Equatorial Energia S.A.

Financial statements
December 31, 2019
(A free translation of the original report in Portuguese, prepared in accordance with the accounting practices adopted in Brazil)

Contents

Management Report

In accordance with legal provisions and corporate legislation, the management of EQUATORIAL ENERGIA S.A. hereby presents its Management Report, its individual and consolidated financial statements, along with the respective notes to the financial statements and independent auditors' report, for the financial years ended December 31, 2019 and 2018. The non-financial information of the Company and its subsidiaries, information about the "Light for All" program (Programa Luz Para Todos - PLPT), Social Balance Sheet, Combating Losses, the Social Initiatives Report and forward-looking information regarding management expectations about the future performance of the Company and its subsidiaries have not been reviewed by the independent auditors.

01. Company profile

Overview

Equatorial Energia S.A. is a holding company operating in the electric sector.

In the distribution segment, Equatorial Energia controls the distributor in the States of Maranhão, Pará, Piauí and Alagoas.

In the transmission segment, in October 2016 and April 2017, Equatorial took part in 2 new projects auctions conducted by ANEEL, by which it acquired the concessions for 08 lots of transmission lines, amounting to R$ 879 million in RAP (Annual Permitted Revenue), as of December 2017. Equatorial Energia also acquired 100% of INTESA, the operational transmission line in the states of Tocantins and Goiás. Among these batches we already have SPE 8 in partial operation.

In the generation segment, Equatorial Energia holds a 25% interest in GERAMAR, the company in charge of operating 2 thermal power plants in Maranhão, with a joint installed capacity of 330MW, and in commercial operation since the 2010.

In the service provision segment, Equatorial Energia holds the entire capital of 55 Soluções, which in turn holds 51% of Sol Energias, an electricity trader.

02. 2019 Headlines

- In 2019, the **consolidated recurring EBITDA** amounted to R$ 4.102 billion, growth of 100.9% over 2018. The factors considered in adjusted EBITDA are described in Comments and Performance.
- The **total billed energy volume** (captive and free markets) rose by 1.3% on FY 2018.
- Pursuant to Relevant Events disclosed by the Company on November 5 and 11, 2019, Equatorial Energia transferred its interests equal to 96.5% of total equity capital in Equatorial Pará and 65.11% of total equity capital in Equatorial Maranhão to Equatorial Distribuição on 5/11/2019.
- On 5/11/2019 Itaú Bank became the holder of the entire preferred shares issued by Equatorial Distribuição, equal to 9.9% of the latter's equity capital, while Equatorial Energia in turn continued to hold all of the common shares of Equatorial Distribuição, equal to 90.1% of the company's equity capital.
- Since November 2019 the Company holds a repurchase right of the entire preferred shares issued by Equatorial Distribuição, exercisable between 11/11/2022 and 11/11/2026. The purchase price, should the option be exercised, will be R$ 1.000.000.000,00 (one billion Brazilian reais) updated by 100% of the CDI interest rate as of 11/11/2019, the option's exercise date less dividends received by the minority shareholder, updated by 100% of the CDI interest rate from the date of payment to the purchase option's exercise date. The minority shareholder does not hold the shares' sale option, exercising such right being under the Company's control.
- At Equatorial Maranhão, **energy losses** in the last 12 months ended 2019 accounted for 18.0% of required energy, virtually unchanged year on year. At Equatorial Pará, total losses closed the year at 30.1% of required energy, an increase of 18 p.p. over the close of the previous year.
- At **Equatorial Pará**, the quality indicators **DEC and FEC** ended 4Q19 at **21.8 hours and 12.2 times**, an improvement on the previous quarter. At Equatorial Maranhão, the indicators DEC and FEC ended the period at **13.7 hours and 6.6** times, basically stable when compared with the last quarter. At **Equatorial Pará**, the same indexes ended 4Q19 at 34.9 hours and 13.1 times, while Equatorial Alagoas ended 4Q19 at 38.7 hours and 16.3 times, much improved as compared to the preceding quarter.
- On June 3, 2019 the Rurópolis Substation's Synchronous Compensator was commissioned, a part of SPE 08, with 13.42% of the undertaking's total RAP (Annual Permitted Revenue) and equal to roughly R$ 18 million on the date of commissioning. This portion of the lot's start of operations represented an advance of roughly 37 months on the regulatory deadline.

03. Message from the CEO

The year of 2019 was marked by another important step for Equatorial Energy Group's growth, especially in the transmission and distribution segments.

With regard to transmission, the company obtained environmental licenses for all of its 8 work site lots. In addition, in June 2019 the Rurópolis Substation's Synchronous Compensator was commissioned, a part of SPE 08 and with a RAP (Annual Permitted Revenue) equal to roughly R$ 18 million. This portion of the lot's start of operations represented an advance of roughly 37 months on the regulatory deadline.

As for electricity distribution, 2019 was a milestone of the start of operations by our Alagoas concession and consolidation of our Piauí operations. The turnaround by these new distributors has already been converted into positive outcomes, with the development of actions involving improved operating quality in electricity supply as well as commercial assistance. We should also stress contractual discussions with third parties (anchor agreements), a focus on fighting losses and readapting our cost structure, among other actions.

The year of 2019 involved important investments, in particular those directed at transmission, totaling R$ 2.9 billion. Moreover, please note that we already have available 100% of the funding for new contractual lots, adding safety to the group's liquidity aspect.

Within the distribution segment, the total invested reached R$ 1.8 billion, considering the use of own resources and the investment for the Light for All Program. Those investments aim at the expansion and maintenance of the networks, improvement in the quality of supply, universal access to the grid and the interconnection of isolated systems in Pará.

This high level investment allowed Equatorial Maranhão and Equatorial Pará to maintain their quality figures (DEC and FEC) substantially better than their regulatory targets, reaching 13.7 hours and 6.6 times in Maranhão, and 21.8 hours and 12.6 hours times in Pará. It is relevant that in Aneel's quality ranking Equatorial Pará has been placed in 2nd place among major distributors, of which fact we are very proud. We are certain that our new distributors are also on the path to achieving operating excellence.

From the financial angle, we continue to reflect stable profit figures as well as safety from a liquidity viewpoint, having ended the year with a consolidated cash position of R$ 5.829 billion.

We are proud to announce that our distribution companies - Equatorial Maranhão and Equatorial Pará - were ranked amongst the best 100 companies to work for in Brazil in the Great Place to Work ranking, demonstrating the appreciation and dedication that we have for our people.

We wish to thank all our employees, shareholders, suppliers and partners for their support and confidence over these years.

Augusto Miranda da Paz Junior

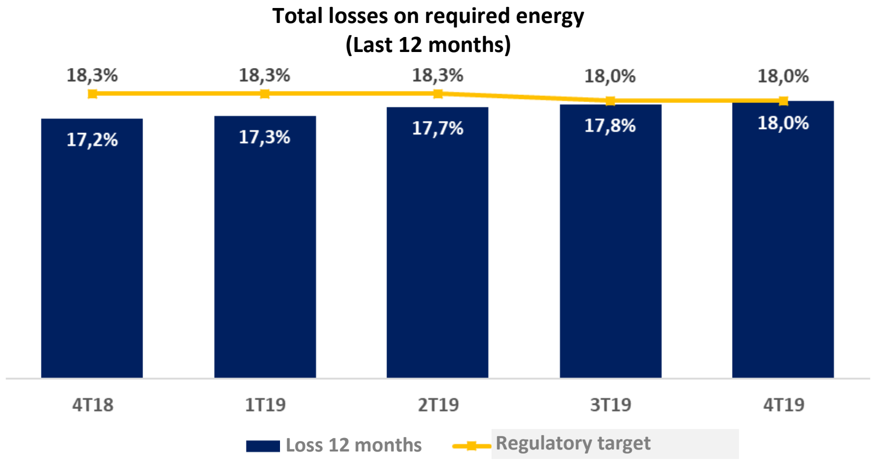
Chief Executive Officer

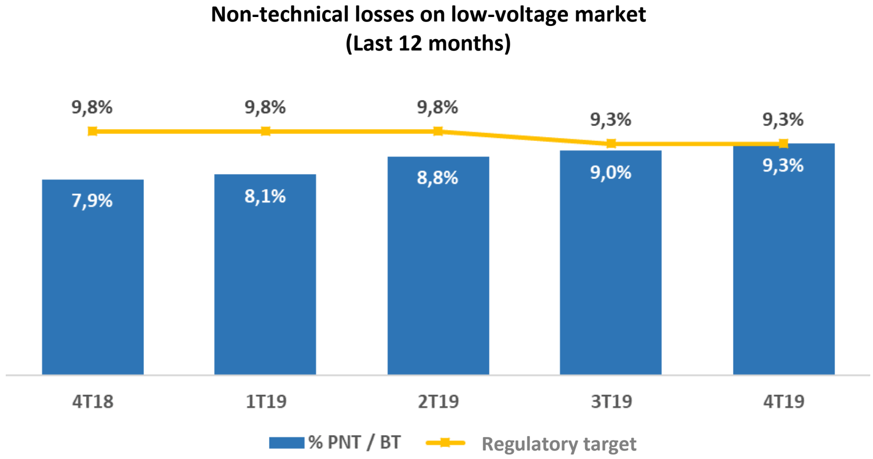
04. Business management

4.1 Loss reduction

Equatorial Maranhão

In 2019 the volume of electricity required by the Equatorial Maranhão system topped 7,846 GWh, a 4.4 p.p. rise as compared to year-end 2018. Billings rose to 6,435 GWh, representing a 3.4 p.p. increase over 2018. The energy losses recorded by the Company in 2018 were 1,411 GWh, or 18.0% of required energy, resulting in losses rising by 0.8 p.p. on 2018.





Fiscal measurement was essential to achieve one of the highlights of 2019, reaching the milestone of 10.8 thousand monitored transformers. Out of this amount, 6.2 thousand are located on the island of São Luís, where we saw a decrease of 0.6 percentage points on 2018 and 2019. This result was important to keep the Company's loss ratio in check and nearly within the regulatory target.

We highlight below the results of the actions taken in the plan for combating losses in 2019:

- Implementation of the Mobile technology in the Inspection procedure;
- Regularization of 2.9 thousand clients in an area of improvised installations and connections where it was necessary to carry out medium and low-voltage network extensions;

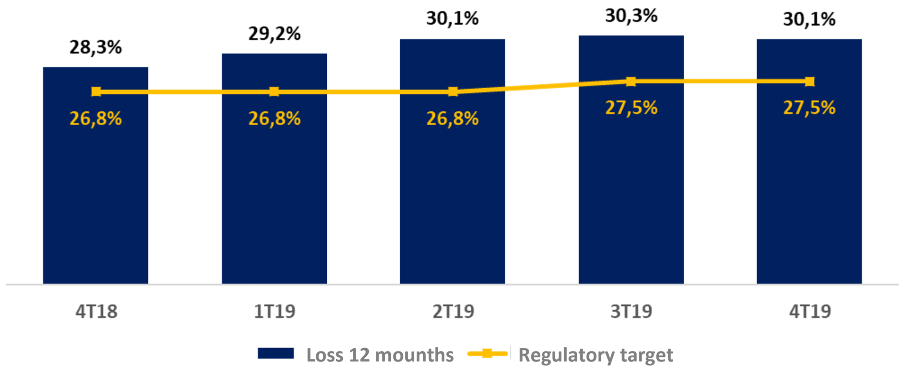
- Inspection of 4.5 thousand clients with supply of medium and high voltage power;
- Installation of 236 telemetering systems in clients with medium voltage supply which will enable monitoring in real time of the consumption and demands of the units, in addition to the diagnosis of possible irregularities in the measurement system;
- Relisting of the public lighting of 151 municipalities;
- Inspection and supervision of 189.5 thousand clients with supply of low-voltage power;
- Regularization of 11.3 thousand illegally connected clients in an area where there is a power network;
- Regularization of 1.3 thousand clients who had been disconnected from the system and who had made irregular reconnections;
- Regularization of 2.1 thousand clients with billing at the minimum level;
- Identification and regularization of 57.7 thousand cases of fraud in the measurement of BT consumer units; and
- Installation of 2,138 telemetering systems in clients with low-voltage supply which will enable monitoring in real time of the consumption of the units, in addition to the diagnosis of possible irregularities in the measurement system.

Equatorial Pará

In 2019 the electric power required by the Equatorial Pará system reached the level of 12,321 GWh, an increase of 2.2 p.p. on 2018, and billing was 8,617 GWh, a decrease of 0.3 p.p. on 2018. Total losses closed the year at 3,704 GWh, or 30.1% of the energy required, and therefore 1.7 p.p. on 2018.

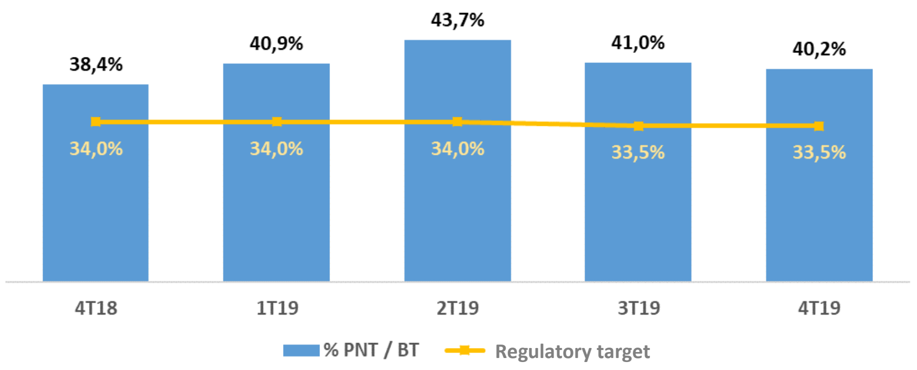
Total losses on required energy

(last 12 months)



Non-technical losses on low-voltage market

(last 12 months)



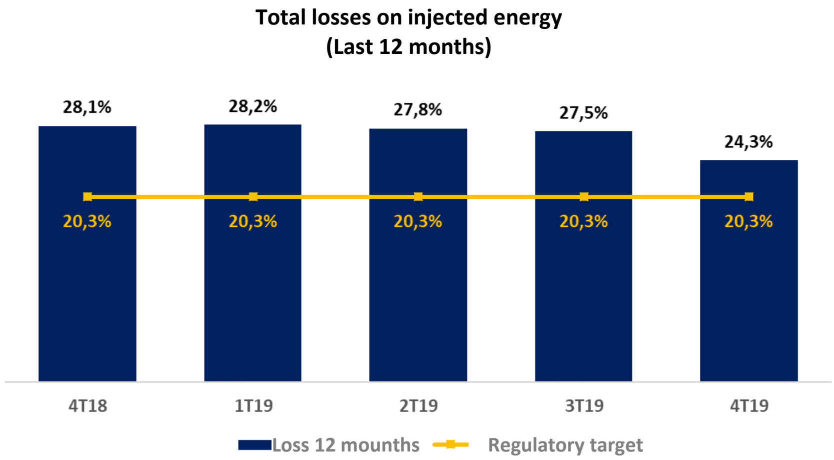
We highlight below the summary of the actions taken in the plan for combating losses in 2019:

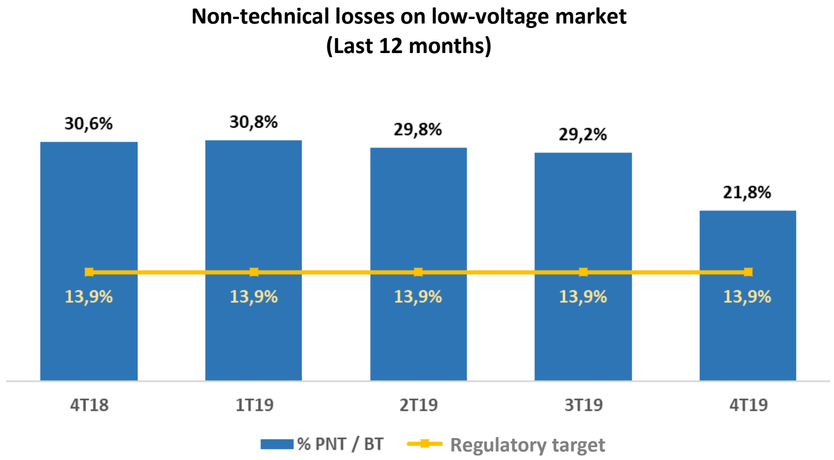
- Regularization of 2.9 thousand clients in an area of improvised installations and connections where it was necessary to carry out medium and low-voltage network extensions
- Inspection and supervision of 5.7 thousand clients with supply of medium and high voltage power
- Installation of 600 telemetering systems in clients with medium voltage supply which will enable monitoring in real time of the consumption and demands of the units, in addition to the diagnosis of possible irregularities in the measurement system;
- Relisting of the public lighting of 84 municipalities;
- Inspection and supervision of 371 thousand clients with supply of medium and high voltage power
- Regularization of 19 thousand illegally connected clients in an area where there is a power network
- Regularization of 2.5 thousand clients who had been disconnected from the system and who had made irregular reconnections;
- Regularization of 4.4 thousand clients with billing at the minimum level
- Installation of the SMC (Centralized Metering System) at 49.9 thousand clients and technological update on 69,8 thousand customers with the same system. Today Equatorial Pará has 270 thousand BT clients with SMC;
- Installation of 4,1 thousand fiscal measurements in transformers, amounted to 18.9 thousand monitored transformers in Equatorial Pará;
- Identification and regularization of 99.7 thousand cases of fraud in the measurement of BT consumer units.

As a differentiated action, a highlight was the Guamá project, which served over 90 thousand consumers after implementing the RSB (Secondary Armored Network) distribution network and the centralized measurement system (telemetry). The project extended over 3 years and 7 months, resulting in a loss reduction in excess of 43.4% in January 2018 to 8% in December 2019, as well as R$ 7.6 million in increased revenues in February 2018 to R$ 14.3 million in December 2019. The scope also relied on electricity efficiency projects (replacement of 230 thousand lamps, of 11.7 thousand refrigerators, diagnosing 60 thousand electrical facilities, adapting 3,500 precarious facilities, professional courses for 270 persons, training of 1,031 persons in income generating courses), enabling social integration of customers, rationalizing use of electricity and providing a greater likelihood of paying electricity bills.

Equatorial Piauí

The amount of electric required energy into Equatorial Piauí's system reached 5,008 GWh, an increase of 2.0% on 2018 and sales reached 3,791 GWh, an increase of 7.4% on the previous year. The energy losses recorded by the Company in 2019 were 1,217 GWh, or 24.3% of injected energy, a decrease of 3.8 p.p. on the close of 2018.





As a highlight in countering non-technical losses in Piauí during 2019, mention is made of coercive actions resulting from a strategic partnership with the State's Secretaria de Segurança Pública (police department), which in conjunction with means of mass information, gave rise to an important moralizing effect on behavior by the concessionaire's customers, with a significant drop in electricity required but not billed by the distributor. Almost 70 coercive lawsuits were filed in the whole State, of which 62 led to imprisonment of perpetrators. As a rule, such lawsuits took place in large-scale units and on occasion involved persons at the head of well-known activities in Piauí society, which conveyed a strong message of intolerance with impunity due to the theft of electricity. This reflected directly and positively in commercial loss indicators.

We highlight below the results of the actions taken in the plan for combating losses in 2019:

- Regularization of 1,265 clients in an area of improvised installations and connections where it was necessary to carry out medium and low-voltage network extensions;
- Inspection of 2.9 thousand clients with supply of medium and high voltage power;

- Relisting IPs in 95 municipalities;
- Inspection of 115.1 thousand clients with supply of medium and high voltage power;
- Regularization of 4.2 thousand illegally connected clients in an area where there is a power network;
- Regularization of 74 clients who had been disconnected from the system and who had made irregular reconnections;
- Regularization of 3.6 thousand clients with billing at the minimum level;
- Installing 903 fiscal measurements in transformers; and
- Identification and regularization of 41.6 thousand cases of fraud in the measurement of BT consumer units.

DEC and FEC

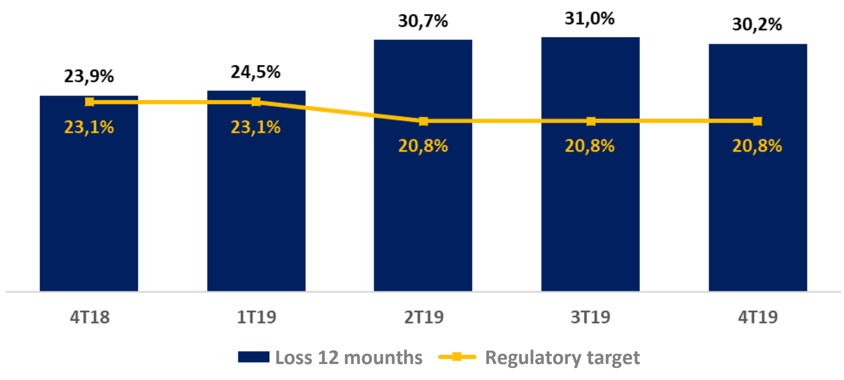
In 2019, the Company's DEC (Outage Duration per Consumer), which measures the average duration of outages, in hours per consumer per period, increased by 47.88% over the previous year, to 34.9 hours. The FEC (Outage Frequency per Consumer), which measures the frequency of outages in number of times per consumer per period, improved by 7% compared with 2018, amounting to 13.1 times.

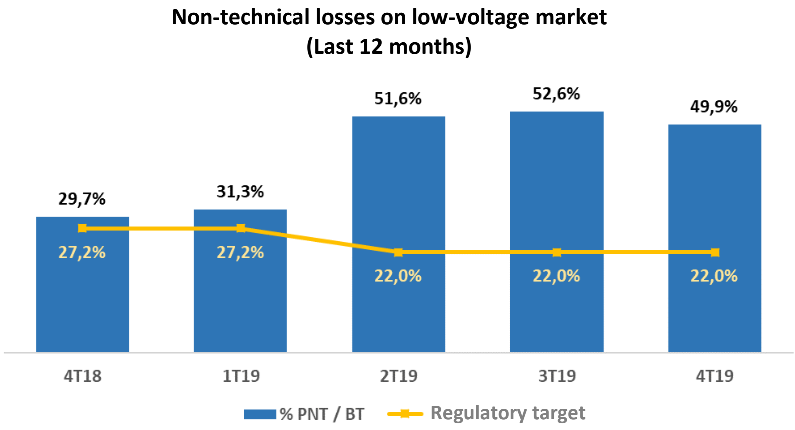
Equatorial Piauí - Last 12 months	2016	2017	2018	2019	*Var. 19/18*
DEC (12 months)	23.4	21.9	23.6	34.9	47.88%
DEC - Regulatory	20.6	19.2	20.7	20.7	0.00%
FEC (12 months)	16.4	14.7	14.1	13.1	-7.09%
FEC - Regulatory	14.1	12.4	14.0	14.0	0.00%

Equatorial Alagoas

The amount of electricity injected into Equatorial Alagoas' system reached 5,031 GWh, an increase of 4.1% on 2018 and sales reached 3,511 GWh, a decrease of 4.5% on the previous year. The energy losses recorded by the Company in 2019 were 1,520 GWh, or 30.2% of injected energy, an increase of 6.3 p.p. on the close of 2018.

Total losses on injected energy (Last 12 months)





Actions to counter losses began by mobilizing the structure at the end of the first semester. As a strategy, we divided our largest market in the capital city (Maceió) into polygons and criticality levels, initially tackling less complex areas with a higher return potential. Having detected a large number of customers billed based on the availability rate, 23% of the consumer base, we developed a specific meter replacement project and undertook 73 thousand replacements, in addition to recounting public lighting in 100% of municipalities.

We highlight below the results of the actions taken in the plan for combating losses in 2019:

- Regularization of 158 clients in an area of improvised installations and connections where it was necessary to carry out medium and low-voltage network extensions;
- Inspection of 2.6 thousand clients with supply of medium and high voltage power;
- Installation of 452 telemetering systems in clients with medium voltage supply which will enable monitoring in real time of the consumption and demands of the units, in addition to the diagnosis of possible irregularities in the measurement system;
- Relisting of the public lighting of 102 municipalities;
- Inspection of 72.1 thousand clients with supply of low-voltage power;
- Regularization of 4.2 thousand illegally connected clients in an area where there is a power network;
- Regularization of 901 clients who had been disconnected from the system and who had made irregular reconnections;
- Regularization of 80.4 thousand clients with billing at the minimum level; and
- Identification and regularization of 30.3 thousand cases of fraud in the measurement of BT consumer units.

4.2 Quality

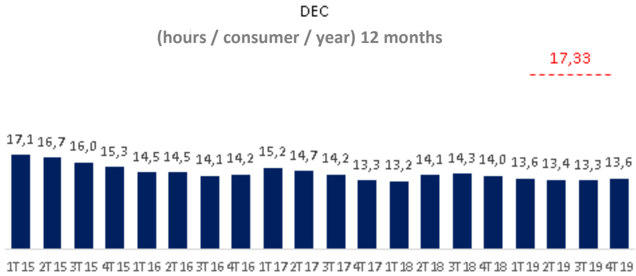
Equatorial Maranhão

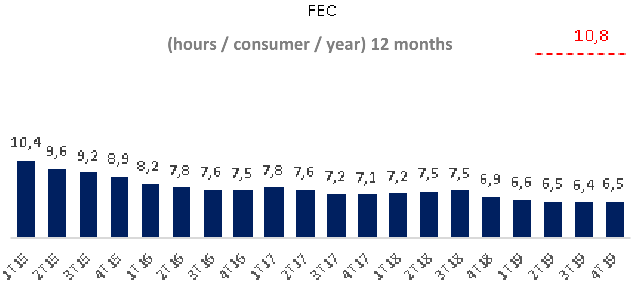
DEC and FEC

In recent years Equatorial Maranhão has made significant improvements in the technical quality of its service, substantially reducing the duration and frequency of energy outages.

In 2019, the Company's DEC (Outage Duration per Consumer), which measures the average duration of outages, in hours per consumer per period, decreased by 2.9% over the previous year, to 13.59 hours. The FEC (Outage

Frequency per Consumer), which measures the frequency of outages in number of times per consumer per period, improved by 5.8% compared with 2018, amounting to 6.5 times.

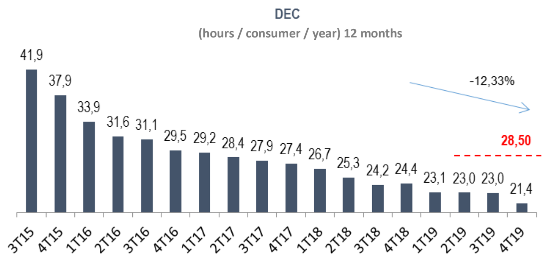


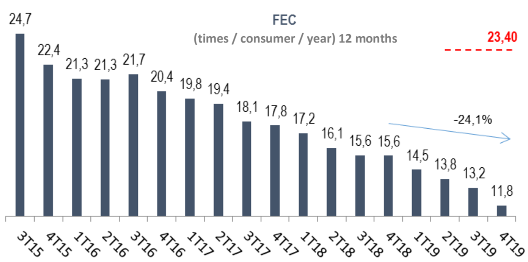


Equatorial Pará

DEC and FEC

The National Electricity Regulatory Agency - ANEEL uses a number of indexes to check the quality of services provided by electricity concession operators to their consumers. Key initiatives include: DEC - Equivalent outage duration per consumer (measured in hours per consumer per year) and FEC - Equivalent outage frequency per consumer (measured in number of times per consumer per year). The DEC quality benchmark contracted by 12.33% over the previous year and the FEC by 24.12% over the previous year. The main driver was the implementation of the new management model which instilled a new results-oriented work method, establishing targets and challenges, which motivated employees from all company departments.





Equatorial Piauí

In 2019, the Company's DEC (Outage Duration per Consumer), which measures the average duration of outages, in hours per consumer per period, increased by 47.88% over the previous year, to 34.9 hours. The FEC (Outage Frequency per Consumer), which measures the frequency of outages in number of times per consumer per period, improved by 7% compared with 2018, amounting to 13.1 times.

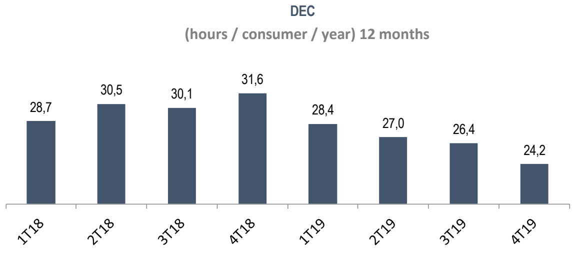
Equatorial Piauí - Last 12 months	2016	2017	2018	2019	*Var. 19/18*
DEC (12 months)	23.4	21.9	23.6	34.9	47.88%
DEC – Regulatory	20.6	19.2	20.7	20.7	0.00%
FEC (12 months)	16.4	14.7	14.1	13.1	-7.09%
FEC – Regulatory	14.1	12.4	14.0	14.0	0.00%

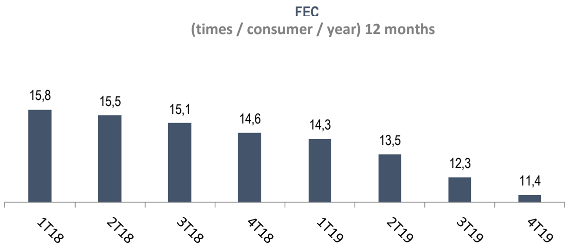
Equatorial Alagoas

DEC and FEC

In its first year as Equatorial Alagoas, the company made remarkable improvements in the technical quality of its service, substantially reducing the duration and frequency of energy outages.

In 2019, the Company's DEC (Outage Duration per Consumer), which measures the average duration of outages, in hours per consumer per period, contracted by 23.42% over the previous year, to 7.4 hours. The FEC (Outage Frequency per Consumer), which measures the frequency of outages in number of times per consumer per period, improved by 27.85% compared with 2018, amounting to 4.4 times. The main change behind this impact on DEC and FEC metrics was the implementation of the new management model which instilled a new work method based around targets and challenges, which motivated employees from all company departments.





05. Regulatory affairs

2019 Annual Rate Review - Equatorial Maranhão

By way of Ratification Resolution 2594/2019, on August 20, 2019 ANEEL ratified Equatorial Maranhão's rates for the period August 28, 2019 to August 27, 2020, with consumers facing an average perceived increase of -3.82%.

2019 Annual Rate Review - Equatorial Pará

By way of Ratification Resolution 2.588/2019, on August 06, 2019 ANEEL ratified Equatorial Pará's rates for the period August 7, 2019 to August 6, 2020, with consumers facing an average perceived increase of 0.69%.

2019 Annual Rate Review - Equatorial Piauí

By way of Ratification Resolution 2644/2019, on November 26, 2019 ANEEL ratified Equatorial Piauí's rates for the period December 02, 2019 to December 01, 2020, with consumers facing an average perceived increase of -7.16%.

Currently owing to a court of appeals Injunction, Ratifying Resolution no. 2644/2019 was suspended, and rates were deemed valid in compliance with Ratifying Resolution no. 2523 dated March 26, 2019, which amended Ratifying Resolution no. 2490 dated November 27, 2018, which originally ratified rates in 2018.

2019 Annual Rate Review - Equatorial Alagoas

By way of Ratification Resolution 2.540/2019, on April 30, 2019 ANEEL ratified Equatorial Alagoas' rates for the period May 03, 2019 to May 02, 2020, with consumers facing an average perceived increase of -2.72%.

06. Report on social initiatives

Equatorial Maranhão

Energy is an essential service for people, this fact is undeniable, the difference lies in how this service is offered. In addition to prioritizing the quality of this product, Equatorial Maranhão offers information, development and citizenship through its actions and projects and with people engagement. From the meter reader to the CEO, we all have a commitment to the development of our state.

Our employees are committed to identifying what is important to the community/society and working to provide more than the expected. We go beyond delivering electricity with quality. Our actions reflect Equatorial Maranhão's corporate social responsibility strategy. We are committed with people’s quality of life, contributing to a structural transformation of Maranhão and by our mission, which is to distribute energy with quality to ensure the development of Maranhão.

In 2019 we implemented:

20 sports projects through the **State Sports Incentive Law**

41 cultural projects through the **State Incentive to Culture Law**

42 actions held under the **Energy for Welfare Program**

18% of those registered in the **Energy for Good Program**

2,171 actions for **Energy in the Community**

2,560 refrigerators replaced in the **Efficient Community**

32,864 thousand lamps exchanged in the **Efficient Community**

18,804 families registered in the **low-income social rate**

Totaling nearly 1.5 million people reached by Equatorial Maranhão's projects

Among the social programs in which Equatorial Maranhão is involved, the following stand out:

E+ Cultura and E+ Esporte

In a little more than 30 days of enrollments, over 300 proposals were received under the Project Selection Call Notice. Since 2012, Equatorial Maranhão has sponsored projects through the Culture and Sport Incentive Laws. Initially this was a more reactive process, we were wanted by the proponents and signed a compromise. From 2014 on, we began the policy of notices and began to receive a greater number of projects. Due to it, the company had access to a range of projects that were not previously known to us. Gradually this number increases and, in 2019, we received 308 projects that could be assessed.

Throughout the year we executed 61 projects, of which 20 were sports and 41 were cultural projects. We highlight among the sports projects the support to the Maranhense Football Championship and the Third Interstate Cup of Wheelchair Basketball, in Imperatriz-MA. We understand that we need to support the sport, which is the Brazilian's passion, because in our state, clubs are still very dependent on public resources, that way they can remain competitive, as well as having a closer look at the Paralympic sport.

Destaque Cultura Project:
"**Energia do São João"** was performed for the third consecutive year in 2019, with a number of growing participants every year. There were over 20 thousand persons during 9 days of an expanded São João, over three weekends. This year **Energia do São João** included an innovation with its sensory area. This was an area in which visual deficiently persons were able to enjoy the sounds of "Bumba Meu Boi". This was a novelty that many persons loved, including the Centro Desportivo do Maranhão team composed of blind persons, who were present and loved it.

Destaque Esporte Project:
Under the sports incentive law, **the Jaracaty Sustainable Development Forum** since 2012 undertakes the Jacaraty Sporting Actions project, which assists over 200 children and teenagers in activities such as judo, table tennis, IT and a playground with toys. The building's structure has been in need of repairs for a long time, which were made possible in 2019, making it more comfortable for project users. A sporting facility was built on the spot for teenagers to have more space to practice sports. During this entire year the project was responsible for 68 positive and 5 favorable notices.

E+ Energia do Bem

Energia do Bem is the Company's volunteer program. Throughout the year, employees are encouraged to participate and carry out volunteer actions that focus on using their time and talent on behalf of other people.

In 2019 we achieved an 18% commitment with program collaborators, equal to 209 who participate in activities during the year. In the course of 2019 our volunteers were encouraged to undertake a variety of actions. All of the regional areas participated at some time, the high point being children's day and Christmas day. We held volunteer program actions in 10 towns. These are: Bacabal, Formosa da Serra Negra, Grajaú, João Lisboa, Pinheiro, Presidente Juscelino, São José de Ribamar, São Bento, São Luís, Timon.

Equatorial Pará

In 2019, Equatorial Pará continued with various actions in the State's communities, developing and improving State projects, such as: Blitzes in the neighborhoods with orientation activities for its clients, registration of consumers in the low income social rate , educational lectures in the schools and communities, joint task forces and fairs in partnership with multiple state authorities, for making agreements for payments in installments, and installment agreements, and changes of ownership, among others.

Equatorial Pará has social projects that seek to provide benefits for the community, of which, the following are emphasized:

Fund raising for social organizations.

The electricity bill is used as a means of increasing revenue for social assistance entities, such as UNICEF, Federation of the Association of Parents and Friends of Handicapped Persons (APAES) and other entities with the same purpose. Emphasis is stressed on partnerships such as Remo and Paysandu, in which we locally encouraged sports. On opting for this contribution, clients may donate through their power bills. The funds raised are used in actions to improve the living conditions of children and adolescents from all over the State. The sums received and transferred to associated institutions totaled R$ 15 million.

E+ Comunidade

In order to be closer to its clients, Equatorial Pará promotes projects such as this, which permit strengthening the relationship and creating conditions to better serve them. Through the project, the company also promotes sustainable dialog with the community, where its main objective is to create awareness about the safe and sustainable use of electricity in order to stimulate more economic and efficient habits of this essential service. Through Power in the Community, the company's mobile service unit provides services for the communities such as: second copies of the bill, debt negotiation, change of ownership and registration in the social rate for electric power through personal and closer contact. Over 10,000 actions held throughout the state of Pará with benefits for over 100 thousand children, with presentations on social rates, consumer awareness and safety with electricity, in addition to replacing lamps and assistance with a number of topics.

Social Institution Building and Refurbishing

With the purpose of acknowledging and strengthening our state's social projects, Equatorial Pará invested R$ 2 million in the projects that follow: Fabiano de Cristo, APAE – Marabá, Associação Caminhos De Emaús – Conceição Do Araguaia, Museu Emilio Goeldi.

Professional Courses

In a partnership with SENAI, SENAC, Instituto Mix and Embelleze, Equatorial Pará brought to these municipalities' courses for hairdressers, eyebrow designers, motorcycle mechanics, outboard motor mechanics, office assistants, tidbits for parties, industrial seamstresses and tellers, at an investment totaling R$ 311.200,00. There were 40 groups that trained 865 persons during 2019.

E+ Energia Voluntária

It is increasingly important to be aware of the need for social actions in all areas. Based upon this line of thinking, one of Equatorial Pará's teams is focused on best performance. We are talking about the Company's voluntary program 'Good Energy'. Through this Program, employees take part in voluntary activities that aim to provide a range of benefits to communities and charitable institutions. Taking a quick look at the figures can help highlight the success of the E- Energia Voluntária program: over the last year, around 48 actions were undertaken, with more than 32 charitable institutions benefiting from the project. The Company currently has more than 530 employees involved in actions in all of Equatorial Pará's operating regions.

E+ Cultura

In 2019 Equatorial Pará started operating under Semear, the State Incentive Law. In the course of the year, it approved six cultural projects, highlighted by Arraial da Pavulagem, Festival do Çairé, and Festival do Carimbó.

Energy Efficiency

Eficiente Guamá and Terra Firme – Casa Eficiente

- Baseline studies: 30,543 visits held / 14,957 surveys held
- Efficient Space: 4,759 customers benefited / 394 presentations held
- Greater Savings: 4,320 Refrigerators / 34,996 Lamps / 987 Improvements in electrical facilities
- Greater Inclusion: 2,127 surveys held / 1,011 TSEE performed
- Coaching: Four professional courses held / 63 pupils/customers benefited

- Income creation: 16 small retailers assisted / 6 courses held (SEBRAE and 3E)
- 160 micro-businessmen trained in Business Management

E+ Reciclagem

E+ Reciclagem is a social and environmental project that exchanges recyclable waste for discounts in the electricity bill, with appropriate disposal of waste by recycling firms. A number of results:

- 15 gathering posts installed.

- Roughly 4295 tons of waste collected.

- Over 25 thousand MWh of electricity saved.

- Over 117 thousand bonuses exchanged.

- Over 107 thousand customers listed.

E+ New Refrigerator

A program that contributes in electricity savings by consumers, in addition to actively seeking Social Rate customers. A number of results:

+ 54 thousand refrigerators

+ 100,000 Led lamps

Equatorial Piauí

Equatorial Piauí stood out for its numerous Energy Efficiency actions.

Electricity Social Rate Program: By means of the Electricity Social Rate Program, also known as Low-Income, low-income families will receive light bill discounts from the company. Families eligible for the program are those with income of as much as one-half minimum salary per person and enrolled in the Sole Listing, as well as families with members who receive the Continued Installment Benefit (BPC), among other benefits as provided in regulations by the National Electricity Agency (ANEEL).

The benefit is valid solely for single-phase, two-phase or three-phase residential consumer units. Each Family Code that meets the necessary requisites will be entitled to a Social Rate right for only one consumer unit, in the Equatorial Alagoas concession area. Discounts are applied cumulatively on each portion of monthly use of electricity, by means of discounts on the applicable home use rate by electricity distributors.

In order to encourage compliance by its customers, Equatorial Piauí organized campaigns, partnerships and actions to come close to society. In seeking a closer relation with the community, the company put in place *in loco* assistance actions in order to obtain social rate listings.

Energy Efficiency Projects

Efficient Bonus Project
The project consists in offering residential customers a chance to purchase new equipment and paying only one-half the value. The used one will be used for an exchange. The campaign will go on until stocks made available by Equatorial Energy Efficiency Program inventories are finished.

  - Public served: 4,727 families directly assisted.

- Average savings per customer: 948 kWh per annum, which in currency is equal to roughly R$ 839,82 for the year.

E+ New Refrigerator Project:
The community is offered the opportunity to exchange old refrigerators for a new one, which uses less electricity. A number of results:

- Public served: 6,075 families directly assisted.
- Average savings per customer: 486 kWh per annum, which in currency is equal to roughly R$ 429,80 for the year.

Equatorial Alagoas

Equatorial Alagoas stood out for its numerous Energy Efficiency actions.

Electricity Social Rate Program: By means of the Electricity Social Rate Program, also known as Low-Income, low-income families will receive light bill discounts from the company. Families eligible for the program are those with income of as much as one-half minimum salary per person and enrolled in the Sole Listing, as well as families with members who receive the Continued Installment Benefit (BPC), among other benefits as provided in regulations by the National Electricity Agency (Aneel).

The benefit is valid solely for single-phase, two-phase or three-phase residential consumer units. Each Family Code that meets the necessary requisites will be entitled to a Social Rate right for only one consumer unit, in the Equatorial Alagoas concession area. Discounts are applied cumulatively on each portion of monthly use of electricity, by means of discounts on the applicable home use rate by electricity distributors.

In order to encourage compliance by its customers, Equatorial Alagoas organized campaigns, partnerships and actions to come close to society. In seeking a closer relation with the community, the company put in place *in loco* assistance actions in order to obtain social rate listings.

Donation Agreement included in bills: Equatorial Alagoas includes voluntary donation Agreements in electricity bills in favor of Pastoral da Criança, Legião da Boa Vontade (LBV) and Associação dos Pais e Amigos dos Excepcionais (APAE). Hence, the company's customers can choose to donate pre-defined sums to these institutions, contributing to increase revenues by these Social Assistance Entities. In 2018, associated institutions raised a total of R$ 944,031.92 (nine hundred and forty-four thousand, thirty-one Brazilian reais and ninety-two centavos).

Donation Agreement of Working Garments no longer in use: The company has a donation agreement with Associação dos Pais e Amigos dos Leucêmicos de Alagoas (APALA) regarding electricians' working garments no longer in use, which serve to produce purses and accessories by the Association, which help to strengthen the institution.

Energy Efficiency Projects

Efficient Bonus Project
The project consists in offering residential customers a chance to purchase new equipment and paying only one-half the value. The used one will be used for an exchange. The campaign will go on until stocks made available by Equatorial Energy Efficiency Program inventories are finished.
Public served: 3693 families directly assisted.
Average savings per customer: 643 kWh per annum, which in currency is equal to roughly R$ 510,20 for the year.

E+ New Refrigerator Project:

The community is offered the opportunity to exchange old refrigerators for a new one, which uses less electricity. A number of results:
Public served: 5695 families directly assisted.
Average savings per customer: 584 kWh per annum, which in currency is equal to roughly R$ 463,47.

Considering that average use by the residential population in Alagoas of 114,705 kwh per month, with electricity saved by means of Energy Efficiency Projects in 2019, this could serve the homes of roughly 4,140 families.

07. Economic and Financial Performance

8.1.1 Net Revenue

Total net revenue recorded in the year was R$ 18.796 billion, 67% more than in the previous year.

8.1.2 Operating Costs and Expenses

In 2019 total manageable and unmanageable costs and expenses, excluding depreciation and amortization and construction costs, amounted to R$ 8.822 billion, an increase of 29%.

8.1.3 EBITDA

In 2019 EBITDA amounted to R$ 5.021 billion, 101% more than the previous year's figure of R$ 2.498 billion.

8.1.4 Finance Income

A net financial loss (consolidated) was made of R$ 628 million in 2019, compared with a net expense of R$ 783 million in 2018.

8.1.5 Net Income

In 2019 the Company made net income of R$ 2.719 billion, an increase of 134% compared with the previous year.

08. Investment

Investment (R$MM)	4T18	4T19	*Var.%*	2018	2019	*Var.%*
Maranhão						
Electrical assets	77	104	*35.3%*	258	299	*15.7%*
Special obligations	23	22	*-3.8*	65	81	*24.8%*
Nonelectrical assets	11	8	*-24.8%*	55	30	*-46.3*
Total	**113**	**135**	***20.1%***	**378**	**409**	***8.2%***
Pará						
Electrical assets	171	167	*-2.4%*	606	513	*-15.4%*
Special obligations	42	44	*5.2%*	156	218	*40.0%*
Nonelectrical assets	32	11	*-64.6%*	48	49	*2.3%*
Total	**245**	**222**	***-9.2%***	**810**	**780**	***-3.7%***
Geramar						
Generation	1	0	*-68.9%*	3	3	*-5.5%*
Equatorial Transmissão						
Project	338	578	*71.0%*	764	2.888	*278.0%*
Intesa	13	(8)	*160.6%*	42	41	*-3.4%*
Total Equatorial (ex-Equatorial Piauí e Alagoas)	**707**	**927**	***31.2%***	**1.997**	**4.120**	***106.3%***
Piauí						
Electrical assets	12	44	*253.2%*	87	301	*245.8%*
Special obligations	11	28	*163.3%*	60	79	*32.3%*
Nonelectrical assets	18	43	*140.8%*	45	138	*207.8%*
Total	**41**	**114**	*180.9%*	**192**	**518**	*170.5%*
Alagoas						
Electrical assets	37	67	*80.7%*	96	103	*7.7%*
Special obligations	5	-	*100.0%*	19	-	*100.0%*
Nonelectrical assets	17	7	*-57.4%*	48	26	*-46.0%*
Total	**58**	**74**	*26.5%*	**163**	**129**	*-20.5%*
Total Equatorial (with Equatorial Piauí e Alagoas)	**806**	**1.115**	***38.4%***	**2.351**	**4.768**	***102.8%***

The Group's investments amounted to R$ 4.1 billion in 2019. If we consider the investment made by Equatorial Piauí and Equatorial Alagoas since the beginning of the year, this number will be approximately R$ 4.7 billion.

DISTRIBUTION

In the distributors **Equatorial Maranhão, Equatorial Pará, Equatorial Piauí** and **Equatorial Alagoas,** the following openings are seen:

Equatorial Maranhão

9.1.1 Own Investment

Equatorial Maranhão's investment, excluding direct investment in PLPT, amounted to R$ 112 million in 4Q19, an increase of 27.8% on 4Q18. These investments are basically focused on expanding the distribution network's transformation capacity, in the light of the ongoing growth by the State's energy requirements.

9.1.2 Investment in the Light for All Program (PLPT)

At the end of 4Q19, Equatorial Maranhão reached the milestone of 347,879 thousand customers linked to the electricity distribution grid through PLPT, generating a direct benefit for approximately 1.8 million inhabitants. The PLPT is now present in all of the state's 217 municipalities, contributing to the development of remote areas and generation of income therein. During 3Q19, the direct investment in PLPT, which includes expenditure on material and third-party services, was R$ 22.4 million

Equatorial Pará

9.2.1 Own Investment

Equatorial Pará's investment, excluding direct investment in PLPT and the interconnection of Islanded Systems, amounted to R$ 614 million in 2019, a decrease of 0.48% on 2018. This investment was primarily made in expanding the coverage and capacity of the company's distribution grid and the continuous improvement to the quality of energy supplied, given the potential growth in Pará state.

9.1.2 Investment in the Light for All Program (PLPT)

Direct investment in the program, which includes expenditure on materials, services and carriage of materials was R$ 153 million in 2019, and the program has received investment of R$ 2.37 billion over its lifetime.

Equatorial Piauí

9.2.1 Investments

Equatorial Piauí's investment, excluding direct investment in Light for All Program (PLPT), amounted to R$ 518 million in 2019, an increase of 170.17% over 2018. This investment was primarily made in expanding the coverage and capacity of the company's distribution grid and the continuous improvement to the quality of energy supplied, given the potential growth in Piauí state.

Equatorial Alagoas

9.2.1 Investments

Investments during 2019 by Equatorial Alagoas, excluding direct investments with regard to PLPT, totaled R$ 165 million (or R$ 129 million without activation), with a view chiefly on electricity distribution network maintenance and expansion, with a significant evolution over the last quarter as a result of the conclusion of civil works to increase the RTE base.

TRANSMISSION

ENGINEERING

Total SPE investments in 2019 rose to **R$ 2.9 Billion**, a 276% rise as compared to the preceding year, and we obtained all the installation licenses to begin civil works and a number of operating licenses for energizing undertakings, with a 99% progress in land property discussions.

The works advanced 82% in relation to the total expected for completion, with entry into operation in 2 sections in Lot 31.

SPE 01 – Lot 08

Investment in 2019 amounted to **R$ 376 million**, growth of 901% on the previous year. The works are nearing completion. Progress is now at **97%**. The substations are ready and awaiting completion of the Transmission Line to initiate final testing for energization.
Land negotiations were finished and in December 2019 this venture was awarded its Operating License by IBAMA.

SPE 02 – Lot 09

Investment in 2019 amounted to **R$ 353 million**, growth of 633% on the previous year. The works are nearing completion. Progress is now at **99%**. The energization program has been agreed with ONS for implementation in January 2020.

Land negotiations were finished and in December 2019 this venture was awarded its Operating License by IBAMA (Brazilian Institute of Environment and Renewable Natural Resources).

SPE 03 – Lot 12

Investment in 2019 amounted to **R$ 387 million**, growth of 527% on the previous year. The works began in May 2019. Progress is now at **38%**. The works are on schedule and should be completed before the year 2020 is out.
Land negotiations have finished. Environmental programs are in compliance with IBAMA plans. We expect to receive the LO (Operating License) by the end of the first half of 2020.

SPE 04 – Lot 14

Investment in 2019 amounted to **R$ 724 million**, growth of 820% on the previous year. The works began in February 2019. Progress is now at **68%**. The works are on schedule and should be completed before the year 2020 is out.
Land negotiations are nearing completion, with progress at 99%, and should be completed in the 1st quarter of 2020. Environmental programs are in compliance with IBAMA plans. We expect to receive the LO (Operating License) by the end of the first half of 2020.

SPE 05 – Lot 15

Investment in 2019 amounted to **R$ 250 million**, growth of 454% on the previous year. The works began in February 2019. Progress is now at **56%**. The works are on schedule and should be completed before the year 2020 is out.
Land negotiations are nearing completion, with progress at 99%, and should be completed in the 1st quarter of 2020. Environmental programs are in compliance with IBAMA plans. We expect to receive the LO (Operating License) by the start of the second half of 2020.

SPE 06 – Lot 16

Investment in 2019 amounted to **R$ 206 million**, growth of 349% on the previous year. The works began in June 2019. Progress is now at **14%**. The works are on schedule and should be completed at the end of 2020.
Land negotiations are nearing completion, with progress at 98%, and should be completed in the 1st quarter of 2020. Environmental programs are in compliance with IBAMA plans. We expect to receive the LO (Operating License) in the second half of 2020.

SPE 07 – Lot 23

Investment in 2019 amounted to **R$ 207 million**, growth of 53% on the previous year. Physical progress stands at **59%**. The year was very challenging owing to the great rain volume in the civil works region. There was a 35% rise in rain as compared to the historical average. Nonetheless, the civil works advanced well and it may be possible to conclude work by 2020.
Land negotiations are nearing completion, with progress at 98%, and should be completed in the 1st quarter of 2020. Environmental programs are in progress as planned with SEMAS (State of Pará Secretary of the Environment). We expect to receive the LO (Operating License) in the course of 2020.

SPE 08 – Lot 31

Investment in 2019 amounted to **R$ 384 million**, growth of 20% on the previous year. Physical progress stands at **99%**. The year was very challenging owing to the great rain volume in the civil works region. There was a 35% rise in rain as compared to the historical average. Nonetheless, civil works advanced well.
The following civil works were provided with electricity:

- SE Rurópolis – Installing of Synchronous Compensator – June 2020
- LT 230 kV Xingu-Altamira – September 2020

In addition, Altamira-Transamazônica LT 230 kV and Transamazônica-Tapajós LT 230 kV civil works are concluded and estimated for energizing in the 1st half of January. The Tapajós 230/138 kV substation should also be energized during the 1st half of January 2020. The Tapajós Synchronous compensator should be energized also in the 1st half of 2020.
All of these licenses were issued by SEMAS (State of Pará Secretary of the Environment) during 2019.

INTESA

INTESA's investments amounted to **R$ 41 million**, growth of 41% on the previous year, mainly related to the completion of Gurupi's capacitor banks, reinforcement that already guaranteed additional RAP revenue in FY 2019. In addition, investments were also made in prioritizing a number of activities performed by Eletronorte, such as replacing transformers, improvements in grounding and other equipment renewals.

GENERATION

GERAMAR invested R$ 311 thousand in FY 2019 that basically refers to the maintenance of the plants that already had their works completed in 2010.

9. Corporate Governance

Listed in “Novo Mercado”, the highest level of Corporate Governance in the São Paulo Stock Exchange (B3), Equatorial Energia S.A. is a Company committed to the best corporate governance practices and transparency in its relations with investors and shareholders.

Corporate governance practices:

- 100% tag along for minority shareholders;
- Maintaining two independent members on the Board of Directors (total of 08 seats)
- 75% of the total capital as free float, way above the minimum of 25% required by Novo Mercado standards;
- Obligation to make a purchase offer at market value in the event of delisting or closing of capital;
- Disclosure of operations involving in the company's securities involving controlling shareholders or executives;
- Implementation of a Code of Business Ethics and Conduct
- Maintenance of a policy for reporting material transactions or events and trading of securities by related parties.
- Quarterly publication, along with the ITR, of the Statement of Cash Flows.
- Disclosure of financial statements in IFRS or US GAAP.
- Conference calls to disclose quarterly earnings.

Under the Novo Mercado Contract entered into with B3, the Company's Bylaws require the use of the Chamber of Arbitration to settle disputes.

Board of Directors

Carlos Augusto Leone Piani

Eduardo Haiama

Firmino Ferreira Sampaio Neto

Guilherme Mexias Aché

Paulo Jerônimo Bandeira de Mello Pedrosa

Luís Henrique de Moura Gonçalves

Marcos Martins Pinheiro

Tania Sztamfater Chocolat

Oversight Board

Paulo Roberto Franceschi

Saulo de Tarso Alves de Lara

Vanderlei Dominguez Rosa

Claudia Luciana Ceccatto de Trotta

Ricardo Bertucci

Moacir Gibur

Executive Board

Augusto Miranda da Paz Júnior
CEO

Carla Ferreira Medrado
Officer

Humberto Luis Queiroz Nogueira
Officer

Leonardo da Silva Lucas Tavares de Lima
Officer

Sérvio Túlio dos Santos
Officer

Tinn Freire Amado
Officer

Relations with independent auditors

Pursuant to CVM Directive 381/03, we declare that KPMG Auditores Independentes only provided audit and tax advisory services in the financial year ended December 31, 2019.

Pursuant to CVM Directive 480/09 (Article 25,1, V and VI), the Company's Officers Augusto Miranda da Paz Júnior, CEO; Carla Ferreira Medrado, Officer; Leonardo da Silva Lucas Tavares de Lima, CFO and Investor Relations Officer; Sérvio Túlio dos Santos, Officer; Humberto Luis Queiroz Nogueira, Officer; and Tinn Freire Amado, Officer hereby represent that they have (i) reviewed, discussed and agree with the Financial Statements for the financial year ended December 31, 2019; and (ii) reviewed, discussed and agree with, without any qualifications, the opinions expressed in the report issued May 22, 2020 by KPMG Auditores Independentes, the Company's independent auditors, in relation to the Company’s Financial statements for the financial year ended December 31, 2019;

Audit committee report

Pursuant to the law and the bylaws, the Audit Committee of Equatorial Energia S.A. has examined the Company's Management Report and Financial Statements for the financial year ended December 31, 2019. Based on our examinations and the unqualified Independent auditors' report on the financial statements issued by KPMG Auditores Independentes on May 22, 2020, it is our opinion that these documents and the proposed allocation of net income for the year, are suitable for the appreciation of the Annual General Meeting and voting thereon.

Brasília, May 22, 2020

Paulo Roberto Franceschi

Vanderlei Dominguez da Rosa

Saulo Tarso Alves de Lara

Claudia Luciana Ceccatto de Trotta

Ricardo Bertucci

Moacir Gibur

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Independent auditors' report on the individual and consolidated financial statements

The Board of Directors and Shareholders of
Equatorial Energia S.A.
São Luis – MA

Opinion

We have audited the individual and consolidated financial statements of Equatorial Energia S.A. (Company), identified as parent company and consolidated respectively, which comprise the statement of financial position as at December 31, 2019 and the related statements of profit and loss, the comprehensive statements of income, the statement of changes in equity and statements of cash flows for the year then ended, including significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Equatorial Energia S.A. as of December 31, 2019, and the individual and consolidated performance of its operations and individual and consolidated cash flows for the financial year then ended, in conformity with accounting practices adopted in Brazil, 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 auditing standards. Our responsibilities under those standards are further described in the section Auditors' Responsibilities for the Audit of the individual and consolidated financial statements. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Brazil, and we have fulfilled our 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 audit opinion.

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.

Business combinations: acquisition of companies - Parent company

See Note 3.1 of the individual and consolidated financial statements

Key audit matter	How the matter was addressed in our audit
The Company acquired equity interests in 2018 and 2019, affording it the control over the companies: Companhia Energética do Piauí — CEPISA (now Equatorial Piauí Distribuidora de Energia S.A.) and Companhia Energética de Alagoas — CEAL (now Equatorial Alagoas Distribuidora de Energia S.A. and Integração Transmissora de Energia S.A. - INTESA, , recorded by the acquisition method pursuant to CPC technical pronouncement 15 (IFRS 3). Recording this acquisition requires, among other procedures, that the Company determine the date on which the acquirer obtained effective control, the fair value of the consideration transferred, and the fair value of the assets acquired and the liabilities assumed. These procedures involve a high degree of judgment to determine fair-value estimates based on calculations and assumptions related to the future performance of the acquired business, which are subject to a high degree of uncertainty. Due to the substantial judgment involved in determining the underlying assumptions for measuring this transaction and the impact that any changes in these assumptions could have on the individual and consolidated financial statements, we consider this to be a key audit matter.	Our audit procedures in this area included, among others: - Reviewing the documents formalizing the transaction, such as agreements and minutes, and obtaining evidence underlying the determination of the acquisition date of the control and the determination of the fair value of the consideration transferred; - With the assistance of our corporate finance specialists, we reviewed the methodology used to measure the fair value of the interests acquired, the assets acquired and the liabilities assumed, and evaluated the assumptions used and the calculations made by comparison with market data, and we evaluated the sensitivity analysis of the key assumptions used and the impacts of any changes in those assumptions on fair-value determinations. - Assessing the date control was acquired and obtained, and the fair value of the consideration transferred to the acquired companies. - Assessing whether the disclosures in the individual and consolidated financial statements took the material information into account. Based on the evidence obtained through the aforesaid audit procedures, we consider the recognition, measurement and disclosure of the business combination within the context of the individual and consolidated financial statements to be acceptable.

Measurement of financial assets of the concession and intangible assets - Distribution - Parent company and Consolidated

See Notes 4.5, 4.7, 14 and 15 of the individual and consolidated financial statements

Key audit matter	How the matter was addressed in our audit
The portion of the investments made and not amortized by the end of the concession is	Our audit procedures in this area included, among others:

classified as a financial asset of the concession for the Company's subsidiaries (Equatorial Maranhão Distribuidora de Energia S.A. - "Equatorial Maranhão", Equatorial Pará Distribuidora de Energia S.A. - "Equatorial Pará", Equatorial Piauí Distribuidora de Energia S.A. – "Equatorial Piauí" and Equatorial Alagoas Distribuidora de Energia S.A. - "Equatorial Alagoas"), because it is an unconditional right to receive cash or another financial asset directly from the concession authority. This right is measured based on the new replacement value (*Valor Novo de Reposição - VNR*) in connection with the Periodic Rate Review processes ratified by the National Electricity Regulatory Agency (ANEEL) and subsequently restated for inflation. The balances comprising the rights of use of the assets bound to the service concession agreement, amortizable until the end of the concession period is recognized as intangible assets by the Company's subsidiaries. The bifurcation between financial assets and intangible assets may present distortions attributed to errors in the calculations and estimates prepared by the Company's subsidiaries. Additionally, the financial asset must be restated in accordance with the guidelines of the regulatory agency. Due to the materiality of the amounts involved and required disclosures, in addition to the judgment of the Management of the Company's subsidiaries regarding the definition of the measurement of financial assets of the concession and intangible assets based on the regulatory useful life or concession agreement, which may impact the value of these assets in the consolidated financial statements, we consider this to be a key audit matter.	– Assessing the assumptions used in the bifurcation between financial assets and intangible assets, comparing the results obtained against the accounting balances and analyzing whether the calculations for restating the remuneration base associated with the existing assets in operation are consistent and in accordance with the latest rate cycle of the Company's subsidiaries, in line with the Rate Adjustment Procedural Manual approved by ANEEL. – Sample-based document analyses of the additions to the financial and intangible assets of the Company's subsidiaries made in the course of the year. – Assessing whether the disclosures in the individual and consolidated financial statements took the material information into account. During the course of our audit, we identified adjustments that would affect the measurement of the financial assets of the concession and intangible assets of the Company's subsidiaries, as well as their disclosures, which were not recorded or disclosed by Management, since they were considered immaterial. Based on the results obtained through the procedures summarized above and audit evidence obtained, we consider that the measurement of the concession's financial assets and intangible assets and the related disclosures are acceptable within the context of the individual and consolidated financial statements taken as a whole for the financial year ended December 31, 2019.

Adequacy and disclosures of the provision for contingencies - Consolidated

See Note 4.20 and 27 of the individual and consolidated financial statements

Key audit matter	How the matter was addressed in our audit
The Company and its subsidiaries are defendants in court suits of a civil, tax, labor and regulatory nature. The Company and its subsidiaries exercise material internal judgment when determining the amounts that should be recognized in the	Our audit procedures in this area included, among others: – Obtaining the list of legal consultants representing the company and its subsidiaries in civil, tax, labor and regulatory proceedings and

provision for contingencies and determining the disclosures made for proceedings not provisioned for, where the chance of defeat has been rated as possible. Due to the materiality of the amounts and number of related cases, complexity and judgment involved in the evaluation, measurement, definition of the timing for the recognition and disclosures related to the provisions and contingent liabilities which may impact the value and disclosures of these liabilities in the individual and consolidated financial statements, we consider this topic material for our audit.	we sent confirmation letters directly to the internal and external attorneys, in order to obtain their assessment of the risks of loss and the amounts related to the court suits in which the company and its subsidiaries are listed as defendants. – Comparing the answers of the letters sent with the accounting records, we assessed the integrity and accuracy of the contingencies recorded by the company and its subsidiaries, and, where applicable, we compared them with existing case law. – Involving our legal experts to help analyze the reasonableness of the expected losses in the main cases where the chance of defeat has been rated as possible or remote, in terms of the methodology and judgments made by the Company and its subsidiaries. – Evaluating the changing balances in the year, and conducted sample-based analyses of the additions, use and reversal of provisions. We verified whether there were changes in the prognosis of the processes existing on the base date of this audit in relation to the prior year. We recalculated the monetary restatement of the provision for contingencies. We assessed whether there was any change in the situation between the reporting date and the date of the audit report that could lead to a change in the assessment of the risk loss of the contingencies. – We also assessed whether the disclosures made in the individual and consolidated financial statements are consistent and in accordance with the applicable rules and whether they provide information on the nature, exposure and amounts recorded as provisions or disclosed with respect to the main tax, civil, labor and regulatory issues in which the Company and its subsidiaries are involved. During the course of our audit, we identified adjustments that would affect the measurement of the provisions for contingencies of the subsidiaries, as well as their disclosures, which were not recorded or disclosed by Management, since they were considered immaterial. Based on the results obtained through the

	procedures summarized above and audit evidence obtained, we consider that the measurement of the provision for contingencies and the related disclosures are acceptable within the context of the individual and consolidated financial statements taken as a whole.

Measurement of contractual assets and revenues from contracts with customers - Transmission - Parent Company and Consolidated

See Note 4.8 and 16 of the individual and consolidated financial statements

Key audit matter	How the matter was addressed in our audit
The recognition of the contractual assets and revenues of the Company's subsidiaries in the transmission segment in accordance with CPC 47 - Revenue from contract with customer (IFRS15) requires the exercise of significant judgment about the moment that the customer obtains the asset's control. In addition, measuring the Company's progress in meeting the performance obligation over time also requires the use of significant estimates and judgments by Management to estimate the efforts or inputs required to meet the performance obligation, such as materials and manpower, expected profit margins on each identified performance obligation, and expected revenue projections. Due to the relevance of the amounts and estimates involved, we consider the measurement of contractual assets and contract revenues with customers of the Company's subsidiaries in the transmission segment as a significant topic for our audit.	Our audit procedures included, among others: – Reading the concession contract for the identification of the contractual performance obligations, in addition to aspects related to the variable components applicable to the contract price; – With the support of our corporate finance experts, evaluating the relevant assumptions used in the cost projections, the margin of the contract and the definition of the discount rate used in the model, consulting corporate finance specialists. In the course of our audit, we identified adjustments that affected the measurement and disclosure of contractual assets and contract revenue with the customer, which were recorded and disclosed by the Company. Based on the results obtained through the procedures summarized above and audit evidence obtained, we consider that the measurement of contractual assets and customer contract revenue and the related disclosures are acceptable within the context of the individual and consolidated financial statements taken as a whole.

Other matters - Statements of added value

The individual and consolidated statements of added value (*Demonstração do Valor Adicionado - DVA*) for the financial year ended December 31, 2019, which are the responsibility of Company Management and are presented as supplementary information under IFRS, were subject to audit procedures conducted in conjunction with the audit of the Company's financial statements. To form our opinion, we evaluated whether the statements have been reconciled against the financial statements and accounting records, as applicable, and whether their form and content comply with the criteria set out in CPC Technical Pronouncement 09 - Statements of Added Value. In our opinion, these statements of added value have been adequately prepared, in all material respects, in accordance with this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

Management is responsible for the other information. The other information comprises 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 audit 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 the 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 that we have performed, we conclude that there is a material misstatement of this Management Report, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management 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 the 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.

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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 auditing standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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 and its subsidiaries' internal control.

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

- Conclude 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate 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.

- Obtain 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 also provide those charged with management with a statement that we have complied with relevant ethical requirements regarding independence 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 management, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Fortaleza, May 22, 2020

KPMG Auditores Independentes
CRC SP-014428/O-6 S-CE
Original report in Portuguese signed by
Marcelo Pereira Gonçalves
Accountant CRC 1SP220026/O-3

Equatorial Energia S.A.

Statements of financial position as of December 31, 2019 and 2018

(In thousands of Reais)

		Parent company		Consolidated	
Asset	**Note**	**2019**	**2018**	**2019**	**2018**
Current					
Cash and cash equivalents	6	536,313	718,146	1,785,203	4,743,990
Short-term investments	7	871,556	-	4,043,717	-
Trade accounts receivable	8	-	-	3,503,757	2,938,037
Accounts receivable - rate tiers		-	-	1,291	18,769
Fuel purchased - CCC account		-	-	36,376	63,380
Services in progress		-	-	365,462	308,627
"A Component" revenue receivable and other financial items	9	-	-	231,463	464,505
Judicial deposits	27	-	1,921	3,052	4,068
Derivative financial instruments	38.4	-	-	17,554	-
Inventories		-	-	31,895	25,305
Dividends receivable		98,381	200,589	5,175	4,050
Recoverable taxes and contributions	10	862	644	256,066	155,400
Recoverable income tax and social contribution		1,428	37,514	143,132	188,028
Other receivables	11	4,574	6,105	295,192	289,073
Concession's	14			-	226,332
Contractual assets	16	-	-	699,692	-
Total current assets		**1,513,114**	**964,919**	**11,419,027**	**9,429,564**
Noncurrent					
Securities	7	18,129	-	126,756	-
Trade accounts receivable	8	-	-	882,598	968,035
"A Component" revenue receivable and other financial items	9	-	-	865,227	303,393
Fuel purchased - CCC account	26	-	-	-	107,838
Judicial deposits	27	124	16	299,175	148,206
Services in progress		-	-	6,591	20,886
Advance for future capital increase		-	1,000	-	-
Derivative financial instruments	38.4	-	-	43,001	142,451
Recoverable taxes and contributions	10	12	12	1,633,437	1,316,325
Recoverable income tax and social contribution		35,017	-	90,340	53,205
CCC subrogation - amounts allocated		-	-	85,120	9,056
Retirement and pension plan	37			22,065	-
Other receivables	11	9,569	9,145	389,340	367,931
Concession's	14	-	-	4,945,545	4,166,565
Investment	13	8,664,022	6,955,171	122,217	118,530
Property, plant and equipment		2,782	2,819	14,557	13,528
Intangible assets	15	1,437	1,219	9,007,974	6,050,351
Right-of-use		992	-	32,573	-
Contractual assets	16	-	-	7,544,552	2,290,132
Total noncurrent assets		**8,732,084**	**6,969,382**	**26,111,068**	**16,076,432**
Total assets		**10,245,198**	**7,934,301**	**37,530,095**	**25,505,996**

		Parent company		Consolidated	
Liabilities	**Note**	**2019**	**2018**	**2019**	**2018**
Current					
Trade payables	17	2,081	993	1,969,016	1,600,210
Payroll charges and obligations		722	712	60,940	88,063
Loans and borrowings	18	507,358	834,166	1,742,280	2,298,405
Debentures	19	11,622	14,112	144,283	505,464
"A Component" revenue returnable and other financial items	9	-	-	10,077	-
Taxes and contributions payable	20	2,761	2,769	564,352	601,139
Income taxes and social contribution payable		41	3,249	100,793	105,367
Dividends	22	322,581	190,701	341,119	240,729
Consumer charges		-	-	-	55,572
Public lighting fee		-	-	79,326	46,562
Energy efficiency research and development	23	-	-	272,806	151,271
Profit sharing	24	17,466	15,824	132,664	84,292
Derivative financial instruments	38.4	-	-	-	14,915
Payables from judicial reorganization	25	-	-	22,275	17,116
Lease liability		150	-	10,569	-
Provision for civil, tax, labor and regulatory claims	27	-	-	254,775	47,236
Retirement and pension plan	37	-	-	-	2,539
PIS/COFINS to be reimbursed to consumers	28	-	-	75,999	-
Sector charges CCC	26	-	-	-	349,874
Other accounts payable	29	15	10,912	373,148	233,630
Total current liabilities		**864,797**	**1,073,438**	**6,154,422**	**6,442,384**
Noncurrent					
Trade payables	17	-	-	7,094	13,719
Loans and borrowings	18	-	-	9,362,674	4,561,426
Debentures	19	1,252,232	1,248,331	5,559,184	4,170,885
Retirement and pension plan	37	-	-	139,562	43,740
Taxes and contributions payable	20	-	-	235,339	97,105
Deferred income and social contribution taxes	21	50	50	1,307,386	489,806
Taxes and contributions payable and deferred		-	-	860,503	168,918
Provision for civil, tax, labor and regulatory claims	27	-	-	1,037,472	763,046
"A Component" revenue returnable and other financial items	9	-	-	132,374	70,801
Energy efficiency research and development	23	-	-	186,483	188,076
Amounts payable under the judicial reorganization plan	25	-	-	849,624	814,254
PIS/COFINS to be reimbursed to consumers	28	-	-	1,263,422	999,328
CCC Sector charges	26	-	-	254,672	-
Lease liability		792	-	19,344	-
Other accounts payable	29	16,450	16,450	387,168	129,637
Total non-current liabilities		**1,269,524**	**1,264,831**	**21,602,301**	**12,510,741**
Equity					
Share capital	30.1	2,741,931	2,375,354	2,741,931	2,375,354
Capital reserves		529,934	60,780	529,934	60,780
Revenue reserves		4,993,923	3,210,214	4,993,923	3,210,214
Asset and liability valuation adjustments		(154,911)	(50,316)	(154,911)	(50,316)
Shareholders' equity attributable to Company shareholders		**8,110,877**	**5,596,032**	**8,110,877**	**5,596,032**
Non-Controlling Interest (NCI)		**-**	**-**	**1,662,495**	**956,839**
Total equity		**8,110,877**	**5,596,032**	**9,773,372**	**6,552,871**
Total liabilities and equity		**10,245,198**	**7,934,301**	**37,530,095**	**25,505,996**

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of profit and loss

Years ended December 31, 2019 and 2018

(In thousands of reais)

	Note	Parent company 2019	Parent company 2018	Consolidated 2019	Consolidated 2018
Net operating revenue	32	-	-	18,796,346	11,252,627
Costs of electricity, construction and operation	33	-	-	(13,067,195)	(8,336,908)
Electricity purchased for resale and transmission costs	34	-	-	(6,974,026)	(5,453,898)
Construction cost	33	-	-	(5,033,268)	(1,904,036)
Operating cost	33	-	-	(1,059,901)	(978,974)
Gross profit		-	-	5,729,151	2,915,719
Operating expenses					
Sales expenses	33	-	-	(272,838)	(371,669)
General and administrative expenses	33	(33,893)	(38,644)	(557,666)	(162,651)
Impairment	33	-	-	(97,573)	(152,860)
Share of profit (loss) of equity-accounted investees	13	2,713,195	997,076	(83,294)	16,265
Loss/gain on the retirement of assets and rights	35	-	-	(259,165)	-
Other net operating income (expenses)	35	(100,235)	(272)	(150,896)	(166,671)
Total operating revenue (expense)		2,579,067	958,160	(1,421,432)	(837,586)
Income before net financial items, income tax and social contributions		2,579,067	958,160	4,307,719	2,078,133
Financial revenue		33,333	68,387	1,761,378	901,994
Finance costs		(196,770)	(108,612)	(2,389,038)	(1,684,578)
Financial income, net	36	(163,437)	(40,225)	(627,660)	(782,584)
Net income before income and social contribution taxes		2,415,630	917,935	3,680,059	1,295,549
Current income and social contribution taxes	21.3	-	-	(200,787)	(145,836)
Deferred income and social contribution taxes	21.3	-	-	(763,640)	11,347
Income taxes		-	-	(964,427)	(134,489)
Net income for the year		**2,415,630**	**917,935**	**2,715,632**	**1,161,060**
Income attributable to:					
Non-controlling interests		-	-	300,002	243,125
Shareholders of parent entity		2,415,630	917,935	2,415,630	917,935
Net income for the year		**2,415,630**	**917,935**	**2,715,632**	**1,161,060**
Basic earnings per share - R$	30.4	2.39050	0.92362		
Diluted earnings per share - R$	30.4	2.39050	0.92001		
Number of common shares at year-end (in thousands of shares)		**1,010,512**	**993,850**		

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of comprehensive income

Years ended December 31, 2019 and 2018

(In thousands of reais)

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Net income for the year	2,415,630	917,935	2,715,632	1,161,060
Other comprehensive income				
Items that will be subsequently reclassified to profit or loss				
Loss on cash flow hedge	(5,904)	-	(6,381)	-
Items that will not be subsequently reclassified to profit or loss				
Effects of the retirement benefit plans	(98,296)	25,428	(101,880)	28,299
Other comprehensive income in the year, net of tax	(104,200)	25,428	(108,261)	28,299
Total comprehensive income	2,311,430	943,363	2,607,371	1,189,359
Non-controlling interests	-	-	295,941	245,996
Shareholders of parent entity	2,311,430	943,363	2,311,430	943,363
Total comprehensive income	2,311,430	943,363	2,607,371	1,189,359

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statement of changes in equity

Years ended December 31, 2019 and 2018

(In thousands of reais)

			Revenue reserves								
	Share capital	**Reserves capital**	**Legal**	**Investment and expansion reserve**	**Unrealized profit reserve**	**Additional dividends reserve**	**Adjustments to equity valuation**	**Retained earnings**	**Shareholders' equity of parent company**	**Non-controlling interests**	**Consolidated equity**
Balances as of December 31, 2017	2,227,021	59,150	49,863	2,471,104	-	3,835	(24,888)	-	4,786,085	962,019	5,748,104
Initial adoption of CPC 48 / IFRS 9 and CPC 47/IFRS 15	-	-	-	-	109,770	-	-	-	109,770	10,737	120,507
Net income for the year	-	-	-	-	-	-	-	917,935	917,935	243,125	1,161,060
Comprehensive income for the year											
Actuarial gains (losses)	-	-	-	-	-	-	(25,428)		(25,428)	(2,871)	(28,299)
Total comprehensive income in the year, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**(25,428)**	**-**	**(25,428)**	**(2,871)**	**(28,299)**
Capital increase (Note 26.1)	148,333	-	(49,863)	(98,000)	-	-	-	-	470	-	470
Awarded options recognized (Note 26.2)	-	1,630	-	-	-	-	-	-	1,630	-	1,630
NCI in equity of subsidiaries	-	-	-	-	-	-	-	-	-	(138,541)	(138,541)
Appropriation of profit:											
Legal reserve	-	-	45,896	-	-	-	-	(45,896)	-	-	-
Statutory working capital reinforcement reserve	-	-	-	570,896	-	-	-	(570,896)	-	-	-
Unrealized profit reserve	-	-	-	-	109,659	-	-	(109,659)	-	-	-
Dividends payable:											
Dividends (Note 19)	-	-	-	-	-	-	-	(190,595)	(190,595)	(49,629)	(240,224)
Additional dividends for 2017 (Note 19)	-	-	-	-	-	(3,835)	-	-	(3,835)	(68,001)	(71,836)
Additional dividends (Note 19)	-	-	-	-	-	889	-	(889)	-	-	-
Investment and expansion reserve	-	-	-	-	-	-	-	-	-	-	-
Balances as of December 31, 2018	**2,375,354**	**60,780**	**45,896**	**2,944,000**	**219,429**	**889**	**(50,316)**	**-**	**5,596,032**	**956,839**	**6,552,871**
Net income for the year	-	-	-	-	-	-	-	2,415,630	2,415,630	300,002	2,715,632
Comprehensive income for the year											
Net gain (loss) on cash flow hedge	-	-	-	-	-	-	(5,904)	-	(5,904)	(477)	(6,381)
Actuarial gains (losses)	-	-	-	-	-	-	(95,099)	-	(95,099)	(3,106)	(98,205)
Deferred taxes on actuarial gains (losses)	-	-	-	-	-	-	(3,197)		(3,197)	(478)	(3,675)
Total comprehensive income in the year, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**(104,200)**	**-**	**(104,200)**	**(4,061)**	**(108,261)**
Contributions, distributions and recognition of reserves											
Capital increase (Note 30.1)	366,577	-	(45,896)	(262,613)	-	-	-	-	58,068	4,951	63,019
Awarded options recognized (Note 30.5)	-	1,976	-	-	-	-	-	-	1,976	-	1,976
Buyback options		(6,230)	-	-	-	-	-	-	(6,230)	(235)	(6,465)
Stock options exercised	-	-	-	-	-	-	(395)	-	(395)	(281)	(676)
Legal reserve	-	-	120,781	-	-	-	-	(120,781)	-	-	-
Investment and expansion reserve	-	-	-	966,835	-	-	-	(966,835)	-	-	-
Unrealized profit reserve	-	-	-	-	1,004,755	-	-	(1,004,755)	-	-	-
Dividends payable:											
Dividends (Note 22)	-	-	-	-	-	-	-	(322,523)	(322,523)	(265,379)	(587,902)
Additional dividends for 2018 (Note 22)	-	-	-	-	-	(889)	-	-	(889)	-	(889)
Additional dividends (Note 22)	-	-	-	-	-	736	-	(736)	-	-	-
Changes in ownership interests											
Acquisitions of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	-	1,000,000	1,000,000
Acquisition of NCI without a change in control	-	473,408	-	-	-	-	-	-	473,408	(329,341)	144,067
	-	**473,408**	**-**	**-**	**-**	**-**	**-**	**-**	**473,408**	**670,659**	**1,144,067**
Balances as of December 31, 2019	**2,741,931**	**529,934**	**120,781**	**3,648,222**	**1,224,184**	**736**	**(154,911)**	**-**	**8,110,877**	**1,662,495**	**9,773,372**
							-	-	-		

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of cash flows - Indirect method

Years ended December 31, 2019 and 2018

(In thousands of reais)

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities				
Net income for the year	2,415,630	917,935	2,715,632	1,161,060
Adjustments for:				
Amortization and depreciation	156	6	636,796	436,167
Amortization of concession rights	-	20,252	-	20,252
Share of profit (loss) of equity-accounted investees	(2,713,195)	(1,017,328)	82,384	(36,517)
Write-off of intangible and financial assets	-	-	17,045	196,496
Contractual asset write-off	-	-	96,590	(502)
Indexation of contractual and financial assets	-	-	(825,309)	(198,525)
Construction margin	-	-	(1,910,873)	-
Debt charges, net interest and monetary and exchange variance	143,064	100,500	1,183,453	882,767
Losses (gains) on derivative instruments	-	-	(56,606)	(76,488)
Step Acquisition Loss	96,851	-	-	-
Adjustment to present value	(484)	(482)	50,553	(621,183)
Allowance for doubtful accounts	-	-	(97,573)	152,860
Restatement and provision for energy efficiency research and development	-	-	123,516	84,842
Provision for civil, tax, labor and regulatory claims	-	-	509,541	276,571
A Component (receivable) returnable and other financial items	-	-	223,212	806,608
Earnings on investments	(32,242)	-	(188,425)	(478)
Deferred PIS/COFINS - Transmission firms	-	-	535,407	-
Deferred income and social contribution taxes	-	-	763,640	(11,347)
Current income and social contribution taxes	-	-	200,787	145,836
Share-based payments	1,976	1,630	1,302	1,630
Option to repurchase	(6,229)	-	-	-
PIS/COFINS to be reimbursed to consumers	-	-	(30,722)	(187,379)
Lease liability	(176)	-	(22,890)	-
Other	9,734	-	67,409	(19,068)
Net income (loss) for the year after adjustments	(84,915)	22,513	4,074,869	3,013,602
Changes in current and noncurrent assets and liabilities				
Trade accounts receivable	-	-	287,681	(260,675)
Accounts receivable - rate tiers	-	-	22,500	(10,006)
Fuel purchased - CCC account	-	-	39,640	7,988
Services in progress	-	-	(208,915)	(60,759)
Judicial deposits	1,813	2,303	(56,753)	19,139
Inventories	-	-	1,704	(2,268)
Recoverable taxes and contributions	(218)	(6)	(30,718)	(5,336)
Recoverable income tax and social contribution	(1,242)	(7,790)	10,467	(39,608)
CCC sub-rogation	-	-	(74,332)	(590)
Advance for future capital increase	-	(1,000)	-	-
Acquisitions of contractual assets	-	-	(3,154,671)	-
Other receivables	1,697	5,546	26,503	(205,582)
Trade payables	1,088	(185)	(58,011)	65,467
Payroll charges and obligations	9	(351)	(42,629)	15,058
Taxes and contributions payable	(255)	(1,082)	(185,609)	(348,186)
Taxes and contributions payable on net income	(810)	(1,279)	(138,260)	415,258
Consumer charges	-	-	(69,631)	2,565
Public lighting fee	-	-	(20,040)	22,082
Energy efficiency research and development	-	-	(63,938)	(84,469)
Profit sharing	1,642	2,203	34,729	3,714
Related-party transactions	(102)	(1,808)	-	(6,597)
Retirement and pension plan	-	-	(60,720)	6
Provision for civil, tax, labor and regulatory claims	-	-	(273,472)	(141,601)
Other accounts payable	(10,942)	-	246,050	(26,795)
PIS/COFINS to be reimbursed to consumers	-	-	-	-
Receipt of dividends	-	-	-	-
Cash used in operating activities	**(7,320)**	**(3,449)**	**(3,768,425)**	**(641,195)**
Income and social contribution taxes paid	-	(674)	(74,652)	(98,260)
Interest received	-	-	134,585	-
Interest paid	(148,453)	(76,202)	(1,017,532)	(435,138)
Cash flows (used in) produced by operating activities	**(240,688)**	**(57,812)**	**(651,155)**	**1,839,009**
Cash flows from investing activities				
Acquisitions of intangible assets and property, plant and equipment	(219)	(2,204)	(433,369)	(192,925)
Special obligations additions	-	-	103,189	-
Acquisitions of contractual assets	-	-	(1,553,189)	(1,793,812)
Concession financial assets - Transmission firms	-	-	-	(74,976)
Net cash acquired on the acquisition of investments	(45)	-	72,128	-
Securities	(18,129)	-	(126,756)	-
Acquisition of investment	-	(389,646)	-	(389,646)
Share agreements at investees	1,000,000		-	
Capital increase in investees	(826,031)	(1,144,975)	-	-
Redemptions/ short-term investments	(839,314)	-	(3,853,918)	37,655
Receipt of dividends	1,196,057	344,638	21,960	29,685
Cash flow (used in) provided by investment activities	512,319	(1,192,187)	(5,769,955)	(2,384,019)
Cash flows from financing activities				
Amortization of loans and borrowings	(820,000)	(310,000)	(3,245,314)	(2,053,753)
Loans and borrowing obtained	500,000	820,000	5,178,251	2,161,041
Amortization of debentures	-	-	(608,328)	(629,186)
Debenture issue	-	448,400	1,595,000	2,233,400
Amounts paid under the judicial reorganization plan	-	-	(31,935)	(259,991)
Funds allocated to advance for future capital increase	-	470	-	470
Capital increase	58,068	-	58,068	-
Capital increase in investees by NCI	-	-	1,004,951	-
Dividends paid	(191,532)	(238,563)	(488,370)	(335,455)
Cash flows from (used in) financing activities	(453,464)	720,307	3,462,323	1,116,526
(Decrease) increase in cash and cash equivalents	(181,833)	(529,692)	(2,958,787)	571,516
Cash and cash equivalents at beginning of year	718,146	1,247,838	4,743,990	4,172,474
Cash and cash equivalents at end of year	536,313	718,146	1,785,203	4,743,990
(Decrease) increase in cash and cash equivalents	(181,833)	(529,692)	(2,958,787)	571,516

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

Statements of added value

Years ended December 31, 2019 and 2018

(In thousands of reais)

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Revenue				
Sales of products, services and construction revenue	-	-	25,014,545	15,442,123
Allowance for doubtful accounts	-	-	(97,573)	(152,860)
Provision (reversal) for civil, labor, tax and regulatory litigation	-	-	133,728	(46,846)
Other operating expenses/revenue	(83)	(272)	(48,724)	(119,658)
Other non-recurrent expenses / revenue	(100,152)	-	(361,337)	(47,013)
	(100,235)	(272)	24,640,639	15,075,746
Consumables acquired from third parties (including ICMS and IPI)				
Costs of goods sold and services rendered	-	-	(12,007,294)	(7,357,934)
Materials, energy, third-party services and others	(16,551)	(18,770)	(826,770)	(494,666)
CCC subsidy	-	-	(114,555)	(104,992)
	(16,551)	(18,770)	(12,948,619)	(7,957,592)
Gross added value used	(116,786)	(19,042)	11,692,020	7,118,154
Depreciation and amortization	(156)	(6)	(630,384)	(436,167)
Net added value (used in) produced by the Company	(116,942)	(19,048)	11,061,636	6,681,987
Transferred added value				
Finance income	34,902	68,387	1,803,416	901,994
Share of profit (loss) of equity-accounted investees	2,713,195	1,017,328	(83,294)	36,517
Amortization of concession rights	-	(20,252)	-	(20,252)
	2,748,097	1,065,463	1,720,122	918,259
Total value added to distribute	**2,631,155**	**1,046,415**	**12,781,758**	**7,600,246**
Distribution of value added				
Employees				
Direct compensation	13,701	15,662	463,674	306,510
Benefits	473	902	137,583	117,427
Government Severance Indemnity Fund for Employees (FGTS)	122	198	93,761	43,107
Other	2,620	2,533	(193,807)	19,455
	16,916	19,295	501,211	486,499
Taxes				
Federal	1,569	-	3,823,615	1,922,749
State	-	-	3,321,216	2,303,789
Municipal	-	-	11,269	10,683
	1,569	-	7,156,100	4,237,221
Return on debt capital				
Interest	145,186	106,963	1,026,321	935,251
Rent	270	573	19,777	30,888
Other financial expenses	51,584	1,649	1,362,717	749,327
	197,040	109,185	2,408,815	1,715,466
Return on equity capital				
Dividends	322,523	190,595	-	-
Retained earnings in the year	2,093,107	727,340	2,415,630	917,935
Noncontrolling interests in earnings for the year	-	-	300,002	243,125
	2,415,630	917,935	2,715,632	1,161,060
Added value	**2,631,155**	**1,046,415**	**12,781,758**	**7,600,246**

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais, unless stated otherwise)

1 Operations

Equatorial Energia S.A. (“Company” or “Equatorial” or “Parent Company” or in conjunction with its Subsidiaries, “Group”), headquartered in São Luís, Maranhão, Brazil, is a publicly traded holding corporation with interests primarily in electric power generation, distribution and transmission operations. The Company is listed on B3 under the ticker “EQTL3” and has been listed on Novo Mercado since 2008.

1.1 Reporting entity – Transaction Equatorial Energia Distribuição S.A.

On January 23, 2019, through the Minutes of the General Meeting of Incorporation by Shares, the Company was formed under the name SF 122 Participações Societárias S.A. (“Equatorial Distribuição”), headquartered in the city of São Paulo, State of São Paulo.

On April 10, 2019, through Minutes of the Extraordinary General Meeting, Equatorial Energia Distribuição had its headquarters changed to the city of São Luis, State of Maranhão, in addition to the change in the corporate name of Companhia de SF 122 Participações S.A. for Equatorial Energia Distribuição S.A .

On November 05, 2019, interests of 65.1% in Equatorial Maranhão Distribuidora de Energia S.A. (“Equatorial Maranhão”) and 96.5% in Equatorial Pará Distribuidora de Energia S.A. (“Equatorial Pará”) were transferred from Equatorial Energia S.A. (jointly referred to as “Subsidiaries”) to Equatorial Distribuição S.A., which became the Parent company of these companies from that date onwards. This entailed the transfer of share controlled by depositing net assets, with Equatorial Distribuição becoming the owner of the shares in Equatorial Pará and Equatorial Maranhão.

On November 11, 2019, through the Minutes of the Extraordinary General Meeting, there was the ratification of the conclusion of the investment agreement between Equatorial Energia S.A. (Parent Company) and ITAÚ Unibanco S.A., through an investment of R $ 1,000,000 and through issue of 397,661,749 preferred shares in Equatorial Energia Distribuição, constituting a 9.9% direct interest in the share capital of Equatorial Energia Distribuição. The Company, in turn, received all the common shares in Equatorial Energia Distribuição, accounting for 90.1% of this subsidiary’s capital.

Since November 2019, the Company has had the right to repurchase all the shares preferred shares belonging to Itaú. The purchase price, if the option is exercised, will be the R $ 1,000,000 adjusted by 100% of the CDI interest rate as of November 11, 2019, the option’s exercise date less dividends received by the noncontrolling , restated by 100% of the CDI interest rate from the date of payment to the purchase option’s exercise date, which can be exercised between November 11, 2012 and November 11, 2026. The noncontrolling shareholder does not hold the shares’ sale option, with the exercising of this right being under the Company’s control.

The value of the option is immaterial in our estimate, both on November 11, 2019 and December 31, 2019. The value of this option was not recorded due to the immaterial of the amount determined.

1.2 Assumption as a going concern can be real and/or surety

The Company presents consistent operating results at its indirect subsidiaries Equatorial Maranhão and Equatorial Pará with net income in 2019 of R$ 647,075 and R$ 469,117 respectively. In its latest rate review process, Equatorial Pará increased the compensation base from R$ 3,090,034 to R$ 5,046,755, thus increasing the compensation on capital established in the rate and the B Component to which the distribution company is entitled. Of the recently acquired companies, Equatorial Piauí and Equatorial Alagoas reported excellent improvements in financial and operating results, which in 2019 rose from historic negative cash generation to net income of R$ 93,279 and R$ 346,822 respectively.

In transmission, the Company the company has been successfully meeting internal schedules to deploy lines, with three SPEs already entering commercial operation, which is guaranteeing stable cash generation for the Group. The other projects are at an advanced stage of completion and when all assets are operational, the transmission segment in the Group, including Intesa, will been entitled to Annual Permitted Revenue of R$ 1,107,000, not including any penalties which could reduce the Annual Permitted Revenue (RAP).

The Company seeks to maintain robust liquidity by investing in Tier 1 financial institutions and low-credit-risk operations, such as: fixed income securities, government bonds, repo transactions, debentures, CDBs and other investments. As of December 31, 2019, it had consolidated cash and cash equivalents of R$ 5,828,920, which is sufficient to service the debt for more than two years.

The Company also as access to various credit facilities and has secured the financing necessary to deploy the transmission lines at the transmission SPEs. Its distribution subsidiaries have also taken out loans from the BNDES (National Bank for Economic and Social Development) to fund its investment plans for 2020, i.e. according to the Company's estimates there is no need for additional funding to finance the Group's investments in 2020.

1.3 Subsidiaries and joint ventures

Equatorial has the following interests:

Direct interest	Note	2019	2018
Equatorial Maranhão Distribuidora de Energia S.A.	(a)	-	65.11%
55 Soluções S.A.	(b)	100.00%	100.00%
Equatorial Pará Distribuidora de Energia S.A.	(c)	-	96.50%
Geradora de Energia do Norte S.A.	(d)	25.00%	25.00%
Vila Velha Termoelétricas Ltda.	(e)	50.00%	50.00%
Equatorial Transmissão S.A.	(f)	100.00%	100.00%
Integração Transmissora de Energia S.A. – INTESA	(g)	100.00%	100.00%
Equatorial Piauí Distribuidora de Energia S.A.	(h)	94.47%	89.94%
Equatorial Alagoas Distribuidora de Energia S.A.	(i)	96.37%	-
Equatorial Energia Distribuição S.A.	(j)	90.15%	-
Indirect interest	**Note**	**2019**	**2018**
Equatorial Transmissora 1 SPE S.A.	(k)	100.00%	100.00%
Equatorial Transmissora 2 SPE S.A.	(l)	100.00%	100.00%
Equatorial Transmissora 3 SPE S.A.	(m)	100.00%	100.00%
Equatorial Transmissora 4 SPE S.A.	(n)	100.00%	100.00%
Equatorial Transmissora 5 SPE S.A.	(o)	100.00%	100.00%
Equatorial Transmissora 6 SPE S.A.	(p)	100.00%	100.00%
Equatorial Transmissora 7 SPE S.A.	(q)	100.00%	100.00%
Equatorial Transmissora 8 SPE S.A.	(r)	100.00%	100.00%
Solenergias Comercializadora de Energia S.A	(s)	51.00%	51.00%
Helios Energia Comercializadora e Serviços Ltda.	(t)	99.99%	99.99%
Equatorial Telecomunicações Ltda.	(u)	100.00%	100.00%
Equatorial Maranhão Distribuidora de Energia S.A.	(a)	58.69%	-
Equatorial Pará Distribuidora de Energia S.A.	(c)	86.99%	

(a) Equatorial Maranhão Distribuidora de Energia S.A ("Equatorial Maranhão").: A publicly held corporation primarily engaged in electric power distribution in its legal concession area which embraces the entire state of Maranhão, serving more than 2.5 million customers in 217 municipalities and covering an area in excess of 332 thousand km^2 as of December 31, 2019. The public power distribution concession contract (no. 060/2000) between the National Electricity Regulatory Agency - ANEEL and distributor on 8/28/2000, has a term extending to August 2030 and is extendable for a further maximum term of 30 years at the concession authority's discretion. Under Resolution 4621, dated November 25, 2014, ANEEL approved a new standard utility concession addendum under which the residual balances of regulatory assets or liabilities relating to financial figures to be computed in accordance with ANEEL's pre-established rules, including those established after the most recent tariff review, will be included the indemnity to be received by the concession holder in the event of the termination of the concession for whatever reason. Equatorial Maranhão entered into the amendment on December 10, 2014 in accordance with the existing legislation. The minutes from the Extraordinary General Meeting held September 10, 2019 approved the change to the company's name from "Companhia Energética do Maranhão – CEMAR" to "Equatorial Maranhão Distribuidora de Energia S.A". On November 05, 2019, the distribution company's control was transferred from Equatorial Energia S.A. to Equatorial Energia Distribuição S.A.;

(b) 55 Soluções S.A. ("55 Soluções"): A privately held company held corporation headquartered in São Luís, Maranhão, Brazil, and primarily engaged in: a) services in the electric power, telecommunications and data transmission businesses; b) electricity bill collection services for third parties; and c) third-party facilities operation, maintenance and planning services under Equatorial's control;

(c) Equatorial Pará Distribuidora de Energia S.A ("Equatorial Pará): A publicly traded corporation headquartered in Belém, Pará state, supplying electricity to its concession area embracing the whole of Pará state, serving more than 2.7 million consumers in 144 municipalities and covering an area in excess of 1,248 thousand km^2 as of December 31, 2019. Electricity distribution concession agreement no. 182/1998 entered into by between ANEEL and the distributor on 7/28/1998, has a term extending to July 2028 and is extendable for a further term of 30 years at the concession authority's discretion. Under Resolution 4621, dated November 25, 2014, ANEEL approved a new standard utility concession addendum under which the residual balances of regulatory assets or liabilities relating to financial figures to be computed in accordance with ANEEL's pre-established rules, including those established after the most recent tariff review, will be included the indemnity to be received by the concession holder in the event of the termination of the concession for whatever reason. Equatorial Pará made the amendment on December 10, 2014 in accordance with the existing legislation. The minutes from the Extraordinary General Meeting held December 12, 2019 approved the change to the company's name from "Centrais Elétricas do Pará – CELPA", to "Equatorial Pará Distribuidora de Energia S.A". On November 05, 2019, this distribution company's control was transferred from Equatorial Energia S.A. to Equatorial Energia Distribuição S.A.;

(d) Geradora de Energia do Norte S.A. ("GERAMAR") is the company responsible for the development and operation of the Tocantinópolis and Nova Olinda thermal power stations in the municipality of Miranda do Norte, Maranhão, Brazil, with a combined installed capacity of 330 MW to be delivered to the National Interconnected System. On October 1, 2008, Equatorial acquired a 25% interest in the share capital of Geradora de Energia do Norte S.A.: The consortium that controls Geradora de Energia do Norte S.A. consists of Equatorial Energia S.A. (25%), Fundo de Investimentos em Participações Brasil Energia (25%) and GNP S.A. (50%). GNP S.A., in turn, is controlled by Servtec Investimentos e Participações Ltda. (50%) and Companhia Ligna de Investimentos (50%). The control of Geradora de Energia do Norte S.A. is shared and governed by a Shareholders' Agreement.

(e) Vila Velha Termoelétricas Ltda. ("Vila Velha"): is responsible for the development and operation of thermal power stations in the state of Espírito Santo. Equatorial Energia S.A. has a 50% interest in the company. Control of Vila Velha Termoelétricas Ltda. is shared and governed by a Shareholders' Agreement.

(f) Equatorial Transmissão S.A ("Equatorial Transmissão").: A privately held company, having its registered office in Brasília, Distrito Federal. Equatorial Transmissão's core activities are the: a) transmit and sell energy and provide related services; b) study, plan, design, implement, operate and maintain energy transmission systems; c) provide consultancy and engineering services within their operating remit; d) participate in technical, scientific and entrepreneurial associations and organizations; and e) acquire interests in other Brazilian or foreign companies as partner or shareholder. Equatorial Transmissão is the holding company for the Group's transmission companies, and owns SPEs 01 to 08 and Intesa;

(g) Integração Transmissora de Energia S.A. (INTESA): having its registered office in Distrito Federal is a privately held corporation. Its registered business interests include the construction, development, operation and maintenance of electric utility facilities within the interconnected grid and specifically the Colinas/Serra da Mesa 2 500kV Transmission Line in the states of Tocantins and Goiás, which serves 25 municipalities between Colinas do Tocantins (TO) and Colinas do Sul (GO). The public power transmission concession contract (no. 002/2006) between the National Electricity Regulatory Agency - ANEEL and INTESA on April 27, 2006, has a term extending to April 2036 and is extendable for a further maximum term of 30 years.

(h) Equatorial Piauí Distribuidora de Energia S.A. ("Equatorial Piauí"): A privately held company primarily engaged in electric power distribution in its legal concession area which embraces the entire state of Piauí, serving more than 1.3 million customers in 224 municipalities and covering an area in excess of 252 thousand km^2 as of December 31, 2019. On July 26, 2018, Equatorial Energia SA was the winner in the bidding process in the auction mode ("Auction"), carried out in the form of bidding nº. 2/2018-PPI / PND ("Notice"), for the concession of public distribution service associated with the transfer of Equatorial Piauí's share control. On October 17, 2018, the purchase and sale agreement and other covenants were signed, in which Centrais Elétricas Brasileiras SA - ELETROBRAS sold shares accounting for 89.94% of Equatorial Piauí's total share capital to Equatorial Energia S.A. Under item 5.1. (i) of this notice, Equatorial Energia S.A. made a capital increase at Equatorial Piauí of R$ 720,916 on October 17, 2018. On January 02, 2019, Equatorial Energia S.A bought back 2,580,200 shares for R$ 294.88 (in reais). By way of the capital increases of Equatorial Energia S.A., the Board of Directors Meeting of Equatorial Piauí held March 13, 2019 acquired 604,881,182 shares, consisting of 577,684,454 registered common shares with no par value, and 27,196,728 registered preferred shares with no par value, which resulted in the interest in this distribution company's share capital rising from 89.94% to 94.47%. Distribution concession contract no. 01/2018 entered into by ANEEL and Equatorial Piauí on October 18, 2018 is valid until October 17, 2048. The minutes from the Board of Directors' meeting held March 29, 2019 approved the change to the company's name from "Companhia Energética do Piauí – CEPISA", to "Equatorial Piauí Distribuidora de Energia S.A";

(i) Equatorial Alagoas Distribuidora de Energia S.A ("Equatorial Alagoas").: A privately held company primarily engaged in electric power distribution in its legal concession area which embraces the entire state of Alagoas, serving more than 1.1 million customers in 102 municipalities and covering an area in excess of 27 thousand km^2 as of December 31, 2019. On December 28, 2018, Equatorial Energia SA was the winner in the bidding process in the auction mode ("Auction"), carried out in the form of bidding nº. 2/2018-PPI / PND ("Notice"), for the concession of public distribution service associated with the transfer of Equatorial Alagoas' share control. On February 27, 2019, the purchase and sale agreement and other covenants were signed, in which Centrais Elétricas Brasileiras SA - ELETROBRAS sold shares accounting for 89.94% of Equatorial Alagoas' total share capital to Equatorial Energia S.A. By way of the Board of Directors' meeting of Equatorial Alagoas held March 18, 2019, Equatorial Energia S.A. acquired 1,436,238,120 shares, consisting of 1,412,317,458 registered common shares with no par value, and 23,920,662 registered preferred shares with no par value, which resulted in the interest in this distribution company's share capital rising from 89.94% to 96.37%. Distribution concession contract no. 02/2019 entered into by ANEEL and Equatorial Alagoas on March 19, 2019 is valid until March 18, 2049. The minutes from the Board of Directors' meeting held May 02, 2019 approved the change to the company's name from "Companhia Energética de Alagoas – CEAL", to "Equatorial Alagoas Distribuidora de Energia S.A";

(j) Equatorial Energia Distribuição S.A ("Equatorial Distribuição"), headquartered in São Luís, Maranhão, Brazil, is a privately held company with the core activity of holding interests primarily in electric power distribution utilities. On November 05, 2019, the interests of 65.11% in Equatorial Maranhão and 96.50% in Equatorial Pará were transferred from Equatorial Energia to Equatorial Distribuição. In this process the Company has an interest of 90.15% and Itaú S.A. 9.9%.

(k) Equatorial Transmissora 1 SPE S.A ("SPE 01").: A privately held company, having its registered office in Brasília, Distrito Federal. SPE 01's core activity is to: a) explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 251-km, 500 kV Rio das Águas - Barreiras II C2 Transmission Line, and was incorporated on November 17, 2016; On February 10, 2017, the federal government and SPE 01 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 01 is expected to invest R$ 461,000 and to begin operations by February 9, 2022;

(l) Equatorial Transmissora 2 SPE S.A ("SPE 02").: A privately held company, having its registered office in Brasília, Distrito Federal. SPE 02's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the (a) 213-km, 500 kV Barreiras II, Buritirama C1 Transmission Line, and (b) 500kV Buritirama Substation (new substation for line connections and compensation of reactive power), incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 02 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 02 is expected to invest R$ 469,000 and to begin operations by February 9, 2022;

(m) Equatorial Transmissora 3 SPE S.A ("SPE 03").: A privately held company, having its registered office in Brasília, Distrito Federal. SPE 03's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 380-km, 500 kV Buritirama - Queimada Nova II, C2, Transmission Line, and was incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 03 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 03 is expected to invest R$ 543,000 and to begin operations by February 9, 2022;

(n) Equatorial Transmissora 4 SPE S.A ("SPE 04").: A privately held company, having its registered office in Brasília, Distrito Federal. SPE 04's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 257-km, 500 kV Igaporã III - Janaúba 3 C2 Transmission Line, incorporated on November 17, 2016. (b) 337-km, 500 kV Janaúba 3 - Presidente Juscelino C1 Transmission Line; and (c) 500 kV Janaúba 3 (new 500 kV yard - parte 1) substation, founded on November 17, 2016. On February 10, 2017, the federal government and SPE 04 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 04 is expected to invest R$ 1,020,000 and to begin operations by February 9, 2022;

(o) Equatorial Transmissora 5 SPE S.A ("SPE 05").: A privately held company, having its registered office in Brasília, Distrito Federal. SPE 05's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 257-km, 500 kV Igaporã III - Janaúba 3 C2 Transmission Line, incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 05 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 05 is expected to invest R$ 423,000 and to begin operations by February 9, 2022;

(p) Equatorial Transmissora 6 SPE S.A. ("SPE 06"): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 06's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 330-km, 500 kV Janaúba 3 - Presidente Juscelino C2 Transmission Line, incorporated on November 17, 2016. On February 10, 2017, the federal government and SPE 06 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 06 is expected to invest R$ 499,000 and to begin operations by February 9, 2022;

(q) Equatorial Transmissora 7 SPE S.A. ("SPE 07"): A privately held company, having its registered office in Brasília, Distrito Federal. SPE 07's core activity is to: explore and operate the public electricity transmission concession and build, assemble, operate and maintain transmission lines, in accordance with Procurement Notice 13/2015-ANEEL 2nd Republication Stage, consisting of the 56.1-km, 500 kV Vila do Conde - Marituba Transmission Line (b) 68.6-km, 230 kV Marituba - Castanhal - Transmission Line; (c) 500/230 kV Marituba - (3+1R)x300 MVA substation; and (d) 230/69 kV Marituba 2x200 MVA substation, founded on November 17, 2016. On February 10, 2017, the federal government and SPE 07 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. In accordance with the commitment made, SPE 07 is expected to invest R$ 462,000 and to begin operations by February 9, 2022;

(r) Equatorial Transmissora 8 SPE S.A ("SPE 08").: A privately held company, having its registered office in São Luís, Maranhão State. SPE 08's core activity is to: operate a power transmission concession including the construction, erection, operation and maintenance of transmission systems in the state of Pará under Invitation for Auction No. 05/2016, comprising (a) the Xingu—Altamira 230 kV ~61 km Transmission Line; (b) the Altamira–Transamazônica 230 kV ~188 km Transmission Line; (c) the Transamazônica–Tapajós 230 kV ~187 km Transmission Line; (d) the 230/138-13.8 kV (2 x 150 MVA) Tapajós Substation; (e) the Tapajós Substation–Synchronous Compensator (-75/+150 MVAR); and (f) the Rurópolis Substation–Synchronous Compensator (-55/+110 MVAR), established on June 14, 2017. On February 10, 2017, the federal government and SPE 08 signed the Concession Agreement for the Public Electricity Transmission Service for a term of 30 years, expiring on February 9, 2047. The Rurópolis - Compensador Síncrono (-55/+110 MVAR) substation came into operation on June 3, 2019. SPE 08 expects the Transmission Lines and other Substations to begin operating by February 09, 2022. In accordance with the commitment assumed, the Company is expected to invest R$ 733,700;

(s) Solenergias Comercializadora de Energia S.A. ("Solenergias"): A privately held company having its registered offices in Rio de Janeiro (RJ), engaged in the trading of electric power, management of power supply contracts, organization of electric power auctions and trading in power generation equipment. It owns subsidiary 55 Soluções S.A.

(t) Hélios Energia Comercializadora e Serviços Ltda.("Hélios"): Sociedade Empresarial Limitada having registered offices in Rio de Janeiro (RJ), engaged in the trading of electric power, management of power supply contracts, organization of electric power auctions and trading in power generation equipment. It owns subsidiary Solenergias Comercializadora de Energia S.A.; and

(u) Equatorial Telecomunicações Ltda. ("Equatorial |Telecomunicações"): A private entity headquartered in São Luís, Maranhão, Brazil, engaged in the provision of telecommunications service, land-line telephone service, multimedia communication services, voice over Internet protocol service and telecommunications information services. Its parent company is 55 Soluções S.A.

The subsidiaries 55 Soluções, Equatorial Transmissão, INTESA, Equatorial Piauí, Equatorial Alagoas and Equatorial Distribuição are referred to in the note's hereafter simply as "Subsidiaries".

GERAMAR and Vila Velha are joint ventures controlled by Equatorial Energia and are recognized using the equity method of accounting. These investments are recognized initially at cost, which includes transaction costs, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The accounting policies have been applied consistently to the consolidated companies, including the joint subsidiaries, and are consistent with those used in the previous year, except for the initial adoption of the accounting standards described in note 4.23.

All intercompany accounts and transactions have been eliminated in the consolidation.

2 Basis of presentation and preparation of the financial statements

2.1 Statement of Compliance

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil (BR GAAP) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The accounting practices adopted in Brazil include those set out in Brazilian corporate law in a manner consistent with the standards set out in Accounting Pronouncements (CPC) approved by the Federal Accounting Council (CFC) and by the Brazilian Securities Commission (CVM).

The Company also observes the guidelines laid down in the Brazilian Power Sector Accounting Manual and the standards issued by Brazilian power sector regulator, ANEEL, where not conflicting with Brazilian generally accepted accounting principles and/or with international financial reporting standards.

Certain amounts of the comparative balances in the notes accounts receivable, other accounts payable, trade payables, related-party transactions and other accounts payable, in addition to items of the statement of financial position, have been reclassified to enhance the financial statement disclosures for the year, without any impact on profit or loss for the reported periods or the Company's cash flows.

They were authorized for issue by the Board of Directors on May 22, 2020.

After issuance, the financial statements can only be altered by shareholders.

This is the Group's first set of annual financial statements to which CPC 06 (R2) / IFRS 16 – Leases and ICPC 22/IFRIC 23 – Uncertainty over income tax treatments have been applied. Changes in significant accounting policies can be seen in Note 4.22.

All relevant information characteristic of financial statements, and only that information, is being presented and is that used by management to run the Company.

2.2 Functional currency and reporting currency

These financial statements are reported in Reais, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3 Use of estimates and judgments

Preparing the individual and consolidated financial statements requires Management to make judgments and estimates that affect the application of the Group's accounting policies and the reported values of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements as of December 31, 2019 is included in the following notes

- **Note 1.2 - Consolidation: determines whether the Group actually holds the control of an investee;**

- **Note 4.22.1 - lease term:** If the Group is reasonably certain it will exercise extension options; and

- **Note 13 - equity-accounted investees:** determines whether the Group has significant influence over an investee;

(b) Uncertainties about assumptions and estimates

Information about assumptions and estimation uncertainties as of December 31, 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the coming financial year are included in the following notes:

- **Note 8.2 - Accounts receivable:** Credit risk analysis criteria for determining the allowance for doubtful accounts;

- **Note 14 - Financial asset of the concession (distribution):** Criteria for determining and restating concession financial assets;

- **Note 15 – Intangible assets:** Calculation of the amortization of intangible concession assets linearly over the period in which the company is entitled to charge consumers for the use of the underlying concession asset (the regulatory useful life of assets) or the term of the concession contract, whichever is shortest; and

- **Note 21 - Deferred income and social contribution taxes:** Deferred income and social contribution taxes on temporary differences based on projections of taxable income and the availability of future taxable earnings. Deferred tax is recognized in respect of temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes; and the tax losses, based on projections of taxable income and the availability of future taxable earnings.

- **Note 27 – Provisions for civil, tax, labor and regulatory claims:** Recognition of provisions for tax, civil and labor risks by rating the chance of defeat according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions.

- **Note 32 - Net operating revenue -** When the Company provides infrastructure deployment services, construction revenue is recognized at fair value and the respective costs for the infrastructure deployment services provided considering the projects contain a sufficient margin to cover the infrastructure deployment costs and charges;

- **Note 37 - Post-employment benefits:** Recognition of pension plan expenditure on post-employment health care benefits and the present value of pension obligations through actuarial valuation, which involves the use of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future increases in retirement and pension benefits; and

- **Note 3 - Acquisition of subsidiary:** fair value of the consideration transferred (including contingent consideration) the fair value of the assets acquired, and liabilities assumed, measured on a provisional basis, when the business combination is finished.

- **Note 38 - Financial instruments:** Definition of fair value using valuation techniques including the discounted cash flow method for financial assets and liabilities not traded in an active market.

- **Note 38.4 - Fair value of derivative financial instruments:** The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques. The Group uses its judgment to choose several methods and to determine the assumptions that primarily are based on the market conditions in force at the reporting date. The Group used the discounted cash flow analysis to calculate the fair value of other financial assets at fair value through OCI, assets which are traded in active markets.

(c) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management has an established control framework with respect to the measurement of fair values. This includes an internal valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of CPC/IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

- **Level 3**: inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

The Company, when applicable, recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 38 - Financial instruments.

2.4 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items that are measured at each reporting date and recognized in the statements of financial position:

- Certain financial instruments measured at their fair values, when required by the standard; and

- The assets or liability net of the defined benefit is stated at the present value of actuarial obligations of the plan assets' value.

3 Acquisition of subsidiaries

3.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises in the transactions is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are recorded in profit and loss as they are incurred, except for costs related to issued debt or equity instruments.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

3.1.1 Equatorial Piauí Distribuidora de Energia S.A. – Equatorial Piauí

On July 26, 2018, the Company was the winner in the bidding process in the auction ("Auction"), carried out in the form of bid announcement no. 2/2018-PPI / PND ("Notice"), for the granting of a public electricity distribution service concession associated with the transfer of control of Equatorial Piauí Distribuidora de Energia S.A. – Equatorial Piauí.

Equatorial Energia S.A. offered in the Auction the index of 119%, which was the highest combined discount rate in regulatory easing and granting, which represents how much the rate easing authorized by ANEEL and the rate recognition related to the Global Reserve loans of Reversal - RGR will be reduced upon the signing of the new concession agreement.

Due to complying with all the Notice’s terms and conditions, on October 17, 2018 the Company acquired the lot of 669,369,950 common shares and 31,510,813 preferred shares, all registered and with no par value from Equatorial Piauí, held by Eletrobras, accounting for approximately 89.94% of its total share capital pursuant to the Share Purchase and Sale Agreement entered into between the Company and Eletrobras ("Agreement"). The same date the Company signed the Shareholders' Agreement with Eletrobras, and Equatorial Piauí held an Extraordinary General Meeting authorizing in advance the raising of its share capital by its Board of Directors by R$ 801,529. (as required by item 5.55 of the auction notice).

In compliance with the provisions of the Bid Notice No. 2/2018-PPI / PND ("Notice"), Subsection I, Item 1.7, the entire shares of Equatorial Piauí and those owned by Eletrobras were offered to Employees and Retirees – except for 1 share that Eletrobras retained –, pursuant to Appendix 9 of the Notice - Bidding Document for Employees and Retirees, equal to approximately 10.06% of the shares of Equatorial Piauí.

On March 13, 2019 Equatorial Piauí held a Board of Directors' meeting approving the capital increase of R$ 721,619, at the price of R$ 1.19693578 per share, established in accordance with article 170(1,I) of Brazilian Corporation Law. Under this transaction Equatorial Energia S.A. subscribed and paid in the mandatory and established capital increase; and subscribed and paid in the share surpluses offered to employees and retirees under the preemptive right, then holding 94.4737% of Equatorial Piauí.

On April 17, 2019 the term ended established in the Equatorial Piauí Shareholders' Agreement entered into by the Company and Eletrobras on October 17, 2018 (“Shareholders' Agreement"), pursuant to Tender Notice 2/2018-PPI/PND, to exercise the option to increase Eletrobras’ interest in the share capital of Equatorial Piauí by up to 30% (thirty percent), without Eletrobras having exercised this option under the Shareholders' Agreement. As Eletrobras did not exercise this option, on June 18, 2019 the Company terminated the Shareholders' Agreement of Equatorial Piauí between the Company and Eletrobras.

On October 18, 2019 Equatorial Piauí signed the public electricity distribution service concession agreement with the Federal government, pursuant to Law 12.783, issued January 11, 2013.

Acquiring the share control of Equatorial Piauí will allow the Group to increase its share in the energy distribution market in the north-east of Brazil. The Group also expects to reduce its costs as a result of savings from the operational synergies with Equatorial Maranhão.

<u>Acquisition date</u>: as of December 31, 2018, Equatorial Piauí contributed a net revenue decrease of R$ 187,926 and loss of R$ 353,299 to the consolidated financial statements. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been R$ 13,489,709, and consolidated profit R$ 1,442,323. In determining these amounts, management has assumed that the fair value adjustments determined on the acquisition date would have been the same if the acquisition had occurred on 1 January 2018.

(a) Consideration transferred

As mentioned above, on October 17, 2018, the purchase and sale agreement was signed, in which Equatorial Energia S.A. acquired 89.94% of the total and voting share capital of the subsidiary, in exchange for the payment of R$ 45 to Centrais Elétricas Brasileiras S.A. ("Eletrobras"), and R$ 95,000 as the award, amounting to a total consideration of R$ 95,045.

Noncontrolling shareholders contributed R$ 10,631, referring to the 10.06% interest in the total net identifiable assets.

(b) Acquisition costs

The Company incurred acquisition-related costs of R$ 1,610 on legal fees and due diligence costs. The expenses were recorded as administrative expenses in profit or loss.

(c) Identifiable assets acquired and liabilities assumed

The following table summarizes the fair value of identifiable assets acquired and liabilities undertaken of Equatorial Piauí at the date of acquisition.

In thousands of real	*R$*
Cash and cash equivalents	32,552
Short-term investments	9
Trade accounts receivable	594,903
"A Component" revenue receivable and other financial items	550,651
Judicial Deposits	28,811
Taxes and contributions recoverable	25,951
Other assets	124,083
Concession financial asset	906,818
Intangible assets	1,849,378
Trade and other payables	(296,040)
Payroll charges	(32,934)
Loans and borrowings	(2,358,459)
Taxes and contributions payable	(323,152)
Deferred income and social contribution taxes	(133,486)
Energy efficiency research and development	(82,970)
"A Component" revenue receivable and other financial items	(128,869)
Contingent liabilities	(417,968)
Other liabilities	(233,603)
Total identifiable net assets acquired	**105,675**
Interest acquired of 89.94%	**95,045**

Fair value measurement

Valuation techniques were used in the measurement of fair values that consider market prices for similar items, replacement costs, and discounted cash flows, amongst others.

The Company elected to measure non-controlling interests based on their proportional interests in the recognized assets and liabilities of Equatorial Piauí.

The acquired accounts receivable of R$ 594,903 is net of the allowance for doubtful accounts of R$ 251,651.

3.1.2 Integração Transmissora de Energia S.A. - INTESA

On August 30, 2017 Equatorial Energia S.A. ("Equatorial Energia" or "Company") entered into the Share Purchase and Sale Agreement ("Share Purchase and Sale Agreement") with Fundo de Investimentos e Participações Brasil Energia, to acquire 86,700,000 registered common shares issued by Integração Transmissora de Energia S.A. (“INTESA”), with no par value, all subscribed and paid in, accounting for 51% of INTESA's share capital.

On December 19 the Company signed the accession to the INTESA’s Shareholders' Agreement, recognizing that from that date it was subject to all the rights and obligations established in this Agreement, including establishing a minimum quorum of 80% to approve matters at the shareholders meeting.

On the same date the acquisition was completed of the equity interest through the Closure Agreement, between the parties to the Share Purchase and Sale Agreement. The shares acquired were also transferred to the Company.

On September 27, 2018 the Company participated in Auction 01/2018, acquiring the 49% equity interest in INTESA held by Eletrobras, for the highest bid submitted at said auction, in the amount of R$ 277,032.

On November 14, 2018 the Company entered into a Share Purchase and Sale Agreement with Eletrobras to acquire 83,300,000 registered common shares with no par value, consisting of all the shares owned by Eletrobras in INTESA.

Due to complying with all the Notice’s terms and conditions, on December 28, 2018 the acquisition was completed of the equity interest through the Closure Agreement, between the parties to the Share Purchase and Sale Agreement. The shares acquired were also transferred to the Company.

On this date the Company then held the entire shares in INTESA.

Acquiring the share control of Intesa will enable the Group to expand its share in the energy transmission sector, increasing its expertise in the sector and expanding the business lines the Group operates.

(a) Consideration transferred

As a basis to measure the fair value of the consideration transferred, the fair value of the 51% interest is calculated (acquired in 2017) that the Company held in INTESA on the control acquisition date, and added to the cash payment, as shown below:

Amount transferred for control	
Value of the 51% interest in the shares on the control acquisition date (acquired previously)	308,278
Acquisition price for 49% of the shares	296,189
Price paid for 100% of the shares	**604,467**

The purchase price paid by the Company to Eletrobras as consideration for the acquisition of shares was R$ 296,189, relating to the R$ 277,032 agreed at the auction restated by the positive variation of SELIC, from the agreement’s date to the closing date.

(b) Acquisition costs

The Company incurred acquisition-related costs of R$ 1,439 on legal fees and due diligence costs. The expenses were recorded as administrative expenses in profit or loss.

(c) Identifiable assets acquired and liabilities assumed

The following table summarizes the fair value of identifiable assets acquired and liabilities undertaken of INTESA at the date of acquisition.

In thousands of real	*R$*
Cash and cash equivalents	190,567
Judicial Deposits	32
Taxes and contributions recoverable	6,263
Other assets	6,609
Intangible assets	80,378
Contract asset	676,255
Property, plant and equipment	944
Trade and other payables	(4,410)
Debentures	(201,998)
Taxes and contributions payable	(6,407)
Deferred income and social contribution taxes	(109,123)
Tax incentives	(13,529)
Dividends payable	(16,062)
Other liabilities	(5,052)
Total identifiable net assets acquired	**604,467**

Fair value measurement

Valuation techniques were used in the measurement of fair values that consider market prices for similar items and discounted cash flow.

As a part of recording a staggered business acquisition, it was necessary to remeasure the fair value of the 51% interest the Company previously held in INTESA. Based on the remeasurement, a loss of R$ 21,447 was recognized in the Company’s profit or loss.

As the INTESA acquisition date was stated at December 31, 2018, the acquired party did not contribute revenue or net income to the Company in FY 2018.

3.1.3 Equatorial Alagoas Distribuidora de Energia S.A. - Equatorial Alagoas

On December 28, 2018, the Company was the winner in the bidding process in the auction ("Auction"), carried out in the form of bid announcement no. 2/2018-PPI / PND ("Notice"), for the granting of a public electricity distribution service concession associated with the transfer of control of Equatorial Alagoas Distribuidora de Energia S.A. – Equatorial Alagoas.

Equatorial Energia S.A. did not offer in the Auction the discount for regulatory easing and grant, which represents how much the rate easing authorized by ANEEL and the rate recognition related to the Global Reserve loans of Reversal - RGR will be reduced upon the signing of the new concession agreement.

Due to complying with all the Notice’s terms and conditions, on February 27, 2019 the Company acquired the lot of 609,842,801 common shares and 10,323,535 preferred shares, all registered and with no par value from Equatorial Alagoas, held by Eletrobras, accounting for approximately 89.94% of its total share capital pursuant to the Share Purchase and Sale Agreement entered into between the Company and Eletrobras ("Agreement"). The same date the Company entered a Shareholders' Agreement with Eletrobras.

Pursuant to the Tender Notice and the Bid offer to Employers and Retirees attached to the Notice, the Employees and Retirees could acquire up to approximately 10.06% of the shares in Equatorial Alagoas owned by Eletrobras. The Employees and accordingly acquired approximately 9.63526024% of the voting share capital of Equatorial Alagoas for R$ 4.

On March 18, 2019 Equatorial Alagoas held an Extraordinary General Meeting authorizing in advance its Board of Directors to increase the share capital by up to R$ 607,166 (as required by item 5.55 of the auction notice). On October 9, 2019 Equatorial Alagoas held a Board of Directors' meeting approving the capital increase of R$ 550,028, at the price of R$ 0.38 per share, established in accordance with article 170(1,I) of Brazilian Corporation Law. Under this transaction the Company subscribed and paid in the mandatory and established capital increase; and subscribed and paid in the share surpluses offered to employees and retirees under the preemptive right, then holding 96.3666% of Equatorial Alagoas.

On August 27, 2019 the term ended established in the Equatorial Alagoas Shareholders' Agreement entered into by the Company and Eletrobras on February 27, 2019 (“Shareholders' Agreement"), pursuant to Tender Notice 2/2018-PPI/PND, to exercise the option to increase Eletrobras’ interest in the share capital of Equatorial Alagoas by up to 30% (thirty percent), without Eletrobras having exercised this option under the Shareholders' Agreement. As Eletrobras did not exercise this option, on November 05, 2019 the Company terminated the Shareholders' Agreement of Equatorial Alagoas between the Company and Eletrobras.

Acquiring the share control of Equatorial Alagoas will allow the Group to increase its share in the energy distribution market in the north-east of Brazil. The Group also expects to reduce its costs as a result of savings from the operational synergies with Equatorial Maranhão and Equatorial Piauí.

(a) Consideration transferred

On February 27, 2019, the purchase and sale agreement and other covenants were signed, in which Equatorial Energia S.A. acquired approximately 89.94% of the total and voting capital stock of Equatorial Alagoas, in exchange for the payment of R$ 46 to Centrais Elétricas Brasileiras S.A. ("Eletrobras"). Noncontrolling shareholders contributed R$ 5, referring to the 10.06% interest in the total net identifiable assets.

(b) Acquisition costs

The Company incurred acquisition-related costs of R$ 2,173 on legal fees and due diligence costs. The expenses were recorded as administrative expenses in profit or loss.

(c) Identifiable assets acquired and liabilities assumed

The following table summarizes the fair value of identifiable assets acquired and liabilities undertaken of Equatorial Alagoas at the date of acquisition:

In thousands of real	R$
Cash and cash equivalents	72,174
Short-term investments	1,374
Trade accounts receivable	578,530
"A Component" revenue receivable and other financial items	744,863
Judicial Deposits	36,003
Taxes and contributions recoverable	18,951
Other assets	81,948
Concession financial asset	37,088
Intangible assets	2,210,387
Trade and other payables	(176,979)
Payroll charges	(15,506)
Loans and borrowings	(2,233,676)
Taxes and contributions payable	(262,520)
Deferred income and social contribution taxes	(150,136)
"A Component" revenue receivable and other financial items	(264,509)
Contingent liabilities	(381,134)
Other liabilities	(296,807)
Total identifiable net assets acquired	**51**
Interest acquired of 89.94%	**46**

Fair value measurement
Valuation techniques were used in the measurement of fair values that consider market prices for similar items, replacement costs, and discounted cash flows, amongst others.

The Company elected to measure non-controlling interests based on their proportional interests in the recognized assets and liabilities of Equatorial Alagoas.

The acquired accounts receivable of R$ 578,530 is net of the allowance for doubtful accounts of R$ 331,651.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these individual and consolidated financial statements, except for the new standards mentioned in note 4.22.

4.1 Basis of consolidation

4.1.1 Subsidiaries

The Company controls an entity when it is exposed or entitled to variable returns deriving from its involvement in the entity and can interfere in its returns due to the power it exercises over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiaries' financial information is recognized in the Company's individual financial statements on the equity method of accounting.

4.1.2 Non-controlling interests

The Company has elected to measure NCI initially at its proportionate share of the acquires identifiable net assets at the date of acquisition. and the fair value of identifiable assets and liabilities undertaken.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.1.3 Investments in equity-accounted investees

The Company's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

These investments are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. Investments in subsidiaries are accounted for under the equity method in the Company's individual financial statements.

The joint ventures are Geradora de Energia do Norte S.A. and Vila Velha Termoelétricas Ltda.

4.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currency

The transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on re-translation are generally recognized in profit or loss.

4.3 Revenue

An entity recognizes revenue that represents the transfer (or promise) of goods or services to customers when it reflects the amount it expects to be able to secure for such goods or services. IFRS 15 / CPC 47 provides a five-step model framework to be applied to revenue: (i) identify the contract with the customer; (ii) identifying performance obligations established in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to performance obligations established in the contract and (v) recognizing revenue if and when the company satisfies the performance obligations.

The Company therefore recognizes revenue only when (or if) the performance obligation is realized, i.e. when the control of the goods and services in a given transaction is transferred to the client.

(i) Distribution

Its subsidiaries' distribution revenue is classified as: (i) Electricity supplied to consumers invoice and not invoiced to the consumer, (ii) electricity availability and (iii) Electricity in the spot market. Revenue is measured at fair value of the corresponding payment received or receivable, net of any variable counterpart, such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

The invoicing and respective recognition of revenue for electricity distribution services take place according to the metering calendar established by the subsidiaries. Uninvoiced revenue denotes electricity delivered to the consumer but not invoiced, and is calculated by estimate, up to the reporting date. This invoice revenue estimate is calculated based on the total energy volume made available in the month, and the annualized technical and commercial losses rate. The Company recognizes revenue for providing distribution grid facilities to its free and captive clients in the month when the services are provided. This revenue is calculated according to the Distribution System Use Rate - TUSD set by ANEEL.

(ii) Construction (Distribution)

Construction revenue is recognized with a margin for construction costs and denotes the Company's investments in the period in contract assets. The cost therefore tends to zero. This revenue is recognized over time as the respective performance obligation is satisfied, based on performance of one of the following criteria established by the standard: (i) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (ii) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; (iii) the entity's performance does not create an asset with an alternative use for the entity and the entity has an enforceable right to payment for performance completed to date.

Transmission
Revenue from transmission companies recognized as operating revenue consists of:

(i) Construction (Transmission)
Infrastructure revenue (from deployment and reinforcement of electricity transmission facilities) is recognized over time by applying the margin defined at the start of the contract on the expenses incurred, calculated by adding the PIS and COFINS rates to the investment, as the projects contain a sufficient margin.

(ii) Compensation of contract asset (Transmission)
For recognition of revenue on contractual assets, a financial remuneration income is recorded, under the item remuneration of contractual assets, using the discount rate defined at the beginning of each project. This monthly compensation should compensate the infrastructure and indemnity the Company expects to receive from the concession authority at the end of the concession. The indemnity is considered by the company to be the residual carrying amount at the end of the concession.

(iii) Operation and maintenance revenue (O&M) - (Transmission)
Operating and maintenance services for electricity transmission facilities, which begin after the construction stage and aims to ensure these facilities are up and running at all times.

4.4 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term highly liquid investments with original maturities of up to three months and an immaterial risk of impairment.

4.5 Financial asset of the concession (compensable asset)

Public Electricity Concession Agreements between the government (concession authority) and the Company's subsidiaries (concession operator) regulate the exploration of public energy distribution services, where:

- The agreement establishes which services the operator shall provide and to whom (consumer class)
- The agreement establishes performance standards for providing utility services regarding the maintenance and improvement of consumer service quality indexes, and at the end of the arrangement the operator is obliged to return the assets in the same state of repair it received them originally. In order to perform these obligations constant investments are made throughout the concession term. Assets related to the concession can therefore be replaced on a number of occasions before the end of the arrangement.
- At the end of the concession the assets related to the infrastructure should be returned to the concession authority through payment of compensation; and
- The price is regulated by a rate mechanism established in concession agreements based on a parametric formula (Portions A and B), and the rate review mechanisms are defined, which

should be sufficient to cover costs, amortization of the investment and yield of the invested capital.

Based on the characteristics established in the Company's electricity distribution concession agreement, Management believes that the conditions have been met to apply ICPC 01 (R1)/ IFRIC 12 Technical Interpretation 01 (R1) - Concession Arrangements, which provides guidelines about the accounting of utility concessions for private operators, in order to reflect the energy distribution business, embracing:

- Estimated portion of the investments made and not amortized or depreciated by the end of the concession determined based on the New Replacement Value (“VNR”) net of special obligations classified as financial assets due to be an unconditional right to receive cash or another financial asset directly from the concession authority, and

- Invested A Component and amortized through the end of the concession, i.e. the assets classified as intangible assets because their recovery is conditional on usage of the public service by consumers, note 14.

The financial asset denotes the portion of the investments made and not amortized by the end of the concession classified as a financial asset, because it is an unconditional right to receive cash or another financial asset directly. This portion of infrastructure classified is remunerated through the so-called regulatory WACC, which is the return on investment collected monthly on customers' electricity bills.

Intangible assets consist of the right-of-use for concession assets amortized over the useful life of the asset and limited to the concession agreement date, pursuant to ICPC 01 (R1)/IFRIC 12 - Concession Arrangements.

This compensation will be made based on the investments made in returnable concession infrastructure, not yet amortized or depreciated, which have been realized in order to guarantee the continuity and upgrading of the service awarded.

Under Law 12783/2013, capital expenditure in connection with revertible assets which has not yet been amortized or depreciated, for indemnity purposes, should be calculated based on the new replacement value methodology using criteria established in the concession regulator's regulations. This rule is only effective after the FY 2012 and did not affect prior year income.

The Company recognizes a financial asset resulting from a concession agreement when it has an unconditional contractual right to receive cash or other equivalent financial asset from the concession authority for the improvement or construction services provided.

If the Company is reimbursed for construction services partially through a financial asset and partially through an intangible asset, then each component of the remuneration received or receivable is recorded individually and initially recognized at fair value of the remuneration received or receivable and are not reclassified subsequent to initial recognition, unless the Company changes its management model for the financial asset.

4.6 "A Component" revenue receivable and other financial items

Denote assets and liabilities deriving from temporary differences between the ratified costs of A Component and other financial components, which are included in the rate at the start of the rate period and those which are effectively incurred throughout the period the rate is in force. This difference constitutes a Company receivable whenever the ratified costs included in the rate are lower than the costs effectively incurred and included in the rate or an obligation under the ratified costs is greater than the costs incurred. purchase and sale records in the Electricity Sales Chamber - CCEE are in accordance with information disclosed by the latter or when not disclosed in a timely manner, and an estimate is employed prepared by the Company's Management. These amounts are effectively settled during the coming rate period, or in the event the concession is terminated for any reasons, with balances that have not been recovered, they will be included in the compensation base that exists.

4.7 Intangible assets

4.7.1 Service concession agreements

The Company recognizes an intangible asset resulting from the concession agreement when it is entitled to charge for use of the concession asset. An intangible asset received as remuneration for the provision of construction services or improvements under a service concession agreement is measured at fair value upon initial recognition. After this recognition, this intangible asset is measured at cost, less accumulated amortization and impairment losses.

4.7.2 Special obligations

Obligations related to electric utility concessions and permits consisting of amounts and/or goods received from Municipalities, States, the Federal Government and consumers in general in connection with donations and co-investments with the Company, and no writing off thereof is permitted without the prior approval of the Regulatory Agency.

4.7.3 Other intangible assets

Other intangible assets that are acquired by the Company have finite useful lives that are measured at cost less accumulated amortization and any impairment losses.

4.7.4 Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

4.7.5 Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

4.7.6 Amortization

Amortization is calculated on the acquisition cost of an asset or other equivalent cost. Amortization is recognized using the straight-line method and limited to the remaining term of the concession agreement of the Company or estimated useful life of intangible assets, whichever is lower, other than goodwill, as from the date they are available for use. This method best reflects the consumption pattern of future economic benefits incorporated into the asset.

The useful life of an intangible asset in a concession arrangement is the period from which the Company can charge public consumers for use of the infrastructure until the end asset's useful life, not beyond the end of the concession period. Amortization methods and useful lives are reviewed if so, resolved by the regulatory agency.

4.8 Contract assets

Distribution

The contractual asset (infrastructure under construction) is the right to be paid in exchange for goods or services transferred to the customer. As determined by CPC 47/IFRS 15 - Revenue from contracts with customers, the assets linked to the concession under construction, recorded under the scope of ICPC 01 (R1)/IFRIC 12 - Concession Contracts, should be classified as a contractual asset (infrastructure under construction) until they are completed. Once completed they are classified as intangible assets or financial assets.

Contractual assets (infrastructure under construction) are initially recognized at fair value on the date of their acquisition.

Transmission

The contractual asset originates to the extent that the concession operator fulfills the obligation to build and implement the transmission infrastructure, and revenue is recognized throughout the project time, but the receipt of the cash flow is conditioned to the performance obligation of operation and maintenance. Monthly, as the Company operates and maintains the infrastructure, the portion of the contractual asset equivalent to that month for the meeting of the construction performance obligation becomes a contract asset, since nothing else than the time will be required for the receiving of the said amount.

The contractual assets' value of energy transmission concession operators is formed by the present value of their future cash flows. The future cash flow is estimated at the beginning of the concession, or in its extension, and the assumptions of its measurement are reviewed in the Periodic Tariff Review (RTP).

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that take a substantial period of time to be made ready for sale or their intended use are capitalized as part of the corresponding asset's cost. All other loan costs are recorded as an expense in the year they are incurred in. Borrowing costs consist of interest and other costs incurred by an entity.

4.10 Regulatory charges

Sales and distribution service revenue is subject to the following taxes and contributions at the following basic rates:

- Research and development (*Pesquisa e Desenvolvimento P&D*) and energy efficiency (*Pesquisa de Eficiência Energética - PEE*) – Charges establishes that public electric energy distribution service concession operators are obliged to annually invest the minimum amount of 0.75% (zero point seven five percent) of their net operating revenue in electric sector research and development and at least 0.25% (zero point two five percent) in electrical efficiency programs for final use, see note 23;

- Energy Development Account (*Conta de Desenvolvimento Energético - CDE*) - Sector fund aiming to fund various public policies in Brazil's electric sector;

- System service charges (*Encargos de Serviços do Sistema - ESS*) - monetary amounts intended to cover the cost of system services; and

- Electricity services inspection fee (*Taxa de Fiscalização de Serviços de Energia Elétrica - TFSEE*) - The annual amount is established at the rate of 0.4%, charged to the annual economic benefit received by the concession operator, in order to form revenue to cover the cost of its activities.

4.11 Government subsidies and grants

Government grants are recognized if there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant. When the benefit covers an expense, it is recognized as revenue over the benefit period on a systematic basis in relation to the cost the benefit is aiming to compensate. When the benefit consists of an asset, it is recognized as deferred revenue and entered in profit and loss, in an amount equal to the expected useful life of the corresponding useful asset.

When the Company receives non-monetary benefits, the asset and the benefit are recorded at nominal value and reflected in profit or loss over the expected useful life of the asset, in equal annual installments.

4.11.1 Tax benefits

Equatorial Maranhão, Equatorial Alagoas, Equatorial Piauí and Equatorial Transmissão

SUDENE
On August 08, 2018 the Northeast Development Agency (SUDENE) issued Opinion 0101/2018 granting Equatorial Maranhão the right to a further reduction of income tax of 75% in exchange for upgrading its power systems over the period from 2018 to 2027.

Equatorial Pará

SUDAM
On December 19, 2013 the Amazonian Development Agency - SUDAM issued Opinion 140/2013 granting Equatorial Pará a reduction of income tax on operating income to 75% in connection with the diversification of the company's projects and infrastructure over the period from 2013 to 2022.

Transmission

REIDI
The Company's transmission companies qualified for the Special Infrastructure Development Incentive Scheme - REIDI (introduced by Law 11.488/2007), which awards the tax incentive of staying PIS (Contribution to Social Integration Program) and COFINS (Contribution to Social Security Financing Program) in the acquisitions of goods and services for infrastructure works over the term of 5 (five) years, pursuant to DRF Executive Declaration 57, issued August 01, 2017.

4.12 Finance income and finance costs

The company's finance income and finance costs include: interest income and expenses; yield on investments; the net gain or loss on financial assets at Fair Value Through Profit or Loss (FVTPL); the foreign currency gain or loss on financial assets and financial liabilities; impairment losses recognized on financial assets (other than trade receivables); net gains/losses on derivative financial instrument that are recognized in profit or loss; discounts granted and obtained; and other financial expenses and revenues.

Interest income or expense is recognized using the effective interest method.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or amortized cost of the financial liability. When calculating the interest revenue or expense, the effective interest rate is charged on the gross carrying amount of the asset (when the asset is not impaired) or at the amortized cost of the liability.

However, interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset suffering impairment after initial recognition.

4.13 Employee benefits

4.13.1 Short-term employee benefits

Short-term employee benefits are expensed as personnel expenses as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.13.2 Defined-contribution plans

Obligations for contributions to defined contribution plans are expensed as personnel expenses as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

4.13.3 Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years. This amount is discounted to present value and is presented net of the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other Comprehensive Income (OCI). The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the year period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.14 Income tax and social contribution

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforwards and negative basis of social contribution limited to 30% of the taxable income, when applicable.

Income tax and social contribution expense comprises current and deferred income tax and social contribution. Current and deferred tax is recognized in profit or loss.

4.14.1 Current income tax and social contribution expense

Current tax comprises the expected tax payable or receivable on taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

- The Company should offset current tax assets and current tax liabilities if the Company:
- Is legally entitled to offset the recognized amounts and
- Intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.14.2 Deferred income tax and social contribution expense

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Changes in deferred tax assets and liabilities are recognized as deferred income tax and social contribution expense.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of the taxable temporary differences is insufficient to fully recognize a deferred tax asset, the future taxable income adjusted for the reversals of the existing temporary differences will be considered based on the business plans. Deferred tax assets and liabilities are offset only if certain criteria are met.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

4.15 Earnings (loss) per share

The basic earnings per share are calculated through profit and loss for the year and the weighted average of the free float in the respective period. The diluted earnings per share are calculated according to the profit and loss for the year attributable to controlling shareholders, adjusted for the effects of instruments potentially impacting profit and loss for the year and the average free float, adjusted for instruments potentially convertible into shares with a dilutive effect in the reported years, pursuant to CPC 41/IAS 33 - Earnings per Share.

4.16 Financial instruments

(i) Recognition and initial measurement

Trade accounts receivable and issued debt securities are initially recognized on the date they originate. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (except for trade accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not measured at FVTPL, transaction costs directly attributable to its acquisition or issuance. A trade accounts receivable without a significant financing component is initially measured at the operation price.

(ii) Classification and subsequent measurement

Financial assets

Upon initial recognition a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income (FVOCI) - debt instrument; at fair value through other comprehensive income (FVOCI) - equity instrument; or at fair value through profit or loss FVTPL. The Company does not have financial assets at FVOCI.

Financial assets are not reclassified subsequently to initial recognition, unless the Company changes its business model to financial asset management. In this case all the affected financial assets are reclassified on the first day of the first period following the business model change.

A financial asset is measured at amortized cost if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is maintained within a business model with the objective of maintaining financial assets in order to receive contractual cash flows; and

- its contractual terms generate the cash flows on specified dates that constitute solely payments of principal and interest on the outstanding principal.

A debt instrument is measured at FVOCI if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is maintained within a business model whose objective is achieved by both the receipt of contractual cash flows and the sale of assets financial resources; and - its contractual terms generate, at specific dates, cash flows that are only principal’s payments and interest on the outstanding principal amount.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the

Company can elect to make irrevocable subsequent changes to the fair value of the investment in OCI. This choice is made for each investment.

All financial assets not classified as measured at amortized cost or FVOCI, as described above, are classified as FVTPL. This includes all derivative financial assets. Upon initial recognition, the Company irrevocably assigns a financial asset that would otherwise meet the requisites to be measured at amortized cost or FVOCI as FVTPL if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - assessment of the business model

The Company assesses the objective of the business model in which a financial asset is maintained in the portfolio which better reflects how the business is managed and the information is provided to Management. The information considered includes:

- The policies and objectives stipulated for the portfolio and the practical functioning of these policies. These include the question of ascertaining whether the Management strategy is focused on obtaining contractual interest revenue, maintaining a given interest rate profile, the correspondence between the duration of financial assets and the duration of related liabilities or expected cash flows, or the realization of cash flows through the sale of assets;

- How the portfolio's performance is assessed and reported to Company Management;

- The risks affecting the performance of the business model (and the financial asset maintained in said business model) and how such risks are managed;

- How business managers are compensated - for example, if the compensation is based on the fair value of the assets managed or the contractual cash loans obtained; and

- The frequency, volume and timing of the financial asset sales in previous years, the reasons for these sales and expectations for future sales.

The transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a way consistent with the ongoing recognition of the Company's assets.

Financial assets held-for-trading or managed with performance assessed based on fair value are measured at fair value through profit or loss.

Financial assets - assessment as to whether the contractual cash flows are merely payments of principal and interest

For the purpose of this assessment, the principal is defined as the fair value of the financial asset upon initial recognition. The interest is defined as a payment for the value of the money over time and the credit risk posed by the outstanding principal over a given period of time and the other underlying loan costs and risks (for example liquidity risk and administrative cost), in addition to a spread.

The Company examines the instrument's contractual terms to determine whether the contractual cash flows only entail payments of the principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows so that it would no longer meet this condition. When making this assessment the Company considers:

- Contingent events modifying the value or timing of the cash flows;
- Terms that could adjust the contractual rate, including variable fees;
- Prepayment and extending the term; and
- The terms limiting the Company's access to specific cash flows from specific assets (for example based on an asset's performance).

Prepayment is consistent with the criteria of paying the principal and interest if the prepayment mainly represents unpaid amounts of the principal and interest on the outstanding principal - which may include reasonable additional compensation for early termination of the contract. Furthermore, in relation to a financial asset acquired for an amount less than or greater than the nominal value of the contract, the permission or requirement for prepayment at an amount representing the nominal value of the contract plus the contractual interest (which may also include reasonable additional compensation for early termination of the contract) accumulated (but not paid) are treated as consistent with this criteria if the fair value of the prepayment is insignificant upon initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently stated at fair value. The net income including interest or dividend revenue is recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at the amortized cost using the effective interest rate method. The amortized cost is reduced for impairment. Revenue from interest, exchange variance gains and losses and impairment are recognized in profit or loss. Any gain or loss resulting from derecognition is recognized in profit or loss.
Debt instruments at FVOCI	These assets are subsequently stated at fair value. Interest revenue calculated by the effective interest rate, exchange variance gains and losses and impairment are recognized in profit and loss. Other net income is recognized in OCI. Upon derecognition, the gain or loss accumulated in OCI is reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently stated at fair value. The dividends are recognized as a gain in profit and loss, unless the dividend clearly represents a recovery of part of the investment cost. Other net income in recognized in OCI and never reclassified to net income.

Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured at amortized cost or FVTPL. A financial liability is classified as at fair value through profit or loss if it is classified as held-for trading, is a derivative or is designated as such on initial recognition. Financial liabilities measured at FVTPL are measured at fair value and the net revenue, including interest, is recognized in profit or loss. Other financial liabilities are subsequently measured at the amortized cost using the effective interest rate method. Expenses on interest, exchange variance gains and losses are recognized in profit or loss. Any gain or loss resulting from derecognition is also recognized in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred or in which the Company neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset nor retains control over the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability is recognized based on the modified terms and recognized at fair value.

Upon derecognizing a financial liability, the difference between the former carrying amount and the amount paid (including assets transferred that do not flow through cash or undertaken liabilities) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting.

The subsidiaries Equatorial Pará and Equatorial Piauí hold derivative financial instruments to hedge their foreign currency and interest rate risk exposures.

Derivatives are measured initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss, except for cash flow hedges, defined below.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedge reserve. The effective portion of changes in the fair value of the derivative recognized in OCI is limited to the accumulated change in the fair value of the hedge item, determined based on present value, since the hedge's inception. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

4.17 Capital

(i) Common shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with CPC 32 - Taxes on Profit / IAS 12.

(ii) Dividends

The dividend recognition policy complies with CPC 25/IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and ICPC 08 (R1) Recording proposed dividend payments, which determines that proposed dividends supported by bylaw obligations should be recorded in current liabilities.

The Company's bylaw state that at least 25% of the annual net income should be paid out as dividends. The bylaws also state that the Board of Directors shall resolve the payment of interest on shareholders' equity and interim dividends.

The Company records a liability equal to the minimum mandatory dividend not yet distributed in the course of the year, whereas its records dividends proposed in excess of the minimum mandatory dividend as “Proposed additional dividend distribution” in shareholders' equity.

An additional dividend to the minimum mandatory dividend sets out in a management proposal made before the reporting date should be maintained in shareholders’ equity in a specific account called “additional proposed dividend”. This fact should be mentioned in subsequent events if the proposition is made after the reporting date and before the issuance of the financial statements.

4.18 Impairment

(i) Non-derivative financial assets

The Company recognizes provisions for expected credit losses on financial assets measured at amortized cost;

The Company measures the provision for loss at an amount equal to the expected credit loss for the entire life, except for the items described below, which are measured as expected credit loss for 12 months:

- Debt securities with low credit risk at the reporting date; and
- Other debt securities and bank balances for which the credit risk (i.e. the risk of default over the expected lifetime of the financial instrument) has not significantly risen since initial recognition.

The provisions for losses on trade accounts receivable and contract assets are measured at an amount equal to the expected credit loss for the instrument’s entire life. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the lifetime ECL, the Company considers reasonable and supportable information that is material and available without excessive cost or effort. This includes quantitative and qualitative information and analyses based on the Company’s historic experience in credit evaluation and forward-looking information.

The Company conducted a study that projects the time in which the credit risk of a financial asset increases significantly if it is overdue. See note 38.5 for further information.

The Company considers a financial asset to be in default when:

- It is highly unlikely that the debtor will pay all of its credit obligations to the Company without resorting to actions such as realizing the guarantee (if applicable) or

- Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.
- 12-month ECLs are ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period, if the instrument's expected life is shorter than 12 months).

The maximum period considered to estimate the expected credit loss is the maximum contractual period during which the Company is subject to credit risks.

(ii) Impaired financial assets

At each reporting date, the Company evaluates whether the financial assets recorded at amortized cost are credit impaired. A financial asset is 'impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Objective evidence that a financial asset is impaired includes the following observable data:

- Significant financial difficulty of the issuer or borrower;
- Violation of contractual clauses, such as default or being more than 90 days overdue;
- Restructuring of an amount due to the Company on terms that it would not consider otherwise;
- The probability that the borrower will enter bankruptcy or other type of financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(iii) Presenting the provision for expected credit losses in the statement of financial position

The provision for financial asset losses measured at amortized cost is deducted from the gross carrying amount of the assets.

(iv) Write-off

The gross carrying amount of financial asset is written off when the Company does not have a reasonable expectation to recover the financial asset in its entirety or in part. The Company do not expect any substantial recovery of the written-off amount. However, written-off financial assets can still be subject to credit enforcement to perform the Company procedures to recover the amounts due.

(v) Non-financial assets

At each reporting date the Company reviews the carrying amounts of its non-financial assets (except inventory, contractual assets and deferred taxes) for signs of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The Company did not identify any losses on the CGUs for FYs 2018 and 2019.

4.19 Adjustment of assets and liabilities to present value (AVP)

Long-term monetary assets and liabilities are monetarily restated and therefore adjusted to their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated and only recorded if considered to have a material effect on the financial statements as a whole. For purposes of recording and determining relevance, the adjustment to present value is calculated considering the contractual cash flows and the explicit and, in some cases, implicit interest rates of the respective assets and liabilities, based on the analyzes performed and the best management's estimate.

4.20 Provisions

A provision is recognized when the Company has a legal or unofficial obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, which can be reliably estimated. When the Company expects a provision to be reimbursed, in part or full, for example as a result of an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is a virtual certainty. Expenses related to any provision are presented in the income statement net of any reimbursement.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Provisions for tax, civil, labor and regulatory risks

Provisions for judicial proceedings are made for which an outflow of economic benefits will probably be required to settle the contingency/obligation, and which can be reliably estimated. The chance of defeat is rated according to the evidence available, the hierarchy of law, available case law, recent court decisions and their relevance in the legal framework, in addition to independent legal advisors' opinions.

Provisions are revised and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, the completion of tax inspections or additional exposure identified as a result of new issues or court decisions.

4.21 Statement of added value

The Company prepared statements of added value (*Demonstração do Valor Adicionado - DVA*) in accordance with technical pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements in BRGAAP applicable to publicly held companies, while consisting of supplementary financial information under IFRS.

4.22 Accounting policies applicable from January 1, 2019

4.22.1 CPC 06 (R2) / IFRS 16 - Leases

The Company and its subsidiaries applied CPC 06(R2) / IFRS 16 - Leases using the retrospective modified approach. The comparative information was not therefore re-presented and continues to be presented in accordance with CPC 06(R1)/IAS 17 - Commercial leases and ICPC 03/IFRIC 4 – Additional Matters regarding Commercial Leases.

At the commencement of a contract the company determines whether or not it contains a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company and its subsidiaries use the lease definition in CPC 06(R2)/IFRS 16 to assess whether a contract conveys the right to control the use of an identified asset.

This policy is applicable from January 01, 2019 to the lease contracts.

At the commencement or upon modification of a contract containing a lease component, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price. However, for property leases, the Company opted not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, adjusted for any lease payments made up to the commencement date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-of-use asset is subsequently depreciated by the straight-line method from the commencement date until the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option. In this case, the right-of-use asset will be depreciated during the underlying asset's useful life, which is determined on the same basis as the property, plant and equipment. The right-of-use asset is periodically reduced for impairment, if applicable, and adjusted for determined remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not made on the commencement date, discounted for the interest-rate embedded in the lease or, if this rate cannot be immediately determined, the Company's incremental loan rate. The Company generally uses its incremental rate on loans as a discount rate.

The Company determines its nominal incremental rate on loans by obtaining interest rates for various external financing sources and making certain adjustments to reflect the terms of the contract and type of asset being leased.

The lease payments included in the measurement of the lease liability

comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value; and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured if there is a change in future lease payments resulting from a change in an index or a rate, if there is a change in the amounts expected to be payable under a residual value guarantee, if the Company changes its evaluation, if its exercises the call, extension or termination option or if there is a fixed in-substance revised lease payment.

When the lease liability is remeasured this way, the corresponding adjustment is made to the carrying amount of the right-of-use asset or it is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has right-of-use assets that do not meet the definition of investment property as “property, plant and equipment” and lease liabilities in leases payable in “loans and borrowings” in the statement of financial position.

Low-value and short-term asset leases
The Company and its subsidiaries opted not to recognize right-of-use assets and lease liabilities for low-value lease assets (assets worth less than USD 5 thousand) and short-term leases (with a term of less than 12 months), including IT equipment. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

Management assessment
Based on Management’s assessment, studying the applicability and the criteria of the standard established on January 01, 2019 as a result of adopting at IFRS 16, the Company used the rate of 8.77% p.a. Equatorial Maranhão used the rate of 6.81 p.a. Equatorial Pará used the rate of 7.13% p.a. for contracts maturing through 2023 and 8.69% p.a. for contracts maturing after 2023. Equatorial Piauí used the rate of 7.05% p.a. for contracts maturing through 2023 and 8.69% p.a. for contracts maturing after 2023. Equatorial Alagoas used the rate of 7.13 % p.a. for contracts maturing through 2023 and 6.89 % p.a. for contracts maturing after 2023. The Company and its subsidiaries recognized the following items:

Consolidated

	Properties	Equipment	Vehicles	Total
Assets at January 1, 2019	26,896	2,271	22,700	51,867
Amortization in the period	(7,695)	(1,118)	(10,481)	(19,294)
Balance of the asset at December 31, 2019	**19,201**	**1,153**	**12,219**	**32,573**
Liabilities at January 1, 2019	(26,896)	(2,271)	(22,700)	(51,867)
Payments in the period	5,263	1,449	16,178	22,890
Restatement in the period	(217)	(82)	(637)	(936)
Balance of the liability at December 31, 2019	**(21,850)**	**(904)**	**(7,159)**	**(29,913)**

Impact on the income statement - increase (decrease) in expenses:

Net income	**12/31/2019**
Administrative expenses	
Amortization	(19,294)
	(19,294)
Finance cost	
Other financial expenses	(936)
Net effect on income	**(20,230)**

4.22.2 ICPC 22/ IFRIC 23 - Uncertainty over income tax treatments

This interpretation clarifies how to apply the recognition and measurement requisites of CPC 32/IAS 12 - Income taxes when there is uncertainty over income tax treatments. In this case, the entity should recognize and measure its current or deferred tax asset liability by applying the requisites of CPC 32/IAS 12 - Income taxes based on taxable earnings (tax loss), tax bases, tax losses not used, tax credits not used, and tax rates determined, applying this Interpretation.

Company management analyses the tax treatments that could generate uncertainty around the calculation of income taxes, measuring and reassessing those that could potentially expose the company to material risks i.e. to the uncertainty around the tax treatment. The analysis was extended to administrative and judicial tax proceedings that could result in a change to the aforesaid tax calculations. After these analyses the company did not identify the need for adjustments to its financial statements related to ICPC 22. The Company has a number of uncertain tax treatments on profit for which Management concluded they tax authorities will more probably accept them than not, where the effect of potential contingencies are disclosed in note 27 - Provisions for civil, tax, labor and regulatory proceedings.

4.23 Standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019. The Group has not adopted these standards in the preparation of the financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Amendments to references to the conceptual framework of IFRS standards;
- Defining a business (amendments to CPC 15/IFRS 3); and
- Defining materiality (amendments to CPC 26/IAS 1 and CPC 23/IAS.

5 Regulatory affairs

5.1 Rate flags

Normative Resolution 547 of April 16, 2013 created a rate tier system effective from January 1, 2015 for the purpose of passing on to consumers the additional costs of electricity generated by thermal power stations, electricity purchased on the spot market, system service charges and hydrological risk.

On August 13, 2018, ANEEL Normative Resolution No. 826 amended the rules of transfer, as proposed for the opening of the second phase of Public Hearing No. 61/2017, where it was suggested that the monthly amounts of the financial transfers of the Flag Account be calculated after the priority allocation of revenues in the concession area that generated them. In this way, the Debtor Companies only contributed to the CCRBT the surplus revenues. The CCRBT Credit Companies have, as a pass-through, received a portion of this surplus, in proportion to their cost not covered by their own resources. This amendment allocates, more efficiently, the resources coming from the Flag Tariffs, mitigating the cross subsidy between the distributors and prioritizing the allocation of resources in the areas of origin concession.

There are currently four rate tiers: Red – Tier 1, with a rate increase of R$ 0.04/MWh; Red – Tier 2, with a rate increase of R$ 0.06/MWh; Yellow, with a rate increase of R$ 0.01/MWh and Green, with no rate increase.

The following rate tiers were applied in 2019 and 2018:

	Flag Color	
	2019	**2018**
January	Green	Green
February	Green	Green
March	Green	Green
April	Green	Green
May	Yellow	Yellow
June	Green	Red Level 2
July	Yellow	Red Level 2
August	Red Level 1	Red Level 2
September	Red Level 1	Red Level 2
October	Yellow	Red Level 2
November	Red Level 1	Yellow
December	Yellow	Green

The direct subsidiaries Equatorial Piauí and Equatorial Alagoas and the indirect subsidiaries Equatorial Maranhão and Equatorial Pará recognized revenue of R$ 318,976 for the year ended December 31, 2019 (R$ 376,494 at December 31, 2018) from rate-tier surcharges, of which R$ 36,190 was transferred to the Rate Tier Pooling Account - CCRBT (R$ 45,732 at December 31, 2018) created under Decree 8.401/2015 and managed by the Electric Power Trading Chamber - CCEE.

5.2 2019 Periodic Rate Review - RTP

During a public Senior Management Meeting, the National Electricity Regulatory Agency (“ANEEL”) approved the Equatorial Pará regular review of rates, to become effective as of August 7, 2019. Considering the financial components included in the Company’s rates, the average effect perceived by consumers during this pricing process will be a 0.69% increase in electricity bills. For the net compensation base, the sum approved was of R$ 5,047, values for August 2019.

5.3 Rate Review - Equatorial Piauí

Rates in effect in 2019 refer to the Annual Price Review (“RTA”) still in 2018 and ratified by ANEEL by means of Ratifying Resolution (“REH”) 2,490/2018 effective from 12/2/2018 to 12/1/2019. Also, in 2019, a Special Price Review (“RTE”) took place in March, triggered in advance by the CDE loans agency resulting from the effects of MR 579/2012, which readjusted rates in Piauí by 1.72%.

As provided in the rules for the Eletrobras Auction (Auction 02/2018) and in the Equatorial Piauí concession agreement, until the distributor’s third rate review process the new controller could request an RTE with a complete assessment of the compensation base to replace the annual readjustment, provided this was requested one year in advance. On November 30, 2018 Equatorial requested an RTE to replace the 2019 readjustment, with the base’s full opening.

During the 38th Senior Management Common Public Meeting held on October 15, 2019, ANEEL dismissed the RTE request by means of Ruling 2,830/2019.

In view of ANEEL’s decision, Equatorial appealed and requested reconsidering the issue. After submitting the requested documentation, ANEEL decided still in 2019 to vote a rate review process by publishing new rates by means of REH 2,644/2019.

It is Equatorial’s understanding that once the RTE request is placed, ANEEL could not dismiss the plea and judge a readjustment process, in this regard it was necessary to obtain a court order to suspend REH 2,644/2019 until the RTE appeal is judged by the ANEEL Senior Management, granted by means of Interlocutory Appeal 0002459-43.2019.4.01.0000.

Currently there are rates in force ratified under REH 2,490/2018, until judgment of the appeal against the decision to dismiss Equatorial’s RTE request

5.4 Decree No. 9.642 / 2018 - Gradual elimination of subsidies

Decree No. 9,642, dated December 27, 2018, amended Article 1 of Decree No. 7,891 / 2013, which deals with the application of tariff discounts, in order to prevent the cumulativeness of discounts on electric energy distribution tariffs, in a manner (this situation only applied to consumers served under low tension like rural, with irrigation activity or aquaculture performed during special hours). The decree also establishes that, as from 2019, in the processes of tariff readjustment or revision of the distributors, the discounts referred to in § 2 of said article, which are those applied to consumers classified as Rural; Cooperativa de Eletrificação Rural (rural electrification cooperative); Public Service of Water, Sewage and Sanitation; and Public Irrigation Service; be reduced by 20% per annum until the rate is zero. The discounts currently granted to consumers are financed by the Energy Development Account - CDE, which passes on to the distributors the number of subsidies granted. With the reduction of these discounts, the distributors gradually cease to receive CDE funds and start to receive directly from these consumers.

5.5 Over-purchased electricity

Under the applicable Regulatory Framework, electric utilities must procure in advance 100% of the capacity needed for power supply to their customers through ANEEL-regulated auctions. These auctions are organized with support from CCEE seven years in advance of the start of contract power supply. The possibility of procuring capacity up to seven years in advance was introduced by Decree 9,143 of August 22, 2017.

Under the regulations applicable to the industry, in particular Decree 5.163/2004, if contract capacity does not exceed a utility's total requirement by more than 5%, the costs incurred with the surplus capacity are fully passed on to customers. However, when a utility exceeds this limit and does so voluntarily, it incurs the difference between the purchase price and the selling price for the surplus on the spot market.

Decree 9,143 of August 22, 2017 reduced the minimum capacity coverage for utility demand from 95% to 90% of guaranteed capacity quotas for hydroelectric plants whose concessions were either extended or awarded under Act 12.783/2013 for a term commencing as from September 1, 2017.

Decree 9.143/2017 authorized distribution agents to negotiate energy contracts with free consumers, traders and independent producers through the Surplus Sale Mechanism – MVE.

In the financial year ended December 31, 2019 and 2018, the direct subsidiaries Equatorial Piauí and Equatorial Alagoas and the indirect subsidiaries Equatorial Maranhão and Equatorial Pará used the available mechanisms to manage subcontracting.

5.6 Energy Development Account - CDE

In 2013 and 2014 electric utilities experienced significant pressure on profits and cash expenditure as a result of a significant increase in electricity costs resulting from: (i) spot market price increases due to a reduction in contract supply following the non-renewal of certain generation concessions; and (ii) unfavorable hydrologic conditions resulting in increased dispatching of higher-cost thermal power stations. In response, the Federal Government, among other measures, permitted electric utilities to use Energy Development Account (CDE) funds to neutralize these effects. Because CDE funds were insufficient to neutralize utilities’ exposure, in April 2014 Decree No. 8,221 created a Regulated Contracting Environment Account (ACR Account) to standardize CCEE’s bank on lending procedures.

Utilities passed the costs incurred in repayment of the on lent bank loans on to consumers from the month of their 2015 Rate-Setting Reviews. On April 25, 2017 ANEEL accordingly published Resolution No. 2,231 approving an amount of R$ 12,592 per month for the period from April 2017 to March 2018, and R$ 16,037 for the period from April 2018 to March 2020 for Equatorial Alagoas. Ratifying Resolution 2.521 was published on March 20, 2019 which moved forward the end of the payments to August 2019, setting the amount of R$ 16,397. In FY 2019 the Company made total payments of R$ 147,572, thus completing payment of the CDE-ACR charge.

CCEE has repaid these loans out of installments paid by each utility as part of its obligations to CCEE. The monthly installments payable by each utility are established by ANEEL and are not in proportion to the amount on lent to that utility by CCEE. In addition, the Company have not provided any direct or indirect guarantees for these loans.

6 Cash and cash equivalents

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Cash and banks	1,103	265	184,082	117,047
Investments and investment funds (a)				
Short-term financial investments	-	717,881	-	4,626,943
Bank Deposit Certificate - CDBs	251,292	-	497,570	-
Securities held under repurchase agreements	-	-	56,815	-
Open investment fund (b)	-		94,796	-
	251,292	717,881	649,181	4,626,943
(Exclusive) investment fund (a)				
Securities held under repurchase agreements	230,858	-	867,234	-
Bank Deposit Certificate - CDBs	47,447	-	75,707	-
Financial bills	5,601	-	8,937	-
Sovereign debt securities	12	-	62	-
	283,918	-	951,940	-
Total investments and investment funds	535,210	717,881	1,601,121	4,626,943
Total	536,313	718,146	1,785,203	4,743,990

The global portfolio earns interest pursuant to Interbank Deposit Certificate (CDI) variation, and hence the portfolio' average profitability for the fiscal year ended on December 31, 2019 is equal to 99.20% of CDI (98.41% on December 31, 2018).

(a) Cash equivalents refer to Mutual Funds, CDB - Bank Certificates of Deposit and Repurchase Transactions, highly liquid and of a low credit risk. Such investments are available for use in Company investment, readily convertible into a known sum in cash and subject to an insignificant risk, i.e. immediately liquid financial assets and hence rated as cash and cash equivalents, pursuant to CPC 03 (R2) - Statement of Cash Flows / IAS 7; and

(b) Open-ended mutual funds are composed of assets such as repurchase transactions and public bonds.

7 Short-term investments

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Current				
(Exclusive) investment funds				
Investment fund shares	532,421	-	2,835,803	-
Securities held under repurchase agreements	-	-	240,182	-
Sovereign debt securities	246,130	-	764,864	-
Financial bills	85,798	-	164,822	-
Debentures	6,892	-	11,007	-
Bank Deposit Certificate CDBs	-	-	4,219	-
Checks not cleared	-	-	(1,644)	-
	871,241	-	4,019,253	-
Open funds	315	-	24,464	-
Total current	871,556	-	4,043,717	-

Noncurrent				
Securities (a)	18,129	-	126,756	-
Total noncurrent	18,129	-	126,756	-
Total	889,685	-	4,170,473	-

Investment funds represent low-risk transactions with first-rate financial institutions. They include a range of assets intended to improve returns at a lower level of risk, such as: fixed income securities, government bonds, repo transactions, debentures, CDBs and other investments permitted under Company policy.

The global portfolio earns interest pursuant to Interbank Deposit Certificate (CDI) variation, and hence the portfolio' average profitability for the fiscal year ended on December 31, 2019 is equal to 99.45% of CDI (98.41% on December 31, 2018).

(a) Denotes restricted investments securing loans and financing invested in government securities and funds denominated in government securities.

8 Trade accounts receivable (Consolidated)

8.1 Composition of balances

	2019	**2018**
Trade accounts receivable, billed	3,169,415	2,517,242
Trade accounts receivable, unbilled (a)	452,958	373,687
Installment payment (b)	2,576,766	2,127,685
Low-income and "viva luz" consumers (c)	88,764	83,955
(-) AVP (adjustment to present value) - Accounts receivable – financing (d)	(56,747)	-
Other	202,595	278,241
Total	6,433,751	5,380,810
(-) Allowance for doubtful accounts (e)	(2,047,396)	(1,474,738)
Total trade accounts receivable	4,386,355	3,906,072
Current	3,503,757	2,938,037
Noncurrent	882,598	968,035

(a) Refers to electricity that is distributed but not billed to consumers, with invoicing based on metering cycles, which in many cases exceed the bookkeeping closing period;

(b) The installment payment policy for electricity bills by subsidiaries may extend over 48 months and includes a 1% p.m. interest rte. Previously agreed on installment payments in recently acquired subsidiaries, with no interest or at low rates, adjustments were made to present value;

(c) By means of Laws nos.12.212 and 10.438, the Federal Government instituted a low-income social rate with a view to contributing to moderate electricity rates for end consumers in the residential low-income sub-class.

(d) Adjustment to present value on the balance of long-term installment payments using a 9.1% p.a. interest rate.

(e) For an improved analysis and comparability with the current fiscal year, subsidiaries Equatorial Maranhão e Equatorial Pará restated 2018 sums, previously stated as “Impairment losses expected in accounts receivable” to “Consumer accounts receivable billed”, which gave rise to a R$ 793,256 gross increase.

8.2 Allowance for doubtful accounts (Distribution companies)

	2018	Acquisition (a)	Provisions/ additions	Reversals (write-offs)	2019
Trade accounts receivable, billed	717,164	178,511	382,463	(274,711)	1,003,427
Installment payment	708,069	140,740	324,821	(205,095)	968,535
Trade accounts receivable, unbilled	-	-	23,605	-	23,605
Other	49,505	12,400	38,189	(48,265)	51,829
Total	1,474,738	331,651	769,078	(528,071)	2,047,396

	2017	Acquisition	Reclassifications	Provisions/ additions	Reversals (write-offs)	2018
Trade accounts receivable, billed	218,505	88,815	530,018	1,311,514	(1,431,688)	717,164
Installment payment	210,808	139,749	263,238	304,022	(209,748)	708,069
Other	14,442	23,087		54,036	(42,060)	49,505
Total	443,755	251,651	793,256	1,669,572	(1,683,496)	1,474,738

(a) Balances of Equatorial Alagoas as of March 31, 2019, when the Company acquired its share control. See details in note 3.1 - Business combinations.

Further information as to how the Company measures the provision for impairment of accounts receivable can be seen in note 38.5.

8.3 Trade accounts receivable, billed (distributors)

	2019			
	Outstanding balances	Up to 90 days overdue	More than 90 days overdue	Total
Residential	395,779	433,383	964,846	1,794,008
Industrial	85,679	19,413	129,747	234,839
Commercial	252,819	80,921	227,962	561,702
Rural	38,751	29,939	112,468	181,158
Government	102,151	59,509	38,208	199,868
Public lighting	58,234	7,195	25,575	91,004
Public utility	50,966	31,872	23,998	106,836
Total	984,379	662,232	1,522,804	3,169,415

	2018			
	Outstanding balances	Up to 90 days overdue	More than 90 days overdue	Total
Residential	346,921	430,577	645,965	1,423,463
Industrial	86,971	21,841	75,045	183,857
Commercial	206,560	83,628	141,196	431,384
Rural	26,612	26,377	78,814	131,803
Government	79,987	63,487	33,113	176,587
Public lighting	30,020	12,055	13,391	55,466
Public utility	38,600	58,318	17,764	114,682
Total	815,671	696,283	1,005,288	2,517,242

8.4 Installments payment

	2019			
	Balances outstanding	**Overdue by up to 90 days**	**More than 90 days overdue**	**Total**
Residential	1,025,455	75,937	354,959	1,456,351
Industrial	80,666	2,484	33,562	116,712
Commercial	303,027	10,808	63,873	377,708
Rural	46,973	4,365	25,143	76,481
Government	292,136	7,202	33,436	332,774
Public lighting	91,178	1,580	1,452	94,210
Public utility	112,597	2,892	7,041	122,530
Total	1,952,032	105,268	519,466	2,576,766

	2018			
	Balances outstanding	**Overdue by up to 90 days**	**More than 90 days overdue**	**Total**
Residential	928,145	76,668	309,504	1,314,317
Industrial	36,292	3,372	29,367	69,031
Commercial	144,705	12,035	52,984	209,724
Rural	42,972	4,557	25,049	72,578
Government	273,124	7,400	13,254	293,778
Public lighting	83,700	1,470	1,589	86,759
Public utility	75,583	2,948	2,967	81,498
Total	1,584,521	108,450	434,714	2,127,685

Outstanding financing aging list

	2019				
	2020	**2021**	**2022**	**2022 onwards**	**Total**
Residential	412,166	272,686	173,063	167,540	1,025,455
Industrial	55,139	9,612	6,561	9,354	80,666
Commercial	64,708	37,529	25,414	175,376	303,027
Rural	22,701	12,566	6,416	5,290	46,973
Government	51,764	29,734	26,589	184,049	292,136
Public lighting	21,774	11,152	7,856	50,396	91,178
Public utility	31,251	20,562	17,271	43,513	112,597
Total financed receivables	659,503	393,841	263,170	635,518	1,952,032

Aging list of financing payments more than 90 days overdue as of December 31, 2019

	91 to 360 days overdue	**361 to 720 days overdue**	**721 to 1080 days overdue**	**1081 to 1530 days overdue**	**Total**
Residential	136,838	109,136	47,056	61,929	354,959
Industrial	5,237	7,905	6,531	13,889	33,562
Commercial	17,736	17,639	10,078	18,420	63,873
Rural	8,626	7,494	3,494	5,528	25,142
Government	6,749	7,842	3,482	15,362	33,435
Public lighting	561	410	223	258	1,452
Public utility	2,806	2,065	757	1,415	7,043
Total financed receivables	178,553	152,491	71,621	116,801	519,466

9 "A Component" revenue receivable (returnable) and other financial items (Consolidated)

Denote assets and liabilities deriving from temporary differences between the ratified costs of A Component and other financial components, which are included in the rate at the start of the rate period and those which are effectively incurred throughout the period the rate is in force. This difference constitutes a Company receivable whenever the ratified costs included in the rate are lower than the costs effectively incurred and included in the rate or an obligation under the ratified costs is greater than the costs incurred. Purchase and sale records in the Electricity Sales Chamber – *(Câmara de Comercialização de Energia Elétrica CCEE)* are in accordance with information disclosed by the latter but are not disclosed in a timely manner, and an estimate is employed prepared by the Company's Management. These amounts are effectively settled during the coming rate period, or in the event the concession is terminated for any reasons, with balances that have not been recovered, they will be included in the compensation base that exists.

	12/31/2018	**Acquisition (i)**	**Formation**	**Write-off (g)**	**Effect on rate adjustment**	**Reclassification**	**Restatement**	**Amortization**	**12/31/2019**
A Component									
CDE - Energy Development Account (a)	31,871	698	(62,066)	(496)	(1,482)	-	52	4,268	(27,155)
PROINFA - Alternative Source Incentive Program	3,099	1,638	13,275	721	49	2,927	717	(8,887)	13,539
National Grid	79,261	15,929	73,280	(8,582)	811	-	3,875	(87,699)	76,875
Acquisition of energy CVA (c)	1,194,866	130,343	634,647	20,230	15,224	22,642	60,180	(1,129,264)	948,868
ESS - System service charges (c)	(341,753)	(66,423)	(102,805)	30,135	(708)	-	(17,171)	300,290	(198,435)
	967,344	82,185	556,331	42,008	13,894	25,569	47,653	(921,292)	813,692
Financial items						-			
Over-purchased electricity (d)	(111,469)	(101,455)	(14,839)	44,299	(2,524)	-	2,735	140,418	(42,835)
Neutrality	61,913	11,879	(12,202)	(53,349)	3,998	-	1,637	(1,465)	12,411
Equatorial Maranhão violation of continuity limit	86	(24)	(27)	(28)	(49)	9	7	114	88
Excess demand and surplus reactive energy	(217,232)	(7,332)	(115,424)	3,221	-	-	(19,243)	43,150	(312,860)
Creation of RGR (e)	-	1,168,211	(634,178)	-	-	-	49,776	-	583,809
Other (f)	(3,545)	(22,153)	(80,166)	19,578	7,002	(25,578)	(7,887)	12,683	(100,066)
	(270,247)	1,049,126	(856,836)	13,721	8,427	(25,569)	27,025	194,900	140,547
Total	697,097	1,131,311	(300,505)	55,729	22,321	-	74,678	(726,392)	954,239
Net current	464,505								221,386
Net noncurrent	232,592								732,853

	12/31/2017	Acquisition (i)	Formation	Write-off (g)	Restatement	Amortization	12/31/2018
A Component							
CDE - Energy Development Account (a)	(41,258)	(1,902)	44,101	13,290	2,375	15,265	31,871
Alternative Source Incentive Program - PROINFA	787	1,167	2,418	183	231	(1,687)	3,099
National Grid	54,742	53,935	32,405	(24,421)	1,502	(38,902)	79,261
Acquisition of energy CVA (c)	480,656	272,483	721,352	52,507	43,069	(375,201)	1,194,866
ESS - System service charges (c)	(344,921)	(124,499)	(118,751)	74,015	(14,338)	186,741	(341,753)
	150,006	201,184	681,525	115,574	32,839	(213,784)	967,344
Financial items							
Over-purchased electricity (d)	166,008	(54)	(212,119)	(48,732)	(2,380)	(14,192)	(111,469)
Neutrality	1,040	(326)	35,325	50,385	577	(25,088)	61,913
CEPISA/CEMAT violation of continuity limit	268	-	-	-	-	(182)	86
Excess demand and surplus reactive energy	(138,477)	-	(69,326)	-	(9,429)	-	(217,232)
ANGRA III regulatory asset	41,217	-	-	(10,789)	1,051	(31,479)	-
RGR Financial sector assets	-	953,026	-	(865,824)	(87,202)	-	-
Other (f)	373	129,440	(195,576)	153,080	13,665	(104,527)	(3,545)
	70,429	1,082,086	(441,696)	(721,880)	(83,718)	(175,468)	(270,247)
Total	220,435	1,283,270	239,829	(606,306)	(50,879)	(389,252)	697,097
Assets (liabilities)							
Current	100,414						464,505
Noncurrent	120,021						232,592

(i) Balances of Equatorial Alagoas as of March 31, 2019, when the Group acquired the Company's control. See details in note 3.1 - Business combinations;

(a) Liability recorded due to the new amounts ratified by Aneel as the budget review for 2019 have reduced the CDE - Energy Development Account Charge payment quotas, which were already included in the rate coverage;

(b) In 2019, there was an increase in costs of the operation’s availability effect and the financial exposure, resulting from the costs passed on to the distributors to serve the market, directly affected by the activation of thermals whose generation price is higher than the PLD (Difference Settlement Prices). For financial exposure, the increase was due to the PLD differences between submarkets, where the North submarket’s PLD was close to the minimum. The change in amortization of regulatory assets and liabilities is directly related to finance income received in the rate review or adjustment and revenue from energy sales;

(c) The ESS (System Service Charge) is related to payments for dispatched thermal power stations charging a purchase price above the PLD (Difference Settlement Price). The decision to dispatch thermal power stations is taken by the ONS (National System Operator) for the sake of ensuring security of supply. In the rate adjustment in May 2019, the ANEEL-approved ESS charge was higher than the charge actually incurred. Under the rate affordability framework, the difference is required to be returned as a regulatory liability.

(d) In 2019, due to the contracts and market situation, the scenario presents a sale of energy in the spot market, with the LDP (Difference Settlement Price) being lower than the average price and in the sale operation that results in the constitution of a regulatory asset. Additionally, there was the effect of accounting for operations in the short-term market from August to October 2017 recalculated by CCEE (Electricity Trading Chamber) in the January/2018 settlement;

(e) This CVA balance belongs largely to subsidiary EQUATORIAL ALAGOAS and originates from a loan approved by ANEEL as an RGR (Global Reversal Reserve) and transferred through CCEE. The loan was approved due to the need for special funds during the period in which the Company was considered by ANEEL a Designated Distributor, acting as a service provider until being privatized. The transfer was approved on February 12, 2019, in accordance with the provisions in MME Ordinance no. 510 dated December 20, 2018.

(f) Amortization of the financial asset, hydrological risk, and accounting for the R & D Reward, arising from the return by the Union of amounts that were passed on to electric energy tariffs, and collected from the National Treasury, from January 2010 to December 2012, aiming at to reimburse states and municipalities for the eventual loss of ICMS tax collected on fossil fuels used in electric power generation, in the 24 months following the interconnection of the respective Isolated Systems to the National Interconnected System (SIN); and

(g) Regarding the amount of recognition of the write-offs of regulatory assets and liabilities in said year, these amounts refer to the differences between the costs approved by ANEEL in the RTA - Annual Rate Adjustment process for “A component” and other financial components, which are included in tariffs at the beginning of the tariff period and those actually incurred during the tariff period. The respective amounts are realized at the end of the tariff period. At the date of the tariff adjustment, with the amortization of the remaining balances, as well as the extinction of the balances calculated and not recovered.

On an annual basis, in August, ANEEL calculates a new rate adjustment index for the indirect subsidiaries Equatorial Maranhão and Equatorial Pará to adjust their "A Component" expenses (non-manageable costs such as purchased electricity, sector charges, transmission charges). ANEEL determined Equatorial Maranhão's rate review through Resolution 2,594 of August 20, 2019, with an effect on consumers of -3.82% (minus three point eight two percent), where new rates that will be effective from August 28, 2019 to August 27, 2020.

By way of Ratifying Resolution 2.558 issued August 06, 2019 ANEEL ratified the result of the fifth Periodic Rate Review - RTP of the subsidiary Equatorial Pará with an effect for consumers of 0.69% (zero point six nine percent), with the new rates effective on August 07, 2019 until August 06, 2020.

For the subsidiary Equatorial Piauí, as of the concession’s agreement signature by the Company, in December 2018, ANEEL determined the rate adjustment index of the Company by adjusting its “A component” expenses (non-manageable costs, such as energy purchase, sector charges, and transmission charges), with an average effect of the adjustments of 12.64% (twelve point six four percent). Through Resolution No. 2,490, dated November 27, 2018, it approved the new rates that came into effect on December 2, 2018, effective until December 1, 2019.

For the subsidiary Equatorial Alagoas, on May 03, 2019 the National Electricity Regulatory Agency - ANEEL ratified the result of the 2019 rate adjustment and set the Energy Rates - TE and Distribution System Usage Rates - TUSD for this Company with an average effect of -2.72% (minus two point seven two percent). Through Resolution No. 2,540, dated April 30, 2019, it approved the new rates that came into effect on May 03, 2019, effective until May 02, 2020.

10 Recoverable taxes and contributions (Consolidated)

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Current				
ICMS recoverable (CIAP) (a)	-	-	95,559	97,319
INSS	-	-	10,806	11,633
PIS and COFINS	2	-	67,696	23,650
PIS and COFINS recoverable (ICMS) (b)	-	-	76,999	-
Other	860	644	6,006	22,798
Total current	862	644	256,066	155,400

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Noncurrent				
ICMS recoverable (CIAP) (a)	12	12	139,080	122,078
PIS and COFINS recoverable (ICMS) (b)	-	-	1,467,367	1,191,680
Other	-	-	26,990	2,567
Total noncurrent	12	12	1,633,437	1,316,325
Total recoverable taxes and contributions	874	656	1,889,503	1,471,725

(a) The Company and its subsidiaries have taxes to be recovered referring to ICMS credits on the acquisition of materials destined to property, plant and equipment, appropriated at a ratio of 1/48; and

(b) The direct subsidiaries Equatorial Piauí and Equatorial Alagoas and the indirect subsidiary Equatorial Maranhão, constituted an asset related to recoverable PIS/COFINS of R$ 462,531, R$ 290,234 and R$ 790,601, respectively, based on the opinion of its legal advisors after publication of the Judgment of the Extraordinary Appeal judged by the Supreme Court Federal - STF, and supported by the transit and judged in the individual action of these Companies. See details in note 28.

11 Other receivables

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018***
Current				
Employee amounts recoverable	37	-	12,431	9,937
Advance to suppliers	-	-	21,162	10,176
Sale of goods and rights	-	-	3,155	2,812
Electricity reimbursement credit	-	-	1,694	3,246
Credits on electricity bills	-	-	871	4,103
Prepaid expenses	32	1,796	1,531	18,983
Collection of arrangements	-	-	147	30,665
PIS/COFINS neutrality (a)	-	-	73,843	75,171
Rate discount subsidy (b)	-	-	94,820	98,770
Network usage charge	-	-	9,090	-
Mutual use of pole (c)	-	-	37,221	-
Related-party transactions (d)	-	3,478	-	6,597
Other receivables (e)	4,505	831	39,227	28,613
Total current	4,574	6,105	295,192	289,073
Noncurrent				
Amounts to be released (f)	-	-	7,000	16,287
Credits receivable RJ	-	-	24,977	-
PIS/COFINS neutrality (a)	-	-	-	91,480
Loan assignment – Equatorial Pará	9,569	9,145	-	9,145
Advances to suppliers (g)	-	-	337,954	249,925
PECLD (h)	-	-	(37,470)	-
Mutual use of pole (c)	-	-	18,818	-
Other receivables	-	-	38,061	1,094
Total noncurrent	9,569	9,145	389,340	367,931
Total other receivables	14,143	15,250	684,532	657,004

(a) Corresponds to the PIS/COFINS credit balance of its Distributor subsidiaries arising from the “B component” neutrality mechanism, necessary to maintain the financial balance of said taxes, as established in Technical Note 115/2005-SFF / SRE / ANEEL, originating from the tax rate differences effective in the reference month and the actual amount collected, and at the same time extemporaneous credit;

(b) Denote subsidies from the Electricity Trading Chamber - CCEE used to award discounts to sectors needing assistance for the development of irrigation, public services and rural projects in accordance with existing legislation, pursuant to ANEEL Technical Note 226 issued July 26, 2017.

(c) During the fiscal year of 2019, indirect subsidiaries Equatorial Maranhão and Equatorial Pará recognized revenues from the mutual use of posts, resulting from the conclusion of an extensive lawsuit negotiating process with the companies Telemar Norte Leste S.A. (in court recovery) and OI Móvel S.A. (in court recovery) entered into in December 2019 “an out-of-court measurement instrument and agreement” and a “transaction instrument” with the chief objectives: i) ratifying and establishing a means of payment of credits listed by the court administrator appointed in the court recovery proceedings; ii) entering into infrastructure sharing agreements that shall govern a commercial relationship between the parties; iii) friendly conclusion of all the lawsuits also filed between the parties with definition of criteria for bookkeeping of points occupied and the sum charged for each point occupied;

(d) Sums regarding agreements for sharing with related parties, pursuant to note no 12.

(e) Change in balance chiefly inherent to new acquisitions by distributors Equatorial Alagoas and Equatorial Piauí, jointly with sums of R$ 10,041 by Equatorial Pará composed of the transactions that follow: (i) R$ 4,232 for incorporation of the grid, financial participation in works pursuant to Resolution 223/229/414; (ii) R$ 5,811 in other amounts receivable;

(f) The indirect subsidiary Equatorial Pará has a balance of amounts to be released by Banco Daycoval of R$ 7,000 resulting from demands from financial creditors on receivables and other surety, under the financing contracts renegotiated under the Judicial Reorganization Plan;

(g) Amount refers to advances to suppliers related to Transmitters (SPE) for the construction of transmission facilities; and

(h) Sums regarding estimated losses in Doubtful Credits - PECLD in subsidiaries Equatorial Alagoas with regard to recognition of credits from writ of prevention that prevented the Company from ceasing electricity supply to CODEVASF, by reason of full compliance with the terms of Agreement No. 034/83-I, entered into between CODEVASF and CHESF, and in Equatorial Maranhão on sums charged from customers in connection with collection management fees between 2006 and 2017.

* Restatement among groups, which previously were in “related parties” to “other credits receivable”, as well as the “earnings from agreements” line, restated to “other accounts payable”, in order to improve comparability with the current fiscal year without changing the transaction’s nature.

12 Related parties

The primary balances of assets and liabilities at December 31, 2019 and December 31, 2018 and the primary transactions that affected profit or loss for the period deriving from the transactions of the Company with its parent company, shareholders and their related parties, key members of Management (CEO and directors) and other related parties as defined by CVM Resolution 560 issued December 11, 2008, which approved CPC 05 (R1) - Related Parties Disclosures.

As of December 31, 2019, the Company has changes in related-party transactions, primarily for sharing agreements, dividends and other items, with the companies below:

Parent Company

		2019			2018		
Other receivables		**Assets**	**Liabilities**	**Effect on income**	**Assets**	**Liabilities**	**Effect on income**
Equatorial Transmissão S.A.	(a)	2,278	-	-	2,329	-	(2,278)
Total		2,278	-	-	2,329	-	(2,278)

		2019			2018		
Other accounts payable		**Assets**	**Liabilities**	**Effect on income**	**Assets**	**Liabilities**	**Effect on income**
Equatorial Maranhão Distribuidora de Energia S.A.	(b)	-	-	-	-	(1,043)	-
Total		-	-	-	-	(1,043)	-

Judicial reorganization		**2019 Assets**	**2019 Liabilities**	**2019 Effect on income**	**2018 Assets**	**2018 Liabilities**	**2018 Effect on income**
Equatorial Pará Distribuidora de Energia S.A.	(c)	9,569	-	(424)	9,144	-	(549)
Total		9,569	-	(424)	9,144	-	(549)

Dividends		**2019 Assets**	**2019 Liabilities**	**2019 Effect on income**	**2018 Assets**	**2018 Liabilities**	**2018 Effect on income**
Equatorial Transmissão S.A.	(d)	7,090	-	-	-	-	-
Geradora de Energia do Maranhão S.A.	(e)	5,176	-	-	-	-	-
Total		12,266	-	-	-	-	-

Consolidated

Other receivables		**2019 Assets**	**2019 Liabilities**	**2019 Effect on income**	**2018 Assets**	**2018 Liabilities**	**2018 Effect on income**
Fundação CEPISA de Seguridade Social	(d)	-	(1,327)	(34,592)	-	-	-
Equatorial Energia Fundação de Previdência	(e)	-	-	3,134	13	-	-
Geradora de Energia do Maranhão S.A.	(f)	-	-	2,345	-	-	(9,454)
Total		-	(1,327)	(29,113)	13	-	(9,454)

Other accounts payable		**2019 Assets**	**2019 Liabilities**	**2019 Effect on income**	**2018 Assets**	**2018 Liabilities**	**2018 Effect on income**
Fundação CEPISA de Seguridade Social	(d)	-	(1,327)	(34,592)	-	-	-
Equatorial Energia Fundação de Previdência	(e)	-	-	(2,699)	-	(221)	2,874
Geradora de Energia do Maranhão S.A.	(f)	-	-	(4,409)	-	-	-
Total		13	(1,327)	(41,700)	13	(247)	(16,034)

Loans		**2019 Assets**	**2019 Liabilities**	**2019 Effect on income**	**2018 Assets**	**2018 Liabilities**	**2018 Effect on income**
Centrais Elétricas Brasileiras S.A.- Eletrobras	(g)	-	(122,888)	(17,549)	-	(116,799)	-
Total		-	(122,888)	(17,549)	-	(116,799)	-

Trade payables		**2019 Assets**	**2019 Liabilitie s**	**2019 Effect on income**	**2018 Assets**	**2018 Liabilitie s**	**2018 Effect on income**
55 Soluções S.A.	(h)	-	(12,398)	55,132	-	-	-
Equatorial Telecomunicações S.A.	(i)	-	(725)	(8,124)	-	-	-
Equatorial Transmissora 8 SPE S.A.	(d)	-	(41)	(102)	-	-	-
		-	(100)	(934)	-	-	-
Total		-	(13,264)	(45,972)	-	-	-

(i) Refers to expenditures incurred while in the pre-operating stage;

(a) The sums between Equatorial Maranhão e Equatorial Transmissão with the Company refer to the human resources sharing agreement , management and apportionment of the respective expenditures incurred without the incidence of financial charges in these transactions, of an undefined term of duration, pursuant to Technical Note no. 15/2018-SFF/ANEEL proceedings number 48500.000377/2018-91;

(b) Transactions with Equatorial Pará are related to the direct or indirect acquisition and negotiation of financing as part of the judicial reorganization of the indirect subsidiary, with payments owed to the following creditors: BNDES, Banco Bradesco, Banco Itaú BBA/ Unibanco, BIC Banco, Banco Merrill Lynch and Banco Société Générale. The balance will be amortized in 10 annual, fixed and equal installments, the first maturing on September 30, 2034 and the last on September 30, 2043 and amounts derived from the human resources, administrative, and proportional sharing of the expenses incurred without the incidence of financial charges on these transactions, with an indeterminate term; as per Technical Note 15/2018-SFF/ANEEL case number 48500.000377/2018-91, see Note 25;

(c) These amounts relate to contributions of the Equatorial Piauí sponsors to its Supplementary Pension Foundation.

(d) These amounts relate to contributions by the sponsors Equatorial Maranhão and Equatorial Pará to its Supplementary Pension Foundation;

(e) The transactions with Geradora do Maranhão S.A. ("Gera Maranhão") are derived from power purchase agreement CCEAR Nº 5555/2007 - 29413N - 29414N with Equatorial Maranhão, with a term extending to 2024 and arm's-length terms and conditions and from dividends payable of Equatorial Energia;

(f) Transactions with Eletrobras are related to dividends payable and loan agreements with Equatorial Maranhão. The loan agreements with Eletrobras relate to power sector credit facilities, the terms and conditions of which are equivalent to those applicable to other power distribution utilities in Brazil.

a. Key management personnel compensation

Key management personnel include Directors and Officers. The compensation was set at up to R$ 16,000 by the Annual General Meeting held April 30, 2019.

Proportion of each constituent of overall compensation, related to FY 2019, paid by the Company:

	Board of Directors	%	Statutory Executive Board	%	Total
Number of members	8		6		14
Annual Fixed Compensation	2,257	100%	1,753	20%	4,010
Salaries or management fees	1,860	82%	1,362	15%	3,223
Direct and indirect benefits	25	1%	118	2%	143
Other (Employer's INSS)	372	17%	273	3%	645
Variable compensation	-	0%	6,871	77%	6,871
Bonuses	-	0%	5,726	64%	5,726
Other (Employer's INSS)	-	0%	1,145	13%	1,145
Post-employment benefits	-	0%	289	3%	289
Share-based payments	-	0%	-	0%	-
Total compensation by board	2,257	100%	8,913	100%	11,170

b. Guarantees

The Company has provided avals and guarantees to the subsidiaries, without related charges, in the loans and financing agreements.

13 Investments

The main information about investments in subsidiaries and joint ventures is as follows:

		Parent Company		Consolidated	
		2019	2018	2019	2018
Appraised by equity accounting:					
Equatorial Maranhão	65.11%	-	2,034,293	-	-
Equatorial Pará	96.50%	-	2,642,618	-	-
Equatorial Distribuição	90.14%	4,423,190	-	-	-
Equatorial Piauí	94.47%	679. 917	639,381	-	-
Equatorial Alagoas	96.37%	809,472	-	-	-
Geradora de Energia do Norte	25.00%	103,751	97,540	103,751	97,540
Vila Velha	50.00%	-	3,300	-	3,300
55 Soluções	100.00%	82,572	70,059	-	-
Equatorial Transmissão	100.00%	2,072,159	766,659	-	-
INTESA	100.00%	492,961	701,321	-	-
Subtotal		8,664,022	6,955,171	103,751	100,840
Other investments		-	-	18,466	17,690
Total		8,664,022	6,955,171	122,217	118,530

13.1 Changes in the capital expenditure in subsidiaries and joint subsidiaries - Parent company

Subsidiaries	**2018**	**Acquisition of new investment**	**Capital increase**	**Additional dividends**	**Minimum dividends**	**Share of profit (loss) of equity-accounted investees**	**Transfers**	**Other comprehensive income**	**Changes in ownership interests (b)**	**Share agreement (a)**	**Buyback option**	**Provision for investment impairment loss**	**Step Acquisition Loss**	**2019**
Equatorial Maranhão	2,034,293	-	-	(441,377)	-	323,496	(1,916,412)	-	-	-	-	-	-	-
Equatorial Pará	2,642,618	-	-	(149,463)	-	342,498	(2,834,146)	(1,507)	-	-	-	-	-	-
Equatorial Piauí	639,381	-	-	-	-	128,558	-	(42,305)	(45,717)	-	-	-	-	679,917
Equatorial Alagoas	-	45	545,770	-	-	347,565	-	(65,162)	(12,516)	-	(6,230)	-	-	809,472
Geradora de Energia do Norte	97,540	-	-	-	(23,084)	29,295	-	-	-	-	-	-	-	103,751
Vila Velha	3,300	-	-	-	-	-	-	-	-	-	-	(3,300)	-	-
55 Soluções	70,059	-	-	(21,301)	(10,532)	44,346	-	-	-	-	-	-	-	82,572
Equatorial Transmissão	766,659	-	279,263	-	-	1,026,237	-	-	-	-	-	-	-	2,072,159
Equatorial Distribuição	-	-	2,000	-	(41,910)	176,522	4,750,558	4,379	531,641	(1,000,000)	-	-	-	4,423,190
INTESA	701,321	-	-	(373,167)	(33,020)	294,678	-	-	-	-	-	-	(96,851)	492,961
Total	6,955,171	45	827,033	(985,308)	(108,546)	2,713,195	-	(104,595)	473,408	(1,000,000)	(6,230)	(3,300)	(96,851)	8,664,022

(a) On November 5, 2019 Equatorial Energia, the parent company of Equatorial Pará and Equatorial Maranhão, entered into an investment Agreement between Equatorial Energia and Itaú Unibanco S.A. (“Itaú”), whereby the parties agreed to make an investment through Itaú in Equatorial Distribuição, by means of underwriting and paying in preferred shares in the equity capital of Equatorial Distribuição (“Transaction”). Under this Transaction and as one of the conditions for implementing it, Equatorial Energia underwrote a capital increase in Equatorial Distribuição by contributing a net holding consisting in: (i) 2,131,276,838 common shares and 461,917 preferred shares, all of which registered, bookkeeping and at no par value, issued by Equatorial Pará and owned by Equatorial Energia, equal to 100% if the interest held by Equatorial Energia in Equatorial Pará; (ii) 105,120,627 common shares and 1,777,378 preferred shares, all of which registered, bookkeeping and at no par value, issued by Equatorial Maranhão and owned by Equatorial Energia, equal to 100% if the interest held by Equatorial Energia in Equatorial Maranhão; and (iii) Equatorial Energia bonds resulting from the “Private Deed of the 4th (fourth) issue of Simple Debentures Non-Convertible into Shares, of the Unsecured Type and Single Series, for an Equatorial Energia S.A. Restricted Efforts Public Placement”, regarding the issue of simple debentures non-convertible into shares, of the unsecured type and single series, totaling R$ 1,000,000 on their issue date, for a restricted efforts public placement pursuant to CVM Instruction no. 476/2009, approved by the Equatorial Energia Board of Directors at a meeting held on October 21, 2019 (“Debentures”);

(b) The sums are due to a change in relative interests in their subsidiaries following a capital increase, cf. explanatory note no. 1.3.

13.2 Information about the subsidiaries and joint ventures - Consolidated

The Company presents the table below to show the individual position of its subsidiaries.

		Statement of financial position					Results in 2019					
		Current		Noncurrent								
Balances in 2019	**Interest Corporate**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Equity equity**	**Revenue net**	**Net income Gross**	**Revenue/ expenses operational**	**Net income Financial Net**	**Tax Contribution capital**	**Net income Net price**
Equatorial Maranhão	65.1087%	2,794,304	928,193	4,633,382	3,365,258	3,134,235	3,046,007	1,043,750	(416,689)	(15,555)	(101,742)	**509,764**
Equatorial Pará	96.4992%	3,848,379	1,720,881	6,263,872	5,299,688	3,091,682	4,434,319	1,089,494	(524,755)	(106,314)	(102,671)	**355,754**
Equatorial Piauí	94.4737%	1,252,985	1,160,306	2,386,935	3,353,958	(874,344)	2,429,658	450,710	(190,622)	(156,532)	(10,277)	93,279
Equatorial Alagoas	96.3666%	988,625	606,078	2,422,169	3,096,184	(291,468)	1,443,939	450,368	(183,198)	(181,068)	178,596	264,698
Geradora de Energia do Norte	25.0000%	101,995	97,490	560,156	194,982	369,679	253,836	170,912	(15,034)	(17,620)	(21,488)	116,770
Vila Velha	50.0000%	-	-	6,600	-	6,600	-	-	-	-	-	-
55 Soluções	100.0000%	60,271	30,551	54,571	1,719	82,572	153,726	54,277	3,317	1,897	(15,145)	44,346
Equatorial Transmissão	100.0000%	6,709	14,387	2,079,836	-	2,072,158	-	-	1,026,019	217	-	1,026,236
Equatorial Distribuição	90.1400%	626	46,495	4,952,613	-	4,906,744	-	-	197,175	(1,356)	-	195,819
INTESA	100.0000%	372,358	89,661	899,488	764,964	417,221	488,397	440,351	(2,516)	(20,277)	(118,242)	299,316
		9,426,252	**4,694,042**	**24,259,622**	**16,076,753**	12,915,079	**12,249,882**	**3,699,862**	**(106,303)**	**(496,608)**	**(190,969)**	**2,905,982**

		Statement of financial position					Results in 2018					
		Current		Noncurrent								
Balances in 2018	**Interest Corporate**	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Equity equity**	**Revenue net**	**Net income Gross**	**Revenue/ expenses operational**	**Net income financial equity**	**Tax Contribution capital**	**Net income Net price**
Equatorial Maranhão	65.1087%	2,501,485	1,106,870	4,490,095	3,032,195	2,852,515	3,796,771	1,225,789	(443,326)	30,812	(140,919)	672,356
Equatorial Pará	96.4992%	3,087,209	1,930,009	5,968,115	4,119,234	3,006,081	5,491,536	1,371,837	(573,853)	(235,440)	(107,152)	455,392
Equatorial Piauí	89.9425%	1,620,764	1,721,002	1,971,843	2,724,511	(852,906)	(187,926)	(716,896)	160,358	55,566	147,673	(353,299)
Geradora de Energia do Norte	25.0000%	119,630	96,012	565,108	244,695	344,837	506,216	207,205	(15,608)	(21,516)	(25,562)	144,519
Vila Velha	50.0000%	-	-	6,600	-	6,600	-	-	-	-	-	-
55 Soluções	100.0000%	54,715	26,778	43,353	1,231	70,059	124,870	28,960	(1,797)	1,085	(6,020)	22,228
Equatorial Transmissão	100.0000%	15,568	14,028	766,119	1,000	766,659	-	-	122,069	37	(5)	122,101
INTESA	100.0000%	429,563	34,592	451,106	321,988	524,089	207,956	154,853	(3,476)	(4,812)	(35,309)	111,256
		7,828,934	4,929,291	14,262,339	10,444,854	6,717,934	9,939,423	2,271,748	(755,633)	(174,268)	(167,294)	1,174,553

13.3 Reconciliation of capital expenditure

				2019				
Subsidiaries	**Interest**	**Equity of subsidiary**	**Net income**	**Equity income**	**Investment value**	**Intangible concession assets**	**Provision for loss investment devaluation**	**Total investment**
Equatorial Maranhão	65.1087%	3,134,235	509,764	323,496	-	-	-	-
Equatorial Pará	96.4992%	3,091,682	355,754	342,498	-	-	-	-
Equatorial Piauí	94.4737%	(874,344)	93,279	128,558	(826,026)	1,505,943	-	679,917
Equatorial Alagoas	96.3666%	(291,468)	264,698	347,565	(280,877)	1,090,349	-	809,472
Geradora de Energia do Norte	25.0000%	369,679	116,770	29,295	92,420	11,331	-	103,751
Vila Velha	50.0000%	6,600	-	-	3,300	-	(3,300)	-
55 Soluções	100.0000%	82,572	44,346	44,346	82,572	-	-	82,572
								2,072,159
				1,026,237				
Equatorial Transmissão	100.0000%	2,072,158	1,026,236		2,072,159	-	-	
Equatorial Distribuição	90.1451%	4,906,744	195,819	176,522	4,423,190	-	-	4,423,190
INTESA	100.0000%	417,221	299,316	294,678	417,220	75,741	-	492,961
							(3,300)	
		12,915,079	2,905,982	2,713,195	5,983,958	2,683,364		8,664,022

					2018				
Subsidiaries	**Interest**	**Equity of subsidiary**	**Net income**	**PPA profit or loss**	**Equity income**	**Investment value**	**Intangible concession assets/ positive and negative goodwill**	**Effect of not paying in share capital by noncontrolling shareholders (a)**	**Total investment**
Equatorial Maranhão	65.1087%	2,852,515	672,356	-	437,762	1,857,235	177,058	-	2,034,293
Equatorial Pará	96.4992%	3,006,081	455,392	(1,070)	438,417	2,900,844	(258,226)	-	2,642,618
Equatorial Piauí	89.9425%	(852,906)	(353,299)	166,985	(167,575)	(767,125)	1,334,001	72,505	639,381
Geradora de Energia do Norte	25.0000%	344,837	144,519	202	36,180	86,209	11,331	-	97,540
Vila Velha	50.0000%	6,600	-	-	-	3,300	-	-	3,300
55 Soluções	100.0000%	70,059	22,228	-	22,228	70,059	-	-	70,059
Equatorial Transmissão	100.0000%	766,659	122,101	-	122,101	766,659	-	-	766,659
INTESA	100.0000%	524,089	111,256	-	111,256	524,089	177,232	-	701,321
		6,717,934	1,174,553	166,117	1,000,369	5,441,270	1,441,396	72,505	6,955,171

14 Concession's (Consolidated)

Denotes the portion of the investments made and not amortized by the end of the concession classified as a financial asset, because it is an unconditional right to receive cash or another financial asset directly. The portion of infrastructure classified as a financial asset is remunerated through the so-called regulatory Weighted Average Cost of Capital - WACC, which is the return on investment collected monthly on customers' electricity bills.

The changes in concession financial asset balances are as follows:

					Transfers (b)						
	2018	**Acquisition (a)**	**Indexation of financial assets (c)**	**Restatement of rate review (d)**	**Contract assets**	**Special obligations**	**Services in progress**	**Other**	**Write-offs**	**Reclasss (e)**	**2019**
Financial assets – Distribution	5,451,483	37,088	242,533	24,508	755,081	-	-	-	(2,177)	5,983	6,514,499
Special obligations Distribution (f)	(1,656,532)	-	(73,241)	64,942	-	51,305	7,617	36,953	-	2	(1,568,954)
Subtotal	3,794,951	37,088	169,292	89,450	755,081	51,306	7,617	36,953	(2,177)	5,985	4,945,545
Financial assets Transmission	597,946	-	-	-	-	-	-	-	-	(597,946)	-
Subtotal	597,946	-	-	-	-	-	-	-	-	(597,946)	-
Total	4,392,897	37,088	169,292	89,450	755,081	51,305	7,617	36,953	(2,177)	(591,961)	4,945,545
Assets											
Current	226,332										-
Noncurrent	4,166,565										4,945,545

The concessions held by the subsidiaries Equatorial Piauí and Equatorial Alagoas and the companies Equatorial Maranhão and Equatorial Pará have no counterpart, and therefore, there are no fixed financial obligations or payments to be made to the concession authority.

(a) Balances of Equatorial Alagoas as of March 31, 2019, when the Group acquired the Company's control. See details in note 3.1 - Business combinations;

(b) Denotes the transfers of contract assets to concession financial assets;

(c) For a better estimate of the indemnity upon the termination of the concession of the subsidiaries Equatorial Piauí and Equatorial Alagoas and the companies Equatorial Maranhão and Equatorial Pará , the fair value of financial assets is indexed on a monthly basis to the IPCA index, which is one of the primary indexes used for annual indexation by the regulator in tariff adjustment processes;

(d) Sum found in the Regulatory Compensation Base - BRR of Equatorial Pará for the purpose of the 5th Regular Review of Rates as of ratifying the assessment report inspected by the Superintendência de Fiscalização Econômica e Financeira – SFF on the base date of July 28, 2019.

(e) During the 2019 fiscal year the subsidiary INTESA restated the balance of financial assets to the contractual asset line in compliance with CPC 47 / IFRS 15 – Revenues from Customer Agreements; and

(f) Special obligations substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

15 Intangible assets (Consolidated)

Intangible assets are comprised as follows:

		2019			
	Annual rates	Cost	Amortization	(-) Obligations linked to the concession	Net
Distribution					
In service - Distribution	4.24%	15,005,268	(6,828,676)	(2,295,525)	5,881,067
Concession right					
Concession right – Equatorial Maranhão	3.33%	291,810	(124,838)	-	166,972
Concession right -Equatorial Alagoas (a)	3.33%	1,218,957	(30,474)	-	1,188,483
Concession right – Equatorial Piauí (a)	3.33%	1,740,149	(72,506)	-	1,667,643
Subtotal		3,250,916	(227,818)	-	3,023,098
Other		19,449	(359)	-	19,090
Subtotal		18,275,633	(7,056,853)	(2,295,525)	8,923,255
Transmission					
In service – Transmission (Grant right)	4.34%	9,027	(798)	-	8,229
In course - Transmission		749	-	-	749
Concession right					
Concession right – INTESA (a)	3.33%	80,378	(4,637)	-	75,741
Subtotal		90,154	(5,435)	-	84,719
Total		18,365,787	(7,062,288)	(2,295,525)	9,007,974

		2018			
	Annual rates (%)	Cost	Amortization	(-) Obligations linked to the concession	Net
Distribution					
In service - Distribution	4.36%	11,687,381	(5,025,630)	(2,324,527)	4,337,224
Concession right					
Concession right – Equatorial Maranhão	3.33%	291,810	(114,753)	-	177,057
Concession right – Equatorial Piauí (a)	3.33%	1,334,001	-	-	1,334,001
		1,625,811	(114,753)		1,511,058
Other		24,721	(8,389)	-	16,332
Subtotal		13,337,913	(5,148,772)	(2,324,527)	5,864,614
Transmission					
In service - Transmission		8,950	(487)	-	8,463
In course - Transmission	4.34%	43	-	-	43
Concession right					
Concession right – INTESA (a)		187,456	(10,225)	-	177,231
Subtotal		196,449	(10,712)	-	185,737
Total		13,534,362	(5,159,484)	(2,324,527)	6,050,351

* Weighted average annual depreciation rates (%)

Change in intangible assets

	Distribution								
							Transfers (b)		
	2018	**Other**	**Acquisition of business (a)**	**Reclassification**	**Additions**	**Write-offs**	**Contract assets**	**Special obligations**	**2019**
In service	11,687,381	-	1,706,122	488,701	-	(339,311)	1,462,375	-	15,005,268
(-) Amortization	(5,025,630)	-	(653,959)	(483,850)	(819,037)	153,800	-	-	(6,828,676)
Total in service	6,661,751	-	1,052,163	4,851	(819,037)	(185,511)	1,462,375	-	8,176,592
In progress	(1,236)	-	-	1,236	-	-	-	-	-
Total in progress	(1,236)	-	-	1,236	-	-	-	-	-
Special obligations (c)	(3,663,606)	64,767	(376,412)	(171)	(137)	170,643	-	(158,452)	(3,963,368)
(-) Amortization	1,339,079	-	124,189	-	204,575	-	-	-	1,667,843
Total special obligations	(2,324,527)	64,767	(252,223)	(171)	204,438	170,643	-	(158,452)	(2,295,525)
Other	1,527,390	-	1,188,483	-	326,315	-	-	-	3,042,188
Subtotal	5,863,378	64,767	1,988,423	5,916	(288,284)	(14,868)	1,462,375	(158,452)	8,923,255

	Transmission			
	2018	**Reclassification**	**Additions**	**2019**
In service	8,950	-	77	9,027
(-) Amortization	(487)	-	(311)	(798)
Total in service	8,463	-	(234)	8,229
In progress	1,279	(1,236)	706	749
Total in progress	1,279	(1,236)	706	749
Concession right	187,456	-	(107,078)	80,378
(-)Amortization	(10,225)	-	5,588	(4,637)
Total concession right	177,231	-	(101,490)	75,741
Total	186,973	(1,236)	(101,018)	84,719

(a) Balances from the obtaining the control of Alagoas energy distributor, Equatorial Alagoas. See details in note 3.1 - Business combinations;

(b) Denotes the transfers (bifurcation) of contract assets to intangible assets in service and concession financial assets, and

(c) Special obligations substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

16 Contractual assets (Consolidated)

The Group's contract assets are constituted as follows:

	2019			
	Cost	**Write-off of RAP**	**(-) Obligations related to the concession**	**Net**
Distribution	1,464,994	-	(620,117)	844,877
Transmission	7,591,069	(191,702)	-	7,399,367
Total	9,056,063	(191,702)	(620,117)	8,244,244

	2018		
	Cost	**(-) Obligations linked to the concession**	**Net**
Distribution	1,687,610	(566,788)	1,120,822
Transmission	1,169,310	-	1,169,310
Total	2,856,920	(566,788)	2,290,132

Change in contractual assets

	Distribution							
					Transfers (b)			
	2018	**Acquisition (a)**	**Additions (c)**	**Write-offs**	**Intangible Assets**	**Financial assets**	**Services in progress**	**2019**
In progress	1,687,610	253,378	1,834,245	(96,590)	(1,462,375)	(755,080)	3,806	1,464,994
Total in progress	1,687,610	253,378	1,834,245	(96,590)	(1,462,375)	(755,080)	3,806	1,464,994
Special obligations (d)	(566,788)	(61,720)	(103,051)	-	158,452	(51,306)	4,296	(620,117)
Total special obligations	(566,788)	(61,720)	(103,051)	-	158,452	(51,306)	4,296	(620,117)
Total distribution	1,120,822	191,658	1,731,194	(96,590)	(1,303,923)	(806,386)	8,102	844,877

	Transmission						
	2018	**Additions**	**Construction margin**	**Restatement of contractual assets**	**Realization of RAP**	**O&M Revenue**	**2019**
In progress	1,169,310	3,154,671	2,085,139	430,208	-	-	7,437,274
Total in progress	1,169,310	3,154,671	2,085,139	430,208	-	-	7,437,274
In service	-	-	-	136,360	(191,703)	17,436	(37,907)
Total in service	-	-	-	136,360	(191,703)	17,436	(37,907)
Total transmission	1,169,310	3,154,671	2,085,139	566,568	(191,703)	17,436	7,399,367
Total contract assets	2,290,132						8,244,244
Current	-						699,692
Noncurrent	2,290,132						7,544,552

The Company and its distributor subsidiaries assessed the impact and concluded as low the risk of non-receipt and associated loss, since they will be remunerated, as from service’s start, (i) by increasing the tariff charged by customers, through cycles (ii) for the unconditional right to receive cash or other financial assets from the Granting Authority, as compensation for the reversal of the public service infrastructure.

The Company and its transmission subsidiaries assessed the concession infrastructure corresponding to the right established in the public electricity transmission service concession arrangement entered into by the Government and the company, to receive cash through two flows (a) part to be received directly from users delegated by the concession authority (generation and distribution utilities, free consumers, exporters and importers) through monthly sales secured by the annual permitted compensation (RAP), during the concession term; and (b) partly through indemnification of the returnable assets at the end of the concession arrangement, to be received directly from the concession authority or to whom it delegates this task.

We did not therefore identify any sign of impairment and consequently no provision was made in the financial years ended December 31, 2019 and 2018. The assets’ values under construction are subject to ANEEL's supervision.

(a) Balances from the obtaining the control of Alagoas energy distributor, Equatorial Alagoas. See details in note 3.1 - Business combinations;

(b) Denotes the transfers of contract assets to intangible assets in service and concession financial assets;

(c) Interest on Works in Progress - JOA, for the financing taken out, the interest, monetary variance and exchange variance incurred until the asset starts operating should comprise the historical cost of the asset, and should only be recorded in assets up to the regulatory Weighted Average Cost of Capital - WACC (or incurred if they are lower than the regulatory WACC); and

(d) Special obligations substantially refer to funds from the Federal, State and Municipal Governments and consumer shares linked to utility concession investments.

17 Trade payables

	Parent Company		**Consolidated**	
	2019	**2018**	**2019**	**2018 ***
Current				
Electricity sales to distributors (a)	-	-	889,825	599,451
Electricity network usage charge	-	-	72,659	50,842
Materials and services (b)	2,081	993	920,819	870,204
Free electricity pass-through	-	-	19,174	18,809
Guarantees	-	-	30,390	20,331
Related-party transactions (d)	-	-	1,037	-
Provision for trade payables (c)	-	-	35,112	40,573
Total	2,081	993	1,969,016	1,600,210
Noncurrent				
Electricity network usage charge	-	-	-	6,879
Materials and services	-	-	7,094	6,840
Total	-	-	7,094	13,719
Total	2,081	993	1,976,110	1,613,929

(a) During the fiscal year ended on December 31, 2019 there was an increase in costs in availability of thermo plants that were transferred to the distributor to meet market demand. Expenses with electricity agreements had an average cost of R$ 192.88 in 2019 and R$ 174.88 in 2018, and hence 2019 had a larger expense with payments in connection with the variable portion of thermo plants. Furthermore, there was the balance from obtaining the control of Alagoas energy distributor, Equatorial Alagoas, for R$ 176,979.

(b) The balance refers substantially to suppliers of materials and services regarding the concession's infrastructure investments that subsidiaries have been undertaking during the fiscal year;

(c) Sums related to an improved management estimate of sums due to sundry suppliers, for which invoices had not been received until closing of the fiscal year; and

(d) Sums in connection with related parties, as in explanatory note no 12.

(*) Restatement among groups, balances "warranties" and "supplier provision" of R$ 20,331 and 40,573 respectively were previously in "other accounts payable" and were restated to "suppliers" in order to improve comparability with the current fiscal year.

18 Loans and borrowings

18.1 Balance breakdown

	Guarantees	Parent Company 2019 Average cost of the debt (% p.a.)	Principal and interest Current	Noncurrent	Total	Parent Company 2018 Average cost of the debt (% p.a.)	Principal and interest Current	Noncurrent	Total
Domestic currency									
Promissory note (a)	-	6.41%	507,358	-	507,358	6.88%	834,166	-	834,166

	Guarantees	Consolidated 2019 Average cost of the debt (% p.a.)	Principal and interest Current	Noncurrent	Total	Consolidated 2018 Average cost of the debt (% p.a.)	Principal and interest Current	Noncurrent	Total
Foreign currency (USD)									
CCBI Citibank	Parent company aval	6.74%	7,602	1,284,299	1,291,901	7.39%	7,101	1,062,420	1,069,521
Morgan	-	-	-	-	-	5.27%	137	12,895	13,032
Total foreign currency			7,602	1,284,299	1,291,901		7,238	1,075,315	1,082,553
Domestic currency									
Eletrobras	Receivables	7.11%	278,260	2,124,748	2,403,008	7.83%	1,062,024	1,154,021	2,216,045
IBM	-	5.96%	2,975	-	2,975	7.19%	1,665	-	1,665
BNDES	Parent company aval + Receivables + Investment + Share Pledge	8.74%	170,350	2,713,636	2,883,986	7.88%	165,635	472,171	637,806
Banco do Brasil	Parent company aval + Statutory Lien	5.99%	734	273,663	274,397	4.50%	1,930	1,173	3,103
BNB	Guarantee + Investment + Share Pledge	6.23%	16,247	1,165,411	1,181,658	-	-	-	-
Sudene	-	-	-	-	-	8.37%	7,735	258,826	266,561
Cash	Parent company aval+Receivables+ Investment	6.00%	10,379	67,601	77,980	6.32%	14,540	112,886	127,426
Finep	Parent company aval+Receivables	4.00%	161		161	4.00%	646	160	806
CCEE/RGR/ANEEL	Receivables	5.00%	-	2,269,112	2,269,112	5.00%	154	1,006,178	1,006,332
Santander	Parent company aval	6.83%	151,323	200,000	351,323	7.43%	7,302	200,000	207,302
Votorantim	Aval+Statutory Assignment	4.50%	125	-	125	4.50%	454	125	579
Promissory note	-	6.60%	1,105,414	569,013	1,674,427	7.07%	1,030,478	952,326	1,982,804
Subtotal			1,735,968	9,383,184	11,119,152		2,292,563	4,157,866	6,450,429
(-) Arrangement costs			(1,290)	(23,239)	(24,529)		(1,396)	(2,436)	(3,832)
(-) Adjustment to present value			-	(1,281,570)	(1,281,570)		-	(669,319)	(669,319)
Total local currency			1,734,678	8,078,375	9,813,053		2,291,167	3,486,111	5,777,278
Total			1,742,280	9,362,674	11,104,954		2,298,405	4,561,426	6,859,831

(a) Funds secured in a series of R$ 500,000 were allocated to the ordinary management of the Company, in order to settle part of the debit balance of this Company's 2nd promissory note issuance. Promissory note secured at the rate of 107.5% of the CDI rate with bullet amortization, maturing on September 20, 2020. As of December 31, 2019, the remaining balance is R$ 507,358. The effective interest rate on this operation is 6.41% p.a.

As of December 31, 2019, the amounts in consolidated loans and financing have an average cost of 8.27% pa, equivalent to 138.75% of the CDI (7.77% p.a., equivalent to 121% of the CDI rate at December 31, 2018).

18.2 Debt amortization schedule

At December 31, 2019 the installment payments under the primary loans and financing agreements were as follows:

Parent Company

The Parent company's entire debt is recorded under current due to short-term maturities.

Consolidated

	2019	
Due date	Amount	%
Current	1,742,280	17%
2021	1,949,923	19%
2022	1,598,396	16%
2023	1,087,226	11%
2024	860,849	0%
2024 onwards	5,171,089	50%
Subtotal	10,667,483	96%
Arrangement costs/AVP (Noncurrent)	(1,304,809)	(13%)
Noncurrent	9,362,674	83%
Total	11,104,954	100%

18.3 Change in debt

Changes in balances of loans and financing are as follows:

Parent Company

	Domestic currency		
	Current liabilities	**Noncurrent liabilities**	**Total**
Balances as of December 31, 2018	834,166	-	834,166
Inflows	-	500,000	500,000
Charges	48,178		48,178
Transfers	500,000	(500,000)	-
Amortization of principal	(820,000)	-	(820,000)
Interest payments	(54,986)	-	(54,986)
Balances as of December 31, 2019	507,358	-	507,358

Consolidated

	Domestic currency		Foreign currency (USD)		
	Current liabilities	Noncurrent liabilities	Current liabilities	Noncurrent liabilities	Total
Balances as of December 31, 2018	2,291,167	3,486,111	7,238	1,075,315	6,859,831
Acquisition (a)	194,419	2,688,361	-	1,853	2,884,633
Inflows (b)	150,000	4,185,751	-	842,500	5,178,251
Charges	392,365	145,342	50,738	-	588,445
Monetary and exchange variance	31,475	31,637	132,754	(80,052)	115,814
Transfers	1,789,012	(1,789,012)	555,317	(555,317)	-
Amortization of principal	(2,557,160)	(83)	(688,071)	-	(3,245,314)
Interest payments	(593,384)	-	(50,374)	-	(643,758)
Arrangement costs (c)	20,510	(18,775)	-	-	1,735
Adjustment to present value (d)	16,274	(650,957)	-	-	(634,683)
Balances as of December 31, 2019	1,734,678	8,078,375	7,602	1,284,299	11,104,954

(a) Balances from the obtaining the control of Alagoas energy DisCo, Equatorial Alagoas. See details in note 3.1 - Business combinations;

(b) The change is due basically to the subsidiary Equatorial Transmissão entering into SPES:
A loan agreement was entered into on June 19, 2018 with the subsidiary SPE01 and Banco do Nordeste do Brasil S.A. – BNB, of which the security includes a bank guarantee and a reserve account. The proceeds involved are intended to provide credits for the Company’s normal management with funds provided by Fundo Constitucional de Financiamento do Nordeste – FNE, at the rate of IPCA + 2.076% p.a. spread, with an applicable 15% reduction of the spread as a compliance bonus, to mature in July 2038. During the current fiscal year, a R$ 65,449 disbursement took place on May 21, with another totaling R$ 161,687 on June 28. As of December 31, 2019, the balance is R$ 290,469. The effective interest rate on this operation is 6.15% p.a.

A loan agreement was entered into on June 19, 2018 with the subsidiary SPE02 and Banco do Nordeste do Brasil S.A. – BNB, of which the security includes a bank guarantee and a reserve account. The proceeds involved are intended to provide credits for the Company’s normal management with funds provided by Fundo Constitucional de Financiamento do Nordeste – FNE, at the rate of IPCA + 2,076% p.a. spread, with an applicable 15% reduction of the spread as a compliance bonus, to mature in July 2038. During the current fiscal year, a R$ 66,050 disbursement took place on May 21, R$ 119,264 on July 31 and R$ 49,511 on November 29. As of December 31, 2019, the balance is R$ 321,478. The effective interest rate on this operation is 6.15%.

A loan agreement was entered into on June 19, 2018 with the subsidiary SPE01 and Banco do Nordeste do Brasil S.A. – BNB, of which the security includes a bank guarantee and a reserve account. The proceeds involved are intended to provide credits for the Company’s normal management with funds provided by Fundo Constitucional de Financiamento do Nordeste – FNE, at the rate of IPCA + 2,076% p.a. spread, with an applicable 15% reduction of the spread as a compliance bonus, to mature in July 2038. During the current year a R$ 82,227 disbursement took place July 02, with another totaling R$ 167,693 on November 1º. As of December 31, 2019, the balance is R$ 349,421. The effective interest rate on this operation is 6.15% p.a.

On April 02, 2019 the subsidiary SPE04 entered into the financing agreement with the National Bank for Economic and Social Development - BNDES. The funds raised were used to invest in the transmission line venture, incurring interest of IPCA price index + 5.32% p.a. and maturing in December 2042. During the current fiscal year, a R$ 167,722 disbursement took place on May 10, R$ 97,414 on June 27 and R$ 35,665 on September at 16. As of December 31, 2019, the balance is R$ 722,009. The effective interest rate on this operation is 8.79%.

A loan agreement was entered into on December 19, 2018 with the subsidiary SPE05 and Banco do Nordeste do Brasil S.A. – BNB, of which the security includes a bank guarantee and a reserve account. The proceeds involved are intended to provide credits for the Company’s normal management with funds provided by Fundo Constitucional de Financiamento do Nordeste – FNE, at the rate of IPCA + 2,5707% p.a. spread, with an applicable 15% reduction of the spread as a compliance bonus, to mature in July 2038. During the current year a R$ 53,028 disbursement took place on February 22, a R$ 25,766 disbursement took place on July 15, R$ 52,549 on July 31 and R$ 70,140 on November 12. As of December 31, 2019, the balance net of the borrowing cost is R$ 199,417. The effective interest rate on this operation is 6.53% p.a.

On April 02, 2019 the subsidiary SPE06 entered into the financing agreement with the National Bank for Economic and Social Development - BNDES. . The funds raised were used to invest in the transmission line venture, incurring interest of IPCA price index + 5.32% p.a. and maturing in December 2042. During the current fiscal year, a R$ 18,812 disbursement took place on May 15, R$ 22,702 on September 16 and R$ 63,024 on November 14. As of December 31, 2019, the balance is R$ 227,601. The effective interest rate is 8.42% p.a.

On December 28, 2018 the subsidiary SPE07 entered into a financing agreement with Banco do Brasil via the pass-through of funds from the Amazon Development Fund ("FDA"), on the terms approved by SUDAM – Amazônia Development Department. The first tranche was released of R$ 76,238 on November 07, 2019, used to invest in the transmission line venture, incurring interest of IPCA price index + 1.6% p.a., with final maturity on October 30, 2038. As of December 31, 2019, the balance is R$ 77,045. The effective interest rate is 6%p.a.

On October 30, 2019 the subsidiary SPE07 received an inflow of R$ 150,000 from a CCB with Banco Santander, used in the normal management of the Company, incurring interest of 113% of the CDI rate and with final maturity on October 27, 2020. As of December 31, 2019, the balance is R$ 151,283. The effective interest rate is 6.73% p.a.

On December 28, 2018 the subsidiary SPE08 entered into a financing agreement with Banco do Brasil via the pass-through of funds from the Amazon Development Fund ("FDA"), on the terms approved by SUDAM – Amazônia Development Department. The first tranche was released of R$ 194,112 on November 07, 2019, used to invest in the transmission line venture, incurring interest of IPCA price index + 1.6% p.a., with final maturity on October 30, 2038. As of December 31, 2019, the balance is R$ 196,166. The effective interest rate is 6% p.a.

The subsidiary entered into a promissory note public distribution, placement and coordination contract on November 22, 2019, in a single series. Incurs CDI + 0.5% p.a. maturing on January 26, 2020. As of December 31, 2019, the balance is R$ 150,664. The effective interest rate on this operation is 6.49% p.a.

(c) Denotes the change in transaction/borrowing cost or AVP, which when positive means amortization and when negative addition; and

(d) Amounts from the acquisition of credits on Equatorial Alagoas' CCEE debt, where the interest was renegotiated at 5% p.a. Pursuant to CPC Technical Pronouncement 46 - Measurement of fair values, the Company recognized AFV of R$ 650,957 as of March 31, 2019 using as a discount rate a rate that reflects the risk and terms of the funding available in the market for the Company. At December 31, 2019 the balance of this AFV is R$ 634,683, with total amortizations in 2019 of R$ 16,274.

18.4 Covenants and guarantees for loans and financing

The loans and financing taken out by the Company and the direct subsidiaries Equatorial Maranhão, Equatorial Pará, Equatorial Piauí, Equatorial Alagoas and Intesa and the indirect subsidiaries SPE Transmissoras 1, 2, 3, 4, 5, 6, 7 and 8 are unsecured or have financial guarantees (real and/or personal) and financial and non-financial covenants, where failure to perform during the accrual period can trigger early maturity of the contracts. In the financial year ended December 31, 2019, the Company and its subsidiaries remained within the contractual financial covenants, as shown below:

Parent Company

Covenants Promissory Notes (NP)	**3rd NP**
1st Net Debt/Adjusted EBITDA: <=4.5	1.9

Direct and indirect subsidiaries

Equatorial Maranhão - Covenants Promissory Notes (NP)	**1st NP**
1st Net Debt/Adjusted EBITDA: <3.25	1.1
2nd adjusted EBITDA/Net financial expense: >1.5	67.8

Loan Covenants	**BNDES I**	**BNDES II**
1st Net debt/EBITDA: <=4.0	1.2	1.3
2nd Net Debt/(Net Debt + SE) : <=0.7	0.3	0.3

Loan Covenants	**Santander**	**Citibank**
1st Net debt/EBITDA: < 3.5	2.2	2.3

Loan Covenants	**BNDES**
1st Net debt/EBITDA: <=4.0	2.8
2nd Net Debt/(Net Debt + SE) : <=0.7	0.5

Equatorial Piauí

Loan Covenants	**BNDES**	**Citibank**
1st Net debt/EBITDA: < 4.5	2.1	2.0

Equatorial Alagoas

Loan Covenants	**BNDES**
1st Net debt/EBITDA: < 4.5	2.1

SPE 08

Covenants Promissory Notes	**1st NP**	**2nd NP**
1st Net Debt/Adjusted EBITDA: <=4.5	1.9	1.9

19 Debentures

19.1 Change in debt

The change in debentures in the year can be seen below:

Parent Company

	Current liabilities	**Non-current liabilities**	**Total**
Balances as of December 31, 2018	14,112	1,248,331	1,262,443
nflows	-	1,000,000	1,000,000
Charges	91,278	-	91,278
Interest payments	(93,467)	-	(93,467)
Monetary variance	-	4,099	4,099
Arrangement costs (a)	978	(1,477)	(499)
Transfer Equatorial Distribuição (b)	-	(1,000,000)	(1,000,000)
Transfers	(1,279)	1,279	-
Balances as of December 31, 2019	11,622	1,252,232	1,263,854

	Parent Company		
	Current liabilities	**Non-current liabilities**	**Total**
Balances as of December 31, 2017	3,269	800,195	803,464
Inflows	-	448,400	448,400
Charges	69,248	-	69,248
Interest payments	(57,505)	-	(57,505)
Monetary variance	-	4,142	4,142
Arrangement costs	(900)	(4,406)	(5,306)
Balances as of December 31, 2018	14,112	1,248,331	1,262,443

(a) Denotes the change in transaction/borrowing cost or AVP, which when positive means amortization and when negative addition; and

(b) Refers to the Fourth Issue Simple Debentures dated November 1, 2019, in the form of a public placement of simple debentures non-convertible into shares, of the unsecured type and single series, of a total sum of R$ 1,000,000.00 to mature in January 2020, and at a contractual rate of 106% of the CDI rate. The proceeds were intended to carry out usual management of the Company's business affairs, to replenish the cash position and to pay short-term liabilities obtained for investments in asset acquisitions. Liabilities by the Deed were transferred from Equatorial Energia to Equatorial Distribuição, which now appears as Issuer of the Debentures, and Equatorial Energia appears as the Issue's guarantor, as approved by the Board of Directors of Equatorial Energia at a meeting held on November 5, 2019. Following the Investment Agreement between Equatorial Energia and Itaú Unibanco S.A., and the subscription and payment of the preferred shares by Itaú issued by Equatorial Distribuição in the amount of R$ 1,000,000 as of November 13, 2019, the Fourth debenture issuance was settled early in its entirety.

Parent Company							**At December 31, 2019**	
Issuance	**Feature**	**Series**	**Issuance Value**	**Nominal Cost**	**Date of Issue**	**Maturity**	**Balance net of borrowing cost**	**Effective cost**
2nd	(1)/(3)/(4)/(5)	1st	695,500	CDI + 1.6% p.a.	Dec/17	Nov/22	696,233	7.66%
2nd	(1)/(3)/(4)	2nd	104,500	IPCA + 5.77% p.a.	Oct/18	Nov/24	113,693	10.33%
3rd	(1)/(3)/(4)	Single	448,400	CDI + 1.3% p.a.	Oct/18	Oct/24	453,928	7.34%
4th	(1)/(3)/(4)	Single	1,000,000	106% of CDI	Nov/19	Jan/20	Settled on 13 Nov/19	

(1) Public simple debenture issuance

(2) Private simple debenture issuance

(3) Nonconvertible into shares

(4) Ordinary

Consolidated

	Consolidated		
	Current liabilities	**Non-current liabilities**	**Total**
Balances as of December 31, 2018	505,464	4,170,885	4,676,349
Inflows	-	1,595,000	1,595,000
Charges	351,764	20,036	371,800
Transfers	202,038	(202,038)	-
Amortization of principal	(608,328)	-	(608,328)
Interest payments	(356,395)	-	(356,395)
Monetary variance	39,421	8,712	48,133
Arrangement costs (a)	10,319	(33,411)	(23,092)
Balances as of December 31, 2019	144,283	5,559,184	5,703,467

	Consolidated		
	Liabilities current	**Liabilities non-current**	**Total**
Balances as of December 31, 2017	213,812	2,793,186	3,006,998
Inflows	-	2,233,400	2,233,400
Charges	252,500	-	252,500
Transfers	861,214	(861,214)	-
Amortization of principal	(629,186)	-	(629,186)
Interest payments	(219,684)	-	(219,684)
Monetary variance	33,189	8,741	41,930
Arrangement costs	(6,381)	(3,228)	(9,609)
Balances as of December 31, 2018	505,464	4,170,885	4,676,349

(a) Denotes the change in transaction/borrowing cost or AVP, which when positive means amortization and when negative addition.

On December 31, 2019 Group companies, including the parent company, accounted for eighteen issues in force. In the course of 2019 five issues were paid off and/or redeemed:

Company	Issuance	Feature	Series	Issuance Value	Nominal Cost	Date of Issue	Final Maturity	At December 31, 2019 Balance net of borrowing cost	Effective cost
EQUATORIAL PARÁ	1st	(2) (3) (4)	Single	100,000	IPCA + 9.00% p.a.	Aug/16	Jul/19	Settled on 19 Jul/19	
EQUATORIAL PARÁ	2nd	(2) (3) (4)	1st	60,000	IPCA + 8.04% p.a.	Dec/16	Jan/24	71,289	12.70%
EQUATORIAL PARÁ	2nd	(2) (3) (4)	2nd	23,000	IPCA + 7.00% p.a.	Dec/16	Jan/24	26,726	11.61%
EQUATORIAL PARÁ	3rd	(1) (3) (4) (5)	1st	199,069	IPCA + 6.70% p.a.	Dec/16	Dec/21	219,025	11.30%
EQUATORIAL PARÁ	3rd	(1) (3) (4) (5)	2nd	100,931	IPCA + 6.87% p.a.	Dec/16	Dec/23	111,205	11.48%
EQUATORIAL PARÁ	4th	(1) (3) (4)	Single	500,000	116% of CDI	Dec/16	Dec/19	Settled on 16 Dec/19	
EQUATORIAL PARÁ	5th	(1) (3) (4)	1st	543,033	CDI + 1.1% p.a.	May/18	Apr/23	548,679	7.13%
EQUATORIAL PARÁ	5th	(1) (3) (4)	2nd	456,967	CDI + 1.30% p.a.	May/18	Apr/23	455,814	7.34%
EQUATORIAL MARANHÃO	4th	(1) (3) (4)	2nd	178,620	IPCA + 5.90% p.a.	Sep/12	Jun/20	92,772	10.46%
EQUATORIAL MARANHÃO	6th	(1) (3) (4)	Single	20,000	113.2% of CDI	Oct/14	Oct/19	Settled on 14 Oct/19	
EQUATORIAL MARANHÃO	7th	(1) (3) (4) (5)	1st	155,000	IPCA + 5.48% p.a.	Nov/16	Oct/21	174,111	10.03%
EQUATORIAL MARANHÃO	7th	(1) (3) (4) (5)	2nd	115,000	IPCA + 5.54% p.a.	Nov/16	Oct/23	123,533	10.09%
EQUATORIAL MARANHÃO	8th	(1) (3) (4)	1st	500,000	107% of CDI	Sep/17	Sep/22	507,245	6.38%
EQUATORIAL PIAUÍ	1st	(1) (3) (4)	Single	400,000	109.8% of CDI	Dec/18	Dec/21	401,235	6.54%
EQUATORIAL PIAUÍ	2nd	(1) (3) (4)	Single	620,000	CDI + 1.10% p.a.	May/19	May/23	622,243	7.13%
SPE 1	1st	(1) (3) (4) (5)	Single	55,000	IPCA + 4.85% p.a.	Feb/19	Jan/33	56,179	9.39%
SPE 2	1st	(1) (3) (4) (5)	Single	45,000	IPCA + 4.85% p.a.	Feb/19	Jan/33	45,947	9.39%
SPE 3	1st	(1) (3) (4) (5)	1st	45,000	IPCA + 4.80% p.a.	Feb/19	Jan/33	48,453	9.34%
SPE 3	1st	(1) (3) (4) (5)	2nd	45,000	IPCA + 4.65% p.a.	Feb/19	Jan/34	43,218	9.18%
SPE 5	1st	(1) (3) (4) (5)	Single	66,000	IPCA + 4.85% p.a.	May/19	Apr/39	64,995	8.42%
SPE 7	2nd	(1) (3) (4) (5)	1st	185,000	114.6% of CDI	May/18	Nov/19	Settled on 20 Nov/19	
SPE 7	2nd	(1) (3) (4) (5)	2nd	130,000	IPCA + 4.85% p.a.	May/19	Apr/39	134,271	8.42%
SPE 8	1st	(1) (3) (4) (5)	1st	102,000	IPCA + 4.85% p.a.	Apr/19	Apr/39	106,314	8.42%
SPE 8	1st	(1) (3) (4) (5)	2nd	87,000	IPCA + 4.85% p.a.	Apr/19	Apr/39	80,463	8.42%
INTESA	1st	(1) (3) (4) (5)	1st	100,000	IPCA + 5.42% p.a.	Nov/18	Oct/25	101,899	9.96%
INTESA	1st	(1) (3) (4) (5)	2nd	100,000	CDI + 2.2% p.a.	Nov/18	Oct/25	Settled on 24 May/19	
INTESA	2nd	(1) (3) (4)	1st	250,000	109% of CDI	Mar/19	Mar/24	253,379	6.50%
INTESA	2nd	(1) (3) (4)	2nd	150,000	CDI + 1.10% p.a.	Mar/19	Mar/26	150,618	7.13%

(1) Public simple debenture issuance
(2) Private simple debenture issuance
(3) Nonconvertible into shares
(4) Ordinary
(5) Incentivized debentures

Issuers of incentivized debentures, pursuant to article 2 of Law No. 12,431 dated June 24, 2011, amended by Decree No. 8,874 dated October 11, 2016, under the National Monetary Council's Resolution no. 3,947 dated January 27, 2011 January 2011, mandatorily require applying all the funds raised through the Debenture Issues in covering expenses already incurred and/or to be incurred in connection with Projects Qualified by the MME- Ministry of Mines and Energy, in which there are no defined deadlines for investing such funds.

19.2 Debt amortization schedule

Parent Company

	2019	
Maturity	**Amount**	**%**
Current	11,622	1%
2022	695,500	55%
2023	56,942	5%
2024 onwards	504,394	40%
Noncurrent	1,256,836	99%
Arrangement costs (Noncurrent)	(4,604)	0%
Total noncurrent	1,252,232	99%
Total	1,263,854	100%

Consolidated

	2019	
Maturity	**Amount**	**%**
Current	144,283	3%
2021	815,674	14%
2022	1,533,158	27%
2023	1,682,488	29%
2024	336,166	6%
2024 onwards	1,238,680	22%
Noncurrent	5,606,166	98%
Arrangement costs (Noncurrent)	(46,982)	(1%)
Total noncurrent	5,559,184	97%
Total	5,703,467	100%

19.3 Covenants

The debentures involve certain covenants without guarantees or with financial guarantees (real and/or personal) which, if breached, could result in the accelerated maturity of the contracts. In the financial year ended December 31, 2019, the Company and its subsidiaries remained within the contractual financial covenants, as shown below:

Parent Company

Covenants debentures	**2nd debentures**	**3rd Debentures**
1st Net Debt/Adjusted EBITDA: <=4.0	1.9	1.9

Direct and indirect subsidiaries

Equatorial Maranhão

Covenants debentures	**4th debentures**	**7th debentures**	**8th debentures**
1st Net debt/ Adjusted EBITDA: <=3.25	1.1	1.1	1.1
2nd EBITDA/Net financial expense: >=1.5	67.8	67.8	67.8

Equatorial Pará

Covenants debentures	**2nd debentures**
1st Net Debt/Adjusted EBITDA: <3.5	2.8
2nd adjusted EBITDA/Net financial expense: >2	6.7

Covenants debentures	**3rd Debentures**
1st Net Debt/Adjusted EBITDA: <3.5	2.2
2nd adjusted EBITDA/Net financial expense: >=1.5	8.2

Covenants debentures	**5th debentures**
1st Net Debt/Adjusted EBITDA: < 4	2.2

Equatorial Piauí

Covenants debentures	**1st Debentures**	**2nd debentures**
1st Net Debt/Adjusted EBITDA: <4.0	1.9	1.9

INTESA

Covenants debentures	**1st Debentures**	**2nd debentures**
1st Net Debt/Adjusted EBITDA: <4.5	0.7	0.7

Transmission

	SPE 01	SPE 02	SPE 03	SPE 05	SPE 07	SPE 08
Covenants debentures						
1st Net Debt/Adjusted EBITDA: <=4.5	1.9	1.9	1.9	1.9	1.9	1.9

20 Taxes and contributions payable

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Current				
ICMS (a)	-	-	384,563	421,352
ICMS – financing (b)	-	-	16,008	3,058
Federal PRT financing ©	2,338	2,338	2,338	19,704
PIS and COFINS	227	223	88,027	74,219
PIS and COFINS – financing	-	-	19,911	18,864
INSS on services	-	-	331	-
Social charges and other	188	199	27,712	31,951
ISS	2	4	25,462	31,991
Other	6	5	-	-
Total	2,761	2,769	564,352	601,139
Noncurrent				
ICMS (a)	-	-	122,956	-
FGTS financing	-	-	2,268	2,948
PIS and COFINS – financing	-	-	39,349	56,026
IC–S - financing (b)	-	-	67,670	35,418
ISS	-	-	3,096	2,713
Total	-	-	235,339	97,105
	2,761	2,769	799,691	698,244

(a) During the fiscal year ended December 31, 2019, the sum of R$ 384,563 in ICMS tax was assessed as payable for the energy distribution activity by its subsidiaries;

(b) The change is basically due to the subsidiary Equatorial Pará, which enjoys installments granted by the State of Pará Executive Secretary for Finance, resulting from current ICMS liabilities in which the change is due to concurrence with a new ICMS tax installment plan in February 2019, the last installment being due on January 31, 2024, and settlement of other installment arrangements will occur on July 31, 2031. This balance is adjusted through the Special Settlement and Safekeeping Syst–m - SELIC plus 1% interest; and

The declining balance is mainly due to subsidiary Equatorial Piauí, which paid off Tax Settlement Progr–m - PRT installments in April 201

(c) 9.

Financed ICMS payment schedule	2019	
	Amount	**%**
Current	16,008	19%
2021	14,557	17%
2022	14,557	17%
2023	10,506	13%
2024 onwards	28,050	34%
Noncurrent	67,670	81%
Total financed ICMS	83,678	100%

21 Deferred income tax and social contributions

21.1 Breakdown of deferred income and social contribution tax

(i) Breakdown of consolidated deferred taxes

	2019	**2018**
Tax loss	123,694	183,018
Negative basis	26,529	43,815
Origination and reversal of temporary differences		
Provision for contingencies	159,494	78,003
Allowance for doubtful accounts	205,688	175,903
Provision for pension fund	12,367	14,872
Provision for profit-sharing	15,728	13,600
Construction cost – CPC 47/IFRS 15	1,362,466	-
New Replacement Value - VNR	1,552	-
Nontechnical losses	24,357	
Write-off of property, plant and equipment - Acquisition Equatorial Pará	24,866	-
Contingencies and debt charges - Acquisition Equatorial Pará, Equatorial Alagoas and Equatorial Piauí	107,934	-
Other accounts payable - PLPT - acquisition Equatorial Pará	9,150	-
Other temporary differences	16,468	3,427
Total	2,090,293	512,638
Credit liabilities on:		
Origination and reversal of temporary differences		
Accelerated depreciation	(624,932)	(554,313)
Restatement of Financial Assets	(223,577)	(136,491)
SWAP	(11,412)	(43,362)
Construction Revenue – CPC 47/IFRS 15	(2,187,705)	-
Lease - CPC 06(R2)/IFRS 16	(1,130)	-
Art. 69 of Law 12.973/2014 - Balance of fixed quota	(16,512)	
Adjustment to Present Value - AVP	(98,154)	(109,924)
Deferral public agencies	(9,382)	-
Revaluation of fixed assets	(48,564)	(57,579)
Actuarial provision	(3,675)	-
Reversal of provisions	(129,044)	-
Other nondeductible expenses	-	(17,743)
Intangible assets - concession - Acquisition Equatorial Pará	(26,368)	-
Other	(17,224)	(83,032)
Total	(3,397,679)	(1,002,444)
Total deferred tax liabilities recorded	(1,307,386)	(489,806)

Change in deferred taxes

		Recognition						
	2018	**Net income**	**Other comprehensive income**	**Shareholders' equity**	**Acquired in a business combination**	**Net amount**	**Deferred tax assets**	**Deferred tax liabilities**
IRPJ tax losses	183,017	(59,323)	-	-	-	123,694	123,694	-
Negative Base - CSLL	43,815	(17,286)	-			26,529	26,529	
Contingencies	78,003	23,033	-	-	58,458	159,494	159,494	-
Allowance for doubtful accounts	175,903	(7,705)	-	-	37,490	205,688	205,688	-
AVP - Adjustment to present value	(109,924)	11,821	-	-	(51)	(98,154)	-	(98,154)
Indexation of financial assets	(136,491)	(85,534)	-	-	-	(222,025)	-	(222,025)
Construction cost – CPC 47/IFRS 15	199,300	1,077,174	-	-	-	1,276,474	1,276,474	-
Leases - CPC 06 (R2)/IFRS 16	-	(636)	-	-	-	(636)	-	(636)
Accelerated depreciation	(554,313)	(70,619)	-	-	-	(624,932)	-	(624,932)

SWAP	(43,362)	31,950	-	-	-	(11,412)	-	(11,412)
Provision for pension fund	14,872	(2,505)	-	-	-	12,367	13,705	(1,338)
Provision for profit-sharing	13,601	2,127	-	-	-	15,728	15,728	-
Technical losses	-	-	-	-	24,357	24,357	24,357	-
Actuarial provision	-	-	(3,675)		-	(3,675)	-	(3,675)
Other	(14,366)	29,590	-	-	(15,844)	(620)	-	(620)
Construction Revenue – CPC 47/IFRS 15	(330,433)	(1,772,005)	-		-	(2,102,438)	-	(2,102,438)
CVA deferral	-	177,303	-	-	(177,303)	-	-	-
Deferral public agencies	-	-	-	-	(9,382)	(9,382)	-	(9,382)
IFRS 15	-	725	-	-	-	725	725	-
IFRS 16	-	(494)	-	-	-	(494)	-	(494)
Art. 69 of Law 12.973/2014 - Balance of fixed quota	-	-	-	-	(16,512)	(16,512)	-	(16,512)
Write-off of deferred assets	-	(129,044)	-	-	-	(129,044)	-	(129,044)
Write-off of property, plant and equipment - Acquisition EQTL Pará	28,143		-		-	28,143	28,143	-
Contingencies and debt charges - Acquisition EQTL Pará, Alagoas and Piauí	40,703	18,773	-	48,522	-	107,998	107,998	-
Other accounts payable - PLPT - acquisition EQTL Pará	9,150		-		-	9,150	9,150	-
Intangible assets - goodwill concession - Acquisition EQTL Pará	(29,845)		-		-	(29,845)	-	(29,845)
Revaluation reserve	(57,579)	9,015	-	-	-	(48,564)	-	(48,564)
Total	(489,806)	(763,640)	(3,675)	48,522	(98,787)	(1,307,386)	1,991,685	(3,299,071)

21.2 Expected recovery - Carryforward of tax loss and negative base

Based on technical feasibility studies, subsidiary Management estimates that these tax credits of the indirect subsidiary Equatorial Maranhão can be realized by 2020 and Equatorial Pará's by 2021, as shown below:

Prospect of realization	**R$**
Deferred income and social contribution taxes realizable by 2020	12,645

On December 31, 2019 indirect subsidiary Equatorial Maranhão had a realizable sum of R$ 12,645 in deferred taxes on tax losses and negative base. Realization projections for deferred income tax assets considered SUDENE tax benefits of a 75% reduction in IRPJ rate, effective until 2027.

Prospect of realization	**2020**	**2021**	**Total**
Deferred income and social contribution taxes	71,885	65,723	137,578

On December 31, 2019 the subsidiary Equatorial Pará had a realizable balance of R$ 137,357 in deferred taxes on tax losses and negative base. Realization projections for deferred income tax assets considered SUDAM tax benefits of a 75% reduction in IRPJ rate, effective until 2027.

A technical feasibility study, which includes the recovery of deferred taxes and is revised on an annual basis, was prepared by the Company and reviewed by the Audit Committee and approved by the Company's Board of Directors on March 13, 2020 for the outstanding balances at December 31, 2019.

On December 31, 2019 the subsidiaries Equatorial Piauí and Equatorial Alagoas had a realizable sum of R$ 1,007,981 and R$ 1,197,317 in deferred taxes on tax losses and negative base.

21.3 Reconciliation between the income and social contribution tax expense

The reconciliation of expenses, calculated by applying the relevant tax rates and the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) expense charged to consolidated profit or loss during the financial years ended December 31, 2019 and 2018, is shown below:

Parent Company

	2019		2018	
	IRPJ	**CSLL**	**IRPJ**	**CSLL**
Profit before income (IRPJ) and social contribution (CSLL) taxes	2,415,630	2,415,630	917,935	917,935
Statutory rate	25%	9%	25%	9%
Calculated at the tax rate	603,908	217,407	229,484	82,614
Additions:				
Provision for profit-sharing	123	-	2,338	842
Equity income	152,172	54,826	20,393	7,341
Fines and penalties for violations	-	-	2	1
Other provisions	2,435	877	767	276
	154,730	55,703	23,500	8,460
Exclusions:				
Equity income	(796,042)	(286,575)	(309,921)	(111,571)
Other provisions	(91)	(33)	(121)	(43)
	(796,133)	(286,608)	(310,042)	(111,615)
Negative IRPJ and CSLL base	(37,495)	(13,498)	(57,058)	(20,541)
Total IRPJ and CSLL in profit or loss for the year	-	-	-	-

Consolidated	2019		2018	
	IRPJ	**CSLL**	**IRPJ**	**CSLL**
Profit before income (IRPJ) and social contribution (CSLL) taxes	3,680,059	3,680,059	1,295,549	1,295,549
Statutory rate	25%	9%	25%	9%
Calculated at the tax rate	920,015	331,205	323,887	116,599
Additions:				
Provision for contingencies	93,250	33,569	178,779	64,360
Asset revaluation	6,629	2,386	6,967	2,508
Expected allowance for possible loan losses	686,736	247,225	324,708	116,894
Adjustment to present value	197,116	70,961	13,564	4,883
SWAP variance	24,645	8,872	16,253	5,851
Additions due to construction cost – CPC 47/IFRS 15	872,772	314,195	-	-
Profit sharing, fees and license premium	4,345	1,564	6,028	2,170
Provision for profit-sharing	2,731	939	12,338	4,442
Provision for asset recovery	-	-	4,254	1,531
Fines and penalties for violations	305	110	13,282	4,782
Equity income	152,172	54,826	20,393	7,341
Construction cost – CPC 47/IFRS 15	197	70	-	-
Leases - CPC 06 (R2)/IFRS 16	1,585	571	-	-
Provision for pension fund	(1,842)	(663)	10,935	3,937
Nontechnical losses	-	-	33,701	12,132
Funding cost and restatement of financial asset	2,074	747	26,588	9,571
Accelerated depreciation	25,252	-	-	-
CVA deferral	(7,191)	(2,589)	-	-
Revenue appropriation government agency - IN 68/82	(2,967)	(1,068)	-	-
Other provisions	97,113	34,793	421,402	162,940
	2,154,922	766,508	1,089,192	403,342
Exclusions:				
Provision for contingencies	(45,498)	(16,379)	(138,354)	(49,807)
Allowance for doubtful accounts	-	-	-	(82,688)
Expected allowance for possible loan losses-PECLD	(733,826)	(264,178)	(33,668)	(12,120)
Profit sharing, fees and license premium	-	-	(8,354)	(3,008)
Adjustment to present value	(167,751)	(60,390)	(168,733)	(60,744)
Energy efficiency research and development	(5,499)	(1,980)	(4,004)	(1,441)
SWAP variance	(45,842)	(16,503)	(40,943)	(14,739)
IFRS 15	(85)	(30)	-	-
IFRS 16	(2,229)	(803)		
Provision for pension fund	-	-	(10,804)	(3,889)
Provision for profit-sharing	-	-	(10,331)	(3,719)
Provision for asset recovery	(1,954)	(703)	(4,254)	(1,531)
Funding cost and restatement of financial asset	(25,714)	(9,257)	(220,845)	(79,477)
Equity income	(140,706)	(50,652)	(87,931)	(42,861)

R&D incentive	(1,068)	(384)	-	-
Accelerated depreciation	(95,871)	-	(62,200)	-
Exclusions due to recognition of contract asset – CPC 47/IFRS 15	(1,400,065)	(504,021)	-	-
CVA deferral	113,436	40,837	-	-
New Replacement Value - VNR	1,141	411	-	-
Deferral public agencies	5,225	1,881	-	-
Other provisions	(77,063)	(27,034)	(79,911)	(29,314)
	(2,623,369)	(909,185)	(1,100,022)	(385,339)
IRPJ and CSLL before tax incentives	451,567	188,528	313,057	134,602
Offsetting negative basis	(96,994)	(30,953)	(55,685)	(13,157)
PAT Incentive	(6,053)	-	(4,146)	-
Incentive for extended maternity leave	(211)	-	(62)	-
Prior year IRPJ expense	-	-	-	25
(+) IRPJ government subsidy	(305,096)	-	(228,798)	-
Current IRPJ and CSLL on P&L for the year	43,213	157,574	24,366	121,470
Deferred IRPJ and CSLL on income for the year	584,623	179,017	(48,088)	36,741
Total IRPJ and CSLL in profit or loss for the year	627,836	336,591	-	-
Effective rate for deferred tax assets	17%	9%	(2%)	12%

21.4 Breakdown of taxes and contributions payable and deferred

	2019	**2018**
Liabilities		
Deferred PIS on construction revenue (a)	(122,909)	(63,088)
Deferred COFINS on construction revenue (a)	(563,050)	(92,839)
PIS on CVA (b)	(28,449)	-
COFINS on CVA (b)	(131,038)	-
Other deferred taxes	(12,451)	(12,991)
Total deferred tax liabilities	(860,503)	(168,918)

(a) The deferral of PIS and COFINS is related to 9.25% of construction revenue. The settlement of this deferred obligation will occur as the subsidiaries Equatorial Transmissão and INTESA receive the counterpart determined in the concession agreement. In 2018, the deferral of PIS and COFINS of the subsidiary Equatorial Transmissão and INTESA was R$ 100,960 and R$ 54,967; and

(b) The deferred PIS and COFINS calculation of the subsidiary Equatorial Alagoas calculated on asset and liability provisions (cash effect).

22 Dividends

The Company's Bylaws state that shareholders are ensured a minimum mandatory dividend of 25% of the net income, restated according to the legislation in force and deducted from the amounts allocated by the General Meeting.

The dividends were calculated as follows:

	2019	**2018**
Net income for the year	2,415,630	917,935
(-) Legal reserve	(120,781)	(45,897)
(-) Unrealized profit reserve	(1,004,755)	(109,659)
Adjusted net income	**1. 290,094**	**762,379**
Minimum mandatory dividends	322,523	190,595
Additional dividends proposed	-	-
Proposed dividends	322,523	190,595

The Board of Directors approved the declared dividends at the Board of Directors' meeting held May 22, 2020.

The change in dividends payable is as follows:

Balance at December 31, 2017	234,834
Additional dividends for 2018	3,835
Dividend payments	(238,563)
Proposed dividends 2019	190,595
Balance at December 31, 2018	190,701
Additional dividends for 2019	889
Dividend payments	(191,532)
Proposed dividends 2020	322,523
Balance at December 31, 2019	322,581

23 Energy efficiency research and development

The concession agreement requires the distribution and transmission subsidiaries to invest 1% of net operating revenue in Research and Development and Energy Efficiency Programs (R&D), where part should be paid to the National Scientific and Technological Development Fund (FNDCT) and part to the Ministry of Mines and Energy (MME).

The R&D funds are used to pay for planning research and studies for the expansion of the energy system in addition to those to use hydroelectric potential.

Charged against the entries made in liabilities, the Company records this in profit and loss as a deduction from operating revenue.

The Company used the SELIC base interest rate to restate the accumulated balances not invested in short and long-term, in accordance with the ANEEL manual.

Distribution of the funds	**Percentage distribution of ROL**[i]	**2019**	**2018**
Electrical efficiency program	0.40%	254,237	184,902
Research and development	0.20%	171,583	136,218
FNDCT	0.20%	4,907	1,032
MME	0.10%	2,446	742
PROCEL	0.10%	26,116	16,453
Total		459,289	339,347
Current		272,806	151,271
Noncurrent		186,483	188,076

The balances presented in current liabilities denote the amounts that will be invested in the projects the following year, in accordance with the projections approved by Management.

[i] The Net Operating Revenue – ROL used is the regulatory revenue.

24 Profit sharing

The company and its subsidiaries' profit-sharing program are a corporate program linked to EBITDA (earnings before interest, taxes, depreciation and amortization) and a number of other operational and financial indicators of the Company and its subsidiaries. The program assesses the performance of the CEO, senior managers, managers, executives and employees and has consistently increased employee engagement in improving the company and its subsidiaries' operating performance. At December 31, 2019 the provision for profit-sharing is R$ 17,466 (R$ 15,824 at December 31, 2018) and the provision for the subsidiaries is R$ 132,664 as of December 31, 2019 (R$ 84,292 as of December 31, 2018).

25 Payables from judicial reorganization

On December 1, 2014, the Belém 13th Civil Court Judge decreed, based on Articles 61 and 63 of Law 11,102/05, after a decision by the Court Administrator and the Public Prosecutor, the end of Equatorial Pará’s judicial recovery. This sentence puts an end to the court’s follow-up stage of compliance with the plan and removes legal restrictions on the recovery. The recovery plan negotiated and approved by the creditors during the proceedings remains fully valid and enforceable, which means that the special conditions agreed on for liabilities will remain in effect. These liabilities will only end on their full compliance.

The decision to terminate is taking effect normally, but has not been definitely judged yet as it has been the subject of two appeals, filed by creditors Petróleo Brasileiro S/A and Pine S/A; the appeal questions R$ 250 in interest and fines resulting from a delay regarding payment of the appellant’s installments in Petrobrás Distribuidora’s account. The principal amounts were settled, with only the issue on interest and inflation updating pending. In November 2017 the company undersigned an agreement with Banco Pine, which ended up in the withdrawal of its appeal and the closing sentence. The other appeal relates solely to payment of interest and inflation updating in compliance with the plan’s liabilities. Pursuant to the matter, we believe that this appeal’s likelihood of success of is remote, as supported by a Legal Opinion from the legal counsel in charge of the suit. We believe that the matter will be considered within a period of 24 to 36 months, when conclusion of the court recovery will be definitely judged.

25.1 Debt breakdown

	2019	2018
Current		
Sector charges	1,428	-
Financial creditors (a)	20,847	17,116
Total	22,275	17,116
Noncurrent		
Operational creditors (b)	-	42,540
Inter-company	83,669	82,490
Financial creditors (a)	1,050,581	1,008,129
(-) Adjustment to present value (c)	(284,626)	(318,905)
Total	849,624	814,254
Total	871,899	831,370

(a) This is the group of creditors which include: (i) public or private financial institutions; (ii) holders of credits deriving from financial or bank transactions, including but not limited to Bonds and derivatives credits, which may or may not underlie receivables.

(b) Amounts owed to Equatorial Pará's creditors including service providers, material suppliers, landlords and other creditors scheduled under the Judicial Reorganization Plan. As of December 31, 2019, the Company had written off the balance (R$ 41,498), in view of the closing sentence having been rendered, which was subjected to two appeals. In one of the appeals an agreement was reached between the Company and the appellant, having been duly ratified by the recovery court, and hence the appeal filed became pointless and will not be judged by the Pará Court of Justice, while the second appeal refers to the incidence of interest and monetary restatement in connection with payments under the plan, and it is our understand that the chances of appeal's success are remote, given that the procedural occasion for this issue was when the judicial reorganization plan was ratified, rather than on conclusion of the proceedings. Therefore, as soon as this appeal is considered and adjudicated and the final judgment ensues, every credit qualification not yet decided on or in process will be converted into common shares, for which reason the Company believes that there is no need for maintaining a provision for new lawsuits; and

(c) As of December 31, 2019, the balance consists of: R$ 262,391 of loans and financing, R$ 22,234 inter-company (As of December 31, 2018, the balance of the adjustment to present value amounts to R$ 318,905, including R$ 281,208 of loans and financing, R$ 13,875 of operating creditors and R$ 23,822 inter-company).

The schedule of long-term payments under judicial reorganization relief is as follows:

	2019	
Maturity	**Amount**	**%**
Current	22,275	3%
2021	81,039	9%
2022	8,843	1%
2023	8,106	1%
2023 onwards	1,036,262	99%
Subtotal	1,134,250	130%
(-) Adjustment to present value (Noncurrent)	(284,626)	(3%)
Noncurrent	849,624	97%
Total	871,899	100%

25.2 Changes in payables under judicial reorganization relief

	2018*	**Interest and charges**	**Monetary and exchange variance**	**Amortization**	**Adjustment to present value**	**Write-offs (a)**	**2019**
Operational creditors	28,665	-	-	(1,041)	13,874	(41,498)	-
Intercompany	58,667	4,890	-	(2,283)	1,587	-	62,861
Financial creditors	744,038	57,040	17,753	(28,611)	18,818	-	809,038
Total	831,370	61,930	17,753	(31, 935)	34. 279	(41,498)	871,899

	2017	**Reclassification RJ**	**Interest and charges**	**Monetary and exchange variance**	**Amortization**	**Adjustment to present value**	**2018***
Operational creditors	49,697	82	-	-	(21,114)	-	28,665
Sector charges	2,915	-	-	8	(2,923)	-	-
Intercompany	52,540	-	4,615	-	-	1,512	58,667
Financial creditors	868,915		52,599	11,854	(235,954)	46,624	744,038
Total	974,067	82	57,214	11,862	(259,991)	48,136	831,370

(a) The write-off of R$ 41,498 has no cash effect, as it is a write-off of operating credits as mentioned in item "b" of note 0; and

(b) See note 12– Related-party transactions.

26 Sector charges CCC – Equatorial Pará

The Fossil Fuel Consumption Account was created by Decree 73102 on November 7, 1973 for the purpose of consolidating the apportionment of the fuel consumption costs of thermal power generation in islanded systems, especially in the North of Brazil. Act 12111 was promulgated on December 9, 2009 to provide reimbursement for electric power generation costs in Islanded Systems, including the cost of contract power supply and contract power related to own generation for servicing power distribution utilities, power sector charges and taxes and capital expenditure, which reimbursement is made through the "CCC" account. Among the sums refunded by the Fossil Fuel Consumption Account - CCC are taxes (ICMS, PIS and COFINS) not offset on fuel and electricity purchases.

As of December 31, 2019, Equatorial Pará has a credit at CCC of R$ 105,467. The credits above are registered at their historical amount. No records of charges for late pass-throughs of costs to customers were recorded.

Among the sums refunded by the Fossil Fuel Consumer Account - CCC are taxes (ICMS, PIS and COFINS) not offset on fuel and electricity purchases, but as provided for in §§10 and 11 of Art. 36:

"Beneficiaries of CCC and the Coal Sub-account will be entitled to a cost refund arising from non-offset ICMS and PIS/PASEP and COFINS credits related to the monthly expenditures with fuels and contracts calculated based on energy actually generated and measured in the SCD, pursuant to the terms and conditions defined in this Resolution.

§ 10. The monthly differences in refunds of non-recovered tax credits from one fiscal year will be calculated by May 15 of the year following the accrual year, considering that each monthly installment should be updated using the respective IPCA index.

§ 11. CCEE shall establish in the Sectoral Accounts Procedure the appropriate procedures for refunding to CCC or to the beneficiary of the differences found in the use of ICMS and of PIS/PASEP and COFINS credits for the preceding fiscal year". (ANEEL REN 801/2017).

With regard to the refund, at that time handled by Eletrobras, Equatorial Pará received the refund of such taxes credited on fuel purchases for electricity generation in isolated systems, there being on December 31, 2019 the sum of R$ 360,139 (R$ 349,874 on December 31, 2018). Nonetheless, Eletrobras has not defined a specific procedure for the refund of such taxes, even when notified by Equatorial Pará. Hence on September 29, 2016, by means of Correspondence no. 530/2016 - SFF (Superintendence of Economic and Financial Inspection), ANEEL started an inspection procedure on funds managed by Eletrobras, and therefore these sums are awaiting this inspection's conclusion.

Equatorial Pará estimates that the inspection proceedings will be finalized between 2021 and 2022, yet ANEEL has not determined the deadlines for the inspection's conclusion.

	2019	**2018***
Current		
CCC Sector charges	-	349,874
Noncurrent		
CCC Sector charges	360,139	-
(-) Acquisition of CCC fuel	(105,467)	-
Total	254,672	349,874

(*) Restating between groups, previously in "other accounts payable", for CCC sectoral charges, for the purpose of an improved comparison with the current year.

27 Provision for civil, tax, labor and regulatory claims (Consolidated)

The Company and its subsidiaries are party (as defendant) to judicial and administrative proceedings in courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues. Management recorded the following provisions in amounts considered sufficient to cover probable estimated losses from the current actions based on previous information from its legal advisers, an analysis of pending legal proceedings, and previous experience with regards to the amounts claimed, as follows:

	2019		2018	
	Provisão	**Judicial deposits**	**Provision**	**Judicial deposits**
Civil	755,197	154,900	316,520	55,008
Tax	236,299	56,790	42,871	37,854
Labor	294,629	90,537	175,042	59,412
Regulatory	6,122	-	8,946	-
PPA Equatorial Pará	-	-	266,903	-
Total	1,292,247	302,227	810,282	152,274
Current	254,775	3,052	47,236	4,068
Noncurrent	1,037,472	299,175	763,046	148,206

Based on business combination accounting rules, the Company assessed the fair values of every contingency detected on the base of those acquired, regardless of the likelihood of their materializing, which created a net effect of R$ 111,526 on December 31, 2019. The key lawsuits still in progress and that involve this business combination, are described in the Civil and Labor items respectively. General details about the business combination can be seen in note 3.1.

Changes in proceedings in the year (Consolidated)

	2018	2019					
	Balance	**Acquisition of business (1)**	**Additions (2)**	**Usage (3)**	**Reversal of provision (4)**	**Indexation (5)**	**Balance**
Civil	419,332	163,380	210,992	(133,925)	(86,994)	182,412	755,197
Tax	205,797	13,984	13,491	(4)	(4,245)	7,276	236,299
Labor	176,207	179,633	102,123	(175,272)	(62,825)	74,763	294,629
Regulatory	8,946	-	-	(3,372)	-	548	6,122
Total	810,282	356,997	326,606	(312,573)	(154,064)	264,999	1,292,247

	12/31/2017	12/31/2018					
	Balance	**Acquisition of business (6)**	**Additions (2)**	**Usage (3)**	**Reversal of provision (4)**	**Indexation (5)**	**Balance**
Civil	133,913	71,094	184,468	(141,847)	(97,902)	166,794	316,520
Tax	27,681	28	14,940	(36)	(5)	263	42,871
Labor	42,169	125,147	24,364	(14,635)	(76,039)	74,036	175,042
Regulatory	8,377	-	-	-	-	569	8,946
PPA Pará	266,903	-	-	-	-	-	266,903
Total	479,043	196,269	223,772	(156,518)	(173,946)	241,662	810,282

(1) Balances from the obtaining the control of Alagoas energy DisCo, Equatorial Alagoas. See details in note 3.1 - Business combinations;
(2) Contingencies provisioned for in the year
(3) Effective expense (payments) on judicial contingencies.
(4) Reversals made in the year.
(5) Monetary restatement; and
(6) Balances arising from the control of Equatorial Piauí on October 17, 2018.

Civil

The Company and its subsidiaries are defendants in 45,001 civil proceedings as of December 31, 2019 (44,659 claims as of December 31, 2018), including 16,099 cases being heard by special courts (27,654 as of December 31, 2018) and largely relating to claims for property and moral damages as well as reimbursement of amounts paid by consumers.

The most significant civil proceedings involve claims for damages relating to injuries involving the distribution system, power outages, deaths from electric shock or damages arising from the termination of contracts with suppliers.

In addition to the processes provisioned for, other civil contingencies amounting to R$ 4,589,040 as of December 31, 2019 (R$ 1,313,695 at December 31, 2018) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of the subsidiaries, for which provisions have been recognized.

	2019	2018
Civil contingencies (probable chance of defeat)		
Failure in supply (i)	100,350	29,544
Incorporation of grid	4,227	-
Reimbursement of works	21,827	-
Death by electrocution	109,720	37,064
Incorrect collection (a) (h)	133,766	71,310
Contractual adjustment	6,058	-
Questioned fraud (b)	44,531	20,945
Collection	1,270	-
Undue cut-off	12,491	7,642
Accident involving a third party	44,463	30,314
Lack of service	18,466	68,852
Breach of contract (f)	121,851	24,904
SPC/SERASA	2,775	-
Fire	5,872	1,947
DNAEE Ordinance	2,308	225
Accidents with animals	1,621	-
Electrical damage	738	-
Nonelectrical damage	1,030	-
Easement	1,027	-
Regulatory (e)	88,083	-
Other (c)	32,723	23,773
Total	755,197	316,520

	2019	2018
Civil contingencies (possible chance of defeat)		
Indemnity for material damage	3,932,397	-
Failure in supply (1)	570	153,387
Adjusting grid	30,000	-
Death by electrocution	13,258	10,512
Tenders	2,631	-
Accident involving a third party	5,209	25,833
Breach of contract (d) (g)	253,534	297,062
Relisting of public lighting	7,633	-
Collection	317	-
Accidents with animals	237	-
Fire	27,922	27,880

DNAEE Ordinance	12,330	10,255
Incorrect collection (j) (k)	178,725	137,652
Burnt out equipment	1,256	-
Questioned fraud	1,681	148,844
Undue cut-off	2,045	48,667
Lack of service	6,455	159,620
Regulatory (e)	92,097	-
Electrical damage	5	-
Other (m)	20,738	293,983
Total	4,589,040	1,313,695

Main civil matters	Description
Breach of contract	Claims concerning the breaking of a contract entered into between the Company and Service Providers.
Death by electrocution	Claim concerning an accident involving a community person, that has resulted in death - except for an employee or outsourced worker.
Incorrect collection	Any claim that concerns complaints from clients over charges they believe to be undue.
Failure to supply	Claim concerning the occurrence of material and moral damages arising from the failure to supply electrical energy as well as power fluctuations or shortages. Cases involving death and accidents are excluded.
Accident involving a third party	Any claim covering an accident involving a community person - excluding employees and outsourced workers - unless resulting in death.
Questioned fraud	Consumer action questioning the attribution of unregistered consumption by the concession operator and requesting annulment of the charge.
Reimbursement of a Work Project	Plea filed for the return of the sums disbursed on the electrical installations performed privately and that should be incorporated into the energy concession operator’s assets.
Lack of service	Claim involving an error on the part of the company’s commercial or technical areas.
Undue cut-off	Any demand that concerns a complaint by clients owing to the suspension of supply, except for situations in which they are in default.

(a) Equatorial Pará is a party in a claim filed by “*Serviço Autônomo de Água e Esgoto* (SAAE)” in Santa Isabel do Pará, registered under number 0801302-24.2017.8.14.0049 (probable risk, zero provision), in which the object is the addressing of the possible suspension of supply of the plaintiff’s contract accounts.

In summary, it alleges that Equatorial Pará divided past debts into installments (R$ 1,335) and included the arrangement in question into the regular monthly consumption. Due to this, the monthly sum of the invoices had surpassed the total revenue of SAAE, which made payment impossible.

With the bills in arrears, they received a second notification of expiry, with the real possibility of suspension of the energy supply, meaning the plaintiff requested (i) complete abstention from cutting the supply, since this concerns a unit involved in the supply of a service essential to the public and (ii) in terms of merit, that Equatorial Pará be prevented from including any charges or fines relating to the facts outlined in the initial claim in the entity’s consumption bills, as well as confirmation of the obligation to not cut the Municipality’s water services.

The process is currently in its concluding phase awaiting a decision following SAAE’s attachment of a reply to the challenge on 29-Sept-18.

The claim is classified as a punitive action (in which only a mandatory injunction is addressed), with a probable risk of loss and a provisional sum equal to zero, since a possible definitive decision would require Equatorial Pará to just separate the installment of the prior debt from the Plaintiff’s current energy consumption bills and cease from suspending the supply, both obligations entailing no cost whatsoever.

It is important to stress that, despite the plaintiff opposing the suspension of the supply and inclusion of the arrangement in the bills, this process does not address the sums referring to the previous arrangement or the monthly consumption bills, but rather solely its exclusion from the monthly bills for separate payment (possible risk). The risk of probable loss is justified, therefore, by the existence of jurisprudence that does not permit the suspension of supply to units that provide services that are essential to the public. Likewise, there is no associated provision since there is no litigation relating to the obligation to pay in any way, nor cancellation or revision of the bills.

(b) Equatorial Pará is a party in a claim filed by the Municipality of Altamira, registered under number 0006926-88.2018.8.14.0005 (probable risk, zero provision), the object of which is litigation over the validity of an unregistered consumption bill issued by the concession operator in June 2016, in the sum of R$ 1,007 and, in November of the same year, in the sum of R$ 460, against the municipality.

In this action, the following claims have been filed: full abstention from charging and inclusion of the debtor in debt blacklists in relation to the questioned debt and, in relation to the merit, the declaration of the non-existence of the issued invoices, with calculation of the real amount being considered as due from the plaintiff.

The process is currently at a halt awaiting the beginning of the cognizance phase.

These invoices have arisen from the extension of the area of public lighting performed by the Municipality, without the involvement of the concession operator, with the aim of lighting the temporary communities and buildings erected for the Belo Monte power-station works. These sums, even if revised, will not be canceled since the amount of consumption was greater than that contracted, since new ‘IP’ points were included without this addition to the normal invoice having been informed. The Company and the Municipality have been in discussion until the present day in an attempt to find a solution to bring the dispute to an end.

The claim is classified as a punitive action, with a probable risk of loss and a provisional sum equal to zero, considering the possibility of the invoices being revised, as well as the intention stated in the pleas included in the plaintiff’s initial claim seeking solely the imposition of a mandatory injunction on the company, without any order to provide any financial disbursement.

(c) Equatorial Pará is a party in process no. 0031306-39.2012.4.01.3900 (possible risk, with a value of R$ 88,000), filed by the Federal Public Prosecutor’s Office (MPF), the object being the request for suspension of Resolution nº 3731/2012 – ANEEL that authorized Equatorial Pará to designate the resources gained from compensations due to violation of the individual continuity limits (DIC, FIC, DMIC), as well as those relating to the steady state level of voltage (DRP and DRC), relating to the period of February 2012 to August 2015, for investments in the concession area.

In its defense, Equatorial Pará claimed the legality of the agency’s authorizing act due to the lack of formal defects, since it was issued in benefit of the Concession and with the productive purpose of improving the quality of the services provided to the public, and allowing the resumption of investments in a concession operator that is undergoing an operational and financial crisis (evocation of the principle of the prevalence of public interest over private interest). Likewise, Equatorial Pará refuted the suggestion of illegal enrichment, considering the regulation imposed by the agency in the Resolution.

ANEEL itself also defended the legality of its regulatory act in the process, stressing that the resolution was in the best interest of the consumers, allowing for a quicker improvement in the quality of the services than had existed in the previous compensation system.

These arguments were first filed with the Regional Federal Court which, under appeal, suspended the partially granted injunctive relief. Subsequently, these arguments led to the publication of a decision by the Federal Judiciary of Belém-PA, stating an entire lack of grounds, with there still pending the decision on the appeal filed by the MPF, with prevention of involvement of the same Panel of the TRF1 which has already considered the legal issue under the Interlocutory Appeal.

Despite the lower court decision of complete lack of grounds, Equatorial Pará continues to classify the claim as having possible risk, since there is no guiding jurisprudence on the issue in the superior courts. Equatorial Pará and its legal consultants believe that, despite the classification of possible risk, the decision of lack of grounds tends to remain unchanged in the Superior Courts, since the effective period of ANEEL’s Authorizing Resolution, that was questioned by the MPF, has expired, producing all the intended effects, with the notable increase in the quality of the provision of the concession, which strengthens the defense arguments of both Equatorial Pará and the agency.

In relation to the estimated financial loss, it is estimated that the remote hypothesis of the demand being deemed to have grounds would mean a net liability of devolution to the consumers (A) of approximately R$ 41,067 (A=B-C). These sums arise from the subtraction of the sums owed as compensation (B), that, duly updated amount to R$ 272,546, which, if grounds are recognized, should be returned to the consumers following subtraction of the sums relating to recognition of the assets performed in the concession with these compensations (C), meaning a revenue from the tariff - as calculated by Equatorial Pará - of at least R$ 231,479.

It should finally be stressed that any possible change in the position of the judiciary in the process would not result in a direct financial disbursement to this Company, but rather compensation of these sums in the consumers’ invoices. It is estimated that the judicial proceeding should still take between 24 and 36 months to reach a final decision on the merit, considering that the parties will certainly take the matter to the superior courts (STJ and STF) for review. Only after this period would the parties start any possible litigation for settlement and compensation of the sums, with any execution being remote in a scenario involving 48 months.

(d) Equatorial Pará is a party in process no. 0026675-52.2013.8.14.0301 (possible risk, with a value of R$ 192,792) involving the rescission of a contract and indemnification for material and moral damages filed by the company named Cred New Recuperação de Ativos e Serviços Ltda. In this claim, the company alleges that the contract was broken due to part of the contracted services allegedly having been transferred to third party companies, whilst its revenue had been destabilized by the failure to deliver extemporaneous materials and payments, which culminated in the impossibility of fulfilling the works and services contract entered into with Equatorial Pará. It has therefore requested the indirect rescission of the contract and indemnification for moral and material damages, in the total sum of R$ 181,792.

In its defense, Equatorial Pará claims that the non-compliance with the contract was the sole fault of the plaintiff, which falsified the truth and has filed litigation in bad faith, since the payments for the services provided were made to the plaintiff correctly and on time. The company also claims that reports were delivered, and services provided, whilst there was no act or omission that could imply material or moral damages or undue application of a contractual fine.

In February 2019, a decision was proffered on this process, with the judge of the lower court accepting the defense's arguments, believing that the plaintiff had not provided evidence of its allegations, and that Equatorial Pará had not performed any act that could justify the obligation to indemnify the plaintiff. All the claims were deemed to be without grounds.

The process is currently awaiting an appeal decision at the Court of Appeal of Pará.

The claim is classified as having a possible risk of loss and a provisional value of R$ 192,792. It is estimated that the process will probably not receive a definitive decision within at least thirty-six months.

(e) Equatorial Pará is a party in process no. 0009205-05.2010.8.14.0301 (possible risk, provisional sum involved of R$ 1,400), with the plaintiffs being Agropecuária Rio do Ouro and Equibal Rodrigues de Almeida, and the object being a claim for indemnification for moral, material and lease-related damages concerning the area where the electricity network was constructed to meet the demands of the 'Luz Para Todos' program and which had led to those who occupied the location remaining there.

In its defense, the company argued the existence of an express order from the Special Department of the State of Pará that the neighboring network mentioned in the claim was extended to meet the needs of the local public due to the prevalence of public interest over private interest, as well as the strict compliance with the legal responsibilities in accordance with art. 31 of Law 8987/1995, which would dismiss any allegation of the practicing of an illegal act. Likewise, it defended the regular fulfillment of the concession agreement entered into with the Union, meaning, therefore, that there does not exist a duty to indemnify any of the plaintiffs. Finally, it filed a request for termination of the dispute with the State Government.

Following the cognizance phase, in which the government also participated, the defense arguments presented were not accepted and, in 2018, a convicting decision was proffered establishing indemnification for moral damages for the two plaintiffs at the total sum of R$ 1,400, with a sum for material damages also included, this relating to the leases on the area where the electricity network had been installed, such to be calculated in the liquidation phase. As a result of this decision, an appeal was filed which has been awaiting a decision from the State Court of Appeal since July of the abovementioned year.

It is estimated that the judicial proceeding should still take between 24 and 36 months to reach a final and unappealable decision on the merit, considering that the parties will certainly take the matter to the superior courts (STJ and STF) for review. Only after this period will the court records be forwarded for settlement of the sum established in the judgment decision and the execution of the sum of the estimated loss will start. Any definitive demand for disbursement occurring within the abovementioned 36 months is unlikely.

(f) Equatorial Piauí is a party in a claim filed by Construtora Gautama (probable risk, provisional sum involved - R$ 61,240) under way before the 2nd Civil Court of Teresina and registered under number 0009370-47.2010.8.18.0140, the object of which is the regularity of the unilateral rescission of a contract.

In brief, it is alleged that Equatorial Piauí unjustifiably rescinded the contracts as a result of a Federal Police operation and, as a result of this, is requesting indemnification for material damages, lost profits and a readjustment of prices.

The process is currently in a state of conclusion with the Reporting Judge, whilst it is also important to mention that the Appeal filed by Equatorial Piauí was received with remanding and suspensive effects. As such, the effect of the decision that ordered the company to pay the specified amount is suspended.

The claim is classified as having probable risk and a total provisional value of R$ 61,240, considering the updating of the sum established in the decision.

(g) Equatorial Piauí is a party in a claim filed by Moana - Premoldados e Construções Ltda. under way before the 2nd Civil Court of Teresina, registered under number 0006504-37.2008.8.18.0140 (probable risk, provisional sum involved of R$ 10,000), the object of which is supposed non-compliance with a contract.

In brief, it is alleged that Equatorial Piauí was late in making payment of works invoices and, as a result of this, is requesting indemnification for moral and material damages to be settled.

The process is currently pending analysis of the Appeal. There exists a previous decision ordering the company to pay moral and material damages to be settled.

The claim is classified as having probable risk and a total provisional sum involved of R$ 10,000, considering the proffered decision and the reiterated position of the local Judiciary.

(h) Equatorial Piauí is a party in a claim filed by the Municipality of Água Branca and others that is under way before the 2nd Court of the Actions of the Treasury of Teresina, registered under number 0012732-04.2003.8.18.0140 (probable risk, provisional sum involved of 38,080), the object of which is the supposed undue charging of sums.

In brief, it is alleged that Equatorial Piauí offset sums of a greater value in the Tax Credit Operation entered into with the State and, as a result, is requesting the devolution of the sums allegedly overpaid, as well as refunding of the overpayment of these sums.

This process is currently in its pre-trial phase, awaiting the performance of an expert report.

The claim is classified as having probable risk and a total provisional sum involved of R$ 38,080, considering the position taken by the Judiciary in a similar process.

(*) The subsidiary is a party in process number 0037357-09.2015.4.01.3400, the plaintiff in which is the union named '*Sindicato dos Trabalhadores nas Indústrias Urbanas do Estado do Piauí*' (SINTEPI), and the object is the payment of sums relating to the share quota of the company for the Defined Paid Benefits Plan relating to the period that the employer's contributions were not made and indemnification for damages caused to the participants of the plan.

In its defense, the subsidiary company argued the existence of material *res judicata*, the Union's lack of standing to sue, the ineptitude of the initial claim, the limitation period, the regularity of the payment of the plan and the non-existence of moral damages.

The process is in the pre-trial phase. The contingency is classified as having possible risk, with long-term enforceability and an updated sum involved of R$ 119,474.

In the acquisition process, the fair value calculated in the combination of business performed by the Company, on December 31, 2019, was R$ 97,720.

(i) Equatorial Alagoas is a party in a Public Civil Action filed under number 0000687-73.2010.8.02.0202 (probable risk, provisional sum involved - 6,383), managed by the Municipal Government of Água Branca under the argument that Equatorial Alagoas should be forced to perform maintenance and adaptation work on the electricity network that serves the inhabitants of different towns in the geographical region of Água Branca, such being Pipoca, Covões de Baixo, Cansanção, Barrados, Cal, Estrito, Jardim, Lagoa das Pedras, Moreira de Baixo, Olho D'Água das Pedras, Papaterra, Queimadas, Serra do Cavalo, Sítio Alto da Boa Vista, Sítio Caixãozinho, Sítio Cansanção, Sítio Conceição, Sítio Olaria, Sítio Tamandaré, Sítio Mercador, Tabuleiro and Povoado Várzea do Pico.

A preliminary decision was proffered establishing a period of 7 days for presentation of a plan for the regularization of the supply and adaptation of the network, with 60 days established for completion of the activities.

In an interlocutory appeal the injunction was modified to extend the period for completion of the plan to up to 100 days.

On November 16, 2011, Equatorial Alagoas filed its statement in the court records informing the court that the improvement plan had been completed. The municipality presented its statement alleging the non-completion of the plan, requesting the imposition of the established fine and continuation of the action with grounds.

A decision was proffered ordering Equatorial Alagoas to execute works for the replacement of wooden posts with concrete posts, revision of all the wiring in the Municipality, trimming the trees, replacement of any equipment or devices that may possibly be in a precarious state, such as wires, crosspieces, insulators, fuse switches and knife keys throughout the energy distribution network and, moreover, to proceed with the transmission installations in accordance with the instructions of the network procedures, with the currently applicable regulations and with any which may come to be issued by ANEEL or the ONS (National Electric System Operator).

On January 21, 2019, a decision was proffered declaring the notification of the enforceable decision to be null and establishing a new period for presentation of an appeal. In this decision, the judge's decision was based upon the occurrence of an error in the procedure adopted by the previous judge, which could result in the annulment of the lower court decision.

In February 2019 an appeal was filed of a request with a suspensive effect in relation to the injunction proffered, in order to avoid the incidence of the previously established fine. The plaintiff municipality did not file counter-arguments.

On May 13, 2019, Equatorial Alagoas filed a request for the granting of a stay of proceedings in relation to the appeal, that was listed under Process no. 0802674-23.2019.8.02.0000. The appeal and the request for a stay of proceedings are currently pending analysis by the Court of Appeal. The claim is classified as probable.

(j) Equatorial Alagoas is the defendant party in the Public Civil Action filed under number 0038260-55.2015.8.07.0001 (possible risk, sum involved - R$ 3,896,213), initially under way before the 18th Civil Court of Brasília, filed by the National Consumers Association (ANDECO) to the detriment of Eletrobras Amazonas, Eletrobras Acre, Eletrobras Alagoas, Celg, Eletrobras Piauí, Eletrobras Rondônia and Eletrobras Roraima, with the sum of R$ 27,079,631 being attributed to the claim, resulting from the sum of the amounts supposedly owed by the respondents, with the specific historical sum arbitrated/alleged to Equatorial Alagoas being R$ 1,948.106.

The action addresses the apportionment in the tariff of amounts relating to non-technical losses, requesting reimbursement in double for the regular consumers of the sums paid between 2010 and 2014. The plaintiff further requests the annulment of all ANEEL resolutions that permit the inclusion of sums relating to technical and non-technical sums in the invoices.

The challenge was duly presented, and the preliminary injunction was denied by the court that initially handled the claim. Later, the process was redistributed to the 21st Federal Court of Brasília, under no. 0049984-11.2016.4.01.3400, with an initial court order maintaining the acts practiced through until now in the civil sphere and ordering the notification of ANEEL and the Union to present their defense, with a later reply from the plaintiff.

On October 8, 2019, the requests were deemed to lack grounds, with ANDECO filing a Motion for Clarification of Judgment, which was pending a decision on December 31, 2019. The process is classified as having a possible risk.

(k) Equatorial Alagoas is a party in a Public Civil Action filed under number 0004706-85.2006.8.02.0001 (possible risk, sum involved - R$ 12,175) filed by the Brazilian Association of Water and Electrical Energy Consumers (ASSOBRAEE), the object being the declaration of annulment of Ordinance numbers 38/86 and 45/86 published by DNAEE, as well as restitution of the overpayment. The amount of the matter under dispute presented in the plaintiff's complaint was R$ 12,175.

Equatorial Alagoas filed its defense, essentially alleging a lack of standing to sue, as well as that the application of the adjustments claimed was undue. A decision was proffered on June 5, 2019, deeming the claims to have partial grounds, and limiting a possible difference to the price freezing period (March to November 1986).

Considering the decision, a Motion for Clarification of Judgment was filed requesting that the Court issue a statement on the “lack of standing to be sued” of the plaintiff to represent Alagoas consumers and much fewer industrial users.

The court records are awaiting a decision on the appeal, which was pending on December 31, 2019. The process is classified as having a possible risk.

(l) Equatorial Alagoas is the defendant party in a process filed under number 0722838-08.2013.8.02.0001(possible risk; sum involved - R$ 12 in 2019 and R$ 4,347 in 2018), in which the Companhia de Abastecimento D´Água e Saneamento do Estado de Alagoas (Alagoas State Water and Sanitation Provision Company - CASAL) is claiming lost profits, arguing that the constant breaks in supply caused problems in the supply of water, thus leading to a financial loss in the order of R$ 4,346.

The challenge was duly filed, proposing, amongst other matters, the statute of limitations. The process is in the pre-trial phase, and the lower court has yet to reach a decision.

The process is classified as having a possible risk, in view of the fact that the lower court has still not proffered a decision and because of the matters addressed in the defense.

(m) Equatorial Alagoas is the defendant party in process number 0718697-38.2016.8.02.0001 (possible risk; sum involved - R$ 7 in 2019 and R$ 36,841 in 2018), filed by Monreal in which it is claiming indemnification for losses that had been caused by Equatorial Alagoas in its conducting of the contract entered into between the parties with a total sum of R$ 7,100, rescinded on January 15, 2012.

The challenge was duly filed, arguing, amongst other issues, the statute of limitations of the process.

It was determined that an expert evaluation should be performed, with Equatorial Alagoas challenging the proposal for expert fees presented. The process is still pending a decision over the expert fees for later performance of the expert report and continuity of the cognizance phase. The process is classified as having a possible risk, in view of the fact that the lower court has still not proffered a decision and because of the matters addressed in the defense.

Tax

The Company and its subsidiaries are defendants in 571 tax claims as of December 31, 2019 (316 as of December 31, 2018) amounting to R$ 236,299 (R$ 42,871 as of December 31, 2018).

In addition to the proceedings provisioned for, as mentioned earlier, other tax contingencies amounting to R$ 211,090 (R$ 84,386 at December 31, 2018) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of the subsidiaries, for which provisions have been recognized.

Tax contingencies (probable chance of defeat)	**2019**	**2018**
ISS	277	-
ICMS	31,236	4
CIP	203	-

Tax debit	1,749	-
PIS/COFINS	53,102	42,777
Economic plans	146,745	-
Other	2,987	90
Total	236,299	42,871

Tax contingencies (probable chance of defeat)	**2019**	**2018**
PIS/COFINS	7,227	28,208
ISS	2,720	373
ICMS	176,199	16,735
ICMS, PIS and COFINS	1,424	-
IPTU	19	-
ICMS, TUSD and TUST	350	-
CSLL, PIS and COFINS	377	-
Fine for infraction	7,833	-
PIS/COFINS pass-through on invoice	178	793
Tax debit	158	-
CIP	60	252
TIP	-	100
Other	14,545	37,925
Total	211,090	84,386

Main tax matters	Description
Economic plans	Any action regarding the effects of the Bresser plans.
ICMS	Any lawsuit requiring ICMS tax payment or that questions ICMS tax, excluding those lawsuits in which Equatorial is a defendant, in which the collection of ICMS tax on the contractual claim is questioned.

(a) Decree 8426/2015 came into force on April 1, 2015 which restored the PIS and COFINS rates on financial revenue. Equatorial Maranhão believes that this decree not only clearly violated the principle of legality in tax matters but also the noncumulative principle and art. 195 (9,12) of the Federal Constitution. In view of this, Equatorial Maranhão opted to provision and deposit in court the sums found.

PIS and COFINS contributions on financial income were questioned in court due to their unlawful collection, and Equatorial Maranhão opted to deposit the sums in court, such sums being fully secured.

Liabilities related to claims regarding economic plans have already been settled and are awaiting approval. With regard to ICMS tax claims. The cases found in the explanatory notes may be deemed relevant cases, albeit such credits are already broken down in installments or still in their administrative stage.

(b) The ICMS tax item refers to the recently acquired subsidiary Equatorial Alagoas, which is a party in a lawsuit regarding collection of an ICMS subclass (already in installments), as well as questioning still in the administrative stage, such as ICMS Subsidies/rate discounts; ICMS not highlighted during provision; ICMS: CIAP Tax credit; ICMS tax allegedly unpaid; ICMS and FECOEP not highlighted during provision. Administrative proceedings are expected to begin in the judicial sphere in the short and medium runs.

(c) Equatorial Alagoas is a party in lawsuit no. 0703311-94.2018.8.02.0001, in the case of ICMS Tax Enforcement on consumer subclass for a sum of R$ 53,487, already included in installment arrangements. Claim suspended, awaiting settlement of installments for extinction.

(d) Equatorial Alagoas is a party in administrative tax proceedings no.1500-41669/2017 (70.63802-003), in which it was assessed R$ 53,487 for allegedly failing to pay the portion related to rate discounts (subsidy) funded by CDE, during the fiscal period from 2/2013 to 9/2017, to consumers described in art. 1st of Decree Fed. 7.891/2013.

The claim was duly refuted, once that inclusion of the subsidy in the ICMS calculation base it was deemed undue. The tax authorities maintained the terms of the assessment in the first degree, considering valid the assessment notice. Ordinary Appeal was filed against decision 1500-041669/2017, which is pending judgment.

(e) Equatorial Alagoas is a party in administrative tax proceedings no.1500-39599 / 2017 (70.63802-002) valued at R$ 30,744, in which the Alagoas Tax Authorities, in order to safeguard its rights regarding expiry of the tax credit, filed AI 70.63802- 002, in compliance with court decision issued in lawsuit 0705560-57.2014.8.2.0001, issuing this Notice without penalties (assessed period from 6/1/2014 to 7/31/2017).

The Administrative judgment was considered impaired due to simultaneous court and administrative discussions on the matter covered in AI 70.63802-002.

During the appeal it was countered that the judgment should not be deemed prejudicial owing to the court discussion, as the suit was filed by a third party (CASAL) against the defendant, in disagreement with the normative assumption that provides as prejudicial a judgment owing to a court discussion. As for merit, the appeal was based on the lack of passive legitimacy by the assessed taxpayer, and CASAL should be the direct taxable party to whom the State should address the collection. Judgment pending.

(f) Equatorial Alagoas is a party in tax administrative proceedings no. 1500.004831/2018 (70.66638-003) assessed at R$ 5,582, in the case of a tax assessment due to the taxpayer’s alleged failure to pay ICMS tax on the supply of electricity to CASAL during the period 12 - 8/2017 in compliance with a court decision in a lawsuit filed by CASAL, aiming at the tax credit’s non-expiry, in accordance with information provided to the tax authorities under ICMS tax agreement no. 115/2003.

Equatorial Alagoas’ passive illegitimacy was questioned, as CASAL is the taxpayer. Furthermore, as Equatorial Alagoas is a public service concession operator, there is no lack of ICMS tax transfer to the tax authorities. On the contrary, by virtue of compliance with a court decision restricting the obligation to collect ICMS tax levied on invoices issued against the mentioned company, Equatorial Alagoas ceased charging this tax. Judgment pending.

(g) Equatorial Alagoas is a party in tax administrative proceedings no. 70.68297-001, valued at R$ 23,730, which sum refers to an entry in the ICMS Tax Calculation Ledger, which tax credit arises from acquisitions of property, plant and equipment of alleged sums different from those recorded in Digital Tax Bookkeeping - EFD, resulting in the suspected use of credit of a higher proportion.

A specialist’s investigation was requested, was approved and we have already appointed assistants and submitted questions on 1/2/2020. Notice of a date for the investigation is expected.

Labor

The labor liabilities as of December 31, 2019 of the Company and its subsidiaries currently consist of 4,110 claims (4,631 claims at December 31, 2018) or R$ 339,459 (R$ 175,042 at December 31, 2018) brought by former employees against the Company and its subsidiaries, with claims ranging from overtime, hazardous work bonuses, salary equality and/or reclassification, occupational diseases/reintegration, CIPA stability and other claims, as well as claims brought by the former employees of service providers (subsidiary liability) largely seeking severance pay.

In addition to the proceedings provisioned for, as mentioned earlier, other labor contingencies amounting to R$ 78,138 (R$ 192,387 at December 31, 2018) have been rated by Management as having a possible likelihood of defeat, based on an assessment made by the Legal Departments and legal advisors of the subsidiaries, for which provisions have been recognized.

	2019	**2018**
Labor contingencies (probable chance of defeat)		
Overtime	28,452	17,040
Implementation positions, career and salaries plan	17,814	-
Joint liability	16,047	46,584
Occupational accidents	17,922	17,419
Occupational Illnesses	3,680	2,885
Bonus	1,340	-
Returning to employment	7,668	4,928
Pay rise	4,528	-
Working hours	1,716	-
Meal allowance	167	1,366
Sourcing	78	

Heavy work allowance	117,084	
Public procurements	3,722	-
FGTS	18,650	-
Health care plan	2,081	-
Voluntary severance	4,112	-
Severance pay	7,887	-
Life insurance	1,277	-
Provisional stability	235	1,467
Health hazard allowance	4,546	1,573
Moral harassment	70	-
Pain and suffering	5,120	3,970
Salary parity	1,848	-
PDI – Encouraged Redundancy Program	5,817	-
Disciplinary administrative proceeding	705	-
Other	22,063	77,810
Total	294,629	175,042

	2019	**2018**
Labor contingencies (possible chance of defeat)		
Overtime	2,067	2,519
Joint liability	44,633	90,431
Occupational accidents	4,751	14,961
Occupational Illnesses	872	1,873
Implementation positions, career and salaries plan	69	-
Returning to employment	566	430
Meal allowance	637	-
FGTS	399	-
Health care plan	101	-
Salary parity	4,494	-
Severance pay	1,164	-
Bonus	400	-
Illegal outsourcing	10,300	-
Health hazard allowance	182	595
Pain and suffering	4,205	1,913
Strikes	358	-
Other	2,940	79,667
Total	78,138	192,389

Main labor matters	Description
Meal allowance	Any claim with the chief purpose of requesting assistance with meals.
Occupational accidents	Any claim the purpose of which is the occurrence of occupational accidents involving company employees.
Overtime	Any claim with the chief purpose of requesting overtime pay.
FGTS	Any claim with the chief purpose of requesting severance (FGTS) payments or termination fines.
Implementation positions, career and salaries plan	Request for payment of sums due as a company staffing and compensation plan.
Joint liability	Any claim involving an outsourced company employee, with Equatorial included in the passive end as a subsidiarily or jointly liable party.

Transactions of account balances between 2018 and 2019 was influenced in Equatorial Alagoas by the Bresser Plan agreement. By means of a lawsuit filed by the Trade Union aiming to obtain salary differences resulting from implementing the so-called Bresser Plan, created under Decree-Law no. 2,335 dated June 12, 1987. The agreement was entered into for a total sum of R$ 356,000 payables in 18 installments over the period between April 2018 and November 2019, which the agreement was fully complied with and with payment of the 18th installment in November 2019.

(a) Equatorial Piauí, is part of proceedings 0001793-08.2012.5.22.0004, having as plaintiff the Union of Workers of the State of Piauí Urban Industries - (*Sindicato dos Trabalhadores nas Indústrias Urbanas do Estado do Piauí* - SINTEPI) the purpose of which is recognizing meal assistance as salary, payment of its effects over the unprescribed period and payment of meal assistance for the retired.

In its defense, the company countered that meal assistance was merely an indemnity in its nature and that the collective agreements expressly stated that this was a non-salary benefit.

Following a procedural instruction, the defense's arguments submitted were not accepted and in 2013 a sentence was rendered for payment of the sums excluded in May 2012 as meal assistance for those replaced, within forty-eight hours after this decision's definite judgment, in addition to court costs as well as 15% in attorneys' fees on the value of the sentence, under the same conditions as previously in effect until the date of inclusion in the paycheck, as well as the effects on vacations + 1/3, 13th salary, FGTS, overtime and other relevant wage components affected by the difference granted; the ruling also determined that the Respondent should ensure immediate payment of those replaced under the same conditions as previously effected of the sums excluded in May 2012 as meal assistance, forming a part of wages for all legal purposes and effects on vacations + 1/3, 13th wages, FGTS, overtime and other relevant wage components affected by the difference granted.

In view of the sentence, motions to clarify and subsequently a common appeal were filed. The ruling 22nd Region's Labor Court extended the sentence to the retired, granting them the same rights recognized by the latter for active employees.

In view of the sentence, motions to clarify and subsequently a review appeal were filed. The Higher Labor Court accepted the appeal related only to the applicable time limitation and applied a time limitation to the intention of considering meal assistance as part of wages of workers whose employment had been terminated prior to 7/12/2010. Final and unappealable decision delivered on 9/29/2017.

The case is currently at the enforcement stage. Equatorial Piauí suspended execution of the retired by means of Remedial Action no. 0080059-74.2019.5.22.0000. With regard to assets, the Trade Union, the company and the accounting specialist have all already submitted their calculations.

The claim was rated as a probable, short-term risk and assessed at R$ 96,583.

(*) The subsidiary Equatorial Piauí appears as a party in proceedings 0000407-37.2017.5.22.0110, in which the plaintiffs are relatives of former employee Demerval Martins Soares, with the purpose of claiming indemnity for property and moral damages after his decease in an occupational accident.

In its defense, the subsidiary claimed the absence of objective responsibility, sole fault by a third party, the absence moral and property damages.

By means of a preliminary injunction, a pension of R$ 4 was granted. Following procedural instructions, the defense's counterclaims submitted were not accepted and in 2018 a sentence was proffered that sentenced the company to pay each of the plaintiffs a sum of R$ 81 for moral damage and a sum equal to the total of monthly pensions granted to the Claimant in the guise of indemnity for property damages, setting as a calculation base the R$ 4 pension and as the initial term the date of decease (12/30/2016), and as the final term the date on which the deceased would be 75 years of age (3/28/2036), deducting any sums paid as a pension under the injunction by this Court.

In view of the sentence, motions to clarify and subsequently a common appeal were filed. The ruling by the 22nd Region's Labor Court agreed to reduce the property damage indemnity payable to the 1st Claimant to a sum equal to the total of monthly pensions granted, setting the R$ 4 pension as the calculation base, as the initial term the date of decease (12/30/2016) and as the final term the date on which the deceased would turn 75 years of age (3/28/2036) (240 months), deducting any sums paid as well as complying with a 30% (thirty percent) reduction in the indemnity payment sentence for property damages (single installment - CC, art. 950, p.u). Moral damages reduced to R$ 150, pro rata (CC, articles 186, 187 and 944, sole paragraph); acceptance of claimants' Special Additional Appeal and concurrence in order to grant 10% in attorneys' fees over the value of the sentence.

In view of the ruling by the TRT, injunctions were filed, judged and dismissed. Equatorial Piauí then filed a Review Appeal and after its dismissal an interlocutory appeal was placed.

The contingency is predicted as a probable risk, with medium run liabilities and an updated value of R$ 1,201.

During the acquisition process, the fair value found for the business combination by the Company was R$ 12,703 on December 31, 2019.

(b) Equatorial Alagoas is a defendant in Public Civil Action no. 0001962-58.2012.5.19.0010 filed by the Public Labor Prosecutors' Office with the aim of ordering the company to: (a) adopt for every repair or refurbishment in electrical installations preventive measures to control electrical risk and others, through use of risk analysis techniques in order to ensure workers' safety and health (NR 10); (b) include a worker in working teams in a position to exercise supervision and management of workers; (c) grant a minimum period of 11 consecutive hours for rest between two work shifts; (d) refrain from extending normal work shifts beyond the legal limit of 2 hours per day. On merit, request: (a) confirming the injunction; sentencing the company to: (b) adopt as a collective preventive protection measure, electrical and safety voltage shut-down, when possible; (c) instruct and train for work on the appropriate use, storage and preservation of personal protective equipment; (d) apply R$ 100 fines for non-compliance with each obligation; (e) payment of R$ 1,000 in indemnity for collective moral damage, payable to the FAT fund.

Equatorial Alagoas submitted correctly its defense, informing of compliance with all work safety standards as well as evidencing availability of Personal Protective Equipment - PPE.

On 12/9/2016 a decision was rendered that partially upheld the Mpt's requests to sentencing Equatorial Alagoas to: (a) full compliance with the MTE's NR 10, proving within 90 days as of the decision the adoption of measures taken for the full compliance with the NR, under penalty of being subjected a daily fine; (b) payment of R$ 500 as indemnity for collective moral damages, payable to a non-profit institution or institutions appointed by the plaintiff and endorsed by the court; (c) payment of R$ 10 in court costs calculated on the sum of R$ 500 ruled for the sentence.

Following submission of a Common Appeal by Equatorial Alagoas, the Regional Labor Court reconsidered the decision partially, reducing collective moral damages to R$ 200.

Equatorial Alagoas filed a Review Appeal and due to its non-acceptance in the Court of origin, an interlocutory appeal for follow-up, received by the TST on December 2, 2019. This lawsuit is rated as a probable risk.

(c) Equatorial Alagoas is a party in Public Civil Action number 0100071-78.2018.5.01.0049 proposed by the Urban Industry Workers' Unions (*Sindicatos dos Trabalhadores das Indústrias Urbanas*) in the States of Amazonas (STIU/AM), Rondônia (SINDUR), Acre (STIU/AC), Alagoas (STIU/AL) and Piauí (SINTEPI) against Centrais Elétricas Brasileiras S.A. (ELETROBRAS), Amazonas Distribuidora de Energia S.A. (AMAZONAS ENERGIA), Centrais Elétricas de Rondônia (CERON), Companhia de Eletricidade do Acre (ELETROACRE), Equatorial Alagoas, Equatorial Piauí. The lawsuit was distributed to the 49th Labor Court in Rio de Janeiro.

The Trade Unions claim that the Call Notice for the 170th Special Shareholders' Meeting of Eletrobras, which scheduled for approval on February 8, 2018 the transfer of equity control from every distributor, without prior disclosure of an impact study on labor agreements, would result in a breach and threat of breach to *lato sensu* collective rights of the represented professional bodies (right to work and the seek full employment, to information and participation and to integrity and good faith, in the scope of labor agreements), finally requiring voiding of administrative actions. On February 7, 2018 the injunction was dismissed.

On June 4, 2018 in the light of a new request for urgent relief disclosed by the Trade Unions, the injunction was partially granted for the defendants to refrain from proceeding with the privatizing process, to submit individually or jointly within as much as 90 days after being informed of the decision, a study on the impact of privatizing on existing labor agreements in the companies listed in the initial plea and on the rights acquired by their employees, under penalty of paying a fine of R$ 1000.

On 6/6/2018 Eletrobras and the Federal Government filed a writ of mandamus before the 1st Region's Labor Court (MS 0101029-17.2018.5.01.0000) in order to revoke the decision rendered in the ACP. The injunction was rejected by reporting Higher Court Judge Ms Giselle Bondim Lopes Ribeiro.

On 6/8/2018 the Federal Government filed a request for suspension of an injunction before TRT-1 (SLAT 0002121-22.2018.5.01.0000), granted by Higher Court Judge Fernando Antônio Zorzenon da Silva, President of TRT-1, having decided on suspension of the injunction issued in the ACP in question.

The Trade Unions filed Interlocutory Injunction Proceedings 0101101-04.2018.5.01.0000 requiring suspension of effects by the injunction granted in SLAT 0002121-22.2018.5.01.0000, which was initially dismissed by Higher Court Judge Enoque Ribeiro dos Santos. In the light of a statutory appeal, the TRT-1's Special Body, under the reporting Higher Court Judge Ms Sayonara Grillo Coutinho Leonardo da Silva, granted the preliminary injunction by the Trade Unions to revoke the decision rendered, reestablishing the emergency relief effects granted in the above-mentioned ACP.

The Federal Government filed SLAT 1000593-60.2018.5.00.0000 before the TST requiring suspension of the injunction granted by means of Interlocutory Injunction Proceedings 0101101-04.2018.5.01.0000, which was granted by Justice Brito Pereira, revoking effects by the injunction granted by TRT-1 and restoring effects by the decision issued in SLAS 0002121-22.2018.5.01.0000, which had suspended effects by the emergency relief granted in the above-mentioned ACP.

On 11/19/2018 a sentence rendered the 170th Special Shareholders' Meeting held in February null and void, ordering respondents to refrain from the winding-up procedure and to submit individually a study on the impact of privatizing on labor agreements in force within 120 days, under penalty of a R$ 1000 fine.

The parties opposed motions to clarify and common appeals against the sentence that overruled the requests. The respondents alleged lack of standing to sue, incompetence by the Labor Court, loss of the object by the lawsuit in view of the Special Shareholders' Meeting held on 2/8/2018, and as for merit, imposition of an obligation not provided for under law and unnecessary impact study.

The Labor Prosecutors' Office submitted a new opinion on 9/3/2019 reiterating the terms of the previous opinion and insisting on the knowledge and provision of common appeals by defendants and the Federal Government.

The Panel unanimously accepted the ordinary appeals filed by the respondents, rejected preliminaries on nullity of the sentence due to a lack of adjudication and absence of valid reasoning claimed by the respondents and as for merits, dismissed by a majority the claim of supervening loss of the lawsuit's object, in order to finally dismiss the respondents' common appeals and maintain the sentence that rendered "null and void the 170th Special Shareholders' Meeting held in February of this year, which resolved to sell the Electricity Distribution Companies (EDEs), as well as the developments."

In view of the decision, motions to clarify were filed that await judgment by the Regional Labor Court.

The lawsuit valued at R$ 415 is rated as a possible risk, as it is an annulment process for an administrative action, with no claim for damages.

(d) Equatorial Alagoas is a defendant in Public Civil Action number 0120900-31.2006.5.19.0007 proposed by the Public Prosecutor's Office and that requires, under penalty of a fine of R$ 10: (a) the company's refraining from outsourcing, by means of interposed companies, services related to the position of electrician and electrician assistant; (b) direct hiring under the CLT labor regime of employees for the position of assistant electrician and electrician, in particular to candidates approved through a public tender who are awaiting to be retained, with connections with permanent staff members. On substance: (a) confirmation of the request for advance relief; (b) payment of indemnity for collective damages totaling R$ 800.

The defense was correctly submitted and a conciliation hearing was scheduled in which the parties entered into an agreement under the following terms: (a) Equatorial Alagoas undertakes an obligation to hire employees directly under the CLT labor regime to exercise the functions in question, with a connection of said workers with its roll of permanent staff members; (b) Equatorial Alagoas undertakes to adapt the terms of the agreement in accordance with the stages provided in the "Outsourcing Reduction Schedule"; (c) a R$ 100 fine payable to FAT - Workers' Protection Fund - in case of a likely non-compliance with each of the stages of terminating outsourcing agreements provided for in the "Outsourcing Reduction Schedule"; (d) Equatorial Alagoas shall be obliged to grant access to the MPT and the Trade Union to documentation and information in connection with compliance with the court agreement.

On 7/30/2014 after further negotiations, the parties agreed to put an end to execution of the court agreement, replaced by a new agreement, in which the Company undertook to (i) refrain from outsourcing the services included in its core activity, specifically services performed by holders of the function of Technical Assistant - Function of Electrician; (ii) directly hire under the CLT labor regime workers admitted to exercise the function of Technical Assistant - Function of Electrician. The company has agreed to fully comply with the agreement until May 31, 2019, under penalty of payment of a R$ 20 fines, calculated as a proportion to each worker found in violation of the agreement.

In view of the Parquet demonstration that indicated non-compliance with the new agreement, the parties undersigned an amendment on 6/21/2017 in which the Company undertook to call and conclude hiring until 05/31/2019 of every candidate approved in the training course, totaling 360 persons.

On 7/22/2019 the Company petitioned in the court records requesting the fact's extinction, in view of supervening events that changed and extinguished lawful facts on which the proceedings are based, i.e. (i) privatizing of CEAL and transfer to EQUATORIAL of its controlling interest, with its consequent subordination to the legal regime of private companies; (ii) statement of lawfulness of outsourcing core activities, confirmed by the E. STF (Supreme Court) in the judgment of RE no. 958.252 and ADPF no. 324; and (iii) amendment to article 4-A on Law 6019/1974.
Ruling proffered on 11/20/2019 in which the court found that the agreement previously undersigned is valid and effective.

In this regard it decided that the executed company must comply with the agreement and refrain from outsourcing in its core activity, and to convene and hire the 33 people from the last public tender. A writ of mandamus was filed against that decision no. 0000274-47.2019.5.19.0000 and a decision was rendered granting the injunction requested to determine that compliance is suspended forthwith, until a final ruling of the mandatory action by the court decision that decided that Equatorial Alagoas should refrain from outsourcing its core activities, call and hire 33 people from the last public tender, reinstate the terminated core-area employees.

A Review Action was filed under number 0001098-88.2019.5.19.0005, claiming urgent relief proposed by the Company against STIUEA and MPT, requiring advance relief in order to determine suspension of the agreement's execution pursuant to Public Action Civil no. 0120900-31.2006.5.19.0007 until conclusion of judgment on the merit of the review lawsuit as well as grounds to the latter, for a review of the court agreement undersigned in the ACP court records until judgment of the revision action’s merit. The application for the review action’s preliminary injunction was dismissed, and the proposed Writ of Mandamus and review action are awaiting definite judgment. This lawsuit is rated as a probable risk.

Regulatory

The amount to be provision for this item relates to the penalties likely to be imposed on the subsidiaries Equatorial Maranhão and Equatorial Pará in connection with:

- Violation Notices (AI) issued by the power sector regulator, ANEEL;
- Notices (TN) issued by the Electric Power Trading Chamber (CEEE) for power trading irregularities;
- Penalties applied by the National System Operator (NOS) for violations related to power system operations; and
- Administrative penalties imposed by consumer protection authorities.

The amounts of R$ 6,122 (R$ 5,729 at December 31, 2018) and R$ 0.00 (R$ 3,217 at December 31, 2018) correspond to the probable penalties to be applied against the subsidiaries Equatorial Maranhão and Equatorial Pará , respectively, referring to ANEEL's Notification and Notice of Infringement Terms, as well as the Border Measurement penalty in the CCEE.

28 PIS/COFINS to be reimbursed to consumers

On March 2017, the “*Supremo Tribunal Federal (STF)*” published the Judgment of the Extraordinary Appeal, in a general repercussion, in a manner favorable to the Company's position, which also obtained a favorable court decision with final and unappealable decision in October 2018.

Equatorial Maranhão

Based on its legal counsel’s opinion, on December 31, 2018 the Company stated: a recoverable assets regarding PIS/COFINS for R$ 756,499, a R$ 580,587 liability related to consumer refunds, R$ 77,177 as a deduction from gross revenues in connection with PIS/COFINS and R$ 98,685 in financial income, also subject to R$ 4589 in PIS/COFINS. On December 31, 2019 the Company made an addition to this entry with regard to updating the SELIC interest rate, stating assets of R$ 34,153, a R$ 23,005 liability related to consumer refunds, R$ 6631 as a deduction from gross revenues with regard to PIS/COFINS, and R$ 4517 as financial income, which was subject to R$ 210 in PIS/COFINS.

Equatorial Piauí

Based on its legal counsel’s opinion, on December 31, 2018 the Company recorded: a PIS/COFINS asset for R$ 435,231, a R$ 418,741 liability related to consumer refunds, R$ 8,227 as a deduction from gross revenues in connection with PIS/COFINS and R$ 8,263 in financial income, also subject to R$ 384 in PIS/COFINS. On December 31, 2019 the Company made an addition to this entry with regard to updating the SELIC interest rate, stating assets of R$ 27,300, a R$ 26,854 liability related to consumer refunds, R$ 8227 as a deduction from gross revenues with regard to PIS/COFINS, and R$ 8709 as financial income, which was also subject to R$ 405 in PIS/COFINS.

Equatorial Alagoas

On July 17, 2019 Equatorial Alagoas filed a case regarding this matter obtaining a favorable decision made final and unappealable under case 0808269-79.2017.4.05.8000, based on the opinion of its legal advisers. In the financial year ended December 31, 2019 Equatorial Alagoas recorded: a PIS/COFINS asset for reimbursement to consumers, both in the amount of R$ 290,234.

The assets of the subsidiaries Equatorial Maranhão, Equatorial Piauí and Equatorial Alagoas include credits against the federal tax authorities since the case was filed. The liability was constituted considering that the subsidiaries Equatorial Maranhão, Equatorial Piauí and Equatorial Alagoas pass on to their consumers the tax effects on the electricity bills of the last 10 years. The refund to consumers will depend on the effective use of the credit and eventual definition of compensation mechanisms by ANEEL, in an expectation of approximately 46 months for the subsidiary Equatorial Maranhão, 46 months for the subsidiary Equatorial Piauí and 43 months for the subsidiary Equatorial Alagoas.

	2019			
	Equatorial Maranhão	**Equatorial Piauí**	**Equatorial Alagoas**	**Consolidated**
Assets				
PIS and COFINS recoverable	790,601	462,531	290,234	1,543,366
Liabilities				
PIS/COFINS to be reimbursed to consumers	603,592	445,595	290,234	1,339,421
Net income				
(-) Deductions from revenue				
PIS/COFINS consumer reimbursable	6,631	-	-	6,631
(+) Financial revenue				
PIS/COFINS consumer reimbursable	4,517	8,709	-	13,226
(-) PIS/COFINS on financial revenue	(210)	(405)	-	(615)
Net effect on P&L before income and social contribution taxes	10,938	8,304	-	19,242

	2018		
	Equatorial Maranhão	**Equatorial Piauí**	**Consolidated**
Assets			
PIS and COFINS recoverable	756,449	435,231	1,191,680
Liabilities			
PIS/COFINS to be reimbursed to consumers	580,587	418,741	999,328
Net income			
(-) Deductions from revenue			
PIS/COFINS consumer reimbursable	77,177	8,227	85,404
(+) Financial revenue			
PIS/COFINS consumer reimbursable	98,685	8,263	106,948
(-) PIS/COFINS on financial revenue	(4,589)	(384)	(4,973)
Net effect on P&L before income and social contribution taxes	**171,273**	**16,106**	**187,379**

PIS/COFINS expected to be reimbursed to consumers (Consolidated)

	2019	
Maturity	**Amount**	**%**
Current	75,999	12%
2021	222,871	14%
2022	244,645	16%
2023	249,460	16%
2023 onwards	750,391	42%
Noncurrent	1,467,367	88%
Total	1,543,366	100%

29 Other accounts payable

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018***
Current				
Return to consumers	13	-	60,580	53,162
ANEEL - assessment notices	-	-	17,870	16,656
Collections arrangements (a)	-	-	25,086	20,451
Electricity charges	-	-	406	808
Return Tranche 4 PLPT (b)	-	-	121,493	-
Regulatory fines	-	-	1,658	2,312
Guarantees	-	-	216	214
PIS/COFINS neutrality	-	-	14,684	-
Acquisition Equatorial Pará (c)	-	-	-	60,000
Settlement with Municipal Government of Teresina (d)	-	-	33,472	32,700
Other appropriations of suppliers (e)	-	-	54,924	3,631
Provisions CCC Marajó II (f)	-	-	11,346	-
Pension indemnification	-	-	605	-
Other accounts payable	2	10,912	30,808	43,696
Total current	15	10,912	373,148	233. 630
Noncurrent				
Return to consumers	-	-	11,182	-
ANEEL - assessment notices (g)	-	-	35,842	37,061
Acquisition Equatorial Pará (c)	-	-	60,000	-
Settlement with Municipal Government of Teresina (d)	-	-	6,424	44,260
Case CODEVASF X CHESF	-	-	60,478	-
Reimbursement AIC Eletrobras (h)	-	-	154,092	-
Pension indemnification	-	-	10,595	-
Other accounts payable	16,450	16,450	48,555	48,316
Total noncurrent	16,450	16,450	387,168	129,637
Total	16,465	27,362	760,316	363,267

(a) Denotes compensation for services provided by the indirect subsidiaries Equatorial Maranhão, Equatorial Pará and direct subsidiaries Equatorial Piauí and Equatorial Alagoas to the public sector consisting of payments for Street Lighting - CIP;

(b) Primarily denotes the amounts of Equatorial PA as per the contract for Tranche 4 - ECFS-283/2010 of Eletrobras to perform the Light for All Program - PLPT which released R$ 287,392. However, the concession operator realized just R$ 250,440 and is obliged to return R$ 36,953 to Eletrobras, as per the contract and Equatorial PI with the amount of R$ 60,867 (the value to pay for investments in the Light for All Program, the Company received CDE funds, which were released and controlled in tranches, managed by Eletrobras. After Eletrobras completed and finalized tranches 2 and 4, the company is informed of the amount to be returned);

(c) The amount estimated by Company Management upon the acquisition of the subsidiary Equatorial Pará for the balance to be reimbursed from the Light for All Program (PLPT). Current liabilities were reclassified to noncurrent in FY 2019, in order to comply with its nature.

(d) Refers to Equatorial Piauí's extrajudicial agreement signed with the Municipality of Teresina-PI, aiming to terminate the lawsuit - Case No. 0001536-70.2004.4.01.4000, in which this Company had lost in the first and second instance, in the scope of Federal Court, and declared and recognized the parties to the agreement the amount of R$ 94,470 to be offset, without monetary restatement, monthly, with the electricity bills of said municipality until the full discharge of the debt.

(e) The account other payable appropriation primarily consists of amounts of Equatorial Piauí, segregated by: R$ 33,472 (refers to the extrajudicial agreement signed with the Municipality of Teresina-PI, aiming to terminate the lawsuit - Case No. 0001536-70.2004.4.01.4000, in which this Company had lost in the first and second instance, in the scope of Federal Court, and declared and recognized the parties to the agreement the amount of R$ 94,470 to be offset, monthly, with the electricity bills of said municipality until the full discharge of the debt.

(f) Equatorial PA signed a contract with the Electricity Trading Chamber (CCEE) for the interconnection of Ilha do Marajó. We did not use the total made available by the CCEE, and the remaining balance of R$ 11,346 will be passed through to the Chamber after the Venture is finished.

(g) This denotes balances of payments for regulatory fines of Equatorial Pará recorded as overdue federal liabilities financed in August 2012 and Regulatory Fines not recorded as overdue federal liabilities paid voluntarily in accordance with Law 12996/2014 in August 2014. The value of the installment incurs interest of 1% plus the variance of the Selic base interest rate; and

(h) This denotes the amount of reimbursement owed to the seller (Eletrobras) as payment of Property, plant and equipment in progress - AIC. When the share control is passed through, the share purchase and sale agreement stipulates that as the majority shareholder of the distribution company, the buyer should make sure that the distribution company has an evaluation carried out at the first rate review of the distribution company's assets recorded under Property, plant and equipment in progress - AIC - at the base date of the appraisal and which can be subject to future rate recognition ("Reimbursable AICs"). The balance denotes 50% of the contribution of each of the assets in the debt compensation base, as defined in the ANEEL Rate Regulation Procedures - PRORET, less any amounts recorded after the appraisal-based date of investments necessary to make these assets in progress property, plant and equipment. The Company regularly reviews the fair value of its financial instruments as per note 38.3.

(*) Reclassification among groups, balances "warranties" and "supplier provision" of R$ 20,331 and 40,573 respectively were previously in "other accounts payable" and were restated to "suppliers" in order to improve comparability with the current fiscal year.

30 Equity

30.1 Capital

The share capital at December 31, 2019 is R$ 2,741,931 (R$ 2,375,354 at December 31, 2018), with no par value, broken down by class of shares and primary shareholders as follows:

	Common	%
Shareholders		
Squadra Investimentos	99,380,285	9.84%
Opportunity	97,634,195	9.66%
BlackRock	57,299,125	5.67%
CPPIB	50,539,100	5.00%
Other Non-controlling interests (NCI)	705,333,380	69.82%
Total	1,010,186,085	100%

On May 17, 2019 the Extraordinary General Meeting: approved the increase to the Company's capital by R$ 308,509, without issuing new shares, by capitalizing the balance of the legal reserve in the amount of R$ 45,896 and part of the investment and expansion reserve of R$ 262,613. The increase established aims to comply with the Company's bylaws, and Brazilian corporate legislation, which limits the profit reserve to the value of the share capital, except for the reserve for contingencies, tax incentives and unrealized earnings.

On August 12, 2019 the General Meeting approved the Company's capital increase without issuing new shares in the amount of R$ 2,120,000, as a result of exercising Plan Four. The shares are entitled to the same rights as the other Company's shares in circulation, including full receipt of dividends, interest and equity and/or capital reductions if any are distributed by the Company.

End of the share offering to Equatorial Piauí employees and retirees
BNDES held Auction 2/2018 - PPI/PND on July 26, 2018 for Eletrobras to sell the share control of Equatorial Piauí Distribuidora de Energia S.A., formally Companhia Energética do Piauí ("Equatorial Piauí"), at which the Company prevailed.

In compliance with the sale model approved by CPPI Resolution 20/2017, on September 26, 2018 Eletrobras increased the share capital by capitalizing credits from the debit balance of financing awarded using ordinary funds of contract ECF 2834/2010. This increase occurred via the issuance of 30,612 shares, amounting to the total of R$ 50.

On October 17, 2018 the Company acquired 700,880,763 shares issued by Equatorial Piauí owned by Eletrobras, all registered and with no par value, comprising 669,369,950 common shares and 31,510,813 preferred shares, equal to approximately 89.94% of the shares of Equatorial Piauí.

In compliance with the provisions of the Bid Notice No. 2/2018-PPI / PND ("Notice"), Subsection I, Item 1.7, the entire shares of Equatorial Piauí and those owned by Eletrobras were offered to Employees and Retirees – except for 1 share that Eletrobras retained –, pursuant to Appendix 9 of the Notice - Bidding Document for Employees and Retirees, equal to approximately 10.06% of the shares of Equatorial Piauí. During the offering to employees and retirees, a number of employees and retirees jointly acquired a total of 75,793,200 shares issued by Equatorial Piauí and owned by Eletrobras, all registered and with no par value, comprising 72,328,368 common shares and 3,464,832 preferred shares, equal to approximately 9.73% of the shares of Equatorial Piauí.

Stage two of the offering to employees and retirees ended on December 10, 2018, pursuant to the terms of the offering to employees and retirees attached to the notice.

The Company acquired the surpluses of shares not acquired by the employees and retirees during the offering to employees and retirees, amounting to the total of 2,580,200 registered shares with no par value, comprising 2,462,248 common shares and 117,952 preferred shares.

On June 18, 2019 the Company acquired the last share owned by Eletrobras and issued by Equatorial Piauí, with 1 registered common share with no par value.

The Equatorial Piauí Extraordinary General Meeting held October 17, 2018 resolved to approve in advance a ceiling for the Equatorial Piauí share capital increase to be made by the Board of Directors of R$ 801,529, amongst other resolutions.

On March 13, 2019 the Equatorial Piauí Board of Directors ratified the capital increase, within the ceiling approved in advance by the General Meeting, in the amount of R$ 721,619.

To pay this capital increase, the Company, the new parent company, subscribed and paid in 602,300,982 registered shares with no par value, comprising 575,222,206 common shares and 27,078,776 preferred shares for the total amount of R$ 720,916, pursuant to item 5.55 of the Notice.

Also, within the capital increase, the Employees, retirees and assignees who acquired shares of Equatorial Piauí in advance were awarded the option of exercising pre-emptive rights to subscribe enough shares to maintain their percentage interest in Equatorial Piauí, given the new shares issued by Equatorial Energia.

The terms of the offering for the Employees and Retirees attached to the notice stipulated a deadline for exercising these pre-emptive rights of January 26, 2019 (Saturday). The working day after the deadline established in the notice, on January 28, 2019 Equatorial Piauí ended the pre-emptive right period and began the procedures to appropriate surplus shares not subscribed during the pre-emptive period, pursuant to item 12.7 of the terms of the offering for Employees and Retirees.

556,977 registered shares with no par value were subscribed and paid in during the pre-emptive right period between December 27, 2018 and January 28, 2019, comprising 219,148 common shares, and 337,829 preferred shares, amounting to R$ 667. At the end of the pre-emptive period and as there were share surpluses not subscribed during this period, a stage began of subscribing share surpluses between February 11 and 18, in which a number of Employees, Retirees and Assignees subscribed 5,868 registered shares with no par value, including 1,395 common shares and 4,473 preferred shares amounting to R$ 7. At the end of the surplus subscription stage and as there were share surpluses still not subscribed, a stage began of subscribing additional share surpluses between February 27, 2019 and March 01, 2019, in which a number of Employees, Retirees and Assignees subscribed 24,889 registered shares with no par value, including 2,885 common shares and 22,004 preferred shares amounting to R$ 30.

As a result of this process, Equatorial Piauí's share capital became R$ 1,994,416, consisting of 1,382,142,880 registered shares with no par value, comprising 1,319,606,201 common shares and 62,536,679 preferred shares.

On July 09, 2019 the Board of Trade of Piauí State accepted the registration of share register 17 of Equatorial Piauí, containing the entries for all of the above stages. On November 18, 2019 the Board of Trade of Piauí State accepted the registration of share register 18 of Equatorial Piauí, containing the entries made in register 17 and a number of share transfers made by a number of Employees and Retirees.

End of the share offering to Equatorial Alagoas employees and retirees

On December 28, 2018, the Company was the winner in the bidding process in the auction ("Auction"), carried out in the form of bid announcement no. 2/2018-PPI / PND ("Notice"), for the granting of a public electricity distribution service concession associated with the transfer of control of Equatorial Alagoas Distribuidora de Energia S.A., formerly known as Companhia Energética do Alagoas (“Equatorial Alagoas”).

In compliance with the sale model approved by CPPI Resolution 20/2017, on February 28, 2019 Eletrobras increased the share capital of Equatorial Alagoas by issuing 46,129 common shares and 794 preferred shares totaling R$ 50.

Once the conditions established in the Notice had been performed on the closing date, the Company acquired approximately 89.94% of the total voting capital of Equatorial Alagoas in exchange for paying R$ 45 to Centrais Elétricas Brasileiras S.A. ("Eletrobras"). In addition to the purchase of the equity interest, Equatorial Energia also signed a shareholders' agreement with Eletrobras and a concession agreement for the public electricity distribution service (pursuant to Law No. 12,783, dated January 11, 2013) with the Federal Government ("Operation").

Also pursuant to the Tender Notice and the Bid offer to Employers and Retirees attached to the Notice, the Employees and Retirees could acquire up to approximately 10.06% of the shares in Equatorial Alagoas owned by Eletrobras. The Employees and accordingly acquired approximately 9.63526024% of the voting share capital of Equatorial Alagoas for R$ 4. Also pursuant to the Notice, the Company acquired the share surpluses of Equatorial Alagoas owned by Eletrobras which were not acquired by the Employees and Retirees, i.e. approximately 0.4247397600% for R$ 191.16 (one hundred and ninety-one reais and sixteen cents).

Stage two of the offering to employees and retirees ended on May 15, 2019, pursuant to the terms of the offering to employees and retirees attached to the notice.

At the Extraordinary General Meeting held March 18, 2019 Equatorial Alagoas approved in advance the share capital increase by its Board of Directors, pursuant to item 5.55 of the Notice, and the Equatorial Alagoas’ Board of Directors' meeting held October 9, 2019 approved the issuance of new shares, comprising a total of 1,447,442,341 new registered shares with no par value issued by Equatorial Alagoas, comprising 1,421,799,515 common shares and 25,642,826 preferred shares, amounting to a capital increase at Equatorial Alagoas of R$ 550,028.

Amongst these shares issued on October 9, 2019 and subject to the Notice affording employees and retirees the right to exercise pre-emptive rights to subscribe from the new shares issued enough shares to maintain their percentage interest in Equatorial Alagoas, the Company subscribed and paid in 1,436,238,120 (new registered shares with no par value of Equatorial Alagoas, of which 1,412,317,458 are common shares and 23,920,662 are preferred shares, in the subscription amount of R$ 545,770 to perform the requirements of this Notice.

As a result of exercising pre-emptive rights pursuant to the terms of the offering made to employees and retirees attached to the Notice and as a part of the shares issued on October 9, 2019, a number of the employees and retirees who became Equatorial Alagoas shareholders subscribed 11,204,221 new registered shares with no par value, comprising 9,482,057 common shares and 1,722,164 preferred shares for a total subscription price of R$ 4,258.

The terms of the offering for the Employees and Retirees attached to the notice stipulated a deadline for exercising these pre-emptive rights of June 27, 2019. On this date Equatorial Alagoas ended the pre-emptive right period and began the procedures to appropriate surplus shares not subscribed during the pre-emptive period, pursuant to item 12.7 of the terms of the offering for Employees and Retirees. The stage of subscribing shares such surpluses took place between August 06, 2019 and August 13, 2019, while the stage of subscribing additional surpluses took place between September 06, 2019 and September 10, 2019. Although the subscription stages ended on September 10, 2019, the effective share issuance took place on October 9, 2019, when the Equatorial Alagoas Board of Directors' meeting took place that approved the ratification of the share capital increase.

Pursuant to the Equatorial Alagoas shareholders' agreement between the Company and Eletrobras, Eletrobras is entitled to make a capital increase within six months of the settlement’s date, in order to increase its ownership interest in up to 30% of Equatorial Alagoas' total share capital. However, Eletrobras did not exercise this right, and on November 5, 2019 the Company and Eletrobras accordingly entered into a share purchase and sale agreement by which Eletrobras sold its only share in Equatorial Alagoas to the Company, meaning it was no longer a Equatorial Alagoas shareholder, whereupon the shareholders agreement was also terminated.

30.2 Capital reserves

This reserve consists of options awarded and recognized by way of CVM resolution 562, issued December 17, 2008, which approved CPC 10/IFRS 2 Share-based Payment Transactions, and the change in the parent company's interest in a subsidiary that did not result in the loss of control, as determined by CPC 36 – Consolidated Statements.

The balance as of December 31, 2019 is R$ 529,934 (R$ 60,780 as of December 31, 2018).

30.3 Revenue reserves

30.3.1 Legal reserve

Recorded at the rate of 5% of the net income for the year before profit-sharing and reversal of the interest on equity reserve, as required by corporation law, and defined by the Board of Directors, up to the limit of 20% of the capital. This reserve had a balance of R$ 120,781 as of December 31, 2019 (R$ 45,896 as of December 31, 2018).

30.3.2 Investment and expansion reserve

This statutory reserve is used to record the portion of net income for the year reserved for investments and expansion. This reserve had a balance of R$ 3,648,222 as of December 31, 2019 (R$ 2,944,000 as of December 31, 2018).

30.3.3 Unrealized profit reserve

This reserve is made by allocating a portion of profits for the current year, for example the initial adoption of CPC 47 / IFRS 15 — Revenue from contracts with customers. The aim of making it is to not distribute dividends on the portion of profits not yet realized financially by the company. The balance as of December 31, 2019 is R$ 1,224,184 (R$ 219,429 as of December 31, 2018).

30.3.4 Additional dividend distribution reserve

This reserve is used to record the portion of dividends exceeding the statutory amount until a final resolution it is adopted by the general meeting. The balance as of December 31, 2019 is R$ 736 (R$ 889 as of December 31, 2018).

30.4 Earnings per share

As required by CPC 41 and IAS 33 (Earnings per Share), the table below reconciles the net income for the year against the amounts used to calculate the basic and diluted net income per share.

	2019	**2018***
Numerator		
Net income for the year	2,415,630	917,935
Denominator		
1. Average weighted shares in the basic EPS calculation	1,010,511	993,850
2. Average weighted shares in the diluted EPS calculation (a)	1,010,511	997,741
Basic earnings for the year per lot of one thousand shares - R$	2.39050	0.92362
Diluted earnings for the year per lot of one thousand shares - R$	2.39050	0.92001

	2019	**2018**
(i) Dilution factor (a)		
3. Number of options available	21,125	21,125
4. Number of shares exercised	19,975	1,390
5. Exercisable years	4	4
6. Current exercisable shares	4	4
Dilutive effect ((3/6)-(3-4)))	4,131	3,891

	2019	2018
(i) Dilution factor (a)		
3. Number of Stock Option shares (Plan 5)	2,120	-
4. Number of shares exercised	-	-
5. Exercisable years	4	-
6. Current exercisable shares	1	-
Dilutive effect of Plan 5 ((3/6)-(3-4))	-	-
Average weighted shares in the diluted EPS calculation	1,010,511	997,741

(a) Derives from the Stock Options Plan (see note 30.5).

* To facilitate an analysis and comparison with the current financial year, the Company recalculated the 2018 shares as a result of the developments in 2019, in accordance with CPC 41 – Earnings per share.

The beneficiaries exercised part of their options awarded under plan 4, resulting in share subscriptions, which increased the Company's capital, and were approved by the Board of Directors, as shown below:

Dates	Quantity of shares	Increase of capital
January 21, 2019	2,332	41,775
March 29, 2019	460	8,239
May 14, 2019	185	3,137
July 31, 2019	125	2,120
October 31, 2019	165	2,798
Total	**3,267**	**58,069**

On November 27, 2019 the Equatorial Energia Extraordinary General Meeting approved the splitting of the Company's shares at the proportion of one common share to 5 common shares, without any change to the Company's share capital. Following the split, the number of common shares rose from 202,037,217 to 1,010,186,085.
As described in note 30.1 – Share Capital, the number of, shares rose by 16,337,500 in FY 2019 (the number of shares includes the effect of the share split made by the Company).

30.5 Stock option plan

The Company and its subsidiaries have two share-based plans in force as of December 31, 2019. (i) the Fourth Stock Option Plan and the (ii) Fifth Stock Option Plan. The plans entail the distribution of call options for Company shares to executives and employees of the Company and its subsidiaries.

The plans are administrated by the Company's Board of Directors, by way of a committee within the limits established in the Structuring and Preparation Guidelines for each Plan and the applicable legislation.

Fourth Stock Option Plan

In force since July 21, 2014, the Company's Fourth Stock Option Plan ("Plan Four") still has 626,250 outstanding options which will expire on July 21, 2020 if they are not subscribed.

Fifth Stock Option Plan

The Extraordinary General Meeting on July 22, 2019 approved the creation of Equatorial's Fifth Stock Option Plan ("Plan").

When stock options are exercised, the relevant shares are issued through a capital increase. Further details on the Plan can be obtained in the minutes of the relevant Extraordinary General Meeting, available on the Company's website and on the CVM website.

Strike price of Options

The strike price of the Options granted under the Plan will be determined by the Plan Management Committee based on the average share price on BM&FBOVESPA, weighted by trading volume over the 60 trading sessions preceding the Granting Date.

The strike price will be reduced by the amount of any dividends, interest on equity and other benefits distributed by the Company to shareholders or any other amount per share provided by the Company to shareholders, including as a result of any capital reduction without a corresponding cancellation of shares or any other corporate transaction resulting in the allocation of funds to shareholders or reduction in share value, taking account of the period between the Granting Date and the exercise of the Options.

Beneficiaries

Plan beneficiaries may exercise their Options no later than 6 (six) months from the Granting Date. Options vest over a period of 4 (four) years, 25% each year.

Over a period of 6 months from the Option exercise date, beneficiaries are not allowed to sell, assign or otherwise dispose of 70% (seventy percent) of Company Shares originally acquired or subscribed under the Plan. The remaining 30% are not subject to the same restriction and can be freely traded by the beneficiaries.

17,947,500 options were awarded to Plan beneficiaries in December 2019 at the price of R$ 20.42 (twenty reais and forty-two cents) per Option.

Potential dilution

The stock options to be offered under the Plan should not exceed 3.18% (three point one eight percent) of the Company's total share capital (including shares arising from the exercise of Options under the Plan), provided the total number of shares issued or likely to be issued under the Plan is within the limits of the Company's authorized capital.

Fair value measurement

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	2019
Fair value at grant date	6.78
Share price at grant date	22.08
Exercise price	20.42
Expected volatility (weighted-average)	22.96%
Expected life (weighted-average)	4.25
Risk-free interest rate (average based on government bonds)	6.40%

(a) Pricing model

The Black & Scholes method was used to price the options on the date of the respective awards and end of year.

(b) Data and assumptions used in the pricing model include the average weighted price of the shares, strike price, expected volatility, option life, expected dividends and risk-free interest rate.

For the respective grant dates or end of year, we accordingly adopted the shares market price on the date, the historic volatility (expected volatility was not used), the average term of maturity of each batch of options, the options' strike price adjusted for projected dividends for the period and the risk-free rate based on the curve of fixed future federal government bonds over the average expected term for exercising each batch. A share non-subscription rate was also used for those awarded based on the Company's history as a future expectation.

(c) Method used and assumptions made to incorporate the expected effects of early exercising

The strike price was calculated based on the options' issuance price and adjusted for dividends declared in the period.

As a proceeds parameter we used the amount effectively declared in 2019 and a future estimate according to internal parameters.

(d) Means of determining expected volatility

For volatility we used the historic volatility of shares for each average exercise term of each batch.

(e) Whether any other feature of the option has been incorporated into its fair value measurement

The risk-free rate used based on the future curve of fixed federal government bonds with terms similar to those of the options.

Reconciliation of the number of outstanding options (includes options of plans four and five)

	Number of options in 2019	Weighted average price in FY 2019	Number of options in 2018	Weighted average price in FY 2018
In options				
Existing at 1 January	3,893,750	3.58	3,920,000	3.80
Forfeited during the year	-	-	-	-
Exercised during the year	3,267,500	3.55	26,250	3.58
Granted during the year	17,947,500	20.42	-	-
Existing at 31 December	18,573,750	19.85	3,893,750	3.58
Exercisable at 31 December	626,250	3.39	3,893,750	3.58

The options existing at December 31, 2019 have an exercise price in the range of R$ 3.39 to R$ 20.42 (2018: R$ 3.58) and a weighted-average contractual life of 6 years (2018: 1.5 years).

The weighted-average share price at the date of exercise for share options exercised in 2019 was R$ 3.48 (2018: R$ 3.58).

31 Operating revenue (Consolidated)

At December 31, 2019 and 2018 electric power supply by class of consumers was as follows:

	2019		
	No. of consumers (a)	**MWh**	**R$ (b)**
Distribution			
Residential	4,815,719	7,392,534	7,947,199
Industrial	16,307	1,452,886	777,031
Commercial	474,655	3,865,547	3,251,092
Rural	364,429	791,544	467,683
Government	69,308	1,391,199	1,113,435
Public lighting	2,601	1,299,852	661,812
Public utility	18,007	937,833	522,987
Own consumption	825	30,101	-
Availability revenue - Network usage	434	2,031,703	99,620
Supply CCEE	-	-	383,479
Low-income	1,903,008	2,186,267	511,531
CDE subsidy - Other	-	-	386,383
Transfer to special obligations - surplus demand/excess reactants	-	-	303,944
Construction revenue	-	-	1,878,597
"A Component" revenue receivable (returnable) and other financial items	-	-	93,043
Indexation of financial assets	-	-	258,742
Other	-	-	196,231
Subtotal Distribution	**7,665,293**	**21,379,466**	**18,852,809**
Transmission			
Construction revenue	-	-	4,714,857
Restatement of contractual assets	-	-	566,568
Contract assets - Realization gain	-	-	546,638
Contract assets - Realization loss			(23,977)
Operation and maintenance revenue	-	-	17,436
Operation with energy transmission	-	-	6,990
Other	-	-	3,789
Subtotal Transmission	**-**	**-**	**5,832,301**
Other			
Sales revenue	-	-	303,090
Other	-	-	26,345
Subtotal other	**-**	**-**	**329,435**
Total	**7,665,293**	**21,379,466**	**25,014,545**

	2018		
	No. of consumers	**MWh**	**R$ (*)**
Distribution			
Residential	4,237,000	5,167,576	5,292,342
Industrial	14,599	862,928	590,540
Commercial	413,699	2,735,076	2,151,956
Rural	265,161	517,649	275,353
Government	59,404	1,005,176	771,437
Public lighting	2,201	959,253	448,083
Public utility	15,556	623,466	274,244
Own consumption	694	27,768	-
Availability revenue - Network usage	309	1,873,718	708,393
Supply CCEE	-	-	634,888
Low-income	1,373,183	2,112,282	477,523
CDE subsidy - Other	-	-	338,251
Transfer to special obligations - surplus demand/excess reactants	-	-	(71,373)
Construction revenue	-	-	1,241,191
"A Component" revenue receivable (returnable) and other financial items	-	-	463,648
Indexation of financial assets	-	-	46,279
Other	-	-	95,063
Subtotal Distribution	**6,381,806**	**15,884,892**	**13,737,818**

Transmission			
Construction revenue	-	-	924,423
Restatement of contractual assets	-	-	152,247
Operation and maintenance revenue	-	-	31,642
Other	-	-	20,206
Subtotal Transmission			**1,128,518**
Other			
Sales revenue	-	-	414,522
Other	-	-	161,265
Subtotal other			**575,787**
Total	**6,381,806**	**15,884,892**	**15,442,123**

(*) The balances have been segregated by operating segment to facilitate an analysis and comparison with the current year.

(a) The number of consumers rose compared with the previous year because of the effects of twelve and nine months of operation of the investees Equatorial Piauí and Equatorial Alagoas respectively. As of December 31, 2019, Equatorial Piauí had 1,300,864 and Equatorial Alagoas 1,105,059. See details in note 1.2 - Entities controlled and jointly controlled; and

(b) Gross operating revenue rose compared with the previous year because of the impact of twelve and nine months of operation of the acquired distribution companies Equatorial Piauí and Equatorial Alagoas respectively.

32 Net operating revenue (Consolidated)

The reconciliation between gross revenue and net revenue is as follows:

	Consolidated	
	2019	**2018**
Distribution		
Electricity sales to consumers	15,556,712	11,012,004
Distribution revenue (a)	15,008,518	9,780,300
WACC financial remuneration	553,474	429,805
IFRS 15	(5,280)	-
"A Component" revenue receivable (returnable) and other financial items (b)	44,732	463,648
CDE subsidy - Other	433,760	338,251
Electricity sales to distributors (c)	383,478	634,888
Availability revenue - Network usage (d)	99,619	708,393
Construction revenue (e)	1,878,597	1,241,191
Indexation of financial assets (f)	258,742	46,279
Other	197,168	95,063
Subtotal Distribution	**18,852,808**	**13,737,818**
Transmission		
Construction revenue (e)	4,714,857	924,423
Restatement of contractual assets (f)	566,568	152,247
Operation and maintenance revenue (g)	17,436	31,642
Contract assets - realization gain (h)	546,638	-
Contract assets - realization loss (h)	(23,977)	-
Electricity transmission operations	6,990	-
Other	3,789	20,206
Subtotal Transmission	**5,832,301**	**1,128,518**
Other		
Sales revenue	303,090	414,522
Other income	26,346	276,534
Subtotal Other	**329,436**	**575,787**
Revenues	**25,014,545**	**15,442,123**

Deductions from revenue		
ICMS on electricity sales	(3,322,706)	(2,303,789)
ICMS on CPC 47 / IFRS 15	1,490	-
PIS and COFINS (i)	(2,071,275)	(1,096,951)
PIS/COFINS to be reimbursed to consumers	(6,631)	85,404
Consumer charges	(128,594)	(99,753)
ISS	(11,269)	(10,683)
Energy Development Account - CDE	(611,050)	(676,960)
DIF/FIC penalties and others	(59,737)	(57,633)
Other	(8,427)	(29,131)
Deductions from operating revenue	**(6,218,199)**	**(4,189,496)**
Net operating revenue	**18,796,346**	**11,252,627**

(a) Distribution revenue rose compared with the previous year because of the effects of twelve and nine months of operation of the acquired distribution companies Equatorial Piauí and Equatorial Alagoas respectively.

(b) Consists of costs related to sector charges, determined in specific legislation, electricity generation and transmission activities, including internal generation. The negative variance compared with FY 2018 is primarily due to two factors: 1) Decrease in recorded regulatory assets and liabilities, which diminished by R$ 64,634 at Equatorial Pará and R$ 135,242 at Equatorial Maranhão, because of the rate coverage awarded in the 2019 adjustment, which better approximated the real cost, generating a smaller CVA delta, when compared with FY 2018 and ending the payment of the regulated contracting system CDE - ACR and CDE Energy, which generated a negative CVA for these items; 2) Increase in amortization expenses of R$ 52,212 for Equatorial Pará and R$ 90,904 for Equatorial Maranhão influenced by financial assets received in the 2019 adjustment, which was higher than the amount received in 2018;

(c) The balance of electricity sales to distributors in 2018 was influenced by recording items from the Surplus and Deficit Offsetting Mechanism – MCSD. Decree 9.143/2017 authorized distribution agents to negotiate energy contracts with free consumers, traders and independent producers through the Surplus Sale Mechanism – MVE. The participation in MVE diminished in 2019, which reduced the distribution companies’ exposure to the spot market;

The direct and indirect electricity distribution subsidiaries recognized revenue for providing distribution grid infrastructure to its free and captive customers. This revenue is calculated according to the Distribution System Use Rate - TUSD set by ANEEL. The change between the years is related to the higher migration of clients from the captive system to the free system, and the acquisition of Equatorial Alagoas;

Construction revenue from concession assets rose in FY 2019 because of the impact of twelve and nine months of operation of the distribution companies Equatorial Piauí and Equatorial Alagoas acquired by the Group, and because of the progress in construction works of the transmission companies, which were still beginning in 2018.

The efficiency gains obtained by the Subsidiaries in the rate review process changed the market and cost structure, resulting in the recognition of revenue from restatement of the financial asset compared with the previous period;

Operation and maintenance revenue are due to the transmission companies starting operations, which intends to ensure the facilities are up and running at all times, paying for the operation and maintenance services of the electricity transmission facilities;
There are positive or negative changes in construction revenue and/or operating revenue between the budgeted base and the actual base. The amount represented shows that the company was more efficient in construction / operation, thus generating a gain or a loss. The result is exclusively financial, and a part of the contract asset is therefore recognized, and the project margin kept unchanged; and
PIS/COFINS applied to construction revenue under deductions primarily due to excluding ICMS from the calculation base of PIS/COFINS payable on energy supply revenue.

33 Service costs and operating expenses (Consolidated)

	2019				
	Cost of power supply service	**Sales expenses**	**Administrative expenses**	**Impairment**	**Total (a)**
Personnel	(221,130)	(65,559)	(214,522)		(501,211)
Material	(18,667)	(4,034)	(7,063)		(29,764)
Outsourced services	(290,985)	(198,170)	(286,773)		(775,928)
Electricity purchased for resale (b)	(6,252,637)	-	-		(6,252,637)
Charge for using transmission and distribution system	(721,389)	-	-		(721,389)
Construction cost	(5,033,268)	-	-		(5,033,268)
Allowance for doubtful accounts and losses on commercial clients	-	-	-	(97,573)	(97,573)
Provision for civil, tax, labor and regulatory claims	-		133,728		133,728
Amortization	(461,671)	-	(174,933)		(636,604)
CCC Subsidy	(114,555)	-	-		(114,555)
Other	47,107	(5,075)	(8,103)		33,929
	(13,067,195)	(272,838)	(557,666)	(97,573)	(13,995,272)

	2018				
	Cost of power supply service	**Sales expenses**	**Administrative expenses**	**Allowance for doubtful accounts**	**Total**
Personnel	(177,215)	(56,716)	(252,568)	-	(486,499)
Material	(38,384)	(6,546)	(753)	-	(45,683)
Outsourced services	(275,209)	(282,497)	(156,612)	-	(714,318)
Electricity purchased for resale	(4,804,907)	-	-	-	(4,804,907)
Charge for using transmission and distribution system	(648,991)	-	-	-	(648,991)
Construction cost	(1,904,036)	-	-	-	(1,904,036)
Allowance for doubtful accounts and losses on commercial clients	-	-	-	(152,860)	(152,860)
Provision for civil, tax, labor and regulatory claims	-	-	(46,846)	-	(46,846)
Amortization	(361,737)	-	(74,430)	-	(436,167)
Leasing and rental	(19,359)	(4,910)	(6,619)	-	(30,888)
CCC Subsidy	(104,992)	-	-	-	(104,992)
Other	(2,078)	(21,000)	375,177	-	352,099
	(8,336,908)	(371,669)	(162,651)	(152,860)	(9,024,088)

(a) The balances rose in 2019 because of the effects of twelve and nine months of operation of the acquired distribution companies Equatorial Piauí and Equatorial Alagoas respectively; and the significant increase in INTESA's construction costs, due to completion of the Miracema- TO and Gurupi -TO capacitor banks works; and

(b) See the breakdown of the cost of electricity purchased for resale, as per note 34.

34 Electricity purchased for resale (Consolidated)

	GWh		R$	
	2019	**2018**	**2019**	**2018**
Electricity deriving from auctions (a)	20,945	13,343	(4,025,908)	(3,190,090)
Eletronuclear Contracts	747	594	(173,707)	(147,415)
Guarantee contracts	6,806	5,991	(707,377)	(539,698)
System Service Charges - ESS/ Energy reserve	-	-	(63,325)	(20,759)
Bilateral electricity	226	226		-

Short-Term Electricity - CCEE (b)	-	-	(1,336,552)	(1,008,363)
Alternative source incentive program - PROINFA	490	275	(172,393)	(113,530)
(-) Recoverable portion of noncumulative PIS/COFINS	-	-	641,103	558,079
Other costs	-	-	(253,170)	(343,131)
Subtotal	29,214	20,429	(6,091,329)	(4,804,907)
Charge for using transmission and distribution system	-	146	(882,697)	(648,991)
Total	29,214	20,575	(6,974,026)	(5,453,898)

(a) Costs on energy purchase contracts, including Eletronuclear's and physical guarantee quotas in the regulated system, the contracted volume of which shrank on the previous period for the indirect subsidiaries Equatorial Maranhão and Equatorial Pará. If we only include expenses on contracts, the average price paid in FY 2019 fell by 1.48% on relation to that paid in FY 2018, due to lower expenses on new energy MCSD and a greater variable payment portion. However, the positive variance derives from the effects of twelve and nine months of operation of the acquired distribution companies Equatorial Piauí and Equatorial Alagoas respectively; and

(b) Change due to energy purchases in the spot market - MCP and the different settlement price - PLD in 2019. The increase is due to higher expenses due to the effects on contracting based on availability, the effect of contracting physical guarantee quotas and effects on passing through the hydrological risk.

35 Other net operating income (Consolidated)

	2019	2018
Losses on the sale and retirement of assets and rights (a)	(259,165)	(68,908)
Indemnity for third-party damage	(26,994)	(5,494)
Provision for warehouse loss	(15,451)	(5,602)
Step Acquisition Loss	(96,851)	-
Other operating income and expenses	(11,600)	(86,667)
Total other net operating expenses	(410,061)	(166,671)

(a) The variance is primarily due to the subsidiary Equatorial Pará which underwent its 5th rate review cycle in FY 2019. Other processes include the considerable number of items retired from the concession's intangible assets, write-offs which were duly audited and approved by the Economic and Financial Oversight Division – SFF (Technical Note 147/2019-SGT/SRM/ANEEL, issued 8/2/2019).

36 Finance income (costs)

		Parent Company		Consolidated	
		2019	2018	2019	2018
Financial revenue					
Financial income	(a)	32,242	70,416	230,335	237,930
"A Component" amounts receivable/returnable		-	-	145,317	1,068
Operations with derivative financial instruments		-	-	54,339	109,652
Arrears charge on power sales		-	-	386,228	250,794
AVP financial revenue		483	483	-	-
RGR financial revenue	(b)	-	-	671,595	483
Monetary and exchange variance on debt		650	-	46,303	102,858
Monetary and exchange variance on STN pledge		-	-	-	21,190
PIS/COFINS on financial revenue		(1,569)	(3,312)	(39,752)	(39,430)
Indexation of subrogation to CCC	(c)	-	-	129,935	1,092
Discounts obtained		-	-	12,288	3
PIS/COFINS to be reimbursed to consumers		-	-	4,517	106,948
Interest earned		-	-	33,265	8,202
Other financial revenue		1,527	800	87,008	101,204
Total financial revenue		33,333	68,387	1,761,378	901,994

Finance costs					
"A Component" amounts receivable/returnable		-	-	(61,385)	(51,947)
Operations with derivative financial instruments		-	-	(28,518)	(33,164)
Monetary and exchange variance on debt	(d)	(4,099)	(4,142)	(209,951)	(310,658)
Monetary and exchange variance on STN pledge		-	-	-	(13,414)
Interest on debt	(d)	(139,456)	(101,664)	(831,777)	(631,815)
Restatement of contingencies		-	-	(272,857)	(245,558)
Restatement of energy efficiency		-	-	(4,848)	-
Regulatory fines		-	-	(13,720)	(301)
AVP financial expense		-	-	(117,952)	(54,517)
RGR financial expense	(b)	-	-	(667,112)	-
Related party payables		-	-	(608)	(549)
Interest and fines on electricity transactions		-	-	(1,769)	(1,658)
Interest paid		-	-	(56,205)	(299,212)
Discounts awarded		-	-	(16,016)	(15,754)
Charges on actuarial deficit		-		-	(7,618)
Other financial expenses		(53,215)	(2,806)	(106,320)	(18,413)
Total financial expenses		(196,770)	(108,612)	(2,389,038)	(1,684,578)
Net finance income		(163,437)	(40,225)	(627,660)	(782,584)

(a) The main change in the Parent Company's finance income was due to reducing inflation rates in 2019 compared with 2018, such as the CDI which fell from 6.42 to 5.98. The increase in the balances of short-term investments in 2019 also occurred at the end of this year, which did not occur in 2018 when the Company had a consistent balance;

(b) The subsidiary Equatorial Alagoas has a sector financial asset consisting of the RGR loan (Global Investment Reserve), approved by ANEEL, and passed through by CCEE. The loan was approved due to the need for special funds during the period in which the subsidiary was considered by ANEEL a Designated Distributor, acting as a service provider until being privatized. The transfer was approved on February 12, 2019, in accordance with the provisions in MME Ordinance no. 510 dated December 20, 2018. In 2019 an amount was recorded denoting the adjustment to the interest rate changed according to the contractual terms defined in the new concession arrangement for the sector financial asset debt. The CCEE debt credits were renegotiated to 5% p.a. The assets and liabilities were therefore recorded at fair value through profit and loss;

(c) Of the amount recorded at December 31, 2019, R$ 96,135 of the subsidiary Equatorial Pará denotes monetary restatement of the CCC subrogation balance; and

(d) The lower foreign exchange expense in the current year is due to: i) reduction in the balance of the foreign debt in 2019, compared with the increase in this debt accumulated in 2018; and (ii) an increase in the dollar of lower impact, rising from R$ 3.87 as of December 31, 2018 to R$ 4.03 as of December 31, 2019, compared with a sharp increase from R$ 3.31 as of December 31, 2017 to R$ 3.87 as of December 31, 2018.

37 Post-employment benefit

37.1 Details of the retirement plan

(i) Equatorial BD Plan (Equatorial Maranhão)

The BD plan is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Invalidity retirement: The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to disability.

- Retirement due to Age: The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to age.

- Retirement due to Time of Contribution: The benefit to be granted is equivalent to the value of the positive difference between the real benefit wage (SRB) and the Social Security retirement due to age.

(ii) Equatorial CD Plan (Equatorial Maranhão)
The Equatorial CD is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits. Pursuant to the plan, the benefits offered to employees include the following:

- Normal Retirement: It is granted to participants who meet the following conditions:

(a) Have an employment relationship of 180 consecutive months with the sponsor;
(b) Have 60 months of effective contribution to the plan;
(c) Are 55 years old or more;
(d) Do not have an employment relationship with the sponsor.

The amount of the benefit is the result of the transformation of the balance of accounts in a certain income, of 12 payments per year, for n months.

- Retirement through inability to work: The benefit is granted to the participant that is receiving a Social Security pension for disability, provided that he is a participant in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.

- Pension for death of an active worker: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.

- Pension for Death of an Assisted Person: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit consists of the continuation of the income paid to the assisted participant.

(iii) Equatorial BD Plan (Equatorial Pará)
The BD plan is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Retirement (due to Disability, age, length of service and special reasons): Retirement benefit calculated based on the difference between Real benefit wage (SRB), which is the average of the last 36 Contribution Salaries and the retirement awarded in RGPS. Except for Invalidity retirement, the retirement schemes have a grace period of 120 months of monthly contributions to the plan.

- Surviving spouse pension: The benefit above is equivalent to 50% of the monthly pension received by the participant before their death or the amount they would have received in the event of invalidity. This will be awarded to qualified beneficiaries and pensioners applying for it; and

- Annual bonus: The benefit consists of an annual cash allowance of 1/12 (one twelfth) of the monthly income due in December per month of complementation received during the year.

(iv) Celpa OP Plan (Equatorial Pará)

The Celpa OP Plan is structured as "variable contribution", where there is a post-employment commitment during the inactive stage (retired and pensioners), for benefit structured in the form "Defined Benefit" (retirement benefit to be awarded in the form of monthly income for life and the respective investments in pensions). Pursuant to the plan, the benefits offered to employees include the following:

- Monthly income from investment in pension: It is granted to participants who meet the following conditions:

(a) Have an employment relationship of 05 complete months with the sponsor;
(b) Have 05 years of effective contribution to the plan;
(c) Are 55 years old or more;
(d) Be entitled to the benefit, except for Invalidity under RGPS; and
(e) Do not have an employment relationship with the sponsor.

According to the form selected in the application, the benefit value is equal to:

✓ Monthly income for life in the form "Variable Contribution"; or
✓ Financial monthly income in the form "Defined Contribution".

- Lump sum benefit on disability or death: The Lump sum benefit on death is awarded to beneficiaries when the active participant dies. The Lump sum benefit on disability is awarded to the participant who has Supplementary disability retirement in Plan R.

(v) Celpa R Plan (Equatorial Pará)

Celpa R is structured as a "defined benefit", where there is a post-employment commitment entailing the payment of retirement for invalidity and pensions. Furthermore, the plan is not contributive, only offering risk benefits. Pursuant to the plan, the benefits offered include the following:

- Supplementary sickness benefit and retirement due to disability: The two benefits above constitute monthly income determined as the difference between the Real benefit wage (SRB) and the value of the benefit awarded by RGPS (General Social Security Scheme), which are awarded whilst concession of RGPS is guaranteed.

- Surviving spouse pension: The benefit above is equivalent to 50% of the monthly pension received by the participant before their death or the amount they would have received in the event of invalidity. This will be awarded to qualified beneficiaries and pensioners applying for it; and

- Annual bonus: The benefit consists of the largest monthly amount received in the year by the participant and will be paid by December 20. As this is a non-contributive plan, the plan is financed entirely by the normal contribution of the sponsor itself, where the percentage is determined in the plan's costing plan.

(vi) Equatorial CD Plan (Equatorial Pará)

Pension benefits plan administered by Fundação Equatorial de Previdência Complementar (EQTPREV) and sponsored by Equatorial Energia Pará, amongst others. The company began offering this plan to its employees in FY 2019, and that year received participants and assisted participants sponsored by the company from the Celpa OP and Celpa R plan, and therefore recognized the first obligations under this plan.

The Equatorial CD is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits. Pursuant to the plan, the benefits offered to employees include the following:

- Normal Retirement: It is granted to participants who meet the following conditions:

(a) Have an employment relationship of 180 consecutive months with the sponsor;
(b) Have 60 months of effective contribution to the plan;
(c) Are 55 years old or more;
(d) Do not have an employment relationship with the sponsor. The amount of the benefit is the result of the transformation of the balance of accounts in a certain income, of 12 payments per year, for n months.

- Retirement through inability to work: The benefit is granted to the participant that is receiving a Social Security pension for disability, provided that he is a participant in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income.
- Pension for death of an active worker: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit is the result of the conversion of the balance of accounts into a monthly income; and

- Pension for Death of an Assisted Person: The benefit is granted to the beneficiaries of an active participant who happens to die, provided that he has participated in the plan for at least 12 months. The amount of the benefit consists of the continuation of the income paid to the assisted participant.

(vii) Resolution 10/1989 (Equatorial Pará)

The Company has an uncovered actuarial liability originating from an agreement between the company and former employees and pensioners. The agreement was resolved by Resolution 10 issued August 4, 1989 by company management and came into force on June 11, 1996. Because the resolution is in force, former employees and pensioners are entitled to pension benefits, which comprise the uncovered actuarial liability. The value of the liability determined is provisioned for in its entirety by the Company.

(viii) Medical assistance plan (Equatorial Pará)
CNU health care plan

The Company offers employees and former employees (whether retired or terminated) health insurance administered by Central Nacional Unimed - Cooperativa Central (CNU), including both outpatient and inpatient coverage and obstetrics, with national coverage. Health insurance is offered to all employees and their dependents, with the exception of directors and managers.

Unimed Health Insurance (Equatorial Pará)
The Company offers employees and former employees (whether retired or terminated) health insurance administered by Unimed Seguro Saúde S/A, including both outpatient and inpatient coverage and obstetrics, with national coverage. This plan is offered to all Company directors and managers and their dependents.

UNIODONTO Dental Plan (Equatorial Pará)
Dental insurance operated by Uniodonto Belém to all employees and former employees (whether retired or terminated) and their dependents.
Unlike health insurance plans, dental insurance expenses will not increase with age. There is therefore no post-employment commitment (cross subsidy).

(i) Settled Plan (Equatorial Piauí)
Pension benefit plan organized and administered by Fundação Cepisa de Seguridade Social (FACEPI) and sponsored by Equatorial Energia Piauí, which is offered to its employees and their dependents.

The Settled Plan is structured as a “defined benefit”, where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Retirement due to Time of Service/Contribution: Supplementary retirement due to length of service/contribution time is owed to the participant during the period they receive retirement for length of service/contribution time from social security and will only be suspended in the event of death of the participant or suspension or cancellation of their retirement.

- Invalidity retirement: The benefit is awarded to participants during the period they receive retirement from social security.

- Retirement due to Age: The benefit is awarded to the participant’s beneficiaries as long as the retirement due to age is maintained by social security and canceled upon their death. It consists of a monthly income equivalent to the value of the positive difference between the real benefit wage and the pension awarded by the INSS.

- Surviving spouse pension: The benefit is granted to the beneficiaries of an active participant who happens to die, during the period they receive a pension from social security. The amount of the benefit consists of the continuation of the 60% to 100% of the retirement paid to the assisted participant.

- Sickness Benefit: The benefit is awarded to the participant’s beneficiaries receiving sickness allowance from social security. It consists of a monthly income equivalent to the value of the positive difference between the real benefit wage and the sickness allowance awarded by the INSS.

- Burial Assistance: The benefit is awarded in the event of the participant’s death after having contributed at least 60 (sixty) monthly contributions to the Plan, as from the participant’s latest enrollment in this Foundation, the beneficiaries or, in the absence thereof, the person demonstrating they are the successor. The expanded burial allowance consists of a lump-sum payment equal to 1/5 (one fifth) of the social security benefit ceiling.

(ii) CV Plan (Equatorial Piauí)

Pension benefit plan administered by Fundação Cepisa de Seguridade Social (FACEPI) and sponsored by Equatorial Energia Piauí, which is offered to its employees and their dependents.

The CV Plan is structured as a variable contribution, there being a commitment in the participants post-employment period. Pursuant to the plan, the benefits offered to employees include the following:

- Scheduled retirement: The benefit will be calculated actuarially based on the participant's individual balance, amongst other parameters, where this benefit is split into two stages: fixed term income of scheduled retirement and lifetime income of scheduled retirement.

- Invalidity retirement: The benefit to be awarded will be calculated actuarially based on the participant's individual balance at the disability date, plus funds from the disability lump sum, where this benefit is split into two stages: fixed term income of disability retirement and lifetime income of disability retirement.

- Surviving spouse pension: The benefit to be awarded will be calculated actuarially based on the active participant's individual balance at the date of death, plus funds from the lump sum for death, where this benefit is split into two stages: fixed term income of active retirement and lifetime income of active retirement.

- Sickness Benefit: The benefit is equal to twenty percent (20%) of the portion of the current participation salary below the FACEPI ceiling, plus one hundred percent (100%) of the portion of this participation salary above this ceiling.

- Funeral allowance: The benefit is equal to forty percent (40%) of the FACEPI ceiling in force in the month of death, regardless of the social security stage in which the participant was at, their salary level and the accumulated level of employment and employer savings recorded in their name.

(iii) BD Plan (Equatorial Alagoas)

Pension benefit plan administered by Fundação CEAL de Assistência Social e Previdência (FACEAL) and sponsored by Equatorial Energia Alagoas, which is offered to its employees and their dependents.

The BD plan is structured as a "defined benefit", where there is a post-employment commitment with the participants that are still working and with those that are retired. Pursuant to the plan, the benefits offered to employees include the following:

- Invalidity retirement: The benefit to be granted is equivalent to the value of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded. Retirement due to Disability has a grace period of 12 months of contributing to the Plan.

- Retirement due to Time of Service/Contribution: The benefit to be granted is equivalent to the value of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded. The grace period for these benefits is 120 months of contributing to the Plan.

- Retirement due to Age: The benefit to be granted is equivalent to the value of 1/20 (one twentieth) of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded, for each year of contribution to the Plan (limited to 20/20).

- Special Retirement: The benefit to be granted is equivalent to the value of 1/20 (one twentieth) of the positive difference between 80% of the real benefit wage (SRB) and the lowest ceiling of the supplementary benefit calculation determined at the date the supplement retirement is awarded, for each year of contribution to the Plan (limited to 20/20). Special Retirement has a grace period of 180 months of contributing to the Plan.

- Surviving spouse pension: The benefit to be granted consists of a monthly income equivalent to 50% (plus 10% per beneficiary) of the income received by the assisted participant or of the income that the active participant would have been entitled to if he were to retire on the grounds of disability on the date of death.

- Annual bonus: The benefit is granted at the same time that the annual bonus of the Social Security is granted and consists of an annual cash allowance of 1/12 (one twelfth) of the monthly income due in December per month of complementation received during the year.

(iv) CD Plan (Equatorial Alagoas)
Pension benefit plan administered by Fundação CEAL de Assistência Social e Previdência (FACEAL) and sponsored by Equatorial Energia Alagoas, amongst others. The CD Plan is a defined contribution plan for the programmed benefits and a defined benefit plan for the risk benefits.

The risk benefits are:

- Entry into disability benefit

  Awarded in the event of an active participant's disability at the rate of 13/12 (thirteen twelfths) of the double of the Real Average Monthly Contribution (CRMM), multiplied by the number of months which remained at the time of full and permanent disability for the participant to become exactly 55 (fifty-five) years of age.

- Lump sum benefit on death of active participant

  Awarded to beneficiaries of the active participant in the event of their death at the rate of 13/12 (thirteen twelfths) of the double of the Real Average Monthly Contribution (CRMM), multiplied by the number of months which remained at the time of the active participant's death for the participant to become exactly 55 (fifty-five) years of age.

(v) Health care plan (Equatorial Alagoas)
Equatorial Energia Alagoas offers its employees and former employees health insurance

administered by Qualicorp Administradora de Benefícios S/A, including both outpatient and inpatient coverage and obstetrics, with statewide coverage. Equatorial Energia Alagoas offers a dental care plan to its employees.

The health care plans (UNIMED) and dental plans (UNIODONTO) have fixed monthly payments, adjusted annually, with monthly payment of the employee's part and the employer' part resulting in 12 payments a year.

The health and dental plans contain three different groups, called G1, G3 and G8. The group definitions are presented below:

- G1: consisting of employees, employees on leave and future former employees of Equatorial, pursuant to item 11.4 of the 2019/2021 Collective Labor Agreement. Equatorial's participation for this group varies according to salary ranges for the health plan and equal to 60% for the dental plan. If a company employee becomes permanently disabled, they and their dependents are entitled to remain in the plan for life until the holder dies (except able-bodied children, who remain temporarily, pursuant to the bargaining agreement, until the age of 24). For disabled children, Equatorial keeps paying the employer's part to the holder and their dependents, similarly to what would happen if they were still active. This group is open to new active and inactive participants, depending on changes to the Company's staff structure.

- G3: consists of disabled former employees who remain in the health and dental plans without contributing to them, meaning that Equatorial's participation for this group is 100% of the monthly fees. Equatorial contributes for holders and their dependents. The holders and their dependents in this group remain in the plan for life until the holder dies (except able-bodied children, who remain temporarily, pursuant to the bargaining agreement, until the age of 24). This is a closed group, with no new additions possible.

- G8: consists of former employees (able-bodied and disabled) who remain in the health and dental plans by court order. Equatorial's participation for this group is established individually depending on each court decision. Equatorial contributes for holders and their dependents. The holders and their dependents in this group remain in the plan for life until the holder dies (except able-bodied children, who remain temporarily, pursuant to the bargaining agreement, until the age of 24). New members can only be added to this group by court order.

37. 2 Breakdown of the net actuarial liability (asset)

The reconciliation of assets and liabilities will demonstrate the surplus or deficit of funds to cover the post-employment benefit, which should be presented in the company's statement of financial position. We present, below, the income statement as of December 31, 2019 (actuarial liabilities or assets to be recorded in the accounting) and the projection of expenses to be recognized in the income statement for the year 2020.

2019

	EQTL-MA		**EQTL-PA**							**EQTL-PI**		**EQTL-AL**		
	CD	**BD**	**CD**	**BD**	**CELPA R**	**CELPA OP**	**Resolution 10/1989**	**Health plans**	**Total**	**Settled Plan**	**Plan CV**	**BD**	**CD**	**Health care plan and Odontol**
Deficit/(Surplus) found														
Actuarial liabilities calculated on actuarial valuation	828	180,177	974	241,660	8,558	2,058	21,722	22,558	297,530	421,369	8,963	148,847	2,096	93,605
Fair value of the plan's assets	(8,498)	(214,911)	(9,951)	(330,836)	(5,923)	(3,448)	-	-	(350,158)	(427,916)	(3,314)	(286,413)	(6,528)	-
Deficit/(Surplus) found	**(7,670)**	**(34,734)**	**(8,977)**	**(89,176)**	**2,635**	**(1,390)**	**21,722**	**22,558**	**(52,628)**	**(6,547)**	**5,649**	**(137,566)**	**(4,432)**	**93,605**
Effect of the asset ceiling and additional liabilities														
Effect of asset ceiling	6,916	34,734	3,344	89,176	-	1,150	-	-	93,670	6,547	-	121,374	4,432	-
Effect of the asset ceiling and additional liabilities	**6,916**	**34,734**	**3,344**	**89,176**	**-**	**1,150**	**-**	**-**	**93,670**	**6,547**	**-**	**121,374**	**4,432**	**-**
Net liability/(asset) resulting from the provisions in CPC 33(R1)														
Net assets found	**(754)**	**-**	**(5,633)**	**-**	**2,635**	**(240)**	**21,722**	**22,558**	**41,042**	**-**	**5,649**	**(16,192)**	**-**	**93,605**

2018

	EQTL-MA		**EQTL-PA**							**EQTL-PI**		**EQTL-AL**		
	CD	**BD**	**CD**	**BD**	**CELPA R**	**CELPA OP**	**Resolution 10/1989**	**Health plans**	**Total**	**Settled Plan**	**Plan CV**	**BD**	**CD**	**Health care plan and dentistry**
Deficit/(Surplus) found														
Actuarial liabilities calculated on actuarial valuation	712	157,156	-	212,656	37,543	18,352	19,985	16,633	305,169	421,369	1,332	133,395	5,664	33,733
Fair value of the plan's assets	(5,759)	(183,021)	-	(279,804)	(23,816)	(40,553)	-	-	(344,173)	(427,916)	(12,402)	(235,366)	(5,866)	-
Deficit/(Surplus) found	**(5,047)**	**(25,865)**	**-**	**(67,148)**	**13,727**	**(22,201)**	**19,985**	**16,633**	**(39,004)**	**(6,547)**	**(11,070)**	**(101,971)**	**(202)**	**33,733**
Effect of the asset ceiling and additional liabilities														
Effect of asset ceiling	5,047	25,865	-	67,148	-	21,993	-	-	89,141	6,547	11,070	121,374	202	-
Effect of the asset ceiling and additional liabilities	**5,047**	**25,865**	**-**	**67,148**	**-**	**21,993**	**-**	**-**	**89,141**	**6,547**	**11,070**	**121,374**	**202**	**-**
Net liability/(asset) resulting from the provisions in CPC 33(R1)														
Net assets found	-	-	**-**	-	**13,727**	**(208)**	**19,985**	**16,633**	**50,137**	-	-	**(16,192)**		**33,733**

37.3 Actuarial valuation result

The results of the actuarial valuations found the following commitment of the plan with its participants:

	EQTL-MA		EQTL-PA							EQTL-PI		EQTL-AL		
	CD	**BD**	**BD**	**CELPA OP**	**CELPA R**	**CD**	**Resolution 10/1989**	**Health plans**	**Total**	**Settled Plan**	**Plan CV**	**BD**	**CD**	**Health plans**
Net Income for the Year														
Current net service cost	93	31	(12)	-	(810)	(30)	-	(1,317)	(2,169)	179	-339	81	441	996
Past service cost	-	-	-	(11,440)	11,753	(967)	-	-	(654)			-	-4,145	(2,111)
Cost of interest on actuarial liabilities	53	13,556	(18,208)	(1,280)	(2,767)	(14)	(1,688)	(1,472)	(25,429)	37,207	176	11,115	258	2,764
Expected return on plan assets	(503)	(15,886)	24,232	2,850	1,797	148	-	-	29,027	(39,334)	(1,297)	(19,913)	(470)	-
Interest on the effect of the asset ceiling an Additional Liabilities	442	2,328	(6,024)	(1,528)	-	(27)	-	-	(7,579)	594	1,013	7,497	209	-
Total expense (income) recognized in Profit or loss for the year	**85**	**29**	**(12)**	**(11,398)**	**9,973**	**(890)**	**(1,688)**	**(2,789)**	**(6,804)**	**(1,354)**	**(447)**	**(1,220)**	**(3,707)**	**1,629**
Other comprehensive income for the period														
Gains/(losses) in the plan's assets	(2,195)	(30,346)	46,099	4,638	2,241	(1,207)	-	-	51,771	-(34,989)	8,869	(41,912)	-1,077	-
Gains/(losses) on actuarial obligations	116	23,795	(30,083)	(4,600)	(7,955)	(11)	(2,086)	(4,164)	(48,899)	73,804	9,310	15,035	763	63,807
(Gains)/losses on the effect of the asset ceiling and additional liabilities	1,428	6,541	(16,004)	22,371	-	(3,317)	-	-	3,050	(2,868)	(12,083)	26,984	4,021	-
Transfers (a)			-	(10,979)	4,887	10,979	-	-	4,887	-	-	-	-	-
Compensation of other long-term benefits in profit or loss for the year	-	-								-	-	-	-	-
(Gains)/losses to be recognized in ORA	**(651)**	**(10)**	**12**	**11,430**	**(827)**	**6,444**	**(2,086)**	**(4,164)**	**10,809**	**35,947**	**6,096**	**107**	**3,707**	**63,807**

37.4 Plan assets

37.4.1 Plan assets comprise the following:

	EQTL-MA		EQTL-PA				EQTL-PI		EQTL-AL	
	CD	**BD**	**BD**	**OP**	**R**	**CD**	**Settled**	**CV**	**BD**	**CD**
Government Securities	140,277	205,974	297,437	-	-	140,277	-	-	-	-
Investment Funds:	185,820	-	8,078	9,817	5,815	185,821	496,817	60,476	309,811	302,928
Other	37,220	11,689	29,551	415	759	37,220	34,758	3,440	18,539	18,485
(=) Total Assets	**363,317**	**217,663**	**335,066**	**10,232**	**6,574**	**363,318**	**531,575**	**63,916**	**328,350**	**321,413**

The plans' assets consist of financial assets traded in active markets and are therefore classified as Level 1 and Level 2 in the fair value hierarchy. The overall expected rate of return on plan assets is determined based on market expectations in force on this date, applicable to the period during which the obligation should be settled.

37.5 Defined-benefit obligation

Actuarial assumptions

	EQTL-MA		EQTL-PA						EQTL-PI		EQTL-AL		
Assumptions at December 31, 2019	**BD**	**CD**	**BD**	**0P**	**CELPA R**	**EQUATORIAL CD**	**RESOLUTION 10/1989**	**HEALTH CARE PLANS**	**Settled**	**CV**	**BD**	**CD**	**Health plans**
Inflation rate	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%	3.61%
Discount rate	6.85%	6.43%	6.82%	6.93%	7.14%	6.33%	6.72%	7.00%	6.93%	7.19%	6.88%	6.46%	6.98%
Future salary growth	3.61%	4.65%	6.82%	6.93%	7.14%	6.33%	6.72%	7.00%	3.61%	3.61%	6.13%	6.13%	6.98%
Future pension growth	3.61%	3.61%	3.61%	Not applicable	5.68%	4.65%	3.61%	5.68%	3.61%	3.61%	3.61%	Not applicable	3.61%

	EQTL-MA		EQTL-PA						EQTL-PI		EQTL-AL		
Assumptions at December 31, 2018	BD	CD	BD	OP	CELPA R	EQUATORIAL CD	RESOLUTION 10/1989	HEALTH CARE PLANS	Settled	CV	BD	CD	Health plans
Inflation rate	4.01%	4.01	4.01%	4.01%	4.01%	4.01%	4.01%	4.01%	4.01%	4.01%	3.89%	3.89%	3.89%
Discount rate	9.00%	8.74%	8.97%	9.12%	9.15%	8.74%	8.90%	9.13%	9.06%	9.15%	8.63%	8.61%	8.73%
Future salary growth	4.01%	5.05%	8.97%	9.12%	9.15%	8.74%	8.90%	9.13%	4.01%	4.01%	6.41%	6.41%	8.73%
Future pension growth	4.01%	4.01%	4.01%	Not applicable	6.09%	5.05%	4.01%	6.09%	4.01%	4.01%	3.89%	Not applicable	3.89%

(b) **Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

		EQTL-MA	EQTL-PA		EQTL-PI		EQTL-AL	
		BD Plan	**BD**	**HEALTH CARE PLANS**	**Settled**	**Plan CV**	**BD**	**Health plans**
Assumption	Sensitivity analysis	Impact R$	Impact R$	Impact R$	(26,997)	-2,168	Impact R$	Impact R$
Discount rate	Increase of 0.5%	(8,560)	(10,787)	(1,292)	29,708	2,531	(7.31)	(5,361)
	Down 0.5%	9,336	11,728	1,416			8,028	5,980

The variance revealed by the sensitivity analysis of the discount rate for the CD plan is immaterial.

Although the analyses do not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

38 Financial instruments

38.1 General considerations

The Company and its subsidiaries have performed an analysis of their financial instruments including: cash and cash equivalents, securities, trade accounts receivable, CCC sub-rogation, concession financial assets, contractual assets, trade accounts payable, loans and financing, amounts payable under the judicial reorganization plan debentures and derivatives, and have not made any required adjustments to their accounting records.

The management of these instruments is done through operating strategies and internal controls aimed at liquidity, profitability and security. The control policy consists of permanent monitoring of contractual terms and conditions in comparison with existing market conditions.

Management uses financial instruments to obtain optimum returns on available cash, to maintain the liquidity of assets, to hedge against foreign exchange or interest rate variation and to ensure compliance with applicable covenants, namely net debt over adjusted EBITDA[ii] (ND/Adjusted EBITDA) and net debt over net debt plus shareholders' equity (ND/ND+SE).

38.2 Derivatives policy

The Company and its subsidiaries use swap derivatives only to hedge against fluctuations in macroeconomic indicators and foreign exchange rates. These operations are not conducted on a speculative basis. On December 31, 2019 and 2018, the Company, through its subsidiaries, had derivative financial derivative instruments signed, as hedges for its foreign currency debts.

38.3 Category and fair value of financial instruments

The fair values of the Company’s and its subsidiaries’ financial assets and liabilities were estimated through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of market data to estimate the most adequate realization value. As a result, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable values.

(i) Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

The carrying amounts and market values of the financial instruments included in the statement of financial position as of December 31, 2019 and December 31, 2018 are identified below:

Parent Company	**Level**		**2019**		**2018**	
Assets		**Category of financial instruments**	**As reported**	**Market**	**amount**	**Market**
Cash and cash equivalents	-	Amortized cost	1,103	1,103	27,574	27,574
Cash and cash equivalents (Investment fund)	2	Fair value through profit or loss	535,210	535,210	690,572	690,572
Short-term investments	2	Fair value through profit or loss	871,556	871,556	-	-
Securities	2	Fair value through profit or loss	18,129	18,129	-	-
Total assets			1,425,998	1,425,998	718,146	718,146

Liabilities	Level	Category of financial instruments	2019 amount	2019 Market	2018 amount	2018 Mercado
Supplier		Amortized cost	2,081	2,081	993	993
Loans and borrowings	-	Amortized cost	507,358	507,147	834,166	834,425
Debentures	-	Amortized cost	1,263,854	1,298,762	1,262,443	1,298,449
Total liabilities			1,773,293	1,807,990	2,097,602	2,133,867

Consolidated

Assets	Level	Category of financial instruments	2019 amount	2019 Market	2018 amount	2018 Mercado
Cash and cash equivalents	-	Amortized cost	184,082	184,082	556,150	556,150
Cash and cash equivalents (Investment fund)	2	Fair value through profit or loss	1,601,121	1,601,121	4,187,840	4,187,840
Short-term investments	2	Fair value through profit or loss	4,043,717	4,043,717	-	-
Trade accounts receivable	-	Amortized cost	4,386,355	4,386,355	3,906,072	3,906,072
"A Component" revenue receivable and other financial items	-	Amortized cost	1,096,690	1,096,690	-	-
CCC subrogation - amounts allocated	-	Amortized cost	85,120	85,120	9,056	9,056
Reimbursable AICs (a)	3	Fair value through other comprehensive income:	154,093	154,093	-	-
Derivative financial instruments	2	Fair value through profit or loss	60,555	60,555	142,451	142,451
Concession financial assets - Distribution companies	2	Fair value through profit or loss	4,945,545	4,945,545	3,794,951	3,794,951
Contractual assets	2	Fair value through profit or loss	7,399,367	7,399,367	2,290,132	2,290,132
Securities	2	Fair value through profit or loss	126,757	126,757	-	-
Other			-	-	597,946	597,946
Total assets			24,083,401	24,083,401	15,484,598	15,484,598

Liabilities	Level	Category of financial instruments	2019 amount	2019 Mercado	2018 amount	2018 Mercado
Supplier	-	Amortized cost	1,976,110	1,976,110	1,553,025	1,553,025
Loans and borrowings	-	Amortized cost	11,104,954	12,266,760	6,859,831	7,501,148
Derivative financial instruments	2	Fair value through profit or loss	-	-	14,915	14,915
Payables from judicial reorganization	-	Amortized cost	871,899	1,147,856	831,370	831,370
"A Component" revenue receivable and other financial items	-	Amortized cost	142,451	142,451	-	-
Debentures	-	Amortized cost	5,703,467	5,830,267	4,676,349	4,787,503
Total liabilities			19,798,881	21,363,444	13,935,490	14,687,961

(a) This denotes the reimbursement owed to the seller (Eletrobras) as payment of the reimbursable AICs equal to 50% (fifty percent) of the contribution of each of the assets in the debt compensation base, as defined in the ANEEL Rate Regulation Procedures - PRORET, less any amounts recorded after the appraisal-based date of investments necessary to make these assets in progress property, plant and equipment. Equatorial Piauí accordingly provisioned for R$ 70,640 and Equatorial Alagoas R$ 83,453.

Following ANEEL ratification of the rate review result, the buyer undertakes to hire a technical consultant to determine the amount of reimbursement owed to Eletrobras.

- **Cash and cash equivalents -** are classified as amortized cost and are recorded at their original values

  Short-term investments and Investments funds - measured at fair value through profit or loss. The fair value hierarchy for short-term investments is tier 2, as most of them are invested in exclusive funds where the maturities are limited to 12 months, meaning Management believes that the fair value is already reflected in the carrying amount. The relevant factors for determining fair value are publicly observable, such as the CDI rate;

- **Securities –** consist of short term investments not allocated as available, classified at fair value through profit or loss. The fair value hierarchy of short-term investments is level 2, as most of them are held in exclusive funds, and is therefore reflected in the fund's share price;

- **Trade accounts receivable -** directly derived from the Company's and its subsidiaries' operations and are classified as amortized cost and are recorded at their original values, subject to the provision for losses and present value adjustment, when applicable.

- **Financial concession assets -** classified as fair value through profit or loss, financial assets that present an unconditional right to receive a certain amount at the end of the concession term. The relevant factors for determining fair value are publicly observable, such as the IPCA existing in an active market and the depreciation rate determined by the ANEEL resolution, classified in level 2 of the fair value hierarchy;

- **Subrogation of CCC -** amounts allocated: are classified as amortized cost and recorded at amortized Value, used to finance the subsidy for interconnecting islanded municipalities to the National Interconnected Grid – SIN;

- **Trade payables -** derive directly from the Company and its subsidiaries' operations and are classified as liabilities at amortized cost.

- **Loans and financing -** provide funding for the Company's and its subsidiaries' investment programs and may be used to manage short-term requirements. Classified as liabilities at amortized cost and recorded at their amortized amounts.

- **Payables from judicial reorganization plan-** derives from the judicial reorganization plan of the subsidiary Equatorial Pará, classified as liabilities at amortized cost.

- **Debentures -** classified as liabilities at amortized cost and recorded at their amortized amounts. For reporting purposes, the debentures' market values are calculated based on market rates disclosed by the Brazilian Association of Financial and Capital Market Entities - ANBIMA and B3 S.A.;

- **"A Component" mount receivable/payable -** derive from non-manageable costs to be passed through in their entirety to the consumer or shouldered by the concession authority. Classified as amortized cost, and

- **Derivative financial Instruments -** are measured at fair value through profit or loss and other comprehensive income are used as a hedge against foreign exchange and interest rate fluctuations. For swap transactions, market value has been determined using information from active markets. Tier 2 of the fair value hierarchy.

- **Reimbursable AICs -** are classified at fair value through profit and loss and other comprehensive income, as the sensitivity of fair value is in assets in progress in the net compensation base, depending on full or partial ratification by Eletrobras, as the data of 50% (fifty percent) of the contribution of each of the assets in progress in the debt compensation base, as defined in the ANEEL Rate Regulation Procedures - PRORET, less any amounts recorded after the appraisal-based date of investments necessary to make these assets in progress property, plant and equipment used for measurement are not observable in the market. Level 3 in the fair value hierarchy through profit and loss and other comprehensive income.

Call Option

Since November 2019 the Company holds a repurchase right of the entire preferred shares issued by Equatorial Distribuição, exercisable between November 11, 2022 and November 11, 2026. The purchase price, should the option be exercised, will be R$ 1.000.000 (one billion Brazilian reais) updated by 100% of the CDI interest rate as of 11/11/2019, the option's exercise date less dividends received by the minority shareholder, updated by 100% of the CDI interest rate from the date of payment to the purchase option's exercise date. The noncontrolling shareholder does not hold the shares' sale option, with the exercising of this right being under the Company's control.

This call option is in fair value hierarchy Level 3, in which the inputs to measure fair value are not observable, because Equatorial D does not have shares traded on stock exchanges and its preferred shares have specific features different to those of preferred shares traditionally traded on stock exchanges, as they are entitled to special dividends disproportionate to the percentage interest of this type of share in Equatorial Distribuição's share capital.

The disproportionate nature of dividends in relation to their participation in the share capital would lead the Company to exercise the option even in situations where the share price fell, i.e. in situations in which the company made a loss on exercising the call option. This effect is not usually captured in the call option calculation.

In other words, it should be taken into account that the Company would buy back shares even if the company's value devalued sharply, i.e. even when the value of these preferred shares were R$ 179,180, as in this situation the entitlement to the flow of dividends of 55% is equal to the contribution from the noncontrolling shareholder (R$ 1,000,000).

To calculate the fair value it is therefore necessary to sum these call exercising situations: (i) by obtaining profit in the derivative, those for which a call option is tradition calculated and (ii) by obtaining a loss in the derivative, in situations where the company exercises the buyback right so the noncontrolling shareholders are not entitled to the flow of 55% of the privileged dividends (loss in the derivative).

Fair value measurement

We used the Black & Scholes models to measure fair value and understand that the interest rate and dividend payout in this option until it is exercised is immaterial, as the exercise price is also restated by the same interest rate and discounted for dividends paid, as the variables used to calculate the traditional option were:

	2019	**2019**	**2019**
	CALL (a)	**PUT (b)**	**PUT (for non-exercise) (c)**
Fair value at grant date	240,114	240,114	164
Share price at grant date	1,006,418	1,006,418	1,006,418
Exercise price	1,006,418	1,006,418	179,180
Expected volatility (weighted-average)	23.22%	23.22%	23.22%
Expected life (weighted-average)	6.86	6.86	6.86
Risk-free interest rate (BMF forward rate for the term)	6.74%	6.74%	6.74%
VALUE OF CALL (a)-(b-c)	**164**		

We need to subtract the exercise areas that would produce a loss when exercising a call from the value calculated for this traditional option. We understand that this area is the difference between the put calculations with the following parameters:

In our estimate the result from this calculation (a) – [(b)-(c)], tends to an immaterial value, both at November 11, 2019 and December 31, 2019. The value of this option was not recorded due to the immaterial of the amount determined.

38.4 Derivative financial instruments

The Company's risk management policy is to hedge its entire foreign currency exposure for loans and financing, taking out cash flow swaps where the long position lies in local currency indexed to CDI and the short position to foreign currency and the contract cost. These contracts are designated as cash flow hedges.

The Companies determine the existence of an economic relationship between the hedge instrument and the hedged item based on the currency, value and timing of the respective cash flows, assessing whether changes in the cash flow from the hedged item can be offset by changes in the cash flow from the hedge derivative. The method used is the criteria of critical terms - prospective method. The effective test is conducted just once when accounting begins, ascertaining whether all derivative terms are aligned with the hedge terms as regards time frames, amortization, contracted notional value and payment of interest, thus guaranteeing 100% effectiveness of the cash flow.

Equatorial Pará

As of December 31, 2019, Equatorial Pará has swap contracts with the bank Citibank for foreign-currency operations.

On June 11, 2018 Equatorial Pará borrowed funds amounting to USD 100,000, with quarterly interest and amortization and final maturity on June 12, 2023. The loan incurs the rate USD Libor + 0.84% p.a. + I.R (hedge item), and has a swap recorded at fair value through profit or loss (hedge instrument).

Another loan was taken out on July 05, 2019 for a total of USD 140,000 with quarterly interest and amortization and final maturity on July 05, 2022. This loan incurs the rate USD Libor + 0.79% p.a. + I.R (hedge item), and has a swap recorded at fair value through other comprehensive income (hedge instrument).
As of December 31, 2019, the balances of foreign currency loans and financing with the bank Citibank are R$ 976,221 (R$ 1,069,521 as of December 31, 2018).

The balances of Equatorial Pará's derivative instruments as of December 31, 2019 and 2018 are summarized below:

Short position		**Fair value**	
Market risk hedge	**Indexes**	**2019**	**2018**
Citibank- USD 140 MM			
Long position	USD + Libor + 0.79% p.a.	576,286	697,727
Short Position	114% of CDI	(557,040)	(561,217)
Total		19,246	136,510

Short position		**Fair value**	
Market risk hedge	**Indexes**	**2019**	**2018**
Citibank- USD 100 MM			
Long position	USD + Libor + 0.84% p.a.	408,570	395,038
Short Position	111.8% of CDI	(397,896)	(404,012)
Total		10,674	(8,974)
Current net		169	(14,915)
Noncurrent net		29,751	142,451
Total		29,920	127,536

Specific appraisal methods used for derivative financial instruments: Market prices of the financial institutions. The fair value of interest rate swaps is calculated based on the present value of the future cash flows estimated based on the yield curves adopted by the market.

The amounts related to items designated as hedge instruments and hedge ineffectiveness were the following:

		Carrying amount 2019		**In the period 2019**		
Exchange Risk	**Nominal Value**	**Assets**	**Liabilities**	**Item in statement of financial position containing hedge instrument**	**Change in value of hedging instrument recognized in OCI**	**Item in P&L affected by reclassification**
Hedge SWAP taken out for foreign currency loans	852,500	29,920	-	Derivative financial instruments	3,645	n/a

The table below provides a reconciliation by risk category of the components of equity and an analysis of items in Other comprehensive income - OCI, net of tax, resulting from cash flow hedge accounting:

	Asset and liability valuation adjustments	**Hedge costs reserve**
Balance at 1 January 2019	-	-
Cash flow hedges		
Changes in fair value:		
Currency risk - Loan Swap	3,645	-
Amount reclassified to profit or loss:		
Currency risk - Loan Swap	-	-
Balance at December 31, 2019	**3,645**	**-**

Equatorial Piauí

The subsidiary Equatorial Piauí has swaps with Citibank relating to foreign currency transactions, maturing on April 05, 2022. As of December 31, 2019, the debit balance of foreign currency loans and financing with the bank Citibank is R$ 315,681 (R$ 0 as of December 31, 2018).

Short position		**Fair value**	
Market risk hedge	**Indexes**	**2019**	**2018**
Citibank- USD 300 MM			
Long position	USD + Libor + 0.725% p.a.	317,526	-

Short Position	113.5% of CDI	(308,463)	-
Total		9,063	-
Current net		72	-
Noncurrent net		8,991	-
Total		9,063	-

Specific appraisal methods used for derivative financial instruments: Market prices of the financial institutions. The fair value of interest rate swaps is calculated based on the present value of the future cash flows estimated based on the yield curves adopted by the market.

The amounts related to the item designated as hedge instruments and hedge ineffectiveness were the following:

		Carrying amount 2019		In the period 2019		
Exchange Risk	**Nominal Value**	**Assets**	**Liabilities**	**Item in statement of financial position containing hedge instrument**	**Changes in the value of the hedging instrument recognized in OCI**	**Item in P&L affected by reclassification**
Hedge SWAP taken out for foreign currency loans	300,000	9,063	-	Derivative financial instruments	2,736	n/a

The table below provides a reconciliation by risk category of the components of equity and an analysis of items in Other Comprehensive Income - OCI, net of tax, resulting from cash flow hedge accounting:

	Asset and liability valuation adjustments	**Hedge costs reserve**
Balance at 1 January 2019	-	-
Cash flow hedges		
Changes in fair value:		
Currency risk - Loan Swap	2,736	-
Amount reclassified to profit or loss:		
Currency risk - Loan Swap	-	-
Balance at December 31, 2019	**2,736**	-

38.5 Financial risk management

The Company’s and its subsidiaries’ Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The risks described below are a compilation of the findings by the various departments, according to their respective specialties. Management defines the type of treatment and the owners for monitoring each of the risks ascertained, in order to prevent and control them.

The Group’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the Company’s and its subsidiaries’ market conditions and activities. The Company and its subsidiaries, through their training and management standards and procedures, aim to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

For the financial year ended December 31, 2019, there was no change in the Company's and its subsidiaries' risk management policies since the year ended December 31, 2018.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Company's trade accounts receivable and financial instruments. Management monitors the performance of accounts receivable and bolsters strategy to enhance the management and operational performance of collection initiatives initiated to mitigate the risk of default. A collection workshop is therefore held annually to align accounts receivable recovery strategies. The Company adopts a collection policy whose guidelines concur with the legislation and specific regulations.

Trade and other receivables

The accounts receivable of the subsidiaries Equatorial Piauí and Equatorial Alagoas, and the companies Equatorial Maranhão and Equatorial Pará consist of electricity bills and financed energy supply debits overdue for defaulting consumers, the proportionality of which is determined by the features of the concession area.

The Companies establish collection policies for customer classes, to reduce default levels and consequently recover receivables. All collection policies established comply with the legislation and specific regulations, which in the case of the electricity sector are Normative Resolution 414 issued by the National Electricity Regulatory Agency - ANEEL.

The participation of accounts receivable from subsidiary consumers is shown below:

	%	
Consumer class (Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas)	**2019**	**2018**
Residential	57%	57%
Industrial	6%	5%
Commercial	17%	14%
Rural	4%	4%
Government	9%	12%
Public lighting	3%	3 %
Public utility	4%	5%
Total	100%	100%

The Company's distribution subsidiaries recorded an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables, as presented in note 8.2.

For the financial year ended December 31, 2019 and 2018, the maximum credit risk exposure for trade account receivables by consumer type was as follows:

Distribution

Consumer type	2019 Billed consumers	Unbilled consumers	Tax financing	Low-income and "viva luz" consumers	Total
Residential	1,794,009	282,974	1,456,350	88,764	3,622,097
Industrial	234,839	11,536	116,713	-	363,088
Commercial	561,702	80,155	464,108	-	1,105,965
Rural	181,157	18,862	76,482	-	276,501
Government	199,868	39,785	332,773	-	572,426
Public lighting	91,004	534	94,210	-	185,748
Public utility	106,836	19,112	122,530	-	248,478
Total	3,169,415	452,958	2,663,166	88,764	6,374,303

Consumer type	Billed consumers	Unbilled consumers	Tax financing	Low-income and "viva luz" consumers	Total
Residential	1,423,463	225,580	1,314,317	83,955	3,047,315
Industrial	183,857	12,136	69,031	-	265,024
Commercial	431,384	69,714	209,724	-	710,822
Rural	131,803	13,720	72,578	-	218,101
Government	176,587	36,044	293,778	-	506,409
Public lighting	55,466	445	86,759	-	142,670
Public utility	114,682	16,048	81,498	-	212,228
Total	2,517,242	373,687	2,127,685	83,955	5,102,569

Assessment of expected credit loss for doubtful trade accounts receivable

The companies Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas adopt the expected provision for doubtful accounts (PECLD) model, which is found based on the aging list of non-receipt of invoices and installment payments of invoiced liabilities arising from the supply of electricity by means of the provision matrix. A provision matrix defines by means of analysis the risk percentages of receivables in accordance with the aging list of electricity bills and installments.

The provision matrix adopted is the outcome of a study on the behavior of bill and installment payments over a 5-year period subjected to analysis, reflecting the consumer experience credit loss background regarding electricity bills and installments, which signals efficiency of the collection policy adopted by the Company in 2019.

Expected losses due to doubtful debts (PECLD) are calculated based on sums receivable from consumers, segregated by billing and installment payments according to consumer classes, in values considered sufficient by Management to cover likely losses when realizing credits.

As to the approach for loss recognition, the model employed to measure expected losses with use of the provision matrix, which is based on the default behavior background and related to Management’s experience with collection practices adopted for realizing receivables, it was noted that in the fiscal year ended on December 31, 2019 there was no need to recognize expected losses, but rather an expected provision for doubtful accounts, as detailed in explanatory note no. 8.2

Estimated allowances for doubtful accounts (Consolidated)

RANGE	Gross carrying amount Financing	% Estimated weighted-average loss rate of financed portion	Balance	Gross carrying amount Invoiced	% Weighted-average loss rate of invoiced portion	Balance
Outstanding	1,981,718	28%	550,422	985,362	5%	53,626
1 to 30 overdue	46,718	29%	13,533	455,730	7%	33,480
31 to 60 overdue	30,566	43%	13,279	126,614	18%	22,913
61 to 90 overdue	27,984	50%	14,036	79,890	29%	22,830
91 to 120 overdue	25,240	55%	13,967	65,253	33%	21,452
121 to 150 overdue	21,706	59%	12,874	66,013	34%	22,406
151 to 180 overdue	21,831	62%	13,552	47,436	38%	17,969
181 to 210 overdue	20,196	62%	12,622	38,522	41%	15,776
211 to 240 overdue	19,343	63%	12,180	37,163	44%	16,450
241 to 270 overdue	16,621	64%	10,583	32,272	46%	14,954
271 to 300 overdue	20,224	65%	13,105	34,662	48%	16,648
301 to 330 overdue	17,641	66%	11,641	39,734	49%	19,469
331 to 360 overdue	15,756	66%	10,453	36,537	50%	18,376
361 to 390 overdue	15,208	67%	10,216	34,654	51%	17,739
391 to 420 overdue	16,545	67%	11,121	36,518	53%	19,280
421 to 450 overdue	14,673	69%	10,164	33,373	55%	18,238
451 to 630 overdue	75,677	69%	52,387	182,343	55%	100,731
631 to 720 overdue	30,387	71%	21,529	88,799	58%	51,272
721 to 810 overdue	23,076	74%	17,050	78,759	60%	47,202
811 to 990 overdue	34,779	77%	26,644	112,310	62%	69,919
991 to 1080 overdue	13,766	82%	11,313	61,479	62%	38,361
1081 to 1170 overdue	9,878	85%	8,369	67,189	63%	42,102
1171 to 1350 overdue	13,748	86%	11,841	93,456	72%	67,688
1351 to 1530 overdue	16,592	86%	14,283	77,123	81%	62,651
1531 to 1710 overdue	12,233	89%	10,898	45,346	78%	35,444
1711 to 1890 overdue	8,487	89%	7,582	36,382	78%	28,499
More than 1890 overdue	55,771	95%	52,897	177,481	82%	145,176
Total	**2,606,364**		**968,541**	**3,170,400**		**1,040,651**

PECLD Other (Consolidated)

Range	Gross carrying amount other	%Average weighted rate loss of Other	Balance
Outstanding	83,893	7%	5,511
1 to 30 overdue	14,638	6%	900
31 to 60 overdue	6,338	19%	1,202
61 to 90 overdue	4,960	30%	1,481
91 to 120 overdue	4,383	33%	1,444
121 to 150 overdue	3,900	36%	1,409
151 to 180 overdue	3,598	37%	1,332
181 to 210 overdue	2,372	39%	930
211 to 240 overdue	2,107	41%	874
241 to 270 overdue	1,854	42%	770
271 to 300 overdue	2,046	44%	900
301 to 330 overdue	2,080	46%	947
331 to 360 overdue	2,508	47%	1,171
361 to 390 overdue	2,668	48%	1,272
391 to 420 overdue	2,193	48%	1,062
421 to 450 overdue	1,748	48%	831
451 to 630 overdue	6,583	51%	3,341

631 to 720 overdue	2,144	56%	1,193
721 to 810 overdue	522	53%	276
811 to 990 overdue	1,030	51%	530
991 to 1080 overdue	310	42%	130
1081 to 1170 overdue	272	40%	110
1171 to 1350 overdue	311	51%	157
1351 to 1530 overdue	479	75%	357
1531 to 1710 overdue	509	75%	380
1711 to 1890 overdue			
More than 1890 days overdue			
Total	**153,446**		**28,510**

PECLD not invoiced (Consolidated)

Range	Gross carrying amount not invoiced	% Weighted-average loss rate of non-invoiced portion	Balance
Outstanding	452,958	5.41%	24,484
Total	**452,958**		**24,484**

Cash and cash equivalents

The Company and its subsidiaries have individual and consolidated cash and cash equivalents of R$ 536,313 and R$ 1,785,203 respectively, as of December 31, 2019 (R$ 718,146 and R$ 4,743,990 as of December 31, 2018). Cash and cash equivalents are maintained with banks and financial institutions with ratings above AA-,- assigned by the rating agencies Fitch Ratings and Standard & Poors.

The Company and its subsidiaries consider that its cash and cash equivalents have a low credit risk based on the counterparty's foreign credit ratings. Upon the initial application of CPC 48 / IFRS 9, the Company deemed that a provision is not necessary.

Sector financial assets, contractual assets (infrastructure under construction) and concession financial assets

The Company and its subsidiaries' management considers the risk of these credits to be reduced, since the agreements signed ensure the unconditional right to receive cash at the end of the concession to be paid by the Granting Authority: (i) related to costs not recovered through tariff (sector financial asset); and (ii) related to investments in progress and carried out in infrastructure and which were not amortized until the concession expired (contractual assets and concession's financial assets).

Derivatives

Derivatives are taken out from banks and financial institutions whose credit is rated above AA-,- and by the rating agencies.

(ii) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company and its subsidiaries' approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company and its subsidiaries' reputation. To determine the Company's financial capacity to adequately honor commitments undertaken, the maturity flows of borrowed funds and other obligations are reported. For further information about loans taken out by the Company and its subsidiaries see notes 18 (Loans and financing), 19 (Debentures) and 25 (Amounts payable under the judicial reorganization plan).

The Company and its subsidiaries have obtained funds through its commercial activities, the financial markets, mainly allocating them to its investment program and managing its cash for the purpose of working capital and honoring financial commitments.

For short-term financial investments priority is given to short-term investments, in order to obtain maximum liquidity and cover disbursements. The Company and its subsidiaries' cash generation and excellent stability in receipts and payment obligations in the course of the year enable the Company to obtain stable cash flows, thereby reducing its liquidity risk.

The Company and its subsidiaries aim to maintain the level of its 'Cash and cash equivalents' and other investments with an active market at an amount in excess of expected cash outflows to settle debts over the next 12 months. The availability ratio by short-term debt was 3.1 as of December 31, 2019 (4.7 as of December 31, 2018).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

Parent Company	**Gross amount**	**Total contractual cash flow**	**2 months or less**	**2-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities						
Unsecured bond issues	507,358	525,511	-	525,511	-	-
Subtotals - Loans and Financing	507,358	525,511	-	525,511	-	-
Unsecured bond issues	1,263,854	1,482,844	49,367	728,993	74,168	630,316
Subtotals - Debentures	1,263,854	1,482,844	49,367	728,993	74,168	630,316
Trade payables	2,081	2,081	166	1,915	-	-
Total	1,773,293	2,010,436	49,533	1,256,419	74,168	630,316

Consolidated	**Gross amount**	**Total contractual cash flow**	**2 months or less**	**2-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-derivative financial liabilities							
Secured bank loans	8,254,654	14,932,539	114,750	613,710	1,117,095	3,507,859	9,579,125
Unsecured bank loans	1,176,260	1,265,495	5,177	38,869	553,454	667,995	-
Unsecured bond issues	1,076,027	1,118,780	-	525,511	593,269	-	-
Unsecured bond issues	598,013	615,875	-	615,875	-	-	-
Subtotals - Loans and Financing	11,104,954	17,932,689	119,927	1,793,965	2,263,818	4,175,854	9,579,125
Unsecured bond issues	3,166,009	3,781,796	49,367	920,148	372,524	2,439,757	-
Secured bond issues	2,537,458	3,832,890	6,969	63,756	989,181	1,213,440	1,559,544
Subtotal - Debentures	5,703,467	7,614,686	56,336	983,904	1,361,705	3,653,197	1,559,544
Secured bank loans	122,363	172,340	1,008	10,895	19,929	96,268	44,240
Unsecured bank loans	749,536	1,604,821	40	41,933	42,515	130,017	1,390,316
Subtotal - Other non-derivative financial liabilities	871,899	1,777,161	1,048	52,828	62,444	226,285	12,580,320
Trade payables	1,978,392	1,989,861	1,891,762	91,004	-	-	7,095
Total	19,658,712	29,314,397	2,069,073	2,921,701	3,687,967	8,055,336	12,580,320

Derivative financial liabilities							
Interest rate swaps used for hedging	(29,920)	(28,842)	(2,205)	(6,955)	(18,067)	(1,615)	-
Total	(29,920)	(28,842)	(2,205)	(6,955)	(18,067)	(1,615)	-

The outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

As stated in notes 18 and 19, the Company and its subsidiaries also have loans subject to covenants. Future nonperformance of this covenant could result in the Company having to settle the debt early. The covenants are monitored regularly by the financial board and periodically reported to Management to ensure the contract is being performed. The Company and its subsidiaries are not expected to default on any of the covenants established.

(iii) Market risks

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and stock prices - will affect the Company and its subsidiaries' earnings or the value of its financial instruments, and also includes any covenants which, if breached, could result in accelerated maturity as described further in this note. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company uses derivatives to manage market risks. All these operations are conducted observing market behavior and in compliance with the Company’s hedge policy. The Company generally seeks to use hedge accounting to manage volatility in earnings.

(iv) Exchange rate risk

This arises from the possibility of the Company and its subsidiaries incurring losses due to exchange rate fluctuations. Part of the subsidiaries' financial liabilities are subject to foreign exchange variations due to the volatility of the exchange rate on balances denominated in foreign currencies, especially the US dollar. Currently Equatorial Maranhão has no exposure to the foreign exchange rate in the debt, the exposure of the subsidiary Equatorial Pará is 22.9% (28.9% in 2018), the subsidiary Equatorial Piauí is 11.7% (0.5% as of December 31, 2018), of its debt (related to loans and financing, judicial reorganization creditors and AVP of financial creditors in foreign currency), as shown below:

Consolidated	**R$**	**Average cost (p.a.)**	**Average final term (month/year)**	**Average term (years)**	**Interest (%)**
Index					
Libor (with Swap CDI)	1,291,901	6.7%	Sep/22	2.5	7.3%
Foreign currency	**1,291,901**	**6.7%**		**2.5**	**7.3%**
TJLP	245,702	7.6%	May/23	1.8	1.4%
CDI	7,994,791	7.0%	Feb/23	2.4	45.4%
Fixed	1,635,526	10.7%	Oct/41	15.7	9.3%
IGP-M	362,734	9.2%	Jan/32	9.8	2.1%
IPCA	5,620,056	8.4%	Feb/34	8.7	31.9%
SELIC	466,747	7.4%	Mar/23	1.6	2.6%
Domestic currency	**16,325,557**	**7.9%**		**6.0**	**92.7%**
Total	**17,617,458**	**7.9%**		**5.7**	**100%**

The Company and its subsidiaries continuously monitor market foreign exchange and interest rates in order to assess any requirement to use derivatives to hedge against the risk of variation in these rates.

The companies Equatorial Pará and Equatorial Piauí have two foreign currency debts, both of which have swaps for protection against exchange rate changes, pursuant to note 38.4.

The companies Equatorial Maranhão and Equatorial Alagoas do not have exposure to the exchange rate in the debt as of December 31, 2019 and December 31, 2018.

The sensitivity of the debt has been assessed in five scenarios in accordance with CVM Instruction 475; a scenario with the projected rates for 12 months (Probable Scenario) and another two scenarios with 25% (Scenario II) and 50% (Scenario III) appreciation of the relevant foreign currency.

We have also included two scenarios with the opposite effect to that required in the above Instruction to demonstrate the effects of a weakening of 25% (Scenario IV) and 50% (Scenario V).

The currency used in the sensitivity analysis and the respective scenarios is as follows:

			Consolidated				
			Cash flow risk or fair value associated with interest or foreign exchange rates				
			Impact on profit or loss				
Transaction	**Risk**	**Balance in R$ (exposure)**	**Probable Scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV -25%**	**Scenario V -50%**
Financial liabilities							
Loans, financings and debentures	USD	(1,291,901)	(1,314,341)	(1,641,323)	(1,968,306)	(984,153)	(657,170)
Impact on profit or loss			-	(326,982)	(653,965)	330,188	657,170
Swap - Long position	USD	1,302,382	1,360,598	1,699,089	2,037,579	1,018,790	680,299
Impact on income (swap)			-	338,490	676,981	(341,809)	(680,299)
Reference for financial liabilities		**Projected rate**	**Projected rate at 12/31/2019**	**+25%**	**+50%**	**-25%**	**-50%**
Dollar USD/R$ (12 months)		4.10	4.03	5.12	6.14	3.07	2.05

Source: B3

(iii) Interest rate risk

This risk arises from the possibility of the Company and its subsidiaries sustaining losses arising from fluctuations in interest rates which affect loans and financing and short-term investments. The Company continuously monitors the changes in indexes in order to assess any requirement to use derivatives to protect itself against the risk of variation to these rates. The impact of these changes on interest earned on financial investments and interest paid on debt are described below.

The sensitivity of the Company’s and its subsidiaries' financial assets and liabilities has been assessed in five scenarios.

In accordance with CVM Instruction 475, we present a scenario with the rate projected for 12 months (Probable Scenario) and another two scenarios with 25% (Scenario II) and 50% (Scenario III) appreciation of the relevant indicators.

We have also included two scenarios with the opposite effect to that required in the above Instruction to demonstrate the effects of a decrease of 25% (Scenario IV) and 50% (Scenario V) in these indicators.

			Parent Company				
			Cash flow or fair value risk associated with interest rates				
Transaction	**Risk**	**Balance in R$ (exposure)**	**Probable Scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV -25%**	**Scenario V -50%**
Financial assets							
Short-term investments	CDI	1,406,766	1,469,648	1,485,369	1,501,089	1,453,927	1,438,207
Impact on profit or loss			-	15,721	31,441	(15,721)	(31,441)
Financial liabilities							
Loans, financings and debentures	CDI	(1,663,324)	(1,737,675)	(1,756,263)	(1,774,850)	(1,719,087)	(1,700,500)
	IPCA	(113,693)	(118,923)	(120,230)	(121,538)	(117,615)	(116,308)
Impact on profit or loss			-	(19,895)	(39,790)	19,895	39,790
Net effect on income			-	(4,174)	(8,349)	4,174	8,349

			Consolidated				
			Cash flow or fair value risk associated with interest rates				
Transaction	**Risk**	**Balance in R$ (exposure)**	**Probable Scenario**	**Scenario II +25%**	**Scenario III +50%**	**Scenario IV -25%**	**Scenario V -50%**
Financial assets							
Short-term investments	CDI	5,644,838	5,897,162	5,690,243	6,023,324	5,834,081	5,771,000
Impact on profit or loss			-	63,081	126,162	(63,081)	(126,162)
Financial liabilities							
Loans, financings and debentures	CDI	(8,039,674)	(8,399,047)	(8,488,890)	(8,578,734)	(8,309,204)	(8,219,360)
	SELIC	(466,747)	(487,984)	(493,293)	(498,602)	(482,675)	(477,366)
	TJLP	(245,702)	(257,889)	(260,936)	(263,982)	(254,842)	(251,796)
	IGP-M	(362,734)	(378,477)	(382,413)	(386,348)	(374,541)	(370,606)
	IPCA	(5,574,367)	(5,830,788)	(5,894,893)	(5,958,998)	(5,766,683)	(5,702,578)
Impact on profit or loss			-	(166,240)	(332,479)	166,240	332,479
Net effect on income			-	(103,159)	(206,317)	105,657	206,317

Reference for financial assets and financial liabilities	**Projected rate (BMF)**	**Rate at 12/31/2019**	**25%**	**50%**	**-25%**	**-50%**
CDI (% 12 months)	4.47	5.98	5.59	6.71	3.35	2.24
SELIC (% 12 months)	4.55	5.98	5.69	6.83	3.41	2.28
TLP (% 12 months)	4.31	4.31	5.39	6.47	3.23	2.16
TJLP (% 12 months)	4.96	6.20	6.20	7.44	3.72	2.48
IGP-M (% 12 months)	4.34	7.30	5.43	6.51	3.26	2.17
IPCA (% 12 months)	4.60	4.31	5.75	6.90	3.45	2.30

Source: B3

(iv) Risk of early maturity

The Company and its subsidiaries have loan, financing and debenture agreements containing covenants which in general require the maintenance of economic and financial indexes at certain levels. Failure to adhere to these covenants could result in early maturity of this debt. Management monitors its positions and projects future indebtedness in order to act preventively with respect to indebtedness limits mentioned in notes 18 (Loans and financing) and 19 (Debentures).

In consideration of the contracts subject to Judicial Reorganization of Equatorial Pará, renewal of the credits led to the suspension of early maturity clauses and financial and non-financial covenants, except where agreed by the parties.

(v) Risk of energy shortages

The Brazilian Electric System is predominantly supplied by hydroelectric energy generation. A lengthy drought during the wet season will reduce water volumes in reservoirs, resulting in higher energy acquisition costs in the short term and higher system charges due to need to procure energy from thermoelectrical power plants. In the worst-case scenario a rationing program could be introduced, which would result in lower revenue. In order to encourage the rational use of energy, the government issued Decree 8401/2015 which created the Centralizing Account of Rate Flag Funds (flag account) in order to indicate the hydrological situation in the country, thereby containing the national energy consumption

(vi) Risk of electricity rate adjustments

Rate review and adjustment processes are a requirement under concession contracts and use previously defined methodologies. Any changes to current methodologies are required to be extensively discussed with inputs provided by the Company, concession holders and other players in the industry. Where any unforeseeable event affects the economic and financial balance of the concession, the Company is entitled to request that the regulator initiate an Extraordinary Tariff Review to be conducted at the regulator's discretion. ANEEL may also conduct Extraordinary Tariff Reviews where any charges and/our taxes are created, modified or abolished to ensure they are properly reflected in electricity rates.

(vii) Environmental risk

The Company and its subsidiaries guide their actions through their Sustainability Policy, which in our Concessions provides for compliance with legal environmental requirements in the 3 spheres of government (Federal, State and Municipal), aiming at environmental preservation and respect for society, in particular with traditional populations.

In order to control processes and activities subject to environmental impacts, we employ an Environmental Management System based on ISO 14001, which relates such processes and activities to their possible impacts, as well as correlating them with current legislation. For such processes, we have specific procedures intended for preventive control regarding environmental impacts and that involve our own employees and third parties, in addition to other Stakeholders.

Control of the Environmental Management System with chief macroprocesses:

- Environmental Permitting
- Track Cleaning, Pruning and Vegetation Control Activities;
- Waste Management
- Environmental Education and Awareness;
- Management of Legal Requisites;
- Water resource management and
- Standardizing and Control of the Environmental Management System (SGA).

Within such macroprocesses, we manage hundreds of environmental licensing and approval processes in order to implement, maintain and operate assets and processes, especially with regard to putting in place Substations, Lines and Power Distribution Networks. We also work with the competent environmental agencies to obtain approval for pruning, cleaning tracks and vegetation control, in compliance with legislation and preventing risks to the electrical system.

We include an Environmental Integration stage in our SGA for implementing civil works. This process consists of liaison with suppliers/civil works providers, with regard to licensing and approvals received from environmental agencies. During Environmental Integration meetings, all the processes that were environmentally licensed are passed on to civil works managers and providers, in addition to legal obligations related to compliance with conditions and current legislation, with the aim of minimizing environmental risks in connection with implementing civil works.

Also, with a view to reducing environmental impacts, we make use of protected or compact cables in our concession areas that minimize pruning actions and intensities, especially in urban areas with a high density of large trees.

38.6 Capital management

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Management also monitors the capital return and level of dividends for shareholders.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position and establishes and monitors indebtedness and liquidity levels as well as financing maturities and costs accordingly.

39 Statements of cash flows

Transactions not involving cash

The reviewed CPC 03 (R2) – Statements of Cash Flows states that investment and financing transactions not involving cash or cash equivalents should be excluded from the statements of cash flow and presented separately in a note.

All statements not involving the use of cash or cash equivalent, i.e. that are not stated in the statements of cash flow, are shown in the table below:

Parent Company	**Noncash effect**
Investment activities	
Minimum mandatory dividend	322,523
Right-of-use (b)	1,110
Total	323,633

Consolidated	**Noncash effect**
Financing activities	
Capital increase (a)	308,509
Minimum mandatory dividend	587,902
Investment activities	
Right-of-use (b)	51,868
Acquisitions of contractual assets (c)	281,056
Total	1,229,335

(a) This entails a capital increase by moving profit reserves with no cash effect as per the minutes from the meeting held on April 29, 2019 at Equatorial Pará and Equatorial Maranhão;

(b) Following the application of IFRS 16 we had this non-cash variance related to the subsidiaries' right of use; and

(c) This effect denotes the balance in trade payables that is directly related to the acquisition in the contractual asset for which there was no cash effect.

40 Segment reporting

The Company reviews the performance of its segments and allocates resources based on a range of factors, of which revenue and operating income are the primary financial factors.

The Company opted to organize the entity around the differences between products and services. The economic segments it operates in are therefore: Distribution, Transmission, Services [iii] and Other[iv] whose segment reporting information is shown below:

	2019					
	Distribution	Transmission	Services and Trading	Reconciliation		Total
				Management	Eliminations	
Operating assets	26,920,295	8,696,385	234,373	17,284,982	(15,605,940)	37,530,095
Operating liabilities	19,532,836	6,126,191	82,297	2,195,202	(179,804)	27,756,722

	2018					
	Distribution	Transmission	Services and Trading	Reconciliation		Total
				Management	Eliminations	
Operating assets	19,650,669	3,196,265	163,256	2,732,371	(236,565)	25,505,996
Operating liabilities	14,912,573	1,838,539	72,325	2,353,297	(239,670)	18,953,125

	2019					
	Distribution	Transmission	Services and Trading	Reconciliation		Total
				Management	Eliminations	
Net operating revenue	13,262,495	5,271,536	442,135	-	(179,820)	18,796,346
Operating Costs and Expenses	(10,892,533)	(3,173,388)	(383,814)	(135,418)	44,423	(14,405,333)
Operating income before financial income/expenses	2,369,962	2,098,148	58,321	(135,418)	(135,397)	4,391,013
Financial revenue	1,690,378	12,594	26,584	33,832	-	1,763,388
Finance cost	(2,124,943)	(67,533)	(164)	(198,408)	-	(2,391,048)
Finance Income/Cost	(434,565)	(54,939)	26,420	(164,576)	-	(627,660)
Equity in the net income of subsidiaries and associated companies	-	-	-	3,937,680	(4,020,974)	(83,294)
Income tax and social contribution	(219,463)	(716,605)	(28,359)	-	-	(964,427)
Net income (loss) for the year	1,715,934	1,326,604	56,382	3,637,686	(4,156,371)	2,715,632

[iii] Services relate to the services provided by 55 Soluções S/A, Equatorial Telecomunicações Ltda and Solenergias Comercializadora de Energia S/A. For further information see note 11.3 - Subsidiaries and joint ventures.

[iv] Other denotes central administration services from the holding operations and shared personnel and infrastructure provided by the companies Equatorial Energia Distribuição S/A, Equatorial Transmissão S/A and Equatorial Energia S/A. For further information see note 11.3 - Subsidiaries and joint ventures.

	2018					
	Distribution	**Transmission**	**Services and Trading**	**Reconciliation**		**Total**
				Management	**Eliminations**	
Net operating revenue	9,797,248	1,020,412	507,534	-	(72,567)	11,252,627
Operating Costs and Expenses	(8,077,780)	(681,139)	(465,478)	(59,183)	72,569	(9,211,011)
Operating income before financial income/expenses	1,719,468	339,273	42,056	(59,183)	2	2,041,616
Finance Income/Cost	(742,075)	(5,306)	4,985	(40,188)	-	(782,584)
Equity in the net income of subsidiaries and associated companies	-	-	331	36,186	-	36,517
Income tax and social contribution	(18,396)	(100,433)	(15,655)	(5)	-	(134,489)
Net income (loss) for the year	958,997	233,534	31,717	(63,190)	2	1,161,060

40.1 Operating revenue by segment

	2019				
	Distribution	**Transmission**	**Services**	**Eliminations**	**Total**
Electricity sales to distributors	383,478	-	-	-	383,478
Electricity sales to consumers	15,993,707	-	303,090	-	16,296,797
CVA and other financial items	44,732	-	-	-	44,732
Construction revenue	1,878,597	4,714,857	-	-	6,593,454
Electricity transmission operations	-	6,990	-	-	6,990
Operation and maintenance revenue	-	17,436	-	-	17,436
Other income	552,295	1,093,018	206,165	(179,820)	1,671,658
Total gross revenue	18,852,809	5,832,301	509,255	(179,820)	25,014,545

	2018				
	Distribution	**Transmission**	**Services**	**Elimination**	**Total**
Electricity sales to distributors	634,888	-	-	-	634,888
Electricity Sales to Consumers	10,593,835	-		-	11,008,357
CVA and other financial liabilities	418,172	-	-	-	418,172
Construction revenue	1,241,191		-	-	2,165,614
Electricity	-		-	-	8,439
Operation and maintenance revenue	-		-	-	31,642
Other income	922,299				1,175,011
Total gross revenue	13,810,385				15,442,123

40.2 Geographic segment

The Company opted to disclose information by economic segment by state in which it operates in the energy distribution sector**:

(a) Distribution operating revenue

	2019				2018		
	Maranhão	**Pará**	**Piauí**	**Alagoas***	**Maranhão**	**Pará**	**Piauí**
Net operating revenue	3,793,558	5,595,340	2,429,658	1,443,939	2,776,145	5,491,536	508,941

* The Distribution companies have operational and administrative head offices in the respective states they are operate in. The transmission companies, in turn, have their operations in locations away from the administrative head office, which are in Brasília/DF, are not therefore analyzed geographically by the Company.

When taking decisions Company executives only analyses distribution companies by geographical segment. Transmission companies are not analyzed in this segment because the transition lines cross through various regions.

41 Commitment - Energy purchase contracts (Consolidated)

Equatorial Maranhão, Equatorial Pará, Equatorial Piauí and Equatorial Alagoas' commitments under long-term power purchase agreements are as follows:

	Term	2020	2021	2022	2022 onwards*
Contracted power (in R$)	2020 to 2032	5,110,568	6,882,766	7,242,780	89,223,618
Contracted power (in MWh)	2020 to 2032	24,689,606	24,905,952	25,487,335	246,067,622

(*) estimated 12 years after 2022.

The amounts referring to power purchase contracts lasting between 6 and 30 years relate to contract volume at the current price under the appropriate clause of the CCEAR contract and have been approved by ANEEL.

42 Future commitments

The future commitments under the long-term contracts of the companies Equatorial Maranhão, Equatorial Pará, Equatorial Piauí, Equatorial Alagoas and Equatorial Transmissão are as follows:

Individual

	Term	2020	2021	2022	2022 onwards*
Leasing and rentals (R$ Thousand)	2020 to 2028	150	138	127	528

(*) estimated after 2022.

Consolidated

	Term	2020	2021	2022	2022 onwards*
Leasing and rentals (R$ Thousand)	2020 to 2028	11,162	5,537	3,550	13,175
Islanded system (R$ Thousand)	2020 to 2032	455,439	418,927	316,590	684,212
Islanded system (MWh)	2020 to 2032	303	280	224	926

(*) estimated after 2022.

43 Insurance

The Company and its subsidiaries maintain insurance policies for amounts deemed sufficient to cover losses caused by possible claims in their equity, as well as for repairs in which they are civilly liable for involuntary, material and/or bodily damages caused to third parties arising from its operations, considering the nature of its activity. The Company's and its subsidiaries' insurance policies are signed in accordance with the risk management and insurance policies generally employed by electricity distribution companies. Given their nature, the risk assumptions adopted do not comprise the scope of a financial statements audit and were not therefore examined by our independent auditors.

The specification by risk type and effectiveness date of the main insurance contracts according to the insurance policies taken out by the Company and its subsidiaries are denoted below:

Consolidated

Risks	Maturity	Amounts
D&O General	(a)	80,000
Operating risks	(a)	1,084.70
General civil liability - operations	(a)/(b)/(c)	821,000
All risks	(a)	1,095

Judicial surety bond	(b)/(d)	1,773,26
Power auction surety bond	(a)	793
Vehicle insurance	(e)	-
Performance/construction bonds	(a)	400,137
Works to deploy transmission lines	(a)	77,081

(a) Policies in force through 2020;
(b) Policies in force through 2022;
(c) Policies in force through 2023;
(d) Policies in force through 2024; and
(e) Pursuant to the policy, this insurance only applies to third parties, i.e. there is no insured amount.

(*) 282 insured own vehicles.

44 Subsequent events

Shared services agreement

By way of order 563 issued February 21, 2020, the Economic and Financial Oversight Division of the National Electricity Regulatory Agency - ANEEL approved the entering into the human resources and infrastructure sharing agreement between the related parties Equatorial Energia S.A., Equatorial Maranhão Distribuidora de Energia S.A., Equatorial Para Distribuidora de Energia S.A. Equatorial Piauí Distribuidora de Energia S.A. Equatorial Alagoas Distribuidora de Energia S.A., Equatorial Transmissão S.A., Equatorial Transmissora 1 SPE S.A., Equatorial Transmissora 2 SPE S.A., Equatorial Transmissora 3 SPE S.A., Equatorial Transmissora 4 SPE S.A., Equatorial Transmissora 5 SPE S.A., Equatorial Transmissora 6 SPE S.A., Equatorial Transmissora 7 SPE S.A., Equatorial Transmissora 8 SPE S.A. and Integração Transmissora de Energia S.A., pursuant to the draft contract analyzed.

Equatorial Pará

PIS/COFINS on imports

In March 2017 the Supreme Federal Court - STF had published an Appeal Decision for the Extraordinary Appeal with general repercussion regarding the dispute around including ICMS in the PIS and COFINS calculation base. In 2017 the company filed a case about this matter obtaining a favorable final and unappealable decision in case 100533-18.2017.4.01.3900 dated February 06, 2020. Based on the opinion of its legal advisers, as of December 31, 2019 the subsidiary Equatorial Pará expects to recover the amount of R$ 929,571, with no impact on profit or loss.

On March 17, 2019 the National Electricity Regulatory Agency - ANEEL began a process until April 15, 2020 to collect information about the company’s regulatory treatment to be given to legal decisions addressing the exclusion of ICMS in the PIS/PASEP and COFINS calculation base in energy bills. After this date, ANEEL will analyses the contributions, determine the amounts involved and open a public hearing to define the regulations for returning this credit.

SPE 01

Under Private Financing Contract 193.2018.581.6501 dated June 19, 2018 with Banco do Nordeste do Brasil S.A. (BNB), on January 07, 2020 the Company (SPE 1) received tranche 4 under the Contract with BNB, in the amount of R$ 50,002. This disbursement will be fully allocated to investments in the venture maturing in 20 years and incurring interest at the rate of IPCA + 2.0766% p.a. On May 01, 2020 all of SPE 01's transmission ventures came into commercial operation, with total RAP (Annual Permitted Revenue) of R$ 86.5 million (figure for Jun/19).

On February 5, 2020 7.28% of the transmission ventures comprising the Company's Concession Arrangement came into commercial operation, with total RAP (Annual Permitted Revenue) of R$ 76.3 million (figure for Jun/19). Concession Agreement SPE 01 was signed in February 2017, and its operational start-up took place approximately 24 months (2 years) before the regulatory deadline (February/22).

SPE 02

On February 5, 2020 all of SPE 02's transmission ventures came into commercial operation, with total RAP (Annual Permitted Revenue) of R$ 78 million (figure for Jun/19). Concession Agreement SPE 02 was signed in February 2017, and its operational start-up took place approximately 24 months (2 years) before the regulatory deadline (February/2022).

SPE 5

Under Private Financing Contract 193.2018.1154.6749 dated December 19, 2018 with Banco do Nordeste do Brasil S.A. (BNB), on March 05, 2020 the Company (SPE 5) received tranche 5 under the Contract with BNB, in the amount of R$ 61,916. These amounts will be fully allocated to investments in the venture maturing in 20 years and incurring interest at the rate of IPCA + 2.5707% p.a.

SPE 6

Under Credit Facility 19.2.0126.1 dated April 02, 2019 with the National Bank for Economic and Social Development (BNDES), on February 27, 2020 the Company (SPE 6) received tranche 4 under the Contract with BNDES, in the amount of R$ 100,000. This disbursement will be fully allocated to investments in the venture maturing in December 2042 and incurring interest at the rate of IPCA + 4.87% p.a.

SPE 8

On January 12, 2020 the sections of the Altamira/Transamazônica TL and Transamazônica/ Tapajós II TL + Tapajós Substation came into operation, jointly producing RAP (Annual Permitted Revenue) of R$ 86.1 million, equal to 62.1% of SPE 08's total. SPE 08's concession agreement was signed on July 21, 2017, and the operational start-up of the sections is taking place approximate 30 months before the regulatory deadline, thus avoiding the need for public investment in thermoelectric generation in the region and enhancing the quality of energy in Tramo Oeste Paraense.

Equatorial Piauí

On January 16, 2020 Equatorial Piauí took out a loan (Bank Credit Note) from Banco Santander S.A. for USD 130,000, maturing on December 27, 2023, secured by the parent company Equatorial Energia and incurring interest of the CDI rate plus a spread of 0.98%.

Equatorial Alagoas

On January 16, 2020 Equatorial Alagoas took out a loan (Bank Credit Note) from Banco Santander S.A. for USD 250,000, maturing on December 27, 2023, secured by the parent company Equatorial Energia and incurring interest of the CDI rate plus a spread of 0.98%.

Extraordinary Rate Review - RTE

Through the powers vested in it by Ordinance 4,595, the National Electricity Regulatory Agency (ANEEL) approved the opening of public consultation 004/2020 during the period February 05, 2020 to March 20, 2020. The action aimed to obtain further information to enrich the proposal for the Extraordinary Rate Review - RTE of Equatorial Alagoas Distribuidora de Energia S.A.
On April 28, 2020 the ANEEL executive board approved the RTE rates of Equatorial Alagoas Distribuidora de Energia S.A. The average effect predicted for consumers as a result of this review is 9.85% effective from May 03, 2020. However, due to the current status of the COVID-19 pandemic and the Company's request, the regulatory agency has suspended the application of new rates. The new rates are expected to come into force only from July 01, 2020 and until this time the company will continue applying the current energy rates.

Equatorial Energia

Debenture settlement

On March 10, 2020 the Company early redeemed the entire series 1 of its 2nd debentures issuance, amounting to a total of R$ 695,500 (six hundred ninety-five million five hundred thousand reais) maturing on November 15, 2022 and incurring interest at the rate of CDI + 1.60% p.a. and a premium of 0.25% p.a. This action aimed to reduce exposure to market risk.

The impact of the COVID-19 outbreak on the financial statements

In March 2020 the WHO declared the Covid-19 pandemic. After the pandemic had been recognized by the WHO/UN, the Brazilian government also recognized the situation – Legislative Decree 6, issued March 20, 2020, recognized the state of public calamity for the purpose of art. 65 of Supplementary Law 101, issued May 4, 2000, in accordance with the request submitted by the resident of the Republic by way of Message 93 on March 18, 2020.

Since then the Company has been tracking the virus' spread in Brazil and the world and its impact on the economy. By the disclosure of financial statements we had not observed any material and significant impacts on the conditions in place at the end of the accounting period covered by the financial statements, pursuant to technical standard CPC 24 / IASB 10 – CPC 24 – Subsequent Events, which were not already reflected in the accounting adjustments made to the measurement of the assets and liabilities of the Company and its subsidiaries in the financial statements for the financial year ended December 31, 2019. We have not yet been able to measure with any reasonable accuracy the future economic and financial impacts that Covid-19 may cause, as there are multiple scenarios. However, the Company and its subsidiaries continued monitoring developments and impacts, where we emphasize that because it is a regulated company, its economic and financial equilibrium is guaranteed in its subsidiaries' concession agreements.

The Company and its subsidiaries have taken several prevention measures to protect their employees, avoiding them from exposure to risky situations, such as: (i) canceling national and international travel; (ii) adopting home office and rotating shifts to avoid agglomerations; (iii) using remote service tools, amongst other things. The Company will continue to comply with the guidelines issued by the competent authorities and may adopt further preventive measures, in order to protect its employees.

The possible facts which cannot yet be measured include: (i) the possibility of reviewing operational cash flow and revenue projections of the Company for 2020 the increase in electricity losses, which could cause the need to recognize an impairment loss on non-financial assets and deferred income and social contribution taxes; ii) exchange variance exposure on foreign currency loans and the respective interest rates, which are partly covered by financial derivative operations, where the exposure scenarios can be seen in the sensitivity analysis in note 36.4. The possibility of reviewing cash flow and revenue projections will naturally be accompanied by reviewing the pace of works for investment, enabling a slowdown. These incidents constitute a case of unforeseeable circumstances/force majeure and to mitigate this effect the concession operator can prompt ANEEL to implement the procedure stipulated in the concession agreement to request the concession's economic and financial equilibrium be restored. Note that this situation does not affect just the Company, but rather all electricity distribution companies. Similar situations have been experienced before (the rationing in 2001 and 2002 and the effects of Preliminary Law 579/2012), which led to the production of systemic solutions that preserved the economic and financial equilibrium of the sector as a whole. In addition to the individual equilibrium restoration mechanism (extraordinary rate reviews), it is only natural for a systemic solution to be provided, spearheaded by the federal government and ANEEL.

The Company and its subsidiaries also have a conservative cash policy, which seeks to maintain robust liquidity by investing in Tier 1 financial institutions and low-credit-risk operations, such as: fixed income securities, government bonds, repo transactions, debentures, CDBs and other investments.

In loan management, while the group's distribution companies have loans taken out from the BNDES (National Bank for Economic and Social Development) to finance its investment plan for 2020, the transmission SPEs already have 100% of long-term funding secured. We also inform you that all foreign currency debts are completely protected by financial hedge instruments.

By way of Provisional Law 950/2020 issued April 08, 2020 the Federal Government expanded the low-income discount (TSEE) to 100% for April, May and June, meaning this law provides additional protection for consumers and a benefit for distribution companies by improving collection rates and cash flow.

As regards the TSEE, the Provisional Law exempts consumers qualifying for the social rate from paying the energy rates on consumption of up to 220 kWh/month, for 3 months. MP 949/2020 issued the same date established a R$ 900 million contribution from the Energy Development Account - CDE, to be made possible by creating extraordinary credit via the Treasury.

MP 950/2020 also determines the contracting of loans from banks to alleviate the situation of energy distribution companies affected by possible effects of the coronavirus pandemic (Covid-19). This loan will be settled by tax charges by way of the ACR account (created in 2014 as part of the crisis solutions introduced by MP 579/2012). The MP stipulates that tax charges should provide funds to enable amortization of financial operations linked to measures to address the impacts on the electric sector caused by the state of public calamity. We are currently waiting for the draft law to be regulated, which should be completed shortly, according to press reports.

By way of Technical Note 01/2020-GMSE/ANEEL, issued April 16, 2020, ANEEL conducted a thorough and in-depth analysis of the situation, addressing the risk of an economic and financial imbalance from several perspectives, addressing the tools to tackle the problem, also making a comparison between past crises and the current situation triggered by the Covid-19 pandemic. The technical note also presents a range of solutions that can be introduced to help maintain the electric sector's stability, including the use of sector funds to address any impacts of the situation triggered by the Covid-19 pandemic. Of the measures taken, note that on April 07, even before this technical note had been published, the agency released funds for distribution companies of

R$ 1.5 billion, accumulated in the ESS relief account; and in another decision, on April 20 ANEEL reduced transmission usage expenses by more than 15% for the months of April, May and June - providing cash relief for distribution companies in excess of R$ 400 million. Equatorial's distribution companies received ESS relief of R$ 104,084, as shown in the table below.

Company	Amount (R$ thousand)
Equatorial Alagoas	17,022
Equatorial Pará	40,669
Equatorial Maranhão	28,159
Equatorial Piauí	18,234
Total	**104,084**

As regards discount to the transmission usage rates, we expect to reduce our disbursements by R$ 15,182 thousand/month (Equatorial Maranhão: 3,010 thousand/month, Equatorial Pará: 7,265 thousand/month, Equatorial Piauí: 1,926 thousand/month, and Equatorial Alagoas: 2,981 thousand/month). The measure generates a benefit by reducing disbursements for the periods April/2020, May/2020 and June/2020.

As regards energy consumption patterns in its concessions, the Company published figures for the 1st quarter of 2020 by way of a press release on April 22, 2020. Upon assessing market behavior, the Company found in early 2020 strong growth in the consumer market of its distribution companies, a pattern which can be seen in the results for the 1st quarter. In this period, the invoiced sales of the group's companies grew by an average 6.2%, as per the table below which presents consolidated electricity sales by sector.

Consumption Class (MWh)	1Q19	1Q20	Var.
Consolidated (MA + PA + PI + AL)			
Residential - conventional	1,866,785	1,919,575	*2.8%*
Residential - low income	496,340	630,093	*26.9%*
Industrial	263,083	226,515	*-13.9%*
Commercial	926,920	933,113	*0.7%*
Others	1,076,068	1,133,068	*5.3%*
Total (captive)	**4,629,195**	**4,842,364**	***4.6%***
Industrial	417,261	476,640	*14.2%*
Commercial	171,445	219,210	*27.9%*
Others	2,617	2,870	*9.6%*
Free Costumers	**591,323**	**698,720**	***18.2%***
Connection w/ Other Distributor	35,789	39,510	***10.4%***
Total (Captive + Free)	**5,256,307**	**5,580,595**	***6.2%***

Consumption per DisCo (MWh)	1Q19	1Q20	Var.
Equatorial Maranhão	1,480,828	1,554,624	*5.0%*
Equatorial Pará	1,954,385	2,089,311	*6.9%*
Equatorial Piauí	859,290	904,748	*5.3%*
Equatorial Alagoas	961,804	1,031,911	*7.3%*
Total (Captive + Free + Conection)	**5,256,307**	**5,580,595**	***6.2%***

In April/2020 we noticed a slowdown, with an average growth rate of 0.24%, as shown in the table below.

Consumption per Distribuitor (MWh)	abr/19	abr/20	Var
Equatorial Maranhão	500,267	501,478	*0.24%*
Equatorial Pará	660,067	679,080	*2.88%*
Equatorial Piauí	286,131	282,843	*-1.15%*
Equatorial Alagoas	310,416	297,667	*-4.11%*
Total (Captive+Free+Conection)	**1,756,881**	**1,761,068**	***0.2%***

The group company with the greatest growth was Equatorial Pará, with a rate of 2.88%, and the worst performance is observed at Equatorial Alagoas, with a decrease of 4.11%. In the company's vision, the slowdown could be due to government incentives to combat the Covid-19 pandemic, but we believe a longer period is necessary to better assess the results. Note that the accumulated earnings for the year (January to April) shows growth of 4.68%, a better rate than that observed in the recent past.

* * *

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