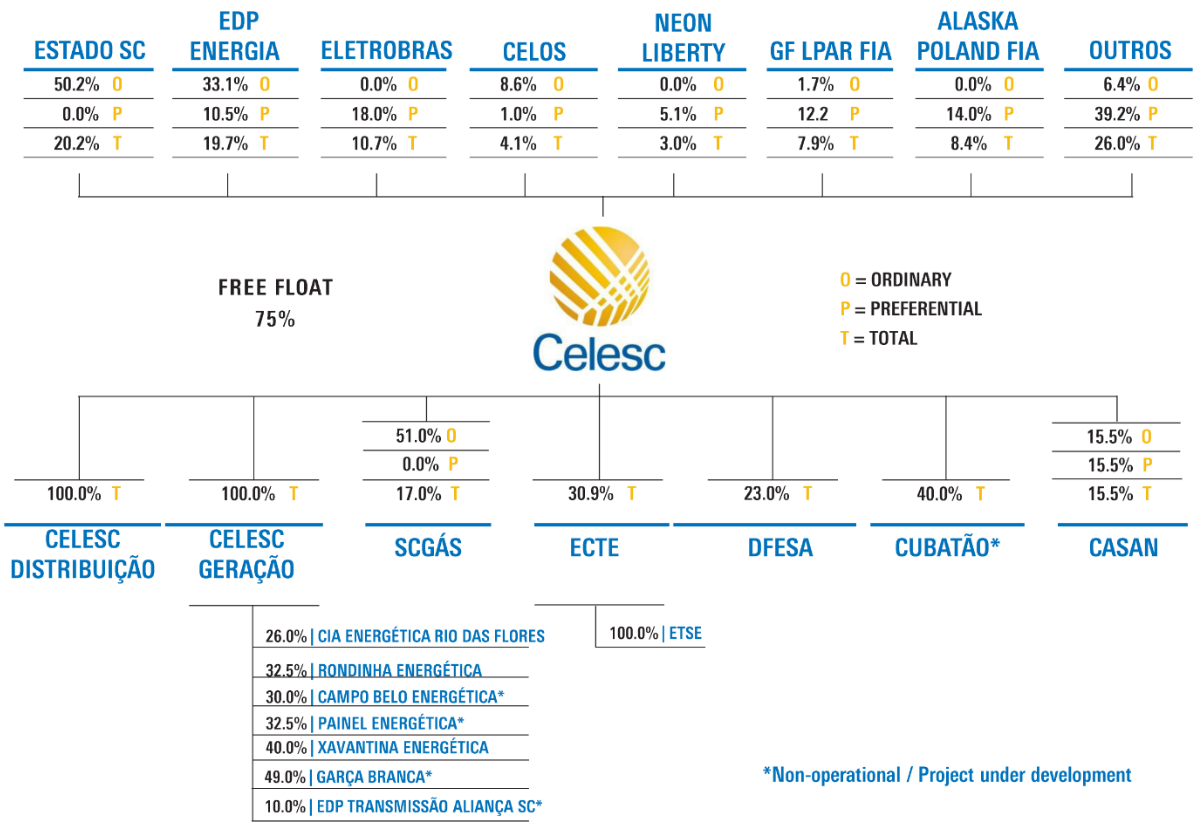
1 – Overview

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 generation of energy. 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 control of the 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.

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 Shareholding Structure

March – 2018



Pursuant to the Material Fact Acquisition of Shareholding 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 Preddence Complementary (PREVIC), and was concluded on March 21, 2017.

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

Integral Subsidiaries

Celesc Distribuição S.A.

The company carries energy to more than 2.8 million consumer units located in 264 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 R$ 11.3 billion in 2017.

Celesc Geração S.A.[2]

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

On March 31, 2018, the company had its own generating site made up of 12 plants, of which 08 were Small Hydroelectric Plants - SHPs and 04 Hydroelectric Generating Plants - HGPs. In addition, the company holds a minority interest in another 08 SHPs developed in partnership with private investors, in the format of Special Purpose Entities (SPE). Celesc Geração's total generation capacity in operation in the period was 114.8 MW, of which 106.97 MW were related to the owned plant and 8.05 MW related to the generation plant established with partners - already proportional to the Celesc Geração shareholding in these plants enterprises. The following table presents the main characteristics of Celesc's 100% generation plants:

[1] Source: www.aneel.gov.br (Managerial Information – December/17).
[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)
PCH Pery*	Curitibanos/SC	09/07/2017	30,00	14,08
PCH Palmeiras	Rio dos Cedros/SC	07/11/2046	24,60	16,70
PCH Bracinho	Schroeder/SC	07/11/2046	15,00	8,80
PCH Garcia	Angelina/SC	05/01/2046	8,92	7,10
PCH Cedros	Rio dos Cedros/SC	07/11/2046	8,40	6,75
PCH Salto	Blumenau/SC	07/11/2046	6,28	3,99
PCH Celso Ramos	Faxinal dos Guedes/SC	17/03/2035	5,40	3,80
PCH Caveiras	Lages/SC	10/07/2018	3,83	2,77
CGH Ivo Silveira	Campos Novos/SC	**	2,60	2,03
CGH Rio do Peixe	Videira/SC	**	0,52	0,50
CGH Piraí	Joinville/SC	**	0,78	0,45
CGH São Lourenço	Mafra/SC	**	0,42	0,22
Total - MW			**106,75**	**67,19**

* No early extension (MP 579) – legal challenge.

** Pow er plants w ith capacity below 3 MW are exempted from the concession act.

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PCH Garcia	Angelina/SC	07/07/2045	8.92	7.10
PCH Cedros	Rio dos Cedros/SC	07/11/2046	8.40	6.75
PCH Salto	Blumenau/SC	07/11/2046	6.28	3.99
PCH Celso Ramos	Faxinal dos Guedes/SC	17/03/2035	5.40	3.80
PCH Caveiras	Lages/SC	10/07/2018	3.83	2.77
CGH Ivo Silveira	Campos Novos/SC	**	2.60	2.03
CGH Rio do Peixe	Videira/SC	**	0.52	0.50
CGH Piraí	Joinville/SC	**	0.78	0.45
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Total - MW			**106.75**	**67.19**

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The company participates in Special Purpose Entities that enable new ventures, in which Celesc Geração holds a minority interest. The following are the main characteristics of the projects that are already in operation:

In the past few 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 enable projects to build new projects. The tables below present other ventures under development by the company and their respective stages. As for the physical guarantee (new or incremental), the company seeks to obtain on average 55% of the total plant capacity factor after expansion, a standard observed for other ventures in operation with similar features:

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	10/05/2040	9.60	5.48	32.5%	3.12	1.78
PCH Prata	Bandeirante/SC	05/05/2039	3.00	1.68	26.0%	0.78	0.44
PCH Belmonte	Belmonte/SC	05/05/2039	3.60	1.84	26.0%	0.94	0.48
PCH Bandeirante	Bandeirante/SC	05/05/2039	3.00	1.76	26.0%	0.78	0.46
PCH Xavantina	Xanxerê/SC	04/07/2040	6.08	3.54	40.0%	2.43	1.42
Total - MW			**25.28**	**14.30**		**8.05**	**4.57**

Undertakings in development | Celesc Geração S.A. holds minority interest

PLANTS	Localização	Final Term of the Concession	Power Installed (MW)	Celesc Generation Participation	Power Installed Equivalent (MW)	Expected date of commissioning	STATUS
PCH Painel	São Joaquim/SC	03/18/2043	9.20	32.5%	2.99	N/D	Project Review
PCH Campo Belo	Campo Belo do Sul/SC	05/19/2044	9.95	30.0%	2.99	N/D	Project Review
PCH Garça Branca	Anchieta/SC	03/13/2043	6.50	49.0%	3.19	1S18	Started in 1H15
Total - MW			**25.65**		**9.16**		

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

As disclosed at 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 the National Interconnected System Transmission Facilities, which happened in B3, by offering a discount of 34.99%, or an annual revenue proposal (ARP) 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$ 1.125 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 substation 525/230 kV Siderópolis 2, 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 commercial start-up determined is scheduled for August 2022, with a possibility of anticipation.

The SC Transmissão Aliança SC SPE was established in July 2017 and the Concession Contract was signed in August 2017. Currently, the project is in the phase of environmental licensing and land management.

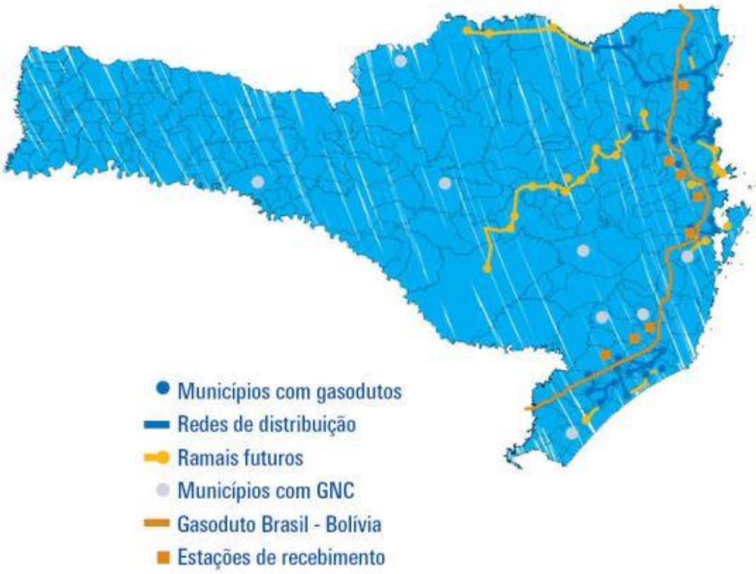
The table below summarizes the main information of the venture:

TRANSMITTER	Location	Final Term of the Concession	Km Line	Substations	Expected date of commissioning	STATUS
EDP Transmissão Aliança SC	Santa Catarina	08/11/2047	485.00	1	11/08/2022	Licensing

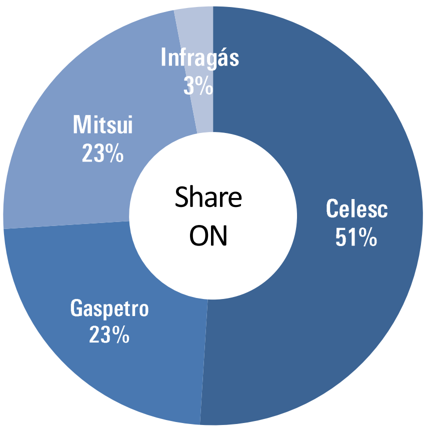
Parent Company

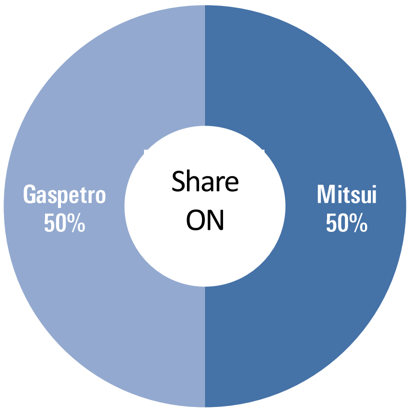
Companhia de Gás de Santa Catarina – SCGÁS

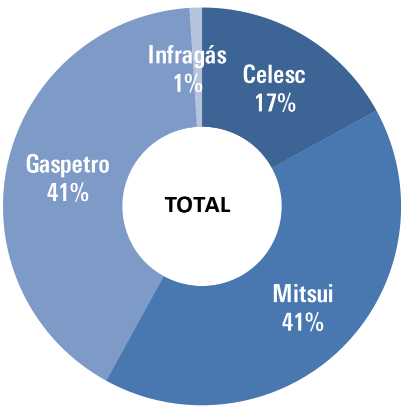
SCGÁS is the second largest gas distributor in the number of municipalities served in Brazil. Santa Catarina is the third state with the largest natural gas distribution network (1,134.8 kilometers) and the third with the largest number of industries served with natural gas (227), as well as having the third largest network of vehicle 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 contract 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, with 51% of ordinary shares and 17% of 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 an obligation to file a claim against SCGÁS, Petrobras Gás S.A. - Gaspetro, Mitsui Gás and Energia do

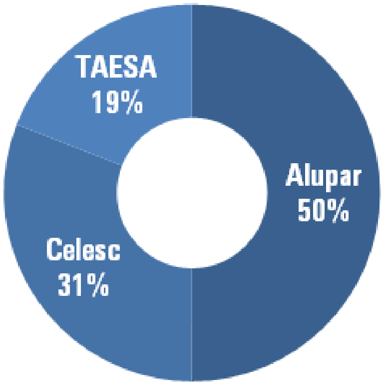
Brasil Ltda. and Infragás S.A., questioning changes in the share capital and the Shareholders' Agreement entered into in 1994, obtaining a favorable injunction in a 1st degree judgment. Meanwhile, shareholders Mitsui Gás and Gaspetro filed an injunction, suspending the effects of such injunction in the 2nd degree court, presenting the appropriate judicial remedies. Currently, the effects of the sentence are suspended until the judgment of said resources.

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 of the Plenary of the Court of Accounts in the State of Santa Catarina - TCE/SC, where in item 6.7. one reads: "To determine to the Government of the State and CELESC that, within 180 (one hundred and eighty) days, from the publication of this Decision in the Electronic Official Gazette of this Court of Accounts - DOTC-e, take measures to return to the State of Santa Catarina, at one million, eight hundred twenty-seven thousand, four hundred and fifteen (1,827,415) 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 view of the decision, the Company filed an appeal against Decision No. 129/2016 at the Court of Accounts, with a suspensive effect, once it is understood that the legality of the sale of shares by the State of Santa Catarina to CELESC has been duly proven, and the same is constituted in a perfect and final legal act made in the light of the legislation in force, at the time of its performance, there being no offense to the principles of motivation of the administrative act, conflict of interest or public interest.

Other Interests

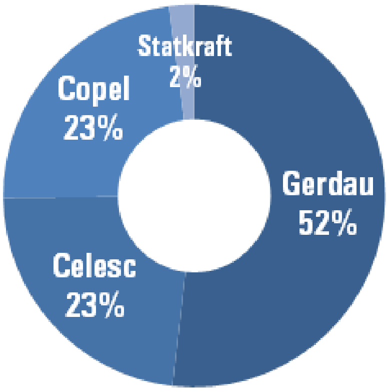
Empresa Catarinense de Transmissão de Energia – ECTE

Constituted with the specific purpose of exploring electric power transmission lines in the South, Southeast and coastal regions of Santa Catarina, the company is a concessionary of 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, when 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 transmitting electric power is dated from May 10, 2012, with a validity term of 30 years. Celesc holds 30.88% of the Company's share capital, as shown below:



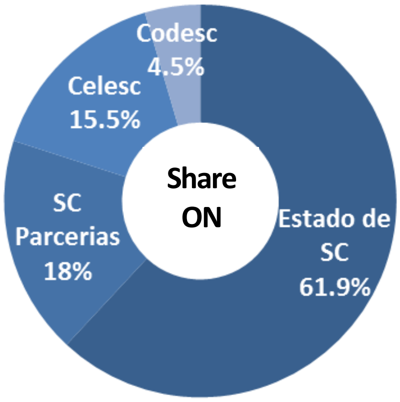
Dona Francisca Energética S.A – DFESA

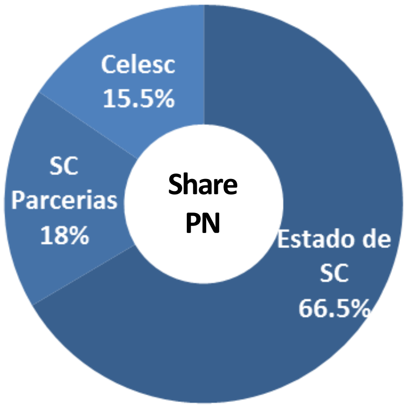
An independent electricity generation concessionaire, DFESA owns the Dona Francisca Hydroelectric Power Plant, built on the Jacuí River in Rio Grande do Sul, with an installed capacity of 125MW and assured energy of 80MW. The project was inaugurated in May 2001. The affiliate DFESA has a concession agreement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

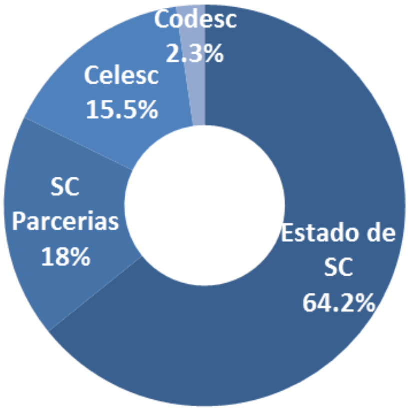


Companhia Catarinense de Água e Saneamento – CASAN

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 operate drinkable 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 people with collection, treatment and final disposal of sanitary sewage.
Celesc holds 15.48% of the Company's total share capital, as shown below:

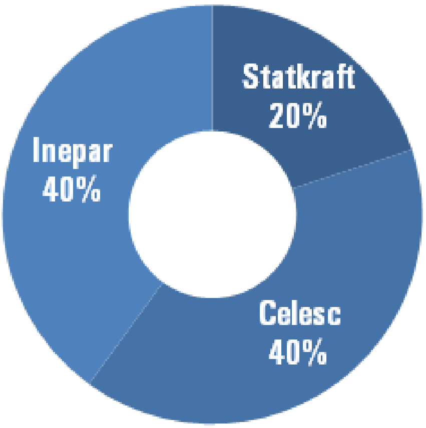






Usina Hidrelétrica Cubatão S.A.

It is a Specific Purpose Entity established in 1996 for deploying the Cubatão Hydroelectric Power Plant, in the region of Joinville (SC), with installed capacity of 50MW. With the history of the environmental obstacles, the rejection of the litigation for the concession period and the consequent economic impracticability for the development of the project, the venture 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:



2.1 – Celesc Distribuição S.A.

2.1.1 – Operating Performance

Electricity Market in Santa Catarina

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

		Year	1Q18
Brazil (GWh)*		2018	149,594
		2017	149,011
	Δ		0.4%
Brazilian South (GWh)		2018	26,413
		2017	26,485
	Δ		-0.3%
Carga Celesc Distribuição S.A. (GWh)**		2018	7,093
		2017	7,161
	Δ		-1.0%

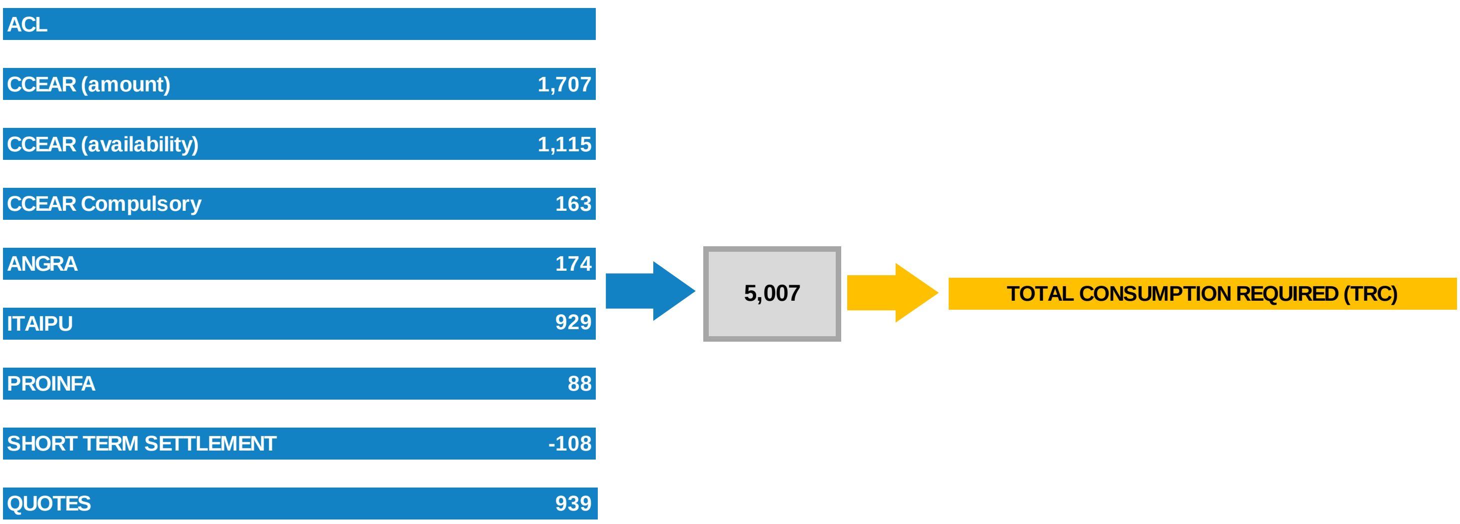
Source: ONS / Celesc D
* Refers to the National Interconnected System - SIN.
** Power injected in the distribution network.

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

Electricity Balance Sheet

We can summarize the TRC (total required consumed) as the total load (measured), withdrawing the energy from free consumers (measured) and adding the total losses (internal and basic network). In the first quarter of 2018, CCEE accounted for 59.6% (2,985 GWh) of CCEAR contracts (quantity and availability modalities), 18.6% (929 GWh) Itaipú and 18.7% (939 GWh) Quotas, and 3.1% (154 GWh) 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 first quarter of 2018 was 102.51%, therefore, within the 100% and 105 range, thus guaranteeing the full pass-through of the cost of energy purchased.

Energy Billed[3]

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

Celesc Distribuição S.A. | Energy Distributed per Class (GWh)

Consumption Class	Nº Consumer Units			Consumption (GWh)		
	mar/17	mar/18	Δ	1Q17	1Q18	Δ
Captive Market	**2,853,384**	**2,920,056**	**2.3%**	**4,442**	**4,258**	**-4.1%**
Residential	2,232,844	2,289,794	2.6%	1,691	1,588	-6.1%
Industrial	102,132	103,782	1.6%	648	616	-4.9%
Commercial	257,030	264,890	3.1%	963	902	-6.4%
Rural	234,954	234,609	-0.1%	390	397	1.8%
Other Classes	26,424	26,981	2.1%	750	755	0.7%
Public Entities	22,473	22,910	1.9%	117	113	-3.4%
Public Lighting	690	754	9.3%	158	164	3.7%
Public Service Co.	3,231	3,285	1.7%	91	92	0.8%
To Other Utilities	30	32	6.7%	383	386	0.6%
Free Consumers	**736**	**842**	**14.4%**	**1,872**	**2,057**	**9.9%**
Industrial	459	520	13.3%	1,621	1,778	9.7%
Commercial	246	293	19.1%	192	221	15.2%
Rural	5	7	40.0%	10	14	36.4%
Supply*	26	22	-15.4%	49	43	-11.0%
Total Market	**2,854,504**	**2,921,278**	**2.3%**	**6,318**	**6,318**	**0.0%**
Residential	2,232,844	2,289,794	2.6%	1,691	1,588	-6.1%
Industrial	102,591	104,302	1.7%	2,269	2,394	5.5%
Commercial	257,276	265,183	3.1%	1,155	1,123	-2.8%
Rural	234,959	234,616	-0.1%	400	411	2.7%
Other Classes	26,450	27,003	2.1%	799	799	0.0%
Own consumption	384	380	-1.0%	4	3	-23.4%

*Can be reconciled by CCEE.

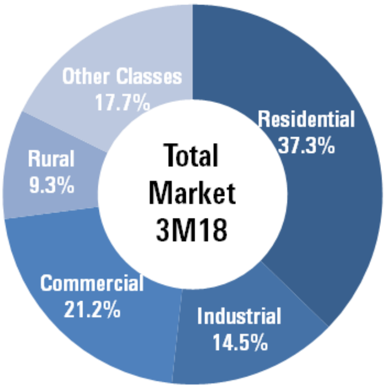
According to the table above, the energy supplied to the Captive Market dropped by 4.1% in the quarter compared to the first quarter of 2017, reaching 4,258 GWh, a performance directly influenced by the decrease in residential (6.1%), Industrial (4% 9%) and Commercial (6.4%).

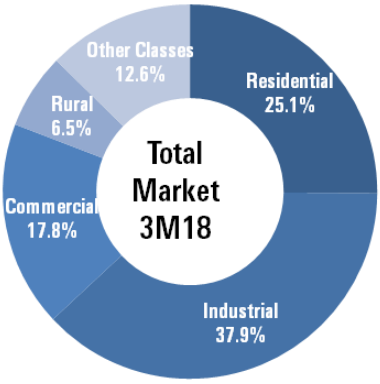
Free Market[4], according to the movement that occurred in 2015, which was repeated in 2016 and also in 2017, increased by 9.9% (+184 GWh) in the quarter, due to the increase in the number of free consumers, registering 842 free consumers in March 2018, an increase of 106 units (+ 14%) compared to 3M18, when it registered 736 free consumers, and 19 compared to 12M17, when it indicated 823 free consumers.

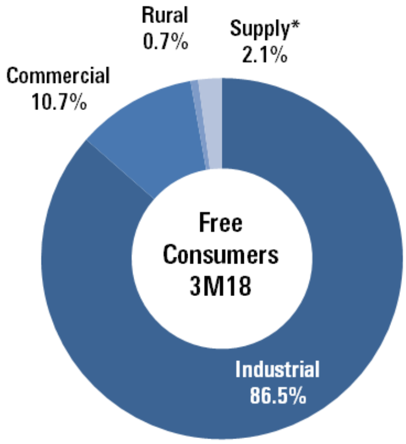
In March 2017 the Captive Market accounted for 70.3% of the total energy distributed and the Free Market 29.7%. As early as March 2018, the Captive Market represents 67.4% of the total energy distributed in the concession area of Celesc Distribuição and the Free Market 32.6%. The migration from the Captive Market to the free market is a liberality of the consumer, not economically impacting on the distributor's result, as all migrated energy is likely to be unplanned or considered as an unintentional surplus, and the revenue from the TUSD Distribution System remains unchanged, as the consumer continues to pay for the service.

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

[4] The current criteria for free market migration were established in 1998, by Act 9,648/1998, which created two groups of consumers able to choose their electricity supplier. Free Consumers: This group is composed of consumer units with a load greater than or equal to 3,000 kW. These consumers can buy energy from any energy generation or commercialization agent. Special Consumers: This group is composed of consumer units with a demand greater than or equal to 500 kW serviced in any voltage. They can also choose their supplier, but their range of choice is restricted to the energy coming from the so-called incentived sources (hydroelectric projects with power equal to or lower than 1 MW - HGP's, Small Hydroelectric Plants - SHP's, solar, wind, biomass and qualified co-generation plants with a power of up to 30 MW).

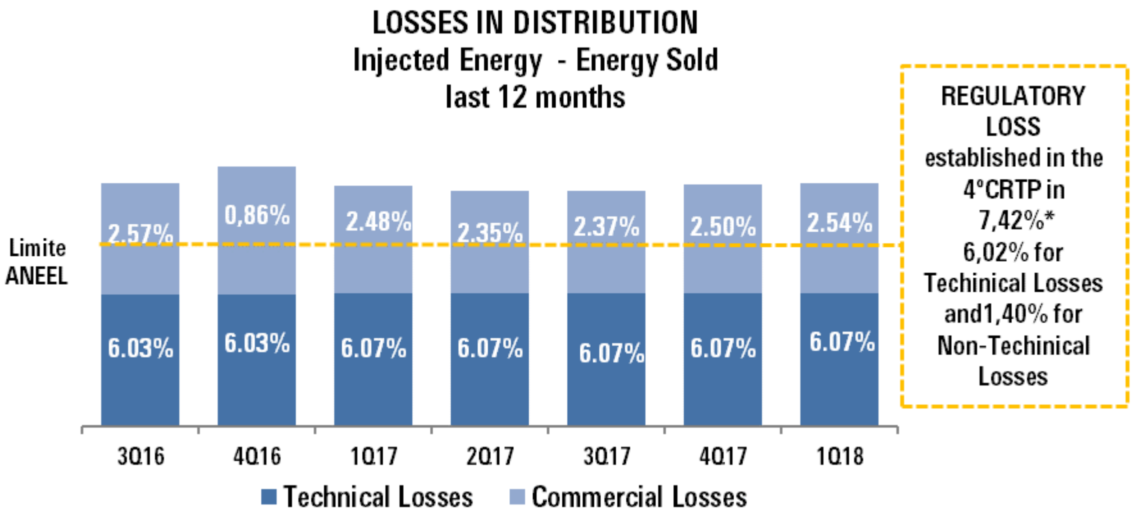






Losses in the Distribution

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 volume of the last 12 months up to 2018, global losses represented 8.61% 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 2.54% correspond to non-technical losses, calculated by difference. The chart below shows the development of losses in the distribution in the Company's concession area:

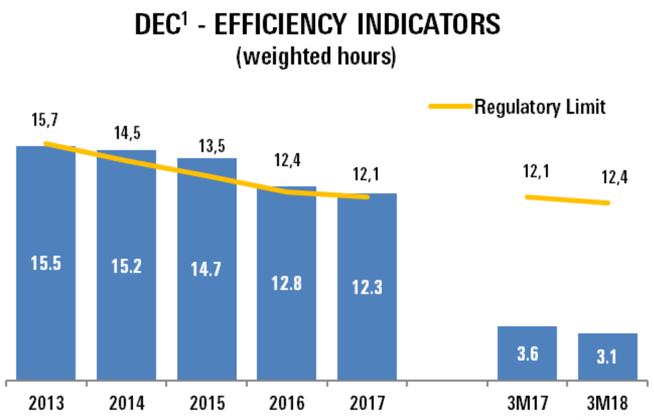


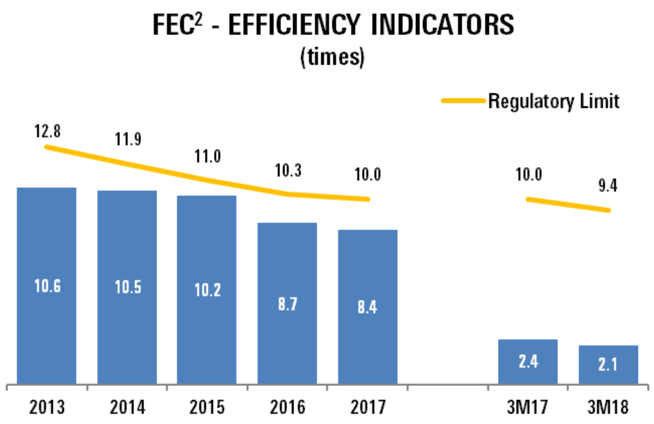
Thereby, total losses were 1.19% above the limit covered by the tariff, making an estimated value without accumulated tariff coverage from January to March of R$ 19.9 million (R$ 4.5 million lower than in 1Q17, R$ 24.3 million), with R$ 2.2 million of technical losses, R$ 17 million of non-technical losses and R$ 0.7 million of losses in the basic grid.

The company continuously performs a work force to reduce and recover these losses, acting for its detection, identifying cases of suspected irregularity by means of algorithm (online verification), continuous procedure and focused on the identification of cases of fraud and/or technical deficiency, as well as integration of corporate systems, revision of work processes (control targets), implementation of antitheft systems and regularization of clandestine connections, aiming to converge to regulatory limits within the current tariff cycle.

Electricity Quality

Celesc Distribuição S.A.'s DEC ratio (average duration of interruptions per consumer unit) was 3.12 hours in the first quarter of 2018, a figure 12.8% lower than in the first quarter of 2017, equivalent to 25% of the limit established by ANEEL for 2018. In the same period, the FEC (number of interruptions per consumer unit) dropped by 12.7%, representing 2.12 interruptions, equivalent to 22.3% of the regulatory limit established for 2018 in this indicator.





When observing the criteria defined at the Module 8 of the Electric Power Distribution Procedures - PRODIST, establishing every year, for distributors, limits to global interruption indicators (DEC and FEC), and the violation of individual limits (DIC, FIC and DMIC) generates compensation from the distributors to the affected consumers, occurring in an automatic manner via credit on the invoice, up to two months after the calculation period. In the first quarter of 2018, the breach of quality indicators in their individual form generated consumer credits in the amount of R$ 3.9 million to Celesc Distribuição, 13% higher than in the first quarter of 2017 when it was R$ 3.45 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 date of conclusion 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 net profit. The limitation on the distribution of dividends or payment of interest on own capital 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$ Milhões	1º Trimestre		
	2017	2018	Δ
Receita Operacional Bruta	**2,591.80**	**2,900.60**	***11.9%***
Deduções da Receita Operacional	(1.084.1)	(1.159.0)	*6.9%*
Receita Operacional Líquida	**1,507.7**	**1.741.6**	***15.5%***
Custos e Despesas Operacionais	(1,360.3)	(1,625.4)	*19.5%*
Custos com Energia Elétrica	(1,015.0)	(1,277.8)	*25.9%*
Despesas Operacionais	(345.5)	(347.6)	*0.6%*
Resultado das Atividades	**147.4**	**116.3**	***-21.1%***
EBITDA	**196.7**	**167.6**	*-14.8%*
Margem EBITDA IFRS, ex-Receita de Construção (%)	*13.9%*	*10.2%*	
Resultado Financeiro	**6.6**	**(18.5)**	***-379.8%***
LAIR	**154.0**	**97.7**	***-36.5%***
IR/CSLL	(58.8)	(40.3)	
Lucro/Prejuízo Líquido	**95.2**	**57.4**	***-39.7%***
Margem Líquida IFRS, ex-Receita de Construção (%)	*6.7%*	*3.5%*	

Income Highlights

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

i. Increase of 11.9% in Gross Operating Revenue (ROB) in the quarter, due to the positive effect of regulatory assets compared to 1Q17, increase in Donations and Subsidies and also in Revenue with TUSD (Reclassified in 1Q18);
ii. The NOR (Net Operating Revenue) increased by 15.5% (+ R$ 233.9 million) in the quarter, due to the same reasons mentioned above;
iii. Increase of 25.9% in energy costs, mainly due to the increase in charges for the use of the electricity grid;
iv. EBITDA declined by 14.8% in the quarter, impacted mainly by the stability of consumption and consequent reduction in the estimated gain of portion B[5], which in 1Q17 was R$ 68 million and in 2018 was only R$ 16.1 million);
v. The Financial Result was negative in the quarter by R$ 18.5 million, influenced by the drop in revenues from financial investments and CDE's financial expenses;
vi. Net Income was positive R$ 57.4 million due to the above reasons.

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

Celesc Distribuição S.A. | Ajusted Result*

R$ Million	1nd Quarter		
	2017	2018	Δ
Adjusted EBITDA	196.7	167.6	*-14.8%*
Adjusted EBITDA Margin (%)	*13.9%*	*10.2%*	
Adjusted Net Profit / Loss	95.2	57.4	*-39.7%*
Adjusted Net Margin (%)	*6.7%*	*3.5%*	

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

[5] The largest difference between the estimated market in the ANEEL Reference Market and the performed one.

Gross Operational Revenue

Celesc Distribuição S.A. | Gross Operating Revenue

R$ Million	1nd Quarter		
	2017	2018	Δ
GROSS OPERATING REVENUE	**2,591.8**	**2,900.6**	**11.9%**
Energy Supply	1,680.8	1,687.8	0.4%
Energy Sales to Distributors	62.3	74.8	20.1%
Regulatory Asset	(209.2)	(4.4)	*97.9%*
Spot Energy - Short Term Market	34.0	41.5	*22.0%*
Availability Energy System (TUSD)	789.9	814.7	*3.1%*
Donations and grants*	135.9	187.5	*38.0%*
Income from Services	0.5	0.6	*14.8%*
Taxed service	2.9	3.1	9.2%
Other Revenues	0.8	0.6	-20.8%
Construction Revenue	**94.0**	**94.4**	***0.5%***

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

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

Below we highlight the main factors that influenced the GOR performance[6] in this first quarter:

i. Increase of 0.4% in the item *Revenue with Electricity Supply*, reflecting the increase in the consumption of the captive market in financial volume (increase in tariff) and also of tariff flag revenue mentioned below. Revenue from supply with consumption classes increased by 0.4% in the quarter (tariff effect), registering R$ 1.61 billion in 1Q18 compared to 1.57 billion in 1Q17 (+ R$ 36.1 million), with residential classes (- R$ 7 million), Industrial expansion of 2.5% (+ R$ 9.1 million) and Commercial expansion (1.1%) (- R$ 65 million);

ii. Increase of R$ 22.7 million in the quarter of Revenue with supply of tariff flag, higher than the one performed in the first quarter of 2018 when it was R$ 11.5 million;

iii. Increase of 20.1% (+ R$ 12.5 million) in the energy supply item in the quarter;

iv. In *Regulatory Assets/Regulatory Liabilities*, negative result of R$ 4.4 million (Regulatory Liabilities);

v. Rise of 3% (+ R$ 24.8 million) in Electric Power Revenue (+ R$ 24.8 million) in the quarter, totaling R$ 814.7 million, of which R$ 159.3 million related to the provision of electricity to industrial free consumers, R$ 20.3 million to commercial free consumers and R$ 1.4 million to rural free consumers. As from 1Q18, this item also included the segregation of TUSD's revenue from Captive Consumers previously accounted for with Electricity Supply, and in the first quarter of 2018 totaled R$ 627.7 million (R$ 630 million in 1Q17) .

vi. *Donation and subvention* of R$ 187.5 million in the quarter, an increase of 38.0% (+ R$ 52 million) in relation to the same period in 2017, of which R$ 180.3 million (against R$ 131.1 million in 1Q17) to tariff subsidies (Decree 7,891/2013).

Deductions from the Gross Operating Revenue

6 Excluding the Construction Revenue. In accordance with IFRS accounting standards, the corresponding cost of the same amount is recorded in operating expenses and, therefore, does not affect the Company's results.

Celesc Distribuição S.A. | Deductions from Operating Revenue

R$ Million	1rd Quarter		
	2017	2018	Δ
DEDUCTIONS FROM OPERATING REVENUE	**(1,084.1)**	**(1,159.0)**	***6.9%***
ICMS	(531.8)	(535.2)	*0.6%*
PIS/COFINS	(230.0)	(259.5)	*12.8%*
Energy Development Account - CDE	(295.1)	(344.5)	*16.8%*
Research & Development - R&D (0,5% of NOI)	(7.1)	(8.2)	*16.5%*
Energy Efficiency Program - EEP (0,5% of NOI)	(7.1)	(8.2)	*16.5%*
Aneel Regulatory Inspection Free	(1.6)	(1.7)	*1.7%*
Other	(11.5)	(1.6)	*-85.7%*

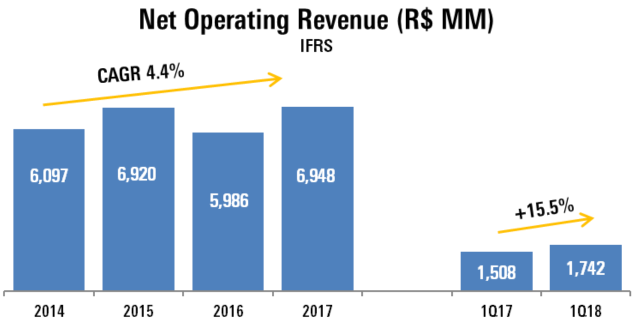
The deductions represent 39% of the GOR and its variation, generally, follows the variation of the GOR. The following are the factors that contributed to the reduction:

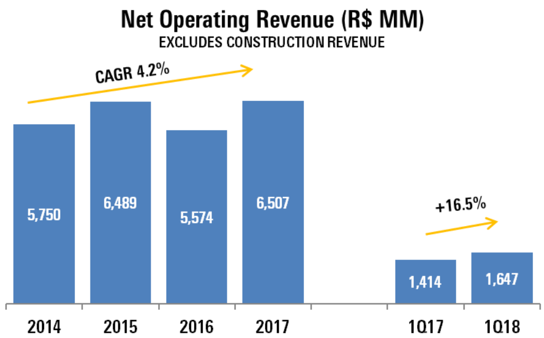
i. Increase of 0.6% in the *ICMS account* in the quarter reaching R$ 535.2 million. This tax accompanies the Revenue with the Supply of Electric Energy, which increased by 0.4% considering the transfer from the Captive Market to the Free Market);
ii. Increase in the *Energy Development Account (CDE)*, which totaled R$ 344.5 million in the quarter (16.8% higher than in 1Q17);
iii. *ANEEL's Regulatory Inspection Fee*, formerly classified as Other Operating Revenue/Expenses, 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$ 1.6 million in the quarter;
v. Increase of PIS/COFINS of 12.8% in the quarter, registering R$ 259.5 million. This tax follows the development of the GOR, and together with the ICMS represents 68.6% of the Deductions.

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 below:





Costs and Operational Expenses

Celesc Distribuição S.A. | Operating Costs and Expenses

R$ Million	1rd Quarter		
	2017	2018	Δ
OPERATING COSTS AND EXPENSES	**(1,360.3)**	**(1,625.4)**	***19.5%***
Electric Energy Costs - Non-Manageable	**(1,015.0)**	**(1,277.8)**	***25.9%***
Electric Energy Purchased for Resale	(875.7)	(998.9)	*14.1%*
Electric grid usage charge	(102.5)	(239.3)	*133.4%*
PROINFA	(36.7)	(39.5)	*7.7%*
PMSO - Manageable Expenses	**(173.8)**	**(181.7)**	***4.5%***
Personnel	(149.9)	(144.6)	*-3.5%*
Material	(3.3)	(3.1)	*-8.0%*
Third-Party Services	(41.3)	(44.9)	*8.5%*
Othes Expenses	20.7	10.9	*-47.4%*
Provision (Net)	**(28.2)**	**(20.2)**	***-28.4%***
Depreciation / Amortization	**(49.4)**	**(51.3)**	***3.9%***
Construction Costs	**(94.0)**	**(94.4)**	***0.5%***

Excluding the cost of construction (which has no effect on net income), the increase in the quarter was 20.9% (+ R$ 264.6 million), totaling R$ 1,530.9 million. The increase was due to the increase in non-manageable expenses, with manageable expenses increasing by 4.5%. The impact on the cost of energy was mainly due to the Charges for the Use of the Electric Grid, as detailed below.

Electricity Costs - Non-Managerial

The sum of R$ 1,277.8 million in the quarter in non-manageable costs (Portion A) can be explained by the following reasons:

i. Reflecting the 1.4% increase in energy from Hydro origin, 1.4% from Itaipú energy and 42.4% from other contracts, as shown in the table below;
ii. Increase of 133.4% (+ R$ 136.7 million), totaling R$ 239.3 million, 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 energy purchase mix of the Company:

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

Average Rate of energy Purchased by Type (R$/MWh)	1Q17	1Q18	Chg. Of Price %	Share in % 1Q17 Mix	Share in %1Q18 Mix	Average Rate of Tariff Adjustment* (R$/MWh)
AUCTION - CCEAR / Hydro	192.7	195.5	1.4%	35.8%	33.9%	147.1
AUCTION - CCEAR / Thermal	189.2	178.4	-5.7%	28.1%	28.9%	296.5
ITAIPU	199.2	217.4	9.1%	18.5%	18.5%	198.0
BILATERAL AGREEMENTS	307.3	255.3	-16.9%	1.0%	0.1%	293.7
OTHER	57.2	81.5	42.4%	16.5%	18.7%	62.7
Total - (R$/MWh)	**171.7**	**173.3**	**1.0%**	**100%**	**100%**	

*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

*Homologatory Resolution 2,286/2017

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

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

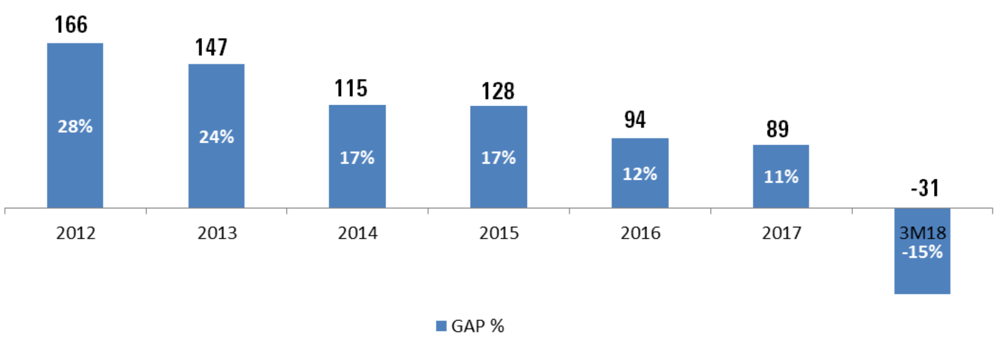
R$ Million	in 12/31/2015	in 03/31/2016	in 06/30/2016	in 09/30/2016	in 12/31/2016	in 03/31/2017	in 06/30/2017	in 09/30/2017	in 12/31/2017	in 03/31/2018
Regulatory Assets	1,102.9	921.4	806.1	154.2	267,918.0	129.9	268.1	578.9	680.4	646.8
Regulatory Liabilities	(657.5)	(820.5)	(1,266.2)	(705.9)	(674,538.0)	(769.0)	(566.3)	(638.2)	(706.7)	(686.2)
Net Balance	**445.4**	**101.0**	**(460.1)**	**(551.7)**	**(406.6)**	**(639.1)**	**(298.2)**	**(59.3)**	**(26.3)**	**(39.4)**

Regulatory assets amounted to R$ 646.8 million, of which R$ 621.2 million refers to the constitution of CVA Ativa (R$ 527.9 million referring to the purchase of energy) and R$ 25.6 million to Other Sectorial Financial Assets corresponding to the neutrality of Portion A). Regulatory liabilities totaled R$ 686.2 million, of which R$ 525.1 million refers to CVA Passiva (R$ 328.5 million related to system charges and R$ 191.3 million to CDE) and R$ 161.0 million to other Sectorial Financial Liabilities (R$ 23.1 million related to the 2016 energy overrun, R$ 40.1 million corresponding to Portion A neutrality, and R$ 89.3 million tariff devolution).

PMSO – 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 the GAP (difference between PMSO Celesc Distribution and Regulatory PMSO) is observed. In the first three months of 2018, we closed with R$ 31 million lower than the regulatory one, mainly due to MSO expenses.

PMSO Celes Distribuição PMSO Regulatory (R$ MM)



Personnel

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

Celesc Distribuição S.A. | Total Personnel Expenses

R$ Million	1rd Quarter		
	2017	2018	Δ
Personnel Total	**(149.9)**	**(144.6)**	***-3.5%***
Personnel and Management	(133.2)	(138.1)	*3.7%*
Personnel and Management	*(126.1)*	*(130.8)*	*3.8%*
Pension Plan	*(7.1)*	*(7.3)*	*2.4%*
Actuarial Expense	(16.7)	(6.5)	*-61.0%*

The increase of 3.7% (+ R$ 4.9 million) in the quarter in the Personnel and Administration line is mainly due to: (i) Increase of 1.9% (+ R$ 0.8 million) in fixed funds (fixed salary, annual bonus, productivity, personal advantage, position bonus) due to the effects of the annual adjustment provided for in the Collective Bargaining Agreement of the Salaries and Wages Plan - PCS; (ii) Reduction of 5.4% (+ R$ 1.6 million) in charges (labor charges and FGTS); (iii) Contraction of 5.1% (+ R$ 0.3 million) in the hazard premium; (iv) Retention of 5.4% (- R$ 0.5 million) in variable amounts (overtime 50 and 100% and oversight); (v) Increase of 2.4% (+ R$ 0.2 million) in private pension expenses; (vi) Expenses with PDI 2017 totaled R$ 7 million in the quarter.

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, and it is an estimated value to be recognized in the year as actuarial expense in the income, taking into account both the amount to be recorded in personnel expenses (actuarial expense) and the value recorded as financial expenses (updated reserve mathematics[7]). The amount to be recognized in 2018 is R$ 71.5 million, and in the first quarter R$ 17.8 million were effectively recognized, totaling R$ 6.5 million as personnel expenses (actuarial expenses) and R$ 11.3 million as financial expenditure (updated mathematical reserve).

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

R$ Million	Amount actually recognized in 2013	Amount actually recognized in 2014	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 table below presents the Actuarial Liabilities recognized on 03/31/2018 in comparison to the closing of 2017 and showing an increase in the estimated obligations of Celesc Distribuição.

Celesc Distribuição S.A. | Actuarial Liabilities

R$ Million	in December 31, 2016	in March 31, 2018	Chg. %
Pension Plan	**1,179.8**	**1,160.0**	**-1.7%**
Mixed Plan + Transitional Plan	1,179.8	1,160.0	
Other benefits post-employment	**698.1**	**697.8**	**0.0%**
Healthcare Plan	652.2	651.7	-0.1%
Other benefits	45.8	46.1	0.6%
Total	**1,877.9**	**1,857.7**	**-1.1%**
Short Term	139.2	137.0	-1.6%
Long Term	1,738.7	1,720.8	-1.0%

Materials

The line of Materials has added up R$ 3.1 million in the first quarter of 2018, a decrease of 8% (- R$ 0.3 million) compared to the first quarter of 2017. Among the items that contributed to the variation in the quarter, the following stand out: (i) Reduction of 13.5% (- R$ 0.2 million) in material for maintenance and conservation of Administrative Units and Operating Units; (ii) 17.3% reduction in material with health and safety at work (- R$ 0.1 million).

[7] Explanatory Note 25a.

Third Party Services

Third-party service expenses added up R$ 44.9 million in the first quarter of 2018, an increase of 8% over 1Q17. The increase is mainly due to: (i) a 22% (+ R$ 0.3 million) increase in services with Contracted Labor by the Legal Entity; (ii) Increase of 57% ((+ R$ 1.4 million) in services during the summer operation; (iii) Contraction of 6.4% (- R$ 0.3 million) in the maintenance of distribution lines (iv) Increase of 2.3 (+ R$ 0.3 million) in measurer reading; (v) Decrease of 15% (- R$ 0.6 million) in mowing services; (vi) Contraction of 12.9% (- R $ 0.6 million) in cut-off and restart services.

Other Operating Expenses

Celesc Distribuição S.A. | Other Operating Expenses

R$ Million	1rd Quarter		
	2017	2018	Δ
Other Expenses - Total	**20.7**	**10.9**	***-47.4%***
Leasing and Rentals	(4.5)	(4.3)	*-4.6%*
Insurance	(0.0)	(0.0)	*-7.1%*
Taxes	(1.6)	(2.2)	*35.7%*
Losses (Net)	(4.2)	(7.1)	*67.9%*
Other	31.1	24.5	*-21.2%*

** Other Expenses: Own Consumption of Energy, Advertising, Fines, Indemnity to consumers, Donations and Grants, etc.*

The item Other Operating Expenses recorded a positive value of R$ 10.9 million in the quarter in this item, a reduction of R$ 9.8 million in comparison with the same period of the previous year when expenses were in the order of R$ 20.7 million. Among the factors that contributed to the increase in the quarter were: (i) Rents and leases decreased by 4.6% (- R$ 0.2 million); (ii) Taxes had an expansion of 35.7% (+ R$ 0.6 million); (iii) Net Losses with Credit increased by R$ 2.9 million, most of which were recorded as losses in previous quarters; (iv) Breach of Quality Standard increased 13% (+ R$ 0.5 million), totaling R$ 3.5 million in 1Q18 versus R$ 3.0 million in 1Q17; (v) Own Consumption showed a reversal of R$ 1.7 million in the quarter, a decrease of 9.3% compared to 1Q17; (vi) Civil Indemnity recorded an increase of 58% (+ R$ 0.7 million) in the quarter; (v) Arrangement Fee recorded revenue of R$ 10.4 million; (vi) Gains from Alienation of Goods and Rights added revenues of R$ 1.7 million; (vii) Recovery of Expenses amounted to R $ 5.5 million including recovery of expenses with PIS and Damage to Lines and Network.

Provisions and Provisions Reversals

Celesc Distribuição S.A. | Provisions

R$ Million	4nd Quarter		
	2017	2018	Δ
Provisions, net - Total	**28.2**	**20.2**	***-28.4%***
Allowance for doubtfull Accounts, net	**4.9**	**9.8**	***100.3%***
Provision for Doubtfull Accounts	*9.2*	*10.1*	*9.2%*
Reversal of Provision for Doubtfull Accounts	*(4.3)*	*(0.3)*	*-93.3%*
Other Provisions, net	**23.3**	**10.4**	***-55.3%***
Other Provisions	*26.3*	*14.5*	*-44.8%*
Reversal of Other Provisions	*(3.0)*	*(4.1)*	*37.0%*

Main changes in provisions for estimated losses on loan losses - PECLD

(i) PECLD Provisions totaled R$ 10.1 million in 1Q18 (+ R$ 0.8 million in relation to 1Q17), reflecting higher Company revenues due to higher electricity tariffs;

(ii) Reversal of Provision of R$ 0.3 million in the quarter.

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

(i) Reduction of 55.3% in the item Other Net Provisions, totaling R$ 10.4 million in the quarter (intensifying effect on the distributor's operating expenses);

(ii) Other provisions posted a balance of R$ 14.5 million, 44.8% (- R$ 11.8 million) lower than in 1Q17, segregating: R$ 2.4 million in labor (compared to R$ 5.7 million in 1Q17), R$ 11.3 million in Civil (compared to R$ 20.5 million in 1Q17), R$ 0.6 million in regulatory and R$ 0.9 thousand in the environment.

(iii) Detailing the item reversal of other provisions, which added up R $ 4.1 million in the quarter, of which: R$ 1.6 million in Labor (R$ 1.2 million in 1Q17), R$ 2.4 million in Civil (compared to R$ 1.8 million in 4Q16) and R$ 0.1 million in the environment.

EBITDA and Adjusted (non-audited) EBITDA

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$ Million	1rd Quarter		
	2017	2018	Δ
Profit / Loss Net	**95.2**	**57.4**	*-39.7%*
(+) Income Tax and Social Contribution	58.8	40.3	*-31.4%*
(+) Financial Result	(6.6)	18.5	*379.8%*
(+) Depreciation and Amortization	49.4	51.3	*3.9%*
EBITDA	**196.7**	**167.6**	-14.8%
(+) Effects on Regulatory Assets and Liabilities			
(=) Adjusted EBITDA by Regulatory Assets and Liabilities	**196.7**	**167.6**	-14.8%
(-) Non-Recurring Effects	**0.0**	**0.0**	
(=) EBITDA Adjusted by Non recurring Effects	**196.7**	**167.6**	-14.8%
EBITDA Margin without Adjustments (IFRS)	*13.9%*	*10.2%*	
Adjusted EBITDA margin, without Construction Revenue (%)	*13.9%*	*10.2%*	

Considering that we had no non-recurring effects in the quarters and consequently adjustments, adjusted EBITDA and margin are similar to the IFRS, having a reduction of 14.8% in comparison with the first quarter of 2017 when it reached R$ 196.7 million.

Regulatory EBITDA (Value of Portion B minus the value of Regulatory Operational Cost - PMSO) of Celesc Distribuição estimated by the Company recorded R$ 158.9 million in 3M18, a value of R$ 8.7 million below the Adjusted EBITDA.

Financial Income

Celesc Distribuição S.A. | Financial Statement

R$ Million	1nd Quarter		
	2017	2018	Δ
Financial Income	**66.3**	**39.0**	***-41.3%***
Interest Income	24.6	3.9	*-84.2%*
Monetary Variation	2.6	3.8	*44.1%*
Financial Incentive - Social Fund	1.2	0.0	*-100.0%*
Interest and Arrears on Invoices	28.9	22.7	*-21.7%*
Currency Devaluation on Energy Sold	4.4	7.9	*79.8%*
Exchange rate energy purchased	7.5	1.4	*-81.6%*
Other Financial Revenues	(2.9)	(0.6)	*78.9%*
Financial Expenses	**(59.7)**	**(57.5)**	***-3.7%***
Debt Charges	(23.0)	(19.6)	*-14.8%*
Monetary Variation	(0.2)	(0.2)	*-10.8%*
Adjustment of R&D and Energy Efficiency	(7.0)	(3.8)	*-45.5%*
Exchange rate energy purchased	(0.3)	(1.8)	*610.0%*
Interest on Debêntures	(10.1)	(3.9)	*-61.9%*
Regulatory Liability / Regulatory Fees	(15.8)	(23.4)	*47.8%*
Other Expenses	(3.3)	(4.9)	*46.5%*
Net Financial Result	**6.6**	**(18.5)**	***-379.8%***

Financial Revenues added up R$ 39.0 million in the quarter, 41.3% down on 1Q17, highlighting:

(i) Financial Application Income R$ 3.9 million, a decrease of 84.2%, influenced by the reduction of interest; (ii) Monetary Variation, expansion of 44.1%, registering R$ 3.8 million, in comparison with 1Q17; (iii) Interest and Increase on Invoices, a drop of 21.7% due to the reduction in sales and delinquency of the very short-term, totaling R$ 22.7 million, including both the arrears increase on the invoice (R$ 14.1 million) and other charges (R$ 8 million) on the invoice (fine, interest in arrears); (iv) Regulatory Assets/Regulatory Fees, totaling R$ 7.9 million, with changes in this line arising from the application of SELIC on sectorial financial assets (regulatory assets); (v) Other financial income presented a negative variation of 0.6 million, in this item includes revenues with contractual fines, discount of suppliers, invoice payments with negative goodwill and also tax compensation.

Financial Expenses were R$ 57.5 million in the quarter, a contraction of 3.7% (- R$ 2.2 million) compared to the comparative period of 1Q17. The main factors of influence are described below: (i) Debt charges, totaled R$ 19.6 million due to: 1) Interest paid on the debt stock and its main index (CDI rate) totaling R$ 8.2 million and 2) Reclassification of the mathematical reserve, classified as operating expense up to 3Q15, impacting R$ 11.4 million in the quarter, but reducing operating expense; (ii) Interest on Debentures, totaling R$ 3.9 million in the quarter related to funding raised in September/15; (iii) Regulatory Liabilities/Regulatory Taxes (SELIC) totaling R$ 23.4 in the quarter, highlighting:

1) R$ 9.0 million in the quarter related to monetary restatement of regulatory liabilities; 2) R$ 14.4 million in the quarter referring to the CDE update[8]; (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, of which R$ 2.2 million related to litigation and R$ 1.2 million in expenses with IOF and R$ 1.5 million in others.

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

Net Profit and Adjusted Net Profit

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

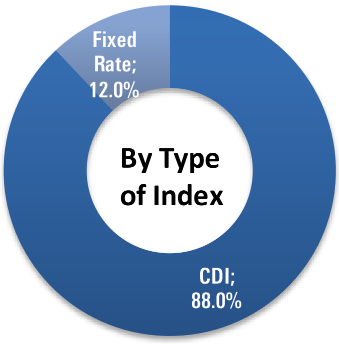
R$ Million	1nd Quarter		
	2017	2018	Δ
Net Income / Loss - IFRS Reported	**95.2**	**57.4**	*-39.7%*
(+) Effects of Regulatory Assets and Liabilities			
(=) Net Income Adjusted by Non-Recurring Effects	**95.2**	**57.4**	**-39.7%**
(-) Non-Recurring Effects	**0.0**	**0.0**	
(-) Non-Recurring Effects	**95.2**	**57.4**	**-39.7%**
EBITDA Margin without Adjustments (IFRS)	*6.7%*	*3.5%*	
Adjusted EBITDA margin, without Construction Revenue (%)	*6.7%*	*3.5%*	

Considering that we had no non-recurring effects in the period, the adjusted profit was similar to the IFRS profit.

Indebtedness

Celesc Distribuição S.A. | Debts and Loans

R$ Million	Annual Interest Rate	in December 31, 2017	in March 30, 2017	Δ
National Currency				
Bank Loans	110% a 121,5% CDI	64.3	180.9	181.3%
Eletrobrás	5.00%	30.6	25.4	-17.0%
Debentures	CDI + 1,30%	201.5	205.5	2.0%
Finame	2,50% a 8,70%	35.6	33.7	-5.3%
Mutual Celesc D/G	125% do CDI	45.5	46.3	
Total		**377.5**	**491.8**	**30.3%**
Short Term - Current		*235.2*	*354.9*	
Long Term - 1 to 5 Five Years		*140.8*	*135.7*	
Long Term - Over 5 Five Years		*1.5*	*1.2*	



The average cost of Celesc's total financial debt is 7.51% (year), being 7.59% p.a. the average cost of debt linked to CDI and 6.92% p.a. the pre-fixed debt, in line with the rates charged in the market. The average term of the total financial debt is 0.68 years, corresponding to 0.5% of the debt indexed to the CDI and 2.07 years to the pre-fixed debt, evidencing the shortening of the terms. The Company has been structuring the possible extension of the average due date of the financial debt, with new medium/long-term funding, and its proposal was unanimously approved at a Board of Directors Meeting held on May 10, 2018. Breakdown of the structuring will be disclosed to the market as soon as it is completed/settled.

Bank Loans

In March 2014, R$ 300 million was collected from Caixa Econômica Federal at a rate of 121.5% of CDI. The Company will pay off the debt until June 2018, and the balance due on 03/31/2018 is R$ 30.0 million. The debt is being amortized in the proportion of R$ 10 million per month.

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 proportion of 1:1 of the outstanding balance.

Eletrobrás

The loans and financing contracted are intended for the rural electrification programs and others, and the resources come from the Global Reversion Reserve (GRR) and from the Eletrobrás Finance Fund. In general, these contracts have a 24-month grace period, 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 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") from January 16, 2009, under the firm guarantee regime, and are entitled to the payment of remuneration interest corresponding to 100% of the accumulated variation of the average daily rates of Interbank Deposits (ID), plus a surcharge or spread of 1.30% per annum, due within 72 months from the issuance date. The Remuneration is paid in semiannual and consecutive installments, with no grace period, as of the Issuance Date (5/15/2013). The amortization 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 contractual commitment (covenant) to present the Net Debt/EBITDA ratio lower than 2 and a maximum dividend distribution limit of 30%. The outstanding balance at 03/31/2018 is R$ 205.0 million.

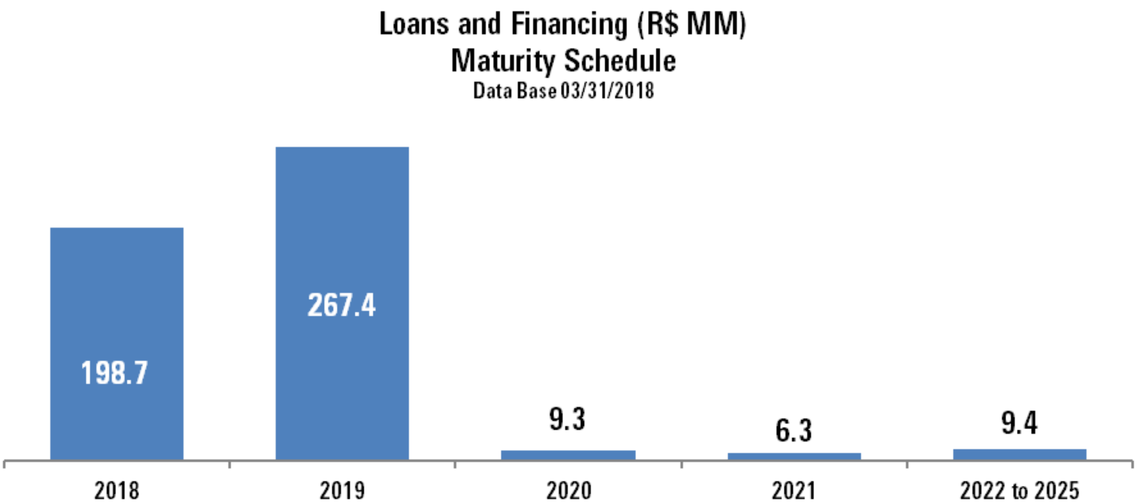
Finame
The loans contracted were used to purchase machinery and equipment; has an interest rate of 2.5% p.a. to 8.7% p.a. In the event of default, the guarantee is linked to the receivables of the contractor and are approved by ANEEL.

Mutual Celesc Distribuição S.A with 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 consent, for a period of 24 months 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 partials cover or full coverage of the balance during the term of the contract. The outstanding balance on 03/31/2018 is R$ 46.3 million (Principal + Interest).

Celesc Distribuição's gross financial debt totaled R$ 491.8 million as of March 31, 2018, an increase of 30.3% (+ R$ 114.3 million) in relation to the closing of 2017 (R$ 377.5 million), arising from the increased need for working capital to meet the costs of buying electricity for resale.

Financing and Loans Schedule
The estimated due date schedule of loans and financing is set out in the following graph.



The Company ended 2017 with its financial debt representing 0.2x EBITDA in the last 12 months (0.2x Adjusted EBITDA) and 0.1x its Net Worth as follows:

Celesc Distribuição S.A. | Debt

Financial Debt 1Q18			
R$ Million	in December 31, 2017	in Mach 31, 2018	Δ
Short-Term Debt	235.2	354.9	50.9%
Long-Term Debt	142.3	136.9	-3.8%
Total Debt	**377.5**	**491.8**	**30.3%**
(-) Cash and Cash equivalents	**462.5**	**391.8**	-15.3%
Net Debt	**(85.0)**	**100.0**	**-217.6%**
Net Debt / EBITDA LTM	**-0.2x**	**0.2x**	
Net Debt / Ajusted EBITDA LTM	**-0.2x**	**0.2x**	
Total Debt / Equity	**0.4x**	**0.4x**	
Net Debt / Equity	**-0.1x**	**0.1x**	

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 balance due on 03/31/2018 is R$ 862.3 million (Note 26 of ITR1Q18).

Considering the Pension Obligations, which totaled R$ 1,160.0 million as of March 31, 2018 and Other Employee Benefits (Health Plan, PDVs, others) in the amount of R$ 697.8 million, the Adjusted Net Debt of the Company amounts to R$ 1,449.7 million, which represents 3.5x EBITDA 12M and 1.3x the Company's Net Worth at the end of the first quarter of 2018, as shown in the table below:

Celesc Distribuição S.A. | Debt + Actuarial Liabilities

R$ Million	in December 31, 2017	in Mach 31, 2018	Δ
Total Financial Debt	**377.5**	**491.8**	**30.3%**
(+) Net Actuarial Liabilities	**1,364.5**	**1,349.7**	**-1.1%**
Bonds with Pension	1,179.8	1,160.0	-1.7%
Other employee benefits	698.1	697.8	0.0%
(-) IR/CSLL deferred[1]	513.5	508.0	-1.1%
(-) Cash and cash equivalents	**462.5**	**391.8**	-15.3%
Adjusted Net Debt	**1,279.4**	**1,449.7**	**13.3%**
Adjusted Net Debt / EBITDA 12M	**2.9x**	**3.5x**	
Adjusted Net Debt / EBITDA Ajust. 12M	**2.7x**	**3.3x**	
Adjusted Net Debt / Net Worth	**1.7x**	**1.7x**	
Adjusted Net Debt / Net Worth	**1.2x**	**1.3x**	

[1] ITR 1T18, 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 on 11/21/17. The objective of the loan is to finance 60% of the investment plan in distribution for the next 05 years. The contract value will be worth up to US$ 276 million, the disbursement period will be 5 (five) years from the date of entry into force of the Contract, annual interest rate equivalent to quarterly LIBOR plus the cost of IDB funding and the margin applicable to loans of the bank's ordinary capital, 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 from October 5, 2017, as amended by State Act No. 17,305 from November 6, 2017 - and of the Company.

Investments | CAPEX In order to complete the formal procedures, there will still be some steps to be taken in the Treasury Department and in the PGFN. The final stage of the process, scheduled to occur by the end of the first half of this year, 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 BID, in the amount of US$ 69 million.

Ratings of Celesc Distribuição and Parent Company

Moody's América Latina 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 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 perspective 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 and ensure a sufficient long-term debt to fund its investments in fixed assets.

Investments | CAPEX

Investments made by Celesc Distribuição in the first quarter of 2018 totaled R$ 100.5 million (R$ 68.9 million in materials and services, R$ 14.3 million in own labor and R$ 17.3 million in consumer financial stake[9]).

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

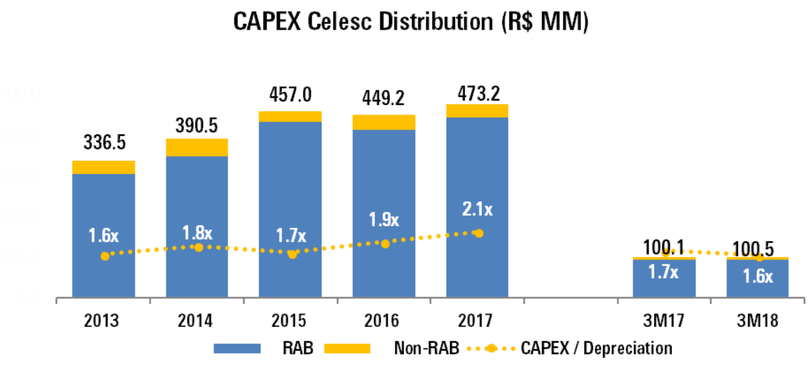
CAPEX - Celesc Distribuição S.A.

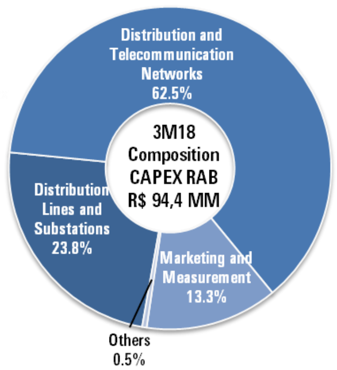
R$ MM	1rd Quarter		
	2017	2018	Δ
Investments Celesc Distribuição	**100.1**	**100.5**	**0.4%**
RAB *	94.0	94.4	0.5%
Non - RAB	6.1	6.1	-1.1%
Depreciation / Amortization	**(49.4)**	**(51.3)**	3.9%
CAPEX x Depreciation Ratio	**1.7x**	**1.6x**	

* 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 held in 3M18, which will comprise the Regulatory Assets Base - RAB:





9 Rules of Consumer Financial Stake are set out in the Normative Resolution ANEEL 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$ 819k in Research and Development (R&D)[10] and R$ 1.3 million in Energy Efficiency[11] in the first quarter of 2018.

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

2.1.3 – Regulatory Aspects of Celesc Distribuição S.A.

Contract Exposure 2014 - Orders ANEEL 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 as having 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 statement 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 other two auctions (A-0 of 2013 and A-0 of 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, said extraordinary market growth could not be adjusted, generating contractual exposure of around 1.5% of the market.

Through Order No. 2,078/2016, the company was granted a partial recognition in order to: a) consider another 2MW average as 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 unintentional exposure due to the recognition of a 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, recorded in 2Q16 the amount of R$ 225 million in the Financial Assets/Liabilities Account of Gross Operating Revenue, with a negative effect, and R$ 31 million as financial expenditure (overcontracting update).

CELESC D filed a Judicial Lawsuit in 2016 with the purpose of challenging Order No. 2078/2016, in order to obtain the full recognition of the contractual exposures as involuntary, at the same time as it requested the granting of an injunction to suspend the application of a rate reducer 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 the aforementioned tariff reducer, a decision met by ANEEL's upon the approval of the Tariff Review, 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 the application of penalties by the Electric Energy Trading Chamber - CCEE.

Recently, the judge holding the case that discusses the 2014 contract exposure, after examining ANEEL's statement regarding the arguments presented by Celesc D, decided to maintain the injunction previously granted, constituting a condition of stabilization of the proceeding.

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

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

Contract Exhibition 2014 – CCEE Penalties
On October 14, 2016, the CCEE issued Notification No. 1438/2015 due to the non-presentation by Celesc D of a 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 Notification Term, 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 former-post MCSD round, should any lack of contractual ballast is maintained in the year 2014.

On December 22, 2016, the Administration Council of CCEE - CAD decided at its 903rd meeting to reject 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 decided to comply with deliberation No. 0036 for forwarding to ANEEL the Dispute Request 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. 1,438/2015.

At the 7th public meeting of the Executive Board of ANEEL, held on March 7, 2017, considering the foregoing and what is set forth in Case No. 48500.000391/2017-12, it voted to hear the Dispute Request, 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, from 2017, and, on merit, dismiss it. However, the rapporteur had requested to be entitled to check it, thus postponing the decision.

After requesting a hearing, the Appeal Request was again reviewed by the Executive Board of ANEEL at the 19th Ordinary Public Meeting, knowing it, and, on merit, dismissing it as provided in Order No. 1,489/2017.

In the sequence, the Company filed a lawsuit (No. 1005589-77.2017.4.01.3400) against CCEE and ANEEL requesting the grant of an 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, as well as causing the legal proceeding that the Jirau HPP files in the face of ANEEL, so that it also reaches its final appreciation of merit, with these two factors that directly impact on the maintenance of the applied penalty.

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

Tariff Flags
The Federal Government through Decree No. 8,401/2015 created the main account of the Tariff Flags Resources - CCRBT, stating that the flags should be triggered whenever the variations in generation costs by fuel source and exposure to settlement prices in the short-term market affected the electricity distribution agents connected to the National Interconnected System (NIS). The mechanism has served as a signal for consumers to be aware of consumption during situations of low hydraulicity.

For the year 2017, through the Public Hearing in 091/2016 new activation ranges have been defined by ANEEL, as well as additional ones, considering the updating of the data and the distribution of costs between the tiers.

On October 24, 2017 during the Public Meeting of the Executive Board of ANEEL, the opening of a public hearing in 061/2017 was approved, to discuss the review of the methodology of tariff flags and the values of their activation ranges. Exceptionally for the month of November, the additional value proposed for the audience, of R$ 50.00/MWh was already implemented, considering the red flag tier 2.

According to the proposal, the value of the additional yellow flag fell from R$ 20.00 to R$ 10.00/MWh and the additional red flag on tier 1 remains at R$ 30.00/MWh. This situation was justified due to the fact that there was no development in the situation of the reservoirs at 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 the Public Hearing No. 61/2017, held from October 26, 2017 to December 27, 2017, on April 24, 2018, through Resolution No. 2392/2018 ANEEL ratified the activation tracks and additional tariff flags, referred to in sub-module 6.8 PRORET, effective as of May 2018 proposed in the opening of the public hearing No. 061/2017, on 24 October 2017, during the public Meeting of the Executive Board of ANEEL.

In addition, at the same Ordinary Public Meeting of the Board of Directors 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 from the Flags Account.

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

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

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

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 maintaining the concession began, as established in the Amendment Term signed.

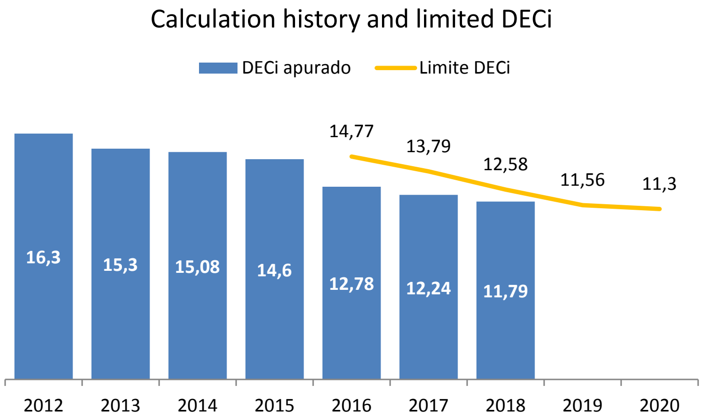
The new amendment that extends the concession term for 30 years has imposed conditioning factors on the distributor's quality of service, as well as the sustainability of economic and financial management. During the first five years of the new contract, non-compliance of conditions for two consecutive 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.

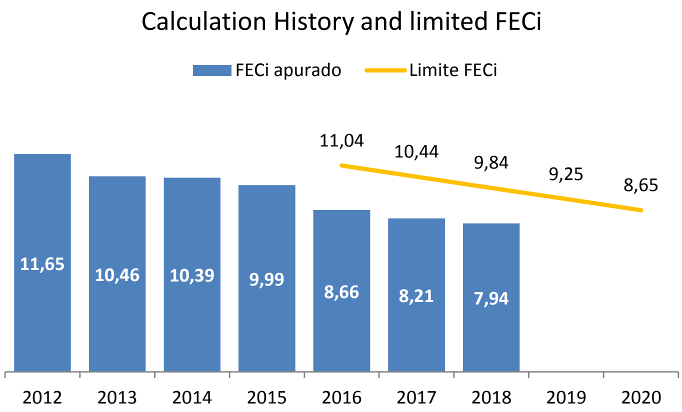
Below are the targets to be followed by Celesc Distribuição in the first 5 years of the extension:

Year	Financial Management	Quality Indicators	
		DECi[1]	FECi[1]
2016		14.77	11.04
2017	LAJIDA>0	13.79	10.44
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 twelve (12) months of measuring economic-financial sustainability.
[3] Selic: Limited to 12.87% a.a.

The chart below shows the monitoring of quality indicators by the end of the third quarter of 2018 (last 12 accumulated months).





In relation to the Company's performance, CELESC D complied with the adjusted EBITDA requirement of greater than or equal to zero for the year 2017. The accumulated adjusted EBITDA determined by ANEEL's Superintendence of Economic and Financial Inspection up to the third 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, the Company has not complied with the overall DEC targets for the years 2016 and 2017, and the distribution of dividends and/or JCP is limited to the legal minimum, 25%, remaining until regulatory parameters are performed.

Income Plan

Celesc D was convened 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 the economic-financial sustainability indicator, and consequently guaranteeing the achievement of the indicators, set forth in the Concession Contract.

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

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.

Recently, the report of the first four months of the Income Plan was forwarded to ANEEL, which was positively analyzed by the regulatory agency, according to statements presented at a technical visit by the Director, rapporteur of the process, Dr. Tiago de Barros Correia, together with the Superintendents of Electricity Services Surveillance - SFE and for Regulating Distribution Services - SRD.

Following the implementation of the Income Plan, the company has been progressing in the execution of the planned actions, and on May 30, 18, the 2nd Four-Month Period Report will be sent to ANEEL.

2017 Annual Tariff Readjustment - Homologation Resolution No. 2,286 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 Index (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 process and the effect of the withdrawal of the financial components considered in the previous ordinary process, 1.22%. In the IRT composition 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 Parcel B (manageable costs) presented a 0.13% variation.

Participation in the Tariff Adjustment 2017 (ANEEL Homologatory Resolution 2,286 / 2017)		
Plot A	Sectorial Charges	-3.17%
	Transmission Costs	6.61%
	Power Purchase	0.21%
	Total Portion A	**3.67%**
Plot 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%**

Tariff Review by Celesc Distribuição - Homologation 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 Index (IRT) of -1,54% (economic effect resulting from the updating of Portion A and B costs), of the financial component of -0.47% in the current process and the effect of the withdrawal of financial components considered in the previous ordinary process, equivalent to -2.15%. In the IRT composition for the period 2016-2017, Portion A (non-manageable costs) increased by -2.20% in relation to the costs that were added in the RTE by financial component. Portion B (manageable costs) represented a variation of 0.66%. The table below details the composition of the readjustment items:

Participation in the Tariff Review 2016 (ANEEL Homologatory Resolution 2.120 / 2016)		
Plot A	Payroll	-1.73%
	Transmission Cost	0.71%
	Energy Acquisition	-1.18%
	Total Portion A	**-2.20%**
Plot B		**0.66%**
Economic Readjustment, considering tariff variation of RTE 2015		**-1.54%**
Other Financial Components		-0.47%
Removal of Financial Components of Previous Process		-2.15%
Total Readjustment		**-4.16%**

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

Public Inquiry MME No. 33/2017 - Enhancement of the Legal Benchmark of the Electric Sector
In July 2017, the Ministry of Mines and Energy - MME launched Public Inquiry No. 33, with the objective of inquiring society and the electric sector agents regarding the proposal to improve the legal benchmark of the electric sector, whose guidelines were based on new technological and environmental paradigms 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 disclosure 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 supply security, investments and socio-environmental sustainability.

Another proposal is the end of the quota system for the extended plants, with the allocation of part 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 benchmark. 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 point addressed is the allocation of resources of the RGR for the indemnification of transmission assets. There is a review of the R&D resource use guidelines and incentives for alternative sources of energy. Lastly, there is a re-discussion of the structure of the distribution regulated market, seeking a modernization and creation of incentives. The calculation bases for determining penalties to the distributors will also be reviewed. Lastly, 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 are translated into a Draft Bill released by the MME, which should be discussed in the National Congress soon.

The IASC/ANEEL Award - Evaluation of Quality Perceived by Consumers
ANEEL published on February 1, 2018 the winning distributors of the Iasc 2017 Award, the ANEEL Consumer Satisfaction Index, which recognizes the best evaluated distributors, based on the perception of residential consumers. The index 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 faithfulness.

Celesc D was chosen as the second best distributor in Brazil as per consumers' assessment, only behind 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 the Brazil average. Regarding confidence, Celesc reached 71.63%, compared to 62.27% of the national average and 43.21% of loyalty, in comparison with 37.20% of the national average.

2.2 – Celesc Geração

2.2.1 – Operating Performance

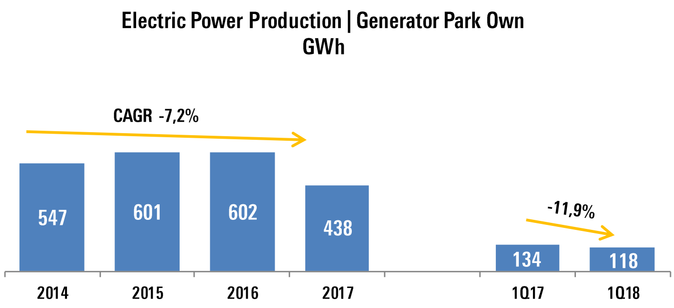
Production
The total volume of energy generated in the first quarter of 2018 by Celesc Geração's plants was 117.8 GWh, 11.9% lower than in the first quarter of 2017, when production reached 133.7 GWh.

Among the factors that influenced the negative variation in the quarter, we emphasize: (i) The low rainfall index in the Power Plants of the western region of the State; (ii) The Pery Plant has a generating unit under maintenance; (iii) The Salto Power Plant is prevented from operating the channel, due to maintenance (SAMAE); (iv) The Cedros plant with the wooden conduit exchange and the Garcia plant with the automation and retrofit process are disconnected to execute the investment.

The global capacity factor in the first quarter of 2018 was 51.0%, representing 7.0 pp. (percentage points) below what was recorded in the first quarter of 2017 (58.0%).

Celesc Geração S.A. | Energy Production

Operating Performance (MWh)	1rd Quarter		
	2017	2018	Δ
Own Generating Plants	**133.7**	**117.8**	*-11.9%*
PCH Palmeiras	34.4	40.8	*18.5%*
PCH Bracinho	7.6	20.2	*167.1%*
PCH Garcia	17.1	6.8	*-60.2%*
PCH Cedros	15.5	0.0	*-100.0%*
PCH Salto	5.8	2.2	*-62.9%*
PCH Celso Ramos	9.7	9.4	*-2.3%*
PCH Pery	29.7	26.4	*-11.3%*
PCH Caveiras	6.2	5.6	*-9.1%*
CGH Ivo Silveira	5.3	5.0	*-5.7%*
CGH Piraí	0.9	0.0	*-100.0%*
CGH Rio do Peixe	0.9	0.9	*-6.3%*
CGH São Lourenço	0.6	0.5	*-9.4%*
Global Capacity Factor	**58.0%**	**51.0%**	**-7.0%**



All the plants of the generating 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 guarantee, to the plants that generated, as indicated below. As a result, the decrease in production recorded 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	1rd Quarter		
	2017	2018	Δ
Gross Operating Revenue	**36.3**	**38.3**	***5.6%***
Deductions from Operating Revenue	(3.4)	(3.8)	*11.4%*
Net Revenue	**32.8**	**34.5**	***5.0%***
Operating Costs and Expenses	(13.8)	(10.6)	*-23.1%*
Electricity Costs	*(4.4)*	*(5.5)*	*25.5%*
Operating Expenses	*(9.5)*	*(5.1)*	*-45.6%*
Equity Result	0.0	0.0	*-36.4%*
Operating Results	**19.0**	**23.8**	***25.3%***
EBITDA	**22.7**	**25.3**	***11.5%***
EBITDA Margin (%)	*69.0%*	*73.3%*	
Financial Result	**(3.9)**	**(1.6)**	***-59.0%***
LAIR	**15.1**	**22.2**	***47.2%***
IR/CSLL	(5.1)	(7.6)	
Net Profit / Losses	**10.0**	**14.7**	***47.1%***
Net Margin (%)	*30.4%*	*42.6%*	

Income Highlights

Celesc Geração's Net Operating Revenue increased by 5.0% (+ R$ 2.0 million) in the first quarter of 2018, recording R$ 34.5 million, mainly reflecting the positive fluctuations in the provision and supply of energy available for commercialization. EBITDA and profit for the quarter increased by 11.5% (+ R$ 2.6 million) and 47.1% (+ R$ 4.7 million), respectively, positively impacted by the 5.0% in the Net Operational Revenue (NOR) and also a reduction of 23.1% in operating costs and expenses. 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	1rd Quarter		
	2017	2018	Δ
EBITDA (IFRS - Non-Recurring)	**22.7**	**25.3**	***11.5%***
Adjusted EBITDA Margin (%)	*69.0%*	*73.3%*	
Net Profit / Loss (IFRS - Non-Recurring)	**10.0**	**14.7**	***47.1%***
Adjusted Net Margin (%)	*30.4%*	*42.6%*	

Gross Operational Revenue

Celesc Geração S.A. | Gross Operating Revenue

R$ Million	1rd Quarter		
	2017	2018	Δ
GROSS OPERATING REVENUE	**36.3**	**38.3**	***5.6%***
Electric Sales	6.7	9.1	*36.3%*
Electric Energy Supply	15.5	15.7	*1.1%*
Spot Energy	4.2	4.0	*-4.7%*
Financial Income - Interest and update BO	10.0	9.6	*-3.9%*

The variation in the quarter is mainly explained by:

i. Increase of 36.3% (+ R$ 2.4 million) in the energy supply account;
ii. Revenue from short-term energy contracted 4.7%, reaching R$ 4.0 million;
iii. Average selling price of R$ 192.62 (R$ 191.98 without CCEE) in the first quarter of 2018 versus R$ 192.2 (R$ 204.97 without CCEE);
iv. Financial Revenue of R$ 9.6 million in the quarter, of which R$ 1.7 million in upgrades and R$ 7.8 million in interest on grant bonus.

The table below shows the physical quantities of energy billed in the first quarter of 2018 for each of the segments.

Celesc Geração S.A. | Energia Sold

GWh	1rd Quarter		
	2017	2018	Δ
Electric Energy Supply	**173.3**	**184.5**	***6.5%***
Industrial	27.5	35.1	*27.8%*
Commercial, Services and Other	11.9	12.6	
Electric Energy Sales to distributors	106.1	122.5	*15.5%*
Electric Energy Trading Chamber (CCEE)	27.8	14.2	*-48.9%*
Average Sales Price Without CCEE (R$/MWh)	**204.97**	**191.98**	**-6.3%**
Average Sales Price With CCEE (R$/MWh)	**192.20**	**192.62**	***0.2%***

Energy billed increased by 6.5% in the quarter (+11.2 GWh). This operation arised mainly due to: (i) An increase of 15.5% in the Supply segment, which is basically due to the start of physical guarantee quota contracts, in particular, the Pery plant (Jul/17) and the migration of short-term contracts; (ii) Increase of 27.8% in the industrial segment (new contracts); (iii) 48.9% reduction in short-term energy marketed at the CCEE, which was displaced in marketing for the Industrial and Supplies classes.

The Pery Plant has been extended by the provisions of Act 12,873/2013 and the tariff reflects, only, the cost of O&M, however, the company is entitled to an indemnity of R$ 113.9 million that will be received via the plant's tariff for the duration of the concession period, as regulated by ANEEL Resolution 257/2017. For the other plants that were classified under the quota regime, their concession was obtained by means of an auction (Auction Notice 12/2015) with the payment of a grant, thus, the tariffs of these plants reflect, in addition to the administration and O&M cost, the return of the grant bonus and other investments.

According to the table below, ARG (Annual Generation Revenue) of the Celesc Generation Plants shall be charged on a monthly basis, in accordance with the Monthly Revenue specified in the Resolution Homologation.

Celesc Geração S.A. | RAG Power Plants - Quotas

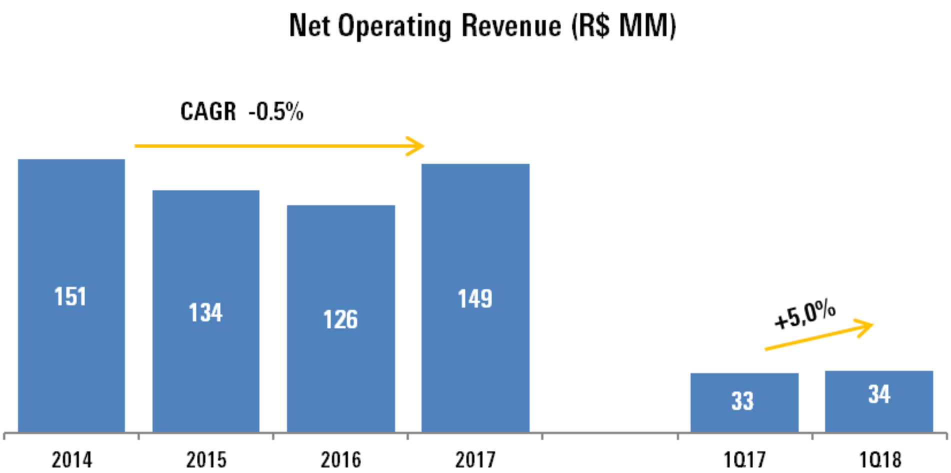
Plants	RAG - Monthly Quota (R$)	RAG - Annual Quota (R$)	Physical Security in Quotas
PCH Pery**	430,706.5	5,168,477.4	100%
PCH Palmeiras*	1,554,942.8	18,659,314.0	70%
PCH Bracinho*	1,016,622.6	12,199,471.3	70%
PCH Garcia*	785,694.5	9,428,333.6	70%
PCH Cedros*	743,650.9	8,923,810.8	70%
PCH Salto*	528,433.0	6,341,195.8	70%

* Resolution Homologatory Nº 2.665 de 4/07/2017

** Resolution Homologatory Nº 2.288 of 22/08/2017

Net Operational Revenue

Net Operating Revenue (NOR) was a reflection of the increase in the amount of energy billed between the periods.



Costs and Operational Expenses

Celesc Geração S.A. | Operating Costs and Expenses

R$ Million	1rd Quarter 2017	1rd Quarter 2018	Δ
OPERATING COSTS AND EXPENSES	**(13.8)**	**(10.6)**	***-23.1%***
Electric Energy Costs	**(4.4)**	**(5.5)**	***25.5%***
Electric Energy Purchased for Relase + Charges	(3.8)	(4.9)	*29.3%*
Electric Grid Usade	(0.6)	(0.6)	*0.9%*
PMSO	**(5.8)**	**(3.7)**	***-36.0%***
Personnel and Management	(3.7)	(2.9)	*-21.3%*
Material	(0.1)	(0.0)	*-32.8%*
Third Parties Services	(1.8)	(1.8)	*-0.2%*
Financial compensation for use of Hidric Sources	(0.1)	1.1	*1983.3%*
Other Expenses	(0.2)	(0.1)	*-49.7%*
Provision / Reversion Impairment Test	**0.0**	**0.0**	
Depreciation / Amortization	**(3.6)**	**(1.4)**	***-61.0%***

Operating costs and expenses decreased 23.1% (- R$ 3.2 million) to R$ 10.6 million in the quarter. 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 36.0% (- R$ 2.1 million), signaling the economy: R$ 0.8 million in Personnel (R$ 2.9 million), R$ 1.2 million in Provisions (R$ 1.1 million in Reversal of Provision GSF) and R$ 0.1 million in Other Expenses (R$ 0.1 million) .

Equity Equivalence Income

The table below reflects Celesc Geração's Equity in 1Q18. The plants in operation (Rondinha, Rio das Flores and Xavantina) were impacted mainly by the GSF and 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	1rd Quarter		
	2017	2018	Δ
Rondinha Energética S.A.	0.8	(115.8)	-14207.7%
Painel Energética S.A.	(8.1)	(1.1)	-86.6%
Campo Belo Energética S.A.	(10.1)	(1.6)	-84.1%
Companhia Energética Rio das Flores	361.7	393.7	8.8%
Xavantina Energética S.A.	(106.1)	190.7	-84.1%
Garça Branca	(226.9)	(465.8)	105.3%
EDP Transmissão Aliança SC S.A.		6.2	
Equity Result	**11.3**	**6.3**	***-44.1%***

EBITDA and Net Profit

Celesc Geração's IFRS EBITDA recorded R$ 25.3 million in the first quarter of 2018, an increase of 11.5% (+ R$ 2.6 million) compared to the first quarter of 2017, EBITDA Margin was 73.3%. The increase in EBITDA is due to the increase in Net Operating Revenue (NOR) due to the reasons already mentioned above: (i) Increase in the amount of energy billed; (ii) Increase of R$ 9.6 million with granting bonus and (iv) Decrease in Operating Costs and Expenses; (v) Reversal of the GSF provision of R$ 1.1 million). 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	4nd Quarter		
	2017	2018	Δ
Profit / Loss Net	**10.0**	**14.7**	***47%***
(+) Income Tax and Social Contribution	5.1	7.6	
(+) Financial Result	3.9	1.6	
(+) Depreciation and Amortization	3.6	1.4	
EBITDA	**22.7**	**25.3**	***11.5%***
(-) Non-Recurring Effects			
SPHs Impairment Tests - Reversal of Provision		0.0	
(=) Adjusted EBITDA by Non-Recurring Effects	**22.7**	**25.3**	***11.5%***
EBITDA IFRS Margin	*69.0%*	*73.3%*	
Adjusted Net Margin (%)	*69.0%*	*73.3%*	

Similar to EBITDA, Adjusted Profit was corresponding to the Net IFRS Profit with a Net Margin of 42.6%.

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

R$ Million	4nd Quarter		
	2017	2018	Δ
Profit / Loss Net (IFRS Reported)	**10.0**	**14.7**	***47.1%***
(-) Non-Recurring Effects			
SPHs Impairment Tests - Reversal of Provision	0.0	0.0	
(=) Profit / Loss Adjusted by Non-Recurring Effects	**10.0**	**14.7**	***47.1%***
Net Margin (%)	*30.4%*	*42.6%*	
Adjusted Net Margin (%)	*30.4%*	*42.6%*	

Indebtedness

Celesc Geração S.A. | Debt

Financial Debt 1Q18			
R$ Million	in December 31, 2017	in March 31, 2018	Δ
Short-Term Debt	150.7	150.9	0.14%
Long-Term Debt	0.0	0.0	
Total Debt	**150.7**	**150.9**	**0.14%**
(-) Cash and Cash equivalents	77.1	71.8	-6.82%
Net Debt	**73.6**	**79.1**	**7.44%**
Net Debt / EBITDA LTM	**0.7x**	**0.8x**	
Net Debt / Ajusted EBITDA LTM	**0.8x**	**0.8x**	
Total Debt / Equity	**0.4x**	**0.3x**	
Net Debt / Equity	**0.2x**	**0.2x**	

Debentures

On January 28, 2016, the Company approved the issuance of 15,000 simple, non-convertible debentures, unsecured, with an additional unit trust, with a unitary nominal value of R$ 10 thousand, totaling R$ 150 million, due within 24 months from the issuance date, with no monetary restatement. Remuneration interest corresponded to 125.0% of the accumulated variation of DI's average daily rates and was paid quarterly, without 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 face value of the Debentures will be fully amortized on the maturity 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 lower than 2.5 in the first two semesters and the Net Debt/EBITDA ratio lower 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.

At the General Meeting of Debenture Holders, the renegotiation of the 1st Issuance of Simple Debenture by Celesc Geração was authorized, as per Notice to the Market on 03/05/2018, changing the due date to 06/01/2018.

Celesc G began the procedures for preparing the documents and corporate acts related to its 2nd Issuance of Simple Debentures Convertible into Shares, in a single series, in the amount of R$ 150.0 million, under a firm underwriting guarantee regime, with a fiduciary and actual warranty.

The funds will be allocated for settling the 1st Issuance of Debentures that will take place on June 1, 2018.

Celesc Generation and Parent Company Ratings
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 in the amount of up to R$ 150 million and a two-year term. The Corporate Ratings Perspective is stable.

Investments | CAPEX
Investments in SPEs totaled R$ 4.3 million in the first quarter of 2018, of which R$ 1.6 million was invested in SPE Garça Branca, R$ 2.2 million in SPE Rondinha and R$ 0.5 million in EDP Transmission Alliance. Investments in its own generating plant totaled R$ 1.4 million in the year, of which R$ 0.6 million in investments in the São Lourenço plant and R$ 0.7 million in the Garcia plant stand out.

Celesc Geração S.A. | CAPEX

R$ Million	1rd Quarter		
	2017	2018	Δ
Investments Celesc Geração	**4.2**	**5.7**	**36.5%**
Investiments in SPEs	1.9	4.3	*129.0%*
Own Power Plants Generating Complex	2.3	1.4	*-39.7%*

For the year of 2018, as per the Notice to the Market disclosed 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.

MME Ordinance 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 are 05 (five) SHPs 100% owned by Celesc Geração, for the which the Company's governing bodies had deliberated in favor of non-adherence to the terms of the early extension of the concessions, subject to the terms and conditions set forth 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 - ARG. Following the publication of Provisional Measure No. 688/2015, the economic conditions for participating in the auction became considerably more attractive, as the Annual Remuneration for Plant Management - GAG-O&M, remuneration for improvements - GAG - improvements, as well as the Return on Bonus of Grant - RBG in rate of 9.04% real p.a. In contrast, the Concession Bonus was required as the portion of the bid to be carried out in the auction, whose winner 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 of 5.21% of the limit price defined for the management of generation services for the 5 plants, added to the financial contribution of R$ 228 million as Bonus. Finally, 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 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

PLANS	Location	Final Term of the Concession	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 (NIS). The quota system was 100% of the Physical Guarantee in 2016 and 70% as of January 1, 2017.

Celso Ramos SHP Concession

With the expansion project of 7.2MW (5.6MW to 12.8MW) approved by the Regulating Body (Aneel Order No. 115/2014), the Company sent all necessary documentation to ANEEL, and at the 8th REGULAR PUBLIC MEETING of the Board of Directors of ANEEL, held on March 17, 2015, obtained the authorization for the beginning of the expansion works, as well as, the extension of the concession term for 20 (twenty) years, based on the provisions of § 7 of art. 26 of Act 9,427/1996 (Authorizing Resolution No. 5,078). The term for the works to expand the plant ends in the year 2021. With the purpose of legitimating said authorizations, Celesc Geração signed with ANEEL the Second Amendment Term to Concession Contract No. 006/2013.

Generation Scaling Factor – GSF

Celesc Geração filed an Ordinary Judicial Lawsuit against the Union and ANEEL requested that it determines to CCEE the revision of the calculation method for the MRE, also guaranteeing the input of energy equivalent to the physical guarantee - GF or PG.

In an application for early protection, Celesc G requested that:
i) ANEEL determines that CCEE monthly allocates an amount of energy equivalent to 100% of the Physical Guarantee to the author;
ii) in case item i) is not deferred, it guarantees the energy equivalent to 95% of the Physical Guarantee to the author;
iii) subsidiarily, it provides an amount of electricity equivalent to what the total generation of the MRE would be, in case there was no physical guarantee.

It has 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 Generation Scaling Factor - GSF[12], since the frustration of the hydroelectric generation in the current scenario stems from both structural and conjectural reasons.

The GSF represents an index that expresses the ratio between the sum of all the energy produced by the hydroelectric plants that are part of the Energy Reallocation Mechanism or Mechanism for Reallocating Energy (MRE) and the sum of the physical guarantees 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, worsening severely 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 117.2% adjusted up to March. 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.

12 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".

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

2.3 – SCGÁS

2.3.1 – Operating Performance

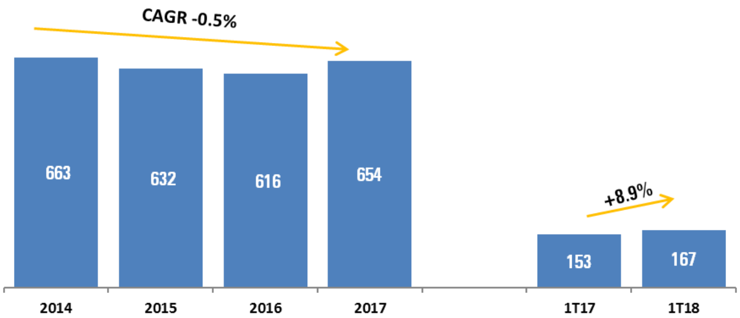
The expansion in the volume of gas sold was mainly due to:

i. An increase of 7.6% (+9.568 thousand m³) in the industrial class, since the class concentrates 82.3% of the gas consumed;
ii. An increase of 16.5% (+3,672 thousand m³) in the automotive segment, this class represents 15.5% of the total gas consumed and is also severely influenced by the economic context and the price of gasoline/ethanol; and
iii. An increase of 26.3% (+61 thousand m³) in the residential segment.

SCGÁS S.A. | Gas Sales per Segment

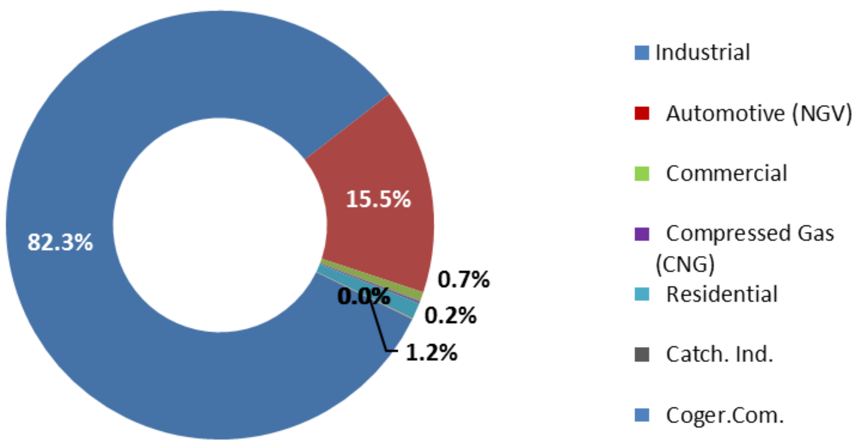
Volume (mil m³)	1rd Quater		
	2017	2018	Δ
Industrial	127,572	137,229	7.6%
Automotive (NGV)	22,246	25,919	16.5%
Commercial	1,166	1,182	1.3%
Residential	234	295	26.3%
Compressed Gas (CNG)	1,899	2,021	6.4%
Industrial Cogeneration	-	74	
Commercial Cogeneration	4	9	120.1%
Total	153,121	166,729	8.9%

Volume of Gas Sold (MM m³)



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

Gas Volume by Segment



2.3.2 – Financial-Economic Performance

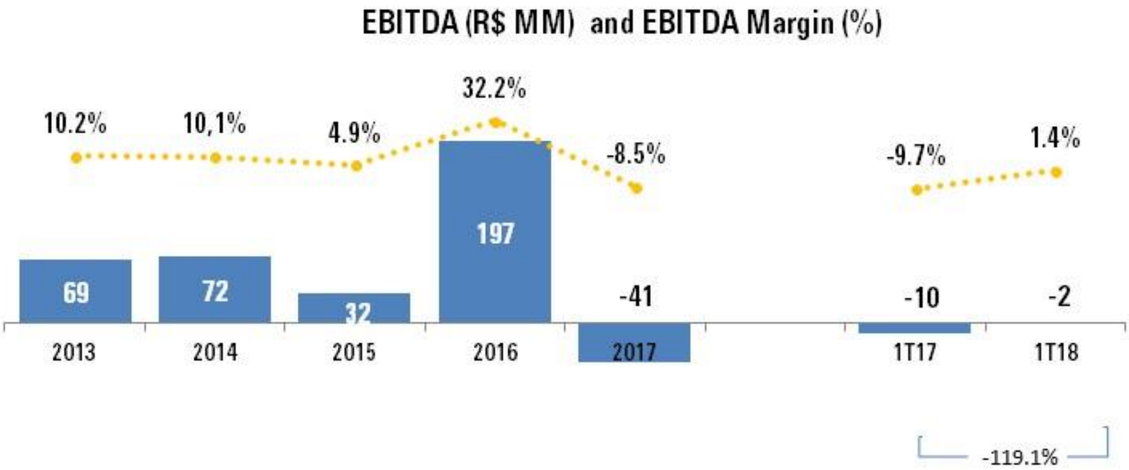
SCGÁS S.A. | Main Financial Indicators

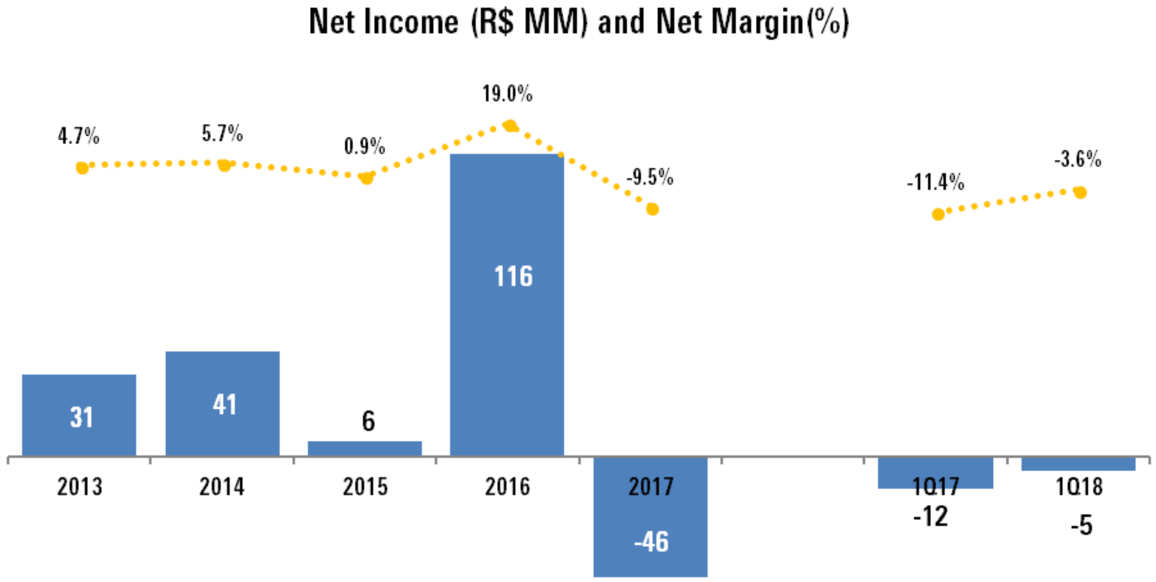
R$ Million	1rd Quater		
	2017	2018	Δ
Gross Operating Revenue	**140.2**	**181.0**	***29.1%***
Deductions from Operating Revenue	(32.2)	(40.4)	*25.4%*
Net operating revenue	**108.0**	**140.6**	***30.1%***
Operating Costs and Expenses	(120.8)	(138.9)	*15.0%*
Results of Activities	**(12.8)**	**1.7**	***113.0%***
EBITDA	**(10.4)**	**2.0**	***119.1%***
*Adjusted EBITDA Margin * (%)*	*-9.7%*	*1.4%*	
Financial Result	**1.2**	**(0.5)**	***-144.2%***
IR/CSLL	(6.3)	(1.4)	
Net Profit / Loss	**(12.3)**	**(5.0)**	***59.2%***
*Net Margin Adjusted * (%)*	*-11.4%*	*-3.6%*	

Adjusted Margins, Excluding Construction Revenue.

SCGÁS 'Gross Operating Revenue - GOR in the first quarter of 2018 was R$ 181.0 million (R$ 144.2 Industrial, R$ 32.3 million, R$ 2.4 Commercial, R$ 1.2 million Compressed Gas and R$ 0.8 million Residential). The increase in GOR is due to: (i) improvement of the economic model; (ii) Comparative basis of 1Q17 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 and updating of the gas price installment, IRPGT (Gas Price and Transport Adjustment Index) amounting to 9% (Graphic Account transferred to tariffs beginning on January 1, 2018.

EBITDA amounted to R$ 2.0 million, influenced by an increase in operating costs and expenses of 15% (+ R$ 18.1 million) negatively impacted by the increase in exchange variation (cost of gas purchase). The company reported a loss of R$ 5.0 million in the quarter due to the reasons already mentioned, but a lower loss than in 1Q17.



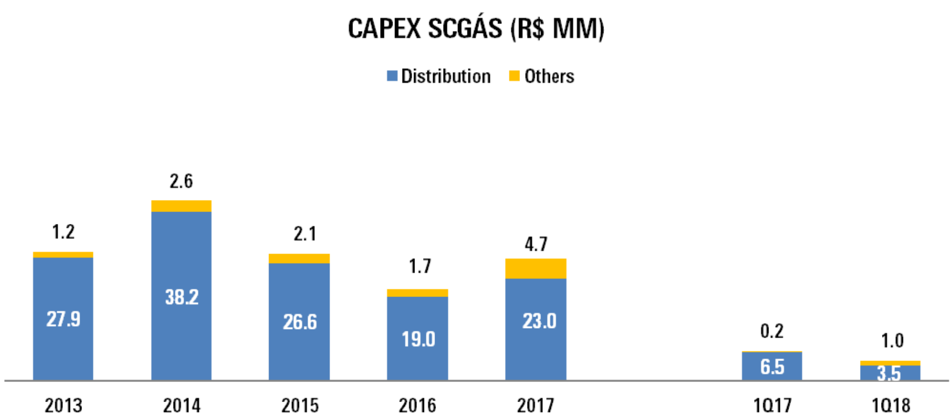


Investments

The investments made in the first quarter of 2018 were mainly intended to the expansion of the natural gas distribution network, as shown in the table and graph below:

SCGÁS S.A. | CAPEX

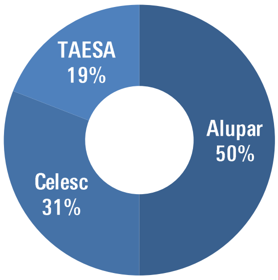
R$ Million	1rd Quarter		
	2017	2018	Δ
Distribution Grid	**6.5**	**3.5**	***-46.5%***
Expansion	5.1	2.0	*-61.0%*
Expenses Management Projects	1.2	1.2	*3.5%*
Basic Projects	0.2	0.3	*23.1%*
Other	**0.2**	**1.0**	***424.2%***
Total	**6.7**	**4.5**	***-33.6%***



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

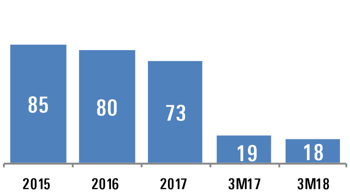
ECTE

Asset	Equity	Net Debt.
•R$ 443MM	•R$ 164,17 MM	•R199,7MM

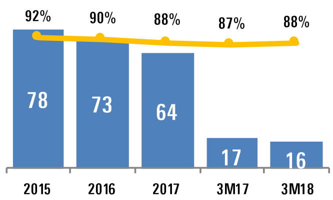


Constituted in 2000, holds a 30 year concession to explore the Transmission Line SE Campos Novos - Blumenau, with 252.5 km extension. The contract provides a reduction of in RAP from November 2017. It created a wholly-owned subsidiary to manage ETDE new transmission lines (won auction in Dec/2011).

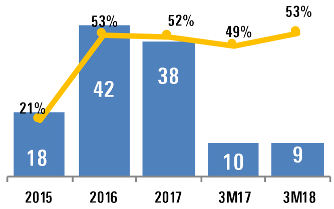
Net Operating Revenue (R$ MM)
Excludes Construction Revenue



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

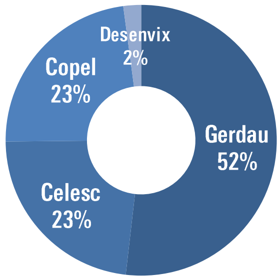


Net Income (R $ MM) and Net Margin (%)



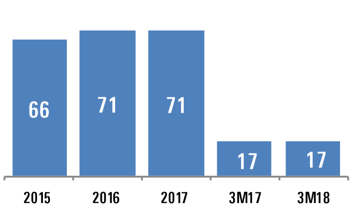
Dona Francisca Energética S.A. – DFESA

Asset	Equity.	Net Debt.
•R$ 138,5 MM	•R$ 119,4 MM	•R$ 0 MM • *liquid box

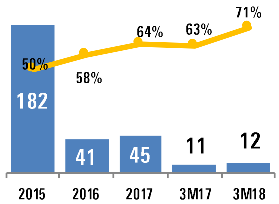


An independent power producer, formed in 1998, it holds a 35-year concession from the Dona Francisca Hydroelectric Power Plant. It is located in Rio Jacuí (RS) with installed capacity of 125MW and assured energy of 80 MW.

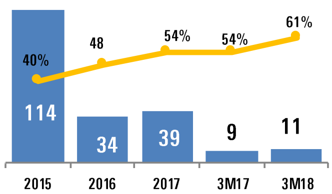
Net operating revenue (R$ MM)



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



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



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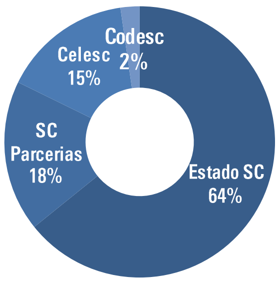
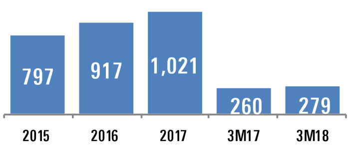
Asset	Equity.	Net Debt.
•R$ 3.246 MM	•R$ 1.277 MM	•R$ 1.154 MM

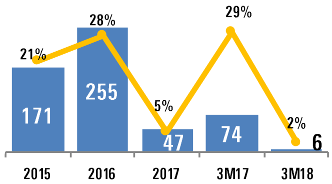


It operates water and sewage services for a population of 2.5 million inhabitants through concession contracts signed with 201 municipalities in the State of Santa Catarina and 01 municipality in the State of Paraná. The strategic guidance contained in the Celesc Master Plan provides for the sale of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

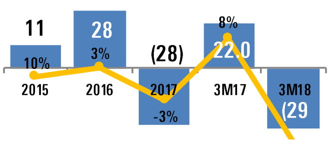
Net operating revenue (R$ MM)



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



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



3 – Holding

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

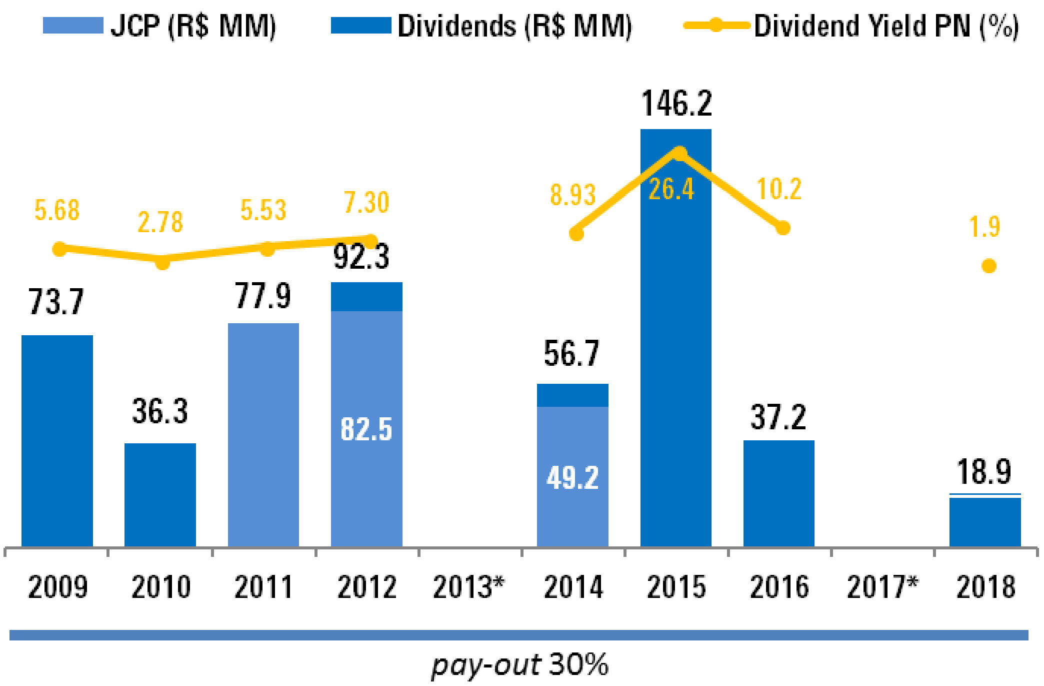
Holding | Equity Result

R$ Million	1rd Quarter		
	2017	2018	Δ
Celesc Distribuição (100%)	95.2	57.4	-39.7%
Celesc Geração (100%)	10.0	14.7	47.1%
SCGÁS (17%)	(2.1)	(0.9)	-130.2%
ECTE (30,9%)	3.0	2.9	-1.5%
DFESA (23%)	2.2	2.5	13.9%
Equity Result	**108.2**	**77.5**	***-28.4%***

3.2 – Dividends

As per Notice to Shareholders - Payment of Dividends from 05/04/2018, the dividends related to 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, will be available to shareholders on June 29, 2018, with dividend payments 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 at R$ 0.23177562 per common share and R$ 0.254953185 per preferred share. Shareholders of the Company who hold shareholding positions as of 04/30/2018 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 provided to holders of CLSC4 preferred shares owned by the Company.



* There was no distribution in 2013 and 2017 due to the loss recorded in 2012 of R $ 225MM and 2016 of R $ 9MM.

4 – Consolidated Income

4.1 – Consolidated Financial-Economic Performance

Consolidated | Main Financial Indicators

R$ Million	1rd Quarter		
	2017	2018	Δ
Gross Operating Revenue	**2,626.8**	**2,937.6**	***11.8%***
Deductions from Operating Revenue	(1,087.6)	(1,162.8)	*6.9%*
Net operating revenue	**1,539.2**	**1,774.8**	***15.3%***
Operating Costs and Expenses	(1,381.3)	(1,640.7)	*18.8%*
Equity in earnings	**3.1**	**4.6**	***48.6%***
Results of Activities	**161.0**	**138.7**	***-13.8%***
EBITDA	**214.5**	**191.9**	***-10.5%***
EBITDA margin IFRS, former Construction Revenue (%	*14.8%*	*11.4%*	
Financial result	**4.6**	**(19.8)**	***-528.8%***
LAIR	**165.6**	**118.9**	***-28.2%***
IR/CSLL	(63.9)	(47.9)	***-25.1%***
Net Profit / Loss	**101.7**	**71.0**	***-30.2%***
Net Margin IFRS, ex-Construction Revenue (%)	*7.0%*	*4.2%*	
Depreciation / Amortization	**(53.5)**	**(53.2)**	***-0.5%***
Construction Revenue	**94.0**	**94.4**	***0.5%***

Among the factors that contributed to the NOR expansion in the quarter, the following stand out:

i. Increase in the Availability of Electric Grid (3%) and Donation and Subsidy (38%) in sub-subsidiary Celesc D;
ii. Increase of R$ 22.7 million in the quarter in Revenue with supply of tariff flag;
iii. A positive variation of 97.9% in the Regulatory Assets of the subsidiary Celesc D as detailed in the respective topic;
iv. Positive performance of the subsidiary Celesc Geração as addressed in the respective topic;
v. Increase of 46% in the stake incoming (SCGás, DFESA, ECTE and SPEs of Celesc Geração).

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

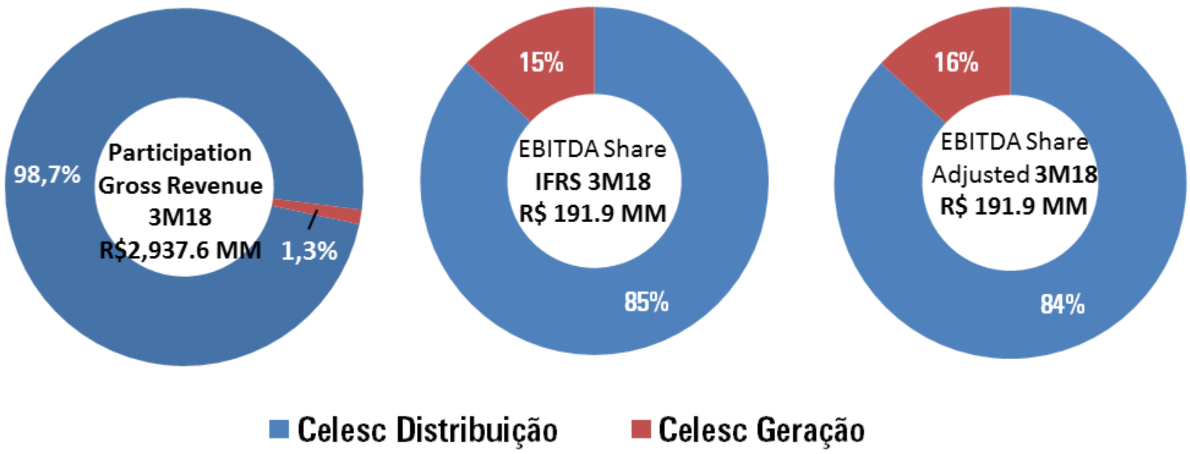
Consolidated | Adjusted Result*

R$ Million	1rd Quarter		
	2017	2018	Δ
Adjusted EBITDA	214.5	191.9	*-10.5%*
Adjusted EBITDA Margin, excluding Construction Reve	*14.8%*	*11.4%*	
Adjusted Net Profit / Loss	101.7	71.0	*-30.2%*
Adjusted Net Margin, excluding Construction Revenue	*7.0%*	*4.2%*	

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

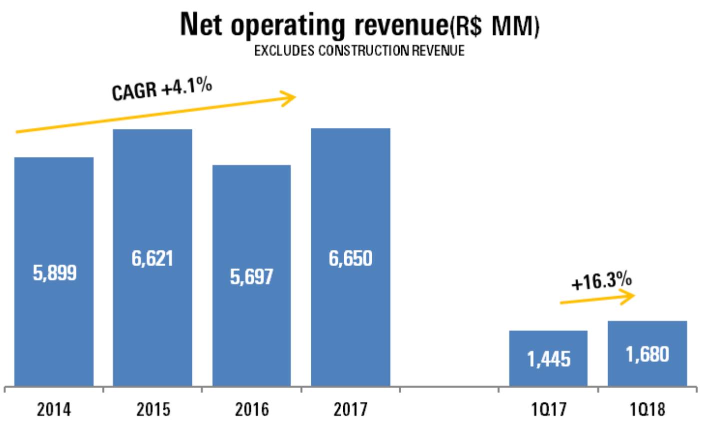
Gross Operating Revenue – GOR and Stake in the Consolidated EBITDA

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



Consolidated Net Operating Revenue

The graph below shows the evolution of NOR not considering the effects of construction revenue.



Consolidated Operating Expenses and Costs

Consolidated | Operating Costs and Expenses

R$ Million	1rd Quarter		
	2017	2018	Δ
OPERATING COSTS AND EXPENSES	**(1,381.3)**	**(1,640.7)**	***18.8%***
Electric Energy Costs	**(1,018.0)**	**(1,282.0)**	***25.9%***
Electric Energy purchased for Relase	(1,018.0)	(1,282.0)	*25.9%*
PMSO	**(185.4)**	**(192.0)**	***3.5%***
Personnel and Management	(158.6)	(152.3)	*-4.0%*
Material	(3.4)	(3.1)	*-8.4%*
Third Parties Services	(43.5)	(47.2)	*8.3%*
Other Expenses	20.1	10.6	*-47.4%*
Net provisions	**(30.4)**	**(19.1)**	***-37.2%***
Depreciation / Amortization	**(53.5)**	**(53.2)**	***-0.5%***
Costruction Costs	**(94.0)**	**(94.4)**	***0.5%***

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

Consolidated | Personnel Expenses

R$ Million	1rd Quarter		
	2017	2018	Δ
Personnel - Total	**(158.6)**	**(152.3)**	***-4.0%***
Personnel and Management	(141.9)	(145.8)	*2.7%*
Personnel and Management	(134.8)	(138.5)	2.7%
Private Pension	(7.1)	(7.3)	2.5%
Actuarial Expenses	(16.7)	(6.5)	*-61.0%*

Equity Equivalence Income

The table 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 can be found in the specific topics.

Consolidated | Equity Result

R$ Million	1rd Quarter		
	2017	2018	Δ
SCGÁS (17%)	(2.1)	(0.9)	-100.0%
ECTE (30,9%)	3.0	2.9	-1.5%
DFESA (23%)	2.2	2.5	13.9%
SPEs - Celesc Geração	0.6	0.0	-98.9%
Equity Result	**3.7**	**5.4**	***46.0%***

EBITDA and Adjusted EBITDA

Consolidated EBITDA IFRS - Non-Recurring

R$ Milhões	1rd Quarter		
	2017	2018	Δ
Net Profit / Loss	**101.7**	**71.0**	***30.2%***
(+) IR and CSLL	(63.9)	(47.9)	***-25.1%***
(+) Financial result	4.6	(19.8)	*-528.8%*
(+) Depreciation and amortization	(53.5)	(53.2)	*-0.5%*
EBITDA	**214.5**	**191.9**	**-10.5%**
(-) Celesc Distribuição |Non-Recurring Effects	0.0	0.0	
(-) Celesc Geração | Test Impairment PCHs	0.0	0.0	
(=) EBITDA Adjusted for Non-Recurring Effects	**214.5**	**191.9**	**-10.5%**
EBITDA margin IFRS, excludes Construction Revenue (%)	*14.8%*	*11.4%*	
Adjusted EBITDA Margin, excludes Construction Revenue (%)	*14.8%*	*11.4%*	

Financial Income

Consolidated | Financial Results Statement

R$ Million	1rd Quater		
	2017	2018	Δ
Financial Income	**68.8**	**40.4**	***-41.3%***
Interest Income	25.6	5.4	*-79.0%*
Interest On Receivable Accounts	1.2		*-100.0%*
Monetary Variation	10.2	3.8	*-62.8%*
Interest and Arrears on Invoices	29.0	22.7	*-21.7%*
Financial Incentive - Social Fund	0.0	1.4	
Monetary Devaluation on Energy Sold	4.4	7.9	*79.4%*
Dividend income	1.3	0.0	*-100%*
Other Revenue	(2.9)	(0.7)	*-75.9%*
Financial Expenses	**(64.1)**	**(60.2)**	***-6.2%***
Debt Charges	(21.3)	(18.7)	*-12.5%*
Monetary Variation	(0.5)	(2.1)	*317.9%*
Regulatory Liability / Regulatory Fees	(15.8)	(23.4)	*47.8%*
Adjustment of R&D and Energy Efficiency	(7.0)	(3.8)	*-45.4%*
Interest on Debentures	(15.7)	(7.2)	*-54.2%*
Other Expenses	(3.7)	(5.0)	*35.1%*
Net Financial Results	**4.6**	**(19.8)**	***-528.0%***

Consolidated Net Profit

NET PROFIT IFRS + Regulatory Assets/Liabilities - Non-Recurring Effects

R$ Million	1rd Quarter		
	2017	2018	Δ
Net Profit / Loss - IFRS Reported	**101.7**	**71.0**	***-30.2%***
(+) Celesc Distribuição | Effects on Regulatory Assets and Liabilities	0.0	0.0	
(=) Adjusted Net Profit / Loss by Regulatory Assets and Liabilities	**101.7**	**71.0**	**-30.2%**
(-) Celesc Distribuição | Non-Recurring Effects	0.0	0.0	
(-) Celesc Geração | SHPs Impairment	0.0	0.0	
(=) Adjusted Net Income	**101.7**	**71.0**	**-30.2%**
Net Margin without Adjustments (IFRS)	*7.0%*	*4.2%*	
Adjusted Net Margin, excluding Construction Revenue (%)	*7.0%*	*4.2%*	

Indebtedness

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

Consolidated | Debt

Financial Debt 1Q18			
R$ Million	in December 31, 2017	in March 31, 2018	Δ
Short-Term Debt	340.4	459.5	35.0%
Long-Term Debt	142.3	136.9	-3.8%
Total Debt	**482.7**	**596.3**	**23.5%**
(-) Cash and Cash equivalents	**564.6**	**487.4**	-13.7%
Net Debt	**(81.9)**	**108.9**	**-233.0%**
Net Debt / EBITDA LTM	**-0.2x**	**0.2x**	
Net Debt / Ajusted EBITDA LTM	**-0.2x**	**0.2x**	
Net Debt / Equity	**0.0x**	**0.1x**	

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

Consolidated | Debt + Post-Employment Benefits

Financial Debt + Post-Employment Benefits 1Q18			
R$ Million	in December 31, 2017	in March 31, 2018	Δ
Short-Term Debt	340.4	459.5	35.0%
Long-Term Debt	142.3	136.9	-3.8%
Total Financial Debt	**482.7**	**596.3**	**23.5%**
(+) Net Actuarial Liability	**1,364.5**	**1,349.7**	**-1.1%**
Pension Obligations	**1,179.8**	**1,160.0**	-1.7%
Other benefits	698.1	697.8	0.0%
(-) deferred tax[1]	513.5	508.0	-1.1%
(-) Cash and Cash equivalents	**564.6**	**487.4**	-13.7%
Adjusted Net Debt	**1,282.5**	**1,458.7**	**13.7%**
Adjusted Net Debt / EBITDA LTM	**2.5x**	**2.9x**	
Adjusted Net Debt / Ajusted EBITDA LTM	**2.4x**	**2.8x**	
Adjusted Total Debt / Equity	**1.0x**	**1.0x**	
Adjusted Net Debt / Equity	**0.7x**	**0.8x**	

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

Ratings from 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

R$ Million	1rd Quarter		
	2017	2018	Δ
Energy Generation	4.2	5.7	*36.5%*
Energy Distribution	100.1	100.5	*0.4%*
Total	**104.3**	**106.2**	**1.8%**

For the year 2018, the consolidated investment budget totals R$ 462.8 million, of which R$ 395.1 million are 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

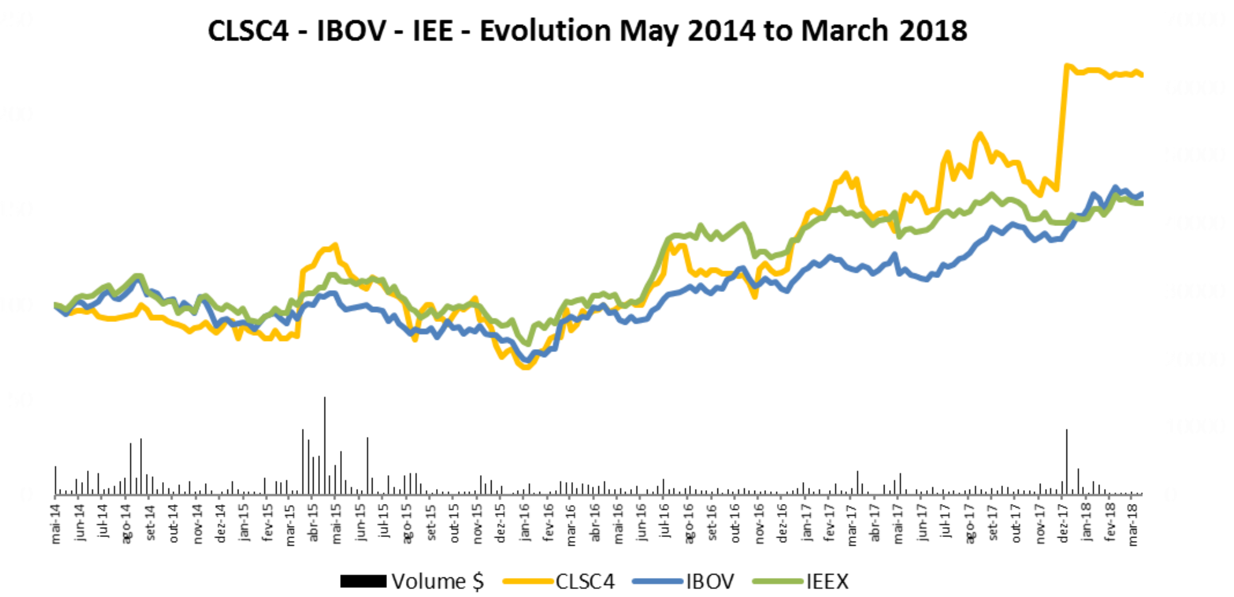
Celesc shares are negotiated on the BM&FBOVESPA under the ticker codes CLSC3 (15,527,137 ordinary shares - ON, 40.26%) and CLSC4 (23,044,454 preferred shares - PN, 59.74%). Since joining Level 2 of Corporate Governance in 2002, the company has joined IGC and ITAG, indexes made up of companies that offer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

The main index of the Brazilian Stock Exchange, Ibovespa, showed a positive return of 11.73% in the quarter and 31.36% in the cumulative twelve months. The Electric Energy Index (IEE), which measures the behavior of the main shares of the electricity sector, increased by 4.31% in the quarter and a positive variation of 3.36% in the last twelve months. Given this scenario, the Company's Preferred Shares - PN had a negative performance of 1.84% in the quarter and appreciated 45.43% in the last twelve months.

Monitoring CLSC4	1Q17	2Q17	3Q17	4Q17	1Q18
Closing Price (R$/share)	18.29	18.00	21.49	27.10	26.60
Price / Earnings	10,7x	4,8x	10,2x	15,7x	28,5x
Price / Book Value	0,3x	0,3x	0,4X	0,5X	0,6X
Average Traded Volume (Thousand shares)	13	11	8	16	8
Average Traded Volume (R$ Thousand)	243	204	160	358	206
Market Cap (R$ Million)	779	694	885	1090	1,158
Market Cap (US$ Million)	247	210	281	330	353
Profitability (%)	15.10	-1.59	19.39	26.1	-1.84
Profitability last 12 months (%)	54.83	36.36	54.38	70.55	45.43
Profitability Ibovespa (%)	7.9	-3.21	19.37	2.84	11.73
Profitability Ibovespa last 12 months (%)	29.83	22.07	27.32	26.86	31.36
Profitability IEE (%)	10.7	-4.69	9.39	-3.81	4.31
Profitability IEE last 12 months (%)	43.48	23.74	13	10.04	3.36

Source: Economática

The chart below shows a 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	03/31/2018
Current		
Cash and cash equivalents	564,594	487,414
Indemnification asset - concession	-	-
Receivable Accounts	1,399,563	1,420,058
Inventories	9,732	11,303
Tax to Recoverable	75,831	88,387
Dividends	9,045	6,174
CDE Resources to cover CVA	30,277	28,467
Other credits	1,783,575	1,739,111
	3,872,617	**3,780,914**
Non Recurring Assets		
Accounts Receivable	35,380	40,950
Related Parties	6,622	6,641
Marketable Securities	137,478	137,478
Asset Compensatorium - concession	397,355	376,387
Recoverable Taxes	19,440	23,351
Deferred Taxes	641,806	641,220
Escrow Deposits	161,430	175,296
Other credits	3,524	3,806
Investments	216,481	222,630
Intangible	3,174,561	3,216,574
Property, plant and equipment	151,672	151,866
Financial Asset - Portion A - CVA	241,886	245,329
	5,187,635	**5,241,528**
Total Assets	**9,060,252**	**9,022,442**

Liabilities and Shareholders´Equity	12/31/2017	03/31/2018
Current		
Suppliers	831,582	758,627
Bank Loans and financing	88,057	203,050
Debentures	252,333	256,400
Accrued Payroll	200,623	185,007
Tax and Social Contribution	208,823	227,959
Proposed Dividends	16,301	16,301
Regulatory Charges	2,677,615	2,524,487
Related Parties	19,732	10,095
Obligation with Employees Benefits	139,305	137,038
Other Liabilities	47,658	54,428
Financial Asset - Portion A - CVA	4,638	993
	4,486,667	**4,374,385**
Long Term Liabilities		
Bank Loans and financing	42,409	36,917
Debentures	99,883	99,974
Regulatory Charges	156,610	169,060
Deferred Taxes	9,613	11,171
Obligation with Employees Benefits	1,738,673	1,720,751
Provision for contigencies	618,934	633,000
Other Liabilities	2,476	2,476
Financial Asset - Portion A - CVA	21,689	38,388
Salary and social charges	41,060	39,872
	2,731,347	**2,751,609**
	7,218,014	**7,125,994**
Shareholders´Equity		
Capital	1,340,000	1,340,000
Capital Reserves	316	316
Accumulated Loss/Profit	-	71,818
Other	1,189,031	1,172,247
Adjustement for IFRS adoption	(687,109)	(687,933)
	1,842,238	**1,896,448**
Total of Liabilities and Shareholders´Equity	**9,060,252**	**9,022,442**

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

INCOME STATEMENT - CONSOLIDATED — In R$ thousand

	1Q17	1Q18	Var %
Gross Operating Revenue	**2,626,787**	**2,937,640**	**11.8%**
Supply of Electric Power	1,687,517	1,696,870	0.6%
Electricity Supply	81,176	93,754	15.5%
Regulatory Asset	(209,217)	(4,423)	-97.9%
Short Term Energy	34,019	41,502	22.0%
Availability of Electrical Network	789,302	814,086	3.1%
Donations and Grants	135,907	187,512	38.0%
Income from Services	521	598	14.8%
Service Fee	2,875	3,140	9.2%
Financial income	9,953	9,567	-3.9%
Other Recipes	753	596	-20.8%
Construction Revenue	**93,981**	**94,438**	0.5%
Deductions from Operating Revenue	**(1,087,584)**	**(1,162,812)**	**6.9%**
ICMS	(531,774)	(535,193)	0.6%
PIS/COFINS	(232,993)	(262,721)	12.8%
RGR	-	-	
CDE	(295,056)	(344,537)	16.8%
CCC	-	-	
P&D	(7,246)	(8,440)	16.5%
PEE	(7,065)	(8,233)	16.5%
Regulatory Inspection Fee ANEEL	(1,722)	(1,725)	0.2%
Other Charges	(11,728)	(1,963)	-83.3%
Net operating revenue	**1,539,203**	**1,774,828**	**15.3%**
Operating Costs and Expenses	**(1,381,303)**	**(1,640,688)**	**18.8%**
Energy purchased for resale and charges	(1,018,006)	(1,281,966)	25.9%
Staff, Administrators	(141,923)	(145,796)	2.7%
Actuarial Expense	(16,695)	(6,517)	-61.0%
Material	(3,409)	(3,122)	-8.4%
Third party service	(43,528)	(47,161)	8.3%
Depreciation / Amortization	(53,505)	(53,214)	-0.5%
Provision for LCPAP	(9,207)	(10,051)	9.2%
Reversal of Allowance for Allowance for	4,334	1,422	-67.2%
Provision of Others	(28,485)	(14,529)	-49.0%
Reversal of Other Provision	2,994	4,103	37.0%
Other Income / Expenses	20,108	10,581	-47.4%
Construction Cost	**(93,981)**	**(94,438)**	**0.5%**
Equity Income Result	**3,062**	**4,550**	**48.6%**
Results of activities - EBIT	**160,962**	**138,690**	**-13.8%**
Margin of activities (%)	10.5%	7.8%	
EBITDA (R$ mil)	**214,467**	**191,904**	**-10.5%**
EBITDA Margin (%)	13.9%	10.8%	
Financial result	**4,617**	**(19,799)**	**-528.8%**
Financial income	68,757	40,385	-41.3%
Financial expense	(64,140)	(60,184)	-6.2%
LAIR	**165,579**	**118,891**	**-28.2%**
IR e CSLL	(25,548)	(45,754)	79.1%
Deferred income tax and social contribution	(38,375)	(2,143)	-94.4%
Net profit	**101,656**	**70,994**	**-30.2%**
Net Margin (%)	**6.6%**	**4.0%**	

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.		
Consolidated Cash Flow (DFC)		Em R$ Thousand
	12M17	3M18
Profit / Losses before Income Tax and Social Contribution	**156,156**	**118,891**
Adjusts	**477,668**	**100,975**
Depreciation and Amortization	218,046	53,214
Asset Write-Off	856	226
Fixed Assets Write-Off	53,695	10,910
Equity Result	(9,563)	(4,550)
Update on Financial Assets - VNR	(2,328)	(596)
Reversal of Provision for losses in Coligated Companies Assets	(3,092)	-
Impairmant Marketable Securities	-	-
Interest and Monetary Variation	112,833	22,126
Update monetary subsidy Grant	(40,808)	(9,567)
Other Adjusts in Investments	-	-
Provision for Actuarial Liabilities	73,047	6,517
Allowance for Doubtfull Accounts	54,167	8,629
Contigencies	20,815	14,066
Provision/Reversal for losses of assets	-	-
Changes in Assets / Liabilities	**(162,181)**	**(256,579)**
Accounts Receivable	(187,508)	(50,849)
Inventories	274	(1,571)
Recoverble Taxes	44,475	(16,467)
Other Assets	(105,006)	55,234
Subssidy Decree Nº 7.891/2013	(303,171)	15,285
Regulatory Assets	(381,977)	41,480
Scrow Deposits	(37,094)	(13,866)
Suppliers	206,482	(72,955)
Salaries and Social Charges	32,757	(16,804)
Tax Payable	57,601	5,976
Regulatory Charges	381,255	(140,612)
Regulatory Liabilities	288,746	(20,492)
Other Liabilities	1,120	(2,866)
Actuarial Liabilities	(160,135)	(38,072)
Cash Flow from Operating activities	**471,643**	**(36,713)**
Income Tax and Social Contribution Paid	(75,689)	(32,594)
Interest Paid	(74,485)	(5,780)
Net Cash from Operating Activities	**321,469**	**(75,087)**
Cash Flow from Investments Activities	**(371,561)**	**(110,753)**
Acquisition of Property, Plant and Equipment and Intangible Assets	(389,643)	(111,657)
Capital Increase	(9,926)	(4,342)
Capital reduction invested	-	-
Reveived Dividends	28,008	5,246
Net Cash Financing Activities	**(302,778)**	**108,660**
Related Parties	-	-
Loan Amortization	(201,765)	(41,340)
Payment of cost of debentures acquisition	-	-
Pagamento de juros de debêntures	-	-
Inflows - Loans	202	150,000
Inflows - Debentures	-	-
Ingressos valores ANEEL	(99,990)	-
Resgate Fundo de Investimento - FIDC	-	-
Dividends Paid	(1,225)	-
Total Effects of Cash and Cash Equivalents	**(352,870)**	**(77,180)**
Opening Balance of Cash and Equivalents	**917,464**	**564,594**
Closing Balance of Cash and Equivalents	**564,594**	**487,414**

CELESC DISTRIBUIÇÃO S.A.

CONSOLIDATED BALANCE SHEET

In R$ Thousand

Assets	31/12/2017	31/03/2018
Current		
Cash and Cash Equivalents	462.466	391.846
Receivables	1.381.421	1.400.659
Indemnification asset - concession	-	-
Inventories	9.549	11.120
Recoverable Taxes	73.310	83.965
Subsíddy Dec. nº 7.891/13	-	-
Financial Asset - Portion A - CVA	-	-
Other Credits	1.785.473	1.740.902
	3.712.219	**3.628.492**
Non-Current		
Receivable	35.380	40.950
Indemnification asset - concession	394.934	373.966
Recoverable / Compensable Taxes	18.217	22.062
Deferred Taxes	641.806	641.220
Escrow Deposits	143.465	156.469
Financial Asset - Portion A - CVA	-	-
Other Credits	3.524	3.806
Intangible	3.164.619	3.206.982
	4.401.945	**4.445.455**
Total Asset	**8.114.164**	**8.073.947**

Liabilities and Shareholders´Equity	31/12/2017	31/03/2018
Current		
Suppliers	828.637	756.016
Loans and Financing	88.057	203.050
Debentures	101.648	105.499
Payroll	199.630	184.338
Tax and Social Contributions	189.463	220.267
Proposed Dividends	7.919	7.919
Regulatory Charges	2.677.229	2.524.065
Related Parties	45.454	46.358
Obligation w ith Employees Benefits	139.247	136.993
Financial Asset - Portion A - CVA	4.638	993
Related parts	19.732	10.095
Other Liabilities	47.385	54.029
	4.349.039	**4.249.622**
Non-Current		
Loans	42.409	36.917
Debêntures	99.883	99.974
Taxes and Contribution Diferred	-	-
Regulatory Tariff	154.583	166.918
Related Parties	-	-
Employees´ benefits	1.738.673	1.720.751
Contingency Provision	611.433	625.499
Financial Asset - Portion A - CVA	21.689	38.388
Other liabilities	2.476	2.476
Labor and Social Security Obligations	41.060	39.872
	2.712.206	**2.730.795**
	7.061.245	**6.980.417**
Shareholders´Equity		
Capital	1.053.590	1.053.590
Accumulated Porofit / Loss	-	57.395
Other Reserves	704.067	687.283
Equity Valuation Adjustment	(704.738)	(704.738)
	1.052.919	**1.093.530**
	8.114.164	**8.073.947**

CELESC DISTRIBUIÇÃO S.A.

INCOME STATEMENT

	1Q17	1Q18	Chg %
Gross Operating Revenue (RS thousand)	**2,591,844**	**2,900,617**	**11.9%**
Electricity Sales	1,680,845	1,687,773	0.4%
Electricity Supply	62,283	74,815	20.1%
Active Regulatorio	(209,217)	(4,423)	97.9%
Short Term Energy	34,019	41,502	22.0%
Provision of Electricity Network	789,877	814,666	3.1%
Leasing and Rentals	135,907	187,512	38.0%
Service Income	521	598	14.8%
Taxed Service	2,875	3,140	9.2%
Other Revenues	753	596	-20.8%
Construction Revenue	93,981	94,438	0.5%
Deductions from Operating Revenue (RS thousand	**(1,084,144)**	**(1,158,979)**	**6.9%**
Value-Added Tax (ICMS)	(531,774)	(535,193)	0.6%
PIS / COFINS	(230,045)	(259,477)	12.8%
Energy Development Account (CDE)	(295,056)	(344,537)	16.8%
Research and Development	(7,065)	(8,233)	16.5%
Energetic Efficency	(7,065)	(8,233)	16.5%
ANEEL Regulatory Inspection Fee	(1,631)	(1,659)	1.7%
Other Charges	(11,508)	(1,647)	-85.7%
Net Operating Revenue (RS thousand)	**1,507,700**	**1,741,638**	**15.5%**
Energy Costs (R$ thousand)	**(1,014,971)**	**(1,277,756)**	**25.9%**
Electricity Purchased for Resale	(875,729)	(998,949)	14.1%
Charge of the Transmission Use of System	(102,531)	(239,280)	133.4%
Proinfa	(36,711)	(39,527)	7.7%
Recovery of expenses	-	-	
Operational Costs and Expenses (R$ Thousand)	**(345,371)**	**(347,601)**	**0.6%**
Personnel and Management	(133,181)	(138,110)	3.7%
Actuarial Expenses	(16,695)	(6,517)	-61.0%
Materials	(3,345)	(3,079)	-8.0%
Third-Party Services	(41,330)	(44,857)	8.5%
Depreciation & Amortization	(49,376)	(51,303)	3.9%
Provision for doubtful accounts	(9,207)	(10,051)	9.2%
Reversal of provision for doubtfull accounts	4,334	292	-93.3%
Other Provisions	(26,299)	(14,529)	-44.8%
Reversal of other provisions	2,994	4,103	37.0%
Other Expenses	20,715	10,888	-47.4%
Construction cost	(93,981)	(94,438)	0.5%
Operating Income (Loss) before Financial Income	**147,358**	**116,281**	**-21.1%**
Operating Margin (%)	9.8%	6.7%	
EBITDA (R$ thousand)	**196,734**	**167,584**	**-14.8%**
EBITDA Margin (%)	13.0%	9.6%	
Net Financial Income (RS thousand)	**6,627**	**(18,542)**	**-379.8%**
Financial Revenues	66,335	38,965	-41.3%
Financial Expenses	(59,708)	(57,507)	-3.7%
Income before Tax (RS thousand)	**153,985**	**97,739**	**-36.5%**
Income Tax and Social Contribution	(21,264)	(39,758)	87.0%
Deferred Tax and Social Contribution	(37,530)	(586)	-98.4%
Net Income (RS thousand)	**95,191**	**57,395**	**-39.7%**
Annual Return on Equity	6.3%	3.3%	

CELESC DISTRIBUIÇÃO S.A.		
Cash Flow (DFC)		In R$ Thousand
	12M17	3M18
Profit / Losses before Income Tax and Social Contribution	**96,713**	**97,739**
Non-Cash Itens:	**727,300**	**130,066**
Amortization	200,322	51,302
Update on Financial Assets - VNR	(2,328)	(596)
Allowance for Doubtfull Accounts - PCLD	47,998	9,759
Labor, Civil and Tax Contingencies	20,770	14,066
Interest and Monetary Variation - Net	334,698	37,791
Costs of Debentures	365	91
Provision for Post-Employment Benefits	73,047	6,517
Assets Write-Off	52,428	11,136
Changes in Assets / Current and Non-Current	**(977,486)**	**(2,591)**
Receivable from Clients	(199,849)	(50,722)
Inventories	285	(1,571)
Recoverble Taxes	45,090	(14,500)
Scrow Deposits	(36,535)	(13,004)
Resources CDE / Account in the Regulated Market	-	-
Subssidy Decree Nº 7.891/2013	(303,171)	15,285
Financial Assets	(412,438)	33,546
Other Credits	(70,868)	28,375
Changes in Liabilities / / Current and Non-Current	**575,836**	**(305,214)**
Suppliers	210,862	(72,621)
Salaries and Social Charges	(67,889)	(16,480)
Tax and Social Contributioon	58,269	4,449
Regulatory Charges	144,110	(159,018)
Pension Plan	2,716	(9,637)
Actuarial Liabilities	(59,576)	(38,059)
Financial Liabilities	288,746	(20,492)
Other Liabilities	(1,402)	6,644
Cash from Operating Activities	**422,363**	**(80,000)**
Interest Paid	(55,489)	(2,640)
Income Tax and Social Contribution Paid	(67,341)	(13,403)
Net Cash from Operating Activities	**299,533**	**(96,043)**
Investments Activities	**(416,401)**	**(83,237)**
Acquisition of the Concession Properties	(416,401)	(83,237)
Net Cash Financing Activities	**(301,553)**	**108,660**
Cash Flow	202	150,000
Related party Ticket	-	-
Amortization of Loans and Financing	(301,755)	(41,340)
Dividends and Interest on Equity - IOE	-	-
Total Effects of Cash	**(418,421)**	**(70,620)**
Opening Balance of Cash and Equivalents	**880,887**	**462,466**
Closing Balance of Cash and Equivalents	**462,466**	**391,846**

CELESC GERAÇÃO S.A.

BALANCE SHEET — In R$ Thousand

Assets	31/12/2017	31/03/2018
Current		
Cash and Cash Equivalents	77.080	71.822
Receivables	18.358	19.613
Inventories	183	183
Recoverable Income and Social Contribution Tax	466	2.300
Other Credits	248	126
Financial Asset	30.277	28.467
	126.612	**122.511**
Non Current		
Recoverable Taxes	45.942	46.846
Recoverable Taxes	1.223	1.289
Escrow Deposits	342	342
Investments	51.058	55.407
Intangible	3.490	3.266
Property, plant and equipment	151.631	151.826
Financial Asset	241.886	245.329
Other Credits	2.421	2.421
	497.993	**506.726**
Total Assets	**624.605**	**629.237**

Liabilities and Shareholders´Equity	31/12/2017	31/03/2018
Current		
Suppliers	2.931	2.784
Tax and Social Contributions	19.283	7.599
Dividendos Propostos	11.628	11.628
Regulatory Charges	386	422
Debêntures	150.685	150.901
Related parts	1.103	955
Other Liabilities	67	67
	186.083	**174.356**
Non Current		
Deferred Taxes	9.613	11.171
Regulatory Charges	2.027	2.142
Provision for Contigencies	1.002	1.002
Debêntures	-	-
	12.642	**14.315**
Total Liabilities	**198.725**	**188.671**
Shareholder´s Equity		
Capital Social	250.000	250.000
Accumulated Profit / Loss	-	15.510
Other	158.251	158.251
Equity Valuation Adjustment	17.629	16.805
	425.880	**440.566**
Total of Liabilities and Shareholders´Equity	**624.605**	**629.237**

CELESC GERAÇÃO S.A.

RESULTS REPORT

	1Q17	1Q18	Var %
Gross Operating Revenue (R$ thousand)	**36,267**	**38,285**	**5.6%**
Supply of Electric Pow er	6,672	9,097	36.3%
Electricity Supply	15,480	15,654	1.1%
Short Term Energy	4,162	3,967	-4.7%
Financial Revenue - Interest and Refresh BO	9,953	9,567	-3.9%
Deductions from Operating Revenue (R$ thousand)	**(3,440)**	**(3,833)**	**11.4%**
ICMS	-	-	
PIS/COFINS	(2,948)	(3,244)	10.0%
Financial Compensation for the Use of Water	(220)	(316)	43.6%
RGR and P&D	(181)	(207)	14.4%
Regulatory Inspection Fee ANEEL	(91)	(66)	-27.5%
Net Operating Revenue (R$ thousand)	**32,827**	**34,452**	**5.0%**
Costs with Electric Energy (R$ thousand)	**(4,359)**	**(5,472)**	**25.5%**
Electrical Energy Purchased for Resale	(3,784)	(4,892)	29%
System Use Charges	(575)	(580)	0.9%
Operating Costs and Expenses (R$ thousand)	**(9,451)**	**(5,141)**	**-45.6%**
Staff, Administrators	(3,671)	(2,888)	-21.3%
Material	(64)	(43)	-32.8%
Third party service	(1,832)	(1,828)	-0.2%
Depreciation / Amortization	(3,635)	(1,417)	-61.0%
Provisions, net	(60)	1,130	1983.3%
Other Income / Expenses	(189)	(95)	-49.7%
Provision / Reversal Test Impairment, net	-	-	
Result Equity Income (R$ thousand)	**11**	**7**	**-36.4%**
Income from Activities - EBIT (R$ thousand)	**19,028**	**23,846**	**25.3%**
Margin of activities (%)	58.0%	69.2%	
EBITDA (R$ mil)	**22,663**	**25,263**	**11.5%**
EBITDA Margin (%)	69.0%	73.3%	
Resultado Financeiro (R$ mil)	**(3,915)**	**(1,607)**	**59.0%**
Receita Financeira	2,176	1,960	-9.9%
Despesa Financeira	(6,091)	(3,567)	-41.4%
LAIR (R$ mil)	**15,113**	**22,239**	**47.2%**
IR and CSLL	(4,284)	(5,996)	
Deferred income tax and social contribution	(845)	(1,557)	
Net Income (R$ thousand)	**9,984**	**14,686**	**47.1%**
Net Margin (%)	30.4%	42.6%	

CELESC GERAÇÃO S.A.		
Cash Flow (DFC)		In R$ Thousand
	12M17	3M18
Profit / Losses before Income Tax and Social Contribution	**75,260**	**22,239**
Adjusts	**38,656**	**2,732**
Depreciation and Amortization	15,748	1,417
Asset Write-Off	2,124	-
Fixed Assets Write-Off	3,209	(7)
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	3,356
Mutual Financial Revenue	-	(904)
Other Adjusts in Investments	6,169	(1,130)
Changes in Assets / Liabilities	**(55)**	**(1,946)**
Receivable from Clients	12,341	(125)
Accounts Receivable	(1,836)	(310)
Inventories	(11)	-
Other Assets	(193)	-
Regulatory Assets	30,461	7,934
Scrow Deposits	(40,808)	(9,567)
Suppliers	(9)	122
Cash Flow from Operating activities	**(4,355)**	**(156)**
Income Tax and Social Contribution Paid	(4,567)	(147)
Regulatory Charges	463	217
Tax and Social Contributioon	95	(78)
Other Liabilities	(346)	(148)
Net Cash from Operating Activities	**109,506**	**22,869**
Interest Paid / Received	(18,996)	(19,191)
Income tax and social contribution paid	(8,348)	(3,140)
Net Cash from Operating Activities	**82,162**	**538**
Cash Flow from Investments Activities	**(7,165)**	**-**
Partes Relacionadas	-	-
Reveived Dividends	(7,165)	-
Net Cash Financing Activities	**(16,508)**	**(5,796)**
Related Parties	(9,925)	(4,342)
Loan Amortization	(5,828)	(1,358)
Payment of cost of debentures acquisition	(1,224)	(96)
Inflows - Loans	-	-
Inflows - Debentures	469	-
Total Effects of Cash and Cash Equivalents	**58,489**	**(5,258)**
Opening Balance of Cash and Equivalents	**18,591**	**77,080**
Closing Balance of Cash and Equivalents	**77,080**	**71,822**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

CONSOLIDATED BALANCE SHEET — In R$ thousand

Assets	12/31/2017	03/31/2018
Current		
Cash and cash equivalents	530	4,485
Financial Investments	917	28,482
Cash in Transit	605	6,428
Gas Supply	36,662	45,492
Provision for Liabilities and Charges	(4,292)	(4,302)
Taxes to Compensate	1,438	3,166
Inventories	2,209	2,594
Judicial Deposits	-	-
Other Receivables	897	709
Advance Payment	1,201	3,356
	40,167	**90,410**
Non Recurring Assets		
Financial Investments	1,947	1,974
Related Parties	9,766	14,329
Taxes Recoverable	52,144	54,465
Judicial Deposits	2,337	2,262
Other Debtors	112,308	-
Intangible in Use	179,541	168,931
Intangible in Formation	8,544	9,157
Stockroom Improvements	7,490	8,106
Investments	-	6,190
Client installment	-	115,738
	374,077	**381,152**
Total Assets	**414,244**	**471,563**

Liabilities and Shareholders´Equity	12/31/2017	03/31/2018
Current		
Suppliers	83,820	106,325
Tax and Contributions Payable	2,495	-
Social and Labor Obligations	9,610	8,518
Tax and Social Contribution	-	2,815
Profit Sharing	-	855
Dividends	-	81
Interest on Capital	-	-
Financing - BNDES	5,525	5,446
Provisions	2,800	2,801
Financial Guarantee	-	42,000
Financial Guarantee	855	-
	105,106	**168,841**
Long Term Liabilities		
Deferred Tax	206	190
Financing - BNDES	18,591	17,246
Suppliers / G.N	-	430
Suppliers of Materials and Services	-	-
Financial Guarantee	471	-
	19,268	**17,866**
	124,374	**186,707**
Shareholders´Equity		
Share Capital	167,968	167,968
Legal Reserve	30,118	30,118
Profit Retention Reserve	71,202	25,139
Statutory Reserve	66,645	66,645
Special Reserve	-	-
Accumulated Profits	(46,063)	(5,014)
Dividends available to AGO	-	-
	289,870	**284,856**
Total of Liabilities and Shareholders´Equity	**414,244**	**471,563**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

RESULTS REPORT

In R$ thousand

	1Q17	1Q18	Chg %
Gross operating revenue	**140,246**	**181,005**	**29.1%**
Deductions from Operating Re	32,217	40,414	25.4%
Net operating revenue	**108,030**	**140,591**	**30.1%**
Variable Cost	131,862	114,554	-13.1%
Overhead Costs	4,512	4,647	3.0%
Selling Expenses	2,606	1,876	-28.0%
Administrative Costs	7,068	7,004	-0.9%
Other Expenses/ Operatin	(25,233)	10,845	143.0%
Operating Profit	**(12,786)**	**1,665**	**113.0%**
Depreciation and Amortiza	6,996	7,536	7.7%
EBITDA	**(10,442)**	**1,995**	**119.1%**
EBITDA Margin (%)	-9.67%	1.42%	
Net Financial Income	**1,172**	**(518)**	**-144.2%**
Financial Revenues	2,122	329	-84.5%
Financial Expenses	950	847	-10.9%
Income before Tax	**(18,610)**	**(6,388)**	**-65.7%**
Provision for Income Tax	-	1,208	
Deferred Income Tax	(6,327)	(2,583)	59.2%
Net Income (RS thousand)	**(12,283)**	**(5,014)**	**-59.2%**
Net Margin (%)	-11.4%	-3.6%	

COMPANHIA DE GÁS DE SANTA CATARIA - SCGÁS

Cash Flow (DFC) — In R$ Thousand

	12M17	3M18
Net income/loss in the period	**(46,063)**	**(5,014)**
Adjustments	**(4,035)**	**16,634**
Depreciation	29,173	8,171
Gain/losses for Losses in Fixed Assets	754	-
Equity Result	1,258	9
Gain/losses on Coligated Companies	-	-
Provision for Contigencies	(11,694)	10,363
Reversal/Provisionfor Losses in Fixed Assets	(23,913)	(2,583)
Realization of allowance for losses	387	674
Allowance for Doubtfull Accounts - PCLD	-	-
	-	-
Changes in Assets and Liabilities	**7,782**	**(9,938)**
Accounts receivable	(11,542)	(12,260)
Recoverable taxes	(277)	(1,482)
Inventories	(235)	(385)
Taxes and Securities	291	(27)
Credits in transactions of gas sales and acquisitions	40,452	(14,926)
Other assets	(781)	(1,892)
Suppliers	29,752	21,828
Tax duties	(4,048)	(659)
Income tax and social contribution	(41,603)	-
Payroll and related charges	(4,556)	(113)
Securities held in guarantee	329	(22)
Net cash provided from operating activities	**(42,316)**	**1,682**
Cash flow from investing activities	**(25,986)**	**(4,979)**
Additions to intangible	(25,986)	(4,979)
Cash flow from financing activities	**(30,760)**	**40,639**
Dividends and interest on capital paid	(27,591)	-
		(1,361)
Loans	(3,169)	42,000
Total Effects of Cash and Cash Equivalents	**(99,062)**	**37,342**
Opening Balance of Cash and Equivalents	**101,114**	**2,052**
Closing Balance of Cash and Equivalents	**2,052**	**39,394**