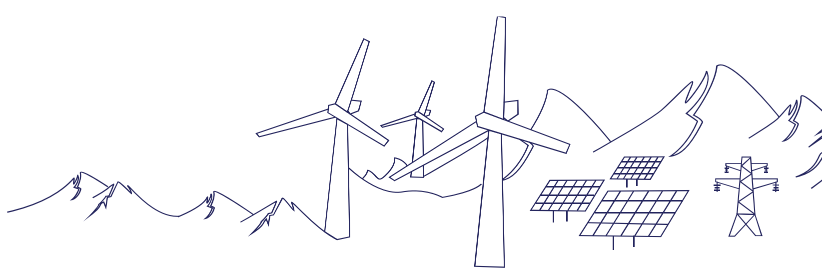
Financial Statements

UHE São Simão Energia S.A.

December 31, 2022
with Independent Auditor's Report



UHE São Simão Energia S.A.

Financial statements

December 31, 2022

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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

Independent auditor's report on financial statements

To the Board of Directors and Stockholders
UHE São Simão Energia S.A.

Opinion

We have audited the accompanying financial statements of UHE São Simão Energia S.A. (the "Company"), which comprise the balance sheet as at December 31, 2022 and the 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.

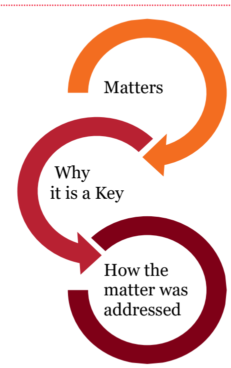
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UHE São Simão Energia S.A. as at December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted 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 financial statements section of our report. We are independent of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Why it is a Key Audit Matter (PAA)	How the matter was addressed in the audit
Concession-related financial asset (Notes 6)	
Part of the amount paid for the concession (concession right) has an unconditional right for the Company to receive cash from the sale of energy in the regulated contracting environment. This portion was classified as a financial asset. The other portion, which represents the amount paid for the Concession Bonus to acquire the right to sell part of the energy produced in the free contracting environment (ACL), is classified as an intangible asset. As at December 31, 2022, the balance of financial assets related to the concession recorded under current and non-current assets stood at R$ 6.961.341 thousand. The determination of financial assets for initial recognition and subsequent measurements requires the establishment of financial models, with the use of estimates and assumptions that require significant management judgments and can impact the financial statements. In light of the above, and considering the magnitude of the amounts involved, we consider this to be one a main focus of this audit.	Our audit procedures included, among others, an understanding of internal controls, the business model, and the established accounting and subsequent measurement policy. We tested the financial model and corresponding data and assumptions, as well as the developed calculations, in order to confirm the accuracy of the calculated amounts. We consider the assumptions and judgments adopted by management to be reasonable and the disclosures are consistent with the information obtained.

Other matters

Statement of Value Added

The Statement of Value Added for the year ended December 31, 2022, prepared under the responsibility of the Company's management and presented as supplementary information, was submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and if its form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, this Statement of Value Added has been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and is consistent with the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of these 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 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 Company's financial reporting process.

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

UHE São Simão Energia S.A.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 15, 2023

PricewaterhouseCoopers

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

Adriano Formosinho Correia
Contador CRC 1BA029904/O-5

UHE São Simão Energia S.A.

Balance sheet
December 31, 2022 and 2021
(All amounts in thousands of Brazilian reais – R$)

	Note	2022	2021
Assets			
Current			
Cash and cash equivalents	4	633.963	613.461
Concessionaires	5	41.466	35.221
Financial assets	6	807.169	733.328
Taxes recoverable	7	21.365	39.920
Inventory		11.152	11.675
Derivative financial instruments	13	817.056	-
Other current assets		20.502	13.913
Total current assets		**2.352.673**	**1.447.518**
Non-current			
Financial assets	6	6.154.172	5.836.237
Receivables from related parties	8	-	127
Derivative financial instruments	13	-	1.243.414
Right of use	9	18.898	21.304
Property, plant and equipment	10	15.672	13.969
Intangible assets	11	2.445.809	2.542.021
Total non-current assets		**8.634.551**	**9.657.072**
Total assets		**10.987.224**	**11.104.590**

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

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UHE São Simão Energia S.A.

Balance sheet
December 31, 2022 and 2021
(All amounts in thousands of Brazilian reais – R$)

	Note	2022	2021
Liabilities			
Current			
Suppliers	12	49.653	48.157
Borrowings and debentures	13	2.643.784	384.835
Leases	14	3.586	3.097
Social and labor obligations		26.071	23.022
Taxes payable	15	137.142	58.927
Dividends	20	144.189	170.041
Sector charges	16	31.220	22.633
Derivative financial instruments	13	11.342	116.209
Other current liabilities		1	1
Provision - Capex improvements	19	141.977	89.903
Total current liabilities		**3.188.965**	**916.825**
Non-current			
Suppliers	12	2.277	-
Borrowings and debentures	13	2.238.178	4.805.187
Leases	14	17.579	19.987
Provisions	17	252	52
Deferred Taxes	18	499.695	425.926
Related parties	8	29	311
Provision - Capex improvements	19	663.436	787.553
Total non-current liabilities		**3.421.446**	**6.039.016**
Equity	20		
Capital stock		2.912.000	2.912.000
Other Comprehensive Income (OCI)		50.958	115.777
Profit reserves		1.413.855	1.120.972
Total equity		**4.376.813**	**4.148.749**
Total liabilities and equity		**10.987.224**	**11.104.590**

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UHE São Simão Energia S.A.

Statement of income
Years ended December 31, 2022 and 2021
(All amounts in thousands of Brazilian reais – R$, except earnings per share)

	Note	2022	2021
Net operating revenue	22	1.868.038	1.991.526
Operational cost	23	(396.590)	(331.028)
Gross profit		**1.471.448**	**1.660.498**
Depreciation and amortization	23	(4.022)	(3.278)
Administrative and general expenses	23	(86.387)	(84.420)
Profit before finance result		**1.381.039**	**1.572.800**
Net financial result	24		
Financial income		71.601	25.563
Financial expenses		(536.826)	(517.524)
Foreign exchange variation, net		4	(15)
		(465.221)	**(491.976)**
Profit before taxation and social contribution		**915.818**	**1.080.824**
Current income tax and social contribution	25	(199.236)	(190.864)
Deferred income tax and social contribution	25	(109.469)	(173.998)
Net income for the year		**607.113**	**715.962**
Earnings per share	21		
Number of shares at year end		2.912.000.000	2.912.000.000
Net earnings per share (basic and diluted)		0,2085	0,2459

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UHE São Simão Energia S.A.

Statement of comprehensive income
Years ended December 31, 2022 and 2021
(All amounts in thousands of Brazilian reais – R$)

	2022	**2021**
Net income for the year	607.113	715.962
Other Comprehensive Income (OCI)		
Items that can be subsequently reclassified to the result		
Cash flow hedges:		
(Losses) Income for the year	(98.210)	171.787
Deferred income tax and social contribution	33.392	(58.407)
Total comprehensive income for the year	**542.295**	**829.342**

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

UHE São Simão Energia S.A.

Statement of changes in equity
Years ended December 31, 2022 and 2021
(All amounts in thousands of Brazilian reais – R$)

	Capital stock	Other Comprehensive Income (OCI)	Revenue reserve	Appropriated surplus	Total
Balances at December 31, 2020	**2.912.000**	**2.398**	**575.051**	**-**	**3.489.449**
Net income for the year	-	-	-	715.962	715.962.374
Other Comprehensive Income (OCI)					-
Cash flow hedge	-	171.785	-	-	171.786.108
Deferred income tax and social contribution	-	(58.406)	-	-	(58.407.277)
Appropriation of the results of operations for the year					-
Formation of legal reserve	-	-	35.798	(35.798)	-
Allocation of minimum mandatory dividends	-	-	-	(170.041)	(170.041.064)
Allocation of dividends 2020	-	-	-	-	-
Allocation to revenue reserve	-	-	510.123	(510.123)	-
Balances at December 31, 2021	**2.912.000**	**115.777**	**1.120.972**	**-**	**4.148.749**
Net income for the year	-	-	-	607.113	607.113
Other Comprehensive Income (OCI)					-
Cash flow hedge	-	(98.211)	-	-	(98.211)
Deferred income tax and social contribution	-	33.392	-	-	33.392
Appropriation of the results of operations for the year					-
Formation of legal reserve	-	-	30.356	(30.356)	-
Allocation of minimum mandatory dividends	-	-	-	(144.189)	(144.189)
Allocation of additional dividends 2021	-	-	(170.041)	-	(170.041)
Allocation to revenue reserve	-	-	432.568	(432.568)	-
Balances at December 31, 2022	**2.912.000**	**50.958**	**1.413.855**	**-**	**4.376.813**

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UHE São Simão Energia S.A.

Statements of cash flows
Years ended December 31, 2022 and 2021
(All amounts in thousands of Brazilian reais – R$)
The explanatory notes are an integral part of these financial statements

	Note	2022	2021
Cash flow from operating activities			
Profit before taxes		915.818	1.080.824
Adjustments to reconcile profit to cash from operating activities			
Deferred taxes		(2.309)	2.309
Financial assets	6	(1.512.285)	(1.645.440)
Depreciation and amortization	9,10,11	101.127	97.491
Financial charges and monetary variations on borrowings and debentures	13	464.508	448.380
Leases and rentals – present value adjustments (AVP)	14	1.955	1.902
CAPEX improvement – present value adjustments (AVP)	19	68.493	66.086
Provisions for environmental licenses – monetary restatement and present value adjustments (AVP)		235	5
Sector charges for R&D – provision and price-level restatement	16	4.962	3.601
Taxes and social security contributions – monetary restatement		(1.361)	(454)
Tax credits		-	(15.229)
Cost recovery - Grant Extension		-	(24.964)
		41.143	14.511
(Increase) dilution of operating assets			
Concessionaires		(6.245)	4.888
Financial assets		1.120.508	1.012.204
Recoverable taxes and social security contributions		19.916	45.536
Stocks		(1.079)	(1.519)
Other operating assets		(6.589)	(6.294)
		1.126.511	1.054.815
Increase (dilution) of operating liabilities			
Suppliers		3.772	12.063
Taxes and social security contributions		(19.129)	(150.653)
Accrued liabilities with personnel		3.050	9.069
Regulatory and sector charges		3.626	(6.889)
Provisions		(35)	-
Other operating liabilities		-	(120)
		(8.716)	(136.530)
Cash from operating activities		**1.158.938**	**932.796**
Income tax and social contribution paid		(101.892)	(178.253)
Net cash from operating activities		**1.057.046**	**754.543**
Cash flow from investing activities			
Purchases of property, plant and equipment and additions to intangible assets		(2.478)	(5.090)
CAPEX improvement additions		(140.537)	(67.145)
Related parties		909	869
Net cash used in investing activities		**(142.106)**	**(71.366)**
Cash flow from financing activities			
Dividends and interest on own capital paid		(340.082)	(232.371)
Fundraising for borrowings and debentures		-	1.016.872
Amortization of the principal on borrowings, derivatives and debentures		(200.000)	(1.101.871)
Payment of financial charges net of derivatives		(349.288)	(335.562)
Lease and rental payments		(5.068)	(4.341)
Net cash used in financing activities		**(894.438)**	**(657.273)**
Net increase (decrease) in cash and cash equivalents		**20.502**	**25.904**
Cash and cash equivalents at year end		633.963	613.461
Cash and cash equivalents at the beginning of the year		613.461	587.557
		20.502	**25.904**

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UHE São Simão Energia S.A.

Statement of Added Value
Years ended December 31, 2022 and 2021
(All amounts in thousands of Brazilian reais – R$)
The explanatory notes are an integral part of these financial statements.

	2022	2021 (Unaudited)
Generating added value	**2.132.901**	**2.249.309**
Operating Revenue	2.132.169	2.246.036
Other income	732	3.273
(-) Inputs purchased from third parties	**(340.282)**	**(290.918)**
Costs of purchased energy	(6.842)	8.899
Charges for the use of the electric grid	(258.009)	(230.093)
Materials	(3.950)	(3.491)
Third-party services	(55.559)	(51.324)
Other operational costs	(15.922)	(14.909)
Gross added value	**1.792.619**	**1.958.391**
Withholdings	**(98.590)**	**(97.491)**
Depreciation and amortization	(98.590)	(97.491)
Net added value produced	**1.694.029**	**1.860.900**
Value added transferred	**948.447**	**1.653.614**
Financial income	948.447	1.653.614
Total added value to distribute	**2.642.476**	**3.514.514**
Distribution of added value	**2.642.476**	**3.514.514**
Personnel	65.623	63.371
Direct compensation	51.869	50.955
Benefits	10.449	9.300
Government Severance Indemnity Fund for Employees (FGTS)	3.305	3.116
Taxes, charges and contributions	554.699	589.563
Federal	554.076	588.812
State	99	257
Municipal	524	494
Remuneration of third-party capital	1.415.042	2.145.618
Interest	1.410.173	2.144.090
Rentals	4.869	1.528
Return on equity	607.112	715.962
Dividends	144.189	170.041
Profit (-) loss to distribute	462.923	545.921

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

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1. Operations

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 direct parent company is SPIC Brasil Energia Participações S.A.

The Company's main activity is the generation of electric power from the São Simão Plant located on the Paranaíba River, on the border between the states of Goiás and Minas Gerais, Santa Vitória municipality in the state of Minas Gerais and São Simão municipality in the state of Goiás.

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.

2. Basis of preparation and presentation of financial statements

On 15th March, 2023, the Company's Executive Board authorized the completion of the financial statements for the year ended December 31, 2022.

2.1 Statements of Compliance

The 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).

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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.

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.

2.3 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-

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current.

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

2.4 Use of estimates and judgment

In the preparation of accounting information, in accordance with accounting practices adopted in Brazil and international accounting practices, Management 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 reviews the estimates and assumptions for the publication 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 5); Financial assets (Note 6); Recovery of deferred income tax and social contribution on tax losses, tax loss carryforwards and temporary differences (Note 18); Evaluation of the useful life of Property, Plant and Equipment, and Intangible Assets (Notes 10 and 11); Provisions for Capex improvements (Note 19); and Fair value measurement of financial instruments (Note 26).

2.5 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.

The Company’s negative net current assets at December 31, 2022 is R$ 836,292 (positive R$ 530,693 in 2019), mainly originating from the maturity in October 2023 of part of the debt in foreign currency with the borrower that is a related party Spic Luxembourg Latin America Renewable Energy Investment Company S.À.RL, in the approximate amount of R$ 1,800,000, net of derivatives contracted for mitigation of the risks of foreign exchange exposure.

The Company has some alternatives for refinancing through bank debt and local and international capital markets. Due to the high interest rates in both the local and international markets, the Company will analyze which will be the best refinancing alternative including a refinancing of the current debt.

In 4Q22, the Company 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.

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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. The adoption of accounting policies and concepts are outlined below in each of the related explanatory notes.

4. 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).

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

	12/31/2022	**12/31/2021**
Cash and Banks	185	33
Short-term financial investments	633.778	613.428
	633.963	**613.461**

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5. Concessionaires

	Current Amounts		
	Current falling due		
	Up to 60 days	Net balance at 12/31/2022	Net balance at 12/31/2021
Current			
Supply of electric power	38.950	38.950	31.760
Short-term power	2.516	2.516	3.461
Total Current Receivables	**41.466**	**41.466**	**35.221**

Accounts receivable originating from the supply of electric power in the free contracting environment (ACL). The Company does not anticipate any estimated losses on contracts in the ACL.

6. Financial assets

Accounting policy

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 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.

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.

At December 31, 2022, 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.

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Recognition and measurement

On November 10, 2017, the Company 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 Company opted for assisted operation during a period of 180 days from that date, therefore, the Company assumed the generation service on May 10, 2018, when it took over the operation of the São Simão Plant, date on which the 30-year period provided for in the concession agreement came into effect.

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

During the concession period, the Company 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 Concession 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
121	07.11.2022	07/01/2022 to 06/30/2023	11,89%	741.807	11,89%	220.442

Based on this understanding, the Company 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 Company'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 18.02% p.a., before taxes, calculated based on the future cash flow from the receipt of RBO and GAG.

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The Company 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. The Company’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).

Changes in financial assets were as follows:

	12/31/2021	Financial income	Monetary variations	(-) RAG Billing	12/31/2022
Financial assets – RBO	6.971.692	737.600	380.663	(764.095)	7.325.860
Financial assets – GAG	267.498	516.439	31.728	(470.625)	345.040
(-) Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	(669.625)	(115.999)	(38.146)	114.211	(709.559)
Total	**6.569.565**	**1.138.040**	**374.245**	**(1.120.509)**	**6.961.341**
Current	733.328				807.169
Non-current	5.836.237				6.154.172
Total	**6.569.565**				**6.961.341**

7. Taxes recoverable

	12/31/2022	12/31/2021
Taxes recoverable (Social Integration Program (PIS) and Social Contribution on Revenues (COFINS))	-	21.714
Taxes to be offset (IRPJ and CSLL)	838	736
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))	1.999	2.233
Taxes recoverable (others) (ii)	18.528	15.237
	21.365	**39.920**
Current assets	21.365	39.920
	21.365	**39.920**

(i) (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 2022.

8. Related parties

	Nature	2022	2021
Balance sheet			
Assets			
Pacific Hydro Energia do Brasil	Shared costs	-	127
Total assets		**-**	**127**
Liabilities			
SPIC - Brasil Participações	51% of Dividends	73.537	86.721
Pacific Hydro Energia do Brasil	Shared costs	-	282
Other	Shared costs	29	29
SPIC Luxembourg Latin America Renewable Energy Investment Company S.À.R.L (i)	Intercompany loan	2.622.712	2.845.992
Total liabilities		**2.696.278**	**2.933.024**

(i) Refers to debt in foreign currency and its characteristics are described in note 14.

During the year ended December 31, 2022, the remuneration of the executive officers totaled R$3,194 (R$2,689 in 2021).

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9. Right of use

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 main asset recognized is characterized as follows:

- Buildings, construction and improvements: mainly refer to the rental agreement for the Company's headquarters. This agreement is regarded as an operating lease according to the new methodology and detailed in the explanatory note regarding Leases (note 14).

a. Composition of the right-of-use assets

	Annual average depreciation rates %	12/31/2022 Historical cost	Accumulated depreciation	Net amount
Right of use				
Management				
Property rentals	12,63%	29.968	(11.070)	18.898
Total right of use		**29.968**	**(11.070)**	**18.898**

	Annual average depreciation rates %	12/31/2021 Historical cost	Accumulated depreciation	Net amount
Right of use				
Management				
Property rentals	12,63%	28.773	(7.469)	21.304
Total right of use		**28.773**	**(7.469)**	**21.304**

b. Changes in right-of-use assets

	Net proceeds at 12/31/2021	Contractual amendment	Depreciation	Net proceeds at 12/31/2022
Right-of-use assets				
Property rentals	21.304	1.195	(3.601)	18.898
Total right-of-use assets	**21.304**	**1.195**	**(3.601)**	**18.898**

	Net proceeds at 12/31/2020	Contractual amendment	Depreciation	Net proceeds at 12/31/2021
Right-of-use assets				
Property rentals	20.767	3.539	(3.002)	21.304
Total right-of-use assets	**20.767**	**3.539**	**(3.002)**	**21.304**

10. Property, plant and equipment

Work in progress, furniture and fixtures, plant and equipment are stated at purchase cost plus any non-recoverable taxes on purchases any directly attributable costs to bring the asset into proper working order, net of accumulated depreciation and accumulated impairment losses, if any. This cost includes the replacement cost for fixed assets and funding costs related to construction projects in the event that the recognition criteria are met. When significant portions of property, plant and equipment need to be replaced at intervals, the Company depreciates them separately according to their specific useful lives.

The costs with periodic and routine maintenance of the items are recognized directly in the result for the year when incurred.

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. Upon maturity of the Agreement, all assets and facilities associated to the Hydroelectric Plant shall be integrated to Federal assets. Management recognizes the National Electric Energy Agency (ANEEL) rates appropriate for corporate purposes and the assets reversible to the Federal Government do not comprise the Company's property, plant and equipment base.

The assets reversible to the Federal Government are recognized with Capex improvement and presented in the explanatory note regarding Intangible Assets (note 11).

A property, plant and equipment item is written off when sold or when no future economic benefit is expected to arise from its use or sale. Any gain or loss arising from derecognition of an asset (calculated as the difference between the net selling price and the carrying amount of the asset) is recognized in the statement of income for the year when the asset is derecognized.

Impairment of non-financial assets:

Management annually reviews the net carrying amount of assets 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.

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, 2022, the Company's Management did not identify any indication of non-realization of its assets.

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a. Composition of property, plant and equipment

		12/31/2022				12/31/2021		
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%	394	(58)	336	3,42%	382	(44)	338
Machinery and equipment	10,05%	5.800	(1.251)	4.549	10,05%	5.216	(825)	4.391
Vehicles	14,29%	917	(226)	691	14,29%	917	(95)	822
Furniture and fittings	6,25%	1.360	(171)	1.189	6,25%	908	(94)	814
		8.471	**(1.706)**	**6.765**		**7.423**	**(1.058)**	**6.365**
Management								
Buildings, construction and improvements	3,55%	3.292	(502)	2.790	3,55%	3.292	(390)	2.902
Machinery and equipment	13,05%	3.695	(1.805)	1.890	13,05%	3.282	(1.314)	1.968
Furniture and fittings	6,25%	379	(66)	313	6,25%	379	(42)	337
		7.366	**(2.373)**	**4.993**		**6.953**	**(1.746)**	**5.207**
Total property, plant and equipment in operation		**15.837**	**(4.079)**	**11.758**		**14.376**	**(2.804)**	**11.572**
Property, plant and equipment in progress								
Generation		3.704	-	3.704		4.148	-	4.148
Management		210	-	210		(1.751)	-	(1.751)
Total property, plant and equipment in progress		**3.914**	**-**	**3.914**		**2.397**	**-**	**2.397**
Total property, plant and equipment		**19.751**	**(4.079)**	**15.672**		**16.773**	**(2.804)**	**13.969**

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b. Changes in property, plant and equipment

Tangible assets	**Net proceeds at 12/31/2021**	**Income**	**Transfer to property, plant and equipment in operation**	**Depreciation**	**Others – Transfer to repair**	**Net proceeds at 12/31/2022**
Property, plant and equipment in operation						
Buildings, construction and improvements	3.240	11	-	(125)	-	3.126
Machinery and equipment	6.359	609	389	(918)	-	6.439
Vehicles	822	-	-	(131)	-	691
Furniture and fittings	1.151	23	427	(100)	-	1.501
Total property, plant and equipment in operation	**11.572**	**643**	**816**	**(1.274)**	**-**	**11.757**
Property, plant and equipment in progress						
Buildings, construction and improvements	-	359	-	-	-	359
Machinery and equipment	2.281	229	(570)	-	1.602	3.542
Vehicles	-	-	-	-	-	-
Furniture and fittings	116	144	(246)	-	-	14
Total property, plant and equipment in progress	**2.397**	**732**	**(816)**	**-**	**1.602**	**3.915**
Total property, plant and equipment	**13.969**	**1.375**	**-**	**(1.274)**	**1.602**	**15.672**

Tangible assets	**Net proceeds at 12/31/2020**	**Income**	**Transfer to property, plant and equipment in operation**	**Depreciation**	**Others – Transfer to repair**	**Net proceeds at 12/31/2021**
Property, plant and equipment in operation						
Buildings, construction and improvements	3.365	-	-	(125)	-	3.240
Machinery and equipment	5.640	1.232	264	(777)	-	6.359
Vehicles	241	-	657	(76)	-	822
Furniture and fittings	799	221	195	(64)	-	1.151
Total property, plant and equipment in operation	**10.045**	**1.453**	**1.116**	**(1.042)**	**-**	**11.572**
Property, plant and equipment in progress						
Machinery and equipment	2.178	2.470	(179)	-	(2.188)	2.281
Vehicles	598	58	(656)	-	-	-
Furniture and fittings	294	103	(281)	-	-	116
Total property, plant and equipment in progress	**3.070**	**2.631**	**(1.116)**	**-**	**(2.188)**	**2.397**
Total property, plant and equipment	**13.115**	**4.084**	**-**	**(1.042)**	**(2.188)**	**13.969**

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11. Intangible assets

Recognition and measurement

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.

The asset classified as CAPEX improvement represents the amount that will be paid for property, plant and equipment that will be upgraged according to the concession agreement, brought to present value.

Improvement CAPEX was initially recognized at the fair value of the liability obligation that will be disbursed over the next years until 2029.

Other intangible assets, such as software, are measured at total acquisition and/or construction cost less amortization expenses and accumulated losses due to impairment, when applicable. 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.

Development expenditures

Expenditures for project developments are recognized as intangible assets from the development phase on, provided they meet the requirements defined in CPC 04 (R1) and are stated at purchase and formation cost, less amortization. Research expenditures are recorded as expenses when incurred, and development expenditures are capitalized, in the event of technological and economical feasibility, and amortized over the period of expected benefit within operating expenses. Development costs for a specific project are recognized as intangible assets whenever it is possible to show: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the asset and the ability to use or sell it; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the asset; and (v) the ability to reliably measure the expenditures incurred during its 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 brand spending, are recognized in the result as incurred.

Amortization

Amortization of the Dividends in the form of Grant 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 on a straight-line basis, as from the date of provision of the improvement CAPEX described in note 19 and will be amortized until the end of the concession. The estimated residual useful life is 26 years.

For the other items of intangible assets, amortization is recognized in the result based on the straight-line method with respect to the estimated useful lives of intangible assets or their commercial contracts, other than goodwill, 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.

Impairment of non-financial assets

Management annually reviews the net carrying amount of assets 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, 2022, 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.

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a. Composition of intangible assets

	Average annual amortization rates %	2022 Historical cost	2022 Accumulated amortization	2022 Net amount	2021 Historical cost	2021 Accumulated amortization	2021 Net amount
Intangible assets in operation							
Software	20,00%	5.696	(3.129)	2.567	3.860	(2.070)	1.790
Concession rights – Others	3,34%	1.956.384	(300.482)	1.655.902	1.956.384	(235.132)	1.721.252
CAPEX improvements	3,51%	874.638	(89.063)	785.575	874.638	(58.155)	816.483
Intangible assets in progress							
Software		1.765	-	1.765	2.496	-	2.496
Total intangible assets		**2.838.483**	**(392.674)**	**2.445.809**	**2.837.378**	**(295.357)**	**2.542.021**

b. Changes in Intangible assets

	Net proceeds at 12/31/2021	Additions	Amortization	Transfer AIC to AIS	Net proceeds at 12/31/2022
Intangible assets in operation					
Software (i)	1.790	-	(1.059)	1.836	2.567
Concession rights – Others (ii)	1.721.252	-	(65.349)	-	1.655.903
CAPEX improvements (iii)	816.483	-	(30.908)	-	785.575
Intangible assets in progress		-	-	-	
Software (i)	2.496	1.104	-	(1.836)	1.764
	2.542.021	**1.104**	**(97.316)**	**-**	**2.445.809**

	Net proceeds at 12/31/2020	Additions	Amortization	Transfer AIC to AIS	Net proceeds at 12/31/2021
Intangible assets in operation					
Software (i)	2.492	-	(777)	75	1.790
Concession Rights – Others (i)	1.760.944	24.964	(64.656)	-	1.721.252
CAPEX improvements (ii)	788.137	57.272	(28.926)	-	816.483
Intangible assets in progress					
Software (i)	1.565	1.006	-	(75)	2.496
	2.553.138	**83.242**	**(94.359)**	**-**	**2.542.021**

(i) 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.

(ii) Refers to the initial recognition of the provisions for CAPEX improvement handled as intangible assets as shown in explanatory note no.19.

Amortization is recorded based on the estimated useful life of each asset, limited to the concession's final term. The amortization rates used 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. Management recognizes ANEEL's rates appropriate for corporate purposes.

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12. Suppliers

The composition of the supplier account is as follows:

	Current		Non-current	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Transmission system use charges	23.799	21.294	-	-
Materials and services	25.854	26.863	-	-
Contractual retention (i)	-	-	2.277	-
	49.653	**48.157**	**2.277**	**-**

(i) Refers to the contractual retention of 3% of the CAPEX Improvement – Modernization contracts with the suppliers GE Energias Renováveis and Powerchina Brasil Construtora Ltda. These amounts will be paid after fulfillment of the contractual guarantees.

13. Borrowings, loans and derivatives

Loans are initially recognized at fair value, net of the costs incurred in the transaction and are subsequently shown at the amortized cost. Any difference between proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the loans using the effective interest rate method.

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The composition of borrowings, loans and debentures:

	12/31/2022				12/31/2021			
	Charges	Principal		Total	Charges	Principal		Total
	Current	Current	No Current		Current	Current	No Current	
Local currency								
BNP Paribas (i)	-	-	-	-	4.447	199.935		204.382
Total	**-**	**-**	**-**	**-**	**4.447**	**199.935**		**204.382**
Foreign currency								
Spic Luxembourg Latin America Renewable Energy Investment Company S.À.R.L (ii)	28.289	2.594.423		2.622.712	161.590		2.684.402	2.845.992
Total	**28.289**	**2.594.423**		**2.622.712**	**161.590**		**2.684.402**	**2.845.992**
Debentures								
Pentagono Trustee - 1st Issuance Installment 1 (iii)	4.228	-	943.017	947.245	4.129		890.231	894.360
Pentagono Trustee - 2nd Issuance Installment 2 (iii)	3.425	-	199.415	202.840	2.271		199.096	201.367
Pentagono Trustee - 2nd Issuance (iv)	13.420	-	1.095.746	1.109.166	12.462		1.031.458	1.043.920
Total	**21.073**		**2.238.178**	**2.259.251**	**18.862**		**2.120.785**	**2.139.647**
Derivatives								
Bank of America Merrill Lynch (v)	3.382			3.382	35.161			35.161
Banco Bradesco S.A. (v)	1.137			1.137	11.710			11.710
JPMorgan Chase Bank (v)	6.822			6.822	69.339			69.339
Total	**11.341**			**11.341**	**116.210**			**116.210**
Total debts	**60.703**	**2.594.423**	**2.238.178**	**4.893.304**	**301.109**	**199.935**	**4.805.187**	**5.306.231**

(i) Loan contracted on November 18, 2019 in the amount of R$200,000 with BNP Paribas at a flat rate of 5.0405% per annum. The contract was settled on August 18, 2022.

(ii) Loan contracting in foreign currency on November 1, 2018 from SPIC Luxembourg Latin America Renewable Energy Investment Company S.À.R.L, totaling US$ 497,235, equivalent to R$ 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.

(iii) 1st issuance of debentures under the incentive of Law 12.413/11 via ICVM 476 on November 13, 2019 with 'BrAAA' rating by Standard & Poor's, the 1st series totaling R$ 775,000 at the cost of IPCA + 3.54% per annum, maturing on November 15, 2029, and the 2nd series totaling R$ 200,000 at the cost of CDI + 0.58% per annum, maturing on November 15, 2024.

(iv) 2nd Issuance of debentures under the incentive of Law 12.413/11 via ICVM 476 on October 15, 2021 with 'BrAAA' rating by Standard & Poor's,-totaling R$ 1,055,000 at the cost of IPCA + 5.8198% per annum, maturing on October 15, 2036.

(v) Contracting swap operations as mentioned in item (ii).

Changes in borrowing and debentures are as follows:

(All amounts in thousands of reais unless otherwise stated)

	Net proceeds at 12/31/2021	Payments	Provisioned interest	Transfer	Adjustments to market value	Amortization of transaction cost	Monetary and foreign exchange variations	Net proceeds at 12/31/2022
Current								
Borrowings								
Principal	200.000	(200.000)	-	2.620.279	-	-	(25.856)	2.594.423
Interest	166.038	(156.660)	149.804	-	(130.893)	-	-	28.289
Transaction costs	(65)	-	-	-	-	65	-	-
Swap	116.209	(71.341)	73.749	-	(107.276)	-	-	11.341
Debentures	-	-	-	-	-	-	-	-
Interest	18.862	(121.287)	123.498	-	-	-	-	21.073
Transaction costs	-	-	-	(6.234)	-	6.234	-	-
	501.044	**(549.288)**	**347.051**	**2.614.045**	**(238.169)**	**6.299**	**(25.856)**	**2.655.126**
Non-current								
Borrowings								
Principal	2.684.402	-	-	(2.620.279)	130.893	-	(195.016)	-
Debentures	-	-	-	-	-	-	-	-
Principal	2.186.641	-	-	-	-	-	111.159	2.297.800
Transaction costs	(65.856)	-	-	6.234	-	-	-	(59.622)
	4.805.187	**-**	**-**	**(2.614.045)**	**130.893**	**-**	**(83.857)**	**2.238.178**

	Net proceeds 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	1.581.855	-	(1.683.702)	-	200.000	(31.869)	-	133.716	200.000
Interest	166.211	-	(265.469)	253.284	-	12.012	-	-	166.038
Transaction costs	-	-	-	-	(162)	-	97	-	(65)
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	-	-
	1.813.509	**-**	**(2.030.275)**	**329.600**	**196.410**	**54.559**	**3.525**	**133.716**	**501.044**
Non-current									
Borrowings									
Principal	2.663.858	-	-	-	(200.000)	(12.012)	-	232.556	2.684.402
Transaction costs	(162)	-	-	-	162	-	-	-	-
Debentures									
Principal	1.016.386	1.055.000	-	-	-	-	-	115.255	2.186.641
Transaction costs	(17.488)	(51.796)	-	-	3.428	-	-	-	(65.856)
	3.662.594	**1.003.204**	**-**	**-**	**(196.410)**	**(12.012)**	**-**	**347.811**	**4.805.187**

(All amounts in thousands of reais unless otherwise stated)

The following are the contractual conditions for the derivatives at December 31, 2022, which amount to R$ 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.	165.577	(2.245)	163.332
Banco JP Morgan S.A.	10/30/2018	10/24/2023	1.109.875	297.235	Semi-annual	11.49% p.a.	487.149	(6.823)	480.326
Banco Bradesco S.A.	10/30/2018	10/24/2023	186.500	50.000	Semi-annual	11,47% p.a.	82.165	(1.137)	81.028
Bank of America Merrill Lynch	10/30/2018	10/24/2023	186.500	50.000	Semi-annual	11,47% p.a.	82.165	(1.137)	81.028
			1.854.575				**817.056**	**(11.342)**	**805.714**

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The maturity timeframe for borrowings and debentures is shown below:

Maturity	Foreign	Derivatives	Debentures	Total
Current				
2023	2.622.712	11.341	21.073	2.655.126
	2.622.712	**11.341**	**21.073**	**2.655.126**
Non-current				
2024	-	-	199.415	199.415
2025	-	-	-	-
2026	-	-	230.107	230.107
2027	-	-	237.069	237.069
2028 to 2032	-	-	475.842	475.842
2033 to 2037	-	-	1.095.745	1.095.745
	-	**-**	**2.238.178**	**2.238.178**
Total	**2.622.712**	**11.341**	**2.259.251**	**4.893.304**

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

13.1 Covenants

Only the 1st and 2nd debentures issuance are subject to the financial covenants, as shown in the following table:

Year	Net Debt / EBITDA
2019 to 2021	4,50
2022	4,00
2023	3,75
As of 2024 until the Maturity Date	3,50

Considers:

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

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

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

The Net Debt/EBITDA ratio as of December 31, 2022 stood at 3.26, below the limit established in the indentures of the Company's 1st and 2nd issue of debentures of 4.00x for the year 2022.

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14. Leases

The Company assesses at the inception date of each agreement whether it has lease characteristics (Based on CPC 06) and applies a single approach to recognition and measurement, except for short-term leases and for assets with an individual value of less than US$ 5,000/year. Right to use leases: The rights to use leases initially comprise the lease liabilities plus advance payments. These assets are depreciated based on the duration of the lease contracts. Leases payable: Leases payable are initially measured at the present value of the future payment flows, discounted at the incremental financing rate, since the interest rate implicit in the lease is not readily determinable. The future payment stream comprises fixed payments discounted by index or rate. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method, and remeasured (with a corresponding adjustment to the related right-of-use) when there is a modification, change in the lease term, change in future payments due to, for example, monetary updates, or change in the valuation of a call option on the underlying asset. Variable lease payments that are not dependent on an index or rate are recognized as expenses in the period in which they occur. Additionally, the Company applies the recognition exemption for short-term leases, i.e., leases of assets whose lease term is 12 months or less from the inception date, and for assets of low individual value, which are recognized as an expense over the lease term.

As a result of adopting CPC 06 (R2) as of January 1, 2019, the Company recorded the amounts payable from the rental agreement according to explanatory note 9 and shown below:

	12/31/2021	**Contractual amendment**	**Financial restatement**	**Payments**	**12/31/2022**
Property rentals	29.834	1.486	-	(5.068)	26.252
(-) Present value adjustment	(6.750)	(292)	1.955	-	(5.088)
Total	**23.084**	**1.194**	**1.955**	**(5.068)**	**21.165**
Current	3.097				3.586
Non-current	19.987				17.579
Total	**23.084**				**21.165**

	12/31/2020	**Contractual amendment**	**Financial restatement**	**Payments**	**12/31/2021**
Property rentals	29.584	4.590	-	(4.340)	29.834
(-) Present value adjustment	(7.601)	(1.051)	1.902	-	(6.750)
Total	**21.983**	**3.539**	**1.902**	**(4.340)**	**23.084**
Current	2.402				3.097
Non-current	19.581				19.987
Total	**21.983**				**23.084**

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15. Taxes payable

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.

The composition of taxes payable in the years ended December 31, 2022 and 2021 is shown below:

	12/31/2022	12/31/2021
Social Integration Program (PIS) payable	572	1.869
COFINS payable	2.634	8.575
Current Corporate Income Tax (IRPJ) payable	100.417	13.614
Current Social Contribution on Net Income (CSLL) payable	30.474	34.053
Other taxes	3.044	816
	137.142	**58.927**

16. Sector charges

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

	Balance on 12/31/2021	Additions	Monetary restatement	Payments	Balance on 12/31/2020
Research and Development (R&D)	15.551	4.132	830	-	20.513
Research and Development (R&D) - CDE	277	1.770	-	(1.741)	306
National Energy Development Fund (FNDCT)	922	5.903	-	(5.804)	1.021
Ministry of Mines and Energy (MME)	227	2.952	-	(2.924)	255
Electric sector Inspection Fee (TFSEE)	393	4.989	-	(4.944)	438
Financial Contribution for the Use of Water Resources (CFURH)	5.263	47.750	-	(44.326)	8.687
	22.633	**67.496**	**830**	**(59.739)**	**31.220**
Current	22.633				31.220
Total	**22.633**				**31.220**

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17. 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 are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the obligation due to the passing of time is recognized as a financial expense.

17.1 Provisions for contingencies

17.1.1 Probable risk

	12/31/2022	12/31/2021
Labor	197	-
Environmental	55	52
	252	**52**

Employment Claim - 1001360-25.2020.5.02.0016 and 0010427-86.2022.5.03.

The Company is the defendant in two labor claims filed by former employees.

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. According to the law firm hired by the Company to represent them in the case, an adverse outcome for the petitioners to the petition regarding the request for collective collective pain and suffering (Petition 1) is possible, as the Company did not cause the damage. As for the petition regarding environmental recovery of the area (Petition 2), that an adverse outcome for the petitioners is likely. At this moment, the lawsuit is suspended, awaiting the definition of the area effectively occupied.

(All amounts in thousands of reais unless otherwise stated)

17.1.2 Possible risk

	Possible	
	12/31/2022	12/31/2021
Labor	-	125
Civil	309	253
Tax	22.792	15.602
Environmental	55	51
	23.156	**16.031**

Action for Annulment (Municipal real Estate Tax - IPTU) - 5588271-16.2019.8.09.0173

The Company received a notification in 2012 from the Municipality of São Simão regarding the collection of the, in the total amount of R$ 5,775. 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.
On March 24, 2022, a sentence was handed down finding the action fully justified in declaring the lack of a legal tax relationship from 2018 onwards. The Municipality filed an Appeal, and UHESS filed a Counterclaim on November 18, 2022. Currently, the forwarding of the case files to the TJ/GO for judgement is awaited. The amount involved (updated) stands at R$ 22,792.

18. Deferred Taxes

The composition of deferred tax liabilities at December 31, 2022 refers to temporary differences and is shown below:

	12/31/2022	12/31/2021
Corporate Income Tax (IRPJ)	367.423	311.483
Social Contribution on Net Income (CSLL)	132.272	112.134
Social Integration Program (PIS)	-	412
Social Contribution on Revenues (COFINS)	-	1.897
	499.695	**425.926**

(All amounts in thousands of reais unless otherwise stated)

The composition of deferred taxes on profit at December 31, 2022 is as follows:

	Non-current asset		Non-Current Liability		Result		Equity	
Nature of Calculations	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**	**2022**	**2021**	**12/31/2022**	**12/31/2021**
Temporary Differences:								
Temporary additions	6.036	5.391	-	-	646	2.600	-	-
Financial assets (i)	-	-	590.914	456.925	(133.989)	(223.002)	-	-
Financial instruments – Swap	13.632	13.565	-	-	67	(2.257)	-	-
Financial instruments – Comprehensive income swap	-	-	26.250	59.642	-	-	(33.392)	58.406
Debentures	91.052	53.258	-	-	37.794	39.187	-	-
Amortization Capex Improvements	6.749	20.736	-	-	(13.987)	9.474	-	-
Other			-	2.309	-	-		
Total Temporary Differences	**117.469**	**92.950**	**617.164**	**518.876**	**(109.469)**	**(173.998)**	**(33.392)**	**58.406**
Gross total	**117.469**	**92.950**	**617.164**	**518.876**	**(109.469)**	**(173.998)**	**(33.392)**	**58.406**
Offset of Deferred Assets and Liabilities	(117.469)	(43.947)	(117.469)	(43.947)				
Total	**-**	**-**	**499.695**	**425.926**				

(i) The base value of the financial assets is presented net of deferred Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) and shown in explanatory note 6.

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19. 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.

Once the modernization project was approved, 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.

On December 20, 2021, the Company signed agreement No. 22842 pursuant to the plan to modernize the generation units of the São Simão UHE. The companies responsible for modernizing the generation units are GE Energias Renováveis and Powerchina Brasil Construtora Ltda. The project covers total investments of BRL 795,902 and is expected to be completed by 2029. The guarantees provided for in the agreement are: “PCG (Parent Company Guarantee)”, “Performance Securities” (guarantee of 10%, related to each section and valid until effective operation), and “Warranty Securities” (guarantee of 5%, related to each section and valid from effective operation until the end of the technical guarantee term).

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. 11 and shown below:

	12/31/2021	Financial restatement	Payments	12/31/2022
Provision CAPEX improvements	1.140.676	-	(140.536)	1.000.140
(-) Present value adjustment	(263.220)	68.493	-	(194.727)
Total	**877.456**	**68.493**	**(140.536)**	**805.413**
Current	89.903			141.977
Non-current	787.553			663.436
Total	**877.456**			**805.413**

	12/31/2020	Additions	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**

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20. Equity

a. Capital stock

On December 31, 2022, the Company's authorized capital stock amounts to R$ 2,912,000, represented by 2,912,000 ordinary shares, fully subscribed and paid in national currency, at a nominal value of R$ 1.00 (one Brazilian Real) each.

b. Reserves

	12/31/2022	12/31/2021
Income to be allocated:		
Net income calculated for the year	607.113	715.962
Adjusted net income	607.113	715.962
Formation of legal reserve - 5%	(30.356)	(35.798)
	576.757	**680.164**
Appropriation of net income:		
Dividends	144.189	170.041
Profit reserve	432.568	510.123
	576.757	**680.164**

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 balance by shareholder is composed as follows:

Stakeholders	**% share**	**12/31/2022**	**12/31/2021**
SPIC Brasil Participações S.A.	51%	73.537	86.721
ZHEJIANG Energy Brazil holding Limited	35%	50.466	59.514
ZLCFB - Hong Kong international investment	7%	10.093	11.903
CPD Energy investment Co. limited	7%	10.093	11.903
		144.189	**170.041**

c. 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.

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21. 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, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Net income for the year	607.113	715.962
Denominator (in thousands of shares)		
Number of shares	2.912.000	2.912.000
Basic and diluted earnings per share (in Brazilian reais - R$)	0,2085	0,2459

22. 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 energy revenue is recognized in the result according to the rules of the energy market and 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.

The main recognition and measurement criteria are presented below:

a) Free market supply 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 electric energy: 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).

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c) Revenue from updating of financial assets: The revenue is recognized at the fair value of the flow of receipt of the grant bonus and 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 receipt flow to supply the expenses with the operation and maintenance guaranteed by the receipt of the RAG and updated monthly by the IPCA.

	2022	2021
Free market supply	450.207	401.098
Short-term electric energy	15.533	31.781
RBO revenue	1.118.263	1.291.098
O&M revenue	548.167	522.059
Other operating revenues	732	3.273
Gross operating revenue	**2.132.902**	**2.249.309**
(-) Deductions from operating revenue		
ICMS	(89)	(129)
PIS/COFINS	(197.279)	(207.961)
	(197.368)	**(208.090)**
Sector charges		
R&D	(14.757)	(13.554)
TFSEE	(4.989)	(4.897)
CFURH	(47.750)	(31.242)
	(67.496)	**(49.693)**
Total deductions from operating revenue	**(264.864)**	**(257.783)**
Net operating revenue	**1.868.038**	**1.991.526**

23. Spending

	2022			2021		
	Operational	General and Administrative	Total	Operational	General and Administrative	Total
Electric power purchased for resale	6.209	-	6.209	12.673	-	12.673
Distribution system usage charges	234.345	-	234.345	204.460	-	204.460
Personnel and Management	31.057	45.593	76.650	26.482	46.706	73.188
Material	3.286	598	3.884	1.035	336	1.371
Third-party services	21.219	32.166	53.385	12.889	30.084	42.973
Depreciation	(409)	3.164	2.755	(3.208)	569	(2.639)
Amortization	96.458	858	97.316	93.741	2.709	96.450
Civil, labor, and tax provisions	35	128	163	-	-	-
Leases and rentals (i)	689	1.628	2.317	473	1.022	1.495
Other	6.010	6.274	12.284	5.138	6.272	11.410
Cost recovery - Grant Extension	(2.309)	-	(2.309)	(22.655)	-	(22.655)
Total	**396.590**	**90.409**	**486.999**	**331.028**	**87.698**	**418.726**

i) Refer to expenses with machinery and equipment rentals for general maintenance services and rentals with low value and out of the scope of CPC 06 – Leases.

(All amounts in thousands of reais unless otherwise stated)

24. Financial result

	2022	2021
Financial income		
Interest and monetary variations		
Earnings from financial investments	73.385	25.499
Fine and interest on energy sold	199	705
Discounts obtained	148	150
Monetary variations	1.358	454
Other interest and monetary variations	4	-
(-) Taxes on finance income	(3.492)	(1.245)
Total financial income	**71.601**	**25.563**
Financial expenses		
Debt charges		
Borrowings	(223.812)	(276.813)
Debentures	(129.731)	(56.312)
Present Value Adjustments (AVP)	(70.447)	(67.987)
R&D restatement	(830)	(342)
Monetary variations	(111.159)	(115.255)
Other financial expenses	(847)	(815)
Total financial expenses	**(536.826)**	**(517.524)**
Net exchange variance		
Exchange variance	4	(15)
Total exchange variance, net	**4**	**(15)**
Total financial result	**(465.221)**	**(491.976)**

25. Income tax and social contribution

Current income tax and social contribution

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

Deferred Taxes

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

Deferred tax liabilities are recognized for all temporary tax differences.

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

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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.

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:

	2022	**2021**
Income tax (25%) and Social contribution (9%)	**308.705**	**364.862**
Corporate Income Tax (IRPJ) – Current	145.889	139.414
Social Contribution on Net Income (CSLL) – Current	53.347	51.450
Corporate Income Tax (IRPJ) – Deferred	80.492	127.940
Social Contribution on Net Income (CSLL) – Deferred	28.977	46.058
	308.705	**364.862**

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Composition of the effective rate:

	Corporate Income Tax (IRPJ)/ Social Contribution on Net Income (CSLL)	
	2022	2021
Loss before taxes	915.818	1.080.824
Rate	34%	34%
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)	**(311.378)**	**(367.480)**
Adjustments to reflect the effective rate		
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) on permanent additions and exclusions		
Permanent additions	(68)	(43)
Donations	(1.063)	(1.470)
Bonus	(799)	(672)
Temporary additions	(480)	(2.409)
Financial assets	(13.577)	(21.945)
CPC 06 - Leases	(166)	(191)
Swap	(100.237)	116.566
CAPEX improvements	13.986	(9.475)
Realization of revenue (ACR)	(419.805)	(379.228)
Revenue exchange variance (realized and not realized)	186.017	152.218
Expense exchange variance (realized and not realized)	(110.920)	(276.751)
RBO/O&M revenue	566.586	616.473
Debt realization	73.432	92.252
Interests - borrowings	(48.357)	(82.028)
Indexation accruals - Debentures	(37.794)	(39.187)
Concession extension	785	7.703
Other		
Tax incentives		
Rouanet Law	3.125	3.803
Research Development & Innovation – RD&I	1.595	628
Worker's Meal Program (PAT)	59	348
Additional Allowance (10%)	24	24
Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) from Previous years	(202)	-
Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) expenses	**(199.236)**	**(190.864)**
Effective rate	**-21,75%**	**-17,66%**

26. Financial instruments and fair value measurement

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 classifies financial assets at amortized cost, fair value through profit & loss, and fair value through other comprehensive income (OCI).

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Impairment

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, in addition to the associated risk being low, there is no history of loss.

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

Hedge accounting

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

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

Explanatory note No. 13 provides further details on the fair value of derivative instruments used for hedging purposes.

Cash flow hedges

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

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

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

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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.

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 brings information about the future maturities of contractual commitments of the Company's financial liabilities:

	12/31/2022					12/31/2021
	1 to 3 months	**3 to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Total**
Financial liabilities						
Suppliers	49.653	-	2.277	-	51.930	48.157
Borrowings	660.946	1.982.838	666.591	1.571.587	4.881.962	5.190.022
Related parties	-	-	29	-	29	311
Leases and rentals	867	2.719	17.579	-	21.165	23.084
Provision - Capex improvements	35.494	106.483	451.136	212.300	805.413	877.456
Derivatives	2.836	8.507	-	-	11.342	116.209
Total	**749.796**	**2.100.546**	**1.137.612**	**1.783.887**	**5.771.841**	**6.255.239**

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Rating of financial instruments:

	12/31/2022		12/31/2021		
	Amount Accounting	Amount Value	Amount Accounting	Amount Value	Category
Financial assets					
Cash and cash equivalents	633.963	633.963	613.461	613.461	Fair value through profit & loss
Trade receivables	41.466	41.466	35.221	35.221	Amortized cost
Financial assets	6.961.341	6.961.341	6.569.565	6.569.565	Fair value through profit & loss
Other current assets	20.502	20.502	13.913	13.913	Amortized cost
Derivative financial instruments	817.056	817.056	1.243.414	1.243.414	Fair value through other comprehensive income
Financial liabilities					
Borrowings	2.622.711	2.622.711	3.050.374	3.050.374	Amortized cost
Debentures	2.259.251	2.259.251	2.139.647	2.139.647	Fair value through profit & loss
Derivative financial instruments	11.342	11.342	116.209	116.209	Fair value through other comprehensive income
Leases and rentals	21.165	21.165	23.084	23.084	Amortized cost
Related parties	-	-	311	311	Amortized cost
Suppliers	51.930	51.930	48.157	48.157	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 R$ 2,622,712 (R$ 2,845,992 at December 31, 2021).

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:

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Outstanding contracts	Loan charges	Fixed swap rate	Notional R$	Fair value R$
Five-year maturity – Cash flow	USD + 5.8588% p.a.	Between 11.47% p.a. and 11.49% p.a.	1.854.575	805.714

Sensitivity analysis

According to CPC 40, 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 13 that are exposed to indexes, with the applicable exposures to fluctuations in interest rates and other indexes until the maturity dates of these transactions.

Derivative Cash Flow Hedge

Operation	Balance on 12/31/2022	Rate	Scenario I (-0,5)	Scenario II (-0,25)	Scenario III (probable)	Scenario IV (+0,25)	Scenario V (+0,5)
Financing (5Y)	1.816.997	11,48%	203.669	208.306	212.942	217.579	222.215

Debenture Infra (Installment I)

Operation	Balance on 12/31/2022	Rate	Scenario I (-0,5)	Scenario II (-0,25)	Scenario III (probable)	Scenario IV (+0,25)	Scenario V (+0,5)
Tranche 1	947.245	Broad Consumer Price Index (IPCA) + 3.54%	404.704	419.168	433.614	448.042	462.454

Debenture (Installment II)

Operation	Balance on 12/31/2022	Rate	Scenario I (-0,5)	Scenario II (-0,25)	Scenario III (probable)	Scenario IV (+0,25)	Scenario V (+0,5)
Tranche 2	202.840	Interbank Deposit Certificate (CDI) + 0.58%	46.091	47.147	48.202	49.255	50.308

Debenture Infra (Installment III)

Operation	Balance on 12/31/2022	Rate	Scenario I (-0,5)	Scenario II (-0,25)	Scenario III (probable)	Scenario IV (+0,25)	Scenario V (+0,5)
Financing	1.109.166	Interbank Deposit Certificate (CDI) + 1.85%	949.240	993.251	1.037.209	1.081.115	1.124.969

27. Insurance

The Company holds 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. (unaudited).

At December 31, 2022, the Company has a D&O ('Directors and Officer') insurance for its Officers, Directors and Managers in the amount of R$ 120,000 (limit shared with other SPIC group companies) effective from November 8, 2022 to November 8, 2023, civil liability in the amount of R$ 50,000 effective from November 30, 2022 to November 30, 2023 and Operational Risks and Loss of Profit, effective from December 30, 2022 to November 30, 2023, totaling an amount at risk of R$ 4,968,858 with a maximum limit of indemnity of R$ 1,388,431, including the limit of R$609,877 referring to Loss of Profit.

28. Subsequent events

On February 14, 2023, the Company received from Brazilian Federal Revenue Service -General Taxation Coordination a response to Consultation Solution/Process 10166.792497/2021-81 which dealt with the Use of Amortization of Financial Assets for Income tax and social contribution purposes. The answer was positive, allowing the Company to deduct the amortization of the Concession Bonus, for purposes of calculating the income tax and social contribution bases. The deduction risks and the accounting and financial values are under analysis and still depend on internal approvals.

Composition of the Executive Board of Directors

Adriana Waltrick
General Director

Paulo Dutra
Chief Financial Officer (CFO)

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

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