ENGIE Brasil Energia S.A.

# Quarterly Information 3Q20

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2019

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# Company Information / Capital Composition

| Number of shares (Units) | Current quarter 9/30/2020 |
|---|---|
| **Paid-in capital** | |
| **Common** | 815,927,740 |
| **Preferred** | 0 |
| **Total** | 815,927,740 |
| **Treasury shares** | |
| **Common** | 0 |
| **Preferred** | 0 |
| **Total** | 0 |

# Parent company Financial Statements / Balance Sheet - Assets (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2020 | Prior Year 12/31/2019 |
|---|---|---|---|
| 1 | Total assets | 23,353,350 | 21,435,772 |
| 1.01 | Current assets | 3,957,900 | 3,941,494 |
| 1.01.01 | Cash and cash equivalents | 2,078,255 | 2,590,507 |
| 1.01.03 | Accounts receivable | 976,089 | 944,496 |
| 1.01.03.01 | Trade accounts receivable | 696,600 | 643,570 |
| 1.01.03.02 | Other accounts receivable | 279,489 | 300,926 |
| 1.01.03.02.01 | Dividends receivable | 279,489 | 300,926 |
| 1.01.04 | Inventories | 17,263 | 15,435 |
| 1.01.06 | Taxes recoverable | 158,022 | 120,317 |
| 1.01.06.01 | Current taxes recoverable | 158,022 | 120,317 |
| 1.01.06.01.01 | Income tax and social contribution credits | 158,022 | 120,317 |
| 1.01.08 | Other current assets | 728,271 | 270,739 |
| 1.01.08.03 | Other | 728,271 | 270,739 |
| 1.01.08.03.01 | Unrealized gains on hedge operations | 478,712 | 114,550 |
| 1.01.08.03.02 | Restricted deposits | 807 | 838 |
| 1.01.08.03.03 | Renegotiation of hydrological risk to appropriate | 13,016 | 13,016 |
| 1.01.08.03.05 | Other current assets | 231,159 | 137,506 |
| 1.01.08.03.06 | Non-current assets held for sale | 4,577 | 4,829 |
| 1.02 | Non-current assets | 19,395,450 | 17,494,278 |
| 1.02.01 | Long term assets | 1,659,885 | 547,318 |
| 1.02.01.10 | Other non-current assets | 1,659,885 | 547,318 |
| 1.02.01.10.04 | Unrealized gains on hedge operations | 985,923 | 311,577 |
| 1.02.01.10.05 | Marketable securities | 371,801 | 0 |
| 1.02.01.10.06 | Restricted deposits | 10,556 | 10,388 |
| 1.02.01.10.07 | Judicial deposits | 80,781 | 100,833 |
| 1.02.01.10.08 | Renegotiation of hydrological risk to appropriate | 80,527 | 90,289 |
| 1.02.01.10.09 | Right to use lease | 24,014 | 28,281 |
| 1.02.01.10.10 | Other non-current assets | 106,283 | 5,950 |
| 1.02.02 | Investments | 13,787,310 | 12,825,104 |
| 1.02.02.01 | Equity interest | 13,787,310 | 12,825,104 |
| 1.02.02.01.02 | Interest on subsidiaries | 11,160,563 | 9,632,663 |
| 1.02.02.01.03 | Interest in joint ventures | 2,626,747 | 3,192,441 |
| 1.02.03 | Property, plant and equipment | 3,886,799 | 4,072,139 |
| 1.02.03.01 | Property, plant and equipment in operation | 3,761,622 | 3,964,689 |
| 1.02.03.03 | Construction in progress | 125,177 | 107,450 |
| 1.02.04 | Intangible assets | 61,456 | 49,717 |

# Parent Company Financial Statements / Balance Sheet - Liabilities (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2020 | Prior Year 12/31/2019 |
|---|---|---|---|
| 2 | Total liabilities | 23,353,350 | 21,435,772 |
| 2.01 | Current liabilities | 4,137,154 | 4,185,153 |
| 2.01.01 | Social and labor obligations | 81,624 | 83,943 |
| 2.01.01.02 | Labor obligations | 81,624 | 83,943 |
| 2.01.02 | Suppliers | 122,939 | 149,361 |
| 2.01.03 | Tax Liabilities | 2,125 | 52,788 |
| 2.01.03.01 | Federal tax liabilities | 2,125 | 52,788 |
| 2.01.03.01.01 | Income tax and social contribution payable | 2,125 | 52,788 |
| 2.01.04 | Loans and financing | 2,799,610 | 2,281,577 |
| 2.01.04.01 | Loans and financing | 1,598,245 | 1,263,400 |
| 2.01.04.01.01 | In local currency | 47,962 | 91,884 |
| 2.01.04.01.02 | In foreign currency | 1,550,283 | 1,171,516 |
| 2.01.04.02 | Debentures | 1,201,365 | 1,018,177 |
| 2.01.05 | Other liabilities | 1,085,269 | 1,567,132 |
| 2.01.05.02 | Other | 1,085,269 | 1,567,132 |
| 2.01.05.02.01 | Dividends and interest on equity payable | 683,990 | 1,195,925 |
| 2.01.05.02.04 | Lease payable | 5,698 | 6,222 |
| 2.01.05.02.05 | Concessions payable | 206,034 | 139,008 |
| 2.01.05.02.06 | Other tax and regulatory liabilities | 106,309 | 48,036 |
| 2.01.05.02.07 | Other current liabilities | 83,238 | 177,941 |
| 2.01.06 | Provisions | 45,587 | 50,352 |
| 2.01.06.01 | Tax, social security, labor and civil Provisions | 2,772 | 7,537 |
| 2.01.06.01.01 | Fiscal provisions | 90 | 150 |
| 2.01.06.01.02 | Social security and labor provisions | 2,017 | 1,056 |
| 2.01.06.01.04 | Civil provisions | 665 | 6,331 |
| 2.01.06.02 | Other provisions | 42,815 | 42,815 |
| 2.01.06.02.04 | Retirement benefits obligations | 42,815 | 42,815 |
| 2.02 | Non-current liabilities | 12,071,939 | 10,255,465 |
| 2.02.01 | Loans and financing | 7,197,005 | 6,149,951 |
| 2.02.01.01 | Loans and financing | 3,985,938 | 2,882,714 |
| 2.02.01.01.01 | In local currency | 73,267 | 107,699 |
| 2.02.01.01.02 | In foreign currency | 3,912,671 | 2,775,015 |
| 2.02.01.02 | Debentures | 3,211,067 | 3,267,237 |
| 2.02.02 | Other liabilities | 3,658,306 | 3,184,820 |
| 2.02.02.02 | Other | 3,658,306 | 3,184,820 |
| 2.02.02.02.03 | Lease payable | 8,756 | 11,853 |
| 2.02.02.02.04 | Concessions payable | 3,469,848 | 3,042,295 |
| 2.02.02.02.05 | Other non-current liabilities | 179,702 | 130,672 |
| 2.02.03 | Deferred taxes | 768,727 | 468,526 |
| 2.02.03.01 | Deferred income tax and social contribution | 768,727 | 468,526 |
| 2.02.04 | Provisions | 447,901 | 452,168 |
| 2.02.04.01 | Tax, social security, labor and civil provisions | 86,580 | 88,664 |
| 2.02.04.01.01 | Tax provisions | 4,999 | 6,617 |
| 2.02.04.01.02 | Social security and labor provisions | 9,916 | 13,923 |
| 2.02.04.01.04 | Civil provisions | 71,665 | 68,124 |

# Parent Company Financial Statements / Balance Sheet - Liabilities (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2020 | Prior Year 12/31/2019 |
|---|---|---|---|
| 2.02.04.02 | Other provisions | 361,321 | 363,504 |
| 2.02.04.02.04 | Retirement benefits obligations | 361,321 | 363,504 |
| 2.03 | Shareholders' equity | 7,144,257 | 6,995,154 |
| 2.03.01 | Paid-in capital stock | 4,902,648 | 4,902,648 |
| 2.03.04 | Profit reserves | 2,139,271 | 2,123,245 |
| 2.03.04.01 | Legal reserve | 797,025 | 797,025 |
| 2.03.04.05 | Retained earnings reserve | 1,127,417 | 177,673 |
| 2.03.04.07 | Tax incentive reserve | 214,829 | 198,803 |
| 2.03.04.10 | Additional dividends proposed | 0 | 949,744 |
| 2.03.05 | Retained earnings/losses | 1,099,340 | 0 |
| 2.03.06 | Assets valuation adjustments | 238,223 | 260,324 |
| 2.03.08 | Other comprehensive income | -1,235,225 | -291,063 |

# Parent Company Financial Statements / Income Statement
# (In thousands of Reais)

| Account Code | Account description | Current quarter 7/1/2020 to 9/30/2020 | YTD current year 1/1/2020 to 9/30/2020 | Same quarter of previous year 7/1/2019 to 9/30/2019 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|---|---|
| 3.01 | Revenue from sales of goods and/or services | 953,013 | 2,968,349 | 1,003,906 | 3,455,542 |
| 3.02 | Cost of products and/or services sold | -355,326 | -1,080,424 | -475,189 | -1,529,242 |
| 3.02.01 | Energy purchases | -99,759 | -372,443 | -228,685 | -791,919 |
| 3.02.02 | Transactions in the short-term energy market | -10,071 | -47,809 | -4,134 | -31,637 |
| 3.02.03 | Charges for the use of and connection to the power grid | -84,927 | -252,844 | -83,884 | -241,883 |
| 3.02.04 | Other operating costs | -154,078 | -386,534 | -150,297 | -442,068 |
| 3.02.05 | Cost of services rendered | -6,491 | -20,794 | -8,189 | -21,735 |
| 3.03 | Gross profit | 597,687 | 1,887,925 | 528,717 | 1,926,300 |
| 3.04 | Operating expenses/income | 360,061 | 998,092 | 509,856 | 745,599 |
| 3.04.01 | Selling expenses | -3,668 | -11,856 | -3,699 | -11,262 |
| 3.04.02 | General and administrative expenses | -50,969 | -159,979 | -51,264 | -149,549 |
| 3.04.05 | Other operating expenses | -104 | -242 | 515 | -4,573 |
| 3.04.05.02 | Other operating expenses, net | -104 | -242 | 515 | -4,573 |
| 3.04.06 | Equity income | 414,802 | 1,170,169 | 564,304 | 910,983 |
| 3.04.06.01 | Equity | 415,637 | 1,172,675 | 565,139 | 913,489 |
| 3.04.06.02 | Goodwill amortization | -835 | -2,506 | -835 | -2,506 |
| 3.05 | Income before financial result and taxes | 957,748 | 2,886,017 | 1,038,573 | 2,671,899 |
| 3.06 | Financial result | -451,117 | -834,284 | -210,577 | -616,390 |
| 3.06.01 | Financial income | 78,270 | 173,766 | 19,657 | 56,007 |
| 3.06.02 | Financial expenses | -529,387 | -1,008,050 | -230,234 | -672,397 |
| 3.07 | Income before income taxes | 506,631 | 2,051,733 | 827,996 | 2,055,509 |
| 3.08 | Income tax and social contribution | -16,924 | -284,758 | -85,599 | -362,812 |
| 3.08.01 | Current | 15,286 | 15,451 | 15,808 | -264,665 |
| 3.08.02 | Deferred | -32,210 | -300,209 | -101,407 | -98,147 |
| 3.09 | Net income from continuing operations | 489,707 | 1,766,975 | 742,397 | 1,692,697 |

# Parent Company Financial Statements / Income Statement
# (In thousands of Reais)

| Account Code | Account description | Current quarter 7/1/2020 to 9/30/2020 | YTD current year 1/1/2020 to 9/30/2020 | Same quarter of previous year 7/1/2019 to 9/30/2019 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|---|---|
| 3.11 | Net income for the period | 489,707 | 1,766,975 | 742,397 | 1,692,697 |
| 3.99 | Earnings per share (R$ /share) | | | | |
| 3.99.01 | Basic earnings per share | | | | |
| 3.99.01.01 | ON | 0.60018 | 2.16560 | 0.90988 | 2.07457 |
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | ON | 0.60018 | 2.16560 | 0.90988 | 2.07457 |

# Parent Company Financial Statements / Comprehensive Income Statement
# (In thousands of Reais)

| Account Code | Account description | Current quarter 7/1/2020 to 9/30/2020 | YTD current year 1/1/2020 to 9/30/2020 | Same quarter of previous year 7/1/2019 to 9/30/2019 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|---|---|
| 4.01 | Net income for the period | 489,707 | 1,766,975 | 742,397 | 1,692,697 |
| 4.02 | Other comprehensive income | -98,327 | -944,162 | -366,130 | -366,838 |
| 4.02.01 | Unrealized losses on cash flow hedge operations in the fiscal year | -25 | -25 | 0 | 0 |
| 4.02.02 | Deferred income tax and social contribution | 8 | 8 | 0 | 0 |
| 4.02.03 | Equity income in gains (losses) of cash flow hedge of subsidiaries, net of deferred taxes | 142 | 403 | -3,152 | -3,860 |
| 4.02.04 | Equity income in losses of cash flow hedges of joint venture, net of deferred taxes | -98,452 | -944,548 | -263,748 | -263,748 |
| 4.02.05 | Changes in interest in joint venture | 0 | 0 | -99,230 | -99,230 |
| 4.03 | Comprehensive income for the period | 391,380 | 822,813 | 376,267 | 1,325,859 |

# Parent Company Financial Statements / Cash Flow Statement – Indirect Method
# (In thousands of Reais)

| Account Code | Account Description | YTD current year 1/1/2020 to 9/30/2020 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|
| 6.01 | Net cash from operating activities | 1,611,543 | 1,292,071 |
| 6.01.01 | Cash generated from operations | 1,947,092 | 2,018,850 |
| 6.01.01.01 | Income before income taxes | 2,051,733 | 2,055,509 |
| 6.01.01.02 | Equity interest income | -1,170,169 | -910,983 |
| 6.01.01.03 | Depreciation and amortization | 225,085 | 220,442 |
| 6.01.01.04 | Monetary variation | 436,392 | 151,654 |
| 6.01.01.05 | Interest | 451,732 | 510,424 |
| 6.01.01.08 | Market value adjustment of marketable securities | -30,940 | 0 |
| 6.01.01.09 | Other | -16,741 | -8,196 |
| 6.01.02 | Changes in assets and liabilities | -335,549 | -726,779 |
| 6.01.02.01 | Trade accounts receivable | -41,343 | -227,630 |
| 6.01.02.02 | Inventories | -1,828 | 2,505 |
| 6.01.02.03 | Restricted and judicial deposits | 22,707 | 1,476 |
| 6.01.02.04 | Renegotiation of hydrological risk to recognize | 9,762 | 9,763 |
| 6.01.02.05 | Income tax and social contribution credit | -37,705 | 1,619 |
| 6.01.02.07 | Other assets | -99,216 | 78,161 |
| 6.01.02.08 | Suppliers | -25,521 | -141,359 |
| 6.01.02.09 | Payment of income tax and social contribution | -24,323 | -217,088 |
| 6.01.02.10 | Payment of interest on debt, net of hedge | -155,813 | -205,534 |
| 6.01.02.13 | Other tax and regulatory obligations | 51,607 | -9,434 |
| 6.01.02.14 | Retirement benefits obligations | -22,762 | -21,580 |
| 6.01.02.15 | Other liabilities | -11,114 | 2,322 |
| 6.02 | Net cash from investment activities | -1,104,310 | -3,679,428 |
| 6.02.01 | Capital increase in subsidiaries and joint ventures | -819,281 | -3,284,943 |
| 6.02.02 | Acquisition of investment | -327,168 | -680,612 |
| 6.02.03 | Capital decrease in subsidiaries | 0 | 160,000 |
| 6.02.04 | Dividends received from subsidiaries | 431,704 | 184,314 |
| 6.02.05 | Investment in property, plant and equipment and intangible assets | -49,565 | -58,187 |
| 6.02.06 | Acquisition of marketable securities | -340,000 | 0 |
| 6.03 | Net cash from financing activities | -1,019,485 | 1,251,041 |
| 6.03.01 | New loans and financing | 632,490 | 1,127,997 |
| 6.03.02 | Issue of debentures | 0 | 4,065,291 |
| 6.03.03 | Payment of dividends and interest on equity | -1,241,098 | -2,260,747 |
| 6.03.04 | Loans and financing paid, net of hedge | -301,648 | -91,983 |
| 6.03.05 | Debentures paid | 0 | -1,535,006 |
| 6.03.06 | Payment of concession installments payable | -104,508 | -50,256 |
| 6.03.08 | Lease payment | -4,700 | -4,278 |
| 6.03.09 | Other | -21 | 23 |
| 6.05 | Increase (decrease) in cash and cash equivalents | -512,252 | -1,136,316 |
| 6.05.01 | Opening balance of cash and cash equivalents | 2,590,507 | 1,282,395 |
| 6.05.02 | Closing balance of cash and cash equivalents | 2,078,255 | 146,079 |

## Parent Company Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2020 to 9/30/2020 (In thousands of Reais)

| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 4,902,648 | 0 | 2,123,245 | 0 | -30,739 | 6,995,154 |
| 5.03 | Adjusted opening balances | 4,902,648 | 0 | 2,123,245 | 0 | -30,739 | 6,995,154 |
| 5.04 | Capital transactions with partners | 0 | 0 | 0 | -673,710 | 0 | -673,710 |
| 5.04.10 | Interim dividends credited | 0 | 0 | 0 | -677,688 | 0 | -677,688 |
| 5.04.11 | Dividends and interest on equity not claimed | 0 | 0 | 0 | 3,978 | 0 | 3,978 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 1,766,975 | -944,162 | 822,813 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 1,766,975 | 0 | 1,766,975 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | -944,162 | -944,162 |
| 5.05.02.06 | Fair value of cash flow hedge | 0 | 0 | 0 | 0 | -944,162 | -944,162 |
| 5.06 | Internal changes in shareholders' equity | 0 | 0 | 16,026 | 6,075 | -22,101 | 0 |
| 5.06.05 | Tax incentive reserve | 0 | 0 | 16,026 | -16,026 | 0 | 0 |
| 5.06.06 | Realization of deemed cost | 0 | 0 | 0 | 22,101 | -22,101 | 0 |
| 5.07 | Closing balances | 4,902,648 | 0 | 2,139,271 | 1,099,340 | -997,002 | 7,144,257 |

## Parent Company Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2019 to 9/30/2019

## (In thousands of Reais)

| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 4,902,648 | 0 | 1,106,277 | 0 | 307,261 | 6,316,186 |
| 5.03 | Adjusted opening balances | 4,902,648 | 0 | 1,106,277 | 0 | 307,261 | 6,316,186 |
| 5.04 | Capital transactions with partners | 0 | 0 | -76,703 | 2,436 | 0 | -74,267 |
| 5.04.08 | Additional dividends for 2018 paid | 0 | 0 | -76,703 | 0 | 0 | -76,703 |
| 5.04.11 | Dividends and interest on equity not claimed | 0 | 0 | 0 | 2,436 | 0 | 2,436 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 1,692,697 | -366,838 | 1,325,859 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 1,692,697 | 0 | 1,692,697 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | -366,838 | -366,838 |
| 5.05.02.06 | Fair value of cash flow hedge of subsidiaries and joint ventures | 0 | 0 | 0 | 0 | -267,608 | -267,608 |
| 5.05.02.07 | Changes in interest in joint venture | 0 | 0 | 0 | 0 | -99,230 | -99,230 |
| 5.06 | Internal changes in shareholders' equity | 0 | 0 | 26,002 | -8,943 | -17,059 | 0 |
| 5.06.05 | Tax incentive reserve | 0 | 0 | 26,002 | -26,002 | 0 | 0 |
| 5.06.06 | Realization of deemed cost | 0 | 0 | 0 | 17,059 | -17,059 | 0 |
| 5.07 | Closing balances | 4,902,648 | 0 | 1,055,576 | 1,686,190 | -76,636 | 7,567,778 |

## Parent Company Financial Statements / Value Added Statement
## (In thousands of Reais)

| Account Code | Account Description | YTD current year 1/1/2020 to 9/30/2020 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|
| 7.01 | Revenues | 3,299,282 | 3,840,993 |
| 7.01.01 | Sale of products and services | 3,249,183 | 3,840,666 |
| 7.01.02 | Other revenues | 50,099 | 327 |
| 7.01.02.01 | Favorable outcome on lawsuit | 50,341 | 0 |
| 7.01.02.02 | Other revenues | -242 | 327 |
| 7.02 | Raw material acquired from third parties | -784,723 | -1,189,055 |
| 7.02.01 | Cost of products and services sold | -437,128 | -841,562 |
| 7.02.02 | Materials, energy, third parties services and other | -86,309 | -75,548 |
| 7.02.04 | Other | -261,286 | -271,945 |
| 7.02.04.01 | Charges for the use of and connection to the power grid | -252,844 | -241,883 |
| 7.02.04.04 | Other | -8,442 | -30,062 |
| 7.03 | Gross added value | 2,514,559 | 2,651,938 |
| 7.04 | Retentions | -225,085 | -220,442 |
| 7.04.01 | Depreciation, amortization and depletion | -225,085 | -220,442 |
| 7.05 | Net added value generated | 2,289,474 | 2,431,496 |
| 7.06 | Added value received in transfer | 1,343,935 | 966,990 |
| 7.06.01 | Equity income | 1,170,169 | 910,983 |
| 7.06.02 | Financial income | 173,766 | 56,007 |
| 7.07 | Total added value to distribute | 3,633,409 | 3,398,486 |
| 7.08 | Distribution of added value | 3,633,409 | 3,398,486 |
| 7.08.01 | Labor | 162,821 | 161,105 |
| 7.08.01.01 | Direct remuneration | 105,520 | 101,031 |
| 7.08.01.02 | Benefits | 28,873 | 34,586 |
| 7.08.01.03 | F.G.T.S. - workers' severance fund | 8,783 | 8,808 |
| 7.08.01.04 | Other | 19,645 | 16,680 |
| 7.08.01.04.01 | Profit sharing | 19,645 | 16,680 |
| 7.08.02 | Taxes, duties and contributions | 626,268 | 757,591 |
| 7.08.02.01 | Federal | 607,887 | 737,110 |
| 7.08.02.02 | State | 15,548 | 17,739 |
| 7.08.02.03 | Municipal | 2,833 | 2,742 |
| 7.08.03 | Third parties capital remuneration | 402,409 | 376,417 |
| 7.08.03.01 | Interest | 371,760 | 379,607 |
| 7.08.03.02 | Rentals | 860 | 745 |
| 7.08.03.03 | Other | 29,789 | -3,935 |
| 7.08.03.03.02 | Other financial expenses | 29,789 | -3,935 |
| 7.08.04 | Remuneration of own capital | 1,777,028 | 1,686,190 |
| 7.08.04.02 | Dividends | 677,688 | 0 |
| 7.08.04.03 | Retained earnings / loss for the period | 1,099,340 | 1,686,190 |
| 7.08.05 | Other | 664,883 | 417,183 |
| 7.08.05.01 | Sectorial charges | 75,849 | 114,778 |
| 7.08.05.02 | Charges on concessions payable | 599,087 | 295,898 |
| 7.08.05.03 | Tax incentive reserve | 16,026 | 26,002 |
| 7.08.05.04 | Realization of deemed cost | -22,101 | -17,059 |
| 7.08.05.05 | Dividends and interest on equity not claimed | -3,978 | -2,436 |

## Consolidated Financial Statements / Balance Sheet - Assets
## (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2020 | Prior Year 12/31/2019 |
|---|---|---|---|
| 1 | Total assets | 34,397,622 | 30,135,578 |
| 1.01 | Current assets | 9,135,347 | 6,745,671 |
| 1.01.01 | Cash and cash equivalents | 5,696,689 | 3,870,261 |
| 1.01.03 | Accounts receivable | 1,682,403 | 1,451,227 |
| 1.01.03.01 | Trade accounts receivable | 1,682,403 | 1,451,227 |
| 1.01.04 | Inventories | 238,765 | 220,964 |
| 1.01.06 | Taxes recoverable | 213,041 | 166,833 |
| 1.01.06.01 | Current taxes recoverable | 213,041 | 166,833 |
| 1.01.06.01.01 | Income tax and social contribution credits | 213,041 | 166,833 |
| 1.01.08 | Other current assets | 1,304,449 | 1,036,386 |
| 1.01.08.03 | Other | 1,304,449 | 1,036,386 |
| 1.01.08.03.01 | Unrealized hedge gains | 479,679 | 115,131 |
| 1.01.08.03.02 | Unrealized trading gains | 112,963 | 288,771 |
| 1.01.08.03.03 | Restricted deposits | 2,157 | 4,856 |
| 1.01.08.03.04 | Renegotiation of hydrological risk to appropriate | 15,089 | 15,089 |
| 1.01.08.03.05 | Concession financial asset | 300,587 | 296,232 |
| 1.01.08.03.07 | Other current assets | 389,397 | 311,478 |
| 1.01.08.03.08 | Non-current assets held for sale | 4,577 | 4,829 |
| 1.02 | Non-current assets | 25,262,275 | 23,389,907 |
| 1.02.01 | Long term assets | 6,076,179 | 3,814,007 |
| 1.02.01.10 | Other non-current assets | 6,076,179 | 3,814,007 |
| 1.02.01.10.03 | Unrealized hedge gains | 985,923 | 311,577 |
| 1.02.01.10.04 | Unrealized trading gains | 57,835 | 42,695 |
| 1.02.01.10.05 | Restricted deposits | 280,435 | 381,064 |
| 1.02.01.10.06 | Judicial deposits | 82,486 | 102,878 |
| 1.02.01.10.07 | Renegotiation of hydrological risk to appropriate | 104,369 | 115,686 |
| 1.02.01.10.08 | Concession financial asset | 2,430,737 | 2,411,942 |
| 1.02.01.10.09 | Agreement asset | 1,746,756 | 217,611 |
| 1.02.01.10.10 | Right of use of leases | 163,555 | 161,866 |
| 1.02.01.10.11 | Other non-current assets | 224,083 | 68,688 |
| 1.02.02 | Investments | 2,376,526 | 2,948,920 |
| 1.02.03 | Property, plant and equipment | 15,217,889 | 15,330,211 |
| 1.02.03.01 | Property, plant and equipment in operation | 14,285,189 | 14,907,812 |
| 1.02.03.03 | Construction in progress | 932,700 | 422,399 |
| 1.02.04 | Intangible assets | 1,591,681 | 1,296,769 |

## Consolidated Financial Statements / Balance sheet - Liabilities
## (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2020 | Prior Year 12/31/2019 |
|---|---|---|---|
| 2 | Total liabilities | 34,397,622 | 30,135,578 |
| 2.01 | Current liabilities | 5,880,623 | 5,979,644 |
| 2.01.01 | Social and labor obligations | 109,134 | 106,005 |
| 2.01.01.02 | Labor obligations | 109,134 | 106,005 |
| 2.01.02 | Suppliers | 681,365 | 765,020 |
| 2.01.03 | Tax liabilities | 131,463 | 176,395 |
| 2.01.03.01 | Federal tax liabilities | 131,463 | 176,395 |
| 2.01.03.01.01 | Income tax and social contribution payable | 131,463 | 176,395 |
| 2.01.04 | Loans and financing | 3,371,603 | 2,842,160 |
| 2.01.04.01 | Loans and financing | 1,952,120 | 1,637,691 |
| 2.01.04.01.01 | In local currency | 401,837 | 466,175 |
| 2.01.04.01.02 | In foreign currency | 1,550,283 | 1,171,516 |
| 2.01.04.02 | Debentures | 1,419,483 | 1,204,469 |
| 2.01.05 | Other liabilities | 1,541,080 | 2,038,576 |
| 2.01.05.02 | Other | 1,541,080 | 2,038,576 |
| 2.01.05.02.01 | Dividends and interest on equity payable | 686,169 | 1,197,924 |
| 2.01.05.02.04 | Lease payable | 20,383 | 19,824 |
| 2.01.05.02.05 | Concessions payable | 212,334 | 145,136 |
| 2.01.05.02.06 | Other tax and regulatory liabilities | 213,823 | 104,855 |
| 2.01.05.02.07 | Unrealized trading losses | 98,456 | 258,305 |
| 2.01.05.02.08 | Other current liabilities | 309,915 | 312,532 |
| 2.01.06 | Provisions | 45,978 | 51,488 |
| 2.01.06.01 | Tax, social security, labor and civil provisions | 3,069 | 8,579 |
| 2.01.06.01.01 | Tax provisions | 192 | 327 |
| 2.01.06.01.02 | Social security and labor provisions | 2,016 | 1,056 |
| 2.01.06.01.04 | Civil provisions | 861 | 7,196 |
| 2.01.06.02 | Other provisions | 42,909 | 42,909 |
| 2.01.06.02.04 | Retirement benefits obligations | 42,909 | 42,909 |
| 2.02 | Non-current liabilities | 21,368,260 | 17,157,114 |
| 2.02.01 | Loans and financing | 14,642,123 | 11,920,898 |
| 2.02.01.01 | Loans and financing | 10,041,673 | 7,181,363 |
| 2.02.01.01.01 | In local currency | 6,129,002 | 4,406,348 |
| 2.02.01.01.02 | In foreign currency | 3,912,671 | 2,775,015 |
| 2.02.01.02 | Debentures | 4,600,450 | 4,739,535 |
| 2.02.02 | Other liabilities | 4,686,349 | 3,642,194 |
| 2.02.02.02 | Other | 4,686,349 | 3,642,194 |
| 2.02.02.02.03 | Redeemable preferred shares | 477,998 | 0 |
| 2.02.02.02.04 | Lease payable | 119,089 | 114,483 |
| 2.02.02.02.05 | Concessions payable | 3,518,701 | 3,091,354 |
| 2.02.02.02.07 | Unrealized trading losses | 26,455 | 20,644 |
| 2.02.02.02.08 | Other non-current liabilities | 544,106 | 415,713 |
| 2.02.03 | Deferred taxes | 1,386,513 | 941,468 |
| 2.02.03.01 | Deferred income tax and social contribution | 1,386,513 | 941,468 |
| 2.02.04 | Provisions | 653,275 | 652,554 |
| 2.02.04.01 | Tax, social security, labor and civil provisions | 291,096 | 288,301 |
| 2.02.04.01.01 | Tax provisions | 5,323 | 6,773 |
| 2.02.04.01.02 | Social security and labor provisions | 10,939 | 14,320 |

## Consolidated Financial Statements / Balance Sheet - Liabilities
## (In thousands of Reais)

| Account Code | Account Description | Current Quarter 9/30/2020 | Prior Year 12/31/2019 |
|---|---|---|---|
| 2.02.04.01.04 | Civil provisions | 83,016 | 79,894 |
| 2.02.04.01.05 | Provision for divestment | 191,818 | 187,314 |
| 2.02.04.02 | Other provisions | 362,179 | 364,253 |
| 2.02.04.02.04 | Retirement benefits obligations | 362,179 | 364,253 |
| 2.03 | Consolidated shareholders' equity | 7,148,739 | 6,998,820 |
| 2.03.01 | Paid-in capital stock | 4,902,648 | 4,902,648 |
| 2.03.04 | Profit reserves | 2,139,271 | 2,123,245 |
| 2.03.04.01 | Legal reserve | 797,025 | 797,025 |
| 2.03.04.05 | Retained earnings reserve | 1,127,417 | 177,673 |
| 2.03.04.07 | Tax incentive reserve | 214,829 | 198,803 |
| 2.03.04.10 | Additional dividend proposed | 0 | 949,744 |
| 2.03.05 | Retained earnings/losses | 1,099,340 | 0 |
| 2.03.06 | Assets valuation adjustments | 238,223 | 260,324 |
| 2.03.08 | Other comprehensive income | -1,235,225 | -291,063 |
| 2.03.09 | Non-controlling interest | 4,482 | 3,666 |

## Consolidated Financial Statements / Income Statement
## (In thousands of Reais)

| Account Code | Account description | Current quarter 7/1/2020 to 9/30/2020 | YTD current year 1/1/2020 to 9/30/2020 | Same quarter of previous year 7/1/2019 to 9/30/2019 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|---|---|
| 3.01 | Revenue from sales of goods and/or services | 3,208,816 | 8,489,925 | 2,494,116 | 7,009,354 |
| 3.02 | Cost of products and/or services sold | -2,040,361 | -5,161,701 | -1,422,305 | -3,924,143 |
| 3.02.01 | Energy purchases | -640,844 | -1,834,260 | -715,507 | -1,937,389 |
| 3.02.02 | Transactions in the short-term energy market | -22,666 | -198,110 | -19,169 | -202,017 |
| 3.02.03 | Charges for the use of and connection to the power grid | -140,913 | -418,329 | -133,522 | -380,576 |
| 3.02.04 | Operating costs | -1,229,397 | -2,690,135 | -545,908 | -1,382,388 |
| 3.02.05 | Cost of services rendered | -6,541 | -20,867 | -8,199 | -21,773 |
| 3.03 | Gross profit | 1,168,455 | 3,328,224 | 1,071,811 | 3,085,211 |
| 3.04 | Operating expenses/income | 40,803 | 176,379 | 283,729 | 135,393 |
| 3.04.01 | Selling expenses | -6,771 | -18,271 | -5,406 | -15,924 |
| 3.04.02 | General and administrative expenses | -54,736 | -172,010 | -53,460 | -159,826 |
| 3.04.05 | Other operating expenses | -7 | -76 | 321,466 | 316,823 |
| 3.04.05.02 | Other operating expenses, net | -7 | -76 | 321,466 | 316,823 |
| 3.04.06 | Equity income (loss) | 102,317 | 366,736 | 21,129 | -5,680 |
| 3.05 | Income before financial result and taxes | 1,209,258 | 3,504,603 | 1,355,540 | 3,220,604 |
| 3.06 | Financial result | -598,921 | -1,159,715 | -295,738 | -800,133 |
| 3.06.01 | Financial income | 63,325 | 218,490 | 43,138 | 111,908 |
| 3.06.02 | Financial expenses | -662,246 | -1,378,205 | -338,876 | -912,041 |
| 3.07 | Income before income taxes | 610,337 | 2,344,888 | 1,059,802 | 2,420,471 |
| 3.08 | Income tax and social contribution | -120,326 | -577,097 | -317,095 | -726,906 |
| 3.08.01 | Current | -65,784 | -221,454 | -147,148 | -509,388 |
| 3.08.02 | Deferred | -54,542 | -355,643 | -169,947 | -217,518 |
| 3.09 | Net income from continuing operations | 490,011 | 1,767,791 | 742,707 | 1,693,565 |

## Consolidated Financial Statements / Income Statement
## (In thousands of Reais)

| Account Code | Account description | Current quarter 7/1/2020 to 9/30/2020 | YTD current year 1/1/2020 to 9/30/2020 | Same quarter of previous year 7/1/2019 to 9/30/2019 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|---|---|
| 3.11 | Consolidated net income for the period | 490,011 | 1,767,791 | 742,707 | 1,693,565 |
| 3.11.01 | Attributable to the partners of the parent company | 489,707 | 1,766,975 | 742,397 | 1,692,697 |
| 3.11.02 | Attributable to non-controlling partners | 304 | 816 | 310 | 868 |
| 3.99 | Earnings per share (R$ /share) | | | | |
| 3.99.01 | Basic earnings per share | | | | |
| 3.99.01.01 | ON | 0.60018 | 2.16560 | 0.90988 | 2.07457 |
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | ON | 0.60018 | 2.16560 | 0.90988 | 2.07457 |

# Consolidated Financial Statements / Comprehensive Income Statement
# (In thousands of Reais)

| Account Code | Account description | Current quarter 7/1/2020 to 9/30/2020 | YTD current year 1/1/2020 to 9/30/2020 | Same quarter of previous year 7/1/2019 to 9/30/2019 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|---|---|
| 4.01 | Consolidated net income for the period | 490,011 | 1,767,791 | 742,707 | 1,693,565 |
| 4.02 | Other comprehensive income | -98,327 | -944,162 | -366,130 | -366,838 |
| 4.02.01 | Unrealized gains in cash flow hedge operations originated in the fiscal year | 162 | 506 | 2,121 | 1,150 |
| 4.02.02 | Deferred income tax and social contribution | -37 | -120 | -599 | -245 |
| 4.02.03 | Unrealized (losses) gains in cash flow hedge operations originated in the fiscal year | 0 | 0 | -4,674 | -4,765 |
| 4.02.04 | Equity income in losses of cash flow hedge operations of joint venture, net of deferred taxes | -98,452 | -944,548 | -263,748 | -263,748 |
| 4.02.05 | Changes in interest in joint venture | 0 | 0 | -99,230 | -99,230 |
| 4.03 | Consolidated comprehensive income for the period | 391,684 | 823,629 | 376,577 | 1,326,727 |
| 4.03.01 | Attributed to the parent company's shareholders | 391,380 | 822,813 | 376,267 | 1,325,859 |
| 4.03.02 | Attributed to non-controlling shareholders | 304 | 816 | 310 | 868 |

# Consolidated Financial Statements / Cash Flow Statement - Indirect Method
## (In thousands of Reais)

| Account Code | Account Description | YTD current year 1/1/2020 to 9/30/2020 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|
| 6.01 | Net cash from operating activities | 1,547,822 | 2,662,648 |
| 6.01.01 | Cash generated from operations | 3,597,534 | 3,630,053 |
| 6.01.01.01 | Income tax before income | 2,344,888 | 2,420,471 |
| 6.01.01.02 | Equity interest income | -366,736 | 5,680 |
| 6.01.01.03 | Depreciation and amortization | 691,534 | 620,541 |
| 6.01.01.04 | Monetary variation | 492,344 | 179,102 |
| 6.01.01.05 | Interest | 740,501 | 682,437 |
| 6.01.01.06 | Remuneration of concession asset | -293,483 | -281,930 |
| 6.01.01.09 | Unrealized trading (gains) losses | 6,630 | -1,249 |
| 6.01.01.11 | Other | -18,144 | 5,001 |
| 6.01.02 | Changes in assets and liabilities | -2,049,712 | -967,405 |
| 6.01.02.01 | Trade accounts receivable | -230,976 | -308,616 |
| 6.01.02.02 | Inventories | -17,801 | -99,032 |
| 6.01.02.04 | Restricted and judicial deposits | -17,754 | 2,652 |
| 6.01.02.05 | Renegotiation of hydrological risk to recognize | 11,317 | 11,317 |
| 6.01.02.06 | Concession financial asset | 212,948 | 199,005 |
| 6.01.02.07 | Agreement asset | -1,318,481 | -101,019 |
| 6.01.02.09 | Income tax and social contribution credit | -46,965 | -6,982 |
| 6.01.02.10 | Other assets | -89,087 | -32,947 |
| 6.01.02.11 | Suppliers | -89,538 | 56,921 |
| 6.01.02.12 | Payment of income tax and social contribution | -250,823 | -323,991 |
| 6.01.02.13 | Payment of interest on debt, net of hedge | -390,110 | -376,320 |
| 6.01.02.14 | Other tax and regulatory obligations | 130,239 | 23,748 |
| 6.01.02.16 | Retirement benefits obligations | -22,777 | -21,758 |
| 6.01.02.19 | Other liabilities | 70,096 | 9,617 |
| 6.02 | Net cash from investment activities | -857,512 | -4,390,581 |
| 6.02.01 | Capital increase in joint ventures | 0 | -2,789,257 |
| 6.02.02 | Acquisition of additional interest in joint venture | -327,158 | -680,612 |
| 6.02.03 | Acquisition of property, plant and equipment and intangible assets | -523,215 | -992,598 |
| 6.02.04 | Receipt of indemnifications due to breach of agreements | 0 | 71,886 |
| 6.02.05 | Acquisition of company, net of cash and cash equivalents | -328,889 | 0 |
| 6.02.06 | Dividends received from joint ventures | 321,750 | 0 |
| 6.03 | Net cash from financing activities | 1,136,118 | 1,031,567 |
| 6.03.01 | New loans and financing | 2,517,125 | 1,389,823 |
| 6.03.02 | Issue of debentures | 497,064 | 4,065,291 |
| 6.03.03 | Preferred shares issued | 476,757 | 0 |
| 6.03.04 | Loans and financing paid, net of hedge | -545,630 | -341,693 |
| 6.03.05 | Debentures paid, net of hedge | -596,130 | -1,623,870 |
| 6.03.06 | Payment of concession installments payable | -109,468 | -55,031 |
| 6.03.07 | Lease payment | -1,240,918 | -2,260,648 |
| 6.03.09 | Deposits linked to debt service | 151,047 | -125,566 |

## Consolidated Financial Statements / Cash Flow Statement - Indirect Method
## (In thousands of Reais)

| Account Code | Account Description | YTD current year 1/1/2020 to 9/30/2020 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|
| 6.03.10 | Lease payment | -15,228 | -12,277 |
| 6.03.12 | Other | 1,499 | -4,462 |
| 6.05 | Increase (decrease) in cash and cash equivalents | 1,826,428 | -696,366 |
| 6.05.01 | Opening balance of cash and cash equivalents | 3,870,261 | 2,415,792 |
| 6.05.02 | Closing balance of cash and cash equivalents | 5,696,689 | 1,719,426 |

# Consolidated Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2020 to 9/30/2020 (In thousands of Reais)

| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity | Interest of Non-Controlling Shareholders | Consolidated Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 4,902,648 | 0 | 2,123,245 | 0 | -30,739 | 6,995,154 | 3,666 | 6,998,820 |
| 5.03 | Adjusted opening balances | 4,902,648 | 0 | 2,123,245 | 0 | -30,739 | 6,995,154 | 3,666 | 6,998,820 |
| 5.04 | Capital transactions with partners | 0 | 0 | 0 | -673,710 | 0 | -673,710 | 0 | -673,710 |
| 5.04.10 | Interim dividends credited | 0 | 0 | 0 | -677,688 | 0 | -677,688 | 0 | -677,688 |
| 5.04.11 | Dividends and interest on equity not claimed | 0 | 0 | 0 | 3,978 | 0 | 3,978 | 0 | 3,978 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 1,766,975 | -944,162 | 822,813 | 816 | 823,629 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 1,766,975 | 0 | 1,766,975 | 816 | 1,767,791 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | -944,162 | -944,162 | 0 | -944,162 |
| 5.05.02.06 | Fair value of cash flow hedge | 0 | 0 | 0 | 0 | -944,162 | -944,162 | 0 | -944,162 |
| 5.06 | Internal changes in shareholders' equity | 0 | 0 | 16,026 | 6,075 | -22,101 | 0 | 0 | 0 |
| 5.05 | Tax incentive reserve | 0 | 0 | 16,026 | -16,026 | 0 | 0 | 0 | 0 |
| 5.06.06 | Realization of deemed cost | 0 | 0 | 0 | 22,101 | -22,101 | 0 | 0 | 0 |
| 5.07 | Closing balances | 4,902,648 | 0 | 2,139,271 | 1,099,340 | -997,002 | 7,144,257 | 4,482 | 7,148,739 |

# Consolidated Financial Statements / Changes in Shareholders' Equity Statement / DMPL - 1/1/2019 to 9/30/2019 (In thousands of Reais)

| Account Code | Account Description | Paid-in Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings (Loss) | Other Comprehensive Income | Shareholders' Equity | Interest of Non-Controlling Shareholders | Consolidated Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 4,902,648 | 0 | 1,106,277 | 0 | 307,261 | 6,316,186 | 4,391 | 6,320,577 |
| 5.03 | Adjusted opening balances | 4,902,648 | 0 | 1,106,277 | 0 | 307,261 | 6,316,186 | 4,391 | 6,320,577 |
| 5.04 | Capital transactions with partners | 0 | 0 | -76,703 | 2,436 | 0 | -74,267 | -1,787 | -76,054 |
| 5.04.08 | Additional dividends for 2018 paid | 0 | 0 | -76,703 | 0 | 0 | -76,703 | 0 | -76,703 |
| 5.04.09 | Dividends for the 1st half of 2019 | 0 | 0 | 0 | 0 | 0 | 0 | -1,787 | -1,787 |
| 5.04.11 | Dividends and interest on equity not claimed | 0 | 0 | 0 | 2,436 | 0 | 2,436 | 0 | 2,436 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 1,692,697 | -366,838 | 1,325,859 | 868 | 1,326,727 |
| 5.05.01 | Net income for the period | 0 | 0 | 0 | 1,692,697 | 0 | 1,692,697 | 868 | 1,693,565 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | -366,838 | -366,838 | 0 | -366,838 |
| 5.05.02.06 | Fair value hedge of cash flow | 0 | 0 | 0 | 0 | -267,608 | -267,608 | 0 | -267,608 |
| 5.05.02.07 | Change in interest in joint venture | 0 | 0 | 0 | 0 | -99,230 | -99,230 | 0 | -99,230 |
| 5.06 | Internal changes in shareholders' equity | 0 | 0 | 26,002 | -8,943 | -17,059 | 0 | 0 | 0 |
| 5.06.05 | Tax incentive reserve | 0 | 0 | 26,002 | -26,002 | 0 | 0 | 0 | 0 |
| 5.06.06 | Realization of deemed cost | 0 | 0 | 0 | 17,059 | -17,059 | 0 | 0 | 0 |
| 5.07 | Closing balances | 4,902,648 | 0 | 1,055,576 | 1,686,190 | -76,636 | 7,567,778 | 3,472 | 7,571,250 |

# Consolidated Financial Statements / Value Added Statement (In thousands of Reais)

| Account Code | Account Description | YTD current year 1/1/2020 to 9/30/2020 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|
| 7.01 | Revenues | 9,721,558 | 9,108,556 |
| 7.01.01 | Sale of products and services | 7,540,154 | 7,348,552 |
| 7.01.02 | Other income | 377,911 | 637,617 |
| 7.01.02.01 | Remuneration of concession asset | 293,483 | 281,930 |
| 7.01.02.02 | Unrealized gains from trading operations | 4,482 | 1,247 |
| 7.01.02.03 | Favorable outcome on lawsuit | 80,022 | 0 |
| 7.01.02.04 | Other revenues | -76 | 354,440 |
| 7.01.03 | Income related to the construction of own assets | 1,803,493 | 1,122,387 |
| 7.02 | Raw material acquired from third parties | -4,726,130 | -3,931,559 |
| 7.02.01 | Cost of products and services sold | -2,223,349 | -2,273,249 |
| 7.02.02 | Materials, energy, third parties services and other | -303,446 | -235,085 |
| 7.02.04 | Other | -2,199,335 | -1,423,225 |
| 7.02.04.01 | Charges for the use of and connection to the power grid | -418,329 | -380,576 |
| 7.02.04.03 | Construction costs | -1,742,463 | -971,750 |
| 7.02.04.05 | Other | -38,543 | -70,899 |
| 7.03 | Gross added value | 4,995,428 | 5,176,997 |
| 7.04 | Retentions | -691,534 | -620,541 |
| 7.04.01 | Depreciation, amortization and depletion | -691,534 | -620,541 |
| 7.05 | Net added value generated | 4,303,894 | 4,556,456 |
| 7.06 | Added value received in transfer | 585,226 | 106,228 |
| 7.06.01 | Equity income (loss) | 366,736 | -5,680 |
| 7.06.02 | Financial income | 218,490 | 111,908 |
| 7.07 | Total added value to distribute | 4,889,120 | 4,662,684 |
| 7.08 | Distribution of added value | 4,889,120 | 4,662,684 |
| 7.08.01 | Labor | 259,337 | 250,229 |
| 7.08.01.01 | Direct remuneration | 165,589 | 156,710 |
| 7.08.01.02 | Benefits | 48,113 | 51,516 |
| 7.08.01.03 | F.G.T.S. - workers' severance fund | 15,068 | 16,410 |
| 7.08.01.04 | Other | 30,567 | 25,593 |
| 7.08.01.04.02 | Other | 30,567 | 25,593 |
| 7.08.02 | Taxes, duties and contributions | 1,340,628 | 1,505,738 |
| 7.08.02.01 | Federal | 1,305,906 | 1,479,797 |
| 7.08.02.02 | State | 30,920 | 22,595 |
| 7.08.02.03 | Municipal | 3,802 | 3,346 |
| 7.08.03 | Third parties capital remuneration | 800,777 | 763,775 |
| 7.08.03.01 | Interest | 734,162 | 581,309 |
| 7.08.03.02 | Rentals | 5,508 | 7,857 |
| 7.08.03.03 | Other | 61,107 | 174,609 |
| 7.08.03.03.01 | Capitalized interest and monetary variation | 29,634 | 148,016 |
| 7.08.03.03.02 | Other financial expenses | 31,473 | 26,593 |
| 7.08.04 | Remuneration of own capital | 1,777,028 | 1,686,190 |
| 7.08.04.02 | Dividends | 677,688 | 0 |
| 7.08.04.03 | Retained earnings / loss for the period | 1,099,340 | 1,686,190 |

# Consolidated Financial Statements / Value Added Statement (In thousands of Reais)

| Account Code | Account Description | YTD current year 1/1/2020 to 9/30/2020 | YTD previous year 1/1/2019 to 9/30/2019 |
|---|---|---|---|
| 7.08.05 | Other | 711,350 | 456,752 |
| 7.08.05.01 | Sectorial charges | 116,574 | 147,994 |
| 7.08.05.02 | Charges on concessions payable | 604,013 | 301,383 |
| 7.08.05.03 | Non-controlling shareholder | 816 | 868 |
| 7.08.05.04 | Tax incentive reserve | 16,026 | 26,002 |
| 7.08.05.05 | Realization of deemed cost | -22,101 | -17,059 |
| 7.08.05.06 | Dividends and interest on equity not claimed | -3,978 | -2,436 |

**Economic-Financial Performance**

# ECONOMIC-FINANCIAL PERFORMANCE

| | Result by segment – 3Q20 x 3Q19 (in R$ million) | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation[1] | Transmission[2] | Trading | Solar panels | Gas transportation | Consolidated |
| **3Q20** | | | | | | |
| Net operating revenue | 2,163.1 | 786.4 | 244.1 | 15.2 | - | 3,208.8 |
| Operational costs | (1,053.1) | (731.2) | (238.5) | (17.6) | - | (2,040.4) |
| **Gross income (loss)** | **1,110.0** | **55.2** | **5.6** | **(2.4)** | **-** | **1,168.4** |
| Selling, general and administrative expenses | (59.1) | (0.4) | (0.8) | (1.1) | - | (61.4) |
| Equity income | - | - | - | - | 102.3 | 102.3 |
| **Income (loss) before financial results and taxes** | **1,050.9** | **54.8** | **4.8** | **(3.5)** | **102.3** | **1,209.3** |
| **3Q19** | | | | | | |
| Net operating revenue | 2,120.1 | 68.4 | 287.2 | 18.4 | - | 2,494.1 |
| Operational costs | (1,074.6) | (63.7) | (264.9) | (19.1) | - | (1,422.3) |
| **Gross income (loss)** | **1,045.5** | **4.7** | **22.3** | **(0.7)** | **-** | **1,071.8** |
| Selling, general and administrative expenses | (57.3) | - | (0.6) | (1.0) | - | (58.9) |
| Other operating revenues, net | 321.5 | - | - | - | - | 321.5 |
| Equity income | - | - | - | - | 21.1 | 21.1 |
| **Income (loss) before financial results and taxes** | **1,309.7** | **4.7** | **21.7** | **(1.7)** | **21.1** | **1,355.5** |
| **Variation** | | | | | | |
| Net operating revenue | 43.0 | 718.0 | (43.1) | (3.2) | - | 714.7 |
| Operational costs | 21.5 | (667.5) | 26.4 | 1.5 | - | (618.1) |
| **Gross income (loss)** | **64.5** | **50.5** | **(16.7)** | **(1.7)** | **-** | **96.6** |
| Selling, general and administrative expenses | (1.8) | (0.4) | (0.2) | (0.1) | - | (2.5) |
| Other operating revenues (expenses), net | (321.5) | - | - | - | - | (321.5) |
| Equity income | - | - | - | - | 81.2 | 81.2 |
| **Income (loss) before financial results and taxes** | **(258.8)** | **50.1** | **(16.9)** | **(1.8)** | **81.2** | **(146.2)** |

The Company's financial result is not allocated by segment since Management administers the cash flow on a corporate basis.

[1] Generation and sale of electric energy from the Company's portfolio ("Generation").
[2] Segment represented by the Gralha Azul Transmission System and Novo Estado Transmissora de Energia (acquired in March 2020), both under construction.

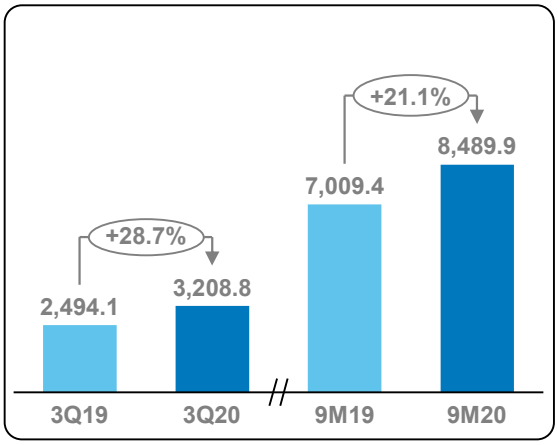
# Economic-Financial Performance

## Net Operating Revenue

| | Operating revenue by segment – 3Q20 x 3Q19 (in R$ million) | | | | |
|---|---|---|---|---|---|
| | Electric energy | | | | |
| | Generation | Transmission | Trading | Solar panels | Consolidated |
| **3Q20** | | | | | |
| Distribution companies | 883.3 | - | - | - | 883.3 |
| Free consumers | 827.6 | - | - | - | 827.6 |
| Construction revenue | - | 749.0 | - | - | 749.0 |
| Energy trading operations | - | - | 256.3 | - | 256.3 |
| Trading companies | 148.0 | - | - | - | 148.0 |
| Remuneration of concession financial assets | 100.8 | 37.4 | - | - | 138.2 |
| Transactions in the short-term market | 131.9 | - | 5.5 | - | 137.4 |
| Services rendered revenue | 30.7 | - | - | - | 30.7 |
| Energy export | 30.5 | - | - | - | 30.5 |
| Unrealized gains on trading operations[3] | - | - | (17.7) | - | (17.7) |
| Other revenues | 10.3 | - | - | 15.2 | 25.5 |
| **Net operating revenue** | **2,163.1** | **786.4** | **244.1** | **15.2** | **3,208.8** |
| **3Q19** | | | | | |
| Distribution companies | 900.3 | - | - | - | 900.3 |
| Free consumers | 808.7 | - | - | - | 808.7 |
| Construction revenue | - | 65.3 | - | - | 65.3 |
| Energy trading operations | - | - | 284.3 | - | 284.3 |
| Trading companies | 192.2 | - | - | - | 192.2 |
| Remuneration of concession financial assets | 86.8 | 3.1 | - | - | 89.9 |
| Transactions in the short-term market | 94.8 | - | 1.7 | - | 96.5 |
| Services rendered revenue | 30.1 | - | - | - | 30.1 |
| Unrealized gains on trading operations | - | - | 1.2 | - | 1.2 |
| Other revenues | 7.2 | - | - | 18.4 | 25.6 |
| **Net operating revenue** | **2,120.1** | **68.4** | **287.2** | **18.4** | **2,494.1** |
| **Variation** | | | | | |
| Distribution companies | (17.0) | - | - | - | (17.0) |
| Free consumers | 18.9 | - | - | - | 18.9 |
| Construction revenue | - | 683.7 | - | - | 683.7 |
| Energy trading operations | - | - | (28.0) | - | (28.0) |
| Trading companies | (44.2) | - | - | - | (44.2) |
| Remuneration of concession financial assets | 14.0 | 34.3 | - | - | 48.3 |
| Transactions in the short-term market | 37.1 | - | 3.8 | - | 40.9 |
| Services rendered revenue | 0.6 | - | - | - | 0.6 |
| Energy export | 30.5 | - | - | - | 30.5 |
| Unrealized gains on trading operations | - | - | (18.9) | - | (18.9) |
| Other revenues | 3.1 | - | - | (3.2) | (0.1) |
| **Net operating revenue** | **43.0** | **718.0** | **(43.1)** | **(3.2)** | **714.7** |

**In 3Q20, net operating revenue increased 28.7%** (R$ 714.7 million) when compared with 3Q19 from R$ 2,494.1 million to R$ 3,208.8 million. This variation was largely a reflection of the following factors:

**Generation and sale of energy from the portfolio:** increase of R$ 43.0 million (2.0%), essentially driven by the following increases: (i) R$ 37.1 million in transactions executed in the short-term market, principally across the CCEE; and (ii) R$ 14.0 million of remuneration from the financial assets with respect to the part payment of the Jaguara and Miranda concessions grant for energy allocated to the Regulated Contracting Environment (ACR), due to higher inflation between the quarters under review. These factors were partially attenuated by the decrease of R$ 11.8 million in revenue from bilateral energy agreements – excluding transactions executed across the short-term market, result of the combination of: (i) a reduction of R$ 83.9 million in energy sales volume; (ii) R$ 41.6 million corresponding to the increase in net average sales price; and (iii) R$ 30.5 million increase from energy exports.




[3] In 3Q20, the Company recorded a reduction in unrealized gains in trading operations considering the results obtained in 2020.

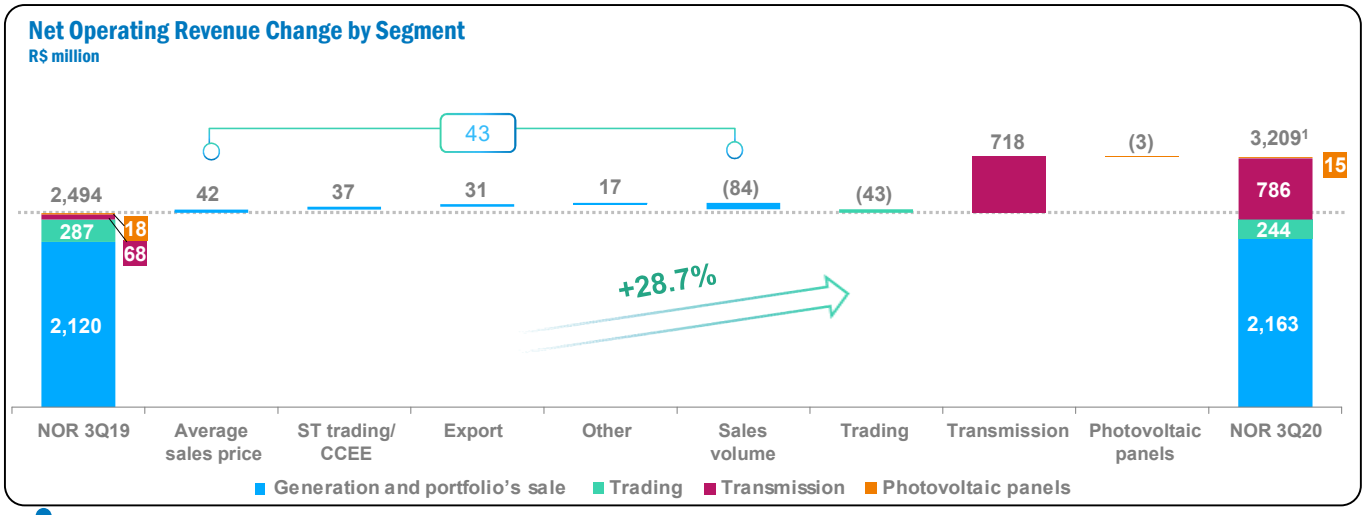
## Economic-Financial Performance

**Transmission:** an increase of R$ 718.0 million (1,049.7%) to advancing work on the Gralha Azul and Novo Estado transmission systems. Worthy of mention in this context is book revenue accruing from the construction of the transmission assets and the result of applying the dictates of the CPC 47 Accounting Pronouncements – Customer Contract Revenue.

**Trading:** reduction of R$ 43.1 million (15.0%), largely due to lower revenue from operations executed and a negative result from marking to market of forward sales.

**Solar panels:** a decline of R$ 3.2 million (17.4%) in revenue from sales and installation of solar panels due to the slowdown in this market during the third quarter.

Results of the trading and transmission segments will be commented under "Operating result from the energy trading segment" and "Operating result from the energy transmission segment".



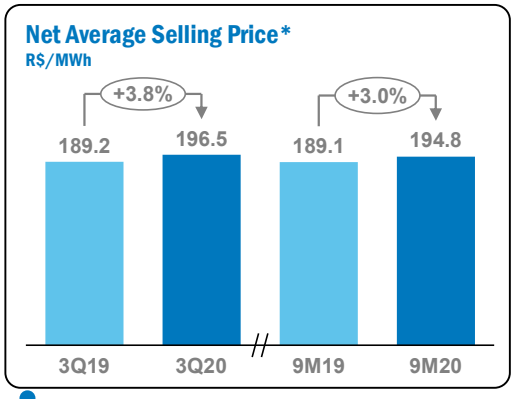

## Comments on Variation in Net Operating Revenue

### ➢ Generation and Sales of Energy from the Portfolio

#### ➢ Net Average Selling Price

**The average selling price of energy**, net of revenue charges, was **R$ 196.49/MWh in 3Q20, 3.8% higher than** reported for 3Q19, when the average price was R$ 189.24/MWh.

Higher prices were largely reflection of monetary restatement on existing agreements and by the electric energy export agreement beginning 3Q20. These effects however, were partially attenuated by new agreements with trading companies and free consumers and at prices lower than the average for existing or maturing agreements, this due principally to the economic downturn in the context of the Covid-19 pandemic.

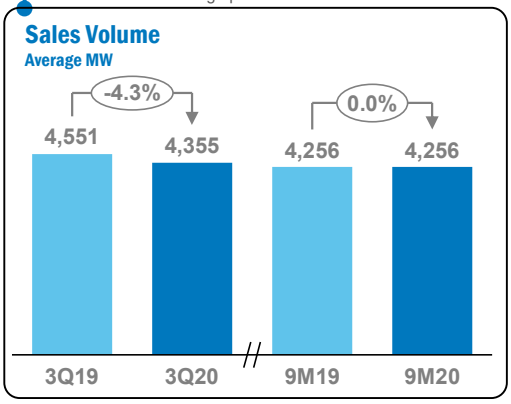



* Net of taxes and trading operations.

#### ➢ Sales Volume

**Energy sales volumes** in agreements decreased from 10,048 GWh (4,551 average MW) in 3Q19 to **9,617 GWh (4,355 average MW) in 3Q20**, a reduction of 431 GWh (196 average MW) between comparative periods (4.3%).

The decreasing sales volume is largely due to the reduction in energy consumption by customers due to the economic weakness brought about by the onset of the pandemic. Sales volume was also affected by agreements maturing in 2019 within the scope of the Electric Energy Commercializing Agreement in the Regulated Contracting Environment (CCEAR), by the effects of the Surplus and Deficit Compensation Mechanism (MCSD) and by the booking of reimbursements foreseen in agreements in the regulated environment.



## Economic-Financial Performance

### ➢ Revenue from Sale of Electric Energy

#### • Distribution Companies:

**Revenue from sales to distributors reached R$ 883.3 million in 3Q20, R$ 17.0 million (1.9%) lower** than the R$ 900.3 million recorded in 3Q19. This reduction reflects the following: (i) R$ 47.5 million — a decrease of 209 GWh (95 average MW) in volumes sold; and (ii) R$ 30.5 million — an increase of 3.4% in the net average price of sales.

The decrease in sales volumes stems largely from the maturing of an existing auction-linked agreement and by the booking of reimbursements pursuant to agreements in the regulated environment.

The increase in net average selling price was largely due to the effects of monetary restatement on existing agreements.

#### • Free Consumers:

**Net revenue from free consumers increased R$ 18.9 million (2.3%)** between the quarters under analysis from R$ 808.7 million in 3Q19 to R$ 827.6 million in 3Q20. The following events contributed to this variation: (i) R$ 33.4 million — an increase of 4.1% in net average selling price and (ii) R$ 14.5 million — a decrease of 82 GWh (38 average MW) in energy sales volumes.

Price increases stem largely from the effect of monetary restatement on existing agreements, partially offset by new agreements at average prices inferior to the average of existing or maturing agreements.

The reduction in sales volume is again a reflection of the Covid-19 pandemic and the uncertainties surrounding the eventual recovery of the economy. This in turn has an impact on energy demand with corresponding decreases in consumption on the part of industrial clients in accordance with flexibility clauses included in the agreements. As a result, all energy volumes not sold to free consumers was settled through the CCEE. However, this decrease was partially attenuated by new agreements during the quarter and by migration from the trader to free consumer profile.

#### • Trading Companies:

**In 3Q20, sales revenue from trading companies was R$ 148.0 million, R$ 44.2 million (23.0%) lower** than revenue reported in 3Q19 at R$ 192.2 million. This decrease reflects the following factors: (i) R$ 22.3 million — a decrease of 11.6% in net average selling price; and (ii) R$ 21.9 million — a reduction of 147 GWh (66 average MW) in energy sales volumes.

Price reductions occur largely due to new agreements at prices lower than those of existing or maturing agreements given the reduction in overall market prices during 2020 although this effect was partially attenuated by monetary restatement on existing agreements.

The decrease in energy volumes is mainly due to migration of some clients over the 2019–2020 period, switching energy purchases as trading companies to free consumers.

In addition, it is important to note the effect of the Covid-19 outbreak on the market both in relation to price reductions and the decrease in energy volume.

#### • Export:

On the basis of its portfolio management strategy, in 3Q20, the Company began exports of energy to Argentina on a continuous basis and with the possibility of doing so out to December 31, 2022. Export revenue reported in 3Q20 amounted to R$ 30.5 million, equivalent to a transacted volume of 7 GWh (3 average MW).

### ➢ Remuneration of Concession Financial Assets

Concession assets represent the present value of future cash flows of the portion of energy allocated to the Regulated Contracting Environment (ACR) for the Jaguara and Miranda Hydroelectric Power Plants, equivalent to 70% of the physical guarantee of these plants. These assets are remunerated at the internal rate of return and according to the Amplified Consumer Price Index (IPCA).

**The remuneration of concession assets** increased from R$ 86.8 million in 3Q19 to R$ 100.8 million in **3Q20, an increase of R$ 14.0 million (16.1%)**. This increase largely reflects the variation in IPCA between the third quarters for 2019 and 2020 and the increase in the average balance between compared periods.

### ➢ Transactions in the Short-term Energy Market

**In 3Q20,** revenue generated in the short-term market was R$ 131.9 million as against 3Q19 when revenues amounted to R$ 94.8 million, thus corresponding to an **increase of R$ 37.1 million (39.1%)** between the two quarters. Additional explanations are to be found under the heading “Details of short-term operations”.

## Economic-Financial Performance

### ➢ Solar Panels

Revenue from the sale and installation of solar panels through the ENGIE Geração Solar Distribuída S.A. (EGSD) subsidiary, **fell R$ 3.2 million (17.4%)** from R$ 18.4 million in 3Q19 to **R$ 15.2 million in 3Q20**. In 3Q20, EGSD installed a total of 40 systems at an installed capacity of 5,908 kWp. Since the outset of operations, the company has installed 2,566 systems amounting to an installed capacity of 50,405 kWp. Year-on-year, there has been a deceleration in commercial activities, principally in the light of the Covid-19 pandemic.

# Economic-Financial Performance

## Operational Costs

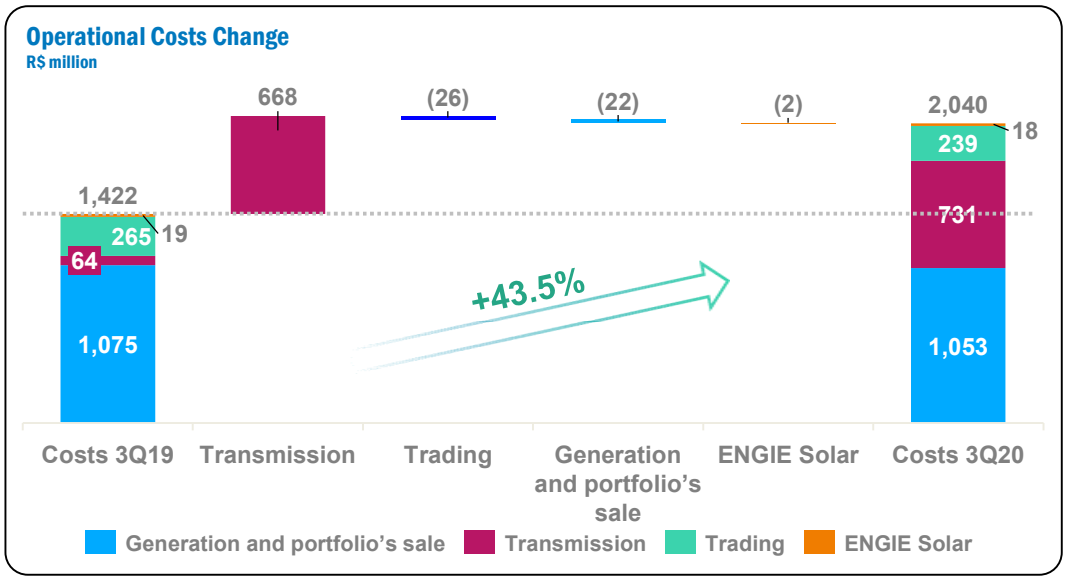
| | Costs by segment – 3Q20 x 3Q19 (in R$ million) | | | | |
|---|---|---|---|---|---|
| | Electric energy | | | | |
| | Generation | Transmission | Trading | Solar panels | Consolidated |
| **3Q20** | | | | | |
| Construction costs | - | 731.2 | - | - | 731.2 |
| Electric power purchases | 402.3 | - | 262.2 | - | 664.5 |
| Depreciation and amortization | 217.9 | - | - | - | 217.9 |
| Charges for the use of and connection to the power grid | 140.9 | - | - | - | 140.9 |
| Materials and third-party services | 84.3 | - | - | 3.9 | 88.2 |
| Personnel | 63.2 | - | - | 2.4 | 65.6 |
| Fuel for generation | 45.8 | - | - | - | 45.8 |
| Royalties | 36.7 | - | - | - | 36.7 |
| Transactions in the short-term market | 22.7 | - | - | - | 22.7 |
| Insurance | 21.9 | - | - | - | 21.9 |
| Cost of selling solar panels | - | - | - | 11.1 | 11.1 |
| Operating provisions, net | 2.3 | - | - | - | 2.3 |
| Unrealized losses on trading operations[4] | - | - | (23.7) | - | (23.7) |
| Other operational costs, net | 15.1 | - | - | 0.2 | 15.3 |
| **Operational costs** | **1,053.1** | **731.2** | **238.5** | **17.6** | **2,040.4** |
| **3Q19** | | | | | |
| Construction costs | - | 63.7 | - | - | 63.7 |
| Electric power purchases | 450.6 | - | 298.6 | - | 749.2 |
| Depreciation and amortization | 221.7 | - | - | - | 221.7 |
| Charges for the use of and connection to the power grid | 133.5 | - | - | - | 133.5 |
| Materials and third-party services | 72.7 | - | - | 4.1 | 76.8 |
| Personnel | 70.0 | - | - | 3.1 | 73.1 |
| Fuel for generation | 49.3 | - | - | - | 49.3 |
| Royalties | 33.6 | - | - | - | 33.6 |
| Transactions in the short-term market | 19.2 | - | - | - | 19.2 |
| Insurance | 10.0 | - | - | - | 10.0 |
| Cost of selling solar panels | - | - | - | 11.4 | 11.4 |
| Operating provisions, net | 0.4 | - | - | - | 0.4 |
| Unrealized losses on trading operations | - | - | (33.7) | - | (33.7) |
| Other operational costs, net | 13.6 | - | - | 0.5 | 14.1 |
| **Operational costs** | **1,074.6** | **63.7** | **264.9** | **19.1** | **1,422.3** |
| **Variation** | | | | | |
| Construction costs | - | 667.5 | - | - | 667.5 |
| Electric power purchases | (48.3) | - | (36.4) | - | (84.7) |
| Depreciation and amortization | (3.8) | - | - | - | (3.8) |
| Charges for the use of and connection to the power grid | 7.4 | - | - | - | 7.4 |
| Materials and third-party services | 11.6 | - | - | (0.2) | 11.4 |
| Personnel | (6.8) | - | - | (0.7) | (7.5) |
| Fuel for generation | (3.5) | - | - | - | (3.5) |
| Royalties | 3.1 | - | - | - | 3.1 |
| Transactions in the short-term market | 3.5 | - | - | - | 3.5 |
| Insurance | 11.9 | - | - | - | 11.9 |
| Cost of selling solar panels | - | - | - | (0.3) | (0.3) |
| Operating provisions, net | 1.9 | - | - | - | 1.9 |
| Unrealized losses on trading operations | - | - | 10.0 | - | 10.0 |
| Other operational costs, net | 1.5 | - | - | (0.3) | 1.2 |
| **Operational costs** | **(21.5)** | **667.5** | **(26.4)** | **(1.5)** | **618.1** |

**Operational costs increased by R$ 618.1 million (43.5%)** between the comparative quarters from R$ 1,422.3 million in 3Q19 to **R$ 2,040.4 million in 3Q20**. This variation was a reflection of the following factors: (i) a growth of R$ 667.5 million (1,047.9%) of costs in the transmission segment; (ii) a reduction of R$ 26.4 million (10.0%) in the costs of trading operations; (iii) a decrease in 3Q20 of R$ 21.5 million (2.0%) in relation to 3Q19, in the costs of the generation and sale of electric energy segment from the Company's portfolio; and (iv) a decrease of R$ 1.5 million (7.9%) in solar panel sales and installation costs.

[4] In 3Q20, the Company recorded a reduction in unrealized losses on trading operations, considering the results obtained in 2020.

## Economic-Financial Performance

The costs of the trading and transmission segments will be commented under a separate heading.




## Comments on Variations in Operational Costs

### ➢ Generation and Energy Sales from the Portfolio

» **Energy purchases:** between 3Q19 and 3Q20, there was a reduction of R$ 48.3 million (10.7%) in purchases for the purposes of energy portfolio management and due to: (i) R$ 32.7 million — a decrease of 7.5% in net average energy purchasing prices; and (i) R$ 15.6 million — a decrease of 81 GWh (36 average MW) in volumes purchased.

The reduction in purchase volume is largely the result of the economic downturn in the wake of the pandemic as already cited under Sales Volume. The decrease in average purchase price was largely a reflection of the reduction of the Differences Settlement Price (PLD) between the compared quarters, given that the PLD is used as a parameter for setting the short-term price.

» **Charges for use of and connection to the electricity grid:** an increase of R$ 7.4 million (5.5%) between the quarters due largely to the annual transmission and distribution tariff readjustment.

» **Material and third-party services:** an increase of R$ 11.6 million (16.0%) in 3Q20 relative to the same quarter in 2019, in the light largely of increases in costs with (i) generator park operation and maintenance agreements of R$ 6.2 million; and (ii) materials for replacement and consumption purposes of R$ 5.8 million, principally related to preventive actions in the context of the Covid-19 outbreak. In addition to these effects, monetary restatement on recurring agreements also contributed to increased costs. This increase was partially offset by reductions in certain costs such as: office supplies, electricity, consultancies, and advisory services.

» **Personnel:** a reduction of R$ 6.8 million (9.7%) in 3Q20 in relation to 3Q19, largely the result of the decrease in the costs of (i) medical accreditation and reimbursement of medical expenses; (ii) payroll-linked indemnities; (iii) variable remuneration; and (iv) overtime. These effects were partially attenuated by new hiring and by the annual readjustment to staff remuneration.

» **Transactions in the short-term energy market:** between the quarters under analysis, costs with these transactions were R$ 3.5 million (18.2%) higher. More explanations on these operations and variations are to be found under “Details of the short-term operations”.

» **Insurance:** an increase of R$ 11.9 million (119.0%) between the quarters under review, mainly the result of the increase in insurance premiums at the Jorge Lacerda Thermoelectric Plant.

The other costs of this segment did not show significant variations between the quarters under analysis.

### ➢ Solar Panels

Again, comparing quarters, there was a reduction of R$ 1.5 million (7.9%) in costs for this segment and largely due to decreases in payroll costs, in direct solar panel sales and installation costs and with materials and third party services and the outcome of the downturn in sales volume between periods.

# Economic-Financial Performance

## Operational Result of the Energy Trading Segment

The Company operates in the physical energy trading market, obtaining results through the variation in prices and within pre-established risk limits. Energy trading operations are transacted in an active market and for accounting purposes, these transactions meet the definition of financial instruments at fair value, since there is no commitment to match buying and selling operations. There is thus the corresponding flexibility to manage contracts and obtain results from market price variations.

The gross result between quarters fell by R$ 16.7 million (74.9%) from R$ 22.3 million in 3Q19 to R$ 5.6 million in 3Q20. The variation reflects the following factors: (i) a R$ 28.9 million negative impact from marking to market — that is the difference between contractual prices and those prevailing in the market — of the net contracted operations pending on September 30 2020 and 2019; (ii) R$ 8.4 million due to the increase in gross result of purchase and sale transactions; and (iii) an increase of R$ 3.8 million in the result for transactions in the short-term energy market.

## Operational Result from the Energy Transmission Segment

The Company has primary responsibility for the construction and installation of the infrastructure pertaining to the Gralha Azul transmission concession – work on the installation of which began in the second half of 2018 – and Novo Estado, as from the acquisition of 100% of the shares in Novo Estado Transmissora de Energia S.A. (current denomination of Sterlite Novo Estado Energia S.A.) in March 2020, and is exposed to the risks and benefits of these constructions. Consequently, based on prevailing accounting practices, the Company books revenue over the course of the implementation of the transmission infrastructure for an amount corresponding to the construction costs plus a gross residual margin to cover the costs related to construction management. Expenditures incurred in the construction are recognized in the cost of the infrastructure. The Annual Allowed Revenue (RAP) is received once the Transmission System goes into commercial operations. Thus, only resources arising from the operational activity are received from that point onwards.

**Gross operating profit from the energy transmission segment increased R$ 50.5 million in 3Q20 compared to 3Q19**, due principally to the acquisition and start of work on the Novo Estado project and continuing progress in the execution of construction work on the Gralha Azul Transmission System. In addition, remuneration revenue from transmission infrastructure was also affected by the variation in the IPCA.

## Details of Short-Term Operations

Short-term operations are classified as energy purchase or sale operations, the principal objective being the management of exposure on the CCEE. Consequently, the price of these operations is characterized by the linkage with the Price for Settlement of Differences (PLD). This item also includes the transactions conducted through the CCEE, given their volatile and seasonal nature, therefore, short-term, of the results originating from accounting movement in the CCEE. Additionally, the long and short positions are settled at the PLD, thus, similar to the short-term operations described above.

In relation to the transactions conducted through the CCEE, the various monthly credit or debit entries to the account of a Board agent are summarized in a single billing as a receivable or a payable. This therefore requires an entry to either an income or an expense item. In this context, it is worth pointing out that due to adjustments in the Company's portfolio management strategy, changes have been taking place in the profile of the mentioned billings. Such fluctuations complicate the direct comparison of the elements comprising each billing for the periods being analyzed - the reason for including this specific topic. The strategy allows us to analyze the fluctuations of the principal elements involved in spite of allocation being either to an income or expenses account according to the credit or debit nature of the billing to which they relate.

Generically, these elements are revenues or expenses arising, for example, (i) from the application of the Energy Reallocation Mechanism (MRE); (ii) from the Generation Scaling Factor (GSF), triggered when generation of plants, part of the MRE, is greater or smaller (Secondary Energy) than the allocated energy; (iii) from the so-called "submarket risk"; (iv) dispatch driven by the Risk Aversion Curve (CAR); (v) the application of System Service Charges (ESS), resulting in dispatch which diverges from the thermal plants order of merit; and (vi) naturally, exposure (a short or long position in the monthly accounting) and settled at the PLD.

**In 3Q20** and 3Q19, **net results** (difference between revenues and costs — less taxes) from short-term transactions — especially those executed across the CCEE — **were positive at R$ 114.7 million** and R$ 77.3 million, respectively. The amount represents an **increase of R$ 37.4 million between the compared periods**, R$ 33.6 million from the result of the generation and sale of electric energy segment from the Company's portfolio and R$ 3.8 million from the result of energy trading transactions.

This variation was basically due to the following effects: (i) a reduction from the negative impact of the Energy Reallocation Mechanism's (MRE) Adjustment Factor (GSF) — the effects of the renegotiation of the hydrological risk already deducted; (ii) reduction of the financial impact of short-term operations and the long position held with the CCEE in 3Q20 when compared with 3Q19, due to the decrease in the average PLD year-on-year; (iii) lower thermoelectric generation between the periods under analysis; and (iv) the increase of revenue in the MRE, given greater hydroelectric power generation in 3Q20.

## Economic-Financial Performance

In December 2019, Aneel stipulated maximum and minimum PLD limits for 2020 at R$ 559.75/MWh and R$ 39.68/MWh, respectively. The following table shows the average PLD amounts for those submarkets in which the Company operates (in MWh).

| Average PLD in R$/MWh | 3Q20 | 3Q19 | Avg. (%) |
|---|---|---|---|
| South | 91.68 | 214.13 | (57.19%) |
| Southeast/Center-West | 91.68 | 214.13 | (57.19%) |
| Northeast | 77.07 | 202.45 | (61.93%) |

PLD reductions were driven by the decrease in average consumption between the third quarters for 2019 and 2020 due to the impacts of the pandemic on the economy.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses rose from R$ 58.9 million in 3Q19 to R$ 61.4 million in 3Q20, an increase of R$ 2.5 million (4.2%) in the quarters under analysis. This increase was a combination of the following items: (i) a growth of R$ 1.8 million (3.1%) from the generation and sale of electric energy segment from the Company's portfolio, principally due to the increase of R$ 6.0 million in expenses with materials and outsourced services, of which of particular note are the acquisition of IT general services aligned to the Company's policy for the digitization of its processes and the acquisition of materials for preventive activities involving Covid-19. This increase was partially offset by the reduction in payroll expenses of R$ 4.6 million. In addition, there was an increase of R$ 0.7 million in the other segments in which the Company carries on its business.

### Other Operating Revenues, Net

Other operating revenues posted a decrease of R$ 321.5 million between the quarters under analysis, entirely reflecting the amount booked in 3Q19. This amount originated principally from indemnities amounting to R$ 321,0 million for non-compliance with contractual conditions on the part of the supplier responsible for the construction of the Pampa Sul Thermoelectric Power Plant, a function of the delay in concluding the work. The amount received was contractually stipulated and reached on the basis of the product of the number of days delay in delivering the work and a fixed daily amount. The resulting amount was calculated to compensate the Company for the shortfall in planned result as a consequence of the delays.

### Equity Income – Gas Transportation

On June 13, 2019, the jointly controlled Aliança Transportadora de Gás S.A. ("Aliança") acquired a 90% corporate control in Transportadora Associada de Gás S.A. (TAG). The Company had a 32.5% direct corporate stake in the jointly controlled company, Aliança, and therefore a 29.25% indirect corporate stake in TAG. On September 2, 2019, TAG incorporated Aliança and as from this date, the Company holds a 29.25% direct corporate stake in TAG.

On May 14, 2020, the Company's Board of Directors approved the participation in the process for acquiring a shareholding equivalent to 10% of the capital stock of TAG - still in the hands of Petrobras - in partnership with another investor in the ENGIE Group and third parties making up the overall Investor Group. On July 20, 2020, an announcement was made of an additional shareholding participation in TAG of 3.25% of the total 10% which Petrobras still held. Consequently, the Company now enjoys a direct 32.5% corporate stake in TAG.

Between 3Q20 and 3Q19, equity income from the TAG holding increased by R$ 81.3 million (387.1%) from R$ 21.0 million in 3Q19 to R$ 102.3 million in 3Q20. The variation reflects the combination of the following factors: (i) R$ 115.8 million growth in EBITDA primarily due to the updating of transportation tariffs and a reduction of operational and administrative costs and expenses; (ii) reduction of net financial expenses of R$ 38.1 million due largely to the reduction in CDI (interbank rate) between compared quarters; (iii) an increase of R$ 61.5 million in Income Tax and Social Contribution due to a higher pre-tax profit, reduction in tax incentives and booking of deferred liabilities carried over from preceding fiscal years; and (iv) an increase of R$ 9.3 million in depreciation and amortization expenses relating to the amortization of the surplus from the reverse incorporation of Aliança. It should be noted here that part of the variations are due to the change in corporate stake between the same quarters of the two years under review. Additionally, in 3Q20, R$ 1.8 million was booked as a negative adjustment for the period from July 1 to July 20, 2020, when the Company had a 29.25% stake in TAG.

## Economic-Financial Performance

TAG's equity income in the 3Q20 includes the following items:

| DRE – in R$ million | 3Q20 | | 3Q19 | | | |
|---|---|---|---|---|---|---|
| | TAG (32.5%) | | Aliança (32.5%) | | TAG (29.25%) | |
| | 100% | Company's share | 100% | Company's share | 100% | Company's share |
| Net operational revenue | 1,540.7 | 500.7 | - | - | 1,335.8 | 390.7 |
| Costs of services provided | (562.6) | (182.8) | - | - | (401.0) | (117.3) |
| **Gross income** | **978.1** | **317.9** | **-** | **-** | **934.8** | **273.4** |
| General and administrative expenses | (31.2) | (10.1) | (159.6) | (51.9) | (68.9) | (20.1) |
| **Income before financial result and taxes** | **946.9** | **307.8** | **(159.6)** | **(51.9)** | **865.9** | **253.2** |
| Financial result | (407.1) | (132.3) | (369.1) | (120.0) | (172.3) | (50.4) |
| **Income before taxes** | **539.8** | **175.5** | **(528.7)** | **(171.9)** | **693.6** | **202.8** |
| Income tax and social contribution | (219.6) | (71.4) | 94.4 | 30.7 | (138.8) | (40.6) |
| **Net Income** | **320.2** | **104.1** | **434.3** | **(141.2)** | **554.8** | **162.2** |
| Equity interest adjustment in the period of July 1st to July 20, 2020 | | (1.8) | | | | |
| **Equity income** | | **102.3** | | | | **21.0** |

We show the following table in order to reconcile net income with EBITDA:

| EBITDA – in R$ million | 3Q20 | | 3Q19 | | | |
|---|---|---|---|---|---|---|
| | TAG (32.5%) | | Aliança (32.5%) | | TAG (29.25%) | |
| | 100% | Company's share | 100% | Company's share | 100% | Company's share |
| **Income before financial result and taxes** | **946.9** | **307.8** | **(159.6)** | **(51.9)** | **865.9** | **253.2** |
| Depreciation and amortization | 383.8 | 124.7 | 151.4 | 49.2 | 226.3 | 66.2 |
| **EBITDA** | **1,330.7** | **432.5** | **(8.2)** | **(2.7)** | **1,092.2** | **319.4** |

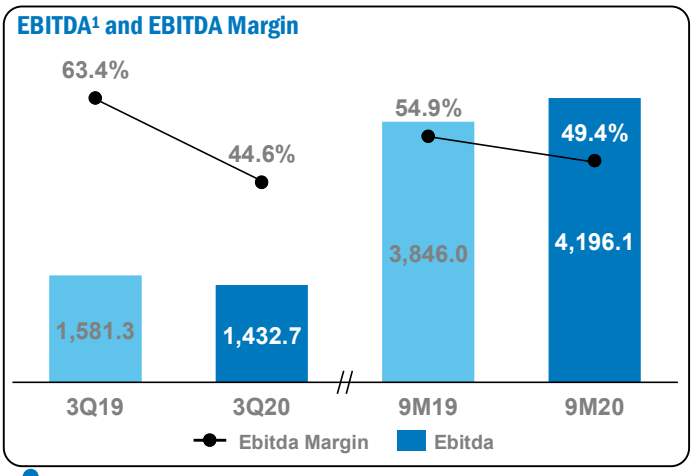
## EBITDA and EBITDA Margin

| | EBITDA by segment – 3Q20 x 3Q19 (in R$ million) | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation | Transmission | Trading | Solar panels | Gas transportation | Consolidated |
| **3Q20** | | | | | | |
| Income (loss) before financial results and taxes | 1,050.9 | 54.8 | 4.8 | (3.5) | 102.3 | 1,209.3 |
| Depreciation and amortization | 223.2 | - | - | 0.2 | - | 223.4 |
| **EBITDA** | **1,274.1** | **54.8** | **4.8** | **(3.3)** | **102.3** | **1,432.7** |
| **EBITDA Margin** | **58.9%** | **7.0%** | **2.0%** | **(21.7%)** | **-** | **44.6%** |
| **3Q19** | | | | | | |
| Income (loss) before financial results and taxes | 1,309.7 | 4.7 | 21.7 | (1.7) | 21.1 | 1,355.5 |
| Depreciation and amortization | 225.6 | - | - | 0.2 | - | 225.8 |
| **EBITDA** | **1,535.3** | **4.7** | **21.7** | **(1.5)** | **21.1** | **1,581.3** |
| **EBITDA Margin** | **72.4%** | **6.9%** | **7.6%** | **(8.2%)** | **-** | **63.4%** |
| **Variation** | | | | | | |
| Income (loss) before financial results and taxes | (258.8) | 50.1 | (16.9) | (1.8) | 81.2 | (146.2) |
| Depreciation and amortization | (2.4) | - | - | - | - | (2.4) |
| **EBITDA** | **(261.2)** | **50.1** | **(16.9)** | **(1.8)** | **81.2** | **(148.6)** |
| **EBITDA Margin** | **(13.5 p.p.)** | **0.1 p.p.** | **(5.6 p.p.)** | **(13.5 p.p.)** | **-** | **(18.8 p.p.)** |

## Economic-Financial Performance

EBITDA includes the result for equity income from the jointly held subsidiary, TAG, since the latter is expected to distribute dividends frequently and recurrently.

Between 3Q20 and 3Q19, EBITDA reported a decrease of R$ 148.6 million (9.4%) from R$ 1,581.3 million in 3Q19 to R$ 1,432.7 million in 3Q20. The variation is a combination of the following **negative effects**: (i) R$ 261.2 million (17.0%) in the generation and sale of electric energy segment from the Company's portfolio; (ii) R$ 16.9 million (77.9%) from the energy trading segment – of which R$ 28.9 million reflects the effect of marking to market, albeit partially attenuated by the positive impact of R$ 12.0 million originating from transactions executed and operational expenses; and (iii) R$ 1.8 million (120.0%) from the solar panel segment. The negative impacts were counterbalanced by **increases of**: (iv) R$ 81.2 million (384.8%) due to a higher result from the jointly held stake in subsidiaries – TAG; and (v) R$ 50.1 million (1,066.0%) from the energy transmission segment.




[1] EBITDA: net income + income tax and social contribution and financial expenses, net + depreciation and amortization + impairment.

The Company's leading business segment in the electric energy sector is that of the generation and sale of electric energy segment from the Company's portfolio with a variation indicated in item (i) above. This was impacted by a non-recurring event, the effect of which was booked in 3Q19 for the amount of R$ 321.0 million to other operating revenues in the form of an indemnity for non-compliance with contractual conditions by the supplier responsible for the construction of the Pampa Sul Thermoelectric Power Plant. Non-compliance mainly relates to delays in the conclusion of the work.

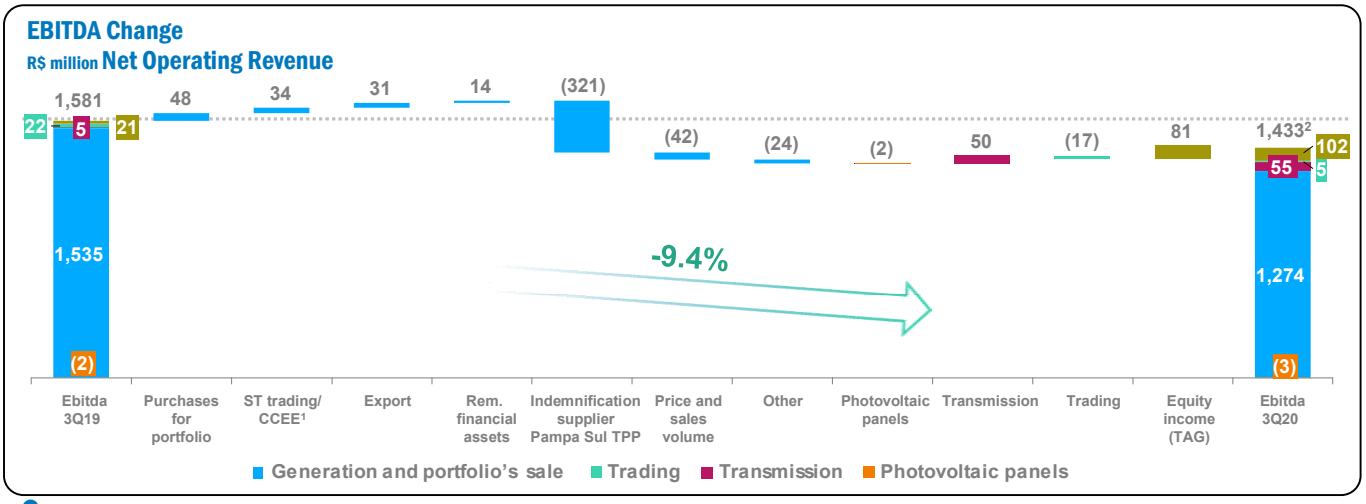
Excluding this effect, EBITDA for this segment in 3Q19 would have decrease from R$ 1,535.3 million to R$ 1,214.3 million. On this comparative basis, EBITDA for this segment would show growth of R$ 59.8 million (4.9%) driven by the following positive effects: (i) R$ 48.3 million reduction in energy purchases; (ii) R$ 41.6 million from the increase in net average energy selling prices; (iii) an increase of R$ 33.6 million in the result for transactions executed in the short-term market; (iv) revenue of R$ 30.5 million from energy exports; and (v) a growth of R$ 14.0 million in revenue from remuneration and monetary restatement of the Jaguara and Miranda concession assets. The effect of these positive factors was partially attenuated by the following negative impacts: (i) R$ 83.9 million decrease in sales volumes; (ii) R$ 11.6 million increase in the cost of materials and outsourced services; (iii) R$ 7.4 million in costs with charges for the use of the electricity network and connections; and (iv) increase of R$ 5.3 million of other revenues and operational costs and expenses.

The consolidated EBITDA margin recorded a decline of 18.8 p.p. from 63.4% in 3Q19 to 44.6% in 3Q20.

Excluding the non-recurring item booked in 3Q19, consolidated EBITDA would have shown an increase of R$ 172.4 million (13.7%) between 3Q19 and 3Q20. The EBITDA margin in 3Q19 would have been 50.5%, representing a decrease of 5.9 p.p. between third quarters for 2019 and 2020.

## Economic-Financial Performance

Worthy of note is that the consolidated EBITDA margin is partially reduced by the impact of energy trading operations, the booking of revenue and costs relative to the construction of the transmission lines and finally operations undertaken by the EGSD subsidiary, margins for which are lower than those of the other operations executed by the Company.




[1] Considers the combined effect of changes in revenue and expenses.
[2] Apparent sum-related errors are a result from rounding of addends.
[1] Apparent sum-related errors are a result from rounding of addends.

The following table reconciles net income with EBITDA:

| (In millions of R$) | 3Q20 | 3Q19 | Chg. % | 9M20 | 9M19 | Chg. % |
|---|---|---|---|---|---|---|
| Net income | 490.0 | 742.7 | -34.0 | 1,767.8 | 1,693.6 | 4.4 |
| (+) Income tax and social contribution | 120.4 | 317.1 | -62.0 | 577.1 | 726.9 | -20.6 |
| (+) Net financial result | 598.9 | 295.7 | 102.5 | 1,159.7 | 800.1 | 44.9 |
| (+) Depreciation and amortization | 223.4 | 225.8 | -1.1 | 691.5 | 620.5 | 11.4 |
| **Ebitda** | **1,432.7** | **1,581.3** | **-9.4** | **4,196.1** | **3,841.1** | **9.2** |
| (+) Impairment | 0.0 | 0.0 | - | 0.0 | 4.9 | -100.0 |
| **Adjusted Ebitda** | **1,432.7** | **1,581.3** | **-9.4** | **4,196.1** | **3,846.0** | **9.1** |

## Financial Result

**Financial income:** in 3Q20, financial revenues were R$ 63.3 million, R$ 20.1 million or 46.8% up on the R$ 43.2 million registered in the same quarter of 2019 due largely to the combination of the following: (i) positive impact of monetary restatement of R$ 29.4 million, arising mainly from the interpretation by the sector regulator of the effects of Aneel Resolution 801/2017, and involving a reduction in the mineral coal subsidy with resources from the Energy Development Account (CDE) in the light of the efficiency of the generator unit; and (ii) a decrease of R$ 8.7 million in revenues from financial investments due to the reduction in interest rates between quarters.

**Financial expenses:** expenses in 3Q20 were R$ 662.2 million, that is, R$ 323.3 million or 95.4% more than recorded in the same quarter last year of R$ 338.9 million. The increase is a reflection of the variation in inflation indices and the increase in the average balance of debt 3Q20 X 3Q19 thus increasing in monetary restatement and interest of: (i) R$ 291.3 million on concession grants payable, mainly motivated by the variation of the General Price Index Market (IGP-M) between the periods compared; and (ii) R$ 63.3 million on debt, but partially attenuated by the capitalization of interest in the Campo Largo – Phase II project in 3Q20 in the amount of R$ 13.5 million. The increase in financial expenses was mitigated by the decrease of R$ 29.7 million in interest and the adjustment to fair value on hedges for currency denominated debt.

## Economic-Financial Performance

### Income Tax and Social Contribution

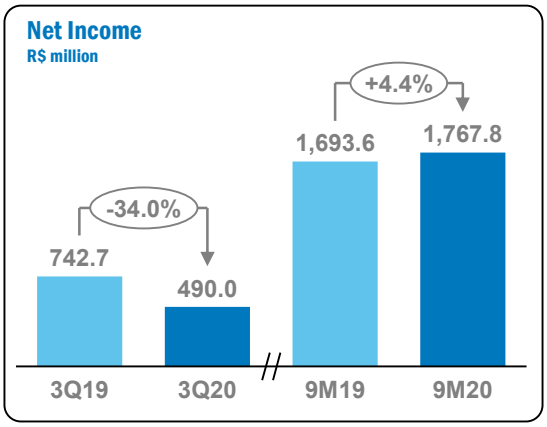
Income Tax and Social Contribution expenses in 3Q20 were R$ 120.4 million, R$ 196.7 million (62.0%) lower than reported for the same quarter of 2019 of R$ 317.1 million largely due to the reduction of 51.1% in pretax profits, excluding the equity income result reported in 3Q20, compared with 3Q19. In addition, the volume of tax incentives in 3Q20 was R$ 9.2 million greater than 3Q19.

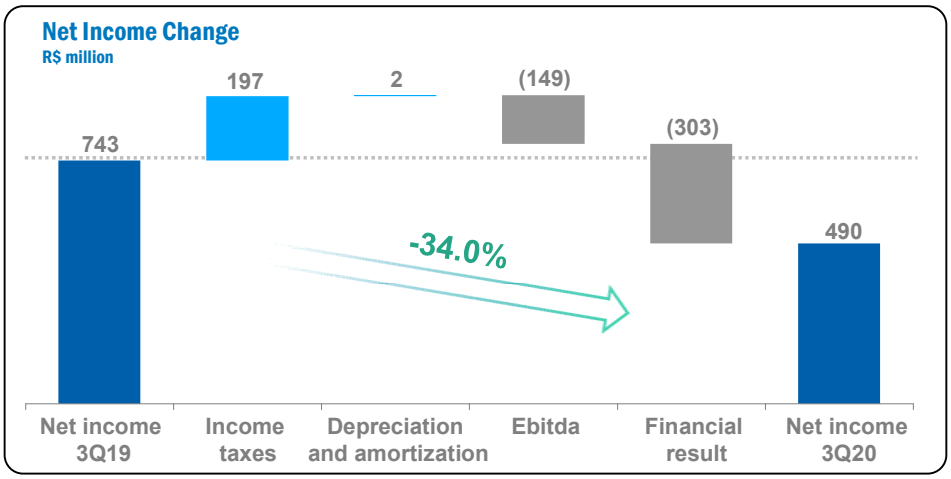
The effective rate of Income Tax and Social Contribution, excluding the result for equity income, fell by 6.8 p.p. from 30.5% in 3Q19 to 23.7% in 3Q20.

### Net Income

Net income in 3Q20 was R$ 490.0 million, R$ 252.7 million or 34.0% lower than the R$ 742.7 million registered in the same quarter 2020. This decrease reflects: (i) the increase of R$ 303.2 million in net financial expenses; (ii) a decrease of R$ 196.7 million in income tax and social contribution; (iii) reduction of R$ 148.6 million in EBITDA; and (iv) reduction of R$ 2.4 million in depreciation and amortization.

Excluding the effects of the indemnity for non-compliance with contractual conditions by the supplier responsible for the construction of the Pampa Sul Thermoelectric Power Plant, resulting in a delay in the conclusion of the work, causing the Company to report a shortfall of R$ 211.8 million in projected results, net income fell 3Q19 x 3Q20 by R$ 40.9 million (7.7%).



**Notes to the Financial Statements**

**ENGIE BRASIL ENERGIA S.A.**
**CNPJ No. 02.474.103/0001-19 | NIRE Nº 42 3 0002438-4**
**NOTES TO THE QUARTERLY INFORMATION AS OF 9.30.2020**
**(In thousands of Reais or other currencies, unless otherwise indicated)**

## NOTE 1 – OPERATIONS

ENGIE Brasil Energia S.A. ("Company" or "ENGIE Brasil Energia") is an independent utility concessionaire and a publicly held corporation with its registered headquarters in the municipality of Florianópolis, Santa Catarina state, Brazil. The core business and main operating activity of the Company and its subsidiaries is the generation and sale of electricity, regulated by the Brazilian Electricity Regulatory Agency (ANEEL), which is linked to the Ministry of Mines and Energy (MME). The Company, through its subsidiaries and joint ventures, also operates in the electricity trading, solar panels, gas and energy transportation segments. For more information, see Note 31 – Information by segment.

The shares of the Company are listed in the New Market segment of B3 S.A. – Brasil, Bolsa, Balcão (B3) under the ticker EGIE3. ENGIE Brasil Energia also trades Level 1 American Depositary Receipts (ADR) in the U.S. Over-the-Counter market under the ticker EGIEY, in the proportion of one ADR for each common share.

The Company is controlled by ENGIE Brasil Participações Ltda. ("ENGIE Participações"), a company established in Brazil and controlled by International Power S.A., headquartered in Belgium. International Power is a subsidiary of International Power Ltd., a company headquartered in the United Kingdom, which is part of the economic group ENGIE group, headquartered in France.

ENGIE Brasil Energia is part of the largest independent energy producer in Brazil, accounting for approximately 6.3%[1] of the country's installed capacity. At 9.30.2020, its installed capacity, including its stakes in energy generation consortiums, was 8,710.5 MW. Out of this total, 73.4% arises from hydroelectric power plants, 13.8% from thermal power plants and 12.8% from complementary energy (wind, solar, biomass and small hydroelectric power plants). Physical guarantee for sale averaged was 4,970.9 MW, of which 377.4 average MW are related to the portion of 70% of physical guarantee of the Jaguara and Miranda Hydroelectric Power Plants, which were allocated to the Regulated Contracting Environment (ACR) in the Physical Guarantee Quota System.

On 9.30.2020, the Company's generation facilities in operation consisted of 60 plants, of which 11 hydroelectric power plants (HPP), 4 conventional thermal power plants (TPP), 38 wind farms, 3 biomass plants, 2 photovoltaic solar power plants and 2 small hydroelectric power plants (SHPP).

[1] The non-financial information herein, such as MW, average MW, installed power and others has not been revised by the independent auditors.

## Notes to the Financial Statements

The main corporate and operational events occurred in the nine-month period of 2020 are as follows:

**a) Payment of interim dividends and interest on equity and allocation of interim dividends**

On January 29, 2020, the Company paid interim dividends for the 1st half of 2019 in the amount of R$893 million, corresponding to R$1.0949497919 per share.

On 7.1.2020 interest on equity for the period from 1.1.2019 to 12.31. 2019 was paid, in the gross amount of R$354 million, corresponding to R$0.4338619496 per share.

In addition, at the meeting held on 7.30.2020, the Board of Directors approved the distribution of interim dividends based on the quarterly information on 6.30.2020, in the amount of R$678 million, corresponding to R$0.8305737385 per share, equivalent to 55% of the adjusted net income in the 1st half of 2020. The Company's shares were traded ex-interim dividends as of 8.10.2020 and the date of payment will be defined later by the Executive Board and informed through a Notice to Shareholders.

**b) Contracting of debt**

**b.1) Loans and financing**

On 3.23.2020, the Board of Directors approved borrowings in foreign currency under the model envisaged in Law 4,131/1962, and the respective swap to CDI in the amount of up US$325 million, of which US$225 million was drawn, with an amortization period of up to four years in a single installment at the end of the loan period, in order to preserve its cash position in light of the Covid-19 pandemic, build working capital and finance the implementation of the Company's business plan.

In addition, on 9.8.2020, the Board of Directors approved cash flow hedges for debts with floating CDI rate, maturing in April 2021 and May 2022, whose notional value was R$1,839 million. The hedges, which were contracted on 9.17.2020, aim to protect the Company against future interest rate variations, by fixing in advance the flow of loan payments. More information on foreign currency funding is presented in Note 16 – Loans and financing.

The Board of Directors approved on 3.10.2020, 4.1.2020 and 6.12.2020 the borrowings of loans from BNDES through the indirect subsidiary Gralha Azul Transmissão de Energia S.A. ("Gralha Azul"), the subsidiaries making up the Campo Largo Wind Complex – Phase II and the indirect subsidiary Novo Estado Transmissora de Energia S.A. ("Novo Estado"), in the amounts of R$1,481 million, R$1,243 million and R$2,510 million, of which R$583 million, R$558 million and R$742 million were drawn (net of borrowing costs), respectively. More information is presented in Note 16 – Loans and financing.

In addition, on 8.7.2020, the Board of Directors approved the borrowing of a loan of up to R$800 million from Banco da Amazônia S.A. (BASA), through its indirect subsidiary Novo Estado, with funds from the Constitutional Fund for Financing the North (FNO), allocated for the implementation of the Novo Estado Transmission System, which should be drawn in November 2020.

## Notes to the Financial Statements

### b.2) Debentures and redeemable preferred shares

On 1.31.2020, the Board of Directors approved the 1st issue of non-convertible, unsecured debentures, in a single series, of Novo Estado Participações S.A. (currently ENGIE Transmissão de Energia Participações S.A.,) the indirect subsidiary of the Company, in the amount of R$500 million.. These debentures were settled on 9.2.2020, with funds obtained from the issue of redeemable preferred shares.

On 9.1.2020, the Company and its direct subsidiaries ENGIE Transmissão de Energia Participações II S.A. ("ETP II") and ENGIE Brasil Energia Comercializadora Ltda. ("EBC"), and as intervening parties its indirect subsidiaries Novo Estado Participações S. A. ("NEP") and Novo Estado, entered signed an Investment Agreement with Itaú Unibanco S.A., whose purpose is the subscription, by the investor, of redeemable preferred shares issued by NEP, in the amount of R$500 million, representing 18.56% of NEP's capital stock. Considering the characteristics of these shares and in accordance with CPC 48 – *Instrumentos financeiros*, the amounts resulting from the operation were recognized as financial liabilities. More information is presented in Note 18 – Redeemable preferred shares.

On 9.23.2020, the direct subsidiary Usina Termelétrica Pampa Sul ("Pampa Sul") settled the 1st issue of non-convertible debentures, in accordance with CVM Instruction 476/2009, in the amount of R$340 million. These debentures were acquired by ENGIE Brasil Energia and are presented, under the parent company, as "Marketable securities". More information is presented in Note 6 – Marketable securities.

On 9.17.2020, the Board of Directors approved the 2nd issue of non-convertible debentures, in accordance with CVM Instruction 400/2003, by the direct subsidiary Pampa Sul, in the amount of R$582 million, in two series, and the remuneration and outlay of each series were defined in the bookbuilding procedure, with R$150 million allocated to the 1st series, with remuneration of IPCA + 4.50% p.a., and R$432 million to the 2nd series, with remuneration of IPCA + 5.75% p.a. The 1st and 2nd series debentures will mature on 4.15.2028 and 10.15.2036, respectively, and the proceeds will be used to reimburse a part of the Plant construction costs, and its settlement is expected in November 2020.

### c) Acquisition of Novo Estado Transmissora de Energia S.A. ("Novo Estado")

On 3.3.2020, after complying with all precedent conditions set forth in the purchase and sale agreement, the Company concluded the acquisition of 100% of the Novo Estado shares. The acquisition price was R$372 million. For more information, see Note 13 – Intangible assets.

Novo Estado owns the concession of Lot 3 of Aneel Transmission Auction 002/2017 held in December 2017, which resulted in the execution of concession agreement 003/2018. The purpose of the concession is the construction, operation and maintenance of approximately 1,800 kilometers of transmission lines, a new substation and the expansion of three other existing substations in the states of Pará and Tocantins for 30 years. The deadline for the operational startup of the transmission line, whose Permitted Annual Revenue (RAP) is R$313 million, is 3.9.2023.

## Notes to the Financial Statements

### d) Reaffirmation and changes in the rating of the Company and subsidiaries

On 3.12.2020, the rating agency Fitch Ratings reaffirmed the Company's 'AAA(bra)' long-term national rating with stable outlook and 'BB' international rating with stable outlook, remaining one level above the sovereign rating. The agency also reaffirmed the 'AAA (bra)' rating with stable outlook, assigned to the 6th, 7th and 9th issues of unsecured debentures of the Company.

On 4.29.2020, the credit rating agency Fitch Ratings affirmed and removed the long-term national rating of 'AAA(bra),' with a stable outlook, for the first issue of debentures of the Company's subsidiaries Companhia Energética Jaguara ("Jaguara") and Companhia Energética Miranda ("Miranda"), for commercial reasons, as per the Indenture, which does not require the update of the initial rating of the debentures.

In addition, on 5.7.2020, due to the recent revision of the sovereign rating outlook to negative, Fitch Ratings also revised the outlook of long-term international ratings in foreign and local currency of ENGIE Brasil Energia to negative, reaffirming them to 'BB' and 'BBB-,' respectively, which remain one level above the sovereign rating.

According to Fitch, the revision of Brazil's sovereign rating outlook from stable to negative reflects the deterioration of the economic and tax outlook for Brazil and the negative risks of both, given the renewed political uncertainty, including tensions between the Executive and Legislative Branches, as well as uncertainties about the duration and intensity of the new coronavirus pandemic.

### e) Acquisition of additional interest in Transportadora Associada de Gás ("TAG")

On 5.14.2020, the Board of Directors of the Company approved its participation in the process of acquiring 10% of the capital stock of TAG, held by Petrobras, in partnership with another investor from the ENGIE Group and third parties that make up the Investor Group. On 7.20.2020, the Company announced the acquisition of additional interest of 3.25% in TAG, of the 10% still held by Petrobras, for R$327 million.

### f) Recovery of federal taxes

On 5.18.2020, the Company obtained favorable final and unappealable decisions giving it the right to be reimbursed, through offset or refund, the federal tax credits, duly adjusted by the Selic rate, in the amounts of R$99 million in parent company and R$157 million in consolidated. For more information, see Note 10 – Other assets.

### g) Generation Scaling Factor (GSF) Agreement

The conditions for the GSF agreement were established by Federal Law 14,052, sanctioned on 9.8.2020. The law establishes the payment of generation deficit deriving from impacts of Santo Antônio, Jirau and Belo Monte Hydroelectric Power Plants, in view of the anticipation of physical guarantee and transmission restrictions of facilities associated with these projects. The solution also covers the effects for generating companies from the displacement caused by the dispatch outside the order of merit and by importing energy.

As compensation, the generating companies will be entitled to extend their concession periods up to seven years, considering only the energy portion that was not renegotiated in 2015. The calculation may consider periods starting in 2012 or 2013, depending on the item considered in the calculation.

## Notes to the Financial Statements

Aneel must approve the rules for the new renegotiation within 90 days, starting from the date the law was approved. Currently, the amounts are under discussion in Aneel's Public Hearing. Since Aneel is still conducting the assessment of the amount involved, these amounts were not registered in the results for the 3rd quarter of 2020.

**h) Impacts of the new coronavirus pandemic**

On 3.11.2020, the World Health Organization (WHO) declared the spread of Covid-19, the disease caused by the new coronavirus, as a pandemic, which forced countries to take measures to prevent infections, protect lives and minimize the impacts of the disease.

Due to the pandemic, restrictive measures were adopted to maintain physical distancing, close down commercial establishments and shutdown industrial plants. These measures led to a slowdown in the supply chain and significantly affected the global economy. Currently, many cities are resuming their economic activities.

On 3.13.2020, the Company set up a Crisis Management Committee to coordinate efforts and preventive actions. At the end of the 3rd quarter of 2020, the Company disclosed to its employees the possibility of returning gradually to the Headquarters, providing them with resources such as an app to reserve the dates, handbook with guidelines for accessing the facilities, examinations every 15 days to detect Covid-19, disposable masks, hand sanitizer, and others.

In the nine-month period of 2020, the Company did not observe any material impacts of the pandemic on its individual and consolidated financial statements, since its operations are authorized by federal agencies to continue operating. In addition, no significant effects are expected in its results that could compromise the operational capacity and implementation of projects of the Company, provided the pandemic situation does not worsen and the resumption of economic activity to pre-pandemic levels does not take too long. Below are the main items that are being monitored by the Company.

**h.1) Demand for electricity**

The restrictions on circulation and on commercial and industrial activities and services impact electricity consumption. However, a large portion of the energy consumption expected is established in agreements signed prior to the Covid-19 pandemic. The Company, as per the data on the physical guarantee and the purchase and sale agreements in force, shows that the current capacity has the following contracting levels:

| | Average MW | | | | | |
|---|---|---|---|---|---|---|
| **Position on 9.30.2020** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
| Own resources | *4,699* | *4,855* | *4,906* | *4,906* | *4,905* | *4,903* |
| Purchases | *1,565* | *880* | *717* | *526* | *353* | *295* |
| Total availability total | 6,264 | 5,735 | 5,623 | 5,432 | 5,258 | 5,198 |
| Contracted availability | 5,413 | 5,136 | 4,915 | 4,414 | 3,673 | 3,150 |
| **Contracted %** | **86.4%** | **89.6%** | **87.4%** | **81.3%** | **69.9%** | **60.6%** |

There were no significant changes in the contracting percentages compared to those presented in Note 38 – Long-term commitments of the financial statements for 12.31.2019.

## Notes to the Financial Statements

In the Free Contracting Environment (ACL), the Company assessed individual negotiations with its clients to propose alternatives related to contractual adjustment during the entire effective term. ACL agreements in general include a flexibility range related to the amount contracted, allowing the sharing of risk in variation in consumption up to a previously established limit. Due to the pandemic, some segments reduced consumption and, consequently, the monthly contractual amounts were reduced within the contracted range. This reduction did not generate significant adverse impacts on the Company's consolidated results. In relation to the Regulated Contracting Environment (ACR), no contractual clauses have been amended so far.

**h.2) Construction of new plants and transmission lines**

Decree 10,282, of 3.20.2020, regulated Law 13,979, of 2.6.2020, defining essential public services and activities, which included electricity generation and distribution. In addition, Decree 10,329, of 4.28.2020, extended the concept of essential activities to engineering works related to the Brazilian Electricity System. These decrees were favorable to the Company as they guarantee the continuity of construction works on the Gralha Azul and Novo Estado Transmission Systems. Due to the local political issues associated with the Covid-19 pandemic, Municipal Decrees were issued establishing periodic stoppages in the construction works on the Campo Largo Wind Complex – Phase II.

In 2020, the construction of Campo Lago Wind Complex – Phase II was suspended from 3.25.2020 to 4.20.2020, from 5.9.2020 to 5.18.2020 and from 5.22.2020 to 7.8.2020, when ENGIE Brasil Energia was authorized to resume activities limiting workforce to 25% at the peak of works, increasing gradually up to 75% with the construction of new temporary structures in order to adapt to Covid-19 pandemic in the first 2 months. No significant impacts are expected on the schedule and on project costs due to said stoppage.

**h.3) Postponement of energy generation and transmission auctions**

On 3.30.2020, the Ministry of Mines and Energy (MME) published Decree 134/2020 indefinitely postponing the energy generation and transmission auctions scheduled for 2020. The transmission auction has already been rescheduled to 12.17.2020, which is the date expected for the public session. However, generation auctions remain suspended. The Company has some projects that would be eligible to participate in the auctions.

**h.4) Level of default**

The Company is monitoring the realization of its balance of trade accounts receivable, as well as the risk associated with each client. The amounts due on the base date of this quarterly information are shown in Note 4 - Trade accounts receivable. So far there was no significant increase in the level of Company's defaults.

It is important to note that the long-term agreements with distributors, including those related to the regulated market (CCEAR), have a mechanism to constitute guarantees, which minimizes the credit risk. With the same objective, the Company demands guarantees for free consumers, energy traders and generation companies. For counterparties that wish to offer another type of guarantee, the Company's credit area analyzes the case and establishes, in accordance with its Credit Policy, the guarantees that will be demanded from them.

## Notes to the Financial Statements

**h.5) Temporary suspension of debt service**

In March 2020, BNDES approved social and economic measures to mitigate the effects of the Covid-19 pandemic, including the possibility of temporarily suspending for up to six months in 2020 the installments payments (principal and interest) of loans borrowed from it. This measure is called standstill.

In view of the conditions offered by BNDES, the Company found it prudent to adopt this measure for the subsidiaries of the indirect subsidiary Energias Eólicas do Ceará and for the direct subsidiary Pampa Sul, which was approved, effective immediately, on 4.28.2020. Therefore, the suspension of payments for six consecutive months between May and October 2020 was ratified.

Adhesion to BNDES's standstill will provide additional cash of approximately R$78 million, diluting this amount for the entire remaining period of the loans contracted from BNDES.

**h.6) Taxes**

Due to the pandemic, the Federal Government published Decrees ME 139 of 4.3.2020, and 245, of 6.15.2020, postponing the payment of PIS and Cofins (cumulative and non-cumulative) pertaining to March, April and May 2020, which would be due on April 24, May 25 and June 25, respectively, to August 25, October 25 and November 25, respectively. The deadlines for payment of corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) remain unchanged. The total PIS and Cofins amount of the Company and its subsidiaries covered by the Decrees was approximately R$118 million, of which approximately R$41 million was paid in August 2020 related to taxes pertaining to March 2020.

In addition, the Company adopted the flexibilization of FGTS contribution permitted by Provisional Presidential Decree 927 of 3.22.2020, deferring the contribution to the fund pertaining to April and May 2020 for the period between July and December 2020, and the deferral of the social contribution related to March, April and May, envisaged in Decrees 150 and 245 of 4.7.2020 and 6.15.2020, respectively. The amount for March was paid in July 2020, and the amounts pertaining to April and May will be paid in October and November 2020. These deferrals led to the preservation of cash of R$10 million up to September 2020, which will be paid during the 4$^{th}$ quarter of 2020.

**h.7) Impairment of long-term assets**

The Company assessed the indicators of asset depreciation due to the pandemic and concluded there was no evidence that the costs registered are higher than their recovery amounts. The Company adopted measures that postponed the realization of cash potentially in the short term, with no material effects being identified in the medium and long term.

## Notes to the Financial Statements

### h.8) Resolution on allocation of net income from 2019

Due to the worsening Covid-19 pandemic and its possible impacts on the Brazilian economy, the energy sector and the Company, the Management deemed it necessary to reassess the facts and assumptions used to allocate the net income from fiscal year 2019. As such, on 4.16.2020, the Company informed its shareholders and the market of the approval, by the Board of Directors, of the updated proposal for the allocation of net income from 2019, proposing the retention of the amount previously approved as supplementary dividends in 2019, in the amount of R$950 million, based on the capital budget. This retention is aimed at being one of the sources of funds to be directly invested in the maintenance of the generation facilities and in other projects. The resolution was approved at the Annual Shareholders Meeting held on 4.28.2020.

## NOTE 2 – PRESENTATION OF QUARTERLY INFORMATION

The Company's quarterly information was prepared in compliance with Accounting Pronouncement CPC 21 – Demonstração Intermediária (*Interim Financial Reporting*), and the consolidated quarterly information (ITR) is simultaneously presented in accordance with the international standard IAS 34 – Interim Financial Reporting and with CPC 21.

The Brazilian accounting standards are convergent with the IFRS, except for the recording, in the parent company's balance sheet, of the controlling interest in joint ventures which, under Brazilian rules, is recognized by the equity income method and, according to IFRS, by the rules applicable to joint ventures, which stipulate that assets, liabilities and profit or loss are recognized in proportion to its share in the joint venture.

There is no difference between shareholders' equity and the parent company and consolidated results included, respectively, in the individual and consolidated (ITR) financial statements. There is also no difference between the basic and diluted net earnings per share, since no shares were issued with diluting effects in the periods reported.

The quarterly information was also prepared in accordance with the rules of the Securities and Exchange Commission of Brazil (CVM), using amortized historical cost as base value, except for the fair value assessment of certain financial instruments, when required by the rules.

While preparing the quarterly information, the Company Management uses estimates to record certain transactions that affect its assets, liabilities and expenses.

The content and values of certain notes presented in the financial statements of fiscal year ended 12.31.2019 that did not require significant updates were not reported again in the quarterly information of 9.30.2020. These quarter, therefore, must be read jointly with the financial statements of 12.31.2019.

The accounting practices and calculation methods adopted while preparing the quarterly information of 9.30.2020, as well as the main judgments and uncertainties in the estimates used in the application of the accounting practices, were the same adopted to prepare the financial statements of fiscal year ended 12.31.2019. In addition, in the 3rd quarter of 2020, the following new accounting practices were applied due to the acquisition by the Company of debentures issued by its direct subsidiary Pampa Sul and the issue of redeemable preferred shares by the indirect subsidiary NEP.

## Notes to the Financial Statements

**Marketable securities**

These include investments in debentures and are initially and subsequently recognized at fair value through profit or loss. Gains or losses resulting from variations in their fair value are recognized in the Company's results.

**Redeemable preferred shares**

Refer to redeemable preferred shares classified as financial liabilities in accordance with the nature and characteristics of these shares, which determine the payment of priority and cumulative dividends and the scheduled or mandatory redemption of shares at the discretion of their holders. Redeemable shares are measured using the effective interest method.

**a) Standards and changes applicable to the Company starting from January 1, 2020**

As of 1.1.2020, the following pronouncements are in force: (i) Revision of CPC 00 – Estrutura Conceitual para Relatório Financeiro (*Conceptual Framework for Financial Reporting*); (ii) Changes in CPC 15 (R1) – Combinação de Negócios (*Business Combination*); and (iii) Changes in CPC 26 (R1) – Apresentação das Demonstrações Contábeis (*Presentation of Financial Statements*) and CPC 23 – Políticas Contábeis, Mudança de Estimativa e Retificação de Erro (*Accounting Policies, Change in Estimate and Rectification of Errors*).

The adoption of the changes in these standards did not result in material impacts on the individual and consolidated quarterly information of 9.30.2020.

**b) EmpresasNet system**

Note that in the "Statement of Changes in Shareholders' Equity" table of the EmpresasNet System of the CVM, the equity valuation adjustment, though not corresponding to "Other Comprehensive Income," is presented in the column with this indication because there is not a more appropriate option to present said transaction in the standard statement of CVM.

**c) Approval of the quarterly information**

This quarterly information was approved by the Board of Directors, at meeting held on 11.5.2020.

## Notes to the Financial Statements

### NOTE 3 – CASH AND CASH EQUIVALENTS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| **Cash and bank deposits** | **602** | **2,200** | **37,851** | **90,893** |
| **Marketable securities:** | | | | |
| Exclusive investment fund | | | | |
| Repurchase transactions backed by federal bonds | 2,077,600 | 2,588,144 | 5,625,922 | 3,746,004 |
| Other marketable securities | 53 | 163 | 32,916 | 33,364 |
| | **2,077,653** | **2,588,307** | **5,658,838** | **3,779,368** |
| | **2,078,255** | **2,590,507** | **5,696,689** | **3,870,261** |

### NOTE 4 – TRADE ACCOUNTS RECEIVABLE

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Transactions within the CCEE | 319,378 | 136,334 | 554,739 | 344,953 |
| Distributors | 244,765 | 276,984 | 444,772 | 428,598 |
| Free Consumers | 35,562 | 34,464 | 383,933 | 360,538 |
| Trading operations | - | - | 120,747 | 139,299 |
| Traders | 103,075 | 201,663 | 53,228 | 92,546 |
| Others | - | 305 | 131,181 | 91,490 |
| Estimated losses with doubtful accounts | (6,180) | (6,180) | (6,197) | (6,197) |
| **Current assets** | **696,600** | **643,570** | **1,682,403** | **1,451,227** |
| | | | | |
| Free consumers | 1,454 | - | 16,365 | - |
| Distributors | 748 | 748 | 761 | 761 |
| **Non-current assets[2]** | **2,202** | **748** | **17,126** | **761** |
| | **698,802** | **644,318** | **1,699,529** | **1,451,988** |

The average term for receiving amounts relative to electricity sold through agreements is approximately 30 days, as from the first day of month subsequent to the sale, including trading operations, whereas the term of amounts settled within the Electricity Trading Chamber (CCEE) is approximately 45 days. Despite the increase in defaults at CCEE due to the legal imbroglio surrounding the Generating Scaling Factor (GSF) since 2015, the Company has been constantly managing its portfolio to mitigate this situation.

[2] Amounts related to trade receivables in the long-term are presented under "Other non-current assets".

## Notes to the Financial Statements

The breakdown of overdue accounts receivable recorded under current assets is as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Overdue up to 30 days | - | - | 6,125 | 4,318 |
| Overdue more than 30 days | 6,307 | 7,044 | 28,268 | 14,815 |
| *With estimated losses recognized* | *6,180* | *6,180* | *6,197* | *6,197* |
| *Other* | *127* | *864* | *22,071* | *8,618* |
| | **6,307** | **7,044** | **34,393** | **19,133** |

In addition to the amounts mentioned above, the Company also has amounts receivable from transactions in the Wholesale Electricity Market (MAE), currently CCEE, between 2000 and 2002, which are fully covered by the allowance for doubtful accounts. In 2020, the Company renegotiated R$7 million from the provision through agreement with the client.

## NOTE 5 – INVENTORIES

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Supplies | 15,224 | 14,344 | 99,466 | 83,766 |
| Advances to suppliers | 1,831 | 1,015 | 66,258 | 86,518 |
| Inputs for energy production | - | - | 65,255 | 47,675 |
| Other | 208 | 76 | 7,786 | 3,005 |
| | **17,263** | **15,435** | **238,765** | **220,964** |

### - Advances to suppliers

In 2019 and in the nine-month period of 2020, the subsidiary Pampa Sul advanced R$79,903 and R$50,048, respectively, amounting to R$129,951, to a coal supplier due to compliance with the contractual commitment of acquisition of a minimum monthly quota of 106,000 tons. The balance on 9.30.2020 was R$57,226 (R$38,949 on 12.31.2019), to be realized when the purchase of coal exceeds the minimum monthly quota. The Company expects to fully pay the advance by the end of 2021.

In addition, the subsidiary ENGIE Geração Solar Distribuída S.A. (EGSD) made advance payments to suppliers for acquisition of solar panels, whose balance at 9.30.2020 is R$5,304 (R$46,246 on 12.31.2019).

## NOTE 6 – MARKETABLE SECURITIES

On 9.23.2020, the Company acquired debentures issued by its direct subsidiary Pampa Sul, in the total amount of R$340,000, which were issued to optimize the subsidiary's capital structure. The debentures acquired are non-convertible, have security interest, including additional personal guarantee, and were issued under CVM Instruction 476/2009. The Company intends to settle these debentures in the secondary market when it becomes favorable for the operation. The changes in marketable securities, in the parent company, are as follows:

**Notes to the Financial Statements**

| | Non-current |
|---|---|
| Acquisition | 340,000 |
| Interest[3] | 465 |
| Inflation adjustment[3] | 396 |
| Fair value adjustment | 30,940 |
| **At 9.30.2020** | **371,801** |

The main contracting conditions were:

| | | Conditions | | | |
|---|---|---|---|---|---|
| | Remuneration | Charges | Principal | Maturity | Guarantee |
| 1st Issue – 1st Series | IPCA + 6.25% p.a. | Half-yearly | Half-yearly | 4.2028 | Security interest |
| 1st Issue – 2nd Series | IPCA + 7.50% p.a. | Half-yearly | Half-yearly | 10.2036 | Security interest |

## NOTE 7 – RESTRICTED DEPOSITS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Guarantees for negative balance at CCEE | - | 31 | 1,350 | 4,049 |
| Reinvestment deposits | 807 | 807 | 807 | 807 |
| **Current assets** | **807** | **838** | **2,157** | **4,856** |
| | | | | |
| Financing guarantees | 10,556 | 10,388 | 230,376 | 374,676 |
| Contractual commitment guarantees | - | - | 43,674 | - |
| Others | - | - | 6,385 | 6,388 |
| **Non-current assets** | **10,556** | **10,388** | **280,435** | **381,064** |
| | **11,363** | **11,226** | **282,592** | **385,920** |

**- Financing guarantees**

Guarantees for loans are aimed at ensuring the payment of debt with the BNDES and on lending banks. They are mostly constituted for the amount equivalent to 3 months of debt service and contractual operating and maintenance expenses for plants that hire third-party services to perform these activities.

**- Contractual commitment guarantees**

Deposits in the amount of R$43,540 were recognized as consolidated non-current assets, which were made to guarantee compliance with certain contractual commitments undertaken by the seller of Novo Estado. These deposits will be released: (i) in the first anniversary of the closing date, up to the limit of 2% of the base purchase price established in the share purchase agreement; and (ii) the balance, 30 months after the closing date or at the start of commercial operation, whichever occurs first.

[3] The information presented includes PIS and Cofins.

## Notes to the Financial Statements

## NOTE 8 – CONCESSION FINANCIAL ASSET

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| Jaguara HPP | 186,484 | 1,508,045 | 1,694,529 | 183,783 | 1,496,385 | 1,680,168 |
| Miranda HPP | 114,103 | 922,692 | 1,036,795 | 112,449 | 915,557 | 1,028,006 |
| | **300,587** | **2,430,737** | **2,731,324** | **296,232** | **2,411,942** | **2,708,174** |

### a) Changes in concession financial assets

| | Consolidated | | |
|---|---|---|---|
| | Jaguara HPP | Miranda HPP | Total |
| **Balances at 12.31.2019** | **1,680,168** | **1,028,006** | **2,708,174** |
| Amounts received | (132,113) | (80,835) | (212,948) |
| Interest | 114,699 | 70,177 | 184,876 |
| Monetary variation | 31,775 | 19,447 | 51,222 |
| **Balances at 9.30.2020** | **1,694,529** | **1,036,795** | **2,731,324** |

### b) Realization profile of the concession financial asset presented under non-current assets

| | Consolidated | | |
|---|---|---|---|
| | Jaguara HPP | Miranda HPP | Total |
| October to December 2021 | 40,264 | 24,635 | 64,899 |
| 2022 | 151,361 | 92,608 | 243,969 |
| 2023 | 136,928 | 83,778 | 220,706 |
| 2024 | 123,840 | 75,771 | 199,611 |
| 2025 | 112,029 | 68,544 | 180,573 |
| 2026 to 2030 | 418,817 | 256,252 | 675,069 |
| 2031 to 2047 | 524,806 | 321,104 | 845,910 |
| | **1,508,045** | **922,692** | **2,430,737** |

## NOTE 9 – AGREEMENT ASSET

The Company has primary responsibility for the construction and installation of infrastructure related to the transmission concession of the Gralha Azul Transmission System, whose implementation started in the second half of 2018, and of the Novo Estado Transmission System, through the acquisition of 100% of its shares in March 2020, and it is exposed to the risks and benefits of these constructions. Thus, based on the accounting practices in force, the Company recognizes revenue from the construction of transmission infrastructure, during the implementation stage, at an amount corresponding to the construction costs plus a residual gross margin, intended to cover the costs related to construction management. Expenses incurred in the construction are recognized under transmission infrastructure construction costs. Concession agreement assets are remunerated at the internal rate of return and the variation in the IPCA index.

## Notes to the Financial Statements

The concession agreement assets are presented under non-current assets and their changes are shown below:

| | Consolidated | | |
|---|---|---|---|
| | Gralha Azul | Novo Estado | Total |
| **Balance at 12.31.2019** | **217,611** | **-** | **217,611** |
| Acquisition of subsidiary Novo Estado | - | 153,279 | 153,279 |
| Revenue from construction of transmission infrastructure | 617,974 | 700,507 | 1,318,481 |
| Interest | 30,283 | 15,724 | 46,007 |
| Monetary variation | 6,868 | 4,510 | 11,378 |
| **Balance at 9.30.2020** | **872,736** | **874,020** | **1,746,756** |

The balance shown under non-current assets will start being realized from the commercial startup of the electricity transmission systems, whose deadline is March 2023 for both assets.

## NOTE 10 – OTHER ASSETS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Tax credits recoverable | 100,801 | 2,179 | 252,331 | 114,415 |
| Prepaid expenses | 19,406 | 16,957 | 63,815 | 38,823 |
| Fuels to reimburse | - | - | 60,666 | 52,533 |
| Advances to the R&D entity | 45,944 | 25,277 | 49,673 | 27,597 |
| Divestments and services in course | 32,552 | 29,740 | 37,685 | 38,322 |
| Deferred tax asset | - | - | 20,095 | 13,543 |
| Trade receivables | 2,202 | 748 | 17,126 | 761 |
| Loan – Tereos Açúcar e Álcool | - | - | 10,277 | 11,662 |
| Advances to employees | 6,932 | 4,930 | 10,580 | 6,608 |
| Insurance to be reimbursed by subsidiaries | 68,868 | 11,647 | - | - |
| Other amounts receivable | 60,737 | 51,978 | 91,232 | 75,902 |
| | **337,442** | **143,456** | **613,480** | **380,166** |
| **Classification in balance sheet** | | | | |
| Current assets | 231,159 | 137,506 | 389,397 | 311,478 |
| Non-current assets | 106,283 | 5,950 | 224,083 | 68,688 |
| | **337,442** | **143,456** | **613,480** | **380,166** |

### a) Tax credits recoverable

Mainly corresponds to PIS and Cofins dues stemming from (i) the acquisition of machinery and equipment and expenses with construction of Plants; and (ii) the recognition of federal credits due to favorable outcome in a lawsuit in 2020, totaling R$98,721 and R$156,929, in the parent company and consolidated, respectively.

Regarding item (ii), the Company and its subsidiary EBC filed a writ of mandamus in 2007 for, among others, recognizing the right to receive federal taxes unduly paid, through offset by other taxes levied by the Federal Revenue Service, duly adjusted by the Selic rate.

## Notes to the Financial Statements

On 5.18.2020, the final and unappealable decision in favor of the Company and its subsidiary was given on the writ of mandamus. Considering the results entirely favorable to ENGIE Brasil Energia and EBC, the companies recognized the tax credit, with a corresponding entry under net operating income, in the amounts of R$50,341 in the parent company and R$80,022 in consolidated, corresponding to the portion of gain related to the principal, and under financial income, in the amounts, net of PIS and Cofins, of R$46,089 in the parent company and R$73,289 in the consolidated, related to inflation adjustment based on the Selic rate. The credits of ENGIE Brasil Energia were already approved by the Federal Revenue Service of Brazil, while EBC's credits are in the process of approval.

**b) Prepaid expenses**

Mainly refer to expenses to be appropriated resulting from the Property Damage and Business Interruption (PDBI) insurance policy.

**c) Fuel to be reimbursed**

Refers to amounts receivable from the reimbursement of fuel consumed for thermal power generation at the Jorge Lacerda Thermal Power Complex, which are reimbursed by the Energy Development Account (CDE), currently managed by CCEE. The amounts eligible for reimbursement correspond to the limit of 2,400,000 tons per annum, discounting the percentage indicated every year by the regulatory body regarding the Plant's availability and efficiency indices.

## NOTE 11 – INVESTMENTS

**a) Breakdown**

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Interest on subsidiaries: | | | | |
| Measured at the equity method | | | | |
| Equity in earnings of subsidiaries | 13,515,187 | 12,649,936 | 2,202,872 | 2,874,727 |
| Goodwill from investment acquisition | 79,947 | 82,453 | - | - |
| Goodwill from expected future profitability | 192,176 | 92,715 | 173,654 | 74,193 |
| | **13,787,310** | **12,825,104** | **2,376,526** | **2,948,920** |

## Notes to the Financial Statements

### b) Changes in investments evaluated through the equity method

| | Balance at 12.31.2019 | Capital increase /Acquisition of investment | Capital reduction | Equity in earnings of subsidiaries | Dividends | Other comprehensive income | Balances at 9.30.2020 |
|---|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | | |
| ECP[4] | **3,363,152** | 374,711 | - | 219,754 | (88,517) | - | **3,869,100** |
| Pampa Sul | **2,393,128** | - | - | 11,606 | - | - | **2,404,734** |
| CEE[5] | **1,136,237** | - | - | 128,240 | - | - | **1,264,477** |
| Jaguara | **1,008,227** | - | - | 102,200 | - | - | **1,110,427** |
| Miranda | **670,909** | - | - | 72,701 | - | - | **743,610** |
| Diamante[6] | **515,644** | - | - | 155,934 | - | - | **671,578** |
| ETP II | **-** | 422,384 | - | 22,524 | - | - | **444,908** |
| EBC | **296,194** | - | - | 108,061 | - | - | **404,255** |
| EGSD | **66,954** | 20,700 | - | (10,266) | - | 403 | **77,791** |
| Lages[7] | **30,530** | - | - | 4,733 | - | - | **35,263** |
| ECV[8] | **24,948** | - | - | 4,785 | - | - | **29,733** |
| ENGIE Trading[9] | **22,175** | 5,000 | - | (24,546) | - | - | **2,629** |
| NEP | **1** | 163,705 | (167,219) | 3,513 | - | - | **-** |
| Other | **3,589** | - | - | - | - | - | **3,589** |
| **Under shared control** | | | | | | | |
| Itasa[10] | **243,521** | - | - | 6,700 | - | - | **250,221** |
| **Joint venture** | | | | | | | |
| TAG | **2,874,727** | 227,707 | - | 366,736 | (321,750) | (944,548) | **2,202,872** |
| | **12,649,936** | **1,214,207** | **(167,219)** | **1,172,675** | **(410,267)** | **(944,145)** | **13,515,187** |

The purpose of the capital increases in the subsidiaries ECP and ETP II were mainly to invest in Campo Largo Wind Complex – Phase II and Gralha Azul and Novo Estado Transmission Systems, controlled by the Company's subsidiaries.

On 7.20.2020, the acquisition agreement was signed for additional ownership interest of 3.25% in TAG, of the 10% still held by Petrobras, for R$327,168, of which R$227,707 corresponds to capital increase. Accordingly, R$99,461 was added to previously recognized goodwill.

On 7.1.2020 approval was given to the capital increase of R$167,219 in ETP II through the transfer of 63,706,000 registered common shares with no par value of NEP.

[4] ENGIE Brasil Energias Complementares Participações Ltda.
[5] Companhia Energética Estreito
[6] Diamante Geração de Energia Ltda.
[7] Lages Bioenergética Ltda.
[8] ENGIE Comercializadora Varejista de Energia Ltda.
[9] ENGIE Trading Comercializadora de Energia Ltda.
[10] Itá Energética S.A.

## Notes to the Financial Statements

### b.1) Information on main investees

| | 12.31.2019 | | | | | 9.30.2020 | | | | 3rd quarter of 2020 | | 9 months of 2020 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Interest (%) | Assets | Liabilities | Adjusted equity | Capital | Assets | Liabilities | Adjusted equity | Capital | Net revenue | Adjusted net income (loss) | Net revenue | Adjusted net income (loss) |
| ECP | 99.99 | 6,651,195 | 3,437,891 | 3,366,818 | 2,360,476 | 8,306,843 | 4,595,003 | 3,873,582 | 2,360,476 | 588,409 | 89,113 | 1,292,263 | 220,570 |
| Pampa Sul | 99.99 | 3,286,422 | 1,181,076 | 2,393,128 | 1,956,692 | 3,612,789 | 1,468,283 | 2,404,734 | 1,956,692 | 160,359 | (1,123) | 473,740 | 11,606 |
| CEE | 99.99 | 2,244,465 | 1,108,228 | 1,136,237 | 920,380 | 2,322,054 | 1,057,577 | 1,264,477 | 920,380 | 129,059 | 54,398 | 378,975 | 128,240 |
| Jaguara | 99.99 | 2,354,079 | 1,345,852 | 1,008,227 | 854,409 | 2,463,743 | 1,353,316 | 1,110,427 | 854,409 | 113,857 | 35,692 | 314,467 | 102,200 |
| Miranda | 99.99 | 1,485,078 | 814,169 | 670,909 | 582,663 | 1,560,237 | 816,627 | 743,610 | 582,663 | 70,363 | 27,769 | 191,700 | 72,701 |
| Diamante | 99.99 | 774,980 | 259,336 | 515,644 | 638,941 | 983,580 | 312,002 | 671,578 | 638,941 | 193,792 | 63,796 | 610,900 | 155,934 |
| ETP II | 99.99 | - | - | - | - | 1,891,506 | 1,461,848 | 429,658 | 167,225 | 420,474 | 7,274 | 420,474 | 7,274 |
| EBC | 99.99 | 1,115,447 | 819,253 | 296,194 | 4,200 | 928,391 | 524,136 | 404,255 | 10,038 | 1,136,569 | 19,470 | 3,357,487 | 108,061 |
| ENGIE solar | 99.99 | 185,458 | 118,504 | 66,954 | 29,611 | 183,481 | 105,690 | 77,791 | 58,990 | 15,164 | (3,836) | 36,288 | (10,266) |
| Lages | 99.99 | 37,991 | 7,461 | 30,530 | 30,530 | 44,142 | 8,879 | 35,263 | 30,530 | 10,174 | 1,960 | 28,516 | 4,733 |
| ECV | 99.99 | 55,105 | 30,157 | 24,948 | 23,970 | 59,476 | 29,743 | 29,733 | 23,970 | 78,191 | 3,512 | 267,009 | 4,785 |
| ENGIE Trading | 99.99 | 97,507 | 75,332 | 22,175 | 5,000 | 112,522 | 109,893 | 2,629 | 10,000 | 78,316 | (318) | 224,980 | (24,546) |
| NEP | 99.99 | - | - | - | - | - | - | - | - | - | - | 300,266 | 3,513 |
| Itasa | 48.75 | 533,284 | 33,754 | 499,530 | 510,135 | 554,496 | 41,223 | 513,273 | 510,135 | 43,290 | 1,369 | 125,370 | 13,744 |
| TAG | 32.50 | 36,662,512 | 26,834,387 | 9,828,125 | 2,255,637 | 39,102,205 | 32,324,137 | 6,778,068 | 2,255,637 | 1,540,668 | 320,219 | 4,372,006 | 1,224,215 |

**Non-controlling shareholder**

The non-controlling interest of Ibitiúva in the shareholders' equity and the net income of ECP presented above is R$4,482 (R$3,666 on 12.31.2019) and R$816 (R$868 on 9.30.2019), respectively. ECP's net income in the 3rd quarter of 2020, corresponding to non-controlling interest, is R$304 (R$310 in the 3rd quarter of 2019).

**Capitalized interests**

ENGIE Brasil Energia took out loans and debentures to finance the construction of the Campo Largo - Phase I, Trairí, Umburanas - Phase I and Campo Largo - Phase II Wind Power Complexes and the Assú V Photovoltaic Power Plant, investments that are part of ECP, and of the Pampa Sul Thermal Power Plant. The interest on these debts is capitalized during the construction period of the Plants in the consolidated financial statements and recognized using the equity method in the parent company's financial statements. After the commercial startup, the amounts capitalized are amortized in the period corresponding to the amortization of property, plant and equipment. The Campo Largo Complex – Phase II is in the construction phase and hence interest on debt has not been amortized yet.

In the nine-month period of 2020, the interest, net of amortization, capitalized in direct subsidiary ECP was R$8,228 and the amortization of the capitalized interest in Pampa Sul was R$27,554. In the year to date, capitalized interest in these subsidiaries were R$161,742 and R$260,228, respectively. In the table above, the amounts under "Adjusted shareholders' equity" and "Adjusted net income (loss)" include the items described above.

## Notes to the Financial Statements

# NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

## a) Breakdown

| | | Parent Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | 9.30.2020 | | | 12.31.2019 | | |
| | Average rate of depreciation | Cost | Accumulated depreciation | Net amount | Cost | Accumulated depreciation | Net amount |
| **In service** | | | | | | | |
| Reservoirs, dams and ducts | 3.0% | 5,110,695 | (3,391,959) | 1,718,736 | 5,109,946 | (3,292,039) | 1,817,907 |
| Buildings and improvements | 3.1% | 1,283,888 | (845,012) | 438,876 | 1,283,460 | (814,894) | 468,566 |
| Machinery and equipment | 3.4% | 4,240,931 | (2,599,732) | 1,641,199 | 4,232,160 | (2,515,345) | 1,716,815 |
| Furniture and fixtures | 6.3% | 8,727 | (4,444) | 4,283 | 8,559 | (4,388) | 4,171 |
| Vehicles | 14.3% | 2,233 | (1,884) | 349 | 2,150 | (1,693) | 457 |
| Special obligations | | (49,655) | 7,834 | (41,821) | (49,655) | 6,428 | (43,227) |
| | | **10,596,819** | **(6,835,197)** | **3,761,622** | **10,586,620** | **(6,621,931)** | **3,964,689** |
| **In progress** | | | | | | | |
| Reservoirs, dams and ducts | | 1,598 | - | 1,598 | 1,828 | - | 1,828 |
| Buildings and improvements | | 937 | - | 937 | 909 | - | 909 |
| Machinery and equipment | | 78,533 | - | 78,533 | 67,120 | - | 67,120 |
| Advances to suppliers | | 28,892 | - | 28,892 | 26,280 | - | 26,280 |
| Acquisitions to be apportioned | | 15,217 | - | 15,217 | 11,313 | - | 11,313 |
| | | **125,177** | **-** | **125,177** | **107,450** | **-** | **107,450** |
| | | **10,721,996** | **(6,835,197)** | **3,886,799** | **10,694,070** | **(6,621,931)** | **4,072,139** |

| | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | | 9.30.2020 | | | 12.31.2019 | | |
| | Average rate of depreciation | Cost | Accumulated depreciation | Net amount | Cost | Accumulated depreciation | Net amount |
| **In service** | | | | | | | |
| Reservoirs, dams and ducts | 3.2% | 7,287,590 | (4,110,670) | 3,176,920 | 7,287,215 | (3,961,881) | 3,325,334 |
| Buildings and improvements | 2.9% | 2,188,309 | (1,191,914) | 996,395 | 2,186,622 | (1,141,959) | 1,044,663 |
| Machinery and equipment | 3.8% | 16,314,190 | (6,169,919) | 10,144,271 | 16,321,893 | (5,750,245) | 10,571,648 |
| Furniture and fixtures | 6.3% | 15,081 | (7,047) | 8,034 | 14,583 | (6,703) | 7,880 |
| Vehicles | 14.3% | 6,025 | (4,313) | 1,712 | 5,813 | (3,968) | 1,845 |
| Special obligations | | (50,146) | 8,003 | (42,143) | (50,146) | 6,588 | (43,558) |
| | | **25,761,049** | **(11,475,860)** | **14,285,189** | **25,765,980** | **(10,858,168)** | **14,907,812** |
| **In progress** | | | | | | | |
| Reservoirs, dams and ducts | | 9,459 | - | 9,459 | 7,344 | - | 7,344 |
| Buildings and improvements | | 59,821 | - | 59,821 | 42,005 | - | 42,005 |
| Machinery and equipment | | 498,184 | - | 498,184 | 166,870 | - | 166,870 |
| Advances to suppliers | | 281,707 | - | 281,707 | 174,402 | - | 174,402 |
| Acquisitions to be apportioned | | 83,529 | - | 83,529 | 31,778 | - | 31,778 |
| | | **932,700** | **-** | **932,700** | **422,399** | **-** | **422,399** |
| | | **26,693,749** | **(11,475,860)** | **15,217,889** | **26,188,379** | **(10,858,168)** | **15,330,211** |

## Notes to the Financial Statements

### b) Changes in property, plant and equipment

| | Parent Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reservoirs, dams and ducts | Buildings and improvements | Machinery and equipment | Other | Construction in progress | Special obligations | Total |
| **Balance at 12.31.2019** | **1,817,907** | **468,566** | **1,716,815** | **4,628** | **107,450** | **(43,227)** | **4,072,139** |
| Additions | - | - | - | - | 28,571 | - | 28,571 |
| Transfers | (551) | 311 | 10,491 | 593 | (10,844) | - | - |
| Write-offs | - | - | (383) | (151) | - | - | (534) |
| Depreciation | (98,620) | (30,001) | (85,724) | (438) | - | 1,406 | (213,377) |
| **Balance at 9.30.2020** | **1,718,736** | **438,876** | **1,641,199** | **4,632** | **125,177** | **(41,821)** | **3,886,799** |

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reservoirs, dams and ducts | Buildings and improvements | Machinery and equipment | Other | Construction in progress | Special obligations | Total |
| **Balance at 12.31.2019** | **3,325,334** | **1,044,663** | **10,571,648** | **9,725** | **422,399** | **(43,558)** | **15,330,211** |
| Additions | - | - | - | - | 530,613 | - | 530,613 |
| PIS and Cofins credits | - | - | (29,413) | - | - | - | (29,413) |
| Capitalized interest, inflation adjustment and depreciation | - | - | - | - | 30,787 | - | 30,787 |
| Transfers | 10,073 | 983 | 38,783 | 1,260 | (51,099) | - | - |
| Write-offs | - | - | (443) | (151) | - | - | (594) |
| Depreciation | (158,487) | (49,251) | (436,304) | (1,088) | - | 1,415 | (643,715) |
| **Balance at 9.30.2020** | **3,176,920** | **996,395** | **10,144,271** | **9,746** | **932,700** | **(42,143)** | **15,217,889** |

## NOTE 13 – INTANGIBLE ASSETS

### a) Breakdown

| | | Parent Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | 9.30.2020 | | | 12.31.2019 | | |
| | Amortization period | Cost | Accumulated amortization | Net amount | Cost | Accumulated amortization | Net amount |
| Right to use | Until 2034 | 129,598 | (68,142) | 61,456 | 109,428 | (59,711) | 49,717 |

## Notes to the Financial Statements

| | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | | 9.30.2020 | | | 12.31.2019 | | |
| | Amortization period | Cost | Accumulated amortization | Net amount | Cost | Accumulated amortization | Net amount |
| **Grant bonus** | | | | | | | |
| Jaguara | Until 2047 | 620,327 | (60,167) | 560,160 | 620,327 | (44,695) | 575,632 |
| Miranda | Until 2047 | 411,223 | (39,885) | 371,338 | 411,223 | (29,629) | 381,594 |
| | | **1,031,550** | **(100,052)** | **931,498** | **1,031,550** | **(74,324)** | **957,226** |
| **Project rights – operational** | | | | | | | |
| WPPs in operation | Until 2052 | 74,153 | (7,998) | 66,155 | 74,153 | (6,098) | 68,055 |
| Assú Solar Power | Until 2051 | 15,194 | (1,297) | 13,897 | 15,194 | (943) | 14,251 |
| | | **89,347** | **(9,295)** | **80,052** | **89,347** | **(7,041)** | **82,306** |
| **Project rights – under development** | | | | | | | |
| WPPs under construction / development | | 124,758 | - | 124,758 | 124,758 | - | 124,758 |
| Novo Estado transmission system | | 236,021 | - | 236,021 | - | - | - |
| | | **360,779** | **-** | **360,779** | **124,758** | **-** | **124,758** |
| | | **450,126** | **(9,295)** | **440,831** | **214,105** | **(7,041)** | **207,064** |
| Right to use assets | Until 2037 | 153,047 | (72,711) | 80,336 | 133,168 | (63,969) | 69,199 |
| Energy purchase right | Until 2023 | 64,561 | (46,620) | 17,941 | 64,561 | (42,109) | 22,452 |
| Brand – EGSD | | 22,306 | - | 22,306 | 22,306 | - | 22,306 |
| Goodwill - EGSD | | 18,522 | - | 18,522 | 18,522 | - | 18,522 |
| Goodwill – Novo Estado | | 80,247 | - | 80,247 | - | - | - |
| | | **1,820,359** | **(228,678)** | **1,591,681** | **1,484,212** | **(187,443)** | **1,296,769** |

### b) Changes to intangible assets

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Grant bonus | Project rights | Right to use assets | Energy purchase rights | Other[11] | Total |
| **Balances on 12.31.2019** | **957,226** | **207,064** | **69,199** | **22,452** | **40,828** | **1,296,769** |
| Addition | - | - | 20,093 | - | - | 20,093 |
| Fair value of acquired project rights | - | 236,021 | - | - | - | 236,021 |
| Goodwill from company acquired | - | - | - | - | 80,247 | 80,247 |
| Amortization | (25,728) | (2,254) | (8,956) | (4,511) | - | (41,449) |
| **Balances on 9.30.2020** | **931,498** | **440,831** | **80,336** | **17,941** | **121,075** | **1,591,681** |

[11] Represent the amounts of "Brand – EGSD", "Premium – EGSD" and "Premium – Novo Estado" arising from business combinations.

## Notes to the Financial Statements

### Acquisition of Novo Estado – fair value and Goodwill from company acquired

The Company's Board of Directors, at a meeting held on 12.23.2019, approved the acquisition of all the shares of Sterlite Novo Estado Energia S.A., currently named Novo Estado Transmissão de Energia S.A. ("Novo Estado") by Novo Estado Participações S.A. ("NEP"), formerly ENGIE Transmissão de Energia Participações S.A., an indirect subsidiary of the Company. On that date, NEP, as buyer, Sterlite Brazil Participações S.A. ("Sterlite Participações") as seller, and Novo Estado, as the consenting-intervening party, signed the stock purchase agreement.

The closing of the transaction was subject to the fulfillment of certain precedent conditions, which include approval of the sale by Aneel, which were entirely fulfilled on 3.3.2020.

Novo Estado owns the concession of Lot 3 of Aneel Transmission Auction 002/2017, held in December 2017. The purpose of the concession is the construction, operation and maintenance of approximately 1,800 kilometers of transmission lines, a new substation and the expansion of three other existing substations in the states of Pará and Tocantins. All licenses for installation of the project have already been obtained and construction began in the 2nd quarter of 2020.

The Company assessed the acquisition and concluded that the assets acquired and liabilities assumed constitute a business, as defined by CPC 15 (R1) – Combinação de negócios. The price for acquiring 100% of Novo Estado's shares was up to R$410 million, considering the following criteria:

**(a)** ***Base purchase price***: on the closing date of the transaction, the base purchase price of R$360 million was paid to the seller after deducting the amount deposited in the escrow account (R$43 million). More details on this deposit are presented in Note 6 – Restricted Deposits.

**(b)** ***Adjustment of purchase price:*** corresponds to the result of adjustments resulting from: (i) qualified expenses of the project in the period between the date of signing of the agreement and the closing of the transaction; and (ii) bonus of up to R$25 million, associated with hedge operations related to the acquisition of aluminum wire, for protection against exchange variation and aluminum prices. The adjustment was R$12 million, which was paid on 6.15.2020; and

**(c)** ***Bonus - BNDES:*** payment of up to R$25 million in the following events: (i) Novo Estado borrows a loan from BNDES at interest within the margin established in the share purchase agreement; or (ii) no financing is contracted until 12.31.2020. The indirect subsidiary Novo Estado signed a financing agreement with BNDES on 6.22.2020, and the financing conditions do not include payment of this bonus.

Considering the transaction closing date and the criteria mentioned above, the purchase price came to R$372 million.

The Company engaged an external valuation firm to ascertain the fair value of the assets acquired and liabilities assumed to set the acquisition price. Accordingly, the amount registered in the Company's intangible assets is as follows:

## Notes to the Financial Statements

| Balance Sheet – Novo Estado | Book value | Present value adjustment | Fair value |
|---|---|---|---|
| **Current assets** | **1,367** | **-** | **1,367** |
| Cash and cash equivalents | 24 | - | 24 |
| Deferred insurance expenses | 1,234 | - | 1,234 |
| Other current assets | 109 | - | 109 |
| **Non-current assets** | **159,521** | **236,021** | **395,542** |
| Long-term receivables | 159,521 | - | 159,521 |
| *Agreement asset* | *153,279* | - | *153,279* |
| *Other non-current assets* | *6,242* | - | *6,242* |
| Intangible | - | 236,021 | 236,021 |
| **Current liabilities** | **(19,566)** | **-** | **(19,566)** |
| **Non-current liabilities** | **(5,229)** | **(80,247)** | **(85,476)** |
| Deferred income tax and social contribution[12] | (5,229) | (80,247) | (85,476) |
| **Net assets** | **136,093** | **155,774** | **291,867** |

Additionally, the Company calculated technical goodwill due to the recognition of deferred tax liability of R$80,247, as follows:

| | Novo Estado |
|---|---|
| Consideration transferred | 372,114 |
| Book value of net assets | (136,093) |
| Fair value adjustment of net assets | (155,774) |
| **Goodwill** | **80,247** |

The effects of surplus value and goodwill identified are presented in "Project rights – under development – Novo Estado transmission system" and "Goodwill – Novo Estado" in the table in this Note.

[12] The Company recognized R$80,247 as deferred income tax and social contribution on fair value adjustment of assets (surplus value).

## Notes to the Financial Statements

### NOTE 14 – SUPPLIERS

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Suppliers of property, plant and equipment and intangible assets | 4,958 | 5,859 | 251,395 | 264,424 |
| Electricity purchased | 66,054 | 79,403 | 133,884 | 119,384 |
| Trading operations | - | - | 103,278 | 120,324 |
| Fossil fuels and biomass | - | - | 73,217 | 61,410 |
| Suppliers of materials and services | 19,947 | 30,195 | 60,186 | 139,238 |
| Charges for the use of the power grid | 31,980 | 32,040 | 58,331 | 55,184 |
| Transactions in the short-term market | - | 1,864 | 1,074 | 5,056 |
| **Current liabilities** | **122,939** | **149,361** | **681,365** | **765,020** |
| Suppliers of property, plant and equipment and intangible assets | - | - | 51,389 | 10,869 |
| Suppliers of materials and services | - | - | 6,385 | 6,388 |
| **Non-current liabilities** [13] | **-** | **-** | **57,774** | **17,257** |
| | **122,939** | **149,361** | **739,139** | **782,277** |

The Company's average payment term for suppliers shown under current assets is about 30 days and no interest is charged on the balances.

### NOTE 15 – RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In order to conduct more efficiently risk evaluation and monitoring process in its business, the Company has the Risk Management Forum, which is responsible for: (i) internally promote the awareness on risk treatment; (ii) define goals and guidelines for its management; (iii) promote and suggest improvements in its evaluation processes; and (iv) classify and define control procedures.

In the 3rd quarter of 2020, there were changes in the risks to which the Company and its subsidiaries are exposed or in the management and measurement of these risks, when compared to those presented in Note 17 – Risk management and financial instruments of the financial statements of 12.31..2019. The main changes were: (i) contracting of cash flow hedge by the *Company* (Note 16 – Loans and financing); (ii) issue of redeemable preferred shares by the indirect subsidiary NEP (Note 18 – Redeemable preferred shares); and (iii) issue of debentures by the subsidiary Pampa Sul, acquired by the Company (Note 6 – Marketable securities).

[13] Amounts related to trade payables in the long term are presented under "Other non-current liabilities".

## Notes to the Financial Statements

### a) Hedge operations

Unrealized gains (losses) with hedge operations are as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| **Unrealized gains from hedge operations** | | | | |
| **Current assets** | | | | |
| Fair value hedge – loans and debentures | 478,628 | 114,550 | 478,628 | 114,550 |
| Cash flow hedge – borrowings | 84 | - | 84 | - |
| Cash flow hedge - obligations | - | - | 967 | 581 |
| | **478,712** | **114,550** | **479,679** | **115,131** |
| **Non-current assets** | | | | |
| Fair value hedge – loans and debentures | 985,923 | 311,577 | 985,923 | 311,577 |
| | **985,923** | **311,577** | **985,923** | **311,577** |
| **Long positions** | **1,464,635** | **426,127** | **1,465,602** | **426,708** |
| **Unrealized losses from hedge operations** | | | | |
| **Current liabilities** | | | | |
| Fair value hedge – loans and debentures | (8,443) | (2,933) | (21,546) | (8,616) |
| Cash flow hedge – borrowings | (571) | - | (571) | - |
| Cash flow hedge - obligations | - | - | - | (145) |
| | **(9,014)** | **(2,933)** | **(22,117)** | **(8,761)** |
| **Non-current liabilities** | | | | |
| Fair value hedge – loans and debentures | (66,084) | (76,932) | (84,228) | (91,169) |
| Cash flow hedge – borrowings | (171) | - | (171) | - |
| | **(66,255)** | **(76,932)** | **(84,399)** | **(91,169)** |
| **Short positions** | **(75,269)** | **(79,865)** | **(106,516)** | **(99,930)** |
| **Net positions** | **1,389,366** | **346,262** | **1,359,086** | **326,778** |
| | | | | |
| Fair value hedge – loans and debentures | 1,390,024 | 346,262 | 1,358,777 | 326,342 |
| Cash flow hedge – borrowings | (658) | - | (658) | - |
| | **1,389,366** | **346,262** | **1,358,119** | **326,342** |
| Cash flow hedge - obligations | - | - | 967 | 436 |
| | **-** | **-** | **967** | **436** |
| **Net positions** | **1,389,366** | **346,262** | **1,359,086** | **326,778** |

### a.1) Hedge operations on loans and debentures

At 9.30.2020, the Company held no relevant financial obligation denominated in foreign currencies whose exchange variation was not fully hedged against.

## Notes to the Financial Statements

The following table shows the net changes in hedge operations on loans and debentures:

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| **Assets at 12.31.2019, net** | **111,617** | **234,645** | **346,262** | **105,934** | **220,408** | **326,342** |
| Interest | 42,890 | (13,068) | 29,822 | 34,051 | (20,617) | 13,434 |
| Exchange variation | 580,898 | 673,622 | 1,254,520 | 580,898 | 673,622 | 1,254,520 |
| Fair value adjustment through profit or loss | 612 | 133,137 | 133,749 | 393 | 133,050 | 133,443 |
| Fair value adjustment through other comprehensive income | 146 | (171) | (25) | 146 | (171) | (25) |
| Transfers | 108,497 | (108,497) | - | 104,768 | (104,768) | - |
| Amortization of principal | (347,602) | - | (347,602) | (343,867) | - | (343,867) |
| Amortization of interest | (27,360) | - | (27,360) | (25,728) | - | (25,728) |
| **Assets at 9.30.2020, net** | **469,698** | **919,668** | **1,389,366** | **456,595** | **901,524** | **1,358,119** |

### b) Sensitivity analysis of the exposure to risks related to interest rates, floating rates and foreign currency quotation variation

In compliance with CVM Instruction no. 475/2008 and for reference purposes, the Company prepared a sensitivity analysis on financial instruments exposed to interest rate variation risks and floating rate risks.

The probable basic scenario for 9.30.2020 was defined using the following assumptions available in the market (source: Central Bank of Brazil Market Readout):

| Variation in interest rates and indices | Change in 12 months 9.30.2020 | Probable Scenario 9.30.2021 | Sensitivity | | |
|---|---|---|---|---|---|
| | | | Probable | Δ + 25% (*) | Δ + 50% (*) |
| **Risk of variation in interest rates and indices** | | | | | |
| TJLP | 5.1% | 4.6% | -0.5 p.p. | 1.2 p.p. | 2.3 p.p. |
| CDI | 3.5% | 2.5% | -1.0 p.p. | 0.6 p.p. | 1.3 p.p. |
| IPCA | 3.1% | 3.2% | 0.1 p.p. | 0.8 p.p. | 1.6 p.p. |
| IGP-M | 17.9% | 5.2% | -12.7 p.p. | 1.3 p.p. | 2.6 p.p. |

(*) Variations on probable scenario for 2021.

The probable sensitivity was calculated based on the variation of indices in the last 12 months, observed on 9.30.2020, and those expected for the next 12 months, ending on 9.30.2021, and showed any additional impacts in the Company's consolidated profit or loss. The variations that could impact the consolidated result, and consequently the shareholders' equity in the next 12 months compared to the last 12 months, if the scenarios materialize are the following:

## Notes to the Financial Statements

| | Balance at 9.30.2020 | Sensitivity | | |
|---|---|---|---|---|
| | | Probable | Δ + 25% | Δ + 50% |
| **Risk of increase (liability)** | | | | |
| **Loans and financing** | | | | |
| TJLP | 3,257,515 | 17,334 | (34,064) | (69,529) |
| CDI (Loans with swap to CDI rate) | 1,653,305 | 6,822 | (4,548) | (9,111) |
| IPCA (Loans with swap to IPCA rate) | 1,211,937 | (1,206) | (9,769) | (19,535) |
| IPCA | 3,269,648 | (2,843) | (27,687) | (54,711) |
| **Debentures** | | | | |
| IPCA | 4,494,250 | (5,022) | (40,674) | (81,344) |
| IPCA (debentures with swap for IPCA) | 518,681 | (463) | (3,743) | (7,485) |
| CDI | 1,007,002 | 5,415 | (3,612) | (7,232) |
| **Redeemable Preferred Shares** | | | | |
| CDI | 477,998 | 9,569 | (6,375) | (12,790) |
| **Concessions payable** | | | | |
| IGP-M | 3,122,198 | 399,461 | (40,524) | (81,047) |
| IPCA | 608,837 | (542) | (4,618) | (9,236) |
| **Risk of decrease (asset)** | | | | |
| **Concession financial asset** | | | | |
| IPCA | 2,731,324 | 2,687 | (28,325) | (56,651) |
| **Agreement assets** | | | | |
| IPCA | 1,746,756 | 1,899 | (15,958) | (31,155) |

### c) Risk related to energy prices in trading operations

The balance sheets for outstanding trading transactions at 9.30.2020 are presented below.

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Assets | Liabilities | Net gain | Assets | Liabilities | Net gain |
| **Classification in balance sheet** | | | | | | |
| Current | 112,963 | (98,456) | 14,507 | 288,771 | (258,305) | 30,466 |
| Non-current | 57,835 | (26,455) | 31,380 | 42,695 | (20,644) | 22,051 |
| | **170,798** | **(124,911)** | **45,887** | **331,466** | **(278,949)** | **52,517** |

The variation in the balances for outstanding trading transactions at 9.30.2020 is follows:

| | Consolidated |
|---|---|
| **Balances at 12.31.2019** | **52,517** |
| Gain recognized for the period | 4,482 |
| Loss recognized for the period | (11,112) |
| **Balances at 9.30.2020** | **45,887** |

## Notes to the Financial Statements

### c.1) Sensitivity analysis regarding trading operations

The main risk factor impacting prices in trading operations is the exposure to energy market prices. The scenarios used in the sensitivity analysis for this factor are prepared based on market data and specialized sources.

The sensitivity analysis was prepared in accordance with CVM Instruction 475/2008, considering the increase of 25% and 50% in future prices, applied on the market curves on 9.30.2020. The results obtained are:

| | Consolidated | | |
|---|---|---|---|
| | 9.30.2020 | Δ + 25% | Δ + 50% |
| Unrealized gains (losses) on trading operations | 45,887 | (4,572) | (9,144) |

The variation in the discount rate does not significantly impact the fair value determined, given the short duration of the outstanding trading portfolio, which is lower than four years, which is why no sensitivity analysis was presented.

### d) Capital management risk

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Debt[14] | 8,607,249 | 8,085,266 | 17,133,605 | 14,436,716 |
| (-) Deposits pegged to debt service | (10,556) | (10,388) | (230,376) | (374,676) |
| (-) Cash and cash equivalents | (2,078,255) | (2,590,507) | (5,696,689) | (3,870,261) |
| **Net debt** | **6,518,438** | **5,484,371** | **11,206,540** | **10,191,779** |
| **Shareholders' equity** | **7,144,257** | **6,995,154** | **7,148,739** | **6,998,820** |
| **Total debt/Shareholders' equity** | **0.9** | **0.8** | **1.6** | **1.5** |

### e) Liquidity risk

The following statement presents the estimated settlement profile for the Company's main financial liabilities recorded at 9.30.2020. Amounts were determined based on the estimated undiscounted cash flows, considering estimates of principal amortization and future interest payment, when applicable. For debts with floating interest rates, the amount was obtained based on interest curve at year end.

[14] Composed of loans, financing, debentures and redeemable preferred shares, net of hedge impacts.

## Notes to the Financial Statements

| | Parent Company | | | | |
|---|---|---|---|---|---|
| | Up to 1 year | From 2 to 3 years | From 4 to 5 years | Over 5 years | Total |
| Suppliers | 122,939 | - | - | - | 122,939 |
| Post-fixed interest rates: | | | | | |
| Loans and financing[15] | 51,080 | 73,614 | 1,395 | - | 126,089 |
| Debentures | 1,328,366 | 571,055 | 1,708,527 | 1,667,855 | 5,275,803 |
| Fixed interest rates: | | | | | |
| Loans and financing | 1,163,729 | 2,540,204 | 642,621 | - | 4,346,554 |
| Concessions payable | 216,137 | 521,997 | 1,172,421 | 5,061,851 | 6,972,406 |
| | **2,882,251** | **3,706,870** | **3,524,964** | **6,729,706** | **16,843,791** |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Up to 1 year | From 2 to 3 years | From 4 to 5 years | Over 5 years | Total |
| Suppliers | 681,365 | 57,774 | - | - | 739,139 |
| Post-fixed interest rates: | | | | | |
| Loans and financing[15] | 653,641 | 1,404,990 | 1,431,364 | 6,010,775 | 9,500,770 |
| Debentures[15] | 1,631,318 | 1,192,012 | 2,281,625 | 2,194,761 | 7,299,716 |
| Redeemable preferred shares | - | - | 207,140 | 552,321 | 759,461 |
| Fixed interest rates: | | | | | |
| Loans and financing | 1,163,729 | 2,540,204 | 642,621 | - | 4,346,554 |
| Concessions payable | 222,744 | 534,985 | 1,185,409 | 5,141,946 | 7,085,084 |
| | **4,352,797** | **5,729,965** | **5,748,159** | **13,899,803** | **29,730,724** |

[15]Net of hedge effects

## Notes to the Financial Statements

### f) Category and fair value of financial instruments

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| **Financial assets** | | | | |
| **Fair value through profit or loss** | | | | |
| Financial investments | 2,077,653 | 2,588,307 | 5,658,838 | 3,779,368 |
| Marketable securities | 371,801 | - | - | - |
| Unrealized gains on fair value hedge operations | 1,464,551 | 426,127 | 1,464,551 | 426,127 |
| Unrealized gains on trading operations | - | - | 170,798 | 331,466 |
| **Amortized cost** | | | | |
| Cash and bank deposits | 602 | 2,200 | 37,851 | 90,893 |
| Trade accounts receivable | 698,802 | 644,318 | 1,699,529 | 1,451,988 |
| Restricted deposits | 11,363 | 11,226 | 282,592 | 385,920 |
| Fuel reimbursable [16] | - | - | 60,666 | 52,533 |
| Concession financial asset | - | - | 2,731,324 | 2,708,174 |
| Agreement asset | - | - | 1,746,756 | 217,611 |
| **Fair value through other comprehensive income** | | | | |
| Unrealized gains on cash flow hedge operations | | | | |
| Obligations | - | - | 967 | 581 |
| Loans and financing | 84 | - | 84 | - |
| | **4,624,856** | **3,672,178** | **13,853,956** | **9,444,661** |
| **Financial liabilities** | | | | |
| **Fair value through profit or loss** | | | | |
| Foreign currency | 5,462,954 | 3,946,531 | 5,462,954 | 3,946,531 |
| Debentures | - | - | 518,681 | 601,031 |
| Unrealized losses on hedge operations [17] | 74,527 | 79,865 | 105,774 | 99,785 |
| Unrealized losses on trading operations | - | - | 124,911 | 278,949 |
| **Amortized cost** | | | | |
| Suppliers | 122,939 | 149,361 | 739,139 | 782,277 |
| Loans in foreign currency | 121,229 | 199,583 | 6,530,839 | 4,872,523 |
| Redeemable preferred shares | - | - | 477,998 | - |
| Debentures | 4,412,432 | 4,285,414 | 5,501,252 | 5,342,973 |
| Concessions payable | 3,675,882 | 3,181,303 | 3,731,035 | 3,236,490 |
| Liabilities linked to investment acquisition [17] | - | - | 51,491 | 8,179 |
| Fuel payable to CDE [17] | - | - | 109,922 | 144,767 |
| Reimbursement to distributors [17] | - | - | 172,031 | 136,887 |
| **Fair value through other comprehensive income** | | | | |
| Unrealized losses on cash flow hedge operations [17] | | | | |
| Obligations | - | - | - | 145 |
| Loans and financing | 742 | - | 742 | - |
| | **13,870,705** | **11,842,057** | **23,526,769** | **19,450,537** |

Financial assets and liabilities measured at fair value through profit or loss are assessed based on observable data (Level 2), except for marketable securities, which are assessed based on the market prices in active markets (Level 1).

[16] Presented under "Other current assets."

[17] Presented under "Other current liabilities" and "Other non-current liabilities".

## Notes to the Financial Statements

### g) Market value of financial instruments

In operations involving financial instruments, differences were identified only between amounts presented in the balance sheet and their market values in the financial instruments presented below. These differences occurred mainly because these instruments have long-term settlements and different costs in relation to interest rates currently used for similar contracts.

The market values were determined based on future cash flows discounted to present value at rates considered as adequate for operations with similar characteristics.

| | Parent Company | | | |
|---|---|---|---|---|
| | 9.30.2020 | | 12.31.2019 | |
| | Book | Market | Book | Market |
| Loans and financing in local currency | 121,229 | 117,531 | 199,583 | 211,229 |
| Loans in foreign currency | 5,462,954 | 5,462,954 | 3,946,531 | 3,946,531 |
| Debentures | 4,412,432 | 4,454,460 | 4,285,414 | 4,343,955 |
| Concessions payable | 3,675,882 | 4,035,053 | 3,181,303 | 3,168,792 |
| | **13,672,497** | **14,069,998** | **11,612,831** | **11,670,507** |

| | Consolidated | | | |
|---|---|---|---|---|
| | 9.30.2020 | | 12.31.2019 | |
| | Book | Market | Book | Market |
| **Assets** | | | | |
| Concession financial asset | 2,731,324 | 2,704,799 | 2,708,174 | 2,615,077 |
| Agreement asset | 1,746,756 | 1,739,190 | 217,611 | 216,425 |
| | **4,478,080** | **4,443,989** | **2,925,785** | **2,831,502** |
| **Liabilities** | | | | |
| Loans and financing in local currency | 6,530,839 | 6,640,278 | 4,872,523 | 4,814,931 |
| Loans in foreign currency | 5,462,954 | 5,462,954 | 3,946,531 | 3,946,531 |
| Redeemable preferred shares | 477,998 | 501,105 | - | - |
| Debentures | 6,019,933 | 6,611,881 | 5,944,004 | 6,633,870 |
| Concessions payable | 3,731,035 | 4,097,786 | 3,236,490 | 3,226,023 |
| | **22,222,759** | **23,314,004** | **17,999,548** | **18,621,355** |

## Notes to the Financial Statements

# NOTE 16 – LOANS AND FINANCING

### a) Breakdown

| | Parent Company | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Measured at amortized cost** | | | | | | |
| **Local currency** | | | | | | |
| BNDES | 16,633 | 34,651 | 51,284 | 60,774 | 47,125 | 107,899 |
| BNDES onlendings (Banks) | 1,533 | 2,139 | 3,672 | 1,533 | 3,289 | 4,822 |
| Nordic Investment Bank (NIB) | 29,169 | 36,477 | 65,646 | 28,634 | 57,285 | 85,919 |
| Charges | 627 | - | 627 | 943 | - | 943 |
| | **47,962** | **73,267** | **121,229** | **91,884** | **107,699** | **199,583** |
| **Measured at fair value** | | | | | | |
| **Foreign currency – with hedge** | | | | | | |
| Scotiabank | 571,792 | 1,781,010 | 2,352,802 | - | 1,646,598 | 1,646,598 |
| BNP Paribas | - | 1,598,375 | 1,598,375 | 468,617 | 207,656 | 676,273 |
| Bank of Tokyo | 572,700 | - | 572,700 | 337,823 | 411,087 | 748,910 |
| HSBC | 326,965 | 533,286 | 860,251 | 337,348 | 509,674 | 847,022 |
| Charges | 78,826 | - | 78,826 | 27,728 | - | 27,728 |
| | **1,550,283** | **3,912,671** | **5,462,954** | **1,171,516** | **2,775,015** | **3,946,531** |
| **Loans and financing** | **1,598,245** | **3,985,938** | **5,584,183** | **1,263,400** | **2,882,714** | **4,146,114** |

Balances of loans and financing in the parent company, net of hedge effects, are:

| | Parent Company | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Loans and financing** | **1,598,245** | **3,985,938** | **5,584,183** | **1,263,400** | **2,882,714** | **4,146,114** |
| Fair value hedge (swap) effects | | | | | | |
| Long position | (478,628) | (985,923) | (1,464,551) | (114,550) | (311,577) | (426,127) |
| Short position[18] | 8,443 | 66,084 | 74,527 | 2,933 | 76,932 | 79,865 |
| Cash flow hedge (swap) effects | | | | | | |
| Long position | (84) | - | (84) | - | - | - |
| Short position [18] | 571 | 171 | 742 | - | - | - |
| **Loans and financing, net of hedge effects** | **1,128,547** | **3,066,270** | **4,194,817** | **1,151,783** | **2,648,069** | **3,799,852** |

[18] Hedge short position is presented under "Other current liabilities" and "Other non-current liabilities."

## Notes to the Financial Statements

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Measured at amortized cost** | | | | | | |
| **Local currency** | | | | | | |
| BNDES | 344,980 | 5,671,412 | 6,016,392 | 374,965 | 3,911,805 | 4,286,770 |
| BNDES onlendings (Banks) | 3,031 | 337,169 | 340,200 | 19,003 | 353,335 | 372,338 |
| BNB[19] | - | 83,944 | 83,944 | - | 83,923 | 83,923 |
| Nordic Investment Bank (NIB) | 29,169 | 36,477 | 65,646 | 28,634 | 57,285 | 85,919 |
| Other | - | - | - | 18,083 | - | 18,083 |
| Charges | 24,657 | - | 24,657 | 25,490 | - | 25,490 |
| | **401,837** | **6,129,002** | **6,530,839** | **466,175** | **4,406,348** | **4,872,523** |
| **Measured at fair value** | | | | | | |
| **Foreign currency – with hedge** | | | | | | |
| Scotiabank | 571,792 | 1,781,010 | 2,352,802 | - | 1,646,598 | 1,646,598 |
| BNP Paribas | - | 1,598,375 | 1,598,375 | 468,617 | 207,656 | 676,273 |
| Bank of Tokyo | 572,700 | - | 572,700 | 337,823 | 411,087 | 748,910 |
| HSBC | 326,965 | 533,286 | 860,251 | 337,348 | 509,674 | 847,022 |
| Charges | 78,826 | - | 78,826 | 27,728 | - | 27,728 |
| | **1,550,283** | **3,912,671** | **5,462,954** | **1,171,516** | **2,775,015** | **3,946,531** |
| **Loans and financing** | **1,952,120** | **10,041,673** | **11,993,793** | **1,637,691** | **7,181,363** | **8,819,054** |

Balances of loans and financing in the consolidated, net of hedge effects, are:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Loans and financing** | **1,952,120** | **10,041,673** | **11,993,793** | **1,637,691** | **7,181,363** | **8,819,054** |
| Fair value hedge (swap) effects | | | | | | |
| Long position | (478,628) | (985,923) | (1,464,551) | (114,550) | (311,577) | (426,127) |
| Short position[20] | 8,443 | 66,084 | 74,527 | 2,933 | 76,932 | 79,865 |
| Cash flow hedge (swap) effects | | | | | | |
| Long position | (84) | - | (84) | - | - | - |
| Short position[20] | 571 | 171 | 742 | - | - | - |
| **Loans and financing, net of hedge effects** | **1,482,422** | **9,122,005** | **10,604,427** | **1,526,074** | **6,946,718** | **8,472,792** |

[19] Banco do Nordeste do Brasil S.A.

[20] Hedge short position is presented under "Other current liabilities" and "Other non-current liabilities."

## Notes to the Financial Statements

### b) Changes in loans and financing

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balances at 12.31.2019** | **1,263,400** | **2,882,714** | **4,146,114** | **1,637,691** | **7,181,363** | **8,819,054** |
| Additions | - | 632,490 | 632,490 | 92 | 2,517,033 | 2,517,125 |
| Interest | 159,402 | - | 159,402 | 370,083 | - | 370,083 |
| Monetary variations | 544 | 961 | 1,505 | 248 | 35,281 | 35,529 |
| Capitalized interest and inflation adjustments | - | - | - | 29,634 | - | 29,634 |
| Exchange variations | 298,917 | 955,603 | 1,254,520 | 298,917 | 955,603 | 1,254,520 |
| Fair value adjustment | 2,384 | 132,163 | 134,547 | 2,384 | 132,163 | 134,547 |
| Transfers | 617,993 | (617,993) | - | 779,770 | (779,770) | - |
| Payment of principal | (649,250) | - | (649,250) | (893,232) | - | (893,232) |
| Payment of interest | (95,145) | - | (95,145) | (273,467) | - | (273,467) |
| **Balances at 9.30.2020** | **1,598,245** | **3,985,938** | **5,584,183** | **1,952,120** | **10,041,673** | **11,993,793** |

### c) Main transactions in 2020

### c.1) Financing in domestic currency

### - New financing

In April 2020, the Company, through the indirect subsidiaries making up the Campo Largo Wind Complex – Phase II, contracted financing from the BNDES in the amount of R$1,243,000. Up to 9.30.2020, R$565,236 was released (R$558,471 net of funding costs). The funds were used to finance the construction of wind generating plants at the Campo Largo Wind Complex – Phase II.

In June 2020, the Company, through the indirect subsidiaries Gralha Azul and Novo Estado, contracted financing from BNDES in the amounts of R$1,480,617 and R$2,510,000, respectively. Up to 9.30.2020, R$601,790 (R$583,052 net of funding costs) and R$755,000 (R$741,939 net of funding costs) were released, respectively. The funds were used to finance the construction of transmission lines.

The main contracting conditions were:

| | | | Conditions contracted | |
|---|---|---|---|---|
| Companies – Banks | Interest | Covenants | Maturity | Principal and interest |
| Campo Largo Wind Complex – Phase II - BNDES | IPCA + 4.23% p.a. | Consolidated ICSD[21] ≥ 1.3 (starting the fiscal year 2022) | 12.2039 | Monthly, starting September 2021 |
| Gralha Azul - BNDES | IPCA + 3.82% p.a. | ICSD[21] ≥ 1.3 (starting fiscal year 2023) | 03.2044 | Monthly, starting October 2023 |
| Novo Estado - BNDES | IPCA + 4.67% p.a. | ICSD[21] ≥ 1.3 (starting fiscal year 2023) | 05.2044 | Monthly, starting November 2022 |

[21] Debt Service Ratio.

## Notes to the Financial Statements

### c.2) Loans in foreign currency with hedge

On 5.17.2019, the Company contracted on 3.31.2020 a loan from an overseas financial institution, BNP Paribas, in the amount of US$125 million, equivalent to R$632,490, and, at the same time, contracted hedge operations (swap) with the Brazilian subsidiary of the same financial institution in which the loan was contracted, to protect all future cash flows. This loan was taken to preserve cash in view of the Covid-19 pandemic, raise working capital and finance the implementation of the Company's business plan.

In addition, on 4.14.2020, the Company rolled over a loan taken on 4.5.2018 from BNP Paribas, maturing in April 2020. The transaction was for US$100 million, equivalent to R$518,240 on 4.13.2020. At the same time, the Company contracted a swap with the Brazilian subsidiary of the same institution. The purpose of the rollover of the debt was to preserve the cash position in light of the Covid-19 pandemic, ensure working capital availability and finance the implementation of the Company's business plan.

The main contracting conditions were:

| | | Contracting conditions | |
|---|---|---|---|
| Banks | Interest | Due date | Principal and interest |
| BNP Paribas | 2.54% p.a. with swap for CDI + 1.7% p.a. | March 2024 | Principal: March 2024<br>Interest: half-yearly |
| BNP Paribas (rollover) | 2.73% p.a. with swap for CDI + 1.33% p.a. | March 2023 | Principal: April 2023<br>Interest: half-yearly |

In addition, the covenants establish that the EBITDA/financial expenses ratio be higher than or equal to 2.0, and gross debt/ EBITDA ratio be lower than or equal to 4.5, calculated on a quarterly basis.

### c.3) Contracting of cash flow hedge

The Company has swap agreements with Brazilian subsidiaries of the same financial institutions from which it borrowed loans in U.S. dollar in order to protect future payments of principal and interest against exchange rate variations. These operations were designated as fair value hedge instruments, converting the loan in U.S. dollar to the Brazilian real and the fixed rate to a floating rate (CDI).

On 9.17.2020, derivative instruments were contracted from prime banks, converting to fixed rates the positions previously held under the CDI rate. These instruments were designated as cash flow hedges, with the hedge object being the exposure arising from the combination of loans in U.S. dollar and foreign exchange swap and interest rate operations.

The loans for which cash flow hedge instruments were contracted amounted to R$1,839,275 on the date of contracting.

## Notes to the Financial Statements

The main contracting conditions were:

| | | | Conditions contracted | |
|---|---|---|---|---|
| **Banks - Loans** | **Banks - Derivatives** | ***Swap*** | **Maturity** | **Principal and interest** |
| Scotiabank | Bank of America | From 101.99% of CDI to 2.19% p.a. | 4.2021 | Principal: 4.2021<br>Interest: Half-yearly |
| MUFG | Itaú BBA | From 103.60% of CDI to 2.21% p.a. | 4.2021 | Principal: 4.2021<br>Interest: Half-yearly |
| Scotiabank | Santander | 101.75% of CDI to 3.39% p.a. | 5.2022 | Principal: 5.2022<br>Interest: Half-yearly |
| BNP Paribas | Santander | 101.85% of CDI to 3.40% p.a. | 5.2022 | Principal: 5.2022<br>Interest: Half-yearly |
| HSBC | Bank of America | 101.72% of CDI to 3.39% p.a. | 5.2022 | Principal: 5.2022<br>Interest: Half-yearly |

### d) Breakdown of borrowings and financing by index and currency

| | Parent Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | **9.30.2020** | **%** | **12.31.2019** | **%** | **9.30.2020** | **%** | **12.31.2019** | **%** |
| **Local currency** | | | | | | | | |
| TJLP | 51,442 | 0.9 | 108,250 | 2.6 | 3,257,515 | 27.2 | 3,446,892 | 39.1 |
| IPCA | 66,111 | 1.2 | 86,506 | 2.1 | 3,269,648 | 27.3 | 1,402,369 | 15.9 |
| Not indexed | 3,676 | 0.1 | 4,827 | 0.1 | 3,676 | 0.0 | 23,262 | 0.2 |
| | **121,229** | **2.2** | **199,583** | **4.8** | **6,530,839** | **54.5** | **4,872,523** | **55.2** |
| **Foreign currency – with hedge** | | | | | | | | |
| U.S. dollar – with swap for fixed rate | 2,597,712 | 46.5 | - | - | 2,597,712 | 21.7 | - | - |
| U.S. dollar – with swap for CDI | 1,653,305 | 29.6 | 3,115,217 | 75.1 | 1,653,305 | 13.8 | 3,115,217 | 35.4 |
| U.S. dollar – with swap for IPCA | 1,211,937 | 21.7 | 831,314 | 20.1 | 1,211,937 | 10.1 | 831,314 | 9.4 |
| | **5,462,954** | **97.8** | **3,946,531** | **95.2** | **5,462,954** | **45.5** | **3,946,531** | **44.8** |
| **Loans and financing** | **5,584,183** | **100.0** | **4,146,114** | **100.0** | **11,993,793** | **100.0** | **8,819,054** | **100.0** |

### e) Maturity of loans and financing under non-current liabilities

| | **Parent Company** | **Consolidated** |
|---|---|---|
| October to December 2021 | 51,987 | 141,268 |
| 2022 | 2,664,198 | 3,031,003 |
| 2023 | 564,658 | 970,554 |
| 2024 | 705,095 | 1,136,592 |
| 2025 | - | 431,496 |
| 2026 to 2030 | - | 2,007,736 |
| 2031 to 2035 | - | 1,465,806 |
| 2036 to 2040 | - | 661,321 |
| 2041 to 2044 | - | 195,897 |
| **Loans and financing** | **3,985,938** | **10,041,673** |

### f) Contract commitments (covenants)

There was no change in the covenants compared to those presented in Note 18 – Loans and financing of the financial statements of December 31, 2019, except for the information presented in the main transactions carried out in 2020. The financial commitments are being entirely fulfilled by the Company and its subsidiaries.

## Notes to the Financial Statements

## NOTE 17 – DEBENTURES

### a) Breakdown

| | Parent Company | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| ENGIE Brasil Energia – 5th issue | - | 218,911 | 218,911 | - | 214,994 | 214,994 |
| ENGIE Brasil Energia – 6th issue | 93,921 | 584,387 | 678,308 | - | 665,444 | 665,444 |
| ENGIE Brasil Energia – 7th issue | - | 780,328 | 780,328 | - | 765,013 | 765,013 |
| ENGIE Brasil Energia – 8th issue | 963,509 | - | 963,509 | 956,829 | - | 956,829 |
| ENGIE Brasil Energia – 9th issue | - | 1,627,441 | 1,627,441 | - | 1,597,535 | 1,597,535 |
| Charges | 143,935 | - | 143,935 | 61,348 | 24,251 | 85,599 |
| **Debentures** | **1,201,365** | **3,211,067** | **4,412,432** | **1,018,177** | **3,267,237** | **4,285,414** |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| ENGIE Brasil Energia – 5th issue | - | 218,911 | 218,911 | - | 214,994 | 214,994 |
| ENGIE Brasil Energia – 6th issue | 93,921 | 584,387 | 678,308 | - | 665,444 | 665,444 |
| ENGIE Brasil Energia – 7th issue | - | 780,328 | 780,328 | - | 765,013 | 765,013 |
| ENGIE Brasil Energia – 8th issue | 963,509 | - | 963,509 | 956,829 | - | 956,829 |
| ENGIE Brasil Energia – 9th issue | - | 1,627,441 | 1,627,441 | - | 1,597,535 | 1,597,535 |
| Jaguara – 1st issue | 125,779 | 857,672 | 983,451 | 114,710 | 911,652 | 1,026,362 |
| Miranda – 1st issue | 70,058 | 531,711 | 601,769 | 67,779 | 560,646 | 628,425 |
| Charges | 166,216 | - | 166,216 | 65,151 | 24,251 | 89,402 |
| **Debentures** | **1,419,483** | **4,600,450** | **6,019,933** | **1,204,469** | **4,739,535** | **5,944,004** |
| Hedge (swap) effects Short position[22] | 13,103 | 18,144 | 31,247 | 5,683 | 14,237 | 19,920 |
| **Debentures, net of hedge effects** | **1,432,586** | **4,618,594** | **6,051,180** | **1,210,152** | **4,753,772** | **5,963,924** |

[22] Hedge short position is presented under "Other current liabilities" and "Other non-current liabilities."

## Notes to the Financial Statements

### b) Changes in debentures

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balances at 12.31.2019** | **1,018,177** | **3,267,237** | **4,285,414** | **1,204,469** | **4,739,535** | **5,944,004** |
| Additions | - | (38) | (38) | 499,110 | (2,046) | 497,064 |
| Interest rates | 124,741 | 32,464 | 157,205 | 205,300 | 32,464 | 237,764 |
| Monetary variations | 1,864 | 56,015 | 57,879 | 2,326 | 74,049 | 76,375 |
| Fair value adjustment | - | - | - | 6,988 | (7,496) | (508) |
| Transfers | 144,611 | (144,611) | - | 236,056 | (236,056) | - |
| Payment of principal | - | - | - | (592,395) | - | (592,395) |
| Payment of interest | (88,028) | - | (88,028) | (142,371) | - | (142,371) |
| **Balances at 9.30.2020** | **1,201,365** | **3,211,067** | **4,412,432** | **1,419,483** | **4,600,450** | **6,019,933** |

### c) Main transactions in 2020

#### c.1) 1st issue of debentures by subsidiary NEP

On 2.17.2020, the Company issued unsecured, non-convertible debentures (1st issue) in a single series, in accordance with CVM Instruction 476/2009, in the total amount of R$500,000 (R$499,110, net of funding costs). The financial settlement occurred on 3.2.2020. The debentures were issued to raise working capital and finance the construction of the transmission line.

On 9.2.2020, these debentures were prepaid.

The main conditions were:

| | | Payment Conditions | | | |
|---|---|---|---|---|---|
| | Yield | Charges | Principal | Due date | Guarantee |
| 1st Issue – Single Series | CDI + 0.67% p.a. | On due date | On due date | Nov/2020 | No guarantee |

### d) Breakdown of debentures by index

| | Parent Company | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 9.30.2020 | % | 12.31.2019 | % | 9.30.2020 | % | 12.31.2019 | % |
| IPCA | 3,405,430 | 77.2 | 3,308,181 | 77.2 | 4,494,250 | 74.7 | 4,365,740 | 73.4 |
| CDI | 1,007,002 | 22.8 | 977,233 | 22.8 | 1,007,002 | 16.7 | 977,233 | 16.4 |
| CDI – with swap for IPCA | - | - | - | - | 518,681 | 8.6 | 601,031 | 10.2 |
| **Debentures** | **4,412,432** | **100.0** | **4,285,414** | **100.0** | **6,019,933** | **100.0** | **5,944,004** | **100.0** |

### e) Maturities of debentures recorded under non-current liabilities

| | Parent Company | Consolidated |
|---|---|---|
| October to December 2021 | - | 107,381 |
| 2022 | 158,348 | 378,262 |
| 2023 | 159,642 | 388,977 |
| 2024 | 475,464 | 716,002 |
| 2025 | 892,677 | 1,118,338 |
| 2026 to 2029 | 1,524,936 | 1,891,490 |
| **Debentures** | **3,211,067** | **4,600,450** |

## Notes to the Financial Statements

### f) Contractual covenants

There was no change in the covenants compared to those presented in Note 19 – Debentures of the financial statements of December 31, 2019, except for the information presented in the main transactions carried out in 2020. The covenants are being fully met by the Company and its subsidiaries.

## NOTE 18 – REDEEMABLE PREFERRED SHARES

At a meeting held on 8.21.2020, the Board of Directors of the Company approved the issue of redeemable preferred shares of the indirect subsidiary NEP, all book-entry shares with no par value and without voting rights, with priority to receive fixed dividends, in the total amount of R$500,000 (R$476,757, net of issue costs). The shares entitle their holders to receive the dividends declared and distributed by NEP as a priority and in a cumulative manner. Starting from the half year immediately after the start of operations of the Transmission System, dividends will be distributed half-yearly, and NEP is not obliged to distribute dividends before this event.

The number of redeemable preferred shares totaled 95,446,379, subdivided into 12 classes, with different redemption terms, with the redemption of the last class being on 10.31.2034. The issue and redemption amounts per share are shown below:

| | Issue amount per share | Capitalized amount by share | Capital reserve amount per share |
|---|---|---|---|
| Novo Estado Participações S.A. | 5.2385 | 2.6192 | 2.6192 |

The changes in redeemable preferred shares in the period are as follows:

| | Consolidated |
|---|---|
| | Non-current |
| New | 476,757 |
| Interest | 1,241 |
| **At 9.30.2020** | **477,998** |

For corporate effects in the indirect subsidiary NEP, the total issue amount was allocated partially as paid-in capital, totaling R$250,000, and partially as capital reserve, amounting to R$250,000. For accounting purposes, in accordance with the accounting practices adopted in Brazil, this transaction was considered a financial instrument and, therefore, the total issue amount was registered as a non-current liability. There are no special rights between preferred and common shares other than the priority in receipt of any payment of proceeds or distributions by NEP.

## Notes to the Financial Statements

# NOTE 19 – LEASE OPERATIONS

## a) Right of use of leases

| | | Parent Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | 9.30.2020 | | | 12.31.2019 | | |
| | Depreciation period | Cost | Depreciation | Net amount | Cost | Depreciation | Net amount |
| Buildings | | | | | | | |
| Headquarters – ENGIE Brasil Energia | Until 2025 | 32,458 | (8,482) | 23,976 | 33,145 | (4,910) | 28,235 |
| Other | | 60 | (22) | 38 | 60 | (14) | 46 |
| | | **32,518** | **(8,504)** | **24,014** | **33,205** | **(4,924)** | **28,281** |

| | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | | 9.30.2020 | | | 12.31.2019 | | |
| | Depreciation period | Cost | Depreciation | Net amount | Cost | Depreciation | Net amount |
| **Buildings** | | | | | | | |
| Headquarters - ENGIE Brasil | Until 2025 | 32,458 | (8,482) | 23,976 | 33,145 | (4,910) | 28,235 |
| Headquarters - EGSD | Until 2025 | 1,759 | (377) | 1,382 | 1,759 | (182) | 1,577 |
| **Land** | | | | | | | |
| Campo Largo Wind Complexes | Until 2063 | 58,764 | (2,025) | 56,739 | 51,664 | (1,148) | 50,516 |
| Trairí Wind Complex | Until 2047 | 26,596 | (2,479) | 24,117 | 27,480 | (1,421) | 26,059 |
| Santo Agostinho Wind Complex | Until 2040 | 5,144 | (232) | 4,912 | 2,777 | (129) | 2,648 |
| Umburanas Wind Complex | Until 2057 | 47,906 | (1,055) | 46,851 | 47,906 | (106) | 47,800 |
| Assú | Until 2043 | 5,393 | (344) | 5,049 | 4,739 | (194) | 4,545 |
| Other | | 778 | (249) | 529 | 623 | (137) | 486 |
| | | **178,798** | **(15,243)** | **163,555** | **170,093** | **(8,227)** | **161,866** |

The change in right of use is presented below:

| | Parent | Consolidated |
|---|---|---|
| **Balances at 12.31.2019** | **28,281** | **161,866** |
| New | - | 2,522 |
| Remeasurement | (687) | 6,183 |
| Depreciation | (3,580) | (7,016) |
| **Balances at 9.30.2020** | **24,014** | **163,555** |

## b) Leases payable

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balances at 12.31.2019** | **6,222** | **11,853** | **18,075** | **19,824** | **114,483** | **134,307** |
| New | - | - | - | 269 | 2,253 | 2,522 |
| Remeasurement | (647) | (40) | (687) | (2) | 6,185 | 6,183 |
| Interest | 1,766 | - | 1,766 | 11,688 | - | 11,688 |
| Transfers | 3,057 | (3,057) | - | 3,832 | (3,832) | - |
| Amortizations | (4,700) | - | (4,700) | (15,228) | - | (15,228) |
| **Balances at 9.30.2020** | **5,698** | **8,756** | **14,454** | **20,383** | **119,089** | **139,472** |

## Notes to the Financial Statements

### c) Maturities of leases payable recorded under non-current liabilities

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Amounts not discounted | Embedded interest | Balance of lease liability | Amounts not discounted | Embedded interest | Balance of lease liability |
| October to December 2021 | 715 | (137) | **578** | 2,618 | (506) | **2,112** |
| 2022 | 4,676 | (860) | **3,816** | 17,340 | (3,128) | **14,212** |
| 2023 | 5,345 | (983) | **4,362** | 18,213 | (4,853) | **13,360** |
| 2024 | - | - | **-** | 15,584 | (6,345) | **9,239** |
| 2025 | - | - | **-** | 15,437 | (7,112) | **8,325** |
| 2026 to 2030 | - | - | **-** | 69,659 | (38,954) | **30,705** |
| 2031 to 2035 | - | - | **-** | 67,375 | (49,560) | **17,815** |
| After 2036 | - | - | **-** | 292,047 | (268,726) | **23,321** |
| **Leases payable** | **10,736** | **(1,980)** | **8,756** | **498,273** | **(379,184)** | **119,089** |

## NOTE 20 – CONCESSIONS PAYABLE

### a) Breakdown

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Cana Brava Hydroelectric Power Plant | 1,767,716 | 1,440,918 | 1,767,716 | 1,440,918 |
| Ponte de Pedra Hydroelectric Power Plant | 1,354,482 | 1,184,801 | 1,354,482 | 1,184,801 |
| São Salvador Hydroelectric Power Plant | 553,684 | 555,584 | 553,684 | 555,584 |
| Estreito Hydroelectric Power Plant | - | - | 55,153 | 55,187 |
| | **3,675,882** | **3,181,303** | **3,731,035** | **3,236,490** |
| **Classification in the balance sheet** | | | | |
| Current liabilities | 206,034 | 139,008 | 212,334 | 145,136 |
| Non-current liabilities | 3,469,848 | 3,042,295 | 3,518,701 | 3,091,354 |
| | **3,675,882** | **3,181,303** | **3,731,035** | **3,236,490** |

### b) Changes in concessions payable

| | Parent Company | | | Consolidated | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balances at 12.31.2019** | **139,008** | **3,042,295** | **3,181,303** | **145,136** | **3,091,354** | **3,236,490** |
| Interest | - | 222,586 | 222,586 | - | 226,549 | 226,549 |
| Monetary variations | - | 376,501 | 376,501 | - | 377,464 | 377,464 |
| Transfers | 171,534 | (171,534) | - | 176,666 | (176,666) | - |
| Amortizations | (104,508) | - | (104,508) | (109,468) | - | (109,468) |
| **Balances at 9.30.2020** | **206,034** | **3,469,848** | **3,675,882** | **212,334** | **3,518,701** | **3,731,035** |

## Notes to the Financial Statements

### c) Maturities of concessions payable disclosed in non-current liabilities

| | Parent Company | Consolidated |
|---|---|---|
| October to December 2021 | 52,432 | 53,891 |
| 2022 | 199,047 | 204,544 |
| 2023 | 293,145 | 298,142 |
| 2024 | 415,372 | 419,914 |
| 2025 | 740,873 | 745,002 |
| 2026 to 2030 | 1,341,277 | 1,356,927 |
| 2031 to 2035 | 407,163 | 416,878 |
| 2036 to 2038 | 20,539 | 23,403 |
| **Concessions payable** | **3,469,848** | **3,518,701** |

## NOTE 21 – PROVISIONS

Provisions are recognized by the Company in amounts considered sufficient to settle the respective liabilities, when according to the legal counsels and Management, they involve probable risk of future disbursement.

### a) Breakdown

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| **Civil** | | | | |
| Expropriations and administrative servitude | 45,220 | 46,062 | 47,870 | 48,565 |
| Environmental | 13,129 | 12,476 | 13,129 | 12,476 |
| Retirement benefits | 2,461 | 2,995 | 2,461 | 2,995 |
| Sundry lawsuits | 11,520 | 12,922 | 20,417 | 23,054 |
| | **72,330** | **74,455** | **83,877** | **87,090** |
| **Tax** | **5,089** | **6,767** | **5,515** | **7,100** |
| **Labor** | **11,933** | **14,979** | **12,955** | **15,376** |
| **Divestment of generation assets** | **-** | **-** | **191,818** | **187,314** |
| | **89,352** | **96,201** | **294,165** | **296,880** |
| **Classification in the balance sheet** | | | | |
| Current liabilities | 2,772 | 7,537 | 3,069 | 8,579 |
| Non-current liabilities | 86,580 | 88,664 | 291,096 | 288,301 |
| | **89,352** | **96,201** | **294,165** | **296,880** |

## Notes to the Financial Statements

### b) Possible and remote risks

The Company is also a party to lawsuits that, in the opinion of the legal counsels and its Management, do not represent a probable risk of future disbursement, for which reason the amounts related to those lawsuits are not provisioned for.

| | 9.30.2020 | | | 12.31.2019 | | |
|---|---|---|---|---|---|---|
| | Possible risk | Remote risk | Total | Possible risk | Remote risk | Total |
| **Parent Company** | | | | | | |
| Tax and social security | 672,668 | 367,286 | 1,039,954 | 767,016 | 255,863 | 1,022,879 |
| Civil | 26,754 | 91,552 | 118,306 | 83,956 | 91,294 | 175,250 |
| Labor | 19,428 | 143,305 | 162,733 | 15,165 | 136,031 | 151,196 |
| | **718,850** | **602,143** | **1,320,993** | **866,137** | **483,188** | **1,349,325** |
| **Consolidated** | | | | | | |
| Tax and social security | 673,407 | 477,858 | 1,151,265 | 847,990 | 269,914 | 1,117,904 |
| Civil | 44,458 | 91,696 | 136,154 | 98,903 | 91,429 | 190,332 |
| Labor | 21,381 | 152,747 | 174,128 | 16,323 | 146,266 | 162,589 |
| | **739,246** | **722,301** | **1,461,547** | **963,216** | **507,609** | **1,470,825** |

In the 3rd quarter of 2020, except for the lawsuits described below, there were no significant updates in the main lawsuits assessed as possible risk, which are presented in Note 25 – Provisions, of the financial statements of 12.31.2019.

**b.1) Tax risks**

**- Recovery of PIS and Cofins**

Law 9,718 was published in 1998 expanding the calculation base of PIS and Cofins, which until then were levied only on the sales revenue of companies. The Company filed a lawsuit questioning the constitutionality of said Law and won it on September 1, 2006, which enabled the Company to offset the contributions calculated on revenues other than sales revenue pertaining to the assessment period from February 1999 to November 2002 for PIS and from February 1999 to January 2004 for Cofins.

The principal amount included in the PIS and Cofins calculation base pertained to the accounting item "CCC Subsidy Revenue," which included the reimbursement of fossil fuels for thermal power generation acquired with CCC funds. In 2006, Aneel amended the Accounting Manual of the Energy Sector (MCSE) to reflect the matching entry in a contra account for operating costs and no longer as revenue.

As a result of the recognition, by Aneel, that the accounting procedure adopted until then was inadequate, the Company also offset the amounts overpaid during 2004 and 2005.

In relation to the period from February 2004 to December 2005, the Brazilian Federal Revenue Service issued 44 tax deficiency notices, which correspond to part of the offset amount, alleging that the consumption of fossil fuel under the CCC has a revenue nature. The Company submitted a statement of discontentment with all the proceedings, which was denied by the respective authorities. Consequently, the Company filed a voluntary appeal against these decisions.

## Notes to the Financial Statements

Of the 44 proceedings sent to the Administrative Council of Tax Appeals (CARF), only one was decided in favor of the Company. Of the 43 proceedings remaining at CARF and with the Upper Chamber of Tax Appeals (CSRF), 11 were decided against the Company. After this decision, the Management of ENGIE Brasil Energia filed a request for analysis of Special Appeal at CSRF, which was also denied. Therefore, these proceedings were classified as possible risk.

Due to the final and unappealable denial of the Special Appeals in the administrative sphere, on November 19, 2015 the Company filed a suit for the declaration of non-existence of tax–legal relationship against the National Treasury, relating to the 11 tax liabilities assessed by the RFB, as a result of the non-ratification of offset of PIS and Cofins taxes paid in excess.

In the 3rd quarter of 2020, CARF recognized the nullity of the non-ratified rulings on decisions of part of the offset proceedings issued by the RFB against the Company. The National Treasury, however, filed a Motion for Clarification against CARF's decisions, which is awaiting the decision of the Council.

The Company understands that these facts change the risks of these proceedings from possible to remote, amounting to R$113,125, for the parent company and consolidated. The lawsuits and administrative proceedings pending judgment, with risk classified as possible after the adjustments, amounted to R$27,287 on September 30, 2020 (R$138,990 on December 31, 2019), for the parent company and consolidated.

**- State tax on the circulation of goods and transportation and communication services (ICMS)**

Refers to tax-deficiency notice filed against the Company and its direct subsidiary EBC by the São Paulo State Treasury Department (FESP) alleging that electricity sale invoices are issued to their free consumers in the month subsequent to the taxable event. According to the tax authority, this practice delays the payment of tax payable to the State by one month. The measurement of electricity used by the client is conducted by the distributor to which they are connected, up to the eighth day following the month of supply. Therefore, the electricity consumed by the client can only be billed after the measurement. As a result, the procedure adopted by the Company and EBC would comply with the usual practice in the Brazilian power sector and the interpretation of São Paulo tax authorities is not valid.

In 2019, a suit filed by ENGIE Brasil Energia against FESP obtained the final and unappealable decision, which canceled the tax-deficiency notices. After that, decisions cancelling the respective tax foreclosures were announced, pending the judgment of appeal against loss of the suit. In the 1st quarter of 2020, EBC's suits were judged in favor of the Company. Motions to stay execution obtained the final and unappealable decisions, with the consequent annulment of tax foreclosure by FESP, as well as the action for annulment filed by EBC.

Considering the results fully favorable to the Company and its subsidiary, there is no risk regarding this issue and hence the amount of R$83,132 earlier considered as risk of possible loss were annulled and the suits were concluded.

## Notes to the Financial Statements

### b.2) Civil risks

**- Environmental**

The objects of these actions are divided as follows: (i) actions for implementation of a lock and fish ladder and land clearing in a given plant; (ii) actions requesting reforestation and delimitation of a Permanent Preservation Area (APP) of 100 meters around the reservoirs of two plants; and (iii) other actions related to alleged damage caused by the overflow of a plant's reservoir, disposal of ashes in supposedly inadequate areas, impact of the operation of a plant on a river, construction of a wind farm, deactivation of an ore supplier for a Company plant and environmental licensing process of two Small Hydroelectric Power Plants (SHPP).

In the actions requesting reforestation and delimitation of a Permanent Preservation Area (APP) of 100 meters around the reservoirs of two plants, the decisions rendered ruled out any pecuniary liability. In the action related to the construction of a wind farm, the final and unappealable decision was favorable to the Company.

The amount related to these actions, with risk classified as possible, was R$1,050 on September 30, 2020 (R$59,222 on December 31, 2019), for the parent company and consolidated.

## NOTE 22 – RETIREMENT BENEFITS OBLIGATIONS

### a) Breakdown

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 9.30.2020 | | | 12.31.2019 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| Contracted obligations | 22,242 | 166,308 | 188,550 | 17,746 | 159,267 | 177,013 |
| Current contributions and service costs | 24 | - | 24 | 19 | - | 19 |
| Uncontracted deficit | 20,643 | 195,871 | 216,514 | 25,144 | 204,986 | 230,130 |
| **Recorded actuarial liability** | **42,909** | **362,179** | **405,088** | **42,909** | **364,253** | **407,162** |

Retirement benefits obligations recognized in the balance sheet are partially covered by contracted obligations and/or obligations acknowledged through an instrument for the acknowledgment of debt and agreement entered by the Company with respective Foundations.

On 5.17.2020, the Company signed an agreement with ELOS Foundation to pay the portion of deficit under its responsibility for fiscal year 2018. The amount contracted was R$19,103, which will be paid in 156 monthly installments, adjusted by the National Consumer Price Index (INPC) and interest of 6.04% p.a.

The remaining loans borrowed from the foundations are adjusted by INPC, with interest of 5.75% p.a.

## Notes to the Financial Statements

Contracted amounts presented in non-current liabilities are expected to be settled as follows:

| | ELOS | PREVIG | Total |
|---|---|---|---|
| October to December 2021 | 4,245 | 928 | 5,173 |
| 2022 | 17,958 | 2,350 | 20,308 |
| 2023 | 19,030 | 1,605 | 20,635 |
| 2024 | 15,753 | 249 | 16,002 |
| 2025 | 16,687 | - | 16,687 |
| 2026 to 2030 | 80,987 | - | 80,987 |
| 2031 to 2032 | 6,516 | - | 6,516 |
| | **161,176** | **5,132** | **166,308** |

### b) Changes in retirement benefit obligations

| | Plans | | | | |
|---|---|---|---|---|---|
| | ELOS BD | PREVIG BD | PREVIG BSPS[23] | GC[24] | Total |
| **Liabilities recorded at 12.31.2019** | **376,264** | **26,815** | **744** | **3,339** | **407,162** |
| Contribution and cost of current service | - | 46 | - | 34 | 80 |
| Payment of contracted obligations | (19,102) | (2,944) | (260) | - | (22,306) |
| Net interest on actuarial liabilities | 18,687 | 1,294 | 30 | 141 | 20,152 |
| **Liabilities recorded at 9.30.2020** | **375,849** | **25,211** | **514** | **3,514** | **405,088** |

[23] Settled Proportional Supplementary Benefit.
[24] Confidentiality Bonus.

## Notes to the Financial Statements

## NOTE 23 – DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution assets and liabilities, are presented net, as follows:

### a) Breakdown

| | Parent Company | | | | |
|---|---|---|---|---|---|
| | 9.30.2020 | | | | 12.31.2019 |
| Description of credits | Calculation basis | IR | CSLL | Total | Total |
| **Liabilities:** | | | | | |
| Unrealized gains on hedge operations | 1,422,288 | 355,572 | 128,006 | 483,578 | 127,016 |
| Accelerated depreciation | 907,438 | 226,859 | 81,669 | 308,528 | 285,505 |
| Property, plant and equipment deemed cost (fair value) | 611,809 | 152,952 | 55,063 | 208,015 | 228,325 |
| Unrealized sale at MAE (currently CCEE) | 100,309 | 25,077 | 9,028 | 34,105 | 36,535 |
| Capitalized financial charges | 60,091 | 15,023 | 5,408 | 20,431 | 21,024 |
| Market value adjustment – marketable securities | 30,944 | 7,736 | 2,785 | 10,521 | - |
| Adjustment to fair value in business combination | 30,847 | 7,712 | 2,776 | 10,488 | 11,051 |
| Other | 16,503 | 4,126 | 1,485 | 5,611 | 4,005 |
| | | **795,057** | **286,220** | **1,081,277** | **713,461** |
| **Assets:** | | | | | |
| Retirement benefits obligations | 214,200 | 53,550 | 19,278 | 72,828 | 77,958 |
| Unrealized losses on hedge operations | 186,965 | 46,741 | 16,827 | 63,568 | 15,916 |
| Estimated losses with doubtful accounts | 122,017 | 30,504 | 10,981 | 41,485 | 43,917 |
| Fair value adjustment in business combinations | 119,209 | 29,802 | 10,729 | 40,531 | 39,191 |
| Civil, tax and labor provisions | 83,421 | 20,855 | 7,508 | 28,363 | 30,022 |
| Tax losses and social contribution tax loss carryforwards | 82,392 | 20,598 | 7,142 | 27,740 | - |
| Provision for asset impairment | 50,076 | 12,519 | 4,507 | 17,026 | 17,050 |
| Interest on property, plant and equipment in progress (RIC) | 31,116 | 7,779 | - | 7,779 | 8,327 |
| Other | 38,912 | 9,728 | 3,502 | 13,230 | 12,554 |
| | | **232,076** | **80,474** | **312,550** | **244,935** |
| **Net total** | | **562,981** | **205,746** | **768,727** | **468,526** |

## Notes to the Financial Statements

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 9.30.2020 | | | | 12.31.2019 |
| Description of credits | Calculation basis | IR | CSLL | Total | Total |
| **Liabilities:** | | | | | |
| Construction revenue of transmission infrastructure | | | | | |
| Unrealized gains on hedge operations | 1,532,781 | 383,195 | 137,950 | 521,145 | 68,658 |
| Accelerated depreciation | 1,422,288 | 355,572 | 128,006 | 483,578 | 127,016 |
| Interest on concession financial asset | 1,354,689 | 338,672 | 121,922 | 460,594 | 382,002 |
| Capitalized financial charges | 1,083,230 | 270,809 | 97,490 | 368,299 | 262,159 |
| Property, plant and equipment deemed cost (fair value) | 770,783 | 192,703 | 69,370 | 262,073 | 255,576 |
| Intangible assets on the bonus for grant | 611,809 | 152,952 | 55,063 | 208,015 | 228,325 |
| Fair value of project rights acquired | 242,427 | 60,607 | 21,818 | 82,425 | 61,230 |
| Unrealized sale at MAE (currently CCEE) | 236,021 | 59,005 | 21,242 | 80,247 | - |
| Unrealized gains on trading operations, net | 100,309 | 25,077 | 9,028 | 34,105 | 36,535 |
| Market value adjustment – marketable securities | 33,510 | 8,377 | 3,016 | 11,393 | 17,856 |
| Adjustment to fair value in business combination | 30,944 | 7,736 | 2,785 | 10,521 | - |
| Other | 30,847 | 7,712 | 2,776 | 10,488 | 11,051 |
| | 38,657 | 9,568 | 3,479 | 13,047 | 21,365 |
| | | **1,871,985** | **673,945** | **2,545,930** | **1,471,773** |
| **Assets:** | | | | | |
| Construction costs of transmission infrastructure | | | | | |
| Revenue from Return of Grant Bonus (RBO) | 1,499,472 | 374,868 | 134,952 | 509,820 | 66,877 |
| Unrealized losses on hedge operations | 801,791 | 200,448 | 72,162 | 272,610 | 200,017 |
| Retirement benefits obligations | 222,505 | 55,626 | 20,026 | 75,652 | 24,457 |
| Tax losses and social contribution tax loss carryforwards | 215,147 | 53,787 | 19,363 | 73,150 | 78,245 |
| Estimated losses with doubtful accounts | 157,809 | 39,452 | 13,929 | 53,381 | 848 |
| Fair value adjustment in business combinations | 123,884 | 30,970 | 11,149 | 42,119 | 44,552 |
| Civil, tax and labor provisions | 119,209 | 29,802 | 10,729 | 40,531 | 39,191 |
| Interest on property, plant and equipment in progress (RIC) | 94,312 | 23,579 | 8,488 | 32,067 | 33,633 |
| Provision for asset impairment | 57,196 | 14,299 | 2,347 | 16,646 | 8,327 |
| Fair value adjustment of property, plant and equipment | 50,076 | 12,519 | 4,507 | 17,026 | 17,050 |
| Other | 25,927 | 6,482 | 2,333 | 8,815 | 9,478 |
| | 110,586 | 27,649 | 10,046 | 37,695 | 21,173 |
| | | **869,481** | **310,031** | **1,179,512** | **543,848** |
| **Net amount** | | | | | |
| | | **1,002,504** | **363,914** | **1,366,418** | **927,925** |
| **Classification in the balance sheet** | | | | | |
| Liabilities | | | | | |
| Assets[25] | | 1,017,288 | 369,225 | 1,386,513 | 941,468 |
| **Total** | | (14,784) | (5,311) | (20,095) | (13,543) |
| | | **1,002,504** | **363,914** | **1,366,418** | **927,925** |

[25] Amount presented under "Other non-current assets".

## Notes to the Financial Statements

### b) Change in deferred income tax and social contribution, net

| | Parent Company | Consolidated |
|---|---|---|
| **Balance at 12.31.2019** | **468,526** | **927,925** |
| Taxes deferred in profit or loss | 300,209 | 355,643 |
| Taxes deferred on surplus value of company acquired | - | 80,247 |
| Deferred taxes of company acquired | - | 2,483 |
| Taxes deferred in other comprehensive income | (8) | 120 |
| **Balance at 9.30.2020** | **768,727** | **1,366,418** |

### c) Expected realization and required payments

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| October to December 2020 | 53,728 | 21,290 | 77,257 | 38,120 |
| 2021 | 32,128 | 190,121 | 60,845 | 215,968 |
| 2022 | 93,199 | 336,431 | 410,489 | 689,413 |
| 2023 | 6,291 | 60,994 | 58,396 | 120,011 |
| 2024 | 6,981 | 76,795 | 39,841 | 130,776 |
| 2025 to 2027 | 22,550 | 149,085 | 108,103 | 305,494 |
| 2028 to 2030 | 71,368 | 99,571 | 142,743 | 242,710 |
| 2031 to 2033 | 22,254 | 84,871 | 214,798 | 359,737 |
| After 2034 | 4,051 | 62,119 | 67,040 | 443,701 |
| | **312,550** | **1,081,277** | **1,179,512** | **2,545,930** |

## NOTE 24 – OTHER LIABILITIES

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 12.31.2019 | 9.30.2020 | 12.31.2019 |
| Reimbursement to distributors | - | - | 172,031 | 136,887 |
| Fuel payable to CDE[26] | - | - | 109,922 | 144,767 |
| Unrealized losses in hedge operations | 75,269 | 79,865 | 106,516 | 99,930 |
| R&D obligations | 61,689 | 48,934 | 90,465 | 70,465 |
| Billing in advance | - | - | 90,209 | 16,052 |
| Fuels –Aneel Resolution 801/2017 | 75,687 | 118,465 | 75,687 | 118,465 |
| Trade payables | - | - | 57,774 | 17,257 |
| Liabilities linked to acquisition of investments | - | - | 51,491 | 8,179 |
| Advances from clients | 4,313 | 9,293 | 40,394 | 54,427 |
| Other accounts payable | 45,982 | 52,056 | 59,532 | 61,816 |
| | **262,940** | **308,613** | **854,021** | **728,245** |
| **Classification in balance sheet** | | | | |
| Current liabilities | 83,238 | 177,941 | 309,915 | 312,532 |
| Non-current liabilities | 179,702 | 130,672 | 544,106 | 415,713 |
| | **262,940** | **308,613** | **854,021** | **728,245** |

[26] Energy Development Account.

## Notes to the Financial Statements

### a) Reimbursement to distributors

The Company has liabilities amounting to R$172,031 (R$136,887 on 12.31.2019), related to the reimbursement mechanism envisaged in the electricity agreements signed in the Regulated Contracting Environment (ACR) of plants of the Trairí, Campo Largo - Phase I and Umburanas Wind Complexes - Phase I, Assú V Photovoltaic Plant (Assú V) and Pampa Sul. Of this amount, R$46,184 was recognized during the first nine months of 2020, with the revenues earned by the distributors as a corresponding entry.

### b) Fuel payable to CDE

On 12.19.2017, Aneel issued a Normative Resolution, in effect from 1.1.2018, which established rules for the reimbursement of the fuel costs for domestic coal thermal power generation, intermediated by the CDE.

The resolution determined the mandatory acquisition, on 1.1.2018, of charcoal belonging to CDE under the management of the Jorge Lacerda Thermal Power Complex on the base date of 12.31.2016 for payment in five years from the acquisition.

### c) Fuels – Aneel Resolution no. 801/2017

Corresponds to the amounts payable because of the application of Aneel Resolution 801/2017, which revoked Aneel resolution 500/2012, in 2016. Such resolution envisages a reduction in the reimbursement of mineral coal acquired with funds from the CDE due to the energy efficiency of the generating unit. On August 19, 2020, Aneel issued Technical Note 143/2020 establishing that the amount payable was R$74,598, calculated on the base date of May 2020. Therefore, in 3Q20, the Company reversed a part of the estimate it maintained under "Fuels Aneel Resolution 801/2017."

## NOTE 25 – SHAREHOLDERS' EQUITY

### a) Authorized capital stock

The Company is authorized to increase its capital stock up to the limit of R$7,000,000, by resolution of Board of Directors, regardless of any amendment to its bylaws. Under the B3's New Market listing regulations, the Company cannot issue preferred shares or founder shares.

The Company has no treasury shares and did not perform any purchase and sale transactions involving shares of its own issuance in the periods ended 9.30.2020 and 12.31.2019.

### b) Subscribed and paid-in capital

At 9.30.2020 and 12.31.2019, the Company's fully subscribed and paid-in capital was R$4,902,648, represented by 815,927,740 registered common shares without par value.

The book value of the share in Reais, at 9.30.2020, was R$8.76 (R$8.57 at 12.31.2019).

## Notes to the Financial Statements

The Company's ownership structure at 9.30.2020 and 12.31.2019 was as follows:

| Shareholders | Tranche of common shares | % of capital |
|---|---|---|
| ENGIE Brasil Participações Ltda. | 560,640,791 | 68.71% |
| Banco Clássico S.A. | 80,464,085 | 9.86% |
| Other shareholders | 174,822,864 | 21.43% |
| | **815,927,740** | **100.00%** |

As of 9.30.2020 and 12.31.2019, the Board of Directors, the Board of Executive Officers and the Audit Board held 91,270 and 490,673 shares issued by the Company, respectively.

### c) Other comprehensive income

The account records variations of the fair value, net of deferred income tax and social contribution, of the following transactions: (i) obligations with the retirement benefits of defined benefit plans sponsored by the Company; (ii) cash flow hedges from the combination of loans in U.S. dollar and swap operations; and (iii) cash flow hedges of future commitments in foreign currency signed by the joint venture TAG and the direct subsidiary EGSD.

## NOTE 26 – RECONCILIATION OF NET OPERATING REVENUE

The table below presents the reconciliation between gross operating income and net operating revenue reported in the income statement.

| | Parent Company | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| **Gross operating income** | | | | |
| Electricity distributors | 558,699 | 617,758 | 1,757,689 | 1,840,845 |
| Electricity traders | 318,518 | 346,412 | 907,339 | 1,417,606 |
| Free consumers | 97,786 | 101,385 | 282,048 | 297,571 |
| Transactions in the short-term market | 64,823 | 31,497 | 220,422 | 228,549 |
| Services rendered | 16,323 | 15,858 | 50,189 | 43,404 |
| Other revenues | 4,374 | 2,898 | 31,496 | 12,691 |
| | **1,060,523** | **1,115,808** | **3,249,183** | **3,840,666** |
| **Deductions from operating income** | | | | |
| PIS[27] and Cofins[28] | (94,100) | (99,633) | (289,294) | (344,906) |
| Research and development | (7,703) | (5,851) | (24,612) | (24,004) |
| ICMS[29] | (5,031) | (5,580) | (14,717) | (13,984) |
| ISSQN[30] | (824) | (838) | (2,552) | (2,230) |
| | **(107,658)** | **(111,902)** | **(331,175)** | **(385,124)** |
| **Other** | | | | |
| Favorable outcome on lawsuit[31] | 148 | - | 50,341 | - |
| **Net operating revenue** | **953,013** | **1,003,906** | **2,968,349** | **3,455,542** |

[27] Social Integration Program.
[28] Contribution to the Social Security Financing.
[29] Tax on the Circulation of Goods and on Services of Interstate and Intermunicipal Transportation and Communication.
[30] Tax on Services of Any Nature.
[31] For more details, see Note 10 – Other assets.

## Notes to the Financial Statements

| | Consolidated | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| **Gross operating income** | | | | |
| Electricity distributors | 980,462 | 998,464 | 2,920,161 | 2,703,627 |
| Free consumers | 912,120 | 898,709 | 2,606,972 | 2,600,373 |
| Trading operations | 288,523 | 315,146 | 846,820 | 866,091 |
| Electricity traders | 165,853 | 213,037 | 486,533 | 538,246 |
| Transactions in the short-term market | 152,320 | 104,224 | 437,499 | 441,975 |
| Services rendered | 40,386 | 35,637 | 121,279 | 116,514 |
| Energy export | 30,759 | - | 30,759 | - |
| Other revenues | 23,391 | 28,343 | 90,131 | 81,726 |
| | **2,593,814** | **2,593,560** | **7,540,154** | **7,348,552** |
| **Deductions from operating income** | | | | |
| PIS and Cofins | (230,645) | (234,479) | (674,726) | (669,993) |
| Research and development | (13,173) | (11,712) | (39,902) | (32,917) |
| ICMS | (10,029) | (8,807) | (29,381) | (18,249) |
| ISSQN | (826) | (839) | (2,586) | (2,235) |
| IPI | (102) | - | (102) | - |
| | **(254,775)** | **(255,837)** | **(746,697)** | **(723,394)** |
| **Other** | | | | |
| Revenue from construction of transmission infrastructure | 748,950 | 65,338 | 1,318,481 | 101,019 |
| Interest on concession asset | 138,391 | 89,808 | 293,483 | 281,930 |
| Favorable outcome on lawsuit | 148 | - | 80,022 | - |
| Unrealized gains on trading operations | (17,712) | 1,247 | 4,482 | 1,247 |
| | **869,777** | **156,393** | **1,696,468** | **384,196** |
| **Net operating revenue** | **3,208,816** | **2,494,116** | **8,489,925** | **7,009,354** |

## NOTE 27 – DETAIL OF OPERATING EXPENSES BY NATURE

### a) Energy purchase and short-term transactions in the energy market

| | Parent Company | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| **Energy purchases** | | | | |
| Energy purchase for portfolio management | 99,759 | 228,685 | 372,443 | 791,919 |
| **Transactions in the short-term energy market** | | | | |
| Short-term market purchases | 10,071 | 4,134 | 47,809 | 31,637 |
| | **109,830** | **232,819** | **420,252** | **823,556** |

## Notes to the Financial Statements

| | Consolidated | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| **Energy purchases** | | | | |
| Energy purchase for portfolio management | 402,343 | 450,617 | 1,082,660 | 1,153,130 |
| Trading operations | 262,166 | 298,596 | 740,488 | 784,259 |
| Unrealized losses on trading operations | (23,665) | (33,706) | 11,112 | - |
| | **640,844** | **715,507** | **1,834,260** | **1,937,389** |
| **Transactions in the short-term energy market** | | | | |
| Short-term market purchases | 22,666 | 19,169 | 190,817 | 195,361 |
| Trading operations | - | - | 7,293 | 6,656 |
| | **22,666** | **19,169** | **198,110** | **202,017** |

## b) Other operating costs and costs of services rendered:

| | Parent Company | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| Depreciation and amortization | 70,166 | 70,078 | 210,496 | 209,098 |
| Personnel | 29,703 | 31,809 | 95,593 | 94,095 |
| Royalties[32] | 28,784 | 28,279 | 41,175 | 80,665 |
| Third party material and services | 15,415 | 14,208 | 38,847 | 38,987 |
| Recording (Reversal) of operating provisions, net | 2,639 | 350 | (15,899) | (2,788) |
| Other | 13,862 | 13,762 | 37,116 | 43,746 |
| | **160,569** | **158,486** | **407,328** | **463,803** |
| **Classification in profit or loss** | | | | |
| Operating costs | 154,078 | 150,297 | 386,534 | 442,068 |
| Costs of services provided | 6,491 | 8,189 | 20,794 | 21,735 |
| | **160,569** | **158,486** | **407,328** | **463,803** |

| | Consolidated | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| Cost of construction of transmission infrastructure | 731,089 | 63,643 | 1,287,085 | 98,398 |
| Depreciation and amortization | 217,914 | 221,656 | 676,062 | 608,300 |
| Third party material and services | 88,135 | 76,816 | 247,023 | 193,954 |
| Personnel | 65,597 | 73,066 | 206,067 | 196,647 |
| Fuel | 45,793 | 49,319 | 130,490 | 88,767 |
| Royalties | 36,748 | 33,593 | 57,814 | 99,114 |
| Recording (Reversal) of operating provisions, net | 2,311 | 357 | (17,688) | (2,552) |
| Other | 48,351 | 35,657 | 124,149 | 121,533 |
| | **1,235,938** | **554,107** | **2,711,002** | **1,404,161** |
| **Classification in profit or loss** | | | | |
| Operating costs | 1,229,397 | 545,908 | 2,690,135 | 1,382,388 |
| Costs of services provided | 6,541 | 8,199 | 20,867 | 21,773 |
| | **1,235,938** | **554,107** | **2,711,002** | **1,404,161** |

[32] Financial compensation for the use of water resources.

## Notes to the Financial Statements

### c) Selling, general and administrative expenses

| | Parent Company | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| Personnel and management | 30,796 | 35,370 | 93,521 | 95,044 |
| Third party material and services | 13,141 | 9,558 | 47,462 | 36,561 |
| Depreciation and amortization | 5,204 | 3,797 | 14,589 | 11,344 |
| Contributions and donations | 4,300 | 1,574 | 9,244 | 5,581 |
| Pension funds | 1,757 | 1,799 | 5,234 | 5,704 |
| Other | (561) | 2,865 | 1,785 | 6,577 |
| | **54,637** | **54,963** | **171,835** | **160,811** |
| **Classification in profit or loss** | | | | |
| Selling expenses | 3,668 | 3,699 | 11,856 | 11,262 |
| General and administrative expenses | 50,969 | 51,264 | 159,979 | 149,549 |
| | **54,637** | **54,963** | **171,835** | **160,811** |

| | Consolidated | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| Personnel and management | 31,882 | 36,646 | 97,080 | 98,973 |
| Third party material and services | 17,123 | 10,585 | 56,423 | 41,131 |
| Depreciation and amortization | 5,478 | 4,131 | 15,472 | 12,241 |
| Contributions and donations | 5,373 | 2,634 | 12,781 | 8,557 |
| Pension funds | 1,757 | 1,799 | 5,234 | 5,704 |
| Other | (106) | 3,071 | 3,291 | 9,144 |
| | **61,507** | **58,866** | **190,281** | **175,750** |
| **Classification in profit or loss** | | | | |
| Selling expenses | 6,771 | 5,406 | 18,271 | 15,924 |
| General and administrative expenses | 54,736 | 53,460 | 172,010 | 159,826 |
| | **61,507** | **58,866** | **190,281** | **175,750** |

## Notes to the Financial Statements

### NOTE 28 – FINANCIAL RESULT

| | Parent Company | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| **Financial income** | | | | |
| Income from financial investments | 11,075 | 12,336 | 49,433 | 37,256 |
| Income from restricted deposits | 31 | 144 | 188 | 420 |
| Interest and inflation adjustment on | | | | |
| Favorable outcome on lawsuit | 217 | - | 46,089 | - |
| Fuels | 29,173 | - | 29,173 | - |
| Receivables | 5,236 | 3,825 | 13,590 | 12,695 |
| Judicial deposits | 757 | 957 | 2,622 | 3,212 |
| Marketable securities | 821 | - | 821 | - |
| Market value adjustment of marketable securities | 30,940 | - | 30,940 | - |
| Other financial income | 20 | 2,395 | 910 | 2,424 |
| | **78,270** | **19,657** | **173,766** | **56,007** |
| **Financial expenses** | | | | |
| Interest and inflation adjustment on | | | | |
| Concessions payable | 360,703 | 69,703 | 599,087 | 295,898 |
| Debentures | 85,663 | 71,878 | 215,084 | 181,784 |
| Loans and financing | 54,533 | 49,053 | 160,907 | 125,174 |
| Fair value hedge on loans | (13,927) | 12,738 | (29,822) | 46,025 |
| Retirement benefit obligations | 6,704 | 7,168 | 20,113 | 21,503 |
| Provisions | 1,198 | 1,216 | 4,680 | 5,106 |
| Leases | 518 | 665 | 1,703 | 2,056 |
| Other | 8,719 | 14 | 8,855 | 859 |
| Exchange variation on | | | | |
| Loans | 130,130 | (238,693) | 1,254,520 | (194,612) |
| Fair value hedge on loans | (130,130) | 238,693 | (1,254,520) | 194,612 |
| Fair value adjustment | 1,169 | 15,562 | 798 | (13,666) |
| Other financial expenses | 24,107 | 2,237 | 26,645 | 7,658 |
| | **529,387** | **230,234** | **1,008,050** | **672,397** |
| **Financial expenses, net** | **451,117** | **210,577** | **834,284** | **616,390** |

## Notes to the Financial Statements

| | Consolidated | | | |
|---|---|---|---|---|
| | 3rd Quarter | | First 9 months | |
| | 2020 | 2019 | 2020 | 2019 |
| **Financial income** | | | | |
| Income from financial investments | 23,284 | 28,370 | 83,071 | 72,879 |
| Income from restricted deposits | 984 | 4,621 | 6,823 | 12,249 |
| Interest and inflation adjustment on | | | | |
| Favorable outcome on lawsuit | 341 | - | 73,289 | - |
| Fuels | 29,173 | - | 29,183 | - |
| Receivables | 7,521 | 6,633 | 18,618 | 20,759 |
| Judicial deposits | 793 | 984 | 2,750 | 3,280 |
| Other financial income | 1,229 | 2,530 | 4,756 | 2,741 |
| | **63,325** | **43,138** | **218,490** | **111,908** |
| **Financial expenses** | | | | |
| Interest and inflation adjustment on | | | | |
| Concessions payable | 362,563 | 71,232 | 604,013 | 301,383 |
| Debentures and promissory notes | 121,910 | 106,051 | 314,139 | 265,860 |
| Loans and financing | 148,953 | 116,251 | 405,612 | 233,754 |
| Fair value hedge on loans | (5,862) | 11,662 | (13,434) | 55,100 |
| Retirement benefit obligations | 6,717 | 7,168 | 20,152 | 21,503 |
| Provisions | 2,048 | 1,282 | 5,810 | 5,076 |
| Leases | 3,404 | 2,784 | 10,219 | 8,422 |
| Redeemable preferred shares | 1,241 | - | 1,241 | - |
| Other | 12,194 | 1,218 | 15,756 | 6,729 |
| Exchange variation on | | | | |
| Loans | 130,130 | (238,693) | 1,254,520 | (194,612) |
| Fair value hedge on loans | (130,130) | 238,693 | (1,254,520) | 194,612 |
| Fair value adjustment | 1,778 | 13,986 | 596 | (1,651) |
| Other financial expenses | 7,300 | 7,242 | 14,101 | 15,865 |
| | **662,246** | **338,876** | **1,378,205** | **912,041** |
| **Financial expenses, net** | **598,921** | **295,738** | **1,159,715** | **800,133** |

## Notes to the Financial Statements

## NOTE 29 – INCOME TAXES RECONCILIATION, IN THE INCOME STATEMENT

| | Parent Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 3rd Quarter | | | | First 9 months | | | |
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | IR | CS | IR | CS | IR | CS | IR | CS |
| **Income before taxes** | **506,631** | **506,631** | **827,996** | **827,996** | **2,051,733** | **2,051,733** | **2,055,509** | **2,055,509** |
| Standard rates | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| **Tax expense at standard rates** | **(126,658)** | **(45,597)** | **(206,999)** | **(74,520)** | **(512,933)** | **(184,656)** | **(513,877)** | **(184,996)** |
| **Permanent differences** | | | | | | | | |
| Equity in net income of subsidiaries | 103,909 | 37,408 | 141,285 | 50,863 | 293,169 | 105,541 | 228,372 | 82,214 |
| Tax incentives | 15,337 | - | 6,514 | - | 15,503 | - | 27,440 | - |
| Other | (1,178) | (145) | (1,857) | (885) | (974) | (408) | (1,625) | (340) |
| | **(8,590)** | **(8,334)** | **(61,057)** | **(24,542)** | **(205,235)** | **(79,523)** | **(259,690)** | **(103,122)** |
| **Breakdown of taxes in the income statement** | | | | | | | | |
| Current | 15,286 | - | 13,555 | 2,253 | 15,451 | - | (187,384) | (77,281) |
| Deferred | (23,876) | (8,334) | (74,612) | (26,795) | (220,686) | (79,523) | (72,306) | (25,841) |
| | **(8,590)** | **(8,334)** | **(61,057)** | **(24,542)** | **(205,235)** | **(79,523)** | **(259,690)** | **(103,122)** |
| **Effective rate** | **1.7%** | **1.6%** | **7.4%** | **3.0%** | **10.0%** | **3.9%** | **12.6%** | **5.0%** |

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 3rd Quarter | | | | First 9 months | | | |
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | IR | CS | IR | CS | IR | CS | IR | CS |
| **Income before taxes** | **610,337** | **610,337** | **1,059,802** | **1,059,802** | **2,344,888** | **2,344,888** | **2,420,471** | **2,420,471** |
| Standard rates | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| **Tax expense at standard rates** | **(152,584)** | **(54,930)** | **(264,951)** | **(95,382)** | **(586,222)** | **(211,040)** | **(605,118)** | **(217,842)** |
| **Permanent differences** | | | | | | | | |
| Tax incentives | 27,645 | - | 18,395 | - | 43,526 | - | 53,039 | - |
| Difference between taxable and presumed income calculation bases | 18,374 | 6,435 | 16,380 | 5,556 | 40,912 | 13,731 | 37,011 | 12,709 |
| Equity in net income of subsidiaries | 25,579 | 9,209 | 5,282 | 1,902 | 91,684 | 33,006 | (1,420) | (511) |
| Other | (94) | 40 | (2,920) | (1,357) | (1,772) | (922) | (3,592) | (1,182) |
| | **(81,080)** | **(39,246)** | **(227,814)** | **(89,281)** | **(411,872)** | **(165,225)** | **(520,080)** | **(206,826)** |
| **Breakdown of taxes in the income statement** | | | | | | | | |
| Current | (40,778) | (25,006) | (102,804) | (44,344) | (150,407) | (71,047) | (360,013) | (149,375) |
| Deferred | (40,302) | (14,240) | (125,010) | (44,937) | (261,465) | (94,178) | (160,067) | (57,451) |
| | **(81,080)** | **(39,246)** | **(227,814)** | **(89,281)** | **(411,872)** | **(165,225)** | **(520,080)** | **(206,826)** |
| **Effective rate** | **13.3%** | **6.4%** | **21.5%** | **8.4%** | **17.6%** | **7.0%** | **21.5%** | **8.5%** |

## Notes to the Financial Statements

## NOTE 30 – TRANSACTIONS WITH RELATED PARTIES

The Company has transactions with related parties, which are detailed in Note 35 – Transactions with related parties, of the financial statements of 12.31.2019. The main transactions are:

- Purchase and sale of energy;

- Operation and maintenance;

- Administrative services;

- Guarantees;

- Sureties; and

- Loan between Ibitiúva and Tereos Açúcar e Álcool S.A.

There was no significant change in the transactions with related parties in the nine-month period ended 9.30.2020, except for the issue of debentures by the direct subsidiary Pampa Sul, which were acquired by the Company. For more details, see Note 6 – Marketable securities.

### a) Amounts recognized in balance sheet accounts – Parent Company

| | ASSETS | | | | LIABILITIES | | |
|---|---|---|---|---|---|---|---|
| | | | | | Supplier | | IOE[33] |
| | Trade receivables | Other assets | Marketable securities | Dividends | Energy | Materials and services | Dividends |
| **9.30.2020** | | | | | | | |
| EBC | 103,075 | 4,352 | - | - | 5,200 | - | - |
| Pampa Sul | 9,984 | 18,725 | 371,801 | - | - | - | - |
| ECV | - | - | - | - | - | - | - |
| ECP and subsidiaries | 2,169 | 16,505 | - | - | - | - | - |
| Jaguara | - | 2,147 | - | 167,792 | 11,885 | - | - |
| Miranda | - | 1,460 | - | 106,701 | 5,826 | - | - |
| ENGIE Participações | - | 8,242 | - | - | - | 86 | 465,654 |
| Itasa | - | 3,890 | - | - | 39,682 | - | - |
| Diamante | - | 27,506 | - | - | - | - | - |
| Other | - | 5,766 | - | 4,996 | 1,580 | 347 | - |
| **Total** | **115,228** | **88,593** | **371,801** | **279,489** | **64,173** | **433** | **465,654** |
| **12.31.2019** | **198,003** | **47,038** | **-** | **300,926** | **55,351** | **570** | **820,629** |

[33] Interest on equity.

## Notes to the Financial Statements

### b) Amounts recognized in the income statement – Parent Company

| | Revenue | | | | Cost | Expense |
|---|---|---|---|---|---|---|
| | Sale of energy | O&M Services | Administrative services | Financial income | Energy purchase | Third party services |
| **3rd quarter of 2020** | | | | | | |
| EBC | 289,056 | - | 107 | - | 14,301 | 36 |
| Pampa Sul | 21,115 | - | 107 | 861 | - | - |
| Diamante | - | - | 2,469 | - | - | - |
| ECV | - | - | 35 | - | - | - |
| Jaguara | - | - | 105 | - | 33,022 | - |
| Miranda | - | - | 105 | - | 16,171 | - |
| ECP and subsidiaries | - | - | 1,415 | - | - | - |
| Consórcio Estreiro | - | 5,503 | - | - | - | - |
| Itasa | - | 5,097 | - | - | 27,156 | - |
| ESBR[34] | - | - | - | - | 4,363 | - |
| Other | - | - | 276 | - | - | 1,299 |
| **Total** | **310,171** | **10,600** | **4,619** | **861** | **95,013** | **1,335** |
| **3rd quarter of 2019** | **304,658** | **9,331** | **6,366** | | **156,638** | **1,031** |

| | Revenue | | | | Cost | Expense |
|---|---|---|---|---|---|---|
| | Sale of energy | O&M Services | Administrative services | Financial income | Energy purchase | Third party services |
| **First 9 months of 2020** | | | | | | |
| EBC | 796,819 | - | 320 | - | 32,593 | 36 |
| Pampa Sul | 90,129 | - | 320 | 861 | - | - |
| Diamante | 27,923 | - | 7,293 | - | 81,827 | - |
| ECV | 26,593 | - | 106 | - | - | - |
| Jaguara | 5,444 | - | 309 | - | 98,805 | - |
| Miranda | 460 | - | 309 | - | 53,347 | - |
| Subsidiaries ECP | - | - | 4,245 | - | - | - |
| Consórcio Estreito | - | 16,333 | - | - | - | - |
| Itasa | - | 15,075 | - | - | 80,878 | - |
| ESBR | - | - | - | - | 11,309 | - |
| Other | - | - | 2,539 | - | - | 5,749 |
| **Total** | **947,368** | **31,408** | **15,441** | **861** | **358,759** | **5,785** |
| **First 9 months of 2019** | **1,258,512** | **29,892** | **11,277** | **-** | **579,130** | **2,609** |

[34] Energia Sustentável do Brasil.

## Notes to the Financial Statements

### c) Remuneration of key management personnel – Parent Company

The remuneration of key Management personnel, composed of the Board of Executive Officers established by the Bylaws, Board of Directors and Audit Board, was approved at the AESM held on 4.28.2020, and the amounts recorded in the results of the 3rd quarter and first 9 months of 2020 and 2019 are presented below:

| | 3rd Quarter | | First 9 months | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Fixed compensation | 6,272 | 2,905 | 8,895 | 7,417 |
| Variable compensation | (367) | 2,936 | 1,071 | 4,445 |
| Payroll charges | 1,498 | 778 | 2,164 | 2,091 |
| Other | 918 | 345 | 1,204 | 1,108 |
| | **8,321** | **6,964** | **13,334** | **15,061** |

In the 3rd quarter of 2020, the Company reversed the provisions for Management bonus at amounts higher than those realized in the period.

## NOTE 31 – INFORMATION BY SEGMENT

The information by segment refers to the quarters and 9-month periods ended September 30, 2020 and 2019 is presented in a consolidated manner in the tables below:

| | 3rd Quarter of 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation[35] | Transmission[36] | Trading | Solar panels | Gas transportation | Consolidated |
| **NET OPERATING INCOME** | **2,163,092** | **786,438** | **244,122** | **15,164** | **-** | **3,208,816** |
| Operating costs | (1,053,114) | (731,173) | (238,501) | (17,573) | - | (2,040,361) |
| **GROSS PROFIT (LOSS)** | **1,109,978** | **55,265** | **5,621** | **(2,409)** | **-** | **1,168,455** |
| **Operating expenses** | | | | | | |
| Selling, general and administrative expenses | (59,146) | (429) | (783) | (1,149) | - | (61,507) |
| Other operating income, net | (7) | - | - | - | - | (7) |
| | **(59,153)** | **(429)** | **(783)** | **(1,149)** | **-** | **(61,514)** |
| **Equity income** | **-** | **-** | **-** | **-** | **102,317** | **102,317** |
| **PROFIT (LOSS) BEFORE FINANCIAL RESULT AND TAXES** | **1,050,825** | **54,836** | **4,838** | **(3,558)** | **102,317** | **1,209,258** |

[35] Generation and sale of electricity of the Company's portfolio ("Generation").
[36] Segment represented by Gralha Azul and Novo Estado Transmission Systems (acquired in March 2020), both under construction phase.

## Notes to the Financial Statements

| | 3rd Quarter of 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation | Transmission | Trading | Solar panels | Gas transportation | Consolidated |
| **NET OPERATING INCOME** | **2,119,989** | **68,435** | **287,242** | **18,450** | **-** | **2,494,116** |
| Operating costs | (1,074,602) | (63,690) | (264,890) | (19,123) | - | (1,422,305) |
| **GROSS PROFIT (LOSS)** | **1,045,387** | **4,745** | **22,352** | **(673)** | **-** | **1,071,811** |
| **Operating income (expenses)** | | | | | | |
| Selling, general and administrative expenses | (57,298) | 93 | (647) | (1,014) | - | (58,866) |
| Other operating income, net | 321,466 | - | - | - | - | 321,466 |
| | **264,168** | **93** | **(647)** | **(1,014)** | **-** | **262,600** |
| **Equity income** | **-** | **-** | **-** | **-** | **21,129** | **21,129** |
| **PROFIT (LOSS) BEFORE FINANCIAL RESULT AND TAXES** | **1,309,555** | **4,838** | **21,705** | **(1,687)** | **21,129** | **1,355,540** |

| | 9-month period ended 9.30.2020 | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation | Transmission | Trading | Solar panels | Gas transportation | Consolidated |
| **NET OPERATING INCOME** | **6,304,800** | **1,375,866** | **772,971** | **36,288** | **-** | **8,489,925** |
| Operating costs | (3,071,807) | (1,287,169) | (758,892) | (43,833) | - | (5,161,701) |
| **GROSS PROFIT (LOSS)** | **3,232,993** | **88,697** | **14,079** | **(7,545)** | **-** | **3,328,224** |
| **Operating expenses** | | | | | | |
| Selling, general and administrative expenses | (183,208) | (616) | (2,290) | (4,167) | - | (190,281) |
| Other operating income, net | (76) | - | - | - | - | (76) |
| | **(183,284)** | **(616)** | **(2,290)** | **(4,167)** | **-** | **(190,357)** |
| **Equity income** | **-** | **-** | **-** | **-** | **366,736** | **366,736** |
| **PROFIT (LOSS) BEFORE FINANCIAL RESULT AND TAXES** | **3,049,709** | **88,081** | **11,789** | **(11,712)** | **366,736** | **3,504,603** |

| | 9-month period ended 9.30.2019 | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation | Transmission | Trading | Solar panels | Gas transportation | Consolidated |
| **NET OPERATING INCOME** | **6,052,817** | **108,466** | **787,225** | **60,846** | **-** | **7,009,354** |
| Operating costs | (2,975,066) | (98,526) | (790,915) | (59,636) | - | (3,924,143) |
| **GROSS PROFIT (LOSS)** | **3,077,751** | **9,940** | **(3,690)** | **1,210** | **-** | **3,085,211** |
| **Operating income (expenses)** | | | | | | |
| Selling, general and administrative expenses | (168,697) | - | (2,260) | (4,793) | - | (175,750) |
| Other operating income, net | 316,823 | - | - | - | - | 316,823 |
| | **148,126** | **-** | **(2,260)** | **(4,793)** | **-** | **141,073** |
| **Equity income** | **-** | **-** | **-** | **-** | **(5,680)** | **(5,680)** |
| **PROFIT (LOSS) BEFORE FINANCIAL RESULT AND TAXES** | **3,225,877** | **9,940** | **(5,950)** | **(3,583)** | **(5,680)** | **3,220,604** |

**Notes to the Financial Statements**

## NOTE 32 – INSURANCE

### a) Operating and lost profit risks

The Company is covered by the international insurance policy for Property Damage and Business Interruption (PDBI) of the corporate insurance program of its parent company ENGIE. The policy is valid until 5.31.2021 and the risk coverage amount is R$13,941,216 in the parent company and R$32,952,360 in the consolidated statements, namely:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| Type of plant | Material damages | Loss of profit | Material damages | Loss of profit |
| Hydroelectric power plants | 10,196,817 | 3,691,411 | 14,773,163 | 4,260,113 |
| Thermal power plants | - | - | 5,051,842 | 2,112,556 |
| Complementary plants (wind, solar, biomass and SHPP) | 49,291 | 3,697 | 5,480,601 | 1,274,085 |
| | **10,246,108** | **3,695,108** | **25,305,606** | **7,646,754** |

The maximum combined limit of indemnification for material damages and loss of profits is R$3,760,260 per event.

### b) Engineering risks

The Company has an insurance policy for Campo Largo Wind Power Complex - Phase II whose cap is: R$1,393,182.

During the 1st quarter of 2020, an insurance policy was taken for the Gralha Azul Transmission System with the following compensation limit: R$1,000,000.

During the 3rd quarter of 2020, an insurance policy was contracted for the Novo Estado Transmission Line, with the limit of R$500,000 for damages.

### c) Other coverages

The Company has insurance to cover national and international transportation risks, civil liability of the directors, officers and management, political violence and terrorism extended to its subsidiaries, as well as group life insurance for its employees and officers.

**Notes to the Financial Statements**

## NOTE 33 – LONG-TERM COMMITMENTS

The Company has long-term agreements, which are detailed in Note 38 – Long-term commitments, of the financial statements of 12.31.2019.

The main long-term commitments of the Company are:

- Contracts for connection to the power grid;
- Contract for the Use of the Transmission and Distribution System (CUST and CUSD);
- Operation and maintenance contracts;
- Bilateral contracts for purchase and sale of electricity;
- Agreements for modernization of plants;
- Agreements for constructions in progress; and
- Renegotiation of hydrological risk.

As described in Note 1 – Operations, the acquisition of 100% interest in Novo Estado was concluded in the 1st half of 2020. The project is in the construction phase, with most of its suppliers contracted. The future commitment is estimated at R$2,235,510 on 9.30.2020.

Moreover, the Company, through its subsidiary Pampa Sul, has a coal purchase agreement effective until 2029 and which can be renewed for 15 years, until 2044. The future commitment under the agreement was R$2,023,997 on 9.30.2020.

Except for the agreements described above, there was no significant change in the long-term commitments in the nine-month period ended 9.30.2020.

## NOTE 34 – ADDITIONAL CASH FLOW INFORMATION

The following complementary cash low transactions were as follows:

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 9.30.2020 | 9.30.2019 | 9.30.2020 | 9.30.2019 |
| Dividends from subsidiaries | 410,267 | 426,424 | 321,750 | - |
| Offset of suppliers with capital reduction and dividends from subsidiaries | - | 193,462 | - | - |
| Offset of income tax and social contribution | (39,640) | 10,462 | (34,435) | 17,964 |
| Capitalized interest and inflation adjustment | - | - | 30,787 | 148,016 |
| Transfer of property, plant and equipment to other non-current assets | - | (2,926) | - | (2,926) |
| Suppliers of property, plant and equipment and intangible assets | (901) | (2,915) | 27,491 | (29,122) |
| Dividends and interest on equity not claimed | 3,978 | 2,436 | 3,978 | 2,436 |
| PIS and Cofins credit on property, plant and equipment | - | - | (29,413) | - |
| Net assets of subsidiaries acquired | - | - | 136,093 | - |
| Fair value of project rights acquired | - | - | 236,021 | - |
| Goodwill | - | - | 80,247 | - |
| Capital increase in investees through transfer of shares | 167,219 | - | 167,219 | - |

**Notes to the Financial Statements**

## NOTE 35 – SUBSEQUENT EVENTS

### a) Status of works in Gralha Azul project

On October 15, 2020, the indirect subsidiary Gralha Azul was notified by the Federal Courts suspending two environmental licenses of the project and the removal of vegetation of these groups, relating to the 525 Kv line. In addition, on October 16, 2020, the Federal Prosecution Office and the State Prosecution Office of Paraná issued a second notification. The Company is devoting all efforts to demonstrate to the judicial authorities its compliance with all the legal procedures and its commitment to and respect for the environment, thus maintaining the legitimate continuity of the activities for implementing the transmission lines.

Note that the Company currently has 17 environmental programs to reduce, control and offset environmental impacts. All possible additional measures have been adopted to reduce the removal of native and endangered species, which, when inevitable, is carried out in a controlled and responsible manner, minimizing the environmental impacts in the region.

Some examples of actions that have been taken to preserve the highest number of species along the Transmission System are the deviation from sensitive areas, such as Private Natural Heritage Reserves (RPPN) and Full Protection Conservation Units, the elevation of towers and use of drones to lay cables, as well as the use of self-supporting towers exclusively in native vegetation areas. Thanks to all these efforts, only 4% of the areas with lines and sub-stations that are part of the project have been impacted.

Note that all impacts of the project, including the removal of vegetation, will be matched by environmental compensation and reforestation, with initiatives that go beyond the requirements of the laws in force. In addition to these compensatory measures, the Company adopts voluntary measures in line with its sustainability policies, such as the donation of 3,000 tree seedlings of native species, support for projects aimed at the conservation of flora and fauna, and the planting of three Brazilian pine trees for each felled tree.

### b) Prepayment of CEE debt

On October 9, 2020, the debt of the direct subsidiary CEE was prepaid to BNDES and onlending banks in the total amount of R$847 million, including commission. Part of the funds for prepayment came from an advance for future capital increase of the parent company ENGIE Brasil Energia, in the amount of R$449 million, obtained from loans in foreign currency under the method envisaged in Law 4,131/1962. At the same time as the borrowing operation, the Company contracted a swap to CDI in the amount of US$94 million, equivalent to R$500 million, with amortization period of up to five years, which was approved by the Board of Directors on September 8, 2020 The remaining funds came from cash and cash equivalents of the Company.

**ACCOUNTING DEPARTMENT**

Paulo Roberto Keller de Negreiros
Accounting Department Manager
Accountant - CRC RS-068193/O-2 T-SC

## Comments on Business Projections

### Identification of projections

***a. Purpose of projection***

Investments in equity interest, maintenance, revitalization and expansion of the generation facilities.

The Company's investment statements segregate values in two groups:

• Investments financed with own capital, including acquisitions, and

• Investments financed with debts, including debts assumed in the acquisitions.

Both projection models are included in item "d" below.

The projections made are estimates deemed reasonable by the Company, which usually depend on future events, thus cannot be regarded as a promise to perform by the Company and its managers.

***b. Period projected and projection term***

ENGIE Brasil Energia quarterly discloses to the market its investment projections for the current year and the two subsequent years, valid until its realization or replacement by another projection.

***c. Prospect assumptions, indicating which ones can be influenced by the Company's management***

The Company's projections for investment are mainly based on the following assumptions:

• Schedule for maintenance of the generating units;

• Diagnosis of equipment;

• Regulatory obligations; and

• Strategic initiatives.

The amounts informed, projected and actual, do not consider interest on construction (interest on loan capital).

The Management can influence all assumptions, except for the regulatory obligations that are beyond its control.

In case of a significant change in the foregoing assumptions, the projections can be reviewed.

***d. Value of the indicators that are the subject matter of the projection***

The estimated and actual amounts for the quarter ended 9.30.2020 are presented below. These amounts are expressed in millions of Brazilian real and do not include interest on financing that were capitalized during the construction of the plants.

## Comments on Business Projections

### d.1 Third quarter of 2020

**Estimate for the years 2020, 2021 and 2022, announced in the 2nd quarter of 2020:**

| Description \ Projection period | 2020 | 2021 | 2022 |
|---|---|---|---|
| Financed with debt | 4,567 | 1,510 | - |
| Financed with own capital[1] | (133) | 975 | 247 |
| **Total** | **4,434** | **2,485** | **247** |

**Estimate for the years 2020, 2021 and 2022, announced in the 3rd quarter of 2020:**

| Description \ Projection period | 2020 | 2021 | 2022 |
|---|---|---|---|
| Financed with debt | 5,372 | 1,274 | - |
| Financed with own capital[1] | (909) | 1,530 | 241 |
| **Total** | **4,463** | **2,804** | **241** |

**Changes in the estimates informed for the years 2020, 2021 and 2022 between the 2nd and 3rd quarters of 2020:**

| Description \ Projection period | 2020 | 2021 | 2022 |
|---|---|---|---|
| Financed with debt | 805 | (236) | - |
| Financed with own capital | (776) | 555 | (6) |
| **Total** | **29** | **319** | **(6)** |

**Analysis of material changes:**

Changes in relation to the last reporting period were largely due to the acquisition of ownership interest in Transportadora Associada de Gás S.A. ("TAG") and the change in the financial calendar of the Novo Estado Transmission System.

The updated forecasts mainly refer to:

- 2020: the acquisition of ownership interest in Novo Estado Transmissora de Energia S.A. and TAG, the construction of the Novo Estado and Gralha Azul Energy Transmission Systems and the Campo Largo Wind Power Complex – Phase II, the conclusion of the Pampa Sul Thermal Power Plant, the modernization of Salto Osório HPP and the maintenance of the Company's generation park;
- 2021: the construction of the Novo Estado and Gralha Azul Energy Transmission Systems and Campo Largo Wind Complex – Phase II, the modernization of Salto Osório Hydroelectric Power Plant and the maintenance of the Company's generation park;
- 2022: the construction of the Gralha Azul Energy Transmission System, the modernization of the Salto Osório Hydroelectric Power Plant and the maintenance of the Company's generation park.

[1] The negative amounts presented under "Financed with own capital" refer to the reimbursement using third-party funds of the own capital initially invested, due to a change in the schedule of release of financing facilities.

## Comments on Business Projections

**Investments made until the 3rd quarter of 2020:**

The total investments of ENGIE Brasil Energia until the 3rd quarter amounted to R$2,477.4 million, of which (i) R$656.1 million was allocated to the acquisition of ownership interest: R$328.9 million for 100% ownership interest in Novo Estado Transmissora de Energia S.A., project to be implemented in the states of Pará and Tocantins, and R$327.2 million for 3.25% ownership interest in Transportadora Associada de Gás S.A. ("TAG"); (ii) R$1,734.8 million was invested in the construction of new projects: R$626.1 million in Novo Estado Energy Transmission System, R$516.6 million in Gralha Azul Energy Transmission System, R$455.8 million in Campo Largo Wind Complex – Phase II, R$120.8 million in Pampa Sul Thermal Power Plant and R$15.5 million in other investments; (iii) R$76.5 million was allocated to maintenance and renovation projects of the generation park; and (iv) R$10.0 million was allocated for modernization of Salto Osório Hydroelectric Power Plant.

## Other Relevant Information

There is no other information considered relevant by the Company.

# Opinions and Statements / Special Review Report - Unqualified

REPORT ON REVIEW OF QUARTERLY INFORMATION

To the Shareholders and Managers of

Engie Brasil Energia S.A.

Florianópolis - SC

**Introduction**

We have reviewed the interim, separate and consolidated financial information of Engie Brasil Energia S.A. (“Company”), identified as Parent Company and Consolidated, respectively, contained in the Quarterly Information – ITR Form for the quarter ended September 30, 2020, which comprise the balance sheet as of September 30, 2020 and the related statements of income and comprehensive income for the three- and nine-month periods then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended, including other explanatory notes.

The Management of the Company is responsible for the preparation of the parent company and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) – Interim Financial Statements and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission of Brazil - CVM, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. The scope of a review is significantly lower than that of an audit held in accordance with auditing rules, and as a result we were unable to ascertain whether we became aware of all the significant matters likely to be detected in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, we are not aware of any facts that would lead us to believe that the parent company interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with the technical pronouncement CPC 21 (R1) and international standard IAS 34 applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission of Brazil - CVM.

**Other matters**

Value added statement

The interim financial information referred to above includes parent company and consolidated value added statements for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company management and presented as additional information in compliance with international standard IAS 34. These statements were reviewed together with the Quarterly Information – ITR to ensure that they are in compliance with the interim financial information and accounting records, as applicable, and if their form and content are in compliance with the criteria defined in the technical pronouncement CPC 09 – Demonstração do Valor Adicionado. Based on our review, we are not aware of any other event that make us believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria defined in this standard and consistent with the parent company and consolidated interim financial information taken as a whole.

Joinville, November 5, 2020.

DELOITTE TOUCHE TOHMATSU

Independent Auditors

CRC nº 2 SP 011609/O-8 “F” SC

Fernando de Souza Leite

Accountant

CRC nº 1 PR 050422/O-3

# Opinions and Statements / Opinion or Summarized Statement, if any, of the Audit Committee (statutory or not)

STATEMENT OF THE AUDIT COMMITTEE

The members of the Audit Committee recommend the approval of the Quarterly Information of the Company and agree with the opinion of the independent auditors of the Company, Deloitte Touche Tohmatsu Auditores Independentes, as presented in the Special Review Report of the Independent Auditors.

Paulo de Resende Salgado
Coordinator of the Audit Committee

Carla Carvalho de Carvalho
Member of the Audit Committee

Manoel Eduardo Lima Lopes
Member of the Audit Committee

Florianópolis, November 5, 2020.

# Opinions and Statements / Statement of the Executive Officers on the Financial Statements

STATEMENT OF THE EXECUTIVE OFFICERS OF THE COMPANY

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Quarterly Information (parent company and consolidated) and also agrees with the opinion of the independent auditors of the Company, Deloitte Touche Tohmatsu Auditores Independentes as presented in the Special Review Report of the Independent Auditors.

Eduardo Antonio Gori Sattamini

Chief Executive and Investor Relations Officer

Marcelo Cardoso Malta

Chief Financial Officer

Gabriel Mann dos Santos

Chief Energy Commercialization Officer

Guilherme Slovinski Ferrari

Chief Business Development, Strategy and Innovation Officer

José Luiz Jansson Laydner

Chief Generation Officer

Marcos Keller Amboni

Chief Regulation and Market Officer

Luciana Moura Nabarrete

Chief Administrative Officer

Florianópolis, November 5, 2020.

# Opinions and Statements / Statement of the Executive Officers on the Independent Auditors' Report

STATEMENT OF THE EXECUTIVE OFFICERS OF THE COMPANY

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Quarterly Information (parent company and consolidated) and, also agrees with the opinion of the independent auditors of the Company, Deloitte Touche Tohmatsu Auditores Independentes as presented in the Special Review Report of the Independent Auditors.

Eduardo Antonio Gori Sattamini

Chief Executive and Investor Relations Officer

Marcelo Cardoso Malta

Chief Financial Officer

Gabriel Mann dos Santos

Chief Energy Commercialization Officer

Guilherme Slovinski Ferrari

Chief Business Development, Strategy and Innovation Officer

José Luiz Jansson Laydner

Chief Generation Officer

Marcos Keller Amboni

Chief Regulation and Market Officer

Luciana Moura Nabarrete

Chief Administrative Officer

Florianópolis, November 5, 2020.