



IFRS Results

The concept behind the
changes in the Financial Asset

■ Accounting methods for the energy transmission sector

In the energy transmission sector, the concessionaire obtains the right to operate the infrastructure in order to provide public services and is remunerated for the availability of this infrastructure.

For that, there are two accounting methods used in the transmission sector: Regulatory (BRGAAP) and Corporate (IFRS).

- Under BRGAAP accounting, revenues represent in fact the cash inflows (the Annual Permitted Revenues – RAP); therefore, the Regulatory result reflects the Company's cash flow. Moreover, investments are recognized as Fixed Assets.
- Under IFRS accounting, investments are recognized as Financial Asset, pursuant to Resolution 1,261, dated December 10, 2009 (Federal Accounting Council). Thus, revenues under IFRS reflect the changes in the Financial Asset.

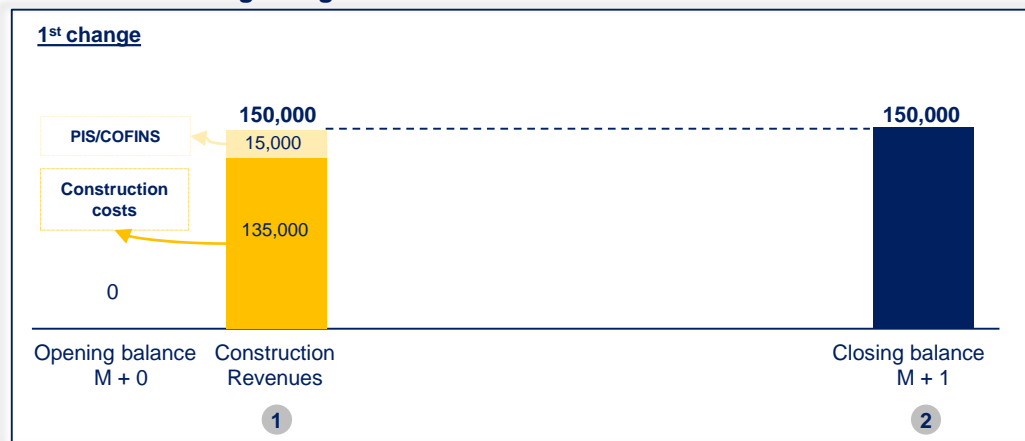
Although the Regulatory result reflects the cash flow, the distribution of dividends is based on the IFRS result.

Financial Asset under IFRS

The following example is based on the accounting of a single transmission concession and was created using illustrative figures with the exclusive purpose of helping investors better understand the concepts behind IFRS accounting in the energy transmission sector.

Formation of the Financial Asset – Under-construction period

First moment: Beginning of investments in construction

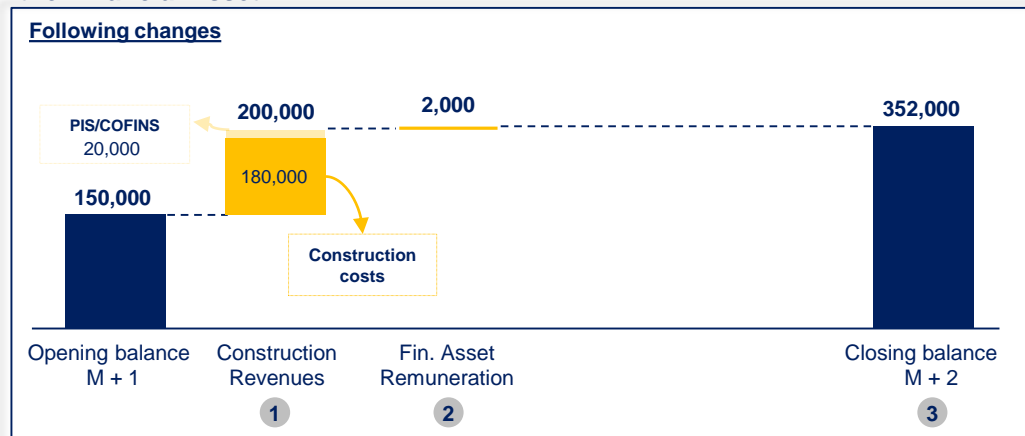


1 The formation of the Financial Asset occurs in the first moment through the construction revenues.

During the construction period, construction revenues are determined by the construction costs incurred (investments) plus PIS/COFINS taxes.

2 In this first moment, this is the only component affecting the Financial Asset.

Formation of the Financial Asset: Construction revenues + Remuneration of the Financial Asset



1 The construction revenues are added monthly to the Financial Asset during the construction period.

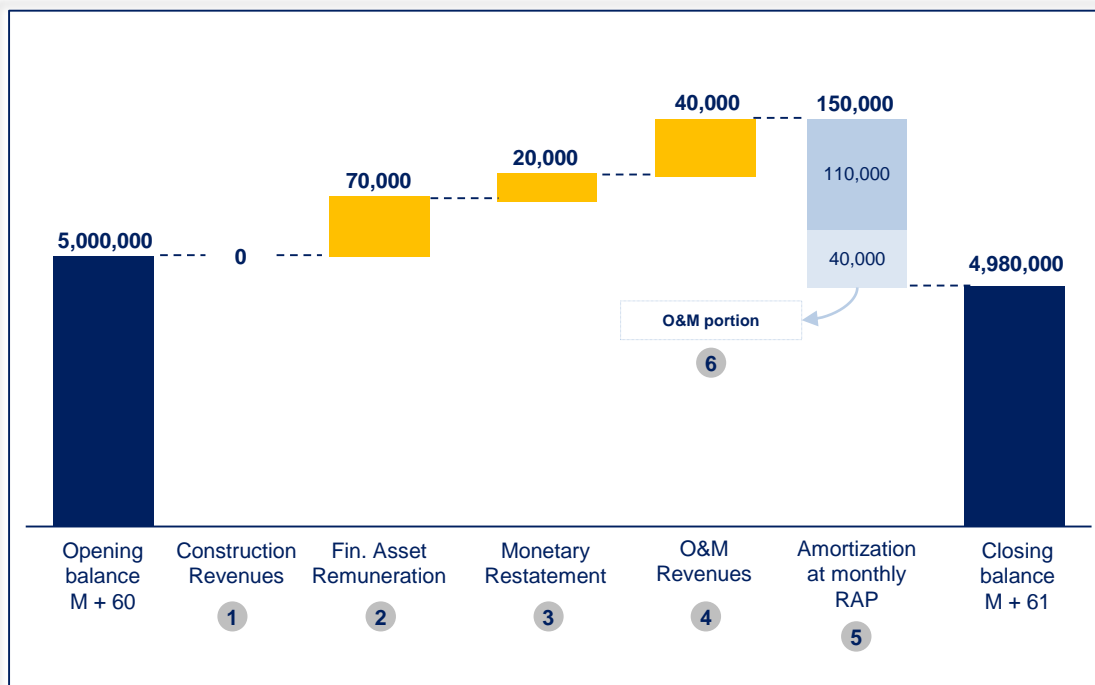
2 At this moment, the Financial Asset starts to be remunerated by the respective project's IRR over the opening balance. In the under-construction period, the IRR is an estimated rate based on the auction result and market variables, such as financing conditions.

3 So, during the under-construction period, the Financial Asset is composed of the construction revenues and the project's remuneration.

Financial Asset under IFRS

Changes in the Financial Asset – Operational period

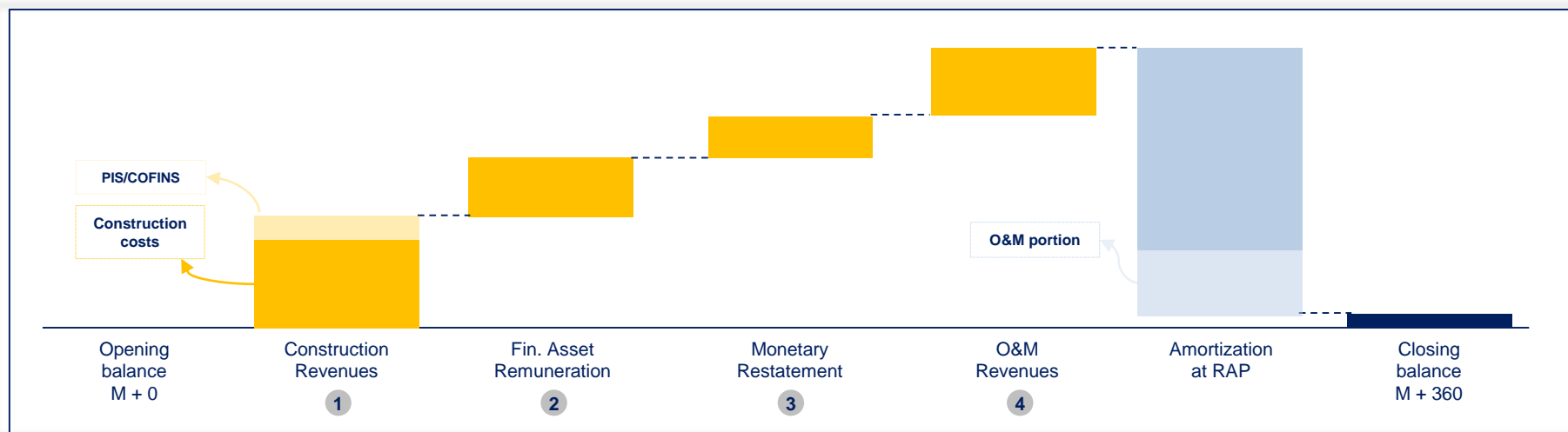
Remuneration and Monetary restatement of the Financial Asset, O&M revenues and Amortization at the RAP



- 1 For obvious reasons, there are no construction revenues during the operational period.
- 2 The Financial Asset continues to be remunerated by the IRR, which is adjusted to reflect the project's real free cash flow once it starts to operate.
- 3 Also during this period, the Financial Asset is monthly restated by an inflation rate (IGP-M or IPCA, according to each concession), calculated by the monetary restatement of future inflows at present value.
- 4 O&M revenues are a portion of the RAP that remunerates the operation and maintenance of the concession assets.
- 5 The amortization of the Financial Asset is done through the monthly RAP (inflows), which is annually readjusted by inflation.
- 6 Since the O&M is a portion of the RAP, these revenues do not impact the changes in the Financial Asset since it is offset by the amortization (RAP).

Impact on IFRS results

Changes in the Financial Asset



Revenues under IFRS

- 1 Construction revenues
- 2 Revenues from remuneration of Financial Asset
- 3 Revenues from monetary restatement of Financial Asset
- 4 O&M revenues

>>>>> DIRECTLY RELATED TO CHANGES IN THE FINANCIAL ASSET

Construction revenues are linked to the first component of the change as a consequence of the investments incurred, and they only occur during the construction period of the concession.

Remuneration of the Financial Asset generates revenues under IFRS for the same amount.

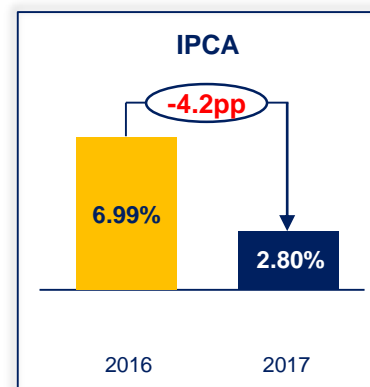
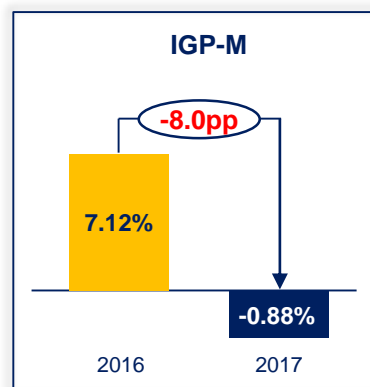
Monetary restatement of the Financial Asset generates revenues under IFRS for the same amount. **These revenues are naturally affected by the macroeconomic indices.**

The RAP portion corresponding to operation and maintenance generates O&M revenues for the same amount, which are annually readjusted by the corresponding RAP inflation rate.

Current macroeconomic environment impact on TAESA's 2017 revenues under IFRS

R\$ 000	TAESA's Consolidated Revenues (IFRS)			
	2017	2016	Chg.	Chg%
GROSS OPERATING REVENUES				
Operation and maintenance revenues	554,481	523,439	31,042	5.9%
Remuneration of Financial Asset	576,548	640,957	(64,409)	-10.0%
Monetary restatement of Financial Asset	(23,152)	338,883	(362,035)	-
Construction revenues	88,845	58,366	30,479	52.2%
Variable portion and other revenues	16,872	(17,695)	34,567	-
TOTAL GROSS OPERATING REVENUES	1,213,594	1,543,950	(330,356)	-21.4%

Due to the drop in the macroeconomic inflation indexes in Brazil between 2016 and 2017, the revenues under IFRS were negatively impacted in **R\$ 362 million** in the period.



12-month accumulated inflation rate considers the period from December to November.



Investor Relations

e-mails: investor.relations@taesa.com.br

cristiano.grangeiro@taesa.com.br

phone: +55 21 2212-6060

www.taesa.com.br/ri