EGIE

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# Earnings Release 4Q20 and 2020

For Immediate Release


Additional Information:

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**Video Conference**
On 2/12/2021 at 9:00 a.m. (EDT):
in Portuguese (simultaneous translation into English)


**Further details on Upcoming Events section, available on page 39.**


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Florianópolis, Brazil, February 11, 2021. ENGIE Brasil Energia S.A. (“ENGIE” or “Company”) – B3: EGIE3, ADR: EGIEY - announces earnings for the Fourth Quarter and twelve-month period ending December 31, 2020 (4Q20 and 12M20). The information in this release is shown on a consolidated basis and in accordance with Brazilian accounting principles and practices. The values are expressed in Brazilian Reais (R$), except where otherwise indicated.

# In a challenging year, ENGIE Brasil Energia invests R$ 4.0 billion and reaches net income of R $ 2.8 billion

**Company reports R$ 967.7 million due to hydrological risk renegotiation and proposes complementary dividends amounting R$ 609.6 million.**

## Highlights

- In the midst of the pandemic, ENGIE carried out, together with its controller and employees, actions to protect their health and support the communities in which it operates, such as emergency aid to nursing homes, donations to Fiocruz and UFRGS to produce tests for Covid -19, donations of ICU equipment to Albert Einstein Public Hospitals, among others. Additionally, it worked together with its clients, when negotiating and making certain contractual conditions flexible.
- ENGIE Brasil Energia reported net operating revenue of R$ 12,259.2 million in 2020, 25.0% (R$ 2,454.7 million) higher than recorded in 2019.
- The Company registered the amount of R$ 967.7 million in 4Q20, due to hydrological risk renegotiation under Law 14.052/2020.
- The Company posted Ebitda[1] of R$ 6,484.5 million in 2020, an increase of 25.7% (R$ 1,326.3 million) compared to 2019, largely driven by the hydrological risk renegotiation agreement. The Ebitda Margin was 52.9% in 2020, a growth of 0.3 p.p. compared with 2019.
- Net income was R$ 2,797.3 million (R$ 3.4281/share) in 2020, 21.0% (R$ 486.2 million) higher than posted in 2019, also the result in part by the hydrological risk renegotiation agreement.
- The average price of the energy sales agreements, net of taxes on revenues and trading operations, was R$ 193.8/MWh in 2020, 2.3% higher than registered in 2019.
- Excluding trading operations, the energy sales volume was 37,889 GWh (4,313 average MW), 0,4% lower than sold in 2019.
- The appeal to reverse the Preliminary Injunction and Suspend the Sentence that partially stayed work on construction at the Gralha Azul Transmission System was ruled in the Company's favor. Work has been resumed on the project and the schedule for entry into operations maintained for September 2021.
- The Board of Directors approved the proposal for the distribution of additional interim dividends worth R$ 554.5 million (R$ 0.6796/share), completing 100% of the first half of 2020 profit as well as interest on shareholders' capital in the amount of R$ 175.0 million (R$ 0.2145/share).
- In November, the gradual start-up in test operations of the generator units at the Campo Largo II Wind Complex began.
- ENGIE and Natura signed a partnership agreement for the acquisition of carbon credits emanating from the Lages Cogeneration Unit to compensate 100 thousand tons of Natura's CO2 emissions in the company's inventory for 2019.
- In 4Q20, the Generation Operations Center (COG) began assisted remote operations at the Machadinho Hydroelectric Power Plant; a total of 48 plants (5,468 MW) are now operated out of the COG.

### Subsequent Events

- ENGIE was selected as a component of the new Carbon Efficient Index - ICO2 B3 portfolio, effective from January 4 to April 30, 2021, rebalancing taking place every four months in line with updates to the IBrX 100.
- The Company signed an agreement with Siemens for the supply of wind turbines for the first phase of the Santo Agostinho Wind Complex, thus allowing work on implementation to go ahead.
- The Board of Directors approved the proposal for the distribution of complementary dividends amounting to R$ 609.6 million (R$ 0.7471/share), to be ratified by the Annual General Meeting. Total earnings distribution for 2020 reached R$ 2,016.8 million (R$ 2.4717/share), equivalent to 100% of the distributable net income (ex-hydrological risk renegotiation).

## Summary of Financial and Operational Indicators

| Consolidated (In millions of R$) | 4Q20 | 4Q19 | Chg. | 12M20 | 12M19 | Chg. |
|---|---|---|---|---|---|---|
| **Net Operating Revenue (NOR)** | 3,769.2 | 2,795.1 | **34.9%** | 12,259.2 | 9,804.5 | **25.0%** |
| **Results from Operations (EBIT)** | 2,065.0 | 1,074.3 | **92.2%** | 5,569.6 | 4,294.9 | **29.7%** |
| **Ebitda** [(1)] | 2,288.4 | 1,317.1 | **73.7%** | 6,484.5 | 5,158.2 | **25.7%** |
| **Ebitda / NOR - (%)** [(1)] | 60.7 | 47.1 | **13.6 p.p.** | 52.9 | 52.6 | **0.3 p.p.** |
| **Net Income** | 1,029.5 | 617.5 | **66.7%** | 2,797.3 | 2,311.1 | **21.0%** |
| **Return On Equity (ROE)** [(2)] | 36.1 | 33.0 | **3.1 p.p.** | 36.1 | 33.0 | **3.1 p.p.** |
| **Return On Invested Capital (ROIC)** [(3)] | 22.7 | 21.0 | **1.7 p.p.** | 22.7 | 20.8 | **1.9 p.p.** |
| **Net Debt** [(4)] | 11,786.4 | 10,191.8 | **15.6%** | 11,786.4 | 10,191.8 | **15.6%** |
| **Gross Power Production (avg MW)** [(5)] | 4,628 | 5,185 | **-10.7%** | 4,003 | 5,030 | **-20.4%** |
| **Energy Sold (avg MW)** [(6)] | 4,485 | 4,546 | **-1.3%** | 4,313 | 4,329 | **-0.4%** |
| **Average Net Sales Price (R$/MWh)** [(7)] | 190.87 | 190.53 | **0.2%** | 193.78 | 189.45 | **2.3%** |
| **Number of Employees - Total** | 1,573 | 1,429 | **10.1%** | 1,573 | 1,429 | **10.1%** |
| **EBE Employees** | 1,444 | 1,405 | **2.8%** | 1,444 | 1,405 | **2.8%** |
| **Employees on Under Construction Plants** | 129 | 24 | **437.5%** | 129 | 24 | **437.5%** |

[1] Ebitda: net income + income tax and social contribution + financial result + depreciation and amortization.
[2] ROE: net equity for the past 4 quarters /shareholders' equity.
[3] ROIC: effective tax rate x EBIT / invested capital (invested capital: debt - cash and cash equivalents - deposits earmarked for debt servicing + SE).
[4] Adjusted amount, net of gains from hedge operations.
[5] Total gross electricity output from the plants operated by ENGIE Brasil Energia.
[6] Disregarding sales for quota regime (Jaguara and Miranda HPPs).
[7] Net of taxes and trading operations.

# MESSAGE FROM THE MANAGEMENT

In the light of a year in which we found ourselves in a sea of uncertainty with the onset of the pandemic, we set our priorities as understanding risks, predicting the impacts, and adapting activities. All our efforts were focused on ensuring the supply of energy – vital to society – and at the same time, protecting lives, guaranteeing the integral health of our teams, and giving support to the communities in which the Company conducts its business.

During the period, we were able to demonstrate the assertiveness of our strategies put into place in recent years for rendering ENGIE Brasil Energia increasingly more resilient and connected to the future. Digitization, intensively pursued since 2015, was crucial in successfully transferring approximately 70% of our employees to a home working regime in the space of two days. Similarly, the remote operations of a large part of our generator complex helped to reduce risks and maintain plant performance. All this thanks to dedicated systems and tools together with teams trained and engaged in adjusting routines and processes.

The fruit of our financial discipline and consistent delivery of results, we were able to guarantee resources from the market and continue implementing our investment plans for 2020. The plans revolve around three major and transformational projects: the Campo Largo II Wind Complex in the Northeast, and the Novo Estado (in the North) and Gralha Azul (in the South) transmission systems. Despite restrictions arising from the pandemic – and, in the case of Gralha Azul, legal obstacles relative to environmental licensing –, the outlook remains for the three projects to go into operation before the end of 2021.

The determined pace of the field teams – instrumental in maintaining operational excellence with preventive measures being rigorously executed to control risks of contagion – was accompanied in parallel by our staff in the administrative and business areas. For example, to our clients in the Free Energy Market, we were able to deliver E-conomiza, a dedicated solution facilitating the migration of small and middle-market companies to the free contracting environment. The Company also launched Energy Place, a digital relationship channel for managing contracts and also for acquiring energy in the short-term market – all online and in an agile and secure fashion. In the fourth quarter, we introduced Follow Energy, an innovative system of managing energy and utilities, operating at more than 7,400 sites, and controlling over 60,000 points of consumption.



"All our efforts were focused on ensuring the supply of energy – vital to society – and at the same time, protecting lives, guaranteeing the health of our teams, and giving support to the communities in which the Company conducts its business."

In the case of our employees, we developed tools for enhancing connectivity – not only for business purposes but more especially for interpersonal contact. Among the highlights, were wellbeing and mental health programs including a series of online events, campaigns for fostering engagement and as psychological support. Additional to the sanitary protocols already in place, these actions provided guidance to our teams with respect to the gradual voluntary and safe return to activities at the Company's installations. These initiatives also contributed to learning new ways of carrying out tasks and set to be part of our working lives from hereon.

To the communities in which ENGIE Brasil Energia conducts its business, we have introduced different support models. The sanitary crisis prompted the prioritization of immediate help for the more vulnerable as well as help for healthcare centers for improving attendance to the population. This two-pronged approach has guided our actions of social responsibility since the outbreak of the pandemic with the allocation of more than R$ 7 million. Some of these resources came from the Solidarity Campaign – this enjoying strong participation on the part of our employees -, so reinforcing community engagement as a fundamental characteristic of the Company's culture.

Based on these commitments, together we were able to meet the challenges of the crisis and its effects. We closed 2020 with a net operating revenue in excess of R$ 12 billion, 25% higher than in 2019, Ebitda of R$ 6.5 billion and net income of R$ 2.8 billion, both items reporting increases of more than 20% in the period. Among the factors that contributed to this evolution, we mention the recognition of the effects of the hydrological risk renegotiation, the contribution of Transportadora Associada de Gás - TAG and the transmission segment, in addition to a combination of the variations in amount of energy sold and the average net selling price.

We continue dedicated to building the future. The urgency of the decarbonization process, a component of ENGIE's business strategy for more than five years now, is an absolutely vital necessity in assuring the transition to a low carbon economy.

Conscious of this, we continue to prioritize investments in energy generation from renewable resources. In 2021, we are beginning work on the first phase of the Santo Agostinho Wind Complex in the state of Rio Grande do Norte, which will have an investment of approximately R$ 2.2 billion and bringing with it an additional 434 MW to the Company's installed capacity, all energy generated being commercialized through the Free Energy Market. On another front, we shall be pursuing our plan for the decarbonization of our assets. And additionally, resuming the process for identifying prospective purchasers of the Pampa Sul Thermoelectric Plant in the state of Rio Grande do Sul, and in relation to the Jorge Lacerda Thermoelectric Complex in the state of Santa Catarina, looking at alternatives for the asset through the intermediary of a special Working Party dedicated to the purpose.

We appreciate that the transformations necessary for the energy transition will continue requiring adaptation on the part of the energy sector, mobilizing both government and private sector entities. In 2020, the Brazilian Electric Energy Sector demonstrated its maturity with the mobilization for drawing up a plan for the distributors, ensuring that eventual defaults did not contaminate the remainder of the value chain with the publication of Provisional Measure 950. There were also some notable regulatory improvements with the approval of the Law recognizing the right of the hydroelectric generators to compensation for the financial effects arising from external factors causing increased losses under the GSF over recent years and also Provisional Measure 998, establishing the conditions for the modernization of the Brazilian electricity sector, rendering it increasingly sustainable and competitive. Expectation of progress is also implicit in the debates being conducted with respect to the New Gas Law, with enormous potential for dynamizing the sector.

A more business-friendly environment will be critical to recovery in the Brazilian economy, opening the way to growth. ENGIE Brasil Energia is absolutely convinced as to the country's potential for sustainable development. As we have shown during the atypical year of 2020, the Company is prepared to make its contribution to overcoming the challenges of the future in an integral, courageous and responsible way.



**Eduardo Antonio Gori Sattamini**
Chief Executive and Investor Relations Officer



**Marcelo Cardoso Malta**
Chief Financial Officer

# BREAKDOWN OF ASSETS

## Energy Generation Assets

ENGIE Brasil Energia is part of the largest independent power producer group in the country and, at the end of the 4Q20 had 8,710.5 MW of installed capacity and operates a generating complex with 10,431.2 MW, comprised of 60 plants (11 hydro, four thermal and 45 complementary energy source plants — biomass, SHP, wind powered and solar), 56 of which are wholly-owned by the Company and four (the Itá, Machadinho and Estreito Hydro Power Plants and the biomass-fired Ibitiúva Bioenergética co-generation plant) jointly-owned through consortia with other companies.

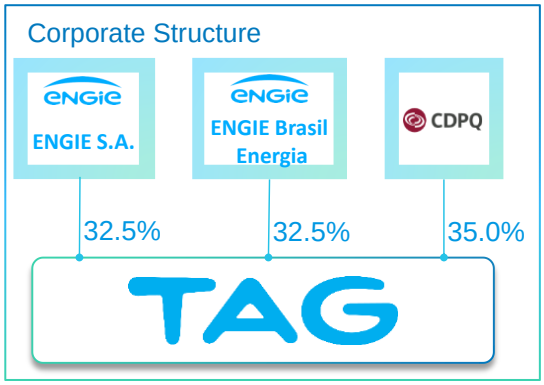
### Generating Complex as of December 31, 2020

| Power Plants | Source | Location | Installed Capacity (MW) | | Concession/ Authorization original term expiration date * | Assured energy (aMW) Company's Share |
|---|---|---|---|---|---|---|
| | | | Total | Company's Share | | |
| Itá | Hydro | Uruguai River (SC and RS) | 1,450.0 | 1,126.9 | Oct/30 | 564.7 |
| Salto Santiago | Hydro | Iguaçu River (PR) | 1,420.0 | 1,420.0 | Sep/28 | 733.3 |
| Machadinho | Hydro | Uruguai River (SC and RS) | 1,140.0 | 403.9 | Jul/32 | 165.3 |
| Estreito | Hydro | Tocantins River (TO/MA) | 1,087.0 | 435.6 | Nov/37 | 256.9 |
| Salto Osório | Hydro | Iguaçu River (PR) | 1,078.0 | 1,078.0 | Sep/28 | 502.6 |
| Cana Brava | Hydro | Tocantins River (GO) | 450.0 | 450.0 | Aug/33 | 260.8 |
| Jaguara | Hydro | Grande River (MG) | 424.0 | 424.0 | Dec/47 | 341.0 |
| Miranda | Hydro | Araguari River (MG) | 408.0 | 408.0 | Dec/47 | 198.2 |
| São Salvador | Hydro | Tocantins River (TO) | 243.2 | 243.2 | Apr/37 | 148.2 |
| Passo Fundo | Hydro | Passo Fundo River (RS) | 226.0 | 226.0 | Sep/28 | 113.1 |
| Ponte de Pedra | Hydro | Correntes River (MT) | 176.1 | 176.1 | Sep/34 | 133.6 |
| **Total - Hydro** | | | **8,102.3** | **6,391.7** | | **3,417.7** |
| Jorge Lacerda Complex[1] | Thermal | Capivari de Baixo (SC) | 857.0 | 857.0 | Sep/28 | 649.9 |
| Pampa Sul | Thermal | Candiota (RS) | 345.0 | 345.0 | Mar/50 | 323.5 |
| **Total - Thermal** | | | **1,202.0** | **1,202.0** | | **973.4** |
| Umburanas Complex[2] | Wind Farm | Umburanas (BA) | 360.0 | 360.0 | Aug/49 | 213.3 |
| Campo Largo Complex[3] | Wind Farm | Umburanas (BA) | 326.7 | 326.7 | Jul/50 | 166.5 |
| Trairi Complex[4] | Wind Farm | Trairi (CE) | 212.6 | 212.6 | Sep/41 | 100.8 |
| Ferrari | Biomass | Pirassununga (SP) | 80.5 | 80.5 | Jun/42 | 35.6 |
| Ibitiúva Bioenergética | Biomass | Pitangueiras (SP) | 33.0 | 22.9 | Apr/30 | 12.0 |
| Assú V | Solar | Assú (RN) | 30.0 | 30.0 | Jun/51 | 9.2 |
| Lages | Biomass | Lages (SC) | 28.0 | 28.0 | Oct/32 | 16.5 |
| Rondonópolis | SHP | Ribeirão Ponte de Pedra (MT) | 26.6 | 26.6 | Dec/32 | 14.0 |
| José Gelazio da Rocha | SHP | Ribeirão Ponte de Pedra (MT) | 24.4 | 24.4 | Dec/32 | 11.9 |
| Nova Aurora | Solar | Tubarão (SC) | 3.0 | 3.0 | not applicable[5] | 0.0 |
| Tubarão | Wind Farm | Tubarão (SC) | 2.1 | 2.1 | not applicable[5] | 0.0 |
| **Total - Complementary** | | | **1,126.9** | **1,116.8** | | **579.8** |
| **Total** | | | **10,431.2** | **8,710.5** | | **4,970.9** |

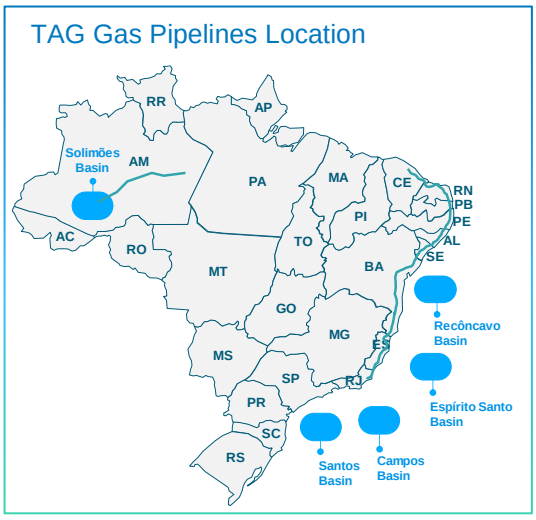
* It does not consider the extension of concessions of certain plants, resulting from adherence to the renegotiation of the hydrological risk referred to in Law 14.052/2020.
[1] Complex comprised of three power plants.
[2] Complex comprised of 18 power plants.
[3] Complex comprised of 11 power plants.
[4] Complex comprised of 8 power plants.
[5] For generating plants with installed capacity lower than or equal to 5 MW the legal instrument applicable is the record.

## Gas Transportation Assets

Transportadora Associada de Gás S.A. – TAG (TAG) is the largest natural gas transportation operation in Brazil, with an infrastructure of 4,500 km of high pressure gas pipelines extending along the country's southeastern and northeastern seaboards as well as a further section of line between Urucu and Manaus, in the state of Amazonas, crossing 10 Brazilian states and 181 municipalities.




The gas pipeline network has several interconnection points, among them, 10 gas distributors, 13 active gas entry points (including two Liquified Natural Gas (LNG) terminals) and a further 90 gas exit points as well as 11 compressor stations for supplying refineries, fertilizer plants and thermoelectric power plants.




Jointly with the existing partners, a subsidiary of ENGIE S.A. and Caísse de dépôt et placement du Quebec (CDPQ), in July EBE acquired the remaining 10% minority stake still in the hands of Petrobras and worth R$ 1,006.7 million, so that the Company now holds a total of 32.5% of TAG's shares.

ENGIE Brasil Energia's presence into the natural gas segment in Brazil is in line with the Group`s global strategy of being a leader in the energy transition. This requires large scale and sophisticated infrastructure such as TAG`s gas pipelines, contributing to the diversification and decarbonization of the Brazilian energy mix.

**TAG is significantly contracted** (~99%) for an average term of approximately 10 years through current agreements with Petróleo Brasileiro S.A. (Petrobras).

### Contracts Breakdown

| Gas Pipelines | Size (km) | Contract Maturity | Authorization Term Expiration Date | Volumes Contracted (MM m³/day) | % Projected of Net Operating Revenue* | Readjustment index |
|---|---|---|---|---|---|---|
| Gasene | 1,400 | Nov-33 | Mar-39 | 30.3 | 41.5% | IGPM/CPI/FX |
| Malha NE | 2,000 | Dec-25 | Mar-39 | 21.6 | 22.0% | IGPM |
| Pilar-Ipojuca | 200 | Nov-31 | Nov-41 | 15.0 | 6.0% | IGPM |
| Urucu-Coari-Manaus | 800 | Nov-30 | Nov-40 | 6.7 | 30.5% | IGPM/IPCA |
| Lagoa Parda-Vitória | 100 | Under negotiation | Mar-39 | 0.7 | 0.0% | IGPM |
| **Total** | **4,500.0** | | | **74.3** | **100.0%** | |

* Differences in the representativity of revenues between contracts may occur.

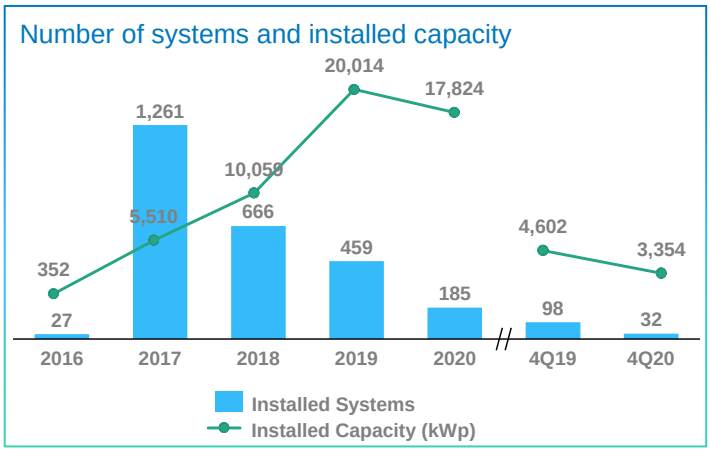
## Distributed Solar Generation

**ENGIE Geração Solar Distribuída.** The Company has operated in the distributed generation market since 2016 through ENGIE Geração Solar Distribuída S.A. (EGSD), the acquisition of the total capital stock of which being concluded in August 2018. The investments in the distributed solar energy segment contributes to a more dynamic energy matrix, one closer to the end consumer.

The fourth quarter saw the effective implementation of remote generation projects whereby EGSD invests and leases the equipment to clients (asset-based projects). New agreements totaling 8.2 MWp were sold, enabling clients to reduce carbon dioxide emissions annually by about 1,581 tons.



A Distributed Solar System installed by EGSD.




Sales of energy capacity in 4Q20 amounted to 9.2 MWp. For 2020, 91.8% of the projects originated from the B2B (business-to-business) segment. This helps strengthen EGSD's commercial ties with major corporations, responsible for projects involving larger installed capacity, and consolidating Group strategy.

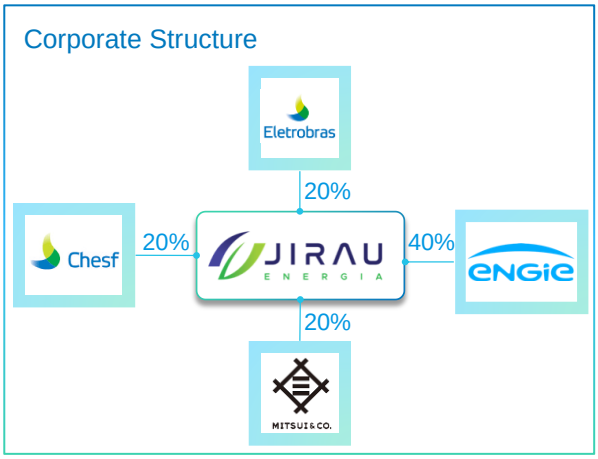
In 4Q20, 32 systems were deployed with an installed capacity of 3,4 MWp. During 2020, EGSD installed 185 systems with a total installed capacity of 17,8 MWp.

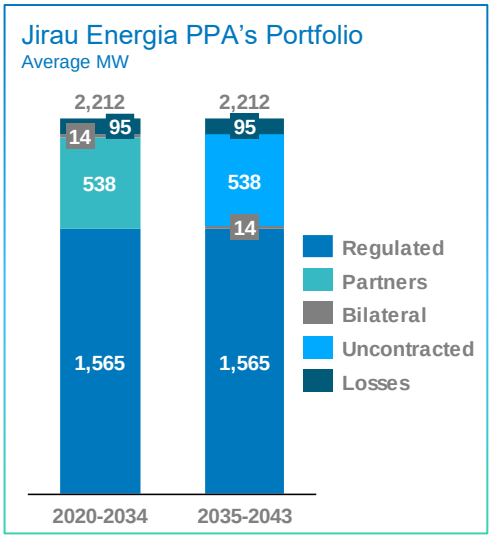
Since the outset of its operations, ENGIE Geração Solar Distribuída has installed 2,598 systems with an installed capacity of 53,8 MWp.

## Expansion

**Jirau Energia.** Jirau Energia, new denomination of Energia Sustentável do Brasil (ESBR), is responsible for the maintenance, operation and sale of energy generated by the Jirau Hydroelectric Power Plant, located in the Madeira River, in the city of Porto Velho, state of Rondônia.

Since November 2016, Jirau HPP has 50 generating units in operation, representing a total installed capacity of 3,750 MW. The plant was unveiled on December 16, 2016.




In May 2017, ENGIE Brasil Participações (EBP) announced the engagement of Banco Itaú BBA S.A. to provide financial advisory services for an economic-financial study for the preparation of a proposal for the eventual transfer to ENGIE Brasil Energia (EBE) of EBP's stakes of 40% in ESBR Participações S.A. (ESBRpar) – holder of 100% of the capital stock of Jirau Energia – and the 100% participation in Geramamoré Participações e Comercializadora de Energia Ltda. The transfer assessment has put on hold, awaiting more favorable conditions for the discussions to resume.

In 4Q20, the plant generated 686.1 average MW, 43.1% lower than the 1,205.7 average MW for 4Q19, while the National Electrical System Operator Uptime Ratio (FID) was 99.7% (data subject to final Electric Energy Trade Board (CCEE) booking). The accumulated recorded generation for the year was 1,721.8 average MW, 10.6% bellow than the 1,926.4 average MW for 2019, with FID (Uptime Factor) of 99.7%.

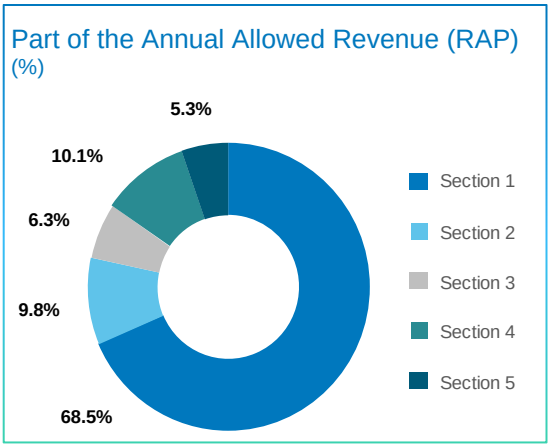
Reductions in generation reported in the periods reflect the combination of the effects of the Covid-19 pandemic and less favorable hydrological conditions.

**Gralha Azul Transmission System.** On December 15, 2017, the Company made a successful bid for Lot 1 of Aneel Transmission Auction 02 for a stretch of about 1,000 kilometers in the state of Paraná (PR), marking EBE's debut into the energy transmission sector in Brazil. The project also includes the installation of five new substations and expansion of another five existing ones. The concession term for the public utility transmission service, including the licensing, the construction, assembly and the operation and maintenance of the transmission line installations will be 30 years as from signature date of the concession agreement, with a maximum cut-off date for entry into operation set for March 9, 2023.

The project's financing contract was signed with the Brazilian Development Bank (BNDES) on March 30, 2020.

| Lot | Location | Contracted RAP (R$ million) | Estimated Capex (R$ million)* |
|---|---|---|---|
| 1 | Paraná (PR) | 231.7 | 1,700.0 |
| **Total** | | **231.7** | **1,700.0** |

* Value as of December 2017






Tower assembly

On December 9, 2020, the federal Higher Court of Justice (STJ) revoked a temporary injunction issued by a Federal Court in October 2020 in the light of the Company's arguments demonstrating the correctness of the project's environmental licensing process as well as compensatory measures adopted on a voluntary basis, all implemented in line with the Company's sustainability policies. The Class Action (ACP), subsequently revoked, had suspended the environmental licenses for the transmission lines with respect to the Ivaiporã – Ponta Grossa C1 and C2 and Ponta Grossa – Bateias C1 and C2 sections allowing work to be resumed.

Consequently, by the end of 4Q20, the overall implementation of the Gralha Azul Transmission System was 75% complete with civil work and electro-mechanical assembly of the transmission lines and substations meeting the schedule established in the federal concession agreement. The estimated month for completion of the project within a reduced timeframe remains as September 2021, 18 months ahead of schedule in relation to final delivery date, thus anticipating a solution to energy supply from Itaipu to the state of Paraná.

The outllook for a reduction in investment value against the figure indicated by Aneel remains at approximately 15%, thus rendering feasible the provision of a cheaper transmission tariff for consumers nationwide and more especially consumers in the state of Paraná.

**Novo Estado Transmission System.** In December 2019, through its subsidiary, ENGIE Transmissão de Energia Participações S.A., the Company signed a purchase and sale agreement for the purchase of stock, the issue of Sterlite Novo Estado Energia S.A., held by Sterlite Brasil Participações S.A., as the successful bidder for Lot 3 of Aneel Transmission Auction 002/2017, held in December 2017. The operation closed on March 3, 2020 and on May 29, 2020, the First Amendment Instrument to the respective Concession Agreement was signed, consolidating transfer of ownership.

The object of the concession is the construction, operation and maintenance of approximately 1,800 kilometers of transmission lines, a new substation and upgrades to a further three existing substations in the states of Pará and Tocantins, for a term of 30 years. **The installation license of the project has been issued by the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama).**

The leading contractors began mobilizing on March 16, 2020, construction beginning in April with activities at the construction sites. On May 18, a start was made on the civil work itself.

On June 26, 2020, a project financing agreement was signed with the BNDES. Subsequently, on August 19, 2020, a financing agreement was signed with the Banco da Amazônia S.A. (BASA), for the funding of part of the installation of the project.

Currently, a workforce of more than 6,000 has been mobilized for the construction work. Some 60% of the work on tower foundations has been completed together with 16% of the tower assembly. In 4Q20, transmission line cable slinging operations begun both in the Xingu - Serra Pelada TL as well as the Serra Pelada – Miracema TL sections. Civil work on the Serra Pelada substation is at an advanced stage of execution – the overall level of completion being 36% while substation expansion is at the civil works phase.

The cutoff date for the transmission systems to go into operation is March 9, 2023, but the Company's forecast is to reduce this period to December 2021.

| Lot | Location | Contracted RAP (RS million) | Estimated Capex (R$ million)* |
|---|---|---|---|
| 3 | Pará (PA) e Tocantins (TO) | 313.1 | 3,000.0 |
| **Total** | | **313.1** | **3,000.0** |

* Base March 2020, excluding acquisition cost



Tower assembly

## Projects under Implementation

| Power plants | Source | Location | Installed Capacity (MW) | | Concession/ Authorization original term expiration date | Assured energy (aMW) Company's Share |
|---|---|---|---|---|---|---|
| | | | Total | Company's Share | | |
| Campo Largo II Complex | Wind Farm | Umburanas and Sento Sé (BA) | 361.2 | 361.2 | - | 192.5 |
| Santo Agostinho Complex - Phase I | Wind Farm | Lajes and Pedro Avelino (RN) | 434.0 | 434.0 | - | 218.0 |
| **Total** | | | **795.2** | **795.2** | | **410.5** |

**Campo Largo II Wind Complex – Bahia.** Activities are underway to implement the Campo Largo II Wind Complex, located in the muncipalities of Umburanas and Sento Sé, approximately 420 km distant from the state capital, Salvador. **Phase II represents 361.2 MW of installed capacity** and 192.5 average MW of assured energy with investments of about R$ 1.6 billion.

The Project will enjoy the benefits of the synergies with existing structures such as the substation and transmission line, installed by the Company to support both the Campo Largo – Phase I and Umburanas – Phase I wind complexes with a total of 686.7 MW of installed capacity. With the installation of the second phase of Campo Largo, ENGIE Brasil Energia's total installed wind capacity will surpass the mark of 1 gigawatt (GW) in the region. Power output from Campo Largo II will be sold entirely in the Free Contracting Environment (ACL).



Wind turbine generator assembly

All the installation licences for the eleven wind farms comprising the project have been issued thus allowing activities to proceed in all areas of the project. Requests for operating licenses for the first wind farms have already been filed. The agreement for financing the project was signed with the BNDES on April 27, 2020.

The following represents continuing work in progress during the fourth quarter 2020: civil works; the installation of the medium voltage networks connecting up the wind turbines with the collector substation; and the manufacture, delivery and assembly of the wind turbines. Work on the expansion of the collector substation was completed and the commissioning of the wind turbines initiated. By the end of 4Q20, 72.4% of the work had been completed. Authorization has already been granted for test operating the first wind turbines. The first wind farms are expected to start commercial operation in February 2021 while the last for the third quarter of 2021.

**Santo Agostinho Wind Complex – Phase I – Rio Grande do Norte.** With a **total installed capacity of 434 MW**, the first phase of the complex will be located in the municipalities of Lajes and Pedro Avelino, about 120 km from the city of Natal, the capital of the state of Rio Grande do Norte. In June 2016, the state of Rio Grande do Norte's environmental protection agency, the Environmental and Sustainable Development Institute (Idema), declared the project to be environmentally viable and in June 2020, a request for the installation license was filed with Idema.

In January 2021, ENGIE signed an agreement with Siemens Gamesa for the supply of wind turbines, allowing the initial phase of the Santo Agostinho Wind Complex to proceed. This phase, at an estimated investment of approximately R$ 2.2 billion and responsible for creating about a thousand jobs in the region, involves the supply of a total installed capacity of 434 MW to clients in the free market.

## Projects under Development

| Power plants | Source | Location | Installed Capacity (MW) | |
|---|---|---|---|---|
| | | | Total | Company's Share |
| Santo Agostinho Complex - Phase II | Wind Farm | Lajes and Pedro Avelino (RN) | 366.0 | 366.0 |
| Campo Largo Solar Complex | Solar | Umburanas e Sento Sé (BA) | 400.0 | 400.0 |
| Umburanas Complex - Phase II | Wind Farm | Umburanas (BA) | 250.0 | 250.0 |
| Campo Largo III Complex | Wind Farm | Umburanas e Sento Sé (BA) | 250.0 | 250.0 |
| Assú - Plants I, II, III e IV | Solar | Assú (RN) | 120.0 | 120.0 |
| Alvorada | Solar | Bom Jesus da Lapa (BA) | 90.0 | 90.0 |
| **Total** | | | **1,476.0** | **1,476.0** |

**Santo Agostinho Wind Complex – Phase II – Rio Grande do Norte.** Located next to the first phase, will capture synergies that will assist in the development and viability, such as: accommodation, external access, substation, transmission line and others. In the development phase, it should have a **total installed capacity reaching 366 MW** and already has the previous license issued by the Environmental and Sustainable Development Institute (Idema) - an environmental agency in the state of Rio Grande do Norte -, which declared the project environmentally viable. In June 2020, a request for the installation license was filed with Idema.

**Umburanas Wind Complex – Bahia (Phase II).** The environmental licensing for the Second Phase is already regularized although this is to be updated during the course of 2021 to reflect the new technologies available in the market and to ensure optimum use of the region's wind resources. In due course, the project is to be developed by the Company adjacent to the Campo Largo and Umburanas – Phase I Wind Complex, in this way capturing synergies during the installation and operational stages such as the substation, site accommodation, accesses, teams and others. The project has all the necessary documentation for participation in energy auctions, a fact which does not eliminate the feasibility of accessing the free consumer market through the medium of corporate PPAs. **The currently installed capacity planned for the project is approximately 250 MW**, taking advantage of the best wind resources in the region.

**Campo Largo III Wind Complex – Bahia.** The Company intends to add about **250 MW of installed capacity** to the Campo Largo Wind Complex with the development of its third phase. The project is in the environmental licensing process, regularizing land aspects and will be further developed by the Company next to Phases I and II of Campo Largo Wind Complex, capturing synergies especially during the commercial operation.

**Assú Photovoltaic Complex.** Located in the Municipality of Assú, state of Rio Grande do Norte, the Complex will have a total **installed capacity of approximately 150 MW**, consisting of five projects, among them Assú V. Assú V went into commercial operations in December 2017. The other solar energy plants under development are also qualified to participate in opportunities in both free and regulated markets.

**Alvorada Photovoltaic Complex.** ENGIE Brasil Energia has acquired a site in the state of Bahia, – a region with potential for generating solar energy – for the development of three projects comprising the **Alvorada Photovoltaic Complex**. The projects, which **will have a total installed capacity of 90 MW.** The projects are at the development phase and qualify to participate in opportunities in both the free and regulated markets.

**Campo Largo Photovoltaic Complex.** Situated in the same area as the Campo Largo Wind Complex (Bahia State), the photovoltaic project is to have 12 photovoltaic solar energy plants, these totaling a **potential installation capacity of 400 MW**. The projects are at a development phase and are qualified to participate in opportunities in both free and regulated markets.

Besides the abovementioned projects, the Company is also examining opportunities in areas with hight photovoltaic potential, as well as partnerships which could accelerate the development of this energy source in line with the process of energy transition which is taking place at world level.

# OPERATING PERFORMANCE

## Energy Generating Park Uptime Operating

The plants operated by ENGIE Brasil Energia reported uptime working of **95.8% in 4Q20, ignoring scheduled stoppages**: 99.6% for the hydroelectric plants, 75.0% for the thermoelectric plants and 91.2% with respect to the plants fired from complementary energy sources, namely SHPs, biomass, wind and photovoltaics.

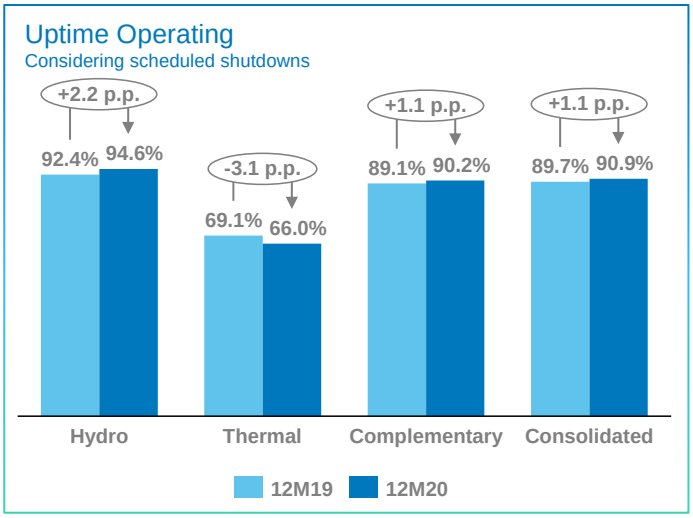
**If all scheduled shutdowns are taken into account**, the aggregate uptime in the 4Q20 was 90.6%: 93.2% for the hydroelectric plants, 75.0% for the thermoelectric and 88.3% for plants operating with complementary energy sources.

Including scheduled maintenance stoppages, the global uptime ratio in 4Q20 was 0.9 p.p. more than verified in the same period of 2019. Hydroelectric uptime, in turn, was 0.3 p.p. greater in the quarter due to shorter time spans for preventive and predictive stoppages.

At the thermoelectric power plants, there was an increase in the uptime ratio, 11.3 p.p. greater than 4Q19, due largely to the improved performance of Pampa Sul in the period.

In the case of the complementary power plants, there was a 6.3 p.p. decline in uptime compared with 4Q19, in large part reflecting the shutdown period for corrective maintenance at the Lages Cogeneration Unit.

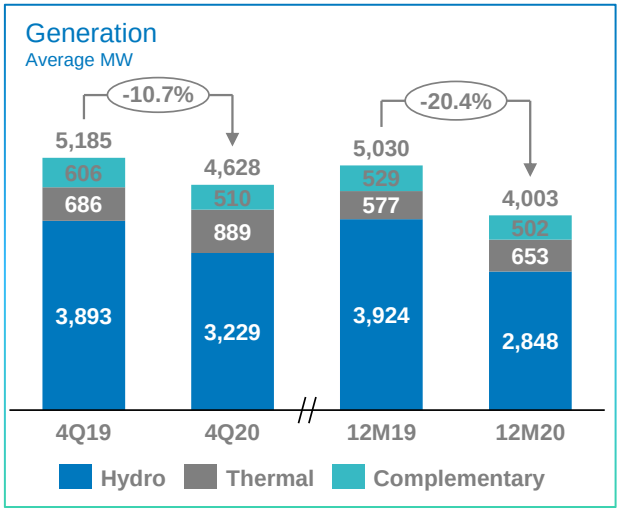
**For the full 12 months of 2020, excluding scheduled shutdowns**, plants operated by ENGIE Brasil Energia achieved an uptime ratio of 96.4%, 99.7% in the case of the hydroelectric plants, 76.9% for the thermoelectric power plants and 93.5% for plants powered from complementary sources — incorporating SHPs, biomass, wind and photovoltaics.



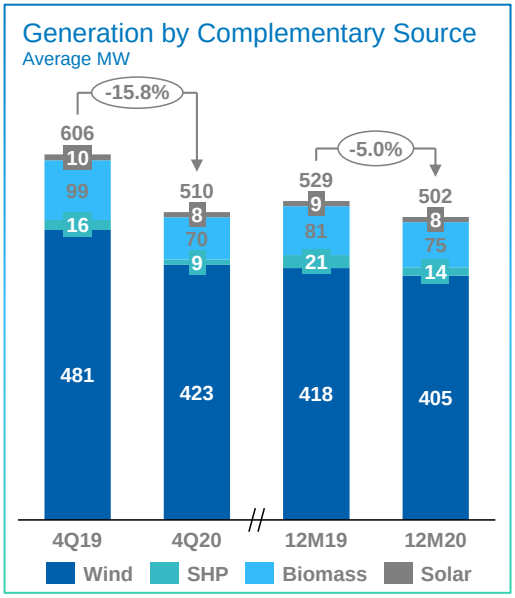

**If all programmed stoppages are taken into consideration**, internal overall uptime **for the full 12 months of 2020** was 90.9%, that is 94.6% for the hydroelectric plants, 66.0% for the thermoelectric plants and 90.2% in the case of plants fired from complementary energy sources. On a year-on-year comparative basis, global internal uptime was 1.1 p.p. higher, comprising increases of 2.2 p.p. and 1.1 p.p. at the hydro and complementary plants, respectively, and a reduction in the case of thermoelectric uptime of 3.1 p.p. The reduction in availability at the thermoelectric power plants during 2020 against 2019, is due principally to unscheduled outages, in turn reflecting greater exposure to faults in continuous operations. The increase in hydroelectric and complementary energy sourced plants on the other hand was due to shorter time spans required for executing the work.

## Energy Production

**Electricity output from plants operated by ENGIE Brasil Energia** was 10,220 GWh (4,628 average MW) in 4Q20. This result is **10.7% lower** than production for 4Q19. Total output breaks down as follows: hydroelectric plants 7,130 GWh (3,229 average MW), thermoelectric plants 1,963 GWh (889 average MW) and the complementary sourced units 1,127 GWh (510 average MW). Results point, respectively, to decreases of 17.0% and 15.8% on the hydro and complementary energy sources, and increase of 29.6% on termoelectric energy sources, in relation to 4Q19.




The reduction in overall generation from the hydroelectric plants in 4Q20 compared with 4Q19, can be mainly ascribed to less favorable hydrological conditions in the hydrographic basins where the Company's plants are sited, more especially in the south of Brazil. Lower production from complementary sources is a reflection of the temporary stoppage of operations at the Lages Cogeneration Plant for corrective maintenance on the generator unit.




The shortfall in the supply of hydroelectricity was the main factor contributing to the corresponding increase in thermoelectric output and the need to dispatch the Jorge Lacerda Thermoelectric Power Complex for the larger part of 4Q20. In order to preserve reservoir storage volumes during 4Q20, more particularly in the South, the Electricity Sector Monitoring Committee (CMSE) authorized the dispatch of the thermoelectric plants outside the order of merit, guaranteeing energy dispatch from the Jorge Lacerda Thermoelectric Complex.

**Overall, during the entire 12 months of 2020**, the Covid-19 pandemic provoked a significant reduction in the National Interconnected System's load factor. Similarly, this fed through to global production at ENGIE of approximately 35,163 GWh (4,003 average MW), 20,4% down on 2019, when the total was 44,058 GWh (5,030 average MW). In 2020, only thermoelectric output was higher relative to the preceding year, 13.2% up on 2019. In the case of hydroelectric and complementary operations, the decrease was 27.4% and 5.0%, respectively.

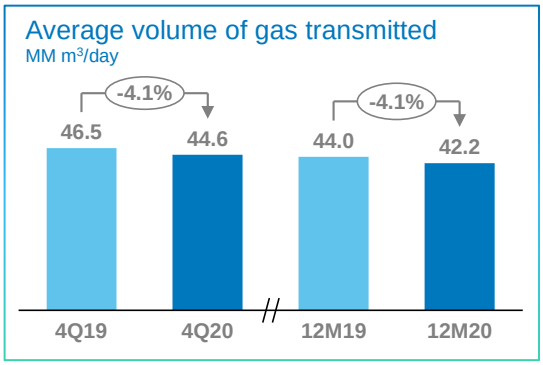
In this context, it is worth pointing out that an increase in the Company's hydroelectric generation does not necessarily reflect an improvement in economic-financial performance. Conversely, a reduction in this type of generation does not inevitably imply a deterioration in economic-financial performance due to the adoption of the Energy Reallocation Mechanism (MRE), which defrays the risks of hydro generation among its participants.

As to the Company's thermal generation, its increase might reduce (as a function of the Company's level of contracting) exposure to the Price for the Settlement of Differences (PLD), the opposite being the case when there is a decrease, all other variables being equal.

## Gas Transportation

Transportadora Associada de Gás - TAG receives natural gas daily at gathering points along its pipeline network and delivers it to the carrier Petrobras at entry points known as city gates, in return being remunerated for the transportation service, comprising a portion for the effective transportation of the natural gas molecule and also a charge for unutilized capacity (ship-or-pay).

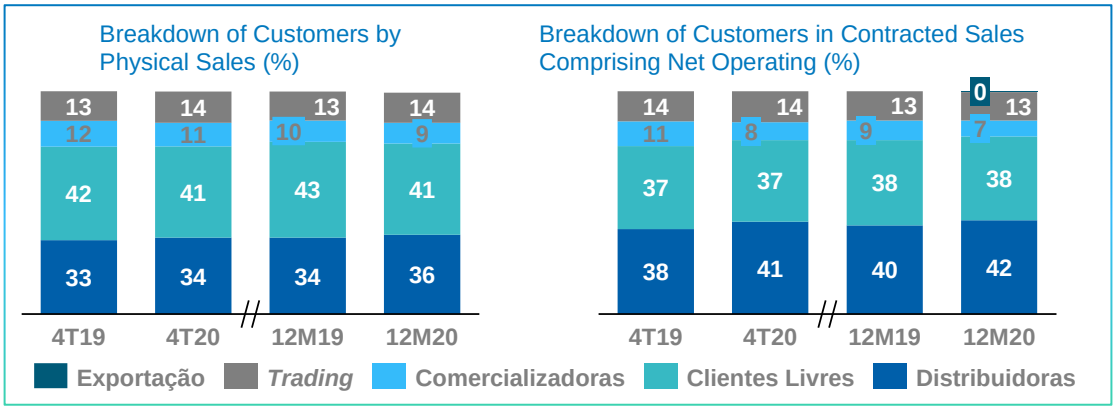
In 4Q20, TAG transmitted an average volume of gas of 44.6 million m³/day (46.5 million m³/day in the 4Q19). For the year as a whole, transported gas volumes were 42.2 million m³/day (44.0 million m³/day in 2019).




## Electric Energy Sales Portfolio

In 4Q20, the free consumer share of the Company's portfolio was 41.0% of total physical sales and 36.7% of the total net operating revenue (except CCEE and other revenues), decreases of 1.1 p.p. and 0.5 p.p., respectively in relation to the same quarter in 2019. In 12M20, free consumers represented 41.5% of physical sales and 37.6% of net operating revenues (excluding CCEE and other revenues), down 1.6 p.p. and 0.7 p.p., respectively compared with 2019.

The reduction in the participation of free consumers in physical sales and in net operating revenues for the periods under analysis was largely due to decreased consumption on the part of industrial clients affected by the Covid-19 pandemic. However, this decrease was partially offset by migrations between trading company and free consumer profiles. Overall, the impact on net operating revenue was partially attenuated by new agreements at average prices higher than the average for current or terminated agreements.



## Commercialization Strategy of Electric Energy

The Company pursues a commercial strategy of gradual sales of future energy availability for any given year as a means of mitigating the risk of exposure to spot prices (Price for Settlement of Differences — PLD) for that particular year. Electric energy sales are made during windows of opportunity that open when the market shows a greater buying propensity. ENGIE Brasil Energia's energy balance based on proprietary commercial capacity and power purchasing agreements outstanding as at **December 31, 2020** is as follows:

### Energy Balance

(Average MW)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | **Auction** **Gross** Price (R$/MWh) | Reference Date | **Gross** Price Adjusted (R$/MWh) | **Net** Price of PIS/COFINS/P&D (R$/MWh) |
|---|---|---|---|---|---|---|---|---|---|---|
| Own Resources | 4,851 | 4,905 | 4,907 | 4,905 | 4,903 | 4,902 | | | | |
| + Purchases for Resale | 979 | 774 | 581 | 409 | 349 | 313 | | | | |
| **= Total Resources (A)** | **5,830** | **5,679** | **5,488** | **5,314** | **5,252** | **5,215** | | | | |
| Government Auction Sales[1] | 2,010 | 2,010 | 2,010 | 2,005 | 1,994 | 1,984 | | | | |
| 2005-NE-2010-30 | 200 | 200 | 200 | 200 | 200 | 200 | 115.1 | Dec-05 | 242.9 | 218.2 |
| 2006-NE-2009-30 | 493 | 493 | 493 | 493 | 493 | 493 | 128.4 | Jun-06 | 266.8 | 239.7 |
| 2006-NE-2011-30 | 148 | 148 | 148 | 148 | 148 | 148 | 135.0 | Nov-06 | 278.5 | 250.2 |
| 2007-NE-2012-30 | 256 | 256 | 256 | 256 | 256 | 256 | 126.6 | Oct-07 | 250.8 | 225.4 |
| Proinfa | 19 | 19 | 19 | 19 | 19 | 19 | 147.8 | Jun-04 | 305.3 | 294.2 |
| 1st Reserve Energy Auction | 12 | 12 | 12 | 12 | 2 | - | 158.1 | Aug-08 | 296.1 | 285.3 |
| Auction Mix (New Energy / Reserve / DG) | 14 | 14 | 14 | 9 | 8 | - | - | - | 288.7 | 278.2 |
| 2014-NE-2019-25 | 295 | 295 | 295 | 295 | 295 | 295 | 183.5 | Mar-14 | 260.0 | 233.6 |
| 2014-NE-2019-25 | 10 | 10 | 10 | 10 | 10 | 10 | 206.2 | Nov-14 | 271.5 | 261.6 |
| 2014-NE-2019-20 | 82 | 82 | 82 | 82 | 82 | 82 | 139.3 | Nov-14 | 184.0 | 167.0 |
| 2015-NE-2018-20 | 46 | 46 | 46 | 46 | 46 | 46 | 188.5 | Aug-15 | 233.1 | 211.6 |
| 8th Reserve Energy Auction | 9 | 9 | 9 | 9 | 9 | 9 | 303.0 | Nov-15 | 370.2 | 336.0 |
| 2014-EN-2019-20 | 48 | 48 | 48 | 48 | 48 | 48 | 136.4 | Nov-14 | 184.3 | 167.3 |
| Government Auction - Quotas regime | | | | | | | | | | |
| 2018 - Quotas (UHJA) - 2018-30 | 239 | 239 | 239 | 239 | 239 | 239 | - | Jul-17 | 153.0 | 145.9 |
| 2018 - Quotas (UHMI) - 2018-30 | 139 | 139 | 139 | 139 | 139 | 139 | - | Jul-17 | 173.6 | 165.6 |
| + Bilateral Sales | 3,145 | 2,880 | 2,446 | 1,770 | 1,242 | 805 | | | | |
| **= Total Sales (B)** | **5,155** | **4,890** | **4,456** | **3,775** | **3,236** | **2,789** | | | | |
| **Balance (A - B)** | **675** | **789** | **1,032** | **1,539** | **2,016** | **2,426** | | | | |
| Sales average **net** price (R$/MWh) [2, 3]: | 196.6 | 195.2 | 193.9 | | | | | | | |
| Purchases average **net** price (R$/MWh) [4]: | 177.6 | 173.0 | 163.6 | | | | | | | |

[1] XXXX-YY-WWW-ZZ, where:
XXXX ➔ year of auction
YY ➔ EE = existing energy or NE = new energy
WWWW ➔ year of delivery start
ZZ ➔ supply contract duration (in years)

[2] Sales price, including trading operations, is net of ICMS and taxes over revenue (PIS/Cofins, R&D), i.e. future inflation is not considered.

[3] Desconsidering sales for quota regime (Jaguara and Miranda HPPs).

[4] Purchase net prices, considering trading operations and benefits from PIS/Cofins credits, i.e. future inflation is not considered.

Notes:
- The balance refers to the settlement point (net of losses of internal consumption of the plant).
- The average prices are considered simply estimates and are based on financial planning revisions, not capturing volume changes, which are updated quarterly.

# ECONOMIC-FINANCIAL PERFORMANCE

| | Result by segment – 4Q20 x 4Q19 (in R$ million) | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation[1] | Transmission[2] | Trading | Solar panels | Gas transportation | Consolidated |
| **4Q20** | | | | | | |
| Net operating revenue | 2,234.3 | 1,179.4 | 310.9 | 44.6 | - | 3,769.2 |
| Operational costs | (256.6) | (987.2) | (352.6) | (37.7) | - | (1,634.1) |
| **Gross income (loss)** | **1,977.7** | **192.2** | **(41.7)** | **6.9** | **-** | **2,135.1** |
| Selling, general and administrative expenses | (84.5) | (0.5) | (0.8) | (1.2) | - | (87.0) |
| Other operating expenses, net | (4.6) | - | - | - | - | (4.6) |
| Impairment | (98.8) | - | - | - | - | (98.8) |
| Equity income | - | - | - | - | 120.3 | 120.3 |
| **Income (loss) before financial results and taxes** | **1,789.8** | **191.7** | **(42.5)** | **5.7** | **120.3** | **2,065.0** |
| **4Q19** | | | | | | |
| Net operating revenue | 2,374.8 | 61.5 | 321.6 | 37.2 | - | 2,795.1 |
| Operational costs | (1,319.0) | (53.0) | (320.4) | (36.4) | - | (1,728.8) |
| **Gross income** | **1,055.8** | **8.5** | **1.2** | **0.8** | **-** | **1,066.3** |
| Selling, general and administrative expenses | (74.4) | - | (0.7) | (2.3) | - | (77.4) |
| Other operating expenses, net | (1.4) | - | - | - | - | (1.4) |
| Equity income | - | - | - | - | 86.8 | 86.8 |
| **Income (loss) before financial results and taxes** | **980.0** | **8.5** | **0.5** | **(1.5)** | **86.8** | **1,074.3** |
| **Variation** | | | | | | |
| Net operating revenue | (140.5) | 1,117.9 | (10.7) | 7.4 | - | 974.1 |
| Operational costs | 1,062.4 | (934.2) | (32.2) | (1.3) | - | 94.7 |
| **Gross income (loss)** | **921.9** | **183.7** | **(42.9)** | **6.1** | **-** | **1,068.8** |
| Selling, general and administrative expenses | (10.1) | (0.5) | (0.1) | 1.1 | - | (9.6) |
| Other operating expenses, net | (3.2) | - | - | - | - | (3.2) |
| Impairment | (98.8) | - | - | - | - | (98.8) |
| Equity income | - | - | - | - | 33.5 | 33.5 |
| **Income (loss) before financial results and taxes** | **809.8** | **183.2** | **(43.0)** | **7.2** | **33.5** | **990.7** |

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

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

| | Result by segment – 12M20 x 12M19 (in R$ million) | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation | Transmission | Trading | Solar panels | Gas transportation | Consolidated |
| **12M20** | | | | | | |
| Net operating revenue | 8,539.1 | 2,555.3 | 1,083.9 | 80.9 | - | 12,259.2 |
| Operational costs | (3,328.6) | (2,274.3) | (1,111.5) | (81.5) | - | (6,795.9) |
| **Gross income (loss)** | **5,210.5** | **281.0** | **(27.6)** | **(0.6)** | **-** | **5,463.3** |
| Selling, general and administrative expenses | (267.8) | (1.1) | (3.1) | (5.4) | - | (277.4) |
| Other operating expenses, net | (4.7) | - | - | - | - | (4.7) |
| Impairment | (98.8) | - | - | - | - | (98.8) |
| Equity income | - | - | - | - | 487.1 | 487.1 |
| **Income (loss) before financial results and taxes** | **4,839.2** | **279.9** | **(30.7)** | **(6.0)** | **487.1** | **5,569.5** |
| **12M19** | | | | | | |
| Net operating revenue | 8,427.7 | 169.9 | 1,109.0 | 97.9 | - | 9,804.5 |
| Operational costs | (4,294.1) | (151.5) | (1,111.4) | (96.0) | - | (5,653.0) |
| **Gross income (loss)** | **4,133.6** | **18.4** | **(2.4)** | **1.9** | **-** | **4,151.5** |
| Selling, general and administrative expenses | (243.2) | - | (2.9) | (7.1) | - | (253.2) |
| Other operating expenses, net | 320.4 | - | - | - | - | 320.4 |
| Impairment | (4.9) | - | - | - | - | (4.9) |
| Equity income | - | - | - | - | 81.1 | 81.1 |
| **Income (loss) before financial results and taxes** | **4,205.9** | **18.4** | **(5.3)** | **(5.2)** | **81.1** | **4,294.9** |
| **Variation** | | | | | | |
| Net operating revenue | 111.4 | 2,385.4 | (25.1) | (17.0) | - | 2,454.7 |
| Operational costs | 965.5 | (2,122.8) | (0.1) | 14.5 | - | (1,142.9) |
| **Gross income (loss)** | **1,076.9** | **262.6** | **(25.2)** | **(2.5)** | **-** | **1,311.8** |
| Selling, general and administrative expenses | (24.6) | (1.1) | (0.2) | 1.7 | - | (24.2) |
| Other operating expenses, net | (325.1) | - | - | - | - | (325.1) |
| Impairment | (93.9) | - | - | - | - | (93.9) |
| Equity income | - | - | - | - | 406.0 | 406.0 |
| **Income (loss) before financial results and taxes** | **633.3** | **261.5** | **(25.4)** | **(0.8)** | **406.0** | **1,274.6** |

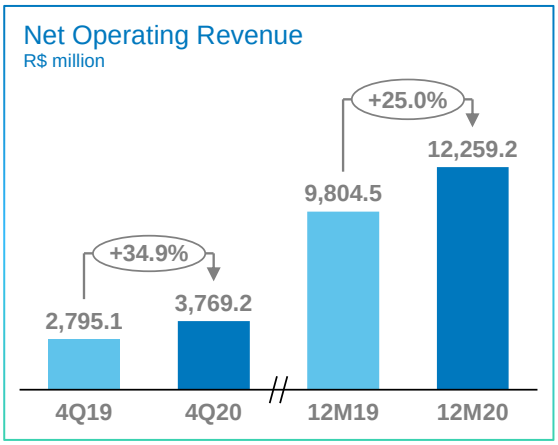
The Company's financial result and taxes are not allocated by segment since Management administers the cash flow on a consolidated and corporate basis.

## Net Operating Revenue

| | Operating revenue by segment – 4Q20 x 4Q19 (in R$ million) | | | | |
|---|---|---|---|---|---|
| | Electric energy | | | | |
| | Generation | Transmission | Trading | Solar panels | Consolidated |
| **4Q20** | | | | | |
| Distribution companies | 909.9 | - | - | - | 909.9 |
| Free consumers | 805.2 | - | - | - | 805.2 |
| Construction revenue | - | 1,047.1 | - | - | 1,047.1 |
| Energy trading operations | - | - | 305.9 | - | 305.9 |
| Trading companies | 175.3 | - | - | - | 175.3 |
| Remuneration of concession financial assets | 145.6 | 132.3 | - | - | 277.9 |
| Transactions in the short-term market | 153.6 | - | 9.5 | - | 163.1 |
| Services rendered revenue | 30.7 | - | - | - | 30.7 |
| Gain of lawsuit | 3.5 | - | - | - | 3.5 |
| Unrealized gains on trading operations[3] | - | - | (4.5) | - | (4.5) |
| Other revenues | 10.5 | - | - | 44.6 | 55.1 |
| **Net operating revenue** | **2,234.3** | **1,179.4** | **310.9** | **44.6** | **3,769.2** |
| **4Q19** | | | | | |
| Distribution companies | 845.4 | - | - | - | 845.4 |
| Free consumers | 822.2 | - | - | - | 822.2 |
| Construction revenue | - | 54.4 | - | - | 54.4 |
| Energy trading operations | - | - | 298.7 | - | 298.7 |
| Trading companies | 245.0 | - | - | - | 245.0 |
| Remuneration of concession financial assets | 108.3 | 7.1 | - | - | 115.4 |
| Transactions in the short-term market | 303.8 | - | 0.7 | - | 304.5 |
| Services rendered revenue | 30.1 | - | - | - | 30.1 |
| Insurance claim receivable | 11.2 | - | - | - | 11.2 |
| Unrealized gains on trading operations | - | - | 22.2 | - | 22.2 |
| Other revenues | 8.8 | - | - | 37.2 | 46.0 |
| **Net operating revenue** | **2,374.8** | **61.5** | **321.6** | **37.2** | **2,795.1** |
| **Variation** | | | | | |
| Distribution companies | 64.5 | - | - | - | 64.5 |
| Free consumers | (17.0) | - | - | - | (17.0) |
| Construction revenue | - | 992.7 | - | - | 992.7 |
| Energy trading operations | - | - | 7.2 | - | 7.2 |
| Trading companies | (69.7) | - | - | - | (69.7) |
| Remuneration of concession financial assets | 37.3 | 125.2 | - | - | 162.5 |
| Transactions in the short-term market | (150.2) | - | 8.8 | - | (141.4) |
| Services rendered revenue | 0.6 | - | - | - | 0.6 |
| Gain of lawsuit | 3.5 | - | - | - | 3.5 |
| Insurance claim receivable | (11.2) | - | - | - | (11.2) |
| Unrealized gains on trading operations | - | - | (26.7) | - | (26.7) |
| Other revenues | 1.7 | - | - | 7.4 | 9.1 |
| **Net operating revenue** | **(140.5)** | **1,117.9** | **(10.7)** | **7.4** | **974.1** |

**In 4Q20, net operating revenue increased 34.9%** (R$ 974.1 million) when compared with 4Q19 from R$ 2,795.1 million to R$ 3,769.2 million. This variation was largely a reflection of the following factors:

**Generation and energy sales from the portfolio:** a reduction of R$ 140.5 million (5.9%), largely due to the following declines: (i) R$ 150.2 million in short-term market transactions, principally across the CCEE; and (ii) R$ 22.2 million in revenues from energy sales agreements in regulated and free markets, result of the combination of variations in energy volumes sold and net average selling price. These effects were partially ameliorated by the increase of R$ 37.3 million in remuneration of financial assets with respect to an installment of the payment for the Jaguara and Miranda Hydroelectric Power Plants concessions grant in turn relative to energy allocated for sale under the Regulated Contractual Environment (ACR) due to higher inflation between the quarters analyzed.




**Transmission:** increase of R$ 1,117.9 million, in large part due to progress of construction work on the Gralha Azul and Novo Estado transmission systems, and shown in the accounts as revenue arises from the cost of construction plus a margin for construction management by the Company.

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

**Trading**: reduction of R$ 10.7 million (3.3%) due in large part to a negative result from the marking to market of future sales, partially attenuated by the increase in operations executed and transactions in the short-term market.

**Solar panels:** an increase of R$ 7.4 million (19.9%) from the sales and installation of solar panels due to the enabling of remote generation projects through the sale of new contracts totaling 8.2 MWp.

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

| | Operating revenue by segment – 12M20 x 12M19 (in R$ million) | | | | |
|---|---|---|---|---|---|
| | Electric energy | | | | |
| | Generation | Transmission | Trading | Solar panels | Consolidated |
| **12M20** | | | | | |
| Distribution companies | 3,541.4 | - | - | - | 3,541.4 |
| Free consumers | 3,161.4 | - | - | - | 3,161.4 |
| Construction revenue | - | 2,365.6 | - | - | 2,365.6 |
| Energy trading operations | - | - | 1,067.3 | - | 1,067.3 |
| Trading companies | 608.5 | - | - | - | 608.5 |
| Remuneration of concession financial assets | 381.6 | 189.7 | - | - | 571.3 |
| Transactions in the short-term market | 535.5 | - | 16.6 | - | 552.1 |
| Services rendered revenue | 121.6 | - | - | - | 121.6 |
| Gain of lawsuit | 83.5 | - | - | - | 83.5 |
| Insurance claim receivable | 40.0 | - | - | - | 40.0 |
| Energy export | 30.5 | - | - | - | 30.5 |
| Other revenues | 35.1 | - | - | 80.9 | 116.0 |
| **Net operating revenue** | **8,539.1** | **2,555.3** | **1,083.9** | **80.9** | **12,259.2** |
| **12M19** | | | | | |
| Distribution companies | 3,292.7 | - | - | - | 3,292.7 |
| Free consumers | 3,164.1 | - | - | - | 3,164.1 |
| Construction revenue | - | 155.4 | - | - | 155.4 |
| Energy trading operations | - | - | 1,078.4 | - | 1,078.4 |
| Trading companies | 728.0 | - | - | - | 728.0 |
| Remuneration of concession financial assets | 382.7 | 14.5 | - | - | 397.2 |
| Transactions in the short-term market | 699.1 | - | 7.1 | - | 706.2 |
| Services rendered revenue | 116.0 | - | - | - | 116.0 |
| Insurance claim receivable | 11.2 | - | - | - | 11.2 |
| Unrealized gains on trading operations | - | - | 23.5 | - | 23.5 |
| Other revenues | 33.9 | - | - | 97.9 | 131.8 |
| **Net operating revenue** | **8,427.7** | **169.9** | **1,109.0** | **97.9** | **9,804.5** |
| **Variation** | | | | | |
| Distribution companies | 248.7 | - | - | - | 248.7 |
| Free consumers | (2.7) | - | - | - | (2.7) |
| Construction revenue | - | 2,210.2 | - | - | 2,210.2 |
| Energy trading operations | - | - | (11.1) | - | (11.1) |
| Trading companies | (119.5) | - | - | - | (119.5) |
| Remuneration of concession financial assets | (1.1) | 175.2 | - | - | 174.1 |
| Transactions in the short-term market | (163.6) | - | 9.5 | - | (154.1) |
| Services rendered revenue | 5.6 | - | - | - | 5.6 |
| Gain of lawsuit | 83.5 | - | - | - | 83.5 |
| Insurance claim receivable | 28.8 | - | - | - | 28.8 |
| Energy export | 30.5 | - | - | - | 30.5 |
| Unrealized gains on trading operations | - | - | (23.5) | - | (23.5) |
| Other revenues | 1.2 | - | - | (17.0) | (15.8) |
| **Net operating revenue** | **111.4** | **2,385.4** | **(25.1)** | **(17.0)** | **2,454.7** |

On a year-on-year comparative basis, net operating revenue rose from R$ 9,804.5 million in 2019 to R$ 12,259.2 million in 2020, or an increase of R$ 2,454.7 million (25.0%).

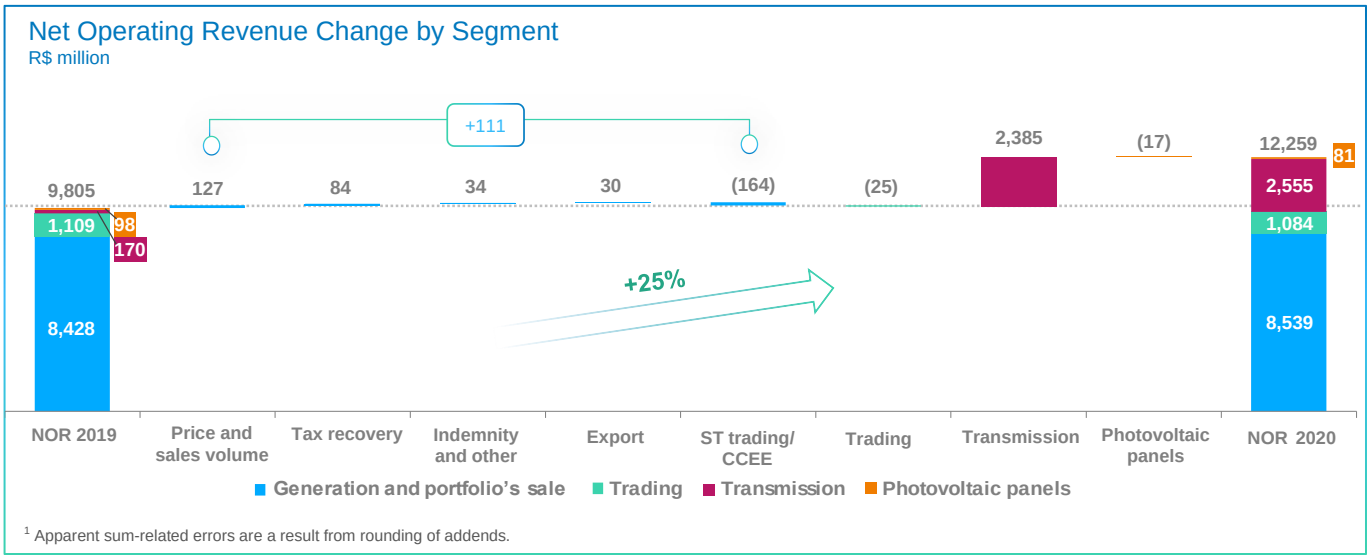
**Generation and energy sales from the portfolio:** increase of R$ 111.4 million (1.3%), mainly driven, by the following positive effects: (i) R$ 126.5 million increase in revenue from energy sales agreements in regulated and free markets, result of a combination of variations in energy volumes sold and the net average selling price; (ii) R$ 83.5 million non-recurring from tax claw backs; (iii) R$ 30.5 million from the export of energy in 3Q20; and (iv) R$ 28,8 million relative to indemnification for interruption to business and a corresponding claim and the collection of a contractual fine for downtime. These effects were partially attenuated by:(v) a decrease of R$ 163.6 million in transactions across the short-term market, principally the CCEE.

**Transmission:** an increase of R$ 2,385.4 million, largely due to advancing construction work on the Gralha Azul and Novo Estado transmission systems.

**Trading**: reduction of R$ 25.1 million (2.3%) mainly due to the negative result from marking to market of future sales and the decline in revenues from operations executed, partially offset by growth in transactions realized in the short-term market.

**Solar panels:** a decrease of R$ 17.0 million (17.4%) in the sale and installation of solar panels due to weaker demand, principally a reflection of the Covid-19 pandemic.

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




[1] Apparent sum-related errors are a result from rounding of addends.

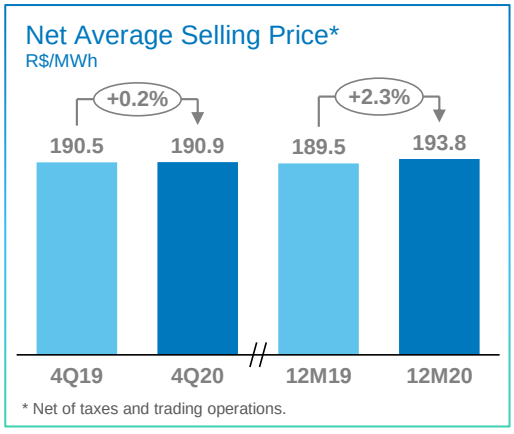
## Comments on Variation in Net Operating Revenue

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

#### ➢ Net Average Selling Price

**Average energy selling prices**, net of charges on revenue, reached **R$ 190.87/MWh in 4Q20, 0.2% higher** than 4Q19, when prices stood at R$ 190.53/MWh. **In the 12 months of 2020**, this price was **R$ 193.78/MWh, 2.3% higher** than reported in 2019 of R$ 189.45/MWh.

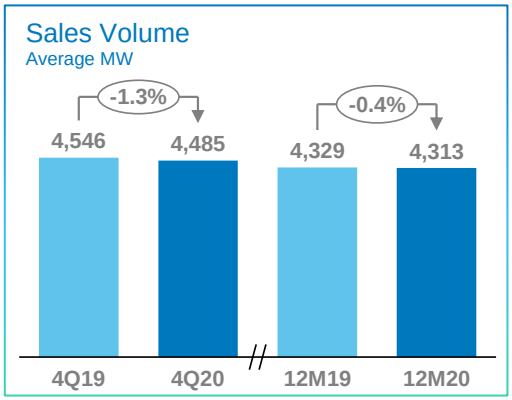
Price increases in both periods was mainly driven by monetary restatement of current agreements, on an annual comparative basis as well as by the electric energy export agreement in 3Q20 and by the entry into commercial operations of Pampa Sul in June 2019 whose average price is higher than the average for existing agreements. These effects were partially offset by new agreements with trading companies and free consumers at prices lower than the average of terminated agreements due principally to a weaker economy following the onset of Covid-19.




* Net of taxes and trading operations.

## ➢ Sales Volume

**Energy sales volume** in agreements fell from 10,037 GWh (4,546 average MW) in 4Q19 to **9,903 GWh (4,485 average MW) in 4Q20**, a decrease of 134 GWh (61 average MW), or 1.3%, between compared periods. In **2020**, energy sales volumes were **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 volumes is mainly due to the reduction in energy consumption by clients due to a slower economy following the onset of the pandemic and also to contracts terminating in 2019 within the scope of the Electric Energy Commercializing Agreement in the Regulated Contracting Environment (CCEAR) and the effects of the Surplus and Deficit Compensation Mechanism (MCSD). These effects were partially attenuated by the reduced impact of reimbursements under contracts within the scope of the regulated environment and in the context of an annual comparison, the entry into operations of Pampa Sul at the end of June 2019.

## ➢ Revenue from Sale of Electric Energy

### • Distribution Companies:

**Revenue from sales to distributors was R$ 909.9 million in 4Q20, R$ 64.5 million (7.6%) more** than the R$ 845.4 million posted in 4Q19. The variation reflects the following effects: (i) R$ 39.0 million — an increase of 4.6% in net average selling prices; and (ii) R$ 25.5 million — increase of 111 GWh (51 average MW) in sales volume.

**In 2020, revenue was R$ 3,541.4 million**, **R$ 248.7 million (7.6%) up** relative to fiscal year 2019, when revenues were R$ 3,292.7 million. This increase is explained as follows: (i) R$ 149.3 million — increase of 660 GWh (71 average MW) in sales volume; and (ii) R$ 99.4 million — an increase of 3.0% in the net average selling price.

The increases in net average selling prices, both on a quarterly and annual comparative basis were largely due to monetary restatement of prevailing agreements. In addition, in the case of the annual comparison, there was a positive impact from the average selling prices of energy generated by Pampa Sul, superior to the average for existing agreements, partially offset by lower average prices of energy sales agreements signed with Umburanas – Phase I.

The growth in sales volumes is principally the result of the lower impact of the reimbursements under the regulated environment agreements between comparable quarters. On an annual comparative basis, in addition there was the entry into operations of Pampa Sul which also contributed significantly to the increase. These effects were partially attenuated by the termination of an existing auction agreement at the end of 2019.

### • Free Consumers:

**Revenue from sales to free consumers fell R$ 17.0 million (2.1%)** between compared quarters under analysis from R$ 822.2 million in 4Q19 to R$ 805,2 million in 4Q20. The following events contributed to this variation: (i) R$ 25.5 million — a decrease of 150 GWh (69 average MW) in energy sales volume; and (ii) R$ 8.5 million — an increase of 1.0% in the net average selling price.

**In 2020, revenues were R$ 3,161.4 million, an amount of R$ 2.7 million (0.1%) down** on the R$ 3,164.1 million reported in 2019. This decrease is related to the following: (i) R$ 110.1 million — a reduction of 633 GWh (79 average MW) in energy sales volume; and (ii) R$ 107.4 million — increase of 3.4% in net average selling price.

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

Increase in prices in both periods is mainly due to monetary restatement of existing agreements. On a quarterly comparative basis, this growth was partially attenuated by new agreements with lower average prices than contracts either ongoing or terminated.

### • Trading Companies:

**In 4Q20, revenue from sales to trading companies was R$ 175.3 million, R$ 69.7 million (28.4%) lower** than revenue posted in 4Q19 at R$ 245.0 million. The reduction reflects the combination of the following aspects: (i) R$ 56.0 million — due to a decline of 22.8% in the net average selling price; and (ii) R$ 13.7 million — a decrease of 95 GWh (43 average MW) in energy sales volume.

**In the 12 months of 2020, revenues were R$ 608.5 million, R$ 119.5 million (16.4%) lower** than recorded in 2019 at R$ 728.0 million. This reduction was the result of the combination of the following aspects: (i) R$ 108.9 million — a decline of 15.0% in net average selling price; and (ii) R$ 10.6 million — a reduction of 70 GWh (9 average MW) in energy sales volume.

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

The decreases in volumes between the periods analyzed are due principally to migration on the part of some clients - previously buying energy through trading companies - to the free consumer profile, evidenced by comparing fiscal years 2019 and 2020.

In addition, worthy of mention is that both pricing tendencies and the reduced energy sales volume suffered the effects of Covid-19 on the market.

- Exports:

There were no energy exports in the compared quarters. From July to August 2020, the Company exported energy to Argentina. Revenue from exports was R$ 30.5 million, energy volumes transacted being 7 GWh (1 average MW).

### ➢ Remuneration of Concession Financial Assets

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

**Remuneration from financial concession assets** increased from R$ 108.3 million in 4Q19 to R$ 145.6 million in **4Q20, an increase of R$ 37.3 million (34.4%)**. **On an annual comparison, the decrease was R$ 1.1 million (0.3%)** from R$ 382.7 million in 2019 to R$ 381.6 million in 2020. Between the compared quarters, the increase was driven principally by the higher average balance of the asset and variation in the IPCA. When comparing 2019 x 2020, the reduction is largely due to the monthly curve in the variation of the IPCA, which posted periods of deflation in 2020 albeit registering a sharp acceleration in 4Q20. In 2019, the monthly curve in the variation of the IPCA saw constant increases.

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

**In 4Q20,** revenue from transactions in the short-term market was R$ 153.6 million, while in 4Q19 these transactions produced revenue of R$ 303.8 million, representing a **reduction of R$ 150.2 million (49.4%)** between quarters under comparison. **In the 12 months of 2020**, compared with 2019, there was a decrease of **R$ 163.6 million (23.4%)** in revenue from short-term transactions from R$ 699.1 million in 2019 to R$ 535.5 million in 2020. Additional explanations are to be found under the heading “Details of short-term operations”.

### ➢ Revenue from Services Rendered

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 booked to the accounts in **4Q20 was R$ 30.7 million**, R$ 0.6 million higher (2.0%) than the amount booked in 4Q19, of R$ 30.1 million. **On an annual comparative basis, there was an increase of R$ 5.6 million (4.8%)**, from R$ 116.0 million in 2019 to R$ 121.6 million in 2020. Increases largely reflect monetary restatement of the amounts in question.

### ➢ A Successful Legal Action – Tax Claw Back

On May 18, 2020, the Company received a favorable ruling for which there is no appeal giving it the right to claw back, either by compensation or reimbursement, federal tax credits, restated at the basic Selic rate. In the light of this event, the Company booked a total of R$ 83.5 million in 2020, of which R$ 3.5 million was booked in 4Q20, following a revision of the estimates incorporated in the income statements during the year. The amount in question was restated monetarily, with an impact of R$ 76.3 million on the financial result for 2020, of which R$ 3.0 million was recognized in 4Q20.

### ➢ Insurance Claim Receivable

The Company booked R$ 40.0 million of an insurance claim for 2020, an increase of R$ 28.8 million (257.1%) to the R$ 11.2 million already booked in 2019, the amount being booked in full in 4Q19. The amounts involved in both periods related largely to an indemnity for compensation for the negative impacts arising from the interruption to business at the Salto Osório Hydroelectric Power Plant together with the collection of a contractual fine for downtime at the plants in the Trairi Wind Complex. In 4Q20, no insurance claims were booked.

## ➢ Solar Panels

Revenue from the sale and installation of solar panels through the subsidiary ENGIE Geração Solar Distribuída S.A. (EGSD), between the quarters under analysis, **increased R$ 7.4 million (19.9%)** from R$ 37.2 million in 4Q19 to **R$ 44.6 million in 4Q20**. On an annual basis, there was **a fall of R$ 17.0 million (17.4%)** from R$ 97.9 million in 2019 to **R$ 80.9 million in 2020**. The growth over comparable quarters is due principally to the enabling of remote generation projects and the commercialization of new agreements totaling 8.2 MWp. On an annual comparative basis, the decline reflects slower commercial activities due to the pandemic.

## Operational Costs

| | Costs by segment – 4Q20 x 4Q19 (in R$ million) | | | | |
|---|---|---|---|---|---|
| | Electric energy | | | | |
| | Generation | Transmission | Trading | Solar panels | Consolidated |
| **4Q20** | | | | | |
| Electric power purchases | 396.1 | - | 327.8 | - | 723.9 |
| Construction costs | - | 987.2 | - | - | 987.2 |
| Depreciation and amortization | 217.8 | - | - | - | 217.8 |
| Charges for the use of and connection to the power grid | 142.0 | - | - | - | 142.0 |
| Materials and third-party services | 103.1 | - | - | 7.6 | 110.7 |
| Transactions in the short-term market | 112.7 | - | - | - | 112.7 |
| Personnel | 74.6 | - | - | 0.8 | 75.4 |
| Fuel for generation | 73.6 | - | - | - | 73.6 |
| Insurance | 28.4 | - | - | - | 28.4 |
| Royalties | 26.7 | - | - | - | 26.7 |
| Cost of selling solar panels | - | - | - | 29.0 | 29.0 |
| Unrealized losses on trading operations | - | - | 24.8 | - | 24.8 |
| Hydrological risk renegotiation | (967.7) | - | - | - | (967.7) |
| Other operational costs, net | 49.3 | - | - | 0.3 | 49.6 |
| **Operational costs** | **256.6** | **987.2** | **352.6** | **37.7** | **1,634.1** |
| **4Q19** | | | | | |
| Electric power purchases | 408.4 | - | 306.2 | - | 714.6 |
| Construction costs | - | 52.9 | - | - | 52.9 |
| Depreciation and amortization | 236.1 | - | - | - | 236.1 |
| Charges for the use of and connection to the power grid | 133.1 | - | - | - | 133.1 |
| Materials and third-party services | 95.3 | - | - | 4.3 | 99.6 |
| Transactions in the short-term market | 225.7 | - | - | - | 225.7 |
| Personnel | 65.5 | - | - | 2.6 | 68.1 |
| Fuel for generation | 84.2 | - | - | - | 84.2 |
| Insurance | 21.3 | - | - | - | 21.3 |
| Royalties | 32.5 | - | - | - | 32.5 |
| Cost of selling solar panels | - | - | - | 29.5 | 29.5 |
| Unrealized losses on trading operations | - | - | 14.2 | - | 14.2 |
| Other operational costs, net | 16.9 | 0.1 | - | - | 17.0 |
| **Operational costs** | **1,319.0** | **53.0** | **320.4** | **36.4** | **1,728.8** |
| **Variation** | | | | | |
| Electric power purchases | (12.3) | - | 21.6 | - | 9.3 |
| Construction costs | - | 934.3 | - | - | 934.3 |
| Depreciation and amortization | (18.3) | - | - | - | (18.3) |
| Charges for the use of and connection to the power grid | 8.9 | - | - | - | 8.9 |
| Materials and third-party services | 7.8 | - | - | 3.3 | 11.1 |
| Transactions in the short-term market | (113.0) | - | - | - | (113.0) |
| Personnel | 9.1 | - | - | (1.8) | 7.3 |
| Fuel for generation | (10.6) | - | - | - | (10.6) |
| Insurance | 7.1 | - | - | - | 7.1 |
| Royalties | (5.8) | - | - | - | (5.8) |
| Cost of selling solar panels | - | - | - | (0.5) | (0.5) |
| Unrealized losses on trading operations | - | - | 10.6 | - | 10.6 |
| Hydrological risk renegotiation | (967.7) | - | - | - | (967.7) |
| Other operational costs, net | 32.4 | (0.1) | - | 0.3 | 32.6 |
| **Operational costs** | **(1,062.4)** | **934.2** | **32.2** | **1.3** | **(94.7)** |

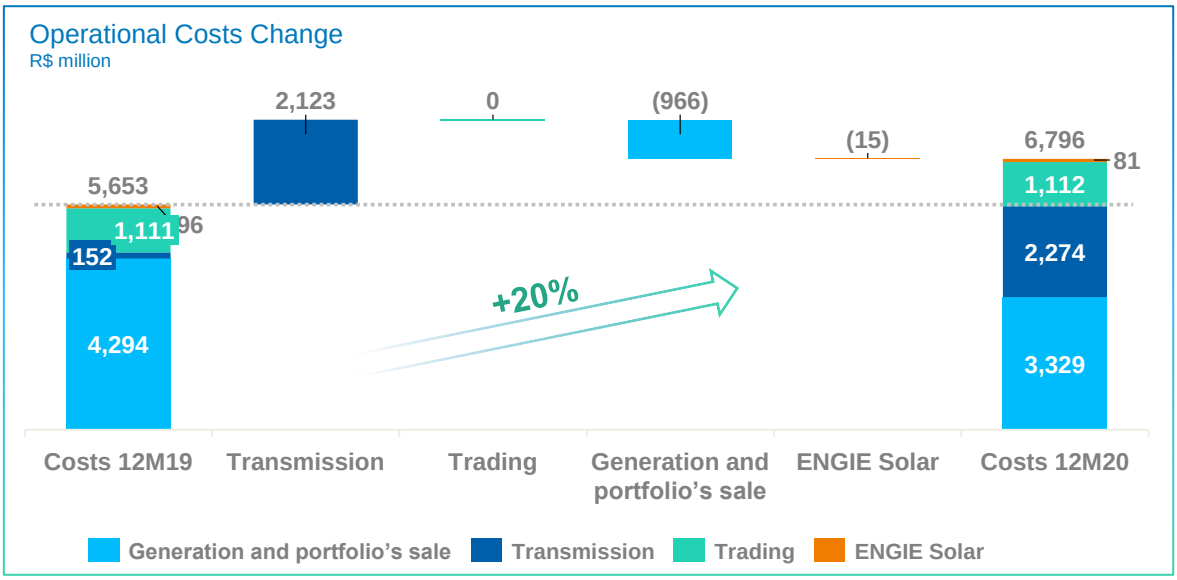
**Operational costs were down by R$ 94.7 million (5.5%)** between quarters from R$ 1,728.8 million in 4Q19 **to R$ 1,634.1 million in 4Q20**. The following factors were in play here: (i) a decrease in 4Q20 of R$ 1,062.4 million (80.5%) in relation to 4Q19, in the costs of the generation and energy sales portfolio segment; (ii) an increase of R$ 934.2 million of costs in the transmission segment; (iii) an increase of R$ 32.2 million (10.0%) in the costs of energy trading; and (iv) an increase of R$ 1.3 milhão (3.6%) of selling and panel installation costs at EGSD.

With respect to the variation in item (i) particular note should be taken of the recovery of past energy costs with the renegotiation of hydrological risk under Law 14.052/2020, regulated by Aneel Normative Resolution 895/2020, amounting to R$ 967.7 million. Excluding this effect, the operational costs of the Company's generation and electric energy sales portfolio segment for 4Q20 would have declined by R$ 94.7 million (7.2%) in relation to 4Q19.

| | Costs by segment – 12M20 x 12M19 (in R$ million) | | | | |
|---|---|---|---|---|---|
| | Electric energy | | | | |
| | Generation | Transmission | Trading | Solar panels | Consolidated |
| **12M20** | | | | | |
| Electric power purchases | 1,478.9 | - | 1,068.3 | - | 2,547.2 |
| Construction costs | - | 2,274.3 | - | - | 2,274.3 |
| Depreciation and amortization | 893.8 | - | - | - | 893.8 |
| Charges for the use of and connection to the power grid | 560.3 | - | - | - | 560.3 |
| Materials and third-party services | 339.3 | - | - | 18.4 | 357.7 |
| Transactions in the short-term market | 303.5 | - | 7.3 | - | 310.8 |
| Personnel | 273.5 | - | - | 8.0 | 281.5 |
| Fuel for generation | 204.1 | - | - | - | 204.1 |
| Insurance | 89.0 | - | - | - | 89.0 |
| Royalties | 84.5 | - | - | - | 84.5 |
| Cost of selling solar panels | - | - | - | 54.4 | 54.4 |
| Unrealized losses on trading operations | - | - | 35.9 | - | 35.9 |
| Hydrological risk renegotiation | (967.7) | - | - | - | (967.7) |
| Other operational costs, net | 69.4 | - | - | 0.7 | 70.1 |
| **Operational costs** | **3,328.6** | **2,274.3** | **1,111.5** | **81.5** | **6,795.9** |
| **12M19** | | | | | |
| Electric power purchases | 1,561.5 | - | 1,090.5 | - | 2,652.0 |
| Construction costs | - | 151.3 | - | - | 151.3 |
| Depreciation and amortization | 844.3 | - | - | 0.1 | 844.4 |
| Charges for the use of and connection to the power grid | 513.7 | - | - | - | 513.7 |
| Materials and third-party services | 277.6 | - | - | 16.1 | 293.7 |
| Transactions in the short-term market | 421.0 | - | 6.7 | - | 427.7 |
| Personnel | 254.7 | - | - | 10.1 | 264.8 |
| Fuel for generation | 173.0 | - | - | - | 173.0 |
| Insurance | 65.6 | - | - | - | 65.6 |
| Royalties | 131.6 | - | - | - | 131.6 |
| Cost of selling solar panels | - | - | - | 70.8 | 70.8 |
| Unrealized losses on trading operations | - | - | 14.2 | - | 14.2 |
| Other operational costs, net | 51.1 | 0.2 | - | (1.1) | 50.2 |
| **Operational costs** | **4,294.1** | **151.5** | **1,111.4** | **96.0** | **5,653.0** |
| **Variation** | | | | | |
| Electric power purchases | (82.6) | - | (22.2) | - | (104.8) |
| Construction costs | - | 2,123.0 | - | - | 2,123.0 |
| Depreciation and amortization | 49.5 | - | - | (0.1) | 49.4 |
| Charges for the use of and connection to the power grid | 46.6 | - | - | - | 46.6 |
| Materials and third-party services | 61.7 | - | - | 2.3 | 64.0 |
| Transactions in the short-term market | (117.5) | - | 0.6 | - | (116.9) |
| Personnel | 18.8 | - | - | (2.1) | 16.7 |
| Fuel for generation | 31.1 | - | - | - | 31.1 |
| Insurance | 23.4 | - | - | - | 23.4 |
| Royalties | (47.1) | - | - | - | (47.1) |
| Cost of selling solar panels | - | - | - | (16.4) | (16.4) |
| Unrealized losses on trading operations | - | - | 21.7 | - | 21.7 |
| Hydrological risk renegotiation | (967.7) | - | - | - | (967.7) |
| Other operational costs, net | 18.3 | (0.2) | - | 1.8 | 19.9 |
| **Operational costs** | **(965.5)** | **2,122.8** | **0.1** | **(14.5)** | **1,142.9** |

**In 2020, operational costs reached R$ 6,795.9 million, exceeding by R$ 1,142.9 million (20.2%)** the costs of 2019 of R$ 5,653.0 million. This variation reflects the following factors: (i) an increase of R$ 2,122.8 million of costs in the transmission segment; (ii) a decrease of R$ 965.5 million (22.5%) in the generation and energy sales portfolio segment; (iii) reduction of R$ 14.5 million (15.1%) in solar panel sales and installation costs; and (iv) an increase of R$ 0.1 million in costs of energy trading operations.

With respect to the variation in item (ii), particular note should be taken of the recovery of past energy costs with renegotiation of hydrological risk under Law 14.052/2020, regulated by Aneel Normative Resolution 895/2020, amounting to R$ 967.7 million. Excluding these effect, the operational costs of the Company's generation and electric energy sales portfolio segment would have increased R$ 2.2 million (0.1%) in relation to 2019.




This variations were essentially due to the behavior of the main components below:

## Comments on Variations in Operational Costs

### ➢ Generation and Energy Sales from the Portfolio

» **Energy purchases:** between 4Q19 and 4Q20, there was a reduction of R$ 12.3 million (3.0%) in the purchase operations for energy portfolio management as follows: (i) R$ 11.9 million — decrease of 2.9% in net average energy purchase price; and (ii) R$ 0.4 million — a reduction of 2 GWh (1 average MW) in purchase volume. On an annualized comparison basis, there was a reduction of R$ 82.6 million (5.3%) in these operations, a function of the following events: (i) R$ 119.0 million — decrease of 7.6% in the net average price of energy purchases; and (ii) R$ 36.4 million — an additional 212 GWh (24 average MW) in purchase volumes.

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

Between compared quarters under analysis, there was a reduction in purchase volume due to a weakening economy as the pandemic took hold. On an annual comparison basis, the increased purchase volume is mainly the result of the strategic allocation of the Company's resources with a view to optimizing energy allocation as well as lower rainfall for the period.

» **Depreciation and amortization:** reduction of R$ 18.3 million (7.8%) between compared quarters. On the basis of an annual comparison, there was an increase of R$ 49.5 million (5.9%), of which R$ 65.5 million reflects the entry of Pampa Sul and Umburanas – Phase I into commercial operations, attenuated of the end of the useful life of programmed revisions on the Jorge Lacerda Thermoelectric Power Plant and the postponement of the next revision, originally scheduled for the second half of 2020.

» **Charges for use of and connection to the electricity grid:** increases of R$ 8.9 million (6.7%) and of R$ 46.6 million (9.1%) between the quarters and years under analysis, respectively. These increases are largely a consequence from the annual readjustment in transmission and distribution tariffs. Additionally, on a full 2019 x 2020 year comparison, R$ 19.0 million was generated from the entry into commercial operations of Pampa Sul and Umburanas – Phase I.

» **Material and third-party services:** increase of R$ 7.8 million (8.2%) in 4Q20 compared with the same quarter in 2019 and R$ 61.7 million (22.2%) on a full 2019 x 2020 year comparison. The increases during both periods are largely the result of increases in generator complex operational and maintenance contracts (R$ 11.7 million in 2020, compared to 2019 and R$ 6.4 million in 4Q20, when compared to the 4Q19). Additionally, between 2019 and 2020, maintenance costs involving new contracts with the entry into operations of Pampa Sul and Umburanas – Phase I, were R$ 48.4 million. Finally, in the annual comparison, there was an increase in costs with replacement materials and consumption, mainly related to the activities of prevention to Covid-19 (R$ 6.1 million in 2020).

» **Transactions in the short-term energy market:** between the quarters under analysis, costs with these transactions fell by R$ 113.0 million (50.1%). On a full 2019 x 2020 year comparison, costs were R$ 117.5 million lower (27.9%). More explanations on these operations and variations are to be found under the specific item.

» **Personnel:** an increase of R$ 9.1 million (13.9%) in 4Q20 compared to the same quarter in 2019 and R$ 18.8 million (7.4%) comparing 2020 with 2019, results mainly of new hiring, especially in Pampa Sul and Umburanas – Phase I plants, and annual staff remuneration adjustments. In addition, provisions for participation in the results and bonus payouts were higher in 4Q20 compared to 4Q19. These effects were partially attenuated by reductions in expenses with medical accreditation and reimbursement of medical and health plan expenses.

» **Fuels for generation:** decrease of R$ 10.6 million (12.6%) comparing 4Q19 and 4Q20, due principally to the positive effect of R$ 45.2 million arising from a revaluation by Aneel regarding the excess quantity of coal in previous years. This effect was partially attenuated by the increase of R$ 34.6 million in consumption of proprietary coal. On a full 2019 x 2020 year comparison, there was an increase of R$ 31.1 million (18.0%) between 2019 and 2020, driven largely by the increase in proprietary coal supplies of R$ 75.4 million, partially offset by the positive effect mentioned above. Additional proprietary coal consumption is a reflection of the greater volumes of energy generated by the Company's thermoelectric power plants between comparative periods.

» **Insurance:** increase of R$ 7.1 million (33.3%) in the compared quarters and R$ 23.4 million (35.7%) on a full 2019 x 2020 year comparison, mainly due to the increase of the premium on renewal of the operational risks policy in June 2020 and by the increase in insurance premium for the Jorge Lacerda Theromoelectric Plant, as a result of a reevaluation of risks. Additionally, in annual comparison, R$ 13.4 million reflects the entry into commercial operations of Pampa Sul and Umburanas – Phase I.

» **Financial compensation for use of water resources (Royalties):** reduction of R$ 5.8 million (17.8%) in the compared quarters due largely to lower generation at the hydroelectric plants between quarters, partially attenuated by the annual readjustment. On a full 2019 x 2020 year comparison, there was a decrease of R$ 47.1 million (35.8%), for the same reason in relation to the comparison between quarters.

» **Renegotiation of the hydrological risk:** on December 15, 2020, the Company's Management approved the adherence of the plants with electric energy generation concessions to the renegotiation of the hydrological risk under Law 14.052/2020 and regulated by Aneel Normative Resolution 895/2020. The legislation provides for compensation to be granted to the hydroelectric plants participants in the Risk Reallocation Mechanism (MRE) for the effects caused by the generators denominated the structural elements, and rrelating 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 offtake of energy 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 recognized, corresponding to the right of extension of the concession offset against the item "Recovery of energy costs – Renegotiation of hydrological risk" in the income statement for R$ 967.7 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 a quaterly comparison basis there was a growth of R$ 1.3 million (3.6%), largely due to the increase in expenditures with out-sourced materials and services of R$ 3.3 million (76.7%), partially offset by a reduction in payroll costs of R$ 1.8 million (69.2%). On a full 2019 x 2020 year comparison, the decrease of R$ 14.5 million (15.1%) was mainly due to the deceleration in commercial activities following the outbreak of the Covid-19 outbreak.

## Operational Result from the Energy Transmission Segment

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

Gross operational profit from the energy transmission segment recorded an increase of R$ 183.7 million in 4Q20, in relation to the same quarter 2019, and of R$ 262.6 million on a full 2019 x 2020 year comparison, due principally to the initial construction work on Novo Estado and progress made on construction work of the Gralha Azul Transmission System. Additionally, remuneration revenue from transmission infrastructure was also impacted by the variation in IPCA.

In 2020, the Company booked a net gain for efficiency in the implementation of transmission infrastructure of R$ 35.2 million.

## Operational Result of the Energy Trading Segment

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

The gross result between the quarters under analysis fell R$ 42.9 million from a profit of R$ 1.2 million in 4Q19 to a loss of R$ 41.7 million in 4Q20. This reduction was driven by the following events: (i) R$ 37.3 million due to the negative impact from marking to market — difference between contracted and market prices — of net contracted operations pending on December 31, 2020 and 2019; and (ii) R$ 14.4 million due to a reduction in gross result from executed energy purchase and sales transactions. These effects were partially attenuated by an increase of R$ 8.8 million in the result for transactions conducted in the short-term energy market.

On an annualized basis, the gross result reported a reduction of R$ 25.2 million from a loss of R$ 2.4 million in 2019 to a loss of R$ 27.6 million in 2020, largely due to the negative effect of marking to market of R$ 45.2 million. This effect was partially compensated by: (i) R$ 11.1 million positive effect from executed transactions; and (ii) R$ 8.9 million reflecting the positive result of transactions in the short-term energy market.

## Details of Short-Term Operations

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

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

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

**In 4Q20** and in 4Q19, **net results** (difference between revenues and costs — less tax) from short-term transactions — especially those conducted across the CCEE — **were positive at R$ 50.4 million** and R$ 78.8 million, respectively. The amount represents a **decrease of R$ 28.4 million between compared periods**, being a reduction of R$ 37.2 million in the result from transactions in the generation and energy sales from the portfolio segment and an increase of R$ 8.8 million in the result from energy trading transactions.

This variation was basically due to the following factors: (i) an increase in the negative impact of the Risk Reallocation Mechanism's (MRE) Adjustment Factor (GSF) — already deducted for the effects of the renegotiation of hydrological risk, in turn a reflection of reduced hydro generation in 4Q20; (ii) decrease arising from difference of prices between the North/Northeast and Southeast/Central-West submarkets; and (iii) MRE expenses, in the light of lower hydroelectric generation in 4Q20. These factors were partially attenuated by the combination of the following events: (iv) greater dispatch from Jorge Lacerda Thermoelectric Power Plant between the periods analyzed due to the smaller hydroelectric generation; and (v) an increase in the financial impact of short-term operations and the long position with the CCEE in 4Q20, due to the increase in average PLD between periods.

**For the 12-month period of 2020, the net result**, arising from short-term transactions, **was positive at R$ 241.3 million**, a decrease of R$ 37.2 million in relation to the also positive result of R$ 278.5 million in 2019, a R$ 46.1 million reduction in the result of transactions in the generation and energy sales from the portfolio segment and an increase of R$ 8.9 million in the result of energy trading transactions.

This reduction is basically a reflection of the combination of the following events: (i) an increase in the negative impact of the MRE Adjustment Factor (GSF) — already deducted for the effects of renegotiation of the hydrological risk, due to reduced hydro generation in the periods under review, partially attenuated by the PLD variation curve between the years under analysis, which presented greater volatility in 2020; (ii) MRE expenses given the lower hydroelectric generation in 2020; and (iii) the negative effect stemming from the difference of prices between the North/Northeast and Southeast/Central-West submarkets. These events were attenuated by the following factors: (iv) increase of the financial impact of short-term operations and the long position in the CCEE; and (v) greater dispatch of the Jorge Lacerda thermoelectric power plant between the analyzed periods due to the 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 | 4Q20 | 4Q19 | Avg. 4Q (%) | 12M20 | 12M19 | Avg. 12M (%) |
|---|---|---|---|---|---|---|
| South | 352.94 | 272.82 | 29.4% | 184.42 | 227.10 | (18.8%) |
| Southeast/Center-West | 352.94 | 272.82 | 29.4% | 177.00 | 227.10 | (22.1%) |
| Northeast | 229.88 | 272.82 | (15.7%) | 134.42 | 166.73 | (19.4%) |

## Selling, General and Administrative Expenses

Selling, general and administrative expenses recorded an increase of R$ 9.6 million (12.4%) in the quarters under analysis, increasing from R$ 77.4 million in 4Q19 to R$ 87.0 million in 4Q20, the reflection of the combination of the following items: (i) growth of R$ 10.1 million (13.6%) from the generation and energy sales from the Company's portfolio segment, driven largely by the following increases: (i.i) R$ 13.4 million in payroll expenses; and (i.ii) R$ 3.1 million in outsourced materials and services expenses, of which of particular note was the acquisition of general IT services in line with the Company's policy of digitizing its processes and the acquisition of materials related to preventive measures during the Covid-19 pandemic. These effects were to a degree ameliorated by the decreased provisioning of R$ 5.1 million for civil contingencies, in 2019. In addition, there was a reduction of R$ 0.5 million in the other segments in which the Company operates.

On an annualized basis, selling, general and administrative expenses rose R$ 24.2 million (9.6%) between 2019 and 2020, from R$ 253.2 million in 2019 to R$ 277.4 million in 2020. This increase was due to a combination of the following: (i) an increase of R$ 24.6 million (10.1%) of the generation and energy sales from the Company's portfolio segment, mainly driven by the following effects: (i.i) R$ 28.6 million in payroll expenses; and (i.ii) R$ 8.8 million in expenses with outsourced materials and services, more particularly in the area of acquisition of general IT services as already mentioned. These effects were partially attenuated by a reduction in the booking of R$ 10.2 million in provisions for civil contingencies in 2019. Additionally, there was a reduction of R$ 0.4 million in other segments in which the Company operates.

## Other Operating (Expenses) Revenues, Net

In the quarters under analysis, this account registered a net expense with an increase of R$ 3.2 million (228.6%), being net expenses of R$ 1.4 million in 4Q19 and R$ 4.6 million in 4Q20.

On an annual comparison basis, other net operating revenues (expenses) reported a negative effect of R$ 325.1 million (101.5%) between 2019 and 2020, in 2020, the Company booking other operating expenses, net in the amount of R$ 4.7 million, while in 2019, the Company booked other operating revenues, net of R$ 320.4 million. This variation is largely explained by the booking in 3Q19, of other non-recurring operating revenues totaling R$ 321.0 million from indemnifications received for non-compliance with contractual conditions on the part of the supplier responsible for the construction of Pampa Sul, principally related to the delay in concluding the work. The value received is stipulated in contract and was calculated on the basis of the product between the number of days delay in delivering the work and a set daily amount. This amount was calculated to compensate the Company for the loss of earnings due to the delay in delivering the work.

## Provisioning for Asset Impairment

In 4Q20, the Company booked R$ 98.8 million of impairment for the following assets: (i) R$ 58.0 million relating to the Jorge Lacerda Thermoelectric Power Plant, units 1 and 2, due to the possibility to deactivate these units and scheduled for December 2021, in line with the Company's decarbonization strategy; and (ii) R$ 40.8 million relating to the amounts of the "*Mais valia* from the acquisition of investments" and "Goodwill from future expected profitability", originating from the acquisition of EGSD, in view of the possibility of non-recovering of these values. When comparing the two fiscal years there was a variation of R$ 93.9 million, largely a reflection of the amounts mentioned above. It is worth underscoring that Jorge Lacerda's units 1 and 2 have a net physical guarantee of 32 MWm and a Unit Variable Cost (UVC) of R$ 270.48, and for this reason the plant is dispatched on demand and for short periods. Consequently, the plant's eventual decommissioning will not have any significant actual or future impact on the Company.

## Equity Income – Gas Transportation

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

On July 20, 2020, the Company acquired from Petrobras an additional shareholding participation in TAG of 3.25% of the total 10% which Petrobras still held. Consequently, the Company now enjoys a direct 32.5% corporate stake in TAG.

The equity income result for TAG in the quarters under analysis incorporates the following items:

| DRE – in R$ million | 4Q20 | | 4Q19 | |
|---|---|---|---|---|
| | 100% | Company's share | 100% | Company's share |
| **TAG** | | | | |
| Net operational revenue | 1,631.8 | 530.3 | 1,325.9 | 387.8 |
| Costs of services provided | (573.1) | (186.2) | (547.4) | (160.1) |
| **Gross income** | **1,058.7** | **344.1** | **778.5** | **227.7** |
| General and administrative expenses | (35.4) | (11.5) | (67.7) | (19.8) |
| **Income before financial result and taxes** | **1,023.3** | **332.6** | **710.8** | **207.9** |
| Financial result | (384.2) | (124.9) | (307.3) | (89.9) |
| **Income before taxes** | **639.1** | **207.7** | **403.5** | **118.0** |
| Income tax and social contribution | (268.9) | (87.4) | (106.8) | (31.2) |
| **TAG's net income** | **370.2** | **120.3** | **296.7** | **86.8** |
| **Equity income – TAG** | **120.3** | | **86.8** | |

We show the following table for reconciling TAG's net income with its Ebitda:

| Ebitda – in R$ million | 4Q20 100% | 4Q19 100% |
|---|---|---|
| **Income before financial result and taxes** | **1,023.3** | **710.8** |
| Depreciation and amortization | 158.5 | 147.1 |
| Amortization of *mais valia* | 226.4 | 227.3 |
| **Ebitda** | **1,408.2** | **1,085.2** |

Between 4Q20 and 4Q19, the equity income result increased by R$ 33.5 million (38.6%) from R$ 86.8 million in 4Q19 to R$ 120.3 million in 4Q20. The variation reflects the combination of the following factors: (i) R$ 140.3 million growth in Ebitda due largely to the restating of transportation tariffs and exchange variation on one of the transport contracts; (ii) increase of R$ 56.2 million in Income Tax and Social Contribution mainly due to a higher pre-tax profit and booking of past tax credits; (iii) an increase in net financial expenses of R$ 35.0 million, due to the effect of the stronger dollar on currency denominated debt, albeit partially attenuated by the reduction in CDI between the years under analysis; and (iv) an increase of R$ 15.6 million, in depreciation and amortization expenses. It should be noted here that part of the variations occurred because of the change in corporate stake between the same quarters of the two years under review.

The equity income result at TAG for 2020 and 2019 consists of the following items:

| DRE – em R$ milhões | 2020 | | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| | 12M20 | 01/01 to 07/19/2020 (29.25%) | 07/20 to 12/31/2020 (32.5%) | Company's share | 12M19 | 06/13 to 12/31/2020 (29.25%) | Company's share |
| **Aliança (32.5%)** | | | | | | | |
| General and administrative expenses | - | - | - | - | (325.4) | - | (105.8) |
| *Amortization of mais valia* | - | - | - | - | *(178.7)* | - | *(58.1)* |
| *Development expenses for the TAG acquisition project* | - | - | - | - | *(137.5)* | - | *(44.7)* |
| *Others* | - | - | - | - | *(9.2)* | - | *(3.0)* |
| **Loss before financial result and taxes** | **-** | **-** | **-** | **-** | **(325.4)** | **-** | **(105.8)** |
| Financial result | - | - | - | - | (326.3) | - | (106.0) |
| **Loss before taxes** | **-** | **-** | **-** | **-** | **(651.7)** | **-** | **(211.8)** |
| Income tax and social contribution | - | - | - | - | 62.8 | - | 20.4 |
| **Aliança's net loss** | **-** | **-** | **-** | **-** | **(588.9)** | **-** | **(191.4)** |
| **TAG** | | | | | | | |
| Net operational revenue | 6,003.8 | 3,094.0 | 2,909.8 | 1,850.7 | 5,194.5 | 2,915.7 | 852.8 |
| Costs of services provided | (2,243.5) | (1,211.7) | (1,031.8) | (689.7) | (1,506.1) | (1,002.1) | (293.1) |
| **Gross income** | **3,760.3** | **1,882.3** | **1,878.0** | **1,161.0** | **3,688.4** | **1,913.6** | **559.7** |
| General and administrative expenses | (140.1) | (80.5) | (59.6) | (42.9) | (206.1) | (133.7) | (39.1) |
| **Income before financial result and taxes** | **3,620.2** | **1,801.8** | **1,818.4** | **1,118.0** | **3,482.3** | **1,779.9** | **520.6** |
| Financial result | (1,445.0) | (714.7) | (730.3) | (446.3) | (597.9) | (546.6) | (159.9) |
| **Income before taxes** | **2,175.2** | **1,087.1** | **1,088.1** | **671.6** | **2,884.4** | **1,233.3** | **360.7** |
| Income tax and social contribution | (580.8) | (129.2) | (451.6) | (184.6) | (772.9) | (301.6) | (88.2) |
| **TAG's net income** | **1,594.4** | **957.9** | **636.5** | **487.1** | **2,111.5** | **931.7** | **272.5** |
| **Impact on EBE's equity income** | | | | **487.1** | | | **81.1** |

The comparison between the effects impacting the equity income result for 2019 and 2020 is of limited value since TAG's equity income result for 2019 covers just 6 months' result. Again, for a large part of the second half of 2020, the Company's shareholding stake in TAG was 32.5%, higher than the 29.25% in previous period to the acquisition of the additional stake.

We show the following table for reconciling TAG's net income with its Ebitda:

| Ebitda – in R$ million | 12M20 TAG 100% | 12M19 Aliança 100% | 12M19 TAG 100% |
|---|---|---|---|
| **Income (loss) before financial results and taxes** | **3,620.2** | **(325.4)** | **3,482.3** |
| Depreciation and amortization | 628.0 | - | 665.2 |
| Amortization of *mais valia* | 906.5 | 178.7 | 295.3 |
| **Ebitda** | **5,154.7** | **(146.7)** | **4,442.8** |

**Balance Sheet**

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

| Balance Sheet | 12/31/2020 | 12/31/2019 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | **2,220.3** | **1,832.5** |
| Cash and cash equivalents | 436.6 | 340.9 |
| Unrealized gains on hedging transactions | 18.6 | - |
| Other current assets | 1,765.1 | 1,491.6 |
| **Non-current assets** | **35,659.5** | **34,830.0** |
| Restricted deposits | 202.6 | - |
| Unrealized gains on hedging transactions | 29.1 | - |
| Other non-current assets | 3,523.9 | 1,715.0 |
| Property, plant and equipment | 29,184.9 | 30,616.6 |
| Intangible | 2,719.0 | 2,498.4 |
| **Total** | **37,879.8** | **36,662.5** |
| **LIABILITIES ANS SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | **3,874.3** | **2,797.4** |
| Loans, financing and debentures | 3,250.0 | 2,341.8 |
| Unrealized losses on hedging transactions | 298.0 | 427.3 |
| Other current liabilities | 326.3 | 28.3 |
| **Non-current liabilities** | **27,078.1** | **24,037.0** |
| Loans, financing and debentures | 22,519.1 | 21,250.8 |
| Unrealized losses on hedging transactions | 910.2 | - |
| Other non-current liabilities | 3,648.8 | 2,786.2 |
| **Shareholders' equity** | **6,927.4** | **9,828.1** |
| **Total** | **37,879.8** | **36,662.5** |

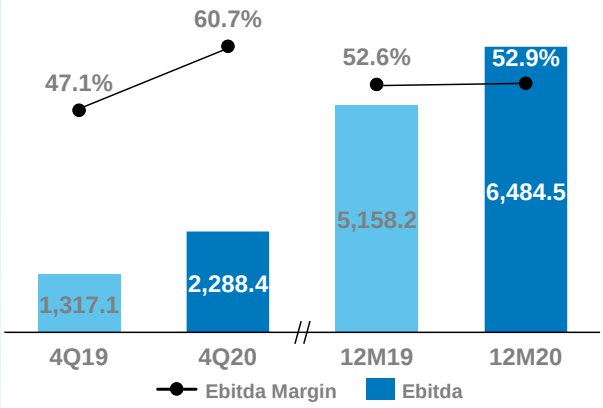
## Ebitda and Ebitda Margin

| | Ebitda by segment – 4Q20 x 4Q19 (in R$ million) | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation | Transmission | Trading | Solar panels | Gas transportation | Consolidated |
| **4Q20** | | | | | | |
| Income (loss) before financial results and taxes | 1,789.8 | 191.7 | (42.5) | 5.7 | 120.3 | 2,065.0 |
| Depreciation and amortization | 223.1 | - | - | 0.3 | - | 223.4 |
| **Ebitda** | **2,012.9** | **191.7** | **(42.5)** | **6.0** | **120.3** | **2,288.4** |
| **Ebitda Margin** | **90.1%** | **16.3%** | **(13.7%)** | **13.5%** | **-** | **60.7%** |
| **4Q19** | | | | | | |
| Income (loss) before financial results and taxes | 980.0 | 8.5 | 0.5 | (1.5) | 86.8 | 1,074.3 |
| Depreciation and amortization | 242.5 | - | - | 0.3 | - | 242.8 |
| **Ebitda** | **1,222.5** | **8.5** | **0.5** | **(1.2)** | **86.8** | **1,317.1** |
| **Ebitda Margin** | **51.5%** | **13.8%** | **0.2%** | **(3.2%)** | **-** | **47.1%** |
| **Variation** | | | | | | |
| Income (loss) before financial results and taxes | 809.8 | 183.2 | (43.0) | 7.2 | 33.5 | 990.7 |
| Depreciation and amortization | (19.4) | - | - | - | - | (19.4) |
| **Ebitda** | **790.4** | **183.2** | **(43.0)** | **7.2** | **33.5** | **971.3** |
| **Ebitda Margin** | **38.6 p.p.** | **2.5 p.p.** | **(13.9 p.p.)** | **16.7 p.p.** | **-** | **13.6 p.p.** |

Between 4Q20 and 4Q19, Ebitda increased by R$ 971.3 million (73.7%) from R$ 1,317.1 million in 4Q19 to R$ 2,288.4 million in 4Q20. The variation is the result of a combination of the following **positive effects**: (i) R$ 790.4 million (64.7%) from the generation and electric energy sales from the Company's portfolio segment; (ii) R$ 183.2 million from the energy transmission segment; (iii) R$ 33.5 million (38.6%) due to the improved result from the corporate stake in the jointly controlled – TAG; and (iv) R$ 7.2 million (600.0%) from the solar paneling segment. The positive impacts were counterbalanced by the **negative effect of** R$ 43.0 million from the trading segment – of which R$ 37.3 million reflect the effects of marking to market and R$ 5.7 million originating from transactions executed and from operational expenses.

The principal business segment is the Company's generation and electric energy sales from the portfolio segment with the variation indicated in item (i) above, having been affected by non-recurring events booked in 4Q20, in the amount of R$ 868.9 million, relating to: (i) an increase of R$ 967.7 million relative to the recovery of energy costs following the renegotiation of hydrological risk; and (ii) the negative effect of R$ 98.8 million in asset impairment.

Ebitda[1] and Ebitda Margin




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

Excluding these effects, Ebitda for this segment in 4Q20 would have decreased from R$ 2,012.9 million to R$ 1,144.0 million. In the comparison between the quarters under analysis, Ebitda for this segment would have posted a decrease of R$ 78.5 million (6.4%), the consequence largely of the following **negative effects**: (i) R$ 37.2 million from the result of the transaction executed in the short-term market; (ii) R$ 22.2 million resulting from a combination of the variations in the amount of energy sold and the average net selling price; (iii) R$ 11.2 million reduction in indemnification due to interruption of business against the result of claims and booked in 4Q19; (iv) R$ 10.1 million increase in selling, general and administrative expenses; (v) R$ 9.1 million increase in payroll overheads; (vi) R$ 8.9 million from an increase in charges for the use of the network; (vii) R$ 7.8 million increase in costs of outsourced materials and services; (viii) R$ 7.1 million due to increased insurance premiums; and (ix) R$ 2.2 million of other revenues, costs and operational expenses. These effects were partially offset by the growth of (x) R$ 37.3 million of remuneration revenue and monetary restatement on Jaguara and Miranda hydroelectric power plants concession assets.

**Generation Ebitda Margin**

The Ebitda margin for the generation segment reported an increase of 38.6 p.p.,increasing from 51.5% in 4Q19 to 90.1% in 4Q20.

Excluding non-recurring effects already mentioned and booked in 4Q20, Ebitda for the segment posted a reduction of R$ 78.5 million (6.4%) between 4Q19 and 4Q20. The Ebitda margin in 4Q20 would have been 51.2%, a decrease of 0.3 p.p. between the quarters under analysis.

**Consolidated Ebitda Margin**

The consolidated Ebitda margin posted an increase of 13,6 p.p.from 47.1% in 4Q19 to 60.7% in 4Q20.

Excluding non-recuring effects mentioned above, booked in 4Q20, the consolidated Ebitda would have shown an increase of R$ 102.4 million (7.8%) between 4Q19 and 4Q20. The Ebitda margin in 4Q20 would have been 37.7%, a decrease of 9.4 p.p. between the quarters under analysis.

It should be noted here that the consolidated Ebitda margin is partially reduced by the effects of energy trading operations, the booking of revenue and costs relative to the construction of the transmission lines and operations executed by the wholly-owned subsidiary EGSD, operating with lower margins than the remaining operations realized by the Company.

| | Ebitda by segment – 12M20 x 12M19 (in R$ million) | | | | | |
|---|---|---|---|---|---|---|
| | Electric energy | | | | | |
| | Generation | Transmission | Trading | Solar panels | Gas transportation | Consolidated |
| **2020** | | | | | | |
| Income (loss) before financial results and taxes | 4,839.2 | 279.9 | (30.7) | (6.0) | 487.1 | 5,569.5 |
| Depreciation and amortization | 914.0 | - | - | 1.0 | - | 915.0 |
| **Ebitda** | **5,753.2** | **279.9** | **(30.7)** | **(5.0)** | **487.1** | **6,484.5** |
| **Ebitda Margin** | **67.4%** | **11.0%** | **(2.8%)** | **(6.2%)** | **-** | **52.9%** |
| **2019** | | | | | | |
| Income (loss) before financial results and taxes | 4,205.9 | 18.4 | (5.3) | (5.2) | 81.1 | 4,294.9 |
| Depreciation and amortization | 862.5 | - | - | 0.8 | - | 863.3 |
| **Ebitda** | **5,068.4** | **18.4** | **(5.3)** | **(4.4)** | **81.1** | **5,158.2** |
| **Ebitda Margin** | **60.1%** | **10.8%** | **(0.5%)** | **(4.5%)** | **-** | **52.6%** |
| **Variation** | | | | | | |
| Income (loss) before financial results and taxes | 633.3 | 261.5 | (25.4) | (0.8) | 406.0 | 1,274.6 |
| Depreciation and amortization | 51.5 | - | - | 0.2 | - | 51.7 |
| **Ebitda** | **684.8** | **261.5** | **(25.4)** | **(0.6)** | **406.0** | **1,326.3** |
| **Ebitda Margin** | **7.3 p.p.** | **0.2 p.p.** | **(2.3 p.p.)** | **(1.7 p.p.)** | **-** | **0.3 p.p.** |

On a full 2019 x 2020 year comparison, Ebitda increased R$ 1,326.3 million (25.7%) from R$ 5,158.2 million in 2019 to R$ 6,484.5 million in 2020, a combination of the following **positive effects**: (i) R$ 684.8 million (13.5%) in the generation and electric energy sales from the Company's portfolio segment; (ii) R$ 261.5 million from the energy transmission segment; and (iii) R$ 406.0 million due to a higher result from the corporate stake in the jointly controlled subsidiary – TAG. These postive effects were counterbalanced by the following **negative effects:** (iv) R$ 25.4 million from the energy trading segment – of which R$ 45.2 million are a result of the effects of marking to market, albeit partly attenuated by the positive impact of R$ 19.8 million originating from executed transactions and from operating expenses; and (v) R$ 0.6 million (13.6%) from the solar panel segment.

The generation segment, the variation of which is shown in item (i) above was affected by non-recurring events booked in the comparative years in the amount of R$ 636.3 million with respect to the following events: (i) an additional R$ 967.7 million in recovered energy costs in the light of the renegotiation of the hydrological risk in 2020; (ii) R$ 83.5 million gain from the successful legal action in 2020; (iii) the negative effect of R$ 321.0 million of other operating revenues from indemnifications received for non-compliance with contractual conditions from the supplier responsible for the construction of Pampa Sul and booked in 2019; and (iv) R$ 93.9 million arising from the increase in asset impairment between compared years.

Excluding these effects, Ebitda for this segment in 2020 would have declined from R$ 5,753.2 million to R$ 4,800.8 million and in 2019 from R$ 5,068.4 million to R$ 4,752.3 million. With this on a 2019 x 2020 comparative bases, Ebitda for this segment would have reported an increase of R$ 48.5 million (1.0%), mainly a reflection of the following **positive effects**: (i) R$ 126.5 million, result of the combination of variations in energy volume sold and the average net selling price; (ii) R$ 82.6 million reduction in energy purchases; (iii) R$ 47.1 million decrease in royalty payments; and (iv) R$ 28.8 million in indemnification for interruption to business. These effects were partially offset by the following **negative effects**: (v) R$ 61.7 million increase in the costs of outsourced materials and services; (vi) R$ 46.6 million from the increase in charges for the use of the network; (vii) R$ 46.1 million in the result from transactions conducted on the short-term market; (viii) R$ 31.1 million in higher proprietary fuel consumption; (ix) R$ 24.6 million in increased selling, general and administrative expenses; (x) R$ 18.8 million in increased payroll overheads; and (xi) R$ 7.6 million of other revenues, costs and operating expenses.

**Generation Ebitda Margin**

The Ebitda margin for the generation segment recorded an increase of 7.3 p.p. from 60.1% in 2019 to 67.4% in 2020.

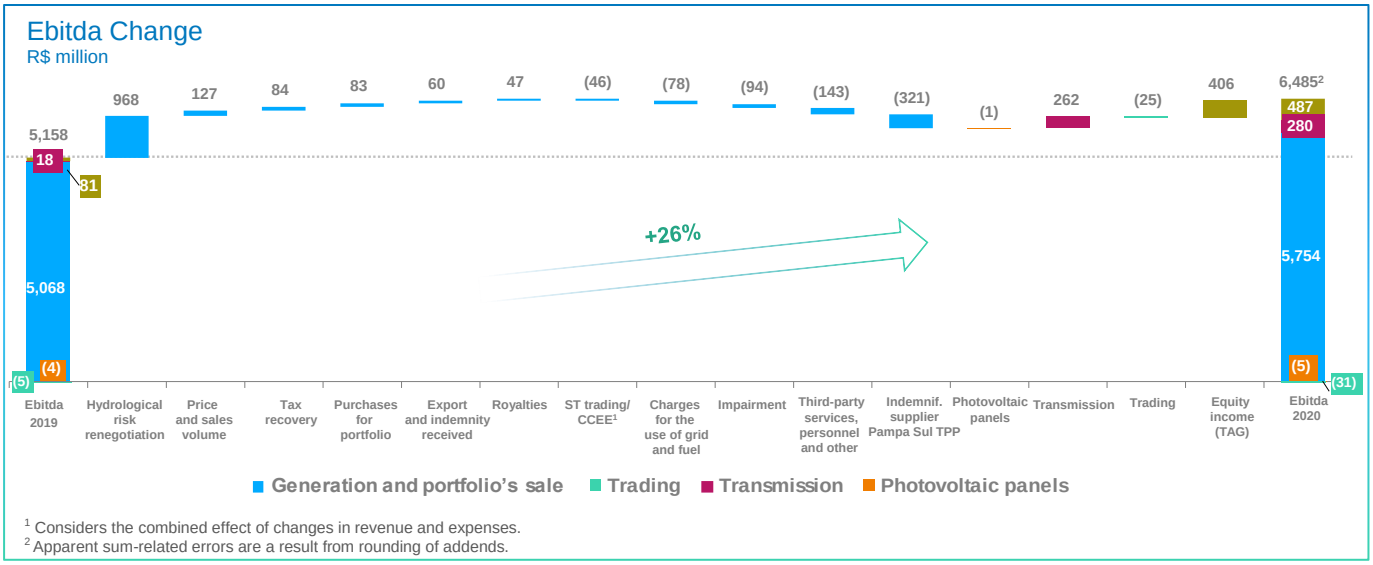
Excluding non-recurring effects previously mentioned and booked in 2019 and 2020, the segment's Ebitda would have shown an increase of R$ 48.5 million (1.0%). The Ebitda margin in 2020 and 2019 would have been 56.8% and 56.4%, respectively, reflecting in an additional 0.4 p.p. between the full fiscal years compared herein.

**Consolidated Ebitda Margin**

The consolidated Ebitda margin registered an increase of 0.3 p.p. from 52.6% in 2019 to 52.9% in 2020.

Excluding the non-recurring effects already mentioned the consolidated Ebitda would have posted an increase of R$ 690.0 million (14.3%) between the years 2020 and 2019. The Ebitda margin on the same comparable basis would have shown a decrease of 4.0 p.p.

It should be pointed out that the consolidated Ebitda margin is partially reduced by the effects of energy trading operations, booking of revenue and costs for the construction of the transmission lines and the operations transacted by the EGSD subsidiary, where margins are characteristically inferior to those of the Company's other operations.




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

The following table reconciles net income with Ebitda:

| (In millions of R$) | 4Q20 | 4Q19 | Chg. % | 12M20 | 12M19 | Chg. % |
|---|---|---|---|---|---|---|
| Net income | 1,029.5 | 617.5 | 66.7 | 2,797.3 | 2,311.1 | 21.0 |
| (+) Income tax and social contribution | 312.8 | 50.0 | 525.6 | 889.8 | 776.8 | 14.5 |
| (+) Net financial result | 722.7 | 406.8 | 77.7 | 1,882.4 | 1,207.0 | 56.0 |
| (+) Depreciation and amortization | 223.4 | 242.8 | -8.0 | 915.0 | 863.3 | 6.0 |
| **Ebitda** | **2,288.4** | **1,317.1** | **73.7** | **6,484.5** | **5,158.2** | **25.7** |

## Financial Result

**Financial income:** in 4Q20, financial revenues were R$ 36.3 million, R$ 1.1 million or 3.1% above the R$ 35.2 million reported for the same quarter of 2019, largely due to the combination of the following factors: (i) increase of interest and monetary restatement on amounts receivable from third parties at R$ 13.5 million, principally due to the impacts of monetary restatement resulting from the past cost of buying coal recovered by the Company; and (ii) a reduction of R$ 11.1 million in revenue from financial investments due to the reduction in interest rates reported in the compared quarters.

On a 2019 x 2020 comparative basis, financial revenue increased by R$ 107.7 million (73.2%) from R$ 147.1 million in 2019 to R$ 254.8 million in 2020. This variation is essentially due to the following factors: (i) a non-recurring increase in interest on tax and social contribution payments of R$ 76.3 million, relating to the financial restatement on the tax claw back following a successful legal action; (ii) an increase of R$ 39.9 million of monetary restatement principally due to: (ii.i) R$ 29.4 million, reflecting the conclusion by the regulator of the effects of Aneel resolution, indicating a reduction in reimbursement for mineral coal acquired with resources drawn from the Energy Development Account (CDE) due to the generator unit's energy efficiency and (ii.ii) R$ 10.0 million, due to the impacts resulting from monetary variation from recovery of past coal acquisition costs; and (iii) a reduction of R$ 6.4 million in revenues from financial investments due to the decline in interest rates between compared years.

**Financial expenses:** in 4Q20, the Company reported R$ 759.0 million, that is, R$ 317.0 million or 71.7% greater than the R$ 442.0 million registered in the same quarter 2019. The principle variations were: (i) an increase of R$ 161.3 million in monetary restatement and interest on concession grants payable, due principally to the variation in the IGP-M, between comparable periods; and (ii) increase of R$ 133.3 million in interest, monetary restatement and on the adjustment of debt to fair value, principally due to the raising of new loans, financing, debentures and preferred shares redeemable during 2020 for the management of cash flow and for investment purposes.

On an annualized comparative basis, expenses increased from R$ 1,354.1 million in 2019 to R$ 2,137.2 million in 2020, that is, by R$ 783.1 million (57.8%), a result of a combination of the same effects in the foregoing item, principally in the form of: (i) increases of R$ 463.9 million interest and monetary restatement on concession grants payable; and (ii) increase of R$ 292.5 million in interest, monetary restatement and on adjustments to the fair value of debt.

## Income Tax and Social Contribution

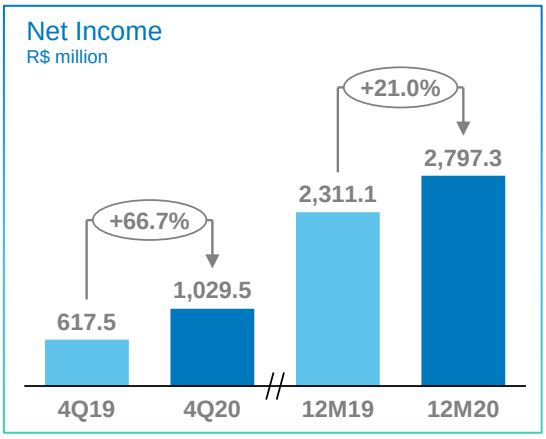
Income Tax (IT) and Social Contribution (CSLL) in 4Q20 were R$ 312.8 million, R$ 262.8 million higher than recorded for the same quarter of 2019, of R$ 50.0 million, principally due to the fiscal effects on non-recurring items booked to the accounts in 4Q20 and relating to the agreement on hydrological risk and asset impairment mentioned previously. Excluding these effects, there was a decrease of R$ 32.6 million, a reflection of: (i) lower pre-IT/CSLL profit between the periods observed, excluding non-recurring effects; and (ii) greater tax incentive benefits in 4Q20 compared with 4Q19.

In the context of the year, these expenses increased R$ 113.0 million from R$ 776.8 million in 2019 to R$ 889.8 million in 2020, largely due to the fiscal effects on non-recurring items booked in 2020 with respect to the renegotiation agreement on hydrological risk, a successful outcome to a legal action and the asset impairment, mentioned above as well as the booking in 2019 of indemnities received for non-compliance with contractual conditions by the supplier responsible for the construction of Pampa Sul in view of late delivery of the work. The other contributory non-recurring item was asset impairment. The effective rate of IT and CSLL in 2020 was 24.1%, 1.1 p.p lower than the amount reported in 2019, of 25.2%.

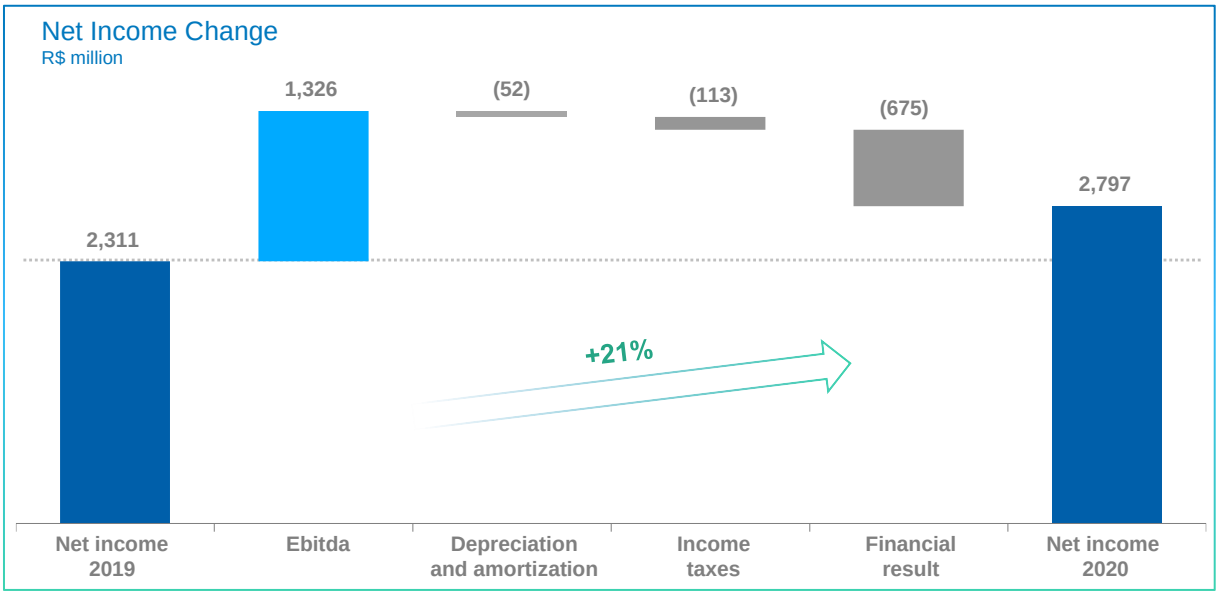
If these effects are excluded, there was a decrease of R$ 129.3 million, reflecting: (i) a reduction in pre IT/CSLL profits between the periods under review; and (ii) greater benefits accruing from tax incentives in 2020.

## Net Income

Net income for 4Q20 was R$ 1,029.5 million, R$ 412.0 million or 66.7% greater than the R$ 617.5 million posted for the same quarter in 2019. This increase reflects the following effects: (i) increase of R$ 971.3 million in Ebitda; (ii) decrease of R$ 19.4 million of depreciation and amortization; (iii) increase of R$ 315.9 million in net financial expenses; and (iv) an additional R$ 262.8 million in IT and CSLL. Excluding the non-recurring effects which impacted the periods (renegotiation of the hydrological risk and asset impairment in 4Q20), net income for 4Q20 was R$ 161.5 million (26.1%) lower.



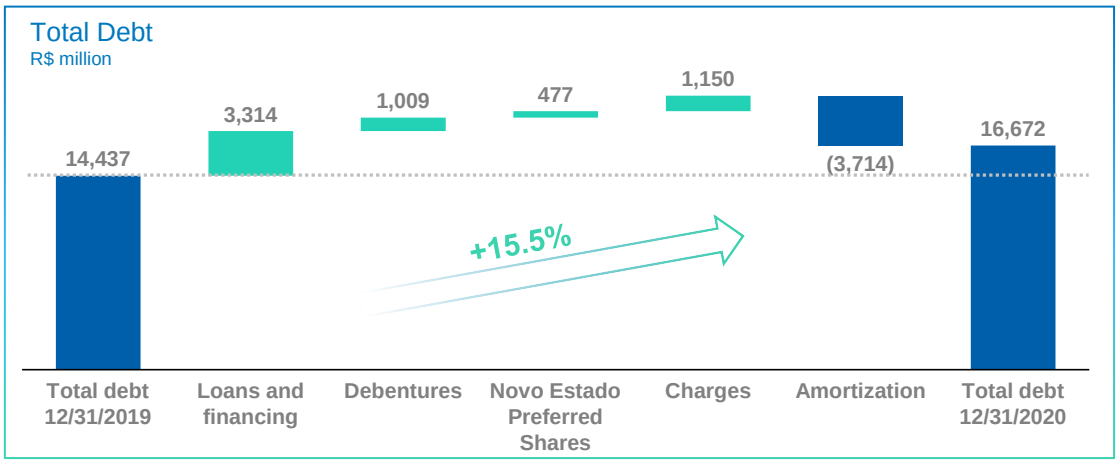

On a 2019 X 2020 comparison basis, net income increased from R$ 2,311.1 million in 2019 to R$ 2,797.3 million, that is an increase of R$ 486.2 million or 21.0%. This positive effect is due to the following impacts: (i) an increase of R$ 1,326.3 million in Ebitda; (ii) increase of R$ 675.4 million of net financial expenses; (iii) a further R$ 113.0 million in income tax and social contribution; and (iv) an additional R$ 51.7 million of depreciation and amortization. Excluding non-recurring items which impacted the periods (renegotiation of hydrological risk, asset impairment, and successful legal action in 2020 and indemnity payments received for non-compliance with contractual conditions plus asset impairment in 2019), net profit in 2020 would have been R$ 15.9 million (0.8%) higher.

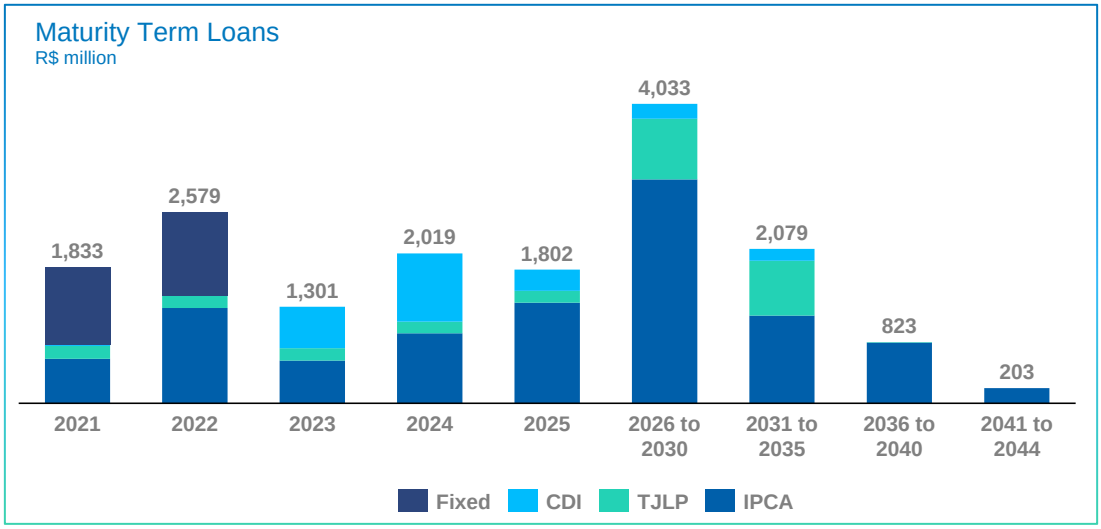



## Debt

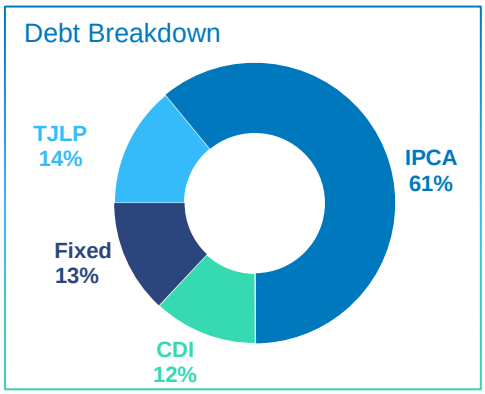
As of December 31, 2020, **total consolidated gross debt,** representing principally loans, financing, debentures and preferred shares redeemable, net of hedging operations, **totaled R$ 16,672.2 million — an increase of 15.5%** (R$ 2,235.5 million) compared to the position as at December 31, 2019.

The variation in the Company's debt is related essentially to a combination of the following events during 2020: (i) drawdowns from the Brazilian Development Bank (BNDES) and on-lending banks amounting R$ 2,181.3 million, largely for the construction of the Campo Largo II Wind Complex and the Novo Estado and Gralha Azul transmission systems; (ii) raising of loans via Law 4131 for R$ 1,132.4 million from overseas financial institutions, totally protected by hedge operations, and allocated for the formation of working capital and for the financing of Company's business plan; (iii) a debentures issue for R$ 1,009.3 million, for financing the implementation of transmission projects and for allocation to Pampa Sul; (iv) injection of R$ 476.8 million from the subscription of preferred shares of Novo Estado Participações S.A.; (v) generation of R$ 1,150.0 million in charges to be paid and monetary restatement; and (vi) R$ 3,714.3 million in amortizations of loans, financing and debentures.




The **average weighted nominal cost of debt** at the end of 2020 was **7.6%** (7.6% at the end of 2019).



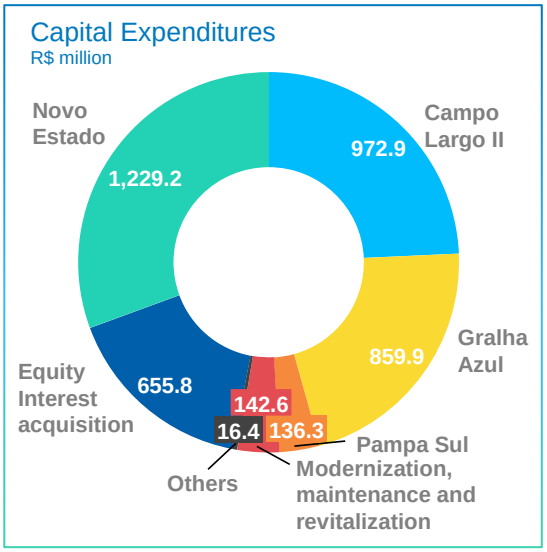

On December 31, 2020, the Company's **net debt** (total debt less result of derivatives operations, deposits earmarked to the guarantee of debt servicing and cash and cash equivalents) was **R$ 11,786.4 million**, **as increase of 15.6%** compared with the end of 2020.

**Net Debt**
R$ million

| | 12/31/2020 | 12/31/2019 | Chg. % |
|---|---|---|---|
| Gross debt | 17,246.1 | 14,763.1 | 16.8 |
| Result of derivatives operations | (573.9) | (326.3) | 75.9 |
| Deposits earmarked for the payment of debt | (346.9) | (374.7) | (7.4) |
| Cash and cash equivalents | (4,538.9) | (3,870.3) | 17.3 |
| **Total net debt** | **11,786.4** | **10,191.8** | **15.6** |
| **Net debt x Ebitda** | **1.8X** | **2.0X** | |

## Capital Expenditures

**Total investments at ENGIE Brasil Energia in 4Q20 were R$ 1,535.6 million**, of which (i) R$ 1,480.8 million was invested in the construction of the new projects, being: (i.i) R$ 603.0 million for the Novo Estado Transmissora de Energia transmission line; (i.ii) R$ 517.2 million in the Campo Largo II Wind Complex; (i.iii) R$ 343.4 million in the Gralha Azul Transmission Line; (i.iv) R$ 15.5 million in the Pampa Sul Thermoelectric Power Plant; and (i.v) R$ 1.6 million in other investments; and (ii) R$ 54.9 million dedicated to maintenance and revitalization projects in the generator park.




**In 2020, the Company invested R$ 4,013.1 million**, of which (i) R$ 655.8 million were used for the acquisition of corporate stakes: R$ 328.6 million for the acquisition of a 100% corporate holding in Novo Estado Energia S.A. and R$ 327.2 million for the acquisition of an additional 3.25% in Transportadora Associada de Gás S.A. (TAG); (ii) R$ 3,214.7 million applied in the construction of new projects as follows: (ii.i) R$ 1,229.2 million for the Novo Estado Transmissora de Energia transmission line; (ii.ii) R$ 972.9 million in the Campo Largo II Wind Complex; (ii.iii) R$ 859.9 million invested in the Gralha Azul Transmission Line; (ii.iv) R$ 136.3 million in the Pampa Sul Thermoelectric Power Plant and (ii.v) R$ 16.4 million in other investments; (iii) R$ 142,6 million were allocated to generator complex maintenance, revitalization and modernization projects, of which, R$ 9.9 million invested in the modernization of the Salto Osório Hydroelectric Power Plant.

## Credit of Dividends and Interest on Equity Capital

At a meeting held on December 15, 2020, ENGIE Brasil Energia's Board of Directors approved the proposal of a payout of **additional interim dividends** on net income for the first half of 2020 amounting to **R$ 554.5 million (R$ 0.6795603315 per share)**, completing 100% of the profit for that semester, whose payment occurred on January 29, 2021, as well as **interest on shareholders' equity** for fiscal year 2020 worth **R$ 175.0 million (R$ 0.2144797773 per share), the payment of which will occur on April 5, 2021.**

In addition, at the meeting of the Board of Directors of February 11, 2021, approval was also given to the proposal for **complementary dividends** for fiscal year 2020, in the amount of **R$ 609.6 million (R$ 0.7471177357 per share)**. All earnings payouts must be ratified by the Annual General Meeting, on which it is incumbent to establishment payment conditions.

**Despite the challenges arising from the Covid-19 pandemic and the investments made during the course of 2020, the total dividend payout for 2020 totaled R$ 2,016.8 million (R$ 2.4717315830 per share), equivalent to 100% of the distributable net income (ex-hydrological risk renegotiation).**

# COMMITMENT TO SUSTAINABLE DEVELOPMENT

## Sustainable Management

ENGIE's ambition is to spearhead the carbon-neutral transition process worldwide, supporting our clients in their journey of reducing emissions and associated to differentiated socio-environmental offers, thereby encouraging sustainable development with positive impacts both locally and globally. Through our medium term Strategic ESG Goals, we endeavor to address the trinomial of "People, Planet and Prosperity", with a focus on the commitment for reducing $CO_2$ emissions by 46% between 2019 and 2030 which is a Science Based Target.

All plants under the Company's responsibility adhere to ENGIE Brasil Energia Sustainable Management Policy, which covers the areas of Quality, Energy Management, Environment, Climate Change, Occupational Health and Safety, Social Responsibility and Engagement of Related Parties. On December 31, 2020, out of the 60 plants installed in 13 states of Brazil's five regions, 12 are certified in accordance with NBR ISO 9001 (for Quality), NBR ISO 14001 (for the Environment) and NBR OHSAS 18001 (for Occupational Health and Safety) standards, with an aggregate capacity of 77.9% of the total operated by the Company. The Jorge Lacerda Thermoelectric Complex, the three plants of which, are among the 12 which are certified according to the NBR ISO 50001 standard for Energy Efficiency.

In addition to the Sustainable Management Policy mentioned above, other commitments to sustainable development can be accessed from Company's website, covering such themes as Human Rights and Ethics. The Sustainability Reports are published annually according to the recommendations of the Global Reporting Initiative (GRI), *Sustainability Accounting Standard Board* (SASB) and the framework of International Integrated Reporting Council (IIRC).

## Sustainability Forum

ENGIE Brasil Energia Sustainability Forum was set up in 2007 and is currently made up of 12 members drawn from different areas, more especially those related most closely to stakeholders, such as shareholders, clients, suppliers, employees, the media and communities. Coordination is the responsibility of the Administrative Director's Office while one of the Committee members is the Board employees' representative. Among others, the Forum has as its objectives to:

- Contribute towards maintaining the balance of interests of the different stakeholders in relation to the Company;
- Develop awareness programs to propagate concepts and practices of sustainability among both internal and external audiences;
- Contribute to the use of best corporate governance practices; and
- Propose, obtain approval from the Management Board and work on a coordinated basis with the organizational units to achieve the annual corporate sustainability goals ("ENGIE Brasil Energia Sustainability Goals"). These goals are based on four Programs — Cultural Development, Environmental Improvement, Social Inclusion and Education for Sustainability —, with initiatives linked to indicators and weightings so permitting an evaluation at the end of each year.

## Highlights of the Quarter

- With its Salto Osório and Salto Santiago Hydroelectric Power Plants, ENGIE was awarded the Paraná Climate Seal, ''OURO PLUS 2020'' category. This award is given to companies located in the state of Paraná who submit their Greenhouse Gas Inventories for verification by a third party, substantiating a reduction in their emissions in relation to the preceding year. The seal was established with the aim of combating climate change and at the same time, preparing the companies in the state to meet future regulatory challenges such as the probable introduction of a carbon surcharge.
- The first internal audit of the Jaguara and Miranda Hydroelectric Power Plants was completed with a view to preparing these plants for implementing ISO 9001, ISO 14001 and OSHAS 18001 certification during 2021.
- The Cana Brava Hydroelectric Plant's Environmental Plan for Conserving and Use of the Reservoir Margins (Pacuera) was delivered to the Federal Environmental Agency, Ibama. The Itá Hydroelectric Power Plant's Plan, which had been sent to the same agency in 2019, was recently approved. The Plan is drawn up on a participative basis in conjunction with the communities situated along the reservoir margins and includes orientations, guidance, actions and short-, medium- and long-term activities to explain the standards and rules for users surrounding the reservoir.
- The Company began the Research, Development, and Innovation (R&D and I) project known as "Development and Application of Genetic Tools in the Monitoring of Ichthyofauna of Hydroelectric Power Plant Reservoirs" on December 1. The project is a partnership between ATGC, ENGIE Brasil Energia and the Integrated Aquaculture and Environmental Studies Group of the Universidade Federal do Paraná (UFPR). The project is to be run in the region of the São Salvador Hydroelectric Power Plant, state of Tocantins.
- In the fourth quarter, the winners of the 1st "Women of our Neighborhood" contest were announced. This is an initiative for supporting women in income creation, empowerment, sharing of knowledge together with a health support network. In total, the contest distributed R$ 500,000 to 28 women entrepreneurs in the sphere of influence of our operations throughout Brazil. See more under https://mulheresdonossobairro.com.br/.

## Sustainability Indices

Since 2012, it has been standard practice of the Company to include the principal sustainability indicators for each period in its quarterly and annually results presentations. The following table shows the indicators for 4Q20 X 4Q19, associating each indicator with GRI Standards recommendations.

### Sustainability Indices[1]

| Item | Dimension[2] | Index[3] | Material themes | GRI disclosure[4] | 4Q20 | 4Q19 | Change | 12M20 | 12M19 | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Quality | Operating plants | - Prioritization of renewable sources for energy generation<br>- Emissions Managemen | 102-7, EU1 | 60 | 60 | 0 | 60 | 60 | 0 |
| 2 | | Installed capacity | | 102-7, EU1 | 10,431 | 10,431 | 0.0% | 10,431 | 10,431 | 0.0% |
| 3 | | Proprietary capacity | | 102-7, EU1 | 8,711 | 8,711 | 0.0% | 8,711 | 8,711 | 0.0% |
| 4 | | Number of certified plants | | 102-16, EU6 | 12 | 12 | 0 | 12 | 12 | 0 |
| 5 | | Certified installed capacity (MW) | | 102-16, EU6 | 8,127 | 8,127 | 0.0% | 8,127 | 8,127 | 0.0% |
| 6 | | Certified installed capacity in relation to the total | | 102-16, EU6 | 77.9% | 77.9% | 0.0 p.p. | 77.9% | 77.9% | 0.0 p.p. |
| 7 | | Installed capacity from renewable sources | | 102-7, EU1 | 9,229 | 9,228 | 0.0% | 9,229 | 9,228 | 0.0% |
| 8 | | Installed capacity from renewable sources in relation to the total | | 102-7, EU1 | 88.5% | 88.5% | 0.0 p.p. | 88.5% | 88.5% | 0.0 p.p. |
| 9 | | Energy generation (GWh) | | EU2 | 10,220 | 11,448 | -10.7% | 35,163 | 44,058 | -20.2% |
| 10 | | Certified energy generation | | 102-16, EU6 | 7,424 | 8,558 | -13.2% | 25,499 | 34,895 | -26.9% |
| 11 | | Certified energy generation in relation to the total | | 102-16, EU6 | 72.6% | 74.8% | -2.1 p.p. | 72.5% | 79.2% | -6.7 p.p. |
| 12 | | Energy generation from renewable sources (GWh) | | EU2 | 8,257 | 9,933 | -16.9% | 29,430 | 39,006 | -24.6% |
| 13 | | Energy generation from renewable sources in relation to the total | | EU2 | 80.8% | 86.8% | -6.0 p.p. | 83.7% | 88.5% | -4.8 p.p. |
| 14 | | Uptime ratio, excluding scheduled stoppages | | EU30 | 95.8% | 97.1% | -1.3 p.p. | 96.4% | 97.1% | -0.7 p.p. |
| 15 | | Uptime ratio, including scheduled stoppages | | EU30 | 90.6% | 89.7% | 0.9 p.p. | 90.9% | 89.7% | 1.1 p.p. |
| 16 | Environment and climate change | Saplings donated and planted (sum-total of planted and donated saplings) | - Emissions Management<br>- Boost of prosperity on local communities<br>- Biodiversity | 304-2, 413-1 | 93,754 | 96,479 | -2.8% | 366,553 | 404,643 | -9.4% |
| 17 | | Number of visitors at the plants and environmental education | | 413-1 | 10,935 | 22,639 | -51.7% | 33,039 | 90,673 | -63.6% |
| 18 | | CO2 Emissions (fossil fuel plants) (t/MWh) | | D305-1, D305-2, D305-3 | 0.924 | 1.054 | -12.3% | 0.966 | 1.013 | -4.7% |
| 19 | | CO2 Emissions from Tractebel Energia's generation complex(t/MWh) | | D305-1, D305-2, D305-3 | 0.177 | 0.139 | 27.3% | 0.158 | 0.116 | 35.6% |
| 20 | Occupational Heath and Safety (OH&S) | Frequency Rate ("Taxa de Frequência" - TF) own employees[5] | - Teams and community safety<br>- Foster good social and environmental practices between suppliers and customers. | 403-2 | 0.000 | 0.000 | - | 0.413 | 0.000 | ▲ |
| 21 | | Severity Rate ("Taxa de Gravidade" - TG) own employees[6] | | 403-2 | 0.000 | 0.000 | - | 0.006 | 0.000 | ▲ |
| 22 | | Frequency Rate ("Taxa de Frequência" - TF) own employees + long term service providers[5] | | 403-2 | 0.000 | 1.700 | ▼ | 0.621 | 1.720 | ▼ |
| 23 | | Frequency Rate ("Taxa de Frequência" - TF) short term service providers + ongoing constructions[5] | | 403-2 | 0.920 | 0.000 | ▲ | 0.787 | 0.630 | ▲ |
| 24 | Social Responsibility[7] | Non-incentivized investments | - Generation of economic result and value sharing with society<br>- Boost of prosperity on local communities | 203-2, 413-1 | 1,244.5 | 1,498.0 | -16.9% | 7,504.2 | 4,034.6 | 86.0% |
| 25 | | Investments through the Infancy and Adolescence Fund (FIA) | | 203-2, 413-1 | 949.0 | 507.1 | 87.1% | 1,868.4 | 2,609.0 | -28.4% |
| 26 | | Investments through the Culture Incentive Law (Rouanet) | | 203-2, 413-1 | 2,427.7 | 2,144.9 | 13.2% | 7,264.6 | 9,375.0 | -22.5% |
| 27 | | Investments through the Sport Incentive Law | | 203-2, 413-1 | 888.0 | 1,400.0 | -36.6% | 1,418.5 | 2,490.0 | -43.0% |
| 28 | | Investments through National Program of Support to Oncology Care (Pronon) | | 203-2, 413-1 | 1,661.0 | 2,775.0 | -40.1% | 1,661.0 | 2,535.0 | -34.5% |
| 29 | | Investments through the National Care Support Program for People with Special Needs (Pronas/PCD) | | 203-2, 413-1 | 1,436.3 | 2,444.2 | -41.2% | 1,436.3 | 2,546.0 | -43.6% |
| 30 | | Investments through the Municipal Fund for the Elderly | | 203-2, 413-1 | 835.0 | 2,035.5 | -59.0% | 1,480.9 | 2,286.0 | -35.2% |

Notes:
[1] Additional information regarding the sustainability at the Company are available at Sustainability Report (www.engie.com.br/en/investors/financial-information).
[2] Reference: ENGIE Sustainable Management Policy.
[3] Figures at 12/31/2020.
[4] GRI: Global Reporting Initiative, Standards version and sector supplement version G4.
[5] TF = number of occupational accidents for every million hours of exposure to hazards.
[6] TG = number of days lost due to occupational accidents for every thousand hours of exposure to hazards.
[7] Amounts in thousands of reais.

# CORPORATE GOVERNANCE

The Company seeks to regularly improve its management mechanisms, with optimization of control procedures, compliance and transparency. It is a component of the Novo Mercado, the listing segment for companies with the highest level of corporate governance trading their shares on the Stock Exchange. This segment was subject to a revision in 2017 to increase the general requirements of the segment's regulations. Since then, the Company has endeavored to use our best efforts to implement the changes as soon as possible. A multidisciplinary working party was constituted to address the theme and in the light of the first results, an Audit Committee was established composed of three members, two of whom are independent members of the Board of Directors. The aim of the Committee is to advise the Board of Directors on the financial statement's evaluation, ethical matters, internal controls, the internal and external audit and risk management. On another related front, the management of corporate compliance procedures was improved, implementing three policies to give greater transparency to the activities and procedures of senior management: Nomination, Remuneration and Evaluation.

Additionally, the Company is a component of the Stock Exchange Sustainability Index (ISE). ENGIE Brasil Energia's Board of Directors comprises nine effective members, one representing the employees while three are independent directors. None of the Board members hold executive positions in the Company and consequently the Chairman of the Board does not occupy the position of Chief Executive Officer. With the exception of the member chosen by the employees, all are elected by the shareholders at the Annual General Meeting.

A Code of Ethics provides the basis of conduct at the Company: a public document available from its website. The Company also has an Ethics Forum responsible for constantly updating the Code and for evaluating ethical issues. **In 2013, ENGIE Brasil Energia signed up to the Brazilian Business Pact for Integrity and against Corruption:** an initiative of the Ethos Institute, in association with the United Nations Global Compact, of which ENGIE Brasil Energia has been a signatory since launch. In 2020, ENGIE Brasil's ISO 37001 certification was ratified, this evaluating the requirements and providing guidance in order to establish, implement, maintain, revise, and improve the corporate antibribery management system.

**ENGIE Brasil Energia's dividend policy establishes a minimum mandatory dividend of 30% of net income for the fiscal year, adjusted pursuant to Law 6,404/76. In addition, the Company policy determines the intention of paying in each calendar year dividends and/or interest on shareholders' equity for a value of not less than 55% of adjusted net income in the form of semi-annual payouts.**

With respect to the asset transfer model and other transactions with related parties, ENGIE Brasil Energia and its controlling shareholder understand that its existing corporate governance standards should be raised even further. Among the initiatives implemented stands out the creation, by means of adaptation to the Company's Bylaw, of the Special Independent **Committee for Valuation of Transactions with Related Parties**, a non-permanent body, which, when called, will be composed in its majority by independent directors of the ENGIE Brasil Energia's Board. This Committee was instrumental in the acquisition of the stake in Transportadora Associada de Gás (TAG).

# CAPITAL MARKETS

Since its listing on B3's Novo Mercado, ENGIE Brasil Energia has become a component of the Special Corporate Governance Stock Index (IGC) and the Special Tag Along Stock Index (ITAG), incorporating those companies offering greater protection to minority shareholders in the event of the sale of a controlling stake. The Company's shares are also included in the Corporate Sustainability Stock Index (ISE), comprising companies with a recognized commitment to social and corporate responsibility, as well as the Electric Energy Stock Index (IEE), which is a sector index made up of the more significant listed companies in the industry. The Company' shares are also traded on B3's leading stock index – the Ibovespa and on Euronext-Vigeo EM 70 — a stock index made up of companies with a premium performance in corporate responsibility in developing countries. Vigeo is the leading constituent agent for ratings of corporate social responsibility and analyzes approximately 330 indicators.

ENGIE Brasil Energia's shares are traded on the B3 under the **EGIE3** symbol. On the United States Over-The-Counter (OTC) market, the Company's Level 1 American Depositary Receipts (ADR) are traded under the **EGIEY Code**, one ADR being equivalent to one common share.

In December 2018, the 32nd Extraordinary General Meeting of the Company approved the capital increase with the issue of 163,185,548 new common, book entry shares with no par value, distributed to its shareholders in the form of a bonus issue in the proportion of 1 new share for every 4 common shares already held. The benefits of the bonus were extended to the ADRs in the same proportion.

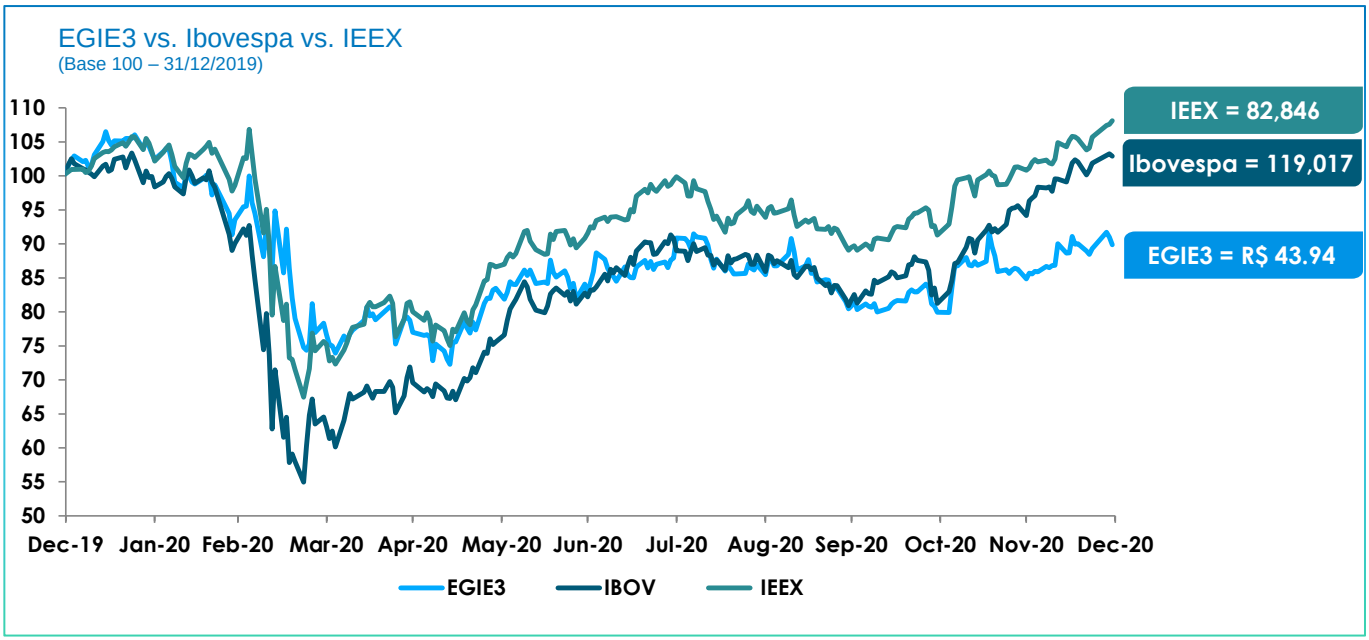
## Share Performance – EGIE3

Fears surrounding a second coronavirus wave clouded the outlook early on in the fourth quarter 2020. However, the outcome to presidential elections in America, the economic stimulus package in the same country and expectations surrounding progress in developing vaccines against Covid-19 were drivers of the financial market, resulting in the Ibovespa, the leading index of the Brazilian stock market, to report a fresh historical record closing at more than 119 thousand points.

**ENGIE Brasil Energia's registered an appreciation of 11.1% in the fourth quarter of 2020**, while the Electric Energy Sector Stock Index (IEEX) and the Ibovespa rose 20.8% and 25.8%, respectively. For the calendar year 2020, the Company's shares reported a devaluation of 10.1%, while IEEX and the Ibovespa posted growth of 8.1% and 2.9%, respectively.

EGIE3 recorded an average daily trading volume of R$ 74.5 million in 4Q20, 26.4% more than in 4Q19, when the volume was R$ 58.9 million. For the fiscal year 2020, average daily volumes traded were R$ 81.1 million, a growth of 35.1% compared with 2019 when trading turnover was R$ 60.0 million.

On the last trading day in December 2020, the closing price of the Company's shares was R$ 43.94/share**, translating into a market capitalization of R$ 35.9 billion.**



# Upcoming Events

ENGIE Brasil Energia will be holding the following events to discuss the earnings results:

## Earnings Release Video Conference

## (In Portuguese — simultaneous translation into English)

**Date:** February 12, 2021
**Time:** 9:00 a.m. (EDT) / 11:00 a.m. (BRT)
**Link to the connection in English: https://vcasting.voitel.com.br/?transmissionId=8845**

**Connection numbers:**
Participants in the USA: +1 (516) 300-1066 / 1-866-866-2673 (Toll Free)
Participants in the UK: + 44 (20) 3478-5282
Participants in Brazil: +55 (11) 3127-4971 / (11) 3728-5971
Access code: ENGIE

## Apimec Meeting

**Virtual (only in Portuguese)**
**Date:** February 18th, 2021
**Time:** 10:00h a.m. (Brasília time)
**Registration: apimecsp@apimecsp.com.br**

## Important

**This release contains information and opinions on future events subject to risks and uncertainties, which are based on current forecasts, projections and tendencies in relation to the Company´s businesses. Innumerous factors can affect the estimates and assumptions on which these opinions are based. For this reason, the estimates and forward looking statements in this release may not become a reality. In the light of these restrictions, shareholders and investors should not adopt any decisions based on estimates, projections and forward looking statements contained in this release.**

## ATTACHMENT I
## ENGIE BRASIL ENERGIA S.A.
## CONSOLIDATED BALANCE SHEET — ASSETS

| (In thousands of R$) | 12/31/2020 | 12/31/2019 |
|---|---|---|
| **Current Assets** | **7,733,297** | **6,745,671** |
| Cash and cash equivalents | 4,538,946 | 3,870,261 |
| Accounts receivables from clients | 1,723,101 | 1,451,227 |
| Credit of income tax and social contribution | 140,785 | 166,833 |
| Dividends receivable | 32,500 | - |
| Inventory | 189,428 | 220,964 |
| Unrealized gains on hedging transactions | 14,475 | 115,131 |
| Unrealized gains on trading transactions | 320,309 | 288,771 |
| Restricted deposits | 174,048 | 4,856 |
| Renegotiation of hydrological risk to appropriate | 15,089 | 15,089 |
| Concession financial assets | 305,626 | 296,232 |
| Non current asset held for sale | 4,577 | 4,829 |
| Other current assets | 274,413 | 311,478 |
| **Non Current Assets** | **27,452,951** | **23,389,907** |
| **Long Term Assets** | **6,829,060** | **3,652,141** |
| Unrealized gains on hedging transactions | 719,380 | 311,577 |
| Unrealized gains on trading transactions | 54,385 | 42,695 |
| Restricted deposits | 235,819 | 381,064 |
| Deposits in court | 82,539 | 102,878 |
| Renegotiation of hydrological risk to appropriate | 100,597 | 115,686 |
| Concession financial assets | 2,499,170 | 2,411,942 |
| Contractual assets | 2,961,419 | 217,611 |
| Other non current assets | 175,751 | 68,688 |
| **Investments** | **2,425,062** | **2,948,920** |
| **Property, Plant and Equipment** | **15,537,837** | **15,330,211** |
| **Intangible** | **2,513,990** | **1,296,769** |
| **Right of use of leases** | **147,002** | **161,866** |
| **Total** | **35,186,248** | **30,135,578** |

## ATTACHMENT II
## ENGIE BRASIL ENERGIA S.A.
## CONSOLIDATED BALANCE SHEET — LIABILITIES

| (In thousands of R$) | 12/31/2020 | 12/31/2019 |
|---|---|---|
| **Current Liabilities** | **5,380,926** | **5,979,644** |
| Suppliers | 861,752 | 765,020 |
| Dividends and interest on shareholder´s equity | 1,385,056 | 1,197,924 |
| Loans and financing | 1,375,627 | 1,637,691 |
| Debentures | 449,376 | 1,204,469 |
| Lease liabilities | 19,144 | 19,824 |
| Tax and social contribution obligations payable | 198,541 | 176,395 |
| Other fiscal and regulatory obligations | 113,901 | 104,855 |
| Labor obligations | 130,097 | 106,005 |
| Unrealized losses on trading transactions | 321,654 | 258,305 |
| Concessions payable | 228,865 | 145,136 |
| Provision | 15,159 | 8,579 |
| Obligations related to retirement benefits | 43,067 | 42,909 |
| Other current liabilities | 238,687 | 312,532 |
| **Non Current Liabilities** | **22,063,324** | **17,157,114** |
| Loans and financing | 9,825,881 | 7,181,363 |
| Debentures | 5,113,171 | 4,739,535 |
| Redeemable preferred shares | 482,088 | - |
| Lease liabilities | 104,828 | 114,483 |
| Unrealized losses on trading transactions | 36,405 | 20,644 |
| Concessions payable | 3,783,453 | 3,091,354 |
| Provision | 305,845 | 288,301 |
| Obligations related to retirement benefits | 407,846 | 364,253 |
| Deferred income taxes and social contribution | 1,523,222 | 941,468 |
| Other non current liabilities | 480,585 | 415,713 |
| **Shareholders' Equity** | **7,741,998** | **6,998,820** |
| Share capital | 4,902,648 | 4,902,648 |
| Net income reserves | 3,546,496 | 2,123,245 |
| Adjustment on fixed asset | (709,615) | (30,739) |
| Non controlling interests | 2,469 | 3,666 |
| **Total** | **35,186,248** | **30,135,578** |

# ATTACHMENT III
# ENGIE BRASIL ENERGIA S.A.
# CONSOLIDATED INCOME STATEMENT

| (In thousands of R$) | 4Q20 | 4Q19 | Chg. % | 12M20 | 12M19 | Chg. % |
|---|---|---|---|---|---|---|
| **Net Operational Revenue** | **3,769,234** | **2,795,124** | **34.9** | **12,259,159** | **9,804,478** | **25.0** |
| **Operational Costs** | **(1,634,156)** | **(1,728,820)** | **-5.5** | **(6,795,857)** | **(5,652,963)** | **20.2** |
| Electric power purchases | (748,793) | (728,822) | 2.7 | (2,583,053) | (2,666,211) | -3.1 |
| Transactions in the short term energy market | (112,657) | (225,660) | -50.1 | (310,767) | (427,677) | -27.3 |
| Charges for the use of and connection to the electricity grid | (142,006) | (133,164) | 6.6 | (560,335) | (513,740) | 9.1 |
| Fuel expenses | (73,645) | (84,195) | -12.5 | (204,135) | (172,962) | 18.0 |
| Financial compensation for use of hydro resources (royalties) | (26,674) | (32,492) | -17.9 | (84,488) | (131,606) | -35.8 |
| Personnel | (75,411) | (68,135) | 10.7 | (281,478) | (264,782) | 6.3 |
| Materials and third-party services | (110,655) | (99,700) | 11.0 | (357,678) | (293,654) | 21.8 |
| Depreciation and amortization | (217,759) | (236,090) | -7.8 | (893,821) | (844,390) | 5.9 |
| Insurance | (28,436) | (21,376) | 33.0 | (88,950) | (65,610) | 35.6 |
| Cost of implementing transmission infrastructure | (987,138) | (52,936) | 1,764.8 | (2,274,223) | (151,334) | 1,402.8 |
| Cost of selling photovoltaic solar panels | (28,981) | (29,546) | -1.9 | (54,410) | (70,800) | -23.1 |
| Energy costs recovery - Hydrological risk renegotiation | 967,681 | - | 100.0 | 967,681 | - | 100.0 |
| Others | (49,682) | (16,704) | 197.4 | (70,200) | (50,197) | 39.8 |
| **Gross Income** | **2,135,078** | **1,066,304** | **100.2** | **5,463,302** | **4,151,515** | **31.6** |
| **Operating Income (Expenses)** | **(190,433)** | **(78,804)** | **141.7** | **(380,790)** | **62,269** | **-711.5** |
| Selling, general and administrative expenses | (87,087) | (77,486) | 12.4 | (277,368) | (253,236) | 9.5 |
| Impairment | (98,755) | - | 100.0 | (98,755) | (4,900) | 1,915.4 |
| Other operating (expenses) revenues, net | (4,591) | (1,318) | 248.3 | (4,667) | 320,405 | -101.5 |
| **Result of corporate participations** | **120,315** | **86,794** | **38.6** | **487,051** | **81,114** | **500.5** |
| Equity income | 120,315 | 86,794 | 38.6 | 487,051 | 81,114 | 500.5 |
| **Income Before Financial Result and Taxes** | **2,064,960** | **1,074,294** | **92.2** | **5,569,563** | **4,294,898** | **29.7** |
| **Net Financial Result** | **(722,720)** | **(406,828)** | **77.6** | **(1,882,435)** | **(1,206,961)** | **56.0** |
| Financial income | 36,314 | 35,243 | 3.0 | 254,804 | 147,151 | 73.2 |
| Financial expenses | (759,034) | (442,071) | 71.7 | (2,137,239) | (1,354,112) | 57.8 |
| **Income Before Taxes** | **1,342,240** | **667,466** | **101.1** | **3,687,128** | **3,087,937** | **19.4** |
| Income tax | (219,603) | (32,306) | 579.8 | (631,475) | (552,386) | 14.3 |
| Social contribution | (93,160) | (17,626) | 428.5 | (258,385) | (224,452) | 15.1 |
| **Net Income for the Period** | **1,029,477** | **617,534** | **66.7** | **2,797,268** | **2,311,099** | **21.0** |
| Income allocated to: | | | | | | |
| ENGIE Brasil Energia's shareholders | 1,030,116 | 617,228 | 66.9 | 2,797,091 | 2,309,925 | 21.1 |
| Non-controlling shareholder of Ibitiúva Bioenergética S.A. | (639) | 306 | -308.8 | 177 | 1,174 | -84.9 |
| **Number of Ordinary Shares** | **815,927,740** | **815,927,740** | | **815,927,740** | **815,927,740** | |
| **Net Income per Share** | **1.2625** | **0.7565** | **66.9** | **3.4281** | **2.8310** | **21.1** |

# ATTACHMENT IV
# ENGIE BRASIL ENERGIA S.A.
# CONSOLIDATED STATEMENT OF CASH FLOW

| (In thousands of R$) | 12M20 | 12M19 |
|---|---|---|
| **Cash Flow from Operating Activities** | | |
| Income before taxes on income | 3,687,128 | 3,087,937 |
| **Reconciliation of net income with operating cash flow:** | | |
| Equity loss | (487,051) | (81,114) |
| Depreciation and amortization | 914,975 | 863,343 |
| Renegotiation of hydrological risk | (967,681) | - |
| Impairment | 98,755 | 4,900 |
| Monetary variation | 925,309 | 320,045 |
| Interests | 1,055,304 | 970,559 |
| Remuneration of financial concession asset | (381,745) | (382,735) |
| Contract asset remuneration | (189,720) | (14,549) |
| Unrealized losses (gains) on trading operations, net | 35,882 | (9,328) |
| Others | 8,692 | 9,369 |
| **Adjusted Net Income** | **4,699,848** | **4,768,427** |
| **(Increase) reduction in assets** | | |
| Accounts receivables from clients | (284,980) | (247,000) |
| Tax credits recoverable | 26,078 | (67,056) |
| Inventory | 31,537 | (92,101) |
| Deposits in court and restricted deposits | (27,466) | 3,318 |
| Renegotiation of hydrological risk to appropriate | 15,089 | 15,090 |
| Financial concession asset | 285,123 | 269,671 |
| Contract assets | (2,398,290) | (155,364) |
| Other assets | (16,122) | (3,581) |
| **(Reduction) increase in liabilities** | | |
| Suppliers | (26,261) | 65,601 |
| Other fiscal and regulatory obligations | 27,705 | (3,561) |
| Labor obligations | 24,092 | 6,433 |
| Obligations related to retirement benefits | (30,424) | (29,432) |
| Other liabilities | (87,703) | 159,161 |
| **Cash Generated from Operating Activities** | **2,238,226** | **4,689,606** |
| Payment of interests on debt, net of hedge | (605,487) | (579,734) |
| Payment of income tax and social contribution | (290,488) | (488,606) |
| **Net Cash from Operating Activities** | **1,342,251** | **3,621,266** |
| | | |
| **Investments Activities** | **(996,938)** | **(4,229,792)** |
| Dividends received from joint ventures | 679,250 | 351,000 |
| Capital increase at joint ventures | - | (2,789,257) |
| Acquisitions of investments | (327,168) | (680,612) |
| Used in fixed assets and intangibles | (1,020,131) | (1,165,832) |
| Liquidated damages for the delay conclusion received | - | 71,886 |
| Fair value of the rights of use in acquired projects | (328,889) | (16,977) |
| **Financing Activities** | **323,372** | **2,062,995** |
| Loans and financing contracted | 3,313,779 | 2,664,545 |
| Debentures contracted | 1,009,284 | 4,064,987 |
| Preferred shares issued | 476,757 | - |
| Payment of loans and financing, net of hedge | (1,437,609) | (459,381) |
| Payment of debentures, net of hedge | (1,671,209) | (1,713,612) |
| Payments of concessions payable | (153,879) | (79,755) |
| Payments of dividends and interest on shareholders' equity | (1,240,918) | (2,260,825) |
| Payments of leases | (20,362) | (16,743) |
| Debt servicing deposits | 35,419 | (132,399) |
| Others | 12,110 | (3,822) |
| **Increase in Cash and Cash Equivalents** | **668,685** | **1,454,469** |
| **Reconciliation of Cash and Cash Equivalents** | | |
| Opening balance | 3,870,261 | 2,415,792 |
| Closing balance | 4,538,946 | 3,870,261 |
| **Increase in Cash and Cash Equivalents** | **668,685** | **1,454,469** |
| **Transactions that do Not Affect Cash and Cash Equivalents** | | |
| Dividends intended by subsidiaries | 711,750 | - |
| Fair value of acquired project rights | 236,021 | - |
| Interest on shareholders' equity credited | 175,000 | 354,000 |
| Capital increase with profit and profit | 167,219 | - |
| Net assets of subsidiaries acquired | 136,093 | - |
| Supplier's of fixed assets and intangibles | 104,154 | 88,677 |
| Goodwill | 80,247 | - |
| Capitalized interest and monetary variation | 55,657 | 151,931 |
| Measurement of obligations with retirement benefits | 46,477 | 87,233 |
| Unclaimed dividends and interest on equity | 3,978 | 5,738 |
| Provisions for expropriations without cash effect in the construction of transmission | 2,519 | - |
| Fixed assets credit of PIS and COFINS | (29,413) | - |
| Credit of income tax and social contribution | (76,282) | (24,682) |
| Initial adoption IFRS 16 | - | 139,475 |
| Transfer of property, plant and equipment to other non-current assets | - | (2,926) |