Celesc

2018

CLSC4 NÍVEL 2 BM&FBOVESPA | IGC | ITAG

Conference Call

Preferred Share Price at 12/31/2018

CLSC4 BRL 49,87/share

Change in 4Q18

CLSC4: 59,38%

Ibovespa: 10,77%

Market Value at 12/31/2018

BRL 1.863,0 MM

USD 480,0 MM

Free Float: 75,5%

Other Indicators at 12/31/2018

Net Debt\Aj EBITDA LTM (DisCo):	1,1x
EPS 4Q18 (BRL/share):	-0,45
Book Value (BRL/share):	46,69
Price/BV:	1,1x

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, **March 29, 2018** – Centrais Elétricas de Santa Catarina S.A. - Celesc (BM&FBOVESPA: CLSC3, CLSC4; OTC: CEDWY), holding from the energy sector, operating in the areas of generation, transmission, distribution of electricity and distribution of natural gas, announces the results of the **fourth quarter of 2018 (4Q18) and YTD 2018 (12M18)**. The Company's financial information, except where otherwise indicated, is presented in millions of Reais (R$) as of **December 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).

Consolidated EBITDA reaches R$100.2 million in 4Q18 and R$610.6 million in 2018

Celesc Distribuição's billed energy grew 2.8% in the quarter and 2.7% in 2018

Main highlights:

- ✓ Growth of 2.8% in the Energy billed in 4Q18 in Celesc Distribuição's concession area, totaling 6,084 GWh. In 12M18, increase of 2.7%, totaling 24,449 GWh;
- ✓ Quality of service indicators: DEC totaled 10.67 hours (13.5% reduction) and FEC was 7.33 times (12.2% decrease) in 2018;
- ✓ Consolidated Net Operating Revenue (excluding Revenue from Construction) totaled R$ 1.54 billion in the quarter (down 15.4%) and R$ 7.2 billion in the year (up 8.7%);
- ✓ Non-Manageable Expenses (energy costs) reduced by 15.3% in the quarter, but increased by 12.4% in the 12M of the year (+R$628 million);
- ✓ Manageable expenses (PMSO) reduced by 17.1% in the quarter, and 8.6% in the year, as a result of the company's actions to reduce expenses;
- ✓ The Company had a R$17.3 million loss in the Consolidated Balance in the quarter, however it recorded R$165 million profit in the year, where the subsidiary Celesc Distribuição totaled R$121.5 million and the subsidiary Celesc Geração R$51.2 million in the year;
- ✓ Consolidated EBITDA of R$100.2 million in the quarter (R$610.6 million in the year), with the subsidiary Celesc Distribuição totaling R$83.5 million (R$529.2 million quarter) and Celesc Geração totaling R$15.1 million in the quarter (R$88.4 million);
- ✓ The Celesc Group ended up the period with a Net Consolidated Debt of R$722.0 million, equivalent to 1.1x Adjusted EBITDA 12M;
- ✓ Investments made in 2018 totaled R$506.0 million in the quarter, where R$487.0 million was in distribution and R$19.1 million in generation; and
- ✓ The preferred shares of Celesc (CLSC4) changed positively 59.38% in the quarter and in the twelve-month period accumulated appreciation of 87.2%.

Principais Resultados	4º Trimestre			Acumulado 12 Meses		
	2017	2018	Δ	2017	2018	Δ
Indicadores Operacionais						
Celesc Distribuição - Energia Faturada Total (GWh)	5.916	6.084	*2,8%*	23.797	24.449	*2,7%*
Celesc Geração - Energia Faturada (GWh)	162	186	*14,6%*	659	727	*10,3%*
SCGÁS - Volume de Gás Vendido (mil/m³)	167	179	*6,6%*	654	704	*7,7%*
Indicadores Financeiros - Consolidado (R$ Milhões)						
Receita Operacional Bruta	3.161,2	2.937,1	*-7,1%*	11.454,7	12.518,8	*9,3%*
Receita Operacional Líquida (excluindo Receita de Construção)	1.827,3	1.546,4	*-15,4%*	6.635,9	7.211,2	*8,7%*
Custos e Despesas Operacionais	(1.934,9)	(1.653,7)	*-14,5%*	(6.781,3)	(7.288,6)	*7,5%*
EBITDA (IFRS)	**88,3**	**100,2**	***13,6%***	**523,2**	**610,6**	***16,7%***
Margem EBITDA (IFRS)	***4,5%***	***5,9%***		***7,4%***	***8,0%***	
EBITDA Ajustado (IFRS - Não-Recorrentes)	132,2	125,3	*-5,2%*	545,7	641,9	*17,6%*
Margem EBITDA Ajustado	*7,2%*	*8,1%*		8,2%	8,9%	
Lucro Líquido (IFRS)	**4,9**	**(17,3)**	***-449,1%***	**66,5**	**165,0**	***148,2%***
Margem Líquida	***0,3%***	***-1,0%***		***0,9%***	***2,2%***	
Lucro Líquido Ajustado (IFRS - Não-Recorrentes)	20,1	39,2	*94,7%*	176,9	225,6	*27,6%*
Margem Líquida Ajustada	*1,1%*	*2,5%*		*2,7%*	*3,1%*	
Investimentos Realizados em Geração e Distribuição de Energia Elétrica	160,8	161,2	*0,2%*	489,4	506,0	*3,4%*

DISCLAIMER

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

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

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

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 interpreted as an offer, invitation or request of subscription offer or as a purchase of any securities, nor do they form the basis of a contract or commitment of any kind.

TABLE OF CONTENTS

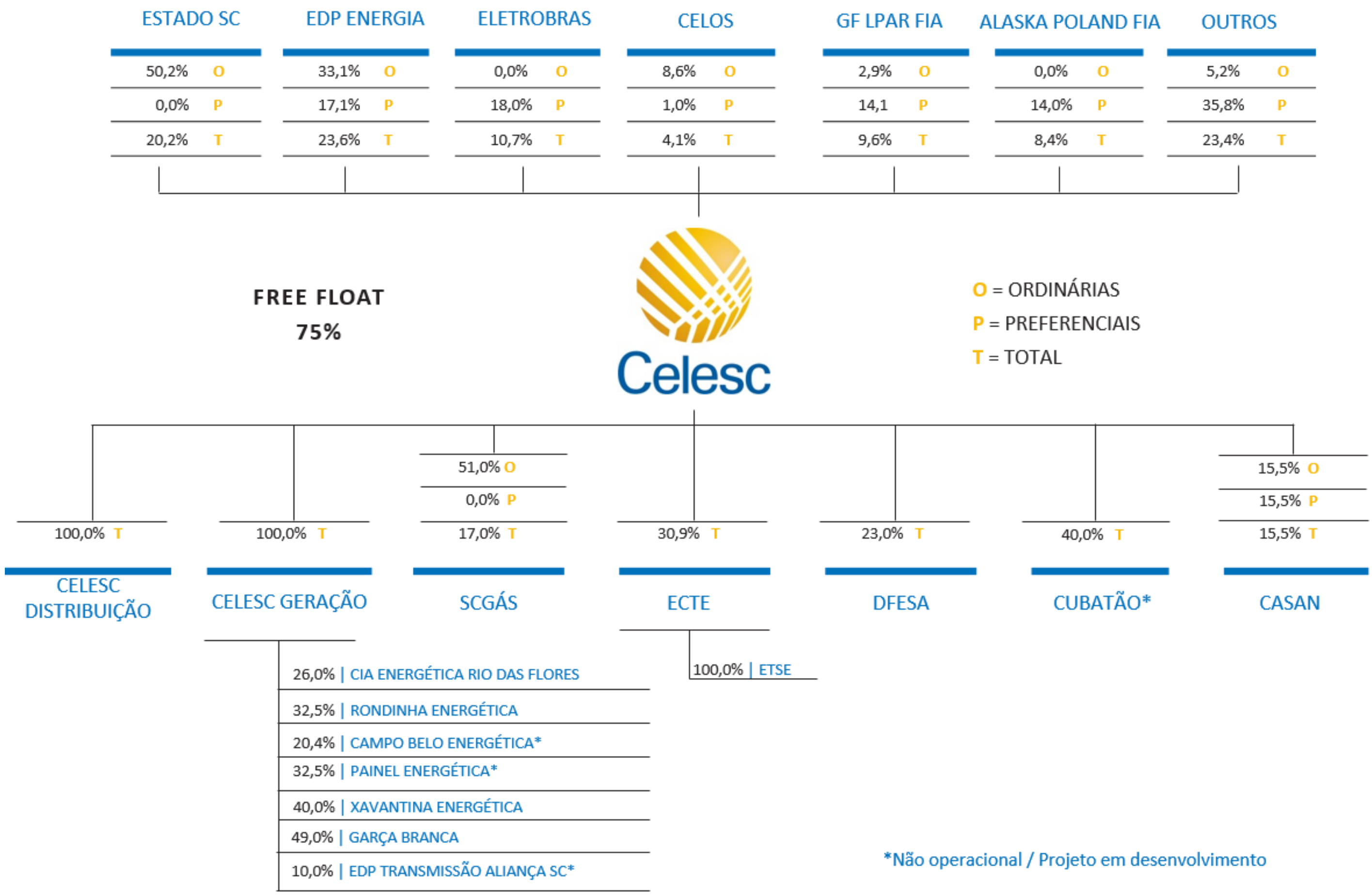
– Overview

Centrais Elétricas de Santa Catarina S.A. – Celesc is one of the largest companies in the Brazilian electric segment, focused in distribution and generation of energy. Structured as a Holding Company in 2006, the Company has two wholly-owned subsidiaries - Celesc Distribuição S.A. and Celesc Geração S.A. In addition, it holds the controlling interest of the Gas Company of Santa Catarina (SCGÁS) and is a partner of the companied named Dona Francisca Energética S.A. (DFESA), Companhia Catarinense de Transmissão de Energia S.A. (ECTE), Companhia Catarinense de Água e Saneamento (CASAN) and of the Usina Hidrelétrica Cubatão S.A. project.

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

CELESC's Shareholding and Corporate Structure

December - 2018



Pursuant to the Material Fact - Acquisition of Corporate Interest by EDP, published on December 20, 2017, EDP - Energias do Brasil S.A. acquired 33.1% of the common shares and 1.9% of the preferred shares of PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil, 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 Prerecession Complementary - PREVIC, and was concluded on March 21, 2017.

On March 27, 2018, the Notice on Voluntary Public Offering ("Voluntary OPA") was released in accordance with the Brazilian Corporation Law and Article 31 of CVM Instruction 361, of from March 5, 2002, to acquire up to seven million, three hundred and seventy-four thousand (7,374,000) shares issued by the Company and 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 percent) of the total preferred 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 preferred shares were purchased at a price of twenty-seven reais (R$27.00) each, totaling fifty-three million, seven hundred and thirty thousand, three hundred and fifty-one reais (R$ 53,730,351.00). 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 total share capital.

The Relevant Acquisition of Shares by EDP Energias do Brasil S.A. was disclosed on November 8, 2018. A total of 1,518,000 preferred shares were acquired for the average price of forty-one reais and ninety-three cents (R$41.93) each, totaling the amount of sixty-three million, six hundred and fifty-three thousand, four hundred and ninety-eight reais (R$63,653,498.00) of additional preferred shares issued by Centrais Elétricas de Santa Catarina S.A. – Celesc. As a result, EDP Energias dos Brasil S.A. holds 3,945,820 preferred shares (B3:CLSC4), plus 5,140,868 common shares, which together represent 23.56% of CELESC’s share capital.

Wholly Owned Subsidiaries

Celesc Distribuição S.A.

The company carries energy to around 3.0 million consumer units located in 286 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 largest single ICMS collector located in the state of Santa Catarina, the 6th largest Brazilian electricity distributor in supply revenue, the 7th in distributed energy volume and the 10th in number of consumer units[1]. On a monthly basis, the company distributes more than 2.0 million MWh and its annual gross revenues reached R$12.3 billion in 2018.

Celesc Geração S.A.[2]

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

On December 31, 2018, the Company had its own generating plant made up of 12 plants, with 01 Small Hydroelectric Plant - SHP, 05 Hydroelectric Generating Plants - HGPs and 06 Hydroelectric Plants - HPPs. Also in the generation segment, the Company held a minority interest in another eight (8) generation projects developed in partnership with private investors, as Specific Purpose

[1]Source: www.aneel.gov.br (Management’s Information – December 2018).
[2]Further details on the relevant regulatory and legal aspects that involve the Company’s projects are available in item 2.2.3 of this release.

Companies (SPE), of which 06 plants are in commercial operation and 02 in the project phase. In the transmission segment, the company held a minority interest in an SPE.

Celesc Geração's total generation capacity in operation was 118.21 MW in the period, with 106.97 MW referring to its own park and 11.24 MW referring to the generating park established with partners - already proportional to Celesc Geração's interest in these enterprises, considering the phase-in of PCH Garça Branca in July 2018. The following table shows the main characteristics of the 100% Celesc Geração plants:

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

PLANTS	Location	Concession Expiration	Installed Capacity (MW)	Guaranteed Energy (MW)	Physical Security in Quotas
UHE Pery	Curitibanos/SC	09/07/2047	30,00	14,08	100%
UHE Palmeiras	Rio dos Cedros/SC	07/11/2046	24,60	16,70	70%
UHE Bracinho	Schroeder/SC	07/11/2046	15,00	8,80	70%
UHE Garcia	Angelina/SC	05/01/2046	8,92	7,10	70%
UHE Cedros	Rio dos Cedros/SC	07/11/2046	8,40	6,75	70%
UHE Salto	Blumenau/SC	07/11/2046	6,28	3,99	70%
PCH Celso Ramos	Faxinal dos Guedes/SC	17/03/2035	5,62	3,80	N/A
CGH Caveiras	Lages/SC	*	3,83	2,77	N/A
CGH Ivo Silveira	Campos Novos/SC	*	2,60	2,03	N/A
CGH Rio do Peixe	Videira/SC	*	0,52	0,50	N/A
CGH Piraí	Joinville/SC	*	0,78	0,45	N/A
CGH São Lourenço	Mafra/SC	*	0,42	0,22	N/A
Total - MW			**106,97**	**67,19**	

* Power plants of less than 5 MW are exempt from the concession act (Law 13.360 / 16).

It should be noted that the Caveiras Plant, having an installed capacity of less than 5MW, was converted into a CGH on September 19, 2018, pursuant to Authorization Resolution 7246, of August 28, 2018, pursuant to Law 13.360/16, becoming an asset of the Company without a final concession term.

The company participates in Special Purpose Companies 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:

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

Plants	Location	Concession Expiration	Installed Capacity (MW)	Guaranteed Energy (MW)	% Stake Celesc Geração	Equivalent Installed Capacity (MW)	Equivalent Guaranteed Energy (MW)
PCH Rondinha	Passos Maia/SC	05/10/2040	9,60	5,48	32,5%	3,12	1,78
CGH Prata	Bandeirante/SC	*	3,00	1,68	26,1%	0,78	0,44
CGH Belmonte	Belmonte/SC	*	3,60	1,84	26,1%	0,94	0,48
CGH Bandeirante	Bandeirante/SC	*	3,00	1,76	26,1%	0,78	0,46
PCH Xavantina	Xanxerê/SC	07/04/2040	6,08	3,54	40,0%	2,43	1,42
PCH Garça Branca	Anchieta/SC	13/03/2043	6,50	3,44	49,0%	3,19	1,69
Total - MW			**31,78**	**17,74**		**11,24**	**6,26**

* Power plants of less than 5 MW are exempt from the concession act (Law 13.360 / 16).

The Company's Strategic Plan provides for the valuation of the current assets, by repowering of its plants. Thus, the tables below present non-operational ventures and their respective stages of development. Regarding the physical guarantee (new or incremental), the Company seeks to obtain on average 55% of the total plant capacity after the expansion, a standard observed for other ventures in operation with similar characteristics:

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

Plants	Location	Concession Expiration	Installed Capacity (MW)	Increase in Energy (MW)	Power Addition (MW)	Expected date of commissiong	Status
PCH Celso Ramos	Faxinal dos Guedes/SC	17/03/2035	5,62	8,30*	13,92	N/D	Project Review
UHE Salto	Blumenau/SC	07/11/2046	6,28	23,00	29,28	N/D***	Basic Design Approved
CGH Caveiras	Lages/SC	**	3,83	10,00	13,83	N/D***	Inventory Study
UHE Cedros Etapa 1 e 2	Rio dos Cedros/SC	07/11/2046	8,40	4,50	12,90	N/D***	Inventory Study
UHE Palmeiras	Rio dos Cedros/SC	07/11/2046	24,60	0,75	25,35	N/D***	Inventory Study
CGH Maruim***	São José/SC	**	0,00	1,00	1,00	N/D***	Project Review
Total - MW			**48,73**	**47,55**	**96,28**		

* In 2018, the project was consolidated, and at the end of the year it was being analyzed by ANEEL
** Power plants with a power of less than 5MW are exempt from the concession act
*** It depends on regulatory procedures

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

Plants	Location	Concession Expiration	Installed Capacity (MW)	% Stake Celesc Geração	Equivalent Installed Capacity (MW)	STATUS
PCH Painel	São Joaquim/SC	18/03/2043	9,20	30,0%	2,76	Project Review
PCH Campo Belo	Campo Belo do Sul/SC	19/05/2044	9,95	30,0%	2,99	Project Review
Total - MW			**19,15**		**5,75**	

On August 15, 2018, Celesc Geração received notification of the sale of the majority shareholder interest in SPEs Campo Belo and Panel, providing the possibility of exercising the Tag-Along right or the preemptive right in the purchase of shares, as specified in the Shareholders' Agreement. At a meeting of the Board of Directors held on September 20, 2018, the Tag-Along of SPE Campo Belo was approved, with ANEEL's prior consent of established pursuant to Order 220, of January 25, 2019. The Tag-Along of SPE Panel was resolved at a meeting of the Board of Directors held on October 18, 2018 and previously approved by ANEEL, according to Order 045, on January 8, 2019.

All the plants of the generator site itself and in partnership, with commercial operation, participate in the Energy Reallocation Mechanism - MRE, a hydrological risk sharing system, in which the participating plants transfer the generated energy surplus to their physical guarantee to the plants that generated them below.

In addition to the aforementioned projects, Celesc Geração holds a corporate interest in a transmission project, referred to as EDP Transmissão Aliança SC, whose purpose is to implement lot 21 of Auction No. 05/2016 of ANEEL, the third largest project offered in the auction, with investments estimated at R$ 1,1 billion.

Origin	Destination	Circuit[3]	Extension (KM)	Voltage (Kv)
Abdon Batista SE	Campos Novos SE	CS	39.8	525
Siderópolis 2 SE	Abdon Batista SE	CD	209.0	525
Biguaçu SE	Siderópolis 2 SE	CS	150.5	525
Siderópolis 2 SE	Siderópolis SE	CD	6.0	230
Siderópolis 2 SE	Forquilhinha SE	CS	27.8	230

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 the works execution is 60 months and the commercial start-up determined is August 2022, with a possibility of anticipation. The consortium that participated in the auction was converted into a corporation in July 2017 and the Concession Agreement was signed in August 2017. At the end of 2018, the project received the Environmental Installation License and the construction works started in 2019.

[3] CS: Single circuit/CD: Double circuit

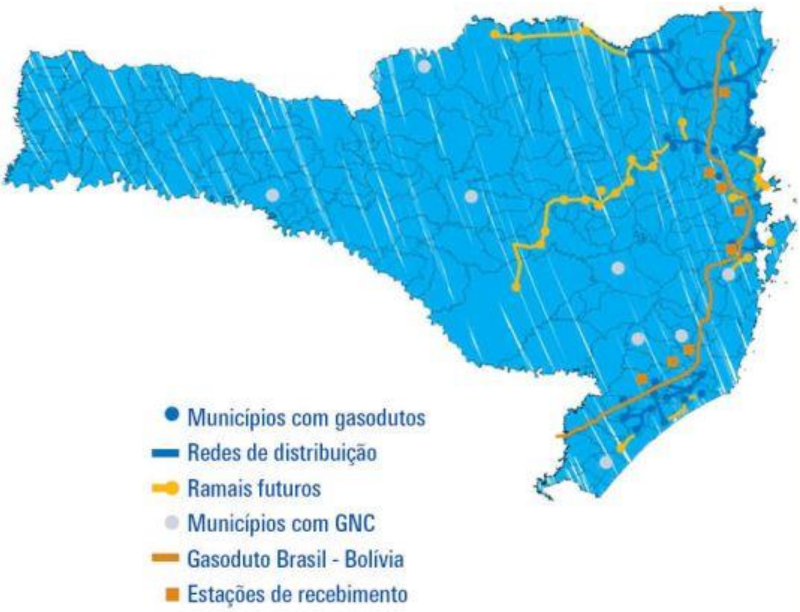
The table below summarizes the main information of the venture:

Transmitter	Location	Final Concession Term	Lines in Km	Substations	Estimated date of entry into operation	Status
EDP Transmissão Aliança SC S.A.	Santa Catarina	August 11, 2047	433.00	1	August 11, 2022	Licensing

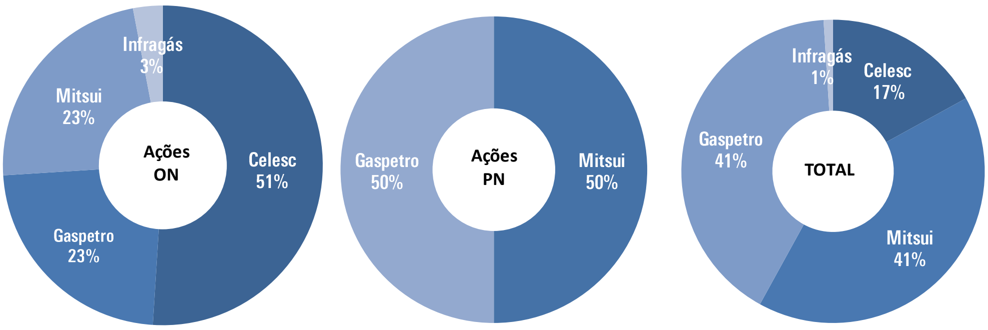
Subsidiary

Companhia de Gás de Santa Catarina – SCGÁS

SCGÁS is the second largest gas distributor in the number of municipalities served in Brazil. Santa Catarina is the third state with the largest natural gas distribution network (1,157 kilometers) and the third with the largest number of industries served with natural gas (279), besides having the third largest network of vehicular gas stations (GNV) in the country (135).



With 100% of the concession for exploration of natural gas distribution services in the territory of Santa Catarina, the company markets and distributes approximately 1.9 million cubic meters of natural gas to approximately 13.5 customers on a daily basis. SCGÁS has a concession agreement for the operation of piped gas distribution services, signed on March 28, 1994, with a 50-year term (2044). Below is a chart of Celesc's shareholding in SCGás, 51% of the ordinary shares and 17% of the total share capital.



It should be noted that, in 2013, the State Attorney General 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 SA - Gaspetro, Mitsui Gás and Energia do

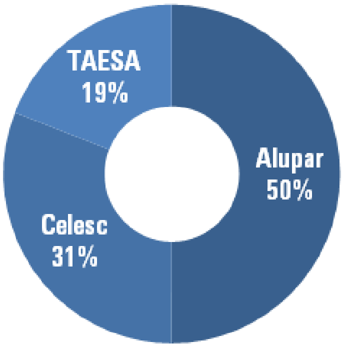
Brasil Ltda. and Infragás - Infraestrutura de Gás para a Região Sul S.A., questioning changes in the share capital and the Shareholders' Agreement executed in 1994, obtaining a favorable injunction in a 1st degree judgment. Meanwhile, shareholders Mitsui Gás and Gaspetro filed an injunction, suspending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

In 2016, as per Notice to the Market from June 13 - TCE DECISION - SCGÁS RETURN SHARE, the Company took note of Decision No. 0129/2016 of the Plenum of the Court of Accounts of the State of Santa Catarina - TCE/SC, where its item 6.7 states: "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 Official Electronic Diary of this Court of Accounts - DOTC-e steps are taken so as to return to the State of Santa Catarina the amount of 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 the face of this decision, the Company filed an appeal against Decision 129/2016 in the Court of Accounts, with a suspensive effect, since it understands that the regularity/legality of the sale of the shares has been duly demonstrated by the State of Santa Catarina to Celesc, constituting a perfect and finished legal act, carried out in light of the legislation effective at the time of its accomplishment, without any offense to the principles of motivation of the administrative act, conflict of interest or public interest.

Other Stakes

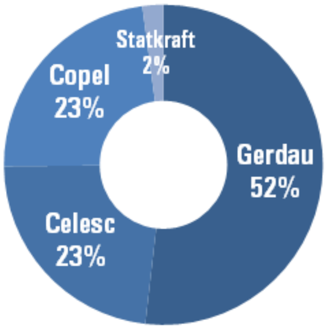
Empresa Catarinense de Transmissão de Energia – ECTE

Constituted with the specific purpose of exploring electric power transmission lines in the South, Southeast and 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 the transportation of approximately 20% of the assured energy to supply demand in the concession area of Celesc Distribuição. In December 2011, the company acquired the right to build the Abdon Batista (525/230kV) and Gaspar (230/138kV) substations through the subsidiary Companhia de Transmissão Serrana S.A. - ETSE. These lines were energized in January and March 2015, respectively. The affiliate ECTE holds a power transmission concession contract dated from November 1, 2000, with a 30-year term. For its subsidiary ETSE, the concession contract for transmission of electric power is dated from May 10, 2012, with a 30-year term. Celesc holds 30.88% of the Company's share capital, as shown below:



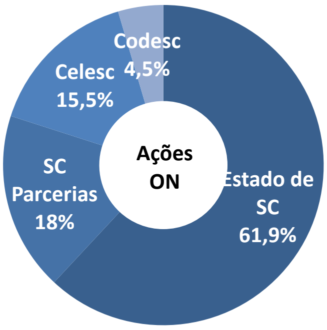
Dona Francisca Energética S.A. – DFESA

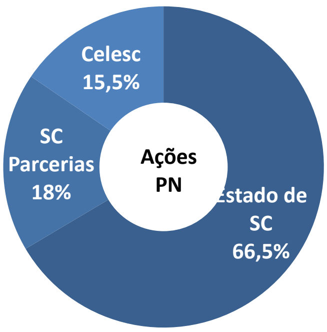
An independent power producer, DFESA owns the Dona Francisca, Hydroelectric Power Plant built on the Jacuí River in Rio Grande do Sul, with an installed capacity of 125MW and assured energy of 80MW. The venture was inaugurated in May 2001. The affiliate DFESA has a concession agreement dated from August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

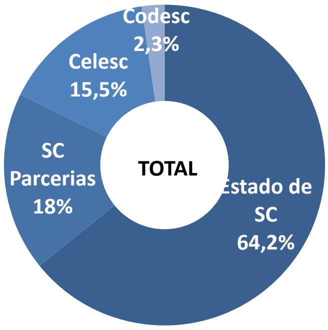


Companhia Catarinense de Água e Saneamento – CASAN

As a mixed economy-held company controlled by the State Government of Santa Catarina, the role of CASAN is to plan, execute, operate and explore the water supply and sanitation services in their areas of concessions (municipality). Currently, the services provided by the company include 194 municipalities in Santa Catarina and 1 in Paraná, serving a population of around 2.7 million consumers with treated water and 650 thousand with collection, treatment and final disposal of sanitary sewage. Celesc holds 15.48% of the Company's total share capital, as shown in the graph below:

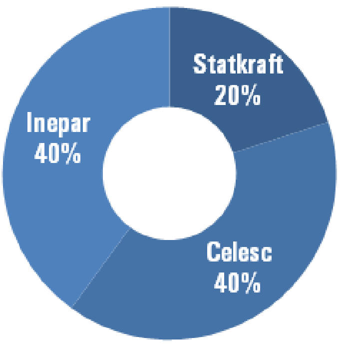






Usina Hidrelétrica Cubatão S.A.

SPE, established in 1996 for the implementation of the Cubatão Hydroelectric Power Plant, in the region of Joinville/SC, with an installed capacity of 50MW. With the history of environmental obstacles, rejection of the postponement of the concession period and the consequent economic impracticability for developing the project, the venture requested the regulatory agency to amicably terminate Concession Agreement No. 04/1996 (ANEEL Case No. 48100.003800/1995-89). MME Decree 310, of July 27, 2018, was issued, extinguishing the concession for the Hydropower Utilization of the venture named Cubatão HPP. Celesc holds 40% of the Company's Share Capital, as shown below:



2 – CELESC Group

2.1 – Celesc Distribuição S.A.

2.1.1 – Operating Performance

Electricity Charge

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

		Year	4Q18	12M18
Brazil (GWh)*		2018	149.377	583.025
		2017	146.550	574.556
	Δ		1,9%	1,5%
Brazilian South (GWh)		2018	25.614	100.617
		2017	24.864	98.828
	Δ		3,0%	1,8%
Carga Celesc Distribuição S.A. (GWh)**		2018	6.892	27.016
		2017	6.563	26.340
	Δ		5,0%	2,6%

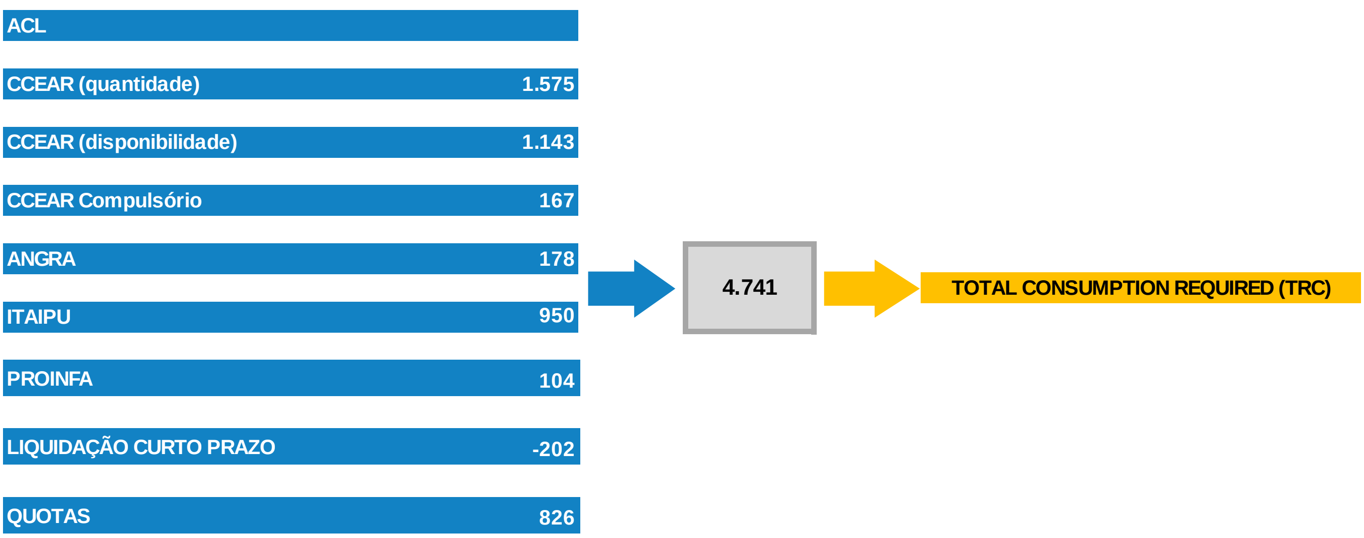
Source: ONS / Celesc D
* Refers to the National Interconnected System - SIN.
** Power injected in the distribution network.

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

Electricity Balance

We can summarize the TRC (Total Required Consumed) as the total charge (measured), withdrawing the energy from free consumers (measured) and adding the total losses (internal and basic network). In the third quarter of 2018, the Electricity Trading Chamber (CCEE) accounted for 60.9% (2885 GWh) of CCEAR's agreements (number and availability modalities), Itaipú 20.0% (950 GWh) ITAIPU and 17.4% (826 GWh) Quotas, and 1.7% (79 GWh) for others.

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



According to the regulation of the electricity system, Distributors must have a contracting level within the regulatory limit (currently between 100% and 105% of overcontracting), and contracting within this limit has a full tariff transfer, with the counterpart being accounted for as financial sector assets. The amount that falls outside the regulatory range, and which is considered voluntary by the regulator, is the distributor's risk. The Company ended up 2018 with a hiring level of 101.8%, within the regulatory limit, thus guaranteeing the full transfer of the cost of energy purchased.

Billed Energy[4]

Consumption Class				Consumption (GWh)					
				4Q17	4Q18	Δ	12M17	12M18	Δ
Captive Market	**2.899.170**	**2.975.577**	**2,6%**	**3.788**	**3.867**	**2,1%**	**15.615**	**15.790**	**1,1%**
Residential	2.271.604	2.335.964	2,8%	1.286	1.350	5,0%	5.528	5.664	2,5%
Industrial	103.082	106.258	3,1%	648	639	-1,4%	2.588	2.539	-1,9%
Commercial	262.760	270.889	3,1%	770	782	1,5%	3.209	3.191	-0,5%
Rural	234.539	234.752	0,1%	353	348	-1,3%	1.387	1.407	1,4%
Supply	26	24	-7,7%	370	383	3,5%	1.470	1.527	3,8%
Other Classes	27.159	27.690	2,0%	361	365	1,0%	1.433	1.462	2,0%
Public Entities	22.791	23.104	1,4%	110	112	1,7%	436	442	1,5%
Public Lighting	750	788	5,1%	160	161	0,2%	635	649	2,1%
Public Service Co.	3.227	3.411	5,7%	87	88	1,2%	350	359	2,4%
Own consumption	391	387	-1,0%	3	4	15,1%	12	13	3,9%
Free Consumers	**823**	**947**	**15,1%**	**2.128**	**2.217**	**4,2%**	**8.182**	**8.659**	**5,8%**
Industrial	510	567	11,2%	1.867	1.944	4,1%	7.180	7.550	5,2%
Comercial	284	351	23,6%	200	219	9,4%	755	859	13,8%
Rural	6	7	16,7%	13	14	8,0%	50	58	16,3%
Supply*	23	22	-4,3%	48	41	-14,4%	198	192	-3,0%
Total	**2.899.993**	**2.976.524**	**2,6%**	**5.916**	**6.084**	**2,8%**	**23.797**	**24.449**	**2,7%**
Residential	2.271.604	2.335.964	2,8%	1.286	1.350	5,0%	5.528	5.664	2,5%
Industrial	103.592	106.825	3,1%	2.515	2.583	2,7%	9.767	10.090	3,3%
Commercial	263.044	271.240	3,1%	970	1.000	3,2%	3.963	4.050	2,2%
Rural	234.545	234.759	0,1%	366	362	-1,0%	1.437	1.465	1,9%
Supply	27.159	27.690	2,0%	361	365	1,0%	1.433	1.462	2,0%
Other Classes	49	46	-6,1%	419	425	1,4%	1.668	1.719	3,0%

According to the table above, the billed energy supplied to the Captive Market increased by 1.1% in 2018 to 15,790 GWh (+175 GWh). In the fourth quarter, there was an increase of 2.1% in relation to the same period of the previous year (+79 GWh), reaching 3,867 GWh, mainly influenced by the expressive growth of the residential class of 5.0% (+64 GWh), reaching 1,350 GWh, apparently due to the higher temperature in the period. It should be noted that the industrial class had a reduction of 1.4% in the quarter and 1.9% year, mainly due to the migration of consumers to the free market.

The Free Market[5], in accordance with the movement that has been taking place since 2015, increased by 4.2% (+89 GWh) in the quarter and 5.8% (+477 GWh) in the year, due to the increase in the number of free consumers, registering 947, an increase of 124

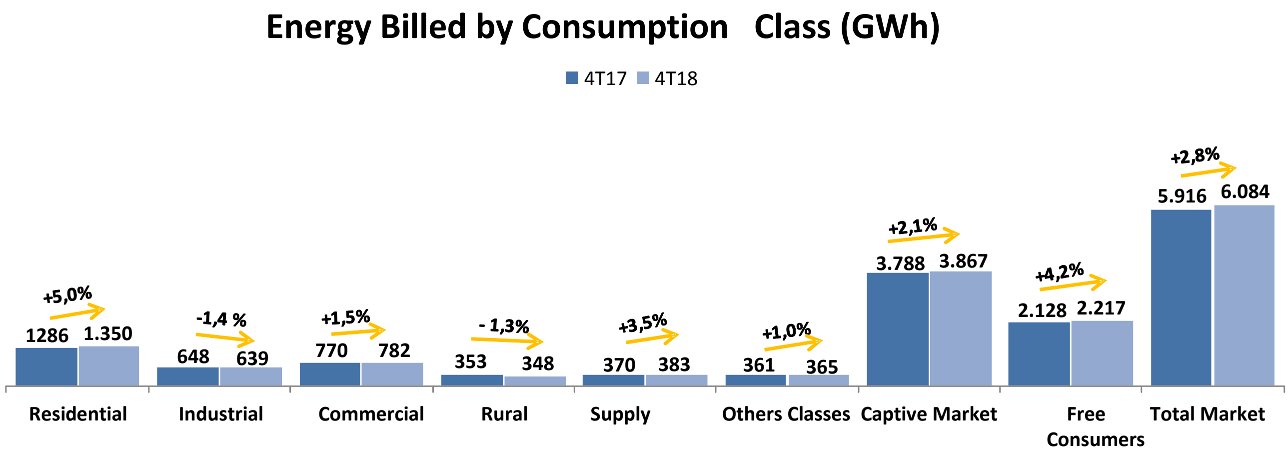
[4] From 4Q17 on, the distributed energy considered is billed, and in the previous quarters we considered the measured energy.

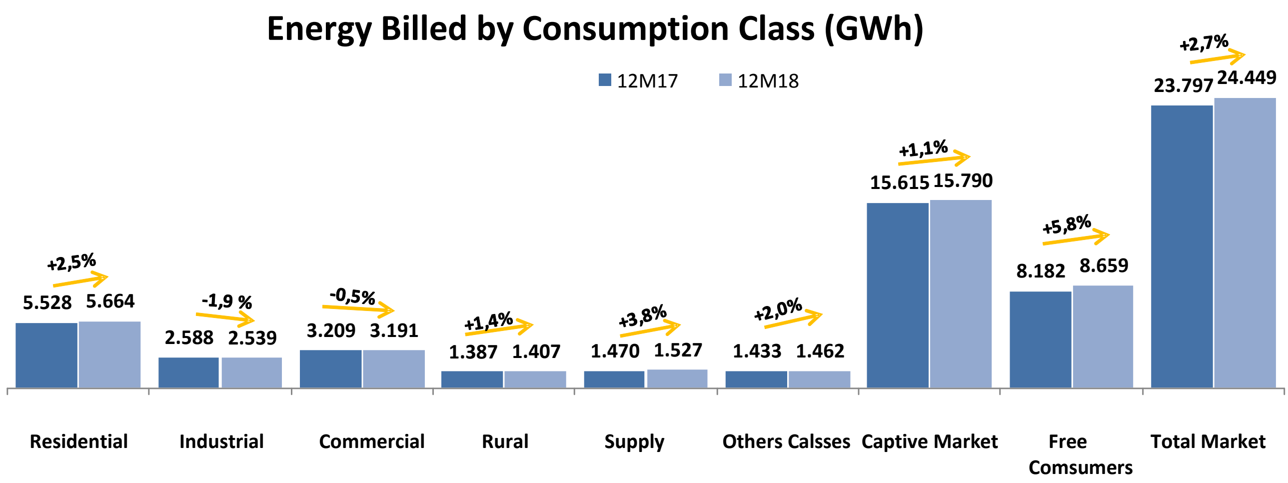
[5] The current criteria for free market migration were established in 1998, by Act 9,648/1998, which created two groups of consumers able to choose their electricity supplier. The first group consists of consumer units with charges greater than or equal to 3,000 kW serviced at a voltage greater than or equal to 69 kV – usually the consumer units of subgroup A3, A2 and A1. New consumer units installed after July 7, 1995, with a demand greater than or equal to 3,000 kW and serviced at any voltage are also free to choose their supplier. These consumers can purchase energy from any energy generation or commercialization agent. These consumers can buy energy from any energy generation or commercialization agent. The second group, composed of consumer units with a demand greater than or equal to 500 kW serviced in any voltage, can also choose their supplier, but their range of choice is restricted to the energy coming from the so-called incentivized sources, namely Small Hydroelectric Power Plants S, Biomass Plants, Wind Power Plants and Qualified Cogeneration Systems. Small Hydropower Plants - PCHs, Biomass Plants, Wind Power Plants and Qualified Cogeneration Systems.

units in comparison with 12M17 (increase of 57 in the Industrial Class and 67 in the Commercial Class), when it brought about 823 units.

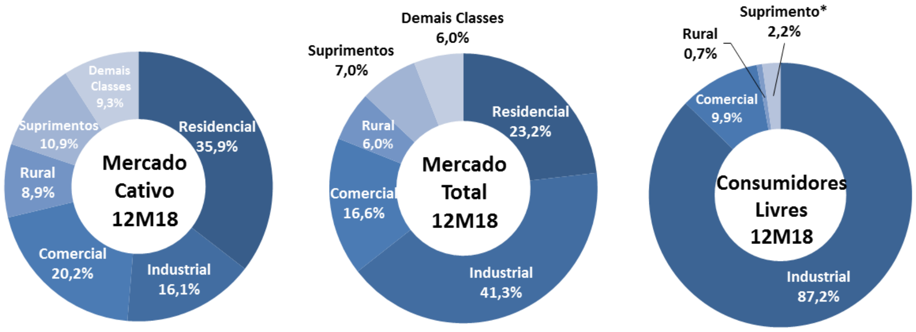
In December 2017, Captive Market accounted for 65.6% of total energy billed and Free Market was 34.4%. In December 2018, Captive Market accounted for 64.6% of total energy billed at Celesc Distribuição's concession area and Free Market was 35.4%. Migration from the Captive Market to the Free Market is an free right of the consumer discretion, not impacting economically on the distributor's result, since all migrated energy might be unhired or considered as an unintentional surplus, and the revenue from the Distribution System Use Tariff (TUSD) remains unchanged as the consumer continues to pay for the service.

The graphs below reflect the evolution of the consumption classes in the quarter and in the accumulated balance of the year.



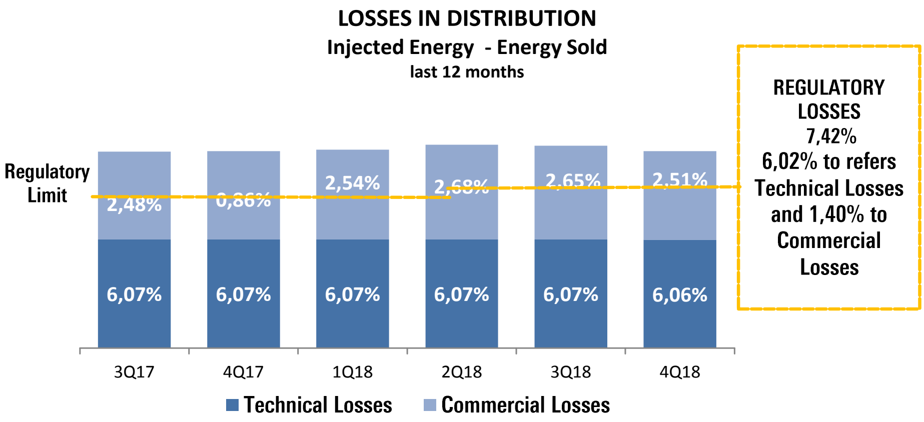


The chart below shows each class of consumption in the Captive Market, between free consumers and total market (captive + free):



Losses in Distribution

According to the last 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 last 2018 months up to December 2018, the global losses represented 8.57% of the injected energy, with 6.06% related to technical losses defined by PRODIST - Module 7, revised at the beginning of each year, thus adjusting the 12-month moving average, and 2.51% correspond to non-technical losses, calculated by difference. The chart below shows the evolution of the losses in the distribution in the concession area of the Company.

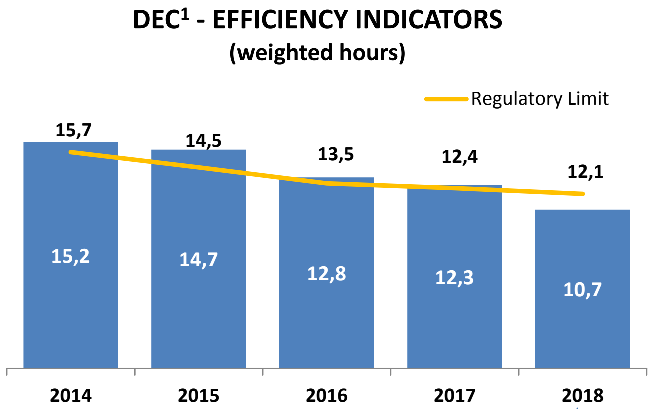


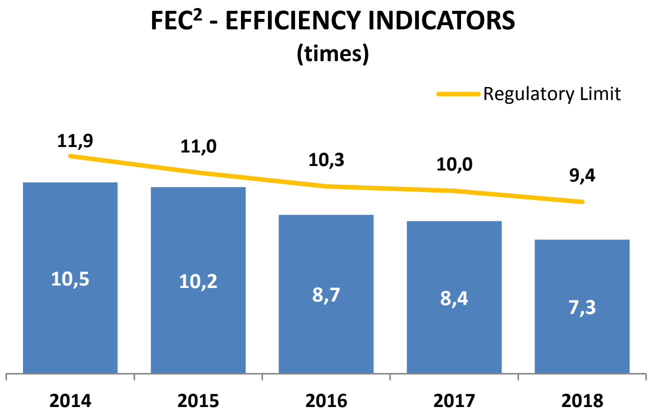
Thus, total losses were 1.15% above the limit covered by the tariff, making an estimated value without accumulated tariff coverage from January to December 2018 of R$75.7 million, where R$14.6 million were technical losses, R$59.2 million were non-technical losses and R$1.9 million were losses in the basic network.

The Company continuously executes a task 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 anti-theft 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 (average duration of interruptions per consumer unit) index was 10.67 hours in the first nine months of 2018, 13.5% lower than in the same period of 2017, equivalent to 91.0 % of the limit established by ANEEL for 2018. In this same period, the FEC (number of interruptions per consumer unit) dropped by 12.2%, representing 7.33 interruptions, equivalent to 78.0% of the regulatory limit established for 2018 in this indicator.





These criteria are set out in Module 8 of the Electricity Distribution Procedures –PRODIST, which establishes limits for global interruption indicators (DEC and FEC) for Distributors each year, with a violation of individual limits (DIC, FIC and DMIC) generates compensation by the distributors to the affected consumers, occurring automatically via credit in the invoice up to two months after the calculation period.

In the third quarter of 2018, the breach of quality indicators in their individual form generated consumer credits in the amount of R$ 3.6 million for Celesc Distribuição, 38.5% bigger than in the third fourth of 2017, when it was R$ 2.5 million. In the year, the cost incurred was R$ 13.2 million, 7.0% lower than the accumulated in 2017 (R$ 14.2 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 shareholders dividends or to pay interest on own capital – JCP, when those amounts, individually or jointly, exceed 25% of the net profit. The limitation on the distribution of dividends or payment of interest on own capital is effective as of January 1st of the calendar year following the year of non-compliance, remaining until the regulatory parameters are performed (Regulatory Resolution 747 of 2016). Thereby, as the Company has not complied with the overall DEC targets in 2016 and 2017, the distribution of dividends and/or JCP is limited to the legal minimum rate of 25%.

2.1.2 – Economic-Financial Performance

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

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	12M17	12M18	Δ
Gross Operating Revenue	**3.123,8**	**2.898,8**	*-7,2%*	**11.296,1**	**12.346,3**	***9,3%***
Deductions from Operating Revenue	(1.191,5)	(1.241,2)	*4,2%*	(4.362,7)	(4.837,3)	*10,9%*
Net Revenue	**1.932,3**	**1.657,6**	***-14,2%***	**6.933,4**	**7.509,0**	***8,3%***
Operating Costs and Expenses	(1.923,7)	(1.626,5)	*-15,4%*	(6.693,4)	(7.187,2)	*7,4%*
Electricity Costs	*(1.405,1)*	*(1.161,8)*	*-17,3%*	*(5.055,9)*	*(5.640,6)*	*11,6%*
Operating Expenses	*(541,9)*	*(464,7)*	*-14,3%*	*(1.660,8)*	*(1.546,6)*	*-6,9%*
Operating Results	**8,7**	**31,1**	***260%***	**240,0**	**321,8**	***34,1%***
EBITDA	**59,3**	**83,5**	***41%***	**440,3**	**529,2**	***20%***
EBITDA Margin (%)	*3,3%*	*5,5%*		*6,8%*	*7,5%*	
Financial Result	**(1,2)**	**(64,1)**	***5129,9%***	**(143,3)**	**(103,9)**	***-27,5%***
Income Tax / Social Contribution	(17,7)	5,9	***-543,8%***	**(63,4)**	(96,4)	
Profit / Loss Net	**(10,3)**	**(27,0)**	***163%***	**33,3**	**121,5**	***264%***
Net Margin (%)	*-0,6%*	*-1,8%*		*0,5%*	*1,7%*	

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

i. Reduction of 7.2% in ROB (Gross Operating Revenue) in the quarter. On the other hand, there was a 9.3% increase in ROB. Among the factors that led to the reduction in ROB in the quarter, the accumulated R$246.5 million of regulatory liabilities are highlighted, as detailed in the respective session;
ii. ROL (Net Operating Revenue) decreased by 14.2% in the quarter, influenced directly by the reduction in ROB, and also by the increase in ROB Deductions (CDE line). However, in the year ended with a positive performance of 8.3% above in 2017;
iii. Operating Costs and Expenses decreased by 15.4% in the quarter, with a reduction of 17.3% and 14.3% in Energy Costs (Non-Manageable Expenses) and Operating Expenses (Manageable Expenses), respectively. In the year, Operating Expenses decreased by 6.9%, driven by a 9.8% decrease in personnel expenses;
iv. EBITDA had a significant increase of 40.8% in the quarter and 20.2% in the year, as detailed in the due session;
v. The negative Net Result was R$27 million in the quarter (loss), however, the year showed a significant increase of 264.4%, totaling R$121.5 million due to the reasons set out above.

EBITDA and Profit are presented below and they are adjusted for non-recurring effects, which will be detailed in their respective topics.

Celesc Distribuição S.A. | Resultado Ajustado*

R$ Milhões	4º Trimestre			Acumulado 12 Meses		
	2017	2018	Δ	12M17	12M18	Δ
EBITDA Ajustado	106,3	107,7	*1,4%*	465,8	559,7	*20,2%*
Margem EBITDA Ajustada, exclui Receita de Construção (%)	*5,9%*	*7,1%*		*7,2%*	*7,9%*	
Lucro/Prejuízo Líquido Ajustado	6,9	28,9	*316,4%*	145,8	181,6	*24,6%*
Margem Líquida Ajustada, exclui Receita de Construção (%)	*0,4%*	*1,9%*		*2,2%*	*2,6%*	

**IFRS - Itens Não-Recorrentes. Cálculo das margens excluem Receita de Construção.*

Gross Operating Revenue

Celesc Distribuição S.A. | Gross Operating Revenue

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	12M17	12M18	Δ
GROSS OPERATING REVENUE	**3.123,8**	**2.898,8**	**-7,2%**	**11.296,1**	**12.346,3**	**9,3%**
Energy Supply	1.700,5	1.876,0	10,3%	6.182,4	6.891,0	11,5%
Energy Sales to Distributors	64,6	75,3	16,5%	237,1	294,2	24,1%
Regulatory Asset	190,0	(246,5)	*-229,8%*	473,1	322,1	*-31,9%*
Spot Energy - Short Term Market	111,6	(5,6)	*-105,0%*	481,0	389,3	-19,1%
Availability Energy System (TUSD)	728,1	865,3	*18,9%*	2.838,3	3.189,7	12,4%
Donations and grants*	185,0	183,8	*-0,7%*	624,9	785,1	25,6%
Income from Services	0,8	0,7	*-4,7%*	2,6	2,7	2,7%
Taxed service	3,4	4,1	21,1%	13,3	15,6	17,3%
Other Revenues	0,9	0,4	-59,1%	2,3	3,4	*45,7%*
Construction Revenue	**138,9**	**145,4**	***4,7%***	**441,0**	**453,4**	***2,8%***

** Includes allowance CDE regarding Decree No. 7.891/2013*

The following are the main factors that influenced ROB performance in 4Q18 and 2018:[6]

i. Increase of 10.3% in the quarter (+R$175.4 million) and 11.5% in the year (+R$708.6 million) in the *Revenue from Electricity Supply*, reflecting the increase in the Captive Market as a result of the expansion of 14% in the quarter (+R$273 million) and 12% in the year (+R$889 million). Residential Class was significant to this result, with an increase of 17% (+R$ 134 million) in the quarter and 13% year (R$401 million) in the year; Industrial Class totaled 9% in the quarter (+R$37 million) and in the

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

year (+R$138 million), and Commercial Class totaled 13% in the quarter (+R$66 million) and 11% (R$140,5 million) in the year. It is also noteworthy the following tariff revenue:

ii. Increase of R$100.4 million in the quarter in *Revenue from Electricity Supply based on Tariff Flag*, where R$88.5 million with red tariff and R$11.9 million with yellow tariff, noting that the yellow tariff has a reduced cost for the consumer. In 2018, tariff-rate revenue totaled R$324.2 million, an amount higher than 2017, when it reached R$280.3 million;

iii. In *Regulatory Assets/Liabilities*, there was a negative result of R$246.5 million (Regulatory Liability) in the quarter, of which R$240 million in the reduction of CVA in the period. In the year a positive R$322.1 million (Regulatory Asset) was accumulated, where R$338 million come from CVA creation. This item basically records the CVA movement in the period, and in the quarter we had a negative movement (reducing receivable CVA - Expenses) and a positive movement in the year (increase of receivable CVA - Revenue);

iv. Short-term Energy had a negative variation in the quarter (R$5.6 million) and a positive one in the year (R$389.3 million);

v. Increase of 18.9% in Electricity Network (TUSD) revenue (+R$137.3 million) in the quarter and 22.6% (+R$351.4 million) in the year, where R$201.0 million (R$ 694.1 million in the year) refers to the provision of electricity to industrial free consumers, R$25.0 million (R$ 85.6 million a year) to commercial free consumers, and R$2.9 million to rural consumers (R$6.4 million in the year). As from 1Q18, this item also included the segregation of TUSD's revenue from Captive Consumers, previously recorded in the Electricity Supply, totaling R$635.4 million in the fourth quarter of 2018 and R$2,392 million in the year;

vi. *Donations and subsidies* of R$183.7 million in the quarter (R$ 785.1 million in the year), a decrease of 0.7% (an increase of 25.6% in the year) in comparison to the same period in 2017, where R$160.4 million a quarter and R$ 688.1 million in the accumulated amount of the year related to tariff subsidies (Decree 7,891/2013).

Gross Operating Revenue Deductions

Celesc Distribuição S.A. | Deductions from Operating Revenue

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	12M17	12M18	Δ
DEDUCTIONS FROM OPERATING REVENUE	**(1.191,5)**	**(1.241,2)**	***4,2%***	**(4.362,7)**	**(4.837,3)**	***10,9%***
ICMS	(503,0)	(568,9)	*13,1%*	(1.901,5)	(2.124,2)	*11,7%*
PIS/COFINS	(264,4)	(253,1)	*-4,3%*	(976,0)	(1.093,9)	*12,1%*
Energy Development Account - CDE	(280,0)	(451,5)	*61%*	(1.133,2)	(1.533,1)	*35,3%*
Research & Development - R&D (0,5% of NOI)	(9,0)	(7,6)	*-15,6%*	(32,5)	(35,3)	*8,6%*
Energy Efficiency Program - EEP (0,5% of NOI)	(9,0)	(7,6)	*-15,6%*	(32,5)	(35,3)	*8,6%*
Aneel Regulatory Inspection Free	(1,7)	(1,7)	*5,0%*	(6,6)	(6,8)	*3,1%*
Other	(124,5)	49,1	*139,4%*	(280,4)	(8,7)	*-96,9%*

The deductions represent 39% of ROB and its variation normally follows the ROB variation. Below we highlight in detail the factors that contributed to the reduction:

i. 13.1% increase (11.7% in the year) in *ICMS* in the quarter, reaching R$ 568.9 million (R$ 2,124.2 million in the year). This tax accompanies Revenue with Electricity Supply, which increased by 10.3% (considering transfers from the Captive Market to the Free Market); and 11.5% increase in 2018;

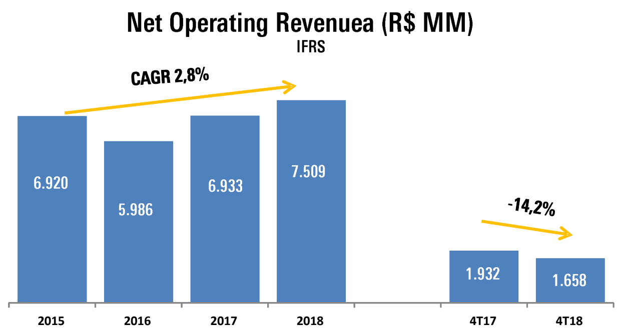
ii. Increase in the Energy Development Account (CDE), which totaled R$451.5 million in the quarter (61.2% higher than in 4Q17) and R $ 1,533.1 million in the year (35.3% above 12M17). These variations reflect the variations in quotas of *CDE Uso*, *CDE Energia* and *Conta ACR*, established by ANEEL. According to Order No. 2,368/2018, *CDE Uso*'s quotas for 2018 had a significant readjustment to R$919.2 million, while Approval Order No.2,204/2017 defined the quotas of *CDE Uso* for 2017 in the amount of R$559.1 million.

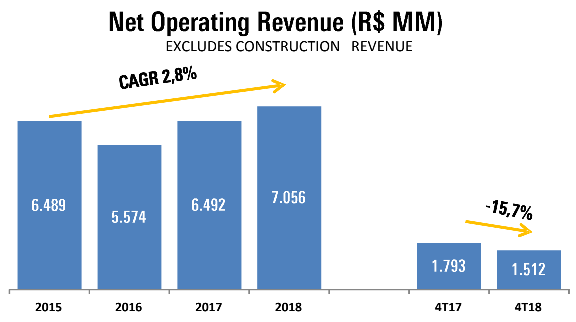
iii. The item Other Charges expressed R$49.1 million in the quarter and a negative number of R$8.7 million in the year, due to the revenues related to the unbilled supply related to the application of the Tariff Flags entered as a counterentry to the item revenue with energy supply - Tariff Flag. This item had a significant reduction in comparison to 2017, since the 4Q17 had a R$124.5 million (R$ 280.4 million in 12M17) due to the red flag in October, November and December;

iv. A reduction of 4.3% in the PIS/COFINS item, registering R$253.1 million, however, increased by 12.1% to R$1,093.9 million. These taxes follow the ROB development, and, together with ICMS, represent 66.5% of the Deductions.

Net Operating Revenue

Celesc Distribuição's Revenue has an average annual growth of 2.8% (Construction Revenue included) in the last four years, both considering and not considering Construction Revenue, as shown in the chart below:





Operating Costs and Expenses

Celesc Distribuição S.A. | Operating Costs and Expenses

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
OPERATING COSTS AND EXPENSES	**(1.923,7)**	**(1.626,5)**	***-15,4%***	**(6.693,4)**	**(7.187,2)**	***7,4%***
Electric Energy Costs - Non-Manageable	**(1.381,7)**	**(1.161,8)**	***-15,9%***	**(5.032,6)**	**(5.640,6)**	***12,1%***
Electric Energy Purchased for Resale	(1.143,5)	(917,8)	*-19,7%*	(4.318,5)	(4.568,1)	*5,8%*
Electric grid usage charge	(224,9)	(204,5)	*-9,1%*	(590,6)	(914,4)	*54,8%*
PROINFA	(36,7)	(39,5)	*7,7%*	(146,8)	(158,1)	*7,7%*
PMSO - Manageable Expenses	**(391,4)**	**(324,0)**	***-17,2%***	**(967,8)**	**(887,3)**	***-8,3%***
Personnel	(268,8)	(234,4)	*-12,8%*	(739,7)	(666,9)	*-9,8%*
Material	(4,3)	(4,9)	*14,0%*	(16,0)	(15,1)	*-5,5%*
Third-Party Services	(51,5)	(57,6)	*11,8%*	(179,7)	(202,7)	*12,8%*
Othes Expenses	(66,8)	(27,1)	*-59,4%*	(32,4)	(2,6)	*-92,0%*
Provision (Net)	**39,0**	**57,1**	***46,2%***	**(51,6)**	**1,4**	***102,8%***
Depreciation / Amortization	**(50,7)**	**(52,4)**	***3,5%***	**(200,3)**	**(207,3)**	***3,5%***
Construction Costs	**(138,9)**	**(145,4)**	***4,7%***	**(441,0)**	**(453,4)**	***2,8%***

* "Net Provisions" item is excluded from total PMSO since 4Q14, for a comparability betw een ANEEL Regulatory PMSO and the PMSO efectively performed by Celesc Distribution.

Excluding the construction cost (which has no effect on net income), the reduction was 17% (-R$303.7 million), totaling R$1,481.1 million in the quarter. The reduction was due both to the non-manageable expenses (energy cost), which decreased by 15.9% (R$219.9 million) and the Management Expenses (PMSO), which reduced 17.2% (R$67.4 million).

The PMSO had a reduction of 17.2%(-R$67.5 million) in the quarter and 8.3% (-R$80.5 million) in the year, with the following main effects: 12.8% reduction in the quarter (-R$ 34.5 million) and 9.8% (-R$72.8 million) in Personnel expenses; increase in Material expenses in the quarter (+R$0.6 million) and reduction in the year (-R$0.9 million); Increase of 11.8% in the quarter (+R$6.1 million) and 12.8% in the year (+R$23 million) with Third Party Services, and finally, in the Other Expenses item, there was a 59.4% reduction in the quarter (-R$ 39.7 million) and 92% in the year (-R$29.8 million).

In 2018, total Operating Costs and Expenses, without effect of construction cost, totaled R$6,733.8 million, an increase of 7.7% (+R$481.4 million) in relation to 2017, thus increasing the non-manageable costs (Energy) by 12.1% (+R$608.1 million) in the period.

On the other hand, Operating Expenses (PMSO) decreased 8.3% (R$80.5 million), mainly due to the reduction of personnel expenses (-R$72.8 million).

Cost with Electricity - Non-Manageable

The following reasons explains the 15.5% reduction in non-manageable costs (Portion A), totaling R$1,161.8 million in the quarter (R$ 5,640.6 million in the year):

i. 24.9% reduction in the thermal energy tariff (representing 28.2% of the MIX), with a 2.4% reduction in energy hired;
ii. 19.7% reduction in the quarter with Electric Energy Purchased for Resale (+R$225.6 million), totaling R$917.8 million (R$4,568.1 million in the year), which accompany tariff readjustments/revisions;
iii. Increase of 7.7% (+R$2.8 million), totaling R$39.5 million in expenses with PROINFA (Law 10,438/2002).

The table below shows the cost per modality and the respective share in the Company's energy purchase tariff mix:

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

Average Rate of energy Purchased by Type (R$/MWh)	4Q17	4Q18	Chg. Of Price %	Share in % 3Q17 Mix	Share in % 3Q18 Mix	Average Rate of Tariff Adjustment* (R$/MWh)
AUCTION - CCEAR / Hydro	193,4	200,6	3,7%	31,5%	33,7%	196,5
AUCTION - CCEAR / Thermal	270,2	203,0	-24,9%	29,6%	28,2%	289,5
ITAIPU	197,5	238,6	20,8%	21,5%	20,3%	242,2
BILATERAL AGREEMENTS	275,4	295,0	7,1%	0,1%	0,1%	350,3
OTHER	68,1	97,3	42,9%	17,4%	17,7%	102,6
Total - (R$/MWh)	**195,5**	**190,8**	**-2,4%**		**1,00**	

On the other hand, in 2018, Celesc Distribuição was impacted by the high costs of hydrological risk and the significant increase of thermal outputs, with expenses in the Hydrological Effect of Itaipu - EC-IT, Hydrologic Effect of Physical Guarantee - ECCGF and Availability Hiring Effect - ECD. There are also differences in LDP prices in submarkets that lead to financial surpluses. It should be noted that all these amounts are offset by the financial asset - CVA and its variations do not impact the Company's results.

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

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 part of the Company's tariff readjustment base.

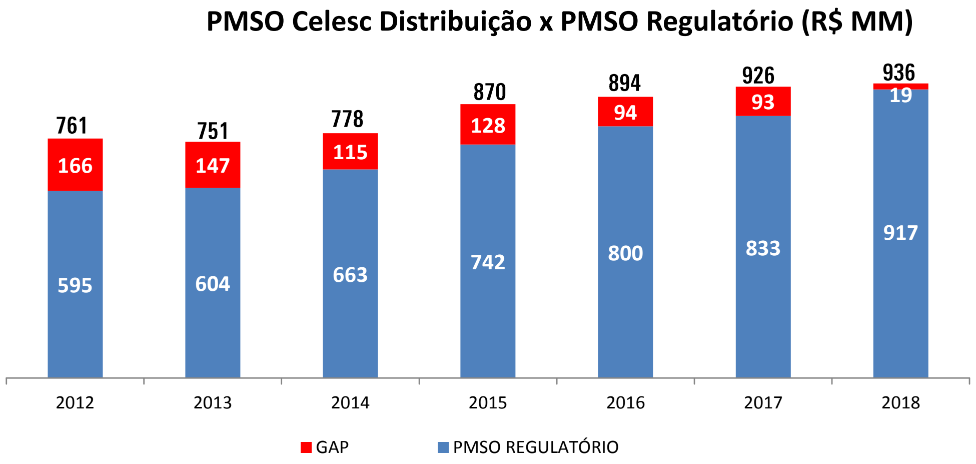
Celesc Distribuição S.A. | Accumulated Regulatory Assets and Liabilities

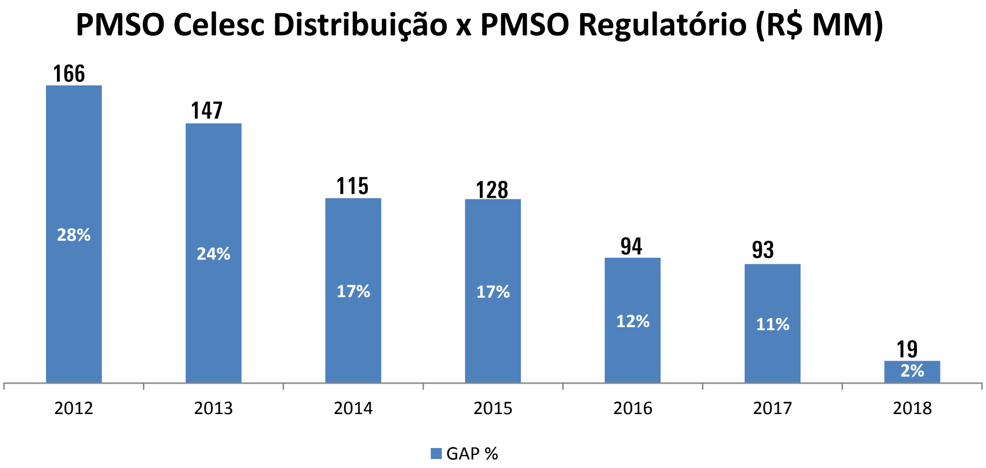
R$ Million	in 09/30/2016	in 12/31/2016	in 03/31/2017	in 06/30/2017	in 09/30/2017	in 12/31/2017	in 03/31/2018	in 06/30/2018	in 09/30/2018	in 12/31/2018
Regulatory Assets	154,2	267,9	129,9	268,1	578,9	680,4	646,8	902,4	1.300,8	906,7
Regulatory Liabilities	(705,9)	(674,5)	(769,0)	(566,3)	(638,2)	(706,7)	(686,2)	(664,1)	(804,7)	(653,4)
Net Balance	**(551,7)**	**(406,6)**	**(639,1)**	**(298,2)**	**(59,3)**	**(26,3)**	**(39,4)**	**238,3**	**496,1**	**253,3**

Regulatory assets totaled R$906.7 million, where R$876.1 million refers to the constitution of Active CVA (R$751.5 million to the purchase of energy, R$78 million to the Basic and Energy Network transportation, R$41,3 million related to CDE and R$5.3 million related to Proinfa), and R$ 30.6 million to Other Sectorial Financial Assets. Regulatory liabilities totaled R$ 653.4 million, where R$ 434 million refers to CVA Liabilities (R$345.8 million referring to system costs and R$ 88.2 million to CDE) and R$219.4 million to Other Sectoral Financial Liabilities (R$68.1 million related to overhiring of energy, R$12.5 million corresponding to the Neutrality of Parcel A, R$99.4 million of tariff rebate and R$39.4 million related to Other Liabilities).

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

The PMSO Celesc Distribution[7]x Regulatory PMSO estimated by the Company are presented below. In 2018, we closed the year with R$19 million above than the regulatory one (excluding R$ 68.7 million in PDI expenses and R$ 27.1 million in post-employment benefits). The 2018 GAP reduction in relation to 2017 was mainly due to a reduction in Personnel expenses in R$17.1 million (excluding the PDI effects and post-employment benefits) and the increase of 10.1% in the Regulatory PMSO (R$917 million in 2018 vs. R$833 million in 2017).





Personnel

A rubrica *Personnel and Administrators* é composta pelas despesas incorridas com remuneração dos empregados (incluindo encargos) e com as contribuições regulares aos planos de pensão administrados pela Fundação CELOS (rubrica *Private Social Security*).

Celesc Distribuição S.A. | Total Personnel Expenses

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Personnel Total	**(268,8)**	**(234,4)**	***-12,8%***	**(739,7)**	**(666,9)**	***-9,8%***
Personnel and Management	(250,7)	(226,7)	*-9,6%*	(666,7)	(639,8)	*-4,0%*
Personnel and Management	(240,3)	*(216,9)*	*-9,7%*	*(635,9)*	*(608,9)*	*-4,2%*
Pension Plan	(10,5)	*(9,8)*	*-6,4%*	*(30,8)*	*(30,9)*	*0,4%*
Actuarial Expense	(18,1)	(7,7)	*-57,5%*	(73,0)	(27,1)	*-62,9%*

[7]PMSO expenses excluding PDI expenses and post-employment benefits.

The decrease in total personnel expenses of 12.8% in the quarter and 9.8% in the year was affected by the reduction in actuarial expenses (-R$10.4 million in 4Q18 and -R$ 45.9 million in 12M18), and by reduction of 9.6% (-R$24.0 million) in the quarter and 4% (-R$ 26.9 million) in the Personnel and Administrators category. The decrease in this item is mainly due to: (i) a 1.8% increase in the quarter (0.3% in the year) in fixed funds, with a fixed salary (+5.3% in the quarter and +2, 3% in the year), due to the effects of the annual readjustment foreseen in the Collective Labor Agreement (ACT) and the application of the PCS, annual (-7.4% in the quarter and -4.4% in the year) productivity (-15% in the quarter and -11% in the year), position bonus (+ 6.6% in the quarter and + 4.0% in the year); 406/5000 (ii) reduction of 2.1% in the quarter and 2.4% in the year in charges (labor charges and FGTS); (iii) contraction of 5.7% in the quarter (4.7% in the year) in the additional; (iv) an increase of 4.2% in the quarter, but with a reduction of 2.9% in the year: variable overtime 50% (-8.2% in the quarter and -12.1% in the year), 100% overtime (+ 19.3% in the quarter and + 5.2% in the year) and oversight (+ 2.9% in the quarter and 0.5% in the year).
It should be noted that R$62.3 million were recognized in the quarter, totaling R$68.6 million in the year, related to PDI 2018, according to the Notice to the Market Incentivized Resignation Plan - PDI 2018.

Private Social Security and Actuarial Expenditure
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 Expenditure recognized in the Statement of Income complies with the definition in the Annual Actuarial Assessment of Post-Employment Benefits performed by independent actuaries. The Actuarial Expenditure recognized in the Statement of Income follows the definition in the Annual Actuarial Assessment of Post-Employment Benefits performed by independent actuarial consultants. The estimated amount to be recognized in the year as actuarial expense in the result considers both the amount to be recorded in personnel expenses (actuarial expense) and the amount recorded as financial expense (mathematical reserve update[8]). In 2018, R$71.5 million were recognized, with R$ 27 million in personnel expenses (actuarial expense) and R $ 44.5 million in financial expenses (update of the mathematical reserve).

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

R$ Million	Amount actually recognized in 2015	Amount actually recognized in 2016	Amount actually recognized in 2017	Estimated value to be recognized in 2018	Estimated value to be recognized in 2019
Transitional Plan	42,6	47,0	32,2	25,2	30,9
Mixed Plan	35,5	40,0	34,8	4,8	62,4
Plan annuity	0,1	1,1	1,0	0,9	0,1
DVP 2012	12,9	9,9	3,6	-	-
Healthcare Plan	11,6	33,1	38,9	36,0	62,0
Other benefits	3,1	4,1	4,6	4,6	4,7
Total	**105,7**	**135,2**	**115,1**	**71,5**	**160,1**

The following table sets forth the actuarial liability balance on December 31, 2018 in comparison to 2017, showing an increase in the estimated obligations of Celesc Distribuição, as a result of the increase in the Healthcare Insurance. This increase is due to the greater use of the healthcare insurance by the beneficiaries and the increase in plan costs by 12% between 2017 and 2018.

Celesc Distribuição S.A. | Actuarial Liabilities

R$ Million	in December 31, 2017	in december 31, 2018	Chg. %
Pension Plan	**1.179,8**	**1.024,3**	**-13,2%**
Mixed Plan + Transitional Plan	1.179,8	1.024,3	
Other benefits post-employment	**698,1**	**980,6**	**40,5%**
Healthcare Plan	652,2	926,8	
Other benefits	45,8	53,8	
Total	**1.877,9**	**2.004,8**	**6,8%**
Short Term	139,2	162,6	
Long Term	1738,7	1842,2	

[8] Explanatory Note 28a.

Materials

The item "Materials" totaled R$4.9 million in the quarter of 2018 (R$ 15.1 million in the year), an increase of 14% compared to the quarter of 2017 (reduction of 12.7% in the year), where the following can be highlighted i) The reduction of 1.7% in the quarter (22.7% a year) in material for maintenance and conservation of the operational administrative units; (ii) Increase of 65% in the quarter (reduction of 11% in the year) in teleprocessing material (fiber optics, networks, cables etc.); (iii) Expansion of 54.5% in the quarter and 27.12% in the year in material with occupational health and safety.

Third Party Services

Third Party Services expenses totaled R$ 57.6 million in the fourth quarter of 2018 (R$ 202.7 million in the year), an increase of 11.8% (12.8% in the year) compared to 4Q17 (12M17). The increase was due, among other factors, to (i) a quarterly increase of 7.8% (10.8% in the year) in services with pruning and mowing; (ii) an increase of 47.7% (22.7% in the year) with Line Maintenance and Distribution Networks services; (iii) Increase of 3.3% in the quarter (3.5% year) in services with meter reading; (iv) Increase of 11.5% in the quarter (6.2% year) in call center services.

Other Operating Expenses

Celesc Distribuição S.A. | Other Operating Expenses

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Other Expenses - Total	**(66,8)**	**(27,1)**	***-59%***	**(32,4)**	**(2,6)**	***-92,0%***
Leasing and Rentals	(4,6)	(4,6)	*0,6%*	(21,9)	(18,7)	*-14,4%*
Insurance	(0,0)	(0,0)	*-25,0%*	(1,6)	(1,3)	*-15,5%*
Taxes	(1,0)	(0,8)	*-24,4%*	(4,9)	(6,2)	*26,6%*
Losses (Net)	(37,9)	(11,1)	*-70,6%*	(50,4)	(34,1)	*-32,3%*
Other	(23,3)	(10,6)	*-54,5%*	46,3	57,7	*24,6%*

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

The item Other Operating Expenses had R$ 27.1 million in the quarter (R$ 2.6 million in the year), a reduction of 59.4% in the quarter compared to the same period of the previous year, when expenses were R$ 66.8 million. The following factors that contributed to the variation in the quarter were: (i) Rents remained stable in the quarter (14.4% decrease in the year); (ii) Taxes decreased by 24.4% in the quarter (an increase of 26.6% in the year); (iii) Net Losses on Loans decreased by 70.6% in the quarter (32.3% in the year), highlighting that most of these credits were recorded as losses in previous quarters; (iv) Own Consumption registered a reversal of R$2.0 million in the quarter (R$6.5 million in the year); (v) Arrangement Tax Rate recorded revenue of R$ 8.3 million in the quarter (R$32.1 million in the year); (vi) Losses on Deactivation of Assets recorded R$5.1 million in the quarter (R$ 19.3 million in the year); (vii) Gains from Disposal of Assets totaled R$ 2.8 million in the year.

Provisions and Provision Reversals

Celesc Distribuição S.A. | Provisions

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Provisions, net - Total	**39,0**	**57,1**	***46,2%***	**(51,6)**	**1,4**	***102,8%***
Allowance for doubtfull Accounts, net	**2,4**	**(4,9)**	***307,5%***	**(48,0)**	**(32,8)**	***-31,7%***
Provision for Doubtfull Accounts	*(36,1)*	*(6,7)*	*-81,3%*	*(91,3)*	*(38,3)*	*-58,1%*
Reversal of Provision for Doubtfull Accounts	*38,5*	*1,8*	*-95,3%*	*43,3*	*5,5*	*-87,3%*
Other Provisions, net	**36,7**	**62,0**	***69,2%***	**(3,7)**	**34,2**	***-1037,2%***
Other Provisions	*(21,3)*	*(17,9)*	*-16,0%*	*(94,1)*	*(72,7)*	*-22,7%*
Reversal of Other Provisions	*57,9*	*79,9*	*37,9%*	*90,4*	*106,9*	*18,3%*

<u>Main changes in the Provisions for Estimated Losses on Doubtful Settlement Credits - PECLD</u>

(i) PECLD Provisions totaled R$6.7 million in 4Q18 (R$38.3 million in the year), reflecting higher Company revenues as a result of the adjustment in electricity supply tariffs in August 2018;

(ii) Reversal of Provision of R$1.8 million in the quarter (R$ 5.5 million in the year).

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

(i) Net Provisions and Legal and Regulatory Reversals totaled R$62.0 million in the quarter and R$ 34.2 million in the year, mainly as a result of the increase in reversals, as detailed below;

(ii) With a balance of R$17.9 million in the quarter (R$ 72.7 million in the year), 16.0% lower (-22.7% in the year) than in 4Q17 (12M17), when R$21.3 million (R$94.1 million in the year) were totaled, the provisions are separated into: (i) Labor ones in the amount of R$5.9 million in the quarter and R$19 million in the year (in comparison to R$9.2 million in 4Q17 and R$31,9 million in 12M17); Civil ones in the amount of R$11.8 million in the quarter and R$52.7 million in the year (against R$11.1 million in 4Q17 and R$ 61.2 million in 12M17); and Other Provisions at R$ 0.1 million in the quarter and R$ 1 million in the year (in comparison to R$ 1 million in both 4Q17 and 12M17);

(iii) Legal and Regulatory Reversals totaled R$79,9 million in the quarter (R$106.9 milhões in the year) and are separated into: (i) Labor ones in the amount of R$6.2 million in the quarter and R$17.2 million in the year (in comparison to R$8.9 million in 4Q17 and R$14,3 million in 12M17); (ii) Civil ones in the amount of R$35.5 million in the quarter and R$50.6 million in the year (against R$36.2 million in 4Q17 and R$ 41.6 million in 12M17); Tax totaling R$38.4 million (against R412.9 million both 4Q17 and 12M17); and Other Provisions at R$ 0.9 million in the year (in comparison to R$21,6 million in 12M17);

It should be noted that in 4Q18, there was a reversal of Tax Provision in the amount of R$38.2 million and financial expense in the amount of R $ 21.1 million as a result of monetary restatement.

EBITDA and Adjusted EBITDA (non-audited)

The following table sets forth 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	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Profit / Loss Net	**(10,3)**	**(27,0)**	***163%***	**33,3**	**121,5**	***264%***
(+) Income Tax and Social Contribution	17,7	(5,9)	*-133,6%*	63,4	96,4	*52,1%*
(+) Financial Result	1,2	64,1	*5129,9%*	143,3	103,9	*-27,5%*
(+) Depreciation and Amortization	50,7	52,4	*3,5%*	200,3	207,3	*3,5%*
EBITDA	**59,3**	**83,5**	**40,8%**	**440,3**	**529,2**	**20,2%**
(+) Effects on Regulatory Assets and Liabilities	0,0	0,0		0,0	0,0	
(=) Adjusted EBITDA by Regulatory Assets and Liabilities	**59,3**	**83,5**	**41%**	**440,3**	**529,2**	**20,2%**
(-) Non-Recurring Effects	**(47,0)**	**(24,2)**		**(25,5)**	**(30,5)**	
Eletrosul	25,8			25,8	0,0	
ncentived Dismissal Program - PDI 2017	(72,8)			(72,8)		
ncentived Dismissal Program - PDI 2018		(62,4)			(68,7)	
Low Civil Provision				21,5		
Reversal of Tax Provision					38,2	
(=) EBITDA Adjusted by Non recurring Effects	**106,3**	**107,7**	**1,4%**	**465,8**	**559,7**	**20,2%**
EBITDA Margin without Adjustments (IFRS)	*3,3%*	*5,5%*		*6,8%*	*7,5%*	
Adjusted EBITDA margin, without Construction Revenue (%)	*5,9%*	*7,1%*		*7,2%*	*7,9%*	

The Company closed 2018 with a EBITDA IFRS balance at R$529.2 million (R$83.5 million quarterly), 20.2% (+ R$88.8 million) higher than in 2017. Adjusted EBITDA for the year totaled R$559.7 million, up 20.2% (+R$ 93.9 million) and Adjusted EBITDA Margin of 7.9% (7.5% IFRS Margin). As shown in the table above, the adjustments applied in 12M18 totaled R$ 30.5 million, as detailed below:

i. R$68.7 million (positive effect on adjusted EBITDA) related to the provision for PDIs - <u>Incentivized Resignation Plan</u> 2018 (R$ 62.4 million in 4Q18);

ii. R$38.2 million (negative effect on adjusted EBITDA) related to the reversal of the tax provision.

It should be noted that in 4Q18, there was a reversal of Tax Provision totaling R$38.2 million. This provision was monetarily restated, generating financial expense in the amount of R$ 21.1 million, reversed in 4Q18. Due to the non-recurring effect, the reversal of the provision was adjusted in EBITDA and Profit, while the Financial Expense was adjusted only in Profit.

Regulatory EBITDA (Amount of Portion B minus the Regulatory Operating Cost – PMSO) of Celesc Distribuição, estimated by the Company, amounted to R$ 648.3 million in 12M18. The negative difference of R$118.6 million between Adjusted and Regulatory EBITDA can be explained by Losses above Regulatory, Market and PMSO items above the regulatory.

Financial Result

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Financial Income	**62,5**	**61,6**	***-2%***	**288,0**	**240,4**	***-16,5%***
Interest Income	8,8	3,4	*-61,2%*	77,3	12,6	*-83,8%*
Monetary Variation	12,2	11,5	*-6%*	25,8	28,5	*10%*
Financial Incentive - Social Fund	0,0	0,0		1,2	0,0	*-100,0%*
Interest and Arrears on Invoices	26,3	25,0	*-4,8%*	109,7	93,2	*-15,0%*
Currency Devaluation on Energy Sold	8,2	8,9	*9%*	50,8	96,1	*89,1%*
Financial revenue - VNR	0,0	0,0		0,0	0,0	
Exchange rate energy purchased	0,5	14,7	*3150,6%*	12,7	16,5	*30,7%*
Other Financial Revenues	9,6	0,9	*-91,1%*	24,5	5,1	*-79,2%*
Financial Expenses	**(63,8)**	**(125,6)**	***97,1%***	**(431,3)**	**(344,4)**	***-20,1%***
Debt Charges	(14,9)	(31,1)	*109%*	(71,6)	(95,5)	*33%*
Monetary Variation	(0,2)	(16,9)	*7017,6%*	(0,7)	(17,7)	*2578,8%*
Adjustment of R&D and Energy Efficiency	(4,3)	(4,5)	*4,7%*	(22,9)	(16,3)	*-28,7%*
Exchange rate energy purchased	(3,1)	(2,6)	*-16,7%*	(9,7)	(31,6)	*225,0%*
Interest on Debêntures	(7,0)	(6,8)	*-3,0%*	(26,9)	(18,4)	*-31,8%*
Regulatory Liability / Regulatory Fees	(29,4)	(74,8)	*154,5%*	(275,1)	(161,1)	*-41,4%*
Other Expenses	(4,9)	11,0	*327,0%*	(24,4)	(3,7)	*-84,9%*
Net Financial Result	**(1,2)**	**(64,1)**	***5130%***	**(143,3)**	**(103,9)**	***27%***

Financial Revenues totaled R$61.6 million in the quarter (R$240.4 million in the year), a decrease of 1.5% in the quarter (decrease of 16.5% in the year) in comparison to 4Q17 (12M17), highlighting:

(i) a decrease of 61.2% in the quarter (83.8% in the year) from Incomes of Financial Applications, totaling R$3.4 million in the quarter (R$12.6 million in the year);

(ii) reduction of 4.8% in the 4T18 (-15% a year) of Interests and Additions on Billing Invoices due to the reduction in revenues and short-term defaults totaling R$25 million (R$ 93.2 million in the year), including both default additions on billing invoice (R$ 14.1 million in the quarter and R$ 56.7 million in the year) and other charges (R$ 11 million in the quarter and R $ 36.5 million in the year) on the billing invoice (default fines and interests);

(iii) increase of 96.1% in the year (9.1% in the quarter) of Regulatory Assets and Regulatory Fees, totaling R$8.0 million quarterly (R$96.1 million in the year), with changes in this item arising from SELIC application on the sectoral financial assets (regulatory asset), highlighting the amount of R$26 million recorded in July related to adjustments in the Tariff Adjustment Regulatory Asset.

Financial Expenses were R$125.6 million in the quarter (R$ 344.4 million in the year), an increase of 97.1% (+ R$ 61.9 million) in the quarter and a reduction of 20.1% (-R$ 86, 9 million) in the year in comparison to the periods of 4Q17 and 12M17, respectively. The main factors of influence are described below:

(i) Debt charges totaled R$31.1 million in the quarter (R$95.5 million in the year), as a result of: 1) Interest paid on the debt stock and its main index (CDI rate), totaling R$17.7 million (R$41.7 million in the year) and 2) Mathematical reserve, impacting R$ 10.2 million in the quarter (R$44.5 million in the year), but reducing operating expenses;

(ii) Regulatory Liabilities and Regulatory Tariffs (SELIC), totaling R$74.8 million in the quarter (R$ 161.1 million in the year), highlighting the following: 1) R$66.2 million in the quarter (R$ 114.8 million in the year) are related to monetary restatement of regulatory liabilities; 2) R$8.6 million in the quarter (R $ 46.3 million in the year) are related to the sectoral charges of CDE, with an accrual of R$61 million related to the monetary restatement of the 2014 Contractual Exposure;[9]

(iii) The item *Other Expenses* totaled a positive R$11.0 million in the quarter (R$3.7 million negative in the year), especially the Financial Expenditure BID totaling R$3.6 million, IOF expenses in the amount of R$ 1.4 million in the quarter (R$5.1 million in the year) and a R$21.1 million decrease in monetary restatement due to tax provision.

[9] See Notice to the Market on July 25, 2017 – Debt Settlement Agreement with the Energy Development Account Fund – CDE.

Net Profit and Net Adjusted Profit

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

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	12M17	12M18	Δ
Net Income / Loss - IFRS Reported	**(10,3)**	**(27,0)**	***162,7%***	**33,3**	**121,5**	***264%***
(+) Effects on Regulatory Assets and Liabilities	**0,0**			**0,0**		
(=) Net Income / Loss Adjusted by Regulatory Assets and Li	**(10,3)**	**(27,0)**	**162,7%**	**33,3**	**121,5**	**264,4%**
(-) Efeitos Não-Recorrentes	**(17,2)**	**(55,9)**		**(112,4)**	**(60,1)**	
CDE Financial Update				(109,4)		
Low Civil Provision		21,1				
Reversal of Tax Provision		25,2				
Dismissal Voluntary Plan 2017	(48,0)					
Dismissal Voluntary Plan 2018		(41,2)				
Reversion of Labor Provision "Third Party"					14,2	
Civil Provision					0,0	
Eletrosul	30,8			30,8		
Contractual exposure 2014		(61,0)				
(=) Net Income Adjusted by Non-Recurring Effects	**6,9**	**28,9**	**316,2%**	**145,8**	**181,6**	**24,6%**
EBITDA Margin without Adjustments (IFRS)	*-0,6%*	*-1,8%*		*0,5%*	*1,7%*	
Adjusted EBITDA margin, without Construction Revenue (%)	*0,4%*	*1,9%*		*2,2%*	*2,6%*	

Similarly to the adjusted EBITDA analysis, the same adjustments of non-recurring factors to the total amount of R$60.1 million were applied to Net Income, resulting in an Adjusted Net Income of R$ 181.6 million in the year and an Adjusted Net Margin of 2.6%, as detailed below:

i. R$45.3 million related to the provision for PDIs - Incentivized Resignation Plan 2018 (R$ 41.2 million in 4T18);
ii. R$25.2 million referring to the reversal of the Tax Provision, free from tax effects, and R$ 21.1 million from the write-off of this provision;
iii. R$ 61 million related to the monetary restatement of the 2014 contract exposure.

In the fourth quarter of 2018, R$ 61 million were reserved for the monetary restatement of the 2014 contract exposure. This amount was recorded in the financial expense account in the Regulatory Liabilities item and adjusted to the profit due to the non-recurring effect.

It should be noted that in 4Q18, there was a reversal of Tax Provision totaling R$38.2 million. This provision was monetarily restated, generating financial expense in the amount of R$ 21.1 million, reversed in 4Q18. Due to the non-recurring effect, the reversal of the provision was adjusted in EBITDA and Profit, while the Financial Expense was adjusted only in Profit.

The increase in the IFRS EBITDA and in the Adjusted in the year was mainly due to: (i) Tariff Adjustment of 7.85% applied in August 2017, reflecting the revenues in 2018; (ii) Growth of 2.8% in Billed Consumption; (iii) 17.2% reduction in Manageable Expenses (PMSO); (iv) Tariff Adjustment of 13.86% applied in August 2018, although, still, with a reduced impact on billing.

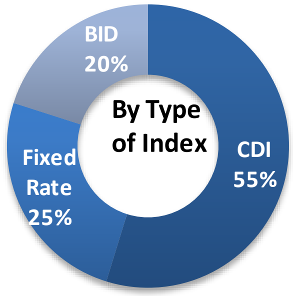
Indebtedness

The average cost of Celesc's total financial debt is 7.04% (year), being the average cost of debt linked to CDI 8.36% p.a. and the pre-fixed debt 7.04% p.a. and 3.42% to Libor debt (Banco Interamericano de Desenvolvimento – BID), in line with the rates charged in the market. The average term of the total financial debt is 6.9 years, corresponding to 1.09 years of debt indexed to CDI, 0.7 years to pre-fixed debt and 5.03 years of Libor debt (BID), evidencing the shortening of the terms. The Company has been structuring the possible extension of the average term of the financial debt, with new medium/long-term funding, and its proposal has been unanimously approved at an Administration Council Meeting held on May 10, 2018. Details of the structuring will be disclosed to the market as soon as they are finished/settled.

Due to the difficulties faced by the Electric Power Sector, the Company, as many other ones, has been resorting to the Financial Market via funding to meet the need for working capital arising from electricity purchase costs. As a result, Celesc Distribuição's gross financial debt increased by 261.3% (+R$986.3 million) in relation to the closing of 2017, with a balance of R$1,363.8 million on December 31, 2018. In addition, Celesc Distribuição ended up 2018 with a debt of R$273.5 million with BID to cover infrastructure investments.

Celesc Distribuição S.A. | Debts and Loans

R$ Million	Annual Interest Rate	in December 31, 2017	in December 31, 2018	Δ
National Currency				
Bank Loans	110% a 121,5% CDI	64,3	0,0	0,0%
Bank Loans	7,40% a 7,67% a.a.	0,0	301,1	0,0%
Bank Loans	1,25% a 1,30% a.a + CDI	0,0	301,7	
Eletrobrás	5,00%	30,6	14,9	-51,3%
Debentures	CDI + 1,30%	201,5	100,8	-50,0%
Debentures	CDI +1,90%	0,0	251,7	
Finame	2,50% a 8,70%	35,6	27,7	-22,2%
Mutual Celesc D/G	125% do CDI	45,5	92,4	
Foreign Currency				
BID	3,42% a.a.	0,0	273,5	
Total		**377,5**	**1.363,8**	**261,3%**
Short Term - Current		*235,2*	*517,9*	
Long Term - 1 to 5 Five Years		*140,8*	*586,3*	
Long Term - Over 5 Five Years		*1,5*	*259,6*	



Bank loans

In March 2014, the amount of R$300.0 million was raised from Caixa Econômica Federal at a rate of 121.5% of CDI. The Company repaid the debt in June 2018.

Celesc Distribuição 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 take place in the last month of validity (bullet). The interest rate is fixed at 7.40% p.a., with monthly payments. The fee was 0.40% and the transaction is guaranteed with receivables from the Company, in a 1:1 ratio of the outstanding balance.

In November 2018, the Company contracted with Banco Safra the amount of R$200.0 million, a working capital (CCB) through an Agroindustrial Credit Line, with a maturity date of 36 months, with a grace period of 18 months. After the grace period, amortization payments will be paid monthly. Interest payments are monthly, without grace period. The interest rate is post-fixed and pegged to the CDI (CDI + 1.30% p.a.).

In November 2018, the Company contracted the amount of R$100.0 million with Banco Safra, a working capital through an Banking Credit Line (CCB), with a maturity date of 24 months, with a grace period of 12 months. After the grace period, amortization payments will be paid quarterly. Interest payments are quarterly, without grace period. The interest rate is post-fixed and pegged to the CDI (CDI + 1.25% p.a.).

It should be noted that the aforementioned operations, in October and November 2018, are part of the same fundraising process, complementing the total amount requested at the time, totaling R$300.0 million.

Eletrobrás

The loans and financing contracted are for the rural electrification programs and others, and the resources come from the Global Reversion Reserve (RGR) and from the Eletrobrás Finance Fund. In general, these contracts have a grace period of 24 months, amortization in 60 months, some of which are over 96 months, with an interest rate of 5% p.a. and a management fee 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 unsecure debentures, with a fiduciary guarantee exercised by Centrais Elétricas de Santa Catarina S.A. – Celesc, 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 steadfast warranty regime, and are entitled to the payment of interest rate corresponding to 100% of the cumulative variation of the average daily rates of Interbank Deposits (DI or ID), plus a spread of 1.30% per annum, due within 72 months from the issuance date (May 2019). The Payment is made in semiannual and consecutive installments, without grace period, as of the Issue Date (May 15, 2013). The amortization is carried out in 3 equal, annual and consecutive installments, the first installment payable as of the 48th month counted from the issue date. The Debentures have a covenant to present a Net Debt/EBITDA ratio of less than 2 and a maximum dividend distribution limit of 30%. The outstanding balance on December 30, 2018 is R$100.9 million.

Debentures – 3rd Celesc Distribuição Issue

Celesc Distribuição, as per Notice to the Market - 3rd Issue of Simple Debentures by Celesc Distribuição S.A., , issued on July 13, 2018, the 3rd issue of simple debentures not convertible into shares, issued by the Company, together with Banco Santander (Brasil) S.A., as the leading intermediary institution and of Banco BOCOM BBM S.A. The purpose of the said issue the public distribution with restricted placement efforts under the steadfast warranty regime. With a total issue amount of R$250 million, in a single series; issued two hundred and fifty thousand (250,000) debentures, at the par unit value of R$1,000, and the par unit value of the debentures will not be monetarily restated.

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

The Debentures have a term of 5 years, as of the issue date, with maturity on July 13, 2023. The compensation of interest rate corresponds to 100% of the cumulative variation of the average daily rates of ID-Interbank Deposits of one day, plus a surcharge (spread) of 1.9% p.a., calculated exponentially and cumulatively *pro rata temporis* for business days elapsed since the date of subscription and payment of Debentures or the date of payment of Remuneration Interest immediately preceding, as the case may be, until the effective date of payment. The amortization will be as of the 18th month, counted from the issuance date, in quarterly and consecutive installments, always on the 13th of January, April, July and October, with the first payment due on January 13, 2020 and the last on the due date, on July 13, 2023, except for the hypotheses of optional early redemption, early redemption as a result of the unavailability of the DI Rate, or early due date, in view of the occurrence of one of the default events set forth in the Deed of Issuance.

As of December 31, 2018, the Company has a contractual commitment (covenant) related to the issuance of the Debentures not to present a Net Debt/EBITDA ratio of more than 2.5. Failure to comply with this financial indicator may entail the early due date of the total debt. The proceeds from this funding came into Celesc Distribuição's cash on August 10, 2018 and will be used to strengthen cash for common management of its business. The outstanding balance on December 31, 2018 is R$254.2 million.

Banco Interamericano de Desenvolvimento – BID

On October 31, 2018, Celesc Distribuição signed a loan agreement (Nr. 4404/OC-BR (BR-L 1491)) with Banco Interamericano de Desenvolvimento – BID for the external credit operation to partial finance the Program of Investments in Energy Infrastructure in the jurisdiction of the Company. On October 31, 2018, the agreement was signed, as disclosed in a Material Fact Fundraising with BID - Celesc Distribuição S.A..

The total amount of the operation is US$276.05 million, with a total term of 300 months, with an amortization grace period of 66 months. The interest rate is tied to quarterly Libor and will be added by the Funding Margin and the Lending Spread, both from BID.

It should be noted that the total amount of the operation will be disbursed in periodic tranches, according to the physical and financial progress of the project.
This loan is guaranteed by the Federative Republic of Brazil and the State of Santa Catarina, and has as purpose to partially finance the Program of Investments in Energy Infrastructure (Celesc + Energy Program), focused on expanding and qualifying the distribution of electric energy in the jurisdiction of Celesc Distribuição.

Finame

The loans contracted were used to purchase machinery and equipment, with an interest rate of 2.5% p.a. to 8.7% p.a. In case of non-payment, the warranty is linked to the receivables of the contracting party, which are approved by ANEEL.

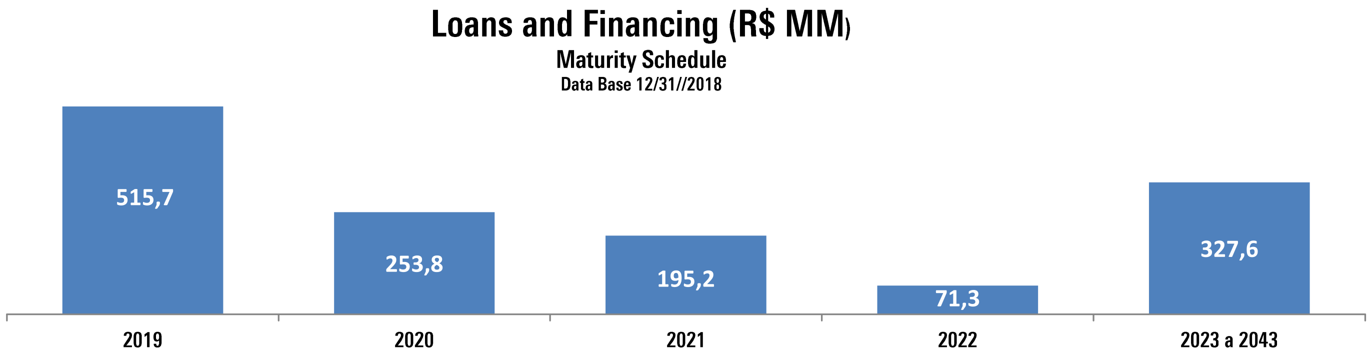
Celesc Distribuição S.A Loan with Celesc Geração S.A.

On August 16, 2016, Celesc Geração (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. Interest payments and principal repayments were made at the end of the operation in August 2018.

On June 10, 2018, the companies signed a new loan agreement in the amount of R$90 million, with a 12-month term. The contractual interest rate is 100% of CDI plus a spread of 2.5% p.a. The outstanding balance on December 31, 2018 is of R$92.3 million (main balance + interest).

Loans and Financing Schedule

The estimated due dates of the loans and borrowings are set out in the following chart:



On December 31, 2018, the Company recorded a financial debt representing 1.4x of the LTM EBITDA (1.3x of the Adjusted EBITDA) and 0.7x of the Shareholders' Equity as follows:

Celesc Distribuição S.A. | Debt

Financial Debt 4Q18			
R$ Million	in December 31, 2017	in December 31, 2018	Δ
Short-Term Debt	235,2	517,9	120,2%
Long-Term Debt	142,3	845,7	494,4%
Total Debt	**377,5**	**1.363,6**	**261,3%**
(-) Cash and Cash equivalents	**462,5**	**631,3**	36,5%
Net Debt	**(85,0)**	**732,4**	**-961,5%**
Net Debt / EBITDA LTM	**-0,2x**	**1,4x**	
Net Debt / Ajusted EBITDA LTM	**-0,2x**	**1,3x**	
Total Debt / Equity	**0,4x**	**1,4x**	
Net Debt / Equity	**-0,1x**	**0,7x**	

It should be noted that, according to the Notice to the Market – CDE Installments, of July 25, 2017, Celesc Distribuição will pay the balance in installments, totaling R$1,166 million related to the CDE charge with the CCEE in 30 installments as of July 2017 (until December 2019). The debt balance on December 31, 2018 is of R$516.1 million (Note 26 of 2018 Financial Statements).

Considering the Obligations with Social Security, which totaled R$1,024.3 million on December 31, 2018 and Other Benefits to Employees (Healthcare Insurance, Incentivized Termination Plan, others), totaling R$980.6 million, the Company's Adjusted Net Debt is now amounting to R$2,163.8 million, representing 4.1x of 12M18 EBITDA and 2.2x of the Shareholders' Equity of the company at the end of the fourth quarter of 2018, according to the table below:

Celesc Distribuição S.A. | Debt + Actuarial Liabilities

R$ Million	in December 31, 2017	in December 31, 2018	Δ
Short-Term Debt	235,2	517,9	
Long-Term Debt	142,3	845,7	
Total Financial Debt	**377,5**	**1.363,6**	**261,3%**
(+) Net Actuarial Liabilities	**1.364,5**	**1.431,4**	**4,9%**
Pension Obligations	1.179,8	1.024,3	-13,2%
Other benefits	698,1	980,6	40,5%
(-) Deferred Taxes[1]	513,5	573,4	11,7%
(-) Cash and Cash equivalents	**462,5**	**631,3**	36,5%
Adjusted Net Debt	**1.279,4**	**2.163,8**	**69,1%**
Adjusted Net Debt / EBITDA LTM	**2,9x**	**4,1x**	
Adjusted Net Debt / Ajusted EBITDA LTM	**2,7x**	**3,9x**	
Adjusted Total Debt / Equity	**1,7x**	**2,8x**	
Adjusted Net Debt / Equity	**1,2x**	**2,2x**	

[1] Quarterly Information 4Q18, Explanatory Note 20.a

Celesc Distribuição and Parent Company Ratings

Moody's Latin America Ltda (Moody's) assigned ratings of Ba3 on a global scale and A1.br on a national scale to Celesc Distribuição S.A. The positive outlook reflects Moody's expectation that Celesc will strengthen its cash flow from operations (prior to Capex), fueled by higher consumption, as a result of Brazil's economic recovery, and improvements in regulatory loss rates and service quality indicators.

Investments | CAPEX

The investments made by Celesc Distribuição in 4Q18 totaled R$156.1 million (R$123.9 million in materials/services, R$20.6 million in own personnel and R$11.6 million in consumer financial participation).[10] In the year, investments totaled R$487.0 million (R$343.1 million in materials and services, R$74.1 million in own labor and R$69.8 million in consumer financial share).

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

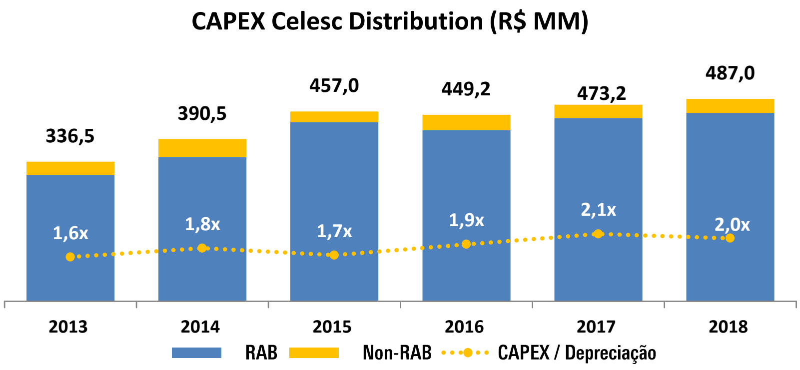
CAPEX - Celesc Distribuição S.A.

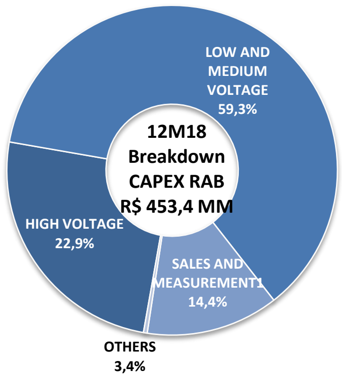
R$ MM	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Investments Celesc Distribuição	**154,4**	**156,1**	**1,1%**	**473,2**	**487,0**	**2,9%**
RAB *	138,9	145,4	4,7%	441,0	453,4	2,8%
Non - RAB	15,5	10,7	-31,3%	32,2	33,6	4,3%
Depreciation / Amortization	**(50,7)**	**1,8**	-103,5%	**(200,3)**	**(207,3)**	3,5%
CAPEX x Depreciation Ratio	**2,8x**	**-80,4x**		**2,1x**	**2,0x**	

* RAB: Regulatory Assets Base

[10] The Rules of Financial Participation of the Consumer are set forth in ANEEL's Regulatory Resolution 414, of September 9, 2010.

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 made in 12M18, which will comprise the Regulatory Remuneration Base:





The investments in the distribution network have as purpose meeting the continuous improvement of the quality indicators (DEC and FEC) signed in the renewal of the concession 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.

In 2018, Celesc Distribuição carried out mandatory investments totaling R$9.8 million in Research and Development (R&D) [11]and R$32.3 million in Energy Efficiency.[12]
For 2019, according to the Notice to the Market 2019 Investment Budget, the approved budget for materials and services, including the financial participation of the consumer, is of R$531.7 million: R$404.7 million for Distribution Systems, R$45.6 million for General Facilities and IT and R$81.4 million for Manpower.

2.1.3 – Regulatory Aspects of Celesc Distribuição S.A.

Contract Exposure 2014 - ANEEL Orders 2.642/15 and 2.078/16
In 2015, ANEEL established the distributors' contractual exposures for 2014, disclosing the amounts of involuntary exposure through Order 2642/2015. The amount of 117.2MW of contractual exposure was determined for the Company, with 64.36MW recognized as involuntary. In the face of this Order, an appeal was filed with ANEEL, which was based on 3 (three) points: (i) 2MW arising from consumers that ANEEL understood to have returned to the captive market for a voluntary act of Celesc Distribuição, which did not occur, as they returned by court order, or were only switched off; (ii) 15.818MW relating to a material error in filing a declaration form in the A-1 auction of 2013, since said amount of energy was declared in a different field of the form, in addition to the fact that said amounts had already been declared in another two auctions (A-0 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 history of 2.5%. Faced with the inoperability of contractual adjustment mechanisms in 2013 and 2014, such extraordinary market growth could not be adjusted, thus generating a contractual exposure of around 1.5% in 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) to consider a further 15.818 average MW as an involuntary exposure, due to the recognition of a material error in completing the declaration of energy needs for Auction A-1 of 2013. Due to the Order, the exposure considered by the Regulatory Body as voluntary went from 52.84 Average MW to 35.02 Average MW. Therefore, the Company recognized in the second quarter of 2016 the amount of R$225 million referring to voluntary exposure in 2014, recording the amount of R$ 225 million in Financial Assets/Liabilities from Gross Operating Revenue, with a negative effect, and R$31 million as financial expenditure (overcontracting update).

Celesc Distribuição filed a Judicial Action in 2016 with the purpose of challenging Dispatch No. 2,078/2016, in order to obtain full recognition of contractual exposures as involuntary, at the same time as it requested the grant of a preliminary injunction to suspend

[11]ANEEL's R&D program is currently governed by Law 9991/2000 and its amendments, regulated by Regulatory Resolutions 316/2008 and 504/2012 and rules related.
12The Program of Energy Efficiency regulated by ANEEL - PEE was created by Law 9991/2000.

the application of a tariff reducer of R$ 256 million, expected to be applied together with the approval of the Periodic Tariff Review proceeding that would occur until August 22, 2016.

After the lawsuit was filed, a preliminary injunction was obtained in order to avoid the application of the aforementioned tariff reducer, a decision met by ANEEL upon the Tariff Review approval, 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 Electricity Trading Chamber - CCEE.

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

More recently, a judgment of merit has been published, and the case is currently in the appeal phase before the Federal Regional Court of the 1st Region.

Contractual exposure 2014 - Penalties CCEE
On October 14, 2016, the CCEE issued Notification No. 1438/2015 due to the non-presentation by the Company of the physical warranty or contractual coverage to cover one hundred percent of its market, based on the accounting performed in January of 2015, referring to the year 2014, indicating the applicable technical penalty in the amount of R$ 77 million.

In light of this Notice, the Company filed a defense requesting (i) the suspension of the application of the assessed penalty until the final decisions on the merits of the lawsuits in which Celesc Distribuição 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 be maintained for 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 TN defense No. 1438/2015.

On January 4, 2017, Celesc Distribuição challenged this decision and, on January 10, 2017, at its 905th meeting, the BoD faced the allegations presented by the Company and decided, in Resolution 0036, to forward to ANEEL the Request for Dispute filed.

In view of the facts presented, ANEEL, through Order No. 180/2017, decided not to grant a suspensive effect to the Celesc Distribuição 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.

In the 7th public meeting of the Board of Directors of ANEEL, held on March 7, 2017, considering the foregoing and what is contained in Case No. 48500.000391/2017-12, it voted to hear the Request for Objection, with a request for the suspensive effect, filed by Celesc Distribuição, in the face of a decision issued by the CCEE at the 903rd Meeting, related to Notification Term No. 1,438, of 2015, and, on merit, dismiss it. Nevertheless, the rapporteur had requested the views of the rapporteur, postponing the decision.

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

Subsequently, the Company filed a lawsuit (No. 1005589-77.2017.4.01.3400) against CCEE and ANEEL requesting the grant of a preliminary injunction with the purpose of suspending the enforceability of the penalty imputed to Celesc Distribuição until the judicial process that discusses the contractual exposure of 2014 has its unfolding, as well as the legal proceeding that the Jirau HPP has filed before ANEEL, so that it reaches its final appreciation of merit, these being two factors that directly impact on the maintenance of the applied penalty.

After examining the request, the judge in charge of the proceedings issued a decision "*suspending the collection by the Respondents of the above mentioned amount, as of any other amount (deemed voluntary), due to the exposure (deemed voluntary) of the party applicant in 2014*." In this way, the collection of the penalty applied by CCEE has been suspended.

Tariff flags

The Federal Government, through Decree 8401/2015, created the CCRBT Tariffs Resource Center Account, which establishes that flags should be activated whenever variations in generation costs by thermoelectric source and exposure to settlement prices in the short-term market affected the electricity distribution agents connected to the National Interconnected System (SIN). The mechanism has served as a signal for consumers to be aware of consumption during situations of low hydraulicity.

For 2017, through Public Hearing 091/2016, ANEEL established new levels of activation, as well as additional ones considering the updating of the data and the distribution of costs between the levels.

On October 24, 2017, during the Public Meeting of the Board of Directors of ANEEL, public hearing No. 061/2017 was approved, to discuss the revision of the methodology of tariff flags and the values of their driving ranges. Exceptionally, for the month of November, the additional amount proposed for the audience, of R$ 50.00/MWh, has already been validated, considering tier 2 - red. According to the proposal, the amount of the additional yellow tier fell from R$20.00 to R$10.00/MWh and the additional for tier 1 - remains at R$30.00/MWh.

After the period of contributions received in the first phase of Public Hearing 61/2017, which took place as of October 26 to December 27, 2017, ANEEL, on Ratifying Order 2.392/2018, of April 24, 2018, ratified the triggering ranges and the additional tariff tiers. The definitions, methodologies and application procedures are deal with in PRORET sub-module 6.8, effective as of May 2018, proposed on October 24, 2017, at the opening of the Public Meeting 061/2017 of the Executive Board of ANEEL.

Additionally, at another stage of the same Annual Public Meeting of the Executive Board, on April 24, 2018, when the proposed tiers and additional ratifications were stated, and a new phase for the same Public Hearing was established. The period to send contributions was from April 25, 2018 to June 11, 2018, by documentary exchange, with the purpose of obtaining subsidies to exclusively deal with the methodology of transfer of the Tiers Account.

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

History of Tariff Tiers	
Month	Level
jan/17	Green
fev/17	Green
mar/17	Yellow
abr/17	Red – Tier 1
mai/17	Red – Tier 1
jun/17	Green
jul/17	Yellow
ago/17	Red – Tier 1
set/17	Yellow
out/17	Red – Tier 2
nov/17	Red – Tier 2
dez/17	Red – Tier 1
jan/18	Green
fev/18	Green
mar/18	Green
abr/18	Green
mai/18	Yellow
jun/18	Red – Tier 2
jul/18	Red – Tier 2
ago/18	Red – Tier 2
set/18	Red – Tier 2
out/18	Red – Tier 2
nov/18	Yellow
dez/18	Green

For accounting in the Portion A - CVA Valuation Variation Compensation Account with respect to the amount collected for the Tariff Tariffs from January 2018, the methodology defined by the Superintendence of Economic and Financial Supervision (SFF) is observed through Order 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 monitoring of the conditions for the maintenance of the concession began, as established in the Amendment Term signed.

The new amendment, which 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, noncompliance 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 criteria for two consecutive years, will lead to the opening of the expiration process. In addition, throughout the contractual period, noncompliance with the global targets of collective continuity indicators for two consecutive years or three times in five years, will result in a distribution of dividends or a payment of interest on shareholders' capital limited to the legal minimum (Regulatory Resolution 747, of 2016), while noncompliance 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:

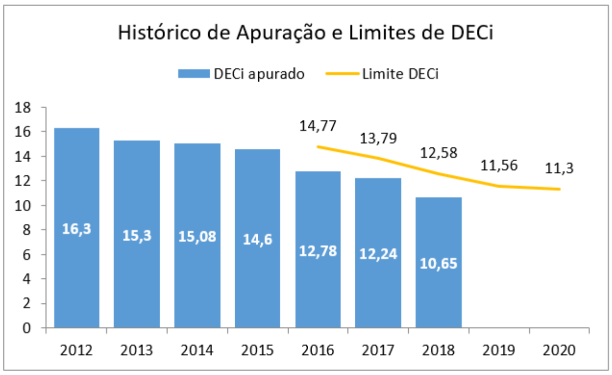
YEAR	ECONOMIC AND FINANCIAL MANAGEMENT	QUALITY INDICATORS (ESTABLISHED LIMIT)		VERIFICATION
		DECi1	FECi1	
2016		14.77	11.04	SERVED
2017	EBITDA≥0	13.79	10.44	SERVED
2018	{EBITDA(-)QRR}≥0	12.58	9.84	SERVED
2019	{NET DEBT/[EBITDA(-)QRR[2]]}≤1/0,8*SELIC[3]	11.56	9.25	
2020	{NET DEBT/[EBITDA(-)QRR]}<1/1,11*SELIC	11.30	8.65	

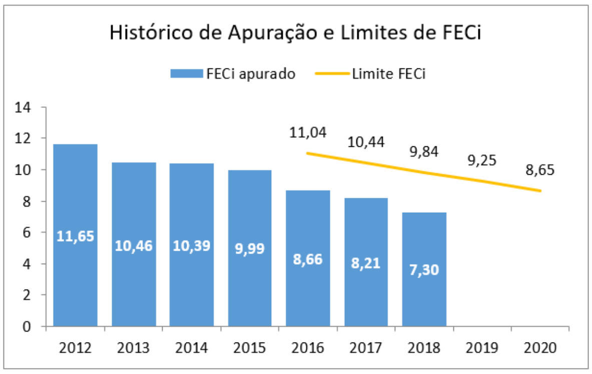
[1] DECi-Equivalent Duration of Interruption of Internal Origin per Consumer Unit: and FECi-Frequency of Interruption of Internal Origin by Consumer Unit;

[2] QRR: Regulatory Reintegration Quota or Regulatory Depreciation Expenses. It will be the value defined in the last Periodic Tariff Revision - RTP, plus the IGP-M between the month prior to the RTP and the month prior to the twelve (12) month period of the economic and financial sustainability benchmarking;

[3] Selic: limited to 12.87% p.a.

The chart below shows the monitoring of quality indicators until the year 2018.





In relation to the Company's performance, Celesc Distribuição has complied with the adjusted EBITDA margin of zero or higher than zero for 2017. The most up-to-date disclosure made by the 3rd Edition of the Distributors Sustainability Report ascertained by ANEEL's Superintendence of Financial and Economic Supervision, from October 2017 to September 2018, adjusted accumulated EBITDA determined up to the third quarter of 2018 was of R$587 millions.

For 2017, as reported in the Operational Performance, although the Company met DECi's and FECi's targets of the Concession Agreement, the overall targets (cycle targets) of the DEC in 2016 and 2017 were not met, which is limited to the distribution of dividends and/or interest on shareholders' equity in the legal minimum, 25%, remaining until the regulatory parameters are achieved.

The continuity indicators for 2018 were achieved within the regulatory limits established by ANEEL and are under analysis for the effective ratification and disclosure by the Superintendency of Regulation of Distribution Services at ANEEL.

Results Plan
Celesc Distribuição was convened by ANEEL to participate in the second tranche of distributors that will go through a Results Plan, focused on improving the quality of services under the technical and commercial aspects, in addition to the safety aspects of employees and the population, together with the monitoring of the economic and financial sustainability indicator and, consequently, ensuring the achievement of the indicators established in the Concession Agreement.

The Results Plan is associated with the new strategic surveillance model adopted by ANEEL, with the primary objectives being the education and orientation of agents from the electric energy sector, and the prevention of conduct that violates legislation and concession contracts. During this process, Celesc Distribuição initially underwent a first phase of supervision of the technical and commercial services of electricity distribution throughout 2016, with the analysis of the earnings from 2014 and 2015. To comply with this methodology, the Company presented the Improvement Plan to ANEEL, focusing on the Duration of Interruptions, Number of Interruptions, Timeframes for Services, Quality of Phone Service and Internal and External Demands.

The Results 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, so as to also converge to comply with the concession contract, extended in 2015, thus representing a gain in service quality, as well as being an excellent complementary management tool in search of concession maintenance. The term of validity of the Results Plan will be 24 months, as of September 10, 2017, with quarterly periodic control by the regulatory body.

Four Monitoring Reports have already been submitted for the first four quarters of the Results Plan. Celesc Distribuição went to Brasília to present two reports and ANEEL came one time to Florianópolis to talk about the Plan. ANEEL’s visit should be repeated in the coming months to discuss the report from August to December 2018.

In May 2019, the 5th Monitoring Report should be sent. This is the penultimate report of the Plan.

2016 Tariff Revision - Approval Resolution 2.120/2016, Technical Note 258/2016-SRE/ANEEL and Technical Note 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), the financial component of -0.47% in the current process and the effect of the withdrawal of financial components considered in the previous ordinary proceeding of -2.15%. In the breakdown of IRT for 2016-2017, Part A (non-manageable costs) increased by 2.20% in relation to the costs that were added in the RTE through a financial component. Portion B (manageable costs) represented a variation of 0.66%. The table below details the composition of the readjustment items:

Participation Tariff Review 2016 (Homologation Resolution XXX/2016)		
Parcela A	Payroll	-1,73%
	Transmission Cost	0,71%
	Energy Acquisition	-1,18%
	Total Portion A	**-2,20%**
Parcela 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 compensation of the assets of the Regulatory Remuneration Base - BRR defined for the 4th tariff cycle, in a net amount of R$3.0 billion (Order 1,920/16), the actual Regulatory WACC was set at 8.09% and the average depreciation rate at 3.78% p.a.

2017 Annual Tariff Readjustment – Approval Resolution 2286/2017 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 procedure of 1.22%. In the composition of the IRT for the 2017- 2018 period, Portion A (non-manageable costs) changed by 3.67% in relation to the costs that were added in the RTE by financial component, and Portion B (manageable costs) presented a 0.13% variation.

2015 Tariff Readjustment (Homologation Resolution 2.286/2017)		
Portion A	Payroll	-3,17%
	Transmission Cost	6,61%
	Energy Acquisition	0,21%
	Total Portion A	**3,67%**
Portion B		0,13%
Economic Readjustment, considering tariff variation of RTE 2017		**3,80%**
Other Financial Components		2,83%
Removal of Financial Components of Previous Process		1,22%
Total Readjustment		**7,85%**

2018 Annual Tariff Readjustment –Approval Resolution 2436 of August 13, 2018 and Technical Note 190/2018-SGT/ANEEL.
ANEEL, within the scope of the Public Meeting of the Board of Directors held on August 13, 2018, authorized the readjustment of tariffs to be practiced by its wholly-owned subsidiary Celesc Distribuição as of August 22, 2018. When calculating the adjustment, as established in the concession agreement, ANEEL considers the variation of costs associated with the provision of the service, and takes into account the acquisition and transmission of electricity, as well as the sector charges. The average tariff effect to be perceived by consumers, in the order of 13.86%, has the share of 4.77% by Sector Charges, -1.42% of Costs with Transmission, 5.08% with Energy Expenses, 0.06% of Unrecoverable Revenues, 0.37% with Distributor Costs, 7.48% related to the Financial Components of the current proceeding, and -2.48% related to the withdrawal of the Financial Components of the previous ordinary proceeding. In the composition of Net Revenue for the 2018-2019 period, Portion A (non-manageable costs with charges, transmission and energy) participates with 81.4%. Part B (manageable costs) represents 18.6%, set in the amount of R$1.5 billion. The table below details the composition of the readjustment items:

2018 Tariff Readjustment (Homologation Resolution 2.436/2018)		
Portion A	Payroll	4,77%
	Transmission Cost	-1,42%
	Energy Acquisition	5,08%
	Irrecoverable Revenues	0,06%
	Total Parcela A	**8,49%**
Portion B		0,37%
Economic Readjustment, considering tariff variation of RTE 2018		**8,86%**
Other Financial Components		7,48%
Removal of Financial Components of Previous Process		-2,48%
Total Readjustment		**13,86%**

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

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

Another proposal is the end of the 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 framework. Improving short-term price formation criteria is also a challenge to be addressed in the new regulations. In terms of distribution, there is a focus on the separation of ballast and energy, with the creation of other transition mechanisms to mitigate the effects of consumers migration to the free market. There is still a focus on the rationalization of subsidies and correction of inadequate incentives for migration 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 R&D resource utilization guidelines and incentives for alternative sources of energy. Lastly, there is a new discussion of the structure of the regulated distribution market, seeking a modernization and creation of incentives. The calculation bases for the determination of penalties to the distributors will also be reviewed. Also, there is a concern to seek the misallocation of the hydrological risk, seeking to reestablish the balance in the settlements of the short-term market.

All of these guidelines were translated into a Draft Bill published by MME, whose partial content was instructed through Provisional Measure No. 814/2018, as well as Bill No. 1917/2015. The aforementioned Provisional Measure lost its effectiveness and was not converted into a law. On the other hand, PL 1917/2015 is making progresses in the House of Representatives, and is currently awaiting a conclusive opinion.

Payment to Celesc Distribuição by Eletrosul - Indemnification Transmission Facilities

On May 22, 2018, by Order 1139/2018, the Executive Board of ANEEL ratified an understanding of the technical area of the Regulatory Agency confirming the need to pay Celesc Distribuição, by Eletrosul, in the amount of R$46.3 related to the double indemnity received by the transmission company on the connection facilities of ArcelorMittal consumer, serviced at 230kV.

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

In an evaluation of the industry legislation, since the publication of Provisional Measure 579/2012, subsequently converted into Act 12.783/2013, ANEEL confirmed, after Celesc Distribuição’s action, that Eletrosul opted for the early extension of its transmission concession, with a compensation related to assets not depreciated or not amortized, pursuant to the Law and its regulations, including the facilities dedicated to the ArcelorMittal consumer.

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

Following a regulatory procedure and the terms of the payment agreement entered into with Eletrosul, there remained formalized among the companies a Debt Confession Term, and Eletrosul's payment of R$ 9.6 was defined on July 20, 2018, followed by 11 consecutive monthly installments, equivalent to 2% of the amount due, each ending with a further 12 monthly and successive installments equivalent to 4.83% of the balance due, with possible adjustments in the final installment.

2.2 – Celesc Geração

2.2.1 – Operating Performance

Production

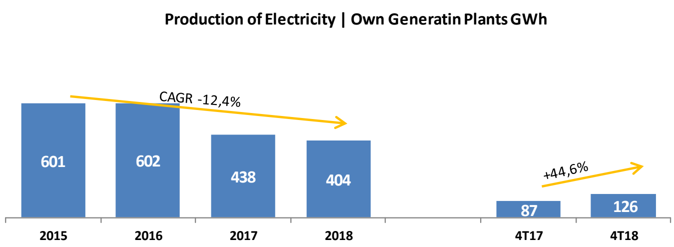
The total volume of energy generated in the fourth quarter of 2018 by Celesc Geração’s plants was of 126.2 GWh (403.8 GWh in the year), up 44.6% over the fourth quarter of 2017, when production was of 87.3 GWh (437.6 GWh in the year).

Among the factors that influenced the negative variation of 7.7% in the year, we emphasize: (i) low rainfall; (ii) shutdown of the Cedros Plant to carry out investments; (iii) prohibition of the downsizing of the channel for maintenance (SAMAE) of Salto Plant; and (iv) occasional interventions in the generation units.

The global capacity factor in the fourth quarter of 2018 was of 53.5%, representing 16.5 p.p. (percentage points) down over the fourth quarter of 2017 (37.0%).

Celesc Geração S.A. | Produção de Energia Elétrica

Operating Perrformance (GWh)	4º Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Parque Gerador Próprio	**87,3**	**126,2**	***44,6%***	**437,6**	**403,8**	***-7,7%***
UHE Palmeiras	19,2	36,5	*89,6%*	114,6	113,6	*-0,8%*
UHE Bracinho	13,5	18,0	*33,3%*	47,1	59,1	*25,5%*
UHE Garcia	14,2	15,2	*7,0%*	64,3	38,4	*-40,2%*
UHE Cedros	0,0	0,1	-	27,5	0,1	*-99,8%*
UHE Salto	2,6	0,0	*-100,0%*	14,6	9,6	*-34,3%*
PCH Celso Ramos	8,9	10,8	*21,8%*	31,6	34,9	*10,4%*
PCH Pery	17,8	32,4	*81,8%*	90,7	101,7	*12,2%*
CGH Caveiras	4,7	5,2	*10,5%*	21,1	20,7	*-1,8%*
CGH Ivo Silveira	5,0	5,5	*11,3%*	19,4	19,0	*-2,0%*
CGH Piraí	0,3	1,0	*232,1%*	2,6	1,8	*-31,7%*
CGH Rio do Peixe	0,8	1,0	*23,0%*	2,8	3,2	*13,5%*
CGH São Lourenço	0,2	0,5	*126,2%*	1,4	1,6	*19,0%*
Global Capacity Factor	**37,0%**	**53,5%**	**44,6%**	**62,6%**	**57,7%**	**-4,8%**



All the plants of the generator site itself participate in the Energy Reallocation Mechanism - MRE, a hydrological risk sharing system, in which the participating plants transfer the generated energy surplus to their physical guarantee to the plants that generated them below. Thus, the decrease in production in the quarter does not impact the company's billed energy.

2.2.2 – Financial Performance

Celesc Geração S.A. | Main Financial Indicators

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Gross Operating Revenue	**38,8**	**39,5**	***1,9%***	**163,9**	**177,5**	***8,3%***
Deductions from Operating Revenue	(3,5)	(4,1)	*15,8%*	(15,1)	(17,0)	*12,9%*
Net Revenue	**35,3**	**35,5**	***0,6%***	**148,9**	**160,5**	***7,8%***
Operating Costs and Expenses	(7,3)	(21,6)	*195,3%*	(61,9)	(78,1)	*26,2%*
Electricity Costs	*(4,5)*	*(12,2)*	*174,4%*	*(17,6)*	*(37,2)*	*110,7%*
Operating Expenses	*(2,9)*	*(9,4)*	*227,8%*	*(44,2)*	*(40,9)*	*-7,5%*
Equity Result	(1,6)	(0,2)	*87%*	(3,2)	0,4	*111%*
Operating Results	**26,4**	**13,7**	***-48,2%***	**83,8**	**82,8**	***-1%***
EBITDA	**30,1**	**15,1**	***-50,1%***	**99,6**	**88,4**	***-11%***
EBITDA Margin (%)	*85,5%*	*42,5%*		*67%*	*55%*	
Financial Result	**(1,0)**	**(1,4)**	***-33%***	**(8,5)**	**(5,7)**	***33%***
LAIR	**25,4**	**12,3**	***-51%***	**75,3**	**77,0**	***2%***
IR/CSLL	(8,8)	(4,1)		(26,3)	(25,8)	
Net Profit / Losses	**16,6**	**8,3**	***-50,3%***	**49,0**	**51,2**	***4,7%***
Net Margin (%)	*47,1%*	*23,3%*		*32,9%*	*31,9%*	

Result Highlights

Celesc Geração's Net Operating Revenue (ROL) increased by 7.8% (+R$11.6 million) in 2018, totaling R$160.5 million, despite the decrease of the average PLD (Average Settlement Price) of 2018, by 9.7%, in comparison to 2017 (2018 average PLD of R$/MWh 288.35). This increase in revenues is due to the 10% increase in the volume of energy billed resulting from the increase in the amount of energy purchased (48.8% in the year).

EBITDA decreased by 50.1% in the fourth quarter of 2018 (11.2% in the year), while profit increased positively by 4.7% in the year (down 50.3% in the fourth quarter). The decrease is due to the increase in the purchase of energy, due to the SWAP in energy sources; the increase in estimated losses on doubtful accounts (PECLDs); and the reserve for losses on investments in equity interests.

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

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2014	2015	Δ
EBITDA (IFRS - Non-Recurring)	**27,1**	**15,9**	***-41,3%***	**96,5**	**89,2**	***-7,6%***
Adjusted EBITDA Margin (%)	*76,7%*	*44,7%*		*64,8%*	*55,6%*	
Net Profit / Loss (IFRS - Non-Recurring)	**14,6**	**8,8**	***-39,6%***	**46,9**	**51,8**	***10%***
Adjusted Net Margin (%)	*41,3%*	*24,8%*		*31,5%*	*32,3%*	

Adjusting the reversal in R$3.1 million for Impairment Test carried out in the year on the Property, Plant and Equipment Assets, the loss of goodwill due to expectation of future profitability of the Garça Branca Plant (impairment test) and the reserve for loss of investments in Painel and Campo Belo, EBITDA reached R$15.9 million in the quarter (R$89.2 million in the year) and Adjusted Profit totaled R$8.8 million in the quarter (R$51.8 million in the year), respectively.

Gross Operating Revenue

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
GROSS OPERATING REVENUE	**38,8**	**39,5**	***1,9%***	**163,9**	**177,5**	***8,3%***
Electric Sales	9,5	9,4	*-0,8%*	35,0	37,6	*7,6%*
Electric Energy Supply	12,2	17,1	*40,7%*	61,9	75,9	*22,7%*
Spot Energy	6,5	3,9	*-39,4%*	26,3	22,6	*-14,1%*
Financial Income - Interest and update BO	10,6	9,1		40,8	41,4	

The positive variation of 1.9% in the quarter (8.3% in the year) is explained mainly by the:

i. Increase of 40.76% in the quarter (22.7% in the year) in Energy Supply, due to the increase in the volume of energy sold, resulting from the SWAP of energy sources;
ii. Short-Term Energy revenues decreased by 39.4% in the quarter (down 14.1% in the year), reaching R$3.9 million in the quarter (R$ 22.6 million in the year), mainly due to the decreased PLD and to the reduction of the energy settled in short-term due to the high level of non-compliance in the CCEE.

The table below shows the physical numbers of energy billed in the fourth quarter of 2018 (12M18) for each of the segments.

Celesc Geração S.A. | Energia Sold

GWh	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	12M17	12M18	Δ
Electric Energy Supply	**162,0**	**185,7**	***14,6%***	**659,2**	**726,9**	***10,3%***
Industrial	37,7	33,2	*-12,1%*	140,3	139,7	*-0,4%*
Commercial, Services and Other	12,1	14,6		47,3	55,4	
Electric Energy Sales to distributors	105,3	127,6	*21,2%*	418,3	503,6	*20,4%*
Electric Energy Trading Chamber (CCEE)	6,9	10,4	*51%*	53,2	28,2	*-47%*
Average Sales Price Without CCEE (R$/MWh)	**191,05**	**198,75**	**4,0%**	**210,74**	**208,98**	**-0,8%**
Average Sales Price With CCEE (R$/MWh)	**187,24**	**206,61**	***10,3%***	**207,32**	**232,48**	***12,1%***

Energy billed increased by 14.6% in the quarter (+23.7 GWh), with a 9.5% increase in the 12M18 of 10.3% (+67.7 GWh). This change was due to the increase in the volume of energy purchased, mainly resulting from the SWAP of energy sources.

According to the table below, RAG (Annual Generation Revenue) of Celesc Geração's Power Plants must be charged on a monthly basis as specified in the Approval Resolution.

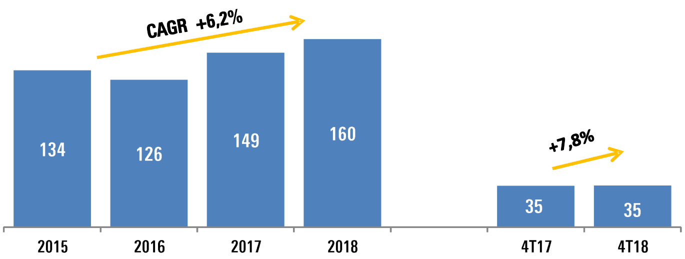
Celesc Geração S.A. | RAG Plants - Quotas

Plants	RAG — Monthly Quota	RAG — Annual Quota	Physical Warranty in Quotas
Pery HPP**	0.4	5.2	100%
Palmeiras HPP*	1.6	18.7	70%
Bracinho HPP*	1.0	12.2	70%
Garcia HPP*	0.8	9.4	70%
Cedros HPP*	0.7	8.9	70%
Salto HPP*	0.5	6.3	70%

* Approval Resolution No. 2,665 from 07/04/2017
** Approval Resolution No. 2,288 from 08/22/2017

Net Operating Revenue
The Net Operating Revenue – ROL reflected the increase in ROB between the periods, due to the increase in billed volume.

Net Operational Revenue (R$ MM)



Operating Costs and Expenses

Celesc Geração S.A. | Operating Costs and Expenses

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
OPERATING COSTS AND EXPENSES	**(7,3)**	**(21,6)**	***195,3%***	**(61,9)**	**(78,1)**	***26,2%***
Electric Energy Costs	**(4,5)**	**(12,2)**	***174,4%***	**(17,6)**	**(37,2)**	***110,7%***
Electric Energy Purchased for Relase + Charges	(3,9)	(11,6)	*201,1%*	(15,3)	(34,8)	*127,1%*
Electric Grid Usade	(0,6)	(0,6)	*-0,5%*	(2,3)	(2,3)	*1,6%*
PMSO	**(2,2)**	**(7,2)**	***225,7%***	**(31,6)**	**(34,5)**	***9,2%***
Personnel and Management	(3,6)	(2,8)	*-23,7%*	(16,5)	(11,5)	*-30,2%*
Material	(0,1)	(0,1)	*-49,5%*	(0,3)	(0,4)	*46,2%*
Third Parties Services	(1,8)	(2,3)	*24%*	(7,3)	(8,3)	*15,0%*
Provision (Net)	4,3	(1,8)	*-141,4%*	(6,2)	(13,6)	*119%*
Taxa de Fiscalização Regulatória ANEEL	0,0	0,0		0,0	0,0	
Financial compensation for use of Hidric Sources	0,0	0,0		0,0	0,0	
Other Expenses	(0,9)	(0,3)	*-67%*	(1,3)	(0,6)	*-54,8%*
Provision / Reversion Impairment Test	**3,1**	**(0,8)**	***-126,2%***	**3,1**	**(0,8)**	***-126%***
Depreciation / Amortization	**(3,7)**	**(1,4)**	***-63,4%***	**(15,7)**	**(5,6)**	***-64,4%***

Operating costs and expenses increased by 195.3% in the quarter (26.2% in the year) to R$21.6 million in the quarter (R$78.1 million in the year). The following should be noted: the increase of over 100% in the cost of acquisition of energy in the quarter (+7.7 million) and in the year (+19.5 million), with the increase in energy commercialization due to the SWAP of energy sources (up 48.8% in the year in the amount of energy purchased). PMSO expenses increased significantly in the quarter, reflecting the increase of R$6.0 million in the provisioning of GSF injunctions (+R$7.5 in the year) and losses on investments of the Garça Branca, Painel and Campo Belo Plants, which totaled R$5.2 million. On the other hand, personnel expenses decreased by 23.7% in the same period (-30.2% in the year), due to the dismissal of employees in the PDI, in addition to the positive impact on the R$4.4 million result related to the reversal of impairment test of the generator park itself.

Equity in Earnings

The table below reflects Celesc Generação's Equity Income in 4Q18 (12M18). The positive result in 2018 of the Rondinha plant is due to the energy seasonality strategy and Companhia Rio das Flores has had a positive result in recent years. It should be noted that in 2018, all the plants in operation participated in the MRE. Further details of these deals are available in the Celesc Geração Overview.

Celesc Geração| Equity Result

R$ thousand	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Rondinha Energética S.A.	(379,8)	(17,7)	-95,3%	(1.151,1)	699,6	160,8%
Painel Energética S.A.	(40,1)	(0,6)	-98,5%	(65,9)	(4,5)	-93,1%
Campo Belo Energética S.A.	(1,0)	(0,4)	-59,9%	(18,8)	(4,0)	-78,6%
Companhia Energética Rio das Flores	65,7	463,2	605,3%	1.183,6	1.684,9	42,4%
Xavantina Energética S.A.	(499,9)	(379,2)	-59,9%	(1.074,1)	(930,1)	-13,4%
Garça Branca	(700,7)	(559,8)	-20,1%	(2.066,2)	(1.482,0)	-28,3%
EDP Transmissão Aliança SC S.A.	(7,3)	290,3	4070,5%	(16,1)	390,9	2527,5%
Equity Result	**(1.563,2)**	**(204,3)**	***-86,9%***	**(3.208,5)**	**354,7**	***111,1%***

Another relevant point is the phase-in of SPE Garça Branca in July 2018. Regarding investments still in the design phase of the Panel and Campo Belo SPEs, the Board of Directors approved the sale of the shareholding, with prior approval by ANEEL in January 2019.

EBITDA and Net Profit

Celesc Geração's IFRS EBITDA recorded R$15.1 million in the fourth quarter of 2018 (R$88.4 million in the year), down 50.1% (11.2% in the year) over the fourth quarter of 2017 (12M17), with EBITDA Margin of 42.5% in the quarter (55.1% in the year). The EBITDA reduction is due to reasons already explained above: (i) expansion of the energy volume purchased; (ii) reduction of the LDP between the periods; and (iii) impacts of the reserve related to the GSF injunction.

The non-recurring effects of R$0.8 million in the period refer to the impairment test in Fixed Assets (reversal of R$4.4 million); the impairment test on the goodwill due to the expectation of future profitability of the Garça Branca Plant (loss of R$1.8 million); and the provision for losses on the investments of Painel and Campo Belo plants, as a result of the disposal (loss of R$3.4 million). Accordingly, Adjusted EBITDA in 2018 was R$89.2 million and in the fourth quarter of 2018 was of R$15.9 million.

Celesc Geração S.A. | EBITDA IFRS Conciliation

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2014	2015	Δ
Profit / Loss Net	**16,6**	**8,3**	*-50%*	**49,0**	**51,2**	*5%*
(+) Income Tax and Social Contribution	8,8	4,1		26,3	25,8	
(+) Financial Result	1,0	1,4		8,5	5,7	
(+) Depreciation and Amortization	3,7	1,4		15,7	5,6	
EBITDA	**30,1**	**15,1**	*-50,1%*	**99,6**	**88,4**	*-11%*
(-) Non-Recurring Effects						
SPHs Impairment Tests - Reversal of Provision	3,1	(0,8)	*0,0%*	3,1	(0,8)	*0,0%*
(=) Adjusted EBITDA by Non-Recurring Effects	**27,1**	**15,9**	*-41,3%*	**96,5**	**89,2**	*-7,6%*
EBITDA IFRS Margin	*85,5%*	*42,5%*		*66,9%*	*55,1%*	
Adjusted Net Margin (%)	*76,7%*	*44,7%*		*64,8%*	*55,6%*	

Similarly to EBITDA, Adjusted Income was impacted by the impairment test of the Company's own generation park and for the provision for loss of investments in equity, with net effects on taxes totaling R$0.5 million in relation to IFRS Income, thus recording R$51, 8 million in the year 2018 and R$8.8 million in the fourth quarter of 2018.

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

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2014	2015	Δ
Profit / Loss Net (IFRS Reported)	**16,6**	**8,3**	*-50,3%*	**49,0**	**51,2**	*5%*
(-) Non-Recurring Effects						
SPHs Impairment Tests - Reversal of Provision	2,0	(0,5)	*0,0%*	2,0	(0,5)	*0%*
(=) Profit / Loss Adjusted by Non-Recurring Effects	**14,6**	**8,8**	*-39,6%*	**46,9**	**51,8**	*10%*
Net Margin (%)	*47,1%*	*23,3%*		*31,5%*	*32,3%*	
Adjusted Net Margin (%)	*41,3%*	*24,8%*		*31,5%*	*32,3%*	

Indebtedness

Celesc Geração S.A. | Debt

Financial Debt 4Q18			
R$ Million	in December 31, 2017	in December 31, 2018	Δ
Short-Term Debt	150,7	27,0	-82,11%
Long-Term Debt	0,0	121,9	0,00%
Total Debt	**150,7**	**148,8**	**-1,24%**
(-) Cash and Cash equivalents	**77,1**	50,0	-35,09%
Net Debt	**73,6**	**98,8**	**34,21%**
EBITDA LTM (last twelve months)	99,6	88,4	-11,24%
Net Debt / EBITDA LTM	**0,7x**	**1,1x**	
Ajusted EBITDA LTM	96,5	89,2	-7,55%
Net Debt / Ajusted EBITDA LTM	**0,8x**	**1,1x**	
Equity	425,9	462,6	8,63%
Total Debt / Equity	**0,4x**	**0,3x**	
Net Debt / Equity	**0,2x**	**0,2x**	

Debentures – 1st Issuance

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, without a monetary restatement. Compensatory interest corresponded to 125.0% of the accumulated variation of the average daily DI rates and was paid on a quarterly basis, with no grace period. The unit par value of the Debentures would be fully amortized on the due date, except for the anticipated settlement of the debentures resulting from the early redemption, extraordinary amortization or early due date. The debentures had a covenant to present the Net Debt/EBITDA ratio of less than 2.5 in the first two semesters and the Net Debt/EBITDA ratio of less than 2 in the last two semesters. Celesc Geração's debenture issuance funds were used to pay the second installment of hydroelectric power plants that had their concession renewed at the end of 2015. The issue was guaranteed by the controlling shareholder, Celesc Holding.

At the General Meeting of Debenture Holders, an authorization was bestowed to renegotiate the 1st Issuance of Debentures by Celesc Geração, as per Notice to the Market from 03/05/2018, changing the due date to June 1, 2018. On the respective date, there was the settlement of the 1st issue of Debentures. In total, R$ 44.4 million of interest was paid, of which R$ 6.6 million in the first half of 2018.

Debentures – 2nd Issuance

According to the Notice to the Market - 2nd Issue of Simple Debentures by Celesc Geração S.A., Celesc Geração carried out, on June 1, 2018, the 2nd issue of non-convertible debentures with BB - Banco de Investimentos S.A.. The purpose of this issue is the public distribution with restricted placement efforts, under the firm guarantee system, with a total issue of R$150 million, in a single series. 15,000 Debentures were issued, at the par unit value of R$10,000, and the par unit value of the Debentures will not be monetarily restated. The actual guarantee is the fiduciary assignment of existing and/or future receivables arising from the gross electricity supply to Celesc Geração's customers and the guarantee of trust is performed in favor of the debentures' holders, being obligated as guarantor and principal for the payment of all amounts due under the Deed of Issuance. The Debentures will have a 5-year term as of the issue date, due on June 1, 2023. The interest rate corresponds to 100% of the cumulative variation of the average daily rates of ID-Interbank Deposits of one day, plus a surcharge (spread) of 2.50% per annum, calculated exponentially and cumulatively *pro rata temporis* for business days elapsed since the date of subscription and payment of Debentures or the date of payment of remuneration interest immediately preceding, as the case may be, until the effective date of payment. The amortization will be as of the 12th month (including this date), counted from the issue date, in quarterly and consecutive installments, except for the hypotheses of optional early redemption, early redemption as a result of the unavailability of the DI Rate, or early due date, in view of the occurrence of one of the default events set forth in the Deed of Issuance. On a semi-annual basis, the Company has a contractual commitment (covenant) related to the issuance of the Debentures not to present a Net Debt/EBITDA ratio of more than 2. In addition, the dividend distribution of the guarantor, Centrais Elétricas de Santa Catarina, is limited to the legal minimum established by Law 6404/76, as defined in the covenant. Failure to comply with these covenants may lead to the early due date of the total debt.

Celesc Geração and Parent Company Ratings

Fitch Ratings has assigned 'AA (bra)' ratings to Centrais Elétricas de Santa Catarina S.A. (Celesc) and to its wholly-owned subsidiary Celesc Geração S.A. Moreover, the agency has assigned a 'A + (bra)' long-term National Rating to Celesc G's first issuance of debentures, in the amount of up to BRL150 million and a two-year term. Also, regarding the second issuance of debentures, the National Long-Term Rating 'AA (bra)' has been assigned, in the same amount as the first issuance, but with a five-year term. The Corporate Ratings Perspective is Stable.

Investments | CAPEX

Investments in SPEs totaled R$9.9 million in 2018, of which R$4.8 million was invested in SPE Garça Branca, R$2.3 million in SPL Rondinha, R$1.8 million in SPE EDP Transmission Alliance and R$1.0 million in SPE Xavantina. Investments in its own generating plant totaled R$9.1 million in the year (R$3.5 million in the quarter), of which R$4.9 million was invested in Usina Cedros, R$1.5 million in Usina Garcia and R$1.4 million in the Salto Plant.

Celesc Geração S.A. | CAPEX

R$ Million	4nd Quarter			Acumulado 12 Meses		
	2017	2018	Δ	2017	2018	Δ
Investments Celesc Geração	**6,4**	**5,1**	**-20%**	**16,1**	**19,1**	**18,1%**
Investiments in SPEs	4,9	1,6	*-68,3%*	9,9	9,9	0,0%
Own Power Plants Generating Complex	1,4	3,5	*144,9%*	6,2	9,1	46,9%

For 2019, according to the Notice to the Market published on December 14, 2018, the investment budget is R$55.6 million, of which R$ 23.0 million will be invested in new businesses, R$26.1 million in increases and improvements, R$5.5 million in existing equity interests and R$1.0 million in vehicles, IT and other equipment.

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 would promote a bidding process for the concessions of several Hydropower Plants, among which 05 owned 100% by Celesc Geração, for which governance of the Company had decided not to adhere to the terms of the early extension of the concessions, in accordance with the terms and conditions established in Provisional Measure 579/2012, later converted into Act 12,783/2013.

According to the sector's rule established by the said Law, after the concession ends, the plant will be bidden under the revenue per tariff modality, established through the Annual Revenue Generation (RAG). Following the publication of Provisional Measure No. 688/2015, the economic conditions for share in the auction became considerably more attractive, since the Annual Compensation for Plant Management - GAG-O&M was included as compensation for improvements - GAG- as well as the Return on Bonus of Concession - RBO at an actual rate of 9.04% per year. On the other hand, the Granting 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 cost management for generation assets.

Celesc Geração won Lot C by offering a discount of 5.21% of the ceiling price defined for the management of generation services for the 5 plants, added to the financial contribution of R$ 228 million as Bonus. Last but not least, 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 plants had previous concessions to the auction 12/15 still in force until the date of November 7, 2016, and from that date on, the execution of the new Concession Agreement was begun in the Allocation of Physical Assurance and Energy Quotas. Below is a list of the plants of Lot C taken by Celesc Geração:

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

Plants	Localization	Final Term of the Concession	Power Installed (MW)	Physical Warranty (MW)
UHE Palmeiras	Rio dos Cedros/SC	07/11/2016	24,60	16,70
UHE Bracinho	Schroeder/SC	07/11/2016	15,00	8,80
UHE Garcia	Angelina/SC	07/07/2015	8,92	7,10
UHE Cedros	Rio dos Cedros/SC	07/11/2016	8,40	6,75
UHE Salto	Blumenau/SC	07/11/2016	6,28	5,25
Total - MW			**63,20**	**44,60**

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

Celso Ramos SHP concession

In March 2015, the Company obtained authorization to carry out expansion works of 7.2MW (5.62MW to 12.82MW), approved by the Regulatory Body (ANEEL Order 115/2014), in the PCH Celso Ramos concession, as well as the extension of the current concession for twenty (20) years, based on the provisions of Paragraph 7 of Article 26 of Law 9427/1996 (Authorizing Resolution 5078/2015). The plant's expansion works are due in 2021. To justify these authorizations, Celesc Geração entered into with ANEEL the Second Amendment to the Concession Agreement 006/2013. In 2018, the project underwent a consolidation process, which is under analysis by ANEEL and will increase by 1.1 MW, bringing the final installed capacity to 13.92MW. The bidding for the contracting of works is scheduled for the first quarter of 2019.

Physical Warranty Adjustment Factor - GSF
Celesc Geração filed an Ordinary Judicial Action against the Federal Government and ANEEL in August 2015, requesting it to determine to CCEE the review of the MRE calculation method, as well as that it be guaranteed the energy input equivalent to the Physical Guarantee - GF.

In an application for early protection, Celesc Geração requested:
i) that ANEEL sets that CCEE monthly allocates to the author an amount of energy equivalent to 100% of the Physical Warranty;
ii) if item i) is not deferred, guarantee to the plaintiff the energy equivalent to 95% of the Physical Warranty;
or alternatively, an amount of electric energy equivalent to what would be the total MRE generation if there was no physical warranty.

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

In summary, Celesc Geração seeks to suspend the registration of costs incurred by hydroelectric generators, resulting from the application of the Generation Scaling Factor (GSF), since the frustration of hydroelectric generation in the current scenario stems both from structural and cyclical.

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 (MRE) and the sum of the plants' physical warranties. 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%) and 2018 (96.7%). 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 obliges 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 814/2018, which is currently processed in the National Congress.

In this context, the Company is carrying out a strategic analysis regarding the action in the case, maintaining permanent monitoring of the progress of the process, as well as evaluating the market movements, to anticipate measures, if necessary.

Caveiras HGP Concession - Registration and Inventory Study
Authorizing Resolution No. 7,246, dated from August 21, 2018, terminated the concession of the Caveiras Hydroelectric Power Plant, granted to Celesc Geração, exempt the reversion of concession assets pursuant to Act 12,783/2013. ANEEL has already filed an application to carry out inventory studies for the section of the river where the Caveiras plant is installed, with a view to promoting the expansion of its installed capacity.

On December 12, 2018, SCG issued the Technical Note 565/2018 to grant Celesc with the registry for reviewing Caveiras River inventory, within 630 days for the preparation of studies. On December 14, 2018, Order 3005/2018 was issued, providing Celesc with inventory registration for a period of 630 days as of order’s issuance.

Expansion of the Cedros, Palmeiras, Salto and Weissbach Power Plants
In 2018, it was approved by ANEEL, through Order 1117/2018, the Expansion project of the Salto Weissbach plant, located in the city of Blumenau. The expansion project also foresees the construction of a new adductor circuit in parallel to the existing one, with adduction channel, water outlet and each of force with two generating units of 11.5MW each, totaling the addition of 23MW of installed power in the plant, resulting in a total installed capacity of 29.28MW. The project is currently in the process of obtaining an Environmental Installation License from IMA/SC and analyzed by EPE.

Also in 2018, ANEEL waived the Rio Hydroelectric Inventory Study for the Expansion projects of the Cedros and Palmeiras Plants, as requested in 2016. In view of this release, 2019 is expected to contract the consolidation of the basic projects to expand these plants, for further referral to ANEEL.

UHE Pery Concession

There was judicial discussion regarding the possibility of extending the concession of the Pery Plant, as set forth previously in MP 579/12, that is, fully commercializing its energy in the free market, since the plant was recently expanded. However, in July 2017, after several analyzes and discussions, and considering the change in the profitability scenario, Celesc Geração decided to extend the concession of this plant under Federal Law 12783/13, in the quota regime. Therefore, the necessary judicial measures for the extinction of the existing Lawsuit were authorized, including the appeals. The Concession was thus extended for 30 years, effective July 10, 2017, with the full allocation of energy in the quota system of the physical energy and power guarantee. The indemnification of the unamortized assets, related to the expansion completed in 2013, will be paid to Celesc Geração over the new concession period. The rule for this will be defined by ANEEL.

2.3 – SCGÁS

2.3.1 – Operating Performance

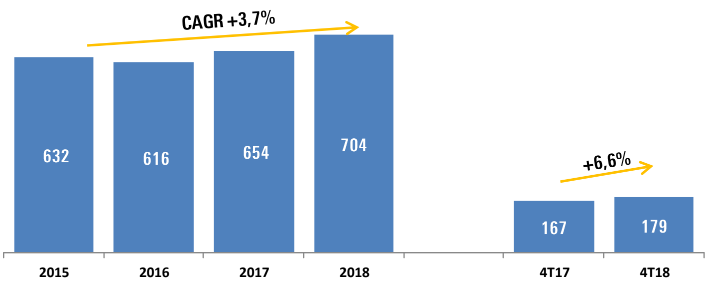
The expansion of 6.6% in the quarter (7.7% year) in the volume of gas sold was mainly due to the:

i. Increase of 3.0% (+4,172 thousand m3) in the quarter and 4.8% in the year (+26,413 thousand m3) in the industrial class, since the class concentrates 81% of the gas consumed;
ii. An increase of 25.3% (+6,382 thousand m3) in the quarter and 24.3% (+22,509 thousand m3) in the year in the automotive segment, in which this class represents 17.7% of the total gas consumed and is also severely influenced by the economic context and the price of gasoline/ethanol; and
iii. Increase of 12.3% (+44 thousand m3) in the quarter and 19% (+269 thousand m3) in the year for residential segment.

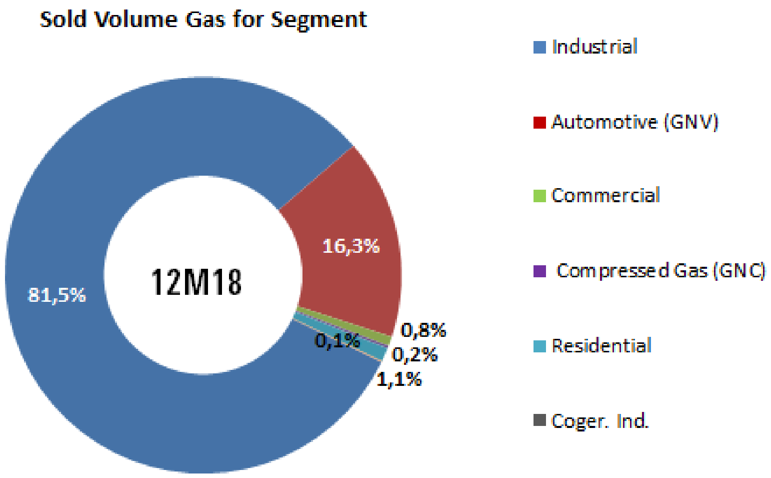
SCGÁS S.A. | Venda de Gás por Segmento

Volume (mil m³)	4º Trimestre			Acumulado 12 Meses		
	2017	2018	Δ	2017	2018	Δ
Industrial	138.597	142.769	*3,0%*	546.955	573.369	*4,8%*
Automotive (GNV)	25.183	31.565	*25,3%*	92.542	115.051	*24,3%*
Commercial	1.296	1.313	*1,3%*	5.292	5.352	*1,1%*
Residential	355	399	*12,3%*	1.410	1.677	*19,0%*
Compressed Gas (GNC)	1.938	2.188	*12,9%*	7.331	7.812	*6,6%*
Industrial Congeneration	17	165	*851,9%*	72	483	*575,8%*
Commercial Congeneratio	6	8	*22,2%*	27	32	*16,8%*
Raw Material		114			129	
Total	**167.393**	**178.519**	***6,6%***	**653.629**	**703.906**	***7,7%***

Sold Gas Volume (MM m³)



Below, in the graph, is the representation of each segment of consumption in sales volume in 2018:



2.3.2 – Economic-Financial Performance

SCGÁS S.A. | Main Financial Indicators

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Gross Operating Revenue	**167,0**	**294,8**	***76,6%***	**624,1**	**949,6**	***52,1%***
Deductions from Operating Revenue	(37,6)	(66,0)	*75,5%*	(140,8)	(210,8)	*49,7%*
Net Revenue	**129,4**	**228,8**	***76,9%***	**483,3**	**738,9**	***52,9%***
Operating Costs and Expenses	(137,6)	(204,7)	*48,8%*	(526,8)	(735,6)	*39,6%*
Operating Results	**(8,2)**	**24,1**	***393%***	**(43,4)**	**3,3**	***107,6%***
EBITDA	**(8,7)**	**18,9**	***317%***	**(41,1)**	**5,3**	***113,0%***
EBITDA Margin (%)	*-6,7%*	*8,2%*		*-8,5%*	*0,7%*	
Financial Result	**(0,2)**	**(2,6)**	***974,1%***	**1,2**	**(5,6)**	***-575%***
IR/CSLL	(6,3)	3,9		19,0	10,9	
Net Profit / Losses	**(10,3)**	**10,3**	***200%***	**(46,1)**	**(21,2)**	***54,0%***
Net Margin(%)	*-8,0%*	*4,5%*		*-9,5%*	*-2,9%*	

**Adjusted Margins, excluding Contruction Revenue.*

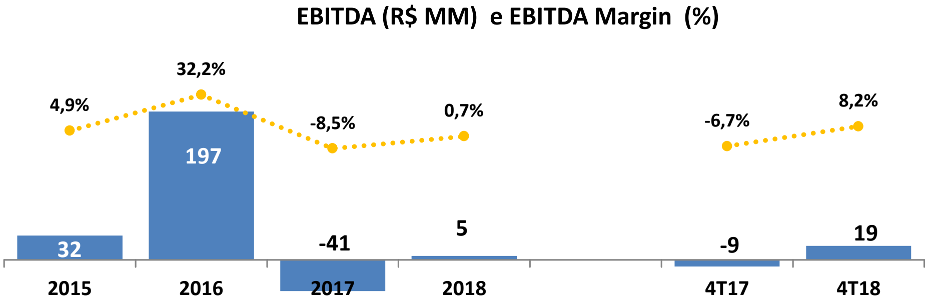
Gross Operating Revenue (GOR) of SCGÁS in 2018 totaled R$949.6 million (R$748.6 Industrial, R$176.4 million, R$12.2 million Commercial, R$6.7 million Compressed Gas, R$5.0 million Residential and R$0.7 million Others). The increase in ROB is due to: (i) the improvement of the economic situation; (ii) the comparative base of 2017 deeply impacted by ARESC Resolutions 062/2016 and 074/2016 (cumulative average tariff reduction of 39%); (iii) ARESC Resolution 094/2017, which authorized the transfer of part of the recovery and updating of the gas price, leading to a IRPGT (Gas Price and Transportation Adjustment Index) of 9%, transferred to the tariff as of January 1, 2018; (iv) ARESC Resolution 113/2018, which updated the gas price.

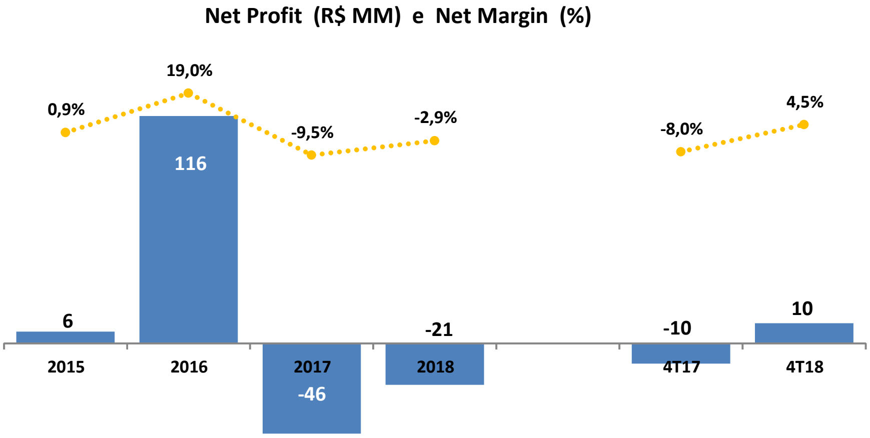
ARESC, based on Resolution 120/2018 of December 12, 2018, authorized the recovery and update of the gas due to the evolution of the graphical account. The average effect will be 6.73% in the Industrial Class, 4.5% in the Commercial Class, 3.56% in the Residential Class and 6.96% in the Vehicular Class. The increase will take effect as of January 2019, without an impact on the 2018 result.

It should be noted that in 2018, the Company contracted loans in the amount of R$60 million with Banco do Brasil and BBM to use in the working capital.

Net Operating Revenue (NOR) increased by 52.9% (+R$255.5 million) in 2018, due to the higher volume of gas sold and the ongoing price updates that occurred during 2018.

The company closed the year with an EBITDA of R$5.3 million, compared to a negative of R$41.1 million in 2017. This result comes from NOR's increase; however, there was a 39.6% increase (+R$208.8 million) in operating costs and expenses, with variable costs increasing 38.5% (+R$182.7 million), mainly due to the increase in exchange rate change (cost of gas purchase). SCGÁS ended 2018 with a loss of R$21.2 million, due to reasons already mentioned. However, the company has been reducing the loss in comparison to the previous year, mainly due to the increase in the transfer of the gas costs through the tariff.



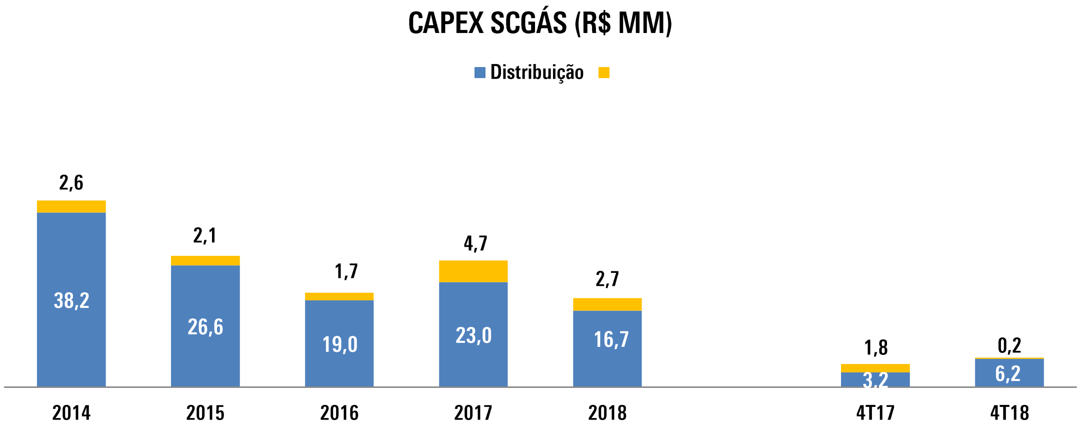


Investments

The investments made in 2018 were mainly allocated to the expansion of the natural gas distribution network, as shown in the table and chart below:

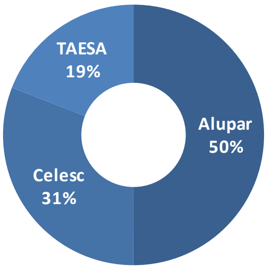
SCGÁS S.A. | CAPEX

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Distribution Grid	**3,2**	**6,2**	***92,7%***	**23,0**	**16,7**	***-27,2%***
Expansion	1,7	4,1	*140,1%*	16,4	9,8	*-40,1%*
Expenses Management Projects	1,3	1,6	*21,0%*	5,1	5,5	*8,0%*
Basic Projects	0,2	0,5	*154,7%*	1,5	1,4	*-4,5%*
Other	**1,8**	**0,2**	***-87,2%***	**4,7**	**2,7**	***-42%***
Total	**5,0**	**6,4**	***27,3%***	**27,7**	**19,5**	***-29,7%***


CAPEX SCGÁS (R$ MM)
Distribuição
2,6
38,2
2,1
26,6
1,7
19,0
4,7
23,0
2,7
16,7
1,8
3,2
0,2
6,2
2014
2015
2016
2017
2018
4T17
4T18

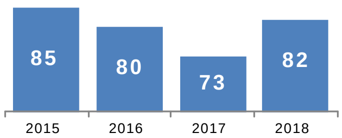
2.4 – Other Stakes (financial data equivalent to 100% of the earnings of each investee)

Ativo	Pat. Liq.	Dív. Liq.
• R$ 504MM	• R$ 209MM	• R$ 148MM

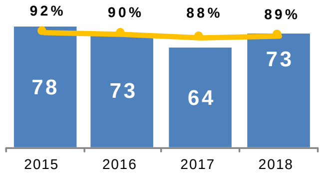


Constituída em 2000, detém 30 anos de concessão para explorar a Linha de Transmissão SE Campos Novos – SE Blumenau, com 252,5km de extensão. Criou a subsidiária integral ETSE para gerir novas linhas de transmissão, com concessão de 30 anos (leilão conquistado em Dez/2011).

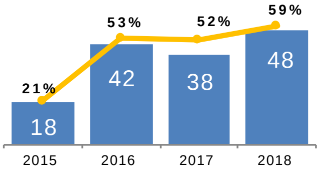
Receita Operacional Líquida (R$ MM)
Exclui Receita de Construção



EBITDA (R$ MM) **e Marg EBITDA** (%)

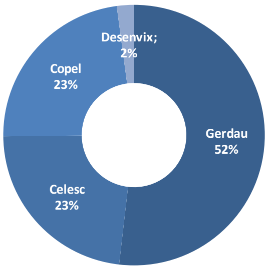


Lucro Líquido (R$ MM) **e Marg Líq** (%)



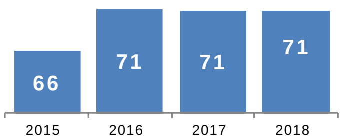
Dona Francisca Energética S.A. DFESA

Ativo	Pat. Liq.	Dív. Liq.
• R$ 134 MM	• R$ 126 MM	• R$ 0 MM • *caixa líquido

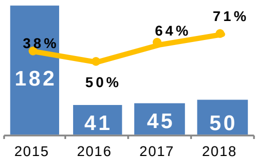


Produtora independente de energia elétrica, constituída em 1998, detém concessão de 35 anos da Usina Hidrelétrica Dona Francisca. Está localizada no Rio Jacuí (RS) com capacidade instalada de 125MW e energia assegurada de 80 MW

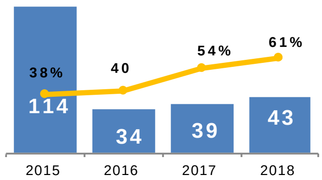
Receita Operacional Líquida (R$ MM)



EBITDA (R$ MM) **e Marg EBITDA** (%)

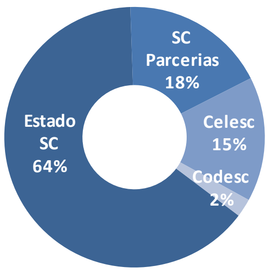


Lucro Líquido (R$ MM) **e Marg Líq** (%)



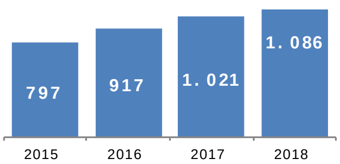
casan

Ativo	Pat. Liq.	Dív Liq.
• R$ 3.327 MM	• R$ 1.246 MM	• R$ 1.154 MM

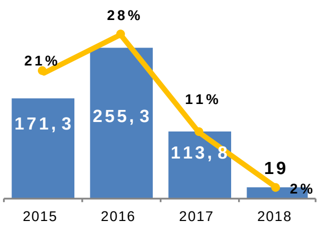


Opera serviços de água e esgoto para uma população de 2,7 milhões de habitantes mediante contratos de concessão firmados com 194 municípios no Estado de Santa Catarina e 01 município no Estado do Paraná.

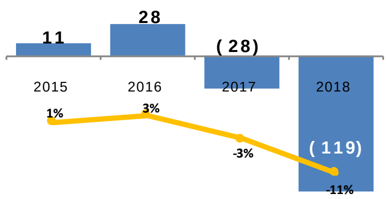
Receita Operacional Líquida (R$ MM)



EBITDA (R$ MM) **e Marg EBITDA** (%)



Lucro Líquido (R$ MM) **e Marg Líq** (%)



2.5 – Holding

2.5.1 – Earnings from the Corporate Stakes in the Parent Company

Holding | Equity Result

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Celesc Distribuição (100%)	(10,3)	(27,0)	162,7%	33,3	121,5	264,4%
Celesc Geração (100%)	16,6	8,3	-50,3%	49,0	51,2	4,7%
SCGÁS (17%)	(1,7)	1,7	-130,2%	(7,8)	(3,6)	-128,4%
ECTE (30,9%)	3,0	3,8	27,1%	11,7	13,0	10,4%
DFESA (23%)	2,4	2,5	5,6%	8,9	10,0	12,7%
Equity Result	**9,9**	**(10,7)**	***-207,9%***	**95,1**	**192,1**	***102,1%***

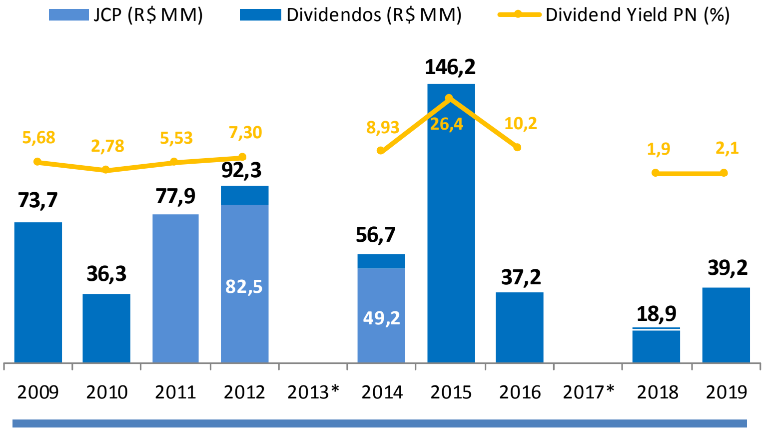
2.5.2 – Dividends

In accordance with the Notice to Shareholders - Payment of Dividends as of May 4, 2018, the dividends for the 2017 fiscal year, totaling R$18.9 million, will be paid in two installments: 1) the first installment, totaling R$9.45 million, was made available to shareholders on June 29, 2018, paying dividends of R$0.23177562 per common share and R$0.254953185 per preferred share; 2) the second installment, also totaling R$9.45 million, were made available to shareholders on December 28, 2018, with dividends paid in R$0.23177562 per common share and R$0.254953185 per preferred share. The Company's shareholders who held a shareholding position as of April 30, 2018 are entitled to the dividends.

The Management proposes to distribute to the shareholders the amount of R$39.2 million referring to the fiscal year of 2018, to be resolved on April 30, 2019 at the Annual Shareholders' Meeting. The earnings proposed are of R$0.95887988 per common share (CLSC3) and R$1.05476787 per preferred share (CLSC4).

Since 2009, the Company has implemented a payout (percentage of net profit distribution) equal to 30%, 5 percentage points above the statutory minimum, following the current dividend distribution policy approved in the Master Plan. With the 2nd issue of Debentures of Celesc Geração, the distribution of dividends will be subject to the limit of 25%, given that one of the covenants established in the agreement sets that the Trustee, Celesc Holding, is limited to make the distribution as established under the terms of article 202 of the Brazilian Corporation Law.

The graph below shows the earnings history, as well as the dividend-yield ratio provided to the Company's holders of preferred shares CLSC4.



*Não houve distribuição em 2013 e 2017 em função do prejuízo apurado em 2012 de R$ 225MM e 2016 de R$ 9MM.

2.6 – Consolidated

2.6.1 – Consolidated Economic-Financial Performance

Consolidated | Main Financial Indicators

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Gross Operating Revenue	**3.161,2**	**2.937,1**	***-7,1%***	**11.454,7**	**12.518,8**	***9,3%***
Deductions from Operating Revenue	(1.195,0)	(1.245,3)	*4,2%*	(4.377,8)	(4.854,3)	*10,9%*
Net Revenue	**1.966,2**	**1.691,8**	***-14,0%***	**7.076,9**	**7.664,5**	***8,3%***
Operating Costs and Expenses	(1.934,9)	(1.653,7)	*-14,5%*	(6.781,3)	(7.288,6)	*7,5%*
Equity Result	**2,1**	**7,8**	***280,5%***	**9,6**	**19,7**	***106,0%***
Operating Results	**33,4**	**46,0**	***37,7%***	**305,2**	**395,7**	***29,6%***
EBITDA	**88,3**	**100,2**	***13,6%***	**523,2**	**610,6**	***16,7%***
EBITDA Margin (%)	*4,8%*	*6,5%*		*7,9%*	*8,5%*	
Financial Result	**(1,9)**	**(65,1)**	***-3242,2%***	**(149,0)**	**(108,5)**	***27,2%***
Tax and Social Contribution	(26,5)	1,9		(89,7)	(122,2)	
Net Profit / Losses	**4,9**	**(17,3)**	***-449,1%***	**66,5**	**165,0**	***148,2%***
Net Margin(%)	*0,3%*	*-1,1%*		*1,0%*	*2,3%*	
Depreciation /Amortization	**(54,9)**	**(54,3)**	***-1,1%***	**(218,0)**	**(214,9)**	***-1,4%***
Costruction Costs	**138,9**	**145,4**	***4,7%***	**441,0**	**453,4**	***2,8%***

Among other factors that contributed to the growth of the Net Income of 148.2% in the year, the following stand out:

i. GOR growth by 9.3% in 2018 due to the 2.7% increase in the amount of energy billed in the subsidiary Celesc Distribuição;
ii. Positive performance of the subsidiary Celesc Geração, as addressed in the respective topic;
iii. Increase of 106% in the quarter for equity interest results (SCGás, DFESA, ECTE and SPEs of Celesc Geração).

Considering the adjustments in the subsidiary Celesc Distribuição arising from the non-recurring items in the consolidated result and the adjustments in subsidiary G, resulting from provisions and reversals of losses on property, plant and equipment and on investments in interests, EBITDA and Adjusted Income totaled R$125.3 million in the quarter (R$641.9 million in the year) and R$39.2 million in the quarter (R$225.6 million in the year), respectively.

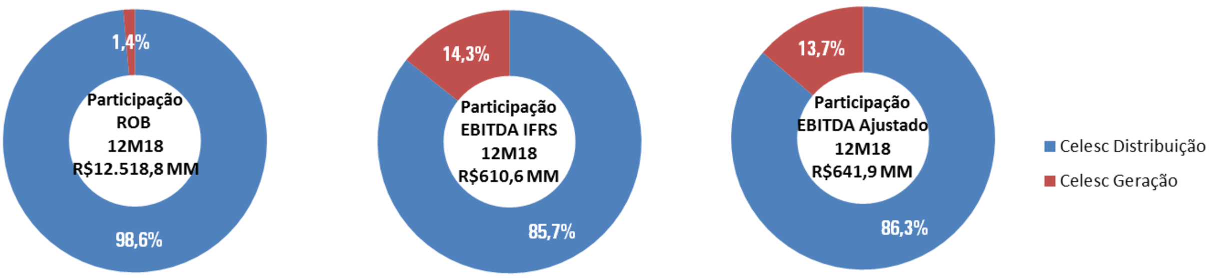
Consolidated | Adjusted Result*

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Adjusted EBITDA	132,2	125,3	*-5,2%*	545,7	641,9	*17,6%*
Adjusted EBITDA Margin, excluding Construction Reve	*7,2%*	*8,1%*		*8,2%*	*8,9%*	
Adjusted Net Profit / Loss	20,1	39,2	*94,7%*	176,9	225,6	*27,6%*
Adjusted Net Margin, excluding Construction Revenue	*1,1%*	*2,5%*		*2,7%*	*3,1%*	

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

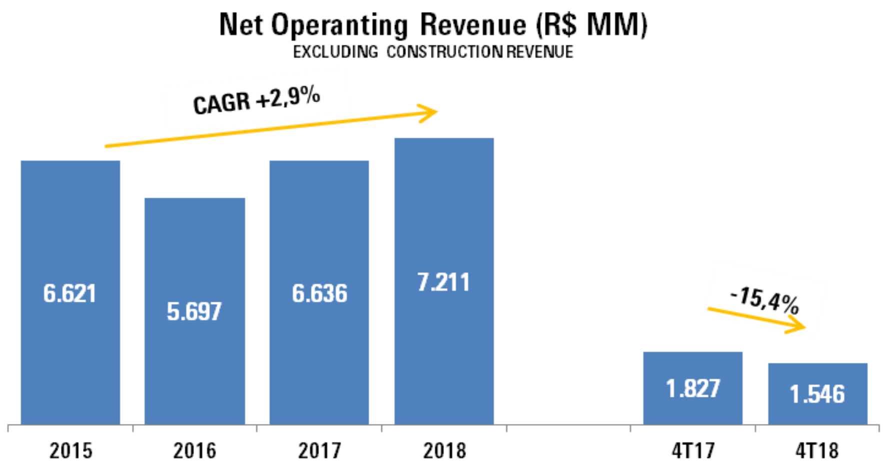
Gross Operating Revenue – ROB and Share in the Consolidated EBITDA

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



Consolidated Net Operating Revenue

The graph below shows the ROL development, disregarding the effects of construction revenue.



Consolidated Operating Costs and Expenses

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
OPERATING COSTS AND EXPENSES	**(1.934,9)**	**(1.653,7)**	***-14,5%***	**(6.781,3)**	**(7.288,6)**	***7,5%***
Electric Energy Costs	**(1.384,8)**	**(1.172,8)**	***-15,3%***	**(5.044,9)**	**(5.672,8)**	***12,4%***
Electric Energy purchased for Relase	(1.384,8)	(1.172,8)	*-15,3%*	(5.044,9)	(5.672,8)	*12,4%*
PMSO	**(404,8)**	**(335,7)**	***-17,1%***	**(1.022,6)**	**(934,3)**	***-8,6%***
Personnel and Management	(278,5)	(242,7)	*-12,9%*	(781,5)	(700,3)	*-10,4%*
Material	(4,4)	(4,9)	*12,4%*	(16,2)	(15,5)	*-4,7%*
Third Parties Services	(54,1)	(60,6)	*11,9%*	(190,1)	(214,6)	*12,9%*
Other Expenses	(67,8)	(27,5)	*-59%*	(34,7)	(4,0)	*-88,6%*
Net provisions	**48,5**	**54,5**	***12%***	**(54,8)**	**(13,1)**	***-76%***
Depreciation / Amortization	**(54,9)**	**(54,3)**	***-1%***	**(218,0)**	**(214,9)**	***-1,4%***
Costruction Costs	**(138,9)**	**(145,4)**	***4,7%***	**(441,0)**	**(453,4)**	***2,8%***

* Since 4Q14 Release, the item "Net Provisions" w as excluded in the PMSO calculation show in the table above.

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

Consolidated | Personnel Expenses

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Personnel - Total	**(278,5)**	**(242,7)**	***-12,9%***	**(781,5)**	**(700,3)**	***-10,4%***
Personnel and Management	(260,4)	(235,0)	*-9,8%*	(708,5)	(673,2)	*-5,0%*
Personnel and Management	(250,0)	(225,2)	-9,9%	(677,7)	(642,3)	-5,2%
Private Pension	(10,5)	(9,8)	-6,4%	(30,8)	(30,9)	0,5%
Actuarial Expenses	(18,1)	(7,7)	*-57,5%*	(73,0)	(27,1)	*-62,9%*

Equity in Earnings

The table below reflects the Celesc Consolidated Earnings of the SCGÁS, ECTE, Dona Francisca Energética - DFESA and the SPEs earnings in which Celesc Geração holds a minority interest, as previously mentioned. The main information on variations can be found in the specific topics.

Consolidated | Equity Result

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
SCGÁS (17%)	(1,7)	1,7	198,6%	(7,8)	(3,6)	-54,0%
ECTE (30,9%)	3,0	3,8	27,1%	11,7	13,0	10,4%
DFESA (23%)	2,4	2,5	5,6%	8,9	10,0	12,7%
SPEs - Celesc Geração	(1,6)	(0,2)	-87,0%	(3,2)	0,4	111,1%
Equity Result	**2,1**	**7,8**	***280,8%***	**9,6**	**19,7**	***106,1%***

EBITDA and Adjusted EBITDA

IFRS EBITDA Consolidated + Regulatory Assets and Liabilities - Non-Recurring

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Profit / Loss Net	**4,9**	**(17,3)**	***449,1%***	**66,5**	**165,0**	***148%***
(+) Income Tax and Social Contribution	(26,5)	1,9		(89,7)	(122,2)	
(+) Financial Result	(1,9)	(65,1)		(149,0)	(108,5)	
(+) Depreciation and Amortization	(54,9)	(54,3)		(218,0)	(214,9)	
EBITDA	**88,3**	**100,2**	**13,6%**	**523,2**	**610,6**	**16,7%**
(=) Adjusted EBITDA by Regulatory Assets and Liabilities	**88,3**	**100,2**	**13,6%**	**523,2**	**610,6**	**16,7%**
Celesc Distribuicao | Non-Recurring Effects	(47,0)	(24,2)		(25,5)	(30,5)	
Celesc Geração | SHPs Impairment Test	3,1	(0,8)		3,1	(0,8)	
(=) Adjusted EBITDA by Non-Recurring Effects	**132,2**	**125,3**	**-5,2%**	**545,7**	**641,9**	**17,6%**
EBITDA Margin without Adjustments (IFRS)	*4,8%*	*6,5%*		*7,9%*	*8,5%*	
Adjusted EBITDA Margin, excluding Construction Revenue (%)	*7,2%*	*8,1%*		*8,2%*	*8,9%*	

Financial Result

Consolidated | Financial Results Statement

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Financial Income	**64,8**	**62,4**	***-3,7%***	**297,3**	**244,9**	***-17,6%***
Interest Income	10,3	4,3	*-57,9%*	82,6	17,3	*-79%*
Monetary Variation	12,4	11,6	*-7%*	26,2	28,7	*9,3%*
Interest and Arrears on Invoices	26,3	25,1	*-4,7%*	109,8	93,3	*-15,0%*
Financial Incentive - Social Fund	0,5	14,7	*3150,6%*	12,7	16,5	*30,7%*
Monetary Devaluation on Energy Sold	8,2	0,0	*-99,8%*	50,8	96,1	*89%*
Dividend income	0,0	0,0		0,0	0,0	
Financial Revenue - VNR	0,0	0,0		0,0	0,0	
Other Revenue	6,3	(2,2)	*-134,2%*	12,3	(6,9)	*-156,3%*
Financial Expenses	**(66,8)**	**(127,5)**	***91%***	**(446,3)**	**(353,4)**	***-20,8%***
Debt Charges	(13,9)	(29,2)	*110%*	(66,4)	(90,0)	*35,4%*
Monetary Variation	(3,3)	(19,5)	*484%*	(10,4)	(49,3)	*374,9%*
Adjustment of R&D and Energy Efficiency	(4,3)	(4,5)	*4,8%*	(23,1)	(16,5)	*-28,6%*
Interest on Debentures	(10,9)	(10,5)	*-3,6%*	(46,6)	(32,4)	*-30%*
Financial Expense - VNR	0,0	0,0	*0,0%*	0,0	0,0	*0%*
Other Expenses	(4,9)	11,0	*325,7%*	(24,8)	(4,1)	*-83,3%*
Net Financial Results	**(1,9)**	**(65,1)**	***3243,2%***	**(149,0)**	**(108,5)**	***-27,2%***

Consolidated Net Profit

IFRS EBITDA Consolidated + Regulatory Assets and Liabilities - Non-Recurring

R$ Million	4nd Quarter			Accumulated 12 Months		
	2017	2018	Δ	2017	2018	Δ
Profit / Loss Net	**4,9**	**(17,3)**	***449,1%***	**66,5**	**165,0**	***148%***
(+) Income Tax and Social Contribution	(26,5)	1,9		(89,7)	(122,2)	
(+) Financial Result	(1,9)	(65,1)		(149,0)	(108,5)	
(+) Depreciation and Amortization	(54,9)	(54,3)		(218,0)	(214,9)	
EBITDA	**88,3**	**100,2**	**13,6%**	**523,2**	**610,6**	**16,7%**
(=) Adjusted EBITDA by Regulatory Assets and Liabilities	**88,3**	**100,2**	**13,6%**	**523,2**	**610,6**	**16,7%**
Celesc Distribuicao | Non-Recurring Effects	(47,0)	(24,2)		(25,5)	(30,5)	
Celesc Geração | SHPs Impairment Test	3,1	(0,8)		3,1	(0,8)	
(=) Adjusted EBITDA by Non-Recurring Effects	**132,2**	**125,3**	**-5,2%**	**545,7**	**641,9**	**17,6%**
EBITDA Margin without Adjustments (IFRS)	*4,8%*	*6,5%*		*7,9%*	*8,5%*	
Adjusted EBITDA Margin, excluding Construction Revenue (%)	*7,2%*	*8,1%*		*8,2%*	*8,9%*	

Indebtedness

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

Consolidated | Debt

Financial Debt 4Q18			
R$ Million	in December 31, 2017	in December 31, 2018	Δ
Short-Term Debt	340,4	452,5	32,9%
Long-Term Debt	142,3	967,6	580,0%
Total Debt	**482,7**	**1.420,1**	**194,2%**
(-) Cash and Cash equivalents	**564,6**	**698,1**	23,6%
Net Debt	**(81,9)**	**722,0**	**-981,4%**
Net Debt / EBITDA LTM	**-0,2x**	**1,2x**	
Net Debt / Ajusted EBITDA LTM	**-0,2x**	**1,1x**	
Net Debt / Equity	**0,0x**	**0,4x**	

Consolidado | Endividamento

Dívida Financeira 3T18			
R$ Milhões	em 31 de Dezembro de 2017	em 31 de Dezembro de 2018	Δ
Dívida de Curto Prazo	340,4	452,5	32,9%
Dívida Longo Prazo	142,3	967,6	580,0%
Dívida Financeira Total	**482,7**	**1.420,1**	**194,2%**
(-) Caixa e Equivalentes de Caixa	**564,6**	**698,1**	23,6%
Dívida Financeira Líquida	**(81,9)**	**722,0**	**-981,4%**
Dívida Fin. Líquida / EBITDA 12M	**-0,2x**	**1,2x**	
Dívida Fin. Líquida / EBITDA Ajust. 12M	**-0,2x**	**1,1x**	
Dívida Fin. Líquida / Patrimônio Líquido	**0,0x**	**0,4x**	

The table below shows the Social Security Obligations (Actuarial Obligations).

Consolidado | Endividamento + Passivo Atuarial

Dívida Financeira + Benefícios Pós-Emprego 3T18			
R$ Milhões	em 31 de Dezembro de 2017	em 31 de Dezembro de 2018	Δ
Dívida de Curto Prazo	340,4	452,5	32,9%
Dívida Longo Prazo	142,3	967,6	580,0%
Dívida Financeira Total	**482,7**	**1.420,1**	**194,2%**
(+) Passívo Atuarial Líquido	**1.364,5**	**1.431,4**	**4,9%**
Obrigações com Pensão	1.179,8	1.024,3	-13,2%
Outros benefícios a empregados	698,1	980,6	40,5%
(-) IR/CSLL diferidos[1]	513,5	573,4	11,7%
(-) Caixa e Equivalentes de Caixa	**564,6**	698,1	23,6%
Dívida Líquida Ajustada	**1.282,5**	**2.153,4**	**67,9%**
Dívida Líquida Ajust. / EBITDA 12M	**2,5x**	**3,5x**	
Dívida Líquida Ajust. / EBITDA Ajust. 12M	**2,4x**	**3,4x**	
Dívida Total Ajust./ Patrimônio Líquido	**1,0x**	**1,6x**	
Dívida Líquida Ajust. / Patrimônio Líquido	**0,7x**	**1,2x**	

[1] DF 2018, Nota Explicativa 20.a

Centrais Elétricas de Santa Catarina S.A. – CELESC ratings

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

Fitch Ratings, on December 26, 2018, assigned the National Long-Term Rating 'AA (bra)' to Centrais Elétricas de Santa Catarina S.A.

Group's Investments

Grupo Celesc | Investimentos Realizados no Período

R$ Milhões	4º Trimestre			Acumulado 12 Meses		
	2017	2018	Δ	2017	2018	Δ
Geração de Energia Elétrica	6,4	5,1	*-20,2%*	16,1	19,1	*18,1%*
Distribuição de Energia Elétrica	154,4	156,1	*1,1%*	473,2	487,0	*2,9%*
Total	**160,8**	**161,2**	**0,2%**	**489,4**	**506,0**	**3,4%**

For 2019, the consolidated investment budget totals R$595.3 million, of which R$531.7 million in Electricity Distribution, R$55.6 million in Electricity Generation and R$8 million in New Businesses.

3 – Performance in the Capital Market

Celesc's shares are traded on the BM&FBOVESPA under the codes CLSC3 (15,527,137 ordinary shares - ON, 40.26%) and CLSC4 (23,044,454 preferred shares - PN, 59.74%). Since it joined 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 10.77% in the quarter and 15.03% in the accumulated index of twelve months. The Electricity Index (IEE), which measures the behavior of the main shares of the electricity sector, increased by 25.2% in the quarter and by 24.0% in the last twelve months. Even in this scenario, the Company's Preferred Shares - PN had a positive performance of 59.38% in the quarter and 87.2% in the last twelve months.

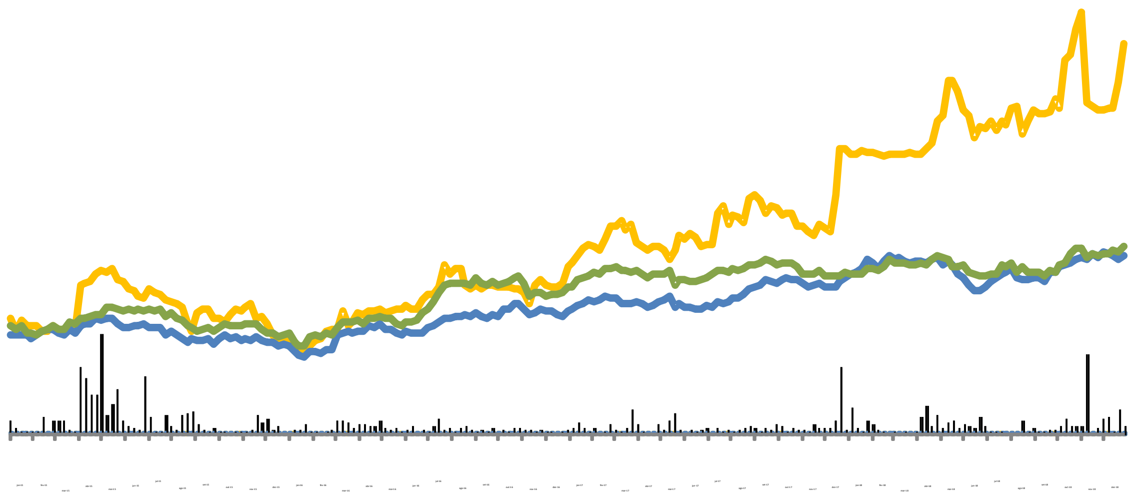
Monitoring CLSC4	4Q17	1Q19	2Q19	3Q19	4Q19
Closing Price (R$/share)	27,10	26,60	28,50	31,30	49,87
Price / Earnings	15,7x	28,5x	5,3x	4,8x	4,3x
Price / Book Value	0,5x	0,6x	0,5x	0,6x	0,9x
Average Traded Volume (Thousand shares)	16	8	13	4	788,0
Average Traded Volume (R$ Thousand)	358	206	379	125	326
Market Cap (R$ Million)	1090	1158	1099	1176	1863
Market Cap (US$ Million)	330,0	353	285	290	480
Profitability (%)	26,10	-1,84	8,90	9,79	59,38
Profitability last 12 months (%)	70,55	45,43	61,11	48,15	87,2
Profitability Ibovespa (%)	2,84	11,73	-14,76	9,04	10,77
Profitability Ibovespa last 12 months (%)	26,86	31,36	15,68	6,79	15,03
Profitability IEE (%)	-3,81	4,31	-6,96	2,00	25,20
Profitability IEE last 12 months (%)	10,04	3,36	1,22	-4,73	24

Source: Economática

In the fourth quarter of 2018, EDP Energias do Brasil acquired 1,518,000 preferred shares (CLSC4) of the Company, substantially influencing the average volume traded in the quarter.

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

CLSC4 - IBOV - IEE - EVOLUTION JANUARY 2015 -DECEMBER 2018



4 - Acknowledgment

IASC/ANEEL Award - Evaluation of Quality Perceived by Consumers

ANEEL published on February 1, 2018 the winning distributors of the 2017 Iasc 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 Distribuição was chosen as the second best distributor in Brazil in consumer assessment, only behind Copel D, with a perceived quality rate of 74.43%, compared to a national average of 63.66%. In terms of satisfaction, Celesc Distribuição reached 73.90%, against 63.16% of the Brazilian average. Regarding confidence, Celesc reached 71.63%, compared to 62.27% of the national average and 43.21% of loyalty, in exchange for 37.20% of the national average.

CIER Quality Award

Celesc Distribuição won the Silver category of the CIER Quality Award, which measured customer satisfaction among 53 companies from 14 Latin American countries, with more than 500,000 consumers, and for the third consecutive year, the Company ranked among the three best companies in the region, in the annual evaluation carried out by the Regional Energy Integration Commission (CIER).

ABRADEE Award

Celesc Distribuição achieved 84.3% of consumer satisfaction (against a national average of 76%) among companies with more than 500,000 customers and ranked in 5th place. In the other indicators of the Award, the Company achieved the 5th place in Technical Losses and Non-compliance (Operational Management category), 1st place in the Debt Coverage indicator (Economic and Financial Management category), 7th in the Social Responsibility category and, in addition, it climbed five positions in the Quality of Management category, ranking in 13th. Overall, it was ranked 11th among 32 participating companies in the category above 500 thousand consumers.

Quality of ANEEL Telephone Service

The Quality of Telephone Service is regulated by ANEEL through articles 183 to 191 of the General Conditions of Supply (Normative Resolution 414/2010), complying with the provisions of Decree No. 6,523, dated from July 31, 2008, and by Ordinance No. 2,014, from October 13, 2008, which set standards for the Customer Service - SAC.

For the second consecutive year, Celesc Distribuição ranked first in the ranking of the National Electricity Agency (ANEEL), in terms of telephone service, among the distributors that serve more than 500 thousand consumer units. With Service Level Indicator (INS) — which is the percentage of calls answered within 30 seconds in relation to total calls received in typical periods — of 97.80%, in relation to the target set by the regulatory agency, which is at least 85%.

“Expressão Ecologia” Award

In the area of social environmental responsibility, the “Banho de Energia”, project developed in the mountainous region by the Energy Efficiency Program, was one of the winners of the 25th “Expressão Ecologia” Award and was delivered during the Sustainable Management Forum of 2018, held in Florianópolis.

Fritz Müller Award

On November 6, the Company won the Air Pollution Control category of the 20th Fritz Müller Award for the installation of one of the largest electric corridors in operation in Brazil (300 km in length), a project developed in partnership with Fundação Certi.

ANNEXES

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

CONSOLIDATED BALANCE SHEET

In R$ '000

Assets	12/31/2017	12/31/2018
Current		
Cash and Cash Equivalents	564.594	698.060
Accounts Receivable	1.399.563	1.592.693
Inventory	9.732	8.636
Taxes to be Recovered / Compensated	75.831	63.264
Dividends	9.045	89
Financial Assets - "Portion A" - CVA	30.277	258.170
Other Assets	1.783.575	1.732.508
	3.872.617	**4.353.420**
Non-Current		
Financial Investments	137.478	137.478
Accounts Receivable	35.380	51.634
Related Parties	6.622	3.092
Deferred Taxes	641.806	712.532
Taxes to be Recovered / Compensated	19.440	21.092
Judicial Deposits	161.430	170.350
Indemnity Assets - Concession	397.355	441.030
Financial Assets - "Portion A" - CVA	241.886	276.107
Other Assets	3.524	2.725
Investments	216.481	228.663
Fixed Assets	151.672	160.066
Intangible Assets	3.174.561	3.296.556
	5.187.635	**5.501.325**
Total Assets	**9.060.252**	**9.854.745**

Liabilities and Shareholders' Equity	12/31/2017	12/31/2018
Current		
Suppliers	831.582	1.006.854
Loans	88.057	321.089
Debentures	252.333	131.389
Wages and Social Charges	200.623	208.503
Taxes and Social Contributions	208.823	223.897
Proposed Dividends	16.301	39.524
Regulatory Fees	2.677.615	2.269.327
Related Parties	19.732	15.763
Actuarial Liabilities	139.305	162.776
Financial Liabilities - "Portion A" - CVA	4.638	-
Other Liabilities	47.658	59.856
	4.486.667	**4.438.978**
Non-Current		
Loans	42.409	597.712
Debentures	99.883	369.873
Wages and Social Charges	41.060	46.988
Deferred Taxes	9.613	10.144
Regulatory Fees	156.610	105.948
Provision for Contingencies	618.934	639.573
Actuarial Liabilities	1.738.673	1.842.197
Other Liabilities - "Portion A" - CVA	21.689	-
Other Liabilities	2.476	2.476
	2.731.347	**3.614.911**
	7.218.014	**8.053.889**
Shareholders' Equity		
Capital	1.340.000	1.340.000
Capital Reserves	316	316
Profit Reserves	1.189.031	1.302.766
Equity Valuation Adjustments	(687.109)	(842.226)
Accumulated Profit / Loss	-	-
	1.842.238	**1.800.856**
Total Liabilities and Shareholders' Equity	**9.060.252**	**9.854.745**

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

CONSOLIDATED INCOME STATEMENT			In R$ '000			Em R$ Mil
	4Q17	4Q18	Var %	12M17	12M18	Var %
Gross Operating Revenue	**3.161.215**	**2.937.089**	**-7,1%**	**11.454.728**	**12.518.824**	**9,3%**
Electricity Provision	1.710.017	1.885.373	10,3%	6.217.354	6.928.567	11,4%
Electricity Supply	82.497	95.689	16,0%	322.275	390.074	21,0%
Regulatory Assets	190.000	(246.549)	-229,8%	473.134	322.064	-31,9%
Short-Term Energy	111.626	(5.574)	-105,0%	481.021	389.309	-19,1%
Electric Grid Availability	727.489	864.758	18,9%	2.835.991	3.187.315	12,4%
Donations and Subventions	185.044	183.774	-0,7%	624.883	785.091	25,6%
Income from Services Provided	761	725	-4,7%	2.595	2.664	2,7%
Taxed Services	3.351	4.058	21,1%	13.314	15.617	17,3%
Financial Revenue	10.619	9.050	-14,8%	40.808	41.366	1,4%
Other Revenue	927	379	-59,1%	2.328	3.392	45,7%
Construction Revenue	**138.884**	**145.406**	4,7%	**441.025**	**453.365**	2,8%
Deductions from Operating Revenue	**(1.195.021)**	**(1.245.260)**	**4,2%**	**(4.377.792)**	**(4.854.280)**	**10,9%**
ICMS	(502.980)	(568.851)	13,1%	(1.901.511)	(2.124.182)	11,7%
PIS/COFINS	(267.473)	(256.566)	-4,1%	(989.139)	(1.108.762)	12,1%
CDE	(280.007)	(451.477)	61,2%	(1.133.196)	(1.533.122)	35,3%
R&D	(9.178)	(7.796)	-15,1%	(33.314)	(36.255)	8,8%
PEE	(8.976)	(7.577)	-15,6%	(32.522)	(35.327)	8,6%
ANEEL Regulatory Surveillance Rate	(1.724)	(1.810)	5,0%	(6.886)	(7.043)	2,3%
Other Charges	(124.683)	48.817	139,2%	(281.224)	(9.589)	-96,6%
Net Operating Revenue	**1.966.194**	**1.691.829**	**-14,0%**	**7.076.936**	**7.664.544**	**8,3%**
Operating Costs and Expenses	**(1.934.870)**	**(1.653.685)**	**-14,5%**	**(6.781.302)**	**(7.288.561)**	**7,5%**
Energy Purchased for Resale and Charges	(1.384.785)	(1.172.775)	-15,3%	(5.044.881)	(5.672.845)	12,4%
Personnel and Administrators	(260.449)	(235.021)	-9,8%	(708.480)	(673.238)	-5,0%
Actuarial Expenses	(18.081)	(7.683)	-57,5%	(73.047)	(27.067)	-62,9%
Material	(4.391)	(4.935)	12,4%	(16.223)	(15.458)	-4,7%
Third Party Services	(54.102)	(60.561)	11,9%	(190.140)	(214.576)	12,9%
Depreciation and Amoritization	(54.892)	(54.267)	-1,1%	(218.046)	(214.915)	-1,4%
Provisions for PCLD	(43.088)	(8.567)	-80,1%	(108.707)	(53.127)	-51,1%
Reversal of PCLD Provisions	49.744	1.857	-96,3%	54.540	6.695	-87,7%
Other Provisions	(32.500)	(27.790)	-14,5%	(107.467)	(82.771)	-23,0%
Reversal of Other Provisions	74.368	89.011	19,7%	106.864	116.065	8,6%
ANEEL Regulatory Surveillance Rate	-	-		-	-	
Other Revenue / Expenses	(67.810)	(27.548)	-59,4%	(34.690)	(3.959)	-88,6%
Construction Costs	(138.884)	(145.406)	**4,7%**	(441.025)	(453.365)	2,8%
Equity in Earnings	**4.550**	**6.194**	**36,1%**	**9.563**	**19.697**	**106,0%**
Result of Activities - EBIT	**35.874**	**44.338**	**23,6%**	**305.197**	**395.680**	**29,6%**
Activities Margin (%)	1,8%	2,6%		4,3%	5,2%	
EBITDA (R$ '000)	**90.766**	**98.605**	**8,6%**	**523.243**	**610.595**	**16,7%**
EBITDA Margin (%)	4,6%	5,8%		7,4%	8,0%	
Financial Result	**(1.948)**	**(65.106)**	**-3242,2%**	**(149.041)**	**(108.493)**	**27,2%**
Financial Revenue	64.824	62.434	-3,7%	297.306	244.943	-17,6%
Financial Expenses	(66.772)	(127.540)	91,0%	(446.347)	(353.436)	-20,8%
LAIR	**33.926**	**(20.768)**	**-161,2%**	**156.156**	**287.187**	**83,9%**
Income Tax and CSLL	(41.209)	1.771	104,3%	(68.395)	(107.727)	57,5%
Income Tax and Deferred CSLL	14.720	99	-99,3%	(21.276)	(14.428)	-32,2%
Net Profit	**7.437**	**(18.898)**	**-354,1%**	**66.485**	**165.032**	**148,2%**
Net Margin (%)	**0,4%**	**-1,1%**		**0,9%**	**2,2%**	

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

CONSOLIDATED CASH FLOW STATEMENT (DFC) In R$ '000

	12M17	12M18
Profit / Loss before Income Tax and Social Contribution	**156.156**	**287.187**
Adjustments	**477.668**	**472.296**
Depreciation and Amortization	218.046	214.916
Settled Indemnity Assets	856	899
Write-off in Fixed Assets and Intangible Assets	53.695	45.655
Equity in Earnings	(9.563)	(19.697)
Financial Assets Update - VNR	(2.328)	(3.392)
Reserve (Reversal) for Recognition of Impairments	(3.092)	(4.406)
Gains or Losses in Subsidiaries (Assets)	-	5.217
Interest and Monetary Variations	112.833	180.332
Monetary Update of Granted Bonuses	(40.808)	(41.366)
Other Investment Adjustments	-	-
Provision for Actuarial Liabilities	73.047	27.067
Provision for Doubtful Accounts	54.167	46.432
Provisions for Losses	-	-
Contingencies	20.815	20.639
Variations in Assets and Liabilities	**(162.181)**	**(962.115)**
Accounts Receivable	(187.508)	(271.972)
Inventory	274	1.096
Taxes to be Recovered	44.475	10.915
Other Assets	(105.006)	9.348
Subsidy Decree No. 7.891/2013	(303.171)	21.909
Financial Assets	(381.977)	(193.817)
Judical Deposits	(37.094)	(8.920)
Suppliers	206.482	175.272
Wages and Social Charges	32.757	13.808
Taxes Payable	57.601	23.389
Regulatory Fees	381.255	(521.467)
Financial Liabilities	288.746	(53.258)
Other Liabilities	1.120	8.231
Actuarial Liabilities	(160.135)	(176.649)
Cash from Operations	**471.643**	**(202.632)**
Income Tax and Social Contribution Payments	(75.689)	(116.042)
Interest Paid	(74.485)	(65.111)
Net Cash from Operating Activities	**321.469**	**(383.785)**
Cash from Investment Activities	**(371.561)**	**(396.653)**
Acquisition of Fixed and Intangible Assets	(389.643)	(406.439)
Capital Increase	(9.926)	(9.926)
Dividends Received	28.008	19.712
Cash Flow Financing Activities	**(302.778)**	**913.904**
Amortization of Loans	(201.765)	(254.268)
Incoming Loans	202	1.039.179
Incoming Debentures	-	394.292
Payment of Debentures	(99.990)	(249.990)
Dividends Paid	(1.225)	(15.309)
Total Effects from Cash and Cash Equivalents	**(352.870)**	**133.466**
Cash and Cash Equivalents Balance at the Beginning of the Period	**917.464**	**564.594**
Cash and Cash Equivalents Balance at the End of the Period	**564.594**	**698.060**

CELESC DISTRIBUIÇÃO S.A.

BALANCE SHEET

In R$ '000

Assets	12/31/2017	12/31/2018	Liabilities and Shareholders' Equity	12/31/2017	12/31/2018
Current			**Current**		
Cash and Cash Equivalents	462.466	631.262	Suppliers	828.637	1.003.457
Accounts Receivable from Customers	1.381.421	1.575.606	Loans and Financings	88.057	321.089
Inventory	9.549	8.488	Debentures	101.648	104.425
Taxes to be Recovered / Compensated	73.310	61.160	Wages and Social Charges	199.630	207.892
Subsidy Decree No. 7.891/2013	1.532.912	1.511.003	Taxes and Social Contributions	189.463	207.393
Financial Assets - "Portion A" - CVA	-	226.737	Proposed Dividends	7.919	28.859
Other Assets	252.561	223.040	Loan - Affiliated and Subsidiary	45.454	92.385
			Regulatory Fees	2.677.229	2.269.081
			Actuarial Liabilities	139.247	162.638
			Financial Liabilities - "Portion A" - CVA	4.638	-
			Private Social Security	19.732	15.763
			Other Liabilities	47.385	59.505
	3.712.219	**4.237.296**		**4.349.039**	**4.472.487**
Non-Current			**Non-Current**		
Accounts Receivable from Customers	35.380	51.634	Loans and Financings	42.409	597.712
Deferred Taxes	641.806	712.532	Debentures	99.883	248.018
Taxes to be Recovered / Compensated	18.217	19.319	Deferred Taxes	-	-
Judicial Deposits	143.465	150.318	Regulatory Fees	154.583	103.411
Indemnification Assets - Concession	394.934	438.609	Wages and Social Charges	41.060	46.988
Financial Assets - "Portion A" - CVA	-	26.522	Actuarial Liabilities	1.738.673	1.842.197
Other Assets	3.524	2.725	Provision for Contingencies	611.433	631.959
Intangible Assets	3.164.619	3.287.592	Financial Liabilities - "Portion A" - CVA	21.689	-
			Other Liabilities	2.476	2.476
	4.401.945	**4.689.251**		**2.712.206**	**3.472.761**
				7.061.245	**7.945.248**
			Shareholders' Equity		
			Capital	1.053.590	1.053.590
			Accumulated Profit / Loss	-	-
			Profit Reserves	704.067	785.641
			Equity Valuation Adjustments	(704.738)	(857.932)
				1.052.919	**981.299**
Total Assets	**8.114.164**	**8.926.547**	**Total Liabilities and Shareholders' Equity**	**8.114.164**	**8.926.547**

CELESC DISTRIBUIÇÃO S.A.

INCOME STATEMENT In R$ '000 Em R$ Mil

	4Q17	4Q18	Var %	12M17	12M18	Var %
Gross Operating Revenue	**3.123.825**	**2.898.822**	**-7,2%**	**11.296.115**	**12.346.296**	**9,3%**
Electricity Provision	1.700.544	1.875.972	10,3%	6.182.379	6.890.950	11,5%
Electricity Supply	64.611	75.288	16,5%	237.144	294.191	24,1%
Ativo Regulatório	190.000	(246.549)	-229,8%	473.134	322.064	-31,9%
Regulatory Assets	111.626	(5.574)	-105,0%	481.021	389.309	-19,1%
Short-Term Energy	728.077	865.343	18,9%	2.838.292	3.189.653	12,4%
Donations and Subventions	185.044	183.774	-0,7%	624.883	785.091	25,6%
Income from Services Provided	761	725	-4,7%	2.595	2.664	2,7%
Taxed Services	3.351	4.058	21,1%	13.314	15.617	17,3%
Other Revenue	927	379	-59,1%	2.328	3.392	45,7%
Construction Revenue	138.884	145.406	4,7%	441.025	453.365	2,8%
Deductions from Operating Revenue	**(1.191.503)**	**(1.241.187)**	**4,2%**	**(4.362.736)**	**(4.837.286)**	**10,9%**
ICMS	(502.980)	(568.851)	13,1%	(1.901.511)	(2.124.182)	11,7%
PIS/COFINS	(264.397)	(253.062)	-4,3%	(976.025)	(1.093.871)	12,1%
CDE	(280.007)	(451.477)	61,2%	(1.133.196)	(1.533.122)	35,3%
R&D	(8.976)	(7.577)	-15,6%	(32.522)	(35.327)	8,6%
PEE	(8.976)	(7.577)	-15,6%	(32.522)	(35.327)	8,6%
ANEEL Regulatory Surveillance Rate	(1.659)	(1.742)	5,0%	(6.572)	(6.775)	3,1%
Other Charges	(124.508)	49.099	139,4%	(280.388)	(8.682)	-96,9%
Net Operating Revenue	**1.932.322**	**1.657.635**	**-14,2%**	**6.933.379**	**7.509.010**	**8,3%**
Cost with Electricity	**(1.381.730)**	**(1.161.824)**	**-15,9%**	**(5.032.560)**	**(5.640.611)**	**12,1%**
Energy Purchased for Resale and Charges	(1.143.473)	(917.844)	-19,7%	(4.318.488)	(4.568.114)	5,8%
Transmission System Use Charges	(224.931)	(204.453)	-9,1%	(590.613)	(914.390)	54,8%
PROINFA	(36.710)	(39.527)	7,7%	(146.843)	(158.107)	7,7%
Recovery of Expenses	23.384	-	-100,0%	23.384	-	-100,0%
Operating Costs and Expenses	**(541.940)**	**(464.704)**	**-14,3%**	**(1.660.799)**	**(1.546.564)**	**-6,9%**
Personnel and Administrators	(250.746)	(226.673)	-9,6%	(666.667)	(639.833)	-4,0%
Actuarial Expenses	(18.081)	(7.683)	-57,5%	(73.047)	(27.067)	-62,9%
Material	(4.280)	(4.879)	14,0%	(15.963)	(15.078)	-5,5%
Third Party Services	(51.521)	(57.619)	11,8%	(179.741)	(202.730)	12,8%
Depreciation and Amoritization	(50.654)	(52.403)	3,5%	(200.322)	(207.338)	3,5%
Provisions for PCLD	(36.087)	(6.738)	-81,3%	(91.261)	(38.278)	-58,1%
Reversal of PCLD Provisions	38.467	1.797	-95,3%	43.263	5.499	-87,3%
Other Provisions	(21.258)	(17.865)	-16,0%	(94.070)	(72.719)	-22,7%
Reversal of Other Provisions	57.924	79.897	37,9%	90.420	106.937	18,3%
Other Revenue / Expenses	(66.820)	(27.132)	-59,4%	(32.386)	(2.592)	-92,0%
Construction Costs	(138.884)	(145.406)	4,7%	(441.025)	(453.365)	2,8%
Result of Activities - EBIT	**8.652**	**31.107**	**259,5%**	**240.020**	**321.835**	**34,1%**
Activities Margin (%)	0,4%	1,9%		3,5%	4,3%	
EBITDA	**59.306**	**83.510**	**40,8%**	**440.342**	**529.173**	**20,2%**
EBITDA Margin (%)	3,1%	5,0%		6,4%	7,0%	
Financial Result	**(1.225)**	**(64.066)**	**5129,9%**	**(143.307)**	**(103.947)**	**27,5%**
Financial Revenue	62.526	61.582	-1,5%	287.974	240.446	-16,5%
Financial Expenses	(63.751)	(125.648)	97,1%	(431.281)	(344.393)	-20,1%
LAIR	**7.427**	**(32.959)**	**-543,8%**	**96.713**	**217.888**	**125,3%**
Income Tax and CSLL	(35.634)	5.845	116,4%	(43.849)	(82.479)	
Income Tax and Deferred CSLL	17.925	100	-99,4%	(19.522)	(13.899)	
Net Profit	**(10.282)**	**(27.014)**	**162,7%**	**33.342**	**121.510**	**264,4%**
Net Margin (%)	**-0,5%**	**-1,6%**		**0,5%**	**1,6%**	

CELESC DISTRIBUIÇÃO S.A.		
CASH FLOW STATEMENT (DFC)		In R$ '000
	12M18	**3M19**
Profit / Loss before Income Tax and Social Contribution	**96.713**	**217.888**
Items with Non-Cash Effect	**727.300**	**504.910**
Amortization	200.322	207.338
Financial Assets Update - VNR	(2.328)	(3.392)
Provision for Doubtful Accounts - PCLD	47.998	32.778
Contingencies	20.770	20.526
Interest and Monetary Variations - Net	334.698	173.159
Debenture Costs	365	894
Provision for Post-Employment Benefits Plan	73.047	27.067
Asset Write-offs	52.428	46.540
Variations in Current and Non-Current Assets	**(977.486)**	**(428.844)**
Accounts Receivable from Customers	(199.849)	(259.372)
Inventory	285	1.061
Taxes to be Recovered	45.090	11.048
Judicial Deposits	(36.535)	(6.853)
Subsidy Decree No. 7.891/2013	(303.171)	21.909
Financial Assets	(412.438)	(226.328)
Other Assets	(70.868)	29.691
Variations in Current and Non-Current Liabilities	**575.836**	**(528.624)**
Suppliers	210.862	174.820
Wages and Social Charges	99.647	14.190
Taxes and Social Contributions	58.269	26.191
Regulatory Fees	144.110	(521.989)
Private Social Security	2.716	(3.969)
Actuarial Liabilities	(227.112)	(176.729)
Financial Liabilities	288.746	(53.258)
Other Liabilities	(1.402)	12.120
Cash from Operating Activities	**422.363**	**(234.670)**
Interest Paid	(55.489)	(52.152)
Interest and Charges Paid to Related Parties	-	(12.743)
Income Tax and Social Contribution Payments	(67.341)	(90.740)
Net Cash from Operating Activities	**299.533**	**(390.305)**
Cash from Investment Activities	**(416.401)**	**(417.134)**
Aquisition of Concession Assets	(416.401)	(417.134)
Cash from Financing Activities	**(301.553)**	**976.235**
Incoming Resources	202	1.286.412
Incoming Related Parties	-	150.000
Amortization of Loans and Financings	(301.755)	(354.258)
Dividends and Interest on Equity - JCP	-	(7.919)
Amortization w ith Related Parties	-	(98.000)
Total Effects from Cash and Cash Equivalents	**(418.421)**	**168.796**
Cash and Cash Equivalents Balance at the Beginning of the Period	**880.887**	**462.466**
Cash and Cash Equivalents Balance at the End of the Period	**462.466**	**631.262**

CELESC GERAÇÃO S.A.

BALANCE SHEET

In R$ '000

Assets	12/31/2017	12/31/2018
Current		
Cash and Cash Equivalents	77.080	50.035
Accounts Receivable	18.358	17.301
Inventory	30.277	31.433
Taxes to be Recovered / Compensated	466	179
Dividends and Interest on Equity	-	89
Inventory	183	148
Anticipated Expenses	175	134
Other Assets	73	25
	126.612	**99.344**
Non-Current		
Related Parties	45.942	92.873
Taxes to be Recovered / Compensated	1.223	1.773
Judicial Deposits	342	354
Financial Assets	241.886	249.585
Other Assets	2.421	2.421
Investments	51.058	56.033
Fixed Assets	151.631	160.029
Intangible Assets	3.490	3.015
Indemnification Assets - Concession		
Deferred Taxes		
	497.993	**566.083**
Total Assets	**624.605**	**665.427**

Liabilities and Shareholders' Equity	12/31/2017	12/31/2018
Current		
Suppliers	2.931	3.544
Taxes and Social Contributions	19.283	16.418
Proposed Dividends	11.628	19.147
Regulatory Fees	386	246
Debentures	150.685	26.964
Related Parties	1.103	872
Other Liabilities	67	85
	186.083	**67.276**
Non-Current		
Deferred Taxes	9.613	10.144
Regulatory Fees	2.027	2.537
Provision for Contingencies	1.002	989
Debentures	-	121.855
	12.642	**135.525**
Total Liabilities	**198.725**	**202.801**
Shareholders' Equity		
Capital	250.000	250.000
Profit Reserves	158.251	196.920
Equity Valuation Adjustments	17.629	15.706
Accumulated Profit / Loss	-	-
	425.880	**462.626**
Total Liabilities and Shareholders' Equity	**624.605**	**665.427**

CELESC GERAÇÃO S.A.

INCOME STATEMENT	4Q17	4Q18	Var %	12M17	12M18	Var %
			In R$ '000			Em R$ Mil
Gross Operating Revenue	**38.788**	**39.537**	**1,9%**	**163.933**	**177.465**	**8,3%**
Electricity Provision	9.473	9.401	-0,8%	34.975	37.617	7,6%
Electricity Supply	12.177	17.138	40,7%	61.859	75.898	22,7%
Short-Term Energy	6.519	3.948	-39,4%	26.291	22.584	-14,1%
Financial Revenue - Interest and Restatements BO	10.619	9.050	-14,8%	40.808	41.366	1,4%
Deductions from Operating Revenue	**(3.518)**	**(4.073)**	**15,8%**	**(15.056)**	**(16.994)**	**12,9%**
PIS/COFINS	(3.076)	(3.504)	13,9%	(13.114)	(14.891)	13,6%
Fin. Compensation on Use of Water Resources	(175)	(282)	61,1%	(836)	(907)	8,5%
RGR and R&D	(202)	(219)	8,4%	(792)	(928)	17,2%
ANEEL Regulatory Surveillance Rate	(65)	(68)	4,6%	(314)	(268)	-14,6%
Net Operating Revenue	**35.270**	**35.464**	**0,6%**	**148.877**	**160.471**	**7,8%**
Cost with Electricity	**(4.453)**	**(12.221)**	**174,4%**	**(17.641)**	**(37.171)**	**110,7%**
Energy Purchased for Resale and Charges	(3.865)	(11.636)	201%	(15.340)	(34.833)	127%
System Use Charges	(588)	(585)	-0,5%	(2.301)	(2.338)	1,6%
Operating Costs and Expenses	**(2.854)**	**(9.354)**	**227,8%**	**(44.222)**	**(40.891)**	**-7,5%**
Personnel and Administrators	(3.649)	(2.783)	-23,7%	(16.495)	(11.517)	-30,2%
Material	(111)	(56)	-49,5%	(260)	(380)	46,2%
Third Party Services	(1.832)	(2.274)	24,1%	(7.252)	(8.340)	15,0%
Depreciation and Amoritization	(3.744)	(1.370)	-63,4%	(15.748)	(5.602)	-64,4%
Provisions, Net	4.276	(1.771)	-141,4%	(6.232)	(13.641)	118,9%
Other Revenue / Expenses	(886)	(289)	-67,4%	(1.327)	(600)	-54,8%
Provisions / Reversions of Impairment Tests, Net	3.092	(811)	-126,2%	3.092	(811)	-126,2%
Equity in Earnings	**(1.564)**	**(204)**	**87,0%**	**(3.209)**	**355**	**111,1%**
Result of Activities - EBIT	**26.399**	**13.685**	**-48,2%**	**83.805**	**82.764**	**-1,2%**
Activities Margin (%)	74,8%	38,6%		56,3%	51,6%	
EBITDA	**30.143**	**15.055**	**-50,1%**	**99.553**	**88.366**	**-11,2%**
Margem EBITDA (%)	85,5%	42,5%		66,9%	55,1%	
Financial Result	**(1.017)**	**(1.356)**	**33,3%**	**(8.545)**	**(5.745)**	**32,8%**
Financial Revenue	2.973	2.438	-18,0%	11.689	8.743	-25,2%
Financial Expenses	(3.990)	(3.794)	-4,9%	(20.234)	(14.488)	-28,4%
LAIR	**25.382**	**12.329**	**-51,4%**	**75.260**	**77.019**	**2,3%**
Income Tax and CSLL	(5.575)	(4.074)	-26,9%	(24.546)	(25.248)	2,9%
Income Tax and Deferred CSLL	(3.205)	(1)	-100,0%	(1.754)	(529)	-69,8%
Net Profit	**16.602**	**8.254**	**-50,3%**	**48.960**	**51.242**	**4,7%**
Net Margin (%)	47,1%	23,3%		**32,9%**	**31,9%**	

CELESC GERAÇÃO S.A.

CASH FLOW STATEMENT (DFC) In R$' 000

	12M17	12M18
Profit / Loss before Income Tax and Social Contribution	**75.260**	**77.019**
Adjustments	**(2.152)**	**(13.205)**
Depreciation and Amortization	15.748	5.603
Gains / Losses in Sale of Fixed Assets	2.124	-
Write-off in Fixed Assets and Intangible Assets	-	14
Equity in Earnings	3.209	(355)
Provisions / Reversals for Contingencies	63	(13)
Reversal of Provisions for Contingencies	-	-
Provisions / Reversals for Losses in Fixed Assets	(3.092)	(4.406)
Provisions / Reversals for Losses in Investments	-	5.217
Provisions for Losses	-	-
Monetary Variations	14.435	14.034
Financial Revenue from Loan	-	(5.587)
Estimated Losses from Doubtful Accounts	6.169	13.654
Updated Financial Assets	(40.808)	(41.366)
Variations in Current and Non-Current Assets	**40.753**	**17.106**
Accounts Receivable from Customers	12.341	(12.597)
Taxes to be Recovered / Compensated	(1.836)	(2.923)
Inventory	(11)	35
Judicial Deposits	(193)	(12)
Financial Assets	30.461	32.511
Other Assets	(9)	92
Variations in Current and Non-Current Liabilities	**(4.355)**	**756**
Suppliers	(4.567)	613
Regulatory Fees	463	508
Taxes and Social Contributions	95	(152)
Other Liabilities	(346)	(213)
Cash from Operating Activities	**109.506**	**81.676**
Interest Paid and Received	(18.996)	(12.959)
Income Tax and Social Contributions Paid	(8.348)	(25.302)
Net Cash from Operating Activities	**82.162**	**43.415**
Cash from Investment Activities	**(7.165)**	**(9.918)**
Incoming Debentures	-	147.059
Dividends and Interest on Equity - JCP	(7.165)	(6.977)
Amortization of Loans / Debentures	-	(150.000)
Cash from Financing Activities	**(16.508)**	**(60.542)**
Investments	(9.925)	(9.926)
Acquisition of Fixed Assets	(5.828)	(8.701)
Acquisition of Intangible Assets	(1.224)	(571)
Loans w ith Related Parties	-	(150.000)
Loans w ith Related Parties	-	98.000
Dividends Received	469	-
Interest Received from Loans	-	10.656
Total Effects from Cash and Cash Equivalents	**58.489**	**(27.045)**
Cash and Cash Equivalents Balance at the Beginning of the Perio	**18.591**	**77.080**
Cash and Cash Equivalents Balance at the End of the Period	**77.080**	**50.035**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

BALANCE SHEET In R$ '000

Assets	12/31/2017	12/31/2018	Liabilities and Shareholders' Equity	12/31/2017	12/31/2018
Current			**Current**		
Cash and Cash Equivalents	1.135	6.957	Suppliers	83.820	160.087
Financial Investments	917	45.161	Taxes and Social Contributions	2.495	6.113
Gas Supply	36.662	59.775	Wages and Social Charges	9.610	8.608
Estimated Losses from Doubtful Accounts	(4.292)	(4.470)	Loans and Charges	5.525	35.407
Taxes to be Recovered / Compensated	1.438	2.136	Provisions for Contingencies	2.800	5.327
Inventory	2.209	2.725	Other Liabilities	855	16
Judicial Deposits	-	-			
Other Assets	897	809			
Anticipated Payments	1.201	403			
	40.167	**113.496**			
				105.106	**215.557**
Non-Current			**Non-Current**		
Financial Investments	1.947	1.827	Deferred Taxes	206	-
SOP/TOP Credit	9.766	5.232	Loans and Financings	18.591	13.196
Taxes	52.144	62.821	Other Liabilities	471	339
Judicial Deposits	2.337	3.951			
Accounts Receivable from Customers	112.308	129.243		**19.268**	**13.535**
Intangible Assets from Services / Distribution Netw ork	179.541	161.589			
Intangible Assets in Formation	8.544	12.622			
Intangible Usable Assets	7.490	6.984			
	374.077	**384.269**		**124.374**	**229.093**
			Total Liabilities		
			Capital	167.968	167.968
			Profit Reserves	121.902	100.704
			Accumulated Profit / Loss	-	-
				289.870	**268.672**
Total Assets	**414.244**	**497.765**	**Total Liabilities and Shareholders' Equity**	**414.244**	**497.765**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

INCOME STATEMENT			In R$ '000			Em R$ Mil
	4Q17	4Q18	Var %	12M17	12M18	Var %
Gross Operating Revenue	**166.979**	**294.848**	**76,6%**	**624.143**	**949.620**	**52,1%**
Deductions from Operating Revenue	37.619	66.032	75,5%	140.817	210.767	49,7%
Net Operating Revenue	**129.360**	**228.816**	**76,9%**	**483.325**	**738.853**	**52,9%**
Variable Costs	120.265	188.132	56,4%	474.534	657.283	38,5%
Fixed Costs	5.328	4.945	-7,2%	19.334	19.340	0,0%
Selling Expenses	2.216	2.455	10,8%	10.212	8.871	-13,1%
Administrative Expenses	8.263	8.474	2,6%	29.970	31.385	4,7%
Other Operating Expenses / Revenue	1.495	743	-50,3%	(7.300)	18.681	355,9%
Operating Result	**(8.207)**	**24.067**	**393,2%**	**(43.425)**	**3.293**	**107,6%**
Depreciation and Amortization	7.134	7.282	2,1%	28.103	29.828	6,1%
EBTIDA	**(8.692)**	**18.859**	**317,0%**	**(41.085)**	**5.349**	**113,0%**
EBITDA Margin (%)	-6,72%	8,24%		-8,50%	0,72%	
Financial Result	**(242)**	**4.021**	**1758,5%**	**1.170**	**(5.563)**	**-575,4%**
Financial Revenue	583	708	21,6%	4.859	2.056	-57,7%
Financial Expenses	825	3.313	301,5%	3.689	7.618	106,5%
LAIR	**(15.584)**	**20.806**	**233,5%**	**(70.358)**	**(32.097)**	**-54,4%**
Income Tax and CSLL	-	-		(383)	-	
Income Tax and Deferred CSLL	(5.292)	3.856		(23.913)	(10.899)	
Net Proftil	**(10.292)**	**10.324**	**200,3%**	**(46.063)**	**(21.198)**	**-54,0%**
Net Margin (%)	**-8,0%**	**4,5%**		**-9,5%**	**-2,9%**	

COMPANHIA DE GÁS DE SANTA CATARIA - SCGÁS

CASH FLOW STATEMENT (DFC)		In R$' 000
	12M17	**12M18**
Profit / Loss before Income Tax and Social Contribution	**(32.097)**	**(111.579)**
Adjustments	**19.878**	**48.621**
Depreciation and Amortization	29.173	31.535
Provisions for Past Contingencies	754	2.526
Provisions for Doubtful Accounts	1.258	181
Provisions for Impairments	(11.694)	14.234
Ship/Take or Pay Update and Exchange Rate Variation	387	145
Deferred Income Tax	-	-
Variations in Assets and Liabilities	**49.385**	**26.308**
Accounts Receivable from Customers	(11.542)	(40.048)
Taxes to be Recovered / Compensated	(277)	(681)
Inventory	(235)	(516)
Taxes and Securities	291	120
Credits from Gas Sales and Aquisitions	40.452	(9.701)
Other Assets Accounts	(781)	(727)
Suppliers	29.752	76.121
Tax Liabilities	(4.048)	2.230
Wages and Social Charges	(4.556)	385
Security Guarantee Deposits	329	(875)
Net Cash from Operating Activities	**(42.316)**	**42.832**
Cash from Investment Activities	**(25.986)**	**(17.183)**
Additions to Intangible Assets	(25.986)	(17.183)
Cash from Financing Activities	**(30.760)**	**24.417**
Dividends and Interest on Equity - JCP	(27.591)	-
Amortization of Loans and Financings	(3.169)	(5.450)
Loans Obtained	-	29.867
Total Effects from Cash and Cash Equivalents	**(99.062)**	**50.066**
Cash and Cash Equivalents Balance at the Beginning of the Period	**101.114**	**2.052**
Cash and Cash Equivalents Balance at the End of the Period	**2.052**	**52.118**