



NEOENERGIA

Intermediate
Financial
Statements

SEPTEMBER 30, 2021



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HIGHLIGHTS (R\$ MN) 3Q21	3Q21	3Q20	Δ %	9M21	9M20	Δ %
Net Operating Revenue	11,620	7,775	49%	29,732	21,136	41%
Gross Margin	3,737	2,639	42%	10,135	7,066	43%
Operating Expenses	(843)	(757)	11%	(2,513)	(2,222)	13%
EBITDA	2,861	1,764	62%	7,445	4,395	69%
Financial Income (Loss)	(566)	(197)	187%	(1,374)	(680)	102%
Profit assigned to controlling shareholder	1,281	814	57%	3,290	1,813	81%
Financial Asset (Concession)	494	131	277%	1,155	145	697%
IFRS 15	213	174	22%	874	398	120%
EBITDA ex-VNR e IFRS15	2,154	1,459	48%	5,416	3,852	41%

OPERATING INDICATORS						
Captive + Free Market (GWh) ¹	16,400	15,592	5.2%	49,049	45,790	7.1%
Volume of energy injected (GWh) ¹	18,893	18,230	3.6%	56,104	53,109	5.6%
Number of Customers (thousand) ¹	15,662	15,290	2.4%			

Financial Debt Indicators	3Q21	2020	Variation
Net Debt ² /EBITDA ³	2.86	2.85	0.01
EBITDA/Financial Result ³	5.54	6.31	(0.77)
Corporate Rating (S&P)	AAA	AAA	-

(1) 3Q21 reflects the result for the full quarter of Neoenergia Brasília, while the accumulated result starts on March 2, 2021, when it was merged into Neoenergia. Comparison with 2020, which considers Neoenergia Brasília, is merely pro forma.

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

(3) EBITDA and Financial Result - 12 months



Financial and Operating Highlights:

- 18,893 GWh of energy injected in the 3Q21, +3.6% vs. 3Q20 and 56,104 GWh in 9M21 (+5.6% vs. 9M20). Disregarding Neoenergia Brasília in 2020, growth was +15.8% vs. 3Q20 and 14.8% vs. 9M20, confirming market recovery in the Neoenergia concession area;
- Operating expenses of R\$ 843 million in the 3Q21 (+11% vs. 3Q20) and R\$ 2,513 million in 9M21 (+13% vs. 9M20). Disregarding Neoenergia Brasília in the comparison, and the holding arbitrations in the 1Q20, one can note an increase of +6.7% vs. 3Q20 and +5.5% vs. 9M20. The growth recorded was below inflation, absorbing the larger number of customers, new businesses, and a higher level of operating activities in 2021 (in 2020, disconnections were suspended from March through August);
- EBITDA of R\$ 2.9 billion in the 3Q21 (+62% vs. 3Q20) and R\$ 7.4 billion in 9M21 (+69% vs. 9M20);
- Income of R\$ 1.3 billion in the 3Q21 (+57% vs. 3Q20) and R\$ 3.3 billion in 9M21 (+81% vs. 9M20);
- CAPEX of R\$ 6.4 billion in 9M21 (+51% vs. 9M20) due to the progress of Transmission and Wind projects;
- Net debt/EBITDA of 2.86x in the 3Q21 (2.85x in the 4Q20);
- Total 12-month losses: Reductions in Neoenergia Coelba, Neoenergia Pernambuco, Neoenergia Elektro and Neoenergia Brasília. Neoenergia Elektro and Neoenergia Cosern carry on within the regulatory limit;
- Early start of operations of 53 windmills of the Chafariz Complex, with 184MW, contributing with R\$ 48 million EBITDA in the quarter;
- Neoenergia Elektro tariff reset (+11.49%) with full recording of IGPM in Parcel B without deferral. Neoenergia Brasília tariff review (+11.10%), with RAB recognition of R\$ 1.1 billion.

3Q21 TELECONFERENCE

Tuesday, October 26, 2021

Time: 10:00 (BRT) | 09:00 (EST)

(with simultaneous translation into English)

Telephone number for connecting: +55 (11) 3181-8565 or +55 (11) 4210-1803 or +55 (11) 4090-1621

EUA/Canada: (Toll Free) +1 844 204-8942 – **(Dial In)** +1 412 717-9627

Other countries: +1 412 717-9627

Password: Neoenergia

Webcast access: <https://choruscall.com.br/neoenergia/3t21.htm>

NEOENERGIA S.A. DISCLOSES THE RESULTS FOR THE 2021 THIRD QUARTER AND NINE MONTHS (3Q21 AND 9M21) BASED ON MANAGEMENT ANALYSES THAT THE BOARD OF DIRECTORS UNDERSTANDS TO TRANSLATE THE COMPANY'S BUSINESS IN THE BEST MANNER, RECONCILED WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).

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1. ECONOMIC AND FINANCIAL PERFORMANCE

1.1. Consolidated

CONSOLIDATED STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Operating Revenue (1)	11,620	7,775	3,845	49%	29,732	21,136	8,596	41%
Costs with Energy (2)	(8,377)	(5,267)	(3,110)	59%	(20,752)	(14,215)	(6,537)	46%
Gross Margin w/out Concession Financial Assets	3,243	2,508	735	29%	8,980	6,921	2,059	30%
Concession Financial Assets (VNR)	494	131	363	277%	1,155	145	1,010	697%
GROSS MARGIN	3,737	2,639	1,098	42%	10,135	7,066	3,069	43%
Operating Expenses	(843)	(757)	(86)	11%	(2,513)	(2,222)	(291)	13%
Provision for Doubtful Receivables (PECLD)	(100)	(104)	4	(4%)	(246)	(421)	175	(42%)
(+) Equity Accounting	67	(14)	81	N/A	69	(28)	97	N/A
EBITDA	2,861	1,764	1,097	62%	7,445	4,395	3,050	69%
Depreciation	(506)	(408)	(98)	24%	(1,453)	(1,188)	(265)	22%
Financial Income (Loss)	(566)	(197)	(369)	187%	(1,374)	(680)	(694)	102%
IR/CS	(468)	(316)	(152)	48%	(1,213)	(651)	(562)	86%
Minority shareholdings	(40)	(29)	(11)	38%	(115)	(63)	(52)	83%
NET INCOME	1,281	814	467	57%	3,290	1,813	1,477	81%

(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 tariffs approved are always classified in the Operating Revenue line as Amounts Receivables/Returnable from Parcel A and Other Financial Items. Considering that a large portion of Parcel A is recorded as energy cost, the isolated analysis of variations in revenue and cost may lead to distortions in the interpretation of the result for the period. Accordingly, the Company believes it is more appropriate to explain the variations in the result based on Gross Margin.

Neoenergia ended the 3Q21 with a Gross Margin of R\$ 3,737 million, +42% vs. 3Q20, driven by the effects of (i) the 2021 Tariff Resets of Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro (8.98%, 8.96% and 11.49%, respectively), (ii) the Tariff Review of Neoenergia Pernambuco (8.99%), (iii) the 2020 Tariff Reset of Neoenergia Elektro (iv) market increase, (v) greater Concession Financial Assets – VNR; (vi) the use of IFRS15 of R\$ 213 million in transmission (+22% vs. 3Q20) due to higher Capex (vii) better earnings from Wind businesses, (viii) greater generation of Termopernambuco and (ix) better margin of the Trading Company, in addition to the consolidation of Neoenergia Brasília of R\$85 million for the quarter.

In the year-to-date, Gross Margin was R\$ 10,135 million (+43% vs. 9M20) explained by the effects of (i) the 2021 Tariff Resets of Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro (8.98%, 8.96% and 11.49%, respectively), (ii) Neoenergia Pernambuco Tariff Review (8.99%), (iii) the 2020 Tariff Resets of Distributors (iv) market increase, (v) greater Concession Financial Assets – VNR; (vi) the use of IFRS15 of R\$874 million in transmission (+120% vs. 9M20) due to higher Capex (vii) better earnings from Wind businesses due to higher wind speeds, (viii) greater generation of Termopernambuco and (ix) better margin of the Trading Company, in addition to the consolidation of Neoenergia Brasília of R\$ 232 million since March 2, 2021.

Operating expenses amounted to R\$843 million in the 3Q21 (+11% vs. 3Q20). Disregarding the R\$35 million referring to Neoenergia Brasília in this quarter, expenses amounted to R\$ 808 million (+6.7% vs. 3Q20). Growth below inflation, absorbing the larger number of customers, higher headcount and new businesses.

In the year-to-date, expenses amounted to R\$ 2,513 million (+13% vs. 9M20). Excluding the R\$ 141 million of Neoenergia Brasília in 2021, and disregarding the R\$ 25.5 million gain related to two arbitrations of the holding company in 1Q20, expenses grew +5.5% vs. 9M20. Growth below inflation (12-month IPCA of 10.25%), absorbing the larger number of customers, higher headcount, new business, and higher level of operating activities in 2021 (in 2020, the disconnection actions were suspended from March through August).

The Allowance for Doubtful Accounts – AFDA amounted to R\$ 100 million in 3Q21 and R\$ 246 million in 9M21, an improvement of R\$ 4 million and R\$ 175 million, respectively, compared to the same periods of the previous year, confirming the return to pre-pandemic levels and the success of collection actions.

Equity in the 3Q21 was R\$ 67 million and R\$ 69 million in 9M21 (+R\$ 81 million and +R\$ 97 million, respectively), mainly explained by the non-recurring effect of the renegotiation of GSF of Teles Pires, Belo Monte and Dardanelos in the 1Q21 and 3Q21 in the amount of R\$ 58 million.

As a result of the abovementioned effects, EBITDA amounted to R\$ 2,861 million in the 3Q21 (+62% vs. 3Q20) and R\$ 7,445 million in 9M21 (+69% vs. 9M20) confirming the recovery of the market, the maintenance of efficiency and cost discipline, the good levels of collection, as well as the progress in the construction of transmission projects, and the start of operation of the Chafariz Complex.

The Financial Result was -R\$ 566 million in the quarter, worsened by R\$ 369 million vs. 3Q20. In 9M21 it was -R\$1,374 million, worsened by R\$ 694 million vs. 9M20. This increase is mainly explained by higher expenses with debt charges arising from higher CDI and IPCA, and from the increase of the average balance of the debt due to funding used for the Capex of new transmission and wind projects, in addition to the Distributors funding (including R\$ 2.5 billion for funding Neoenergia Brasília).

Net income ended the quarter at R\$1,281 million (+57% vs. 3Q20) and the 9M21 at R\$ 3,290 million (+81% vs. 9M20).

1.2. Networks

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

NETWORKS STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	11,084	7,435	3,649	49%	28,654	20,283	8,371	41%
Costs with energy	(8,543)	(5,313)	(3,230)	61%	(21,171)	(14,356)	(6,815)	47%
Gross Margin w/out Concession Financial Assets	2,541	2,122	419	20%	7,483	5,927	1,556	26%
Concession Financial Assets (VNR)	494	131	363	277%	1,155	145	1,010	697%
Gross Margin	3,035	2,253	782	35%	8,638	6,072	2,566	42%
Operating Expenses	(672)	(622)	(50)	8%	(2,044)	(1,828)	(216)	12%
Provision for Doubtful Receivables (PECLD)	(100)	(104)	4	(4%)	(246)	(421)	175	(42%)
EBITDA	2,263	1,527	736	48%	6,348	3,823	2,525	66%
Depreciation	(385)	(305)	(80)	26%	(1,117)	(875)	(242)	28%
Financial Income (Loss)	(458)	(131)	(327)	250%	(1,099)	(540)	(559)	104%
IR CS	(373)	(286)	(87)	30%	(1,043)	(607)	(436)	72%
NET INCOME	1,047	805	242	30%	3,089	1,801	1,288	72%

The Networks segment ended 3Q21 with Gross Margin of R\$ 3,035 million, +35% vs. 3Q20, driven by the effects of (i) the 2021 Tariff Resets of Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro (8.98%, 8.96% and 11.49% respectively), (ii) the Tariff Review of Neoenergia Pernambuco (8.99%), (iii) the 2020 Tariff Reset of Neoenergia Elektro, (iv) market increase, (v) higher Financial Concession Assets – VNR, (vi) the use of IFRS15 of R\$ 213 million in transmission (+22% vs. 3Q20), due to higher Capex, in addition to the consolidation of Neoenergia Brasília of R\$ 85 million in the quarter.

In the year to date, Gross Margin was R\$ 8,638 million (+42% vs. 9M20), explained by the effects of (i) the 2021 Tariff Resets of Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro (8.98%, 8.96% and 11.49%, respectively), (ii) the Tariff Review of Neoenergia Pernambuco (8.99%), (iii) the 2020 Tariff Resets of Distributors, (iv) market increase, (v) higher VNR, (vi) the application of IFRS15 in transmission of the order of R\$ 874 million (+120% vs. 9M20) due to higher Capex, in addition to the consolidation of Neoenergia Brasília of R\$ 232 million since March 2, 2021.

Operating expenses amounted to R\$ 672 million in the 3Q21 (+8% vs. 3Q20). Disregarding the R\$ 35 million of Neoenergia Brasília in this quarter, expenses amounted to R\$ 637 Million (+2% vs. 3Q20). Growth below inflation, absorbing the higher number of customers, higher headcount and new businesses.

In the year-to-date, expenses were R\$ 2,044 million (+12% vs. 9M20). Disregarding R\$141 million referring to Neoenergia Brasília expenses in 2021, growth was 4% vs. 9M20. Growth was below inflation (12-month IPCA of 10.25%), absorbing the higher number of customers, higher headcount, new businesses, and higher level of operating activities in 2021 (in 2020, disconnection actions were suspended from March through August).

The Allowance for Doubtful Accounts - AFDA was R\$ 100 million in the 3Q21 and R\$ 246 million in 9M21, an improvement of R\$ 4 million and R\$ 175 million compared to the same periods of the previous year, confirming the return to pre-pandemic levels and the success of collection actions.

As a result of the abovementioned effects, EBITDA amounted to R\$ 2,263 million in the 3Q21 (+48% vs. 3Q20) and R\$ 6,348 million in 9M21 (+66% vs. 9M20), a consequence of market recovery, maintenance of efficiency and cost discipline, the good levels of collections, as well as the progress of the construction works of transmission projects.

As to net income, the quarter ended at R\$ 1,047 million (+30% vs. 3Q20), and the 9M21 at R\$ 3,089 million (+72% vs. 9M20).

TRANSMISSION STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	799	745	54	7%	2,416	1,655	761	46%
Construction Costs	(529)	(536)	7	(1%)	(1,390)	(1,176)	(214)	18%
Gross Margin	270	209	61	29%	1,026	479	547	114%
Operating Expenses	(20)	(11)	(9)	82%	(50)	(30)	(20)	67%
EBITDA	250	198	52	26%	976	449	527	117%
Financial Income (Loss)	(75)	(7)	(68)	971%	(228)	(11)	(217)	1973%
IR CS	(52)	(58)	6	(10%)	(238)	(132)	(106)	80%
NET INCOME	123	133	(10)	(8%)	510	306	204	67%
IFRS15	213	174	39	22%	874	398	476	120%

In the 3Q21, transmission companies showed a Gross Margin of R\$ 270 million (+R\$ 61 million vs. 3Q20) and R\$ 1,026 million in 9M21 (+R\$ 547 million vs. 9M20), impacted by higher actual Capex in the period (use of IFRS15).

Operating expenses amounted to R\$ 20 million in the 3Q21, R\$ 9 million in excess of the 3Q20 figure, due to higher costs with personnel arising from the start of operation of the April'17 lot auction. In the year-to-date, expenses amounted to R\$ 50 million (+R\$ 20 million vs. 9M20), for the same reasons as in the quarter.

Transmission EBITDA ended the quarter at R\$ 250 million (+R\$ 52 million vs. 3Q20) and the year-to-date at R\$ 976 million (+R\$ 527 million vs. 9M20).

The use of IFRS15 produced an impact of R\$ 213 million on the 3Q21 EBITDA, and R\$ 874 million on the 9M21, R\$ 39 million and R\$ 476 million in excess of the same periods of the previous year.

As to net income, it amounted to R\$ 123 million in the 3Q21 (-R\$ 10 million vs. 3Q20) and R\$ 510 million in 9M21 (+R\$ 204 million vs. 9M20).

1.2.1. NEOENERGIA COELBA

STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	3,737	2,724	1,013	37%	9,851	7,498	2,353	31%
Costs with Energy	(2,678)	(1,892)	(786)	42%	(6,883)	(5,057)	(1,826)	36%
Concession Financial Assets (VNR)	239	66	173	262%	523	76	447	588%
Gross Margin	1,298	898	400	45%	3,491	2,517	974	39%
Operating Expenses	(276)	(274)	(2)	1%	(867)	(794)	(73)	9%
Provision for Doubtful Receivables (PECLD)	(38)	(32)	(6)	19%	(117)	(130)	13	(10%)
EBITDA	984	592	392	66%	2,507	1,593	914	57%
Depreciation	(169)	(144)	(25)	17%	(487)	(412)	(75)	18%
Financial Income (Loss)	(189)	(64)	(125)	195%	(464)	(249)	(215)	86%
IR CS	(145)	(83)	(62)	75%	(318)	(183)	(135)	74%
NET INCOME	481	301	180	60%	1,238	749	489	65%

Neoenergia Coelba ended the 3Q21 with a Gross Margin of R\$ 1,298 million (+45% vs. 3Q20) driven by the economy resumption, the average tariff reset of 8.98% of April'21, the increase of customer base and higher Concession Financial Assets - VNR (+R\$ 173 million), explained by a higher IPCA in the period. In the year-to-date, the Gross Margin was 39% greater compared to 9M20, explained by the average tariff reset of 5.00% of April'20, in addition to the abovementioned reasons.

Operating expenses amounted to R\$ 276 million in the 3Q21 (+1% vs. 3Q20) absorbing inflation, the growth of customer base and insourcing of operating activities. As to the 9M21, expenses amounted to R\$ 867 million (+9% vs. 9M20), impacted by increased collection activities in 2021 given that such activities had been suspended from March through August 2020.

In the 3Q21, the Allowance for Doubtful Accounts - AFDA was R\$ 38 million, +R\$ 6 million vs. 3Q20, when, after resumption to the disconnection activities, reversals of accruals for the 2Q20 were noted. In the year-to-date, such allowance amounted to R\$ 117 million, -10% vs. 9M20, showing the return to the same pre-pandemic levels.

As a result of the abovementioned variations, EBITDA for the 3Q21 amounted to R\$ 984 million, a 66% increase vs. 3Q20. In the year-to-date, EBITDA was R\$ 2,507 million, +57% vs. 9M20.

Net income amounted to R\$ 481 million in the 3Q21 (+60% vs. 3Q20) and R\$ 1,238 million in 9M21 (+65% vs. 9M20).

1.2.2. NEOENERGIA PERNAMBUCO

STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	2,239	1,595	644	40%	5,923	4,551	1,372	30%
Energy costs	(1,815)	(1,195)	(620)	52%	(4,651)	(3,386)	(1,265)	37%
Concession Financial Assets (VNR)	111	25	86	344%	315	27	288	1067%
Gross Margin	535	425	110	26%	1,587	1,192	395	33%
Operating Expenses	(160)	(158)	(2)	1%	(475)	(486)	11	(2%)
Provision for Doubtful Receivables (PECLD)	(45)	(30)	(15)	50%	(120)	(157)	37	(24%)
EBITDA	330	237	93	39%	992	549	443	81%
Depreciation	(84)	(74)	(10)	14%	(249)	(211)	(38)	18%
Financial Income (Loss)	(113)	(29)	(84)	290%	(263)	(155)	(108)	70%
IR CS	(37)	(31)	(6)	19%	(127)	(45)	(82)	182%
NET INCOME	96	103	(7)	(7%)	353	138	215	156%

Neoenergia Pernambuco ended the 3Q21 with a Gross Margin of R\$ 535 million (+26% vs. 3Q20), driven by the economy recovery, the average increase of 8.99% of the April'21 tariff reset, the increase of customer base and higher VNR, given the higher IPCA for the period. In the year-to-date, the Gross Margin was R\$ 1,587 million in 9M21 (+33% vs. 9M20), explained by the same abovementioned reasons, in addition to the average increase of 5.16% of the April'20 tariff reset.

Operating expenses recorded R\$ 160 million in the 3Q21, in line with that of the 3Q20. As to the 9M21, expenses were R\$ 475 million (-2%), absorbing both inflation and increase of customer base, higher headcount and larger number of collection activities in 2021, given that such activities were prohibited from March through August 2020.

In the quarter AFDA amounted to R\$ 45 Million, R\$ 15 million in excess of that of the same period of the previous year due to reversals that took place in the 3Q21 as a result of the return to disconnections. In 9M21 it amounted to R\$ 120 million, -R\$ 37 million compared to the same period of 2020, showing the return to pre-pandemic levels by means of collection actions.

As a result of the abovementioned variations, EBITDA for the quarter was R\$ 330 million, a 39% increase vs. 3Q20. In the year-to-date, EBITDA was R\$ 992 million, +81% vs. 9M20.

Net Income was R\$ 96 million in the 3Q21 (-R\$ 7 million vs. 3Q20) and R\$ 353 million in 9M21 (+R\$ 215 million vs. 9M20).

1.2.3. NEOENERGIA COSERN

STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	1,000	683	317	46%	2,520	1,905	615	32%
Costs with Energy	(753)	(484)	(269)	56%	(1,843)	(1,320)	(523)	40%
Concession Financial Assets (VNR)	49	14	35	250%	108	14	94	671%
Gross Margin	296	213	83	39%	785	599	186	31%
Operating Expenses	(57)	(63)	6	(10%)	(172)	(180)	8	(4%)
Provision for Doubtful Receivables (PECLD)	(2)	2	(4)	(200%)	(4)	(5)	1	(20%)
EBITDA	237	152	85	56%	609	414	195	47%
Depreciation	(35)	(27)	(8)	30%	(95)	(77)	(18)	23%
Financial Income (Loss)	(22)	(8)	(14)	175%	(35)	(38)	3	(8%)
IR CS	(41)	(24)	(17)	71%	(92)	(57)	(35)	61%
NET INCOME	139	93	46	49%	387	242	145	60%

Neoenergia Cosern ended the 3Q21 with a Gross Margin of R\$ 296 million (+39% vs. 3Q20), driven by the economic recovery, the average 8.96% increase of the April'21 tariff review, increase in the number of customers and higher VNR, explained by the higher IPCA. In the year-to-date the Gross Margin was R\$ 785 million (+31%), explained by the same abovementioned reasons, in addition to the average increase of 3.40% of the April'20 tariff reset.

Operating expenses recorded amounted to R\$ 57 million in the 3Q21 (-10% vs. 3Q20) and R\$ 172 million in 9M21 (-4% vs. 9M20), showing the constant search for efficiency.

In the 3Q21, AFDA amounted to R\$ 2 million and R\$ 4 million in the 9M21, 20% below that of the same period of the previous year, showing the return to the same pre-pandemic levels.

As a result of the abovementioned variations, EBITDA for the quarter was R\$ 237 million (+56% vs. 3Q20) and in the year-to-date it amounted to R\$ 609 million (+47% vs. 9M20).

Net income totaled R\$ 139 million in the 3Q21 (+49% vs. 3Q20) and R\$ 387 million in the no 9M21 (+60% vs. 9M20).

1.2.4. NEOENERGIA ELEKTRO

STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	2,251	1,696	555	33%	5,848	4,700	1,148	24%
Costs with Energy	(1,782)	(1,206)	(576)	48%	(4,487)	(3,417)	(1,070)	31%
Concession Financial Assets (VNR)	90	26	64	246%	196	28	168	600%
Gross Margin	559	516	43	8%	1,557	1,311	246	19%
Operating Expenses	(133)	(124)	(9)	7%	(376)	(367)	(9)	2%
Provision for Doubtful Receivables (PECLD)	(16)	(43)	27	(63%)	(60)	(128)	68	(53%)
EBITDA	410	349	61	17%	1,121	816	305	37%
Depreciation	(74)	(61)	(13)	21%	(224)	(176)	(48)	27%
Financial Income (Loss)	(62)	(23)	(39)	170%	(125)	(87)	(38)	44%
IR CS	(89)	(89)	-	-	(236)	(186)	(50)	27%
NET INCOME	185	176	9	5%	536	367	169	46%

Neoenergia Elektro ended the 3Q21 with a Gross margin of R\$ 559 million (+8% vs. 3Q20) driven by the economic recovery, average tariff reset of 11.49% in August'21, market growth, increase in the number of customers and higher VNR, given the higher IPCA. In the year-to-date, the Gross Margin was R\$ 1,557 million (+19%), explained by the average tariff reset of 5.36% of August'20, in addition to the abovementioned reasons.

Operating expenses recorded amounted to R\$ 133 million in the 3Q21 (+7% vs. 3Q20). The year-to-date was R\$ 376 million, +2% vs. 9M20. It should be pointed out the 1Q20 positive and non-recurring event of the order of R\$ 22 million regarding the contracting of fatal occupational accident insurance policy that allowed the reversal of such amount from the mathematical reserve that the company's pension fund held. Disregarding this non-recurring event of the 1Q21, the level of expenses of Neoenergia Elektro in the 9M21 showed a reduction of 3%.

In the quarter, AFDA totaled R\$ 16 million, -R\$ 27 million compared to the 3Q20 and R\$ 60 million in the 9M21, - R\$ 68 million compared to the same period of 2020, confirming the return to pre-pandemic levels by means of successful collection actions.

As a result of the abovementioned variations, EBITDA for the quarter was R\$ 410 million, an increase of 17% vs. 3Q20. In the 9M21, EBITDA amounted to R\$ 1,121 million, +37% vs. 9M20.

Net income recorded was R\$ 185 million for the 3Q21 (+5% vs. 3Q20) and R\$ 536 million in the 9M21 (+46% vs. 9M20).

1.2.5. NEOENERGIA BRASÍLIA

STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Gross Margin without VNR	81	82	(1)	(1%)	220	186	34	18%
Concession Financial Assets (VNR)	4	1	3	300%	12	1	11	1100%
Gross Margin	85	81	4	5%	232	185	47	25%
Operating Expenses	(35)	(64)	29	(45%)	(141)	(152)	11	(7%)
Provision for Doubtful Receivables (PECLI)	1	22	(21)	(95%)	56	(38)	94	N/A
EBITDA	51	40	11	28%	147	(5)	152	N/A
Depreciation	(17)	(12)	(5)	42%	(33)	(29)	(4)	14%
Financial Income (Loss)	3	53	(50)	(94%)	16	31	(15)	(48%)
IR CS	(13)	(0)	(13)	-	(45)	5	(50)	N/A
NET INCOME	24	80	(56)	(70%)	85	2	83	4150%

Neoenergia Brasília was merged into the Group on March 2, 2021 and as of that date the results were 100% consolidated. The 3Q21 reflects the result for the full quarter, while the year-to-date result is recorded as of March 2, 2021. The comparison with 2020 is merely pro forma, and it is not included in the group's consolidated economic result for 2020.

Neoenergia Brasília ended the 3Q21 with a Gross Margin of R\$ 85 million (+5% vs. 3Q20) and R\$ 232 million in the year-to-date (+25% vs. 9M20), mainly explained by the increase in the energy distributed in the periods.

Operating expenses recorded R\$ 35 million in the quarter (-45% vs. 3Q20). As to the year-to-date, expenses totaled R\$ 141 million (-7% vs. 9M20), excluding the Voluntary Severance Plan (PDV) in the amount of R\$ 24 million in 2Q21, the reduction would be 23% compared to the same period of the previous year, reflecting the turnaround that has been carried out.

In the quarter, AFDA was positive by R\$ 1 million, and by R\$ 56 million in the 9M21 due to the adherence to the methodology already in place in the Neoenergia Group. We started to adopt a provision based on the history of payment behavior, by customer class (aging) in the last 60 months, structured into 4 portfolios: (i) portfolio of no installments, (ii) portfolio in installments, (iii) illegal connections portfolio (retroactive billing resulting from anti-loss inspection actions) and (iv) legal portfolio (overdue debts that are now dealt with in court). Previously, CEB-D had a policy of provisioning a high portion of the unpaid debt balance, given that practically one year went by without any collection actions. Adherence to Neoenergia's methodology allowed the current levels of AFDA.

As a result of the abovementioned variations, EBITDA for the quarter was R\$ 51 million, +R\$ 11 million vs. 3Q20. In the year-to-date, it was R\$ 147 million, +R\$ 152 million if compared to the 9M20.

Net income for the 3Q21 was R\$ 24 million (vs. R\$ 80 million in the 3Q20) and in the 9M21 it was R\$ 85 million (vs. R\$ 2 million in 2020).

1.3. Renewables

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

RENEWABLES STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	368	263	105	40%	840	715	125	17%
Costs with Energy	69	(22)	91	(414%)	48	(99)	147	(148%)
GROSS MARGIN	437	241	196	81%	888	616	272	44%
Operating Expenses	(49)	(52)	3	(6%)	(148)	(155)	7	(5%)
(+) Equity Accounting	67	(14)	81	N/A	69	(28)	97	N/A
EBITDA	455	175	280	160%	809	433	376	87%
Depreciation	(53)	(45)	(8)	18%	(149)	(140)	(9)	6%
Financial Income (Loss)	(37)	(50)	13	(26%)	(114)	(125)	11	(9%)
IR/CS	(64)	(12)	(52)	433%	(103)	(16)	(87)	544%
NET INCOME	301	68	233	343%	443	152	291	191%

HYDRO PLANTS STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net revenue	134	107	27	25%	411	407	4	1%
Costs with Energy	90	(15)	105	N/A	89	(75)	164	N/A
GROSS MARGIN	224	92	132	143%	500	332	168	51%
Operating Expenses	(22)	(25)	3	(12%)	(65)	(75)	10	(13%)
(+) Equity Accounting	67	(14)	81	N/A	69	(28)	97	N/A
EBITDA	269	53	216	408%	504	229	275	120%
Depreciation	(24)	(19)	(5)	26%	(65)	(59)	(6)	10%
Financial Income (Loss)	(14)	(28)	14	(50%)	(51)	(62)	11	(18%)
IR/CS	(56)	(10)	(46)	460%	(95)	(43)	(52)	121%
NET INCOME (LOSS)	175	(4)	179	N/A	293	65	228	351%

WIND FARMS STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net revenue	234	156	78	50%	429	308	121	39%
Costs with Energy	(21)	(7)	(14)	200%	(41)	(24)	(17)	71%
GROSS MARGIN	213	149	64	43%	388	284	104	37%
Operating Expenses	(27)	(27)	-	-	(83)	(80)	(3)	4%
EBITDA	186	122	64	52%	305	204	101	50%
Depreciation	(29)	(26)	(3)	12%	(84)	(81)	(3)	4%
Financial Income (Loss)	(23)	(22)	(1)	5%	(63)	(63)	-	-
IR/CS	(8)	(2)	(6)	300%	(8)	27	(35)	N/A
NET INCOME	126	72	54	75%	150	87	63	72%

The Renewables segment closed the 3Q21 with a Gross Margin of R\$ 437 million (+R\$ 196 million vs. 3Q20) positively impacted by the hydroelectric plants (+R\$ 132 million vs. 3Q20), mainly due to the non-recurring effect of the GSF renegotiation (which affected the energy cost by R\$ 125 million), and the greater volume of energy from Itapebi allocated to the sales agreement with Neoenergia Comercializadora (NC), adjusted by the IPCA in January 2021. The wind farms contributed with +R\$ 64 million, impacted by higher wind speeds in the period and the early start of operation of 184 MW of the Chafariz Complex.

In the year-to-date, the Gross Margin of the segment amounted to R\$ 888 million (+R\$ 272 million vs. 9M20), impacted by +R\$168 million by the hydroelectric plants, of which R\$ 163 million refer to the renegotiation of GSF, and by +R\$ 104 million by the wind farms.

Operating expenses ended the 3Q21 at R\$ 49 million (-6% vs. 3Q20) and the 9M21 at R\$ 148 million (-7% vs. 9M20), showing the constant search for efficiency.

Equity in the 3Q21 was R\$ 67 million, and R\$ 69 million in the 9M21, (+R\$ 81 million and +R\$ 97 million, respectively), mainly explained by the non-recurring effect of the renegotiation of the GSF of Teles Pires, Belo Monte and Dardanelos in the amount of R\$ 58 million.

Due to the abovementioned effects, EBITDA of the Renewables segment for the quarter was R\$ 455 million (+R\$ 280 million vs. 3Q20) and R\$ 809 million in the 9M21 (+R\$ 376 million vs. 9M20), due to the good performance of both, hydroelectric plants and wind farms. Worthy of mention is the contribution of the order of R\$ 48 million arising from the early start of operation of the Chafariz Complex.

Income recorded in the 3Q21 amounted to R\$ 301 million (+R\$ 233 million vs. 3Q20) and in 9M21 it amounted to R\$ 443 million (+R\$ 291 million vs. 9M20).

1.4. Liberalized

LIBERALIZED STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	845	551	294	53%	2,067	1,625	442	27%
Costs with Energy	(581)	(397)	(184)	46%	(1,464)	(1,228)	(236)	19%
Gross Margin	264	154	110	71%	603	397	206	52%
Operating Expenses	(57)	(37)	(20)	54%	(148)	(118)	(30)	25%
EBITDA	207	117	90	77%	455	279	176	63%
Depreciation	(15)	(15)	-	-	(47)	(46)	(1)	2%
Financial Income (Loss)	(23)	(15)	(8)	53%	(48)	(56)	8	(14%)
IR CS	(34)	(16)	(18)	113%	(63)	(24)	(39)	163%
NET INCOME	135	71	64	90%	297	153	144	94%

TERMOPERNAMBUCO STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	440	282	158	56%	1,092	824	268	33%
Costs with Energy	(218)	(157)	(61)	39%	(544)	(451)	(93)	21%
Gross Margin	222	125	97	78%	548	373	175	47%
Operating Expenses	(46)	(22)	(24)	109%	(118)	(82)	(36)	44%
EBITDA	176	103	73	71%	430	291	139	48%
Depreciation	(15)	(14)	(1)	7%	(46)	(42)	(4)	10%
Financial Income (Loss)	(21)	(11)	(10)	91%	(41)	(49)	8	(16%)
IR CS	(25)	(13)	(12)	92%	(57)	(32)	(25)	78%
NET INCOME	115	65	50	77%	286	168	118	70%

COMERC. STATEMENT OF INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Revenue	402	269	133	49%	965	801	164	20%
Costs with Energy	(361)	(239)	(122)	51%	(910)	(776)	(134)	17%
Gross Margin	41	30	11	37%	55	25	30	120%
Operating Expenses	(11)	(16)	5	(31%)	(30)	(37)	7	(19%)
EBITDA	30	14	16	114%	25	(12)	37	N/A
Depreciation	-	(1)	1	(100%)	(1)	(4)	3	(75%)
Financial Income (Loss)	(2)	(4)	2	(50%)	(7)	(7)	-	-
IR CS	(10)	(3)	(7)	233%	(6)	8	(14)	N/A
NET INCOME	18	6	12	200%	11	(15)	26	N/A

The Liberalized segment consolidated a gross margin of R\$ 264 million in 3Q21, +R\$110 million vs. 3Q20, mainly impacted by the higher margin of Termopernambuco (+R\$ 97 million vs. 3Q20), due to greater number of days in operation, given that in the 3Q20 the plant was 100% dispatched in view of the water crisis in Brazil, in addition to good results of Neoenergia Comercializadora. In the year-to-date, the gross margin was R\$ 603 million, +R\$ 206 million vs. 9M20, explained by better margin at Termopernambuco, higher generation recorded in 2021 and the impact of the tariff reset, which is dollarized, as well as better margin at Neoenergia Comercialização compared to the previous year.

Operating expenses were R\$ 57 million in 3Q21 (+R\$ 20 million vs. 3Q20). In the year-to-date, these expenses were R\$ 148 million, +R\$ 30 million compared to the same period of the previous year, mainly explained by the higher number of operating days at Termopernambuco in 2021 and by the adjustment to O&M contracts that are dollarized.

As a result of these variations, Liberalized EBITDA was R\$ 207 million in 3Q21 (+R\$ 90 million vs. 3Q20) and R\$ 455 million in 9M21 of which R\$ 430 million from Termopernambuco.

Net income was R\$ 135 million in the quarter (+R\$ 64 million vs. 3Q20) and R\$ 297 million in 9M21 (+R\$ 144 million vs. 9M20) due to better results of both, Termopernambuco and the Trading Company.

2. EBITDA

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

EBITDA (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Net Income for the Period (A)	1,281	814	467	57%	3,290	1,813	1,477	81%
Profit assigned to minority shareholders (B)	(40)	(29)	(11)	38%	(115)	(63)	(52)	83%
Financial Expenses (C)	(718)	(398)	(320)	80%	(1,919)	(1,171)	(748)	64%
Financial Revenues (D)	197	168	29	17%	561	421	140	33%
Other net financial income (loss) (E)	(45)	33	(78)	(236%)	(16)	70	(86)	(123%)
Income tax and social contribution (F)	(468)	(316)	(152)	48%	(1,213)	(651)	(562)	86%
Depreciation and amortization (G)	(506)	(408)	(98)	24%	(1,453)	(1,188)	(265)	22%
EBITDA = (A-(B+C+D+E+F+G))	2,861	1,764	1,097	62%	7,445	4,395	3,050	69%

3. FINANCIAL INCOME

NET FINANCIAL INCOME (R\$ MN)	3Q21	3Q20	Variation		9M21	9M20	Variation	
			R\$	%			R\$	%
Revenue from financial investments	52	29	23	79%	101	106	(5)	(5%)
Charges, monetary and exchange variations and debt derivative financial Instruments	(617)	(252)	(365)	145%	(1,499)	(753)	(746)	99%
Other financial income (loss) not related to debt	(1)	26	(27)	N/A	24	(33)	57	N/A
Interest, commissions and arrears interest	125	137	(12)	(9%)	428	292	136	47%
Monetary and exchange variations - other	(9)	(11)	2	(18%)	(28)	(44)	16	(36%)
Adjustment to provision for contingencies / judicial deposits	(49)	(45)	(4)	9%	(142)	(130)	(12)	9%
Adjustment to sector financial assets / liabilities	12	(1)	13	N/A	7	2	5	250%
Post-employment liabilities	(21)	(15)	(6)	40%	(62)	(45)	(17)	38%
Other net financial revenues (expenses)	(59)	(39)	(20)	51%	(179)	(108)	(71)	66%
Total	(566)	(197)	(369)	187%	(1,374)	(680)	(694)	102%

The Consolidated Financial Result was -R\$ 566 million in 3Q21, worsened by R\$ 369 million vs. 3Q20, a variation explained mainly by the higher expense with debt charges (+R\$ 365 million), due to the 34% increase in the average debt balance, arising from the funding used for Capex of new transmission and wind projects, in addition to the Distribution companies (including R\$ 2.5 billion for funding Neoenergia Brasília). Additionally, in the period, we observed an increase of the IPCA (32% of indebtedness is adjusted by that index) and the increase of the CDI (61% of the company's indebtedness). In the year-to-date, the Financial Result was -R\$ 1,374 million, worsened by R\$ 694 million, for the same reasons as in the quarter.

4. INVESTMENTS

The Capex of Neoenergia closed the 9M21 at R\$ 6.4 billion, as displayed below:






CAPEX Neoenergia (R\$ million)	3Q21	3Q20	Δ %	9M21	9M20	Δ %
Networks	1,568	1,548	1%	4,313	3,620	19%
Distributors	1,035	1,038	(0%)	2,793	2,504	12%
Transmission Lines	534	510	5%	1,520	1,116	36%
Renewables	1,242	296	319%	1,985	501	296%
Liberalized	17	32	(47%)	54	86	(37%)
Holding	1	0	350%	1	1	50%
TOTAL	2,828	1,876	51%	6,353	4,208	51%

4.1. Networks

4.1.1. Distribution

In the 9M21, the Capex of the distributors amounted to R\$ 2.8 billion, of which R\$ 1.9 billion were used for the expansion of the networks.

Below is a table with the detailed Capex by distributor.

INVESTMENTS MADE (amounts in R\$ MN)	    					CONSOLIDATED		
	3Q21					3Q21	9M21	
Network Expansion	(446)	(93)	(51)	(97)	(9)	(696)	(1,908)	60%
Program Luz para Todos	(159)	-	-	-	-	(159)	(414)	
New Connections	(198)	(71)	(28)	(53)	(2)	(354)	(920)	
New SE's and RD's	(89)	(22)	(23)	(44)	(6)	(183)	(575)	
Assets Renewal	(55)	(17)	(11)	(41)	(10)	(134)	(389)	14%
Network Improvement	(32)	(13)	(11)	(26)	(13)	(94)	(269)	10%
Losses and Default	(42)	(51)	(8)	(6)	(4)	(111)	(246)	9%
Other	(26)	(22)	(12)	(14)	(19)	(92)	(224)	8%
Movement of Material (Inventory x Works)	(13)	-	(21)	17	(33)	(50)	(343)	
(=) Gross Investment	(613)	(196)	(115)	(166)	(87)	(1,177)	(3,380)	
GRANTS	73	3	1	8	7	92	244	
(=) Net Investment	(540)	(193)	(114)	(158)	(80)	(1,085)	(3,136)	
Movement of Material (Inventory x Works)	13	-	21	(17)	33	50	343	
(=) CAPEX	(527)	(193)	(93)	(175)	(47)	(1,035)	(2,793)	
RAB	(26)	(22)	(12)	(14)	(19)	(92)	(224)	7%
RRB	(575)	(174)	(82)	(169)	(35)	(1,035)	(2,812)	93%

4.1.2. Transmission

In 9M21, the Capex of transmission companies was R\$ 1,520 million, R\$ 404 million in excess of that of 9M20. Worthy of pointing out is the completion of the April'27 auction lots (the last section of the Dourados lot delivered in August'21), and the progress of the lots purchased in December 2017.

4.2. Renewables

4.2.1. Wind Farms

Investments made in the Wind farms amounted to R\$ 1,794 million in the 9M21:

- (i) Chafariz Complex: Entry into operation of 53 generating units, corresponding 184 MW of installed capacity.
- (ii) Oitis Complex: Works already started in the 4Q20.

4.2.2. Hydroelectric Plants

Investments of the order of R\$ 190 million in 9M21, with a highlight on R\$ 130 million recorded as intangible assets of Itapebi arising from the GSF agreement in the period.

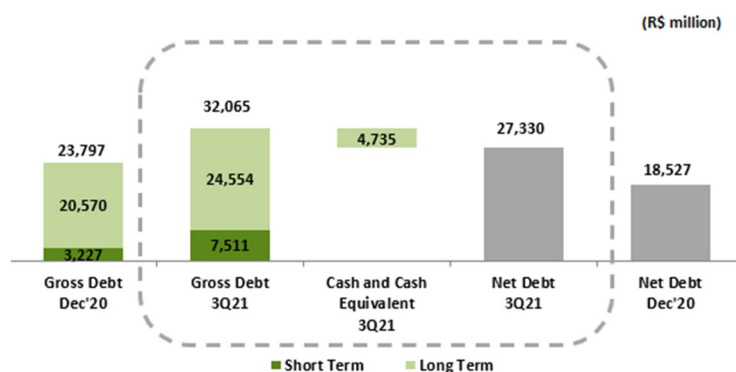
4.3. Liberalized

Termopernambuco made investments of the order of R\$ 54 million in 9M21, 37% less than the actual investments in the 9M20, due to maintenance and the purchase of equipment for Major Inspections carried out in 2020.

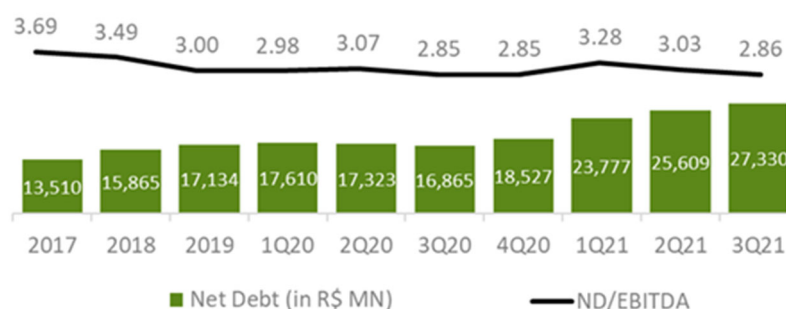
5. INDEBTEDNESS

5.1. Status of Debt and Financial Leverage

In September 2021, the consolidated net debt of Neoenergia, including cash, cash equivalents and securities reached R\$ 27,330 million, showing a growth of 48% (R\$ 8,803 million) compared to December 2020, mainly explained by the payment of Capex of the transmission and wind projects already contracted. As regards the segregation of the debt balance, Neoenergia has 77% of its debt recorded in the long term and 23% in the short term.



The financial indicator of Total Net Debt/EBITDA increased from 2,85 on December 31, to 2,86 on September 30, 2021

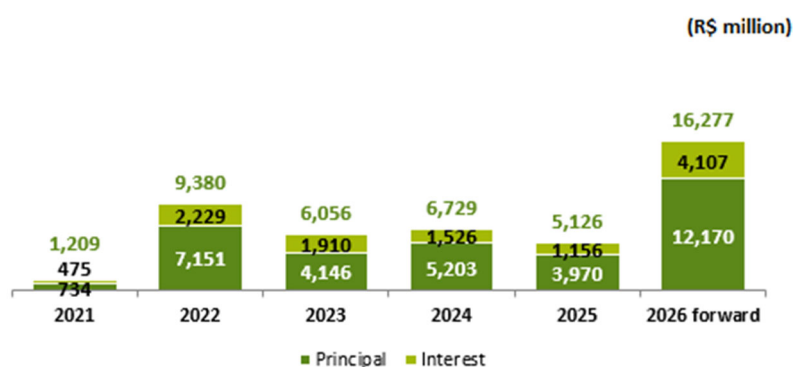


5.2 Debt amortization schedule

The Company seeks to structure its debt in line with the financial cycle of its businesses observing the peculiarities of each company and the characteristics of their concessions/authorizations. Aiming to reducing the cost of debt and lengthening its amortization profile, the Company performs a liability management in order to avoid concentration of debt maturities, resulting in effective lengthening. The amounts maturing in the coming years are more concentrated in 2022 due to the funding of R\$ 2.5 billion used for the acquisition of Neoenergia Brasília.

In 2022, Neoenergia expects to amortize R\$ 2.5 billion. For Neoenergia Coelba, the estimated amortization amount is R\$ 1.0 billion, for Neoenergia Pernambuco, R\$ 1.3 billion, for Neoenergia Elektro, R\$ 851 million, and for Neoenergia Cosern, R\$536 million. The total amortizations of the holding and these four distributors represent 80% of the consolidated volume to be amortized in this period.

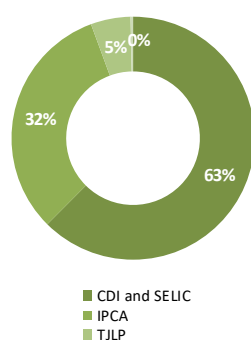
The average term of Neoenergia's indebtedness in September 2021 was 4.60 years (vs. 4.66 years in December 2020). The chart below displays the debt principal and interest maturities schedule, using forward market curves for the indices and currencies linked to the indebtedness in effect at the end of 9M21.



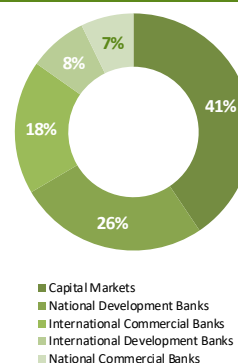
5.3. Debt profile

The charts below display the debts segregated by funding source and by indexer. The average cost of the consolidated debt in the 3Q21 was 6.6% (vs. 4.7% in December 2020) due to the increase of the IPCA and the SELIC rate.

DEBT PER INDEX (post swap)



DEBT PER FUNDING



In the 3Q21 we have funded a total of R\$ 2,614 million. We point out the debt contraction lines that follow:

- (i) Outlay of the 3rd Issue of Elektro Promissory Notes, in the total amount of R\$ 500 million and a 5-year term;
- (ii) 4131 funding with MUFG for Neoenergia Vale do Itajaí (R\$ 300 million) and to Neoenergia Guanabara (R\$ 74 million), both with 1-year term;

- (iii) Outlay of the 4th Issue of Neoenergia Brasília Debentures, in the amount of R\$ 300 million and a 7-year term;
- (iv) BNB grant for Oitis Complex, in the total amount of R\$ 282 million and a 24-year term;
- (v) 4131 Funding with BNP for Neoenergia Coelba, in the amount of R\$ 200 million and a 1-year term;
- (vi) 4131 funding with Sumitomo for Neoenergia Coelba and Neoenergia Pernambuco, in the amount of R\$ 200 million (each), and a 5-year term;
- (vii) BNDES grant to Neoenergia Coelba (R\$ 200 million) and Neoenergia Pernambuco (R\$ 138 million), both with a 19-year term;
- (viii) 4131 funding with BNP for Neoenergia Lagoa dos Patos (R\$ 155 million) and Neoenergia Vale do Itajaí (R\$ 65 million), and a 1-year term.

6. RECONCILIATION NOTE

Neoenergia S.A. discloses the results for the 3Q21 and 9M21 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	12,249	31,221	7,980	21,502	Income Statement
(-) Estimated Replacement Value of Concession	(494)	(1,155)	(131)	(145)	Note 5
(-) Other revenues	(147)	(369)	(85)	(240)	Note 5
(+) Gain/Loss on RAP	(51)	(26)	(3)	(14)	Note 5.4
(+) Revenue from Operation and Maintenance	59	43	17	28	Note 5.4
(+) Photovoltaic Operations	3	11	2	5	Note 5.4
(+) Other revenues - Other revenues	1	7	(5)	-	Note 5.4
= Net Operating REVENUE	11,620	29,732	7,775	21,136	
(+) Costs with electric energy	(6,623)	(15,927)	(3,494)	(9,861)	Income Statement
(+) Fuel for energy production	(208)	(426)	(83)	(306)	Note 8
(+) Construction costs	(1,543)	(4,389)	(1,689)	(4,044)	Income Statement
= Energy costs	(3)	(10)	(1)	(4)	Note 8
= Energy costs	(8,377)	(20,752)	(5,267)	(14,215)	
(+) Estimated replacement value of concession	494	1,155	131	145	Note 5
= GROSS MARGIN	3,737	10,135	2,639	7,066	
(+) Operating costs	(1,125)	(3,099)	(815)	(2,579)	Income Statement
(+) Sales expenses	(86)	(256)	(70)	(208)	Income Statement
(+) Other general and administrative revenues/expenses	(424)	(1,213)	(397)	(1,030)	Income Statement
(-) Fuel for energy production	208	426	83	306	Note 8
(-) Depreciation	3	10	1	4	Note 8
(-) Depreciation	446	1,285	367	1,064	Note 8
(+) Gain/Loss on RAP	147	369	85	240	Note 5
(-) Gain/Loss on RAP	51	26	3	14	Note 5.4
(-) Revenue from operation and maintenance	(59)	(43)	(17)	(28)	Note 5.4
(-) Photovoltaic Operations	(3)	(11)	(2)	(5)	Note 5.4
(-) Other revenues - Other revenues	(1)	(7)	5	-	Note 5.4
= Operating Expenses (PMSO)	(843)	(2,513)	(757)	(2,222)	
Provision for Doubtful Receivables (PECLD)	(100)	(246)	(104)	(421)	Income Statement
(+) Equity Accounting	67	69	(14)	(28)	Income Statement
EBITDA	2,861	7,445	1,764	4,395	
(+) Depreciation and Amortization	(506)	(1,453)	(408)	(1,188)	Income Statement and Note 8
(+) Financial Income/Loss	(566)	(1,374)	(197)	(680)	Income Statement
(+) IR/CS	(468)	(1,213)	(316)	(651)	Income Statement
(+) Minority shareholders	(40)	(115)	(29)	(63)	Income Statement
NET INCOME	1,281	3,290	814	1,813	Income Statement



DISCLAIMER

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 Neoennergia Group Investor Relations website (ri.neoennergia.com).



KPMG Auditores Independentes Ltda.
Rua do Passeio, 38 - Setor 2 - 17º andar - Centro
20021-290 - Rio de Janeiro/RJ - Brasil
Caixa Postal 2888 - CEP 20001-970 - Rio de Janeiro/RJ - Brasil
Telefone +55 (21) 2207-9400
kpmg.com.br

Independent Auditor’s Review Report on quarterly information – ITR

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with CPC 21(R1) - Demonstração Intermediária and the IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board IASB).

To the Board of Directors of
Neoenergia S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the parent and consolidated interim accounting information of Neoenergia S.A. (“Company”), included in the quarterly information form - ITR for the quarter ended September 30, 2021, which comprises the parent and consolidated financial position as of September 30, 2021 and the respective statements of income, comprehensive income for the three and nine-month period then ended, and changes in shareholders’ equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Company’s Management is responsible for the preparation of these parent and consolidated interim accounting information in accordance with the CPC 21(R1) - Demonstração Intermediária and the IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board IASB, as well as the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of quarterly information - ITR. Our responsibility is to express our conclusion on this interim accounting information based on our review.

Scope of Review

We conducted our review in accordance with Brazilian and International Interim Information Review Standards (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries primarily of the management responsible for financial and accounting matters and applying analytical procedures and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. Therefore, we do not express an audit opinion.



Conclusion on parent and consolidated interim information

Based on our review, we are not aware of any fact that might lead us to believe that the parent and consolidated interim accounting information included in the aforementioned quarterly information form was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB, applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters - Statements of added value

The quarterly information referred above includes the parent and consolidated statements of added value for the period of nine-months ended September 30, 2021, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34. These statements were submitted to the review procedures followed together with the review of the Company's quarterly information, in order to form our conclusion, we evaluated whether these statements are reconciled to the interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that these statements of added value were not prepared, in all material respects, in accordance with the parent and consolidated interim financial information taken as a whole.

Rio de Janeiro, October 25, 2021

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-RJ
(Original report in Portuguese signed by)
Marcelo Nogueira de Andrade
Accountant CRC RJ-086312/O-6



STATEMENT OF INCOME

For the three and nine months ended on September 30, 2021 and 2020

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

	Notes	Consolidated				Parent Company			
		Period of three months ended on		Period of nine months ended on		Period of three months ended on		Period of nine months ended on	
		2021/09/30	2020/09/30	2021/09/30	2020/09/30	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Operating income, net	5	12,249	7,980	31,221	21,502	1	1	3	3
Service costs		(9,291)	(5,998)	(23,415)	(16,484)	-	-	-	-
Energy costs	6	(6,623)	(3,494)	(15,927)	(9,861)	-	-	-	-
Construction costs	7	(1,543)	(1,689)	(4,389)	(4,044)	-	-	-	-
Operating costs	8	(1,125)	(815)	(3,099)	(2,579)	-	-	-	-
Gross profit		2,958	1,982	7,806	5,018	1	1	3	3
Expected credit loss	12.2	(100)	(104)	(246)	(421)	-	-	-	-
Sales expenses	8	(86)	(70)	(256)	(208)	-	-	-	-
Other standard administrative revenues (expenses)	8	(424)	(397)	(1,213)	(1,030)	(65)	(57)	(170)	(147)
Amortization of appreciation	15	(60)	(41)	(168)	(124)	(39)	(42)	(121)	(123)
Equity equivalence	15	67	(14)	69	(28)	1,432	917	3,699	2,043
Operating income		2,355	1,356	5,992	3,207	1,329	819	3,411	1,776
Financial result	9	(566)	(197)	(1,374)	(680)	(62)	(7)	(147)	30
Financial revenues		197	168	561	421	49	37	134	123
Financial expenses		(718)	(398)	(1,919)	(1,171)	(99)	(29)	(266)	(67)
Other financial results, net		(45)	33	(16)	70	(12)	(15)	(15)	(26)
Income before taxes		1,789	1,159	4,618	2,527	1,267	812	3,264	1,806
Income taxes	10.1.1	(468)	(316)	(1,213)	(651)	7	-	7	-
Current		(217)	(195)	(461)	(477)	7	-	7	-
Deferred		(251)	(121)	(752)	(174)	-	-	-	-
Net income of the period		1,321	843	3,405	1,876	1,274	812	3,271	1,806
Attributable to:									
Controlling interest		1,281	814	3,290	1,813	1,274	812	3,271	1,806
Non-controlling interest		40	29	115	63	-	-	-	-
Basic and diluted earnings per share – R\$:	23.2	1.09	0.69	2.81	1.55	1.05	0.67	2.69	1.49

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

STATEMENT OF COMPREHENSIVE INCOME
For the three and nine months ended on September 30, 2021 and 2020
(Amount expressed in millions of Reais)

	Consolidated				Parent Company			
	Period of three months ended on		Period of nine months ended on		Period of three months ended on		Period of nine months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Net income of the period	1,321	843	3,405	1,876	1,274	812	3,271	1,806
Other comprehensive income								
Items which will not be reclassified to profit or loss:								
Post-employment benefits obligations	29	4	(169)	(37)	-	-	-	-
Cash flow hedge	31	(9)	(208)	274	-	(9)	-	-
Deferred income taxes on comprehensive results	(8)	1	75	13	-	3	-	-
Result of hedge operations and obligations with benefits to employees of investees	-	-	-	-	51	4	(303)	252
Total items which will not be reclassified to profit or loss	52	(4)	(302)	250	51	(2)	(303)	252
Items which will be reclassified to profit or loss:								
Cash flow hedge	29	(5)	(218)	236	(4)	(10)	(45)	(11)
Deferred income taxes on comprehensive results	(19)	8	61	(61)	-	-	-	-
Transfers of realized impacts to the net income	10	(28)	(20)	(68)	-	-	-	-
Result of hedge operations and obligations with benefits to employees of investees	-	-	-	-	25	(18)	(129)	114
Total items which will be reclassified to profit or loss	20	(25)	(177)	107	21	(28)	(174)	103
Other comprehensive income/loss of the period, net of income taxes	72	(29)	(479)	357	72	(30)	(477)	355
Comprehensive income of the period	1,393	814	2,926	2,233	1,346	782	2,794	2,161
Attributable to:								
Controlling interest	1,358	783	2,814	2,167	1,346	782	2,794	2,161
Non-controlling interest	35	31	112	66	-	-	-	-

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

STATEMENT OF CASH FLOWS
For the period ended on September 30, 2021 and 2020
(Amount expressed in millions of Reais)

	Consolidated		Parent Company	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Cash flow from operating activities				
Net income of the period	3,405	1,876	3,271	1,806
Adjusted by:				
Depreciation and amortization (*)	1,305	1,080	3	4
Writtle-off on non-current assets	46	79	-	-
Amortization of appreciation	168	124	121	123
Participation in investees results	(69)	28	(3,699)	(2,043)
Income taxes	1,213	651	(7)	-
Financial results, net	1,374	680	147	(30)
Concession's estimated replacement value	(1,155)	(145)	-	-
Others	(355)	(7)	-	(7)
Changes in working capital:				
Trade accounts and other receivables	(656)	396	-	-
Public Service Concession (Contractual and financial assets)	(2,450)	(1,541)	-	-
Suppliers and accounts payable to contractors	1,076	(245)	(53)	(10)
Wages, employment benefits and charges payable, net	(32)	(32)	(7)	(1)
Sectoral financial assets and liabilities, net (Portion A and others)	(2,579)	1,493	-	-
Other recoverable (payable) taxes and sectoral charges, net	171	21	(20)	28
Provisions, net of judicial deposits	(71)	2	-	-
Other assets and liabilities, net	(288)	(6)	(82)	9
Cash flow from operating activities, net	1,103	4,454	(326)	(121)
Proceeds from dividends and interest on own capital	46	14	1,693	243
Payment of debts charges	(803)	(694)	(111)	(49)
Paid derivative financial instruments, net	69	317	7	-
Income from financial application	101	106	7	12
Payment of interest – Leases	(8)	(8)	-	-
Paid income taxes	(362)	(413)	-	(6)
Cash flow generated from operating activities	146	3,776	1,270	79
Cash flow from investing activities				
Acquisition of fixed and intangible assets	(1,888)	(582)	(1)	(1)
CEB's acquisition of control, net of cash that was obtained in the acquisition	(2,415)	-	-	-
Capital increase	(16)	(21)	(3,522)	(682)
Public Service Concession (Contractual and financial assets)	(3,287)	(2,904)	-	-
Investments on securities and marketable securities	(234)	(96)	-	-
Redemption of securities and marketable securities	42	49	-	-
Cash flow used in investing activities	(7,798)	(3,554)	(3,523)	(683)
Cash flow from financing activities				
Fundraising through loans and financings	10,211	3,575	2,500	-
Payment of fundraising costs	(39)	(38)	(9)	-
Amortization of principal from loans and financings	(3,657)	(2,815)	(296)	-
Collateral deposits	4	(11)	-	-
Public Service Concessions obligations	232	94	-	-
Payment of principal – leases	(25)	(18)	-	-
Received derivative financial instruments, net	489	984	-	-
Dividends and interest on own capital paid to Neoenergia's shareholders	(241)	(198)	(241)	(198)
Dividends and interest on own capital paid to non-controlling interest	(56)	(4)	-	-
Cash flow generated (used) in financing activities	6,918	1,569	1,954	(198)
Increase (reduction) in cash and cash equivalents of the period	(734)	1,791	(299)	(802)
Cash and cash equivalents at the beginning of the period	5,060	4,041	367	999
Cash and cash equivalents at the end of the period	4,326	5,832	68	197

STATEMENT OF CASH FLOWS - CONTINUATION
 For the period ended on September 30, 2021 and 2020
 (Amount expressed in millions of Reais)



	Consolidated		Parent Company	
	<u>2021/09/30</u>	<u>2020/09/30</u>	<u>2021/09/30</u>	<u>2020/09/30</u>
Non cash transactions:				
Net asset – business combination (note 15.3)	1,780	-	-	-
Reimbursement from the hydrological risk - GSF	164	-	-	-
Addition and updating of capitalized provisions – contractual asset	39	31	-	-
Addition and updating of capitalized provisions – fixed and intangible assets	3	-	-	-
Capitalized interest and financial charges - fixed and intangible assets	61	-	-	-
Capitalized interest and financial charges - contractual asset	34	50	-	-
Additions of special obligations – incorporated through the donation of assets	36	18	-	-
Leasing contracts - IFRS 16	20	7	-	-

*Gross value, not deducted from PIS/COFINS credits.

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

STATEMENT OF FINANCIAL POSITION
On September 30, 2021 and December 31, 2020
(Amounts expressed in millions of Reals)

Asset	Notes	Consolidated		Parent Company	
		2021/09/30	2020/12/31	2021/09/30	2020/12/31
Current					
Cash and cash equivalents	11	4,326	5,060	68	367
Trade accounts receivable and others	12	7,862	6,187	-	-
Securities and marketable securities		81	16	-	-
Derivative financial instruments	19.3	676	722	-	12
Recoverable income taxes	10.1.3	672	635	143	213
Other recoverable taxes	10.2.1	2,112	1,629	-	-
Receivable dividends and interest on own capital		-	16	1,029	659
Sectoral financial asset (Portion A and others)	13	1,039	92	-	-
Public Service Concession (Contractual asset)	14.2	426	133	-	-
Other current assets		931	487	423	79
Total current assets		18,125	14,977	1,663	1,330
Non-current					
Trade accounts receivable and others	12	408	342	-	-
Securities and marketable securities		328	194	-	-
Derivative financial instruments	19.3	1,651	1,998	-	-
Recoverable income taxes	10.1.3	1	1	-	-
Other recoverable taxes	10.2.1	5,166	5,065	-	-
Dividends and interest on own capital		-	-	-	25
Deferred income taxes	10.1.2	888	656	-	-
Judicial deposits	20.1	1,054	1,008	54	52
Sectoral financial asset (Portion A and others)	13	895	-	-	-
Public Service Concession (Financial asset)	14.1	17,276	14,403	-	-
Public Service Concession (Contractual asset)	14.2	11,384	8,741	-	-
Other non-current assets		122	114	192	157
Investments in subsidiaries, associates and joint ventures	15	2,482	2,427	27,380	22,777
Right of use		86	89	-	-
Property, Plant & Equipment ("PP&E")	16	8,420	6,821	26	27
Intangible assets	17	12,744	9,461	1	1
Total non-current assets		62,905	51,320	27,653	23,039
Total assets		81,030	66,297	29,316	24,369

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

STATEMENT OF FINANCIAL POSITION
On September 30, 2021 and December 31, 2020
(Amounts expressed in millions of Reais)

Liability	Notes	Consolidated		Parent Company	
		2021/09/30	2020/12/31	2021/09/30	2020/12/31
Current					
Suppliers and trade accounts payable to contractors	18	5,684	4,300	81	138
Loans and financings	19.2	8,099	3,936	2,247	29
Lease obligations		26	28	-	-
Derivative financial instruments	19.3	88	14	20	3
Wages, employment benefits and charges payable	22	537	525	18	25
Payable income taxes	10.1.3	78	16	-	-
Sectoral financial liability (Portion A and others)	13	-	149	-	-
Other taxes and sectoral charges payable	10.2.2	1,686	1,148	31	120
Reimbursements to consumers – Federal taxes	10.3	1,475	6	-	-
Dividends and interest on own capital		404	476	355	442
Provisions	20	258	221	-	-
Others current liabilities	21	1,379	1,181	381	221
Total current liabilities		19,714	12,000	3,133	978
Non-current					
Suppliers and trade accounts payable to contractors	18	146	128	-	-
Loans and financings	19.2	26,025	22,444	2,229	2,099
Lease obligations		70	67	-	-
Derivative financial instruments	19.3	180	123	98	103
Other taxes and sectoral charges payable	10.2.2	1,036	764	-	-
Income taxes	10.1.3	26	26	7	7
Deferred income taxes	10.1.2	1,571	503	3	3
Reimbursements to consumers – Federal taxes	10.3	4,913	5,749	-	-
Provisions	20	1,501	1,206	2	2
Wages, employment benefits and charges payable	22	1,312	1,009	-	-
Sectoral financial liability (Portion A and others)	13	118	516	-	-
Others non-current liabilities	21	214	253	23	23
Total non-current liabilities		37,112	32,788	2,362	2,237
Shareholders' equity	23				
Attributable to controlling interest		23,854	21,167	23,821	21,154
Attributable to non-controlling interest		350	342	-	-
Total shareholders' equity		24,204	21,509	23,821	21,154
Total liabilities and shareholders' equity		81,030	66,297	29,316	24,369

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period ended on September 30, 2021 and 2020
(Amounts expressed in millions of Reais)

	Consolidated										
	Share capital	Capital reserve	Shareholders' transaction reserve	Other comprehensive income	Profit reserves			Retained earnings	Attributed to controlling interest	Attributed to non-controlling interest	Total
					Legal reserve	Unrealized profit reserve	Profit retention reserve				
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	247	8,492	-	21,167	342	21,509
Net income of the period	-	-	-	-	-	-	-	3,290	3,290	115	3,405
Other comprehensive results	-	-	-	(476)	-	-	-	-	(476)	(3)	(479)
Adjustment of transactions with the shareholders	-	-	21	-	-	-	-	-	21	(32)	(11)
Non-controlling shareholders remuneration	-	-	-	-	-	-	-	-	-	(72)	(72)
Share-bases payments	-	23	-	-	-	-	-	-	23	-	23
Interest on own capital (note 23.2.b)	-	-	-	-	-	-	-	(171)	(171)	-	(171)
Balance as of September 30, 2021	12,920	119	(1,576)	(473)	1,006	247	8,492	3,119	23,854	350	24,204
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975	284	19,259
Net income of the period	-	-	-	-	-	-	-	1,813	1,813	63	1,876
Other comprehensive results	-	-	-	355	-	-	-	-	355	2	357
Non-controlling shareholders remuneration	-	-	-	-	-	-	-	-	-	(13)	(13)
Interest on own capital	-	-	-	-	-	-	-	(278)	(278)	-	(278)
Balance as of September 30, 2020	12,920	93	(1,597)	232	866	234	6,582	1,535	20,865	336	21,201

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period ended on September 30, 2021 and 2020
(Amounts expressed in millions of Reais)

	Parent Company								
	Share capital	Capital reserve	Shareholders' transaction reserve	Other comprehensive income	Legal reserve	Unrealized profit reserve	Profit retention reserve	Retained earnings	Total
Balance as of December 31, 2020	12,920	96	(1,597)	3	1,006	234	8,492	-	21,154
Net income of the period	-	-	-	-	-	-	-	3,271	3,271
Other comprehensive results	-	-	-	(477)	-	-	-	-	(477)
Adjustment of transactions with the shareholders	-	-	21	-	-	-	-	-	21
Share-bases payments	-	23	-	-	-	-	-	-	23
Intereset on own capital (note 23.2.b)	-	-	-	-	-	-	-	(171)	(171)
Balance as of Semptember 30, 2021	12,920	119	(1,576)	(474)	1,006	234	8,492	3,100	23,821
Balance as of December 31, 2019	12,920	93	(1,597)	(123)	866	234	6,582	-	18,975
Net income of the period	-	-	-	-	-	-	-	1,806	1,806
Other comprehensive results	-	-	-	355	-	-	-	-	355
Intereset on own capital	-	-	-	-	-	-	-	(278)	(278)
Balance as of Semptember 30, 2020	12,920	93	(1,597)	232	866	234	6,582	1,528	20,858

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

STATEMENT OF ADDED VALUE
For the period ended on September 30, 2021 and 2020
(Amounts expressed in millions of Reals)

	Consolidated		Parent Company	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Revenues				
Sales of energy, services and others	42,948	30,247	3	3
Revenue from the construction of own assets	465	301	-	-
Expected credit loss	(246)	(421)	-	-
	43,167	30,127	3	3
Inputs acquired from third parties				
Electricity purchased for resale	(13,503)	(8,780)	-	-
Transmission network use charges	(4,070)	(2,132)	-	-
Consumed raw materials	(423)	(306)	-	-
Materials, third party services and others	(6,377)	(5,654)	(123)	(106)
	(24,373)	(16,872)	(123)	(106)
Gross added value	18,794	13,255	(120)	(103)
Depreciation and amortization (*)	(1,475)	(1,204)	(123)	(127)
Net added value produced by the company	17,319	12,051	(243)	(230)
Added value received through transfer				
Financial revenue	3,565	5,581	242	130
Result from the equity equivalence	69	(28)	3,716	2,043
	3,634	5,553	3,958	2,173
Total added value to allocate	20,953	17,604	3,715	1,943
Added value allocation				
Staff				
Wages	616	516	-	-
Provision for vacation and 13th salary	145	117	-	-
Social charges (except INSS)	90	77	-	-
Employee benefits	530	144	-	-
Management compensation	45	47	35	29
Others	(303)	34	3	2
Subtotal	1,123	935	38	31
Taxes, fees and contributions				
National Institute of Social Security (INSS)(over the payroll)	173	141	6	4
Added value from Tax over Merchandise and Services circulation – ICMS	6,199	4,849	-	-
PIS/COFINS over revenue	1,804	1,384	7	7
Income taxes	1,213	651	(7)	-
Intra-sectoral obligations	2,086	1,468	-	-
Others	41	33	1	1
Subtotal	11,516	8,526	7	12
Return on capital third party capital				
Interest and foreign exchange rate variations	4,903	6,261	382	94
Leases	6	6	-	-
Subtotal	4,909	6,267	382	94
Stakeholders' remunerations				
Dividends and Interest on own capital	171	278	171	278
Retained profits	3,119	1,535	3,117	1,528
Non-controlling interests	115	63	-	-
Subtotal	3,405	1,876	3,288	1,806
Added value distributed	20,953	17,604	3,715	1,943

*Gross amount, not deducted from PIS/COFINS credits.

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended on September 30, 2021
(Amounts expressed in millions of Reais, unless otherwise indicated)

1. OPERATIONAL CONTEXT

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

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

In the consolidated statement of financial position for the period ended on September 30, 2021, the Group presented a negative net working capital of R\$ 1,589, mainly due to short-term debts totaling R\$ 2.5 billion that were raised to finance the purchase of Neoenergia Brasilia. The current scenario is temporary and the Administration is already taking measures to change these debts’ profiles by extending their deadlines. Moreover, the Group has availability of approximately R\$ 1.3 billion in pre-approved credit lines.

1.1 Public service concessions and authorizations for services related to electrical energy

Until September 30, 2021, the following changes in the structures of the concession contracts and authorization of public services that the Company operates occurred.

a) Public Service Concessions

Networks

In March 2021, it was signed the concession contract for the batch acquired in the Auction n° 01/2020, which corresponds to the Energy Transmitter EKTT-7, whose deadline is 30 years and with a construction period of 48 months following the signature of the respective contract. This batch comprehends the construction of three transmission lines of 500 kV, 01 transmission line of 230 kV, 300 MVA of transformation capacity, totaling an extension of 1,091 km, with an investment estimated by ANEEL around R\$ 2 billion and Annual Allowed Revenue – RAP of approximately R\$ 160 million.

On April 25, 2021, the fourth stretch of Dourados transmitter, went into commercial operation due to the conclusion of the transmission function LT 230 kV Campo Grande 2 - Imbirussu C2 located in the state of Mato Grosso do Sul. Moreover, on August 11, 2021, the fifth and last stretch which make up the Dourados project went into operation. The stretch has 2 transmission lines with a total extension of 169 km, in addition to a Substation SE 230/138 kV. This batch has an annualized RAP of R\$ 73 and the delivery was made with an anticipation of 12 months concerning Aneel’s contractual deadline.

On December 04, 2020, the Company, through its subsidiary Bahia Geração de Energia S.A. (“Bahia PCH III“), was the winner in the Public Session of the Auction n° 01/2020-CEB-D (“Auction“) to decentralize the electrical energy distributor CEB-D, having presented the winning bid of R\$ 2,515, which represents the acquisition price of 100% of the shares issued by CEB-D, whose cash-settlement occurred on March 02, 2021.

CEB-D is the electrical energy distributor in Distrito Federal (Federal District), and has the concession for distribution of electrical energy there for 30 years, until July 07, 2045 (note 15.3).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

On June 07, 2021, a General Meeting to change the corporate name of CEB-D, being thus called Neoenergia Distribuição Brasília.

On July 07, 2021, the first stretch which make up the Santa Luzia Project went into commercial operation – concession contract n° 06/2018 (Batch 6 – Transmission Auction n° 02/2017, from December 2017). The referred stretch, LT 500 kV Santa Luzia II - Campina Grande III has transmission lines with an extension of 124 km, in addition to a Substation - SE 500kV Santa Luzia II. This batch has an annualized RAP of R\$ 63 and with this stretch's operation starting, 40% of this amount is already released and the delivery was made with an anticipation of 21 months concerning Aneels' contractual deadline.

Renewables

On July 29, 2021, the first 10 wind turbines from the Chafariz Wind farm went into commercial operation. Until September 30, 43 more wind turbines went into commercial operation, totaling 53 wind turbines which correspond with 184 MW of installed capacity. The total implementation of the Chafariz Wind farm will be done by the end of 2021.

On September 17, 2021, the Resolution N° 2.932, from September 14, 2021, was published, whereby ANEEL authorized the extension period from the grants concerning the hydropower plants that are part of the Energy Reallocation Mechanism – MRE, accordingly with the Law n° 14.182, from July 12, 2021.

	Grant's extension in days	New deadline
Subsidiaries		
Baguari	1,678	2046/03/20
Itapebi	1,353	2039/05/14
Geração CIII	1,163	2040/04/22
Geração Céu Azul	34	2049/12/03
Associated Companies and joint ventures		
Águas da Pedra	2,148	2048/11/19
Norte Energia S.A.	319	2046/07/11
Teles Pires	235	2047/01/28

The complete information regarding the Company's concession contracts are disclosed in the consolidated financial statements of the period ended on December 31, 2020, therefore, the current intermediate financial statement for the quarter ended on September 30, 2021, must be read along with the aforementioned financial statements.

1.2 Coronavirus ("Covid-19")
a) General context

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

b) Impact in the financial statements

On September 30, 2021, the Company's performance was mainly affected in the following items:

- (i) Energy billing due to a reduction in the demand for electrical energy in free and regulated markets;
- (ii) Increment in the Expected Credit Losses (PCE) from the increase of expired accounts receivables, bearing in mind the prohibition of power cut actions March, 25 and July, 31 from 2020 for the following class: residential and essential services. This prohibition was valid until September 30, 2021, for the low-income classes and consumer units with home-care equipment.

The impacts of the COVID-19 are based on the Administration's best estimations and it is understood that there will be a gradual return to normality. It is being discussed the methodology for evaluation and recognition standards for the economic and financial imbalance provoked by the pandemic and there is an expectation that it does not significantly affect the recoverability of the investments in long-term business. The COVID-19 effects must be analyzed as non-recurring items.

- (i) **Networks:** This segment's revenues are mainly bound to the supply of electrical energy and availability of distribution and transmission grids. In distribution the effect of COVID-19 generated a negative impact on the Company's result, in comparison to the expectations that were made before the pandemic, as follows:

	Consolidated			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Retraction of the market demand	(99)	(17)	(255)	(167)
Expected credit loss	(21)	(19)	(58)	(166)
Operational income	(120)	(36)	(313)	(333)
Income taxes	26	6	76	93
Net effect	(94)	(30)	(236)	(240)

In transmission, we are monitoring the constructions in progress, adopting all necessary measures that the group can to avoid and/or mitigate possible delays. Until the moment, there were no relevant impacts in the original schedule of entry into operation from the ongoing projects.

- (ii) **Renewables:** This segment's revenues are mainly bound to sales contracts of energy in the regulated and free environments related to the infrastructure's availability regarding the generation of electrical energy, as well as hydrological risk ("GSF") and the Settlement Price for the Differences ("PLD"). Until the moment no change has been perceived in the availability of the generators caused by the measures to fight COVID-19. We observe a reduction of approximately 19% of the flat GSF in relation to the same period of 2020. The accumulated PLD until June 2021 increased in relation to the same period in the previous year, in 535% at the Southeast, 535% at the South and 652% at the Northeast submarkets. These items' variations are due to the period's unfavorable hydrological conditions associated with ONS's operation planning to ensure the energy supply.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

(iii) **Liberalized:** This segment's revenues are bound to the infrastructure's availability of thermoelectrical generation as well as the PLD value and the energy contracts of purchase and sale with other agents and with the final consumers in the free market. Until the moment, no change has been perceived in the generator's availability due to the measure to fight COVID-19. We observe a sharp accumulated increase in relation to the same period in the previous year, in the PLD's value of 535% at the Southeast and 652% in the Northeast submarkets.

c) Impact mitigation measures

Diante do cenário provocado pela pandemia, diversas medidas de auxílio econômico e financeiro foram introduzidas pelos três níveis de administração da Federação Brasileira, assim como foram adotadas pela Companhia diversas medidas para a proteção de seus colaboradores e também de auxílio à sociedade, como, por exemplo:

- i. Donation of scientific refrigerators for 641 cities from the Northeast and Southeast regions that can provide programmable and continuous temperatures between 2°C and 8°C that are essential for the COVID-19 vaccines' conservation which will be used in Brazil. This donation was an Energy Efficiency Action, of R\$ 7, with established delivery in the period from February to May 2021, being one refrigerator for each city. The following items were also contemplated with the donation:
 - The city of Salvador and the government of Bahia, two refrigerators each.
 - The city of Recife, with 20 refrigerators.
 - The government of Rio Grande do Norte, with 2 refrigerators.
 - The government of São Paulo, with 7 refrigerators.
- ii. Donation of 3,750 basic food baskets to support institutions for families in situations of vulnerability in several states, in the period from 19 and 31 March 2021, with the assistance of the organization "Transforma Brasil", which has a goal to connect people and initiatives to do well through civil engagement and is supported by Neoenergia since 2019. Also in 2021, Neoenergia's companies and the Neoenergia Institute launched the program "São João e Boas Energia", in partnership with the Transforma Brasil. The initiative accomplished the donation of 10 thousand basic-needs grocery packages to 27 social institutions that were affected by the cancellation of the festivities in June due to the Covid-19 pandemic in the following states: Bahia, Pernambuco, Paraíba, Rio Grande do Norte, São Paulo and the Federal District.

Others measures taken are described in the complete financial statements that ended on December 31, 2020.

1.3 Management of financial and operational risks

The Group's financial and operations risk plannings were updated in relation to the plannings disclosed in the consolidated financial statements of December 31, 2020, accordingly with the envisaged revision procedure.

In Financial Risk Planning, in addition to the other addressed guidelines, there are also guidelines for the protection of foreign exchange rate risk, interest rate risk and the use of derivative instruments, establishing adequate levels of risk. The planning regarding Operational Risk with Market Transactions establishes the control and management of risks in the short and long-term transactions related to the management of energy and cash.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended on September 30, 2021
(Amounts expressed in millions of Reais, unless otherwise indicated)

2. BASIS FOR THE ELABORATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The Company's consolidated and individual intermediate financial statements were prepared and presented accordingly to the agreement with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB") and the CPC 21 – Intermediate Statements (accounting practices adopted in Brazil) and must be understood together with the Group's last annual consolidated financial statements from the period that ended on December 31, 2020, previously disclosed. The financial statements are presented in line with the rules issued by CVM and that applies to the elaboration of quarterly information.

The intermediate financial statements report the period's main variations, avoiding the repetition of certain notes related to the previously disclosed annual financial statements, and are being reported on the same basis of clusters and chart orders and explanatory notes, if compared to the annual financial statements.

The Company also uses the guidelines in the Accounting Manual of the Brazilian Electric Sector and the regulations defined by ANEEL, when these are not conflicting with the accounting practices adopted in Brazil and/or international accounting practices.

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

In the preparation of these intermediate financial statements, the subsidiaries are consolidated from the date where the Company assumes control until the date that this control ends. All transactions between Neoenergia S.A and its direct and indirect subsidiaries are fully eliminated. The Company's participation in the results from investments in joint ventures and associates are included in the financial statements from the date where the significative influence or joint control begins, until the date where the influence of significative control ends.

The disclosure of these intermediate financial statements was authorized by the Board of Directors on October 25, 2021.

All relevant information that belongs to intermediate financial statements, and only them, are being highlighted and correspond to the ones used by the Administration's management.

2.2 Functional and presentation currency

The functional currency of the Parent Company and its subsidiaries is the Brazilian real (R\$), which is the currency of its main economical environment of operation. The intermediate financial statements are presented in millions of R\$ unless otherwise indicated.

Transactions in foreign currency are initially registered at the exchange rate of the functional currency in effect at the transaction date in monetary assets and liabilities denominated in foreign currency are converted to the functional currency, using the exchange rate in effect at the date of the respective statements of financial position. The exchange gains and losses resulting from the refresh of these assets and liabilities are recognized in the financial result.

2.3 Critical accounting policies and estimates

The rules, accounting practices and critical estimations applied to the intermediate financial statements are the same as the ones applied in the complete financial statements that ended on December 31, 2020, and, therefore must be understood together.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

2.4 New actice and non-active norms

The main changed regulations, issued or under discussion by the International Accounting Standards Board ('IASB') and by the committee of Accounting Pronouncement ('CPC') are the following:

a) Changes in accounting pronouncement that are in effect

Rule	Description of the change	Validity
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 related to the effects that were brought by the reform of the reference interest rates(IBOR).	2021/01/01

The changes in the pronouncements that took force on January 01, 2021 did not cause relevant impacts on the consolidated financial statements. Regarding the regulations under discussion by IASB or with the effective date in a future period, the Company is monitoring the discussion and until the moment did not identify the possibility for the occurrence of significative impacts.

b) Regulations issued by IASB and that are still not homologated by the CPC

Rule	Description of the change	Validity
IAS 37 / CPC 25: Provisions, contingent liabilities and contingent assets.	Specification of which costs a company must include when evaluating if a contract is onerous. The costs directly related to the fulfillment of the contract must be considered in the assumptions of cash flow (p.ex.: Labor cost, materials and other expenses related to the contract's operation).	2022/01/01
IAS 16 / CPC 27: Fixed asset.	To allow the recognition of revenue and costs from the values related to the sale of items produced during the asset's testing phase.	2022/01/01

3. CONCILIATION OF THE PERIOD'S NET INCOME AND SHAREHOLDER'S EQUITY

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

	Net profit		Shareholder's equity	
	2021/09/30	2020/09/30	2021/09/30	2020/12/31
Parent Company	3,271	1,806	23,821	21,154
Capitalization of financial charges	28	11	50	20
Income taxes	(9)	(4)	(17)	(7)
Consolidated	3,290	1,813	23,854	21,167

Capitalization of the financial charges from loans and financings issued by the Parent Company and relayed to its subsidiaries, through the increase of capital, to fund the construction of wind parks.

In the individual financial statements, the investments in equity interests do not fit as a qualifying asset for the capitalization of financial charges.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

4. SEGMENT INFORMATION

The Company operates the following reportable segments: Networks, Renewables, Liberalized and Others. The segments were defined based on the given products and services and reflect the structure used by the Administration to evaluate the Company's development in the ordinary course of its operations. The responsible entities for taking operational, funds allocation and development evaluation decisions, include the Executive Boards and the Board of Directors.

The main activities of the operating segments are as follows: (i) Networks – comprehend the business lines related to the concession of electrical energy distribution and transmission services; (ii) Renewables – comprehend the activities related to the concession of services regarding electrical energy generation from natural renewable resources, such as wind parks and hydropower plants; (iii) Liberalized – comprehend the activities of electrical energy generation from thermoelectric power plants and energy commercialization activities; and (iv) Others – include activities to support the operations.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

4.1 Result by segment

The information is segregated by segment accordingly with the conditions established by the Company's Administration and is presented as follows:

	Consolidated										
	3 months ended on September 30, 2021										
	Networks			Renewables			Liberalized		Others		
Distribution	Transmission	Total networks	Wind generation	Hydraulic generation	Total Renewables	Gas generation	Marketing and services	Total liberalized	Total	Result	
Gross revenue from third parties	14,853	863	15,716	195	58	253	85	438	523	-	16,492
Inter-segment gross revenue	3	15	18	53	96	149	490	27	517	1	685
Deductions from gross revenue	(3,937)	(77)	(4,014)	(14)	(19)	(33)	(135)	(61)	(196)	-	(4,243)
Operating costs and expenses ¹	(8,266)	(547)	(8,813)	(32)	84	52	(262)	(267)	(529)	(65)	(9,355)
Inter-segment operating costs and expenses ¹	(541)	(3)	(544)	(16)	(17)	(33)	(1)	(107)	(108)	-	(685)
Expected credit losses	(100)	-	(100)	-	-	-	-	-	-	-	(100)
Results from equity interest	-	-	-	-	67	67	-	-	-	-	67
EBITDA	2,012	251	2,263	186	269	455	177	30	207	(64)	2,861
Depreciation and amortization ²	(385)	-	(385)	(29)	(24)	(53)	(15)	-	(15)	(53)	(506)
Operating profit	1,627	251	1,878	157	245	402	162	30	192	(117)	2,355
Financial result, net	(383)	(75)	(458)	(23)	(14)	(37)	(21)	(2)	(23)	(48)	(566)
Income taxes	(321)	(52)	(373)	(8)	(56)	(64)	(24)	(10)	(34)	3	(468)
Net profit	923	124	1,047	126	175	301	117	18	135	(162)	1,321

(¹) Does not include depreciation and amortization.

(²) includes appreciation appropriation

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

	Consolidated										
	3 months ended on September 30, 2020										
	Networks			Renewables			Liberalized		Others		Result
Distribution	Transmission	Total networks	Wind generation	Hydraulic generation	Total Renewables	Gas generation	Marketing and services	Total liberalized	Total		
Gross revenue from third parties	9,617	739	10,356	149	77	226	-	306	306	-	10,888
Inter-segment gross revenue	2	10	12	19	45	64	385	10	395	1	472
Deductions from gross revenue	(2,727)	(4)	(2,731)	(12)	(15)	(27)	(103)	(47)	(150)	-	(2,908)
Operating costs and expenses ¹	(5,051)	(545)	(5,596)	(32)	(33)	(65)	(172)	(209)	(381)	(56)	(6,098)
Inter-segment operating costs and expenses ¹	(410)	-	(410)	(2)	(7)	(9)	(7)	(46)	(53)	-	(472)
Expected credit losses	(104)	-	(104)	-	-	-	-	-	-	-	(104)
Results from equity interest	-	-	-	-	(14)	(14)	-	-	-	-	(14)
EBITDA	1,327	200	1,527	122	53	175	103	14	117	(55)	1,764
Depreciation and amortization ²	(305)	-	(305)	(26)	(19)	(45)	(14)	(1)	(15)	(43)	(408)
Operating profit	1,022	200	1,222	96	34	130	89	13	102	(98)	1,356
Financial result, net	(123)	(8)	(131)	(22)	(28)	(50)	(11)	(4)	(15)	(1)	(197)
Income taxes	(228)	(58)	(286)	(2)	(10)	(12)	(13)	(3)	(16)	(2)	(316)
Net profit	671	134	805	72	(4)	68	65	6	71	(101)	843

(¹) Does not include depreciation and amortization.

(²) includes appreciation appropriation

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended on September 30, 2021

(Amounts expressed in millions of Reais, unless otherwise indicated)

	Consolidated										
	9 months ended on September 30, 2021										
	Networks			Renewables		Gas		Marketing and services		Others	
Distribution	Transmission	Total networks	Wind generation	Hydraulic generation	Total Renewables	generation	Marketing and services	Total liberalized	Total	Result	
Gross revenue from third parties	38,607	2,623	41,230	384	182	566	116	1,036	1,152	-	42,948
Inter-segment gross revenue	8	36	44	83	285	368	1,336	103	1,439	3	1,854
Deductions from gross revenue	(10,866)	(242)	(11,108)	(38)	(56)	(94)	(360)	(165)	(525)	-	(11,727)
Operating costs and expenses ¹	(20,679)	(1,433)	(22,112)	(95)	59	(36)	(605)	(676)	(1,281)	(170)	(23,599)
Inter-segment operating costs and expenses ¹	(1,453)	(7)	(1,460)	(29)	(35)	(64)	(57)	(273)	(330)	-	(1,854)
Expected credit losses	(246)	-	(246)	-	-	-	-	-	-	-	(246)
Results from equity interest	-	-	-	-	69	69	-	-	-	-	69
EBITDA	5,371	977	6,348	305	504	809	430	25	455	(167)	7,445
Depreciation and amortization ²	(1,117)	-	(1,117)	(84)	(65)	(149)	(46)	(1)	(47)	(140)	(1,453)
Operating profit	4,254	977	5,231	221	439	660	384	24	408	(307)	5,992
Financial result, net	(871)	(228)	(1,099)	(63)	(51)	(114)	(41)	(7)	(48)	(113)	(1,374)
Income taxes	(805)	(238)	(1,043)	(8)	(95)	(103)	(57)	(6)	(63)	(4)	(1,213)
Net profit	2,578	511	3,089	150	293	443	286	11	297	(424)	3,405

(¹) Does not include depreciation and amortization.

(²) includes appreciation appropriation

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(Amounts expressed in millions of Reais, unless otherwise indicated)

	Consolidated										
	9 months ended on September 30, 2020										
	Networks			Renewables			Liberalized		Others		Result
Distribution	Transmission	Total networks	Wind generation	Hydraulic generation	Total Renewables	Gas generation	Marketing and services	Total liberalized	Total		
Gross revenue from third parties	27,194	1,639	28,833	298	222	520	30	864	894	-	30,247
Inter-segment gross revenue	8	25	33	45	241	286	1,086	82	1,168	3	1,490
Deductions from gross revenue	(8,207)	(10)	(8,217)	(35)	(56)	(91)	(292)	(145)	(437)	-	(8,745)
Operating costs and expenses ¹	(14,046)	(1,201)	(15,247)	(97)	(103)	(200)	(488)	(580)	(1,068)	(143)	(16,658)
Inter-segment operating costs and expenses ¹	(1,156)	(2)	(1,158)	(7)	(47)	(54)	(45)	(233)	(278)	-	(1,490)
Expected credit losses	(421)	-	(421)	-	-	-	-	-	-	-	(421)
Results from equity interest	-	-	-	-	(28)	(28)	-	-	-	-	(28)
EBITDA	3,372	451	3,823	204	229	433	291	(12)	279	(140)	4,395
Depreciation and amortization ²	(875)	-	(875)	(81)	(59)	(140)	(42)	(4)	(46)	(127)	(1,188)
Operating profit	2,497	451	2,948	123	170	293	249	(16)	233	(267)	3,207
Financial result, net	(528)	(12)	(540)	(63)	(62)	(125)	(49)	(7)	(56)	41	(680)
Income taxes	(475)	(132)	(607)	27	(43)	(16)	(32)	8	(24)	(4)	(651)
Net profit	1,494	307	1,801	87	65	152	168	(15)	153	(230)	1,876

(¹) Does not include depreciation and amortization.

(²) includes appreciation appropriation

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4.2 Assets by allocated segments

	Consolidated				
	Balance as of September 30, 2021				
	Accounts receivable	Sectoral financial assets (liabilities)	Public service concessions¹	Investments in subsidiaries, associates and joint ventures	Right of use, PP&E and intangibles
Networks					
Distribution	7,806	1,816	21,572	1	12,413
Transmission	23	-	7,514	-	13
	7,829	1,816	29,086	1	12,426
Renewables					
Wind generation	152	-	-	-	4,827
Hydraulic generation	27	-	-	2,481	2,948
	179	-	-	2,481	7,775
Liberalized					
Gas generation	52	-	-	-	997
Marketing and services	210	-	-	-	8
	262	-	-	-	1,005
Others	-	-	-	-	44
	8,270	1,816	29,086	2,482	21,250
	Consolidated				
	Balance as of December 31, 2020				
	Accounts receivable	Sectoral financial assets (liabilities)	Public service concessions¹	Investments in subsidiaries, associates and joint ventures	Right of use, PP&E and intangibles
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 generation	148	-	-	-	3,227
Hydraulic generation	45	-	-	2,425	2,824
	193	-	-	2,425	6,051
Liberalized					
Gas generation	36	-	-	-	989
Marketing and services	179	-	-	-	8
	215	-	-	-	997
Others	-	-	-	-	46
	6,529	(573)	23,277	2,427	16,371

(¹) Includes only the public service concessions classified as financial and/or contractual asset.

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

	3 months ended on			
	Public service concessions	2021/09/30 Investments, right of use, fixed and intangible assets	Public service concessions	2020/09/30 Investments, right of use, fixed and intangible assets
Networks				
Distribution	1,076	(8)	1,150	48
Transmission	672	3	503	1
	1,748	(5)	1,653	49
Renewables				
Wind generation	-	1,123	-	190
Hydraulic generation	-	125	-	30
	-	1,248	-	220
Liberalized				
Gas generation	-	18	-	24
Marketing and services	-	1	-	1
	-	19	-	25
Others	-	18	-	1
	1,748	1,280	1,653	295

	9 months ended on			
	Public service concessions	2021/09/30 Investments, right of use, fixed and intangible assets	Public service concessions	2020/09/30 Investments, right of use, fixed and intangible assets
Networks				
Distribution	3,089	19	2,845	53
Transmission	2,117	4	1,108	2
	5,206	23	3,953	55
Renewables				
Wind generation	-	1,773	-	355
Hydraulic generation	-	156	-	63
	-	1,929	-	418
Liberalized				
Gas generation	-	54	-	85
Marketing and services	-	2	-	1
	-	56	-	86
Others	-	36	-	1
	5,206	2,044	3,953	560

(¹) Includes only the public service concessions classified as financial and/or contractual asset.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. NET OPERATING REVENUE

	3 months ended on September 30, 2021				3 months ended on September 30, 2020				Consolidated
	Networks	Renewables	Liberalized	Total	Networks	Renewables	Liberalized	Total	
	Energy supply (note 5.1)	5,874	191	341	6,406	3,681	201	306	4,188
Distribution grid availability (note 5.2)	4,896	-	-	4,896	4,053	-	-	4,053	
Construction revenue of the concession infrastructure ¹	1,687	-	-	1,687	1,807	-	-	1,807	
Energy Trading Chamber – CCEE	268	57	175	500	190	12	3	205	
Surplus vending mechanism – MVE	154	-	-	154	1	-	-	1	
Estimated replacement value of the concession ²	494	-	-	494	131	-	-	131	
Contractual asset remuneration	186	-	-	186	80	-	-	80	
Effects of sectoral financial assets and liabilities (note 5.3)	2,022	-	-	2,022	338	-	-	338	
Other revenues (note 5.4)	135	5	7	147	75	13	(3)	85	
Gross operational revenue	15,716	253	523	16,492	10,356	226	306	10,888	
(-) Gross revenue deductions (note 5.5)	(4,014)	(33)	(196)	(4,243)	(2,731)	(27)	(150)	(2,908)	
Operational revenue, net	11,702	220	327	12,249	7,625	199	156	7,980	

	9 months ended on September 30, 2021				9 months ended on September 30, 2020				Consolidated
	Networks	Renewables	Liberalized	Total	Networks	Renewables	Liberalized	Total	
	Energy supply (note 5.1)	15,219	474	922	16,615	11,053	473	844	12,370
Distribution grid availability (note 5.2)	14,468	-	-	14,468	12,251	-	-	12,251	
Construction revenue of the concession infrastructure ¹	5,116	-	-	5,116	4,314	-	-	4,314	
Energy Trading Chamber – CCEE	901	78	209	1,188	493	25	44	562	
Surplus vending mechanism – MVE	241	-	-	241	3	-	-	3	
Estimated replacement value of the concession ²	1,155	-	-	1,155	145	-	-	145	
Contractual asset remuneration	494	-	-	494	188	-	-	188	
Effects of sectoral financial assets and liabilities (note 5.3)	3,302	-	-	3,302	174	-	-	174	
Other revenues (note 5.4)	334	14	21	369	212	22	6	240	
Gross operational revenue	41,230	566	1,152	42,948	28,833	520	894	30,247	
(-) Gross revenue deductions (note 5.5)	(11,108)	(94)	(525)	(11,727)	(8,217)	(91)	(437)	(8,745)	
Operational revenue, net	30,122	472	627	31,221	20,616	429	457	21,502	

(¹) In 2021, the total Revenue from the concession's infrastructure construction, the amount of R\$ 2,999 and R\$ 2,117 (In 2020 R\$ 2,868 and R\$ 1,442) refers to the revenue from the construction of distributors and transmitters, respectively.

(²) Update of the financial asset arising from the concession's indemnifiable portion, by the Basis for Calculating Remuneration ('BRR').

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Annual Tariff Readjustment – IRT 2021

ANEEL, through the Resolution nº 2.857 and 2.858 from April 22, 2021 and nº 2.927 from August 27, 2021, authorized the results of the Annual Tariff Readjustment of the following subsidiaries from Neoenergia: Coelba, Neoenergia Cosern and Neoenergia Elektro, respectively, with effect as of April 22, 2021 and August 27, 2021. The tariff readjustment will bring an average effect to the consumers of 8.98% for Neoenergia Coelba, 8.96% for Neoenergia Cosern and 11.49% for Neoenergia Elektro, whereas for the high tension consumers, the readjustment will be of 12.28% for Neoenergia Coelba, 11.18% for Neoenergia Cosern and 12.89% for Neoenergia Elektro, in contrast, for the low tension consumers it will be of 7.82% for Neoenergia Coelba, 8.27% for Neoenergia Cosern and 8.84% for Neoenergia Elektro.

The use of tax credits concerning the exclusion of ICMS from the basis of PIS/COFINS and the reversal's anticipation related to the reasonable tariffs of demand overtaking and reactive surplus that was constituted until the respective adjustments dates and contributed to the reduction of the average effect to the consumer, whereas the readjustment of the items related to the Portion B will be fully applied starting from the authorization.

Annual Tariff Readjustment – IRT 2021

ANEEL, through Resolution nº 2.861 from April 27, 2021, authorized the results of the fifth Tariff Revision related to the subsidiary Neoenergia Pernambuco, with effect as of April 29, 2021, accordingly with ANEEL'S Resolution nº 2.861/2021. The average effect for the consumers will be 8.99%, whereas for the high tension consumers, will be 11.89% and 8.01%, for the low tension consumers.

The use of tax credits concerning the exclusion of ICMS from the basis of PIS/COFINS and the reversal's anticipation related to the reasonable tariffs of demand overtaking and reactive surplus that was constituted until the respective adjustments dates and contributed to the reduction of the average effect to the consumer, whereas the readjustment of the items related to the Portion B will be fully applied starting from the authorization.

Tariff Flag – Water Shortage

The Chamber of Exceptional Rules for Hydroelectric Management - CREG, determined, through Resolution nº 3, from August 31, 2021, that the National Electrical Power Agency – Aneel, to implement a specific level of Tariff Flag, denominated as Water Shortage Flag, under the terms of the Decree nº 8.401, from February 4, 2015, of R\$ 142.00/MWh.

This level was created to finance the resources of the tariff flag with exceptional costs concerning the activation of thermal power plants and the importation of energy. The billing will be applied to all consumers from the National Interconnected System with effect from September of the current year to April 2022, with an exception to the beneficiaries of the social tariff. In September 2021, the Company invoiced R\$ 289, as the flag of water shortage.

5.1 Supply of electrical energy

	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Residential	4,626	3,369	13,362	10,277
Commercial	1,784	1,125	4,978	3,731
Industrial	1,493	1,298	3,978	3,588
Rural	681	467	1,732	1,267
Government	439	261	1,183	852
Public lighting	402	236	972	670
Public utility	362	261	968	753
Not invoiced supply	88	168	(31)	108
Transfer – Distribution grid availability ¹	(4,180)	(3,521)	(12,473)	(10,775)
Subsidy to the social tariff	711	524	1,946	1,899
	6,406	4,188	16,615	12,370

(¹) Revenues referring to the distribution grid availability, measured through the average Use Tariff of the Distribution System – TUSD, after its homologation by ANEEL for the captive consumer.

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5.2 Distribution grid availability

The revenue from TUSD refers basically to the sale of energy to free and captive consumers with the charges for using the distribution grid.

	Consolidated			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Free consumer	716	532	1,995	1,476
Captive consumer ¹	4,180	3,521	12,473	10,775
	4,896	4,053	14,468	12,251

(¹) Revenues referring to the distribution grid availability, measured through the average Use Tariff of the Distribution System – TUSD, after its homologation by ANEEL for the captive consumer.

5.3 Effects of sectoral financial assets and liabilities

	Consolidated			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
			0	0
CVA and Neutrality				
Energy (i)	1,605	(220)	2,331	(801)
System service charges – ESS (ii)	257	93	492	16
Energy Development Account - CDE (iii)	53	(3)	161	(10)
TUST (iv)	(74)	232	245	215
Neutrality of sectoral charges	27	56	(45)	141
PROINFA	(13)	-	21	-
Others	-	3	-	(49)
	1,855	161	3,205	(488)
Financial components and subsidies				
Over-contracting onlending (v)	(176)	218	(84)	743
Hydrological risk	(4)	(32)	(74)	(86)
Exceedance of demand/Reactive Surplus	54	(22)	40	(65)
Readjustment deferral	5	22	11	122
Compensation of bilateral agreements - CCEAR	(16)	40	(79)	37
COVID account - Liability (vi)	-	-	(225)	-
Pis/Cofins credit over ICMS	308	-	526	-
Others	(4)	(49)	(18)	(89)
	167	177	97	662
	2,022	338	3,302	174

- (i) Energy: Increase of the constitution due to difference between costs incurred with the tariff coverage from ANEEL, with emphasis to the financial events related with the accounting of CCEE and the amortization of homologated balances in the tariff readjustment proceedings;
- (ii) System Service Charges - ESS: Increase of the constitution due to difference between costs incurred with the tariff coverage from ANEEL and the amortization of homologated balances in the tariff readjustment proceedings;
- (iii) Energy Development Account - CDE: recoverable CVA due to difference between costs incurred with the tariff coverage from ANEEL and the amortization of homologated balances in the tariff readjustment proceedings;
- (iv) TUST – Basic Network: Increase of the constitution due to the REH n° 2.725/2020, that established the Allowed Annual Revenue - RAP of the transmitters, with effect from July 01, 2020 and the amortization of homologated balances in the tariff readjustment proceedings;
- (v) Onlending transfer: Decrease of the constitution designated to negate the effects over the result obtained with the purchase and sale of energy surplus in the short-term market until the regulatory limit and the amortization of homologated balances in the tariff readjustment proceedings; and
- (vi) Liability - COVID account: Passive constitution of a financial component which corresponds to the amortization of the balance from the sectoral financial asset provided in item V in the head of the third article in accordance with the invoiced market, under the established in REN ANEEL n° 885/2020.
- (vii) PIS/COFINS over ICMS: Recognition of the anticipation of the reversal from the values related to credits arising from the exclusion of the ICMS from the calculation basis of PIS/COFINS, as a financial component to being compensated from the total amount allowed by the RFB.

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5.4 Other revenues

	Consolidated			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Revenue from service provisions	27	9	40	23
Leases and rents	82	50	223	144
Charged services	6	1	15	7
Public Illumination fee	2	2	5	5
Administration of fraud invoices	2	2	7	5
Comission from third party services	16	11	44	37
Gain/loss with RAP	(51)	(3)	(26)	(14)
Operation and maintenance income	59	17	43	28
Regulatory and contractual penalties	-	(1)	-	-
Photovoltaic operations	3	2	11	5
Other revenues	1	(5)	7	-
Total	147	85	369	240

5.5 Gross revenue deductions

	Consolidated			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Taxes				
Tax over Merchandise and Services Circulation – ICMS	(2,195)	(1,578)	(6,199)	(4,849)
Social Interaction Program - PIS and Contribution for Social Security Financing – COFINS	(1,308)	(839)	(3,426)	(2,416)
Services tax – ISS	(6)	(4)	(16)	(12)
	(3,509)	(2,421)	(9,641)	(7,277)
Sectoral charges				
Energy Development Account – CDE	(587)	(387)	(1,667)	(1,161)
Energy Efficiency Program – PEE	(47)	(29)	(117)	(80)
Consumers' charges – PROINFA and CCRBT	(35)	(24)	(128)	(97)
Other charges ¹	(65)	(47)	(174)	(130)
	(734)	(487)	(2,086)	(1,468)
	(4,243)	(2,908)	(11,727)	(8,745)

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

6. ENERGY COSTS

	Consolidated			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Energy purchased for sale				
Energy acquired through regulated environment auction – ACR (i)	(2,460)	(1,309)	(6,117)	(4,046)
Energy acquired in the Free Contracting Environment – ACL	(380)	(247)	(982)	(805)
Variable Costs from the Short-Term Market – MCP (ii)	(1,862)	(260)	(2,830)	(856)
Short-Term Energy – PLD and MRE	140	(181)	(224)	(554)
Agreements based on physical assurance quotas	(459)	(383)	(1,230)	(1,055)
Energy acquired from a bilateral agreement	(246)	(30)	(533)	(147)
Itaipu energy	(382)	(262)	(973)	(751)
Quotas from Angra I and Angra II Power Plants	(140)	(123)	(347)	(377)
Others	(67)	(74)	(267)	(189)
Subtotal	(5,856)	(2,869)	(13,503)	(8,780)
PIS and COFINS credits	542	281	1,296	859
Total	(5,314)	(2,588)	(12,207)	(7,921)
Transmission and distribution system usage charges				
Basic grid charges (iii)	(752)	(614)	(2,508)	(1,705)
Itaipu transport charges	(79)	(181)	(79)	(181)
Connection charges	(61)	(74)	(164)	(208)
Distribution system use charges	(44)	(32)	(44)	(32)

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	3 months ended on		Consolidated 9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
	System service charges – ESS (iv)	(790)	-	(1,359)
Reserve energy charges – EER (v)	244	-	100	-
Other charges	67	(83)	(16)	(6)
Subtotal	(1,415)	(984)	(4,070)	(2,132)
PIS and COFINS credits	106	78	350	192
Total	(1,309)	(906)	(3,720)	(1,940)
Total energy costs	(6,623)	(3,494)	(15,927)	(9,861)

- (i) The addition of the energy acquired in the ACR is a result of the increase in the mandatory costs of quotas, from the generators' tariff readjustment, from the beginning of new contracts and specially from the variable portion that is directly affected by the PLD, due to a higher activation of thermal power plants because of the water crisis;
- (ii) Less availability of water in the larger hydroelectric reservoirs increased the cost with the Hydrological Risk and the resulting dispatch of thermal power plants increased the cost with Virtual Condominium;
- (iii) The addition of basic network charges is due to the usage tariffs readjustment, accordingly with what is defined in the REH 2.726/2020, from July 14, 2020; and
- (iv) System Service Charges - ESS: Increase of the thermal power plants generation to ensure the safety of the national energy supply, due to a determination from the Monitoring Committee of the Energy Sector (CMSE) along with the ONS.
- (v) Reserve energy charges – ERR: the 1º semester of 2020 suffered an impact due to the liberation of the reserve fund for future relieving of charges, ANEEL Order 986/2020, which did not happen for this exact period of 2021.

7. CONSTRUCTION COSTS

	3 months ended on		Consolidated 9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
	Personnel	(116)	(92)	(324)
Material	(780)	(858)	(2,411)	(2,034)
Third-party services	(633)	(646)	(1,705)	(1,555)
Interest on constructions in progress	(12)	(12)	(33)	(36)
Others	(88)	(116)	(170)	(249)
Special obligations	86	35	254	76
Total	(1,543)	(1,689)	(4,389)	(4,044)

On September 30, 2021, the construction cost related to the concession's infrastructure, the amount of R\$ 2,999 and R\$ 1,390 (On September 30, 2020, R\$ 2,868 and R\$ 1,176) refers to the construction revenue of the distributors and transmitters, respectively.

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8. OPERATING COSTS AND OPERATING EXPENSES

	3 months ended on September 30, 2021				3 months ended on September 30, 2020			
	Operating costs	Selling expenses	Other Standard and administrative revenues/expenses	Total	Operating costs	Selling expenses	Other Standard and administrative revenues/expenses	Total
Staff and employee benefits Management	(243)	(24)	(153)	(420)	(178)	(22)	(136)	(336)
Third party services	-	-	(18)	(18)	-	-	(14)	(14)
Photovoltaic operations	(231)	(57)	(149)	(437)	(178)	(39)	(133)	(350)
Depreciation and amortization	(3)	-	-	(3)	(1)	-	-	(1)
Fuel for energy production	(391)	(2)	(53)	(446)	(336)	-	(31)	(367)
Provision for judicial lawsuits	(208)	-	-	(208)	(83)	-	-	(83)
Taxes	-	-	(41)	(41)	-	-	(31)	(31)
Other revenues and expenses, net	(1)	-	(3)	(4)	-	-	1	1
Total	(48)	(3)	(7)	(58)	(39)	(9)	(53)	(101)
Total	(1,125)	(86)	(424)	(1,635)	(815)	(70)	(397)	(1,282)

	9 months ended on September 30, 2021				9 months ended on September 30, 2020			
	Operating costs	Selling expenses	Other Standard and administrative revenues/expenses	Total	Operating costs	Selling expenses	Other Standard and administrative revenues/expenses	Total
Staff and employee benefits Management	(708)	(81)	(463)	(1,252)	(581)	(80)	(365)	(1,026)
Third party services	-	-	(57)	(57)	-	-	(50)	(50)
Photovoltaic operations	(668)	(167)	(400)	(1,235)	(563)	(105)	(396)	(1,064)
Depreciation and amortization	(10)	-	-	(10)	(4)	-	-	(4)
Fuel for energy production	(1,131)	(3)	(152)	(1,286)	(977)	(3)	(84)	(1,064)
Provision for judicial lawsuits	(426)	-	-	(426)	(306)	-	-	(306)
Taxes	-	-	(111)	(111)	(2)	-	(109)	(111)
Other revenues and expenses, net	(4)	-	(21)	(25)	(1)	-	(20)	(21)
Total	(152)	(5)	(9)	(166)	(145)	(20)	(6)	(171)
Total	(3,099)	(256)	(1,213)	(4,568)	(2,579)	(208)	(1,030)	(3,817)

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8.1 Depreciation and amortization

	Period of 3 months ended on		Consolidated Period of 9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Depreciation and amortization quota	(438)	(371)	(1,243)	(1,074)
Write-off of residual value from intangible assets	(20)	-	(62)	-
(-) PIS/COFINS credits	12	4	19	10
Total	(446)	(367)	(1,286)	(1,064)

9. FINANCIAL RESULT

	3 months ended on		Consolidated 9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Financial revenue				
Interest on financial applications	52	29	101	106
(-) Taxes on financial income	(13)	(10)	(36)	(28)
Interest and charges from accounts receivable and other securities	125	137	428	292
Correction of judicial deposits	6	2	8	6
Update of sectoral financial asset	9	(1)	13	6
Post-employment benefits and other benefits	1	1	2	2
Other financial revenue	17	10	45	37
	197	168	561	421
Financial expenses				
Charges on debt instruments (1)	(581)	(296)	(1,511)	(867)
Post-employment benefits and other benefits	(22)	(16)	(64)	(47)
Update of sectoral financial liability	3	-	(6)	(4)
Update of provision for judicial lawsuits	(55)	(47)	(150)	(136)
IOF - Financial Transaction Tax	(1)	(2)	(7)	(12)
Other financial expenses	(62)	(37)	(181)	(105)
	(718)	(398)	(1,919)	(1,171)
Other financial results, net				
Losses on exchange variations and mark-to-market – Debt	(763)	(913)	(1,464)	(4,026)
Gains on exchange variations and mark-to-market – Debt	38	599	1,243	974
Losses on derivative financial instruments – Note 19.3. b	(164)	(609)	(1,477)	(991)
Gains on derivative financial instruments – Note 19.3. b	853	967	1,710	4,157
Losses with exchange and monetary variations	(16)	(11)	(43)	(46)
Gains with exchange and monetary variations	7	-	15	2
	(45)	33	(16)	70
Net financial result	(566)	(197)	(1,374)	(680)

(1) Includes the variable portion of interest related to the price indexes on debt in the national currency, such as IPCA, General Index of the Market Prices – IGP-M, among others; and the appropriation of funding costs.

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

10.1 Income taxes

The current and deferred income taxes are represented by the *Imposto de Renda* (“IRPJ”) and by the *Contribuição Social sobre o Lucro Líquido* (“CSLL”) and are calculated based on 34% on income before taxes (IRPJ – 25% and CSLL – 9%) and consider the offsetting tax loss carryforwards and the negative basis of CSLL, limited to 30% of the period’s taxable income.

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10.1.1 Reconciliation of taxes recognized in the statement of income

The reconciliation of taxes declared accordingly with nominal rates and the values of the taxes recognized are presented below:

	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Income before taxes	1,789	1,159	4,618	2,527
Nominal income taxes rate - 34%	(608)	(447)	(1,570)	(859)
Adjustment affecting the calculation for income taxes:				
Tax benefit on interest on own capital	-	-	61	95
Tax incentives	125	102	322	249
Presumption difference from the basis of assumed profit	39	35	65	44
Addition (reversals) of non-recognized tax assets	(56)	(39)	(120)	(141)
Other permanent additions (reversals)	32	33	29	(39)
Income taxes	(468)	(316)	(1,213)	(651)
Effective income tax rates	26%	27%	26%	26%
Current	(217)	(195)	(461)	(477)
Deferred	(251)	(121)	(752)	(174)

10.1.2 Deferre tax assets and liabilities

The deferred tax assets and liabilities are recognized bases on tax losses and temporary differences between the book values for the financial statements and the corresponding values used for tax ends.

	Consolidated	
	2021/09/30	2020/12/31
Tax loss (includes negative basis)	225	191
Added value and provision for maintaining the shareholder's equity integrity (PMIPL)	482	540
Temporary differences:		
Business combination (note 15.3)	(469)	-
Obligations with post-employment benefits	442	386
Judicial lawsuits provision	342	285
Estimated credit losses - Accounts receivable	251	164
Use rights of the overtaking concession revenue	98	102
PLR – Profit Sharing	45	-
Added value linked to Property, Plant & Equipment and intangible assets	48	48
Fair value of indemnified financial assets	(1,307)	(703)
Debt interest capitalization	(273)	(275)
Accelerated depreciation	(39)	(35)
Fair value of financial instruments	7	(226)
Others	(535)	(324)
Total	(683)	153
Non-current assets	888	656
Non-current liabilities	(1,571)	(503)

The variations in the deferred taxes are as follows:

	Consolidated	
	Asset	Liability
Balance as of 31 December, 2020	656	(503)
Addition by the business combination (note 15.3)	415	(635)
Recognized effects on income	(436)	(316)
Recognized effects on other comprehensive results	135	1
Transfers between assets and liabilities	118	(118)
Balance as of 30 September, 2021	888	(1,571)
Balance as of 31 December, 2019	752	(222)
Recognized effects on income	(31)	(143)
Recognized effects on other comprehensive results	(32)	(16)
Transfers between assets and liabilities	(1)	1
Balance as of 30 September, 2020	688	(380)

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10.1.3 Current tax – assets and liabilities

	<u>2021/09/30</u>	<u>Consolidated 2020/12/31</u>
IRPJ	588	558
CSLL	85	78
Asset	673	636
Current	672	635
Non-current	1	1
	<u>2021/09/30</u>	<u>Consolidated 2020/12/31</u>
IRPJ	57	38
CSLL	47	4
Liability	104	42
Current	78	16
Non-current	26	26

On September 30, 2021 and December 31, 2020, the Company had R\$ 26 and R\$ 26 respectively recognized in the line of income taxes payable, which refers to the impact of uncertain tax positions.

Besides the tax uncertainties regarding the treatment of income taxes that were recognized, on September 30, 2021 and December 31, 2020, the Company has the amount of R\$ 3,502 and R\$ 3,146 which refers to the adopted tax treatment and that are susceptible to the questioning of taxation authorities. The prognosis of the Company regarding this situation, supported by its legal advisors, is that such adopted tax treatments should be admitted by the authorities on both administrative and/or judicial levels when needed. The main natures are listed below, as follows:

- (i) Non-addition of the expenses regarding the amortization of goodwill in the calculation basis of IRPJ and CSLL, in the following amount, R\$1,436 (R\$ 1,851 on December 31, 2020).
- (ii) Infraction notices deriving from the deduction of expenses regarding the amortization of goodwill in the calculation basis of IRPJ and CSLL which also resulted in the disallowance of credits calculated that were already used in compensations of federal taxes, totalling R\$ R\$ 1,551 (R\$ 1,295 on December 31, 2020).
- (iii) Administrative procedures originating from the nonrecognition of compensation requests fulfilled through credit rights of IRPJ and CSLL, totalling R\$ R\$ 86 (R\$186 em 31 on December 31, 2020).

10.2 Other taxes

10.2.1 Other recoverable taxes

	<u>2021/09/30</u>	<u>Consolidated 2020/12/31</u>
Tax over Merchandise and Services Circulation - ICMS	724	685
Social Interaction Program - PIS (a)	1,158	1,063
Contribution for Social Security Financing - COFINS (a)	5,353	4,907
National Institute of Social Security – INSS	27	27
Others	16	12
Other recoverable taxes	7,278	6,694
Current	2,112	1,629
Non-current	5,166	5,065
(a) See note 10.3		

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10.2.2 Other taxes and sectoral charges payable

	Consolidated	
	2021/09/30	2020/12/31
Tax over Merchandise and Services Circulation - ICMS	757	356
Social Interaction Program - PIS	208	127
Contribution for Social Security Financing - COFINS	745	583
Withholding taxes and contributions	44	160
Others	72	57
Other taxes payable	1,826	1,283
Research and Development - R&D	207	204
Energy Efficiency Program – PEE	307	240
Others	382	185
Sectoral charges	896	629
Total Other taxes and sectoral charges payable	2,722	1,912
Current	1,686	1,148
Non-current	1,036	764

10.3 Reimbursement to consumers – Federal taxes

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

In August and September 2019, favorable decisions became *res judicata* to the subsidiaries Neoenergia Cosern and Neoenergia Coelba and, in December 2020, the same happened to Neoenergia Pernambuco. The aforementioned lawsuits were filed in 2010. Faced with this fact, the approver of the compensation per the article 170-A from the National Tax code, the Company initially constituted an asset of PIS and COFINS receivable already updated in the amount of R\$ 5,758, taking the understanding from “Receita Federal do Brasil” (Brazilian Federal Revenue – RFB) contained in the internal consultation COSIT nº 013/2018 as calculation benchmark, considering the value of ICMS tax payable.

In the occasion, a liability in the amount of R\$ 5,752 was constituted, being R\$ 6 of success fees, owed to lawyers, as a result from the adoption of due caution and care, in face of a possible understanding from ANEEL that the amounts to be appropriated through compensation of recognized tax credits must be fully relayed to the consumers, accordingly with the Agency’s interpretation in the terms of the regulatory norms from the electric sector and the concession contract. The subject, however, is still under the Agency’s public consultation and is still not concluded up to the present date. The carrying amounts in the asset and liability began to be updated by the SELIC rate.

After the judgment of motions for clarification in STF, and in face of the need to recalculate the values in light of understanding that has been consolidated regarding the expurgation of the highlighted ICMS through the highlighted amount and no longer through the amount payable that was initially adopted, the Company made a supplementary asset in 2021 of R\$ 704. This amount includes the figure of R\$577 that refers to lawsuits filed by a few subsidiaries (Termope and Neoenergia Elektro) whose judicial decisions still did not become *res judicata*. However, the Company, after a detailed analysis of each lawsuit, observed similarities with previous successful *res judicata* lawsuits and that are also aligned with the decision based on the merit of the motions for clarification in STF.

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The Company has been adopting the procedures of tax credit recovery accordingly with the regulation issued by the RFB. The subsidiaries Neoenergia Coelba, Neoenergia Cosern and Neoenergia Pernambuco began the relay to the consumers from April 2021, under ANEEL's Resolution nº 2.857/21, 2.858/21 and 2.861/21. For the subsidiary Neoenergia Elektro the relay began from August under ANEEL's Resolution nº 2.927.

The movement of Reimbursement to consumers is presented below:

Balance as of December 31, 2019	3,282
Constitution	1,638
Update	838
Payment (i)	(3)
Balance as of December 31, 2020	5,755
Addition by the business combination (note 15.3)	148
Constitution	958
Update	249
Payment (i)	(3)
Transfer to Parcel A (note 13)	(719)
Balance as of September 30, 2021	6,388
Current liability	1,475
Non-current liability	4,913

(i) Payment of successful fees.

11. CASH AND CASH EQUIVALENTS

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

	Consolidated		Parent Company	
	<u>2021/09/30</u>	<u>2020/12/31</u>	<u>2021/09/30</u>	<u>2020/12/31</u>
Cash and bank deposit at sight	154	227	-	-
Bank Deposit Certificate (CDB)	1,050	1,598	-	275
Investment funds	3,122	3,235	68	92
Total	4,326	5,060	68	367

The financial instruments portfolio classified as cash and cash equivalents are made with the purpose of better profitability and a lower level of risk. The average remuneration of these portfolios on September 30, 2021, is 99% do CDI.

12. TRADE ACCOUNTS RECEIVABLE AND OTHERS CONTAS A RECEBER DE CLIENTES E OUTROS

	2021/09/30			Consolidated 2020/12/31		
	Trade Receivables	Expected credit loss	Trade accounts receivable, net	Trade Receivables	Expected credit loss	Trade accounts receivable, net
Energy supply (note 12.1)	7,711	(1,437)	6,274	6,154	(1,244)	4,910
Commercialization of energy at CCEE	424	-	424	352	-	352
Distribution grid availability	597	(4)	593	551	(4)	547
Government Grants and subsidies	558	-	558	425	-	425
Other receivables	500	(79)	421	346	(51)	295
Total	9,790	(1,520)	8,270	7,828	(1,299)	6,529
Current asset			7,862			6,187
Non-current asset			408			342

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12.1 Energy supply

The accounts receivable regarding energy supply comprehend the receivables from distribution, generation and commercialization of energy.

The composition of accounts receivable regarding energy supply, per consumer class, is demonstrated as follows:

	2021/09/30		Consolidated 2020/12/31	
	Trade Receivables	Expected credit loss	Trade Receivables	Expected credit loss
Residential	2,671	(752)	2,106	(679)
Commercial	754	(252)	603	(181)
Industrial	920	(184)	805	(157)
Rural	431	(133)	331	(115)
Government	474	(66)	386	(63)
Public lighting	347	(19)	259	(23)
Public service	293	(15)	204	(17)
Unbilled services	1,821	(16)	1,460	(9)
Total	7,711	(1,437)	6,154	(1,244)

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

	2021/09/30		Consolidated 2020/12/31	
	Trade Receivables	Expected credit loss	Trade Receivables	Expected credit loss
Due receivables	4,033	(74)	3,291	(94)
Overdue receivables:				
90 days	1,463	(100)	1,088	(84)
Between 91 and 180 days	320	(98)	262	(85)
Between 181 and 360 days	442	(214)	433	(173)
After 361 days	1,453	(951)	1,080	(808)
	7,711	(1,437)	6,154	(1,244)

12.2 Variation of the expected credit losses – PCE

	Consolidated 9 months ended on	
	2021/09/30	2020/09/30
Balance at the beginning of the period	(1,299)	(1,122)
Addition by the business combination (note 15.3)	(171)	-
Recognized effect in the period's result	(246)	(421)
Effective losses written-off	196	209
Balance at the end of the period	(1,520)	(1,334)

In the period of nine months on September 30, 2021, the Company recognized R\$ 58 of expected credit losses (PCE) due to the impacts of COVID 19.

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

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

	2021/09/30			Consolidated 2020/12/31		
	Rights	Obligations	Net effect	Rights	Obligations	Net effect
CVA and Neutrality						
Energy	2,779	(11)	2,768	782	(88)	694
System Service Charges – ESS	624	-	624	75	(117)	(42)
Energy Development Account – CDE	129	(11)	118	5	(52)	(47)
Tariff on Use of Transmission Network – TUST	529	(28)	501	305	(20)	285
Others	89	(126)	(37)	17	(57)	(40)
Financial Components and Subsidies						
Overcontracting pass-through	93	(381)	(288)	129	(170)	(41)
Hydrological Risks	-	(887)	(887)	-	(660)	(660)
Demand's Overtaking / Surplus	-	(674)	(674)	-	(666)	(666)
Compensation of CCEAR Bilateral agreements	3	-	3	65	-	65
COVID account – Liability	-	(6)	(6)	-	(98)	(98)
Pis/Cofins credit over ICMS (i)	528	(729)	(201)	-	-	-
Others	77	(182)	(105)	68	(91)	(23)
Total	4,851	(3,035)	1,816	1,446	(2,019)	(573)
Values Homologated by Aneel (under reversal)	1,123	(1,264)	(139)	175	(643)	(468)
Values to be Homologated by Aneel (under construction)	3,728	(1,773)	1,955	1,271	(1,376)	(105)
Total	4,853	(3,037)	1,816	1,446	(2,019)	(573)
Current Assets			1,039			92
Non-Current Assets			895			-
Current Liabilities			-			(149)
Non-Current Liabilities			(118)			(516)

(i) The transfer in the tariffs of PIS/COFINS credits over ICMS will still be a regulatory matter by ANEEL within the Public Consultation nº 05/2021, however, ANEEL authorized the anticipated use of the values in exceptional cases, where there is a possibility of an expressive tariff increase. Therefore, it was recognized in the Tariff Readjustment process from 2021, the anticipation of value reversal from these credits as a negative financial component, whose deferral for the next 12 months, from April/21 to March/22, will be backed to the expectation of future compensation of those credits alongside the Federal Revenue. From this amount, the Company has already compensated R\$ 719, which is equivalent to the amount transferred to the deferral in the tariff (note 10.3)

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14. PUBLIC SERVICE CONCESSIONS

The Company's concessions of distribution and transmission are not onerous, therefore there are no fixed financial obligations and payments to be made for the Granting Authority. The vested concession contracts have a 30-year term with an extension of its validity, at the sole discretion of the Granting Authority, upon the concessionaire's request.

14.1 Financial asset

The values of the assets bound to infrastructure and that will not be amortized until the end of the concession contract is classified as a financial asset for being an unconditional right of receiving cash or other financial assets directly from the Granting Authority. These assets had the following transactions in the period:

	Consolidated	
	2021/09/30	2020/09/30
Balance at the beginning of the period	14,403	11,743
Addition by the business combination (note 15.3)	137	-
Disposals	(20)	(21)
Reversals	1	1
Transfers – contractual assets ¹	1,589	1,353
Transfers – intangible assets	11	16
Transfers – others	-	3
Fair value adjustments	1,155	145
Balance at the end of the period	17,276	13,240
Non-current assets	17,276	13,240

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

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

14.2 Contractual asset

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

	2021/09/30			Consolidated 2020/12/31		
	Transmission	Distribution	Total	Transmission	Distribution	Total
Current	426	-	426	133	-	133
Non-current	7,088	4,296	11,384	4,892	3,849	8,741
Total	7,514	4,296	11,810	5,025	3,849	8,874

These assets presented the following changes in the period:

	Consolidated		
	Transmission	Distribution	Total
Balance as of December 31, 2020	5,025	3,849	8,874
Addition by business combination (note 15.3)	-	141	141
Additions ¹	2,117	3,089	5,206
Disposals	-	(33)	(33)
Transfers - intangible in progress ¹	-	(1,127)	(1,127)
Transfers - financial assets ¹	-	(1,589)	(1,589)
Transfers – others	-	(34)	(34)
Contractual asset amortization	(122)	-	(122)

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			Consolidated
	Transmission	Distribution	Total
Monetary variation	494	-	494
Balance as of September 30, 2021	7,514	4,296	11,810
Current Asset			426
Non-current Assets			11,384
Cost	7,514	4,687	12,201
Special obligations	-	(391)	(391)
			Consolidated
	Transmission	Distribution	Total
Balance as of December 31, 2019	1,756	3,877	5,633
Additions ¹	1,441	2,845	4,286
Disposals	-	(5)	(5)
Transfers - intangible in progress ¹	-	(1,058)	(1,058)
Transfers - financial assets ¹	-	(1,353)	(1,353)
Transfers – others	-	30	30
Contractual asset amortization	(57)	-	(57)
Monetary variation	188	-	188
Balance as of SeptemberJune 30, 2020	3,328	4,336	7,664
Current Asset			118
Non-current Assets			7,546
Cost	3,328	4,561	7,889
Special obligations	-	(225)	(225)

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

15. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES ND JOINT VENTURES
15.1 Changes that occurred during the period

The variations from the investments in subsidiaries, associates and joint ventures are as follows:

	Joint ventures¹	Associates²	Total Consolidated	Subsidiaries³	Total Parent Company
Balance as of December 31, 2020	1,051	1,376	2,427	20,350	22,777
Capital increase	16	-	16	3,506	3,522
Participation in investees results	97	(28)	69	3,630	3,699
Amortization of appreciation	-	-	-	(121)	(121)
Participation in other comprehensive income/(loss)	-	-	-	(431)	(431)
Dividend allocation	(30)	-	(30)	(2,049)	(2,079)
Others	-	-	-	13	13
Balance as of September 30, 2021	1,134	1,348	2,482	24,898	27,380
Balance as of December 31, 2019	1,040	1,461	2,501	16,627	19,128
Capital increase	21	-	21	661	682
Participation in investees results	21	(49)	(28)	2,071	2,043
Amortization of appreciation	-	-	-	(123)	(123)
Participation in other comprehensive income/(loss)	-	-	-	366	366
Declared dividends	-	-	-	(294)	(294)
Balance as of September 30, 2020	1,082	1,412	2,494	19,308	21,802

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15.2 Breakdown by investment class

Additional information about the main investees are demonstrated below:

	Segment	Participation and voting capital	Balance of Investments		Result of participation		Dividends received		
			2021/09/30	2020/12/31	2021/09/30	2020/09/30	2021/09/30	2020/09/30	
Subsidiaries									
Wholly owned subsidiaries									
	Networks	100.00%	5,674	2,355	524	273	13	-	
	Liberalizade	100.00%	1,546	1,355	374	172	163	130	
	Renewables	100.00%	4,808	4,138	293	152	99	69	
	Others	100.00%	16	14	-	-	-	-	
Other subsidiaries									
	Neoenergia Coelba	Networks	96.65%	6,272	6,041	1,196	724	1,032	-
	Neoenergia Elektro	Networks	99.68%	3,544	3,697	534	366	202	-
	Neoenergia Pernambuco	Networks	89.65%	1,875	1,721	316	123	27	-
	Neoenergia Cosern	Networks	91.50%	1,419	1,285	354	222	87	-
	Afluente T	Networks	87.84%	157	165	17	16	24	30
				25,311	20,771	3,608	2,048	1,647	229
Associates and joint ventures									
	Teles Pires Participações (1)	Renewables	50.56%	800	765	17	(25)	-	-
	Companhia Hidrelétrica Teles Pires	Renewables	51.00%	26	25	1	-	-	-
	Águas da Pedra	Renewables	51.00%	309	260	79	46	45	14
	Norte Energia S.A. (NESA) (2)	Renewables	10.00%	1,287	1,322	(34)	(53)	-	-
	Energética Corumbá III	Renewables	25.00%	60	55	6	4	1	-
				2,482	2,427	69	(28)	46	14
Shareholders transactions									
				(413)	(421)	22	23	-	-
Total									
				27,380	22,777	3,699	2,043	1,693	243

- (1) On September 14, 2021, the agreement between The Teles Pires Construction Consortium - ("CCTP") and the Teles Pires Hydroelectric Company S.A. was celebrated for the extinction of the arbitration process along with the Conciliation and Arbitration Chamber from Fundação Getúlio Vargas, installed in May 2016. The request was referred to the supposed increase in the project cost, estimated by "CCTP", as a result of the following events: recurring delays of liberation from the areas affected by the works, geology pledge, workforce pledge and transmission pledge.

The aforementioned agreement defined that the Company has to make the payment of R\$ 77 to CCTP, being R\$ 8 retained as collateral for guarantees, until the conclusion of the issues related to the construction. The contingency provision was reverted on September 30, 2021 and affected the result of equity equivalence of Neoenergia in R\$ 25.

- (2) Risks related to legal compliances at NESA: In 2014, the Ministério Público Federal – MPF ("Federal Public Prosecution") started investigations regarding irregularities involving contractors and suppliers from the project UHE Belo Monte 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 the contract amount. Consequently, NESA recognized impairment losses in proportion to its participation in the project. Considering that the MPF investigation is still ongoing and there are no new facts, it is not possible to predict any outcome on the investee.

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15.3 Business combination: acquisition of CEB Distribuição S.A. (“CEB-D”)

On December 04, 2020, the Company, through its subsidiary Bahia Geração de Energia S.A. (“Bahia PCH III”), was the winner in the Public Session from the Auction nº 01/2020-CEB-D (“Auction”) to decentralize the electrical energy distributor CEB-D, with a winning bid of R\$ 2,515 to acquire 100% of the issued shares from CEB-D, whose cash-settlement occurred on March 02, 2021, after previous approval by the Administrative Council of Economic Defense (“CADE”) and previous consent from the Brazilian Electricity Regulatory Agency (“ANEEL”), that, respectively occurred on 14 and 22 January 2021.

CEB-D is the electrical energy distributor of the Distrito Federal (“Federal District”) and holds the concession for the distribution of electrical energy in Distrito Federal for 30 years, until July 07, 2045. The acquisition of CEB-D was another step aligned to the Company’s expansion plan in the Brazilian electrical sector.

The determination of results regarding the business combination through the confrontation of the value paid and the fair values of the main identifiable assets acquired and liabilities assumed on March 02, 2021, business combination date, are demonstrated below:

Value of the consideration paid	2,515
(-) Cash received	(100)
Net value of the cash outflow	2,415
Acquired assets	
Trade accounts receivable and others	657
Recoverable taxes	161
Judicial deposits	26
Public Service Concession (financial asset)	137
Public Service Concession (contractual asset)	141
Deferred tax income	344
Other assets	113
Fixed assets	46
Intangible assets (Concession contract) (i)	2,632
Other intangibles	8
	<u>4,265</u>
(-) Assumed liabilities	
Suppliers and trade accounts payable to contractors	(413)
Other sectoral taxes and charges payable	(280)
Loans and financings	(226)
Wages, employee benefits and charges payable	(115)
Sectoral financial liability (Portion A and others)	(193)
Provision (ii)	(199)
Reimbursement to consumers – Federal taxes	(148)
Deferred income taxes (ii)	(798)
Other liabilities	(113)
	<u>(2,485)</u>
Net acquired asset	1,780
(=) Goodwill	635

The Company is not subject to contingent considerations or has the right to compensations that can affect the purchase price. The expenses with attorney’s fees, financial advisors, *due diligence*, fees and others, related to the acquisition of CEB-D totalled R\$ 25.

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The assumptions and evaluation techniques of the main acquired assets and liabilities assumed that were identified in the acquisition of CEB-D are presented below:

(i) Intangible related to the public service concession contract related to the electrical energy distribution in Distrito Federal (“Federal District”) until July 07, 2045, in the amount of R\$ 2,632 and the adjustment to fair value made in the process of purchase price allocation of R\$ 1,945. The intangible’s fair value (concession contract) was evaluated with the revenue approach through the *multi-period excess earnings* method, which considers the present value of the expected net cash flows from the concession, including the benefits from tax amortization. The key assumptions were:

- Remaining concession term of 24 years.
- Expected energy volume and its respective tariffs per each consumers’ class, based on the methodology from ANEEL.
- Operational expenses based on the Administration’s estimations, considering the Company’s experience in the management of concession contracts.
- Investment expectations for maintenance and improvement of the structure from CEB-D, considering evaluation parameters that are consistent with the size and long-term strategic planning for CEB-D.
- Income taxes of 34%.
- Discount rate reflecting the “WACC” – *Weighted Average Capital Cost*, at an adequate perception level of the market risk and adequate shareholder remuneration.

(ii) Contingent liabilities related to judicial lawsuits in the tributary, civil, labor and regulatory matters, based on the best estimation of loss accordingly with the Administration’s judgment, of R\$ 199, and the accomplished adjustment to fair value in the process of purchase price allocation of R\$ R\$ 93, which reflect a better expectation of the Administration for disbursements related to ongoing judicial lawsuits, based on recent judicial decision and broadly established jurisprudence in regards to the claims from the aforementioned judicial lawsuits. The fair values of the judicial procedures in civil, tributary, labor and regulatory matters in the acquisition date are demonstrated below:

Judicial lawsuits	
Civil	23
Labor	58
Tax	31
Regulatory	87
Contingent liabilities at fair value	199
(-) Provision for contingencies that were previously recognized by CEB-D	(106)
(=) Fair value adjustments	93

(iii) The calculated deferred income tax over the adjustment between the book values and fair values of the assets and liabilities aforementioned in the items (i) and (ii), to the nominal rate of 34%, totalled R\$ 635. It is worth highlighting that the goodwill and the adjustment of provision for fiscal contingencies in the respective amount of R\$ 635 and R\$ 31, respectively, are not part of the calculation basis.

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15.4 Accounting practice and critical judgments

a) Accounting practice

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

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

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

b) Estimates and critical judgments

In the measurement process of a business combination, the Company's Administration applies evaluation assumptions and techniques in the main identified elements of the acquisition (acquired assets and assumed liabilities). The application of these evaluation assumptions and techniques involves the Administration's judgment, based on its business and management model, and the individual characteristics of the elements that are being evaluated. As a result, the fair value of the acquired assets and assumed liabilities initially measured in the business combination may suffer significant variations between the Company's projected results and the actually achieved results, these variations may occur due to the revision of both investment factors, strategic or operational, in addition to the growth level and the discount rate.

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

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16. PP&E

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

	Consolidated						
	Wind farms	Combined cycle plants	Hydropower plants	Constructions and terrains	Others	Assets under development	Total
Taxa de depreciação a.a	3.03% - 16.70%	2.50% - 20.00%	2.00% - 20.00%	0.00% - 16.67%	2.5% - 25.00%		
Balance at 31 December 2020	1,699	776	1,806	1,074	39	1,427	6,821
Addition with business combinations	-	-	-	-	10	36	46
Additions	20	-	-	-	-	1,800	1,820
Capitalized costs ¹	-	-	-	-	-	112	112
Disposals	-	-	-	(2)	-	(2)	(4)
Depreciation	(56)	(40)	(41)	(34)	(6)	-	(177)
Transfers between classes	349	-	9	50	(14)	(394)	-
Transfers - Others assets	1	-	-	-	3	(202)	(198)
Balance as of September 30, 2021	2,013	736	1,774	1,088	32	2,777	8,420
Cost	2,693	1,323	2,225	1,340	107	2,777	10,465
Accumulated depreciation	(680)	(587)	(451)	(252)	(75)	-	(2,045)
Balance as of December 31, 2019	1,788	612	1,847	1,107	53	753	6,160
Additions	-	-	-	-	-	538	538
Capitalized costs ¹	-	-	-	-	-	2	2
Disposals	-	-	-	-	-	(7)	(7)
Depreciation	(65)	(37)	(40)	(22)	(7)	-	(171)
Transfers between classes	1	121	5	5	7	(139)	-
Transfers – Other assets	1	7	-	(1)	5	(78)	(66)
Balance as of September 30, 2020	1,725	703	1,812	1,089	58	1,069	6,456
Cost	2,325	1,236	2,207	1,296	91	1,069	8,224
Accumulated depreciation	(600)	(533)	(395)	(207)	(33)	-	(1,768)

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

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17. INTANGIBLE ASSETS

The intangible variations, by nature, are demonstrated below:

	Goodwill	Concession	Software	Others	Assets under development	Consolidated Total
Amortization rate per year		2.86% - 4.30%	6.20% - 20%	0% - 100%		
Balance as of December 31, 2020	-	9,366	6	84	5	9,461
Addition by the business combinations (note 15.3)	635	2,632	8	-	-	3,275
Additions	-	-	-	35	133	168
Disposals	-	(51)	-	-	-	(51)
Amortization	-	(1,187)	(8)	(13)	-	(1,208)
Transfers – between intangibles	-	-	1	129	(130)	-
Transfers – Financial asset ¹	-	(11)	-	-	-	(11)
Transfers – Contractual asset ²	-	1,122	5	-	-	1,127
Transfers – others	-	(22)	-	5	-	(17)
Balance as of September 30, 2021	635	11,849	12	240	8	12,744
Cost	635	30,405	121	270	8	31,439
Accumulated amortization	-	(14,429)	(109)	(30)	-	(14,568)
Special obligations	-	(4,127)	-	-	-	(4,127)
Balance as of December 31, 2019	-	9,285	6	69	6	9,366
Additions	-	-	25	-	3	28
Disposals	-	(46)	-	-	-	(46)
Amortization	-	(1,004)	(7)	(3)	-	(1,014)
Transfers – between intangibles	-	-	5	(3)	(2)	-
Transfers – Financial asset ¹	-	(16)	-	-	-	(16)
Transfers – Contractual asset ²	-	1,058	-	-	-	1,058
Transfers – others	-	(4)	-	(1)	(3)	(8)
Balance as of September 30, 2020	-	9,273	29	62	4	9,368
Cost	-	23,351	44	76	4	23,475
Accumulated amortization	-	(12,224)	(15)	(14)	-	(12,253)
Special obligations	-	(1,854)	-	-	-	(1,854)

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

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

On September 09, 2020, it was published the Law n° 14.052, which established new conditions of renegotiation regarding the non-hydrological risk, assumed by the titleholders of hydropower plants that take part in the Energy Reallocation Mechanism (MRE) in recent years. The purpose is to compensate the power plant for such risks, whose effects are related to the anticipation of the physical warranty regarding the electric energy undertakings known as structural, as well as the delay of entry into operation of the transmission facilities needed for the outflow of energy generation from these facilities, in addition to the thermal generation outside the order of merit. This Law was regulated by ANEEL through the Normative Resolution n° 895 from December 01, 2020, which established the methodology to calculate the compensations that are going to be paid to the hydroelectric generators that are part of the Energy Reallocation Mechanism (MRE).

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The compensation to hydropower generators will occur through an extension of the bestowals' concession period and must be recognized in the books as intangible against the recuperation costs with electric energy.

Based on the calculation disclosed by CCEE on March, 2021, the subsidiaries Itapebi, Baguari and Geração CIII recognized an addition to their intangible of R\$ 39. On September 10, 2021, after new calculations were disclosed by CCEE due to Law 14.182/21, the subsidiaries recognized an addition of R\$ 125 in the recognized intangible.

The total intangible recognized was R\$ 164, that is equivalent to an addition of its concessions deadlines of 1,353 days for the subsidiary Itapebi, 1,678 days for the subsidiary Baguari, 1,163 days for the subsidiary Geração CIII and 34 days for the subsidiary Geração Céu Azul. This total represents the fair value of reimbursement that the Company has the right to receive, using as basis calculation made by CCEE, already added with an own capital cost of 9.63%.

18.SUPPLIERS AND ACCOUNTS PAYABLE TO CONTRACTORS

	<u>2021/09/30</u>	<u>Consolidated 2020/12/31</u>
Energy	2,958	1,937
Network usage charges	662	519
Materials and services	2,065	1,846
Liberalized energy	145	126
Total	5,830	4,428
Current	5,684	4,300
Non-current	146	128

The Company negotiated with some suppliers to change the due date for new purchases from 45 to 188 days, on average. For these new purchases, there was also a change in the prices, thus indicating an average financial cost of approximately 8.40% p.y.

In this circumstance, some suppliers decided to deduct their receivables from financial institutions before the bills' original due date, without the Company having any obligation or co-obligation. Eventual operations between suppliers and financial institutions, do not change the deadlines, prices and conditions previously established with the suppliers, therefore, the balances are still being classified as Suppliers and accounts payable to contractors in the Statement of Financial Position and the cash flows associated are included in the operational or investment activities cash flow. The incurred interest are recognized as financial expense in the period's result or as construction cost of the fixed or intangible asset.

On September 30, 2021, the present value of these operations totalled R\$739 (R\$ 557 on December 31, 2020).

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19. LOANS, FINANCINGS AND DERIVATIVE FINANCIAL INSTRUMENTS

19.1 Net debt

The Company evaluates the net debt to ensure its business continuity in the long run, being able to generate value to its shareholders, through the payment of dividends and capital gain. The net debt is composed as follows:

	Consolidated		Parent Company	
	2021/09/30	2020/12/31	2021/09/30	2020/12/31
Bank loans	9,445	6,839	513	-
Funding agencies	11,660	9,069	806	772
Capital market	13,019	10,472	3,157	1,356
Loans and financings¹	34,124	26,380	4,476	2,128
(+) Derivative financial instruments (note 19.3)	(2,059)	(2,583)	119	94
(-) Cash and cash equivalents (note 11)	(4,326)	(5,060)	(68)	(367)
(-) Securities and marketable securities	(409)	(210)	-	-
Net debt	27,330	18,527	4,527	1,855

(1) In the Company's financial statement presents the loans and financings, net from collateral deposits that are linked to the debts. This is a better representation of these transactions because the only way to settle these exclusive funds is through the amortization of those debts.

19.2 Loans and financings

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

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

a) Balance of the contracts by currency and interest rate type

	Consolidated		Parent Company	
	2021/09/30	2020/12/31	2021/09/30	2020/12/31
Denominated in R\$	24,678	18,511	3,711	1,399
Floating interest rates	24,036	18,011	3,711	1,399
Fixed interest rates	642	500	-	-
Denominated in US\$	7,774	6,902	812	772
Floating interest rates	1,170	1,542	-	-
Fixed interest rates	6,604	5,360	812	772
Denominated in other currencies	1,921	1,209	-	-
Fixed interest rates	1,921	1,209	-	-
	34,373	26,622	4,523	2,171
(-) Collateral deposits	(98)	(102)	-	-
(-) Borrowing costs	(151)	(140)	(47)	(43)
	34,124	26,380	4,476	2,128
Current liabilities	8,099	3,936	2,247	29
Non-current liabilities	26,025	22,444	2,229	2,099

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On September 30, 2021, the debts' average cost in percentage are as follows:

	Consolidated		Parent Company	
	2021/09/30	2020/12/31	2021/09/30	2020/12/31
Average cost in % of CDI ²	210.3%	172.4%	260.3%	332.0%
Average cost in fixed interest rate	6.6%	4.7%	8.2%	9.0%
Debt balance	34,124	26,380	4,476	2,128
Derivative financial instruments	(2,059)	(2,583)	119	94
Total debt, net of derivatives	32,065	23,797	4,595	2,222

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

b) Loans and financings amortization schedule

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

				Consolidated
	Principal³	Interest³	Derivative instruments	Total
2021	871	466	(128)	1,209
2022	7,977	1,735	(332)	9,380
2023	4,464	1,424	168	6,056
2024	6,262	1,140	(673)	6,729
2025	5,007	861	(742)	5,126
Between 2026 and 2030	9,253	2,278	(1,063)	10,468
Between 2031 and 2035	2,928	909	(476)	3,361
2036 onwards	2,010	438	-	2,448
Total	38,772	9,251	(3,246)	44,777

(3) The estimated future payment flow, including the principal and interest is calculated based on the interest rate curves (pre and post rates) and exchange rate in effect on September 30, 2021 and considering that all amortizations and payments upon maturity of the loans and financings will be made in the contracted deadlines. The amount include estimated future payment of charges to incur (still not provisioned) and the incurred charges that are already recognized in the financial statements.

c) Debt reconciliation with the cash flow and other movements

	Consolidated		Parent Company	
	9 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Balance at the beginning of the period	26,380	22,664	2,128	1,287
Addition by business combination (note 15.3)	224	-	-	-
Cash transactions:				
Proceeds	10,211	3,575	2,500	-
Principal's amortization	(3,657)	(2,815)	(296)	-
Borrowing costs	(39)	(38)	(9)	-
Charges paid	(803)	(694)	(111)	(49)
Collateral deposits (redemption)	4	(11)	-	-
Non-cash transactions:				
Charges incurred	1,583	907	227	66
Foreign exchange rate variation	272	3,060	37	-
Fair value adjustments	(51)	(8)	-	-
Balance at the end of the period	34,124	26,640	4,476	1,304

In the period of nine months ended on September 30, 2021, the Group raised R\$ 10,211, as follows: (i) R\$ 768 through bank loans and financings in foreign currency, along with the contracting of foreign exchange swaps; (ii) R\$3,500 through the issuance of capital market instruments (debenture and Promissory notes); and (iii) R\$ 2,350 through financings with national funding banks, among them BNDES, BNB and BASA; and (iv) R\$3,600 through 4131.

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d) Credit lines

Tipo			Consolidated	
	Currency	Fundraising deadline	Total amount	Used amount
Financings	R\$	2023/09/15	9,280	4,773
Financings	€	2022/12/03	1,575	836
			<u>10,855</u>	<u>5,609</u>

e) Restrictive financial conditions (Covenants)

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

The Company did not identify any event of non-conformity on September 30, 2021 and December 31, 2020.

.Derivative financial instruments

The Company is exposed to several risks due to its operations, including risks related to exchange rates, interest rates and price indexes. As a part of its strategy to manage these risks, the Company uses swaps, fixed-term contracts, options and other derivatives for economic and financial protection.

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

	Consolidated		Parent Company	
	2021/09/30	2020/12/31	2021/09/30	2020/12/31
		<u>1</u>		<u>1</u>
Loans and financings hedging instruments:				
Foreign exchange rate variation risk (NDF, Options and other derivatives)	2	(3)	-	(4)
Currency swap – US\$ vs R\$	1,682	2,027	(95)	(85)
Currency swap – Other currencies vs R\$	238	321	-	-
Interest rate swap – R\$	189	201	-	-
Other transactions hedging instruments:				
Foreign exchange rate variation risk – Goods and services	(36)	49	(8)	7
Price risk of own shares (NEOE3)	(16)	(12)	(16)	(12)
Net exposure	<u>2,059</u>	<u>2,583</u>	<u>(119)</u>	<u>(94)</u>
Current assets	676	722	-	12
Non-current assets	1,651	1,998	-	-
Current liabilities	(88)	(14)	(20)	(3)
Non-current liabilities	(180)	(123)	(98)	(103)

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

	Consolidated		Parent Company	
	2021/09/30	2020/12/31	2021/09/30	2020/12/31
		<u>1</u>	<u>0</u>	
Derivatives not designated as for hedge accounting				
Loans and financings hedging	45	70	-	-
Other transactions hedging	(47)	(12)	(16)	12
Derivatives designated as for hedge accounting – cash flow				
Loans and financings hedging	1,238	1,560	(96)	(89)
Other transactions hedging	(4)	49	(8)	7
Derivatives designated as for hedge accounting – fair value				
Loans and financings hedging	827	916	-	-
	<u>2,059</u>	<u>2,583</u>	<u>(120)</u>	<u>(70)</u>

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

	2021/09/30			Consolidated 2020/09/30		
	Loans and financings hedging	Other operations hedging	Total	Loans and financings hedging	Other operations hedging	Total
Initial balance	2,545	37	2,582	1,338	(20)	1,318
Gain (loss) recognized in profit or loss	225	31	256	3,155	69	3,224
Gain (loss) recognized as capex	-	2	2	-	34	34
Financial settlement inflow (outflow)	(512)	(46)	(558)	(1,026)	(275)	(1,301)
Gain (loss) recognized in other comprehensive income (loss)	(147)	(76)	(223)	72	377	449
Final balance	2,111	(52)	2,059	3,539	185	3,724
Gain (loss) recognized in profit or loss						
Cost of operations	-	33	33	-	70	70
Financial result, net	227	(1)	226	3,155	-	3,155

	2021/09/30			Parent Company 2020/09/30		
	Loans and financings hedging	Other operations hedging	Total	Loans and financings hedging	Other operations hedging	Total
Initial balance	(89)	(5)	(94)	-	-	-
Gain (loss) recognized in profit or loss	21	10	31	13	-	13
Gain (loss) recognized as capex	4	(11)	(7)	-	-	-
Financial settlement inflow (outflow)	(31)	(17)	(48)	(22)	17	5
Gain (loss) recognized in other comprehensive income (loss)	(95)	(23)	(118)	35	17	18
Final balance						
Gain (loss) recognized in profit or loss	-	14	14	-	-	-
Cost of operations	21	(4)	17	(13)	-	(13)

20. PROVISIONS AND JUDICIAL DEPOSITS

	Consolidated	
	2021/09/30	2020/12/31
Provision for judicial lawsuits (note 20.1.a)	1,482	1,189
Provision for environmental obligations	124	115
Provision for asset dismantling obligations	62	40
Provision for reimbursement	91	83
	1,759	1,427
Current liabilities	258	221
Non-current liabilities	1,501	1,206

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20.1 Provisions for judicial lawsuits, contingent liabilities and judicial deposits

a) Provision for judicial lawsuits

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

Provisions for losses on lawsuits are as follows:

	Consolidated				
	Civil	Labor	Tax	Regulatory	Total
Balance as of December 31, 2020	623	405	149	12	1,189
Business combination (Note 15.3)	23	58	31	87	199
Additions and reversals, net	113	26	3	3	145
Payments	(116)	(62)	(42)	(2)	(222)
Monetary variation	113	56	(4)	6	171
Balance as of JSeptember 30, 2021	756	483	137	106	1,482
Balance as of December 31, 2019	514	403	137	13	1,067
Additions and reversals, net	103	24	-	1	128
Payments	(123)	(54)	(6)	-	(183)
Monetary variation	79	43	13	1	136
Balance as of September 30, 2020	573	416	144	15	1,148

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

(i) Civil lawsuits: From the total of R\$ 756 (R\$ 623 on December 31, 2020) provisioned, we highlight:

- Civil lawsuits where indemnities for moral and material damage, among others, from incidents that occurred during the usual course of business, amounting to R\$ 245 (R\$ 159 as of December 31, 2020).
- The Company is a party involved in civil lawsuits in the administrative and judicial levels, regarding landholding indemnity lawsuits, arising from discrepancies between the Company's evaluation value and the one claimed by the property owner. The provisions for losses arising from these lawsuits are estimated and refreshed by the Company, supported by the opinion of its legal advisors, of R\$ 51 (R\$ 43 on December 31, 2020).
- Land expropriation, in the amount of R\$ 55 (R\$ 20 on December 31, 2020)

(ii) Labor claims: From the total of R\$ 483 (R\$ 405 on December 31, 2020) 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\$ 91 (R\$ 80 on December 31, 2020), corresponds to the probable estimate of resources to settle this discussion.
- Lawsuits filed by employees and former employees against the Company, involving the charges of overtime hours, additional pay for dangerousness, salary equalization/reframing, discussion about the career and salary positions plan and others, whose provisioned value is R\$ 216 (R\$ 211 on December 31, 2020);

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- Lawsuits filed by former employees from contractors (joint and/or subsidiary responsibility) involving the charge of indemnifying installments and others, where the estimated amount is R\$ 103 (R\$ 101 on December 31, 2020).

(iii) Tax proceedings: From the total of R\$ 137 (R\$ 149 on December 31, 2020) provisioned, the following stand out:

- Tax execution due to an infraction notice related to the alleged undue ICMS credit from the period between January 2004 to November 2007, which is pending decision in the Superior Courts. In September 2021 São Paulo Treasure Office corrected the overdue liabilities certificate to adequate the value involved to the issued decisions in a favorable way to the Company until now, thus resulting in a reduction from R\$ 15 to R\$ 11, which are currently provisioned;
- Tax execution of ISS calculated from the AI 15/2011, CDA 01/2012, of R\$ 10, due to the implementation of the wind farm rn 15 from 01/2006 to 04/2008.

b) Contingent liabilities

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

	Consolidated	
	2021/09/30	2020/12/31
Civil lawsuits (i)	2,502	2,241
Labor lawsuits (ii)	808	645
Tax lawsuits (iii)	3,314	2,643
Regulatory lawsuits (iv)	329	202
	6,953	5,731

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

- (i) Civil lawsuits: Refers to actions of a commercial and indemnity nature, brought by individuals and legal entities, involving repetition of undue damages, material damages, pain and suffering, among others, whose highlights are discussed below:
- Action proposed by the Federal Public Ministry in 2017 questioning the collection of home insurance by Elektro and offered to its consumers together with the electricity bill. In 2020, the lower court judged the illegitimacy of ANEEL and the Union to be part of the lawsuit and declared the Federal Court's absolute incompetence to judge the deed. Thus, it determined the transfer of the records to the State Justice for processing the action. Elektro filed declaratory embargoes on such a decision in order to obtain also the declaration of MPF's active illegitimacy for the filing of the lawsuit (sole plaintiff), which would lead to the extinction of the fact. The estimated amount of the claim is R\$ 207 (R\$ 177 on December 31, 2020).
 - 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\$ 91 (R\$ 81 on December 31, 2020).
 - 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\$ 65 (R\$ 58 on December 31, 2020).

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- Indemnity action filed by Jaguaripe Agro Industrial S / A, against Neoenergia Coelba due to a power cut at its facilities without prior notice, in the estimated amount of R\$60 (R\$ 53 on December 31, 2020).
- Indemnity actions filed by third parties due to accidents (Electropleccion) 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\$ 80 (R\$ 62 on December 31, 2020).
- 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\$ 142 on September 30, 2021 (R\$ 192 on December 31, 2020).
- Lawsuits over the payment regarding the real estate expropriation and bondages originating from divergencies between the evaluation value and the value claimed by the landlord, which makes up the estimated amount of R\$ 34 (R\$ 25 on December 31, 2020);

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

(ii) 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.

- Lawsuits filed by employees and former employees against the Company, involving the charges of overtime hours, additional pay for dangerousness, salary equalization/reframing, discussion about the career and salary positions plan and others, whose provisioned value is R\$ 98 (R\$ 234 on December 31, 2020); and
- Lawsuits filed by former employees from contractors (joint and/or subsidiary responsibility) involving the charge of indemnifying installments and others, where the estimated amount is de R\$ 34 (R\$ 17 on December 31, 2020).

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

- Tax assessment notices related to ICMS credit whose bookkeeping in the "Credit Control of ICMS regarding the permanent asset" (CIAP) was allegedly in disagreement with the revised rules in the tax legislation, estimated in R\$ 349 (R\$ 342 on December 31, 2020);
- Tax assessment notices related to ICMS credit on assets destined to the Company's fixed assets and fuels used in the operating fleet, estimated at R\$ 284 (R\$ 278 on December 31, 2020);
- Tax assessment related to reversals of ICMS debts (Agreement 30) related to the re-invoicing of electricity bills, estimated a R\$ 139 (R\$129 on December 31, 2020);
- Tax assessment for alleged use of ICMS in the acquisition of fixed assets, from micro-company suppliers, duplicate credits and in the acquisitions of purchases with future delivery, estimated at R\$ 481 (R\$ 279 on December 31, 2020);

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- Tax assessment notices related to social contributions (INSS) on amounts paid under PLR, private pension, medical assistance, Workers' Food Program - PAT as well as amounts paid as labor assignments, estimated at R\$ 99 (R\$ 92 on December 31, 2020).
- Posting tax notification issued by the city of Salvador, to promote the billing of COSIP (Contribution to fund the street lighting service) from the period of 01/2018 to 12/2019, due to allegedly differences of charges under the contribution's original value, in the estimated amount of R\$ 67 (lawsuit received in 2020).
- Tax infraction notice in which there is a discussion about the incidence of withholding income tax in the amount of R\$ 360 (lawsuit received in 2021), due to operation to incorporate the Elektro Holding by Neoenergia in August 2017.

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

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

c) Judicial deposits

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

	2021/09/30	Consolidated 2020/12/31
Civil lawsuits	430	391
Labor lawsuits	356	369
Tax lawsuits	236	237
Other lawsuits	32	11
	1,054	1,008

21. OTHER LIABILITIES

	2021/09/30	Consolidated 2020/12/31
Collateral deposits ¹	652	666
Shares purchase obligation with - PREVI ²	221	209
Returns to consumers	177	162
Contribution for Public Lighting Service Funding - COSIP	98	66
Use of public good - UBP	74	67
Others	371	264
Total	1,593	1,434
Current liabilities	1,379	1,181
Non-current liabilities	214	253

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

(2) Accordingly to the Company's Shareholders Agreement, on September 16, 2021, the Company and Previ agreed, to the divestiture of the minor participation from the following subsidiaries: Neoenergia Coelba, Neoenergia Cosern and Afluente T. The Company has committed to pay Previ the total amount of R\$ 221, being (a) R\$181 referring to shares from Neoenergia Coelba; (b) R\$33 referring to shares from Neoenergia Cosern; and (c) R\$6 referring to shares from Afluente T.

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22. WAGES, EMPLOYEE BENEFITS AND CHARGES PAYABLE

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

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

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

The values recognized in the financial statement are demonstrated below:

	Consolidated	
	2021/09/30	2020/12/31
Salaries, vacations and 13th salary and charges payable	464	409
Short-term benefits	73	115
Long-term benefits – Post-employment (1)	1,276	975
	1,813	1,499
Non-current assets (2)	(36)	(35)
Current liabilities	537	525
Non-current liabilities	1,312	1,009

(1) In June 2021, the subsidiary Neoenergia Elektro found out an actuarial loss due to the experience adjustment in the value of R\$ 191, significantly occasioned by the readjustment of 14% in the assisted participants' benefits and actual benefit salary (salary used as an estimate of future benefit) that is used the IGP-DI variation as the basis.

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

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 can, regardless of statutory reform, deliberate the issuance of new shares (authorized capital), including through the capitalization of profits and reserves until the authorized limit.

In September 30, 2021 and December 31, 2020 the share capital is of R\$ 12,920 corresponding to 1,273,797,248 registered shares, fully subscribed, paid-up and without par value.

	Acionistas		
	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 (“Previ”)	367,647,583	30.29%	3,913
Other shareholders – Free float	226,098,750	18.63%	2,407
Advisors and directors	533,190	0.04%	5
Treasury shares	400	-	-
Total of shares	1,213,797,248	100%	12,920

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23.2 Profits per share and shareholders' remuneration

a) Profits per share

The values of the basic and diluted profit per share are demonstrated below:

	Attributed to shareholders of Neoenergia S/A			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Net income for the period	1,321	843	3,405	1,876
Weighted average of the number of the outstanding shares number	1,214	1,214	1,214	1,214
Basic net income and diluted per share	1.09	0.69	2.81	1.55
	Attributed to shareholders of Neoenergia S/A			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Net income for the period	1,274	812	3,271	1,806
Weighted average of the number of the outstanding shares number	1,214	1,214	1,214	1,214
Basic net income and diluted per share	1.05	0.67	2.69	1.49

b) Shareholders' remuneration

In June 2021, the Board of Directors approved a shareholders' anticipated remuneration of R\$ 171 regarding the period of 2021, in the form of interest on own capital, to be paid by the Company until December 31, 2021.

24. RELATED PARTIES' TRANSACTIONS

The Company's related parties are subsidiaries, *joint ventures*, associates, shareholders and its related entities and the Company's key staff from the management.

The main commercial transactions with related parties recognized as accounts receivable and/or accounts payable and its respective revenues and/or costs/expenses are related to (i) power purchase and sale agreements; (ii) energy distribution and transmission system usage agreements; (iii) operation and maintenance service provision; (iv) administrative service contracts.

The transactions with pension funds responsible for the management of short and long-term benefits given to the Company's employees are classified as "Shareholders and Others" in this explanatory note.

The information regarding transactions with related parties and their effects in the Company's consolidated financial statement are demonstrated below:

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24.1 Open balance with related parties

	2021/09/30				Consolidated 2020/12/31			
	Joint ventures	Associated	Shareholders and others	Total	Joint ventures	Associated	Shareholders and others	Total
Assets								
Accounts receivable and others	1	1	-	2	-	1	-	1
Dividends and interest on own capital receivable	-	-	-	-	15	1	-	16
Other assets	-	-	40	40	-	-	21	21
	1	1	40	42	15	2	21	38
Liabilities								
Suppliers and accounts payable	41	104	75	220	40	103	106	249
Employee benefits	-	-	49	49	-	-	60	60
Dividends and interest on own capital payable	-	-	404	404	-	-	476	476
Other liabilities	-	-	223	223	-	-	216	216
	41	104	751	896	40	103	858	1,001

	2021/09/30				Parent Company 2020/12/31			
	Subsidiaries	Joint ventures and associates	Shareholders and others	Total	Subsidiaries	Joint ventures and associates	Shareholders and others	Total
Assets								
Dividends and interest on own capital receivable	1,029	-	-	1,029	669	15	-	684
Other assets	428	-	-	428	77	-	-	77
	1,457	-	-	1,457	746	15	-	761
Liabilities								
Suppliers and accounts payable	-	-	73	73	-	-	104	104
Employee benefits	-	-	355	355	-	-	-	-
Dividends and interest on own capital payable	-	-	-	-	-	-	442	442
Other liabilities ¹	156	-	221	377	11	-	209	220
	156	-	649	805	11	-	755	766

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24.2 Related parties' transactions

	2021/09/30				Consolidated 2020/09/30			
	Joint ventures	Associated	Shareholders and others	Total	Joint ventures	Associated	Shareholders and others	Total
	Period result							
Operational revenue, net	12	-	-	12	9	-	-	9
Service costs	(322)	(724)	(64)	(1,110)	(298)	(649)	(67)	(1,014)
Standard and administrative expenses	-	-	(104)	(104)	-	-	(68)	(68)
Net financial result	-	-	(6)	(6)	-	-	(5)	(5)
	(310)	(724)	(174)	(1,208)	(289)	(649)	(140)	(1,078)

	2021/09/30				Parent Company 2020/09/30			
	Subsidiaries	Joint ventures and associates	Shareholders and others	Total	Subsidiaries	Joint ventures and associates	Shareholders and others	Total
	Period result							
Operational revenue, net	3	-	-	3	3	-	-	3
Standard and administrative expenses	-	-	(73)	(73)	-	-	(79)	(79)
Net financial result	124	-	-	124	112	-	-	112
	127	-	(73)	54	115	-	(79)	36

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24.3 Key-management personnel compensation

The employees' remunerations, including those occupying executive positions and member of the Company's Board of Directors recognized in the statement of income under the competence regime, are demonstrated below:

	Consolidated			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Wages and recurring benefits	9	10	28	28
Other short-term benefits	4	4	12	12
Long-term benefits	4	2	15	10
Contract terminations	-	-	1	-
	17	16	56	50

	Parent Company			
	3 months ended on		9 months ended on	
	2021/09/30	2020/09/30	2021/09/30	2020/09/30
Wages and recurring benefits	7	7	22	19
Other short-term benefits	3	3	9	7
Long-term benefits	3	2	12	8
	13	12	43	34

24.4 Provided financial guarantees

The guarantees offered by the Company are based on contractual terms that support the financial operations between the *joint ventures*/subsidiaries and third parties, ensuring the assumption of the obligation's fulfillment, in case of the original debtor does not comply with the established financial commitments.

In September 30, 2021, the total financial guarantees granted by the Company to particular *joint ventures* and subsidiaries totalled R\$ 4,375.

25. CLASSIFICATION AND ESTIMATIONS OF THE FAIR VALUES FROM FINANCIAL INSTRUMENTS

25.1 Financial instruments classification and measurement

The Company classifies its financial instruments accordingly with its business model and purpose for which they were acquired. The financial instruments are classified and measured as follows:

	Consolidated					
	2021/09/30			2020/12/31		
	AC	FVTOCI	FVTP&L	AC	FVTOCI	FVTP&L
Financial assets						
Cash and cash equivalents	1,203	-	3,123	1,825	-	3,235
Securities and marketable securities	248	-	161	116	-	94
Trade and other receivables	9,786	-	-	7,800	-	-
Derivative financial instruments	-	1,450	877	-	1,757	963
Sectoral financial assets (Portion A and others)	1,934	-	-	92	-	-
Public service concession (financial asset)	-	-	17,276	-	-	14,403
Other Financial assets*	1	-	-	-	-	-

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	2021/09/30			Consolidated 2020/12/31		
	AC	FVTOCI	FVTP&L	AC	FVTOCI	FVTP&L
	13,172	1,450	21,437	9,833	1,757	18,695
Financial liabilities						
Suppliers and accounts payable to contractors	5,830	-	-	4,428	-	-
Loans and financings	31,983	-	2,141	23,973	-	2,407
Sectoral financial liabilities (Portion A and others)	118	-	-	665	-	-
Derivative financial instruments	-	248	20	-	126	11
Lease obligations	96	-	-	95	-	-
Use of public good	44	-	-	67	-	-
Other financial liabilities [*]	348	-	-	6	-	-
	38,419	248	2,161	29,234	126	2,418

AC– Amortized cost

FVTOCI– Fair value through other comprehensive income

FVTP&L– Fair value through profit and loss

25.2 Fair value estimates

For the measurement and determination of the fair value, the Company uses several methods including approaches based on the following: market, result or cost, to estimate the values that the market participants would use to price the asset or liability. The financial assets and liabilities booked at fair value are classified and disclosed accordingly with the following levels:

Level 1 – Prices quoted (non-adjusted) on active, liquid and visible markets for identical assets liabilities that are accessible in the measurement date

Level 2 – Prices quoted (can be adjusted or not) for similar assets or liabilities on active markets; and

Level 3 – Assets and liabilities whose prices do not exist or that these prices or evaluation techniques are supported by a small or nonexistent, non-observable, or illiquid market.

The impact analysis in case of the results are different from the Administration's estimation is presented in note 25.7 (sensitivity analysis).

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

The measurement level of the financial assets and liabilities recognized by the fair value is demonstrated as follows:

	2021/09/30			Consolidated 2020/12/31		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	3,123	-	3,123	3,235	-	3,235
Securities and marketable securities	161	-	161	94	-	94
Derivative financial instruments	2,327	-	2,327	2,720	-	2,720
Public sService concession (financial asset)	-	17,276	17,276	-	14,403	14,403
	5,611	17,276	22,887	6,049	14,403	20,452
Financial liabilities						
Loans and financings	2,141	-	2,141	2,407	-	2,407
Derivative financial instruments	268	-	268	137	-	137
	2,409	-	2,409	2,544	-	2,544

There was no transference of financial instruments between the measurement levels at fair value. The gains and losses recognized in the result on the six months ended on September 30, 2021 and 2020, related to the financial assets and liabilities measured through level 3 techniques, were R\$ 1,155 and R\$ 145, respectively. The other transfers for these assets and liabilities are disclosed in note 14.1

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25.4 Financial instruments recognized by the amortized cost (“AC”)

Financial instruments measured by the amortized cost, due to the long-term cycle for accomplishment, can have their fair value to be different from the book balance. The fair values of the financial assets and liabilities recognized by the amortized cost are demonstrated below.

	2021/09/301			Consolidated 2020/12/31		
	Book balance	Fair value estimate - Level 1	Fair value estimate - Level 2	Book balance	Fair value estimate - Level 1	Fair value estimate - Level 2
Loans and financings	31,983	-	32,073	23,973	-	24,207

Due to the short-term cycle, it is assumed that the fair values of the balances regarding cash and cash equivalents, securities and marketable securities, trade accounts receivables. Accounts payable to suppliers and sectoral financial assets and liabilities are equal to the amount measured at amortized cost (book balance).

25.5 Methods and evaluation techniques

The methods and evaluation techniques are the same as the ones disclosed in the statements of financial position that ended on December 31, 2020.

25.6 Complementary information about the derivative instruments

The Company has derivative financial instruments with the goal of economic and financial protection against the risk of changes in the foreign and interest rates. The main used instruments are *swaps*, *Non-Deliverable Forwards* (NDF) and options.

All derivative operations from the Company’s *hedge* programs are detailed in the following charts, which include information about the instrument type, reference value, due date, fair value including the credit risk and receivables or payables.

To evaluate the economic relation between the hedged item and the hedging instrument, the Company adopts the methodology of the prospective effectiveness test through the critical terms of the objects and contracted derivatives, to conclude if there is the expectation that changes in cash flow from the hedged object and the hedging instrument can be mutually compensated.

In September 30, 2021 there was no deposited margin value in regards to positions with derivative financial instruments.

Hedging program of loans and financings in U.S Dollars

For economic and financial protection, the Group contracts *swap* operations to convert the debts and loans denominated in US\$ to R\$. In these *swaps*, the Group takes a payable position in R\$ tied to the CDI and a receivable position in US\$ tied to fixed or floating interest rates (Libor). The programs below are classified accordingly with *hedge* accounting conditions measured at fair value through profit and loss:

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Swap US\$ float vs R\$ float	Reference value		Due date (Year)	Fair value		Cumulative effect Amount receivable / received or payable/ paid
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	2021/09/30
	Company					
Asset	US\$ 154	US\$ 182	2021 - 2029	845	952	-
Liability	R\$ 494	R\$ 583		(476)	(570)	-
Net exposure				369	382	(13)

Swap US\$ fixed vs R\$ float	Reference value		Due date (Year)	Fair value		Cumulative effect Amount receivable / received or payable/ paid
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	2021/09/30
	Company					
Asset	US\$ 99	US\$ 137	2020 - 2027	565	748	-
Liability	R\$ 256	R\$ 373		(251)	(370)	-
Net exposure				314	378	(64)

The programs below are classified accordingly with hedge accounting conditions measured at fair value through the cash flow:

Swap US\$ float vs R\$ float	Reference value		Due date (Year)	Fair value		Cumulative effect Amount receivable / received or payable/ paid
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	2021/09/30
	Company					
Asset	US\$ 60	US\$ 114	2021 - 2030	329	594	-
Liability	R\$ 194	R\$ 367		(195)	(369)	-
Net exposure				134	225	(91)

Swap US\$ fixed vs R\$ float	Reference value		Due date (Year)	Fair value		Cumulative effect Amount receivable / received or payable/ paid
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	2021/09/30
	Company					
Asset	US\$ 1,111	US\$ 889	2021 - 2035	6,185	4,831	-
Liability	R\$ 5,165	R\$ 3,698		(5,323)	(3,790)	-
Net exposure				862	1,041	(179)

Hedging program of loans and financings in Euro

For economic and financial protection, the Company contracts *swap* operations to convert the debts and loans denominated in EUR to R\$. In these *swaps*, the Group takes a payable position in R\$ tied to the CDI and a receivable position in EUR tied to fixed or floating interest rates (Euribor).

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The programs below are designated for *hedge* accounting and classified as cash flow *hedge*, and therefore measured at fair value through other comprehensive results:

<u>Swap EUR \$ fixed vs R\$ float</u>	<u>Reference value</u>		<u>Due date (Year)</u>	<u>Fair value</u>		<u>Cumulative effect Amount receivable / received or payable/ paid</u>
	<u>2021/09/30</u>	<u>2020/12/31</u>		<u>2021/09/30</u>	<u>2020/12/31</u>	<u>2021/09/30</u>
	Company					
Asset	€ 159	€ 159	2022 - 2024	1,025	1,042	-
Liability	R\$ 708	R\$ 703		(718)	(710)	-
Net exposure				307	332	(25)

Hedging program of loans and financings in Reais indexed to the IPCA

For economic and financial protection, the Company can contract *swap* operations to convert the debts and loans in R\$ indexed to the IPCA to CDI. In these *swaps*, the Group takes a payable position in CDI and a receivable position in IPCA.

The programs below are designated for *hedge* accounting and measured at fair value through the result:

<u>Swap IPCA vs CDI</u>	<u>Reference value</u>		<u>Due date (Year)</u>	<u>Fair value</u>		<u>Cumulative effect Amount receivable / received or payable/ paid</u>
	<u>2021/09/30</u>	<u>2020/12/31</u>		<u>2021/09/30</u>	<u>2020/12/31</u>	<u>2021/09/30</u>
	Company					
Asset	R\$ 846	R\$ 768	2021 - 2025	866	841	-
Liability	R\$ 674	R\$ 662		(673)	(661)	-
Net exposure				193	180	13

Hedging program for disbursement in U.S. Dollars

To decrease the volatility of cash flow, the Company can contract operations through NDF and options to mitigate the foreign exposure that originated from disbursements denominated or indexed to U.S. Dollars.

This program is designated for *hedge* accounting and classified as cash flow *hedge* and therefore, measured at fair value through other comprehensive results:

<u>NDF USD Disbursement Company</u>	<u>Reference value</u>		<u>Due date (Year)</u>	<u>Fair value</u>		<u>Cumulative effect Amount receivable / received or payable/ paid</u>
	<u>2021/09/30</u>	<u>2020/12/31</u>		<u>2021/09/30</u>	<u>2020/12/31</u>	<u>2021/09/30</u>
	Forward (bid)	US\$ 172		US\$ 110	2020 - 2024	7
Net exposure				7	29	(22)

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	Reference value		Due date (Year)	Fair value		Cumulative effect Amount received or payable/ paid 2021/09/30
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	
NDF						
USD						
Disbursement						
Company						
Forward (ask)	US\$ 19	-	2021 - 2022	(1)	-	-
Net exposure				(1)	-	(1)

Hedging program for disbursements in Euro

To decrease the volatility of cash flow, the Company can contract operations through NDF to mitigate the foreign exposure that originated from disbursements denominated or indexed to Euro.

This program is designated for *hedge* accounting and classified as cash flow *hedge* and therefore, measured at fair value through other comprehensive results:

	Reference value		Due date (Year)	Fair value		Cumulative effect Amount received or payable/ paid 2021/09/30
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	
NDF						
USD						
Disbursement						
Company						
Forward	€ 26	€ 53	2020 - 2022	(8)	16	-
Net exposure				(8)	16	(24)

Hedging program for disbursements in Reais

For economic and financial protection, the Company can contract *swap* operations to convert the debts and loans denominated in fixed-rate R\$ to the CDI. In these *swaps*, the Group takes a payable position in CDI and a receivable position at a rate fixed by the creditor bank.

The programs below are classified accordingly with the *hedge* accounting conditions measured at fair value through result.

	Reference value		Due date (Year)	Fair value		Cumulative effect Amount received or payable/ paid 2021/09/30
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	
Swap R\$ fixed vs R\$ float						
Company						
Asset	R\$ 547	R\$ 336	2.022	529	352	-
Liability	R\$ 532	R\$ 328		(533)	(329)	-
Net exposure				(4)	23	(27)

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Hedge program regarding the stocks plan – ILP 2020/2022

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

This program is classified as an economic *hedge* that is not designated for *hedge* accounting and it is measure at fair value through the result.

Swap Equity	Reference value		Due date (Year)	Fair value		Cumulative effect Amount receivable / received or payable/ paid
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	
Company						
Asset	R\$ 42	R\$ 45		42	45	
Liability	R\$ 58	R\$ 56	2022	(58)	(57)	
Net exposure				(16)	(12)	(4)

Hedging program of loans and financings in Yen

For economic and financial protection, the Company contracts *swap* operations to convert the debts and loans denominated in JPY to R\$. In these *swaps*, the Group takes a payable position in R\$ tied to the CDI and a receivable position in JPY tied to fixed rates.

Swap JPY fixed vs R\$ float	Reference value		Due date (Year)	Fair value		Cumulative effect Amount receivable / received or payable/ paid
	2021/09/30	2020/12/31		2021/09/30	2020/12/31	
Company						
Asset	¥ 18,863	¥ 3,887	2,021 - 2031	937	196	-
Liability	R\$ 977	R\$ 204		(1,007)	(206)	-
Net exposure				(70)	(10)	(60)

25.7 Sensitivity Analysis

The sensitivity analysis estimates the potential value of derivative financial instruments and respective exposures of the protected objects, in hypothetical stress scenarios of the main market risk factors to which they are exposed, maintaining unchanged all other variables.

- Probable scenario: In the evaluation date, the future cash flows were projected, considering the balances and eventual charges and interest, estimated based on the foreign and/or interest rates in effect at the market in September 30, 2021.

- Scenario II: Estimative of the fair value considering a deterioration of 25% in the associated risk variables.

- Scenario III: Estimative of the fair value considering a deterioration of 50% in the associated risk variables.

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For analysis purposes of the sensitivity regarding the derivative financial instruments, the Company understands that there is the need to consider the liabilities that are being protected, with exposure to the variations of foreign rates or price indexes and that are registered in the statement of financial position.

As 100% of the debts in foreign currency are protected by *swaps*, the risk of the exchange rate variation is irrelevant, accordingly with the demonstrated below:

Operation	Currency	Risk	Rate	Exposure (Balance/ Notional)	Impact - Scenario (II)	Impact - Scenario (III)
U.S. Dollars denominated debt	Dollar (US\$)	Dollar appreciation	5.4394	(7,774)	(1,943)	(3,887)
Swap receivable leg in U.S. Dollars		Dollar depreciation		7,924	1,980	3,963
Net exposure				150	37	76
Euro deonmated debt	Euro (€)	Euro appreciation	6.2983	(1,001)	(249)	(501)
Swap receivable leg in Euro		Euro depreciation		1,025	256	513
Net exposure				24	7	12
Yen denominated debt	Yen (JPY)	Yen appreciation	0.0488	(920)	(230)	(460)
Swap receivable leg in Yen		Yen depreciation		937	234	469
Net exposure				17	4	9

For disbursements in foreign currency related to non-debt contracts, the following protection strategies are adopted, with the impacts pertaining to the reproduced scenarios for the exchange variation over the derivative and corresponding impact on each scenario for the protected item being shown in the table. Therefore, the effect of elimination and/or reduction to net exchange exposure is observed through the hedging strategy:

Operation	Currency	Risk	Rate	Exposure (Balance/ Notional)	Impact - Scenario (II)	Impact - Scenario (III)
NDF	Dollar (US\$)	Dollar appreciation	5.4394	(1,063)	258	517
Hedge item: portion of payments in USD		Dollar depreciation		1,063	(258)	(517)
Net exposure				-	-	-
NDF	Euro(€)	Euro appreciation	6.2983	(208)	50	101
Hedge item: portion of payments in Euro		Euro depreciation		166	(40)	(81)
Net exposure				(42)	10	20

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The chart below demonstrates the loss (gain) due to the variation of interest rates that may be recognized in the Company's result at the subsequent period, in case one of the scenarios presented below occurs:

Operation	Indexer	Risk	Rate at the year	Exposure (Balance/ Notional)	Probable Scenario	Impact - Scenario (II)	Impact - Scenario (III)
FINANCIAL ASSETS							
Financial application at CDI	CDI	CDI depreciation	6.15%	4,679	68	(16)	(34)
FINANCIAL LIABILITIES							
Loans, financings and debentures							
Debt instruments at CDI	CDI	CDI appreciation	6.15%	(10,584)	(188)	(44)	(90)
Swaps Dollar x CDI (payable leg)	CDI	CDI appreciation	6.15%	(9,231)	(155)	(37)	(76)
Debt instruments at IPCA	IPCA	IPCA appreciation	9.68%	(11,316)	(382)	(64)	(127)
Swaps IPCA x CDI (receivable leg)	IPCA	IPCA appreciation	9.68%	866	33	6	10
Debt instruments at LIBOR 6M	LIBOR	LIBOR 6M appreciation	0.16%	(1,174)	(3)	-	-
Swaps Libor 6M x CDI (receivable leg)	LIBOR	LIBOR 6M appreciation	0.16%	1,174	4	-	-
Debt instruments at SELIC	SELIC	SELIC appreciation	6.15%	(340)	(7)	(1)	(2)
Debt instruments at TJLP	TJLP	TJLP appreciation	5.32%	(1,798)	(33)	(6)	(12)

The table below shows the loss (gain) in the equity swap operation, caused by the variation in Neoenergia's share price (NEOE3), under certain market scenarios. This loss (gain), if materialized, will be recognized in the income statement for the Company in the following year:

Operation	Indexer	Risk	Rate at the year	Exposure (Balance/ Notional)	Probable - Scenario	Impact - Scenario (II)	Impact - Scenario (III)
Other financial assets							
Active Swap in Equities	NEOE3	Stock depreciation (NEO3)	15.3100	42	3	11	21

26. SUBSEQUENT EVENTS

Acquisition of equity holdings - PREVI

On October 15, 2021, the acquisition of equity holdings that were previously detained by the Caixa de Previdência dos Funcionários do Banco do Brasil ("Previ") in the share capital of the following subsidiaries was concluded: Electricity Company from the state of Bahia - Neoenergia Coelba; da Electricity Company from the state of Rio Grande do Norte - Neoenergia Cosern; and Afluente Electric Energy Transmission ("Afluente T").

Due to the acquisition's conclusion, Previ is no longer a shareholder of the aforementioned subsidiaries.

Debt raising

The subsidiary Neoenergia Cosern has signed a financing contract with the BNDES of R\$ 388, with a maturity of 71 months, and a disbursement of R\$ 95, made on October 08, 2021.

The subsidiary Neoenergia Coelba has signed a financing contract with the BNDES of R\$ 120, with a maturity of 20 years, and a loan with Banco Itaú of R\$ 200, with maturity in October 2021.

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Debenture issuance

The subsidiaries Neoenergia Coelba, Neoenergia Pernambuco and Neoenergia Elektro, have signed the Private Deed Instruments mentioned below, for the issuance of simple debenture, that are not convertible in shares, in up to 4 (four) series of R\$ 1,950 and an expected funds inflow at the end of October, after the book building process.

	<u>Amount</u>	<u>Private instrument</u>
Neoenergia Coelba	800	13 ^a Issuance of simple debenture
Neoenergia Pernambuco	500	11 ^a Issuance of simple debenture
Neoenergia Elektro	650	10 ^a Issuance of simple debenture

Tariff Revision - Neoenergia Brasília

On October 21, 2021, the Board from the National Electric Energy Agency (ANEEL) authorized the results from the fifth Tariff Revision of Neoenergia Distribuição Brasília – Neoenergia Brasília, with effect from October 22, 2021, onwards, accordingly with ANEEL's Resolution nº 2.965/2021. The Company's tariff revision will bring na average effect for the consumers of 11.10%, whereas from the high tension consumers, it will be 9.16% and 11.85%, for the low tension ones.

The deferral of Energy Purchase from Itaipu, the reversal of the remaining balance of the Covid account, the anticipated use of tax credit concerning the exclusion of ICMS dafrom the basis of PIS/COFINS, as well as the financial regarding the Water Shortage Flag, contributed for the reduction of the average effect to the consumer, in contrast, the repositioning of the items from Portion B were fully applied starting from October 22, 2021.