Management Proposal

for the Annual General Meeting of

April 28, 2021

ENGIE Brasil Energia S.A.

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PROPOSAL FROM THE BOARD OF DIRECTORS FOR THE ANNUAL GENERAL MEETING, TO BE HELD ON APRIL 28, 2021, PURSUANT TO INSTRUCTION 481 OF THE BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM), OF DECEMBER 17, 2009 (ICVM 481/09), AS AMENDED.

Pursuant to article 9 of the ICVM 481/09, the Company must supply the following documents and information at least 1 (one) month prior to the date of the Annual General Meeting (AGM):

- **Management Report and Financial Statements (article 9, sections I and II, of CVM Instruction 481/09)**

The Complete Annual Financial Statements, including the Management Report, were filed with the CVM and B3 on February 11, 2021, and published in the newspapers Diário Oficial do Estado de Santa Catarina and Notícias do Dia, on March 26, 2021. These documents are also available in the following websites: the Company's (www.engie.com.br/investors/financial-information/), CVM's (www.cvm.gov.br) and B3's (www.b3.com.br).

- **Management comments on the Company's financial position in accordance with item 10 of the Reference Form (article 9, section III, of CVM Instruction 481/09)**

Information concerning the comment of the directors on the Company's financial situation is available in Attachment I of this document.

- **Report (opinion) by the Independent Auditors (article 9, section IV, of CVM 481/09)**

The Report (opinion) by the Independent Auditors is contemplated in the Company's Annual Complete Accounting Statements.

- **Fiscal Council Report, including dissenting votes, if any (article 9, section V, of ICVM 481/09)**

The Fiscal Council Report is contemplated in the Company's Annual Financial Statements, noting that there were no dissenting votes.

- **Standard Financial Statements Form - DFP (article 9, section I, sole paragraph, of ICVM 481/09)**

The Standard Financial Statements form (DFP) was published by the Company on February 11, 2021, on the same date of the submission of the Management Report and the Complete Annual Financial Statements. This document can be accessed from the websites of the Company (www.engie.com.br/investors/financial-information/), CVM (www.cvm.gov.br) and B3 (www.b3.com.br).

- **Capital Budget**

The information with respect to the Capital Budget can be found in Attachment III of this document.

- **Proposed allocation of net profit for the year containing at least the information indicated in Attachment 9-1-II, ICVM 481/09 (article 9, section II, sole paragraph, of ICVM 481/09)**

Information relating to Attachment 9-1-II of ICVM 481/09 is available in Attachment II of this document.

- **Statement by the Audit Committee, if any (article 9, section III, sole paragraph, of ICVM 481/09)**

The Opinion of the Audit Committee is included in the Company's Complete Annual Account Statements.

Whenever the General Meeting is convened to elect the members of management or fiscal council, the Company shall provide (Article 10 of ICVM 481/09):

- **At least the information shown in items 12.5-12.10 of the Reference Form with respect to the candidates nominated or supported by the management or by the controlling shareholders (article 10, subsection I of ICVM 481/09)**

The election of the members of the Management or members of the board of directors is not foreseen for this general meeting.

Whenever a General Shareholders' Meeting is convened to set the compensation of the members of the management, the Company shall provide at least the following documents and information (Article 12 of ICVM 481/09):

- **Information concerning the compensation of directors based on item 13 of said Reference Form (article 12, sections I and II, of ICVM 481/09)**

This information is presented in attachment IV hereto.

- **Information concerning proposed employee profit sharing in fiscal year 2020**

The proposal can be found in attachment V hereto.

- **Remote voting list, to which Article 21-F (Article 9, section VI, of ICVM 481/09) refers and should the events pursuant to Article 21-A (Article 10, section II of ICVM 481/09) arise**

Pursuant to ICVM 481/09 and its subsequent amendments, the Company is to adopt the remote voting system as from fiscal year 2017.

The Company published the remote voting list on March 26, 2021, on the same date of the submission of the Management Proposal. This document can be accessed through the websites of the Company (www.engie.com.br/investors/shareholders-and-board-meetings/remote-voting), the CVM (www.cvm.gov.br) and B3 (www.b3.com.br).

Article 9, section III, of ICVM 481/09 – Management's comments on the Company's financial position, in accordance with item 10 of the reference form

10.1 General financial and equity conditions

The financial information provided in items 10.1 to 10.9 of the present Management Proposal reflects the Company's financial statements for the fiscal years ending December 31, 2020, 2019 and 2018, prepared pursuant to the International Financial Reporting Standards (IFRS) and Brazilian accounting practices.

a. General financial and equity conditions

Based on the liquidity and debt indicators provided ahead, Management understands that the Company's financial and equity conditions are appropriate to the execution of its capital and investment expansion plans, as well as to meet its liquidity requirements and meet its short- and long-term obligations.

Consolidated information for the fiscal year ending December 31, 2020

The year 2020 was characterized by a scenario of uncertainty arising from the new coronavirus pandemic. The Company sought to understand the risks, predict impacts and adopt its activities concentrating its efforts on ensuring the supply of energy – essential to society. At the same time, it also focused on protecting people and supporting the communities in which it operates. In 2020, the company has not experienced any significant impacts arising from the pandemic, its activities being authorized to operate by the federal authorities given its condition as essential to the country's activities.

In 2020, with financial resources assured in the market, the Company continued to implement three large projects, forecasted for conclusion in 2021: the Campo Largo II Wind Complex in the Northeast, which will add a further 361.2 MW to the Company's installed capacity, and the transmission systems Novo Estado, in the North, and Gralha Azul, in the South. In addition, in 2021, construction work on the the first phase of the Santo Agostinho Wind Complex in the state of Rio Grande do Norte will begin, this representing a further 434 MW in installed capacity for the Company when complete.

As to economic and financial performance, in 2020, the Company reported a net consolidated income of R$ 2.797 million, 21.0% greater than profits reported in 2019, of R$ 2,311 million. The Company's EBITDA in 2020 reached R$ 6,485 million, an increase of 25.7% or R$ 1,327 million compared with fiscal year 2019. EBITDA margin rose 0.3 p.p., from 52.6% to 52.9% when comparing the two fiscal years of 2019 and 2020.

The variation in EBITDA was a combination of the following positive effects: (i) R$ 685 million in the electric energy generation and sales segment of the Company's portfolio; (ii) R$ 262 million from the transmission segment; and (iii) R$ 406 million from a higher result from the corporate stake in the jointly controlled – TAG, given an addition acquisition of 3.25% of the total of 10% that Petrobras still held in the company. The positive impacts were attenuated by the following negative effects: (iv) R$ 25 million from the energy trading segment – of which R$ 45 million due to the marking to market effect, partially offset by the positive impact of R$ 20 million originating from executed transactions and from operational expenses; and (iv) R$ 1 million from the solar panel segment.

Generation segment EBITDA, variation of which was indicated in item (i), was affected by non-recurring events recognized in the years under comparison in the amount of R$ 637 million, as follows: (i) growth of R$ 968 million relating to the recovery of energy costs in the light of the renegotiation of the hydrological risk, in 2020; (ii) R$ 84 million recovered in the form of taxes following successful court action in 2020; (iii) negative effect of R$ 321 million of other revenues arising from indemnities received for non-compliance with contractual conditions by the supplier responsible for the construction of Pampa Sul, recognized in 2019; and (iv) R$ 94 million due to an increase in impairment values between the two years under comparison.

The factors mentioned below sustain the Company's financial and equity situation:

- Increase in net operating revenue – the Company reported a growth of 25.0% in net operating revenue between 2019 and 2020, reaching R$ 12,259 million in 2020, an amount R$ 2,455 million higher than registered in 2019. This growth derives above all from transmission line infrastructure implantation in the light of progress in the execution of work on the construction of the Gralha Azul and Novo Estado transmission systems.
- Increase in EBITDA – EBITDA in 2020 was R$ 6,485 million, an increase of 25.7% (R$ 1,327 million) compared with 2019. Ebitda margin was 52.9% in 2020, an increase of 0.3 p.p. in relation to the preceding year. Results for 2019 and 2020 were impacted by non-recurring events and already mentioned, among which the renegotiation of hydrological risk, the impact of which on cash will be perceived in the future with the extension of the concession period.
- Renegotiation of hydrological risk – Law 14.052/2020 determined that the hydroelectric plants, members of the MRE, could be compensated for the effects arising from (i) restrictions on energy offtake arising from the delay in entry into operations or entry into operations under technically unsatisfactory conditions of the transmission installations for energy offtake; and (ii) the difference between authorized physical guarantee in the startup phase and the amounts effectively aggregated by each motorized generator unit to the National Interconnected System (SIN), and for both of which, compensation is awarded through the extension of the concession term, limited to 7 years calculated according to the parameters applied by Aneel. In 2020, the Company booked the intangible rights to the authorized extended period to generate against the offsetting "Operational Costs – Renegotiation of the hydrological risk", in the gross amount of R$ 968 million.

- Total consolidated gross debt represented, mainly, by loans, financing debentures and redeemable preferred shares, net of the effects of hedge operations, totaled R$ 16,672 million in 12.31.2020 — an increase of 15.5% (R$ 2,235 million) comparatively to the position as at 12.31.2019. The increase is due basically to the following increases: (i) drawdowns from the Banco Nacional de Desenvolvimento Econômico e Social (BNDES), for the construction of the Campo Largo II Wind Complex and the Novo Estado and Gralha Azul transmission systems; (ii) raising of loans from financial institutions abroad for the formation of working capital and for financing the implementation of the Company's business plan, totally protected by hedge operations, for protecting future cash flows; (iii) issue of debentures by the controlled entity, Pampa Sul with the purpose of optimizing capital structure of this controlled entity; (iv) issue of debentures by the indirect controlled entity Novo Estado Participações S.A. (NEP) for the formation of working capital and for financing working capital to finance the implementation of the transmission line; and (v) issue of redeemable preferred shares by the indirect controlled entity NEP, for early settlement of NEP's debentures issues, commented in item (iv). These events were attenuated by the payments executed during 2020, among which important were the early settlement of financing from the BNDES and onlending banks, of the direct controlled entity, Companhia Energética Estreito CEE and the early settlement of the debentures issued by NEP.
- Risk classification (rating) – Fitch Ratings assigned ENGIE Brasil Energia a National Long-Term Rating of 'AAA (bra)' with a stable outlook and on the global scale 'BB(bra)', also with a stable outlook, one notch above sovereign rating. The ratings are directly related to the raising of attractive credit lines, thus enhancing our competitiveness in the development of new projects.
- Reduced default levels – Result of the rigorous process of credit analysis and diversification of the Company's client portfolio, despite the Covid-19 pandemic, as shown below under 10.9 of this Management Proposal.
- Installed capacity – On 12.31.2020, the Company had an installed capacity of 8,710..5 MW and operated a generator complex of 10,431.2 MW, composed of 60 plants, 11 hydroelectric plants, four conventional thermoelectric plants, 38 wind farms, three biomass-fired plants, two solar plants and two small hydroelectric plants. Of these generator parks, 56 are fully owned by the Company and four (the hydroelectric plants of Itá, Machadinho and Estreito, and the co-generation biomass Ibitiúva Bioenergética) are commercially operated through partnerships with other companies.
- Progress of work at (i) the Campo Largo II Wind Complex, with an expected installed capacity of de 361 MW. The entry into commercial operations of the first farms was in February 2021 and the last are scheduled for the third quarter 2021; and (ii) Gralha Azul Energy Transmission system in the state of Paraná, with about a thousand kilometers of transmission line with a deadline for startup set for .03.09.2023. The Company estimates the beginning of commercial operations by September 2021.
- Acquisition in March 2020, of 100% of the shares of Novo Estado, holder of the Lot 3 concession for which it bid successfully at the Transmission Auction 002/2017, located in the states of Pará and Tocantins, totaling approximately, 1,800 km of transmission line. The Company estimates the beginning of commercial operations for December 2021. RAP as at the auction's baseline date was R$ 313 million and an estimated CAPEX of R$ 3.0 billion.
- On 07.20.2020, a purchase and sale agreement worth R$ 327 million for the acquisition of an additional shareholding stake of 3.25% in TAG was signed out of total of 10% which Petrobras still held in the company.

Consolidated information for the fiscal year ending December 31, 2019

The year 2019 was marked by a more favorable environment for business development in Brazil because of the enactment of structural measures key to resuming economic growth, such as Social Security reform. Some of the fiscal year's highlights include entry into the natural gas value chain with the acquisition of Transportadora Associada de Gás (TAG) in partnership with a controlled entity of ENGIE S.A. and *Caisse de Dépôt et Placement du* Québec (CDPQ), and the completion of construction works for the Umburanas Wind Complex – Phase I and the Pampa Sul Thermal Power Plant, which added 705 MWa and 536.8 MWa to the company's installed capacity and physical guarantee, respectively.

As for its economic and financial performance, in fiscal year 2019 the Company had consolidated net earnings of R$ 2,311 million, down slightly from 2018's R$ 2,315 million (0.2%). The Company's EBITDA as at Dec.31.2019 was R$ 5,158 million, up 19.2% or R$ 831 million YoY. EBITDA margin was up 3.4 p.p., from 49.2% to 52.6% YoY. This increase was largely driven by the following effects: (i) an increase in the volume and price of sales in the generation segment (ii) booking in 3Q19 of other operating revenues from the receipt of indemnity for noncompliance with obligations under contract from the supplier responsible for construction of the Pampa Sul Thermal Power Plant, due mainly to late completion of construction works, leading to frustrated income for Company and (iii) the positive result from the stake in TAG/Aliança.

Consolidated information for the fiscal year ending December 31, 2018

The year 2018 was characterized by consistent growth as a result of the implementation of new power plants and maintenance of its generating complex, as well as entry into the transmission, distributed generation and electric energy trading segments, according to the ENGIE Group's global de-carbonization, decentralization and digitalization guidelines.

The Company continues to expand its renewables matrix. In 2018, it completed construction of the Campo Largo Wind Complex, consolidated the operations of the Jaguara and Miranda Hydroelectric Power Plants, and continued work towards the implementation of the Pampa Sul Thermal Power Plant, which is set to begin commercial operations in mid-2019. Also in 2018, the Company completed the acquisition of the remaining 50% of equity shares in ENGIE Geração Solar Distribuída S.A. ("EGSD").

Furthermore, in 2018, the Company, through its direct subsidiaries ENGIE Brasil Energias Complementares Participações Ltda. (ECP) and ENGIE Brasil Energia Comercializadora Ltda. (EBC), entered into the concession contract associated with Transmission Auction No. 02/2017.

With respect to economic and financial performance, the Company reported consolidated net income of R$ 2,315 million in 2018, up 15.5%, or R$ 310 million, from 2017. EBITDA in 2018 was R$ 4,327 million, up 23.7%, or R$ 828 million, from 2017. Adjusted EBITDA margin was down 0.7 p.p. from 49.9% to 49.2% YoY. This is largely due to the 2018 effects of trading operations and the booking of the transmission line's revenues and construction costs.

The main factors leading to the performance above were operating results from the Jaguara and Miranda Hydroelectric Power Plants, which were acquired in late 2017; the increased revenue from short-term market transactions; the higher average net selling price and volume of energy sold; lower energy purchases for the purposes of managing the Company's portfolio; the booking of revenues

from indemnity rights associated with business disruption and contract penalties; and entry into trading operations in January 2018.

b. Capital structure

The Company manages its capital in such a manner as to maximize investor returns by optimizing the balance of debt and equity, pursing a capital structure and keeping indebtedness and debt coverage ratios capable of providing a return on investors' capital.

The Company's business features high operational cash generation, due mainly to its high margins arising from the electric energy generation activity's capital-intensive nature and the strict control that the Company's Management exerts over costs and expenses.

The main components of the Company's capital structure as follows:

Amounts in million R$	31.12.2020	31.12.2019	31.12.2018
Gross debt[1]	16,672	14,437	9,498
(-) Cash and cash equivalent and restricted deposits	4,886	4,245	2,642
Net debt	11,786	10,192	6,856
Long-term debt[2] (% of gross debt)	89.0%	81.0%	93.0%
Equity	7,742	6,999	6,320
Leverage[3]	60.4%	59.3%	52.0%
Capital structure composition:			
- Own capital (Net worth / Total liabilities)	22.0%	23.2%	26.6%
- Third parties' capital (current and non-current liabilities / total liabilities)	78.0%	76.8%	73.4%

(1) Includes loans and financings, debentures and promissory notes (current and non-current) – net of hedging effects.
(2) Gross non-current debt includes loans and financings, debentures and promissory notes, all non-current – net of hedging effects.
(3) Net debt / (Net debt + Equity)

The increase in the Company's indebtedness is mainly associated with a combination of the following events had in 2020: (i) drawdowns from the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and onlending banks, worth R$ 2.181 million, net of funding costs, allocated principally to construction of the Campo Largo Wind Complex and the Novo Estado and Gralha Azul transmission systems; (ii) raising of loans via Law 4131 operations in the amount of R$ 1,132 million with international financial institutions for formation of working capital and for financing the implementation of the Company's business plan, fully hedged and intended to protect future cash flows; (iii) issue of debentures for R$ 511 million, net of funding cost, by the Pampa Sul controlled entity with the purpose of optimizing the capital structure of this controlled entity; (iv) issue of debentures for R$ 498 million, net of funding cost, by the indirect Novo Estado Participações S.A. (NEP controlled entity for working capital formation and to finance the implementation of the Novo Estado transmission system; and (v) issue of redeemable preferred shares issued by NEP for R$ 477 million, net of issuance costs, for early settlement of the debentures commented above. In addition to the foregoing, the Company incurred R$ 1.150 million of financial charges and amortizations of loans, financing and debentures of R$ 3,714 million, part of which of particular note was the early payment of financing with the BNDES and Onlending Banks of the directly controlled CEE of R$ 847 million and the early settlement of debentures issued by NEP if R$ 509 million.

c. Payment capacity relative to financial obligations

Give the Company's debt profile and liquidity position, Management believes that, assuming regular market conditions, it will be fully able to honor existing current and long-term liabilities and to continue expanding investments.

Management further understands that, under regular market conditions, solid cash generation affords the Company comfortable margin honoring all of its existing long-term liabilities.

The table next lists the main debt-repayment capacity indicators used by the Company.

Amounts in R$ million	31.12.2020	31.12.2019	31.12.2018
EBITDA	6,485	5,158	4,327
Financial expense	2,137	1,353	854
Financial result	1,882	1,206	699
Gross debt	16,672	14,437	9,498
Net debt	11,786	10,192	6,856
Net debt / EBITDA	1.8	2.0	1.6
Total debt / EBITDA	2.6	2.8	2.2
EBITDA / Financial expense	3.0	3.8	5.1
Operational Cash Flow	1,342	3,621	3,147

Over the past three fiscal years, the Company has honored its obligations to third parties such as suppliers, dividends, debts and grants payable, among others.

The Company's net debt stood at R$ 11,786 million as at 12.31.2020 corresponding to 1.8 times EBITDA reported as of 2020 at R$ 6,485 million. Additionally, the Company posted a positive operational cash flow of R$ 1.342 million in 2020. Based on the results registered and on the business plan, the Officers of the Company are reinforcing the payment capacity in relation to the financial commitments taken on.

Fitch Ratings has assigned to the Company the Domestic Long-Term Rating 'AAA (bra)', with stable outlook, and the global rating 'BB (bra)', with stable outlook, one level above the sovereign rating. Ratings are directly related with the capture of attractive credit facilities, increasing the Company's competitiveness developing new projects.

d. Sources of financing for working capital and investment in non-current assets

The Company uses lines of credit from top-ranking financial institutions to cover any short- and medium-term cash needs.

As concerns the Company's investment projects, in addition to using some of its cash generation, the main source of financing is the Brazilian Development Bank (BNDES), either directly or through Banks that lend-on BNDES lines. These institutions normally offer interest rates and terms of payment compatible with the return on energy generation projects.

If the investment project is not eligible for BNDES financing or due to financing-cost issues, the Company may use other sources of incentivized funding such as the Constitutional Financing Fund for the Northeast (FNE), the Constitutional Financing for the Center-West (FCO), the capital markets through the issuance of promissory notes and/or debentures or other sources of funding, in order to maintain an adequate capital structure and liquidity. The Company constantly evaluates operations financing alternatives.

In 2018, in addition to BNDES and its Lend-On Banks, the Company secured funding by means of debentures issues, due to favorable market conditions. In 2019 main sources of financing were funds from debentures issues, BNDES funds and foreign currency-denominated loans whose currency risk is hedged against with swap operations. In 2020, the Company used as principal sources of finance, resources from the BNDES and currency-denominated loans, exchange rate variation of which is protected by swap operations, resources from the issue of debentures and redeemable preferred shares.

e. Sources of financing for working capital and for investments in non-current assets to be used to cover liquidity shortfalls

Notwithstanding the fact that Management does not foresee any liquidity deficiency, the Company holds standby credit lines (working capital, long-term financing and bank guarantees) from first class financial institutions.

In the event that it should need to draw on financing for working capital, the Company intends to use credit lines available in the market from first class credit institutions. In the case of financing of non-current assets, the Company intends as a priority to use long-term financing resources directly from the BNDES or its Lend-On Banks.

In addition, because of the high rating assigned by ratings agency Fitch Ratings, the Company has ready access to the capital markets should it need to obtain additional funding.

f. Indebtedness levels and debt characteristics, further describing:

The principal information on debt taken from Financial Institutions is described as follows:

(i) material loans and financing agreements

Main Debt Conditions

		Payment Conditions		Amounts in R$ million		
Companies / Banks	**Interest**	**Maturity**	**Principal and interest**	**12.31.2020**	**12.31.2019**	**12.31.2018**
Controlling Shareholder:						
Domestic currency:						
BNDES – Modernization	TJLP + 2.26% p.a.[a]	07.2020	Monthly	-	44	119
Nordic Investment Bank (NIB)	IPCA + 3.55% p.a.	10.2022	Principal: Monthly Interest: Quarterly	60	87	112
BNDES – São Salvador HPP	TJLP + 2.7% p.a.[a]	10.2023	Monthly	47	64	80
BNDES Lend-on (Banks)	3.68% p.a.	11.2024	Monthly	3	5	6
Foreign currency (US Dollars):						
MUFG III	3.998% p.a. with NDF in dollars at a fixed rate of R$ 5.1775	04.2021	Principal: 04.2021 Interest: Semi-annual	524	414	392
Scotiabank II	3.798% p.a. with NDF in dollars at a fixed rate of R$ 5.2850	04.2021	Principal: 04.2021 Interest: Semi-annual	523	411	387
HSBC	7.3706% p.a. with swap for 3.3977% p.a.	05.2022	Principal: 05.2022 Interest: Semi-annual	540	514	-
Scotiabank III	3.3600% p.a. with swap for 3.3888% p.a.	05.2022	Principal: 05.2022 Interest: Semi-annual	541	414	-
BNP Paribas II	3.9515% p.a. with swap for 3.3970% p.a.	05.2022	Principal: 05.2022 Interest: Semi-annual	270	207	-
Scotiabank I	3.3710% p.a. with swap for IPCA + 5.2% p.a.	11.2022	Principal: 11.2022 Interest: Semi-annual	1,095	831	768
BNP Paribas IV	2.7300% p.a. with swap for CDI + 1.33% p.a.	04.2023	Principal: 04.2023 Interest: Semi-annual	533	-	-
BNP Paribas III	2.5400% p.a. with swap for CDI + 1.70% p.a.	03.2024	Principal: 03.2024 Interest: Semi-annual	681	-	-
MUFG V	1,8914% p.a. up to 10.2021 and 2.0057% p.a. up to 10.2025 both with swap for CDI + 1.32% p.a.	10.2025	Principal: 50% at 10.2024 and 50% at 10.2025 Interest: Semi-annual	467	-	-
HSBC VI	8.459% p.a. with swap for 103% of CDI	10.2020	Principal: 10.2020 Interest: Semi-annual	-	342	341
MUFG IV	3.712% p.a. with swap for 101% of CDI	04.2020	Principal: 04.2020 Interest: Semi-annual	-	407	390
BNP Paribas I	3.684% p.a. with swap for 102% of CDI	04.2020	Principal: 04.2020 Interest: Semi-annual	-	406	388
Controlled entities:						
Domestic currency:						
Companhia Energética Estreito						
BNDES	TJLP + 1.89% p.a.[a]	09.2029	Monthly	-	540	593
BNDES Lend-on (Banks) [b]	TJLP + 2.95% p.a.[a]	09.2029	Monthly	-	367	403
Ibitiúva						
BNDES (Subloan B)	4.5% p.a.	01.2020	Monthly	-	-	5
BNDES (Subloan A and C)	TJLP + 2.05% p.a.[a]	01.2021	Monthly	-	-	8
Ferrari						
BNDES	TJLP + 1.91% p.a.[a]	06.2021	Monthly	-	7	11
BNDES Expansion	TJLP + 1.76% p.a.[a]	07.2032	Monthly	54	59	38
BNDES Lend-on (Banks) [b]	TJLP + 3.40% p.a.[a]	06.2021	Monthly	-	3	5
Trairí Wind Complex [c]						
BNDES – Social Credit	TJLP	07.2029	Monthly	1	1	1
BNDES	TJLP + 2.51% p.a.[a]	07.2029	Monthly	206	229	252
BNDES	TJLP + 2.18% p.a.[a]	05.2033	Monthly	284	284	305

Companies / Banks	Interest	Payment Conditions		Amounts in R$ million		
		Maturity	Principal and interest	12.31.2019	12.31.2018	12.31.2017
Controlled entities:						
Domestic currency:						
Assú V						
Banco do Nordeste do Brasil	IPCA + 1.7624% p.a.	07.2038	Principal: Monthly from 08.2023 Interest: Quarterly until 07.2023 and then monthly	87	85	84
Campo Largo Wind Complex						
BNDES	TJLP + 2.52% p.a. [a]	06.2035	Monthly	455	486	390
BNDES	TJLP + 1.82% p.a. [a]	06.2035	Monthly	529	566	488
Pampa Sul						
BNDES	TJLP + 3.09% p.a. [a]	01.2036	Monthly	814	794	628
Umburanas Wind Complex						
BNDES	IPCA + 3.91% p.a.	12.2038	Monthly	1,216	1,231	-
Gralha Azul						
BNDES	IPCA + 3.83% p.a.	03.2044	Monthly from 10.2023	611	-	-
Campo Largo II Wind Complex						
BNDES	IPCA + 4.23% p.a.	12.2039	Monthly from 09.21	884	-	-
Novo Estado						
BNDES	IPCA + 4.67% p.a.	05.2044	Monthly from 11.22	776	-	-
Promissory Notes:						
Jaguara - J. Safra Bank S.A.	104.9% p.a. on Δ DI Rate	11.2018	Principal: 11.2018 Interest: 11.2018	-	-	1,326
Miranda - J. Safra Bank S.A.	104.9% p.a. on Δ DI Rate	11.2018	Principal: 11.2018 Interest: 11.2018	-	-	784

[a] The amount corresponding to the TJLP installment that exceeds 6% p.a. is incorporated into the principal amount.
[b] The banks are the following ones: Itaú Unibanco, Itaú BBA, Bradesco, Santander and Votorantim.
[c] Trairí Wind Complex financing composed of the following companies: Trairí, Mundaú, Guajiru, Fleixeiras I, Santa Mônica, Cacimbas, Estrela e Ouro Verde.

Additional information on the more relevant loan and financing agreements of the Company and its controlled entities

Balances as of December 31, 2020, 2019 and 2018 of the loans listed below can be found in the table provided with foregoing item f(i).

The purpose of securing "BNDES Modernização" financing was to modernize the Salto Santiago and Passo Fundo Hydroelectric Power Plants, and the loan from Nordic Investment Bank was intended to increase the company's working capital. BNDES financing of the São Salvador Hydroelectric Power Plant and the BNDES pass-on through its Pass-On Banks – Itaú Unibanco, Bradesco, Santander and Votorantim – were used in the construction of the São Salvador Hydroelectric Power Plant.

Financing secured by controlled entities that have been consolidated into the Company are under the Project Finance mode. To this end, Special Purpose Entities (SPEs) were formed to implement the respective projects.

- Foreign currency-denominated loans

In 2020, 2019 and 2018, the Company took foreign currency-denominated loans from HSBC, MUFG (formerly called Bank of Tokyo), Scotiabank and BNP Paribas.

The funds were raised with the main purpose of financing the construction and modernization of the Company's electricity generating complex and manage its cash flow to ensure continued implementation of its business plan.

The Company has swap operations contracts with Brazilian subsidiaries of the same financial institutions from which it contracted loans in dollars, in order to protect future payment flows of principal and interest against exchange rate fluctuation. These operations were designated as fair

value hedge instruments, converting the loans in dollars to Reais and the fixed for a floating rate (CDI).

On September 17, 2020, derivative instruments were contracted from first class banks, converting to fixed rates part of the positions previously held in CDI. These instruments were designated as cash flow hedges, the object of these instruments being the aggregate exposure arising from the combination of the loans in dollar and of the currency swap operations and of interest rates.

On December 22, .2020 and December 28, 2020, the Company made an early settlement of swap operations earmarked to loans contracted from the banks MUFG and Scotiabank, maturing April 23,.2021 and April 27, .2021, respectively. In addition, the Company contracted derivative operations from MUFG and Scotiabank– Non-Deliverable Forward (NDF) – to protect all future payments in currency of international loans, the earmarked swaps of which were paid. These new hedge instruments were designated as a cash flow hedge, for which reason the loans are now measured at the amortized cost.

Maturity of the principal and amortization of interest of the loans and hedges will occur exactly on the same dates. Important to point out that the Company's Derivatives and Investment Policy establishes that the use of fixed financial derivative instruments is restricted to protecting risks (hedge) and should maintain a close correlation to the profile of debt, volumes and terms.

The main conditions of the loans, swaps operations and NDF taken were as follows:

	Amount		Loans, long swap position and NDF	Short swap position and NDF	
Banks	US$ million	R$ million	Δ US$ + Interest (p.a.)	CDI Δ	Maturity
MUFG III	100	518	3.998%	Fixed rate in dollars of R$ 5.1775	04.2021
Scotiabank II	100	518	3.798%	Fixed rate in dollars of R$ 5.2850	04.2021
HSBC	135	534	7.371%	3.3977% p.a.	05.2022
Scotiabank III	100	396	3.360%	3.3888% p.a.	05.2022
BNP Paribas II	50	198	3.952%	3.3970% p.a.	05.2022
Scotiabank I	200	650	3.371%	IPCA + 5.2%	11.2022
BNP Paribas IV	100	518	2.730%	CDI + 1.33% p.a.	04.2023
BNP Paribas III	125	632	2.540%	CDI + 1.70% p.a.	03.2024
MUFG V	95	500	1.8914% p.a. to 10.2021 and 2.0057% p.a. up to 10.2025	CDI + 1.32% p.a.	10.2025
HSBC VI	100	325	8.459%	103.0% of CDI	10.2020
MUFG IV	100	341	3.712%	101.0% of CDI	04.2020
BNP Paribas I	100	339	3.684%	102.0% of CDI	04.2020
	1,305	**5,469**			

Loan and financing guarantee

The Company maintains a guarantee for the loan and financing agreements described next. The Company provides no guarantees in connection with the other loans.

- **BNDES – Thermal power project financing**

Guarantees for thermal power projects are as follows: (a) chattel mortgage of rights arising from the permit; (b) chattel mortgage of credit rights arising from electric energy sale contracts; (c) pledge of the entirety of the shares; (d) pledge of machinery and equipment associated with the project; (e) mortgage on urban land owned and intended for the project's implementation; (f) reserve account in an amount equivalent to three months' debt service; and (g) reserve account in an amount equivalent to three months' operation and maintenance expenses under the contract.

- BNDES – financing originally granted to São Salvador Hydroelectric Power Plant incorporated by the Company

Following incorporation, the guarantees for the respective financing were substituted by a bank guarantee.

- BNDES – Biomass and Wind

The guarantees of the biomass and wind projects are as follows: (a) lien on goods and equipment relative to the projects; (b) lien of all the shares representing the capital stock of the controlled companies; (c) receivables and reserve accounts; (d) assignment of the emerging rights of authorization; and (e) corporate guarantee of ENGIE Brasil Energia or the controlled entity of the Company (ENGIE Brasil Energias Complementares Participações Ltda).

- BNDES – Financing of a transmission project

The guarantees of the transmission projects are as follows: (a) lien on all the shares representing the capital stock of the controlled companies; (b) receivables and reserve accounts; (c) assignment of the emerging rights of the concession; and (d) corporate guarantee of the Company or bank guarantee.

- Banco do Nordeste do Brasil (BNB) – Financing of a photovoltaic solar energy project

Guarantees for the solar project are as follows: (a) bank guarantee; e (b) reserve account in an amount equal to a minimum of 4.09% of the project's balance owed.

- Nordic Investment Bank (NIB) – Financing of Wind Projects

The Company has arranged a guarantee in dollars equivalent to R$ 59 million maturing in 2021. This obligation to deliver a guarantee began in February 2018, when Fitch Rating downgraded Brazil's sovereign rating, thus impacting the Company's long-term rating in foreign currency. This loan from NIB was contracted in December 2012 for executing the construction of the Trairí Wind Complex.

(ii) other long-term relations with financial institutions

(a) Debentures

Represented by the debentures issued by the Company and by controlled entities Jaguara, Miranda and Pampa Sul. On December 31, 2020, 2019 and 2018, the Company had the following outstanding issues.

				Payment Conditions		Amounts in R$ million		
	Quantity	Compensation	Guarantee	Interest / monetary restatement	Principal	12.31.2020	12.31.2019	12.31.2018
Controlling Shareholder								
5th Issue - Single Series	165,000	IPCA + 6.3% p.a.	No guarantee	Annually in December	3 Annual installments from 12.2022	225	216	207
6th Issue - Serie 1	246,600	IPCA + 6.2621% p.a.	No guarantee	Annually in July	3 Annual installments from 07.2021	295	282	271
6th Issue - Serie 2	353,400	IPCA + 6.2515% p.a.	No guarantee	Annually in July	3 Annual installments from 07.2024	422	403	387
7th Issue - Serie 1	515,353	IPCA + 5.6579% p.a.	No guarantee	Annually in July	2 Annual installments from 07.2024	568	542	519
7th Issue - Serie 2	231,257	IPCA + 5.9033% p.a.	No guarantee	Annually in July	3 Annual installments from 07.2026	255	243	233
8th Issue - Single Series	2,500,000	102.1% of CDI	No guarantee	11.2020	11.2020	-	977	-
9th Issue - Serie 1	576,095	IPCA + 3.7000% p.a.	No guarantee	Annually from 07.2021	2 Annual installments from 07.2025	634	584	-
9th Issue - Serie 2	539,678	IPCA + 3.9000% p.a.	No guarantee	Annually from 07.2021	3 Annual installments from 07.2027	595	547	-
9th Issue - Serie 3	378,827	IPCA + 3.6000% p.a.	No guarantee	Semi-annually from 07.2021	2 Annual installments from 07.2025	416	384	-
9th Issue - Serie 4	105,400	IPCA + 3.7000% p.a.	No guarantee	Semi-annually from 07.2021	3 Annual installments from de 07.2027	116	107	-
Controlled Entities								
Jaguara								
1st Issue - Serie 1	483,000	107% p.a. on Δ DI Rate with swap for IPCA + 4.47% p.a.	Real guarantee	Semi-annually from 12.2018	9 semi-annual installments from 06.2019	264	371	481
1st Issue - Serie 2	634,000	IPCA + 6.4962% p.a.	Real guarantee	Semi-annually from 12.2018	15 semi-annual installments from 06.2020	673	657	631
Miranda								
1st Issue - Serie 1	299,000	107% p.a. on Δ DI Rate with swap for IPCA + 4.47% p.a.	Real guarantee	Semi-annually from 12.2018	9 semi-annual installments from 06.2019	164	230	297
1st Issue - Serie 2	386,000	IPCA + 6.4962% p.a.	Real guarantee	Semi-annually from 12.2018	15 semi-annual installments from 06.2020	413	400	384
Pampa Sul								
2nd Issue - Serie 1	150,000	IPCA + 4.50% p.a.	Real guarantee	Semi-annually from 10.2021	14 semi-annual installments from 10.2021	142	-	-
2nd Issue - Serie 2	432,000	IPCA + 5.75% p.a.	No guarantee	Semi-annually from 10.2021	17 semi-annual installments from 10.2028	380	-	-

Additional information on debentures

- Fifth debenture issue - Single series

In December 2014, the Company issued 165,000 simple debentures, non-convertible, single series of the unsecured type, with a nominal value of R$ 1 thousand making the total amount of R$ 165 million on the date of issue. These debentures are adjusted by the IPCA and yield interest corresponding to 6.3% p.a., calculated on the Restated Unit Face Value. Payment of this compensation is annual, the first disbursement taking place on December 15, 2015. The principal will be repaid in three annual installments on 12.15.2022, 12.15.2023 and 12.15.2024. The public debentures offering was liquidated on 12.23.2014 and the proceeds were used to modernize the Salto Santiago and Passo Fundo Hydroelectric Power Plant.

- Sixth debenture issue - Series 1 and 2

In July 2016, the Company issued 600,000 simple, non-convertible, unsecured debentures in two series with a nominal value of R$ 1 thousand, amounting to a total of R$ 600 million, or R$ 586 million, net of funding costs. The debentures are restated at the IPCA and carry an interest rate corresponding to 6.2621% p.a. and 6.2515% p.a. for Series 1 and 2, respectively, payable on the Restated Nominal Unit Value. Payments will be made in 3 annual installments, the first as from July 2021 and from July 2024 for the 1 and 2 Series respectively. The funds raised have been allocated for the installation of the Pampa Sul Thermal Power Plant.

- Seventh debenture issue - Series 1 and 2

In July 2018, the Company issued 746,610 simple, non-convertible, unsecured debentures in two series pursuant to CVM Instruction 400/2003, with a nominal value of R$ 1 thousand, for a total amount of R$ 747 million (R$ 728 million, net of fundraising costs). These debentures are restated at the IPCA and yield interest at 5.6579% p.a. and 5.9033% p.a. for Series 1 and 2, respectively, payable on the Restated Nominal Unit Value. Payment is made annually, and the principal of Series 1 will be repaid in 2 annual installments due on 07.15.2024 and 07.15.2025, and the principal of Series 2 will be repaid in 3 annual installments due on 07.15.2026, 07.15.2027 and 07.15.2028. The offering was liquidated on 07.25.2018 and the proceeds were allocated to installation of the Campo Largo Wind Complex and the refinancing of a portion of the Jaguara and Miranda promissory notes.

- Eighth debentures issue – Single series

In May 2019, the Company issued 2,500,000 simple, non-convertible, unsecured debentures (8th issue) in a single series, pursuant to CVM Instruction 476/2009, with a nominal value of R$ 1 thousand, for a total R$ 2,500 million (R$ 2,487 million, net of fundraising costs). Financial settlement took place on May 25, 2019. On Aug 9, 2019, the Company effected early settlement of a portion of the debentures in the amount of R$ 1,571 million, of which R$ 1,535 million were for principal payment. The funds raised were allocated to building up working capital to finance implementation of the Company's business plan.

- Ninth debentures issue – Series 1, 2, 3 and 4

On Jul 15, 2019 the Company issued 1,600,000 simple, non-convertible, unsecured debentures (9th issue) for public distribution, pursuant to CVM Instruction 400, of Dec.29.2003, with a nominal value of R$ 1 thousand, for a total R$ 1,600 million (R$ 1,578 million, net of fundraising costs). Financial settlement took place on Aug.07.2019 and the funds raised were allocated to implementing Assú V PVP, Umburanas, Jaguara and Miranda HPP.

- First debenture issue - Series 1 and 2 – Jaguara and Miranda

In June 2018, directly controlled entities Jaguara and Miranda issued 1,117,000 and 685,000 debentures, respectively, in two series, restricted effort, in the nominal value of R$ 1 thousand, for a total of R$ 1,117 million and R$ 685 million, respectively. These debentures yield 107% of the CDI rate and IPCA + 6.4962% p.a. for Series 1 and 2, respectively. Payments are made twice annually starting from 12.2018. Repayment of the principal of Series 1 will take place in 9 twice annually installments from 06.2019, and repayment of Series 2 will take place in 15 twice annually installments from 06.2020. The funds raised have been allocated to early repayment of a portion of the amount raised by means of promissory notes.

To fully hedge future principal and interest payment flows against changes in the DI rate, swaps were entered into with Banco Itaú BBA on 12.19.2018 at the IPCA rate + 4.47% p.a.

Because of the financial instrument's characteristics, the Company applied fair-value hedge accounting rules for the purposes of their booking. Therefore, the hedged debentures and the hedge instrument (swap) itself are measure at fair value, protecting the Company from the financial effects of CDI changes on the debentures.

- Second debenture issue – Series 1 and 2 – Pampa Sul

In November 2020, the directly controlled entity Pampa Sul issued 582,000 non-convertible debentures in two series, pursuant to CVM Instruction 400/2003 with a nominal value of R$ 1 thousand, making a total of R$ 582 million (R$ 511 million, net of funding costs). These debentures are remunerated at IPCA + 4.50% p.a. and IPCA + 5.75% p.a. for Series 1 and 2, respectively. Payment of remuneration will be semi-annual as from 10.2021. Amortization of principal relative to Series 1 will be made in 14 semi-annual installments as from October 2021 and Series 2 in 17 semiannual annual installments as from October 2028. The debentures were issued for optimizing the capital structure of Pampa Sul.

(b) Redeemable preferred shares

The Company's Board of Directors, at a meeting on August 21,2020, approved the issue of redeemable preferred shares of the indirectly controlled entity Novo Estado Participações ("NEP"), all book entry, with no par value, without voting rights, with the right of receiving fixed dividends in the total amount of R$ 500 million (R$ 477 million, net of issuance costs). The issue took place on January 9, 2020. The shares give the right to participate in dividends declared and distributed by NEP on a priority and cumulative basis. As from the six months immediately following the entry into operations of the Transmission System, dividends will be allocated on a six-monthly basis, NEP not being obliged to distribute dividends prior to this event.

The number of redeemable preferred shares totals 95,446,379, subdivided into 12 classes, with different redemption terms, the redemption term of the last class being 10.31,2034. The issue and redemption per share are shown below:

	Value of issue per share	Capitalized value per share	Capital reserve value per share
Novo Estado Participações S.A.	5.2385	2.6192	2.6192

For corporate purposes, in the indirect controlled entity NEP, the total value of the issue was allocated partly as paid-in capital stock in the amount of R$ 250 million and part as capital reserve, in the

amount of R$ 250 million. For booking effects in accordance with accounting practices adopted in Brazil, this transaction was considered a financial instrument and therefore the total amount of the issue was registered as a non-current liability. There are no differentiated rights between preferred and common shares other than the priority of receiving payment of any earnings and distributions by NEP.

(iii) debt subordination degree

The debt subordination degree is as follows: (i) financing with collateral; (ii) unsecured loans and (iii) unsecured debt issues.

The debts with collateral guarantees are deemed to be all those that require collateral, comprising bank warrants, pledges and other forms of collateral.

Unsecured debts are those with no guarantee, or with guarantor, to include warrants and pledges, among other forms of guarantor security.

Furthermore, in the event of court-assisted composition with creditors, the Company will abide by the contents of Law No. 11,101/05, as amended, to determine the order of preferred payment of all creditors.

(iv) any constraints on the Company, especially in relation to debt limits and the engagement of new debt, distribution of dividends, sale of assets, issue of new securities and the sale of corporate control, as well as the Company's record of compliance with such constraints

a) Loans and financing

The Company is subject to the following covenants – financial ratios and limits – pursuant to its loan and financing contracts:

Debt	Covenants
Controlling Shareholder:	
Nordic Investment Bank	Controlling Shareholder: Total debt/Ebitda ≤ 4.5 Consolidated: Total debt/Ebitda ≤ 4.5 Controlling Shareholder and Consolidated: Ebitda/financial expenses ≥ 2.0
HSBC France, Scotiabank, MUFG and BNP Paribas	Consolidated: Ebitda/financial expenses ≥ 2.0 Consolidated: Gross debt/Ebitda ≤ 4.5
BNDES Expansion Ferrari (Obligation of co-signor)	Net Debt/Ebitda ≤ 3.5
Controlled Entities:	
BNDES, BNDES Lend-on (Banks) and BNB	Debt service coverage ration[1] ≥ 1.1 or ≥ 1.2 or ≥1.3, depending on the entity

Financing contracts with BNDES are formalized by entry into financing agreements through the opening of a line of credit, subject to the provisions applicable to BNDES agreements.

Under these provisions, in addition to the financial covenants described in the table presented above, obligors may not, without the prior authorization of BNDES: (i) give preference to other credits; (ii) amortize shares; (iii) issue debentures; (iv) issue beneficiary parties; (v) take on new debt, except as explicitly provided in the BNDES agreements; (vi) sell or encumber fixed assets; and (vii) distribute dividends higher than the mandatory minimum in certain controlled companies.

Furthermore, BNDES may declare early maturity of the agreement and demand immediate repayment in the event of default on obligations before it accepted by the beneficiary of the credit, its subsidiaries, intervening parties, or a member entity of the Conglomerate to which the company belongs. Another early-maturity case occurs in the event of changes to effective direct or indirect control of the beneficiary of the credit without the bank's prior consent. In addition, other events affecting the project's operating capacity, or the guarantees provided to the bank are ordinarily regarded as early-maturity cases.

Moreover, more comprehensive items such as unappeasable sentencing in a case involving child labor, slave labor or crimes against the environment also imply early maturity of financial instruments of this type.

The Company and its subsidiaries are compliant with the covenants as provided in its loan and financing agreements. The commitments are verified on an annual basis as established in these agreements.

[1] Debt service coverage ratio: Cash generation from activities / Debt service.

b) Debentures

	Debt	Covenants
Controlling Shareholder	5th, 6th, 7th and 9th issues	(i) Consolidated: Ebitda/financial expenses ≥ 2.0 (ii)Consolidated: Gross debt/Ebitda ≤ 4.5
Controlled entities	1st issue	Debt service coverage ratio ≥ 1.10
Pampa Sul	2nd issue	Debt service coverage ratio ≥ 1.10[2]

In addition to the financial commitments described in the table, as per the debentures indenture, the Company must not allow any of the following to occur, under penalty of early maturity. The list contemplates the most restrictive items for the Company's outstanding debentures issues: (i) more than 2 working day's late payment of monies as provided in the debentures indenture; (ii) noncompliance with a non-monetary obligation standing for over 10 business days, or, in the event of notice given by the Fiduciary Agent, after 5 business days from such notice as provided in the debenture deed; (iii) non-payment of any obligations which, individually or together, are equal to or greater than R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th and 9th issues and R$ 50 million for controlled entities; (iv) early maturity of any debts whose individual or joint amount exceeds R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th, 8th and 9th issues and R$ 50 million for controlled entities; (v) protest of the securities of the Company or any of its controlled entities in an individual or joint amount in excess of R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th and 9th issues and R$ 50 million for controlled entities, that the Company fails to clear within 5 business days from receipt of the protest notice; (vi) liquidation, dissolution, termination or any manner of corporate reorganization of the Company's controlled entities and the Company itself, except where the succeeding entity or entities are also under the direct or indirect control of a member company of the Company's conglomerate and the assets remain within the Company's conglomerate, and, furthermore, this does not imply a downgrade of the Company's risk rating below AA, local scale, according to Standard & Poor´s or Fitch, or a similar rating according to Moody's; (vii) in- or out-of court voluntary or involuntary bankruptcy, or any similar proceeding characterizing the insolvency of the Company or its controlled entities; (viii) application for or declaration of bankruptcy of the Company or its controlled entities, except where such a filing is challenged and proof is provided of the timely required court deposit, where applicable; (ix) spin-off, merger, or any manner of corporate reorganization of the Company, except where: (ix.i) the change has been approved at a General Debenture Holders' Meeting; (ix.ii) the right of early redemption is assured to debenture holders who fail to agree with the reorganization; or (ix.iii) the successor entity is directly or indirectly controlled by a member company of the Company's conglomerate and its assets remain within the Company's conglomerate and, concomitantly, this does not ensue downgrade of the Company's risk rating below AA, local scale, according to Standard & Poor´s or Fitch, or a similar rating from Moody's; (x) change in direct or indirect share control of the Company, except were such a change does not lead to a downgrading of the Company's risk ratings; (xi) divestment, inoperativeness or prolonged stoppage or any other form of disposal, on the part of the Company, of fixed assets representing, individually or collectively, 25% of the Company's electric energy generation capacity in a way that provenly affects the Company's economic and financial capacity; (xii) intervention or loss of a concession/permit representing more than 25% of the installed

[2] Greater or equal to 1.1 to trigger early maturity and higher or equal to 1.2 for the purposes of distribution of any resources to the shareholders, except minimum statutory dividends.

capacity in such a manner that provenly affects the Company's economic and financial capacity in connection with issues of the controlling company, and loss of the Concession Contract, except where, within a period of fifteen (15) working days from gaining awareness of any such facts, the Issuer provides evidence of a finding in favor of the cancellation reversal, suspension, recall, takeover, expiration or extinction or secures judiciary relief ensuring service continuity and as long as such an injunction is not revoked for its controlled entities; (xiii) corporate-type change of the Company; (xiv) reduction of the Company's equity capital, except if approved by the General Debenture Holders' Meeting; (xv) payment of dividends, interest on equity capital or any other form of profits payout as prescribed in the Bylaws, except for payment of the minimum mandatory dividends pursuant to the Corporations Law, if the Company is in default on any financial obligation in connection with the debentures; (xvi) assignment, pledge of assignment, or any manner of transfer to third parties of the rights and obligations arising from the debentures issued, in the absence of the debenture holders' prior consent; (xvii) non-renewal, cancellation, recall or suspension of the permits, concessions, grants, or licenses needed for execution of the Company's operations implying the interruption or suspension of 25% of the Company's electricity generating capacity and causing significant effects in connection with the Company's ability to honor the obligations stemming from the debentures indenture; (xviii) failure to comply with any court or administrative finding or court sentence that cannot be appealed or unappealable arbitration finding, in an individual or global amount equal to or greater then R$ 100 million for the 5th and 6th issues, R$ 120 million for the 7th, 8th and 9th issues, and R$ 50 million for controlled entities; (xix) failure to maintain a corporate risk rating of at least AA, local scale, from Standard & Poor's or Fitch, or a similar rating from Moody's; and (xx) failure to use the proceeds from the debentures issue as provided in the respective debenture indenture.

The Company is compliant with the foregoing financial covenants and constraints.

g. Contracted financing limits and percentage usage

In April 2020, the indirectly controlled companies that make up the Campo Largo II Wind Complex, contracted financing with the BNDES for R$ 1.243 million. Up to December 31, 2020, R$ 862 million – 69.3% (R$ 856 net of funding costs) was drawn. The resources were allocated to financing the construction of wind farms of the Campo Largo II Wind Complex. Forecast is for completion by the end of the 1st half of 2021.

In March and June 2020, the indirectly controlled companies, Gralha Azul and Novo Estado, contracted financing from the BNDES in the amount of R$ 1,481 million and R$ 1,710 million, respectively. Up to December 13, 2020, R$ 602 million (R$ 583 net of funding costs) – 40.6% – and R$ 755 million (R$ 742 net of funding costs) – 44.2%, respectively had been drawn. The resources were allocated to the financing of the construction of transmission lines with completion expected by the end of December 2021.

In August 2020, the indirectly controlled entity, Novo Estado, contracted financing from Banco da Amazônia S.A. (BASA) for R$ 800 million, in substitution of the tranche (in the same amount) of the credit line contracted with the BNDES. Novo Estado is currently complying with the conditions established by BASA for permitting the first drawdown of the above-mentioned financing for the construction of the transmission lines. Expectation is for completion by December 2021.

h. Material changes in financial statement items

h.1) Comparative analysis between the results for the fiscal years ending December 31, 2020 and 2019 prepared pursuant to the IFRS and the CPC:

Amounts in R$ million	2020	% of revenue	2019	% of revenue	2020 versus 2019 (%)
NET OPERATING REVENUES	**12,259**	**100.0**	**9,804**	**100.0**	**25.0**
Operational costs					
Energy purchased	(2,583)	(21.1)	(2,666)	(27.2)	(3.1)
Transactions in the short-term energy market	(311)	(2.5)	(428)	(4.4)	(27.3)
Charges for use of the electric energy network and connection	(560)	(4.6)	(514)	(5.2)	8.9
Other operational costs	(4,280)	(34.9)	(2,016)	(20.6)	112.3
Renegotiation of the hydrological risk	968	7.9	-	-	-
Cost of services provided	(30)	(0.2)	(29)	(0.3)	3.4
	(6,796)	**(55.4)**	**(5,653)**	**(57.6)**	**20.2**
GROSS PROFIT	**5,463**	**44.6**	**4,151**	**42.4**	**31.6**
Operating revenues (expenses)					
Sales expenses	(25)	(0.2)	(27)	(0.3)	(7.4)
General and administrative expenses	(252)	(2.1)	(226)	(2.3)	11.5
Impairment	(99)	(0.8)	(5)	(0.1)	1,880.0
Other net operating revenues (expenses)	(5)	-	320	3.3	(101.6)
	(381)	**(3.1)**	**62**	**0.6**	**(714.5)**
EARNINGS BEFORE FINANCIAL RESULTS FROM EQUITY INCOME AND TAXES	**5,082**	**41.5**	**4,213**	**43.0**	**20.6**
Financial Result					
Financial revenues	255	2.1	147	1.5	73.5
Financial expenses	(2,137)	(17.4)	(1,353)	(13.8)	57.9
	(1,882)	**(15.3)**	**(1,206)**	**(12.3)**	**56.1**
Equity income result					
Equity income	487	4.0	81	0.8	501.2
EARNINGS BEFORE TAXES	**3,687**	**30.2**	**3,088**	**31.5**	**19.4**
Income tax and social contribution	(890)	(7.3)	(777)	(7.9)	14.5
NET EARNINGS	**2,797**	**22.9**	**2,311**	**23.6**	**21.0**
EARNINGS PER SHARE – BASIC AND DILUTED - IN REAIS	**3.43**		**2.83**		

Net operating revenue

Comparing the years, net operating revenue increased from 9,804 million in 2019 to R$ 12,259 million in 2020, an increase of R$ 2,455 million (25.0%). This variation reflects the following effects: (i) R$ 2,386 million increase relating to the transmission segment, largely the consequence of progress made in execution of work on the Gralha Azul and Novo Estado transmission systems; (ii) R$ 111 million growth in the electric energy generation and sale segment of the Company's portfolio due substantially to the following positive effects: (ii.i) R$ 127 million of increase in revenue with energy sales agreements in the free and regulated environments, the result of a combination of the variations in the quantity of energy sold and net average selling price; (ii.ii) a non-recurring R$ 84 million from the recovery of taxes; (ii.iii) R$ 31 million due to the export of energy realized in the third quarter of 2020; and (ii.iv) R$ 29 million relative to indemnification for interruption of business, arising from a claim and contractual fine for downtime These effects were partially attenuated by the (ii.v) decrease of R$ 164 million in transactions executed in the short-term market principally across the CCEE; (iii) a reduction of R$ 25 million in the energy trading segment, due largely to the negative result from marking-to-market of future sales and lower revenues from executed operations but partially offset by the increase in transactions in the short-term market; and (iv) a decrease of R$ 17 million in the sale and installation of solar panels due to the retraction in this market principally in the light of the Covid-19 pandemic.

Energy generation and sales segment of the Company's portfolio

- Net average selling price

The average selling price, net of charges on revenue, reached R$ 193.78/MWh in 2020, 2.3% higher than practiced for the preceding year, which was R$ 189.45/MWh.

The increase in price was driven largely by monetary restatement of prevailing contracts, the agreement for exporting electricity in the third quarter and by the entry into commercial operations of Pampa Sul in June 2019, the average price of which is higher than the average for existing contracts. These effects were partially attenuated by new transactions with trading companies and free consumers at prices lower than the average for matured contracts due largely to the economic downturn following the onset of Covid-19.

- Sales volume

In 2020, energy sales volume was 37,889 GWh (4.313 average MW), against 37,925 GWh (4,329 average MW) reported in 2019, a decrease of 36 GWh (16 average MW) or 0.4%.

The decrease in sales volume is the result largely of a reduction in client demand due to the weaker economy following the outbreak of the Covid-19 pandemic, to maturing contracts in 2019 within the scope of the Electric Energy Commercializing Agreement in the Regulated Contracting Environment (CCEAR) and to movement in the Surplus and Deficit Compensation Mechanism (MCSD). These effects were partially attenuated by the reduced impacts of reimbursements set forth in the contracts in the regulated environment and on an annual comparative basis by the entry into operations of Pampa Sul at the end of June 2019.

Operational costs

In 2020, operational costs were R$ 6,796 million, exceeding by R$ 1,143 million (20.2%) costs in 2019, of R$ 5,653 million. This variation was a reflection of the following factors: (i) an increase of R$ 2,123 million of costs in the transmission segment; (ii) a decrease of R$ 966 million in the energy generation

and sales segment of the portfolio; and (iii) a reduction of R$ 14 million in the costs of sale and installation of solar panels.

With respect to the variation in (ii), of particular note was the recovery in past energy costs in the amount of R$ 968 million following the renegotiation of the hydrological risk under Law 14.052/2020, regulated by Aneel Normative Resolution 895/2020.

These variations stem essentially from the movement in the principal components as follows:

	Costs per Segment on December 31, 2020				
Amounts in R$ million	**Generation**	**Trading**	**Transmission**	**Solar panels**	**Consolidated**
Energy purchases	1,479	1,068	-	-	2,547
Construction costs	-	-	2,274	-	2,274
Depreciation and amortization	894	-	-	-	894
Charges for the use of the electric network and connection	560	-	-	-	560
Materials and third-party services	339	-	-	18	358
Transactions in the short-term energy market	304	7	-	-	311
Personnel	274	-	-	8	281
Fuels for generation	204	-	-	-	204
Insurance	89	-	-	-	89
Royalties	85	-	-	-	85
Cost of solar panels	-	-	-	55	55
Unrealized losses on trading operations	-	36	-	-	36
Renegotiation of hydrological risk	(968)	-	-	-	(968)
Other net operating costs	69	-	-	1	70
Operational costs	**3,329**	**1,111**	**2,274**	**82**	**6,796**

	Costs per Segment as of December 31, 2019				
Amounts in R$ million	**Generation**	**Trading**	**Transmission**	**Solar panels**	**Consolidated**
Energy purchased	1,562	1,090	-	-	2,652
Construction costs	-	-	151	-	151
Depreciation and amortization	844	-	-	-	844
Charges for the use of the electric network and connection	514	-	-	-	514
Materials and third-party services	278	-	-	16	293
Transactions in the short-term market	421	7	-	-	428
Personnel	255	-	-	10	265
Fuels for generation	173	-	-	-	173
Insurance	66	-	-	-	66
Royalties	132	-	-	-	132
Cost of sales of solar panels	-	-	-	71	71
Unrealized losses on trading operations	-	14	-	-	14
Other net operating costs	51	-	-	(1)	50
Operational costs	**4,296**	**1,111**	**151**	**96**	**5,653**

	Cost per Segment - 2020 versus 2019				
Amounts in R$ million	**Generation**	**Trading**	**Transmission**	**Solar Panels**	**Consolidated**

Energy purchased	(83)	(22)	-	-	(105)
Construction costs	-	-	2,123	-	2,123
Depreciation and amortization	50	-	-	-	50
Charges for use of the electric system and connection	46	-	-	-	46
Materials and third-party services	61	-	-	2	65
Transactions in the short-term market	(117)	-	-	-	(117)
Personnel	19	-	-	(2)	16
Fuels for generation	31	-	-	-	31
Insurance	23	-	-	-	23
Royalties	(47)	-	-	-	(47)
Cost of sales of solar panels	-	-	-	(16)	(16)
Unrealized losses on trading operations	-	22	-	-	22
Renegotiation of hydrological risk	(968)	-	-	-	(968)
Other net operating costs	18	-	-	2	20
Operational costs	**(967)**	**-**	**2,123**	**(14)**	**1,143**

Energy generation and sale segment of the Company's portfolio

- Energy purchases: reduction of R$ 83 million in these operations, substantially due to the following events: (i) R$ 119 million — decrease of 7.6% in the net average energy purchase price; and (ii) R$ 36 million — an increase of 212 GWh (24 average MW) in volumes purchased.

The decrease observed in the average purchase price was driven principally by the reduction in the Differences Settlement Price (PLD) – used as a parameter for establishing the short-term price – and the effects of the economic downturn following the onset of the Covid-19 pandemic, as discussed above (in the Sales Volume section).

The increase in purchase volume is a result mainly of the strategic allocation of the Company's resources for optimizing the allocation of energy as well as hydrological shortfalls in the period.

- Depreciation and amortization: increase of R$ 50 million, of which R$ 66 million derived from the entry into commercial operations of Pampa Sul and Umburanas – Phase I, attenuated by the termination of the useful life of programmed revisions at the Jorge Lacerda Thermoelectric Plant and the postponement of the next revision, initially set for the second half of 2020.

- Charges for the use of the electric network and connection: an increase of R$ 46 million, the consequence largely of the annual readjustment in transmission and distribution tariffs and the entry into commercial operations of Pampa Sul and Umburanas – Phase I, responsible for R$ 19.0 million of the total variation.

- **Material and third-party services:** an increase of R$ 61 million on an annual comparative basis, resulting mainly from increases in operational and maintenance contracts at the generator complex (R$ 12 million in 2020, if compared to 2019). Additionally, maintenance costs due to new contracts as a result of entry into operation of Pampa Sul and Umburanas – Phase I, were R$ 48 million. Finally, there was an increase in materials for replacement of parts and consumption, principally related to preventive activities following the Covid-19 outbreak (R$ 6 million in 2020).

- Transactions in the short-term energy market: On an annual comparison basis, costs were lower by R$ 117 million. More details are given below under a specific item.

- Personnel: an increase of R$ 19 million when comparing 2020 with 2019, largely due to new hiring more especially in the case of the Pampa Sul and Umburanas – Phase I plants and the annual salary readjustment for employees. In addition, the volume of provisions for participation in results and bonuses was higher than 2019. These effects were partially attenuated by reduction in expenses from medical accreditation, reimbursement of medical expenses and expenses with health insurance plans.

- Fuels for generation: there was an increase of R$ 31 million between 2019 and 2020, mainly due to higher consumption of proprietary coal in the amount of R$ 75 million, partially attenuated by the positive effect of Aneel's recalculation of amounts of coal previously counted in excess for preceding years. Growth in the consumption of proprietary coal was due to the greater energy output from the Company's thermoelectric plants between comparable periods.

- Insurance: growth of R$ 23 million on an annual comparison due mainly to a higher premium on the renewal of the operational risks policy in June 2020 and the increased insurance premium at the Jorge Lacerda Thermoelectric Plant, based on the reevaluation of risks of this plant. In addition, there was a further amount of R$ 13 million following the entry into commercial operations of Pampa Sul and Umburanas – Phase I.

- Financial Compensation for use of hydric resources (Royalties): On an annual comparison basis, there was a reduction of R$ 47 million due largely to lower generation from the hydroelectric plants, between periods but to a degree attenuated by the annual readjustment in royalties.

- Renegotiation of hydrological risk: on December 15, 2020, Management approved the adherence of the plants, the holders of electric energy generation concessions, to the renegotiation of the hydrological risk covered by Law 14.052/2020, regulated by Aneel Normative Resolution 895/2020. The legislation provides for compensation to the participating hydroelectric, plants part of the Risk Reallocation Mechanism (MRE), for the effects caused to the generators, denominated the structural elements, and relating to the anticipation of the physical guarantee and the restrictions on the entry into operations of the transmission installations necessary for the transportation of the energy offtake and, retroactively, for generation outside the order of merit and importation. As compensation, the generators have the right to an extended concession term for up to seven years, Given this, an intangible asset was booked to the accounts, corresponding to the concession extension rights, offset against the item "Recovery of energy costs – Renegotiation of hydrological risk" in the income statement for R$ 968 million. Additionally, the Company clarifies that it has not booked the effect of the right to extension of the concession for the Itá and Machadinho consortia since approval had not been given by all the consortia members at the close of 2020 as called for in the legislation. Approval by the other members of the consortia is expected in 2021.

Solar panels

On an annual comparative basis there was a decrease of R$ 14 million mainly due to the deceleration in commercial activities following the onset of the pandemic.

Operational Result from the Energy Transmission Segment

Gross operational profit from the transmission segment reported an increase of R$ 263 million on an annual comparison due to the start on construction of Novo Estado and the advances made in the execution of work on the construction of the Gralha Azul Transmission System. Additionally, the revenue from remuneration of transmission line infrastructure is also impacted by the variation in IPCA.

In 2020, the Company recognized a net gain of R$ 35 million in the accounts from improved efficiency in the implementation of transmission infrastructure.

Operational Result from the Energy Trading Segment

On an annual basis, the gross result registered a reduction of R$ 25 million from a loss of R$ 3 million in 2019 to loss of R$ 28 million in 2020 due mainly to the negative effect of marketing-to-market of R$ 45 million. This effect was partially attenuated by: (i) R$ 11 million from a positive effect in transactions realized; and (ii) a R$ 9 million positive result from transactions in the short-term energy market.

Detailing of short-term operations

Short-term operations are defined as energy purchase or sale operations whose main purpose is management of the Company's exposure on the CCEE. The price of these operations is therefore characterized by the linkage with the Differences Settlement Price (PLD). This item also includes the transactions conducted through the CCEE, given the volatile and seasonal - and, therefore, short-term - nature of the results originating from accounting movement in the CCEE. Additionally, long and short positions are settled at the PLD, similarly 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 CCEE 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. 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 said billings. Such fluctuations complicate the direct comparison of the elements comprising each billing for the periods at hand - the reason for including this specific topic. The strategy allows analyzing 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 smaller or greater (Secondary Energy) than the allocated energy; (iii) from the so-called "submarket risk"; (iv) from dispatch triggered 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 2020, the net result, generated from short-term transactions, was positive at R$ 241 million, a decrease of R$ 37 million in relation to the similarly positive R$ 278 million for 2019, a R$ 46 million reduction in the result of transactions in the generation and sales segment of the portfolio and a partially offsetting increase of R$ 9 million in the result of energy trading transactions.

This reduction is mainly a reflection of the combination of the following events: (i) an increase in the negative impact of the Adjustment Factor of the MRE (GSF) — already deducted for the effects of renegotiation of the hydrological risk due to lower hydroelectric generation in 2020, partially attenuated by the variation curve of the PLD 2019 x 2020, presenting higher volatility in 2020; (ii) expense in the MRE, given the lower generation of hydroelectricity in 2020; and (iii) the negative effect of the price differential between the North/Northeast and Southeast/Center-West submarkets. These events were attenuated by the following factors: (iv) an increase in the financial impact of short-term operations and the oversold position in the CCEE; and (v) greater dispatch from the Jorge Lacerda Thermoelectric Plant between the periods under analysis due to lower hydroelectric generation.

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	2019	2020	Var. (%)
South	227.10	184.42	(18.8%)
Southeast/Center-West	227.10	177.00	(22.1%)
Northeast	166.73	134.42	(19.4%)

Operational Revenues (expenses)

- Sales, general and administrative expenses: the expenses with sales, general and administrative expenses increased R$ 24 million between 2019 and 2020, from R$ 253 million in 2019 to R$ 277 million in 2020. The increase was driven by a combination of the following items: (i) an increase of R$ 25 million from the energy generation and sales segment of the portfolio, substantially impacted by the following effects: (i.i) R$ 29 million in payroll expenses; and (i.ii) R$ 9 million in expenses with materials and third party services, of which the highlight was the acquisition of general information services in line with the Company's policy of digitalization as well as consumption materials earmarked for preventive actions in relation to the Covid-19 pandemic. These effects were partially attenuated by the reduction arising from the recognition of R$ 10 million in provisions for civil contingencies in 2019.

- Other net operating revenues (expenses): other net operating revenues (expenses) posted a negative R$ 325 million between 2019 and 2020. In 2020, the Company booked other net operating revenues of R$ 5 million, while in 2019, R$ 320 million was booked to the same account. This variation largely reflects the booking in 2019 of indemnities received for contractual non-compliance incurred by the contractor responsible for the construction of Pampa Sul, principally related to delays in the conclusion of the work, in the amount of R$ 321 million. The value received is stipulated in contract and was calculated on the basis of the product of the number of days delay in delivering the work times a fixed daily amount. This amount was calculated to compensate the Company for the loss of earnings due to the delay in delivering the work.

- Impairment: On an annual comparison basis there was a growth of R$94 million in impairment due substantially to the following effects: (i) the possible deactivation of generator units 1 and 2 of the Jorge Lacerda Thermoelectric Plant, scheduled for December 2021, and in line with the Company's decarbonization strategy; and (ii) the amounts of the "Mais valia on the acquisition of investments" and the "Premium on the expectation of a future return", originating from the acquisition of EGSD, for the possible failure to recover these amounts. Worthy of mention is that the JLPlant's 1 and 2 generator units have a net physical guarantee of 32 MWm and a Unit Variable Cost (UVC) of R$ 270.48, reason for which it is dispatched sporadically and for short periods. Consequently, its eventual decommissioning will not have any material impact either at present or in the future for the Company.

Equity Income – Gas Transportation

On June 13, 2019, the controlled entity Aliança Transportadora de Gás S.A. (Aliança) acquired a 90% equity stake in Transportadora Associada de Gás S.A. – TAG. The Company had a 32.5% direct equity stake in the jointly held controlled entity, Aliança, and, therefore, a 29.25% indirect stake in TAG. On September 2, 2019, TAG performed a reverse takeover of Aliança. From that date, the Company has held a 29.25% direct stake in TAG.

On July 20, 2020, the Company acquired an additional shareholding of 3.25% in TAG out of a total of 10%, Petrobras' remaining stake. As a result, the Company increased its direct holding in TAG to 32.5%.

TAG is a jointly controlled entity of EBE and for this reason not consolidated in the Company's account statements, its effects being recognized by the equity income method.

The equity income result for TAG for the years de 2020 and 2019 is made up of the following items:

	2020				2019		
IS – in R$ million	**2020**	**01.01 to 19.07 (29.25%)**	**07,20 to 12.31 (32.5%)**	***Holding of* EBE**	**2019**	**06.13 to 12.31 (29.25%)**	**Holding of EBE**
Aliança (32.5%)							
General and administrative expenses	-	-	-	-	(326)	-	(106)
Amortization mais valia of assets	-	-	-	-	(179)	-	(58)
Expenses with the acquisition project of TAG	-	-	-	-	(138)	-	(45)
Others	-	-	-	-	(9)	-	(3)
Loss before financial result and taxes	**-**	**-**	**-**	**-**	**(326)**	**-**	**(106)**
Financial result	-	-	-	-	(326)	-	(106)
Pre-tax loss	**-**	**-**	**-**	**-**	**(652)**	**-**	**(212)**
Income tax and social contribution	-	-	-	-	63	-	20
Net loss of Aliança	**-**	**-**	**-**	**-**	**(589)**	**-**	**(192)**
TAG							
Net operational revenue	6,004	3,094	2,910	1,851	5,195	2,916	853
Costs of services provided	(2,244)	(1,212)	(1,032)	(690)	(1,507)	(1,002)	(293)
Gross profit	**3,760**	**1,882**	**1,878**	**1,161**	**3,688**	**1,914**	**560**
General and administrative expenses	(140)	(80)	(60)	(43)	(206)	(134)	(39)
Profit before financial result and tax	**3,620**	**1,802**	**1,818**	**1,118**	**3,482**	**1,780**	**521**
Financial result	(1,445)	(715)	(730)	(446)	(598)	(547)	(160)
Pre-tax profit	**2,175**	**1,087**	**1,088**	**672**	**2,884**	**1,233**	**361**
Income tax and social contribution	(581)	(129)	(452)	(185)	(773)	(302)	(88)
Net income of TAG	**1,594**	**958**	**636**	**487**	**2,111**	**931**	**273**
Impact on ENGIE Brasil Energia's equity				**487**			**81**

A comparison between the effects that impacted the equity results between 2019 and 2020 is innocuous since the equity income result for 2019 covers just 6 months of results from TAG. In addition, during a large part of the 2nd half of 2020, the Company's stake in TAG was 32.5%, an increase over the 29.25% for the periods preceding the additional acquisition.

To reconcile TAG's net income with Ebitda, we show th following table:

	2020	2019	
	TAG	Aliança	TAG
Ebitda – in R$ million	100%	100%	100%
Profit (loss) before financial result and taxes	**3,620**	**(325)**	**3,482**
Depreciation and amortization	628	-	665
Amortization of the mais-valia	907	179	295
Ebitda	**5,155**	**(146)**	**4,442**

Balance Sheet

TAG's principal asset and liability groups on December 31, 2020 and December 31, 2019 were as follows:

Balance Sheet TAG	**31.12.2020**	**31.12.2019**
ASSETS		
Current Assets	**2,220**	**1,833**
Cash and cash equivalents	437	341
Accounts receivable from clients	1,556	1,259
Unrealized gains with hedge operations	19	-
Other current assets	208	233
Non-current assets	**32,305**	**33,513**
Restricted deposits	203	-
Unrealized gains with hedge operations	29	-
Other unrealized long-term assets	169	398
Plant, property and equipment	29,185	30,617
Intangible	2,719	2,498
Total	**34,525**	**35,346**
LIABILITIES AND NET EQUITY		
Current liabilities	**3,874**	**2,797**
Loans, financing and debentures	3,250	2,342
Unrealized losses with hedge operations	298	427
Other current liabilities	326	28
Non-current liabilities	**23,724**	**22,721**
Loans, financing and debentures	21,609	21,251
Unrealized losses with hedge operations	910	-
Deferred income tax and social contribution	1,073	1,362
Other long-term liabilities	132	108
Net equity	**6,927**	**9,828**
Total	**34,525**	**35,346**

Financial result

Financial revenues: In the comparison between fiscal years, financial revenues increased by R$ 108 million from R$ 147 million in 2019 to R$ 255 million in 2020. This variation is explained essentially as follows: (i) an increase, non-recurrent, in interest on income tax and social contribution of R$ 76 million, relating to the financial restatement on reimbursed taxes following a successful court action; (ii) growth of R$ 40 million in monetary restatement mainly due to, (ii.i) R$ 29 million, with the conclusion on the part of the regulator of the effects of the application of the Aneel resolution which reduced the reimbursement on coal acquired with Energy Development Account (CDE) resources in the light of the energy efficiency of the generator unit and (ii.ii) R$ 10 million, due to the impacts arising from monetary restatement resulting from the recovery of past coal purchasing costs; and (iii) a reduction of R$ 6 million in revenue from financial investments due to the decline in interest rates between the years under comparison.

Financial expenses: on an annual basis, expenses increased from R$ 1,353 million in 2019 to R$ 2,137 million in 2020, that is, R$ 784 million, the result of a combination of (i) increases of R$ 464 million in interest, monetary restatement on concessions payable; and (ii) the increase of R$ 293 million in interest, monetary restatement and the adjustment in fair value on debt.

Income Tax (IR) and Social Contribution (CS) on Net Income (CSLL)

In 2020, these expenses increased R$ 113 million from R$ 777 million in 2019 to R$ 890 million in 2020, due largely to the tax effects on non-recurring items booked in 2020, relating to the hydrological risk agreement, successful court action and impairment, previously mentioned and the booking in 2019 of the indemnities received for non-compliance with contractual conditions by the supplier responsible for the construction of the Pampa Sul Thermoelectric Power Plant, principally related to the delay in concluding the work and for impairment. The effective IR and CSLL tax rate in 2020 was 24.1%, 1.1 p.a. less than when compared to the tax rate in 2019, of 25.2%.

Excluding these effects, there was a decrease of R$ 129 million, due to: (i) a reduction in pre-tax profit between periods; and (ii) greater benefits from tax incentives in 2020.

h.2) Comparative analysis between the results for the fiscal years ending December 31, 2019 and 2018 prepared pursuant to the IFRS and the CPC:

Amounts in R$ million	2019	% of revenues	2018	% of revenues	2019 versus 2018 (%)
NET OPERATING REVENUES	**9,804**	**100**	**8,795**	**100**	**11.5**
Operational costs					
Energy purchased	(2,666)	(27.2)	(2,325)	(26.4)	14.7
Transactions in the short-term energy market	(428)	(4.4)	(574)	(6.5)	(25.4)
Charges for the use of the electric network and connection	(514)	(5.2)	(461)	(5.2)	11.5
Other operational costs	(2,016)	(20.6)	(1,491)	(17.0)	35.0
Cost of services provided	(29)	(0.2)	(25)	(0.3)	16.0
	(5,653)	**(57.6)**	**(4,876)**	**(55.4)**	**15.9**
GROSS PROFIT	**4,151**	**42.4**	**3,919**	**44.6**	**5.9**
Operating Revenues (expenses)					
Sales expenses	(27)	(0.3)	(7)	(0.1)	285.7
General and Administrative Expenses	(226)	(2.3)	(201)	(2.3)	12.4
Impairment	(5)	(0.1)	(39)	(0.4)	(87.2)
Other net operating revenues (expenses)	320	3.3	(4)	(0.1)	(8,100.0)
	62	**0.6**	**(251)**	**(2.9)**	**(124.7)**
EARNINGS BEFORE FINANCIAL RESULTS, FROM EQUITY INCOME AND TAXES	**4,213**	**43.0**	**3,668**	**41.7**	**14.9**
Financial result					
Financial revenues	147	1.5	155	1.8	(5.2)
Financial expenses	(1,353)	(13.8)	(854)	(9.8)	58.4
	(1,206)	**(12.3)**	**(699)**	**(8.0)**	**72.5**
Equity income result					
Equity income	81	0.8	(1)	0.0	(8,200.0)
EARNINGS BEFORE TAXES	**3,088**	**31.5**	**2,968**	**33.7**	**4.0**
Income tax and social contribution	(777)	(7.9)	(653)	(7.4)	19.0
NET EARNINGS	**2,311**	**23.6**	**2,315**	**26.3**	**(0.2)**
EARNINGS PER SHARE - BASIC AND DILUTED - IN BRL	**2.83**		**2.84**		

Net operating revenue

In a year-on-year comparison, net operating revenue increased from R$ 8,795 million in 2018 to R$ 9,804 million in 2019, a R$ 1,009 million increase. This was due to the following effects: (i) R$ 494 million increase from energy trading operations; (ii) R$ 333 million increase in the electric energy generation and sales segment of the Company's portfolio, materially caused by (ii.i) a R$ 383 million increase from a larger quantity of energy sold; (ii.ii) R$ 203 million from an increase in average net sales price; (ii.iii) R$ 43 million increase in return on financial assets associated with the payment tranche for the concessions of the Jaguara and Miranda Hydroelectric Power Plants; and (ii.iv) R$ 5 million increase in Generation Assets Management (GAG) revenues from Jaguara and Miranda. These increases were partly mitigated by: (ii.v) reduction in transactions on the short-term market in the amount of R$ 224 million; and (ii.vi) R$ 74 million decrease in revenues from indemnity for business stoppage caused by insurance loss events, and collection of contractual fine for downtime; (iii) R$ 121 million increase in the transmission segment; and (iv) R$ 61 million increase in revenues from the sale and installation of solar panels, consolidation of which began in August 2018. The

changes in items (ii.i), (ii.ii) and (ii.v) were affected by a R$ 574.3 million increase due to entry into commercial operation of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I. Ex- this effect and the effect of the non-recurring transaction indicated in item (ii.vi), net operating revenue from the electric energy generation and sales segment of the Company's portfolio was down R$ 167.7 million (2.1%), in 2019 from 2018.

Generation and sale of energy in the portfolio

- Average net sales price

The average sales price of energy net of charges on revenues was R$ 189.45/MWh, up 4.5% from 2018's R$ 181.23/MWh. These prices do not include the energy trading operations that the Company began to carry out in January 2018.

The price increase was significantly due to the inflation restatement of contracts in force and new contracts through energy trading companies, whose average prices were higher than those of wound-up and existing contracts. This was partly mitigated by the lower average price in the Regulated Contracting Environment (ACR), contracts under which supply commenced since 1Q19, and new contracts with free consumers paying lower prices than under existing contracts.

- Sales volume

In 2019, the sales volume of energy was 37,925 GWh (4,329 MWa), from 36,411 GWh (4,157 MWa) in 2018, up 1,514 GWh (172 MWa), or 4.1%. These volumes do not include energy trading operations.

The increase in sales volume was significantly due to greater sales to distribution companies arising from commencement of service to new energy auctions beginning in 1Q19 and the entry into commercial operations of the Pampa Sul Thermal Power Plant in the end of 2Q19, whose energy is also allocated to serving new energy auctions. This was partly mitigated by the reduction seen in consumption by free customers.

Operating costs

In 2019, operating costs were R$ 5,653 million, up R$ 777 million from 2018's R$ 4,876 million. The change was a reflection of the following factors: (i) a R$ 531 million increase in energy trading operations costs; (ii) a R$ 106 million increase in transmission segment costs; (iii) a R$ 77 million increase in 2019 from 2018 in the costs of the energy generation and sales segment of the Company's portfolio; and (iv) R$ 63 million increase in costs of panel sales and installation booked by EGSD, consolidation of which began in August 2018. Out of the change indicated in item (iii), it is worth underscoring a R$ 429.7 million increase due to entry into commercial operations of Pampa Sul, Campo Largo and Umburanas – Phase I. Ex- this effect, the operating costs of the energy generation and sale segment of the Company's portfolio were down R$ 352.6 million (8.4%) in 2019 from 2018.

These changes were essentially due to the behavior of the principal components next:

Amounts in R$ million	Costs by segment on December 31, 2019				
	Generating	Trading	Transmission	Solar panels	Consolidated
Energy purchased	1,562	1,090	-	-	2,652
Unrealized losses on trading operations	-	14	-	-	14
Transactions in the short-term energy market	421	7	-	-	428
Charges for the use of the electric network and connection	514	-	-	-	514
Electric energy production fuels	173	-	-	-	173
Royalties	131	-	-	-	131
Personnel	255	-	-	10	265
Materials and third-party services	277	-	-	16	293
Depreciation and amortization	844	-	-	-	844
Insurances	66	-	-	-	66
Construction costs	-	-	152	-	152
Cost of sales of solar photovoltaic panels	-	-	-	71	71
Other net operating costs	51	-	-	(1)	50
Operational costs	**4,294**	**1,111**	**152**	**96**	**5,653**

Amounts in R$ million	Costs by segment on December 31, 2018				
	Generating	Trading	Transmission	Solar panels	Consolidated
Energy purchased	1,747	578	-	-	2,325
Unrealized losses on trading operations	-	-	-	-	-
Transactions in the short-term energy market	572	2	-	-	574
Charges for the use of the electric network and connection	461	-	-	-	461
Electric energy production fuels	152	-	-	-	152
Royalties	123	-	-	-	123
Personnel	218	-	-	4	222
Materials and third-party services	198	-	-	5	203
Depreciation and amortization	50	-	-	-	650
Insurances	40	-	-	-	40
Construction costs	-	-	45	-	45
Cost of sales of solar photovoltaic panels	-	-	-	23	23
Other net operating costs	56	-	-	2	58
Operational costs	**4,217**	**580**	**45**	**34**	**4,876**

Amounts in R$ million	Costs by segment - 2019 versus 2018				
	Generating	Trading	Transmission	Solar panels	Consolidated
Energy purchased	(185)	512	-	-	327
Unrealized losses on trading operations	-	14	-	-	14
Transactions in the short-term energy market	(151)	5	-	-	(146)
Charges for the use of the electric network and connection	53	-	-	-	53
Electric energy production fuels	21	-	-	-	21
Royalties	8	-	-	-	8
Personnel	37	-	-	6	43
Materials and third-party services	79	-	-	11	90
Depreciation and amortization	194	-	-	-	194
Insurances	26	-	-	-	26
Construction costs	-	-	107	-	107
Cost of sales of solar photovoltaic panels	-	-	-	48	48
Other net operating costs	(5)	-	-	(3)	(8)
Operational costs	**77**	**531**	**107**	**62**	**777**

Generation and sale of energy in the portfolio

- Energy purchased: R$ 185 million decrease in these operations, due significantly to the following: (i) R$ 281 million —1,678.9 GWh (192 MWa) decrease in quantity purchased; and (ii) R$ 96 million — 6.5% increase in average net purchase price, up from R$ 167.09/MWh to R$ 178.00/MWh in 2019.

The increase in average net purchase price was mainly motivated by the period's inflation restatement. The purchased volume decrease was particularly due to the expansion of the generation complex, with the entry into commercial operations of Campo Largo and Umburanas — Phase I.

- Transactions in the short-term energy market: In a year-on-year comparison, costs were down R$ 151 million.

- Grid usage and connection charges: up R$ 53 million, R$ 44 million of which from entry into commercial operation of Campo Largo, Umburanas — Phase I and Pampa Sul. In addition, the effect of the annual adjustment of transmission and distribution tariffs also contributed to the increase.

- Electric energy production fuels: up R$ 21 million YoY, due largely to fuel consumption arising from the June 2019 entry into commercial operations of the Pampa Sul Thermal Power Plant, in the amount of R$ 54 million, and the effects of the annual adjustment of fuel costs, at R$ 24 million. These effects were partly mitigated by the 2018 recognition of an additional cost arising from a court-assisted deal with a natural gas supplier, in the amount of R$ 23 million, at the William Arjona Thermal Power Plant (UTWA), and reduced annual fuel consumption at the Jorge Lacerda Thermal Power Plant, in the amount of R$ 9 million. Ex- the effects of entry into commercial operations of Pampa Sul and the additional cost of UTWA, fuels cost would have been down R$ 9 million.

- Financial compensation for the use of water resources (royalties): Up R$ 8 million YoY, mainly as a reflection of increased generation from hydroelectric power plants in 2019 and of the 4.5% adjustment of the Annual Reference Tariff (TAR) in 2019.

- **Personnel:** up R$ 37 million YoY, due largely to new hires and reduced capitalized payroll costs during the construction works of Pampa Sul, Campo Largo and Umburanas – Phase I. Addition form these plants was R$ 21 million. Ex- the effects of Pampa Sul, Campo Largo – Phase I and Umburanas – Phase I, the YoY increase was R$ 16 million. The main sources of impact were the annual wage adjustment and new hires.

- **Materials and third-party services:** up R$ 79 million YoY, due largely to a R$ 57 million increase in operation and maintenance costs from new contracts arising from the entry into operation of Pampa Sul, Campo Largo and Umburanas – Phase I and to R$ 14 million in maintenance costs at Jaguara and Miranda associated with GAG. Ex- these effects, materials and third-party services costs were up R$ 8 million, due largely to the inflation restatement of contracts in force.

– **Depreciation and amortization:** up R$ 194 million, of which R$ 158 million are mainly associated with the entry into commercial operations of Pampa Sul, Campo Largo and Umburanas – Phase I, and R$ 36 million are significantly due to the large maintenance works carried out at the Company's generating complex beginning in the latter half of 2018.

- **Insurance:** up R$ 26 million, of which R$ 8 million are due to the inclusion of insurance coverage for plants entering into commercial operations – Pampa Sul, Campo Largo and Umburanas – Phase I, and R$ 18 million arise from the premium increase upon renewal of the operational risks policy in June 2019.

Solar panels

The increase was due mainly to the following effects: (i) R$ 48 million increase in cost of solar panel sales and installation; (ii) R$ 11 million increase in costs from materials and third-party services; and (iii) R$ 6 million increase in personnel costs. The increases were significantly a result of the acquisition of controlled entity EGSD in August 2018.

Operational Result of the Energy Trading Segment

Gross operational result was down R$ 37 million, from a R$ 35 million profit in 2018 to a R$ 2 million loss in 2019. This was due to the following negative effects: (i) R$ 34 million from marking-to-market; and (ii) R$ 3 million from the results of transactions in the short-term energy market.

Operational Result of the Energy Transmission Segment

- Transmission Revenues: The YoY increase was R$ 121 million, of which: (i) R$ 108 million correspond to increased construction revenues; and (ii) R$ 13 million arise from increased return on contract assets.

- Construction Costs: Construction costs were up R$ 107 million YoY, in connection with the infrastructure construction costs for the Gralha Azul Transmission System, offsetting the booked infrastructure implementation revenues (based on incurred costs), in addition to a gross margin intended to cover construction management costs. The increases were caused by advancing construction works for the Gralha Azul Transmission System.

Details on short-term operations

Short-term operations are defined as energy purchase or sale operations whose main purpose is management of the Company's exposure on the CCEE. The price of these operations is therefore characterized by the linkage with the Differences Settlement Price (PLD). This item also includes the transactions conducted through the CCEE, given the volatile and seasonal - and, therefore, short-term - nature of the results originating from accounting movement in the CCEE. Additionally, long and short positions are settled at the PLD, similarly 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 CCEE 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. 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 said billings. Such fluctuations complicate the direct comparison of the elements comprising each billing for the periods at hand - the reason for including this specific topic. The strategy allows analyzing 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 smaller or greater (Secondary Energy) than the allocated energy; (iii) from the so-called "submarket risk"; (iv) from dispatch triggered 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 2019, accumulated net income from short-term transactions was a positive R$ 279 million, down R$ 76 million from 2018's equally positive R$ 355 million. Of these, R$ 73 million come from transactions in the portfolio energy generation and sale segment and R$ 3 million come from energy trading transactions income.

The reduction mainly reflects a combination of the following events: (i) reduction in short-term operations and in CCEE's long position because of the hydro resources allocation strategy, together with active portfolio management; (ii) reduced negative impact of the MRE Adjustment Factor (GSF) — net of the effects of hydrological risk renegotiation; (iii) negative effect of the price difference between the Northeast and Southeast-Center-West sub-markets YoY; (iv) increased thermal generation YoY; and (v) increase in MRE revenues.

In December 2018, Aneel set the PLD ceiling and floor for 2019 at R$ 513.89/MWh and R$ 42.35/MWh, respectively. The table next shows the average MWh PLDs for the sub-markets in which the Company operates.

Average PLD in R$/MWh	2018	2019	Chg. (%)
South	287.73	227.10	(21.1%)
Southeast/Center-West	287.73	227.10	(21.1%)
Northeast	273.90	166.73	(39.1%)

Operating revenues (expenses)

- Sales, general and administrative expenses: annual sales, general and administrative expenses were up R$ 45 million from 2018 to 2019, from de R$ 208 million in 2018 to R$ 253 million in 2019, due to a combination of the following: (i) a R$ 39 million increase from the Company' s energy generation and sales portfolio segment, due significantly to the following effects: (i.i) an R$ 18 million increase in payroll expenses; (i.ii) non-recurring effect of the 2018 recovery of PIS and Cofins credits from levies on certain materials and third-party services, in the amount of R$ 10 million; and (i.iii) R$ 6 million from increased expenses with materials and services; (ii) a R$ 5 million increase from the solar panels sales and installation segment; and (iii) R$ 1 million from the energy trading segment.

Consolidation of the solar panels sales and installation segment into the Company's accounting statements began in August 2018.

The increases in sales, general and administrative expenses were largely due to, (i) the Company's increased operational capacity with an 8.8% increase in installed capacity from 2018 to 2019, from 8,004.8 MW on December 31, 2018 to 8,710.5 MW on December 31, 2019; (ii) the new market dynamics, driven by the energy transition and improved access to the free market; and (iii) inflation effects on existing contracts and personal expenses YoY. These effects were partly mitigated by reductions in certain expenses, as the Company strives to optimize spending.

- Other net operating revenues (expenses): other net operating revenues (expenses) were up R$ 324 million YoY. In 2019, the Company recognized other net revenues in the amount of R$ 320 million, whereas 2018 saw other net operating expenses in the amount of R$ 4 million. The change was largely due to the recognition, in 3Q19, of other operating revenues from indemnities for breach of contract on the part of the supplier responsible for construction of the Pampa Sul Thermal Power Plant, mainly in association with late conclusion of construction works, in the amount of R$ 321 million. The amount received is contractually stipulated and was ascertained based on the product of the number of days' late delivery of the site and a fixed daily amount. The amount was calculated in such a manner as to

compensate the Company for income not realized because of late completion of the construction works.

Financial result

Financial income: Financial revenues were down R$ 8 million YoY, from R$ 155 million in 2018 to R$ 147 million in 2019. The change is basically explained by the following factors: (i) R$ 17 million reduction in interest on accounts receivable, particularly on CCEE amounts; and (ii) R$ 10 million increase in revenue from financial investments due to the larger volume of funds invested, partly mitigated by the decline in interest rates.

Financial expenses: Financial expenses increased from R$ 854 million in 2018 to R$ 1,353 million in 2019, up R$ 499 million. This was mostly a result of the combination of the factors mentioned in the foregoing item, with the main impacts coming from: (i) a R$ 380 million increase in interest expenses and a R$ 69 million increase in monetary restatement and fair-value adjustment of debt, and (ii) increase of R$ 30 million in interest and R$ 14 million in inflation restatement associated with concessions payable.

Equity Income – Gas Transportation

On June 13, 2019, the controlled entity Aliança Transportadora de Gás S.A. (Aliança) acquired a 90% equity stake in Transportadora Associada de Gás S.A. – TAG. The Company had a 32.5% direct equity stake in the jointly held controlled entity, Aliança, and, therefore, a 29.25% indirect stake in TAG. On September 2, 2019, TAG performed a reverse takeover of Aliança. From that date, the Company has held a 29.25% direct stake in TAG.

In 2019, the Company booked equity income in the amount of R$ 81 million, as follows(i) R$ 273 million in income from the jointly-controlled entity TAG, for a combination of the following effects: (i.i) R$ 779 million from positive Ebitda; (i.ii) R$ 258 million in depreciation e amortization, of which R$ 86 million concern amortization of the goodwill arising from the reverse takeover of Aliança; (i.iii) R$ 160 million in net financial expenses, affected by loans taken by Aliança before the takeover; and (i.iv) R$ 88 million in expenses from income tax and social contribution on earnings; and (ii) R$ 192 million in losses from the jointly controlled entity Aliança until August 2019 (before the reverse takeover), due mainly to a combination of the following: (ii.i) a financial loss of R$ 106 million due mainly to debt charges; (ii.ii) amortization of the goodwill generated by the acquisition of a shared controlling stake in TAG, in the amount of R$ 58 million; (ii.iii) R$ 45 million in non-recurring expenses of with financial, legal, tax, regulatory and other advisors, associated with development of the TAG acquisition project; (ii.iv) positive effect on IR/CSLL expenses in the amount of R$ 20 million; and (ii.v) other general and administrative expenses in the amount of R$ 3 million.

TAG is a jointly controlled entity of EBE. For this reason, it is not consolidated into the Company's accounting statements, and its effects are recognized under the equity income method.

Income Tax (IR) and Social Contribution on Net Income (CSLL)

These expenses were up R$ 124 million in the year, from R$ 653 million in 2018 to R$ 777 million in 2019, due mainly to increased earnings before taxes and changes made in 2018 to the taxation regime applicable to controlled entities and the decrease in the benefit from interest on shareholders' equity credited to shareholders in 2019 vis-à-vis 2018. The effective IR and CSLL tax rate in 2019 was 25.2%, up 3.2 percentage points from 2018's 22.0%.

h.3) Comparison of the balance sheets of December 31, 2020, 2019 and 2018, prepared pursuant to the IFRS and CPC

	ASSETS							
Amounts in R$ million	12.31.2020	%	12.31.2019	%	12.31.2018	%	12.31.2020 versus 12.31.2019 (%)	12.31.2019 versus 12.31.2018 (%)
CURRENT ASSETS								
Cash and cash equivalents	4,539	12.9	3,870	12.8	2,416	10.2	17.3	60.2
Client accounts receivable	1,723	4.9	1,451	4.8	1,181	5.0	18.7	22.9
Income Tax and social contribution credit	141	0.4	167	0.6	99	0.4	(15.6)	68.7
Dividends receivable	33	0.1	-	-	-	-	-	-
Inventories	189	0.5	221	0.7	126	0.5	(14.5)	75.4
Unrealized gains from hedges	14	-	115	0.4	3	-	(87.8)	3,733.3
Unrealized gains from trading operations	320	0.9	289	1.0	116	0.5	10.7	149.1
Restricted deposits	174	0.5	5	-	9	-	3,380.0	(44.4)
Hydrological risk to appropriate	15	-	15	-	15	0.1	-	-
Concession financial asset	306	0.9	296	1.0	278	1.2	3.4	6.5
Other current assets	274	0.8	312	1.1	300	1.2	(12.2)	4.0
	7,728	**21.9**	**6,741**	**22.4**	**4,543**	**19.1**	**14.6**	**48.4**
Non-current assets held for sale	5	-	5	-	14	0.1	-	(64.3)
	7,733	**21.9**	**6,746**	**22.4**	**4,557**	**19.2**	**14.6**	**48.0**
NON-CURRENT ASSETS								
Long-term assets								
Unrealized gains from hedge operations	719	2.0	312	1.0	256	1.1	130.4	21.9
Unrealized gains from trading operations	54	0.2	43	0.1	44	0.2	25.6	(2.3)
Restricted deposits	236	0.7	381	1.3	232	1.0	(38.1)	64.2
Court deposits	83	0.2	103	0.3	98	0.4	(19.4)	5.1
Renegotiation of hydrological risk to appropriate	101	0.3	115	0.4	131	0.6	(12.2)	(12.2)
Concession financial asset	2,499	7.1	2,412	8.0	2,318	9.8	3.6	4.1
Contract asset	2,961	8.4	218	0.7	48	0.2	1,258.3	-
Other non-current assets	176	0.5	68	0.2	103	0.4	158.8	(34.0)
	6,829	**19.4**	**3,652**	**12.0**	**3,230**	**13.7**	**87.0**	**13.1**
Investments	**2,425**	**6.9**	**2,949**	**9.8**	**-**	**-**	**(17.8)**	**-**
Plant, property and equipment	**15,538**	**44.3**	**15,330**	**51.0**	**14,635**	**61.6**	**1.4**	**4.7**
Intangible	**2,514**	**7.1**	**1,297**	**4.3**	**1,313**	**5.5**	**93.8**	**(1.2)**
Right of use of leasing	**147**	**0.4**	**162**	**0.5**	**-**	**-**	**(9.3)**	**-**
	27,453	**78.1**	**23,390**	**77.6**	**19,178**	**80.8**	**17.4**	**22.0**
TOTAL	**35,186**	**100.0**	**30,136**	**100.0**	**23,735**	**100.0**	**16.8**	**27.0**

	LIABILITIES AND SHAREHOLDERS' EQUITY							
Amounts in R$ million	12.31.2020	%	12.31.2019	%	12.31.2018	%	12.31.2020 versus 12.31.2019 (%)	12.31.2019 versus 12.31.2018 (%)
CURRENT LIABILITIES								
Suppliers	862	2.4	765	2.5	588	2.5	12.7	30.1
Dividends and interest on shareholders' equity	1,385	3.9	1,198	4.0	2,137	9.0	15.6	(43.9)
Loans and financing	1,376	3.9	1,638	5.4	455	1.9	(16.0)	260.0
Debentures	449	1.3	1,204	4.0	210	0.9	(62.7)	473.3
Leases payable	19	0.1	20	0.1	-	-	(5.0)	-
Income tax and social contribution payable	199	0.6	176	0.6	102	0.4	13.1	72.5
Other tax and regulatory obligations	114	0.3	105	0.3	104	0.4	8.6	1.0
Payroll liabilities	130	0.4	106	0.4	100	0.4	22.6	6.0
Unrealized losses from trading operations	322	0.9	258	0.9	98	0.4	24.8	163.3
Concessions payable	229	0.7	145	0.5	85	0.4	57.9	70.6
Provisions	15	-	9	-	9	-	66.7	-
Retirement benefit liabilities	43	0.1	43	0.1	35	0.1	-	22.9
Other current liabilities	239	0.7	313	1.0	247	1.0	(23.6)	26.7
	5,382	**15.3**	**5,980**	**19.8**	**4,170**	**17.4**	**(10.0)**	**43.4**
NON-CURRENT LIABILITIES								
Loans and financing	9,826	27.9	7,181	23.8	5,855	24.7	36.8	22.6
Debentures	5,113	14.5	4,740	15.7	3,200	13.5	7.9	48.1
Redeemable preferred shares	482	1.4	-	-	-	-	-	-
Leases payable	105	0.3	114	0.4	-	-	-	-
Unrealized losses from trading operations	36	0.1	21	0.1	19	0.1	-	-
Concessions payable	3,783	10.8	3,091	10.3	2,766	11.7	22.4	11.7
Provisions	306	0.9	288	1.0	89	0.4	6.3	223.6
Retirement benefit liabilities	408	1.2	364	1.2	284	1.2	12.1	28.2
Deferred income tax and social contribution	1,523	4.3	941	3.1	769	3.2	61.8	22.4
Other non-current liabilities	481	1.3	417	1.3	263	1.1	15.3	58.6
	22,063	**62.7**	**17,157**	**56.9**	**13,245**	**55.9**	**28.6**	**29.5**
SHAREHOLDERS EQUITY								
Equity capital	4,903	13.9	4,903	16.3	4,903	20.7	-	-
Profit reserve	3,546	10.1	1,173	3.9	1,029	4.4	202.3	14.0
Proposed capital increase and dividends	-	-	950	3.2	77	0.3	(100.0)	1,133.8
Adjustment to equity valuation	(710)	(2.0)	(31)	(0.1)	307	1.3	2,190.3	(110.1)
	7,739		**6,995**		**6,316**		**10.6**	**10.8**
Non-controlling shareholder stake	2	-	4	-	4	-	(50.0)	-
	7,741	**22.0**	**6,999**	**23.3**	**6,320**	**26.7**	**10.6**	**10.7**
TOTAL	**35,186**	**100.0**	**30,136**	**100.0**	**23,735**	**100.0**	**16.8**	**27.0**

Comments on significant variations between the balance sheets as of 12.31.2020 and 12.31.2019

Current assets

Cash and cash equivalents

The increase of R$ 669 million is principally the result of the following effects: (i) R$ 4,800 million – funding of loans and financing and issue of debentures and redeemable preferred shares; (ii) R$ 2,238 million – with respect to the cash generated by the Company's operations; (iii) R$ 679 million – receipt of dividends from a jointly controlled entity (TAG); and (iv) R$ 35 million – restricted deposits for debt servicing. These positive effects were partially offset by the following impacts: (i) R$ 3,714 million – payment of loans, financing, debentures, interest on debt; (ii) R$ 1,241 million – payment of interim dividends for 2019 and interest on shareholders' equity, including retained income tax; (iii) R$ 1,020 million – application in fixed and intangible assets; (iv) R$ 656 million – acquisition and projects, R$ 327 million being the payment due from the acquisition of an additional stake of 3.25% in TAG and R$ 329 million, payment for the acquisition of Novo Estado; (v) R$ 290 million – payment of income tax and social contribution; and (vi) R$ 154 million – concession payments.

Client accounts receivable

The increase of R$ 272 million is largely a reflection of the following increases: (i) R$ 241 million – transactions executed across the short-term energy market; (ii) R$ 54 million – sale of energy from the portfolio for distributors; and (iii) sales to free consumers in R$ 44 million. These effects were partially attenuated by the following reductions: (i) R$ 34 million – trading operations; (ii) sale to trading companies in R$ 16 million; and (iii) elevation of the provisions for doubtful accounts at R$ 15 million.

Dividends receivable

The increase of R$ 33 million refers largely to dividends receivable from the controlled entity, TAG, declared in 2020 with financial settlement in early 2021.

Inventories

The reduction of R$ 32 million relates largely to the realization of advance payments (i) effected to coal mining companies and contracted to supply coal to the Pampa Sul Thermoelectric Power Plant; and (ii) realized by the controlled entity, EGSD for acquisition of solar panels.

Unrealized gains from hedge operations – current and non-current

This item covers unrealized gains from hedge operations at fair value and from cash flow hedges including: (i) swaps contracted concomitantly with Brazilian subsidiaries along with the same financial institutions with which the Company contracted loans in dollars, in order to protect future flows of principal and interest payments against exchange rate fluctuation, converting the loan in dollars to Reais and fixed to floating rate (CDI); (ii) derivative instruments, contracted from first class banks, converting to fixed rate part of the swap positions previously held in CDI; (iii) NDFs contracted to protect total future payments in foreign currency relating to international loans, the earmarked swaps of which were settled; (iv) swaps contracted by the controlled entities, Jaguara and Miranda, to protect the entirety of future payment flows of principal and interest of debentures against the DI rate variation; and (v) NDFs contracted for the protection of long-term commitments.

The increase of R$ 306 million, in current and non-current assets is due largely to the effects of variation in the United States dollar as well as fair value of the operations and the contracting of fresh overseas debt, entirely protected by hedges.

Unrealized gains from trading operations **– current and non-current**

The increase of R$ 42 million in current and non-current assets relates to unrealized gains on open positions of trading operations due to variation in energy market values and in the volumes pertaining to open positions between compared periods.

Pledge deposits – current and non-current

The increase of R$ 24 million, in current and non-current assets, reflects largely deposits effected in guarantee of certain contractual commitments assumed by the seller of Novo Estado, the balance of which on December 31, 2020 stood at R$ 44 million. This increase was partially attenuated by the reduction in the balance of deposits linked to financing of R$ 28 million.

Financial concession asset – current and non-current

The variation of R$ 97 million in current and non-current assets, is explained mainly by the following events: (i) booking of interest and monetary restatement of R$ 382 million; and (ii) receivables of R$ 285 million.

Other Assets – current and non-current

The variation of R$ 70 million in current and non-current assets was largely driven by the booking of federal government credits with respect to a successful court action in 2020, the reimbursable amount to be recovered as of December 31, 2020, being R$ 96 million. This effect was partially offset by the recuperation of taxes during 2020, by the settlement of an intercompany loan with Andrade Açúcar e Álcool and by the reduction of pending sales and services.

Non-current assets

Long-term assets

Unrealized gains from hedge operations

Changes in this line are described in "Unrealized gains from hedge operations", under the heading "Current assets".

Unrealized gains from trading operations

Changes in this line are described in "Unrealized gains from trading operations", under the heading "Current assets".

Pledge deposits

Changes in this line are described in "Pledge deposits", under the heading "Current assets".

Financial concession asset

Changes in this line are described in "Financial concession asset", under the heading "Current assets".

Contract asset

The increase in the outstanding balance, of R$ 2,743 million is mainly the result of the following factors: (i) booking to the accounts of infrastructure implementation costs and margin totaling R$ 2,365 million; (ii) interest and monetary restatement worth R$ 190 million; (iii) the outstanding balance acquired from the Novo Estado acquisition and worth R$ 153 million; and (iv) the recognition of the gain in construction efficiency, net of R$ 35 million.

Investments

The decrease of R$ 524 million in the investment balance reflects the position at the jointly controlled company, TAG, the effects of which are described as follows: (i) recognition of dividends receivable from controlled entities of R$ 712 million; (ii) a negative impact of other results of R$ 626 million; (iii) positive equity income result of R$ 487 million; and (iv) acquisition of a further stake in TAG worth R$ 327 million.

Fixed assets

The increase of R$ 208 million is mainly due to the following effects: (i) acquisition of assets worth R$ 1,094 million; and (ii) capitalization of R$ 56 million of interest and monetary restatement on loans, financing, debentures and capitalization of lease interest and depreciation of right of use leases. These

factors were partially offset by the following: (i) depreciation of R$ 851 million; (ii) recognition of impairment worth R$ 58 million due to the expected deactivation of numbers 1 and 2 generator units at UTLA of the controlled entity, Diamante; and (iii) recognition of PIS and Cofins tax credits of R$ 29 million, due to the effects under the agreement to conclude the engineering contract, acquisitions and construction of Pampa Sul TPP.

Intangible

The increase of R$ 1,217 million is largely due to the following effects: (i) the impact of the renegotiation of the hydrological risk in 2020, with recognition the right to renew the concession term, in the amount of R$ 968 million; (ii) acquisition of the Novo Estado Transmission System of R$ 236 million; and (iii) booking of R$ 80 million representing goodwill on the acquisition of Novo Estado. These effects were partially attenuated by the (i) amortization of intangibles worth R$ 56 million in 2020; and (ii) recognition of impairment in the balances arising from the acquisition of EGSD, of R$ 41 million.

Current liabilities

Suppliers

The increase of R$ 97 million is largely explained by the increase of R$ 104 million in the balance of fixed and intangible asset suppliers due to the execution of work on the Campo Largo II Wind Complex and the Gralha Azul and Novo Estado transmission systems.

Dividends and interest on shareholders' equity

The increase of R$ 187 million is mainly the amount approved for payout, of R$ 1,409 million, partially attenuated by the payments of dividends and interest on shareholders' equity worth R$ 1,241 million. The amounts shown do not take into account income tax retained on interest on shareholders equity, which is incorporated in the "Income tax and social contribution payable" item.

Loans and financings – current and non-current

The increase of R$ 2,383 million in the current and non-current loans and financing item is due basically to the following: (i) raising of new loans and financing worth R$ 3,313 million; and (ii) interest, monetary restatement, currency variation and fair value adjustment of R$ 1,616 million. These effects were partially attenuated by the amortization of interest and principal, of R$ 2,547 million.

Debentures – current and non-current

Reduction of R$ 382 million, in current and non-current liabilities is explained by the following events: (i) reduction due to the amortization of principal and interest of R$ 1,905 million; (ii) issue of debentures in the total amount of R$ 1,009 million; and (iii) interest, monetary restatement and fair value adjustment of R$ 514 million.

Unrealized losses from trading operations – current and non-current

The increase of R$ 79 million reflects variations in energy market values and in volumes of open positions between the two years.

Concessions payable– current and non-current

The increase in current and non-current liabilities of R$ 776 million is due to: (i) interest and monetary restatement of R$ 930 million; and (ii) amortizations of R$ 154 million.

Provisions – current and non-current

The increase of R$ 24 million is largely the effect of the addition of R$ 24 million in provisions and R$ 19 million in monetary restatement on existing provisions. These effects were partially attenuated by the reversal of R$ 13 million in revisions of existing provisions and payments of R$ 6 million made in 2020.

Non-current liabilities

Loans and financings

Changes in this line are described in "Loans and financings" under the heading "Current liabilities".

Debentures

Changes in this line are described in "Debentures" under the heading "Current liabilities".

Redeemable preferred shares – non-current

Growth of R$ 482 million is largely a reflection of the issue of redeemable preferred shares by the indirectly controlled entity, NEP for R$ 477 million, plus interest for the period of R$ 5 million.

Unrealized losses from trading operations

Changes in this line are described in "Unrealized losses in trading operations", under "Current liabilities".

Concessions payable

Changes in this line are described in "Concessions payable", under "Current liabilities".

Provisions

Changes in this line are described in "Provisions", under "Current liabilities".

Deferred income tax and social contribution

The increase of R$ 582 million is basically a combination of the following impacts on deferred taxes: (i) renegotiation of hydrological risk; (ii) remuneration of the concession financial asset; (iii) accelerated depreciation; (iv) revenue from the concessions bonus return (RBO); (v) goodwill on the acquisition of Novo Estado; (vi) tax loss and negative CSLL base; and (vii) effect of the unrealized gains from hedge operations.

Shareholders' equity

The increase of R$ 742 million is mainly due to the combination of the following factors: (i) net profit for fiscal year 2020 of R$ 2,797 million; (ii) allocation of dividends and interest on shareholders' capital of R$ 1,409 million; (iii) decrease of R$ 626 million in combined results from the jointly controlled entities; (iv) remuneration of retirement obligations in the amount of R$ 31 million; (v) adjustment in the fair value of the controlled entities' cash flow hedge with a positive effect of R$ 7 million; and (vi) R$ 4 million with respect to unclaimed dividends and interest on shareholders' capital.

Comments on significant variations between the balance sheets as of 12.31.2019 and 12.31.2018

Current assets

Cash and cash equivalents

The R$ 1,454 million increase was mainly the result of a combination of the following: (i) R$ 6,730 million – funding from loans and financings and debenture issues; (ii) R$ 4,690 million – cash generated by the Company's operations; and (iii) R$ 351 million – dividends received from a jointly-controlled entity (TAG). These positive effects were partly mitigated by the following: (i) R$ 3,487 million – capital increases in controlled and jointly-controlled entities, as well as investment and project acquisitions; (ii) R$ 2,753 million – payments on loans, financings, debentures and interest on debt; (iii) R$ 2,261 million – payment of dividends and interest on shareholders' equity, including income tax withholdings; (iv) R$ 1,094 million – investment in fixed and intangible assets, net of indemnity for breach of contract associated with the late conclusion of the Pampa Sul Thermal Power Plant; (v) R$ 489 million – income tax and social contribution paid; (vi) R$ 132 million – debt-service banking reserve deposits; and (vii) R$ 96 million – concession and lease payments.

Client accounts receivables

The R$ 270 million increase is due mainly to the following: (i) R$ 84 million – sale of portfolio energy to distribution companies, of which R$ 57 million from entry into commercial operations of Pampa Sul; (ii) R$ 74 million – trading operations; (iii) R$ 49 million – solar panels sales and installation through controlled entity EGSD; (iv) R$ 36 million increase in sales to energy traders; and iv) R$ 32 million – transactions in the short-term energy market.

Inventories

The R$ 95 million increase is significantly due to R$ 39 million in advances to the coal company hired to supply the Pampa Sul Thermal Power Plant and R$ 38 million invested by controlled entity EGSD in the acquisition of solar panels.

Unrealized gains from hedge operations – current and non-current

This entry includes unrealized gains from fair-value hedge operations. These include swaps entered into concomitantly with foreign currency-denominated loans to protect the entirety of future principal and interest flows against currency oscillations, as well as those entered into by controlled entities Jaguara and Miranda to protect the entirety of the debentures' future principal and interest payment flows against DI rate changes. The R$ 168 million increase in current and non-current assets is mainly due to the effects of the change in the US Dollar exchange rate, of the operations' fair value, and of new debt taken internationally that have been fully hedged by means of swaps.

Unrealized gains from trading operations– current and non-current

The R$ 172 million increase in current and non-current assets, concerns unrealized gains from open positions in trading operations, arising from YoY changes in the market value of energy.

Pledge deposits **– current and non-current**

The R$ 145 million increase, in current and non-current assets, is mainly due to reserve deposits kept as guarantee against the financing taken for controlled entities Pampa Sul Thermal Power Plant and Campo Largo Wind Complex.

Financial concession asset - current and non-current

The R$ 112 million change in current and non-current assets is largely explained by the following: (i) recognition of R$ 383 million in interest and inflation restatement; and (ii) R$ 271 million in receipts.

Non-current assets

Long-term assets

Unrealized gains from hedge operations

The change in this item is described in sub-item "Unrealized gains from hedge operations", item "Current assets".

Unrealized gains from trading operations

The change in this item is described in sub-item "Unrealized gains from trading operations", item "Current assets".

Pledge deposits

The change in this item is described in sub-item "Pledge deposits", item "Current assets".

Financial concession asset

The change in this item is described in sub-item "Financial concession asset", item "Current assets".

Contract asset

The R$ 170 million increase is largely due to the recognition of revenues from infrastructure implementation in the amount of R$ 155 million and of interest and inflation restatement in the amount of R$ 15 million.

Investments

The R$ 2,949 million increase in the investments balance is due largely to the effects of the acquisition of Transportadora Associada de Gás S.A. ("TAG"), which is described in greater detail in item 10.3. The operation, as well as the results of the jointly controlled entity in 2019, had the following positive effects on the balance of investments: (i) R$ 3,470 million acquisition price; and (ii) R$ 81 million from the company's FY 2019 income. These were partly mitigated by the following: (i) R$ 351 million in dividends received; and (ii) R$ 251 million through other comprehensive results.

Fixed assets

The R$ 695 million increase is due mainly to the following: (i) asset acquisitions in the amount of R$ 1,234 million; (ii) provision for asset demobilizations in the amount of R$ 187 million; and (iii) capitalization of R$ 152 million in interest and inflation restatement on loans, financings and debentures. These effects were partly offset by the following: (i) R$ 802 million in depreciation; and (ii) R$ 72 million in indemnities for breach of contract.

Right of use of assets

The increase of R$ 162 million in the outstanding balance is largely due to the initial recognition of the application of accounting principles under CPC 06 (R1) – Leasing Operations, of R$ 120 million plus new contracts signed in 2019 of R$ 50 million. These effects were partially attenuated by the depreciation of rights of use in 2019 of R$ 8 million.

Current liabilities

Suppliers

The R$ 177 million increase is largely explained by: (i) R$ 111 million increase from fixed and intangible assets suppliers; (ii) R$ 66 million from materials and services suppliers; and (iii) R$ 63 million from energy trading operations. These additions were partly mitigated by an R$ 89 million reduction in the balance of purchased electric energy.

Dividends and interest on shareholders' capital

The R$ 939 million decrease is largely due to payment of dividends and interest on shareholders'' equity in the amount of R$ 2,202 million. This was partly mitigated by the R$ 1,275 million approved for payment. The amounts do not include income tax withheld on interest on shareholders' equity, which is booked in the "Income tax and social contribution payable" line.

Loans and financing - current and non-current

The R$ 2,509 increase in the current and non-current loans and financings line is essentially due to: (i) new loans and financings taken in the amount of R$ 2,665 million; and (ii) R$ 616 million in interest, inflation restatements, currency exchange restatements and fair-value adjustments. These effects were partly mitigated by interest and principal amortizations in the amount of R$ 772 million.

Debentures - current and non-current

The R$ 2,534 million increase in current and non-current liabilities is largely explained by the following: (i) debentures issued in the total amount of R$ 4,065 million, (ii) R$ 426 million in interest, inflation restatement and fair-value adjustment; and (iii) reduction from the amortization of R$ 1,957 million in principal and interest.

Leases payable – current and non-current

The R$ 134 million balance breaks down into: (i) R$ 89 million – effect of the initial adoption in 2019; (ii) R$ 50 million in new leases; and (iii) R$ 12 million in interest. These effects were partly mitigated by R$ 17 million in payments made in 2019.

Unrealized losses from trading operations - current and non-current

The R$ 162 million change is due to YoY changes in the market value of energy.

Concessions payable - current and non-current

The R$ 385 million increase in current and non-current liabilities is due to the following: (i) R$ 465 million in interest and inflation restatement; and (ii) amortizations in the amount of R$ 80 million.

Provisions - current and non-current

The R$ 199 million increase is due mainly to the recognition of R$ 187 million in assets demobilization and R$ 7 million in inflation restatement of existing provisions. In 2019, the Company recognized a provision for costs with the demobilization of its wind farms based on estimates and assumptions for discount rates and the expected cost of demobilization and removal at the end of the plants' authorized period.

Other current liabilities

The R$ 220 million increase is largely due to the following: (i) R$ 136 million in reimbursements to distribution companies as provided in the electric energy agreements entered into in the regulated

contracting environment; (ii) R$ 61 million for unrealized losses in fair-value hedge operations; and (iii) R$ 10 million in increased R&D obligations.

Non-current liabilities

Loans and financings

The change in this item is described in sub-item "Loans and financings", item "Current liabilities".

Debentures

The change in this item is described in sub-item "Debentures", item "Current liabilities".

Leases payable

Changes in this line are described in "Leases payable" under the heading "Current liabilities".

Unrealized losses from trading operations

The change in this entry is described in sub-item "Unrealized losses from trading operations", item "Current liabilities".

Concessions payable

The change in this entry is described in sub-item "Concessions payable", item "Current liabilities".

Provisions

The change in this entry is described in sub-item "Provisions", item "Current liabilities".

Deferred income tax and social contribution

The R$ 172 million increase is essentially due to a combination of the following impacts on deferred taxes: (i) return on the financial concession asset; (ii) revenues from the Concession Bonus Return (RBO); (iii) accelerated depreciation due to entry into commercial operations of the Campo Largo Wind Complex and part of the Umburanas Wind Complex; (iv) effects of unrealized gains from hedge and trading operations; (v) capitalized financial charges; (vi) obligations arising from retirement benefits; and (vii) amortization of the difference between fiscal and accounting intangibles of the concession bonus paid.

Shareholders' equity

The R$ 679 million increase is substantially due to a combination of the following: (i) FY 2019 net income of R$ 2,311 million; (ii) R$ 1,325 million in dividends and interest on shareholders' equity credited; (iii) R$ 251 million decrease in comprehensive income from jointly controlled entities; (iv) re-measuring of retirement obligations in the amount of R$ 58 million; (v) R$ 6 million in unclaimed dividends and interest on shareholders' equity; and (vi) fair-value adjustment of the cash-flow hedge of controlled entities for a R$ 4 million reduction.

10.2 Directors' comments on:

a. The Company's operational results, in particular:

(i) description of any material components of revenues

The Company's net operating revenue breaks down as follows:

	12.31.2020		12.31.2019		12.31.2018	
R$ million	**Value**	**%**	**Value**	**%**	**Value**	**%**
NET OPERATING REVENUE						
Electric energy distribution companies	3,541	28.9	3,293	33.6	2,722	30.9
Free consumers	3,161	25.8	3,164	32.3	3,020	34.4
Electric energy traders	609	5.0	728	7.4	857	9.7
Transactions in the short-term market	536	4.4	699	7.1	923	10.5
Remuneration on concession financial assets	382	3.1	383	3.9	340	3.9
Revenue from services provided	122	1.0	116	1.2	112	1.3
Gain of a court action	84	0.7	-	-	-	-
Export	31	0.3	-	-	-	-
Other revenues	73	0.6	45	0.5	121	1.4
Generation and sale of electric energy from the portfolio	**8,539**	**69.7**	**8,428**	**86.0**	**8,095**	**92.1**
Transmission infrastructure installation revenue	2,365	19.3	155	1.5	47	0.5
Return on contract asset	190	1.5	14	0.2	1	0.0
Transmission	**2,555**	**20.8**	**169**	**1.7**	**48**	**0.5**
Energy trading operations	1,067	8.7	1,102	11.2	610	6.9
Transactions in the short-term energy trading market	17	0.1	7	0.1	5	0.1
	1,084	**8.8**	**1,109**	**11.3**	**615**	**7.0**
Solar panels	**81**	**0.7**	**98**	**1.0**	**37**	**0.4**
	12,259	**100.0**	**9,804**	**100.0**	**8,795**	**100.0**

Comparative analysis of material variations in the components of net operating revenues between the fiscal years ending on December 31, 2020 and December 31, 2019

Generation and sale of electric energy in the portfolio

Electric energy distribution companies

In 2020, revenues were R$ 3,541 million, an increase of R$ 248 million (7.5%) in relation to fiscal year 2019, when revenues were R$ 3,293 million. This growth is explained by the following: (i) R$ 149 million — an increase of 660 GWh (71 average MW) in the amount sold; and (ii) R$ 99 million — increase of 3.0% in net average selling price.

The increase in net average selling price was largely due to monetary restatement of current agreements and the positive impact of the average energy selling price at Pampa Sul and higher than for the average of existing contracts, partially offset by the lower average selling prices practiced for the contracts covering energy delivered by Umburanas – Phase I.

Growth in sales volumes is mainly the consequence of the reduced impact of the effects of reimbursement in the case of the contracts in the regulated contracting environment and the entry into operation of Pampa Sul. This was partially attenuated by termination of the existing auction contract in late 2019.

Free consumers

In 2020, the Company reported revenue of R$ 3,161 million, R$ 3 million (0.1%) lower than the R$ 3,164 million posted in 2019. This decrease is related to: (i) R$ 110 million — a reduction of 633 GWh (79 average MW) in energy sales volume; and (ii) R$ 107 million — an increase of 3.4% in the net average selling price.

Reduced energy volumes sold were once more a reflection of the Covid-19 pandemic and the uncertainties surrounding the recovery in the economy, the impact feeding through to energy demand and provoking a decline in consumption by industrial clients, given the flexibility built into the power purchasing agreements. Consequently, energy volume not sold to consumers was settled through the CCEE. However, the decrease was partially mitigated by a migration in profiles between trading companies and free consumers.

Price rises large reflect the monetary restatement of existing contracts.

Electric energy traders

In 2020, revenues from sales to trading companies was R$ 609 million, R$ 119 million (16.3%) less than the revenue generated by the same market in 2019, which was R$ 728 million. This reduction resulted from the combination of the following aspects: (i) R$ 109 million —a decrease of 15.0% in net average selling price; and (ii) R$ 10 million — a drop of 70 GWh (9 average MW) in energy volume sold.

Price reductions were principally due to new contracts and lower prices than the average for existing or matured contracts, given weaker prices prevailing in the market in 2020. This effect was partially mitigated by monetary restatement of existing contracts.

The decreases in volumes 2019 x 2020 was principally due to migration by clients, previously purchasing energy from trading companies but gradually switching to the free consumer profile over the course of the two-year period.

Also worthy of mention is that the reduction in prices and volumes of energy sold, both suffered from the effects of the Covid-19 pandemic on the market.

Short-term market transactions

In 2020, there was a year-on-year decrease of R$ 163 million (23.3%) in revenue from short-term transactions from R$ 699 million in 2019 to R$ 536 million in 2020. More details on such operations and variations are highlighted in item “10.1.h.1”, under the topic “Details on short-term operations”.

Return on financial concession assets

Financial concession assets represent the present value of the future cash flows of the energy parcel allocated to the Regulated Contracting Environment (ACR) from the Jaguara and Miranda hydroelectric power.

lants, equal to 70% of the Plants’ physical guarantee. These assets yield returns at the internal rate of return and the change in the Amplified Consumer Price Index (IPCA).

The remuneration of financial concession assets fell from R$ 383 million in 2019 to R$ 382 million in 2020, thus a decrease of R$ 1 million (0.3%). This reduction is largely due to the monthly variation curve of the IPCA, which presented periods of deflation in 2020, albeit registering strong price

inflation in the final quarter. In 2019, the monthly variation curve in the IPCA recorded constant growth.

Revenue from services provided

Further to the Jaguara and Miranda hydroelectric power plants, for energy sold through the ACR, also as part of the Annual Generation Revenue (RAG), the companies receive a payment known as the Generation Asset Management (GAG), to cover the costs of the operation and maintenance in addition to expenditures with improvements and investments during the concession period. The value of the GAG increased by R$ 6 million (5.2%) from R$ 116 million in 2019 to R$ 122 million in 2020. Increases largely reflect monetary restatement.

Gain in a court action

On May 18, 2020, a court ruling handed down a favorable decision for which there is no right of appeal, guaranteeing reimbursement of federal tax credits either through compensation or restitution, duly restated at the basic Selic rate. Consequently, ENGIE Brasil Energia booked R$ 84 million in 2020 following a revision of the estimate entered to the accounts during the year. The amount was restated monetarily with an impact of R$ 76 million on the financial result for 2020.

Exportation

In the period from July to August 2020, the Company exported energy to Argentina, generating revenue of R$ 31 million with an energy volume transacted of 7 GWh (1 average MW).

Other revenues

In fiscal year 2020, there was an increase of R$ 28 million (62.2%) in other revenues compared with the preceding year, rising from R$ 45 million in 2019 to R$ 73 million in 2020. This increase is mainly due to higher payouts on insurance claims year-on-year with an impact of R$ 29 million. Most of the amount refers to revenues from the indemnification for compensating the negative impacts arising from interruptions to business at the Salto Osório Hydroelectric Plant and the collection of a contractual fine for downtime at the Trairí Wind Complex.

Energy trading and Transmission

Results from the trading and transmission segments are discussed in item 10.1 hereof.

Solar panels

Revenues from the sale and installation of solar panels through the controlled entity, ENGIE Geração Solar Distribuída S.A. (EGSD) for the years under analysis, registered a decrease of R$ 17 million (17.3%) from R$ 98 million in 2019 to R$ 81 million in 2020. The reduction in large part reflects the deceleration of commercial activities due to the Covid-19 pandemic.

Comparative analysis of material variations in the components of net operating revenues between the fiscal years ending on December 31, 2019 and December 31, 2018

Generation and sale of electric energy in the portfolio

Electric energy distribution companies

Revenues in FY 2019 were R$ 3,293 million, up R$ 571 million (21.0%) from 2018's R$ 2,722 million. The increase is explained as follows: (i) R$ 592 million —2,694 GWh (307 MWa) increase in quantity sold; and (ii) R$ 21 million —0.8% reduction in net selling price.

The increase in energy sales volume was largely due to commencement of supply in connection with new energy auctions from the Ferrari Thermal Power Plants, the wind farms comprising the Campo Largo, Umburanas and Trairí Wind Complexes, whose energy was allocated to the regulated market beginning in 1Q19, and Pampa Sul.

The price drop was due to lower average prices in the auctions mentioned above, in agreements under which supplies began in 1Q19; these were partly offset by inflation restatement of existing agreements and the average price of energy sold from Pampa Sul, which exceeds the average of existing agreements.

Free consumers

In FY 2019, revenues from sales to free consumers were R$ 3,164 million, up R$ 144 million (4.8%) from 2018's R$ 3,020 million. The increase is due to the following: (i) R$ 134 million — 4.4% increase in average net selling price; and (ii) R$ 10 million — 57 GWh (6 MWa) increase in the volume of energy sold.

The price increase was mainly due to inflation restatement of existing agreements, partly offset by new contracts at lower average prices than the average of existing or expired contracts.

The increase in the quantity of energy sold is due to increased sales volumes to industrial customers, some of which migrated profiles from traders to free consumers. This was partly offset by lower consumption vis-à-vis the quantities agreed.

Electric energy traders

Revenues from sales to energy traders was R$ 728 million, down R$ 129 million (15.0%) from 2018's R$ 857 million. The reduction was a result of a combination of the following: (i) R$ 219 million —1,237 GWh (141 MWa) decrease in the volume of energy sold; and (ii) R$ 90 million —10.5% increase in the average net selling price.

The decrease in the quantity of energy sold was mainly due to the migration of a share of clients that formerly purchased energy from traders to the free-consumer profile. This was partly mitigated by increased consumption by other clients.

The price increase was essentially due to new contracts at higher prices than the average of existing or expired contracts, and to the inflation restatement of existing contracts.

Short-term market transactions

In FY 2019, revenues from short-term transactions were down R$ 224 million (24.3%) YoY, from R$ 923 million in 2018 to R$ 699 million in 2019. This does not include short-term market transactions within the context of energy-trading operations, which are discussed ahead in a specific item. Additional details on these operations and changes are provided in item "10.1.h.1", under the heading "Details on short-term operations".

Return on financial concession assets

Financial concession assets represent the present value of the future cash flows of the energy parcel allocated to the Regulated Contracting Environment (ACR) from the Jaguara and Miranda Hydroelectric Power Plants, equal to 70% of the Plants' physical guarantee. These assets yield returns at the internal rate of return and the change in the (IPCA) price index.

Return on financial concession assets increased from R$ 340 million in 2018 to R$ 383 million in 2019, up R$ 43 million (12.6%). This was largely due to the increased average balance of the assets and the change in the IPCA inflation index YoY.

Other revenues

In FY 2019, other revenues were down R$ 76 million (62.8%) from the year before, from R$ 121 million in 2018 to R$45 million in 2019. The reduction is due to the indemnity for business stoppage arising from insurance loss events and the receipt of a penalty for breach of contract associated with the Company's downtime in 2018.

Energy trading and transmission

Results from the trading and transmission segments are discussed in item 10.1 hereof.

Solar panels

The R$ 61 million increase, from R$ 37 million in 2018 to R$ 98 million in 2019, is mainly due to the recognition of revenues from the sale of solar panels to homes and businesses through controlled entity ENGIE Geração Solar Distribuída S.A. A controlling stake in the company was acquired in August 2018, from which point the controlled entity became consolidated into the company's statements.

(ii) factors materially affecting operational results

The factors that materially affected the Company's operating results in the fiscal years ending on December 31, 2020 2019 and 2018, are listed next. Additional information on these has been provided in items 10.1.h and 10.2.a.(i).

The year 2020 – (i) recuperation of energy costs with the renegotiation of hydrological risk in 2020; (ii) an increased result from the corporate stake in the jointly controlled entity – TAG; (iii) an increase in the result from the energy transmission segment; (iv) a combination of variation in energy volume sold, and consequently with an increase in the costs of third party services, payroll, fuel and charges for the use of the network; (v) gain from a successful court action in 2020; and (vi) reduction in purchases for the portfolio. These effects were counterbalanced by the following negative effects: (i) an increase in interest and monetary restatement due to the issue of new debentures, raising of loans abroad and the capture of new financing, the issue of redeemable preferred shares, resources used for the acquisition of an additional stake in TAG, acquisition of Novo Estado, construction of the Campo Largo II Wind Complex and the Gralha Azul and Novo Estado transmission systems; (ii) increased monetary restatement on concessions payable, more particularly the increase in IGP-M during 2020; (iii) growth in impairment 2019 x 2020; (iv) decrease in the results from transactions conducted in the short-term market; (v) increase of general and administrative expenses; and (vi) reduction in the energy trading result.

FY 2019 – (i) increased average net selling price and increased volume of energy sold, leading to increased costs from third-service parties, payroll, fuels and grid-usage charges because of entry into operation of the Campo Largo Wind Complex, which commenced operations in December 2018, and the Umburanas Wind Complex – Phase I and the Pampa Sul Thermal Power Plant, where operations began in 2019; (ii) other operating revenues from indemnities associated with breaches of contract on the part of the supplier responsible for construction of the Pampa Sul Thermal Power Plant; (iii) reduction in portfolio purchases; and (iv) positive income from the TAG equity stake, offset by the following negative events: (i) increase in general and administrative expenses; (ii) reduced results

from transactions in the short-term market; (iii) reduced results from energy trading; and (v) increase in interest and inflation restatement of debt due to new debenture issues, loans secured abroad, and new financing raised, which funds were allocated to the acquisition of TAG and the construction of projects Campo Largo Wind Complex II and Gralha Azul.

Year of 2018 – (i) recognition of income from the operation of the Jaguara and Miranda Hydroelectric Power Plants, acquired in late 2017; (ii) increased positive result from short-term market transactions; (iii) reduced energy purchases for the purposes of managing the Company's portfolio; (iv) recognition of indemnity revenues for business disruption and contractual penalties; (v) income from trading operations, beginning in January 2018; and (vi) increased net average selling price and volume of energy sold.

b. Changes in revenues due to modifications in prices, exchange rates, inflation, changes in volumes and introduction of new products and services

The Company's sales revenues are supported by agreements with price adjustment clauses indexed, for the most part, to the IPCA and the IGP-M. The Company's revenues are not exposed to exchange rates in a manner that significantly affects income and were not materially affected by the introduction of new products and services.

In 2018, the company entered the energy trading market as a means to derive income from electric energy price changes, within the risk and counterparty limits previously set by the Company's Management.

The main changes in the Company's revenues due to price modification and volume change are explained in item 10.2.a (i) above.

c. Impact of inflation, changes in prices of main inputs and products, foreign exchange and interest rates on the operating result and financial result, when relevant

c.1) inflation and price changes in the cost of electricity sold

Energy purchased for portfolio-management purposes: such transactions are usually conducted by means of medium- and long-term contracts with prices restated at IPCA and IGP-M. The average negative impacts of price restatements at the applicable inflation indices in FY2020 has been approximately R$ 33 million, versus R$ 9 million and R$ 16 million in 2019 and 2018, respectively.

Fuel for electric energy production: The prices of coal not subject to reimbursement from CDE are negotiated upon contracting the purchase or renewal of the agreement using parametric formulas comprising the INPC and specific sector indices, mostly those published by the Getulio Vargas Foundation (FGV). The adjustments did not result in significant effects on the Company's cost. The coal that Pampa Sul burns is subject to annual price adjustments according to the IPCA inflation index, as are energy sale contracts, providing a natural long-term hedge.

Charges for the use of the electricity network and connection: these are calculated by multiplying the amount of network usage in kW by the rate established annually by Aneel, based on the prorating of the total observed and expected costs of connection and transmission for the entire system, and on inflation indices for readjusting transmission and existing connection agreements - IPCA and IGP-M. The effect of the change in these inflation indicators on the Company's cost was R$ 21 million, R$ 34 million and R$ 11 million in fiscal years 2020, 2019 and 2018, respectively.

Financial compensation for the use of water resources (royalties): The amount corresponds to 7.0% of the quantity of electricity produced, adjusted by an Annual Reference Tariff (TAR) defined by Aneel, based on the acquisition cost of energy by the distributor and subject to review every 4 years. In FY 2020, the TAR was adjusted by 2.9%, with a negative impact of approximately R$ 6 million on the company's results. In FY 2019 the TAR underwent a 4.5% adjustment, with approximately R$ 8 million in negative results. In 2018, the TAR experienced a positive 2.5% restatement, with a negative impact on the Company's bottom line of approximately R$ 3 million.

c.2) Impacts of exchange, inflation and interest rates on the Company's financial result

Currency exposure

Currency exposure information is provided in item 10.1 "f" (i) hereof. The Company currently has no foreign currency-denominated financial obligations whose exchange rate variation is not entirely hedged.

Exposure to floating interest rates and indices

In 2020, 2019 and 2018, the Company was exposed to floating interest rates and indices associated with changes in the TJLP, DI, IPCA and IGP-M.

The impacts of interest and monetary restatement on the Company's financial result in fiscal years 2020, 2019 and 2018 were as follows:

Amounts in R$ million	2020	2019	2018
Interest and monetary restatement on:			
Concessions payable	930	466	422
Loans and financing	591	356	90
Debentures	516	394	202
Preferred shares redeemable	5	-	-
Hedge against loans at fair value	(4)	62	65

10.3 Management's comments on the material effects that the events below make, have caused or are expected to cause on the Company's financial statements and results

a. Introduction or disposal of an operational segment

In 2018, the Company entered the following new segments: (i) electric energy trading operations; (ii) distributed generation from the sale and installation of photovoltaic panels, by means of the acquisition of a controlling stake in ENGIE Geração Solar Distribuída S.A. ("EGSD"); and (iii) electric energy transmission. In 2019, the Company also entered into the gas transportation segment with the acquisition of a stake in jointly-controlled entity TAG.

Because of the representativeness of the above segments, in 2019 the Company began to present segment information consistently with the internal report provided to the main operational decision-making body, the Executive Board. Results by segment include items that can be directly attributed to each segment, as well as those that can be reasonably allocated thereto. The Company's financial results are not allocated by segment because Management manages cash flow at the corporate level.

The Company's operational segments reflect its management, organizational structure, and results tracking, and are summarized as follows:

- Generation: this is the Company's main business, comprehending the portfolio energy generation and sale activities.

- Trading: the purpose of this segment is to profit from energy price variations within predetermined risk levels. The segment's activities are conducted through controlled entities ENGIE Trading Comercializadora de Energia Ltda. and ENGIE Brasil Energia Comercializadora Ltda.

- Transmission: the Company is the main party responsible for construction and installation of the infrastructure associated with the transmission concession for the Gralha Azul and Novo Estado Transmission Systems, implementation of which began in the latter half of 2018 and first half of 2019, respectively, and is exposed to the risks and benefits of the construction works. The segment's operational activities have not yet begun, as construction is still under way, and will be carried out by controlled entities Gralha Azul and Novo Estado.

- Solar panels: development, wholesale and retail sales, and operation and maintenance of solar generators and panels carried out by controlled entity EGSD, a controlling stake in which was acquired in August 2018, at which point its results became consolidated with the Company's.

- Gas transportation: since June 2019, the Company has also been active in the gas markets through jointly-controlled entity Transportadora Associada de Gás S.A. ("TAG").

2020

The Company's main operational segments are portfolio energy generation and sales ("Generation"), electric energy transmission ("Transmission") and electric energy trading ("Trading"). These segments concentrated 69.7%, 20.8% and 8.8%, respectively, of the Company's net consolidated operating revenues in 2020.

The gas transportation segment, through jointly-controlled entity TAG, is recognized as "Equity Income" in the fiscal year's income and represents 17.4% of the Company's net income.

In 2020, the Company entered no new segments and divested no operational segments.

2019

The Company's main operational segments are Generation and Trading. The segments concentrate 86.0% and 11.3%, respectively, of net sales revenues made in 2019.

In 2019, the Company entered into the gas transportation segment through jointly-controlled entity TAG, as described next, in item "b". This new segment is not consolidated into the Company's accounting statements, as its results stem from a jointly-controlled venture. The segment's effects are presented in the period's results as "Equity income" and represent 3.5% of the Company's net income.

No operational segments were divested in 2019.

2018

The generation operational segment concentrated 92.1% of consolidated net revenues from sales in 2018, whereas the trading operational segment concentrated 7.0% of the total.

In 2018, the Company entered the following new segments: (i) electric energy trading operations; (ii) distributed generation from the sale and installation of photovoltaic panels, by means of the acquisition of a controlling stake in EGSD; and (iii) electric energy transmission based on the winning bid for the Gralha Azul Transmission Line, where construction works began in 2018 and remains

underway, as described in item "b", below. These new segments are not material vis-à-vis the Company's total assets, revenues and net income.

No operational segments were divested in 2018.

b. Constitution, acquisition or disposal of a corporate stake

2020

Key information in connection with the constitution, relevant changes, acquisition, takeover and disposal of the Company's corporate stakes are as follows:

- Novo Estado Transmissora de Energia

In December 2019, the Company, through its subsidiary ENGIE Transmissão de Energia Participações S.A., currently named Novo Estado Participações S.A., executed a sale agreement for the entirety of the shares of Sterlite Novo Estado Energia S.A. held by Sterlite Brazil Participações S.A. – the winning bidder for Lot 3 of Aneel Transmission Auction No. 002/2017, held in December 2017. The operation was closed on March 3, 2020 and on March 29, 2020 the First Amendment to the respective concession agreement, consolidating the transfer of title.

Novo Estado holds a concession for Lot 3 of Aneel Transmission Auction No. 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 existing substations in the states of Pará and Tocantins for a period of 30 years. The deadline for operational startup of the transmission line, whose RAP is R$ 313 million, is March 09, 2023.

On March 03, 2020, after the conditions precedent under the sale agreement had been met, the acquisition of 100% of the shares of Novo Estado was completed. The total acquisition price was R$ 372 million.

- Transportadora Associada de Gás S.A. – ("TAG")

On May 14, 2020, the Company's Board of Directors approved bidding in the process for the acquisition of 10% of TAG's equity held by Petrobras, together with another investor from the ENGIE Group and third parties forming the Investor Group. Acquisition of an additional 3.25% stake in TAG out of the total 10% that Petrobras still held for R$ 327 million was announced on July 20, 2020.

2019

The main information concerning the constitution, material change, acquisition, merge and divestment of the Company's equity stakes are as follows:

- Transportadora Associada de Gás S.A. – ("TAG")

On Apr.05.2019, the Company, together with a wholly-owned subsidiary of its controlling entity, ENGIE S.A., and Caisse de Dépôt et Placement du Québec ("Bidders") were informed that they had placed the winning bid in the competitive process Petrobras held for the acquisition of 90% of its equity stake in TAG, which owns gas pipelines infrastructure with approximately 4,500 kilometers and 12 gas compression facilities (6 own and 6 under contract) and 91 delivery points.

The Bidders' final and binding bid represents a business value of R$ 35.1 billion for 100% of TAG in the as-of date of December 2017. Placement of the bid was approved at a meeting of the Company's Board of Directors held on Mar.26.2019 that took into account the favorable statement from the Special Independent Committee for Transactions with Related Parties convened at the 173rd Meeting of the

Company's Board of Directors, held on May.11.2018. The purchase agreement was entered into on Apr.25.2019, by and between Aliança Transportadora de Gás Participações S.A. ("Aliança"), as buyer; the Company, GDF International (a wholly-owned subsidiary of ENGIE S.A.), and Caisse de Dépôt et Placement du Québec, as members of the acquiring group; Petrobras, as seller; TAG, as consenting party; and ENGIE Brasil Participações Ltda., as surety. The agreement governs the acquisition by the members of the acquiring group, through Aliança, of an equity stake in TAG equivalent to 90% of its equity held by Petrobras. The Company's direct stake in Aliança's equity capital was 32.5%. Therefore, the Company indirectly held a 29.25% stake in TAG's equity capital. Petrobras retained a 10% minority stake in TAG.

On Jun.13.2019, Aliança, the members of the acquiring group, TAG, and Petrobras, having fulfilled all conditions precedent under the purchase agreement, executed the closing acts as provided thereunder, including transfer of TAG shares held by Petrobras representing 90% of the former's equity capital to Aliança and the payment by Aliança and the members of the acquiring group of an amount of approximately R$ 31.5 billion to Petrobras for its shares, and of an amount of approximately R$ 2.0 billion corresponding to advance payment by TAG of its debt with the National Economic and Social Development Bank (BNDES) with funds made available to TAG by Aliança.

Because of the stock purchase operation, the Company injected funds into the jointly-controlled subsidiary Aliança in the total amount of R$ 3.5 billion. On the same date, Aliança, the members of the acquiring group and Petrobras entered into a shareholders' agreement to govern their relationship as direct and indirect shareholders of TAG, including exercise of the respective voting rights and limitations on share transfers.

On Sep.02.2019 TAG took over Aliança, so that the members of the acquiring group gained direct stakes in TAG's equity capital equal to the indirect percentage stakes held before. On Oct.14.2019, the Company's Extraordinary General Meeting endorsed the acquisition of a shared controlling stake in TAG.

2018

The main information in connection with the constitution, material amendment, acquisition, incorporation and divestment of equity stakes held by the Company are as follows:

- Diamante Geração de Energia Ltda. ("Diamante")

In January 2018, the Company increased the equity capital of its directly controlled entity Diamante by R$ 562 million, due relevantly to the payment in, at book value, of the fixed assets and inventories associated with the Jorge Lacerda Thermal Power Complex (CTJL). The main purpose of the operation is to keep coal-based generation operations in a separate entity and has had no impact on the Company's operations and consolidated results.

In February, Aneel authorized transfer of the CTJL plants from ENGIE Brasil Energia to Diamante.

These plants comprise seven generators grouped as follows: Jorge Lacerda A, with four generator units with total installed capacity of 232 MW, Jorge Lacerda B, with two units totaling 262 MW and Jorge Lacerda C, with one 363 MW unit, for a total of 857 MW. Physical guarantee for trading purposes is 649.9 aMW and the operational permit is valid until 2028.

- Gralha Azul Transmissão de Energia Ltda. ("Gralha Azul", anteriormente denominada como "ENGIE Transmissão de Energia Ltda.")

Gralha Azul's corporate purpose is electric energy transmission. The Company was formed to bid in the Transmission Auction No. 02/2017, which Aneel held on December 15, 2017. On March 8, 2018, the Company, through its directly controlled entities ENGIE Brasil Energias Complementares Participações Ltda. ("ECP") and ENGIE Brasil Energia Comercializadora Ltda. ("EBC"), entered into the concession contract won in the foregoing auction.

The project, called "Projeto Gralha Azul", will involve an approximate investment of R$ 2 billion and comprise approximately 1,000 km of transmission lines in the Central and Southern regions of the state of Paraná, with the construction of five substations and 10 transmission lines that will cover 25 municipalities.

The public transmission service concession, including construction, assembly, operation and maintenance of the transmission facilities, will be for a period of 30 years from entry into the contract, which took place in March 8, 2018. The deadline for commercial operations starts in March 9, 2023.

- ENGIE Geração Solar Distribuída S.A. ("EGSD")

In August 2018, the Company completed acquisition of a controlling stake in ENGIE Solar. Acquisition of the controlled entity took place in stages, beginning in April 2016 with the purchase of 50% of the target company's equity capital. The total amount of the acquisition was R$ 59 million, as follows: (i) R$ 24 million – acquisition of 50% of the equity capital in April 2016, by means of equity subscription and stock subscription premium; and (ii) R$ 35 million – acquisition of the remaining 50% of the capital stock, completed in August 2018.

EGSD's corporate purpose is to develop, conduct bulk and retail sales, operate and maintain generators and solar photovoltaic panels with installed power under 5.0 MW.

This Company's activities are not representative relative to the total assets, revenues and net income of ENGIE Brasil Energia.

- ENGIE Trading Comercializadora de Energia Ltda. ("ENGIE Trading")

The Company entered the energy trading market as from January 2018 to take market positions associated with the change in electric energy prices, within the previously established risk and counterparties limits.

Trading operations are conducted on the long market and, for accounting purposes, meet the definition of fair-value financial instruments, due mainly to the fact that there is no required combination of long and short positions, providing the flexibility to manage contracts and make income from market price changes.

The Company is undergoing structuring and awaiting authorization from the relevant authorities to conduct its activities. For this reason, in 2018, operations of this nature were conducted by ENGIE Brasil Comercializadora de Energia Ltda. ("EBC").

c. Unusual events or operations

2020

The main unusual events affecting the Company's results in FY 2020 were as follows: (i) R$ 968 million from the recovery of energy costs as a result of hydrological risk renegotiation; (ii) R$ 84 million in proceeds from a lawsuit that earned the Company a right to recover federal taxes paid, through netting or reimbursement; and (iii) R$ 94 million in impairment, of which R$ 58 million in connection with the impairment of units 1 and 2 of the Jorge Lacerda Thermal Power Complex's UTLA because

of the potential for decommissioning of the units, and R$ 36 million in connection with the impairment of the acquisition premium and goodwill of subsidiary EGSD.

2019

The key unusual events affecting the Company's results in FY 2019 were as follows: (i) R$ 321 million from indemnities for breach of contract incurred by the supplier responsible for construction of the Pampa Sul Thermal Power Plan, mainly in association with late completion of the construction works. The amount received is as stipulated in the relevant agreement and determined based on the number of days late delivery of the site multiplied by a fixed amount per day. The amount was established to compensate the Company for unearned income because of the late completion of the construction works, and was recognized in "Other net operating revenues (expenses)"; and (ii) R$ 11 million in indemnity revenues to compensate the negative impacts of stoppage of business due to an insurance loss event at the Jorge Lacerda A Thermal Power Plant and the Jaguara Hydroelectric Power Plant, receipt of contract fines for the partial late delivery of modernization works at one of the machines of the Salto Osório Hydroelectric Power Plant, and downtime at the Santa Mônica Wind Complex's wind farms.

2018

The key unusual events affecting the Company's results in FY 2018 were as follows: (i) R$ 85 million mainly related to indemnity revenues to compensate the negative impacts of business disruption caused by an insurance loss event in the Jorge Lacerda A Thermal Power Plant, and the collection of contractual penalties for the partial delay of modernization works on one of the Salto Santiago Hydroelectric Power Plant's machines and downtime of the Santa Mônica Wind Complex; and (ii) supplement to the provision for impairment, in the amount of R$ 39 million, for the assets of the William Arjona TPP.

10.4 Management comments on

a. Material account changes

2020

The Company's accounting practices underwent no significant changes in the fiscal year ending December 31, 2020.

2019

The main standards published by the International Accounting Standard Board (IASB) and replicated by the Accounting Announcements Committee (CPC), with entered into force on January 1, 2019, and with impacts on the Company's accounting practices are as follows:

CPC 06 (R2) Changes – Leases (IFRS 16)

The changes in CPC 06 (R2) introduced requirements associated with the recognition, measurement, booking and disclosure of leases. According to the amended standard, lessees must recognize the liability arising from future payments under lease contracts in exchange for the right to use the asset let.

The definition of lease covers all contracts assigning right to use and control an identifiable asset, including rental agreements and, potentially, some elements of services agreements.

The Company analyzed all of its agreements and determined that the standard covers the lease agreements for areas where wind and solar complexes lie or will lie and use of the administrative headquarters. Starting on 01.01.2019, these agreements were recognized as right to use assets in exchange for a lease liability. The Company chose to use recognition exemptions in connection with lease agreements with lease periods of 12 months or less at the initial date and with low individual value underlying assets.

As provided in the announcement, the Company applied the simplified transition approach and did not restate compared values for the year preceding the first adoption (01.01.2019). Right-to-use assets were measured at the value of the lease liabilities at the time of adoption, plus early payments made until the date of adoption of CPC 06 (R2).

The main accounting practices used in application of CPC 06 (R2) were:

Rights to use from lease

Rights to use arising from leases initially cover the lease liability plus early payments. These assets depreciate based on the duration of the lease agreements and are valued for loss by based on impairment value. They are restated based on any new re-measurement of the lease liabilities.

Leases payable

Leases payable are initially measured at the present value of future payment flows discounted at the incremental financing rate, as the implied interest rate in leases is not easily determined. The future payments flow comprehends variable payments dependent on indices or rates.

Subsequently, the lease liability is measured at amortized cost, using the effective interest rate method, and re-measured (with the corresponding restatement of the respective right to use) in the event of amendment, lease period change, change in future payments caused, for example, by inflation restatements, or changes in the valuation of a purchase option on the underlying asset.

Variable lease payments that do not depend on an index or rate are recognized as expenses in the fiscal year in which they occur. In addition, the Company applies exempted recognition of short-term leases, that is, leases with periods of 12 months or less from the initial date, and of low individual value assets, which are recognized as expenses over the course of the lease period.

2018

The main standards published by the International Accounting Standard Board (IASB) and replicated by the Accounting Announcements Committee (CPC), with entered into force on January 1, 2018, and with impacts on the Company's accounting practices are as follows:

CPC 47 – Revenues from contracts with clients (IFRS 15)

According to the new standards, revenues must be booked at values reflecting the payment that the company expects in exchange for the transfer of goods and services to a client. The revenue must be recognized as of the transfer of domain over the goods or services to clients, instead of based on the principle of transfer of risks and benefits. The announcement provides a need to observe certain phase for booking a revenue.

Based on the foregoing, the Company books revenues according to the contracts entered into, with monthly performance obligations, as clients simultaneously receive and consume the benefits that the Company provides. Consequently, the amount of the payment reflects the fair value receivable at the moment when energy is effectively delivered to a client.

CPC 48 – Financial instruments (IFRS 9)

The main changes in the standard are as follows:

Financial assets and liabilities classification and measurement

The announcement provides an approach that attempts to reflect the Company's business model and its cash-flow characteristics. Based on this, financial instruments are now classified according to three categories: measured at amortized cost, at fair value by means of other comprehensive results ("VJORA") and at fair value of profit/loss ("VJR").

Measurement and booking of impairment losses of financial assets

CPC 48 replaces the "incurred losses" model under CPC 38 with a prospective "expected credit losses" model. This requires Management to make a relevant judgment of how changing economic factors may affect expected credit losses, to be determined based on weighted probabilities. The new model applies to financial assets measured at cost and at fair value by means of other comprehensive results.

Hedge accounting

The standard requires hedge accounting practices to be in line with the Company's risk-management objectives and strategies, and application of a qualitative and prospective approach to assessing a hedge's effectiveness.

As per the announcement, as concerns application of CPC 48, the Company has elected continued use of CPC 38's hedge accounting requirements.

b. Significant effects of the changes in accounting practices

2020

The Company's accounting practices underwent no significant changes in the fiscal year ending December 31, 2020.

2019

Adoption of IFRS 16 on the results of the fiscal year ending Dec.31.2019 was a negative R$ 2 million.

2018

The changes in the Company's accounting practices listed in the foregoing item had no significant impacts in the fiscal year ending December 31, 2018.

c. Qualifications and emphases in the auditors' opinion

The Independent Auditor's Reports for the Account Statements for fiscal years ending December 31, 2020, 2019 and 2018 were unqualified.

10.5 Critical accounting policies adopted by the Company, in particular highlighting accounting estimates made by management on uncertain and material issues for describing the financial position and results that require subjective or complex judgments, such as: provisions, contingencies, revenue recognition, tax credits, long-duration assets, useful life of non-current assets, pension plans, conversion adjustments in foreign currency, environmental recovery costs, criteria for testing the recovery of assets and financial instruments

Critical accounting practices are those which are considered important in showing the Company's financial condition and results and require the most difficult, subjective or complex judgments by Management, often as a result of the need to make estimates that impact matters that are inherently uncertain. As the number of variables and assumptions increases, affecting the possible future resolution of the uncertainties, these judgments become even more subjective and complex.

In preparing the accounting statements, the Company adopted certain assumptions based on historical experience and other factors it deems reasonable and relevant. Although these estimates and assumptions are reviewed by the Company in the ordinary course of business, the statement of its financial condition and results from operations often require judgments as to the effects of inherently uncertain matters on the book value of its assets and liabilities.

The actual results can differ from estimates due to variables, assumptions and different conditions. In order to provide an understanding of how the Company forms its judgments on future events, including the variables and assumptions used in the estimates, and certain impacts related to the changes in these estimates, we have included comments related to each critical accounting practice described below:

a. Derivatives financial instruments

Derivatives are recognized at fair value in the financial statements. The definition of fair value for the Company's derivatives requires the use of valuation methodologies that can be complex and involve the use of estimates for future exchange, inflation, and long-term interest rates and energy prices.

b. Useful life of fixed assets

The Company recognizes the depreciation of its fixed assets using the linear method based on annual rates established by Aneel, practiced by companies in the Brazilian electric sector as a whole and represent the estimated useful lives of the assets - limited to the term of the concession or plant authorization, as applicable. However, actual useful lives can vary based on the technological modernization of the assets of each generating unit. The useful lives of the fixed assets also affect impairment tests of these assets when deemed necessary.

c. Long-lived assets' impairment value test

Specific rules apply to evaluating the impairment of long-lived assets, and of fixed assets in particular. At the end of each fiscal year, the Company conducts an analysis to determine whether evidence exists that the amount of the long-lived assets may not be recoverable. Under unusual circumstances, if such evidence does emerge, the Company conducts impairment tests for these assets. Such tests involve certain variables and uncertainties regarding projected cash flows for the evaluation of assets in use, and regarding the definition of the market value of assets held for disposal.

d. Retirement benefits obligations

The Company recognizes its obligations under benefits plans to employees and related costs, net of plan assets, adopting the following practices: (i) future commitments arising from pension benefit plans are discounted at present value based on the interest rates of Federal Government securities with an average duration equivalent to the expected payment for the projected future commitments; and (ii) pension plan assets marking to market on the date of the balance sheet.

In the actuarial calculations, actuarial consultants also use subjective factors such as mortality tables, estimated inflation, projected wage growth, terminations, and staff turnover.

The actuarial assumptions used by the Company may differ materially from actual results due to changes in economic and market conditions, regulatory events, judicial decisions or shorter/longer life spans of participants. However, the Company and its actuaries have used assumptions consistent with internal and external analyzes to define the estimates.

e. Tax, civil and labor provisions

The Company is party to several lawsuits and administrative proceedings for which provisions are made where a disbursement of funds is probable to liquidate the contingency and a reasonable estimate is possible. No provisions are made for contingent liabilities deemed as possible and remote losses. Where relevant, proceedings deemed as possible losses are disclosed in the footnotes.

The probability of disbursements is based on risk assessment and qualification. This determination must be supported by the judgment and experience of Management, together with its legal advisors, in the light of case law, decisions in lower and appeals courts, the history of plea bargains and findings, and other applicable aspects. Risk assessments and the estimated values may differ from those effectively incurred by the Company.

f. Provision for generation assets demobilization

Provisions for the costs of demobilizing generation assets are made based on estimates and assumptions for the discount rate and present value of the expected costs of demobilization and removal of assets upon expiration of the plants' permits, and are recognized against the cost of the corresponding asset. Provisions are revised annually, and any adjustments to estimates are made against the cost of the asset.

g. Estimated incremental lease rate

The implied interest rate in existing leases is not readily identifiable. For this reason, the Company considers the incremental rate on loans to measure lease liabilities. The incremental rate is the rate that the Company would have to pay upon taking loans, for a like maturity, sufficient to purchase assets similar to the right-of-use assets given a similar economic environment. The Company calculates the incremental rate based on observable data, where available.

10.6 Management description of material items not evident from the Company's financial statements

a. Assets and liabilities held by the Company, either directly or indirectly, not appearing in its balance sheet (off-balance sheet items)

b. Other items not shown in the financial statements

Company's Management states that no material assets and liabilities exist not reflected in the Company's accounting statements in the fiscal years ending December 31, 2020, 2019 and 2018.

10.7 Management's comments on each of the items not evident from the financial statements as listed in item 10.6

a. How these items change or may change revenues, expenses, operating income, financial expenses or other items in the Company's financial statements;

b. Nature and purpose of the operation;

c. Nature and amount of the obligation assumed and rights generated in favor of the Company as a result of the operation

Company's Management states that there are no significant assets and liabilities not reflected in the Company's financial statements for the fiscal years ending December 31, 2020, 2019 and 2018.

10.8 Key elements of the Company's business plan:

a. Investments:

(i) quantitative and qualitative description of investments in progress and expected investments

At yearend 2020, the company had as construction works in progress the Campo Largo II Wind Complex, the Gralha Azul and Novo Estado Transmission Systems and modernization of the Salto Osório Hydroelectric Power Plant.

The investments made in 2020 and scheduled for 2021 to 2023, as of December 31, 2020, are as follows:

Financing (Amounts in R$ million)	Actual 2020	Projected 2021	Projected 2022	Projected 2023
- Third-parties capital	3,641	3,271	935	397
- Own capital	372	245	633	357
	4,013	**3,516**	**1,568**	**754**

In FY 2020, the Company invested R$ 656 million in the acquisition of equity stakes: R$ 329 million for the acquisition of a 100% stake in Novo Estado Transmissora de Energia S.A. and R$ 327 million for the acquisition of a 3.25% stake in Transportadora Associada de Gás S.A. (TAG).

In the same fiscal year, the Company invested R$ 3,214 million in new projects' construction: (i) R$ 1,229 million in the Novo Estado Transmission System; (ii) R$ 973 million in the Campo Largo II Wind Complex; (iii) R$ 860 million in the Gralha Azul Transmission System; (iv) R$ 136 million in the Pampa Sul Thermal Power Plant; and (v) R$ 16 million in other investments.

Finally, the Company invested R$ 143 million in generation plant maintenance and upgrading projects. Of this amount, R$ 10 million were specifically allocated to upgrading the Salto Osório Hydroelectric Power Plant.

The above figures do not take into account capitalization of interest on financing during the projects' construction phase.

The principal projects and investments scheduled for the coming years include development of the Gralha Azul and Novo Estado Transmission Systems, Campo Largo Wind Complex, Santo Agostinho Wind Complex, modernization of Salto Osório Hydroelectric Power Plant and maintenance works on the Company's generating complex.

(ii) investment funding sources

The industry's projects, as carried out by the Company's controlled entities, generally have access to financing in the range of 50%-70% of total investment. The remainder is covered with own funds, which usually come from capital injections from controlling company ENGIE Brasil Energia. The controlling company raises funds by means of bank loans or capital market issues that are usually allocated to such injections. Concerning the Jorge Lacerda Thermal Power Complex, a Working Group made up of professionals from various areas has been formed to better articulate the process before authorities, trade partners and the community. The efforts enable ENGIE to move ahead in talks with FRAM Capital (https://www.framcapital.com/), to which the company has granted, based on a proposal submitted, exclusive rights for a period of 120 days to carry out due diligence on the disposal. The finalized terms and conditions of the transaction, if negotiations succeed, are still subject to approval from the Company's managers and shareholders, as well as that of relevant government authorities. If the sale falls through, the plans for the phased decommissioning of the asset – which remains operational –will be implemented.

As for the Pampa Sul Thermal Power Plant, commercial probes in connection with the sale will intensify in 2021 – the process had slowed down thus far due to construction activities and operational tests on the asset.

(iii) material divestments in progress and expected divestments

Jorge Lacerda Thermal Power Complex and Pampa Sul Thermal Power Plant

As part of the Company's commitment to de-carbonizing its portfolio, a market survey remains in progress for potential buyers of the Jorge Lacerda Thermal Power Complex (SC) and the Pampa Sul Thermal Power Plant (RS).

b. Previously disclosed acquisition of plants, equipment, patents or other assets, which may materially affect the Company's production capacity

In line with the business model of the ENGIE Economic Conglomerate, controlling company ENGIE Brasil Participações (EBP) participates in auctions and develops hydroelectric projects, mitigates the main risks and then transfers the projects to ENGIE Brasil Energia. The timing of each transfer is contingent on each project's risk-profile stage.

In this context, EBP, through its controlled entity Energia Sustentável do Brasil S.A. - which changed its name to Jirau Energia in January 2021 -, unveiled the Jirau HPP in December 2016, in Porto Velho, state of Rondônia (RO), with 3,750 MW in installed capacity. All 50 units at UHE Jirau are in operation.

In May 2017, EBP announced retaining Banco Itaú BBA S.A. to provide financial advisory services preparing the economic and financial study for the purposes of drafting the transfer to ENGIE Brasil Energia 40% equity stake in ESBR Participações S.A. (ESBR Participações S.A. was taken over and

thereby terminated in 2018 by its directly-controlled entity Energia Sustentável do Brasil S.A.), the holder of 100% of ESBR's equity stock and its 100% stake in Geramamoré Participações e Comercializadora de Energia Ltda. Assessment of the transfer has been put on hold, awaiting more favorable conditions for talks to resume.

c. New products and services

(i) description of ongoing research already disclosed

Not applicable.

(ii) total amounts spent by the issuer in research to develop new products or services

Not applicable.

(iii) projects under development already disclosed

Not applicable.

(iv) total amounts spent by the issuer in the development of new products or services

Not applicable.

It is worth mentioning that, pursuant to Law 9,991/2010, as amended, ENGIE Brasil Energia, as an electric energy generating company authorized to produce independently, is required to invest 1% of its adjusted net operating revenue every year in research and development applicable to the electricity sector.

The foregoing funds are allocated as follows: (i) 40% to the National Fund for Scientific and Technological Development (FNDCT); (ii) 40% to the Company's proprietary research and development projects (R&D) pursuant to Aneel regulations; and (iii) 20% to the Ministry of Mines and Energy (MME), mainly to cover studies and planning of research for expansion of the Brazilian energy system.

The Research and Development (R&D) Program is key to the innovation promotion strategy. In line with the open-innovation culture, it unfolds by means of partnerships with companies, universities and research institutions. The Company invested R$ 57 million in the Program in 2020, allocated as follows:

• R$ 23 million to the National Science and Technology Development Fund ("Fundo Nacional de Desenvolvimento Científico e Tecnológico" – FNDCT);

• R$ 11 million to the Ministry of Mines and Power ("Ministério de Minas e Energia" – MME) to cover costs of the Energy Research Company ("Empresa de Pesquisa Energética" – EPE);

• R$ 23 million invested in new or ongoing R&D Projects.

A highlight among the research projects conducted in 2020 involved development of the first large domestically made wind turbine, at 4.2 MW power. The project is being conducted in partnership with WEG – a Brazilian company that specializes in the manufacture of electric motors, transformers and generators – and has the cooperation of Centrais Elétricas de Santa Catarina (Celesc).

The Company's Research and Development Program's purpose is to innovate in the energy industry and build the technical and scientific skills of Brazilian researchers. The program covers investment themes such as: alternative electric energy generation sources, watersheds and reservoirs management, the environment, maintenance and energy efficiency, to name a few.

10.9 Comment on other factors that have significantly affected operating performance and which have not been identified or commented in other item in this section

- Tracking the progress of the Gralha Azul project

On October 15, 2020, in a class action filed by three Non-Governmental Organizations (NGOs), our indirect subsidiary Gralha Azul was placed under injunction by the Federal Courts, suspending two of the project's environmental licenses and vegetation suppression associated with the 525 kV transmission lines. On December 09, 2020, the Higher Court of Appeals ("Superior Tribunal de Justiça" – STJ) overturned the injunction and sentence at the request of the Federative Union and the State of Paraná. On December 10, 2020, it also overturned the injunction and sentence at the request of the Company, thereby lifting the injunction and enabling immediately resuming and maintaining construction.

Furthermore, on October 16, 2020, the Federal Prosecutor's Office and the Paraná State Prosecutor's Office filed another class action that was enjoined with the foregoing before the same judge. The latter action also files for injunction, but the Court has not yet addressed the request. The Company is using its best efforts to show to the Court that it is compliance with all procedures under the Law, as well as its commitment to and respect for the environment, thereby maintaining the legitimate continuity of the transmission line implementation works. Until the release of these accounting statements, the Courts had granted no additional injunctions, enabling regular works to continue.

As of December 31, 2020, there had been no significant increase in the budget and duration of the construction works as a result of the foregoing matters, and the estimated date of operational startup remains unchanged.

It is worth emphasizing that 17 environmental programs are underway to reduce, control and offset environmental impacts. All possible additional efforts have been made to reduce the suppression of native and threatened species. Suppression, when inevitable, is done in a controlled and responsible manner to minimize environmental impacts on the region.

To illustrate the actions taken to preserve the largest number of species along the Transmission System, its path detours around sensitive areas, such as Private Natural Heritage Preserves (RPPN) and Full Protection Conservation Units; raising towers and using drones for cable payout; and using self-bearing towers in native vegetation areas. The efforts made have enabled impacting just 4% of the project's towers' and substations' catchment area.

It is worth emphasizing that all impacts arising from the project, including vegetation suppression, are subject to environmental offsetting and forest replacement, with initiatives above and beyond the legally required. These offsetting measures are supplemented by voluntary ones developed in line with the Company's sustainability policies, such as the donation of 3,000 saplings of native tree species, support to wildlife and plant life conservation projects, and planting three *araucaria* pines for each one suppressed.

- Impacts of the novel coronavirus pandemic

On March 11, 2020, the World Health Organization (WHO) declared the spread of Covid-19, the disease caused by the novel coronavirus, a pandemic. This led countries to embrace approaches to enable contagion, preserving lives, and minimizing the impacts of said disease.

Due to the pandemic, restrictive steps were taken in the sense of mandating social distancing and closing down commercial establishments, in addition to paralyzing manufacturing. The measures led to a deceleration of the supply chain and caused significant impacts on the world economy.

The main items monitored by the company are listed next.

- **Electric energy demand**

Restrictions against circulation and commercial, industrial and services activities had an impact on electric energy consumption. However, a large portion of the expected energy consumption is backed by contracts executed before the Covid-19 pandemic. As concerns long-term engagements, contracted percentages showed no significant change from those announced by the Company in previous years.

Within the Free Contracting Environment ("Ambiente de Contratação Livre" – ACL), the Company has considered renegotiations with customers on a case-by-case basis to propose alternatives enabling adjusting the contracts for their entire duration, in particular by means of postponing bills of customers that the pandemic has affected significantly, with the application of market interest rates. In general, ACL contracts include a flexibility range for the contracted amount, enabling the risk of consumption changes to be shared up to certainly previously agreed limits. Because of the pandemic, some segments reduced their consumption and, consequently, the monthly payments under the agreements were reduced within the agreed range. A significant portion of this decrease was partly mitigated by liquidating the energy on the CCEE. As for the Regulated Contracting Environment ("Ambiente de Contratação Regulada" – ACR), no contract clauses have been amended.

- **Implementation of new power plants and transmission lines**

Decree No. 10.282, of March 20, 2020, regulated Law N. 13.979, of February 06, 2020, stipulating essential public services and activities, which include electric energy generation and transmission. In addition, Decree No. 10.329, of April 28, 2020, extended the concept of essential activities to engineering woks associated with the Brazilian Electric Energy System. These Decrees were beneficial to the Company insofar as they ensured continued work on the Gralha Azul and Novo Estado Transmission Systems. Due to municipal policy issues associated with the Covid-19 pandemic, certain Municipal Decrees were issued that led to intermittent stoppage of works on the Campo Largo II Wind Complex.

In 2020, works on the Campo Largo II Wind Complex were paralyzed from March 25, 2020, to April 20, 2020, from May 09, 2020, to May 18, 2020, and from May 22, 2020, to July 08, 2020, when ENGIE Brasil Energia was authorized to resume activities at 25% of the total workforce employed at peak, rising gradually to 75% with the construction, in the first two months, of new temporary structures for the purposes of adaptation to the Covid-19 pandemic. No material impacts are estimated in terms of deadlines and costs as a result of the above stoppage.

- **Generation and transmission auctions postponed**

On March 30, 2020, the Ministry of Mines and Power (MME) published Ordinance No. 134/2020, which delayed electric energy generation and transmission auctions slated for 2020 for an undetermined period. The transmission auction was held on December 17, 2020. On December 08, 2020, Ordinance No. 435/2020 cancelled the generation auctions to be held in 2020. It is worth emphasizing that the same Ordinance establishes an estimated schedule for generation auctions in 2021, 2022 and 2023. The Company has generation projects in its portfolio that may be able to bid in these auctions.

- **Delinquency**

The Company is monitoring the balance of its trade receivables and the risk associated with each customer. So far, the Company has seen no significant increase in delinquency and default levels.

It is worth emphasizing that the long-term contracts with distribution companies, including those in the regulated market (CCEAR), include guarantee clauses that minimize credit risk. To the same end, the Company requires collateral from free consumers, trading companies and generation companies. For parties that wish to provide different forms of surety, the Company's credit area performs analyses and establishes, pursuant to its Credit Policy, guarantees to be required from said parties.

- **Temporary debt service suspension**

IN March, 2020, the BNDES approved socio-economic measures to mitigate the effects of the Covid-19 pandemic, including the possibility of a temporary suspension, for up to six months in 2020, of debt service payments (principal and interest) on financing agreements executed with the bank. The measure is called a standstill.

Given the terms offered by the BNDES, the Company deemed it prudent to use the benefit for the subsidiaries of Energias Eólicas do Ceará and for subsidiary Pampa Sul. The application was approved, effective immediately, on April 28, 2020. This formalized suspension of payments for six consecutive months from May to October, 2020.

Adhesion to the BNDES standstill provided approximately R$ 78 million in additional cash. The amount is to be diluted across the remaining maturity of the loans taken with BNDES.

- **Taxes**

Because of the pandemic, the Federal Government postponed payment of PIS and Cofins (cumulative and non-cumulative) pursuant to Ministry of Finance Ordinances No. 139, of April 03, 2020, and No. 245, of June 15, 2020, as shown below. The due dates of IRPJ and CSLL payments remained unchanged.

Taxes and fiscal years	Initial due date	Post-Ordinances due date
PIS and Cofins, March 2020	April 2020	August 2020
PIS and Cofins, April 2020	May 2020	October 2020
PIS and Cofins, May 2020	June 2020	November 2020

In addition, the Company adopted the FGTS flexibilization enabled under Provisional Measure No. 927, of March 22, 2020, and the deferral of the Social Security contribution, pursuant to Ordinances No. 150 and No. 245, of April 07, 2020, and June 15, 2020, respectively, as shown below.

Taxes and fiscal years	Initial due date	Post-Ordinances due date
FGTS, April 2020	May 2020	6 installments from July to December 2020
FGTS, May 2020	June 2020	6 installments from July to December 2020
Social security contribution, March 2020	April 2020	July 2020
Social security contribution, April 2020	May 2020	October 2020
Social security contribution, May 2020	June 2020	November 2020

- **Impairment of long-term assets**

The Company evaluated indications of asset depreciation as a result of the pandemic and found no evidence that the costs recognized exceed their impairment value. The Company has taken steps to

potentially postpone cash generation in the short run, and fond no significant medium- and long-run effects.

- Implementation start for the Santo Agostinho Wind Complex

On January 15, 2021, the Company announced to its shareholders and the market at large execution of the agreement for the supply of wind turbines for the Santo Agostinho Wind Complex (CESA), which enables commencing implementation of CESA phase one, with 434 MW in installed capacity. Commercial startup is set to take place by March 2023, and the energy produced will be entirely allocated to the Free Contracting Environment ("Ambiente de Contratação Livre" – ACL).

ATTACHMENT II – CAPITAL BUDGET

In thousands of Reais

	To be realized			
Sources of resources	**2021**	**2022**	**2023**	**Total**
Retained earnings for fiscal year 2019 (Article 196 to the Corporate Law.)	638,669	-	-	638,669
Third party capital and internal cash generation	2,877,896	1,567,961	753,692	5,199,549
Total for sources	**3,516,565**	**1,567,961**	**753,692**	**5,838,218**
Investment				
Campo Largo II Wind Complex	369,130	-	-	369,130
Gralha Azul Transmission System	716,020	52,624	-	768,644
Novo Estado Transmission System	1,796,824	-	-	1,796,824
Santo Agostinho Wind Complex	359,155	1,327,245	564,026	2,250,426
Modernization of Salto Osório	60,179	10,119	278	70,576
Maintenance of the generating complex	215,257	177,973	189,388	582,618
Total of investments	**3,516,565**	**1,567,961**	**753,692**	**5,838,218**

ATTACHMENT III – PROFIT ALLOCATION PROPOSAL

Article 9 of ICVM 481/09 – Sole paragraph, section II – Proposed allocation of annual net profit containing at least the information indicated in Attachment 9-1-II of ICVM 481/09:

Allocation of annual net profit

1) Inform the fiscal year's net profit	R$ 2,797 million (controlling company)
2.a) Inform the global amount of dividends, including previously disclosed interim dividends and interest on shareholders' equity (IoSE)	R$ 2,017 million [3]
2.b) Inform the dividends per share, including previously disclosed interim dividends and IoSE.	R$ 2.4717315830 per common share
3) Inform the percentage of annual net profit to be paid out.	Equals to 100% of the adjusted net profit [4]
4) Inform the global amount and the amount per share of dividends paid out from previous years' profits	Not applicable.
5) Inform, ex-early dividends and interest on shareholders' equity already declared:	
a) The gross amount of dividends and IoSE, broken down by share type and class	R$ 610 million (R$ 0.7471177357 per share)
b) Manner and term of payment of dividends and IoSE	To be submitted to the Annual General Meeting (AGM) of April 28, 2021.
c) Any restatement of, or interest on, dividends and IoSE	Not applicable.

[3] The global amount of dividends, of R$ 2,017 million, includes the amounts of R$ 1,232 million (R$ 678 million approved on 7.30.2020 and R$ 554 million approved on 12.15.2020) and R$ 175 million related to interim dividends and interest on shareholders' equity, respectively, as per item 6 "a", and the amount of R$ 610 million, related to additional proposed dividends, as per item 5 "a". The global amount of dividends, therefore, equals 100% of distributable net profits (disregarding the effects of hydrological risk renegotiation).

[4] Adjusted Net Profit is the fiscal year's net profit minus Legal Reserves, Tax Incentives and Profits, adjusted at realized equity value adjustment (cost assigned to fixed assets as per the guidelines provided in CPC 27 and ICPC 10), unclaimed dividends and interest on shareholders' equity, booked in the "Accumulated Profits" account and effects net of hydrological risk renegotiation.

d) Announcement date of dividends and interest on shareholders' equity payout for the purposes of determining shareholders entitled to receive them	The dividend announcement date will be set at the AGM.

6) Should there have been announced dividends or interest on shareholders' equity based on semi-annual balance sheets or those for shorter periods.

a) Inform the amount of previously disclosed dividends and interest on shareholders' equity	R$ 1,232 million in interim dividends and R$ 175 million in interest on shareholders' equity
b) Inform the date of the respective payments.	Payout of interim dividends began on January 29, 2021 and payout of IoSE will be defined on April 4, 2021.

7) Provide a comparative table indicating the following amounts broken down by share type and class:

a) Annual net profit and for the 3 previous fiscal years.	2020 = R$ 3.4281105638 2019 = R$ 2.8310418867 2018 = R$ 2.8364772872
b) Dividend and interest on shareholders' equity paid out over the last 3 fiscal years.	2020 = R$ 2.4717315830 2019 = R$ 1.5288117415 2018 = R$ 2.7851510063[5]

8) If profits are allocated to required reserves.

a) Identify the amount allocated to the required reserve	R$ 140 million.
b) Detail calculations of the required reserves	Equal to 5% of the fiscal year's net profit.

[5] 31.12.2018. Dividends and interest on shareholders' equity per common share (in Brazilian Reais) were calculated in light of the existing number of shares on December 31, 2018.

9) If the company has preferred shares entitled to minimum fixed dividends'.	Not applicable.

10) Concerning mandatory dividends	
a) Describe calculations as prescribed in the Bylaws	The company's bylaws provide that distribution of a dividend of at least 30% (thirty percent) of the legally adjusted net profit is mandatory each year, and the allocation of the full result for the fiscal year must be submitted for resolution of the Annual General Meeting. - The Company shall prepare semi-annual balance sheets and the Board of Directors may, at its discretion, declare interim dividends based thereon. - The Company may prepare balance sheets and distribute interim dividends at shorter periods, provided that the total dividends paid out in each half of the fiscal year do not exceed the amount of capital reserves mentioned in Paragraph 1, Article 182 of Law 6,404 of December 15, 1976. - The Board of Directors may announce interim dividends against the retained earnings or profit reserves accounts booked in the latest annual or semiannual balance sheet. - By resolution of the Board of Directors, the Company may credit or pay interest on shareholders' equity (IoSE) in accordance with the applicable legislation. The amounts paid or credited by the Company as IoSE may be considered for the purposes of mandatory dividends in accordance with the legislation. - Statute of limitations on claims on dividends shall run in three (03) years. Dividends not claimed in a timely manner shall revert to the Company.
b) Inform whether it is being paid in full.	Yes
c) Inform any retained amounts.	Not applicable.

11) In case of mandatory dividends have been retained due to the Company's financial situation	
a) Inform the amount retained	Not applicable.
b) Describe the Company's financial situation in detail, including aspects related to liquidity analysis, working capital and positive cash flows.	Not applicable.
c) Justify retaining the dividends	Not applicable.
12) In the event of profits allocated to contingency reserves	
a) Identify the amount allocated to reserves	Not applicable.
b) Identify the loss deemed probable and its cause	Not applicable.
c) Explain why the loss has been deemed probable	Not applicable.
d) Justify constitution of the reserves	Not applicable.
13) In the event of profits allocated to unrealized profit reserves	
a) Inform the amount allocated to unrealized profit reserves	Not applicable.
b) Inform the nature of the unrealized profits originating the reserve	Not applicable.
14) In the event of profits allocated to statutory reserves	
a) Describe the statutory clauses establishing the reserves	Not applicable.
b) Identify the amount allocated to the reserves	Not applicable.
c) Describe calculation of the amount	Not applicable.
15) In the event of profits retained pursuant to capital budgets	
a) Identify the amount retained	R$ 639 million

b) Provide a copy of the capital budget	Presented in the Attachment III of this Management Proposal

16) In the event of profits allocated to tax incentives reserves

a) Inform the amount allocated to reserves	R$ 35 million
b) Explicar a natureza da destinação	The reserve is formed by allocation a portion of the fiscal year's profits equivalent to the tax benefit granted by the Amazon Development Agency (Sudam) and the Northeast Development Agency (Sudene). The benefit corresponds to a 75% reduction in income tax owed on profits from activities of the Plants that have been granted the benefit - Ponte de Pedra and São Salvador HPP, based on Article 626 of Decree 9,580 / 2018, as shown below:

	R$ million
Exploration income	**257**
Nominal income tax (15%)	39
Income tax surcharge	8
Calculated income tax	**47**
Tax benefit (%)	75%
Tax Benefit	**35**

17) In the event of profits allocated to equity capital increases

a) Inform the amount of increase	Not applicable.
b) Inform the amount of the new equity capital	Not applicable.
c) Inform whether new shares have been issued	Not applicable.
d) Provide a detailed explanation of the reasons for the equity capital increase	Not applicable.

ATTACHMENT IV – MANAGEMENT COMPENSATION

Management compensation information based on item 13 of the reference form

13.1 Description of the policy or practice of compensation of the Board of Directors, Statutory and Non-Statutory Executive Board, Fiscal Council, Statutory Committees, and Audit, Risk, Financial and Compensation Committees, addressing the following aspects:

a. objectives of the compensation policy or practice, informing whether the compensation policy has been formally approved, the relevant approving body, the date of approval and, where the issuer discloses the policy, world wide web sites where the document can be viewed

The Company abides by the Controlling Group's guidelines and compensation benchmarks obtained from compensation surveys conducted by specialized consultancy firms. On February 19, 2019 the Board of Directors approved the management Compensation Policy, which is available at the Company's website (www.engie.com.br/investors).

The compensation practice for members of the Board of Directors, Statutory Management, Fiscal Council and Committees aims to attract and retain professionals and executives aligned with the Company's business guidelines, values and culture. The practice takes account of market analysis, the knowledge required to perform the office, the complexity of the activities involved and the expected results based on business objectives.

In addition, Committee members who are also on the Company's payroll receive no compensation for their membership in committees, except (i) for the Leader of the Strategy Committee, who receives monthly additional compensation equal to that of the members of the Board of Directors, where he or she also has a seat, and (ii) the Special Independent Committee for Valuation of Transactions with Related Parties, whose members are compensated upon completion of the assignment for which the committee was formed.

b. compensation breakdown

(i) description of the elements of the compensation and their respective objectives

The composition of the total compensation of members of the Board of Directors, Statutory Management, Fiscal Council and Statutory Audit Committee is proposed by controlling company, ENGIE Brasil Participações Ltda., according to criteria set at a global level, and may be composed of fixed compensation, bonus and long-term incentive. The maximum compensation of said Management bodies is approved annually by the Company's Annual General Meeting pursuant to the contents of Law 6,404/76.

The composition of the compensation and the nomination of members for each manager profile are set by the Board of Directors as follows:

Board of Directors

The total compensation of the Board of Directors is made up of the following items, and the maximum aggregate amount thereof is approved by the Annual General Meeting:

- Fixed compensation: Paid in 13 monthly installments intended as direct compensation for services in line with market practices. In addition, the Leader of the Strategy Committee, who also

has a seat in the Board of Directors, receives fixed compensation for his or her seat in the said committee;

- Variable compensation: The Chairman of the Board of Directors receives a variable amount based on the Company's results, in the light of financial and operating indicators. This compensation is directly tied in with collective and individual performance results and is intended to compensate the executive for results attained, in line with the Company's business guidelines, values and culture. Furthermore, pursuant to the Collective Employment Contract, full Directors appointed by the employees may also receive variable annual compensation based on the average of the amounts paid to employees in the previous year, as Profit Sharing (PLR) and Managerial Bonus. According to its Bylaws, the Company currently has one full Director (and one alternate) elected by the employees; and

- Post-employment benefits: The Company sponsors a supplementary retirement plan in the Set Contribution format. The plan is managed by PREVIG and funding for the benefits comes from members' and the sponsor's contributions. The Company's contribution is the same as the employees' basic contribution, limited to a ceiling pursuant to the plan's regulations. The purpose of this form of compensation is to offer an attractive long-term incentive in line with market practices.

The Chairman of the Board of Directors' payment is made by the Company's controlling shareholder, ENGIE Brasil Participações Ltda., with which the Chairman of the Board has entered into an individual employment contract, and 40% of the amount, including charges, are reimbursed by the Company.

The individual compensation of the members of the Board of Directors shall not exceed that of the members of the Statutory Executive Board

Statutory Executive Board

Compensation of the members of the Statutory Executive Board breaks down into fixed and variable portions and its maximum annual amount is approved by the Annual General Meeting;

- Fixed compensation: Paid in 13.33 monthly installments intended as direct compensation for services rendered. In addition, indirect compensation is provided as benefits offered by the Company, such as: health-recovery support, annual medical checkup, food vouchers, and life insurance. The purpose of the fixed compensation is to offer an attractive package in line with market practices;

- Variable compensation: The amount of the variable compensation, which breaks down into bonus and profit sharing, lies in the range of 40%-81% of annual fixed compensation, depending on the executive's position, challenges and established goals. Its purpose is to compensate executives for the Company's short- and medium-term results. Payment is made in the first half of the following year, after the fiscal year's accounts have been drawn, based on collective and individual performance evaluations;

- Post-employment benefits: The Company sponsors a supplementary retirement plan in the Set Contribution format. The plan is managed by PREVIG and funding for the benefits comes from members' and the sponsor's contributions. The Company's contribution is the same as the employees' basic contribution, limited to a ceiling pursuant to the plan's regulations. The purpose

of this form of compensation is to offer an attractive long-term incentive in line with market practices; and

- Stock-based compensation: The Company' directly controlling entity ENGIE Brasil Participações Ltda., offers to the Statutory Officers a Long-Term Incentive Plan (ILP) pegged to the performance of Phantom Shares and corporate indicators after a 4-year period, as well as to Performance Shares and the Group's Share Options Policy. The purpose of this compensation mode is to offer long-term incentives in line with market practices.

Non-Statutory Executive Board

The Company does not have a Non-Statutory Executive Board installed.

Fiscal Council

The fees of the members of the Fiscal Council are a fixed compensation set and approved by the Annual General Meeting and paid in 13 monthly installments. Fees may not be less, for each active member, than 10% of the average monthly compensation of the Executive Board, excluding benefits and variable compensation. The purpose of this form of compensation is to address performance of the tasks that Fiscal Council membership requires.

Special Independent Committee for Valuation of Transactions with Related Parties

The Committee's compensation is set by the Board of Directors by project and shall not exceed one (1) additional monthly compensation of the members who already hold positions with the Company. Upon convening, the Board of Directors shall define the duration of the Committee's engagement and compensation's payment.

No payments have been made as compensation for members of this Committee in the past 3 fiscal years.

Statutory Audit Committee

The Statutory Audit Committee's compensation is set by the Board of Directors, and all members shall receive fixed compensation to be paid in 13 equal installments over the duration of the fiscal year. Members of the Statutory Audit Committee who hold other positions in the Company's Board of Directors shall be paid cumulative fees as members of the Board of Directors and of the Statutory Audit Committee.

(ii) proportion of each component in the total compensation relative to the last 3 fiscal years.

The proportions of fixed compensation, variable compensation and benefits to total compensation are represented as follows:

Total compensation in the Fiscal Year as December 31, 2020					
	Board of Directors	**Statutory Executive Board**	**Fiscal Council**	**Statutory Audit Committee**	**Total**
Annual fixed compensation	75.3%	83.1%	100.0%	100.0%	81.5%
Salary	69.6%	74.5%	100.0%	100.0%	74.5%
Direct and indirect benefits	0.6%	8.6%	0.0%	0.0%	5.1%
Committees' seats	5.1%	0.0%	0.0%	0.0%	1.8%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
Description of other fixed compensation	-	-	-	-	-
Variable compensation	16.0%	3.0%	0.0%	0.0%	4.0%
Bonus	10.5%	-16.0%	0.0%	0.0%	-5.4%
Profit sharing	5.5%	12.9%	0.0%	0.0%	9.4%
Attendance at meetings	0.0%	0.0%	0.0%	0.0%	0.0%
Committees	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
Description of other variable compensation	-	-	-	-	-
Post-employment Benefits	2.9%	6.1%	0.0%	0.0%	4.6%
Termination	0.0%	0.0%	0.0%	0.0%	0.0%
Stock-based	5.8%	13.8%	0.0%	0.0%	10.0%
Total compensation	100.0%	100.0%	100.0%	100.%	100.0%

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits" and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The 40% reimbursement from ENGIE Brasil Energia to its Controlling Shareholder includes amounts arising from share-based payments to the Chairperson of the Board of Directors as CEO of Controlling Shareholder of ENGIE Brasil Participações.

Total compensation in the Fiscal Year as December 31, 2019 – Annual amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Annual fixed compensation	71.4%	62.3%	100.0%	66.5%
Salary	66.4%	54.9%	100.0%	60.2%
Direct and indirect benefits	0.0%	7.4%	0.0%	4.6%
Committees' seats	5.0%	0.0%	0.0%	1.7%
Other	0.0%	0.0%	0.0%	0.0%
Description of other fixed compensation	-	-	-	-
Variable compensation	22.1%	12.4%	0.0%	15.4%
Bonus	16.8%	3.6%	0.0%	3.6%
Profit sharing	5.3%	16.0%	0.0%	11.8%
Attendance at meetings	0.0%	0.0%	0.0%	0.0%
Committees	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%
Description of other variable compensation	-	-	-	-
Post-employment Benefits	0.6%	8.7%	0.0%	5.7%
Termination	0.0%	0.0%	0.0%	0.0%
Stock-based	5.9%	16.6%	0.0%	12.4%
Total compensation	100.0%	100.0%	100.0%	100.0%

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits" and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The 40% reimbursement from ENGIE Brasil Energia to its Controlling Shareholder includes amounts arising from share-based payments to the Chairperson of the Board of Directors as CEO of Controlling Shareholder of ENGIE Brasil Participações.

Total compensation in the Fiscal Year as December 31, 2018 – Annual amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Annual fixed compensation	71.8%	68.3%	100.0%	70.6%
Salary	66.8%	59.1%	100.0%	63.3%
Direct and indirect benefits	0.0%	9.2%%	0.0%	5.5%
Committees' seats	5.0%	0.0%	0.0%	1.8%
Other	0.0%	0.0%	0.0%%	0.0%
Description of other fixed compensation	-	-	-	-
Variable compensation	22.9%	22.0%	0.0%	21.6%
Bonus	13.2%	1.1%	0.0%	4.2%
Profit sharing	9.7%	23.1%	0.0%	17.4%
Attendance at meetings	0.0%	0.0%	0.0%	0.0%
Committees	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%
Description of other variable compensation	-	-	-	-
Post-employment Benefits	0.9%	7.1%	0.0%	4.7%
Termination	0.0%	0.0%	0.0%	0.0%
Stock-based	4.4%	2.6%	0.0%	3.1%
Total compensation	100.0%	100.0%	100.0%	100.0%

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits" and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The 40% reimbursement from ENGIE Brasil Energia to its Controlling Shareholder includes amounts arising from share-based payments to the Chairperson of the Board of Directors as CEO of Controlling Shareholder of ENGIE Brasil Participações.

(iii) calculation and restatement method for each element of compensation

The compensation paid to members of the Company's Board of Directors, Statutory Executive Board, Fiscal Council and Committees are proposed by the Controlling Entity, according to globally established criteria, and, subsequently approved by the General Shareholders' Meeting. The amount remains unchanged during the fiscal year, as it is set for each year according to the limits approved by the General Shareholders' Meeting for the period in question (January-December).

Compensation is defined according to the nature and duties of each position, based on market surveys held periodically by specialized consultancies.

(iv) reasons that justify the compensation breakdown

The purpose of the Management Compensation Policy, approved by the Board of Directors on February 19, 2019, is to establish compensation guidelines for the members of the Company's Board of Directors, Fiscal Council, Statutory Executive Board and Committees. It is based on market practices and aims to attract and retain professionals and executives compatible with the Company's needs.

(v) presence of members without compensation from the Company and the reason for this

The Company has no uncompensated members in its Board of Directors, Statutory Executive Board, Fiscal Council and in the Committees mentioned in item "13.1.a" hereof.

c. principal performance indicators considered for the purposes of determining each element of compensation

Management compensation positioning relative to the market relies on quantitative and qualitative indicators, the degree of contribution to results, overall performance, and experience.

Variable compensation is directly related with corporate and individual performance results, and considers:

- financial and operating indicators for the fiscal year: EBITDA evolution, free cash generation, net income, operating expenses, alignment with the results of the controlling entity, ENGIE Brasil Participações Ltda., etc.;

- individual attainment of goals, industrial and/or financial results; and

- behavioral and managerial aspects: in 2019, the Company formally instated a performance evaluation Policy for members of the Board of Directors. As such, results for FY 2020 were consolidated and presented at the Meeting of the Board of Directors held February 11, 2021.

d. how the compensation is structured to reflect the evolution of performance indicators

Fixed compensation and benefits are set according to market surveys and not adjusted during the year, as they are set for each year within the limits approved by the Annual General Meeting for the Fiscal Year (January-December).

Variable compensation is directly related with corporate and individual performance results and considers:

- financial and operating indicators for the year representing, on average, 65% of the annual bonus; and

- individual and behavioral indicators, representing on average 35% of the annual bonus.

e. how the compensation policy or practice aligns with the Company's short-, medium- and long-term interests

The amount of the executives' annual variable compensation depends on the attainment of the Company's short-term objectives.

As concerns medium- and long-term objectives, the Company's directly controlling entity, ENGIE Brasil Participações Ltda., offers to the Statutory Executive Board an ILP that provides a specific and distinctive bonus paid in cash four years after joining the plan. Determination of the performance results proposed under the ILP relies on two indicators, each with 50% weight in the ascertainment of overall results over a 4-year period: TSR – Total Shareholder Return and EPS – Earnings per Share.

Performance over this period is measured from the date of joining the plan until the end of the 4-year period, when the results are evaluated. According to these results, the amount of the award under the long-term incentive plan is calculated and paid in full, paid in part, or not paid (if minimum goals are not attained). The calculations are done by a specialized consultancy firm whose fee is approved by the CEO of the controlling entity, ENGIE Brasil Participações Ltda., in Brazil.

In addition, the Conglomerate to which the Company belongs has a Group Stock Call Options Policy, in Paris, at predetermined prices and open to all of the Company's employees, and a Performance Shares program tied in with the Conglomerate's future results and intended for senior executives and key professionals.

f. presence of compensation with support from subsidiaries or directly or indirectly controlled or controlling entities

No payments are made by subsidiaries for positions held in the Company's Management. The Controlling Conglomerate makes no payments to the Company's Executive Board or Board of Directors, except:

- Monthly fixed compensation, variable compensation, benefits and contributions under the individual employment contract with the Chairman of the Board of Directors, who accumulate corporate positions in the Company. These costs are partly reimbursed by the Company in proportion to the dedication of the executive to statutory activities; and
- Those mentioned in letter "e", Performance Shares Plan and ENGIE S.A. stock call options are of a corporate nature and intended to reinforce employee engagement.

g. presence of compensation or benefits tied in with the occurrence of a given corporate event, such as disposal of the Company's controlling stake

Not applicable to the Company.

h. practices and procedures embraced by the Board of Directors to set the individual compensation of the Board of Directors and Executive Board:

(i) governing bodies and committees of the issuer that play a role in the decision-making process, identifying the role played;

Compensation composition and the indication of members under each managerial profile is set by the Board of Directors and validated annually by the Annual General Meeting.

(ii) criteria and methodology used to set individual compensation, indicating whether surveys are used to determine market practices and, if so, the benchmarking criteria and the scope of such studies;

Fixed compensation is benchmarked against the Brazilian median according to market surveys conducted annually with specialized consultancies to enable comparisons between the amounts paid to executives by companies of similar size and revenues, with greater weight assigned to those active in the Brazilian electricity industry, as well as internal consistency with the Controlling Group. The variable compensation aims to provide competitive compensation levels compared with the market, repay efforts building results, and the values generated by the Company by means of a bonus pegged to performance, and to motivate the fulfillment of business and strategic objectives, reflecting the Company's and its Controller's culture and values.

(iii) how often, and in what manner, does the board of directors evaluate the adequacy of the issuer's compensation policy.

Eventually, the Company reevaluates the Policy's alignment with identified needs and any changes or updates must have the approval of the Board of Directors and be disclosed in a timely manner to the Securities and Exchange Commission – CVM and B3.

13.2 Aggregate compensation of the Board of Directors, Statutory Executive Board and Fiscal Council, booked in the results of the last 3 fiscal years and estimated for the fiscal year under way:

Total projected compensation for the current fiscal year ending December 31, 2021 - Annual Amounts in R$					
	Board of Directors	Statutory Executive Board	Fiscal Council	Statutory Audit Committee	Total
Total number of members ("b")	18	8	6	3	35
Number of remunerated members ("c")	18	8	6	3	35
Annual fixed compensation	4,400,395.06	11,130,270.54	680,194.59	690,232.42	16,901,092.60
Salary	3,967,827.13	10,180,367.34	680,194.59	690,232.42	15,518,621.47
Direct and indirect benefits	84,925.00	949,903.20	-	-	1,034,828.20
Committee seats	347,642.93	-	-	-	347,642.93
Other	-	-	-	-	-
Description of other fixed compensation	-	-	-	-	-
Variable compensation	1,001,347.17	4,552,889.51	-	-	5,554,236.69
Bonus	611,418.15	2,270,960.77	-	-	2,882,378.92
Profit sharing	389,929.03	2,281,928.74	-	-	2,671,857.77
Attendance at meetings	-	-	-	-	-
Commissions	-	-	-	-	-
Other	-	-	-	-	-
Description of other variable compensation	-	-	-	-	-
Post-employment Benefit	150,433.47	809,269.01	-	-	959,702.48
Termination	-	-	-	-	-
Share based	82,651.14	1,295,043.62	-	-	1,377,694.76
Total compensation	5,634,826.84	17,787,472.68	680,194.59	690,232.42	24,792,726.53

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/no.01/2021. Given that fiscal year 2021 is the current fiscal year, the foregoing numbers gave been included based on the Company's projections as per Circular Letter CVM/SEP/No.01/2021.

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits" and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The 40% reimbursement from ENGIE Brasil Energia to its Controlling Shareholder includes amounts arising from share-based payments to the Chairperson of the Board of Directors as CEO of Controlling Shareholder of ENGIE Brasil Participações.

In 2021, annual aggregate management compensation in the amount of up to R$ 30 million, of which R$ 5 million correspond to social charges payable by the employer, will be submitted to the approval of the Annual General Meeting (AGM).

Total compensation in fiscal year ending December 31, 2020 – Annual Amounts in R$					
	Board of Directors	Statutory Executive Board	Fiscal Council	Statutory Audit Committee	Total
Total number of members ("b")	16.58	7	5.33	2	30.91
Number of remunerated members ("c")	14.42	7	5.33	2	28.75
Annual fixed compensation	4,122,247.48	7,234,778.13	635,924.55	421,441.07	12,414,391.23
Salary	3,813,779.19	6,489,805.04	635,924.55	421,441.07	11,360,949.85
Direct and indirect benefits	31,294.12	744,973.09	-	-	776,267.21
Committee seats	277,174.17	-	-	-	277,174.17
Other	-	-	-	-	-
Description of other fixed compensation	-	-	-	-	-
Variable compensation	875,193.70	(265,217.37)	-	-	609,976.33
Bonus	573,315.10	(1,390,983.81)	-	-	(817,668.71)
Profit sharing	301,878.60	1,125,766.44	-	-	1,427,645.04
Attendance at meetings	-	-	-	-	-
Commissions	-	-	-	-	-
Other	-	-	-	-	-
Description of other variable compensation	-	-	-	-	-
Post-employment Benefit	160,575.05	534,483.66	-	-	695,058.71
Termination	-	-	-	-	-
Share based	319,266.00	1,201,736.12	-	-	1,521,002.12
Total compensation	5,477,282.23	8,705,780.54	635,924.55	421,441.07	15,240,428.39

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/no.01/2021.

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits" and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The 40% reimbursement from ENGIE Brasil Energia to its Controlling Shareholder includes amounts arising from share-based payments to the Chairperson of the Board of Directors as CEO of Controlling Shareholder of ENGIE Brasil Participações.

In FY 2020, R$ 7,142,451.20 were recognized as reversal of the accumulated provisions for previous years' Executive Board bonuses.

Total compensation in fiscal year ending December 31, 2019 – Annual Amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Total number of members ("b")	15.75	6.67	3	25.42
Number of remunerated members ("c")	11.92	6.08	3	21
Annual fixed compensation	3,996,649.87	6,281,667.88	470,139.18	10,748,456.93
Salary	3,717,944.38	5,536,902.07	470,139.18	9,724,985.63
Direct and indirect benefits	1,531.32	744,765.81	-	746,297.13
Committee seats	277,174.17	-	-	277,174.17
Other	-	-	-	-
Description of other fixed compensation	-	-	-	-
Variable compensation	1,234,715.87	1,251,150.68	-	2,485,866.55
Bonus	938,221.30	-363,013.92	-	575,207.38
Profit sharing	296,494.57	1,614,164.60	-	1,910,659.17
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Other	-	-	-	-
Description of other variable compensation	-	-	-	-
Post-employment Benefit	35,248.95	879,135.81	-	914,384.76
Termination	-	-	-	-
Share based	332,036.40	1,674,925.00	-	2,006,961.40
Total compensation	5,598,651.09	10,086,879.37	470,139.18	16,155,669.64

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/No.01/2021.

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits" and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The 40% reimbursement from ENGIE Brasil Energia to its Controlling Shareholder includes amounts arising from share-based payments to the Chairperson of the Board of Directors as CEO of Controlling Shareholder of ENGIE Brasil Participações.

One member of the Statutory Executive Board received compensation form the Controlling Shareholder for a period of seven months.

Total compensation in fiscal year ending December 31, 2018 – Annual Amounts in R$				
	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Total number of members ("b")	18	7	3	28
Number of remunerated members ("c")	12.33	6	3	21.33
Annual fixed compensation	3,947,121.97	6,144,353.54	476,591.95	10,568,067.46
Salary	3,670,402.54	5,318,310.10	476,591.95	9,465,304.59
Direct and indirect benefits	1,408.26	826,043.44	-	827,451.70
Committee seats	275,311.17	-	-	275,311.17
Other	-	-	-	-
Description of other fixed compensation	-	-	-	-
Variable compensation	1,257,114.03	1,973,911.15	-	3,231,025.18
Bonus	723,339.81	(102,003.02)	-	621,336.79
Profit sharing	533,774.22	2,075,914.17	-	2,609,688,39
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Other	-	-	-	-
Description of other variable compensation	-	-	-	-
Post-employment Benefit	50,552.80	641,826.96	-	692,379.76
Termination	-	-	-	-
Share based	239,437.00	231,111.00	-	470,548.00
Total compensation	5,494,225.80	8,991,202.65	476,591.95	14,962,020.40

The number of members per body (letter "b") was established as per Circular Letter CVM/SEP/no.01/2021.

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits" and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The 40% reimbursement from ENGIE Brasil Energia to its Controlling Shareholder includes amounts arising from share-based payments to the Chairperson of the Board of Directors as CEO of Controlling Shareholder of ENGIE Brasil Participações.

As concerns the Statutory Executive Board, in addition to the foregoing amounts, the Company has provisioned R$ 333,706.53 in 2018 – pursuant to the Voluntary Severance Plan for officers. Still in connection with the Statutory Executive Board, the Company reverted R$ 5,929,987.96 from the accumulated bonus provision in 2018. One member of the Statutory Executive Board is compensated by the Controlling Company.

13.3 Variable compensation of the Board of Directors, Statutory Executive Board and Fiscal Council in the last 3 fiscal years and projected for the current fiscal year

Variable compensation projected for fiscal year 2021

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	18	8
Number of remunerated members	2	8
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	611,418.15	2,270,960.77
Amount assuming goal attainment as per the compensation plan	407,612.10	1,513,973.85
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	389,929.03	2,281,928.74
Amount assuming goal attainment as per the compensation plan	259,952.68	1,521,285.83

Starting in FY 2021, the only members of the Board of Directors to earn variable compensation shall be the Chairperson and the full member elected by the employees.

Recognized in the last 3 fiscal years

Variable compensation – Fiscal year ending December 31, 2020

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	16.58	7
Number of remunerated members	3	7
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	619,170.70	1,942,693.94
Total number of members	412,780.47	1,295,129.30
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	432,139.14	2,018,195.56
Amount assuming goal attainment as per the compensation plan	288,092.76	1,345,463.71
Amount effectively recognized in the result	875,193.70	(265,217.37)

The only members of the Board of Directors to earn variable compensation are the Chairperson and the full and alternate members elected by the employees.

Variable compensation – Fiscal year ending December 31, 2019

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	15.75	6.67
Number of remunerated members	3	6.08
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	578,427.06	1,733,165.31
Amount assuming goal attainment as per the compensation plan	385,618.04	1,155,443.54
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	421,862.99	1,766,312.78
Amount assuming goal attainment as per the compensation plan	281,242.00	1,177,541.85
Amount effectively recognized in the result	1,234,715.87	1,251,150.68

The only members of the Board of Directors to earn variable compensation are the Chairperson and the full and alternate members elected by the employees.

Variable compensation – Fiscal year ending December 31, 2018

(Amounts in R$)	Board of Directors	Statutory Executive Board
Total number of members	18	7
Number of remunerated members	3	6.00 (a)
Bonus		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	557,568.03	1,591,308.58
Amount assuming goal attainment as per the compensation plan	371,712.02	1,060,872.38
Profit sharing		
Minimum amount projected in the compensation plan	-	-
Maximum amount projected in the compensation plan	406,614.93	1,702,470.15
Amount assuming goal attainment as per the compensation plan	271,076.62	1,134,980.10
Amount effectively recognized in the result	1,257,114.03	1,973,911.15

(a) 1 member was compensated by the Company's controlling shareholder. As such, their compensation is not listed if the above table. These costs are partly refunded by the Company proportionally with the executives' dedication to statutory activities.

The only members of the Board of Directors to earn variable compensation are the Chairperson and the full and alternate members elected by the employees.

Starting in fiscal year 2018, the Company will grant profit sharing (PLR) benefits to its Officers and employee-elected Directors after approval of the accounting statements by the Annual General Meeting AGM, contingent upon the achievement of net profit or operating results in the previous fiscal year, attainment of business goals, and approval of the respective payment by the AGM, as per the Collective Work Contract.

13.4 Share based compensation plan of the Board of Directors and Statutory Executive Board in force in the last fiscal year and estimated for the current fiscal year:

The Company offers its managers a Long-Term Incentive Plan (ILP) sponsored by the directly controlling shareholder, ENGIE Brasil Participações Ltda. ("ENGIE Brasil Participações").

a. **general terms and conditions**
As described in items 13.1 and 13.8, the Company's directly controlling shareholder, ENGIE Brasil Participações, offers a Phantom Shares-based ILP to the Statutory Executive Board and certain members of the Board of Directors, in connection with medium- and long-term goals.

b. **plan's main objectives**
The ILP's main objectives are to motivate and reward the Company's key executives in the attainment of medium- and long-term results and to ensure a compatible overall rewards package.

c. **how the plan contributes to these objectives**
Determination of the performance results under the ILP is based on two indicators, each with 50% weight in aggregate results over a 4-year period. The indicators are: TSR – Total Shareholder Return and EPS – Earnings per Share.

d. **how the plan matches the Company's compensation policy**
The ILP was devised as a means to supplement the Performance Shares plan of the indirectly controlling shareholder the ENGIE Group, as described in item "13.15" hereof. It is a specific deferred bonus additional to the fixed and variable compensation and established for the Company's managers.

e. **how the plan aligns with the short-, medium- and log-term interests of the managers and the issuer**
The ILP is pegged to the Company's performance indicators as follows: TSR – Total Shareholder Return and EPS – Earnings per Share, both of which are performance metrics.

f. **maximum number of shares covered**
There is no maximum number of shares covered. The maximum number of Phantom Shares to be distributed corresponds to the maximum individual amount as described in item "g", below, divided by the value of the shares.

g. **maximum number of options granted**
As described in item "h", below, the amount of the ILP (% of the annual salary converted into Phantom Shares) is limited to 130% of the Company's compensation range for the executive's position plus the ILP set for the position in question on the granting date. The annual base salary plus adjusted ILP must not exceed this limit.

h. stock purchase conditions

The ILP is intended for the executives of the Company and of the directly controlling shareholder, ENGIE Brasil Participações, who maintain management agreements and positions with the companies' Executive Boards. The controlling shareholder will annually determine executives eligible for the ILP.

i. acquisition- or strike-price setting criteria

The market value of the Phantom Shares is calculated as the simple average of the closing price of the EGIE3 stock in the three months preceding the grant date. Upon the plan's 4th anniversary, the market value of the phantom shares (again, calculated as the average closing price of EGIE3 in the 3 months preceding the end of the period) will be the basis for the reward to be paid for goals achieved. The ending date shall be the 15th of March subsequent to the plan's 4th anniversary, after the previous fiscal year's accounts have been drawn and finalized.

The ILP payment is a percentage of the value of the Phantom Shares at the end of the cycle. The percentage will be contingent on results achieved in terms of the plan's two performance indicators over the 4-year period.

The plan uses two indicators, in line with the goas set by the directly controlling shareholder, ENGIE Brasil Participações. Each indicator has 50% weight and impact on the phantom shares, as follows:

a) TSR – Total Shareholder Return (50% weight – half of the phantom shares):
   - TSR is based on the change in share price plus proceeds (dividends and interest on shareholders' equity) paid per share over a certain period.
   - The Company's performance according to this indicator will be compared with the panel of companies forming the stock exchange's IBrX100 index.
   - TSR will be calculated according to the methodology applied by third parties retained by the controlling shareholder, ENGIE Brasil Participações. The methodology may change for every version of the plan as circumstances recommend.
   - 50% of the total proposed number of phantom shares will be granted according to the following criteria: none of the 50% of phantom shares with TSR is lower than the median for the group of compared companies; 25% of the 50% of phantom shares if the Company's accumulated TSR is equal to or greater than the median of the group of compared companies; 100% of the 50% of phantom shares will be granted if the Company's results are within the third quartile or better. Results between the median and the third quartile will be pro-rated between the minimum and maximum amounts (proportional amounts in the 25%-100% range out of the available 50%).

b) EPS – Earnings per Share (weight 50% - half of the phantom shares):
   - The applicable amount will be the accumulated earnings per share (EPS) indicator over the plan's period.
   - At the discretion of the controlling shareholder, ENGIE Brasil Participações, the indicator may be adjusted when the plan is affected by strategic decisions causing a significant impact on the EPS indicator during the plan's relevant period.

- Far award calculation (year N), the basis for comparison will be the Medium-Term Plan N+1-N+6, provided together with Nv1 (current year).

An amount equal to 50% of the proposed number of phantom shares connected with this indicator will be awarded based on the following criteria: no phantom shares if the accumulated EPS is lower than 90% of target; 33% of the 50% of shares (half of the shares granted), if the accumulated EPS is 90% of target; 100% of the 50% of shares (half of the shares granted), if the accumulated EPS equals the target. For intermediate results (between 90% and 100% of target), a linear pro-rating system will apply between the minimum and maximum amounts for the purposes of phantom-share calculations.

The amount of the ILP (% of the annual salary converted into Phantom Shares) is limited to 130% of the Company's salary range for the executive's position plus the ILP set for the relevant position on the granting date. The annual basic salary plus adjusted ILP may not exceed this limit.

j. maturity-setting criteria

According to the ILP, the plan shall have a duration of 4 years, pursuant to the methodology proposed by the specialized consultants responsible for drafting the plan in 2012.

k. settlement

The plan involves a specific deferred bonus paid in cash 4 years after the granting date. Payment of the ILP to Statutory Officers shall be made by the Company, and payment to the Chairman of the Board of Directors shall be made by the directly controlling shareholder, ENGIE Brasil Participações, and reimbursed by the Company.

l. restrictions on share transfers

Given that the ILP provides for payment of a specific deferred bonus based on phantom shares, share transfers are not possible.

m. criteria and events that shall, upon occurring, cause the plan's suspension, amendment or extinction

It shall be the prerogative of the directly controlling shareholder, ENGIE Brasil Participações, to at any time, with or without advance notice, modify, change, correct, include or eliminate ILP conditions, as well as to cancel future grants, irrespective of justification.

n. effects of the manager's severance from the issuer's managing bodies on his or her rights under the share-based compensation plan

Executives who leave the Company before the end of the 4-year waiting period provided under the ILP shall be automatically waiving right to any payments under the plan. Exceptions may apply in the event of: severance from the Company to perform duties under other ENGIE Group companies, after retirement due to time in employment or illness, joining voluntary severance programs, termination without cause at the discretion of the Company, or due to death of the executive.

13.5 Share-based compensation of the Board of Directors and Statutory Board recognized in the result for the last 3 fiscal years and estimated for the current fiscal year:

The Company's share-based compensation is booked in its ledgers as described in item "13.4" hereof. This is the Long-Term Incentive Plan ("ILP") that the Company's directly controlling shareholder, ENGIE Brasil Participações Ltda., offers to the Statutory Executive Board.

Members of the Board of Directors shall not be eligible for share awards under the Long-Term Incentive Plan (ILP) in the performance of their positions with the Company. They may potentially receive, as Board members, amounts arising from shares awarded during their terms as Executive Officers of the Company.

Share-based compensation projected for the current fiscal year (2021)

	Board of Directors	Statutory Executive Board
Total number of members	18	8
Number of compensated members	1	6.00(a)
Weighted average strike price:		
(a) Of outstanding shares at the beginning of the fiscal year	-	-
(b) Of options lost during the fiscal year	-	-
(c) Of options exercised during the fiscal year	82,651.14	1,295,043.62
(d) Of options expired during the fiscal year	-	-
Potential dilution in the event of the exercise of all options granted	Not applicable	Not applicable

(a) The number of members earning compensation corresponds to the number of incumbent and former Executive Officers collecting payment in shares awarded while holding a position with the Company's Executive Board.

Share-based compensation - fiscal year ending December 31, 2020

	Board of Directors	Statutory Executive Board
Total number of members	16.58	7
Number of compensated members	1	7.00(a)
Weighted average strike price:		
(a) Of outstanding shares at the beginning of the fiscal year	-	-
(b) Of options lost during the fiscal year	-	-
(c) Of options exercised during the fiscal year	319,266.00	1,201,736.12
(d) Of options expired during the fiscal year	-	-
Potential dilution in the event of the exercise of all options granted	Not applicable	Not applicable

(a) The number of members earning compensation corresponds to the number of incumbent and former Executive Officers collecting payment in shares awarded while holding a position with the Company's Executive Board.

Share-based compensation - fiscal year ending December 31, 2019

	Board of Directors	Statutory Executive Board
Total number of members	15.75	6.67
Number of compensated members	1	7(a)
Weighted average strike price:		
(a) Of outstanding shares at the beginning of the fiscal year	-	-
(b) Of options lost during the fiscal year	-	-
(c) Of options exercised during the fiscal year	332,036.40	1,674,925.00
(d) Of options expired during the fiscal year	-	-
Potential dilution in the event of the exercise of all options granted	Not applicable	Not applicable

(a) The number of members earning compensation corresponds to the number of members and former members of the Executive Board who earned payment in the form of shares awarded while performing as members of the Company's Executive Board. As a result, the number of compensation earners may exceed the total number of members, as the later only covers the number of members in 2019.

Share-based compensation - fiscal year ending December 31, 2018

	Board of Directors	Statutory Executive Board
Total number of members	18	7
Number of compensated members	1	6
Weighted average strike price:		
(a) Of outstanding shares at the beginning of the fiscal year	-	-
(b) Of options lost during the fiscal year	-	-
(c) Of options exercised during the fiscal year	239,437.00	231,111.00
(d) Of options expired during the fiscal year	-	-
Potential dilution in the event of the exercise of all options granted	Not applicable	Not applicable

For every award recognized in the results of the last 3 (three) fiscal years and the current fiscal year

Awards scheduled for the fiscal year under way (2021)

	Statutory Executive Board
Total number of members	8
Award date	03.15.2021
Number of options awarded	37,286
Option exercise period	03.15.2025
Final option exercise deadline	03.15.2025
Restricted share-transfer period	Not applicable

Share-based compensation - fiscal year ending December 31, 2020

	Statutory Executive Board
Total number of members	7
Award date	03.15.2020
Number of options awarded	34,620
Option exercise period	03.15.2024
Final option exercise deadline	03.15.2024
Restricted share-transfer period	Not applicable
Option value on the awarding date (simple average of the closing price in the 3 months preceding the ward)	R$50.63

Share-based compensation - fiscal year ending December 31, 2019

	Statutory Executive Board
Total number of members	6.67
Award date	03.15.2019
Number of options awarded	28,841
Option exercise period	03.15.2023
Final option exercise deadline	03.15.2023
Restricted share-transfer period	Not applicable
Option value on the awarding date (simple average of the closing price in the 3 months preceding the ward)	R$39.50

Share-based compensation - fiscal year ending December 31, 2018

	Statutory Executive Board
Total number of members	7
Award date	03.15.2018
Number of options awarded	37,770
Option exercise period	03.15.2022
Final option exercise deadline	03.15.2022
Restricted share-transfer period	Not applicable
Option value on the awarding date (simple average of the closing price in the 3 months preceding the ward)	R$36.67

13.6 Outstanding options of the Board of Directors and the Statutory Executive Board at the end of the last fiscal year:

As of the date of this document, there are no outstanding options in the name of members of the Board of Directors and the Statutory Executive Board.

13.7 Exercised options and shares delivered relative to share-based compensation of the Board of Directors and the Statutory Executive Board in the last three fiscal years:

No options or shares were granted relative to share-based compensation in the past 3 fiscal years.

13.8 Succint description of the information required for understanding the data disclosed in items "13.5" - "13.7", such as explanation of the shares and options pricing method

The Long-Term Incentive Plan ("ILP") is proposed annually by the directly controlling shareholder, ENGIE Brasil Participações Ltda., in the light of the following:

- Each beneficiary's individual amount will be set as a percentage of the executive's annual base salary.
- The amount of the "ILP" shall be deducted of the nominal amount, on the date of the award of the performance shares plan of ENGIE S.A., granted in the previous year. Therefore, a portion of the long-term incentive will be pegged to the results of the Company's indirectly controlling shareholder, the ENGIE Group.
- The resulting amount will be converted into a number of phantom shares based on the market value of the company's shares (EGIE3), providing the basis for the amount of the bonus to be paid for objectives attained by the date of the plan's maturity.

a) pricing model

Awarding of Phantom Shares considers the share's market value and is calculated as the simple average of the closing price of EGIE3 in the 3 months preceding the date of the award. The date of the award is that provided in the Performance Shares plan of the indirectly controlling shareholder, ENGIE S.A., and usually in December each year.

b) Data and assumptions used in the pricing model, including the weighted average price of shares, strike price, expected volatility, option life, expected dividends, and risk-free interest rate

For as long as the plan is in force, the number of shares assigned to determine the amount of the incentive may increase proportionally based on the share price when the company pays its shareholders dividends and interest on shareholders' equity. The restatement is to be carried out by means of the calculation of the dividend yield of the closing price of EGIE3 on the relevant date.

The exact amount of the incentive will be calculated using the following formula: (% SB – VF PSP) / price of the EGIE3 share on the plan's starting date = X Number of phantom shares (initial), where:

- % SB is a % of the basic annual salary according to the executive's wage matrix on the plan's starting date;
- VF PSP is the face value of the performance shares of ENGIE S.A. granted in the previous year, at the quoted price and EUR/BRL exchange rate on the granting date thereof;
- Price of EGIE3 as discussed in letter "a" of the present section.

c) method and assumptions used to incorporate the expected effects of early exercise

The Group's share based ILP does not provide for early exercise.

d) means of determining expected volatility

Not applicable to the Group's shares based ILP plan, as share volatility was not a factor in the calculations made to determine the amount of the bonus.

e) whether any other option features were included in its fair value measurement

Full payment of the ILP shall be a percentage of the value of the shares at the end of the cycle. The percentage will be set based on results achieved according to the plan's two performance indicators over the plan's 4-year duration: TSR – Total Shareholder Return (50% weight – half of the phantom shares) and EPS – Earnings per Share (50% weight – half of the phantom shares).

At the end of the plan's 4-year duration, the market value of the shares (again, calculated as the average closing price of EGIE3 in the 3 months preceding the ending date) will provide the basis for the amount of the bonus to be paid for goals attained. The ending date shall be the 15th of March after the plan's 4th anniversary, after the previous year's results have been finalized.

13.9 Number of shares directly or indirectly held, in Brazil or abroad, and other convertible securities issued by the Company, its directly or indirectly controlling entities, controlled or jointly controlled entities, by members of the Board of Directors, of the Statutory Executive Board or of the Fiscal Council, grouped by corporate body, on the closing date of the latest fiscal year

On December 31, 2020, the Company had 815,927,740 common shares, all nominative and with no face value.

The table next shows the number of shares and other securities held by Directors and Officers of the Company:

Body	Number of shares held on December 31, 2020		
	Common Shares		
	Directly	Indirectly	Total
Board of Directors	44,455	-	44,455
Statutory Executive Board	6,100	-	6,100
Fiscal Council	3,315	-	3,315
Total	**53,870**	**-**	**53,870**

The shares held by these individuals correspond to 0.006602% of all shares issued.

Share price on December 31, 2020, was R$ 43.94 per share.

13.10 Pension plans in effect granted to the members of the Board of Directors and Statutory Executive Board

(Amounts in R$)	Board of Directors	Statutory Executive Board
Number of members	16.58	7
Number of compensated members	1	7
Plan name	CD Plan	CD Plan
Number of members of management qualified for retirement	0	0
Qualifying for early retirement	1	4
Restated amount of the accumulated contributions to the pension plan at the close of the last fiscal year, discounting the portion relating to contributions made directly by members of management	865,336.81	7,469,675.03
Total accumulated amount of the contributions made during the last fiscal year, discounting the portion relating to contributions made directly by members of management	36,787.82	552,123.70
Whether early redemption is possible, and under what conditions	Not applicable	Not applicable

13.11 Maximum, minimum and average individual compensation of the members of the Board of Directors, Statutory Executive Board and Fiscal Council, in the last 3 fiscal years

	Board of Directors			Statutory Executive Board			Fiscal Council			Statutory Audit Committee		
(Amount in R$)	12.31.2020	12.31.2019	12.31.2018	12.31.2020	12.31.2019	12.31.2018	12.31.2020	12.31.2019	12.31.2018	12.31.2020	12.31.2019	12.31.2018
No of members	16.58	15.75	18	7	6.67	7	5.33	3	3	2	0	0
No of compensate members	14.42	11.92	12.33	7	6.08	6	5.33	3	3	2	0	0
Amount of the highest compensation	2,193,509.56	2,090,450.34	1,328,556.72	2,361,439.08	2,535,148.05	2,049,432.02	146,751.80	156,713.06	158,863.98	150,514.67	-	-
Amount of the lowest compensation	138,587.02	138,587.02	137,655.52	968,711.77	914,262.94	883,203.01	146,751.80	156,713.06	158,863.98	150,514.67	-	-
Average compensation	379,839.27	469,685.49	445,598.20	1,243,682.93	1,659,026.21	1,498,533.78	119,310.42	156,713.06	158,863.98	210,720.54	-	-

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits", and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The members of the Statutory Executive Board and the identified Boards with the highest and lowest compensation occupied their posts throughout the twelve months of the year.

The lower average compensation of Fiscal Council members in 2020 is due to the fact that alternates began to be paid midway through the fiscal year, when it was stipulated that alternates would be compensated at 50% of the monthly amount allocated to full members.

The Statutory Audit Committee's highest and lowest compensation amounts reflect the sum total of 8 months' payments in fiscal year since the creation of the body. The average compensation of the Statutory Audit Committee in 2020 at a higher amount than the highest compensation is due to the less than 12 months run in the fiscal year since the body's creation.

13.12 Contractual arrangements, insurance policies or other instruments establishing compensation or indemnification mechanisms for members of management in the event of removal from the position or retirement and what the financial consequences thereof for the Company

The Company has no contractual arrangements, insurance policies or other instruments establishing compensation or indemnification mechanisms for members of management in the event of removal from the position or retirement.

13.13 Concerning the last 3 fiscal years, indicate the percentage of total compensation of each body as booked in the Company's results relating to members of the Board of Directors, the Statutory Executive Board or the Fiscal Council who are related parties to directly or indirectly controlling shareholders as defined by the accounting rules that address this matter

The compensation of the members of the Board of Directors who have labor contracts linked either directly or indirectly to the controllers of the Company corresponded to 63%, 69% and 82% of total compensation of the Board of Directors in 2020, 2019 and 2018, respectively.

In the past 3 years, no members of the Fiscal Council were deemed related parties to the Company's controlling shareholders.

13.14 Amounts booked in the result of the Company as compensation of members of the Board of Directors, the Statutory Executive Board or Fiscal Council, grouped by body, for any reason other than the positions held, such as, for example, committee seats held and consulting or advisory services rendered, in relation to the last 3 fiscal years

No compensation was paid to members of the Board of Directors, the Statutory Executive Board or Fiscal Council for any reason other than the positions held in the past 3 fiscal years.

13.15 Amounts recognized in the result of the controllers, either direct or indirect, of corporations under common control and of Company's subsidiaries, as compensation of members of the Board of Directors, of the Statutory Board or the Fiscal Council of the Company, grouped by collegiate body, specifying why these amounts were assigned to these individuals, in relation to the last 3 fiscal years

The Company's Controlling Conglomerate, ENGIE S.A., has a performance shares granting program that may be awarded to senior executives and professionals under the conditions in force.

The table next shows the average awards of share of the Controlling Conglomerate to members of the Company's Statutory Board of Executives:

FY 2020 – Compensation received for Positions Held with the Company

	Board of Directors	Statutory Executive Board	Fiscal Council	Statutory Audit Committee	Total
Directly and indirectly controlling shareholders	-	122,958.57	-	-	122,958.57
Controlled entities of the Company	-	-	-	-	-
Jointly controlled entities	-	-	-	-	-

FY 2019 – Compensation received for Positions Held with the Company

	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Directly and indirectly controlling shareholders	-	152,502.86	-	152,502.86
Controlled entities of the Company	-	-	-	-
Jointly controlled entities	-	-	-	-

FY 2018 – Compensation received for Positions Held with the Company

	Board of Directors	Statutory Executive Board	Fiscal Council	Total
Directly and indirectly controlling shareholders	-	165,713.20	-	165,713.20
Controlled entities of the Company	-	-	-	-
Jointly controlled entities	-	-	-	-

13.16 Other information that the Company may deem relevant

Pursuant to Circular Letter/CVM/SEP No. 01/2021, social charges owed by the employer shall not be within the scope of "direct and indirect benefits", and shall not be included in the global or individual compensation amounts in this item's compensation tables.

The social charges segregated from tis item's tables in fiscal years 2021, 2020, 2019 and 2018 were R$ 5,207,273.47, R$ 3,242,642.25, R$ 4,308,126.74 and R$ 3,005,932.05, respectively.

Annual average number of total members per body

FY 2020

Month	Board of Directors	Statutory Executive Board	Fiscal Council	Statutory Audit Committee
January	17	7	4	0
February	17	7	4	0
March	17	7	4	0
April	17	7	4	0
May	17	7	6	3
June	16	7	6	3
July	16	7	6	3
August	16	7	6	3
September	16	7	6	3
October	16	7	6	3
November	17	7	6	3
December	17	7	6	3
Total	**199**	**84**	**64**	**24**
Annual average members	**16.58**	**7**	**5.33**	**2**

FY 2019

Month	Board of Directors	Statutory Executive Board	Fiscal Council
January	15	7	3
February	15	7	3
March	16	7	3
April	15	6	3
May	15	6	3
June	15	6	3
July	15	6	3
August	15	7	3
September	17	7	3
October	17	7	3
November	17	7	3
December	17	7	3
Total	**189**	**80**	**36**
Annual average members	**15.75**	**6.67**	**3**

FY 2018

Month	Board of Directors	Statutory Executive Board	Fiscal Council
January	18	7	3
February	18	7	3
March	18	7	3
April	18	7	3
May	18	7	3
June	18	7	3
July	18	7	3
August	18	7	3
September	18	7	3
October	18	7	3
November	18	7	3
December	18 (a)	7	3
Total	**216**	**84**	**36**
Annual average members	**18**	**7**	**3**

(a) On December 19, 2018, the Company announced to the market the resignation of Directors Claude Emile Jean Turbet and Natacha Herrero Et Guichard Marly. As a consequence, Alternate Director Leonardo Augusto Serpa became a full member of the Board of Directors, replacing Claude Emile Jean Turbet. Natacha Herrero Et Guichard Marly's seat remained vacant from 12.19.2018 to 12.31.2018. Therefore, for averaging purposes, the Company understands that the Board of Directors was comprised of 18 members in December 2018.

Information on proposed employee profit-sharing in fiscal year 2018

14.3 Description of the compensation policy for the Company's employees

a. salary and variable compensation policy

Compensation policy:

The Company's compensation policy is to maintain compensation in line with market practices, meeting the interests of the Company and its employees. Therefore, the company understands that:

- The amount paid to each employee for his or her work in the Company shall be consistent with the market value of such work;
- Compensation should reflect each employee's responsibilities, performance level and results achieved, both individually and as a member of a team.

Variable compensation system:

In addition to the fixed salary paid, the Company maintains a variable compensation system based on the attainment of business objectives and the percentage attainment of goals associated therewith. This is measured annually based on the Company's financial results, individual performance evaluation and the evaluation of the performance of each of the Company's areas. As such, variable compensation is made up of:

- Profit- or Income-Sharing Program (PLR): extended to all of the Company's employees and contingent on business results as measured by the fiscal year's EBITDA, in addition to attainment of departmental goals and behavioral evaluations, in line with the organizational culture. These criteria are negotiated with workers' unions and established in the Collective Bargaining Agreement (ACT). Payment of the PLR fosters competitive compensation compared with those typical of the Brazilian jobs market.
- Management Bonus Program: applicable to all employees with managerial duties. The program is pegged to attainment of business goals and the impact and difficulty level of the relevant area's targets and is contingent on percentage attainment thereof.

The Management's proposal considers an amount of up to R$ 43.4 million in employee PLR for fiscal year 2020, to be distributed according to the criteria set forth in the Company's Compensation System and Collective Bargaining Agreements.