



NEOENERGIA

Consolidated Interim
Financial Statements

December 31, 2020



Rio de Janeiro, February 9th, 2021 –Neoenergia discloses on this date the company's results for the fourth quarter and closing of the 12-month period of 2020 (4Q20 and 2020).



ICO2 B3 ISE B3 IEE B3 IBRX100 B3



HIGHLIGHTS (R\$ MM) 4Q20	4Q20	4Q19	Δ %	2020	2019	Δ %
Net Operating Revenue	10,002	7,215	39%	31,138	27,622	13%
Gross Margin	3,163	2,509	26%	10,233	9,163	12%
Operating Expenses (PMSO)	(999)	(894)	12%	(3,225)	(3,180)	1%
EBITDA	2,101	1,513	39%	6,496	5,719	14%
Financial Income (Loss)	(350)	(368)	(5%)	(1,030)	(1,341)	(23%)
Profit assigned to controlling shareholders	996	618	61%	2,809	2,229	26%
Financial Asset (Concession)	404	156	159%	549	556	(1%)
IFRS 15	360	198	82%	758	343	121%



OPERATING INDICATORS						
Captive Market (GWh)	10,493	11,574	(9.3%)	41,348	43,942	(5.9%)
Captive + Free Market (GWh)	14,883	15,500	(4.0%)	57,026	58,922	(3.2%)
Volume of energy injected (GWh)	18,006	17,776	1.3%	66,857	67,878	(1.5%)
Number of Customers (thousand)	14,289	14,049	1.7%			

Financial Debt Indicators	2020	2019	Variation
Net Debt(1)/EBITDA(2)	2.85	3.00	(0.1)
EBITDA/Financial Result(2)	6.31	4.27	2.0
Corporate Rating (S&P)	AAA	AAA	-

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

(2) EBITDA and Financial Result - 12 months

Financial and Operating Results:

- 18,006 GWh of energy injected in the 4Q20 (+1.29% vs. 4Q19) reflecting the upturn of economic activity, and 66,857 GWh in 2020 (-1.50% vs. 2019) impacted by the effects of Covid-19, especially in 2Q20;
- In 4Q20, AFDA (Allowance for Doubtful Accounts) amounted to R\$ 35 million, a decrease of R\$ 73 million vs. 4Q19 due to the success of collection actions. In the year, AFDA was R\$ 456 million, +R\$ 124 million vs.2019, impacted by the pandemic;
- Operating expenses of R\$ 999 million in 4Q20 (+12% vs. 4Q19) due to collection actions and energy cuts, in addition to non-recurring expenses from the acquisition of CEB (R\$ 25 million) and write-off of assets in Celpe (R\$ 26 millions). In the year, expenses were R\$ 3.2 billion, in line with 2019;
- EBITDA of R\$ 2.1 billion in 4Q20 (+39% vs. 4Q19) and R\$ 6.5 billion in 2020 (+14% vs. 2019), confirming economic recovery;
- Profit of R\$ 996 million in 4Q20 (+61% vs. 4Q19) and R\$ 2.8 billion in 2020 (+26% vs. 2019);
- CAPEX of R\$ 2.1 billion in 4Q20 (+49% vs. 4Q19) and R\$ 6.3 billion in the year (+44% vs. 2019) due to the progress of Transmission and Wind projects;
- Reduction of leverage. Net Debt/EBITDA of 2.85x in 4Q20 below that recorded in 4Q19 of 3.0x.

TELECONFERENCE 4Q20

Wednesday, February 10, 2021

Time: 10:00 (BRT) | 08:00 (EST)

(with simultaneous translation into English)

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Access to Webcast: <https://choruscall.com.br/neoenergia/4q20.htm>

NEOENERGIA S.A., DISCLOSES THE RESULTS FOR THE FOURTH QUARTER (4Q20) AND FOR THE FISCAL YEAR OF 2020 BASED ON MANAGEMENT ANALYSES THAT THE BOARD OF DIRECTORS UNDERSTANDS TO TRANSLATE THE COMPANY'S BUSINESS IN THE BEST MANNER, CONCILIATED WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).

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MESSAGE FROM THE PRESIDENT

Amid a year as challenging as 2020, which will be remembered for the effects of the Covid-19 Pandemic, Neoenergia maintained its course of continuous growth, the result of a structured strategy and a sustainable and diversified business model. With cost discipline and constant pursuit of efficiency, we kept our OPEX at the same levels as 2017, absorbing inflation, increasing in the number of customers and headcount by expanding our business portfolio. EBITDA grew by 14% compared to 2019, while net income reached R\$ 2.8 billion, 26% in excess of that recorded in the previous year.

After the severe impact of the mobility restriction measures and the economic downturn in the second quarter, in the electricity sector we recorded a market recovery throughout the rest of the year to the levels of 2019, resulting in an energy injection downturn of 1.5% for the year. With innovation and pioneering spirit, we implemented new service and payment channels, positively impacting bad debt. We ended the year with a collection rate of 0.7 pp higher than 2019. It is worthy of highlight that, despite the operational challenges imposed by the Pandemic, we ensured quality services in compliance with regulatory limits.

During the year, we invested more than R\$ 6.3 billion, approximately 50% in the expansion and upgrade of distribution networks. In the transmission segment, we energized, ahead of the term contracted, 359 km and the Biguaçu substation, in Santa Catarina, adding 400 MVA to the Brazilian electric energy system. In the renewable business, we carried on building the Chafariz complex in Paraíba, which is on schedule, and we started mobilizing Oitis, with 95% of CAPEX and materials and services contracted.

The year 2020 was also important in expanding our operations in the country. Aligned with the global strategy and with a business plan based on efficiencies, synergy and the upgrading of the networks, we acquired Companhia Elétrica de Brasília (CEB), with an investment of R\$ 2.5 billion. We also purchased another transmission lot with more than 80% in Bahia, Coelba's concession area, adding 1.1 thousand km of networks and a 400 MVA substation to the portfolio, in addition to approving the construction of the first Neoenergia solar park, with 149 MW dc in the Luzia complex, in the state of Paraíba.

We understand that our role goes beyond financial results, and we strongly support the fight against the effects of Covid-19, promoting actions of Energy Efficiency, donations of hospital resources, hygiene and food supplies to the most vulnerable tier of our surrounding communities. Through the Neoenergia Institute, we invested more than R\$ 9 million in social, cultural and environmental projects, 47% of which with our own resources.

We also expanded our training and local development project, by training some 1,500 students in Electrician Schools, which also promote inclusion and diversity by training women to become electricians. Our sustainable practices, commitment to the environment and the generation of social dividends are increasingly recognized. We were included in the 16th portfolio of the Corporate Sustainability Index (ISE) and the 11th portfolio of the Carbon Efficient Index (ICO2) of B3, and we are among the companies under the Proética seal.

We believe in the responsibility of the electric sector for the recovery of the economy, and we will carry on investing in projects that foster actions to decarbonize the economy, with the expansion of renewable energies and initiatives for electrifying the economy, such as the first Green Corridor in the Northeast, which will allow to transport electricity between six northeastern capital cities.

The Results achieved in 2020 are the product of the planned work and commitment of a team devoted to the results promised. I thank the Neoenergia team for their courage, determination and responsibility and our shareholders for their trust.

Mario Jose Ruiz Tagle Larrain

Neoenergia Chief Executive Officer

1. CORPORATE PROFILE AND ORGANIZATIONAL STRUCTURE

Neoenergia is a publicly traded company, present in 18 Brazilian states, 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 four Distributors, three in the Northeast - Coelba, Celpe, and Cosern - and one in the Southeast - Elektro.

As of December 31, 2020, Neoenergia's corporate structure consisted of 51.04% of Iberdrola interest, 30.29% interest of PREVI and 18.67% free float.

2. MACROECONOMIC ENVIRONMENT

2020 began a challenging but promising year. According to the Focus Report of the Brazilian Central Bank, in January, the initial projection was for 2.3% growth in Gross Domestic Product (GDP) in 2020. Liberal agendas (such as privatizations and other structural reforms) were anticipated in the calendar.

However, with the new Coronavirus pandemic, the global scenario has undergone drastic changes.

In mid-May, the market was already forecasting a 7.5% to 8.0% recession in the Brazilian economy for 2020, however, by the end of the year, the Central Bank Focus Report was already expecting a downturn of 4.4 %.

At the foreign exchange front, the dollar closed 2020 at a year-to-date increase of 29.3% compared to 2019, quoted at R\$ 5.189, with the real being one of the currencies that were most depreciated in that period.

As regards inflation, according to the IBGE, the Extended National Consumer Price Index (IPCA) ended 2020 at 4.52% (4.31% in 2019). According to the Getulio Vargas Foundation, the General Market Price Index (IGP-M) reached 23.14% in 2020, remaining at a level higher than the 7.32% recorded in the previous year. Most of this indicator is comprised of commodities associated with the manufacturing sector (iron ore, copper and aluminum), and also the agribusiness (corn and wheat). With the devaluation of the exchange rate, these products, which are quoted in dollars, had significant price increases, causing the increase of the IGP-M. The Selic Rate ended 2020 at 2.00% p.a. (vs. 4.50% p.a. as recorded at the end of 2019), following the downward trend that has been taking place since 2015, in addition to recording the lowest historical level.

Regarding energy consumption, according to the Electric Energy Trading Chamber (CCEE), there was a 1.5% reduction compared to 2019. Despite the social distancing measures in the first half of the year 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 2020 Annual Tariff Resets took place for all the Neoenergia Group distributors:



Consumer Group	April-20	April-20	April-20	August-20
AT - High Voltage (>2,3kV)	5.38%	5.93%	4.72%	6.00%
BT - Low Voltage (<2,3kV)	4.85%	4.88%	2.92%	5.02%
Average Tariff Effect AT+BT	5.00%	5.16%	3.40%	5.36%
Start of validity	22-Apr-20	29-Apr-20	22-Apr-20	27-Aug-20
Revision Process	Annual Reset	Annual Reset	Annual Reset	Annual Reset
Next Tariff review	April-23	April-21	April-23	August-23

COELBA, CELPE and COSERN

In April 2020, Coelba, Celpe and Cosern proposed the deferral of the beginning of the enforcement of the tariff resets to July 1, being in turn compensated by the deferral of the payment of the monthly installments of the Energy Development Account - CDE of the three-month period in equivalent amounts, which were paid in five installments from August through December. As to the deferral of the reset, Aneel recognized the right referring to the additional tariff revenue in the period, due to the adjourned enforcement of the new approved tariffs until June 30, 2020, which will be offset in the 2021 reset of the Company.

ELEKTRO

On August 25, 2020, Aneel approved Elektro tariff reset. The variation in Parcel A was 15.41% (R\$ 686.4 million), with the average onlending price of energy purchase agreements set at R\$ 212.94/MWh. The variation in Parcel B was 8.43% (R\$ 133.2 million). Combining Parcels A and B, the impact was +13.59%, which, less financial components of -8.22% (including the contribution to reduce the adjustment, due to the early outlay of Conta-Covid resources), results in an average effect +5.36% to be perceived by the consumer.

3.1.1.2. Main Tariff discussions during the year

Regulatory Weighted Average Cost of Capital - WACC

After the decision to maintain the regulatory weighted average cost of capital (WACC) at 8.09% in 2018 and 2019, on 26/2019, ANEEL opened Public Consultation nº 26/2019 in order to update the methodology for calculating this parameter for the generation (quota plants), transmission and distribution segments. The distribution segment has a different value, considering the additional risk premium of the activity (market risk).

In March 2020, the Agency approved a new methodology for calculating the WACC, main changes of which were as follows: (i) the use, whenever possible, of local parameters, such as Brazilian Treasury Bonds for Risk-Free Rate (NTN-B), average debentures for the electric sector for Third Party Capital and Optimal Theoretical Capital Structure; and (ii) the annual update of the WACC considering the average of the last five years for Cost of Equity, and the most recent indicators for Third Parties and Capital Structure Cost of Capital.

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

Methodology for the Calculation of Regulatory Operating Costs

In November 2020, ANEEL opened Public Consultation nº 62/2020 in order to review the methodology for defining operating costs on a 4-year basis, based on the definition of the method, the variables that will be used, the calculation assumptions, the treatment of data and the application rule in all its details.

The Methodology is based on benchmark and at each review ANEEL compares the level of efficiency of the operating costs of the distributors to define what amount of the costs will be recognized in the distributor's tariff. An efficiency ranking between companies is built in the methodology. It considers as main variables the network extension, the number of consumer units (UCs) and the weighted energy market. Such variables are used as products and the

company's book operating cost are used as an input in the DEA (Data Envelopment Analysis) optimization model. The result depends on the efficiency progression of the other distributors.

ANEEL's proposal in this new discussion cycle is to maintain the DEA to estimate efficient operating costs. Currently, Opex is used for input variables, and at this point ANEEL also proposes to consider the extent of quality and non-technical losses (monetary difference between actual loss versus regulatory loss) in the model, considering the costs with labor-related unfavorable court rulings as an input.

Factor X – Efficiency and Productivity Gains

In March 2020, ANEEL's Board of Directors resolved the result of the ANEEL Public Consultation on 23/2019, the methodology review for the X-Factor component related to the productivity gains of the distribution activity (Pd). The new methodology considers the effects of productivity gains and market variations in the six years prior to the tariff process underway. The results represented prospects for decreasing the “Pd” for all the Group's distributors (2021 RTP – Periodical Tariff Review for Celpe, and RTP 2023 for the other distributors), which meant less appropriation of productivity gains for consumers.

3.1.1.3. Covid Account

Decree 10,350 was published on May 18, 2020 authorizing the creation of the Covid Account, and setting the management guidelines. The Account received funds from bank loans taken by CCEE, which were passed on to the distributors, with the purpose of mitigating the financial effects of collection loss arising from market decline and increase in default due to the Covid-19 pandemic.

The operation was backed by prepayment of tariff assets in an off-balance format to avoid compromising the companies' covenants. The reimbursement of the prepaid amounts will be made by means of corresponding tariff liabilities adjusted on the basis of the Selic until 2022.

In order to extend the payment of the loan by consumers, and to avoid relevant tariff increases in the coming months, the loan will be paid by consumers in the next five years, by way of an additional charge on the Energy Development Account – CDE, starting in 2021. If the consumer chooses to migrate to the free market, he will still be responsible for paying his corresponding share in the payment of the loan.

The ancillary costs of the loan (administrative, financial and tax costs), proportional to the benefit reaped by the distributors, may have to be reimbursed by them to consumers, if ANEEL considers that the distributor was the beneficiary of part of the operation. The criteria for defining the matter will be discussed in a subsequent public consultation.

On July 3, the four Neoenergia distributors entered into the term of adhesion to the Covid Account loan with their respective cap values totaling R\$ 1.6 billion. The operation had the adhesion of 61 of the 64 distributors and reached the amount of R\$ 14.8 billion, which corresponds to 92% of the ceiling value allowed, pursuant to Resolution 855 (R\$ 16.1 billion).

The total amount disbursed by the four Neoenergia distributors was R\$ 1,664 million, according to the schedule below.

Disbursement Date	Coelba	Celpe	Cosern	Elektro
07/31/2020	407,730	345,147	66,278	470,965
08/12/2020	47,668	52,403	11,928	70,782
09/14/2020	44,208	57,169	17,272	72,544
Total (R\$ Thousand)	499,607	454,719	95,479	614,291

3.1.2. Transmission

On June 30, 2020, ANEEL ratified the result of the Periodic Review of the Permitted Annual Revenue – RAP of Afluente T. The repositioning index was -6.99% applied as of July 1, 2020 on the current revenue, as per ANEEL Ratifying Resolution nº 2,708/2020. The final RAP value of Afluente T, comprising the result of the Periodic Tariff Review and including the revenue from assets resulting from further capital funding and improvements, was disclosed by way of ANEEL Ratifying Resolution nº 2,725/2020 on 07/14/2020, subsequently adjusted by ANEEL Order nº 3,219/2020 of 11/17/2020. The final value showed a decrease of 5.73% compared to RAP of the previous cycle.

We also highlight the annual Tariff Reset of the electric energy transmission facilities in commercial operation (Narandiba, Potiguar Sul, Neoenergia Atibaia, Neoenergia Sobral, Neoenergia Dourados and Neoenergia Biguaçu) as well as those that have been the object of bidding and those already authorized, which will start commercial operation by June 30, 2021.

3.1.3. Generation

On February 11, 2020, Ordinance nº 59 was published, defining the parameters that should be used in the application of the metrics of the general supply guarantee criterion to assess the adequacy of the energy service in the System, as set out in CNPE Resolution nº 29 of December 12, 2019: (i) the conditioned expected value of the non-supplied energy must be less than 5% and (ii) the conditioned expected value of the marginal operating cost must be less than R\$ 800/MWh. As to power, (i) the probability of loss of load must be less than 5% and (ii) the conditioned expected value of the lack of power supply must also be less than 5%.

On September 9, 2020, Law nº 14.052, providing for the renegotiation of non-hydrological risks that have been unduly taken in recent years by the generators of the Energy Reallocation Mechanism (MRE), was published. The Law provides for compensating MRE participants for displacing hydroelectric generation due to thermoelectric generation outside the order of cost merit and the effects arising from structuring projects with regard to the anticipation of physical guarantee during the connection phase, and energy flow restraints due to delays in transmission facilities. The Law also provides for retroactive compensation to agents who do not renegotiated the hydrological risk and withdraw from lawsuits that discuss the exemption or mitigation of hydrological risks. Calculations for reimbursement and disclosure of amounts by ANEEL are in progress. From then on, the agents will be able to express their interest in joining this renegotiation. Thus, in 2021, after the adhesion of generators currently in court, payments will start to be settled at the Electric Energy Trading Chamber (CCEE). Any requests for installment payments by generators will be assessed by the CCEE.

On December 4, 2020, ANEEL published Normative Resolutions nº 898 and nº 899/2020, which consolidated the new rules for the seasonalization of the Physical Guarantee by the generators of the MRE and the Relief of Financial Exposures for Secondary Energy.

On December 24, 2020, the Ministry of Mines and Energy issued the guidelines for the existing energy auctions A-4 and A-5, with the purpose of contracting natural-gas and mineral-coal fired thermoelectric plants, with a view to maintaining the system existing plants whose contracts for the sale of energy and fuel are expiring, in addition to being an unprecedented initiative that provides for the replacement of diesel-fueled thermoelectric plants by natural gas plants, which are cheaper and less polluting.

4. OPERATING PERFORMANCE

The Neoenergia Group has three strategic segments, as follows: (i) Networks - distribution and transmission, (ii) Renewables - wind and hydroelectric 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 table below displays the number of active consumers at the end of 2020 in each distributor of the Neoenergia Group. Compared to 2019, there was an increase of 240 thousand consumers (+1.7%).

Number of Consumers (thousand)	2020					2019					VARIATION				
	Consolidated	COELBA	CELPE	COSERN	ELEKTRO	Consolidated	COELBA	CELPE	COSERN	ELEKTRO	Consolidated	COELBA	CELPE	COSERN	ELEKTRO
Residential	12,601	5,490	3,414	1,308	2,390	12,353	5,385	3,337	1,297	2,334	248	105	77	10	56
Industrial	39	13	5	1	20	41	14	5	1	21	(2)	0	0	0	(2)
Commercial	935	408	225	103	199	983	426	256	103	198	(48)	(18)	(31)	0	1
Rural	556	225	143	56	131	505	201	127	50	128	51	25	17	6	3
Other	158	69	33	26	30	167	80	33	25	29	(9)	(11)	0	1	1
Total	14,289	6,205	3,820	1,494	2,770	14,049	6,105	3,757	1,476	2,711	240	100	63	18	59

4.1.1.2. Market Evolution

Distributed energy (captive + free) was 14,883 GWh in 4Q20 (-4.0% vs. 4Q19), mainly explained by the reduction in the reading cycle of Group A, which took place in November and December 2020, as anticipated in ANEEL Normative Resolution 863/2019, which made the billing of these customers shift to January 2021 and, therefore, accounted as non-billed energy in 4Q20, so there was no economic impact in the quarter. Thereby, disregarding the effect of this Resolution, there would be an increase of + 2.5% vs. 4Q19, with total volume distributed reaching 15,883 GWh.

In the year, distributed energy reached 57,026 GWh (-3.2% vs. 2019) and without the impact of REN 863 the volume would be 58,026 GWh (-1.5% vs. 2019), still reflecting the impacts of the pandemic, especially the effects of 2Q20.

The amounts of energy distributed by class of client are displayed on the table below:

Energy Distributed - Captive Market (GWh)	COELBA			CELPE			COSERN			ELEKTRO			CONSOLIDATED		
	4Q20	4Q19	%	4Q20	4Q19	%	4Q20	4Q19	%	4Q20	4Q19	%	4Q20	4Q19	%
Residential	1,926	1,931	(0.3%)	1,392	1,366	1.9%	602	573	5.1%	1,360	1,227	10.8%	5,279	5,097	3.6%
Industrial	229	368	(37.8%)	113	162	(30.2%)	56	77	(27.3%)	330	366	(9.8%)	728	973	(25.2%)
Commercial	680	900	(24.4%)	501	668	(25.0%)	194	253	(23.3%)	551	590	(6.6%)	1,928	2,412	(20.1%)
Rural	473	664	(28.8%)	165	205	(19.5%)	126	148	(14.9%)	318	297	7.1%	1,081	1,315	(17.8%)
Other	583	726	(19.7%)	404	479	(15.7%)	153	198	(22.7%)	338	374	(9.6%)	1,477	1,777	(16.9%)
Energy Distributed - Total Captive Market (GWh)	3,891	4,590	(15.2%)	2,574	2,880	(10.6%)	1,130	1,250	(9.6%)	2,898	2,854	1.5%	10,493	11,574	(9.3%)
Free Market	1,180	1,045	12.9%	989	886	11.6%	328	271	21.0%	1,893	1,723	9.9%	4,390	3,926	11.8%
TOTAL (Captive + Free)	5,071	5,635	(10.0%)	3,563	3,766	(5.4%)	1,458	1,521	(4.1%)	4,791	4,577	4.7%	14,883	15,500	(4.0%)
TOTAL ex-REN 863	5,525	5,635	(2.0%)	3,847	3,766	2.2%	1,550	1,521	1.9%	4,961	4,577	8.4%	15,883	15,500	2.5%

Energy Distributed - Captive Market (GWh)	COELBA			CELPE			COSERN			ELEKTRO			CONSOLIDATED		
	2020	2019	%	2020	2019	%	2020	2019	%	2020	2019	%	2020	2019	%
Residential	7,446	7,326	1.6%	5,413	5,164	4.8%	2,365	2,229	6.1%	5,099	4,773	6.8%	20,323	19,493	4.3%
Industrial	1,095	1,435	(23.7%)	502	786	(36.1%)	246	297	(17.2%)	1,219	1,480	(17.6%)	3,062	3,997	(23.4%)
Commercial	2,768	3,404	(18.7%)	2,062	2,526	(18.4%)	803	987	(18.6%)	2,074	2,272	(8.7%)	7,708	9,190	(16.1%)
Rural	1,913	2,212	(13.5%)	618	686	(9.9%)	406	432	(6.0%)	1,115	1,080	3.2%	4,052	4,410	(8.1%)
Other	2,444	2,790	(12.4%)	1,711	1,847	(7.4%)	679	758	(10.4%)	1,370	1,457	(6.0%)	6,203	6,852	(9.5%)
Energy Distributed - Total Captive Market (GWh)	15,667	17,166	(8.7%)	10,307	11,009	(6.4%)	4,499	4,704	(4.4%)	10,875	11,062	(1.7%)	41,348	43,942	(5.9%)
Free Market	4,305	4,063	6.0%	3,512	3,242	8.3%	1,134	1,078	5.2%	6,727	6,596	2.0%	15,678	14,980	4.7%
TOTAL (Captive + Free)	19,972	21,229	(5.9%)	13,819	14,251	(3.0%)	5,633	5,782	(2.6%)	17,602	17,658	(0.3%)	57,026	58,922	(3.2%)
TOTAL ex-REN 863	20,426	21,229	(3.8%)	14,103	14,251	(1.0%)	5,725	5,782	(1.0%)	17,772	17,658	0.6%	58,026	58,922	(1.5%)

The higher margin residential consumption showed growth in all distributors, consolidating an increase of 3.6% in 4Q20 (with emphasis on Elektro, +10.8%) and 4.3% in the year compared to 2019, driven by both the increase in the customer base (+1.7%) and the social distancing imposed by Covid-19.

The consumption of the captive industrial class decreased by 25.2% in 4Q20 vs. 4Q19, mainly explained by the reduction in the reading cycle of Group A, which took place in November and December 2020. When analyzing this group together with the free market, there was an increase of 4.5% in 4Q20 vs. 4Q19, influenced by the return to economic activities. In the year, there was a decrease of 1.2% vs. 2019, still due to the impacts of the pandemic, especially in 2Q20.

The captive commercial class decreased by 20.1% in 4Q20 vs. 4Q19 and 16.1% in 2020 vs. 2019, mainly explained by the reduction in the reading cycle of Group A, which took place in November and December 2020, and by the social distancing measures imposed by Covid-19, which affected all sectors, except supermarkets and hospitals.

The rural class decreased 17.8% when compared to 4Q19 due to the reduction in the reading cycle of Group A and the lower demand for irrigation, with the exception of Elektro, which increased 7.1% in the quarter, explained by greater irrigation given the droughts in the region at the end of the year. As to 2020, there was a drop of 8.1% (vs. 2019), explained by the lower demand for irrigation due to increased rainfall at the beginning of the year.

The other classes recorded a decrease of 16.9% (4Q20 vs. 4Q19) and 9.5% (2020 vs. 2019), also due to the reduction in the reading cycle of Group A, and the closing of government units due to Covid-19.

4.1.1.3. Energy Balance

The energy injected (energy supplied to own customers + border concessionaires + free customers + losses) reached the level of 18,006 GWh in 4Q20 (+1.29% vs. 4Q19) and 66,857 in 2020 (-1.50% vs. 2019).

ENERGY BALANCE (GWh)	4Q20	4Q19	4Q20 x 4Q19		2020	2019	2020 x 2019	
			Dif	%			Dif	%
CONSOLIDATED								
Captive Market	10,493	11,574	(1,081)	(9.34%)	41,348	43,941	(2,593)	(5.90%)
Free Market + Supply	4,390	3,926	464	11.82%	15,678	14,980	698	4.66%
Distributed Energy (A)	14,883	15,499	(616)	(3.97%)	57,026	58,920	(1,894)	(3.21%)
Lost Energy (B)	2,309	2,368	(59)	(2.49%)	8,767	8,883	(116)	(1.31%)
Non-billed (C)	814	(91)	905	(994.51%)	1,065	75	990	1320.00%
Injected Energy (D) = (A) + (B) + (C)	18,006	17,776	230	1.29%	66,857	67,878	(1,021)	(1.50%)

 COELBA

Captive Market	3,891	4,690	(699)	(15.23%)	15,667	17,166	(1,499)	(8.73%)
Free Market + Supply	1,180	1,046	136	12.92%	4,306	4,063	242	5.96%
Distributed Energy (A)	5,071	5,636	(564)	(10.01%)	19,972	21,229	(1,257)	(5.92%)
Lost Energy (B)	931	1,020	(89)	(8.73%)	3,659	3,789	(130)	(3.43%)
Non-billed (C)	422	(82)	504	(614.63%)	497	44	453	1029.55%
Injected Energy (D) = (A) + (B) + (C)	6,424	6,573	(149)	(2.27%)	24,127	25,063	(936)	(3.73%)

 CELPE

Captive Market	2,574	2,880	(306)	(10.63%)	10,307	11,009	(702)	(6.38%)
Free Market + Supply	989	886	102	11.63%	3,512	3,242	270	8.33%
Distributed Energy (A)	3,563	3,766	(203)	(5.39%)	13,819	14,251	(432)	(3.03%)
Lost Energy (B)	828	800	28	3.50%	3,106	2,976	130	4.37%
Non-billed (C)	249	(37)	286	(772.97%)	307	15	292	1946.67%
Injected Energy (D) = (A) + (B) + (C)	4,640	4,529	111	2.45%	17,232	17,242	(10)	(0.06%)

 COSERN





Captive Market	1,130	1,250	(120)	(9.60%)	4,499	4,704	(205)	(4.36%)
Free Market + Supply	328	271	57	21.03%	1,134	1,078	55	5.19%
Distributed Energy (A)	1,458	1,521	(63)	(4.14%)	5,633	5,782	(149)	(2.58%)
Lost Energy (B)	181	188	(7)	(3.72%)	618	642	(24)	(3.74%)
Non-billed (C)	110	8	102	1275.00%	99	0	99	-
Injected Energy (D) = (A) + (B) + (C)	1,750	1,718	32	1.86%	6,350	6,424	(74)	(1.15%)





 ELEKTRO

Captive Market	2,898	2,864	44	1.54%	10,876	11,062	(187)	(1.69%)
Free Market + Supply	1,893	1,723	170	9.87%	6,727	6,596	131	1.99%
Distributed Energy (A)	4,791	4,577	214	4.68%	17,602	17,658	(56)	(0.32%)
Lost Energy (B)	369	360	8	2.50%	1,384	1,476	(92)	(6.23%)
Non-billed (C)	33	19	14	73.68%	163	15	148	986.67%
Injected Energy (D) = (A) + (B) + (C)	5,193	4,957	236	4.76%	19,148	19,149	(1)	(0.01%)

4.1.1.4. Losses

Energy losses are monitored by way of the percentage index that calculates the ratio between the energy injected and the energy invoiced, accumulated in the 12-month period. Based on this methodology, we show below the evolution of the indicator and the comparison with the tariff coverage.

DISTRIBUTORS	Losses 12 months (%)																
	Technical Loss					Non-Technical Loss					Total Losses						
	4Q19	1Q20	2Q20	3Q20	4Q20	4Q19	1Q20	2Q20	3Q20	4Q20	4Q19	Aneel 19	1Q20	2Q20	3Q20	4Q20	Aneel 20
 COELBA	10.99%	10.89%	10.65%	10.63%	10.59%	4.31%	4.33%	4.51%	4.78%	6.63%	15.30%	14.25%	15.23%	15.16%	15.40%	17.22%	14.35%
 CELPE	8.18%	8.10%	8.11%	8.14%	8.05%	9.17%	9.63%	9.68%	9.97%	11.75%	17.35%	16.03%	17.74%	17.79%	18.10%	19.80%	16.10%
 COSERN	8.45%	8.39%	8.50%	8.43%	8.44%	1.54%	1.90%	1.40%	1.42%	2.86%	9.99%	10.72%	10.29%	9.90%	9.85%	11.29%	10.77%
 ELEKTRO	5.84%	5.83%	5.72%	5.70%	5.73%	1.95%	1.86%	1.68%	2.35%	2.35%	7.79%	8.03%	7.69%	7.40%	8.06%	8.08%	8.11%

DISTRIBUTORS	Total Losses 12 months (GWh)																
	Technical Loss					Non-Technical Loss					Total Losses						
	4Q19	1Q20	2Q20	3Q20	4Q20	4Q19	1Q20	2Q20	3Q20	4Q20	4Q19	Aneel 19	1Q20	2Q20	3Q20	4Q20	Aneel 20
 COELBA	2,753	2,716	2,594	2,580	2,556	1,080	1,080	1,096	1,159	1,600	3,834	3,523	3,796	3,690	3,739	4,155	3,338
 CELPE	1,410	1,410	1,384	1,393	1,388	1,581	1,677	1,647	1,707	2,025	2,991	2,720	3,087	3,031	3,100	3,413	2,652
 COSERN	543	542	534	533	536	99	123	93	90	181	642	694	664	627	622	717	677
 ELEKTRO	1,118	1,114	1,068	1,079	1,096	374	356	311	445	450	1,491	1,347	1,470	1,379	1,523	1,546	1,553

NOTE: Due to the fact that the deadline for calculating the quality indicators of December 2020 falls after the period of disclosure of this report, the data presented are estimated. The December 2019 indicators were adjusted for the final calculation.

The 12-month increase in total losses in the 4 distributors is mainly explained by the reduction in the reading cycle of Group A, which took place in November and December 2020, pushing the billing to January 2021, as anticipated in ANEEL Normative Resolution 863/2019. This adjustment caused the volume of non-billed energy to increase in 4Q20, consequently affecting the loss indicator. It is worthy of note that this effect is temporary and will last until 4Q21, since the indicator is monitored in the 12-month range. Additionally, there is no impact on the Company's Economic Result, given that there were no significant increases in the actual energy loss, as demonstrated in the table below.

In the 4Q20 Coelba recorded total 12-month losses of 17.22%, above the regulatory limit of 14.35%, equivalent to an amount of energy loss of 4,155 GWh. Disregarding the effect of the Normative Resolution on the billing calendar in 4Q20, the indicator would have been 15.34%, lower than that recorded in 3Q20.

At Celpe, total losses in the 12-month view ended 4Q20 at 19.80%, above the regulatory limit of 16.10%, corresponding to an amount of energy loss of 3,413 GWh. Disregarding the effect of the Normative Resolution on the billing calendar in 4Q20, the indicator would have been 18.16%, in line with that recorded in 3Q20.

At Cosern, total losses in the 12-month period ended 4Q20 at 11.29%, above the regulatory limit of 10.77%, corresponding to an amount of energy loss of 717 GWh. Disregarding the effect of the Normative Resolution on the billing calendar in 4Q20, the indicator would have been 9.83%, lower than that recorded in 3Q20.

Finally, Elektro ended 4Q20 with total 12-month losses of 8.08%, below the regulatory limit of 8.11%, corresponding to an amount of energy loss of 1,546 GWh. Disregarding the effect of the Normative Resolution on the billing calendar in 4Q20, the indicator would have been 7.19%, lower than that recorded in 3Q20.

The table below displays the level of the increase to non-billed energy in the quarter and the percentage of total losses, excluding the effect of the Normative Resolution.

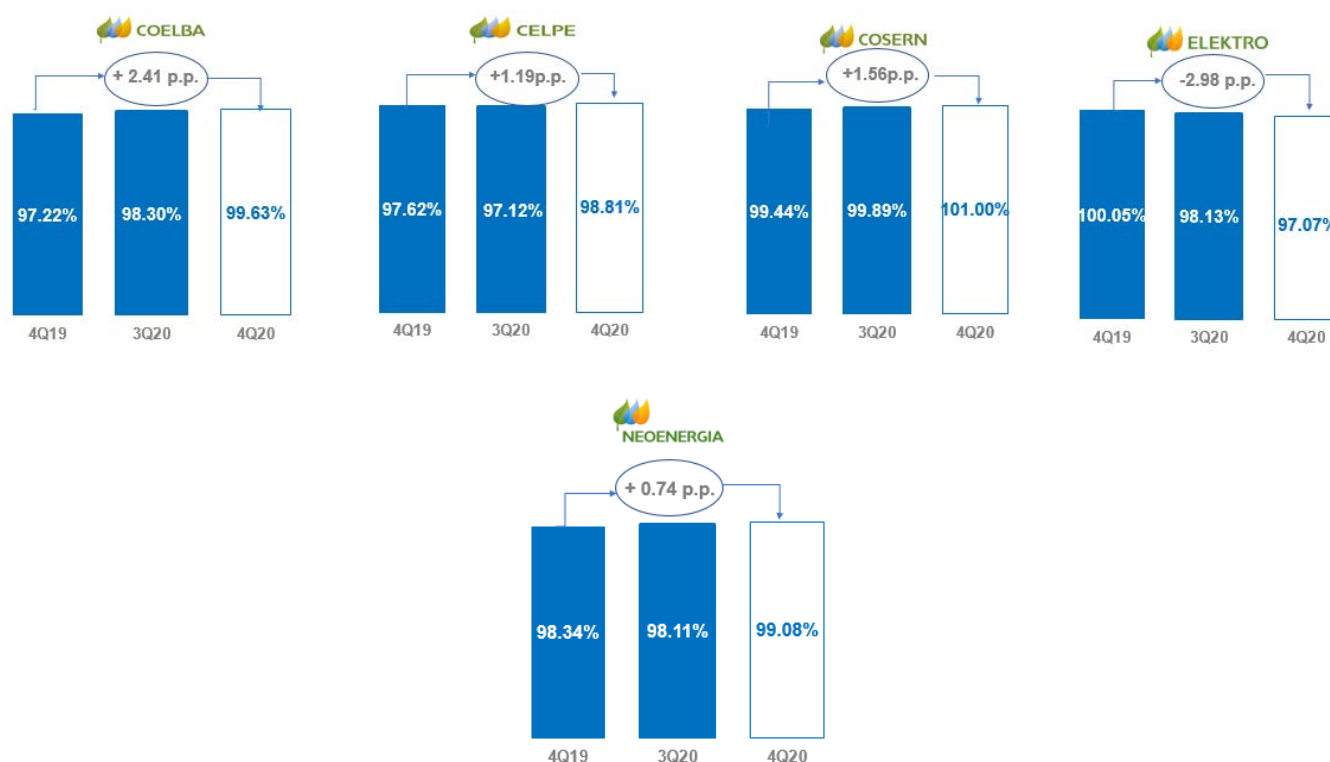
12 Months (GWh)	COELBA				CELPE				COSERN				ELEKTRO			
	4Q19	3Q20	4Q20	4Q20 ex-REN 863	4Q19	3Q20	4Q20	4Q20 ex-REN 863	4Q19	3Q20	4Q20	4Q20 ex-REN 863	4Q19	3Q20	4Q20	4Q20 ex-REN 863
Distributed	21,229	20,537	19,972	20,426	14,251	14,023	13,819	14,103	5,782	5,695	5,633	5,725	17,659	17,388	17,602	17,772
Energy Lost	3,789	3,747	3,659	3,659	2,976	3,078	3,106	3,106	642	625	618	618	1,476	1,375	1,384	1,384
Non-billed	44	-7	497	43	15	21	307	24	-0	-3	99	6	15	149	163	-7
Total Losses (a)	3,834	3,739	4,155	3,702	2,991	3,100	3,413	3,130	642	622	717	624	1,491	1,523	1,546	1,377
Injected (b)	25,063	24,276	24,127	24,127	17,242	17,122	17,232	17,232	6,424	6,317	6,350	6,350	19,149	18,911	19,148	19,148
% Total Losses a/b	15.30%	15.40%	17.22%	15.34%	17.35%	18.11%	19.80%	18.16%	9.99%	9.85%	11.29%	9.83%	7.79%	8.06%	8.08%	7.19%

In the 4Q20 anti-loss actions were carried out as follows:

- 467 thousand inspections were carried out, recovering more than 338 GWh;
- Replacement of 428 thousand obsolete and/or possibly damaged meters;
- Regularization of more than 119 thousand illegal connections, of which 242 were quite substantial, resulting in some 98 GWh recovered;
- Survey and Inspection of Street Lights in more than 1.2 million points, totaling 121 GWh of energy recovered;
- 175 police actions to fight energy theft were carried out, recovering more than 38 GWh.





4.1.1.5. Collection and Default

The charts below reflect the collection rate of overdue bills of Neoenergia distributors throughout the quarters.



Based on the charts above, a high level of revenue can be noted in all four of the group's distributors. The consolidated collection rate was 99.08% in 4Q20 (+0.97 pp compared to 3Q20), a level higher than that of the previous year, pre-pandemic, a direct result of the effectiveness of the various collection actions implemented,

particularly after disconnections were resumed, which allowed to recover part of the unpaid amounts, especially in the 2Q20 (peak of the pandemic).

AFDA/ ROB	4Q19	1Q20	2Q20	3Q20	4Q20	3Q20 x 4Q20	4Q19 x 4Q20	2020	2019	Var.	Regulatory Limit	
 COELBA	ROB	3,111	2,806	2,356	2,555	2,744	7.40%	(11.80%)	10,461	11,199	(6.59 p.p.)	
	AFDA	46	32	67	33	15	(54.55%)	(67.39%)	148	127	16.48 p.p.	
	Default	1.47%	1.15%	2.84%	1.30%	0.56%	(0.75 p.p.)	(0.92 p.p.)	1.41%	1.13%	0.28 p.p.	1.16%
 CELPE	ROB	2,006	1,894	1,629	1,714	1,883	9.86%	(6.13%)	7,120	7,310	(2.60 p.p.)	
	AFDA	40	46	85	32	16	(50.00%)	(60.00%)	180	134	33.95 p.p.	
	Default	1.98%	2.42%	5.23%	1.89%	0.87%	(1.03 p.p.)	(1.11 p.p.)	2.53%	1.84%	0.69 p.p.	1.40%
 COSERN	ROB	805	758	639	687	740	7.71%	(8.07%)	2,824	2,919	(3.26 p.p.)	-
	AFDA	(2)	(0)	7	(1)	-	100.00%	-	4	5	(32.56 p.p.)	-
	Default	(0.24%)	(0.04%)	1.11%	(0.22%)	(0.21%)	0.00 p.p.	0.02 p.p.	0.13%	0.19%	(0.06 p.p.)	0.40%
 ELEKTRO	ROB	1,912	1,872	1,609	1,706	1,998	17.12%	4.50%	7,185	7,895	(8.99 p.p.)	-
	AFDA	30	31	56	44	9	(79.55%)	(70.00%)	139	95	46.35 p.p.	-
	Default	1.54%	1.65%	3.47%	2.57%	0.45%	(2.12 p.p.)	(1.10 p.p.)	1.94%	1.21%	0.73 p.p.	0.39%

NOTA: AFDA considers the amount accrued + plus restatement

It is worth noting the success of the various collection actions of the 4Q20, as listed below, which reduced the default rate by improving collection, and allowed for a low level of AFDA due to the reversal of amounts accrued.

- i. 631 thousand supply suspensions were carried out through operations in georeferenced concentrations;
- ii. Monitoring of 102 thousand customers that had been disconnected, and did not request reconnection fee, in order to avoid losses in the proceedings arising from illegal actions or disconnections;
- iii. Negative entry of 3,658 thousand consumers;
- iv. Intensification of collection and negotiations;
- v. Telephone collection, totaling 22.6 million contacts via SMS and IVR;
- vi. E-mail billing, totaling 1,515 thousand calls;
- vii. Systematic actions for large customers and negotiations with government agencies.

4.1.1.6. DEC and FEC (12 months)

The quality of the energy supply is mainly verified by the DEC - Equivalent Interruption Duration per Consumer and FEC - Equivalent Interruption Frequency per Consumer indicators, which measure the failures in the distribution network.

All Group's distributors are below the regulatory limit for both DEC and FEC, as displayed in the charts below, reflecting the group's efficient operating management:



NOTE: Due to the fact that the deadline for calculating the quality indicators of December 2020 falls after the period of disclosure of this report, the data presented are estimated. The December 2019 indicators were adjusted for the final calculation.

4.1.2. Transmission Lines

4.1.2.1. Transmission lines in operation

In 4Q20, six transmission lines were in operation (Afluente T, Naranđiba, Potiguar Sul, Atibaia, Biguaçu and Sobral), in addition to the three stretches belonging to lot 4 of the April 2017 auction (Dourados) already delivered to the system: Nova Porto Primavera - Rio Brilhante delivered in July 2020, Rio Brilhante - Campo Grande delivered in December 2020 and Nova Porto Primavera - Ivinhema also in December 2020.

April/2017 Auction

- Lot 20 (Atibaia) – Completed 14 months ahead of schedule according to Aneel Contractual Term (February 2021) and CAPEX 38% lower than the investment originally estimated by Aneel.
- Lot 27 (Sobral) – Completed 13 months ahead of the Aneel Contractual Term (February 2021) and CAPEX 33% lower than the investment originally estimated by Aneel.
- Lot 22 (Biguaçu) – Completed 7 months ahead of the Aneel Contractual Term (February 2021) and CAPEX 27% lower than the investment originally estimated by Aneel.

Auction	Lot	Name	Location	Extension (Km)	Substation	RAP ³ (R\$ MN)	Operation Start	Line Availability Rate (%)		
								2018	2019	2020
-	-	Afluente T	BA	489 km	3 substations	45	1990	99.72	99.88	99.97
Auction Jun' 08	E	Naranđiba ¹	BA	-	1 substation	10	Jun' 11	99.93	99.94	99.97
Auction Jun' 11	G	Extremoz II ¹		1 substation	3	Sep' 14	100.00	100.00	100.00	
Auction Mai' 12	D	Brumado II ¹	RN	-	1 substation	2	Jul' 15	99.93	99.94	99.97
Auction Jan' 13	G	Potiguar Sul	RN / PB	196 km	-	26	Nov' 16	99.48	99.68	99.93
Auction Abr' 17	4	Dourados	MS	578 km	1 substation	-	-	-	-	-
		Nova Porto Primavera - Rio Brilhante	MS / SP	147 km	-	13	Jul' 20	n/a	n/a	100.00
		Nova Porto Primavera - Ivinhema	MS / SP	64 km	-	8	Dez' 20	n/a	n/a	n/a
	20	Rio Brilhante - Campo Grande	MS / SP	149 km	-	14	Dez' 20	n/a	n/a	n/a
		Atibaia	MS	-	1 substation	15	Dez' 19	n/a	n/a	99.99
		Biguaçu	SC	-	1 substation	15	Jul' 20	n/a	n/a	100.00
27	Sobral	CE	-	1 substation	14	Jan' 20	n/a	n/a	100.00	










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

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

² RAP ratified (2020-21), except for the Dourados stretches, RAP of which is effectively released from the start of operation.

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

Physical Progress of Transmission Projects				LICENSES			RAP ⁽¹⁾	CAPEX Aneel	Concession Start (Aneel)	Concession End
				LP	LI	LO	R\$ (MN)	R\$ (MN)		
Auction Apr' 2017	Lot 4	Dourados	 88%	✓	✓	●	66	487	Aug' 22	Aug' 47
Auction Dec' 2017	Lot 4	Jalapão	 71%	✓	✓	▲	126	1,346	Mar' 23	Mar' 48
	Lot 6	Sta. Luzia	 62%	✓	✓	▲	57	584	Mar' 23	Mar' 48
Auction Dec' 2018	Lot 2	Guanabara	 11%	●	▲	▲	117	2,792	Mar' 24	Mar' 49
	Lot 3	Itabapoana	 10%	●	▲	▲	69	1,331	Mar' 24	Mar' 49
	Lot 1	Vale do Itajaí	 12%	●	●	▲	194	754	Mar' 24	Mar' 49
	Lot 14	Lagoa dos Patos	 28%	●	●	▲	121	1,215	Mar' 24	Mar' 49
Auction Dec' 2019	Lot 9	Rio Formoso	 16%	✓	●	▲	18	303	Mar' 24	Mar' 49
Auction Dec' 2020	Lot 2	TBD	 0%	▲	▲	▲	160	1,997	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 December 2020.

The construction projects of the transmission lots obtained in the auctions of Apr/17, Dec/17, Dec/18 and Dec/19 continue with significant progress, confirming the schedule anticipated by Neoenergia.

April/2017 Auction

- Lot 4 (Dourados) - as mentioned above, 3 of the 5 sections have already been delivered, hence the project already has 52% of the project's RAP and 361 km of line extension (equivalent to 63% of the total lines of the lot): LT Nova Porto Primavera - Rio Brilhante (147 km), 25 months ahead of the Aneel deadline (August 2022), LT Rio Brilhante - Campo Grande (149 km), 20 months ahead of the Aneel deadline and LT 230 kV Nova Porto Primavera - Ivinhema (65 km), 19 months ahead of the Aneel deadline.

December/2017 Auction

- Lot 4 (Jalapão) – Works in progress with anticipation of early completion compared to the Business Plan;
- Lot 6 (Santa Luzia) – Works in progress with anticipation of early completion compared to the Business Plan.

December/2018 Auction:

- Lot 1 (Vale do Itajaí) – Prior Licenses (PLs) granted for the five 230kV substations: Gaspar 2, Indaial, Rio do Sul, Jaguará do Sul and Itajaí;
- Lot 2 (Guanabara) and Lot 3 (Itabapoana) – PLs in progress;
- Lot 14 (Lagoa dos Patos) – Installation License granted for the two substations (SE Marmeleiros-2 and SE Livramento-3) and for the TL section Sta. Maria – Livramento.

December/2019 Auction:

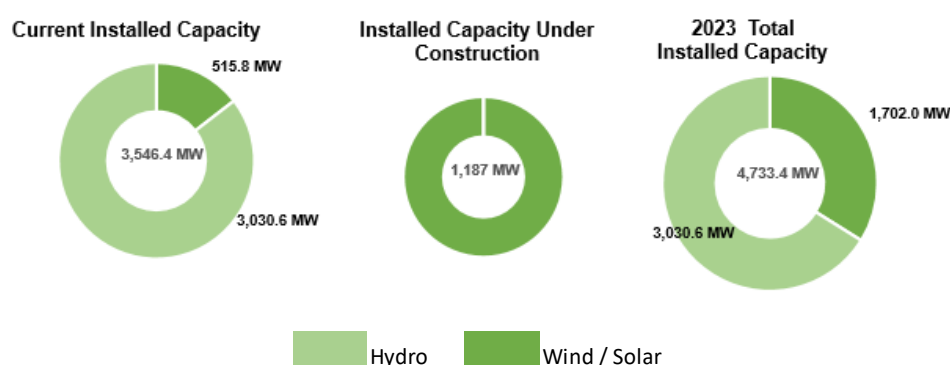
- Lot 9 (Rio Formoso) – PL granted.

December/2020 Auction:

Neoenergia purchased lot 2, which comprises three 500 kV transmission lines, one 230 kV transmission line, a new 500 kV substation, Medeiros Neto, with synchronous compensation in Bahia, amounting to 1,091 km in length, mostly covering Bahia, in addition to Minas Gerais and Espírito Santo. Aneel Capex is estimated at R\$ 2 billion with RAP of R\$ 160 million (adjusted annually by IPCA).

4.2. Renewables

The Neoenergia Group operates in the renewable energy sector in two fronts: wind and hydroelectric generation. The assets in operation and under construction amount to 44 wind farms and 7 hydroelectric plants.



4.2.1. Wind Farms

In 2020, the Company operated in the renewable generation segment with 17 wind farms in operation, with installed capacity of 515.8 MW: Arizona I; Caetité I, II and III; Calango I, II, III, IV, V and VI; Mel II; Santana I and II; Canoes; Lagoa I and II; and Rio do Fogo.

The Company has three complexes under construction: Chafariz, located in Paraíba (15 wind farms with 471.2 MW), Oitis, in Piauí and Bahia (12 wind farms with 566.5 MW), and Luzia (solar project of 149 MW dc).

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)	Concession Date	
						Authorization	End of Concession
EOL Caetité 1	100%	BA	Caetité	30.0	13.0	10/29/2012	10/28/2042
EOL Caetité 2	100%	BA	Caetité	30.0	14.7	2/7/2011	2/6/2046
EOL Caetité 3	100%	BA	Caetité	30.0	11.2	2/24/2011	2/23/2046
EOL Calango 1	100%	RN	Bodó e Santana do Mato	30.0	13.9	4/28/2011	4/27/2046
EOL Calango 3	100%	RN	Bodó, Santana do Mato e Lagoa Nova	30.0	13.9	5/30/2011	5/29/2046
EOL Rio do Fogo (ENERBRASIL)	100%	RN	Rio do Fogo	49.3	17.9	12/19/2001	12/18/2031
EOL Arizona 1	100%	RN	Rio do Fogo	28.0	12.9	3/4/2011	3/3/2046
EOL Mel 2	100%	RN	Areia Branca	20.0	8.8	2/28/2011	2/27/2046
EOL Calango 6	100%	RN	Bodó e Cerro Corá	30.0	18.5	11/20/2014	11/19/2049
EOL Santana 1	100%	RN	Bodó, Lagoa Nova e Cerro Corá	30.0	17.3	11/14/2014	11/13/2049
EOL Santana 2	100%	RN	Bodó e Lagoa Nova	24.0	13.1	11/14/2014	11/13/2049
EOL Calango 2	100%	RN	Bodó	30.0	12.8	5/9/2011	5/8/2046
EOL Calango 4	100%	RN	Bodó	30.0	12.8	5/19/2011	5/18/2046
EOL Calango 5	100%	RN	Bodó	30.0	13.7	6/2/2011	6/1/2046
EOL Canoas	100%	PB	São José do Sabugi e Junco do Seridó	31.5	17.7	8/4/2015	8/3/2050
EOL Lagoa 2	100%	PB	São José do Sabugi e	31.5	17.5	8/4/2015	8/3/2050
EOL Lagoa 1	100%	PB	Santa Luzia	31.5	18.7	8/4/2015	8/3/2050

In 4Q20, the wind energy generated was 560 GWh (-2.83% vs. 4Q19) and 1,878 GWh in 2020 (-5.77% vs. 2019) due to lower winds compared to the same periods in 2019. Availability in 4Q20 was in excess of 97%, as scheduled.

4.2.1.1. Progress of Wind Farms Construction

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

Completed	✓
In Progress	●
To be started	▲

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

All wind farms in the Chafariz Complex have already been granted installation and concession licenses; the works started in October 2019, three months ahead of schedule, and already have 100% of the CAPEX contracted.

All wind farms in the Oitis Complex have been granted an installation license in November and December 2020, thus allowing the start of the works procedures for the Complex three months ahead of the Business Plan calendar, since it was scheduled to start in February 2021.

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 Concession	
						Authorization	End of Concession
UHE Itapebi	100%	BA	Rio Jequitinhonha	462.0	209.1	5/28/1999	8/31/2035
UHE Corumbá III	70%	GO	Rio Corumbá	96.5	49.3	11/7/2001	2/14/2037
UHE Baguari I	51%	MG	Rio Doce	140.0	84.7	8/15/2006	8/14/2041
UHE Dardanelos - Águas da Pedra	51%	MT	Rio Aripuanã	261.0	154.9	7/3/2007	1/2/2043
Teles Pires	51%	MT / PA	Rio Teles Pires	1,819.8	930.7	6/7/2011	6/6/2046
Belo Monte	10%	PA	Rio Xingu	11,233.1	4,571.0	8/26/2010	8/25/2045
Baixo Iguaçu - Geração Céu Azul	70%	PR	Rio Iguaçu	350.2	172.4	8/20/2012	10/30/2049

4.3. Liberalized

4.3.1. Termopernambuco

Termopernambuco is a thermal plant participating in the PPT (Priority Thermal Program). It holds PPAs with Coelba (65MW) and Celpe (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.

In 4Q20, energy generation was 12.28% lower than that of the same period in 2019, reaching 1,029 GWh. This variation is explained by the smaller number of operating days in the period. In 4Q20 there were 9 days of shutdown due to a lack of gas supply, while in 4Q19 it was shutdown for only 1 day.

In 2020 there energy generation was 27.90% lower than that recorded in 2019, reaching 2,385 GWh. This reduction is due to the lower number of days in operation in 2020, since the plant was shutdown for 174 days, 18 days for maintenance, 14 days for lack of gas supply and 142 for no dispatch, while in 2019 the plant did not operate for 104 days. It is important to note that the effect of the shutdowns on Termopernambuco's result is minimized by the purchase of energy to supply its sales contracts at prices below the variable cost per unit.

5. ECONOMIC-FINANCIAL PERFORMANCE

5.1. Consolidated

CONSOLIDATED STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Operating Revenue (1)	10,002	7,215	2,787	39%	31,138	27,622	3,516	13%
Costs with Energy (2)	(7,243)	(4,862)	(2,381)	49%	(21,454)	(19,015)	(2,439)	13%
Gross Margin w/out Concession Financial Assets	2,759	2,353	406	17%	9,684	8,607	1,077	13%
Concession Financial Assets (VNR)	404	156	248	159%	549	556	(7)	-1%
GROSS MARGIN	3,163	2,509	654	26%	10,233	9,163	1,070	12%
Operating Expenses (PMSO)	(999)	(894)	(105)	12%	(3,225)	(3,180)	(45)	1%
Provision for Doubtful Receivables (PECLD)	(35)	(108)	73	(68%)	(456)	(332)	(124)	37%
(+) Equity Accounting	(28)	6	(34)	(567%)	(56)	68	(124)	-182%
EBITDA	2,101	1,513	588	39%	6,496	5,719	777	14%
Depreciation	(430)	(359)	(71)	20%	(1,618)	(1,446)	(172)	12%
Financial Income (Loss)	(350)	(368)	18	(5%)	(1,030)	(1,341)	311	-23%
IR/CS	(292)	(144)	(148)	103%	(943)	(623)	(320)	51%
Minority shareholdings	(33)	(24)	(9)	38%	(96)	(80)	(16)	20%
NET INCOME	996	618	378	61%	2,809	2,229	580	26%

(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 recorded Gross margin of R\$ 3,163 million in 4Q20, +R\$ 654 million vs. 4Q19, explained by the effects of the Tariff Reset of the four distributors and greater Concession Financial Assets (+R\$ 248 million vs. 4Q19), due to higher IPCA in the period (+1,34 pp), in addition to the use of IFRS15 of R\$ 360 million in transmission (+R\$ 162 million vs. 4Q19).

In 2020, Gross Margin was R\$ 10,233 million, R\$ 1,070 million in excess of that of 2019, also impacted by the effects of the distributors' Tariff Resets of 2019 and 2020, and by the effects of the Periodic Tariff Review of Elektro in August 2019, in addition to the application of R\$ 758 million of IFRS15 to transmission (+R\$ 415 million vs. 2019).

Neoenergia operating expenses amounted to R\$ 999 million in the quarter (+12% vs. 4Q19) mainly explained by increased expenses associated with collection actions in the four distributors aiming to recover unpaid amounts during the first months of the pandemic in which distributors were prohibited by ANEEL to cut, the non-recurring write-off of some assets in Celpe (R\$ 26 million), due to the increased volume of investments in order to optimize the Assets Remuneration Basis, other non-recurring expenses associated with studies of the CEB auction (R\$ 25 million) and the growth of the transmission segment (R\$ 8 million). For the year, Operating Expenses amounted to R\$ 3,225 million, in line with 2019, absorbing both inflation and the growth of the distributor' customer base, and the increase in headcount due to the process of insourcing of the distributors' operating activities.

Allowance for Doubtful Accounts – AFDA amounted to R\$ 35 million, significantly lower than the R\$ 108 million recorded in the 4Q19, which evidences the success of collection actions that have been allowing for the reversal of provisions made and the recovery of outstanding bills. In the year, AFDA was R\$ 456 million, of which R\$114 million are still due to the impact of the Covid-19 pandemic.

As a result of the abovementioned effects, EBITDA recorded was R\$ 2,101 million in 4Q20 (+39% vs.4Q19) and R\$ 6,496 million in the year (+14% vs. 2019), confirming the upturn of the economic activity, the maintenance of efficiency and the progress in the construction of transmission assets.

It should be pointed out that in 2020 Ebitda was negatively impacted by some R\$ 262 million, due to the effects of Covid-19, mainly due to the drop in the market and higher defaults. That impact mainly affected the Distributors, and took place as follows: Coelba (R\$ 140 million), Elektro (R\$ 69 million), Celpe (R\$ 30 million) and Cosern (R\$ 24 million).

In the quarter, Neoenergia recorded Net Income of R\$ 996 million (+61% vs. 4Q19) and in 2020 Net Income amounted to R\$ 2,809 million (+26% vs. 2019), due to increased financial income for the period, in addition to the abovementioned reasons.

5.2. Networks

The result of the Networks segment contemplates the performance of both distributors and transmission assets.

NETWORKS STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	9,613	6,772	2,841	42%	29,896	25,901	3,995	15%
Costs with energy	(7,240)	(4,721)	(2,519)	53%	(21,596)	(18,460)	(3,136)	17%
Gross Margin w/out Concession Financial Assets	2,373	2,051	322	16%	8,300	7,441	859	12%
Concession Financial Assets (VNR)	404	156	248	159%	549	556	(7)	(1%)
Gross Margin	2,777	2,207	570	26%	8,849	7,997	852	11%
Operating Expenses (PMSO)	(780)	(703)	(77)	11%	(2,608)	(2,624)	16	(1%)
Provision for Doubtful Receivables (PECLD)	(33)	(109)	76	(70%)	(454)	(348)	(106)	30%
EBITDA	1,964	1,395	569	41%	5,787	5,025	762	15%
Depreciation	(314)	(276)	(38)	14%	(1,189)	(1,062)	(127)	12%
Financial Income (Loss)	(266)	(287)	21	(7%)	(806)	(1,149)	343	(30%)
IR CS	(257)	(147)	(110)	75%	(864)	(573)	(291)	51%
NET INCOME	1,127	685	442	65%	2,928	2,241	687	31%

The Networks segment ended the quarter with Gross Margin of R\$ 2,777 million, R\$ 570 million in excess of that recorded in the 4Q19, due to the effects of the Tariff Reset of the four distributors and greater Concession Financial Assets – VNR (+R\$ 248 million vs. 4Q19), explained by higher IPCA in the period (+1.34 pp), in addition to the application of IFRS15 of R\$ 360 million to transmission (+R\$ 162 million vs. 4Q19).

In 2020, Gross Margin was R\$ 8,849 million, R\$ 852 million in excess that recorded in 2019, also impacted by the effects of the distributors' Tariff Reset of 2019 and 2020 and by the Periodical Tariff Review of Elektro in August 2019, in addition to the application of IFRS15 of R\$ 758 million to transmission (+R\$ 415 million vs. 2019).

As to operating expenses, R\$ 780 million were recorded in the 4Q20 (+11% vs. 4Q19) mainly explained by the increased expenses of collection actions, the non-recurring write-off of some assets in Celpe (R\$ 26 million) due to the increased volume of investments, and the growth of the transmission segment (R\$ 8 million). For the year, operating expenses amounted to R\$ 2.608 million (-1% vs. 2019), absorbing both inflation and the growth of the distributors' customer base, and the increase in headcount due to the insourcing process of the distributors' operating activities, proof of cost discipline.

Allowance for Doubtful Accounts – AFDA amounted to R\$ 33 million, R\$ 76 million less than in the 4Q19, proving the success of collection actions that have been allowing for the reversal of provisions made and the recovery of outstanding bills. In the year, AFDA was R\$ 454 million, of which R\$ 106 million are still due to the impact of the Covid-19 pandemic.

Still as regards AFDA, it is important to remember that in 3Q19 Neoenergia adopted a more objective stance in provisioning, based on the history of payment behavior, by customer class (aging), of the last 60 months, structured in 4 portfolios: (i) portfolio not in installments, (ii) installment portfolio, (iii) Fraud portfolio (retroactive billing resulting from anti-loss inspection actions) and (iv) Legal portfolio (overdue debts that are now being dealt with in court).

The Networks EBITDA ended the 4Q20 at R\$ 1,964 million (+41% vs. 4Q19) and the year at R\$ 5,787 million (+15% vs. 2019), confirming the upturn of the economy, the maintenance of efficiency and the progress in the construction of transmission assets.

It should be pointed out that in 2020 the Networks Ebitda was negatively impacted by some R\$ 262 million due to the effects of Covid-19.

Net income for the quarter was R\$ 1,127 million (+65% vs. 4Q19), and R\$ 2,928 million for 2020 (+31% vs. 2019), due to lower financial income in the period, in addition to the abovementioned reasons.

5.2.1.1. COELBA

COELBA STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	3,411	2,444	967	40%	10,909	9,922	987	10%
Costs with Energy	(2,500)	(1,634)	(866)	53%	(7,557)	(6,710)	(847)	13%
Concession Financial Assets (VNR)	204	82	122	149%	280	210	70	33%
Gross Margin	1,115	892	223	25%	3,632	3,422	210	6%
Operating Expenses (PMSO)	(323)	(316)	(7)	2%	(1,117)	(1,159)	42	(4%)
Provision for Doubtful Receivables (PECLD)	(14)	(45)	31	(69%)	(144)	(125)	(19)	15%
EBITDA	778	531	247	47%	2,371	2,138	233	11%
Depreciation	(148)	(131)	(17)	13%	(560)	(493)	(67)	14%
Financial Income (Loss)	(104)	(111)	7	(6%)	(353)	(482)	129	(27%)
IR CS	(56)	(14)	(42)	300%	(239)	(154)	(85)	55%
NET INCOME	470	275	195	71%	1,219	1,009	210	21%

Coelba ended the 4Q20 with Gross Margin of R\$ 1,115 million, (+ 25% vs. 4Q19), due to the average 5% increase of the tariff reset of April/20 and the lower Concession Financial Assets (+R\$ 122 million vs. 4Q20), explained by higher IPCA in the period (+1,34 pp). In 2020, Gross Margin was 6% greater than in 2019, explained by the same aforementioned reasons.

PMSO was R\$ 323 million in 4Q20, a 2% growth when compared to the 4Q19. For the year, PMSO was R\$ 1.1 billion, and efficiency was 4% vs. 2019. Coelba carries on absorbing the growth in the customer base (+1,6% vs. 2019) and inflation for the period, and continues to carry out the insourcing of operating processes.

In the 4Q20, the Concession Financial Assets amounted to R\$ 14 million, R\$ 31 million decrease compared to the 4Q19, which proves the success of the collection actions that has been allowing for the reversal of accruals previously made. For the year, the Concession Financial Assets amounted to R\$ 144 million, R\$ 19 million in excess of that of 2019, also due to the impacts of the Covid-19 pandemic.

As a result of the aforementioned variations, EBITDA for the 4Q20 was R\$ 778 million, a 47% increase when compared to 4Q19. In 2020, EBITDA amounted to R\$ 2.4 billion, + 11% vs. 2019.

Net Income for the 4Q20 was R\$ 470 million (+71% vs. 4Q19) and R\$ 1.2 billion for the year (+21% vs. 2019).

5.2.1.2. CELPE

CELPE STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	2,138	1,533	605	39%	6,689	5,947	742	12%
Energy costs	(1,721)	(1,139)	(582)	51%	(5,107)	(4,415)	(692)	16%
Concession Financial Assets (VNR)	77	24	53	221%	104	70	34	49%
Gross Margin	494	418	76	18%	1,686	1,602	84	5%
Operating Expenses (PMSO)	(207)	(149)	(58)	39%	(693)	(650)	(43)	7%
Provision for Doubtful Receivables (PECLD)	(14)	(37)	23	(62%)	(171)	(125)	(46)	37%
EBITDA	273	232	41	18%	822	827	(5)	(1%)
Depreciation	(77)	(65)	(12)	18%	(288)	(257)	(31)	12%
Financial Income (Loss)	(96)	(80)	(16)	20%	(251)	(338)	87	(26%)
IR CS	(21)	(16)	(5)	31%	(66)	(51)	(15)	29%
NET INCOME	79	71	8	11%	217	181	36	20%

Celpe ended the 4Q20 with Gross Margin of R\$ 494 million, an increase of 18% compared to 4Q19 due to the average 5.16% increase of the tariff reset of April/20 and higher Concession Financial Assets (+R\$ 53 million), explained by higher IPCA in the period (+1.34 pp). In 2020, Gross Margin was 5% greater than that recorded in 2019, reaching R\$ 1,686 million, explained by the same aforementioned reasons.

Operating expenses amounted to R\$ 207 million in 4Q20 (+ R\$ 58 million vs. 4Q19) and R\$ 693 million in the year (+R\$ 43 million vs. 2019), mainly explained by improved collection actions, and the non-recurring write-off of some assets based on the acceleration of the investment volume in the amount of R\$ 26 million.

In 4Q20, Concession Financial Assets amounted to R\$ 14 million; a R\$ 23 million decrease vs. 4Q19, explained by the reversal of amounts accrued, proving the success of collection actions. In 2020, Concession Financial Assets amounted to R\$ 171 million, R\$ 46 million in excess of that of 2019, also due to the impacts of Covid-19.

As a result of the abovementioned variations, EBITDA in 4Q20 amounted to R\$ 273 million, an increase of 18% vs. 4Q19, and in 2020 it amounted to R\$ 822 million, in line with 2019. That result shows the upturn of the economic activity.

Net Income for the 4Q20 amounted to R\$ 79 million (+11% vs. 4Q19) and R\$ 217 million for the year (+20% vs. 2019).

5.2.1.3. COSERN

COSERN STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	792	644	148	23%	2,697	2,545	152	6%
Costs with Energy	(606)	(454)	(152)	33%	(1,926)	(1,831)	(95)	5%
Concession Financial Assets (VNR)	43	17	26	153%	57	45	12	27%
Gross Margin	229	207	22	11%	828	759	69	9%
Operating Expenses (PMSO)	(72)	(67)	(5)	7%	(252)	(240)	(12)	5%
Provision for Doubtful Receivables (PECLD)	2	2	-	-	(3)	(5)	2	(40%)
EBITDA	159	142	17	12%	573	514	59	11%
Depreciation	(28)	(24)	(4)	17%	(105)	(93)	(12)	13%
Financial Income (Loss)	(18)	(25)	7	(28%)	(55)	(96)	41	(43%)
IR CS	(14)	(13)	(1)	8%	(71)	(52)	(19)	37%
NET INCOME	99	80	19	24%	342	273	69	25%

Cosern ended the 4Q20 with Gross Margin of R\$ 229 million, an increase of 11% compared to 4Q19 due to the average 3.4% increase of the tariff reset of April/20 and higher Concession Financial Assets (+R\$ 26 million), explained by higher IPCA in the period (+1.34 pp). In 2020, Gross Margin was 9% greater than that recorded in 2019, reaching R\$ 828 million due to the same aforementioned reasons.

Operating expenses amounted to R\$ 72 million in the 4Q20 (+R\$ 5 million vs. 4Q19) and R\$ 252 million in the year (+R\$ 12 million vs. 2019) mainly explained by intensified disconnections.

In 4Q20, the Concession Financial Assets were R\$ 2 million higher, in line with 4Q19. In 2020, Concession Financial Assets were R\$ 3 million, R\$ 2 million less than that of 2019, confirming the success of collection actions.

As a result of the aforementioned variations, EBITDA in the 4Q20 was R\$ 159 million, a 12% increase vs. 4Q19 and in 2020 it was R\$ 573 million, R\$ 59 million in excess of that of 2019. That result shows the upturn of the economic activity.

Net Income for the 4Q20 amounted to R\$ 99 million (+24% vs. 4Q19) and R\$ 342 million in the year-to-date (+25% vs. 2019), explained by the improved EBITDA and financial income.

5.2.1.4. ELEKTRO

ELEKTRO STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	1,954	1,782	172	10%	6,654	6,485	169	3%
Costs with Energy	(1,497)	(1,327)	(170)	13%	(4,914)	(4,889)	(25)	1%
Concession Financial Assets (VNR)	80	33	47	142%	108	231	(123)	(53%)
Gross Margin	537	488	49	10%	1,848	1,827	21	1%
Operating Expenses (PMSO)	(157)	(173)	16	(9%)	(524)	(585)	61	(10%)
Provision for Doubtful Receivables (PECLD)	(8)	(29)	21	(72%)	(136)	(94)	(42)	45%
EBITDA	372	286	86	30%	1,188	1,148	40	3%
Depreciation	(62)	(56)	(6)	11%	(238)	(220)	(18)	8%
Financial Income (Loss)	(36)	(69)	33	(48%)	(123)	(233)	110	(47%)
IR CS	(49)	(36)	(13)	36%	(235)	(200)	(35)	18%
NET INCOME	225	125	100	80%	592	495	97	20%

Elektro ended the 4Q20 with Gross Margin of R\$ 537 million, +10% vs. 4Q19, due to the average 5.4% increase of the tariff reset of August/20 and higher Concession Financial Assets (+ R\$ 47 million) explained by higher IPCA in the period (+1.34 pp). In 2020, Gross Margin remained in line with that recorded in 2019, reaching R\$ 1,848 million.

Operating expenses amounted to R\$ 157 million in 4Q20 and R\$ 524 million in 2020, a 9% and 10% improvement in performance, respectively, compared to that recorded in the same periods of 2019. Elektro carries on absorbing both the growth of customers base (+2.2% vs. 2019) and inflation for the period.

In 4Q20, the Concession Financial Assets were R\$ 8 million, an increase of R\$ 21 million compared to 4Q19, explained by the reversal of accrued amounts, showing the success of collection actions. In 2020, Concession Financial Assets were R\$ 136 million, R\$ 42 million in excess of 2019, also due to Covid-19.

As a result of the aforementioned variations, EBITDA in 4Q20 was R\$ 372 million, a 30% increase vs. 4Q19, and in 2020 it amounted to R\$ 1,188 million, R\$ 40 million more than in 2019. That result shows the upturn of the economic activity

Net Income for the 4Q20 amounted to R\$ 225 million (+80% vs. 4Q19) and R\$ 592 million in the year-to-date (+20% vs. 2019), explained by the improvement in EBITDA and financial income.

5.3. Renewables

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

RENEWABLES STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	295	225	70	31%	1,010	950	60	6%
Costs with Energy	(42)	(44)	2	(5%)	(141)	(167)	26	(16%)
GROSS MARGIN	253	181	72	40%	869	783	86	11%
Operating Expenses (PMSO)	(63)	(63)	-	-	(218)	(218)	-	-
Provision for Doubtful Receivables (PECLD)	-	2	(2)	(100%)	-	1	(1)	(100%)
(+) Equity Accounting	(28)	6	(34)	(567%)	(56)	68	(124)	(182%)
EBITDA	162	126	36	29%	595	634	(39)	(6%)
Depreciation	(56)	(33)	(23)	70%	(196)	(168)	(28)	17%
Financial Income (Loss)	(32)	(31)	(1)	3%	(157)	(146)	(11)	8%
IR/CS	(24)	3	(27)	(900%)	(40)	(51)	11	(22%)
NET INCOME	50	65	(15)	(23%)	202	269	(67)	(25%)

HYDRO PLANTS STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net revenue	155	105	50	48%	562	526	36	7%
Costs with Energy	(27)	(35)	8	(23%)	(102)	(128)	26	(20%)
GROSS MARGIN	128	70	58	83%	460	398	62	16%
Operating Expenses (PMSO)	(32)	(28)	(4)	14%	(107)	(111)	4	(4%)
Provision for Doubtful Receivables (PECLD)	-	2	(2)	(100%)	-	1	(1)	(100%)
(+) Equity Accounting	(28)	6	(34)	(567%)	(56)	68	(124)	(182%)
EBITDA	68	50	18	36%	297	356	(59)	(17%)
Depreciation	(24)	(6)	(18)	300%	(83)	(63)	(20)	32%
Financial Income (Loss)	(12)	(9)	(3)	33%	(74)	(54)	(20)	37%
IR/CS	(22)	7	(29)	(414%)	(65)	(35)	(30)	86%
NET INCOME (LOSS)	10	42	(32)	(76%)	75	204	(129)	(63%)

WIND FARMS STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net revenue	140	120	20	17%	448	424	24	6%
Costs with Energy	(15)	(9)	(6)	67%	(39)	(39)	-	-
GROSS MARGIN	125	111	14	13%	409	385	24	6%
Operating Expenses (PMSO)	(31)	(35)	4	(11%)	(111)	(107)	(4)	4%
EBITDA	94	76	18	24%	298	278	20	7%
Depreciation	(32)	(27)	(5)	19%	(113)	(105)	(8)	8%
Financial Income (Loss)	(20)	(22)	2	(9%)	(83)	(92)	9	(10%)
IR/CS	(2)	(4)	2	(50%)	25	(16)	41	(256%)
NET INCOME	40	23	17	74%	127	65	62	95%

The Renewables segment closed the 4Q20 with gross margin of R\$ 253 million (+R\$ 72 million vs. 4Q19), positively impacted (+R\$ 58 million vs. 4Q19) based mainly on seasonality. In 2020 the segment recorded gross margin of R\$ 869 million (+11% vs. 2019).

Operating expenses ended 4Q20 at R\$ 63 million and the year at R\$ 218 million, in line with the same periods of 2019.

Net Equity for the quarter was -R\$ 28 million and for the year -R\$ 56 million, explained by the smaller contribution of Belo Monte due to restraints in the transmission system, which has limited the company to liquidate its ACL energy only at the Spot Price of the North.

EBITDA of the renewables segment closed the 4Q20 at R\$ 162 million (+29% vs. 4Q19), a good performance of both the hydroelectric plants and the wind farms. In the year, EBITDA reached R\$ 595 million (-6% vs. 2019).

Net Income for the quarter was R\$50 million (-23% vs. 4Q19) and R\$ 202 million for the year (-25% vs. 2019).

5.4. Liberalized

LIBERALIZED STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	648	726	(78)	(11%)	2,273	2,680	(407)	(15%)
Costs with Energy	(510)	(596)	86	(14%)	(1,738)	(2,273)	535	(24%)
Gross Margin	138	130	8	6%	535	407	128	31%
Operating Expenses (PMSO)	(68)	(55)	(13)	24%	(186)	(138)	(48)	35%
EBITDA	68	74	(6)	(8%)	347	268	79	29%
Depreciation	(17)	(7)	(10)	143%	(63)	(45)	(18)	40%
Financial Income (Loss)	(9)	(25)	16	(64%)	(65)	(105)	40	(38%)
IR CS	(1)	(2)	1	(50%)	(25)	1	(26)	(2600%)
NET INCOME	41	40	1	2%	194	119	75	63%

TERMOPERNAMBUCO STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	317	302	15	5%	1,140	1,039	101	10%
Costs with Energy	(187)	(166)	(21)	13%	(638)	(581)	(57)	10%
Gross Margin	130	136	(6)	(4%)	502	458	44	10%
Operating Expenses (PMSO)	(51)	(50)	(1)	2%	(133)	(115)	(18)	16%
EBITDA	79	86	(7)	(8%)	369	343	26	8%
Depreciation	(17)	(7)	(10)	143%	(59)	(44)	(15)	34%
Financial Income (Loss)	(9)	(21)	12	(57%)	(58)	(97)	39	(40%)
IR CS	(5)	(7)	2	(29%)	(37)	(26)	(11)	42%
NET INCOME	48	51	(3)	(6%)	215	176	39	22%

NC STATEMENT OF INCOME (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Revenue	331	424	(93)	(22%)	1,132	1,640	(508)	(31%)
Costs with Energy	(324)	(430)	106	(25%)	(1,100)	(1,692)	592	(35%)
Gross Margin	7	(6)	13	(217%)	32	(52)	84	(162%)
Operating Expenses (PMSO)	(16)	(5)	(11)	220%	(53)	(23)	(30)	130%
EBITDA	(11)	(12)	1	(8%)	(23)	(76)	53	(70%)
Depreciation	-	-	-	-	(4)	(1)	(3)	300%
Financial Income (Loss)	-	(5)	5	(100%)	(7)	(8)	1	(13%)
IR CS	4	5	(1)	(20%)	12	27	(15)	(56%)
NET INCOME	(7)	(12)	5	(42%)	(22)	(58)	36	(62%)

The segment Liberalized consolidated a gross margin of R\$ 138 million in the 4Q20, an increase of R\$ 8 million vs. 4Q19, influenced by the new commercial positioning of NC (+R\$ 13 million vs. 4Q19). For the year, gross margin recorded was R\$ 535 million (+R\$ 128 million vs. 2019), impacted by the new commercial positioning of NC (+R\$ 84 million) and the results of Termopernambuco (+R\$ 44 million), due to the impact of the dollar tariff reset and by the purchase of energy at a lower Spot Price.

PMSO amounted to R\$ 68 million in the 4Q20 (+R\$13 million vs. 4Q19) and R\$ 186 million in the year (+R\$ 48 million vs. 2019), mainly explained by the adjustment to the Termopernambuco O&M agreements, and the new commercial positioning of NC.

EBITDA of the Liberalized segment was R\$ 68 million for the quarter (-R\$ 6 million vs. 4Q19) and R\$ 347 million for 2020 (+R\$ 79 million vs. 2019). Net Income amounted to R\$ 41 million in 4Q20 (+R\$ 1 million vs. 4Q19) and -R\$ 194 million in 2020 (+R\$ 75 million vs. 2019).

6. EBITDA

In compliance with CVM Instruction nº 527 we show below the conciliation of EBITDA (English acronym for Earnings Before Income Tax, Depreciation and Amortization) and we further state that the calculations shown are in line with the criteria of that same instruction:

EBITDA (R\$ MN)	4Q20	4Q19	Variation		2020	2019	Variation	
			R\$	%			R\$	%
Net Income for the Period (A)	996	618	378	61%	2,809	2,229	580	26%
Profit assigned to minority shareholders (B)	(33)	(24)	(9)	38%	(96)	(80)	(16)	20%
Financial Expenses (C)	(584)	(474)	(110)	23%	(1,755)	(1,768)	13	(1%)
Financial Revenues (D)	176	124	52	42%	597	518	79	15%
Other net financial income (loss) (E)	58	(18)	76	(422%)	128	(91)	219	(241%)
Income tax and social contribution (F)	(292)	(144)	(148)	103%	(943)	(623)	(320)	51%
Depreciation and amortization (G)	(430)	(359)	(71)	20%	(1,618)	(1,446)	(172)	12%
EBITDA = (A-(B+C+D+E+F+G))	2,101	1,513	588	39%	6,496	5,719	777	14%

7. FINANCIAL INCOME (LOSS)

NET FINANCIAL INCOME (R\$ MN)	4Q20	4Q19	Variation		9M20	9M19	Variation	
			R\$	%			R\$	%
Revenue from financial investments	29	52	(23)	(44%)	135	199	(64)	(32%)
Charges, monetary and exchange variations and debt derivative financial Instruments	(305)	(304)	(1)	0%	(1,058)	(1,323)	265	(20%)
Other financial income (loss) not related to debt	(74)	(116)	42	(36%)	(107)	(217)	110	(51%)
Interest, commissions and arrears interest	148	43	105	244%	440	188	252	134%
Monetary and exchange variations - other	(10)	1	(11)	(1100%)	(54)	(28)	(26)	93%
Adjustment to provision for contingencies / judicial deposits	(37)	(56)	19	(34%)	(167)	(135)	(32)	24%
Adjustment to sector financial assets / liabilities	(6)	11	(17)	(155%)	(4)	48	(52)	(108%)
Post-employment liabilities	(15)	(20)	5	(25%)	(60)	(81)	21	(26%)
Other net financial revenues (expenses)	(154)	(95)	(59)	62%	(262)	(209)	(53)	25%
Total	(350)	(368)	18	(5%)	(1,030)	(1,341)	311	(23%)

The financial income/loss of Neoenergia amounted to -R\$ 350 million in the 4Q20 (+R\$ 18 million vs. 4Q19) and -R\$ 1.030 million in 2020 (+R\$ 311 million vs. 2019). In the quarter the variation is mainly explained by the caption "arrears", adjusted by higher IGPM when compared to 4Q20. In the year, the variation is explained by lower expenses with debt charges (+R \$ 265 million 2020), mainly due to the 3.20 pp reduction in the CDI, the main debt index of the group (58% of the group's debt is adjusted by that index). On the table below, we list the main indexes:

Indexes	2020	2019	Δ (p.p.)
CDI	2.76%	5.96%	(3.20 p.p.)
TJLP	4.87%	6.20%	(1.33 p.p.)
USD ¹	1.1660	0.1559	1.01
IPCA ²	4.24%	3.23%	1.01 p.p.

Nota 1: exchange variation between the closing of December 30 to December 30.

Nota 2: considers the inflation accounted in 12 months (M-1).

8. INVESTMENTS

The Neoenergia Group made total investments of the order of R\$ 2.1 billion in 4Q20, and R\$ 6.3 billion in 2020 in the companies that the group consolidates, as reported by the management and displayed on the table below:

CAPEX Neoenergia (R\$ million)	4Q20	4Q19	Δ %	2020	2019	Δ %
Networks	1,714	1,156	48%	5,335	3,923	36%
Distributors	835	983	(15%)	3,339	3,327	0%
Transmission Lines	879	172	410%	1,995	596	235%
Renewables	397	221	80%	898	321	180%
Liberalized	15	46	(67%)	101	142	(29%)
Holding	2	3	(26%)	3	4	(25%)
TOTAL	2,129	1,426	49%	6,337	4,390	44%

8.1. Subsidiary and Affiliated Companies

The investment made by the affiliated companies corresponded to the amounts of R\$ 14 million in 4Q20 and R\$ 61 million in 2020.

Subsidiary and Affiliated Companies*	4Q20	4Q19	Δ %	2020	2019	Δ %
EAPSA	2	2	20%	3	2	61%
Teles Pires	7	25	(74%)	8	48	(84%)
Belo Monte	6	64	(90%)	50	133	(63%)
Total	14	90	(84%)	61	183	(67%)

* Companies not consolidated by Neoenergia. Amounts equivalent to percentages of Neoenergia shareholding in the relevant companies

8.2. Networks

8.2.1. Distribution

In 2020, the capital expenditures – Capex of the distributors amounted to R\$ 3.3 billion, of which R\$ 2,072 million were used in the expansion of the networks, R\$ 501 million in the renewal of assets, R\$ 393 million in improvements to the network, and R\$ 717 million in anti-loss projects to fight default and other.

INVESTMENTS MADE (amounts in R\$ MM)	   				CONSOLIDATED	
	4Q20				4Q20	2020
Network Expansion	(286)	(72)	(58)	(104)	(520)	(2,072)
Program Luz para Todos	(85)	-	-	-	(85)	(464)
New Connections	(109)	(52)	(27)	(52)	(239)	(910)
New SE's and RD's	(92)	(20)	(32)	(52)	(196)	(698)
Assets Renewal	(54)	(28)	(16)	(35)	(134)	(501)
Network Improvement	(74)	(15)	(16)	(24)	(130)	(393)
Losses and Default	(29)	(11)	(1)	(6)	(48)	(217)
Other	(137)	(57)	(23)	(44)	(261)	(500)
Movement of Material (Inventory x Works)	(22)	8	12	43	41	(307)
(=) Gross Investment	(602)	(176)	(102)	(171)	(1,051)	(3,991)
GRANTS	219	6	5	28	257	344
(=) Net Investment	(383)	(170)	(98)	(143)	(794)	(3,647)
Movement of Material (Inventory x Works)	22	(8)	(12)	(43)	(41)	307
(=) CAPEX	(361)	(179)	(110)	(185)	(835)	(3,339)
Regulatory Annuity Basis	(137)	(57)	(23)	(44)	(261)	(500)
Regulatory Remuneration Basis	(443)	(127)	(92)	(170)	(832)	(3,183)

8.2.2. Transmission

In 2020, Capex of the transmission lines amounted to R\$ 1,995 million, R\$ 1,399 million more than in 2019.

As regards the April 2017 auction lots, 100% of the expected Capex is contracted. Highlight for the start of operation of lots 20, 22 and 27 and 1 section of lot 4, delivered in July 2020, with the beginning of receipt of the Annual Permitted Revenue (Portuguese acronym RAP). For the lots purchased in December 2017, 100% of the expected Capex is contracted, the contractors are already mobilized, and deliveries are in line with the schedule of the construction works. The lots purchased at the December 2018 auction have 100% of the main equipment, cables and towers already contracted, and the environmental licensing is in progress. The lot purchased at the December 2019 auction has 97% of Capex contracted, and is progressing to have environmental licenses granted. The lot purchased at the December 2020 auction is in the initial phase of contracting.

8.3. Renewables

8.3.1. Wind Farms

The investments made in wind farms amounted to R\$ 840 million in 2020, and were used in (i) the works of the Chafariz Complex, which already have 100% of the estimated Capex contracted, and currency hedge and connection agreements with the transmission company already entered into; and (ii) the works of the Oitis Complex, whose wind farms had installation licenses granted in November and December 2020, allowing to start mobilizing for construction.

8.3.2. Hydroelectric Plants

Investments in hydroelectric plants amounting to R\$ 59 million in 2020, chiefly in sustaining CAPEX, were R\$ 136 lower compared to 2019, mainly due to the works carried out at Baixo Iguacu in 2019.

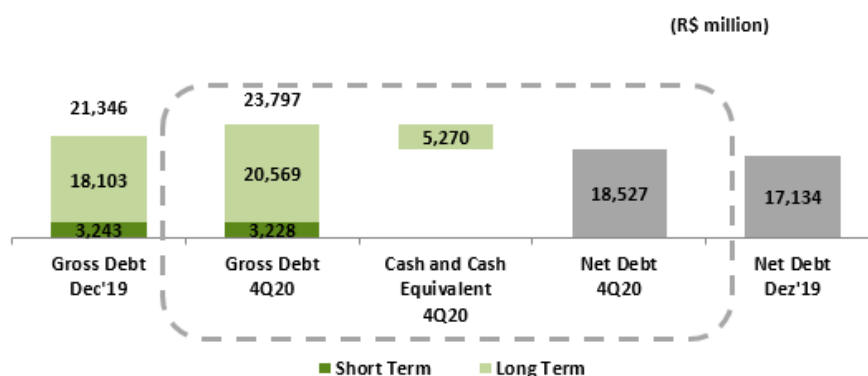
8.4. Liberalized

Termopernambuco made investments in the amount of R\$ 14 million in 4Q20, 65% lower than the actual investments of 4Q19, due to the acquisition of materials in 2019. In the year, the plant made R\$ 100 million in investments, 26% less than that recorded in 2019, due to the purchase of the low-pressure rotor of the steam engine in 2019.

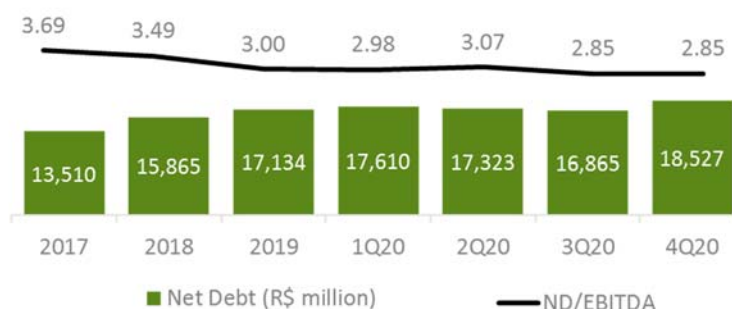
9. INDEBTEDNESS

9.1. Situation of Financial Debt and Leverage

In December 2020, the consolidated gross debt of Neoenergia, including loans, financing, debentures and financial instruments, reached R\$ 23,797 million (net debt R\$ 18,527 million), showing an increase of 11% (R\$ 2,451 million) when compared to December 2019. As regards the segregation of the debt balance, Neoenergia has 86% of the debt recorded in the long term and 14% in the short term.

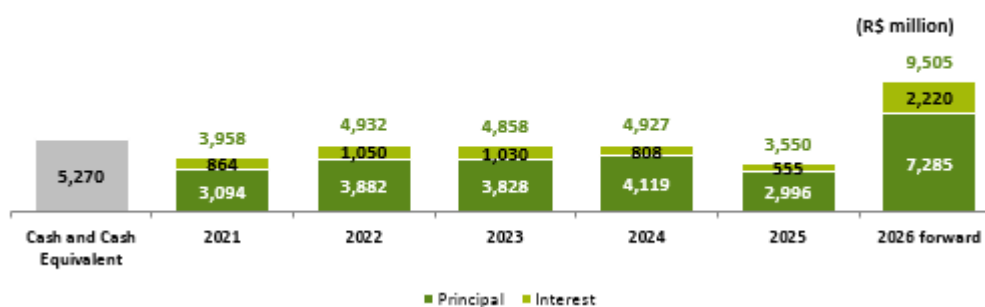


The financial indicator Total Net Debt/EBITDA decreased from 3.0 in December 2019 to 2.85 in December 2020.



9.2 Debt amortization schedule

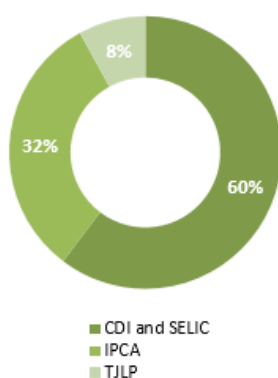
The chart below displays the schedule of maturities of the debt principal and interest (in millions of reais) using the forward market curves for the indexes and currencies associated with the Company's indebtedness in effect on December 31, 2020. The average indebtedness term in December 2020 was 4.66 years, representing an extension of the group's debt profile compared to December 2019, which was 4.03 years.



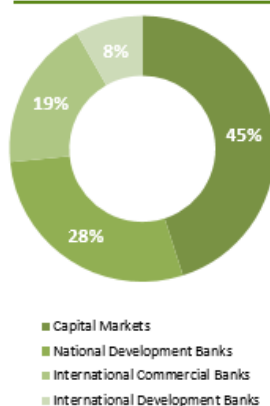
9.3. Debt Profile

The charts below display the balance of the debts segregated by funding source and index. The average 12-month cost of the consolidated debt in 2020 was 4.7% (vs. 6.4% in December 2019).

DEBT PER INDEXES



DEBT PER FUNDING



In 4Q20 we were granted funding in the amount of R\$ 2,188 million. We point out the debt lines that follow:

- (i) Grant of 2 Bank Credit Notes, with Sumitomo and Mizuho, in the amount of R\$ 205 million, for a 3-year term;
- (ii) BEI financing to Neoenergia in the amount of R\$ 836 million, and a 15-year term;
- (iii) Second BNDES grant to Neoenergia Jalapão, in the amount of R\$ 250 million, and a 20-year term;
- (iv) Grant from FCO to Neoenergia Dourados, in the amount of R\$ 30 million in a 15-year term;
- (v) Contracting of CCB with Banco do Brasil to Coelba, in the amount of R\$ 195 million, and a 3-year term;
- (vi) BNB financing to Coelba, in the amount of R\$ 91 million, and a 12-year term;
- (vii) 4131 outlays to Coelba and Celpe with Santander, in the amount of R\$ 200 million, for each company, and a 3-year term;
- (viii) Grant from BNDES to Neoenergia Santa Luzia, in the amount of R\$ 110 million, and a 24-year term;
- (ix) Grant from BNB to Chafariz Complex, in the amount of R\$ 72 million, and a 24-year term;

10. RATING

In April 2020, the rating agency Standard & Poor's - S&P confirmed the corporate credit ratings of Neoenergia and its subsidiaries, Coelba, Celpe, Cosern and Elektro Redes on 'BB-' on the Global Scale and 'brAAA' on the Brazil National Scale. It is worth mentioning that due to the Covid-19 pandemic the agency changed the perspective of the sovereign rating from positive to stable, which also caused the global perspective of Neoenergia and its subsidiaries to be changed to stable.

11. CAPITAL MARKETS

On December 30, 2020, the Company's Market value was R\$ 21.4 billion with shares quoted at R\$ 17.62, representing an appreciation of 12.56% since the IPO (July/19).

The year 2020 was the first full year that Neoenergia had its shares traded on B3. In January, its shares became a part of the IBrX100 (Brasil 100 Index) and in May they were included in the IEE (Electric Energy Index) portfolio. In January/21, Neoenergia became a part of the ISE (Sustainability Index) and the ICO2 (Carbon Efficient Index) portfolio. The joining of the Company into these indexes confirms our determination and commitment in pursuing sustainable growth with an ethical business conduct, corporate governance and social and environmental responsibility.



Capital Markets	IPO	4Q20
Number of shares	1,213,797,248	1,213,797,248
Share value	15.65	17.62

Market value ¹ (R\$ million)	18,996	21,387
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¹Market value = number of shares x share value

12. OTHER MATTERS

12.1. Adhesion to Covid Account

On July 3, the Coelba, Elektro, Celpe and Cosern joined the Conta-Covid financial operation, under the terms of REN ANEEL n° 885/2020, in the amounts listed below, which are fully backed by constituted tariff assets (CVA and other financial assets). The total amount paid out was R\$ 1,664,095 thousand according to the schedule below:

Disbursement Date	Coelba	Celpe	Cosern	Elektro
07/31/2020	407,730	345,147	66,278	470,965
08/12/2020	47,668	52,403	11,928	70,782
09/14/2020	44,208	57,169	17,272	72,544
Total (R\$ Thousand)	499,607	454,719	95,479	614,291

12.2. CEB Auction

On December 4, Neoenergia's subsidiary Bahia Geração was the winner in Auction n° 01/2020-CEB-D, with the purpose of privatizing CEB Distribuição for the Equity Amount of R\$ 2.5 billion, which represents the acquisition price of 100% of CEB-D shares.

12.3. Favorable Court Decision to Celpe (PIS/COFINS lawsuit)

In December 2020, the Federal Government finalized the decision favorable to Celpe, recognizing the company's right to credit for the amounts unduly paid in regard to the inclusion of ICMS in the PIS/COFINS calculation basis, duly updated by the SELIC Rate. Initially, in 4Q20 Celpe constituted a PIS and COFINS asset to be recovered in the total amount of R\$ 2.156 million, and a liability for the same amount, net of legal fees, liabilities amounting to R\$ 2.153 million. It is worthy of mention that there is no effect on the result (Income Statement).

12.4. Low-income Consumers

N° of Residential Customers (thousand)	4Q20					4Q19				
	Consolidated	COELBA	CELPE	COSERN	ELEKTRO	Consolidated	COELBA	CELPE	COSERN	ELEKTRO
Conventional	9,469	3,944	2,385	960	2,180	9,947	4,286	2,475	1,007	2,179
Low Income	3,132	1,545	1,028	347	211	2,406	1,100	862	290	155
Total	12,602	5,490	3,414	1,308	2,390	12,353	5,385	3,337	1,297	2,334

12.5. Management Practices

12.5.1. 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 2020, the Company resolved the following earnings:

- (i) Interest on Equity in the amounts of:
 - R\$ 278,402 thousand, paid on December 10, 2020, resolved at the Board of Directors Meeting held on June 15, 2020;
 - R\$ 266,648 thousand, with payment scheduled for December 31, 2021, resolved at the Board of Directors Meeting held on December 9, 2020.

The Company informs that the full allocation of the 2020 profits will be approved at the Annual General Meeting to be held in 2021.

12.5.2. Corporate Governance

Neoenergia's Corporate Governance System brings together the policies and principles that govern the Group's organization, operation and relations, meeting the highest standards of Corporate Governance of Brazilian companies, which qualifies Neoenergia for listing its shares in the Novo Mercado of B3. It is set to ensure compliance with the bylaws that bind its shareholders and, in particular, Neoenergia's corporate purpose and social interest. Always shaped in accordance with the Shareholders' Agreement and the legislation in force, it is inspired by the Group's Purpose and Values, and is based on the Bylaws that, approved by the General Shareholders' Meeting, 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 ten alternate members with a two-year term of office, whose reelection is permitted. Among the 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 his substitute member or an officer elected to substitute him, and also by any 2 members together.

Fiscal Council

It is an independent body comprising four sitting members and an equal number of alternate members who are elected at the Ordinary General Meeting for one-year terms. The Fiscal Council meets monthly or extraordinarily, whenever called.

Executive Board

It is responsible for the business management, and it currently comprises nine members, including the Chief Executive Officer. Its members are appointed by the Board of Directors 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 four different committees that convene only at the holding company: Audit, Finance, Compensation and Succession, and Related Parties. Each Committee is responsible for analyzing and recommending most of the decisions of the Board of Directors. Each Committee comprises 5 sitting members and

their respective alternate members, with the exception of the Related Parties Committee formed by 03 sitting members and an equal number of alternates appointed by the Board of Directors.

As an integral part of Governance practices, the Neoenergia Group has an Internal Controls 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; (ii) the certification of financial information by the main Executives.

The certification takes place every six months so that the Executives can ensure that the financial information under their responsibilities is reliable and the internal controls to support it have been properly enforced.

12.5.3. People Management

Neoenergia believes that people are the core of the business, and hence it invests in the development, welfare, engagement and growth of the company's employees. In 2020, the amount of R\$ 12.8 million was invested in activities aimed at training people, with more than 792 thousand hours of training. Even with about five thousand (of more than 12 thousand) employees working at home office due to social isolation, Neoenergia created strategies for maintaining team engagement, including digital actions such as lives, training, lectures and information about the Covid-19 pandemic. It also promoted development programs for leaders and training of future leaders, as well as using employees to fill 615 vacancies (being 44 of leadership), proof that the company values and recognizes its internal talents.

The Neoenergia Group continued to invest in its School of Electricians, with the purpose of training people in the community, enabling them to perform electrician jobs. In 2020, classes continued in the virtual format, having the School of Electricians program exclusively for Women been awarded internationally by UN Women, also being awarded the XI Premio Corresponsables de Iberoamérica, in recognition of our commitment to gender equality.

In line with the Sustainable Development Goals, in 2020 our Volunteer Program was carried out digitally, and continued to support communities with a number of volunteers 33% higher than in 2019. Actions in favor of diversity were also promoted, such as campaigns, lectures and the creation of work groups.

In 2020, the incorporation of the old pension foundations of the Neoenergia group into a single entity was completed: Néos Previdência, an exclusive benefit that the company provides to ensure the comfort of its retired employees.

And in this very unusual year, in which Health and Safety were central themes, the Group took good care of its employees: approximately 20 thousand tests were carried out (rapid and PCR), 4,722 visits to employees with symptoms that could be related to Covid-19 and a stand-by service was made available with our occupational physicians.

Neoenergia renews its commitment to ensure that people are the generators of its best results and, in 2021, it will continue to encourage responsibility, collaboration, and the leadership of its teams, preparing them daily for progressing in their careers and ensure the construction of a better company.

13. SUSTAINABILITY, INNOVATION AND CORPORATE RESPONSIBILITY

13.1. Sustainability and Climate Changes

The Neoenergia Group is committed to an energy model that prioritizes the well-being of people and the conservation of the planet, and has adopted the purpose of "continuing to build, in a collaborative way, a healthier and more accessible electric energy model", capable of generating economic, social and environmental value.

The Sustainable Development, Climate Changes, Environment and Biodiversity Policies determine the general principles and bases that should govern the Company's strategy to ensure that all corporate and business activities are committed and promote the creation of sustainable value for all the company's stakeholders. These policies aim to ensure the alignment of the Company's performance with its commitment to the social dividend and to the 17 UN Sustainable Development Goals (SDGs), especially as regards SDGs 7 and 13 that provide for the universal access to energy and the fight against climate changes.

The Group takes note of the management of climate risk in its business and of opportunities for the energy transition and economy decarbonization agenda. It is focused on the development of energy generation from renewable sources and on innovation for adhering to more efficient technologies that reduce CO2 emissions. Neoenergia is committed to taking a leadership position in advocating for this cause, in line with the objectives of reducing the emissions of its holding, the Iberdrola Group, reducing carbon emissions by 50% by 2030, and becoming a carbon-neutral company by 2050.

In 2020, Neoenergia Group renewed its commitment to the Ten Principles of the UN Global Compact, as assumed in 2007, an initiative that calls for action based on universal principles regarding human rights, labor rights, environmental conservation and corruption fighting.

The company's progress in its ESG practices were crucial to guarantee the company's entry, starting in 2021, in the portfolio of the Corporate Sustainability Index (ISE) of the Carbon Efficient Index (ICO2)

To promote dialogue and transparency with its stakeholders, Neoenergia publishes annually the Sustainability Report, which is certified by a third party, and prepared on the basis of the Global Reporting Initiative (GRI) methodology accessible on Neoenergia website (<https://www.neoenergia.com/pt-br/sustentabilidade/modelo-negocio-energia-sustentavel/relatorios-sustentabilidade>).

13.2. Innovation

In 2020 several initiatives were adopted with a focus on operational excellence, improving the customer experience by way of the digitization of customer services, upgrade of the network infrastructure and promotion of sustainability by means of decarbonization and electrification. Highlight on the project to change customer relations and experience (Digital Connection), three projects resulting from the Neoenergia Electric Mobility Program, and the project of joint deployment of technologies for smart grids (Energy of the Future).

The "Digital Connection" project delivered new products that made customers' daily lives easier, always focusing on improving their development and experience, such as: adherence to PIX (Instant Payment Service), being a pioneer in the sector and improving the digital payment experience; a service platform via WhatsApp for the Group; the new Elektro services application focused on simplifying customer experience; and the Negotiation and Installment Portal.

As a result of the Electric Mobility Program, Neoenergia develops three projects focused on sustainability, one of which is the creation of an Electric Truck for maintenance in the electric energy distribution network. Additionally, the "Electric Mobility in Fernando de Noronha" project aims to develop the recharge infrastructure and models associated with electric vehicles on the island. Finally, the "Corredor Verde" (Green Corridor) project, one of the largest electrified monorails in Brazil, in the stretch between Salvador-BA and Natal-RN, will have 12 charging stations on the highway and another 6 in urban shopping malls.

With a large part of its implementation already completed, the "Energia do Futuro" project is characterized as a pilot model of Distribution System Operator (DSO) in the region of Atibaia-SP, Bom Jesus dos Perdões-SP and Nazaré Paulista-SP. With these investments, several upgrading technologies that benefit the communities of the region will be implemented, such as the Smart Grids Infrastructure, Smart Metering with Energy Balance, Network Automation + Volt/VAR to perform semi-centralized self healing, in addition to 4G/LTE Cellular Communication Network for optimized data flow.

13.3. Education and Culture

In the field of education, the "Balcão de Ideias e Práticas Educativas" project stands out, which, under the management of the Neoenergia Institute, trained 489 education professionals, including teachers and school

managers, from the education networks of 9 municipalities in Paraíba, Rio Grande do Norte, São Paulo and Bahia. It also launched the “Education in times of pandemic” page, a space within the Balcão de Ideias online platform for teachers and school managers from all over Brazil to share good learning practices and find information about education.

In the cultural arena, the main initiatives were carried out in the Rio Grande do Norte, with projects carried out to include children and youngsters in social vulnerable situation, train 149 cultural managers of the state with the project “Caravana Energia que Transforma”, and the launch of cultural lighting of the Câmara Cascudo Memorial, in Natal.

13.4. Neoenergia Institute

In 2020, due to the pandemic, the Neoenergia Institute continued to carry out its social projects, emphasizing mainly those that benefited the most vulnerable. In order to provide emergency assistance to people severely affected by the health and economic crisis that began in March, more than R\$ 2 million were allocated to actions such as the distribution of meals in six communities in Rio de Janeiro and São Paulo, strengthening micro-entrepreneurs and social organizations (in partnership with CIEDS). Additionally, the Institute supported Fundo Transforma, in an action to engage employees from all Neoenergia companies, for the distribution of basic food packages in the country, with the commitment to triple each donation from the internal public.

At the level of social impact businesses, a new public notice for the “Impactô” Social Acceleration Program was launched, in partnership with the Ekloos Institute, aimed at third sector organizations in the cities of Rio de Janeiro and São Paulo. Through the Program, 16 organizations were selected, and received an emergency investment of R\$ 20 thousand, in addition to training in leadership management to increase social impact.

It is worth mentioning that as to the projects that were already planned and being carried out in person, due to the Covid-19 pandemic, their format was adapted, and digital solutions were developed with the Institute's implementing partners. Teachers, cultural managers and third sector organizations trained online.

13.5. Energy Efficiency

The Neoenergia Energy Efficiency Program (PEE) covers the Group's distributors and focuses on promoting the efficient use of electricity. In 2020, it had total investments of R\$ 61 million in the four distributors. Among the actions that deserve highlight are the following:

- Execution of projects carried out in communities with the replacement of 233 thousand lamp bulbs for LED for residential consumers, and more than 140 thousand lamp bulbs in 714 institutions in these communities.
- Execution of the “Vale Luz” project, which exchanges solid waste for a discount on the energy bill, with 419 tons of waste being recycled and a discount of more than R\$ 107 thousand on the bills of 5,388 consumers.
- Execution of educational projects in public schools and distance learning, training 3,104 teachers and 137,736 students in the concession areas of the distributors on the topic of the efficient use of electricity.
- Execution of Efficiency projects for 300 public and assistance buildings in the distributors' concession area, benefiting 53 units in Bahia, 22 in Pernambuco, 6 in Rio Grande do Norte and 219 in São Paulo, totaling more than 190 thousand lamp bulbs replaced.
- Execution of a Neoenergia Solar project, which in 2020 granted a 50% discount for installing solar energy in 435 homes in Bahia, Pernambuco and São Paulo, totaling 1,780 kWp installed.
- Execution of the priority project “Covid-19 Hospitals to equip pandemic field hospitals in Bahia and Pernambuco, benefiting 78 units with the replacement of 7,935 lamp bulbs, 182 refrigerators/freezers and 99 air conditioning units.
- Execution of Street Lights (IP) Efficiency projects in several municipalities of the distributors' concession areas, with the replacement of more than 18 thousand IP points with LED technology.

13.6. Research and Development

Neoenergia's Research and Development (R&D) projects prioritize five strategic themes: (i) Smart Technologies; (ii) Facilities and People Safety; (iii) Energy recovery; (iv) Quality and Reliability; and (v) Business Sustainability.

In 2020, the amount of R\$ 55 million was allocated to these projects, of which R\$ 49 million were used in the distributors' projects. Find below a list of the Group's major projects:

Smart Technologies, Energy Recovery, and Quality and Reliability: the project "Domestic Technology for Smart Grids" stands out, developing products, services and methodologies applicable to the improvement of the communication system of smart equipment, identification of energy quality level, anti-loss actions, in addition to other.

Business Sustainability: highlight for (i) the Project Smart System for Energy Storage that allows for optimizing solar energy plants Noronha 1 and Noronha 2, connecting the energy surplus to a lithium-ion battery system; (ii) the project "Microrredes" that enables the development of small-scale independent networks as an alternative to the universal service in the concession area of Coelba, in association with the "Luz para Todos" Program, and regulatory obligations (REN 493/2012); (iii) "Conexão Digital" a project whose objective is to change the company's customer experience by means of smart digital channels; (iv) three projects associated with the ANEEL Electric Mobility Strategy Call, which aim at developing: (a) an electric truck for the distributors' network maintenance fleet with technology for energy injection to the network; (b) infrastructure of recharge and business models associated with electric vehicles on the isle of Fernando de Noronha and (c) the creation of a green corridor along the stretch between Salvador-Bahia and Natal-RN.

People and Facilities Safety: Project "Poda com Braço Robótico" (Robotic-Arm Tree trimming) which allows remote and robotic tree trimming close to live lines.

Energy Recovery: the "Intelligent Sensor for 69 kV" project stands out, whose network sensor equipment allows, in addition to reducing the duration of power interruptions (DEC), to perform the energy balance of the feeders, indicating the areas with the highest level of losses.

Quality and Reliability: the "Intelligent Transformer and Qualimeter with continuous oscillography" project stands out, which identifies occurrences such as failure of conductors in order to improve the quality and safety of the network.

14. NEOENERGIA GROUP AWARDS AND ACKNOWLEDGEMENTS

The Neoenergia Group actions are based on the constant search for quality and efficiency, the results of which are evidenced by the awards and acknowledgements achieved over the years. Below are the main highlights of 2020.

(i) B3 Corporate Sustainability Index: Neoenergia joins the 16th portfolio of the Corporate Sustainability Index (ISE) B3 - Brasil, Bolsa, Balcão. The new portfolio comprises 46 shares of 39 companies in 15 sectors that together add up to R\$ 1.8 trillion in market value and represent the best corporate sustainability practices. | **(ii) XI Premio Correponsables da Iberoamérica:** Neoenergia was one of the highlights in the XI Premio Correponsables de Iberoamérica, when it was recognized in the Large Companies category with the Electricians School project. With a total of 205 enrolled and 19 finalists from different countries, the company was recognized in this award that is aimed at valuing the best initiatives and good practices in social responsibility, sustainability and communication in the Ibero-American region. | **(iii) ONU Women:** The Neoenergia School of Electricians project, which has classes exclusively for women, had a case study published in WeEmpower, the UN Women program with the International Labor Organization (ILO) and the European Union to encourage good practices in companies. The document points to the Brazilian company's project as a worldwide example of good practice in promoting gender equality in the electricity sector. | **(iv) Valor 100:** In the Valor 1000 ranking, published by Valor Econômico newspaper to show the

performance of the thousand largest companies in Brazil, Neoenergia was number one in the electric sector in sustainable growth, a concept that represents the best management of own resources in revenue generation. The company also stood out as the 26th largest private group in Brazil, considering companies from all sectors of the economy. | **(v) Certification ISO 37001 of Anti-Bribery Management:** Neoenergia achieved ISO 37001 Certification for its practices in fighting corruption and bribery. The main objective of the ISO 37001 standard is to support the fight against bribery through a culture of integrity, transparency and compliance with laws, regulations, national and international guidelines, applicable to the organizations' businesses. | **(vi) Latam 2020 Award:** Neoenergia won the gold category for Best Citizen-Oriented Operational Strategy, awarded by the Latin American Alliance of Organizations for Interaction with Customers (ALOIC). The award is in its 9th edition and recognizes the best practices of companies in terms of customer relations in Latin America.

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 06/29/2020, valid for twelve (12) months. In 2020, KPMG Auditores Independentes provided audit services for the amount of R\$ 7,244,893.40, of which R\$ 4,111,151.43 refer to the audit of the financial statements (including quarterly reviews) and R\$ 3,133,741.97 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 SHEET

Socio and environmental-related information can be found in the company's Annual Sustainability Report, which will be made available by February 28, 2021 on the Company's website (www.neoenergia.com). The Company has published annual reports since 2004 and, since 2010, it has complied with the Standards of the Global Reporting Initiative (GRI) for sustainability reports, and the Socio-Environmental and Economic-Financial Report Drafting Manual of the National Electric Energy Agency (Aneel). It also meets the commitments to the Global Compact and Sustainable Development Goals (SDGs).

17. RECONCILIATION NOTE

Neoenergia S.A. discloses the fourth quarter (4Q20) 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	10,487	31,989	7,453	28,461	Income Statement
(-) Estimated Replacement Value of Concession	(404)	(549)	(156)	(556)	Note 5
(-) Other revenues	(95)	(335)	(60)	(311)	Note 5
(+) Gain/Loss on RAP	(4)	(18)	(3)	(5)	Note 5.4
(+) Revenue from Operation and Maintenance	5	33	(9)	23	Note 5.4
(+) Photovoltaic Operations	3	8	(1)	-	Note 5.4
(+) Other revenues - Other revenues	10	10	(9)	10	Note 5.4
= Net Operating REVENUE	10,002	31,138	7,215	27,622	-
(+) Costs with electric energy	(5,419)	(15,280)	(3,640)	(14,519)	Income Statement
(+) Fuel for energy production	(142)	(448)	(140)	(442)	Note 7
(+) Construction costs	(1,682)	(5,726)	(1,082)	(4,054)	Income Statement
= Energy costs	(7,243)	(21,454)	(4,862)	(19,015)	-
(+) Estimated replacement value of concession	404	549	156	556	Note 5
= GROSS MARGIN	3,163	10,233	2,509	9,163	-
(+) Operating costs	(1,030)	(3,609)	(981)	(3,514)	Income Statement
(+) Sales expenses	(80)	(288)	(66)	(270)	Income Statement
(+) Other general and administrative revenues/expenses	(500)	(1,530)	(386)	(1,397)	Income Statement
(-) Fuel for energy production	142	448	140	442	Note 8
(-) Depreciation	388	1,452	317	1,276	Note 8
(+) Gain/Loss on RAP	95	335	60	311	Note 5
(-) Gain/Loss on RAP	4	18	3	5	Note 5.4
(-) Revenue from operation and maintenance	(5)	(33)	9	(23)	Note 5.4
(-) Photovoltaic Operations	(3)	(8)	1	0	Note 5.4
(-) Other revenues - Other revenues	(10)	(10)	9	(10)	Note 5.4
= Operating Expenses (PMSO)	(999)	(3,225)	(894)	(3,180)	-
Provision for Doubtful Receivables (PECLD)	(35)	(456)	(108)	(332)	Income Statement
(+) Equity Accounting	(28)	(56)	6	68	Income Statement
EBITDA	2,101	6,496	1,513	5,719	-
(+) Depreciation and Amortization	(430)	(1,618)	(359)	(1,446)	Income Statement and Note 8
(+) Financial Income/Loss	(350)	(1,030)	(368)	(1,341)	Income Statement
(+) IR/CS	(292)	(943)	(144)	(623)	Income Statement
(+) Minority shareholders	(33)	(96)	(24)	(80)	Income Statement
NET INCOME	996	2,809	618	2,229	Income Statement

This documents 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).



DISCLAIMER



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Independent Auditor's Report on the Parent 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 Board of Directors of
Neoenergia S.A.
Rio de Janeiro - RJ

Opinion

We have audited the parent and consolidated financial statements of Neoenergia S.A. ("the Company"), which comprise the parent and consolidated statement of financial position as of December 31, 2020, the parent and consolidated related statements of income, statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the parent and consolidated financial position of Neoenergia S.A. as of December 31, 2020, and the results of its parent and consolidated operations and its cash flows for the years then ended in accordance with accounting practices adopted in Brazil and the 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 and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the contingent liability related to the deductibility of income tax and social contribution on the amortization of goodwill

See Note 10.1.3 of parent and consolidated financial statements

Key audit matters	How our audit addressed this matter
<p>The Company's subsidiaries are parties to tax lawsuits related to the deductibility of the amortization of goodwill generated on the acquisition of the subsidiaries Coelba, Celpe, Cosern and Elektro Redes during the concession period in the Corporate Income Tax (IRPJ) calculation bases and Social Contribution on Net Income (CSLL). These lawsuits have an estimated amount of approximately R\$ 3,146 million, which the risk of loss has been assessed by the Company and its legal counsel as possible. Consequently, no provision for these claims has been recognized.</p> <p>Due to the relevance, complexity and judgment involved in the assessment and disclosure of the contingent liability related to the deductibility of income tax and social contribution on the amortization of goodwill in the consolidated financial statements, we consider this matter to be significant for our audit.</p>	<p>We ask the legal advisors of the Company and its subsidiaries for written confirmation of the legal proceedings relating to the deductibility of goodwill amortization during the concession period in the calculation bases of Corporate Income Tax (IRPJ) and Social Contribution on Profit net (CSLL) containing: (i) the procedural stage of the judicial process; and (ii) and the estimation of the classification of the probability of loss.</p> <p>We involve our legal experts to assist in the assessment of the legal opinion obtained by the Company, as well as in the evaluation of the criteria and assumptions used to classify the likelihood of loss in legal proceedings and in comparison with existing jurisprudence. We conducted interviews with the Company's management and internal legal advisors, with the objective of monitoring the legal developments that occurred on the subject during the year.</p> <p>In addition, we assessed changes in the scenario between the base date of the financial statements and the date of the audit report that, eventually, could lead to a change in the assessment made.</p> <p>We analyzed whether the disclosures made in the financial statements consider the relevant aspects required by the accounting practices adopted in Brazil and by 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 assessment and disclosure of the contingent liabilities related to the deductibility of income tax and social contribution on the amortization of goodwill are acceptable in the context of the individual and consolidated financial statements</p>

	taken as a whole.
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Measurement of Contract, Financial and Intangible Assets in the energy distribution concession contract	
See Notes 14 and 17 of parent 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 expansion and infrastructure improvements must be classified as contract assets during the construction period, according to Technical Pronouncement CPC 47 - Revenue from contracts with customers (IFRS 15), and from its effective entry into operation, in accordance with Technical Interpretation ICPC 01 (R1) - Concession Contracts (IFRIC 12), investments are split between Intangible Assets, in due to its recovery being conditioned to the use of the public service through the consumption of energy by consumers, and Financial Asset, for investments made and not amortized until the end of the contract, as it is an unconditional right to receive cash or another financial asset directly from the Granting Power.</p> <p>The assessment of the allocation of concession expenses and the assessment of the bifurcation between financial assets and intangible assets, upon entry into operation, involves complexity and judgment on the part of the Company's subsidiaries that may impact the value of these assets in the financial statements. Due to this fact, as well as the relevance of the amounts and disclosures involved, we consider the measurement of Contract Assets, Financial and Intangible Assets to be significant for our audit.</p>	<p>We evaluate the design, implementation and operational effectiveness of the key internal controls related to the process of analyzing and allocating concession expenses recognized as a contract asset and the split between the concession's financial assets or intangible assets.</p> <p>We performed a documentary inspection, on a sample basis, of the additions occurred during the year to analyze whether the nature of the expenses is eligible for recognition as a contract asset, in accordance with the concession contract.</p> <p>We recalculate the split of the contract asset between intangible and financial assets from 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>We also assess whether the disclosures made in the financial statements consider the relevant information required by accounting practices adopted in Brazil and with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).</p> <p>Based on the results of the procedures performed and the evidence obtained, we consider that the measurement and disclosure of the Contract Asset, Financial and Intangible Assets are acceptable in the context of the individual and consolidated financial statements taken as a whole.</p>

Measurement of contractual assets and contract revenue with customers
See Notes 5 and 14.2 of parent and consolidated financial statements

Key audit matters	How our audit addressed this matter
<p>During the current year, the Company established subsidiaries in the energy transmission segment, to operate in concessions, providing construction, operation and maintenance services during the concession period.</p> <p>Thus, it was necessary to evaluate the business model in order to support the recognition of contractual assets and contract revenue with clients of these subsidiaries, in accordance with CPC 47 - Revenue from contract with client (IFRS15 - Revenue from contract with customer) , which requires the exercise of significant judgment on the moment when the client obtains control of the asset. In addition, the measurement of the progress of the Company's subsidiaries in relation to the fulfillment of the performance obligation satisfied over time also requires the use of significant estimates and judgments by the Company to estimate the efforts or inputs necessary to fulfill the performance obligation, such as such as materials and labor, expected profit margins on each identified performance obligation and projections of expected revenues. Due to the relevance of the amounts and the significant judgment involved, we consider the measurement of contractual assets and revenue from contracts with customers by the Company's subsidiaries as a significant issue for our audit.</p>	<p>We evaluate the design, implementation and effectiveness of the key internal controls related to the expenses incurred in executing the contract. We inspect the concession contract and its amendments to identify the performance obligations provided for in the contract, in addition to aspects related to the variable components applicable to the contract price. We evaluated, with the involvement of Corporate Finance specialists, the relevant assumptions used in the cost projections, in the contract margin and in the definition of the discount rate used in the model. We performed documentary inspection of costs incurred during the year and analyzed the allocation of concession expenses classified as contract assets. Finally, for transmission companies under construction, we carry out budgetary monitoring of expenses incurred, in order to identify efficiency or inefficiency to be accounted for by competence. We also assess whether the disclosures made in the financial statements consider the relevant information required by accounting practices adopted in Brazil and with 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 contractual assets and contract revenue by the Company's subsidiaries, and the respective disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole.</p>

Other matters - Statements of added value

The parent and consolidated statements of added value for the year ended at December 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IFRS, were submitted to audit procedures carried out in conjunction with the audit of the Company's financial statements. For the formation of our opinion, we evaluate whether these statements are reconciled with financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Value Statement Added. In our opinion, these statements of the added value were fairly prepared, in all relevant aspects, according to the criteria defined in this Technical Pronouncement and are consistent in relation to parent and consolidated financial statements taken as a whole.

Other information accompanying the parent and consolidated financial statements and the auditor's report

The Company's management is responsible for this other information comprising the Management Report.

Our opinion on the parent and consolidated financial statements does not cover 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 and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent and consolidated financial statements in accordance with accounting practices adopted in Brazil and the 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 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 and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent 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 Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the parent 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 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 financial statements, including the disclosures, and whether the parent 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 and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and, consequently, for our audit opinion.

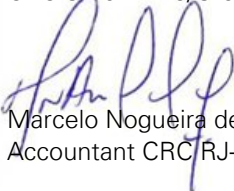
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 09, 2021

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


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

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STATEMENT OF INCOME

For the twelve-month period ended on 12/31/2020,

(Amounts expressed in millions of Reais, except for earnings per share amounts)

	Notes	Consolidated		Parent Company	
		2020	2019	2020	2019
Net revenue	5	31,989	28,461	4	4
Service costs		(24,615)	(22,087)	-	-
Energy costs	6	(15,280)	(14,519)	-	-
Construction costs	7	(5,726)	(4,054)	-	-
Operating costs	8	(3,609)	(3,514)	-	-
Gross profit		7,374	6,374	4	4
Provision for credit risk on trade receivables	12.2	(456)	(332)	-	16
Sales expenses	8	(288)	(270)	-	-
Other general and administrative income (expenses), net	8	(1,530)	(1,397)	(242)	(231)
Amortization of appreciation	15	(166)	(170)	(164)	(168)
Participation in subsidiaries, associates and joint ventures	15	(56)	68	3,227	2,549
Operating income		4,878	4,273	2,825	2,170
Financial results	9	(1,030)	(1,341)	(21)	59
Financial income		597	518	185	208
Financial expenses		(1,755)	(1,768)	(178)	(137)
Other financial income (expenses), net		128	(91)	(28)	(12)
Income before taxes		3,848	2,932	2,804	2,229
Income taxes	10.1.1	(943)	(623)	(8)	-
Current		(511)	(288)	(8)	-
Deferred		(432)	(335)	-	-
Net income for the year		2,905	2,309	2,796	2,229
Attributable to					
Controlling interest		2,809	2,229	2,796	2,229
Non-controlling interest		96	80	-	-
Attributable to					
Basic and diluted earnings per share - R\$	23,2	2.39	1.90	2.30	1.84

The accompanying notes are an integral part of these consolidated financial statements.



STATEMENT OF COMPREHENSIVE INCOME

For the twelve-month period ended on 12/31/2020,

(Amounts expressed in millions of Reais, except for earnings per share amounts)

	Consolidated		Parent Company	
	2020	2019	2020	2019
Net income for the year	2,905	2,309	2,796	2,229
Other comprehensive income/(loss)				
Items which will not be reclassified to profit or loss:				
Post-employment benefits obligations	(304)	80	-	-
Cash flow hedge	209	(36)	(3)	-
Deferred income taxes on comprehensive income/(loss)	102	(27)	-	-
Result of hedge operations and obligations with benefits to employees of investees	-	-	13	16
Total items which will not be reclassified to profit or loss	7	17	10	16
Items which will be reclassified to profit or loss:				
Cash flow hedge	166	51	(14)	-
Deferred income taxes on comprehensive income/(loss)	(47)	(14)	-	-
Result of hedge operations and obligations with benefits to employees of investees	-	-	130	35
Total Items which will be reclassified to profit or loss	119	37	116	35
Other comprehensive income/(loss) for the year, net of income taxes	126	54	126	51
Comprehensive income for the year	3,031	2,363	2,922	2,280
Attributable to:				
Controlling interest	2.935	2.280	2.922	2.280
Non-controlling interest	96	83		

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

For the twelve-month period ended on 12/31/2020,

(Amounts expressed in millions of Reais, except for earnings per share amounts)

	Consolidated		Parent Company	
	2020	2019	2020	2019
Cash flows from operating activities				
Net income for the year	2,905	2,309	2,796	2,229
Adjusted by:				
Depreciation and amortization*	1,473	1,299	5	3
Writte-off on non-current assets	135	148	1	-
Amortization of appreciation	166	170	164	168
Participation in investees results	56	(68)	(3,227)	(2,549)
Income taxes	943	623	8	-
Financial results, net	1,030	1,341	21	59
Others	(549)	(481)	-	(3)
Changes in working capital:				
Trade and other receivables	(73)	(500)	-	12
Service concession arrangements (contractual assets)	(3,198)	(847)	-	-
Trade payables and payables to contractors	956	441	32	30
Wages, employment benefits and related charges	(4)	(47)	6	3
Sectoral financial assets and liabilities, net (Portion A and others)	652	765	-	-
Other recoverable (payable) taxes and sectoral charges, net	338	(377)	77	(158)
Provisions, net from judicial deposits	(138)	(144)	-	4
Other assets and liabilities, net	(60)	345	(33)	125
Cash flow from operating activities, net	4,632	4,977	(150)	(77)
Proceeds from dividends	44	40	634	1,818
Payments of charges on loans and financings	(935)	(1,186)	(49)	(38)
Derivative financial instruments paid, net	236	(44)	-	-
Financial income on cash equivalents and marketable securities	135	170	16	-
Payments of interest on leases	(13)	(11)	-	-
Income taxes paid	(556)	(534)	(6)	21
Cash flow provided by operating activities	3,543	3,412	445	1,724
Cash flows from investing activities				
Property, plant and equipment ("PP&E") and intangible assets acquisition	(994)	(427)	(3)	(4)
Service concession arrangements (contractual assets)	(3,738)	(3,881)	-	-
Capital increase	(27)	(57)	(1,460)	(892)
Marketable securities deposits	(179)	(180)	-	-
Marketable securities redemption	135	150	-	-
Cash flow used in investing activities	(4,803)	(4,395)	(1,463)	(896)
Cash flows from financing activities				
Proceeds from loans and financings	5,764	6,558	836	1,294
Borrowing costs paid	(39)	(76)	-	(49)
Payment of Loans and financings	(4,816)	(5,346)	-	(693)
Collateral deposits (redemption), net	30	(26)	-	-
Service concession arrangements obligations	315	574	-	-
Payments of principal on leases	(30)	(25)	-	-
Derivative financial instruments paid, net	1,522	129	-	-
Dividends paid to Neoenergia's shareholders	(450)	(635)	(450)	(635)
Dividends paid to non-controlling interest	(17)	(63)	-	-
Cash flow used in financing activities	2,279	1,090	386	(83)
Increase (decrease) in cash and cash equivalents for the year	1,019	107	(632)	745
Cash and cash equivalents at the beginning of the year	4,041	3,934	999	254
Cash and cash equivalents at the end of the year	5,060	4,041	367	999
Non-cash transactions:				
Trade payables and payables to contractors (Investments)	557	-	-	-
Capital increase through equity instruments conversion	-	-	-	80
Addition of special obligations – incorporated through asset donation	48	80	-	-
Interest and other financial charges capitalized on PP&E and intangible assets	46	139	-	-
Addition and updating capitalized provisions	71	4	-	-

*Gross amount, not deducted from PIS and COFINS credits,

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

For the twelve-month period ended on 12/31/2020,

(Amounts expressed in millions of Reais, except for earnings per share amounts)

	Note	Consolidated		Parent Company	
		2020	2019	2020	2019
Assets					
Current					
Cash and cash equivalents	11	5,060	4,041	367	999
Trade and other receivables	12	6,187	5,718	-	-
Marketable securities		16	25	-	-
Derivative financial instruments	19.3	722	509	12	-
Recoverable income taxes	10.1.3	635	456	213	234
Other recoverable taxes	10.3.1	1,629	1,299	-	-
Dividends	15	16	15	659	312
Sectoral financial assets (Portion A and others)	13	92	395	-	-
Service concession arrangements (contractual assets)	14.2	133	90	-	-
Other current assets		487	383	79	22
Total current assets		14,977	12,931	1,330	1,567
Non-current					
Trade and other receivables	12	342	298	-	-
Marketable securities		194	146	-	-
Derivative financial instruments	19.3	1,998	861	-	-
Recoverable income taxes	10.1.3	1	3	-	-
Other recoverable taxes	10.3.1	5,065	2,785	-	-
Dividends	15	-	-	25	77
Deferred income taxes	10.1.2	656	752	-	-
Judicial deposits	20.1	1,008	920	52	51
Service concession arrangements (financial assets)	14.1	14,403	11,743	-	-
Service concession arrangements (contractual assets)	14.2	8,741	5,543	-	-
Other non-current assets		114	115	157	160
Investments in subsidiaries, associates and joint ventures	15	2,427	2,501	22,777	19,128
Rights of use		89	91	-	-
Property, Plant & Equipment ("PP&E")	16	6,821	6,160	27	30
Intangible assets	17	9,461	9,366	1	1
Total non-current assets		51,320	41,284	23,039	19,447
Total assets		66,297	54,215	24,369	21,014

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

For the twelve-month period ended on 12/31/2020,

(Amounts expressed in millions of Reais, except for earnings per share amounts)

	Notes	Consolidated		Parent Company	
		2020	2019	2020	2019
Liabilities					
Current					
Trade payables and payables to contractors	18	4,300	3,049	138	92
Loans and financings	19.2	3,936	3,706	29	20
Lease obligations		28	27	-	-
Derivative financial instruments	19.3	14	47	3	-
Wages, employee benefits and related charges	22	525	379	25	19
Payable income taxes	10.1.3	16	9	-	-
Other taxes and sectoral charges payables	10.3.2	1,148	903	120	81
Sectoral financial liabilities (Portion A and others)	13	149	-	-	-
Reimbursement to consumers – Federal taxes	10.4	6	6	-	-
Dividends	23.2	476	214	442	198
Provisions	20	221	188	-	-
Other current liabilities	21	1,181	1,024	221	321
Total current liabilities		12,000	9,552	978	731
Non-current					
Trade payables and payables to contractors	18	128	136	-	-
Loans and financings	19.2	22,444	18,958	2,099	1,266
Lease obligations		67	70	-	-
Derivative financial instruments	19.3	123	5	103	-
Wages, employee benefits and related charges	22	1,009	791	-	-
Payable income taxes	10.1.3	26	-	-	-
Deferred income taxes	10.1.2	503	222	3	3
Other taxes and sectoral charges payables	10.3.2	764	291	7	-
Sectoral financial liabilities (Portion A and others)	13	516	313	-	-
Reimbursement to consumers – Federal taxes	10.4	5,749	3,276	-	-
Provisions	20.1	1,206	1,104	2	15
Other non-current liabilities	21	253	238	23	24
Total non-current liabilities		32,788	25,404	2,237	1,308
Shareholders' equity					
	23				
Attributable to controlling interest		21,167	18,975	21,154	18,975
Attributable to non-controlling interest		342	284	-	-
Total shareholders' equity		21,509	19,259	21,154	18,975
Total liabilities and shareholders' equity		66,297	54,215	24,369	21,014

The accompanying notes are an integral part of these consolidated financial statements.,

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve-month period ended on 12/31/2020,

(Amounts expressed in millions of Reais, except for earnings per share amounts)

Consolidated

	Share capital	Capital reserve	Shareholders' transactions reserve	Other comprehensive income	Income reserves			Retained earnings	Attributable to controlling interest	Attributable to non-controlling interest	Total
					Legal reserve	Unrealized profit reserve	Profit retention reserve				
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975	284	19,259
Net Income for the year	-	-	-	-	-	-	-	2,809	2,809	96	2,905
Other comprehensive income (note 23.3)	-	-	-	126	-	-	-	-	126	-	126
Remuneration to non-controlling interest	-	-	-	-	-	-	-	-	-	(38)	(38)
Share-based payment (note 22.2)	-	3	-	-	-	-	-	-	3	-	3
Destination:	-	-	-	-	-	-	-	-	-	-	-
Legal reserve (note 23.6.1)	-	-	-	-	140	-	-	(140)	-	-	-
Interest on equity (note 23.2)	-	-	-	-	-	-	-	(545)	(545)	-	(545)
Mandatory dividends (note 23.2)	-	-	-	-	-	-	-	(201)	(201)	-	(201)
Profit retention reserve (note 23.6.3)	-	-	-	-	-	-	1,910	(1,910)	-	-	-
Unrealized profit reserve (note 23.6.3)	-	-	-	-	-	13	-	(13)	-	-	-
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	247	8,492	-	21,167	342	21,509
Balance as of December 31, 2018	12,920	93	(1,594)	(172)	754	234	5,019	-	17,254	323	17,577
Net Income for the year	-	-	-	-	-	-	-	2,229	2,229	80	2,309
Other comprehensive income (note 23.3)	-	-	-	49	-	-	-	2	51	3	54
Remuneration to non-controlling interest	-	-	-	-	-	-	-	-	-	(68)	(68)
Adjustment of shareholder transactions (note 23.5)	-	-	(3)	-	-	-	-	-	(3)	(54)	(57)
Destination:	-	-	-	-	-	-	-	-	-	-	-
Legal reserve (note 23.6.1)	-	-	-	-	112	-	-	(112)	-	-	-
Interest on equity (note 23.2)	-	-	-	-	-	-	-	(556)	(556)	-	(556)
Profit retention reserve (note 23.6.3)	-	-	-	-	-	-	1,563	(1,563)	-	-	-
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975	284	19,259

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the twelve-month period ended on 12/31/2020,
(Amounts expressed in millions of Reais, except for earnings per share amounts)

Parent Company

	Share capital	Capital reserve	Shareholders' transactions reserve	Other comprehensive income	Income reserves			Retained earnings	Total
					Legal reserve	Unrealized profit reserve	Profit retention reserve		
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975
Net Income for the year	-	-	-	-	-	-	-	2,796	2,796
Other comprehensive income (note 23.3)	-	-	-	126	-	-	-	-	126
Share-based payment (note 22.2)	-	3	-	-	-	-	-	-	3
Destination:	-	-	-	-	-	-	-	-	-
Legal reserve (note 23.6.1)	-	-	-	-	140	-	-	(140)	-
Interest on equity (note 23.2)	-	-	-	-	-	-	-	(545)	(545)
Mandatory dividends (note 23.2)	-	-	-	-	-	-	-	(201)	(201)
Profit retention reserve (note 23.6.3)	-	-	-	-	-	-	1,910	(1,910)	-
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	234	8,492	-	21,154
Balance as of December 31, 2018	12,920	93	(1,594)	(172)	754	234	5,019	-	17,254
Net Income for the year	-	-	-	-	-	-	-	2,229	2,229
Other comprehensive income (note 23.3)	-	-	-	49	-	-	-	2	51
Adjustment of shareholder transactions (note 23.5)	-	-	(3)	-	-	-	-	-	(3)
Destination:	-	-	-	-	-	-	-	-	-
Legal reserve (note 23.6.1)	-	-	-	-	112	-	-	(112)	-
Interest on equity (note 23.2)	-	-	-	-	-	-	-	(556)	(556)
Profit retention reserve (note 23.6.3)	-	-	-	-	-	-	1,563	(1,563)	-
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF ADDED-VALUE

For the twelve-month period ended on 12/31/2020,

(Amounts expressed in millions of Reais, except for earnings per share amounts)

	Consolidated		Parent Company	
	2020	2019	2020	2019
Revenues				
Energy, services and other sales	44,270	41,205	4	4
Disposal of assets and rights	709	-	-	-
Provision for credit risk on trade receivables	(456)	(332)	-	16
	44,523	40,873	4	20
Inputs purchased from third parties				
Electricity purchased for resale (*)	(13,414)	(13,673)	-	-
Transmission network use charges (*)	(3,357)	(2,503)	-	-
Raw materials consumed	(448)	(442)	-	-
Materials, third party services and others (*)	(8,368)	(6,056)	(187)	(175)
	(25,587)	(22,674)	(187)	(175)
Gross added-value	18,936	18,199	(183)	(155)
Depreciation and amortization (*)	(1,640)	(1,469)	(169)	(171)
Net added-value produced by Company	17,296	16,730	(352)	(326)
Added-value transferred to the Company				
Financial income	7,035	4,093	283	254
Participation in investees results	(56)	68	3,227	2,549
	6,979	4,161	3,510	2,803
Total added-value to allocate	24,275	20,891	3,158	2,477
Added-value allocation				
Staff				
Wages	734	675	-	-
Provision for vacation and 13 th salary	164	155	-	-
Social charges (except INSS)	101	101	-	-
Employee benefits	302	4	-	-
Management compensation	59	58	40	41
Other	(56)	236	4	5
Subtotal	1,304	1,229	44	46
Taxes, fees and contributions				
National Institution of Social Security (INSS) (on the payroll)	198	186	5	5
Value-Added Tax on Sales and Services (ICMS)	6,637	6,888	-	-
Taxes on revenue (PIS/COFINS)	2,175	1,815	10	11
Income taxes	943	623	8	-
Intra-sectoral obligations	1,974	2,396	-	-
Others	56	40	1	2
Subtotal	11,983	11,948	24	18
Financings				
Interest and foreign exchange rate variations	8,080	5,393	294	184
Leases	3	12	-	-
Subtotal	8,083	5,405	294	184
Stakeholders' remunerations				
Dividends and interest on capital	746	556	746	556
Retained earnings	1,923	1,673	1,910	1,673
Legal reserve	140	-	140	-
Non-controlling interest	96	80	-	-
	2,905	2,309	2,796	2,229
Added-value distributed	24,275	20,891	3,158	2,477

*Gross amount, not deducted from PIS and COFINS credits,

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Twelve-Month period ended December 31, 2020
(Amounts expressed in millions of Reais, except otherwise stated)

1. CORPORATE INFORMATION

NEOENERGIA S.A. and its direct and indirect subsidiaries (“Company” or “Neoenergia”) are primarily dedicated to energy distribution, transmission, generation and sale activities, represented in three strategic operating segments (i) Networks, (ii) Renewable and (iii) Liberalized.

NEOENERGIA S.A. (“Parent Company”), has its registered address at 78, Praia do Flamengo – 3rd floor, Flamengo - Rio de Janeiro – RJ, Brazil, and was incorporated as a publicly-held company (NEOE3) with shares traded at B3 S.A, – Brazil, *Bolsa, Balcão* (“B3”), acting as a holding company with participation in other entities.

1.1 Service concession arrangements and authorizations

The Group and its affiliated and jointly controlled companies have the right to explore, indirectly, the following concessions, authorizations / permissions for distribution, commercialization, transmission and power generation:

Distribution

Company	Locality	Grant date	Due date	Number of Municipalities	Tariff cycle	Last revision
Elektro Redes	Estado de São Paulo	8/27/1998	8/26/2028	223	4 years	Aug/2019
Elektro Redes	Estado do Mato Grosso do Sul	8/27/1998	8/26/2028	5	4 years	Aug/2019
Coelba	Estado da Bahia	8/8/1997	8/7/2027	415	5 years	Apr/2018
Celpe	Estado de Pernambuco	3/30/2000	3/29/2030	184	4 years	Apr/2017
Celpe	Distrito de Fernando de Noronha	3/30/2000	3/29/2030	1	4 years	Apr/2017
Celpe	Estado da Paraíba	3/30/2000	3/29/2030	1	4 years	Apr/2017
Cosern	Estado do Rio Grande do Norte	12/31/1997	12/30/2027	167	5 years	Apr/2018

On December 4, 2020, Neoenergia through its subsidiary Bahia Geração de Energia SA (“Bahia PCH III”) was the winner in the Published Auction n° 01/2020-CEB-D (“Auction”), held as of the Auction Notice (“Notice”), the object of which is the privatization of the electricity distributor CEB Distribuição SA (“CEB-D”), having submitted the winning bid in the amount of R \$ 2,515 representing the acquisition price of 100 % of shares issued by CEB-D (“CEB-D Shares”). The approvals of the Administrative Council for Economic Defense - CADE and the National Electric Energy Agency - ANEEL were obtained in January 2021, as described in note 27.

Transmission in operation

Company	Locality	Grant date	Due date	Number of Municipalities	Tariff cycle
Afluentes T	Estado da Bahia	8/8/1997	8/8/2027	5 years	2020
SPE SE Narandiba S.A. (SE Narandiba)	Estado da Bahia	1/28/2009	1/28/2039	5 years	2019
SPE SE Narandiba S.A. (SE Extremoz)	Estado do Rio Grande do Norte	5/10/2012	5/10/2042	5 years	2017
SPE SE Narandiba S.A. (SE Brumado)	Estado da Bahia	8/27/2012	8/27/2042	5 years	2018
Potiguar Sul	Estado da Paraíba e Rio Grande do Norte	8/1/2013	8/1/2043	5 years	2019
Sobral	Estado do Ceará	7/31/2017	7/31/2047	5 years	-
Atibaia	Estado de São Paulo	7/31/2017	7/31/2047	5 years	-
Biguaçu	Estado de Santa Catarina	7/31/2017	7/31/2047	5 years	-

The transmitters Sobral, located in the State of Ceará, and Atibaia, located in the State of São Paulo, went into commercial operation on January 22 and March 7, 2020, 13 months and 11 months in advance, respectively. The Company won the bidding for these concessions in Auction No. 05/2016 held in April 2017 and the deadlines stipulated by ANEEL in the contract for entry into operation were for February 2021.

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In July 2020, the group filed with the National Electric System Operator (“ONS”) the request for the Pending Release Term (TLP) of lot 22 of the April 05, 2016 Auction, referring to the compound transmission installation by a static reactive compensator at the Biguaçu Substation, located in the state of Santa Catarina.

Transmission under construction

Company	Locality	Grant date	Due date
Jalapão	Estados do Tocantins, Bahia e Piauí	3/8/2018	3/8/2048
Santa Luzia	Estados da Paraíba e Ceará	3/8/2018	3/8/2048
Guanabara	Estado do Rio de Janeiro	3/22/2019	3/22/2049
Itabapoana	Estado do Rio de Janeiro	3/22/2019	3/22/2049
Lagos dos Patos	Rio Grande do Sul e Santa Catarina	3/22/2019	3/22/2049
Vale do Itajaí	Paraná e Santa Catarina	3/22/2019	3/22/2049
Dourados	Estados do Mato Grosso do Sul e São Paulo	7/31/2017	7/31/2047
EKTT 6A	Estado da Bahia	3/20/2020	3/20/2050

On March 20, 2020, the Concession Contract for Lot 09 was signed by the Group in Auction No. 2/2019. This lot is located in Bahia and comprises 1 transmission line 210 km long and 2 substations. The deadline for the construction of the works is 48 months from the signing of the respective contract.

In July 2020, the group filed with the National Electric System Operator (“ONS”) the request for the Definitive Release Term (TLD) of the first stretch of lot 04, of *Transmissora* Dourados, referring to the April 05/2016 Auction 2017, due to the conclusion of the Transmission Function LT Nova Porto Primavera - Rio Brillhante that crosses the states of Mato Grosso do Sul and São Paulo.

On December 27, 2020, the third of the five stretches that make up the Dourados batch transmission line went into commercial operation. This stretch, LT 230 kV Nova Porto Primavera - Ivinhema, has a length of 64.5 km of line. This delivery was made 19 months ahead of Aneel's contractual term. With the three stretches of the Dourados batch that went into operation throughout 2020, the project already accounts for 52% of the project's RAP and 63% of the total batch lines delivered to the system.

On December 17, 2020, at Transmission Auction No. 01/2020 promoted by the National Electric Energy Agency (“ANEEL”), Neoenergia auctioned lot 02, which comprises 03 transmission lines of 500 kV, 01 transmission lines of 230 kV, a new 500 kV Medeiros Neto substation with synchronous compensation in Bahia, totaling 1,091 km in length, mainly covering Bahia, in addition to Minas Gerais and Espírito Santo. The auctioned lot presents synergies during the construction period since Neoenergia has other assets in Bahia and Espírito Santo (90% of Capex is located in these states, 70% in Bahia), which contributed to the detailed engineering study carried out before the auction. In addition, the lot will also show synergies during the operation, taking advantage of the existing infrastructure in this region of more than 479 km of 230 kV TLs

Commercialization

Company	Locality	Authorization date
NC Energia	Rio de Janeiro - RJ	11/22/2000
Elektro Comercializadora	Campinas - SP	5/26/2003

Generators in operation

Company	Plant Type	Locality	Authorization date	Due date	Installed Capacity (MW)	Physical Guarantee (MW med)
Itapebi	Hidrelétrica – UHE	Rio Jequitinhonha – BA	5/28/1999	8/31/2035	462,011 MW	209,1 MW

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Termopernambuco	Termelétrica – UTE	Complexo Portuário do Suape – PE	12/18/2000	12/18/2030	532,756 MW	504,12 MW
Celpe – Fernando de Noronha	Térmica a diesel	Distrito de Fernando de Noronha – PE	12/21/1989	3/29/2030	4,8 MW	1,9 MW
Baguari I	Hidrelétrica – UHE	Rio Doce - MG	8/15/2006	8/14/2041	140,0 MW	84,7 MW
Geração CIII - Corumbá III	Hidrelétrica – UHE	Rio Corumbá – GO	11/7/2001	2/14/2037	96,447 MW	49,3 MW
Energética Águas da Pedra - Dardanelos	Hidrelétrica – UHE	Rio Aripuanã – MT	7/3/2007	1/2/2043	261,0 MW	154,9 MW
Companhia Hidrelétrica Teles Pires	Hidrelétrica – UHE	Rio Teles Pires – MT	6/7/2011	6/6/2046	1.819,8 MW	930,7 MW
Geração Céu Azul - Baixo Iguaçu	Hidrelétrica – UHE	Rio Iguaçu – PR	8/20/2012	10/30/2049	350,2 MW	172,4 MW
Belo Monte – Norte Energia	Hidrelétrica – UHE	Rio Xingu - PA	8/26/2010	8/25/2045	11.233,1MW	4.571,0 MW

Wind farms in operation

Company	Locality	Authorization date	Due date	Installed Capacity (MW)	Physical Guarantee (MW med)
Arizona 01	Rio do Fogo - RN	3/4/2011	3/3/2046	28,0 MW	12,9 MW
Mel 2	Areia Branca - RN	2/28/2011	2/27/2046	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	2/7/2011	2/6/2046	30,0 MW	14,7 MW
Caetité 3	Caetité - BA	2/24/2011	2/23/2046	30,0 MW	11,2 MW
Calango 1	Bodó, Santana do Matos, Lagoa Nova – RN	4/28/2011	4/27/2046	30,0 MW	13,9 MW
Calango 2	Bodó, Santana do Matos, Lagoa Nova – RN	5/9/2011	5/8/2046	30,0 MW	12,8 MW
Calango 3	Bodó, Santana do Matos, Lagoa Nova – RN	5/30/2011	5/29/2046	30,0 MW	13,9 MW
Calango 4	Bodó, Santana do Matos, Lagoa Nova – RN	5/19/2011	5/18/2046	30,0 MW	13,5 MW
Calango 5	Bodó, Santana do Matos, Lagoa Nova – RN	6/2/2011	6/1/2046	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	8/4/2015	8/3/2050	31,5 MW	17,7 MW
Lagoa 1	Santa Luzia/PB	8/4/2015	8/3/2050	31,5 MW	18,7 MW
Lagoa 2	São José do Sabugi/PB	8/4/2015	8/3/2050	31,5 MW	17,5 MW
Enerbrasil	Rio do Fogo – RN	12/20/2001	12/20/2031	49,3 MW	20,74 MW

Wind farms under construction

Company	Locality	Authorization date	Due date	Installed Capacity (MW)	Physical Guarantee (MW med)
Chafariz 1	Paraíba - PB	6/21/2018	6/20/2053	34,65 MW	18,2 MW
Chafariz 2	Paraíba - PB	6/21/2018	6/20/2053	34,65 MW	17,4 MW
Chafariz 3	Paraíba - PB	6/21/2018	6/20/2053	34,65 MW	18,2 MW
Chafariz 4	Paraíba - PB	2/5/2019	2/4/2054	34,65 MW	-
Chafariz 5	Paraíba - PB	2/5/2019	2/4/2054	34,65 MW	-
Chafariz 6	Paraíba - PB	6/21/2018	6/20/2053	31,185 MW	15,2 MW
Chafariz 7	Paraíba - PB	6/21/2018	6/20/2053	34,65 MW	18,3 MW
Lagoa 3	Paraíba - PB	6/26/2018	6/25/2053	34,65 MW	17,2 MW
Lagoa 4	Paraíba - PB	6/26/2018	6/25/2053	20,79 MW	10,2 MW
Canoas 2	Paraíba - PB	6/26/2018	6/25/2053	34,65 MW	16,3 MW
Canoas 3	Paraíba - PB	2/5/2019	2/4/2054	34,65 MW	-
Canoas 4	Paraíba - PB	6/26/2018	6/25/2053	34,65 MW	16,5 MW
Oitis 1	Piauí - PI	11/29/2019	11/28/2054	49,50 MW	26,1 MW
Oitis 2	Piauí - PI	12/24/2019	12/23/2054	27,50 MW	-
Oitis 3	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-
Oitis 4	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-
Oitis 5	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-
Oitis 6	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-

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Oitis 7	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-
Oitis 8	Piauí - PI	11/29/2019	11/28/2054	49,50 MW	25,5 MW
Oitis 9	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-
Oitis 10	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-
Oitis 21	Piauí - PI	12/24/2019	12/23/2054	44,00 MW	-
Oitis 22	Piauí - PI	12/24/2019	12/23/2054	49,50 MW	-
Ventos de Arapuá 1	Paraíba - PB	2/5/2019	2/4/2054	24,255 MW	-
				Installed Capacity (MW)	Physical Guarantee (MW med)
Ventos de Arapuá 2	Paraíba - PB	2/5/2019	2/04/2054	34,65 MW	-
Ventos de Arapuá 3	Paraíba - PB	2/5/2019	2/04/2054	13,86 MW	-

The subsidiary Neoenergia Renováveis S.A. signed on September 18, 2020 Asset Purchase and Sale Agreement with PEC Energia S.A., for the acquisition of wind generation pipeline projects, with a potential to be installed of approximately 400MW. The projects are located in Serra da Gameleira, State of Bahia, and comprise a total area of 7,800 hectares.

The total value of the acquisition can reach R\$ 80 million, until December 2020, R\$ 53 million were paid, corresponding to the conditions already fulfilled, including CADE's approval.

Photovoltaic solar Parks

Company	Locality	Authorization date	Due date	Installed Capacity (MW)
Luzia 2	Paraíba - PB	5/26/2020	5/25/2055	59,868 MW
Luzia 3	Paraíba - PB	5/26/2020	5/25/2055	59,868 MW

On December 9, 2020, the Board of Directors of Neoenergia Renováveis S.A., a subsidiary of Neoenergia, approved the construction of the Luzia II and III solar parks. The first centralized generation photovoltaic parks of the Neoenergia group were developed internally within the pipeline of Neoenergia Renováveis S.A., and is located in the municipality of Santa Luzia, Paraíba. The Project presents synergies with the Chafariz Wind Complex and the Santa Luzia Transmission Line, lot 6 of auction nº. 02/2017 held in December 2017, due to its location. When completed, the Project will have a capacity of 149.3 MWdc. The energy generated will be destined for commercialization in the free market and is already 100% commercialized until 2026 and 20% until the end of its useful life, highlighting a long-term contract signed with Claro S.A. for 12 years. The project has an estimated Capex of R \$ 457 (R \$ 3.1 thousand / kWdc) and the startup is expected to start operating in the second half of 2022.

The Company has full right to determine the operational and financial policies of the assets that fall under the public service concession and / or authorization contracts, including measures related to capital, personal and technological investment. As a rule, this right is limited only to the prohibitions provided for in contracts signed with the granting authority, legislation or specific legal act in the electricity sector issued by the Granting Authority and / or by the National Electric Energy Agency - ANEEL.

The infrastructure assets used in the generation, distribution and transmission of energy are linked to these services, and cannot be withdrawn, sold, assigned or given in mortgage guarantee without the prior and express authorization of ANEEL.

1.2 Coronavirus (“Covid-19”)

a) General information

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On March 11, 2020, the World Health Organization reported Coronavirus outbreak (COVID-19) as a pandemic. In Brazil, as in other countries in the world, measures to stimulate the economy, credit (including a cycle of interest rate cuts, supported by the low level of inflation) and stability of the national electricity sector were announced.

b) Impacts over interim financial statements

As of December 31, 2020, considering the current stage of the spread of the COVID-19 outbreak, it is possible to identify the impacts of the pandemic in a more assertive way compared to previous periods. The Company's performance was mainly affected by the following items:

- (i) Energy billing due to reduced demand for electricity in the free and regulated markets;
- (ii) The increase in Expected Credit Losses (PCE) is due to the increase in overdue Accounts Receivable, in view of the prohibition of power cut actions in the period from March 25 to July 31, 2020 for residential class and essential services. This ban will remain in effect until December 31, 2020 for a low-income subclass and consumer units with home care equipment.

The COVID-19 Pandemic impacts presented below represent Management's best estimates. These events affected the business results in 2020, however, we believe that there will be gradually a predictable return to normal. In addition to the expectation that the calculated losses should be subject to an Extraordinary Tariff Recomposition for the economic and financial rebalancing of the Concession, so that expects this to significantly affect the recoverability of long-term business investments in the Neoenergia group. The effects of COVID-19 must be analyzed as non-recurring items.

- (i) **Networks:** The revenues of this segment are mainly linked to the supply of electricity and the availability of distribution and transmission networks, In distribution, the COVID-19 effect had a negative impact on the Company's results as follows, per cash-generating unit:

	2020
Downturn in market demand	
Expected credit losses	(148)
Operating income	(114)
Taxes on profit	(262)
Net effect	72
	(190)

In the transmission, we continue to monitor the works in progress, taking all the measures within the group's reach to avoid and / or mitigate possible delays. So far, any delays do not impact the original schedule for the start-up of projects in progress.

- (ii) **Renewables:** Revenues of this segment are related to availability of infrastructure, hydrological risk ("GSF") and the value of the Preço de Liquidação das Diferenças - PLD ("Differences Settlement Price"), There have been no changes in generators availability caused by the acts to combat COVID-19, so far, We observed a fall, there has been no change in the availability of generators caused by measures to combat COVID-19. We observe the maintenance of approximately 81% of the GSF *flat* in relation to the same period of 2019. The PLD accumulated until December 2020 decreased in relation to the same period of the previous year, of 22% in the Southeast submarket, 19% in the South and 20% there is no Northeast submarket. The variations in these items are due to reduced demand in the National Interconnected System and do not bring results in the results of this business segment.
- (iii) **Liberalized:** Revenues of this segment are related to thermoelectric generation infrastructure

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availability as well as PLD's value, and energy purchase and sale contracts with other agents and final consumers in free market. So far, no changes have been noticed in generators availability caused by acts to combat COVID19. We only observed a drop in the accumulated value up to December 2020 in relation to the same period of the previous year, in the value of PLD in, 22% in the Southeast submarket and 20% in the Northeast submarket, However, a decrease in consumption occurred in the free market, due to the reduction in economic activity, generating a reduction of R\$ 10.7 in the trader's gross margin for the year end at 2020,

c) Operational and financial resilience measures

In view of the scenario described above, several measures of economic and financial assistance were introduced by the three levels of administration of the Brazilian Federation, with the objective of assisting companies in mitigating the effects of the pandemic, with emphasis on the relevant measures that were adopted by the Company:

- (i) Postponement of the payment of taxes related to the April and May 2020 allocations, such as PIS and COFINS (R\$ 450), FGTS (R \$ 11) and temporary exemption from IOF (R \$ 15), updated in provisional protection without cash flow of R\$ 476. The Company paid off the tax obligations generated by these measures during the second half of 2020.
- (ii) Adherence to the suspension of the payment of interest and amortization of loans that would take place until December contracted with BNDES and BNB (stand still), which provided an additional net cash of approximately R\$ 413 (nominal basis) in fiscal year 2020.
- (iii) Release of the Reserve Fund of the Electric Energy Trading Chamber (CCEE) so that distribution agents and free consumers can maintain their obligations to the electricity sector, corresponding to R\$203 for Neoenergia Group distributors received in April 2020.
- (iv) The publication of Provisional Measure No. 950/2020, which determines the 100% discount on the electricity bill less than or equal to 220 kWh / month in the period from April 1 to June 30, 2020 and extended until August 5, 2020, disconnect that the distributors are fully refunded for this discount by the CDE and avoiding the default of this consumer segment.
- (v) deferral of the tariff readjustment of the Northeast energy distributors to July 2020, with no effect on the result and with cash impact offset by the non-payment of the CDE quota during the same period, totaling R\$ 122.
- (vi) Adherence to the Covid Account: Anel Resolution N° 885, dated June 23, 2020, provides for the Covid Account 19, criteria and procedures for the management of resources, establishing funding limits per distributor, based on the loss of collection and market of each distribution agent. The rule also details the cost items that can be covered by the account and the operational flow of transfers.

From July to September 2020, the Company received a total amount of R\$ 1,664, which was used to write off the sectorial financial asset, in an equal amount to the transfer of financial resources received from CCEE, see note 13.

In addition to the measures indicated above, the Company will carefully analyze any new government policy guidelines in response to the pandemic aimed at providing financial relief to taxpayers. The Company understands that such guidelines must respect, in any circumstance, the right to economic-financial balance of the Concessions, in accordance with the legal framework, the clauses contained in the respective Contracts signed with the Granting Authority and with the guidelines published by the National Agency of Electricity – ANEEL.

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In addition to the government measures introduced to mitigate the financial effects of the pandemic, the Company also took the following measures to minimize the economic and financial impacts:

- (i) Postponement of the payment of remuneration to shareholders (dividends and / or interest on own capital) related to the exercise of the energy distributors in 2020 to 2021 (statutory minimum) and 2022 (in excess of the statutory minimum).
- (ii) Anticipation of fundraising from institutions, in the amount of R\$ 560 and contracting of a new fundraising line in the amount of R\$ 3,388.
- (iii) Adoption of measures to minimize the increase in overdue accounts receivable, which could result in a significant increase in the amount of expected credit losses, among which we highlight,
 - a. The Implementation of new collection channels, such as the Negotiation Portal plugged into the distributors' website, allowing customers to negotiate their debts without leaving home.
 - b. Flexibility in the negotiation conditions (reduction in the entry percentage, increase in parcel and exemption from financing interest) offered to customers for a limited time (until September 30, 2020).
 - c. Payment and installment of energy consumption invoices for the Distributors' customers by credit card (up to 12x), without default risk for the distributors.
 - d. Intensification of digital collection actions (SMS / IVR, E-mail and Whatsapp), directing our customers to the Negotiation Portal.
 - e. Pioneer in launching a new payment method through the Caixa Virtual Card (Emergency Benefit).
 - f. Media campaign (TV and Radio) in partnership with Flexpag with a bonus offer of R\$ 35,00 (cashback) for the first customers to pay their bills in arrears, by credit card, at no cost to the Company.

(iv) Measures to reduce Over-contracting

Art. 9 of Decree nº 10.350 / 20 provides for the reduction of the load resulting from the covid-19 pandemic as involuntary, which has already been regulated by REN 885/2020, including this criterion in the list of involuntary rules..

During the year 2020, the Neoenergia Group's distributors are using the existing management mechanisms of their energy purchase portfolio, making the utmost effort to adjust their contracting level within the regulatory limits. However, due to the general increase in over-contracting due to the market reduction resulting from COVID-19, such mechanisms have had low effectiveness.

d) Measures adopted by the Company to assist society

The Company has adopted several measures to contribute to government efforts to mitigate the effects of the pandemic on society. Among these measures, the following stand out:

- (i) Technical inspection of the electrical installations of hospitals, sanitation companies and prisons, in addition to the main industries in our concession areas.
- (ii) Supply of refrigeration and lighting equipment for field hospitals.
- (iii) Donations of breathing apparatus and masks.
- (iv) In general, Neoenergia has committed and continues to make efforts to adapt to the new reality caused by the pandemic of COVID-19, and to meet the standards of the World Health Organization and health authorities with the implementation of services identified by the

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- characteristics of their activity and the work carried out by employees and service providers to avoid contagion in the work environment, which include carrying out sanitary control with hygienic mats and checking employees' body temperature before entering the workplace. company facilities, compliance with all Decrees / Laws issued by Municipalities, States and the Union, including mandatory use of a mask, testing of all employees who return to office activities, adequacy of building infrastructure, application of a questionnaire (automatic declaration) of electronic payment to employees, through which they can In the event of any symptoms appearing, prior making it possible to leave the face-to-face work of employees who are part of the risk g groups, those with symptoms or infected and those using public transport. In addition, an action plan and measures for resuming face-to-face activities were established, mapping all sectors and how certain working conditions were met. There was also intense disclosure to employees about symptoms and care with COVID-19.
- (v) Donation to the *Oswaldo Cruz Instituto* (FIOCRUZ) together with other companies in the Electric Sector with resources for the preparations of rapid tests for the detection of COVID-19.

1.3 Financial and operational risk management

The Financial Risk Policy applies to all the Group's businesses and activities that generate exposure to financial risks, including specific guidelines and limits for managing foreign exchange risk, interest rate risk and price indices, as well as the use of derivative instruments for protection. The Operational Risk Policy in Market Transactions establishes the control and management of risks in long and short term energy and treasury management transactions.

1.3.1 Insurance

General and internal policy considerations

The Company's Risk Management Policy was approved by the Board of Directors and 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 risks and credit, in addition to the guidance on the use of derivatives, use for speculative purposes is expressly prohibited.

This risk management system is in line with the model of the current controlling shareholder and its global risk policy.

The organizational structure for controlling the Company's market risk management is composed of the Board of Directors, Collegiate Board, Financial Board, Risk Management Superintendence, Audit Committee, in addition to the Internal Audit and Internal Controls structures.

The Risk Superintendence defines strategies to mitigate market risks involving other alternatives and derivatives, while the Corporate Financial Superintendence is responsible for executing operations involving derivatives. Independence between the areas of guarantee of effective control over these operations.

The approval of transactions involving derivatives is carried out by a competent body in accordance with 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 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

Cambial risk

The Company, in order to ensure that fluctuations in exchange rates do not affect its results and cash flow, had, on December 31, 2020, foreign exchange hedge operations, for all its foreign currency debts and for its main disbursements and expected investments. in foreign currency. Foreign exchange hedge strategies are described in note 25.7.

Interest rate risk

This risk arises from the possibility of financial losses arising from fluctuations in interest rates or other debt indices that impact financial expenses with loans and financing or income from financial investments. Accordingly, the Company continuously monitors market interest rates in order 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 indices. The Company seeks to maintain the balance between assets and liabilities indexed to highly correlated price indices, 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 management

The liquidity risk is associated with the possibility of the Company not honoring 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 needs with the necessary progress for structuring and choosing the best sources. If there is surplus cash, financial investments are made with surplus funds, with the objective of preserving and making 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.

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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, on a monthly basis, through liquidity ratios, the company's cash generation capacity to honor the commitments assumed within 12 (twelve) months.

As of December 31, 2020, the Company had cash and cash equivalents and marketable securities, in an amount adequate to cover its operating and financial cycle. The Company's securities flows, by maturity, are being explained in its notes. Highlight for information on loans and financing and respective derivative instruments (see note 19).

1.3.1.3 Credit risk management

Credit risk refers to the possibility of the Company incurring losses due to non-compliance with obligations and commitments by the counterparties to its contracts.

Credit risk of commercial counterparties

Due to the possibility of the Company incurring losses due to the non-receipt of the amounts billed by 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 carries out various collection actions in accordance with 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 by diversifying with financial institutions that have good credit quality. The exposure is monitored with each counterparty, its credit quality and its long-term ratings published by the rating agencies. The following table shows the national long-term ratings of Moody's, S&P or Fitch agencies for the main institutions with which the Company had outstanding positions as of December 31, 2020.

National long-term ratings¹	Moody's	S&P	Fitch
Banco do Brasil			AA
Bank of América			
BNP Paribas		AAA	
Bradesco	Aa1	AAA	AAA
Caixa Econômica Federal	Aa1	AAA	AA
Citibank		AAA	AAA
Goldman Sachs			AAA
Itaú	A1	AAA	AAA
Santander	Aaa	AAA	
Morgan Stanley	Aa1	AAA	AA
BNDES		AAA	
MUFG		AAA	
Votorantim	Aa3	AAA	
Sumitomo		AAA	
Safra	Aa1	AAA	

^[1] Bank of America, JP Morgan and Scotiabank are only rated 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:

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Risks	Consolidated	
	Effective Date	Insured Amount (R\$)
<i>Terrorismo</i>	05/31/2020 to 05/31/2021	585,034
<i>Responsabilidade Civil Ambiental</i>	05/31/2020 to 05/31/2021	36,000
<i>Responsabilidade Civil Geral – Distribuição Nordeste</i>	10/8/2020 to 10/8/2021	22,000
<i>Responsabilidade Civil Geral – Transmissão/Geração</i>	05/31/2020 to 05/31/2021	144,000
<i>Responsabilidade Civil Geral - EKT</i>	05/31/2020 to 05/31/2021	44,000
<i>Veículos - Executivo</i>	05/31/2020 to 05/31/2021	100% FIPE
<i>Risco Operacional - Subestações e Usinas</i>	05/31/2020 to 05/31/2021	2,100,000
<i>Responsabilidade Civil - Drones</i>	06/16/2020 to 06/16/2021	561
<i>Veículos - Operacional</i>	05/31/2020 to 05/31/2021	700
<i>Transporte</i>	10/8/2020 to 10/8/2021	2,000
<i>Transporte – Óleo Diesel</i>	10/8/2020 to 10/8/2021	500
<i>D&O</i>	08/23/2020 to 08/23/2021	150,000
<i>Empresarial</i>	05/31/2020 to 05/31/2021	60,500
<i>Cibersegurança</i>	05/31/2020 to 05/31/2021	58,503
<i>Equipamentos Portáteis de Medição</i>	06/30/2020 to 06/30/2021	Valor Equipamento

The Group's insurance is contracted according to the respective risk management and insurance policies 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 in accordance with International Financial Reporting Standards (“IFRS”), issued by the IASB and in accordance with 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.

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

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

These consolidated interim financial statements were approved and authorized for issuance by the Company's Board of Directors on February 09, 2021.

2.2 Functional and presentation currency

The Company's consolidated financial statements are presented in millions of Reais (R\$), which is the Company's functional currency.

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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 Critical accounting standards, policies and estimates

The accounting policies and critical estimates applied to these financial statements are included in the respective notes, when 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 the recognition and measurement of assets, liabilities, income and expenses. The assumptions used are based on history and other factors considered 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 Significant estimates and judgments

- 5.1 Revenue from energy supply and use of the distribution system network
- 10.1 Deferred income taxes
- 12.2 Expected credit losses
- 13 Sectorial financial assets and liabilities
- 14 Public service concession (financial asset and contractual asset)
- 17 Intangible assets (linked to concession)
- 20.1 Provision for lawsuits
- 22.1 Retirement benefit obligations
- 25.2 Estimated fair value of financial assets

2.5 New standards and interpretations in force and in force

The main regulations amended, issued or under discussion by the International Accounting Standards Board ('IASB') and the Accounting Pronouncements Committee ('CPC') are as follows:

a) Changes in current accounting pronouncements

Norms	Description of the change	Effective date
IFRS 3/ CPC 15: Business Combination,	Establishes new requirements to determine whether a transaction should be recognized as a business acquisition or an asset acquisition.	January 1, 2020
IFRS 9 / CPC 48: Financial instruments; FRS 7 / CPC 40: Financial Instruments - Disclosure and IAS 39 / CPC 38: Financial Instruments - Recognition and Measurement,	Inclusion of temporary exceptions to current hedge accounting requirements to counteract the effects of uncertainties caused by the reform of the benchmark interest rate (IBOR).	January 1, 2020
IAS 1 / CPC 26: Presentation of the Financial Statements and IAS 8 / CPC 23: Accounting Policies,	Changes the definition of "material", establishing that an information is material if its omission, distortion or obscurity can	January 1, 2020

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Changes in Estimates and Correction of Errors,	reasonably influence the decision making of the users of the financial statements.	
IFRS 16 / CPC 06 (R2): Leases,	Requirements for making it easier for lessees to account for possible concessions obtained in contracts as a result of COVID-19, such as forgiveness, suspension or even temporary reductions in payments.	January 1, 2020

b) Normative issued by the IASB and not yet approved by the CPC

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 requirements on the effects brought about by the reform of the benchmark interest rate (IBOR).	January 1, 2021
IAS 37 / CPC 25: Provisions, contingent liabilities and contingent assets,	Specification of what costs a company should include when assessing whether a contract is costly. The costs directly related to the fulfillment of the contract must be considered in the cash flow assumptions (Ex: Cost of labor, materials and other expenses related to the operation of the contract).	January 1, 2022
IAS 16 / CPC 27: Fixed assets	Allow revenue and cost recognition of amounts related to the sale of items produced during the asset's testing phase.	January 1, 2022

The amendments to Pronouncements that took effect on January 1, 2020 did not have a material impact on the interim financial statements. In relation to the regulations under discussion at the IASB or with an effective date established in a future exercise, the Company is following the discussions and has so far not identified the possibility of significant impacts.

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

Parent company and consolidated net income for the year conciliation is as follows:

	Profit liquid	Shareholders' equity
Parent company	2,796	21,154
Interest capitalized (a)	20	20
Deferred income taxes (a)	(7)	(7)
	2,809	21,167

Capitalization of financial charges on loans and financing issued by the Parent Company and transferred to its subsidiaries, through a capital increase, to finance the construction of wind farms.

In the individual financial statements, investments in equity interests do not qualify as assets eligible for capitalization of financial charges.

4. SEGMENT INFORMATION

The Company operates the following reportable segments: Networks, Renewables, Liberalized and Others. The segments were defined based on the products and services provided by the Company and reflect the

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structure used by Management to assess the Company's performance in the normal course of its operations. The bodies responsible for making operational decisions, resource allocation and performance evaluation 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) Renewables - 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 2020										
	Networks			Renewables			Liberalized		Outros		
	Distribution	Streaming	Total networks	Wind generation	Hydraulic generation	Total Renewables	Gas generation	Marketing and Service	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 (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)
Taxes on profit	(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) Do not include depreciation and amortization.

(²) Includes appreciation appropriation.

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	Consolidated										
	2019										
	Networks			Renewables			Liberalized		Outros		
	Distribution	Streaming	Total networks	Wind generation	Hydraulic generation	Total Renewables	Gas generation	Marketing and Service	Total liberalized	Total	Result
Gross revenue from third parties	37,681	1,016	38,697	410	272	682	96	1,730	1,826	-	41,205
Inter-segment gross revenue	28	30	58	51	323	374	1,295	182	1,477	4	1,913
Deductions from gross revenue	(12,009)	(6)	(12,015)	(37)	(69)	(106)	(351)	(272)	(623)	-	(12,744)
Operating costs and expenses ¹	(19,329)	(641)	(19,970)	(130)	(129)	(259)	(619)	(1,402)	(2,021)	(228)	(22,478)
Inter-segment operating costs and expenses ¹	(1,390)	(7)	(1,397)	(16)	(110)	(126)	(77)	(313)	(390)	-	(1,913)
Expected credit losses	(348)	-	(348)	-	1	1	-	(1)	(1)	16	(332)
Result of equity interest	-	-	-	-	68	68	-	-	-	-	68
EBITDA (EBITDA)	4,633	392	5,025	278	356	634	344	(76)	268	(208)	5,719
Depreciation and amortization ²	(1,062)	-	(1,062)	(105)	(63)	(168)	(44)	(1)	(45)	(171)	(1,446)
Operating profit	3,571	392	3,963	173	293	466	300	(77)	223	(379)	4,273
Financial result, net	(1,148)	(1)	(1,149)	(92)	(54)	(146)	(97)	(8)	(105)	59	(1,341)
Taxes on profit	(463)	(110)	(573)	(16)	(35)	(51)	(26)	27	1	-	(623)
Net profit	1,960	281	2,241	65	204	269	177	(58)	119	(320)	2,309

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4.2 Segments assets

	Consolidated 2020				
	Trade and other receivables	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
Renewables					
Wind farms	148	-	-	-	3,227
Hydroelectric plants	45	-	-	2,425	2,824
	193	-	-	2,425	6,051
Liberalized					
Thermoelectric plants	36	-	-	-	989
Commercialization and services	179	-	-	-	8
	215	-	-	-	997
Other	-	-	-	-	46
	6,529	(573)	23,277	2,427	16,371
					Consolidated 2019
	Trade and other receivables	Sectoral financial assets (liabilities)	Service concession arrangements¹	Investments in subsidiaries, associates and joint ventures	Right of Use, PP&E and Intangible Assets
Networks					
Distribution	5,592	82	15,620	2	9,168
Transmission	6	-	1,756	-	62
	5,598	82	17,376	2	9,230
Renewables					
Wind farms	130	-	-	-	2,508
Hydroelectric plants	39	-	-	2,499	2,865
	169	-	-	2,499	5,373
Liberalized					
Thermoelectric plants	37	-	-	-	947
Commercialization and services	212	-	-	-	16
	249	-	-	-	963
Other	-	-	-	-	51
	6,016	82	17,376	2,501	15,617

(¹) Includes public service concessions classified as financial assets and / or contractual assets

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

	2020		Consolidated 2019	
	Grant of services Public	Investments right of use immobilized and Intangible	Grant of services Public	Investments, right of use immobilized and Intangible
Networks				
Distribution	3,625	18	3,495	76
Transmission	3,064	6	880	56
	6,689	24	4,375	132
Renewable				
Wind generation	-	822	-	88
Hydraulic generation	-	58	-	181
	-	880	-	269
Liberalized				
Gas generation	-	100	-	135
Marketing of services	-	5	-	8
	-	105	-	143
Others				
	-	35	-	64
	6,689	1,044	4,375	608

5. NET REVENUE

	Consolidated 2020			
	Networks	Renewables	Liberalized	Total
Energy supply (note 5.1)	15,584	671	1,166	17,421
Distribution grid availability (note 5.2)	16,462	-	-	16,462
Service concession infrastructure construction revenue ¹	6,567	-	-	6,567
Electricity trading chamber	1,359	50	89	1,498
Over-selling mechanism	96	-	-	96
Fair value adjustments and interest on financial assets ²	549	-	-	549
Contractual asset remuneration	291	-	-	291
Sectoral financial instruments effects (note 5.3)	1,051	-	-	1,051
Other revenues (note 5. 4)	300	18	17	335
Gross operating revenue	42,259	739	1,272	44,270
(-) Revenue deductions (note 5.5)	(11,556)	(127)	(598)	(12,281)
Net revenue	30,703	612	674	31,989

	Consolidated 2019			
	Networks	Renewables	Liberalized	Total
Energy supply (note 5.1)	16,754	634	1,671	19,059
Distribution grid availability (note 5.2)	16,086	-	-	16,086
Service concession infrastructure construction revenue ¹	4,314	-	-	4,314
Electricity trading chamber	1,148	30	140	1,318
Over-selling mechanism	179	-	-	179
Fair value adjustments and interest on financial assets ²	556	-	-	556
Contractual asset remuneration	123	-	-	123
Sectoral financial instruments effects (note 5.3)	(741)	-	-	(741)
Other revenues (note 5. 4)	278	18	15	311
Gross operating revenue	38,697	682	1,826	41,205

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(-) Revenue deductions (note 5.5)	(12,015)	(106)	(623)	(12,744)
Net revenue	26,682	576	1,203	28,461

(1) In 2020, the total Construction revenue from the concession infrastructure, the amount of R \$ 3,637 and R \$ 2,930 (In 2019 R \$ 3,439 and R \$ 875) refers to the construction revenue of the distributors and transmission companies, respectively.

(2) Update of the financial asset arising from the indemnifiable portion of the concession, by the Regulatory Remuneration Base – BRR

Revenue from the electric power source decreased due to the impacts of the COVID-19 pandemic, reflecting as preventive measures and social distance, factors that put pressure on energy consumption, as described in note 1.2.

In 2020, ANEEL ratified the result of the Annual Tariff Readjustment of the Company's distribution assets as follows:

	<u>Coelba</u>	<u>Cosern</u>	<u>Celpe</u>	<u>Elektro</u>
High voltage consumers	5.38%	4.72%	5.93%	6.00%
Low voltage consumers	4.85%	2.92%	4.88%	5.02%
Average tariff adjustment	5.00%	3.40%	5.16%	5.36%
Approval resolution number	2,675	2,677	2,683	2,762
Date of homologatory resolution	04/22/2020	04/28/2020	08/27/2020	08/27/2020

5.1 Energy supply

	<u>Consolidated</u>	
	<u>2020</u>	<u>2019</u>
Residential	14,253	14,146
Commercial	5,074	6,948
Industrial	4,795	2,521
Rural	1,768	1,848
Government	1,107	1,373
Public lighting	921	946
Public utility	1,030	1,066
Other	386	2,338
Transfer – Distribution grid availability ¹	(14,407)	(14,176)
Subsidy to the social tariff	2,494	2,049
	17,421	19,059

(1) Revenues referring to the distribution grid availability, measured by using the average *Tarifa de Uso do Sistema de Distribuição* – TUSD (“Use of Distribution Grid Tariff”) after its approval by ANEEL for the captive consumer.

The increase in the subsidy revenue to the social tariff is impacted by the application of the provisional measure destined to the electricity sector due to the Covid-19 pandemic (MP 950/2020), as described in note 1.2.

5.2 Distribution grid availability

Revenue from TUSD refers basically to the sale of energy to free and captive consumers charging tariffs

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for the use of the distribution grid.

	Consolidated	
	2020	2019
Free consumer	2,055	1,910
Captive consumer ¹	14,407	14,176
	16,462	16,086

(¹) Revenues referring to the availability of the electricity grid infrastructure, measured using the Tariff for Use of the Distribution System - average TUSD, after its approval by ANEEL for the captive consumer.

5.3 Assets and Liabilities effects sectoral financial instruments

	Consolidated	
	2020	2019
CVA and Neutrality		
Energy (i)	(116)	(1,199)
System service charges – ESS (ii)	259	275
TUST (iii)	385	(11)
Net neutrality of sectoral burdens	106	(45)
Others	(61)	140
	573	(840)
Financial components and subsidies		
Over-contracting pass-through (iv)	753	61
Hydrological risk	(148)	65
Reactive demand/surplus overcoming	(149)	(107)
R&D reimbursement	-	63
Adjustment deferral (v)	122	-
Others	(100)	17
	478	99
	1.051	(741)

- (i) **Energy:** On 2020, the Group's distributors assessed the Energy CVA, being recognized the lowest value between the periods, resulting from the reduction of the constitution, resulting from the differences between the costs incurred in relation to the ANEEL tariff coverage, with emphasis on the financial events of accounting of the CCEE, and the amortization of the approved balances in the tariff adjustment processes.
- (ii) **System service charges – ESS:** Increase in the constitution, resulting from the differences between the costs incurred in relation to the ANEEL tariff coverage, and the amortization of the balances approved in the tariff adjustment processes.
- (iii) **TUST - Basic Network:** Increase in the constitution, due to REH No, 2,725/2020, which established the Annual Revenues Allowed - RAP of the transmitters, with force from July 1, 2020.
- (iv) **Overcontracting transfer:** On 2020, the Group's distributors determined the financial adjustment of Overcontracting, being recognized the highest value between periods, resulting from the increase in the constitution, in order to cancel the effects on the result obtained with the purchase and sale of the surplus of energy in the short-term market, and the amortization of the approved balances in the tariff adjustment processes.

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- (v) Deferral of adjustment: Recognition of revenue stemming from the deferral of the tariff adjustment from April 22, 2020 to July 1, 2020, for the subsidiaries Coelba and Cosern and April 29, 2020 to July 1, 2020 for subsidiary Celpe.

5.4 Other Revenues

	Consolidated	
	2020	2019
Service rendering revenue	25	36
Leases	206	166
Charged service	9	17
Public lighting fee	6	5
Fraud invoices management	7	6
Third party service commission	49	53
RAP gain / loss	(18)	(5)
O&M revenues	33	23
Photovoltaic operations	8	-
Other revenues	10	10
Total	335	311

5.5 Revenue deductions

	Consolidated	
	2020	2019
Taxes		
<i>Imposto sobre Circulação de Mercadorias - ICMS (Value Added Tax)</i>	(6,637)	(6,888)
<i>Programa de Integração Social – PIS (Employees’ Profit Participation Program) and</i>	(3,636)	(3,277)
<i>Imposto sobre Serviços – ISS (Services Tax)</i>	(34)	(182)
	(10,307)	(10,347)
Sectoral charges		
<i>Conta de Desenvolvimento Energético – CDE (energy development account)</i>	(1,548)	(1,994)
<i>Programa de Eficiência Energética – PEE (Energy Research Company)</i>	(119)	(108)
<i>Consumer charges – PROINFA e CCRBT</i>	(124)	(128)
<i>Other charges¹</i>	(183)	(167)
	(1,974)	(2,397)
	(12,281)	(12,744)

¹ considers the following charges: National Fund for Scientific and Technological Development-FNDCT, Energy Research Company - EPE, Research and Development - R&D, Electricity Service Inspection Fee - TFSEE and Financial Compensation for Water Resources – CFURH

5.6 Critical accounting policy and judgment

a) Accounting policy

Revenue is recognized to the extent that it is probable that economic benefits will be generated for the Company, and can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of any variable consideration, such as discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

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Electricity supply revenue is measured according to the established reading schedule, considering the amount of energy used by the customer and the current energy tariff. The Company will be able to sell the energy produced in two environments: (i) in the Free Contracting Environment ('ACL'), where the sale of electric energy occurs through free negotiation of prices and conditions between the parties, through bilateral contracts ; and (ii) at ACR, where electricity is sold to distribution agents.

Revenue from construction of the concession infrastructure (transmission and distribution) is recognized over time, in accordance with the satisfaction of the respective performance obligations established between the client and the Company, considering the fulfillment of one of the following criteria established by the standard: (i) the customer simultaneously receives and consumes the benefits generated; (ii) the performance obligation creates or improves the asset that the customer controls 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 has an enforceable right to payment for the performance completed to date. This revenue corresponds to the construction costs plus a residual gross margin, intended to cover the costs of managing or executing the construction of the electricity transmission and distribution assets.

On December 1, 2020, the CVM issued Circular Letter 04 to provide guidance on the relevant aspects of CPC 47 / IFRS 15 of CPC48 / IFRS 9 that must be observed in the preparation of the Financial Statements of the Electricity Transmitting Companies in 31 December 2020, with emphasis on the need to comply with margins for the recognition of construction revenue and operation of operation and maintenance of infrastructure, as well as the rate used for the remuneration of concession contracts, which must correspond to the remaining implicit rate of each project, after the allocation of construction and operation and maintenance margins.

The Company did not identify the need to recognize any adjustments as a result of the publication of this Official Letter, considering that since the adoption of CPC 47 / IFRS 15 on January 1, 2018, the following accounting policies have been adopted:

- I. Assignment of construction, operation and maintenance margins at the beginning of each project to recognize the respective revenues.
- II. The monetary adjustment of the contractual asset is recognized at the implicit rate established at the beginning of each project and which is obtained after the allocation of construction and operating margins. The implied rate that remunerates the contract asset varies between 8.5% a.a. and 11.5% p.a. and the internal rate of return used for the viability of transmission projects varies between 16% a.a. and 17% a.a., nominal and before taxes.

Revenue from operations selling energy at CCEE and transactions in the short-term market are recognized at fair value of the consideration receivable at the time the transactions occur. The price of energy in these operations is characterized by the link with the Settlement Price for Differences ('PLD').

b) Estimates and critical judgment

Revenue from unbilled energy supply corresponds to electricity delivered and not billed to the consumer, and is calculated on an estimated basis, up to the balance sheet date. This estimate of unbilled revenue is calculated based on the total volume of energy available in the month and the annualized index of technical and commercial losses.

The revenue from construction of the concession's infrastructure, considering the current regulatory model, which does not provide specific remuneration for the construction or improvement of the concession's

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infrastructure, the Company's management 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 consultants, at least once a year, with regard to expectations of receipts from the construction performance obligation and infrastructure improvement.

For revenue from energy sales in the EEC, the Company uses the previous measurement of the Plant extracted from the CCEE energy data collection system, prior to the internal loss based on the history and loss of the basic conservative network by 3%, purchase and sale contracts defined in the short term in addition to those in force at the time, PLD value (realized and planned) released by CCEE and GSF prior to the information provided by ONS.

6. ENERGY COSTS

	Consolidated	
	2020	2019
Energy purchased for sale		
Energy acquired through regulated environment auction – ACR	(6,708)	(6,329)
Energy acquired in the liberalized environment – ACL	(1,160)	(1,849)
Variable MCP costs	(1,610)	(1,628)
Energy spot market – PLD ⁽¹⁾ e MRE ⁽²⁾	(1,553)	(1,541)
Agreement based on physical assurance quotas	(1,429)	(1,366)
Energy acquired bilateral contract	(199)	(210)
Quotas of the Angra I and Angra II Plants	(503)	(437)
Other	(252)	(313)
Total	(13,414)	(13,673)
PIS and COFINS credits	1,205	1,427
Total	(12,209)	(12,246)
Transmission and distribution system usage charges		
Basic grid charges	(2,695)	(2,139)
Connection charges	(167)	(195)
Other charges (i)	(495)	(169)
Subtotal	(3,357)	(2,503)
PIS and COFINS credits	286	230
Total	(3,071)	(2,273)
Total energy costs	(15,280)	(14,519)

(i) In this caption, we consider the amount of the reserve energy charge - ERR, which is impacted by the release of the reserve fund

7. CONSTRUCTION COST

	Consolidated	
	2020	2019
Personal	(345)	(294)
Material	(2,871)	(2,093)
Third-party services	(2,389)	(1,849)
Interest on works in progress	(46)	(48)
Other	(418)	(253)
Special obligations	343	483
Total	(5,726)	(4,054)

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In 2020, the cost of construction of the concession infrastructure, the amount of R\$ 3,637 and R \$ 2,089 (in 2019, R\$ 3,439 and R\$ 615) refers to the construction revenue of the distributors and transmission companies, respectively.

8. OPERATING COSTS AND OPERATING EXPENSES

	Consolidated			
	2020			
	Operating Costs	Sales	Other General and administrative	Total
Staff (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 lawsuits	2	-	(140)	(138)
Taxes	(2)	-	(21)	(23)
Other income/(costs and expenses), net (note 8.3)	(235)	(23)	(68)	(326)
Total	(3.609)	(288)	(1.530)	(5.427)

	Consolidated			
	2019			
	Operating Costs	Sales	Other General and administrative	Total
Staff (note 8.1)	(769)	(105)	(473)	(1.347)
Management	-	-	(69)	(69)
Third party services	(940)	(142)	(545)	(1.627)
Depreciation and amortization (note 8.2)	(1.173)	-	(103)	(1.276)
Fuel for energy production	(442)	-	-	(442)
Provision for lawsuits	(4)	-	(195)	(199)
Taxes	(2)	-	(20)	(22)
Other income/(costs and expenses), net (note 8.3)	(184)	(23)	8	(199)
Total	(3.514)	(270)	(1.397)	(5.181)

8.1 Personnel costs and expenses

	Consolidated	
	2020	2019
Salary	(707)	(677)
Social charges	(292)	(276)
Meal allowance	(136)	(124)
Assistance and other benefits (1)	(87)	(81)
Post-employment benefits	14	(4)
Labor agreement terminations	(21)	(30)
Provision for vacation and 13th salary	(164)	(153)
Health insurance plan	(144)	(136)
Profit Sharing	(218)	(132)
Order Closing in Progress	(1)	(1)
(-) Transfers to orders	357	289
Other	(19)	(22)

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Total	<u><u>(1.418)</u></u>	<u><u>(1.347)</u></u>
(1) Includes post-employment benefits and other benefits		

8.2 Depreciation and amortization

	Consolidated	
	2020	2019
Depreciation and amortization share for the year	(1.474)	(1.299)
(-) PIS and COFINS credit	22	23
Depreciation and Residual Amortization	<u><u>(1.452)</u></u>	<u><u>(1.276)</u></u>

8.3 Other (expenses) / operating income

	Consolidated	
	2020	2019
Insurance	(30)	(27)
Donations and contributions	(11)	(6)
Expenses recovery	71	52
Energy industry class institutions	(9)	(6)
Travel expenses	(28)	(30)
Own use energy consumption	(37)	(41)
Advertising and publicity	(11)	(8)
Meals	(9)	(6)
Fines on delayed payments	234	229
Loss / disposals / decommissioning	(242)	(188)
Indemnifications -Electric Damages	(11)	(8)
Events	-	(3)
Material	(182)	(144)
Rentals	(8)	(11)
Other	(53)	(2)
Total	<u><u>(326)</u></u>	<u><u>(199)</u></u>

9. FINANCIAL RESULTS

	Consolidated		Parent Company	
	2020	2019	2020	2019
Financial income				
Financial income on cash equivalents and marketable securities	135	199	16	27
(-) Taxes on financial income	(41)	(40)	(10)	(10)
Interest and charges on delayed proceeds	440	188	-	-
Judicial deposits monetary variation	8	20	2	3
Monetary variation on sectoral financial assets	4	48	-	-
Financial income on post-employment and other benefits	3	3	-	-
Other financial income	48	100	177	188
	<u>597</u>	<u>518</u>	<u>185</u>	<u>208</u>
Financial expenses				
Charges on debt instruments ⁽¹⁾	(1,240)	(1,260)	(122)	(51)
Financial expenses on post-employment and other benefits	(63)	(84)	-	-
Update of sector financial liabilities	(8)	-	-	-
Monetary variation on provision for losses on lawsuits	(175)	(155)	2	(3)
<i>Imposto sobre Operações Financeiras</i> – IOF ("Tax on Financial	(25)	(22)	(1)	(1)
Other financial expenses	(244)	(247)	(57)	(82)
	<u>(1,755)</u>	<u>(1,768)</u>	<u>(178)</u>	<u>(137)</u>
Other financial income (expenses), net				
Losses on foreign exchange rate variation and fair value adjustments	(4,280)	(1,877)	-	(31)
Gain on foreign exchange rate variation and fair value adjustments –	1,906	1,557	66	16

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Losses on derivative financial instruments – Note 19,3,b	(1,932)	(1,700)	(102)	(16)
Gain on derivative financial instruments – Note 19,3,b	4,488	1,957	22	17
Losses on foreign exchange rate variation and monetary	(57)	(49)	(14)	(1)
Gain on foreign exchange rate variation and monetary	3	21	-	3
	128	(91)	(28)	(12)
Financial results	(1,030)	(1,341)	(21)	59

(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

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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.

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	
	2020	2019
Income before taxes	3,848	2,932
Nominal income taxes rate - 34%	(1,308)	(997)
Adjustments to income tax calculation:		
Tax benefit on interest on own capital	192	191
Tax incentives	307	213
Difference on income taxes calculated based on assumed profit	70	52
Additions (reversals) to non-recognized tax loss carryforwards	(121)	(77)
Other permanent additions (reversals)	(83)	(5)
Income taxes	(943)	(623)
Effective income taxes rate		
Income before taxes	25%	21%
Current	(511)	(288)
Deferred	(432)	(335)

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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	
	2020	2019
Tax loss (includes negative basis)	191	176
Capital gains and provision for maintaining the integrity of shareholders' equity (PMIPL)	540	621
Temporary differences:		
Current and post-employment benefit obligations	386	67
Provision for legal proceedings	285	531
Estimated credit losses - Accounts receivable	164	140
Right to use the overtaking revenue concession	102	106
Capital gains linked to property, plant and equipment, and intangible assets	48	32
Fair value of indemnified financial assets	(703)	(545)
Debt interest capitalization	(275)	(265)
Accelerated depreciation	(35)	(28)
Fair value of financial instruments	(226)	(179)
Other	(324)	(126)
	153	530
Non-current assets	656	752
Non-current liabilities	(503)	(222)

The variations in deferred taxes are as follows:

	Consolidated	
	Asset	Liabilities
Balance at 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 at December 31, 2020	656	(503)
Balance at December 31, 2018	1,031	(117)
Recognized effects on income	(229)	(106)
Effects recognized in other comprehensive results	(48)	(1)
Transfers between assets and liabilities	(2)	2
Balance at December 31, 2019	752	(222)

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:

	Consolidate							
	2021	2022	2023	2024	2025	Between 2026 e 2030	Between 2031 e 2035	2036 onwards
Deferred tax assets	410	54	27	8	6	68	14	75

10.1.3 Current tax assets and liabilities

Consolidated	
2020	2019

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IRPJ	558	393
CSLL	78	66
Assets	636	459
Current	635	456
Non-current	1	3
		Consolidated
	2020	2019
IRPJ	38	6
CSLL	4	3
Liabilities	42	9
Current	16	9
Non-current	26	-

Uncertainty about Treatment of Taxes on Profit

As of December 31, 2020 and 2019, the Company had R\$ 26 in the line of taxes on profit to be collected, referring to the impact of uncertain tax positions.

In addition to the tax uncertainties in the treatment of taxes on profit that were, on December 31, 2020 and 2019, the Company has the amount of R\$ 3,146 related to the tax treatments adopted and which are susceptible to questions from the tax authorities, whose prognosis of Company, supported by 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\$ 1,851 (R\$ 1,829 as of December 31, 2019).
- (ii) Tax assessment notices arising from the deduction of the goodwill amortization expense in the IRPJ and CSLL calculation bases, which also resulted in disallowance of credits calculated, already used in offsetting federal taxes, totaling R\$ 1,295 (R\$ 1,315 as of December 31, 2019).

10.1.4 Accounting policy and critical judgments

a) Accounting policy

Taxes on profit are recognized in income for the year, except for transactions recognized directly in equity.

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 support the expectation of future taxable income. These studies take into account the analysis of future results, based on economic and financial projections, prepared based on internal assumptions and economic, commercial and tax scenarios that may change in the future. Deferred tax liabilities are immediately recognized in the financial statements.

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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 are recognized considering projected assumptions and cash flows and may be affected by factors including, but not limited to: (i) internal assumptions about projected taxable income, based on in energy production and sales planning, energy prices, operating costs and capital cost planning; (ii) macroeconomic scenarios; and (iii) commercial and tax.

The Company also applies critical accounting judgment in identifying uncertainties about tax positions on profit, which may impact the financial statements. Uncertainties about the treatment of taxes on profits represent the risks that the tax authority does not accept a certain tax treatment applied by the company. The Company estimates the probability of acceptance of the uncertain tax treatment by the tax authority based on technical assessments by 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 Tax credit on appreciation and reversal of PMIPL

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

Added value - embedded	5,294
Constituted Provision	(3,489)
Tax benefit	1,805
Accumulated amortization	(2,777)
Cumulative reversal	1,679
Balances as of December 31, 2018	707
Accumulated amortization	(153)
Cumulative reversal	68
Balances as of December 31, 2019	622
Accumulated amortization	(144)
Cumulative reversal	62
Balances as of December 31, 2020	540

The amortization of the capital gains, net of the reversal of the provision and the corresponding tax credit, results in a zero effect on the income for the year and, consequently, on the basis for calculation 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							
	2021	2022	2023	2024	2025	Between 2026 e 2030	Between 2031 e 2035	2036 onwards
Coelba	0.0328	0.0313	0.0297	0.0282	0.0268	0.0254	-	-
Celpe	0.0224	0.0214	0.0205	0.0186	0.0177	0.0478	-	-
Cosern	0.0278	0.0267	0.0255	0.0244	0.0234	0.0438	-	-
Termope	0.0138	0.0122	0.0101	0.0083	-	-	-	-
Itapebi	0.0115	0.0099	0.0085	0.0073	0.0066	0.0054	-	-

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Elektro Redes	0.0901	0.0901	0.0901	0.0901	0.0901	0.0901	-	-
FEB	0.0310	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	0.0350
EnerBrasil	0.1130	0.1130	0.1130	0.1130	0.1130	-	-	-
EKCE	0.0901	0.0901	0.0901	0.0901	0.0901	0.0901	-	-

10.3 Other taxes

10.3.1 Other recoverable taxes

	Consolidated	
	2020	2019
<i>Imposto sobre Circulação de Mercadorias - ICMS (Tax on Sales and Services)</i>	685	625
<i>Programa de Integração Social – PIS (Employees' Profit Participation Program)</i>	1,063	608
<i>Contribuição para o Financiamento da Seguridade Social - COFINS (Tax for Social Security Financing)</i>	4,907	2,812
<i>Instituto Nacional de Seguridade Social - INSS (National Institute of Social Security)</i>	27	26
Other taxes	12	13
Other recoverable taxes	6,694	4,084
Current	1,629	1,299
Non-current	5,065	2,785
(a) See note 10.4		

10.3.2 Other payable taxes and sectoral charges

	Consolidated	
	2020	2019
<i>Imposto sobre Circulação de Mercadorias - ICMS (Tax on Sales and Services)</i>	356	383
<i>Programa de Integração Social – PIS (Employees' Profit Participation Program)</i>	127	38
<i>Contribuição para o Financiamento da Seguridade Social - COFINS (Tax for Social Security Financing)</i>	583	173
Taxes and contributions withheld at source	160	104
Other taxes	57	50
Other recoverable taxes	1,283	748
<i>Pesquisa e Desenvolvimento - P&D (Research and Development)</i>	204	197
<i>Programa de Eficiência Energética – PEE (Energy Efficiency Program)</i>	240	212
Other taxes	185	37
Sector Charges	629	446
Total other payable taxes and sectoral charges	1,912	1,194
Current	1,148	903
Non-current	764	291

10.4 Reimbursement to consumers – Federal Taxes

In March 2017, the Supreme Federal Court concluded the judgment of Extraordinary Appeal No. 574.706-PR, with general repercussion, confirming that the ICMS does not compose the basis for calculating PIS and COFINS. The Federal Union filed a motion for clarification seeking to modify the effects and define the value of the ICMS that will be excluded from the calculation base of these contributions. These embargoes are still pending judgment.

In August and September 2019, decisions in favor of the subsidiaries COSERN and COELBA became final and, in December 2020, decisions in favor of CELPE were final, which were filed in 2010. In view of this fact, authorizing the compensation under the terms of art. 170-A of the National Tax Code, the Company

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constituted a PIS and COFINS asset to be recovered, already updated in the total amount of R\$ 5,755, using the calculation criterion of the understanding of the Federal Revenue of Brazil in the COSIT Internal Consultation Solution nº 013 / 2018, considering the amount of ICMS due and not the one highlighted. At the time, a liability was also recorded for the same amount, net of success fees in the amount of R\$ 6 due to lawyers, totaling liabilities in the amount of R\$ 5,749. These amounts are restated at the SELIC rate.

The constitution of the liability arises from the adoption of the necessary caution and due prudence in view of the possible understanding by ANEEL that the amounts to be appropriated by offsetting the recognized tax credits must be fully passed on to consumers, according to the Agency's interpretation of the terms of the rules electric sector regulations and the concession contract. The topic, however, is still under public consultation by the Agency, which has not yet been concluded to date.

The Company has been adopting the procedures for recovering the tax credit in accordance with the regulations issued by the Federal Revenue of Brazil. The eventual transfer to consumers will depend on the effective use of the tax credit by the Company and will be carried out in accordance with regulatory rules yet to be edited by ANEEL.

We present below the movement of the Reimbursement to consumers:

	Consolidated
Balances as of December 31, 2018	-
Constitution	2,159
Update	1,123
Balances as of December 31, 2019	3,282
Constitution	1,638
Update	838
Payment (*)	(3)
Balances as of December 31, 2020	5,755
Current	6
Non-current	5,749

(*) Payment of successful fees.

11. CASH AND CASH EQUIVALENTS

Cash equivalents are highly liquid operations, with no use restrictions, promptly convertible into a known amount of cash and are subject to an insignificant risk of change in value,

	Consolidated		Parent Company	
	2020	2019	2020	2019
Cash and bank deposits	227	323	-	-
Bank Deposit Certificates – CDB	1,598	671	275	341
Investment funds	3,235	3,047	92	658
	5,060	4,041	367	999

The portfolios of financial instruments classified as cash and cash equivalents are constituted with a view to better profitability and the lowest level of risk. The average return on these portfolios as of December 31, 2020 is 99% of the CDI.

As of December 31, 2020 and 2019, investment funds consist of investments in Treasury Financial Bills and operations committed to backing public securities. These instruments are highly liquid in the secondary market and are at low risk of change in value.

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12. TRADE AND OTHER RECEIVABLES

	2020			2019		
	Trade receivables	Provision for credit risk	Trade receivables, net	Trade receivables	Provision for credit risk	Trade receivables, net
Energy supply (note 12,1)	6,126	(1,216)	4,910	5,688	(1,063)	4,625
<i>Câmara de comercialização de energia elétrica – CCEE (Electric energy commercialization chamber) CCEE</i>	352	-	352	337	-	337
Distribution grid availability	551	(4)	547	575	(5)	570
Government grants	425	-	425	291	-	291
Other receivables	346	(51)	295	247	(54)	193
	7,800	(1,271)	6,529	7,138	(1,122)	6,016
Current			6,187			5,718
Non-current			342			298

12.1 Energy supply

Energy supply receivables comprise receivables from energy distribution, generation and sale.

Trade receivables from energy supply, by consumer class, are as follows:

	2020		2019	
	Trade receivables	Provision for credit risk	Trade receivables	Provision for credit risk
Residential	2,078	(651)	1,944	(550)
Commercial	603	(181)	826	(154)
Industrial	805	(157)	710	(145)
Rural	331	(115)	358	(100)
Government	386	(63)	459	(64)
Public lighting	259	(23)	239	(32)
Public utility	204	(17)	208	(15)
Unbilled services	1,460	(9)	944	(3)
	6,126	(1,216)	5,688	(1,063)

Energy supply receivables' aging is presented as follows:

	2020		2019	
	Trade receivables	Provision for credit risk	Trade receivables	Provision for credit risk
Due receivables	3,263	(66)	3,119	(56)
Overdue receivables:				
90 days	1,088	(84)	1,081	(68)
Between 91 e 180 days	262	(85)	246	(75)
Between 181 e 360 days	433	(173)	358	(155)
After 361 days	1,080	(808)	884	(709)
	6,126	(1,216)	5,688	(1,063)

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As we can see in the table above, overdue accounts receivable was impacted by the effects of the COVID-19 pandemic. In 2020, overdue balances increased by R\$ 293 (R\$150 net of the write-off of uncollectible receivables). The effects of this increase are recognized in the expected credit loss shown below.

12.2 Changes in provision for credit risk losses

	Consolidated	
	2020	2019
Balance at the beginning of the year	(1,122)	(985)
Amounts recognized in profit or loss of the period	(456)	(332)
Effective losses written-off	307	195
Balance at the end of the year	(1,271)	(1,122)

As of December 31, 2020, Expected Credit Losses (PCE) totaled R\$ 456 (R\$ 332 on December 31, 2019), mainly reflecting the impacts of COVID-19 of R\$ 114.

12.3 Accounting policy and critical judgments

a) Accounting policy

Accounts receivable are financial assets measured at amortized costs (see note 25.5) and are recognized when the receipt of the consideration is unconditional, less expected credit losses.

The company recognizes expected credit losses for accounts receivable from customers in an amount considered sufficient by Management, based on critical estimates and judgments.

b) Critical estimates and judgments

The company measures expected credit losses for accounts receivable from short-term customers using a provision matrix based on the experience of unadjusted historical credit loss, when such information represents the best reasonable and sustainable information, or, adjusted, based on current observable data to reflect the effects of current and future conditions for each business line operated by the Company. The group's distributors use the measurement approach through a provision matrix that considers the default history of the past 5 years. The records are considered segregated in regular billing, installments and fraud bills, by consumption class (residential, industrial, commercial, rural, public power, public lighting and public service). In addition, there is an individual analysis of the lawsuits with an assessment of the likelihood of loss and the respective expected provision. Above 12 months, the parent company considers full loss.

For large consumers, there is an individualized analysis, which assesses losses based on the negotiations and the respective financial situation.

The group's generators have no history of default and considering the guarantees offered in auctions and / or bilateral contracts, the exposure to credit risk is residual. Given these characteristics, the level of constitution of expected losses is not relevant for this class of accounts receivable. In addition, CCEE controls the amount of accounts receivable and the respective defaults in the sector, reducing the credit risk in these operations.

The group's transmission has not history of material losses and, therefore, use a matrix that considers increasing percentages of provision that can reach 100% in the event of a delay of more than 12 months.

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Considering that there are mechanisms established by ONS to mitigate credit risk, the losses of constituted credits are not relevant.

The trader and the service companies recognize the expected credit loss based on their clients' ratings for outstanding balances and the worst market rating for balances overdue for more than 360 days.

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

Tariffs that operators are authorized to charge their consumers are reviewed by ANEEL: (i) annually on the anniversary date of the service concession arrangement, for tariff adjustment purposes; and (ii) every four years, on average, aiming to recompose a portion of Parcel B (manageable costs) and to adjust Parcel A (non-manageable costs) of certain tariff components, Such tariff set mechanism allows to give rise to timing difference that arise from the difference between the costs budgeted considered in the tariff at the beginning of the tariff period, and those effectively incurred during the tariff period. These differences constitute rights or obligations, in compliance with the principle of economic and financial balance established by the concession and Permission agreement. The composition of sectorial assets and liabilities is shown below:

	2020			Consolidated 2019		
	Rights	Obligations	Net amount	Rights	Obligations	Net amount
CVA e Neutrality						
Energy	782	(88)	694	1,715	(8)	1,707
Network Service Charges	75	(117)	(42)	-	(580)	(580)
Energy Development Account	5	(52)	(47)	118	(6)	112
Tariff on Use of Transmission Network	305	(20)	285	187	(4)	183
Other CVA	17	(57)	(40)	28	(66)	(38)
Financial Components and subsidies						
Overcontracting pass-through	129	(170)	(41)	-	(396)	(396)
Hydrological risk	-	(660)	(660)	-	(503)	(503)
Overtaking Demand / Reactive Surplus	-	(666)	(666)	-	(504)	(504)
Compensation of CCEAR Bilateral	65	-	65	74	-	74
Other financial components	68	(189)	(121)	65	(38)	27
	1,446	(2,019)	(573)	2,187	(2,105)	82
Values approved by Aneel	175	(643)	(468)	2,187	(2,105)	82
Values to be approved by Aneel	1,271	(1,376)	(105)	-	-	-
	1,446	(2,019)	(573)	2,187	(2,105)	82
Current assets (liabilities)			92			395
Current liabilities			(149)			-
Non-current liabilities			(516)			(313)

The movement of the sectoral assets and liabilities balances of the concession are presented as follows:

	Consolidated		
	Rights	Obligations	Net
Balances as of December 31, 2018	3,013	(2,165)	848
Constitution	1,855	(1,457)	398
Amortization (Tariff Repositioning Index)	(2,865)	1,725	(1,140)
Monetary restatement	145	(97)	48
Transfers	39	(111)	(72)
Balances as of December 31, 2019	2,187	(2,105)	82
Constitution	5,166	(3,876)	1,290

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Amortization (Tariff Repositioning Index)	(3,892)	3,653	(239)
Monetary restatement	60	(64)	(4)
Anticipation of COVID account (i)	(1,811)	147	(1,664)
Transfers	(264)	226	(38)
Balances as of December 31, 2020	<u>1,446</u>	<u>(2,019)</u>	<u>(573)</u>

(i) In 2020, the Company received the amount of R\$ 1,664 raised by CCEE and transferred by the Covid Account to the Electricity Distributors, in the current accounts linked to the Transfer of Tariff Modicity of the Energy Development Account - CDE, referring to the assets regulatory statements declared in the Acceptance Term and accounted for under the terms of Normative Resolution No. 885, of June 23, 2020. The amounts received were accounted for as anticipation of the values of regulatory assets, aiming at total or partial coverage of the financial effects of energy over-contracting, the balance in formation of the CVA and the neutrality of sector charges.

In 2020, ANEEL published Order No. 2.508, which established the values of exposures to be treated as involuntary, within the scope of energy purchase, related to the 2016/2017 biennium. In due course, the company filed an administrative appeal regarding these values, contesting the criteria adopted in its calculation, which were applied without express normative provision. To date, there has been no decision by the agency on the merits of the matter.

The Company considers that the portion above the regulatory limit, corresponding to voluntary over-contracting, in the case of Coelba, in the amount of R\$ 85, will be recovered in the subsequent tariff adjustment, having no expectation of losses in relation to the realization of these amounts.

For the portion below the regulatory limit, equivalent to subcontracting, equivalent to involuntary subcontracting, in the case of Elektro, in the amount of R\$ 14, it will be approved in the subsequent tariff adjustment, with no expectation of losses in relation to the realization of these values.

13.1 Accounting policy and critical judgments

a) Accounting policy

Sectorial financial assets and liabilities are measured at amortized cost (see note 25.1). Financial assets include, since their initial recognition, expectations of default risks and disallowance estimates by the granting authority.

b) Critical estimates and judgments

The present value of the rights and obligations will be effectively settled at the time of the next tariff period or, in the event of the extinction of the concession with the existence of established balances that have not been recovered and / or transferred, they will be included in the indemnity base already provided for when termination, for any reason, of the concession.

The Company, together with the economic and regulatory advisors, reviews at the end of each year, the assumptions and expectations for approval by the granting authority.

14. SERVICE CONCESSION ARRANGEMENTS

The service concession arrangements of the distribution and transmission operators are not onerous, therefore there are no fixed financial obligations and future payments to the grantor. The service concession arrangements granted are 30-year term and provide a term extension option, at solely discretion of the grantor, upon request by the operator. In case of termination of the service concession arrangement due to the expiration of the contractual term or another contractually foreseen hypotheses, the infrastructure

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related to the provision of the service shall be reverted to the grantor, leading to the surveys, assessments and determination of the indemnification amount due to the operator, observing the amounts and dates of its incorporation into the energy system.

14.1 Financial asset

The amount related to the infrastructure which will not be amortized until the end of the service concession arrangement is classified as financial asset as it represents an unconditional right to receive cash or another financial asset directly from the grantor. The recognized value of the financial asset and changes in fair value are reviewed monthly based on the assumptions inherent to this contractual right (see note 25.6). These assets had the following changes in the year:

	Consolidated	
	2020	2019
Balance at beginning of year	11,743	9,256
Additions	-	3
Disposals	(28)	(24)
Reversals	1	6
Transfers – contractual assets ⁽¹⁾	2,108	1,932
Transfers – intangible assets	27	13
Transfer others	3	1
Fair value adjustments	549	556
Balance at the end of the year	14,403	11,743

(1) Transfer of the distribution operators' financial assets, classified as contractual assets during the construction period.

The tariff review that takes place every four years at Celpe and Elektro Redes, and every five years at Coelba and Cosern.

14.2 Contractual asset

The amount related to the infrastructure whose right to compensation is subject to the satisfaction of performance obligations, are classified as contractual assets and during the period presented the balances as follows:

	2020			2019		
	Transmission	Distribution	Total	Transmission	Distribution	Total
Current	133	-	133	90	-	90
Non-current	4,892	3,849	8,741	1,666	3,877	5,543
Total	5,025	3,849	8,874	1,756	3,877	5,633

Changes in contractual assets during the period were as follows:

	Consolidated		
	Transmission	Distribution	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 – other	-	29	29
Contractual asset appropriation	(85)	-	(85)

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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)
			Consolidated
	Transmission	Distribution	Total
Balance as of December 31, 2018	797	3.568	4.365
Additions ⁽¹⁾	893	3.495	4.388
Disposals	(3)	(30)	(33)
Transfers - intangible in progress ⁽¹⁾	-	(1.313)	(1.313)
Transfers - financial assets ⁽¹⁾	-	(1.932)	(1.932)
Transfers – other	3	89	92
Contractual asset appropriation	(57)	-	(57)
Monetary variation	123	-	123
Balance as of December 31, 2019	1.756	3.877	5.633
Cost	89	-	89
Special obligations	1.667	3.877	5.544

- (1) During the construction period, the distribution infrastructure is recognized as contractual assets and measured at the cost of acquisition plus borrowing costs related to the construction funding instrument incurred in such period. After completion of the construction, such assets are bifurcated between financial and intangible assets.

14.3 Accounting policy

The Public Electricity Service Concession Agreements signed between the Union (Granting Authority - Grantor) regulate the exploitation of public distribution and transmission services by companies and establish 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.

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

- (i) 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) 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) Remaining portion to determine the financial asset (residual value) classified as an intangible asset

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(see note 17) due to its recovery being conditioned to the use of the public service, in this case, energy consumption by consumers.

b) Transmitting entities:

According to the concession contracts, the Company is responsible for transporting the energy from the generating centers to the distribution points. To fulfill 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 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 performance of the performance obligations are subsequently reclassified to accounts receivable from customers.

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>Associates</i>	<i>Total Consolidated</i>	<i>Subsidiaries</i>	<i>Total Parent Company</i>
Balance as of December 31, 2019	1,018	1,483	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
Amortization of appreciation	-	-	-	(164)	(164)
Participation in other comprehensive income/(loss)	-	-	-	143	143
Dividend allocation	(43)	(2)	(45)	(972)	(1,017)
Balance as of December 31, 2020	1,026	1,401	2,427	20,350	22,777
Balance as of December 31, 2018	994	1,422	2,416	15,071	17,487
Capital increase	57	-	57	913	970
Participation in investees results	(33)	101	68	2,481	2,549
Amortization of appreciation	-	-	-	(168)	(168)
Participation in other comprehensive income/(loss)	-	-	-	51	51
Dividend allocation	(38)	(4)	(42)	(1,719)	(1,761)
Others	-	2	2	(2)	-
Balance as of December 31, 2019	980	1,521	2,501	16,627	19,128

Changes in dividends and interest on equity receivable as follows:

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	Consolidated		Parent Company	
	2020	2019	2020	2019
Opening balance for the year	15	13	389	553
Declared	45	42	929	1,723
Received	(44)	(40)	(634)	(1,818)
Reversal	-	-	-	(57)
Payment	-	-	-	(12)
End balance for the year	16	15	684	389
Current	16	15	659	312
Non-Current	-	-	25	77

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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	
			2020	2019	2020	2019	2020	2019
Subsidiaries								
Wholly-owned subsidiaries	Networks	100.00%	2,355	1,040	516	227	1	-
	Liberalized	100.00%	1,355	1,195	219	148	130	93
	Renewables	100.00%	4,138	3,234	225	201	125	214
	Outros	100.00%	14	15	(1)	-	-	-
Other subsidiaries								
Coelba	Networks	96.65%	6,041	5,209	1,179	977	115	1,034
Elektro Redes	Networks	99.68%	3,697	3,476	590	493	57	180
Celpe	Networks	89.65%	1,721	1,678	195	163	103	76
Cosern	Networks	91.50%	1,285	1,043	312	250	19	175
Afluente T	Networks	87.84%	165	188	16	22	40	6
			20,771	17,078	3,251	2,481	590	1,778
Associates and joint ventures								
Teles Pires Participações	Renewables	50.56%	765	772	(36)	(32)	-	-
Companhia Hidrelétrica Teles Pires	Renewables	51.00%	25	26	-	-	-	-
Águas da Pedra	Renewables	51.00%	260	243	61	58	44	40
Norte Energia S.A. (NESA) (1)	Renewables	10.00%	1,322	1,406	(86)	37	-	-
Energética Corumbá III	Renewables	25.00%	55	54	5	5	-	-
			2,427	2,501	(56)	68	44	40
Shareholders' transactions			(421)	(451)	32	-	-	-
			22,777	19,128	3,227	2,549	634	1,818

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

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.

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15.4 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.

	2020				
	Coelba	Elektro Redes	Celpe	Cosern	Afluente 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
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

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	2019				
	Coelba	Elektro Redes	Celpe	Cosern	Afluente T
Balance sheet					
Cash and cash equivalents	852	614	261	242	52
Accounts receivable from customers	2,017	1,702	1,332	542	5
Derivative instruments	507	394	257	108	-
Property, plant and equipment and intangible assets	3,296	1,523	2,336	668	-
Other assets	12,273	3,649	3,804	2,502	169
Total assets	18,945	7,882	7,990	4,062	226
Loans and financing	7,715	3,648	4,667	1,682	2
Accounts payable to suppliers	1,081	773	692	259	2
Derivative instruments	1	3	4	-	-
Employee benefits	691	-	309	-	-
Other liabilities	4,238	791	783	1,069	8
Total liabilities	13,726	5,215	6,455	3,010	12
Shareholders' equity	5,219	2,667	1,535	1,052	214

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

					2020
	Coelba	Elektro Redes	Celpe	Cosern	Afluenta 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	691	124	112	357	48
Operating cash flow	1,793	1,111	851	491	27
					2019
	Coelba	Elektro Redes	Celpe	Cosern	Afluenta T
Comprehensive result					
Net operating revenue	10,219	6,773	6,085	2,623	39
Operating income before financial result	1,645	928	570	421	25
Net profit (loss) for the year	1,009	495	181	273	25
Total comprehensive result	69	19	(6)	14	-
Other information					
Net working capital	684	866	2	406	71
Operating cash flow	1,179	901	568	478	28

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15.5 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, 2020 and 2019 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 analyzed 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.

15.6 Accounting policy

Subsidiary is the entity in which the Company is exposed or is entitled to variable returns arising from its involvement and has the ability to interfere in these returns due to the power it exercises over the entity (control). Subsidiaries are fully consolidated from the date on which control is held by the Company and consolidation is interrupted from the date on which the Company ceases to have control.

Associates is the entity over which the company has significant influence, defined as the power to participate in the making of decisions about an investee's financial and operating policies, but without the individual or joint control of those policies.

A joint business is one in which two or more parties have joint control established by contract, which can be classified as a joint operation or a joint venture, depending on the rights and obligations of the parties. While in a joint operation, the integrating parties have rights over the assets and obligations over the liabilities related to the business, in a jointly controlled venture, the parties have rights over the net assets of the business. In the renewables segment, some activities are conducted through joint operations.

Investments in subsidiaries, joint ventures and associates are valued using the equity method from the date they become their associate, joint venture and subsidiary. Only joint operations constituted through an entity

vehicles with their own legal personality are valued using the equity method. For other joint operations, the company recognizes its assets, liabilities and the respective income and expenses in these operations.

The Company's participation in the profits or losses of its joint ventures is recognized in the income statement and the participation in changes in reserves is recognized in the Company's reserves. When the Company's participation in the losses of an associate or joint venture is equal to or greater than the carrying amount of the investment, including any other receivables, the Company does not recognize additional losses, unless it has incurred obligations or made payments on behalf of the subsidiary in set.

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15.7 List of subsidiaries, associates and joint ventures

The subsidiary companies are listed as follows:

Companies	Activity	Percentage of participation (%)			
		2020		2019	
		Direct	Indirect	Direct	Indirect
Companhia de Eletricidade do Estado da Bahia - Coelba	Networks	96.65%	-	96.65%	-
Companhia Energética de Pernambuco – Celpe	Networks	89.65%	-	89.65%	-
Companhia Energética do Rio Grande do Norte – Cosern	Networks	91.50%	-	91.50%	-
Elektro Redes S.A. – Elektro	Networks	99.68%	-	99.68%	-
Afluente Transmissão de Energia Elétrica S.A. – Afluente T	Transmission	87.84%	-	87.84%	-
SE Naranjinha S.A. – Naranjinha	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	99.99%	0.01%	99.99%	0.01%
Termopernambuco S.A. – Termope	Thermal Generation	100%	-	100%	-
Itapebi Geração de Energia S.A. – Itapebi	Hydraulic generation	42%	58%	42%	58%
Baguari I Geração de Energia Elétrica S.A. - Baguari	Hydraulic generation	99.99%	0.01%	99.99%	0.01%
Geração CIII S.A. – Geração CIII	Hydraulic generation	99.99%	0.01%	99.99%	0.01%
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	99.99%	0.01%	99.99%	0.01%
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%
Força Eólica do Brasil S.A. – FEB	Wind generation	50.00%	50.00%	50.00%	50.00%
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	50.00%	50.00%	50.00%	50.00%
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%
		Percentage of participation (%)			
		2020		2019	
		Direct	Indirect	Direct	Indirect
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	50.00%	50.00%	50.00%	50.00%
Energia Renováveis do Brasil S.A. - Enerbrasil	Wind generation	-	100.00%	-	100.00%
Elektro Renováveis do Brasil S.A. – Elektro Renováveis	Wind generation	99.99%	0.01%	99.99%	0.01%
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%

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Canoas 3 Energia Renovável S.A. – Canoas 3	Wind generation	-	100.00%	-	100.00%
Ventos de Arapuaá 1 Energia Renovável S.A. – Arapuaá 1	Wind generation	-	100.00%	-	100.00%
Ventos de Arapuaá 2 Energia Renovável S.A. – Arapuaá 2	Wind generation	-	100.00%	-	100.00%
Ventos de Arapuaá 3 Energia Renovável S.A. – Arapuaá 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	99.99%	0.01%	99.99%	0.01%
Neoenergia Serviços Ltda – Neoserv	Services	99.99%	0.01%	99.99%	0.01%
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	99.00%	1.00%	99.00%	1.00%
Neoenergia investimentos S.A. - Neoinvest	Others	99.99%	0.01%	99.99%	0.01%

The associates and joint ventures companies are listed as follows:

Companies	Activity	Percentage of participation (%)			
		2020		2019	
		Direct	Indirect	Direct	Indirect
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	00.90%	50.10%	00.90%	50.10%
Energética Águas da Pedra S.A. – EAPSA	Hydraulic generation	51.00%	-	51.00%	-

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16. PP&E

Changes in PP&E, by class, are as follows:

	Consolidated						
	Wind farms	Combined cycle plants	Hydroelectric power stations	Land and buildings	Other	Work in progress	Total
Depreciation rate p,y,	3.24% - 16.7%	2.5% - 20%	2.0% - 20%	0% - 6.67%	2.5% - 25%	-	
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 PP&E 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
Acquisition cost	2,331	1,323	2,216	1,287	59	1,427	8,643
Accrued depreciation	(632)	(547)	(410)	(213)	(20)	-	(1,822)
Balance as of December 31, 2018	1,889	568	741	507	29	2,145	5,879
Additions	-	-	-	-	-	512	512
Capitalized costs ¹	-	-	-	-	-	6	6
Disposals	-	(10)	-	-	-	(15)	(25)
Depreciation	(86)	(44)	(46)	(29)	(4)	-	(209)
Transfers between PP&E classes	1	99	1,152	630	10	(1,892)	-
Transfers - Other assets	(6)	-	-	-	8	(5)	(3)
Balance as of December 31, 2019	1,798	613	1,847	1,108	43	751	6,160
Acquisition cost	2,340	1,107	2,202	1,293	59	751	7,752
Accrued depreciation	(542)	(494)	(355)	(185)	(16)	-	(1,592)

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

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16.1 Accounting policy and critical judgments

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) Critical estimates and 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				
	Service concession arrangements	Software	Other	Work in progress	Total
Amortization rate p,y,	2.86% - 3.96%	5% – 20%	4.74% - 10%	-	-
Balance as of December 31, 2019	9,285	6	69	6	9,366
Additions	-	25	-	4	29
Disposals	(61)	-	-	-	(61)
Amortization	(1,367)	(8)	(5)	-	(1,380)
Transfers between intangible assets	-	6	(3)	(3)	-
Transfers - financial assets ¹	(27)	-	-	-	(27)
Transfers – contractual assets 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 of acquisition	25,521	18	101	5	25,645
Accrued amortization	(14,311)	(12)	(17)	-	(14,340)
Special obligations	(1,844)	-	-	-	(1,844)
Balance as of December 31, 2018	9,212	44	68	6	9,330
Additions	4	-	-	25	29
Disposals	(66)	-	-	-	(66)
Amortization	(1,233)	(2)	(3)	-	(1,238)
Transfer – intangible	-	3	28	(31)	-
Transfers - financial assets ¹	(13)	-	-	-	(13)
Transfers – contractual assets ²	1,313	-	-	-	1,313

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Transfers – other assets	68	(39)	(24)	6	11
Balance as of December 31, 2019	9,285	6	69	6	9,366
Cost of acquisition	24,167	10	81	6	24,264
Accrued amortization	(12,944)	(4)	(12)	-	(12,960)
Special obligations	(1,938)	-	-	-	(1,938)

(¹) Refer to the distribution operators contractual right to receive cash from users for the energy distribution infrastructure construction or improvement service, when such assets start to operate. Upon completion of the infrastructure construction, such assets will be classified as indemnifiable financial assets or intangible assets, depending on the form of remuneration.

(²) Refer to contractual rights classified as contractual assets until the accomplishment of the performance obligations set in the service concession arrangement.

On September 9, 2020, Law No. 14.052 was published, which establishes new conditions for renegotiating the hydrological risk assumed by the holders of the hydroelectric plants participating in the Energy Reallocation Mechanism (MRE) in recent years. The objective is to compensate hydroelectric plants for such risks, the effects of which are related to the anticipation of the physical guarantee of generation projects called structuring, as well as the delay in the start-up of the transmission facilities necessary for the flow of energy generation from these projects, in addition to thermal generation outside the order of merit. This Law was regulated by ANEEL through Normative Resolution No. 895 of December 1, 2020, which established the methodology for calculating the compensation to be paid to hydroelectric generators participating in the Energy Reallocation Mechanism (MRE), considering the potential generation of energy electricity of structuring ventures, if there was no restriction on the flow of energy, and the price of energy in the short-term market at the time of the restriction.

The compensation to hydroelectric generators will occur through the extension of the concession period for generation grants, which must be approved by ANEEL and recognized as an intangible asset in exchange for the recovery of electricity costs. The Company is awaiting the final determination of the amounts involved and consequently proceeds to the accounting recognition.

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.

18. TRADE PAYABLES

	Consolidated	
	2020	2019
Energy	1,937	1,634
Network usage charges	519	203
Materials and services	1,846	1,229
Liberalized energy	126	119
Total	4,428	3,185
Current	4,300	3,049
Non-current	128	136

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In 2020, the Company negotiated with some suppliers to change the maturity for new purchases from 45 to 102 days. For these new purchases, prices also changed, indicating an average financial cost of approximately 3.01% a.a.

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.

As of December 31, 2020, the present value of these operations totaled R\$ 557. Interest incurred is recognized as a financial expense in the income for the year or as a construction cost of property, plant and equipment or intangible assets.

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	
	2020	2019	2020	2019
Loans and financings from financial institutions	6,839	6,017	-	-
Development agencies	9,069	6,718	772	-
Capital markets (debentures)	10,472	9,929	1,356	1,286
Loans and financings¹	26,380	22,664	2,128	1,286
(+) Debt hedging derivative financial instruments (note 19,3)	(2,583)	(1,318)	94	-
(-) Cash and cash equivalents (note 11)	(5,060)	(4,041)	(367)	(999)
(-) Marketable securities	(210)	(171)	-	-
Net debt	18,527	17,134	1,855	287

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

19.2 Loans and financings

The Company's loans and financings are mainly comprised by funding raised from bank loans, development agencies and the capital market (debentures), mainly denominated in Reais ("R\$") and U.S. Dollars ("US\$"). Loans and financings are initially recognized at fair value, which normally reflects the amount received, net of borrowing costs (direct costs to issuance) and any payments. Subsequently, loans and financings are recognized at: i) amortized cost; or ii) fair value through profit or loss.

The Company contracted derivative financial instruments to hedge its exposure to changes in the cash flows of the Company's foreign currency-denominated loans and financings, consequently substantially mitigating the risk of foreign exchange exposure.

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a) Loans and financings agreements by currency and interest rate

	Consolidated		Parent Company	
	2020	2019	2020	2019
Denominated in R\$	18,511	15,945	1,399	1,333
Floating interest rates	18,011	15,305	1,399	1,333
Fixed interest rates	500	640	-	-
Denominated in US\$	6,902	6,262	772	-
Floating interest rates	1,542	2,514	-	-
Fixed interest rates	5,360	3,748	772	-
Denominated in other currencies	1,209	720	-	-
Fixed interest rates	1,209	720	-	-
	26,622	22,927	2,171	1,333
(-) Collateral deposits	(102)	(131)	-	-
(-) Borrowing costs	(140)	(132)	(43)	(47)
	26,380	22,664	2,128	1,286
Current liabilities	3,936	3,706	29	20
Non-current liabilities	22,444	18,958	2,099	1,266

As of December 31, 2020, the average annual borrowing costs are as follows:

	Consolidate		Parent Company	
	2020	2019	2020	2019
Average cost in % of CDI ²	172.4%	108.9%	332.0%	125.2%
Average cost in fixed interest rate	4.7%	6.4%	9.0%	7.3%
Debt balance	26,380	22,664	2,128	1,286
Derivative financial instruments	(2,583)	(1,318)	94	-
Total debt, net of derivatives	23,797	21,346	2,292	1,286

⁽²⁾ Interest rate considers average debt balance for the last 13 months and the accrued charges and CDI for the last 12 months.

b) Loans and financings amortization schedule

Future loans and financings amortization and interest payment flows are as follows:

	Consolidated			
	Principal ⁽³⁾	Interest ⁽³⁾	Derivative financial instruments	Total
2021	3,748	974	(765)	3,957
2022	4,516	993	(578)	4,931
2023	4,038	918	(98)	4,858
2024	4,781	682	(535)	4,928
2025	3,605	473	(527)	3,551
Between 2026 e 2030	5,306	1,213	(383)	6,136
Between 2031 e 2035	1,765	491	(228)	2,028
As from 2036	1,065	276	-	1,341
	28,824	6,020	(3,114)	31,730

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	Parent company			
	Principal ⁽³⁾	Interest ⁽³⁾	Derivative financial instruments	Total
2021	-	70	-	70
2022	-	73	54	126
2023	117	74	45	236
2024	123	74	41	238
2025	128	73	34	236
Between 2026 and 2030	1,815	257	42	2,114
Between 2031 and 2035	808	45	(228)	624
	2,991	666	(12)	3,644

⁽³⁾ Estimated future amortization and interest payments flows are calculated based on the interest rates (fixed and float) and exchange rate curves on December 31, 2020 considering amortizations and interest payments according to loans and financings agreements schedule. The amount includes estimated future charges payments (not recognized yet), further to charges already recognized in the consolidated financial statements.

c) Changes in loans and financings

	Consolidated		Parent Company	
	2020	2019	2020	2019
Balance at the beginning of the year	22,663	21,056	1,287	708
Cash transactions:				
Proceeds	5,764	6,558	836	1,294
Amortization	(4,816)	(5,346)	-	(693)
Borrowing costs paid	(39)	(76)	-	(49)
Charges paid	(935)	(1,186)	(49)	(38)
Collateral deposits (redemption), net	30	(26)	-	-
Non-cash transactions:				
Charges incurred	1,341	1,406	122	64
Foreign exchange rate variation	2,355	263	(68)	2
Transfers	-	(16)	-	-
Fair value adjustments	17	31	-	(2)
Balance at the end of the year	26,380	22,664	2,128	1,286

In the twelve-month period ended December 31, 2020, the Group raised R\$ 5,764 million, of which: (i) R\$ 2,866 million through bank loans and financing in foreign currency, also contracting foreign exchange swaps; (ii) R\$ 560 million through the issuance of debentures; and (iii) R\$ 1,838 million through financing with national development banks, including BNDES and BNB; and (iv) R\$ 500 million through Bank Credit Notes (CCB).

d) Credit lines

Type	Currency	Disbursement dead-line	Consolidated	
			Total amount	Disbursed amount
Financings	R\$	15/09/2023	9,310	2,647
Financings	€	03/12/2022	1,592	836
Financings	USD	26/01/2021	500	-
			11,402	3,483

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e) Financial covenants

Some of the Company's debt contracts contain covenant clauses. The Company's main covenants oblige to maintain certain indices, such as debt on EBITDA (EBITDA - Earnings before interest, taxes, depreciation and amortization) and EBITDA on the financial result. Below are the main parameters:

Consolidated Neoenergia:

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

Subsidiaries:

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

The Company did not identify any event of non-compliance on December 31, 2020 and 2019.

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, 2020 and 2019, the average interest capitalization rate (charges incurred) is 0.06% and 0.11%, 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.

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Loans and financings hedging instruments:				
Foreign exchange rate variation risk (NDF, Options and other)	(3)	-	(4)	-
Currency swap – US\$ vs R\$	2,027	1,133	(85)	-
Currency swap – Other currencies vs R\$	321	21	-	-
Interest rate swap – R\$	201	184	-	-
Other transactions hedging instruments:				
Foreign exchange rate variation risk – Goods and services	49	(20)	7	-
Price risk of own shares (NEOE3)	(12)	-	(12)	-
Net exposure	2,583	1,318	(94)	-
Current assets	722	509	12	-
Non-current assets	1,998	861	-	-
Current liabilities	(14)	(47)	(3)	-
Non-current liabilities	(123)	(5)	(103)	-

The Company has derivative financial instruments contracted for protection purposes, designated for hedge accounting, as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Derivatives not designated as for hedge accounting				
Loans and financings hedging	70	84	-	-
Hired to protect their own share price (NEOE3)	(12)	-	(12)	-
Derivatives designated as for hedge accounting – cash flow				
Loans and financings hedging	1,560	351	(89)	-
Other transactions hedging	49	(20)	7	-
Derivatives designated as for hedge accounting – fair value				
Loans and financings hedging	916	903	-	-
	2,583	1,318	(94)	-

b) Derivative financial instruments assets (liabilities) presented in profit or loss, other comprehensive income/(loss) and statement of cash flows

	2020			2019		
	Loans and financings hedging	Other operations hedging	Total	Loans and financings hedging	Other operations hedging	Total
Balance at the beginning of the year	1,340	(22)	1,318	1,100	26	1,126
Gain/(loss) recognized in profit or loss	2,544	309	2,853	248	33	281
Gain/(loss) recognized as capex	-	1	1	-	(1)	(1)
Derivatives proceeds (payments)	99	70	169	72	(50)	22
Gain/(loss) recognized in other comprehensive income/(loss)	(1,437)	(321)	(1,758)	(80)	(30)	(110)
Balance at the end of the year	2,546	37	2,583	1,340	(22)	1,318
Gain/(loss) recognized in profit or loss						
Cost of operations	-	315	315	-	28	28
Financial result, net	2,544	(6)	2,538	248	6	257

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	2020			2019			Parent Company
	Proteção de dívidas	Proteção de outras operações	Total	Proteção de dívidas	Proteção de outras operações	Total	
Balance at the beginning of year	-	-	-	27	-	27	
Gain/(loss) recognized in profit or loss	(68)	(12)	(80)	1	-	1	
Gain/(loss) recognized as capex	-	-	-	-	-	-	
Derivatives proceeds (payments)	(20)	6	(14)	-	-	-	
Gain/(loss) recognized in other comprehensive income/(loss)	-	-	-	(28)	-	(28)	
Balance at the end of the year	(88)	(6)	(94)	-	-	-	
Gain/(loss) recognized in profit or loss							
Cost of operations	-	-	-	-	-	-	
Financial result, net	(68)	(12)	(80)	1	-	1	

c) Accounting policy and critical judgments

a) 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 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 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 hedge 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. As of December 31, 2020 and 2019, the Company has an obligation to purchase interest - PREVI related to additional equity interest in assets belonging to the network segment (see note 21).

b) Critical estimates and 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 analyzing the impact if the actual results are different from Management's estimate are presented in notes 25.3 and 25.8, respectively.

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20. PROVISION AND JUDICIAL DEPOSITS

	Consolidated	
	2020	2019
Provision for losses on lawsuits (note 20,1,a)	1,189	1,067
Provision for environmental obligations	115	110
Provision for asset dismantling obligations	40	69
Provision for reimbursement	83	46
	1,427	1,292
Current liabilities	221	188
Non-current liabilities	1,206	1,104

20.1 Provision for losses on lawsuits, contingent liabilities and judicial deposits

a) Provision for losses on lawsuits

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

Provisions for losses on lawsuits are as follows:

	Consolidated				
	Civil	Labor	Tax	Regulatory	Total
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
Balance as of December 31, 2018	415	360	131	10	916
Additions and reversals, net	157	51	2	3	213
Payments	(169)	(58)	(1)	(1)	(229)
Monetary variation	111	50	5	1	167
Balance as of December 31, 2019	514	403	137	13	1,067

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

(i) Civil lawsuits: Of the total of R\$ 623 (R\$ 514 as of December 31, 2019) provisioned, we highlight:

Civil lawsuits where indemnities for moral and material damages, among others, resulting from incidents occurred during the normal course of business, amounting to R\$ 159 (R\$ 144 on December 31, 2019) are required.

(ii) Labor claims: Of the total of R\$ 405 (R\$ 403 as of December 31, 2019) provisioned, the following stand out:

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\$ 80 (R\$ 75 as of December 31, 2019), corresponds to the probable estimate of resources to settle this discussion.

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(iii) Tax proceedings: Of the total of R\$ 149 (R\$ 137 as of December 31, 2019) provisioned, the following stand out:

Tax foreclosure resulting from an assessment notice related to ICMS credit allegedly undue in the period from January 2004 to November 2007, which is pending decision in the Superior Courts. The provisioned amount is R\$ 15 (Action received in 2020); and

Writ of Mandamus against Elektro aiming at the non-incidence of PIS / COFINS on income arising from Interest on Equity which, after unfavorable decisions, became final in 2019. The provisioned amount is R\$ 38 (R\$ 39 in 31 December 2019).

b) Contingent liabilities

Contingent liabilities correspond to not recognized lawsuits, since do constitute present obligations whose cash outflows are not likely or for which it is not possible to reliably measure an estimate of the obligation amount, based on legal opinions. Contingent liabilities are presented as follows:

	Consolidated	
	2020	2019
Tax lawsuits (i)	2,643	2,277
Civil lawsuits (ii)	2,241	1,766
Labor lawsuits (iii)	645	673
Regulatory lawsuits (iv)	202	221
	5,731	4,937

Relevant lawsuits whose likelihood of loss is considered possible are as follows:

(i) Tax proceedings: The refer to tax actions and impugnation's of collections, subpoenas and tax assessment notices referring to various taxes, such as ICMS, ISS, CPMF, IPTU, PIS / COFINS, among others, the highlights of which are discussed below

- Tax assessment notices related to ICMS Credit whose bookkeeping in the "ICMS Credit Control of Permanent Assets" (CIAP) allegedly occurred in disagreement with revised rules in tax legislation, estimated at R\$ 342 (R\$ 285 on December 31, 2019);
- 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\$ 278 (R\$ 255 on December 31, 2019);
- Tax assessment notices related to reversals of ICMS debts (Agreement 30) related to the re-invoicing of electricity bills, estimated at R\$ 129 (R\$ 102 on December 31, 2019);
- Infraction notices 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 \$ 279 (R\$ 13 on December 31, 2019);
- Tax assessment notices relating to social contributions (INSS) on amounts paid under PLR, private pension, medical assistance, Workers' Food Program - PAT as well as amounts paid as labor assignments, estimated at R\$ 92 (R\$ 93 on December 31, 2019).

The amounts were adjusted for inflation based on the variation in the SELIC rate.

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- (ii) 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\$ 177 (R\$ 116 as of December 31, 2019).
 - Writ of mandamus seeking to recognize the illegality of the act that annulled Dispatch SFF / ANEEL No. 2517 of August 26, 2010, which provides for a settlement of free energy between generators and electricity distributors, in the estimated amount of R\$ 81 (R\$ 72 on December 31, 2019).
 - Ordinary action to annul ANEEL Normative Resolution No. 387, of 12/15/2009 and Dispatch SFF / ANEEL No. 2,517 of 8/26/2010, which provides for a settlement of free energy between generators and electricity distributors. Values estimated at R\$ 58 (R\$ 52 on December 31, 2019).
 - Indemnity action filed by Jaguaripe Agro Industrial S / A, against Coelba due to a power cut at its facilities without prior notice, in the estimated amount of R\$ 53 (R\$ 46 on December 31, 2019).
 - Indemnity actions filed by third parties due to accidents (Electroplession) with the electric network at 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\$ 62 (R\$ 68 on December 31, 2019).
 - Indemnity actions for moral and material damages at Celpe, in the instruction phase, with an estimated value of R\$ 105.
 - Itapebi is a defendant in several civil lawsuits related to indemnity lawsuits filed by residents of Salto da Divisa claiming damage to their properties after the implantation of the Itapebi HPP, with an estimated total of R\$ 192 on December 31, 2020 (R\$ 170 on December 31, 2019).

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

(iii) Labor 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 installments. The amounts were restated based on the variation of the Reference Rate (TR), the index for updating labor claims plus interest of 1% p.m.

(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,

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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.

	Consolidated	
	2020	2019
Civil lawsuits	391	298
Labor lawsuits	369	379
Tax lawsuits	237	231
Regulatory lawsuits	11	12
	1,008	920

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) 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	
	2020	2019
Guarantee ⁽¹⁾	666	570
Shares purchase obligation with <i>Previ</i> ⁽²⁾	209	209
Returns to consumers	162	152
COSIP (Contribution for Public Lighting Service Funding)	66	61
<i>Uso do Bem Público – UBP</i> (Use of public good)	67	60
Others	264	210
	1,434	1,262

(1) Guarantee constituted in kind to ensure the fulfillment of the contracts, both with regard to its operational clauses, as well as the obligation to pay the charges of the employees of the service providers.

(2) The Company's Shareholders' Agreement provides that in March 2021 the Company will send *Previ* a firm proposal for

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the acquisition of its minority interests in Coelba, Cosern and Afluente T.

22. WAGES, EMPLOYMENT BENEFITS AND RELATED CHARGES

The Company grants its employees short and long-term benefits, in addition to wages, vacation and other legally required benefits, as well as the respective labor charges on these benefits.

Short-term benefits include: (i) profit sharing program; (ii) health and dental care plans; and (iii) other usual market benefits.

Long-term benefits include: (i) pension plan; and (ii) post-employment health care plan.

The amounts recognized in the statement of financial position are as follows:

	Consolidated	
	2020	2019
Salaries, vacations and 13th salary and charges payable	409	280
Short-term benefits	115	98
Long-term benefits	975	759
	1,499	1,137
Non-current assets ⁽¹⁾	(35)	(33)
Current liabilities	525	379
Non-current liabilities	1,009	791

(1) The presentation of post-employment benefit balance is in 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 favor of the participant (individual savings model). Currently, there is only one defined contribution plan open for new members.

In December 2018 and February 2020, the Company contracted with the insurance company the coverage of actuarial risks related to the disability or death benefits of employees allocated in the electricity distribution operations. The insurance policy covers all the risks related to the restoration of the mathematical reserve and will be constantly renewed annually in subsequent periods, in accordance with the Company's actuarial risk management policy. The contracting of this policy exempted the Company from the responsibility to settle the actuarial obligations of these benefits, resulting in the reversal of the liability and the respective recognition of a gain of R\$ 24 in the 2020 result. It is worth mentioning that the impacts on the Company's result, arising from the contracting of the insurance policy were given in a single way ('one-off'), that is, they will not be recurring in subsequent periods.

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)

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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.

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

	Consolidated			
	As of December 31, 2020			
	<u>Active</u>	<u>Watched</u>	<u>Situation</u>	<u>Condition financial</u>
Defined benefit plans				
Néos – Plan BA (old plan FAELBA ¹)	2	905	Closed	Surplus
Néos – Plan RN (old plan FASERN ¹)	-	294	Closed	Surplus
Néos – Plan PE (old plan CELPOS ¹)	83	3,359	Closed	Deficit
Foundation CESP – PSAP/Elektro	3,069	2,179	Open	Deficit
	3,154	6,737		
Defined contribution plans				
Néos – Plan BA (old plan FAELBA ¹)	4,040	1,940	Closed	N/A
Néos – Plan RN (old plan FASERN ¹)	781	253	Closed	N/A
Néos – Plan PE (old plan CELPOS ¹)	2,321	180	Closed	N/A
Néos – Plan CD Néos	1,010	-	Open	N/A
	8,152	2,373		
Total	11,306	9,110		

(1) In June 2020, the National Superintendency of Complementary Pension Plans ('PREVIC') authorized the incorporation of the COELBA Foundation for Complementary Pension Plans ('FAELBA'), the CELPE Social Security Foundation ('CELPOS') and the COSERN Pension Fund Foundation. ('FASERN') by NÉOS *Previdência Complementar* ('NÉOS') and as of October 2020 the effective incorporation into NÉOS of the assets, rights and obligations of the resources of the defined benefit plans and defined contributions managed by these entities.

(2) The plan has a submass structured in the form of defined contribution, in which the Company does not incur the risk of actuarial imbalance, since the amount is permanently adjusted according to the resources maintained in favor of the participant (individual savings 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, 2020, the plan had 7,112 beneficiaries (active beneficiaries - 1,038 and assisted beneficiaries - 6,074).

a) Changes in plan assets and liabilities

Defined benefit and post-employment health

Consolidated				
Defined benefit				
Health				
<u>Obligations actuarial</u>	<u>Fair value of active</u>	<u>Ceiling effect</u>	<u>Active (liabilities) Net</u>	<u>Active (liabilities) Net</u>

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Balance on December 31, 2018	(2,735)	2,964	(377)	(148)	(762)
Cost of service	(6)	-	-	(6)	(1)
Interest effects	(247)	271	(35)	(11)	(70)
Contributions paid by participants	(5)	5	-	-	-
Contributions paid by the sponsor	-	46	-	46	47
Benefits paid by the plan	233	(233)	-	-	-
Effects of reductions / settlements	-	-	-	-	-
Effect of change in actuarial assumptions and ceiling limit	(463)	-	146	(317)	95
Return on plan assets (excluding interest income)	-	302	-	303	-
Balance on December 31, 2019	(3,223)	3,355	(266)	(134)	(691)
Cost of service	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 plan assets (excluding interest income)	-	64	-	64	-
Balance as of December 31, 2020	(3,506)	3,489	(252)	(269)	(820)
Surplus plans	(471)	757	(252)	34	-
Deficit plans	(3,035)	2,732	-	(303)	(820)

In 2020, the Company recorded an actuarial loss through the adjustment of experience R\$ 317 in the PSAP /Elektro, caused substantially by the 22% readjustment in the benefits of assisted participants that uses the IGP-DI variation as a basis. The Company also recorded an actuarial loss through the adjustment of experience R \$ 134 in the post-employment health plan, substantially caused by the following factors: (a) readjustment of the plan's costing table by 11%, and (b) movement of the mass of planparticipants.

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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
Balance on December 31, 2018	24	7	(179)	-
Cost of service	-	-	1	(7)
Interest effects	2	1	(14)	-
Contributions paid by participants	-	-	-	-
Contributions paid by the sponsor	-	-	43	3
Effect of change in actuarial assumptions and ceiling limit	(46)	(25)	(151)	(95)
Return on plan assets (excluding interest income)	41	28	134	99
Balance on December 31, 2019	21	11	(166)	-
Cost of service	-	-	1	14
Interest effects	2	1	(11)	-
Contributions paid by the sponsor	-	-	41	3
Effect of change in actuarial assumptions and ceiling limit	17	4	(3)	(269)
Return on plan assets (excluding interest income)	(21)	(2)	3	84
Balance as of December 31, 2020	19	14	(135)	(168)

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b) Amounts recognized in income for the year

	2020			Consolidated 2019				
	Benefit defined	Health post job	Contribution defined	Total	Benefit defined	Health post job	Contribution defined	Total
Cost of service	15	(1)	(25)	(11)	(6)	(1)	(23)	(30)
Effects of reductions / settlements	23	-	-	23	-	-	-	-
Interest expense on liabilities	(240)	(52)	-	(292)	(247)	(70)	-	(317)
Interest income from assets	232	-	-	232	236	-	-	236
	30	(53)	(25)	(48)	(17)	(71)	(23)	(111)
Service cost allocation:								
Result for the year	15	(1)	(25)	(11)	(6)	(1)	(23)	(30)

c) Amounts recognized in other comprehensive income

	2020			Consolidated 2019		
	Benefit defined	Health post job	Total	Benefit defined	Health post job	Total
Balance at beginning of year	53	(188)	(135)	65	(251)	(186)
Effect of change in actuarial assumptions	(284)	(119)	(403)	(463)	95	(368)
Return on plan assets (excludes interest income)	64	-	64	302	-	302
Change of asset ceiling	34	-	34	146	-	146
Gross effect	(186)	(119)	(305)	(15)	95	80
Taxes on profit	63	41	104	5	(32)	(27)
Net effect on other comprehensive income	(123)	(78)	(201)	(10)	63	53
Balance at the end of the year	(70)	(266)	(337)	53	(188)	(133)

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d) Amounts recognized in the balance sheet

	2020		Consolidated 2019	
	Benefit defined	Health post job	Benefit defined	Health post job
Present value of actuarial obligations	(3,506)	(820)	(3,223)	(691)
Fair value of assets	3,489	-	3,355	-
Effect of asset limit (ceiling)	(252)	-	(266)	-
Total net liabilities (assets)	(269)	(820)	(134)	(691)
Non-current assets	34	-	32	-
Current liabilities	(66)	(4)	(19)	(47)
Non-current liabilities	(237)	(816)	(147)	(644)

As of December 31, 2020 and 2019, the Company's actuarial liabilities included a financial obligation contract for the actuarial rebalancing of the defined benefit plan Néos - Plano PE, in the amounts of R \$ 60 and R \$ 76, respectively. This contract creates an extraordinary obligation for the Company, restated by INPC + 6% a.a., maturing December 2023.

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

(i) Plan assets by category

	2020			Consolidated 2019		
	Prices quoted in Marketplace active	Prices not quoted in Marketplace active	Value Fair total	Prices quoted in Marketplace active	Prices not Quoted In marketplace active	Value Fair total
Direct application:						
Debt Bond – Corporate / Governments	-	-	-	-	-	-
Shares / Quotas	-	-	-	-	-	-
Property investments	-	84	84	-	80	80
Others	1	90	91	-	85	85
Application through funds:						
Investment Fund - Shares / Quotas	349	1	350	326	1	327
Investment fund - Multimarket	1,324	-	1,324	1,228	-	1,228
Investment fund - Fixed income	1,595	-	1,595	1,594	-	1,594
Investment Fund - Real Estate	44	-	44	41	-	41
	3,345	175	3,489	3,189	166	3,355

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(ii) Future payment expectations

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

	Consolidated	
	Benefit defined	Health Post Job
2021	234	49
2022	232	49
2023	231	49
2024	228	49
2025	223	49
Between 2026 and 2030	1,052	235
	2,200	480

For capitalization purposes of defined benefit plans, the Company expects to disburse R\$ 46 in the year 2021.

(iii) Sensitivity analysis and actuarial / economic assumptions

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:

	2020		Consolidated 2019	
	Benefit defined	Health Post Job	Benefit defined	Health Post Job
Nominal discount rate - 0,5% reduction				
Present value of actuarial obligation	1,688	867	1,342	729
% Impact on the present value of the actuarial obligation	6.48%	5.60%	6.18%	5.36%
Impact on the duration of the actuarial obligation	15,18	14,73	12,72	11,64
Nominal discount rate - 0,5% increase				
Present value of actuarial obligation	1,497	779	1,185	658
% Impact on the present value of the actuarial obligation	-6.18%	-5.08%	-5.57%	-4.89%
Impact on the duration of the actuarial obligation	14,00	13,63	11,72	10,84

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

	2020		Consolidated 2019	
	Benefit defined	Health Post Job	Benefit defined	Health Post Job
Nominal average discount rate	7.14%	6.98%	7.70%	7.79%
Nominal average rate of growth of wage cost	4.62%	N/A	5.11%	N/A
Real rate of inflation of medical costs	N/A	3.25%	N/A	3.25%
Long-term estimated average inflation rate	3.25%	3.25%	4.00%	4.00%
Duration (in years)	13.40	14.16	12.21	11.23

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

	2020				2019			
	Néos – Plan BA	Néos – Plan RN	Néos – Plan PE	PSAP/ Elektro	Néos – Plan BA	Néos – Plan RN	Néos – Plan PE	PSAP/ Elektro
Nominal average discount rate	6.98%	6.80%	7.04%	7.25%	7.53%	7.41%	7.61%	7.81%
Nominal average wage cost rate	N/A	N/A	4.28%	5.94%	N/A	N/A	5.04%	6.65%
Long-term estimated average inflation rate	3.25%	3.25%	3.25%	3.25%	4.00%	4.00%	4.00%	4.00%
Duration (in years)	9.25	8.64	9.57	16.60	9.66	8.86	9.96	14.53
Mortality table	BR - EMSsb v2015 (M) desagrava da 15%	AT2000 ponderada (40% M e 60% F). suavizada 10%	AT2000 (M)	AT2000 (M) suaviza da em 10%	BR - EMSsb v2015 (M) desagrava da 15%	AT2000 ponderada (40% M e 60% F). suavizada 10%	AT2000 (M)	AT2000 (M) suaviza da 10%
Disability entry table	N/A	N/A	Light média	Light Fraca suaviza da 30%	N/A	N/A	Light média	Light Fraca suaviza da 30%
Disability mortality table	BR EMSsb v2010 (M)	AT1983 ponderada (40% M e 60% F). suavizada 10%	AT1983 (M)	AT49 (M)	BR EMSsb v2010 (M)	AT1983 ponderada (40% M e 60% F). suavizada 10%	AT1983 (M)	AT49 (M)

For the post-employment health plan, the Company used the following biometric tables: (i) Mortality - AT2000 Basic, and (ii) entry into disability - Light average.

(iv) Main risks related to 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

Changes in the discount rate - The interest rate that is used to calculate the defined benefit obligation (in accordance with 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 an 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.

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e) 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 health 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.

(ii) 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 amount 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 - Share-based compensation (Share 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

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(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 until 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, 2020, based on the determination of performance assumptions and financial conditions, management estimates that the total value of the program will be R\$ 90 (equivalent to 113 beneficiaries and 3,545,170 shares). The expense recognized in the income for the year in 2020 corresponding to the Action Plan was R\$ 3 (including R\$ 0.6 of charges).

23. SHAREHOLDERS' EQUITY

23.1 Share capital

The share capital is fully represented by common shares ("ON"), all without par value. The Board of Directors may, regardless of statutory reform, decide to issue new shares (authorized capital), including through the capitalization of profits and reserves up to the authorized limit.

As of December 31, 2020, the Company has authorization from the Board of Directors to repurchase 3,650,000 common shares, between 2021 to 2025, to be allocated to the share-based compensation program (see note 23.2).

As of December 31, 2020 and 2019, the share capital is R\$ 12,920 corresponding to 1,213,797,248 registered shares, fully subscribed, paid up and without par value.

	Shareholders		
	ON	ON %	R\$
Iberdrola Energia S A. ("Iberdrola")	606,898,625	50.00%	6,460
Iberdrola S.A.	12,618,700	1.04%	134
Previ-Caixa de Prev. dos Func. do Banco do Brasil ("Prev")	367,647,583	30.29%	3,914
Other shareholders – Free float	226,095,383	18.63%	2,407
Advisers and directors	536,957	0.04%	5
Total outstanding shares	1,213,797,248	100.0%	12,920

23.2 Earnings per share and compensation to shareholders

a) Earnings per share

Basic and diluted earnings per share are as follows:

	Attributed to shareholders of Neoenergia S/A			
	Consolidated		Parent Company	
	2020	2019	2020	2019
Net income for the year	2,905	2,309	2,796	2,229
Weighted-average shares held by the controlling interest	1,214	1,214	1,214	1,214

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Earnings per share	<u>2,39</u>	<u>1,90</u>	<u>2,30</u>	<u>1,84</u>
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b) Compensation to shareholders

The Company's Bylaws determine the minimum remuneration of 25% of net income, after adjustments in accordance with Brazilian legal requirements. The remuneration to shareholders is in the form of dividends and / or interest on own capital ('JCP'), based on the limits defined by law and the Company's bylaws.

The compensation proposal for Neoenergia S / A shareholders was calculated as follows:

	2020
Net income for the year	2,796
Legal reserve	(140)
Adjusted net income	2,656
Allocation to unrealized profit reserve / profit retention	(1,910)
Net income to be distributed	746
Remuneration	
Mandatory minimum	201
Additional remuneration	545
	746
Nature of remuneration	
Dividends	201
Interest on equity	545
	746
Total compensation per share	0.55

The amounts paid to shareholders of Neoenergia S / A, by nature of remuneration, are presented as:

	Deliberation	Nature of remuneration	Deliberate value	Value per share ON
2020				
RCA of June 15, 2020		Interest on equity 2020	278	0.2293645
RCA of December 9, 2020		Interest on equity 2020	267	0.2196808
			545	
2019				
RCA of June 26, 2019		Interest on equity 2019	338	0.2784645
RCA of December 12, 2019		Interest on equity 2019	218	0.1793503
			556	

The remuneration payable to shareholders is presented as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Balance on January 1	213	343	198	329
Declared in the year	784	624	746	556
Withholding income tax	(54)	(55)	(52)	(52)
Paid in the year	(467)	(698)	(450)	(635)
Balance at December 31	476	214	442	198

23.3 Other comprehensive results

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The Company recognizes in other comprehensive income gains (losses), net of taxes, from: (i) actuarial employee benefit obligations; (ii) fair value of financial instruments used in a cash flow hedge accounting strategy; (iii) effects of equity in JV and associates similar to the items mentioned above

23.4 Capital Reserve

The special goodwill reserve was constituted by the corporate restructuring of the Company, resulting from the capital contributions made to Elektro and Coelba, both subsidiaries of the Company. In addition to the impact of share-based compensation (share plan), see note 22.2.

23.5 Transaction reservation with partners

The amounts are the result of: (i) the differences between the amount paid and the book value resulting from changes in shareholdings in which there was no change in the investee's shareholding control; (ii) and fair value of derivative financial instruments linked to the obligation to purchase additional interest in investees.

The amounts recognized in this reserve come from the following transactions:

Purchase of interest in Itapebi by Termope (i) / (ii)	658
Purchase of additional stake in Coelba and Cosern by Neoenergia (iii)	333
Obligation to purchase Previ participation (see note 20)	68
Incorporation fair value (iv)	530
Gain relative share Coelba (v)	8
Total	<u>1,597</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 Coelba and 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) 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.

(v) In March and July 2018, increases in the share capital of 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 reserves

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.

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23.6.3 Profit retention reserve:

Its purpose is to ensure maintenance and development for the main activities that make up the Company's corporate purpose, in an amount not exceeding 50% of the distributable annual net income up to the maximum limit of the Company's capital or proposed capital budget.

23.7 Accounting policy

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.

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.

Tax incentives are recognized when there is reasonable certainty that the benefit will be received and that all conditions established and related to the subsidy will be met by the Company. The amounts recognized in the income statement are allocated to the incentive reserve and will only be used for eventual absorption of losses or capital increase, and their distribution in the form of remuneration to shareholders is not liable.

24. RELATED PARTIES TRANSACTIONS

The Company's related parties are subsidiaries, associates, joint ventures, shareholders and their related entities and the Company's key-management personnel.

The main commercial transactions with related parties recognized as trade receivables and/or trade payables and the respective revenues and/or costs/expenses are related to: (i) energy purchase and sale agreements; (ii) energy distribution or transmission system usage agreements; (iii) operation and maintenance service rendering; (iv) administrative services agreements.

Transactions with pension funds responsible for managing short and long-term benefits granted to the Company's employees are classified as "Shareholders and Others" in this note.

Information on related parties transactions and the related impact on the Company's consolidated financial statements are presented as follows:

24.1 Open balance with related parties

	2020				Consolidado 2019			
	Joint ventures	Associates	Shareholders	Total	Joint ventures	Associates	Shareholders	Total
Assets								
Accounts receivable and others (c)	-	1	-	1	-	-	-	-

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Dividends and interest on equity payable (d)	15	1	-	16	14	1	-	15
Other assets (e)/(g)	-	-	21	21	-	-	23	23
	15	2	21	38	14	1	23	38
Liabilities								
Suppliers and accounts payable (c)/(f)/(g)/(h)	40	103	106	249	42	173	83	298
Employee benefits (e)	-	-	60	60	-	-	76	76
Dividends and interest on equity payable (i)	-	-	476	476	-	-	214	214
Other liabilities (j)/(h)	-	-	216	216	-	-	214	214
	40	103	858	1,001	42	173	587	802
Controladora								
2020				2019				
	Controlled	Joint ventures e coligadas	Shareholder And others¹	Total	Controlled	Joint ventures e coligadas	Shareholder And others¹	Total
Assets								
Dividends and interest on equity payable (d)	669	15	-	684	375	14	-	389
Other assets (k)/(l)/(m)/(o)	77	-	-	77	22	-	-	22
	746	15	-	761	397	14	-	411
Liabilities								
Suppliers and accounts payable (f)/(h)	-	-	104	104	-	-	81	81
Dividends and interest on equity payable (n)	-	-	442	442	-	-	198	198
Other liabilities ¹ (o)/(j)	11	-	209	220	109	-	209	318
	11	-	755	766	109	-	488	597

(1) According to the amendment to the Company's Shareholders' Agreement, the deadline for the Company to send Previ a firm proposal to acquire its minority interests in Coelba, Cosern and Afluente T. was extended to March 2021.

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24.2 Related parties transactions

	2020				2019			
	<i>Joint ventures</i>	<i>Associates</i>	<i>Shareholders and others</i>	<i>Total</i>	<i>Joint ventures</i>	<i>Associates</i>	<i>Shareholders and others</i>	<i>Total</i>
Profit or loss								
Net revenue (a)/(b)/(c)	12	-	-	12	17	2	-	19
Cost of services (c)/(e)	(401)	(882)	(57)	(1,340)	(426)	(794)	(45)	(1,265)
General and administrative (e)/(f)/(g)/(h)	-	-	(132)	(132)	-	-	(78)	(78)
Financial results, net	-	-	(7)	(7)	-	-	-	-
	(389)	(882)	(196)	(1,467)	(409)	(792)	(123)	(1,324)

	2020				2019			
	<i>Controladas</i>	<i>Joint ventures e coligadas</i>	<i>Acionistas e outros</i>	<i>Total</i>	<i>Controladas</i>	<i>Joint ventures e coligadas</i>	<i>Acionistas e outros</i>	<i>Total</i>
Resultado do período								
Receita operacional, líquida (k)	4	-	-	4	4	-	-	4
Despesas gerais e administrativas (f)/(h)	-	-	(109)	(109)	-	-	(78)	(78)
Resultado financeiro líquido (l)/(m)/(o)	173	-	-	173	176	-	-	176
	177	-	(109)	68	180	-	(78)	102

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24.3 Main transactions with related parties

The main transactions with related parties in items 24.1 and 24.2 refer to:

- (a) Services provided by Neoenergia O&M to Águas da Pedra, related to operation and maintenance services, from 2020 to 2024, with prices adjusted for inflation.
- (b) Services provided by Neoenergia Serviços to Teles Pires: transactional and accounting services, preparation of periodic reports to regulatory bodies, monitoring of external audits, preparation of quarterly and annual financial statements, in addition to tax services, from 2020 to 2022, inflation-adjusted prices.
- (c) Electricity supply contracts, transmission system use contracts (CUST), Distribution System Use Contracts (CUSD), Contracting in the Regulated Environment (CCEAR) and Transmission System Connection Contracts (CCT) signed between the Group Companies. The main contracts are detailed below:
 - i. Norte Energia S.A.: energy purchase contracts signed by Coelba, Cosern, Celpe and Elektro Redes, through regulated auctions (and administered prices), with a supply term between 2015-2044.
 - ii. Águas da Pedra: energy purchase contracts signed by Coelba, Cosern, Celpe and Elektro Redes, through regulated auctions (and administered prices), with a supply term between 2011 and 2040.
 - iii. Teles Pires: energy purchase contracts signed by Coelba, Cosern, Celpe and Elektro Redes, through regulated auctions (and administered prices), with a supply term between 2015-2044. Additionally, there are energy purchase contracts signed by NC Comercializadora on the free market, with supply beginning in 2018 and reaching 2036.
- (d) Dividends and / or interest on capital to be paid to Neoenergia in 2021.
- (e) Contributions from subsidiaries Coelba, Celpe and Cosern to the pension funds of active employees, as detailed in note 22.
- (f) Engineering Service Agreement between Neoenergia and Iberdrola Generacion for an indefinite period.
- (g) Engineering operation and maintenance service contract (in foreign currency) between Termope and Iberdrola Generacion, with an annual adjustment based on the IGP-M variation. The contract has an indefinite term.
- (h) Administrative services contract, both contracts follow the same pricing methodology (cost plus margin) and the contracts are automatically renewed:
 - i. Services provided by Iberdrola Energia related to human resources, information technology (hardware and software), purchasing, financial, regulatory, control, infrastructure, among others, with the objective of maximizing the operational efficiency of Iberdrola units in different locations, sharing best practices through the provision of services, the contract has an indefinite term.

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- ii. Iberdrola Renovables: Services provided by Iberdrola Renovables related to the management, promotion, construction and operation of wind farms in Brazil.
- (i) Dividends and interest on own capital to be paid by Neoenergia, Afluente T, Celpe, Coelba, Cosern and Elektro Redes in 2021.
- (j) Obligation with PREVI to be settled in 2021, as described in note 21.
- (k) Property lease agreements adjusted annually by the variation of the IGPM with maturities up to 2021.
- (l) Financial loan agreement signed with Neoenergia Sobral Transmissão de Energia due in 2021.
- (m) Financial loan agreement signed with Neoenergia Serviços Ltda, maturing in 2022.
- (n) Dividends and interest on equity to be paid by Neoenergia in 2021.
- (o) Contract entered into with the subsidiaries Coelba, Celpe, Cosern, Itapebi, Termope, Afluente T, NC and Elektro Redes for the provision of corporate guarantees where Neoenergia is the guarantor of financial instruments with a charge for an Aval fee due until 2021.

24.4 Key-management personnel compensation

Employees' compensation, including those occupying executive positions and members of the Company's Board of Directors, recognized in the statement of income for the period are presented as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Wages and recurring benefits	37	49	26	31
Short-term variable compensation	17	15	11	16
Long-term benefits	12	4	9	2
Contract terminations	-	2	-	-
	66	70	46	49

24.5 Granted financial guarantees

Guarantees granted by the Company are done based on contractual clauses that support the financial transactions between the joint ventures/associates and third parties, assuring assumption of the obligation accomplishment, in case the original debtor does not comply with the set financial commitments.

As of December 31, 2020, the total financial guarantees granted by the Company to certain joint ventures and associates amounted to R\$4,573.

25. FINANCIAL INSTRUMENTS FAIR VALUES CLASSIFICATION AND ESTIMATES
25.1 Financial instruments classification and measurement

The Company classifies financial instruments according to their business model and the purpose for which they were acquired. Financial instruments are classified and measured as follows:

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	2020			Consolidated 2019		
	AC	FVTOC	FVTP&L	AC	FVTOCI	FVTP&
Financial assets						
Cash and cash equivalents	1,825	-	3,235	994	-	3,047
Marketable securities	116	-	94	6	-	165
Trade and other receivables	7,800	-	-	7,138	-	-
Derivative financial instruments	-	1,757	963	-	394	976
Sectoral financial assets (Portion A and other)	92	-	-	395	-	-
Concession of public service (Financial assets)	-	-	14,403	-	-	11,743
	9,833	1,757	18,695	8,533	394	15,931
Financial liabilities						
Trade payables and payables to contractors	4,428	-	-	3,185	-	-
Loans and financings	23,973	-	2,407	18,606	-	4,058
Sectoral financial liabilities (Portion A and other)	665	-	-	313	-	-
Derivative financial instruments	-	126	11	-	52	-
Lease obligations	95	-	-	97	-	-
Use of public property	67	-	-	60	-	-
Other financial liabilities *	6	-	-	-	-	-
	29,234	126	2,418	22,261	52	4,058

AC – Amortized cost
 FVTOCI – Fair value through other comprehensive income
 FVTP&L – Fair value through profit and loss

25.2 Fair value estimates

For fair value measurement and determination purposes, the Company uses several methods including market, result or cost approaches, in order to estimate the value that market participants would use to set the price of an asset or a liability. Financial assets and liabilities recognized at fair value are classified and disclosed according to the levels as follows:

Level 1 – Quoted prices (not adjusted) in active, liquid and visible markets for identical assets and liabilities that are accessible on the measurement date;

Level 2 – Quoted prices (which may or may not be adjusted) for similar assets or liabilities in active markets; and

Level 3 – Assets and liabilities whose prices do not exist or where these prices or valuation techniques are supported by a small or non-existent, unobservable or illiquid market.

The analysis on the impact if actual results differ from Management's estimate is disclosed in Note 25.8 (sensitivity analysis).

25.3 Financial instruments recognized at fair value (“FVTP&L” or “FVTOCI”)

The measurement level of financial assets and liabilities recognized at fair value are as follows:

	2020			Consolidated 2019		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	3,235	-	3,235	3,047	-	3,047
Marketable securities	94	-	94	165	-	165
Derivative financial instruments	2,720	-	2,720	1,370	-	1,370
Service concession arrangement (financial asset)	-	14,403	14,403	-	11,743	11,743
	6,049	14,403	20,452	4,582	11,743	16,325

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Financial liabilities						
Loans and financings	2,407	-	2,407	4,058	-	4,058
Derivative financial instruments	137	-	137	52	-	52
	2,544	-	2,544	4,110	-	4,110

There was no financial instruments transfer between the fair value measurement levels.

The gains and losses recognized in the income for the year 2020 and 2019, related to financial assets and liabilities measured using level 3 techniques, were in the amounts of R \$ 549 and R \$ 556, respectively. The remaining transactions for these assets and liabilities are disclosed in note 14.1.

25.4 Financial instruments recognized at amortized cost (“AC”)

Fair value of financial instruments measured at amortized cost may differ from the carrying amount due to the long-term realization cycle. Financial assets and liabilities recognized at amortized cost have fair values as follows:

	Consolidated			
	2020		2019	
	Carrying amount	Fair value estimate - Level 2	Carrying amount	Fair value estimate - Level 2
Loans and financings	23,973	24,207	18,606	18,830

In December 2020, for purposes of comparability with the book balance, debentures started to be measured based on the market approach, the reference being the last trading price or PU quotation, both available at B3 or Anbima, respectively. Debentures not traded on the secondary market, as well as other bilateral loans, are measured using a discounted cash flow assessment technique using risk-free curves from the market source (B3) and the spread of Company's credit risk, disclosed by rating agencies. The Company's credit spread is adjusted to the duration and currency of each debt instrument.

Due to the short-term cycle, it is assumed that the fair value of the balances of cash and cash equivalents, bonds and securities, accounts receivable from customers, accounts payable to suppliers and sectorial financial assets and liabilities are equal to the amounts measured at amortized cost (book balance).

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 (CA): 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 (VJORA): 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

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sale; and

- Fair value through profit or loss (VJR): all other financial assets. This category generally includes derivative financial instruments.

The instruments measured by CA and VJR 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

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.

25.6 Assessment methods and techniques

(i) Service concession arrangements

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.

(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, 2020, 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.

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In order to assess the economic relationship between the hedged item and the hedge 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.

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:

	Notional amount		Due date (Year)	Fair value		Accrued amount Receivable/received or payable/paid amount
	2020	2019		2020	2019	2020
Swap US\$ float vs R\$ float						
Company						
Asset	US\$ 182	US\$ 501	2021 - 2029	952	2,025	
Liabilities	R\$ 583	R\$ 1,596		(570)	(1,579)	
Net exposure				382	446	(64)
Swap US\$ fixed vs R\$ float						
Company						
Asset	US\$ 137	US\$ 332	2020 - 2027	748	1,352	
Liabilities	R\$ 373	R\$ 1,007		(370)	(1,006)	
Net exposure				378	346	32

The programs as follows are designated as for hedge accounting and classified as for cash flow hedge:

	Notional amount		Due date (Year)	Fair value		Accrued amount Receivable/received or payable/paid amount
	2020	2019		2020	2019	2020
Swap US\$ float vs R\$ float						
Company						
Asset	US\$ 114	US\$ 122	2021-2030	594	491	
Liabilities	R\$ 367	R\$ 396		(369)	(398)	
Net exposure				225	93	132
Swap US\$ fixed vs R\$ float						
Company						
Asset	US\$ 889	US\$ 593	2021-2035	4,831	2,462	
Liabilities	R\$ 3,698	R\$ 2,187		(3,790)	(2,215)	

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Net exposure	1,041	247	794
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Euro loans and financings hedging program

For economic and financial hedging purposes, the Company may contract swaps to translate 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:

Swap EUR \$ fixed vs R\$ float	Notional amount		Due date (Year)	Fair value		Accrued amount Receivable or payable amount
	2020	2019		2020	2019	2020
Asset	€ 159	€ 178	2022-2024	1,042	742	
Liabilities	R\$ 703	R\$ 715		(710)	(721)	
Net exposure				332	21	311

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:

Swap IPCA vs CDI	Notional amount		Due date (Year)	Fair value		Accrued amount Receivable or payable amount
	2020	2019		2020	2019	2020
Asset	R\$ 768	R\$ 747	2021 - 2025	841	904	
Liabilities	R\$ 662	R\$ 732		(661)	(731)	
Net exposure				180	173	7

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	Notional amount		Due date (Year)	Fair value		Accrued amount Receivable or payable amount
	2020	2019		2020	2019	2020
USD Payments						
Forward	US\$ 110	US\$ 217	2020-2024	29	(5)	
Net exposure					29	(5)

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The Options Program designated for hedge accounting and classified as cash flow hedge ended in July 2020, with no more options to expire in the Company's derivatives portfolio:

Option	Notional amount		Due date (Year)	Fair value		Accrued amount
	2020	2019		2020	2019	Receivable or payable amount 2020
USD Payments						
Call Purchase	-	US\$ 3	2020	-	2	
Net exposure				-	2	(2)

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	Notional amount		Due date (Year)	Fair value		Accrued amount
	2020	2019		2020	2019	Receivable or payable amount 2020
EUR Payments						
Forward	€ 53	€ 44	2020-2022	16	(16)	
Net				16	(16)	32

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.

Swap R\$ fixed vs R\$ float	Notional amount		Due date (Year)	Fair value		Accrued amount
	2020	2019		2020	2019	Receivable or payable amount 2020
Asset	R\$ 336	R\$ 336	2022	352	347	
Liabilities	R\$ 328	R\$ 334		(329)	(337)	
Net exposure				23	10	13

Hedge program for loans and financing in Reais indexed to fixed rates

On July 15, 2020, the Company's Board of Directors approved the repurchase of up to 2,555,000 shares, through the contracting of a derivative financial instrument (Equity Swap), to protect the Company from its share price volatility (NEOE3), when this event could negatively impact future cash flows assumed under its Long Term Incentive Program.

This program is classified according to an economic hedge, not designated for hedge accounting, and is measured at fair value through profit or loss.

Swap Equity	Notional amount		Due date (Year)	Fair value		Accrued amount
	2020	2019		2020	2019	Receivable or payable amount 2020

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Asset	45	-	2022	45	-	
Liabilities	56	-		(57)	-	
Net exposure				(12)	-	(12)

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.

Swap JPY fixed vs R\$ float	Notional amount		Due date (Year)	Fair value		Accrued amount
	2020	2019		2020	2019	Receivable or payable amount
						2020
Asset	JPY 3,887	-	2021	196	-	
Liabilities	R\$ 204	-		(206)	-	
Net exposure				(10)	-	(10)

25.8 Sensitivity analysis

Sensitivity analysis estimates financial instruments potential value in hypothetical scenarios by stressing out the main market risk factors that impact each position, while maintaining all other variables constant.

- Likely Scenario: Financial income and expenses were projected for the next period, considering balances, foreign exchange rates and/or interest rates on December 31, 2020.
- Scenario II: Fair value estimate considering 25% deterioration on risk variables.
- Scenario III: Estimated fair value considering 50% deterioration on risk variables.

For derivative financial instruments sensitivity analysis purposes, the Company understands that it is not necessary to consider hedged liabilities, exposed to fluctuations in foreign exchange rates or price ratios and that are recognized in the statement of financial position.

As 100% of foreign currency loans and financings are hedged by swaps, the risk of foreign exchange rates fluctuations is irrelevant, as follows:

Operation	Currency	Risk	Rate	Exposure (Balance/ National)	Impact Scenario (II)	Impact Scenario (III)
U,S, Dollars denominated debt	Dollars (US\$)	Dollar appreciation	5.1967	(6,902)	(1,727)	(3,451)
Swap receivable leg in U,S, Dollars		Dollar depreciation		7,118	1,779	3,558
Net exposure				216	52	107
Euro denominated debt	Euro (€)	Euro appreciation	6.3779	(1,014)	(253)	(507)
Swap receivable leg in Euro		Euro depreciation		1,042	260	520
Net exposure				28	7	13

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Yen denominated debt	Yene (JPY)	Yene appreciation	0.0504	(196)	(49)	(98)
Swap receivable leg in Yen		Yene depreciation		196	49	98
Net exposure				-	-	-

For the disbursements in foreign currency in non-debt contracts, the following protection strategies are adopted, with the impacts related to the scenarios reproduced for the exchange variation on the derivative and corresponding impact in each scenario for the protected item being presented in the table. Thus, we observe the effect of eliminating and / or reducing the net foreign exchange exposure through the hedge strategy:

Operation	Currency	Risk	Rate	Exposure (Balance/ Notional)	Impact Scenario (II)	Impact Scenario (III)
Hedge item: portion of payments in USD NDF	Dollars (US\$)	Dollar appreciation Dollar depreciation	5.1967	(576) 576	140 (140)	280 (280)
Net exposure				-	-	-
Hedge item: portion of payments in Euro NDF	Euro (€)	Euro appreciation Euro depreciation	6.3779	(422) 348	104 (86)	208 (172)
Net exposure				(74)	18	36
Collar Hedge item: portion of payments in USD	Dollars (US\$)	Dollar depreciation Dollar depreciation		-	-	-
Net exposure				-	-	-

The table below shows the loss (gain) due to changes in interest rates that may be recognized in the Company's results in the following year, if one of the scenarios presented below occurs:

Operation	Index	Risk	Rate at the year	Exposure (Balance/ Notional)	Most likely Scenario	Impact Scenario (II)	Impact Scenario (III)
Financial assets							
Marketable securities at CDI	CDI	CDI depreciation	1.90%	5,136	97	(24)	(48)
Financial liabilities							
Loans and financings							
Debt instruments at CDI	CDI	CDI appreciation	1.90%	(7,078)	(166)	(42)	(82)
Swaps Dollar x CDI (payable leg)	CDI	CDI appreciation	1.90%	(7,042)	(151)	(39)	(76)
Debt instruments at IPCA	IPCA	IPCA appreciation	4.31%	(8,451)	(764)	(95)	(190)
Swaps IPCA x CDI (receivable leg)	IPCA	IPCA depreciation	4.31%	841	86	9	20
Debt instruments at LIBOR 3M	LIBOR	LIBOR 3M appreciation	0.24%	(294)	(5)	-	-
Swaps Libor 3M x CDI (receivable leg)	LIBOR	LIBOR 3M depreciation	0.24%	294	6	-	-
Debt instruments at LIBOR 6M	LIBOR	LIBOR 6M appreciation	0.26%	(1,251)	(14)	(1)	(1)
Swaps Libor 6M x CDI (receivable leg)	LIBOR	LIBOR 6M depreciation	0.26%	1,251	16	1	2
Debt instruments at SELIC	SELIC	SELIC appreciation	1.90%	(512)	(21)	(2)	(5)
Debt instruments at TJLP	TJLP	TJLP appreciation	4.39%	(1,970)	(126)	(21)	(44)

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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	Index	Risk	Rate at the year	Exposure (Balance/ Notional)	Most likely Scenario	Impact Scenario (II)	Impact Scenario (III)
Other Financial Assets							
Active Swap in Equities	NEOE3	Action depreciation	17.62	45	3	11	23

26. COMMITMENTS

Commitments related to long term electric power purchase contracts are as follows:

	Energy Purchase (a)	Infrastructure Construction
2022	13,393	5,421
2023	13,868	3,764
2024	14,218	3,785
2025	14,440	4,027
2026	14,990	4,547
Between 2027 and 2036	66,830	22,228

(a) The values related to the energy purchase contracts, whose validity varies from 6 to 30 years, represent the total volume contracted and were approved by ANEEL, which meet the commitments imposed by the legislation.

The group's distributors carried out an analysis of the contracted energy commitments that exceed the 5% over-contracting limit, which eventually may not be considered for transferring the tariff because they are considered voluntary. According to demand projections and market price estimates, the results observed were not considered significant for its operations.

Neoenergia is the guarantor and guarantor of loans, financing and debentures of its subsidiaries and affiliates.

27. SUBSEQUENT EVENTS

(i) Approvals for privatization auction CEB Distribuição S.A.

On January 14, 2021, the General Superintendence of the Administrative Council for Economic Defense (CADE) issued an opinion approving the acquisition of the shares representing 100% of the share capital of CEB Distribuição S.A. by Bahia Geração de Energia S.A, a subsidiary of Neoenergia.

On January 22, 2021, the National Electric Energy Agency (ANEEL), by means of an order, decided to previously approve the transfer of direct control of CEB Distribuição SA, which will be controlled by Bahia Geração de Energia SA ("Bahia PCH III"), a subsidiary of Neoenergia,

(ii) 7th issue of debentures

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On January 27, 2021, the Company's Board of Directors approved the realization of the 7th (seventh) issue of simple, non-convertible debentures, of unsecured type, in a single series, in the amount of R \$ 2,000 from the Company ("Debentures "), To be distributed through a public offering with restricted placement efforts under the terms of the Securities and Exchange Commission Instruction 476, of January 16, 2009, as amended, and the other applicable legal and regulatory provisions.

(iii) Debit raising

Neoenergia's subsidiaries contracted financial operations via 4131 with Swap, according to the characteristics below:

Company	Creditor	Amount (R\$)	Due date	Contract date	Disbursement date	Amortization	Interest
Coelba	MUFG	200	1 year	01/07/2021	01/13/2021	<i>Bullet</i>	<i>Bullet</i>
Celpe	Scotiabank	200	3 years	12/02/2012	01/08/2021	<i>Bullet</i>	biannual
Celpe	Scotiabank	200	3 years	12/23/2021	01/26/2021	<i>Bullet</i>	biannual
Cosern	Scotiabank	100	3 years	12/30/2021	01/06/2021	<i>Bullet</i>	biannual