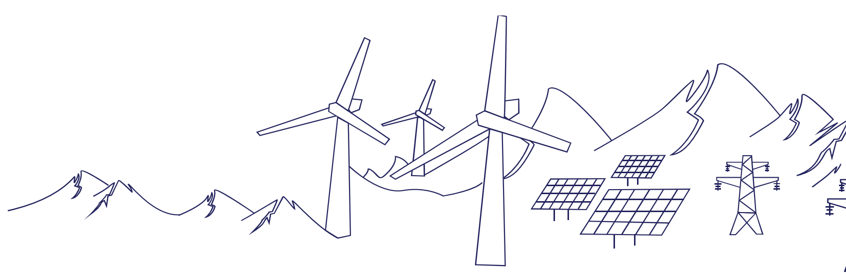
Parent Company and Consolidated Financial Statements

SPIC Brasil Energia Participações S.A.

December 31, 2020
with Independent Auditor's Report



SPIC Brasil Energia Participações S.A.

Parent company and consolidated financial statements

December 31, 2020

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(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
SPIC Brasil Energia Participações S.A.

Opinion

We have audited the accompanying parent company financial statements of SPIC Brasil Energia Participações S.A. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of SPIC Brasil Energia Participações S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2020 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPIC Brasil Energia Participações S.A. and of SPIC Brasil Energia Participações S.A. and its subsidiaries as at December 31, 2020, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

São Paulo, March 3, 2020

PricewaterhouseCoopers

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Adriano Formosinho Correia
Contador CRC 1BA029904/O-5

SPIC Brasil Energia Participações S.A.

Balance sheets
December 31, 2020 and 2019
(All amounts in thousands of Brazilian reais – R$)

		Parent company		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Assets					
Current					
Cash and cash equivalents	5	335,733	222,553	1,032,364	684,415
Trade accounts receivable	6	-	-	58,208	62,659
Financial assets	7	-	-	672,811	657,649
Taxes recoverable	8	2,445	1,243	83,247	73,069
Inventory		-	-	7,969	7,819
Dividends and interest on own capital receivable	23	118,509	58,584	-	-
Derivative financial instruments	16	-	-	487,935	-
Other current assets		63	-	10,334	6,551
Total current assets		**456,750**	**282,380**	**2,352,868**	**1,492,162**
Non-current					
Financial assets	7	-	-	5,263,517	5,023,691
Services in progress		-	-	-	2,384
Taxes recoverable	8	-	-	186	4,588
Judicial deposits and guarantees	9	-	-	10,303	10,171
Loan agreement with related parties	10	122,140	91,397	-	-
Deferred Taxes	21	-	-	6,697	4,299
Derivative financial instruments	16	-	-	781,385	374,812
Related parties	10	10,773	20,559	993	13,881
Investments	11	1,898,004	1,816,758	-	-
Right of use	12	-	-	32,327	29,594
Property, plant and equipment	13	101	-	129,701	145,223
Intangible assets	14	-	-	2,613,132	2,705,156
Total non-current assets		**2,031,018**	**1,928,714**	**8,838,241**	**8,313,799**
Total assets		**2,487,768**	**2,211,094**	**11,191,109**	**9,805,961**

The explanatory notes are an integral part of these financial statements.

Av. Pres. Juscelino Kubitschek, 1909 – North Tower – 27th floor - Vila Nova Conceição - São Paulo - SP
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SPIC Brasil Energia Participações S.A.

Balance sheets
December 31, 2020 and 2019
(All amounts in thousands of Brazilian reais – R$)

		Parent company		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Liabilities					
Current					
Suppliers	15	150	154	38,948	27,791
Borrowings and debentures	16	-	-	1,773,244	205,208
Leases	17	-	-	3,593	2,698
Social and labor obligations		636	-	15,659	13,659
Taxes payable	18	184	63	202,419	203,486
Dividends and interest on own capital	23	165,826	113,608	279,688	173,714
Sector charges	19	-	-	25,923	20,276
Derivative financial instruments	16	-	-	61,055	96,835
Other current liabilities		-	-	124	126
Provision - Capex improvements	22	-	-	99,336	35,178
Total current liabilities		**166,796**	**113,825**	**2,499,989**	**778,971**
Non-current					
Borrowings and debentures	16	-	-	3,702,903	4,333,690
Loans with related parties	10	122,140	91,397	122,140	91,397
Leases	17	-	-	30,671	27,952
Taxes payable	18	-	-	350	351
Provisions	20	-	-	7,578	6,228
Deferred Taxes	21	-	-	195,965	103,759
Derivative financial instruments	16	-	-	-	63,537
Related parties	10	10,790	15,302	11,734	8,838
Provision - Capex improvements	22	-	-	721,907	786,185
Total non-current liabilities		**132,930**	**106,699**	**4,793,248**	**5,421,937**
Equity					
Capital stock	23	1,630,507	1,630,507	1,630,507	1,630,507
Other Comprehensive Income (OCI)		1,223	(22,792)	1,223	(22,792)
Revenue reserves		556,312	382,855	556,312	382,855
Non-controlling interest			-	1,709,830	1,614,483
Total equity		**2,188,042**	**1,990,570**	**3,897,872**	**3,605,053**
Total liabilities and equity		**2,487,768**	**2,211,094**	**11,191,109**	**9,805,961**

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SPIC Brasil Energia Participações S.A.

Income Statements
Years ended December 31, 2020 and 2019
(All amounts in thousands of Brazilian reais – R$, except earnings per share)

		Parent company		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Net operating revenue	25	11,466	-	1,642,243	1,553,595
Operational cost	26	-	-	(381,625)	(364,185)
Gross profit		**11,466**	**-**	**1,260,618**	**1,189,410**
Equity in the results of subsidiaries		234,334	253,264	-	-
Depreciation and amortization	26	-	-	(3,926)	(2,572)
Administrative and general expenses	26	(26,096)	(6,295)	(92,607)	(67,622)
Profit before financial result		**219,704**	**246,969**	**1,164,055**	**1,119,216**
Finance income (costs), net	27				
Financial income		6,265	6,014	24,743	29,070
Financial expenses		(293)	(203)	(398,036)	(404,717)
Monetary/foreign exchange variation, net		-	(95)	(68,176)	(9,223)
		5,972	**5,716**	**(441,469)**	**(384,870)**
Profit before taxation and social contribution		**225,676**	**252,685**	**722,586**	**734,346**
Current income tax and social contribution	28	-	-	(188,937)	(191,513)
Deferred income tax and social contribution	28	-	-	(65,550)	(53,153)
Net income for the year		**225,676**	**252,685**	**468,099**	**489,680**
Portion of the result attributed to shareholders non-controlling interests		-	-	(242,423)	(236,995)
Net income for the year		**225,676**	**252,685**	**225,676**	**252,685**
Earnings per share	24				
Number of shares at year end		1,630,507	1,630,507	1,630,507	1,630,507
Net earnings per share (basic and diluted)		0.1384	0.1550	0.2871	0.3003

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SPIC Brasil Energia Participações S.A.

Statements of Comprehensive Income
Years ended December 31, 2020 and 2019
(All amounts in thousands of Brazilian reais – R$)

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Net income for the year	225,676	252,685	225,676	252,685
Other Comprehensive Income (OCI)				
Items that can be subsequently reclassified to the result				
Cash flow hedges:	36,386	(34,327)	36,386	(34,327)
Deferred income tax and social contribution	(12,371)	11,671	(12,371)	11,671
Total comprehensive income for the year	**249,691**	**230,029**	**249,691**	**230,029**

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SPIC Brasil Energia Participações S.A.

Statements of changes in equity
Years ended December 31, 2020 and 2019
(All amounts in thousands of Brazilian reais – R$)

	Capital stock	Other Comprehensive Income (OCI)	Revenue reserve	Accrued loss	Total	Non-controlling interests	Total consolidated
Balances at December 31, 2018	**1,630,372**	**(136)**	**189,572**	**-**	**1,819,808**	**1,614,615**	**3,434,423**
Net income for the year	-	-	-	252,685	252,685	236,995	489,680
Other Comprehensive Income (OCI)					-		-
Cash flow hedge	-	(34,327)	-	-	(34,327)	(32,981)	(67,308)
Deferred income tax and social contribution	-	11,671	-	-	11,671	11,214	22,885
Appropriation of the results of operations for the year					-		-
Formation of legal reserve	-	-	12,478	(12,478)	-	-	-
Allocation of minimum mandatory dividends	-	-	-	(59,267)	(59,267)	-	(59,267)
Allocation to revenue reserve	135	-	180,805	(180,940)	-	(215,360)	(215,360)
Balances at December 31, 2019	**1,630,507**	**(22,792)**	**382,855**	**-**	**1,990,570**	**1,614,483**	**3,605,053**
Prior-year adjustment	-	-	(714)	-	(714)	-	(714)
Net income for the year	-	-	-	225,676	225,676	242,423	468,099
Other Comprehensive Income (OCI)					-		-
Cash flow hedge	-	36,386	-	-	36,386	34,959	71,345
Deferred income tax and social contribution	-	(12,371)	-	-	(12,371)	(11,886)	(24,257)
Appropriation of the results of operations for the year					-		-
Formation of legal reserve	-	-	11,434	(11,284)	150	-	150
Reversal of the allocation of dividends	-	-	2,093	-	2,093	-	2,093
Allocation of minimum mandatory dividends	-	-	-	(53,598)	(53,598)	-	(53,598)
Allocation to revenue reserve	-	-	160,644	(160,794)	(150)	(170,149)	(170,299)
Balances at December 31, 2020	**1,630,507**	**1,223**	**556,312**	**-**	**2,188,042**	**1,709,830**	**3,897,872**

The explanatory notes are an integral part of these financial statements.

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SPIC Brasil Energia Participações S.A.

Statements of cash flows

Years ended December 31, 2020 and 2019

(All amounts in thousands of Brazilian reais – R$)

	Parent company		Consolidated	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit before taxes	225,676	252,685	722,586	734,346
Adjustments to reconcile profit to cash from operating activities				
Equity results	(234,334)	(253,264)	-	-
Financial assets	-		(1,226,700)	(1,103,207)
Depreciation and amortization	-	-	114,211	86,973
Amortization of capitalized interest	-	-	170	202
Interest and monetary restatement of Loans receivable	(33,066)	(186)	-	-
Losses on the shutdown of assets and rights	-	-	-	307
Financial charges and exchange and monetary variations on borrowings, derivatives and debentures	33,066	186	391,211	403,808
Leases and rentals – present value adjustments (AVP)	-	-	2,643	2,595
CAPEX improvement – present value adjustments (AVP)	-	-	70,250	5,924
Decommissioning provision	-	-	1,302	395
Provisions (reversals) and civil, tax and labor monetary restatements	-	-	47	-
Sector charges – provision and monetary restatement	-	-	5,482	5,210
Guarantees and judicial deposits – monetary restatement	-	-	(205)	(478)
Taxes and social security contributions – monetary restatement	-	-	(424)	(1,763)
	(8,658)	(579)	80,573	134,312
(Increase) dilution of operating assets				
Trade accounts receivable	-	-	4,450	5,727
Financial assets	-	-	971,712	914,490
Recoverable taxes and social security contributions	(1,201)	(1,058)	(3,793)	158,948
Stocks	-	-	(341)	(7,288)
Taxes recoverable on the acquisition of property, plant and equipment	-	-	(1,196)	(1,197)
Judicial deposits and guarantees	-	-	74	1,011
Other operating assets	(63)	9,591	(1,333)	8,615
	(1,264)	8,533	969,573	1,080,306
Increase (dilution) of operating liabilities				
Suppliers	(4)	(7,028)	11,158	4,482
Social and labor obligations	636	-	1,999	8,575
Taxes and social security contributions	273	48	(4,970)	(127,948)
Deferred income tax and social contribution	-	-	-	(409)
Regulatory and sector charges	-	-	166	1,669
Related parties	-	-	-	(32)
Other accounts payable	-	15,302	(8)	10,779
	905	8,322	8,345	(102,884)
Cash (used in) provided by operating activities	**(9,017)**	**16,276**	**1,058,491**	**1,111,734**
Income tax and social contribution paid	(152)	-	(186,593)	(61,222)
Interest on borrowings	-	-	(324,307)	(392,592)
Net cash (used in) provided by operating activities	**(9,169)**	**16,276**	**547,591**	**657,920**
Cash flow from investing activities				
Dividends received	117,167	218,809	-	-
Purchases of property, plant and equipment and additions to intangible assets	(101)	-	(7,153)	(13,281)
CAPEX improvement additions	-	-	(64,870)	(3,840)
Related parties	5,283	(111,955)	12,810	(111,688)
Net cash received (used in) investing activities	**122,349**	**106,854**	**(59,213)**	**(128,809)**
Cash flow of financing activities				
Dividends and interest on own capital paid	-	-	(116,393)	(206,406)
Fundraising for borrowings and debentures	-	91,211	-	1,245,543
Amortization of the principal on borrowings	-		(18,585)	(1,117,130)
Lease and rental payments	-	-	(5,451)	(4,906)
Net cash provided by (used in) financing activities	**-**	**91,211**	**(140,429)**	**(82,899)**
Net increase (decrease) in cash and cash equivalents	**113,180**	**214,341**	**347,949**	**446,212**
Cash and cash equivalents at year end	335,733	222,553	1,032,364	684,415
Cash and cash equivalents at the beginning of the year	222,553	8,212	684,415	238,203
	113,180	**214,341**	**347,949**	**446,212**

The explanatory notes are an integral part of these financial statements.

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1. Operations

SPIC Brasil Energia Participações S.A. ("Company") is a private limited company incorporated in March 2017 and headquartered in the city and state of São Paulo. The Company's direct parent company is SPIC Green Energy Ltda., headquartered in Hong Kong.

The Company's main activity is holdings in other corporations, as a partner or shareholder, domestically or abroad ("holding company").

<u>UHE São Simão S.A.</u>

The Company is the direct parent company of UHE São Simão S.A. ("Subsidiary"), through its 51% interest in the capital stock of this company, whose main activity is the generation of electric power from the São Simão Plant located in the city of Santa Vitória, in the state of Minas Gerais.

UHE São Simão Energia S.A. ("Company") is a private limited company incorporated on March 21, 2017 and headquartered in the city and state of São Paulo.

The Company's main activity is the generation of electric power from the São Simão Plant located in the city of Santa Vitória, in the state of Minas Gerais.

Concession agreement

On September 27, 2017, the National Electric Energy Agency (ANEEL) held the Concession Auction, in which the Company was the winner of the concession for the São Simão Plant and was allocated in the quota regime for its energy and power physical guarantees. The Company signed the Concession Agreement to provide the electric power generation service No. 001/2017 on November 10, 2017, which allows the exploration of the Plant for a period of 30 years.

The installed capacity of the Plant is 1710 MWm, with assured energy of 1202 MWm. Of the assured energy, the Company has marketed 1202 MWm in the following environments: a) 841.4 MWm in the physical guarantee and power quota allocation regime to the concessionaires of the public distribution service in the National Integrated System (SIN); b) 306.6 MWm in the Free Contracting Environment (ACL) through short and long-term agreements negotiated with third parties.

<u>Pacific Hydro Energia do Brasil Ltda.</u>

The Company is the parent company of Pacific Hydro Energia do Brasil Ltda. ("Subsidiary"), by means of its 100% interest in the capital stock of this company, the corporate purpose and predominant activity of which, directly or through participation in other corporations, is the constitution, formation and participation in wind projects and wind farms, as well as the participation and management of energy generating companies, whether renewable or not, the development of feasibility studies, the deployment of wind farms, the creation, participation and marketing of energy generating sources from renewable sources, the management, assembly and administration of telecommunications projects and the computerization of wind projects and wind power centers.

Pacific Hydro Brasil holds 100% of the companies' capital stock: Central Eólica Paraíso Azul S/A, Millenium Central Geradora Eólica S.A. and Vale dos Ventos Geradora Eólica S.A. It also holds 89.9% of Energia Limpa Participações Ltda. Its subsidiaries have the following corporate purposes:

- Central Eólica Paraíso Azul S/A represents the Paraíso Azul wind farm project located in Touros-RN; this project is under negotiation for participation in the energy auction.
- Energia Limpa Participações Ltda., company that owns the land for the future Paraíso Azul wind farm.
- The wind farm of Millenium Central Geradora Eólica S.A. came online on November 28, 2007, with a power generation capacity of 10.2 MW.
- The wind farm of Vale dos Ventos Geradora Eólica S.A. came online on January 14, 2009, with a power generation capacity of 48 MW.

The energy generated by these parks is sold to Centrais Elétricas Brasileiras – Eletrobrás according to the agreement entered into with that company under the Alternative Energy Source Incentive Program (PROINFA).

SPIC Brasil Térmicas e Participações S.A.

The company is the parent company of SPIC Brasil Térmicas e Participações S.A., acquired on December 2, 2020 (“Subsidiary”), through its 100% interest in the capital stock of this company, the main activity of which is to hold interests in other corporations, as partner or shareholder, domestically or abroad (“holding company”) as well as the development of feasibility studies and the deployment of power generation plants.

2. Basis of preparation and presentation of financial statements

On March 02, 2021, the Company’s Executive Board authorized the completion of the financial statements for the year ended December 31, 2020.

2.1 Statements of Compliance

The parent company and consolidated financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, which include the pronouncements of the Brazilian Accounting Pronouncements Committee (CPC), which have been approved by the Brazilian Federal Accounting Council (CFC), and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Company complied with guidelines set forth in the Brazilian Accounting Pronouncements Committee (CPC)'s Technical Guidance (OCPC) 07 in the preparation of its financial statements. Accordingly, the relevant information specific to the financial statements is evidenced in the explanatory notes and corresponds to that used by the Company’s Management in its activities.

2.2 Functional currencies

The financial statements are presented in Brazilian reais (R$) – the Company’s functional currency. All financial information presented in reais has been rounded to the nearest thousand, unless otherwise stated.

2.3 Consolidation criteria

The consolidated financial statements include the subsidiaries UHE São Simão Energia S.A., Pacific Hydro Energia do Brasil Ltda. and SPIC Brasil Térmicas e Participações S.A.. All balances and transactions with the subsidiary company are eliminated in the consolidation process.

Foreign currency

In the preparation of the financial statements, the transactions in foreign currency, that is, any currency different from the functional currency, are recorded according to the exchange rate in force at the date of each transaction. At the end of each reporting period, the monetary items in foreign currency are again converted at the rates in force at the end of the period.

The exchange variations on monetary items are recognized in the result for the period in which they occur, except for:

- Exchange variations arising from foreign currency transactions designated as a hedge for mitigating the risks of changes in exchange rates.
- Exchange variations on receivable or payable monetary items related to operations carried out abroad whose settlement is not expected nor likely to occur (which, therefore, is part of the net investment in the operation abroad), initially recognized in "Other comprehensive income (OCI)" and reclassified from equity to the result upon realization of these monetary items.

For the purpose of presenting these financial statements, the assets and liabilities of the operations are converted into Brazilian reais using the exchange rates in force at the end of the year.

When there is a derecognition of an operation abroad, the entire amount of the accumulated exchange variance regarding that operation recorded in equity is reclassified to the result for the year.

2.4 Basis of preparation and presentation

The Company presents assets and liabilities in the balance sheet based on the current/non-current classification.

An asset is classified as current when: it is expected to be realized, sold, or consumed within the normal operating cycle, (ii) it is held mainly for trading; (iii) it is expected to be realized within 12 months after the disclosure period; or (iv) as cash and cash equivalents, unless there are restrictions on its exchange or it is used to settle a liability for at least 12 months after the disclosure period. All other assets are classified as non-current.

A liability is classified as current when: (i) it is expected to be settled within the normal operating cycle, (ii) it is held mainly for trading, (iii) it is expected to be realized within 12 months after the disclosure period, or (iv) if there is no unconditional right to defer settlement of the liability for at least 12 months after the disclosure period. The Company classifies all other liabilities as non-current.

All deferred tax assets and liabilities are classified as non-current assets or non-current liabilities.

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2.5 Use of estimates and judgment

In the preparation of accounting information, in accordance with accounting practices adopted in Brazil and international accounting practices, Management for the Company and its subsidiaries is required to use estimates in the recording of specific transactions that affect assets, liabilities, revenues and expenses.

The final results of these transactions and information, upon effective realization in subsequent years, may differ from these estimates, due to inaccuracies inherent to their determination process. The Company and its subsidiaries review the estimates and assumptions for the preparation of the Financial Statements on an annual basis.

The main estimates that represent significant risk with probability of causing material adjustments to the set of accounting information in the following fiscal years refer to the recording of the effects resulting from: Transactions conducted within the sphere of the Electric Energy Trade Chamber (CCEE) (Note 6); Financial assets (Note 7); Recovery of deferred income tax and social contribution on tax losses, tax loss carryforwards and temporary differences (Note 21); Evaluation of the useful life of Property, Plant and Equipment, and Intangible Assets (Notes 13 and 14); Provisions for Capex improvements (Note 22); and Fair value measurement of financial instruments (Note 29).

2.6 Going concern

Management has evaluated the Company's ability to continue as a going concern and is convinced that it has enough resources to give continuity to its businesses in the future. Additionally, Management is not aware of any uncertainty that may cast significant doubts on its ability to continue as a going concern. Thus, these financial statements were prepared based on the assumption of continuity.

The Company's negative net current assets at December 31, 2020 is R$ 147,121 (positive R$ 713,191 in 2019), mainly originating from the maturity in the UHE São Simão subsidiary in October 2021 of part of the debt in foreign currency with the borrower that is a related party Spic Luxembourg Latin America Renewable Energy Investment Company S.À.RL, net of derivatives contracted for mitigation of the risks of foreign exchange exposure.

Regarding the aforementioned debt in the net amount of R$ 1,109,230, of which R$ 1,597,165 is deducted from derivatives falling due on 11/01/2021 in the amounts of R$ 325,485 (HSBC Brasil S.A.) and R$ 162,450 (Banco JP Morgan S.A.) (Note 16), the Company has some alternatives for refinancing through bank debt and the local and international capital markets. Due to the low interest rates in both the local and international markets, Management will analyze what will be the best time and the best refinancing alternative.

Among the options mentioned, the subsidiary has the possibility of a retap of the current debt; refinancing through local debt via bank balance sheets with pre-approved credit lines available with the five largest Brazilian banks; debt with international banks through synthetic loans; or even via infrastructure debentures.

In 4Q20, the subsidiary reaffirmed its maximum rating (BrAAA) by S&P, confirming the financial health of the capital market.

Additionally, Management is not aware of any uncertainty that may cast significant doubts on its ability to continue as a going concern. Thus, these financial statements were prepared based on the assumption of continuity.

2.7 Effects of GSF – Generation Scaling Factor

Law No. 14,052, published on 09/09/2020, amended Law No. 13,203, dated 12/08/2015, to set new conditions for renegotiation of the hydrological risk of electric power generation, providing that the generation companies will be compensated by means of extension of the concession period for their grants due to the surge of non-hydrological risks, which negatively influenced the GSF (Generation Scaling Factor or MRE Adjustment Factor of the Marketing Rules) after 2012, upon the aggravation of the water crisis. The events classified as non-hydrological risks are mainly listed by the hydroelectric enterprises called "structurers" (HPP Belo Monte, Jirau and Santo Antônio), related to the anticipation of physical guarantees and transmission restrictions, in addition to generation out of the order of merit. The extension of the grant is limited to 7 years, conditioned to waiver to any lawsuits or to the right to argue issues related to the Power Reallocation Mechanism - MRE by the eligible agents, and there is no provision for payment of risk premium.

Upon extension of the concession period for the hydroelectric generation plants, once they are not subject to IFRIC 12 (ICPC 01) - Concessions, the Granting Authority compensates the companies by granting a non-financial right, in the form of extension of the concession period, for the recovery of costs incurred since 2012, recognized by the law as expenditure capital.

During the regulation process by ANEEL (see schedule below), which ended with the publication of Normative Resolution No. 895/2020 ("Resolution"), upon request by ANEEL, CCEE made preliminary calculations of the estimated time of grant extension of the eligible agents, according to the initial premises of the opening of the public inquiry, disclosed on the Agency's website on October/2020.

Given factors considered for the initial calculation of CCEE were altered to some extent by ANEEL in the approval of the final version of the regulation, which is in force today and subsidizes the calculations, which, on this date, are under elaboration by the Chamber. Furthermore, some factors for the correct calculation of the grant extension are not known to the Company, mainly regarding the effects caused by HPP Belo Monte, Jirau and Santo Antônio (the so-called "structurer plants"), restrictions pursuant to the non-completion of line and installation works for the outflow of HPP Belo Monte by transmission companies. In this regard, it is worth mentioning that, according to the Company's concession period, this input data, verified by the National Electrical System Operator - ONS and Energetic Research Company – EPE, and sent directly to the Chamber to be considered in the calculation and the processing of the final compensation values, without public disclosure or disclosure to the agents, is relevant for the determination of the estimated total grant extension time and the determination of the cost recovery.

Therefore, a safe estimation by the administration is impracticable, and we shall wait for CCEE to provide and make the final calculations, considering all parameters given by the Resolution, of compensation applicable to the agents holding hydropower plants participating in MRE, with grant in force on the date of publication of the Law.

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By the date of disclosure of this Financial Statement, there was no confirmation that the calculations had already been completed by CCEE and sent to ANEEL. This stage is expected to occur by 03/03/2021, and ANEEL will disclose it by 04/02/2021, upon the beginning of the adhesion by the agents. In possession of the disclosed figures, the Administration will submit to approval by the Administration Board for adhesion and registration of the regulatory asset. It is worth mentioning that the UHE São Simão does not have a lawsuit whose object is exemption from, or mitigation of hydrological risks related to MRE, nor has it any obligation in relation to the subject matter.

Thus, we conclude that the previous calculation published by CCEE in October/2020 does not consider all parameters given by the Resolution, and thus, the registration will be made as of the disclosure of the extension by ANEEL, scheduled for 04/02/2021.

2.8 Effects of the new Coronavirus (COVID-19) pandemic

Due to the pandemic declared by the World Health Organization (WHO), related to the new Coronavirus (COVID-19) that has been affecting Brazil and several countries worldwide, bringing risks to public health and impacts on the world economy, the Company informs that, as per its Corporate Pandemic Response Plan, it has been taking risk mitigation and preventive measures in line with the guidelines established by national and international health authorities. The aim is to minimize, to the fullest extent possible, any impacts on the health and safety of its employees, family members, partners and communities, and operational and business continuity.

The parent company's Crisis Committee is handling the matter with the aim of coordinating actions related to the contingency plan, seeking to minimize the associated risks and impacts on its business activities. The Company is also evaluating the matter with its customers, suppliers and other creditors; so far, no material impacts on its business have been identified.

Within this scenario, the Company evaluated the following estimates in the financial statements:

a) Expected credit losses originating from COVID-19 impacts

The Company assessed the accounts receivable position at December 31, 2020 and did not identify hard-to-recover or doubtful accounts. This evaluation was based on the Company's accounting policies and on the assessment of the creditors' financial position.

b) Impairment of tangible and intangible assets

The Company evaluated the asset devaluation indications arising from the pandemic and concluded that there are no indications of change in the recoverable value of its property, plant and equipment and intangible assets.

c) Fulfillment of obligations assumed with customers and suppliers

The Company evaluated its main supply and service agreements with suppliers and customers, respectively, and concluded that all contractual liabilities were fulfilled despite the impacts of the pandemic; therefore, currently there is no evidence or formalizations of insolvency or lack of liquidity of the agreements.

d) Fulfillment of obligations in debt agreements – covenants

The Company assessed the covenants set out in its debt agreements and, on December 31, 2020, duly fulfilled all obligations agreed in the loan and financing agreements. The Company also evaluated its liquidity ratios.

To date, the Company has seen no material impacts on its operations due to the COVID-19 pandemic.

3. Accounting policies

The financial statements were prepared in accordance with various valuation bases underlying the accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, supported by management's opinion, in order to determine the appropriate amount to be recorded in the financial statements. The settlement of the transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the inherent likelihood-based nature of the estimation process. The Company reviews its estimates at least yearly.

3.1. Cash and cash equivalents

Cash and cash equivalents are held with the purpose of meeting short-term obligations rather than for investment or any other purposes. The Company considers cash equivalents a financial investment immediately convertible into a known amount of cash with an immaterial risk of change in value. Consequently, an investment is usually classified as cash equivalent when it has a short-term maturity; e.g., three months or less, counting from the contracting date.

3.2. Trade accounts receivables

Trade accounts receivables are recorded at the invoiced amount, adjusted to the present value as applicable, including the respective direct taxes that are the subsidiaries' responsibility.

They refer to the sale of power, in accordance with contracts for the purchase and sale of energy signed between its subsidiaries in the Free and Regulated contracting environments. On December 31, 2020, the Company's Management and its subsidiaries determined that no provision for doubtful accounts would be necessary, since the risks of non-realization of the assets are irrelevant and the subsidiaries have no expectation of loss in the realization of accounts receivable derived from their agreements.

3.3. Concession assets

The Company considered the guidelines issued by Technical Interpretation ICPC 01 (R1) –

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Concession Agreements and the guidelines described in the Brazilian Accounting Pronouncements Committee (CPC)'s Technical Guidance (OCPC) 05 – Concession Agreements, issued in December 2011 and December 2010, respectively, in the initial accounting and subsequent measurement of the concession's financial assets.

Based on the characteristics of the concession agreement, the Company concluded that the grant paid will be recovered through three cash flows, two of which will come from its regulated activities: (a) The value of the RBO (Grant Bonus Revenue), to be received directly from the Concession Authority, which represents the Company's unconditional right to receive cash for the sale of energy in the regulated contracting environment; and (b) Revenue from Operation and Maintenance - O&M and CAPEX improvements, to fund the plant's operating costs and improvements to the concession's property, plant and equipment assets; and (c) a third cash flow arising from its unregulated activities, represented by the sale of energy in the free contracting environment (issuance and monthly revenue from the measurement of energy sold) during the concession period.

3.3.1. Financial assets

The cash flow from the receipt of the RAG (Annual Generation Revenue) related to cash flow for the sale of power in the regulated contracting environment (ACR) – also called "quota regime", was classified as the financial asset of the concession and represents the Company's unconditional right to receive cash from the Granting Authority to cover: i) the amount paid by the grant to obtain the right to exploit the public service infrastructure; and ii) the expenses of Operation and Maintenance – O&M and CAPEX improvements.

The financial asset of the concession is measured at the beginning of the concession at the present value of future cash flows arising from the installments to be settled, and subsequently maintained at fair value through profit and loss based on the interest rate used to calculate the present value.

The Company classifies the update of the indemnifiable financial asset of the concession in the group of operating revenues, together with other revenues related to its core activity, as it more appropriately reflects the model of its electric power generation business and provides a better presentation regarding its equity position and performance.

At December 31, 2020, the Company did not identify any event that could significantly impact the estimated future cash flow of said asset. The Company's Management considers the credit risk of the concession's financial asset to be reduced, since the agreement signed ensures the unconditional right to receive cash over the term of the concession agreement, to be paid by the Concession Authority. Accordingly, no provision was allocated for the reduction to the probable recovery value.

3.3.2. Intangible assets

The assets classified as intangible assets mainly represent the amount paid by the Company to acquire the right to sell part of the energy produced in the free contracting environment (ACL), through the use of the public service infrastructure throughout the concession agreement.

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The intangible asset was initially recognized at its fair value on the date of its acquisition. After its initial recognition, the intangible asset will be amortized on a straight-line basis over the term of the concession agreements, as it is considered to have a defined useful life.

Other intangible assets, such as software, are recorded at purchase cost, less accumulated amortization. These intangible assets have useful lives defined based on purchase or their commercial agreements and are amortized over their economic useful life defined by the granting authority.

3.4. Impairment of non-financial assets

Management reviews the net carrying amount of assets at least annually for the purpose of determining whether there are any events or changes in economic, operating or technological circumstances that may indicate an impairment or loss of recoverable value. When there is such evidence and the net carrying amount exceeds the recoverable value, a valuation allowance is allocated, adjusting the net carrying amount to the recoverable value.

The recoverable value of an asset or a cash-generating unit (CGU) is defined as the highest value between the asset's value in use (VIU) and net selling price.

In estimating an asset's VIU, estimated future cash flows are discounted to present value using a pre-tax discount rate reflecting the weighted average cost of capital for the industry in which the cash-generating unit operates.

The net sales price is determined, whenever possible, based on firm sales contracts in a transaction on an arm's-length basis, between well informed and concerned parties, adjusted by expenses attributable to the asset sale, or, when there is no firm sales contract, based on the price in an active market, or the most recent transaction price for similar assets.

At December 31, 2020, the Management of the Company and its subsidiaries, through an impairment test, identified that it would not be necessary to allocate any valuation allowance for their property, plant and equipment and intangible assets.

3.5. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that economic resources will be required to settle the obligation, and its amount can be reliably estimated. When the Company expects the value of a provision to be reimbursed, in whole or in part, for example, due to an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is practically certain. The expense related to any provision is presented in the statement of income, net of any reimbursement.

Provisions for tax, civil and labor risks

Provisions are recognized for all contingencies regarding judicial proceedings for which it is

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probable that an outflow of resources will be made to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of a loss includes the evaluation of existing evidence, the hierarchy of laws, available case law, most recent court decisions and their relevance in the law system, as well as the assessment of outside attorneys. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitations, findings from tax audits or additional exposures identified based on new issues or court decisions.

Provisions for CAPEX improvements

The provisions constituted as CAPEX improvements are composed of future payment flows, brought to present value, of the estimated expenditures with investments that will be invested in the São Simão plant for the next 10 years as a way of modernizing the hydroelectric plant in order to maintain the physical guarantee according to the concession agreement. The changes in this flow are presented in explanatory note 22.

Provisions for decommissioning

Provisions for decommissioning are allocated in the event of a legal or contractual liability. This provision is constituted in wind power plants to comply with the responsibilities related to the replenishment of the land, due to the existence of a lease agreement determining that its subsidiaries must return the land under the same initial conditions.

3.6. Intangible assets

Recognition and measurement

Intangible assets include expenses related to software development, payment of the Grant Bonus, right of use and intangibles related to CAPEX improvement.

Subsequent costs

Subsequent costs are capitalized only when they increase the future economic benefits incorporated into the specific asset to which they relate. All other expenses are recognized in the result as incurred.

Amortization

Amortization is calculated on the cost of the asset, less the residual value taking into account the Company’s concession term, which ends in May 2048.

Amortization is recognized in the result based on the straight-line method with respect to the estimated useful lives of intangible assets, other than goodwill, from the date on which they are

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available for use, since this method most closely reflects the consumption pattern of future economic benefits incorporated into the asset. The estimated useful life for the Grant Bonus and the CAPEX improvement is 28 years.

3.7. Revenue recognition

Revenue is recognized when it is probable that future economic benefits will flow to the Company and the amount of revenue can be reliably measured, regardless of when the payment is received. Power revenue is recognized in the result pursuant to energy market rules and the concession agreement. Interest revenue is recognized on the straight-line method based on time and on the effective interest rate of the outstanding principal. The effective interest rate is that which exactly discounts the receipts of future cash estimated during the estimated life of the financial asset in relation to the initial net book value of this asset.

3.8. Sales tax

Sales revenues from electric power, as well as the Company's other operating revenues, related to the concession agreement, are subject to the following taxes and contributions, at the following basic rates:

- Social Integration Program (PIS): 1.65% (non-cumulative system);
- Social Contribution on Revenues (COFINS): 7.60% (non-cumulative system);

These taxes are deducted from the Company's operating revenues, which are presented in the income statement at their net value. Non-cumulative Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) credits, on operating costs and expenses, are presented as reducers of these groups of accounts in the financial statements.

3.9. Income tax and social contribution

Current income tax and social contribution

Current tax assets and liabilities are calculated based on the expected recoverable value or amount payable to the tax authorities. The tax rates and tax laws used to calculate the amount are those in force on the reporting date.

Deferred Taxes

Deferred tax is generated from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all temporary tax differences.

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

The carrying amount of the deferred tax assets is revised at each reporting date and written off to the extent that it is no longer probable that taxable income will be available to support the use of all or part of the deferred tax assets. Derecognized deferred tax assets are revised at each reporting date and reinstated to the extent that it becomes likely that future taxable income will support the recovery of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the year in which the asset or will be realized or the liability will be settled, based on the tax rates (and tax legislation) in force at the reporting date.

Deferred taxes assets and liabilities are presented net if there is a legal or contractual right to offset the tax asset against the tax liability, and deferred taxes are related to the same taxed entity and subject to the same tax authority.

3.10. Financial instruments

Classification and measurement

CPC 48 presents a classification and measurement approach to financial assets that reflect their cash flow characteristics and the business model in which the assets are managed.

The pronouncement establishes three classification and measurement categories for financial assets: (i) measured at amortized cost; (ii) measured at fair value through other comprehensive income (FVTOCI); and (iii) measured at fair value through profit & loss (FVTPL). The Company and its subsidiaries classify financial assets at amortized cost, fair value through profit & loss, and fair value through other comprehensive income (OCI).

Impairment

CPC 48 replaced the incurred loss model with a prospective model of expected losses. This new approach requires significant judgment on how changes in economic factors affect expected credit losses, which will be determined based on weighted probabilities. The new model applies to financial assets measured at amortized cost or FVTOCI, with the exception of investments in equity instruments and contractual assets.

According to CPC 48, the provisions for expected losses are to be measured based on one of the following: (i) Expected credit losses for 12 months, that is, credit losses resulting from possible default events within 12 months after the base date; and (ii) Expected credit losses for the entire life, that is, credit losses resulting from all possible default events throughout the expected lifecycle of a financial instrument. The standard also proposed the application of a practical expedient for financial assets that do not have significant financing components, with a simplified approach whose expected loss will be realized with a matrix by maturity of the accounts receivable.

The Company, after a credit analysis of its customers, does not recognize expected loss in the period, because according to its assessment, the risk of loss associated with the realization of the credits is low and there is no history of loss.

CPC 48 requires the Company and its subsidiaries to ensure that hedge accounting relationships are in line with the risk management objectives and strategies established by Management, applying a more qualitative and prospective approach to assess the effectiveness of the hedge. The new standard introduces a less restrictive hedge model, requiring an economic relationship between the covered item and the hedge instrument in which the cover ratio is the same as applied by the entity for risk management.

Hedge accounting

The Company designates certain hedge instruments, including derivatives, related to foreign currency risk, as cash flow hedge.

At the beginning of the hedge operation, the Company documents the relationship between the hedge instrument and the hedged item with its objectives in risk management and its strategy for taking on various operations. Additionally, the Company assesses whether the hedge instrument used in a hedge relationship is highly effective in offsetting changes in the fair value or cash flow of the hedged item, attributable to the risk subject to hedge.

Explanatory note No. 16 provides further details on the fair value of derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualified as a cash flow hedge is recognized in other comprehensive income and accumulated in the "Cash flow hedge reserve" heading. Gains or losses related to the ineffective part are immediately recognized in the result under "Other gains and losses" in the financial result.

The amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to the result in the period in which the hedged item affects the result, in the same heading of the statement of income in which said item is recognized.

Hedge accounting is discontinued when the Company cancels the hedge relationship, the hedge instrument expires or is sold, terminated or executed, or no longer qualifies as hedge accounting. Any gains or losses recognized in other comprehensive income and accumulated in equity on that date remain in equity and are recognized when the anticipated transaction is eventually recognized in the result. When the anticipated transaction is no longer expected to occur, the accumulated and deferred gains or losses in equity are immediately recognized in the result.

3.11. Leases

CPC 06 (R2) – Leasing Operations

CPC 06 (R2) was issued in December 2017, in correlation with IFRS 16, which introduced new rules for leasing operations. The goal is to ensure that lessees and lessors provide relevant

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information in a way that accurately represents these transactions. CPC 06(R2) requires lessees to recognize the future payments as a liability and the right of use of the leased asset for virtually all lease agreements, including operating leases. Optional exemptions were created for short-term and low-value leases. The criteria for lease recognition and measurement in the financial statements of the lessors are substantially maintained. CPC 06 (R2), in general, was applied retrospectively as of January 1, 2019 and replaced CPC 06 (R1) – Leasing Operations (IAS 17) and corresponding interpretations.

This standard affected the recording of the Company's outstanding operating leases. In instances where the Company is the lessee, it recognized: (i) for the right of use of the lease object, an asset; (ii) for payments set forth in the agreements, brought to present value, a liability; (iii) expenses with depreciation/amortization of the assets; and (iv) financial expenses with interest on lease obligations. On the other hand, the Company did not record expenses related to rents and leases that fall under CPC 06 (R2) in total revenue.

The Company and its subsidiaries applied CPC 06 (R2) as of January 1, 2019 using the prospective approach, that is, the effect of the adoption was recognized in the opening balances at January 1, 2019, without updating the comparative information. Accordingly, the Company did not adopt the practical expedient that would exempt it from applying the new pronouncement to agreements that were previously within the scope of CPC 06 (R1).

The Company and its subsidiaries maintain lease agreements for property rental of the headquarters and land where their wind farms are located. These agreements are considered as commercial leases in accordance with the new methodology.

3.12. ICPC 22 – Uncertainty regarding the treatment of taxes on income

ICPC 22 was issued in December 2018, in correlation with the IFRIC 23 standard, which seeks to resolve how to enforce the recognition and measurement requirements of CPC 32 – Taxes on profit when there is uncertainty about fiscal positions that have not yet been accepted by the authorities. The Interpretation determines that it is necessary to assess whether it is probable that the tax authority will accept the tax treatment chosen by the entity: (i) if yes, it must recognize the amount in the financial statements, according to the tax assessment, and consider the disclosure of additional information on the uncertainty of the chosen tax treatment; (ii) if not, the entity must recognize a different amount in its financial statements in relation to the tax assessment in order to reflect the uncertainty of the chosen tax treatment.

For tax positions on which there is uncertainty in their treatment, the Company and its subsidiaries concluded that it is probable that they will be included in tax case law and, for this reason, the Company and its subsidiaries understand that this interpretation did not generate significant effects on the financial statements.

4. Business Combination under common control

On August 1, 2019, the Company acquired 100% of the capital stock of Pacific Hydro Energia do Brasil Ltda. for the amount of R$ 114,806, regarding Stockholders' Equity recorded according to the valuation report. On this date, the Company signed a private instrument for the assumption of debt that the acquired company had with the former parent company.

(In thousands of reais, unless otherwise stated)

By definition of the group's accounting policy, the Company adopted the "predecessor accounting method", restating its financial statements to reflect the values of the acquisition made in 2017 by the ultimate holding company of the SPIC Green Energy Ltd. group, which generated a goodwill in the operation in the amount of R$ 15,111.

5. Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash and Banks	2	3	3,529	3,688
Highly-liquid short-term financial investments	335,731	222,550	1,028,835	680,727
	335,733	**222,553**	**1,032,364**	**684,415**

Highly-liquid short-term financial investments are promptly convertible into a known cash amount and are subject to an immaterial risk of change in value. These investments are remunerated at the rate between 96% and 101% of the Interbank Deposit Certificate (CDI) and are linked to the CDB application modality.

6. Trade accounts receivable

	Consolidated			
	Current falling due			
	Up to 60 days	Over 60 days	Net balance at 12/31/2020	Net balance at 12/31/2019
Current				
Supply of electric power	45,440	10,286	55,726	60,317
Short term electric power – CCEE	2,482	-	2,482	2,342
Total Current Receivables	**47,922**	**10,286**	**58,208**	**62,659**

Accounts receivable originating from the supply of electric power in the regulated and free contracting environments. There are no balances in arrears and the credit risk is irrelevant at December 31, 2020 and 2019, so it was not necessary to record the allowance for doubtful accounts.

7. Financial assets

On November 10, 2017, the subsidiary UHE São Simão signed with the National Electric Energy Agency (ANEEL), for a period of 30 years, a concession agreement to provide the electric power generation service under an energy and power physical guarantee quota regime referring to the São Simão Plant. The concession belonged to Companhia Energética de Minas Gerais (Cemig), having been auctioned on September 27, 2017, according to technical and economic parameters established in Resolution No. 12/2017, of the National Energy Policy Council (CNPE). The bonus for the grant paid by the Company in the acquisition of the right to exploit the São Simão Plant was R$ 7,180,000 and the payment was made in a single installment on November 28, 2017.

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Upon signing the agreement, the subsidiary UHE São Simão opted for assisted operation during a period of 180 days from that date, therefore, the subsidiary assumed the generation service on May 10, 2018, when it took over the operation of the São Simão Plant, date on which the 30-year period provided for in the concession agreement came into effect.

The power produced, according to the plant's capacity, is allocated in the proportion of 70% to the Regulated Contracting Environment (ACR) in the Physical Guarantee Quota System, and 30% to the Free Contracting Environment (ACL).

During the concession period, UHE São Simão will be entitled to receive the Annual Generation Revenue (RAG) in the established amount of R$ 1,032,161, of which R$ 796,629 refers to the portion of the Grant Bonus Revenue (RBO) and R$ 235,532 refers to the Generation Asset Management Cost (GAG), which includes Operation and Maintenance (O&M) revenue and improvement investments (CAPEX) during the concession period, as established in the concession agreement. These amounts were reduced to 70% as of May 10, 2018, in accordance with Technical Note No. 159, dated July 11, 2018, of which R$ 577,641 refer to the RBO portion and R$ 164,872 to GAG.

The RAG amounts set forth in the concession agreement were updated in accordance with ANEEL Homologatory Resolution No. 2.587, dated July 23, 2019, of which R$ 599,144 refers to the RBO portion and R$ 178,047 to GAG.

The RAG amounts set forth in the concession agreement were updated in 2020, in accordance with ANEEL Homologatory Resolution No. 2.746, dated July 28, 2020, of which R$ 611,920 refers to the RBO portion and R$ 181,844 to GAG.

Based on the characteristics of the concession agreement, UHE São Simão concluded that the grant paid will be recovered through two cash flows: (a) the value of the RBO (Grant Bonus Revenue) and GAG (Generation Asset Management Cost), to be received directly from the Concession Authority, which represents the Company’s unconditional right to receive cash for the sale of energy in the regulated contracting environment; and (b) from the sale of energy in the free contracting environment (issuance and monthly revenue from the measurement of energy sold) during the concession period.

Based on this understanding, UHE São Simão applied the bifurcated model using the relative fair value approach, which best reflects its business model, and then proceeded with the calculation of the present value of future cash flows to be settled from the Regulated Contracting Environment (ACR) and the Free Contracting Environment (ACL) to determine the amount to be split between the concession’s financial assets and intangible assets.

The calculated amount that represents UHE São Simão’s unconditional right to receive cash during the concession period was classified as a financial asset. The concession’s financial assets will be remunerated at a rate of 18.15% p.a., before taxes, calculated based on the future cash flow from the receipt of RBO and GAG. This discount rate was revised in 2019 to reflect the business model adopted by UHE São Simão which is to receive cash flows from RBO and GAG O&M and CAPEX improvements.

UHE São Simão classifies the balances of the financial assets as “fair value through profit or loss” financial instruments, since the cash flow is not characterized only as principal and interest. UHE São Simão’s business model for this asset is to recover the investment made, the valuation of which is based on the future cash flow from the receipt of RBO and GAG, plus monetary restatement by the Broad Consumer Price Index (IPCA).

(In thousands of reais, unless otherwise stated)

Changes in financial assets were as follows:

	12/31/2019	Financial income	Monetary variations	(-) RAG Billing	12/31/2020
Financial assets – RBO	6,144,546	633,398	264,643	(663,967)	6,378,620
Financial assets – GAG	115,884	427,972	25,723	(406,790)	162,789
(-) Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	(579,090)	(98,177)	(26,859)	99,045	(605,081)
Total	**5,681,340**	**963,193**	**263,507**	**(971,712)**	**5,936,328**
Current	657,649				672,811
Non-current	5,023,691				5,263,517
Total	**5,681,340**				**5,936,328**

8. Taxes recoverable

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Taxes recoverable (Social Integration Program (PIS) and Social Contribution on Revenues (COFINS))	-	-	1,109	4,986
Taxes collected by estimate (Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL))	152	-	51,917	49,467
Taxes withheld by customers (Income Tax Withheld at Source (IRRF), Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Social Contribution on Net Income (CSLL))	-	-	8,958	3,142
Other taxes recoverable (i)	2,293	1,243	21,449	20,062
	2,445	**1,243**	**83,433**	**77,657**
Current assets	2,445	1,243	83,247	73,069
Non-current assets	-	-	186	4,588
	2,445	**1,243**	**83,433**	**77,657**

(i) refer to Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) recoverable regarding the years 2017 and 2018 and Income Tax Withheld at Source (IRRF) on financial investments for 2020.

9. Guarantees and judicial deposits

	Consolidated	
	Non-current	
	12/31/2020	12/31/2019
Judicial deposits	282	282
Santander – reserve account (i)	6,991	6,937
Banco Nordeste do Brasil S/A (ii)	3,030	2,952
Total	**10,303**	**10,171**

(i) Restricted deposits in the amount of R$6,991 as of December 31, 2020 (R$6,937 in 2019) mainly refer to the financial investment made by the subsidiary Vale dos Ventos Geradora Eólica S.A. in the Santander cash green fund (former Western Asset Sovereign Fund in 2017), and will be maintained until the maturity date of the loan raised from the Banco Nacional de Desenvolvimento Econômico e Social - BNDES, in June 2023; and

(ii) The restricted deposits in the amount of R$3,030 as of December 31, 2020 (R$2,952 in 2019) fully refer to the financial investment made by the subsidiary Millennium, remunerated at the rate of 99% of the Interbank Deposit Certificate (CDI), and will be maintained by the Company until the date of its maturity on May 01, 2026, as a reserve account of the loan raised from Banco Nordeste do Brasil.

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10. Related Parties

		Parent company		Consolidated	
	Nature	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balance sheet					
Assets					
UHE São Simão Energia	Dividends	118,509	58,584		
ZHEJIANG Energy International	Shared costs	-	9,054	-	9,054
ZLCFB - Hong Kong Intern Invest Coop	Shared costs	-	1,811	-	1,811
CPD Energy Investment CO	Shared costs	-	1,811	-	1,811
Pacific Hydro Energia do Brasil	Intercompany loan	122,140	91,397	-	-
Pacific Hydro Energia do Brasil	Reimbursement of project costs	10,773	7,884	-	-
Pacific Hydro Australia - WHT	Reimbursement of project costs	-	-	748	748
SPIC - Jasmine Project	Reimbursement of project costs	-	-	-	-
Global Tender Offer	Reimbursement of project costs			-	376
SPIC	Reimbursement of project costs	-	-	-	118
SPIC - Sambaqui Project	Reimbursement of project costs	-	-	-	387
SPIC – Brasil Participações	Reimbursement of project costs	-	-	-	1,418
SPIC - SAE Project	Reimbursement of project costs	-	-	-	85
Other	Reimbursement of project costs	-	-	245	458
Liabilities					
SPIC Green Energy Ltd	Dividends	165,826	113,608	-	-
Pacific Hydro International	Reimbursement of project costs	-	-	942	942
Pacific Hydro Chile	Reimbursement of project costs	-	-	-	12
Other	Shared costs	-	-	29	-
SPIC Pacific Hydro PTY	Intercompany loan	122,140	91,397	122,140	91,397
Spic Luxembourg Latin America Renewable Energy Investment Company S.À.R.L	Intercompany loan	-	-	4,207,476	3,291,879
SPIC Pacific Hydro PTY	Reimbursement of project costs	10,763	7,884	10,763	7,884
Pacific Hydro Energia do Brasil	Shared costs	27	7,418	-	-
Result					
Pacific Hydro Energia do Brasil	Shared costs	(1,146)	-	-	-
SPIC Pacific Hydro PTY	Intercompany loan	(32,775)	(7,210)	(32,775)	(7,210)
Pacific Hydro Energia do Brasil	Intercompany loan	32,775	7,210	-	-

During the fiscal year ended December 31, 2020, the remuneration of management in the consolidated balance sheet totaled R$4,388 (R$4,280 in 2019).

There were no purchasing and sales transactions between related parties during the 2020 and 2019 financial years.

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11. Investment

a. Composition of the investments and information on the subsidiaries:

	Investment composition		Information on subsidiaries				
			Shareholding percentage	Assets	Liabilities	Equity	Profit for the year
	2020	2019	2020				
Shareholding in Subsidiaries							
UHE São Simão Energia	1,779,618	1,680,379	51%	10,505,777	10,505,777	3,489,448	494,741
Pacific Hydro Energia do Brasil	118,395	136,379	100%	332,303	332,303	103,284	(17,984)
SPIC Térmicas	(9)	-	100%	-	9	(9)	-
Total Investments	**1,898,004**	**1,816,758**					

b. Changes in investment:

	Balance at 12/31/2019	Acquisition	Other Comprehensive Income (OCI)	Equity Method of Accounting (MEP)	Dividends receivable	Balance at 12/31/2020
São Simão Energia	1,680,379		24,014	252,318	(177,093)	1,779,618
Pacific Hydro Energia do Brasil	136,379		-	(17,984)	-	118,395
SPIC Térmicas	-	(9)				(9)
Total	**1,816,758**	**(9)**	**24,014**	**234,334**	**(177,093)**	**1,898,004**

12. Right of use

Refer to assets originating from the application of CPC 06 (R2) as of January 1, 2019 (Notes 3.10 and 17). The main asset recognized is characterized as follows:

- Land: mainly refers to land lease agreements for wind farms of the companies Vale dos Ventos and Millennium.
- Buildings, construction and improvements: mainly refer to rental agreements related to the headquarters of the subsidiaries UHE São Simão and Pacific Hydro Brasil.

a. Composition of the right-of-use assets

	Consolidated			
		12/31/2020		
	Rates depreciation averages %	Historical cost	Accumulated depreciation	Net amount
Right of use				
Management				
Property rentals	12.63%	25,234	(4,467)	20,767
		25,234	(4,467)	20,767
Activities unrelated to the concession				
Land leases	11.44%	13,828	(2,384)	11,444
Property rentals	32.31%	319	(203)	116
		14,147	(2,587)	11,560
Total right of use		**39,381**	**(7,054)**	**32,327**

(In thousands of reais, unless otherwise stated)

	Consolidated			
	Rates depreciation averages %	12/31/2019		
		Historical cost	Accumulated depreciation	Net amount
Right of use				
Management				
Property rentals	12.63%	20,869	(2,096)	18,772
		20,869	(2,096)	18,772
Activities unrelated to the concession				
Land leases	11.44%	11,788	(1,171)	10,617
Property rentals	32.31%	303	(98)	205
		12,091	(1,269)	10,822
Total right of use		**32,960**	**(3,365)**	**29,594**

b. Changes in right-of-use assets

	Consolidated			
	Net amount at 12/31/2019	Contractual amendment	Depreciation	Net amount at 12/31/2020
Right-of-use assets				
Land leases	10,617	2,040	(1,213)	11,444
Property rentals	18,977	4,382	(2,476)	20,883
Total right-of-use assets	29,594	6,422	(3,689)	32,327

13. Property, plant and equipment

Property, plant and equipment are recorded at acquisition and/or construction cost plus non-recoverable taxes on purchases and any costs directly attributable to placing the asset at the site and in the necessary state for operation, net of accumulated depreciation and, when applicable, accumulated losses for impairment. Also included in the cost of property, plant and equipment, when applicable, is the interest related to borrowings obtained from third parties, capitalized during its construction phase, net of the financial income from unused third-party resources.

The carrying amount of the replaced goods is written off and the expenses with repairs and maintenance are fully recorded as a corresponding entry to the result for the year.

Depreciation is recognized in the result based on the straight-line method according to the useful life of each added or withdrawn unit, since this is the method that best reflects the consumption pattern of the future economic benefits incorporated in the asset. The depreciation rates used are set forth in table XVI of the Electric Sector Asset Control Manual (MCPSE) approved by Normative Resolution No. 674, dated August 11, 2015, and are in accordance with the useful life estimated by Management. At the advent of the final term of the Agreement, all assets and facilities tied to the Hydroelectric Plant will be transferred to the Federal Government's assets through indemnification for investments made and still unamortized, pursuant to ANEEL authorization and verified via audit conducted thereby.

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a. Composition of property, plant and equipment

Property, plant and equipment	Average depreciation rates (%)	Parent company 12/31/2020 Historical cost	Accumulated depreciation	Net amount	Average depreciation rates (%)	12/31/2019 Historical cost	Accumulated depreciation	Net amount
Activities unrelated to the concession		101		101				-
Total property, plant and equipment in		101	-	101		-	-	-
Total property, plant and equipment		101	-	101		-	-	-

Property, plant and equipment	Average depreciation rates (%)	Consolidated 12/31/2020 Historical cost	Accumulated depreciation	Net amount	Average depreciation rates (%)	12/31/2019 Historical cost	Accumulated depreciation	Net amount
Property, plant and equipment in operation –								
Generation								
Buildings, construction and improvements	3.41%	382	(31)	351	3.41%	382	(18)	364
Machinery and equipment	9.07%	4,035	(473)	3,562	9.07%	2,813	(263)	2,550
Vehicles		260	(19)	241		-	-	-
Furniture and fittings	6.25%	598	(50)	548	6.25%	329	(20)	309
Other		-	-			-	-	
		5,275	(573)	4,702		3,524	(301)	3,223
Management								
Buildings, construction and improvements	3.33%	3,292	(278)	3,014	3.33%	3,292	(165)	3,127
Machinery and equipment	12.99%	2,967	(889)	2,078	12.99%	2,699	(489)	2,210
Vehicles		-	-	-		-	-	-
Furniture and fittings	6.25%	273	(22)	251	6.25%	241	(6)	235
		6,532	(1,189)	5,343		6,232	(660)	5,572
Activities unrelated to the concession								
Land		602	-	602		602	-	602
Buildings, construction and improvements	11.51%	23,785	(14,706)	9,079	11.51%	23,613	(13,455)	10,158
Machinery and equipment	10.11%	258,011	(156,510)	101,501	10.11%	256,925	(143,341)	113,584
Vehicles	20.00%	410	(329)	81	20.00%	410	(249)	161
Furniture and fittings	10.44%	693	(240)	453	10.44%	692	(178)	514
Decommissioning	10.10%	5,422	(1,458)	3,964	10.10%	5,422	(973)	4,449
		288,923	(173,243)	115,680		287,664	(158,196)	129,468
Total property, plant and equipment in		300,730	(175,005)	125,725		297,420	(159,157)	138,263
Property, plant and equipment in progress								
Generation		2,383	-	2,383		6,762	-	6,762
Management		996	-	996		198	-	198
Activities unrelated to the concession		496	101	597		-	-	-
Total property, plant and equipment in		3,875	101	3,976		6,960	-	6,960
Total property, plant and equipment		304,605	(174,904)	129,701		304,380	(159,157)	145,223

(In thousands of reais, unless otherwise stated)

b. Changes in property, plant and equipment

Property, plant and equipment	Parent company Net amount at 12/31/2019	Income	Net amount at 12/31/2020
Property, plant and equipment in progress			
Other	-	101	101
Total property, plant and equipment in progress	-	101	101
Total property, plant and equipment	-	101	101

Consolidated

Tangible assets	Net amount at 12/31/2019	Income	Transfer to property, plant and equipment in use	Depreciation	Transfer to repair	Reclassification	Recoverable taxes	Net amount at 12/31/2020
Property, plant and equipment in operation								
Buildings, construction and improvements	13,649	-	-	(1,378)	-	-	173	12,444
Machinery and equipment	118,345	1,310	304	(13,782)	(15)	(42)	1,021	107,141
Vehicles	440	260	-	(99)	-	-	-	601
Furniture and fittings	778	192	69	(108)	-	42	-	973
Decommissioning	4,449	-	-	(485)	-	-	-	3,964
Total property, plant and equipment in operation	137,661	1,762	373	(15,852)	(15)	-	1,194	125,123
Property, plant and equipment in progress								
Land	602	-	-	-	-	-	-	602
Buildings, construction and improvements	-	-	-	-	-	-	-	-
Machinery and equipment	6,922	1,415	(304)	-	141	(5,500)	-	2,674
Vehicles		598	-	-	-	-	-	598
Furniture and fittings	23	340	(69)	-	-	-	-	294
Other	15	395	-	-	-	-	-	410
Total property, plant and equipment in progress	7,562	2,748	(373)	-	141	(5,500)	-	4,578
Total property, plant and equipment	145,223	4,510	-	(15,852)	126	(5,500)	1,194	129,701

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Consolidated

Tangible assets	Net amount at 12/31/2018	Income	Transfer to property, plant and equipment in use	Depreciation	Write-offs	Transfer to repair	Reclassification	Recoverable taxes	Net amount at 12/31/2019
Property, plant and equipment in operation									
Buildings, construction and improvements	8,220	-	283	(1,359)	-	-	6,332	173	13,649
Machinery and equipment	140,837	964	544	(13,696)	(138)	(45)	(11,146)	1,024	118,345
Vehicles	242	-	-	(81)	-	-	279	-	440
Furniture and fittings	635	29	192	(83)	-	-	5	-	778
Decommissioning	4,935	-	-	(486)	-	-	-	-	4,449
Total property, plant and equipment in operation	**154,869**	**993**	**1,020**	**(15,705)**	**(138)**	**(45)**	**(4,530)**	**1,197**	**137,661**
Property, plant and equipment in progress									
Land	541	61	-	-	-	-	-	-	602
Buildings, construction and improvements	78	205	(283)	-	-	-	-	-	-
Machinery and equipment	236	7,931	(545)	-	(169)	(531)	-	-	6,922
Furniture and fittings	-	215	(192)	-	-	-	-	-	23
Other	-	15	-	-	-	-	-	-	15
Total property, plant and equipment in progress	**855**	**8,427**	**(1,020)**	**-**	**(169)**	**(531)**	**-**	**-**	**7,562**
Total property, plant and equipment	**155,724**	**9,420**	**0**	**(15,705)**	**(307)**	**(576)**	**(4,530)**	**1,197**	**145,223**

14. Intangible assets

Intangible assets are measured at total acquisition and/or construction cost less amortization expenses and accumulated losses due to impairment, when applicable.

Expenditures with project development are recognized as intangible assets from the development phase provided they comply with the requirements defined in Brazilian Accounting Pronouncements Committee (CPC) 04 (R1).

Amortization is calculated on the value of the asset and recognized in the result based on the straight-line method with respect to the estimated useful lives of intangible assets from the date on which they are available for use, since this method best reflects the consumption pattern of future economic benefits incorporated into the asset.

(In thousands of reais, unless otherwise stated)

a. Composition of intangible assets

		Consolidated					
		2020			2019		
	Average annual amortization rates %	Historical cost	Accumulated amortization	Net amount	Historical cost	Accumulated amortization	Net amount
Intangible assets in operation							
Research and development	5,00%	1,594	(943)	651	1,595	(864)	731
Preoperating expenses	5,00%	7,560	(4,473)	3,087	7,560	(4,095)	3,465
Goodwill on investment		22,410	-	22,410	22,410	-	22,410
Software	20.00%	5,493	(2,025)	3,468	5,492	(984)	4,508
Concession rights – Others	3.34%	1,931,420	(170,476)	1,760,944	1,931,420	(106,052)	1,825,368
CAPEX improvements	3.51%	819,279	(31,142)	788,137	819,279	(2,396)	816,883
Intangible assets in progress				-			-
Paraíso Azul Project		10,950	-	10,950	10,521	-	10,521
Paraíso Farol Project		21,920	-	21,920	20,788	-	20,788
Other projects		-	-	-	40	-	40
Software		1,565	-	1,565	442	-	442
Total intangible assets		**2,822,191**	**(209,059)**	**2,613,132**	**2,819,547**	**(114,391)**	**2,705,156**

b. Changes in Intangible assets

	Consolidated			
	Net amount at 12/31/2019	Additions	Amortization	Net amount at 12/31/2020
Intangible assets in operation				
Research and Development (i)	731	-	(80)	651
Preoperating expenses	3,465	-	(378)	3,087
Goodwill on investment (ii)	22,410	-	-	22,410
Software (iii)	4,508	-	(1,041)	3,467
Concession rights – Others (iii)	1,825,368	-	(64,425)	1,760,943
CAPEX improvements (iv)	816,883	-	(28,746)	788,137
Intangible assets in progress				
Paraíso Azul Project (v)	10,521	430	-	10,951
Paraíso Farol Project (v)	20,788	1,132	-	21,920
Other projects	40	(40)	-	-
Software (iii)	442	1,124	-	1,566
	2,705,156	2,646	(94,670)	2,613,132

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	Consolidated					
	Net amount at 12/31/2018	Additions	Amortization	Transfer to intangible assets in use	Reclassification	Net amount at 12/31/2019
Intangible assets in operation						
Research and Development (i)	747	-	(79)	-	63	731
Preoperating expenses	-	-	(378)	-	3,843	3,465
Goodwill on investment (ii)	22,410	-	-	-	-	22,410
Software (iii)	154	-	(626)	4,356	624	4,508
Concession rights – Others (iii)	1,889,793	-	(64,425)	-	-	1,825,368
CAPEX improvements (iv)	-	819,279	(2,396)	-	-	816,883
Intangible assets in progress						
Paraíso Azul Project (v)	10,161	360	-	-	-	10,521
Paraíso Farol Project (v)	19,160	1,628	-	-	-	20,788
Other projects	-	40	-	-	-	40
Software (iii)	2,903	1,895	-	(4,356)	-	442
	1,945,328	823,202	(67,904)	-	4,530	2,705,156

(i) In the consolidated balance sheet, expenses regarding research and development related to the wind power generation plant were recognized in the subsidiary Vale dos Ventos. These expenses amortized on a straight-line basis under a 20-year term, corresponding to the estimated useful life of the industrial park built for wind power generation.

(ii) The goodwill was generated when the Millennium, Vale dos Ventos and Energia Limpa companies were acquired and is not amortized. The goodwill balance is supported by reports issued by independent experts and are based on estimates of future profitability of the operations acquired. At December 31, 2020, the Company's Management conducted goodwill recoverability tests, based on the cash flow projection method, coming to the conclusion that there is no need to recognize any loss in the recoverable amount.

(iii) Refer to the purchase of software and the Company's right negotiate electric power in the free contracting environment (ACL) for the use of infrastructure, originated from the bifurcation required by ICPC 01 (R1), and are recorded at cost.

(iv) Refers to the initial recognition of the provisions for CAPEX improvement handled as intangible assets as shown in explanatory note no. 22.

(v) The expenditures in the foregoing amount regarding development expenses for the design and deployment of new processes for wind power generation were recognized in the Paraíso Azul, Paraíso Farol and other projects of the subsidiary Pacific Hydro. These expenses are not amortized, since they are still under development.

Amortization is recorded based on the estimated useful life of each asset, limited to the concession's final term. The amortization rates used only in the subsidiary UHE São Simão are those determined by ANEEL, in charge of establishing the useful life of the generation assets in the electric power sector, and are provided for in the Electric Sector Asset Control Manual.

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15. Suppliers

The composition of the supplier account is as follows:

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Transmission system use charges	-	-	18,659	16,978
Materials and services	150	154	20,289	10,813
	150	**154**	**38,948**	**27,791**

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16. Borrowings, debentures and derivatives

		12/31/2020				12/31/2019			
	Company	Charges	Principal		Total	Charges	Principal		Total
		Current	Current	No Current		Current	Current	No Current	
Local currency									
BNP Paribas (i)	UHE São Simão	4,448		199,838	204,286	1,417		199,741	201,158
Banco Nordeste do Brasil S.A. (ii)	Millennium	3	2,142	11,464	13,609	8	1,890	13,606	15,504
BNDES (iii)	Vale dos Ventos	142	18,503	28,845	47,490	217	17,555	46,317	64,089
Total		**4,593**	**20,645**	**240,147**	**265,385**	**1,642**	**19,445**	**259,664**	**280,751**
Foreign currency									
Spic Luxembourg Latin America Renewable Energy Investment Company S.À.R.L (iv)	UHE São Simão	146,454		2,463,857	2,610,311	114,329		1,924,040	2,038,369
Spic Luxembourg Latin America Renewable Energy Investment Company S.À.R.L (iv)	UHE São Simão	15,310	1,581,855		1,597,165	64,771		1,188,739	1,253,510
Total		**161,764**	**1,581,855**	**2,463,857**	**4,207,476**	**179,100**		**3,112,779**	**3,291,879**
Debentures									
Pentagono Trustee - Tranche 1 (v)	UHE São Simão	3,614		800,121	803,735	3,536		762,786	766,322
Pentagono Trustee - Tranche 2 (v)	UHE São Simão	773		198,778	199,551	1,485		198,461	199,946
Total		**4,387**		**998,899**	**1,003,286**	**5,021**		**961,247**	**966,268**
Derivatives									
Bank of America Merrill Lynch (vi)	UHE São Simão	18,222			18,222	28,169		19,333	47,502
Banco Bradesco S.A. (vi)	UHE São Simão	6,120			6,120	9,435		6,482	15,917
JPMorgan Chase Bank (vi)	UHE São Simão	36,713			36,713	57,451		37,722	95,173
HSBC Brasil S.A. (vi)	UHE São Simão				-	1,780			1,780
Total		**61,055**			**61,055**	**96,835**		**63,537**	**160,372**
Total debts		**231,799**	**1,602,500**	**3,702,903**	**5,537,202**	**282,598**	**19,445**	**4,397,227**	**4,699,270**

(i) Debt contracting in the total amount of: R$ 200,000 with BNP Paribas, falling due on August 18, 2022.

(ii) Financing contract, in national currency, with a fixed rate of 9.5% p.a. funded with Banco do Nordeste (BNB), expected to mature on May 29, 2026.

(iii) Financing agreement, in local currency, with interest indexed to the Long-Term Interest Rate (TJLP) + 2.87% p.a., in compliance with the rules established in the agreement obtained from the National Bank for Economic and Social Development (BNDES), expected to mature on June 15, 2023 Financing agreement, in local currency, with interest indexed to the Long-Term Interest Rate (TJLP) + 2.87% p.a., in compliance with the rules established in the agreement obtained from the National Bank for Economic and Social Development (BNDES), expected to mature on June 15, 2023.

(iv) Contracting of loans in foreign currency (USD) totaling R$ 2,956,308 with Spic Luxembourg Latin America Renewable Energy Investment Company S.À.R.L, of which R$ 1,101,733 is at the cost of USD + 5.4706% p.a. maturing on October 25, 2021 and R$ 1,854,575 at the cost of USD + 5.8588% p.a. maturing on October 24, 2023.

(v) First Issuance of debentures, in two series with a 'BrAAA' rating, the first (UHSM11) incentive debenture (Law 12.431/11) in the amount of R$ 775,000,000 at the cost of IPCA + 3.54 p.a., maturing on 11/15/2029, the second (UHSM21) simple debenture in the volume of R$ 200,000,000 at the cost of CDI + 0.58% p.a., maturing on 11/15/2024. Both issuances were exempted from Securities and Exchange Commission of Brazil (CVM) Instruction 476/09.

(vi) Contracting of 6 Swaps, two with JPMorgan Chase Bank and Bank of America Merrill Lynch (BAML), and one with HSBC Brasil S.A. (HSBC) and Banco Bradesco S.A. (Bradesco).

(In thousands of reais, unless otherwise stated)

Changes in borrowing and debentures are as follows:

	Net amount at 12/31/2019	Payments	Provisioned interest	Transfer	Adjustments to market value	Amortization of transaction cost	Monetary and foreign exchange variations	Net amount at 12/31/2020
Current								
Borrowings								
Principal	19,616	(18,585)	-	1,693,458	31,869	-	(123,728)	1,602,630
Interest	180,742	(263,931)	275,202	-	(25,657)	-	-	166,356
Transaction costs	(171)	-	-	(130)	-	171	-	(130)
Swap	96,835	(25,041)	9,836	-	(20,575)	-	-	61,055
Debentures								
Principal	-	-	-	-	-	-	-	-
Interest	5,021	(35,211)	34,578	-	-	-	-	4,388
Transaction costs	-	-	-	-	-	-	-	-
	302,043	**(342,768)**	**319,616**	**1,693,328**	**(14,363)**	**171**	**(123,728)**	**1,834,299**
Non-current								
Borrowings								
Principal	3,372,970	-	-	(1,693,458)	(5,491)	-	1,030,283	2,704,304
Interest	-	-	-	-	-	-	-	-
Transaction costs	(526)	-	-	130	-	97	-	(299)
Swap	63,537	-	-	-	(63,537)	-	-	-
Debentures								
Principal	981,225	-	-	-	-	-	35,161	1,016,386
Interest	-	-	-	-	-	-	-	-
Transaction costs	(19,979)	-	-	-	-	2,491	-	(17,488)
	4,397,227	**-**	**-**	**(1,693,328)**	**(69,028)**	**2,588**	**1,065,444**	**3,702,903**

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	Net amount at 12/31/2018	Income	Payments	Provisioned interest	Interest paid in	Transfer	Adjustments to market value	Amortization of transaction cost	Monetary and foreign exchange variations	Net amount at 12/31/2019
Current										
Borrowings										
Principal	1,118,609	-	(1,117,130)	-	235	17,902	-	-	-	19,616
Interest	180,713	-	(277,121)	274,465	-	-	2,685	-	-	180,742
Transaction costs	(203)	-	-	-	-	(170)	-	202	-	(171)
Swap	114,908	-	(115,471)	114,204	-	-	(16,806)	-	-	96,835
Debentures										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	5,021	-	-	-	-	-	5,021
Transaction costs	-	-	-	-	-	-	-	-	-	-
	1,414,027	**-**	**(1,509,722)**	**393,690**	**235**	**17,732**	**(14,121)**	**202**	**-**	**302,043**
Non-current										
Borrowings										
Principal	3,030,605	200,000	-	-	-	(17,902)	24,610	-	135,657	3,372,970
Interest	-	-	-	-	-	-	-	-	-	-
Transaction costs	(437)	(275)	-	-	-	170	-	16	-	(526)
Swap	-	-	-	-	-	-	18,522	-	45,015	63,537
Debentures										
Principal	-	975,000	-	-	-	-	-	-	6,225	981,225
Interest	-	-	-	-	-	-	-	-	-	-
Transaction costs	-	(20,393)	-	-	-	-	-	414	-	(19,979)
	3,030,168	**1,154,332**	**-**	**-**	**-**	**(17,732)**	**43,132**	**430**	**186,897**	**4,397,227**

The following are the contractual conditions for the derivatives at December 31, 2019, which total the amount of R$ 2,956,308:

Banks	Date of issuance	Maturity date	Value of the entry R$'000	Entry US$'000	Interest payment	Contractual rate	Asset cost	Liability cost	Fair value
Bank of America Merrill Lynch	10/29/2018	10/24/2023	371,700	100,000	Semi-annual	11,47% p.a.	158,353	(12,101)	146,252
Banco JP Morgan S.A.	10/30/2018	10/24/2023	1,109,875	297,235	Semi-annual	11.49% p.a.	466,202	(36,713)	429,489
Banco Bradesco S.A.	10/30/2018	10/24/2023	186,500	50,000	Semi-annual	11,47% p.a.	78,415	(6,120)	72,295
Bank of America Merrill Lynch	10/30/2018	10/24/2023	186,500	50,000	Semi-annual	11,47% p.a.	78,415	(6,121)	72,294
HSBC Brasil S.A.	10/29/2018	11/01/2021	730,733	198,407	Semi-annual	Interbank Deposit Certificate (CDI) + 1.85% p.a.	325,485		325,485
Banco JP Morgan S.A.	10/29/2018	11/01/2021	371,000	100,000	Semi-annual	Interbank Deposit Certificate (CDI) + 1.85% p.a.	162,450		162,450
							1,269,320	**(61,055)**	**1,208,265**

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Foreign currency debts were supported by guarantees granted by the parent company. The debentures and bank loan with BNP do not contain guarantees linked to debt.

Maturity aging for borrowings and debentures is shown below:

Maturity	National	Foreign	Derivatives	Debentures	Total
Current					
2021	25,238	1,743,619	61,055	4,387	1,834,299
	25,238	1,743,619	61,055	4,387	1,834,299
Non-current					
2022	221,216	-	-	-	221,216
2023	12,230	2,463,857	-	-	2,476,087
2024	2,645	-	-	198,778	201,423
2025	2,838	-	-	-	2,838
2026 to 2029	1,218	-	-	800,121	801,339
	240,147	2,463,857	-	998,899	3,702,903
Total	265,385	4,207,476	61,055	1,003,286	5,537,202

16.1. Covenants

16.1.1. UHE São Simão

Only the debentures and loan with Banco BNP Paribas are subject to financial covenants, as shown in the following table:

Year	Net Debt / EBITDA
2019 to 2021	4.50
2022	4.00
2023	3.75
As of 2024 until the Maturity Date	3.50

Considers:

(a) "Net Debt" based on the Issuer's consolidated annual financial data prepared in accordance with rules issued by ANEEL, (i) the algebraic sum of loans, financing, local and international capital market debt instruments and the net balance of derivatives from the Issuer, less (ii) cash and cash equivalents and financial investments;

(b) Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) based on the Issuer's consolidated annual financial data prepared in accordance with rules issued by ANEEL, the Issuer's EBITDA over the past 12 (twelve) months plus the non-operating result for the period;

The financial covenants were fulfilled in accordance with the requirements shown above.

16.1.2. Millennium

The guaranties granted by the subsidiary Millennium to obtain said loan from Banco do Nordeste do Brasil S.A. were:

- Shareholder guarantee;
- Assignment of receivables from Eletrobrás;
- Reserve account – Explanatory Note No. 9;
- Pledge of shares;
- Fiduciary ownership of machinery and equipment;
- Pledge of rights arising from ANEEL's authorizations.

Additionally, the subsidiary's profit share may not exceed 25% of net income, otherwise BNB's approval is required.

16.1.3. Vale dos Ventos

The main guaranties and restrictive clauses related to the financing agreement of the subsidiary Vale dos Ventos with BNDES are as follows:

- Pledge of 100% of the Company's capital stock, until the final settlement of all obligations assumed in the financing agreement;
- Pledge of 100% of the earned income, until the final settlement of all obligations assumed in the financing agreement;
- Pledge of machinery and equipment in the minimum amount of R$ 206,459;
- No constitution of any burden on the assets and rights mentioned in the three topics above;
- No constitution of burden on or sale of any asset related to the assignment agreement, except under circumstances provided for in the financing agreement;
- Keep in a reserve account the equivalent to three months of the projected debt service (see Explanatory Note 9);
- Any increase of the capital stock shall be pledged in favor of BNDES;
- Credit and financially discharge dividends or interest on own capital only since 2013, fiscal year 2012, if there is confirmation of:

  -Minimum power generation of 100,600 MWh in the past twelve months prior to the intended resource allocation;

  -Debt service coverage index greater than or equal to 1.0.

  -Debt service coverage index with accumulated cash of at least 1.30 (only the amounts in excess of this indicator may be distributed).

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Debt service cover ratio – ICSD

	2020	2019
a) Cash generated by the activity		
(+) EBITDA	32,291	32,245
(-) Income tax	1,320	121
(-) Social contribution	(341)	(464)
(+ / -) Working capital variation	(3,442)	(5,633)
	29,828	26,269
b) Debt Service		
(+) Amortization of Principal	16,659	15,123
(+) Interest Payment	4,270	6,116
	20,929	21,239
c) Debt Service Coverage Index = (a) / (b)	**1.425**	**1.237**

	2020	2019
a) Cash balance		
Net cash at the end of the reference year (cash and cash equivalents of the current assets)	43,204	32,799
b) Cash generated by the activity		
(+) EBITDA	32,291	32,245
(-) Income tax	1,320	121
(-) Social contribution	(341)	(464)
(+ / -) Working capital variation	(3,442)	(5,633)
(-) Investments made	(316)	(388)
(+ / -) (redemptions) Contribution of funds from reserve accounts	111	(77)
	29,623	25,803
c) Debt Service		
(+) Amortization of Principal	16,659	15,123
(+) Interest Payment	4,270	6,116
	20,929	21,239
d) Debt Service Coverage Index in the Reference Year = (a + b) / c	**3.48**	**2.76**

(1)EBITIDA = Net earnings (+/-) Net financial result (+/-) Provision for Income tax/Social contribution (+) Depreciation and amortization (+/-) Other non-operating income and expenses.

(2)Working Capital Variation = (Current Assets (-) Cash and Cash Equivalents) - (Current Liabilities (-) Loans).

Financial Commitments – "Covenants"

In order for the creditors of loan agreements to monitor the financial position of the Company and its subsidiaries, financial covenants are utilized in some debt agreements. At December 31, 2020, the Company and its subsidiaries were in compliance with the terms of the covenants.

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17. Leases

As a result of adopting CPC 06 (R2) as of January 1, 2019, the Company recorded the amounts payable from lease and rental agreements as shown in explanatory note 12 and shown below:

	Consolidated				
	Balance at 12/31/2019	Contractual amendment	Financial Restatement	Payments	Balance at 12/31/2020
Land leases	15,846	2,802	-	(1,786)	16,862
Property rentals	27,431	5,911	-	(3,626)	29,716
(-) Present value adjustment	(12,627)	(2,331)	2,644	-	(12,314)
Total	30,650	6,382	2,644	(5,412)	34,264
Current	2,698				3,593
Non-current	27,952				30,671
Total	30,650				34,264

18. Taxes payable

The composition of taxes payable in the years ended December 31, 2020 and 2019 is shown below:

	Parent company		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Social Integration Program (PIS) payable	3	6	1,978	2,269
COFINS payable	20	34	9,062	10,398
Current Corporate Income Tax (IRPJ) payable	-	-	138,225	138,060
Current Social Contribution on Net Income (CSLL) payable	-	-	51,714	51,433
Other taxes	161	23	1,790	1,677
	184	**63**	**202,769**	**203,837**

19. Sector charges

Sector charges are all created by laws approved by the National Congress to facilitate the deployment of public policies in the Brazilian electric sector. Their values are contained in ANEEL's resolutions or orders and are collected through the electricity bill. Each charge has predefined objectives.

	Consolidated	
	12/31/2020	12/31/2019
Research and Development (R&D)	14,968	10,023
National Energy Development Fund (FNDCT)	888	928
Ministry of Mines and Energy (MME)	222	464
Electric Industry Inspection Fee (TFSEE)	262	262
Financial Contribution for the Use of Water Resources (CFURH)	9,583	8,599
	25,923	**20,276**

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20. Provisions

20.1. Probable provision

	Consolidated	
	12/31/2020	12/31/2019
Environmental provision	47	-
Decommissioning provision	7,531	6,228
	7,578	**6,228**

Public Civil Action (ACP) - 9519-51.2012.4.01.3803

This is a Public Civil Action filed in 2012 by the Federal Public Prosecution Office (MPF) initially against the former concessionaire (CEMIG) and alleged irregular occupant of the area affected by the Plant's concession. In summary, the MPF's intention is that the area where an improvement was built, without any authorization, be vacated and environmentally recovered. CEMIG was included as a defendant, since it was responsible for inspecting the area. The MPF requested the payment of R$ 30, by way of collective pain and suffering, and provisionally calculated the amount related to environmental recovery at R$ 30. UHE São Simão Energia S.A. was included as a defendant in 2020 for having succeeded CEMIG in the obligations related to the preservation of the concession area.

Decommissioning provisions

Decommissioning provisions are allocated in the event of a legal or contractual liability. Consequently, provisions of this nature are allocated in wind power generation plants to meet their respective obligations relating to disbursements for replenishment of sites and land. These provisions are allocated due to a lease agreement in place, which provides that the Company and its subsidiaries must return the land under the same conditions as the start of the lease.

The consolidated balance at December 31, 2020, amounting to BRL 7,531 (BRL 6,228 in 2019), refers to the provision for decommissioning wind farms as a corresponding entry to Property, Plant and Equipment (Note 13). The term for realization of this provision is the expiration of the wind farm lease agreements (Note 12).

The decommissioning provision amount was calculated based on an estimate of these costs by an external consultant, projected to the end of the wind farm's useful life. The discount rate used to calculate the present value of the provision was the SELIC rate expected by the market on the base date of the evaluation.

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20.2. Possible provision

	Consolidated	
	12/31/2020	12/31/2019
Tax	8,473	5,775
	8,473	**5,775**

Action for Annulment (IPTU) - 5588271-16.2019.8.09.0173

In June 2018, the Company received a municipal real estate tax (IPTU) entry for the year 2018 from the municipal tax authority of São Simão/GO, in the amount of R$ 7,942. At the end of the administrative procedure, on September 6, 2019, the Company received a notification from the Municipality of São Simão regarding the collection of the IPTU for the years 2018 and 2019 together, in the total amount of R$ 5,775. On September 27, 2019, the Municipality issued another notification, informing the company of the registration of said IPTU debt in the municipal outstanding debt, without observing the company's legal defense period. On October 7, 2019, the Company filed an action for tax debt annulment by submitting a letter of guarantee to guarantee the judgment, and with a preliminary injunction to suspend the enforcement of the tax debt, which was granted by the lower court judge on October 11, 2019. The Municipality presented its defense and the case records are currently in the discovery phase. On 07/30/2020, the municipal tax authority of São Simão/GO made a new IPTU entry, referring to the year 2020, in the amount of R$ 2,698. Whereas the injunction ruling to suspend the enforcement of the tax debt encompassed past and future debts, UHE São Simão Energia S.A. presented a complementary letter of guarantee, with the consequent suspension of this installment as well. As long as the injunction remains in force, the Company will not be compelled to pay the IPTU.

21. Deferred Taxes

The composition of deferred taxes on assets and liabilities at December 31, 2020 is as follows:

	Consolidated			
	Non-Current Assets		Non-Current Liabilities	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Corporate Income Tax (IRPJ)	4,924	3,161	144,092	76,293
Social Contribution on Net Income (CSLL)	1,773	1,138	51,873	27,466
	6,697	**4,299**	**195,965**	**103,759**

The balances of deferred assets net of liabilities reflect the tax effects on the subsidiary Vale dos Ventos. The balances of deferred liabilities net of assets reflect the tax effects on the subsidiaries UHE São Simão and Millennium.

(In thousands of reais, unless otherwise stated)

The changes in deferred taxes on profit at December 31, 2020 are as follows:

	Non-Current Assets		Non-Current Liabilities		Result		Equity	
Nature of Calculations	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**	**2020**	**2019**	**12/31/2020**	**12/31/2019**
Tax Losses	25,595	27,613	-	-	(2,018)	(1,746)	-	-
Income and social contribution tax losses	9,214	9,940	-	-	(726)	(630)	-	-
	34,809	37,553	-	-	(2,744)	(2,376)	-	-
Temporary Differences								
Temporary additions	(34,846)	(36,260)	34,014	38,442	5,843	(42,953)	-	-
Financial assets	-	-	233,923	147,227	(86,696)	(62,877)	-	-
Financial instruments – Swap	54,609	56,949	-	-	(2,340)	50,107	-	-
Financial instruments – Comprehensive income swap	-	23,021	1,236	-	-	-	24,257	(22,885)
Financial instruments – Debentures	14,071	2,117	-	-	11,954	2,117	-	-
Amortization Capex Improvements	11,262	2,829	-		8,433	2,829	-	-
Total Temporary Differences	45,096	48,656	269,173	185,669	(62,806)	(50,777)	24,257	(22,885)
Gross total	79,905	86,209	269,173	185,669	(65,550)	(53,153)	24,257	(22,885)
Offset of Deferred Assets and Liabilities	(73,208)	(81,910)	(73,208)	(81,910)				
Total	6,697	4,299	195,965	103,759				

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22. CAPEX improvements

Once the modernization project was approved, which occurred in the Company's Board meeting in December 2019, the Company adopted CPC 25 to control the provisions for improvement in CAPEX that will be realized in the coming years. These expenses are set forth in the concession agreement signed on September 27, 2017.

Upon initial recognition, future payment flows were estimated and brought to present value and their net value recorded as intangible assets pursuant to explanatory note no. 14 and shown below:

	Balance at 12/31/2019	Financial Restatement	Reclassification	Payments	Balance at 12/31/2020
Provision CAPEX improvements	1,179,281	-	(5,500)	(64,870)	1,108,911
(-) Present value adjustment	(357,918)	70,250	-	-	(287,668)
Total	821,363	70,250	(5,500)	(64,870)	821,243
Current	35,178				99,336
Non-current	786,185				721,907
Total	821,363				821,243

23. Equity

At December 31, 2020, the Company's authorized capital stock amounts to R$ 1,630,507, represented by 1,630,507 ordinary shares, fully subscribed and paid in national currency, at a nominal value of R$ 1.00 (one Brazilian real) each.

a. Allocation of profits:

	Consolidated	
	12/31/2020	12/31/2019
Income to be allocated:		
Net income calculated for the year	225,676	252,685
Formation of legal reserve - 5%	(11,284)	(12,478)
	214,392	**240,207**
Allocation of profit:		
Dividends	53,598	59,267
Revenue reserve	160,794	180,940
	214,392	**240,207**

As established in the Company's articles of association, the net income determined in each year will be deducted, before any allocation, from accrued losses and allocated successively and in the following order:
(i) 5% will be allocated to the formation of the legal reserve, which cannot exceed 20% of the capital stock.
(ii) 25% will be allocated to the payment of dividends;
(iii) the remaining balance, after complying with the previous provisions, will be allocated as determined by the General Meeting.

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The pending dividend receivable and payable balance by shareholder is composed as follows:

		Dividends receivable			
		Parent company		Consolidated	
Stockholders	**% Stake**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
UHE São Simão	51%	118,509	58,584	-	-
		118,509	**58,584**	**-**	**-**

		Dividends payable			
		Parent company		Consolidated	
Stockholders	**% Stake**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
SPIC Green Energy Ltda	100%	165,826	113,608	165,826	113,608
ZHEJIANG Energy Brazil holding Limited	35%	-	-	81,330	40,204
ZLCFB - Hong Kong international investment	7%	-	-	16,266	9,951
CPD Energy investment Co. limited	7%	-	-	16,266	9,951
		165,826	**113,608**	**279,688**	**173,714**

b. Other Comprehensive Income (OCI)

The cash flow hedge corresponds to the effective portion of the accumulated gain or loss resulting from changes in the fair value of hedge instruments contracted for cash flow hedge purposes. Accumulated gains or losses resulting from changes in the fair value of hedge instruments, recognized and accrued in the "Cash flow hedge" heading, will be reclassified to the result only when the hedged transaction impacts the result or is included as an adjustment of the hedged non-financial item, in accordance with the applicable accounting policy.

24. Earnings (loss) per share

The purpose of calculating earnings per share is to allow performance comparisons between different companies in the same period, as well as for the same company in different periods.

For the calculation of basic earnings per share, the Company also considered the current composition of ordinary shares for the comparative year, as required by Technical Pronouncement CPC 41. Thus, both the numerator (net income for the year) and the denominator (number of shares) are on a comparable basis.

Diluted earnings per share are calculated based on adjusting the weighted average number of outstanding shares by instruments potentially convertible into shares. The Company does not have any instrument potentially diluting the earnings per share, accordingly at December 31, 2020 and 2019, we have no differences between the basic and diluted earnings per share.

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The following table shows basic and diluted earnings per share for the years ended December 31, 2020 and 2019:

	2020	2019
Net income for the year	225,676	252,685
Denominator (in thousands of shares)		
Number of shares	1,630,507	1,630,507
Basic and diluted earnings per share (in Brazilian reais - R$)	0.1384	0.1550

25. Net operating revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized on a monthly basis and when there is convincing evidence that there was: (i) identification of the rights and obligations of the agreement with the customer; (ii) the identification of the performance obligation present in the agreement; (iii) the determination of the price for each type of transaction; (iv) the allocation of the transaction price to the performance obligations stipulated in the agreement; and (v) the fulfillment of the contract performance obligations. Revenue is not recognized when there is significant uncertainty regarding realization.

The main recognition and measurement criteria are presented below:

a) Supply of electric power: Revenue is recognized based on the assured energy and at rates specified under the terms of the supply agreements. In the Free Contracting Environment (ACL), energy trading occurs through the free negotiation of prices and conditions between the parties, under bilateral agreements.

b) Short-term power: Revenue is recognized at the fair value of the consideration receivable when the surplus electric energy produced, after the allocation of energy in the MRE, is traded within the scope of the Electric Energy Trade Chamber (CCEE). The corresponding consideration is the multiplication of the amount of energy sold by the Price for Settlement of Differences (PLD).

c) Revenue from updating of financial assets: The revenue is recognized at the fair value of the consideration receivable at the time of generation of the energy sold in the Regulated Contracting Environment (ACR) by the return of the payment of the grant bonus updated monthly by the Broad Consumer Price Index (IPCA).

d) Revenue from Operation and Maintenance (O&M) and CAPEX improvements: The revenue is recognized at the fair value of the consideration receivable as a result of the expense with the operation and maintenance guaranteed by the receipt of RAG.

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(In thousands of reais, unless otherwise stated)

	Parent company		Consolidated	
	2020	2019	2020	2019
Free market supply	-	-	510,260	545,340
Short-term power	-	-	16,769	20,945
RBO Revenue	-	-	898,041	850,753
O&M revenue	-	-	453,695	364,902
Other operating income (i)	13,000	-	13,272	3,054
Gross operating revenue	13,000	-	1,892,037	1,784,994
(-) Deductions from operating revenue				
Taxes on revenue				
State Value-Added Tax (ICMS)	-	-	(33)	-
Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	(884)	-	(174,681)	(165,111)
Services Tax (ISS)	(650)	-	(650)	-
	(1,534)	-	(175,364)	(165,111)
Consumer charges				
R&D	-	-	(13,154)	(13,025)
TFSEE	-	-	(3,811)	(3,965)
CFURH	-	-	(57,465)	(49,298)
	-	-	(74,430)	(66,288)
Total deductions from operating revenue	(1,534)	-	(249,794)	(231,399)
Net operating revenue	11,466	-	1,642,243	1,553,595

(i) refers to full expenses at the parent company with miscellaneous services for the acquisition of the subsidiary UHE São Simão in 2017 and collected in 2020 from the minority partners that hold 49% of the interest in UHE São Simão.

26. Operation cost and expenses

	Parent company			
	2020		2019	
	General and Administrative	Total	General and Administrative	Total
Personnel and Management	2,914	2,914	48	48
Material	444	444	15	15
Third-party services	19,508	19,508	4,691	4,691
Leases and rentals	-	-	24	24
Other	3,230	3,230	1,517	1,517
Total	**26,096**	**26,096**	**6,295**	**6,295**

	Consolidated					
	2020			2019		
	Operational	General and Administrative	Total	Operational	General and Administrative	Total
Electric power purchased for resale	15,447	-	15,447	27,439	-	27,439
Distribution system usage charges	189,800	-	189,800	166,381	-	166,381
Personnel and Management	25,832	39,536	65,368	26,484	33,737	60,221
Material	3,083	907	3,990	9,451	492	9,943
Third-party services	29,475	42,857	72,332	40,168	23,036	63,204
Depreciation	15,020	832	15,852	15,004	671	15,675
Amortization	95,234	3,125	98,359	68,745	1,901	70,646
Civil, labor, and tax provisions	30	163	193	-	-	-
Leases and rentals	167	2,342	2,509	562	1,847	2,409
Losses on the shutdown of properties	-	-	-	170	-	170
Other	7,537	6,801	14,338	9,781	8,510	18,291
Total	**381,625**	**96,563**	**478,188**	**364,185**	**70,194**	**434,379**

(In thousands of reais, unless otherwise stated)

27. Finance income (costs), net

	Parent company		Consolidated	
	2020	2019	2020	2019
Financial income				
Interest and monetary variations				
Earnings from financial investments	6,279	6,122	23,510	28,208
Fine and interest on energy sold	-	-	1,704	828
Discounts obtained	-	-	221	-
Other interest and monetary variations	289	186	1,004	2,172
Other financial income	1	-	1	-
(-) Taxes on finance income	(304)	(294)	(1,697)	(2,138)
Total finance income	**6,265**	**6,014**	**24,743**	**29,070**
Financial expenses				
Debt charges				
Borrowings	(291)	(186)	(285,846)	(389,601)
Debentures	-	-	(37,069)	(5,436)
Present Value Adjustments (AVP)	-	-	(72,893)	(8,519)
R&D restatement	-	-	(221)	(325)
Decommissioning provision	-	-	(1,302)	(395)
Other financial expenses	(2)	(17)	(705)	(441)
Total financial expenses	**(293)**	**(203)**	**(398,036)**	**(404,717)**
Monetary/foreign exchange variation, net				
Monetary variations	-	(95)	(34,720)	(5,249)
Exchange variance	-	-	(33,455)	(3,974)
Total monetary/foreign exchange variation, net	**-**	**(95)**	**(68,175)**	**(9,223)**
Total financial result	**5,972**	**5,716**	**(441,468)**	**(384,870)**

28. Income tax and social contribution

The reconciliation of the expense with income tax and social contribution calculated by applying the combined tax rates debited from the result is as follows:

	Consolidated	
	2020	2019
Income tax (25%) and Social contribution (9%)	**254,488**	**244,666**
Corporate Income Tax (IRPJ) – Current	137,455	139,150
Social Contribution on Net Income (CSLL) – Current	51,482	52,363
Corporate Income Tax (IRPJ) – Deferred	48,199	39,085
Social Contribution on Net Income (CSLL) – Deferred	17,351	14,068
	254,487	**244,666**

(In thousands of reais, unless otherwise stated)

Composition of the effective rate:

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Loss before taxes	225,676	214,243	722,586	734,346
Rate	34%	34%	34%	34%
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)	(76,730)	(72,843)	(245,679)	(249,678)
Equity in the results of subsidiaries	79,673	73,040	-	-
Non-allocated deferred taxes (a)	(2,922)	(86)	(2,922)	(86)
Adjustments to reflect the effective rate				
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) on permanent additions and exclusions				
JSCP	-	-	1,767	-
Donations	(20)	-	(1,371)	(1,020)
Tax loss offset	-	-	3,238	2,165
Permanent Additions	(1)	(111)	48,165	50,899
Tax incentives				
Rouanet Law	-	-	2,800	3,000
Exploitation Profit	-	-	3,036	2,085
Technological Innovation – R&D	-	-	686	860
Worker's Meal Program (PAT)	-	-	342	262
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) from Previous years	-	-	1,001	-
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) expenses	-	-	**(188,937)**	**(191,513)**
			-26.15%	-26.08%

(a) Deferred tax not allocated in the parent company and in the subsidiary PHB because there is no forecast for use

29. Financial instruments and fair value measurement

The Company is exposed to the following risks resulting from the use of financial instruments:

- Credit risk;
- Interest rate risk;
- Exchange rate risk;
- Liquidity risk.

The Company's risk management policies are established to identify and analyze the risks assessed by Management, define the limits and appropriate risk controls, and monitor risks and adherence to the limits. Risk management policies and systems are reviewed frequently to reflect changes in market conditions and in the Company's activities. The Company, through its training and management rules and procedures, aims at developing a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

a) *Credit risk*

The risk arises from the possibility that the Company could incur losses due to difficulties in collecting amounts billed to its customers. This risk is assessed by Management based on market and operational risks.

(In thousands of reais, unless otherwise stated)

b) Interest rate risk

This risk arises from the possibility that the Company may incur losses due to fluctuations in interest rates that lead to an increase in financial expenses related to borrowings.

c) Exchange rate risk

Risk related to the exchange rate variation of loans in foreign currency taken by the Company. The Company contracted a currency swap transaction to eliminate fluctuations in foreign currency (USD).

d) Liquidity risk

This risk arises from the possibility of the Company experiencing difficulties in complying with the obligations associated with its financial liabilities that are settled as payment in cash or using other financial assets, especially regarding the settlement of its borrowings, which will occur in the short term. Management's approach is to ensure, to the greatest extent possible, sufficient liquidity to pay its obligations as they fall due, under normal conditions, without incurring unacceptable losses or risk of damaging the Company's reputation.

The table below provides information on the future maturities of the Company's financial liabilities:

	Parent company					
	12/31/2020					12/31/2019
	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Total
Financial Liabilities						
Suppliers	150	-	-		150	154
Borrowings	-	-	-		-	-
Loans with related parties	-	-	122,140		122,140	91,397
Related parties	-	-	10,790		10,790	15,302
Leases and rentals					-	-
Provision - Capex improvements					-	-
Derivatives	-	-	-		-	-
Total	**150**	**-**	**132,930**	**-**	**133,080**	**106,853**

	Consolidated					
	12/31/2020					12/31/2019
	1 to 3 months	3 to 12 months	1 to 5 years	1 to 5 years	Total	Total
Financial Liabilities						
Suppliers	38,948	-	-	-	38,948	27,791
Borrowings	9,646	1,763,599	2,902,782	800,121	5,476,147	4,538,898
Loans with related parties	-	-	122,140	-	122,140	91,397
Related parties	-	-	11,734	-	11,734	8,838
Leases and rentals	870	2,723	23,144	7,527	34,264	30,650
Provision - Capex improvements	15,552	83,784	515,126	206,781	821,243	821,363
Derivatives	-	61,055	-	-	61,055	160,372
Total	**65,016**	**1,911,161**	**3,574,926**	**1,014,429**	**6,565,531**	**5,679,309**

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Rating of financial instruments

	Parent company				
	12/31/2020		12/31/2019		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Category
Financial assets					
Cash and cash equivalents	335,733	335,733	222,553	222,553	Fair value through profit & loss
Loans with related parties	122,140	122,140	91,397	91,397	Fair value through profit & loss
Other current assets	63	63	-	-	Amortized cost
Financial liabilities					
Loans with related parties	122,140	122,140	91,397	91,397	Fair value through profit & loss
Related parties	10,790	10,790	15,302	15,302	Amortized cost
Suppliers	150	150	154	154	Amortized cost

	Consolidated				
	12/31/2020		12/31/2019		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Category
Financial assets					
Cash and cash equivalents	1,032,364	1,032,364	684,415	684,415	Fair value through profit & loss
Trade receivables	58,208	58,208	62,659	62,659	Amortized cost
Financial assets	5,936,328	5,936,328	5,681,340	5,681,340	Fair value through profit & loss
Other current assets	10,334	10,334	6,551	6,551	Amortized cost
Derivative financial instruments	487,935	487,935	141,391	141,391	Fair value through profit & loss
Derivative financial instruments	781,385	781,385	233,421	233,421	Fair value through other comprehensive income
Judicial deposits and guarantees	10,303	10,303	10,171	10,171	Fair value through profit & loss
Financial liabilities					
Borrowings	1,801,451	1,801,451	1,253,510	1,253,510	Fair value through profit & loss
Borrowings	2,671,410	2,671,410	2,319,120	2,319,120	Fair value through other comprehensive income
Debentures	1,003,286	1,003,286	966,268	966,268	Fair value through profit & loss
Loans with related parties	122,140	122,140	91,397	91,397	Amortized cost
Derivative financial instruments	-	-	2,811	2,811	Fair value through profit & loss
Derivative financial instruments	61,055	61,055	157,561	157,561	Fair value through other comprehensive income
Leases and rentals	34,264	34,264	30,650	30,650	Amortized cost
Related parties	11,734	11,734	8,838	8,838	Amortized cost
Suppliers	38,948	38,948	27,791	27,791	Amortized cost

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Fair value hierarchy

The Company only holds financial instruments qualified at level 2.

The different levels have been defined as follow:

- Level 1 – Prices quoted (not adjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, except for quoted prices, included in Level 1, which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices);
- Level 3 – Assumptions, for the asset or liability, that are not based on observable market data (that is, unobservable inputs).

Derivative financial instruments

The Company maintains loans in foreign currency and, consequently, exposures to changes in exchange rates arise. In addition, these foreign currency loans also bear interest linked to the USD.
Exposures to USD exchange rate risks are managed according to the parameters established by the approved policies, through the use of currency and interest rate swap transactions.
The carrying amounts of monetary liabilities in foreign currency at December 31, 2020 amount to R$ 4,207,476 (R$ 3,291,879 at December 31, 2019).

In accordance with the currency and interest rate swap agreements, the Company agrees to exchange the difference between the exchange rate variation and the values of interest rates post-fixed by a fixed interest rate, calculated from the "agreed notional value".
Such agreements allow the Company to mitigate the risk of changes in the currency rate and interest rates on the fair value of loans taken on cash flow exposures.
The fair value of currency and interest rate swaps at the year-end closing is determined by discounting future cash flows, using the year-end closing curves and the credit risk inherent in this type of agreement.

The following table shows the principal amount and the remaining terms of the currency and interest rate swap agreements outstanding at the end of the reporting period:

Open interests	Loan charges	Fixed swap rate	Notional R$	Fair value R$
Five-year maturity – Cash flow	USD + 5.8588% p.a.	Between 11.47% p.a. and 11.49% p.a.	1,854,575	720,330
Three-year maturity – Fair value	USD + 5.4706% p.a.	Interbank Deposit Certificate (CDI) + 1.85% p.a.	1,101,733	487,935

Sensitivity analysis

The Company performs the sensitivity analysis of its financial instruments, including derivatives.
The sensitivity analysis is intended to measure the impact of changes in market variables on each financial instrument. However, the settlement of transactions involving these estimates may result in amounts different from the estimates due to the subjectivity contained in the process used for the preparation of such analyses. The information shown in the table contextually measures the impact on the Company's results due to the variation of each highlighted risk.

(In thousands of reais, unless otherwise stated)

The table below shows all the financial instruments mentioned in note 16 that are exposed to indexes, with the applicable exposures to fluctuations in interest rates and other indexes until the maturity dates of these transactions.

UHE São Simão

Derivative Fair Value Hedge

Operation	Balance on 12/31/2020	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Financing	1,128,523	Interbank Deposit Certificate (CDI) + 1.85%	57,711	60,029	62,344	64,656	66,965

Derivative Cash Flow Hedge

Operation	Balance on 12/31/2020	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Financing	1,866,825	11.48%	589,313	602,450	615,586	628,723	641,859

Debenture Infra

Operation	Balance on 12/31/2020	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Tranche 1	820,001	Broad Consumer Price Index (IPCA) + 3.54%	419,646	436,458	453,249	470,019	486,769

Debenture

Operation	Balance on 12/31/2020	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Tranche 2	200,773	Interbank Deposit Certificate (CDI) + 0.58%	37,204	39,206	41,204	43,201	45,195

Synthetic Loan

Operation	Balance on 12/31/2020	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Financing	204,448	5.04%	22,547	23,381	24,214	25,047	25,881

Millennium

Operation	Balance on 12/31/2020	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
BNB Financing	13,711	FNE – 9.50%	3,499	3,593	3,686	3,779	3,871

Vale dos Ventos

Operation	Balance on 12/31/2020	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Financing - BNDES	47,510	Long term Interest Rate (TJLP) – 7.43%	4,413	4,560	4,706	4,853	5,000

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30. Insurance (unaudited)

The Company and its subsidiaries hold insurance coverage in amounts considered sufficient by Management to cover possible claims, taking into account the nature of the activities, the risks involved in the operations and the advice of its insurance consultants.

At December 31, 2020, the Company maintains the following policies:

D&O for its Directors, Board Members and Management, effective from 11/08/2020 to 11/08/2021, with total coverage of R$ 30.000 and effective from 11/30/2020 to 11/30/2021 with coverage of R$ 20.000.

Civil liability, effective from 05/09/2020 to 05/09/2021, with total coverage of R$ 50,000 and effective 11/30/2020 to 11/30/2021 with coverage of R$ 20,000.

Operational Risks and Lost Profits, effective 05/09/2020 to 05/09/2021, encompassing a value at risk on the order of R$ 4,158,331 with a maximum indemnification limit of R$ 1,348,165 limited to R$ 348,165 for the Loss Profits policy and effective from 11/30/2020 to 11/30/2021 in the amount of R$ 60,751.

31. Subsequent events

On January 28, 2021, the entry of the SPIC Brasil Group, with a minority stake, was concluded in the Gas Natural Açu thermal complex, being:

(i) Direct acquisition of equity interest in UTE GNA I Geração de Energia SA, through the signing, on August 7, 2020, of a share purchase and sale agreement with Gás Natural Açu Infraestrutura SA and Siemens Participações Ltda., for acquisition of 611,029,317 shares of UTE GNA I, which represent 33.33% of its share capital, with SPIC Brasil Energia Participações SA as its buyer, the amounts involved being confidential under the terms of the executed Contract; and

(ii) Subscription of shares of UTE GNA II Geração de Energia SA, through its subsidiary SPIC Brasil Térmicas e Participações SA, which, pursuant to the Subscription Agreement signed on August 7, 2020 with Gás Natural Açu SA, Prumo Logística SA , Gás Natural Açu Infraestrutura SA and Siemens Participações Ltda., Undertook to subscribe for UTE GNA II shares that will represent 33.33% of its share capital. The subscription bulletin was signed on January 28, 2021, with the subscription of 1,471 common shares at the value of R $ 190,346.70 per share, totaling R $ 280,000,000.00, the payment of which will take place at a future date yet to be defined.

Officer and Certificated Accountant

Adriana Waltrick
Chief General Officer

Paulo Dutra
Chief Financial Officer

Valéria Lopes de Souza
Accountant
CRC – 1SP145065/O-9

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