



NEOENERGIA

Consolidated Financial Statements

December 31, 2021



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Neoenergia | 2021 Management Report



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HIGHLIGHTS (R\$ MN) 4Q21	4Q21	4Q20	Δ %	2021	2020	Δ %
Net Operating Revenue	11,388	10,002	14%	41,120	31,138	32%
Gross Margin	4,011	3,160	27%	14,146	10,226	38%
Operating Expenses	(1,013)	(996)	2%	(3,526)	(3,218)	10%
EBITDA	2,411	2,101	15%	9,856	6,496	52%
Financial Income (Loss)	(909)	(350)	160%	(2,283)	(1,030)	122%
Profit assigned to controlling shareholder	635	996	(36%)	3,925	2,809	40%
Financial Asset (Concession)	424	404	5%	1,579	549	188%
IFRS 15	335	360	(7%)	1,209	758	59%
Belo Monte - Adjustment to Fair Value	(482)	-	-	(482)	-	-
GSF Agreement	-	-	-	222	-	-
Cash EBITDA	2,134	1,337	60%	7,328	5,189	41%



OPERATING INDICATORS						
Distributed Energy (GW) ¹	17,208	16,579	3.8%	66,257	62,370	6.2%
Injected Energy (GW) ¹	19,710	19,995	(1.4%)	75,814	73,103	3.7%
Number of Customers (thousand) ¹	15,742	15,381	2.3%			

Financial Debt Indicators	2021	2020	Variation
Net Debt ¹ /EBITDA ³	3.12	2.85	0.27
Corporate Rating (S&P)	AAA	AAA	-

(1) 4Q21 reflects the result for the full quarter of Neoenergia Brasília, while the accumulated result starts on March 2, 2021, when it was merged into Neoenergia. Comparison with 2020, which considers Neoenergia Brasília, is merely pro forma.

(2) Net debt of cash and cash equivalents, short-term investments and securities

(3) EBITDA and Financial Result - 12 months

Financial and Operating Highlights:

- 19,710 GWh of energy injected in 4Q21 (-1.4% vs. 4Q20), due to lower temperatures and increased rainfall. For the year, 75,814 GWh (+3.7% vs. 2020), confirming the upturn of economic activity throughout the year;
- 17,208 GWh of energy distributed in 4Q21 (+3.8% vs. 4Q20) and 66,257 GWh in the year (+6.2% vs. 2020). Worthy highlighting is the effect of REN 863/2019, impacting the non-billed in 4Q20 by 826 GWh, reducing the energy distributed in 4Q20 with no impact on the economic result;
- Operating expenses of R\$ 1,013 million in 4Q21 (+2% vs. 4Q20) and R\$ 3,526 million in the year (+10% vs. 2020). Disregarding Neoenergia Brasília, and arbitrations in the holding in the 1Q20, variations are -7% vs. 4Q20 and +3% vs. 2020, both below inflation and absorbing the higher number of customers and new businesses;
- Belo Monte: Reclassification to "Assets held for sale" with non-cash adjustment of -R\$ 482 million;
- EBITDA of R\$ 2.4 billion in 4Q21 (+15% vs. 4Q20) and R\$ 9.9 billion in 2021 (+52% vs. 2020). Cash EBITDA of R\$ 2.1 billion in 4Q21 (+60% vs. 4Q20) and R\$ 7.3 billion in 2021 (+41% vs. 2020);
- Profit of R\$ 635 million in 4Q21 (-36% vs. 4Q20) and R\$ 3.9 billion in 2021 (+40% vs. 2020). Excluding the Belo Monte adjustment, 4Q21 Profit was R\$ 1.1 billion (+12% vs. 4Q20) and R\$ 4.4 billion in the year (+57% vs. 2020);
- CAPEX of R\$ 9.4 billion in 2021 (+48% vs. 2020) due to the progress of Transmission and Wind projects;
- Net debt/EBITDA of 3.12x in 4Q21 (2.85x in the 4Q20);
- Total 12-month losses carried on dropping in the past 12 months and receded in all five distributors compared to 4Q20;
- Early start of operation of the Chafariz Complex, with 433 MW, contributing with R\$ 66 million of EBITDA for the year.

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MESSAGE FROM THE PRESIDENT

Guided by a sustainable investments strategy in all segments of the Brazilian electricity sector, in 2021, Neoenergia delivers an EBITDA of R\$ 9.9 billion (+52%) and a Net income of R\$ 3.9 billion (+40%). The main drivers of these results are market recovery, even in the face of uncertainties regarding the evolution of the global pandemic, and the impact of inflation on regulated tariffs, which also reflect cost discipline and constant search for efficiency. We saw an increase of only 3% in operating expenses in the year, absorbing most of the effects of the acceleration of inflation, in addition to the increase in the portfolio of operating assets and the resumption of normal operating activities.

With an investment of R\$ 9.4 billion, supported by a robust raising funds plan and global funding sources, we expanded and strengthened our distribution networks, in addition to ensuring the progress of renewable energy generation and transmission projects.

We concluded the Chafariz wind farm with 471MW, 92% already in commercial operation in 2021. Throughout the year, we delivered the transmission projects of Dourados, Santa Luzia and Jalapão, this last one with complete commercial operation in 2022, all with savings in capex and early delivery of more than one year compared to the auction notice. We expanded our transmission portfolio with the acquisition of a new lot, this time in Minas Gerais, and we continued with the development of our portfolio of wind and photovoltaic renewable projects.

We merged Neoenergia Brasília in March and concluded the takeover process still in 2021. With an investment of R\$ 190 MN in the Federal District, we started the company's turnaround, where we have already achieved important results such as reducing losses and increasing collection, in addition to operating efficiencies.

We showed a growth of more than 6% in the distribution market, leveraged by the performance of the commercial and industrial classes, and we improved service quality in all our distributors. With a structured energy recovery plan, we have reduced energy losses in all our concession areas, especially in Neoenergia Pernambuco, which has been on a continuous downward course.

Another highlight is the performance of Neoenergia Termopernambuco, which during the Brazilian water crisis was dispatched at its maximum capacity, contributing positively to the 2021 results and reinforcing its importance in the operation of the Brazilian Northeast system. Higher thermoelectric generation and higher wind supply, in times of low rainfall, mitigated the effects of reduced hydroelectric generation, confirming the resilience of our diversified and integrated portfolio, and its natural hedge.

The Brazilian market continues progressing in the regulatory environment, such as the reduction of subsidies, the legal framework for distributed generation, the regulation of hybrid plants and, as early as 2022, the definition on the assignment of areas for offshore wind generation. In this context, we have invested in training teams, developing expertise and strategic partnerships, in addition to integrating the operation focusing on project optimization and the construction of technology and engineering solutions. In 2021 we closed new partnerships for the development of Green Hydrogen in Brazil.

In a strategic move in the face of imminent market liberalization, we unified our Neoenergia brand, reinforcing the commitment of the entire company to supplying clean, affordable and quality energy, and strengthening a business model based on management, efficiency, innovation and sustainability. We boosted customer relations by expanding the offer of products and services, in addition to providing new service and payment channels.

We believe that companies can and must play a relevant role in the development of the regions where they operate. In addition to our role in generating and supplying energy, we seek to contribute to the economy in the areas where

we operate. We have a program for the development of sustainable local suppliers, which already represent more than 60% of all contracts, and our School of Electricians, a project recognized by the UN, that we are very proud of, aimed at training, and thus contribute to the improvement of the quality of life of the population. We trained 1,7 thousand people and generated quality jobs with 95% of those trained in our insourcing project.

In order to expand diversity and increase the relevance of women throughout society, and as a boost to sports, we closed a pioneering sponsorship contract for athletes from the Brazilian Women's Soccer Team and the Brazilian Women's Championship that carries the name of Neoenergia, in addition to promoting the participation of women in the Electrician Schools, and, internally, expanding the female presence in the company's leadership.

Driven by our commitment to social, cultural and institutional development, Instituto Neoenergia invested more than R\$ 9 MN of its own resources as well as incentive resources. The Institute's performance, integrated into the group's business model, has allowed us to bring about important partnerships, such as BNDES, to participate as founder of the 'Rescuing History Project'.

Our strategy and sustainable practices make us stand out, and place us in important sustainability and governance indices, such as the FTSE4 Good Index Series of the London Stock Exchange, the Bovespa ISE and the S&P Sustainability Yearbook, in addition to being recognized with the Pro-Ethics Seal for the 4th consecutive year, also expanding certification to our distributors.

To conclude, I would like to thank all Neoenergia employees for their dedication and commitment to results and creating value for our Shareholders. 2022 presents us with new challenges, but we have the resources and qualified people to carry on our deliveries.

Mario José Ruiz-Tagle Larraín

Chief Executive Officer

1. CORPORATE PROFILE AND ORGANIZATIONAL STRUCTURE

Neoenergia is a publicly traded company, present in 18 Brazilian states and in the Federal District, operating as a holding company with majority stake in the capital of other companies, purpose of which is the Distribution, Transmission, Generation and Sale of Electric Energy. In the Distribution segment, Neoenergia controls five Distributors, of which three are located in the Northeast – Neoenergia Coelba, Neoenergia Pernambuco, and Neoenergia Cosern - one in the Southeast – Neoenergia Elektro – and one in the Federal District – Neoenergia Brasília.

As of December 30, 2021, Neoenergia corporate structure consisted of 52.9% of Iberdrola interest, 30.3% Previ interest and 16.8% other shareholders.

2. MACROECONOMIC ENVIRONMENT

Projections for the economy at the beginning of 2021 sounded promising after the severe economic shock resulting from the Covid-19 pandemic in 2020. According to the Brazilian Central Bank "Focus Report", on December 31, 2020, the projection for 2021 was that the National Consumer Price Index (IPCA) would be 3.32% (within the target of 3.75%), the Selic rate 3.0%, and the growth of Gross Domestic Product (GDP) 3.4 %.

Such optimism was justified by the expectation of economic recovery and the discovery, at the end of 2020, of vaccines against Covid-19. However, what we experienced was a more challenging year than expected, especially due to the 2nd wave of Covid-19 that hit the country in the first half of the year, and the very program of people's immunization, which took a few months to gain ground.

Fears about the fiscal scenario combined with the worst drought in Brazil in 91 years put pressure on operating costs for the electricity sector at large.

According to the Brazilian Institute of Geography and Statistics (IBGE), inflation measured by the IPCA ended 2021 with a year-to-date increase of 10.06%. As a measure to contain the rise in inflation, the Selic rate, which fell to an all-time low of 2.0% in 2020, reached 9.25% at the end of 2021.

As for the GDP, the economy ended 2021 with a growth perspective of 4.5%, according to the Institute of Applied Economic Research (IPEA), driven by the industry and service sectors.

As regards energy consumption, according to the Electric Energy Commercialization Chamber (CCEE), there was an increase of 4.1% compared to 2020. After a first semester of social isolation measures to fight the Covid-19 pandemic, which significantly impacted the demand for electricity in the country, energy consumption shows consistent signs of recovery.






3. REGULATORY ENVIRONMENT

3.1. Networks

3.1.1. Distributors

3.1.1.1. Tariffs

In 2021, three of the five distributors of the Neoenergia group underwent a Tariff Reset and two underwent a Tariff Review:

	 NEOENERGIA COELBA	 NEOENERGIA PERNAMBUCO	 NEOENERGIA COSERN	 NEOENERGIA ELEKTRO	 NEOENERGIA BRASÍLIA
Consumer Group	April-21	April-21	April-21	August-21	October-21
AT - High Voltage (>2,3kV)	12.28%	11.89%	11.18%	12.89%	11.85%
BT - Low Voltage (<2,3kV)	7.82%	8.01%	8.27%	8.84%	9.16%
Average Tariff Effect AT+BT	8.98%	8.99%	8.96%	11.49%	11.10%
Start of validity	22-Apr-21	29-Apr-21	22-Apr-21	27-Aug-21	22-Oct-21
Revision Process	Annual Reset	Review	Annual Reset	Annual Reset	Review
Next Tariff review	April-23	April-25	April-23	August-23	October-25

Tariff Reset

Neoenergia Coelba and Neoenergia Cosern

In April 2021, Neoenergia Coelba and Neoenergia Cosern had their tariff resets approved by Aneel, with an average effect for the consumer of 8.98% and 8,96%, respectively, enforced as of April 22.

For Neoenergia Coelba, the variation of Parcel A was 18.52%, amounting to R\$ 6,117.6 million, mainly impacted by the increase of 53.02% in transmission costs and 7.34% in costs with energy purchase. The average onlending price of energy purchase agreements was set at R\$ 202.91/MWh. The variation of Parcel B was 29.90% (R\$ 4,496.9 million), reflecting the year-to-date inflation (IGP-M) since the last tariff reset, of 31.10%, deducting the Factor X of 1.20%

For Neoenergia Cosern, the variation in Parcel A was 16.18%, totaling R\$ 1,710.1 million, mainly impacted by the 50.39% increase in transmission costs and 8.46% in energy purchase costs. The average onlending price of energy purchase agreements was set at R\$ 221.32/MWh. The variation of Parcel B was 30.63%, (R\$ 1,011.9 million), reflecting the year-to-date inflation (IGP-M) since the last tariff reset of 31.10%, deducting the Factor X of 0.47%.

The use of tax credits referring to the final and unappealable court decision to exclude of ICMS from the PIS/COFINS base, and the early reversal to low tariffs of the revenues from exceeding demand and reactive surplus constituted until March 2021 contributed to the reduction of the average effect to the consumer, while the adjustment to Parcel B items was fully enforced as of April 22, 2021.

Neoenergia Elektro

In August 2021, Aneel approved the tariff reset for Neoenergia Elektro, with an average effect to the consumer of 11.49%, enforced as of August 27.

The index was impacted by increases of 10.89% in sector charges and 3.73% in energy purchase costs, which were offset by the reprofiling of basic network costs, extraordinary, reducing transmission costs by 17.76%, entailing a variation in Parcel A of 0.38% in the amount of R\$ 5,346 million. The average onlending price of energy purchase agreements was set at R\$ 217.54/MWh. The variation of Parcel B was 32.49% (R\$ 2,432 million), reflecting the year-to-date inflation (IGP-M) since the last tariff reset of 33.83%, deducting the Factor X of 1.34%.

The use of tax credits referring to the exclusion of ICMS from the PIS/COFINS base, and the early reversal to low tariffs of the revenues from exceeding demand and reactive surplus constituted until July 2021 contributed to the reduction of the average effect to the consumer, while the reset of Parcel B items was fully enforced as of August 27, 2021.

Tariff Review

Neoenergia Pernambuco

In April 2021, Aneel approved the 5th PTR of Neoenergia Pernambuco, with an average effect to the consumer of +8.99%, effective as of April 29.

The use of tax credits referring to the final and unappealable court decision to exclude ICMS from the PIS/COFINS base, as well as the reprofiling of the Basic Network and Covid Account contributed to the reduction of the average effect to the consumer.

Parcel B, already net of other revenues, reached R\$ 1,961 million (+9.3% considering the market in the last 12 months, already discounting revenues from exceeding demand and excess reactivities). The adjustment to Parcel B items was fully enforced as of April 29, 2021. As to the Net Remuneration Asset Basis, the approved amount was R\$ 5,648 million, reflecting the full recognition of investments made. As to Total Regulatory Losses, Aneel set the percentage of 15.1% on injected energy.

Neoenergia Brasilia

In October 2021, Aneel approved the 5th PTR of Neoenergia Brasilia, with an average effect to the consumer of +11.10%, effective as of October 22.

The reversal of the remaining balance of the Covid Account, the use of tax credits referring to the exclusion of ICMS from the PIS/COFINS base, the deferral of the purchase of energy from Itaipu, as well as the financial indicator related to the Water Scarcity Flag contributed to the reduction of the average effect to the consumer.

Parcel B, already net of other revenues, reached R\$ 553.1 million (+0.37% considering the market in the last 12 months, already discounting revenues from exceeding demand and excess reactivities). The adjustment to Parcel B items was fully enforced as of October 22, 2021. As to the Net Remuneration Asset Basis, the approved amount was

R\$1,144 million, at September 2021 values, reflecting the recognition of investments made. As to Total Regulatory Losses recognized in the tariff, Aneel set the percentage of 11.71% on injected energy. It is worth noting that the result of the tariff review was in line with the business plan of Neoenergia Brasília acquisition.

3.1.1.2. Main Tariff discussions that took place over the year

Regulatory Capital Remuneration Basis - WACC

On March 15, the adjustment to WACC for the generation (quota plants), transmission and distribution segments was published. In 2021, for distributors 7.02% was applied; for transmission companies and quota plants: 6.76%. The new percentages have been used in processes that took place between March 2021 and February 2022.

The rate in effect in 2020 applicable to the Tariff Reviews of the distributors was 7.32%.

Energy Losses and Unrecoverable Revenues

In December 2021, ANEEL approved the new loss methodology, updating it with improvements that brought advances in modeling, especially in the construction of the complexity ranking, which became unique (based on 138 models), and no longer based on the average of 3 rankings (3 models). There was also an increase in the number of variables assessed to 17. In the initial proposal at the Public Consultation opening, only 5 variables were considered.

Other notable enhancements in the methodology update were as follows: the definition of the starting point; the change of the reference year in the calculation of the target, adopting an average of 3 years; the treatment for companies with a goal higher than the starting point; the reduction to the level of structural losses (minimum limit); the raising of the speed limit of the reduction course, and the setting of specific rules for risk areas, ASRO - Areas with Severe Operational Restraint.

As to the topic of Unrecoverable Revenues, ANEEL maintained the current methodology by updating the database (with the assumption of 4 years, 2017 to 2020). The methodology continues taking into account the socio-economic complexity ranking, which was updated in this review of the non-technical losses methodology.

3.1.1.3. Measures associated with Covid-19

Temporary operating restraints for distributors

ANEEL Normative Resolution No. 928/2021 published on March 26, imposed operational restrictions to preserve the safety of customer service due to the pandemic. The main measures implemented were the ban of supply disconnection to certain groups of consumers (low-income residential, users of vital equipment, among others), the suspension of the 90-day deadline for disconnection (all consumers), and the postponement of payment by the distributors of compensation for violation of individual continuity and voltage compliance limits. The resolution, which was initially effective until June 30, was extended until September 30 by means of ANEEL Normative Resolution No. 936/2021, of June 15.

Distributors' rebalancing

On November 23, ANEEL released Normative Resolution No. 952/2021, that deals with the correction of economic imbalances resulting from the pandemic, the setting up of the methodology for calculating involuntary over contracting resulting from the reduction of load during the health-related crisis, and the definition of criteria for reimbursement to consumers of costs associated with the Covid Account credit operation in 2020.

3.1.1.4. Measures associated with the Water Crisis

Creation of the Chamber of Exceptional Rules for Hydropower Management (CREG) – Jun/21

Provisional Measure No. 1,055 creates the Water Crisis Management Chamber - CREG, which was responsible for defining mandatory guidelines regarding the creation of exceptional and temporary conditions for the operation of the reservoirs of hydroelectric plants in the country, involving definitions for limits of use, storage and outflow, preserving the powers of the bodies and entities responsible for implementing the guidelines. CREG was in force until 12/30/2021.

Demand Response Program – Aug/21

The program has existed since 2017, but in August 2021 the MME set it up for National Interconnected System – SIN consumer units, in order to reward citizens who reduce consumption by up to 10%, with a bonus of R\$ 50 for every 100 kWh saved. The program lasted until December 2021 and was valid for those who reduced consumption from 10% to 20%.

Water Scarcity Tariff Flag – Sep/21

Created to fund the exceptional costs of activating thermal plants and importing energy, with the use tariff flag resources, the Water Scarcity flag was set at R\$ 14.20 for every 100 kWh consumed, and came into effect for all consumers from September/21 to April/22, with the exception of beneficiaries of the social tariff.

3.1.5. Market Liberalization

In Dec/19, the Ministry of Mines and Energy – MME published Ordinance No. 465, which reduced the limits for consumers' access to the free energy market:

- As of January 1, 2021, consumers with a load \geq 1.500 kW;
- As of January 1, 2022, consumers with a load \geq 1.000 kW; and
- As of January 1, 2023, consumers with a load \geq 500 kW.

Until January 31, 2022, studies were carried out on the regulatory measures necessary to allow the opening of the free market for consumers with a load of less than 500 kW, including the regulated energy trader and the proposal for an opening schedule starting on January 1, 2024.

Additionally, Senate Bill 414/2021 (previously PLS nº 232/2016) provides for portability of the electricity bill between distributors, thus changing the regulatory framework for the electricity sector, and enabling the creation of a truly free market in the country. The text is still pending in the House of Representatives. The PL provides that immediately, consumers of loads greater than 3 thousand kWh will be able to choose the supplier, and that within 42 months after the law is sanctioned, all consumers will be able to choose the free contracting environment. Another change is that the results of the operations of the electric energy distribution concessionaires with involuntary energy excess, observing the mechanisms of adjustment of surpluses and deficits of electric energy available and the principle of maximum effort, will be allocated to all the consumers of the regulated and free contracting environments, against a tariff charge proportional to energy consumption.

3.1.2. Transmission

On July 13, 2021, ANEEL approved the adjustment to the Permitted Annual Revenues - RAP associated with electrical energy transmission facilities in commercial operation and those bid and authorized anticipated to start commercial operation by June 30, 2022, for the period from July 1, 2021 to June 30, 2022.

For Afluente T, the adjustment was 37% based on the variation of the IGP-M in the period from June 2020 to May 2021. For the other transmission companies, the adjustment was 8% based on the variation of the IPCA in the period from June 2020 to May 2021.

3.1.3. Generation

On September 9, 2020, Law nº 14,052 was published in regard to the renegotiation of non-hydrological risks that in recent years have been unduly taken on by the generators of the Energy Reallocation Mechanism (MRE). The Law provides for compensation to MRE participants for the displacement of hydroelectric generation due to thermoelectric generation outside the order of merit of cost and the effects caused by the structuring projects regarding the

anticipation of physical guarantee during the motorization phase, and energy outflow restrictions due to delays in transmission facilities. The Law also provides for retroactive compensation for agents that have not renegotiated the hydrological risk and withdraw from legal suits that discuss the exemption or mitigation of hydrological risks.

The compensation provided for in the law happens by means of extending the concession period of the plants. Thus, on September 17, 2021, Ratifying Resolution nº 2,932 was published with the concession extension periods for Neoenergia's projects:

Baguari	1,678 days
Baixo Iguaçu	34 days
Corumbá III	1,163 days
Dardanelos	2,148 days
Itapebi	1.353 days
Teles Pires	235 days
Belo Monte	319 days

Capacity Reserve Auction – Dec/21

The auction held on December 21, 2021 aimed at contracting power and associated electrical energy from new and existing thermoelectric plants, with supply starting in 2026 and 2027. The goal was to negotiate two products: Energy and Power. All contracts resulting from the auction will be valid for 15 years. For the Energy product, energy commercialization contracts will be signed in the Regulated Environment - if the purchasers are distributors - and also in the Free Environment - if the acquisition serves free consumers, self-producers, electric energy trading agents, retail agents and the generators participating as buyers. UTE Termopernambuco was one of the winners of the Auction and all its available capacity of 498 MW was sold at the price of R\$ 487,412.70 MW/year, with supply starting on July 1, 2026, ensuring the fixed revenue of power of R\$ 207 million per year. The contract is valid for 15 years.

4. OPERATING PERFORMANCE

The Neoenergia Group has three strategic segments, as follows: (i) Networks - distribution and transmission, (ii) Renewables – wind, hydroelectric and solar generation and (iii) Liberalized - thermal energy generation and energy trade.

4.1. Networks

4.1.1. Distributors

4.1.1.1 Number of Consumers

The Neoenergia distributors ended 2021 with 15.7 million active consumers. Compared to 2020, there was an increase of 361 thousand consumers (+2.3%). Disregarding Neoenergia Brasília in 2020, there was an increase of 1.5 million, since 1.1 million came with the merger of Neoenergia Brasília as of March 02, 2021.

Number of Customers (thousand)	4Q21						4Q20						VARIATION					
	Consolidated	NEOENERGIA COELHA	NEOENERGIA PERNAMBUCO	NEOENERGIA COEN	NEOENERGIA FLUMINENSE	NEOENERGIA BRASÍLIA	Consolidated	NEOENERGIA COELHA	NEOENERGIA PERNAMBUCO	NEOENERGIA COEN	NEOENERGIA FLUMINENSE	NEOENERGIA BRASÍLIA	Consolidated	NEOENERGIA COELHA	NEOENERGIA PERNAMBUCO	NEOENERGIA COEN	NEOENERGIA FLUMINENSE	NEOENERGIA BRASÍLIA
Residential	13,905	5,629	3,484	1,337	2,450	1,006	13,561	5,490	3,414	1,308	2,390	959	344	139	70	29	60	47
Industrial	40	13	5	1	20	1	40	13	5	1	20	1	-	0	0	0	(0)	(0)
Commercial	1,076	420	227	107	204	118	1,049	408	225	103	199	115	27	13	2	3	5	4
Rural	553	220	139	54	129	11	567	225	143	56	131	11	(14)	(5)	(4)	(2)	(2)	(0)
Other	168	70	34	27	31	7	164	69	33	26	30	7	4	1	1	1	1	0
Total	15,742	6,352	3,888	1,526	2,833	1,143	15,381	6,205	3,820	1,494	2,770	1,092	361	147	68	32	63	51

4.1.1.2. Market Evolution

The energy distributed (captive + free) was 17,208 GWh in the 4Q21 (+3.8% vs. 4Q20) and 66,257 GWh for the year (+6.2% vs. 2020). Disregarding the energy distributed by Neoenergia Brasília in 2020, when it was not yet under the management of the Neoenergia Group, the variation was +15.6% vs. 4Q20 and +16.2% vs. 2020; that increase is explained by the larger customer base (+2.3%) and the market recovery in the concession areas.

It is worthy of mention the effect of REN 863/2019, impacting the non-billed in the 4Q20 by 826 GWh, reducing the energy distributed in the 4Q20, with no impact on the economic result.

The energy volumes distributed by type of customer are displayed on the table below:

Distributed Energy (GWh)	NEOENERGIA COELBA			NEOENERGIA PERNAMBUCO			NEOENERGIA COSERN			NEOENERGIA ELEKTRO			NEOENERGIA BRASÍLIA			CONSOLIDATED		
	4Q21	4Q20	%	4Q21	4Q20	%	4Q21	4Q20	%	4Q21	4Q20	%	4Q21	4Q20	%	4Q21	4Q20	%
Residential	1,915	1,926	(0.6%)	1,412	1,392	1.4%	611	602	1.5%	1,293	1,360	(4.9%)	619	626	(1.1%)	5,850	5,906	(0.9%)
Industrial	236	229	3.1%	122	113	8.0%	55	56	(1.8%)	314	330	(4.8%)	15	15	-	741	743	(0.3%)
Commercial	749	680	10.1%	555	501	10.8%	222	194	14.4%	543	551	(1.5%)	402	386	4.1%	2,471	2,314	6.8%
Rural	558	473	18.0%	183	165	10.9%	144	126	14.3%	281	318	(11.6%)	40	34	17.6%	1,206	1,115	8.2%
Others	650	583	11.5%	478	404	18.3%	156	153	2.0%	323	338	(4.4%)	295	312	(5.4%)	1,901	1,789	6.3%
Total Distributed Energy (captive)	4,108	3,891	5.6%	2,750	2,574	6.8%	1,187	1,130	5.0%	2,753	2,898	(5.0%)	1,371	1,373	(0.1%)	12,169	11,866	2.6%
Free Market + Supply	1,279	1,180	8.4%	1,060	990	7.1%	370	328	12.8%	2,018	1,893	6.6%	312	322	(3.1%)	5,039	4,713	6.9%
Total Distributed Energy (captive + free market)	5,387	5,071	6.2%	3,810	3,564	6.9%	1,557	1,458	6.8%	4,771	4,791	(0.4%)	1,683	1,695	(0.7%)	17,208	16,579	3.8%

Distributed Energy (GWh)	NEOENERGIA COELBA			NEOENERGIA PERNAMBUCO			NEOENERGIA COSERN			NEOENERGIA ELEKTRO			NEOENERGIA BRASÍLIA			CONSOLIDATED		
	2021	2020	%	2021	2020	%	2021	2020	%	2021	2020	%	2021	2020	%	2021	2020	%
Residential	7,614	7,446	2.3%	5,454	5,413	0.8%	2,439	2,365	3.1%	5,159	5,099	1.2%	2,049	2,001	2.4%	22,714	22,324	1.7%
Industrial	985	1,096	(10.1%)	500	502	(0.4%)	235	246	(4.5%)	1,222	1,219	0.2%	53	53	-	2,995	3,115	(3.9%)
Commercial	2,878	2,768	4.0%	2,119	2,062	2.8%	854	803	6.4%	2,078	2,074	0.2%	1,248	1,195	4.4%	9,177	8,903	3.1%
Rural	2,328	1,913	21.7%	678	618	9.7%	476	406	17.2%	1,133	1,115	1.6%	133	116	14.7%	4,748	4,168	13.9%
Others	2,549	2,444	4.3%	1,863	1,711	8.9%	604	679	(11.0%)	1,292	1,370	(5.7%)	1,024	1,009	1.5%	7,331	7,212	1.7%
Total Distributed Energy (captive)	16,355	15,667	4.4%	10,614	10,307	3.0%	4,607	4,499	2.4%	10,883	10,875	0.1%	4,507	4,375	3.0%	46,966	45,723	2.7%
Free Market + Supply	4,909	4,305	14.0%	3,994	3,515	13.6%	1,425	1,134	25.7%	7,832	6,727	16.4%	1,131	966	17.1%	19,291	16,647	15.9%
Total Distributed Energy (captive + free market)	21,264	19,972	6.5%	14,608	13,822	5.7%	6,032	5,633	7.1%	18,715	17,602	6.3%	5,638	5,341	5.6%	66,257	62,370	6.2%

NOTE: Neoenergia Brasília considers data since 03/02/21, date of its merger. Merely for the effect of comparison, for 2020 accumulated amounts, were also considered data as from 03/02/20.

In the 4Q21, residential consumption decreased in three of the five distributors, due to lower temperatures and greater rainfall, consolidating 5,850 GWh, a volume in line with that recorded in the 4Q20. In the year, the consolidated increase was 1.7% due to the larger number of customers and market recovery. Excluding the residential consumption of Neoenergia Brasília in 2020, growth was 10.8% vs. 4Q20, and 11.8% vs. 2020

Consumption by the captive industrial class was in line with that of the 4Q20, and decreased by 3.9% in 2021 vs. 2020. When analyzing this group together with the free market, there was an increase of 6.9% in the 4Q21, and 12.8% in 2021, influenced by the resumption of economic activities. Excluding the consumption of the industrial + free class of Neoenergia Brasília pre-merger, the increase was 12.9% vs. 4Q20, and 18.9% vs. 2020. In the 4Q20, the impact of Resolution 863 was basically in this segment.

The captive commercial class grew 6.8% in the 4Q21 and 3.1% vs. 2020, confirming the resumption of economic activities. Disregarding the consumption of that class of Neoenergia Brasília in 2020, the increase was 28.8% vs. 4Q20 and 19.1% vs. 2020

The rural class showed an increase of 8.2% vs. 4Q20 and 13.9% vs. 2020, with growth in all distributors due to the increase in agribusiness and greater demand for irrigation.

The other classes showed 6.3% consumption in excess of 4Q20, explained by the return of on-site activities, and in the year, it remained in line with 2020. Excluding Neoenergia Brasília in 2020, there was an increase of 28.7% vs. 4Q20 and 18.2% vs. 2020.

4.1.1.3. Energy Balance

The energy injected in 4Q21 was 19,711 GWh (-1.4% vs. 4Q20), due to lower temperatures and greater rainfall, and 75,814 GWh in 2021 (+3.7% vs. 2020). Excluding Neoenergia Brasília in 2020, the growth was +9.5% vs. 4Q20 and 13.4% vs. 2020.

ENERGY BALANCE (GWh)	4Q21	4Q20	4Q21 x 4Q20		2021	2020	2021 x 2020	
			Dif	%			Dif	%
CONSOLIDATED								
Captive Market	12,169	11,866	303	2.6%	46,966	45,723	1,243	2.7%
Free Market + Supply	5,040	4,713	326	6.9%	19,291	16,647	2,644	15.9%
Distributed Energy (A)	17,209	16,579	630	3.8%	66,257	62,370	3,887	6.2%
Lost Energy (B)	2,460	2,589	(130)	(5.0%)	9,611	9,647	(36)	(0.4%)
Non-billed (C)	42	826	(784)	(94.9%)	(54)	1,087	(1,141)	(105.0%)
Injected Energy (D) = (A) + (B) + (C)	19,711	19,995	(284)	(1.4%)	75,814	73,103	2,711	3.7%
NEOENERGIA COELBA								
Captive Market	4,108	3,891	217	5.6%	16,355	15,667	688	4.4%
Free Market + Supply	1,279	1,180	99	8.4%	4,909	4,305	604	14.0%
Distributed Energy (A)	5,387	5,071	316	6.2%	21,264	19,972	1,292	6.5%
Lost Energy (B)	935	931	4	0.4%	3,847	3,659	189	5.1%
Non-billed (C)	(73)	422	(495)	(117.3%)	(162)	497	(659)	(132.6%)
Injected Energy (D) = (A) + (B) + (C)	6,249	6,424	(175)	(2.7%)	24,949	24,127	822	3.4%
NEOENERGIA PERNAMBUCO								
Captive Market	2,750	2,574	176	6.8%	10,614	10,307	307	3.0%
Free Market + Supply	1,060	990	70	7.1%	3,994	3,515	479	13.6%
Distributed Energy (A)	3,810	3,564	246	6.9%	14,608	13,822	786	5.7%
Lost Energy (B)	800	829	(29)	(3.5%)	3,045	3,106	(62)	(2.0%)
Non-billed (C)	69	249	(179)	(72.3%)	(25)	307	(332)	(108.1%)
Injected Energy (D) = (A) + (B) + (C)	4,679	4,641	38	0.8%	17,628	17,235	393	2.3%
NEOENERGIA COSERN								
Captive Market	1,187	1,130	57	5.0%	4,607	4,499	108	2.4%
Free Market + Supply	370	328	42	12.8%	1,425	1,134	291	25.7%
Distributed Energy (A)	1,557	1,458	99	6.8%	6,032	5,633	399	7.1%
Lost Energy (B)	177	181	(4)	(2.2%)	655	618	36	6.0%
Non-billed (C)	37	110	(74)	(66.4%)	(0)	99	(99)	(100.0%)
Injected Energy (D) = (A) + (B) + (C)	1,771	1,750	21	1.2%	6,686	6,350	336	5.3%

NEOENERGIA ELEKTRO									
Captive Market	2,753	2,898	(145)	-5.0%	10,883	10,875	8	0.1%	
Free Market + Supply	2,018	1,893	125	6.6%	7,832	6,727	1,105	16.4%	
Distributed Energy (A)	4,771	4,791	(20)	-0.4%	18,715	17,602	1,113	6.3%	
Lost Energy (B)	325	369	(44)	(11.9%)	1,301	1,384	(82)	(6.0%)	
Non-billed (C)	(17)	33	(50)	(151.5%)	60	163	(103)	(63.2%)	
Injected Energy (D) = (A) + (B) + (C)	5,079	5,193	(114)	(2.2%)	20,076	19,148	928	4.8%	
NEOENERGIA BRASÍLIA									
Captive Market	1,371	1,373	(2)	-0.1%	4,507	4,375	132	3.0%	
Free Market + Supply	313	322	(9)	-2.8%	1,131	966	165	17.1%	
Distributed Energy (A)	1,684	1,695	(11)	-0.6%	5,638	5,341	297	5.6%	
Lost Energy (B)	222	280	(57)	(20.7%)	763	880	(117)	(13.3%)	
Non-billed (C)	26	12	14	116.7%	74	22	52	236.4%	
Injected Energy (D) = (A) + (B) + (C)	1,933	1,987	(54)	(2.7%)	6,475	6,243	232	3.7%	

NOTE: Neoenergia Brasília considers data since 03/02/21, date of its merger. Merely for the effect of comparison, for 2020 year-to-date values are also considered as of 03/02/2020.

4.1.1.4. Losses

Energy losses are monitored by means of the percentage index that calculates the ratio between injected energy and billed energy, accumulated over a 12-month period. Based on this methodology, we display below the evolution of the indicator and the comparison with the tariff coverage.

DISCOS	Losses 12 months (%)															
	Technical Loss					Non-Technical Loss					Total Losses					
	4Q20	1Q21	2Q21	3Q21	4Q21	4Q20	1Q21	2Q21	3Q21	4Q21	4Q20	1Q21	2Q21	3Q21	4Q21	Aneel 21
NEOENERGIA COELBA	10.59%	10.68%	10.69%	10.70%	10.63%	4.75%	4.32%	4.16%	4.12%	4.14%	15.34%	15.00%	14.85%	14.82%	14.77%	14.26%
NEOENERGIA PERNAMBUCO	8.05%	7.98%	7.89%	8.01%	8.20%	10.11%	9.43%	9.07%	8.73%	8.93%	18.16%	17.41%	16.96%	16.74%	17.13%	15.18%
NEOENERGIA COSERN	8.44%	8.54%	8.51%	8.48%	8.39%	1.39%	0.77%	1.04%	1.10%	1.39%	9.83%	9.31%	9.55%	9.58%	9.78%	10.74%
NEOENERGIA ELEKTRO	5.73%	5.71%	5.79%	5.92%	5.95%	1.46%	1.45%	0.99%	0.24%	0.59%	7.19%	7.16%	6.78%	6.16%	6.55%	8.02%
NEOENERGIA BRASÍLIA	7.76%	7.47%	7.72%	7.63%	7.48%	6.36%	6.56%	6.14%	5.43%	5.25%	14.12%	14.03%	13.86%	13.06%	12.73%	11.63%

DISCOS	Total Losses 12 months (GWh)															
	Technical Loss					Non-Technical Loss					Total Losses					
	4Q20	1Q21	2Q21	3Q21	4Q21	4Q20	1Q21	2Q21	3Q21	4Q21	4Q20	1Q21	2Q21	3Q21	4Q21	Aneel 21
NEOENERGIA COELBA	2,556	2,589	2,656	2,688	2,652	1,146	1,049	1,034	1,034	1,033	3,702	3,638	3,690	3,722	3,685	3,532
NEOENERGIA PERNAMBUCO	1,388	1,375	1,379	1,409	1,446	1,742	1,625	1,585	1,536	1,574	3,130	3,000	2,964	2,945	3,020	2,615
NEOENERGIA COSERN	536	546	559	565	561	88	50	68	73	93	624	596	627	638	654	724
NEOENERGIA ELEKTRO	1,096	1,110	1,163	1,196	1,195	281	283	199	49	119	1,377	1,393	1,362	1,245	1,314	1,631
NEOENERGIA BRASÍLIA	583	564	593	592	577	472	489	473	421	404	1,055	1,053	1,066	1,013	981	881

NOTE: Due to the fact that the deadline for calculating the quality indicators of December 2021 falls after the period of disclosure of this report, the data presented are estimated. The December 2020 indicators were adjusted for the final calculation.

Total losses continued on a downward course in the last 12 months and retreated in all five distributors compared to 4Q20. Neoenergia carries on seeking regulatory levels.

Highlight on Neoenergia Coelba, which showed total losses for 12 months in the 4Q21 of 14.77%, the fifth consecutive quarter of reduction of the index, approaching the regulatory level of 14.26% as a result of the intensification of actions of the loss reduction plan.

At Neoenergia Pernambuco, total losses for 12 months ended the 4Q21 at 17.13%, slightly higher than in the 3Q21, but lower than in the 4Q20. Neoenergia Pernambuco continues seeking the regulatory level of 15.18%.

Total losses for 12 months in the 4Q21 at Neoenergia Cosern ended at 9.78%, thus remaining below the regulatory limit of 10.74%.

Neoenergia Elektro, in turn, ended the 4Q21 with total 12-month losses of 6.55%, also below the regulatory limit of 8.02%.

Neoenergia Brasília recorded 12-month losses of 12.73%, 0.33 p.p. below the 3Q21 indicator and 1.13 p.p. below the 2Q21 indicator, reflecting the turnaround that has been carried out and consequent consolidation of the Neoenergia Group's management.

In 2021, the following anti-loss actions were carried out at Neoenergia Coelba, Neoenergia Pernambuco, Neoenergia Cosern and Neoenergia Elektro:

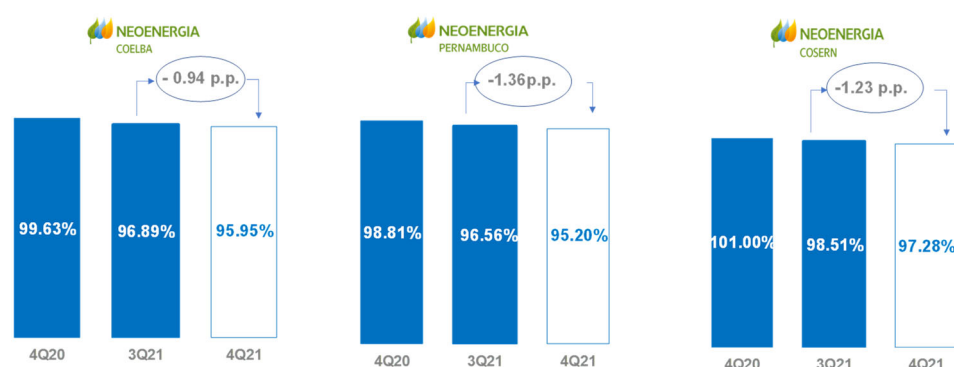
- i. 551 thousand inspections were carried out, recovering more than 404 GWh.
- ii. Replacement of 553 thousand obsolete and/or possibly damaged light meters;
- iii. Regularization of 76 thousand illegal connections, which resulted in more than 159 GWh recovered;
- iv. Survey and Inspection of Street Lights in more than 1 million points of the IP park, totaling recovered energy of 121 GWh.

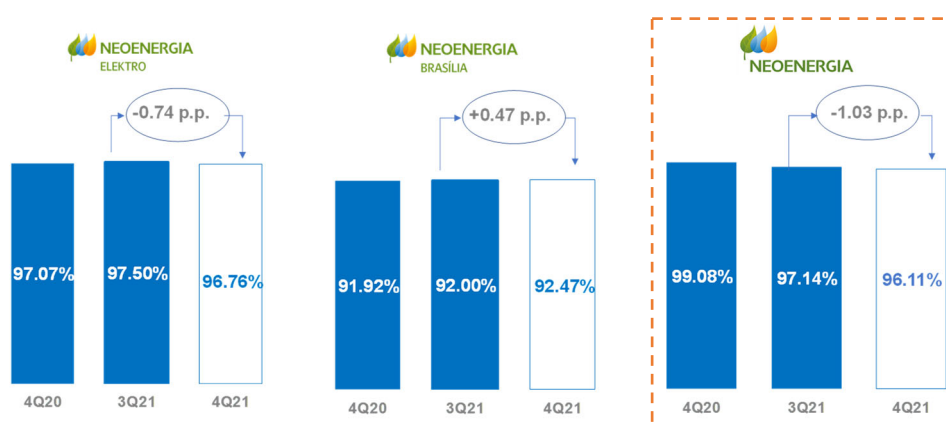
In the case of Neoenergia Brasília, since March 2021, the distributor has already recovered four times more energy than in the same period of 2020, and it is worth highlighting the actions that follow:

- i. More than 46 thousand inspections were carried out with the recovery of 90.1 GWh of energy;
- ii. Regularization of 23 thousand illegal connections;
- iii. Continuous action in Street Lights, totaling recovered energy of 8.4 GWh.

4.1.1.5. Collection and Default

The charts below display the collection rate, which is the ratio between the collection of the last 12 months over past due accounts and Neoenergia's 12-month billing.





Based on the charts above, one may note that the levels of collection in the 12-month view remain high. In 4 of the 5 distributors, we notice a slight decrease compared to the 3Q21, explained by the one-off mismatch between billings, which includes the increase in the water scarcity tariff flag enforced since September, and collection, which will reflect this impact in the subsequent quarter.

In comparison with the 4Q20, the drop is due to the fact that, after the most severe period of the pandemic in the 2Q20 and 3Q20, as of August 2020, collection actions were again authorized by ANEEL and, as a result, a strong retroactive collection relative to previous months was noted in the 4Q20.

In the specific case of Neoenergia Brasília, the 12-month index was 92.47%, higher than that seen in 3Q21, but still strongly impacted by the months prior to Neoenergia's management, when due to a public civil suit the former CEB-D was prevented from disconnecting residential customers. By means of an injunction, Neoenergia's new management resumed such disconnections as of April 2021. If we consider only the ten-month period of Neoenergia's management, the collection rate was 93.38%.

AFDA/ ROB		4Q20	1Q21	2Q21	3Q21	4Q21	4Q21 x 4Q20	2021	2020	Var.	Regulatory Limit
NEOENERGIA COELBA	ROB	2,744	2,987	3,002	3,213	3,642	32.73%	12,844	10,461	22.78%	12,844
	AFDA	15	42	40	41	42	180.00%	165	148	11.83%	199
	Default	0.56%	1.41%	1.33%	1.28%	1.16%	0.60 p.p.	1.29%	1.41%	(0.13 p.p.)	1.55%
NEOENERGIA PERNAMBUCO	ROB	1,883	2,074	2,050	2,201	2,505	33.03%	8,830	7,120	24.02%	8,830
	AFDA	16	41	36	42	57	256.25%	176	180	(2.17%)	135
	Default	0.87%	1.97%	1.73%	1.92%	2.29%	1.42 p.p.	1.99%	2.53%	(0.53 p.p.)	1.53%
NEOENERGIA COSERN	ROB	740	816	804	901	1,001	35.27%	3,522	2,824	24.70%	3,522
	AFDA	(2)	(1)	2	3	3	(250.00%)	7	4	101.82%	18
	Default	(0.21%)	(0.09%)	0.30%	0.28%	0.31%	0.52 p.p.	0.21%	0.13%	0.08 p.p.	0.52%
NEOENERGIA ELEKTRO	ROB	1,998	2,033	1,940	2,020	2,430	21.62%	8,423	7,185	17.23%	8,423
	AFDA	9	23	20	17	27	200.00%	87	139	(37.29%)	43
	Default	0.45%	1.15%	1.03%	0.85%	1.10%	0.65 p.p.	1.04%	1.94%	(0.90 p.p.)	0.51%
NEOENERGIA BRASÍLIA	ROB	911	312	885	1,060	1,229	34.91%	3,485	2,857	21.98%	3,485
	AFDA	9	4	(50)	(0)	(14)	(255.56%)	(61)	46	(230.71%)	14
	Default	0.95%	1.38%	(5.71%)	(0.00%)	(1.17%)	(2.12 p.p.)	(1.74%)	1.62%	(3.36 p.p.)	0.40%

NOTE: AFDA considers the accrued amount + restatement. Data regarding Neoenergia Brasília prior to 03/02/21 are merely for the effect of comparison

In the 4Q21, several collection actions were carried out in order to reduce the default rate and, consequently, improve collection. Among them, we highlight the following:

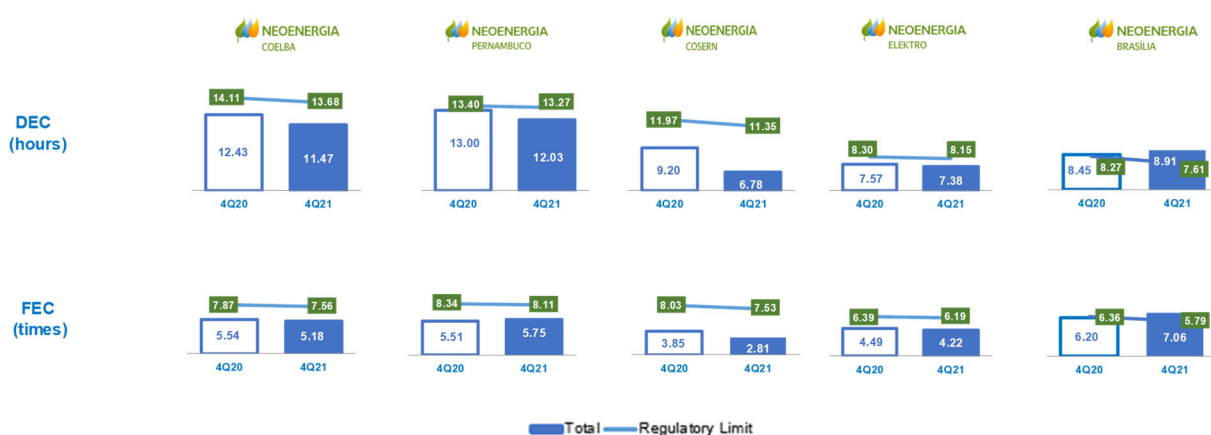
- i. 436 thousand supply disconnections by means of actions in georeferenced concentrations;
- ii. Monitoring of 73 thousand customer facilities that had supply discontinued and did not request the reconnection fee, in order to avoid losses in the process due to fraud or disconnections;
- iii. Negative entries of 2.5 million consumers;
- iv. Intensification of collection and negotiations;
- v. Telephone collections totaling 16.9 million contacts via SMS and IVR;
- vi. E-mail billing amounting to 2.5 million contacts;
- vii. Systematic actions for Large Customers and negotiations with government agencies.

It is worth highlighting the actions implemented at Neoenergia Brasília in the quarter:

- i. 2.2 million collections via e-mail, SMS and IVR;
- ii. Implementation of the New Trading Matrix at Neoenergia Brasília, standardized with the other companies of the Neoenergia Group.
- iii. Negative entries of 218 thousand consumers connected to the SPC, Serasa Experian and Boa Vista;
- iv. 16 thousand supply disconnections carried out in commercial and industrial customers;
- v. Protest of 7.4 thousand titles with the registry offices;
- vi. Outsourced collections by collection advisory services;
- vii. Use of new technologies with a view at increasing the means of payment.
- viii. Systematic actions for Large Customers and negotiations with government agencies by means of parameterization of the collection process.

4.1.1.6. DEC and FEC (12 months)

The quality of energy supply is mainly verified by the indicators DEC - Equivalent Interruption Duration per Consumer and FEC - Equivalent Interruption Frequency per Consumer, which measure faults in the distribution network. Neoenergia Coelba, Neoenergia Pernambuco, Neoenergia Cosern and Neoenergia Elektro are below the regulatory limit for DEC and FEC.



NOTA: Due to the fact that the deadline for calculating the quality indicators of December 2021 falls later than the period of disclosure of this report, the data presented are estimated. The December 2020 indicators were adjusted for the final calculation.

4.1.2. Transmission Lines

4.1.2.1. Transmission lines in operation

In the 4Q21, eight transmission assets were in operation (Afluyente T, Narandiba, Potiguar Sul, Atibaia, Biguaçu, Sobral, Dourados and Santa Luzia).

Dec/2017 Auction

In January 2022, the Jalapão line also started commercial operation (lot 4 of the Dec/17 Auction). The line LT 500 kV Miracema –Gilbués II –Barreiras II, is 728 km long, and is Neoenergia's longest operating line, passing through the states of Tocantins, Maranhão, Piauí and Bahia. The Jalapão Lot has a total annualized RAP of R\$ 149 million, and was delivered 15 months ahead of schedule, with Capex savings of 34%, both compared to Aneel estimation.

With this delivery, Neoenergia completed the delivery of all projects awarded in the December 2017 Auction with an average early delivery of 15.6 months compared to Aneel estimates, and Capex savings of 33% according to the investment originally estimated by the Regulator.

Auction	Lot	Name	Location	Extension (Km)	Substation	RAP ² (R\$ MN)	Operation Start	Line Availability Rate (%)		
								2019	2020	2021
-	-	Afluyente T	BA	489	3 substations	40	1990	99.88	99.97	99.96
Auction Jun' 08	E	Narandiba ¹	BA	-	1 substation	10	Jun' 11	99.94	99.97	99.99
Auction Jun' 11	G	Extremoz II ¹		3	1 substation	3	Sept' 14	100.00	100.00	99.99
Auction May' 12	D	Brumado II ¹	RN	-	1 substation	2	Jul' 15	99.94	99.97	99.99
Auction Jan' 13	G	Potiguar Sul	RN / PB	190	-	26	Nov' 16	99.68	99.93	100.00
Auction Abr' 17	4	Dourados	MS	581	1 substation	73	Aug' 21	-	-	100.00
	20	Atibaia	MS	-	1 substation	15	Dec' 19	-	99.99	100.00
	22	Biguaçu	SC	-	1 substation	15	Jul' 20	-	100.00	100.00
	27	Sobral	CE	-	1 substation	14	Jan' 20	-	100.00	100.00
Auction Abr' 17	6	Santa Luzia	CE/PB	345	1 substation	63	Nov' 21	-	-	100.00
	4	Jalapão	BA/TO/PI/MA	728	-	149	Jan' 22	-	-	-








NOTE 1: Afluyente T arises from the deverticalization process of Coelba

¹ Narandiba comprises 3 substations: SE Narandiba, SE Extremoz II and SE Brumado II

² Approved RAP (2020-21), except for the batch sections of the April'17 and Dec'17 auctions, whose RAP is the one effectively released from the start of operations.

The limit set out by the National System Operator (ONS) stipulates availability between 95% and 98% as normal. This indicator guides the quality of service assessed by ANEEL based on the availability of the transmission system. In the last three years, the group's transmission lines have been available above the upper limit defined by ONS.

4.1.2.2. Environmental Licenses and Progress of Transmission Assets Construction

Transmission Projects Construction Progress				LICENSES			RAP (1)	CAPEX Aneel	Entry in Operation (Aneel)	End of Concession
				LP	LI	LO	R\$ (MN)	R\$ (MN)		
Auction Dec'2018	Lot 2	Guanabara	 53%	✓	✓	▲	117	1,331	Mar'24	Mar'49
	Lot 3	Itabapoana	 56%	✓	✓	▲	69	754	Mar'24	Mar'49
	Lot 1	Vale do Itajaí	 39%	✓	●	▲	194	2,792	Mar'24	Mar'49
	Lot 14	Lagoa dos Patos	 50%	✓	●	●	121	1,215	Mar'24	Mar'49
Auction Dec'2019	Lot 9	Rio Formoso	 34%	✓	✓	▲	18	303	Mar'24	Mar'49
Auction Dec'2020	Lot 2	Morro do Chapéu	 2%	●	●	▲	160	1,997	Mar'26	Mar'51
Auction Dec'2021	Lot 4	TBD	 0%	▲	▲	▲	37	661	Mar'26	Mar'51

(1) Auction RAP

Concluded	✓
In progress	●
To be Started	▲

LP = Preliminary License
LI = Installation License
LO = Operational License

NOTE: Progress as of January 13th, 2022.

The construction projects of the transmission lots purchased in the auctions of Dec'18 and Dec'19 continue with significant progress.

December'2018 Auction:

- Lot 1 (Vale do Itajaí) – Installation Licenses (ILs) granted for all substation and transmission except for LT Areia-Joinville Sul. Awaiting the release of ASV (Authorization for the Removal of Vegetation). Works started.
- Lot 2 (Guanabara) – IL and ASV granted.
- Lot 3 (Itabapoana) – IL and ASV granted.
- Lot 14 (Lagoa dos Patos) – final phase of two substations commissioning (SE Marmeleiros-2 and SE Livramento-3). LI for SE Santa Maria 3 granted. Works of LT Sta. Maria – Livramento and LT Povo Novo – Guaíba 3 in progress.

December'2019 Auction:

- Lot 9 (Rio Formoso) – Works in progress.

December'2020 Auction:

- Lot 2 (Morro do Chapéu) – PL granted for SE Medeiros Neto II and for the section Medeiros Neto II – Teixeira de Freitas II; yard equipment and synchronous compensator already contracted.

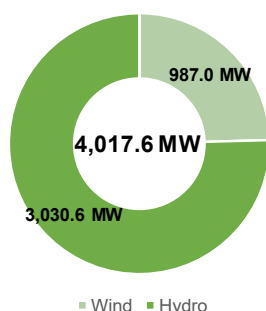
December'2021 Auction:

In the Transmission Auction nº 02/2021, Neoenergia won lot 4, which comprises the installation of 3 pieces of Synchronous Compensator-type equipment in substation Estreito, located in the State of Minas Gerais. The Lot has a RAP of R\$ 37.1 million and an estimated Capex of R\$ 661 million. Neoenergia has already acquired the equipment for the project, exceeding the estimated Capex savings anticipated in its business plan, likewise hedging was made for protection against variations in currencies or commodities.

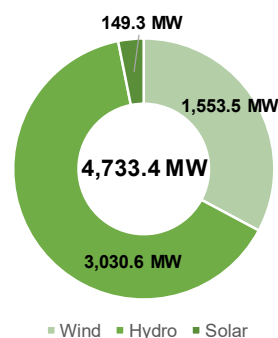
4.2. Renewables

The assets in operation and under construction amount to 44 wind farms, 7 hydroelectric plants and 2 solar parks.

Actual Installed Capacity



Capacity Installed at the end of 2022



4.2.1. Wind Farms

The Company ended 2021 with 32 wind farms in operation, with installed capacity of 949 MW.

In 2022, the wind assets portfolio will total 1.6 GW, of which 51% will be negotiated in Regulated Contracting Environment (ACR) and 49% in the Free Contracting Environment (ACL), in line with the positioning strategy in the liberalization of the Brazilian energy electricity market.

Wind in Operation	Neoenergia Share (Direct and Indirect)	State	Location	Installed Capacity (MW)	Assured Energy (MW)	End of Concession
EOL Caetité 1	100%	BA	Caetité	30.0	13.0	10/28/2042
EOL Caetité 2	100%	BA	Caetité	30.0	14.7	2/6/2046
EOL Caetité 3	100%	BA	Caetité	30.0	11.2	2/23/2046
EOL Calango 1	100%	RN	Bodó e Santana do Mato	30.0	13.9	4/27/2046
EOL Calango 3	100%	RN	Bodó, Santana do Mato e Lagoa Nova	30.0	13.9	5/29/2046
EOL Rio do Fogo (ENERBRASIL)	100%	RN	Rio do Fogo	49.3	17.9	12/18/2031
EOL Arizona 1	100%	RN	Rio do Fogo	28.0	12.9	3/3/2046
EOL Mel 2	100%	RN	Areia Branca	20.0	8.8	2/27/2046
EOL Calango 6	100%	RN	Bodó e Cerro Corá	30.0	18.5	11/19/2049
EOL Santana 1	100%	RN	Bodó, Lagoa Nova e Cerro Corá	30.0	17.3	11/13/2049
EOL Santana 2	100%	RN	Bodó e Lagoa Nova	24.0	13.1	11/13/2049
EOL Calango 2	100%	RN	Bodó	30.0	12.8	5/8/2046
EOL Calango 4	100%	RN	Bodó	30.0	13.5	5/18/2046
EOL Calango 5	100%	RN	Bodó	30.0	13.7	6/1/2046
EOL Canoas	100%	PB	São José do Sabugi e Junco do Seridó	31.5	17.7	8/3/2050
EOL Lagoa 2	100%	PB	São José do Sabugi e Santa Luzia	31.5	17.5	8/3/2050
EOL Lagoa 1	100%	PB		31.5	18.7	8/3/2050
CHAFARIZ 1	100%	PB	Santa Luzia	34.7	18.2	6/20/2053
CHAFARIZ 2	100%	PB	Santa Luzia	34.7	17.4	6/20/2053
CHAFARIZ 3	100%	PB	Santa Luzia	34.7	18.2	6/20/2053
CHAFARIZ 4	100%	PB	Santa Luzia e Areia de Baraúnas	34.7	17.8	2/4/2054
CHAFARIZ 5	100%	PB	Santa Luzia	34.7	16.6	2/4/2054
CHAFARIZ 6	100%	PB	Santa Luzia	31.2	15.2	6/20/2053
CHAFARIZ 7	100%	PB	Santa Luzia	34.7	18.3	6/20/2053
LAGOA 3	100%	PB	São José do Sabugi	34.7	17.2	6/25/2053
LAGOA 4	100%	PB	São José do Sabugi e Santa Luzia	20.8	10.2	6/25/2053
CANOAS 2	100%	PB	São José do Sabugi e Santa Luzia	34.7	16.3	6/25/2053
CANOAS 3	100%	PB	São José do Sabugi e Santa Luzia	34.7	16.8	2/4/2054
CANOAS 4	100%	PB	São José do Sabugi	34.7	16.5	6/25/2053
VENTOS DE ARAPUÁ 1	100%	PB	Areia de Baraúnas	24.3	11.6	2/4/2054
VENTOS DE ARAPUÁ 2	100%	PB	Areia de Baraúnas, São Mamede e Santa Luzia	34.7	17.2	2/4/2054
VENTOS DE ARAPUÁ 3	100%	PB	Areia de Baraúnas e São Mamede	13.9	5.8	2/4/2054

Highlight on the addition of 249 MW of the Chafariz Complex in the 4Q21, which was added to the 184 MW that had already been delivered in the 3Q21, boosting wind generation, which was 758 GWh (+35.35% vs. 4Q20). In the year,

generation amounted to 2,313 GWh, +23.16% above 2020, due to greater wind resource. Availability in the quarter was above 97%, as scheduled.

4.2.1.1. Progress of Wind Farms Construction

Wind Farms Physical Progress	LICENSES		
	LP	LI	LO
Oitis Complex	✓	✓	▲

Completed	✓
In Progress	●
To be started	▲

LP = Prior License
LI = Installation License
LO = Operational License

The Chafariz Complex was completed, totaling 471 MW of installed capacity. Altogether, the Complex had Capex of R\$ 2.1 billion (approximately R\$ 4.5 MN/MW), in line with what was originally planned and significantly ahead of the business plan.

All parks in the Oitis Complex were granted an installation license between November and December 2020, thus allowing the beginning of the procedures for mobilizing the works of the Complex, 3 months ahead of the Business Plan. In December 2021, all 103 windmills foundations were completed and the assembly of the first windmills began. In all, there will be 103 windmills of the GE 158 model, with unit capacity of 5.5 MW, one of the most modern and efficient in the global market. The Complex is expected to start operating from the 1st half of 2022.

4.2.1.2. Solar Parks

Neoenergia announced in December 2020 the Luzia solar project, in Paraíba, which comprises 149 MWdc and 100 MW of installed capacity. All of its energy will be commercialized in the ACL, with 100% already sold by 2026. The project has high synergy with the Chafariz Complex and the Santa Luzia LT, it already has an Installation License, IPHAN authorizations, and is also included in REIDI. The works started in May 2021, with the start-up expected for the 2nd half of 2022.

4.2.2. Hydroelectric Plants

Neoenergia has a stake in 7 hydroelectric plants (with direct and indirect participation): Itapebi, Corumbá, Baguari, Dardanelos, Teles Pires, Baixo Iguaçu and Belo Monte.

Hydro Plants in Operation	Neoenergia Share (Direct and Indirect)	State	Location	Installed Capacity (MW)	Assured Energy (MW)	Date of Authorization	End of Concession	Extension by GSF (days)	New Concession Period
UHE Itapebi	100%	BA	Rio Jequitinhonha	462.0	209.1	5/28/1999	8/31/2035	1,353	5/15/2039
UHE Corumbá III	70%	GO	Rio Corumbá	96.5	49.3	11/7/2001	2/14/2037	1,163	4/22/2040
UHE Baguari I	51%	MG	Rio Doce	140.0	84.7	8/15/2006	8/14/2041	1,678	3/19/2046
UHE Dardanelos - Águas da Pedra	51%	MT	Rio Aripuanã	261.0	154.9	7/3/2007	1/2/2043	2,148	11/19/2048
Teles Pires	51%	MT / PA	Rio Teles Pires	1,819.8	930.7	6/7/2011	6/6/2046	235	1/27/2047
Belo Monte	10%	PA	Rio Xingu	11,233.1	4,571.0	8/26/2010	8/25/2045	319	7/10/2046
Baixo Iguaçu - Geração Céu Azul	70%	PR	Rio Iguaçu	350.2	172.4	8/20/2012	10/30/2049	34	12/3/2049

NOTE: On September 17, 2021, Aneel ratified the extension of the grant terms of the hydroelectric plants participating in the Energy Relocation Mechanism – MRE

4.3. Liberalized

4.3.1. Termopernambuco

Termopernambuco is a thermal plant participating in the PPT (Priority Thermal Program). It holds PPAs with Neoenergia Coelba (65MW) and Neoenergia Pernambuco (390MW) expiring in 2024, which guarantee the plant's revenue. It has an installed capacity of 533 MW and assured energy of 504 MW, and its authorization expires in 2030. Additionally, Termopernambuco was the winner of the Capacity Reserve Auction in December 2021, where all its available capacity of 498 MW was sold at the price of R\$ 487,412.70 MW/year, with supply starting in July 1, 2026, ensuring fixed power revenue of R\$ 207 million per year. The contract is valid for 15 years.

In the 4Q21, energy generation was 31.97% lower than in the same period of 2020, reaching 700 GWh (vs. 1,029 GWh in the 4Q20). This variation is explained by the lower gas supply, effect of which on the result is offset by the purchase of energy at a Spot Price below the unit variable cost to supply its sales contracts.

In 2021 energy generation was +33.92% vs. 2020, reaching 3,194 GWh explained by higher dispatch due to the country's hydrological crisis in the second half of 2021.

5. ECONOMIC-FINANCIAL PERFORMANCE

5.1. Consolidated

CONSOLIDATED STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Operating Revenue (1)	11,388	10,002	1,386	14%	41,120	31,138	9,982	32%
Costs with Energy (2)	(7,801)	(7,246)	(555)	8%	(28,553)	(21,461)	(7,092)	33%
Gross Margin w/out Concession Financial Assets	3,587	2,756	831	30%	12,567	9,677	2,890	30%
Concession Financial Assets (VNR)	424	404	20	5%	1,579	549	1,030	188%
GROSS MARGIN	4,011	3,160	851	27%	14,146	10,226	3,920	38%
Operating Expenses	(1,013)	(996)	(17)	2%	(3,526)	(3,218)	(308)	10%
Provision for Doubtful Receivables (PECLD)	(104)	(35)	(69)	197%	(350)	(456)	106	(23%)
Fair Value Adj.	(482)	-	(482)	-	(482)	-	(482)	-
(+) Equity Accounting	(1)	(28)	27	(96%)	68	(56)	124	(221%)
EBITDA	2,411	2,101	310	15%	9,856	6,496	3,360	52%
Depreciation	(531)	(430)	(101)	23%	(1,984)	(1,618)	(366)	23%
Financial Income (Loss)	(909)	(350)	(559)	160%	(2,283)	(1,030)	(1,253)	122%
IR/CS	(310)	(292)	(18)	6%	(1,523)	(943)	(580)	62%
Minority shareholdings	(26)	(33)	7	(21%)	(141)	(96)	(45)	47%
NET INCOME	635	996	(361)	(36%)	3,925	2,809	1,116	40%

(1) Considers Construction Revenue

(2) Considers Construction Costs

As expressed in Technical Guideline CPC 08, the recognition and measurement of the variations between the non-manageable costs actually incurred compared to the approved tariffs are always classified in the Operating Revenue line as Amounts Receivable/Returnable from Parcel A and Other Financial Items. Considering that a large portion of Parcel A is recorded as energy cost, the isolated analysis of variations in revenue and cost may lead to distortions in the interpretation of the result for the period. Accordingly, the Company believes it is more appropriate to explain the variations in the result based on Gross Margin.

Neoenergia ended the 4Q21 with a Gross Margin of R\$ 4,011 million, +27% vs. 4Q20, driven by the effects of (i) the 2021 Tariff Resets of Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro (+8.98%, +8.96% and

+11.49% respectively); (ii) the Tariff Review of Neoenergia Pernambuco (+8.99%) and Neoenergia Brasília (+11.10%); (iii) GSF renegotiation of R\$ 163 million; (iv) market growth; (v) better results in the Wind business due to greater wind resources and the start-up of the Chafariz Wind Complex; (vi) higher generation in Termopernambuco and (vii) and better margin at our Energy Trader.

For the year-to-date, Gross Margin was R\$ 14,146 million (+38% vs. 2020) explained by the same effects as in the quarter, in addition to the 2020 Tariff Resets of the distributors, the Concession Financial Assets – VNR (+R\$ 1,030 million), and the application of IFRS15 in transmission of R\$ 1,209 million (+59% vs. 2020) due to higher Capex.

Operating expenses totaled R\$ 1,013 million in 4Q21, in line with 4Q20. Disregarding the R\$ 86 million of Neoenergia Brasília in this quarter, expenses totaled R\$ 927 million (-7% vs. 4Q20), absorbing inflation, and the larger number of customers, greater headcount and new businesses.

In the year-to-date, expenses amounted to R\$ 3,526 million (+10% vs. 2020). Excluding R\$ 227 million of Neoenergia Brasília in 2021, and excluding the gain of R\$ 25.5 million referring to two arbitrations at the holding company in the 1Q20, expenses grew by 3% vs. 2020. Growth was below inflation (12-month IPCA of 10.06%), absorbing the largest number of customers, greater headcount and new businesses, confirming cost discipline and the search for efficiencies.

The Allowance for Doubtful Accounts - AFDA was R\$ 104 million in the quarter, +R\$69 million vs. 4Q20, due to reversals that occurred in the 4Q20, reflecting the greater revenue from the resumption of disconnections as of August 2020. In 2021, it was R\$ 350 million, an improvement of R\$ 106 million compared to the previous year.

It should be noted that in the 4Q21, the amount of -R\$482 million was recorded referring to the adjustment to fair value of Belo Monte. The Management decided to proceed with the analyzes and measures with a view to determining the conditions for the sale of the shareholding in NESÁ. This divestment is in line with the Company's strategy, given that it is a minority interest. Thus, the balance of the investment in Belo Monte was transferred from the item "Investments" to "Non-current assets held for sale".

Equity for the quarter was R\$ 1 million and R\$ 68 million for the year (+R\$ 27 million and +R\$124 million, respectively), mainly explained by the renegotiation of the GSF of Teles Pires, Belo Monte and Dardanelles in the amount of R\$58 million for the year.

As a result of the abovementioned effects, EBITDA was R\$ 2,441 million in the 4Q21 (+15% vs. 4Q20) and R\$9,856 million in 2021 (+52% vs. 2020). Cash EBITDA of R\$ 2,134 billion in the 4Q21 (+60% vs. 4Q20) and R\$ 7,328 billion in 2021 (+41% vs. 2020), confirming the recovery of the market, the maintenance of efficiency and cost discipline, the good levels of collection, as well as the progress in the construction of transmission projects and the start-up of the Chafariz Wind Complex, which added R\$16 million to EBITDA in the quarter and R\$ 66 million in the year-to-date.

The Financial Result was -R\$ 909 million in the quarter, R\$ 559 million worse vs. 4Q20. In the year, it was -R\$ 2,283 million, worse by R\$ 1,253 million vs. 2020. This increase is mainly explained by higher expenses with debt charges, due to higher CDI and IPCA, in addition to the increase in the average debt balance due to funding for the Capex of new transmission and wind projects, and for Distributors (including R\$ 2.5 billion for funding for Neoenergia Brasília).

Net income ended the quarter at R\$ 635 million (-36% vs. 4Q20) and the year at R\$ 3,925 million (+40% vs. 2020). Excluding the Belo Monte adjustment, 4Q21 Profit was R\$ 1.1 billion (+12% vs. 4Q20) and R\$ 4.4 billion in the year (+57% vs. 2020).

5.2. Networks

The results of the Networks segment include both, the performance of distributors and the performance of transmission assets.

NETWORKS STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	11.024	9.613	1.411	15%	39.678	29.896	9.782	33%
Costs with energy	(7.991)	(7.240)	(751)	10%	(29.162)	(21.596)	(7.566)	35%
Gross Margin w/out Concession Financial Assets	3.033	2.373	660	28%	10.516	8.300	2.216	27%
Concession Financial Assets (VNR)	424	404	20	5%	1.579	549	1.030	188%
Gross Margin	3.457	2.777	680	24%	12.095	8.849	3.246	37%
Operating Expenses	(810)	(780)	(30)	4%	(2.854)	(2.608)	(246)	9%
Provision for Doubtful Receivables (PECLD)	(103)	(33)	(70)	212%	(349)	(454)	105	(23%)
EBITDA	2.544	1.964	580	30%	8.891	5.787	3.104	54%
Depreciation	(398)	(314)	(84)	27%	(1.515)	(1.189)	(326)	27%
Financial Income (Loss)	(751)	(266)	(485)	182%	(1.850)	(806)	(1.044)	130%
IR CS	(260)	(257)	(3)	1%	(1.303)	(864)	(439)	51%
NET INCOME	1.135	1.127	8	1%	4.223	2.928	1.295	44%

The Networks segment ended the 4Q21 with a Gross Margin of R\$ 3,457 million, +24% vs. 4Q20, driven by the effects of (i) the 2021 Tariff Resets of Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro (8.98%, 8.96% and 11.49% respectively), (ii) the Tariff Review of Neoenergia Pernambuco (8.99%) and Neoenergia Brasília (+11.10%) and (iii) market growth.

In the year-to-date, Gross Margin was R\$ 12,095 million (+37% vs. 2020) explained by the same effects as those of the quarter, in addition to the 2020 Tariff Resets of the distributors, Concession Financial Assets (+R\$ 1,030 million) and the application of IFRS15 in transmission of R\$ 1,209 million (+59% vs. 2020) due to higher Capex.

Operating expenses totaled R\$ 810 million in the 4Q21 (+4% vs. 4Q20). Disregarding the R\$ 86 million referring to Neoenergia Brasília in this quarter, expenses amounted to R\$ 724 million (-7% vs. 4Q20), absorbing the largest number of customers, greater headcount and new businesses.

In the year-to-date, expenses were R\$ 2,854 million (+9% vs. 2020). Excluding R\$ 227 million referring to Neoenergia Brasilia expenses in 2021, expenses remained in line with 2020, absorbing the largest number of customers, greater headcount and new businesses, confirming cost discipline and the search for efficiencies

AFDA was R\$ 103 million in the quarter, +R\$70 million vs. 4Q20, due to reversals in the 4Q20 resulting from the resumption of disconnections. In 2021, it was R\$ 349 million, an improvement of R\$ 105 million compared to the previous year.

As a result of the effects presented, EBITDA amounted to R\$ 2,544 million in the 4Q21 (+30% vs. 4Q20) and R\$ 8,891 million in 2021 (+54% vs. 2020), as a result of the market recovery, maintenance of efficiency and cost discipline, good collection levels, as well as the progress in the construction of transmission projects.

Net income ended the quarter at R\$ 1,135 million, in line with the 4Q20, and the year at R\$ 4,223 million (+44% vs. 2020).

TRANSMISSION STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	1,146	1,317	(171)	(13%)	3,562	2,972	590	20%
Cosntruction Costs	(728)	(913)	185	(20%)	(2,118)	(2,089)	(29)	1%
Gross Margin	418	404	14	3%	1,444	883	561	64%
Operating Expenses	(32)	(24)	(8)	33%	(81)	(54)	(27)	50%
Contingencies	7	1	6	600%	6	1	5	500%
EBITDA	393	381	12	3%	1,369	830	539	65%
Depreciation	-	(1)	1	(100%)	-	(1)	1	(100%)
Financial Income (Loss)	(108)	(15)	(93)	620%	(340)	(26)	(314)	1208%
IR CS	(58)	(114)	56	(49%)	(292)	(246)	(46)	19%
NET INCOME	227	251	(24)	(10%)	737	557	180	32%
IFRS15	335	360	(25)	(7%)	1,209	758	451	59%

In the quarter, transmission companies had a Gross Margin of R\$ 418 million (+R\$ 14 million vs. 4Q20) and R\$ 1,444 million in the year (+R\$ 561 million vs. 2020), impacted by the higher actual Capex in the period (application of IFRS15).

Operating expenses amounted to R\$ 32 million in the 4Q21, +R\$ 8 million in excess of that in 4Q20, due to higher personnel costs as a result of the start of operations of the auction lots of April and December 2017. In the year-to-date, expenses totaled R\$ 81 million (+R\$ 27 million vs. 2020) for the same reasons as in the quarter.

Transmission EBITDA ended the quarter at R\$ 393 million (+R\$ 12 million vs. 4Q20) and the year-to-date at R\$ 1,369 million (+R\$ 539 million vs. 2020).

The application of IFRS15 had an impact of R\$ 335 million on EBITDA in the quarter (-R\$ 25 million vs. 4Q20) and R\$ 1,209 million in the year, +R\$ 451 million in excess of the previous year.

Net Income was R\$ 227 million in the 4Q21 (-R\$ 24 million vs. 4Q20) and R\$ 737 million in 2021 (+R\$ 180 million vs. 2020).

5.2.1.1. NEOENERGIA COELBA

STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	3,516	3,411	105	3%	13,367	10,909	2,458	23%
Costs with Energy	(2,430)	(2,500)	70	(3%)	(9,313)	(7,557)	(1,756)	23%
Gross Margin w/out Concession Financial Assets	1,086	911	175	19%	4,054	3,352	702	21%
Concession Financial Assets (VNR)	225	204	21	10%	748	280	468	167%
Gross Margin	1,311	1,115	196	18%	4,802	3,632	1,170	32%
Operating Expenses	(303)	(323)	20	(6%)	(1,170)	(1,117)	(53)	5%
Provision for Doubtful Receivables (PECLD)	(38)	(14)	(24)	171%	(155)	(144)	(11)	8%
EBITDA	970	778	192	25%	3,477	2,371	1,106	47%
Depreciation	(172)	(148)	(24)	16%	(659)	(560)	(99)	18%
Financial Income (Loss)	(293)	(104)	(189)	182%	(757)	(353)	(404)	114%
IR CS	(74)	(56)	(18)	32%	(392)	(239)	(153)	64%
NET INCOME	431	470	(39)	(8%)	1,669	1,219	450	37%

Neoenergia Coelba ended the 4Q21 with a Gross Margin of R\$ 1,311 million (+18% vs. 4Q20) driven by the economic recovery, average tariff reset of 8.98% in April/21 and the increase in the customer base. In the accumulated, the Gross Margin was 32% higher compared to 2020, explained by the recovery of the economy, tariff resets in 2020 and 2021, increase in the customer base and by the higher VNR (+R\$ 468 million), explained by the higher IPCA in the period.

Operating expenses were R\$ 303 million in the 4Q21 (-6% vs. 3Q20), absorbing inflation, customer growth and the insourcing of operating activities. In 2021, expenses amounted to R\$ 1,170 million (+5% vs. 2020), below inflation, despite the higher number of customers and insourced activities.

In 4Q21, AFDA was R\$ 38 million, +R\$ 24 million vs. 4Q20, influenced by the reversals that took place in the 4Q20 after the resumption of disconnections were authorized by ANEEL. In the year-to-date, it totaled R\$ 155 million, +8% vs. 2020. It is important to note that the AFDA/ROB ratio dropped from 1.41% in 2020 to 1.29% in 2021, proving better performance in the fight against default.

As a result of the abovementioned variations, EBITDA in the 4Q21 was R\$ 970 million, an increase of 25% vs. 4Q20. In the year-to-date, EBITDA was R\$ 3,477 million, +47% vs. 2020

Net Income was R\$ 431 million in the 4Q21 (-8% vs. 4Q20) and R\$ 1,669 million in 2021 (+37% vs. 2020).

5.2.1.2. NEOENERGIA PERNAMBUCO

STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	2,075	2,138	(63)	(3%)	7,998	6,689	1,309	20%
Costs with Energy	(1,629)	(1,721)	92	(5%)	(6,280)	(5,107)	(1,173)	23%
Gross Margin w/out Concession Financial Assets	446	417	29	7%	1,718	1,582	136	9%
Concession Financial Assets (VNR)	91	77	14	18%	406	104	302	290%
Gross Margin	537	494	43	9%	2,124	1,686	438	26%
Operating Expenses	(195)	(207)	12	(6%)	(670)	(693)	23	(3%)
Provision for Doubtful Receivables (PECLD)	(47)	(14)	(33)	236%	(167)	(171)	4	(2%)
EBITDA	295	273	22	8%	1,287	822	465	57%
Depreciation	(93)	(77)	(16)	21%	(342)	(288)	(54)	19%
Financial Income (Loss)	(176)	(96)	(80)	83%	(439)	(251)	(188)	75%
IR CS	(3)	(21)	18	(86%)	(130)	(66)	(64)	97%
NET INCOME	23	79	(56)	(71%)	376	217	159	73%

Neoenergia Pernambuco ended the 4Q21 with a Gross Margin of R\$ 537 million (+9% vs. 4Q20), driven by the economic recovery, the average tariff reset of 8.99% in April/21, and by the increase in the customer base. In the year-to-date, Gross Margin was R\$ 2,124 million (+26% vs. 2020), explained by the recovery of the economy, the tariff resets of 2020 and 2021, the increase in the customer base and by the higher VNR (+ R\$ 302 million), explained by the higher IPCA in the period.

Operating expenses amounted to R\$ 195 million in 4Q21 (-6% vs. 4Q20) and R\$ 670 million in 2021 (-3% vs. 2020), absorbing inflation, customer-base growth and higher headcount, confirming cost discipline and the search for efficiencies.

In the quarter, AFDA totaled R\$ 47 million, R\$ 33 million above the same period of the previous year, due to reversals in the 4Q20 as a result of the resumption of disconnections. In 2021, it reached R\$ 167 million, in line with 2020. It is important to note that the AFDA/ROB ratio dropped from 2.53% in 2020 to 1.99% in 2021, proving better performance in the fight against default.

As a result of the variations mentioned above, EBITDA in the quarter was R\$ 295 million, an increase of 8% vs. 4Q20. In the year-to-date, EBITDA was R\$ 1,287 million, +57% vs. 2020

Net Income was R\$ 23 million in the 4Q21 (-R\$ 56 million vs. 4Q20) and R\$ 376 million in 2021 (+R\$ 159 million vs. 2020).

5.2.1.3. NEOENERGIA COSERN

STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	894	792	102	13%	3,414	2,697	717	27%
Costs with Energy	(621)	(606)	(15)	2%	(2,464)	(1,926)	(538)	28%
Gross Margin w/out Concession Financial Assets	273	186	87	47%	950	771	179	23%
Concession Financial Assets (VNR)	44	43	1	2%	152	57	95	167%
Gross Margin	317	229	88	38%	1,102	828	274	33%
Operating Expenses	(72)	(72)	-	-	(244)	(252)	8	(3%)
Provision for Doubtful Receivables (PECLD)	(3)	2	(5)	(250%)	(7)	(3)	(4)	133%
EBITDA	242	159	83	52%	851	573	278	49%
Depreciation	(36)	(28)	(8)	29%	(131)	(105)	(26)	25%
Financial Income (Loss)	(34)	(18)	(16)	89%	(69)	(55)	(14)	25%
IR CS	(26)	(14)	(12)	86%	(118)	(71)	(47)	66%
NET INCOME	146	99	47	47%	533	342	191	56%

Neoenergia Cosern ended the 4Q21 with Gross Margin of R\$ 317 million, +38% vs. 4Q20, due to the average increase of 8.96% in the April/21 tariff reset, increase in the customer base and the recovery of the economy. In 2021, Gross Margin was 33% higher than in 2020, reaching R\$ 1,102 million, for the same reasons mentioned above, and for the tariff resets of 2020 and 2021, in addition to the higher VNR (+R\$ 95 million), explained by the highest IPCA in the period.

Operating expenses amounted to R\$ 72 million in the 4Q21, in line with the same period of the previous year and R\$ 244 million in 2021 (-3% vs. 2020), absorbing both inflation and the customer base growth, confirming the continuous search for efficiencies.

AFDA totaled R\$ 3 million in the 4Q21 (-R\$ 5 million vs. 4Q20) and in 2021 it was R\$ 7 million (-R\$ 4 million vs. 2020), demonstrating the good performance of the concessionaire's collection.

As a result of the variations mentioned above, EBITDA in the 4Q21 was R\$ 242 million, an increase of 52% vs. 4Q20, and in 2021 it was R\$ 851 million, R\$ 278 million more than in 2020.

Net Income was R\$ 146 million in the 4Q21 (+47% vs. 4Q20) and R\$ 533 million in the year-to-date (+56% vs. 2020).

5.2.1.4. NEOENERGIA ELEKTRO

STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	2,269	1,954	315	16%	8,117	6,654	1,463	22%
Costs with Energy	(1,609)	(1,497)	(112)	7%	(6,096)	(4,914)	(1,182)	24%
Gross Margin w/out Concession Financial Assets	660	457	203	44%	2,021	1,740	281	16%
Concession Financial Assets (VNR)	85	80	5	6%	281	108	173	160%
Gross Margin	745	537	208	39%	2,302	1,848	454	25%
Operating Expenses	(138)	(157)	19	(12%)	(514)	(524)	10	(2%)
Provision for Doubtful Receivables (PECLD)	(30)	(8)	(22)	275%	(90)	(136)	46	(34%)
EBITDA	577	372	205	55%	1,698	1,188	510	43%
Depreciation	(73)	(62)	(11)	18%	(297)	(238)	(59)	25%
Financial Income (Loss)	(119)	(36)	(83)	231%	(244)	(123)	(121)	98%
IR CS	(99)	(49)	(50)	102%	(335)	(235)	(100)	43%
NET INCOME	286	225	61	27%	822	592	230	39%

Neoenergia Elektro ended the 4Q21 with Gross Margin of R\$ 745 million (+39% vs. 4Q20) driven by the average tariff reset of 11.49% in August/21 and the number of customers. In the year-to-date, Gross Margin was R\$ 2,302 million (+25%), explained by the resets of 2020 and 2021, by the higher VNR (+R\$ 173 million), given the higher IPCA in the period, and the recovery of the market in the concession area.

Operating expenses amounted to R\$ 138 million in the 4Q21 (-12% vs. 4Q20), with efficiency gains in absorbing inflation, customer growth and insourcing of operating activities. In the year-to-date, it was R\$ 514 million, -2% vs. 2020. It is worth mentioning the positive and non-recurring event in the 1Q20 of the order of R\$ 22 million, due to the contracting of fatal occupational accident insurance, which allowed the reversal of this amount of the mathematical reserve that the company's pension fund set aside. Excluding this non-recurring item from the 1Q20, Neoenergia Elektro's level of expenses in 2021 shows a reduction of 6%.

In the quarter, AFDA totaled R\$ 30 million, R\$ 22 million higher than in the 4Q20, influenced by the reversals that took place in the 4Q20 after the resumption of disconnections authorized by ANEEL. In 2021, it was R\$ 90 million, a decrease of R\$ 46 million vs. 2020, demonstrating the return of pre-pandemic levels, arising from the success of collection actions. It is important to note that the AFDA/ROB ratio dropped from 1.94% in 2020 to 1.04% in 2021, proving better performance in the fight against default.

As a result of the variations mentioned above, EBITDA in the quarter was R\$ 577 million, an increase of 55% vs. 4Q20. In 2021, EBITDA was R\$ 1,698 million, +43% vs. 2020

Net Income was R\$ 286 million in the 4Q21 (+27% vs. 4Q20) and R\$ 822 million in 2021 (+39% vs. 2020).

5.2.1.5. NEOENERGIA BRASÍLIA

STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Gross Margin without VNR	134	114	20	18%	354	298	56	19%
Concession Financial Assets (VNR)	(19)	4	(23)	(575%)	(7)	4	(11)	(275%)
Gross Margin	115	117	(2)	(2%)	347	302	45	15%
Operating Expenses	(86)	(37)	(49)	132%	(227)	(189)	(38)	20%
Provision for Doubtful Receivables (PECLD)	13	(9)	22	(244%)	69	(46)	115	(250%)
EBITDA	42	71	(29)	(41%)	189	67	122	182%
Depreciation	(18)	(12)	(6)	50%	(51)	(42)	(9)	21%
Financial Income (Loss)	(16)	9	(25)	(278%)	-	40	(40)	(100%)
IR CS	(3)	311	(314)	(101%)	(48)	316	(364)	(115%)
NET INCOME	5	379	(374)	(99%)	90	381	(291)	(76%)

*Year-to-date amounts from March 2020 and from March 2021.

Neoenergia Brasília was merged into the Group on March 2, 2021 and from that date onwards the results were 100% consolidated. The 4Q21 reflects the result of the complete quarter, while the year-to-date takes place as of March 2, 2021. The comparison with 2020 is merely pro forma, and it is not included in the consolidated economic result of the group for 2020.

Neoenergia Brasília ended the 4Q21 with Gross Margin of R\$ 115 million (-2% vs. 4Q20) and R\$ 347 million in the year-to-date (+15% vs. 2020), mainly explained by the recovery of the economy, the average increase of 11.1% of the October/21 tariff review and by the increase in the customer base.

Operating expenses amounted to R\$ 86 million in the quarter, of which R\$ 16 million regards a supplement to the Voluntary Redundancy Plan (PDV). In the 4Q20, expenses closed at R\$ 37 million, benefiting from the non-recurring effects of the disposal of scrap/land of +R\$ 60 million, the reversal of the retirement plan of +R\$ 83 million and provision for the PDV of the former CED-B in the amount of -R\$ 33 million. Excluding these non-recurring effects, the normalized comparison would be R\$ 71 million in the 4Q21 vs. R\$ 146 million, a reduction of 52%. In 2021, expenses totaled R\$ 227 million, and excluding the PDV of R\$ 39 million, it would have been R\$ 189 million. Expenses for 2020 in turn amounted to R\$ 189 million and the abovementioned non-recurring events would have been R\$ 298 million, with a reduction of 37% after the takeover by Neoenergia, reflecting the turnaround that has been carried out.

In the quarter, AFDA was positive by R\$ 13 million due to the reversal of R\$ 23 million from a renegotiation with a large customer. In the year-to-date, it was +R\$ 69 million, where we highlight the renegotiation that took place in the 4Q21 and phasing-in of the methodology already used by the Neoenergia group, which took place in 2Q21 allowing the reversal of R\$ 59 million. It is worth noting that previously CEB-D had a policy of provisioning a large portion of the unpaid debt balance, given that almost one year went by without collection actions, the adherence to Neoenergia's methodology allowed the current levels of AFDA.

As a result of the variations mentioned above, EBITDA in the quarter was R\$ 42 million, -R\$ 29 million vs. 4Q20. In the year-to-date, EBITDA was R\$ 189 million in 2021 (+R\$ 122 million vs. 2020). With the non-recurring adjustments in operating expenses and AFDA items, we would have an EBITDA of R\$ 35 million in the 4Q21 vs. -R\$ 39 million in 4Q20, and in 2021 it would be R\$ 146 million vs. -R\$ 43 million in 2020.

Taxes amounted to R\$ 3 million in the quarter (vs. reversal of R\$ 311 million in 4Q20) and R\$ 48 million in 2021, compared to a reversal of R\$ 316 million in 2020 referring to the recognition of year-to-date deferred taxes until December 2020. This reversal was done in order to adapt to the methodology already in place in the other Neoenergia group companies, since the former management of CEB-D did not record deferred charges.

Net Income in the 4Q21 was R\$ 5 million (vs. R\$ 379 million in 4Q20), and R\$ 90 million (vs. R\$ 381 million in 2020) in the year.

5.3. Renewables

The result of the Renewables segment includes the performance of the Neoenergia Group wind farms and hydroelectric plants.

RENEWABLES STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	314	295	19	6%	1,154	1,010	144	14%
Costs with Energy	(36)	(42)	6	(14%)	12	(141)	153	(109%)
GROSS MARGIN	278	253	25	10%	1,166	869	297	34%
Operating Expenses	(83)	(63)	(20)	32%	(231)	(218)	(13)	6%
Fair Value Adj.	(482)	-	(482)	-	(482)	-	(482)	-
(+)Equity Accounting	(1)	(28)	27	(96%)	68	(56)	124	(221%)
EBITDA	(288)	162	(450)	N/A	521	595	(74)	(12%)
Depreciation	(59)	(56)	(3)	5%	(208)	(196)	(12)	6%
Financial Income (Loss)	(50)	(32)	(18)	56%	(164)	(157)	(7)	4%
IR/CS	(21)	(24)	3	(13%)	(124)	(40)	(84)	210%
NET INCOME	(418)	50	(468)	N/A	25	202	(177)	(88%)

HYDRO PLANTS STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net revenue	147	155	(8)	(5%)	558	562	(4)	(1%)
Costs with Energy	(22)	(27)	5	(19%)	67	(102)	169	(166%)
GROSS MARGIN	125	128	(3)	(2%)	625	460	165	36%
Operating Expenses	(32)	(32)	-	-	(97)	(107)	10	(9%)
Fair Value Adj.	(482)	-	(482)	-	(482)	-	(482)	-
(+) Equity Accounting	(1)	(28)	27	(96%)	68	(56)	124	(221%)
EBITDA	(390)	68	(458)	N/A	114	297	(183)	(62%)
Depreciation	(21)	(24)	3	(13%)	(86)	(83)	(3)	4%
Financial Income (Loss)	(15)	(12)	(3)	25%	(66)	(74)	8	(11%)
IR/CS	(9)	(22)	13	(59%)	(104)	(65)	(39)	60%
NET INCOME (LOSS)	(435)	10	(445)	N/A	(142)	75	(217)	N/A

WIND FARMS STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net revenue	167	140	27	19%	596	448	148	33%
Costs with Energy	(14)	(15)	1	(7%)	(55)	(39)	(16)	41%
GROSS MARGIN	153	125	28	22%	541	409	132	32%
Operating Expenses	(51)	(31)	(20)	65%	(134)	(111)	(23)	21%
EBITDA	102	94	8	9%	407	298	109	37%
Depreciation	(38)	(32)	(6)	19%	(122)	(113)	(9)	8%
Financial Income (Loss)	(35)	(20)	(15)	75%	(98)	(83)	(15)	18%
IR/CS	(12)	(2)	(10)	500%	(20)	25	(45)	(180%)
NET INCOME	17	40	(23)	(58%)	167	127	40	31%

The Renewables segment ended the 4Q21 with gross margin of R\$ 278 million (+R\$ 25 million vs. 4Q20) positively impacted by the wind farms (+R\$ 28 million vs. 4Q20), due to greater wind resources in the period, and the start of operations of an extra 249 MW from the Chafariz Complex in the quarter, which were added to the 184 MW that had been started in the 3Q21.

In the year-to-date, gross margin for the segment was R\$ 1,166 million (+R\$ 297 million vs. 2020), impacted by +R\$ 132 million from wind farms – due to greater wind resources and the start of operations at the Chafariz Complex. – and by +R\$ 165 million from the hydroelectric plants based on the non-recurring effect of the GSF renegotiation (R\$ 163 million in the year).

Operating expenses ended the 4Q21 at R\$ 83 million (+R\$ 20 million vs. 4Q20), mainly as a result of the start of operations of the Complexo Chafariz parks. In the year, operating expenses totaled R\$ 231 million (+6% vs. 2020), below inflation, showing the constant search for efficiencies.

It should be noted that in the 4Q21, the amount of -R\$ 482 million was recorded referring to the adjustment of Belo Monte to fair value. The Management decided to proceed with the analyzes and measures with a view at determining the conditions for the sale of the stake in NESA. This divestment is in line with the Company's strategy, given that it is a minority interest. Therefore, the balance of the investment in Belo Monte was transferred from the item "Investments" to "Non-current assets held for sale".

Equity in the quarter amounted to R\$ 1 million and R\$ 68 million in the year (+R\$ 27 million and +R\$ 124 million, respectively), mainly explained by the renegotiation of the GSF of Teles Pires, Belo Monte and Dardanelles in the amount of R\$ 58 million in the year.

Due to these effects, EBITDA from Renewables segment in the quarter was -R\$ 288 million (-R\$ 450 million vs. 4Q20) and R\$ 521 million in the year (-R\$ 74 million vs. 2020). Excluding the effect of the adjustment to Belo Monte fair value, EBITDA was R\$ 194 million in the quarter (+R\$ 32 million vs. 4Q20). In the year, excluding the aforementioned effect and the GSF agreement, the EBITDA was of R\$ 781 in the year (+R\$ 186 MN vs. 2020), mainly explained by the good performance of wind farms, being worthy of mention the contribution from the early start-up of operations at the Chafariz Wind Power Complex (R\$ 16 million in 4Q21 and R\$ 66 million in 2021).

Income recorded in the 4Q21 was -R\$ 418 million (+R\$ 468 million vs. 4Q20) and in the year it was R\$ 25 million (-R\$ 177 million vs. 2020). Excluding Belo Monte value, the Net Income was R\$ 64 million in the 4Q21 (+R\$ 14 million vs. 4Q20). Year-to-date, excluding the aforementioned effect and the GSF agreement, Net Income was R\$ 339 million (+R\$ 137 million vs. 2020).

5.4. Liberalized

LIBERALIZED STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	709	648	61	9%	2,776	2,273	503	22%
Costs with Energy	(429)	(510)	81	(16%)	(1,893)	(1,738)	(155)	9%
Gross Margin	280	138	142	103%	883	535	348	65%
Operating Expenses	(69)	(68)	(1)	1%	(217)	(186)	(31)	17%
AFDA	(1)	(2)	1	(50%)	(1)	(2)	1	(50%)
EBITDA	210	68	142	209%	665	347	318	92%
Depreciation	(17)	(17)	-	-	(64)	(63)	(1)	2%
Financial Income (Loss)	(18)	(9)	(9)	100%	(66)	(65)	(1)	2%
IR CS	(20)	(1)	(19)	1900%	(83)	(25)	(58)	232%
NET INCOME	155	41	114	278%	452	194	258	133%

TERMOPERNAMBUCO STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	411	316	95	30%	1,503	1,140	363	32%
Costs with Energy	(159)	(187)	28	(15%)	(703)	(638)	(65)	10%
Gross Margin	252	129	123	95%	800	502	298	59%
Operating Expenses	(53)	(50)	(3)	6%	(171)	(132)	(39)	30%
EBITDA	199	79	120	152%	629	370	259	70%
Depreciation	(17)	(17)	-	-	(63)	(59)	(4)	7%
Financial Income (Loss)	(19)	(9)	(10)	111%	(60)	(58)	(2)	3%
IR CS	(21)	(5)	(16)	320%	(78)	(37)	(41)	111%
NET INCOME	142	48	94	196%	428	216	212	98%

COMERC. STATEMENT OF INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Revenue	295	331	(36)	(11%)	1,260	1,132	128	11%
Costs with Energy	(268)	(324)	56	(17%)	(1,178)	(1,100)	(78)	7%
Gross Margin	27	7	20	286%	82	32	50	156%
Operating Expenses	(16)	(16)	-	-	(46)	(53)	7	(13%)
AFDA	(1)	(2)	1	(50%)	(1)	(2)	1	(50%)
EBITDA	10	(11)	21	N/A	35	(23)	58	N/A
Depreciation	-	-	-	-	(1)	(4)	3	(75%)
Financial Income (Loss)	1	-	1	-	(6)	(7)	1	(14%)
IR CS	1	4	(3)	(75%)	(5)	12	(17)	(142%)
NET INCOME	12	(7)	19	N/A	23	(22)	45	N/A

The Liberalized segment consolidated gross margin of R\$ 280 million in the 4Q21 (+R\$ 142 million vs. 4Q20) mainly impacted by the higher margin of Termopernambuco (+R\$ 123 million vs. 4Q20), and by Neoenergia Comercializadora results. In the year, gross margin was R\$ 883 million, +R\$ 348 million vs. 2020, mainly explained by the higher generation of Termopernambuco (higher dispatch vs. 2020) due to the country's water crisis.

Operating expenses were R\$ 69 million in the 4Q21, in line with those recorded in the 4Q20. In the year-to-date, expenses totaled R\$ 217 million, +R\$ 31 million compared to the previous year mainly explained by a larger number of operating days at Termopernambuco in 2021, and by the adjustment to the O&M contracts, which are denominated in dollars.

As a result of these variations, Liberalized EBITDA was R\$ 210 million in the 4Q21 (+R\$ 142 million vs. 4Q20) and R\$ 665 million in the year, R\$ 629 million of which from Termopernambuco.

Net income was R\$ 155 million in the quarter (+R\$ 114 million vs. 4Q20) and R\$ 452 million in 2021 (+R\$ 258 million vs. 2020) due to better results of both, Termopernambuco and Comercializadora, in the quarter and in the year.

6. EBITDA

In compliance with CVM Instruction nº 527 we show below the reconciliation of EBITDA, and we further state that the calculations shown are in line with the criteria of that same instruction:

EBITDA (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Net Income for the Period (A)	635	996	(361)	(36%)	3,925	2,809	1,116	40%
Profit assigned to minority shareholders (B)	(26)	(33)	7	(21%)	(141)	(96)	(45)	47%
Financial Expenses (C)	(1,015)	(584)	(431)	74%	(2,934)	(1,755)	(1,179)	67%
Financial Revenues (D)	194	176	18	10%	755	597	158	26%
Other net financial income (loss) (E)	(88)	58	(146)	(252%)	(104)	128	(232)	(181%)
Income tax and social contribution (F)	(310)	(292)	(18)	6%	(1,523)	(943)	(580)	62%
Depreciation and amortization (G)	(531)	(430)	(101)	23%	(1,984)	(1,618)	(366)	23%
EBITDA = (A)-(B+C+D+E+F+G)	2,411	2,101	310	15%	9,856	6,496	3,360	52%

7. FINANCIAL RESULT

NET FINANCIAL INCOME (R\$ MN)	4Q21	4Q20	Variation		2021	2020	Variation	
			R\$	%			R\$	%
Revenue from financial investments	85	29	56	193%	186	135	51	38%
Charges, monetary and exchange variations and debt derivative financial Instruments	(918)	(305)	(613)	201%	(2,417)	(1,058)	(1,359)	128%
Other financial income (loss) not related to debt	(76)	(74)	(2)	3%	(52)	(107)	55	(51%)
Interest, commissions and arrears interest	72	148	(76)	(51%)	500	440	60	14%
Monetary and exchange variations - other	5	(10)	15	N/A	(23)	(54)	31	(57%)
Adjustment to provision for contingencies / judicial deposits	(54)	(37)	(17)	46%	(196)	(167)	(29)	17%
Adjustment to sector financial assets / liabilities	31	(6)	37	N/A	38	(4)	42	N/A
Post-employment liabilities	(23)	(15)	(8)	53%	(85)	(60)	(25)	42%
Other net financial revenues (expenses)	(107)	(154)	47	(31%)	(286)	(262)	(24)	9%
Total	(909)	(350)	(559)	160%	(2,283)	(1,030)	(1,253)	122%

The Consolidated Financial Result was -R\$ 909 million in the 4Q21, R\$ 559 million worse vs. 4Q20, a variation mainly explained by higher expenses with debt charges (+R\$ 613 million) due to the 45% increase in the average debt balance based on the funding used for the Capex of new transmission and wind projects, as well as Distributors. Additionally, we noted in the period an increase in IPCA (33% of the indebtedness is linked to that index) and in CDI (63% of the company's indebtedness). In the year-to-date, the Financial Result was -R\$ 2,283 million, worse by R\$ 1,253 million for the same reasons as in the quarter, also including R\$ 2.5 billion for the funding of Neoenergia Brasília.

8. INVESTMENTS


Capex of Neoenergia ended the year at R\$ 9.4 billion, as displayed below:

CAPEX Neoenergia (R\$ million)	4Q21	4Q20	Δ %	2021	2020	Δ %
Networks	1,863	1,714	9%	6,176	5,335	16%
Distributors	1,124	835	35%	3,917	3,339	17%
Transmission Lines	739	879	(16%)	2,259	1,995	13%
Renewables	1,121	397	182%	3,106	898	246%
Liberalized	30	15	100%	84	101	(17%)
Holding	2	2	-	2.4	2.7	(33%)
TOTAL	3,016	2,129	42%	9,369	6,337	48%

8.1. Networks

8.1.1. Distribution

In 2021, the Distributors' Capex amounted to R\$ 3.9 billion, of which R\$ 2.6 billion were used in network expansions. Below is a table displaying the breakdown of Capex by distributor.

INVESTMENTS MADE (amounts in R\$ MM)	    					CONSOLIDATED		
	4Q21					4Q21	2021	
Network Expansion	(428)	(92)	(47)	(85)	(13)	(665)	(2,574)	56%
Program Luz para Todos	(170)	-	-	-	-	(170)	(584)	
New Connections	(152)	(68)	(25)	(57)	(3)	(305)	(1,225)	
New SE's and RD's	(106)	(24)	(21)	(28)	(11)	(190)	(765)	
Assets Renewal	(65)	(24)	(19)	(33)	(10)	(151)	(541)	14%
Network Improvement	(24)	(10)	(19)	(17)	(20)	(90)	(360)	9%
Losses and Default	(35)	(28)	(6)	(5)	(8)	(82)	(327)	8%
Other	(78)	(50)	(19)	(67)	(59)	(273)	(497)	13%
Movement of Material (Inventory x Works)	(71)	(5)	4	(6)	(28)	(106)	(449)	
(=) Gross Investment	(701)	(209)	(106)	(213)	(139)	(1,368)	(4,748)	
GRANTS	126	2	0	9	1	138	382	
(=) Net Investment	(576)	(206)	(106)	(204)	(139)	(1,231)	(4,366)	
Movement of Material (Inventory x Works)	71	5	(4)	6	28	106	449	
(=) CAPEX	(505)	(201)	(109)	(198)	(111)	(1,124)	(3,917)	
RAB	(78)	(50)	(19)	(67)	(59)	(273)	(497)	12%
RRB	(552)	(154)	(91)	(140)	(52)	(989)	(3,802)	88%

8.1.2. Transmission

In 2021, the transmission companies Capex amounted to R\$ 2,259 million, R\$ 264 million above 2020. Worthy of note is the conclusion of the April 2017 and December 2017 auction lots (Santa Luzia and Jalapão).

8.2. Renewables

8.2.1. Wind Farms

Investments made in wind farms amounted to R\$ 2,838 million in 2021:

(i) Chafariz Complex: Highlight on the 433 MW added to the Complex, boosting generation in the 4Q21.

(ii) Oitis Complex: Works started in the 4Q20.

8.2.2. Solar Parks

Investments made in the Luzia solar park, works of which have already started, amounted to R\$ 62 million in 2021.

8.2.3. Hydroelectric Plants

Investments of the order of R\$ 206 million in 2021, with a highlight on the R\$ 130 million recorded in intangible assets of Itapebi arising from the GSF negotiation in the period.

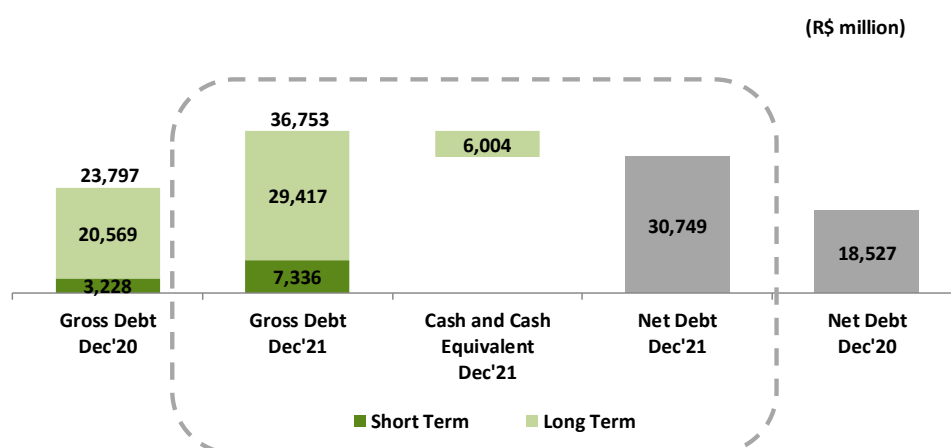
8.3. Liberalized

Termopernambuco made investments in the amount of R\$ 29.9 million in the 4Q21, 113% in excess of that of 4Q20, and R\$ 82.8 million in 2021, 17% less than that of 2020. The drop in the year is mainly due to the conclusion of the plant's project.

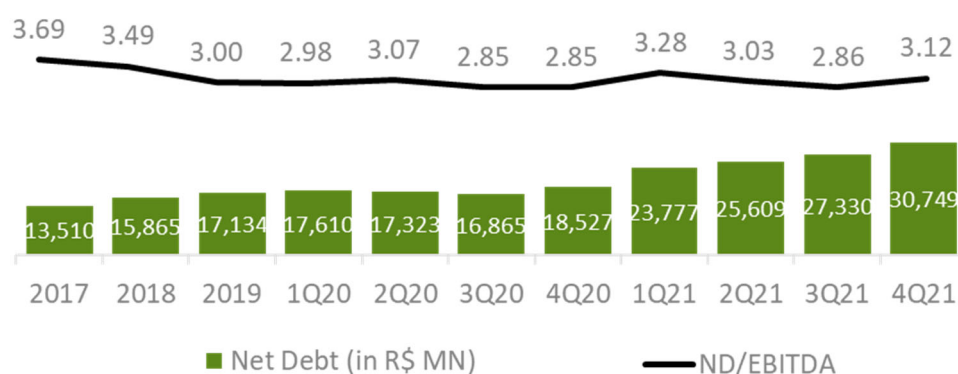
9. INDEBTEDNESS

9.1. Situation of Financial Debt and Leverage

In December 2021, the consolidated net debt of Neoenergia, including cash, cash equivalents and securities, reached R\$ 30,749 million (gross debt R\$ 36,753 million), showing an increase of 66% (R\$ 12,222 million) when compared to December 2020, mainly explained by the actual Capex of networks and renewables. As regards the segregation of the debt balance, Neoenergia has 80% of its debt recorded in the long term and 20% in the short term.



The Financial indicator Total Net Debt/EBITDA increased from 2.85 in December 2020 to 3.12 in December 2021.

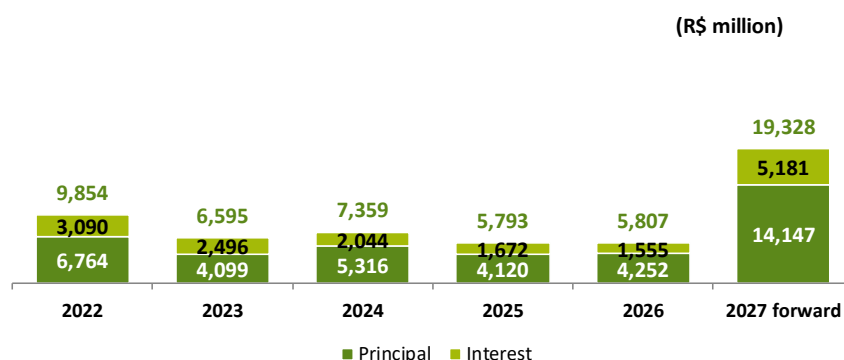


9.2 Debt amortization schedule

The Company seeks to structure its debt in line with the financial cycle of its business, observing the peculiarities of each company and the characteristics of its concessions and authorizations. In order to reduce the cost of debt and extend its amortization profile, the Company also actively manages its financial liabilities in order to avoid concentration of debt maturities, resulting in effective extensions. The amounts due in the coming years are not concentrated in any specific period, and are consistent with volumes due in recent years. The amounts due in the coming years are more concentrated in 2022 a result of the funding of R\$ 2.5 billion used for the acquisition of Neoenergia Brasília.

In 2022, the amortizations expected are as follows: at the Holding, R\$ 2,228 million, at Neoenergia Coelba, estimated amount R\$ 1,310 million, and at Neoenergia Pernambuco, estimated amount R\$ 931 million. The total amortization of the Holding and the two distributors represents 68% of the consolidated volume to be amortized in this period.

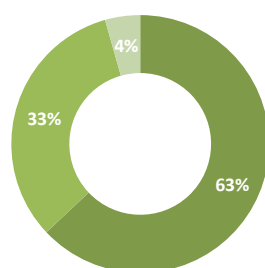
Neoenergia's average debt term in December 2021 was 5.06 years (vs. 4.66 years in December 2020). The chart below displays the maturity schedule of the debt principal and interest, using market forward curves for the indices, and currencies linked to the indebtedness in force at the end of 2020.



9.3. Debt profile

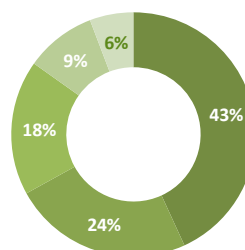
The charts below display the debt balance segregated by funding source and by indexer. The average cost of the consolidated debt in the 4Q21 was 8.1% (vs. 4.7% in December 2020) due to the increase of IPCA and Selic.

DEBT PER INDEX (post swap)



■ CDI and SELIC
■ IPCA
■ TJLP

DEBT PER FUNDING



■ Capital Markets
■ National Development Banks
■ International Commercial Banks
■ International Development Banks
■ National Commercial Banks

In the 4Q21, we funded a total of R\$ 5,507 million. We highlight the debt contracting lines that follow:

- i. Payment of the 1st Issue of Commercial Notes by Neoenergia Coelba (R\$ 800 million), the 1st Issue of Commercial Notes by Neoenergia Pernambuco (R\$ 500 million), and the 1st Issue of Commercial Notes by Neoenergia Cosern (R\$ 200 million), all with a term of up to 7 years;
- ii. Payment of the 13th Issue of Debentures by Neoenergia Coelba (R\$ 800 million), the 10th Issue of Debentures by Neoenergia Elektro (R\$ 650 million), and the 11th Issue of Debentures by Neoenergia Pernambuco (R\$ 500 million), all with a term of up to 10 years;
- iii. BEI payout to Neoenergia, in the total amount of R\$ 796 million, with a term of 15 years;
- iv. BASA payout to Neoenergia Jalapão, in the amount of R\$ 67 million, and a term of 20 years;
- v. Contracting of 4131 with Scotia for Neoenergia Brasília (R\$ 300 million), Neoenergia Coelba (R\$ 100 million) and Neoenergia Pernambuco (R\$ 100 million), all with a 5-year term;
- vi. BNDES grant to Neoenergia Cosern (R\$ 128 million), Neoenergia Coelba (R\$ 120 million) and Neoenergia Elektro (R\$ 248 million), all with a term of 19 years;
- vii. Outlay of the Revolving Credit Facility (RCF) with Itaú to Neoenergia Coelba (R\$ 200 million), already paid.

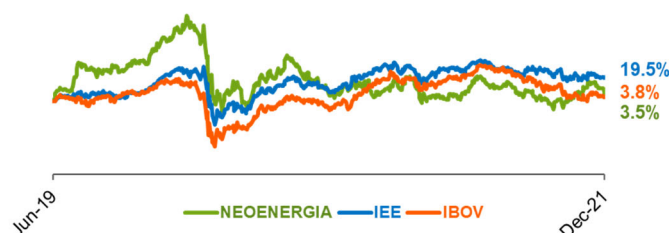
10. RATING

On March 30, 2021, Standard & Poor's – S&P confirmed the rating of Neoenergia and its distributors on "BB-" on the Global Scale, and 'brAAA' on the Brazil National Scale, limited to sovereign rating.

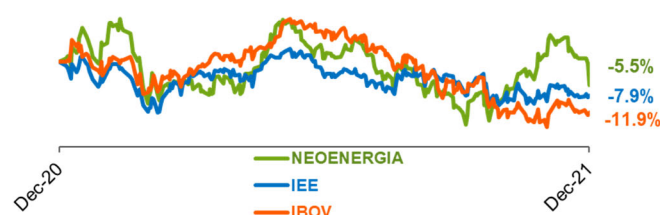
11. CAPITAL MARKETS

On December 30, 2021, The Company's Market value was R\$ 19.7 billion with shares (NEOE3) traded at R\$ 16.20. As to 2021, shares showed a devaluation of 5,5%, as displayed in the charts below.

SHARES RENTABILITY - SINCE IPO



SHARES RENTABILITY IN 2021



Below, we present a table with the values of share quotation and market value:

Capital Markets	IPO	4Q21
Number of shares (thousand)	1,213,797,248	1,213,797,248
Share value	15.65	16.20
Market value ¹ (R\$ million)	18,996	19,664

¹Market value = number of shares x share value

12. OTHER MATTERS

12.1. Low-Income Consumers

N° of Residential Customers (thousand)	2021						2020					
	Consolidated	NEOENERGIA COELBA	NEOENERGIA PERNAMBUCO	NEOENERGIA COSEN	NEOENERGIA ELEKTRO	NEOENERGIA BRASLIA	Consolidated	NEOENERGIA COELBA	NEOENERGIA PERNAMBUCO	NEOENERGIA COSEN	NEOENERGIA ELEKTRO	NEOENERGIA BRASLIA
Conventional	10,602	4,017	2,414	985	2,217	969	10,453	3,944	2,422	960	2,180	948
Low Income	3,303	1,612	1,070	352	233	37	3,107	1,545	992	347	211	12
Total	13,905	5,629	3,484	1,337	2,450	1,006	13,561	5,490	3,414	1,308	2,390	959

12.2. Management Practices

12.2.1. Shareholders' Compensation

Neoenergia's Bylaws provide for the payment of a minimum dividend of 25% of net income, according to the Dividend Distribution Policy available on the Company's website (<http://ri.neoenergia.com/governanca/codigos-e-politicas/>).

In 2021, the Company resolved the following earnings:

- Interest on Equity in the amount of R\$ 170,708 thousand, paid on December 21, 2021, resolved at the Board of Directors Meeting held on June 28, 2021;
- Interest on Equity in the amount of R\$ 160,000 thousand, payment anticipated to be made by December 31, 2022, Resolved at the Board of Directors Meeting held on December 13, 2021.
- Proposed Dividends in the amount of R\$ 200,699 thousand, resolved at the Annual Shareholders' Meeting of April 12, 2021 and paid on December 21, 2021;

The Company informs that the full allocation of the 2021 profits will be approved at the Annual General Meeting to be held in 2022.

12.2.2. Corporate Governance

Neoenergia's Corporate Governance System brings together the policies and principles that govern the organization, operation and relations of subsidiaries and Neoenergia, meeting the highest standards of Corporate Governance of Brazilian companies, which qualifies Neoenergia for listing its shares in the Novo Mercado of B3.

The Corporate Governance System sets standards, recommendations and practices that aim at ensuring compliance with the bylaws, in particular, the corporate purpose and the corporate interest of Neoenergia and its shareholders, respecting the provisions of the Shareholders' Agreement currently in force.

The Neoenergia Group's Purpose and Values, also gather and endorse all key elements of the Corporate Governance System, whose development is assigned to the Board of Directors, without prejudice to other competencies.

Board of Directors

It comprises thirteen sitting members and seven alternate members with a two-year term of office, whose reelection is permitted. Among the sitting members, seven are appointed by Iberdrola, three by Banco do Brasil Employees' Pension Fund – Previ and three are independent members. The Board's duties include the general direction of business and the election and removal of officers. Members meet ordinarily 8 times a year to assess the Company's economic, environmental and social performance. The members can also meet extraordinarily when called by the Chairman or, in his absence, by the member appointed to be his substitute, or also by one-third of the board members in a joint request.

Fiscal Council

As an independent body, it comprises five sitting members and four alternate members. Members are elected at the General Meeting for one-year terms of office. The Fiscal Council meets ordinarily to: (1) give their opinion on the annual management report and relevant financial statements; and (ii) analyze the interim balance sheet and other financial statements drawn up quarterly by the Company, and extraordinarily if necessary.

Executive Board

It is responsible for the business management and conduction, and currently comprises nine members, including the Chief Executive Officer. The Board of Directors appoints its members for three-year terms of office, subject to renewal. The directors ordinarily meet once a week, or whenever called by any of their peers.

Committees

The Neoenergia Group has five different committees currently in place: Audit Committee, Finance Committee, Compensation and Succession Committee, Related Parties Committee and Sustainability Committee. Each Committee is responsible for prior analyzes and recommendations of most decisions of the Board of Directors. The Committees comprise 5 sitting members and their relevant alternate members, with the exception of the Related Parties Committee consisting of 3 sitting members, which may have an equal number of alternates appointed by the Board of Directors.

As an integral part of Governance practices, the Neoenergia Group has an Internal Control model that ensures reliability in the drafting and disclosure of financial information. The model is supported by a tool and is based on two main pillars: (i) the identification of risks and design/enforcement of controls; and (ii) the certification of financial information by the main Executives.

The certification takes place so that the Executives can ensure that financial and non-financial information under their responsibilities are reliable, and the internal controls to support them have been properly enforced.

12.2.3. People Management

Each year, Neoenergia consolidates its belief that people are core elements in doing business. Having employees who are engaged and committed to our results has been our permanent focus. And after 2 years of a coexistence impacted by the pandemic, we made of this belief a way to maintain the link with all employees, so that they remained connected with our environment, in addition to being able to continue evolving in their growth and development process.

During 2021, the Neoenergia Group invested more than R\$ 13 million in training, mostly online, since it was still a year in which distancing as prevention against Covid was necessary. This investment made it possible to carry out 1,094,499 hours of training, 41% more than in the previous year. Our gain was even greater because we expanded the possibility of internal learning using other digital and online channels and formats.

Keeping our alignment with the Sustainable Development Goals, we maintained the Electrician School, training 1,737 electricians, of which 1,175 were hired and are now part of our workforce. This year, we placed 177 women in the position of electrician, confirming our belief in gender equality. Also in 2021, with the merger of Neoenergia Brasília, in addition to the Schools of Bahia, Rio Grande do Norte, Pernambuco and Interior of SP, we implemented a school for electricians in the Federal District.

Cybersecurity, Diversity and Volunteering were topics that were also part of our agenda. We dedicated 1 week of activities to Cybersecurity aimed at discussing risks and preventing cyber attacks, sharing care with information with our employees, by means of lectures and games, keeping our teams connected to the topic throughout the year. Likewise, we brought up the topic of Diversity for discussion, and in June we held Diversity Week, to reinforce concepts such as Inclusion and equality that we want to emphasize in our culture, and we reiterated Neoenergia's position in favor of the inclusion of gender, race, and disabled people. Today, the group already has concrete commitments regarding the inclusion of women in our operation and in leadership positions. As to the subject of Volunteering, this year we continued the work with more than 1,500 volunteers, including executives who, with our employees, acted directly in actions that benefited more than 40,000 people, in addition to the launch of the training school, by Instituto AMAR in Natal, in partnership with the INVOLVE Project, a global project aimed at strengthening the culture of volunteering throughout the Group.

Gradually, in September we started to resume work in a hybrid way, and in December we had already 100% of the employees in face-to-face work, always emphasizing our care for everyone's health and wellbeing, and practicing all the necessary protocols to prevent Covid. For 2022, we will adopt the hybrid work option as a choice for employees who carry out activities compatible with that model. Our experience during the pandemic showed us that with this option it is possible to add quality of life to teams, without loss of productivity, in addition to aligning Neoenergia with the reality of the job market.

2021 was a year of great challenges and achievements, but we have teams that are engaged and committed to the quality of services provided to the communities where we operate. And it is gratifying to see the results achieved with the commitment of all Neoenergia's employees. And we will carry on in 2022 with that same strength and determination.

13. SUSTAINABILITY, INNOVATION AND CORPORATE RESPONSIBILITY

13.1. Integration of environmental, social and governance factors - ESG – for a sustainable energy business model

Neoenergia, guided by its purpose, values and governance system, integrates in its strategy ESG aspects in addition to the SDGs and the UN Global Compact Principles. In this course, the group meets its commitment to a sustainable

and accessible electric energy model, capable of generating economic, social and environmental value for its stakeholders.

As part of this continuous evolution, we took on the commitments to the goals that follow: (i) Place the level of emissions below 50 grams of CO₂ per kWh generated by 2030, aiming to reach the carbon neutrality by 2050; (ii) Achieve Zero net Biodiversity loss in new ventures by 2030; (iii) reach 35% of women in leadership positions at the Company by 2030; and (iv) 70% of large suppliers classified as sustainable by 2022 and 100% by 2030.

Since 2007, the Company has renewed its commitment to the ten principles of the Global Compact, an initiative that advocates action based on respect for human rights, labor rights, environmental conservation and corruption fight, and since 2015, to the 17 Sustainable Development Goals (SDGs), both by the UN. Goals 7 (clean and affordable energy) and 13 (global action against climate change) are priorities for Neoenergia. Neoenergia is also committed to other SDGs in regard to strategic topics that directly contribute to the sustainable management of the business: drinking water and sanitation (SDG 6), industry, innovation and infrastructure (SDG 9), life on land (SDG 15) and partnerships and means of implementation (SDG 17).

In September 2021, Solange Ribeiro, Deputy CEO of Neoenergia, was appointed vice-president of the UN Global Compact Council, the world's largest corporate sustainability initiative.

As of January 2022, for the 2nd consecutive year, Neoenergia participates in the B3 Corporate Sustainability Index portfolio, an index that brings together companies that have the best corporate governance and sustainability practices. Neoenergia also achieved the A- score in the CDP's climate change notebook in its first participation in this initiative, considered the main one in the financial sector regarding climate change mitigation.

The company's commitment to sustainable development materializes in its belief in ESG factors, which are present in the Company's daily operations, and which are put into action at the levels that follow:

Environmental

Neoenergia has a broad set of policies for the Environment and Climate Change Fight: Sustainable Management, Environment, Biodiversity and Climate Action.

In this sense, the Company continues to invest in renewable energy generation. In the third quarter of 2021, it invested R\$ 1,1 billion in Renewables and accelerated the progress of its clean energy projects in the Northeast.

In December, works progressed on the Luzia Solar Complex, and the first support stakes for more than 233 thousand solar panels were installed. As to wind generation, progress was made in the Oitis Complex, which received its first transformer.

In addition to investments in wind and solar energy, Neoenergia encourages innovation and has developed, in its R&D, an autonomous vessel for measuring suspended solid discharges in hydroelectric reservoirs.

In line with its commitment to Fight Climate Change, Neoenergia, through its deputy director-president, Solange Ribeiro, was present at COP26 calling on the private sector and nations to be more ambitious in their commitments to reduce emissions and to climate financing. At COP26, Solange attended a meeting organized by the Global Pact dedicated to senior executives and was one of the speakers at an event to discuss the urgent opportunities and challenges for leaders to tackle the climate crisis.

Social

With an aim at contributing to society, by means of the Company's Volunteer Program, a project was carried out training 38 young people for the job market with a focus on the IT area. The Group also launched a free online course on the basics of electricity and safety in civil construction, in partnership with Senai Bahia.

Also based on the Volunteering Program, during the International Volunteering Week, the company engaged its employees and collected more than 33 thousand hygiene products and 6 thousand books that were donated to 10 institutions in different locations in Brazil.

Also, at Neoenergia the pillars of Diversity and Inclusion are continuously strengthened, and are part of Junt+s, the company's Diversity Program, focused on promoting a work environment of inclusion, respect for differences, empowerment and fighting prejudice. In 2021, it launched the web app Junt+s, which multiplies content with testimonials, information, diversity numbers, videos and games. Based on the content produced for the app, employees have access to information, in addition to recognizing and performing good diversity practices in the most different environments.

On International Women's Entrepreneurship Day, Instituto Neoenergia launched the "Let her inspire you" campaign, which features a Podcast, posts and stories on Instagram to share incredible stories of women entrepreneurs and intrapreneurs.

Neoenergia is part of the Spanish group Iberdrola and, together, the companies are developing a project that encourages women's participation in sports. Currently, more than 330 thousand athletes are subsidized throughout the world, including the Brazilian Women's Soccer Team.

Currently, Neoenergia has 26% of women in its corporate leadership, and in the Executive Board the proportion is 33% female. And the company continues to work so that these numbers are even more expressive in the coming years.

Governance

At the end of 2021, Neoenergia held its first Investor Day in São Paulo, reinforcing its premise of acting with transparency and promoting the generation of sustainable value for its stakeholders. The strategic fronts of Market Organic Growth of its Concessions, opportunities in Renewables, Digitization, Regulation, Market Liberalization and ESG were highlighted.

Integrity is a value that permeates the Group and confirming that, in 2021 the certification of the Anti-Bribery Management System (ISO 37.001) was revalidated and, in 2021, the company won, for the fourth consecutive time, the Seal of Pro-Ethics of the Federal Comptroller-General Office.

Neoenergia was also the subject of highlight in Valor 1000, occupying the first place in sustainable growth and in the 25th position among the largest companies in Brazil in the electric sector. The 2021 ranking takes into account the companies' balance sheet data in 2020. The survey has been carried out for 20 years by professionals from Valor, Serasa Experian, and the Center for Studies in Finance of Fundação Getúlio Vargas (FGV-EAE).

We highlight below some indicators selected based on the analysis of the main ESG aspects addressed by the market

MAIN ESG INDICATORS	UNIT	4Q21	4Q20	Var. %	2021	2020	Var. %
Internal energy consumption	GJ	85,961	101,430	-15%	353,073	304,590	16%
Diesel Oil Consumption	L	1,918,326	1,389,970	38%	2,087,173	1,528,121	37%
Fossil fuel consumption	GJ	94,676	94,067	1%	410,425	378,599	8%
Natural gas consumption	GJ	5,007,110	7,618,977	-34%	229,261,260	61,502,264	273%
Water use	thousand m3	54	55	-1%	214	215	0%
Water consumption/Overall production	thousand	0.01	0.01	8%	0.01	0.01	0%
Renewable installed capacity	%	88%	87%	1.3 p.p.	88%	87%	1.0 p.p.
Specific CO2 emissions	gCO2/kWh	53	109	-51%	61	54	14%
SO2 emissions	t	2	3	-38%	9	6	51%
SO2 emissions	t	36	58	-37%	176	141	25%
Waste generated (ash + hazardous and non-hazardous waste)	t	157	367	-57%	791	1,093	-28%
Waste recycled (ash + hazardous and non-hazardous waste)	t	160	274	-42%	528	422	25%
Hazardous waste per electricity generated	t/GWh	0.04	0.09	-54%	0.05	0.07	-28%
Energy produced under certified environmental management systems	%	100%	100%	0.0 p.p.	100%	100%	0.0 p.p.
R&D Investments	R\$ MN	38	23	65%	104	53	99%
Energy Efficiency Investments	R\$ MN	23	16	45%	91	63	45%
Environmental Accidents	unit	3	3	0%	21	16	31%
Tree planting	unit	51,960	141,378	-63%	350,635	452,211	-22%
SOCIAL							
Number of employees	n°	15,058	12,812	18%	15,058	12,812	18%
Total of women	%	18.0%	17.7%	0.2 p.p.	18.0%	17.7%	0.2 p.p.
Women in leadership positions	%	25.7%	25.7%	0.0 p.p.	25.7%	25.7%	0.0 p.p.
Women in executive management	%	33.3%	44.4%	-11.1 p.p.	33.3%	44.4%	-11.1 p.p.
Employee turnover	%	2.1%	3.7%	-1.5 p.p.	13.1%	10.4%	2.8 p.p.
Electricity for All program Investments	R\$ MN	170	85	100%	584	464	26%
Connections made in the Electricity for All program	unit	5,971	4,204	42%	16,966	17,644	-4%
Hours of training	h	336,660	651,926	-48%	1,127,253	797,378	41%
Hours of training per employee	h	22	51	-56%	75	62	20%
Average age of workforce - Men	years	36	36	1%	36	36	0%
Average age of workforce - Women	years	36	36	0%	36	36	0%
Male/female diversity	%	82/18	82/18	-	82/18	82/18	-
Work-related incident rate with employees	%	0,36	0,32	13%	0,44	0,86	-49%
Frequency rate (FR) with employees	%	0,56	0	-	0,38	0,38	0%
Number of fatalities	n°	0	0	-	3	2	50%
Purchases from local suppliers	%	97.00%	99.15%	-2.2 p.p.	97.84%	98.91%	-1.1 p.p.
Society Investments	R\$ thousand	8,555	10,135	-16%	44,711	28,716	56%
GOVERNANCE							
Independent Directors	%	6%	14%	-7.7 p.p.	6%	14%	-7.7 p.p.
Women board of directors	%	0%	4%	-4.0 p.p.	0%	4%	-4.0 p.p.
Cases registered in the Compliance Channel	unit	418	321	30%	1,241	1,344	-8%

13.2. Innovation

The Neoenergia Group believes that the transition to a carbon neutral economy by 2050 is technologically possible, economically feasible and socially necessary. This commitment will be met by promoting Energy Decarbonization, Integration of Grid Systems and Demand Electrification.

Neoenergia understands the importance of investing in technological and process innovation to progress in the market. To this end, it continuously develops actions to improve the experience of millions of customers through digitalization, process optimization, network infrastructure upgrade and sustainability promotion by means of decarbonization and electrification.

It has a strong presence in the Aneel R&D program, and has an open innovation program, always actively participating and guaranteeing the independence of the business areas. As a way of organizing and managing the Company's various actions, the intuitive and easy-to-understand Go In platform was created in 2021, which guides Neoenergia employees from the conception to the implementation of the solution, monitoring results and indicators.

Within Aneel's R&D Program, several projects evolved and were delivered throughout the year.

Among the projects aimed at improving customer experience, we have the "Digital Connection", objective of which is to make the daily lives of customers easier, always focusing on improving their course and experience. Other Digital Connection deliveries were the Debt Consultation and Negotiation service and the service via WhatsApp, in which a virtual assistant also offers the Reconnection self-service, without the need for human assistance.

With the purpose of improving processes, we highlight the design of an Intelligent Sensor capable of detecting flaws in the network and assisting the monitoring of energy losses. Technology patented by Neoenergia and licensed for

commercial exploitation by Tecsys do Brasil, the sensors are network automation equipment and have dual functionality: they are able to identify defects in the network and report them in real time to the Operations Center, in addition to recording measurements that are used to calculate losses by feeder sections.

Finally, in open innovation, Neoenergia was recognized as one of the leading companies in engagement with startups, on the Top 100 Open Corps ranking, an award created by 100 Open Startups. There were several projects with startups for challenges such as asset management, losses, security, wind farm data management, field team management and incidents on transmission lines.

13.3. Education and Culture

In the educational front, the “Desk of Educational Ideas and Practices” project stands out, which, under the management of the Neoenergia Institute, trained 346 education professionals, including teachers and school managers of the education networks of 8 municipalities in Paraíba, Rio Grande do Norte, São Paulo and Bahia. In 2021, the project integrated a new front - that of advisory - which supported the management body of 7 municipal networks, aiming to minimize the impacts caused by Covid-19, considering the growth of inequalities and students learning gaps. In partnership with Senai Bahia, 1,100 seats were offered for an online, free and self-instructional course on the basics of electricity and safety in civil construction. The initiative was aimed at self-employed professionals in the regions of the Group's distributors who work in the area.

In the cultural arena, the main Company's initiatives were carried out by Instituto Neoenergia, as follows: (i) “Transforming Energy into Culture”, in Rio Grande do Norte and Bahia, supporting 25 projects aimed especially at vulnerable children and young people, as well as actions aimed at safeguarding and valuing cultural heritage, and generating work and income; (ii) the 1st edition of the “Inspirar” Award, a public notice aimed at recognizing 16 female leaders who work with Art and Culture projects, from the city of Rio de Janeiro, Baixada Fluminense area, and the state of Pernambuco, and (iii) the “Caravana Energia que Transforma”, supporting the training of 348 managers in 8 courses and 27 sociocultural organizations in the immersions in the states of Bahia, Pernambuco and Rio Grande do Norte. Also, the Institute became a part, as a founding member, of the largest program for the valorization of cultural heritage in Brazil: “Resgatando a História”, an initiative conceived by BNDES, which enjoys the partnership of large Brazilian companies.

13.4. Neoenergia Institute

In a year of unique achievements and challenges, Instituto Neoenergia maintained its projects ensuring expressive results and achieving the purpose sought to improve the lives of people and the planet. Together with their partners, the initiatives strengthened the sharing of knowledge, the preservation of marine species and ecosystems, the promotion of Brazilian cultural diversity and the promotion of human development. In synergy with several Sustainable Development Goals (SDGs) proposed by the United Nations (UN), the positive impacts are visible to thousands of lives benefited.

Among the four main pillars of effort, some actions that promoted the difference during the year 2021, in 11 Brazilian states and more than 140 municipalities, stand out. In Training and Research, 346 teachers and school managers were involved in training, co-creating educational practices made available on an online platform, and seven municipal education networks received advice to review their municipal education plans. In Biodiversity and Climate Change, 1,400 corals were restored and 20 species of migratory birds were monitored. In the Art and Culture pillar, in turn, 348 managers were trained in eight courses, and 27 sociocultural organizations were benefited, including other relevant actions in favor of one of the sectors most impacted by the pandemic. In the Social Action initiatives, more than 33 thousand meals were distributed, which integrated the almost 68 thousand tons of food donated by the Institute to mitigate the economic effects of the pandemic on the most vulnerable part of the population, in addition to the development of programs and projects aimed at training the third sector and its players.

The performance of Neoenergia Institute in 2021 reinforces its purpose and commitment to the SDGs, and marks its presence in this scenario of social responsibility and transformation in each initiative. Throughout the year, the Institute maintained its pioneering spirit and attention at the needs of the world and, for 2022, the mission goes on.

13.5. Energy Efficiency

Neoenergia's Energy Efficiency Program (PEE) covers the Group's distributors and focuses on promoting the efficient use of electricity. In 2021, there was an investment of some R\$ 96 million in the five distributors. Among the actions worth mentioning are:

- Carrying out projects with actions in communities with the replacement of more than 711 thousand light bulbs for LED for residential consumers and more than 288 thousand light bulbs in more than 1.8 thousand institutions, in addition to 1 photovoltaic solar system of 60 kWp in an institution in Pernambuco, and exchange of 1,990 old refrigerators for 995 vaccine chambers to better serve the vaccination process against Covid-19 in 965 municipalities;
- Project Valley Light, which exchanges solid waste for a discount on the energy bill, with over 1,000 tons of waste being recycled at a discount of over R\$ 459 thousand on the bills of over 8,000 consumers;
- Educational Projects in public schools and distance education training, training more than 8 thousand teachers and more than 236 thousand students in the concession areas of the distributors on the topic of the efficient use of electricity;
- Efficiency Projects for 1,396 public and assistance buildings in the distributors' concession area, benefiting 137 units in Bahia, 184 units in Pernambuco, 83 units in Rio Grande do Norte, 984 units in São Paulo and 8 units in Brasília, with more 288 thousand light bulbs replaced and 25 solar photovoltaic systems installed, totaling 2.6 MWp;
- Neoenergia Solar Project, which granted a 50% discount for installing solar energy in 697 homes in Bahia, Pernambuco and São Paulo, totaling 2.8 MWp installed, in addition to replacing 1,700 customers' light bulbs with LED;
- Efficiency Projects for 2 Manufacturing Plants in the distributors' concession area, with the replacement of 570 light bulbs, 88 reflectors and 28 engines;

Execution of Street Lights (IP) Efficiency projects in 13 municipalities in the distributors' concession areas, with the replacement of more than 9 thousand IP points by LED technology.

13.6. Research and Development

In 2021, R\$ 104 million was allocated to R&D projects. The Group's main projects are listed below:

Intelligent Technologies: projects that stand out (i) "Development of National Technology for Smart Grids", which develops products, services and methodologies applicable to improving the communication system of smart equipment, identifying the level of energy quality, loss fight, and other; (ii) the "Digital Connection" project, which offers smarter digital channels to transform the customer experience; and (iii) the "Smart Antennas" project, which aims to develop a reliable electronic system for communication between the Operations Center and distribution switches.

Business Sustainability: projects that stand out as follows (i) the project "Intelligent Energy Storage System" which will enable the optimization of the operation of the Tubarão plant, in the Fernando de Noronha archipelago, associating the various sources of energy generation (thermal + photovoltaic) with a lithium-ion battery system; (ii) the "Microrredes" project, which enables the development of small-scale autonomous networks in the country as an alternative for universal service in Coelba's concession area associated with the "Luz para Todos" Program and regulatory obligations (REN 493/2012); (iii) three projects associated with ANEEL's so-called Electric Mobility Strategy that aim to develop (a) electric trucks for the maintenance fleet of distributors with energy injection technology into the grid, (b) charging infrastructure and business models associated with vehicles on the island of Fernando de Noronha and (c) the creation of a green corridor in the stretch between Salvador and Natal.

Facilities' and People's Safety: the projects that follow noteworthy (i) "Pruning with Robotic Arm" that enables the pruning trees close to the robotic energized networks and with remote operation; and (ii) "Dam Safety", which consists of the development of an innovative georeferenced system for the intelligent management of the Dam Safety Plan.

Energy Recovery: the projects that stand out are as follows (i) "Smart Sensor for 69 kV", whose network sensing equipment allows, in addition to reducing the duration of energy interruptions (DEC), to perform the energy balance of the feeders indicating the areas with the highest level of losses; and (ii) GODEL Analytics, which consists of a big data viewer, in which it is possible to consult loss results, and cross them with technical and commercial information, enhancing the analysis and creating intelligence for the business.

Quality and Reliability: the project that stands out is the "Qualimeter with continuous oscillography", which makes it possible to evaluate the quality of the energy supply and contributes to the fault location system in order to improve the quality and safety of the network.

14. NEOENERGIA GROUP AWARDS AND RECOGNITION

The Neoenergia Group's actions are guided by the constant search for quality and efficiency, whose results are evidenced based on awards and recognitions won over the years. The following are the main highlights of 2021.

FTSE4Good Index Series



Neoenergia joined the index, which is one of the most important international sustainability indices, measured by the Financial Times Stock Exchange (FTSE) Russell, a division of the London Stock Exchange. It comprises publicly traded companies committed to ESG criteria, based on strict selection criteria that consider more than 300 indicators;

Customer SA 2021 Award



Neoenergia was recognized with the silver title in the Customer SA 2021 Award in the category Leader in customer management project for the case "Chatbot Neoenergia - Virtual Assistant and new experiences for customers". This is the third consecutive year that Neoenergia has achieved a positive result in the Customer SA Award;

Ranking 100 Open Startups 2021



Neoenergia was in the TOP 50 Open Corps and TOP 2 Renewable Energy in the Ranking 100 Open Startups 2021, an initiative that recognizes leading corporations in open innovation with startups;

Smart Customer Award 2021



The company was recognized as the Smart Case of the Year with the project "Chatbot Neoenergia - Virtual Assistant and new experiences for customers". The achievement is the maximum title granted by the award. The same project won Gold in the Automation in Customer Experience category. The company also received Bronze for the case "An Open Talk on Security, Transparency and Empathy", in the Digital Communication category;

Transparency Trophy



Neoenergia received one of the highest recognitions in Brazil in regard to the quality of the companies' financial statements. It is the Transparency Trophy, an initiative of the National Association of Finance, Administration and Accounting Executives (Anefac). Known as the "Oscar of Accounting", this is the only award of its kind in the country;

Aberje National Award



#BrilhaNeo, a TV show-style end-of-year celebration for Neoenergia employees, held in Dec/20, was recognized as the best business event in Brazil. With this case, Neoenergia won the national stage of the Aberje Award in the "Events" category;

Pro-Ethics Company Seal 2021



Neoenergia received, for the fourth consecutive time, the 2021 Pro-Ethics Company seal. Granted by the Federal Comptroller General (CGU) to companies that engage in the fight against corruption and strive to have effective integrity programs, the recognition aims to promote more honest, ethical and transparent corporate environments in the country;

B3 Corporate Sustainability Index



Neoenergia maintained its position in the 17th Portfolio of the B3 Corporate Sustainability Index (ISE B3). This is the second consecutive time that the Company is included in that portfolio, two and a half years after the IPO. The index gathers 46 companies in 27 sectors.

15. INDEPENDENT AUDITORS

In compliance with CVM Instruction 381 of January 14, 2003, the Company states that it has a contract with KPMG Auditores Independentes ("KPMG"), entered into on 06/30/2017, and renewed on 06/24/2021, valid for twelve (12) months. In 2021, KPMG Auditores Independentes provided audit services for the amount of R\$ 6,210,590.54, of which R\$ 5,070,196.86 refer to the audit of the financial statements (including quarterly reviews) and R\$ 1,140,393.68 refer to other services related to auditing, such as translation of the statements into English, reporting Covenants, dividend cash flow, audit of regulatory statements and equity control. The Company's policy regarding hiring external audit services is based on principles that safeguards the auditor's independence and consist of: (a) the auditor must not audit his own work, (b) the auditor must not carry out managerial roles in the Company and (c) the auditor must not promote the interests of the Company.

16. SOCIAL BALANCE

The company's Annual Sustainability Report for 2021, will be published by March 15, 2022 on the company's website (www.neoenergia.com). Neoenergia performance as to economic, environmental, social and governance aspects has been disclosed annually since 2004, and as of 2010, it started to be informed on the basis of the Global Reporting Initiative (GRI), in addition to following the Manual for Drafting Social-Environmental and Economic-Financial Manual of the Brazilian Electric Energy Agency (Aneel). Since 2020, the document considers the guidance of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards (SASB) for the electric sector, as

well as the Dow Jones Sustainability Index (DJSI) requirements. This year, the report also adds the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). The document also meets the commitments with the Global Compact and the Sustainable Development Goals (SDG), of the United Nations (UN). The previous edition for 2020 was published in March 2021.

17. RECONCILIATION NOTE

Neoenergia S.A. discloses the fourth quarter (4Q21) and 12-month (2021) results based on managerial analyzes that management understands to best translate the company's business, reconciled with the International Financial Reporting Standards (IFRS).

Calculation Memory (CONSOLIDATED)	Current Year		Previous Year		Corresponding Explanatory Notes
	Quarter	YTD	Quarter	YTD	
(+) Net Revenue	11,944	43,165	10,487	31,989	Income Statement
(-) Estimated Replacement Value of Concession	(424)	(1,579)	(404)	(549)	Note 5
(-) Other revenues	(241)	(610)	(95)	(335)	Note 5
(+) Gain/Loss on RAP	62	36	(4)	(18)	Note 5,4
(+) Revenue from Operation and Maintenance	27	70	5	33	Note 5,4
(+) Photovoltaic Operations	3	14	3	8	Note 5,4
(+) Other revenues - Other revenues	17	24	10	10	Note 5,4
= Net Operating REVENUE	11,388	41,120	10,002	31,138	-
(+) Costs with electric energy	(5,693)	(21,620)	(5,419)	(15,280)	Income Statement
(+) Fuel for energy production	(132)	(558)	(142)	(448)	Note 8
(+) Construction costs	(1,973)	(6,362)	(1,682)	(5,726)	Income Statement
(+) Photovoltaic Operations	(3)	(13)	(3)	(7)	Note 8
= Energy costs	(7,801)	(28,553)	(7,246)	(21,461)	
(+) Estimated replacement value of concession	424	1,579	404	549	Note 5
= GROSS MARGIN	4,011	14,146	3,160	10,226	-
(+) Operating costs	(1,180)	(4,279)	(1,030)	(3,609)	Income Statement
(+) Sales expenses	(118)	(374)	(80)	(288)	Income Statement
(+) Other general and administrative revenues/expenses	(448)	(1,661)	(500)	(1,530)	Income Statement
(-) Fuel for energy production	132	558	142	448	Note 8
(-) Photovoltaic Operations	3	13	3	7	Note 8
(-) Depreciation	466	1,751	388	1,452	Note 8
(+) Other revenues	241	610	95	335	Note 5
(-) Gain/Loss on RAP	(62)	(36)	4	18	Note 5,4
(-) Revenue from operation and maintenance	(27)	(70)	(5)	(33)	Note 5,4
(-) Photovoltaic Operations	(3)	(14)	(3)	(8)	Note 5,4
(-) Other revenues - Other revenues	(17)	(24)	(10)	(10)	Note 5,4
= Operating Expenses (PMSO)	(1,013)	(3,526)	(996)	(3,218)	-
(+) Provision for Doubtful Receivables (PECLD)	(104)	(350)	(35)	(456)	Income Statement
(+) Equity Accounting	(1)	68	(28)	(56)	Income Statement
(+) Fair Value Adj - investment	(482)	(482)	-	-	Income Statement
EBITDA	2,411	9,856	2,101	6,496	-
(+) Depreciation and Amortization	(531)	(1,984)	(430)	(1,618)	Income Statement and Note 8
(+) Financial Income/Loss	(909)	(2,283)	(350)	(1,030)	Income Statement
(+) IR/CS	(310)	(1,523)	(292)	(943)	Income Statement
(+) Minority shareholders	(26)	(141)	(33)	(96)	Income Statement
NET INCOME	635	3,925	996	2,809	Income Statement



DISCLAIMER

This document was prepared by NEOENERGIA S.A. with a view at indicating the general situation and progress of the Company's business. The document is a property of NEOENERGIA and should not be used for any purpose without prior written consent of NEOENERGIA.

The information contained in this document reflects current conditions and our view to date, and is subject to change. The document contains statements that represent NEOENERGIA expectations and projections about future events, which the Company cannot guarantee will materialize, since they involve a number of risks and uncertainties and may have results or consequences other than those discussed and anticipated herein.

All relevant information regarding the period and used by the Management in the running of the Company is evidenced in this document and in the Financial Statements.

Further information about the Company can be obtained on the Reference Form available on CVM website and on the Neoenergia Group Investor Relations website (ri.neoenergia.com).



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Independent auditors' report on the parent company and consolidated financial statements

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB).

To the Shareholders of Neoenergia S.A.

Rio de Janeiro - RJ

Opinion

We have audited the Parent Company and Consolidated financial statements of Neoenergia S.A (“Company”), which comprise the Parent Company and Consolidated, respectively, comprising the financial position as of December 31, 2021, the related statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying Parent Company and Consolidated financial statements present fairly, in all material respects, the Parent Company and Consolidated financial position of Neoenergia S.A as of December 31, 2021, the Parent Company and Consolidated performance of its operations and its Parent Company and Consolidated cash flows for the year then ended, in conformity with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audits in accordance with the Brazilian and International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the parent and consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics (“Código de Ética Profissional do Contador”) and in the professional standards issued by the Brazilian Federal Accounting Council (“Conselho Federal de Contabilidade”) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Measurement of Contract Assets, Financial Assets and Intangible Assets in the energy distribution concession agreement - Consolidated

See Notes 14 and 17 of parent company and consolidated financial statements

Key audit matters	How our audit addressed this matter
<p>The Company's subsidiaries must meet certain characteristics in their energy distribution concession agreement considering that investments in infrastructure expansion and improvements must be classified as contract assets during the construction period according to Technical Interpretation CPC 47 – Revenue from contracts with clients (IFRS 15) and based on its effective start-up date, in accordance with the Technical Interpretation ICPC 01 (R1) - Concession Contracts (IFRIC 12), the investments are bifurcated between Intangible Assets because its recovery is under the condition of the use of public service through the energy consumption by the consumers and Financial Asset for investments made and not amortized until the end of the contract since it is an unconditional right to receive cash or other financial asset directly from the Concession Grantor.</p> <p>The evaluation of allocation of concession expenditures and evaluation of bifurcation between the financial and intangible assets on the start-up date, involves complexity and judgment by the Company's subsidiaries which may impact the value of these assets in the financial statements. Due to this fact, as well as to relevance of involved amounts and disclosures, we consider measurement of Contract assets, financial and intangible assets as significant for our audit.</p>	<p>We evaluated design, implementation and operating effectiveness of key internal controls related to analysis of expenditures of concession recognized as contract assets and bifurcation between the concession's financial asset or intangible assets.</p> <p>We carry out documentary inspection, on a sample basis, of the additions occurred during the year to analyze whether the nature of expenses qualifies for recognition as a contract asset, pursuant to the concession agreement.</p> <p>We recalculate the bifurcation of the contract asset between intangible assets and financial assets as of the start of operations, considering the allocation of what will be recovered in the concession period, according to the amortization criteria defined by the regulator and what will be received at the end of the concession, respectively.</p> <p>Also, we evaluated whether the disclosures made in the financial statements include required relevant information.</p> <p>As a result of evidence from the procedures summarized above, we consider that the measurement and disclosure of contract assets, financial and intangible assets are acceptable in the context of parent company and consolidated financial statements taken as a whole.</p>

Measurement of contract assets and revenue from contracts with customers - consolidated

See Notes 5 and 14 to the parent company and consolidated financial statements

Key audit matters	How our audit addressed this matter
<p>The recognition of the contract asset and of the Company's revenue according to CPC 47 – Revenue from Contracts with Customer (IFRS 15) requires the exercise of significant judgment regarding when the customer obtains control of the asset.</p> <p>Moreover, measuring the subsidiaries of the Company in meeting the performance obligation over time also requires the use of significant estimates and judgments by Management to estimate the efforts or inputs required to fulfill the performance obligation, such as materials and manpower, expected profit margins on each identified performance obligation, and expected revenue projections. Due to the relevance of the amounts and the significant judgment involved, we consider the measurement of contract assets and of the revenue from contracts with customers by the Company's subsidiaries as a material matter for our audit.</p>	<p>We evaluated the design, implementation and effectiveness of key internal controls related to expenses incurred to execute the agreement.</p> <p>We read the authorizing resolutions ("REAs") to identify contractual performance obligations, as well as aspects related to the variable components applicable to the contract price.</p> <p>We evaluated the relevant assumptions used in cost projections in the contractual margin and in the definition of the discount rate used in the model with corporate finance experts.</p> <p>We carry out documentary inspection of costs incurred during the year.</p> <p>We evaluated, with the support of our corporate finance experts, the update of the variable consideration based on the impact of the update of the inflation rates carried out on the Allowed Annual Revenue (RAP).</p> <p>Finally, for transmission companies under construction, we carry out the budget monitoring with the expenses incurred, aiming to identify the efficiency or inefficiency to be accounted for on an accrual basis.</p> <p>We have analyzed if the disclosures made in the financial statements consider the relevant information required by accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).</p> <p>Based on the evidence obtained through the procedures described above, we consider that the measurement of the contract asset and revenue from contract by Company's subsidiaries and respective disclosures are acceptable in the context of the parent company and consolidated financial statements taken as a whole.</p>

Business combination – parent company and consolidated

See Note 15.4 of parent company and consolidated financial statements

Key audit matters

The Company's subsidiary was awarded the Public Session of Auction 01/2020-CEB-D ("Auction") on December 4, 2020 for the privatization of the electric energy distributor CEB Distribuição S.A. ("CEB-D"), current Neoenergia Brasília, whose liquidation took place on March 2, 2021.

These procedures usually involve a high degree of judgment and the need to develop fair value estimates based on calculations and assumptions concerning the future performance of the business acquired and assets identifiable in this business and which are subject to a high level of uncertainty such as discount rate, growth rate, projection of revenues and operating margins.

Due to the high level of uncertainty to determine the assumptions used in the calculation of fair value estimates and to the impact that potential changes in assumptions could have on the parent company and consolidated financial statements, we regard this as a significant matter in our audit.

How our audit addressed this matter

With the help of our corporate finance experts, we evaluated the main assumptions used by the Company in the determination and recognition of fair value of acquired assets and liabilities, based on our knowledge about the acquired entity and industry in which it operates, and compared the independent calculations performed with external and historical data to analyze the reasonableness of fair values determined.

Based on the information analyzed, we also carried out the recalculation of the determination of the goodwill calculated in the operation and evaluated the adequacy of the disclosures presented by the Company.

Based on the result from evidence obtained through above-summarized procedures, we considered the recognition and measurement of control acquisition carried out in the context of parent company and consolidated financial statements taken as a whole.

Other issues - Statements of added value

The Parent Company and Consolidated statements of added value (DVA) for the year ended December 31, 2021, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out together with the audit of Company's financial statements. To form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the parent company and consolidated financial statements taken as a whole.

Other information accompanying Parent Company and Consolidated financial statements and the auditors' report

The Company's management is responsible for such other information that comprises the Management Report.

Our opinion on the Parent Company and Consolidated financial statements does not include the Management Report and we do not express any type of audit completion on this report.

In connection with the audit of parent and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is, in a relevant way, inconsistent with the statement's knowledge obtained in the audit or otherwise appears to be distorted in a relevant way. If, based on the work done, we conclude that there is a relevant distortion in the Administration Report, we are required to communicate this fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the parent Company and Consolidated financial statements

Management is responsible for the preparation and fair presentation of the Parent Company and Consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company and Consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company and Consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the Parent Company and Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company and Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Parent Company and Consolidated financial statements, including the disclosures, and whether the Parent Company and Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Parent Company and Consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Rio de Janeiro, February 17, 2022

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-RJ

Marcelo Nogueira de Andrade
Accountant CRC RJ-086312/O-6

STATEMENT OF INCOME

For the twelve-month period ended on December 31, 2021 and 2020

(Amounts expressed in million on Reais, except for earnings per share amounts)

	Notes	Consolidated		Parent Company	
		2021	2020	2021	2020
Operating income, net	5	43,165	31,989	4	4
Service costs		(32,261)	(24,615)	-	-
Energy costs	6	(21,620)	(15,280)	-	-
Construction costs	7	(6,362)	(5,726)	-	-
Operating costs	8	(4,279)	(3,609)	-	-
Gross profit		10,904	7,374	4	4
Expected credit loss	12.2	(350)	(456)	-	-
Sales expenses	8	(374)	(288)	-	-
Other standard administrative revenues (expenses)	8	(1,661)	(1,530)	(227)	(242)
Amortization of appreciation	15	(233)	(166)	(160)	(164)
Equity equivalence	15	(482)	-	(482)	-
Operating income	15	68	(56)	5,009	3,227
		7,872	4,878	4,144	2,825
Financial result					
Financial revenues	9	(2,283)	(1,030)	(263)	(21)
Financial expenses		755	597	187	185
Other financial results, net		(2,934)	(1,755)	(418)	(178)
		(104)	128	(32)	(28)
Income before taxes		5,589	3,848	3,881	2,804
Income taxes					
Current	10.1.1	(1,523)	(943)	7	(8)
Deferred		(566)	(511)	7	(8)
		(957)	(432)	-	-
Net income of the period		4,066	2,905	3,888	2,796
Attributable to:					
Controlling interest					
Non-controlling interest		3,925	2,809	3,888	2,796
		141	96	-	-
Basic and diluted earnings per share – R\$:					
Gross profit	23.2	3.35	2.39	3.20	2.30

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

STATEMENTE OF COMPREHENSIVE INCOME
For the twelve-month period ended on December 31, 2021 and 2020
(Amounts expressed in million on Reais)

	Consolidated		Parent Company	
	2021	2020	2021	2020
Net income of the period	4,066	2,905	3,888	2,796
Other comprehensive income				
Items which will not be reclassified to profit or loss:				
Post-employment benefits obligations	254	(304)	-	-
Cash flow hedge	(208)	209	-	(3)
Deferred income taxes on comprehensive results	(68)	102	-	-
Result of hedge operations and obligations with benefits to employees of investees	-	-	(24)	13
Total items which will not be reclassified to profit or loss	(22)	7	(24)	10
Items which will be reclassified to profit or loss:				
Cash flow hedge	(444)	166	(69)	(14)
Deferred income taxes on comprehensive results	93	(47)	-	-
Transfers of realized impacts to the net income	85	-	-	-
Result of hedge operations and obligations with benefits to employees of investees	-	-	(191)	130
Total items which will be reclassified to profit or loss	(266)	119	(260)	116
Other comprehensive income/loss of the period, net of income taxes	(288)	126	(284)	126
Comprehensive income of the period	3,778	3,031	3,604	2,922
Attributable to:				
Controlling interest	3,641	2,935	3,604	2,922
Non-controlling interest	137	96	-	-

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

STATEMENT OF CASH FLOWS
For the twelve-month period ended on December 31, 2021 and 2020
(Amounts expressed in million on Reais)

	Consolidated		Parent Company	
	2021	2020	2021	2020
Cash flow from operating activities				
Net income of the period	4,066	2,905	3,888	2,796
Adjusted by:				
Depreciation and amortization (*)	1,777	1,473	4	5
Writtle-off on non-current assets	126	135	-	1
Amortization of appreciation	233	166	160	164
Participation in investees results	(68)	56	(5,009)	(3,227)
Fair value adjustment of assets classified as held for sale	482	-	482	-
Income taxes	1,523	943	(7)	8
Financial result, net	2,283	1,030	263	21
Concession's estimated replacement value	(1,579)	(549)	-	-
Reimbursement from the hydrological risk - GSF	(164)	-	-	-
Others	(252)	-	-	-
Changes in working capital:				
Trade accounts and other receivables	(1,318)	(73)	-	-
Public Service Concession (Contractual and financial assets)	(3,591)	(3,198)	-	-
Suppliers and accounts payable to contractors	685	956	(12)	32
Wages, employment benefits and charges payable, net	(31)	(4)	(3)	6
Sectoral financial assets and liabilities, net (Portion A and others)	(2,485)	652	-	-
Other recoverable (payable) taxes and sectoral charges, net	20	338	(47)	77
Provisions, net of judicial deposits	(101)	(138)	(5)	-
Other assets and liabilities, net	62	(60)	(380)	(33)
Cash flow from operating activities, net	1,668	4,632	(666)	(150)
Dividends and interest on own capital received	46	44	3,411	634
Payment of debts charges	(1,250)	(935)	(144)	(49)
Paid derivative financial instruments, net	71	236	(6)	-
Income from financial application	186	135	14	16
Payment of interest – Leases	(15)	(13)	-	-
Paid income taxes	(574)	(556)	-	(6)
Cash flow generated from operating activities	132	3,543	2,609	445
Cash flow from investing activities				
Acquisition of fixed and intangible assets	(2,998)	(994)	(2)	(3)
CEB's acquisition of control, net of cash that was obtained in the acquisition	(2,415)	-	-	-
Public Service Concession (Contractual asset – Distribution)	(4,637)	(3,738)	-	-
Capital increase on investees	(40)	(27)	(4,239)	(1,460)
Investments on securities and marketable securities	(318)	(179)	-	-
Redemption of securities and marketable securities	84	135	-	-
Cash flow used in investing activities	(10,324)	(4,803)	(4,241)	(1,463)
Cash flow from financing activities				
Fundraising through loans and financings	15,718	5,764	3,296	836
Payment of fundraising costs	(77)	(39)	(8)	-
Amortization of principal from loans and financings	(5,230)	(4,816)	(296)	-
Collateral deposits	11	30	-	-
Public Service Concessions obligations	376	315	-	-
Payment of principal – leases	(44)	(30)	-	-
Received derivative financial instruments, net	631	1,522	-	-
Dividends and interest on own capital paid to Neoenergia's shareholders	(596)	(450)	(596)	(450)
Dividends and interest on own capital paid to non-controlling interest	(112)	(17)	-	-
Cash flow generated (used) in financing activities	10,677	2,279	2,396	386
Increase (reduction) in cash and cash equivalents of the period	485	1,019	764	(632)
Cash and cash equivalents at the beginning of the period	5,060	4,041	367	999
Cash and cash equivalents at the end of the period	<u>5,545</u>	<u>5,060</u>	<u>1,131</u>	<u>367</u>

	Consolidated		Parent Company	
	2021	2020	2021	2020
Cash flow from operating activities				
Non cash transactions:				
Net asset – business combination (note 15.3)	1,744	-	-	-
Addition and updating of capitalized provisions – contractual asset	47	-	-	-
Addition and updating of capitalized provisions – fixed and intangible assets	21	71	-	-
Capitalized interest and financial charges - fixed and intangible assets	36	46	-	-
Capitalized interest and financial charges - contractual asset	44	-	-	-
Additions of special obligations – incorporated through the donation of assets	45	48	-	-
Leasing contracts - IFRS 16	67	-	-	-
Decommissioning provision	58	(14)	-	-
Suppliers and accounts payable to contractors	1,034	557	-	-

*Gross value not deducted from PIS/COFINS credits.

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

STATEMENT OF FINANCIAL POSITION
On December 31, 2021 and 2020
(Amounts expressed in millions of Reais)

	Notes	Consolidated		Parent Company	
		2021	2020	2021	2020
Asset					
Current					
Cash and cash equivalents	11	5,545	5,060	1,131	367
Trade accounts receivable and others	12	8,626	6,187	-	-
Securities and marketable securities		72	16	-	-
Derivative financial instruments	19.3	738	722	-	12
Recoverable income taxes	10.1.3	848	635	192	213
Other recoverable taxes	10.3.1	2,085	1,629	1	-
Receivable dividends and interest on own capital	15	25	16	629	659
Sectoral financial asset (Portion A and others)	13	1,681	92	-	-
Public Service Concession (Contractual asset)	14.2	492	133	-	-
Other current assets		871	487	634	79
Assets held for sale	15.3	797	-	797	-
Total current assets		21,780	14,977	3,384	1,330
Non-current					
Trade accounts receivable and others	12	378	342	-	-
Securities and marketable securities		387	194	-	-
Derivative financial instruments	19.3	1,463	1,998	-	-
Recoverable income taxes	10.1.3	7	1	-	-
Other recoverable taxes	10.3.1	4,863	5,065	-	-
Receivable dividends and interest on own capital	15	-	-	-	25
Deferred income taxes	10.1.2	727	656	-	-
Judicial deposits	20.1	1,087	1,008	55	52
Sectoral financial asset (Portion A and others)	13	352	-	-	-
Public Service Concession (Financial asset)	14.1	18,516	14,403	-	-
Public Service Concession (Contractual asset)	14.2	12,447	8,741	-	-
Other non-current assets		94	114	9	157
Investments in subsidiaries, associates and joint ventures	15	1,200	2,427	26,942	22,777
Right of use		138	89	-	-
Property, Plant & Equipment ("PP&E")	16	9,560	6,821	26	27
Intangible assets	17	12,801	9,461	2	1
Total non-current assets		64,020	51,320	27,034	23,039
Total assets		85,800	66,297	30,418	24,369

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

STATEMENT OF FINANCIAL POSITION
On December 31, 2021 and 2020
(Amounts expressed in millions of Reais)

	Notes	Consolidated		Parent Company	
		2021	2020	2021	2020
Liability					
Current					
Suppliers and trade accounts payable to contractors	18	5,538	4,300	122	138
Loans and financings	19.2	7,940	3,936	2,276	29
Lease obligations		38	28	-	-
Derivative financial instruments	19.3	134	14	27	3
Wages, employment benefits and charges payable	22	661	525	22	25
Payable income taxes	10.1.3	29	16	-	-
Other taxes and sectoral charges payable	10.3.2	1,690	1,148	67	120
Sectoral financial liability (Portion A and others)	13	-	149	-	-
Reimbursements to consumers – Federal taxes	10.4	1,500	6	-	-
Dividends and interest on own capital	23.2	805	476	786	442
Provisions	20	256	221	-	-
Others current liabilities	21	1,349	1,181	51	221
Total current liabilities		19,940	12,000	3,351	978
Non-current					
Suppliers and trade accounts payable to contractors	18	148	128	-	-
Loans and financings	19.2	30,683	22,444	3,097	2,099
Lease obligations		108	67	-	-
Derivative financial instruments	19.3	197	123	101	103
Wages, employment benefits and charges payable	22	789	1,009	-	-
Income taxes	10.1.3	27	26	7	7
Deferred income taxes	10.1.2	1,766	503	3	3
Other taxes and sectoral charges payable	10.3.2	1,128	764	-	-
Sectoral financial liability (Portion A and others)	13	342	516	-	-
Reimbursements to consumers – Federal taxes	10.4	4,529	5,749	-	-
Provisions	20.1	1,601	1,206	1	2
Other non-current liabilities	21	304	253	22	23
Total non-current liabilities		41,622	32,788	3,231	2,237
Shareholders' equity	23				
Attributable to controlling interest		23,886	21,167	23,836	21,154
Attributable to non-controlling interest		352	342	-	-
Total shareholders' equity		24,238	21,509	23,836	21,154
Total liabilities and shareholders' equity		85,800	66,297	30,418	24,369

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the twelve-month period ended on December 31, 2021 and 2020
(Amounts expressed in millions of Reais)

Consolidated

	Profit reserves										Total
	Share capital	Capital reserve	Shareholders' transaction reserve	Other comprehensive income	Legal reserve	Unrealized profit reserve	Profit retention reserve	Retained earnings	Attributed to controlling interest	Attributed to non-controlling interest	
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	247	8,492	-	21,167	342	21,509
Net income of the period	-	-	-	-	-	-	-	3,925	3,925	141	4,066
Other comprehensive results (note 23.3)	-	-	-	(284)	-	-	-	-	(284)	(4)	(288)
Remuneration to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(95)	(95)
Adjustment of transactions with the shareholders	-	-	18	-	-	-	-	-	18	(33)	(15)
Share-based payments (note 22.2)	-	33	-	-	-	-	-	-	33	1	34
Destination:											
Legal reserve (note 23.6.1)	-	-	-	-	194	-	-	(194)	-	-	-
Interest on own capital (note 23.2)	-	-	-	-	-	-	-	(331)	(331)	-	(331)
Minimum mandatory dividends (note 23.2)	-	-	-	-	-	-	-	(642)	(642)	-	(642)
Retained profits reserve (note Error!)	-	-	-	-	-	-	2,721	(2,721)	-	-	-
Unrealized profits reserve (note Error!)	-	-	-	-	-	37	-	(37)	-	-	-
Balance as of December 31, 2021	12,920	129	(1,579)	(281)	1,200	284	11,213	-	23,886	352	24,238
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975	284	19,259
Net income of the period	-	-	-	-	-	-	-	2,809	2,809	96	2,905
Other comprehensive results (note 23.3)	-	-	-	126	-	-	-	-	126	-	126
Remuneration to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(38)	(38)
Share-based payments (note 22.2)	-	3	-	-	-	-	-	-	3	-	3
Destination:											
Legal reserve (note 23.6.1)	-	-	-	-	140	-	-	(140)	-	-	-
Interest on own capital (note 23.2)	-	-	-	-	-	-	-	(545)	(545)	-	(545)
Minimum mandatory dividends (note 23.2)	-	-	-	-	-	-	-	(201)	(201)	-	(201)
Retained profits reserve (note Error!)	-	-	-	-	-	-	1,910	(1,910)	-	-	-
Unrealized profits reserve (note Error!)	-	-	-	-	-	13	-	(13)	-	-	-
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	247	8,492	-	21,167	342	21,509

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the twelve-month period ended on December 31, 2021 and 2020
(Amounts expressed in millions of Reais)

Parent Company

	Share capital	Capital reserve	Shareholders' transaction reserve	Other comprehensive income	Profit reserve			Retained earnings	Total
					Legal reserve	Unrealized profit reserve	Profit retention reserve		
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	234	8,492	-	21,154
Net income of the period	-	-	-	-	-	-	-	3,888	3,888
Other comprehensive results (note 23.3)	-	-	-	(284)	-	-	-	-	(284)
Adjustment of transactions with the shareholders	-	-	18	-	-	-	-	-	18
Share-based payments (note 22.2)	-	33	-	-	-	-	-	-	33
Destination:									
Legal reserve (note 23.6.1)	-	-	-	-	194	-	-	(194)	-
Interest on own capital (note 23.2)	-	-	-	-	-	-	-	(331)	(331)
Minimum mandatory dividends (note 23.2)	-	-	-	-	-	-	-	(642)	(642)
Retained profits reserve (note Error! Reference)	-	-	-	-	-	-	2,721	(2,721)	-
Balance as of December 31, 2021	12,920	129	(1,579)	(281)	1,200	234	11,213	-	23,836
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975
Net income of the period	-	-	-	-	-	-	-	2,796	2,796
Other comprehensive results (note 23.3)	-	-	-	126	-	-	-	-	126
Share-based payments (note 22.2)	-	3	-	-	-	-	-	-	3
Destination:									
Legal reserve (note 23.6.1)	-	-	-	-	140	-	-	(140)	-
Interest on own capital (note 23.2)	-	-	-	-	-	-	-	(545)	(545)
Minimum mandatory dividends (note 23.2)	-	-	-	-	-	-	-	(201)	(201)
Retained profits reserve (note Error! Reference)	-	-	-	-	-	-	1,910	(1,910)	-
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	234	8,492	-	21,154

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

STATEMENT OF ADDED VALUE

For the twelve-month period ended on December 31, 2021 and 2020

(Amounts expressed in millions of Reais)

	Consolidated		Parent Company	
	2021	2020	2021	2020
Revenues				
Sales of energy, services and others	59,378	44,270	4	4
Revenue from the construction of own assets	790	709	-	-
Expected credit loss	(350)	(456)	-	-
	59,818	44,523	4	4
Inputs acquired from third parties				
Electricity purchased for resale	(17,531)	(13,414)	-	-
Transmission network use charges	(6,345)	(3,357)	-	-
Consumed raw materials	(554)	(448)	-	-
Materials, third party services and others	(9,182)	(8,368)	(162)	(187)
	(33,612)	(25,587)	(162)	(187)
Gross added value	26,206	18,936	(158)	(183)
Depreciation and amortization (*)	(2,015)	(1,640)	(164)	(169)
Fair value adjustment of asset classified as held for sale	(482)	-	(482)	-
Net added value produced by the company	23,709	17,296	(804)	(352)
Added value received through transfer				
Financial revenue	4,415	7,035	314	283
Result from the equity equivalence	68	(56)	5,009	3,227
	4,483	6,979	5,323	3,510
Total added value to allocate	28,192	24,275	4,519	3,158
Added value allocation				
Staff				
Wages	936	793	47	40
Provision for vacation and 13th salary	217	164	-	-
Social charges (except INSS)	118	101	-	-
Employee benefits	744	302	-	-
Others	(409)	(56)	4	4
Subtotal	1,606	1,304	51	44
Taxes, fees and contributions				
National Institute of Social Security (INSS) (over the payroll)	252	198	8	5
Added value from Tax over Merchandise and Services circulation				
- ICMS	8,725	6,637	-	-
PIS/COFINS over revenue	2,366	2,175	10	10
Income taxes	1,523	943	(7)	8
Intra-sectoral obligations	2,867	1,974	-	-
Others	52	56	1	1
Subtotal	15,785	11,983	12	24
Return on capital third party capital				
Interest and foreign exchange rate variations	6,729	8,080	568	294
Leases	6	3	-	-
Subtotal	6,735	8,083	568	294
Remuneration of own capital				
Dividends and interest on own capital	973	746	973	746
Retained profits	2,758	1,923	2,721	1,910
Legal reserve	194	-	-	-
	195140	140	194	140
Participation of non-controlling shareholders	141	96	-	-
Subtotal	4,066	2,905	3,888	2,796
Added value distributed	28,192	24,275	4,519	3,158

*Gross amount not deducted from PIS/COFINS credits.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended on December 31, 2021 and 2020
(Amounts expressed in millions of Reais, unless otherwise indicated)

1. OPERATIONAL CONTEXT

Neoenergia S.A. (“Parent Company”) based in Praia do Flamengo, 78 - 3rd floor- Flamengo - Rio de Janeiro - RJ, is a publicly-held company, (NEOE3) with shares traded in the stock market from B3 S.A. – *Brasil, Bolsa, Balcão* (“B3”), at the segment “Novo Mercado, Bolsa, Balcão”, and was made with the main purpose of acting as a *holding*, thus taking part in the capital of other companies.

Neoenergia S.A and its direct and indirect subsidiaries (“Company” or “Group”) are mainly dedicated to activities of distribution, transmission, generation and commercialization of electrical energy, represented by three strategic business segment (i) Networks, (ii) Renewable and (iii) Liberalized.

1.1 Public Service Concessions and authorizations for services related to electrical energy

The Company has full right to determine the operational and financial policies of the assets that are under the scope of the contracts related to concessions and/or public service authorizations. The operational and financial policies encompass measures concerning capital, personnel and technological investments. As a rule, this right is limited only to the prohibitions foreseen in the contracts signed with the Granting Authority, legislation or a specific non-statutory act from the electric energy emitted by the Granting Authority and/or the National Agency of Electrical Energy – ANEEL.

The infrastructure assets used in the generation, distribution and transmission of energy are linked to these services, and may not be removed, alienated, transferred or mortgaged without prior and express authorization of ANEEL.

The Group and the associated companies and joint ventures have the right to indirectly explore the following concessions, authorizations/permission of distribution, commercialization, transmission and energy generation:

Distribution

Company	Location	Date of granting	Expiration date	Number of cities	Tariff cycle	Last revision
Neoenergia Elektro	State of São Paulo	08/27/1998	08/26//2028	223	4 years	Aug/2019
Neoenergia Elektro	State of Mato Grosso do Sul	08/27/1998	08/26//2028	5	4 years	Aug/2019
Neoenergia Coelba	State of Bahia	08/08/1997	08/07/2027	415	5 years	Apr/2018
Neoenergia Pernambuco	State of Pernambuco	03/30/2000	03/29/2030	184	4 years	Apr/2021
Neoenergia Pernambuco	District of Fernando de Noronha	03/30/2000	03/29/2030	1	4 years	Apr/2021
Neoenergia Pernambuco	State of Paraíba	03/30/2000	03/29/2030	1	4 years	Apr/2021
Neoenergia Cosern	State of Rio Grande do Norte	12/31/1997	12/30/2027	167	5 years	Apr/2018
Neoenergia Brasília	Federal District	08/26/1999	07/07/2045	1	5 years	Oct/2021

Transmission in operation

Company	Location	Date of granting	Expiration date	Tariff cycle	Last revision
Afluente T	State of Bahia	08/08/1997	08/08/2027	5 years	2020
SPE SE Narandiba S.A. (SE Narandiba)	State of Bahia	01/28/2009	01/28/2039	5 years	2019
SPE SE Narandiba S.A. (SE Extremoz)	State of Rio Grande do Norte	05/10/2012	05/10/2042	5 years	2017
SPE SE Narandiba S.A. (SE Brumado)	State of Bahia	08/27/2012	08/27/2042	5 years	2018
Potiguar Sul	State of Paraíba e Rio Grande do Norte	08/01/2013	08/01/2043	5 years	2019
Sobral	State of Ceará	07/31/2017	07/31/2047	5 years	-
Atibaia	State of São Paulo	07/31/2017	07/31/2047	5 years	-
Biguaçu	State of Santa Catarina	07/31/2017	07/31/2047	5 years	-
Dourados (a)	States of Mato Grosso do Sul and São Paulo	07/31/2017	07/31/2047	5 years	-
Santa Luzia (b)	States of Paraíba and Ceará	03/08/2018	03/08/2048	5 years	-

- a) In 2021, all transmission line sections that compose the Dourados Transmitter, located in the states of Mato Grosso do Sul and São Paulo will enter into commercial operation. This batch

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possesses an Annual Allowed Revenue – annualized RAP of R\$ 73 and the delivery was made with an anticipation of 12 months in relation to Aneel’s contract deadline.

- b) On July 7, 2021 and November 16, 2021, the first, second and last section of the Santa Luzia (Section 6 – Transmission Auction n° 02/2017, December 2017) project went into operation. The Santa Luzia Section has an annualized RAP of R\$ 63 and was delivered with average anticipation of 16 months and Capex saving of 30% concerning the originally estimated by the Regulator.

Transmission under construction

Company	Location	Date of granting	Expiration date
Jalapão (*)	States of Tocantins, Bahia and Piauí	03/08/2018	03/08/2048
Guanabara	State of Rio de Janeiro	03/22/2019	03/22/2049
Itabapoana	State of Rio de Janeiro	03/22/2019	03/22/2049
Lagos dos Patos	Rio Grande do Sul and Santa Catarina	03/22/2019	03/22/2049
Vale do Itajaí	Parana and Santa Catarina	03/22/2019	03/22/2049
EKTT 6	State of Bahia	03/20/2020	03/20/2050
EKTT 7	State of Bahia	03/31/2021	03/31/2051

(*) Partial construction

In the Transmission Auction n° 02/2021 promoted by the National Agency of Electrical Energy (“ANEEL”) on December 17, 2021, the Company acquired batch 4, which comprehend the installation of 3 synchronous condenser devices in the Estreito substation, located in the State of Minas Gerais.

The Project will have an estimated discount of 25%-30% concerning the total Capex foreseen by ANEEL (R\$ 661), distributed in the following way: 10% in 2022, 50% in 2023 and 40% in 2024. Likewise, an anticipation of approximately 21 months in relation to the maximum deadline determined by the regulator, which is 48 months (March 2026). According to the Auction’s result, the new venture’s Annual Allowed Revenue (RAP) is R\$ 37 and will be annually updated by the National Broad Consumer Price Index (IPCA).

Commercialization

Company	Location	Authorization date
NC Energia	Rio de Janeiro - RJ	11/22/2000
Elektro Comercializadora	Campinas - SP	05/26/2003

Generation in operation

Company	Type of plant	Location	Authorization date	Expiration date	Installed capacity (MW)	Physical guarantee (MW avg)
Itapebi (a)	Hydroelectric – UHE	Rio Jequitinhonha – BA	05/28/1999	05/15/2039	462,011 MW	209.1 MW
Termopernambuco (b)	Thermal Power – UTE	Complexo Portuário do Suape – PE	12/18/2000	12/18/2030	532,756 MW	504.12 MW
Neoenergia Pernambuco – Fernando de Noronha	Diesel fuelled Thermal	Distrito de Fernando de Noronha – PE	12/21/1989	03/30/2030	4.8 MW	1.9 MW
Baguari I (a)	Hydroelectric – UHE	Rio Doce - MG	08/15/2006	03/20/2046	140.0 MW	84.7 MW
Geração CIII - Corumbá III (a)	Hydroelectric – UHE	Rio Corumbá – GO	11/07/2001	04/22/2040	96,447 MW	49.3 MW

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Energética Águas da Pedra – Dardanelos (a)	Hydroelectric – UHE	Rio Aripuanã – MT	07/03/2007	11/19/2048	261.0 MW	154.9 MW
Companhia Hidrelétrica Teles Pires (a)	Hydroelectric – UHE	Rio Teles Pires – MT	06/07/2011	01/28/2047	1,819.8 MW	939.4 MW
Geração Céu Azul - Baixo Iguaçu (a)	Hydroelectric – UHE	Rio Iguaçu – PR	08/20/2012	12/03/2049	350.2 MW	172.4 MW
Belo Monte – Norte Energia (a)	Hydroelectric – UHE	Rio Xingu - PA	08/26/2010	07/11/2046	11,233.1MW	4,571.0 MW

- (a) On September 17, 2021, Resolution Nº 2.932, from September 14, 2021, was published by ANEEL. It stated the grant's extension for the Hydroelectric Power Plants that are part of the Energy Relocation Mechanism – MRE, as provided in the Law nº 14,812, from July 12, 2021.

Hydroelectric Power Plants	Grant's extension in days	New deadline
Itapebi	1353	05/15/2039
Baguari	1678	03/20/2046
Corumbá	1163	04/22/2040
Dardanelos	2148	11/19/2048
Teles Pires	235	01/28/2047
Baixo Iguaçu	34	12/03/2049
Belo Monte	319	07/11/2046

- (b) On December 21, 2021, Termopernambuco sold its power availability of 498 MW, in the Reserve Capacity Auction made by CCEE, at the power price of R\$ 487,412.70/MW per year, which will begin delivery on July 1º, 2026 for 15 years (June 30, 2041), thus assuring a fixed power revenue of R\$ 207 per year.

Wind Power Plants in operation

Company	Location	Authorization date	Expiration date	Installed capacity (MW)	Physical guarantee (MW avg)
Arizona 01	Rio do Fogo - RN	03/04/2011	03/03/2046	28.0 MW	12.9 MW
Mel 2	Areia Branca - RN	02/28/2011	02/27/2046	20.0 MW	8.8 MW
Caetité 1	Caetité - BA	10/29/2012	10/29/2042	30.0 MW	13.0 MW
Caetité 2	Caetité - BA	02/07/2011	02/06/2046	30.0 MW	14.7 MW
Caetité 3	Caetité - BA	02/24/2011	02/23/2046	30.0 MW	11.2 MW
Calango 1	Bodó, Santana do Matos, Lagoa Nova – RN	04/28/2011	04/27/2046	30.0 MW	13.9 MW
Calango 2	Bodó, Santana do Matos, Lagoa Nova – RN	05/09/2011	05/08/2046	30.0 MW	12.8 MW
Calango 3	Bodó, Santana do Matos, Lagoa Nova – RN	05/30/2011	05/29/2046	30.0 MW	13.9 MW
Calango 4	Bodó, Santana do Matos, Lagoa Nova – RN	05/19/2011	05/18/2046	30.0 MW	13.5 MW
Calango 5	Bodó, Santana do Matos, Lagoa Nova – RN	06/02/2011	06/01/2046	30.0 MW	13.7 MW
Calango 6	Bodó - RN	11/20/2014	11/19/2049	30.0 MW	18.5 MW
Santana 1	Bodó - RN	11/14/2014	11/13/2049	30.0 MW	17.3 MW
Santana 2	Lagoa Nova - RN	11/14/2014	11/13/2049	24.0 MW	13.1 MW
Canoas	São José do Sabugi/PB	08/04/2015	08/03/2050	31.5 MW	17.7 MW
Lagoa 1	Santa Luzia/PB	08/04/2015	08/03/2050	31.5 MW	18.7 MW
Lagoa 2	São José do Sabugi/PB	08/04/2015	08/03/2050	31.5 MW	17.5 MW
Enerbrasil	Rio do Fogo – RN	12/20/2001	12/20/2031	49.3 MW	20.74 MW
Chafariz 1	Santa Luzia - PB	06/21/2018	06/20/2053	34.65 MW	18.2 MW
Chafariz 2	Santa Luzia - PB	06/21/2018	06/20/2053	34.65 MW	17.4 MW
Chafariz 3	Santa Luzia - PB	06/21/2018	06/20/2053	34.65 MW	18.2 MW
Chafariz 4	Santa Luzia e Areia de Baraúnas - PB	02/05/2019	02/04/2054	34.65 MW	-
Chafariz 5	Santa Luzia - PB	02/05/2019	02/04/2054	34.65 MW	-
Chafariz 6	Santa Luzia - PB	06/21/2018	06/20/2053	31.185 MW	15.2 MW
Chafariz 7	Santa Luzia - PB	06/21/2018	06/20/2053	34.65 MW	18.3 MW
Lagoa 3	São José do Sabugi - PB	06/26/2018	06/25/2053	34.65 MW	17.2 MW
Lagoa 4	Santa Luzia - PB	06/26/2018	06/25/2053	20.79 MW	10.2 MW
Canoas 2	Santa Luzia - PB	06/26/2018	06/25/2053	34.65 MW	16.3 MW
Canoas 3	Santa Luzia e São José do Sabugi - PB	02/05/2019	02/04/2054	34.65 MW	-
Canoas 4	São José do Sabugi - PB	06/26/2018	06/25/2053	34.65 MW	16.5 MW
Ventos de Arapuá 1	Santa Luzia, Areia de Baraúnas e São Mamede - PB	02/05/2019	02/04/2054	24.255 MW	-
Ventos de Arapuá 2	Santa Luzia, Areia de Baraúnas e São Mamede - PB	02/05/2019	02/04/2054	34.65 MW	-
Ventos de Arapuá 3	Santa Luzia, Areia de Baraúnas e São Mamede - PB	02/05/2019	02/04/2054	13.86 MW	-

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Wind Power Plants under construction

Company	Location	Authorization date	Expiration date	Installed capacity (MW)	Physical guarantee (MW avg)
Oitis 1	Dom Inocência - PI	29/11/2019	28/11/2054	49.50 MW	26.1 MW
Oitis 2	Dom Inocência - PI	24/12/2019	23/12/2054	27.50 MW	-
Oitis 3	Dom Inocência - PI	24/12/2019	23/12/2054	49.50 MW	-
Oitis 4	Dom Inocência - PI	24/12/2019	23/12/2054	49.50 MW	-
Oitis 5	Dom Inocência - PI	24/12/2019	23/12/2054	49.50 MW	-
Oitis 6	Dom Inocência - PI	24/12/2019	23/12/2054	49.50 MW	-
Oitis 7	Dom Inocência - PI	24/12/2019	23/12/2054	49.50 MW	-
Oitis 8	Dom Inocência - PI	29/11/2019	28/11/2054	49.50 MW	25.5 MW
Oitis 9	Dom Inocência - PI	24/12/2019	23/12/2054	49.50 MW	-
Oitis 10	Dom Inocência - PI	24/12/2019	23/12/2054	49.50 MW	-
Oitis 21	Casa Nova - BA	24/12/2019	23/12/2054	44.00 MW	-
Oitis 22	Casa Nova - BA	24/12/2019	23/12/2054	49.50 MW	-

Solar Photovoltaic Power Plants under construction

Company	Location	Authorization date	Expiration date	Installed capacity (MW)
Luzia 2	Santa Luzia – PB	05/26/2020	05/25/2055	59.868 MW
Luzia 3	Santa Luzia – PB	05/26/2020	05/25/2055	59.868 MW

1.2 Coronavirus (“Covid-19”)

a) General context

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of Coronavirus (COVID-19) as a pandemic and since then has been strengthening the need to adopt restrictive measures as one of the pillars to face the pandemic, especially regarding social distancing. In Brazil, as well as in other countries, the pandemic provoked the closing of companies in all segments, affecting the production procedures, interrupting chains of supplies and also incurred in relevant reduction of consumption, thus resulting in a significant economic impact.

The Company will carefully analyze any new government policy in response to the pandemic that aims to provide financial relief to the consumers. The Company understands that such guidelines should respect, in any circumstance, the right of economic-financial balance from the concessions, following the legal framework, the clauses contained in the respective Contracts signed with the Granting Authority and the guidelines disclosed by the National Agency of Electric Energy – ANEEL.

b) Impact in the financial statements

The impacts of the COVID-19 are based on the Administration’s best estimations, considering the perspective of a gradual return of the economic activities. To mitigate the impacts and consequences of its main activities, the Company has been constantly monitoring its contracts, as well as maintaining open communication with the Regulator Authority of the Brazilian electric sector to implement guidelines and ensure the maintenance of the economic-financial sustainability of Neoenergia S.A and its direct and indirect subsidiaries. The pandemic affected the Company’s performance, mainly due to the following factors:

- (i) Energy billing due to a reduction in the demand for electrical energy in free and regulated markets;

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- (ii) Increment in the Expected Credit Losses (PCE) from the increase of expired accounts receivables, bearing in mind the prohibition of power cut actions March 25 and July 31 from 2020 for the following class: residential and essential services. This prohibition was valid until September 30, 2021, for the low-income classes and consumer units with home-care equipment.

On December 31, 2021 and 2020, the impact in the Company's operational segments are presented in the following way:

- (i) **Networks:** These segments' revenues are mainly attached to the supply of electric energy and the availability of the transmission and distribution networks. In distribution, the effect of COVID-19 generated a negative impact on the Company's result when compared to the expectation made before the pandemic, as follows:

	2021	2020
Market demand retraction	(335)	(148)
Expected credit losses	(97)	(114)
Gross profit	(432)	(262)
Income taxes	104	72
Net effect	(328)	(190)

The adhesion to the Covid-Account, under Aneel's Resolution nº 885, addresses its conditions and procedures for resources management, establishing fundraising limits per distributor based on the loss of revenue and market of each distribution agent. The norm also details the cost items that can be covered by the account and the on lending operational flux.

Regarding transmission, the Company continued to monitor construction in progress, adopting every applicable measure to avoid and/or mitigate possible delays. So far, there were no relevant impacts in the original schedule for the start-up of projects in progress.

- (ii) **Renewable:** Revenues of this segment are related to the following items: energy sales contracts in both, regulated and free environment; the availability of infrastructure; generation of electric energy, as well as the hydrological risk ("GSF") and the value of Settlement Prices of Differences ("PLD"). So far, there has been no change in the availability of generators caused by measures to combat COVID-19. We observe the maintenance of approximately 4.8% of the GST flat in relation to 2020. The accumulated PLD until December 2021 decreased in relation to the same period of the previous year, 62% in the Southeast and South submarkets and 20% in the Northeast submarket. The variations in these items are a consequence of unfavourable hydrological conditions in the period associated with the operative policy from ONS for the guarantee of energetic supply.
- (iii) **Liberalized:** The revenues of this segment are bound to the availability of thermoelectric generation infrastructure as well as PLD's value, and energy purchase and sale contracts with other agents and final consumers in the free market. So far, no changes have been noticed in generators availability caused by acts to combat COVID19. The Company observes an accumulated reduction concerning the same period in the previous year, in the PLD's value of 62% in the Southeast submarket and 41% in the Northeast submarket.

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c) Socioeconomic measures

Given the situation provoked by the pandemic, several measures of economic and financial assistance were introduced by the three levels of administration of the Brazilian Federation, as well as the ones adopted by the Company for the protection of its employees and to support the society, such as the ones mentioned below:

- (i) Donation of 3,750 basic food baskets for institutions that support families in vulnerable situations in several states, in the period of 19 and 31 from March 2021.
- (ii) Donation of scientific refrigerators to 965 cities from the Northeast and Southeast regions that can provide programmable and constant temperatures between 2°C and 8°C, essential to the conservation of the vaccines against COVID-19 that are being used in Brazil.

1.3 Financial and operational risk management

The Financial Risk Policy applies to all businesses that integrate the Neoenergia Group, within the predicted limits that apply to activities regulated that generate exposition to financial risks. These policies must be replicated by its subsidiaries, observing its respective social statutes and applicable law. Guidelines and specific limits for the management of the following risks are included: foreign exchange and commodities, interest rates and prices indexes, liquidity and solvency, as well as the use of derivative instruments for protection purposes, whose use for speculative ends is explicitly forbidden. The Operational Risk Policy concerning Market Transactions establishes the control and management of risks in long and short term energy and treasury management transactions.

1.3.1 Management of Financial Risks

General considerations and internal politics

The Risk Management Policy approved by the Board of Directors defines the principles, guidelines and structure for the Company's risk management, including, but not limited to, the management of operational and financial risks, with emphasis on market and credit risks

This system of risk management is adherent to the current model of the controlling shareholder and its global risk policy.

The Company's organizational control structure of Market risk management is composed of the Board of Directors, Risk Management Superintendency, Audit Committee, in addition to the Internal Audit and Internal Control structures.

The Superintendency of Risk defines the strategies to mitigate the Market risk involving other exposition and derivatives, meanwhile the Financial Corporate Superintendency is responsible for the execution of operations regarding derivatives. The independence between these fields assures effective control concerning these operations.

The approval of transactions involving derivatives is carried out by a competent body under the Neoenergia Group's Limits and Levels Policy and the statutes of the Company's subsidiaries.

The main guidelines in relation to hedge strategies are:

- Any debt instrument denominated in or indexed to a foreign currency must be protected and converted into reais through hedge operations;

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- Exchange rate and commodities risk must be controlled and mitigated for all investment projects, regardless of the amount;
- Non-debt instruments with disbursements subject to currency exposure should be evaluated and, if deemed necessary, hedge operations should be carried out to mitigate currency risk;
- Assess the risk of debt in local currency and, if deemed necessary, contract hedge operations to mitigate interest rate risk, according to the desired profile of pre and post-fixed debts and considering both the natural indexation to price indices in revenues and costs and in the composition of interest rates that remunerate the investment portfolio;
- Derivatives are not permitted for speculative purposes. Its use is exclusively for hedge purposes;
- The contracting of 'exotic' or 'leveraged' derivatives is not permitted.

Management understands that the Company's operating and internal control structure is aligned with the best market practices to ensure compliance with the guidelines of the Financial Risk Policy and the Credit Risk Policy.

1.3.1.1 Market risk management

Foreign Exchange and commodities risk

The Company, aiming to assure that oscillations in Exchange rate do not affect its result and cash flow, had on December 21, 2021, foreign Exchange hedge for all its foreign Exchange debts and its main disbursements and investments foreseen in foreign currency. The Foreign exchange hedge strategies are described in note 25.7.

Interest rate risk

This risk comes from the possibility of financial losses arising from fluctuations in interest rates or other debt indexes that mainly affect the financial expenses related to loans and financing or income from financial investments. Accordingly, the Company continuously monitors market interest rates to assess the possible need for contracting protection against the risk of volatility in these rates. The interest rate hedge strategies are described in note 25.7.

Inflation risk

The increase in inflation rates and possible anti-inflationary policies adopted by the Federal Government may lead to an increase in financial expenses related to loans and financing indexed to price indexes. The Company seeks to maintain the balance between assets and liabilities indexed to highly correlated price indexers, seeking to mitigate any risks arising from inflation. The strategies to protect inflation rates are described in note 25.7.

1.3.1.2 Liquidity risk

The liquidity risk is associated with the possibility of the Company not honouring its commitments in the respective maturities. The financial management adopted by the Company constantly seeks to mitigate liquidity risk, having as main points the extension of the terms of loans and financing, the non-concentration of maturities, the diversification of financial instruments and the hedge of debts in foreign currency. The permanent monitoring of the cash flow allows the identification of eventual fundraising

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needs with the necessary progress for structuring and choosing the best sources. If there is surplus cash, financial investments are made with surplus funds, to preserve and make profitable the Company's liquidity, so that investments are preferably allocated in exclusive funds and have as a guideline to allocate resources in assets with daily liquidity.

The Company manages liquidity risk and also maintains a reserve of resources and credit lines approved in some of the Main institutions in the country (see note 25.7).

Additionally, the Company monitors, every month, through liquidity ratios, its cash generation capacity to honour the commitments assumed within 12 (twelve) months.

As of December 31, 2021, the Company had cash and cash equivalents and marketable securities, in an amount adequate to cover its operating and financial cycle. The Company's obligations flow, by maturity, are being explained in its notes. A highlight for information on loans and financing and respective derivative instruments (see note 19).

Solvency risk

The solvency risk is associated with the possibility of a decay concerning the economic-financial situation that results in the worsening of the credit quality or in the breach of financial covenants that can generate a close-out netting, thus generating an impact in the credit classification (rating), in the debt cost and the liquidity.

1.3.1.3 Credit risk management

Credit risk refers to the possibility of the Company incurring losses due to non-compliance with financial or third parties' contracts obligations, such as the failure to pay or the "non-performance" of counterparts.

Credit risk of commercial counterparties

It comes from the possibility of the Company incurring losses due to not receiving billed amounts from its commercial counterparts in the distribution, transmission, generation and commercialization businesses. To reduce this risk and assist in the management of default risk, the Company monitors the volume of accounts receivable from customers, requests guarantees and accomplishes several collection actions under the regulation of the electricity sector. In addition, for energy trading counterparties, specific criteria are adopted to assess their solvency and approve limits.

Credit risk of financial institutions

For operations involving cash and cash equivalents, marketable securities and derivatives, the Company follows the provisions of its Credit Risk Policy, which aims to mitigate risk through diversification along with financial institutions that have good credit quality. The Company monitors its exposure with each counterparty, their credit quality and long-term ratings published by the rating agencies. The following table shows the long-term ratings on a national scale of Moody's, S&P or Fitch agencies for the main institutions with which the Company had outstanding positions as of December 31, 2021.

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Long-term ratings in a national scale ¹	Moody's	S&P	Fitch
Banco do Brasil			AA
BNP Paribas	AA3	A+	A+
Bradesco	AAA	AAA	AAA
Caixa Econômica Federal	AAA	AAA	AA
Citibank			AAA
Goldman Sachs			AAA
Itaú	AA		AAA
Santander	AAA		
BNDES		AAA	
Votorantim	AA	AAA	
Safra	AAA	AAA	

^[1] Bank of America, JP Morgan, Morgan Stanley, MUFG, Sumitomo and Scotiabank only have ratings on a global scale

1.3.2 Insurance

The Group maintains insurance coverage compatible with the risks of the activities carried out, which are considered by Management to be enough to safeguard the assets and business of any claims. The specification by risk modality and effective date of the main insurances, according to the insurance brokers contracted by the Company, are presented below:

Risks	Consolidated	
	Effective date	Insured amount ^[1]
Terrorism	05/31/2021 to 05/31/2022	R\$ 585,034
Civil liability – environmental	05/31/2021 to 05/31/2022	R\$ 36,000
Standard Civil liability – Northeast Distribution	10/08/2021 to 10/08/2023	R\$ 22,000
Standard Civil liability – Transmission/Generation	05/31/2021 to 05/31/2022	R\$ 144,000
Standard Civil liability – EKT	05/31/2021 to 05/31/2022	R\$ 44,000
Vehicles – Executive	05/31/2021 to 05/31/2022	100% FIPE
Operational risk - Substations and Power plants	05/31/2021 to 05/31/2022	R\$ 2,100,000
Civil liability – Drones	06/15/2021 to 06/15/2022	R\$ 598
Vehicles – Operational	05/31/2021 to 05/31/2022	R\$ 700
Transport	10/08/2021 to 10/08/2022	R\$ 2,000
Transport – Diesel oil	10/08/2021 to 10/08/2022	R\$ 500
D&O	08/23/2021 to 08/23/2022	R\$ 150,000
Corporate	05/31/2021 to 05/31/2022	R\$ 60,500
Cybersecurity	05/31/2021 to 05/31/2022	R\$ 32,753
Portable measuring instruments	06/30/2021 to 06/30/2022	Equipment value

^[1] Values are presented in thousands of reais.

The Group's insurances are contracted under their respective policies of risk management and insurances in force and given its nature.

2. BASIS FOR PREPARING THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The Company's consolidated and individual financial statements have been prepared and are under International Financial Reporting Standards ("IFRS"), issued by the IASB and following accounting practices adopted in Brazil through the Accounting Pronouncements Committee ("CPC"), imposed by the Brazilian Securities and Exchange Commission ("CVM") and the Federal Accounting Council ("CFC").

The Company also uses the guidelines contained in the Brazilian Electricity Sector Accounting Manual and the standards defined by ANEEL, when those do not conflict with the accounting practices adopted in Brazil and/or IFRS.

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The financial statements were prepared based on historical cost and adjusted to reflect (i) the fair value of financial instruments measured at fair value; and (ii) losses due to impairment of assets.

In the preparation of these consolidated financial statements, the subsidiaries are consolidated from the date on which the Company assumes their control until the date on which its control ceases. All transactions between Neoenergia S.A. and its direct and indirect subsidiaries are entirely eliminated. The Company's participation in the results of investments accounted for as joint ventures and associates are included in the consolidated financial statements from the date on which significant influence or joint control begins, until the date on which it ceases.

All relevant information specific to the financial statements, and only this information, is being disclosed and corresponds to those used by Management.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on February 17, 2021.

2.2 Functional and presentation currency

The Company's consolidated financial statements are presented in millions of Reais (R\$), which is the main currency of its most relevant operational environment. The financial demonstrations are presented in millions of R\$ unless otherwise indicated.

Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in force on the date of the transaction in monetary assets and liabilities denominated in foreign currency are converted to functional currency, using the exchange rate in force on the date of the respective balance sheets. Foreign exchange gains and losses resulting from the update of these assets and liabilities are recognized in financial results.

2.3 Accounting standards and critical estimates

The accounting policies and critical estimates applied to these financial statements are included in their respective notes when deemed to be relevant. Accounting policies are consistent in all years presented, except for the implementation of the new standards, interpretation and guidelines listed in note 2.5 (a).

2.4 Use of estimates and judgments

The preparation of the financial statements requires the use of estimates and judgments for certain transactions that reflect in the recognition and measurement of assets, liabilities, income and expenses. The assumptions used are based on history and other factors considered as relevant and are periodically reviewed by Management. Actual results may differ from the estimated values.

The significant estimates and judgments applied by the Company in preparing these financial statements are presented in the following notes:

Note	Estimates and significant judgments
Error!	Revenue from energy supply and use of the distribution system network – non-billed
Error!	Deferred income taxes
12.2	Expected credit losses
Error!	Sectorial financial assets and liabilities
14	Public service concession (financial asset and contractual asset)
15	Corporate participation and business combination
17	Intangible assets (linked to concession)

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20.1	Provision for lawsuits
22.1	Retirement benefit obligations
Error!	Fair value estimations of financial assets

2.5 New standards and active and non-active interpretations

The main regulations amended, issued or under discussion by the International Accounting Standards Board ('IASB') and the Accounting Pronouncements Committee ('CPC') that are adherent to the Company's operational and financial context are as follows:

a) Changes in current accounting pronouncements

Norms	Description of the change	Effective date
IFRS 9 / CPC 48, IAS 39 / CPC 08; IFRS 7 / CPC 40; IFRS 4 / CPC 11; e IFRS 16 / CPC 06 (R2)	Addition of new disclosure conditions about the effects brought by the reform of the reference interest rates (IBOR).	01/01/2021

The changes in the Pronouncements that entered into force on January 1, 2021, did not produce relevant effects in the consolidated financial statements.

b) Changes in the pronouncements with validity as of 2022

Norms	Description of the change	Effective date
IAS 37 / CPC 25: Provisions, contingent liabilities and contingent assets,	Specification of which costs a company should include when assessing whether a contract is costly or not. The costs directly related to the fulfilment of the contract must be considered in the cash flow assumptions (Ex: Cost of labour, materials and other expenses related to the contract's operation)	01/01/2022
IAS 16 / CPC 27: Fixed assets.	To allow the recognition of revenues and costs concerning the amounts related to the sale of items produced during the assets' test phase.	01/01/2022

Concerning regulations under discussion at the IASB or with an effective date established in a future exercise, the Company is following the discussions and until now did not identify the possibility of significant impacts.

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3. CONCILIATION OF THE NET INCOME FOR THE YEAR AND SHAREHOLDERS' EQUITY

The conciliation of the period's net income attributed to Neoenergia S/A shareholders between the consolidated and individual financial statements are presented as follows:

	Net income		Shareholders' equity	
	2021	2020	2021	2020
Parent Company	3,888	2,796	23,836	21,154
Share-based compensation plan ¹	(3)	-	(3)	-
Capitalization of financial charges ²	61	20	81	20
Income taxes ²	(21)	(7)	(28)	(7)
Consolidated	3,925	2,809	23,886	21,167

- (1) Update concerning the Share-based compensation plan accounted by the Group's subsidiaries.
- (2) Capitalization of financial charges from loans and financings by the Parent Company and relayed to its subsidiaries, through a capital increase to fund the construction of wind parks.

4. SEGMENT INFORMATION

The Company operates the following reportable segments: Networks, Renewable, Liberalized and Others. The segments were defined based on the provided products and services and reflect the structure used by the Administration to assess the Company's performance in the normal course of its operations. The bodies responsible for making operational, resource allocation and performance evaluation decisions include the Executive Boards and the Board of Directors.

The main activities of the operating segments are as follows: (i) Networks - comprise the business regarding the service concession arrangements related to energy distribution and transmission services; (ii) Renewable - comprise the activities regarding the service concession arrangements related to energy generation services from natural renewable resources, such as wind farms and hydroelectric plants; (iii) Liberalized - comprise energy generation activities from thermoelectric plants and energy commercialization activities; and (iv) Others - include activities that support operations.

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4.1 Results by segment

Segment information according to criteria set by the Company's Management are as follows:

	Consolidated										
	2021										
	Networks		Total	Renewable		Gas	Commercialization	Liberalized	Others		
Distribution	Transmission	networks	Wind generation	Hydraulic generation	Total Renewable	generation	and services	Total liberalized	Total	Result	
Gross revenue from third parties	53,271	3,861	57,132	522	240	762	104	1,380	1,484	-	59,378
Inter-segment gross revenue	11	53	64	119	395	514	1,828	110	1,938	4	2,520
Deductions from gross revenue	(15,093)	(352)	(15,445)	(45)	(77)	(122)	(429)	(217)	(646)	-	(16,213)
Operating costs and expenses ¹	(28,319)	(2,179)	(30,498)	(156)	13	(143)	(815)	(864)	(1,679)	(225)	(32,545)
Inter-segment operating costs and expenses ¹	(1,999)	(14)	(2,013)	(33)	(43)	(76)	(58)	(373)	(431)	-	(2,520)
Expected credit losses	(349)	-	(349)	-	-	-	-	(1)	(1)	-	(350)
(-) Fair value adjustment – investment	-	-	-	-	(482)	(482)	-	-	-	-	(482)
Result of equity interest	-	-	-	-	68	68	-	-	-	-	68
EBITDA	7,522	1,369	8,891	407	114	521	630	35	665	(221)	9,856
Depreciation and amortization ²	(1,515)	-	(1,515)	(122)	(86)	(208)	(63)	(1)	(64)	(197)	(1,984)
Operating profit	6,007	1,369	7,376	285	28	313	567	34	601	(418)	7,872
Financial result, net	(1,510)	(340)	(1,850)	(98)	(66)	(164)	(60)	(6)	(66)	(203)	(2,283)
Income taxes	(1,011)	(292)	(1,303)	(20)	(104)	(124)	(78)	(5)	(83)	(13)	(1,523)
Net profit	3,486	737	4,223	167	(142)	25	429	23	452	(634)	4,066

(¹) Does not include depreciation and amortization.

(²) Includes the amortization of added value.

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	Consolidated										
	2020										
	Networks			Renewable			Liberalized		Others		
	Distribution	Transmission	Total networks	Wind generation	Hydraulic generation	Total Renewable	Gas generation	Commercialization and services	Total liberalized	Total	Result
Gross revenue from third parties	39,024	3,235	42,259	436	303	739	66	1,206	1,272	-	44,270
Inter-segment gross revenue	10	34	44	60	338	398	1,471	128	1,599	4	2,045
Deductions from gross revenue	(11,259)	(297)	(11,556)	(48)	(79)	(127)	(396)	(202)	(598)	-	(12,281)
Operating costs and expenses ¹	(20,799)	(2,138)	(22,937)	(135)	(152)	(287)	(694)	(826)	(1,520)	(237)	(24,981)
Inter-segment operating costs and expenses ¹	(1,564)	(5)	(1,569)	(15)	(57)	(72)	(77)	(327)	(404)	-	(2,045)
Expected credit losses	(454)	-	(454)	-	-	-	-	(2)	(2)	-	(456)
Result of equity interest	-	-	-	-	(56)	(56)	-	-	-	-	(56)
EBITDA	4,958	829	5,787	298	297	595	370	(23)	347	(233)	6,496
Depreciation and amortization ²	(1,189)	-	(1,189)	(113)	(83)	(196)	(59)	(4)	(63)	(170)	(1,618)
Operating profit	3,769	829	4,598	185	214	399	311	(27)	284	(403)	4,878
Financial result, net	(781)	(25)	(806)	(83)	(74)	(157)	(58)	(7)	(65)	(2)	(1,030)
Income taxes	(618)	(246)	(864)	25	(65)	(40)	(37)	12	(25)	(14)	(943)
Net profit	2,370	558	2,928	127	75	202	216	(22)	194	(419)	2,905

⁽¹⁾ Does not include depreciation and amortization.

⁽²⁾ Includes the amortization of added value.

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4.2 Assets by allocated segments

	Consolidated				
	2021				
	Accounts receivable	Sectoral financial assets (liabilities)	Service concession arrangements¹	Investments in subsidiaries, associates and joint ventures	Right of Use, PP&E and Intangible Assets
Networks					
Distribution	8,682	1,691	22,775	1	12,509
Transmission	30	-	8,680	-	25
	8,712	1,691	31,455	1	12,534
Renewable					
Wind farms	112	-	-	-	5,959
Hydroelectric plants	24	-	-	1,199	2,939
	136	-	-	1,199	8,898
Liberalized					
Gas generation	-	-	-	-	1,015
Commercialization and services	156	-	-	-	8
	156	-	-	-	1,023
Other	-	-	-	-	44
	9,004	1,691	31,455	1,200	22,499
					Consolidated
					2020
	Accounts receivable	Sectoral financial assets (liabilities)	Service concession arrangements¹	Investments in subsidiaries, associates and joint ventures	Right of Use, PP&E and Intangible Assets
Networks					
Distribution	6,107	(573)	18,253	2	9,269
Transmission	14	-	5,024	-	8
	6,121	(573)	23,277	2	9,277
Renewable					
Wind farms	148	-	-	-	3,227
Hydroelectric plants	45	-	-	2,425	2,824
	193	-	-	2,425	6,051
Liberalized					
Gas generation	36	-	-	-	989
Commercialization and services	179	-	-	-	8
	215	-	-	-	997
Other	-	-	-	-	46
	6,529	(573)	23,277	2,427	16,371

(1) Only includes public service concessions classified as a financial asset and/or contractual asset.

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4.3 Additions to the main non-current assets (economic capital expenditures - Capex)

	2021		Consolidated 2020	
	Public service concessions ¹	Investments right of use immobilized and Intangible assets	Public service concessions ¹	Investments right of use immobilized and Intangible assets
Networks				
Distribution	4,305	56	3,625	18
Transmission	3,174	18	3,065	6
	7,479	74	6,690	24
Renewable				
Wind generation	-	2,908	-	822
Hydraulic generation	-	169	-	58
	-	3,077	-	880
Liberalized				
Gas generation	-	90	-	100
Commercialization and services	-	5	-	5
	-	95	-	105
Others				
	-	42	-	35
	7,479	3,288	6,690	1,044

(1) Only include the public service concessions classified as a financial asset and/or contractual asset.

5. NET OPERATING REVENUE

	Consolidated 2021			
	Networks	Renewable	Liberalized	Total
Energy supply (note 5.1)	22,071	648	1,244	23,963
Electric grid availability (note 5.2)	19,797	-	-	19,797
Concession's infrastructure construction ⁽¹⁾	7,341	-	-	7,341
Electric Energy Trading Chamber – CCEE	988	78	212	1,278
Surplus Sale Mechanism – MVE	401	-	-	401
Concession's estimated replacement value ⁽²⁾	1,579	-	-	1,579
Contractual asset's remuneration	670	-	-	670
Sectoral financial assets and liabilities effects (note 5.3)	3,739	-	-	3,739
Other revenues (note 5.4)	546	36	28	610
Gross operating income	57,132	762	1,484	59,378
(-) Deductions from the gross income (note 5.5)	(15,445)	(122)	(646)	(16,213)
Net operating revenue	41,687	640	838	43,165

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	Consolidated			2020
	Networks	Renewable	Liberalized	Total
Energy supply (note 5.1)	15,584	671	1,166	17,421
Electric grid availability (note 5.2)	16,462	-	-	16,462
Concession's infrastructure construction ⁽¹⁾	6,567	-	-	6,567
Electric Energy Trading Chamber – CCEE	1,359	50	89	1,498
Surplus Sale Mechanism – MVE	96	-	-	96
Concession's estimated replacement value ⁽²⁾	549	-	-	549
Contractual asset's remuneration	291	-	-	291
Sectoral financial assets and liabilities effects (note 5.3)	1,051	-	-	1,051
Other revenues (note 5.4)	300	18	17	335
Gross operating income	42,259	739	1,272	44,270
(-) Deductions from the gross income (note 5.5)	(11,556)	(127)	(598)	(12,281)
Net operating revenue	30,703	612	674	31,989

(1) In 2021, the revenue from the concession's infrastructure construction refers to: (i) Distributors' construction of R\$ 4,245 (R\$3,637 in 2020); and (ii) Transmitters' construction in R\$ 3,096 (R\$2,930 in 2020), respectively.

(2) Update of the financial asset due to the concession's indemnifiable instalment, through the Basis for Calculating Remuneration ('BRR').

Annual Tariff Readjustment – IRT 2021

In 2021, ANEEL approved the result concerning the Annual Tariff Readjustment of the Company's distribution assets in the following way:

	Neoenergia Coelba	Neoenergia Cosern	Neoenergia Elektro
High tension consumers	12.38%	11.18%	12.89%
Low tension consumers	7.82%	8.27%	8.84%
Tariff's Average readjustment	8.98%	8.96%	11.49%
Nº of the resolution	2,857	2,858	2,927
Resolution date	04/22/2021	04/22/2021	08/27/2021

The use of tax credit by excluding the ICMS from the calculation basis of PIS/COFINS and the reversal's anticipation of the tariff affordability from the revenues related to exceeding demand and reactive surplus constituted until the date of its respective readjustments contributed to the reduction of the average effect to the consumer, in addition to this, the readjustment of the items from Portion B will be completely applied from the date of the resolution's approval.

Tariff revision of Neoenergia Pernambuco

The Board of directors from the National Electric Energy Agency (ANEEL) approved in April 27, 2021, the results of the fifth Revision of Neoenergia Pernambuco, with effect in April 29, 2021, under ANEEL's Resolution nº 2,861/2021. The average effect for the consumers is of 8.99%, being 11.89% for the high tension consumers and 8.01% for the low tension consumers.

The use of tax credits concerning the *res judicata* of the ICMS exclusion from the calculation basis of PIS/COFINS, as well as the changes in the Basic Network financial component and the COVID account contributed to reducing the average effect for the consumer, meanwhile, the items from Portion B were completely applied as of April 29, 2021.

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Tariff revision of Neoenergia Brasília

On October 21, 2021, the Board of directors from the National Electric Energy Agency (ANEEL) approved the results of the fifth Revision of Neoenergia Distribuição Brasília – Neoenergia Brasília, with effect on October 22, 2021, under ANEEL’s Resolution nº 2.965/2021. The Company’s tariff revision will bring to the consumer an average effect of 11.10%, being 9.16% for the high tension consumers and 11.85% for the low tension consumers.

The following factors contributed to reducing the average effect for the consumer: deferral of Itaipu’s Energy Purchase, reversal of the remaining balance from the COVID account, anticipated use of tax credits related to the ICMS exclusion from the calculation basis of PIS/COFINS and the water shortage tariff flag, in addition to this, the replacement of the items from Portion B were completely applied as of October 22, 2021.

Tariff flag – Water shortage

On August 2021, through resolution, nº 3, a Chamber of Exceptional Rules for Hydro-energy Management (‘CREG’) determined that ANEEL should implement a specific level of Tariff Flag, denominated as Water Shortage Flag of R\$142.00/MWh. This level was made to fund, with resources from the tariff flag, the exceptional costs from activating the thermal power plants and energy imports. The billing will apply to all consumers from the National Interconnected System from September 2021 to April 2022, except for the social tariff beneficiaries, that will continue to pay with the same discounts contained in their tariffs, from 10% to 65%, depending in the consumption range. The flags, triggered monthly by ANEEL, were yellow or red (1 and 2), as shown in the chart below:

Flags	2021	
	SIN Consumers (Except for Low Income)	Low Income
Jan	Yellow	Yellow
Feb	Yellow	Yellow
Mar	Yellow	Yellow
Apr	Yellow	Yellow
May	Red - Level I	Red - Level I
Jun	Red - Level II	Red - Level II
Jul	Red - Level II	Red - Level II
Aug	Red - Level II	Red - Level II
Sep	Water Shortage	Red - Level II
Oct	Water Shortage	Red - Level II
Nov	Water Shortage	Yellow
Dec	Water Shortage	Green

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In the year 2021, the additional amounts of the tariff flags were defined according to the details from the chart below.

Levels	Until June/2021 REH n° 2,628/2019 R\$/MWh	From July to August/2021 REH n° 2,888/2021 R\$/MWh	From September /2021 Resolução n° 3 MME R\$/MWh
Green	-	-	Does not change
Yellow	13.43	18.74	Does not change
Red Level - I	41.69	39.71	Does not change
Red Level - II	62.43	94.92	Does not change
Water shortage	-	-	142

In December 2021 the Company invoiced R\$ 1,631 as Water Shortage Flag.

Voluntary Reduction in Electricity Consumption Incentive Program

In August 31, 2021, Chamber of Exceptional Rules for Hydro-energy Management (CREG), issued the Resolution n° 2, which established the voluntary reduction in electricity consumption incentive program for the consumers of the National Interconnected System.

The purpose is to answer the National Interconnected System (SIN) during the hydric crisis that is affecting the hydropower plants reservoirs. The program is exceptional and temporary and lasts until April 30, 2022. It provides a bonus payment of R\$ 50 for each 100-kWh saved for the consumers that reduce their consumption in between 10% to 20%, from September 01 to December 31 of 2021 when compared with the same period of 2020. This bonus will be directly granted in the energy billing of each consumer as of January, and as a counterpart, the Company will recognize a state grant revenue in the equivalent amount.

Until December 31, 2021, the estimated amount of Bonus to grant the consumers was R\$ 332, being neutralized in the result with the account receivable from subsidies.

5.1 Energy supply

	Consolidated	
	2021	2020
Residential	18,496	14,253
Commercial	6,972	5,074
Industrial	5,624	4,795
Rural	2,419	1,768
Government	1,753	1,107
Public lighting	1,390	921
Public utility	1,369	1,030
Non-billed supply	70	386
Transfer – Electric grid availability	(17,117)	(14,407)
Subsidies and state grants ¹	2,987	2,494
	23,963	17,421

- (1) The Law n° 12,783 from January 11, 2013, determined that resources related to low-income subsidies as well as other tariff discounts should be completely subsidized by resources from the CDE. In the period of 2021, it was registered revenue of R\$ 2,987 (R\$ 2,494 in 2020), being: (i) R\$ 953 (R\$ 1,128 in 2020) from low-income subsidies, (ii) R\$ 1,518 (R\$ 1,269 in 2020) from CDE subsidy, (iii) R\$ 332 (R\$ 0 in 2020) from the subsidy of hydric crisis bonus and (iv) R\$ 185 (R\$ 97 in 2020) CCRBT subsidy.

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5.2 Electric grid availability

The Revenue from Distribution use-of-system Charges (TUSD) basically refers to the sale of energy to free and captive consumers with the billing of tariffs for the use of the distribution grid.

	Consolidated	
	2021	2020
Free consumer	2,680	2,055
Captive consumer ¹	17,117	14,407
	19,797	16,462

- (1) Revenues from the availability of the electric grid infrastructure measured with the average distribution use-of-system charges after its approval by ANEEL for the captive consumer.

5.3 Sectoral financial assets and liabilities effects

	Consolidated	
	2021	2020
CVA and Neutrality		
Energy (i)	1,238	(116)
System service charges – ESS (ii)	1,625	259
Energetic Development Account – CDE	92	(21)
TUST (iii)	209	385
Neutrality of sectoral charges	(58)	106
PROINFA	10	(40)
	3,116	573
Financial components and subsidies		
Over-contracting on-lending (iv)	(103)	753
Hydrological risk	(96)	(148)
Exceeding demand/reactive surplus	117	(149)
Readjustment deferral	65	122
Compensation of bilateral agreements from CCEAR	(81)	(8)
COVID Account - liability (v)	(218)	(97)
Pis/Cofins credit over ICMS (vi)	905	-
Others	34	5
	623	478
	3,739	1,051

- (i) Energy: active CVA, arising from differences between the incurred energy costs in relation to ANEEL's tariff coverage, with emphasis to the increase of expenses from the regulated purchase of energy per availability, due to the elevation of costs with the activation of the thermal power plants and the recognition of financial events from CCEE, in the short-term of 2021, even if it was diminished by the reversal of the values from the tariff and water shortage flags, according to ANEEL's determination, which resulted in an active CVA this year;
- (ii) System service charges – ESS: active CVA, arising from differences between the incurred energy costs in relation to ANEEL's tariff coverage, due to the increase in the Energetic Security Charge (ESS) and the Risk Aversion Curve Overtaking (ESS_CAR), on account of a higher activation of the thermal power plants in 2021, even if it was diminished by the reversal of the values from the tariff and water shortage flags, according to ANEEL's determination, which resulted in an active CVA this year;
- (iii) TUST – Basic network: Increase in the constitution, due to the REH n° 2,725/2020, which established the Annual Allowed Revenue – RAP of the transmitters, with effect as of July 1, 2020 and the amortization of the authorized balances in the tariff readjustment processes;

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- (iv) Over-contracting on-lending: Decrease in the constitution, intended to nullify the effects over the result obtained with the purchase and sale of the energy surplus in the short-term Market until the regulatory limit and the amortization of the authorized balances between the processes of tariff readjustment;
- (v) COVID account - liability: Passive constitution of the financial component, corresponding to the amortization of the balance from the sectoral financial asset provided in the item V caption of art. 3º, according to the billed market, under REN ANEEL nº 885/2020.
- (vi) PIS/COFINS credit over ICMS: Recognition of the reversal's anticipation of the values that originated within the ICMS exclusion from PIS/COFINS calculation basis as a financial component to being compensated from the total amount authorized by the RFB. ANEEL recognized in the tariff readjustment of 2021, R\$ -1,422 as anticipation credit of PIS/COFINS over ICMS, having constituted the active value of R\$ 893 until December 2021 in a counterpart of the revenue reduction.

5.4 Other revenues

	Consolidated	
	2021	2020
Revenue from the provision of service	55	25
Leases and rents	316	206
Charged service	20	9
Public lighting fee	7	6
Fraud invoice management	9	7
Third party service commission	58	49
RAP gain / loss	36	(18)
O&M revenues	70	33
Photovoltaic operations	14	8
Other revenues	25	10
Total	610	335

5.5 Gross revenue deductions

	Consolidated	
	2021	2020
Taxes		
Tax over Merchandise and Services Circulation – ICMS	(8,725)	(6,637)
Social Interaction Program - PIS and Contribution for Social Security Financing – COFINS	(4,597)	(3,636)
Services tax – ISS	(24)	(34)
	(13,346)	(10,307)
Sectoral charges		
Energy Development Account – CDE	(2,309)	(1,548)
Energy Efficiency Program – PEE	(158)	(119)
Consumers' charges – PROINFA and CCRBT	(163)	(124)
Other charges ¹	(237)	(183)
	(2,867)	(1,974)
	(16,213)	(12,281)

- (1) The following charges are considered: National Fund for Scientific and Technological Development-FNDCT, Energy Research Company-EPE, Research and Development-P&D, Supervision Fee for Electric Energy Services-TFSEE and Financial Compensations of Hydraulic Resources-CFURH.

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5.6 Accounting policy and critical judgments

a) Accounting policy

The revenue is recognized when the control of each performance obligation is transferred to the client and can be reliably measured, which generally occurs in the act of delivering the product or the service is provided. It is measured by the fair value of the received or receivable counterpart of each performance obligation, bearing in mind any variable counterpart estimation, such as restitution, price concessions, incentives, performance bonus, penalties or other similar items.

The energy supply revenue is measured according to the established reading calendar, considering the amount of energy used by the client and the energy tariff in force. The Company can sell the produced energy in two environments: (i) Free Contract Environment (“ACL”), where the energy commercialization occurs through free negotiation of prices and conditions between the parts, upon bilateral agreements; and (ii) Regulated Contract Environment (“ACR”), where there is energy commercialization for the distributor agents.

The revenue from the concession's infrastructure construction (transmission and distribution) is recognized throughout time, in accordance with the compliance of its respective performance obligations that were established between the client and the Company and considering the fulfilling of one of the following established conditions by the norm: (i) the client simultaneously receives and consumes the generated benefits; (ii) the performance obligation creates or improves an asset that the client control as the asset is created or improved; (iii) the performance obligation does not create an asset with an alternative use for the entity and the Company possesses the executable right to the payment of the finished benefit until the current date. This revenue corresponds to the construction costs plus a residual gross margin, intended to cover the management or execution costs concerning the construction of energy transmission and distribution assets.

The revenue from operation and maintenance is recognized every month, starting from the entry into commercial operation as a performance obligation that is fulfilled by the transmission lines operation and maintenance. It is calculated with consideration to the costs incurred in the concession contract for these performance obligations, plus a margin.

The revenue of the contractual asset's remuneration is recognized through the implicit rate established at the beginning of each project. It is obtained after allocating the margins of construction and operation. The implicit rate that remunerates the contractual asset varies between 8.5% p.y. and 11.5% p.y. and the used Internal Rate of Return for the transmission projects' variability varies between 16% p.y. and 17% p.y., being nominal and before taxes.

The Annual Allowed Revenue (RAP) is reviewed annually due to inflation, according to the update index provided in each concession contract (IPCA or IGP-M). The readjustment portion concerning these indexes' variations is considered as a variable counterpart component. The effects of applying the new RAP values that compose the calculation model for the contractual asset are immediately recognized in the result at the operational revenue group.

The operation revenues concerning the energy sale at the CCEE and short-term market transactions are recognized by the fair value of the receivable counterpart when the transactions occur. These operations' energy prices are bound to the Settlement Prices of Differences (“PLD”).

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b) Estimative and critical judgment

The non-billed energy supply revenue corresponds to the energy that is delivered to the consumer, but it was not billed and is calculated on an estimated basis until the balance sheet date. This non-billed revenue estimation is calculated using the following items as a basis: the total amount of provided energy in the month, the injected energy and the annualized index of technical and commercial losses.

The revenue of the concession's infrastructure construction considers the current regulatory model for the energy distribution business, which does not provide specific remuneration for the construction or improvement of the concession's infrastructure, therefore, the Company's administration estimates that the margin assumptions of these performance obligations are zero (0%). The Company reevaluates these assumptions with the support of its internal and external advisors, at least once a year, regarding the receipt of these performance construction obligations and infrastructure improvement.

For the revenue concerning energy sale at CCEE, the Company uses the following items: the plant's previous measure extracted from CCEE's data collection system; previous internal loss bases in the history and basic network loss; purchase and sale contracts defined in the short-term in addition to the ones in force at the time; PLD's value (realized and predicted) disclosed by CCEE and GSF's preliminary according to the information provided by ONS.

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6. ENERGY COSTS

	Consolidated	
	2021	2020
Energy purchased for sale		
Energy acquired through regulated environment auction – ACR (i)	(8,644)	(5,716)
Energy acquired in the Free Contracting Environment – ACL	(1,280)	(1,160)
Variable Costs from the Short-Term Market – MCP (ii)	(3,407)	(1,610)
Short-Term Energy – PLD ⁽¹⁾ and MRE ⁽²⁾ (iii)	398	(1,553)
Agreements based on physical assurance quotas	(1,662)	(1,429)
Energy acquired from a bilateral agreement	(773)	(199)
Itaipu energy	(1,336)	(992)
Quotas from Angra I and Angra II Power Plants	(466)	(503)
Others	(361)	(252)
Subtotal	(17,531)	(13,414)
PIS and COFINS credits	1,724	1,205
Total	(15,807)	(12,209)
Transmission and distribution system usage charges		
Basic grid charges	(3,289)	(2,612)
Itaipu transport charges	(108)	(83)
Connection charges	(214)	(167)
Distribution system use charges	(65)	(120)
System service charges – ESS (iv)	(2,852)	(338)
Reserve energy charges – EER (v)	181	(22)
Other charges	2	(15)
Subtotal	(6,345)	(3,357)
PIS and COFINS credits	532	286
Total	(5,813)	(3,071)
Total energy costs	(21,620)	(15,280)

¹ PLD – Settlement Prices of Differences.

² MRE – Energy Relocation Mechanism.

- (i) The increase in the energy cost acquired at the ACR derives from the following items: the rise of the compulsory quotas; generators' tariff readjustment; the beginning of new contracts and especially the variable portion which is directly affected by the PLD, as a consequence of a higher activation of the thermal power plants as a result of the hydric crisis;
- (ii) Less water availability in the major hydroelectric reservoirs increased the cost with Hydrological Risk and the consequent dispatch of the thermal power stations increased the cost with the virtual condominium;
- (iii) Reduction due to the PLD's equalization in 2021 thus, generating less Financial Surplus, which did not occur in 2020, the year where it happened an increase of the Financial Surplus because of the PLD between the submarkets and also due to a lesser volume of energy purchase in the MCP;
- (iv) an increase in the generation of thermal power plants to ensure the safety of the national energy supply, due to a determination from the Monitoring Committee for the Electric Sector (CMSE) along with ONS; and
- (v) In 2021, it was affected by the on-lending of the Reserve Energy Surplus, with the PLD standing in elevated levels and the expectations of generation from the contracted plants in the scope of Reserve Energy, such factors directly affected the income of resources into the account.

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7. CONSTRUCTION COSTS

	Consolidated	
	2021	2020
Personnel	(448)	(345)
Material	(3,465)	(2,871)
Third-party services	(2,615)	(2,389)
Interest on construction in progress	(44)	(46)
Others	(189)	(418)
Special obligations	399	343
Total	(6,362)	(5,726)

In 2021, the cost of the concession's infrastructure construction, in the amount of R\$ 4,246 and R\$ 2,116 (In 2020, R\$ 3,637 and R\$ 2,089) refers to the construction costs of the distributors and transmitters, respectively.

8. OPERATING COSTS AND OPERATING EXPENSES

	Consolidated			
	2021			
	Operating costs	Sales expenses	Other standard and administrative revenue/expenses	Total
Staff and employee benefits (note 8.1)	(1,006)	(129)	(630)	(1,765)
Management	-	(1)	(76)	(77)
Third party services	(915)	(237)	(567)	(1,719)
Photovoltaic operations	(13)	-	-	(13)
Depreciation and amortization (note 8.2)	(1,547)	(6)	(198)	(1,751)
Fuel for energy production	(558)	-	-	(558)
Provision for judicial lawsuits	-	-	(142)	(142)
Taxes	(4)	-	(24)	(28)
Other revenues and expenses, net (note 8.3)	(236)	(1)	(24)	(261)
Total	(4,279)	(374)	(1,661)	(6,314)

	Consolidated			
	2020			
	Operating costs	Sales expenses	Other standard and administrative revenue/expenses	Total
Staff and employee benefits (note 8.1)	(789)	(110)	(519)	(1,418)
Management	-	-	(70)	(70)
Third party services	(813)	(152)	(580)	(1,545)
Photovoltaic operations	(7)	-	-	(7)
Depreciation and amortization (note 8.2)	(1,317)	(3)	(132)	(1,452)
Fuel for energy production	(448)	-	-	(448)
Provision for judicial lawsuits	2	-	(140)	(138)
Taxes	(2)	-	(21)	(23)
Other revenues and expenses, net (note 8.3)	(235)	(23)	(68)	(326)
Total	(3,609)	(288)	(1,530)	(5,427)

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8.1 Personnel costs and expenses

	Consolidated	
	2021	2020
Wages	(865)	(707)
Social charges	(367)	(292)
Meal tickets	(213)	(136)
Assistance agreement and other benefits ⁽¹⁾	(121)	(87)
Post-employment benefits	4	14
Contract termination	(64)	(21)
Vacations and 13 ^o salary	(217)	(164)
Health plan	(190)	(144)
Profit participation	(232)	(218)
(-) Transfers to orders	525	357
Others	(25)	(20)
Total	(1.765)	(1.418)

(1) Includes post-employment benefits and other benefits.

8.2 Depreciation and amortization

	Consolidated	
	2021	2020
Depreciation and amortization quota of the period	(1,696)	(1,474)
Write-off of residual value from the intangible assets	(81)	-
(-) PIS/COFINS credits	26	22
Residual depreciation and amortization in the result	(1,751)	(1,452)

8.3 Other operating (expenses)/revenues

	Consolidated	
	2021	2020
Insurance	(34)	(30)
Donations and contributions	(9)	(11)
Recovery of expenses	54	71
Class entity of the electric sector	(10)	(9)
Travel expenses	(31)	(28)
Self-consumption and electric energy	(50)	(37)
Advertising and publicity	(31)	(11)
Meals	(11)	(9)
Fines on delayed payments	256	234
Loss / disposal / deactivation	(129)	(242)
Indemnification – electric damages	(14)	(11)
Material	(235)	(182)
Rents	(4)	(8)
Others	(13)	(53)
Total	(261)	(326)

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9. FINANCIAL RESULT

	Consolidated		Parent Company	
	2021	2020	2021	2020
Financial revenue				
Income from financial applications	186	135	14	16
(-) Taxes on financial income	(50)	(41)	(9)	(10)
Interest and charges on delayed proceeds	500	440	-	-
Judicial deposits monetary variation	14	8	2	2
Monetary variation on sectoral financial assets	38	4	-	-
post-employment and other benefits	3	3	-	-
Other financial income	64	48	180	177
	755	597	187	185
Financial expenses				
Charges on debt instruments ⁽¹⁾	(2,336)	(1,240)	(341)	(122)
post-employment and other benefits	(88)	(63)	-	-
Monetary variation of sectoral financial liabilities	-	(8)	-	-
Monetary variation on provision for losses on lawsuits	(210)	(175)	-	2
IOF ("Tax on Financial Operations")	(9)	(25)	(1)	(1)
Other financial expenses	(291)	(244)	(76)	(57)
	(2,934)	(1,755)	(418)	(178)
Other financial income (expenses), net				
Losses on foreign exchange rate variation and fair value adjustments – Debt	(1,833)	(4,280)	-	-
Gain on foreign exchange rate variation and fair value adjustments – Debt	1,444	1,906	(56)	66
Losses on derivative financial instruments – Note 19,3,b	(1,819)	(1,932)	(151)	(102)
Gain on derivative financial instruments – Note 19,3,b	2,127	4,488	172	22
Losses on foreign exchange rate variation and monetary	(62)	(57)	2	(14)
Gain on foreign exchange rate variation and monetary	39	3	1	-
	(104)	128	(32)	(28)
Financial result, net	(2,283)	(1,030)	(263)	(21)

(1) Includes the variable portion of interest related to price ratios on national currency debts; such as IPCA, *Índice Geral de Preços de Mercado* - IGP-M ("Overall Market Prices Ratio") among others and appropriation of borrowing costs.

10. INCOME TAXES, OTHER TAXES, SECTORAL CHARGES AND REIMBURSEMENT TO CONSUMERS

10.1 Income taxes

Current and deferred income taxes are comprised by *Imposto de Renda* ("IRPJ") and *Contribuição Social sobre o Lucro Líquido* ("CSLL") and are calculated based on the 34% nominal rate on income before taxes (IRPJ - 25% and CSLL - 9%), and consider the offsetting of tax loss carryforwards, limited to 30% of the taxable income for the period.

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10.1.1 Income taxes recognized in the statement of income reconciliation

The reconciliation between taxes calculated at nominal rates and the amount of income taxes recognized in the statement of income is as follows:

	Consolidated	
	2021	2020
Income before taxes	5,589	3,848
Nominal income taxes rate - 34%	(1,902)	(1,308)
Adjustments to income tax calculation:		
Tax benefit on interest on own capital	119	192
Tax incentives	409	307
Difference on income taxes calculated based on assumed profit	123	70
Additions (reversals) to non-recognized tax loss carry forwards	(192)	(121)
Other permanent additions (reversals)	(80)	(83)
Income taxes	(1,523)	(943)
Effective income taxes rate	27%	25%
Current	(566)	(511)
Deferred	(957)	(432)

10.1.2 Deferred tax assets and liabilities

Deferred taxes on assets and liabilities are recognized based on tax losses and temporary differences between book values for the purposes of the financial statements and the corresponding amounts used for taxation purposes,

	Consolidated	
	2021	2020
Tax loss (includes negative basis)	404	191
Added value and provision for maintaining the integrity of shareholders' equity	461	540
Temporary differences:		
Business combination (note 15.4)	(671)	-
post-employment benefit obligations	287	386
Provision for legal proceedings	353	285
Estimated credit losses - Accounts receivable	281	164
Right to use the overtaking revenue concession	96	102
Added value linked to property, plant and equipment, and intangible assets	48	48
Fair value of indemnified financial assets	(1,535)	(703)
Debt interest capitalization	(160)	(275)
Accelerated depreciation	(40)	(35)
Fair value of financial instruments	14	(226)
Hydrological risk (GSF)	(42)	-
Others	(604)	(324)
Total	(1,039)	153
Non-current assets	727	656
Non-current liabilities	(1,766)	(503)

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The variations in deferred taxes are as follows:

	Consolidated	
	Asset	Liability
Balance as of December 31, 2020	656	(503)
Business combination	411	(671)
Recognized effects on income	(565)	(392)
Effects recognized in other comprehensive results	9	16
Transfers between assets and liabilities	216	(216)
Balance as of December 31, 2021	727	(1,766)
Balance as of December 31, 2019	752	(222)
Recognized effects on income	(157)	(275)
Effects recognized in other comprehensive results	62	(7)
Transfers between assets and liabilities	(1)	1
Balance as of December 31, 2020	656	(503)

Management considers that deferred tax credits will be realized in proportion to the realization of provisions and the final resolution of future events, both based on projections based on strategic planning. As of December 31, 2020, the expectation of realization of deferred tax assets, dumped, presented as follows:

	Consolidated							
	2022	2023	2024	2025	2026	Between 2027 and 2031	Between 2032 and 2036	2037 onwards
Deferred tax assets	243	139	120	52	50	27	25	71

10.1.3 Current tax assets and liabilities

	Consolidated	
	2021	2020
IRPJ	732	558
CSLL	123	78
Asset	855	636
Current	848	635
Non-current	7	1
	2021	2020
IRPJ	38	38
CSLL	18	4
Liability	56	42
Current	29	16
Non-current	27	26

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Uncertainties about the Treatment of Income Taxes

On December 31, 2021 and 2020, the Company had R\$ 27 and R\$ 26, respectively, recognized in the line of income taxes- payable which refers to the impact of the uncertain tax positions, in addition to the R\$ 25 recognized as receivable IRPJ and CSLL assets as a result from the judgment of the Extraordinary Appeal n° 1,063,187 by the Federal Supreme Court on September 24, 2021, where the unconstitutionality of the IRPJ and CSLL incidence over received values related to the Selic rate due to the repetition of undue tax obligations.

In addition to the tax uncertainties in the treatment of income taxes that were recognized, on December 31, 2021 and 2020, the Company has the amount of R\$ 3,674 and R\$ 3,146, respectively, related to the tax treatments adopted and which are susceptible to questions from the tax authorities, whose prognosis of Company, supported by its legal advisors, is that such tax treatments adopted are accepted by the authorities in the administrative and / or judicial spheres, when necessary. The main natures are listed below, as follows:

- (i) Non-addition of goodwill amortization expense in the IRPJ and CSLL calculation bases, in the amount of R\$ 3,249 (R\$ 3,146 on December 31, 2020).
- (ii) Administrative processes from the nonrecognition of compensation requests made through credit rights of IRPJ and CSLL, totaling R\$ 126.

10.1.4 Accounting policy and critical judgments

a) Accounting policy

Income taxes are recognized in the period's result, except for transactions directly recognized in the equity capital.

Income taxes are calculated based on Brazilian rates and their recognition is based on temporary differences between the book value and the tax base value of the assets and liabilities in the tax losses determined. Deferred taxes on assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when deferred income tax assets and liabilities are related to taxes on profits levied by the same tax authority on the same taxable entity.

Deferred tax assets recognized in the financial statements are based on technical studies, prepared by Management, which supports the expectation of future taxable income. These studies consider the analysis of future results, based on economic and financial projections, which are elaborated with internal assumptions and economic, commercial and tributary scenarios that may suffer changes in the future. The deferred tax liabilities are immediately recognized in the financial statements.

The calculation of income tax payable is positively influenced by the SUDENE tax incentive. The SUDENE tax incentive provides the Company with the tax benefit of a 75% reduction in IRPJ, calculated based on operating profit.

b) Critical estimates and judgments

Significant judgments, estimates and assumptions are required to determine the amount of deferred tax assets recognized when considering projected assumptions and cash flows and may be affected by the

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following factors, but being limited to them:: (i) internal assumptions about projected taxable income, based in the planning of energy production and sale, energy prices, operating costs and planning of capital costs; (ii) macroeconomic scenarios; and (iii) commercial and tributary.

The Company also applies critical accounting judgment in the identification of uncertainties about tax positions on profit, which may impact the financial statements. These Uncertainties about the treatment of taxes on profits represent the risks where the tax authority may not accept a certain tax treatment applied by the Company. The Company estimates the probability of the tax authority accepting the uncertain tax treatment based on technical assessments of its legal advisors, considering precedent jurisprudence applicable to the current tax legislation, which may be impacted mainly by changes in tax rules or court decisions that alter the analysis grounds of uncertainty, to the extent that disputes may arise with tax authorities over the interpretation of applicable laws and regulations.

10.2 Fiscal benefit– Added value and PMIPL

The tax benefit of the incorporated added value refers to the tax credit calculated on the incorporated acquisition capital gains. To prevent the amortization of added value from negatively affecting the flow of dividends to shareholders, PMIPL was constituted, whose balances are as follows:

Added value - embedded	5,294
Constituted Provision	<u>(3,489)</u>
Tax benefit	1,805
Accumulated amortization	(2,930)
Accumulated reversal	<u>1,747</u>
Balance as of December 31, 2019	622
Amortization	(144)
Reversal	<u>62</u>
Balance as of December 31, 2020	540
Amortization	(138)
Reversal	<u>59</u>
Balance as of December 31, 2021	461

The amortization of added value, net of the provision reversal and corresponding tax credit, results in a zero effect on the income for the year and, consequently, on the basis for calculating the mandatory minimum dividends. The capital gains are being amortized monthly for the remaining period of operation of the concession/authorization, according to the curves below:

	Consolidated						
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Between 2026 and 2030</u>	<u>Between 2031 and 2035</u>	<u>2036 onwards</u>
Neoenergia Coelba	0.0313	0.0297	0.0282	0.0268	0.0254	-	-
Neoenergia Pernambuco	0.0214	0.0205	0.0186	0.0177	0.0478	-	-
Neoenergia Cosern	0.0267	0.0255	0.0244	0.0234	0.0438	-	-
Neoenergia Elektro	0.0901	0.0901	0.0901	0.0901	0.0901	-	-
Termopenambuco	0.0122	0.0101	0.0083	-	-	-	-
Itapebi	0.0099	0.0085	0.0073	0.0066	0.0054	-	-
FEB	0.0310	0.0310	0.0310	0.0310	0.0310	0.0310	0.0310
FEB 2	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0350
EnerBrasil	0.1130	0.1130	0.1130	0.1130	-	-	-
EKCE	0.0901	0.0901	0.0901	0.0901	0.0901	-	-

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10.3 Other taxes

10.3.1 Other recoverable taxes

	Consolidated	
	2021	2020
Tax over Merchandise and Services Circulation - ICMS	755	685
Social Interaction Program - PIS (a)	1,090	1,063
Contribution for Social Security Financing - COFINS (a)	5,056	4,907
National Institute of Social Security – INSS	28	27
Others	19	12
Other recoverable taxes	6,948	6,694
Current	2,085	1,629
Non-current	4,863	5,065
(a) See note 10.4		

10.3.2 Other taxes and sectoral charges payable

	Consolidated	
	2021	2020
Tax over Merchandise and Services Circulation - ICMS	808	356
Social Interaction Program - PIS	169	127
Contribution for Social Security Financing - COFINS	785	583
Withholding taxes and contributions	111	160
Others	67	57
Other taxes payable	1,940	1,283
Research and Development - R&D	189	204
Energy Efficiency Program – PEE	304	240
Others	385	185
Sectoral charges	878	629
Total Other taxes and sectoral charges payable	2,818	1,912
Current	1,690	1,148
Non-current	1,128	764

10.4 Reimbursement to consumers– Federal taxes

In March 2017, the Supreme Federal Court (“STF”) concluded the judgment of the Extraordinary Appeal nº 574.706-PR, regarding general repercussion, thus confirming that the ICMS is not a part of the calculation basis of PIS and COFINS. The Federal Union presented a motion for clarification seeking to modulate the effects and definition of the ICMS value that will be excluded from the calculation basis of these contributions. In May 2021, the STF judged the motions and accepted them to some extent to (i) modulate in time the unconstitutionality decision, whose effects will occur after 2017.03.15 (judgment date of the leading case’s merit), setting aside judicial or administrative lawsuits filed until the referred date; and (ii) to set that the ICMS portion to be expurgated from the contributions’ calculations basis is the one highlighted in the billing, and not the one effectively paid.

In August and September 2019, favourable decisions became *res judicata* to the subsidiaries Neoenergia Cosern and Neoenergia Coelba and, in December 2020, the same happened to Neoenergia Pernambuco. The aforementioned lawsuits were filed in 2010. Faced with this fact, the approver of the compensation per

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the article 170-A from the National Tax code, the Company initially constituted an asset of PIS and COFINS receivable already updated in the amount of R\$ 5,755 was constituted, taking the understanding from "Receita Federal do Brasil" (Brazilian Federal Revenue – RFB) contained in the internal consultation COSIT nº 013/2018 as calculation benchmark, considering the value of ICMS tax payable. In the occasion, a liability in the amount of R\$ 5,749 was constituted, being R\$ 6 of success fees, owed to lawyers, as a result from the adoption of due caution and care, in face of a possible understanding from ANEEL that the amounts to be appropriated through compensation of recognized tax credits must be fully relayed to the consumers, accordingly with the Agency's interpretation in the terms of the regulatory norms from the electric sector and the concession contract. The subject, however, is still under the Agency's public consultation and is still not concluded up to the present date. The carrying amounts in the asset and liability began to be updated by the SELIC rate.

After the judgment of motions for clarification in STF, and in face of the need to recalculate the values in light of understanding that has been consolidated regarding the expurgation of the highlighted ICMS through the highlighted amount and no longer through the amount payable that was initially adopted, the Company made a supplementary asset in 2021 of R\$ 1,372. This amount includes the figure of R\$ 745 that refers to lawsuits filed by a few subsidiaries (Termope and Neoenergia Elektro) whose judicial decisions still did not become *res judicata*. However, the Company, after a detailed analysis of each lawsuit, observed similarities with previous successful *res judicata* lawsuits and that are also aligned with the decision based on the merit of the motions for clarification in STF.

The Company has been adopting the procedures of tax credit recovery accordingly with the regulation issued by the RFB. The subsidiaries Neoenergia Coelba, Neoenergia Cosern and Neoenergia Pernambuco began the relay to the consumers from April 2021, under ANEEL's Resolution nº 2,857/21, 2,858/21 and 2,861/21. For the subsidiary Neoenergia Elektro the relay began from August under ANEEL's Resolution nº 2,927.

The movement of Reimbursement to consumers is presented below:

	Consolidated
Balance as of December 31, 2019	3,282
Constitution	1,638
Update	838
Payment (i)	(3)
Balance as of December 31, 2020	5,755
Addition by the business combination (note 15.4)	148
Constitution (i)	911
Update (ii)	313
Payment (iii)	(2)
Transfer to portion A (note 13)	(1,096)
Balance as of December 31, 2021	6,029
Current	1,500
Non-current	4,529

(i) Impact from the change in the criteria between the highlighted ICMS versus ICMS owed, in the amount of R\$ 776 and constitution, of R\$ 135, related to the months where there was no exclusion of the ICMS from the calculation basis PIS/COFINS.

(ii) Impact from the change in the criteria between the highlighted ICMS versus ICMS owed, in the amount of R\$ 142 and update, of R\$ 171, related to the months where there was no exclusion of the ICMS from the calculation basis PIS/COFINS.

(iii) Payment of successful fees

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11. CASH AND CASH EQUIVALENTS

Cash equivalents are highly liquid operations, without use restrictions which are readily convertible into an amount known as cash and are subject to an insignificant risk of value change.

	Consolidated		Parent Company	
	2021	2020	2021	2020
Cash and bank deposit at sight	296	227	-	-
Bank Deposit Certificate (CDB)	1.649	1.598	785	275
Investment funds	3.600	3.235	346	92
Total	5.545	5.060	1.131	367

The financial instruments portfolio classified as cash and cash equivalents are made with the purpose of better profitability and a lower level of risk. The average remuneration of these portfolios on December 31, 2021, is 99% do CDI.

On December 31, 2021 and 2020, the investment funds are mainly composed by application in Financial Treasury Bills and repurchase operations with ballast on public securities. These instruments have high liquidity in the secondary market and are subject to a lower risk of change in their value.

12. TRADE ACCOUNTS RECEIVABLE AND OTHERS

	2021			Consolidated 2020		
	Receivables	Expected credit loss	Trade accounts receivable	Receivables	Expected credit loss	Trade accounts receivable
Energy supply (note 12.1)	8,284	(1,492)	6,792	6,154	(1,244)	4,910
Commercialization of energy at CCEE	321	-	321	352	-	352
Distribution grid availability	668	(4)	664	551	(4)	547
Government Grants and subsidies	833	-	833	425	-	425
Other receivables	478	(84)	394	346	(51)	295
Total	10,584	(1,580)	9,004	7,828	(1,299)	6,529
Current asset			8,626			6,187
Non-current asset			378			342

12.1 Energy supply

The accounts receivable regarding energy supply comprehend the receivables from distribution, generation and commercialization of energy. The composition of accounts receivable regarding energy supply, per consumer class, is demonstrated as follows:

	2021		Consolidated 2020	
	Trade Receivables	Expected credit loss	Trade Receivables	Expected credit loss
Residential	2,937	(800)	2,106	(679)
Commercial	918	(258)	603	(181)
Industrial	919	(191)	805	(157)
Rural	457	(140)	331	(115)
Government	466	(60)	386	(63)

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Public lighting	367	(20)	259	(23)
Public service	313	(7)	204	(17)
Unbilled services	1,907	(16)	1,460	(9)
Total	8,284	(1,492)	6,154	(1,244)

The *aging* of the accounts receivable regarding the energy supply is presented as follows:

	2021		Consolidated 2020	
	Trade Receivables	Expected credit loss	Trade Receivables	Expected credit loss
Due receivables	4,285	(91)	3,291	(94)
Overdue receivables:				
90 days	1,728	(115)	1,088	(84)
Between 91 and 180 days	377	(115)	262	(85)
Between 181 and 360 days	460	(175)	433	(173)
After 361 days	1,434	(996)	1,080	(808)
	8,284	(1,492)	6,154	(1,244)

12.2 Variation of the expected credit losses – PCE

	Consolidated	
	2021	2020
Balance at the beginning of the period	(1,299)	(1,122)
Addition by the business combination (note 15.4)	(171)	-
Recognized effect in the period's result	(370)	(456)
Effective losses written-off	260	279
Balance at the end of the period	(1,580)	(1,299)

12.3 Accounting policy and critical judgments

a) Accounting policy

The trade accounts receivables are financial assets measured by their amortized cost (see note 25.5) and are recognized when the receipt of the consideration value is unconditional, deducted from the expected losses.

The company recognized the expected credit losses for the trade accounts receivable in a sum considered to be sufficient by the Administration, based on estimations and critical judgments.

b) Estimative and critical judgments

The company measures the expected credit losses for the trade accounts receivable from short-term clients through the use of a provision matrix based on the non-adjusted credit loss track record, when such information represents a better reasonable and sustainable information, or, adjusted, based on the current observable data to reflect the current and future conditions for each business line operated by the Company.

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The group's distributors use the measurement approach through a provision matrix that considers the non-payment history of the last five years. These track records are considered in a segregated form, namely: regular billing, instalments and fraud invoices, being divided by consumer class (residential, industrial, commercial, rural, government, public lighting and public service). In addition to this, there is an individual analysis of the judicial proceedings with an evaluation of the probability loss and respective expected provision. If it is above 12 months, the matrix considers it as a full loss.

For the big consumers, there is an individualized analysis, which evaluates the losses based in the negotiation and respective financial situation.

The group's generators do not possess a non-payment history and considering the assurances offered in the auctions and/or bilateral agreements, the exposition to risk credit is residual. Given these characteristics, the constitution level of expected losses is not relevant for this class of receivables. Moreover, CCEE controls the sector's amount of accounts receivables and respective infringement, thus decreasing the credit risk in these operations.

The group's transmitters do not possess a history of material losses and, therefore, uses a matrix that considers crescent percentages of provisions that may reach 100% in case of a delay above 12 months. Considering that there are mechanisms established by ONS to mitigate the credit risk, the constituted credit losses are not relevant.

The supplier and service companies recognized the expected credit loss based on their clients' rating for unpaid balances and in the worse market rating for unpaid balances for more than 360 days.

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13. SECTORAL FINANCIAL ASSETS AND LIABILITIES (PORTION A AND OTHERS)

The tariffs that the concessionaires and permissionaires are allowed to charge from their consumers are reviewed by ANEEL: (i) annually on the concession agreement's anniversary date, for tariff adjustment purposes; and (ii) every four years, on average, aiming to recompose a part of the Portion B (manageable costs) and to adjust the Portion A (non-manageable costs) of certain tariff components. This tariff adjustment mechanism can cause a temporal difference that derives from the difference between the projected and included costs in the tariff at the beginning of the tariff period, and the ones that effectively incurred throughout the tariff's period of validity. These differences form rights or obligations, in observance of the principle of economic and financial balance established by the contract of concession and permission. The composition of the sectoral assets and liabilities are demonstrated below:

	2021			Consolidated 2020		
	Rights	Obligations	Net effect	Rights	Obligations	Net effect
CVA and Neutrality						
Energy	1,734	(8)	1,726	782	(88)	694
System Service Charges – ESS	1,766	-	1,766	75	(117)	(42)
Energy Development Account – CDE	82	(34)	48	5	(52)	(47)
Tariff on Use of Transmission Network – TUST	482	(4)	478	305	(20)	285
Others	67	(128)	(61)	17	(57)	(40)
Financial Components and Subsidies						
Overcontracting pass-through (1)	111	(426)	(315)	129	(170)	(41)
Hydrological Risks	-	(912)	(912)	-	(660)	(660)
Demand's Overtaking / Surplus	-	(594)	(594)	-	(666)	(666)
Compensation of CCEAR Bilateral agreements	1	-	1	65	-	65
COVID account – Liability	-	(34)	(34)	-	(98)	(98)
PIS/COFINS credits over ICMS (2)	917	(1,116)	(199)	-	-	-
Others	172	(385)	(213)	68	(91)	(23)
Total	5,332	(3,641)	1,691	1,446	(2,019)	(573)
Values Homologated by Aneel (under reversal)	1,742	(1,033)	709	175	(643)	(468)
Values to be Homologated by Aneel (under construction)	3,590	(2,608)	982	1,271	(1,376)	(105)
Total	5,332	(3,641)	1,691	1,446	(2,019)	(573)
Current Assets			1,681			92
Non-Current Assets			352			-
Current Liabilities			-			(149)
Non-current Liabilities			(342)			(516)

- (1) In August 2020 ANEEL published the order nº 2,508, which established the exposition values to be treated as involuntary, in the energy purchase scope concerning the biennium of 2016/2017. In good time, the company presented an administrative appeal regarding these values, contesting the criteria adopted in its calculation, which were applied without an express legislative provision. Until the current date, the agency did not express any decision about the question's merit.
- (2) The transfer in the tariffs of the PIS/COFINS credits over ICMS will still be a subject of regulation by ANEEL in the Public Consultation nº 05/2021, however, ANEEL authorized the anticipated use of these values in special situations, where there is a possibility of an expressive tariff increase. Therefore, in the Tariff Readjustment of 2021, the anticipation of the

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reversal of the values from these credits as a negative financial component was recognized and its deferral for the next 12 months, from April/21 to Mar/22, is based on the expectation of these credits being compensated in the future along with the Federal Revenue.

The movement of the concession's sectoral asset and liabilities are presented as follows:

	Rights	Obligations	Consolidated Effect
Balance as of December 31, 2019	2,187	(2,105)	82
Constitution	5,166	(3,876)	1,290
Amortization (Tariff repositioning index)	(3,892)	3,653	(239)
Monetary variation	60	(64)	(4)
COVID account anticipation (1)	(1,811)	147	(1,664)
Transfers	(264)	226	(38)
Balance as of December 31, 2020	1,446	(2,019)	(573)
Constitution	5,528	(2,164)	3,364
Amortization (Tariff repositioning index)	(1,502)	2,054	552
Monetary variation	101	(62)	39
Transfers	(241)	(1,450)	(1,691)
Balance as of December 31, 2021	5,332	(3,641)	1,691

- (1) In 2020, the Company received an amount of R\$ 1,664 through the CCEE and transferred it with the COVID account to the energy distributors, in an account linked to the tariff affordability on-lending from the Energy Development Account – CDE, which refers to the regulation assets declared in the Acceptance Term and accounted in the terms of the Normative Resolution nº 885, from June 23, 2020.

From the tariff proceedings of 2021, it is occurring an inclusion of a new component of the CDE charge, denominated as CDE – COVID Account, which is related to the payment of the COVID Account loan, according to the decree nº 10,350/2020, destined to receive resources of the financial operation for the distributors' cash relief in 2020 from the portion allocated in TE and TUSD. For the consumer, the initiative represents the postponement and instalment of the tariff impacts, diluted in 60 months through the CDE.

13.1 Accounting policy and critical judgments

a) Accounting policy

The sectoral financial assets and liabilities are measured by the amortized cost (see note 25.1). The financial assets contemplate, since its initial recognition, the expectation of non-payment risks and the estimative remarks by the Granting Authority.

b) Estimative and critical judgments

The present value of the rights and obligations will be effectively liquidated at the next tariff period or, in case of the concession's extinction with the existence of ascertained balances that were not recovered and/or transferred, will be included in the compensation basis that is already foreseen in case of the concession's extinction by any reason.

The Company, along with its economic and regulatory advisors, reviews at the end of each period, the assumptions and expectations of approval by the Granting Authority.

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14. PUBLIC SERVICE CONCESSIONS

The Company's concessions of distribution and transmission are not onerous, therefore there are no fixed financial obligations and payments to be made for the Granting Authority. The vested concession contracts have a 30-year term with an extension of its validity, at the sole discretion of the Granting Authority, upon the concessionaire's request. In case of the concession's extinction due to the termination of the contract's deadline or other hypothesis predicted in the contract, the assets linked to the infrastructure which is connected to the provision of services will be reversed to the Granting Authority. Thus, proceeding to the mapping, evaluations and determination of the amount of compensation is owed to the Companies considering the values and incorporation dates to the electric system.

14.1 Financial asset

The values of the assets bound to infrastructure and that will not be amortized until the end of the concession contract is classified as a financial asset for being an unconditional right of receiving cash or other financial assets directly from the Granting Authority. The recognized value of the financial asset and the changes in the fair value are reviewed every month based on the inherent assumptions to this contractual asset (see note 25.6). These assets had the following transactions in the period:

	Consolidated	
	2021	2020
Balance at the beginning of the period	14,403	11,743
Addition by the business combination (note 15.4)	137	-
Disposals	(35)	(28)
Reversals	2	1
Transfers – contractual assets ⁽¹⁾	2,402	2,108
Transfers – intangible assets	28	27
Transfers – others	-	3
Fair value adjustments	1,579	549
Balance at the end of the period	18,516	14,403

(1) Transfer of the distributor's financial asset classified as contractual asset during the construction period.

The tariff revision occurs every four years on Neoenergia Pernambuco and Neoenergia Elektro, and every five years on Neoenergia Coelba, Neoenergia Cosern and Neoenergia Brasilia.

14.2 Contractual asset

The assets bound to concession infrastructure, whose right to consideration is conditioned to the fulfilment of performance obligations, are classified as Contract Assets and present the following composition:

	2021			Consolidated 2020		
	Transmission	Distribution	Total	Transmission	Distribution	Total
Current	492	-	492	133	-	133
Non-current	8,188	4,259	12,447	4,892	3,849	8,741
Total	8,680	4,259	12,939	5,025	3,849	8,874

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These assets had the following movement in the period:

	Transmission	Distribution	Consolidated Total
Balance as of December 31, 2020	5,025	3,849	8,874
Addition by business combination (note15.4)	-	134	134
Additions ⁽¹⁾	3,174	4,305	7,479
Disposals	(8)	(63)	(71)
Transfers - intangible in progress ⁽¹⁾	-	(1,525)	(1,525)
Transfers – financial assets ⁽¹⁾	-	(2,402)	(2,402)
Transfers – others	-	(39)	(39)
Contractual asset amortization	(181)	-	(181)
Monetary variation	670	-	670
Balance as of December 31, 2021	8,680	4,259	12,939
Cost	8,680	4,651	13,331
Special obligations	-	(392)	(392)
	Transmission	Distribution	Consolidated Total
Balance as of December 31, 2019	1,756	3,877	5,633
Additions ⁽¹⁾	3,065	3,625	6,690
Disposals	(2)	(28)	(30)
Transfers - intangible in progress ⁽¹⁾	-	(1,546)	(1,546)
Transfers – financial assets ⁽¹⁾	-	(2,108)	(2,108)
Transfers – others	-	29	29
Contractual asset amortization	(85)	-	(85)
Monetary variation	291	-	291
Balance as of December 31, 2020	5,025	3,849	8,874
Cost	5,025	4,182	9,207
Special obligations	-	(333)	(333)

- (1) During the construction phase, the assets bound to the distributor's concession infrastructure are registered as contractual assets and measured by their acquisition cost plus the costs of the loan for the financing of the given construction, that incurred in the same period. After the work's conclusion, these assets are divided between financial and intangible assets.

14.3 Accounting policy

The Contracts of Public Service Concession of Electric Energy celebrated between the Union (Grating Authority – First Party) regulated the exploration of public service concerning distribution and transmission by the companies and establishes that:

a) Distributors:

According to the concession contracts:

- (i) At the end of the concession, the assets linked to the infrastructure must be reverted to the granting authority upon payment of an indemnity.
- (ii) The price is regulated through a tariff mechanism established in the concession contracts based on a parametric formula (Portions A and B), as well as the tariff review modalities are defined, which must be sufficient to cover costs, amortization investments and return on invested capital.

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Based on the characteristics established in the concession contracts, the Management in order to reflect the electricity distribution and transmission business, covering:

- (i) The Concession contract investments in construction or infrastructure improvement are classified as contract assets. Contract assets are divided into financial assets and intangible assets, after the investment starts operating, or after the infrastructure improvement is completed.
- (ii) The Estimated portion of investments made and not amortized or depreciated until the end of the concession classified as a financial asset because it is an unconditional right to receive cash or another financial asset directly from the granting authority.
- (iii) The Remaining portion to determine the financial asset (residual value) is classified as an intangible asset (see note 17) due to its recovery being conditioned to the use of the public service, in this case, energy consumption by consumers.

b) Transmitters:

According to the concession contracts, the Company is responsible for transporting the energy from the generating centres to the distribution points. To fulfil this responsibility, the transmitting entity has two distinct performance obligations: (i) building and (ii) maintaining and operating the transmission infrastructure.

In fulfilling these two performance obligations, the energy transmitter keeps its transmission infrastructure available to users and in return receives a remuneration called Annual Allowed Revenue ('RAP'), throughout the term of the concession contract. These receipts amortize the investments made in this transmission infrastructure. Any unamortized investments generate the right to indemnity from the Granting Authority (when provided for in the concession contract), which receives the entire transmission infrastructure at the end of the concession contract.

The right to compensation for goods and services is subject to performance obligations and not just the passage of time. As a result, the consideration is now classified as a contract asset, and as a performance of the performance obligations are subsequently reclassified to accounts receivable from customers.

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15. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

15.1 Changes during the exercise

Changes in investments in subsidiaries, associates and joint ventures are as follows:

	<i>Joint ventures</i>	<i>Associated</i>	<i>Total Consolidated</i>	<i>Subsidiaries</i>	<i>Total Parent Company</i>
Balance as of December 31, 2020	1,051	1,376	2,427	20,350	22,777
Capital increase	40	-	40	4,199	4,239
Participation in investees results	100	(32)	68	4,941	5,009
Participation in other comprehensive income/(loss)	-	-	-	(215)	(215)
Amortization of added value	-	-	-	(160)	(160)
Declared dividends	(53)	(3)	(56)	(3,392)	(3,448)
Fair value adjustments of assets classified as held for sale	-	(482)	(482)	-	(482)
Reclassification of asset held for sales (note 15.3)	-	(797)	(797)	-	(797)
Others	-	-	-	19	19
Balance as of December 31, 2021	1,138	62	1,200	25,742	26,942
Balance as of December 31, 2019	1,040	1,461	2,501	16,627	19,128
Capital increase	27	-	27	1,433	1,460
Participation in investees results	24	(80)	(56)	3,283	3,227
Participation in other comprehensive income/(loss)	-	-	-	143	143
Amortization of added value	-	-	-	(164)	(164)
Declared dividends	(40)	(5)	(45)	(972)	(1,017)
Balance as of December 31, 2020	1,051	1,376	2,427	20,350	22,777

Changes in dividends and interest on equity receivable as follows:

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Opening balance for the year	16	15	684	389
Declared	56	45	3,356	929
Received	(47)	(44)	(3,411)	(634)
Reversal	-	-	-	-
Payment	-	-	-	-
End balance for the year	25	16	629	684
Current	25	16	629	659
Non-Current	-	-	-	25

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15.2 Breakdown by investment class

Additional information regarding the main investees are as follows:

	Segment	Participation and voting capital (%)	Balance of Investments in		Result of participation		Dividends received		
			2021	2020	2021	2020	2021	2020	
Subsidiaries									
	Networks	100.00%	5,789	2,355	694	516	28	1	
	Liberalized	100.00%	1,519	1,355	545	219	340	130	
Wholly owned subsidiaries	Renewable	100.00%	5,229	4,138	351	225	155	125	
	Outros	100.00%	12	14	(39)	(1)	-	-	
Other subsidiaries									
	Neoenergia Coelba	98.94%	6,229	6,041	1,623	1,179	1666	115	
	Neoenergia Elektro	99.68%	3,861	3,697	820	590	626	57	
	Neoenergia Pernambuco	89.65%	1,819	1,721	337	195	183	103	
	Neoenergia Cosern	93.05%	1,467	1,285	490	312	333	19	
	Afluenta T	90.13%	223	165	90	16	35	40	
			26,148	20,771	4,911	3,251	3,366	590	
Associates and joint ventures									
	Teles Pires Participações ⁽¹⁾	Renewable	50.56%	808	765	5	(36)	-	-
	Companhia Hidrelétrica Teles Pires	Renewable	51.00%	26	25	-	-	-	-
	Águas da Pedra	Renewable	51.00%	304	260	96	61	45	44
	Norte Energia S.A. (NESA) ⁽²⁾ - Vide nota 15.3	Renewable	10.00%	-	1,322	(43)	(86)	-	-
	Energética Corumbá III	Renewable	25.00%	62	55	10	5	1	-
			1,200	2,427	68	(56)	46	44	
Shareholders' transactions			(406)	(421)	30	32	-	-	
			26,942	22,777	5,009	3,227	3,412	634	

- (1) On September 14, 2021, it was celebrated the agreement between the Consortium Construtor Teles Pires – (CCTP) and the Companhia Hidrelétrica Teles Pires S.A. for the extinction of the arbitration process along with the Conciliation and Arbitration Chamber of Fundação Getúlio Vargas, instituted in May 2016. The request was referred to the supposed increase of the project's costs, estimated by "CCTP" and regarded the following events: due to the liberation of areas affected by the construction, geology plea, workforce plea and plea of the transmission line.

The aforementioned agreement defined that the Company should make the payment of R\$ 77 to CCTP, being R\$ 8 retained as a guarantee deposit until the conclusion of the pending items concerning the construction. The provision for judicial proceedings constituted in 2016 was reverted on September 30, 2021.

- (2) Risks related to legal compliance at NESA: In 2014, the *Ministério Público Federal* – MPF ("Federal Public Prosecution") started investigations regarding irregularities involving UHE Belo Mont project contractors and suppliers and NESA's other shareholders, which are still ongoing.

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In 2015, NESA hired specialized law and audit offices, in connection with the internal investigation process conducted by the Independent Commission approved in the context of one of the investee's shareholders, Centrais Elétricas Brasileiras S.A. - Eletrobrás, whose work was completed in 2016, in which it was concluded that certain contracts contained an estimated overprice of 1% of contract amount. As a consequence, NESA recognized impairment losses in proportion to its participation on the project. Considering that the MPF investigation is still ongoing and there are not new facts, it is not possible to predict any outcome on the investee.

15.3 Non-current asset held for sale

The Norte Energia S.A. ("NESA") is a Specific Purpose Society with open capital, whose social purpose consists in the implementation, operation, maintenance and exploration of the Hydro Power Plant of Belo Monte ("UHE Belo Monte"), located in the Xingu river, in the State of Pará, and the transmission facilities of restrict interest to the Powerhouse. The Company indirectly detains 10% of NESA's share capital, which composes the segment of renewable, through the subsidiary Monte Participações S.A.

On December 13, 2021, the Board of Directors authorized the Company's executive board to practice the needed actions to advance in analysis and arrangements to determine the sale conditions of the shareholding interest in NESA. This disinvestment is aligned with the Company's strategy since it is a minority shareholding.

Therefore, the Company's Administration is evolving the necessary measures for the disinvestment's future implementation, having the period of 2022 as reference. Such measures include the contracting of consultants for the selection of interested people and the elaboration of the sales process, hiring of legal advisors, as well as other usual procedures for this type of procedure.

The assets' fair value evaluation, net of sales expenses, resulted in a value inferior to the book value in R\$ 482 as reflected in the line "Fair value adjustment of assets classified as held for sale" (Note 15.1), thus, resulting in a fair value of R\$ 797, which corresponds to the Company's participation in this investment.

Consequently, the investment balance transferred from the line "investments" to the "Non-current assets held for sale" was as follows:

Investment in Norte Energia S.A. ("NESA")	<u>Consolidated</u> 797
Total	<u>797</u>

Fair value measurement

The asset's fair value measurement of R\$ 804 MM (before the sales expenses of R\$ 7) was classified as a fair value of level 2, as a result of the efforts undertaken by the Company concerning the disinvestment of NESA.

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15.4 Business combination: acquisition of CEB Distribuição S.A. (“CEB-D”), current Neoenergia Brasília

On December 4, 2020, the Company, through its subsidiary Bahia Geração de Energia S.A. (“Bahia PCH III”), was the winner of the Public Session in the Auction nº 01/2020-CEB-D (“Auction”) concerning the privatization of the Electric Energy Distributor CEB-D, having presented the winning bid of R\$ 2,515 for the acquisition of 100% of the issued shares from CEB-D, whose settlement happened on March 2, 2021, after the previous approval by the Administrative Council for Economic Defence (“CADE”) and previous approval of the National Electric Energy Agency (“ANEEL”), which happened on January, 14 and 22, 2021, respectively. CEB-D is an energy distributor from the Federal District and detains the concession for the energy distribution in the Federal District for 30 years, until July 7, 2045. The acquisition of CEB-D was another step aligned with the Company’s expansion plan in the Brazilian Electric Sector. Below is presented the verification of the result from the business combination through the confrontation of the paid value and the fair value of the main identifiable acquired assets and liabilities assumed on March 2, 2021, business combination date:

Paid compensation value	2,515
(-) Cash acquired in the acquisition	(100)
Net value of the cash outflow	2,415
Fair value of the assets acquired	
Accounts receivable and others	621
Recoverable taxes	164
Judicial deposits	23
Public service concession (financial asset)	137
Public service concession (contractual asset)	134
Deferred income taxes	393
Other assets	97
Fixed assets	46
Intangible assets (Concession contract) (i)	2,716
Other intangible assets	8
	4,339
Fair value (-) of the assumed liabilities	
Suppliers and accounts payable to contractors	(461)
Payable sectoral taxes and charges	(460)
Loans and financings	(226)
Payable wages, benefits to employees and charges	(115)
Sectoral financial liability (Portion A and others)	(198)
Provisions (ii)	(199)
Reimbursement to consumers – Federal taxes	(148)
Deferred income taxes (iii)	(671)
Other liabilities	(117)
Net asset acquired	1,744
(=) Goodwill	671

The Company is not subject to contingent compensations or has the right to indemnities that may affect the purchase price. The expenses with legal fees, financial advisors, due diligence, taxes among others, related to the acquisition of CEB-D totalled R\$ 25. The assumptions and evaluation techniques of the main identified acquired assets and liabilities assumed in the acquisition of CEB-D are as follows:

- (i) Intangible related to the concession contract of service provision related to the distribution of energy in the Federal District until July 7, 2045, for R\$ 2,716, where the fair value adjustment made in the process of allocating the purchase price was R\$ 2,050. The intangible’s fair value (concession contract) was

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evaluated through the multi-period excess earnings method, which considers the present value of the concession's liquid expected cash flows. The key assumptions were:

- The remaining concession period of 24 years.
- Expected energy volume and respective tariffs per consumer class, based on ANEEL's established methodology.
- Operating expenses based on the Administration's estimates, considering the Company's experience in the management of concession contracts.
- Investment expectations for the maintenance and improvement of the structure from CEB-D, considering the evaluation parameters which are consistent with the size and long-term strategic planning from CEB-D.
- Income taxes of 34%.
- Discount rate reflecting the Weighted Average Capital Cost – WACC, in an adequate level of perception to the Market risk and adequate remuneration to the shareholders in the acquisition date.

(ii) Contingent liabilities related to judicial proceedings under tributary, civil, labour and regulatory matters, based on the best estimation of loss according to the Administration's judgment in the amount of R\$ 199, where the fair value adjustment made in the process of allocating the purchase price was R\$ 93, which reflects in the Administration's best expectation in regards to the disbursements concerning the ongoing judicial proceedings, based in recent judicial decisions and broad jurisprudence that was formed in relation to the claims of the referred judicial proceedings. The fair value of the judicial proceeding of civil, labour, tributary and regulatory natures in the acquisition date are as follows:

Judicial proceedings	
Civil	23
Labour	58
Tributary	31
Regulations	87
Provisions and contingent values at fair value	199
(-) Provision for judicial proceedings previously recognized by CEB-D	(106)
(=) Fair value adjustment	93

(iii) The deferred income taxes calculated over the adjustments between the book values and the fair values of the assets and liabilities aforementioned in the items (i) and (ii), at the nominal aliquot of 34%. One highlights that the goodwill and the judicial proceedings provision adjustments in the amounts of R\$ 671 and R\$ 31 are not part of the calculation basis respectively.

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15.6 Subsidiaries with the participation of non-controlling shareholders

The summary financial information, before intergroup eliminations, of the subsidiaries with the participation of non-controlling shareholders are presented as follows

(a) Selected balance sheet information.

					2021
	Neoenergia Coelba	Neoenergia Elektro	Neoenergia Pernambuco	Neoenergia Cosern	Afluenta T
Balance sheet					
Cash and cash equivalents	650	624	673	167	18
Accounts receivable from costumers	2,831	2,160	2,056	757	6
Derivative instruments	787	663	330	270	0
Property, plant and equipment and intangible assets	3,239	1,538	2,430	695	3
Other assets	16,890	5,691	7,497	3,303	249
Total assets	24,397	10,676	12,986	5,192	276
Loans and financings	11,406	5,013	6,706	2,140	0
Accounts payable to suppliers	1,329	699	1,072	339	7
Derivative instruments	118	2	29	3	0
Employee benefits	680	42	91	0	0
Other liabilities	4,688	1,686	3,256	1,197	21
Total liabilities	18,221	7,442	11,154	3,679	28
Shareholders' equity	6,176	3,234	1,832	1,513	248
					2020
	Neoenergia Coelba	Neoenergia Elektro	Neoenergia Pernambuco	Neoenergia Cosern	Afluenta T
Balance sheet					
Cash and cash equivalents	474	912	728	209	31
Accounts receivable from customers	2,234	1,829	1,464	581	4
Derivative instruments	839	830	553	264	-
Property, plant and equipment and intangible assets	3,351	1,581	2,461	686	1
Other assets	14,023	4,126	6,217	2,877	172
Total assets	20,921	9,278	11,423	4,617	208
Loans and financing	7,817	4,001	5,464	1,702	1

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Accounts payable to suppliers	1,333	888	883	360	3
Derivative instruments	11	2	11	2	-
Employee benefits	821	168	135	-	-
Other liabilities	4,807	1,218	3,228	1,216	17
Total liabilities	14,789	6,277	9,721	3,280	21
Shareholders' equity	6,132	3,001	1,702	1,337	187

(b) Selected information from comprehensive income and other information.

					2021
	Neoenergia Coelba	Neoenergia Elektro	Neoenergia Pernambuco	Neoenergia Cosern	Afluente T
Comprehensive result					
Net operating revenue	14,265	8,505	8,498	3,616	120
Operating income before financial result	2,818	1,401	945	720	103
Net profit (loss) for the year	1,669	822	376	533	100
Total comprehensive result	22	80	(37)	(17)	0
Other information					
Net working capital	642	1,145	544	(112)	51
Operating cash flow	752	(8)	(376)	364	28
					2020
	Neoenergia Coelba	Neoenergia Elektro	Neoenergia Pernambuco	Neoenergia Cosern	Afluente T
Comprehensive result					
Net operating revenue	11,285	6,833	6,862	2,794	36
Operating income before financial result	1,811	950	534	468	19
Net profit (loss) for the year	1,219	592	217	342	19
Total comprehensive result	69	19	(6)	14	-
Other information					
Net working capital					
Operating cash flow	691	124	112	357	48
Comprehensive result	1,793	1,111	851	491	27

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15.7 Impairment of investments – Impairment

Management annually reviews the events or changes in the economic, operational or technological background of each asset or cash-generating unit (CGU).

On December 31, 2021 and 2020, the assets that presented previous indications of impairment or impairment were subjected to analysis to identify the real impact of a possible impairment loss, with the result that there was no need to recognize a loss. for impairment of any of the Company's assets.

The assumptions that support the tools used to test the recovery of investments made range from changes in estimated cash flows brought to present value to market growth projections over the long term.

Cash flows are estimated based on the historical results, considering the Company's annual budget; for the period of time analysed the Company considers the maturity of each service concession arrangement; and for the projected long-term market growth, the Company uses projections compatible with historical data and solid growth prospects for the Brazilian economy.

Such flows are discounted at post-tax rates using a methodology widely applied in the energy market.

15.8 Accounting policy and critical judgments

a) Accounting policy

Business combination

The Company uses the acquisition method for the operations of business combinations. The transferred consideration due to the acquisition of a subsidiary comprehends the following components: (i) the fair value of the transferred assets; (ii) the liabilities assumed from the acquired business; (iii) the fair value of any asset or liability resulting from a contingent consideration, where applicable; and (iv) the fair value of any pre-existent equity participation in the subsidiary, where applicable.

The acquired identifiable assets, the assumed liabilities and the contingent liabilities in a business combination are initially measured by their fair values in the acquisition date. Goodwill appears when there is a surplus between the Company's transferred consideration and the aggregated value of the components' (i) to (vi). When the components' aggregated value is inferior to the transferred consideration due to the subsidiary's acquisition, a gain of bargain purchase is recognized in the statement of income.

The Company recognized the non-controlling interest in an acquired subsidiary by the proportional participation of the non-controlling shareholders in the subsidiary's liquid identifiable assets.

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Subsidiaries, joint ventures and associates

A subsidiary is an entity where the Company is exposed or has the right to variable returns from its involvement and has the ability to interfere in these returns due to the power it exerts over the entity (control). The subsidiaries are fully consolidated from the date when the control is detained by the Company and the consolidation is interrupted from the date when the Company ceases the control.

An associate is an entity over which the company possesses significant influence, defined as the power to participate in the elaboration of decisions about financial and operational policies of an investee, but without the individual or joint control of these policies.

A joint venture is one where two or more parties have the joint control established in a contract, it can be classified as a joint operation or joint venture, thus, depending on the parties' rights and obligations. Whereas in a joint operation, the constituent parties have rights over the assets and obligations over the liabilities related to the business, in a joint venture, the parties have the rights over the business's net assets. In the renewable segment, some activities are conducted through joint operations.

The investment in subsidiaries, joint ventures and associates are evaluated through the equity equivalence method from the date where they become an associate, joint venture and subsidiary. Only joint operations constituted through a separate entity with its own legal personality are evaluated through the equity equivalence method. For the other joint operations, the company recognize these operations' assets, liabilities and respective revenues and expenses.

The Company's participation in the profits or losses of its joint ventures is recognized in the statement of income and the participation in the reserves mutations is recognized in the Company's reserves. When the Company's participation in the losses of an associate or joint venture is equal or superior to the investment's book value, including any other receivables, the Company does not recognize additional losses unless it has incurred in obligations or made payments in the name of the joint venture.

Non-current assets held for sale

The assets are classified as held for sale when it is highly likely that they will be recovered through selling instead of its continuous use and must be measured through the lesser value between its book value and the respective fair value, deducted from the sales costs. Any loss due to the fair value adjustment in the initial classification of the assets held for sale and gains and/or losses on account of subsequent measurements should be recognized in the result. When an investment that was measured through the equity equivalence method starts to be classified as held for sale, it will no longer be subject to this method's application.

b) Estimative and critical judgments

Business combination

In the measurement process of a business combination, the Company's Administration applies evaluation assumptions and techniques in the main identified elements of the acquisition (acquired assets and assumed liabilities). The application of these evaluation assumptions and techniques involves the Administration's judgment, based on its business and management model, and the individual characteristics of the elements that are being evaluated. As a result, the fair value of the acquired assets and assumed liabilities initially measured in the business combination may suffer significant variations

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between the Company's projected results and the actually achieved results, these variations may occur due to the revision of both investment factors, strategic or operational, in addition to the growth level and the discount rate.

The Administration will accomplish, at least annually, the assumptions' revision to evaluate the impact of macroeconomic and operational changes, to estimate the future cash flows and measure the assets' recoverable value, especially the goodwill.

15.9 List of subsidiaries, associates and joint ventures

The subsidiary companies are listed as follows:

Companies	Activity	Percentage of participation	
		2021	2020
Companhia de Eletricidade do Estado da Bahia – Neoenergia Coelba	Distribution	98.94%	96.65%
Companhia Energética de Pernambuco – Neoenergia Pernambuco	Distribution	89.65%	89.65%
Companhia Energética do Rio Grande do Norte – Neoenergia Cosern	Distribution	93.05%	91.50%
Elektro Redes S.A. – Neoenergia Elektro	Distribution	99.68%	99.68%
Neoenergia Distribuição Brasília S.A.	Distribution	100.00%	100.00%
Aflente Transmissão de Energia Elétrica S.A. – Aflente T	Transmission	90.13%	87.84%
SE Naranjiba S.A. – Naranjiba	Transmission	100.00%	100.00%
Potiguar Sul Transmissão de Energia S.A. – Potiguar Sul	Transmission	100.00%	100.00%
Neoenergia Jalapão Transmissão de Energia S.A. – Jalapão	Transmission	100.00%	100.00%
Neoenergia Santa Luzia Transmissão de Energia S.A. – Santa Luzia	Transmission	100.00%	100.00%
Neoenergia Guanabara Transmissão de Energia S.A. – Guanabara	Transmission	100.00%	100.00%
Neoenergia Itapaboana Transmissão de Energia S.A. – Itapaboana	Transmission	100.00%	100.00%
Neoenergia Lagoa dos Patos Transmissão de Energia S.A. – Lagoa dos Patos	Transmission	100.00%	100.00%
EKTT 6 A Serviços de Transmissão de Energia Elétrica SPE S.A. – EKTT 6	Transmission	100.00%	100.00%
EKTT 7 A Serviços de Transmissão de Energia Elétrica SPE S.A. – EKTT 7	Transmission	100.00%	100.00%
EKTT 8 A Serviços de Transmissão de Energia Elétrica SPE S.A. – EKTT 8	Transmission	100.00%	100.00%
EKTT 9 A Serviços de Transmissão de Energia Elétrica SPE S.A. – EKTT 9	Transmission	100.00%	100.00%
EKTT 10 A Serviços de Transmissão de Energia Elétrica SPE S.A. – EKTT 10	Transmission	100.00%	100.00%
Neoenergia Vale do Itajaí Transmissão de Energia S.A. – Vale do Itajaí	Transmission	100.00%	100.00%
Neoenergia Dourados Transmissão de Energia S.A. – Dourados	Transmission	100.00%	100.00%
Neoenergia Atibaia Transmissão de Energia S.A. – Atibaia	Transmission	100.00%	100.00%
Neoenergia Biguaçu Transmissão de Energia S.A. – Biguaçu	Transmission	100.00%	100.00%
Neoenergia Sobral Transmissão de Energia S.A. – Sobral	Transmission	100.00%	100.00%
NC Energia S.A. – NC	Commercialization	100.00%	100.00%
Elektro Comercializadora de Energia Ltda – EKCE	Commercialization	100.00%	100.00%
Termopernambuco S.A. – Termope	Thermal generation	100.00%	100.00%
Itapebi Geração de Energia S.A. – Itapebi	Hydraulic generation	100.00%	100.00%
Baguari I Geração de Energia Elétrica S.A. – Baguari	Hydraulic generation	100.00%	100.00%
Geração CIII S.A. – Geração CIII	Hydraulic generation	100.00%	100.00%
Geração Céu Azul S.A. – Geração Céu Azul	Hydraulic generation	100.00%	100.00%
Bahia Pequena Central Hidrelétrica S.A. – Bahia PCH II	Hydraulic generation	100.00%	100.00%
Santana 1 Energia Renovável S.A. – Santana 1	Wind generation	100.00%	100.00%
Santana 2 Energia Renovável S.A. – Santana 2	Wind generation	100.00%	100.00%
Calango 6 Energia Renovável S.A. – Calango 6	Wind generation	100.00%	100.00%
Lagoa 2 Energia Renovável S.A. – Lagoa 2	Wind generation	100.00%	100.00%
Canoas Energia Renovável S.A. – Canoas	Wind generation	100.00%	100.00%
Lagoa 1 Energia Renovável S.A. – Lagoa 1	Wind generation	100.00%	100.00%

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Companies	Activity	Percentage of participation	
		2021	2020
Força Eólica do Brasil S.A. – FEB	Wind generation	100.00%	100.00%
Calango 1 Energia Renovável S.A. – Calango 1	Wind generation	100.00%	100.00%
Calango 4 Energia Renovável S.A. – Calango 4	Wind generation	100.00%	100.00%
Calango 5 Energia Renovável S.A. – Calango 5	Wind generation	100.00%	100.00%
Caetité 1 Energia Renovável S.A. – Caetité 1	Wind generation	100.00%	100.00%
Caetité 2 Energia Renovável S.A. – Caetité 2	Wind generation	100.00%	100.00%
Força Eólica do Brasil 1 S.A. - FEB 1	Wind generation	100.00%	100.00%
Calango 2 Energia Renovável S.A. – Calango 2	Wind generation	100.00%	100.00%
Calango 3 Energia Renovável S.A. – Calango 3	Wind generation	100.00%	100.00%
Caetité 3 Energia Renovável S.A. – Caetité 3	Wind generation	100.00%	100.00%
Arizona 1 Energia Renovável S.A. – Arizona 1	Wind generation	100.00%	100.00%
Mel 2 Energia Renovável S.A. – Mel 2	Wind generation	100.00%	100.00%
FE Participações S.A. – FPAR	Wind generation	100.00%	100.00%
Força Eólica do Brasil S.A. - FEB 2	Wind generation	100.00%	100.00%
Energia Renováveis do Brasil S.A. - Enerbrasil	Wind generation	100.00%	100.00%
Elektro Renováveis do Brasil S.A. – Elektro Renováveis	Wind generation	100.00%	100.00%
Chafariz 1 Energia Renovável S.A. – Chafariz 1	Wind generation	100.00%	100.00%
Chafariz 2 Energia Renovável S.A. – Chafariz 2	Wind generation	100.00%	100.00%
Chafariz 3 Energia Renovável S.A. – Chafariz 3	Wind generation	100.00%	100.00%
Chafariz 6 Energia Renovável S.A. – Chafariz 6	Wind generation	100.00%	100.00%
Chafariz 7 Energia Renovável S.A. – Chafariz 7	Wind generation	100.00%	100.00%
Lagoa 3 Energia Renovável S.A. – Lagoa 3	Wind generation	100.00%	100.00%
Lagoa 4 Energia Renovável S.A. – Lagoa 4	Wind generation	100.00%	100.00%
Canoas 2 Energia Renovável S.A. - Canoas 2	Wind generation	100.00%	100.00%
Canoas 4 Energia Renovável S.A. - Canoas 4	Wind generation	100.00%	100.00%
Chafariz 4 Energia Renovável S.A. – Chafariz 4	Wind generation	100.00%	100.00%
Chafariz 5 Energia Renovável S.A. – Chafariz 5	Wind generation	100.00%	100.00%
Canoas 3 Energia Renovável S.A. – Canoas 3	Wind generation	100.00%	100.00%
Ventos de Arapuá 1 Energia Renovável S.A. – Arapuá 1	Wind generation	100.00%	100.00%
Ventos de Arapuá 2 Energia Renovável S.A. – Arapuá 2	Wind generation	100.00%	100.00%
Ventos de Arapuá 3 Energia Renovável S.A. – Arapuá 3	Wind generation	100.00%	100.00%
Bonito 1 Energia Renovável S.A. – Bonito 1	Wind generation	100.00%	100.00%
Bonito 2 Energia Renovável S.A. – Bonito 2	Wind generation	100.00%	100.00%
Bonito 3 Energia Renovável S.A. – Bonito 3	Wind generation	100.00%	100.00%
Calango Solar 1 Energia Renovável S.A. – Calango Solar 1	Wind generation	100.00%	100.00%
Calango Solar 2 Energia Renovável S.A. – Calango Solar 2	Wind generation	100.00%	100.00%
Luzia 2 Energia Renovável S.A. – Luzia 2	Solar generation	100.00%	100.00%
Luzia 3 Energia Renovável S.A. – Luzia 3	Solar generation	100.00%	100.00%
Oitis 1 Energia Renovável S.A. – Oitis 1	Wind generation	100.00%	100.00%
Oitis 2 Energia Renovável S.A. – Oitis 2	Wind generation	100.00%	100.00%
Oitis 3 Energia Renovável S.A. – Oitis 3	Wind generation	100.00%	100.00%
Oitis 4 Energia Renovável S.A. – Oitis 4	Wind generation	100.00%	100.00%
Oitis 5 Energia Renovável S.A. – Oitis 5	Wind generation	100.00%	100.00%
Oitis 6 Energia Renovável S.A. – Oitis 6	Wind generation	100.00%	100.00%
Oitis 7 Energia Renovável S.A. – Oitis 7	Wind generation	100.00%	100.00%
Oitis 8 Energia Renovável S.A. – Oitis 8	Wind generation	100.00%	100.00%
Oitis 9 Energia Renovável S.A. – Oitis 9	Wind generation	100.00%	100.00%
Oitis 10 Energia Renovável S.A. – Oitis 10	Wind generation	100.00%	100.00%
Oitis 21 Energia Renovável S.A. – Oitis 21	Wind generation	100.00%	100.00%
Oitis 22 Energia Renovável S.A. – Oitis 22	Wind generation	100.00%	100.00%
Oitis 23 Energia Renovável S.A. – Oitis 23	Wind generation	100.00%	100.00%
Oitis 24 Energia Renovável S.A. – Oitis 24	Wind generation	100.00%	100.00%
Elektro Operação e Manutenção Ltda - Elektro O&M	Services	100.00%	100.00%
Neoenergia Serviços Ltda – Neoserv	Services	100.00%	100.00%
Neoenergia Operação e Manutenção S.A. - Neoenergia O&M	Services	100.00%	100.00%
Bahia Geração de Energia S.A. - Bahia III	Others	100.00%	100.00%
Belo Monte Participações S.A. – Belo Monte	Others	100.00%	100.00%
Neoenergia investimentos S.A. - Neoinvest	Others	100.00%	100.00%

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The associates and joint ventures companies are listed as follows:

Companies	Activities	Percentage of participation	
		2021	2020
Coligadas			
Norte Energia S.A. – NESA	Hydraulic generation	10.00%	10.00%
Energética Corumbá III S.A. – ECIII	Hydraulic generation	25.00%	25.00%
Joint ventures			
Teles Pires Participações S.A. – Teles Pires	Hydraulic generation	50.56%	50.56%
Companhia Hidrelétrica Teles Pires S.A – CHTP	Hydraulic generation	51.00%	51.00%
Energética Águas da Pedra S.A. – EAPSA	Hydraulic generation	51.00%	51.00%

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16. PP&E

The PP&E variations, by asset class, are demonstrated below:

							Consolidated
	Wind farms	Combined cycle plants	Hydropower plants	Constructio ns and terrains	Others	Assets under development	Total
Depreciation rate p.y.	3.03% - 16.70%	2.50% - 20%	2.0% - 20%	0% - 9.1%	2.5% - 25%	-	
Balance at 31 December 2020	1,699	776	1,806	1,074	39	1,427	6,821
Addition with business combinations	-	-	-	-	-	46	46
Additions	40	-	-	-	-	2,933	2,973
Capitalized costs ⁽¹⁾	36	-	-	-	-	130	166
Disposals	(1)	-	(1)	(2)	-	(9)	(13)
Depreciation	(83)	(53)	(54)	(46)	(6)	-	(242)
Transfers between classes	1,282	1	7	532	(6)	(1,816)	-
Transfers - Other assets	34	-	-	6	(1)	(230)	(191)
Balance as of December 31, 2021	3,007	724	1,758	1,564	26	2,481	9,560
Cost	3,662	1,324	2,219	1,879	56	2,481	11,621
Accumulated depreciation	(655)	(600)	(461)	(315)	(30)	-	(2,061)
Balance as of December 31, 2019	1,798	613	1,847	1,108	43	751	6,160
Additions	-	-	-	-	-	945	945
Capitalized costs ⁽¹⁾	-	-	-	-	-	59	59
Disposals	(1)	-	(3)	(1)	(1)	(10)	(16)
Depreciation	(84)	(51)	(56)	(35)	(7)	-	(233)
Transfers between classes	2	208	18	7	7	(242)	-
Transfers - Other assets	(16)	6	-	(5)	(3)	(76)	(94)
Balance as of December 31, 2020	1,699	776	1,806	1,074	39	1,427	6,821
Cost	2,331	1,323	2,216	1,287	59	1,427	8,643
Accumulated depreciation	(632)	(547)	(410)	(213)	(20)	-	(1,822)

(1) Capitalization of costs related to personnel allocated to construction; financial charges related to loans and financings; addition (reversal) of the provision regarding the dismantling of assets and business units; as well as its respective environmental obligations.

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16.1 Accounting policy and critical judgment

a) Accounting policy

Property, plant and equipment are stated at acquisition costs or construction costs, which also include the costs directly attributable to putting the asset in operating conditions (including financial charges), as well as, when applicable, the estimated cost of dismantling the property and equipment and restoration of the location where the asset is located, less accumulated depreciation and losses due to impairment of assets - (impairment).

Property, plant and equipment are depreciated using the straight-line method, based on the estimated useful life, based on the data in which the assets are identified and available for use in the intended use and are capitalized.

b) Estimative and critical judgments

The Company recognizes the depreciation of its fixed assets based on the annual rates established by ANEEL, which are practiced by companies in the Brazilian electricity sector and represent the estimated useful lives of the assets. Initial investments in generation assets whose plants have a public service concession are depreciated based on the useful lives defined by ANEEL, limited to the plants' concession period. However, actual useful lives may vary based on the technological updating of the assets of each generating unit. The useful lives of property, plant and equipment also affect the impairment tests of these assets, when applicable.

17. INTANGIBLE ASSETS

Changes in intangible assets, by nature, are as follows:

	Consolidated					
	Goodwill	Concession	Software	Others	Assets under development	Total
Amortization rate p. y.	-	2.78% - 5.56%	6.20% - 20%	0% - 100%	-	
Balance as of December 31, 2020	-	9,366	6	84	5	9,461
Addition by the business combinations (note 15.4)	671	2,716	8	-	-	3,395
Additions	-	164	-	-	10	174
Disposals	-	(83)	(1)	(4)	-	(88)
Amortization	-	(1,629)	(10)	(8)	-	(1,647)
Transfers – between intangibles	-	38	2	(34)	(6)	-
Transfers – Financial asset ⁽¹⁾	-	(28)	-	-	-	(28)
Transfers – Contractual asset ⁽²⁾	-	1,519	6	-	-	1,525
Transfers – other assets	-	10	-	(5)	4	9
Balance as of December 31, 2021	671	12,073	11	33	13	12,801
Cost	671	30,764	123	41	13	31,612
Accumulated amortization	-	(16,715)	(112)	(8)	-	(16,835)
Special obligations	-	(1,976)	-	-	-	(1,976)
Balance as of December 31, 2019	-	9,285	6	69	6	9,366
Additions	-	-	25	-	4	29
Disposals	-	(61)	-	-	-	(61)

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						Consolidated
	Goodwill	Concession	Software	Others	Assets under development	Total
Amortization rate p. y.	-	2.78% - 5.56%	6.20% - 20%	0% - 100%	-	
Amortization	-	(1,367)	(8)	(5)	-	(1,380)
Transfers – between intangibles	-	-	6	(3)	(3)	-
Transfers – Financial asset ⁽¹⁾	-	(27)	-	-	-	(27)
Transfers – Contractual asset ⁽²⁾	-	1,546	-	-	-	1,546
Transfers – other assets	-	(10)	(23)	23	(2)	(12)
Balance as of December 31, 2020	-	9,366	6	84	5	9,461
Cost	-	25,521	18	101	5	25,645
Accumulated amortization	-	(14,311)	(12)	(17)	-	(14,340)
Special obligations	-	(1,844)	-	-	-	(1,844)

(1) Refers to the power distributors' contractual right to receive cash from the users due to the services of construction and improvements of the power distribution systems, upon the entry into operation of the respective assets. After the infrastructure construction, such assets will be classified as indemnified financial assets or as intangible assets, accordingly with the remuneration arrangements.

(2) Refers to the contractual rights classified as a contractual asset until the conclusion of the performance obligation established in the concession agreement.

On September 09, 2020, the published Law n° 14.052, established new conditions of renegotiation regarding the non-hydrological risk, assumed by the titleholders of hydropower plants that have taken part in the Energy Reallocation Mechanism (MRE) in recent years. The purpose is to compensate the power plant for such risks, whose effects are related to the anticipation of the physical warranty regarding the electric energy undertakings known as structural, as well as the delay of entry into operation of the transmission facilities needed for the outflow of energy generation from these facilities, in addition to the thermal generation outside the order of merit. This Law was regulated by ANEEL through the Normative Resolution n° 895 from December 01, 2020, which established the methodology to calculate the compensations that are going to be paid to the hydroelectric generators that are part of the Energy Reallocation Mechanism (MRE), considering the potential energy generation of the structural enterprises, in case of the non-restriction of the energy withdrawal and the energy's short-term market price in the restriction moment. The compensation to hydropower generators will occur through an extension of the bestowals' concession period and must be recognized in the books as intangible against the recuperation costs with electric energy.

In 2021, after the calculations disclosed by CCEE, the Company recognized an addition of R\$ 164 to the intangible, which is equivalent to an increase in the concession's period of 1,353 days for the subsidiary Itapebi, 1,678 days for the subsidiary Baguari, 1,163 days for the subsidiary Geração CIII and 34 days for the subsidiary Geração Céu Azul. The amount represents the fair value of the reimbursement values that the Company has the right to receive, using the calculations made by CCEE as the basis with an added cost of own capital equivalent to 9.63%.

17.1 Accounting policy

Intangible assets are stated at acquisition costs, less accumulated amortization and impairment losses - (impairment).

The assets and facilities linked to the right to use the public service concession have an amortization rate that represents their useful life, limited to the concession's maturity.

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18. SUPPLIERS AND ACCOUNTS PAYABLE TO CONTRACTORS

	Consolidated	
	2021	2020
Energy	1,650	1,937
Network usage charges	1,155	519
Materials and services	2,696	1,846
Liberalized energy	185	126
Total	5,686	4,428
Current	5,538	4,300
Non-current	148	128

The Company negotiated with some suppliers to change the maturity for new purchases from 45 to 141 days, in average. For these new purchases, prices also changed, indicating an average financial cost of approximately 9.80% p.y.

In these circumstances, some suppliers decided to discount their receivables with financial institutions before the original maturity of the security, without any obligation or co-obligation from the Company. Eventual transactions between suppliers and financial institutions do not change the terms, prices and conditions previously established with suppliers, and, therefore, balances continue to be classified as Suppliers and accounts payable to contractors in the Balance Sheet and cash flows associated costs are included in cash flows from operating activity. The interests incurred are recognized as financial expenses in the period's result or as the construction cost of the fixed asset or as an intangible asset.

As of December 31, 2021, the present value of these operations totaled R\$ 1,034 (R\$ 557 on December 31, 2020).

19. LOANS, FINANCINGS AND DERIVATIVE FINANCIAL INSTRUMENTS
19.1 Net debt

The Company evaluates net debt in order to ensure the business long-term continuity, able to add value for its shareholders, through the payment of dividends and capital appreciation. Net debt is comprised as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Loans and financings from financial institutions	9,747	6,839	524	-
Development agencies	12,699	9,069	1,621	772
Capital markets (debentures)	16,177	10,472	3,228	1,356
Loans and financings ⁽¹⁾	38,623	26,380	5,373	2,128
(+) Debt hedging derivative financial instruments (note 19.3)	(1,870)	(2,583)	128	94
(-) Cash and cash equivalents (note 11)	(5,545)	(5,060)	(1,131)	(367)
(-) Marketable securities	(459)	(210)	-	-
Net debt	30,749	18,527	4,370	1,855

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- (1) In the statement of financial position, the Company presents loans and financings net of collateral deposits related to debts. This presentation is a better representation of these transactions because such collaterals are realized exclusively by amortizing the related debts.

19.2 Loans and financings

The Company's debts are composed of funds mainly raised through bank loans, funding agencies and the capital market (debentures) and they mostly are denominated in Reais ("R\$") and U.S Dollars ("US\$"). The debts are initially recognized at fair value, which usually reflects the received value, net of transaction costs (direct costs of issuance) and eventual payments. Subsequently, the debts are recognized by the (i) amortized cost; or (ii) fair value through the result.

The Company contracted derivatives to hedge its exposure to cash flow variations from the debts denominated in foreign exchange to itself, thus significantly mitigating the risk of foreign exchange exposure.

a) Debts of contracts by current and interest rate modality

	Consolidated		Parent Company	
	2021	2020	2021	2020
Denominated in R\$	27,920	18,511	3,792	1,399
Floating interest rates	27,522	18,011	3,792	1,399
Fixed interest rates	398	500	-	-
Denominated in US\$	9,054	6,902	1,626	772
Floating interest rates	1,187	1,542	-	-
Fixed interest rates	7,867	5,360	1,626	772
Denominated in other currencies	1,921	1,209	-	-
Fixed interest rates	1,921	1,209	-	-
	38,895	26,622	5,418	2,171
(-) Collateral deposits	(90)	(102)	-	-
(-) Borrowing costs	(182)	(140)	(45)	(43)
	38,623	26,380	5,373	2,128
Current liabilities	7,940	3,936	2,276	29
Non-current liabilities	30,683	22,444	3,097	2,099

On December 31, 2021, the debts' average cost in percentage are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Average cost in % of CDI ²	171.4%	172.4%	180.2%	332.0%
Average cost in fixed interest rate	8.1%	4.7%	8.5%	9.0%
Debt balance	38,623	26,380	5,373	2,128
Derivative financial instruments	(1,870)	(2,583)	128	94
Total debt, net of derivatives	36,753	23,797	5,501	2,222

- (2) The rate considers the debt's average balance of 13 months and the result of the accumulated debt and average CDI from the last 12 months.

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b) Loans and financings amortization schedule

The Company aims to structure its debt according to the financial cycle of its business, observing the peculiarities of each company and the characteristics of its concessions and authorizations.

The future payment flow of the debt's principal and interest are demonstrated below:

	Consolidated			
	Principal⁽³⁾	Interest⁽³⁾	Derivative instruments	Total
2022	7,617	2,358	(121)	9,854
2023	4,431	1,901	264	6,596
2024	6,416	1,626	(683)	7,359
2025	5,165	1,372	(743)	5,794
2026	5,085	1,321	(600)	5,806
Between 2027 and 2031	10,530	3,000	(836)	12,694
Between 2032 and 2036	3,780	1,207	(873)	4,114
2037 onwards	2,055	464	-	2,519
Total	45,079	13,249	(3,592)	54,736

	Parent Company			
	Principal³	Interest³	Derivative instruments	Total
2022	2,204	295	179	2,678
2023	131	104	129	364
2024	217	106	87	410
2025	232	107	67	406
2026	249	106	48	403
Between 2027 and 2031	2,810	349	(214)	2,945
Between 2032 and 2036	1,694	94	(873)	915
Total	7,537	1,161	(577)	8,121

- (3) The estimated future payment flow, including the principal and interest is calculated based on the interest rate curves (pre and post rates) and exchange rate in effect on December 31, 2021 and considering that all amortizations and payments upon maturity of the loans and financings will be made in the contracted deadlines. The amount includes estimated future payment of charges to incur (still not provisioned) and the incurred charges that are already recognized in the financial statements.

In 2022, it is predicted an amortization of R\$ 2,500 by Neoenergia, that was raised for the acquisition of Neoenergia Brasília. Through Neoenergia Coelba, the estimated amortization value is R\$1,000, through Neoenergia Pernambuco, R\$1,300, through Neoenergia Elektro, R\$ 851 and Neoenergia Cosern, R\$ 536. The total amortization of the holding and these four distributors represents 80% of the consolidated amount to be amortized in this period.

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c) Debt reconciliation with the cash flow and other movements

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at the beginning of the period	26,380	22,663	2,128	1,287
Addition by business combination (note 15.4)	226	-	-	-
Cash transactions:				
Proceeds	15,718	5,764	3,296	836
Principal's amortization	(5,230)	(4,816)	(296)	-
Borrowing costs	(77)	(39)	(8)	-
Charges paid	(1,250)	(935)	(144)	(49)
Collateral deposits (redemption)	11	30	-	-
Non-cash transactions:				
Charges incurred	2,458	1,341	341	122
Foreign exchange rate variation	461	2,355	56	(68)
Fair value adjustments	(74)	17	-	-
Balance at the end of the period	38,623	26,380	5,373	2,128

In the period of December 31, 2021, the Group raised R\$ 15,800, as follows: (i) R\$ 5,700 through bank loans and financings in foreign currency, along with the contracting of foreign exchange swaps; (ii) R\$ 7,000 through the issuance of capital market instruments (debenture and Promissory notes); (iii) R\$ 2,900 through financings with national funding banks, among them BNDES, BNB and BASA; and (iv) R\$ 200 through baking credit notes ('CCB').

d) Credit lines

Type	Currency	Fundraising deadline	Consolidated	
			Total amount	Used amount
Financing lines	R\$	12/29/2024	9,066	5,293
Financing lines	€	12/22/2024	1,264	-
Financing lines	US\$	01/04/2022	200	-
			10,530	5,293

e) Restrictive financial conditions (Covenants)

Some of the Company's debts contain *covenants* conditions. The Company's main *covenants* indicate the obligation to maintain certain ratios, such as the debt on EBITDA and EBITDA on financial result ratios.

Neoenergia consolidated:

- (i) Net debt divided by the EBITDA, being less than or equal to 4;
- (ii) EBITDA divided by the financial result being higher than or equal to 1.5 or 2.

Subsidiaries:

- (i) Net debt divided by the EBITDA, being less than or equal to 3 or 4;
- (ii) EBITDA divided by the financial result being higher than or equal to 2;
- (iii) ISCD higher than or equal to 1.2 or 1.3.

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The Company did not identify any event of non-conformity on December 31, 2021 and December 31, 2020.

f) Accounting policy

Financial liabilities are initially recognized at fair value, net of transaction costs incurred and are subsequently measured at amortized cost (except in certain circumstances, which include certain financial liabilities at fair value through profit or loss) and updated using the effective interest and charges. Any difference between the amount raised (net of transaction costs) and the settlement value is recognized in the income statement during the period in which the instruments are in progress, using the effective interest rate method. Fees paid when borrowing are recognized as transaction costs.

Interest on passive financial instruments is capitalized as part of property, plant and equipment or intangible assets if these costs are directly related to a qualified asset. Capitalization occurs until the qualified asset is ready for its intended use. Interest on non-capitalized loans is recognized in the income statement in the period that they were incurred.

As of December 31, 2021 and 2020, the average interest capitalization rate (charges incurred) is 0.05% and 0.06%, respectively.

19.3 Derivative financial instruments

The Company is exposed to several risks arising from its operations, including risks related to foreign exchange rates, interest rates and price ratios. The Company uses swaps, forward contracts, options and other derivatives financial instruments for economic and financial protection purposes, as a part of the Company's risk management strategy. General considerations on the risk management strategy are set out in note 25.7.

a) Derivative financial instruments assets (liabilities) presented in the statement of financial position

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Loans and financings hedging instruments:				
Foreign exchange rate variation risk (NDF, Options and	1	(3)	(1)	(4)
Currency swap – US\$ vs R\$	1,571	2,027	(104)	(85)
Currency swap – Other currencies vs R\$	226	321	-	-
Interest rate swap – R\$	105	201	-	-
Other transactions hedging instruments:				
Foreign exchange rate variation risk – Goods and services	(19)	49	(9)	7
Price risk of own shares (NEOE3)	(14)	(12)	(14)	(12)
Net exposure	<u>1,870</u>	<u>2,583</u>	<u>(128)</u>	<u>(94)</u>
Current assets	737	722	-	12
Non-current assets	1,463	1,998	-	-
Current liabilities	(133)	(14)	(27)	(3)
Non-current liabilities	(197)	(123)	(101)	(103)

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The Company has derivative financial instruments contracted for protection that are designated for hedge accounting, as demonstrated below:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Derivatives not designated as for hedge accounting				
Loans and financings hedging	2	70	-	-
Other transactions hedging	(12)	-	-	-
Hedge to protects the prices of the own shares (NEOE3)	(14)	(12)	(14)	(12)
Derivatives designated as for hedge accounting – cash flow				
Loans and financings hedging	1,140	1,560	(105)	(89)
Other transactions hedging	(7)	49	(9)	7
Derivatives designated as for hedge accounting – fair value				
Loans and financings hedging	761	916	-	-
	1,870	2,583	(128)	(94)

b) Effects of the derivative financial instruments in the result, cash flow and other comprehensive results

	2021			Consolidated 2020		
	Loans and financings hedging	Other operations hedging	Total	Loans and financings hedging	Other operations hedging	Total
	Initial balance	2,546	37	2,583	1,340	(22)
Gain (loss) recognized in profit or loss	399	30	329	2,544	309	2,853
Gain (loss) recognized as capex	-	6	6	-	1	1
Financial settlement inflow (outflow)	(294)	(52)	(346)	99	70	169
Gain (loss) recognized in other comprehensive income (loss)	(645)	(57)	(702)	(1,437)	(321)	(1,758)
Final balance	1,906	(36)	1,870	2,546	37	2,583
Gain (loss) recognized in profit or loss						
Cost of operations	-	36	36	-	315	315
Financial result, net	300	(4)	296	2,544	(6)	2,538

	2021			Parent Company 2020		
	Loans and financings hedging	Other operations hedging	Total	Loans and financings hedging	Other operations hedging	Total
	Initial balance	(89)	(5)	(94)	-	-
Gain (loss) recognized in profit or loss	25	10	35	(68)	(12)	(80)
Gain (loss) recognized as capex	(57)	(18)	(75)	(20)	6	(14)
Financial settlement inflow (outflow)	17	(11)	6	-	-	-
Final balance	(104)	(24)	(128)	(88)	(6)	(94)
Gain (loss) recognized in profit or loss						
Cost of operations	-	14	14	-	-	-
Financial result, net	25	(4)	21	(68)	(12)	(80)

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c) Accounting policy and critical judgments
Accounting policy

Derivative financial instruments are recognized as assets or liabilities in the balance sheet and measured at fair value. Changes in the fair value of derivatives are recorded in the income statement unless they are designated as hedge accounting and derivatives used for the purchase/sale of non-controlling interest. Derivative transactions that are not qualified as hedge accounting are classified and presented as an economic hedge since the Company uses derivative instruments to manage its financial risks as a way to mitigate these risks.

The Company documents, at the beginning of the hedge accounting operation, the relationship between the hedge instruments and the hedged items, with the objective of risk management and the strategy for carrying out hedge operations. The Company documents its assessment, both initially and on an ongoing basis, that the derivatives used in hedge operations are highly effective.

Variations in the fair value of derivative financial instruments designated as cash flow hedges have their effective component recognized in the equity and the ineffective component recorded in the income for the year. The amounts recorded in equity are only transferred to income for the year in an appropriate account (cost, operating expense or financial expense), when the protected item is effectively realized. The costs of the hedging instrument are recognized within equity.

Changes in the fair value of derivative instruments used to buy/sell non-controlling interest are recognized in equity as reserves for transactions with the partner.

Estimative and critical judgments

The fair value of derivative financial instruments not traded in an active market is determined using valuation techniques. The Company uses its judgment to choose the different methods. Assumptions are based on market conditions existing at the balance sheet date.

The assumptions for evaluating derivatives and analysing the impact if the actual results are different from Management's estimate are presented in notes 25.3 and 25.8, respectively.

20. PROVISIONS AND JUDICIAL DEPOSITS

	Consolidated	
	2021	2020
Provision for judicial lawsuits (note 20.1.a)	1,543	1,189
Provision for environmental obligations	129	115
Provision for asset dismantling obligations	101	40
Provision for reimbursement	84	83
	1,857	1,427
Current liabilities	256	221
Non-current liabilities	1,601	1,206

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20.1 Provisions for judicial lawsuits, contingent liabilities and judicial deposits
a) Provision for judicial lawsuits

The Company is a party involved in civil, labour, tax and other ongoing lawsuits in the administrative and judicial levels. Provisions for losses arising from these lawsuits are estimated and updated by the Company, supported by the opinions of its legal advisors.

Provisions for losses on lawsuits are as follows:

	Consolidated				
	Civil	Labour	Tax	Regulatory	Total
Balance as of December 31, 2020	623	405	149	12	1,189
Business combination (Note 15.4)	23	58	31	87	199
Additions and reversals, net	150	11	1	(3)	159
Payments	(150)	(57)	(43)	2	(248)
Monetary variation	183	58	(3)	6	244
Balance as of December 31, 2021	829	475	135	104	1,543
Balance as of December 31, 2019	514	403	137	13	1,067
Additions and reversals, net	149	31	13	(2)	191
Payments	(162)	(78)	(7)	(1)	(248)
Monetary variation	122	49	16	2	189
Transfers	-	-	(10)	-	(10)
Balance as of December 31, 2020	623	405	149	12	1,189

Among the relevant lawsuits whose risk of loss is considered as probable, the Company highlight:

(i) Civil lawsuits: From the total of R\$ 829 (R\$ 623 on December 31, 2020) provisioned, we highlight:

- Civil lawsuits where indemnities for moral and material damage, among others, from incidents that occurred during the usual course of business, amounting to R\$ 362 (R\$ 271 as of December 31, 2020).
- The Company is a party involved in civil lawsuits in the administrative and judicial levels, regarding landholding indemnity lawsuits, arising from discrepancies between the Company's evaluation value and the one claimed by the property owner. The provisions for losses arising from these lawsuits are estimated and refreshed by the Company, supported by the opinion of its legal advisors, of R\$ 163 (R\$63 as of December 31, 2020).
- The Company is a party involved in contractual discussions with third parties, in arbitration courts, in the amount of R\$ 14 (R\$ 11 as of December 31, 2020).

(ii) Labour claims: From the total of R\$ 475 (R\$ 405 on December 31, 2020) provisioned, we highlight:

- Collective action filed by the Electricians Union of Rio Grande do Norte, for the implementation of the Career and Salary Positions Plan, thus claiming the promotions for merit and seniority with all the legal consequences. Part of the court decision was upheld, and the process is in the sentence settlement stage. The amount provisioned in the amount of R\$ 85 (R\$ 80 as of December 31, 2020), corresponds to the probable estimate of resources to settle this discussion.
- Lawsuits filed by employees and former employees against the Company, involving the charges

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of overtime hours, additional pay for dangerousness, salary equalization/reframing, discussion about the career and salary positions plan and others, whose provisioned value is R\$ 209 (R\$ 211 as of December 31, 2020);

- Lawsuits filed by former employees from contractors (joint and/or subsidiary responsibility) involving the charge of indemnifying instalments and others, where the estimated amount is R\$ 104 (R\$ 101 as of December 31, 2020).

(iii) Tax proceedings: From the total of R\$ 135 (R\$ 149 as of December 31, 2020) provisioned, we highlight:

- Tax execution involving Neoenergia Elektro due to an infraction notice concerning the alleged undue ICMS credit, which is pending decision in the Superior Courts. On September, 2021, São Paulo Treasure Office corrected the overdue liabilities certificate to adequate the value involved to the issued decisions in a favourable way to the Company until now, thus resulting in a reduction from R\$ 15 to R\$ 11, which are currently provisioned;

b) Contingent liabilities

Contingent liabilities correspond to unrecognized lawsuits since they are current obligations whose outflow of resources is not probable or which it is not possible to make an estimation that is sufficiently reliable for the obligation value, based on the legal opinions. The contingent liabilities are demonstrated below:

	Consolidated	
	2021	2020
Civil lawsuits (i)	2,668	2,241
Labour lawsuits (ii)	800	645
Tax lawsuits (iii)	3,457	2,643
Regulatory lawsuits (iv)	353	202
	7,278	5,731

The relevant lawsuits whose probability of loss was considered as possible are presented below:

(i) Civil lawsuits: Refers to actions of a commercial and indemnity nature, brought by individuals and legal entities, involving repetition of undue damages, material damages, pain and suffering, among others, whose highlights are discussed below:

- Action proposed by the Federal Public Ministry in 2017 questioning the collection of home insurance by Elektro and offered to its consumers together with the electricity bill. In 2020, the lower court judged the illegitimacy of ANEEL and the Union to be part of the lawsuit and declared the Federal Court's absolute incompetence to judge the deed. Thus, it determined the transfer of the records to the State Justice for processing the action. Elektro filed declaratory embargoes on such a decision in order to obtain also the declaration of MPF's active illegitimacy for the filing of the lawsuit (sole plaintiff), which would lead to the extinction of the fact. The estimated amount of the claim is R\$ 220 (R\$ 177 as of December 31, 2020).
- Judicial discussion that questions normative regulatory acts from ANEEL (Normative Resolution nº 387/2009 and Dispatch SFF/ANEEL 2571/2010), which deals with the calculation methodology of the balance from free energy between the generators and distributors. The estimated values are R\$ 164 (R\$ 139 as of December 31, 2020).

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- Indemnity action filed by Jaguaripe Agro Industrial S / A, against Neoenergia Coelba due to a power cut at its facilities without prior notice, in the estimated amount of R\$ 63 (R\$ 53 as of December 31, 2020).
- Indemnity actions filed by third parties due to accidents (Electroplession) with the electric network at Neoenergia Celpe. Non-compliance by the population / consumer with safety rules and distances, as well as wire breakage, due to natural phenomena or technical failures, with an estimated value of R\$ 85 (R\$ 62 as of December 31, 2020).
- Lawsuits that discusses the legitimacy of invoices made by the distributors' infrastructure installations in highway stretches. As the subject still is not pacified in the Courts, the Company's legal advisors maintain the loss prognostic as possible. The estimated amount is R\$ 469 (R\$ 190 as of December 31, 2020).
- Lawsuits of commercial and indemnifying natures, moved by individuals and legal entities, involving the repayment in case of mistake, material and/or moral damages, among others with an estimated value of R\$ 176;

The amounts were adjusted for inflation based on the INPC variation, plus interest of 1% p. m.

(ii) Labour lawsuits: They refer to lawsuits filed by employees and former employees against the subsidiaries, involving the collection of overtime, dangerous premiums, wage parity/reframing, discussion of the job and salary plan and others, as well as actions filed by ex-employees of contractors (subsidiary and/or joint liability) involving the collection of indemnity and other instalments. The values were updated by the variation of the IPCA in the pre-procedural stage and the SELIC rate after the filling of the labour lawsuits.

- Lawsuits filed by employees and former employees against the Company, involving the charges of overtime hours, additional pay for dangerousness, salary equalization/reframing, discussion about the career and salary positions plan and others, whose provisioned value is R\$ 732 (R\$ 617 as of December 31, 2020); and
- Lawsuits filed by former employees from contractors (joint and/or subsidiary responsibility) involving the charge of indemnifying instalments and others, where the estimated amount is R\$ 32 (R\$ 17 as of December 31, 2020).

(iii) Tax proceedings: Refer to tributary suits and impugnation of charges, subpoenas and tax assessment notices related to several taxes, such as ICMS, ISS, CPMF, IPTU, PIS/COFINS, among others, whose highlights are presented below:

- Tax assessment notices related to ICMS credit whose bookkeeping in the "Credit Control of ICMS regarding the permanent asset" (CIAP) was allegedly in disagreement with the revised rules in the tax legislation, estimated in R\$ 411 (R\$ 342 as of December 31, 2020);
- Tax assessment notices related to ICMS credit on assets destined to the Company's fixed assets and fuels used in the operating fleet, estimated at R\$ 287 (R\$ 278 as of December 31, 2020);

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- Tax assessment related to reversals of ICMS debts (Agreement 30) related to the re-invoicing of electricity bills, estimated at R\$ 179 (R\$129 as of December 31, 2020);
- Tax assessment for alleged use of ICMS in the acquisition of fixed assets, from micro-company suppliers, duplicate credits and in the acquisitions of purchases with future delivery, estimated at R\$ 480 (R\$ 279 as of December 31, 2020);
- Tax assessment notices related to social contributions (INSS) on amounts paid under PLR, private pension, medical assistance, Workers' Food Program - PAT as well as amounts paid as labour assignments, estimated at R\$ 90 (R\$ 92 as of December 31, 2020).
- Posting tax notification issued by the city of Salvador, to promote the billing of COSIP (Contribution to fund the street lighting service) from the period of 01/2018 to 12/2019, due to allegedly differences of charges under the contribution's original value, in the estimated amount of R\$ 68 (R\$ 66 as of December 31, 2020).
- Tributary lawsuits and impugnation of charges, subpoenas and tax infractions notices referring to several taxes, such as ICMS, PIS/COFINS, CIDE, among others, in the amount of R\$416 (R\$349 as of December 31, 2020).
- Tax infraction notice in which there is a discussion about the incidence of withholding income tax in the amount of R\$ 363 (lawsuit received in 2021), due to operation to incorporate the Elektro Holding by Neoenergia in August 2017.

The values were monetarily adjusted by the variation of the SELIC rate.

(iv) Regulatory lawsuits: Refer to lawsuits against the Group's distribution operators, whose objects are related to procedures for, individual and collective, service technical continuity ratios calculation, commercial matters, the corresponding financial compensation and recovery of global ratios, matters related to the collection or legality of tariff elements or items and issues related to the legality of administrative lawsuits started by ANEEL.

c) Judicial deposits

Judicial deposits are presented according to the nature of the corresponding lawsuits, whether recognized or not.

	<u>2021</u>	<u>Consolidated 2020</u>
Civil lawsuits	444	391
Labour lawsuits	359	369
Tax lawsuits	254	237
Other lawsuits	30	11
	<u>1,087</u>	<u>1,008</u>

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d) Accounting policy and critical judgments
(i) Accounting policy

Provisions are recognized when: (i) the company has a present obligation as a result of a past event; (ii) it is probable that an outflow of funds that incorporate economic benefits will be necessary to settle the obligation, and (iii) the amount of the obligation can be estimated reliably.

Contingent assets and liabilities are not recognized. Contingent liabilities are disclosed in explanatory notes when the probability of outflow of funds is possible, including those whose values cannot be estimated. Contingent assets are disclosed in notes when the entry of economic benefits is considered probable.

(ii) Estimative and critical judgments

Legal proceedings are contingent in nature, that is, they will be resolved when one or more future events occur or no longer occur. The occurrence or not of such events does not depend on the performance of the Company and uncertainties in the legal environment involve the exercise of significant estimates and judgments by Management regarding the potential results of future events.

21. OTHER LIABILITIES

	Consolidated	
	2021	2020
Collateral deposits ⁽¹⁾	663	666
Share purchase obligation with – PREVI ⁽²⁾	-	209
Customer returns ⁽³⁾	562	162
Contribution for Public Lighting Service Funding- COSIP	112	66
Use of public good- UBP	78	67
Others	238	264
Total	1,653	1,434
Current liabilities	1,349	1,181
Non-current liabilities	304	253

(1) Collateral deposits are constituted in cash to ensure the contracts' fulfilment in both, operational clauses and compulsory payment of charges regarding the employees from the companies providing services.

(2) According to the Company's Shareholders Agreement, on September 16, 2021, the Company and Previ agreed to the divestiture of the minor participation from the following subsidiaries: Neoenergia Coelba, Neoenergia Cosern and Afluente T. The Company paid to Previ on October 15, 2021, the amount of R\$ 223, being (i) R\$184 concerning shares from Neoenergia Coelba; (ii) R\$33 from Neoenergia Cosern; and (iii) R\$6, Afluente T.

(3) Refund in the amount of R\$ 332 (note 5).

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22. EMPLOYEE BENEFITS

As a part of its remuneration strategy, the Company grants its employees short and long-term benefits, besides the salaries, vacations and other legal benefits, as well as the respective labour charges applicable to these benefits.

The short-term benefits include (i) Profit Sharing Program (PSP); (ii) medical and dental assistance plans; and (iii) other usual market benefits.

The post-employment long-term benefits include (i) complementary pension plan ("Pension plan – Defined benefit"); (ii) complementary pension plan ("Pension plan – Defined contribution") and (iii) post-employment health plan.

The values recognized in the financial statement are demonstrated below:

	Consolidated	
	2021	2020
Salaries, vacations and 13th salary and charges payable	550	409
Short-term benefits	112	115
Long-term benefits – Post-employment (Note 22.1)	784	975
	1,446	1,499
Non-current assets ⁽¹⁾	(4)	(35)
Current liabilities	661	525
Non-current liabilities	789	1,009

(1) The presentation of the post-employment benefit balance is allocated in the following heading "Other non-current assets."

22.1 Long-term benefits – Post-employment

The Company contributes, as a sponsor, to retirement plans that provide its employees with benefits in the event of retirement, death and disability. The Company has plans in the defined benefit and defined contribution format. The defined benefit plans were closed for new adhesions, due to exposing the Company to the risk of actuarial imbalance in the event of a deficit in the plan, so that the Company would have to make extraordinary disbursements in order to ensure the granting of benefits to employees and former employees participating in the plans (active and assisted). Currently, there is only one defined benefit plan open for new memberships.

As for defined contribution plans, the Company does not incur the risk of actuarial imbalance, since the amount is permanently adjusted according to the resources maintained in favour of the participant (individual savings model). Currently, there is only one defined contribution plan open for new members.

The management of the benefit plan is carried out by managers external to the Company's management ("Curators"). The plan trustees are responsible for governance and have a legal obligation to act exclusively in the best interest of the plan's beneficiaries. The trustees have the following functions: (i) administration of the plans and payment to the beneficiaries of the plan's assets, when required in accordance with the plan's rules; (ii) management and investment of the plan's assets; and (iii) compliance with other regulations, when applicable. The Trustees of the Company's plans are closed entities of supplementary social security or social security, non-profit and with administrative and financial autonomy.

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Below is the list of Curators and other information on the plans:

	Consolidated			
	Position in 12/31/2021			
	Quantity of active beneficiaries	Quantity of assisted beneficiaries	Situation	Financial condition
Defined benefit plans				
Néos – Plan BA (old plan FAELBA)	1	888	Closed	Surplus
Néos – Plan RN (old plan FASERN)	-	283	Closed	Surplus
Néos – Plan PE (old plan CELPOS)	56	3,281	Closed	Deficit
CESP Foundation – PSAP/Elektro ⁽¹⁾	3,475	1,715	Open	Deficit
FACEB – Faceb paid	22	493	Closed	Deficit
FACEB – Plan BD	18	228	Closed	Deficit
	3,572	6,888		
Defined contribution plan				
Néos – Plan BA (old plan FAELBA)	4,504	2,001	Closed	N/A
Néos – Plan RN (old plan FASERN)	35	3	Closed	N/A
Néos – Plan PE (old plan CELPOS)	2,170	216	Closed	N/A
Néos – Plan CD Néos	3,067	-	Open	Surplus
FACEB – CEBPREV	538	1,064	Open	N/A
	10,314	3,284		
Total	13,886	10,172		

(1) The plan possess a structured mass in the modality of defined contribution, where each Company does not incur in risk of actuarial unbalance since the value is permanently adjusted according to the resources maintained in favour of the participants (individual saving model).

For the Post-Employment Health plan, the Company maintains collective corporate insurance to cover medical and hospital assistance and dental care expenses for active employees, retirees, pensioners and their legal dependents. As they are non-capitalized health care plans, they have a deficit nature. This plan does not allow new participants to join. As of December 31, 2021, the plan possesses 14,313 beneficiaries (11,299 active beneficiaries and 3,014 assisted beneficiaries).

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a) Changes in the plan's assets and liabilities
(i) Defined benefit and post-employment healthcare

	Defined benefit				Healthcare		Consolidated FACEB's benefit plan paid			
	Actuarial obligations	Assets' fair value	Ceiling effect	Net asset (liability)	Net asset (liability)	Actuarial obligations	Assets' fair value	Ceiling effect	Net asset (liability)	
	Balance as of December 31, 2019	(3,223)	3,355	(266)	(134)	(691)	-	-	-	-
Service cost	15	-	-	15	(1)	-	-	-	-	
Interest effects	(240)	252	(20)	(8)	(52)	-	-	-	-	
Contributions paid by participants	(5)	5	-	-	-	-	-	-	-	
Contributions paid by the sponsor	-	44	-	44	43	-	-	-	-	
Benefits paid by the plan	231	(231)	-	-	-	-	-	-	-	
Effects of reductions / settlements	-	-	-	-	-	-	-	-	-	
Effect of change in actuarial assumptions and ceiling limit	(284)	-	34	(250)	(119)	-	-	-	-	
Return on the plan's assets (excluding interest income)	-	64	-	64	-	-	-	-	-	
Balance as of December 31, 2020	(3,506)	3,489	(252)	(269)	(820)	-	-	-	-	
Business combination	(134)	143	(9)	-	-	(324)	350	(26)	-	
Service cost	(7)	-	-	(7)	17	-	-	-	-	
Interest effects	(251)	251	(17)	(17)	(59)	(22)	23	-	1	
Contributions paid by participants	(5)	5	-	-	-	-	-	-	-	
Contributions paid by the sponsor	-	48	-	48	57	-	3	-	3	
Benefits paid by the plan	286	(286)	-	-	-	22	(22)	-	-	
Effects of reductions / settlements	-	-	-	-	-	-	-	-	-	
Effect of change in actuarial assumptions and ceiling limit	209	-	89	298	124	(33)	-	-	(33)	
Return on the plan's assets (excluding interest income)	-	(200)	-	(200)	-	-	(20)	-	(20)	
Ceiling effect	-	-	9	9	-	-	-	26	26	
Balance as of December 31, 2021	(3,408)	3,450	(180)	(138)	(681)	(357)	334	-	(23)	
Surplus plans	(453)	638	(181)	4	-	-	-	-	-	
Deficit plans	(2,815)	2,682	-	(142)	(680)	-	-	-	-	

In 2021, the Company ascertained an actuarial loss due to an experience adjustment of R\$ 265 in the PSAP/Elektro plan, substantially caused by the readjustment of 16.29% in the benefits of the assisted participants which uses as basis the IGP-DI variation.

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The net assets (liabilities), by defined benefit plan, are presented as follows:

	Consolidated				
	Assets (Liabilities), net				
	Néos – Plan BA	Néos – Plan RN	Néos – Plan PE	PSAP/ Elektro	FACEB's benefits plan paid
Balance as of December 31, 2019	21	11	(166)	-	-
Service cost	-	-	1	14	-
Interest effect	2	1	(11)	-	-
Contributions paid by the sponsor	-	-	41	3	-
Effect of the change in actuarial assumptions and ceiling limit	17	4	(3)	(269)	-
Return over the plans' assets (excluding the interest income)	(21)	(2)	3	84	-
Balance as of December 31, 2020	19	14	(135)	(168)	-
Service cost	-	-	1	(8)	-
Interest effect	2	1	(8)	(12)	1
Contributions paid by the sponsor	1	-	45	3	3
Effect of the change in actuarial assumptions and ceiling limit	47	28	77	146	(33)
Return over the plans' assets (excluding the interest income)	(84)	(42)	(71)	(3)	(20)
Ceiling effect	9	-	-	-	26
Balance as of December 31, 2021	(6)	1	(91)	(42)	(23)

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b) Amount recognized in the period's result

	2021			Consolidated 2020				
	Defined benefit	Post-employment healthcare	Defined contribution	Total	Defined benefit	Post-employment healthcare	Defined contribution	Total
Service cost	(4)	(1)	(55)	(60)	15	(1)	(25)	(11)
Effects of reductions / settlements	-	18	-	18	23	-	-	23
Interest expense on liabilities	(242)	(59)	-	(301)	(240)	(52)	-	-
Interest income from assets	225	-	-	225	232	-	-	232
Total	(21)	(42)	(55)	(118)	30	(53)	(25)	(48)
Service cost allocation: Period's result	(4)	17	(55)	(42)	15	(1)	(25)	(11)

c) Amount recognized in other comprehensive income

	2021			Consolidated 2020		
	Defined benefit	Post-employment healthcare	Total	Defined benefit	Post-employment healthcare	Total
Balance in the beginning of the period	(70)	(266)	(336)	53	(188)	(135)
Effect of changes in actuarial assumptions	208	124	332	(284)	(119)	(403)
Return on the plan's assets (excluding interest income)	(200)	-	(200)	64	-	64
Change of the asset's ceiling	98	-	98	34	-	34
Other effects	9	-	9	-	-	-
Gross effect	115	124	239	(186)	(119)	(305)
Income taxes	(21)	(42)	(63)	63	41	104
Net effect on other comprehensive income	94	82	176	(123)	(78)	(201)
Balance in the end of the period	24	(184)	(160)	(70)	(266)	(337)



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d) Amount recognized in the statement of financial position

	2021			Consolidated 2020	
	Defined benefit	Post-employment healthcare	FACEB's benefits plan paid	Defined benefit	Post-employment healthcare
Present value of actuarial obligations	(3,409)	(681)	(357)	(3,506)	(820)
Assets' fair value	3,451	-	334	3,489	-
Effect of the asset's limit (ceiling)	(180)	-	-	(252)	-
Total net liability (asset)	(138)	(681)	(23)	(269)	(820)
Onerous liability complement	-	-	(9)	-	-
Total net liability	(138)	(681)	(32)		
Non-current asset	4	-	-	34	-
Current liability	(47)	(55)	(4)	(66)	(4)
Non-current liability	(95)	(625)	(28)	(237)	(816)

On December 31, 2021 AND 2020, the Company's actuarial liability included a contract of financial obligation for actuarially recalibrating the defined benefit plan Néos – Plan PE, in the amounts of R\$ 52 and R\$60, respectively. This contract generates an extraordinary obligation for the Company which is updated by INPC + 6% p.y. and a deadline in December 2023.

e) Other information on defined benefit plans and post-employment healthcare

(i) Plan's assets by category

	2021			Consolidated 2020		
	Prices quoted in active markets	Prices unquoted in active markets	Total fair value	Prices quoted in active markets	Prices unquoted in active markets	Total fair value
Direct application:						
Debt security – Corporate	-	5	5	-	-	-
Debt security – Government	-	284	284	-	-	-
Real Estate Investment funds	-	105	105	-	84	84
Others	-	152	152	1	90	91
Applications through funds:						
Investment Fund – Shares/Quotas	475	-	475	349	1	350
Investment Fund – Multimarket	1,243	-	1,243	1,324	-	1,324
Investment Fund – Fixed income	1,521	-	1,521	1,595	-	1,595
Investment Fund – Real state	-	-	-	44	-	44
Total	3,239	546	3,784	3,345	175	3,489



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(ii) Expectations of future payments

The expectations for benefit payments that reflect future services under the plan are as follows:

	Consolidated	
	Defined benefit	Post-employment healthcare
2022	235	83
2023	265	80
2024	264	80
2025	261	80
2026	256	78
2027 to 2031	1,221	374
Total	2,502	775

To capitalize the defined benefit plans, the Company expects to disburse R\$ 53 in the period of 2022.

(iii) Sensitivity analysis and actuarial/economic hypothesis

For the sensitivity analysis, the Company considers the effect of changes in the nominal discount rate on the present value of the Company's actuarial obligation, as follows:

	2021			Consolidated 2020	
	Defined benefit	Post-employment healthcare	FACEB's benefits plan paid	Defined benefit	Post-employment healthcare
Nominal discount rate – Reduction of 0.5%					
Present value of actuarial obligations	1,926	713	375	1,688	867
% impact in the current value of the actuarial obligation	5.69%	0.00%	5.12%	6.48%	5.60%
Impact in the <i>duration</i> of the actuarial obligation	14.58	10.46	10.72	15.18	14.73
Nominal discount rate – Increase of 0.5%					
Present value of actuarial obligations	1,731	650	340	1,497	779
% impact in the current value of the actuarial obligation	-5.30%	-4.37%	-4.69%	-6.18%	-5.08%
Impact in the <i>duration</i> of the actuarial obligation	13.28	9.77	10.02	14.00	13.63

The actuarial and economic assumptions adopted were formulated considering the long term expected for their maturation, and, therefore, should be analysed from this perspective. In the short term, they may not necessarily be realized. In the evaluations, the following economic hypotheses were adopted:

	2021			Consolidated 2020	
	Defined benefit	Post-employment healthcare	FACEB's benefits plan paid	Defined benefit	Post-employment healthcare
Nominal average discount rate	8.94%	8.54%	8.26%	7.14%	6.98%
Nominal average growth rate of wage costs	5.58%	0.00%	N/A	4.62%	N/A
Real rate of inflation concerning medical costs	N/A	3.00%	0.00%	N/A	3.25%
Long-term estimated average inflation rate	3.00%	3.00%	3.00%	3.25%	3.25%
<i>Duration</i> (in years)	13.91	10.11	10.36	13.40	14.16



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The main actuarial assumptions adopted in the calculation, by defined benefit plan, are presented as follows:

	2021						2020			
	Néos – Plan BA	Néos – Plan RN	Néos – Plan PE	PSAP/ Elektro	NDB - FACEB paid	NDB - FACEB - Plan BD	Néos – Plan BA	Néos – Plan RN	Néos – Plan PE	PSAP/ Elektro
Nominal average discount rate	8.17%	8.16%	8.18%	8.94%	8.42%	8.26%	6.98%	6.80%	7.04%	7.25%
Nominal average wage cost rate	N/A	N/A	4.03%	5.58%	N/A	N/A	N/A	N/A	4.28%	5.94%
Long-term estimated average inflation rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%
Duration (in years)	8.94	7.52	9.16	13.91	11.47	10.36	9.25	8.64	9.57	16.60
Mortality table	SUSEP BR - EMSsb v2015 (M) soothed in 15%	AT2000 (M&F)	AT-2000 M&F soothed in 10%	AT-2000 male, soothed in 10%	BR-EMSsb-v.2015 M&F	BR-EMSsb-v.2015 M&F	SUSEP BR - EMSsb v2015 (M) soothed in 15%	AT2000 ponderada (40% M e 60% F), soothed in 10%	AT2000 (M)	AT2000 (M) soothed in 10%
Disability entry table	N/A	N/A	Average Light	Weak Light soothed in 30%	TASA 1927	N/A	N/A	N/A	Average Light	Weak Light soothed in 30%
Disability mortality table	BR EMS sb v2010 (M)	AT1983 weighted (40% M and 60% F), soothed in 10%	AT1983 (M)	AT-49 - Male soothed in 10%	RP2000-DISABLED	RP2000-DISABLED	BR EMSsb v2010 (M)	AT1983 weighted (40% M and 60% F), soothed in 10%	AT1983 (M)	AT49 (M)

For the post-employment healthcare plan, the Company used the following biometric tables: (i) Mortality – AT2000 Basic, and (ii) entry into disability – Average *Light*.

(iv) Main risks concerning the defined benefit plans

General risk – The return on the fund's assets is not sufficient to cover the increase in liabilities and benefit payments over the years, the Company will be required to finance the deficit with extraordinary contributions unless the fund has sufficient equity.



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Changes in the discount rate - The interest rate that is used to calculate the defined benefit obligation (under IFRS) depends on the amount of income from government bonds (or corporate bonds of the Company) on the reporting date. A decrease in earnings increases the benefit obligation, which is partly mitigated by adjustment to the market that increases the value of fixed income holdings.

Investments and volatility - The Board of Trustees annually accepts an Investment Plan, which is based on external analysis of the plan's assets and liabilities ('ALM'). The assets are allocated to shares and investment funds, fixed income instruments and real estate. Investments are diversified in different asset classes and for different asset managers taking into account the investment allocation policy of the plans and the limits authorized by the Brazilian pension fund supervision authority ('Previc').

Actuarial and economic assumptions - Actuarial calculations involve future projections about some parameters, such as: wages, interest rates, inflation, mortality and disability. The actual result different from these assumptions will lead to an increase/decrease in the present value of the plan's obligations.

f) Accounting policy and critical judgments

(i) Accounting policy

Long-term post-employment (pension) benefit plans are financed through contributions from participants and sponsor to pension funds, as determined by periodic actuarial calculations. The Company has defined benefit and defined contribution plans.

In defined benefit plans, plan costs are assessed using the projected unit credit method. The costs of providing benefits are recognized in the income statement to distribute the cost of the service over the useful life of employees. Net interest is presented in the income statement, in the financial expenses line.

The defined benefit obligation is calculated annually at the balance sheet date and is measured as the present value of future cash flows estimated using interest rates by the market reference of Brazilian government bonds that have a maturity close to the plan disbursement terms.

Pension plan assets are valued at market value. The liability recognized in the balance sheet is the defined benefit obligation at the closing date less the fair value of the plan's assets. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future contribution payments is available. When the benefits of a plan are changed or when a plan is reduced, the resulting change in the benefit that relates to past service or the gain or loss related to a cut is immediately recognized in the results. Gains or losses on settlements of defined benefit plans are recognized when settlement occurs. The impacts generated by changes in the actuarial assumptions are recognized in equity, within "Other comprehensive income". These effects will be reclassified to retained earnings or profit reserves, upon the extinction or settlement of the benefit of the plan that gave rise to them.

The post-employment healthcare plan has the same measurement and recognition system as defined benefit plans, except for the difference in the economic and actuarial assumptions used.

Contributions to defined contribution plans are recognized in the income statement for the period to which the contributions refer.



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(ii) Estimative and critical judgments

The present value of pension obligations is based on actuarial calculations that use various assumptions. Any changes in these assumptions will impact the number of pension obligations. These assumptions are used to determine the fair value of assets and liabilities, costs and expenses and the estimated future cash outflow values, which are recorded in the obligations with pension plans.

The Company, together with the external and internal actuaries, reviews at the end of each year, the assumptions that will be used for the following year.

22.2 Long-term benefits – Compensation based on shares (Stock option plan)

On April 20, 2020, the Extraordinary General Meeting approved the long-term incentive program - Cycles of 2020/2022 ('Action plan') for executives and employees in managerial positions. The program guidelines establish the maximum limit of (i) 125 beneficiaries, and (ii) the granting of 3,650,000 common shares.

The share-based compensation plan ('Share plan'), with physical delivery of the Company's own shares (NEOE3), aims to encourage and promote the alignment of the Company's, executives 'and employees' objectives, and mitigate risks in generation value of the Company due to the loss of its executives, strengthening their commitment and productivity in long-term results. The Action Plan has the evaluation period stipulated between 2020 and 2022, while the delivery of the shares to the beneficiaries will be carried out annually, in equal parts, in the years 2023 to 2025, provided that the beneficiary has maintained his employment relationship during that period. The plan was granted to the 113 elected beneficiaries on December 1, 2020, with an adjusted price of R\$ 16.09 per share.

As of December 31, 2021, based on the determination of performance assumptions and financial conditions, management estimates that the total value of the program will be R\$93 (equivalent to 125 beneficiaries and 3,650,000 shares). The expense recognized in the income for the year in 2021 and 2020 corresponding to the Stock Option Plan was R\$33 (including R\$7 in charges) and R\$3 (including R\$0.6 in charges), respectively.

23. SHAREHOLDERS' EQUITY

23.1 Share capital

On December 31, 2021 and 2020, the share capital is R\$12,920 which corresponds to 1,213,797,248 issued common shares ("ON"), fully subscribed, paid-up and without nominal value.

	Acionistas		
	ON	ON %	R\$
Iberdrola Energia S A. ("Iberdrola")	606,898,625	50.00%	6,460
Iberdrola S.A.	35,261,800	2.91%	134
Previ-Caixa de Prev. dos Func. do Banco do Brasil ("Previ")	367,647,583	30.29%	3,914
Other shareholders – Free float	203,456,092	16.8%	2,407
Advisors and directors	532,748	0.00%	5
Treasury shares	400	0.00%	-
Total shares	1,213,797,248	100%	12,920



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On December 31, 2021, the Company has the authorization of the Board of directors to repurchase 3,650,000 common shares between 2021 to 2025 to be destined for the Plan of Compensation based on shares (see note 23.2).

23.2 Profits per share and shareholders' remuneration

a) Profits per share

The values of the basic and diluted profit per share are demonstrated below:

	Attributed to shareholders of Neoenergia S/A			
	Consolidated		Parent Company	
	2021	2020	2021	2020
Net income for the period	4,066	2,905	3,888	2,796
Weighted average of the number of the outstanding shares	1,214	1,214	1,214	1,214
Basic net income and diluted per share	3.35	2.39	3.20	2.30

b) Shareholders' remuneration

The Company's Social Statute determine a minimum remuneration of 25% of the net profit, after the adjustments concerning Brazil's legal regulations. The shareholders' remuneration is given in the form of dividends and/or interest on own capital ("JCP") and is based on the limits defined in law and the Company's social statute.

The proposal of remuneration to the shareholders of Neoenergia S/A was calculated in the following way:

	2021	2020
Net profit of the period	3,888	2,796
Legal reserve	(194)	(140)
Adjusted net profit	3,694	2,656
Destination to the unrealized income reserve/profit retention	(2,721)	(1,910)
Net profit to be distributed	973	746
Remuneration		
Minimum mandatory	642	201
Additional remuneration	331	545
	973	746
Nature of the remuneration		
Dividends	642	201
JCP	331	545
	973	746
Total remuneration per share	0.80	0.55



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The values deliberated to the shareholders of Neoenergia S/A, through remuneration nature, are presented below:

<u>Deliberation</u>	<u>Remuneration nature</u>	<u>Deliberated value</u>	<u>Value per share ON</u>
2021			
RCA from June 28, 2021	Interest on own capital 2021	171	0.1406397
RCA from December 13, 2021	Interest on own capital 2021	160	0.1318177
AGOE from April 12, 2021	Minimum mandatory dividends 2020	201	0.1653482
		<u>532</u>	
2020			
RCA from June 15, 2020	Interest on own capital 2020	278	0.2293645
RCA from December 09, 2020	Interest on own capital 2020	267	0.2196808
		<u>545</u>	

The remuneration paid to the shareholders is presented below:

	<u>Consolidated</u>		<u>Parent Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Balance as of January 01	476	213	442	198
Declared in the period	1,073	784	973	746
Withholding tax	(35)	(54)	(33)	(52)
Paid in the period	(708)	(467)	(596)	(450)
Balance as of December 31	805	476	786	442

23.3 Other comprehensive income

The Company recognizes in other comprehensive income the following gains (losses), net of taxes: (i) actuarial obligations of employee benefits R\$ 145; (ii) fair value of financial instruments used in a hedge accounting strategy concerning the cashflow of R\$ 144; (iii) effects of the equity equivalence in similar joint ventures and associates to the items previously mentioned of R\$ 7.

23.4 Capital reserve

The special goodwill reserve constituted made through the Company's corporate restructuring process from the capital inputs made in Neoenergia Elektro and Neoenergia Coelba, both subsidiaries from the Company. Besides the impact of the remuneration based on shares, see note 22.2.



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23.5 Reserve of shareholders' transactions

The values arise from the differences between the paid valid and the book value concerning the variations of equity holdings where there was no change in the shareholding control of the investees.

The values recognized in this reserve derive from the following transactions:

Purchase of interest in Itapebi through Termopernambuco (i)/(ii)	658
Purchase of additional stake in Neoenergia Coelba and Neoenergia Cosern through Neoenergia (iii)	333
Obligation to purchase the participation of Previ (iv)	50
Incorporation's fair value (v)	530
Equity stake gain concerning Coelba (vi)	<u>8</u>
Total	<u>1,579</u>

- (i) Acquisition of the remaining portion of Itapebi 58% between 2013 and 2014. For the purchase of the additional portion, the Company disbursed R \$ 829.
- (ii) Effect of the fair value of Elektro Holding's assets incorporated in Neoenergia S / A and the amount of the consideration used as a capital contribution made in 2017. The amount used as the basis for the capital contribution was R \$ 4,694.
- (iii) Acquisition of the additional portion at Neoenergia Coelba and Neoenergia Cosern of 8.5% and 7.0%, respectively. This operation took place in 2015 and the Company disbursed R \$ 639 for the purchase of the additional portion.
- (iv) In 2021, the Company and Previ agreed to the alienation of minority shareholdings, where the Company paid to Previ, on October 15, 2021, the amount of R\$ 223, being (i) R\$184 concerning share from Neoenergia Coelba; (ii) R\$33 concerning shares from Neoenergia Cosern; and (iii) R\$6, from Afluente T.
- (v) This adjustment refers to the difference between the revised fair value used by the Merger of Elektro Holding of R \$ 4,191 and the amount used as a basis for Neoenergia's capital increase of R \$ 4,694, in addition to consolidation adjustments due to the obtaining control of FEB and FEB 2 in the amount of R \$ 27.
- (vi) In March and July 2018, increases in the share capital of Neoenergia Coelba were approved, where some non-controlling shareholders did not subscribe their shares, resulting in changes in the percentage of Neoenergia's interest in the subsidiary.

23.6 Profit reserve

23.6.1 Legal reserve:

It is a legal requirement to retain 5% of the annual net income calculated up to the limit of 20% of the share capital. The reserve can only be used to absorb losses or to increase capital.

23.6.2 Unrealized profit reserve

Its purpose is to retain a portion of net income for the year that is not realized in cash or cash equivalents and that exceeds the Company's strategic perspective of distributing amounts payable to shareholders.

23.6.3 Profit retention reserve

It has the purpose of assuring the maintenance and development for the main activities that compose the Company's social purpose which is part of the annual distributable net profit until the maximum limit of the share capital or the Company's capital budget proposal.



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23.7 Accounting policy

The share capital represents amounts received from shareholders and also those generated by the Company that were formally incorporated through capital reserves and profit reserves. The share capital is represented by common shares. Common shares are classified as equity instruments because they do not expose the Company to the obligation to deliver cash or other financial instruments and leave the holders of these instruments (shareholders) exposed to the variability of results and cash flows generated by the Company. Incremental expenses directly attributable to the issue of shares are presented as a deduction from equity, as capital transactions, net of tax effects.

The shareholder compensation is recognized as a liability in the Company's financial statements, based on the bylaws. Any amount above the minimum mandatory compensation approved in the bylaws, will only be recognized in current liabilities on the date it is approved by the shareholders.

24. TRANSACTIONS WITH RELATED PARTIES

The Company's related parties are subsidiaries, *joint ventures*, associates, shareholders and its related entities and the Company's key staff from the management.

The main commercial transactions with related parties recognized as accounts receivable and/or accounts payable and its respective revenues and/or costs/expenses are related to (i) power purchase and sale agreements; (ii) energy distribution and transmission system usage agreements; (iii) operation and maintenance service provision; (iv) administrative service contracts.

The transactions with pension funds responsible for the management of short and long-term benefits given to the Company's employees are classified as "Shareholders and Others" in this explanatory note.

The information regarding transactions with related parties and their effects in the Company's consolidated financial statement are demonstrated below:

24.1 Open balance with related parties

	2021				Consolidated 2020			
	Joint ventures	Associates	Shareholders and others	Total	Joint ventures	Associates	Shareholders and others	Total
Assets								
Accounts receivable and others (a)	1	1	-	2	-	1	-	1
Dividends and interest on own capital receivable (b)	23	2	-	25	15	1	-	16
Other assets (c)/(d)	-	-	49	49	-	-	21	21
	24	3	49	76	15	2	21	38
Liabilities								
Suppliers and accounts payable (a)/(d)/(e)/(f)	45	119	122	286	40	103	106	249
Employee benefits (c)	-	-	44	44	-	-	60	60
Dividends and interest on own capital payable (g)	-	-	805	805	-	-	476	476
Other liabilities (e)	-	-	4	4	-	-	216	216
	45	119	975	1,139	40	103	858	1,001



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	2021				Parent Company 2020			
	Subsidiaries	Joint ventures and associates	Shareholders and others	Total	Subsidiaries	Joint ventures and associates	Shareholders and others	Total
	Assets							
Dividends and interest on own capital receivable (l)	606	23	-	629	669	15	-	684
Other assets (j)/(p)/(q)/(r)	636	-	-	636	77	-	-	77
	1,242	23	-	1,265	746	15	-	761
Liabilities								
Suppliers and accounts payable (e)/(f)	-	-	105	105	-	-	104	104
Dividends and interest on own capital payable (g)	-	-	786	786	-	-	442	442
Other liabilities (h)/(m)/(n)	49	-	-	49	11	-	209	220
	49	-	891	940	11	-	755	766

24.2 Transactions with related parties

	2021				Consolidated 2020			
	Joint ventures	Associates	Shareholders and others	Total	Joint ventures	Associates	Shareholders and others	Total
Result of the period								
Operating revenue, net (a)/(j)/(k)/(s)	21	8	-	29	12	-	-	12
Services costs (a)/(d)	(436)	(992)	(65)	(1.493)	(401)	(882)	(57)	(1.340)
Standard and administrative expenses (c)/(e)/(f)	-	-	(162)	(162)	-	-	(132)	(132)
Financial result, net (c)	-	-	(9)	(9)	-	-	(7)	(7)
	(415)	(984)	(236)	(1.635)	(389)	(882)	(196)	(1.467)

	2021				Parent Company 2020			
	Subsidiaries	Joint ventures and associates	Shareholders and others	Total	Subsidiaries	Joint ventures and associates	Shareholders and others	Total
	Result of the period							
Operating revenue, net (j)	4	-	-	4	4	-	-	4
Standard and administrative expenses (e)/(f)	-	-	(104)	(104)	-	-	(109)	(109)
Financial result, net (h)/(n)/(o)/(p)/(q)/(r)	165	-	-	165	173	-	-	173
	169	-	(104)	65	177	-	(109)	68

24.3 Main transaction with related parties

The main transactions with related parties in items 24.1 and 24.2 refer to:

- (a) Energy supply contracts, transmission system use contracts (CUST), distribution system use contracts (CUSD), Regulated Environment Contracting (CCEAR) and transmission system connection contracts (CCT), payment obligations to transmitters by the generators and distributors concerning the use of the transmission system and pricing determined by ONS, firming between the Group's companies. The main contracts are detailed below:



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1. Norte Energia S.A.: Energy purchase contracts executed by Neoenergia Brasília, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Celpe and Neoenergia Elektro, through regulated auctions (and administered prices) with a supply period between 2015-2044.
 2. Águas da Pedra: Energy purchase contracts executed by Neoenergia Coelba, Neoenergia Cosern, Neoenergia Celpe and Neoenergia Elektro through regulated auctions (and administered prices) with a supply period between 2011 and 2040.
 3. Teles Pires: Energy purchase contracts executed by Neoenergia Brasília, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Celpe and Neoenergia Elektro through regulated auctions (and administered prices) with a supply period between 2015-2044. Additionally, there are energy purchase contracts made by NC Comercializadora in the free market with the beginning of the delivery in 2018 and reaching 2036.
- (b) Dividends to be paid to Neoenergia and Geração CIII in 2022.
- (c) Contributions from the subsidiaries Neoenergia Coelba, Neoenergia Celpe, Neoenergia Cosern and Neoenergia Elektro for the pension funds concerning the active employees, as detailed in note 22.
- (d) Service agreement concerning engineering operation and maintenance (in foreign currency) between Termopernambuco and Iberdrola Generación, with an annual readjustment based on the IGP-M variation. The contract has an undetermined period.
- (e) Contract of administrative services where the pricing methodology is ascertained through the cost-plus margin:
1. Iberdrola S.A: providing of services concerning the development of research and analysis of opportunities regarding investments or disinvestments in the Brazilian market.
 2. Iberdrola *Renovables*: Services provided by Iberdrola *Renovables* related to the management, promotion, construction and operation of the wind parks in Brazil, in force since 2012 with an undetermined deadline.
- (f) Brand licensing agreement celebrated between Iberdrola S.A with Neoenergia and the subsidiaries Enerbrasil, Força eólica do Brasil 1 and 2, Neoenergia Renováveis, NC Energia, Elektro Comercializadora de energia, Elektro Operação e Manutenção, Neoenergia Operação e Manutenção, Neoenergia Serviços, Termopernambuco, Baguari I, Geração Céu Azul, Geração CIII, Itapebi and Bahia Geração de Energia, where at each social exercise, it should be payable to Iberdrola, for each aforementioned license, a compensation corresponding to 0.9% of the Net Operating Revenue deducted from the costs with energy and fuel purchase and the construction costs with of ten years as of 2021.
- (g) Dividends and Interest on own capital to be paid by Neoenergia, Afluyente T, Neoenergia Celpe, Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro in 2022.
- (h) Contract celebrated with the subsidiaries Neoenergia Coelba, Neoenergia Celpe, Neoenergia Cosern, Neoenergia Itapebi, Neoenergia Termopernambuco, Afluyente T, NC and Neoenergia Elektro for the provision of corporate guarantee where Neoenergia is the guarantor of financial instruments with a fee invoice per endorsement until 2022.
- (i) Real state rental agreements adjusted every year by the IGPM variation and deadlines until 2022.
- (j) Services provided by Neoenergia O&M to Águas da Pedra concerning services of operation and maintenance, from 2020 to 2024 and prices adjusted by the inflation.
- (k) Services provided by Neoenergia Serviços to Teles Pires: transaction and accounting services, elaboration of periodic reports to the regulating entities, follow-up of external audits, elaboration of quarterly and annual financial statements, in addition to tributary services from 2020 to 2022 with the prices being adjusted by the inflation.



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- (l) Dividends and/or interest on own capital to be paid to Neoenergia in 2022.
- (m) Obligation with PREVI settled on October 15, 2021, according to note 21.
- (n) Mutual financial contract made with Neoenergia Itapebi with deadline in 2022.
- (o) Mutual financial contract made with Neoenergia Sobral and Lagoa dos Patos transmissão de Energia, Chafariz 7 and Neoenergia Termopernambuco settled in 2021.
- (p) Mutual financial contract made with Neoenergia Santa Luzia, Jalapão, Guanabara and Dourados Transmissão de Energia with deadline in 2022.
- (q) Mutual financial contract made with Neoenergia Serviços and Elektro operação e manutenção in deadline in 2022.
- (r) Mutual financial contract made with the wind parks Chafariz 2 and 5, Canos 2, 3 and 4, Lagoa 3 and 4 and the Ventos do Arapuá 1, 2 and 3 with deadline in 2022.
- (s) Services provided by Neoenergia O&M to Hidrelétrica Teles Pires concerning services of operation and maintenance through remote control from 2020 to 2025 with the prices being adjusted by the inflation.

24.4 Key-management personnel compensation

The employees' remunerations, including those occupying executive positions and member of the Company's Board of Directors recognized in the statement of income under the competence regime, are demonstrated below:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Wages and recurring benefits	39	37	29	26
Short-term variable remuneration	16	17	13	11
Long-term benefits	21	12	16	9
Contract terminations	1	-	-	-
	77	66	58	46

24.5 Provided financial guarantees

The guarantees offered by the Company are based on contractual terms that support the financial operations between the joint ventures/subsidiaries and third parties, ensuring the assumption of the obligation's fulfillment, in case of the original debtor does not comply with the established financial commitments.

In December 31, 2021, the total financial guarantees granted by the Company to particular joint ventures and subsidiaries totalled R\$4.355.



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25. CLASSIFICATION AND ESTIMATIONS OF THE FAIR VALUES FROM FINANCIAL INSTRUMENTS

25.1 Financial instruments classification and measurement

The Company classifies its financial instruments accordingly with its business model and purpose for which they were acquired. The financial instruments are classified and measured as follows:

	Consolidated					
	2021			2020		
	AC	FVTOC	FVTP&L	AC	FVTOCI	FVTP&L
Financial assets						
Cash and cash equivalents	1,945	-	3,600	1,825	-	3,235
Securities and marketable securities	26	-	433	6	-	204
Trade and other receivables	10,584	-	-	7,800	-	-
Derivative financial instruments	-	1,430	771	-	1,757	963
Sectoral financial assets (Portion A and others)	2,033	-	-	92	-	-
Public service concession (financial asset)	-	-	18,516	-	-	14,403
Other Financial assets*	6	-	-	-	-	-
	14,872	1,430	23,042	9,833	1,757	18,695
Financial liabilities						
Suppliers and accounts payable to contractors	5,686	-	-	4,428	-	-
Loans and financings	36,687	-	1,936	23,973	-	2,407
Sectoral financial liabilities (Portion A and others)	342	-	-	665	-	-
Derivative financial instruments	-	309	22	-	126	11
Lease obligations	146	-	-	95	-	-
Use of public good	78	-	-	67	-	-
Other financial liabilities*	365	-	-	6	-	-
	43,304	309	1,958	29,234	126	2,418

AC – Amortized cost

FVTOCI – Fair value through other comprehensive income

FVTP&L – Fair value through profit and loss

25.2 Fair value estimate

For the measurement and determination of the fair value, the Company uses several methods including approaches based on the following: market, result or cost, to estimate the values that the market participants would use to price the asset or liability. The financial assets and liabilities booked at fair value are classified and disclosed accordingly with the following levels:

Level 1 – Prices quoted (non-adjusted) on active, liquid and visible markets for identical assets liabilities that are accessible in the measurement date

Level 2 – Prices quoted (can be adjusted or not) for similar assets or liabilities on active markets; and

Level 3 – Assets and liabilities whose prices do not exist or that these prices or evaluation techniques are supported by a small or non-existent, non-observable, or illiquid market.

The impact analysis in case of the results are different from the Administration's estimation is presented in note 25.8 (sensitivity analysis).



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25.3 Financial instruments recognized by the fair value (“FVTP&L” or “FVTOCI”)

The measurement level of the financial assets and liabilities recognized by the fair value is demonstrated as follows:

	2021			Consolidated 2020		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	3,600	-	3,600	3,235	-	3,235
Securities and marketable securities	433	-	433	204	-	204
Derivative financial instruments	2,201	-	2,201	2,720	-	2,720
Public Service concession (financial asset)	-	18,516	18,516	-	14,403	14,403
	5,956	18,516	24,472	6,049	14,403	20,452
Financial liabilities						
Loans and financings	1,936	-	1,936	2,407	-	2,407
Derivative financial instruments	331	-	331	137	-	137
	2,267	-	2,267	2,544	-	2,544

There was no transference of financial instruments between the measurement levels at fair value.

The gains and losses recognized in the result concerning the periods of 2021 and 2020, related to the financial assets and liabilities measured through level 3 techniques were R\$ 1,579 and R\$ 549, respectively. The other transfers for these assets and liabilities are disclosed in note 14.1.

25.4 Financial instruments recognized by the amortized cost (“AC”)

Financial instruments measured by the amortized cost, due to the long-term cycle for accomplishment, can have their fair value to be different from the book balance. The fair values of the financial assets and liabilities recognized by the amortized cost are demonstrated below.

	2021		Consolidated 2020	
	Book balance	Fair value estimate - Level 2	Book balance	Fair value estimate - Level 2
Loans and financings	36,687	36,474	23,973	24,207

Due to the short-term cycle, it is assumed that the fair values of the balances regarding cash and cash equivalents, securities and marketable securities, trade accounts receivables. Accounts payable to suppliers and sectoral financial assets and liabilities are equal to the amount measured at amortized cost (book balance).

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25.5 Accounting policy

The Company classifies its financial assets and liabilities that are initially recognized at fair value and subsequently measured, according to the following categories:

(i) Financial assets

Financial assets are generally classified as measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on both: the entity's business model for the management of financial assets; and the contractual cash flow characteristics of the financial asset, as follows:

- Amortized cost (AC): financial asset whose contractual cash flow results only from the payment of principal and interest on principal on specific dates, and whose business model aims to maintain the asset in order to receive its contractual cash flows;
- Fair value through other comprehensive income (FVTOCI): financial asset (debt financial instrument) whose contractual cash flow results only from the receipt of principal and interest on principal on specific dates, and whose business model aims at both receiving contractual cash flows from the asset to its sale; and
- Fair value through profit or loss (FVTP&L): all other financial assets. This category generally includes derivative financial instruments.

The instruments measured by AC and FVTP&L are susceptible to the recognition of expected credit losses. In general, the expected credit losses of financial instruments arising from the Company's operations (ex: Accounts receivable) are measured by the simplified method, based on a provision matrix that weighs the characteristics of the instruments, age of the security, history losses and expected future losses.

(ii) Financial liabilities

The financial liabilities are initially recognized by the fair value, net of the transaction costs incurred and subsequently are measured by the amortized cost (except in determined situations, which include certain financial liabilities at fair value through the result) and updated through the effective interest method. Any difference between the seized value (net of transaction costs) and the settlement value, is recognized in the result during the period in which the instruments are in force, using the effective interest rate method. The fees paid in the loan's borrowing are recognized as transaction costs

25.6 Evaluation methods and technique

(i) Public service concessions

To measure fair value, the Company uses a replacement cost approach based on ANEEL's price tables, stipulated for assets inherent to operations subject to indemnification by the granting authority. The relevant factors for measuring fair value are not observable and there is no active market. Therefore, the classification of the fair value hierarchy is level 3.



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(ii) Loans and financings

Loans allocated at level 2 are based on the result approach and the fair value of both fixed-rate and floating-rate debt is determined from the discounted cash flow using the future CDI rate and the bond curve of the Company.

(iii) Derivative financial instruments

The estimate of the fair value of derivative financial instruments is calculated using methodologies adopted as a market standard, which correctly reflect the market conditions of the variables included in their pricing, as well as the current contractual conditions for the instrument.

25.7 Additional information on derivative financial instruments

As of December 31, 2021, there was no margin amount deposited with respect to positions with derivative financial instruments.

The Company has derivative financial instruments for the purpose of economic and financial protection against the risk of changes in exchange and interest rates. The main instruments used are swaps, Non-Deliverable Forwards (NDF) and options.

All derivative operations of the Company's hedge programs are detailed in the tables below, which include information on the type of instrument, reference value, maturity, fair value including credit risk and amounts receivable or payable.

In order to assess the economic relationship between the hedged item and the hedging instrument, the Company adopts prospective effectiveness testing methodology through the critical terms of the object and the contracted derivatives, in order to conclude whether there is an expectation that changes in the cash flows of the hedged item and the hedging instrument can be mutually offset.



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U.S. Dollars loans and financings hedging program

For economic and financial hedging purposes, the Company may contract swaps to translate loans and financings denominated in US\$ into R\$. In such swaps, the Company holds a payable position in R\$ bearing at CDI and a receivable position in US\$ bearing at fixed or floating interest rates (Libor).

The programs as follows are designated as for hedge accounting and measured at fair value through profit or loss:

	Reference value		Deadline (year)	Fair value		Accumulated effect in the amount receivable/received or payable/paid
	2021	2020		2021	2020	2021
Swap US\$ float vs R\$ float						
Company						
Asset	US\$ 151	US\$ 182	2021 - 2029	852	952	
Liability	R\$ 487	RS\$ 583		(469)	(570)	
Net exposure				383	382	1
Swap US\$ fixed vs R\$ float						
Company						
Asset	US\$ 86	US\$ 137	2020 - 2027	499	748	
Liability	R\$ 228	R\$ 373		(224)	(370)	
Net exposure				275	378	(103)

The programs as follows are designated as for hedge accounting and classified as for cash flow hedge:

	Reference value		Deadline (year)	Fair value		Accumulated effect in the amount receivable/received or payable/paid
	2021	2020		2021	2020	2021
Swap US\$ float vs R\$ float						
Company						
Asset	US\$ 60	US\$ 114	2021-2030	340	594	
Liability	R\$ 197	R\$ 367		(199)	(369)	
Net exposure				141	225	(84)
Swap US\$ fixed vs R\$ float						
Company						
Asset	US\$ 1,322	US\$ 889	2021-2035	7,402	4,831	
Liability	R\$ 6,425	R\$ 3,698		(6,631)	(3,790)	
Net exposure				771	1,041	(270)

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Euro loans and financings hedging program

For economic and financial hedging purposes, the Company may contract swaps to convert loans and financings denominated in EUR into R\$. In such swaps, the Company holds a payable position in R\$ bearing at CDI and a receivable position in EUR bearing at fixed or floating interest rates (Euribor).

The programs as follows are designated as for hedge accounting and classified as cash flow hedge, therefore measured at fair value through other comprehensive income:

<u>Swap EUR \$ fixed vs R\$ float</u>	Reference value		<u>Deadline (year)</u>	Fair value		Accumulated effect in the amount receivable/received or payable/paid
	2021	2020		2021	2020	2021
Asset	€ 159	€ 159	2022-2024	1.037	1.042	
Liability	R\$ 711	R\$ 703		(720)	(710)	
Net exposure				317	332	(15)

Hedging program for loans and financings denominated in Reais bearing at IPCA inflation rate

For economic and financial hedging purposes, the Company may contract swaps to convert loans and financings in R\$ bearing at IPCA into CDI. In such swaps, the Company holds a payable position in CDI and a receivable position in IPCA.

The programs as follows are designated as for hedge accounting and measured at fair value through profit or loss:

<u>Swap IPCA vs CDI</u>	Reference value		<u>Deadline (year)</u>	Fair value		Accumulated effect in the amount receivable/received or payable/paid
	2021	2020		2021	2020	2021
Asset	R\$ 617	R\$ 768	2021 - 2025	615	841	
Liability	R\$ 504	R\$ 662		(502)	(661)	
Net exposure				113	180	(67)



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Hedging program for U.S. Dollars payments

Aiming to reduce cash flow volatility, the Company may contract NDF or options operations to mitigate foreign exchange rates variations exposure arising from disbursements denominated or subject to ratios in U.S. Dollars.

Such program is designated as for hedge accounting and classified as for cash flow hedge, therefore measured at fair value through other comprehensive income:

NDF	Reference value		Deadline (year)	Fair value		Accumulated effect in the amount receivable/received Or payable/paid 2021
	2021	2020		2021	2020	
Disbursement USD						
Forward	US\$ 122	US\$ 110	2022-2023	4	29	
Net exposure				4	29	(25)

Hedging program for Euro payments

Aiming to reduce cash flow volatility, the Company may contract NDF operations to mitigate foreign exchange rates variations exposure arising from disbursements denominated or subject to ratios in Euro.

Such program is designated as for hedge accounting and classified as for cash flow hedge, therefore measured at fair value through other comprehensive income:

NDF	Reference value		Deadline (year)	Fair value		Accumulated effect in the amount receivable/received Or payable/paid 2021
	2021	2020		2021	2020	
Disbursement EUR						
Forward	€ 26	€ 53	2022-2024	(11)	16	
Net exposure				(11)	16	(27)



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Hedge program for disbursements in Reais

For the purpose of economic and financial protection, the Company may contract swap operations to convert the fixed-rate debts and loans into CDI. In these swaps, the Company takes a passive position in CDI and an active position at a rate fixed by the creditor bank.

The programs below are classified according to the hedge accounting criteria measured at fair value through profit or loss.

	Reference value		Deadline (year)	Fair value		Accumulated effect in the amount receivable/received Or payable/paid
	2021	2020		2021	2020	2021
Swap R\$ fixed vs R\$ float						
Asset	R\$ 336	R\$ 336	2022	329	352	
Liabilities	R\$ 335	R\$ 328		(336)	(329)	
Net exposure				(7)	23	(30)

Hedge program regarding the stocks plan – ILP 2020/2022

On July 15, 2020, the Company's Board of Directors approved the repurchase of up to 2,555,000 shares through the contracting of derivative financial instruments (Equity Swap), to protect the Company from the volatility of its shares' prices (NEOE3), since this event may negatively impact the future assumed cash flows in the scope of its Long-term Incentive Program.

This program is classified according to an economic hedge which is not designated as hedge accounting and is measured at the fair value through the result.

	Reference value		Deadline (year)	Fair value		Accumulated effect in the amount receivable/received Or payable/paid
	2021	2020		2021	2020	2021
Swap Equity						
Asset	R\$ 40	R\$ 45	2022	45	45	
Liabilities	R\$ 59	R\$ 56		(59)	(57)	
Net exposure				(14)	(12)	(2)

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Yen loans and financing hedging program

For the purpose of economic and financial protection, the Company contracts swap operations to convert JPY-denominated debts and loans to R \$. In these swaps, the Company assumes a passive position in R \$ linked to the CDI and an active position in JPY linked to fixed rates.

	Reference value		Deadline (year)	Fair value		Accumulated effect in the amount receivable/received Or payable/paid
	2021	2020		2021	2020	2021
Swap JPY fixed vs R\$ float						
Asset	JPY 18,910	JPY 3,887	2021-2031	934	196	
Liabilities	R\$ 998	R\$ 204		(1,025)	(206)	
Net exposure				(91)	(10)	(81)

25.8 Sensitivity analysis

The sensitivity analysis estimates the potential value of derivative financial instruments and respective exposures of the protected objects, in hypothetical stress scenarios of the main market risk factors to which they are exposed, maintaining unchanged all other variables.

- Probable scenario: In the evaluation date, the future cash flows were projected, considering the balances and eventual charges and interest, estimated based on the foreign and/or interest rates in effect at the market in September 30, 2021.
- Scenario II: Estimative of the fair value considering a deterioration of 25% in the associated risk variables.
- Scenario III: Estimative of the fair value considering a deterioration of 50% in the associated risk variables.

For analysis purposes of the sensitivity regarding the derivative financial instruments, the Company understands that there is the need to consider the liabilities that are being protected, with exposure to the variations of foreign rates or price indexes and that are registered in the statement of financial position.



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As 100% of the debts in foreign currency are protected by *swaps*, the risk of the exchange rate variation is irrelevant, according with the demonstrated below:

Operation	Currency	Risk	Rate	Exposure (Balance/ Notional)	Impact - Scenario (II)	Impact - Scenario (III)
U.S. Dollars denominated debt		Dollar appreciation	5.5805	(9,055)	(2,264)	(4,529)
Swap receivable leg in U.S. Dollars	Dollar (US\$)	Dollar depreciation		9,093	2,274	4,547
Net exposure				38	10	18
Euro denominated debt		Euro appreciation	6.3210	(1,005)	(252)	(501)
Swap receivable leg in Euro	Euro (€)	Euro depreciation		1.037	259	519
Net exposure				32	7	18
Yen denominated debt	Yen (JPY)	Yen appreciation	0.0485	(916)	(229)	(458)
Swap receivable leg in Yen		Yen depreciation		934	234	467
Net exposure				18	5	9

For disbursements in foreign currency related to non-debt contracts, the following protection strategies are adopted, with the impacts pertaining to the reproduced scenarios for the exchange variation over the derivative and corresponding impact on each scenario for the protected item being shown in the table. Therefore, the effect of elimination and/or reduction to net exchange exposure is observed through the hedging strategy:

Operation	Currency	Risk	Rate	Exposure (Balance/ Notional)	Impact - Scenario (II)	Impact - Scenario (III)
Hedge item: portion of payments in USD NDF		Dollar appreciation	5,5805	(737)	176	352
	Dollar (\$)	Dollar depreciation		737	(176)	(352)
Net exposure				-	-	-
Hedge item: portion of payments in Euro NDF	Euro (€)	Euro appreciation	6,3210	(204)	49	100
		Euro depreciation		162	(39)	(79)
Net exposure				(42)	10	21

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The chart below demonstrates the loss (gain) due to the variation of interest rates that may be recognized in the Company's result at the subsequent period, in case one of the scenarios presented below occurs:

Operation	Indexer	Risk	Rate at the year	Exposure (Balance/ Notional)	Probable Scenario	Impact - Scenario (II)	Impact - Scenario (III)
FINANCIAL ASSETS							
Financial application at CDI	CDI	CDI depreciation	9.15%	5,799	516	(129)	(258)
FINANCIAL LIABILITIES							
Loans, financings and debentures							
Debt instruments at CDI	CDI	CDI appreciation	9.15%	(12,943)	(1,357)	(339)	(679)
Swaps Dollar x CDI (payable leg)	CDI	CDI appreciation	9.15%	(10,167)	(1,023)	(256)	(511)
Debt instruments at IPCA	IPCA	IPCA appreciation	10.74%	(12,724)	(1,952)	(355)	(712)
Swaps IPCA x CDI (receivable leg)	IPCA	IPCA appreciation	10.74%	615	101	17	35
		LIBOR 6M	0.34%	(1,192)	(14)	(1)	(2)
Debt instruments at LIBOR 6M	LIBOR	LIBOR appreciation					
		LIBOR 6M	0.34%	1,192	16	1	2
Swaps Libor 6M x CDI (receivable leg)	LIBOR	LIBOR appreciation					
Debt instruments at SELIC	SELIC	SELIC appreciation	9.15%	(161)	(19)	(4)	(8)
Debt instruments at TJLP	TJLP	TJLP appreciation	6.08%	(1,692)	(136)	(26)	(51)

The table below shows the loss (gain) in the equity swap operation, caused by the variation in Neoenergia's share price (NEOE3), under certain market scenarios. This loss (gain), if materialized, will be recognized in the income statement for the Company in the following year:

Operation	Indexer	Risk	Rate at the year	Exposure (Balance/ Notional)	Probable Scenario	Impact - Scenario (II)	Impact - Scenario (III)
Other financial assets							
Active Swap in Equities	NEOE3	Stock depreciation	17.2500	45	3	11	23

26. COMMITMENTS

The commitments related to long-term contracts are disclosed below:

	Energy purchase (a)	Infrastructure construction
2023	16,978	590,631
2024	16,592	1,308,819
2025	16,839	21,507
2026	17,810	5,123
2027	19,591	5,608
Between 2028 and 2037	78,473	24,182

(a) The values concerning the energy purchase contracts, whose period varies from 6 to 30 years, represent the total contracted volume of energy purchase and were authorized by ANEEL and also meet the commitments imposed by the law.



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The group's distributors analysed the commitments concerning the contracted energy that surpasses the overcontracting's 5% limit, which eventually may not be transferred in the tariff due to being considered as voluntary. According to the demands projections and Market prices estimates, the observed results were not considered to be significant to its operations.

Neoenergia is the guarantor of loans, financings and debentures from its subsidiaries and associates.

27. SUBSEQUENT EVENTS

Entry into operation of the Jalapão transmission line

On January 05, the Jalapão transmission line began its commercial operation (Batch 4 –Transmission auction n° 02/2017, December 2017). The grid, LT 500 kV Miracema –Gilbués II –Barreiras II, has 728 km of extension and is Neoenergia's biggest grid in operation, passing through the States of Tocantins, Maranhão, Piauí and Bahia.

The batch of Jalapão has a total annualized RAP of R\$ 149 and was delivered with an anticipation of 15 months and a CAPEX saving of 34%, both in relation to the estimated by ANEEL. With this delivery, Neoenergia ends the delivery of all the projects acquired in the Auction from December 2017 with average anticipation of 15.6 months in relation to ANEEL's deadline and a CAPEX saving of 33% in comparison with the initial estimation of the Regulatory entity.

Debt raising

Neoenergia signed a new financing contract with the European Investment Bank. The contract has a total amount of up to € 200 million (around R\$ 1.2 billion). It concerns a green financing which has as coverage the CAPEX from the following solar and wind projects: Wind Complex Oitis, Wind Complex Chafariz and Solar parks Luzia. Its period is up to ten years, being 3 years of grace concerning the principal and its estimated cost. The disbursements should occur in up to 36 months.

The subsidiaries Neoenergia Elektro and Neoenergia Coelba raised, on January 04 and February 10, financial operations with MUFGBANK, LTD ("MUFGB") in the amount of R\$ 200 and R\$ 105, respectively. The operations have a deadline of five years and payment of semestrial interest.