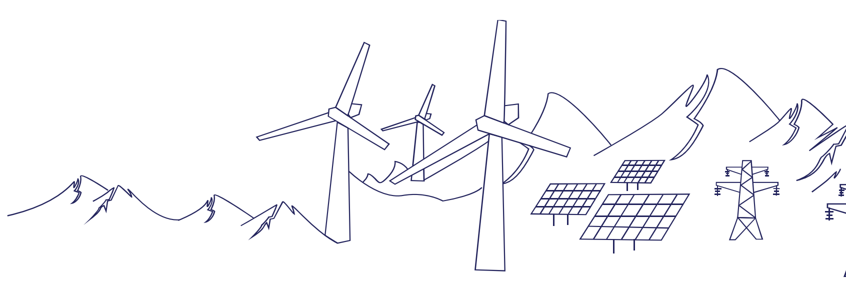
Parent Company and Consolidated Financial Statements

SPIC Brasil Energia Participações S.A.

December 31, 2021
with Independent Auditor's Report

SPIC BRASIL



SPIC Brasil Energia Participações S.A.

Parent company and consolidated financial statements

December 31, 2021

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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. (the "Company"), which comprise the balance sheet as at December 31, 2021 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, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including 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, 2021, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the 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 the parent company and consolidated financial statements 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), 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 ability of the Company 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 parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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, April 6, 2022

PricewaterhouseCoopers
PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

DocuSigned by:
Adriano Correia
Signed By: ADRIANO FORMOSINHO CORREIA:78278562504
CPF: 78278562504
Signing Time: 18 May 2022 | 22:13 BRT
ICP Brasil

Adriano Formosinho Correia
Contador CRC 1BA029904/O-5

SPIC Brasil Energia Participações S.A.

Balance sheets
December 31, 2020 and 2021
(All amounts in thousands of Brazilian reais – R$)

		Parent company		Consolidated	
	Note	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
Assets					
Current					
Cash and cash equivalents	5	510,699	335,733	1,249,090	1,032,364
Concessionaires	6	-	-	49,831	58,208
Financial assets	7	-	-	733,328	672,811
Taxes recoverable	8	5,343	2,445	53,381	83,247
Judicial deposits and guarantees		113,225	-	113,225	-
Inventory		-	-	11,675	7,969
Dividends and interest on own capital receivable	23	86,721	118,509	-	-
Derivative financial instruments	16	-	-	-	487,935
Other current assets		115	63	17,538	10,334
Total current assets		**716,103**	**456,750**	**2,228,068**	**2,352,868**
Non-current					
Financial assets	7	-	-	5,836,237	5,263,517
Taxes recoverable	8	-	-	-	186
Judicial deposits and guarantees	9	-	-	10,750	10,303
Receivables from related parties	10	759,937	132,913	620,469	993
Deferred Taxes	21	-	-	8,565	6,697
Derivative financial instruments	16	,	-	1,243,414	781,385
Other receivables	15	486,481	-	486,481	-
Investments	11	2,706,935	1,898,004	679,503	-
Right of use	12	-	-	33,894	32,327
Property, plant and equipment	13	89	101	116,927	129,701
Intangible assets	14	-	-	2,602,095	2,613,132
Total non-current assets		**3,953,442**	**2,031,018**	**11,638,335**	**8,838,241**
Total assets		**4,669,545**	**2,487,768**	**13,866,403**	**11,191,109**

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

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SPIC Brasil Energia Participações S.A.

Balance sheets
December 31, 2020 and 2021
(All amounts in thousands of Brazilian reais – R$)

		Parent company		Consolidated	
	Note	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Liabilities					
Current					
Trade and other payables	15	489,273	150	759,691	38,948
Borrowings and debentures	16	932,381	-	1,339,135	1,773,244
Leases	17	-	-	4,554	3,593
Social and labor obligations		1,092	636	25,329	15,659
Taxes payable	18	350	184	61,576	202,419
Dividends and interest on own capital	23	320,481	165,826	403,801	279,688
Industry charges	19	-	-	22,633	25,923
Derivative financial instruments	16	-	-	116,209	61,055
Other current liabilities		-	-	1	124
Provision - Capex improvements	22	-	-	89,903	99,336
Total current liabilities		**1,743,577**	**166,796**	**2,822,832**	**2,499,989**
Non-current					
Borrowings and debentures	16	-	-	4,824,586	3,702,903
Borrowings with related parties	10	129,205	122,140	129,205	122,140
Leases	17	-	-	32,167	30,671
Taxes payable	18	-	-	350	350
Provisions	20	-	-	8,486	7,578
Deferred Taxes	21	-	-	430,652	195,965
Related parties	10	11,309	10,790	12,230	11,734
Provision - Capex improvements	22	-	-	787,553	721,907
Total non-current liabilities		**140,514**	**132,930**	**6,225,229**	**4,793,248**
Equity					
Capital stock	23	2,392,247	1,630,507	2,392,247	1,630,507
Other Comprehensive Income (OCI)		38,957	1,223	38,957	1,223
Revenue reserves		354,250	556,312	354,250	563.117
Retained earnings or accumulated deficit		-		-	(6,805)
Non-controlling interest		-		2,032,888	1,709,830
Total equity		**2,785,454**	**2,188,042**	**4,818,342**	**3,897,872**
Total liabilities and equity		**4,669,545**	**2,487,768**	**13,866,403**	**11,191,109**

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SPIC Brasil Energia Participações S.A.

Income Statements
Years ended December 31, 2021 and 2020
(All amounts in thousands of Brazilian reais – R$, except earnings per share)

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Net operating revenue	25	-	11,466	2,060,153	1,642,243
Operational cost	26	-	-	(371,939)	(381,625)
Gross profit		**-**	**11,466**	**1,688,214**	**1,260,618**
Equity in the results of subsidiaries		246,295	234,334	(129,531)	-
Depreciation and amortization	26	(389)	-	(5,016)	(3.957)
Administrative and general expenses	26	(22,968)	(26,096)	(108,176)	(92,606)
Profit before financial result		**222,938**	**219,704**	**1,445,491**	**1,164,055**
Net financial result	27				
Financial income		24,384	6,265	53.006	24,743
Financial expenses		(35,812)	(293)	(444,083)	(398,036)
Monetary/foreign exchange variation, net		83	-	(124,307)	(68,176)
		(11,345)	**5,972**	**(515,384)**	**(441,469)**
Profit before taxation and social contribution		**211,593**	**225,676**	**930,107**	**722,586**
Current income tax and social contribution	28	-	-	(195,588)	(188,937)
Deferred income tax and social contribution	28	-	-	(172,104)	(65,550)
Net income for the year		**211,593**	**225,676**	**562,415**	**468,099**
Portion of the result attributed to shareholders non-controlling interests		-	-	(350,822)	(242,423)
Net income for the year		**211,593**	**225,676**	**211,593**	**225,676**
Earnings per share	24				
Number of shares at year end		2,392,247	1,630,507	2,392,247	1,630,507
Net earnings per share (basic and diluted)		0.0884	0.1384	0.2351	0.2871

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SPIC Brasil Energia Participações S.A.

Statements of Comprehensive Income
Years ended December 31, 2021 and 2020
(All amounts in thousands of Brazilian reais – R$)

	Parent company		Consolidated	
	2021	**2020**	**2021**	**2020**
Net income for the year	211,593	225,676	211,593	225,676
Other Comprehensive Income (OCI)				
Items that can be subsequently reclassified to the result				
Cash flow hedges:	68,233	36,386	68,233	36,386
Deferred income tax and social contribution	(30,499)	(12,371)	(30,499)	(12,371)
Total comprehensive income for the year	**249,327**	**249,691**	**249,327**	**249,691**

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SPIC Brasil Energia Participações S.A.

Statements of changes in equity
Years ended December 31, 2021 and 2020
(All amounts in thousands of Brazilian reais – R$)

	Capital stock	Other Comprehensive Income (OCI)	Reserves	Retained Earnings	Total	Non-controlling interests	Total consolidated
Balances at December 31, 2019	**1,630,507**	**(22,792)**	**382,855**	**-**	**1,990,570**	**1,614,482**	**3,605,052**
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)	(170,148)	(170,298)
Balances at December 31, 2020	**1,630,507**	**1,223**	**556,312**	**-**	**2,188,042**	**1,709,830**	**3,897,872**
Capital increase as per Extraordinary General Meeting held on May 31, 2021	259,000	-	-	-	259,000	-	259,000
Capital increase as per Extraordinary General Meeting held on December 10, 2021	502,740	-	-	-	502,740	-	502,740
Net income for the year	-	-	-	211,593	211,593	350,822	562,415
Other Comprehensive Income (OCI)							
Cash flow hedge	-	68,233	-	-	68,233	84,175	152,408
Deferred income tax and social contribution	-	(30,499)	-	-	(30,499)	(28,620)	(59,119)
Appropriation of the results of operations for the year							
Formation of legal reserve	-	-	10,580	(10,580)	-	-	-
Allocation of minimum mandatory dividends	-	-	-	(50,253)	(50,253)	-	(50,253)
Allocation of dividends from previous years as per Extraordinary General Meeting held on May 31, 2021	-	-	(202,608)	-	(202,608)	-	(202,608)
Allocation of dividends for 2020 as per Extraordinary General Meeting held on May 31, 2021	-	-	(160,794)	-	(160,794)	-	(160,794)
Allocation to revenue reserve	-	-	150,760	(150,760)	-	(83,319)	(83,319)
Balances at December 31, 2021	**2,392,247**	**38,957**	**354,250**	**-**	**2,785,454**	**2,032,888**	**4,818,342**

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SPIC Brasil Energia Participações S.A.

Statements of cash flows
Years ended December 31, 2021 and 2020
(All amounts in thousands of Brazilian reais – R$)

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash flows from operating activities				
Profit before taxes	211,593	225,676	930,107	722,586
Adjustments to reconcile profit to cash from operating activities				
Deferred taxes	-	-	2,309	-
Equity results	(246,295)	(234,334)	129,630	-
Financial assets	-	-	(1,645,440)	(1,226,700)
Depreciation and amortization	389	-	116,059	114,211
Amortization of capitalized interest	-	-	130	170
Interest and monetary restatement of Loans receivable	(16,189)	(33,066)	(9,125)	-
Financial charges and exchange and monetary variations on borrowings, derivatives and debentures	39,446	33,066	492,157	391,211
Leases and rentals – present value adjustments (AVP)	-	-	2,940	2,643
CAPEX improvement – present value adjustments (AVP)	-	-	66,086	70,250
Decommissioning provision	-	-	903	1,302
Provisions (reversals) and civil, tax and labor monetary restatements	-	-	5	47
Industry charges – provision and monetary restatement	-	-	3,601	5,482
Guarantees and judicial deposits – monetary restatement	-	-	(332)	(205)
Taxes and social security contributions – monetary restatement	-	-	(502)	(424)
Tax credits			(15,229)	-
Cost recovery - Grant Extension			(24,964)	-
	(11,056)	(8,658)	48,335	80,573
(Increase) dilution of operating assets				
Consumers and concessionaires	-	-	8,378	4,450
Financial assets	-	-	1,012,204	971,712
Recoverable taxes and social security contributions	(2,898)	(1,201)	47,574	(3,793)
Stocks	-	-	(1,519)	(341)
Taxes recoverable on the acquisition of property, plant and equipment	-	-	(1,056)	(1,196)
Judicial deposits and guarantees	(113,225)	-	(113,480)	74
Other operating assets	(52)	(63)	(7,204)	(1,333)
	(116,175)	(1,264)	944,897	969,573
Increase (dilution) of operating liabilities				
Trade and other payables	2,641	(4)	15,163	11,158
Social and labor obligations	456	636	9,670	1,999
Taxes and social security contributions	167	273	(157,032)	(4,970)
Regulatory and industry charges	-	-	(6,892)	166
Other accounts payable	-	-	(120)	(8)
	3,264	905	(139,211)	8,345
Cash from operating activities	**(123,967)**	**(9,017)**	**854,021**	**1,058,491**
Income tax and social contribution paid	-	(152)	(181,158)	(186,593)
Net cash from operating activities	**(123,967)**	**(9,169)**	**672,863**	**871,898**
Cash flow from investing activities				
Purchases of investments	(612,000)		(610,500)	-
Dividends received	118,509	117,167	-	-
Purchases of property, plant and equipment and additions to intangible assets	-	(101)	(6,061)	(7,153)
CAPEX improvement additions	-	-	(67,146)	(64,870)
Loans to third parties	(610,339)		(610,338)	
Related parties	23	5,283	17	12,810
Net cash used in investing activities	**(1,103,807)**	**122,349**	**(1,294,028)**	**(59,213)**
Cash flow of financing activities				
Net capital increase (decrease) in the cost of issue	502,740		502,740	-
Dividends and interest on own capital paid	-	-	(113,862)	(116,393)
Fundraising for borrowings and debentures	900,000	-	1,916,872	-
Amortization of the principal on borrowings	-	-	(1,121,816)	(18,585)
Payment of financial charges net of derivatives	-	-	(339,377)	(324,307)
Lease and rental payments	-	-	(6,667)	(5,451)
Net cash used in financing activities	**1,402,740**	**-**	**837,890**	**(464,736)**
Net increase (decrease) in cash and cash equivalents	**174,966**	**113,180**	**216,725**	**347,949**
Cash and cash equivalents at year end	510,699	335,733	1,249,090	1,032,364
Cash and cash equivalents at the beginning of the year	335,733	222,553	1,032,365	684,415
	174,966	**113,180**	**216,725**	**347,949**

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

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1. Operations

SPIC Brasil Energia Participações S.A. ("Company" or when jointly with its subsidiaries "Group") 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").

UHE São Simão S.A.

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 (Generation Auction No. 01/2017-ANEEL), in which the Company was the winner of the concession for the São Simão Hydroelectric Power Plant. The Annual Generation Revenue (RAG) to which the Concessionaire is entitled for making available the portion of the physical guarantee of energy and power of the Hydroelectric Power Plant is allocated under the QUOTA regime, whereas the RAG is the percentage of the physical guarantee of energy and power of the Hydroelectric Power Plant, allocated to a specific distributor. The Company signed Concession Agreement No. 001/2017 to provide the electric power generation service on November 10, 2017, which allows the exploration of the Plant for a period of 30 years, starting on May 10, 2018, when the Assisted Operation period ended.

On September 30, 2021, the Company signed a term of acceptance of grant extension for another 124 days, altering the concession end date from May 10, 2048 to September 11, 2048.

The installed capacity of the São Simão HPP is 1,710 MW, with an assured Physical Guarantee of 1,202 MWm. Of the assured energy, the Company has marketed 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) 360.6 MWm in the Free Contracting Environment (ACL) through short and long term agreements negotiated with third parties.

Pacific Hydro Energia do Brasil Ltda.

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

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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., Vale dos Ventos Geradora Eólica S.A. and SPIC Brasil Participações Eólicas 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.
- SPIC Brasil Participações Eólicas S.A., a company whose main activity is investing in other corporations as partner or stockholder, in Brazil or abroad, as well as developing feasibility studies and deployment of renewable power plants.

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).

<u>SPIC Brasil Térmicas e Participações S.A.</u>

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.

<u>UTE GNA I Geração de Energia S.A.</u>

Since January 28, 2021, the Company has owned a 33% stake in UTE GNA I Geração de Energia S.A., whose corporate purpose and business activity are thermal energy generation.

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SPIC Comercializadora

The Company has been the parent company of SPIC Comercializadora ("Subsidiary") since July 28, 2021, and owns 100% of the capital stock of this company, whose corporate purpose and main business activity are the marketing of electric energy.

2. Basis of preparation and presentation of financial statements

On April 1, 2022, the Company's Executive Board authorized the completion of the financial statements for the year ended December 31, 2021.

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.

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 as of December 31, 2021 is BRL 661,799 (negative BRL 147,121 in 2020), resulting mainly from the payment in January 2022 of part of its debt with Banco Sumitomo Mitsui. To cover this payment, the Company received a capital contribution from the parent company SPIC Green. These operations are described in the explanatory note of subsequent events.

In 4Q21, the subsidiary UHE São Simão 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 Generation Scaling Factor (GSF) on the subsidiary HPP São Simão

Brazilian Law No. 14.052, published on 09/09/2020, amended Law No. 13.203, dated 12/08/2015, establishing new conditions to renegotiate the hydrological risk of electric power generation, determining that generators will be compensated through the extension of their grant concession terms due to the incidence of non-hydrological risks negatively influencing the GSF (Generation Scaling Factor or MRE Adjustment Factor of Trading Rules) after 2012, with the aggravation of the water crisis. Events classified as non-hydrological are mostly those related to hydroelectric ventures considered "structural" (Belo Monte, Jirau and Santo Antônio UHEs), related to the anticipation of physical guarantee and transmission restrictions, in addition to generation beyond the merit order. The grant extension is limited to 7 years, conditioned to the waiver of eventual lawsuits or the right to discuss issues related to the Mechanism for Reallocation of Energy

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(MRE) by eligible agents, with no coverage for risk premium payment.

By extending the concession term of hydroelectric generators on the free contracting market, the Concession Authorities compensate companies by granting a non-monetary right (i.e. extension of concession term) with the possibility of recovering costs incurred as of 2012, recognized as capital expended by law.

Throughout the ANEEL regulation process, culminating with the publication of Normative Resolution No. 895/2020 ("Resolution"), the Electric Energy Trade Chamber (CCEE) performed, at ANEEL's request, preliminary calculations regarding the estimated grant extension time for eligible agents, based on the initial premises for opening the public consultation, published on the Agency's website in October/2020.

This alteration resulted in a calculation by the CCEE of a present value added to the Company's intangible assets in consideration for the result of BRL 24,964 and its taxes were deferred until the effective grant extension in 2048.

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) <u>Expected credit losses originating from COVID-19 impacts</u>

The Company assessed the accounts receivable position at December 31, 2021 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) <u>Impairment of tangible and intangible assets</u>

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, 2021, 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.

As provided by the Brazilian Accounting Pronouncements Committee (CPC) 03 (R2) – Statement of Cash Flows, operational, investment and financing transactions are sorted based on each of the Company's business and activity. Such classification by activity provides information for users to assess the impact of such activities on the entity's financial position, as well as its cash and cash equivalents.

The Company classifies interests paid in loan, financing, debenture and derivative transactions in its Statement of Cash Flow, since they are integrally linked to these fundraising activities (i.e. contracted financing transactions as a corporate capital structure, which is a financial strategy, rather than operational).

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3.2. Trade receivables

Trade 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, 2021, 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) – 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

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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, 2021, 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.

The intangible assets recognized in this transaction are detailed in the Intangible Assets policy (Note 3.6).

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.

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, 2021, 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 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.

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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 encompass the payment of Dividends in the form of Grant, substantially representing the amount paid by the Company to acquire the right to sell part of the energy generated in the Free Contracting Environment (ACL), using the public service infrastructure throughout the concession agreement, the right to use and intangibles related to CAPEX, improvements and expenses related to software acquisitions and development.

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, including above par spending generated internally and brands, 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 September 2048.

Amortization of the improvement CAPEX is recognized 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 most closely reflects the consumption pattern of future economic benefits incorporated into the asset. The estimated residual useful life is 27 years.

Other intangible assets, such as software, are amortized for their economic useful life defined by the regulator.

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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

<u>Current income tax and social contribution</u>

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.

<u>Deferred Taxes</u>

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.

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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.

Uncertainty regarding the treatment of taxes on income

The Interpretation of the ICPC 22 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 concludes that it is probable that they will be included in tax case law and, for this reason, the Company understands that this interpretation did not generate significant effects on the financial statements.

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

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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.

<u>Hedge accounting</u>

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.

<u>Cash flow hedges</u>

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) - Lease

The goal is to ensure that lessees and lessors provide relevant 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 retroactively as of January 1, 2019.

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 regarded as operating leases according to the new methodology and detailed in the explanatory notes regarding the Right of use (note 12) and Leases (note 17).

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.

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.

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(All amounts in thousands of reais unless otherwise stated)

5. Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash and Banks	11	2	9,400	3,529
Short-term financial investments	510,688	335,731	1,239,690	1,028,835
	510,699	**335,733**	**1,249,090**	**1,032,364**

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 of 100% of the Interbank Deposit Certificate (CDI) and are linked to the CDB application modality.

6. Concessionaires

	Consolidated			
	Current falling due			
	Up to 60 days	Over 60 days	Net balance at 12/31/2021	Net balance at 12/31/2020
Current				
Supply of electric power	41,968	4,402	46,370	55,726
Short-term power	3,461	-	3,461	2,482
Total Current Receivables	**45,429**	**4,402**	**49,831**	**58,208**

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, 2021 and 2020, 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.

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.

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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, the subsidiary 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. The aforementioned amounts were reduced to 70% as of May 10, 2018, as per Technical Note No. 159, dated July 11, 2018, of which BRL 577,641 refer to the RBO portion and BRL 164,872 to GAG. The annual updates approved by ANEEL regarding RBO and GAg receipt are detailed below.

Technical note	Date of approval	Duration	RBO IPCA	RBO	GAG IPCA	GAG
159	07/11/2018	07/01/2018 to 06/30/2019	-	557,641	-	164,872
136	07/17/2019	07/01/2019 to 06/30/2020	7.44%	599,144	7.99%	178,047
129	07/27/2020	07/01/2020 to 06/30/2021	2.13%	611,920	2.13%	181,844
156	07/09/2021	07/01/2021 to 06/30/2022	8.35%	662,998	8.35%	197,022

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 the subsidiary 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.

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).

(All amounts in thousands of reais unless otherwise stated)

Changes in financial assets were as follows:

	12/31/2020	Financial income	Monetary variations	(-) RAG Billing	12/31/2021
Financial assets – RBO	6,378,620	677,626	613,472	(698,026)	6,971,692
Financial assets – GAG	162,789	467,953	54,106	(417,350)	267,498
(-) Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	(605,081)	(105,966)	(61,750)	103,172	(669,625)
Total	**5,936,328**	**1,039,613**	**605,828**	**(1,012,204)**	**6,569,565**
Current	672,811				733,328
Non-current	5,263,517				5,836,237
Total	**5,936,328**				**6,569,565**

8. Taxes recoverable

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Taxes recoverable (Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)) (i)	-	-	21,788	1,109
Taxes to be offset (IRPJ and CSLL)	2,027	152	8,512	51,917
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))	-	-	2,325	8,958
Taxes to be offset (others) (ii)	3,316	2,293	20,756	21,449
	5,343	**2,445**	**53,381**	**83,433**
Current assets	5,343	2,445	53,381	83,247
Non-current assets	-	-	-	186
	5,343	**2,445**	**53,381**	**83,433**

(i) refer to PIS and COFINS over credits recoverable over materials, services, and purchase of assets.
(ii) (i) refer to Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) recoverable regarding the years 2017 to 2019 and Income Tax Withheld at Source (IRRF) on financial investments for 2021.

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9. Guarantees and judicial deposits

	Parent company		Consolidated			
	Current		Current		Non-current	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Judicial deposits	-	-	-	-	300	282
Santander – reserve account (i)	-	-	-	-	7,303	6,991
Banco Nordeste do Brasil S/A (ii)	-	-	-	-	3,147	3,030
Citibank - Escrow GNA I (iii)	113,225	-	113,225	-	-	-
Total	**113,225**	**-**	**113,225**	**-**	**10,750**	**10,303**

(i) Restricted deposits in the amount of BRL 7,303 as of December 31, 2021 (BRL 6,991 in 2020) 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 funded by the National Bank for Economic and Social Development (BNDES), in June 2023; and

(ii) The restricted deposits in the amount of R$3,147 as of December 31, 2021 (R$3,030 in 2020) 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.

(iii) The restricted deposit in the amount of R$ 113,225 at December 31, 2021 refers substantially to the financial investment made by the shareholder SPIC Brasil in CCB in the Santander cash blue RF DI FI fund, and is expected to be redeemed according to the capital contribution events in UTE GNA I Geração de Energia S.A. in 2022.

10. Related Parties

		Parent company		Consolidated	
	Nature	2021	2020	2021	2020
Balance sheet					
Assets					
UHE São Simão Energia	Dividends	86,721	118,509	-	-
Pacific Hydro Energia do Brasil	Intercompany loan	129,205	122,140	-	-
Pacific Hydro Energia do Brasil	Reimbursement of project costs	11,259	10,773	-	-
SPIC Térmicas e Participações S.A.	Reimbursement of project costs	9	-	-	-
GNA I Geração de Energia S.A. (i)	Intercompany loan	56,592	-	56,592	-
GNA II Geração de Energia S.A. (i)	Intercompany loan	562,872	-	562,872	-
Pacific Hydro Australia - WHT	Reimbursement of project costs	-	-	748	748
Other	Reimbursement of project costs	-	-	257	245
Liabilities					
SPIC Green Energy Ltd	Dividends	320,481	165,826	320,481	165,826
Pacific Hydro International	Intercompany loan	-	-	942	942
SPIC Pacific Hydro PTY	Intercompany loan	129,205	122,140	129,205	122,140
Other	Shared costs	-	-	29	29
SPIC Luxembourg Latin America Renewable Energy Investment Company S.À.R.L (ii)	Intercompany loan	-	-	2,845,992	4,207,476
SPIC Pacific Hydro PTY	Reimbursement of project costs	11,259	10,763	11,259	10,763
Pacific Hydro Energia do Brasil	Shared costs	50	27	-	-
Result					
SPIC Pacific Hydro PTY	Intercompany loan	(7,808)	(32,775)	(7,808)	(32,775)
Pacific Hydro Energia do Brasil	Shared costs	(325)	(1,146)	-	-
Pacific Hydro Energia do Brasil	Intercompany loan	7,808	32,775	-	-

(i) These refer to loans granted to GNA I and GNA II, which are remunerated at the CDI rate and mature in 2023.

(ii) This refers to debt in foreign currency and its characteristics are described in note 16.

During the fiscal year ended December 31, 2021, the remuneration of management in the

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consolidated balance sheet totaled BRL 7,373 (BRL 4,388 in 2020).

There were no purchasing and sales transactions between related parties during the 2021 and 2020 financial years.

11. Investment

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

	Investment composition		Information on subsidiaries				
	2021	2020	Ownership percentage	Assets	Liabilities	Equity	Profit for the year
			2021				
Shareholding in Subsidiaries							
UHE São Simão Energia	2,115,861	1,779,618	51%	11,104,590	11,104,590	4,148,749	715,962
Pacific Hydro Energia do Brasil	129,130	118,395	100%	330,742	330,742	114,019	10,735
SPIC Térmicas	(39,616)	(9)	100%	179,443	179,443	(39,615)	(18,136)
SPIC Comercializadora	1,500	-	100%	1,500	1,500	1,500	-
GNA I	473,576	-	33%	7,562,037	7,562,037	1,516,041	(233,279)
GNA I - Appreciation	26,484	-					
Total Investments	**2,706,935**	**1,898,004**					

b. Changes in investment:

	Parent company						
	Balance on 12/31/2020	Acquisition	Other Comprehensive Income (OCI)	Equity Method of Accounting (MEP)	Dividends	Amortization of goodwill	Balance on 12/31/2021
São Simão Energia	1,779,618	-	57,823	365,141	(86,721)	-	2,115,861
Pacific Hydro Energia do Brasil	118,395	-	-	10,735	-	-	129,130
SPIC Térmicas	(9)	-	(21,471)	(18,136)	-	-	(39,616)
SPIC Comercializadora	-	1,500	-	-	-	-	1,500
GNA I	-	583,639	1,382	(111,445)	-	-	473,576
GNA I - Appreciation	-	26,861	-	-	-	(377)	26,484
Total	**1,898,004**	**612,000**	**37,734**	**246,295**	**(86,721)**	**(377)**	**2,706,935**

	Consolidated								
	Balance on 12/31/2020	Acquisition	Other Comprehensive Income (OCI)	Equity Method of Accounting (MEP)	Dividends	Amortization of goodwill	Balance on 12/31/2021	Eliminations	Balance on 12/31/2021
São Simão Energia	1,779,618	-	57,823	365,141	(86,721)	-	2,115,861	(2,115,861)	-
Pacific Hydro Energia do Brasil	118,395	-	-	10,735	-	-	129,130	(129,130)	-
SPIC Térmicas	(9)	219,000	(21,471)	(18,136)	-	-	179,384	59	179,443
SPIC Comercializadora	-	1,500	-	-	-	-	1,500	(1,500)	-
GNA I	-	583,639	1,382	(111,445)	-	-	473,576	-	473,576
GNA I - Appreciation	-	26,861	-	-	-	(377)	26,484	-	26,484
Total	**1,898,004**	**831,000**	**37,734**	**246,295**	**(86,721)**	**(377)**	**2,925,935**	**(2,246,432)**	**679,503**

(i) These refer to the capital gain calculated in the appraisal reports on GNA I and GNA II assets. The amortization will be through depreciation of the GNA I assets and through the electric energy contracts for GNA II.

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12. Right of use

Refer to assets originating from the application of CPC 06 (R2) as of January 1, 2019 (Notes 3.11 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			
		12/31/2021		
	Annual average depreciation rates %	**Historical cost**	**Accumulated depreciation**	**Net amount**
Right of use				
Management				
Property rentals	12.63%	28,773	(7,469)	21,304
		28,773	(7,469)	21,304
Activities unrelated to the concession				
Land leases	11.44%	16,459	(3,879)	12,580
Property rentals	32.31%	330	(320)	10
		16,789	(4,199)	12,590
Total right of use		**45,562**	**(11,668)**	**33,894**

	Consolidated			
		12/31/2020		
	Annual average depreciation rates %	**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**

b. Changes in right-of-use assets

	Consolidated			
	Net amount at 12/31/2020	**Contractual amendment**	**Depreciation**	**Net proceeds at 12/31/2021**
Right-of-use assets				
Land leases	11,444	2,631	(1,495)	12,580
Property rentals	20,883	3,550	(3,119)	21,314
Total right-of-use assets	**32,327**	**6,181**	**(4,614)**	**33,894**

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	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.

(All amounts in thousands of reais unless otherwise stated)

a. Composition of property, plant and equipment

	Parent company							
		12/31/2021				12/31/2020		
Tangible assets	**Annual average depreciation rates %**	**Historical cost**	**Accumulated depreciation**	**Net amount**	**Annual average depreciation rates %**	**Historical cost**	**Accumulated depreciation**	**Net amount**
Property, plant and equipment in operation – tangible								
Activities unrelated to the concession								
Machinery and equipment		101	(12)	89		-	-	-
Total property, plant and equipment in operation		**101**	**(12)**	**89**		**-**	**-**	**-**
Total property, plant and equipment		**101**	**(12)**	**89**		**101**	**-**	**101**

	Consolidated							
		12/31/2021				12/31/2020		
Property, plant and equipment	**Annual average depreciation rates %**	**Historical cost**	**Accumulated depreciation**	**Net amount**	**Annual average depreciation rates %**	**Historical cost**	**Accumulated depreciation**	**Net amount**
Property, plant and equipment in operation – tangible								
Generation								
Buildings, construction and improvements	3.42%	382	(44)	338	3.41%	382	(31)	351
Machinery and equipment	10.05%	5,216	(825)	4,391	9.07%	4,035	(473)	3,562
Vehicles		917	(95)	822		260	(19)	241
Furniture and fittings	6.25%	908	(94)	814	6.25%	598	(50)	548
		7,423	(1,058)	6,365		5,275	(573)	4,702
Management								
Land		-	-	-		-	-	-
Buildings, construction and improvements	3.55%	3,292	(390)	2,902	3.33%	3,292	(278)	3,014
Machinery and equipment	13.05%	3,282	(1,314)	1,968	12.99%	2,967	(889)	2,078
Furniture and fittings	6.25%	379	(42)	337	6.25%	273	(22)	251
		6,953	(1,746)	5,207		6,532	(1,189)	5,343
Activities unrelated to the concession								
Land		602	-	602		602	-	602
Buildings, construction and improvements	10.76%	23,960	(15,958)	8,002	11.51%	23,785	(14,707)	9,078
Machinery and equipment	9.99%	259,786	(169,594)	90,192	10.11%	258,013	(156,511)	101,502
Vehicles	20.00%	410	(389)	21	20.00%	410	(328)	82
Furniture and fittings	10.20%	671	(295)	376	10.44%	693	(240)	453
Decommissioning	10.10%	5,422	(1,943)	3,479	10.10%	5,422	(1,458)	3,964
		290,851	(188,179)	102,672		288,925	(173,244)	115,681
Total property, plant and equipment in operation		**305,227**	**(190,983)**	**114,244**		**300,732**	**(175,006)**	**125,726**

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Property, plant and equipment in progress						
Generation	4,148	-	4,148	2,383	-	2,383
Management	(1,730)	-	(1,730)	996	-	996
Activities unrelated to the concession	265	-	265	495	101	596
Total property, plant and equipment in progress	**2,683**	**-**	**2,683**	**3,874**	**101**	**3,975**
Total property, plant and equipment	**307,910**	**(190,983)**	**116,927**	**304,606**	**(174,905)**	**129,701**

b. Changes in property, plant and equipment

	Parent company						
Property, plant and equipment	**Net amount at 12/31/2020**	**Income**	**Transfer to property, plant and equipment in operation**	**Depreciation**	**Write-offs**	**Recoverable taxes**	**Net proceeds at 12/31/2021**
Machinery and equipment	-	-	101	(12)			89
Total property, plant and equipment in operation	**-**	**-**	**101**	**(12)**	**-**	**-**	**89**
Property, plant and equipment in progress							
Machinery and equipment	-	-	(101)	-		-	(101)
Other	101	-	-	-		-	101
Total property, plant and equipment in progress	**101**	**-**	**(101)**	**-**	**-**	**-**	**-**
Total property, plant and equipment	**101**	**-**	**-**	**(12)**	**-**	**-**	**89**

	Consolidated						
Tangible assets	**Net amount at 12/31/2019**	**Income**	**Transfer to property, plant and equipment in operation**	**Depreciation**	**Write-offs**	**Recoverable taxes**	**Net amount at 12/31/2020**
Property, plant and equipment in operation							
Buildings, construction and improvements	12,444	-	-	(1,375)	-	173	11,242
Machinery and equipment	107,141	1,473	775	(13,861)	-	1,023	96,551
Vehicles	601	-	657	(137)	-	-	1,121
Furniture and fittings	973	221	195	(125)	(16)	-	1,248
Decommissioning	3,964	-	-	(485)	-	-	3,479
Total property, plant and equipment in operation	**125,123**	**1,694**	**1,627**	**(15,983)**	**(16)**	**1,196**	**113,641**
Property, plant and equipment in progress							
Land	602	-	-	-	-	-	602
Machinery and equipment	2,674	2,515	(555)	-	-	-	2,446
Vehicles	598	58	(656)	-	-	-	-
Furniture and fittings	294	103	(281)	-	-	-	116
Other	410	100	(388)	-	-	-	122
Total property, plant and equipment in progress	**4,578**	**2,776**	**(1,880)**	**-**	**-**	**-**	**3,286**
Total property, plant and equipment	**129,701**	**4,470**	**(253)**	**(15,983)**	**(16)**	**1,196**	**116,927**

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	Parent company		
Property, plant and equipment	**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**

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.

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a. Composition of intangible assets

		Consolidated					
		2021			2020		
	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	(1,023)	571	1,594	(943)	651
Preoperating expenses	5.00%	7,560	(4,851)	2,709	7,560	(4,473)	3,087
Goodwill on investment		22,410	-	22,410	22,410	-	22,410
Software	20.00%	5,821	(3,104)	2,717	5,493	(2,025)	3,468
Concession rights – Others	3.34%	1,956,384	(235,132)	1,721,252	1,931,420	(170,476)	1,760,944
CAPEX improvements	3.51%	874,638	(58,155)	816,483	819,279	(31,142)	788,137
Paraíso Azul Project		11,197	-	11,197	10,950	-	10,950
Paraíso Farol Project		22,260	-	22,260	21,920	-	21,920
Other projects		-	-	-	-	-	-
Software		2,496	-	2,496	1,565	-	1,565
Total intangible assets		**2,904,360**	**(302,265)**	**2,602,095**	**2,822,191**	**(209,059)**	**2,613,132**

b. Changes in Intangible assets

	Consolidated				
	Balance on 12/31/2020	Additions	Amortization	Transfer AIC to AIS	Balance on 12/31/2021
Intangible assets in operation					
Research and Development	651	-	(80)	-	571
Preoperating expenses	3,087	-	(378)	-	2,709
Goodwill on investment	22,410	-	-	-	22,410
Software	3,467	253	(1,077)	75	2,718
Concession rights – Others	1,760,943	24,964	(64,656)	-	1,721,251
CAPEX improvements	788,137	57,272	(28,926)	-	816,483
Intangible assets in progress					
Paraíso Azul Project	10,951	246	-	-	11,197
Paraíso Farol Project	21,920	339	-	-	22,259
Other projects	-	-	-	-	-
Software	1,566	1,006	-	(75)	2,497
	2,613,132	**84,080**	**(95,117)**	**-**	**2,602,095**

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(All amounts in thousands of reais unless otherwise stated)

	Consolidated			
	Balance at 12/31/2019	Additions	Amortization	Balance 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**

(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, 2021, 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. Trade and other payables

The composition of the supplier account is as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Transmission system use charges	-	-	21,294	18,659
Materials and services	2,792	150	251,916	20,289
Other accounts payable (i)	486,481	-	486,481	-
	489,273	**150**	**759,691**	**38,948**

(i) Accounts payable GNA II Geração de Energia S.A., according to NTP Notice to proceed agreement signed on November 17, 2021 with corporate guarantee, as described in note 32.

16. Borrowings, debentures and derivatives

	Parent company					
	12/31/2021			12/31/2020		
	Charges	Principal	Total	Charges	Principal	Total
	Current	Current		Current	Current	
Local currency						
MUFG Bank LTD (i)	1,359	150,000	151,359	-	-	-
Banco Sumitomo Mitsui Brasileiro S.A. (ii)	31,022	750,000	781,022	-	-	-
Total debts	**32,381**	**900,000**	**932,381**	-	-	

(i) Loan acquired on November 24, 2021 for BRL 150,000 from Banco MUFG at an Interbank Deposit Certificate (CDI) rate of + 1.05% p.a., due November 25, 2022.
(ii) Loan acquired on January 28, 2021 for BRL 750,000 with Banco Sumitomo Mitsui at a fixed rate of 3.92% p.a., due January 28, 2022 (Note 32).

(All amounts in thousands of reais unless otherwise stated)

		Consolidated							
		12/31/2021				12/31/2020			
	Company	Charges	Principal		Total	Charges	Principal		Total
		Current	Current	No Current		Current	Current	No Current	
Local currency									
BNP Paribas (i)	UHE São Simão	4,447	199,935		204,382	4,448		199,838	204,286
Banco Nordeste do Brasil S.A. (iv)	Millennium	81	2,484	9,166	11,731	3	2,142	11,464	13,609
BNDES (v)	Vale dos Ventos	97	19,257	10,233	29,587	142	18,503	28,845	47,490
MUFG Bank LTD (i)	SPIC	1,359	150,000		151,359				-
Banco Sumitomo Mitsui Brasileiro S.A. (ii)	SPIC	31,022	750,000		781,022				-
Total		**37,006**	**1,121,676**	**19,399**	**1,178,081**	**4,593**	**20,645**	**240,147**	**265,385**
Foreign currency									
Spic Luxembourg Latin America Renewable Energy Investment Company S.À.R.L (vi)	UHE São Simão	161,590		2,684,402	2,845,992	146,454		2,463,857	2,610,311
Spic Luxembourg Latin America Renewable Energy Investment Company S.À.R.L (vi)	UHE São Simão	-	-	-	-	15,310	1,581,855	-	1,597,165
Total		**161,590**		**2,684,402**	**2,845,992**	**161,764**	**1,581,855**	**2,463,857**	**4,207,476**
Debentures									
Pentagono Trustee - Tranche 1 (v)	UHE São Simão	4,129		890,231	894,360	3,614		800,121	803,735
Pentagono Trustee - Tranche 2 (vi)	UHE São Simão	2,271		199,096	201,367	773		198,778	199,551
Pentagono - 2nd Issue (viii)	UHE São Simão	12,462		1,031,458	1,043,920				-
Total		**18,862**		**2,120,785**	**2,139,647**	**4,387**		**998,899**	**1,003,286**
Derivatives									
Bank of America Merrill Lynch (vi)	UHE São Simão	35,161			35,161	18,222			18,222
Banco Bradesco S.A. (vi)	UHE São Simão	11,710			11,710	6,120			6,120
JPMorgan Chase Bank (vi)	UHE São Simão	69,339			69,339	36,713			36,713
Total		**116,210**			**116,210**	**61,055**			**61,055**
Total debts		**333,668**	**1,121,676**	**4,824,586**	**6,279,930**	**231,799**	**1,602,500**	**3,702,903**	**5,537,202**

(iii) Loan of BRL 200,000 contracted on November 18, 2019 from BNP Paribas, at a flat rate of 5.0405% per annum, with interest payment and principal payment on August 18, 2022.

(iv) Financing agreement with Banco do Nordeste S/A (BNB) held on July 29, 2007, totaling BRL 32,679 with a flat fee of 9.5% per annum, expected to mature on May 29, 2026.

(v) Financing Agreement with the National Bank for Economic and Social Development (BNDES) held on December 10, 2008, totaling BRL 162,097 at a rate of TJLP + 2.87% per annum, expected to mature on June 15, 2023.

(vi) Loan contracting in foreign currency on November 1, 2018 from SPIC Luxembourg Latin America Renewable Energy Investment Company S.À.R.L, totaling USD 497,235, equivalent to BRL 1,854,575, maturing on October 24, 2023. To protect against exposure to exchange rate floating, the Company contracted on the same date swap transactions to convert exchange rate added to a prefixed spread of 5.8588% per annum to prefixed of 11.47% per annum from banks Bradesco and Bank of America Merrill Lynch, and 11.49% per annum from JP Morgan. Loan contracting in foreign currency on November 1, 2018 from SPIC Luxembourg Latin America Renewable Energy Investment Company S.À.R.L, totaling USD 298,407, equivalent to BRL 1,101,732. To protect against exposure to exchange rate floating, the Company contracted on the same date swap transactions to convert exchange rate added to a prefixed spread of 5.4706% per annum for CDI + 1.85% per annum from banks JP Morgan and HSBC. The loan in the amount of USD 298,407 and swap transaction were paid in full at maturity on October 25, 2021.

(vii) 1st Issuance of debentures held on November 13, 2019, with a 'BrAAA' rating by Standard & Poor's. A total of 975,000 debentures were issued at a unit value of BRL 1,000.00 each, with 775,000 debentures under the incentive of Law No. 12.431/11 of the 1st series, totaling BRL 775,000 at the cost of IPCA + 3.54% per annum, maturing on November 15, 2029, and 200,000 debentures of the 2nd series, totaling BRL 200,000, at the cost of CDI + 0.58% per annum, maturing on November 15, 2024.

(viii) 2nd Issuance of debentures held on October 15, 2021, with a 'BrAAA' rating by Standard & Poor's. A total of 1,055,000 single-series debentures were issued, at a unit value of BRl 1,000.00 each, held under the CVM Instruction 476/09 and under the incentive of Law No. 12.431/11, totaling BRL 1,055,000, at the cost of IPCA + 5.8198% per annum, maturing on October 15, 2036.

Changes in borrowing and debentures are as follows:

Explanatory notes to parent company and consolidated financial statements
December 31, 2020 and 2021
(All amounts in thousands of reais unless otherwise stated)

	Parent company			
	Net amount at 12/31/2020	Income	Provisioned interest	Net proceeds at 12/31/2021
Current				
Borrowings				
Principal	-	900,000	-	900,000
Interest	-	-	32,381	32,381
	-	**900,000**	**32,381**	**932,381**

	Consolidated								
	Net amount at 12/31/2020	Income	Payments	Provisioned interest	Transfer	Adjustments to market value	Amortization of transaction cost	Monetary and foreign exchange variations	Net proceeds at 12/31/2021
Current									
Borrowings									
Principal	1,602,630	900,000	(1,703,646)	-	220,993	(31,869)	-	133,716	1,121,824
Interest	166,356	-	(269,284)	289,513	-	12,012	-	-	198,597
Transaction costs	(130)	-	-	-	(245)	-	227	-	(148)
Swap	61,055	-	(42,694)	23,432	-	74,416	-	-	116,209
Debentures	-	-	-	-	-	-	-	-	-
Interest	4,388	-	(38,410)	52,884	-	-	-	-	18,862
Transaction costs	-	-	-	-	(3,428)	-	3,428	-	-
	1,834,299	**900,000**	**(2,054,034)**	**365,829**	**217,320**	**54,559**	**3,655**	**133,716**	**1,455,344**
Non-current									
Borrowings									
Principal	2,704,304	-	-	-	(220,993)	(12,012)	-	232,556	2,703,855
Interest	-	-	-	-	-	-	-	-	-
Transaction costs	(299)	-	-	-	245	-	-	-	(54)
Swap	-	-	-	-	-	-	-	-	-
Debentures	-	-	-	-	-	-	-	-	-
Principal	1,016,386	1,055,000	-	-	-	-	-	115,255	2,186,641
Transaction costs	(17,488)	(51,796)	-	-	3,428	-	-	-	(65,856)
	3,702,903	**1,003,204**	**-**	**-**	**(217,320)**	**(12,012)**	**-**	**347,811**	**4,824,586**

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	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**

The following are the contractual conditions for the derivatives at December 31, 2021, which total the amount of BRL 1,854,575:

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.	251,544	(23,451)	228,093
Banco JP Morgan S.A.	10/30/2018	10/24/2023	1,109,875	297,235	Semi-annual	11.49% p.a.	741,688	(69,338)	672,350
Banco Bradesco S.A.	10/30/2018	10/24/2023	186,500	50,000	Semi-annual	11,47% p.a.	125,091	(11,710)	113,381
Bank of America Merrill Lynch	10/30/2018	10/24/2023	186,500	50,000	Semi-annual	11,47% p.a.	125,091	(11,710)	113,381
			1,854,575				**1,243,414**	**(116,209)**	**1,127,205**

(All amounts in thousands of reais unless otherwise stated)

Foreign currency debts at the subsidiary HPP São Simão were supported by guarantees granted by the parent company. The other debts in the parent company and its subsidiaries do not contain guarantees attached to the debt.

Maturity aging for borrowings and debentures is shown below:

Maturity	National	Foreign	Derivatives	Debentures	Total
Current					
2022	1,158,682	161,590	116,210	18,862	1,455,344
	1,158,682	**161,590**	**116,210**	**18,862**	**1,455,344**
Non-current					
2023	12,698	2,684,402	-	-	2,697,100
2024	2,645	-	-	199,096	201,741
2025	2,838	-	-	-	2,838
2026	1,218	-	-	193,750	194,968
2027 to 2031	-	-	-	696,481	696,481
2032 to 2036	-	-	-	1,031,458	1,031,458
	19,399	**2,684,402**	**-**	**2,120,785**	**4,824,586**
Total	**1,178,081**	**2,845,992**	**116,210**	**2,139,647**	**6,279,930**

16.1. Covenants

16.1.1. UHE São Simão

The 1st and 2nd issuance of debentures and the loan with Banco BNP Paribas are subject to financial indexes (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.

The Net Debt/EBITDA ratio at December 31, 2021 was 3.5, complying with the limits established in the indentures of the Company’s 1st and 2nd issues of debentures, which for 2021 is to be below 4.5.

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).

(All amounts in thousands of reais unless otherwise stated)

Debt service cover ratio – ICSD

	2021	2020
a) Cash generated by the activity		
(+) EBITDA	34,617	32,291
(-) Income tax	211	1,320
(-) Social contribution	(1,004)	(341)
(+ / -) Working capital variation	(6,402)	(3,442)
	27,422	29,828
b) Debt Service		
(+) Amortization of Principal	17,957	16,659
(+) Interest Payment	2,891	4,270
	20,848	20,929
c) Debt Service Coverage Index = (a) / (b)	**1,315**	**1.425**

	2021	2020
a) Cash balance		
Net cash at the end of the reference year (cash and cash equivalents of the current assets)	52,384	43,204
b) Cash generated by the activity		
(+) EBITDA	34,617	32,291
(-) Income tax	211	1,320
(-) Social contribution	(1,004)	(341)
(+ / -) Working capital variation	(6,402)	(3,442)
(-) Investments made	(21)	(316)
(+ / -) (redemptions) Contribution of funds from reserve accounts	312	111
	27,713	29,623
c) Debt Service		
(+) Amortization of Principal	17,957	16,659
(+) Interest Payment	2,891	4,270
	20,848	20,929
d) Debt Service Coverage Index in the Reference Year = (a + b) / c	**3.84**	**3.48**

(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, 2021, 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 on 12/31/2020	Contractual amendment	Financial Restatement	Payments	Balance on 12/31/2021
Land leases	16,862	3,529	-	(2,192)	18,199
Property rentals	29,716	4,602	-	(4,472)	29,846
(-) Present value adjustment	(12,314)	(1,950)	2,940	-	(11,324)
Total	**34,264**	**6,181**	**2,940**	**(6,664)**	**36,721**
Current	3,593				4,554
Non-current	30,671				32,167
Total	**34,264**				**36,721**

	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, 2021 and 2020 is shown below:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Social Integration Program (PIS) payable	35	3	2,059	1,978
COFINS payable	215	20	9,509	9,062
Current Corporate Income Tax (IRPJ) payable	-	-	13,614	138,225
Current Social Contribution on Net Income (CSLL) payable	-	-	34,377	51,714
Other taxes	100	161	2,367	1,790
	350	**184**	**61,926**	**202,769**

(All amounts in thousands of reais unless otherwise stated)

19. Industry charges

Industry 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					
	Balance on 12/31/2020	**Additions**	**Price-level restatement**	**Payments**	**Project wrap-up**	**Balance on 12/31/2021**
Research and Development (R&D)	14,968	3,259	333	-	(3,009)	15,551
Research and Development (R&D) - CDE	-	2,163	9	(1,895)	-	277
National Energy Development Fund (FNDCT)	888	5,421	-	(5,387)	-	922
Ministry of Mines and Energy (MME)	222	2,711	-	(2,705)	-	228
Electric Industry Inspection Fee (TFSEE)	262	5,086	-	(4,955)	-	393
Financial Contribution for the Use of Water Resources (CFURH)	9,583	31,242	-	(35,563)	-	5,262
	25,923	**49,882**	**342**	**(50,505)**	**(3,009)**	**22,633**

20. Provisions

20.1. Probable provision

	Consolidated	
	12/31/2021	**12/31/2020**
Environmental provision	52	47
Decommissioning provision	8,434	7,531
	8,486	**7,578**

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 BRL 30 as collective pain and suffering (Petition 1), and provisionally calculated the amount related to environmental recovery at BRL 30 (Petition 2). 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. The action is currently suspended, pending definition regarding the effectively occupied area (discussed in another parallel action).

Provisions for decommissioning

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.

(All amounts in thousands of reais unless otherwise stated)

The consolidated balance at December 31, 2021, amounting to BRL 8,434 (BRL 7,531 in 2020), 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.

20.2. Possible provision

	Consolidated	
	12/31/2021	12/31/2020
Labor	125	-
Civil	253	-
Tax	19,782	8,473
Environmental	51	-
	20,211	**8,473**

Action for Annulment (Fee) - 0801373-93.2021.8.15.0231

This relates to an action for annulment of tax debit with statement of absence of privity, with an injunction filed by Vale dos Ventos against the City of Mataraca to annul the collection of an inspection fee, as well as to petition for reimbursement of amounts paid regarding such fee in 2019. Presently, due to a deposit in guarantee made in the case, the requested amount is suspended pending judgment. This lawsuit is currently in the discovery phase. The liabilities involved for the Company are BRL 263.

Action for Annulment (Fee) - 0801373-93.2021.8.15.0231

This relates to an action for annulment of tax debit with statement of absence of privity, with an injunction filed by Millenium against the City of Mataraca to annul the collection of an inspection fee, as well as to petition for reimbursement of amounts paid regarding such fee in 2019. Presently, due to a deposit in guarantee made in the case, the requested amount is suspended pending judgment. This lawsuit is currently in the discovery phase. The liabilities involved for the Company are BRL 56.

Dispute of Entry - 14751.720226/2013-75

This relates to a Notice of Violation arising from the Term of Inspection 0430100.2013.00023, which established the non-deductibility of financial expenses arising from loans to calculate the IRPJ and CSLL taxes for the year 2009. In 2007, the company entered into a loan agreement with Pacific Hydro Brasil, parent company, to obtain a loan totaling BRL 50,213 to build a wind farm in the city of Mataraca/PB. As of 2008, the Company started shouldering monthly interest rates of 0.57% in favor of Pacific Hydro Brasil, paying withholding income tax over such installments. Part of the loan was capitalized and other installments were paid, with an outstanding balance of BRL 5,985 in January 2009, with the same monthly interest rate of 0.57%. In 2009, the Company entered into loan agreements with the company Vale dos Ventos, under the same shareholding control, only this time as a lender, charging monthly interest rates over the debit balance of 101% of the SELIC rate. Following a regular inspection process, the aforementioned Notice of Violation was filed, disallowing the deductibility of expenses totaling BRL 723, arising from the financial loan obtained from the parent company, plus a fine of 75%. In general terms, the Inspection's conclusion was that, since the Company granted financial loans to Vale dos Ventos, such financial expenses with the interest rate applied to the loan granted would not be required for its activity, ultimately entailing the non-deductibility of such amounts. The defense's arguments sought to prove that the Inspection's conclusion is incorrect, whereas: (i) in accordance with Art. 374 of the Income Tax Regulations (RIR), "interest paid or incurred by the taxpayer are deductible, as operating expense or cost"; (ii) the amount received as loan by the Objectant was used to build a wind farm, providing that such amounts were indeed required to carry out its corporate activities. The residual value was the object of a intercompany loan with a third company, charging interest rates of 101% of the SELIC rate (i.e. higher interest rates than those paid in the original loan, set at 0.57%). In accordance with the case law of the Management Council of Fiscal Resources, non-deductibility would only apply if the loan was contracted under lower rates than those in effect in the financing obtained; (iii) the disallowance of expenses would only apply if the Inspection were able to effectively prove that proceeds were transferred without applying any charge; and (iv) the burden of proof that such expenses were not required befalls the tax authorities, and mere assumptions provided in the notice assessment cannot reverse the burden of proof. A Dispute against the Notice of Violation was filed on July 11, 2013. On November 11, 2019, the first-instance administrative judgment upheld the deficiency notice in full. The company filed a Voluntary Appeal against such ruling on December 4, 2019. The Voluntary Appeal is currently pending judgment by the CARF. The firm hired by the company to take on the case believes there is a possible risk of losing, since there is a possibility of upholding the initial CARF ruling against the dispute, even if the company has precedents favorable to its thesis. If the entry is upheld at administrative level, a lawsuit must be filed. The liabilities involved for the Company are BRL 2.372.

Dispute of Entry - 10469.721753/2013-31

This relates to the Tax Assessment Notice for Rural Land Tax (ITR), regarding the fiscal year of 2009, pursuant to the property "Paraíso Azul", located in the Judicial District of Touros/RN, totaling BRL 866,988.36, based on the following grounds: (i) lack of proof of plantation of vegetable products, enabling the application of a progressive rate for improductive property; (ii) lack of proof of declared undeveloped rural property. The defense submitted originated procedure 10469.722873/2013-56 (Dispute of Tax Assessment Notice), and both proceedings are being judged in conjunction. In summary, the dispute claimed the following: (i) nullity of entry by submitting a notification for submission of documents in a former address, ultimately impacting the exercise of legal defense; (ii) use of the property for studies and surveys to implement a wind farm, duly authorized by the National Electric Energy Agency (ANEEL) and EDEMA, eliminating the applicability of a progressive rate over improductive land; (iii) regularity of the Valuation Report presented to justify the real value of undeveloped rural property; (iv) the land Pricing System used by the tax authorities to alter the value of undeveloped rural property violates the principle of full defense and due legal process, since it is not accessible to taxpayers. A petition was filed to annul the acts, with a new deadline to exercise the right to defense, alter the value of undeveloped rural property based on the previously informed value, and lift the application of interests and fine. On April 14, 2014, the Regional Precinct of the Internal Revenue Service issued a sentence deeming the dispute groundless, maintaining the tax liability imposed by the tax assessment notice, based on the following arguments: (i) regularity of citation of taxpayer, since it was delivered to the address informed by the taxpayer itself; (ii) timeliness of dispute and exercise of defense; (iii) lawful entry, in accordance with legal requirements; (iv) the activity developed at the property is not considered agricultural business, which allows it to be classified as improductive; (v) lack of dispute of the absence of areas with vegetable products; (vi) valuation report presented by the taxpayer does not meet ABNT standards; (vii) upheld interest and fine over the difference not paid upon maturity. On August 7, 2014, a voluntary appeal was filed reiterating the dispute thesis. The voluntary appeals is pending judgment by CARF since July 2016. The firm hired by the company to take on the case believes there is a possible risk of losing, since there is a possibility of upholding the initial CARF ruling against the dispute, even if the company has solid arguments in its favor. If the entry is upheld at administrative level, a lawsuit must be filed.

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, later, technical expertise was performed. The case is currently pending first-instance judgment. Both in 2020 and in 2021, the municipal tax authority of São Simão/GO made new IPTU entries, referring to the years 2020 and 2021, totaling BRL 2,698 for each year. Whereas the injunction ruling to suspend the enforcement of the tax debt encompassed past and future debts, UHE São Simão Energia S.A. annually presents complementary letters of guarantee, with the consequent suspension of installments each year.

Employment Claim - 1001360-25.2020.5.02.0016

The Company is a defendant in an employment claim filed by a former employee, demanding payment of hazard pay as compensation for the risks involved in work-related activities. Forensic examination was carried out and, at this time, the case is pending first-instance judgment. The amount in controversy is BRL 102.

(All amounts in thousands of reais unless otherwise stated)

Collection Action – 1097055-90.2021.8.26.0100

The Company hired Transpi during an emergency situation to transport a transformer to the São Simão Plant. However, the contractor was unable to fulfill the contract in time, hence the Company's refusal to pay the total amount agreed for the services. The contractor then filed a collection action requesting payment of BRL 239. In its defense, the Company filed a counterclaim for the losses sustained due to the delayed services, totaling BRL 326. This lawsuit is currently in the discovery phase.

21. Deferred Taxes

The composition of deferred taxes on assets and liabilities at December 31, 2021 is as follows:

	Consolidated			
	Non-Current Assets		Non-Current Liabilities	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Corporate Income Tax (IRPJ)	6,298	4,924	314,958	144,092
Social Contribution on Net Income (CSLL)	2,267	1,773	113,385	51,873
SOCIAL INTEGRATION PROGRAM (PIS)	-	-	412	-
SOCIAL CONTRIBUTION ON REVENUES (COFINS)	-	-	1,897	-
	8,565	**6,697**	**430,652**	**195,965**

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.

(All amounts in thousands of reais unless otherwise stated)

The changes in deferred taxes on profit at December 31, 2021 are as follows:

	Non-Current Assets		Non-Current Liabilities		Result		Equity	
Nature of Calculations	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**	**2021**	**2020**	**12/31/2021**	**12/31/2020**
Tax Losses	23,300	25,595	-	-	(2,295)	(2,018)	-	-
Income and social contribution tax losses	8,388	9,214	-	-	(826)	(726)	-	-
	31,688	**34,809**	**-**	**-**	**(3,121)**	**(2,744)**	**-**	**-**
Temporary Differences								
Temporary additions	(31,662)	(34,846)	29,583	34,014	7,615	5,843	-	-
Financial assets	-	-	456,925	233,923	(223,002)	(86,696)	-	-
Financial instruments – Swap	52,352	54,609	-	-	(2,257)	(2,340)	-	-
Financial instruments – Comprehensive income swap	-	-	59,642	1,236	-	-	58,406	24,257
Financial instruments – Debentures	53,258	14,071	-	-	39,187	11,954	-	-
Amortization Capex Improvements	20,736	11,262	-	-	9,474	8,433	-	-
Other	-	-	2,309	-	(2,309)	-	-	-
Total Temporary Differences	**94,684**	**45,096**	**548,459**	**269,173**	**(168,983)**	**(62,806)**	**58,406**	**24,257**
Gross total	**126,372**	**79,905**	**548,459**	**269,173**	**(172,104)**	**(65,550)**	**58,406**	**24,257**
Offset of Deferred Assets and Liabilities	(117,807)	(73,208)	(117,807)	(73,208)				
Total	**8,565**	**6,697**	**430,652**	**195,965**				

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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:

	12/31/2020	Contractual amendment	Financial Restatement	Payments	12/31/2021
Provision CAPEX improvements	1,108,911	98,910	-	(67,145)	1,140,676
(-) Present value adjustment	(287,668)	(41,638)	66,086	-	(263,220)
Total	**821,243**	**57,272**	**66,086**	**(67,145)**	**877,456**
Current	99,336				89,903
Non-current	721,907				787,553
Total	**821,243**				**877,456**

	Balance on 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

As of December 31, 2021, the Company's authorized share capital is BRL 2,392,246,622, represented by 2,392,246,036 common shares, fully subscribed and paid-up in national currency , with a par value of BRL 1.00 (one real) each.

a. Allocation of profits:

	Consolidated	
	12/31/2021	12/31/2020
Income to be allocated:		
Net income calculated for the year	211,593	225,676
Formation of legal reserve - 5%	(10,580)	(11,284)
	201,013	**214,392**
Allocation of profit:		
Dividends	50,253	53,598
Revenue reserve	150,760	160,794
	201,013	**240,207**

(All amounts in thousands of reais unless otherwise stated)

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.

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

		Dividends receivable			
		Parent company		Consolidated	
Stockholders	**% Stake**	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
UHE São Simão	51%	86,721	118,509	-	-
		86,721	**118,509**	**-**	**-**

		Dividends payable			
		Parent company		Consolidated	
Stockholders	**% Stake**	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
SPIC Green Energy Ltda	100%	320,481	165,826	320,481	165,826
ZHEJIANG Energy Brazil holding Limited	35%	-	-	59,514	81,330
ZLCFB - Hong Kong international investment	7%	-	-	11,903	16,266
CPD Energy investment Co. limited	7%	-	-	11,903	16,266
		320,481	**165,826**	**403,801**	**279,688**

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, 2021 and 2020, we have no differences between the basic and diluted earnings per share.

The following table shows basic and diluted earnings per share for the years ended December 31, 2021 and 2020:

	2021	2020
Net income for the year	211,593	225,676
Denominator (in thousands of shares)		
Number of shares	2,392,247	1,630,507
Basic and diluted earnings per share (in Brazilian reais - R$)	0.0884	0.1384

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

(All amounts in thousands of reais unless otherwise stated)

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.

	Parent company		Consolidated	
	2021	2020	2021	2020
Free market supply	-	-	476,720	510,260
Short-term power	-	-	31,781	16,769
RBO Revenue	-	-	1,291,098	898,041
O&M revenue	-	-	522,059	453,695
Other operating income (i)	-	13,000	3,273	13,272
Gross operating revenue	**-**	**13,000**	**2,324,931**	**1,892,037**
(-) Deductions from operating revenue				
Taxes on revenue				
State Value-Added Tax (ICMS)	-	-	(129)	(33)
Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	-	(884)	(214,956)	(174,681)
Service Tax (ISS)	-	(650)	-	(650)
	-	(1,534)	(215,085)	(175,364)
Consumer charges				
R&D	-	-	(13,554)	(13,154)
TFSEE	-	-	(4,897)	(3,811)
CFURH	-	-	(31,242)	(57,465)
	-	-	(49,693)	(74,430)
Total deductions from operating revenue	**-**	**(1,534)**	**(264,778)**	**(249,794)**
Net operating revenue	**-**	**11,466**	**2,060,153**	**1,642,243**

(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. Spending score

	Parent company					
	2021			2020		
	Operational	General and Administrative	Total	Operational	General and Administrative	Total
Personnel and Management	-	5,217	5,217	-	2,914	2,914
Material	-	60	60	-	444	444
Third-party services	-	16,697	16,697	-	19,508	19,508
Accrued	-	12	12	-	-	-
Amortization	-	378	378	-	-	-
Other	-	993	993	-	3,230	3,230
Total	**-**	**23,357**	**23,357**	**-**	**26,096**	**26,096**

Consolidated

(All amounts in thousands of reais unless otherwise stated)

	2021			2020		
	Operational	General and Administrative	Total	Operational	General and Administrative	Total
Electric power purchased for resale	12,673	-	12,673	15,447	-	15,447
Distribution system usage charges	209,003	-	209,003	189,800	-	189,800
Personnel and Management	31,711	52,260	83,971	25,832	39,536	65,368
Material	1,225	456	1,681	3,083	907	3,990
Third-party services	23,042	49,857	72,899	29,475	42,857	72,332
Accrued	11,416	854	12,270	15,020	832	15,852
Amortization	95,947	4,162	100,109	95,234	3,125	98,359
Civil, labor, and tax provisions	142	140	282	30	163	193
Leases and rentals	473	1,621	2,094	167	2,342	2,509
Losses on the shutdown of properties	10	-	10	-	-	-
Other	8,952	3,842	12,794	7,537	6,801	14,338
Cost recovery - Grant Extension	(22,655)	-	(22,655)	-	-	-
Total	**371,939**	**113,192**	**485,131**	**381,625**	**96,563**	**478,188**

27. Financial results

	Parent company		Consolidated	
	2021	2020	2021	2020
Financial income				
Interest and monetary variations				
Earnings from financial investments	15,991	6,279	45,750	23,510
Fine and interest on energy sold	(4)	-	701	1,704
Discounts obtained	-	-	222	221
Other interest and monetary variations	9,364	289	9,300	1,004
Other financial income	-	1	-	1
(-) Taxes on financial income	(967)	(304)	(2,967)	(1,697)
Total finance income	**24,384**	**6,265**	**53,006**	**24,743**
Financial expenses				
Debt charges				
Borrowings	(34,641)	(291)	(315,478)	(285,846)
Debentures	-	-	(56,312)	(37,069)
Present Value Adjustments (AVP)	-	-	(69,025)	(72,893)
R&D restatement	-	-	(342)	(221)
Decommissioning provision	-	-	(903)	(1,302)
Other financial expenses	(1,171)	(2)	(2,023)	(705)
Total financial expenses	**(35,812)**	**(293)**	**(444,083)**	**(398,036)**
Monetary/foreign exchange variation, net				
Monetary variations	89	-	(116,978)	(34,720)
Exchange variance	(6)	-	(7,329)	(33,456)
Total monetary/foreign exchange variation, net	**83**	**-**	**(124,307)**	**(68,176)**

(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2021	2020	2021	2020
Total financial result	**(11,345)**	**5,972**	**(515,384)**	**(441,469)**

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	
	2021	2020
Income tax (25%) and Social contribution (9%)	**367,692**	**254,487**
Corporate Income Tax (IRPJ) – Current	141,826	137,455
Social Contribution on Net Income (CSLL) – Current	53,762	51,482
Corporate Income Tax (IRPJ) – Deferred	126,548	48,199
Social Contribution on Net Income (CSLL) – Deferred	45,556	17,351
	367,692	**254,487**

Composition of the effective rate:

	Parent company		Consolidated	
	2021	2020	2021	2020
Loss before taxes	211,593	225,676	930,107	722,586
Rate	34%	34%	34%	34%
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)	(71,942)	(76,730)	(316,237)	(245,679)
Equity in the results of subsidiaries	83,740	79,673	84,475	85,618
Non-allocated deferred taxes (a)	(11,794)	(2,922)	(11,811)	(2,922)
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) on permanent additions and exclusions				
Permanent Additions	(4)	(1)	(76)	(31)
Donations	-	(20)	(1,470)	(1,399)
Bonus	-	-	(738)	(494)
Temporary additions	-	-	(7,337)	(5,031)
Financial assets	-	-	(21,945)	(8,837)
CPC 06	-	-	(610)	(552)
Swap	-	-	116,566	304,884
CAPEX improvements	-	-	(9,475)	(9,733)
Realization of revenue (ACR)	-	-	(379,228)	(364,057)
Exchange Variance Gains (Realized and not realized)	-	-	166,822	196,376
Passive Exchange Variance Gains (Realized and not realized)	-	-	(293,842)	(515,968)
RBO/O&M Revenue	-	-	616,473	459,590
Debt realization	-	-	92,252	93,262
Interest	-	-	(82,028)	(87,577)
Indexation accruals - debentures	-	-	(39,187)	(11,955)
Concession extension	-	-	7,703	-
Tax loss offset	-	-	3,767	3,225
Tax incentives				
Rouanet Law	-	-	3,803	2,800

(All amounts in thousands of reais unless otherwise stated)

	Parent company		Consolidated	
	2021	2020	2021	2020
Exploitation Profit	-	-	3,954	3,036
Technological Innovation – R&D	-	-	628	686
Worker's Meal Program (PAT)	-	-	375	342
Additional Allowance (10%)	-	-	24	24
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) from Previous years	-	-	(1)	1,001
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) expenses	**-**	**-**	**(195,588)**	**(188,937)**
	0.00%	0.00%	21.03%	26.15%

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.

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.

(All amounts in thousands of reais unless otherwise stated)

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					
	12/31/2021					12/31/2020
	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Total
Financial Liabilities						
Trade and other payables	489,273	-	-	-	489,273	150
Borrowings	781,022	151,359	-	-	932,381	-
Loans with related parties	-	-	129,205	-	129,205	122,140
Related parties	-	-	11,309	-	11,309	10,790
Total	**1,270,295**	**151,359**	**140,514**	**-**	**1,562,168**	**133,080**

	Consolidated					
	12/31/2021					12/31/2020
	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Total
Financial Liabilities						
Trade and other payables	540,641	219,050	-	-	759,691	38,948
Borrowings	786,502	552,632	3,096,648	1,727,939	6,163,721	5,476,147
Borrowings with related parties	-	-	129,205	-	129,205	122,140
Related parties	-	-	12,230	-	12,230	11,734
Leases and rentals	1,109	3,445	29,323	2,844	36,721	34,264
Provision - Capex improvements	53,763	36,141	598,320	189,232	877,456	821,243
Derivatives	-	116,209	-	-	116,209	61,055
Total	**1,382,015**	**927,477**	**3,865,726**	**1,920,015**	**8,095,233**	**6,565,531**

Rating of financial instruments

	Parent company				
	12/31/2021		12/31/2020		
	Fair Amount	Carrying Value	Carrying Amount	Fair Value	Category
Financial assets					
Cash and cash equivalents	510,699	510,699	335,733	335,733	Fair value through profit & loss (FVTPL)
Receivables from related parties	759,937	759,937	132,913	132,913	Fair value through profit & loss (FVTPL)
Other current assets	115	115	63	63	Amortized cost
Borrowings	932,381	932,381	-	-	Amortized cost
Judicial deposits and guarantees	113,225	113,225	-	-	Fair value through profit & loss (FVTPL)
Financial liabilities					
Trade and other payables	489,273	489,273	150	150	Amortized cost

	Consolidated			
	12/31/2021		12/31/2020	

(All amounts in thousands of reais unless otherwise stated)

	Fair Amount	Carrying Value	Carrying Amount	Fair Value	Category
Financial assets					
Cash and cash equivalents	1,249,090	1,249,090	1,032,364	1,032,364	Fair value through profit & loss (FVTPL)
Trade receivables	49,831	49,831	58,208	58,208	Amortized cost
Receivables from related parties	620,469	620,469	933	933	Fair value through profit & loss (FVTPL)
Financial assets	6,569,565	6,569,565	5,936,328	5,936,328	Fair value through profit & loss
Other current assets	17,538	17,538	10,334	10,334	Amortized cost
Derivative financial instruments	-	-	487,935	487,935	Fair value through profit & loss
Derivative financial instruments	1,243,414	1,243,414	781,385	781,385	Fair value through other comprehensive income
Judicial deposits and guarantees	123,975	123,975	10,303	10,303	Fair value through profit & loss (FVTPL)
Financial liabilities					
Borrowings	-	-	1,801,451	1,801,451	Fair value through profit & loss
Borrowings	4,024,073	4,024,073	2,671,410	2,671,410	Amortized cost
Debentures	2,139,647	2,139,647	1,003,286	1,003,286	Fair value through profit & loss
Borrowings with related parties	129,205	129,205	122,140	122,140	Amortized cost
Derivative financial instruments	116,209	116,209	61,055	61,055	Fair value through other comprehensive income
Leases and rentals	36,721	36,721	34,264	34,264	Amortized cost
Related parties	12,230	12,230	11,734	11,734	Amortized cost
Trade and other payables	759,691	759,691	38,948	38,948	Amortized cost

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 is exposed to foreign-exchange risk for holding loans in foreign currency, managed as per the parameters set out in the approved policy, by contracting swap derivatives to protect the currency exchange risk from the cash flow of loans in foreign currency.

Current swap transactions consist in swapping the exchange variance with a restatement at a prefixed rate.

The carrying amounts of monetary liabilities in foreign currency at December 31, 2021 amount to BRL 2,845,992 (BRL 4,207,476 at December 31, 2020).

Such agreements allow the Company to mitigate the risk of changes in the currency rate on the fair value of loans taken on cash flow exposures.

The fair value of currency swaps at the year-end closing is determined by discounting estimated future cash flows, using the year-end closing curves published by B3 S/A – Brasil, Bolsa, Balcão, and the credit risk inherent in this type of agreement.

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

Open interests	Loan charges	Fixed swap rate	Notional BRL	Fair value BRL

Av. Pres. Juscelino Kubitschek, 1909 - Torre Norte - 27° andar - Vila Nova Conceição - São Paulo/SP
ZIP CODE (CEP): 04543-907 - Brazil - Phone: +55 11 3149 4646 - www.spicbrasil.com.br

(All amounts in thousands of reais unless otherwise stated)

Five-year maturity – Cash flow	USD + 5.8588% p.a.	Between 11.47% p.a. and 11.49% p.a.	1,854,575	1,127,205

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.
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.

Consolidated

UHE São Simão

Derivative Cash Flow Hedge

Operation	Balance on 12/31/2021	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Financing (5Y)	1,894,206	11.48%	413,025	421,525	430,025	438,525	447,025

Debenture Infra (Installment I)

Operation	Balance at 12/31/2021	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Tranche 1	908,447	Broad Consumer Price Index (IPCA) + 3.54%	422,975	439,139	455,283	471,408	487,513

Debenture (Installment II)

Operation	Balance at 12/31/2021	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Tranche 2	202,271	Interbank Deposit Certificate (CDI) + 0.58%	57,807	59,333	60,857	62,379	63,899

Debenture Infra (Installment III)

Operation	Balance at 12/31/2021	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)

Financing	1,094,785	Interbank Deposit Certificate (CDI) + 1.85%	677,695	708,534	739,336	770,101	800,830

Synthetic Loan

Operation	Balance on 12/31/2021	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%	11,687	12,021	12,354	12,688	13,021

MILLENNIUM

Operation	Balance at 12/31/2021	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Financing – BNB	11,731	FNE	2,383	2,447	2,510	2,573	2,637
Rate subject to variation		9.50%					

VDV

Operation	Balance at 12/31/2021	Rate	Scenario I (-0.5)	Scenario II (-0.25)	Scenario III (probable)	Scenario IV (+0.25)	Scenario V (+0.5)
Financing – BNDES	29,587	Long-Term Interest Rate (TJLP)	1,810	1,867	1,920	1,978	2,033
Rate subject to variation		8.87%					

30. Insurance

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 (not audited).
At December 31, 2021, the Company maintains the following policies:
D&O for its Directors, Board Members and Officers, effective 11/08/2021 to 11/08/2022.
Civil liability, effective 09/05/2021 to 05/09/2022, with total coverage of R$ 50,000.
Operational Risks and Lost Profits, effective 12/30/2021 to 11/30/2022, encompassing a value at risk on the order of R$ 4,636,427 with a maximum indemnification limit of R$ 1,388,431 limited to R$ 569,075 for the Loss Profits policy.

(All amounts in thousands of reais unless otherwise stated)

31. Transactions not affecting cash

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash flows from investing activities				
Loans to third parties	486,481	-	486,481	-
Financing activities				
Capital increase with dividends	(259,000)	-	(259,000)	-

32. Events after the reporting period

On January 28, 2022, the Company received a capital contribution of BRL 776,833 from its shareholder Green Energy Limited. This capital contribution was used on the same date to pay the loan to Banco Sumitomo Mitsui in full, in the amount of BRL 783,600.

From January 2022 to March 2022, the accounts payable for GNA II Geração de Energia S.A. in the amount of R$ 486,481 described in note 15 was paid.

Composition of the Executive Board

Adriana Waltrick
General Director

Paulo Dutra
Chief Financial Officer (CFO)

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