

Annual Social and Environmental Responsibility Report



2017

Base year





PRESENTATION

Transmissora Aliança de Energia Elétrica S.A. (TAESA) proudly presents its 10th Annual Social and Environmental Responsibility Report. This document, in addition to being compliant with the requirements and standards established by the National Electric Energy Agency (ANEEL), incorporates several methodological references from other environmental reports adopted by the largest Brazilian companies. This particular report consists of the compilation of information and data on the concessions incorporated into TAESA and those in which the company has all the shares. The document was prepared considering five (5) core dimensions:

1 General

2 Corporate Governance

3 Economic and Financial

4 Social and Sectorial

5 Environmental

It is worth highlighting that the content of this report was reviewed and validated by the respective technical areas of TAESA, by the Executive Board, the Tax Council, and the Company's Board of Directors. TAESA employees were responsible for the preparation of the "10th Annual Social and Environmental Responsibility Report (2017)", under the coordination of the Regulatory and Institutional Management, an area associated to the Company's Legal and Regulatory Executive Board.

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OVERALL DIMENSION

Message from Management

2017 was a year of great challenges for the Company vis-à-vis the nation's economic scenario. The growth strategy focused on return and value generation for shareholders, aligned to financial discipline, enabled the Company to acquire a concession in the transmission auctions held by ANEEL, to carry out reinforcements and improvements in its facilities, to participate actively in the market for Mergers and Acquisitions, to conclude a corporate restructuring within the Group, which increased its interest in some of its associated companies, and also undergo a change of control,

which made ISA Investimentos e Participações do Brasil the Company's new jointly-controlled parent company, alongside Companhia Energética de Minas Gerais (CEMIG).

It is worth highlighting that the availability index of its transmission lines was 99.97%, which shows a high level of commitment and competence to its customers.

Taes's results were supported by a standard of corporate governance, composed of a solid shareholders' base and by a professional management. The controlling shareholders' base of the

Company, comprised by CEMIG and ISA as operator partners with recognized quality in the management of assets of the electric sector, contributed on a significant manner to the gains obtained through actions in the decision-making forums of the Senior Management (Board of Directors, Tax Council and specific Committees). This combination of competences of the Shareholders added to Taes's Team, which has a successful past in the management of its assets and a staff with recognized technical and administrative excellence, leveraged the Company's competitiveness. Based on its social and environmental

responsibility, the Company sought to optimize the application of resources earmarked for Social Responsibility Projects and care for the environment in the best possible way, promoting sustainable development in the areas in which it operates and implementing projects relating to nature and sports, with the concepts of sustainability and equity among generations.

As an strategic directive, the Company permanently seeks for opportunities that would allow the sustainable growth with aggregation of value to our shareholders and related parties.

Company

TRANSMISSORA ALLIANCE DE ENERGIA ELÉTRICA S.A. (TAESA) currently leads one of the largest electric power transmission groups in Brazil. Together, the companies comprising **TAESA** Group have approximately 11,000 kilometers of transmission lines built, members of the Basic Network.

The Company stands out for its high level of technical knowledge and high management and operational standards, to guarantee a satisfactory return for its shareholders and a motivating work environment for its employees.

The 34 transmission concessions/shareholdings held by Taesa are segregated as follows:

- **10 concessions** making up the holding company (TSN, NVT, ETEO, GTESA, PATESA, Munirah, NTE, STE, ATE and ATE II);
- **5 full investees** (ATE III, São Gotardo, Mariana, Janaúba and Miracema) and • **19 shareholdings** (ETAU, Brasnorte, Aimorés, Paraguaçu, ERB1, Transmineiras and TBE).

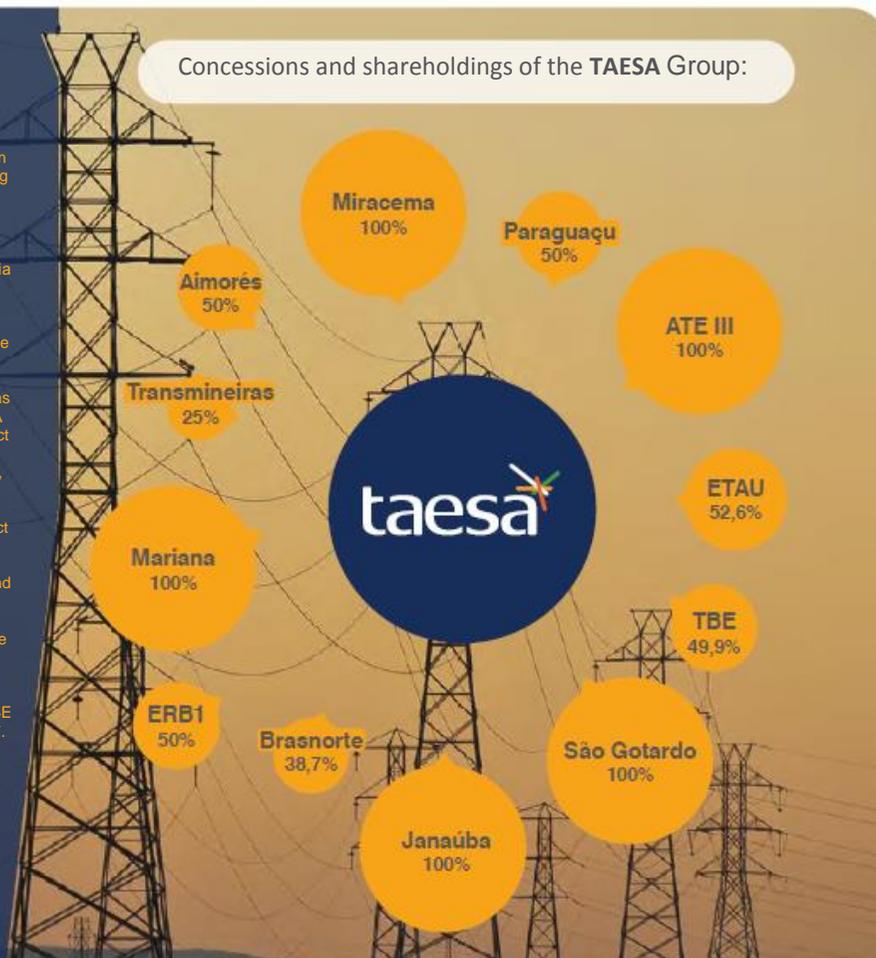
The figure below represents the structure of the concessions/shareholdings of the **TAESA** Group:

Regarding the companies in which TAESA holds equity interests, find below a simplified table detailing its ownership percentage – base year: 2017.

Concessions and shareholdings of the **TAESA** Group:

(1) On November 30, 2017, the transfer to TAESA of the ownership interest held by CEMIG in the capital of the following concessions was completed: Companhia Transleste de Transmissão S.A. ("Transleste"), Companhia Transudeste de Transmissão S.A. ("Transudeste") and Companhia Transirapé de Transmissão S.A. ("Transirapé") (all under joint control, referred to as "Transmineiras"). TAESA already had 5% of indirect interest in each concession through TBE, and after completing this corporate restructuring, TAESA became the direct and indirect holder of 30.0% in Transleste, 29.0% in Transudeste and 29.5% in Transirapé.

(2) TBE is the trade name for the set of 14 concessions, including Transmineiras. The full corporate structure of TBE can be found on page 27.



SPE	SHAREHOLDERS	Ownership Percentage (%)
BRASNORTE	Transmissora Aliança de Energia Elétrica S.A.	38.6645
	Eletrobrás Eletronorte	49.7115
	Bimetal Energia Ltda.	11.6240
	TOTAL	100
ETAU	Transmissora Aliança de Energia Elétrica S.A.	52.5838
	Eletrobrás Eletrosul	27.4162
	DM E Energética S.A.	10.0000
	CEEE - GT	10.0000
	TOTAL	100
ECTE	Alupar Investimento S.A.	50.0222
	Centrais Elétricas de Santa Catarina - CELESC	30.8850
	Transmissora Aliança de Energia Elétrica S.A.	19.0928
	TOTAL	100
ETEP	Alupar Investimento S.A.	50.0155
	Transmissora Aliança de Energia Elétrica S.A.	49.9845
	TOTAL	100
ENTE	Alupar Investimento S.A.	50.0111
	Transmissora Aliança de Energia Elétrica S.A.	49.9889
	TOTAL	100
EATE	Alupar Investimento S.A.	50.0176
	Transmissora Aliança de Energia Elétrica S.A.	49.9824
	TOTAL	100
ERTE	Alupar Investimento S.A.	21.9595
	Transmissora Aliança de Energia Elétrica S.A.	21.9476
	Empresa Amazonense de Transmissão de Energia S.A.	18.0766
	TOTAL	100
EBTE	Empresa Amazonense de Transmissão de Energia S.A.	51.0000
	Transmissora Aliança de Energia Elétrica S.A.	49.0000
	TOTAL	100
Aimorés	CTEEP - Companhia de Transmissão de Energia Elétrica Paulista	50.0000
	Transmissora Aliança de Energia Elétrica S.A.	50.0000
	TOTAL	100
Paraguaçu	CTEEP - Companhia de Transmissão de Energia Elétrica Paulista	50.0000
	Transmissora Aliança de Energia Elétrica S.A.	50.0000
	TOTAL	100

For a better view of the concessions that comprise the TAESA Group, find below a table with the main details of such Concession Agreements:

DETAILED CHART OF THE TAESA GROUP'S CONCESSION AGREEMENTS			
Concession	Concession Agreement	Venture	End of Concession
BRASNORTE	003/2008	LT Jauru - Juba CD 230 kV	3/17/2038
		SE Juba 230/138Kv	
NOVATRANS	095/2000	LT Brasnorte - Nova Mutum CD 230 kV	12/20/2030
		SE Brasnorte 230/138Kv	
MUNIRAH	006/2004	Interligação Norte - Sul II	2/18/2034
TSN	097/2000	Interligação Sudeste - Nordeste	12/20/2030
ETEO	040/2000	LT Taquaruçu - Assis - Sumaré	5/12/2030
ETAU	082/2002	LT Campos Novos - Lagoa Vermelha - Santa Marta	12/18/2032
GTESA	001/2002	LT Goianinha - Mussurê II C3	01/21/2032
PATESA	087/2002	LT Paraíso - Açú	12/11/2032
NTE	002/2002	LT Xingo - Angelim II 500Kv	01/21/2032
		LT Angelim - Campina Grande II 230Kv	
STE	081/2002	LT Uruguaiana - Santa Rosa	07/01/2032
ATE	003/2004	LT Londrina - Araraquara	07/30/2033
ATE II	011/2005	LT Colinas - Sobradinho 500 kV	03/15/2035
ATE III	001/2006	LT Marabá - Colinas 500 kV	04/27/2036
		LT Itacaiúnas- Carajás 230 kV	
SÃO GOTARDO	024/2012	SE São Gotardo	08/27/2042
EATE	042/2001	LT Tucuruí - Presidente Dutra	06/12/2031
EBTE	011/2008	LTs Juina - Brasnorte; Juba -	10/16/2038
		Brasnorte; Parecis - Brasnorte; N. Mutum - Sorriso - Sinop	
ECTE	088/2000	LT Campos Novos - Blumenau	11/01/2030
ENTE	085/2002	LT Tucuruí - Açailândia	12/11/2032
ERTE	083/2002	LT Vila do Conde - Castanhal - Santa Maria	12/11/2032
ESDE	025/2009	SE Santos Dumont	11/19/2039
ETEP	043/2001	LT Vila do Conde - Tucuruí	06/12/2031
ETSE	006/2012	LTs 230 KV SE Abdon Batista	05/10/2042
LUMITRANS	007/2004	LT Machadinho - Campos Novos	02/18/2034
STC	006/2006	LT Barra Grande - Lages - Rio do Sul	04/27/2036
TRANLESTE	009/2004	SE Montes Claros - SE Irapé	02/18/2034
TRANSUDESTE	005/2005	SE Itutinga - SE Juiz de Fora	03/04/2035
TRANSIRAPÉ	012/2005	SE Irapé - SE Araçuaí 2	03/15/2035
MARIANA	011/2014	LT Itabirito 2 - Vespasiano 2 CS 500 KV	05/02/2044
MIRACEMA	017/2016	Transmission Line Miracema - Lajeado	06/27/2046
		LT Lajeado - Palmas SE Palmas	
JANAÚBA	017/2017	LT Pirapora 2 - Janaúba 3	02/09/2047
		LT Janaúba 3 - Bom Jesus da Lapa 2	
AIMORÉS	004/2017	LT Padre Paraíso 2 - Governador Valadares 6	02/09/2047
PARAGUAÇU	003/2017	LT Poções 3 - Padre Paraíso 2	02/09/2047
		LT Foz do Iguaçú - Guaíra	
ERB1	022/2017	SE Guaíra (new yard)	08/11/2047
		LT Guaíra - Sarandi	
		SE Sarandi (new yard)	
		LT Sarandi - Londrina	
		LT Sarandi - Paranavaí do Norte	
		SE Paranavaí do Norte	

The projects operated by TAESA are distributed over the Brazilian territory, as follows:



Mission

TAESA's mission statement is to transmit electricity with excellence, in a continuous and efficient way, ensuring profitability and sustainability.

By the end of 2017, TAESA intends to be the electricity transmission company in the Brazilian private sector with greatest market value, achieving this goal through sustainable growth and excellence in operational efficiency.

Vision

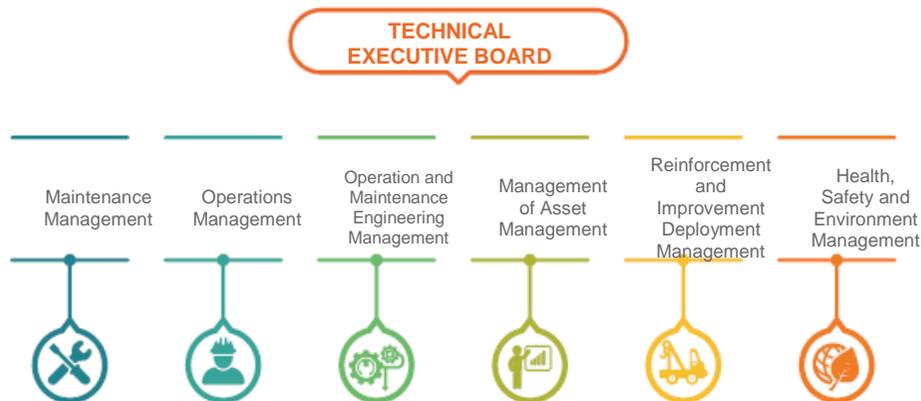
Principles and Values

TAESA adopts the following principles and values as commitments:

- Transparency
- Security
- Focus on Results
- Sustainability
- Spirit of Excellence
- Employee Appreciation
- Commitment
- Innovation
- Environmental Preservation
- Ethical and Respectful Behavior

Organization and Management

The process of technical management of the concessions is established through the TAESA guidelines and represented in the following diagram:



Management Mechanisms

Among the several models in force related to Process Management with the market, TAESA adopts the best management mechanisms to refine, control and establish internal procedures that add confidence and standardization for its activities.

Environmental Management System

In compliance with the best sustainable practices adopted by the major national and international companies, TAESA is constantly seeking to frame its activities within the Environmental Management System (EMS), a document that is being reviewed/updated.

Through this tool, it is possible to obtain continuous improvements for the services performed by the Company, thus enabling its development and providing solutions to minimize its environmental needs.

Personnel Management

The development process for TAESA'S employees

must be understood as a business strategy and is an integral part of its management model. All investments related to this subject serve a strategic function to ensure, in the present and in the future, availability of the competences required to provide business leadership.

By making continuous investments in the growth and development of its employees, TAESA prepares them to create and offer better results for the business.

Furthermore, Human Resources strategies summarize a set of principles, concepts and an action cycle aimed at the development, quality of life and motivation of employees, and, consequently, at the Company's success.

TAESA ensures all its employees, in an ethical and transparent manner, equal opportunities, respect for diversity, the possibility of developing a solid career, remuneration compatible with the market, attractive benefits in a challenging and motivating environment and, also acts as a facilitator of information flow, promoting an objective, direct and two-way communication, that is respectful and transparent.

The following are some assumptions that confirm the company's caring for its employees

Attraction and retention of talents

TAESA believes that people are the company's propelling instruments, capable of providing it with the intelligence and learnings indispensable for continuous renovation and competitiveness in an environment of changes and challenges. Accordingly, people achieve their professional growth by using their talents to face challenging work situations. Accordingly, TAESA adopted an Internal Recruiting practice where, before looking for new talents on the market, opportunities are offered to the Company's employees, promoting real growth and development opportunities, stimulating professional growth, retaining talents and valuing human capital.

TAESA'S Training Policy aims at promoting and providing learning actions and strategies that make it possible for employees to acquire and improve competences, skills and knowledge that may contribute to his/her professional development, reflecting the value given to the individual and meeting the quality and productivity standards necessary to accomplish the Company's mission and vision. TAESA intends to continue to broaden its training actions, motivating and supporting employees in his/her training initiatives aimed at the development of institutional and individual competences.

Training

Job and Salary Plan

The aim of TAESA'S remuneration policy is to define and maintain equitable criteria for valuation and development, aiming at reaching an internal and external competitive balance in its structures of positions and salaries, as well as benefit plan. Therefore, the Company counts on its own professional structure for executive support and on the external consulting support, which is independent and renowned in the market. TAESA's job structure is in line with the salaries offered in the industry. Furthermore, employees are entitled to a variable remuneration, aligned with the Company's financial results, together with the achievement of levels above those expected for the responsibilities established for their positions.

TAESA believes that effective communication is one of the most important aspects of the success of large organizations. Accordingly, aiming at being increasingly closer to its employees, the Company made great investments in communication processes, implementing several vehicles that provide for a strengthening of the bond and trust between the Company and its employees, creating a culture where information is shared at all levels.

Communication Processes

Occupational Safety

In its search to commit its employees with a safety culture, in 2017, one of the main pillars of the Company, TAESA sponsored a number of training and updating courses on safety rules and defensive driving. Safety indicators, which serve as a basis for Safety analysis, allow the Company to plan actions to prevent accidents.

Risk Management

(amounts expressed in thousands of reais, unless otherwise indicated) The reference base year for the amounts presented is 2017, considering the annual closing).

Risk Management Framework

Risk management of the Company and its subsidiaries intends to identify and analyze risks considered relevant by Management, including market (currency, interest rate and other operating risks), credit and liquidity risks.

The Company and its subsidiaries do not contract or trade financial instruments,

including derivative financial instruments for speculative purposes.

Capital Risk Management

The Company and its subsidiaries manage its capitals to ensure the maintenance of its regular activities and, at the same time, maximize return to all stakeholders or parties involved in its operation, through debt and equity balance optimization.

Capital structure is formed by net indebtedness, that is, loans and financing, derivative financial instruments and debentures, less cash and cash equivalents, securities, and shareholders' equity.

Categories of financial instruments (R\$ thousand)

	Consolidated		Parent company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
FINANCIAL ASSETS				
Cash and banks	925	495	823	442
Loans and receivables				
Cash equivalents	55,755	101,010	55,755	99,857
Securities	574,035	265,414	483,794	210,371
Accounts receivable from concessionaires and permissionaires	188,403	187,090	174,894	177,735
Financial assets from the concession	5,234,481	5,917,330	4,463,737	5,208,215
	6,053,599	6,471,339	5,179,003	5,696,620
FINANCIAL LIABILITIES				
Measured at fair value through profit or loss				
Loans and financing	321,718	317,112	321,718	317,112
Derivative financial instruments	34,243	45,475	34,243	45,475
Other financial liabilities at amortized cost				
Suppliers	39,297	36,991	26,077	28,399
Loans and financing	47,045	56,082	34,799	41,388
Debentures	2,636,396	2,917,263	2,636,396	2,917,263
Advance apportionment and adjustment portion	27,406	104,793	25,746	98,185
	3,406,405	3,477,716	3,078,979	3,447,822

Market Risk

The Company and its subsidiaries are exposed to financial risks arising from changes in interest rates. The Company uses derivative financial instruments for some transactions with the purpose of managing its exposure to the risk related to the exchange rate.

The Company and its subsidiaries' income is adjusted on a monthly basis at inflation rates. In case of deflation, the concessionaires will have their income reduced. In case of sudden increase of inflation, the concessionaires could not have their income timely adjusted,

consequently suffering impacts on income (loss). To minimize this risk, the Company permanently monitors fluctuations in inflation rates.

To minimize the risk of raising insufficient funds with adequate costs and reimbursement periods, the Company permanently monitors its obligations' payment schedule and cash generation. There were no changes in Company's market risk or in the management and measurement method of these risks.

Foreign Exchange Rate Risk Management

The Company is subject to currency risk in the loans denominated in a currency other than the Company's functional currency, the Real (R\$). On December 31, 2017, the Company had 10.7% (R\$321,718) of its total debt (loans and financing and debentures) linked to foreign exchange rate. To mitigate this risk, the Company contracted derivative financial instruments (swap) to protect total principal and interest

future payments from fluctuations in US dollar and interest rate (Libor). The Company intends to settle both instruments on the same date.

Interest Rate Risk Management

The Company and its subsidiaries are exposed to fluctuations of floating interest rate for loans and financing, debentures and financial investments. This risk is administered by monitoring changes in interest rates and by maintaining a proper mix of assets and liabilities denominated in floating interest rates.

Derivative Financial Instruments

The Company and its subsidiaries contract derivative financial instruments to administer their exposure to risk related to foreign exchange rate, i.e., foreign exchange swap without cash - US\$ versus CDI. The transactions are registered with clearance and custody chambers. There is no margin deposited in guarantee, and the operation has no initial cost.

Sensitivity Analysis of Financial Instruments and Derivatives (R\$ thousand)

The Company and its subsidiaries carried out sensitivity analyses as required by accounting practices and CVM Instruction 475/08, prepared based on net exposure to variable rates of relevant derivative and non-derivative asset and liability financial instruments outstanding at the end of this report's period, assuming that the value of assets and liabilities below were outstanding during the entire period, adjusted

based on rates estimated for a probable scenario of risk behavior that may generate adverse results, in case it occurs. Rates used to calculate probable scenarios are referenced by an independent, external source, and these scenarios are used as the basis to define two additional scenarios with deterioration of 25% and 50% in risk variable (scenarios A and B, respectively) considered for net exposure, when applicable, as follows:

	Probable scenario	Scenario A (25% deterioration)	Scenario B (50% deterioration)	Realized up to 12/31/2017
CDI (i)	6.75%	8.44%	10.13%	9.93%
IPCA (i)	3.75%	4.69%	5.63%	2.95%
Libor (ii)	1.88%	2.36%	2.83%	1.70%
PTAX - USD (i)	3.35	4.19	5.03	3.31

(i) According to data disclosed by the Central Bank of Brazil (BACEN) (Focus Report - Medium-term Median Top 5), on February 16, 2017. (ii) As rates disclosed on Bloomberg website on September 27, 2017.

	Citibank foreign exchange swap - Contract B	Citibank foreign exchange swap - Renegotiation
Reference value (Notional) as of 12/31/2017	-	USD 94,340
Reference value (Notional) as of 12/31/2016	-	USD 94,340
The company's right to receive (long leg)	(3-month Libor + Spread: 0.89%)	(3-month Libor + Spread: 1.99%)
	⁽¹⁾ 1.17647	⁽¹⁾ 1.17647
The company's obligation to pay (short position)	103.50% CDI	114.0% CDI
Maturity on	04/11/2016	09/20/2019
Long position	-	321,718
Short position	-	(355,961)
Swap assets (liabilities) as of 12/31/2017 ⁽²⁾	-	(48,790)
Swap assets (liabilities) as of 12/31/2016 ⁽²⁾	-	(45,745)
Amount receivable (payable) as of 12/31/2017	-	(34,243)
Amount receivable (payable) as of 12/31/2016	-	(45,745)
Fair value as of 12/31/2017	-	(34,243)
Fair value as of 12/31/2016	-	(45,475)
Gains (losses) in 2017	-	(15,773)
Gains (losses) in 2016	(48,079)	(78,473)

(1) Factor 1.17647 represents gross up of income tax owed upon amortization and interest payments.
(2) Unrealized gains recorded in the parent company's balance sheet and in consolidated balance sheet, deriving from foreign exchange swap.

Sensitivity analysis of the net exposure of financial instruments to an increase in interest rates and/or foreign exchange	12/31/2017	Effect on income before taxes - 2017 - increase (decrease)		
		Probable	Scenario A	Scenario B
UNHEDGED - CONSOLIDATED				
FINANCIAL ASSETS				
Cash equivalents and securities				
-CDI	629,790	(20,027)	(9,400)	1,228
FINANCIAL LIABILITIES				
Debentures				
-CDI	292,505	9,288	4,352	(584)
-IPCA	2,353,437	(18,891)	(40,954)	(63,018)
		(9,603)	(36,202)	(63,602)
UNHEDGED - PARENT COMPANY				
FINANCIAL ASSETS				
Cash equivalents and securities				
-CDI	539,549	(17,158)	(8,053)	1,052
FINANCIAL LIABILITIES				
Debentures				
-CDI	292,505	9,288	4,352	(584)
-IPCA	2,353,437	(18,891)	(40,954)	(63,018)
		(9,603)	(36,202)	(63,602)
HEDGED - PARENT COMPANY AND CONSOLIDATED				
FINANCIAL LIABILITIES (HEDGED DEBT)				
Loans and financing				
- Libor	321,718	(1,516)	(3,411)	(5,306)
- Dollar	321,718	6,906	(71,798)	(150,501)
Derivatives				
Long position - Libor	(321,718)	1,516	3,411	5,306
Long position - Dollar	(321,718)	(6,906)	71,798	150,501
Short position - CDI	355,961	11,303	5,297	(710)
NET EFFECT		11,303	5,297	(710)

Credit Risk Management

Credit risk refers to the risk of a counterparty not complying with its contractual obligations, thus causing the Company and its subsidiaries to incur financial losses. This risk derives basically from investments held with Banks and financial institutions.

Credit risk of funds and derivative financial instruments is limited because counterparties are represented by Banks and financial institutions that have satisfactory credit rating levels, showing great likelihood that no counterparty fails to comply with its obligations.

As regards credit risk deriving from client transactions and concession financial asset, Management understands that it is not necessary to recognize a provision for losses or credit analyses in relation to its clients, as CUST, entered into by ONS and the Company and its subsidiaries, ensures receipt of amounts owed by users for services provided through a Contract for the Constitution of Guarantee (CCG) and Bank Guarantee Letter (CFB).

Main advantages of these protection mechanisms are: (a) Diluted risks, as every user pays all the transmission companies; (b) Financial guarantees are provided individually by users; and (c) payment discussions take place between transmission companies and users. In case of non-payment, the Company as a transmission agent may request ONS to resort to the user's bank guarantee in connection with the guarantee agreement (CCG) or bank letter of guarantee (CFB).

Liquidity Risk Management (R\$ thousand)

The Company and its subsidiaries manage liquidity risk by maintaining proper reserves and bank credit facilities - and they also manage liquidity risk to raise loans - through monitoring cash flows and maturity profiles.

The table below: (a) shows in detail the remaining contractual maturity of non-derivative financial liabilities (and the contractual repayments terms of the Company and its subsidiaries); (b) was prepared in accordance with financial liabilities undiscounted cash flows based on the closest date in which the Company and its subsidiaries shall settle respective obligations; and (c) includes interest and principal cash flows.

Loans, financing and debentures	Up to 1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Postfixed	2	10,045	512,585	2,095,708	1,083,129	3,701,469
Prefixed	863	1,710	7,647	38,186	2,014	50,420
Derivative financial instruments		6,698	20,814	21,677		49,189
CONSOLIDATED	865	18,453	541,046	2,155,571	1,085,143	3,801,078
Postfixed	2	10,045	512,585	2,095,708	1,083,129	3,701,470
Prefixed	633	1,254	5,606	27,900	2,014	37,407
Derivative financial instruments		6,698	20,814	21,677	-	49,189
PARENT COMPANY	635	17,997	539,005	2,145,285	1,085,143	3,788,066

Management of operating risks

It is the risk of direct or indirect losses arising from different causes related to the

Company's processes, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, as those arising from legal and regulatory requirements and from generally accepted corporate behavior standards.

Main operating risks that the Company and its subsidiaries are exposed to are the following:

Regulatory Risks

Extensive governmental legislation and regulation issued by the following bodies: Ministry of Mines and Energy - MME, ANEEL, ONS, Ministry of Environment and Brazilian Exchange and Securities Commission (CVM).

Insurance Risk

Hiring of operating risk and civil responsibility insurance for their substations. Despite the adoption criteria for obtaining insurance against operating risks and civil liability with the purpose of employing practices adopted by other representative companies in the activity, damage to transmission lines such as losses due to fire, lightning, explosions, short-circuits, and electricity outage are not covered by this insurance, which may give rise to significant costs and additional investments.

Risk of Interruption in Services

In case of interruption in services, the Company and its subsidiaries will be subject to reduction in their income due to application of certain penalties, depending on the type, level and duration of service unavailability, as rules established by regulatory body. In case of extended interruptions, the effects may be relevant.

Risk of Construction and Development of Infrastructure:

In the event the Company and its subsidiaries shall expand its business by constructing new transmission installations, it may incur in risks inherent to the construction activity, delays in the execution of the work, and potential environment damages that may result in costs not provided for and/or penalties since may rely on third-parties in order to provide equipment used in facilities and, for that, they are subject to price increases and failures on the part of such suppliers, including delays in delivery of equipment or delivery of damaged equipment. Such failures could adversely affect the activities and have an adverse effect on the results. Additionally, due to the technical specifications of equipment used in their facilities, some suppliers are at their disposal and one single supplier for certain equipment, there is only one supplier. If a supplier discontinues the production or stop the sale of any equipment purchased, they may not be able to acquire such equipment with other suppliers. In this case, the provision of electricity transmission service provided may be materially affected, and the Company and its subsidiaries may be obliged to make not expected investments in order to develop or fund the development of new technology to replace the unavailable equipment, which may negatively affect the financial condition and operating income.

Technical Risk

The concessions' infrastructure is dimensioned according to technical directions imposed by local and international standards. Nevertheless, some event of Act of God or force majeure may cause economic and financial impacts bigger than those provided for in the original project. In such cases, the costs necessary to replace installations in operating conditions should be supported by the Company and its subsidiaries, even if eventual unavailability of its transmission lines do not generate reduction in income (Variable Portion).

Litigation risk

The Company and its subsidiaries are parties to a number of lawsuits and administrative proceedings which are followed-up by legal advisors. The Company periodically analyzes information made available by its legal advisors to conclude on likelihood of obtaining success in lawsuits, avoiding financial losses and damage in reputation and seeking for cost effectiveness.

The Company's goal is to manage the operating risk to avoid the occurrence of financial losses and damage to its reputation, and to pursue cost effectiveness. Top Management is responsible for developing and implementing

controls to mitigate operating risks. The responsibility is supported by the development of general standards of the Company and its subsidiaries regarding operating risk management in the following areas:

	Proper function segregation requirements, including independent authorization of operations;		Transaction reconciliation and monitoring requirements.
	Requirements of periodic evaluation of operating risks and adequacy of controls and procedures to address identified risks.		Operating loss reporting requirements and proposed corrective measures.
	Documentation of controls and procedures.		Risk mitigation, including insurance, if effective.
	Compliance with regulatory and legal requirements.		Ethical and commercial standards
	§Development of contingency plans.		Training and professional development.

Fair value of derivative and non-derivative financial instruments - In thousands of Reais

Fair value hierarchy of financial instruments measured at fair value through profit or loss

	Note	12/31/2017	12/31/2016	Fair value hierarchy
Consolidated and Parent company				
Loans and financing	12	321,718	317,112	Level 2
Derivative financial instruments	12	34,243	45,475	Level 2
Financial liabilities		355,961	362,587	

The different levels were defined as follows:



There was no change in the level of these financial instruments in the period ended December 31, 2017.

Fair value of financial instruments not measured at fair value through profit or loss (however, fair value disclosures are required) of other financial assets and liabilities not measured at fair value and recognized in this financial information approximate their fair values. Except as detailed in table below, Management considers that accounting values

	Note	Book value	Fair value	Book value	Fair value	Fair value hierarchy
CONSOLIDATED		12/31/2017		12/31/2016		
Concession financial assets - Financial assets	6	5,234,481	6,084,647	5,917,330	6,351,324	Level 3
Debentures - Financial liabilities	13	2,636,396	2,604,585	2,917,263	2,760,936	Level 2
PARENT COMPANY		12/31/2017		12/31/2016		
Concession financial assets - Financial assets	6	4,463,737	5,297,281	5,208,215	5,636,771	Level 3
Debentures - Financial liabilities	13	2,636,396	2,604,585	2,917,263	2,760,936	Level 2

Valuation technique(s) and information used

Concession financial assets

At the beginning of concession, it is measured at fair value and, then, maintained at amortized cost. At the beginning of each concession, discount rate is calculated based on own capital cost and is determined through internal and market components. After transmission lines start commercial operation, TRAF is reviewed in accordance with investments made after the end of construction. The Company adopted the methodology of determining fair value of concession financial asset by recalculating remuneration rate. Therefore, fair value of concession financial asset held by the Company was determined in accordance with pricing model based on analysis of discounted cash flow and using adjusted discount rate. Adjusted discount rate considers change of market variables and maintains other assumptions used at the beginning of concession and at the end of construction stage. Components considered as market variables are US inflation, risk-free rate and Brazil risk, and these were adjusted based on information available on December 31, 2017 and 2016.

Debentures

Management considers that debentures' accounting balances, classified as "other financial liabilities at amortized cost" approximate their fair values, except when these debentures have Unit Price (PU) in secondary market close to report period. Except for the 4th series of 2nd issuance of debentures by the Company, other series presented negotiations in secondary market on December 31, 2017 and 2016, whose fair values were measured based on these quotations.

As regards other financial assets and liabilities not measured at fair value, Management considers that book values approximate fair values, as: (i) they have average receipt/ payment period of less than

60 days; (ii) they are concentrated on fixed income securities remunerated at CDI rate; and (iii) there are no similar instruments with comparable maturities and interest rates.



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Responsibility with stakeholders

The following tables briefly present the main stakeholders of TAESA, detailing the types of relationships maintained.

Shareholders and Investors

Details. The TAESA Group is controlled by Companhia Energética de Minas Gerais - Cemig and by ISA Investimentos e Participações do Brasil S.A. CEMIG is controlled by the State of Minas Gerais and is one of the most sound and important groups in the electric sector in Brazil. ISA Investimentos e Participações do Brasil S.A. is a holding company whose main purpose is to consolidate the investments made in Brazil by ISA Interconexión Eléctrica S.A. E.S.P., one of the largest international electric power transmission companies in Latin America. TAESA holds 63.45% of the shares traded in the market.

One of TAESA's main objectives is to maximize the value for its shareholders, emphasizing the long-term business sustainability, providing a high quality core service and respecting the rules established by Brazilian regulatory authorities.

Communication Channels. The TAESA Group's main communication channel is its website (www.taesa.com.br/ri), in addition to the direct e-mail from the Investor Relations department (investor.relations@taesa.com.br) and the contact telephone number of the IR team (+55 21 2212-6060).

Meetings of management bodies (General Shareholders' Meeting) and annual public meeting with analysts.

Customers

Details. The TAESA Group's customers are the electric power generators, free consumers, distributors and other transmission companies that connect or share their facilities with the Group. The Relationship Policy is guided by the Company's Quality Policy and Code of Ethics.

Communication Channels. The forms of communication are usually established directly among the parties, through technical contacts, meetings, meetings at sectorial events, participation in class associations, and whenever there is a technical issue to be resolved by mutual agreement.

Suppliers

Details. The largest suppliers of the TAESA Group are manufacturers of large electrical equipment (transformers, circuit breakers, protective equipment, lightning rods, reactors, measuring transformers, etc.). There are also engineering and environmental advisory companies that provide services to the Group, both in projects (civil, electrical and mechanical parts) and in the performance of environmental programs and conditions established by the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA). Another branch of activity of suppliers is office supplies, airline ticket and lodging reservations, vehicles, freight and insurance.

Communication Channels. The TAESA Group establishes strict registration and engagement standards for suppliers, aiming to make such processes transparent and auditable, and has developed standards for registration of suppliers, bids and bid evaluation.

The support base for the Company's supply area is the SAP tool.

Employees, Collaborators and Others

Details. The TAESA Group has a total of 503 employees (base date: December 31, 2017 (Including ATEIII, Mariana, Miracema and Janaúba). The relationship policy is governed by the Human Resources Policy and by the Group's Code of Ethics, as well as the compliance with labor legislation.

Communication Channels. Team meetings, meetings with the executive board, corporate e-mail, celebration of the birthdays of the month, intranet, electronic board, personalized newsletters from the areas, regular social and sports activities, corporate policy disclosure, annual performance evaluation.

Social, Environmental and Community Organizations

Details. The TAESA Group's relationship policy is guided by its Code of Ethics, available on its website (www.taesa.com.br), by the concession agreements and by the legislation.

Communication Channels. The TAESA Group's website provides information on the Group's projects and also provides a toll-free telephone number for complaints, inquiries and other contacts. Regarding R&D and Social Project Programs, the relationship channel is through the website or directly with the responsible area.

Public Bodies

Details. The public bodies with which the TAESA Group most frequently interact with are as follows: ANEEL, the Ministry of Mines and Energy (MME), the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA), the National Operator of the Electric System (ONS), among others.

Communication Channels. The relationship with these public bodies occurs as follows:

- with ANEEL: by sending information and correspondence regarding the issued Resolutions; the same for corporate information of an accounting nature; through solicitations of consent in specific business processes; through participation in meetings and public hearings promoted by the Agency; through participation in auctions of new transmission lines.
- with the MME: by sending and tracking correspondence; through meetings when the issue requires.
- with IBAMA: by attending to its deliberations on the obligations of the programs of environmental compensation, education and social communication; by means of technical meetings when the issue requires; by means of clarification provided.
- with ONS: through exchanges of correspondence and technical information; by means of technical meetings when the issue requires; through participation in its Board of Directors.

Operational and Productivity Indicators or Technical Data

The results from productivity achieved in 2017 are presented in the table below.

Operational and Productivity Indicators - Technical Data for 2017 - TAESA

Number of own employees	503
Number of outsourced employees	0
Substations (in units)	41(*)
Installed capacity (MVA)	6750 MVA
Transmission lines (in km)	5759 km(**)

(*) Number of shared substations, of which seven (7) are owned by Taesa's concessions. one (1) substation under construction. (**) December 31, 2017 – Considering ETEO, TSN, NVT, Munirah, GTESA, PATESA, NTE, ATE, ATE II, ATE III, STE and São Gotardo.

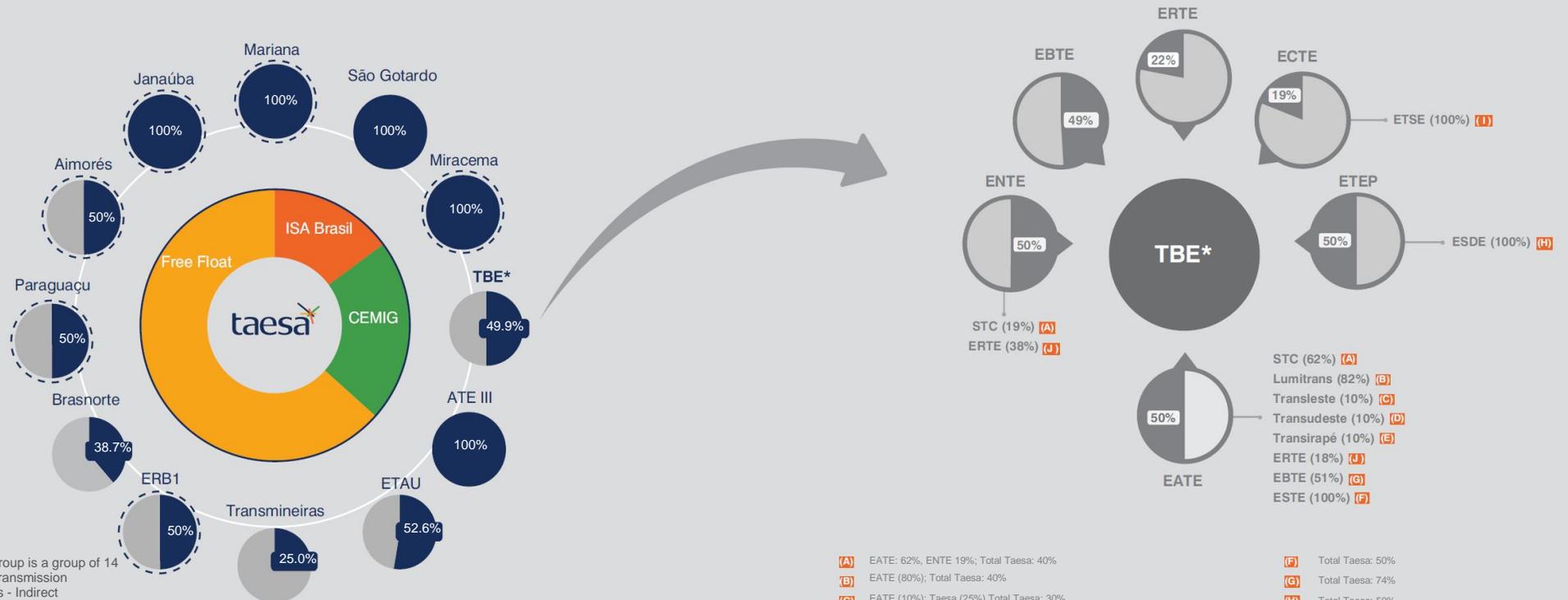
GOVERNANCE DIMENSION CORPORATE

Since it is a publicly held company, TAESA entered into the Agreement on Adoption of Differentiated Corporate Governance Practices with the São Paulo Stock Exchange (Bovespa) as of October 5, 2006. By signing this instrument,

TAESA complied with the "Regulation of Differentiated Level 2 Corporate Governance Practices" and also with the "Regulation of the Market Arbitration Chamber", both issued by Bovespa. The Company is also

subject to the documents issued by the Brazilian Corporate Governance Institute (IBGC) and the Brazilian Securities and Exchange Commission (CVM). The corporate structure of TAESA in 2017 is presented below.

TAESA Group – 2017 Organization Chart



*TBE or TBE Group is a group of 14 electric power transmission concessionaires - Indirect Participation.

Statutory Information

CAPITAL

TAESA's capital totals three billion, sixty-seven million, five hundred and thirty-five thousand, one hundred and ninety-three reais and twenty-eight centavos (R\$ 3,067,535,193.28), fully subscribed and paid-in, represented by one billion, thirty-three million, four hundred and ninety-six thousand, seven hundred and twenty-one (1,033,496,721) shares, of which five hundred and ninety million, seven hundred and fourteen thousand and sixty-nine (590,714,069) common shares and four hundred and forty-two million, seven hundred and eighty-two thousand, six hundred and fifty-two (442,782,652) preferred shares, all of them nominative and registered shares with no par value.

SHAREHOLDERS' AGREEMENT

The controlling shareholders of TAESA Companhia Energética de Minas Gerais - Cemig and ISA Investimentos e Participações do Brasil S.A. entered into a "Shareholders' Agreement" with a view to regulating the Company's joint management.

The purpose of this Agreement is to govern the relationships and establish the rights and obligations of the controlling shareholders of TAESA, specifically:

- the assumptions and principles to be adopted by Companhia Energética de Minas Gerais - Cemig and by ISA Investimentos e Participações do Brasil S.A. with respect to the Agreement, to the Company and to its Subsidiaries;
- the exercise of voting rights in the Company and its Subsidiaries and Associated Companies;
- the form of administration of the Company and its Subsidiaries;
- the Company's capitalization, investment, financing and dividend policies;
- the rules applicable to the encumbrance and transfer of shares;
- the preemptive right in the subscription of shares and other securities issued by the Company; and
- the form of dispute settlement.

EXECUTIVE BOARD

TAESA's Executive Board is currently comprised of four (4) members, whether shareholders or not, resident in the Country, being one Chief Technical Officer, one Chief Financial and Investor Relations Officer, one Business Development Officer and one Legal and Regulatory Officer, who accumulates the function of Chief Executive Officer, all elected by the Board of Directors, for a term of two (2) years, reelection being allowed in whole or in part. The table below shows the breakdown of the TAESA's executive board as of December 2017.

Executive Board

CEO	Raul Lycurgo Leite
CEO and Investor Relations Officer	Marcus Pereira Aucélio
Chief Technical Officer	Marco Antônio Resende Faria
Business Development Officer	José Aloise Ragone Filho
Chief Legal and Regulatory Officer	Raul Lycurgo Leite

Up to 1/3 (one third) of the Board of Directors members may be elected for the position of Officer. The Company's CEO accounts for his acts to the Board of Directors. The

other Directors account for their acts to the CEO, being also subject to, as well as the CEO, supervision by the Board of Directors and Tax Council, pursuant to the Corporation Law.

Board of Directors

The TAESA's Board of Directors is composed of eleven (11) members and their respective alternate members, Brazilian residents or not, elected by the General Meeting, with a unified term of office of one (1) year, with reelection permitted.

Board of Directors	
Alternate Members	
José Afonso Bicalho Beltrão da Silva	João Paulo Dionísio Campos
Luiz Felipe da Silva Veloso	Eduardo Lucas Silva Serrano
Lucas Loureiro Ticle	Virginia Kirchmeyer Vieira
Paulo de Moura Ramos	Luiz Antonio Vicentini Jorente
Onofre Perez Filho	Paulo Henrique Rodrigues Coimbra
Bernardo Vargas Gibsone	César Augusto Ramírez Rojas
Santiago Javier Montenegro Trujillo	Vacant
Hermes Jorge Chipp	Gustavo Carlos Marin Garat
Fernando Bunker Gentil	Fernando Augusto Rojas Pinto
Jorge Raimundo Nahas	Stênio Petrovich Pereira
Celso Maia de Barros	Robert Patrick Panero

Tax Council

TAESA's Tax Council is a permanent body, formed by a minimum of 3 (three) and a maximum of 5 (five) members and their respective alternates, whether shareholders or not, elected by the General Meeting. Said council has its duties and powers defined by law.

Tax Council

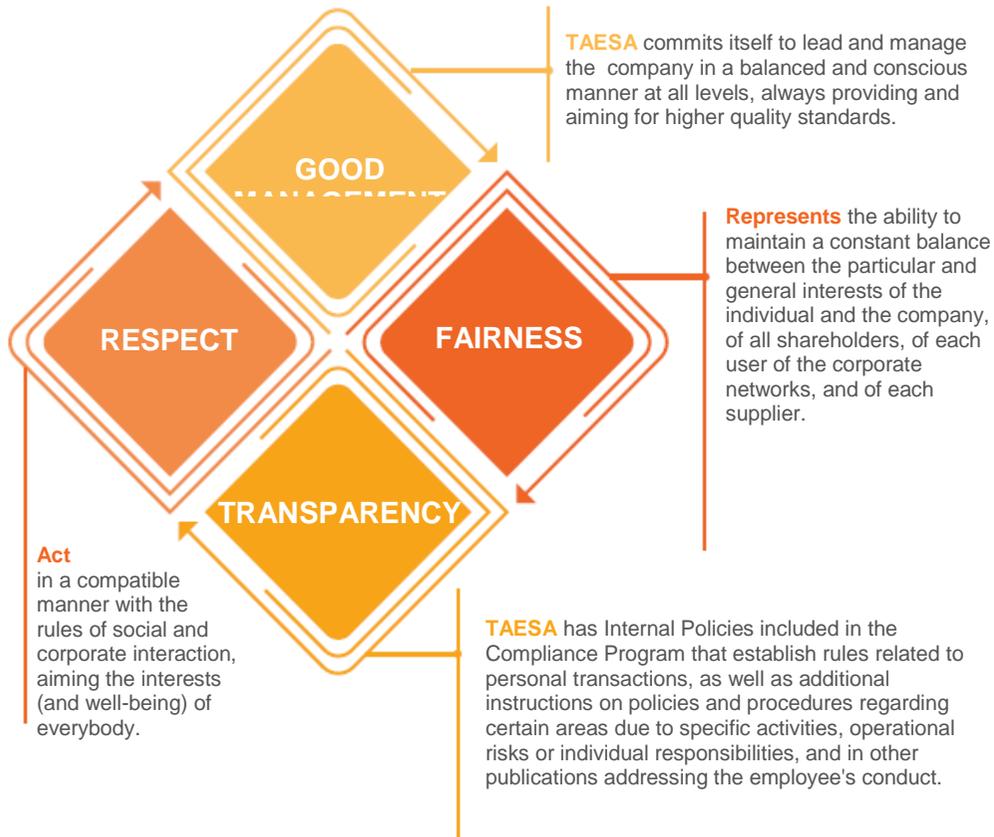
Alternate Members

Marília Carvalho de Melo	Francisco Luiz Moreira Penna
Ademir Lucas Gomes	Eduardo José de Souza
Manuel Domingues de Jesus e Pinho	João Henrique de Souza Brum
Susana Furquim Xavier	Manoel Carlos Visentin Coronado
Alexandre Pedercini Issa	Ronald Gastão Andrade Reis

Code of Ethical Conduct and Compliance

The Code of Ethics and Compliance aims to help people distinguish the ambiguous and/or potentially dangerous situations that may arise during the performance of daily business

activities, but also relationships or behaviors not perfectly clear which may involve the Company. The main guidelines of the document are as follows:



sees or believes to be involved in a conflict of interest, or feels constrained to manage a professional situation due to outside influences or if he/she does not feel free in his/her decisions and in the performance of his/her own activities, he/she should indicate this to the person responsible or other persons indicated by the corporate procedures, to be clarified or to receive indications on how to behave, regardless of the type of courtesy or benefits received, degrees of kinship and familiarity or other variables.

According to the Code of Ethical Conduct and Compliance, aiming to prevent corruption-related behavior or behaviors that may be interpreted as such, the Company establishes a uniform conduct with respect to its own external courtesies. In general, they should aim to promote exclusively the image of the Company and its brand. For this reason, the Company:

Regardless of the personal perception of a conflict of interest, compliance with the following general rules is mandatory:

- Regarding courtesies or other forms of gifts, there are some that are part of normal business practices or courtesy, while others exceed this limit and may aim to obtain favors in business relationships. The Company prohibits its employees from accepting courtesies that exceed the established value of US\$ 100 or that are a source of doubt regarding its purpose. Gifts that are received as a courtesy of other companies, suppliers and customers may be accepted provided the estimated commercial value is compatible with the idea of "courtesy".
- The cases of first-degree relatives of the Company's employees and employees of their suppliers, customers, competitors or sectorial authorities should be indicated when their activity or function may have a reflection on the Company. In such cases, the Company's administrators must take measures to avoid any type of incompatibility arising from this situation.

- Does not accept any form of gift that may also be interpreted as being above the ordinary business practices or courtesy, or in any way aimed at obtaining favors in the performance of any activity. Specifically, the Company prohibits any form of gift that may influence the independence of judgment – or induce the obtaining of any advantage – aimed at public officials, auditors, board members of the Group, Company or their respective family members;
- To accept gifts over US\$ 100, the employee must inform his/her superior (at least of managerial level) and the Compliance area, which will record such situation in the database of gifts received. In the case of offering gifts above US\$ 100, the person should consult the Compliance area, which will analyze the motivation, value, type, circumstances, frequency and profile of the person receiving the gift. • If you receive or offer gifts below the stipulated amount of US\$ 100, no authorization is required.
- Exceptional cases must be submitted to the General Executive Board of TAESA and reported to the Board of Directors. In any case, the Company refrain from practices not authorized by Law, by commercial uses or by the Codes of Ethics – if any – of the companies or entities with whom it has relations.

Regarding the expected behavior of managers and employees, the document defines:

PROFESSIONAL LOYALTY, which covers the following situations:

- Recognize cases of conflict between personal and business interests and resolve them in the interest of the Company;
- Do not adopt behaviors that may unlawfully influence public officials or employees of other companies to obtain favors from the Company; and
- Communicate in external relations that the rejection of certain behaviors is not only a formal but a substantial conduct.

The same holds true for the principle of preserving the integrity of corporate assets: the Company belongs to all, and the integrity of its value is a guarantee to those who work in it.

CONFLICT OF INTEREST between personal and company interests, occurring when a behavior or decision within the scope of the work activity itself can generate an immediate or deferred advantage for the individual himself/herself, his/her family members or acquaintances at the expense of the corporate interest.

Conflicts of interest have a direct effect on the person involved, limiting or influencing his/her objectivity of judgment. Anyone who

Economic and Financial DIMENSION

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The Company's financial statements comprise parent company's individual financial statements, referred to as parent company, consolidated financial statements, referred to as consolidated, were prepared according to accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). Accounting practices adopted in Brazil comprise those included in the Brazilian corporate law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council

(CFC) and by the Brazilian Securities Commission (CVM).

The Company's Management states that all the relevant information in the financial statements, and only them, is being evidenced and corresponds to information used in its management.

The financial statements were approved by the Executive Board on February 20, 2018, by the Tax Council on February 23, 2018 and by the Board of Directors on February 26, 2018.

ECONOMIC AND FINANCIAL INDICATORS - DETAILS OF THE STATEMENT OF ADDED VALUE

Generation of Wealth (R\$ thousand)	2017		2016		Δ %
	R\$ thousand	%	R\$ thousand	%	
OPERATING INCOME (Gross income from sales of electric power and services)	1,213,594	96.84	1,543,950	91.14	(0.21)
(-) INPUTS (Inputs acquired from third parties: Purchase of energy, materials, outsourced services, etc.)	(194,750)	(15.54)	(140,709)	(8.31)	0.38
Non-operating income					
= GROSS ADDED VALUE	1,018,844	81.30	1,403,241	82.83	(0.27)
(-) Reintegration quotas (depreciation, amortization)	(3,926)	(0.31)	(3,320)	(0.20)	0.18
= NET ADDED VALUE	1,014,918	80.98	1,399,921	82.63	(0.28)
+ ADDED VALUE TRANSFERRED (financial income, equity in income of subsidiaries)	238,331	19.02	294,205	17.37	(0.19)
= ADDED VALUE PAYABLE	1,253,249	100	1,694,126	100	(26.02)

DISTRIBUTION OF WEALTH - BY STAKEHOLDERS

	2017		2016	
	R\$ thousand	%	R\$ thousand	%
Employees	101,386	8.09	94,298	5.57
Government (taxes, rates, contributions and sector charges)	211,229	16.85	278,509	16.44
Lenders	292,349	23.33	459,253	27.11
Withheld	55,357	4.42	78,464	4.63
Shareholders	592,928	47.31	783,602	46.25
= DISTRIBUTED ADDED VALUE (TOTAL)	1,253,249	100	1,694,126	100

Distribution of government wealth and sectorial charges	2017		2016	
	R\$ thousand	%	R\$ thousand	%
TAXES/RATES/CONTRIBUTIONS	130,206	71.46	199,028	71.46
PIS/COFINS	55,353	26.30	73,235	26.30
CORPORATE INCOME TAX/SOCIAL CONTRIBUTION	55,379	38.88	108,272	38.88
Other	19,474	6.29	17,521	6.29
SECTORIAL CHARGES	81,023	28.54	79,481	28.54
RGR	52,655	17.77	49,498	17.77
R&D	17,345	6.00	16,709	6.00
CDE	2,002	1.12	3,117	1.12
PROINFA	2,389	1.09	3,031	1.09
TFSEE	6,632	2.56	7,126	2.56
= DISTRIBUTED VALUE (TOTAL)	211,229	100	278,509	100

Other Indicators

Other Indicators	2017	2016	Δ %
	R\$ thousand	R\$ thousand	
GROSS OPERATING INCOME (R\$ THOUSAND)	1,213,594	1,543,950	(21.40)
Deductions from income (R\$ thousand)	(136,535)	(152,876)	(10.69)
Net operating income (R\$ thousand)	1,077,059	1,391,074	(22.57)
Operating costs and expenses for services (R\$ thousand)	(319,377)	(255,688)	24.91
INCOME FROM RENDERING OF SERVICES (R\$ thousand)	757,682	1,135,386	(33.27)
Financial income (R\$ thousand)	(222,596)	(400,889)	(44.47)
Equity in net income of subsidiaries (R\$ thousand)	168,578	235,841	(28.52)
Corporate income tax/social contribution (R\$ thousand)	(55,379)	(108,272)	(48.85)
Net income (R\$ thousand)	648,285	862,066	(24.80)
EBTITDA (R\$ thousand) - standard	930,186	1,374,547	(32.33)
EBTITDA (R\$ thousand) - adjusted	761,608	1,138,706	(33.12)
EBITDA Margin (%) - standard	86.36%	98.81%	(12.60)
EBITDA Margin (%) - adjusted	70.71%	81.86%	(13.62)
Current Liquidity	3.02	1.82	65.94
General Liquidity	1.69	1.63	4.46
Gross Margin (net profit/gross operating income) (%)	53.42%	55.84%	(4.33)
Net Margin (net profit/shareholders' equity) (%)	14.91%	20.01%	(25.49)
Capital Structure			
Own capital (%)	53.97%	51.22%	5.39
Third-party capital (%)	46.03%	48.78%	(5.65)
Customer default (accounts overdue up to 90 days / Gross operating income in the last 12 months)	0.002229	0.000733	204.00

Balance sheet as of December 31, 2017 - PARENT COMPANY (Amounts expressed in thousands of reais - R\$)	Consolidated	
	12/31/2017	12/31/2016
Current Assets		
Cash and cash equivalents	56,680	101,505
Securities	569,902	261,640
Accounts receivable from concessionaires and permissionaires	174,785	173,058
Financial assets from the concession	1,028,109	1,294,066
Taxes and social contributions	46,663	64,302
Dividends and interest on own capital receivable	18,699	19,796
Other accounts receivable and other assets	51,959	40,511
Total current assets	1,946,797	1,954,878
Non-current Assets		
Securities	4,133	3,774
Accounts receivable from concessionaires and permissionaires	13,618	14,032
Financial assets from the concession	4,206,372	4,623,264
Taxes and social contributions	26	-
Deferred taxes and contributions:	112	-
Other trade receivables	16,975	20,198
Judicial deposits	26,843	17,859
Investments	1,780,935	1,729,927
Property, plant and equipment	23,277	21,519
Intangible assets	35,732	25,166
Total non-current assets	6,108,023	6,455,739
TOTAL ASSETS	8,054,820	8,410,617
Current Liabilities		
Suppliers	56,680	101,505
Loans and financing	569,902	261,640
Debentures	174,785	173,058
Taxes and social contributions	1,028,109	1,294,066
Regulatory fees	46,663	64,302
Dividends and interest on own capital	18,699	19,796
Other accounts payable	51,959	40,511
Total current liabilities	1,946,797	1,954,878
Non-current Liabilities		
Loans and financing	359,599	364,047
Debentures	2,243,782	2,017,040
Derivative financial instruments	34,243	45,475
Deferred taxes and contributions:	96,567	168,629
Deferred taxes	275,109	308,166
Provision for labor, tax and civil risks	14,887	9,613
Other accounts payable	38,303	115,692
Total non-current liabilities	3,062,490	3,028,662
TOTAL LIABILITIES	3,707,268	4,103,029
Shareholders' equity		
Capital	3,042,035	3,042,035
Capital reserve	594,507	594,507
Profit reserve	551,685	496,328
Additional dividends proposed	159,325	174,718
Total shareholders' equity	4,347,552	4,307,588
Total liabilities and shareholders' equity	8,054,820	8,410,617

Statements of added value as of December 31, 2017 (Amounts expressed in thousands of reais - R\$)	Consolidated	
	2017	2016
Income		
Remuneration of concession financial asset	576,548	640,958
Restatement of financial assets	(23,152)	338,882
Operation and maintenance	554,481	523,439
Construction and indemnification	88,845	58,366
Variable portion	(9,028)	(24,855)
Other income	25,900	7,160
	1,213,594	1,543,950
INPUTS ACQUIRED FROM THIRD-PARTIES (INCLUDING TAX AMOUNTS - ICMS, IPI, PIS AND COFINS)		
Materials, energy, outsourced services and other	(171,935)	(118,388)
General, administrative and other expenses	(22,815)	(22,321)
	(194,750)	(140,709)
Gross added value	1,018,844	1,403,241
Depreciation, amortization and depletion	(3,926)	(3,320)
Net value added produced by the Company	1,014,918	1,399,921
Added value received as transfer		
Equity in net income of subsidiaries	168,578	235,841
Financial income	69,753	58,364
Total added value payable	1,253,249	1,694,126
DISTRIBUTION OF ADDED VALUE		
Personnel		
Direct remuneration	63,754	59,755
Benefits	31,662	28,937
FGTS	5,970	5,606
	101,386	94,298
Taxes, rates and contributions		
Federal (include Aneel's regulatory fees)	210,000	277,834
State	760	265
Municipal	469	410
	211,229	278,509
Statement of income as of December 31, 2017 (Amounts expressed in thousands of Reais - R\$, except earnings per share)	Consolidated	
	2017	2016
NET OPERATING INCOME	1,077,059	1,391,074
Operating costs		
Personnel	(43,724)	(43,533)
Material	(119,271)	(74,438)
Outsourced services	(26,699)	(25,290)
Depreciation and amortization	(708)	(706)
Other operating costs	(7,375)	(5,229)
	(197,777)	(149,196)
GROSS INCOME		
Administrative and general expenses		
Personnel and Management	(75,437)	(66,985)
Outsourced services	(25,965)	(18,660)
Depreciation and amortization	(3,218)	(2,614)
Other operating expenses	(16,980)	(18,233)
	(121,600)	(106,492)

Social and Sectorial DIMENSION

Statement of income as of December 31, 2017 (Amounts expressed in thousands of Reais - R\$, except earnings per share)	Consolidated 2017 2016	
INCOME (LOSS) BEFORE NET FINANCIAL INCOME (EXPENSES), EQUITY ACCOUNTING, AND TAXES AND CONTRIBUTIONS	757,682	1,135,386
Equity in net income of subsidiaries	168,578	235,841
Financial income	69,753	58,364
Financial expenses	(292,349)	(459,253)
Net financial income (expenses)	(222,596)	(400,889)
Income (loss) before taxes and contributions	703,664	970,338
Current income and social contribution taxes	(127,554)	(132,439)
Deferred income and social contribution taxes	72,175	24,167
Income tax and social contribution	(55,379)	(108,272)
Net income for the year	648,285	862,066
Earnings per share		
Earnings per common share - Basic and diluted (in R\$)	0.62727	0.83413
Earnings per preferred share - Basic and diluted (in R\$)	0.62727	0.83413

Statements of Added Value as of December 31, 2017 (Amounts expressed in thousands of reais - R\$)	Consolidated 2017 2016	
DISTRIBUTION OF ADDED VALUE		
Third-party capital remuneration		
Debt charges and inflation adjustment, net	267,855	323,743
Derivative financial instruments	15,773	126,552
Other	8,721	8,958
	292,349	459,253
Remuneration of own capital		
Interim dividends paid	145,175	308,930
Interest on own capital paid	288,428	299,954
Legal reserve	32,414	43,103
Tax incentive reserve	22,943	35,361
Additional dividends proposed	159,325	174,718
	648,285	862,066
TOTAL ADDED VALUE PAID	1,253,249	1,694,126

The human resources policy is applied to all the TAESA Group's companies. The development process for employees must be understood as a business strategy and is an integral part of its management model. All investments related to this subject serve a strategic function to ensure, in the present and in the future, availability of the competences required to provide business leadership. By making continuous investments in the growth and development of its employees, TAESA prepares them to create and offer better results for the business.

Furthermore, Human Resources strategies summarize a set of principles, concepts and an action cycle aimed at the development, quality of life and motivation of employees, and, consequently, at the Company's success. Everybody is entitled, in an ethical and transparent way that respects diversity, to equal opportunities and to the possibility of pursuing a solid career, receiving compensation compatible with that offered on the market and attractive fringe benefits in a motivating and challenging environment.

In addition, TAESA acts as facilitator of the information flow, promoting two-way objective and direct communication, in a respectful and honest manner.



Internal Social Indicators

Position as of 12/31/2017	TAESA
Number of employees	503
Number of own employees	503
Number of outsourced employees	-
In percentage	
Employees with up to 30 years	13.52%
31-40 years	48.11%
41-50 years	27.83%
Over 50 years	10.54%
Number of women in relation to total	15.11%
Women in managerial positions in relation to total managerial positions	9.52%
African-American employees in relation to the total - including browns	3.38%
Black employees in relation to total - including browns	31.01%
Disabled employees	2.98%
In R\$ thousand	
Remuneration (Base salary + Allowance for Health Hazards / Transfer) (2017)	51,996,364.96
Fixed mandatory charges (87.02%)	45,247,236.78
Education	1,069,047.27
Food	5,228,948.62
Transportation	351,914.07
Healthcare	17,857,172.72
Division of the highest remuneration by the lowest paid (Base salary)	72.69
Division of the lowest remuneration by the current minimum wage (Base salary)	1.17
In percentage	
Remuneration up to R\$ 1,300 (Base salary + Allowance for Health Hazards / Transfer)	1.19%
R\$ 1,301 to 3,000	8.75%
R\$ 3,001 to 5,000	23.46%
Over R\$ 5,000	66.60%
In R\$ thousand (Base December 2017)	
Average Executive Board salary	74,152.75
Average Management salary	25,518.62
Average Staff salary	8,755.88
Average Field salary	4,392.98
Total number of employees	503
As a percentage of total employees	
Elementary School	4.17%
High School	44.53%
Higher Education	36.38%
Post-Graduation	9.54%
Amount invested in professional development	724,616.40
Number of hours invested in professional development per employee (in hours) / trained employees	51
In numbers	
Total number of employees at the end of the period**	503
Number of dismissals during the period	68

BENEFITS OFFERED BY TAESA:

- Healthcare
- Dental care
- Life insurance
- Meals / Food
- Private pension
- Transportation voucher
- Christmas - Food
- Profit Sharing

External Social Indicators

Since the beginning of the TAESA Concession Operation and aiming to maintain a harmonious coexistence with the surrounding communities (stakeholders) of the projects, the activities related to the renovation/deployment of barbed-wire fence gates, gates, manholes and improvement of access roads, as well as conducting educational and communication campaigns with the disclosure of the number 0800-701-6682, direct channel with the Company, have been included in the maintenance annual planning.

Due to the proximity to these stakeholders, satisfactory results are obtained, since besides avoiding relationship difficulties, this enables the formation of partnerships that reflect the protection of TAESA's facilities and, thus, the safety of infrastructure and degree of reliability of the service provided are significantly preserved.

With this, it is important highlighting that regarding the management of the company's impact on surrounding communities, there were no negative records associated with this issue.

SOCIAL RESPONSIBILITY PROJECTS

One of TAESA's guidelines is to optimize, in the best possible manner, the use of resources for Social Responsibility Projects. In this sense, the Companies that comprise the Group prioritize the execution of projects governed by sustainability and contributing to the social development, promotion of citizenship and social inclusion. Most of the social projects were sponsored by the Company, using the benefits of the Rouanet Law, the Sports Law, the National Support Program for the Handicapped (PRONAS), the National Oncologic Attention Support Program (PRONON) and the Childhood and Adolescence Fund (FIA).



Projects contracted in 2017

ROUANET LAW (LAW Nº 8,313/91)

The Rouanet Law establishes public policies to promote national culture, whose basis is the promotion, protection and appreciation of national cultural expressions. It allows companies taxed based on taxable income to use a portion of the income tax due (4%) in cultural actions for legal entities.



CORPO OXU GROUP

The "Grupo Corpo Oxu" Project aims to maintain the "Corpo" Group Dance Company and includes the reassembly of works from the repertoire, the creation of a new play, and its presentation throughout Brazil.

Presentation of the "Gira" show



Annual Plan of Activities and Maintenance 2017 - INSTITUTO INHOTIM

The project "Annual Plan of Activities and Maintenance for 2017 – Inhotim Institute, consists of making possible the maintenance and conservation of the artistic and botanical collections of the Inhotim Institute and the several multidisciplinary activities aimed at the democratization of access to culture, with emphasis on regional municipalities.

SPORTS INCENTIVE LAW (LAW Nº 11,438/06)

The Sports Incentive Law establishes tax benefits for individuals who are taxed based on taxable income aiming to promote the development of national sports through sponsorship/donation for sport and parasport projects - 1% for legal entities.

"MINAS EM BUSCA DO PÓDIO"

The project "Minas em Busca do Pódio" aims to promote the continued development and technical improvement of the car racer Sérgio Sette Câmara Filho, to prepare him to the Formula 2, a championship organized by the International Automobile Federation (FIA).

The pilot Sérgio Sette Câmara



MASSIFICATION OF TENNIS INSTITUTE

The project "Massification of Tennis Institute" comprises the realization of tennis lessons in municipal and state public schools for children aged 6 to 10 years with the provision of all methodology and materials suitable for the practice of this sport.

Classes at Tennis Institute

National Program of Oncological Attention (PRONON) (Law Nº 12,715/12)

PRONON allows companies taxed based on taxable income to deduct up to 1% of the income tax payable for projects of philanthropic entities in the oncology area.

IMPROVEMENTS TO THE FACILITIES AND TECHNOLOGICAL COMPLEX OF THE ONCOLOGY CENTER OF SANTA CASA DE MISERICÓRDIA IN SÃO JOÃO DEL REI - ES

The project "Improvements to the Facilities and Technological Park of the Oncology Center of Santa Casa de Misericórdia de São João del Rei" aims to replace the tomograph by a more modern equipment, the acquisition of the "Gama Probe" device, which will allow the inclusion of a more precise and effective surgical technique in the treatment of breast cancer, the qualification and expansion in the chemotherapy treatment, through the acquisition of armchairs and infusion bottle hangers, in addition to the air-conditioning of the multidisciplinary treatment rooms aimed at the democratization of the access to culture, with an emphasis on acting in the regional municipalities.

EXPANSION OF ONCOLOGICAL DIAGNOSTIC AND SURGICAL CARE OF FUNDAÇÃO HOSPITALAR SÃO FRANCISCO DE ASSIS

The project "Expansion of Oncological Diagnostic and Surgical Care of Fundação Hospitalar São Francisco de Assis" aims at expanding oncological care services: Oncological diagnosis and surgical procedures with the acquisition and operation of new equipment, increase in the number of beds on the oncology emergency center and oncology ward, providing better conditions in 10 beds.



Foto: FranciscoFruet

Electric Sector Indicators

Pursuant to Law Nº 9,991, companies in the electricity sector must invest at least 1% (one percent) of their Net Operating Income in Research and Development (R&D), distributed as follows for "transmission" service concessions:

- 0.4% for ANEEL R&D Projects;
- 0.4% allocated to the National Fund for Scientific and Technological Development ("FNDCT"); and
- 0.2% to Ministry of Mines and Energy ("MME").

Regarding the determinations of payments and investments, TAESA paid the full amount to the FNDCT (0.4%) and to the MME (0.2%). Regarding direct investments in R&D projects (0.4%), the Company is in compliance with the rules for investment of these

amounts, in accordance with the provisions of the R&D/ANEEL Manual – 2012.

TAESA's R&D projects are aimed at developing new alternatives for the electric energy transmission sector, as well as at constantly seeking research projects that contribute to the sustainability, environment, economy, reasonability and, mainly, that generate good results and benefits for the Brazilian society, fostering the competitiveness of the country's industry.

The results of these projects contribute to maintaining the Company in the technological forefront in the national electricity sector.

Find below the schedule of amounts referring to R&D investments for the year.

Description	Year 2017
Amount of net operating income	1,617,117,086.65
Obligation payable to FNDCT	6,468,468.35
Amount paid to FNDCT	6,335,273.22
Obligation payable to MME	3,234,234.17
Amount paid to MME	3,235,123.15
Investment right in R&D	6,468,468.35
Invested in R&D	10,430,179.83

Note: The differences between the amount payable to FNDCT and MME and the amounts actually collected are due to the maturity period (generally 40 days). And the differences between the right to invest in R&D and the amount actually invested are derived from the amounts actually invested in R&D projects versus the accumulated amount available for investment.

Projects in progress 2017

0033 SUPER CABLE • ANEEL Code PD-4950-0712/2011

Full Title	SUPERCABLE - Development of High-Temperature Superconducting Cable Technology for Power Electrical Systems.
Expected result	ANEEL strategic project - Call No. 0006/2008, whose main goal is to design, simulate, build and test a three-phase high-temperature superconducting prototype cable (CSC) critical to high power flow in laboratory.
Company / Concession	TAESA / TSN
Amount Realized in the Year (R\$)	R\$ 128,032.32

0034 JAÍBA SOLAR • ANEEL Code PE-0394-1113/2011

Full Title	Technical and Commercial Arrangements for the Insertion of Solar Photovoltaic Generation in the Brazilian Power Grid.			
Expected result	Develop a R&D Project that coordinates and integrates the generation of new technological knowledge in photovoltaic generation connected to the electric grid. Build a photovoltaic solar energy plant connected to the grid with installed capacity of 3MWp, made up of different technologies.			
Company / Concession	TAESA / NOVATRANS	TAESA / MUNIRAH	TAESA / STE	TAESA / NTE
Amount Realized in the Year (R\$)	R\$ 13,873.12	R\$ (496.06)	R\$ (416.37)	R\$ (143.25)

0037 TAESA Polymers • ANEEL Code PD-2607-0006/2013

Full Title	. Research and Development of Polymeric Solutions for Problems of Impulsive Impedance in Transmission Tower Grounding Systems of Extra-High Voltage Energy		
Expected result	Improvement and field testing of the polymer material, a product developed in R&D No. 3619-0903-2009, used to correct the conductivity of soils near the power transmission towers. With field tests on 48 TAESA towers.		
Company / Concession	TAESA / ATE	TAESA / NOVATRANS	TAESA / TSN
Amount Realized in the Year (R\$)	R\$ 104,400.00	R\$ 53,048.31	R\$ 63,964.73

0038 Cable Fatigue • ANEEL Code PD-5012-0001/2013

Full Title	Fatigue of AC, ACSR and AAAC Conductor Cables: Comparative Evaluation in Terms of the HW Parameter and Calculation of Residual Life.			
Expected result	Develop a Methodology to evaluate the use of the H/w ratio in the design to avoid the wind fatigue of energy conductive cables of pure aluminum (CA), of aluminum with steel core (CAA) and of aluminum alloy (CAL).			
Company / Concession	TAESA/ATE II	TAESA/PATESA	BRASORTE	ATE III
Amount Realized in the Year (R\$)	R\$ 28,800.76	R\$ 222,314.40	R\$ 220,559.66	R\$ 27,246.97

0039 TAESA LABORATORIES • ANEEL Code PD-2609-0001/2014

Full Title	Research and Development of a System for Fluorescence Detection of Compounds Dibenzylsulfide, DBDS and Others Present in Insulating Oils and Systems for the Removal thereof Via Active Filters.			
Expected result	Develop research lines for the detection and removal of dibenzylsulfide (DBDS), acetylene and other chemical compounds usually present in insulating mineral oils.			
Company / Concession	TAESA / ATE	TAESA/ATE II	TAESA / GTESA	TAESA / NOVATRANS
Amount Realized in the Year (R\$)	R\$ (48.42)	R\$ 105,526.61	R\$ 10,248.74	R\$ (29,050.00)
Company / Concession	TAESA / PAT	TAESA / STE	TAESA / TSN	ETAU
Amount Realized in the Year (R\$)	R\$ 73,936.48	R\$ 49,251.13	R\$ 459,819.26	R\$ (61,541.40)

0040 ERGONOMICS • ANEEL Code PD-2609-0003/2014

Full Title	Computational inference methodology aimed at improving the identification, prevention and treatment of ergonomic diseases and occupational accidents.			
Expected result	Software development for computational inference with application of Fuzzy logic for treatment of data obtained in the field through psychosocial study.			
Company / Concession	ATE III	TAESA / NOVATRANS	TAESA / NTE	ETAU
Amount Realized in the Year (R\$)	R\$ 472,320.00	R\$ 157,998.80	R\$ 46,127.39	R\$ 300.00

0042 Image Analysis • ANEEL Code PD-02609-0042/2016

Full Title	Intelligent computational application of automatic image acquisition and treatment for monitoring switchgear maneuvering, inspection and fault diagnosis in equipment.			
Expected result	Use this feature to ensure successful operation of switch disconnectors, allowing their status to be confirmed after a telecontrol operation. Moreover, the use of thermal imaging will enable the preventive identification of failures in supervised equipment. This development of artificial intelligence is currently a technology not available in the electrical sector, aiming to automatize the analyzes.			
Company / Concession	TAESA / NOVATRANS			
Amount Realized in the Year (R\$)	R\$ 3,034,460.99			

0044 RIGHT OF WAY PROJECT • ANEEL Code PD-2607-0044/2016

Full Title	Study of actions to mitigate the risks of transmission line shutdown due to fire and evaluation of methods for the maintenance of easement areas.
Expected result	The research provides for the creation of an indicator of criticality in the LTs stretch, through the correlation of the growth cycle of forest species and the response in different sensors, and to build modeling for the analysis of these parameters and other physical, biotic and socioeconomic means.
Company / Concession	TAESA / TSN
Amount Realized in the Year (R\$)	R\$ 1,083,499.59

0045 INSPECTION OF TIE RODS • ANEEL Code PD-5012-0045/2016

Full Title	Diagnosis and Development of Predictive and Non-Destructive Inspection Methodology of Corrosion on Electricity Transmission Tower Guy Lines – Case Study: LT 230 kV Paraiso - Açú.	
Expected result	The main product of the project, the methodology for the diagnosis of corrosion by means of the combination and correlation of electrochemical techniques and impulse reflectometry, will be applicable to the entire electric sector, within the scope of the power transmission lines, for the evaluation of the tie rods of towers, as well as for foundations and external metallic systems.	
Company / Concession	TAESA / ATE	TAESA/ATE II
Amount Realized in the Year (R\$)	R\$ 1,476,341.33	R\$ 1,114,988.38

0046 Equipment Monitoring • ANEEL Code PD-05012-0046/2017

Full Title	Development of multi-criteria methodologies to create a hierarchy scale of Transformers and Reactors, for online monitoring, supported by experimental software.
Expected result	Experimental software with functionalities that will automatically obtain the transformer and reactor status indices and the hierarchy scale of this set of equipment as employees provide up-to-date asset data to the software.
Company / Concession	TAESA/ATE II
Amount Realized in the Year (R\$)	R\$ 722,789.69

0052 LANDFILL CONTROL • ANEEL Code PD-04906-0052/2017

Full Title	Control of temporary landfills: Applied IoT technology for the elimination of improper shutdown due to the permanence of temporary landfill.
Expected result	Electronic system for the control and monitoring of the installation and removal of temporary ground cables in LTs, LDs and SEs via a local monitoring system and another remote system in the COC, to ensure that no reconnection maneuver be performed without the total withdrawal of the AT.
Company / Concession	TAESA / ATE
Amount Realized in the Year (R\$)	R\$ 846,109.25

9160 PMANAGEMENT 2016 • ANEEL Code PG-2607-2016/2016

Full Title	Management Project for the R&D Program YEAR 2016.					
Expected result	Management of the activities carried out by the R&D program for the year 2015 and 2016.					
Company / Concession	TAESA / TSN	TAESA / NOVATRANS	TAESA / NTE	TAESA / ETEO	TAESA / ATE II	TAESA / STE
Amount Realized in the Year (R\$)	R\$ 53,241.41	R\$ 64,453.78	R\$ 2,778.88	R\$ 1,409.83	R\$ 33,607.54	R\$ 25,000.00

9170 PMANAGEMENT 2017 • ANEEL Code PG-02607-2017/2017

Full Title	Management Project for the R&D Program YEAR 2017.			
Expected result	Management of the activities carried out by the R&D program for the year 2016 and 2017.			
Company / Concession	TAESA / TSN	TAESA / STE	TAESA/MUNIRAH	TAESA / NOVATRANS
Amount Realized in the Year (R\$)	R\$ 61,922.22	R\$ 13,806.00	R\$ 173.37	R\$ 132,180.83
Company / Concession	TAESA/ATE II	TAESA / ATE	TAESA / GTESA	
Amount Realized in the Year (R\$)	R\$ 9,594.84	R\$ 24,441.44	R\$ 730.00	



Environmental DIMENSION

The TAESA Group has a policy focused on the social and environmental aspects of its projects, seeking to maintain an ethical, respectful and healthy relationship with the surrounding communities, the environment and the society in general. With a broad vision that goes beyond the economic, operational and financial focus, the Company understands that its organizational success is also linked to its social and environmental performance and, thus, considers the management of these aspects strategic.

Environmental Management System

The Environmental Management System (EMS), whose purpose is the continuous improvement of the effectiveness and efficiency of its services and environmental performance, must provide solutions to minimize its environmental needs through planning, allocation of resources, assignment of responsibilities and evaluation of the practices, procedures and processes adopted, on an ongoing basis. The EMS is an uninterrupted, participative, and transversal process that reaches several areas of the company.

The TAESA's EMS, under review, applicable to its subsidiaries, was established based on the ISO 14001:2004 and ABNT NBR ISO 14031:2004 standards – internationally respected and recognized standards.

Description

The focus of the EMS is to firstly ensure that all legal requirements related to the performance of the Company's operations are met, and subsequently that they are improved. TAESA's environmental policy is not restricted to strict compliance with the laws and contracts it holds, constantly seeking to set its own goals, preventive for the environmental and social performance (sometimes not addressed by legal and contractual requirements). It also aims to voluntarily follow important international documents of environmental protection.

The EMS is comprised of the Environmental Policy, the Management Manual, and the Environmental and Social Programs. Such documents establish the objectives and targets to be reached, action plans, criteria, performance indicators, management, evaluation, monitoring and review processes. The Environmental Management System is applied throughout the Company and can be extended to the entire TAESA group, all its employees, outsourced employees and partners exposed to its guidelines, improving the performance of its tasks.

The Management of the social and environmental performance of **GRUPO TAESA** is directly linked to the General Executive Board.

The main management body of the EMS is the Steering Committee, composed of: the Chief Technical Officer, Legal and Regulatory Officer, representing the majority shareholder, Line and Substation Maintenance Manager and the Environment Officer, the latter being the EMS manager.

Among the duties of the Steering Committee is the systematic evaluation of the EMS that occurs at regular intervals, at which time the following items are checked: adequacy, pertinence, effectiveness and efficiency of its actions.

The review is an inherent process to the EMS and is based on the evaluations from the monitoring of the activities carried out, as well as on situations differentiated during the year, such as incidents or changes in the legislation. Thus, the processes are reviewed and, where appropriate, adjusted to achieve the goals and targets set forth in the EMS.

All the formatting and review of the EMS are developed in a participatory, constructive manner, calling the stakeholders to participate, so that their current and future demands and expectations are considered and displayed in the process of establishing the goals and objectives of the EMS Programs.

The EMS also has processes to identify and monitor the needs and expectations of stakeholders regarding the Company. Such processes include people within the organization, neighbors of the right of way, owners, investors and potential investors, regulators, suppliers and service providers, as well as the society in general.

Another important aspect of TAESA's EMS, under review, is the criteria and actions that aim at the quality of the relationship with its employees, outsourced personnel and partners. To this end, the Company established behavioral guidelines to continually improve

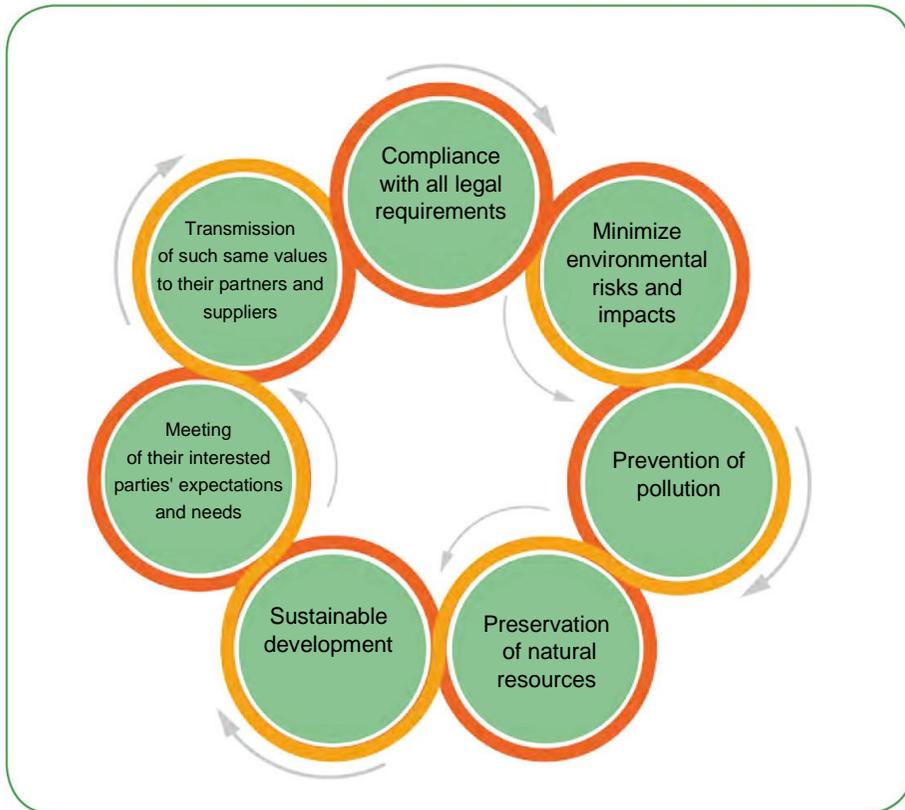
the organizational climate, thus contributing to increased satisfaction and individual performance, based on environmental, social, operational and economic aspects.

Moreover, the Company seeks to improve the work environment, improving the physical conditions of the space shared by employees. It also seeks to encourage opportunities that provide greater participation and engagement of teams, including decision-making processes; provide ongoing training and career planning; recognizing and rewarding its employees

Regarding suppliers and partners, in addition to providing the best working conditions, the Company is constantly seeking to be close and interact with the parties. The Company offers technical cooperation to validate the capacity and safety of its processes, motivating its suppliers and service providers to deploy programs and actions for continuous improvement of environmental performance, and periodically verifying the conformity of their processes, based on the contractual requirements assumed.

Environmental Policy

The Environmental Policy is the core EMS document, from which all managerial and operational actions related to the environmental aspects of the business are derived.



The Environmental and Social Programs, which are also in the review/updating phase, shall aim to translate the Environmental Policy into guidelines, plans, actions and strategies, according to the aforementioned cycle, to carry out their performance, thus ensuring the Company's environmental performance. These requirements are classified into two groups:

- i) minimum performance – are those of compulsory nature or that may generate high risk situations; and
- ii) performance – continuous improvement – related to meeting the expectations of stakeholders.

The programs exist to ensure that the environmental criteria pertinent to all phases of the work of the TAESA GROUP, from the construction to the operation and maintenance of the Transmission Lines, are met. Such criteria are identified in the pertinent environmental legislation, in the technical specifications for conducting the works, and in other normative documents related to the works of the concessionaires.

Thus, the Social and Environmental Programs contain a huge diversity of actions and items to be controlled and monitored. All of its phases are described in detail.

In general, the Programs should have, when necessary, the following items:

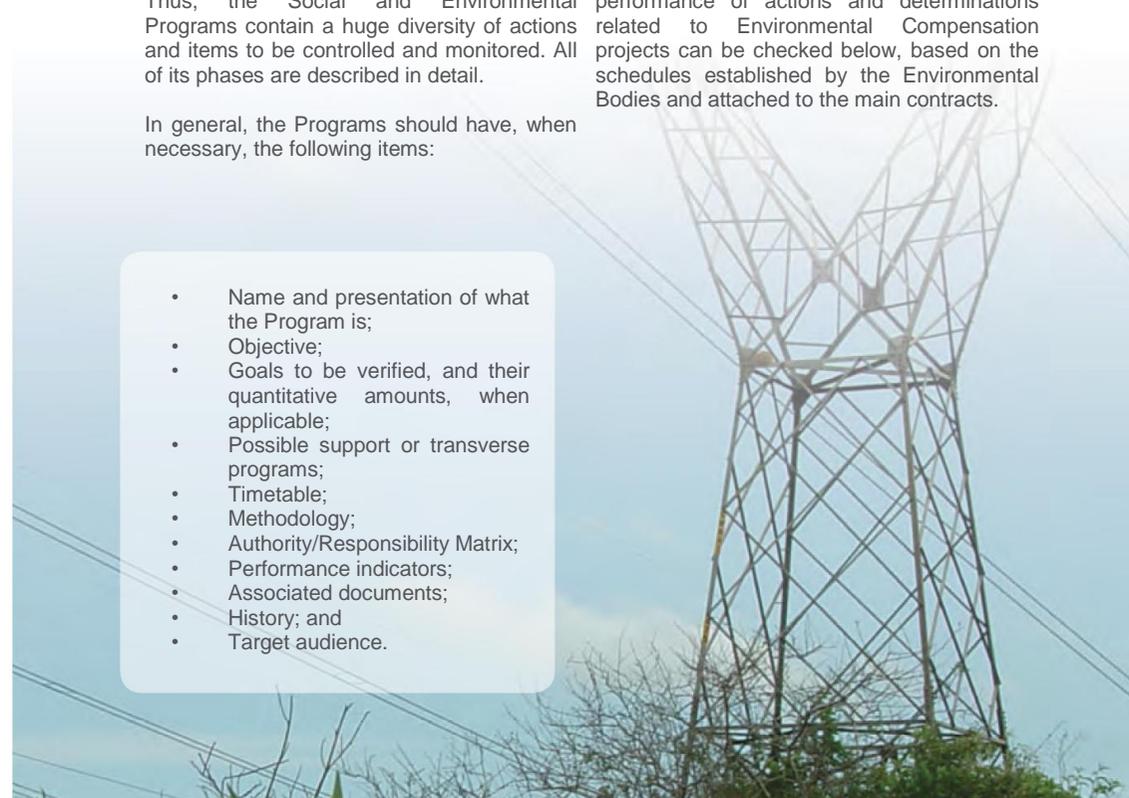
- Name and presentation of what the Program is;
- Objective;
- Goals to be verified, and their quantitative amounts, when applicable;
- Possible support or transverse programs;
- Timetable;
- Methodology;
- Authority/Responsibility Matrix;
- Performance indicators;
- Associated documents;
- History; and
- Target audience.

It is also important to mention in the environmental dimension the Environmental Compensation of public service concessions, established by Federal Law No. 9,985 /2000 and regulated by Decree No. 4,340/2002 and, therefore, it constitutes a legal obligation for all projects that cause significant environmental impact.

The entrepreneurs are obliged to support the implementation and maintenance of the Conservation Unit through the investment of corresponding funds in up to 0.5% (modified by Federal Decree No. 6,848/2009) of the total costs foreseen for the implementation of the project. All TAESA Group's concessions under this obligation had their investment percentages evaluated and approved by the Environmental Bodies.

It is worth highlighting that before the enactment of Federal Decree No. 6,848/2009, there was no legal rule providing for the percentage limit for investment in the Environmental Compensation.

The status of contracts/terms related to the performance of actions and determinations related to Environmental Compensation projects can be checked below, based on the schedules established by the Environmental Bodies and attached to the main contracts.



SOUTHEAST/NORTHEAST TRANSMISSION LINE

Regarding Environmental Compensation, the Statement of Commitment dated March 4, 2005 was entered into with IBAMA, providing for the investment to be made by TAESA (TSN) in the total amount of R\$ 6,305,888.76, to be invested in the following locations:

- Federal Units (Parque Nacional da Chapada Diamantina);
- State Units (APA of Pouso Alto); and
- Municipal Units (Parque Municipal do Lavapés in the Municipality of Cavalcante).

Regarding Federal Units, pursuant to the provisions of the Statement of Commitment for the Investment of Environmental Compensation Funds, entered into between TAESA (Concession 097/2000) and Instituto Chico Mendes de Conservação da Biodiversidade (ICMBIO) as of March 28, 2010, the parties reported that all the installments described in the aforementioned agreement, totaling R\$ 5,681,000.00, were invested in the Parque Nacional Chapada da Diamantina - BA. On December 23, 2010, ICMBio issued the Record of Full Settlement of the amount agreed between TAESA (Concession 097/2000) and the Institute.

Regarding the State Units, for the full settlement of Environmental Compensation obligations in relation to Concession No. 097/2000, the amount determined was R\$ 125,000.00. In 2014, 98% of the investments were duly invested in the Secretaria do Meio Ambiente e Recursos Hídricos (SEMARH) of Goiás, according to ICMBio's determination. The remaining investment is scheduled for the year 2018 (pending definition of the investment of the balance by the Licensor), when the Concession will request the issuance of the Full Settlement Term for the State Units.

Regarding the Municipal Units, the Environmental Compensation commitment is practically settled, since almost 99% of the determined investments have already been used. The remaining investment is scheduled for the year 2018 (pending definition of the investment of the balance by the Licensor), when the Concession will request the issuance of the Full Settlement Term for the Municipal Units.

CAMAÇARI II TRANSMISSION LINE – SAPEAÇU

TAESA signed a Statement of Commitment with Secretaria Estadual do Meio Ambiente da Bahia (SEMA/BA), a state environmental agency of Bahia, on December 05, 2012, through which the amount of R\$ 280,201.25 was established. The investment for the process was fully used and the issuance of the Settlement Statement occurred in December 2017.

NORTE SUL II TRANSMISSION LINE

TAESA complied with 99.7% of the Environmental Compensation obligations, the application of which, in Conservation Units in the states crossed by the LT Norte-Sul II, totaled R\$ 6,042,000.00. TAESA is waiting the definition of the application, by the Body, so that it can fully comply with this condition.

Units benefiting from TAESA's Environmental Compensation (Novatrans) funds:

- Reserva Biológica de Gurupi – Maranhão
- Estação Ecológica Serra Geral do Tocantins – Tocantins
- Nascentes do Rio Parnaíba National Park – Piauí/Maranhão/Tocantins/Bahia
- Parque Nacional da Chapada dos Veadeiros – Goiás
- Descoberto Environmental Protection Area – Federal District
- Parque Nacional do Itatiaia – Rio de Janeiro

In relation to Fundação Nacional do Índio (FUNAI), the amount of R\$ 1,200,000.00 was approved for investment, as Environmental Compensation, to benefit the Avá Canoeiro Indigenous Community. Considering that the project interfered in the area of the Indigenous Community. Compliance with the obligations is expected to be finalized in 2018.

COLINAS – MARABÁ & CARAJÁS – ITACAIÚNAS TRANSMISSION LINE

The Environmental Compensation related to Operating License No. 5123/2010, issued by the Secretaria do Meio Ambiente do Estado do Pará (SEMA/PA), was fully invested by ATE III in the amount of R\$ 1,261,793.00. It is expected that the settlement statement will be issued in the year 2018.

TRANSMISSION LINE ITACAIÚNAS – COLINAS

Regarding the Environmental Compensation related to Operation License nº 753/2008, IBAMA defined the management units for the effective realization of the investment. Therefore, this obligation is in the compliance phase. The obligations are expected to be settled by the year 2018.

TRANSMISSION LINE LONDRINA – ARARAQUARA.

The ATE concluded 90% of its obligation regarding the Environmental Compensation for the total of R\$ 1,849,446.95 until December 2014. The completion of the investment and the consequent request for the issuance of the Full Settlement Statement by the corresponding body is expected for 2018.

TRANSMISSION LINE COLINAS – SOBRADINHO.

On July 9, 2008, ATE II settled the Environmental Compensation by Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio) in the total amount of R\$ 2,420,535.00.

In 2012, ATE II invested R\$ 400,000 at Parque Estadual do Mirador, in the State of Maranhão.

Thus, the allocation of the total amount of R\$ 2,820,535.00, to be allocated in the Environmental Compensation regarding the project, was duly complied with, and only waits the issuance of the formal settlement statement scheduled for the year 2018.

Uruguaiana – Santa Rosa Transmission Line

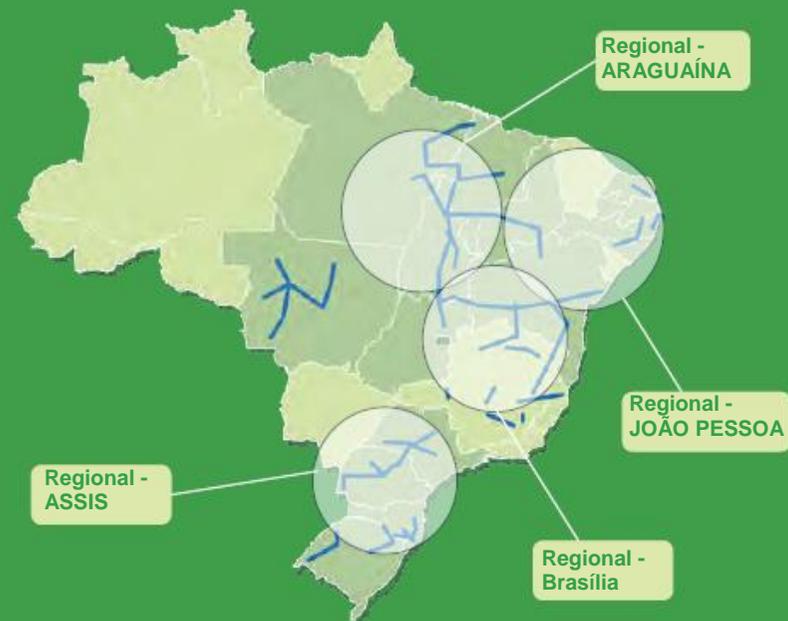
The STE is in the investment phase of the Work Plan by Fundação Estadual de Proteção Ambiental (FEPAM) regarding the Statement of Commitment for the Environmental Compensation. Thus, it is estimated that the investment of R\$ 181,046.13 will be completed by the year 2018.

Finally, the Environmental Compensations of the concessions listed below have already been duly complied with and settled by the following licensing agencies:

- Xingó - Angelim II Transmission Line;
- Angelim - Campina Grande II Transmission Line;
- Santa Cruz - Paraíso Açú II Transmission Line;
- Goianinha - Mussurê II Transmission Line;
- Assis - Sumaré Transmission Line

Environmental Programs

It is worth highlighting that TAESA has staff members comprising the Health, Safety and Environment Management (Technical Executive Board) to support the actions to be carried out in the field, as follows:



The purpose of this team is to maintain the Environmental Legality of the Operation and Maintenance Activities of the Company's Assets responsible for the Availability of the Electric Power Transmission System, implementing processes aimed at Environmental Management in all these Assets.

Regional - Brasília: Environmental Technician Anderson Ribeiro Alves, Headquartered in João Pessoa – Paraíba, responsible for 1392 km of Lines (GTESA, PATESA, NTE, ATE II - SE Sobradinho to SE São João do Piauí and TSN - SE Bom Jesus da Lapa to SE Camaçari);

Regional - Araguaí: Environmental Technician Robson Tavares, headquartered in Araguaína – Tocantins, serving 2,610 km of Lines (ATE III, NVT SE Gurupi to SE Imperatriz and ATE II between SEs of São João do Piauí and Colinas).

Regional - João Pessoa: Environmental

Regional - Assis: Environmental Technician Ewandro Henrique Felix de Souza, Headquartered in the City of Assis – São Paulo, serving 1,241 km of Lines (ETEO, ATE I and STE);

The programs developed by TAESA are as follows:

Waste Management Program – PGR

The waste produced in the offices of the LTs and SEs is mostly Class II B - Inert, and is collected by the City Halls. The purpose of the Waste Management Program is to establish guidelines for the management of solid waste resulting from the Company's operations (collection, handling and packaging, temporary storage, transportation, treatment and final disposal). Such program is aimed at both direct employees and service providers.

Among the specific objectives, we highlight the following:

- Compliance with the requirements of current legislation;
- Elimination/minimization of environmental risks, prevention of pollution, preservation of natural resources and meeting the needs and expectations of stakeholders.

Program for Maintenance of Access Routes and Right of Way

The Program for Maintenance of Access Routes and Right of Way aims at the preventive verification and identification of environmental non-conformities in the areas located in the access roads, in the towers' region and in the right of way.

Moreover, the adoption, execution, supervision, monitoring and approval of related corrective actions shall be carried out. It is also necessary to recover all areas that have undergone some type of change in their characteristics, so that the site of interference returns to a condition close to the one existing before the interventions are performed.

In this sense, the Program foresees conservation actions, whose goals are as follows:

- Topographic recomposition; and
- The gardening and landscape restoration of the identified areas.

The focus of the main actions adopted is as follows:

- In soil preparation; and
- In the restoration of vegetation.

Regarding the gardening and landscape restoration, the following requirements must be met:

- Use of native species of the region;
- Adoption of planting models based on ecological succession;
- Use of shrub and herbaceous species (preferably leguminous plants) of annual cycle for immediate soil cover; and
- Use of fast growing tree species to recover the area as soon as possible.

Program for Maintenance of Access Routes and Right of Way - continued

The expected results of these actions should be as follows:

- Soil stability;
- Conditions for traffic of personnel and equipment for maintenance of the Transmission Line;
- Stabilization of erosive processes;
- Landscaping similar to the surrounding area;
- Efficient surface drainage systems.

Program for Maintenance of Access Routes and Right of Way is carried out in four different phases: **(a) planning; (b) deployment; (c) monitoring and (d) maintenance.**

We describe below the main actions taken during the Deployment and Maintenance phases.

Deployment

- Topographic recomposition;
- Improvement of slopes and land recovery;
- Adequacy of surface drainage;
- Protection of slopes and berms;
- Georeinforcing Screens;
- Biodegradable Vegetable Blankets/Screens; *Bermalongas*;
- Pillows;
- Reforestation;
- Soil preparation; and
- Selection of species.

Maintenance of Planting

- Fencing of the area;
- Irrigation;
- Phytosanitary control;
- Cutting and Crowning;
- Replacement of seedlings; and
- Covering fertilizer.
- **Georeinforcing Screens** - consists of flexible vegetable mesh of fibrous plant materials, resistant and interlaced, tied with steel wires to ensure its stability. This material provides mechanical reinforcement to the soil until the development of the vegetation system. It consists of fully biodegradable products.
- **Biodegradable Vegetable Blankets/Screens** - Organic biotextile structures composed of chopped fibrous materials (blankets) or whole materials (screens), interwoven with one another by a mesh of resistant or biodegradable vegetable textile yarns (screens).



Degraded Area Restoration Program – PRAD

The Degraded Area Restoration Program – PRAD aims to carry out corrective actions associated to the non-conformities identified during the survey process.

Highlights of performance indicators

- Total recovered area, by type of vegetation introduced (grasses, fodder legumes and native tree species in heterogeneous plantations);
- Total area re-vegetated, by regions and by construction site;
- Number of interventions adopted, by type of intervention (drainage diversion channels, protective walls, energy dissipation boxes, georeinforced screens, blankets and biodegradable screens, *bermalongas* and cushions); and
- Number of emergency interventions adopted.

The recovery of degraded area can be accomplished by deploying surface drainage, energy dissipation elements and re-vegetation with species of the region itself.

The financial funds invested in this program are included in maintenance costs of the Companies facilities.



PRAD of Towers 586 and 710 in compliance with condition 2.13 of LO No. 579/2006 (ATE II).

Selective Vegetation Cutting and Pruning Program

It proposes activities of vegetation cutting and pruning, aiming to guarantee the safe operation of the transmission line, in agreement with the current legislation.



Related to the development of plant suppression activities in LTs 525 kV Lon/Ass/Star (ATE) and 440 kV Tag/Ass/Sur (ETEO).

Program for Monitoring of Actions on Indigenous Lands

Follow-up of managerial actions of recovery, maintenance or any other action in Indigenous Lands.

Program for Interferences in Mining Areas

It aims to identify and quantify deposits and propose solutions and alternatives as to the indemnification and/or relocation of the affected units or their resignation.

Wildlife Monitoring Program

Treatment of observations of fatalities in the right of way, bird nests, anthills and hives.

Program of Studies and Preservation of Archaeological Heritage

It aims to manage the archaeological studies, considering the research in spaces aimed at the deployment of transmission lines, besides the identification of sites, the archaeological rescue and special service in areas of high relevance

Program for Monitoring of Electrical, Magnetic and Noise Effects

It consists of managing these effects through the measurement and analysis of the results obtained.

Environmental Compensation Program

The aim is to carry out the transfer of financial funds as a way to compensate the environmental impacts resulting from the implementation of the transmission lines.

Environmental Training Program

It promotes the training of those involved in the EMS through learning and knowledge, having as a principle the fact that it is the people who make up the main instrument to achieve the program compliance and satisfaction.

Program for Use and Occupation of Right of Way

The Program for Use and Occupation of Right of Way consists of reporting, encouraging and establishing a better use of the right of way.

Electrical Interference Perception Program

It consists of identifying, analyzing and validating the perception of the population surrounding the transmission line, regarding the operational effects of the line

Program for Monitoring Indemnities and Relocations

This program aims to follow-up and monitor the activities related to indemnification and relocation.

Occupational Health and Safety Program

It aims at constant awareness regarding occupational safety. It is the Executive Board's culture to seek the best and safest work practices; to identify the problem, its causes and to adopt blocks to prevent occurrences with similar causes. TAESA's goal is the constant search for the Zero accidents of any kind.

Environmental Education (PEA) and Social Communication Program (PCS).

The Companies of the Taesa Group develop Social Communication and Environmental Education Programs involving communities in the vicinity of their facilities.

The topics covered in the Environmental Communication and Education program campaigns were as follows: burnings, vandalism, adequate waste disposal, use and occupation of the right of way, safe contact with the LT and disclosure of TAESA's telephone number 0800-701-6682 and the number 0800-61-8080 of the IBAMA Green Line. In addition to these topics, other issues were addressed, such as: Sexually Transmitted Diseases and other issues of general interest.

The financial funds invested are included in the costs of maintaining the Company's facilities

Total of people served: 9,524

Quantitative data of Social Communication and Environmental Education Campaign 2017:

Material distributed	Quantitative
Newspapers	8,749
Booklets	9,878
Posters	5,594
Stickers	5,394
Educational Games	6,321
Caps	11,179
Energy Games	920
T-Shirts	10,457
Notebooks	3,823
Brochure	8,813
DVD	29

Quantitative data of Social Communication and Environmental Education Campaign 2017:

Items/Concession	ETEO	ATE	STE	NVT	TSN	GTESA	PATESA	NTE	ATEM	ATE III	TOTAL
Cities visited	16	15	8	17	13	8	0	3	10	7	97
Schools visited	2	2	5	22	5	2	0	4	6	5	53
Institutions visited	23	9	2	0	0	0	0	0	0	0	34
Lectures conducted	9	7	7	25	22	1	0	4	7	7	89
Commercial establishments visited	0	0	2	2	0	0	0	0	0	3	7
Owners visited	41	27	35	704	988	277	0	475	127	44	2718
Total listeners - Target audience	2,069	1,516	669	1,686	1,478	265	0	426	908	507	9,524

Social Communication and Environmental Education Program 2017
Campaigns by type of media, topics and quantitative aspects of actions taken

Topics	Prevention of Fires, Consequences of acts of sabotage (vandalism), Waste Management, use and occupation of the right of way, safe contact with the transmission line, Good Environmental Practices and disclosure of the telephone number 0800-701-6682 (TAESA's Contact Us) and 0800-61-8080 (IBAMA Green Line).	Miscellaneous topics (STDs, others)
Radio	Total of 13 regional long range radios were contracted, making at least 3 calls a day with a duration of 40 seconds each (morning, afternoon and night) during the dry season.	Information on the Social Communication and Environmental Education Program corresponds to 01 Campaign, including the activities performed from 01/01/2017 to 12/31/2017.
Newspaper	There was the distribution of 8,749 units of "Jornal da Linha".	
Graphic material	A total of 9,878 booklets, 5,594 posters, 6,321 pedagogical games, 5,394 stickers, 8,813 brochures, 29 DVD's, notebooks, 920 energy games, 10,457 themed T-shirts and 11,179 themed caps were distributed.	
Toll-free service number	No record	
Contacts with the population	2,718 people were interviewed through the application of surveys.	
Visits to schools	There were 53 schools in more critical areas, 97 municipalities, 2,718 rural properties, with a total public of 9,524 people.	
Visits to local leaderships	34 institutional contacts were made.	
Meetings/lectures	89 Lectures conducted	4 Meetings



Regional - João Pessoa



Regional - Brasília



Regional - Araguaína



Assis Regional



Finally, in order to demonstrate TAESA's attention to environmental activities, the Company regularly adopts measurements to enable the process of continuous improvement of its actions, as follows:

PRUNING	
Results:	Approx. 5.5 (st)/month
Volume of waste generated in m ³ per month	
Comments:	All wood material above 10 cm in diameter (DAP) was delivered to the owner for use, and the thin branches are chopped and spread out of the right of way to accelerate biocycling.
FIRES	
Results:	Number of occurrences of degraded area due to fires per year 41 shutdowns for suspicion of burning.
Comments:	The vast majority of fires that occur along the trajectory of LTs have their origin outside the rights of way and end up becoming forest fires. The vast majority of fires have a voluntary and criminal origin.
OIL LEAK	
Results:	Leakage points per month 02 leaks in 12 months
Comments:	In 2017, there were 02 accidents in TAESA's SEs in which the equipment exploded with the consequent leakage and sprinkling by means of superficial spills of insulating mineral oil in the Serra da Mesa II (TSN) and Angelim (NTE). Adequate situation as provided for in current legislation.

ENVIRONMENTAL DIMENSION | ENVIRONMENTAL INDICATORS | TAESA CONCESSION | BASE YEAR 2017

Waste generation and treatment	
SOLID WASTE	126,781.310
Annual quantity (in tons) of solid waste generated (garbage, waste, rubble, etc.)	
Use of funds in the production process and managerial processes of the organization	
Power Consumption by source (kWh):	
Hydroelectric power plants	
Fossil fuels (Liters)	358,534.830
Total Power Consumption (in KWh)	4,681,788.811
Total consumption of fossil fuels by the fleet of company vehicles per kilometer	0.10627535
Diesel	0.116671361
Gasoline	0.088321331
Total water consumption by source (m ³)	
Supply (public network)	5422.399
Underground source (well)	No record
Surface intake (watercourses)	0
Water consumption per employee (m ³ /year)	10.78
Environmental education and awareness	
In the Organization	
Number of employees trained in environmental education programs	30
Percentage of employees trained in environmental education programs / total employees	5.96%
Number of hours of environmental training / total training hours	0.0023
In the community	
Number of primary and secondary education units served	53
Percentage of schools served / total number of schools in the concession area	10.49%
Number of teachers trained	9,524
Number of people served	53

Abbreviations:

NOVATRANS - Novatrans Energia S.A.

TSN - Transmissora Sudeste Nordeste S.A.

ETEO - Empresa de Transmissão de Energia do Oeste S.A.

NTE - Nordeste Transmissora de Energia S.A.

STE - Sul Transmissora de Energia S/A

ATE - Transmissora de Energia S/A (ATE)

ATE II - Transmissora de Energia S/A (ATE II)

ATE III - Transmissora de Energia S/A (ATE III)

SÃO GOTARDO - São Gotardo Transmissora de Energia S.A.

EATE - Empresa Amazonense de Transmissão de Energia S.A.

ECTE - Empresa Catarinense de Transmissão de Energia S.A.

ENTE - Empresa Norte de Transmissão de Energia S.A.

ERTE - Empresa Regional de Transmissão de Energia S.A.

ETEP - Empresa Paraense de Transmissão de Energia S.A.

EBTE - Empresa Brasileira de Transmissão de Energia S.A.

STC - Sistema Catarinense de Transmissão S.A.

ESDE - Empresa Santos Dumont de Energia S.A.

Lumitrans - Lumitrans Companhia Transmissora de Energia Elétrica S.A.

ETSE - Empresa Serrana de Transmissão de Energia S.A.

Orteng - Orteng Equipamentos e Sistemas S.A.

Transmission Companies - Companhia Transudeste de Transmissão

MARIANA - Mariana Transmissora de Energia S.A.

ET AU – Empresa De Transmissão do Alto Uruguai S.A.

BRASNORTE - Brasnorte Transmissora de Energia S.A.

JANAÚBA – Janaúba Transmissora de Energia S.A.

PARAGUAÇU – Interligação Elétrica Paraguaçu S.A.

AIMORÉS – Interligação Elétrica Aimorés S.A.

ERB1 - Empresas Reunidas do Brasil S.A.

ANEEL - National Agency of Electrical Electric Energy

Executive Board

Chief Executive Officer Raul Lycurgo Leite

Financial and Investor Relations Officer Marcus Pereira Aucélio

Chief Technical Officer Marco Antônio Resende Faria

Business Development Officer José Aloise Ragone Filho

Chief Legal and Regulatory Officer Raul Lycurgo Leite

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