Celesc

Centrais Elétricas de Santa Catarina S.A.

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CLSC3 CLSC4 NÍVEL 2 BM&FBOVESPA

2019

Capital Market

Preferred Shares Price December 31, 2019

CLSC4 R$50.10/share

Change in 4Q19

CLSC4: 19.48%

Ibovespa: 10.39%

Market Value on December 31, 2019

BRL 1,932.0 MM

USD 478.0. MM

Free Float: 75.5%

Other Indicators on December 31, 2019

Net Debt / EBITDA Adj 12M (Group):	1.4x
LPA 4Q19 (R$/share):	1.69
VPA (R$/share):	36.48
Price/VPA:	1.4x

For more information, go to the website www.celesc.com.br/rior contact the Investor Relations team:

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Florianópolis – Santa Catarina, **March 27, 2019** – Centrais Elétricas de Santa Catarina SA - Celesc (B3: CLSC3, CLSC4), 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 2019 (4Q19)**. The Company's financial information, except where otherwise indicated, is presented in millions of Reais (R$) as of **December 31, 2019,** 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$151 million in 4Q19 and R$724.8 million in 2019

Celesc Distribuição's billed energy grew 4.4% in the quarter and 4.3% in 2019

Main Highlights:

- ✓ In 4Q19, Billed Energy increased by 4.4% in Celesc Distribuição's concession area, totaling 6,386 GWh. In 12M19, up by 4.3%, totaling 25,490 GWh;
- ✓ Quality of service indicators increased in comparison to 12Q18: DEC totaled 10.86 hours, and FEC was 7.52 times in 2019 within limits according to the concession agreement;
- ✓ Consolidated Net Operating Revenue (excluding revenue from construction) totaled R$1.91 billion in the quarter (up by 23.6%) and R$7.48 billion in the year (up by 3.6%);
- ✓ Non-Manageable expenses (energy costs) increased by 26.3% (+R$308.1 million) in the quarter and 1.1% (+R$62.9 million) in 2019;
- ✓ Manageable expenses (PMSO) decreased by 4.4% in the quarter, due to the company's actions to reduce expenses. In the year, 13.1% increase, mainly due to the 2019 PDI provision (R$87.2 million);
- ✓ Consolidated Net Income reached R$65.3, up by 478.3% (+R$82.6 million) over 4Q18 (also impacted by the 2019 PDI) and R$283.6 million (+R$118.5 in the year million), up by 71.8% over 12M18;
- ✓ Celesc Group ended the quarter with a Consolidated Net Debt of R$1,095.4 million, equivalent to 1.4x Adjusted EBITDA;
- ✓ Investments in 2019 totaled R$600.0 million, with R$588.6 million in distribution and R$11.4 million in the generation and New Business; and
- ✓ Celesc's preferred shares (CLSC4) had a positive variation of 19.48% in the quarter and, in the twelve-month period, accumulated an appreciation of 5.65%.

Main Highlights	4th Quarter			Accumulated 12 months		
	2018*	2019	Δ	2018*	2019	Δ
Operational Indicators						
Celesc Distribuição - Energy Sales (GWh)	6,116	6,386	*4.4%*	24,449	25,490	*4.3%*
Celesc Geração - Energy Produced (GWh)	186	168	*-9.4%*	728	692	*-4.9%*
SCGÁS - Natural Gas Sales (million/m³)	179	181	*1.4%*	704	718	*2.0%*
Financial Indexes - Consolidated (R$ Million)						
Gross Operating Revenue	2,937.1	3,158.1	*7.5%*	12,518.8	12,883.0	*2.9%*
Net Operating Revenue (excluding Revenue from Construction)	1,546.4	1,910.7	*23.6%*	7,211.2	7,474.0	*3.6%*
Operating Costs and Expenses	(1,653.7)	(1,991.8)	*20.4%*	(7,288.6)	(7,562.4)	*3.8%*
EBITDA (IFRS)	**100.2**	**151.0**	***50.7%***	**610.6**	**724.8**	***18.7%***
EBITDA Margin (IFRS)	**6.5%**	**7.9%**		**8.0%**	**9.7%**	
Adjusted EBITDA (IFRS - Non-Recurring)	125.3	175.1	*39.8%*	641.9	788.4	*22.8%*
Adjusted EBITDA Margin	8.1%	9.2%		8.9%	10.5%	
Net Income (IFRS)	**(17.3)**	**65.3**	**478.3%**	**165.0**	**283.6**	**71.8%**
Net Margin	***-1.1%***	***3.4%***		***2.3%***	***3.8%***	
Adjusted Net Income (IFRS - Non-Recurring)	39.2	81.2	*107.2%*	225.6	325.6	*44.3%*
Adjusted Net Margin	*2.5%*	*4.3%*		*3.1%*	*4.4%*	
Investments Made in Generation and Distribution of Electricity	161.2	194.6	*20.7%*	506.0	600.0	*18.6%*

*Accounting reclassification according to NE 4.2. 2ITR 2019.

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.

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 are submitted to.

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.

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1. CELESC Group

1.1. Celesc Distribuição S.A.

1.1.1. Operational Performance

1.1.1.1. Electricity Charge

		Year	4Q19	12M19
Brazil Load (GWh)*		2019	152,260	594,366
		2018	149,382	583,027
	Δ		*1.9%*	*1.9%*
South Load (GWh)		2019	26,313	102,337
		2018	25,611	100,618
	Δ		*2.7%*	*1.7%*
Load Celesc Distribuição S.A. (GWh)**		2019	7,020	27,991
		2018	6,892	27,015
	Δ		*1.9%*	*3.6%*

Source: ONS / Celesc D
** Refers to the National Interconnected System - SIN.*
*** Energy injected into the distribution system.*

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

1.1.1.2. Electricity Balance

We can define 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 2019, the Electricity Trading Chamber (CCEE) accounted for 62.9% (3,025 GWh) of CCEAR contracts ((quantity and availability modalities), Itaipu with 19.5% (937 GWh) and Quotas with 18.9% (907 GWh).

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

ACL	
CCEAR (quantity)	1,738
CCEAR (availability)	1,401
CCEAR Compulsory	-114
ANGRA	176
ITAIPU	937
PROINFA	103
SHORT-TERM SETTLEMENT	-340
QUOTAS	907

→ **4,808** → **REQUIRED TOTAL CONSUMPTION (TRC)**

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’s contracting level in 2019 reached 107.04%, even with the contracting level above the regulatory level, the Company obtained full coverage in the tariff of costs incurred with the purchase of energy, considering that the amount above 105% refers to involuntary surpluses resulting from migrations of consumers to the free market, as well as the compulsory reception of regulated contracts, without the possibility of uncontracting in the MCSDs due to the partial failure of these mechanisms.

1.1.1.3. Billed Energy[1]

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

Consumption Class	No. of Consumer Units **			Consumption (GWh)					
	dez/18	dez/19	Δ	4Q18	4Q19	Δ	12M18	12M19	Δ
Captive Market	**2,975,577**	**3,049,620**	**2.5%**	**3,899**	**4,067**	**4.3%**	**15,790**	**16,363**	**3.6%**
Residential	2,335,964	2,399,381	2.7%	1,350	1,439	6.6%	5,664	6,020	6.3%
Industrial	106,258	110,222	3.7%	639	619	-3.2%	2,539	2,464	-3.0%
Commercial	270,889	279,572	3.2%	782	820	5.0%	3,191	3,323	4.1%
Rural	234,752	232,386	-1.0%	348	298	-14.3%	1,407	1,174	-16.5%
Energy Supply	24	30	25.0%	383	476	24.1%	1,527	1,893	24.0%
Other Classes	27,690	28,029	1.2%	396	414	4.6%	1,462	1,489	1.9%
Public Power	23,104	23,272	0.7%	112	116	2.9%	442	453	2.5%
Public Lightening	788	855	8.5%	161	165	2.8%	649	656	1.1%
Public Service	3,411	3,500	2.6%	88	91	3.4%	359	366	1.9%
Own Consumption	387	402	3.9%	35	42	21.0%	13	15	19.1%
Free Consumers	**947**	**1,149**	**21.3%**	**2,217**	**2,319**	**4.6%**	**8,659**	**9,127**	**5.4%**
Industrial	567	665	17.3%	1,944	2,003	3.1%	7,550	7,893	4.5%
Commercial	351	456	29.9%	219	239	9.4%	859	962	12.0%
Rural	7	7	0.0%	14	15	9.0%	58	60	3.2%
Supply*	22	21	-4.5%	41	62	49.5%	192	213	10.8%
Total Market	**2,976,524**	**3,050,769**	**2.5%**	**6,116**	**6,386**	**4.4%**	**24,449**	**25,490**	**4.3%**
Residential	2,335,964	2,399,381	2.7%	1,350	1,439	6.6%	5,664	6,020	6.3%
Industrial	106,825	110,887	3.8%	2,583	2,622	1.5%	10,090	10,357	2.6%
Commercial	271,240	280,028	3.2%	1,000	1,059	5.9%	4,050	4,285	5.8%
Rural	234,759	232,393	-1.0%	362	313	-13.5%	1,465	1,234	-15.8%
Supply	46	51	10.9%	425	538	26.6%	1,719	2,106	22.5%
Other Classes	27,690	28,029	1.2%	396	414	4.6%	1,462	1,489	1.9%

**Subject to new accounting by CCEE.*
*** Number of Consumer Units (CU) according to consumption billed.*

According to the table above, the billed energy supplied to the Captive Market increased by 3.6% in 2019, at 16,363 GWh (+573 GWh). In the fourth quarter of 2019, there was a 4.3% increase YoY (+168 GWh), reaching 4,067 GWh, mainly due to the expressive growth of the residential class of 6.6% (+90 GWh), reaching 1,439 GWh, apparently due to the higher temperature in the period and the market growth. It is noteworthy that the industrial class decreased by 3.2% in the quarter and 3.0% year-on-year, mainly due to the migration of consumers to the free market.

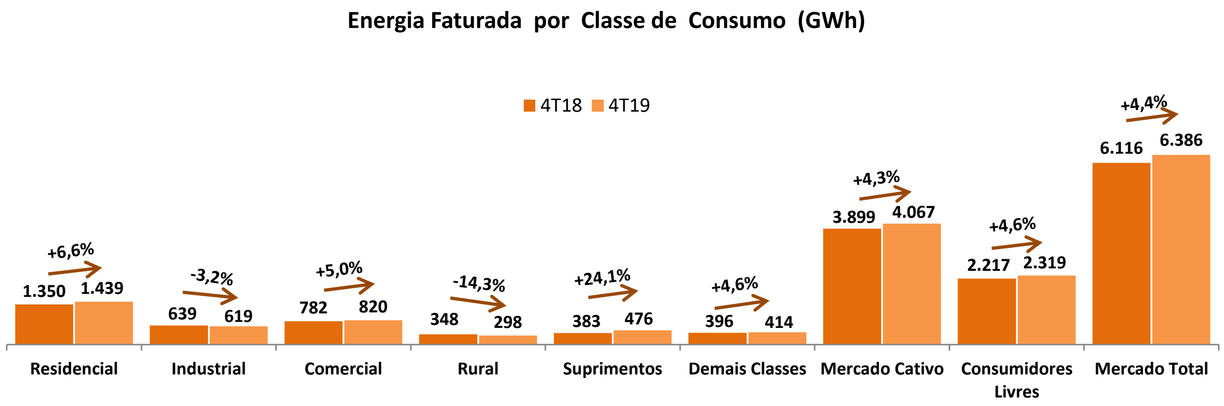
The Free Market[2], in accordance with the movement that has been taking place since 2015, increased by 4.6% (+102 GWh) in the quarter and 5.4% (+468 GWh) in the year, explained by the increase in the number of free consumers, with a total of 1,149 consumer units in 2019, an increase of 202 units (98 in the industrial class and 105 in the commercial class) in comparison with 12M18, which had 947 units.

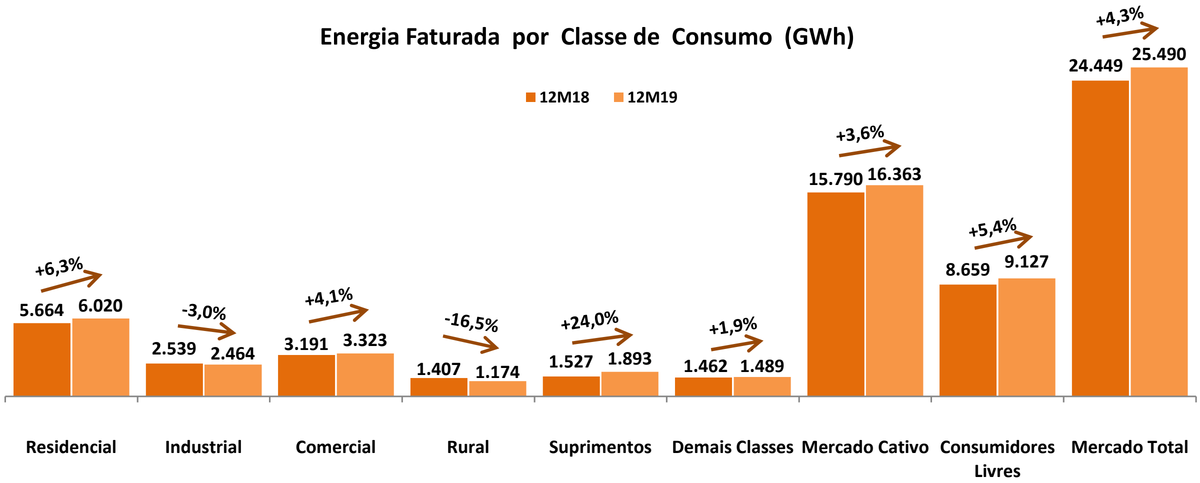
Of the total market served by Celesc Distribuição in 2019, the captive market represented 64.4%, and free customers represented 35.6%. The increase in the free market, as mentioned above, is due to the migration of consumers from the Captive Market, mainly medium-sized consumers in the industrial and commercial classes.

Consumers can, at their sole discretion, migrate from the Captive Market to the Free Market, and this does not economically impact the distributor's result since all migrated energy is likely to be uncontracted or considered as an involuntary surplus. Thus revenue from the TUSD Distribution System remains unchanged as the consumer continues to pay for the service.

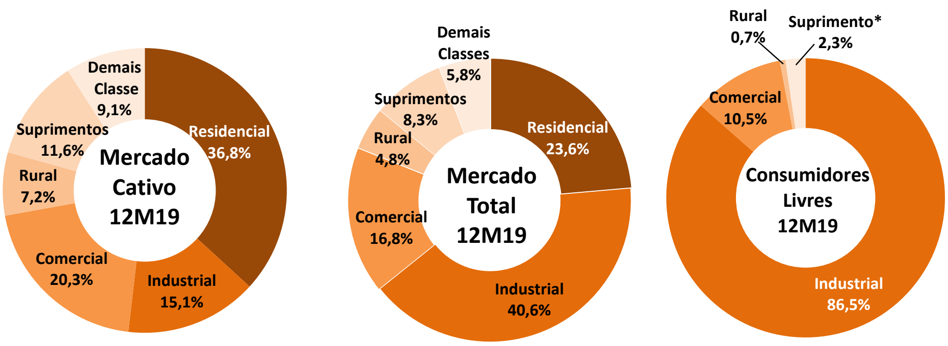
[1]As of 4Q17, the distributed energy considered is billed, and in the previous quarters was considered the measured energy.

The graph below illustrates the share of each consumer class in the Captive Market, with a breakdown between free consumers and the total market (captive + free) in the quarter and in the year.



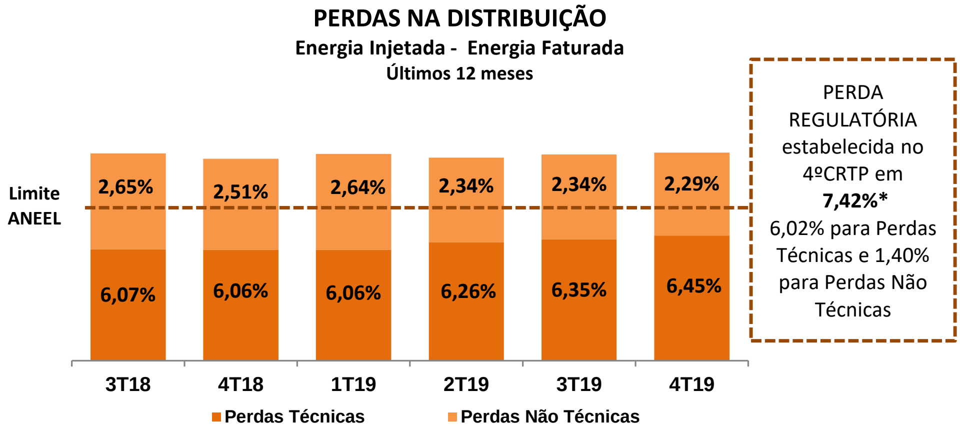


The graph below illustrates the share of each consumer class in the Captive Market, with a breakdown between free consumers and the total market (captive + livre):



1.1.1.4. Losses in the 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 2019, global losses represented 8.74% of injected energy, of which 6.45% were related to the technical losses defined by PRODIST - Module 7, revised at the beginning of each year, and thus adjusting the 12-month moving average, and 2.29% correspond to non-technical losses, calculated by difference. The following graph shows the evolution of losses in the distribution in the Company's concession area:

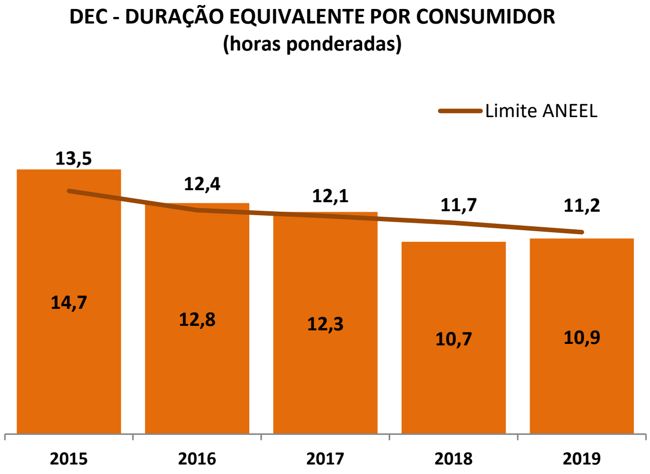


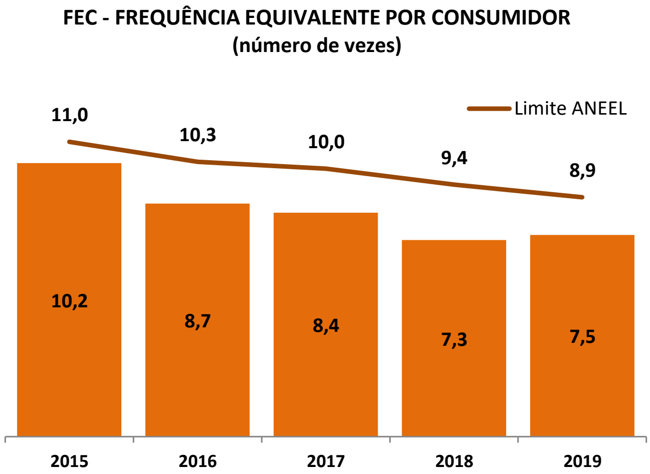
Thus, total losses were 1.32% above the limit covered by the tariff, making an estimated amount without accumulated tariff coverage from January to December 2019 of R$88.7 million, with R$36.4 million in technical losses, R$50.2 million in non-technical losses and R$2.1 million in losses in the basic network.

The Company has been executing a task force to reduce and recover these losses, acting for its detection, identifying cases of suspected irregularity by means of the algorithm (online verification), procedure focused on the identification of cases of fraud and/or technical deficiency, as well as the integration of corporate systems, revision of work processes (control targets), implementation of anti-theft systems and regularization of clandestine connections.

1.1.1.5. Energy Quality

Celesc Distribuição's DEC (average duration of interruptions per consumer unit) index was 10.86 hours in 2019, 1.8% higher than in 2018. In this same period, the FEC (number of interruptions per consumer unit) totaled 7.52 interruptions, 2.6% higher than in 2018.





It should be noted that the Company met the target for the continuity indicators (DEC and FEC) for 2019, as established in the Concession Agreement.

In the fourth quarter of 2019, the breach of quality indicators in their individual form generated consumer credits in the amount of R$3.0 million for Celesc Distribuição, down by 17% over the fourth quarter of 2018, when it reached R$3.6 million. However, in 2019, the cost incurred was R$18.0 million, up by 36% over 2018 (R$13.2 million).

1.1.2 – Economic-Financial Performance

Celesc Distribuição S.A. | Main Financial Indicators (IFRS)

R$ Million	4th Quarter			Accumulated 12 months		
	2018*	2019	Δ	12M18*	12M19	Δ
Gross Operating Revenue	**2,898.8**	**3,115.3**	***7.5%***	**12,346.3**	**12,724.0**	***3.1%***
Deductions from Operating Revenue	(1,241.2)	(1,079.7)	*-13.0%*	(4,837.3)	(4,851.3)	*0.3%*
Net Operating Revenue	**1,657.6**	**2,035.6**	***22.8%***	**7,509.0**	**7,872.7**	***4.8%***
Operating Costs and Expenses	(1,626.5)	(1,977.2)	*21.6%*	(7,187.2)	(7,496.9)	4.3%
Cost with Electricity	*(1,161.8)*	(1,476.2)	*27.1%*	*(5,640.6)*	(5,719.0)	*1.4%*
Operating Expenses	*(464.7)*	*(501.0)*	*7.8%*	*(1,546.6)*	(1,778.0)	*15.0%*
Activity Income	**31.1**	**58.4**	***87.8%***	**321.8**	**375.7**	***16.8%***
EBITDA	**83.5**	**114.8**	***37.5%***	**529.2**	**596.1**	***12.6%***
EBITDA IFRS margin, former Construction Revenue (%)	*5.5%*	*6.1%*		*7.5%*	*8.1%*	
Financial Result	**(64.1)**	**(11.3)**	***82.3%***	**(103.9)**	**(68.5)**	***34.1%***
EBIT	**(33.0)**	**47.1**	***242.8%***	**217.9**	**307.2**	***41.0%***
IR/CSLL	5.9	(4.7)		(96.4)	(109.0)	
Net Income (Loss)	**(27.0)**	**42.4**	***256.8%***	**121.5**	**198.2**	***63.1%***
Net IFRS Margin, former Construction Revenue (%)	*-1.8%*	*2.3%*		*1.7%*	*2.7%*	

*Accounting reclassification of *financial revenues and expenses* from exchange rate changes due to the purchase of energy from Itaipu to the item *cost of energy purchase*, as detailed in Notes 4.2 and 4.3 of 4ITR 2019.

1.1.2.1 Highlights of the Result

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

i. Increase of 7.5% in the quarter (3.1% year) of Gross Operating Revenue (GOR) and 22.8% (4.8% year) of Net Operating Revenue (NOR), mainly due to the increase in the items Supply of Energy and Availability of the Electricity Grid compared to 4Q18 and 12M18;
ii. Increase of 21.6% in the quarter (4.3% year) in operating costs and expenses, with energy costs (non-manageable expense) growing by 27.1% quarter (1.4% year) and operating expenses (manageable expenses) growing 7.8% (15% year);
iii. EBITDA reached R$114.8 million (R$596.1 million year), up by 37.5% in the quarter (12.6% year) according to the detailed analysis in the respective session;
iv. The Net Result was positive by R$42.4 million in the quarter, reversing a loss of R$27 million in 4Q18. In the accumulated for 2019, profit reached R$198.2 million, up by 63.1% over 2018, due to the reasons already explained above.

Below are presented the EBITDA and Profit adjusted to non-recurring effects, which will be detailed in their respective topics.

Celesc Distribuição S.A. | Adjusted Result *

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	12M18	12M19	Δ
Adjusted EBITDA	107.7	150.6	*39.8%*	559.7	671.4	*20%*
Adjusted EBITDA Margin, not including Construction Revenue (%)	*7.1%*	*8.0%*		*7.9%*	*9.2%*	
Adjusted Net Loss/Profit	28.9	66.0	*128.3%*	181.6	247.9	*36.5%*
Adjusted Net Margin, not including Construction Revenue (%)	*1.9%*	*3.5%*		*2.6%*	*3.4%*	

** IFRS - Non-Recurring Items.*

1.1.2.2. Gross Operating Revenue

Celesc Distribuição S.A. | Gross Operating Revenue

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	12M18	12M19	Δ
GROSS OPERATING REVENUE	**2,898.8**	**3,115.3**	***7.5%***	**12,346.3**	**12,724.0**	***3.1%***
Electric Power Supply	1,876.0	1,495.9	*-20.3%*	6,891.0	6,550.0	*-4.9%*
Energy Supply	75.3	97.1	*28.9%*	294.2	391.5	*33.1%*
Regulatory Asset	(246.5)	0.5	*100.2%*	322.1	(181.6)	*-156.4%*
Short-Term Electricity	(5.6)	98.0	*1858.3%*	389.3	520.6	*33.7%*
Electricity Grid Availability (TUSD)	865.3	1,077.4	*24.5%*	3,189.7	4,148.2	*30.1%*
Donations and Subsidies *	183.8	177.0	*-3.7%*	785.1	728.8	*-7.2%*
Service Provision Income	0.7	0.3	*-52.0%*	2.7	2.4	*-9.1%*
Service Fee	4.1	3.7	*-7.9%*	15.6	17.1	*9.6%*
VNR Update**	0.4	1.7	*335.9%*	3.4	4.6	*34.6%*
Construction Revenue	**145.4**	**163.7**	**12.6%**	**453.4**	**541.9**	**19.5%**

* Includes receipt of CDE subsidy referring to Decree No. 7.891/2013

** Includes revenue with VNR before 4Q16 accounted for as Financial Revenue

Below are the main factors that influenced GOR's performance [2]in this quarter and 2019:

i. Decrease of 20.3% in the quarter (4.9% year) in the item *Electricity Supply*, reflecting the decrease in revenues under the tariff flag, as detailed below. Revenue from the captive market decreased by 10.6% in the quarter (-R$240.5 million), highlighting the industrial class, which decreased by 16.9% in the quarter. However, in 2019, the captive market increased 6.9% (+R$596.9 million), highlighting the consumption classes: residential (increased 11.4%/+R$400 million) and commercial (increased 7.9%/+R$171.2 million);

ii. Decrease of R$134.2 million in revenue from tariff flags compared to 4Q18, which is much lower than that recorded in 12M18 (R$324.2 million). The amount billed in 2019 was R$189.9 million, with R$137.1 million in a red flag and R$52.9 million in a yellow flag;

iii. In the *Regulatory Assets/Regulatory Liabilities* item, there was a positive result of R$0.5 million (Regulatory Assets) in the quarter. In the year, it accumulated a negative R$181.6 million (Regulatory Liabilities), with R$196.4 million of CVA's net result (amortization). This item records the movement of the CVA in the period, in which it is constituted by the variation of the realized amount of Portion A costs with that estimated in the tariff readjustment process by the regulator and its amortization is due to the collection of costs of Installment A included in the tariff;

iv. Increase of R$103.6 million in the quarter in Short-Term Energy Settlement. In the year, it registered an increase of R$131.3 million due to the increase in the LDP – Settlement Price for Differences together with the growth in the volume sold;

v. Electric Network Availability (TUSD) Revenue increased by 24.5% (+R$212.0 million) in the quarter and 30.1% in the year (+R$958.6 million), highlighting R$316.3 million in the quarter (R$1,196.5 million in the year) referring to the availability of the electricity grid to free industrial consumers and R$43.7 million in the quarter (R$166.6 million in the year) to free commercial consumers. As from 1Q18, this item also included the segregation of TUSD's Captive Consumers revenue, previously accounted for in the Electricity Supply and this account R$709.5 million in the fourth quarter of 2019 (R$2.8 billion in the year).

1.1.2.3. Gross Operating Revenue Deductions

Celesc Distribuição S.A. | Gross Operating Revenue Deductions

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	12M18	12M19	Δ
GROSS OPERATING REVENUE DEDUCTIONS	**(1,241.2)**	**(1,079.7)**	***-13.0%***	**(4,837.3)**	**(4,851.3)**	***0.3%***
ICMS	(568.9)	(531.3)	*-6.6%*	(2,124.2)	(2,300.2)	*8.3%*
PIS/COFINS	(253.1)	(271.2)	*7.2%*	(1,093.9)	(1,123.7)	*2.7%*
Energy Development Account - CDE	(451.5)	(264.8)	*-41.3%*	(1,533.1)	(1,311.4)	*-14.5%*
Research & Development - R&D (0.5% of ROL)	(7.6)	(9.4)	*23.6%*	(35.3)	(36.7)	*3.9%*
Energy Efficiency Program - PEE (0.5% of ROL)	(7.6)	(9.4)	*23.6%*	(35.3)	(36.7)	*3.9%*
ANEEL Regulatory Surveillance Rate	(1.7)	(1.9)	*8.7%*	(6.8)	(7.2)	*6.6%*
Other Charges	49.1	8.3	*-83.1%*	(8.7)	(35.4)	*308.0%*

[2] 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.

The deductions represent 34.7% of ROB, and its variation normally follows the ROB variation. Below we highlight in detail the factors that contributed to the reduction:

i. ICMS decreased by 6.6% (+8.3% in the year), reaching R$531.3 million in the quarter (R$2,300.2 million year). This tax accompanies Revenue with Electricity Supply, which decreased by 20.3% in the quarter (considering transfers from the Captive Market to the Free Market) and 4.9% in the year;

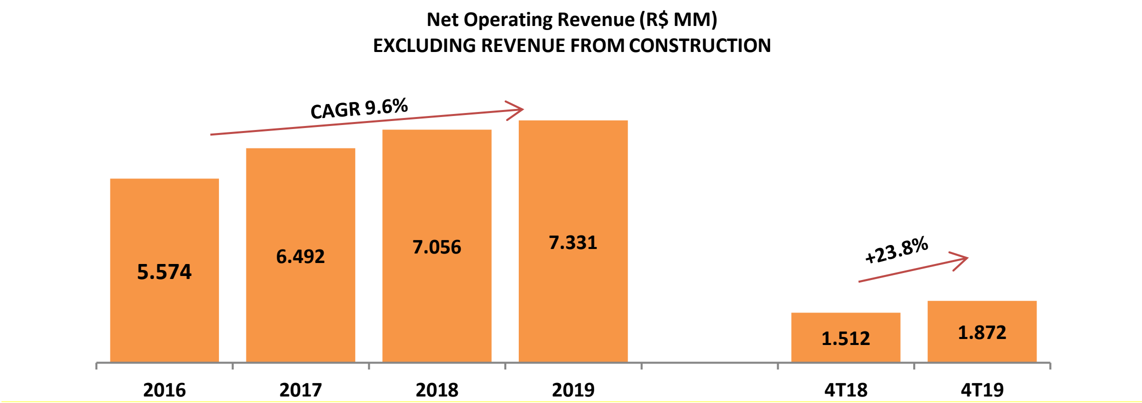
ii. PIS/COFINS increased by 7.2% in the quarter (2.7% year), at R$271.2 million (R$1,123.7 year). This tax follows the ROB results, and, along with ICMS, account for 70.6% of the Deductions;

iii. Energy Development Account (CDE) decreased, which totaled R$264.8 million in the quarter (down by 41.3% over 4Q18) and R$1,311.4 million in the year (down by 14.5% over 12M18). These changes reflect the variation in the quotas of CDE Use, CDE Energy, and ACR Account, established by ANEEL.

iv. The Other Charges item recorded a positive R$8.3 million in the quarter (R$35.4 million negative year) due to the decrease in the application of tariff flags related to *Unbilled Supply*.

1.1.2.4. Net Operating Revenue

Celesc Distribuição's Revenue had an average annual growth of 9.6% in the last four quarters, including Construction Revenue and excluding Construction Revenue, as illustrated below:



1.1.2.5. Operating Costs and Expenses

Celesc Distribuição S.A. | Operating Costs and Expenses

R$ Million	4th Quarter			Accumulated 12 months		
	2018*	2019	Δ	2018*	2019	Δ
OPERATING COSTS AND EXPENSES	**(1,626.5)**	**(1,977.2)**	***21.6%***	**(7,187.2)**	**(7,496.9)**	***4.3%***
Cost with Electricity - Non-Manageable	**(1,161.8)**	**(1,476.2)**	***27.1%***	**(5,640.6)**	**(5,719.0)**	***1.4%***
Electricity Purchased for Resale	(917.8)	(1,216.8)	*32.6%*	(4,568.1)	(4,689.7)	*2.7%*
Charges Due to Eletric Grid Use	(204.5)	(212.9)	*4.1%*	(914.4)	(843.1)	*-7.8%*
PROINFA	(39.5)	(46.5)	*17.8%*	(158.1)	(186.2)	*17.8%*
PMSO – Manageable Operating Expenses	**(324.0)**	**(305.6)**	***-5.7%***	**(887.3)**	**1,002.1)**	***12.9%***
Personnel	(234.4)	(218.7)	*-6.7%*	(666.9)	(747.1)	*12.0%*
Materials	(4.9)	(4.6)	*-6.7%*	(15.1)	(16.8)	*11.2%*
Third-Party Services	(57.6)	(62.5)	*8.5%*	(202.7)	(232.5)	*14.7%*
Other Revenues / Expenses	(27.1)	(19.9)	*-26.6%*	(2.6)	(5.8)	*122.1%*
Net Provisions	**57.1**	**24.8**	***-56.6%***	**1.4**	**(13.6)**	***-1043.9%***
Depreciation / Amortization	**(52.4)**	**(56.4)**	***7.7%***	**(207.3)**	**(220.4)**	***6.3%***
Construction Cost	**(145.4)**	**(163.7)**	***12.6%***	**(453.4)**	**(541.9)**	***19.5%***

*Accounting reclassification of *financial revenues and expenses* from exchange rate changes due to the purchase of energy from Itaipu to the item *electricity purchased for resale*, as detailed in Notes 4.2 and 4.3 of 2ITR 2019.

Disregarding the item *Construction Cost* (which has no effect on the result), operating costs and expenses increased by 22.4% in the quarter (+R$332.4 million), accounting for R$1,813.5 million in the quarter. The increase was mainly due to the increase in non-manageable expenses, which expanded 27.1% (+R$314.4 million), totaling R$1,476.2 million in 4Q19. On the other hand, manageable expenses (PMSO) decreased by 5.7% (-R$18.4 million), totaling R$305.6 million in the quarter, impacted mainly by personnel expenses, as detailed in the respective session.

In 2019, operating costs and expenses, with no construction cost effect, totaled R$6,955.0 million, up by 3.3% (+R$221.2 million) over 2018, with non-manageable costs increasing 1.4% (+R$78.4 million) and manageable costs (PMSO) growing 12.9% (+R$114.8 million), as described in the next topic.

1.1.2.5.1. Cost with Electricity - Non-Manageable

The 27.1% increase in the quarter (1.4% year) in non-manageable costs (Portion A), totaling R $ 1,476.2 million in the quarter (R$5,719.0 million in the year), is explained by the following reasons:

i. 10.9% increase in the thermal energy tariff (representing 30.0% of the MIX);
ii. 23.4% increase in bilateral contracts;
iii. 7.9% increase in the energy dispatched from ITAIPU (representing 17.9% in the MIX);
iv. 32.6% increase in the quarter with Electricity Purchased for Resale totaling R$1,216.8 million (R$4,689.7 million in the year), which accompany the tariff adjustments/reviews;
v. Increase of 17.8% (+R$7.0 million), totaling R$46.5 million in PROINFA expenses (Law No. 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. | Costs of Energy Purchased by Contracting Modality

Average Energy Purchased Tariff by Modality (R$/MWh)*	4Q18	4Q19	Price Var. %	% Interest in the 4Q18 MIX	% Interest in the 4Q19 MIX	Average Tariff of the Readjustment Rate* (R$/MWh)
LEILÃO - CCEAR / Hydro	200.6	189.5	*-5.5%*	*33.7%*	*35.6%*	168.2
LEILÃO - CCEAR / Thermal	203.0	225.1	*10.9%*	*28.2%*	*30.0%*	268.2
ITAIPU	238.6	257.5	*7.9%*	*20.3%*	*17.9%*	241.4
BILATERAL CONTRACTS	295.0	364.0	*23.4%*	*0.1%*	*0.0%*	378.8
OTHERS	97.3	113.0	*16.1%*	*17.7%*	*16.4%*	247.5
Total - (R$/MWh)	**190.8**	**190.8**	***4.7%***	***100%***	***100%***	**208.1**

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

* Approval Resolution 2.593/2019

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

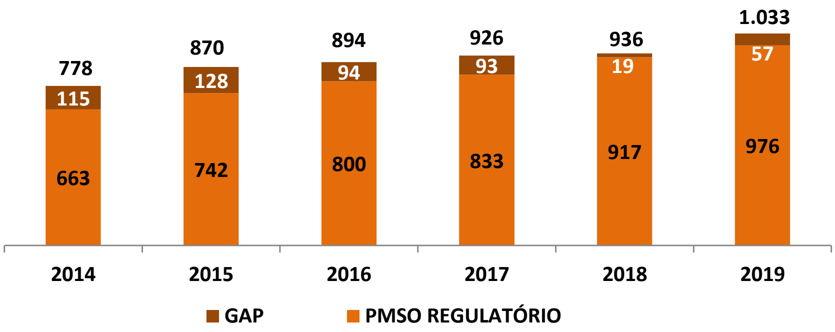
The following table shows the balance of Regulatory Assets and Liabilities established by the Company and accrued at the end of each period. These balances are part of the Company's tariff readjustment base.

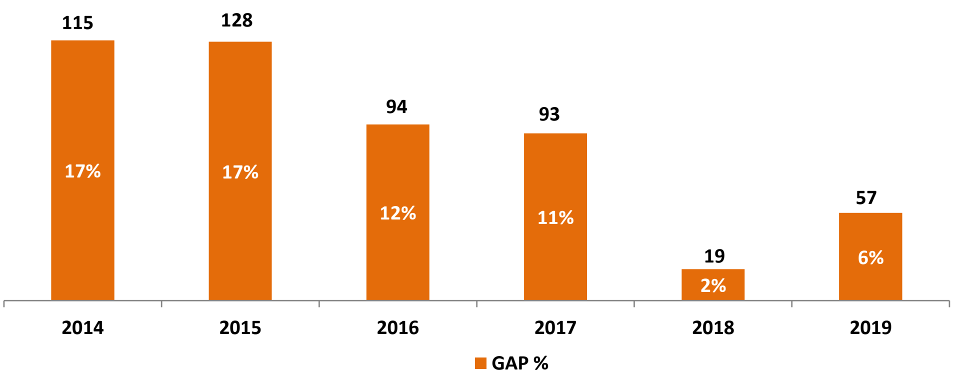
Celesc Distribuição S.A. | Accumulated Regulatory Assets and Liabilities

R$ Million	on December 31, 2017	on March 31, 2018	on June 30, 2018	on September 30, 2018	on December 31, 2018	on March 31, 2019	on June 31, 2019	on September 30, 2019	on December 31, 2019
Regulatory Assets	680.4	646.8	902.4	1,300.8	906.7	763.6	552.7	641.7	565.8
Regulatory Liabilities	(706.7)	(686.2)	(664.1)	(804.7)	(653.4)	(764.3)	(718.0)	(628.2)	(578.3)
Net Balance	**(26.3)**	**(39.4)**	**(238.3)**	**496.1**	**253.3**	**(0.6)**	**(165.3)**	**13.6**	**12.5**

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

Below is the evolution of the Celesc Distribuição PMSO[1] x Regulatory PMSO estimated by the Company. In 2019, we recorded expenses of R$57 million above the regulatory level, mainly due to expenses with MSO since personnel expenses (disregarding the effects of post-employment benefits and costs with PDI) were close to the regulatory level.





1.1.2.5.4. Personnel

The *Personnel and Administrators* account is comprised of expenses related to employee compensation (including charges) and regular contributions to the pension plans managed by the Fundação CELOS (*Private Social Security* account).

Celesc Distribuição S.A. | Total Personnel Expenses

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Total Personnel	**(234.4)**	**(218.7)**	***-6.7%***	**(666.9)**	**(747.1)**	***12.0%***
Personnel and Administrators	(226.7)	(203.7)	*-10.1%*	(639.8)	(692.5)	*8.2%*
Personnel and Charges	*(216.9)*	*(194.8)*	*-10.2%*	*(608.9)*	*(663.3)*	*8.9%*
Private Social Security	*(9.8)*	*(8.9)*	*-8.9%*	*(30.9)*	*(29.3)*	*-5.3%*
Actuarial Expenditure	(7.7)	(14.9)	*94.2%*	(27.1)	(54.6)	*101.7%*

There was a 6.7% decrease in total expenses (-R $ 15.7 million) in the quarter. However, in the year, total expenses increased by 12% (+R$80.2 million), due to the PDI provision of R$87.2 million, as described below. Among the items that corroborated the result, we highlight the increase in Actuarial Expenses (94.2% in 4Q19 and 101.7% in 12M19) and the expansion of the Personnel and Management item (10.1% decrease in 4Q19 and 8.2% increase in 12M19). The increase in this item was mainly due to: (i) 12.0% increase (+ R$7.1 million) year in Fixed Salary due to the effects of the annual adjustment provided for in the Collective Labor Agreement - ACT and application of the Positions and Salaries Plan - PCS; (ii) 2.2% increase (+R$2.0 million) in the year in Social Charges; (iii) 12.8% increase in Food Allowance in the year (+R$4.6 million) due to the increase in the number of employees; (iv) 7.6% decrease in the year (R$2.4 million) in variable amounts (Overtime 50 and 100% and Advance Notice); (v) 7% decrease in the year (R$1.8 million) in the Dangerous work item. Also noteworthy is the accounting of R$15.0 million in the year for the *Celos Health Plan* and the recognition in 2019 of R$87.2 million for the 2018 PDI as approved by the complementary budget for 2018 PDI in 2019 at a meeting of the Board of Directors held on May 4, 2019.

1.1.2.5.5. Private Social Security and Actuarial Expense

Celesc Distribuição is a sponsor of the Fundação Celesc de Seguridade Social – CELOS, which manages the private social security benefit plans and the health care plans offered to its employees. The Actuarial Expense recognized in the Statement of Income complies with the definition in the Annual Actuarial Assessment of Post-Employment Benefits performed by independent actuaries. The estimated amount to be recognized in the year as an actuarial expense in the income considers both the amount to be recorded in personnel expenses (actuarial expense) and the amount recorded as a financial expenditure (update of the mathematical reserve[3]).
In 2019, R$90.9 million was effectively recognized, considering R$54.6 million in personnel expenses (actuarial expense) and R$36.3 million in financial expenses (updating the mathematical reserve).

Celesc Distribuição S.A. | Actuarial expense (income) recognized in profit or loss

R$ Million	Amount Recognized in 2016	Amount Recognized in 2017	Amount Recognized in 2018	Amount Recognized in 2019
Transitory Plan	47.0	32.2	25.2	16.8
Mixed Plan	40.0	34.8	4.8	35.9
Health Plan	33.1	38.9	36.0	33.4
Savings Plan/Other Benefits	15.1	9.2	5.5	4.8
Total	**135.2**	**115.1**	**71.5**	**90.9**

The table below shows the balance of the Actuarial Liabilities on December 31, 2019:

Celesc Distribuição S.A. | Actuarial Liabilities

	December 31, 2018	December 31, 2019	
Social Security Benefit Plans	**1,024.3**	**1,467.6**	***43.3%***
Mixed Plan + Transitional Plan	1,024.3	1,467.6	*43.3%*
Other Post-Employment Benefits	**980.6**	**1,370.9**	***39.8%***
Health Plan	926.8	1,308.0	*41.1%*
Other Benefits	53.8	62.9	*17.1%*
Total	**2,004.8**	**2,838.5**	***41.6%***
Short-Term	*162.6*	*176.5*	*8.5%*
Long-Term	*1,842.2*	*2,661.9*	*44.5%*

The 41.6% increase in Actuarial Liabilities was mainly due to the increase in the Health Plan (41.1%) and the decrease in the discount rate in 2019.

1.1.2.5.6. Materials

Materials accounted for R$4.6 million in the quarter, down by 6.7% (-R$0.3 million) compared to the fourth quarter of 2018 and R$16.8 million in 2019, up by 11.2% (+ R$1.7 million), with the main highlights in the year: (i) 14.1% increase (+R$1.0 million in the year) in maintenance and conservation material for administrative and operational units; (ii) 18.8% increase (+R$0.6 million) in material with safety and occupational health; and (iii) 48.2% increase (+R$0.2 million) in material with teleprocessing (optical fibers, networks, cables, etc.).

1.1.2.5.7. Third-Party Services

Third-Party Services totaled R$62.5 million (R$232.5 million in the year) in the fourth quarter of 2019, an 8.5% increase (+R$4.9 million), and 14.7% increase (+R$29.7 million) in the quarter and in the year, respectively. The increase is due, among other factors: (i) 11.3%

[3]Note 28a. 4ITR 2019.

increase in the quarter (+R$1.5 million) and 47.0% increase in the YTD (+R$ 16.8 million) in maintenance and conservation services for distribution lines and networks; (ii) the growth of 5.5% in the quarter (+R$0.6 million) and 6.1% year (+R$2.5 million) in services with meter reading; (iii) Growth of 12.9% in the quarter (+R$0.5 million) and 16.8% year-on-year (+ R$2.4 million) in services with disconnection and reconnection; (iv) Growth of 21.1% in the quarter (+R$1.2 million) and 13.1% year (+R$2.4 million) in Pruning and Mowing services; (v) 351% increase in the quarter (+ R$2.6 million) in the quarter and 75.1% increase in the year (+R$2.7 million) in Consultancy and Contracted Labor Legal Entities.

1.1.2.5.8. Other Operating Expenses

Celesc Distribuição S.A. | Other Operating Expenses/Revenues

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Other Expenses / Revenues – Total	**(27.1)**	**(19.9)**	***-26.6%***	**(2.6)**	**(5.8)**	***122.1%***
Lease and Rents	(4.6)	(5.6)	*21.2%*	(18.7)	(21.6)	*15.0%*
Insurance	(0.0)	(0.0)	*233.3%*	(1.3)	(1.3)	*-1.7%*
Taxes	(0.8)	(1.1)	*46.8%*	(6.2)	(6.4)	*3.2%*
Net Losses	(11.1)	(6.6)	*-41.2%*	(34.1)	(29.2)	*-14.4%*
Miscellaneous expenses *	(10.6)	(6.6)	*-37.7%*	57.7	52.6	*-8.8%*

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

The item *Other Operating Expenses/Revenues* recorded a positive of R$19.9 million in the quarter and a negative R$5.8 million in the accumulated in 2019. Among the factors that contributed to the variation, we highlight: (i) increase of 21.2% in the quarter (15% in the year) in rentals and leases; (ii) Net Losses with credit decreased 41.2% in the quarter (14.4% in the year), noting that most of these credits were launched as losses in previous quarters; (iii) The Miscellaneous Expenses accounted for a negative R$6.6 million in the quarter and a positive R$52.6 million for the year, with a positive effect on Other Expenses/Revenues, highlighting: a) Own Consumption recorded R$2.9 million in the Quarter and R$10.9 million in the year; b) Agreement Collection Fee reached R$8.7 million in the quarter and R$34.7 million in the year; c) Standard Quality Violation points to R$3.1 million in the quarter and R$18.0 million in the year (negative effect); d) Civil indemnity (negative effect) totaled R$47.7 million in the quarter and R$94.9 million in the year.

1.1.2.5.9. Provisions and Provision Reversals

Celesc Distribuição S.A. | Provisions

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Net Provisions – Total	**57.1**	**23.2**	***-59.4%***	**1.4**	**(11.2)**	***-875.2%***
Provisions for Estimated Net Losses on Doubtful Settlement Credits	**(4.9)**	**(10.1)**	***-103.9%***	**(32.8)**	**(24.1)**	***-26.4%***
PECLD Provisions	*(6.7)*	*(10.1)*	*49.9%*	*(38.3)*	*(39.7)*	*3.6%*
PECLD Provision Reversals	*1.8*	*0.0*	*-98.4%*	*5.5*	*15.5*	*182.3%*
Other Net Provisions	**62.0**	**33.2**	***-46.4%***	**34.2**	**13.0**	***62.1%***
Other Provisions	*(17.9)*	*(26.9)*	*50.5%*	*(72.7)*	*(106.4)*	*46.4%*
Reversal of Other Provisions	*79.9*	*60.1*	*-24.7%*	*106.9*	*119.4*	*11.7%*

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

(i) PECLD Provisions totaled R$10.1 million in the quarter (R$24.1 million in the year), reflecting higher Company revenues due to higher electricity tariffs in August 2018;

(ii) *Reversals of PECLD Provisions* totaled R$15.5 million in 2019.

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

(i) The Other Provisions account totaled R$26.9 million in the quarter (R$106.4 million in the year), broken down into (i) labor claims totaling R$10.6 million in the quarter and R$22.1 million in the year (compared to R$5.9 million in 4Q18 and R$19.1 million in 12M18); (ii) civil claims totaling R$16.1 million in the quarter and R$84.0 million in the year (compared to R$11.9 million in 4Q18 and R$52.7 million in 12M18) and Others (Regulatory, Tax and Environmental) totaling R$0.1 million in the quarter and R$0.2 million in the year;

(ii) Reversals from Other Provisions totaled R$60.1 million in the quarter (R$119.4 million in the year), broken down into (i) labor claims totaling R$13.6 million in the quarter and R$27.9 million in the year (compared to R$6.2 million in 4Q18 and

R$17.2 million in 12M18); (ii) civil claims totaling R$46.2 million in the quarter and R$90.1 million in the year (compared to R$35.5 million in 4Q18 and R$50.7 million in 12M18).

1.1.2.6. 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	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Net Loss / Profit	**(27.0)**	**42.4**	*256.8%*	**121.5**	**198.2**	***63.1%***
(+) IR and CSLL	5.9	4.7	*179.2%*	96.4	109.0	*13.1%*
(+) Financial Result	64.1	11.3	*-82.3%*	103.9	68.5	*-34.1%*
(+) Depreciation and Amortization	52.4	56.4	*7.7%*	207.3	220.4	*6.3%*
EBITDA	**83.5**	**114.8**	***37.5%***	**529.2**	**596.1**	***12.6%***
(-) Non-Recurring Effects	**(24.2)**	**(35.8)**		**(30.5)**	**(75.3)**	
Incentivized Dismissal Program - PDI	(62.4)	(35.8)		(68.7)	(87.2)	
Reversal of Tax Provision	38.2			38.2	11.9	
(=) EBITDA Adjusted for Non-Recurring Effects	**107.7**	**150.6**	***39.8%***	**559.7**	**671.4**	***20.0%***
IFRS EBITDA margin, excluding Construction Revenue (%)	*5.5%*	*6.1%*		*7.5%*	*8.1%*	
Adjusted EBITDA Margin, not including Construction Revenue (%)	*7.1%*	*8.0%*		*7.9%*	*9.2%*	

Considering the amount of R$35.8 million from non-recurring effects in the quarter (R$75.3 million per year), Adjusted EBITDA recorded R$150.6 million in the quarter and R$671.4 million in the year, with an Adjusted EBITDA Margin of 8.0% in the quarter and 9.2% in the year. The 39.8% growth in Adjusted EBITDA in the quarter (20.0% in the year) was mainly due to (i) 4.4% growth in the quarter in billed consumption (4.3% per year); (ii) Tariff readjustment of 13.86% applied in August 2018, reflected in the 2019 revenue; (iii) 22.8% increase in NOR (Net Operating Revenue) in the quarter (4.8% year); (iv) R$35.8 million exclusion in the quarter (R$75.3 million year) from non-recurring effects related to the PDI 2018. According to the meeting of Celesc's Board of Directors held on May 4, 2018, a complementary budget for the PDI 2018 was approved, recognized in the fourth quarter of 2019, with R$87.2 million in the year.

Celesc Distribuição's Regulatory EBITDA (EBITDA Tariff) reached R$690 million in 2019. EBITDA Excluding the effects of Portion A, totals R$596 million, below by R$94.0 million over the regulatory level. The difference can be explained by R$89 million of Losses above Regulatory (negative effect), R$38 million of CVA in 2018 (positive effect), and R$43 million of negative variation of Portion B.

1.1.2.7. Financial Result

Celesc Distribuição S.A. | Financial Results Statement

R$ Million	4th Quarter			Accumulated 12 months		
	2018*	2019	Δ	2018 *	2019	Δ
Total financial income	**61.6**	**43.4**	***-29.5%***	**240.4**	**232.8**	***3.2%***
Financial Investment Income	3.4	4.4	*29.3%*	12.6	23.3	*86.0%*
Monetary Variations	11.5	2.3	*-79.9%*	28.5	58.8	*106.3%*
Interest and Arrears/Invoices	25.0	22.5	*-10.1%*	93.2	109.5	*17.5%*
Regulatory Assets/Regulatory Fees	8.9	12.2	*36.8%*	96.1	43.3	*-55.0%*
Exchange Variation Energy Purchased	14.7	0.0	*-100%*	16.5	0.0	*-100%*
Other Operating Revenues (Expenses)	(2.0)	2.0	*199.6%*	(6.5)	(2.2)	*66.5%*
Financial Expenses	**(125.6)**	**(54.7)**	**-56.4%**	**(344.4)**	**(301.4)**	**-12.5%**
Debt Charges	(31.1)	(31.2)	*0.3%*	(95.5)	(155.3)	*62.5%*
Monetary Variations	(16.9)	(5.8)	*-65.9%*	(17.7)	(39.1)	*121.0%*
R&D Update and Energy Efficiency	(4.5)	(3.3)	*-27.6%*	(16.3)	(15.6)	*-4.3%*
Exchange Variation Energy Purchased	(2.6)	(0.0)	*-100%*	(31.6)	(0.0)	*-100%*
Regulatory Liability/Regulatory Fees	(74.8)	(8.0)	*-89.3%*	(161.1)	(60.0)	*-62.8%*
Interest on Debentures	(6.8)	(4.3)	*-36.3%*	(18.4)	(22.2)	*20.7%*
Other Financial Expenses	11.0	(2.2)	*-120.3%*	(3.7)	(9.1)	*147.3%*
Net Financial Result	**(64.1)**	**(11.3)**	**82.3%**	**(103.9)**	**(68.5)**	**34.1%**

*Accounting reclassification of *financial revenues and expenses* from exchange rate changes due to the purchase of energy from Itaipu to the item *cost of energy purchase*, as detailed in Notes 4.2 and 4.3 of 2ITR 2019.
** VNR update was reclassified as a Gross Revenue item as of 4Q16.

Financial Revenues amounted to R$43.4 million in the quarter (R$232.8 million in the year), down by 29.5% in the quarter (3.2% year) compared to 4Q18 (12M18), highlighting:

(i) Income from Financial Investments increased by 29.3% in the quarter (86.0% in the year), totaling R$4.4 million in the quarter (R$23.3 million in the year);

(ii) Monetary Variations decreased 79.9% reduction in the quarter, totaling R$2.3 million in the quarter (R$58.8 million in the year), with R$24.1 million in the year related to the financial gain from the foreign currency financing with BID;

(iii) Interest and Accruals on Bills decreased 10.1% in 4Q19 (increased 17.5% in 12M19), due to the reduction in billing and short-term default, at R$22.5 million in 4Q19 (R$109.5 million in 12M19), including both the late payment on the invoice in the amount of R$14.5 million in the quarter and R$74.1 million in the year, and other charges on the invoice (fine and interest in arrears) in the amount of R$8.0 million in the quarter and R$35.4 million in the year; and

(iv) *Regulatory Assets and Regulatory Fees* increased 36.8% in the quarter (decreased 55.0% in the year), at R$12.2 million in the quarter (R$43.2 million in the year), which comes from variations in the SELIC on financial assets in the sector (regulatory assets).

Financial Expenses reached R$54.7 million in the quarter (R$301.4 million in the year), down by 56.4% (R$70.9 million) in the quarter and 12.5% in 2019 (R$43 million). These variations are mainly justified by the following factors:

(i) Debt Charges totaled R$31.2 million (R$155.3 million in 12M19) due to: (a) interest paid on the debt stock and its main index (CDI rate), totaling R$16.0 million (R$94.8 million in the year), (b) mathematical reserve, with an impact of R$7.8 million in the quarter (R$36.5 million in the year), and (c) BID financial expense representing R$7.3 million in the quarter and R$39.9 million in the year;

(ii) Interest on Debentures totaled R$4.3 million in the quarter (R$22.2 million in the year);

(iii) *Regulatory Liabilities/Regulatory Fees* (SELIC) totaled R$8.0 million in the quarter (R$60.0 million in the year), highlighting: (a) R$7.1 million in the quarter (R$44.4 million in the year) related to the monetary restatement of the regulatory liability; and (b) R$0.9 million in the quarter (R$15.6 million in the year) related to the CDE restatement; and

(iv) The Monetary Variations accounted for R$5.8 million in the quarter (R$39.1 million in the year).

1.1.2.8. Net Profit and Net Adjusted Profit

Celesc Distribuição S.A. | Net Profit IFRS - Non-Recurring

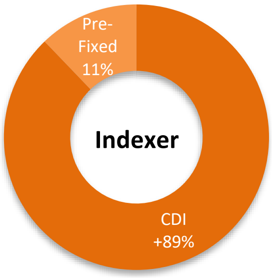
R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	12M18	12M19	Δ
Net Income IFRS	**(27.0)**	**42.4**	***256.8%***	**121.5**	**198.2**	***63.1%***
(-) Non-Recurring Effects	**(55.9)**	**(23.6)**		**(60.1)**	**(49.7)**	
Incentivized Dismissal Program - PDI 2018	(41.2)	(23.6)		(45.3)	(57.6)	
Monetary Restatement Tax Provision	21.1			21.1		
Low Civil Provision					7.9	
Reversal of Tax Provision	25.2			25.2		
Monetary Restatement Contractual Exhibition 2014	(61.0)			(61.0)		
(=) Net Income Adjusted for Non-Recurring Effects	**28.9**	**66.0**	***128.3%***	**181.6**	**247.9**	***36.5%***
IFRS Net Margin, excludes Construction Revenue (%)	*-1.8%*	*2.3%*		*1.7%*	*2.7%*	
Adjusted Net Margin, not including Construction Revenue (%)	*1.9%*	*3.5%*		*2.6%*	*3.4%*	

Considering the non-recurring effects in the amount of R$23.6 million in the quarter and R$49.7 million in the year, already justified in the EBITDA variation, the Adjusted Net Income of Celesc Distribuição increased 128.3% in the quarter and 36.5% in the year, pointing to R$66.0 million in the quarter and R$247.9 million in 2019.

1.1.2.9. Indebtedness

Celesc Distribuição S.A. | Financing and Loan Status

R$ Million	Tx. Annual Interest	on December 31, 2018	on December 31, 2019	Δ
National Currency				
Bank Loans	CDI + 0.80% p.a.	-	336.2	
Bank Loans	7.40% to 7.67% p.a.	301.1	150.4	-50.0%
Bank Loans	CDI + 1.25% to 1.30% p.a.	301.7	301.4	-0.1%
Eletrobrás	5.0%	14.9	5.4	-63.8%
Debentures	CDI + 1.30% p.a.	100.8	0.0	
Debentures	CDI +1.90% p.a.	251.7	251.4	-0.1%
Finame	2.50% to 9.50% p.a.	27.7	19.7	-28.9%
Celesc D/G Loan	CDI + 2.50% p.a.	92.4	0.0	
Foreign Currency				
BID	CDI + 0.89% p.a.	273.5	476.6	73.5%
Total		**1,363.8**	**1,539.1**	**12.9%**
Short-Term - Current		*517.9*	*451.7*	
Long-Term – 1 to 5 years		*586.3*	*642.1*	
Long-Term – Above five years		*259.6*	*445.3*	



The average cost of Celesc's total financial debt is 5.71% p.a., with 5.60% p.a. as the average cost of debt linked to the CDI and 6.66% p.a. as the fixed-rate debt, in line with market rates. The average term of the total financial debt is 6.1 years, corresponding to 6.5 years for the debt indexed to the CDI and 2.7 years for the fixed-rate debt. The Company has been structuring its average financial debt maturity, aiming for new medium/long-term funding.

Due to the difficulties faced by the Electricity Sector, the Company, just like other companies in the sector, has been accessing the financial market through fundraisings for its working capital needs related to the purchase of energy. Thus, Celesc Distribuição's gross financial debt totaled R$1,539.1 million, up by 12.9% over 2018.

2.1.2.9.1. Bank Loans

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 in 12 months. As described in the Notice to the Market – Renewal of the Debt Transaction with Banco Safra, released on April 23, 2019, Celesc Distribuição renewed its debt transaction for an additional 12-month period, under the same conditions: bullet amortization, the pre-fixed interest rate of 7.40% p.a. with monthly payments, and real guarantees (provided by Celesc Holding).

In October 2018, the Company contracted a working capital loan with Banco do Brasil, in the amount of R$ 100.0 million (Bank Credit Note – CCB), with a maturity period of 24 months and an amortization grace period of 12 months. After the grace period, the amortization payments will be made on a quarterly basis. Interest payments are quarterly, without grace periods. The interest rate is post-fixed and tied to the CDI (CDI + 1.25% p.a.).

In November 2018, the Celesc Distribuição contracted a working capital loan with Banco Safra, in the amount of R$ 200.0 million (Bank Credit Note – CCB), through the Agroindustrial Credit Line, with a maturity period of 36 months and an amortization grace period of 18 months. After the grace period, the amortization payments will be made on a monthly basis. Interest payments are monthly, without grace periods. The interest rate is post-fixed and tied to the CDI (CDI + 1.30% p.a.).

We highlight that these transactions carried out in October and November 2018 are part of the same fundraising process and are complementary to the total funding amount requested at the time, at R$ 300.0 million.

In April 2019, the Celesc Distribuição contracted a working capital loan with Banco Safra, in the amount of R$335.0 million (Bank Credit Note – CCB), through the Agroindustrial Credit Line, with a maturity period of 36 months and an amortization grace period of 18 months. After the grace period, the amortization payments will be made on a monthly basis. Interest payments are monthly, without grace periods. The interest rate is post-fixed and linked to the CDI (CDI + 0.80% p.a.), with collateral and the provision of personal guarantee (guarantee by Celesc Holding).

1.1.2.9.2. 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 an administration rate of 2% p.a. These contracts are collateralized by receivables and are accounted for by ANEEL.

1.1.2.9.3. Debentures

In May 2013, the subsidiary Celesc Distribuição issued for the first time 30,000 non-convertible unsecured debentures, with a fiduciary guarantee from Centrais Elétricas de Santa Catarina S.A., and the proceeds raised was towards the increase the Company's working capital and investments needs. 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. The compensation is paid in semiannual and consecutive installments, without grace periods, as of the Issuance Date (May 15, 2013). The amortization is performed in 3 equal, annual and consecutive installments, with the first installment being due as from the 48th month counted from the issuance date. The Debentures have a covenant commitment to present a Net Debt/EBITDA ratio of less than two and a maximum dividend distribution limit of 30%. The Company settled the remaining balance in May 2019.

1.1.2.9.4. Debentures – 3rd Issue Celesc Distribuição

Celesc Distribuição, according to the Notice to the Market – 3rd Issuance of Simple Debentures by Celesc Distribuição S.A., issued on July 13, 2018, the 3rd issuance of non-convertible simple debentures by the Company, along with Banco Santander (Brazil) S.A., as the leading intermediary institution and Banco BOCOM BBM S.A. Said issuance was for public distribution with restricted placement efforts under firm guarantee, with a total issuance amount of R$ 250 million, in a single series. The total issue totaled R$250 million, with a total of 250,000 (two hundred and fifty thousand) debentures were issued, at the nominal unit price of R$1 thousand, and the nominal unit price of the debentures will not have monetary restatements.

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

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

As of December 31, 2018, the Company has a contractual commitment (covenant) related to Debentures issue not presenting a Net Debt/EBITDA ratio of more than 2.5x. Failure to comply with this financial indicator may entail the early due date of the total debt. The proceeds from this funding entered Celesc Distribuição's cash balance on August 10, 2018, and will be used to strengthen cash for normal business purposes. The outstanding balance on December 31, 2019, is R$253.6 million.

1.1.2.9.4. Banco Interamericano de Desenvolvimento – BID

On October 31, 2018, Celesc Distribuição signed a loan agreement (No. 4404/OC-BR (BR-L 1491)) with the Inter-American Development Bank (IDB/BID) for the foreign debt transaction to partially fund Investments in Energy Infrastructure in the Company's concession area. The contract was signed on October 31, 2018, as disclosed in a Material Fact Funding form the BID.

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

In May 2019, Celesc Distribuição made the conversion of the debt balance of the tranche already received, totaling US$80.1 million, changing the interest rate to CDI + 0.89% per year. From that date, for this portion of the loan, there is no exchange variation.

We highlight that the total transaction amount will be made available in periodic tranches, according to the physical-financial progress of the project.

This loan is guaranteed by the Federative Republic of Brazil and the State of Santa Catarina and is intended to partially finance the Investments in Energy Infrastructure Program (*Celesc+Energia* Program), aimed at expanding and qualifying the distribution of electric energy in Celesc Distribuição's concession area. The updated outstanding balance on December 31, 2019, is R$476.6 million.

1.1.2.9.5. Finame

The loans contracted were used to purchase machinery and equipment and have an interest rate of 2.5% to 8.7% p.a. In the event of default, the warranty is linked to the receivables of the borrower, which were approved by ANEEL.

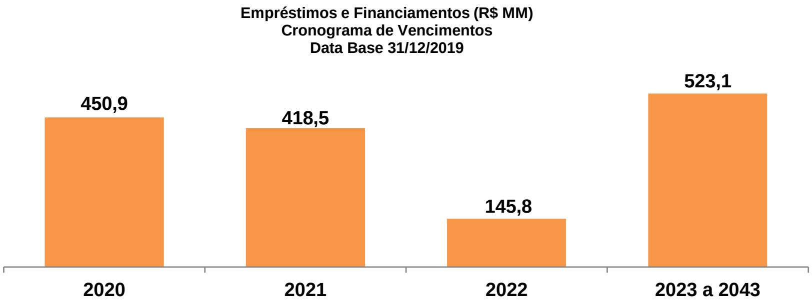
1.1.2.9.6. Celesc Distribuição S.A Loan with Celesc Geração S.A.

On August 16, 2016, Celesc Geração S.A (Lender) and Celesc Distribuição (Borrower) signed a loan agreement, with ANEEL's consent, for a 24-month period and an interest rate of 125% of the CDI. Interest payments and principal repayments were made at the end of the transaction term, in August 2018.

On September 10, 2018, both companies signed a new loan agreement, in the amount of R$90 million, with a 12-month maturity period. The contractual interest rate is 100% of the CDI plus a spread of 2.5% p.a. The Company settled the remaining balance in September 2019.

1.1.2.9.7. Loans and Financing Schedule

The estimated timing of due date for loans and financing is set out in the following graph:



On December 31, 2019, the Company recorded a financial debt representing 1.9x of the last 12-month EBITDA (1.7x Adjusted EBITDA) and 2.2x its Shareholders' Equity as follows:

Celesc Distribuição S.A. | Indebtedness

R$ Million	on December 31, 2018	on December 31, 2019	Δ
Short-Term Debt	517.9	453.3	-12.5%
Long-Term Debt	845.7	1,085.8	28.4%
Total Financial Debt	**1,363.6**	**1,539.0**	**12.9%**
(-) Cash and Cash Equivalents	631.3	400.1	-36.6%
Net Financial Debt	**732.4**	**1,138.9**	**-55.5%**
Debt Net / EBITDA 12M	**1.4x**	**1.9x**	
Debt Net / Adjusted EBITDA 12M	**1.3x**	**1.7x**	
Debt Total / Shareholders' Equity	**1.4x**	**3.0x**	
Debt Net / Shareholders' Equity	**0.7x**	**2.2x**	

It is important to note that, according to the Notice to the Market - CDE Installments, released on July 25, 2017, Celesc Distribuição divided the balance of R$1.166 million related to the CDE charge to the CCEE in 30 installments, as of July 2017 (until December 2019). On December 10, 2019, Celesc D paid the last installment. Of the total amount paid (R$1,269,789), R$1,166,320 referred to the principal and R$103,469 to interest (Note 26 of ITR 2019).

Considering pension obligations, totaling R$1,467.6 million on December 31, 2019, and other employee benefits (health plan, POS, others), totaling R$1,370.9 million, the Company's Adjusted Net Debt adds up to R$3,100.2 million, which represents 5.2x the Ebitda and 6.0x the Company's Equity at the end of 2019, as shown in the table below:

Celesc Distribuição S.A. | Indebtedness + Actuarial Liabilities

R$ Million	on December 31, 2018	on December 31, 2019	Δ
Short-Term Debt	517.9	453.3	
Long-Term Debt	845.7	1,085.8	
Total Financial Debt	**1,363.6**	**1,539.1**	**12.9%**
(+) Net Actuarial Liabilities	**1,431.4**	**1,961.2**	**37.0%**
Obligations with Social Security	1,024.3	1,467.6	43.0%
Other benefits to employees	980.6	1,370.9	39.8%
(-) Deferred IR/CSLL[1]	573.4	877.3	53.0%
(-) Cash and Cash Equivalents	631.3	400.1	-36.6%
Adjusted Net Financial Debt	**2,163.8**	**3,100.2**	**43.3%**
Adjusted Net Financial Debt / 12M EBITDA	**4.1x**	**5.2x**	
Adjusted Net Financial Debt / Adjusted 12M EBITDA 12M	**3.9x**	**4.6x**	
Total Adj. Financial Debt / Shareholders' Equity	**2.8x**	**6.8x**	
Net Financial Debt / Shareholders' Equity	**2.2x**	**6.0x**	

[1] ITR 4Q19, Note 20.a.

1.1.2.9.8. Ratings for Celesc Distribuição and Parent Company

Moody's Latin America Ltda. Moody's assigned ratings of Ba2 on a global scale and Aa3.br on a national scale for Celesc Distribuição S.A. The stable outlook reflects Moody's expectation that Celesc's credit metrics will remain duly positioned for the category, driven by the growth in operating cash generation along with the economic recovery in the state of Santa Catarina and the continuous improvements in the Company's cost reduction, despite the potential short-term volatility in working capital.

1.1.2.10. Investments | CAPEX

The investments made by Celesc Distribuição in the fourth quarter of 2019 totaled R$185.8 million, up by 19% over 4Q18. In 2019, R $ 588.6 million was invested in the expansion and improvement of the system, operational efficiency and modernization of the management of Celesc D. Of this amount, R$511,899 was related to its own resource, with R$441,311 in materials and services, R$70,588 in own resources and R$76,677 were related to funds from third parties, derived from Consumer Financial Share in works of Celesc D. The rules of Consumer Financial Participation are established in ANEEL Normative Resolution 414 from September 09, 2010.

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

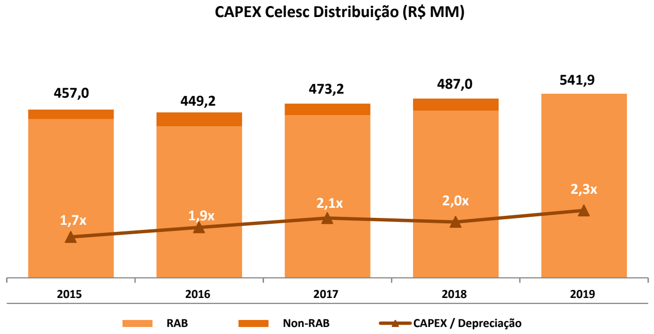
Celesc Distribuição S.A. | CAPEX

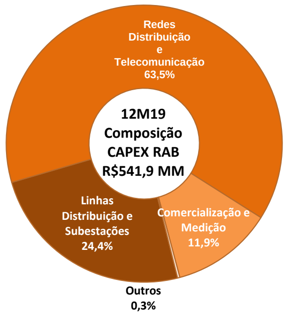
R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Distribution Investments	**156.1**	**185.8**	***19.0%***	**487.0**	**588.6**	***20.9%***
RAB *	145.4	163.7	*12.6%*	453.4	541.9	*19.5%*
Non – RAB	10.7	22.1	*106.8%*	33.6	46.7	*38.9%*
Depreciation / Amortization	**(52.4)**	**(56.4)**	*7.7%*	**(207.3)**	**(220.4)**	*6.3%*
CAPEX x Depreciation Ratio **	**2.8x**	**3.0x**		**2.0x**	**2.3x**	

* RAB: Regulatory Assets Base

** Not Including Consumer Financial Share

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 12M19, which will comprise the Regulatory Remuneration Base:





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

In 2019, Celesc Distribuição made mandatory investments of R$51.9 million in Research and Development (R&D) [4]and R$61.5 million in Energy Efficiency.[5]

For the 2020 fiscal year, according to the Notice to the Market Capital Budget for 2020, the budget approved for materials and services, including consumer financial share, totals R$753.0 million, of which R$624.7 million is for the Distribution System, R$55.5 million for General Installations, Vehicles and IT and R$72.8 million for Own Labor.

1.1.3. Regulatory Aspects of Celesc Distribuição S.A.

1.1.3.1. 2014 Contract Exhibition – ANEEL Orders No. 2.642/15 and 2.078/16

In 2015, ANEEL determined the contractual exposures of the distributors for the year 2014, disclosing the amounts of involuntary exposure through Order No. 2.642/2015. For Celesc Distribuição S.A. the amount of 117.2MW of contractual exposure was determined, of which 64.36MW were recognized as involuntary. Given this order, an appeal was filed with ANEEL based on three points: (i) 2 MW resulting from consumers that ANEEL understood that have returned to the captive market through a voluntary act of Celesc Distribuição, which did not occur, as they returned by court order or were just disconnected; (ii) 15.818MW relating to a material error in filing a declaration form in the A-1 auction of 2013, since the said amount of energy was declared in a different field of the form, in addition, had already been declared in another two auctions (A-0 of 2013 and A-0 of 2014), which were frustrated; and (iii) 35.02 MW resulting from extraordinary market variation related to the intense heatwave that hit the state in the 1st Quarter of 2014 and translated into an annual market growth of around 6.7%, compared to a history of around 2.5%. Given the inoperability of contractual adjustment mechanisms in 2013 and 2014, this extraordinary growth could not be adjusted, having generated a contractual exposure of around 1.5% of the market.

Through Order No. 2.078/2016, the company was granted a partial recognition in order to: a) consider another 2MW average as involuntary exposure related to the cessation of activities and return to the captive market of special consumers; and b) 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. By virtue of the Order, the exposure considered by the Regulatory Body to be voluntary went from 52.84 Average MW to 35.02 Average MW, so the Company recognized in the second quarter of 2016 the amount of R$ 256 million referring to voluntary exposure in 2014, recognizing the amount of R$ 225 million in the Financial Assets/Liabilities account of Gross Operating Revenue, with a negative effect and R$31 million as financial expenses (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

[4] ANEEL's P&D program is currently regulated by Law No. 9.991/2000, as amended, Normative Resolutions No. 316/2008 and 504/2012 and correlated rules.

[5] The Energy Efficiency Program regulated by ANEEL – PEE was established by Law No. 9.991/2000.

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 22nd of that year.

After the lawsuit was filed, an injunction was granted to dismiss the application of the mentioned tariff reducer. A decision met by ANEEL when the tariff review was ratified. Furthermore, 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.

Additionally, given ANEEL's appeal at first instance, it was able to exercise its right to transfer this amount to the consumer. Celesc administratively requested that the transfer be paid in 5 years (5 tariff processes), which was dealt with by the regulatory agency. If it wins the legal appeal, the amount will go to the company.

1.1.3.2. Contractual exposure 2014 - Penalties CCEE

On October 14, 2016, the CCEE issued Notification No. 1.438/2015 due to the non-presentation by Celesc Distribuição 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. 1.438/2015.
On January 4, 2017, Celesc Distribuição challenged this decision, and on January 10, 2017, at its 905th meeting, the CAD faced the allegations presented by Celesc Distribuição and decided in determination No. 0036 for forwarding 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. 1438, of 2017, 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. Provision was denied, as stated in Order 1489/2017.

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.

1.1.3.3. Tariff Flags

The Federal Government, through Decree No. 8.401/2015, created the CCRBT Tariffs Resource Center Account. It was established that the 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 also serves for the consumer to be aware of consumption during periods of drought, when generation becomes more expensive.

For the year 2017, through Public Hearing No. 091/2016, ANEEL defined new levels of activation as well as the respective 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 61/2017 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 an audience of R$ 50.00/MWh has already been validated, considering red flag level 2. According to the proposal, the amount of the additional yellow flag fell from R$20.00 to R$10.00/MWh, and the additional red flag on level 1 remains at R$30.00/MWh.

After the period of contributions received in the first phase of Public Hearing No. 61/2017, held in the period from October 26, 2017, to December 27, 2017, on April 24, 2018, through Approval Resolution No. 2.392/2018 ANEEL ratified the driving ranges and additional tariff flags. The definitions, methodologies, and application procedures are dealt with in sub-module 6.8 of PRORET, effective as of May 2018. They had been proposed at the opening of that hearing on October 24, 2017, during ANEEL's Public Meeting.

Furthermore, at the same Ordinary Public Meeting of the Board of Executive Officers from April 24, 2018, where the proposed bands and additional ratifications were ratified, a new phase was established for the same Public Hearing. Furthermore, at the same Ordinary Public The contribution submission period was established from April 25, 2018, to June 11, 2018, through a documentary exchange with the objective of obtaining subsidies to exclusively deal with the methodology of transfer of the Flags Account.
This year, ANEEL held the Public Hearing 08/2019 from February 27 to April 1. After the period to send contributions and for the due assessment by the regulatory body, it was established by Ratification Resolution 2551 that, as of June 1, 2019, the amounts to be added to the energy application tariff, TE, will be of R$15.00/MWh when the yellow tariff flag is in force, R$40.00/MWh when the level 1 of the red tariff flag is in force and R$60.00/MWh when the level 1 of the red tariff flag is in force.

Statistical modeling was developed to harmonize the Settlement Price for Differences, and the hydrological risk (GSF) linked to the generation of energy to establish the triggers for the tariff flags. The result is shown in the following table:

Flag Level	Reference PLD (R$/MWh)
Green	149.00
Yellow	303.00
Red 1	343.00
Red 2	366.00

Finally, in October 2019, ANEEL opened Public Consultation 27/2019 to remove the rounding criteria for tariff flags from its calculations. If the tariff flags are approved, they will present the exact calculation values instead of the rounded calculation. However, ANEEL decided to adopt the new figures preliminarily. As of November 1, 2019, the amounts to be added to the energy application tariff, TE, will be of R$13.43/MWh when the yellow tariff flag is in force, R$41.69/MWh when the level 1 of the red tariff flag is in force and R$62.43/MWh when the level 1 of the red tariff flag is in force.

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

Tariff Flag History	
Month	**Level**
Jan/17	Green
Feb/17	Green
Mar/17	Yellow
Apr/17	Red-Level 1
May/17	Red-Level 1
Jun/17	Green
Jul/17	Yellow
Aug/17	Red-Level 1
Sep/17	Yellow
Oct/17	Red-Level 2
Nov/17	Red-Level 2
Dec/17	Red-Level 1
Jan/18	Green
Feb/18	Green
Mar/18	Green
Apr/18	Green
May/18	Yellow
Jun/18	Red-Level 2
Jul/18	Red-Level 2
Aug/18	Red-Level 2
Sep/18	Red-Level 2
Oct/18	Red-Level 2
Nov/18	Yellow
Dec/18	Green
Jan/19	Green
Feb/19	Green
Mar/19	Green
Apr/19	Green
May/19	Yellow
Jun/19	Green
Jul/19	Yellow
Aug/19	Red 1
Sep/19	Red 1
Nov/19	Red-Level 1
Dec/19	Yellow

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. Order No. 4.356/2017.

1.1.3.4. 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 period for 30 years, imposed efficiency restrictions 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 goals of collective continuity indicators for two consecutive years or three times in five years will result in the limitation of the distribution of dividends or in the payment of interest on own capital to the legal minimum (Normative Resolution No. 747/2016), and the noncompliance with the indicators of economic and financial sustainability will reflect the need for capital contribution from the controlling shareholders.

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 recent disclosure provided by the Report on Economic-Financial Sustainability Indicators of the Distributors calculated by ANEEL's Superintendence of Economic and Financial Inspection for the period between October 2018 and September 2019, indicates an adjusted EBITDA (accumulated in the period) of R$666 million.
Below are the targets to be followed by Celesc Distribuição in the first five years of the extension:

In relation to the Company's performance, Celesc Distribuição has complied with the adjusted EBITDA margin of zero or higher than zero for 2017.

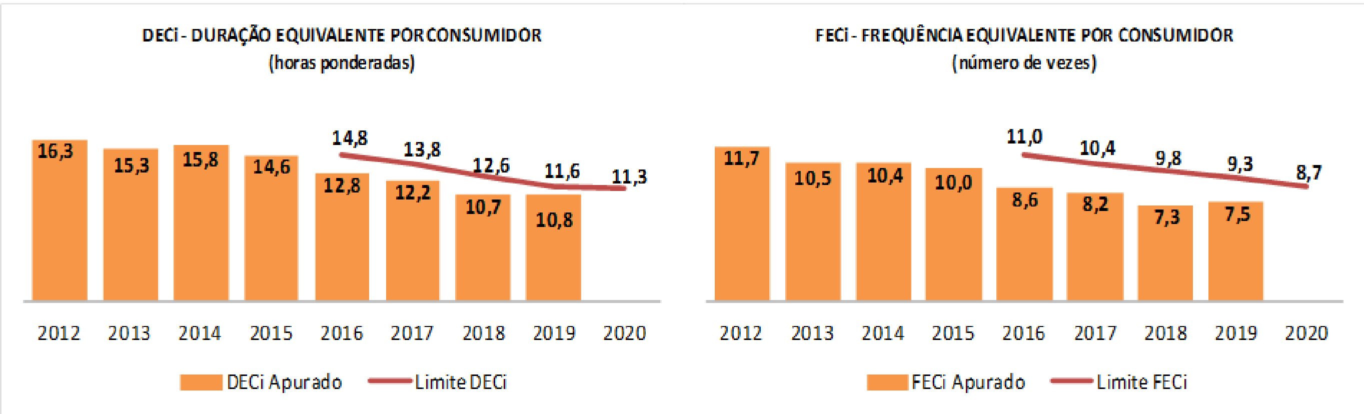
For 2018, as the adjusted EBITDA discounting the minimum investments to be made (QRR) was greater than zero, the indicator regarding the trend of economic and financial management was also met.

In 2019 there was no consolidation of the results and publication of the report by the SFF, scheduled for the end of April. However, for the financial-economic indicator, according to the company's calculation, the formula {NET DEBT/[EBITDA(-)QRR]}≤1/0,8*SELIC established a target of a maximum of 21.04 and our result was 8.58 years, that is, the indicator established by ANEEL was met.

YEAR	FINANCIAL AND ECONOMIC MANAGEMENT	QUALITY INDICATORS (ESTABLISHED LIMITS)		VERIFICATION
		DEC_i	FEC_i	
2016		14.77	11.04	SERVED
2017	LAJIDA≥0	13.79	10.44	SERVED
2018	{LAJIDA(-)QRR}≥0	12.58	9.84	SERVED
2019	{NET DEBT/[EBITDA(-)QRR]}≤1/0.8*SELIC	11.56	9.25	SERVED
2020	{DÍVIDA LÍQUIDA/[LAJIDA(-)QRR]}<1/1.11*SELIC	11.30	8.65	

[1] DECi-Equivalent Duration of Interruption of Internal Origin per Consumer Unit; and FECi-Equivalent Frequency of Interruption of Internal Origin per Consumer Unit;
[2] QRR: Regulatory integration quota or Regulatory Depreciation Expense. It will be the amount defined in the last Periodic Tariff Review-RTP, plus the IGP-M between the month prior to RTP and the month prior to the 12-month period of the economic-financial sustainability benchmark;
[3] Selic: limited to 12.87% p.a.

The chart below shows the follow-up of the quality indicators carried out until 2019.



For the year 2017, as reported in the Operational Performance, although the Company met the DECi and FECi targets of the Concession Agreement, the overall goals (cycle goals) for DEC in 2016 and 2017 were not achieved, which limits the distribution of dividends and/or interest on capital to the legal minimum of 25% and will remain so until the regulatory parameters are met.

The continuity indicators for the 2018 calendar year were within the regulatory limits established by ANEEL and were submitted for analysis by ANEEL's Department of Regulation of Distribution Services. SRD, through Technical Note 0013/2019-SRD/ANEEL, published that in 2018 it was the first year of application of a new calculation methodology by SFE through a process recently developed by the area and that there may be additional actions for data ratification since there was no time, several distributors, including Celesc, should have their calculation considered for the 2018 ranking. Thus, the result was published on ANEEL's website with the 2018 results: https://www.aneel.gov.br/ranking-2018.
For 2019, the indicators for both the concession and the cycle were met, as set internally by the responsible technical areas. This result will still be debugged and published by SRD.

It should also be noted that 2020 will be the last year for which the concessionaires' performance target is already defined. In October 2019, ANEEL opened Public Consultation 24/2019 and started the process that will establish the indicators, efficiency criteria, and procedures to monitor the quality of service and the economic and financial management of the electricity distribution concessionaires, as well as the procedures applicable in case of non-compliance, which will be effective from 2021 and will end in the thirtieth year of the concession contracts. The consultation led to the participation of agents in the electricity sector and the general public and received 14 contributions, including that of Celesc Distribuição. The process has not yet been concluded but, according to the first draft of the Normative Resolution presented by ANEEL, the trend is that the calculation of the predicted efficiency criteria occurs in annual and continuous periods, with a movable timeframe of 5 (five) years until the end of the concession agreements.

1.1.3.5. Results Plan

Celesc Distribuição was convened by ANEEL to participate in the second line-up of the distributors that will go through the Results Plan, aiming at improving the quality of services under the technical and commercial aspects, in addition to the safety aspects of employees and the population, combined with the monitoring of the economic-financial sustainability indicator, and consequently at guaranteeing the achievement of the indicators established in the Concession Agreement.

The Results Plan 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 phase of supervision of the technical and commercial services of electricity distribution throughout 2016, with the analysis of the earnings from 2014 and 2015. In order to comply with these requirements, Celesc Distribuição presented to ANEEL the Improvement Plan, focusing on the Duration of Interruptions, Number of Interruptions, Timeframes for Services, Quality of Telephone 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. In addition to promoting the improvement of services provided to consumers, it lists actions necessary to comply with the concession agreement, extended in 2015. It is, therefore, an important complementary management tool. The term of validity of the Results Plan is of 24 months, as of September 10, 2017, with periodic quarterly control by the regulatory body.

Six Monitoring Reports have already been sent. The 6th and last Report was sent to ANEEL in September 2019, including the evolution of the actions planned over the sixth quarter, between May and August 2019.
In August 2019, the Superintendence of Inspection of Electricity Services - SFE sent Analysis Reports 012/2019 and 013/2019 to Celesc Distribuição, with the diagnoses of the services provided regarding the Continuity of Supply and Reconnection, as well as the request to present a Results Plan on the topic of Supply Continuity from October 1, 2019, to September 30, 2020.

On September 16, 2019, the Distributor sent the final version of the Results Plan. On October 1, 2019, Technical Note 119/2019-SFE/ANEEL was published, which made official the acceptance, by SFE, of Celesc Distribuição's Results Plan for the 2019/2020 cycle.

1.1.3.6 2019 Annual Tariff Adjustment – Ratification Resolution 2593/2019 and Technical Note 152/2019-SGT/ANEEL

ANEEL, within the scope of the Public Meeting of its Board of Directors, held on August 20, 2019, authorized the tariff readjustment amount to be executed by Celesc Distribuição as of August 22, 2019. When calculating the adjustment, as established in the concession agreement, ANEEL considers the variation of costs associated with the provision of the service and considers the acquisition and transmission of electricity, as well as the sector charges. The average tariff effect perceived by consumers, around -7.80 %, being -5.53% on average for connected consumers in the High Voltage and -9.16% on average for consumers connected in the Low Voltage.
The Sector Charges have a -6.87% share, 1.43% Transmission Costs, -0.67% Energy Expenses, -0.05% Unrecoverable Revenues, 0.86% with Distributor Costs, 3.18% related to the Financial Components of the current process, and -5.70% related to the withdrawal of the Financial Components of the previous ordinary process.
In the composition of Net Revenue for the 2019-2020 period, Portion A (non-manageable costs with charges, transmission, and energy) participates with 79.34%. Portion B (manageable costs) represents 20.66%, defined in the amount of R$1.637 billion. The table below details the breakdown of the readjustment items:

Participation in the 2019 Tariff Readjustment (ANEEL Ratification Resolution 2593/2019)		
Portion A	Sector Charges	-6.87%
	Transmission Costs	1.43%
	Energy Purchase	-0.67%
	Unrecoverable Revenues	-0.05%
	Total Portion A	**-6.16%**
Portion B		0.86%
Economic Readjustment (IRT), considering the RTE tariff variation		**-5.29%**
Financial Components of the Current Process		3.18%
Withdrawal of Financial Components from the Previous Process		-5.70%
Average Effect to be perceived by Consumers		**-7.80%**

1.1.3.7 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. Regulatory distortions observed over the past few years that addressed a structural review of the legal framework were addressed, seeking to improve the regulatory balance between agents, consumers, and government public interests, in addition to reducing the level of judicialization faced by the electricity sector today.

After several contributions received by the MME, the Public Consultation ended at the end of 2017, with the subsequent disclosure of guidelines to be observed by the new legal frameworks to be established, whose focus is on providing mechanisms to encourage efficiency in business decisions of industry players, especially regarding the security of supply, investments and socio-environmental sustainability.

A 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 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 the scope of distribution, there is a direction to separate the collateral and energy, creating other transition mechanisms that mitigate the effects of the migration of consumers to the free market, rationalizing subsidies, and correcting inadequate incentives for this displacement. Another point addressed is the allocation of resources of the Global Reversion Reserve - RGR to indemnify transmission assets. There is a review of R&D resource utilization guidelines and incentives for alternative sources of energy. There is a new discussion of the structure of the regulated distribution market, seeking modernization and creation of incentives, and the calculation bases for calculating penalties to distributors should also be reviewed. Finally, there is a concern to reduce the volume of legal disputes over hydrological risk, which would help reestablish the balance in settlements of the short-term market.
All of these guidelines were translated into a draft Bill published by MME, the content of which was partially covered by Provisional Measure 814/2018 and Bill 1917/2015. Said Provisional Measure lost its effectiveness and was not converted into a law. Bill 1917/2015 is still pending in the House of Representatives and has not yet reached the House floor.

1.1.3.8 Payment to Celesc Distribuição by Eletrosul - Indemnification Transmission Facilities

On May 22, 2018, by Order No. 1,139/2018, the Board of ANEEL ratified an understanding of the technical area of the Regulatory Agency confirming the need to pay Celesc Distribuição, by Eletrosul, the amount of R$ 46.3 million related to the double indemnity received by the transferee affected by ArcelorMittal consumer connection facilities, 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".

The term of 5 years for the payment of the facilities by Celesc Distribuição remained contractually concluded between the companies, which was credited to a regulatory receivable divided into 30 years.

In an evaluation of the industry legislation, since the publication of Provisional Measure no. 579/2012, subsequently converted into Act 12.783 from January 11, 2013, ANEEL confirmed, after Celesc Distribuição's action, that Eletrosul opted for the extension in anticipation of its transfer concession, there was compensation related to assets not depreciated or not amortized, in the form of the Law and of its regulations, including the facilities dedicated to the ArcelorMittal consumer.

The Company's activities with ANEEL to debate the topic began in 2014 and continued until 2017 when there was a formal manifestation by the agency. The mistake was recognized in the procedure adopted by ANEEL/Union 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.

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 million 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.

As for the payments, as determined by the National Agency of Electricity - ANEEL, through Orders 4171, of December 12, 2017, and 1139, of May 22, 2018, are complying, with 05 (five) installments remaining to settle the debt.

1.1.3.9 Agreement on the Emergency Capacity Charge - ECE

Celesc Distribuição signed, together with the Federal Government, on July 19, 2019, a Debt Settlement Agreement related to the Emergency Capacity Charge (ECE) in the amount of R$72.4 million. The total amount had already been provisioned in the result of Celesc Distribuição, classified as a regulatory contingency. Payment is being made in 60 installments, with the first installment being disbursed on July 31, 2019. The remaining installments are accrued with the interest of 1% and updated by the reference rate of the Special System for Settlement and Custody - SELIC.

1.1.3.10 Tax Judicial Proceeding

On April 1, 2019, Celesc Distribuição obtained a final and unappealable decision in a judicial proceeding, in which the right to recover the amounts overpaid under PIS and COFINS was recognized due to the inclusion of ICMS in the calculation base of taxes paid. The amounts paid to be credited to Celesc D correspond to the period from April 2007 to December 2014. Celesc Distribuição recognized R$1,075 million as recoverable taxes, monetarily restated in accordance with the Brazilian Federal Revenue Service - RFB 13/2018, as a counterpart to the PIS/COFINS to be refunded to consumers, in non-current liabilities. The Company is awaiting the clearance of credits by the Federal Revenue to offset the taxes due and awaiting ANEEL's definition of the model of transfer to consumers.
In addition, it should be noted that Celesc D filed another lawsuit seeking the return of the amounts from January 2015 onwards, which is pending a court decision.

At the same time, it should be noted that the extraordinary appeal 574706/PR, which deals with the matter within the scope of general repercussion, is pending before the Supreme Court, whose definition of the modulation of the effects of the decision on the merits is awaited by the Company. The Supreme Court scheduled the trial for December 5, 2019. The lawsuit questioning the non-application of PIS and COFINS on ICMS as of 01/2015 had a decision published on January 20, 2020, subject to the necessary examination and possible appeal by the Federal Government. In addition, awaiting judgment on the motion for clarification in the records of extraordinary appeal 574706/PR, which deals with the modulation of the effects of merit. The Supreme Court ruled the trial on April 1, 2020.

1.2. Celesc Geração

1.2.1. Operational Performance

1.2.1.1. Production

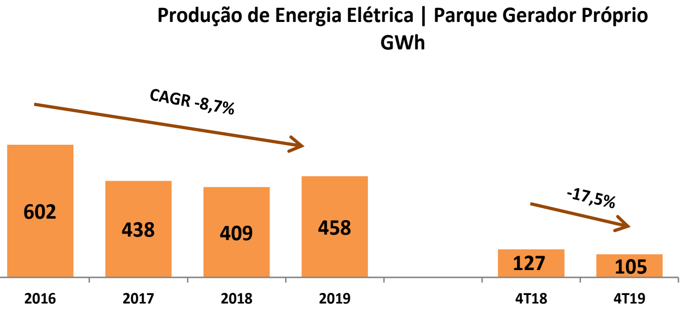
In the fourth quarter of 2019, Celesc Geração plants generated 104.6 GW, down by 17.5% over 4Q18. The total volume of energy produced in 2019 was 458.5 GWh, up by 12.0% over 2018.

Among the factors that influenced the variation in the quarter, we emphasize: (i) Low rainfall levels in the catchment basins of the Palmeiras, Celso Ramos and Pery plants; and (ii) occasional disconnections for maintenance and investment.

The overall capacity factor reached 52.3% in the fourth quarter of 2019 (54.9% year), up by 5.9 p.p. (percentage points) over the fourth quarter of 2018 and up by 11.5 p.p over 2018.

Celesc Geração S.A. | Electricity Production

Operational Performance (GWh)	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Own Generating Site	**126.8**	**104.6**	*-17.5%*	**409.2**	**458.5**	*12.0%*
Palmeiras HHP	36.5	26.8	*-26.4%*	113.9	125.1	*9.8%*
Bracinho HHP	18.6	14.3	*-23.1%*	59.9	64.9	*8.3%*
Garcia HHP	15.2	10.9	*-28.7%*	38.5	52.1	*35.5%*
Cedros HHP	0.1	4.2	*7956.5%*	0.1	27.8	*53688.9%*
Salto HHP	0.0	8.1	*%*	9.6	14.9	*54.6%*
Celso Ramos SHP	10.8	4.8	*-55.7%*	35.0	25.4	*-27.4%*
Pery HHP	32.4	23.4	*-28.0%*	105.8	97.4	*-7.9%*
Caveiras HGP	5.2	5.7	*9.0%*	20.7	23.2	*11.9%*
Ivo Silveira HGP	5.5	4.3	*-22.0%*	19.0	19.2	*0.7%*
Piraí HGP	1.0	0.8	*-20.2%*	1.8	3.1	*73.8%*
Rio do Peixe HGP	1.0	0.9	*-5.6%*	3.2	3.7	*15.3%*
São Lourenço HGP	0.5	0.5	*-4.6%*	1.6	1.6	*-4.4%*
Global Capacity Factor	**58.2%**	**52.3%**		**43.4%**	**54.9%**	



All the plants of the generating 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.

1.2.2. Financial Performance

Celesc Geração S.A. | Main Financial Indicators

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Gross Operating Revenue	**39.5**	**44.2**	***11.8%***	**177.5**	**164.4**	***-7.4%***
Deductions from Operating Revenue	(4.1)	(4.0)	*-1.3%*	(17.0)	(15.8)	*-7.0%*
Net Operating Revenue	**35.5**	**40.2**	***13.4%***	**160.5**	**148.6**	***-7.4%***
Operating Costs and Expenses	(21.6)	(9.7)	*-55.1%*	(78.1)	(47.5)	*-39.2%*
Cost with Electricity	*(12.2)*	*(6.0)*	*-51.0%*	*(37.2)*	*(22.2)*	*-40.4%*
Operating Expenses	*(9.4)*	*(3.7)*	*-60.5%*	*(40.9)*	*(25.3)*	*-38.2%*
Equity in earnings	**(0.2)**	**2.1**	***1131.4%***	**0.4**	**4.4**	***1153.0%***
Activity Income	**13.7**	**32.6**	***138.3%***	**82.8**	**105.6**	***27.6%***
EBITDA	**15.1**	**34.0**	***125.6%***	**88.4**	**111.0**	***25.6%***
EBITDA Margin (%)	*42.5%*	*84.5%*		*55.1%*	*74.7%*	
Financial Result	**(1.4)**	**(1.0)**	***-29.2%***	**(5.7)**	**(3.0)**	***48.3%***
EBIT	**12.3**	**31.7**	***156.8%***	**77.0**	**102.6**	***33.3%***
IR/CSLL	(4.1)	(5.1)		(25.8)	(28.4)	
Net Loss / Profit	**8.3**	**26.6**	***221.7%***	**51.2**	**74.3**	***44.9%***
Net Margin (%)	*23.3%*	*66.0%*		*31.9%*	*50.0%*	

1.2.2.1. Result Highlights

Celesc Geração's Net Operating Revenue (NOR) increased 13.4% (+R$4.7 million) in the fourth quarter of 2019, totaling R$40.2 million, due to the increase in LDP - Settlement Price for Differences, 9.4% decrease in the volume of billed energy, resulting from the decrease in energy purchased (-17.8 GWh) and in costs and operating expenses, down by 55.1% and 39.2% in the quarter and in the year, respectively.

EBITDA and Adjusted Profit grew 40.2% in the quarter (11.3% increase year-on-year) and 114.2% (28.5% increase year-on-year), respectively, totaling R$22.3 million in adjusted EBITDA (R$99.2 million in the year) and R$18.8 million in adjusted profit (R$66.5 million year), as commented in the respective session.

Celesc Geração S.A. | Adjusted Earnings (IFRS - Non-Recurring)

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Adjusted EBITDA (IFRS - Non-Recurring)	**15.9**	**22.3**	***40.2%***	**89.2**	**99.2**	***11.3%***
Adjusted EBITDA Margin (%)	*44.7%*	*55.4%*		*55.6%*	*66.8%*	
Adjusted Net Income (IFRS - Non-Recurring)	**8.8**	**18.8**	***114.2%***	**51.8**	**66.5**	***28.5%***
Adjusted Net Margin (%)	*24.8%*	*46.8%*		*32.3%*	*44.8%*	

1.2.2.2. Gross Operating Revenue

Celesc Geração S.A. | Gross Operating Revenue

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
GROSS OPERATING REVENUE	**39.5**	**44.2**	***11.8%***	**177.5**	**164.4**	***-7.4%***
Energy Provision	9.4	7.8	*-16.6%*	37.6	30.5	*-19.0%*
Energy Supply	17.1	17.5	*2.1%*	75.9	71.7	*-5.5%*
Short-Term Energy	3.9	5.9	*50.1%*	22.6	18.7	*-17.0%*
Financial Income - Interest and BO Update	9.1	13.0	*43.2%*	41.1	43.5	*5.1%*

The 11.8% increase in gross revenue in the quarter (+R$4.7 million) is mainly due to the positive changes in Supply revenue (2.1%) and Short-Term Energy (50.1%), detailed below:

i. Increase in PLD, both in the quarter and in the year as detailed in the table below;
ii. Energy purchased fell by 28.5% (-17.8 GWh) in the quarter and 19.4% in the year (-40.7 GWh);
iii. Increase in Financial Revenue, with 43.2% in the quarter and 5.1% in the year.

The table below shows the physical quantities of energy billed in the fourth quarter and in 2019 for each of the segments.

Celesc Geração S.A. | Energy Billed

AMOUNT OF BILLED ENERGY (GWh)	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Electricity Supply and Provision	**185.7**	**168.2**	***-9.4%***	**728.0**	**692.4**	***-4.9%***
Industrial	33.2	25.7	*-22.3%*	139.7	103.9	*-25.6%*
Commercial, Services and Others	14.6	13.8	*-5.6%*	55.4	52.8	*-4.6%*
Energy Supply	127.6	124.6	*-2.4%*	503.7	492.1	*-2.3%*
Short-Term Energy (CCEE)	10.4	4.1	*-60.7%*	29.2	43.6	*49.4%*
Sale Average Price WITHOUT CCEE (R$/MWh)	**198.75**	**205.75**	**3.5%**	**208.98**	**209.38**	**0.2%**
Sale Average Price WITH CCEE (R$/MWh)	**213.68**	**232.80**	**8.9%**	**243.09**	**224.64**	**7.6%**

Billed energy decreased by 9.4% in the quarter (-17.5 GWh) and 4.9% in the year (-35.6 GWh). This movement was mainly affected by the energy SWAPs carried out in 2018. Among the supply classes, the greatest variations were in industrial revenue and energy traded in the short-term market (CCEE), down by 25.6% and up by 49.4%, respectively. Many of these variations are due to the lower consumption of industrial consumers with contractual flexibilities, whose energy ended up settled in the short-term market. The average selling price of contracts (without settlement at CCEE) increased slightly, by 0.2%, while the average price including settlement in the short-term market fell by 7.6%, driven by the decreased average PLD compared to 2018 (R$/MWh 225 in 2019 compared to R$/MWh 288 in 2018).

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

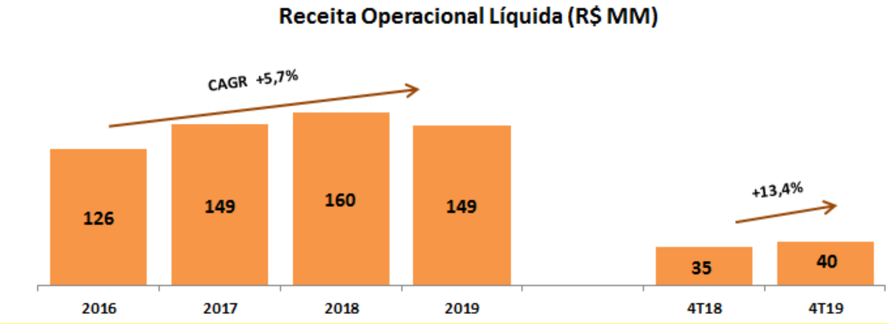
Celesc Geração S.A. | RAG Plants - Quotas

Plants	RAG (R$) Cycle 2019/2020	Monthly Revenue (R$) July 2019 to June 2020	Physical Guarantee in Shares
Pery HHP	9,813,481.68	817,790.14	100%
Palmeiras HHP	20,085,497.84	1,673,791.49	70%
Bracinho HHP	13,113,790.03	1,092,815.84	70%
Garcia HHP	10,122,039.41	843,503.28	70%
Cedros HHP	9,595,876.71	799,656.39	70%
Salto HHP	6,818,340.73	568,195.06	70%

Approval Resolution No. 2.587 from July 23, 2019

1.2.2.3. Net Operating Revenue

Net Operating Revenue (NOR) reflected the variations in GOR between the periods.



1.2.2.4. Operating Costs and Expenses

Celesc Geração S.A. | Operating Costs and Expenses

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
OPERATING COSTS AND EXPENSES	**(21.6)**	**(9.7)**	***-55.1%***	**(78.1)**	**(47.5)**	***-39.2%***
Cost with Electricity	**(12.2)**	**(6.0)**	***-51.0%***	**(37.2)**	**(22.2)**	***-40.4%***
Electricity Purchased for Resale	(11.6)	(5.4)	*-53.8%*	(34.8)	(19.8)	*-43.3%*
System Use Charges	(0.6)	(0.6)	*6.3%*	(2.3)	(2.4)	*3.0%*
PMSO	**(7.2)**	**(14.1)**	***96.0%***	**(34.5)**	**(31.7)**	***-8.2%***
Personnel and Administrators	(2.8)	(4.2)	*49.6%*	(11.5)	(14.3)	*24.4%*
Material	(0.1)	(0.1)	*57.1%*	(0.4)	(0.4)	*-213%*
Third-Party Services	(2.3)	(3.0)	*30.9%*	(8.3)	(9.8)	*18.0%*
Net Provisions	(1.8)	(4.4)	*147.0%*	(13.6)	(4.1)	*-70.0%*
Other Revenues / Expenses	(0.3)	(2.5)	*750.5%*	(0.6)	(3.0)	*402.7%*
Provision/Reversal of Plants and Investments, Net	**(0.8)**	**11.7**	***1544.0%***	**(0.8)**	**11.7**	***1544.0%***
Depreciation / Amortization	**(1.4)**	**(1.3)**	***-1.8%***	**(5.6)**	**(5.3)**	***-4.5%***

Operating costs and expenses decreased 55.1% in the quarter (39.2% in the year), reaching R$9.7 million in the quarter (R$47.5 million in the year). It is worth noting the 51.0% decrease in the cost of energy acquisition in the quarter (40.4% in the year) due to the lower volume of energy trading and the realization of several SWAPs due to regulatory provisions to change the profile of plants. In 2019 these operations were not necessary, reducing the cost of energy acquisition by 40.4%, punctually inflated in 2018. In addition, PMSO expenses increased 96.0% in the quarter (8.2% decrease year-on-year), reflecting the increase in personnel expenses (+R$1.4% million in the quarter and +R$2.8% million in the year) and net provisions (+R$2.6 million in the quarter) but with a 70% decrease in the year due to the reduction in the default level.

1.2.2.5. Equity in Earnings

The table below reflects the equity earnings of Celesc Geração in 4Q19 (12M19). We highlight that, in 2019, all units in operation participated in the MRE. Further details of these deals are available in the Celesc Geração Overview.

Celesc Geração | Equity in Earnings

R$ thousand	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Rondinha Energética S.A.	(17.7)	326.0	*1941.2%*	699.6	330.0	*-52.8%*
Companhia Energética Rio das Flores	463.2	483.0	*4.3%*	1,684.9	1,844.0	*9.4%*
Xavantina Energética S.A.	(379.2)	37.0	*109.8%*	(930.1)	(38.0)	*-95.9%*
Garça Branca	(559.8)	(89.0)	*-84.1%*	(1,482.0)	(797.0)	*-46.2%*
EDP Transmissão Aliança SC S.A.	290.3	1,347.0	*364.1%*	390.9	3,109.0	*695.3%*
Equity in Earnings	**(203.2)**	**2,104.0**	***1135.3%***	**354.7**	**4,448.0**	***1153.9%***

1.2.2.6. EBITDA and Net Profit

Celesc Geração's Adjusted EBITDA reached R$22.3 million in the fourth quarter of 2019 (R$99.2 million in the year), a 40.2% increase in the quarter (up by 11.3% in the year) over 2018, with an Adjusted EBITDA Margin of 55.4% in the quarter (66.8% in the year). The increase in EBITDA is due to the reasons already explained above: (i) Increased NOR; (ii) Increased energy supply and short-term energy; (iii) Increased PLD; (iv) Decreased operating costs and expenses (positive effect).

Celesc Geração S.A. | EBITDA IFRS Reconciliation

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Net Income	**8.3**	**26.6**	***221.7%***	**51.2**	**74.3**	***44.9%***
(+) IR and CSLL	4.1	5.1		25.8	28.4	
(+) Financial Result	1.4	1.0		5.7	3.0	
(+) Depreciation and Amortization	1.4	1.3		5.6	5.3	
EBITDA	**15.1**	**33.9**	***125.6%***	**88.4**	**110.9**	***25.6%***
(-) Non-Recurring Effects						
Provision/Reversal of Plants and Investments	(0.8)	11.7		(0.8)	11.7	
(=) EBITDA Adjusted for Non-Recurring Effects	**15.9**	***22.3***	***40.2***	**89.2**	**99.2**	***11.3%***
IFRS EBITDA margin (%)	*42.5%*	*84.5*		*55.1%*	*74.7%*	
Adjusted EBITDA Margin (%)	*44.7%*	*55.4*		*55.6%*	*66.8%*	

Similar to the Adjusted EBITDA, Adjusted Profit increased 114.2% in the quarter (28.5% year), reaching R$18.8 million in the quarter and R$66.5 million in 2019 due to the reasons already exposed in the analysis of the Adjusted EBITDA.

Celesc Geração S.A. | Adjustments to Net Income

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Net Income IFRS and Adjusted for Non-Recurring Effects	**8.3**	**26.6**	***221.7%***	**51.2**	**74.3**	***44.9%***
(-) Non-Recurring Effects						
Provision/Reversal of Plants and Investments	(0.5)	7.7		(0.5)	7.7	
(=) Net Income Adjusted for Non-Recurring Effects	**8.8**	**18.8**	***114.2%***	**51.8**	**66.5**	***28.5%***
IFRS Net Margin (%)	*23.3%*	*66.0%*		*31.9%*	*50.0%*	
Adjusted Net Margin (%)	*24.8%*	*46.8%*		*32.3%*	*44.8%*	

1.2.2.7. Indebtedness

Celesc Geração S.A. | Debt

R$ Million	On December 31, 2018	On December 31, 2019	Δ
Short-Term Debt	27.0	35.5	*31.6%*
Long-Term Debt	121.9	87.1	*-28.6%*
Total Financial Debt	**148.8**	**122.5**	***-17.7%***
(-) Cash and Cash Equivalents	50.0	137.6	*-175.1%*
Net Financial Debt	**98.8**	**(15.1)**	***-115.3%***
Debt Net / EBITDA 12M	**1.1x**	**-0.1x**	
Debt Net / Adjusted EBITDA 12M	**1.1x**	**-0.2x**	
Debt Total / Shareholders' Equity	**0.3x**	**0.2x**	
Debt Net / Shareholders' Equity	**0.2x**	**0.0x**	

1.2.2.7.1. Debentures – 2nd Issuance

As per the Notice to the Market – 2nd Issuance of Simple Debentures by Celesc Geração S.A., issued on June 1, 2018, the second issuance of non-convertible simple debentures emitted by the company, together with BB - Banco de Investimentos S.A. The issue had a public distribution with restricted placement efforts under a firm guarantee, with a total issue amount of R$150 million, in a single series. 15,000 debentures were issued at the par unit value of R$10,000, and the unit par value of the debentures will not be monetarily restated. The actual guarantee is the assignment in trust of existing and/or future receivables arising from the gross electricity supply to Celesc Geração's customers, and the real guarantee is the surety in favor of the Debenture holders, being obligated as a guarantor and principal payment of all due amounts under the Deed of Issuance. The Debentures have a term of 5 years, as of the issue date, maturing 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 spread of 2.50% per annum, calculated exponentially and cumulatively *pro rata temporis* for business days elapsed since the subscription date and the payment date, or the payment date of the remuneration interest immediately preceding, as the case may be, until the effective payment date. The amortization will take place as of the 12th month (including said month), counted from the issue date, in quarterly and consecutive installments, except in situation for optional early maturity, early maturity as a result of the unavailability of the ID Rate, or early maturity due to the occurrence of one of the default events provided for in the Issue Deed. On a semi-annual basis, the Company is committed to a covenant in which the Debentures issued do not present a Net Debt/EBITDA ratio above 2. In addition, the dividend distribution of the guarantor, Centrais Elétricas de Santa Catarina, is limited to the minimum legal requirement established by Law 6.404/76, as defined in the agreement (covenant). Failure to comply with this financial indicator may result in the early maturity of the total debt.

1.2.2.7.2. *Ratings* for Celesc and Parent Company

Fitch Ratings has assigned a 'AA(bra)' rating to Centrais Elétricas de Santa Catarina S.A. (Celesc) and its wholly-owned subsidiary Celesc Geração S.A. The agency has also assigned a National Long-Term Rating of 'AA(bra)' to the issue of the second debentures of Celesc Geração, in the amount of up to BRL150 million and a 5-year term. The corporate rating perspective is Stable.

According to the Notice to the Market - Rating Celesc Geração and Parent Company on December 20, 2019, Fitch Rating maintained the National Long-Term Ratings 'AA (bra)' of CELESC and its wholly-owned subsidiary Celesc Geração S.A. ("CELESC G"). The corporate rating perspective is Stable.

1.2.2.8. Investments | CAPEX

Investments totaled R$11.4 million in the year (R$8.8 million in the quarter), of which R$9.9 million (R$8.4 million in the quarter) in the company's own generating site, noting the R$3.0 million in the Cedros Plant and R$5.2 million at the Celso Ramos Plant. Investments in SPCs totaled R$1.5 million (R$0.4 million in the quarter), with R$1.2 million in Garça Branca and R$0.2 million in Xavantina.

Celesc Geração S.A. | CAPEX

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Celesc Geração Investments	**5.1**	**8.8**	**72.5%**	**19.1**	**11.4**	**-40.2%**
Investments in SPCs	1.6	0.4	*-74.5%*	9.9	1.5	-84.9%
Own Generating Site Plant	3.5	8.4	137.8%	9.1	9.9	8.4%

For 2020, according to the Notice to the Market - Capital Budget 2020, the investment budget is R$65.7 million, of which R$22.7 million will be invested in new businesses, R$28.3 million in expansions and improvements, R$5.5 million in existing equity interests, 8.4 million in owned plants and R$1.0 million in vehicles, IT and other equipment.

1.2.3. Regulatory Aspects of Celesc Geração S.A.

1.2.3.1. 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 No. 12.783/2013.

According to the sectorial rule established by said Act, after the concession ends, the plant will be bidden in the form of revenue per tariff, established through the Annual Revenue Generation - RAG. Following the publication of Provisional Measure No. 688/2015, the economic conditions for a 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% p.a. 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 five 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. The contracts were extended for 30 years. Below is a list of the plants of Lot C taken by Celesc Geração:

Own Generating Site| Plants subject to Auction 012/2015

PLANTS	Location	Final Concession Term	Installed Power (MW)	Physical Warranty (MW)
Palmeiras HHP	Rio dos Cedros/SC	November 7, 2016	24.60	16.70
Bracinho HHP	Schroeder/SC	November 7, 2016	15.00	8.80
Garcia HHP	Angelina/SC	July 7, 2015	8.92	7.10
Cedros HHP	Rio dos Cedros/SC	November 7, 2016	8.40	6.75
Salto HHP	Blumenau/SC	November 7, 2016	6.28	3.99
Total – MW			**63.20**	**43.34**

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.

1.2.3.2. Expansion Projects for the Plants of the Own Generating Site

1.2.3.2.1. Expansion of the Celso Ramos SHP

Celesc G obtained authorization to enlarge Celso Ramos SHP in the order of 7.2MW (from 5.62MW to 12.82MW) by means of ANEEL Authorization Resolution No. 5,078/2015, as well as the extension of the concession for 20 years, conditioned to the conclusion of the project by November 2021.

In 2018, the Basic Project for the expansion of the Plant was revised and consolidated, and this new configuration foresees the installation of a new adductor circuit, which will have a new water intake channel, forced conduit and a new powerhouse with two UG-3 and UG-4, with 4.15MW each, totaling an increase of 8.3MW in the utilization (going from 7.2MW to 8.3MW and totaling 13.92MW of installed capacity).

On March 29, 2019, ANEEL issued the Order 939/2019, registering the suitability for the use of the hydraulic potential of the revision of the Basic Project for the Expansion of Celso Ramos SHP and ratifying new parameters required to define the physical guarantee of the project. With the registration at ANEEL's 29th New Energy Auction, the Energy Research Company (ERC) defined the project's Physical Guarantee. The works started in July 2019.

It is also noteworthy that Celesc G participated in the aforementioned Auction A-4, successfully selling the energy of this project, to start in January 2023.

1.2.3.2.2. Extension of the Salto Weissbach Plant

ANEEL approved, through Order 1117, of May 21, 2018, the basic project for the expansion of the Salto Weissbach Plant, located in the municipality of Blumenau/SC. The expansion project foresees the construction of a new adductor circuit in parallel to the existing one, with an 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, which will reach 29.28MW.

The project is currently in the process of obtaining an Environmental Installation License from Instituto de Meio Ambiente de SC (IMA/SC) and analyzed by Empresa de Pesquisa Energética (ERC).

Upon completion of the said steps, ANEEL will calculate the remuneration of the project, the energy of which will be fully dedicated to the quota system, so that the Company may proceed with the financial feasibility, bidding, and construction steps.

1.2.3.2.3. Expansion of the Cedros and Palmeiras Plants

In 2018, ANEEL waived the Rio Hydroelectric Inventory Study for the Expansion projects of the Cedros and Palmeiras Plants, as requested in 2016. Therefore, the next step foreseen by the Company is to carry out the consolidation of the basic projects to expand these plants for further referral to ANEEL.

1.2.3.2.4. Caveiras HGP Expansion - Registration and Inventory Study

ANEEL has already filed an application to carry out inventory studies for the section of the river where the Caveiras HGP is installed, with a view to promoting the expansion of its installed capacity.

On December 12, 2018, the Superintendency of Concessions and Authorizations of Generation (SCG) issued the Technical Note 565/2018 to grant Celesc G with the registry for reviewing the Caveiras River inventory.

On December 14, 2018, Dispatch No. 3.005/2018 was published, granting inventory registration to Celesc G for a period of the 630-day period, as of its publication date.

The study of river inventory, which is the contracting phase, is fundamental for the referral of the basic expansion project for approval by ANEEL. Therefore, Celesc G hired at the end of 2019 the service to prepare the referred study, which will be forwarded to ANEEL within the stipulated term.

1.2.3.3. Extended Concessions

1.2.3.3.1. Pery Plant Concession

There was judicial discussion regarding the possibility of extending the concession period of the Pery Plant, in the same conditions of the previous Provisional Measure 579/12, that is, in order to totally commercialize its energy in the free market since the plant was recently expanded. In July 2017, after several analyzes and discussions, and considering the change in the profitability scenario, Celesc Geração decided to extend the concession of the plant in accordance with Law No. 12.783/13, through the quota regime, so that judicial measures necessary for the termination of the existing Judicial Process, including remedies, are approved.

The Concession was thus extended for 30 years, effective as of July 10, 2017, with the full allocation of energy in the quota system to guarantee physical energy and power. The Plant has already been receiving the GAC Improvement with the Annual Generation Revenue. However, 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.

1.2.3.4. Regulatory Aspects of Companies with Equity Interest by Celesc

1.2.3.4.1. Usina Hidrelétrica Cubatão S.A. – Cubatão Plant

Usina Cubatão is a Special Purpose Company – SPC, established in 1996, for deploying the Cubatão Hydroelectric Power Plant. The project is located in Joinville/SC and has an installed capacity of 45MW. After facing environmental obstacles, rejection of the litigation for the concession period, and consequent economic impracticability for the development of the project, the venture requested the regulatory body to amicably terminate Concession Agreement No. 04/1996 (ANEEL Case No. 48100.003800/1995-89).

By means of Ordinance No. 310, dated from July 27, 2018, the Minister of State for Mines and Energy, extinguished the concession for the use of Hydraulic Energy referred to as Cubatão HPP, registered with the Unique Code of the Generation Venture – CEG UHE.PH.SC.027062-8.01. It further acknowledges that there are no reversible assets linked to the concession, nor any encumbrances of any nature to the Granting Authority or ANEEL.
Celesc holds 40% of the company's share capital, Inepar S.A. 40%, and Statkraft Energias Renováveis S.A. 20%. The investment in the said plant is fully provisioned as a devaluation in equity interest. The company has been dealing with the corporate aspects of its dissolution.

1.2.3.5. Physical Warranty Adjustment Factor - GSF

Celesc Geração filed an Ordinary Judicial Suit against the Federal Government and ANEEL, in August 2015, requesting that it determines to CCEE that the MRE (Energy Reallocation Mechanism) calculation method is reviewed, also guaranteeing the input of energy equivalent to the physical warranty - GF or PW.

In an application for early protection, Celesc Geração requested:
i) ANEEL established CCEE to allocate to the plaintiff, on a monthly basis, the amount of energy equivalent to 100% of GF;
ii) if the item i) was not deferred, it would guarantee the plaintiff the equivalent of energy to 95% of GF;
iii) 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, to be 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 MRE Plants and the sum of the physical guarantees of the Plants. Between the years 2005 and 2012, the annual GSF of the MRE was always above 100%, not burdening the hydroelectric generators. As of 2013, this scenario changed and the percentages remained systematically below 100%: 90.6% in 2014, 84.7% in 2015, 86.8% in 2016, 79.5% in 2017 and 96.7% in 2018. 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 resolve this complex situation, which has caused significant financial impacts to agents in the electricity sector. Within this context, the Company is carrying out strategic analysis regarding the action in the case, as well as an evaluation of the market operations, in order to anticipate measures, if necessary.

1.3. SCGÁS

1.3.1. Operational Performance

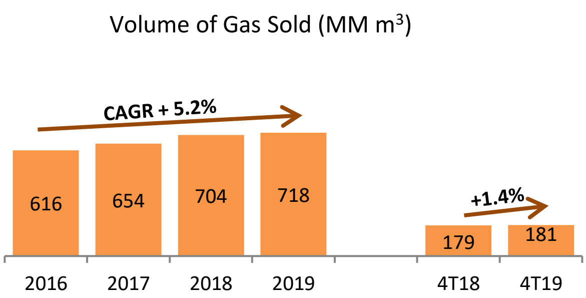
Expansion of 1.4% in the quarter (+2,569 thousand m^3) and 2.0% year (+14,048 thousand m^3) in the volume of gas sold was mainly due to:

i. The industrial class increased by 2.1% (+3,054 thousand m^3) in the quarter and 1.7% in the year (+9,699 thousand m^3), since the class concentrates 81.2% of the gas consumed;
ii. 2.0% decrease (-625 thousand m^3) in the quarter and 2.7% increase in the year (+3,117 thousand m3) in the automotive segment, in which this class represents 16.5% of the total gas consumed and is also severely influenced by the economic context and the price of gasoline/ethanol;
iii. The Commercial class grew by 4.4% in the quarter (+58,000 m^3) and 3.9% year (+210,000 m^3);
iv. The Residential segment increased 8.6% in the quarter (+34,000 m^3) and 6% year-on-year (+100,000 m^3);
v. 3.8% decrease in the quarter (-84,000 m^3) and a 1.5% increase year-on-year (+117 m^3) in the Compressed Gas (GNC) segment.

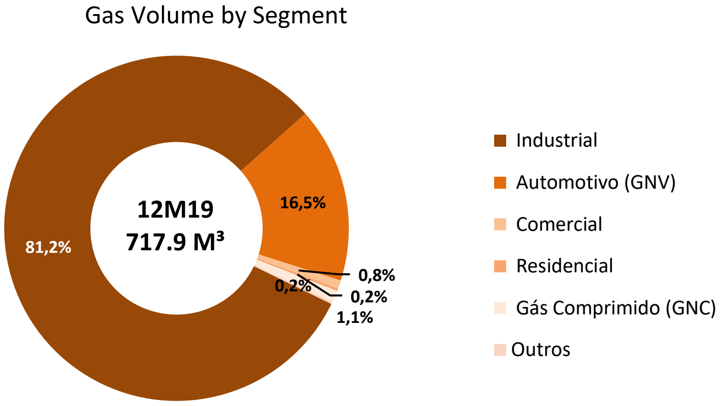
The increase in consumption is influenced by the resumption of economic activity in the State (average growth above the National) and the stability of the gasoline/ethanol price in this quarter and in the accumulated in 2019.

SCGÁS S.A. | Sale of Gas by Segment

Volume (thousand m³)	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Industrial	142,769	145,823	*2.1%*	573,369	583,067	*1.7%*
Automotive (GNV)	31,565	30,940	*-2.0%*	115,051	118,168	*2.7%*
Commercial	1,313	1,371	*4.4%*	5,352	5,562	*3.9%*
Residential	399	433	*8.6%*	1,677	1,778	*6.0%*
Compressed Gas (CNG)	2,188	2,104	*-3.8%*	7,812	7,929	*1.5%*
Industrial Cogeneration	165	0	*-100.0%*	483	134	*-72.2%*
Commercial Cogeneration	8	22	*179.0%*	32	70	*118.3%*
Raw Material	114	397	*287.7%*	129	1245	*862.6%*
Total	**178,519**	**181,088**	***1.4%***	**703,906**	**717,953**	***2.0%***



Below, in the graph, is the representation of each segment of consumption in sales volume in 2019:



1.3.2. Economic-Financial Performance

SCGÁS S.A. | Main Financial Indicators

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Gross Operating Revenue	**294.8**	**319.5**	***8.4%***	**949.6**	**1,262.6**	***33.0%***
Deductions from Operating Revenue	(66.0)	(71.3)	*8.1%*	(210.8)	(279.5)	*32.6%*
Net Operating Revenue	**228.8**	**248.1**	***8.4%***	**738.9**	**983.1**	***33.1%***
Operating Costs and Expenses	(204.7)	(213.6)	*4.3%*	(735.6)	(837.5)	*13.9%*
Activity Income	**24.1**	**34.5**	***43.5%***	**3.3**	**145.6**	***4322.4%***
EBITDA	**18.9**	**34.2**	***81.1%***	**5.3**	**142.4**	***2562.4%***
Adjusted EBITDA Margin (%)*	*8.2%*	*13.8%*		*0.7%*	*14.5%*	
Financial Result	**(2.6)**	**(189.0)**	***-7158.7%***	**(5.6)**	**(1,617.5)**	***-28978.4%***
IR/CSLL	3.9	4.4		10.9	(34.5)	
Net Loss / Profit	**10.3**	**23.0**	***122.5%***	**(21.2)**	**81.1**	***482.6%***
Adjusted Net Margin (%)*	*4.5%*	*9.3%*		*-2.9%*	*8.3%*	

* Adjusted Margins, as they exclude Construction Revenue.

SCGÁS' Gross Operating Revenue (GOR) in the fourth quarter of 2019 totaled R$319.5 million (R$1,262.6 million year): R$249.5 million for industrial (R$994.8 million year), R$61.3 million for vehicles (R$234.3 million year), R$3.9 million for commercial (R$15.4 million year), R$2.6 million for compressed gas (R$9.7 million year), R$1.6 million for residential (R$6.2 million year) and R$0.7 million for other segments (R$2.4 million year). Grew 8.4% (+R$24.6 million) over 4Q18 and 33.0% in the year (+R$313.0 million). The increase in GOR is due to (i) improvement in the economic situation, directly impacting the segments: industrial, vehicular and commercial; (i) ARESC Resolution 113/2018, which updated the price of gas and transportation, which became effective in September 2018; (ii) ARESC Resolution 120/2018, which authorized recovering and updating the gas according to the evolution of the graphic account and became effective in January 2019, with an average effect of 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; (iii) ARESC Resolution 132/2019, authorized the readjustment of gas prices and tariffs for distribution services; and (iv) ARESC Resolution 133/2019, which readjusted the gross margin by 7.66%, which took effect in June 2019.

NOR (Net Operating Revenue) showed a positive variation of 8.4% (+R$ 19.3 million) in the quarter and 33.1% (R$244.2 million year) due to the higher volume of gas sold and the constant price updates that occurred in 2018 and 2019. Operating costs and expenses increased by 4.3% in the quarter (+R$8.9 million) and 13.9% in the year (+R$101.9 million), mainly due to the increase in variable costs (+R$4.2 million in the quarter and R$107.9 million in the year).

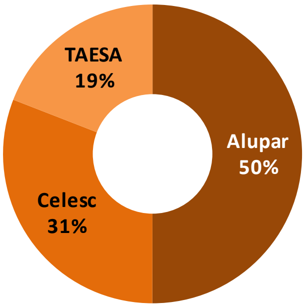
EBITDA and Net Income increased significantly in the quarter and year, at R$34.2 million (R$142.4 million in the year) and R$23.0 million (R$81.1 million in the year), respectively, due to the increase in consumption as specified above.

It should be noted that in 2018 the Company contracted loans of around R$60 million with Banco do Brasil and BBM for working capital, and on December 31, 2019, the Company's debt totaled R$53.7 million.

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

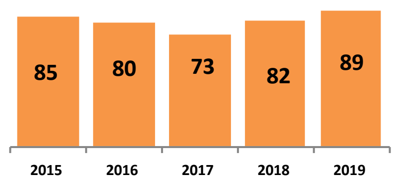
ECTE

Ativo	Pat. Liq.	Dív. Liq.
• R$ 697 MM	• R$ 367 MM	• R$ 174 MM

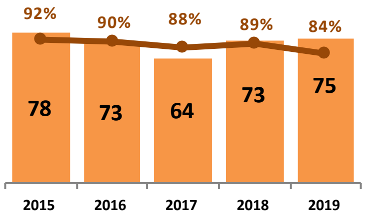


Constituída em 2000, detém 30 anos de concessão para explorar a Linha de Transmissão SE Campos Novos – SE Blumenau, com 252,5km de extensão. Criou a subsidiária integral ETSE para gerir novas linhas de transmissão, com concessão de 30 anos (leilão conquistado em Dez/2011).

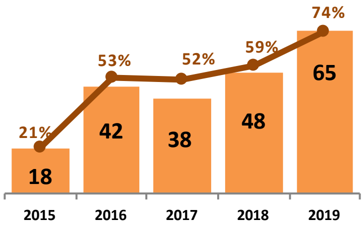
Receita Operacional Líquida (R$ MM)
Exclui Receita de Construção



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

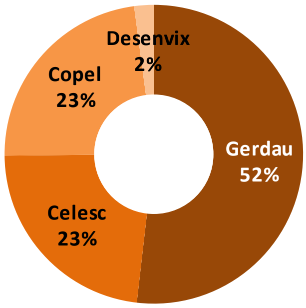


Lucro Líquido (R$ MM) **e Marg Líq** (%)



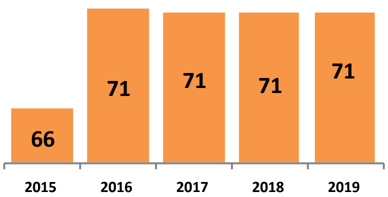
Dona Francisca Energética S.A. DFESA

Ativo	Pat. Liq.	Dív. Liq.
• R$ 131 MM	• R$ 123 MM	• R$ 0 MM • *caixa líquido

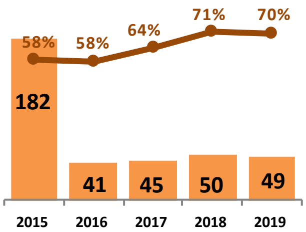


Produtora independente de energia elétrica, constituída em 1998, detém concessão de 35 anos da Usina Hidrelétrica Dona Francisca. Está localizada no Rio Jacuí (RS) com capacidade instalada de 125MW e energia assegurada de 80 MW.

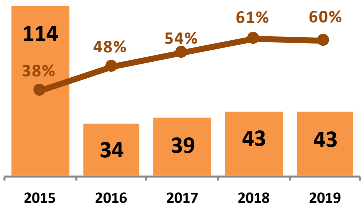
Receita Operacional Líquida (R$ MM)



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



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



1.5 Holding

1.5.1. Earnings from the Corporate Stakes in the Parent Company

Celesc Geração | Equity in Earnings

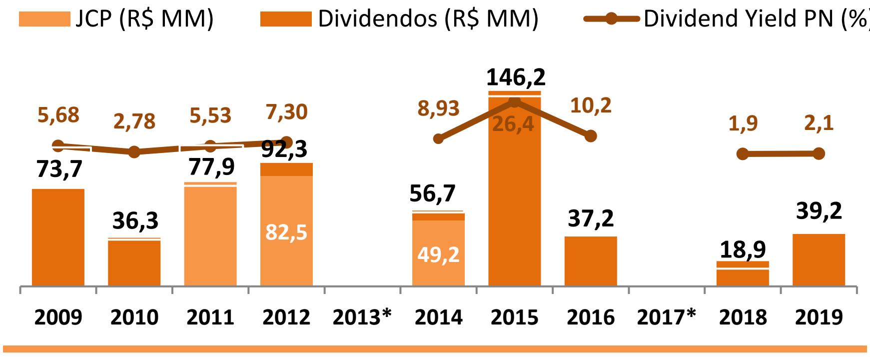
R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Celesc Distribuição (100%)	(27.0)	42.4	*256.8%*	121.5	198.2	*63.1%*
Celesc Geração (100%)	8.3	26.6	*221.7%*	51.2	74.3	*44.9%*
SCGÁS (17%)	1.7	3.9	*-99.8%*	(3.6)	13.8	*-128.4%*
ECTE (30.9%)	3.8	2.8	*-25.2%*	13.0	20.1	*55.5%*
DFESA (23%)	2.5	2.3	*-8.2%*	10.0	9.8	*-1.5%*
Equity in Earnings	**(10.7)**	**74.1**	***790.5%***	**192.1**	**302.4**	***57.4%***

1.5.2 – Dividends

Pursuant to the Ordinary General Meeting held on April 30, 2019, the dividends related to 2018, in the amount of R$ 39.2 million, will be paid in two installments: 1) the first installment, in the amount of R$ 19.6 million, representing R$0.47943994 per ordinary share and R$0.527383935 per preferred share, was paid on June 28, 2019; 2) the second installment, also in the amount of R$19.6 million, representing R$0.47943994 per ordinary share and R$0.527383935 per preferred share, will be paid on December 27, 2019. The Company's shareholders who held a shareholding position as of April 30, 2019, are entitled to dividends.

Since 2009, the Company has implemented a payout (percentage of net profit distribution) equal to 30%, five percentage points above the statutory minimum, following the current dividend distribution policy approved in the Master Plan. With the second Debentures issue of Celesc Geração, the distribution of dividends will be subject to the 25% limit since one of the covenants established in the agreement requires that the Guarantor, Celesc Holding, to distribute the limited dividend established in Article 202 of the Brazilian Corporations 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.



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

1.6. Consolidated

1.6.1. Consolidated Economic-Financial Performance

Consolidated | Main Financial Indicators

R$ Million	4th Quarter			Accumulated 12 months		
	2018*	2019	Δ	2018*	2019	Δ
Gross Operating Revenue	**2,937.1**	**3,158.1**	***7.5%***	**12,518.8**	**12,883.0**	***2.9%***
Deductions from Operating Revenue	(1,245.3)	(1,083.7)	*-13.0%*	(4,854.3)	(4,867.1)	*0.3%*
Net Operating Revenue	**1,691.8**	**2,074.4**	***22.6%***	**7,664.5**	**8,015.9**	***4.6%***
Operating Costs and Expenses	(1,653.7)	(1,991.8)	*20.4%*	(7,288.6)	(7,562.4)	*3.8%*
Equity in earnings	**7.8**	**10.1**	***29.2%***	**19.7**	**43.6**	***121.4%***
Activity Income	**46.0**	**92.8**	***101.8%***	**395.7**	**497.1**	***25.6%***
EBITDA	**100.2**	**151.0**	***50.7%***	**610.6**	**724.8**	***18.7%***
EBITDA IFRS margin, former Construction Revenue (%)	6.5%	7.9%		8.5%	9.7%	
Financial Result	**(65.1)**	**(17.6)**	***-72.9%***	**(108.5)**	**(76.1)**	***29.8%***
EBIT	**(19.1)**	**75.1**	***492.7%***	**287.2**	**421.0**	***46.6%***
IR/CSLL	1.9	(9.8)	*-624.9%*	(122.2)	(137.4)	*12.5%*
Net Loss / Profit	**(17.3)**	**65.3**	***478.3%***	**165.0**	**283.6**	***71.8%***
Net IFRS Margin, former Construction Revenue (%)	*-1.1%*	*3.4%*		*2.3%*	*3.8%*	
Depreciation/Amortization	**(54.3)**	**(58.3)**	***7.3%***	**(214.9)**	**(227.7)**	***5.9%***
Construction Revenue	**145.4**	**163.7**	***12.6%***	**453.4**	**541.9**	***19.5%***

*Accounting reclassification of *financial revenues and expenses* from exchange rate changes due to the purchase of electricity from Itaipu to the item *electricity purchased for resale*, as detailed in Notes 4.2 and 4.3 of 2ITR 2019.

Among the factors that contributed to a 478.3% increase in Net Income in the quarter (71.8% year), the following stand out:

i. NOR increased R$382.6 million in the quarter (R$351.4 million year) due to: (i) Increase in the Energy Supply and Availability of Electricity lines in the subsidiary Celesc D; (ii) 4.4% increase in energy billed in the quarter (4.3% year) at the subsidiary Celesc Distribuição;
ii. Positive performance of the subsidiary Celesc Geração, as discussed in the respective topic;
iii. Equity share results increased by 42.5% in the quarter (144.8% year) (SCGás, DFESA, ECTE, and SPCs of Celesc Geração).
iv. Positive performance of the subsidiary Celesc Geração, with an increase of 125.6% in the quarter (25.6% year) in EBITDA and 221.7% (44.9% year) in Profit;

Considering the non-recurring items in the subsidiary Celesc Distribuição (R$24.1 million in EBITDA and R$15.9 million in Profit) in the quarter, there is a 39.8% increase in the quarter (22.8% in 12M19) in EBITDA Adjusted and 107.2% in the quarter (44.3% in 12M19) in Adjusted Profit.

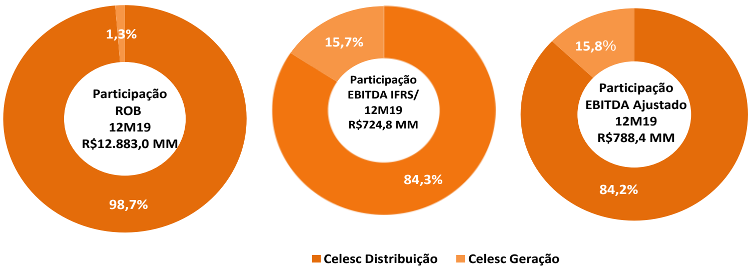
Consolidated | Adjusted Income *

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Adjusted EBITDA *	125.3	175.1	39.8%	641.9	788.4	22.8%
Adjusted EBITDA Margin, former Construction Revenue (%)	*8.1%*	*9.2%*		*8.9%*	*10.5%*	
Adjusted Net Loss/Profit *	39.2	81.2	107.2%	225.6	325.6	44.3%
Adjusted EBITDA Margin, former Construction Revenue (%)	*2.5%*	*4.3%*		*3.1%*	*4.4%*	

** IFRS - Non-Recurring Items.*

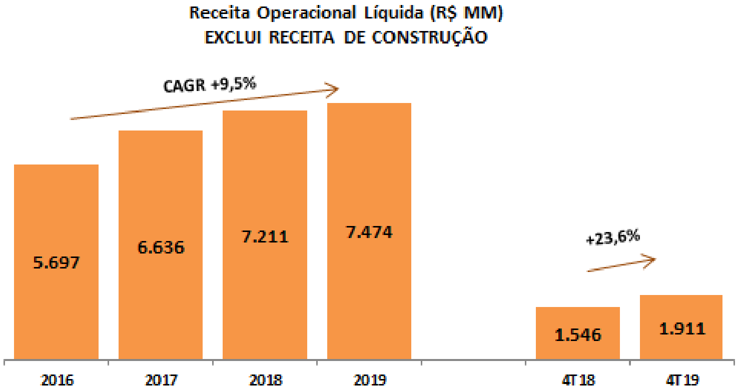
1.6.1.1. Gross Operating Revenue – ROB and Share in the Consolidated EBITDA

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.



1.6.1.2. Consolidated Net Operating Revenue

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



1.6.1.3. Consolidated Operating Costs and Expenses

Consolidated | Operating Costs and Expenses

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
OPERATING COSTS AND EXPENSES	**(1,653.7)**	**(1,991.8)**	***20.4%***	**(7,288.6)**	**(7,562.4)**	***3.8%***
Cost with Electricity - Non-Manageable	**(1,172.8)**	**(1,480.9)**	***26.3%***	**(5,672.8)**	**(5,735.8)**	***1.1%***
Electricity Purchased for Resale	(1,172.8)	(1,480.9)	*26.3%*	(5,672.8)	(5,735.8)	*1.1%*
PMSO – Manageable Operating Expenses	**(335.7)**	**(321.1)**	***-4.4%***	**(934.3)**	**(1,056.6)**	***13.1%***
Personnel and Administrators	(242.7)	(226.3)	*-6.8%*	(700.3)	(778.9)	*11.2%*
Material	(4.9)	(4.6)	*-6.0%*	(15.5)	(17.1)	*10.9%*
Third-Party Services	(60.6)	(67.5)	*11.5%*	(214.6)	(247.2)	*15.2%*
Other Revenues / Expenses	(27.5)	(22.7)	*-17.7%*	(4.0)	(13.3)	*236.9%*
Net Provisions	**54.5**	**32.1**	***-41.0%***	**(13.1)**	**(0.5)**	***-96.5%***
Depreciation / Amortization	**(54.3)**	**(58.3)**	***7.3%***	**(214.9)**	**(227.7)**	***5.9%***
Construction Cost	**(145.4)**	**(163.7)**	***12.6%***	**(453.4)**	**(541.9)**	***19.5%***

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

consolidated | Personnel Expenditure

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Total Personnel	**(242.7)**	**(226.3)**	***-6.8%***	**(700.3)**	**(778.9)**	***11.2%***
Personnel and Administrators	(235.0)	(211.3)	*-10.1%*	(673.2)	(724.3)	*7.6%*
Personnel and Charges	*(225.2)*	*(202.4)*	*-10.1%*	*(642.3)*	*(695.0)*	*8.2%*
Private Social Security	*(9.8)*	*(8.9)*	*-8.9%*	*(30.9)*	*(29.3)*	*-5.3%*
Actuarial Expenditure	(7.7)	(14.9)	*94.2%*	(27.1)	(54.6)	*101.7%*

1.6.1.4. Equity in earnings

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

Consolidated | Equity

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
SCGÁS (17%)	1.7	3.9	126.4%	(3.6)	13.8	482.6%
ECTE (30.9%)	3.8	2.8	-25.2%	13.0	20.1	55.5%
DFESA (23%)	2.5	2.3	-8.2%	10.0	9.8	-1.5%
SPCs - Celesc Geração	(0.2)	2.1	1131.4%	0.4	4.4	1153.0%
Equity in Earnings	**7.8**	**11.2**	**42.5%**	**19.7**	**48.2**	**144.8%**

1.6.1.5. EBITDA and Adjusted EBITDA

EBITDA Consolidated IFRS – Non-Recurring

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Net Loss / Profit	**(17.3)**	**65.3**	***478.3%***	**165.0**	**283.6**	***71.8%***
(+) IR and CSLL	1.9	(9.8)	*-624.9%*	(122.2)	(137.4)	*12.5%*
(+) Financial Result	(65.1)	(17.6)	*-72.9%*	(108.5)	(76.1)	*-29.8%*
(+) Depreciation and Amortization	(54.3)	(58.3)	*-7.3%*	(214.9)	(227.7)	*5.9%*
EBITDA	**100.2**	**151.0**	***50.7%***	**610.6**	**724.8**	***18.7%***
(-) Celesc Distribuição | Non-Recurring Effects	(24.2)	(35.8)		(30.5)	(75.3)	
(-) Celesc Geração | Provision and Reversal of Plants and Investments	(0.8)	11.7		(0.8)	11.7	
(=) EBITDA Adjusted for Non-Recurring Effects	**125.3**	**175.1**	***39.8%***	**641.9**	**788.4**	***22.8%***
IFRS EBITDA margin, excluding Construction Revenue (%)	*6.5%*	*7.9%*		*8.5%*	*9.7*	
Adjusted EBITDA Margin, not including Construction Revenue (%)	*8.1%*	*9.2%*		*8.9%*	*10.5*	

Considering the amount of R$24.1 million of non-recurring effects in the quarter (R$63.6 million per year), Consolidated Adjusted EBITDA recorded R$175.1 million in the quarter and R$788.4 million in the year, with an Adjusted EBITDA Margin of 9.2% in the quarter and 10.5% in the year.

1.6.1.6. Financial Result

Consolidated | Financial Result Statement

R$ Million	4th Quarter			Accumulated 12 months		
	2018*	2019	Δ	2018*	2019	Δ
Total financial income	**62.5**	**39.7**	***-36.4%***	**244.9**	**232.2**	***-5.2%***
Financial Investment Income	4.3	6.4	*47.6%*	17.3	28.5	*65.1%*
Monetary Variations	11.6	2.3	*-79.9%*	28.7	58.9	*105.5%*
Interest and Arrears/Invoices	25.1	22.5	*-10.2%*	93.3	109.6	*17.4%*
Exchange Variation Energy Purchased	14.7	0.0	*-100.0%*	16.5	0.0	*-100.0%*
Regulatory Assets / Regulatory Fees	8.9	12.2	*36.8%*	96.1	43.2	*-55.0%*
Other Operating Revenues (Expenses)	(2.2)	(3.7)	*-68.9%*	(6.9)	(8.0)	*16.5%*
Financial Expenses	**(127.5)**	**(57.4)**	***-55.0%***	**(353.4)**	**(308.3)**	***-12.8%***
Debt Charges	(29.2)	(31.2)	*6.9%*	(90.0)	(149.6)	*66.3%*
Monetary Variations	(19.5)	(5.8)	*-70.4%*	(49.3)	(39.1)	*-20.7%*
Regulatory Liability/Regulatory Fees	(74.8)	(8.0)	*-89.3%*	(161.1)	(60.0)	*-62.8%*
R&D Update and Energy Efficiency	(4.5)	(3.3)	*-27.4%*	(16.5)	(15.8)	*-4.1%*
Interest and costs on Debentures	(10.5)	(6.9)	*-34.7%*	(32.4)	(34.6)	*6.6%*
Other Financial Expenses	11.0	(2.3)	*-120.6%*	(4.1)	(9.2)	*123.5%*
Net Financial Result	**(65.1)**	**(17.6)**	***-72.9%***	**(108.5)**	**(76.1)**	***-29.8%***

*Accounting reclassification of *financial revenues and expenses* from exchange rate changes due to the purchase of energy from Itaipu to the item *electricity purchased for resale*, as detailed in Notes 4.2 and 4.3 of 2ITR 2019.

** VNR revenue was reclassified to Gross Revenue as Other Revenues from 4Q16.

1.6.1.7. Consolidated Net Profit

Consolidated IFRS NET PROFIT - Non-Recurring

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Net Loss/Profit – IFRS Reported	**(17.3)**	**65.3**	***478.3%***	**165.0**	**283.6**	***71.8%***
(-) Celesc Distribuição | Non-Recurring Effects	(55.9)	(23.6)		(60.1)	(49.7)	
(-) Celesc Geração | Provision and Reversal of Plants and Investments	(0.5)	7.7		(0.5)	7.7	
(=) Adjusted Net Profit	**39.2**	**81.2**	***107.2%***	**225.6**	**325.6**	***44.3%***
Net Margin without Adjustments (IFRS)	*-1.1%*	*3.4%*		*2.3%*	*3.8%*	
Adjusted Net Margin, not including Construction Revenue (%)	*2.5%*	*4.3%*		*3.1%*	*4.4%*	

Considering the non-recurring effects totaling R$15.9 million in the quarter (R$42.0 million year), already justified in the Consolidated EBITDA variation, the Consolidated Adjusted Net Income increased 107.2% in the quarter and 44.3% in the year, closing 2019 at R$81.2 million (R$325.6 million in 12M19).

1.6.1.8. Indebtedness

Reflects the operations already presented to subsidiaries Celesc Distribuição and Celesc Geração.

Consolidated | Indebtedness

R$ Million	on December 31, 2018	on December 31, 2019	Δ
Short-Term Debt	452.5	488.8	*8.0%*
Long-Term Debt	967.6	1,172.8	*21.2%*
Total Financial Debt	**1,420.1**	**1,661.6**	***17.0%***
(-) Cash and Cash Equivalents	698.1	566.2	*-18.9%*
Net Financial Debt	**722.0**	**1,095.4**	***51.7%***
Debt Net / EBITDA 12M	**1.2x**	**1.5x**	
Debt Net / Adjusted EBITDA 12M	**1.1x**	**1.4x**	
Debt Net / Shareholders' Equity	**0.4x**	**0.8x**	

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

Consolidated | Indebtedness + Actuarial Liabilities

R$ Million	on December 31, 2018	on December 31, 2019	Δ
Short-Term Debt	452.5	488.8	*8.0%*
Long-Term Debt	967.6	1,172.8	*21.2%*
Total Financial Debt	**1,420.1**	**1,661.6**	***17.0%***
(+) Net Actuarial Liabilities	**1,431.4**	**1,961.2**	***37.0%***
Obligations with Social Security	1,024.3	1,467.6	*43.3%*
Other benefits to employees	980.6	1,370.9	*39.8%*
(-) Deferred IR/CSLL[1]	573.4	877.3	*53.0%*
(-) Cash and Cash Equivalents	698.1	566.2	*-18.9%*
Adjusted Net Financial Debt	**2,153.4**	**3,056.6**	***41.9%***
Adjusted Net Financial Debt / 12M EBITDA	**3.5x**	**4.2x**	
Adjusted Net Financial Debt / Adjusted 12M EBITDA 12M	**3.3x**	**3.8x**	
Total Adj. Financial Debt / Shareholders' Equity	**1.6x**	**2.6x**	
Net Financial Debt / Shareholders' Equity	**1.2x**	**2.2x**	

[1]ITR 4Q19, Note 20.a.

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

Moody's assigned ratings of Ba2 on a global scale and Aa3.br on a national scale for the parent company of Grupo Celesc.

On December 26, 2018, Fitch Ratings assigned a National Long-Term Rating of 'AA (bra)' for Centrais Elétricas de Santa Catarina S.A.

According to the Notice to the Market - Rating Celesc Geração and Parent Company on December 20, 2019, Fitch Rating maintained the National Long-Term Ratings 'AA (bra)' of CELESC and its wholly-owned subsidiary Celesc Geração S.A. ("CELESC G"). The corporate rating perspective is Stable.

1.6.1.9. Group Investments

Celesc Group | Investments Made in the Period

R$ Million	4th Quarter			Accumulated 12 months		
	2018	2019	Δ	2018	2019	Δ
Electric Energy Generation	5.1	8.8	*72.5%*	19.1	11.4	*-40.3%*
Electricity Distribution	156.1	185.8	*19.0%*	487.0	588.6	*20.9%*
Total	**161.2**	**194.6**	***20.7%***	**506.0**	**600.0**	***18.6%***

For the 2020 fiscal year, according to Notice to the Market - 2020 Capital Budget, the consolidated investment budget totals R$833.8 million, of which R$753.0 million is for Electricity Distribution, R$65.8 million is fore Electricity Generation and R$15 million in New Businesses.

1.6.1.10. COVID-19

In response to the situation of the spread of the virus in Brazil and its possible implications for the Company's operation, Celesc created a Crisis Committee, responsible for forwarding measures and contingencies to deal with the situation, according to the Notice to the Market disclosed COVID-19 - Clarifications and Measures Adopted, released on March 17, 2020.
Accordingly, the Company issued a resolution with preventive measures:

a) The service stores will start to serve under a Special Regime as of March 19, 2020, with face-to-face service for services that cannot be performed through the telephone and electronic service channels;
b) Availability of hand sanitizers and masks for customer service points;
c) Suspension of interstate and international travel for work;
d) Employees returning from travel abroad will not be able to go to the workplace up to 7 days after their arrival. Before their return, they must contact Celesc's medical team for an evaluation;
e) Employees who show COVID-19 symptoms (symptomatic) must be granted a leave of absence for a minimum period of 14 (fourteen) days, counted from the return of the trip or contact, as determined by a doctor;
f) Employees with 60 years old or more, with chronic respiratory diseases, who live with elderly people with chronic diseases or live with people who have been abroad in the last seven days, pregnant women, nursing mothers and employees who have school-age children whose classes have been suspended and they have no other caregiver to take care of the child, or they need to take turns in the care can work remotely. For the remaining employees, the implementation of the remote-work rotation system will be handled by the management, with the necessary key services maintained;
g) Guidance to all managers under contract, so that contracted companies are notified of the responsibility to adopt all necessary measures to control the spread of the virus and comply with State Decree 507/2020.

The Crisis Committee, in line with the actions of the health authorities of the State of Santa Catarina, will keep evaluating the possible impacts on the Company's operation, immediately adopting mitigating measures for business stability.
Celesc will remain attentive and diligent, keeping the market informed according to developments and relevant information on possible impacts

2. Performance in the Capital Markets

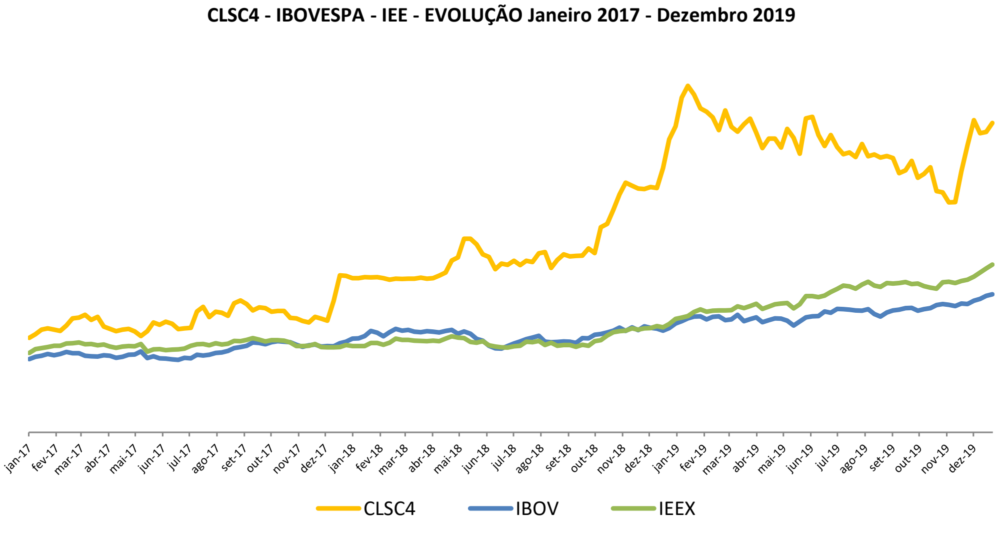
Celesc's shares are traded on the BM&FBOVESPA under the codes CLSC3 (15,527,137 ordinary shares - ON, 40.26%) and CLSC4 (23,044,454 preferred shares - PN, 59.74%). Since it joined Level 2 of Corporate Governance in 2002, the company has joined IGC and ITAG, indexes made up of companies that offer transparency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

The main index of the Brazilian Stock Exchange, Ibovespa, showed a positive return of 10.39% in the fourth quarter and 31.58% in the YTD 2019. The Electricity Index (IEE), which measures the behavior of the main shares of the electricity sector, increased by 12.5% in the quarter and 55.54% over the last 12 months. The Company's Preferred Shares had a positive performance of 19.48% in the quarter and 5.65% in twelve months.

CLSC4 Follow-up	4Q18	1T19	2T19	3T19	4Q19
Closing price adjusted to earnings (R$/share)	49.87	53.43	49.50	43.10	50.10
Price / Earnings	4.3x	4.3x	12.8x	8.0x	6.6x
Price / Asset Value	1.1x	1.1x	1.0x	0.9x	1.0X
Average traded volume ('000 shares)	40	7	4	5	18
Average traded volume (R$ 000)	1659	386	208	238	757
Market Value (R$ Million)	1,863	2,061	1,909	1,602	1,932
Market Value (US$ Million)	482	529	498	399	478
Profitability (%)	59.38	7.14	-5.23	-12.92	19.48
Profitability in the last 12 months (%)	87.2	104.32	77.67	55.15	5.65
Ibovespa Profitability (%)	10.77	8.53	5.82	3.74	10.39
Ibovespa profitability in the last 12 months (%)	15.03	11.77	38.76	32.02	31.58
IEE Profitability (%)	25.2	16.6	11.1	6.7	12.5
IEE Profitability in the last 12 months (%)	24	38.61	65.53	73.11	55.54

Source: Economática/DPRI

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



3 – Awards and Recognitions

Eco Award of the Brazilian-American Chamber of Commerce (Amcham)

The Eletroposto Celesc project was one of the Award's winners in the category of Sustainability in Products or Services, major theme Innovation, in February. The project was developed by Celesc in partnership with Fundação Certi, and was one of the 46 projects awarded, out of the 90 projects enrolled in the country.

Within the scope of Aneel's Research & Development Program, Celesc and Fundação Certi installed seven electric stations in Santa Catarina, three of which are fast stations, with units in Florianópolis, Porto Belo, and Araquari; in addition to four semi-fast stations, located in Joinville, Blumenau and at the headquarters of Certi and Celesc. The main goals of the project were to study ways to optimize the use of energy, reduce operating costs, and the impacts of charging these cars in the electric grid.

It was the 36th edition of the Award and the second consecutive time that Celesc was recognized for initiatives that help preserve the environment. In 2018, Celesc had been awarded the Bonus Efficient Photovoltaic Line Project, developed with Engie Brasil, which granted a 60% bonus to install photovoltaic generation systems in 1,250 homes.

Abraconee Award - Financial Statements

Celesc received the 3rd national award in the Holding category for the quality of the presentation of the Company's Financial Statements in 2018 at the 35th National Meeting of Accountants in the Electricity Segment (ENCONSEL), held in November 2019, in Foz do Iguaçu (PR).

This Award is granted annually by the Brazilian Association of Accountants in the Electricity Segment (ABRACONEE) to companies that stand out in terms of content, grammatical correction, design, preparation of the Financial Statements, Management's Report, Social Balance Sheet and Notes.

José Paschoal Baggio Entrepreneur Award

To honor the economic diversity of Serra Catarinense companies, Correio Lageano and Instituto José Paschoal Baggio hold the Entrepreneur Award annually, honoring 50 companies with the highest rates of added ICMS return and five companies in the Highlight Company category, for their quality, reliability, innovation, and entrepreneurship.

In this 21st edition, Celesc was awarded in the Energy segment, along with three other companies in the industry: Bioenergy Indústria e Comércio de Energia Alternativa, Eletrosul and Engie Brasil Energia.

Journalism Award on Safety with Electricity

On December 9th, for the fifth consecutive year, Celesc D was recognized for its work in journalism focused on Safety with Electricity. In 2019, the great news article Os Mestres, designed to address the work of functional qualification through internal instructors, won first place in the Business Communication category.

Celesc has an excellent record at the event: since 2015, the Company received two honorable mentions and three first places with journalistic texts, as well as an award for a photo. Abracopel Journalism Award has the goal to promote, through the media, awareness about the safe use of electricity in the professional and domestic sphere. The criteria for evaluating the materials are Impact for Public Awareness, Broadening the Subject, Innovation or Proposed Solutions, and Discussion, also considering the presentation method of the content (writing, aesthetics, clarity, and interest).

Social Responsibility Certification

The State Legislative Assembly (ALESC) certified Celesc for its work in Social Responsibility, together with 85 other companies and institutions in Santa Catarina, in December 2019. Celesc was one of six publicly held companies certified.

It was the 9th edition of the Social Responsibility certification held by ALESC, in partnership with other institutions. The goal of the initiative is to recognize and highlight non-profit entities and companies that place Social Responsibility as management policy. Celesc has received the certification since 2015 when the participation was made possible for institutions in this category.

ANEEL Quality Award

Measured through an opinion poll throughout Brazil, the Award recognizes the distributors best rated by residential consumers. The survey was conducted face-to-face by the company Qualitest - Inteligência em Pesquisa, from July 31 to October 29, 2019, to assess the consumer's perception of quality and perceived value, their trust in the supplier, fidelity and their overall satisfaction. 27,165 residential consumers were interviewed, from 608 municipalities served by 91 electricity distributors.

The Award - formerly known as the Consumer Satisfaction Index (IASC) - reflects the consumer satisfaction. Published annually by the Agency, since 2000, the research has the purpose of fostering the continuous improvement in the quality of services provided by electricity distributors in the country.

As the distributor best rated by residential consumers, Celesc received two Aneel Quality Awards 2019: Best in the South Region and, for the first time, Best Brazilian Concessionaire among companies that serve over 400,000 consumer units.

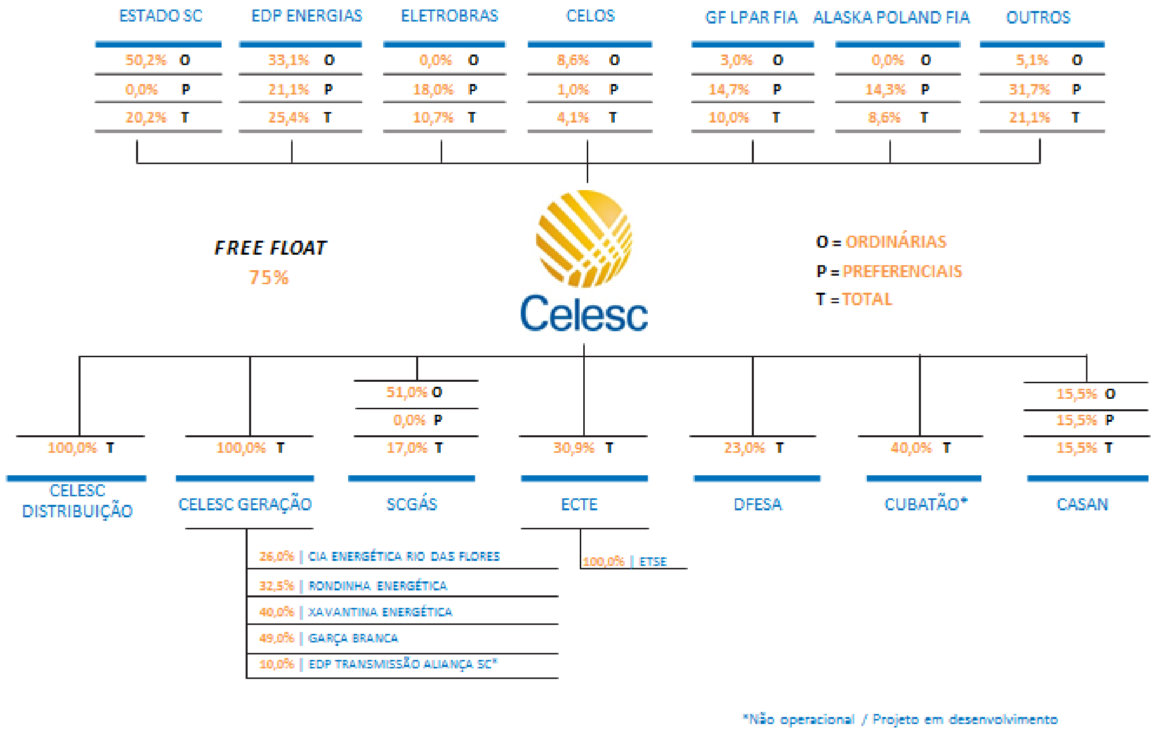
4 ATTACHMENTS

4.1 – Overview

Centrais Elétricas de Santa Catarina S.A. – CELESC is one of the largest companies in the Brazilian electric sector, with emphasis in the areas of distribution and generation of energy. Structured as a Holding Company in 2006, the Company has two wholly owned subsidiaries - Celesc Distribuição S.A. and Celesc Geração S.A. In addition, it holds the shareholding control of Companhia de Gás de Santa Catarina (SCGÁS) and is partner of Dona Francisca Energética S.A. (DFESA), Empresa Catarinense de Transmissão de Energia S.A. (ECTE), Companhia Catarinense de Água e Saneamento (CASAN) and the Usina Hidrelética 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 2019



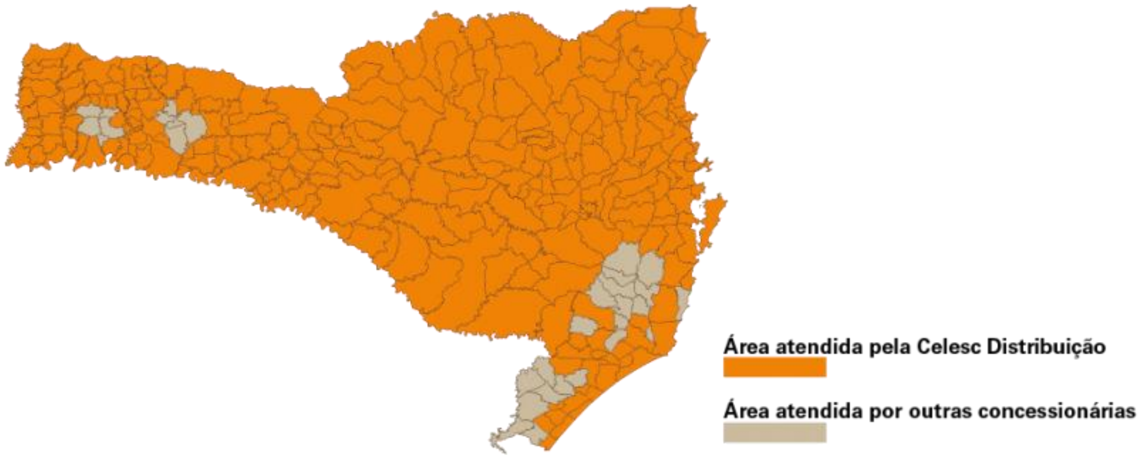
4.1.1. Wholly Owned Subsidiaries

4.1.1.1 Celesc Distribuição S.A.

The company carries energy to more than 3.0 million consumer units located in 286 municipalities in Santa Catarina (92% of the state's territory) and the 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 the number of consumer units[6]. On a monthly basis, the company distributes approximately 2.1 million MWh, and its annual gross revenues reached nearly R$12.7 billion in 2019.

[6] Source: www.aneel.gov.br (Managerial Information – March 2019).



4.1.1.2. Celesc Geração S.A.[7]

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.

The Company has its own generating site 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 holds a minority interest in another 6 generation projects, developed in partnership with private investors, in the format of Special Purpose Company - SPC, all already in commercial operation. In the transmission segment, the Company holds a minority stake in one SPC.

On December 31, 2019, Celesc Geração's total generation capacity in business operation in the period was 118.21 MW, being 106.97 MW referring to its own site and 11.24 MW referring to the generating site established through partnerships - already proportional to the Celesc Geração shareholding in these ventures. The following table shows the main characteristics of the 100% Celesc Geração plants:

Own Generating Site | 100% of Celesc Geração S.A.

PLANTS	Location	Final Concession Term	Installed Power (MW)	Physical Warranty (MW)	Physical Guarantee in Shares
Pery HHP	Curitibanos/SC	July 9, 2047	30.00	14.08	100%
Palmeiras HHP	Rio dos Cedros/SC	November 7, 2046	24.60	16.70	70%
Bracinho HHP	Schroeder/SC	November 7, 2046	15.00	8.80	70%
Garcia HHP	Angelina/SC	January 5, 2046	8.92	7.10	70%
Cedros HHP	Rio dos Cedros/SC	November 7, 2046	8.40	6.75	70%
Salto Weissbach HHP	Blumenau/SC	November 7, 2046	6.28	3.99	70%
Celso Ramos SHP	Faxinal dos Guedes/SC	March 17, 2035	5.62	3.80	N/A
Caveiras HGP	Lages/SC	*	3.83	2.77	N/A
Ivo Silveira HGP	Campos Novos/SC	*	2.60	2.03	N/A
Rio do Peixe HGP	Videira/SC	*	0.52	0.50	N/A
Piraí HGP	Joinville/SC	*	0.78	0.45	N/A
São Lourenço HGP	Mafra/SC	*	0.42	0.22	N/A
Total – MW			**106.97**	**67.19**	

* Plants with a power of less than 5 MW are exempt from the concession act (Act 13,360/16).

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:

[7] Further details of the relevant regulatory and legal aspects that involve the Company's projects are available in item 2.2.3 of this Release.

Units in operation | Celesc Geração S.A. holds a minority interest

PLANTS	Location	Final Concession Term	Installed Power (MW)	Physical Warranty (MW)	Celesc Geração's Interest	Equivalent Installed Power (MW)	Equivalent Physical Warranty (MW)
Rondinha SHP	Passos Maia/SC	October 5, 2040	9.60	5.48	32.5%	3.12	1.78
Prata HGP	Bandeirante/SC	*	3.00	1.68	26.1%	0.78	0.44
Belmonte HGP	Belmonte/SC	*	3.60	1.84	26.1%	0.94	0.48
Bandeirante HGP	Bandeirante/SC	*	3.00	1.76	26.1%	0.78	0.46
Xavantina SHP	Xanxerê/SC	April 7, 2040	6.08	3.54	40.0%	2.43	1.42
Garça Branca SHP	Anchieta/SC	March 13, 2043	6.50	3.44	49.0%	3.19	1.69
Total – MW			**31.78**	**17.74**		**11.24**	**6.26**

* Plants with a power of less than 5 MW are exempt from the concession act (Act 13,360/16).

The Company's Strategic Planning foresees the valuation of the current assets, through the repowering of its plants. In this way, 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:

Ventures being development | Celesc Geração S.A. holds 100%

PLANTS	Location	Final Concession Term	Installed Power (MW)	Power Increase (MW)	Final Power (MW)	Expected Date of Entry into Operation	STATUS
Celso Ramos SHP	Faxinal dos Guedes/SC	March 17, 2035	5.62	8.30	13.92	01/2021	Construction works in progress
Salto Weissbach HHP	Blumenau/SC	November 7, 2046	6.28	23.00	29.28	N/D**	Environmental Licensing
Caveiras HGP	Lages/SC	*	3.83	10.00	13.83	N/D**	Inventory Study
Cedros HPP Stages 1 and 2	Rio dos Cedros/SC	November 7, 2046	8.40	4.50	12.90	N/D**	Review of the Basic Project
Palmeiras HHP	Rio dos Cedros/SC	November 7, 2046	24.60	0.75	25.35	N/D**	Review of the Basic Project
Maruim HGP	São José/SC	*	0.00	1.00	1.00	N/D**	Environmental Licensing
Total – MW			**48.73**	**47.55**	**96.28**		

* Plants with a power of less than 5 MW are exempt from the concession act (Act 13,360/16).
** Depends on regulatory procedures.

All the plants of the generating site itself participate and in partnership with 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 projects listed above, 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	Circuito[8]	The extension (KM)	Voltage (kV)
TRANSMISSION LINES	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
Total			**CS / CD**	**433.1**	**525/230**
SUBSTATION	525/230 SIDERÓPOLIS 2 SE		-	-	525/230

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 execution of the works is 60 months, and the commercial start-up determined is August 2022, with a possibility of anticipation. The SPE was constituted in July 2017, and the Concession Agreement was signed in August of the same year.

[8] CS: Single Circuit / CD: Double Circuit

The project was receiving the Environmental Installation License segregated by lots, with four of the six requested released in October, thus able to fully implement the project in the last quarter of 2019. The construction works are in progress.

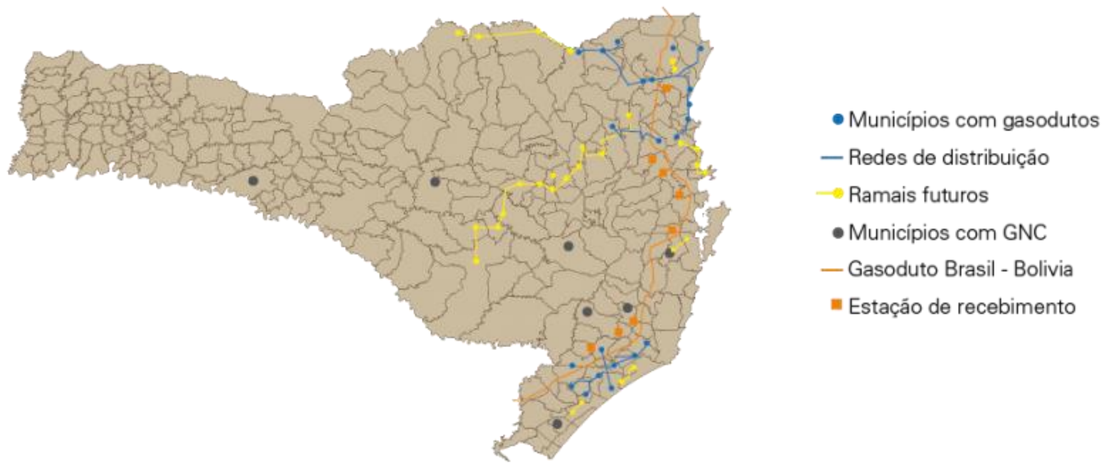
The following table summarizes the main venture information:

Transmission Company	Location	Final Concession Term	Line (km)	Substations	Expected Date of Entry into Operation
EDP Transmissão Aliança SC S.A.	Santa Catarina	August 11, 2047	433	1	August 11, 2022

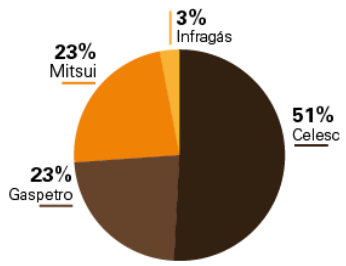
4.1.2. Subsidiary

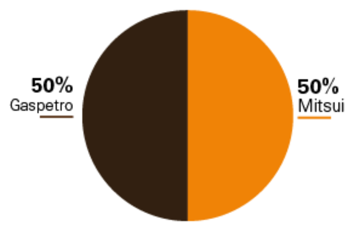
4.1.2.1. Companhia de Gás de Santa Catarina – SCGÁS

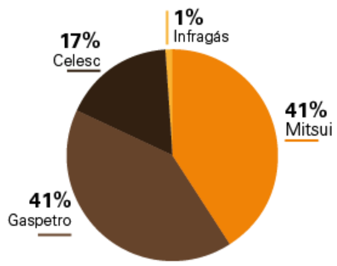
SCGÁS is the 2nd largest gas distributor in the number of municipalities served in Brazil. Santa Catarina is the 4th state with the largest natural gas distribution network (1,157 kilometers) and the 3rd largest in the number of industries served with natural gas (279), besides having the 3rd largest 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 daily to approximately 13,500 customers. 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.



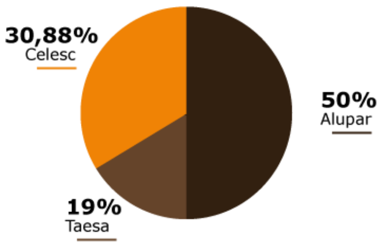




4.1.3. Other Interests

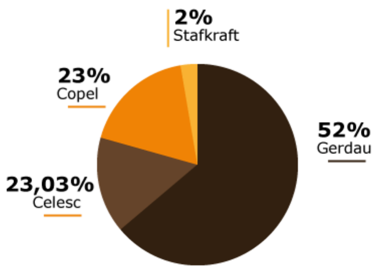
4.1.3.1. Empresa Catarinense de Transmissão de Energia – ECTE

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 through a bidding process the right to build the Abdon Batista (525/230kv) and Gaspar (230/138kv) substations through the subsidiary company Empresa de Transmissão Serrana S.A. – ETSE. These lines were energized in January and March 2015, respectively. The affiliate ECTE holds an electricity transmission concession contract dated 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:



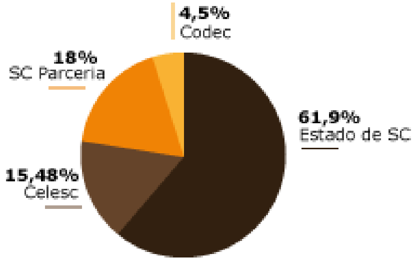
4.1.3.2. Dona Francisca Energética S.A. – DFESA

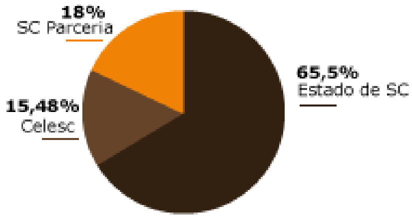
An independent power producer, DFESA owns the Dona Francisca, Hydroelectric Power Plant built on the Jacuí River in the Rio Grande do Sul, with an installed capacity of 125MW and assured energy of 80MW. The development was inaugurated in May 2001. The affiliate DFESA has a concession agreement dated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

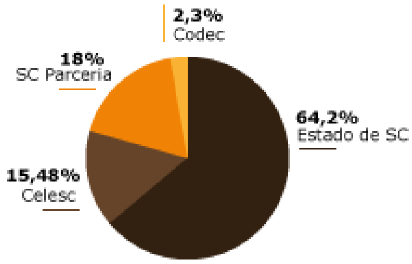


4.1.3.3. Companhia Catarinense de Água e Saneamento – CASAN

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 company provides services to 193 municipalities in Santa Catarina and 1 in Paraná, serving approximately 2.7 million people with treated water and 650 thousand people with sewage collection, treatment, and disposal. Celesc holds 15.48% of the Company's total share capital, as shown in the graph below:

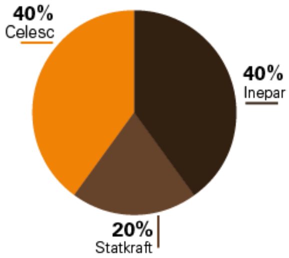






4.1.3.4. Usina Hidrelétrica Cubatão S.A.

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



4.2.2. Financial Statement

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

CONSOLIDATED BALANCE SHEET — **In R$ thousand**

Assets	December 31, 2018	December 31, 2019
Current		
Cash and Cash Equivalents	698,060	566,181
Accounts Receivable	1,592,693	1,421,771
Inventories	8,636	14,696
Taxes to be Recovered	63,264	68,579
Dividends	89	7,114
Financial Assets - Portion A – CVA	258,170	32,597
Other Credits	1,732,508	247,134
	4,353,420	**2,358,072**
Non-Current		
Investments	137,478	137,478
Accounts Receivable	51,634	44,683
Related Parties	3,092	488
Deferred Taxes	712,532	1,004,094
Taxes to be Recovered	21,092	1,092,845
Judicial Deposits	170,350	171,054
Indemnity Assets – Concession	441,030	525,964
Financial Assets - Portion A – CVA	276,107	270,791
Other Credits	2,725	4,544
Investments	228,663	256,572
Property, Plant & Equipment	160,066	174,796
Intangible Assets	3,296,556	3,456,876
	5,501,325	**7,140,185**
Total Assets	**9,854,745**	**9,498,257**

Liabilities and Shareholders’ Equity	December 31, 2018	December 31, 2019
Current		
Suppliers	1,006,854	996,725
Loans	321,089	383,623
Debentures	131,389	105,133
Salaries and Social Charges	208,503	212,148
Taxes and Social Contributions	223,897	209,296
Proposed Dividends	39,524	67,683
Regulatory Fees	2,269,327	166,014
Related Parties	15,763	18,831
Actuarial Liabilities	162,776	176,581
Financial Liabilities - "Portion A" - CVA	-	25,142
Other Liabilities	59,856	66,514
	4,438,978	**2,427,690**
Non-Current		
Loans	597,712	904,008
Debentures	369,873	268,812
Salaries and Social Charges	46,988	48,186
Deferred Taxes	10,144	19,596
Regulatory Fees	105,948	189,425
Provision for Contingencies	639,573	506,230
Actuarial Liabilities	1,842,197	2,661,948
Financial Liabilities - "Portion A" - CVA	-	-
PIS/COFINS to be Returned to Consumers	-	1,065,238
Other Liabilities	2,476	-
	3,614,911	**5,663,443**
	8,053,889	**8,091,133**
Shareholders’ Equity		
Capital Stock	1,340,000	1,340,000
Capital Reserves	316	316
Profit Reserve	1,302,766	1,521,681
Equity Assessment Adjustments	(842,226)	(1,454,873)
Accumulated Profit / Loss	-	
	1,800,856	**1,407,124**
Total Liabilities and Shareholders' Equity	**9,854,745**	**9,498,257**

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

CONSOLIDATED INCOME STATEMENT — **In R$ thousand**

	4Q18	4Q19	Chg %	12M18	12M19	Chg %
Gross Operating Revenue	**2,937,089**	**3,158,149**	**7.5%**	**12,518,824**	**12,883,003**	**2.9%**
Electric Power Supply	1,885,373	1,503,742	-20.2%	6,928,567	6,580,919	-5.0%
Electricity Supply	95,689	119,715	25.1%	390,074	478,986	22.8%
Regulatory Asset	(246,549)	548	100.2%	322,064	(181,623)	-156.4%
Short-Term Energy	(5,574)	98,005	1858.3%	389,309	520,579	33.7%
Electric Grid Availability	864,758	1,076,743	24.5%	3,187,315	4,145,833	30.1%
Donations and Subsidies	183,774	176,982	-3.7%	785,091	728,841	-7.2%
Service Provision Income	725	348	-52.0%	2,664	2,422	-9.1%
Service Fee	4,058	3,738	-7.9%	15,617	17,113	9.6%
Financial Revenue	9,050	12,957	43.2%	41,366	43,461	5.1%
Other Revenues	379	1,652	335.9%	3,392	4,567	34.6%
Construction Revenue	**145,406**	**163,719**	**12.6%**	**453,365**	**541,905**	**19.5%**
Deductions from Operating Revenue	**(1,245,260)**	**(1,083,717)**	**-13.0%**	**(4,854,280)**	**(4,867,094)**	**0.3%**
ICMS	(568,851)	(531,296)	-6.6%	(2,124,182)	(2,300,184)	8.3%
PIS/COFINS	(256,566)	(274,690)	7.1%	(1,108,762)	(1,137,260)	2.6%
CDE	(451,477)	(264,849)	-41.3%	(1,553,122)	(1,311,370)	-14.5%
R&D	(7,796)	(9,585)	22.9%	(36,225)	(37,612)	3.7%
PEE	(7,577)	(9,366)	23.6%	(35,327)	(32,721)	3.9%
ANEEL Regulatory Surveillance Rate	(1,810)	(1,964)	8.5%	(7,043)	(7,499)	6.5%
Other Charges	48,817	8,033	-83.5%	(9,589)	(36,448)	280.1%
Net Operating Revenue	**1,691,829**	**2,074,432**	**22.6%**	**7,664,544**	**8,015,909**	**4.6%**
Operating Costs and Expenses	**(1,653,685)**	**(1,991,783)**	**20.4%**	**(7,288,561)**	**(7,562,386)**	**3.8%**
Energy Purchased for Resale and Charges	(1,172,775)	(1,480,851)	26.3%	(5,672,845)	(5,735,756)	1.1%
Personnel and Administrators	(235,021)	(211,343)	-10.1%	(673,238)	(724,334)	7.6%
Actuarial Expenditure	(7,683)	(14,921)	94.2%	(27,067)	(54,585)	101.7%
Material	(4,935)	(4,639)	-6.0%	(15,458)	(17,140)	10.9%
Third-Party Services	(60,561)	(67,530)	11.5%	(214,576)	(247,172)	15.2%
Depreciation and Amortization	(54,267)	(58,254)	7.3%	(214,915)	(227,696)	5.9%
PECLD provision	(8,567)	(12,908)	50.7%	(53,127)	(53,044)	-0.2%
PECLD Provision Reversals	1,857	93	-95.0%	6,695	22,627	238.0%
Other Provisions	(27,790)	(30,516)	9.8%	(82,771)	(110,630)	33.7%
Reversal of Other Provisions	89,011	75,467	-15.2%	116,065	140,587	21.1%
Other Revenues / Expenses	(27,548)	(22,662)	-17.7%	(3,959)	(13,338)	236.9%
Construction Cost	**(145,406)**	**(163,719)**	**12.6%**	**(453,365)**	**(541,905)**	19.5%
Equity in Earnings	**7,830**	**10,113**	**29.2%**	**19,697**	**43,600**	**121.4%**
Result of Activities - EBIT	**45,974**	**92,762**	**101.8%**	**395,680**	**497,123**	**25.6%**
Activity Margin (%)	2.7%	4.5%		5.2%	6.2%	
EBITDA (R$ '000)	**100,241**	**151,016**	**50.7%**	**610,595**	**724,819**	**18.7%**
EBITDA Margin (%)	5.9%	7.3%		8.0%	9.0%	
Financial Result	**(65,106)**	**(17,637)**	**-72.9%**	**(108,493)**	**(76,143)**	**29.8%**
Financial Revenue	62,434	39,739	-36.4%	244,943	232,190	-5.2%
Financial Expense	(127,540)	(57,376)	-55.0%	(353,436)	(308,333)	-12.8%
EBIT	**(19,132)**	**75,125**	**492.7%**	**287,187**	**420,980**	**46.6%**
Income Tax and Social Contribution Tax	1,771	(900)	-150.8%	(107,727)	(104,193)	-3.3%
Deferred Income Tax and Social Contribution	99	(8,915)	-9105.1%	(14,428)	(33,212)	130.2%
Net Income	**(17,262)**	**65,310**	**478.3%**	**165,032**	**283,575**	**71.8%**

CELESC - CENTRAIS ELÉTRICAS DE SANTA CATARINA S.A.

STATEMENT OF CASH FLOWS (DFC) - CONSOLIDATED		In R$ thousand
	12M18	12M19
Profit/Loss Before Income Tax and Social Contribution	**287,187**	**420,980**
Adjustments	**472,296**	**334,650**
Depreciation and Amortization	214,916	227,696
Write-off of Indemnity Assets	899	239
Write-off of Property, Plant & Equipment and Intangible Assets	45,655	51,644
Equity in Earnings	(19,697)	(43,600)
Financial Assets Update – VNR	(3,392)	(4,567)
Constitution (Reversal) of Impairment Recognition	(4,406)	(11,711)
Gains or Losses on Equity Holdings (Assets)	5,217	-
Interest and Monetary Variations	180,332	206,608
Monetary Restatement Bonus Grant	(41,366)	(30,504)
Other Investment Adjustments	-	-
Provision for Actuarial Liabilities	27,067	54,585
Allowance for Doubtful Accounts	46,432	17,603
Realization of Provision for Losses	-	
Contingencies	20,639	(133,343)
Changes in Assets and Liabilities	**(962,115)**	**(412,766)**
Accounts Receivable	(271,972)	147,456
Inventories	1,096	(6,060)
Taxes to be Recovered	10,915	(1,077,068)
Other Assets	9,348	(6,741)
Subsidy Decree 7891/2013	21,909	244
Financial Assets	(193,817)	361,699
Future Advance Capital Increase		10000
Judicial Deposits	(8,920)	(704)
Suppliers	175,272	(10,129)
Social Security and Labor Duties	13,808	4,843
Taxes Payable	23,389	(27,075)
Regulatory Fees	(521,467)	(2,050,985)
Financial Liabilities	(53,258)	(75,164)
PIS/COFINS to be Returned to Consumers		1,065,238
Other Liabilities	8,231	7,249
Actuarial Liabilities	(176,649)	(184,792)
Cash from Operations	**(202,632)**	**342,854**
Income Tax and Social Contribution Paid	(116,042)	(95,897)
Interest Paid	(65,111)	(114,331)
Net Cash from Operating Activities	**(383,785)**	**132,826**
Cash Flow from Investing Activities	**(396,653)**	**(453,017)**
Acquisitions of Property, Plant & Equipment and Intangible Assets	(406,439)	(476,474)
Capital increase	(9,926)	(1,476)
Dividends Received	19,712	24,933
Cash Flow from Financing Activities	**913,904**	**188,512**
Loan Amortization	(254,268)	(167,383)
Loan Entries	1,039,179	518,897
Debentures Entries	394,292	
Payment of Debentures	(249,990)	(126,490)
Dividend Payments	(15,309)	(36,512)
Total Effects of Cash and Cash Equivalents	**133,466**	**(131,879)**
Cash and Cash Equivalents at the Beginning of Period	**564,594**	**698,060**
Cash and Cash Equivalents at the End of the Period	**698,060**	**566,181**

CELESC DISTRIBUIÇÃO S.A.

BALANCE SHEET — In R$ Thousand

Assets	December 31, 2018	December 31, 2019
Current		
Cash and Cash Equivalents	631,262	400,090
Trade Accounts Receivable	1,575,606	1,403,888
Inventories	8,488	14,594
Taxes to be Recovered	61,160	65,740
Subsidy Decree 7891/13	1,511,003	53,236
Financial Assets - Portion A – CVA	658,185	397,691
Other Credits	223,040	195,462
	4,668,744	**2,530,701**
Non-Current		
Trade Accounts Receivable	51,634	44,683
Deferred Taxes	838,173	1,124,869
Taxes to Compensate or Recover	19,319	1,090,907
Judicial Deposits	150,318	147,344
Indemnity Assets – Concession	438,609	523,543
Financial Assets - Portion A – CVA	248,499	168,106
Other Credits	2,725	4,544
Intangible Assets	3,287,592	3,448,815
	5,036,869	**6,552,811**
Total Assets	**9,705,613**	**9,083,512**

Liabilities and Shareholders' Equity	December 31, 2018	December 31, 2019
Current		
Suppliers	1,003,457	989,272
Loans and Financing	321,089	383,623
Debentures	104,425	69,644
Social Security and Labor Duties	207,892	211,516
Taxes and Social Contributions	207,393	194,446
Proposed Dividends	28,859	47,066
Loan - Affiliated and Subsidiaries	92,385	-
Regulatory Fees	2,269,081	165,049
Actuarial Liabilities	162,638	176,528
Financial Liabilities - "Portion A" - CVA	431,448	422,833
Related Parties	15,763	18,831
Other Liabilities	59,505	66,163
	4,903,935	**2,744,971**
Non-Current		
Loans and Financing	597,712	904,008
Debentures	248,018	181,760
Deferred Taxes	125,641	120,775
Regulatory Fees	103,411	187,073
Social Security and Labor Duties	46,988	48,186
Actuarial Liabilities	1,842,197	2,661,948
Provision for Contingencies	631,959	500,474
Financial Liabilities - "Portion A" - CVA	221,977	155,428
PIS/COFINS to be Returned to Consumers	-	1,065,238
Other Liabilities	2,476	-
	3,820,379	**5,824,890**
	8,724,314	**8,569,861**
Shareholders' Equity		
Paid-in Share Capital	1,053,590	1,053,590
Profit Reserve	785,641	930,087
Asset Valuation Adjustment	(857,932)	(1,470,026)
Accumulated Profit / Loss		-
	981,299	**513,651**
Total Liabilities and Shareholders' Equity	**9,705,613**	**9,083,512**

CELESC DISTRIBUIÇÃO S.A.

INCOME STATEMENT — In R$ thousand

	4Q18	4Q19	Chg %	12M18	12M19	Chg %
Gross Operating Revenue	**2,898,822**	**3,115,312**	**7.5%**	**12,346,296**	**12,723,988**	**3.1%**
Electric Power Supply	1,875,972	1,495,903	-20.3%	6,890,950	6,550,440	-4.9%
Electricity Supply	75,288	97,052	28.9%	294,191	391,502	33.1%
Regulatory Asset	(246,549)	548	100.2%	322,064	(181,623)	-156.4%
Short-Term Energy	(5,574)	98,005	1858.3%	389,309	520,579	33.7%
Electric Grid Availability	865,343	1,077,365	24.5%	3,189,653	4,148,242	30.1%
Donations and Subsidies	183,774	176,982	-3.7%	785,091	728,841	-7.2%
Service Provision Income	725	348	-52.0%	2,664	2,422	-9.1%
Service Fee	4,058	3,738	-7.9%	15,617	17,113	9.6%
Other Revenues	379	1,652	335.9%	3,392	4,567	34.6%
Construction Revenue	145,406	**163,719**	**12.6%**	453,365	**541,905**	**19.5%**
Deductions from Operating Revenue	**(1,241,187)**	**(1,079,698)**	**-13.0%**	**(4,837,286)**	**(4,851,291)**	**0.3%**
ICMS	(568,851)	(531,296)	-6.6%	(2,124,182)	(2,300,184)	8.3%
PIS/COFINS	(253,062)	(271,218)	7.2%	(1,093,871)	(1,123,653)	2.7%
CDE	(451,477)	(264,849)	-41.3%	(1,533,122)	(1,311,370)	-14.5%
R&D	(7,577)	(9,366)	23.6%	(35,327)	(36,721)	3.9%
PEE	(7,577)	(9,366)	23.6%	(35,327)	(36,721)	3.9%
ANEEL Regulatory Surveillance Rate	(1,742)	(1,894)	8.7%	(6,775)	(7,222)	6.6%
Other Charges	49,099	8,291	-83.1%	(8,682)	(35,420)	308.0%
Net Operating Revenue	**1,657,635**	**2,035,614**	**22.8%**	**7,509,010**	**7,872,697**	**4.8%**
Cost with Electricity	**(1,161,824)**	**(1,476,240)**	**27.1%**	**(5,640,611)**	**(5,718,991)**	**1.4%**
Electricity Purchased for Resale	(917,844)	(1,216,761)	32.6%	(4,568,114)	(4,689,664)	2.7%
Charge for the Use of the Transmission System	(204,453)	(212,930)	4.1%	(914,390)	(843,134)	-7.8%
PROINFA	(39,527)	(46,549)	17.8%	(158,107)	(186,193)	17.8%
Operating Costs and Expenses	**(464,704)**	**(500,964)**	**7.8%**	**(1,546,564)**	**(1,777,958)**	**15.0%**
Personnel and Administrators	(226,673)	(203,732)	-10.1%	(639,833)	(692,542)	8.2%
Actuarial Expenditure	(7,683)	(14,921)	94.2%	(27,067)	(54,585)	101.7%
Material	(4,879)	(4,551)	-6.7%	(15,078)	(16,768)	11.2%
Third-Party Services	(57,619)	(62,519)	8.5%	(202,730)	(232,462)	14.7%
Depreciation and Amortization	(52,403)	(56,414)	7.7%	(207,338)	(220,358)	6.3%
PECLD provision	(6,738)	(8,533)	26.6%	(38,278)	(44,907)	17.3%
PECLD Provision Reversals	1,797	93	-94.8%	5,499	18,359	233.9%
Other Provisions	(17,865)	(26,889)	50.5%	(72,719)	(106,436)	46.4%
Other Reversals of Provisions	79,897	60,131	-24.7%	106,937	119,404	11.7%
Other Revenues / Expenses	(27,132)	(19,910)	-26.6%	(2,592)	(5,758)	122.1%
Construction Cost	**(145,406)**	**(163,719)**	**12.6%**	**(453,365)**	**(541,905)**	**19.5%**
Result of Activities - EBIT	**31,107**	**58,410**	**87.8%**	**321,835**	**375,748**	**16.8%**
Activity Margin (%)	1.9%	2.9%		4.3%	4.8%	
EBITDA	**83,510**	**114,824**	**37.5%**	**529,173**	**596,106**	**12.6%**
EBITDA Margin (%)	5.0%	5.6%		7.0%	7.6%	
Financial Result	**(64,066)**	**(11,340)**	**82.3%**	**(103,947)**	**(68,541)**	**34.1%**
Financial Revenue	61,582	43,401	-29.5%	240,446	232,813	-3.2%
Financial Expense	(125,648)	(54,741)	-56.4%	(344,393)	(301,354)	-12.5%
EBIT	**(32,959)**	**47,070**	**242.8%**	**217,888**	**307,207**	**41.0%**
Income Tax and Social Contribution Tax	5,845	(328)		(82,479)	(85,275)	
Deferred Income Tax and Social Contribution	100	(4,382)		(13,899)	(23,759)	
Net Income	**(27,014)**	**42,360**	**256.8%**	**121,510**	**198,173**	**63.1%**

CELESC DISTRIBUIÇÃO S.A.		
STATEMENT OF CASH FLOWS (DFC)		In R$ thousand
	12M18	**12M19**
Profit/Loss Before Income Tax and Social Contribution	**217,888**	**307,207**
Items that do not affect the cash:	**504,910**	**415,317**
Amortization	207,338	220,358
Financial Assets Update – VNR	(3,392)	(4,567)
Allowance for Loan Losses	32,778	26,548
Contingencies	20,526	(131,485)
Monetary Variations and Interest - Net	174,053	199,929
Debentures Cost		
Provision for Post-Employment Benefit Plan	27,067	54,585
Write-off of assets	46,540	49,949
Changes in Current and Non-Current Assets	**(428,844)**	**897,234**
Trade Accounts Receivable	(259,372)	152,121
Inventories	1,061	(6,106)
Taxes to be Recovered	11,048	(1,076,168)
Judicial Deposits	(6,853)	2,974
Subsidy Decree 7891/2013	21,909	1,457,767
Financial Assets	(226,328)	340,887
Other Credits	29,691	25,759
Changes in Current and Non-Current Liabilities	**(528,624)**	**(1,265,561)**
Suppliers	174,820	(14,185)
Salaries and Social Charges	14,190	4,822
Taxes and Social Contributions	26,191	(8,986)
Regulatory Fees	(521,989)	(2,051,519)
Private Social Security	(3,969)	3,068
Actuarial Liabilities	(176,729)	(184,707)
Financial Liabilities	(53,258)	(75,164)
PIS/COFINS to be Refunded to Consumers	-	1,056,928
Other Liabilities	12,120	4,182
Cash from Operations	**(234,670)**	**354,197**
Interest Paid	(52,152)	(102,174)
Interest and charges paid to related parties	(12,743)	(8,036)
Income Tax and Social Contribution Paid	(90,740)	(95,897)
Net Cash from Operating Activities	**(390,305)**	**148,090**
Investment Activities	**(417,134)**	**(511,897)**
Acquisition of Concession Assets	(417,134)	(511,897)
Financing Activities	**976,235**	**132,635**
Resource Entries	1,286,412	518,897
Related Party Entries	150,000	-
Amortization of Loans and Financings	(354,258)	(267,403)
Dividends and Interest on Shareholders' Equity - JCP	(7,919)	(28,859)
Amortization with Related Parties	(98,000)	(90,000)
Total Effects of Cash and Cash Equivalents	**168,796**	**(231,172)**
Cash and Cash Equivalents at the beginning of the Period	**462,466**	**631,262**
Cash and Cash Equivalents at the End of the Period	**631,262**	**400,090**

CELESC GERAÇÃO S.A.

BALANCE SHEET In R$ thousand

Assets	December 31, 2018	December 31, 2019	Liabilities and Shareholders' Equity	December 31, 2018	December 31, 2019
Current			**Current**		
Cash and Cash Equivalents	50,035	137,640	Suppliers	3,544	7,109
Accounts Receivable	17,301	18,116	Taxes and Social Contributions	16,418	13,696
Financial Assets	31,433	32,597	Proposed Dividends	19,147	17,637
Taxes to be Recovered	179	635	Regulatory Fees	246	965
Dividends and JCP	89	-	Debentures	26,964	35,489
Inventories	148	102	Related Parties	872	-
Advanced expenses	134	134	Other Liabilities	85	1,353
Other Credits	25	1			
	99,344	**189,225**		**67,276**	**76,249**
Non-Current			**Non-Current**		
Related Parties	92,873	488	Deferred Taxes	10,144	36,937
Taxes to be Recovered	1,773	1,938	Regulatory Fees	2,537	2,352
Judicial Deposits	354	369	Provision for Contingencies	989	1,218
Financial Assets	249,585	258,113	Debentures	121,855	87,052
Other Credits	2,421				
Investments	56,033	71,297			
Property, Plant & Equipment	160,029	174,778		**135,525**	**127,559**
Intangible Assets	3,015	2,615			
Concession Indemnity	-	2,421			
Deferred Taxes	-	17,341			
	566,083	**529,360**	**Total Liabilities**	**202,801**	**203,808**
			Shareholders' Equity		
			Capital Stock	250,000	250,000
			Profit Reserve	196,920	249,624
			Asset Valuation Adjustment	15,706	15,153
			Accumulated Profit / Loss	-	-
				462,626	**514,777**
Total Assets	**665,427**	**718,585**	**Total Liabilities and Shareholders' Equity**	**665,427**	**718,585**

CELESC GERAÇÃO S.A.						
INCOME STATEMENT						**In R$ thousand**
	4Q18	4Q19	Chg %	12M18	12M19	Chg %
Gross Operating Revenue (R$ thousand)	**39,537**	**44,220**	**11.8%**	**177,465**	**164,411**	**-7.4%**
Electric Power Supply	9,401	7,839	-16.6%	37,617	30,479	-19.0%
Electricity Supply	17,138	17,500	2.1%	75,898	71,736	-5.5%
Short-Term Energy	3,948	5,924	50.1%	22,584	18,735	-17.0%
Financial Income - Interest and BO Update	9,050	12,957	43.2%	41,366	43,461	5.1%
Deductions from Operating Revenue (R$ thousand)	**(4,073)**	**(4,019)**	**-1.3%**	**(16,994)**	**(15,803)**	**-7.0%**
PIS/COFINS	(3,504)	(3,472)	-0.9%	(14,891)	(13,607)	-8.6%
Comp. Financ. for Use Water Resources	(282)	(258)	-8.5%	(907)	(1,028)	13.3%
RGR and R&D	(219)	(219)	0.0%	(928)	(891)	-4.0%
ANEEL Regulatory Surveillance Rate	(68)	(70)	2.9%	(268)	(277)	3.4%
Net Operating Revenue (R$ thousand)	**35,464**	**40,201**	**13.4%**	**160,471**	**148,608**	**-7.4%**
Electricity Costs (R$ thousand)	**(12,221)**	**(5,994)**	**-51.0%**	**(37,171)**	**(22,161)**	**-40.4%**
Electricity Purchased for Resale	(11,636)	(5,372)	-54.8%	(34,833)	(19,752)	-43.3%
System Use Charges	(585)	(622)	6.3%	(2,338)	(2,409)	3.0%
Operating Costs and Expenses (R$ thousand)	**(9,354)**	**(3,694)**	**-60.5%**	**(40,891)**	**(25,291)**	**-38.2%**
Personnel, Administrators	(2,783)	(4,162)	49.6%	(11,517)	(14,323)	24.4%
Material	(56)	(88)	57.1%	(380)	(372)	-2.1%
Third-Party Services	(2,274)	(2,977)	30.9%	(8,340)	(9,845)	18.0%
Depreciation / Amortization	(1,370)	(1,346)	-1.8%	(5,602)	(5,348)	-4.5%
Net Provisions	(1,771)	(4,374)	147.0%	(13,641)	(4,098)	-70.0%
Other Revenues / Expenses	(289)	(2,458)	750.5%	(600)	(3,016)	402.7%
Provision/Reversal Impairment Test, Net	(811)	11,711	1544.0%	(811)	11,711	1554.0%
Equity in Earnings (R$ thousand)	**(204)**	**2,104**	**1131.4%**	**355**	**4,448**	**1153.0%**
Result of Activities - EBIT (R$ thousand)	**13,685**	**32,617**	**138.3%**	**82,764**	**105,604**	**27.6%**
Activity Margin (%)	38.6%	81.1%		51.6%	71.1%	
EBITDA (R$ '000)	**15,055**	**33,963**	**125.6%**	**88,366**	**110,952**	**25.6%**
EBITDA Margin (%)	42.5%	84.5%		55.1%	74.7%	
Financial Result (R$ thousand)	**(1,356)**	**(960)**	**29.2%**	**(5,745)**	**(2,971)**	**48.3%**
Financial Revenue	2,438	1,655	-32.1%	8,743	9,586	9.6%
Financial Expense	(3,794)	(2,615)	-31.1%	(14,488)	(12,557)	-13.3%
EBIT (R$ thousand)	**12,329**	**31,657**	**156.8%**	**77,019**	**102,633**	**33.3%**
Income Tax and Social Contribution Tax	(40,074)	(572)	-86.0%	(25,248)	(18,918)	-25.1%
Deferred Income Tax and Social Contribution	(1)	(4,533)	453200.0%	(529)	(9,453)	1687.0%
Net Income (R$ thousand)	**8,254**	**26,552**	**221.7%**	**51,242**	**74,262**	**44.9%**

CELESC GERAÇÃO S.A.		
STATEMENT OF CASH FLOWS (DFC)	**In R$ thousand**	
	12M18	**12M19**
Profit/Loss Before Income Tax and Social Contribution	**77,019**	**102,633**
Adjustments	**(13,205)**	**(41,543)**
Depreciation and Amortization	5,603	5,348
Write-off of Property, Plant and Equipment / Intangible Assets	14	1,934
Equity in Earnings	(355)	(4,448)
Gains/Losses on Equity Holdings	-	3,421
Provisions/Reversals for Contingencies	(13)	229
Reversal/Provision for Property, Plant & Equipment Losses	(4,406)	(11,711)
Reversal/Provision for Investment Losses	5,217	(3,421)
Monetary Variations	14,034	12,349
Loan Financial Revenue	(5,587)	(5,652)
Estimated losses in Doubtful Accounts	13,654	3,869
Financial Assets Update	(41,366)	(43,461)
Changes in Current and Non-Current Assets	**17,106**	**16,720**
Trade Accounts Receivable	(12,597)	(4,684)
Taxes to Compensate or Recover	(2,923)	(2,419)
Inventories	35	46
Judicial Deposits	(12)	(15)
Financial Assets	32,511	33,769
Future Advance Capital Increase		10,000
Other Assets	92	23
Changes in Current and Non-Current Liabilities	**756**	**4,955**
Suppliers	613	3,565
Regulatory Fees	508	534
Taxes and Social Contributions	(152)	460
Other Liabilities	(213)	396
Cash from Operations	**81,676**	**82,765**
Interest Paid and Received	(12,959)	(12,157)
Income Tax and Social Contribution Paid	(25,302)	(22,342)
Net Cash from Operating Activities	**43,415**	**48,266**
Financing Activities	**(9,918)**	**(48,051)**
Debentures Entries	147,059	-
Dividends and Interest on Shareholders' Equity Paid	(6,977)	(21,581)
Amortization of Loans/Debentures	(150,000)	(26,470)
Investment Activities	**(60,542)**	**87,390**
Investment Acquisition	(9,926)	(1,476)
Acquisition of Property, Plant & Equipment	(8,701)	(9,564)
Acquisition of Intangible Assets	(571)	(356)
Related Parties - Loan Agreement	(150,000)	-
Related Parties - Loan Agreement	98,000	90,000
Dividends received	-	8,037
Loan Interest Received	10,656	749
Total Effects of Cash and Cash Equivalents	**(27,045)**	**87,605**
Cash and Cash Equivalents at the Beginning of Period	**77,080**	**50,035**
Cash and Cash Equivalents at the End of the Period	**50,035**	**137,640**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

In R$ thousand

BALANCE SHEET

Assets	December 31, 2018	December 31, 2019
Current		
Cash and Cash Equivalents	6,957	687
Investments	45,161	81,700
Gas Supply	59,775	64,933
Estimated losses in Doubtful Accounts	(4,470)	(3,772)
Taxes to be Recovered	2,136	4,676
Inventories	2,725	3,461
Judicial Deposits	-	-
Other Credits	809	887
Prepayment	403	1,403
	113,496	**153,976**
Non-Current		
Investments	1,827	14,010
SOP/TOP Credit	5,232	6,747
Taxes	62,821	54,499
Judicial Deposits	3,951	5,717
Accounts Receivable / Clients	129,243	150,801
Intangible Assets in Service/Distribution Grid	161,589	146,244
Intangible Assets in Formation	12,622	49,482
Expenses Paid in Advance	-	232
Intangible Assets for Use	6,984	4,388
	384,269	**432,120**
Total Assets	**497,765**	**586,096**

Liabilities and Shareholders' Equity	December 31, 2018	December 31, 2019
Current		
Suppliers	160,087	155,759
Taxes and Contributions	6,113	9,077
Social and Labor Obligations	8,608	12,073
Financing and Charges	35,407	6,979
Provision for Contingencies	5,327	-
Other Liabilities	16	-
Declared Dividends	-	8,511
Interest on Shareholders' Equity	-	10,897
	215,557	**203,296**
Non-Current		
Deferred Taxes	-	-
Loans and Financing	13,196	46,816
Other Liabilities	339	411
Provisions	-	7,124
	13,535	**54,351**
	229,093	**257,647**
Shareholders' Equity		
Capital Stock	167,968	167,968
Profit Reserve	100,704	104,180
Accrued Profit	-	-
Dividends Available to the ASM	-	56,301
	268,672	**328,449**
Total Liabilities and Shareholders' Equity	**497,765**	**586,096**

COMPANHIA DE GÁS DE SANTA CATARINA - SCGÁS

INCOME STATEMENT						In R$ thousand
	4Q18	4Q19	Chg %	12M18	12M19	Chg %
Gross Operating Revenue	**294,848**	**319,493**	**8.4%**	**949,620**	**1,262,614**	33.0%
Deductions from Operating Revenue	66,032	71,350	8.1%	210,767	279,522	32.6%
Net Operating Revenue	**228,816**	**248,143**	**8.4%**	**738,853**	**983,092**	33.1%
Variable Cost	188,132	192,288	2.2%	657,283	765,191	16.4%
Fixed Costs	4,945	6,533	32.1%	19,340	22,729	17.5%
Expenses with Sales	2,455	2,349	-4.3%	8,871	8,248	-7.0%
Administrative Expenses	8,474	9,851	16.2%	31,385	34,413	9.6%
Other Operating Expenses/Revenues	743	2,593	248.9%	18,681	6,869	-63.2%
Operating Result	**24,067**	**34,529**	**43.5%**	**3,293**	**145,642**	4322.4%
Depreciation and Amortization	7,282	6,948	-4.6%	29,828	28,383	-4.8%
EBTIDA	**18,859**	**34,151**	**81.1%**	**5,349**	**142,407**	2562.4%
EBITDA Margin	8.24%	13.76%		0.72%	14.49%	
Financial Result	**(2,604)**	**(189)**	**-92.7%**	**(5,563)**	**(1,618)**	-70.9%
Financial Revenue	708	1,014	43.1%	2,056	3,396	65.2%
Financial Expenses	3,313	(1,203)	-136.3%	7,618	(5,013)	-165.8%
EBIT (R$ thousand)	**14,181**	**27,392**	**93.2%**	**(32,097)**	**115,641**	460.3%
Income Tax and Social Contribution Tax	-	2,718		-	24,559	
Deferred Income Tax and Social Contribution	3,856	1,704		(10,899)	9,974	
Net Profit	**10,324**	**22,970**	**122.5%**	**(21,198)**	**81,108**	482.6%

COMPANHIA DE GÁS DE SANTA CATARINA – SCGÁS		
STATEMENT OF CASH FLOWS (DFC)		**In R$ thousand**
	12M18	**12M19**
Profit/Loss Before Income Tax and Social Contribution	**(32,097)**	**115,641**
Adjustments	**48,621**	**3,969**
Depreciation and Amortization	31,535	30,023
Constitution of provision for contingent liabilities	2,526	1,797
Recording of Provision for Doubtful Accounts	181	(73)
Constitution Provision Impairment	14,234	1,285
Update Ship/Take or Pay and Exchange Variation Transport	145	(29,579)
Deferred Income Tax	-	-
Low Intangible Assets	-	516
Changes in Assets and Liabilities	**26,308**	**(32,605)**
Trade Accounts Receivable	(40,048)	(27,341)
Taxes to be Recovered	(681)	(4,192)
Inventories	(516)	(761)
Securities	120	-
Credits in Gas Sales and Acquisition Operations	(9,701)	8,742
Other Accounts of the Assets	(727)	(3,078)
Suppliers	76,121	13,709
Tax Obligations	2,230	1,042
Social and Labor Obligations	385	3,465
Guarantee Deposits	(875)	368
Net Cash from Operating Activities	**42,832**	**87,005**
Cash Flow from Investing Activities	**(17,183)**	**(61,616)**
Securities	-	(12,183)
Acquisition of Property, Plant & Equipment	-	(5,462)
Additions of Intangible Assets	(17,183)	(43,971)
Cash Flow from Financing Activities	**24,417**	**4,880**
Payment of Dividends and JSCP	-	-
Loan Amortization	(5,450)	(29,531)
Loans Raised	29,867	34,411
Total Effects of Cash and Cash Equivalents	**50,066**	**30,269**
Cash and Cash Equivalents at the Beginning of the Period	**2,052**	**52,118**
Cash and Cash Equivalents at the End of the Period	**52,118**	**82,387**