Message from Management

Dear reader,

2019 was an emblematic year in Light's history. Our share control became widely held and our management––Board of Executive Officers and Board of Directors––became fully professional, engaged in generating sustainable results for the Company.

In July, we completed an offering of shares and obtained proceeds in the amount of R$1.8 billion, fully intended to be used in the distribution activity. Moreover, Cemig sold approximately 35% of the shares it held in the Company's capital stock, decreasing its equity interest to 22.6%. As Light's share control became widely held, Light became a true corporation.

With a new shareholding structure and a management aligned with the interests of shareholders, we structured a turnaround plan that outlines the Company's strategy to deliver results, supported by four pillars:

1) Combating energy losses
2) Liability management
3) Decreasing PMSO and prioritizing CAPEX
4) Decreasing judicial contingencies

However, in order to deliver results, the main pillar is a corporate culture focused on results, aligning the interests of management, employees and shareholders in pursuit of the established objectives. Accordingly, in July, the Shareholders' Meeting approved a stock option plan for the Board of Statutory Executive Officers and selected superintendents. Moreover, all employees receive bonuses or profit sharing subject to the achievement of objective targets, aligned with the turnaround plan. We reinforced the "Light Way of BEING" (Jeito de SER) among our employees, focused on safety, ethics and generation of sustainable results. We are also working, day after day, to build a private company's business culture, focused on management excellence and creation of value.

From the operating point of view, one of Light's biggest challenges is decreasing energy losses, due to the complexity of its concession area. In order to face this historical problem, we fully restructured the way how we operate. We have made significant changes in personnel, benefitting from in-house talents and attracting market professionals; insourced field teams; invested in training; and aligned our compensation policy, including the compensation policy applicable to service providers. Moreover, we created regional managerial areas, with specific action plans based on the characteristics and complexity of each of the regions in which we operate. We also invested in tax measurement and adopted tools that direct and monitor, in real time, inspection targets related to potential frauds, optimizing investments already made in our Measurement Control Center and more than one million telemetered electronic meters (approximately 25% of the number of customers) already installed, among other actions.

We continue to focus on "possible" areas, where we can usually operate. However, we started to prioritize actions that promote an effective incorporation of energy and the maintenance of a formal recording of regularized customers. We understand that only by doing so we will be able to reduce energy losses on an enduring and sustainable manner.

Still in regard to combatting losses, we have been shielding the aerial network in regions where customers present repeated energy theft and regions where we have modernized metering. We also intensified the regularization of clandestine connections in non-recorded condominiums and constructions. These actions represent an important driver for the incorporation of energy and, as a result, market recovery.

As a result of the implementation of these measures, we successfully interrupted the upward loss trajectory. In the first semester of 2019, losses increased by more than 10% and remained stable in the second semester. In 2020, with the continuation and improvement of performed actions, we expect even more positive results.

At the end of 2019, we conducted a broad assessment of the Company's Receivable Accounts, in view of the expected future receipt of outstanding amounts. This initiative is in line with the new plan to combat losses, after we completed a diagnostic in the middle of the last quarter. Accordingly, we recognized a non-recurring and extraordinary impact on result of approximately R$525 million. Excluding this impact, the provision related to customer payments remained in line with Light's historical customer payment levels.

In order to ensure the quality of supply to our customers, we invested more than R$395 million in the distribution network in 2019, representing a 10% increase compared to 2018. As a result of best management practices and investment efficiency already consolidated in our engineering team, we obtained excellent results regarding quality indicators (DEC and FEC), which, at the end of 2019, totaled 7.77 hours and 4.31 times, respectively, both within the limit set forth by Aneel. We highlight that, year after year, we have been recording improvements in these indicators and are currently among the best distribution companies in Brazil, with more than one million customers.

In the customer relationship area, we implemented important changes and improvements to facilitate, speed up and increase efficiency in problem solving. Accordingly, we are working to review internal processes and investing in digital relationship. We highlight the improvement in training and management of our call center and Ombudsman, and the modernization of Agência Virtual (a web-based relationship platform).

The improvement in customer service and management of the commercial area is closely related to decreasing the Company's judicial contingencies, one of the pillars of the turnaround plan. Nonetheless, in order to complement these efforts, we implemented initiatives in our legal area, including the promotion of a greater synergy with our commercial area, the development of a new hiring model, control and inspection of law firms, and the improvement of supporting material used in our defense.

Although changes are recent, we already obtained positive results, especially in Special Civil Courts (Juizado Especial Cível) ("JEC"), which judges more than 45% of the Company's proceedings. At the end of 2019, new judicial proceedings decreased by 20%. In 2020, with the continuation and improvement of our actions, we expect a decrease in the number of proceedings filed against the Company.

In the second semester, an important landmark was the decrease in PMSO of the distribution company, as a result of improved internal processes, a more effective control of outsourced service agreements and the insourcing strategy. In 3Q19 and 4Q19, PMSO consecutively decreased by 8.3% and 7.3%, respectively, compared to the same periods in 2018.

In regard to liability management, using the proceeds from the offering of shares completed in July, we were able to rebalance the Company's capital structure, prepaying costlier debt and benefitting from opportunities in the local debt market, obtaining funds at lower costs and longer terms.

At the end of 2019, net debt totaled R$6.7 billion, representing a decrease of R$1.2 billion compared to 2018, and we had a robust cash position, in the amount of R$1.7 billion. Accordingly, in 2019, Net Debt/EBITDA ratio was 2.98x, below the limits set forth in our debt agreements. It is worth noting that the healthier capital structure resulted in an upgrade in the Company's local rating by Moody's to A2.br.

In addition to the execution of the turnaround plan and in order to focus on the distribution activity, we started to implement our plan of divestment in non-core assets, with the sale of Light's equity interest in and credits against Renova. This transaction removed potential risks to Light related to the challenging and uncertain future of Renova.

Still in regard to divestments, we intend to continue selling equity interest in investments over which we do not hold control.

In the result for the year, we also highlight the final and unappealable decision rendered in the judicial proceeding that recognized the right to exclude ICMS from the calculation basis of PIS/COFINS. Accordingly, we recognized recoverable credits in the amount of R$6.2 billion. Based on the opinion of our legal counsel, we believe that a portion of this amount belongs to Light and another portion belongs to our customers. Currently, the amount of Light's credits and form of transfer of a portion of these credits to consumers are under analysis by Aneel and we have been actively collaborating with the required clarifications to ensure the Company's right.

We will continue to follow our prudent investment policy, always attentive to the formation of a base of regulatory assets, prioritizing those focused on the modernization of our distribution network and on combatting losses. In regard to the generation segment, in 2020, we will begin the maintenance works of the spillway of Ilha dos Pombos and complete the studies required for the environmental licensing and construction of the by-pass tunnel at the Lajes Complex, which will connect the Vigário and Ponte Coberta reservoirs. We expect the tunnel to commence operations by 2023.

In 2019, we made significant progress and built the pillars of our turnaround. The operating results of the second quarter confirmed that we are following the right path. We believe in our energy and we will bring Light to the level of excellence that it deserves!

Company's Profile*

Light operates in 31 cities of the State of Rio de Janeiro, encompassing a region with approximately 11 million people, ending 2019 with 4.4 million customers. Headquartered in the city of Rio de Janeiro, the Light Group comprises the holding company Light S.A.; its direct subsidiaries Light Serviços de Eletricidade S.A. (power distribution company), Light Energia S.A. (power generation company), LightCom Comercializadora de Energia S.A. (energy trading company), Light Conecta Ltda. (power generation and services company), Light Soluções em Eletricidade Ltda. (services company) and Instituto Light (institute); and jointly-controlled subsidiaries Lightger S.A. (company in charge of the Paracambi PCH project), Amazônia Energia Participações S.A. (company holding interest in the Belo Monte UHE project), Axxiom Soluções Tecnológicas S.A. (IT services company) and Guanhães Energia S.A. (company in charge of the Guanhães PCH).

Operating Scenario

Operating Performance

Tariffs

The tariffs charged by Light SESA are set forth pursuant to the Concession Agreement and the regulations and decisions of the Brazilian Electricity Agency (Agência Nacional de Energia Elétrica) ("ANEEL"), which has discretion over the exercise of its regulatory activities. The concession agreements of distribution companies and Brazilian law set forth a tariff cap mechanism allowing three types of tariff revisions: (1) the annual tariff revision; (2) periodic tariff revisions every five years; and (3) the extraordinary tariff revision.

Tariff Adjustment

On March 12, 2019, ANEEL approved a tariff adjustment index with an average effect of +11.12%. The new tariffs took effect as of March 15, 2019.

In regard to the different consumption segments and voltage levels, residential consumers perceived an 11.45% increase, as set forth in the table below, which also sets forth the impact perceived by the other segments and voltage levels.

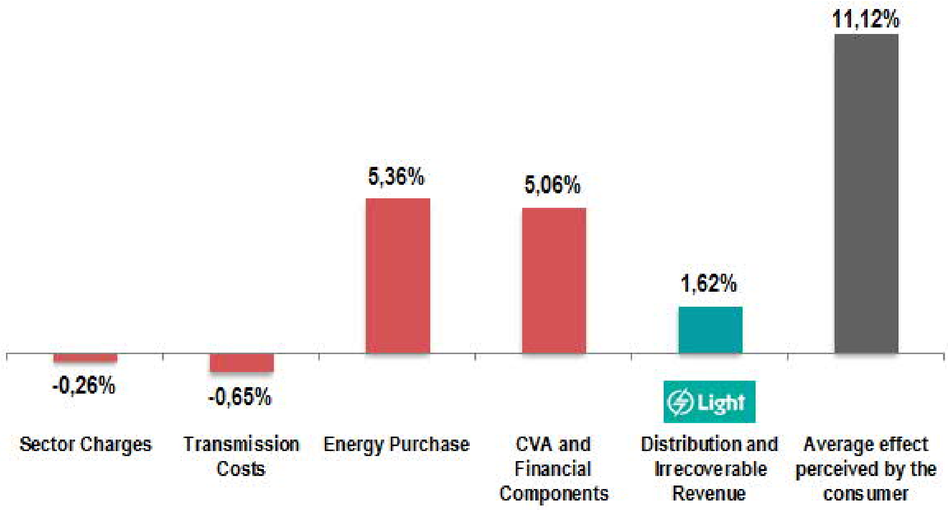
Average Perception of Consumers by Segment and Voltage Level

	FREE + CAPTIVE	AVERAGE EFFECT
Group A	A2 (88 to 138kV)	7.23%
	A4 (2.3 to 25 kV)	11.61%
	AS (underground)	12.33%
Low Voltage (LV)	B1 (residential segment)	11.45%
	B2 (rural)	21.09%
	B3 (commercial)	11.60%
	B4 (public lighting)	11.53%
	Group A	10.20%
	LV	11.52%
	Group A+LV	11.12%

The annual tariff adjustment process consists in the pass-through to consumers of non-manageable concession costs (A Component – energy purchases, sector charges and transmission charges) and the adjustment of manageable costs (B Component – distribution) by the variation of the IPCA adjusted by the Factor X components, which transfers to consumers the annual gains in productivity of the concessionaire and the adjustments in operating costs set forth in the last Tariff Revision, and incorporates incentive mechanisms regarding quality improvement. Additionally, as of the 2017 Tariff Revision, Impaired Revenues started to be included in a specific tariff item, which is annually adjusted based on the variation of the regulatory revenue.

The chart below summarizes the share of each cost item in the average effect perceived by consumers.

Average Perception of Consumers



The projection of A Component non-manageable items contributed to a 4.44%[1] increase, primarily due to the increase in energy purchase expenses, especially in the Itaipu and Norte Fluminense power plants, both with energy sale agreements indexed to the U.S. dollar, which appreciated by 15% since the last tariff adjustment. Additionally, the prices of member plants and availability agreements increased. As a result, the average pass-through price of agreements (Pmix) was set at R$210.08/MWh.

The withdrawal of financial components from the previous tariff process and the inclusion of new ones represented a 5.06% increase, primarily due to the increase in the Energy Development Account (CDE) quota (as of September 2018) and expenses incurred in connection with Itaipu, Quotas, Availability Agreements and Hydrological Risk without the due tariff coverage during 2018. At that time, these costs were borne by Light and now ANEEL is passing them through to consumers, pursuant to the concession agreement.

In regard to the transfer of regulatory losses, which is included in Energy Purchase expenses, the percentages set forth in the last Tariff Revision were maintained at 36.06% on the low voltage market for non-technical losses and at 6.34% on grid load for technical losses.

[1] Sector Charges, Transmission Costs and Energy Purchase

The adjustment of the B Component, used by Light to cover its costs and remunerate its investments, reflects the accumulated variation of IPCA in the period, of 3.82%, less the Factor X. Factor X is the sum of three components: Factor X Pd, of 1.12%, related to productivity gains; Component T, of -0.84%, related to the trajectory of operating costs; and Component Q, of -0.39%, associated with the incentive to improve quality indicators in 2016 and 2017.

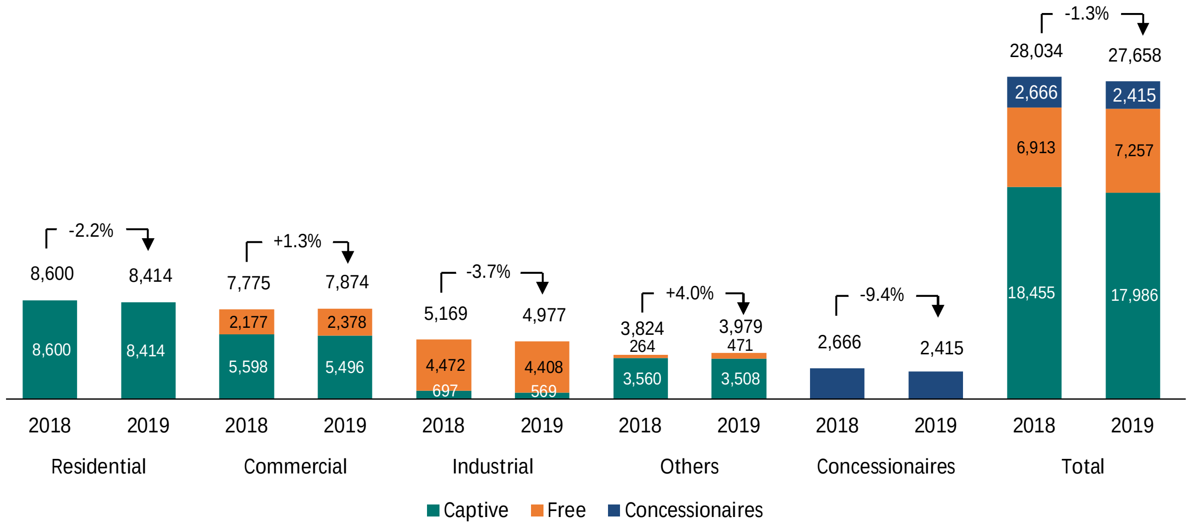
B Component Adjustment	%
IPCA	+ 3.82%
Factor X	-0.11%
Factor X Pd (Productivity)	+ 1.12%
Component T (Opex Trajectory)	- 0.84%
Component Q (Quality)	- 0.39 %
Adjustment index for the B Component (IPCA – Factor X)	+ 3.93%

Extraordinary Tariff Revision

On March 26, 2019, ANEEL approved the extraordinary tariff revision, with an average effect of -2.30%. The new tariffs took effect as of April 1, 2019.

The calculation of the extraordinary tariff revision only considers the incorporation of a negative financial item to reflect the early amortization of credit transactions entered into by the Brazilian Electricity Trading Chamber (Câmara de Comercialização de Energia Elétrica – CCEE) in the management of the Regulated Market Account (Conta no Ambiente de Contratação Regulada – ACR Account), pursuant to Normative Resolution No. 612 of 2014.

Market Evolution



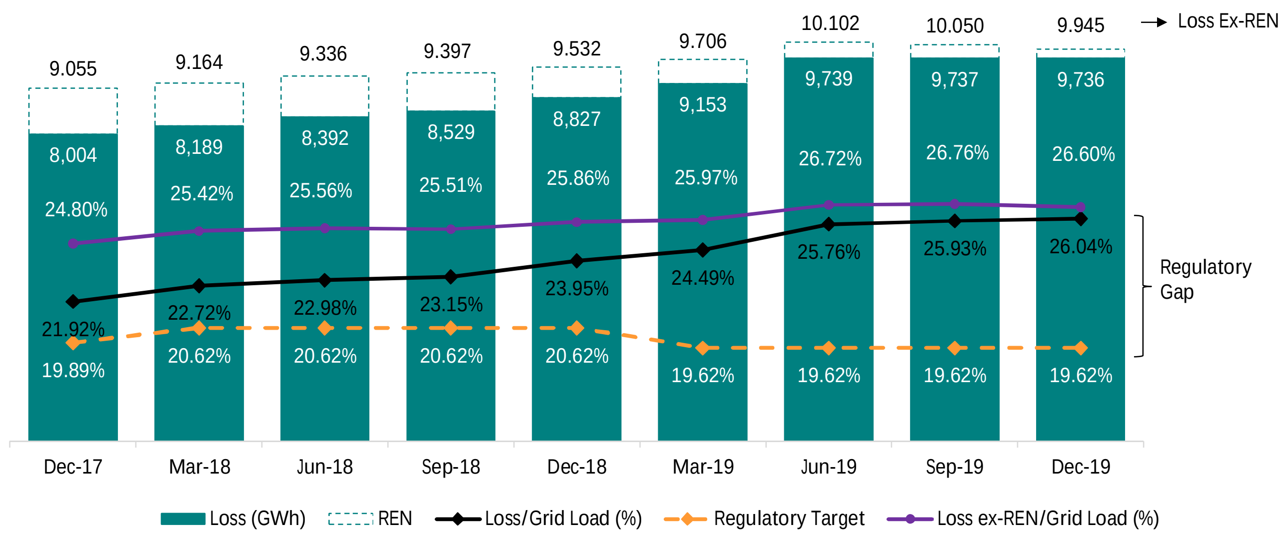
In 2019, the total billed market decreased by 1.3% compared to 2018, affected by the 70% decrease in the volume of REN. Excluding the effect of REN, total market totaled 27,449 GWh, representing a 0.4% increase compared to 2018. Excluding the effect of REN and concessionaires, total market increased by 1.5% in the annual comparison, in line with the 1.4% increase in the grid load.

In the residential segment, the market decreased by 2.2% compared to 2018, totaling 8,414 GWh billed at the end of 2019. This decrease is due to the decrease in the volume of REN realized in 2019 compared to 2018.

In the commercial segment, the market increased by 1.3%, or 99 GWh, compared to 2018, highlighting the positive performance of the transportation, telecommunication and supermarket sectors.

In the industrial segment, the market decreased by 3.7% compared to 2018, primarily due to the decrease in consumption by steel companies.

Energy Loss



Focused on management improvement, the Company restructured its commercial area in the second semester of 2019. In addition to the change of approximately 80% of leadership positions in the commercial area, we decentralized teams by region to increase their speed, use the knowledge of the local area and facilitate the prioritization of activities. In order to improve the control of field services, we created a Service Management Center (Centro de Gestão de Serviços) for each regional area to monitor, in real time, field inspection teams, thus ensuring greater speed and assertiveness in decision making.

Another initiative aiming at improving the management of processes/resources and productivity gains is the insourcing of labor. The purpose of insourcing is to ensure the performance of activities to combat losses, prioritizing the quality of REN, to avoid future contingencies and cancellations, ensure a good collection rate and increase the incorporation of energy. In December 2019, we insourced 100 employees and, in January 2020, we hired 200 employees, out of a total of approximately 1,000 employees focused on combatting energy theft in the low voltage market.

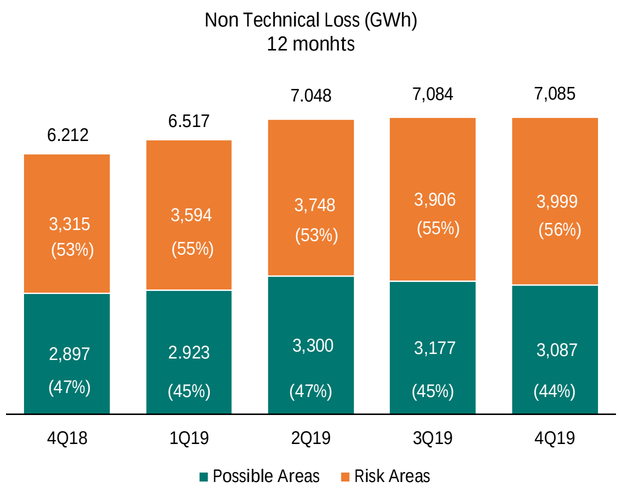
Additionally, we renegotiated agreements entered into with service providers to combat losses. The compensation of these agreements was previously associated with the number of inspections conducted and documented in Inspection Event Instruments (Termos de Ocorrência de Inspeção – TOIs). In order to improve the quality of REN, these agreements currently provide for the payment of a success fee, i.e., in addition to a fixed compensation to cover fixed costs, service providers receive payment subject to the incorporation of energy (IEN).

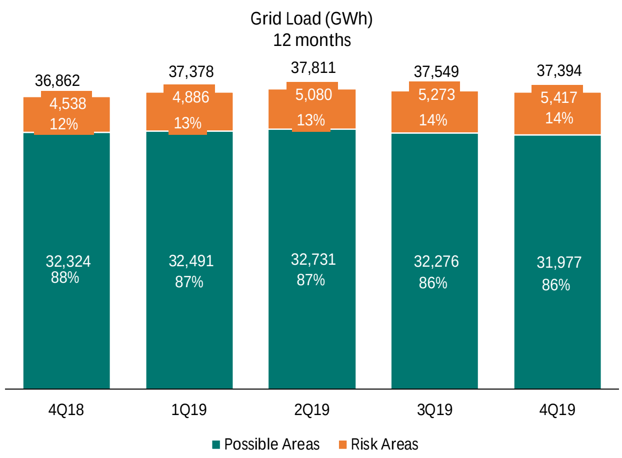
In addition to conventional field activities, we implemented other actions to combat losses, including:

(i) formalization and incorporation of energy of customers whose connections had been cut;
(ii) regularization of clandestine condominiums; and
(iii) shielding of the network of customers with medium purchasing power and high levels of repeated energy theft in possible areas.

Accordingly, total losses in the last 12 months ended December 2019 amounted to 9,736 GWh, compared to 8,827 GWh in December 2018. The total losses on grid load indicator was 26.04% in December 2019, compared to 23.95% in December 2018.

Currently, the Company is 6.42 p.p. above the regulatory tariff pass-through percentage of 19.62%[2], in accordance with the parameters set forth by Aneel in the Tariff Revision (RTP) of March 2017, already adjusted for the reference market for the next 12 months, ratified by Aneel in the tariff adjustment (IRT) of March 2019.





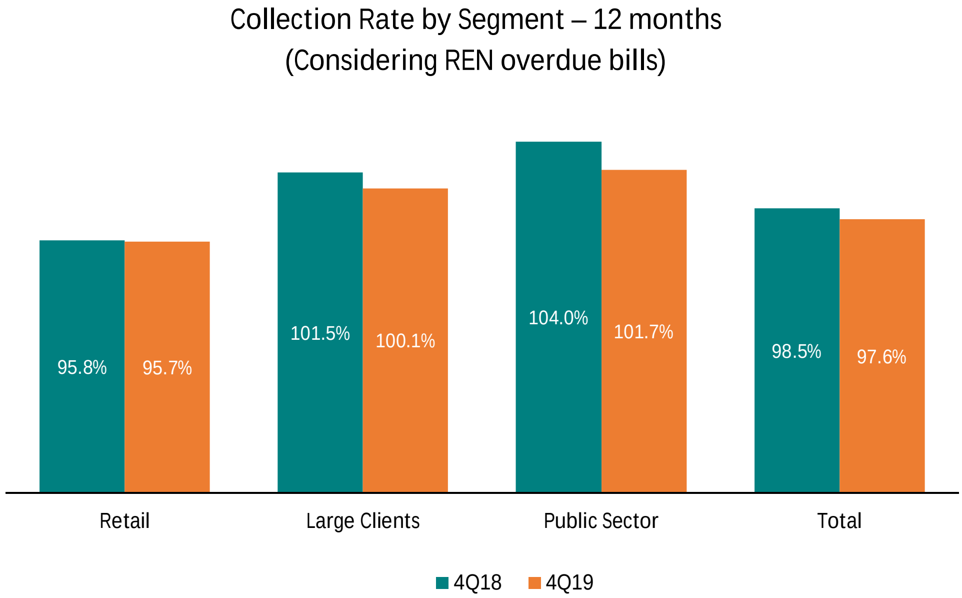
At the end of 2019, non-technical losses (12 months) in risk areas accounted for 56%, or 3,999 GWh. We will improve metering in these areas upon the completion of the installation of border meters, expected to be completed in 1Q20. At the end of 4Q19, in possible areas, non-technical losses totaled 3,087 GWh (44%), representing an increase of 190 GWh compared to 2018.

In 2019, IEN totaled 288 GWh, compared to 268 GWh in 2018. On its turn, the volume of REN decreased by 70.3% in the annual comparison, reaching 209 GWh in 2019.

[2] Calculated based on loss pass-through levels set forth by ANEEL in the 4th Periodic Tariff Revision (4ª Revisão Tarifária Periódica – 4ª RTP), ratified on March 15, 2017 for the 2017-2022 period, as follows: 6.34% for technical losses on grid load and 36.06% for non-technical losses on the low voltage market. This percentage may vary during the cycle due to the performance of the low voltage market and grid load.

It is worth noting that Light maintains a partnership with the Civil Police, through the Delegated Services Protection Police Station (Delegacia de Defesa dos Serviços Delegados – DDSD), which frequently provides support to fraud inspections, notably at large customers, recording infractions and imprisoning individuals. In 2019, 159 infractions were recorded and 47 individuals were imprisoned. The main purpose of this partnership is to moralize the population and disseminate a culture in which energy theft is a crime.

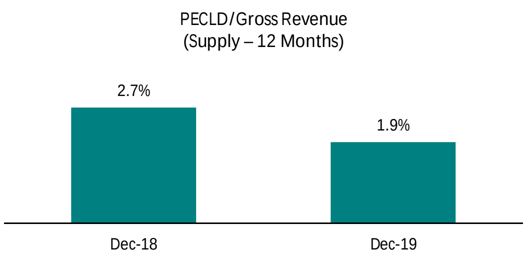
Collection



The moving average of the collection rate in the 12 months ended December 2019 totaled 97.6%, representing a 0.9 p.p. decrease compared to 98.5% in 4Q18, due to the agreement we entered into with the Government of the State of Rio de Janeiro in November and December 2019, in the amount of R$110 million, providing for the offsetting of ICMS amounts payable. The other segments continue to present a good performance.

The PECLD/Gross Operating Revenue ratio for the 12 months ended December 2019 was 1.9%, representing a 0.1 p.p. decrease compared to 3Q19 and a 0.8 p.p. decrease compared to 4Q18.

Considering the non-recurring effect related to the extraordinary PECLD, PECLD/Gross Operating Revenue ratio was 5.0%.



*Captive Market Gross Revenue + TUSD

Service Quality

In 2019, quality rates improved due to the enhancement of the operating processes implemented during the year.

Indicator	2018	2019	Target of the 5th ANEEL Amendment (2019)
DEC	7.78	7.77	8.23
FEC	4.44	4.31	5.72

Notwithstanding a positive scenario for these indicators, it is worth noting that, especially in the beginning of the year, we faced severe weather conditions, including winds of more than 100 km/h, which knocked down trees, metal structures and rooftops, among other events, damaging the electrical network, obstructing access roads and hindering the movement of emergency teams.

In December 2019, DEC was 7.77 hours, virtually in line with 7.78 hours in December 2018, 5.6% below the limit of 8.23 hours set forth by ANEEL in the 2019 concession agreement.

In December 2019, FEC was 4.31 times, representing a 2.9% decrease compared to December 2018, 24.7% below the limit of 5.72 times set forth by ANEEL in the concession agreement.

Moreover, the following initiatives undertaken in 2019 contributed to this result:

- insourcing of emergency teams, live line, tree pruning and load metering;
- installation of protection equipment for the aerial network;
- progress of the self-healing project (automatic reset);
- replacement of oil-based key by gas-based key in the underground network; and
- new integrated management tools.

Customer Service

Light continuously seeks to improve its relationship with customers and increase the number of different channels it offers. The Company has been seeking to simplify processes to be more agile and efficient in responding to requests received.

We are developing a number of initiatives to promote digital transformation, encouraging the use of virtual customer service and self-service. We are developing a number of solutions that seek to meet customers' needs, adding value to their experience and creating a positive perception, as well as the Company's needs, reducing costs related to stores, call centers and e-mails, the most expensive channels for the Company.

As main technologies, the Company is investing in chatbot communication, automatic recognition of documents through OCR and automation of the main services. Moreover, we are reviewing processes to increase operating efficiency.

In 2019, the share of all Light's virtual and automatic channels increased, accounting for 88.2% of all Light's customer service channels.

Generation

In 2019, the sale of energy in the free market (Ambiente de Contratação Livre) ("ACL") remained virtually in line with 2018, and the purchase of energy in the ACL decreased by 4.1% due to Light Energia's hedging policy.

Energy Sale (MWm)	2019	2018	% Change 2019/2018
Free Contracting Environment Sales	540	543	-0.4%
Spot Sales (CCEE)	45	44	1.9%
Free Contracting Environment Purchase	128	134	-4.1%
Spot Purchase (CCEE)	17	18	-7.4%

* Values include the plants: Fontes Nova, Nilo Peçanha, Pereira Passos, Ilha dos Pombos, Santa Branca and SHPP Lajes

Generation Projects

Lajes Small Hydro Power Plant

This is a closely-held company headquartered in the city of Piraí, State of Rio de Janeiro, whose corporate purpose is to analyze technical and economic feasibility; prepare projects; and implement, operate, maintain and commercially exploit PCH Lajes, which has a nominal capacity of 17 MW. The construction of PCH Lajes started in September 2014. In July 2018, PCH Lajes received order No. 1,643/2018 from SFG/ANEEL authorizing the commencement of commercial operations on July 21, 2018.

Belo Monte

In October 2011, Amazônia Energia, whose members are Light (25.5%) and Cemig (74.5%), acquired a 9.77% equity interest in the capital stock of Norte Energia, a company responsible for the construction and operation of UHE Belo Monte. Located in the Xingu River, in the State of Pará, UHE Belo Monte, which is 100% Brazilian, is the fourth largest hydro power plant in the world and the largest in Brazil. Its installed capacity totals 11,233 MW, with an average physical guarantee of 4,571 MW.

In 2019, the remaining six units commenced commercial operations. Fully completed and ready to fully operate, Belo Monte was officially inaugurated on November 27, 2019.

Lightger

Lightger was created to implement, operate, maintain and commercially exploit the activities of PCH Paracambi, with an installed capacity of 25.7 MW and two generation units, which commenced operations in 2012. Currently, Light S.A. and Cemig GT hold an equity interest of 51% and 49%, respectively, in Lightger.

Guanhães Energia

In February 2012, Light Energia acquired 51% of equity interest in Guanhães Energia S.A. The remaining 49% is held by Cemig GT. Guanhães is responsible for the implementation and exploitation of PCHs Dores de Guanhães (14MW), Senhora do Porto (12MW), Fortuna II (9MW) and Jacaré (9MW), totaling 44MW of installed capacity. These PCHs are located in the Guanhães River and Corrente Grande River, in the State of Minas Gerais.

In 2018, PCH Senhora do Porto and PCH Dores de Guanhães commenced commercial operations. In 2019, PCH Fortuna II and PCH Jacaré commenced operations.

Renova Energia

On October 13, 2019, Light Energia entered into an agreement to sell all the shares it held in Renova, equivalent to 17.17% of Renova's capital stock, for R$1.00, to CG I Fundo de Investimento ("CG"). Under this transaction, LightCom assigned all credits held against Renova to CG. After BNDESPAR was notified about its full tag along right and Cemig GT was notified about its preemptive and tag along rights, the transaction was completed upon the effective transfer of shares on October 15, 2019.
In addition to Renova, Belo Monte, Lightger and Guanhães are part of the Company's divestment strategy regarding its non-core assets.

Energy Trading

In 2019, LightCom sold a total volume of 665 MWa, representing a 16.2% decrease compared to 793 MWa in 2018. This decrease was primarily due to: (i) the expiration of certain long-term agreements entered into with end consumers; and (ii) the decrease in short-term transactions with trading companies.

In 2019, EBITDA[3] of the trading company totaled a negative amount of R$126 million, compared to R$127 million in 2018, due to the provision for losses related to prepayment of energy bills and the operating indemnification in favor of Renova, whose economic and financial condition deteriorated during the third quarter of 2019.

In 2019, excluding the non-recurring effect, EBITDA totaled R$130 million, representing an increase of R$3 million compared to 2018.

[3] EBITDA is not recognized under Brazilian GAAP or IFRS and is used as an additional performance measure of the Company's operations. EBITDA should not be considered in isolation or as an alternative to Net Income or Operating Profit, neither as an indicator of operating performance or liquidity. Pursuant to CVM Instruction No. 527/2012, CVM EBITDA is calculated as net income before income tax and social contribution, net financial expenses, depreciation and amortization.

Investments

In 2019, capital expenditures totaled R$885 million, representing a 10.8% increase compared to 2018. The largest amount of capital expenditures was invested in the distribution segment (R$815 million). Investments were allocated for the development of distribution networks and expansion of high voltage to increase the strength of the network, improve the quality of supply, and reduce the load on high-voltage circuits.

Additionally, we made investments of R$229 million in the project to combat energy losses, increasing the number of field teams to intensify inspections and regularizations of low voltage customers, and updating existing electronic meters with a more advanced technology, as well as maintaining energy balance investments in the Smart Grid network.

In 2019, Light Energia's capital expenditures totaled R$69 million, representing a 25.9% increase compared to 2018, due to higher capital expenditures in projects for the modernization of pumping systems of the generation complex and the replacement of assets.

Capital Contributions in non-core assets in which Light holds equity interest (Belo Monte, Guanhães, Itaocara and Axxiom) totaled R$54 million in 2019, representing a 41% decrease compared to 2018.

Taking into account the capital contributions in investees, the Company's investments totaled R$939 million in 2019, representing a 5.5% increase compared to 2018.

Financial Comments

Financial Performance

Net Revenue

Net revenue, excluding construction revenue, totaled R$12,663 million in 2019, representing a 12.0% increase compared to 2018.

Light SESA positively contributed to this increase through the impact of the Tariff Revision, ratified in March 2019, and the impact of the favorable decision that recognized the right to exclude ICMS from the calculation basis of PIS/COFINS. In the third quarter, the Company recorded a revenue of R$1,086 million related to credit amounts to be reimbursed in connection with the period between January 2002 and August 2009.

In 2019, net revenue of Light Energia was in line with that of 2018.

In 2019, net revenue of LightCom totaled R$1,123 million, representing a 16.6% decrease compared to 2018, due to the expiration of certain long-term agreements with end consumers. Short-term transactions with trading companies also decreased.

Costs and Expenses

In 2019, consolidated operating costs and expenses, excluding construction costs, totaled R$11,289 million, representing an 11.0% increase compared to 2018, primarily due to the increase in provisions/contingencies, which totaled R$412.6 million, representing an increase of R$173.4 million compared to 2018.

This increase is due to:

- a higher number of civil judicial proceedings and proceedings filed with JEC, primarily related to commercial processes;
- provision for the Voluntary Dismissal Program (Programa de Demissão Voluntário) ("VDP"), in the amount of R$21 million; and
- two regulatory fines. In the third quarter of 2019, we provisioned R$25 million for Aneel's decision in the administrative proceeding regarding the maintenance and operation of Light's underground network. In the fourth quarter, the fine in the amount of R$37 million was related to the administrative proceeding regarding the commercial inspection conducted in 2017. Notwithstanding this provision, Light continues to discuss with ANEEL a reduction in the amount of the fine, as the proceeding has not been decided yet.

Additionally, PECLD increased from R$434.8 million in 2018 to R$1,127.1 million in 2019, primarily due to the extraordinary PECLD recorded in the fourth quarter, in the amount of R$525 million. We conducted a broad reassessment of the Company's receivable accounts, in view of the expected future receipt of outstanding amounts. This initiative is in line with the new plan to combat losses, after we completed a diagnostic in the middle of the last quarter.

Adjusted EBITDA[4]

In 2019, Adjusted EBITDA was R$1,962 million, representing a 16.5% increase compared to R$1,684 million in 2018, with a margin of 15.5%, representing a 0.6 p.p. increase compared to 2018. This increase is due to the final and unappealable decision rendered in the judicial proceeding that recognized the right of Light SESA to exclude ICMS from the calculation basis of PIS/COFINS, retroactive to January 2002. Accordingly, in the third quarter of 2019, Light recorded PIS/COFINS credits recoverable in the amount of R$6.169 million. Based on the opinion of legal counsel and pursuant to applicable law, the Company understands that a portion of the credits to be received must be reimbursed to its consumers (R$3,573 million), taking into account the last ten years (September 2009 to August 2019).

[4] EBITDA is not recognized under Brazilian GAAP or IFRS and is used as an additional performance measure of the Company's operations. EBITDA should not be considered in isolation or as an alternative to Net Income or Operating Profit, neither as an indicator of operating performance or liquidity. Pursuant to CVM Instruction No. 527/2012, CVM EBITDA is calculated as net income before income tax and social contribution, net financial expenses, depreciation and amortization. Adjusted EBITDA is calculated as CVM EBITDA less equity income and other operating revenues and expenses. The Company adopted Adjusted EBITDA to conduct the analysis described herein.

Net Income (Loss)

In 2019, net income of Light S.A. totaled R$1,328 million, representing an increase of R$1,077 million compared to 2018, primarily due to the Financial Revenue of the distribution company, as a result of the adjustment for inflation of the PIS/COFINS credit (R$1,461 million). The full impact of the proceeding on the result for the third quarter of 2019 totaled R$1,636 million, net of taxes.

Indebtedness

In July, we completed the follow-on offering of the Company, including a primary and a secondary offering. The transaction involved the participation of Brazilian and foreign shareholders, raising more than R$1.8 billion, which was fully allocated to Light SESA. These proceeds allowed us to strengthen our cash and reprofile our debt through prepayment initiatives and new funding.

The purpose of this initiative, known as liability management, is to optimize debt profile, reduce financial costs and create value for our shareholders.

We highlight the following main achievements:

- full early redemption of the 14th issuance of the debentures of Light SESA, with Banco do Brasil, in the amount of R$328 million. This issuance accrued interest at the CDI rate + 3.50% p.a., maturing in March 2021;
- settlement of swap transactions regarding the 9th issuance of debentures of Light SESA, 1st series, for a total amount of R$101 million, with a notional value of R$500 million, accruing interest at IPCA + 7.82% p.a. and maturing in May 2021;
- pre-payment of US$90 million, of a total of US$180 million, under the financing agreement entered into by Light SESA with Citibank, accruing interest at the CDI rate + 2.2% p.a. The remaining amount was reprofiled to accrue interest at the CDI rate + 1.5% p.a., maturing in August 2021;
- funding obtained by Light Energia with Citibank, in the amount of US$80 million, accruing interest at the CDI rate + 1.30% p.a., with bullet maturity within two years;
- early redemption of 35% of the bonds, in an amount equivalent to US$210 million, of which US$140 million corresponds to Light SESA and US$70 million corresponds to Light Energia. The remaining balance of the bonds, in the amount of US$390 million, matures on the original date in May 2023, with a redemption option as of May 2021;
- settlement of the 17th issuance of debentures of Light SESA, in the total amount of R$700 million, in three series;
- early amortization of the entire outstanding balance of the 2015/16 Capex financing agreement entered into by Light SESA with BNDES, in the amount of R$292.6 million. This agreement originally matured in March 2023, including tranches accruing interest at SELIC + 4.08% p.a. and TJLP + 3.74% p.a.; and
- settlement of the 5th issuance of promissory notes of Light SESA, in the total amount of R$300 million.

As of December 31, 2019, the Company's gross debt totaled R$8,428 million, representing a 13.1% decrease compared to December 31, 2018. As of December 31, 2019, the Company's net debt totaled R$6,750 million, representing a 15.8% decrease compared to December 31, 2018. The Net Debt/EBITDA ratio decreased from 3.63x in December 2018 to 2.98x in December 2019, below the contractual maximum covenant limit of 3.75x set forth in most agreements. In 2019, the EBITDA/Interest ratio was 3.38x, above the minimum limit of 2.0x (compared to 3.17x in 2018).

We also highlight the positive impact of our healthier debt profile on the Company's rating. In September 2019, Moody's upgraded the Company's rating from A3 to A2.br, on the national scale, and affirmed the rating of Ba3, on the international scale, maintaining a stable prospect for both ratings. In September 2019, S&P Global attributed an AA+ rating to the 17th issuance of debentures of Light SESA.

Funding helps us to maintain a high cash position, under this strategy to pay the more expensive debt, and start 2020 with a more robust cash position, totaling approximately R$1.7 billion, allowing us to face the challenges of the next cycle.

Currently, our debt is also more diversified, due to the conducted issuances, including the bonds, receivables investment fund, infrastructure debentures and market institutional debentures.

Notwithstanding the initiatives we have already implemented, we will continue to monitor the local and international capital markets to benefit from market funding opportunities and, accordingly, further decrease the average cost and extend the amortization term of our debt.

Corporate Governance and Capital Markets

As of December 31, 2019, the capital stock of Light S.A. comprised 303,934,060 common shares.

The shares issued by Light are listed in the Novo Mercado segment of B3 since July 2005. The shares issued by the Company are included in the IBrX 100, IBrA, IGC, ITAG, IGCT, IGC – NM, SMLL, ISE and IEE. The shares issued by Light are also traded in the U.S. over-the-counter (OTC) market, through Level 1 ADRs, under ticker LGSXY.

As to the performance of the shares issued by Light S.A. (LIGT3), they appreciated by 45.4% compared to 2018. In December 2019, the trading price per share issued by Light was R$23.76, compared to R$16.34 in December 2018. The market capitalization (number of shares x price per share) of the Company was approximately R$7.2 billion at the close of 2019.

The Board of Directors of Light comprises nine members, seven of whom are independent members. The following three committees assist the Board of Directors: Operations and Finance Committee; Statutory Audit Committee and the Human Resources, Governance and Sustainability Committee.

Shareholding Structure

As of December 31, 2019, the shareholding structure of Light comprised: CEMIG (22.58%), BNDESPAR (5.96%) and other shareholders (71.46%).

Distribution of Dividends

On April 29, 2019, the Annual Shareholders' Meeting approved the Company's Managements' proposal to allocate the net income for the year ended December 31, 2018, in the total amount of R$165,782,566.46, as follows: (i) establishment of a Legal Reserve in the amount of R$8,289,128.32; (ii) dividends payable to shareholders in the amount of R$39,373,359.53, equivalent to R$0.19306907 per common share (Light S/A ON); and (iii) establishment of a Retained Earnings Reserve in the amount of R$134,635,717.96.

Commitment to the Future

People Management

In 2019, Light initiated its turnaround process to substantially change and recover the Company's performance.

In order to support our turnaround, we require the commitment of all employees and, accordingly, we repositioned the "Light Way of BEING" (Jeito de SER Light), including elements that are more adequate for rupture processes, key for the organizational alignment. The New "Light Way of BEING" values and encourages the synergy and the integration among areas to achieve a collective result (#umasólight), forming a single team, with a single purpose: to be the best energy company in Brazil.

The New "Light Way of BEING" seeks a culture of results, safety and meritocracy; fosters an environment of engagement, development and high performance to overcome challenges; and creates value to stakeholders through a sustainable and profitable company.

In 2019, from a cultural standpoint, the New "Light Way of BEING" was adopted by all Light's leadership. In order to engage the work force, comprising more than 12,00 employees and outsourced employees, we implemented a number of actions to inform and bring awareness about the new direction that we are giving to the Company.

The Company is constantly concerned with the management of knowledge, as we face the challenge to maintain employees updated and aligned with the technical specificities of the sector and Light's safety guidelines.

In addition to online and traditional in-person training, we adopt two fronts to retain technical knowledge:

– Internalization of training: an internal structure dedicated to the preparation and updating of procedures, instructions and learning materials to disseminate knowledge on standards and operations to all employees;
– Light Educators Program (Programa Educadores Light): a program comprising technical professionals that update and prepare operating procedures, as well as support the Light Academy (Academia Light) in operating trainings.

In regard to the Quality of Life Program (Programa de Qualidade de Vida), in addition to traditional actions that encourage the adoption of healthy practices and offer social and psychopedagogical services to employees; in 2019, Light adopted a paternity leave of 20 days and organized meetings to instruct, inform and sensitize future fathers on their role in the construction of a healthy relationship with their children and wives. The Citizen Maternity Leave (Licença Maternidade Cidadã); the Baby Health (Bebê Saúde) program, which provides instructions on pregnancy and the first years of life of babies; the Breast-feeding Support Room (Sala de Apoio à Amamentação) and Citizen Paternity Leave (Licença Paternidade Cidadã) represent an important support network for the families of Light's employees.

Occupational Safety

In addition to investing in the improvement of processes and procedures, Light continues to invest in the training and sensitization of its entire work force to completely change its safety culture, reduce accidents and ensure a better quality of life to its employees.

As a result, in 2019, the Company did not have any fatal accident involving its work force in field activities and in its offices, reflecting the implemented prevention actions and the engagement of its entire work force in changes in behavior and attitude.

In September 2019, the Company implemented a method called 100% Safe – Light Safety Index (Índice de Segurança Light) ("ISL"), which preventively indicates the level of safety of operations. At the end of 2019, our ISL was 98%, within the safety margin.

In 2019, accident frequency and severity indicators were 3.27 and 130, respectively, representing an increase compared to the two previous years. However, most accidents had low severity potential, including bruises, strains and excoriations. In order to reduce these events, we intensified preventive actions.

At the end of December 2019, the absenteeism rate was 2.29, representing an increase compared to 2018, due to the insourcing we conducted in a number of segments. In order to reduce this rate, Light provided outpatient care in its medical clinic and reinforced in-person medical evaluation in cases of leave for more than three days and repeated leaves due to related reasons.

In 2019, in regard to the safety of the population, we recorded 18 events, representing a 25% decrease, or six events, compared to 2018. In order to reduce this number, during the year, Light inspected and monitored field activities, always watching potential risk events. When risk events are found, they are informed to the involved area and the nearby population is immediately informed of the risks.

This work extends to Light's entire concession area, including communities and schools, for instance, where the population is made aware about the dangers of the electrical network, stressing the importance of adopting personal safety measures.

Research and Development (R&D)

In 2019, total investments in the Research and Development Program, regulated by ANEEL, amounted to R$29 million, of which R$26 million refer to projects developed at Light SESA and R$3 million refer to projects developed at Light Energia.

The strategy of R&D projects is based on facing the Company's biggest challenges, i.e., prevent energy theft and improve quality indicators. Among the 45 ongoing projects, 12 projects propose solutions to combat non-technical losses and 11 projects focus on the improvement of quality indicators. Technological partners with different characteristics contributed to the implementation of these projects, including universities, industries and start-ups.

The idea is to value the day-to-day application of R&D solutions that can contribute to improve technologies and processes, culminating in a better service quality.

Environmental Responsibility

Light is committed to the rational and adequate use of natural resources, including the analysis of the Company's vulnerabilities to climate change and the mitigation of impacts, as set forth in its Environmental Policy and in the Commitments to the Environment and Climate.

Best environmental management practices are part of the operations of different areas of Light. Light's Environmental Management System (Sistema de Gestão Ambiental) ("SGA"), based on ISO 14,001, was implemented in 2001 to set forth environmental quality standards for its energy generation and distribution activities. The system meets environmental management standards; prevents impacts and avoids fines, project suspensions, accidents, lawsuits and damage to the Company's image. In addition to the ISO 14,001 certification, Light's hydro power plants also have occupational health and safety OHSAS 18,001 and quality ISO 9,001 certifications, forming an Integrated Management System (Sistema de Gestão Integrado) ("SGI"). Currently, approximately 88% of Light SESA's units are certified in the SGA and all power plants of Light Energia are certified in the SGI.

The Company's activities are continuously assessed through inspections and internal and third-party audits. Training is an essential part of the management and performance of the activities related to significant environmental impacts, risk control or other factors that directly influence product quality.

Social Responsibility

The Company's sustainability is related to the development of its area of influence and, consequently, the State of Rio de Janeiro. By providing energy and solutions for the efficient use of energy, Light is a driver in the development process.

Light promotes programs and projects that encourage sustainable development, improve the quality of life of the population of its concession area and strengthen the Company's relationship in very needy and hard-to-access locations. These projects are conducted through the Energy Efficiency Program (Programa de Eficiência Energética) ("PEE"), regulated by ANEEL, and Instituto Light.

Through PEE, Light directs funds for actions in cities, hospitals, day-care centers and other philanthropic entities. Moreover, the Company conducts actions directed at consumers that create jobs and generate income, including in the commercial and industrial segments of micro, small and medium-sized companies. We also highlight the actions conducted in surrounding communities through the projects Efficient Community (Comunidade Eficiente) and Light Recycle (Light Recicla).

Light's operations continue to be significantly affected by public insecurity in the communities of the city of Rio de Janeiro. In 2019, the work of the Company's professionals was affected due to the lack of access to these territories, which are dominated by drug trafficking, militias and violence.

Light's strategy to reach these customers, ensuring the safety of its team, was the relationship with public schools, health care centers and Social Assistance Reference Centers (Centros de Referência de Assistência Social – CRAS). Through the intensification of dialogue with these agents, Light was able to bring awareness and disseminate information about conscious energy consumption, losses caused by energy theft and the Electric Energy Social tariff (Tarifa Social de Energia Elétrica). Another strategy that had good results consisted of dialogue with the leaders of associations of residents, students and teachers, clinics and NGOs that already operate through social and cultural projects in these communities.

The needs of communities are identified through interviews with residents, formal and informal leaders, teachers, principals of schools and health care professionals who work in these places. The results of this social and economic mapping help Light in the establishment of its operations strategies.

Through all actions in practice, Light has been able to regularly operate in the communities to which it has access, providing emergency services, maintaining the distribution network and recovering energy.

In 2019, the Company invested R$3.2 million in the Efficient Community Project (Projeto Comunidade Eficiente), replacing 674 fridges and 21,773 lamps for more efficient ones, benefitting 1,338 customers by decreasing consumption in their energy bills. Moreover, we conducted educational lectures and events. These actions allowed Light to reach almost 4,000 low income customers in communities in the city of Rio de Janeiro.

Also in 2019, the Company invested R$1.8 million in Light Recycle (Light Recicla), a sustainable project of generation of income that exchanges recyclable waste for bonuses in the energy bill. We highlight the new partnerships we entered into with hotel chains, public and private schools, museums and markets, as well as the commitment of Light's operating and administrative units in sending waste to Light Recicla.

The result of these initiatives is evidenced in numbers: Light credited R$389,000 in discounts in the energy bills of its customers and social institutions recorded in Light Recicla, representing an increase of approximately 44% compared to 2018. In regard to waste generated by Light, 39 tons were sent to recycling, generating a discount of R$11,700 in the energy bills of social institutions recorded.

In addition to the projects mentioned above, the Company counts on the actions of Instituto Light, which ties the Company's profitability to social responsibility. Subjects such as conscious energy consumption, safety related to the energy network and losses caused by energy theft are treated in a creative, differentiated, playful and didactic way. Accordingly, we are able to transmit extremely important contents and concepts and, at the same time, the visiting public establishes a positive experience with the Light brands.

The projects sponsored by Light foster and democratize access to culture, contribute to the economic development of the cities in Light's concession area and help to increase the self-esteem of the State of Rio de Janeiro.

It is worth noting that State Law No. 8,266/2018 represented a significant encouragement to corporate sponsorship, as it fully exempted investments in cultural and sports projects from payment of ICMS tax to the State of Rio de Janeiro. This measure allows Light to study a new strategic sponsorship guideline, providing for better deliveries to society, brand adherence, and low or no financial impact. Accordingly, in 2019, we invested R$37.1 million in incentivized projects, compared to R$7.1 million in 2018. Out of this total, R$552,000 corresponded to Light's own funds, compared to R$1.3 million in 2018.

In this context, we sponsored two large events in 2019:

- Samba Carioca Cultural Heritage of Brazil (Samba Carioca Patrimônio Cultural do Brasil) – 2019 Carnival: funds were used to purchase inputs and hire labor for the carnival parades at Marquês de Sapucaí. This project fostered the Carnival industry, which annually generates revenues in the approximate amount of R$3.07 billion in the city of Rio de Janeiro and employs almost 25,000 people.

- 2019 Light Rio Tree (Árvore do Rio Light 2019): this sponsorship comprised the assembly of a large floating Christmas tree at the Rodrigo de Freitas Lagoon, in the city of Rio de Janeiro, and a cultural and educational schedule of events at the Corte Cantagalo Park, which had more than 21,000 visitors.

Other Information:

Independent Auditors

Pursuant to CVM Instruction No. 381/2003, we inform that Ernst & Young Auditores Independentes ("EY") is currently responsible for the external audit services and quarterly review provided to the Light Group. It is noteworthy that EY provided professional services in connection with the public offering of securities of the Company and audit services in Research & Development and Energy Efficiency Program projects. The management's report may include information related to projected investments and non-financial data that is not part of the audit scope of the financial statements and was not reviewed by the independent auditors.

Social Annual Statement

LIGHT S.A

1 - Calculation Basis	2019 Amount (thousand reais)			2018 Amount (thousand reais)		
Net revenue (NR)	13.389.567			11.970.547		
Operating result (OR)	1.325.701			1.047.569		
Gross payroll (GP)	429.819			403.239		
2 - Internal Social Indicators	**Amount**	**% of GP**	**% Of NR**	**Amount**	**% of GP**	**% Of NR**
Food	31.746	7%	0%	37.075	9%	0%
Mandatory social charges	68.711	16%	1%	86.065	21%	1%
Private pension plan	7.080	2%	0%	8.097	2%	0%
Health	22.728	5%	0%	26.372	7%	0%
Occupational health and safety	1.065	0%	0%	552	0%	0%
Education	1.066	0%	0%	844	0%	0%
Culture	0	0%	0%	0	0%	0%
Professional training and development	2.700	1%	0%	1.853	0%	0%
Daycare or daycare alowance	1.034	0%	0%	1.417	0%	0%
Profit Sharing	36.916	9%	0%	35.468	9%	0%
Others	6.740	2%	0%	7.867	2%	0%
Total Internal Social Indicators	179.786	42%	1%	205.610	51%	2%
3 - External Social Indicators	**Amount**	**% of OR**	**% Of NR**	**Amount**	**% of OR**	**% Of NR**
Education	2.156	0%	0%	4.307	0%	0%
Culture	36.089	3%	0%	6.664	1%	0%
Health and sanitation	0	0%	0%	8	0%	0%
Sports	1.021	0%	0%	950	0%	0%
Hunger combat and food security	0	0%	0%	0	0%	0%
Others	58.577	4%	0%	37.704	4%	0%
Total contributions to society	97.843	7%	1%	49.632	5%	0%
Taxes (excluding social charges)	6.687.274	504%	50%	6.259.817	598%	52%
Total External Social Indicators	6.785.117	512%	51%	6.309.449	602%	53%
4 - Environmental Indicators	**Amount**	**% of OR**	**% Of NR**	**Amount**	**% of OR**	**% Of NR**
Investments related to production / operation of the company	33.214	3%	0%	40.224	4%	0%
Investments in external programs and/or projects	0	0%	0%	0	0%	0%
Total environmental investments	33.214	3%	0%	40.224	4%	0%
As of the establishment of "annual targets" to minimize waste, overall consumption in production /operation and to increase the efficiency in the use of natural resources, one company	( ) does not have targets ( ) meets 51 to 75% ( ) meets 0 to 50% (X) meets 76 to 100%			( ) does not have targets ( ) meets 51 to 75% ( ) meets 0 to 50% (X) meets 76 to 100%		
5 - Employment Indicators						
Number of employees at the end of the year	5.186			4.712		
Number employees hired in the year	918			965		
Number of outsourced employees	7.417			7.861		
Number of interns	55			57		
Number of employees above 45 years old	1.014			970		
Number of women working at the company	1.103			1.057		
% of management positions held by women	22%			21%		
Number of black employees	2.757			2.406		
% of management positions held by black employees	21%			21%		
Number of disabled employees or employees whit special needs	186			199		
6 - Material information on corporate citizenship	**2019**			**2020 Targets**		
Relation between the highest and the lowest remuneration paid by	49,25			ND		
Total number of occupational accidents	58			0		
Social and environmental projects developed by the company set forth by:	( ) officers	(X) officers and managers	( ) all employees	( ) officers	(X) officers and managers	( ) all employees
The safety and health standards in the work environment were defined	( ) officers and managers	( ) all employees	(X) all + Cipa	( ) officers and managers	( )all employees	(X) all + Cipa
Whit regards to freedom of association, the right to collective negotiation and internal representation of workers, the company:	( ) is not involved	(X) follows ILO standards	( ) promotes and follows ILO	( )will not be involved	(X) will follow ILO standards	( ) will promete and follow ILO
Private pension plan includes:	( ) officers	( ) officers and managers	(X) all employees	( ) officers	( ) officers and managers	(X) all employees
Profit sharing includes:	( ) officers	( ) officers and managers	(X) all employees	( ) officers	( ) officers and managers	(X) all employees
When selecting suppliers, the same ethical standards, social and environmental responsibility that are adopted by the company:	( ) are not take into account	( ) are suggested	(X) are required	( ) will not be taken into	( ) will be suggested	(X) will be required
As for the participation of employees in voluntary work programs, the company	( ) is not involved	( ) supports it	(x) organizes and encourages	( ) will not be involved	( ) will support it	(X)will organize and encourage it
Total Number of complaints and criticisms from consumers:	At the Company 260.761	At Procon 755	At Court 101.984	At the company: 10% reduction	At Procon 10% reduction	At court 10% reduction
% of complaints and criticisms respondes or solved:	At the Company 96,54%	At Procon 100%	At Court 54,7%	At the company: 100%	At Procon 100%	At court 100%
Total value added to be distributed (in R$ thousand)	In 2019: 11.480.791			In 2018: 10.232.687		
Distribution of Added Value (DVA):	74,12% government 3,69% employees 2,75% shareholders 10,63% third parties 8,81% retained			81,29% government 3,86% employees 0,00% shareholders 13,24% third parties 1,62% retained		
7 - Other Information						
* Operating result does not include the equity income results						

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

LIGHT S.A.
STATEMENTS OF FINANCIAL POSITION
ON DECEMBER 31, 2019 AND 2018
(In thousands of reais)

ASSETS	Notes	Parent Company		Consolidated	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Cash and cash equivalents	5	71,531	73,026	996,338	707,042
Marketable securities	6	8,716	2	681,690	976,798
Consumers, concessionaires, permissionaires, and clients	7	-	-	2,536,599	2,855,348
Inventories		-	-	60,009	38,046
Taxes and contributions to be recovered	9	-	39	80,904	75,089
Recoverable income tax and social contribution	9	556	861	135,124	29,786
Financial assets of the sector	12	-	-	549,547	564,186
Prepaid expenses		141	70	23,125	29,707
Dividends receivable	15	274,421	18,717	-	-
Services rendered receivable		30	259	31,349	90,439
Derivative financial instruments - swap	38	-	-	-	14,935
Other receivables	11	2,272	18,676	259,541	253,994
TOTAL CURRENT ASSETS		357,667	111,650	5,354,226	5,635,370
Consumers, concessionaires, permissionaires, and clients	7	-	-	1,113,040	1,013,206
Taxes and contributions to be recovered	9	-	-	6,257,037	52,404
Deferred taxes	10	-	-	35,931	404,867
Prepaid expenses		-	-	125	125
Derivative financial instruments - swap	38	-	-	372,854	424,424
Deposits related to litigation	22	654	601	272,853	294,906
Other receivables	11	-	-	-	84,260
Financial assets of the sector	12	-	-	112,520	148,469
Concession's Financial Assets	13	-	-	4,748,294	4,271,861
Contract Asset	14	-	-	496,953	330,240
Investments	15	6,191,540	3,324,434	579,344	546,622
Property, plant, and equipment	16	-	-	1,586,955	1,560,481
Intangible assets	17	-	-	2,836,915	3,096,468
Right-of-use assets	25	-	-	76,721	-
TOTAL NON-CURRENT ASSETS		6,192,194	3,325,035	18,489,542	12,228,333
TOTAL ASSETS		6,549,861	3,436,685	23,843,768	17,863,703

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

LIGHT S.A.
STATEMENTS OF FINANCIAL POSITION
ON DECEMBER 31, 2019 AND 2018
(In thousands of reais)

		Parent Company		Consolidated	
LIABILITIES	Notes	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Trade accounts payable	18	1,017	3,840	2,546,345	2,119,660
Taxes and contributions payable	19	18	2,070	172,339	338,911
Income tax and social contribution payable	19	3	56	38,108	13,937
Loans and financing	20	-	-	551,497	1,041,084
Debentures	21	-	-	835,821	954,952
Financial liabilities of the sector	12	-	-	-	2,619
Dividends payable	29	315,353	39,373	315,353	39,373
Labor liabilities		1,547	1,379	86,426	76,606
Liabilities due to lease	25	-	-	31,546	-
Other payables	26	527	475	600,121	691,267
TOTAL CURRENT LIABILITIES		318,465	47,193	5,177,556	5,278,409
Loans and financing	20	-	-	3,755,728	4,581,886
Debentures	21	-	-	3,623,494	3,450,539
Derivative financial instruments - swap	38	-	-	34,575	111,664
Taxes and contributions payable	19	-	-	348,485	304,553
Deferred taxes	10	-	-	400,484	208,488
Unsecured equity interests	15	-	-	21,835	-
Provisions for tax, civil, labor and regulatory contingencies	22	852	-	543,200	476,244
Liabilities due to lease	25	-	-	47,810	-
Figures to be refunded to consumers	8	-	-	3,605,664	-
Other payables	26	-	-	54,393	62,428
TOTAL NON-CURRENT LIABILITIES		852	-	12,435,668	9,195,802
SHAREHOLDERS' EQUITY					
Capital stock	28	4,051,285	2,225,822	4,051,285	2,225,822
Capital Reserve		3,179	-	3,179	-
Profit reserves		1,957,524	929,056	1,957,524	929,056
Equity valuation adjustments		320,049	336,107	320,049	336,107
Other comprehensive income		(101,493)	(101,493)	(101,493)	(101,493)
TOTAL SHAREHOLDERS' EQUITY		6,230,544	3,389,492	6,230,544	3,389,492
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,549,861	3,436,685	23,843,768	17,863,703

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

LIGHT S.A.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of reais, except earnings per share)

	Notes	Parent Company		Consolidated	
		2019	2018	2019	2018
NET REVENUE	32	-	-	13,389,567	11,970,547
COST OF OPERATIONS	34	-	-	(10,043,183)	(9,748,171)
Electric power purchased for resale	35	-	-	(8,211,044)	(7,972,390)
Personnel and management		-	-	(298,958)	(264,134)
Material		-	-	(20,787)	(40,648)
Outsourced services		-	-	(334,290)	(361,981)
Depreciation and amortization		-	-	(562,188)	(523,697)
Cost of construction		-	-	(726,368)	(661,036)
Other revenues, net		-	-	110,452	75,715
GROSS PROFIT		-	-	3,346,384	2,222,376
OPERATING EXPENSES		(31,899)	(54,571)	(2,020,683)	(1,174,807)
General and administrative expenses	34	(31,102)	(12,478)	(1,971,896)	(1,083,698)
Other revenues		659	-	24,687	26,023
Other expenses		(1,456)	(42,093)	(73,474)	(117,132)
EQUITY IN THE EARNINGS (LOSSES) OF SUBSIDIARIES	15	1,357,817	219,994	(38,367)	(85,407)
EARNINGS (LOSSES) BEFORE THE FINANCIAL RESULT AND TAXES		1,325,918	165,423	1,287,334	962,162
FINANCIAL RESULT	36	1,885	359	701,614	(650,772)
Revenues		2,835	1,468	1,901,399	643,274
Expenses		(950)	(1,109)	(1,199,785)	(1,294,046)
PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		1,327,803	165,782	1,988,948	311,390
Current income tax and social contribution	37	-	-	(96,193)	(81,501)
Deferred income tax and social contribution	37	-	-	(564,952)	(64,107)
PROFIT FOR THE YEAR		1,327,803	165,782	1,327,803	165,782
Attributed to the controlling shareholders		1,327,803	165,782	1,327,803	165,782
BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE (R$ / Share)	28	5.41	0.81	5.41	0.81

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

LIGHT S.A.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of reais)

		Parent Company		Consolidated	
	Note	2019	2018	2019	2018
Profit for the year	28	1,327,803	165,782	1,327,803	165,782
TOTAL COMPREHENSIVE INCOME		1,327,803	165,782	1,327,803	165,782
Attributed to the controlling shareholders		1,327,803	165,782	1,327,803	165,782

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

LIGHT S.A.

STATEMENTS OF CHANGES IN EQUITY - PARENT COMPANY AND CONSOLIDATED

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of reais)

				PROFIT RESERVES					
	Note	CAPITAL STOCK	CAPITAL RESERVE	LEGAL RESERVE	RETAINED EARNINGS	EQUITY VALUATION ADJUSTMENT	OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL
BALANCES ON JANUARY 1, 2018		2,225,822	-	267,847	687,626	352,671	(101,493)	-	3,432,473
Initial application of IFRS 9 (CPC 48), net of taxes		-	-	-	(169,341)	-	-	-	(169,341)
Total comprehensive income:									
Profit for the year		-	-	-	-	-	-	165,782	165,782
Realization of equity valuation adjustment, net of taxes		-	-	-	-	(16,564)	-	16,515	(49)
Allocation of profit for the year:									
Recognition of legal reserve		-	-	8,289	-	-	-	(8,289)	-
Minimum mandatory dividends - 25% (R$0.1931 / share)		-	-	-	-	-	-	(39,373)	(39,373)
Recognition of earnings retention reserve		-	-	-	134,635	-	-	(134,635)	-
BALANCES ON DECEMBER 31, 2018		2,225,822	-	276,136	652,920	336,107	(101,493)	-	3,389,492
Capital increase	28	1,875,000	-	-	-	-	-	-	1,875,000
(-) Share-issue costs	28	(49,537)	-	-	-	-	-	-	(49,537)
Stock options granted	31	-	3,179	-	-	-	-	-	3,179
Total comprehensive income:									
Profit for the year	28	-	-	-	-	-	-	1,327,803	1,327,803
Realization of equity valuation adjustment, net of taxes		-	-	-	-	(16,058)	-	16,018	(40)
Allocation of profit for the year:									
Recognition of legal reserve	29	-	-	66,390	-	-	-	(66,390)	-
Minimum mandatory dividends - 25% (R$1.0599 / share)	29	-	-	-	-	-	-	(315,353)	(315,353)
Recognition of earnings retention reserve	29	-	-	-	962,078	-	-	(962,078)	-
BALANCES ON DECEMBER 31, 2019		4,051,285	3,179	342,526	1,614,998	320,049	(101,493)	-	6,230,544

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

LIGHT S.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of reais)

	Notes	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Net cash generated by operating activities		186,975	82,110	451,545	41,487
Cash generated by (used in) operations		(23,351)	(40,845)	1,893,965	1,652,320
Profit before income tax and social contribution		1,327,803	165,782	1,988,948	311,390
Allowance for expected doubtful accounts	34	-	-	1,127,169	434,800
Depreciation and amortization	34	-	-	587,187	544,943
Loss from the sale or write-off of intangible asset /property, plant and equipment /investment and lease		2,632	-	63,904	11,241
Exchange and inflation adjustment losses from financial activities	36	-	-	176,795	430,918
Provision for and restatement of tax, civil, labor, and regulatory contingencies, and write-offs and restatements of deposits related to litigation		852	-	408,045	234,502
Adjustment to present value and factoring		-	-	(829)	(18,317)
Interest expense on loans, financing and debentures, and amortization of costs	20/21	-	-	691,579	685,136
Charges and inflation adjustment of post-employment obligations	24	-	-	-	2,065
Interest on lease liabilities	25	-	-	7,620	-
Swap variation	38	-	-	(205,559)	(352,951)
Equity in the earnings (losses) of subsidiaries	15	(1,357,817)	(219,994)	38,367	85,407
Effect of PIS and COFINS Credits on ICMS		-	-	(2,479,456)	-
Stock options granted		3,179	-	3,179	-
Gain on investments measured at cost		-	-	(108)	(10,910)
Profit for sale of interest		-	13,367	-	13,367
Remuneration of concession's financial assets	13	-	-	(153,267)	(146,935)
Recognition and restatement of financial assets and liabilities of the sector	12	-	-	(359,609)	- (572,336)
Changes in assets and liabilities		210,326	122,955	(1,442,420)	(1,610,833)
Marketable securities		(709)	4	(134,710)	(44,210)
Consumers, concessionaires, and permissionaires		-	-	(592,937)	(834,794)
Dividends received	15	214,491	109,878	3,113	1,852
Taxes, fees and contributions to recover		344	(24)	(116,640)	70,970
Financial assets and liabilities of the sector		-	-	407,578	(36,218)
Inventories		-	-	(703)	(1,354)
Services rendered receivable		229	(125)	22,256	(7,368)
Prepaid expenses		(71)	(70)	6,582	(1,628)
Deposits related to litigation		(53)	(189)	(13,929)	(38,409)
Other assets		803	9,207	57,524	(206,560)
Trade accounts payable		(2,823)	2,663	413,540	105,228
Labor liabilities		168	(167)	9,820	10,169
Taxes, fees, and contributions payable		(2,105)	2,034	(211,904)	176,907
Payment of provisions for tax, civil, labor and regulatory contingencies		-	-	(305,107)	(191,066)
Post-employment benefits		-	-	-	(97)
Other liabilities		52	(256)	(176,270)	154,152
Interest paid	20/21	-	-	(709,829)	(641,148)
Income tax and social contributions paid		-	-	(100,804)	(127,259)
Net cash generated by (used in) investing activities		(1,974,560)	13,464	(460,048)	(1,667,121)
Receivables for sale of interest		14,171	43,377	14,171	43,377
Acquisition of property, plant, and equipment		-	-	(92,414)	(87,717)
Acquisition of intangible and contractual assets		-	-	(757,510)	(670,934)
Capital increase	15	(1,980,726)	(29,913)	(54,113)	(91,607)
Redemption of financial investments		26,902	-	2,767,701	896,762
Financial investments		(34,907)	-	(2,337,883)	(1,757,002)
Net cash generated by (used in) financing activities		1,786,090	(29,503)	297,799	2,062,748
Received from the issue of shares	28	1,825,463	-	1,825,463	-
Payment of lease liabilities	25	-	-	(37,625)	-
Dividends paid		(39,373)	(29,503)	(39,373)	(29,503)
Loans, financing, and debentures	20/21	-	-	2,200,707	4,911,329
Amortization of loans, financing, and debentures	20/21	-	-	(3,651,373)	(2,764,579)
Amortization of pension plan contractual debt	24	-	-	-	(54,499)
Increase (decrease) in cash and cash equivalents		(1,495)	66,071	289,296	437,114
Cash and cash equivalents at the beginning of the year		73,026	6,955	707,042	269,928
Cash and cash equivalents at the end of the year		71,531	73,026	996,338	707,042

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

LIGHT S.A.

STATEMENTS OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of reais)

	Notes	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Revenues		-	-	20,006,677	19,661,740
Sale of goods, products, and services		-	-	19,254,052	19,375,666
Recovery of PIS and COFINS Credits on ICMS	08	-	-	1,086,462	-
Revenue related to the construction of own assets		-	-	793,332	720,874
Allowance for expected doubtful accounts	34	-	-	(1,127,169)	(434,800)
Inputs acquired from third parties		(21,455)	(45,617)	(9,801,731)	(9,441,977)
Cost of products, goods, and services sold	34	-	-	(8,211,044)	(7,972,390)
Materials, energy, outsourced services, and others		(21,455)	(45,617)	(1,590,687)	(1,469,587)
Gross value added		(21,455)	(45,617)	10,204,946	10,219,763
Retentions		-	-	(587,187)	(544,943)
Depreciation and amortization	34	-	-	(587,187)	(544,943)
Net value added produced		(21,455)	(45,617)	9,617,759	9,674,820
Value-added received through transfer		1,360,652	221,462	1,863,032	557,867
Equity in the earnings (losses) of subsidiaries	15	1,357,817	219,994	(38,367)	(85,407)
Financial revenues	36	2,835	1,468	1,901,399	643,274
Total value added to distribute		1,339,197	175,845	11,480,791	10,232,687
Distribution of value-added		1,339,197	175,845	11,480,791	10,232,687
Personnel		9,452	7,657	423,188	394,623
Direct compensation		7,902	5,928	291,533	283,341
Benefits		357	385	95,703	80,678
Government Severance Fund for Employees (FGTS)		151	281	31,130	26,541
Other		1,042	1,063	4,822	4,063
Taxes, fees, and contributions		781	901	8,509,165	8,317,934
Federal		780	896	4,081,377	3,930,214
State		-	-	4,415,775	4,371,907
Municipal		1	5	12,013	15,813
Value distributed to providers of capital		1,161	1,505	1,120,635	1,354,348
Interest		797	951	1,147,447	1,294,461
Rental		364	554	73,188	59,887
Value distributed to shareholders		1,327,803	165,782	1,327,803	165,782
Dividends		315,353	39,373	315,353	39,373
Retained Earnings		1,012,450	126,409	1,012,450	126,409

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

LIGHT S.A.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2019, and 2018
(In thousands of reais – R$, unless stated otherwise)

1. OPERATIONS

Light S.A. ("Light" or "Company") is a publicly held company headquartered in the City of Rio de Janeiro/RJ - Brazil. The corporate purpose of Light is to hold equity interests in other companies, as partner or shareholder, and the direct or indirect exploration, as applicable, of electric power services, including electric power generation, transmission, sale and distribution systems, as well as other related services.

Light Group ("Light Group" or "Group") comprises Light's subsidiaries, jointly-controlled subsidiaries, and associates, described in Note 02.

The Company is listed in the New Market (Novo Mercado) segment of Brazil, Stock Exchange, and Over-the-Counter Market (B3), under the ticker LIGT3, and in the U.S. over-the-counter (OTC) market, under the ticker LGSXY.

2. GROUP'S ENTITIES

2.1 Direct Subsidiaries

Light Serviços de Eletricidade S.A. (Light SESA – 100%) – a publicly-held corporation, headquartered in the city and state of Rio de Janeiro, engaged in the distribution of electric power, with a concession area comprising 31 cities in the state of Rio de Janeiro, including its capital.

Light Energia S.A. (Light Energia – 100%) – a publicly-held corporation, headquartered in the city and state of Rio de Janeiro, whose main activities are to (a) study, plan, construct, operate and explore systems of electric power generation, transmission, sales, and related services that have been legally granted or that may be granted or authorized to it or to companies in which it holds or may come to hold a controlling interest; (b) to hold interests in other companies as a partner, shareholder or quota holder. It comprises the Pereira Passos, Nilo Peçanha, Ilha dos Pombos, Santa Branca, and Fontes Novas plants, with a total installed capacity of 855 MW. Light Energia holds an interest in the following subsidiaries and jointly controlled entities:

- Lajes Energia S.A. ("Lajes Energia" – 100%) – a privately-held corporation headquartered in the city of Piraí, in the state of Rio de Janeiro, engaged in the analysis of the technical and economic feasibility, project design, implementation, operation, maintenance and commercial exploration of PCH Lajes, with a nominal capacity of 17 MW. On July 8, 2014, the Authorizing Resolution 4734/14 was published, transferring the concession of PCH Lajes from Light Energia to Lajes Energia. The construction works of PCH Lajes began in September 2014, and commercial start-up was on July 21, 2018.

- Renova Energia S.A. ("Renova Energia" – 17.2%, Jointly controlled entity until October 15, 2019) - a corporation whose main activity is the generation of electric power through renewable alternative sources, such as small hydroelectric power plants (PCHs), and wind and solar power plants.

  On October 13, 2019, the subsidiary Light Energia entered into a purchase and sale agreement and other covenants with CG I Fundo de Investimento em Participações Multiestratégia ("CG"), through which it sold all its shares held in the capital of Renova Energia S.A. The transaction was concluded on October 15, 2019, as described in Note 15.

- Guanhães Energia S.A. ("Guanhães Energia" - 51%, jointly-controlled entity) – a privately-held corporation, headquartered in the city of Ipatinga – MG, was created with the purpose of implementing and exploring four small hydroelectric power plants (PCHs) in the state of Minas Gerais, with a total installed capacity of 44 MW. The company is a jointly controlled entity of Light Energia (51%) and Cemig Geração e Transmissão S.A. – Cemig GT (49%). On August 21, 2015, the PCHs won the Auction A-3, which sold power for a 30-year term for R$205.50/MWh, as of January 2018. SHPs Senhora do Porto, Dores de Guanhães, Fortuna II, and Jacaré have been fully operational since July 2018, November 2018, May 2019, and July 2019, respectively.

- Central Eólica São Judas Tadeu Ltda. ("São Judas Tadeu" – 100%) - a company at the pre-operational stage whose main activity is the generation and sale of electricity through a wind power plant located in the state of Ceará, with 18 MW nominal power. On December 31, 2016, Management provisioned 100% of this investment because it did not expect future recoverability, considering the Company's new strategic planning.

- Central Eólica Fontainha Ltda. ("Fontainha" – 100%) – a company at the pre-operational stage whose main activity is the generation and sale of electricity through a wind power plant located in the state of Ceará, with 16 MW nominal power. On December 31, 2016, Management provisioned 100% of this investment because it did not expect future recoverability, considering the Company's new strategic planning.

Light Conecta Ltda. ("Light Conecta" - 100%) - a privately held corporation headquartered in the city and state of Rio de Janeiro, whose activities are: design, construction, installation, operation and exploration of electric power generation plants, in addition to the purchase, sale, import, export of electric power, thermal power, gas, and industrial utilities, provision of advisory services in the energy sector, rental of real and personal property, as well as the acquisition and sale of goods related to the study, design, implementation, operation, and maintenance of construction works and facilities of any nature. Light Conecta holds an interest in the following jointly owned entity:

- Usina Hidrelétrica Itaocara S.A. ("Hidrelétrica Itaocara" – 51%, jointly controlled entity) – a privately held corporation at the pre-operational stage, headquartered in the city of Rio de Janeiro – RJ. Jointly controlled entity by Light Conecta (51%) and Cemig GT (49%), the Company was created to build the Itaocara Hydroelectric Power Plant, and its purpose is the concession to use public assets to explore the Itaocara I Hydroelectric Power Plant, pursuant to the Concession Agreement 01/2015 entered into with the Brazilian Federal Government.

- Consórcio UHE Itaocara - incorporated for the exploration of the Itaocara Hydroelectric Power Plant, jointly controlled by Light Conecta (51%) and by Cemig GT (49%). On April 30, 2015, the UHE Itaocara Consortium won the Auction A-5 conducted by the Brazilian Electricity Regulatory Agency (ANEEL) for the concession of Itaocara I Hydroelectric Power Plant. The project will be constructed at Paraíba do Sul River and will have an installed capacity of 150 MW.

Lightcom Comercializadora de Energia S.A. ("Lightcom" – 100%) – a privately-held corporation, headquartered in the city and state of São Paulo, engaged in the purchase, sale, import, export, and provision of advisory services in the energy sector.

Light Soluções em Eletricidade Ltda. ("Light Soluções" - 100%) – a limited liability company whose main activity is to provide services to low voltage clients, including the assembly, remodeling, and maintenance of facilities in general.

Instituto Light para o Desenvolvimento Urbano e Social ("Instituto Light" - 100%) - a non-profit private company, engaged in participating in social and cultural projects, focused on the cities' social and economic development, affirming the Company's ability to be socially responsible.

2.2 Jointly-controlled entities

Lightger S.A. ("Lightger") – a privately-held corporation whose purpose is to participate in auctions for concessions, authorizations, and permissions for new electric power plants. Lightger constructed and operates PCH Paracambi. Jointly-controlled by Light S.A. (51%) and by Cemig GT (49%), Lightger has an installed capacity of 25.7 MW and assured energy of 19.5 MW

Axxiom Soluções Tecnológicas S.A. ("Axxiom") – a privately held corporation, headquartered in the city of Belo Horizonte, State of Minas Gerais, whose purpose is to offer technology solutions and systems for the operational management of public utility concessionaires, including electric power, gas, water, and sewage companies. Jointly-controlled by Light S.A. (51%) and by Companhia Energética de Minas Gerais - CEMIG (49%).

Energia Olímpica S.A. ("Energia Olímpica") – a privately held corporation, headquartered in the city and state of Rio de Janeiro, whose main activity is to implement the Vila Olímpica substation and two 138 kV underground lines which are connected to the substation. Jointly-controlled by Light S.A. (50.1%) and by Furnas Centrais Elétricas S.A. - Furnas (49.9%). In December 2019, Energia Olímpica was settled.

Amazônia Energia Participações S.A. ("Amazônia Energia") – a privately held corporation whose purpose is to hold interest and manage the share capital of Norte Energia S.A. ("NESA"), which holds the concession for the use of public assets to explore the Belo Monte Hydroelectric Power plant, on Xingu River, in the state of Pará. Jointly-controlled by Light S.A. (25.5%) and by Cemig GT (74.5%), Amazônia Energia holds a 9.8% interest in NESA. On August 26, 2010, NESA signed the Concession Agreement No. 001/10 with the federal government through the Ministry of Mines and Energy (MME) to explore electric power generation services, with a 35-year term as of the referred agreement's date of signature. Still, according to the referred agreement, 70% of the power plant's assured energy will be destined to the regulated market, 10% to self-producers, and 20% to the free market (ACL). On November 2019, UHE Belo Monte was completed and is ready for the full operational startup, with its six generating units at Sítio Pimental and eighteen generating units at Sítio Belo Monte.

2.2.1 Light Group's concessions and authorizations

The chart below summarizes the Light Group's concessions and authorizations effective on December 31, 2019:

Concessions/ Authorizations	Authorization/concession agreement	Date of Maturity date
Light SESA (concession)	June, 1996	June, 2026
Light Energia (concession)	June, 1996	June, 2026
PCH Lajes - Lajes Energia (authorization)	July, 2014	May, 2026

As the subsidiary Light SESA is an electric power distribution concessionaire and doesn't control underlying assets, it applies IFRIC 12/ICPC 01. It uses the bifurcated model because segment companies are compensated by (i) the granting authority, referring to the residual value of the infrastructure at the end of the concession (concession's financial asset); and (ii) users, through the supply of electric power and their part in construction services (intangible assets).

IFRIC 12/ICPC 01 is not applied to the subsidiaries Light Energia and Lajes Energia, given that their tariffs are not defined by the Granting Authority, as required by the rule.

3. BASIS OF PREPARATION

3.1 Compliance statement

The Company's parent company and consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the rules of the Brazilian Securities and Exchange Commission (CVM) and the pronouncements of the Accounting Pronouncements Committee (CPC) and in compliance with the international accounting standards issued by IASB (IFRS).

The Company also considered the guidelines issued by the Technical Guidance OCPC 07 in November 2014 in the preparation of its financial statements. Therefore, all relevant information from the financial statements is being highlighted, and it corresponds to the information used by Management.

On March 12, 2020, the Company's Management authorized the issue of these financial statements for the year ended December 31, 2019.

3.2 Measurement basis

The Company's parent company and consolidated financial statements have been prepared based on historical cost, except for certain financial instruments measured at fair value through profit or loss, when required by the rules. Measurement of fair values and classification into categories 1, 2, or 3 (depending on the level of compliance to the variables used) is detailed in Note 38.

3.3 Functional and presentation currency

The parent company and consolidated financial statements are presented in Brazilian Real, which is the functional currency of the Company. All financial information presented in Real was rounded up thousands, except when indicated otherwise.

3.4 Light Group Consolidation

The consolidated financial statements were prepared based on the practices established in CPC 36 (R3) - Consolidated Financial Statements and include the financial statements of the Company and entities directly or indirectly controlled by it through its subsidiaries. Control is obtained when the Company has: (i) power over the investee; (ii) exposure to, or rights over, variable returns resulting from its involvement with the investee; and (iii) capacity to use this power to affect its returns.

There is generally a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than the majority of the voting rights of an investee, the Group considers all relevant facts and circumstances when evaluating whether it has power over to an investee, including:

- The contractual agreement between the investor and other holders of voting rights;
- Rights from other contractual agreements; and
- The voting rights and potential voting rights of the Group (investor).

If facts and circumstances indicates of changes in one or more of the three control elements listed above, the Company evaluates whether or not it exercises control over an investee. The consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ends when the Group ceases to exercise control. All assets and liabilities, results, income, expenses and cash flows of the same group, between related party relationships and transactions, are totally eliminated in the consolidation.

If the Company loses control over a subsidiary, the corresponding assets (including goodwill), liabilities, non-controlling interest, and other equity components are written-off, their book value on the date the control is lost, while any resulting gain or loss is accounted for in the income statement. Any investment retained is recognized at fair value.

In the parent company financial statements, the Group’s investments in its subsidiaries are accounted for using the equity method.

The consolidated financial statements include the financial statements of the parent company and its subsidiaries. They are fully consolidated as follows:

Subsidiaries	Activity	December 31, 2019		December 31, 2018	
		Direct interest (%)	Indirect interest (%)	Direct interest (%)	Indirect interest (%)
Light SESA	Distribution	100.0	-	100.0	-
Light Energia	Hydropower generation	100.0	-	100.0	-
Fontainha	Wind power generation	-	100.0	-	100.0
São Judas Tadeu	Wind power generation	-	100.0	-	100.0
Lajes	Hydropower generation	-	100.0	-	100.0
Lightcom	Trading	100.0	-	100.0	-
Light Soluções	Services	100.0	-	100.0	-
Instituto Light	Other	100.0	-	100.0	-
Light Conecta	Services	100.0	-	100.0	-

3.5 Use of judgments and estimates

The preparation of the parent company and consolidated financial statements requires Management to make judgments, estimates, and assumptions that affect the application of accounting practices and the reported amounts of assets, liabilities, revenues, and expenses. These estimates and assumptions are continuously reviewed, and actual results may differ from those estimates. Adjustments arising from these revisions are recorded in the year that the estimates are reviewed and applied in a prospective manner.

The main estimates that represent a significant risk of material adjustments to the financial statements, in the coming years, refer to the record of the effects arising from: (i) allowance for expected doubtful accounts (Note 7); (ii) schedule for realization of PIS and COFINS credits on ICMS and Securities to be refunded to consumers (Note 8); (iii) recovery of deferred income tax and social contribution on tax losses, negative bases and temporary differences (Note 10); (iv) financial assets and liabilities of the sector (Note 12); (v) concession's financial assets (Note 13); (vi) provisions for tax, civil, labor and regulatory contingencies (Note 22); (vii) provisions for contingencies (Note 23); (viii) post-employment benefit plans (Note 24); (ix) share-based transactions (Note 31); (x) unbilled sales (Note 33); (xi) provision for the purchase of electricity (Note 35); and (xii) measurement at a fair value of financial instruments (Note 38).

4. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted by the Company and its subsidiaries are as follows:

4.1 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group classifies its financial assets and liabilities pursuant to the following categories:

Fair value through profit or loss

This category includes the concession's financial assets related to the distribution infrastructure. These are measured at the new replacement value (“VNR”), equivalent to the fair value on the financial statements. The subsidiary Light SESA recognizes a financial asset resulting from a concession agreement when they have an unconditional contractual right to receive cash or other financial assets from the granting authority, or when directed by the granting authority due to construction works or improvement services rendered.

This category also includes cash equivalents, certain marketable securities, and derivative financial instruments.

Derivative financial instruments (swap operations) are instruments held to regulate the exposure to foreign currency change, initially recognized at their fair value. The attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, derivatives are measured at fair value, and changes in the fair value are recorded in the income statement.

Amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses on financial assets are recognized in the income statement when the asset is written off, modified or reduced to recoverable value.

After initial recognition, loans and financing contracted and granted subject to interest are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses on financial liabilities are recognized in the income statement when the liabilities are written off, as well as through the effective interest rate amortization process.

This category includes the cash available, amounts receivable from consumers, concessionaires, permissionaires and clients, services to receive, deposits linked to litigation, financial assets of the sector, receivables from related parties, other credits, suppliers, loans, financing and debentures, financial assets and liabilities of the sector, leasing obligations and other debts.

Derecognition of Financial Assets and Liabilities

A financial asset (or, when applicable, a portion of a financial asset or group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset expire; and

- The Group transfers its rights to receive cash flows from the asset or assumes a liability to fully pay the cash flows received by a third-party without significant delays, pursuant to a transfer agreement, thereby substantially transferring all risks and benefits of the asset, or neither substantially transferring nor retaining all risks and benefits, but transferring the control of the asset.

A financial liability is written-off when the underlying obligation ceases to exist, i.e., when the obligation specified in the contract is settled, canceled, or expires. When an existing financial liability is replaced by another from the same lender under terms substantially different, or the terms of an existing liability are substantially modified, this change or modification is treated as the derecognition of the original liability and recognition of a new liability. The difference in the related book values is recognized in the statement of income.

4.2 Derivative Financial Instruments

Derivative financial instruments are initially recognized at their fair value on the date a derivative contract is signed and are subsequently re-measured to their fair value. The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument if it adopts hedge accounting. If this is the case, the method depends on the nature of the item being hedged. The Group does not adopt hedge accounting and designates its derivatives as:

Fair Value Hedge

Variations in fair value of derivatives designated and qualified as fair value hedges are recorded in the income statement, including changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For fair value hedges related to items measured at amortized cost, any adjustment to the book value is amortized through profit or loss over the remaining term of the hedge, using the effective interest rate method. Amortization of the effective interest rate can be initiated as soon as an adjustment exists and at the latest when the hedged item is no longer adjusted for changes in the fair value attributable to the hedged risk.

If the hedged item is unrecognized, the unamortized fair value is immediately recorded in the results.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with recognition of the corresponding profit or loss recorded in the results.

4.3 Cash and Cash Equivalents

Includes cash balances, cash bank deposits, and short-term investments that are held for the purpose of meeting short-term cash commitments and not for investment or other purposes. The Group considers as cash any financial investments with immediate liquidity and those with a maturity of up to three months from the date it was initially deposited, being both with an irrelevant risk of changes in value.

4.4 Concession's Financial Assets

The subsidiary Light SESA recognizes a financial asset deriving from concession agreements when it has an unconditional right to receive cash or another financial asset from the granting authority or a party designated by it at the end of the concession, pursuant to the agreement, as an indemnification for the construction services performed and not received through the provision of services related to the concession. Such financial assets correspond to the portion of investments made in the public service infrastructure that will not be fully amortized until the end of the concession and are valued based on the VNR, equivalent to the fair value, plus monetary correction by the Broad Consumer Price Index ("IPCA") and having as reference the values approved by ANEEL of the asset remuneration base in the tariff review processes.

4.5 Financial assets and liabilities of the sector

Refer to assets and liabilities arising from temporary differences between approved costs (Portion A and other financial components), which are included in the tariff at the beginning of the tariff period, and those effectively incurred during the period when the tariff is in effect. This difference is an asset whenever the approved costs included in the tariff are lower than the costs effectively incurred, or a liability whenever the costs approved and included in the tariff are higher than the costs effectively incurred.

These amounts will be effectively settled in the next tariff adjustment period or, if the concession expires, with existing recorded balances that have not yet been recovered, being included in the indemnification base when, for any reason, the concession expires.

4.6 Consumers, Concessionaires, Permissionaires, and Clients

They include receivables billed and unbilled electric power supply, default charges, interest on late payment and electricity traded with other concessionaires for electricity supply, according to the amounts available in the Electric Energy Commercialization Chamber (CCEE).

The Group uses a provision matrix to calculate the expected credit loss for receivables. The provision matrix is based on the real experience of credit loss, considering the average history of non-collection over the total billed each month, based on the last three years, and segregated by consumption class. The Group reviews the matrix prospectively to adjust it according to the historical experience of credit loss. The Group adopted a simplified approach and calculated loss rates per consumer class. In addition, for the public sector, public lighting, and public service, were considered changes in credit risk based on a judgment criterion that reflects the expected losses for these clients.

4.7 Inventories

Inventories are recorded at an average acquisition cost. When applicable, the balance will be deducted from provisions for losses. Inventory materials are classified in current assets (maintenance and administrative storeroom).

4.8 Investments

The Company holds investments in fully and jointly controlled companies. Control is obtained when the Company has the power to control the financial and operating policies of an entity to receive benefits from its activities. These investments are through the equity method in the individual and consolidated financial statements and are initially recognized at acquisition cost, which is measured by the sum of the consideration transferred, which is evaluated based on the fair value on the acquisition date.

The Company's investments include the surplus-value identified in the acquisition of interest, net of any accumulated impairment losses.

4.9 Contract Asset

The Group classifies as contractual assets related to the concession infrastructure still under construction and registered under the scope of ICPC 01 (R1) - Concession Contracts. These assets are initially recorded as contract assets, considering the Company's right to charge for services provided to consumers or to receive compensation at the end of the concession for assets not yet amortized. Thus, in accordance with CPC 47 (IFRS 15), new assets are initially recorded as contract assets, measured at acquisition cost, including capitalized borrowing costs. After the operational startup of assets, the performance obligation linked to construction is evidenced, and the assets are then split between financial and intangible assets.

4.10 Property, plant, and equipment

Property, plant, and equipment are stated at acquisition, formation, or construction cost, including attributed cost, capitalized financial charges and deducted from accumulated depreciation and impairment losses if any have occurred.

Depreciation is calculated by the straight-line method against the income statement based on each component's estimated economic useful life. For property, plant and equipment items without indemnity guarantee, such as the assets from Lajes Energia, the items are depreciated under the straight-line method up to the authorization or concession limit or depreciated by the asset's useful life, whichever is the shorter. The main depreciation rates are described in Note 16.

Any adjustments to the depreciation methods, useful lives, or residual values are recognized and adjusted prospectively.

4.11 Intangible assets

For intangible assets of electricity distribution, the portion of the concession assets that will be fully amortized during the concession is recorded as an intangible asset and fully amortized over the term of the concession contract, as provided for in ICPC 01 (R1) - Concession Contracts.

Intangible assets mainly comprise software acquired from third parties and assets referring to the concession agreements described below. They are measured at total acquisition cost, less amortization expenses and impairment losses, when applicable.

The amortization of the intangible asset reflects the pattern in which the future economic benefits of the asset are expected to be consumed by the Company. The consumption pattern of the assets is related to their useful regulatory life in which the assets built by the Company are included in the calculation base to measure the tariff for the provision of concession services. The amortization is calculated using the straight-line method to allocate its costs to its residual values over the estimated regulatory life.

Intangible assets with finite lives are amortized over their useful economic lives and are assessed for impairment whenever there is an indication of impairment loss of the asset. The amortization period and method for an intangible asset with a finite life are reviewed at least at the end of each fiscal year. Changes in the estimated useful life or expected consumption of the future economic benefits of these assets are accounted for through changes in the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the income statement in the expense category consistent with the use of the intangible asset.

An intangible asset is derecognized when sold (that is, the date on which the beneficiary obtains control of the related asset) or when future economic benefits are not expected from its use or sale. Any gain or loss resulting from the derecognition of the asset (the difference between the net sale price and the book value of the asset) is recognized in the income statement for the fiscal year.

4.12 Impairment losses of non-financial assets

Management annually tests the carrying amount of non-financial assets to determine whether there is any indication of impairment from events or changes in economic, operating, or technological circumstances. If such evidence is identified and the book value exceeds the recoverable amount, the Company records a provision for impairment, adjusting the book value to the recoverable value. In this case, the recoverable value of an asset or cash-generating unit is defined as the value in use or the net sales value, whichever is higher.

4.13 Leases

The Group assesses, on the date when the contract starts, whether it is or has a lease. I.e., if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

4.13.1 The Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value items. The Group recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

4.13.1.1 Right-of-use assets

The Group recognizes the right-of-use assets on the initial date of the lease measured at present value. The rights of use assets are remeasured if there is a financial update, a change in the term, or a change in the value of the installments. Right-of-use assets are depreciated on a straight-line basis over the lease term.

4.13.1.2 Lease Liabilities

On the initial date of the lease, the Group recognizes lease liabilities measured at the present value regarding the lease payments to be made during the contract. When calculating the present value of lease payments, the Company uses its incremental capitation rate. After the initial date, the value of the lease liability is remeasured if there is a financial update, a change in the term, or a change in the value of the installments.

4.13.1.3 Short-term leases and leases of low-value items

The Group applies the lease recognition exemption for short-term contracts and for low-value assets. Short-term leases and leases of low-value items are recognized as an expense using the straight-line method over the lease term.

4.14 Benefits to employees

4.14.1 Defined contribution plans

A defined-contribution plan is a post-retirement benefit plan under which an entity pays fixed contributions to a Pension Fund and shall not have any legal or constructive obligation to pay for additional amounts. Liabilities for contributions to defined contribution pension plans are recorded as expenses with personnel in the income statement in the periods during which services are rendered by employees.

4.14.2 Defined benefit plans

The net liability of the Group regarding defined benefit pension plans is individually calculated for each plan by estimating the value of the future benefit the employees will earn in return for services rendered in current and previous years. This value is discounted to its present value and is shown net of the fair value of any plan assets.

The liability recognized in the balance sheet in relation to the benefit pension plans established is equivalent to the highest amount between the debt contracted with Fundação de Seguridade Social Braslight to amortize actuarial liabilities and the present value of actuarial liabilities, calculated through an actuarial appraisal report, deducted from the fair value of the plan's assets.

A calculation is performed annually for the actuarial appraisal of existing plans by an independent actuary. Actuarial gains and losses arising from adjustments and changes in actuarial premises (remeasurement of the value of the liability or asset of the benefit established) are recognized in shareholders' equity, in other comprehensive income, and are not transferred to accumulated losses and retained earnings.

4.14.3 Short-term benefit to employees

Liabilities related to short-term benefits to employees refer to plans of bonuses in cash or profit-sharing and are provisioned for pursuant to the collective bargaining agreement, in the line expenses with personnel (Employees and Management profit sharing) in profit or loss for the year.

4.15 Stock option plan

The purpose of the plan is to allow eligible persons, subject to certain conditions, to acquire shares, with the purpose of stimulating the expansion, success, and achievement of the Company's corporate goals and aligning the interests of the Company's shareholders to the interest of the eligible persons.

The members of the Management and the employees of the Company or other companies under its control may be elected as participants under the plan, provided that this is approved by the Company's Board of Directors.

Annually, or when deemed convenient, the Board of Directors will approve the granting of options, electing the Participants in favor of which options will be granted under the terms of the plan, setting the exercise price of the options, establishing the terms and conditions to exercise the options and imposing any other conditions regarding such options.

The total number of shares that may be acquired or subscribed under the option plan will not exceed 2.1% of the shares representing the Company's total share capital (including the shares to be issued due to the exercise of options based on the stock option plan) on the approval date of the plan.

Once the option is exercised by the interested parties, these shares will be issued through an increase in the Company's capital. The Options will become exercisable if the respective beneficiaries remain linked to the company or subsidiary as a member of the management or employee, for the period between the granting date and the dates specified below, as follows:

(a) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 1st anniversary of the granting date;

(b) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 2nd anniversary of the granting date;

(c) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 3rd anniversary of the granting date; and

(d) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 4th anniversary of the granting date.

Options not exercised after the 1st anniversary of the granting date may be exercised in subsequent periods and so on for options not exercised after the other anniversaries up to the maximum term of the options, which will be 5 (five) years as of the granting date.

4.16 Income Tax and Social Contribution

Income tax and social contribution expenses comprise current and deferred income taxes and social contributions, which are presented in a segregate manner in the financial statements. The Company is subject to the taxable income tax regime to calculate the taxes on profit or loss.

4.16.1 Current Income Tax and Social Contribution

Current tax assets and liabilities for the current and previous years are measured at the expected amount to be recovered or paid to the tax authorities, using the current tax rates.

Prepayments or amounts that can be offset are recorded in current or non-current assets, depending on their expected realization by the end of the reporting period, when tax is duly recorded and offset with the prepayments made.

4.16.2 Deferred Income Tax and Social Contribution

Deferred tax liabilities are recognized for all temporary taxable differences. Deferred tax assets are recognized for all deductible temporary differences, credits, and unused tax losses, to the extent that it is probable that future taxable profit will be available to realize the temporary differences and that tax losses and credits can be used.

The probability of recovery of these balances is revised at the end of each year, and, when future taxable bases available for the total or partial recovery of these taxes are no longer probable, the asset balance is reduced to the amount the Company expects to receive.

Deferred tax related to items recognized directly in equity is also recognized in equity and not in the statement of income. Deferred tax items are recognized pursuant to the transaction that originated the deferred tax, in comprehensive income or directly in equity.

In addition, the Group records deferred tax assets and liabilities in net amounts if, and only if, the entity has the legally enforceable right to offset current tax assets against current tax liabilities, and if the deferred tax assets and liabilities are related to income taxes charged by the same tax authority:

(i) in the same taxable entity; or (ii) in different taxable entities that intend to settle the current tax assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4.17 Provisions

4.17.1 General

A provision is recognized when the Group has a presumed or legal liability that can be reliably estimated as the result of a past event, and it is probable that an economic resource is required to settle the liability. Provisions are recorded based on the best estimates of risk involved and expected future cash flows. A provision is recorded when a loss is deemed as probable, according to Management.

4.17.2 Provisions for Tax, Civil, Labor, and Regulatory Contingencies

The Group is a party to several judicial and administrative proceedings. As a result, provisions for tax, civil, labor, and regulatory contingencies are recorded for all proceedings in which it is probable that a cash outflow will be required to settle the contingency/obligation, and it can be reliably estimated. The probability of loss includes an assessment of available evidence, the hierarchy of laws, former court decisions available, most recent court decisions, and their relevance to the legal system, in addition to the evaluation of the legal counsel and opinion of Management, when applicable. These provisions are reviewed and adjusted for changes in circumstances, such as applicable limitation period, findings of tax inspections, or additional exposure identified based on new matters or court decisions.

4.18 Revenue recognition

Revenues are recognized when a performance obligation is met, at the amount expected to be received in exchange for the transferred goods or services, which must be allocated to that performance obligation. The Company and its subsidiaries recognize revenue from an agreement with customers when the expectation of receipt is probable, taking into consideration customers' payment intention.

4.18.1 Revenue from the electricity supply and from network usage

Electricity sales revenues are recorded based on traded energy and according to the tariffs specified in contracts or market rates. Revenues from electric power supply to final consumers are recorded when electricity is supplied. The supply is billed in accordance with the metering calendar established by the distribution company.

Revenues from unbilled electric power supply correspond to the energy delivered and not billed to consumers. It is calculated based on metering cycles that, in some cases, end after the reporting period. The difference between estimates and effective amounts has no material impact on the financial statements.

The records of energy purchase and sale operations in the Electric Energy Commercialization Chamber (CCEE) are recognized on an accrual basis in accordance with disclosed information or Management estimates.

4.18.2 Service revenues

Revenues from services rendered are recognized in the income statement based on the stage of completion of services on the reporting date of the financial statements. The stage of completion is evaluated by referencing research of works performed.

4.18.3 Construction revenues

Construction revenues comprise the initial value agreed upon in the agreement plus variations deriving from additional requests, subject to the condition that probably these will result in revenues and that can be reliably measured.

For revenues and costs related to construction services or improvement of infrastructure used in electricity distribution services, the construction margin adopted is established as being equal to zero, considering that: (i) the main activity of the subsidiary is electricity distribution; (ii) every construction revenue is related to the construction of infrastructure to reach its main activity; and (iii) the Company outsources the construction of infrastructure with non-related parties. The totality of additions to the concession's intangible assets in the process is monthly recorded in the income statement, as construction cost.

4.18.4 Financial revenues and expenses

Financial revenues comprise interest income from financial investments, interest on overdue client payments, variations in the fair value of financial assets measured at fair value through profit and loss, and swap variations. Interest income is recognized in the income statement through the effective interest rate method.

Financial expenses comprise interest expenses over loans and debentures, present value discount adjustments, and changes in the fair value of financial assets measured at fair value through profit and loss. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recorded at profit and loss through the effective interest rate method.

4.19 Adjustment of Assets to Present Value

The items subject to discount at present value are related to receivables from consumers, concessionaires, permissionaires, and clients. The Group calculated the present value for balances with payment terms over 180 days. The discount rate used by Management for the discount at the present value of these items is approximately 10.0% p.a., similar to the Group's average borrowing cost in recent years and the financial charges collected from its clients. Interest rates accumulated in a sales transaction are determined upon the initial recording of transactions and are not subsequently adjusted.

4.20 New or revised pronouncements applied for the first time in 2019

The Company and its subsidiaries applied CPC 06 (R2) - Leases for the first time, effective for annual periods beginning on or after January 1, 2019. The nature and impact of the changes resulting from the adoption of this new standard are described below.

Other standards and interpretations are applicable for the first time in 2019 but have no impact on the Group's individual and consolidated financial statements such as (i) CPC 20 (R1) - Borrowing Costs; and (ii) CPC 33 (R1) - Changes, reductions or settlement of plans. The Company decided not to adopt in advance any other standards, interpretations, or changes that have been issued but are not yet in force.

4.20.1 IFRS 16 (CPC 06 (R2)) – Leases

As of January 1, 2019, the Group adopted CPC 06 (R2) - Leases, issued by the CPC and equivalent to the international IFRS 16 – Leases standard, released in January 2016 to replace the previous version of the former CPC 06 rule (R1), equivalent to the international IAS 17 standard. The purpose is unifying the lease accounting model, requiring lessees to recognize liabilities against the assets corresponding to their right-of-use for all leases, unless they fall into one of these exemptions to the standard: (i) short-term leases (lease term of 12 months or less); and (ii) leases where the underlying asset has a low value or which have variable lease payments.

The Group initially applied IFRS 16 (CPC 06 (R2)) on January 1, 2019, using the modified prospective approach. Under this approach, comparative information is not required, and the right to use the asset is measured through the same amount as the lease liability. The Group reviewed its operating lease agreements to identify if they are or not a lease, in accordance with IFRS 16. The standard establishes that a contract is or has a lease if conveying the right to control the use of an identified asset for a period of time in exchange for a consideration. In compliance with the standard, the Group also chose to adopt recognition exemptions for short-term leases without expected purchase or renewal options, and for items of low value.

The most significant impact identified by the adoption of IFRS 16 (CPC 06 (R2)) in the Group's assets and liabilities was the operating lease with vehicles leased.

The impacts of the initial adoption of IFRS 16 (CPC 06 (R2)) on January 1, 2019, were directly recognized in the financial statement; therefore they were not recorded in profit or loss for the fiscal year, as follows:

Consolidated	January 1, 2019
Right-of-use assets	76,627
Liabilities due to leases	76,627

Additionally, expenses related to operating lease contracts are recognized through the amortization expense of the right to use the assets and the financial expense interest on lease obligations.

With regard to cash flow, the impact was a net increase in cash generated by activities operating expenses in the amount of R$26,472 for the consolidated, an increase of R$13,789 in the cash generated investment activities and a reduction in financing activities by the amount of R$37,625 since the amortization of the installments related to the principal of the liabilities of leases are classified as financing activities. Regarding interest paid, there was a change, remaining as an operating result.

4.20.2 IFRIC 23 (ICPC 22) – Uncertainty over Income Tax Treatments

This Standard clarifies how to apply the measurement and recognition requirements of CPC 32 when there is uncertainty over income tax treatments. In this circumstance, the Group should recognize and measure its current or deferred tax asset or liability, applying the requirements of CPC 32 based on taxable income (tax loss), tax bases, unused tax losses and credits, and defined tax rates, applying this interpretation.

The Company and its subsidiaries adopted the interpretation when it became in force, and, from then on, they analyze the tax treatments that could generate uncertainties in the calculation of taxes on profit, as well as to measure and reassess those that could potentially and expose the Company to materially probable risks of loss.

The Group has determined, based on its tax compliance study that it is likely that its tax treatments will be accepted by the tax authorities. The Interpretation had no impact on the Company's individual and consolidated financial statements.

4.21 Standards Issued but not yet in Force

The new standards and interpretations and changes not yet in force until the date when the financial statements were issued are analyzed to plan their initial adoption, if applicable.

In 2019, according to IASB’s website, the complete revision project, which will take effect in 2020, refers to the Conceptual Framework to Prepare and Disclose Accounting and Financial Reports. The Technical Pronouncements Revision document has not yet been issued by the Accounting Pronouncements Committee and should include the review of the conceptual framework promoted by IASB.

Changes in this standard will not change the accounting policies or practices adopted by the Company. The purpose of the conceptual framework is to mainly support the interpretation of the accounting pronouncements, as well as to help those who prepare the statements to develop consistent accounting policies when no pronouncement is applicable to a specific transaction or when a pronouncement allows choosing an accounting policy, among possible. This structure does not overlap with specific norms and standards, nor does it override any requirements in these norms and standards. Thus, the revised version will support the Company's interpretation of the policy applicable to transactions, but it does not change the practices adopted.

Other new and/or altered pronouncements already issued, but not yet in force until the date of issue of the individual and consolidated financial statements are not applicable to the Group's operational activities and because of this, the Company does not expect to have any impact on the financial statements.

5. CASH AND CASH EQUIVALENTS

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Money available	93	71,855	52,453	108,189
Short-term financial investments				
Bank deposit certificate (CDB)	71,438	1,171	943,885	598,853
TOTAL	71,531	73,026	996,338	707,042

The short-term investments are highly liquid, and convertible into know amounts cash and are subject to a floating rate represented by transactions purchased from financial institutions trading in the domestic financial market. These short-term investments have a daily repurchase commitment by the counterparty financial institution (the repurchase rate is previously agreed upon by the parties) and yield mostly according to the variation of the interbank deposit rate (CDI), with immaterial loss of income in case of early redemption.

The average yield of the investments in the consolidated is 93.7% of the CDI on December 31, 2019 (82.6% of the CDI on December 31, 2018).

The Company's exposure to interest rate risks and sensitivity analysis of financial assets and liabilities are reported in Note 38.

6. MARKETABLE SECURITIES

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Bank deposit certificate (CDB)	8,716	2	361,329	261,804
Investment fund	-	-	320,361	714,994
TOTAL	8,716	2	681,690	976,798

They are represented by (i) surety bonds pledged in power auctions, (ii) proceeds from the sale of assets that were held for reinvestment in the electric grid system, (iii) investment funds, and (iv) investments to mature within three months or longer of the investment date, with loss of value in case of early redemption. The average yield of these investments is 101.7% of the CDI on December 31, 2019 (102.0% of the CDI on December 31, 2018).

7. CONSUMERS, CONCESSIONAIRES, PERMISSIONAIRES, AND CLIENTS

	Consolidated					
	December 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Billed sales	2,984,771	-	2,984,771	2,312,803	-	2,312,803
Unbilled sales	542,775	-	542,775	483,009	-	483,009
Debt payment by installments	333,837	1,089,981	1,423,818	880,546	874,832	1,755,378
Energy trading	705,789	-	705,789	521,427	82,992	604,419
Supply and charges related to the use of electric network	31,119	-	31,119	24,391	-	24,391
Other receivables	9,812	23,059	32,871	6	55,382	55,388
	4,608,103	1,113,040	5,721,143	4,222,182	1,013,206	5,235,388
(-) Allowance for expected doubtful accounts	(2,071,504)	-	(2,071,504)	(1,366,834)	-	(1,366,834)
TOTAL	2,536,599	1,113,040	3,649,639	2,855,348	1,013,206	3,868,554

They include billed and unbilled electric power supply, energy trading, default charges, interest on late payment, charges related to using the electric network, and electricity traded with other concessionaires for electricity supply, according to the amounts available in the Electric Energy Commercialization Chamber (CCEE).

On December 31, 2019, the subsidiary Light Energia had a balance receivable of R$574,567 (R$435,505 on December 31, 2018) under the Energy trading line, referring to default in settlement of the Electric Power Trading Chamber (CCEE) arising from the Energy Reallocation Mechanism (MRE) adjustment caused by a GSF lower than 1.

The overdue and falling due balances are distributed as follows:

CONSOLIDATED	Falling due	Overdue				Total	Allowance for expected doubtful accounts	December 31, 2019
		Up to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days			
Residential	349,976	288,127	73,160	177,810	746,254	1,635,327	(902,907)	732,420
Industrial	28,957	12,314	3,484	5,509	74,192	124,456	(79,197)	45,259
Commercial	291,870	76,973	15,575	32,803	313,699	730,920	(340,611)	390,309
Rural	1,161	818	117	464	1,970	4,530	(2,134)	2,396
Public sector	90,955	68,344	23,344	33,736	77,040	293,419	(86,179)	207,240
Public lighting	60,216	28,828	17,671	40,112	30,206	177,033	(41,606)	135,427
Public utility	10,325	2,969	199	460	5,133	19,086	(5,106)	13,980
Unbilled sales	430,430	-	-	-	-	430,430	(7,660)	422,770
SUBTOTAL - CONSUMERS	1,263,890	478,373	133,550	290,894	1,248,494	3,415,201	(1,465,400)	1,949,801
Energy trading	705,789	-	-	-	-	705,789	(784)	705,005
Supply and charges related to use of electric network	31,119	-	-	-	-	31,119	-	31,119
Charges related to use of electric network - unbilled	112,345	-	-	-	-	112,345	(660)	111,685
Other receivables	32,871	-	-	-	-	32,871	-	32,871
	882,124	-	-	-	-	882,124	(1,444)	880,680
TOTAL	2,146,014	478,373	133,550	290,894	1,248,494	4,297,325	(1,466,844)	2,830,481

CONSOLIDATED	Falling due	Overdue				Total	Allowance for expected doubtful accounts	December 31, 2018
		Up to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days			
Residential	340,215	250,509	78,644	138,198	237,736	1,045,302	(447,184)	598,118
Industrial	27,424	15,474	3,444	5,162	65,258	116,762	(68,705)	48,057
Commercial	276,900	93,054	18,963	30,296	278,009	697,222	(285,169)	412,053
Rural	1,668	990	165	195	1,878	4,896	(1,982)	2,914
Public sector	103,762	78,827	9,281	3,497	52,406	247,773	(52,877)	194,896
Public lighting	56,821	11,618	30,589	8,838	12,274	120,140	(12,520)	107,620
Public utility	32,600	35,404	99	156	12,449	80,708	(4,915)	75,793
Unbilled sales	406,765	-	-	-	-	406,765	(6,332)	400,433
SUBTOTAL - CONSUMERS	1,246,155	485,876	141,185	186,342	660,010	2,719,568	(879,684)	1,839,884
Energy trading	521,427	-	-	-	82,992	604,419	(784)	603,635
Supply and charges related to use of electric network	24,391	-	-	-	-	24,391	-	24,391
Charges related to use of electric network - unbilled	76,244	-	-	-	-	76,244	(435)	75,809
Other receivables	55,388	-	-	-	-	55,388	-	55,388
	677,450	-	-	-	82,992	760,442	(1,219)	759,223
TOTAL	1,923,605	485,876	141,185	186,342	743,002	3,480,010	(880,903)	2,599,107

7.1 Debt payment by installments

The Company has balances of concessionaires, permissionaires, and clients in installments arising from the negotiation programs carried out.

Consumer class	December 31, 2019			December 31, 2018		
	Total	Allowance for expected doubtful accounts	Net total	Total	Allowance for expected doubtful accounts	Net total
Residential	1,003,623	(561,469)	442,154	1,324,190	(434,579)	889,611
Industrial	15,002	(794)	14,208	13,667	(811)	12,856
Commercial	124,116	(22,677)	101,439	122,660	(15,054)	107,606
Rural	1,446	(147)	1,299	1,071	(315)	756
Public sector	123,646	(18,364)	105,282	148,077	(31,505)	116,572
Public lighting	10,177	(159)	10,018	11,774	(2,770)	9,004
Public utility	145,808	(1,050)	144,758	133,939	(897)	133,042
TOTAL	1,423,818	(604,660)	819,158	1,755,378	(485,931)	1,269,447

On July 7, 2018, the Company signed an installment agreement with a large customer of the public services segment in which the amount to be received was R$163,212. On June 25, 2019, the Company signed an amendment to this agreement, which included the amount of R$48,149 in the debt installment balance. The updated amount is of R$143,157, is classified in the installment balance of public service.

On October 16, 2018, an agreement of admission of debt was signed with the municipal government of Rio de Janeiro, totaling R$78,551. The amount will be received in 22 installments, and the first receipt occurred in March 2019. The updated amount is of R$92,177, is classified in the installment balance of public power.

7.2 Allowance for expected doubtful accounts

Below, the breakdown of allowance for expected doubtful accounts on a consolidated basis in the years ended December 31, 2019, and 2018:

BALANCE ON JANUARY 1, 2018	(737,085)
Initial application of IFRS 9 (CPC 48)	(256,577)
Additions (Note 34)	(434,800)
Write-offs	61,628
BALANCE ON DECEMBER 31, 2018	(1,366,834)
Additions (Note 34)	(812,681)
Write-offs	108,011
BALANCE ON DECEMBER 31, 2019	(2,071,504)

At the end of 2019, Management reassessed the entire outstanding balance of accounts receivable in view of the expectation of future receipt, already aligned with the new plan to combat energy loss, based on the recent receipt history installment balances, and made an additional provision to reflect the expected loss on doubtful accounts as of December 31, 2019.

Receivables are written-off as losses pursuant to Law 9430/1997 and Law 13097/2015. In the year ended December 31, 2019, R$108,011 were written-off (R$61,628 in the year ended December 31, 2018). The write-offs were realized against the allowance for expected doubtful accounts already recorded, thus, not impacting the net income for the year.

The Company's exposure to credit risks related to consumers, concessionaires, permissionaires, and clients is reported in Note 38.

8. PIS AND COFINS CREDITS ON ICMS

On February 18, 2008, the subsidiary Light SESA filed a Writ of Mandamus 0012490-07.2008.4.02.5101 regarding the recognition of its right to exclude the ICMS from the PIS and COFINS calculation base.

On August 7, 2019, the Federal Regional Court of the 2nd Region reached a decision on the lawsuit filed by the Company, deciding in favor of the plaintiff, recognizing the right to exclude ICMS paid from the PIS and COFINS tax calculation base, with retroactive effect to January 2002, duly updated by the SELIC Rate.

Based on the opinion of the legal counsel, the Company's Management understands that part of the credits to be received by the subsidiary Light SESA must be refunded to consumers in its concession area, considering a maximum period applicable to calculate such refund of 10 years. Thus, the subsidiary Light SESA recorded a liability corresponding to tax credits that must be transferred to consumers over the last ten years, that is, from September 2009 to August 2019, net of PIS/COFINS levied on their update financial revenue. The amount represented by the difference in the total tax credit recorded by the subsidiary Light SESA and the respective obligation recognized for the aforementioned period, was assessed by Management as being a possible loss, for which reason it was not provisioned in the financial statements.

The Company will adopt the tax credit recovery procedures according to the legal provisions established by the Brazilian Federal Revenue Service.

Below is the presentation of the accounting effects regarding the recognition of PIS and COFINS tax credits, including their update by SELIC, and the amounts to be refunded to consumers recognized in the financial statements for the year ended December 31, 2019:

Effects in the Balance Sheet	R$ thousands
Recoverable taxes - PIS and COFINS credits on ICMS (Note 09)	6,203,145
Figures to be Refunded to Consumers [a]	(3,605,664)
PIS and Cofins Deferred (Note 19)	(118,025)
Income Tax / Social Contribution - Deferred (Note 10)	(843,015)
SHAREHOLDERS' EQUITY	1,636,441

Effects in the Result of the Fiscal Year	R$ thousands
Recovery of PIS and COFINS Credits on ICMS (Note 32) [b]	1,086,462
Financial Revenues (Note 36) [c]	1,461,190
PIS and COFINS on Financial Revenue	(68,196)
Income tax and social contribution	(843,015)
PROFIT & LOSS	1,636,441

[a] Amounts to be refunded to consumers on the PIS and COFINS credits of the subsidiary Light SESA recognized in August 2019.
[b] Refers to credits recognized in operating profit or loss, totaling R$3,670,374, net of amounts to be refunded to consumers, of R$2,583,912.
[c] Refers to revenue from financial update of recognized credits, totaling R$2,532,771, net of amounts to be refunded to consumers of R$1,071,581.

In the context of the judicial decision, the ICMS paid is no longer part of the PIS and COFINS calculation base on the bills of customers of the subsidiary Light SESA as of September 2019.

9. TAXES AND CONTRIBUTIONS TO BE RECOVERED

	Consolidated					
	December 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
ICMS to offset [a]	59,189	53,892	113,081	49,726	52,404	102,130
PIS and COFINS to offset	1,647	6,203,145	6,204,792	5,425	-	5,425
INSS	564	-	564	576	-	576
Other	19,504	-	19,504	19,362	-	19,362
TAXES AND CONTRIBUTIONS TO BE RECOVERED	80,904	6,257,037	6,337,941	75,089	52,404	127,493
Withholding income tax	75,041	-	75,041	29,284	-	29,284
Recoverable income tax and social contribution	60,083	-	60,083	502	-	502
RECOVERABLE INCOME TAX AND SOCIAL CONTRIBUTION	135,124	-	135,124	29,786	-	29,786
TOTAL	216,028	6,257,037	6,473,065	104,875	52,404	157,279

[a] Substantially refer to ICMS credits arising from acquisitions of property, plant, and equipment and intangible assets, which can be offset in up to 48 months.

The change in the balance of the recoverable taxes and contributions was due to the recognition of PIS/COFINS credits after the final and unappealable court decision issued on August 7, 2019, totaling R$6,169,081. On December 31, 2019, the effect of this recognition, update by SELIC, was R$6,203,145.

10. DEFERRED TAXES

	Consolidated					
	December 31, 2019			December 31, 2018		
	Deferred assets	Deferred liabilities	Deferred net	Deferred assets	Deferred liabilities	Deferred net
Provision for allowance for expected doubtful accounts	716,835	-	716,835	464,724	-	464,724
Provision for profit sharing	11,206	-	11,206	10,279	-	10,279
Provisions for tax, civil, labor and regulatory contingencies	184,688	-	184,688	161,923	-	161,923
Tax losses	238,349	-	238,349	193,891	-	193,891
Social contribution tax loss carryforwards	88,834	-	88,834	72,827	-	72,827
Other	12,109	-	12,109	18,857	-	18,857
PIS and COFINS Credit on the Exclusion of ICMS [(a)]	1,282,996	(2,126,011)	(843,015)	-	-	-
Derivative financial instruments - swap	11,756	(126,770)	(115,014)	37,966	(149,382)	(111,416)
Remuneration of concession's financial assets	-	(493,671)	(493,671)	-	(441,560)	(441,560)
Deemed cost - Light Energia	-	(164,874)	(164,874)	-	(173,146)	(173,146)
GROSS DEFERRED TAX ASSETS/(LIABILITIES)	2,546,773	(2,911,326)	(364,553)	960,467	(764,088)	196,379
Net amount	(2,510,842)	2,510,842	-	(555,600)	555,600	-
NET DEFERRED TAX ASSETS/(LIABILITIES)	35,931	(400,484)	(364,553)	404,867	(208,488)	196,379

[(a)] Effect of recognition of PIS and COFINS tax credits, according to Note 08.

The change in the balance of the deferred taxes was due to the recognition of PIS/COFINS credits after the final and unappealable court decision issued on August 7, 2019. On December 31, 2019, the effect of this recognition was a net deferred liability of R$843,015.

Below, the changes in the deferred income and social contribution taxes for the years ended December 31, 2019, and 2018:

	Balance on January 1, 2018	Recognized in profit or loss	Recognized in equity	Write-off due to sale of interest (Light Esco)	Balance on December 31, 2018	Recognized in profit or loss	Recognized in equity	Adhesion to PERT Law 13496	Balance on December 31, 2019
DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION- ASSETS									
Provision for allowance for expected doubtful accounts	250,609	127,802	87,236	(923)	464,724	252,111	-	-	716,835
Provision for profit sharing	10,045	276	-	(42)	10,279	927	-	-	11,206
Provisions for tax, civil, labor and regulatory contingencies	153,112	8,811	-	-	161,923	22,765	-	-	184,688
Pension plan complement - CVM 695/12	12,817	(12,817)	-	-	-	-	-	-	-
Tax losses	195,086	(561)	-	(634)	193,891	41.518	-	2,940	238,349
Social contribution tax loss carryforwards	73,258	(203)	-	(228)	72,827	14,948	-	1,059	88,834
Other	34,638	(5,707)	-	(10,074)	18,857	(6,748)	-	-	12,109
PIS and COFINS Credit on the Exclusion of ICMS	-	-	-	-	-	1,282,996	-	-	1,282,996
Derivative financial instruments	34,580	3,386	-	-	37,966	(26,210)	-	-	11,756
TOTAL DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION - ASSETS	764,145	120,987	87,236	(11,901)	960,467	1,582,307	-	3,999	2,546,773
DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION- LIABILITIES									
PIS and COFINS Credit on the Exclusion of ICMS	-	-	-	-	-	(2,126,011)	-	-	(2,126,011)
Derivative financial instruments	(5,739)	(143,643)	-	-	(149,382)	22,612	-	-	(126,770)
Remuneration of concession's financial assets	(391,602)	(49,958)	-	-	(441,560)	(52,111)	-	-	(493,671)
Deemed cost - Light Energia	(181,679)	8,507	26	-	(173,146)	8,251	21	-	(164,874)
TOTAL DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION- LIABILITIES	(579,020)	(185,094)	26	-	(764,088)	(2,147,259)	21	-	(2,911,326)

In order to support the deferred tax credits recorded, the Company updated the technical feasibility study of tax realization, including the amounts realized until December 31, 2019. The study shows the recovery of deferred tax credits recorded on December 31, 2019, in up to five years, in accordance with the following annual realization schedule:

2020	2021	2022	2023	2024	Total
93,988	1,400,768	99,212	113,200	839,605	2,546,773

The Company estimates that the use of deferred tax credits throughout 2020 will be concentrated in allowance expected for doubtful accounts and derivative financial instruments, among others.

On December 31, 2019, the Company had an unrecognized credit balance on accumulated tax losses and social contribution tax loss carryforwards, amounting to R$151,961 (R$127,915 on December 31, 2018) related to the Parent Company, in view of uncertainties regarding its realization.

11. OTHER RECEIVABLES

	Consolidated					
	December 31, 2019			December 31, 2018		
Current	Current	Non-current	Total	Current	Non-current	Total
Advances to suppliers [(a)]	3,516	-	3,516	4,580	84,260	88,840
Public lighting fee	100,141	-	100,141	91,453	-	91,453
Expenditures to refund	27,460	-	27,460	16,727	-	16,727
Ongoing deactivations and sales	79,810	-	79,810	46,681	-	46,681
Subsidy to the low-income segment	15,228	-	15,228	17,196	-	17,196
CDE subsidy[(b)]	28,190	-	28,190	50,533	-	50,533
Sale of interest (Light Esco)	-	-	-	18,243	-	18,243
Other	5,196	-	5,196	8,581	-	8,581
TOTAL	259,541	-	259,541	253,994	84,260	338,254

[(a)] On December 31, 2018, it included R$84,260 referring to advance payments between Lightcom and Renova Energia, as per Note 27.
[(b)] Includes subsidy resulting from Decrees 7945/13 and 8221/14.

12. FINANCIAL ASSETS AND LIABILITIES OF THE SECTOR

This item represents balances refundable and/or payable related to financial assets and liabilities incurred of the sector and not yet realized by the energy distribution company's tariff (Light SESA).

The chart below shows a breakdown of the balance of financial assets and liabilities of the sector on December 31, 2019, and December 31, 2018:

	Consolidated							
	December 31, 2019							
	Current				Non-current		Total	
	Approved amounts		Next adjustments		Next adjustments			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Energy Development Account - CDE	26,551	-	6,211	-	1,634	-	34,396	-
Power acquisition cost	220,815	-	168,203	(128,999)	44,264	(33,947)	433,282	(162,946)
System Service Charges - ESS	-	(96,238)	-	(59,839)	-	(15,747)	-	(171,824)
PROINFA	1,489	-	-	-	-	-	1,489	-
Electric power transportation - Itaipu	5,587	-	12,688	-	3,339	-	21,614	-
Electric power transportation through basic network	-	(1,552)	52,678	-	13,863	-	66,541	(1,552)
Portion A items	254,442	(97,790)	239,780	(188,838)	63,100	(49,694)	557,322	(336,322)
Other financial items	-	(30,535)	48,079	(11,258)	12,653	(2,963)	60,732	(44,756)
Energy overcontracting and involuntary exposure	-	-	299,200	-	78,736	-	377,936	-
Portion A neutrality	-	-	64,272	-	16,914	-	81,186	-
Tariff returns	-	(4,146)	-	(23,659)	-	(6,226)	-	(34,031)
Financial items	-	(34,681)	411,551	(34,917)	108,303	(9,189)	519,854	(78,787)
Gross financial ASSETS / (LIABILITIES) of the sector	254,442	(132,471)	651,331	(223,755)	171,403	(58,883)	1,077,176	(415,109)
Net amount	(132,471)	132,471	(223,755)	223,755	(58,883)	58,883	(415,109)	415,109
Net financial ASSETS / (LIABILITIES) of the sector	121,971	-	427,576	-	112,520	-	662,067	-

	Consolidated							
	December 31, 2018							
	Current				Non-current		Total	
	Approved amounts		Next adjustments		Next adjustments			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Energy Development Account - CDE	-	(41,309)	76,208	-	20,054	-	96,262	(41,309)
Power acquisition cost	420,963	-	847,497	-	223,026	-	1,491,486	-
System Service Charges - ESS	-	(183,716)	-	(140,458)	-	(36,963)	-	(361,137)
PROINFA	480	-	379	-	99	-	958	-
Electric power transportation - Itaipu	-	(679)	14,126	-	3,717	-	17,843	(679)
Electric power transportation through basic network	-	(11,406)	-	(3,914)	-	(1,030)	-	(16,350)
Portion A items	421,443	(237,110)	938,210	(144,372)	246,896	(37,993)	1,606,549	(419,475)
Other financial items	-	(178,211)	101,420	(14,017)	26,690	(3,689)	128,110	(195,917)
Energy overcontracting and involuntary exposure	-	-	-	(355,090)	-	(93,445)	-	(448,535)
Portion A neutrality	-	-	75,318	-	19,821	-	95,139	-
Tariff returns	-	(8,741)	-	(37,283)	-	(9,811)	-	(55,835)
Financial items	-	(186,952)	176,738	(406,390)	46,511	(106,945)	223,249	(700,287)
Gross financial ASSETS / (LIABILITIES) of the sector	421,443	(424,062)	1,114,948	(550,762)	293,407	(144,938)	1,829,798	(1,119,762)
Net amount	(421,443)	421,443	(550,762)	550,762	(144,938)	144,938	(1,117,143)	1,117,143
Net financial ASSETS / (LIABILITIES) of the sector	-	(2,619)	564,186	-	148,469	-	712,655	(2,619)

The chart below shows the changes in the balance of financial assets and liabilities of the sector in the years ended December 31, 2019, and 2018:

BALANCE ON JANUARY 1, 2018	101,482
Recognition [a]	508,926
Amortization [a]	64,774
Funds received from the CCRBT account [a]	53,203
R&D refunded by the National Treasury [b]	(81,759)
Restatement Selic (Note 36)	63,410
BALANCE ON DECEMBER 31, 2018	710,036
Recognition [a]	338,693
Amortization [a]	(314,615)
Funds received from the CCRBT account [a]	(92,963)
Restatement Selic (Note 36)	20,916
BALANCE ON DECEMBER 31, 2019	662,067

[a] Balances recognized in the statement of income, under net revenue, “financial assets and liabilities of the sector” (see Note 32), which included funds from the Centralizing Account of Tariff Levels Resources (CCRBT).
[b] This refers to the return of the excess collection surplus of 0.3% over the net operating revenue provided for in Law 12111/2009, transferred to the electricity tariffs, and paid to the National Treasury from January 2010 to December 2012.

The creation of CVA in the year is mainly due to the increase in energy costs in 2019, in relation to the tariff coverage, which generated a financial asset to be reimbursed in the next tariff adjustment.

The chart below shows the changes in the balance of financial assets and liabilities by tariff cycle:

	December 31, 2019			December 31, 2018		
	Ratified by Aneel in the adjustment of March 15, 2019	Figures that will be approved in the next tariff adjustments	Total	Ratified by Aneel in the adjustment of March 15, 2018	Figures that will be approved in the next tariff adjustments	Total
Balance approved by ANEEL	435,996	-	435,996	39,636	-	39,636
Financial Assets and Liabilities of the Sector (Amortization/Recognition)	(309,879)	569,981	260,102	(33,514)	759,749	726,235
Tariff returns (a)	(4,146)	(29,885)	(34,031)	(8,741)	(47,094)	(55,835)
BALANCE	121,971	540,096	662,067	(2,619)	712,655	710,036

(a) Refers to an excess of demand and excessive reactive power to be billed to consumers through the tariff directly by means of Portion B.

13. CONCESSION'S FINANCIAL ASSETS

These represent the amounts receivable at the end of concession from the granting authority, or any of its agents, by way of compensation for investments made and not recovered through services rendered related to subsidiary Light SESA's concession.

For indemnification purposes, the amount of investments related to returnable assets not yet amortized or depreciated is recorded using the New Replacement Value ("VNR").

Below, the changes in the balances related to indemnifiable assets at the end of the concession, in the years of 2019 and 2018:

	Consolidated		
	Gross financial assets	Special obligations	Net financial assets
BALANCE ON JANUARY 1, 2018	4,719,547	(955,352)	3,764,195
Additions (a)	407,397	(41,775)	365,622
Fair value – adjustment to VNR (Note 32)	189,298	(42,363)	146,935
Write-offs	(4,891)	-	(4,891)
BALANCE ON DECEMBER 31, 2018	5,311,351	(1,039,490)	4,271,861
Additions (a)	363,540	(13,576)	349,964
Fair value – adjustment to VNR (Note 32)	195,197	(41,930)	153,267
Write-offs	(26,798)	-	(26,798)
Transfers	81,365	(81,365)	-
BALANCE ON DECEMBER 31, 2019	5,924,655	(1,176,361)	4,748,294

(a) Transfer resulting from the bifurcation of assets after start-up, pursuant to IFRIC 12 (ICPC 01) (see Notes 14 and 17).

14. CONTRACT ASSET

The Company classifies as contractual assets related to the concession infrastructure still under construction and registered under the scope of ICPC 01 (R1) - Concession Contracts. These assets are initially recorded as contract assets, considering the Company's right to charge for services provided to consumers or to receive compensation at the end of the concession for assets not yet amortized. Thus, in accordance with CPC 47 (IFRS 15), new assets are initially recorded as contract assets, measured at acquisition cost, including capitalized borrowing costs. After the operational startup of assets, the performance obligation linked to construction is evidenced, and the assets are then split between financial and intangible assets.

	Balance on December 31, 2018	Additions	Transfers to intangible assets	Transfer to inventory	Balances on December 31, 2019
Concession right of use	401,679	756,515	(575,848)	(21,260)	561,086
Special obligations- Concession right of use	(71,439)	(11,185)	18,491	-	(64,133)
Total	330,240	745,330	(557,357)	(21,260)	496,953

The investments made in 2019 by the subsidiary Light SESA, follow the strategy of strengthening the asset base and combating losses. The investments made were mainly aimed at (i) improving the network and replacing equipment, expanding lines, substations and distribution networks to meet market growth, increase the strength of the network, improve the quality of supply and reduce the level of charging of high voltage circuits; (ii) invested in combating losses, installing measurement systems and combating defaults; and (iii) invested in telecommunications, information technology and other activities, such as infrastructure and commercial projects.

In the year ended on December 31, 2019, the amount of R$28,460 was included in the contract asset, as interest capitalization, with an average capitalization rate of 8.1% per year.

15. INVESTMENTS

	Parent Company		Consolidated	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Measured by the equity method: *				
Light SESA	5,157,566	2,446,130	-	-
Light Energia	502,863	276,294	-	-
Renova Energia [(b)]	-	-	-	-
Guanhães Energia [(b)]	-	-	136,426	111,188
Lightcom	56,492	98,559	-	-
Light Soluções	1,287	1,286	-	-
Lightger [(b)]	48,384	43,913	48,384	43,913
Light Conecta	59,604	101,803	-	-
UHE Itaocara [(a)]	-	-	(21,835)	5,340
Axxiom [(b)]	13,526	8,641	13,526	8,641
Amazônia Energia [(b)]	351,818	346,607	351,818	346,607
Energia Olímpica [(b)]	-	1,201	-	1,201
SUBTOTAL	6,191,540	3,324,434	528,319	516,890
Other permanent investments [(c)]	-	-	29,190	29,732
SUBTOTAL	-	-	29,190	29,732
Total unsecured equity interests	-	-	21,835	-
TOTAL INVESTMENTS	6,191,540	3,324,434	579,344	546,622

[(a)] Company at the pre-operational stage.
[(b)] Refers to investments calculated based on the shareholders' equity for the purposes of equity in the earnings (losses) of subsidiaries.
[(c)] Includes investments in equity interests appraised at market value, held by the subsidiary Light SESA.
* Light Institute has a balance of less than R$1 for the years presented.

On October 13, 2019, a purchase and sale agreement and other covenants were jointly signed, whereby the subsidiary Light Energia sold all its shares held in the capital of Renova Energia S.A. The transaction was concluded on October 15, 2019.

In the year ended December 31, 2019, the jointly-controlled subsidiary UHE Itaocara - jointly controlled by Light Conecta (51%) and Cemig GT (49%) - recorded accumulated losses of R$113,791, as well as negative shareholders' equity of R$44,509, arising from the loss for the year in the amount of R$102,096, mainly due to the (i) provision of R$56,141 related to the tax assessment notice and the eventual payment of a fine to ANEEL due to the early termination of the Concession Agreement; and (ii) the compensation/indemnity of R$43,953 related to the termination of the six electric energy commercialization contracts in the regulated environment.

Information on subsidiaries (consolidated) and jointly controlled entities (equity income and proportional balances) is as follows:

Parent Company										
Subsidiaries and Jointly-controlled entities - Interest		Shareholders' Equity		Dividends receivable		Dividends received		Profit (loss) for the year	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	2019	2018	2019	2018
Light SESA	100.0%	5,157,566	2,446,130	(273,923)	(18,219)	(18,219)	(22,101)	1,153,358	76,709
Light Energia	100.0%	502,863	276,294	-	-	(100,000)	-	326,609	36,001
Light Esco [a]	-	-	-	-	-	-	-	-	(10,669)
Lightcom	100.0%	56,492	98,559	-	-	(93,159)	(85,925)	(64,408)	93,159
Light Soluções	100.0%	1,287	1,286	(498)	(498)	-	-	(549)	143
Lightger	51.0%	48,384	43,913	-	-	(3,113)	(1,852)	7,574	3,267
Light Conecta	100.0%	59,604	101,803	-	-	-	-	(65,363)	(5,668)
Axxiom	51.0%	13,526	8,641	-	-	-	-	(4,583)	(3,710)
Amazônia Energia	25.5%	351,818	346,607	-	-	-	-	5,167	26,293
Energia Olímpica	50.1%	-	1,201	-	-	-	-	-	-
		6,191,540	3,324,434	(274,421)	(18,717)	(214,491)	(109,878)	1,357,805	215,525

[a] On October 4, 2018, the Company concluded the sale of all shares held in the capital stock of Light Esco - Prestação de Serviços S.A., its wholly-owned subsidiary, to Ecogen Brasil Soluções Energéticas S.A. ("Ecogen"). Some of Light Esco's assets were not included in the transaction and were transferred to Light Conecta.

Consolidated							
Jointly-controlled entities - Interest		Shareholders' Equity		Dividends received		Profit (loss) for the year	
		December 31, 2019	December 31, 2018	2019	2018	2019	2018
Light Energia							
Renova Energia	-	-	-	-	-	-	(133,893)
Guanhães Energia	51.0%	136,426	111,188	-	-	(610)	22,853
Lightger	51.0%	48,384	43,913	(3,113)	(1,852)	7,574	3,267
Axxiom	51.0%	13,526	8,641	-	-	(4,583)	(3,710)
Amazônia Energia	25.5%	351,818	346,607	-	-	5,167	26,293
Energia Olímpica	50.1%	-	1,201	-	-	-	-
Light Conecta							
UHE Itaocara	51.0%	(21,835)	5,340	-	-	(51,204)	(4,153)
		528,319	516,890	(3,113)	(1,852)	(43,656)	(89,343)

Other information:

Parent Company				
Subsidiaries and Jointly-controlled entities	Paid-up capital		Total assets	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Light SESA	4,146,365	2,314,365	20,182,478	14,402,483
Light Energia	77,422	77,422	2,997,662	2,772,055
Lightcom	120,000	4,500	214,263	361,548
Light Soluções	3,850	3,850	1,906	1,988
Lightger	40,408	40,408	107,742	102,769
Light Conecta	139,397	116,233	86,666	109,451
Axxiom	29,766	23,766	30,445	27,995
Amazônia Energia	337,262	337,219	351,959	346,744
Energia Olímpica [a]	-	-	-	2,781

[a] On December 31, 2018, Energia Olímpica had a balance of paid-up capital of less than R$1.

Consolidated				
Jointly-controlled entities	Paid-up capital		Total assets	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Light Energia				
Renova Energia	-	508,365	-	451,294
Guanhães Energia	279,799	259,224	136,975	198,877
Lightger	40,408	40,408	107,742	102,769
Axxiom	29,766	23,766	30,445	27,995
Amazônia Energia	337,262	337,219	351,959	346,744
Energia Olímpica [a]	-	-	-	2,781
Light Conecta				
UHE Itaocara	35,334	11,304	11,973	9,862

[a] On December 31, 2018, Energia Olímpica had a balance of paid-up capital of less than R$1.

Changes in subsidiaries (consolidated) and jointly controlled entities (equity income) in the years ended on December 31, 2019, and 2018:

	Parent Company							
	December 31, 2018	Capital increase	Dividends	Write-off of attributed cost	Provision for loss	Equity in the earnings of subsidiaries		December 31, 2019
						Other	Profit & Loss	
Light SESA	2,446,130	1,832,000	(273,923)	-	-	1	1,153,358	5,157,566
Light Energia	276,294	-	(100,000)	(40)	-	-	326,609	502,863
Lightcom	98,559	115,500	(93,159)	-	-	-	(64,408)	56,492
Light Soluções	1,286	550	-	-	-	-	(549)	1,287
Lightger	43,913	-	(3,113)	-	-	10	7,574	48,384
Light Conecta	101,803	23,164	-	-	-	-	(65,363)	59,604
Axxiom	8,641	9,468	-	-	-	-	(4,583)	13,526
Amazônia Energia	346,607	44	-	-	-	-	5,167	351,818
Energia Olímpica	1,201	-	-	-	(1,201)	-	-	-
TOTAL	3,324,434	1,980,726	(470,195)	(40)	(1,201)	11	1,357,805	6,191,540

	Parent Company									
	January 1, 2018	Capital increase/transfer	Dividends	Write-off of attributed cost	Write-off due to sale of interest (Light Esco)	Adoption of IFRS 9 (CPC 48)	Provision for loss	Equity in the earnings of subsidiaries		December 31, 2018
								Other	Profit & Loss	
Light SESA	2,556,980	-	(18,219)	-	-	(169,341)	-	1	76,709	2,446,130
Light Energia	240,342	-	-	(49)	-	-	-	-	36,001	276,294
Light Esco [(a)]	152,333	(64,334)	-	-	(61,620)	-	(13,367)	(2,343)	(10,669)	-
Lightcom	91,326	-	(85,925)	-	-	-	-	(1)	93,159	98,559
Light Soluções	542	600	-	-	-	-	-	1	143	1,286
Lightger	42,499	-	(1,852)	-	-	-	-	(1)	3,267	43,913
Light Conecta	37,495	69,976	-	-	-	-	-	-	(5,668)	101,803
Axxiom	12,350	-	-	-	-	-	-	1	(3,710)	8,641
Amazônia Energia	289,274	23,671	-	-	-	-	-	7,369	26,293	346,607
Energia Olímpica	1,760	-	-	-	-	-	-	(559)	-	1,201
TOTAL	3,424,901	29,913	(105,996)	(49)	(61,620)	(169,341)	(13,367)	4,468	215,525	3,324,434

[(a)] On October 4, 2018, the Company concluded the sale of all shares held in the capital stock of Light Esco - Prestação de Serviços S.A., its wholly-owned subsidiary, to Ecogen Brasil Soluções Energéticas S.A. ("Ecogen"). Some of Light Esco's assets were not included in the transaction and were transferred to Light Conecta.

	Consolidated						
	December 31, 2018	Capital increase	Dividends	Provision for loss	Equity in the earnings of subsidiaries		December 31, 2019
					Other	Profit & Loss	
Light Energia							
Guanhães Energia	111,188	20,572	-	-	5,276	(610)	136,426
Lightger	43,913	-	(3,113)	-	10	7,574	48,384
Axxiom	8,641	9,468	-	-	-	(4,583)	13,526
Amazônia Energia	346,607	44	-	-	-	5,167	351,818
Energia Olímpica	1,201	-	-	(1,201)	-	-	-
Light Conecta							
UHE Itaocara	5,340	24,029	-	-	865	(52,069)	(21,835)
TOTAL	516,890	54,113	(3,113)	(1,201)	6,151	(44,521)	528,319

	Consolidated					
	January 1, 2018	Capital increase	Dividends	Equity in the earnings of subsidiaries		December 31, 2018
				Other	Profit & Loss	
Light Energia						
Renova Energia	134,958	-	-	(1,065)	(133,893)	-
Guanhães Energia	26,039	62,294	-	2	22,853	111,188
Lightger	42,499	-	(1,852)	(1)	3,267	43,913
Axxiom	12,350	-	-	1	(3,710)	8,641
Amazônia Energia	289,274	23,671	-	7,369	26,293	346,607
Energia Olímpica	1,760	-	-	(559)	-	1,201
Light Conecta						
UHE Itaocara	5,662	5,642	-	(1,811)	(4,153)	5,340
TOTAL	512,542	91,607	(1,852)	3,936	(89,343)	516,890

Below, the full balances on December 31, 2019, and 2018, and the results for the years ended December 31, 2019, and 2018 of the main Jointly controlled entities, which were recorded under the equity method:

December 31, 2019	Axxiom	Amazônia	Lightger	Guanhães	Energia Olímpica	UHE Itaocara
ASSETS						
Cash and cash equivalents	6,509	67	69,419	422	2,183	2,657
Other	27,407	15	17,340	772	79	1,821
Current	33,916	82	86,759	1,194	2,262	4,478
Non-current	25,781	1,380,149	124,500	267,385	3,289	18,998
TOTAL ASSETS	59,697	1,380,231	211,259	268,579	5,551	23,476
LIABILITIES						
Loans, financing and debentures	7,987	-	8,619	484	-	-
Other	20,334	553	44,755	578	3,154	56,294
Current	28,321	553	53,374	1,062	3,154	56,294
Loans, financing and debentures	120	-	63,015	-	-	-
Other	4,734	-	-	14	-	9,996
Non-current	4,854	-	63,015	14	-	9,996
Shareholders' Equity	26,522	1,379,678	94,870	267,503	2,397	(42,814)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	59,697	1,380,231	211,259	268,579	5,551	23,476

2019	Axxiom	Amazônia	Lightger	Guanhães	UHE Itaocara
STATEMENT OF INCOME					
Net revenue from sales	53,405	-	49,979	-	-
Cost of sales	(54,773)	-	-	-	-
GROSS PROFIT (LOSS)	(1,368)	-	49,979	-	-
General and administrative expenses	(8,136)	(215)	(28,758)	(1,502)	(102,096)
Equity in the earnings of subsidiaries	-	-	-	-	-
Impairments of Fixed Assets	-	-	-	-	-
Other expenses	(2,693)	-	-	(2)	-
Net financial result	(1,395)	20,478	(3,429)	318	-
INCOME (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	(13,592)	20,263	17,792	(1,186)	(102,096)
Income tax and social contribution	4,606	-	(2,942)	(10)	-
PROFIT (LOSS) FOR THE YEAR	(8,986)	20,263	14,850	(1,196)	(102,096)

December 31, 2018	Axxiom	Amazônia	Lightger	Renova	Guanhães	Energia Olímpica	UHE Itaocara
ASSETS							
Cash and cash equivalents	6,952	97	58,418	28,707	4,578	2,183	4,693
Other	21,393	13	11,449	1,709,000	842	79	110
Current	28,345	110	69,867	1,737,707	5,420	2,262	4,803
Non-current	26,546	1,359,670	131,640	890,678	384,535	3,289	14,534
TOTAL ASSETS	54,891	1,359,780	201,507	2,628,385	389,955	5,551	19,337
LIABILITIES							
Loans, financing and debentures	8,888	-	8,614	348,669	12,866	-	-
Other	24,380	538	35,590	1,846,702	14,583	3,154	204
Current	33,268	538	44,204	2,195,371	27,449	3,154	204
Loans, financing and debentures	1,304	-	71,198	63,587	139,170	-	-
Other	3,376	-	-	445,916	5,320	-	8,663
Non-current	4,680	-	71,198	509,503	144,490	-	8,663
Shareholders' Equity	16,943	1,359,242	86,105	(76,489)	218,016	2,397	10,470
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	54,891	1,359,780	201,507	2,628,385	389,955	5,551	19,337

2018	Axxiom	Amazônia	Lightger	Renova	Guanhães	UHE Itaocara
STATEMENT OF INCOME						
Net revenue from sales	50,167	-	45,582	709,795	10,837	-
Cost of sales	(53,032)	-	-	(834,235)	-	-
GROSS INCOME (LOSS)	(2,865)	-	45,582	(124,440)	10,837	-
General and administrative expenses	(8,157)	(1,277)	(32,381)	(130,898)	(16,009)	(8,470)
Equity in the earnings of subsidiaries	-	104,935	-	48,686	-	-
Impairment gains (losses)	-	-	-	(150,226)	51,775	-
Other expenses	-	-	-	(177,231)	-	-
Net financial result	(1,105)	137	(4,179)	(316,403)	(1,793)	327
PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	(12,127)	103,795	9,022	(850,512)	44,810	(8,143)
Income tax and social contribution	4,853	(684)	(2,616)	(5,785)	-	-
PROFIT (LOSS) FOR THE YEAR	(7,274)	103,111	6,406	(856,297)	44,810	(8,143)

15.1 Renova Energia

Throughout 2019, Renova Energia and its shareholders sought several alternatives to better balance the Company's financial health. This process was based on (i) a corporate restructuring, according to the material fact of March 21, 2019, in which the share purchase and sale agreement was signed related to the acquisition, by the subsidiary company Light Energia and Cemig Geração e Transmissão SA ("Cemig GT"), of up to 7,282,036 shares issued by Renova Energia, all owned by CG I Fundo de Investimento em Participações ("CG I"); (ii) sale of assets, according to Renova's Material Fact of April 9, 2019, in which a share purchase and sale agreement ("CCVA") was signed with AES Tietê Energia S.A., for the sale of the Alto Sertão III wind complex and certain wind projects under development and (iii) debt re-profiling, including additions to the debt with Banco BTG Pactual S.A., on May 3, 2019, rollover of the bridge loan with BNDES, from July 15, 2019, to October 15, 2019, and Bank Credit Note ("CCB") signed with Citibank on July 23, 2019.

In the quarter ended June 30, 2019, new events occurred, such as (i) investigations carried out by public authorities; (ii) cancellation by ANEEL, on June 4, 2019, of the authorization of Projects of AS3 Phase B, due to the delay in the schedule; (iii) on the same date, ANEEL showed its intent to cancel the regulated energy contract LER 2013 ("PPA AS3 Phase A"), due to the delay in the start-up of the parks and alleging that energy prices are much higher today than in the last auctions on the regulated market and (iv) on June 19, 2019, AES showed difficulties in proceeding with the purchase, according to the terms of the contract, due to the frustrated negotiation with the supplier of the wind turbines.

In September 2019, due to the worsening financial situation of Renova, the subsidiary Lightcom recognized a provision of R$277,654, originating from credits held by Lightcom with Renova, credits subsequently assigned to CGI.

Due to the difficulties, the shareholders of Renova Energia, Light Energia, and Cemig GT worked throughout the months of August and September to record an Investment Agreement. This Investment Agreement provided for capital contributions to be made by Cemig GT in Renova Energia, which would be used in the development and maintenance of its operational activities, as well as the possibility of assigning the obligations to Light Energia of the purchase and sale agreement, entered into in March 2019 between Cemig GT and Light Energia. Given the impossibility, by Cemig GT, of making the aforementioned Agreement, the subsidiary Light Energia received, on October 11, 2019, after the market closed, a proposal for the acquisition of all shares held in Renova, by CG I Fundo de Investimento em Participações Multiestratégia, held by the founding partners, for one real.

On October 13, 2019, a purchase and sale agreement and other covenants were entered into jointly, whereby the subsidiary Light Energia sold all of its shares in the capital of the indirect subsidiary Renova Energia SA, of which 7,163,074 common shares and 98 preferred shares, equivalent to 17.17% of that company's share capital, for the value of one real, to CG I Fundo de Investimento em Participações Multiestrategia, owned by the founding partners of Renova. On the same date, the subsidiary Lightcom entered into, also with CGI, the assignment of credits held by it with Renova, also for the amount of one real.

On October 15, 2019, the subsidiary Light Energia concluded the sale of all of its shares in Renova Energia S.A. to CGI Fundo de Investimento em Participações Multiestrategia.

15.2 Amazônia Energia

15.2.1 Risks related to laws and regulations in the indirect investee Norte Energia S.A.

Since 2014, the Federal Prosecution Office has been investigating irregularities involving contractors, suppliers, and state-owned companies, and discovered an extensive scheme of illegal payments. In this context, the Federal Prosecution Office began investigations on irregularities involving some contractors and suppliers of Eletrobras, as well as contractors and suppliers of certain Eletrobras' investments involved in the construction of generation plants, including Norte Energia, responsible for the construction of the Belo Monte Hydroelectric Power Plant.

The Eletrobras Group, which holds 49.98% of Norte Energia's capital stock, hired a law firm specialized in the corporate investigation to ascertain possible irregularities in projects in which the Eletrobras Group's companies corporately participate or hold minority interests.

The final reports of the independent internal investigation include certain findings with estimated impacts on the financial statements of Norte Energia. It was concluded that the amount attributed to possible overbilling arising from bribes and/or fraudulent bids and activities considered of illicit nature was R$183,000 in Norte Energia, generating an effect of R$4,559 on the Company. The impact was fully recognized in the results for the year ended December 31, 2015.

15.3 Guanhães Energia

15.3.1 Investigation conducted by public authorities of acquisition in the indirect jointly controlled entity Guanhães Energia

On September 4, 2018, and October 23, 2018, the Company received official letters of the Minas Gerais Civil Police requesting information about the acquisition, in 2012, of a 51% interest in the jointly controlled entity Guanhães Energia, previously held by Investminas Participações S.A. ("Investminas"). The information requested includes the rate of return, investments carried out, and payment receipts. According to the Notice to the Market released on October 20, 2015, the Company stated that it is not aware of payments made to intermediaries, as mentioned in a news article regarding its acquisition of an interest in Guanhães Energia, confirming it interacted directly with Investminas Participações S.A. ("Investminas") and Cemig GT, and only recognizing the payment made to Investminas as a seller of the 51% interest in Guanhães Energia. The Company timely defended said official letters and reiterates that it is unaware of any irregularity involving the acquisition of an interest in Guanhães Energia.

16. PROPERTY, PLANT, AND EQUIPMENT

	Consolidated				
	December 31, 2019				December 31, 2018
	Average annual rate (%)	Historical Cost	Accumulated Depreciation	Net value	Net value
Generation	3.45	2,952,447	(1,883,679)	1,068,768	1,018,561
Transmission	4.02	51,753	(37,281)	14,472	15,258
Distribution	4.69	21,172	(20,502)	670	732
Management	7.96	469,680	(293,049)	176,631	182,549
Trading	7.96	19,132	(10,849)	8,283	8,911
IN SERVICE		3,514,184	(2,245,360)	1,268,824	1,226,011
Generation		248,414	-	248,414	285,304
Management		69,717	-	69,717	49,166
IN PROGRESS		318,131	-	318,131	334,470
TOTAL		3,832,315	(2,245,360)	1,586,955	1,560,481

The statement below summarizes the changes in property, plant, and equipment in the years ended December 31, 2019, and 2018:

	Consolidated				
	Balances on December 31, 2018	Additions	Write-offs	Transfer to service	Balances on December 31, 2019
PROPERTY, PLANT, AND EQUIPMENT IN SERVICE					
Cost					
Land	104,954	-	-	-	104,954
Reservoir, dams and water mains	1,311,338	-	-	29,391	1,340,729
Buildings, works and improvements	300,865	-	(46)	2,928	303,747
Machinery and equipment	1,567,702	-	(1,065)	91,508	1,658,145
Vehicles	14,263	-	-	16	14,279
Furniture and fixtures	97,281	-	(1,961)	106	95,426
Special obligations	(3,096)	-	-	-	(3,096)
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE - COST	3,393,307	-	(3,072)	123,949	3,514,184
(-) Depreciation					
Reservoir, dams and water mains	(908,876)	(18,015)	-	-	(926,891)
Buildings, works and improvements	(192,261)	(6,022)	46	-	(198,237)
Machinery and equipment	(968,450)	(55,262)	990	-	(1,022,722)
Vehicles	(12,978)	(506)	-	-	(13,484)
Furniture and fixtures	(84,977)	(1,343)	1,961	-	(84,359)
Special obligations	246	87	-	-	333
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE - DEPRECIATION	(2,167,296)	(81,061)	2,997	-	(2,245,360)
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE	1,226,011	(81,061)	(75)	123,949	1,268,824
PROPERTY, PLANT, AND EQUIPMENT IN PROGRESS					
Land	452	-	-	-	452
Reservoir, dams and water mains	29,114	3,555	-	(17,764)	14,905
Buildings, works and improvements	39,831	9,981	(328)	(2,132)	47,352
Machinery and equipment	207,985	94,499	-	(104,037)	198,447
Vehicles	36	-	-	(16)	20
Furniture and fixtures	406	20	(5)	-	421
Studies and projects	56,646	(112)	-	-	56,534
TOTAL PROPERTY, PLANT AND EQUIPMENT IN PROGRESS	334,470	107,943	(333)	(123,949)	318,131
TOTAL PROPERTY, PLANT AND EQUIPMENT	1,560,481	26,882	(408)	-	1,586,955

	Consolidated					
	Balances on January 1, 2018	Additions	Write-offs	Transfer to Service	Write-off due to sale of interest (Light Esco)	Balances on December 31, 2018
PROPERTY, PLANT, AND EQUIPMENT IN SERVICE						
Cost						
Land	104,954	-	-	-	-	104,954
Reservoir, dams and water mains	1,309,087	-	-	2,251	-	1,311,338
Buildings, works and improvements	300,623	-	(89)	331	-	300,865
Machinery and equipment	1,639,222	-	(968)	11,860	(82,412)	1,567,702
Vehicles	14,308	-	(293)	248	-	14,263
Furniture and fixtures	97,274	-	-	7	-	97,281
Special Obligations	(3,096)	-	-	-	-	(3,096)
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE - COST	3,462,372	-	(1,350)	14,697	(82,412)	3,393,307
(-) Depreciation						
Reservoir, dams and water mains	(891,464)	(17,412)	-	-	-	(908,876)
Buildings, works and improvements	(186,027)	(6,323)	89	-	-	(192,261)
Machinery and equipment	(932,844)	(59,134)	274	-	23,254	(968,450)
Vehicles	(12,750)	(520)	292	-	-	(12,978)
Furniture and fixtures	(83,580)	(1,397)	-	-	-	(84,977)
Special Obligations	158	88	-	-	-	246
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE - COST/DEPRECIATION	(2,106,507)	(84,698)	655	-	23,254	(2,167,296)
PROPERTY, PLANT, AND EQUIPMENT IN PROGRESS						
Land	487	1	-	(36)	-	452
Reservoir, dams and water mains	24,730	4,609	(97)	(128)	-	29,114
Buildings, works and improvements	29,972	10,653	(212)	(582)	-	39,831
Machinery and equipment	145,146	77,748	(1,181)	(13,675)	(53)	207,985
Vehicles	166	118	-	(248)	-	36
Furniture and fixtures	401	38	(5)	(28)	-	406
Studies and Projects	56,632	181	(167)	-	-	56,646
TOTAL PROPERTY, PLANT AND EQUIPMENT IN PROGRESS	257,534	93,348	(1,662)	(14,697)	(53)	334,470
TOTAL PROPERTY, PLANT AND EQUIPMENT	1,613,399	8,650	(2,357)	-	(59,211)	1,560,481

In the year ended December 31, 2019, R$1,740 (R$5,631 in the year ended December 31, 2018) was carried to property, plant, and equipment as interest capitalization, with an average capitalization rate of 8.1% p.a..

16.1 Annual depreciation rates:

The schedule below summarizes significant annual depreciation rates, based on the assets' estimated useful lives:

GENERATION	%	TRADING	%	MANAGEMENT	%	TRANSMISSION	%
Dams	2.50	Buildings	3.33	Buildings	3.33	System conductor	2.70
Circuit breaker	3.03	General equipment	6.25	General equipment	6.25	General equipment	6.25
Buildings	2.00	Vehicles	14.29	Vehicles	14.29	System structure	3.13
Water intake equipment	3.70					Recloser	4.00
Water intake structure	2.86						
Generator	3.33						
Motor group - generator	5.88						
Reservoir, dams and water mains	2.00						
Local communication system	6.67						
Water turbine	2.50						

The Company did not identify signs of impairment of its property, plant, and equipment on December 31, 2019, and 2018. The concession agreements of the hydroelectric power plants of subsidiary Light Energia establish that at the end of each concession's term, the granting authority will determine the amount to be indemnified so that Management understands that the value of property, plant, and equipment not depreciated at the end of concession will be reimbursed by the granting authority.

For property, plant, and equipment items without indemnity guarantee, the items are depreciated under the straight-line method considering the asset's useful life.

17. INTANGIBLE ASSETS

	Consolidated			
	December 31, 2019			December 31, 2018
	Historical Cost	Accumulated Amortization	Net value	Net value
Concession right of use	7,805,437	(5,205,866)	2,599,571	2,832,026
Other [(a)]	925,870	(806,822)	119,048	172,019
IN SERVICE	8,731,307	(6,012,688)	2,718,619	3,004,045
Other [(a)]	118,296	-	118,296	92,423
IN PROGRESS	118,296	-	118,296	92,423
TOTAL INTANGIBLE ASSETS	8,849,603	(6,012,688)	2,836,915	3,096,468

(a) Includes basically software and licenses

The statement below summarizes the changes in intangible assets in the years ended December 31, 2019, and 2018:

	Consolidated					
	Balances on December 31, 2018	Additions	Write-offs	Inter-account transfers [a]	Transfer of contract asset	Balances on December 31, 2019
IN SERVICE						
Concession right of use	8,383,402	-	(144,570)	(364,094)	575,848	8,450,586
Special obligations- Concession right of use	(640,234)	-	-	13,576	(18,491)	(645,149)
	7,743,168	-	(144,570)	(350,518)	557,357	7,805,437
Other	979,902	-	-	28,454	-	1,008,356
Special obligations - other	(82,486)	-	-	-	-	(82,486)
	897,416	-	-	28,454	-	925,870
TOTAL INTANGIBLE ASSETS IN SERVICE - COST	8,640,584	-	(144,570)	(322,064)	557,357	8,731,307
(-) Amortization						
Concession right of use	(5,111,873)	(463,651)	110,027	-	-	(5,465,497)
Special obligations- Concession right of use	200,731	58,900	-	-	-	259,631
	(4,911,142)	(404,751)	110,027	-	-	(5,205,866)
Other	(739,434)	(84,592)	-	-	-	(824,026)
Special obligations - other	14,037	3,167	-	-	-	17,204
	(725,397)	(81,425)	-	-	-	(806,822)
TOTAL INTANGIBLE ASSETS IN SERVICE - AMORTIZATION	(5,636,539)	(486,176)	110,027	-	-	(6,012,688)
TOTAL INTANGIBLE ASSETS IN SERVICE	3,004,045	(486,176)	(34,543)	(322,064)	557,357	2,718,619
Other	92,423	53,785	(12)	(27,900)	-	118,296
	92,423	53,785	(12)	(27,900)	-	118,296
TOTAL INTANGIBLE ASSETS IN PROGRESS	92,423	53,785	(12)	(27,900)	-	118,296
TOTAL INTANGIBLE ASSETS	3,096,468	(432,391)	(34,555)	(349,964)	557,357	2,836,915

[a] Transfer to concessions' financial asset, as a result of the split of assets upon start-up, pursuant to IFRIC 12 / ICPC 01, and transfer from concessions' financial asset referring to special obligations (see Note 13).

	Consolidated					
	Balances on January 1, 2018	Additions	Write-offs	Inter-account transfers [(a)]	Transfer to contractual assets	Balances on December 31, 2018
IN SERVICE						
Concession right of use	8,151,823	-	(52,423)	284,002	-	8,383,402
Special obligations- Concession right of use	(622,531)	-	-	(17,703)	-	(640,234)
	7,529,292	-	(52,423)	266,299	-	7,743,168
Other	860,687	-	-	119,215	-	979,902
Special obligations - other	(82,486)	-	-	-	-	(82,486)
	778,201	-	-	119,215	-	897,416
TOTAL INTANGIBLE ASSETS IN SERVICE	8,307,493	-	(52,423)	385,514	-	8,640,584
(-) Amortization						
Concession right of use	(4,709,917)	(441,262)	48,381	(9,075)	-	(5,111,873)
Special obligations- Concession right of use	143,304	57,427	-	-	-	200,731
	(4,566,613)	(383,835)	48,381	(9,075)	-	(4,911,142)
Other	(661,665)	(77,769)	-	-	-	(739,434)
Special obligations - other	10,870	3,167	-	-	-	14,037
	(650,795)	(74,602)	-	-	-	(725,397)
TOTAL INTANGIBLE ASSETS IN SERVICE/AMORTIZATION	(5,217,408)	(458,437)	48,381	(9,075)	-	(5,636,539)
IN PROGRESS						
Concession right of use	313,518	666,619	-	(578,458)	(401,679)	-
Special obligations- Concession right of use	(95,321)	(35,596)	-	59,478	71,439	-
	218,197	631,023	-	(518,980)	(330,240)	-
Other	265,285	50,219	-	(223,081)	-	92,423
	265,285	50,219	-	(223,081)	-	92,423
TOTAL INTANGIBLE ASSETS IN PROGRESS	483,482	681,242	-	(742,061)	(330,240)	92,423
TOTAL INTANGIBLE ASSETS	3,573,567	222,805	(4,042)	(365,622)	(330,240)	3,096,468

[(a)] Transfer to concessions' financial assets, as a result of the split of assets upon start-up, pursuant to IFRIC 12 / ICPC 01 (see Note 13).

The amounts recorded are net of special obligations, which represent contributions made by the federal government, states, municipalities and consumers, any unqualified donations (i.e., not subject to any consideration to the benefit of the donor), and subsidy intended as investments to be made toward concession of the electric power distribution utility.

The infrastructure used by subsidiary Light SESA is associated with the distribution service, and therefore cannot be removed, disposed of, assigned, conveyed, or encumbered as mortgage collateral without the prior written authorization of the granting authority, which authorization, if given, is regulated by ANEEL Resolution No. 20/99.

The amortization of intangible assets must reflect the manner in which the Company expects to allocate the future benefits related to the use of assets, or the end of the concession, whichever occurs first. Intangible assets are amortized using the straight-line method, considering the consumption pattern of these rights.

18. TRADE ACCOUNTS PAYABLE

	Consolidated	
	December 31, 2019	December 31, 2018
Trading in the short-term market	1,441,999	1,059,624
Charges related to the use of electric network	83,502	79,983
Free energy – refund to generation companies[(a)]	111,058	104,811
Electric power auctions	336,965	280,577
Itaipu binacional	202,034	228,107
UTE Norte Fluminense	150,163	142,970
Supplies and services	220,624	223,588
TOTAL	2,546,345	2,119,660

[(a)] Free energy refers to amounts payable to electric power generators referring to losses during the power rationing period between June 2001 and February 2002. The Company has Writs of Mandamus against Decisions SFF/ANEEL no. 2.517/2010 and SFF/ANEEL no. 1.068/2010, and their amount is monthly restated by the SELIC interest rate.

On December 31, 2019, the subsidiary Light Energia had an outstanding balance of R$1,231,174 (R$950,877 on December 31, 2018) under the Sales in the short-term market line, referring to the settlement of the Electric Power Trading Chamber (CCEE) arising from the Energy Reallocation Mechanism (MRE) adjustment caused by a GSF lower than 1 (see Note 38). As mentioned in Note 07, the Company has a balance receivable of R$574,567 (R$435,505 on December 31, 2018), resulting from net liabilities of R$656,607 on December 31, 2019 (net liabilities of R$515,372 on December 31, 2018).

19. TAXES AND CONTRIBUTIONS PAYABLE

	Consolidated					
	December 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
ICMS payable	91,778	131,297	223,075	213,558	179,266	392,824
Payment in installments - Law 11941/09	23,897	99,163	123,060	23,855	125,287	149,142
PIS and COFINS payable [(b)]	44,096	118.025	162,121	84,650	-	84,650
INSS	400	-	400	3,735	-	3,735
Other	12,168	-	12,168	13,113	-	13,113
TAXES AND CONTRIBUTIONS PAYABLE	172,339	348,485	520,824	338,911	304,553	643,464
Withholding income tax payable	1,000	-	1,000	1,204	-	1,204
Provision for income tax and social contribution	37,108	-	37,108	12,733	-	12,733
INCOME TAX AND SOCIAL CONTRIBUTION PAYABLE	38,108	-	38,108	13,937	-	13,937
TOTAL	210,447	348,485	558,932	352,848	304,553	657,401

[(a)] ICMS payable, recorded under non-current liabilities, arises from installment payment of bills.
[(b)] Includes R$118,025 related to PIS and COFINS levied on financial revenue from the credit update related to the right to exclude ICMS from the PIS and COFINS calculation base.

20. LOANS AND FINANCING

Consolidated								
		Current			Non-current		Total	Total
Financing entity	Subsidiary	Principal	Charges	Total	Principal	Total	December 31, 2019	December 31, 2018
TN - Par Bond	Light SESA	-	2,026	2,026	156,873	156,873	158,899	152,753
TN - Surety - Par Bond	Light SESA	-	-	-	(143,195)	(143,195)	(143,195)	(130,225)
TN - Discount Bond	Light SESA	-	866	866	109,461	109,461	110,327	106,018
TN - Surety - Discount Bond	Light SESA	-	-	-	(99,959)	(99,959)	(99,959)	(90,999)
4131 Citibank 2018	Light SESA	-	-	-	-	-	-	741,319
4131 Citibank 2019	Light SESA	40,307	856	41,163	322,456	322,456	363,619	-
Bonds	Light SESA	-	12,030	12,030	1,047,982	1,047,982	1,060,012	1,567,712
4131 Citibank 2018	Light Energia	-	-	-	-	-	-	78,050
4131 Citibank 2019	Light Energia		707	707	322,456	322,456	323,163	-
Bonds	Light Energia	-	6,015	6,015	523,991	523,991	530,006	783,700
Subtotal - Foreign currency		40,307	22,500	62,807	2,240,065	2,240,065	2,302,872	3,208,328
Funding cost		-	-	-	(19,117)	(19,117)	(19,117)	(37,134)
Covenant Fee Cost		-	-	-	-	-	-	(398)
Cost - Foreign currency		-	-	-	(19,117)	(19,117)	(19,117)	(37,532)
TOTAL FOREIGN CURRENCY		40,307	22,500	62,807	2,220,948	2,220,948	2,283,755	3,170,796
Eletrobras - Reluz	Light SESA	-	-	-	-	-	-	787
CCB Banco do Brasil 2017	Light SESA	-	-	-	-	-	-	15,021
CCB Bradesco 2016	Light SESA	-	-	-	-	-	-	60,773
CCB - IBM 2017	Light SESA	4,043	48	4,091	-	-	4,091	40,500
CCB - IBM 2019	Light SESA	969	-	969	404	404	1,373	-
Leasing IBM	Light SESA	49	-	49	-	-	49	1,598
BNDES - Capex 2009/10 Sub C	Light SESA	-	-	-	-	-	-	9,311
BNDES - Capex 2011/12 Sub 1	Light SESA	-	-	-	-	-	-	308
BNDES - Capex 2011/12 Sub 2	Light SESA	-	-	-	-	-	-	9,090
BNDES - Capex 2011/12 Sub 3	Light SESA	-	-	-	-	-	-	10,931
BNDES - Capex 2011/12 Sub 4	Light SESA	-	-	-	-	-	-	10,934
BNDES - Capex 2011/12 Sub 17	Light SESA	-	-	-	-	-	-	1
BNDES - Capex 2011/12 Sub 18	Light SESA	-	-	-	-	-	-	1
BNDES - Capex 2013/14 Sub A	Light SESA	33,236	139	33,375	8,309	8,309	41,684	74,793
BNDES - Capex 2013/14 Sub B	Light SESA	22,035	30	22,065	5,509	5,509	27,574	46,825
BNDES - Capex 2013/14 Sub C	Light SESA	13,936	156	14,092	51,100	51,100	65,192	79,148
BNDES - Capex 2013/14 Sub D	Light SESA	680	3	683	170	170	853	1,530
BNDES - Capex 2013/14 Sub E	Light SESA	452	1	453	113	113	566	960
BNDES - CAPEX 2015/16 Sub A	Light SESA	-	-	-	-	-	-	142,904
BNDES - CAPEX 2015/16 Sub B	Light SESA	-	-	-	-	-	-	161,638
BNDES - CAPEX 2015/16 Sub C	Light SESA	-	-	-	-	-	-	60,412
BNDES - CAPEX 2017/18	Light SESA	42,103	1,412	43,515	224,550	224,550	268,065	-
BNDES - 2013/16 Olympics Sub A	Light SESA	4,149	14	4,163	-	-	4,163	8,302
BNDES - 2013/16 Olympics Sub B	Light SESA	4,149	15	4,164	-	-	4,164	8,302
BNDES - 2013/16 Olympics Sub C	Light SESA	3,195	11	3,206	-	-	3,206	6,411
BNDES - 2013/16 Olympics Sub D	Light SESA	2,419	16	2,435	2,419	2,419	4,854	7,259
BNDES - 2013/16 Olympics Sub E	Light SESA	2,432	18	2,450	2,432	2,432	4,882	7,300
BNDES - 2013/16 Olympics Sub F	Light SESA	1,874	13	1,887	1,874	1,874	3,761	5,641
BNDES - 2013/16 Olympics Sub G	Light SESA	1,607	9	1,616	4,821	4,821	6,437	8,046
BNDES - 2013/16 Olympics Sub H	Light SESA	447	2	449	447	447	896	1,339
FINEP - Research and Innovation	Light SESA	23,193	98	23,291	32,856	32,856	56,147	79,380
Promissory Note - 4th NP	Light SESA	-	-	-	-	-	-	95,237
Promissory Note - 5th NP	Light SESA	100,000	198	100,198	200,000	200,000	300,198	-
FIDC 2018 Series A	Light SESA	172,744	2,008	174,752	746,666	746,666	921,418	1,002,645
FIDC 2018 Series B	Light SESA	84,618	846	85,464	296,161	296,161	381,625	410,422
BNDES - Capex 2009/10 Sub C	Light Energia	-	-	-	-	-	-	579
BNDES - Lajes Project - SUB A	Light Energia	1,879	39	1,918	9,552	9,552	11,470	13,314
BNDES - Lajes Project - SUB B	Light Energia	1,985	41	2,026	10,092	10,092	12,118	14,066
Promissory Note - 3rd NP	Light Energia	-	-	-	-	-	-	28,632
Promissory Note - 4th NP	Light Energia	-	-	-	-	-	-	107,537
BNDES Conecta	Light Conecta	676	2	678	394	394	1,072	3,657
Sundry bank guarantee	Light SESA	-	57	57	-	-	57	55
FIDC Subordinated Shares	Light SESA	-	-	-	(35,104)	(35,104)	(35,104)	(35,104)
FIDC Retention	Light SESA	(31,758)	-	(31,758)	-	-	(31,758)	(9,193)
Subtotal - Domestic currency		491,112	5,176	496,288	1,562,765	1,562,765	2,059,053	2,491,292
Funding cost		(7,598)	-	(7,598)	(27,985)	(27,985)	(35,583)	(38,943)
Covenant Fee Cost		-	-	-	-	-	-	(175)
Cost - Domestic currency		(7,598)	-	(7,598)	(27,985)	(27,985)	(35,583)	(39,118)
TOTAL DOMESTIC CURRENCY		483,514	5,176	488,690	1,534,780	1,534,780	2,023,470	2,452,174
TOTAL		523,821	27,676	551,497	3,755,728	3,755,728	4,307,225	5,622,970

The table below summarizes the contractual terms and conditions applicable to existing loans and financing in 2019:

Financing entity	Subsidiary	Date of signature	Currency	Interest rate p.a. (a)	Effective rate (a)	Principal Amortization		
						Beginning	Payment	End
TN - Par Bond	Light SESA	April 29, 1996	US$	64.05% of CDI	3.80%	Apr/2024	Lump sum	Apr/2024
TN - Surety - Par Bond	Light SESA	April 29, 1996	US$	U$ Treasury	-	Apr/2024	Lump sum	Apr/2024
TN - Discount Bond	Light SESA	April 29, 1996	US$	64.05% of CDI	3.80%	Apr/2024	Lump sum	Apr/2024
TN - Surety - Discount Bond	Light SESA	April 29, 1996	US$	U$ Treasury	-	Apr/2024	Lump sum	Apr/2024
4131 Citibank 2018	Light SESA	February 1, 2018	US$	CDI + 3.50%	N/A	May/2018	Half-yearly	Aug/2021
4131 Citibank 2019	Light SESA	September 5, 2019	US$	CDI + 1.50%	7.53%	Mar/2020	Annually	Sep/2021
Bonds	Light SESA	May 3, 2018	US$	142.79% of CDI	8.48%	May/2023	Lump sum	May/2023
4131 Citibank 2018	Light Energia	February 1, 2018	US$	CDI + 3.50%	N/A	Mar/2018	Half-yearly	Aug/2019
4131 Citibank 2019	Light Energia	September 4, 2019	US$	CDI + 1.30%	7.32%	Sep/2021	Lump sum	Sep/2021
Bonds	Light Energia	May 3, 2018	US$	143.01% of CDI	8.49%	May/2023	Lump sum	May/2023
Eletrobras - Reluz	Light SESA	March 22, 2010	R$	5.00%	5.00%	Sep/2014	Monthly	Aug/2019
CCB Banco do Brasil 2017	Light SESA	February 21, 2017	R$	140% of CDI	N/A	Aug/2017	Every two months	Feb/2019
CCB Bradesco 2016	Light SESA	November 16, 2016	R$	CDI + 3.50%	9.65%	Feb/2017	Quarterly	Nov/2019
CCB - IBM 2017 (b)	Light SESA	January 10, 2017	R$	CDI + 3.84%	10.01%	Jan/2017	Quarterly	May/2020
CCB - IBM 2019	Light SESA	May 9, 2019	R$	CDI	5.94%	May/2019	Monthly	May/2021
Leasing IBM	Light SESA	November 10, 2016	R$	CDI	5.94%	Feb/2017	Monthly	Feb/2020
BNDES - Capex 2009/10 Sub C	Light SESA	November 30, 2009	R$	4.50%	4.50%	May/2011	Monthly	Sep/2019
BNDES - Capex 2011/12 Sub 1	Light SESA	December 6, 2011	R$	TJLP	5.57%	Apr/2013	Monthly	Mar/2019
BNDES - Capex 2011/12 Sub 2	Light SESA	December 6, 2011	R$	TJLP + 1.81%	7.38%	Apr/2013	Monthly	Mar/2019
BNDES - Capex 2011/12 Sub 3	Light SESA	December 6, 2011	R$	TJLP + 2.21%	7.78%	Apr/2013	Monthly	Mar/2019
BNDES - Capex 2011/12 Sub 4	Light SESA	December 6, 2011	R$	TJLP + 3.21%	8.78%	Apr/2013	Monthly	Mar/2019
BNDES - Capex 2011/12 Sub 17	Light SESA	December 6, 2011	R$	TJLP + 2.21%	7.78%	Apr/2013	Monthly	Mar/2019
BNDES - Capex 2011/12 Sub 18	Light SESA	December 6, 2011	R$	TJLP + 3.21%	8.78%	Apr/2013	Monthly	Mar/2019
BNDES - Capex 2013/14 Sub A	Light SESA	November 28, 2014	R$	TJLP + 2.78%	8.35%	Apr/2015	Monthly	Mar/2021
BNDES - Capex 2013/14 Sub B	Light SESA	November 28, 2014	R$	SELIC + 2.78%	8.89%	Mar/2015	Monthly	Mar/2021
BNDES - Capex 2013/14 Sub C	Light SESA	November 28, 2014	R$	6.00%	6.00%	Apr/2015	Monthly	Aug/2024
BNDES - Capex 2013/14 Sub D	Light SESA	November 28, 2014	R$	TJLP + 2.78%	8.35%	Apr/2015	Monthly	Mar/2021
BNDES - Capex 2013/14 Sub E	Light SESA	November 28, 2014	R$	SELIC + 2.78%	8.89%	Apr/2015	Monthly	Mar/2021
BNDES - CAPEX 2015/16 Sub A	Light SESA	December 26, 2016	R$	TJLP + 3.74%	N/A	Apr/2017	Monthly	Mar/2023
BNDES - CAPEX 2015/16 Sub B	Light SESA	December 26, 2016	R$	SELIC + 4.08%	N/A	Apr/2017	Monthly	Mar/2023
BNDES - CAPEX 2015/16 Sub C	Light SESA	December 26, 2016	R$	TJLP + 3.74%	N/A	Apr/2017	Monthly	Mar/2023
BNDES - CAPEX 2017/18	Light SESA	December 28, 2018	R$	IPCA + 6.14%	10.71%	Jun/2019	Monthly	Apr/2026
BNDES - 2013/16 Olympics Sub A	Light SESA	December 16, 2013	R$	TJLP + 2.58%	8.15%	Jan/2015	Monthly	Dec/2020
BNDES - 2013/16 Olympics Sub B	Light SESA	December 16, 2013	R$	TJLP + 3.58%	9.15%	Jan/2015	Monthly	Dec/2020
BNDES - 2013/16 Olympics Sub C	Light SESA	December 16, 2013	R$	SELIC + 2.58%	8.67%	Jan/2015	Monthly	Dec/2020
BNDES - 2013/16 Olympics Sub D	Light SESA	December 16, 2013	R$	TJLP + 2.58%	8.15%	Jan/2016	Monthly	Dec/2021
BNDES - 2013/16 Olympics Sub E	Light SESA	December 16, 2013	R$	TJLP + 3.58%	9.15%	Jan/2016	Monthly	Dec/2021
BNDES - 2013/16 Olympics Sub F	Light SESA	December 16, 2013	R$	SELIC + 2.58%	8.67%	Jan/2016	Monthly	Dec/2021
BNDES - 2013/16 Olympics Sub G	Light SESA	December 16, 2013	R$	3.50%	3.50%	Jan/2016	Monthly	Dec/2023
BNDES - 2013/16 Olympics Sub H	Light SESA	December 16, 2013	R$	TJLP	5.57%	Jan/2019	Monthly	Dec/2021
FINEP - Research and Innovation	Light SESA	April 16, 2014	R$	4.00%	4.00%	May/2016	Monthly	May/2022
Promissory Note - 4th NP	Light SESA	December 21, 2017	R$	CDI + 3.50%	N/A	Jan/2019	Lump sum	Jan/2019
Promissory Note - 5th NP	Light SESA	December 27, 2019	R$	CDI + 1.25%	7.26%	Dec/2020	Annually	May/2022
FIDC 2018 Series A	Light SESA	April 4, 2018	R$	CDI + 1.20%	7.21%	Jul/2019	Monthly	Jun/2024
FIDC 2018 Series B	Light SESA	April 4, 2018	R$	IPCA + 5.75%	10.30%	Jul/2019	Monthly	Jun/2024
BNDES - Capex 2009/10 Sub C	Light Energia	November 30, 2009	R$	4.50%	N/A	May/2011	Monthly	Sep/2019
BNDES - Lajes Project - SUB A	Light Energia	September 28, 2016	R$	TJLP + 2.95%	8.52%	Feb/2017	Monthly	Jan/2026
BNDES - Lajes Project - SUB B	Light Energia	September 28, 2016	R$	TJLP + 2.95%	8.52%	Apr/2017	Monthly	Jan/2026
Promissory Note - 3rd NP	Light Energia	August 17, 2017	R$	CDI + 3.50%	N/A	May/2018	Quarterly	Feb / 2019
Promissory Note - 4th NP	Light Energia	March 23, 2018	R$	CDI + 3.50%	N/A	Mar/2019	Lump sum	Mar/2019
BNDES Conecta (b)	Light Conecta	October 10, 2018	R$	TJLP + 0.53%	6.10%	Oct/2018	Monthly	Oct/2023

(a) For foreign currency debt, we considered the costs in reais, as per the related swap agreements.
(b) For these debts, we considered the average cost of the tranches of each operation.

Below are the main financial operations in the year ended December 31, 2019:

- On January 22, 2019, the subsidiary Light SESA paid the 4th promissory note, totaling R$86,000.

- On February 1, 2019, the rollover of the Resolution 4131 debt between the subsidiary company Light SESA and Citibank was carried out in the amount of R$ 657,342. The transaction has a one-year grace period on principal, semi-annual amortizations, quarterly interest payments, and matures in August 2022. A swap transaction was contracted to fully protect principal, interest, and taxes at the cost of CDI + 2.20% p.a.

- On February 8, 2019, the subsidiary Light Energia paid the 3rd promissory note, totaling R$25,000.

- On February 22, 2019, the subsidiary Light SESA paid in full the commercial credit note with Banco do Brasil, totaling R$15,000.

- On February 26, 2019, the subsidiary company Light SESA received the first release of funds related to the 2017-2018 CAPEX financing agreement with BNDES, in the amount of R$200,000. The transaction has costs of TLP + 3.16% p.a., with a seven-year term and monthly amortizations.

- On March 28, 2019, the subsidiary Light Energia paid the 4th promissory note, totaling R$100,000.

- On July 30, 2019, the subsidiary Light SESA received the last release of funds related to the 2017-2018 CAPEX financing agreement with BNDES, in the amount of R$89,015.

- On August 1, 2019, the subsidiary Light Energia paid the transaction through resolution 4131 with Citibank in the amount of R$37,649.

- On September 5, 2019, the subsidiary light SESA made a pre-payment of R$375,498 out of a total of R$750,996 of the financing with Citibank for the operation via Resolution 4131. The swap cost to fully hedge the principal, interest, and tax was CDI + 2.20% p.a. and was changed after the repurchase to CDI + 1.50% p.a. maturing in September 2021.

- On September 5, 2019, R$333,776 was raised by the subsidiary Light Energia with Citibank, maturing in 2 years. A swap transaction was contracted to fully protect principal, interest, and taxes at the cost of CDI + 1.30% p.a.

- On October 1, 2019, the Company announced the exercise of the option to partially redeem bonds issued in the international market as units, as provided for in the deed. Due to the redemption, on October 16 and 17, 2019, the Company prepared the disarming of the foreign exchange hedge with the release of the swap corresponding to 35% of the debt balance of the bonds and at the same time contracting NDFs with maturity on the payment date of the redemption.

- On November 4th, there was an early redemption of 35% of the note units in the amount equivalent to R$835,506 (USD210,000), with R$557,004 (USD140,000) for the subsidiary Light SESA and R$278,502 (USD70,000) for the subsidiary Light Energia. Swap operations were settled in the same proportion. The outstanding principal balance of the debt is US$390,000, with US$260,000 for the subsidiary Light SESA and US$130,000 for the subsidiary Light Energia.

- On December 16, 2019, the pre-payment was made by the subsidiary Light SESA for the 2015-2016 CAPEX financing agreement with BNDES with a principal balance of R$285,973.

- On December 27, 2019, the 5th promissory note was issued by the subsidiary Light SESA totaling R$300,000, in three series of R$100,000 each, with maturity on December 27, 2020, 2021 and 2022, and cost of CDI + 1.25% p.a. This operation is coordinated by Banco Santander.

In addition to the warranties, the loans are backed by guarantees of (i) Light S.A.; and (ii) receivables of the subsidiary Light SESA, in the amount of R$436,296 (R$503,315 on December 31, 2018), given as a guarantee for the operations with the BNDES. Also, current and future receivables of the subsidiary Light SESA were transferred, and the maximum amount of R$796,320 is made available every year for the constitution of the FIDC.

On December 31, 2019, Light S.A. had guarantees, sureties, or corporate guarantees issued in favor of its subsidiaries or jointly controlled entities totaling R$8,733,413 (R$9,620,276 on December 31, 2018).

The portions related to the principal of consolidated loans and financing, classified in non-current liabilities, and excluding costs of funding and covenant fees (waivers), have the following maturities on December 31, 2019:

	Consolidated		
	Domestic currency	Foreign currency	Total
2021	480,534	644,912	1,125,446
2022	463,586	-	463,586
2023	373,918	1,571,974	1,945,892
2024	184,403	23,179	207,582
2025	45,968	-	45,968
2026	14,356	-	14,356
TOTAL	1,562,765	2,240,065	3,802,830

The percentage variation of the main foreign currencies and the percentages of the main economic ratios, which are used to adjust loans, financing, and debentures, were as follows in the years ended December 31, 2019, and 2018:

	December 31, 2019	December 31, 2018
Change in the year		
USD	4.0%	17.1%
Accumulated in the Fiscal Year		
IGP-M	7.3%	7.5%
IPCA	4.3%	3.9%
SELIC	5.9%	6.4%
CDI	5.9%	6.4%
TJLP	5.6%	7.0%

Below, the consolidated loans and borrowings breakdown for the years ended December 31, 2019, and 2018:

	Consolidated		
	Principal	Charges	Total
BALANCE ON JANUARY 1, 2018	3,093,656	21,999	3,115,655
Fundraising	3,970,304	-	3,970,304
Exchange variation and inflation adjustment	378,401	-	378,401
Financial charges accrued	-	328,890	328,890
Financial charges paid	-	(307,950)	(307,950)
Financing amortization	(1,740,536)	-	(1,740,536)
Funding cost	(89,000)	-	(89,000)
Funding cost amortization	19,983	-	19,983
Subordinated Shares and Retention - FIDC	(44,297)	-	(44,297)
Capitalized charges on intangible assets and property, plant & equipment	-	19,298	19,298
Transfer to liabilities directly associated with assets held for sale	(27,721)	(57)	(27,778)
BALANCE ON DECEMBER 31, 2018	5,560,790	62,180	5,622,970
Fundraising	926,535	-	926,535
Exchange variation and inflation adjustment	107,088	-	107,088
Financial charges accrued	-	366,473	366,473
Financial charges paid	-	(411,600)	(411,600)
Financing amortization	(2,314,249)	-	(2,314,249)
Funding cost	(5,435)	-	(5,435)
Funding cost amortization	27,385	-	27,385
Subordinated Shares and Retention - FIDC	(22,565)	-	(22,565)
Charges capitalized to contract assets and property, plant & equipment	-	10,623	10,623
BALANCE ON DECEMBER 31, 2019	4,279,549	27,676	4,307,225

Total principal amount is stated net of loans-related costs and covenant fees (waivers). These costs are broken down in the table below.

			Change in costs						
Financing entity	Subsidiary	Total cost	Balance to be amortized on January 1, 2018	Cost	Cost amortization	Balance to be amortized on December 31, 2018	Cost	Cost amortization	Balance to be amortized on December 31, 2019
BNDES - Capex	Light SESA	5,435	-	-	-	-	5,435	(632)	4,803
4131 Citibank 2014	Light SESA	4,452	1,236	-	(838)	398	-	(398)	-
Promissory Note - 4th NP	Light SESA	4,427	4,427	-	(4,087)	340	-	(340)	-
CCB - Santander 2018	Light SESA	1,251	-	1,251	(1,251)	-	-	-	-
Overdraft Account - CEF 2015	Light SESA	1,000	-	1,000	(294)	706	-	(706)	-
CCB Banco do Brasil 2018	Light SESA	1,500	-	1,500	(1,500)	-	-	-	-
FIDC 2018	Light SESA	41,032	-	41,032	(3,412)	37,620	-	(6,840)	30,780
Bonds	Light SESA	27,846	-	27,846	(3,159)	24,687	-	(11,978)	12,709
4131 Citibank 2012	Light Energia	3,339	747	-	(747)	-	-	-	-
Promissory Note - 3rd NP	Light Energia	1,660	1,223	1,227	(2,275)	175	-	(175)	-
Promissory Note - 4th NP	Light Energia	1,107	-	1,107	(830)	277	-	(277)	-
Bonds	Light Energia	15,264	-	14,037	(1,590)	12,447	-	(6,039)	6,408
TOTAL		108,313	7,633	89,000	(19,983)	76,650	5,435	(27,385)	54,700

The Company’s exposure to interest rate, foreign currency, and liquidity risks related to loans and borrowings are reported in Note 38.

Covenants

The Company has clauses that may cause the early maturity of debt in certain loan and financing agreements, including cross-default. The early maturity only occurs when one of the ratios has not been complied with in two consecutive quarters or four intercalate quarters, and when certain non-financial covenants have not been complied with. The bank credit certificates of Bradesco, as well as loans with Citibank, the BNDES, and FIDC, require that the Company maintains certain net debt/EBITDA ratios and covenants. On December 31, 2019, the Company was in conformity with the required debt covenants.

21. DEBENTURES

Consolidated								
Issue	Subsidiary	Current			Non-current		Total	Total
		Principal	Charges	Total	Principal	Total	December 31, 2019	December 31, 2018
Debentures 8th Issue	Light SESA	39,198	1,112	40,310	235,000	235,000	275,310	315,004
Debentures 9th Issue Series A	Light SESA	250,000	3,554	253,554	250,000	250,000	503,554	757,131
Debentures 9th Issue Series B	Light SESA	213,164	5,684	218,848	639,493	639,493	858,341	828,187
Debentures 10th Issue	Light SESA	250,050	1,802	251,852	-	-	251,852	504,861
Debentures 12th Issue Series 1	Light SESA	-	-	-	-	-	-	50,744
Debentures 12th Issue Series 2	Light SESA	-	-	-	-	-	-	155,015
Debentures 12th Issue Series 3	Light SESA	58,161	2,440	60,601	-	-	60,601	58,446
Debentures 13th Issue	Light SESA	-	7,910	7,910	496,379	496,379	504,289	486,290
Debentures 14th Issue	Light SESA	-	-	-	-	-	-	425,000
Debentures 15th Issue Series 1	Light SESA	-	7,977	7,977	559,641	559,641	567,618	546,386
Debentures 15th Issue Series 2	Light SESA	-	2,362	2,362	160,000	160,000	162,362	162,412
Debentures 16th Issue Series 1	Light SESA	-	1,592	1,592	132,500	132,500	134,092	-
Debentures 16th Issue Series 2	Light SESA	-	5,394	5,394	422,950	422,950	428,344	-
Debentures 16th Issue Series 3	Light SESA	-	810	810	62,500	62,500	63,310	-
Debentures 17th Issue Series 1	Light SESA	-	1,997	1,997	500,400	500,400	502,397	-
Debentures 17th Issue Series 2	Light SESA	-	207	207	50,000	50,000	50,207	-
Debentures 17th Issue Series 4	Light SESA	-	489	489	150,210	150,210	150,699	-
Debentures 2nd Issue	Light Energia	-	-	-	-	-	-	109,085
Debentures 3rd Issue	Light Energia	2,502	71	2,573	15,000	15,000	17,573	20,107
Debentures 6th Issue	Light Energia	-	-	-	-	-	-	67,337
Subtotal – Debentures		813,075	43,401	856,476	3,674,073	3,674,073	4,530,549	4,486,005
Funding cost		(15,395)	-	(15,395)	(44,724)	(44,724)	(60,119)	(63,681)
Covenant Fee Cost		(5,260)	-	(5,260)	(5,855)	(5,855)	(11,115)	(16,833)
Costs - Debentures		(20,655)	-	(20,655)	(50,579)	(50,579)	(71,234)	(80,514)
TOTAL		792,420	43,401	835,821	3,623,494	3,623,494	4,459,315	4,405,491

Below, contractual conditions of existing debentures on a consolidated basis of 2019:

Issue	Subsidiary	Date of signature	Currency	Interest rate p.a.	Effective rate	Beginning	Payment	End
Debentures 8th Issue	Light SESA	August 24, 2012	R$	CDI + 1.18%	7.19%	Jun/2015	Annually	Jun/2026
Debentures 9th Issue Series A	Light SESA	June 15, 2013	R$	CDI + 1.15%	7.16%	Mar/2018	Annually	May/2021
Debentures 9th Issue Series B	Light SESA	June 15, 2013	R$	IPCA + 5.74%	10.29%	May/2020	Annually	May/2023
Debentures 10th Issue	Light SESA	April 30, 2014	R$	115% CDI	6.83%	May/2018	Annually	May/2020
Debentures 12th Issue Series 1	Light SESA	July 7, 2017	R$	CDI + 4.00%	N/A	Apr/2018	Quarterly	Jan/2019
Debentures 12th Issue Series 2	Light SESA	July 7, 2017	R$	CDI + 4.20%	N/A	Jul/2020	Lump sum	Jul/2020
Debentures 12th Issue Series 3	Light SESA	July 7, 2017	R$	IPCA + 9.09%	13.79%	Jul/2020	Lump sum	Jul/2020
Debentures 13th Issue	Light SESA	November 1, 2017	R$	IPCA + 7.44%	12.07%	Oct/2022	Lump sum	Oct/2022
Debentures 14th Issue	Light SESA	March 26, 2018	R$	CDI + 3.50%	N/A	Mar/2019	Every two months	Mar/2021
Debentures 15th Issue Series 1	Light SESA	September 12, 2018	R$	IPCA + 6.83%	11.43%	Oct/2024	Annually	Oct/2025
Debentures 15th Issue Series 2	Light SESA	September 12, 2018	R$	CDI + 2.20%	8.27%	Oct/2021	Annually	Oct/2022
Debentures 16th Issue Series 1	Light SESA	April 26, 2019	R$	CDI + 0.90%	6.89%	Apr/2022	Lump sum	Apr/2022
Debentures 16th Issue Series 2	Light SESA	April 26, 2019	R$	CDI + 1.25%	7.26%	Apr/2023	Annually	Apr/2024
Debentures 16th Issue Series 3	Light SESA	April 26, 2019	R$	CDI + 1.35%	7.37%	Apr/2025	Lump sum	Apr/2025
Debentures 17th Issue Series 1	Light SESA	October 11, 2019	R$	CDI + 1.50%	7.53%	Oct/2022	Lump sum	Oct/2022
Debentures 17th Issue Series 2	Light SESA	October 11, 2019	R$	CDI + 1.75%	7.79%	Oct/2023	Annually	Oct/2024
Debentures 17th Issue Series 4	Light SESA	October 11, 2019	R$	IPCA + 5.25%	9.78%	Oct/2025	Annually	Oct/2026
Debentures 2nd Issue	Light Energia	December 29, 2011	R$	CDI + 1.18%	N/A	Aug/2016	Annually	Aug/2019
Debentures 3rd Issue	Light Energia	August 24, 2012	R$	CDI + 1.18%	7.19%	Jun/2015	Annually	Jun/2026
Debentures 6th Issue	Light Energia	November 30, 2017	R$	CDI + 3.50%	N/A	Aug/2018	Quarterly	Nov/2019

Below are the main financial operations in the year ended December 31, 2019:

- On January 15, 2019, the subsidiary Light SESA paid off the debt related to the 1st series of the 12th issue of debentures, totaling R$49,695.

- On February 11, 2019, the subsidiary Light SESA made the full early redemption of the debt related to the 2nd series of the 12th issue of debentures, totaling R$147,889.

- On May 07, 2019, the subsidiary Light SESA carried out its 16th Debenture Issue, totaling R$617,950, in three series. The amounts and conditions of the series can be found below:

Series	Amount in R$ thousand	Interest rate p.a.	Maturity date
1st Term	R$132,500	CDI + 0.90%	April 15, 2022
2nd Term	R$422,950	CDI + 1.25%	April 15, 2024
3rd Term	R$62,500	CDI + 1.35%	April 15, 2025

- On August 9, 2019, the full early redemption of the 14th debenture issue of the subsidiary Light SESA with Banco do Brasil, totaling a principal of R$326,923, was carried out. The transaction had a cost of CDI + 3.50% p.a., due in March 2021.

- On August 19, 2019, the subsidiary Light Energia paid off the debt to Banco do Banco do Brasil referring to the 2nd Issue of Debentures in the amount of R$106,250.

- On October 15, 2019, the subsidiary Light SESA carried out its 17th Issue of Debentures, totaling R$700,000, in three series, with the entry of funds on December 6, 2019. The amounts and conditions of the series can be found below:

Series	Amount in R$ thousand	Interest rate p.a.	Maturity date
1st Term	R$500,400	CDI + 1.50%	October 15, 2022
2nd Term	R$50,000	CDI + 1.75%	October 15, 2024
4th Term	R$149,600	IPCA + 5.25%	October 15, 2026

- On November 25, 2019, the subsidiary Light Energia paid off the debt related to the 6th issue of debentures, totaling R$16,667.

The portions related to the principal of consolidated debentures, classified in non-current liabilities, and excluding funding costs and covenant fee costs (waivers), have the following maturities on December 31, 2019:

	Total
2021	584,814
2022	1,464,094
2023	491,340
2024	557,945
2025	459,075
2026	116,805
TOTAL	3,674,073

Below, debentures breakdown on a consolidated basis in the years ended December 31, 2019 and 2018:

	Consolidated		
	Principal	Charges	Total
BALANCE ON JANUARY 1, 2018	4,037,292	257,622	4,294,914
Debentures issued	1,125,000	-	1,125,000
Inflation adjustment	22,363	30,154	52,517
Financial charges accrued	-	312,798	312,798
Financial charges paid	-	(333,198)	(333,198)
Amortization of debentures	(1,024,043)	-	(1,024,043)
Issue cost	(50,678)	-	(50,678)
Amortization of issue cost	23,465	-	23,465
Charges capitalized to intangible assets and property, plant and equipment	-	4,716	4,716
Transfer between charges and principal	222,702	(222,702)	-
BALANCE ON JANUARY 1, 2018	4,356,101	49,390	4,405,491
Debentures issued	1,317,950	-	1,317,950
Inflation adjustment	69,707	-	69,707
Financial charges accrued	-	272,663	272,663
Financial charges paid	-	(298,229)	(298,229)
Amortization of debentures	(1,337,124)	-	(1,337,124)
Issue cost	(15,778)	-	(15,778)
Amortization of issue cost	25,058	-	25,058
Capitalized charges on intangible assets and property, plant & equipment	-	19,577	19,577
BALANCE ON DECEMBER 31, 2019	4,415,914	43,401	4,459,315

Total principal amount is stated net of debenture issue costs and covenant fee costs (waivers). These costs are broken down in the table below.

			Change in costs						
Issue	Subsidiary	Total cost	Balance to be amortized on January 1, 2018	Cost	Cost amortization	Balance to be amortized on December 31, 2018	Cost	Cost amortization	Balance to be amortized on December 31, 2019
Debentures 8th Issue	Light SESA	3,461	2,741	-	(323)	2,418	1,487	(455)	3,450
Debentures 9th Issue Series A	Light SESA	14,089	8,383	1,992	(2,512)	7,863	-	(3,205)	4,658
Debentures 9th Issue Series B	Light SESA	9,992	6,637	1,199	(1,253)	6,583	-	(1,480)	5,103
Debentures 10th Issue	Light SESA	12,448	6,716	1,506	(2,355)	5,867	-	(3,246)	2,621
Debentures 11th Issue	Light SESA	4,601	1,937	-	(1,937)	-	-	-	-
Debentures 12th Issue	Light SESA	1,461	3,709	1,461	(2,897)	2,273	-	(1,436)	837
Debentures 13th Issue	Light SESA	3,714	19,601	3,714	(7,769)	15,546	-	(4,055)	11,491
Debentures 14th Issue	Light SESA	5,626	-	5,626	(1,359)	4,267	-	(4,267)	-
Debentures 15th Issue	Light SESA	2,804	-	34,896	(830)	34,066	2,804	(5,063)	31,807
Debentures 16th Issue	Light SESA	3,366	-	-	-	-	3,366	(336)	3,030
Debentures 17th Issue	Light SESA	8,070	-	-	-	-	8,070	-	8,070
Debentures 2nd Issue	Light Energia	7,866	1,847	284	(1,392)	739	-	(739)	-
Debentures 3rd Issue	Light Energia	352	158	-	(18)	140	51	(24)	167
Debentures 6th Issue	Light Energia	1,640	1,572	-	(820)	752	-	(752)	-
TOTAL		79,490	53,301	50,678	(23,465)	80,514	15,778	(25,058)	71,234

The Company's debentures are not subject to scheduled renegotiation. The Company's exposure to interest rate and liquidity risks related to debentures is reported in Note 38.

Covenants

The Company has clauses that may anticipate the maturity of debts in certain debentures agreements, including the cross-default. The early maturity only occurs when one of the ratios has not been complied with in two consecutive quarters or four intercalate quarters, and when certain non-financial covenants have not been complied with. All issues of debentures require the maintenance of net debt/EBITDA ratios and covenants. On December 31, 2019, the Company complied with all the required debt covenants in the indentures.

22. PROVISIONS FOR TAX, CIVIL, LABOR, AND REGULATORY CONTINGENCIES

The Company and its subsidiaries are parties in tax, labor, civil lawsuits, and regulatory proceedings in several courts. Management periodically assesses the risks of contingencies related to these proceedings and based on the legal counsel's opinion, and it records a provision when unfavorable decisions are probable and whose amounts are quantifiable.

Below, the balance of provisions, including provisions for risks and provisions for success fees:

TOTAL PROVISIONS	December 31, 2019			December 31, 2018		
	Provision	Success fees	Total	Provision	Success fees	Total
Labor	120,914	428	121,342	143,789	574	144,363
Civil	198,658	91,650	290,308	165,360	74,766	240,126
Tax	55,783	28,643	84,426	53,411	29,387	82,798
Regulatory	47,124	-	47,124	8,957	-	8,957
TOTAL	422,479	120,721	543,200	371,517	104,727	476,244

22.1 Provision for risks

Below, provisions for risks and changes for the years ended December 31, 2019, and 2018:

PROVISIONS FOR PROBABLE LOSSES	Labor	Civil	Tax	Regulatory	Total
BALANCE ON JANUARY 1, 2018	123,712	167,783	53,056	9,404	353,955
Additions	35,912	170,029	84	-	206,025
Adjustments	-	2,185	271	196	2,652
Write-offs/payments	(11,757)	(161,605)	-	-	(173,362)
Write-offs/reversals	(4,078)	(13,032)	-	(643)	(17,753)
BALANCE ON DECEMBER 31, 2018	143,789	165,360	53,411	8,957	371,517
Additions	5,004	267,188	3,109	66,880	342,181
Adjustments	-	6,751	2,637	6,040	15,428
Write-offs/payments	(12,135)	(230,904)	-	(33,493)	(276,532)
Write-offs/reversals	(15,744)	(9,737)	(3,374)	(1,260)	(30,115)
BALANCE ON DECEMBER 31, 2019	120,914	198,658	55,783	47,124	422,479
Judicial deposits on December 31, 2019	20,848	4,059	5,646	-	30,553

The total amount of R$272,853 is recorded under escrow deposits on December 31, 2019 (R$294,906 on December 31, 2018), of which R$30,553 (R$35,048 on December 31, 2018) refer to claims with recorded provision. Other deposits refer to lawsuits whose likelihood of loss is possible or remote. Below, the balance of judicial deposits:

Consolidated	December 31, 2019	December 31, 2018
Labor	63,406	63,395
Civil	122,115	130,744
Tax	87,332	100,767
TOTAL	272,853	294,906

There follows a breakdown of provisions for risks:

22.2 Provisions for labor proceedings:

Consolidated	Provisioned amount (probable loss)	
	December 31, 2019	December 31, 2018
Own employees	45,023	60,541
Outsourced employees	75,891	83,248
TOTAL	120,914	143,789

The provision for labor risks is based on the assessment of the respective attorneys, which assess the loss risk in the process. The provision amount regarding its own employees fluctuates because of the direct relationship with the Company and the consequent rights. As for the outsourced employees, the risk involves mostly the subsidiary responsibility, which means that the Company will bear the payment only in case the absence of this by the real employer, the outsourced company.

22.3 Provision for civil proceedings:

Consolidated	Provisioned amount (probable loss)	
	December 31, 2019	December 31, 2018
Civil proceedings [(a)]	144,782	110,120
Special civil court [(b)]	31,883	27,007
“Cruzado" Plan [(c)]	21,993	28,233
TOTAL	198,658	165,360

(a) The provision for Civil Proceedings comprises lawsuits in which the Company and its subsidiaries are defendants, and it is probable the claim will result in a loss in the opinion of the respective attorneys. The claims mainly involve alleged moral and property damage due to the Company’s ostensive behavior fighting irregularities in the network, as well as consumers challenging the amounts paid.

(b) Lawsuits in the Special Civil Court are mostly related to matters regarding consumer relations, such as improper collection, undue power cut, power cut due to delinquency, network problems, various irregularities, bill complaints, meter complaints, and problems with ownership transfer. There is a limit of 40 minimum monthly wages for claims under procedural progress at the Special Civil Court. Accruals are based on the separation of the seven main reasons for complaints about the Company – which represent approximately 92.9% of the lawsuits; and a block for other reasons. For the six main offenders and other reasons block, an adjusted average is used – considering 95% of the sample, i.e., excluding the 2.5% highest and lowest amounts – the average of the last 12 months of condemnation amount. In the case of the accident block, the average of the last 12 months of condemnation amount is considered.

(c) These are lawsuits filed against the subsidiary Light SESA referring to increase in electricity tariffs approved by Ordinances No. 38 of February 27, 1986, and No. 45 of March 4, 1986, published by the extinguished DNAEE – National Department of Water and Electricity, which contradicted the Decree-Law 2.283/86 (“Cruzado” Plan decree), which established that all prices would be “frozen”. The plaintiffs of these lawsuits plead the refund of amounts supposedly overpaid in the electricity bills when Light SESA’s tariffs increased in the period that prices were “frozen”.

22.4 Provision for tax proceedings:

Consolidated	Provisioned amount (probable loss) December 31, 2019	December 31, 2018
ICMS – Credits approved [(a)]	46,232	46,232
Other	9,551	7,179
TOTAL	55,783	53,411

[(a)] The Light SESA subsidiary provisioned R$46,232, regarding part of the amount fined in the process through which the State of Rio de Janeiro intends to charge ICMS from the alleged improper use of tax credits, acquired by Light SESA from third parties, and which had previously been ratified by the State Finance Department. The debt currently amounts to R$609,629. After the revaluation, the internal and external legal advisors classified the amount of R$42,029 of the principal (tax), as well as the proportional amount, concerning legal fees of the Prosecutor, in the amount of R$4,203, as probable loss, and all the remaining amount fined, regarding interests, monetary corrections, and proportionate legal fees, as a remote loss. The administrative proceeding was concluded in June 2015, with the unfavorable decision to the Company, which, in turn, filed a Writ of Mandamus to remove part of the debt to be registered as overdue state liabilities related to interest rates and monetary restatement. The injunction was granted but subsequently reversed by a decision rendered in an interlocutory appeal filed by the State of Rio de Janeiro. The Tax Foreclosure was filed, with Light SESA presenting the insurance policy as a guarantee and, as a result, filed Objections to the Tax Foreclosure. A judgment was rendered regarding the Objections to the Tax Foreclosure filed, acknowledging the exemption of the default charges (monetary restatement and interest for late payment) of the Release Note filed against the Company. Both parties lodged appeals, which are pending judgment.

22.5 Regulatory provisions:

In this topic, the Company describes the main regulatory contingencies arising from administrative issues with ANEEL:

- Deficiency Notice No. 13/2017-SFE/ANEEL - The Deficiency Notice was received by the subsidiary Light SESA on April 24, 2017. SFE/ANEEL carried out an inspection from May 04 to 08, 2015, to verify the procedures for collecting, calculating, recording and storing the indicators for the continuity of the electricity distribution service, as well as verify the calculation of compensations due to the violation of the individual continuity limits, consumer information and actual payment within the regulatory deadlines for 2014. Based on the provisions of PRODIST, a fine of R$12,483 was applied. However, on May 4, 2017, the subsidiary Light SESA filed an appeal with ANEEL, which, in a reconsideration court, by Order 629/2018, reduced the fine to R$10,761. Therefore, we are awaiting the final decision of the Board. The provision on December 31, 2019, is R$3,217 (R$3,036 on December 31, 2018).

- Deficiency Notice No. 061/2017-SFE/ANEEL - The Deficiency Notice was received by the subsidiary Light SESA on October 30, 2017. SFE/ANEL conducted an inspection between November 21, 2016, and November 25, 2016, in order to check up on the provision of services by the subsidiary Light SESA and thus determine if it fulfills the requirements of regularity, continuity, and efficiency, safety, as well as if its techniques, equipment, and facilities are up-to-date and well kept, imposing a fine penalty in the amount of R$36,311. However, on November 9, 2017, the subsidiary Light SESA filed an appeal with ANEEL that, in a reconsideration court, did not accept the arguments presented. The Federal Attorney's Office subsequently drafted the Expert Opinion 267/2019, opting for the partial dismissal of the appeal, disregarding only the condition "damage to the service and/or users" from the dosimetry of the penalties of "non-compliances". On September 3, 2019, ANEEL's Board of Directors voted to hear and, on the merits, partially grant the administrative appeal filed by the subsidiary Light SESA, reducing the fine to R$29,587. In September 2019, the amount of R$33,492 was paid, and the said case was closed.

- Deficiency Notice 01/2019-SFE/ANEEL - On January 24, 2019, the subsidiary Light SESA received the Deficiency Notice due to an inspection from September 18 to 22, 2017 with the purpose of verifying the due provision of services regarding the quality of commercial service, specifically on issues related to the request for the change to the ownership, collection with the irregular procedure in the measurement and debt in installments, provided by the subsidiary Light SESA, based on the provisions of Regulatory Resolution 414/2010. A fine of R$52,113 was applied. The subsidiary Light SESA filed an appeal with ANEEL on February 4, 2019, and awaits its evaluation and, thereafter, the final decision of the Board. On October 24, 2019, SFE/ANEEL heard the administrative appeal filed by Light and partially approved the appeal, reducing the fine to R$47,242. Given this new positioning, the provision amount on December 31, 2019, is R$43,907.

22.6 Provisions for success fees:

Management periodically reassesses lawsuits with success fees for legal advisors and, based on the opinion of its legal counsels, records provisions for lawsuits whose likelihood of loss was considered possible, remote and, exceptionally, probable.

Below, a chart with the position and changes in the years ended December 31, 2019, and 2018:

PROVISIONS FOR SUCCESS FEES:	Labor	Civil	Tax	Total
BALANCE ON JANUARY 1, 2018	561	69,236	26,578	96,375
Additions	96	30,046	4,341	34,483
Adjustments	-	1,820	1,196	3,016
Write-offs/payments	(79)	(15,175)	(2,450)	(17,704)
Write-offs/reversals	(4)	(11,161)	(278)	(11,443)
BALANCE ON DECEMBER 31, 2018	574	74,766	29,387	104,727
Additions	168	52,922	3,611	56,701
Adjustments	-	1,473	898	2,371
Write-offs/payments	(61)	(26,921)	(1,593)	(28,575)
Write-offs/reversals	(253)	(10,590)	(3,660)	(14,503)
BALANCE ON DECEMBER 31, 2019	428	91,650	28,643	120,721

23. CONTINGENCIES

The Company is a party to lawsuits whose risk of loss Management believes is less than probable, based on the opinion of its legal counsels. Therefore, no provision was established. The main contingencies with possible loss are broken down as follows:

	Consolidated			
	December 31, 2019		December 31, 2018	
	Balance	Number of Proceedings [a]	Balance	Number of Proceedings [a]
Civil	763,787	51,605	908,689	47,420
Labor	331,163	841	319,641	921
Tax	6,255,377	738	4,467,419	738
TOTAL	7,350,327	53,184	5,695,749	49,079

[a] Not reviewed by independent auditors

The main reasons for litigations are listed below:

23.1 Civil

- Irregularities – The subsidiary Light SESA has several lawsuits where irregularities are discussed, arising from non-technical commercial losses due to meters alteration, equipment theft, irregular connections, and clandestine connections. Most of the litigations are based on the evidence of irregularity and amounts charged by the concessionaire in view of such evidence. The amount currently assessed represented by these claims is R$228,103 (R$242,002 on December 31, 2018).

- Amounts charged and bills – Many litigations are currently in progress and discuss amounts charged by the subsidiary Light SESA for services provided, such as demand amounts, consumption amounts, financial charges, rates, insurances, among others. The amount currently assessed represented by these claims is R$94,575 (R$104,488 on December 31, 2018).

- Accidents – The subsidiary Light SESA is a defendant in lawsuits filed by victims and/or their successors, regarding accidents with Light's electric power grid and/or service provision for several causes. The amount currently assessed represented by these claims is R$23,770 (R$29,529 on December 31, 2018).

- Interruption and suspension – The subsidiary Light SESA is a defendant in civil proceedings discussing service interruption, whether by fortuitous cases or events of force majeure, or for purposes of intervention in the electrical system, among other reasons, and also service suspension, whether for indebtedness, denied access or meters replacement, among other facts for suspension. The amount currently assessed represented by these claims is R$33,320 (R$40,391 on December 31, 2018).

- Equipment and network – The subsidiary Light SESA has litigations due to electronic meters used to measure energy consumption. Litigations address several themes, such as meter functionality, approval by the metrological agency, among others, and also litigations about its network due to its extension, removal, or even financial contribution of the client to install the network. The amount currently assessed represented by these claims is R$9,258 (R$10,212 on December 31, 2018).

- Regarding civil discussions, we highlight the initiatives proposed by the Companhia Siderúrgica Nacional (CSN): in the last quarter of 2011, CSN filed a suit 0477418-58.2011.8.19.0001 claiming approximately R$100,000 as indemnity for service interruption occurred at its Consumer Unit of Volta Redonda. We point out that out of amount claimed, R$88,700 only refer to the service interruption occurred on November 10, 2009, affecting 40% of Brazilian territory and over 90% of Paraguay, which only evidence that causes go beyond Light SESA's scope of operation, as electric power distribution company. Moreover, the ONS report concluded that the origin and causes of this service interruption were Furnas' responsibility. Thus, the Company's exposure to risk is R$84,038 (R$68,959 on December 31, 2018).

- The subsidiary Light SESA is also in litigation 0002731-81.2011.8.19.0000 in a motion to set aside judgment filed by CSN through which CSN aims to vacate the court decision in action for refund of undue payment number 1995.001.073862-2, which discussed the legality of Ordinances 38 of February 27, 1986, and 45 of March 4, 1986, published by the National Department of Water and Electricity - DNAEE, which increased the electricity tariffs of a certain class of consumers and which the Company won. The Company's exposure to risk is R$235,994 (R$204,666 on December 31, 2018).

- Two civil proceedings involving the Energy Reallocation Mechanism (MRE) caused by the Generation Scaling Factor (GSF). The objective of lawsuit No. 38848-51.2015.4.013400, filed by the subsidiary Light Energia, Lightger and Aliança Geração de Energia S.A., is to challenge the financial exposure due to the Energy Reallocation Mechanism (MRE) adjustment caused by a GSF lower than 1. An interlocutory relief was granted, sentencing the Agency, until the final decision is rendered, to abstain from applying the adjustment referring to the MRE, if MRE's total generation is lower than the assured energy. A favorable judgment was rendered in the GSF lawsuit, limiting the hydrological risk to 95%; ANEEL appealed against the said ruling. The GSF amount related to Light Energia and Lightger has been duly provisioned under trade accounts payable, against the income statement, even though payments have not been made due to the effects of the above-mentioned injunction.

  Despite the above decision, the filing of Writ of Mandamus 1005338-30.2015.4.01.3400 was also necessary in order to protect Light Energia and Lightger from the effects of court rulings restricting the GSF Factor of other agents. In this case, an injunction was granted so that Light Energia and Lightger would not need to be included in the apportionment of the other agents' GSF.

The Writ of Mandamus was dismissed without prejudice, as the judge understood that ANEEL could not be the enforcement authority. In light of this decision, the Company filed a new lawsuit, No. 0032638-47.2016.4.01.3400, to request an interlocutory relief in order to protect itself from the other agents' injunctions. The interlocutory relief was granted, and therefore Light will not be liable to financial charges, as a result, any court rulings obtained by other agents, including those that have already been issued and those that may be issued during the course of the lawsuit, regardless of the jurisdiction to which they refer, related to the effects of current GSF values on hydroelectric generators. These proceedings have a possible chance of loss.

It is necessary to consider the conclusion of the processing of Bill 10,985/18, which, in June 2019, was already approved by the Chamber of Deputies with an amendment on another topic that is not related to the renegotiation. Only on account of such an amendment, the Bill returned to the Senate. In March 2020, Bill 3,975/19 (new name of PL 10,985/18) was approved by the Economic Affairs Committee, going to the Senate plenary session, which cannot present new amendments to the text, but only accept or reject changes to the Chamber. Subsequently, the PL will be sent to the Presidency of the Republic for sanction. Aneel will regulate the issue after the publication of the Law.

23.2 Tax

- ICMS Commercial Losses - The subsidiary Light SESA has one tax infraction, two Annulment Actions, one Writ of Mandamus and one Tax Foreclosure that discuss the collection of ICMS, FECP and fine due to failure to collect said tax in operations preceding electric power distribution, as a result of commercial losses. In the administrative proceeding, after the subsidiary Light SESA filed an appeal, the Tax Review Board converted the court decision into diligence. In response to the diligence, the Inspection rectified the Deficiency Notice, recalculating the percentages of incorporation of non-technical losses in the tariff on a monthly basis, with the infraction only on the ICMS due to losses not incorporated in the distributor's tariff. Waiting for a resolution on the Objection. On March 10, 2020, a favorable decision was handed down to the subsidiary Light SESA in the writ of mandamus. In other lawsuits, a sentence is awaited. On December 31, 2019, the amount under discussion, currently quantifiable, is R$721,797 (R$528,000 as of December 31, 2018).

- IRPJ, CSLL, PIS, and COFINS - Commercial Losses - The subsidiary Light SESA has two tax infractions to collect IRPJ and CSLL due to the non-addition of non-technical losses to its profit or loss, for the purposes of calculating the actual profit, as well as two others infractions to collect PIS and COFINS due to the failure to reverse the credits of these contributions referring to non-technical losses. One of the administrative proceedings on the collection of IRPJ and CSLL was partially accepted so that the tax losses and negative tax bases of previous years are offset up to the legal limit, thus reducing the amount required (around R$400,000 of CSLL's negative tax base). In this case, CARF rejected the Voluntary Appeal of the subsidiary Light SESA on March 10, 2020, by casting vote. One of the administrative proceedings that discuss the collection of PIS and COFINS was dismissed CARF having unanimously upheld the Voluntary Appeal on February 18, 2020. In the other two cases, the company is awaiting a decision on the challenge. On December 31, 2019, the amount under discussion, currently quantifiable, is R$3,018,154 (R$1,716,666 as of December 31, 2018).

- LIR/LOI - IRPJ/CSLL – the subsidiary Light SESA filed a Writ of Mandamus mainly discussing the taxation of profit of the subsidiaries LIR and LOI abroad, more specifically, it advocated that income tax and social contribution should be levied on profit only, not on equity in the earnings of subsidiaries (a broader concept that includes exchange variations as provided for by IN 213/02). In order to take advantage of the benefits of the REFIS Program, the subsidiary Light SESA fully waived the Writ of Mandamus. Thus, a final court decision was unfavorably rendered to Light SESA. Accordingly, the procedure has been changed to assess results by the equity method, in accordance with the decision of the said Writ of Mandamus. Tax authorities disagreed with this procedure and issued a deficiency notice to the subsidiary Light SESA for the fiscal years 2004 to 2008, requiring taxation on profit only. For the fiscal year of 2004, a Tax Foreclosure was filed, in which insurance policy was presented by the subsidiary Light SESA to guarantee the court decision and appeal the Objections to the Tax Foreclosure. Despite the favorable expert report, a court decision was rendered dismissing the Objections to the Tax Foreclosure. The Declaration Objections filed by the subsidiary Light SESA against the unfavorable decision were rejected. The company is waiting for the distribution of the Appeal filed by the subsidiary Light SESA. For 2005, the administrative sphere was unfavorably closed to the subsidiary Light SESA, which filed a Writ of Mandamus to annul the court decision issued by CARF, obtaining an injunction to suspend the enforceability of the debt. For the fiscal years of 2006 to 2008, the Voluntary Appeal of the subsidiary Light SESA was approved. The Treasury filed a Special Appeal, which was denied (favorable closure for the defendant). In April 2014, the subsidiary Light SESA was notified in relation to 2009 and filed an Objection, which was deemed groundless. Voluntary Appeal was filed, which was partially granted, by the majority, to exclude the fine and interest on late payment. To date, the Special Appeal filed by the subsidiary Light SESA is awaiting a court decision. On December 31, 2019, the amount under discussion, currently quantifiable, is R$440,322 (R$400,500 as of December 31, 2018).

- IN 86 – The subsidiary Light SESA received a deficiency notice was issued to assess a fine on the Company for alleged failure to make electronic filings as required by NI 86/2001, for calendar years 2003 through 2005. The Administrative Proceeding was concluded in July 2015, with the unfavorable decision to the subsidiary Light SESA, which filed a Writ of Mandamus aiming at removing the registration as overdue federal liability, subject matter of such collection. The subsidiary Light SESA's plea was granted. The Union lodged an appeal, which is pending judgment. On December 31, 2019, the amount under discussion, currently quantifiable, is R$460,817 (R$406,000 as of December 31, 2018).

- ICMS on Subsidies of the Federal Program called "Baixa Renda" - The subsidiary Light SESA has three Annulment Actions, linked to Tax Foreclosures, to discuss the incurrence of ICMS on the amounts paid by the Federal Government to the subsidiary Light SESA as a subsidy targeting low-income energy consumers. Currently, the subsidiary Light SESA does not have a favorable decision in these annulment actions. Two annulment actions are waiting for a court decision of their Appeal, and one action is waiting at the beginning of the period to file a Special Appeal and/or Extraordinary Appeal. Additionally, the subsidiary Light SESA has an administrative dispute, which has an unfavorable decision from the 1st and 2nd courts (in CARF, the court decision was unfavorable due to the casting vote). To date, the Full Appeal filed by the subsidiary Light SESA is awaiting a court decision. On December 31, 2019, the amount under discussion, currently quantifiable, is R$309,145 (R$280,000 as of December 31, 2018).

- Decisions (57 proceedings) – 56 decision orders issued by the Receita Federal against the subsidiary Light SESA and 1 decision order against Light S.A. to deny approval to several petitions for indemnification filed by subsidiary Light SESA, for utilization of PIS, COFINS, income tax and social contribution credits, alleging that these credits would be undue or insufficient to comprise the debts against which these were opposed. The subsidiary Light SESA filed a Motion to Disagree against referred decisions. On December 31, 2019, the amount under discussion, currently quantifiable, is R$329,087 (R$331,290 as of December 31, 2018).

- Non-recognition of compensation - The subsidiary Light SESA is discussing in court the collection of alleged PIS and COFINS debts arising from the disallowance of credits of the same nature carried out by the Federal Revenue Service in 22 Administrative Proceedings. The said Administrative Proceedings are due to compensations promoted by the subsidiary Light SESA for the periods of March and April 2005, January, February, March, May, June, July, August, and September 2006 and January and February 2007. We are awaiting the trial on the Objections to the Foreclosure presented by the subsidiary Light SESA. On December 31, 2019, the amount under discussion, currently quantifiable, is R$58,206 (R$0 as of December 31, 2018).

- TFGE – Tariff of Control, Monitoring, and Environmental Inspection of the Activities of Generation, Transmission, and Distribution of Electric Power from Hydraulic, Thermal, and Nuclear Sources. This tariff was introduced by Law 7,184/15 of the State of Rio de Janeiro. The subsidiaries Light SESA, Light Energia, and Lightger filed a preventive Writ of Mandamus requesting a preliminary injunction to prevent them from being obliged to collect said tariff. Injunction deferred. A favorable judgment was rendered. The company is waiting for the distribution of the Appeal filed by the State of Rio de Janeiro. On December 31, 2019, the amount under discussion, currently quantifiable, is R$59,000 (R$42,400 as of December 31, 2018).

- Non-recognition of compensation - CVA - (30 Administrative Proceedings) - Non-recognition of compensation by the Federal Revenue for compensations carried out by Light SESA due to credits arising from undue payment, or PIS and COFINS, whichever is greater, are mainly due to the change in timing for the PIS and COFINS to be charged over the Variation Compensation Account of "Portion A" Items – CVA. The Company filed Motions to Disagree that are still pending judgment. On December 31, 2019, the amount under discussion, currently quantifiable, is R$272,543 (R$254,100 as of December 31, 2018).

- State Fund of Tax Balance of the State of Rio de Janeiro (“EFSF”) – The subsidiary Light SESA received a Deficiency Notice regarding the absence of payment to the State Fund of Tax Balance of the State of Rio de Janeiro (“EFSF”), ICMS corresponding to 10% (ten percent) of the tax benefits for third parties, for the period from December 2016 to June 2017. The Objection presented by the Company is awaiting appraisal. The thesis is under discussion by the subsidiary Light SESA through a Writ of Mandamus. On December 31, 2019, the amount under discussion, currently quantifiable, is R$44,476.

23.3 Labor

The main labor claims involve equal pay and related accretions, overtime and related accretions, occupational accident, hazardous work wage premium, and pain and suffering.

Each claim is detailed below:

- Equal pay and related accretions – the claimants intend to receive wage differences alleging that they exercise or exercised activities identical to other employees’ or former employees’ activities, with the same productivity and technical perfection, but they received different wages. The amount currently assessed represented by these claims is R$6,391 (R$11,037 on December 31, 2018).

- Overtime and related accretions – the claimants intend to receive overtime pay, alleging that they performed their activities beyond standard working hours, and overtime has not been paid or offset. The amount currently assessed represented by these claims is R$74,664 (R$85,900 on December 31, 2018).

- Occupational accidents – employees, former employees, or service providers involved in occupational accidents attribute responsibility to Light, claiming indemnifications and life annuity. The amount currently assessed represented by these claims is R$28,025 (R$30,196 on December 31, 2018).

- Risk premium difference – in the past, the Company used to pay a 30% difference of base salary up to April 2012, as per the 2011/2012 Collective Bargaining Agreement. The amount currently assessed represented by these claims is R$6,805 (R$15,880 on December 31, 2018).

- Pain and suffering – claim based on several grounds: persecution, moral harassment, lack of security (operations in risk area), and others. The amount currently assessed represented by these claims is R$127,282 (R$80,265 on December 31, 2018).

The Superior Labor Court (TST), considering the position adopted by the Federal Supreme Court (STF) in two direct actions for the declaration of unconstitutionality regarding the index to adjust registered warrants for inflation, decided that, on August 4, 2015, labor credits must be adjusted based on the Special Extended Consumer Price Index (IPCA-E), replacing the Reference Rate (TR), for labor lawsuits claiming debts before June 30, 2009, in the outstanding proceedings. On October 16, 2015, a preliminary injunction was granted by the STF, which suspends the effects from the TST decision since it understands that only STF is able to analyze the general repercussion of the constitutional issue.

Despite the revocation of the preliminary injunction, due to the termination of the aforementioned lawsuit, Law 13467/2017 included a provision in the CLT (labor law) reaffirming the use of the Referential Rate (TR) for monetary restatement purposes. Furthermore, Provisional Measure 905 of November 11, 2019, which reintroduced the IPCA-E as a correction index, has not yet been converted into Law and may lose its effectiveness on March, 2020.

In this context, the estimated amount of the difference between inflation adjustment indices for labor lawsuits is R$8,951 (R$8,600 on December 31, 2018), and no additional provision was recorded, because the Company, based on the analysis of its counsel, considered that the probability of loss is possible, considering the STF’s initial decision, and the lack of consolidated court precedents, including as to the possible modulation of the effects, and the precarious nature of Provisional Measure 905/2019, until this date, which may be revised if changes are made at a later time.

23.4 Below, we point out lawsuits in progress, whose chances of losses are remote, with relevant amounts under dispute, which, in case of an unfavorable decision, may impact the Company, its subsidiaries, and jointly controlled entities:

- PASEP/PIS – It refers to the Offset Disallowance made by the subsidiary Light SESA of PASEP credits with PIS debts. The Objection presented by the subsidiary Light SESA was dismissed. A Voluntary Appeal was filed, which was partially granted, to recognize the right to compensation, with the exception of debts in January, April, June and December 1999, June 2000, December 2001 and February 2002. The Declaration Objections filed by the subsidiary Light SESA are waiting for a decision. The amount currently assessed represented by this claim is R$337,405 (R$330,400 on December 31, 2018).

- IRRF - Disallowance of tax offset - LIR/LOI - Non-recognition of compensations related to withholding income tax credits on financial investments and withholding income tax credits on the payment of energy accounts by government bodies, offset by the subsidiary Light SESA due to outstanding balance of Corporate Income Tax in the reference year of 2002. The motion to disagree filed by Light SESA subsidiary was deemed groundless. The voluntary appeal lodged by Light SESA is pending judgment. In view of the favorable decision received in August 2012, referring to a proceeding that directly impacts this case, the legal counsels changed the chances of losses to the remote. The amount currently assessed represented by this claim is R$262,251 (R$256,800 on December 31, 2018).

24. POST-EMPLOYMENT BENEFITS

Light Group's companies sponsor Fundação de Seguridade Social Braslight (Braslight), a nonprofit closed pension entity, whose purpose is to provide retirement benefits to the Light Group's employees and pension benefits to their dependents.

Braslight was incorporated in April 1974 and had four plans - A, B, C, and D – established in 1975, 1984, 1998, and 2010, respectively, and plan C received migration from about 96% of the active participants of plans A and B.

Current plans in effect include defined-benefit- (Plans A and B), mixed-benefit- (Plan C), and defined-contribution plans (Plan D).

24.1 Plan description

Plan A/B - Benefits in these plans are 'defined benefits' and correspond to the difference between application of certain percentage, between 80% and 100%, of the average of the last 12 and the last 36 salaries, escalated as of the date the benefit began to be paid out, and the amount of the benefit paid by the INSS.

Plan C - During the capitalization phase, elective benefits are 'defined-contribution' benefits not linked to INSS benefits, and contingent benefits (i.e., sickness allowance, permanent disability pension, pensions payable upon the death of active, disabled, or sick participants), as well as continued income, once granted, are 'defined' benefits. The assets of the two portions are determined in shares.

For a participant migrating from Plan A/B to Plan C, a settled lifetime income benefit was granted, reversible into a pension benefit, proportionate to the amount of contributions made to Braslight at migration time, as of the participant's latest enrollment in the Fundação, which is deferred until the participant has satisfied a number of qualification requirements. This portion is called the Plan C Settled Defined Benefit Sub plan.

Plan D - This plan was approved by the Ministry of Social Security's National Bureau of Supplementary Pension (PREVIC/MPS) on March 22, 2010, with the first contribution made in April 2010. In this plan, benefits are 'defined contribution' benefits before and after the relevant grant. In the year ended December 31, 2019, the Company paid R$3,853 (R$3,879 in the year ended December 31, 2018) related to the defined-contribution plan.

24.2 Contractual Liabilities

There was no change to the contractual liabilities in the fiscal year ended December 31, 2019. Below, the changes in contractual liability in the year ended December 31, 2018:

Non-current	Consolidated
BALANCE ON JANUARY 1, 2018	52,434
Allocation of profit for the year	2,065
Amortization in the year	(54,499)
BALANCE ON DECEMBER 31, 2018	-

On June 8, 2018, the Management opted to make the payment of the actuarial debt resulting from the technical deficiencies of plan C, recognized on December 31, 2014, and March 31, 2016, which were adjusted by the IPCA plus 5.58%.

24.3 Actuarial Evaluation

As established by CVM Resolution 695/12, the accounting of liabilities arising from post-employment benefits must occur based on the rules established in CPC 33 (R1). To comply with this requirement, the Company and its subsidiaries hired independent actuaries to perform an actuarial valuation of these benefits, the last one made for the base date of December 31, 2019.

Below, consolidated actuarial information:

	Consolidated	
	December 31, 2019	December 31, 2018
Present value of actuarial liabilities	(3,583,281)	(3,134,375)
Plan assets' fair value	3,603,165	3,190,913
Effect of the maximum limit in asset recognition	(19,884)	(54,473)
Addition - debt with Braslight	-	(2,065)
NET LIABILITIES	-	-
Net liabilities, CVM no. 695/12	-	-

Changes in plan assets' fair value are as follows:

	Consolidated	
	December 31, 2019	December 31, 2018
Fair value of assets at the beginning of the year	3,190,913	3,029,416
Interest on the fair value of the plan's assets	273,195	317,243
Actuarial gains on the plan's assets	419,425	120,026
Sponsor contributions	473	488
Participants' contributions	22	33
Benefits paid by the plan/company	(280,863)	(276,293)
FAIR VALUE OF ASSETS AT THE END OF THE YEAR	3,603,165	3,190,913

Changes in defined-benefit obligation present value are as follows:

	Consolidated	
	December 31, 2019	December 31, 2018
Fair value of liabilities at the beginning of the year	3,134,375	3,031,347
Cost of current service	(79)	25
Interest on actuarial liabilities	268,111	317,467
Participants' contributions	22	33
Recorded actuarial gains	461,715	61,796
Benefits paid	(280,863)	(276,293)
FAIR VALUE OF LIABILITIESAT THE END OF THE YEAR	3,583,281	3,134,375

Amounts recognized in the income statement, in operating costs and expenses and financial income, are as follows:

	Consolidated	
	December 31, 2019	December 31, 2018
Cost of current service	(79)	25
Interest on actuarial liabilities	268,111	317,467
Interest on the fair value of the plan's assets	(273,195)	(317,243)
Restatement of Braslight's debt	5,163	1,816
ESTIMATED EXPECTED COST	-	2,065

Changes in net liabilities are as follows:

	Consolidated	
	December 31, 2019	December 31, 2018
Net liabilities at the beginning of the year	-	52,434
Expenses recognized in the income statement	-	2,065
Amortizations in the year	-	(54,499)
NET LIABILITIES AT THE END OF THE YEAR	-	-

External actuary's estimate for the expense to be recognized in the year ending December 31, 2020, is as follows:

	2020
Cost of current service	(177)
Interest on actuarial liabilities	236,235
Expected return on the plan's assets	(237,633)
Interest on interest-bearing liabilities	1,349
	(226)

The plan assets' main categories, as a percentage of total plan assets, are as follows:

	Consolidated	
	December 31, 2019	December 31, 2018
Fixed income	74.97%	90.34%
Equities	18.06%	2.62%
Structured investments	2.26%	1.99%
Real property	3.31%	3.80%
Loans and financing	1.58%	1.42%
Other realizable amounts	0.05%	0.05%
Provision contingencies	-0.23%	-0.22%
	100.00%	100.00%

The actual result on plan assets was a gain of R$419,425 in the year ended December 31, 2019 (a gain of R$120,026 in the year ended December 31, 2018).

Braslight carries out Asset Liability Management (ALM) studies of the benefit plans on a regular basis in order to reassess the investment allocation strategy in light of the actuarial liabilities, with the purpose of protecting itself from changes in the prices of financial instruments, as well as avoiding mismatches between inflows and outlays, thereby ensuring that resources are available on the date the plans' benefits and other obligations are paid.

24.4 Actuarial Assumptions

	December 31, 2019	December 31, 2018
Nominal interest rate (discount) at present value of actuarial liabilities	6.66% (A/B) and 7.03% (C)	8.83% (A/B) and 9.04% (C)
Expected nominal rate of return on plan's assets	6.66% (A/B) and 7.03% (C)	8.83% (A/B) and 9.04% (C)
Annual inflation rate	3.60%	4.00%
Nominal salary growth rate	6.19%	6.60%
Nominal adjustment index of benefits granted from continued installment	3.60%	4.00%
Capacity factor	98.00%	98.00%
Revolving rate	Nil	Nil
General mortality table [(a)]	AT - 83 / BR (A/B) and EMS 2010 (C)	AT - 83 / BR (A/B) and EMS 2010 (C)
Disability table (plans A/B)	LIGHT - Weak*1.30	LIGHT - Weak*1.30
Disability table (plan C settled)	LIGHT - Weak*1.30	LIGHT - Weak*1.30
Mortality table of disabled people	AT-49 Male	AT-49 Male
Active participants	1,396	1,480
Retiree and pensioner participants	5,501	5,563

[(a)] Table without aggravation

24.5 Sensitivity analysis

The main actuarial assumptions to determine the defined obligation are the discount rate and mortality table. The following sensitivity analyses were based on reasonably possible changes to the respective assumptions at the end of the reporting period, with all other assumptions remaining unchanged.

In the presentation of the sensitivity analysis, the present value of the defined-benefit obligation was calculated using the projected credit unit method at the end of the reporting period method, which is equivalent to the method used to calculate the defined-benefit obligation.

Below, we show the effects on the defined-benefit obligation in the event of a discount rate 1.00% lower and a change to the following more restrictive mortality table:

Nominal discount rate (p.a.)	Report assumption	Discount rate reduction	Impact on the plan's obligation
Plan A/B	6.66%	-1,00%	143.875
Plan C	7.03%	-1,00%	240.549

Mortality table	Report assumption	Table change	Impact on the plan's obligation
Plan A/B	AT-83	AT-2000	27,930
Plan C	EMS 2010	EMS 2010 Broken down by gender Remedied for two years	90,778

25. LIABILITIES DUE TO LEASE AND ASSETS OF RIGHT OF USE

As detailed in Note 4.20.1, the Company adopted CPC 06 (R2) - Leases, with cumulative effect as of January 1, 2019.

Financial lease balances on December 31, 2019, totaled R$76,721 in assets and R$79,356 in liabilities, respectively, pursuant to the IFRS 16 (CPC 06 (R2)) adopted.

25.1 On December 31, 2019, the balances of the lease liabilities were as follows:

CONSOLIDATED			
LIABILITIES DUE TO LEASE	Current	Non-current	Total
Land and real estate	1,262	2,008	3,270
Machinery and equipment	935	332	1,267
Vehicles	29,349	45,470	74,819
TOTAL	31,546	47,810	79,356

25.2 Breakdown of liabilities due to lease and assets of the right to use

CONSOLIDATED						
RIGHT-OF-USE ASSETS	Initial Adoption IFRS 16 CPC 06 (R2)	Lease additions	Inflation adjustment	Amortization	Lease write-off	BALANCE ON DECEMBER 31, 2019
Land and real estate	2,601	2,017	90	(1,513)	(34)	3,161
Machinery and equipment	2,215	-	-	(1,001)	-	1,214
Vehicles	71,811	97,004	-	(30,575)	(65,894)	72,346
TOTAL	76,627	99,021	90	(33,089)	(65,928)	76,721

CONSOLIDATED							
LIABILITIES DUE TO LEASE	Initial Adoption IFRS 16 CPC 06 (R2)	Lease additions	Inflation adjustment	Payment of installment	Interest expense	Lease write-off	BALANCE ON DECEMBER 31, 2019
Land and real estate	2,601	2,017	90	(1,697)	293	(34)	3,270
Machinery and equipment	2,215	-	-	(1,104)	156	-	1,267
Vehicles	71,811	97,004	-	(34,824)	7,171	(66,343)	74,819
TOTAL	76,627	99,021	90	(37,625)	7,620	(66,377)	79,356

25.3 Maturity Schedule of Lease Obligations

LIABILITIES DUE TO LEASE	December 31, 2019
2020	31,547
2021	32,981
2022	9,800
2023	5,014
2023 onwards	14
TOTAL	79,356

25.4 "Misleading" due to the Full Application of CPC 06 (R2)

According to OFFICIAL LETTER/CVM/SNC/SEP/N°02/2019, the Company adopted, as an accounting policy, the requirements of CPC 06 (R2) to measure and re-measure its right of use, proceeding with the use of the discounted cash flow without considering inflation. The Management evaluated the use of nominal flows and concluded that they do not present significant distortions in the information presented.

To safeguard the reliable representation of the information given the requirements of CPC 06 (R2) and to comply with the guidelines of CVM's technical areas, the balances of the lease liabilities and the right-to-use leases without inflation are provided, and the estimate of the inflated balances in the comparison periods.

	CONSOLIDATED
RIGHT OF USE ASSETS	
According to IFRS 16	76,721
With Inflation's effect	82,163
	7.1%
LIABILITIES DUE TO LEASE	
According to IFRS 16	79,356
With Inflation's effect	84,797
	6.9%

26. OTHER PAYABLES

	Consolidated					
	December 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Energy Research Company – EPE	2,317	-	2,317	2,310	-	2,310
National Scientific and Technological Development Fund – FNDCT	4,607	-	4,607	3,745	-	3,745
Energy Efficiency Program – PEE	187,149	-	187,149	165,443	-	165,443
Research and Development Program – R&D	81,656	-	81,656	82,127	-	82,127
Energy development account quota – CDE	-	-	-	200,460	-	200,460
Global reversal reserve quota – RGR	1,147	-	1,147	1,122	-	1,122
Centralized Account for Tariff Flag Resources (CCRBT)	1,077	-	1,077	10,458	-	10,458
Regulatory charges	277,953	-	277,953	465,665	-	465,665
Advances from clients	73,757	-	73,757	59,458	-	59,458
Compensation for use of water resources	2,974	-	2,974	2,987	-	2,987
Public lighting fee	140,171	-	140,171	122,185	-	122,185
Reserve for reversal	-	54,393	54,393	-	62,163	62,163
Refunds to consumers	74,568	-	74,568	30,412	-	30,412
Provision for voluntary severance	20,764	-	20,764	-	-	-
Other	9,934	-	9,934	10,560	265	10,825
Other	322,168	54,393	376,561	225,602	62,428	288,030
TOTAL	600,121	54,393	654,514	691,267	62,428	753,695

On October 25, 2019, the Company launched a Voluntary Severance Program (VSP) for its employees. The main conditions to adhere to the VSP were as follows: having worked for the company for over ten years, being retired, meeting the legal conditions to retire, or having provided services to the Company for at least 30 years. The benefits are, in addition to the statutory severance payment, from 1.5 to 5 base salaries and the extension of the health plan for a period of up to 24 months. The adherence to the program was authorized until November 22, 2019, and the severance of the employment agreements will occur until April 30, 2020. On December 31, 2019, the amount due for severance payment was estimated at R$20,764.

27. RELATED-PARTY TRANSACTIONS

On December 31, 2019, Light S.A.'s largest individual shareholder is Companhia Energética de Minas Gerais – CEMIG ("CEMIG"), which does not exercise control over the Company.

Below, the summary of related-party transactions in the years ended December 31, 2019, and 2018:

27.1 Assets and revenues

Parent Company									
Agreements with the same group (Balance sheet group, characteristics of the agreement and relationship)	Original value	Remaining balance	Effectiveness period	Contractual conditions	Conditions for cancellation or termination	Assets		Revenues	
						December 31, 2019	December 31, 2018	2019	2018
Other credits - Referred to a loan agreement entered into between Light S.A and Lajes Energia - Parent Company	10,000	-	Dec 2017 to Jan 2019	CDI + 3.50 p.a	N/A	-	-	-	876

Consolidated									
Agreements with the same group (Balance sheet group, characteristics of the agreement and relationship)	Original value	Remaining balance	Effectiveness period	Contractual conditions	Conditions for cancellation or termination	Assets		Revenues	
						December 31, 2019	December 31, 2018	2019	2018
Client - Collection of charge for the use of the distribution system between Light SESA and CEMIG - Shareholder	N/A [(a)]	93	As of Nov/2003. Indefinite maturity	Price practiced in the regulated market	N/A	93	80	997	928
Client - Collection of charge for the use of basic network between Light SESA and Lightger - under joint control	N/A [(a)]	31	As of Dec/2010. Indefinite maturity	Price practiced in the regulated market	N/A	31	28	374	340
Client - Collection of charge for the use of basic network between Light Energia and CEMIG - Shareholder	N/A [(a)]	14	As of Dec/2002	Price practiced in the regulated market	N/A	14	16	189	173
Client - Collection referring to services rendered by Light Energia to Lightger - under joint control	4,325	86	Dec/2012 to Apr/2019	Terms and conditions agreed between the parties	N/A	86	79	1,156	969
Client - Lightcom Energy Purchase Agreement with Renova - under joint control	12,419	-	Oct/2014 to Dec/2019	Price practiced in the regulated market	N/A	-	-	-	12,419
Client - Operating indemnification due to changes to commercial conditions between Lightcom and Renova - under joint control	71,100	-	N/A	Terms and conditions agreed between the parties	N/A	-	82,992	-	11,892
Other credits - Advances to suppliers of energy bills and operational indemnification due to changes in Lightcom's trading conditions with Renova - Under joint control	N/A	-	N/A	Terms and conditions agreed between the parties	N/A	-	90,506	59,711	6,246
Client - Commitment to sell electricity between CEMIG and Lightcom- Shareholder	N/A	772	Mar/2019 to Dec/2019	Terms and conditions agreed between the parties	N/A	772	-	7,863	-

The agreements related to charges for the use of the distribution system and the basic network are billed in accordance with the network's energy demand.

27.2 Liabilities and expenses

CONSOLIDATED									
Agreements with the same group (Balance sheet group, characteristics of the agreement and relationship)	Original value	Remaining balance	Effectiveness period	Contractual conditions	Conditions for cancellation or termination	Liabilities		Expenses	
						December 31, 2019	December 31, 2018	2019	2018
Supplier - power purchase commitment between Light SESA and CEMIG - Shareholder	275,238	4,475	Jan/2010 to Dec/2039	Price practiced in the regulated market	30% of the remaining balance	4,475	4,851	(48,361)	(60,735)
Supplier - Commitment with charges for the use of basic network between Light SESA and CEMIG - Shareholder	N/A [(a)]	1,426	As of Dec/2002. Indefinite maturity	Price practiced in the regulated market	N/A	1,426	1,398	(16,511)	(22,975)
Supplier - power purchase commitment between Light Energia and Lightger - - under joint control	217,213	2,100	Dec/2010 to Jun/2028	Terms and conditions agreed between the parties	N/A	2,100	1,937	(21,590)	(20,508)
Other debts - Commitment with advisory services between Light SESA and Axxiom - under joint control	N/A [(b)]	1,698	As of Dec/2010. Indefinite maturity	IGP-M	N/A	1,698	8	(15,612)	(19,136)
Pension plan - Commitment between Light S.A, Light SESA, Light Energia, Light Esco and Lightcom and Fundação de Seguridade Social Braslight - the foundation's sponsor	42,726	-	Dec/2013 to Jun/2026	IPCA + 5.58% p.a.	N/A	-	-	-	(2,065)
Supplier - Lightcom's Energy Sale Agreement with Renova - under the same group	807,216	-	Jul/2015 to Aug/2036	Price practiced in the regulated market	N/A	-	-	-	(168,972)
Supplier - Commitment to purchase electricity between CEMIG and Lightcom - Shareholder	N/A	912	Mar/2019 to Dec/2019	Terms and conditions agreed between the parties	N/A	912	-	(35,793)	-

(a) The agreements related to charges for the use of the distribution system and the basic network are billed in accordance with the network's energy demand.
(b) The service agreement is billed in accordance with the number of hours spent in the contracted service.

Related-party transactions have been executed in accordance with the agreements between the parties.

27.3 Management compensation

The amounts below refer to the compensation of the Board of Directors, Executive Board and Fiscal Council, recognized under the accrual method, related to the year ended December 31, 2019, and 2018:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Short-term benefit and compensation	1,430	2,164	10,413	11,910
Bonus	523	882	5,229	7,070
Social charges	383	622	3,053	6,278
Post-employment benefits	50	62	553	629
Social welfare benefits	63	75	1,199	951
Benefits due to position termination	245	438	2,453	4,379
Share-Based Payments	2,626	-	2,626	-
TOTAL	5,320	4,243	25,526	31,217

In addition, the Company has a share-based compensation program for its members of the management and employees, as described in Note 31.

28. SHAREHOLDERS' EQUITY

28.1 Capital stock

On December 31, 2019, the share capital of Light S.A. is represented by three hundred three million, nine hundred thirty-four thousand sixty - 303,934,060 (203,934,060 on December 31, 2018 - two hundred three million, nine hundred thirty-four thousand sixty) non-par, book-entry, registered, common shares, recorded as capital stock in the total amount of R$4,051,285 as follows:

	December 31, 2019		December 31, 2018	
SHAREHOLDERS	Number of Shares (units)	% Interest	Number of Shares (units)	% Interest
RME Rio Minas Energia Participações S.A.	-	-	22,226,150	10.90
Companhia Energética de Minas Gerais	68,621,263	22.58	53,152,298	26.06
Luce Empreendimentos e Participações S.A.	-	-	26,576,149	13.03
BNDES Participações S.A. - BNDESPAR	19,083,308	6.28	19,140,808	9.39
Market	216,229,489	71.14	82,838,655	40.62
OVERALL TOTAL	303,934,060	100.00	203,934,060	100.00

Light S.A. is a publicly held company ("full corporation"), without a shareholders' agreement.

Light S.A. is authorized to increase its capital up to the limit of 323,934,060 non-par, book-entry, registered, common shares through the resolution of the Board of Directors, regardless of amendments to the bylaws.

28.1.1 Conclusion of the incorporation of RME and LEPSA by Cemig

On April 24, 2019, the incorporation processes of its wholly-owned subsidiaries LEPSA and RME were concluded by Cemig. The extinction of RME and LEPSA leads to the immediate and automatic loss of the object and the extinction of the liabilities of the shareholders' agreement of Light SA, signed on December 30, 2009, and amended on November 13, 2018. Cemig approved the incorporation of RME and LEPSA at the Extraordinary Shareholders' Meeting held on March 25, 2019. Since this is the incorporation of a wholly-owned subsidiary, there will be no capital increase, and the Company will not issue new shares. We emphasize that such incorporation does not change the interest of Cemig already held in the Company's capital.

28.1.2 Public offer of primary and secondary distribution of common shares

On July 17, 2019, the public offer of primary and secondary distribution of common, registered, book-entry shares with no par value issued by the Company, all free and cleared of any liens or encumbrances, was concluded held in accordance with the procedures of the Brazilian Securities and Exchange Commission.

Within the scope of the Public Offer, the following shares were placed one hundred million (100,000,000) new shares issued by the Company (Primary Offer), with the due increase of the Company's share capital totaling R$1,875,000, and thirty-three million, three hundred and thirty-three thousand, three hundred and thirty-three (33,333,333) shares issued by the Company and held by CEMIG (Secondary Offer), at the price of R$18.75 per share.

On December 31, 2019, expenses to issue these new shares totaled R$49,537 and were recorded, reducing the capital increase.

Due to the Company's capital increase, the Company's new capital became of R$4,051,285, divided into three hundred three million, nine hundred thirty-four thousand and sixty (303,934,060) common shares, all registered, book-entry and with no par value.

28.2 Reservation

28.2.1 Capital Reserves

The Company offers its members of the management and some employees appointed by the Board of Directors a stock option plan for the Company. The options or shares are priced by fair value on the granting date, adjusted to present value, and are recognized on a straight-line basis under the profit or loss for the option grant period against shareholders' equity.

On December 31, 2019, the amount of R$3,179 was due to shares granted related to the stock option plan.

28.2.2 Profit Reserves

<u>Legal Reserve</u>

The constitution of the Legal Reserve is mandatory and was created based on 5% of the net profit of each year, up to the limits established by Law.

<u>Retained Earnings reserve</u>

Which is recorded with the net income that remains after the appropriations in a capital budget approved by the Company's Board of Directors and Annual Shareholders' Meetings.

28.3 Equity valuation adjustment

The effects of the adjustment to the fair value of Light Energia's property, plant and equipment are recognized on the transition date for the adoption of IFRS on January 1, 2009, net of direct tax effects, at a rate of 34%. The amounts recorded in this account are transferred to accumulated losses or retained earnings as the items are realized.

28.4 Other comprehensive income

The equity over other comprehensive results of Jointly controlled entities and actuarial gains or losses arising from changes in actuarial assumptions, such as the mortality table, the discount rate of obligations, and changes in the earnings of post-employment benefit investments for defined benefits are recognized. When applicable, the amounts presented are net of direct taxes at a rate of 34%. Changes in other comprehensive income related to actuarial gains or losses are not restated to profit or loss in subsequent periods.

28.5 Earnings per share

The statement below reconciles the net income for the years ended December 31, 2019, and 2018 with the amounts used to calculate the basic and diluted earnings (losses) per share.

	2019	2018
NUMERATOR		
Profit for the year	1,327,803	165,782
DENOMINATOR		
Weighted average number of common shares	245,600,727	203,934,060
BASIC AND DILUTED PROFIT PER COMMON SHARE IN R$	5.41	0.81

In the years ended December 31, 2019, and 2018, there were no differences between basic and diluted earnings (losses) per share, considering that the Company did not have any potentially dilutive instruments.

29. DIVIDENDS

The Company's bylaws provide for the distribution of a minimum mandatory dividend at the rate of 25% of the net income for the year, adjusted pursuant to Article 202 of Law 6404 dated December 15, 1976.

Resolution	Proceeds	Resolved amount	Amount per share (R$)
2018			
AGM of April 29, 2019	2018 Minimum Mandatory Dividends	39,373	0.1931

The dividends originally proposed at the end of each year were calculated as follows:

CALCULATION OF DIVIDENDS PROPOSED	2019	2018
Profit for the year	1,327,803	165,782
Recognition of legal reserve (5%)	(66,390)	(8,289)
CALCULATION BASIS OF DIVIDENDS	1,261,413	157,493
Minimum mandatory dividends (25%)	(315,353)	(39,373)
Realization of equity valuation adjustment	16,018	16,515
RETAINED EARNINGS	962,078	134,635

30. PROFIT SHARING

The Company's profit-sharing plan implemented in 1997, spans the whole corporation, and is essentially contingent upon consolidated net income and EBITDA results of the Company. Payment of the profit-sharing amount comprises two portions, a fixed and a variable one. The Program has evolved over the years in order to elicit increased employee commitment to improving the Company's and its subsidiaries' bottom-lines.

On December 31, 2019, the balance of the provision for profit sharing, in labor liabilities, was R$33,928 (R$30,467 on December 31, 2018), with payment expected to take place in April 2020.

31. STOCK OPTION PLAN

The Extraordinary Shareholders' Meeting of July 04, 2019, approved the Company's stock option plan for members of the management and employees of the Company and its subsidiaries. The Plan's purpose is to reinforce executive retention, align the interests of shareholders with those of eligible people, and create value for the business in a sustainable and long-term manner.

The total number of shares that may be acquired or subscribed under the option plan will not exceed 2.1% of the shares representing the Company's total share capital (including the shares to be issued due to the exercise of options based on the stock option plan) on the approval date of the plan.

Once the option is exercised by the interested parties, these shares will be issued through an increase in the Company's capital. The Options will become exercisable if the respective beneficiaries remain linked to the company or subsidiary as a member of the management or employee, for the period between the granting date and the dates specified below, as follows:

(a) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 1st anniversary of the granting date;

(b) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 2nd anniversary of the granting date;

(c) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 3rd anniversary of the granting date; and

(d) 25% (twenty-five percent) of the Options may be exercised, in whole or in part, after the 4th anniversary of the granting date.

Options not exercised after the 1st anniversary of the granting date may be exercised in subsequent periods and so on for options not exercised after the other anniversaries up to the maximum term of the options, which will be 5 (five) years as of the granting date.

31.1 Exercise Price of the Options

The exercise price of the Options granted under the Plan is R$20.54, corresponding to the average price of the Company's shares on B3 S.A., weighted by the trading volume, in the sixty auctions preceding the creation of the plan.

The exercise price will be reduced by the dividends, interest on shareholders' equity and other earnings distributed by the Company to shareholders or any other earnings per share made available by the Company to shareholders, including due to capital decrease without the cancellation of shares or any other corporate transaction that leads to the allocation of resources to shareholders or to the decrease of the price of shares, always considering the period between the grant date and the exercise date of the options.

31.2 Beneficiaries

During the period of one year from the date of exercise of the Options, the beneficiaries will not be able to sell, assign or, in any way, dispose the Company's shares originally acquired or subscribed under the Plan, as well as those that may be acquired due to bonuses, splits, subscriptions or any other method of acquisition and rights to subscribe shares or any other securities issued by the Company convertible into shares or which grant the right to subscribe shares ("Lock-Up").

In the year ended December 31, 2019, the Board of Directors granted three million, four hundred and eleven thousand, and five hundred (3,411,500) Options to the beneficiaries.

	Number of Shares
Options granted during the year	3,411,500
Canceled during the year	(44,000)
Shares not yet eligible on December 31, 2019	3,367,500

31.3 Accounting Impacts

The options are recognized at fair value, debited in the income statement, under personnel expenses and credited to shareholders' equity, under capital reserve. The amount recorded in the year ended December 31, 2019, was of R$3,179.

32. NET REVENUE

	Consolidated	
	2019	2018
Supply/Revenue from network usage (Note 33)	18,723,813	18,296,203
(-) Fine due to non-compliance with continuity indicator standard	(38,879)	(28,441)
Leases, rents and other	80,680	77,976
Construction revenues	726,368	661,036
Revenue from services rendered	34,984	54,579
CDE subsidy	269,645	248,929
Taxed service fee	6,464	5,784
Fair value of concessions' financial assets (Note 13)	153,267	146,935
Recovery of PIS and COFINS Credits on the Exclusion of ICMS (Note 08)	1,086,462	-
Unbilled revenue - Contributions from CCRBT account (Note 12)	92,963	(53,203)
Financial assets and liabilities of the sector (Note 12)	(68,885)	626,903
GROSS REVENUE	21,066,882	20,036,701
ICMS (State VAT)	(4,415,730)	(4,371,864)
PIS and COFINS	(1,605,923)	(1,734,529)
Other	(4,476)	(6,634)
REVENUE TAXES	(6,026,129)	(6,113,027)
Energy Development Account - CDE	(1,448,599)	(1,749,746)
Global reversal reserve - RGR	(13,613)	(12,677)
Energy Research Company – EPE	(12,059)	(11,735)
National Scientific and Technological Development Fund – FNDCT	(24,123)	(23,468)
Energy Efficiency Program – PEE	(49,531)	(47,899)
Research and Development Program – R&D	(24,123)	(23,468)
Special obligations	-	(19,086)
Other charges - PROINFA	(47,919)	(35,053)
Other charges	(31,219)	(29,995)
CONSUMER CHARGES	(1,651,186)	(1,953,127)
TOTAL DEDUCTIONS	(7,677,315)	(8,066,154)
NET REVENUE	13,389,567	11,970,547

Given the favorable decision regarding the judicial proceeding that recognized the right to exclude the ICMS from the PIS/COFINS calculation base, in the year ended December 31, 2019, the Company recorded a revenue of R$1,086,462 related to the credits to be refunded from January 2002 to August 2009.

33. SUPPLY OF ELECTRIC POWER AND REVENUE FROM NETWORK USAGE

	Consolidated					
	Number of billed sales [a] [b] [c]		GWh [a]		R$	
	2019	2018	2019	2018	2019	2018
Residential	4,059,333	4,092,836	8,414	8,600	5,589,932	5,430,182
Industrial	9,959	10,109	569	697	355,701	434,963
Commerce, services and other	329,735	327,095	5,496	5,598	3,571,637	3,440,901
Rural	8,799	12,387	55	62	9,524	11,059
Public sector	12,062	12,222	1,483	1,393	900,371	817,518
Public lighting	756	765	825	802	313,578	296,309
Public utility	1,722	1,746	1,028	1,183	448,392	495,341
Own consumption	452	455	116	120	-	-
Revenue from network usage	975	755	9,672	9,579	1,386,114	1,162,138
BILLED SALES	4,423,793	4,458,370	27,658	28,034	12,575,249	12,088,411
ICMS (State VAT)	-	-	-	-	4,406,039	4,352,259
Unbilled sales (net of ICMS)	-	-	-	-	88,166	(12,419)
TOTAL SUPPLY	4,423,793	4,458,370	27,658	28,034	17,069,454	16,428,251
Energy trading/other	-	-	4,757	2,342	1,338,082	1,445,772
ICMS (State VAT)	-	-	-	-	9,690	19,211
Short-term energy	-	-	1,478	783	306,587	402,969
TOTAL SUPPLY	-	-	6,235	3,125	1,654,359	1,867,952
TOTAL	4,423,793	4,458,370	33,893	31,159	18,723,813	18,296,203

[a] Not assessed by independent auditors
[b] Number of invoiced bills in December, with and without consumption
[c] Light SESA

34. OPERATING COSTS AND EXPENSES

	Consolidated					
	Electric power costs		Operation costs		General and administrative expenses	
COSTS AND EXPENSES	2019	2018	2019	2018	2019	2018
Personnel and management	-	-	(298,958)	(264,134)	(130,861)	(139,105)
Material	-	-	(20,787)	(40,648)	(1,910)	(441)
Outsourced services	-	-	(334,290)	(361,981)	(206,533)	(184,705)
Electric Power Purchased for Resale (Note 35)	(8,211,044)	(7,972,390)	-	-	-	-
Depreciation and amortization	-	-	(562,188)	(523,697)	(24,999)	(21,246)
Allowance for expected doubtful accounts	-	-	-	-	(1,127,169)	(434,800)
Provision for tax, civil, labor and regulatory contingencies and judicial deposits.	-	-	-	-	(412,641)	(239,213)
Cost of construction	-	-	(726,368)	(661,036)	-	-
Fines from clients and suppliers	-	-	121,235	105,159	-	-
Other expenses/ costs	-	-	(10,783)	(29,444)	(67,783)	(64,188)
TOTAL	(8,211,044)	(7,972,390)	(1,832,139)	(1,775,781)	(1,971,896)	(1,083,698)

The provision for tax, civil, labor, and regulatory risks and court deposits varied mainly due to the higher volume of civil provisions recorded in the fiscal year ended December 31, 2019, as detailed in Note 22.5.

The item of expected allowance for loan losses varied mainly due to the provision totaling R$277,654 referring to balances between Lightcom and Renova Energia arising from advances made on energy bills and operational indemnity due to the changes made in commercial conditions, as described in Note 11, and the revaluation of receivables held at the end of 2019, given the expectation of future receipt of outstanding balances, already in line with the new plan to fight energy loss.

35. ELECTRIC POWER PURCHASED FOR RESALE

	Consolidated			
	GWh [a]		R$	
	2019	2018	2019	2018
Electric power purchased for resale				
Spot Market Energy CCEE	(942)	(1,482)	(1,472,549)	(1,131,941)
Itaipu binacional	4,610	4,649	(1,163,939)	(1,093,551)
UTE Norte Fluminense	6,352	6,351	(2,438,378)	(1,662,105)
Electric Power Auction	10,543	10,200	(2,670,587)	(3,010,960)
Assured energy quotas	6,384	6,645	(655,853)	(603,594)
Nuclear energy quota	866	868	(219,232)	(215,187)
Charges for the use of transmission and distribution system				
Charges for the Use of Basic Network and National Electric System Operator (ONS)	-	-	(822,409)	(897,714)
Transmission - Connection charges	-	-	(70,968)	(47,525)
Charges for the use of Distribution Network - CUSD	-	-	(3,030)	(2,714)
Energy transportation - Itaipu	-	-	(117,681)	(111,220)
PROINFA	459	495	(171,072)	(158,259)
PIS/COFINS credits on purchase	-	-	839,629	783,528
ICMS on purchase[b]	-	-	755,025	178,852
TOTAL	28,272	27,726	(8,211,044)	(7,972,390)

[a] Not reviewed by independent auditors
[b] Credit arising from Decree 46207, in which the state of Rio de Janeiro revoked the deferral of ICMS on purchase of machinery, equipment, materials, and natural gas.

36. FINANCIAL RESULT

	Consolidated	
	2019	2018
REVENUES		
Interest on late payment of energy sales	80,379	117,318
Income from cash equivalents and marketable securities	80,298	63,315
Swap operations	205,559	352,951
Restatement of judicial deposits	9,624	11,483
Adjustments to financial assets and liabilities of the sector (Note 12)	20,916	63,410
Update of PIS and COFINS Credit on the Exclusion of ICMS	1,461,190	-
Other financial revenue	43,433	34,797
TOTAL FINANCIAL REVENUE	1,901,399	643,274
EXPENSES		
Inflation adjustment of provisions for tax, civil, labor and regulatory contingencies	(17,799)	(5,668)
Expenses with tax liabilities	(12,047)	(14,171)
Charges of loans, financing, debentures, and Braslight	(691,579)	(687,201)
Exchange variation and inflation adjustment	(176,795)	(430,918)
Exchange variation on power bills	596	(24,178)
Inflation adjustment on GSF	(39,472)	(62,377)
PIS and COFINS on financial revenue	(80,071)	(16,105)
Other financial expenses	(182,618)	(53,428)
TOTAL FINANCIAL EXPENSES	(1,199,785)	(1,294,046)
FINANCIAL RESULT	701,614	(650,772)

In the year ended December 31, 2019, the financial profit or loss was positively impacted by R$1,475,659, due to the update by the Selic rate of the favorable decision to exclude the ICMS from the PIS/COFINS base (see Note 8).

37. RECONCILIATION OF TAXES IN PROFIT OR LOSS

Reconciliation of effective and nominal rates in the provision for income tax and social contribution:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Earnings before income tax and social contribution	1,327,803	165,782	1,988,948	311,390
Nominal income tax and social contribution rate	34%	34%	34%	34%
INCOME TAX AND SOCIAL CONTRIBUTION AT THE RATES ESTABLISHED BY THE CURRENT LEGISLATION	(451,453)	(56,366)	(676,242)	(105,873)
Equity in the earnings of subsidiaries	461,658	74,798	(13,045)	(29,038)
Unrecognized deferred tax credits CVM No. 371/02 - Light S.A	(8,184)	(13,631)	(8,184)	(13,631)
Tax incentives [(a)]	-	-	1,365	1,434
Other effects from income tax and social contribution on permanent additions and exclusions	(2,021)	(4,801)	34,961	1,500
INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULT	-	-	(661,145)	(145,608)
Current income tax and social contribution	-	-	(96,193)	(81,501)
Deferred income tax and social contribution	-	-	(564,952)	(64,107)

[(a)] Refers to the Federal Law for the Promotion of Culture (Law 8,313/91), which allows the use of up to 4% of due income tax for cultural activities.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 Fair value and classification of financial instruments

There are three types of classification levels for the fair value of financial instruments. This hierarchy prioritizes unadjusted prices quoted in an active market for financial assets or liabilities. The classification of hierarchical levels can be presented as follows:

- Level 1 - Data originating from an active market (unadjusted quoted price) that can be accessed on a daily basis, including on the date of fair value measurement.

- Level 2 - Different data originating from the active market (unadjusted quoted price) included in Level 1, extracted from a pricing model based on data observable in the market.

- Level 3 - Data extracted from a pricing model based on data that are not observable in the market.

The chart below presents the carrying amounts and fair values of the Company's main assets and liabilities, together with their measurement levels, on December 31, 2019, and 2018:

		Parent Company			
		December 31, 2019		December 31, 2018	
	Levels	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS (CURRENT/NON-CURRENT)					
MEASURED AT AMORTIZED COST					
Cash and Cash Equivalents - Cash Available (Note 5)	2	93	93	71,855	71,855
Services rendered receivable	2	30	30	259	259
Deposits related to litigation	2	654	654	601	601
Other receivables	2	2,272	2,272	18,676	18,676
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS					
Cash and Cash Equivalents - Short-Term Financial Investments (Note 5)	2	71,438	71,438	1,171	1,171
Marketable Securities (Note 06)	2	8,716	8,716	2	2
TOTAL		83,203	83,203	92,564	92,564
FINANCIAL LIABILITIES (CURRENT/NON-CURRENT)					
MEASURED AT AMORTIZED COST					
Trade accounts payable	2	1,017	1,017	3,840	3,840
Other payables	2	527	527	475	475
TOTAL		1,544	1,544	4,315	4,315

		Consolidated			
		December 31, 2019		December 31, 2018	
	Levels	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS (CURRENT/NON-CURRENT)					
MEASURED AT AMORTIZED COST					
Cash and Cash Equivalents - Cash Available (Note 5)	2	52,453	52,453	108,189	108,189
Consumers, concessionaires, permissionaires and clients (Note 07)	2	3,649,639	3,649,639	3,868,554	3,868,554
Services rendered receivable	2	31,349	31,349	90,439	90,439
Deposits related to litigation	2	272,853	272,853	294,906	294,906
Financial assets of the sector (Note 12)	3	662,067	662,067	712,655	712,655
Other receivables (Note 11)	2	259,541	259,541	338,254	338,254
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS					
Cash and Cash Equivalents - Short-Term Financial Investments (Note 05)	2	943,885	943,885	598,853	598,853
Marketable Securities (Note 06)	2	681,690	681,690	976,798	976,798
Concession's financial assets (Note 12)	3	4,748,294	4,748,294	4,271,861	4,271,861
Derivative financial instruments - swap	2	372,854	372,854	439,359	439,359
TOTAL		11,674,625	11,674,625	11,699,868	11,699,868
FINANCIAL LIABILITIES (CURRENT/NON-CURRENT)					
MEASURED AT AMORTIZED COST					
Trade Accounts Payable (Note 18)	2	2,546,345	2,546,345	2,119,660	2,119,660
Loans and Financing (Note 20)	2	4,307,225	3,876,866	5,622,970	5,628,568
Debentures (Note 21)	2	4,459,315	3,851,055	4,405,491	4,476,263
Financial Liabilities of the Sector (Note 13)	3	-	-	2,619	2,619
Leasing Obligations (Note 25) [(a)]	2	79,356	79,356	-	-
Other Payables (Note 26)	2	654,514	654,514	753,695	753,695
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS					
Derivative financial instruments - swap	2	34,575	34,575	111,664	111,664
TOTAL		12,081,330	11,042,711	13,016,099	13,092,469

[(a)] Lease obligations were recognized due to the initial adoption of IFRS 16/CPC 06 (R2), as described in Note 25.

Valuation techniques and methods

It is worth mentioning that the estimated fair value of financial assets and liabilities was determined by means of information available on the market and appropriate valuation methodologies. Nevertheless, meaningful judgment was required from Management when interpreting market data to produce the most appropriate fair value estimate.

As most of the receivables and payable mature in the short term, the Company believes their fair value is already reflected in their book value. The same applies to marketable securities classified as held-to-maturity. In this case, the Company believes their fair value is similar to their book value as these securities bear interest rates that are pegged to the DI (Interbank Deposit) curve, thus reflecting changes in market conditions.

Regarding the concession's financial assets, classified as fair value through profit or loss, the inclusion in level 3 was due to the fact that the relevant factors for the valuation at fair value were not publicly observable. The changes between the years and the respective gains and losses in the income statement for the period are described in Note 13.

Policy concerning derivative instruments

The Company has a policy of using derivative instruments, which has been approved by its Board of Directors. According to this policy, the debt service (principal plus interest and charges) denominated in foreign currency maturing within 24 months is to be hedged, except no speculative transaction is allowed, whether using derivatives or any other risky assets.

In line with the policy standards, the Company does not have any options, swaps, callable swaps, flexible options, derivatives embedded in other products, derivative-structured transactions, and so-called "exotic derivatives". Furthermore, the statement below denotes that the Company uses cashless exchange rate swaps (US$ vs. CDI), of which the Notional Contract Value is equal to the amount of the debt service denominated in foreign currency maturing in 24 months.

38.2 Risk management and goals achieved

Management of derivative instruments is achieved through operating strategies with a view of liquidity, profitability, and safety. Our control policy consists of ongoing enforcement of policy standards concerning the use of derivative instruments, as well as continued monitoring of agreed-upon rates versus market rates.

38.3 Market Risk

During the normal course of its businesses, the Company and its subsidiaries are exposed to the market risks related to currency variations and interest rates. There follows a breakdown of debt by currency and index (it does not include financial charges):

	Consolidated			
	December 31, 2019		December 31, 2018	
	R$	%	R$	%
USD	2,261,255	26.0	3,135,865	31.6
TOTAL - FOREIGN CURRENCY	2,261,255	26.0	3,135,865	31.6
CDI	3,456,349	39.7	3,923,614	39.5
IPCA	2,764,480	31.8	2,307,342	23.3
TJLP	85,867	1.0	373,742	3.8
Other	127,512	1.5	176,328	1.8
TOTAL - DOMESTIC CURRENCY	6,434,208	74.0	6,781,026	68.4
TOTAL	8,695,463	100.0	9,916,891	100.0

Derivative financial instruments in the form of swaps were contracted for the portion of debt denominated in foreign currency, in accordance with the policy for utilization of derivative instruments approved by the Board of Directors. Thus, including the swaps, the Company's foreign exchange exposure related to debt represents 0.31% of total debt denominated in foreign currency on December 31, 2019 (0.39% on December 31, 2018).

Below, we provide a few considerations and analyses on risk factors impacting on the business of Light Group's companies:

38.4 Currency risk

For a portion of loans and borrowings denominated in foreign currency, the Company uses derivative financial instruments (swap operations) to hedge against service associated with these debts (principal plus interest and commissions) to expire within 24 months. Funds raised as per BACEN Resolution 4131 from Citibank and the issue of Bonds abroad were already contracted with swap for the entire duration of the debt, previously approved by the Board of Directors.

Listed below is the chart with the breakdown of derivative transactions on December 31, 2018:

Institution	Subsidiary	Currency	Light`s Receivable	Light's Payable	Starting Date	Maturity date	Notional Value (R$) December 31, 2019	Notional Value (US$) December 31, 2019	Swap (accrual) (R$) December 31, 2019	Fair value swap (accounting) (R$) December 31, 2019	Fair Value x Accrual December 31, 2019
Citibank	Light SESA	US$	US$+Libor3M+1.02%	CDI + 1.50%	Sep 5, 2019	Sep 8, 2021	362,763	90,000	13,410	18,322	4,912
Bradesco (Bond)	Light SESA	US$	US$ + 7.25% p.a.	143.10% CDI	May 3, 2018	May 3, 2023	403,070	100,000	(33,545)	(89,835)	(56,290)
Bradesco (Bond)	Light SESA	US$	US$ + 7.25% p.a.	142.48% CDI	May 3, 2018	May 3, 2023	644,912	160,000	(112,038)	(144,381)	(32,343)
Santander (Bond)	Light SESA	US$	US$+1.27940% p.a.	18.62% CDI	May 3, 2018	May 3, 2023	67,039	16,632	(884)	(14,523)	(13,639)
Citibank	Light Energia	US$	US$+Libor3M+0.91%	CDI+1.30%	Sep 5, 2019	Sep 8, 2021	322,456	80,000	11,901	16,253	4,352
Itaú (Bond)	Light Energia	US$	US$ + 7.25% p.a.	143.10% CDI	May 3, 2018	May 3, 2023	403,070	100,000	(55,908)	(89,835)	(33,927)
BBM (Bond)	Light Energia	US$	US$ + 7.25% p.a.	142.75% CDI	May 3, 2018	May 3, 2023	120,921	30,000	(16,775)	(27,019)	(10,244)
Santander (Bond)	Light Energia	US$	US$+1.27940% p.a.	18.62% CDI	May 3, 2018	May 3, 2023	33,520	8,316	(442)	(7,261)	(6,819)
						TOTAL	2,357,751	584,948	(194,281)	(338,279)	(143,998)

Institution	Subsidiary	Currency	Light`s Receivable	Light's Payable	Starting Date	Maturity date	Notional Value (R$) December 31, 2018	Notional Value (US$) December 31, 2018	Swap (accrual) (R$) December 31, 2018	Fair value swap (accounting) (R$) December 31, 2018	Fair Value x Accrual December 31, 2018
Citibank	Light SESA	US$	US$+Libor3M+1.62%	CDI + 3.50%	Feb 1, 2018	Aug 2, 2021	129,159	33,333	(21,403)	(19,915)	1,488
Citibank	Light SESA	US$	US$+Libor3M+1.62%	CDI + 3.50%	Feb 1, 2018	Aug 2, 2021	129,159	33,333	(21,403)	(19,915)	1,488
Citibank	Light SESA	US$	US$+Libor3M+1.62%	CDI + 3.50%	Feb 1, 2018	Aug 2, 2021	129,159	33,333	(21,403)	(19,915)	1,488
Citibank	Light SESA	US$	US$+Libor3M+1.62%	CDI + 3.50%	Feb 1, 2018	Aug 2, 2021	387,480	100,000	(67,680)	(60,951)	6,729
BMG	Light SESA	US$	US$	64.05% CDI	Dec 26, 2017	Oct 15, 2019	22,194	5,728	(1,483)	(1,335)	148
Citi (Bond)	Light SESA	US$	US$ + 7.25% p.a.	143.10% CDI	May 3, 2018	May 3, 2023	387,480	100,000	(38,971)	(49,648)	(10,677)
Bradesco (Bond)	Light SESA	US$	US$ + 7.25% p.a.	143.10% CDI	May 3, 2018	May 3, 2023	387,480	100,000	(39,127)	(49,648)	(10,521)
Bradesco (Bond)	Light SESA	US$	US$ + 7.25% p.a.	142.48% CDI	May 3, 2018	May 3, 2023	774,960	200,000	(78,295)	(100,689)	(22,394)
Santander (Bond)	Light SESA	US$	US$+1.27940% p.a.	18.62% CDI	May 3, 2018	May 3, 2023	99,148	25,588	(767)	(2,833)	(2,066)
Citibank	Light Energia	US$	US$+Libor3M+1.75%	CDI + 3.50%	Feb 1, 2018	Aug 1, 2019	25,829	6,666	(4,633)	(4,488)	145
Citibank	Light Energia	US$	US$+Libor3M+1.75%	CDI + 3.50%	Feb 1, 2018	Aug 1, 2019	25,829	6,666	(4,633)	(4,488)	145
Citibank	Light Energia	US$	US$+Libor3M+1.75%	CDI + 3.50%	Feb 1, 2018	Aug 1, 2019	25,829	6,666	(4,633)	(4,624)	9
Itaú (Bond)	Light Energia	US$	US$ + 7.25% p.a.	143.10% CDI	May 3, 2018	May 3, 2023	581,220	150,000	(58,456)	(74,472)	(16,016)
BBM (Bond)	Light Energia	US$	US$ + 7.25% p.a.	142.75% CDI	May 3, 2018	May 3, 2023	193,740	50,000	(19,569)	(25,022)	(5,453)
Santander (Bond)	Light Energia	US$	US$+1.27940% p.a.	18.62% CDI	May 3, 2018	May 3, 2023	49,574	12,794	(384)	(1,416)	(1,032)
						TOTAL	3,348,240	864,107	(382,840)	(439,359)	(56,519)

The amount recorded was measured by its fair value on December 31, 2019, and 2018. All operations with derivative financial instruments are registered in clearinghouses for the custody and financial settlement of securities, and there is no margin deposited in the guarantee. Operations have no initial cost.

The difference between the curve (accrual) and market values was the result of the unique calculation methodology because while the curve swap balance corresponds to the principal plus interest and restated by the exchange rate until December 31, 2019, the market swap balance is calculated considering the future curve of the indexes discounted by the exchange coupon.

Pursuant to the Brazilian accounting practices and IFRS, the number of derivative instruments are recorded at fair value, which approximates market value.

Below, the sensitivity analysis for foreign exchange rate fluctuations, showing eventual impacts on the Company's financial result. These sensitivity analyses were prepared, assuming that the equity balances were outstanding during the period.

The methodology used in the "Probable Scenario" considered the best estimate for the foreign exchange rate on December 31, 2020. It is worth highlighting that, as this refers to a sensitivity analysis of the impact on the financial result of the next 12 months, debt balances on December 31, 2019, were considered. It is worth mentioning that the balance of temporary cash investments will fluctuate according to the need or available funds of the Company, as well as the behavior of debt and derivatives balances will observe their respective contracts.

Exchange rate sensitivity analysis, with the presentation of effects on the income statement before taxes, based on B3's and BNDES' rates and projections on December 31, 2019.

				R$		
OPERATION	Subsidiary	Risk	Debt - US$ Thousand	Scenario (I) - Probable	Scenario (II) - 25%	Scenario (III)+ 50%
FINANCIAL LIABILITIES				(38,115)	(623,360)	(1,208,607)
TN - Par Bond	Light SESA	US$	39,422	(2,630)	(43,012)	(83,394)
TN - Surety - Par Bond	Light SESA	US$	(35,526)	2,370	38,761	75,153
TN - Discount Bond	Light SESA	US$	27,372	(1,826)	(29,864)	(57,903)
TN - Surety - Discount Bond	Light SESA	US$	(24,799)	1,654	27,058	52,461
4131 Citibank 2019	Light SESA	US$	90,212	(6,018)	(98,427)	(190,837)
Bonds	Light SESA	US$	262,985	(17,544)	(286,933)	(556,322)
4131 Citibank 2019	Light Energia	US$	80,175	(5,349)	(87,477)	(169,604)
Bonds	Light Energia	US$	131,492	(8,772)	(143,466)	(278,161)
DERIVATIVES				37,683	616,303	1,194,924
Currency swaps (long position)	Light SESA	US$	(353,197)	23,562	385,360	747,159
Currency swaps (long position)	Light Energia	US$	(211,668)	14,121	230,943	447,765
TOTAL LOSS				(432)	(7,057)	(13,683)
Reference for Financial Assets and Liabilities					+25%	+50%
R$/US$ Exchange Rate (on March 31, 2020)				4.10	5.12	6.15

38.5 Interest rate risk

This risk derives from the impact of interest rates fluctuation not only over financial expenses associated with loans, borrowings, and debentures of the Company but also over financial revenues deriving from temporary cash investments. The policy for the utilization of derivatives approved by the Board of Directors does not comprise the contracting of instruments against such risk. Nevertheless, the Company continuously monitors interest rates so that to evaluate the eventual need for contracting derivatives to hedge against interest rates volatility risk. In these cases, prior approval of the Board of Directors is requested.

On December 31, 2019, there were no current interest swap operations. The chart below shows the position of the interest rate swap transactions on December 31, 2018:

						R$			
Institution	Subsidiary	Light`s Receivable	Light's Payable	Starting Date	Maturity date	Notional Value December 31, 2018	Swap (accrual) December 31, 2018	Fair value swap (accounting) December 31, 2018	Fair Value x Accrual December 31, 2018
BMG	Light SESA	CDI + 1.15%	IPCA + 7.82%	May 20, 2016	May 17, 2021	600,000	54,293	89,331	35,038
PLURAL	Light SESA	CDI + 1.15%	IPCA + 7.82%	May 20, 2016	May 17, 2021	150,000	14,842	22,333	7,491
					TOTAL	750,000	69,135	111,664	42,529

- On August 14, 2019, rate swap transaction (CDI x IPCA) of subsidiary Light SESA with Banco BMG was prepaid. The swap transaction changed the cost of CDI + 1.15% p.a. for IPCA + 7.82% p.a. of a principal debt of R$400,000 maturing in May 2021. The prepayment was of R$80,500, referring to the swap balance at market value on this date.

- On August 29, 2019, rate swap transaction (CDI x IPCA) of subsidiary Light SESA with Banco Plural was prepaid. The swap transaction changed the cost of CDI + 1.15% p.a. for IPCA + 7.82% p.a. of a principal debt of R$100,000 maturing in May 2021. The prepayment was of R$21,000, referring to the swap balance at market value on this date.

The swap transactions with BMG and Plural bank were associated with the ninth debenture issue of the subsidiary Light SESA with Banco do Brasil. The purpose of the transaction was: (i) to hedge with revenue because part of the tariff adjustments is restated by the IPCA; (ii) to reinforce working capital because, during the grace period of the debentures, the Company will receive funds to amortize the interest pegged to the CDI; and (iii) reduction in the percentage of debt pegged to the CDI.

Below, the sensitivity analysis for interest rate fluctuations, showing possible impacts on the result before taxes. These sensitivity analyses were prepared, assuming that the equity balances were outstanding during the period.

The methodology used in the “Probable Scenario” considered the best estimate for the interest rate on December 31, 2020. It is worth highlighting that, as this refers to a sensitivity analysis of the impact on the financial profit or loss of the next twelve months, considers debt and investment balances on December 31, 2019, were considered. It is worth mentioning that the behavior of debt and derivatives balances will observe their respective contracts, and the balance of temporary cash investments will fluctuate according to the need or available funds of the Company.

Interest rate sensitivity analysis, with the presentation of effects on the income statement before taxes, based on B3's and BNDES' rates and projections on December 31, 2019.

			R$		
OPERATION	Subsidiary	Risk	Scenario (I) - Probable	Scenario (II) - 25%	Scenario (III)+ 50%
FINANCIAL ASSETS			(2,756)	(15,462)	(33,447)
Cash equivalents and marketable securities [a]		CDI	(2,756)	(15,462)	(33,447)
FINANCIAL LIABILITIES			44,734	(36,466)	(117,666)
TN - Discount Bond	Light SESA	Libor6M	222	(250)	(722)
4131 Citibank 2019	Light SESA	Libor3M	(1,986)	(3,481)	(4,976)
CCB - IBM 2017	Light SESA	CDI	59	10	(38)
CCB - IBM 2019	Light SESA	CDI	19	3	(12)
Leasing IBM	Light SESA	CDI	1	-	-
Debentures 8th Issue	Light SESA	CDI	3,844	669	(2,507)
Debentures 9th Issue Series A	Light SESA	CDI	7,053	1,227	(4,600)
Debentures 10th Issue	Light SESA	CDI	3,997	695	(2,607)
Debentures 15th Issue - 2nd Series	Light SESA	CDI	2,290	398	(1,493)
FIDC 2018 Series A	Light SESA	CDI	12,868	2,238	(8,392)
Debentures 16th Issue Series 1	Light SESA	CDI	1,867	325	(1,218)
Debentures 16th Issue Series 2	Light SESA	CDI	5,985	1,041	(3,903)
Debentures 16th Issue Series 3	Light SESA	CDI	885	154	(577)
Debentures 17th Issue Series 1	Light SESA	CDI	7,037	1,224	(4,589)
Debentures 17th Issue Series 2	Light SESA	CDI	705	123	(460)
Debentures 17th Issue Series 4	Light SESA	CDI	2,189	381	(1,427)
Promissory Note - 5th NP Sesa	Light SESA	CDI	4,195	729	(2,736)
Debentures 9th Issue Series B	Light SESA	IPCA	(2,590)	(13,008)	(23,426)
Debentures 12th Issue - 3rd Series	Light SESA	IPCA	(189)	(948)	(1,706)
Debentures 13th Issue	Light SESA	IPCA	(1,546)	(7,765)	(13,984)
Debentures 15th Issue - 1st Series	Light SESA	IPCA	(1,730)	(8,691)	(15,651)
FIDC 2018 Series B	Light SESA	IPCA	(1,152)	(5,784)	(10,416)
BNDES - Capex 2013/14 Sub A	Light SESA	TJLP	200	(330)	(861)
BNDES - Capex 2013/14 Sub D	Light SESA	TJLP	4	(7)	(18)
BNDES - 2013/16 Olympics Sub A	Light SESA	TJLP	1,287	(2,124)	(5,536)
BNDES - 2013/16 Olympics Sub B	Light SESA	TJLP	20	(33)	(86)
BNDES - 2013/16 Olympics Sub D	Light SESA	TJLP	15	(25)	(66)
BNDES - 2013/16 Olympics Sub E	Light SESA	TJLP	23	(38)	(100)
BNDES - 2013/16 Olympics Sub H	Light SESA	TJLP	31	(51)	(133)
BNDES - Capex 2013/14 Sub B	Light SESA	SELIC	391	68	(255)
BNDES - Capex 2013/14 Sub E	Light SESA	SELIC	8	1	(5)
BNDES - 2013/16 Olympics Sub C	Light SESA	SELIC	59	10	(38)
BNDES - 2013/16 Olympics Sub F	Light SESA	SELIC	69	12	(45)
BNDES - Lajes Project - SUB A	Light Energia	TJLP	55	(91)	(237)
BNDES - Lajes Project - SUB B	Light Energia	TJLP	58	(96)	(250)
Debentures 3rd Issue	Light Energia	CDI	245	43	(160)
4131 Citibank 2018	Light Energia	Libor 3M	(1,759)	(3,087)	(4,414)
BNDES Conecta	Light Conecta	TJLP	5	(8)	(22)
DERIVATIVES			36,993	6,434	(24,126)
Currency swaps (short position) [a]		CDI	36,993	6,434	(24,126)
TOTAL GAIN (LOSS)			78,971	(45,494)	(175,239)
Reference for FINANCIAL ASSETS				-25%	-50%
CDI (% on December 31, 2020)			4.56%	3.42%	2.28%
Reference for FINANCIAL LIABILITIES				+25%	+50%
CDI (% on December 31, 2020)			4.56%	5.70%	6.84%
TJLP (% on December 31, 2020)			5.09%	6.36%	7.64%
IPCA (% on December 31, 2020)			4.59%	5.74%	6.89%
Selic (% on December 31, 2020)			4.56%	5.70%	6.84%
Libor3M (% on December 31, 2020)			1.63%	2.04%	2.44%
Libor6M (% on December 31, 2020)			1.70%	2.12%	2.55%

[a] Includes Light Group's subsidiaries.

38.6 Credit risk

It refers to the Company eventually suffering losses deriving from the default of consumers or depository financial institutions of funds or temporary cash investments. To mitigate these risks, the Company uses all collection tools allowed by the regulatory body, such as disconnection for delinquency, the inclusion of defaulting customers in credit protection companies, and judicial collection. The credit risk of receivables is diluted due to the Company's client base.

Concerning financial institutions, the Company only carries out low-risk operations, classified by rating agencies. The Company has a policy of not concentrating its portfolio in a certain financial institution. Therefore, the policy's principle is to control the portfolio concentration through limits imposed on the Groups and monitor financial institutions through their shareholders' equity and ratings.

Through its policy, the Company will be able to invest in fixed income products and Interbank Deposit Rate (CDI)-indexed post-fixed income and post-fixed government bonds.

38.7 Liquidity risk

Liquidity risk relates to the Company's ability to settle its liabilities. In order to determine the ability to meet its financial liabilities satisfactorily, the streams of maturities for funds raised and other liabilities are reported with the Company's statements. Further information on the funds raised can be found in detail in Notes 20 and 21.

The Company has raised funds through its operations, from financial market transactions and from affiliate companies, primarily allocated to its investment plan and the management of its cash for working capital and financial commitments.

The Company manages the liquidity risk by continuously monitoring expected and real cash flows and combining the maturity profiles of its financial liabilities and its financial indicator limits and covenants.

The ratings assigned to the Company by the credit rating agencies are as follows:

Ratings	National	International	Date of publication
Fitch	A+	BB-	July 16, 2019
S&P	AA+	-	July 15, 2019
Moody's	A2.br	Ba3	September 4, 2019

The energy sold by the Company is mostly produced by hydroelectric power plants. A rainfall shortage lengthy period may result in reduced water volume in power plant reservoirs and result in losses due to higher energy acquisition costs or decreased revenues with the implementation of comprehensive electric power conservation programs. The lengthening of energy generation through the thermal power plants may pressure higher costs for energy distribution companies, causing higher cash needs in the short term, which are recoverable within the current regulatory framework, and may result in future tariff increases. The tariff flag enables the Company to partially reduce an increased exposure to energy purchase cost variations, thus reducing the liquidity risk.

In the regular process of energy purchase and agreements for the use of transmission system, subsidiary Light SESA's future receivables were tendered as collateral, especially in energy auctions, in the regulated trading environment (ACR), totaling R$406,987 on December 31, 2019 (R$395,425 on December 31, 2018).

The realization flow concerning future liabilities as per the relevant terms and conditions, which include future interest up to the contractual maturity dates, is summarized in the statement below:

Consolidated					
Interest rate instruments:	Up to 3 months	Three months to 1 year	1 to 5 years	More than five years	Total
Floating					
Loans, financing and debentures	(161,118)	(1,685,514)	(8,438,726)	(140,155)	(10,425,513)
Fixed-rate					
Loans, financing and debentures	(11,200)	(46,811)	(167,214)	-	(225,225)
Trade accounts payable	(2,546,345)	-	-	-	(2,546,345)
Swap	(6,004)	(18,011)	(314,264)	-	(338,279)
TOTAL	(2,724,667)	(1,750,336)	(8,920,204)	(140,155)	(13,535,362)

38.8 Energy contracting risk

The portfolio of energy contracts comprises Itaipu contracts, PROINFA, assured energy quotas (CCGF), Angra 1 and 2 quotas and energy trading contracts in the regulated environment (CCEARs), and a bilateral agreement signed before Law 10848/2004 was enacted.

Pursuant to MME Decree No. 5,163/2004, energy must be contracted by distribution agents through auction bids, and the duration of these contracts (CCEARs) is established by the Ministry of Mines and Energy (MME).

Costs related to the acquisition of energy are composed of non-manageable items. The current legislation establishes that distribution companies must guarantee service to all their energy markets and stipulates that ANEEL must consider, in the transfer of energy acquisition costs, up to 105% of the total amount of contracted energy in relation to the distribution company's annual supply volume.

The Company's energy contracting strategy seeks to ensure that the contracting level remains between 100% and 105%, minimizing costs with the acquisition of energy to supply the captive market. As a result, the Company adopted a risk management approach to energy acquisition focused on the identification and measurement of volume, prices, and period of supply, in addition to the use of optimization tools to support the decision to contract energy.

The uncertainties in the macroeconomic and meteorological scenarios have a significant impact on the projected volumes to be acquired. However, the models used guide energy contracting with acceptable risk levels, and, over time, the projections need to be adjusted.

The main factors for uncertainty in energy acquisition are related to future price estimates, and the projection of energy acquisition needs up to seven years before the beginning of the acquired energy supply. If the Company fails to serve 100% of the market, it may be subject to penalties due to under-contracting and will not be able to pass through the full cost of energy acquisition in the spot market to the tariffs. The penalties from not fully serving the distribution agents' electricity market are not applicable in the event of an involuntary contractual exposure recognized by ANEEL.

In addition, ANEEL will not pass through energy acquisition costs to the end consumers' tariffs if the contracting level is higher than one hundred and five percent (105%) of the total amount of electricity acquired in relation to the distribution agent's annual supply volume.

In order to mitigate over- and under-contracting (exposure), the regulation establishes certain instruments, such as (i) adjustment auctions, (ii) Surplus and Deficit Compensation Mechanism (MCSD) of new and existing energy, (iii) bilateral reduction agreements, (iv) temporary energy sales, (v) option to reduce existing energy CCEARs due to the migration of customers to the free market, increases in the acquisition of energy from contracts executed before the enactment of Law No. 10,848/2004 and other market variations, (vi) mechanism to sell the exceeding and (vii) the recognition of involuntary exposure or over contracting.

Pursuant to ANEEL's Regulatory Resolution 453, of October 18, 2011, any involuntary exposure or over contracting to which the distribution companies may be subject, as a result of facts outside their control, may be passed through to the respective tariffs. This pass-through will be granted as long as the distribution agents use all the mechanisms set forth in the regulation to meet the obligation to contract electricity for their entire market.

The difference not passed through to consumer tariffs will be absorbed by the concessionaire and may result in risk or opportunity, depending on the energy price scenario throughout the year.

The Company ended 2016 with a contracting level of 106.2%. According to the current regulations, the amount of energy that exceeds the regulatory limit of 105% and which is not characterized as involuntary is settled in the Short-Term market (SPOT market), and the differences in relation to the average price of the contracts affect the economic result of the distributor. Therefore, notwithstanding the fact that there is a case in ANEEL for the full characterization of Light's over-contracting on December 31, 2016, as involuntary, the Company did not recognize the amount of R$29,500 thousand related to this possible pass-through to the tariff as a sectorial financial asset on December 31, 2016. The restated amount totaled R$36,625 on December 31, 2019.

On December 31, 2017, and December 31, 2018, the subsidiary Light SESA also ended the year over contracted, reaching the percentage of 106.2% and 105.1%, respectively. However, as the 2017 and 2018 SPOT price was higher than the average price of the subsidiary Light SESA contracts, there was no economic loss.

ANEEL has not yet decided on the contracting level and the respective tariff pass-through for 2016, 2017, and 2018.

In relation to 2019, the Company ended the year with a contracting level between 100% and 105%.

38.9 Socio-environmental risks

Social-environmental risks are related to environmental issues, population and employee safety, employee-related issues, social impacts, and supplier management.

To mitigate the risk of fines, embargoes, accidents, lawsuits and damage to the Company's reputation, in 2001, the Company implemented the Environment Management System (EMS), based on ISO 14001, which assesses and monitors the aspects and impacts of its operational complex in order to enforce compliance with current legislation and environmental quality standards. In addition to ISO 14001, the Company's hydroelectric power plants hold OHSAS 18001 Occupational Health and Safety and ISO 9001 quality certifications, forming an Integrated Management System (IMS).

With respect to the risk of accidents involving the population and employees related to the operation and maintenance of energy distribution networks and generation units, the Company continues to invest primarily in health promotion and accident prevention through the application of resources to improve processes and procedures, in training and to raise awareness of its entire workforce. In addition, communication campaigns are carried out related to the risks of the electric network for the population and the importance of adopting personal safety measures.

Regarding the benefits the Company offers to its employees, in addition to private pension plans, managed by Braslight, the benefit package chiefly comprises health and dental care plans, which are extensive to dependents, as well as food vouchers, Christmas food vouchers, daycare assistance, sickness allowance, social and psychological assistance, life insurance and scholarships to Colégio 1º de Maio.

In light of the upsurge in violence-related issues in the city of Rio de Janeiro, the Company is not able to serve several communities, which has a direct impact on the quality of energy supply. To mitigate this problem, Light's strategy to reach these customers, guaranteeing the safety of its team, was the relationship with public schools, health units, and Social Assistance Reference Centers (CRAS). By intensifying the conversations with these agents, Light was able to raise awareness and disseminate information on conscious energy consumption, losses caused by theft, and the Social Electricity Tariff. Another strategy that brought good results was the conversation with leaders of associations of residents, students, and teachers, family clinics, and NGOs that already work with social and cultural projects in these communities.

To ensure that the Company's suppliers are aligned with its guidelines on human rights, labor practices, and social and environmental impact reduction, Light establishes criteria for the selection and management of suppliers, which include compliance with the Company's Social Responsibility Agreement and Code of Ethics and Business Conduct.

38.10 Concession Continuity Risks

The Company and its subsidiaries carry out their electricity distribution activities in accordance with concession agreements and electric power industry legislation, including all resolutions issued by ANEEL.

The fifth amendment to the concession agreement of subsidiary Light SESA, signed in March 2017, has clauses that condition the continuation of the concession to Light SESA complying with the new efficiency criteria for quality of the service provision and economic and financial sustainability of the company.

The efficiency criteria regarding (i) the quality of the service are measured by indicators that consider the frequency and average length of power outages, and the annual global limits set out in the amendment; and (ii) the economic and financial management are measured by indicators that consider the company's indebtedness level and limits defined in the said amendment.

Non-compliance with the criteria of quality of the service will be verified in cases of non-compliance of the indicators for:

(a) two consecutive years between 2018 and 2021, or;
(b) specifically in 2022 for the service quality indicator provided;
(c) specifically in 2020 for the economic and financial management indicator;
(d) for three consecutive years as of 2023.

The non-compliance with items (a), (b), and (c) above leads to administrative proceedings to terminate the concession. The non-compliance with item (d) leads to forfeiture proceedings, with the evaluation of the concessionaire's non-compliance.

For the fiscal year ended December 31, 2018, the subsidiary Light SESA complied with the indicators of quality of service. However, as notified by ANEEL on June 25, 2019, Light SESA has not met the economic and financial indicators. Light SESA differs from ANEEL's understanding, and an administrative appeal was filed at the Agency, which seeks recognition of the compliance with the indicator in 2018.

In 2019, the Company met the criteria for quality of service provided and economic-financial sustainability.

38.11 Capital Management

The Company manages its capital with the purpose of safeguarding its capacity to offer continuously return to shareholders and benefits to other stakeholders, in addition to maintaining the ideal capital structure to reduce costs.

In order to maintain or adjust its capital structure, the Company either reviews the dividend payment policy, returns capital to shareholders, issues new shares, or sells assets to reduce the indebtedness level.

	Consolidated	
	December 31, 2019	December 31, 2018
Debt from loans, financing, and debentures	8,766,540	10,028,461
Liabilities due to lease [(1)]	79,356	-
Derivative financial instruments - swap	(338,279)	(327,695)
Gross Debt	8,507,617	9,700,766
(-) Cash and cash equivalents and TVM	1,678,028	1,683,840
Net debt (A)	6,829,589	8,016,926
Shareholders' equity (B)	6,230,544	3,389,492
Percentage of third-party capital - % (A÷ (B+A))	52%	70%

[(1)] Lease obligations are not part of total net debt when calculating the financial indicators that must comply with the covenants.

39. INSURANCE

On December 31, 2019, the Light group had insurances covering its main assets, including:

Operational Risk Insurance - it covers damages caused to hydroelectric and thermoelectric power plants, including, but not limited to its machinery, steam turbines, gas turbines, generators, boilers, transformers, channels, tunnels, dams, spillway, civil works, offices, and warehouses. All assets are insured under the Operational Risks modality, with an “All Risks” coverage, including the transmission and distribution lines up to 1,000 feet from generation site.

Directors and Officers Liability Insurance (D&O) - It has the purpose of protecting Executives from losses and damages resulting from the performance of their activities inherent to the position as Directors, Officers, and Managers of the Company.

General and Civil Liability Insurance - focuses on the payment of indemnity if the Company is deemed civilly liable by a final and irrevocable court decision or deal authorized by the insurance company, in relation to remedies for property damage and involuntary personal injury caused to third parties and also those related to pollution, contamination, sudden and/or accidental leakage.

Financial Guarantee Insurance – Energy Trading and Judicial. Property Insurance – Comprehensive Business (Leased Properties). International Transport Insurance – Imports, Corporate Travel Insurance, and Personal Insurance.

Below, a summarized breakdown of the main insurance policies considered by Management:

Risks	Term		Amount Insured	Net Premium
	From	To		
Directors & Officers (D&O)	August 10, 2019	August 10, 2020	40,350	241
Civil and general liabilities	October 31, 2019	April 30, 2021	20,000	1,239
Operating risks [a]	October 31, 2019	October 31, 2020	7,591,286	3,499

[a] Maximum limit of liability (LMR) is R$300,000 - Indemnity
[a] Total Value in Risk of R$7,591,286

The Company's insurances are not part of the independent auditor's scope of review.

40. SEGMENT REPORTING

Segment reporting is presented in relation to the business of the Company, identified based on its management structure and internal management information.

The Company's Management considers the following segments: power distribution, power generation, power trading, and others (including the holding company). The eliminations comprise intersegment balances and transactions. The Company is segmented according to its operation, which has different risks and compensation. No client accounts for more than 10% of the Company's revenue or receivables, and the Company operates only in Brazil.

Segment information for the periods ended December 31, 2019, and 2018 are presented below:

	Distribution	Generation	Services	Trading	Other	Eliminations	Consolidated December 31, 2019
Assets:							
Current assets	3,780,125	1,427,207	20,949	177,235	359,568	(410,858)	5,354,226
Other non-current assets	13,295,910	130,554	23,227	35,978	659	-	13,486,328
Investments	29,191	136,426	-	-	6,191,540	(5,777,813)	579,344
Property, plant and equipment	244,694	1,301,224	40,641	396	-	-	1,586,955
Intangible assets	2,832,558	2,251	1,452	654	-	-	2,836,915
TOTAL ASSETS	20,182,478	2,997,662	86,269	214,263	6,551,767	(6,188,671)	23,843,768
Liabilities and shareholders' equity:							
Current liabilities	3,714,697	1,392,477	4,412	157,745	319,083	(410,858)	5,177,556
Non-current liabilities	11,310,215	1,102,322	22,253	26	852	-	12,435,668
Shareholders' Equity	5,157,566	502,863	59,604	56,492	6,231,832	(5,777,813)	6,230,544
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,182,478	2,997,662	86,269	214,263	6,551,767	(6,188,671)	23,843,768

	Distribution	Generation	Services	Trading	Other	Eliminations	Consolidated December 31, 2018
Assets:							
Current assets	4,356,768	1,264,930	5,877	190,509	113,638	(296,352)	5,635,370
Other non-current assets	6,695,042	103,608	55,507	170,004	601	-	7,024,762
Investments	29,734	111,188	5,339	-	3,324,434	(2,924,073)	546,622
Property, plant and equipment	230,113	1,288,924	41,063	381	-	-	1,560,481
Intangible assets	3,090,826	3,405	1,583	654	-	-	3,096,468
TOTAL ASSETS	14,402,483	2,772,055	109,369	361,548	3,438,673	(3,220,425)	17,863,703
Liabilities and shareholders' equity:							
Current liabilities	3,791,317	1,466,062	6,498	262,989	47,895	(296,352)	5,278,409
Non-current liabilities	8,165,036	1,029,698	1,068	-	-	-	9,195,802
Shareholders' Equity	2,446,130	276,295	101,803	98,559	3,390,778	(2,924,073)	3,389,492
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,402,483	2,772,055	109,369	361,548	3,438,673	(3,220,425)	17,863,703

Profit or loss by segment:

	Distribution	Generation	Services	Trading	Other	Eliminations	Consolidated 2019
NET REVENUE	11,912,106	1,098,023	6,158	1,122,462	74	(749,256)	13,389,567
OPERATING COSTS AND EXPENSES	(10,896,387)	(612,994)	(23,042)	(1,248,321)	(32,378)	749,256	(12,063,866)
Equity in the earnings of subsidiaries	-	4,667	(51,204)	-	1,394,537	(1,386,367)	(38,367)
FINANCIAL RESULT	743,853	(75,345)	3,090	28,273	1,743	-	701,614
Financial income	1,767,384	97,890	3,443	29,846	2,836	-	1,901,399
Financial expense	(1,023,531)	(173,235)	(353)	(1,573)	(1,093)	-	(1,199,785)
EARNINGS BEFORE TAXES	1,759,572	414,351	(64,998)	(97,586)	1,363,976	(1,386,367)	1,988,948
Social contribution	(160,452)	(23,684)	(104)	8,780	(1)	-	(175,461)
Income tax	(445,762)	(64,058)	(261)	24,398	(1)	-	(485,684)
NET RESULT	1,153,358	326,609	(65,363)	(64,408)	1,363,974	(1,386,367)	1,327,803

	Distribution	Generation	Services	Trading	Other	Eliminations	Consolidated 2018
NET REVENUE	10,334,019	1,118,461	39,680	1,346,375	873	(868,861)	11,970,547
OPERATING COSTS AND EXPENSES	(9,674,775)	(786,454)	(61,840)	(1,219,724)	(55,089)	874,904	(10,922,978)
Equity in the earnings of subsidiaries	-	(112,103)	(5,965)	-	252,655	(219,994)	(85,407)
FINANCIAL RESULT	(543,744)	(123,157)	4,207	14,124	173	(2,375)	(650,772)
Financial income	488,194	135,964	6,809	15,687	1,477	(4,857)	643,274
Financial expense	(1,031,938)	(259,121)	(2,602)	(1,563)	(1,304)	2,482	(1,294,046)
EARNINGS BEFORE TAXES	115,500	96,747	(23,918)	140,775	198,612	(216,326)	311,390
Social contribution	(10,285)	(16,505)	515	(12,695)	(11)	(110)	(39,091)
Income tax	(28,506)	(44,241)	1,453	(34,921)	(15)	(287)	(106,517)
NET RESULT	76,709	36,001	(21,950)	93,159	198,586	(216,723)	165,782

41. CONTRACTUAL COMMITMENTS

On December 31, 2019, the Company and its subsidiaries had the following material contractual commitments not recognized in the financial statements:

41.1 Power sale agreements

On December 31, 2019, the Company had power sale commitments, as shown in the table below:

Year	Total conventional energy contracted (average MW) [(a)]	Total incentivized energy contracted (average MW) [(a)]
2020	430.49	47.95
2021	422.64	17.95
2022	449.64	8.00
2023	449.64	8.00
2024	449.64	8.00
2025	449.64	8.00
2026	449.64	8.00

[(a)] Not assessed by independent auditors

41.2 Electricity purchase agreements

On December 31, 2019, the Company had power purchase agreements, as shown in the table below:

Year	Average Mw Bilateral Agreement[(a)]	Average Mw Itaipu[(a)]	Average Mw PROINFA [(a)]	Average Mw Energy auctions [(a)]	Average Mw Total Agreements [(a)]
2020	725	526	52	2,009	3,312
2021	725	522	52	2,030	3,329
2022	725	522	52	2,056	3,355
2023	725	521	52	2,083	3,381
2024	679	521	52	2,148	3,400
2025	-	521	52	2,597	3,170
2026	-	521	52	2,597	3,170
2027	-	521	52	2,597	3,170
2028	-	521	52	2,597	3,170
2029	-	521	52	2,597	3,170

[(a)] Not assessed by independent auditors

42. NON-CASH TRANSACTIONS

In the years ended December 31, 2019, and 2018, the Company carried out the following non-cash investment and financing activities. Therefore, these transactions are not reflected in the cash flow statements:

	Consolidated	
	2019	2018
Acquisition of intangible assets against suppliers	45,274	32,129
Revenue relating to the construction of own assets (DVA)	793,332	720,874

43. EVENTS AFTER THE REPORTING PERIOD

43.1 Change in the shareholding composition

On January 15, 2020, BNDESPAR announced that, between December 26, 2019, and January 15, 2020, sold all common shares held in the Company's share capital and, therefore, ceased to be a shareholder.

On January 16, 2020, FIA Samambaia announced that it now holds 22,730,000 common shares, representing 7.48% of the Company's share capital and, on January 27, 2020, reported that it increased its interest to 10.17%.

43.2 Tariff Adjustment

On March 10, 2020, ANEEL approved the tariff adjustment process for subsidiary Light SESA. The result, approved through Resolution 2,667 / 2020, represents a tariff readjustment 6.21% for the consumer, and encompasses all classes of consumption (residential, industrial, commercial, rural and others). The adjustment index consists of two components: (i) structural, which becomes part of the tariff, 2.11%, comprised of non-manageable costs (Parcel A) and manageable (Parcel B); and (ii) financial, applied exclusively to the next 12 months, and withdrawn of the financial bubble of the previous process, which total 4.11%. The new tariffs came into effect as from March 15, 2020.

43.3 Spread of the New Coronavirus (Covid-19)

Since the beginning of 2020, we have been following the spread of the New Coronavirus ("Covid-19") around the world. The Company carried out an analysis of the risks and uncertainties related to Covid-19 and did not identify any relevant impact until the moment that required adjustment on these financial statements.

It is not possible at this time to measure or anticipate possible economic and financial impact future risks arising from a Covid-19 pandemic and the Company will continue to carefully observe the development of this situation.

BOARD OF DIRECTORS

Antonio Rodrigues dos Santos e Junqueira
Carlos da Costa Parcias Júnior
Carlos Marcio Ferreira
Carlos Alberto da Cruz
David Zylbersztajn
Octávio Cortes Pereira Lopes
Patrícia Gracindo Marques de Assis Bentes
Ricardo Reisen de Pinho
Vacant

FISCAL COUNCIL

SITTING MEMBERS	ALTERNATE MEMBERS
Julia Figueiredo Goytacaz Sant´Anna	João Alan Haddad
Marcelo Souza Monteiro	Michele da Silva Gonsales
Domenica Eisentein Noronha	Maurício Rocha Alves de Carvalho

BOARD OF EXECUTIVE OFFICERS

Ana Marta Horta Veloso
Chief Executive Officer and Investor Relations Officer

Roberto Caixeta Barroso
CFO and Holdings Officer

Claudio Bernardo Guimarães de Moraes
Business Management Officer

Dalmer Alves de Souza
Chief Commercial Officer

Alessandra Genu Dutra Amaral
Electric Power and Trading Officer

Marcus Auguste Pimenta
Chief Engineering Officer

CONTROLLERSHIP SUPERINTENDENCE

Eduardo Righi Reis
Controllership Superintendent
CPF 044.566.946-29

Simone da Silva Cerutti de Azevedo
Accountant - Accounting Manager
CPF 094.894.347-52
CRC-RJ 103826/O-9

Centro Empresarial PB 370
Praia de Botafogo, 370
6º ao 10º andar - Botafogo
22250-040 - Rio de Janeiro - RJ - Brasil
Tel: +55 21 3263-7000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers of
Light S.A.
Rio de Janeiro - RJ

Opinion

We have audited the individual and consolidated financial statements of Light S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Light S.A. as at December 31, 2019, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

Risks related to compliance with laws and regulations

As mentioned in Note 15 to the individual and consolidated financial statements, at December 31, 2019 the Company held investments in Norte Energia S.A., which was accounted for under the equity method. Currently, investigations and other legal actions conducted by public authorities on this non-controlled investee on certain expenditures and their allocations are underway and involve and also include some of its shareholders and certain executives of these shareholders. At the moment, it is not possible to anticipate future developments resulting from these investigation procedures by the public authorities, nor their possible effects on the individual and consolidated financial statements of the Company. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recognition of revenue from distributed but unbilled energy

The revenues of the Company's subsidiaries mainly derive from energy supply, and are recognized when consumers consume energy, on an accrual basis, regardless of its billing, since billing is carried out based on reading cycles that, in some cases, occur after the accounting period end. The balance of accounts receivable from unbilled energy supply totals R$ 542,775 thousand as at December 31, 2019, as disclosed in Note 7 to the financial statements.

The calculation of unbilled revenue was considered a key audit matter due to the significance of the amounts involved and to specific elements of the estimation process, which considers historical data, parameterization of systems, as well as judgment by management referring to the estimated consumption by a part of consumers, in order to ensure that revenue is accurately accounted for within the correct period.

How our audit addressed this matter

Our audit procedures included, among others: (i) assessing the design and operating efficiency of internal controls implemented by the Company for unbilled revenue calculation; (ii) understanding and documenting the estimation process, as well as management's determination and review of assumptions; (iii) resorting to our system audit experts to assist us in testing the integrity and accuracy of data and reports extracted from the billing system, which are used to calculate the estimated unbilled revenue; and (iv) recalculating such revenues.

Based on the result of audit procedures performed on unbilled revenues, which is consistent with management's assessment, we understand that the unbilled revenues measurement and recognition policies adopted by the Company management, as well as the respective disclosures in Note 7 are acceptable in the context of the financial statements taken as a whole.

Provisions for tax, labor and civil contingencies

As disclosed in Note 23, the Company and its subsidiaries are parties to various tax, labor and civil claims totaling R$7,350,327 thousand at December 31, 2019, for which no provision was set up, since the likelihood of loss in such claims was deemed as possible. From that total amount, R$6,255,377 thousand refer to tax claims.

We consider this to be a key audit matter due to the significance of the amounts involved in those claims, to the level of judgment involved in determining whether a provision should be set up, its estimate and the probability of related disbursements, as well as due to the complexity of these matters and of the tax environment in Brazil.

How our audit addressed this matter

Our procedures included, among others, the involvement of tax experts to help us assess the legal opinions obtained by the Company, as well as holding periodical meetings with management to discuss the development of the main ongoing lawsuits. We also obtained confirmation letters from the Company's and its subsidiaries' outside legal advisors in order to compare their assessments on the ongoing lawsuits with the positions considered by management.

Based on the result of audit procedures performed, which is consistent with management's assessment, we understand that the measurement of claims assessed as possible loss, as well as the respective disclosures in Note 23 are acceptable in the context of the financial statements taken as a whole.

Realization of deferred tax credits

As disclosed in Note 10, the Company and its subsidiaries have high amounts of deferred tax credits related to IRPJ and CSLL tax losses and temporary differences.

This was considered a key audit matter due to the significant degree of judgment involved in the process, as well as the specificities related to the estimation process, which requires of the Company management projections with subjective assumptions and future taxable profits and deferred tax liabilities for the realization of such credits.

How our audit addressed this matter

Our audit procedures included, among others: i) assessing the design and effectiveness of significant internal controls implemented by the Company for the recognition and monitoring of deferred tax credits; (ii) resorting to tax experts to assist us in reviewing the computation of taxes, and (iii) reviewing the main assumptions and methodology used by management in the projections for purposes of recoverability of deferred tax credits, such as projections of future taxable profits.

Based on the result of audit procedures performed, which is consistent with management's assessment, we understand that the realization of deferred tax credits, as well as the respective disclosures in Note 10 are acceptable in the context of the financial statements taken as a whole.

Exclusion of ICMS from the PIS and COFINS calculation base

As disclosed in note 8, in August 2019, the lawsuit filed by the subsidiary Light Serviços de Eletricidade S.A. ("Light SESA") received a final and unappealable decision favoring the plaintiff. Based on the opinion of legal advisors and the best accounting estimates, an asset of PIS and COFINS were recorded to be recovered in the amount of R$6,203,145 thousand and a liability of R$3,605,664 thousand corresponding to the amounts to be refunded to consumers on PIS and COFINS credits, since the Company understands that part of the credits to be received by the subsidiary Light SESA should be refunded to consumers in its concession area, considering a period of up to 10 years for calculation of such refund.

Monitoring this matter was considered a key audit matter, considering that there are still divergences between the court decisions and the position taken by the Brazilian Internal Revenue Service regarding the methodology adopted to calculate the credits in question, the large volume of prior-year supporting documentation to be gathered by the subsidiary Light SESA, as well as the absence of precedents and positioning by the regulatory body (ANEEL) as to the need to return part of the credits to consumers in the distribution segment.

How our audit addressed this matter

Our procedures included, among others: (i) recalculation to determine the amounts to be recorded, and discussing the methodology adopted by management to measure the amounts to be recorded; (ii) confirming the lawsuits with the Company's outside legal advisors, and their assessments on the matter; (iii) involving our tax experts to evaluate lawsuits addressing this matter, and the effects of decisions on the Company; (iv) obtaining and discussing with the Company about the opinions of its legal advisors supporting the recognition of the liability to refund the amounts to consumers, and its accounting treatment; (v) involving our tax experts to assess the adequacy of the measurement and accounting treatment of this liability, as well as its tax effects; (vi) evaluating the adequacy of the disclosures made by the Company on the exclusion of ICMS from the PIS and COFINS calculation base included in Note 8 to the financial statements.

Based on the results of the audit procedures performed, we considered that the criteria and assumptions adopted by the Company management for recognition of PIS and COFINS recoverable and the respective liability to refund to consumers, arising from the decision to exclude ICMS from the PIS and COFINS base, as well as the respective disclosures in Note 8 are acceptable in the context of the financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2019, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements (Continued)

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's responsibilities for the audit of the individual and consolidated financial statements (Continued)

- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, March 12, 2020

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Gláucio Dutra da Silva
Accountant CRC-1RJ090174/O-4