



1Q18



São Paulo, May 11, 2018: CESP - Companhia Energética de São Paulo (BM&FBOVESPA: CESP3, CESP5 e CESP6) releases its results for first quarter of 2018 (1Q2018). The statement were produced according to the International Financial Reporting Standards (IFRS) and accounting practices adopted in Brazil, compared to the same period in 2017, except as otherwise indicated in this publication.

Conference Call 1Q18 with Simultaneous Translation

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1Q18 Results

- Net Operating Revenue of R\$ 394.2 million;
- Gross Operating Profit of R\$ 270.1 million;
- Adjusted EBITDA of R\$ 310.8 million, with Margin of 78,9%;
- Appropriation of R\$ 199.2 million in Provisions for Legal Risks;
- Loss of R\$ 3.7 million.

Financial and Operating Highlights (R\$ thousand)

	1Q18	1Q17	Chg%
Net Operating Revenue	394,173	362,341	8.8%
Gross Operation Profit	270,156	225,481	19.8%
Gross Margin	68.5%	62.2%	6.3 p.p.
EBITDA	111,571	166,596	-33.0%
Adjusted EBITDA	310,814	241,555	28.7%
Adjusted EBITDA Margin	78.9%	66.7%	12.2 p.p.
Financial Result	12,229	41,056	-70.2%
Net Income (Loss)	(3,729)	72,534	-

GENERATOR COMPLEX

CESP – Companhia Energética de São Paulo holds the concession for three hydroelectric plants, operating under the price regime, with 18 generating units and a total installed capacity of 1,654.6 MW and 1,002.6 MW physical guarantee. The plants are located in the hydrographic basins of the Paraná River in the west of the state São Paulo and the Paraíba do Sul River in the east of the state and comprising the following generator facilities:

Power Plants	Date of Conclusion	Generating Units	Installed Capacity (MW)	Physical Guarantee (Average MW)	End of Concessions
Porto Primavera	1999	14	1,540.0	941.8	13/07/2028
Paraibuna	1978	2	87.0	47.5	09/03/2021
Jaguari	1972	2	27.6	13.3	20/05/2020
Total		18	1,654.6	1,002.6	

On March 17, 2017, the Company filed a lawsuit against the Federal Government, seeking the annulment of Administrative Ordinance N°. 258/2016, which reduced the physical guarantee of the Porto Primavera Plant to 992.6 MW. On 08.01.2017, the Federal Government filed a defense, and so far there has been no manifestation of judgment.

On May 3, 2017, the MME - Ministry of Mines and Energy published Ordinance N°. 178, reviewing the physical guarantees of power plants throughout the country, and reducing from 2018 the physical guarantee of the Porto Primavera UHE from 992.6 to 941.8 average MW, from the Paraibuna UHE of 50.0 to 47.5 average MW, and Jaguari UHE from 14.0 to 13.3 average MW. So the physical guarantee marketable in 2018 reached 1,002.6 average MW.

Três Irmãos Hydroelectric Plant

On July 9, 2014 the Company entered in to the Federal Court, in Brasília, with an Ordinary Proceeding Action with an Application for Preliminary Injunction, in the face of the Federal Government, requesting compensation for the investments not yet amortized, in view of the reversal of the assets and facilities of Plant. In the same action, CESP demands the payment of the uncontroversial amount, which amounts to R\$ 1.7 billion (at 2012 prices), and is still pending the final decision of the Federal Regional Court. On September 9th, 2015 the court granted the production of engineering expert requested by CESP, being that the expertise began “in loco” in the second fortnight of the month of April of 2017 and is currently is expected mid-June 2018 the presentation of the report to be offered by the expert of the court. On February 29, 2016, there was a favorable decision on the admission of the State of São Paulo to the case as interested, based on art. 5th, sole paragraph of Law 9,469/97.

Ilha Solteira e Jupuí Plants

On July 7, 2015, the concessions of the two largest hydroelectric plants of the company were closed down, Ilha Solteira and Jupuí, which together represented 75% of the installed capacity. As the Company did not adhere the conditions established in MP 579 for the renewal of concessions, as from July 8, 2015, all physical guarantee of these plants was allocated to the quota system, with CESP being

responsible for the operation and maintenance of the plants until 30 June, 2016, when the new concessionaire was assumed. During this period, CESP was remunerated at a tariff defined by ANEEL.

On October 9, 2015, CESP filed an indemnification action against the Federal Government, in order to pay the Company the amount due for the reversal of the assets and installations linked to the exploration of concession of the Ilha Solteira and Jupiá Plants, not yet depreciated. The Company understands that it should receive the updated recorded in its accounts. The amount claimed for these assets is R\$ 1.6 billion at the time of action. The Federal Government presented its response to the lawsuit on February 16, 2016 and CESP, on May 3, 2016, reinforced its claims and rights and requested accounting and documentary evidence. The designation of the expert is still pending. On 08/26/2016, the State of São Paulo petitioned for admission as a simple assistant to CESP. On 03/27/2017, the court granted the entry of the State of São Paulo. On July 10, 2017, CESP filed a petition stating the documents and information gathered by the federal government.

On 09/22/2017, the court decided that the accounting expert's evidence will only be carried out in the liquidation of sentence, since the matter is exclusively of law and that the core of the claim is to define the legal framework applicable to the calculation of compensation of the plants, whether historical cost or new replacement value. On 04/18/2018, CESP resources on this issue were not accepted.

ELECTRIC ENERGY PRODUCTION

In the first quarter of 2018, CESP's **Electric Energy Production** reached **2,495,6 GWh**, 2.6% lower than in 1Q17.

Production MWh		
Power	1Q18	1Q17
Porto Primavera	2,440,680	2,520,910
Paraibuna	49,212	20,530
Jaguari	5,759	20,844
Total	2,495,651	2,562,284

COMMERCIALIZATION

CESP's customers are: (i) the country's electricity distributors that buy energy in auctions on the regulated market through long-term contracts; (ii) traders and free consumers, who acquire energy through public offers in short, medium and long-term bilateral contracts.

CESP sells energy under the following market:

Free Contracting Market – ACL: through short-, medium- and long-term Power Purchasing Agreements with volumes, conditions and prices negotiated with trading companies and free consumers.

Regulated Contracting Market – ACR: through power purchasing auctions organized by ANEEL and held through the intermediation of the CCEE to supply the distributors.

Electric Energy Trading Chamber - CCEE: where the differences between the produced, net physical guarantee and contracted energy are booked and settled in part to meet requirements under the Energy Reallocation Mechanism at regulated tariffs which cover the variable costs of energy generation only and partly as surplus and secondary energy at Prices for the Settlement of Differences - PLD as determined by the CCEE.

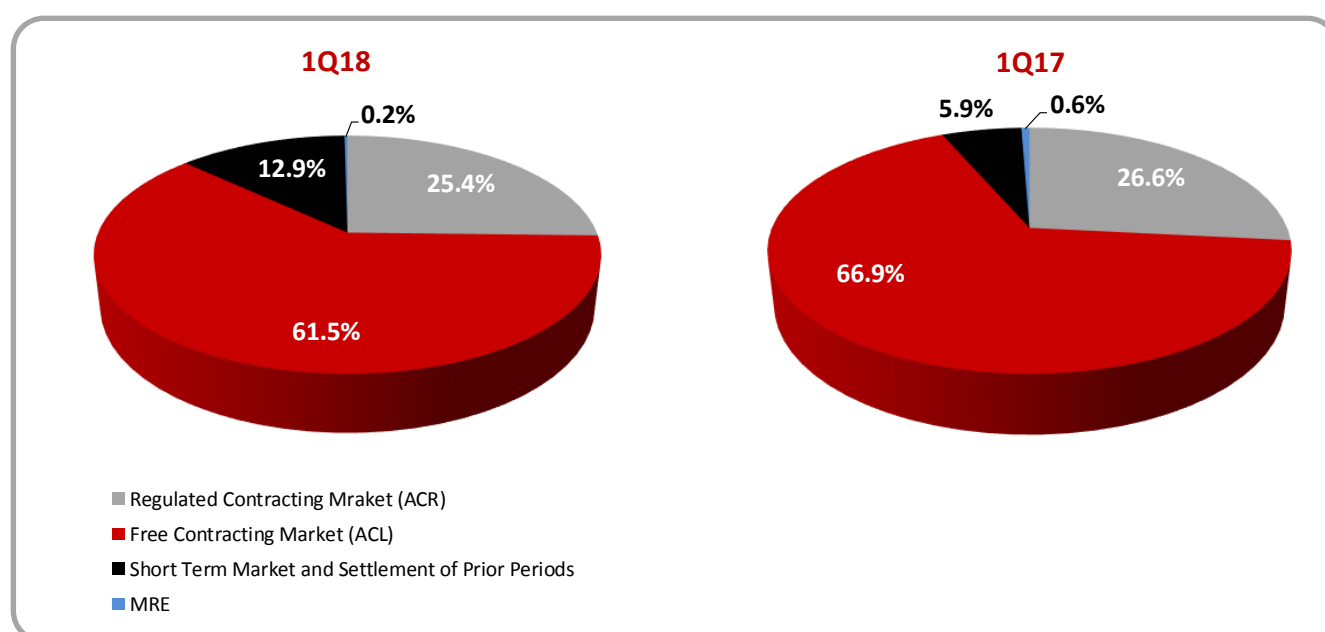
REVENUES

In the first quarter of 2018, **Energy Sales Revenue** increased by 7.71% compared to the same period in 2017, totaling **R\$ 460.7 million**, against R \$ 427.8 million in 1Q17.

Energy Sales Breakdown	MWh			R\$ thousand		
	1Q18	1Q17	Chg.	1Q18	1Q17	Chg.
Free Market - ACL	1,594,006	1,661,391	-4.1%	283,474	286,322	-1.0%
Regulated Market - ACR	517,198	521,168	-0.8%	116,994	113,962	2.7%
Spot Market - PLD	245,700	182,804	34.4%	52,809	22,855	131.1%
Settlement of Prior Periods	0	0	-	6,441	2,352	173.9%
Spot Market - MRE	103,933	226,828	-54.2%	1,039	2,269	-54.2%
Total	2,460,837	2,592,191	-5.1%	460,757	427,760	7.7%
Other Revenues	-	-	-	626	1,457	-57.0%
Total	2,460,837	2,592,191	-5.1%	461,383	429,217	7.5%

REVENUE BREAKDOWN

In 1Q18, the **Free Contracting Market (ACL)** accounted for the highest volume of revenues, marketed at an average price of R\$ 177.84/MWh. The average price of the **Regulated Contracting Market (ACR)** was R\$ 226.21/MWh.



Free Contracting Market – ACL

In the first quarter of 2017, the participation of the Free Contracting Environment in sales was 61.5% and corresponded to **R\$ 283.5 million**.

The volume of energy allocated to the ACL was **1,594.0 GWh** in 1Q18, representing a 64.8% share of the amount of energy sold.

Regulated Contracting Market - ACR

The participation in sales in this environment, in 1Q18, was 25.4%, registering **R\$ 117.0 million**.

The volume of energy destined to the ACR totaled **517.2 GWh** in the first quarter of 2018 and represented 21.0% share of the total amount sold. The average price in this environment increased by 3.4% in relation to 1Q17.

Spot Market

In 1Q18, the revenue obtained by the company at CCEE, considering only the MRE - Energy Reallocation Mechanism was **R\$ 1.0 million**. Revenues in the Short-Term Market (PLD) amounted to R\$ 52.8 million. The volume sold in this environment was **245.7 GWh** or 10.0% of the total volume marketed. There were also **revenues of R\$ 6.4 million** related to the settlement of prior periods.

Renegotiation

CESP adhered to the renegotiation of the hydrological risk along the lines proposed in Law 13203/2015 (MP 688/2015), for the portion of its energy marketed in the ACR for which, on payment of premium, it will be protected from hydrological risks up to the year of 2028, when the end of the current concession of the Porto Primavera HPP will occur. In the Free Contracting Environment the company has no protection.

DEDUCTIONS FROM OPERATING REVENUE

Deductions from Revenue accounted for 14.6% of Gross Operating Revenue in 1Q18 and recorded **R\$ 67.2 million**. In 1Q17, the share of Gross Operating Revenue was 15.6%, in the amount of R\$ 66.9 million.

Deductions from Operating Revenues - R\$ '000	1Q18	1Q17	Chg.
Global Reserve for Reversion Quota - RGR	(10,279)	(10,453)	-1.7%
Research and Development	(3,936)	(3,611)	9.0%
Services tax - ISS	(31)	(71)	-56.3%
COFINS tax on Operating Revenues	(32,291)	(31,322)	3.1%
PIS tax on Operating Revenues	(7,010)	(6,800)	3.1%
Compensations for Use of Water Resources	(12,933)	(12,950)	-0.1%
Inspection fee of electricity services - TFSEE	(730)	(1,669)	-56.3%
Total	(67,210)	(66,876)	0.5%
% Gross Revenues	-14.6%	-15.6%	-1.0 p.p.

OPERATING COSTS AND EXPENSES

Operating Costs and Expenses in 1Q18 totaled **R\$ 361.7 million**, 31.8% higher than the same period of 2017 (R\$ 274.4 million), representing 91.8% of Net Revenue.

Costs and Expenses - Accumulated	Cost with power	Cost with operation	Expenses general and administrative	Other operating expenses	Other (expenses) net revenues	1Q18	1Q17	Chg. %
Purchased energy	(4,594)	-	-	-	-	(4,594)	(18,970)	-75.8%
Regulatory charges	(30,976)	-	-	-	-	(30,976)	(29,804)	3.9%
COFINS/PIS credits without charges	2,558	-	-	-	-	2,558	3,984	-35.8%
Personnel	-	(5,492)	(25,854)	-	-	(31,346)	(33,564)	-6.6%
PDV - voluntary resignation program	-	-	-	-	-	-	(17,819)	-
Administrators	-	-	(549)	-	-	(549)	(536)	2.4%
Social security entity - CPC 33/IAS 19	-	(2,583)	-	-	-	(2,583)	(1,064)	142.8%
Material	-	(402)	(409)	-	-	(811)	(514)	57.8%
Third-party services	-	(5,137)	(6,680)	-	-	(11,817)	(13,271)	-11.0%
Depreciation	-	(77,333)	(1,518)	-	(254)	(79,105)	(78,667)	0.6%
Other charges - ONS/CCEE	-	-	(243)	-	-	(243)	(226)	7.5%
Rents	-	-	(890)	-	-	(890)	(919)	-3.2%
Provision - warehouse	-	-	-	44	-	44	-	-
Provision for legal risks	-	-	-	(183,446)	(15,797)	(199,243)	(74,959)	165.8%
Reversion/(Provision) PIS/COFINS (legal deposits)	-	-	-	811	-	811	(849)	-195.5%
Estimated credit loss	-	-	-	(142)	-	(142)	(1,739)	-91.8%
Late cost	-	-	-	-	(334)	(334)	(2,113)	-84.2%
Other expenses or revenues	-	(58)	(1,489)	(115)	(825)	(2,487)	(3,382)	-26.5%
Total	(33,012)	(91,005)	(37,632)	(182,848)	(17,210)	(361,707)	(274,412)	31.8%
% of Net Revenue						-91.8%	-75.7%	16.0 p.p.

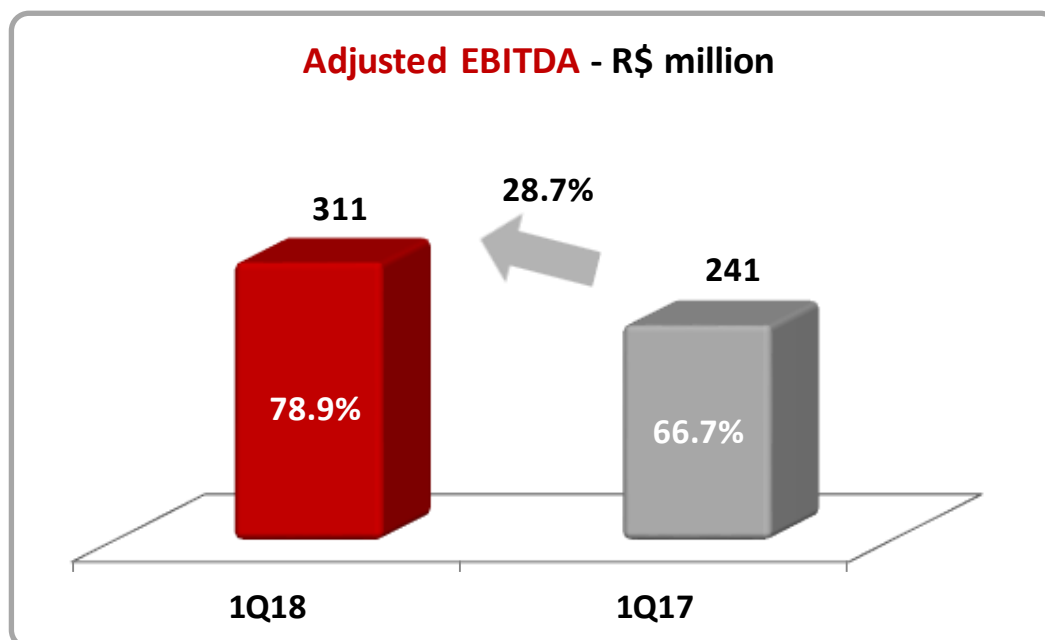
As a highlight in reducing costs and expenses, we have: (i) - 75.8% in Energy Purchased, referring to the most favorable water period; (ii) -6.6% in Personnel, due to the reduction in the number of employees; (iii) -11.0% in the Third Party Services account, following the lowest hiring. As a main item in the increase in costs and expenses, we have 165.8% in Legal Risks Provision, resulting from both the monetary restatement and interest on the balance of this provision, as well as from the changes / reclassifications of shares to Probable Risk.

The summary can be seen in the table below:

	R\$ Million
Balance in 2017	2,951
Monetary Update and Interest	101
Provisions and Reversals	98
Disbursements with Various Actions	(69)
Balance in 03/31/2018	3,081

EBITDA

Adjusted EBITDA totaled R\$ 310.8 million in 1Q18, 28.67% higher than 1Q17 (R\$ 241.5 million). Adjusted EBITDA Margin in the period was 78.9%, higher than the 66.7% registered in 1Q17.



EBIT / EBITDA - R\$ thousand	1Q18	1Q17	Chg%
Net Income	(3,729)	72,534	-
Tax and Social Contribution (Net)	48,424	56,451	-14.2%
Financial Results	(12,229)	(41,056)	-70.2%
EBIT	32,466	87,929	-63.1%
Depreciation	79,105	78,667	0.6%
EBITDA	111,571	166,596	-33.0%
Provision for Legal Risks	199,243	74,959	165.8%
Ajusted EBITDA	310,814	241,555	28.7%
Adjusted EBITDA Margin	78.9%	66.7%	12.2 p.p.

FINANCIAL RESULT

In 1Q18, Financial Revenues totaled R\$ 38.8 million, 41.4% lower than the R\$ 66.2 million in 1Q17, due to the lower positive exchange variation in this quarter.

Total Financial Expenses in 1Q18, including Debt Charges and Other Financial Expenses, were R\$ 7.8 million, 37.1% lower than the same period in 2017 (R\$ 12.4 million).

The **Monetary and Foreign Exchange Variations**, which reflect inflation and exchange rate indicators, registered the value of R\$ 12.7 million in 1Q17 against **R\$ 18.7 million** in 1Q18.

As a result, the **Financial Result** was positive with value of **R\$ 12.2 million** in 1Q18, against a positive R\$ 41.1 million in 1Q17, reflecting a reduction of 70.2% in the comparison between the respective periods.

Breakdown of Financial Results - R\$ thousand	1Q18	1Q17	Chg.
REVENUES	38,767	66,201	-41.4%
Revenues from Investments	6,150	17,145	-64.1%
FIDC - update	-	305	-
Update of judicial deposits and compensable taxes	1,839	2,171	-15.3%
Update of the balance of judicial deposits	13,219	18,251	-27.6%
Exchange rate variations	17,855	29,204	-38.9%
Others	64	39	64.1%
(-) PIS/COFINS on financial income	(360)	(914)	-60.6%
EXPENSES			
DEBT CHARGES	(6,565)	(9,280)	-29.3%
Foreign Currency	(6,399)	(8,792)	-27.2%
Local Currency	(166)	(488)	-66.0%
OTHER	(1,236)	(3,128)	-60.5%
Income tax on financial operations	(141)	(39)	261.5%
Income tax on remittances abroad	-	(62)	-
Update on purchase of foreign currency	(772)	(2,558)	-69.8%
Other charges	(323)	(469)	-31.1%
TOTAL FINANCIAL EXPENSES	(7,801)	(12,408)	-37.1%
GROSS INCOME	30,966	53,793	-42.4%
MONETARY AND EXCHANGE VARIATIONS	(18,737)	(12,737)	47.1%
Local Currency	-	(202)	-
Foreign Currency	(18,737)	(12,535)	49.5%
FINANCIAL RESULT	12,229	41,056	-70.2%

RESULT

Earnings Before Taxes reached R\$ 44.7 million. Total **Income Tax and Social Contribution** was R\$ 48.4 million, mainly due to non-deductible provisions for taxable profit assessment purposes.

As a result, in 1Q18, a **Loss of R\$ 3.7 million** was recorded against net income of R\$ 72.5 million in 1Q17.

INDICATORS

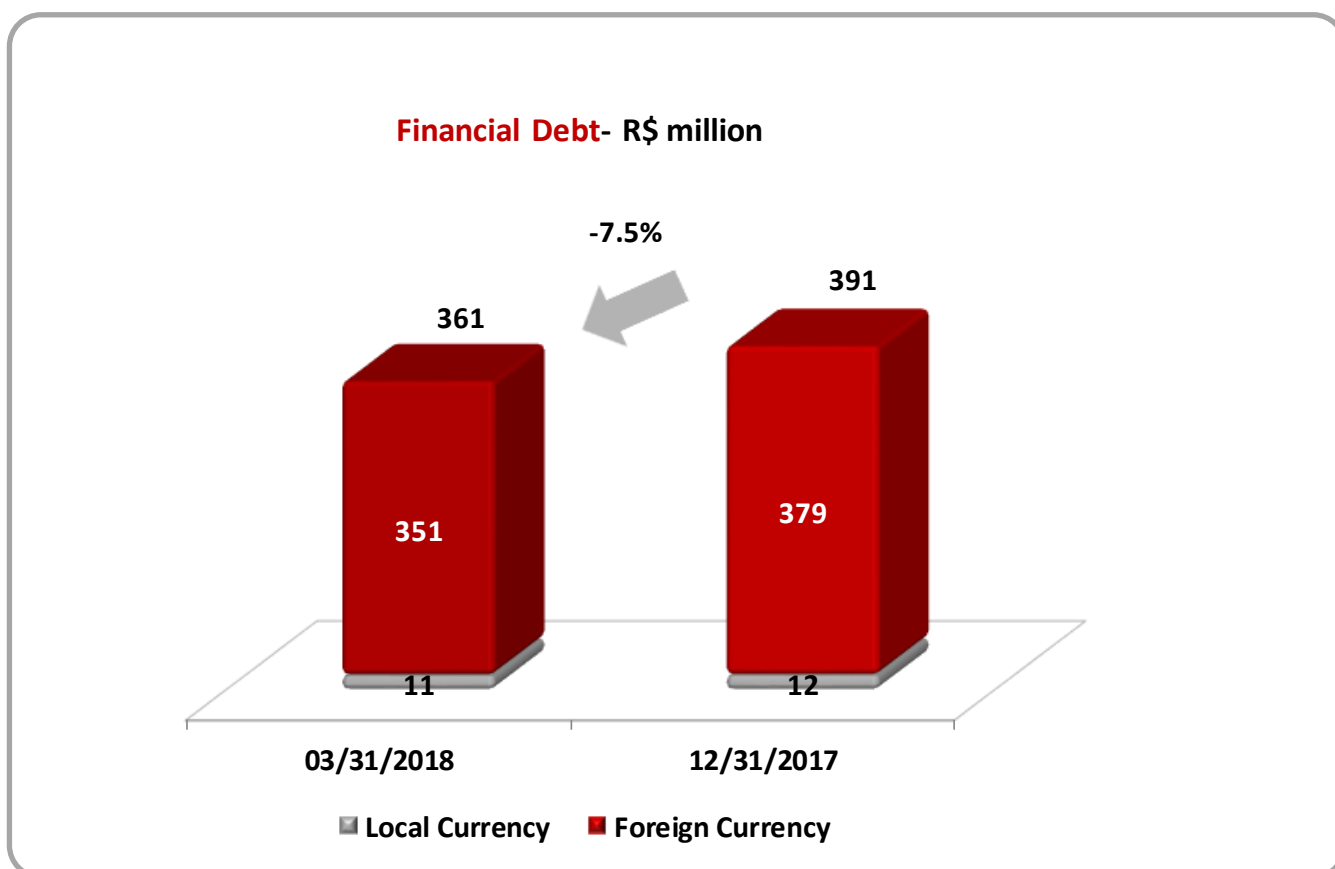
The table below lists the main indicators that impacted CESP's results:

Financial and Economic Indexes	1Q18	1Q17	Chg.
Average Price Contract - R\$ per MWh	192.32	178.89	7.5%
Margin of Gross Operating Income	68.5%	62.2%	6.3 p.p.
Variation Real x Dolar	0.5%	-2.8%	3.3 p.p.
IGP-M (General Market Price Index)	1.5%	0.7%	0.8 p.p.
IPC-A (Extended Consumer Price Index)	0.7%	1.0%	-0.3 p.p.
Current Ratio	1.40	0.91	53.8%

FINANCIAL DEBT

The **Financial Debt** on 03/31/2018 reached **R\$ 361.2 million**, 7.5% lower than 12/31/2017 (R\$ 390.6 million).

Considering cash resources of **R\$ 423.5 million**, **Net Debt** at the end of March 2018 was negative by **R\$ 62.2 million**, against a positive amount of R\$ 80.1 million as of December 31, 2017.



The **Financial Debt** on 03/31/2018 reached **US\$ 105,5 million**, against US\$ 114,5 million on 12/31/2017, representing a reduction of 7.9%.

Financial Debt Position in (R\$ thousand)	03/31/2018			12/31/2017		Chg.
	Charges	Current	Long Term	Total	Total	
Foreign Currency	3,268	201,941	145,452	350,661	378,777	-7.4%
BNDES	3,113	201,941	144,489	349,543	377,764	-7.5%
Other	155	-	963	1,118	1,013	10.4%
Local Currency	3	5,152	3,465	8,620	9,907	-13.0%
ELETROBRÁS	3	5,152	3,465	8,620	9,907	-13.0%
Other Debts	-	213	1,760	1,973	1,957	0.8%
FIDC	-	-	-	-	-	-
Social Security Entity (*)	-	213	1,760	1,973	1,957	0.8%
Total of Financial Debt (1)	3,271	207,306	150,677	361,254	390,641	-7.5%
Resources (2)	-	423,464	-	423,464	310,536	36.4%
Cash	-	423,464	-	423,464	310,536	36.4%
NET DEBT (1) - (2)	3,271	(216,158)	150,677	(62,210)	80,105	-

(*) Note: debt contracts with Fundação Cesp which, based on the actuarial valuation carried out by an independent actuary, following the criteria determined by CPC 33, presented a zero balance in current and noncurrent liabilities on 03/31/2018 and 12/31/2017.

CAPITAL MARKET

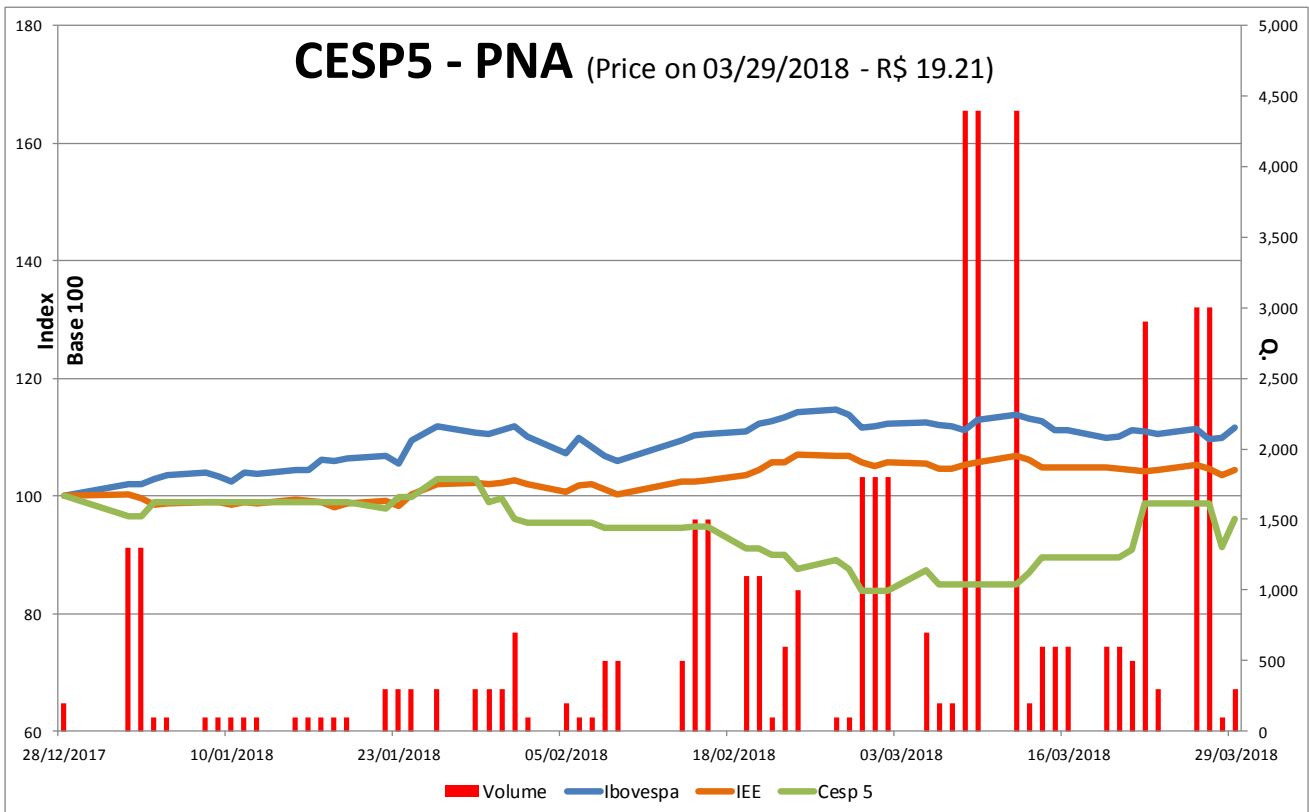
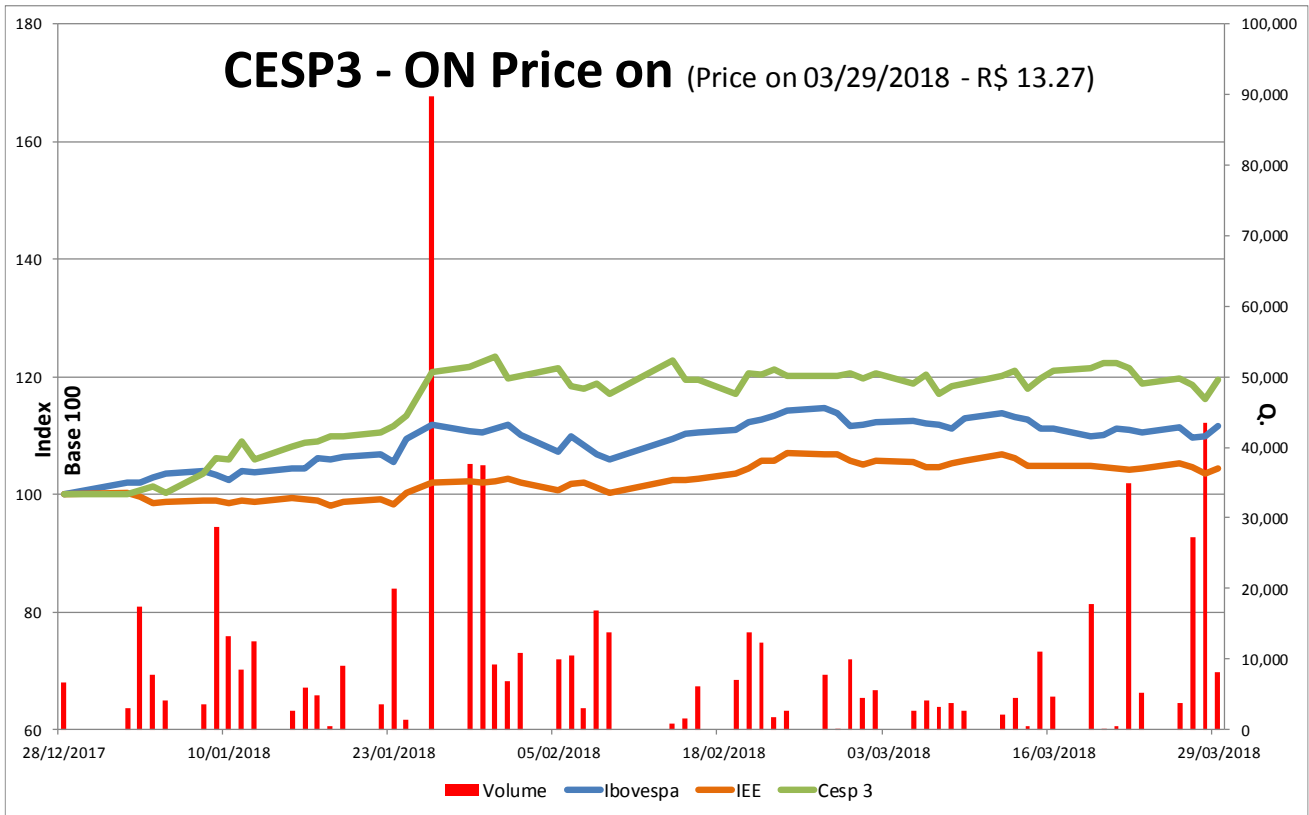
CESP6 Preferred Class B shares, the most traded shares of CESP, represent 64.4% of the Company's total capital and had a positive variation of 19.7% in the first quarter of 2018. In the same period, CESP5 shares - Preferred Class A, which represented 2.3% of the capital, decrease 4.0% and the CESP3 - Ordinary, which represented 33.3% of the Company's total capital, increased 19.4%.

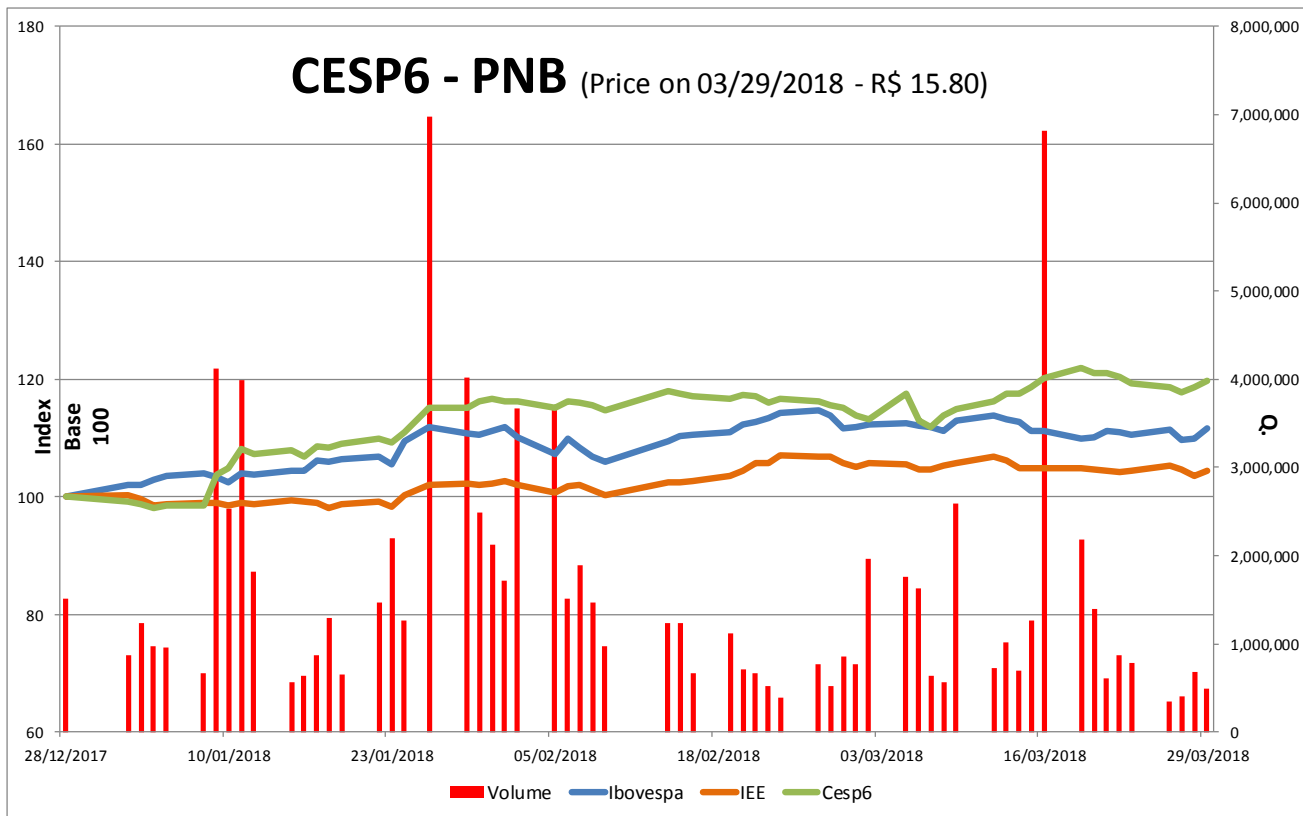
In 1Q18, IBOVESPA had an appreciation of 11.7% and the IEE Electric Energy Index increased by 4.3%.

The table below shows the closing prices and market value of CESP in the last trading session of March 2018 and December 2017, as well as the total points of the IBOVESPA and IEE indices on the same dates.

Share / Index	Closing March/2018	Closing December/2017	Chg. %	Number of Shares (thousand)	Market Value (R\$ thousand) March /2018
CESP3 - ON	13.27	11.11	19.4%	109,168	1,448,656
CESP5 - PNA	19.21	20.00	-4.0%	7,399	142,137
CESP6 - PNB	15.80	13.20	19.7%	210,936	3,332,786
TOTAL CESP				327,503	4,923,579
IBOV	85,366	76,402	11.7%		
IEE	41,445	39,732	4.3%		

SHARE PERFORMANCE





Income Statement - R\$ thousand	1Q18	1Q17	Chg%
GROSS OPERATING REVENUE	461,383	429,217	7.5%
Energy revenue			
Energy Supply	148,739	154,163	-3.5%
Power Supply - Contracts	134,735	132,159	1.9%
Auctions Power Supply	116,994	113,962	2.7%
Power Supply - Potency	-	-	-
Short-Term Energy	60,289	27,476	119.4%
Energy Supply - System of quotas	-	-	-
Other income	626	1,457	-57.0%
DEDUCTIONS FROM OPERATING REVENUES	(67,210)	(66,876)	0.5%
Quota for the reversal of global reserves - RGR	(10,279)	(10,453)	-1.7%
Research and Development	(3,936)	(3,611)	9.0%
Taxes on Services - ISS	(31)	(71)	-56.3%
COFINS on operating revenues	(32,291)	(31,322)	3.1%
PIS on operating income	(7,010)	(6,800)	3.1%
Financial compensation for use of water resources	(12,933)	(12,950)	-0.1%
Inspection fee of electricity services - TFSE	(730)	(1,669)	-56.3%
NET OPERATING REVENUE	394,173	362,341	8.8%
COST OF ENERGY SERVICE			
Cost with electric energy	(33,012)	(44,790)	-26.3%
Charges of use on transmission system/system service	(30,976)	(29,804)	3.9%
Purchased energy	(4,594)	(18,970)	-75.8%
COFINS/PIS credits on charges of purchased power grid	2,558	3,984	-35.8%
Cost with operation	(91,005)	(92,070)	-1.2%
Personnel	(5,492)	(5,908)	-7.0%
PDV - Voluntary Dismissal Program	-	(2,868)	-
Material	(402)	(132)	204.5%
Thirty-party services	(5,137)	(4,754)	8.1%
Private pension entity	(2,583)	(1,063)	143.0%
Generating depreciation	(77,333)	(77,305)	0.0%
Other expenses	(58)	(40)	45.0%
GROSS OPERATING RESULT	270,156	225,481	19.8%
Operating Expenses			
General and administrative expenses	(37,632)	(55,118)	-31.7%
Other operating expenses	(182,848)	(89,994)	103.2%
Other (expenses) net revenues	(17,210)	7,560	-
INCOME (LOSS) OPERATIONAL BEFORE FINANCIAL RESULT	32,466	87,929	-63.1%
Financial income	38,767	66,201	-41.4%
Financial expenses	(26,538)	(25,145)	5.5%
FINANCIAL RESULT	12,229	41,056	-70.2%
INCOME (LOSS) BEFORE TAX AND SOCIAL CONTRIBUTION	44,695	128,985	-65.3%
Income tax - current	(26,344)	(24,082)	9.4%
Socail contribution - current	(10,557)	(9,594)	10.0%
Deferred income tax	(8,232)	(16,690)	-50.7%
Deferred social contribution	(3,291)	(6,085)	-45.9%
Total income tax and social contribution	(48,424)	(56,451)	-14.2%
NET INCOME / (LOSS) OF THE YEAR	(3,729)	72,534	-
Income / (Loss) basic and attributable per share	(0.01)	0.22	-

ASSET	03/31/2018	12/31/2017
CURRENT	805,112	677,261
Cash and cash equivalents	423,464	310,536
Receivables	216,655	196,465
Taxes and contributions for offset	62,420	60,995
Prepaid expenses	15,318	15,763
Other credits	87,255	93,502
NON-CURRENT	10,252,625	10,454,276
Pledges and Restricted Deposits	1,150,702	1,262,028
Deferred Taxes and Social Contribution	571,642	583,165
Warehouse	3,859	3,584
Prepaid Expenses	18,777	22,532
Other Receivables	1,362	1,478
Intangible Assets	39,069	39,860
Assets available for reversal	6,337,256	6,337,256
Provision asset available for reversal	(4,387,826)	(4,387,826)
Immobilized	6,517,784	6,592,199
TOTAL ASSETS	11,057,737	11,131,537

LIABILITIES AND SHAREHOLDERS 'EQUITY	03/31/2018	12/31/2017
CURRENT	576,191	741,110
Suppliers	5,213	14,421
Energy purchased for resale	86,955	200,117
Loans and financing	210,364	204,532
Taxes and Social Contributions	45,169	36,626
Sector charges	167,976	187,695
Dividends and interest on capital	27,023	27,023
Estimated liabilities and payroll	22,430	23,136
Other obligations	11,061	47,560
NON-CURRENT	3,369,755	3,275,862
Loans and financing	148,917	184,152
Sector charges	1,466	1,466
Provision for legal risks	3,080,957	2,950,766
Social and Environmental Obligations	104,895	104,895
Other obligations	33,520	34,583
NET WORTH	7,111,791	7,114,565
Capital Stock	5,975,433	5,975,433
Capital reserves	1,929,098	1,929,098
Equity valuation adjustments	(992,594)	(997,645)
Other comprehensive income	(369,714)	(370,669)
Profit reserves	578,348	578,348
Accumulated profits / (losses)	(8,780)	-
TOTAL LIABILITIES AND SHAREHOLDERS 'EQUITY	11,057,737	11,131,537

ANNEX I – Electricity Sector Glossary

ACL – Free Contracting Market – The segment of the market in which energy is purchased and sold through freely negotiated bilateral contracts, among generators, sellers and free consumers in accordance with specific selling rules and procedures. Distribution agents (distributors) are not permitted to purchase energy in this environment.

General Agreement on the Electric Sector – Agreement signed between generators and distributors with the objective of defining rules to offset the financial losses generated by the energy rationing 2001/2002. The agreement, dated December 2001, provided for financing by the Brazilian National Bank for Economic and Social Development (BNDES) and extraordinary tariff adjustments for consumers, with the exception of low-income consumers, as the compensation for losses.

ACR – Regulated Contracting Market - The segment of the market in which energy is purchased and sold among generators and distributors, preceded by auctions except in cases envisaged by the Law, in accordance with specific selling rules and procedures.

Agent – Agent of the Electric Energy Trading Board (CCEE) – Concessionaires, authorized companies or permit holders of energy services and facilities, sellers and free consumers, members of the CCEE and subject to the obligations and rights in the Trading Agreement, Rules and Procedures.

ANEEL – Brazilian Electricity Regulatory Agency – Regulatory body of the Brazilian energy industry. A special regime governmental agency, linked to the Ministry of Mines and Energy - MME, created by Law 9,427, of December 26, 1996. The Agency has the following responsibilities: regulating and monitoring the generation, transmission, distribution and commercialization of energy, responding to complaints of agents and consumers with fairness to the benefit of society; mediating conflicts of interest between energy sector agents and between energy sector agents and consumers; granting, permitting and authorizing energy facilities and services; ensuring fair tariffs; doing everything to ensure the best possible service quality; requiring investments; encouraging competition among operators; and ensuring service universalization.

Installed Capacity (Installed Power) – Maximum amount of electricity that can be delivered by a generating unit, a hydroelectric plant or a generating plant.

CAR – Risk Aversion Curve - Mechanism that establishes the minimum level of water storage of the hydroelectric reservoirs necessary for the production of energy safely for the interconnected system. The CAR was established in January 2002 by Resolution 109, which established criteria and guidelines for the energy operation policy and dispatch of thermoelectric generation carried out by ONS, as well as for price formation in the electricity market.

CCE – Energy Purchase Agreement – Contract with regulated tariff that establishes the general terms and conditions regulating the sale of energy among current generators and distributors with a market lower than 500 GWh/year, to serve its market.

CCEAR – Energy Trading Agreement in the Regulated Market – A contracted between each generator and all distributors that participate in the auction for the sale of energy from existing or future projects.

bCCEE – Electric Energy Commercialization Chamber - A non-profit private legal entity that acts under the authorization of the Granting Authority and regulated and supervised by the ANEEL, with the purpose of enabling the purchase and sale of electricity between the Agents of the CCEE, restricted to the National Interconnected System (SIN). It is in the CCEE context that every agent is accountable monthly for its energy rights, and that electric energy movements are accounted for.

CCVEE – Energy Purchase and Sale Agreement – Also called Bilateral Contract. It is an agreement that formalizes the sale of energy (volume, prices, conditions, etc) resulting from the free negotiation among generators, sellers, free consumers and importers in the Free Contracting Market.

CNPE – National Energy Policy Council - CNPE is a committee created in August 1997 that advises the President of Brazil on the development of national energy policy. The CNPE was created to optimize the use of Brazil's energy resources and to guarantee national energy supply.

Traded Company – That acts in the intermediation of businesses of purchase and sale of electric energy.

Captive Consumers – Consumer only allowed to buy power from the distributor, whose network is connected.

Free Consumers – Consumer with a contracted demand equal to or greater than 3.0 MW, who has exercised the option to declare himself free, in order to negotiate the contractual conditions with the supplier of his interest (regulated by articles 15 and 16 of Law no. 9,074, July 7, 1995).

Bilateral contract - A legal instrument that formalizes the purchase and sale of electricity between CCEE Agents, in the Free Contracting Environment, with the purpose of establishing prices, terms and amounts of supply at determined time intervals.

Concession Agreement – Legal instrument established between the Granting Authority and the Concessionaire, formalizer of the concession, and which shall contain essential clauses, including those relating to the object, area and term, as well as the main conditions for the provision of the public service.

Quotas Cotas – See quota system.

CVM – Brazilian Securities Commission

Distributors – Holder agent of federal concession to provide the public electricity distribution service under the terms of the applicable legislation, which serves the captive consumers of its concession area.

EBIT e EBITDA – Defined by the rules established by CVM Instruction 527/2012.

Assured Energy – See Physical Warranty

Short-Term Energy – This is the energy accounted by CCEE arising from the differences between what was produced or consumed and what was contracted. The positive or negative differences are settled in the Short-Term Market and are valued at the PLD (Settlement Price of Differences).

Energy from Existing Enterprises – Electric energy produced by enterprises that were already in commercial operation until December 31, 1999, also called Old Energy.

Energy from New Projects – Electric energy from new plants, new projects in the bidding process and projects granted or authorized until March 16, 2004, which began commercial operations as of January 1, 2000 and whose energy was not contracted until March 16, 2004. It is also called New Energy.

GSF (Generation Scaling Factor, MRE Factor) – is an Adjustment Factor on Assured Generated Energy that consider a reduction of assured energy of the MRE units when the total energy generated is less than the total assured energy. $GSF = \text{Hydraulic Generation in SIN} / \text{Total Generation in SIN}$. Then a GSF <100% indicates that the MRE plants generated less than their physical security.

FIDC – Credit Rights Investment fund, as established by the rules of the Brazilian Securities and Exchange Commission (CVM). Receivables securitization.

Supply of energy – Sale of energy to large consumers.

Physical Assurance – This is the amount of energy that an agent is authorized to market in contracts, such as electricity supply, measured in average megawatts (MW). Determined by ANEEL as the amount of electricity, on average, that a plant can produce and trade on a sustainable basis 365 days per year, with a risk factor of 5%. (It replaces the concept of assured energy).

Generator – A company that produces energy.

GSF (Generation Scaling Factor) – See Adjustment Factor on Assured Generated Energy.

Energy Auctions – Bidding process for the purchase of electric energy, governed by the bid and its related documents, where Distributors can buy energy to attend to their market.

MCSD – Mechanism for Compensating Surpluses and Deficits – Reallocation process between Distribution Agents who participate in the Electric Energy Trading Board – CCEE, of surpluses and deficits in sums of energy contracted in the Regulated Contracting Market - ACR. Through this process, distributors can transfer up to 3% of those sums they maintain under purchase agreement with generators to other distributors per year.

Short-Term Market – Segment of the Electric Energy Trading Chamber - CCEE where the differences between the amounts of electricity contracted and registered by the CCEE Agents and the amounts of generation or consumption effectively verified and attributed to the respective Agents are traded.

Free Market – See ACL.

Regulated Market – See ACR.

MME - Ministry of Mines and Energy – The MME is the Brazilian government's primary authority the power industry. Its main duties are drafting guidelines for the granting of concessions and issuing directives governing the bidding process for concessions that relate to public services and public assets.

MRE - Energy Reallocation Mechanism – A mechanism for sharing the water source risks associated to the electric energy optimization of the National Interconnected System (SIN) relating to the centralized dispatch of the electric energy generation units. This means that eventual generation shortages by a plant under the ONS may be covered by another plant in the system, with a view to optimize the system. These compensations are remunerated by the Optimization Energy Tariff - TEO. MW- Megawatt

– Measurement unit of mechanical or electrical energy, thermal flow and energetic radiation flow, equivalent to one million watts.

MW- Megawatt – Unit of measurement of mechanical or electrical energy, of thermal flow and energy flux of radiation, equivalent to one million Watts.

MWh - Megawatt-hour – Unit of measurement equivalent to one megawatt of electricity supplied or requested per hour or one million Watts-hour.

MW average - Megawatt average – Measurement unit related to energy in MegaWatt-hour (MWh) divided by number of hours of the period. MWh - Megawatt-hour – Measurement unit equivalent to one megawatt of power supplied or demanded for one hour or a million Watts-hour.

ONS - National Electrical System Operator – An agent instituted by Law 9,648, of 1998, based on the text contained in Law 10,848, of 2004, which is responsible for coordinating and controlling the generation and transmission of electric energy in the National Interconnected System (SIN).

PLD - Settlement Price of Differences - Price disclosed by CCEE, calculated in advance, weekly, based on Marginal Cost of Operation, limited by minimum and maximum prices, by which the energy traded in the Short-Term Market is valued.

Installed Power – See **Installed Capacity**.

Basic Network – Transmission installations of the National Interconnected System - SIN, owned by public service concessionaires of transmission in a voltage equal or greater than 230 kV, defined according to the criteria established in Normative Resolution No. 67, of June 8, 2004.

Quota system – The mechanism used for proration of physically guaranteed energy and power from the Hydroelectric Plants, renewed in accordance with Law 12.783 (MP 579) and allocated to the National Interconnected System electric energy distribution concessionaires, as per specific ANEEL regulation, aiming to tariff moderateness

RGR – Global Reversal Reserve – a charge paid on a monthly basis (quota) by energy companies with the purpose of providing funds for the reversal and/or nationalization of energy public services. There is also the legal reserve to finance the expansion and improvement of these services, as well as alternative energy sources for inventory and feasibility studies to use new hydraulic potentials, and to develop and implement programs and projects focused on preventing waste and promoting the efficient use of energy. The annual charge to be collected is equivalent to 2.5% of the fixed assets related to the provision of energy services, limited to 3.0% of its annual revenue.

RTE – Extraordinary Tariff Recomposition – Temporary tariff increase authorized for distributors of regions where energy was rationed in 2001 and 2002, in compliance with Law 10,438, of 2002. Part of the proceeds from this compensation was transferred to generators as a refund for the energy purchased.

SIN – National Interconnected System – Electrically interconnected installations, comprising plants and transmission facilities, responsible for providing electric energy to all regions of the country, covering 97% of the Brazilian consumption.

Energy Supply – sale of energy to distributors and traders, for resale to their customers.

TAC – Conduct Adjustment Agreement – A legal instrument entered into between those responsible for certain actions or measures (CESP, in this case) and the federal, state or municipal Prosecution Office to defend the public or collective interest. It generally refers to environment preservation, mitigation or recovery initiatives through the establishment of technical obligations and conditions.

UHE – Power Plant