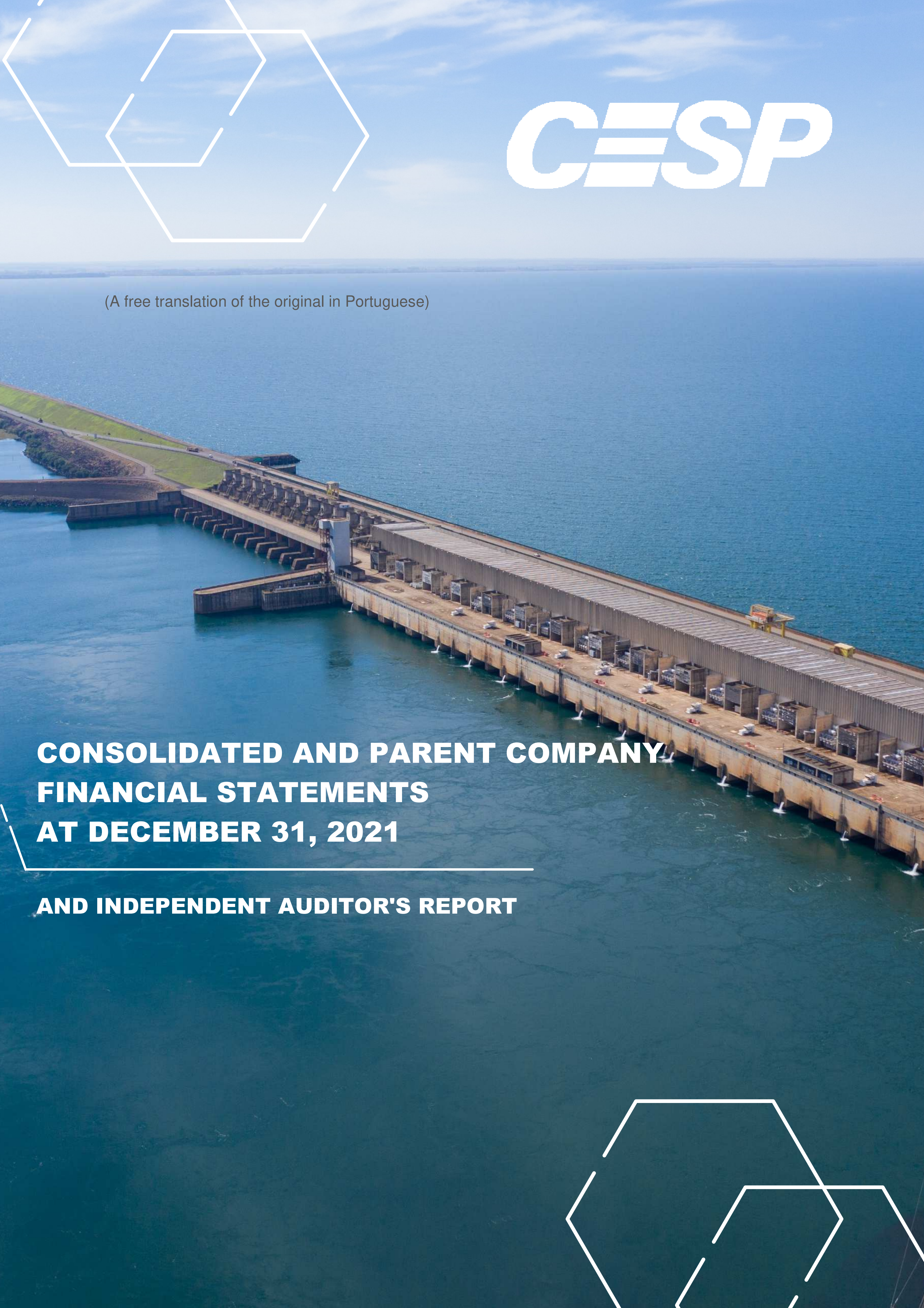


CESP

(A free translation of the original in Portuguese)

CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2021

AND INDEPENDENT AUDITOR'S REPORT

(A free translation of the original in Portuguese)

CONTENTS

PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

MESSAGE FROM MANAGEMENT

The year 2021 was highly challenging due to the water crisis yet was marked by many achievements by CESP. We advanced on a series of essential projects to ensure the sustainable future for the business that the Company start to contribute from now on, with the creation of the new company, Auren Energia S.A.

In 2021 we move forward on the management of our energy balance, on our long-term commercial strategy, we continued to show gains in efficiency for the business and we made significant progress in our ESG agenda.

The water crisis had a significant impact on our financial performance in 2021. Like all hydroelectric power generators of SIN, CESP was penalized by the decline in the national hydro production due to the worsening GSF. Nevertheless, we were successful in our commercial strategy, which, in addition to other fronts, involved the advance acquisition of energy on competitive terms to ensure our energy balance for 2021 and 2022.

Although the crisis brought a scenario of more challenging on the energy purchase side, CESP seized the opportunities on the sales side, especially energy sales starting from 2024. During the year, we proceeded with our go-to-market strategy of expanding and diversifying the client base to reduce costs and maximize results.

Another major highlight in 2021 was the management of contingent liabilities. We remain focused on resolving, through court decisions and negotiations, the portfolio of lawsuits in order to reduce risk. We ended 2021 with a reduction of R$1.8 billion, after inflation adjustment, in total contingent liabilities in relation to December 2020, underscoring our portfolio dismantling strategy. The reduction mentioned resulted in a decrease of 24% or R$419 million in 2021, of the contingent liabilities with probable chance of loss, which is the share of the contingent liability that is fully provisioned.

On the operating front, we continued our efforts to increasingly improve the management of our assets despite all the difficulties caused by the water crisis. Also, during the year, the Paraibuna and Porto Primavera HPPs joined the GSF renegotiation, resulting in the recognition of R$782 million as reimbursement and extension of concession period of the power plants by 15 months and 7 years, respectively.

An important fact in 2021 was the approval by PREVIC of the VIVEST pension plan migration process. The migration is in progress and should be concluded in the first half of this year, representing another important initiative in our plan to mitigate Company's actuarial risk.

Our efforts on ESG presented an enormous development. We continued the implementation of CESP's Sustainability Platform based on the Sustainable Development Goals (ODS) and the materiality matrix. Our focus is on proactive environmental and climate actions, human development specially in the communities that we operate and inclusive growth. As a result, MSCI Inc., the leading ESG risk rating agency, raised our socio-environmental rating from "BBB" to "A" (on a scale of CCC to AAA), the second upgrade of CESP's rating in less than two years.

While all these fronts were progressing, the Company received from its controlling shareholders a proposal for corporate restructuring to create one of Brazil's largest publicly held electricity companies, which is one more milestone in our transformation process. The proposal was analyzed by an Independent Committee and our Board of Directors defined and approved the exchange ratio in January 2022. The Shareholders Meeting held on February 15, 2022, approved the proposal.

As such, after meeting all applicable legal terms and conditions precedent for the operation, CESP shares were incorporated on March 25, 2022, and now the Company is a wholly owned subsidiary of Auren Energia S.A.

It is rewarding to look back and see what we achieved since the privatization of the Company in 2018. With this sense of accomplishment, we are entering a new phase, ready to continue working and pursuing opportunities that increasingly create more value for our shareholders. We thank all those who accompanied us in this journey and invite you to embark on a new chapter of this successful journey in Brazil's electricity sector.

Mario Bertoncini	Marcelo de Jesus
Chief Financial and Investor Relations Officer	Chief Financial Officer

COMPANY PROFILE

CESP is a power generation company created in 1966 by the São Paulo State Government from the merger of 11 electricity companies based in the state.

On October 19, 2018, the auction of CESP shares was won by Consórcio São Paulo Energia, formed by VTRM Energia Participações S.A. ("VTRM") and SF Ninety Two Participações Societárias S.A. ("SF 92"), a joint venture between Votorantim Energia and Canada Pension Plan Investment Board ("CPP Investments"). On November 11, 2018, after executing the Share Purchase and Sale Agreement with the São Paulo State Government, CESP became a company controlled by the private sector.

GENERATION COMPLEX

CESP holds the concession of two hydroelectric plants through concession agreements (Porto Primavera HPP – independent power generation and Paraibuna HPP), with a total of 16 generation units, capacity of 1.627 MW and physical guarantee of 935 MW average.

The plants are located in the watersheds of the Paraná River in the western region of São Paulo state and the Paraíba do Sul River in the eastern region of São Paulo.

At a meeting held on June 28, 2019, the Board of Directors of CESP decided against renewing its concession for the Jaguari HPP, which represented less than 2% of its total assured energy. After the concession period of the asset expired in May 2020, CESP operated the plant on a temporary basis until December 31, 2020, when it transferred the same to the new operator designated by the Ministry of Mines & Energy, pursuant to MME Ordinance 409/2020.

CORPORATE GOVERNANCE

At CESP, the aim of corporate governance is to help create value for shareholders and stakeholders of the Company, following the principles of transparency, equity, accountability and corporate responsibility, while enhancing the management and governance structure to strengthen the Company's pillars and ensure the perpetuity of its business.

Therefore, the Company strongly believes that the adoption of corporate governance best practices contributes to the success and prosperity of its business.

In this regard, CESP complies with a series of rules that govern its relations with its shareholders and the financial market, such as Level 1 Corporate Governance Listing Segment Regulations of B3 - Brasil, Bolsa, Balcão S.A. and all the rules of the Securities and Exchange Commission of Brazil (CVM). In addition, CESP seeks to continuously incorporate new corporate governance practices and guidelines, including superior to those required by B3's Level 1 Listing Segment.

CESP is also committed to the recommendations of the Brazilian Corporate Governance Code issued by the Brazilian Corporate Governance Institute (IBGC), an important instrument for managers and investors to monitor the corporate governance practices adopted by Brazilian companies.

SUSTAINABILITY

CESP is a solid energy company that is committed to incorporating in the strategy of its new management and business the best corporate sustainability practices while minimizing the social and environmental impacts of its operations.

In 2021, the Company continued to roll out the ESG agenda it defined in 2020, with progress including the creation of a Sustainability Platform, which, based on an integrated analysis of the UN Sustainability Development Goals (SDGs) and a materiality assessment, established three action fronts:

Proactive approach to environmental and climate issues – Aligning power generation with guaranteeing the multiple uses of water through actions to conserve ecosystems, minimize the impacts of operations, adapt to climate change, support environmental education and foster healthy relations with local communities.

Local and human development – Continually seek to create value and uphold the commitment to transparent management, while strengthening commitments to stakeholders: employees, communities, customers, suppliers and investors. And this is achieved by ensuring optimum conditions of work, health, safety, well-being, diversity and transparent operations, and by guaranteeing rights and opportunities for human development and business generation.

Inclusive growth – Sustainability and profitability must go together. As such, the focus should be on launching social and environmental programs that foster a new mentality among employees and the community, while promoting financial and social inclusion and the development of local competencies.

During 2021, our efforts were guided by the three thematic lines of our Sustainability Platform. In this context, we took several actions to mature our sustainability management processes while engaging employees in our Environmental, Social and Governance commitments.

OPERATING PERFORMANCE

In 2021, power generation at the plants operated by CESP came to 786 MW average, down 23% from 2020 (1,032 MW average). The decline is related to the effects of the water crisis, which has mainly affected the Paraná River Basin where the Porto Primavera HPP is located.

The first half and fourth quarter of 2021 were marked by the water crisis, especially in Brazil's southeastern region, where it persisted, with inflows close to historically worst levels. This scenario led the Electricity Sector Monitoring Committee (CMSE) to authorize the National Electricity System Operator (ONS) to dispatch thermoelectric plants to guarantee the country's energy security and, consequently, generation by hydroelectric power plants was reduced to preserve reservoir levels. As such, the ONS implemented a lower dispatch from the Porto Primavera HPP to preserve the energy storage at the plants.

Note that the Porto Primavera HPP is located at the end of the cascade of reservoirs on the Paraná River, downstream from the Jupiá HPP and upstream from the Itaipu HPP. The three plants operate under the run-of-the-river system, which means that they do not have significant capacity to regulate the flows in their reservoirs. Hence, their power generation depends on flows from the hydroelectric power plants located upstream. In the case of the Paraná River Basin, the main reservoirs are those associated with the Ilha Solteira and Três Irmãos HPPs. This reservoir cascade configuration means that the reduction in flows at run-of-the-river plants helps to preserve water levels in the reservoirs located upstream of such assets.

In case of the Paraibuna HPP, its generation schedule is based on the control of flows from the Paraiba do Sul River Basin, with the National Electricity System Operator (ONS) determining the flow of the cascade plants to meet the water restrictions in the basin. In 4Q21, the ONS reduced the generation of plants in the headwaters of the Paraíba do Sul river basin (including the Paraibuna HPP) due to the start of the rainy season, which increased the natural flow of the river, thereby requiring less additional inflow from the plants to meet the above needs. Accordingly, reservoirs started to recover their storage levels.

In 2021, the plants operated by CESP achieved an average availability index of 95.8%, higher than the 95.7% in 2020, showing the continuous and efficient management of plant maintenance in 2021 and the healthy operational performance of generation assets.

The availability indexes of CESP's plants remain consistently higher than the references defined by ANEEL and have been on an upward trend, demonstrating the operating and maintenance quality of the operational assets and the effective management of operational risks.

FINANCIAL PERFORMANCE

OPERATING REVENUE

Net operating revenue in 2021 totaled R$2.3 billion, increasing R$376 million (+20%) from R$1.9 billion in 2020, explained mainly by the following:

- **Trading Operations:** increase of R$252 million resulting from the higher volume and significant increase in average price (R$249/MWh in 2021 vs. R$156/MWh in 2002) of trading operations conducted by CESP Comercializadora during the period, with revenue of R$364 million in 2021, compared to R$112 million in 2020.
- **Free Market – Bilateral Agreements:** increase of R$114 million, caused by the higher average price of agreements (R$230/MWh in 2021 vs. R$215/MWh in 2020), with revenue amounting to R$1.8 billion in 2021 vs. R$1.6 billion in 2020.
- **Regulated Market – Energy Auction:** increase of R$24 million due to contractual price adjustments (R$259/MWh in 2021 vs. R$247/MWh in 2020), with total revenue of R$522 million in 2021 vs. R$498 million in 2020.
- **Short-term energy[1]:** increase of R$17 million resulting from higher energy sales in this market in 2021 compared to 2020, with total revenue of R$72 million in 2021 vs. R$55 million in 2020.
- **Derivative financial instruments[2]:** reduction of R$1.4 million in expenses due to the slight improvement in settlement results between the forward rate contracted and the market rate (Ptax) between the periods, with total expense of R$115 million in 2021 vs. R$116 million in 2020.

These effects were partially offset by:

- **Deductions:** increase of R$26 million in expenses, mainly due to higher PIS and COFINS taxes, in line with the growth in operating revenue, with total deductions of R$312 million in 2021 vs. R$287 million in 2020.

[1] Includes settlements and financial adjustments in CCEE invoices.
[2] Derivative financial instruments used by the Company to hedge against exchange exposure of agreements in the free market, indexed to the U.S. dollar (R$5.1967 on December 31, 2020 vs. R$5.5805 on December 31, 2021). Source: Central Bank of Brazil.

OPERATING COSTS AND EXPENSES

Operating costs and expenses totaled R$973 million in 2021, compared to R$1,104 million in 2020, decreasing R$131 million between the periods, mainly due to:

- **Energy purchase costs:** negative impact of R$520 million (R$1,122 million in 2021 vs. R$603 million in 2020) explained mainly by:
  - the increase of R$299 million in purchases for trading operations in 2021 (R$383 million) vs. 2020 (R$83 million), in line with the Company's strategy for the period.
  - the increase of R$223 million in energy purchased to equalize the energy balance in light of the persisting adverse hydrological scenario in 2021 (R$699 million) vs. 2020 (R$476 million), which resulted in higher volume and purchase price.
- **Provision for Impairment:** in 2021, the annual update of impairment of fixed assets generated a negative effect of R$256 million (provision of R$249 million in 2021 vs. reversal of R$8 million in 2020). The impact results from the booking of the extension of concession through the renegotiation of GSF of plants in August 2021.

  These effects were partially offset by:

- **Hydrologic risk renegotiation:** positive impact of R$782 million (R$483 million net of impairment) due to the approval of calculations for extending the concessions of the Paraibuna (R$43 million) and Porto Primavera (R$739 million) HPPs.

- **Reversal of provision for litigation:** positive impact of R$159 million, due to the reversal of provisions in the amount of R$426 million in 2021 vs. R$267 million in 2020, with no cash effect.

EBITDA

(R$ '000)	2021	2020	∆
Net Income	**440,827**	**1,728,762**	**-75%**
Net income tax and social contribution	264,612	(1,471,964)	-
Financial income (expense)	614,167	555,928	10%
= EBIT	**1,319,606**	**812,726**	**62%**
Depreciation and amortization	421,008	397,329	6%
EBITDA	**1,740,614**	**1,210,055**	**44%**
Voluntary Separation Program (VSP)	-	14,998	-
Reversal of provision for litigation	(425,693)	(266,644)	60%
Write-off of judicial deposits	60,256	63,284	-5%
GSF renegotiation	(781,974)	-	-
Impairment	248,520	(7,589)	-
Adjusted EBITDA	**841,723**	**1,014,104**	**-17%**
Adjusted EBITDA margin	36.7%	52.9%	-16 p.p.

In 2021, adjusted EBITDA totaled R$842 million, with margin of 37%, down 17% from 2020, mainly due to the reduction in operating margin during the period by R$171 million caused by the persisting adverse hydrological conditions during the period, which affected the volume and purchase price of energy.

FINANCIAL INCOME (EXPENSE)

Net financial result in 2021 was an expense of R$614 million, compared to an expense of R$556 million in 2020. This result is mainly explained by the following factors:

- **Debt charges and inflation adjustment of debentures:** increase of R$125 million due to the rise in the indexers (CDI: 4.44% in 2021 vs. 2.78% in 2020; IPCA: 8.29% in 2021 vs. 3.21% in 2020) used to calculate the remuneration and inflation adjustment of the Company's debentures, which resulted in a total expense of R$255 million in 2021, compared to R$130 million in 2020; and

- **Adjustment of post-employment benefit balance:** expense of R$158 million in 2021 vs. R$60 million in 2020, an increase of R$99 million, mainly caused by the adjustment of the balance of actuarial liabilities on the pension plans sponsored by the Company,

which were partially offset by:

- **Adjustment of the balance of provision for litigation:** decrease of R$148 million, due to the significant reduction in the provision for litigation between the periods and the drop in the IGP-M index during the period (17.78% in 2021 vs. 23.14% in 2020) amounting to R$168 million in 2021 vs. R$316 million in 2020.

NET INCOME (LOSS)

In the year, the company posted net income of R$441 million, compared to R$1.7 billion in 2020.

The significant balance in 2020 resulted from the cancellation of ICVM 371/2002, which limited the period for realizing deferred tax assets to 10 years based on expected generation of future taxable income. As such, the Company constituted deferred tax (IR/CSLL) of R$1.6 billion, which includes 100% of the tax loss carryforwards and negative base of previous years, guaranteed by the accounting standard that does not limit the period for realizing deferred taxes. Note that this was possible since the entire deferred IR/CSLL will be realized during the concession period of the Porto Primavera HEP.

DEBT

Gross debt on December 31, 2021 was R$2 billion, as against R$1.8 billion at the end of 2020. And average debt maturity was 6.9 years at the end of 2021.

Cash and cash equivalents ended the year at R$506 million, as against R$713 million in the same period last year. Net debt on December 31, 2021 was R$1.5 billion.

CAPITAL MARKETS

CESP has common shares (CESP3) and class A and B preferred shares (CESP5 and CESP6, respectively) listed and traded on the Sao Paulo Stock Exchange (B3) in the Corporate Governance Level 1 segment, which values ethics and transparency in relations with shareholders and other stakeholders. The Company's stock is a component of various indices, including the Corporate Governance Index, which consists of companies with differentiated corporate governance standards, and the Brazil 100 Index of the most heavily traded shares on the B3.

At end of 4Q21, the class B preferred shares (CESP6), which represent 64.4% of the total capital stock, were quoted at R$21.51, declining 8.9% in the quarter. Average daily financial trading volume was R$60 million (vs. R$52 million in 4Q20), equivalent to average daily trading volume of 2.5 million shares. In the same period, the common shares (CESP3), which correspond to 33.3% of the capital stock, were quoted at R$22.00, remaining unchanged, while class A preferred shares (CESP5), which correspond to 2.3% of the capital stock, were quoted at R$33.50, down 9.8% in the quarter.

CESP's market capitalization on December 31, 2021 was R$7.2 billion, compared to R$9.4 billion on December 31, 2020.

FREE CASH FLOW

Operational cash flow after debt service in 2021 was R$108 million, which represents a cash conversion ratio of approximately 93%.

CAPEX

In 2021, Capex was R$8 million and largely went to the acquisition of equipment for hydroelectric plants.

AUDITORS

In compliance with CVM Instruction 381 of January 14, 2003, CESP clarifies that in the fiscal year 2021, PricewaterhouseCoopers provided only audit services to the Company.

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
Net revenue	4	2.292.813	1.917.248	1.512.972	1.424.960
Electricity service cost	5	(985.638)	(1.189.642)	(205.342)	(735.393)
Electricity cost		(1.298.848)	(751.687)	(518.638)	(297.438)
Operation cost		(468.764)	(437.955)	(468.678)	(437.955)
Hydrological risk renegotiation	1.2 (c)	781.974	-	781.974	-
Gross profit		1.307.175	727.606	1.307.630	689.567
Operating income (expenses)	5				
General and administrative		(125.429)	(111.552)	(115.041)	(100.895)
Other operating income, net		137.860	196.672	124.594	218.138
		12.431	85.120	9.553	117.243
Operating profit before equity results and finance results		1.319.606	812.726	1.317.183	806.810
Results from equity investments					
Equity in the results of investees	13.3	-	-	3.224	4.874
		-	-	3.224	4.874
Net financial result	6				
Finance income		32.528	29.742	29.953	28.211
Finance expenses		(646.695)	(585.670)	(646.642)	(585.562)
		(614.167)	(555.928)	(616.689)	(557.351)
Profit before income tax and social contribution		705.439	256.798	703.718	254.333
Income tax and social contribution	11.5				
Current		(18.515)	(24.639)	(18.481)	(13.458)
Deferred		(246.097)	1.496.603	(244.410)	1.487.887
Net income for the year		**440.827**	**1.728.762**	**440.827**	**1.728.762**
Basic earnings per thousand shares, in Reais		1,35	5,28	1,35	5,28

Management's notes are an integral part of these financial statements.

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

		Consolidated		Parenty company	
	Note	2021	2020	2021	2020
Net income for the year		**440.827**	**1.728.762**	**440.827**	**1.728.762**
Other components of comprehensive income to be reclassified to income					
Operating hedge accounting		62.276	(87.777)	38.658	(64.159)
Operating hedge accounting compensation	13.3			23.618	(23.618)
		62.276	(87.777)	62.276	(87.777)
Other components of comprehensive income that will not be reclassified to profit or loss					
Adjustment of post-employment benefits CPC 33 (R1)		519.474	(982.134)	519.474	(982.134)
Total comprehensive loss for the year		**1.022.577**	**658.851**	**1.022.577**	**658.851**

Management's notes are an integral part of these financial statements.

Statement of cash flows
Years ended December 31

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
Cash flow from operating activities					
Profit before income tax and social contribution		**705.439**	**256.798**	**703.718**	**254.333**
Adjustments for non-cash items					
Depreciation and amortization	5	421.008	397.329	421.008	397.329
Write-off of fixed and intangible assets		(8.748)	(3.481)	(8.748)	(3.481)
Hydrological risk renegotiation	14.1	(781.974)	-	(781.974)	-
Reversal of impairment provision for fixed assets	5	248.520	(7.589)	248.520	(7.589)
Equity in earnings	13.3	-	-	(3.224)	(4.874)
Interest and monetary variations		252.545	130.084	252.545	130.084
Appropriation of funding costs	17.4	5.498	18.123	5.498	18.123
Provision (reversal) of expenses					
Reversal of provision for legal claims	23.2	(425.693)	(266.644)	(425.693)	(266.644)
Reversal of provision for recoverable value of warehouses	5	-	(66)	-	(66)
Provision (reversal) for PIS/COFINS on court deposits	5	429	(527)	429	(527)
Provision (reversal) of social and environmental obligations	20.2	7.607	4.206	7.607	4.206
Balance updates					
Litigation provision additions and accruals	23.2	167.513	315.757	167.513	315.757
Court escrow deposits additions and accruals	10.2	(9.221)	(7.623)	(9.221)	(7.623)
Post-employment benefits	22.4	158.122	59.622	158.122	59.622
Adjustment to present value on social and environmental obligations					
Social and environmental obligations	20.2	4.488	8.374	4.488	8.374
UBP - Use of public assets	19.2	5.631	6.791	5.631	6.791
Lease		241	252	241	252
Cost of post-employment benefits services	22.4	3.613	(489)	3.613	(489)
Write-off of court deposits	10.2	75.185	86.936	75.185	86.936
Hydrological risk renegotiation		-	7.511	-	7.511
Adjustment to present value on social and environmental obligations	6	22.500	-	22.500	-
Operational hedge accounting	27.5.3	114.905	116.295	71.148	71.514
Future energy contracts	21.2	(13.235)	21.444	-	-
		954.373	**1.143.103**	**918.906**	**1.069.539**
Decrease (increase) in assets					
Accounts receivable		4.378	(73.887)	37.232	(14.346)
Taxes recoverable		32.343	(4.926)	33.474	787
Warehouse		(19)	1.654	(19)	1.654
Prepaid expenses		(4.058)	1.718	(4.058)	1.718
Collaterals and court deposits	10.2	(1.436)	4.170	(1.436)	4.170
Other assets		69.653	2.561	69.653	2.586
Increase (decrease) in liabilities					
Suppliers		38.184	38.980	20.846	(21.733)
Derivative financial instruments	27.5.3	(112.073)	(105.123)	(69.242)	(63.827)
Taxes payable		(11.376)	1.523	(11.672)	(7.073)
Post-employment benefit payments	22.4	(1.533)	(1.330)	(1.533)	(1.330)
Sectorial charges		(62.116)	(9.107)	(62.116)	(9.107)
Litigation payment	23.2	(160.717)	(115.231)	(160.717)	(115.231)
Social and environmental obligations	20.2	(17.290)	(9.642)	(17.290)	(9.642)
Payment of UBP - Use of public assests	19.2	(42.155)	(29.263)	(42.155)	(29.263)
Estimated liabilities and payroll		(1.007)	1.890	(1.490)	982
Other liabilities		51.205	(72.089)	51.185	(72.097)
Cash generated from operations		736.356	775.001	759.568	737.787
Interest on debentures paid	17.4	(83.627)	(63.092)	(83.627)	(63.092)
Income tax and social contribution paid		(27.332)	(72.546)	(22.282)	(54.527)
Net cash generated from operating activities		**625.397**	**639.363**	**653.659**	**620.168**
Cash flow from investing activities					
Financial investments		(75.328)	-	(75.328)	-
Investment acquisition	13.3	-	-	(10.000)	-
Dividends received	13.3	-	-	-	24
Fixed asset acquisitions	14.2	(7.011)	(10.479)	(7.011)	(10.479)
		11.712	3.768	11.712	3.768
Acquisition of intangible assets	15.2	(790)	(2.842)	(403)	(2.842)
Net cash generated by (used in) investing activities		**(71.417)**	**(9.553)**	**(81.030)**	**(9.529)**
Cash flow from financing activities					
Financing, net of funding costs	17.4	-	1.449.866	-	1.449.866
Settlement of debentures	17.4	-	(1.500.032)	-	(1.500.032)
Lease settlement		(1.654)	(1.567)	(1.654)	(1.567)
Dividends paid		(834.147)	(606.137)	(834.147)	(606.137)
Repurchase of shares	26.6	(3.332)	-	(3.332)	-
Net cash used by financing activities		**(839.133)**	**(657.870)**	**(839.133)**	**(657.870)**
Decrease in cash and cash equivalents		(285.153)	(28.060)	(266.504)	(47.231)
Opening balance of cash and cash equivalents		713.384	741.444	643.045	690.276
Closing balance of cash and cash equivalents		**428.231**	**713.384**	**376.541**	**643.045**

Management's notes are an integral part of these financial statements.

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
ASSETS					
CURRENT					
Cash and cash equivalents	7	428.231	713.384	376.541	643.045
Financial investments	7.3	77.751		77.751	
Accounts receivable	8	268.439	272.817	176.044	213.276
Taxes to be recovered		28.847	61.190	15.165	48.639
Dividends receivable	25	-	-	766	1.158
Prepaid expenses		6.015	1.957	6.015	1.957
Future energy contracts	21	270.815	103.139	-	-
Other assets	9	5.811	69.509	5.786	69.484
		1.085.909	**1.221.996**	**658.068**	**977.559**
Assets held for sale		8.428	-	8.428	-
		1.094.337	**1.221.996**	**666.496**	**1.094.337**
NON-CURRENT					
Long-term receivables					
Collaterals and judicial deposits	10	195.968	260.496	195.968	260.496
Future energy contracts	21	341.292	25.297		
Deferred income tax and social contribution	11	3.408.893	3.954.680	3.401.864	3.933.797
Warehouse		6.042	6.023	6.042	6.023
Assets subject to indemnity	12	1.739.161	1.739.161	1.739.161	1.739.161
		5.691.356	**5.985.657**	**5.343.035**	**5.939.477**
Investments	13	-	-	68.410	31.176
Immobilized	14	5.722.424	5.956.429	5.722.424	5.956.429
Intangible assets	15	1.913.809	1.509.895	1.913.422	1.509.895
Right-of-use assets on lease agreements		5.256	6.323	5.256	6.323
		7.641.489	**7.472.647**	**7.709.512**	**7.503.823**
TOTAL ASSETS		**14.427.182**	**14.680.300**	**13.719.043**	**14.429.291**

Management's notes are an integral part of these financial statements.

All amounts in thousands of reais unless otherwise stated **(continued)**

	Note	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT					
Suppliers	16	141.264	103.080	63.188	42.342
Debentures	17	98.018	18.220	98.018	18.220
Lease liabilities		1.793	1.700	1.793	1.700
Derivative financial instruments	27.5	12.699	95.084	8.288	58.936
Future energy contracts	21	282.619	120.475	-	-
Estimated obligations and payroll		22.380	23.387	20.989	22.479
Taxes payable		20.528	40.721	16.611	32.084
Sector charges	18	20.170	76.507	20.170	76.507
Dividends payable and interest on equity	0	389.668	581.919	389.668	581.919
UBP - Use of public assets	19	42.462	41.307	42.462	41.307
Social and environmental obligations	20	38.013	28.426	38.013	28.426
Other liabilities	24	96.975	22.906	96.947	22.898
		1.166.589	**1.153.732**	**796.147**	**926.818**
NON-CURRENT					
Debentures	17	1.897.895	1.800.854	1.897.895	1.800.854
Lease liabilities		3.674	4.788	3.674	4.788
Derivative financial instruments	27.5	-	9.141	-	6.019
Future energy contracts	21	337.697	29.405	-	-
Sector charges	18		1.240		1.240
UBP - Use of public assets	19	87.531	114.057	87.531	114.057
Allowance for litigation	23	1.329.360	1.748.257	1.329.360	1.748.257
Social and environmental obligations	20	187.825	152.749	187.825	152.749
Post-employment benefits	22	1.785.499	2.412.379	1.785.499	2.412.379
Other liabilities	24	47.550	47.485	47.550	47.485
		5.677.031	**6.320.355**	**5.339.334**	**6.287.828**
TOTAL LIABILITIES		**6.843.620**	**7.474.087**	**6.135.481**	**7.214.646**
EQUITY	26				
Share capital		5.975.433	5.975.433	5.975.433	5.975.433
Capital reserves		1.929.098	1.929.098	1.929.098	1.929.098
Profit reserves		1.956.664	2.187.137	1.956.664	2.187.137
Deemed costs		(2.274.301)	(2.885.455)	(2.274.301)	(2.885.455)
Retained earnings		(3.332)	-	(3.332)	-
TOTAL SHAREHOLDERS' EQUITY		**7.583.562**	**7.206.213**	**7.583.562**	**7.206.213**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14.427.182**	**14.680.300**	**13.719.043**	**14.420.859**

Management's notes are an integral part of these financial statements.

Statement of changes in equity
Years ended December 31

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Share capital	Capital reserves	Profit reserves	Additional dividends	Asset valuation adjustments: Deemed cost	Asset valuation adjustments: Other comprehensive income	Accrued profits	(-) Actions in Treasury	Total
Balances on January 1, 2020		**5.975.433**	**1.929.098**	**1.084.883**		**(948.623)**	**(895.886)**	**-**	**-**	**7.144.905**
Depreciation of deemed cost		-	-	-	-	28.965	-	(28.965)	-	-
Net income for the year		-	-	-	-	-	-	1.728.762	-	1.728.762
Operational hedge accounting		-	-	-	-	-	(64.159)		-	(64.159)
Operational hedge accounting compensation		-	-	-	-	-	(23.618)		-	(23.618)
Adjustment of post-employment benefits CPC 33 (R1)		-	-	-	-	-	(982.134)		-	(982.134)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**28.965,00**	**(1.069.911)**	**1.699.797**	**-**	**658.851**
Allocation of net income										
Constitution of legal reserve		-	-	86.438	-	-	-	(86.438)	-	-
Realization of unrealized profit reserve		-	-	-	-	-	-	(150.001)	-	(150.001)
Minimum mandatory dividends		-	-	-	-	-	-	(447.542)	-	(447.542)
Additional dividends		-	-	-	252.622	-	-	(252.622)	-	-
Constitution of statutory profit reserve		-	-	90.738	-	-	-	(90.738)	-	-
Profit retention		-	-	672.456	-	-	-	(672.456)	-	-
Total contributions and distributions to shareholders		**-**	**-**	**849.632**	**252.622**	**-**	**-**	**(1.699.797)**	**-**	**(597.543)**
Balances as of December 31, 2020		**5.975.433**	**1.929.098**	**1.934.515**	**252.622**	**(919.658)**	**(1.965.797)**	**-**	**-**	**7.206.213**
Depreciation of deemed cost	26.4	-	-	-	-	29.404	-	(29.404)	-	-
Net income for the year		-	-	-	-	-	-	440.827	-	440.827
Operational hedge accounting	26.5	-	-	-	-	-	38.658	-	-	38.658
Operational hedge accounting compensation	26.5	-	-	-	-	-	23.618	-	-	23.618
Adjustment of post-employment benefits CPC 33 (R1)	22.4	-	-	-	-	-	519.474	-	-	519.474
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**29.404**	**581.750**	**411.423**	**-**	**1.022.577**
Unclaimed dividends and interest on equity		-	-	107	-	-	-	-	-	107
Repurchase of shares	26.6	-	-	-	-	-	-	-	(3.332)	(3.332)
Additional dividends	1.2 (b)	-	-	-	(252.622)	-	-	-	-	(252.622)
Allocation of net income	26.7	-	-	-	-	-	-	-	-	-
Constitution of legal reserve		-	-	22.042	-	-	-	(22.042)	-	-
Minimum mandatory dividends (Note 26.7.1)		-	-	-	-	-	-	(389.381)	-	(389.381)
Total contributions and distributions to shareholders		**-**	**-**	**22.149**	**(252.622)**	**-**	**-**	**(411.423)**	**(3.332)**	**(645.228)**
Balances as of December 31, 2021		**5.975.433**	**1.929.098**	**1.956.664**		**(890.254)**	**(1.384.047)**		**(3.332)**	**7.583.562**

Management's notes are an integral part of these financial statements.

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
Generation of added value					
Gross Revenue	4	2.604.979	2.203.798	1.741.190	1.657.513
		2.604.979	2.203.798	1.741.190	1.657.513
Inputs	5				
Purchased energy		1.298.848	751.687	518.638	297.438
Hydrological risk renegotiation		(781.974)	-	(781.974)	-
Third party services		58.028	34.540	56.535	33.313
Materials		1.469	1.676	1.452	1.296
Other operating costs		9.995	8.775	9.909	8.775
		586.366	796.678	(195.440)	340.822
Gross added value		2.018.613	1.407.120	1.936.630	1.316.691
Deductions	5				
Depreciation and amortization		421.008	397.329	421.008	397.329
Future energy contracts		(13.235)	21.444	-	-
		407.773	418.773	421.008	397.329
Net added value generated		1.610.840	988.347	1.515.622	919.362
Transfers					
Financial income	6	32.528	29.742	29.953	28.211
Post-employment benefits	5	(3.613)	489	(3.613)	489
Equity in earnings	13.3	-	-	3.224	4.874,00
Deferred income and social contribution taxes	11.5	(246.097)	1.496.603	(244.410)	1.487.887
		(217.182)	1.526.834	(214.846)	1.521.461
Other	5				
Reversal of provision for legal claims		425.693	266.644	425.693	266.644
Write-off of court deposits		(60.256)	(63.284)	(60.256)	(63.284)
Reversal of impairment for fixed assets		(248.520)	7.589,00	(248.520)	7.589,00
Insurance		(4.246)	(5.966)	(4.246)	(5.966)
Allowance (reversal) for social and environmental obligations		(7.607)	(4.206)	(7.607)	(4.206)
Provision (reversal) for PIS/COFINS on court deposits		(429)	527	(429)	527
Provision for realizable value of warehouses		-	66	-	66
Other net revenues		3.521	2.939	4.805	3.849
		108.156	204.309	109.440	205.219
Value added to distribute		**1.501.814**	**2.719.490**	**1.410.216**	**2.646.042**
Distribution of added value					
Personnel	5				
Work remuneration		74.076	83.277	66.582	75.225
Remuneration of key management personnel		8.792	8.765	8.792	8.765
		82.868	92.042	75.374	83.990
Funders and rents					
Interest and debt charges	6	254.968	130.084	254.968	130.084
Other financial expenses	6	391.727	455.586	391.674	455.478
Rentals	5	743	1.827	674	1.717
		647.438	587.497	647.316	587.279
Intrasectorial - Regulatory charges	4				
Financial compensation for the use of water resources - CFURH		37.618	51.389	37.618	51.389
Research and development – R&D		15.706	15.098	15.706	15.098
Inspection fee for electricity services - TFSEE		5.326	4.930	5.326	4.930
Global Reversion Reserve - RGR		1.773	2.579	1.773	2.579
		60.423	73.996	60.423	73.996
Taxes and social contributions					
Federal		270.105	237.109	186.123	171.931
Municipal	4	153	84	153	84
		270.258	237.193	186.276	172.015
Shareholders	26.7				
Interest on equity		-	150.001	-	150.001
Minimum mandatory dividends		389.381	447.542	389.381	447.542
Proposed additional dividends		-	252.622	-	252.622
Depreciation of deemed cost		29.404	28.965	29.404	28.965
Constitution of legal reserve		22.042	86.438	22.042	86.438
Appropriations to statutory reserve		-	90.738	-	90.738
Profit retention		-	672.456	-	672.456
		440.827	1.728.762	440.827	1.728.762
Distributed added value		**1.501.814**	**2.719.490**	**1.410.216**	**2.646.042**

Management's notes are an integral part of these financial statements.

All amounts in thousands of reais unless otherwise stated

1. General information

1.1. Operations

CESP - Companhia Energética de São Paulo ("CESP" or "Company") is a publicly traded corporation, based in the city of São Paulo. The Company's controlling shareholder is VTRM Energia Participações S.A. ("VTRM"). Together with its subsidiary CESP Comercializadora de Energia S.A. ("CESP Comercializadora"), its main activities are the planning, construction and operation of generation systems and the commercialization of electricity. It maintains other operational activities, of a complementary nature, such as forestry, reforestation and fish farming, as a means of protecting the environments modified by the construction of its reservoirs and facilities.

The Company's shares are listed on B3's Corporate Governance Level 1 exchange. Company's Management continuously improves the provision of information, in accordance with the best market practices.

The Company is part of the Broad Brazil Index, Brazil 100 Index, Electric Energy Index, Stock Index with Corporate Governance Trade, Stock Index with Differentiated Corporate Governance, Stock Index with Differentiated Tag Along, and Public Utility Index.

The Company currently has two hydroelectric power plants operating under the price regime, totaling 1,627 MW of installed capacity and 935 average MW of physical energy guarantee.

After signing the new concession contract for the Engenheiro Sérgio Motta Hydroelectric Power Plant (Porto Primavera) ("Porto Primavera HPP"), which extended the concession period to 2056, the Company migrated from a public utility for generating electricity to an independent electricity production concessionaire. Its activities continue to be regulated and supervised by the National Electric Energy Agency ("ANEEL"), linked to the Ministry of Mines and Energy ("MME"). Its plants are integrated with the National Electric System Operator ("ONS"). Energy generated by plant conforms to the ONS brief as summarized in the table below (gross production):

					Energy generated (gross) - MWh (*)
					2021
Plants	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	
Porto Primavera	1.872.861	1.585.127	1.507.661	1.690.791	6.656.440
Paraibuna	7.140	90.742	147.069	67.761	312.712
Total	**1.880.001**	**1.675.869**	**1.654.730**	**1.758.552**	**6.969.152**

					Energy generated (gross) - MWh (*)
					2020
Plants	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	
Porto Primavera	2.387.980	2.016.725	2.115.856	2.130.403	8.650.964
Paraibuna	23.401	74.572	135.665	100.568	334.206
Jaguari	3.007	19.510	47.289	10.981	80.787
Total	**2.414.388**	**2.110.807**	**2.298.810**	**2.241.952**	**9.065.957**

(*) Energy generated in MWh not audited by the independent accountants.

All amounts in thousands of reais unless otherwise stated

1.2. Principal corporate events - year ended December 31, 2021

a) Votorantim and CPP Investments announced their intention to consolidate energy assets and create one of the largest renewable energy platforms in Brazil

During the last quarter of 2021, Votorantim S.A. and the Canada Pension Plan Investment Board (CPP Investments) announced their intention to consolidate energy assets in Brazil, creating one of the leading companies in the energy sector, which will have shares listed on the Novo Mercado.

Consolidation is intended to take place through two transactions. The first is that VTRM will now hold the interests in Votorantim Comercializadora de Energia – Votener, other hydroelectric assets, in addition to the interests it already held in CESP and wind assets.

For the second transaction, VTRM sent a proposal to CESP's Board of Directors to merge all of the Company's shares into VTRM.

During the first quarter of 2022 there were transaction facts that are described in note 32. Subsequent events.

b) Approval of the proposal for payment of dividends

On March 30, 2021, the Management's proposal for the payment of earnings for the year ended December 31, 2020, in the amount of R$ 850,164 (R$ 150,000 referring to interest on equity and R$ $700,164 for minimum mandatory and additional dividends).

Interest on equity (JCP) considers the shareholding position existing at the close of B3 trading on December 21, 2020 (“base date”) and dividends paid consider April 1, 2021 as “base date” , respecting the negotiations carried out up to that day, inclusive. The Company's shares began to be traded "ex-JCP" on December 22, 2020 and "ex-dividends" as of April 5, 2021, inclusive.

The payment of dividends and interest on equity for the year ended 2020 was made in two installments, the first on April 15, 2021, in the amount of R$ 583,988, settling the amount of R$ 134,050 referring to interest on equity, net of income tax, and the amount of R$449,940 referring to dividends. The payment of the second installment took place on September 15, 2021, in the remaining amount of R$250,132 in dividends.

On 03/25/2022, the Annual Shareholders' Meeting was held and the dividends for the year ended December 31, 2021 were proposed, in the amount of R$389,381 (Note 26.7).

Below, the movement of dividends throughout 2021:

	Dividend movement
Balance of dividends and JSCP provisioned in 2020	581,919
Additional proposed - fiscal year 2020	252,622
Paid in 2021, referring to the year 2020	(834,120)
Reversed dividends	(107)
Paid in 2021, referring to previous periods	(27)
Mandatory minimum dividends - fiscal year 2021	389,381
	389,668

c) GSF (Generation Scaling Factor)

As disclosed in the individual and consolidated financial statements for the year ended December 31, 2020 (Note 1.2 (i)), the Company follows the regulatory process of Law No. 14,052, published on September 9, 2020, which establishes new conditions for the renegotiation of the hydrological risk of electricity generation, providing for compensation for energy generators by extending their grant terms as a consequence of non-hydrological risks that negatively influenced the GSF after 2012.

At a meeting held on March 29, 2021, the Board of Directors approved:

All amounts in thousands of reais unless otherwise stated

i. the terms proposed in Official Letter 36/2021, amending the Concession Agreement 3/2004 to provide for the provisional 6-month extension of the concession of the HPP Paraibuna; and

ii. the participation in the renegotiation of the hydrological risk for the two Paraibuna and Porto Primavera plants and the resultant extension of the concession covering the compensation provided for in the terms of Law no. 14.052/2020.

iii. adhesion to the renegotiation of the hydrological risk for the Paraibuna and Porto Primavera plants and consequent extension of the grant, due to the compensation provided under the terms of Law No. 14,052/2020.

Pursuant to Ratifying Resolutions No. 2.919 of August 3, 2021 and No. 2.932 of September 14, 2021, ANEEL confirmed the extension of the grant for the hydroelectric plants participating in the MRE, subject to calculations by the Electric Energy Trading Chamber ("CCEE"), which include HPP Paraibuna and HPP Porto Primavera, respectively.

Plants	Value	Impairment - provision	Accumulated amortization	Net intangible	Extension period	End date of grant
HPP Paraibuna	43.294	-	(18.554)	24.740	15months	June3,2022
HPP Porto Primavera	738.680	(299.452)	-	439.228	7years	April13,2056
Total	**781.974**	**(299.452)**	**(18.554)**	**463.968**		

The Company is not involved in any lawsuits regarding this matter and has no amounts payable related to hydrological risk, with suspended liability within the scope of the CCEE financial settlement; the option for renegotiation does not depend on cash disbursement or any payment of a premium by the Company.

Upon the ratification of the extension and agreed terms to the hydrological risk renegotiation, the Company recorded an intangible asset (Note 14.1) against Cost recovery in the statement of income (Note 4). The useful life of the renegotiated hydrological risk asset and of those assets with useful lives limited to the concession period (Grant, Use of public property, land and others), were adjusted to conform to the new concession terms for each plant. In the registration of the renegotiation of the hydrological risk of UHE Paraibuna, there was recognition of the amount of R$ 18,554 of amortization, for the period from March to September 2021, after approval by ANEEL.

d) Hydraulic restrictions at the Porto Primavera HPP

The current drought conditions experienced on Brazil, and especially in the Paraná River basin where the Porto Primavera HPP is located, as a results of significantly below average rainfall in the main hydrographic basins feeding hydroelectric plants that are part of the National Interconnected System ("SIN"), being the worst hydrological flows over the last 91 years, from the end of 2020 the government implemented hydraulic governance measures for the basin, including reducing the flows.

A set of urgent measures were taken to ease hydraulic restrictions as a response to the Water Emergency Alert issued by the National Meteorology System ("SNM") and the ANA Resolution declaring the Paraná River basin drought to have reached a critical level, as supported by technical studies of the ONS, to avoid compromising the generation of electricity to meet the SIN. Among these measures, the flexibility of the Porto Primavera HPP flow to 2,700m³/s was determined, through 07/01/2021, with the performance of the flow reduction tests in June 2021, pursuant to the MME Ordinance no. 524/2021, of 06/11/2021, as approved by IBAMA in the Work Plan for the Reduction of Effluent Flow at HPP Porto Primavera.

Among these measures, it was determined the flexibility of the flow of HPP Porto Primavera, and as approved by IBAMA in the Work Plan for Reducing the Outflow of HPP Porto Primavera. At the end of August 2021, values considered environmentally safe were resumed, according to increases commanded by the ONS.

The CREG (Chamber of Exceptional Rules for Hydroenergetic Management, created by MP 1.055/2021), in its last two meetings held in 2021, deliberated on measures related to easing the outflow of UHE Porto Primavera in 2022.

The water crisis had a relevant effect on the Company's financial performance in 2021. Like all other hydroelectric power generators, the Company was penalized by the drop in production and the worsening of the GSF, as can be seen in Note 5 Costs and expenses.

e) TUST Homologation

The value of the Tariffs for the Use of the Transmission System ("TUST") for electricity, per the National Interconnected System Ratifying Resolution No. 2.896 of July 13, 2021, was established effective from July 1, 2021 to June 30, 2022. The new tariff applied to the Porto Primavera HPP is R$10.815/kW, was an increase of 24% compared to the tariff of the previous cycle (R$8.721/kW).

f) Effects of COVID-19

Since the World Health Organization (“WHO”) declared a “pandemic situation”, resulting from the new Coronavirus (“COVID-19”), the Company and its subsidiary inform that they have been taking preventive and risk mitigation measures in in line with the guidelines established by national and international health authorities, aiming to minimize, as much as possible, possible impacts with regard to the health and safety of employees, families, partners and communities, and the continuity of operations and business.

As energy generation is an essential activity, the Company has adopted contingency protocols in order to fully maintain the operations of its hydroelectric plants, preserving the health of its professionals, their safe access to workplaces, an environment that preserves the distance between individuals, hygiene and access to protective instruments. In addition, on December 31, 2021, 100% of the employees at the administrative headquarters are working from home, and in the plants, the predominance is on-site work, respecting sanitary measures.

A potentially relevant risk to the Company and its subsidiary in the emergency of COVID-19 is related to the performance of customers and other counterparties in contracts for the purchase and sale of energy. In this scenario, the Company and its subsidiary maintain regular contact with their main commercial partners. The accounts receivable position of the Company and its subsidiary as of December 31, 2021, as well as the provisions for difficult to recover or doubtful accounts receivable, timely reflect Management's best analysis at this time on the quality and solvency of the rights in question. Despite the economic impacts resulting from the pandemic, there was no default on the part of any client, as well as the few contractual renegotiations carried out, structured in order to preserve the present value of the original contracts, should not have material impacts on the Company's results.

The Company and its subsidiary also evaluated their main supply and supplier supply contracts, and concluded that, despite the impacts caused by the pandemic, contractual obligations continue to be fulfilled and there is no evidence or formalization of insolvency or any discontinuity.

The management of the Company's energy balance for this year has been adjusted and the company is well positioned in the face of potential adverse variations in the GSF (Generation Scaling Factor) and relevant variations in energy market prices.

Finally, to date, the Company and its subsidiary have had no material impact on their operations and settlement of rights and obligations due to COVID-19. However, considering that they are exposed to operational risks arising from the health of our employees and third parties, as well as being subject to any legal and market restrictions that may be imposed because of COVID-19, it is not possible to guarantee that there will be no impacts on operations. or that the result will not be affected by future reflexes that the pandemic may provoke.

All amounts in thousands of reais unless otherwise stated

2. Presentation of the parent company and consolidated financial statements and summary of significant accounting policies

The individual parent and consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, in effect on December 31, 2021, which include the pronouncements issued by the Accounting Pronouncements Committee ("CPCs") and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and "IFRIC" interpretations. The financial statements present all information significant to the individual and consolidated financial statements, consistent with information used by management in the performance of its duties.

The Company's Board of Directors approved the issue of the individual and consolidated financial statements on March 28, 2022.

2.1. Consolidation

The Company obtained authorization from ANEEL to operate as an Electric Energy Trading Agent within the scope of CCEE, through CESP Comercializadora, in early 2020.

The Company consolidates CESP Comercializadora owning all its voting capital. It controls the entity and is exposed or entitled to variable returns from its involvement with the investee and has the ability to significantly direct its activities.

Transactions, balances and results of transactions between the subsidiary and the Company are eliminated.

2.2. Main accounting judgments and sources of uncertainty in estimates

Management makes estimates regarding the future based on assumptions. Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, considered reasonable under the circumstances.

There was no change in the estimates and assumptions that presented a significant risk, likely to cause a material adjustment in the book values of assets and liabilities for the period ended December 31, 2021, in relation to those detailed in the last annual financial statements for the year ended December 31, 2020, except for the change mentioned below regarding the calculation of fair value of energy futures contracts of its subsidiary CESP Comercializadora.

The subsidiary reviewed the assumptions used to calculate the fair value of its energy futures contracts and concluded that the full measurement as of June 2021 was appropriate for its entire portfolio of contracts previously limited to a 36-month horizon, based on (i) the contractual prices established in the purchase and sale operations and (ii) the market prices for measuring its exposure, both discounted to present value by the projections for the IPCA for the period.

Accounting estimates will rarely be equal to the respective actual results. The estimates and assumptions that present significant risk, with the probability of causing a significant adjustment in the book values of assets and liabilities for the next fiscal year, are included in the notes below:

G/L account	Note
Revenue	4
Costs and expenses	5
Accounts receivable	8
Deferred income and social contribution taxes	11
Fixed assets	14
Intangible assets	15
UBP - Use of the public assets	19
Social and environmental obligations	20
Future energy contract	21
Post-employment benefits	22
Allowance for litigation	23

Note that the equity valuation adjustment in the CVMs EmpresasNet System "Statement of Changes in Stockholders' Equity", although not in essence "Other Comprehensive Income", is presented as such in lieu of a more appropriate option in the statement.

2.3. Functional currency and presentation currency

The Company's functional and presentation currency is the Brazilian Real/Reais (R$).

3. Changes in accounting practices and disclosures

The Company and its subsidiary analyzed the amendments to the accounting standards applicable as of January 1, 2021 and did not identify any effects on their operations and accounting policies.

4. Revenue

4.1. Accounting policy

The Company and it subsidiary follow the conceptual structure of IFRS 15/CPC 47 "Income from contracts with customers", based on the five-step model: (i) identification of contracts with customers; (ii) identification of the performance obligations provided for in the contracts; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation provided for in the contracts and (v) recognition of revenue when the performance obligation is met.

The five-step model states that an entity should recognize revenue to represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Electricity Commercialization Process conforms to parameters established by Law no. 10.848/04, by Decrees no. 5.163/04 and 5.177/04 (which instituted the CCEE), and by Normative Resolution ANEEL no. 109/04, which instituted the Electricity Commercialization Convention.

The commercial relations between the Agents participating in the CCEE are governed predominantly by medium and long-term energy purchase and sale contracts, and all contracts signed between the Agents within the scope of the SIN must be registered with the CCEE. The Company operates in the following electric energy segments:

a) Free market - Free consumers - Industrial

Sale of energy at freely negotiated prices and conditions to consumers - large end consumers who chose not to purchase energy from local distributors, and with whom the Company and its subsidiary have supply contracts.

b) Regulated market - Energy auctions - Distributors

In this segment, the Company, and its subsidiary sell energy to Distribution concessionaires, through auctions organized by the Granting Authority via medium and long-term supply contracts.

c) Short-term energy

CCEE records the differences between the energy generated, consumed and contracted. Positive or negative differences are settled and valued at the Balance Liquidation Value - PLD.

Energy generated under the Energy Reallocation Mechanism are part of the Short-Term Market, a mechanism for sharing the hydrological risks associated with the SIN's electro-energy optimization; the energy that an MRE member fails to produce is carried out by another agent and volumes are remunerated by the energy optimization tariff, sufficient to cover variable costs.

All amounts in thousands of reais unless otherwise stated

4.2. Net revenue and energy sold

The table below shows the energy sold in the year, the distribution by consumption class and by commercialization environment, as well as the reconciliation between gross revenue for tax purposes and net revenue presented in the statement of income:

				Consolidated
		2021		2020
	MWh (*)	R$ Mil	MWh (*)	R$ Mil
Gross revenue				
Energy revenues				
Bilateral contracts	7,649,030	1,758,273	7,646,472	1,644,257
Trading operations	1,462,350	363,742	720,384	112,152
Energy Auctions - Energy Distributors	2,014,800	522,038	2,020,320	498,445
Short-term energy	-	72,489	-	55,296
	11,126,180	2,716,542	10,387,176	2,310,150
Derivative financial instruments (Nota 27.4)	-	(114,905)	-	(116,295)
Quota-based supply - HPP Jaguari	-	-	-	7,190
Other revenues	-	3,342	-	2,753
	-	(111,563)	-	(106,352)
	11,126,180	2,604,979	10,387,176	2,203,798
Deductions to revenue				
COFINS on operating revenues	-	(206,712)	-	(174,570)
PIS on operating revenues	-	(44,878)	-	(37,900)
Financial Compensation for the Use of Water Resources - CFURH	-	(37,618)	-	(51,389)
Research and development - R&D	-	(15,706)	-	(15,098)
Electric Power Services Inspection Fee - EPSIF	-	(5,326)	-	(4,930)
Quota for the global reversal reserve - GRR	-	(1,773)	-	(2,579)
Service tax - ISS	-	(153)	-	(84)
	-	(312,166)	-	(286,550)
Net revenue	**11,126,180**	**2,292,813**	**10,387,176**	**1,917,248**

(*) Energy generated in MWh not audited by the independent accountants.

All amounts in thousands of reais unless otherwise stated

				Parent Company
		2021		2020
	MWh (*)	R$ Mil	MWh (*)	R$ Mil
Gross revenue				
Revenue from electricity				
Bilateral contracts	5,600,719	1,220,226	5,764,209	1,165,343
Electricity auctions - Electricity distributors	2,014,800	522,038	2,020,320	498,445
Short-term energy	-	66,732	-	55,296
	7,615,519	1,808,996	7,784,529	1,719,084
Derivative financial instruments (Note 27.4)		(71,148)	-	(71,514)
Supply in quota regime - HPP Jaguari	-	-	-	7,190
Other income		3,342	-	2,753
		(67,806)		(61,571)
	7,615,519	1,741,190	7,784,529	1,657,513
Deductions from revenue				
COFINS on operating revenues	-	(137,738)	-	(130,205)
PIS on operating revenues	-	(29,904)	-	(28,268)
Financial Compensation for the Use of Water Resources - CFURH	-	(37,618)	-	(51,389)
Research and development - R&D	-	(15,706)	-	(15,098)
Electric Power Services Inspection Fee - TFSEE	-	(5,326)	-	(4,930)
Quota for the global reversal reserve - RGR	-	(1,773)	-	(2,579)
Service tax - ISS	-	(153)	-	(84)
	-	(228,218)	-	(232,553)
Net revenue	**7,615,519**	**1,512,972**	**7,784,529**	**1,424,960**

(*) Energy generated in MWh not audited by the independent accountants.

All amounts in thousands of reais unless otherwise stated

5. Costs and expenses

					Consolidated	
					2021	2020
	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Total	Total
Nature of costs and expenses						
Hydrological risk renegotiation	781,974	-	-	-	781,974	-
Reversal of provision for legal claims (Note 23)	-	-	-	425,693	425,693	266,644
Electricity purchased	(1,122,434)	-	-	-	(1,122,434)	(602,829)
Depreciation and amortization	-	(418,510)	(6,231)	3,733	(421,008)	(397,329)
Reversal (provision) for impairment (Notes 14.2 and 15.2)	-	-	-	(248,520)	(248,520)	7,589
Sector charges	(176,414)	-	-	-	(176,414)	(148,858)
Personnel	-	(22,181)	(51,895)	-	(74,076)	(68,279)
Judicial deposits write-off	-	-	-	(60,256)	(60,256)	(63,284)
Outsourced services	-	(16,183)	(41,845)	-	(58,028)	(34,540)
Electric power futures contracts (Note 21)	-	-	-	13,235	13,235	(21,444)
Management	-	-	(8,792)	-	(8,792)	(8,765)
Allowance for social and environmental obligations (Note 22)	-	-	-	(7,607)	(7,607)	(4,206)
Maintenance and conservation	-	(6,001)	(911)	-	(6,912)	(3,237)
Insurance	-	-	(4,246)	-	(4,246)	(5,966)
Post-employment benefits	-	-	(3,613)	-	(3,613)	489
Taxes, fees and contributions	-	(524)	(2,870)	-	(3,394)	(378)
Materials	-	(1,192)	(277)	-	(1,469)	(1,676)
Rentals	-	(703)	(40)	-	(743)	(1,827)
Reversal of provision for PIS/COFINS on indexation of judicial deposits	-	-	-	(429)	(429)	527
PDV - Voluntary Resignation Program	-	-	-	-	-	(14,998)
Other operating income (expenses), net	-	(3,470)	(4,709)	12,011	3,832	(2,155)
Total	**(516,874)**	**(468,764)**	**(125,429)**	**137,860**	**(973,207)**	**(1,104,522)**

All amounts in thousands of reais unless otherwise stated

	Cost of electricity	Cost of operation	General and administrative expenses	Other operating income (expenses), net	Parent Company 2021 Total	Parent Company 2020 Total
Nature of costs and expenses						
Hydrological risk renegotiation	781.974	-	-	-	781.974	-
Reversal of provision for legal claims (Note 23)	-	-	-	425.693	425.693	266.644
Depreciation and amortization	-	(418.510)	(6.231)	3.733	(421.008)	(397.329)
Electricity purchased	(342.224)	-	-	-	(342.224)	(148.580)
Provision for impairment (Notes 14.2 and 15.2)	-	-	-	(248.520)	(248.520)	7.589
Sector charges	(176.414)	-	-	-	(176.414)	(148.858)
Personnel	-	(22.181)	(44.401)	-	(66.582)	(60.227)
Judicial deposits write-off	-	-	-	(60.256)	(60.256)	(63.284)
Outsourced services	-	(16.183)	(40.352)	-	(56.535)	(33.313)
Management	-	-	(8.792)	-	(8.792)	(8.765)
Allowance for social and environmental obligations (Note 21)	-	-	-	(7.607)	(7.607)	(4.206)
Maintenance and conservation	-	(6.001)	(868)	-	(6.869)	(3.145)
Insurance	-	-	(4.246)	-	(4.246)	(5.966)
Post-employment benefits	-	-	(3.613)	-	(3.613)	489
Taxes, fees and contributions	-	(524)	(2.272)	-	(2.796)	(43)
Materials	-	(1.192)	(260)	-	(1.452)	(1.296)
Rentals	-	(703)	29	-	(674)	(1.717)
Reversal of provision for PIS/COFINS on indexation of judicial deposits	-	-	-	(429)	(429)	527
Voluntary Termination Program	-	-	-	-	-	(14.998)
Other operating income (expenses), net	-	(3.384)	(4.035)	11.980	4.561	(1.672)
Total	**263.336**	**(468.678)**	**(115.041)**	**124.594**	**(195.789)**	**(618.150)**

5.1. Cost of electricity

	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
Electricity purchased				
Energy purchased for resale	(699,106)	(476,040)	(301,672)	(105,195)
Trading operations	(382,776)	(83,404)	-	-
Premium on renegotiation of hydrological risk	(26,213)	(20,156)	(26,213)	(20,156)
Short-term energy	(14,339)	(23,229)	(14,339)	(23,229)
	(1,122,434)	(602,829)	(342,224)	(148,580)
Electricity network usage				
Electricity network usage charges	(176,414)	(148,858)	(176,414)	(148,858)
	(176,414)	(148,858)	(176,414)	(148,858)
	(1,298,848)	**(751,687)**	**(518,638)**	**(297,438)**

The increase in the cost of electricity reflects the demand for purchases of energy at higher prices due to the effects of the drought.

All amounts in thousands of reais unless otherwise stated

6. Financial result

6.1. Accounting policy

a) Financial income (expenses)

Financial income mainly refers to financial investment income, arrears on sales of electricity, accruals on deposits linked to litigation and changes in fair value or interest on other financial assets. Interest income is recognized in the statement of income using the effective interest method. Financial expenses include debt charges, exchange gains/losses and indexation/interest on loans, financing, debentures, and other financial liabilities. Borrowing costs, not capitalized, are recognized in the statement of income using the effective interest method.

6.2. Composition

	Consolidated		Parent company	
	2021	2020	2021	2020
Financial result				
Income from financial investments	21,924	22,070	19,566	20,476
Update of the balance of judicial deposits	9,221	7,623	9,221	7,623
Other financial revenues	2,554	1,195	2,211	1,184
(-) PIS and COFINS on finance result	(1,171)	(1,146)	(1,045)	(1,072)
	32,528	29,742	29,953	28,211
Finance costs				
Debt charges	(88,424)	(83,840)	(88,424)	(83,840)
Update of the debentures balance	(166,544)	(46,244)	(166,544)	(46,244)
Appropriation of funding costs - Settlement 11th issue of debentures	-	(14,465)	-	(14,465)
Update of the balance of provision for litigation	(167,513)	(315,757)	(167,513)	(315,757)
Post-employment benefit balance update	(158,122)	(59,622)	(158,122)	(59,622)
Update on court settlements	(8,877)	(9,066)	(8,877)	(9,066)
Contract clauses premium - debentures	(22,500)	-	(22,500)	-
Adjustment to present value on social and environmental obligations	(4,488)	(8,374)	(4,488)	(8,374)
Write-off of judicial deposits	(14,929)	(23,652)	(14,929)	(23,652)
Adjustment to present value on UBP - Use of public property	(5,631)	(6,791)	(5,631)	(6,791)
Update R&D - projects	(377)	(323)	(377)	(323)
Premium for early settlement of loans	-	(11,326)	-	(11,326)
Other charges	(9,290)	(6,210)	(9,237)	(6,102)
	(646,695)	(585,670)	(646,642)	(585,562)
Financial result	**(614,167)**	**(555,928)**	**(616,689)**	**(557,351)**

7. Cash and cash equivalents

7.1. Accounting policy

Cash, bank deposits and other short-term highly liquid investments are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

All amounts in thousands of reais unless otherwise stated

7.2. Composition

Cash and cash equivalents comprise cash in bank accounts, government securities and financial institutions, bearing interest linked to the interbank deposit rate.

	'Average rate of remuneration	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
Cash					
Bank deposits		202	1,579	127	1,473
Financial investments					
Bank Deposit Certificates ("CDBs")	101,44% of CDI	343,924	539,913	322,500	469,680
Financial Treasury Bills - LFTs	101,41% of CDI	49,085	155,079	49,085	155,079
Financial bills - private securities		-	16,813	-	16,813
Leveraged operations	71,76% of CDI	35,020	-	4,829	-
		428,029	711,805	376,414	641,572
		428,231	**713,384**	**376,541**	**643,045**

(a) Investments in Financial Treasury Bills mature on March 1, 2022, and are immediately convertible into cash.

7.3. Composition of financial investments

	'Average rate of remuneration	Consolidated and parent company 2021	Consolidated and parent company 2020
Financial investments			
Financial Treasury Bills - LFTs	101,41% do CDI	77,751	-
		77,751	**-**

8. Accounts receivable

8.1. Accounting policy

Arise from the sale of electricity or the provision of services in the normal course of the activities. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less expected losses from doubtful accounts.

The methodology for calculating estimated losses on loan losses is based on historical credit loss experience, adjusted based on recent observable data to reflect current and future effects and conditions, when applicable.

8.2. Composition

	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
Bilateral contracts (a)	145,701	148,517	74,596	73,382
Bilateral contracts - related parties (Note 25)	8,328	7,562	29,104	40,980
Trading	41,054	17,824	-	-
Energy actions (a)	62,395	58,360	62,395	58,360
Supply under quota system	-	2,953	-	2,953
	257,478	235,216	166,095	175,675
(-) Allowance for loan losses (c)	-	(6,208)	-	(6,208)
	257,478	229,008	166,095	169,467
Free Energy (RTE)	-	13,712	-	13,712
Short-term energy (CCEE) (b)	10,961	43,809	9,949	43,809
	10,961	57,521	9,949	57,521

All amounts in thousands of reais unless otherwise stated

(-) Allowance for loan losses (c)	-	(13,712)	-	(13,712)
	10,961	43,809	9,949	43,809
	268,439	**272,817**	**176,044**	**213,276**

(a) At December 31, 2021, the Company and its subsidiary's largest ten customers represent 65.41% of the total receivables portfolio (70.67% on 12/31/2020).

(b) Short Term Energy - CCEE: represents the variation calculated monthly, resulting from the balance processed by CCEE, between commitments assumed by the Company and its subsidiary with its market and other CCEE Agents versus the effective behavior of each member of the system, whose amount is presented net of obligations with the CCEE.

(c) Estimated loss from doubtful accounts**:** the Company no longer expects to receive amounts overdue for more than 360 days, which is why it wrote off the active balance of accounts receivable and the total estimated loss with bad debts on the securities.

8.3. Accounts receivable maturities

		Consolidated		Parent company
	2021	**2020**	**2021**	**2020**
Due	268,439	272,817	176,044	213,276
Overdue for more than 360 days	-	19,920	-	19,920
	268,439	**292,737**	**176,044**	**233,196**

9. Other assets

		Consolidated		Parent company
	2021	**2020**	**2021**	**2020**
Sundry credits (a)	31,643	31,301	31,643	31,301
(-) Estimated loss with non-performing loans (a)	(31,643)	(31,301)	(31,643)	(31,301)
Project orders - P&D (b)	5,076	52,685	5,076	52,685
Advances to Vivest (Note 25)	123	12,536	123	12,536
Transfer to receive Nexa (Note 25)	-	3,482	-	3,482
Other	612	806	587	781
	5,811	**69,509**	**5,786**	**69,484**

(a) Balance refers mainly to the assignment of employees, through reimbursement, to the State Department of Finance, Transport, Department of Water and Electricity - DAEE and other bodies of the State of São Paulo, the Company's former controlling shareholder.

(b) Expenditures applied in Research and Development ("R&D") are recorded as assets and, once the project is concluded and approved by ANEEL, offset against a specific liability account (Note 18).

10. Collateral and court deposits

10.1. Accounting policy

These refer to guarantees provided, associated with legal proceedings, and are presented at historical value plus interest and indexation accruals.

All amounts in thousands of reais unless otherwise stated

10.2. Analysis and changes in balances

							Consolidated and Parent company	
							2021	2020
	Civil lawsuits	Labor lawsuits	Tax lawsuits	Environmental actions	Other court deposits	Collaterals	Total	Total
Opening balance	163,476	37,340	11,642	43,040	3,267	1,731	260,496	343,979
Additions	16,262	480	1,629		30	159	18,560	6,430
Accruals	7,121	1,516	69	447	12	56	9,221	7,623
Offsets / Releases	(6,984)	(10,015)	(14)	-	(38)	(73)	(17,124)	(10,600)
(-) Write-offs	(64,761)	(10,027)	(53)	(344)	-	-	(75,185)	(86,936)
	46,159	239	-	(43,136)	(3,262)	-	-	-
Closing balance	**161,273**	**19,533**	**13,273**	**7**	**9**	**1,873**	**195,968**	**260,496**

The strategy of careful analysis of existing judicial deposits and also the procedural progress of the cases, resulted in the write-off of civil and labor deposits, in the amount of R$ 75,185 (R$ 86,936 on December 31, 2020) recognized in the lines of Other operating expenses (Note 5) and Financial result (Note 6).

11. Deferred income and social contribution taxes

11.1. Accounting policy

Income tax and social contribution expenses for the year comprise current and deferred income tax and social contribution. Income tax and social contribution are recognized in the statement of income, except to the extent that they are related to items recognized directly in equity. In this case, tax and social contribution are also recognized in equity or in Other comprehensive income.

Current and deferred income tax and social contribution charges are calculated based on tax laws enacted, or substantially enacted, at the balance sheet date. Management periodically evaluates its positions assumed in the calculation of taxes on income and social contribution in light of interpretations of applicable tax regulations. Supplementary provisions are recorded, when appropriate, based on estimated amounts due.

Deferred income tax is recognized on temporary differences on the balance sheet dates between the amounts of recorded assets and liabilities recognized in the individual and consolidated financial statements and the corresponding tax bases used to calculate taxable income, including the balance of tax losses. Deferred tax liabilities are generally recognized on all taxable temporary differences and deferred tax assets are recognized on all deductible temporary differences, only when it is probable that the Company will have sufficient future taxable income against which to recover the temporary differences. The recovery of the balance of deferred tax assets is reviewed at the balance sheet dates; when it is no longer probable that future taxable profits will be available to allow the recovery of the entire asset, or part of it, the asset balance is adjusted to the amount that is expects it to be recovered.

Deferred income tax assets and liabilities are shown net in the balance sheet when there is a legal right and the intention to offset and when related to the same tax authority.

The Company and its subsidiary calculate the Income Tax and Social Contribution taking into account temporary and permanent differences as provided for in the legislation.

11.2. Composition

At December 31, 2021, deferred tax assets from income tax loss carryforwards, negative deferred social contribution basis and temporary differences are supported by financial projections prepared by management within the concession period; these are reviewed annually.

Projections, which do not surpass the date of the end of the concessions, utilize billing assumptions based on the electric energy deliveries (MWh) at prices contracted with distributors through energy auctions, contracts for the supply of energy to free consumers, stable operating expenses and reduction of financial expenses, in determining available future taxable profits.

All amounts in thousands of reais unless otherwise stated

The Strategic Planning (PE) approved by the Board of Directors is used to estimate taxable profits up to the end of the concession which show these will be in excess of the total amount of tax assets. Tax losses and negative basis are expected to be fully recovered by 2036.

						Consolidated
		Assets (a)		Liabilities (b)		Net assets (a-b)
	2021	2020	2021	2020	2021	2020
Income tax and social contribution						
Effect on profit or loss (a)						
Deferred income tax and social contribution	1,035,256	1,040,974	-	-	1,035,256	1,040,974
Indexation of judicial deposits	-	-	18,291	66,781	(18,291)	(66,781)
Provision for legal claims	451,982	594,407	-	-	451,982	594,407
Provision for impairment - CPC 01	588,560	508,951	-	-	588,560	508,951
Provision regulatory assets	461,031	461,031	-	-	461,031	461,031
Hydrological risk renegotiation	-	-	254,587	-	(254,587)	-
Hedge accounting	4,318	3,355	-	-	4,318	3,355
Post-employment benefits update	74,085	-	-	-	74,085	-
Electric power futures contracts	2,790	7,291	-	-	2,790	7,291
Other provisions	72,149	85,200	-	5,801	72,149	79,399
	2,690,171	2,701,209	272,878	72,582	2,417,293	2,628,627
Effect on other comprehensive income (b)						
Hedge accounting	-	32,082	-	-	-	32,082
Deemed cost of property, plant and equipment (Note 26.4)	458,615	473,762	-	-	458,615	473,762
Post-employment benefits	532,985	820,209	-	-	532,985	820,209
	991,600	1,326,053	-	-	991,600	1,326,053
Total recognized (a+b)	**3,681,771**	**4,027,262**	**272,878**	**72,582**	**3,408,893**	**3,954,680**

						Parent company
		Assets (a)		Liabilities (b)		Net assets (a-b)
	2021	2020	2021	2020	2021	2020
Income tax and social contribution						
Effect on profit or loss (a)						
Deferred income tax and social contribution	1,032,848	1,040,974	-	-	1,032,848	1,040,974
Indexation of judicial deposits	-	-	18,291	66,781	(18,291)	(66,781)
Provision for legal claims	451,982	594,407	-	-	451,982	594,407
Provision for impairment - CPC 01	588,560	508,951	-	-	588,560	508,951
Provision regulatory assets	461,031	461,031	-	-	461,031	461,031
Hydrological risk renegotiation	-		254,587		(254,587)	
Hedge accounting	2,818	2,170	-	-	2,818	2,170
Post-employment benefits update	74,085	-	-	-	74,085	-
Other provisions	71,818	84,960	-	5,801	71,818	79,159
	2,683,142	2,692,493	272,878	72,582	2,410,264	2,619,911
Effect on other comprehensive income (b)						
Hedge accounting	-	19,915	-	-	-	19,915
Deemed cost of property, plant and equipment (Note 26.4)	458,615	473,762	-	-	458,615	473,762
Post-employment benefits	532,985	820,209	-	-	532,985	820,209
	991,600	1,313,886	-	-	991,600	1,313,886
	3,674,742	**4,006,379**	**272,878**	**72,582**	**3,401,864**	**3,933,797**

All amounts in thousands of reais unless otherwise stated

11.3. Realization of the deferred income tax and social contribution balance

The Company and its subsidiary projected recovery of assets corresponding to temporary tax differences, is as follows:

Consolidated

	2022	2023 / 2024	2025 / 2026	2027 / 2028	2029 / 2030	2031 / 2036	From 2037	Total
Realization affecting results								
Deferred income tax and social contribution	-	140,393	102,542	193,875	174,958	423,488	-	1,035,256
Indexation of judicial deposits	(534)	(8,056)	(9,701)	-	-	-	-	(18,291)
Provision for legal claims	13,194	199,082	239,706	-	-	-	-	451,982
Provision for impairment - CPC 01	17,159	34,318	34,318	34,318	34,318	102,955	331,174	588,560
Provision regulatory assets	-	107,489	124,636	146,392	82,514	-	-	461,031
Hydrological risk renegotiation	(12,537)	(14,559)	(14,559)	(14,559)	(14,559)	(43,678)	(140,136)	(254,587)
Hedge accounting	4,318	-	-	-	-	-	-	4,318
Post-employment benefits update	74,085	-	-	-	-	-	-	74,085
Energy futures contracts	2,790	-	-	-	-	-	-	2,790
Other provisions	20,869	27,361	8,356	7,566	2,940	1,165	3,892	72,149
	119,344	486,028	485,298	367,592	280,171	483,930	194,930	2,417,293
Realization of reserves in equity affecting results								
Assigned asset cost	15,140	30,280	30,280	30,280	30,280	90,840	231,515	458,615
	15,140	30,280	30,280	30,280	30,280	90,840	231,515	458,615
	134,484	**516,308**	**515,578**	**397,872**	**310,451**	**574,770**	**426,445**	**2,875,908**

Parent company

	2022	2023 / 2024	2025 / 2026	2027 / 2028	2029 / 2030	2031 / 2036	From 2037	Total
Realization affecting results								
Deferred income tax and social contribution	-	140,232	102,220	193,553	174,636	422,207	-	1,032,848
Indexation of judicial deposits	(534)	(8,056)	(9,701)	-	-	-	-	(18,291)
Provision for legal claims	13,194	199,082	239,706	-	-	-	-	451,982
Provision for impairment - CPC 01	17,159	34,318	34,318	34,318	34,318	102,955	331,174	588,560
Provision regulatory assets	-	107,489	124,636	146,392	82,514	-	-	461,031
Hydrological risk renegotiation	(12,537)	(14,559)	(14,559)	(14,559)	(14,559)	(43,678)	(140,136)	(254,587)
Hedge accounting	2,818	-	-	-	-	-	-	2,818
Post-employment benefits update	74,085	-	-	-	-	-	-	74,085
Other provisions	20,538	27,361	8,356	7,566	2,940	1,165	3,892	71,818
	114,723	485,867	484,976	367,270	279,849	482,649	194,930	2,410,264
Realization of reserves in equity affecting results								-
Assigned asset cost	15,140	30,280	30,280	30,280	30,280	90,840	231,515	458,615
	15,140	30,280	30,280	30,280	30,280	90,840	231,515	458,615
	129,863	**516,147**	**515,256**	**397,550**	**310,129**	**573,489**	**426,445**	**2,868,879**

The amount of R$532,985, as of December 31, 2021, referring to the post-employment benefit recognized in other comprehensive income, according to the Company's Management, does not have an estimated predictability of realization and will occur in the normal course of activities.

All amounts in thousands of reais unless otherwise stated

11.4. Deferred income tax and social contribution effects on income and comprehensive income (loss)

	Consolidated		Parent company	
	2021	2020	2021	2020
Opening balance	3,954,680	1,877,412	3,933,797	1,877,412
Effects on results	(246,097)	1,496,603	(244,410)	1,487,887
Effects on other components of comprehensive result				
Hedge accounting - operating	(32,082)	45,219	(19,915)	33,052
Post-employment benefits	(267,608)	535,446	(267,608)	535,446
Final balance of the period	**3,408,893**	**3,954,680**	**3,401,864**	**3,933,797**

11.5. Reconciliation of income tax expense and social contribution

The statutory income tax and social contribution rates are reconciled to the effective rates in the statement of income as below:

	Consolidated		Parent company	
	2021	2020	2021	2020
Profit before income tax and social contribution	705,439	256,798	703,718	254,333
Standard rates	34%	34%	34%	34%
Income tax and social contribution at standard rates	(239,849)	(87,311)	(239,264)	(86,473)
Adjustments for the calculation of income tax and social contribution at effective rates				
Effect of income tax and social contribution on permanent differences				
Interest on equity benefit	-	51,000	-	51,000
Equity in the results of investees	-	-	1,096	1,657
Tax incentive	395	1,804	395	1,769
Other permanent exclusions, net	(6,521)	(7,006)	(6,481)	(7,001)
	(6,126)	45,798	(4,990)	47,425
Others	(18,637)	-	(18,637)	-
	(18,637)	-	(18,637)	-
Deferred tax on impairment test	-	1,513,477	-	1,513,477
Income tax and social contribution calculated	**(264,612)**	**1,471,964**	**(262,891)**	**1,474,429**
Income tax and social contribution in the statement of income				
Current	(18,515)	(24,639)	(18,481)	(13,458)
Deferred	(246,097)	1,496,603	(244,410)	1,487,887
	(264,612)	**1,471,964**	**(262,891)**	**1,474,429**
Effective rate - %	37.51	(573.20)	37.36	(579.72)

12. Assets subject to indemnity

12.1. Accounting policy

The Company filed a lawsuit challenging the amount offered by the Granting Authority for indemnity upon return of Três Irmãos, Ilha Solteira and Jupiá HPPs concession assets. Pursuant to CPC 25 Provisions, Contingent Liabilities and Contingent Assets, in 2013 and 2015. The Company adjusted the recorded amount of the asset to reflect only the undisputed amount of the respective HPPs, without affecting its rights to continue claiming the full amount through the courts. In December 2020, upon ending the provisional operation of HPP Jaguari, the Company reclassified the residual value of the corresponding fixed assets to "Assets subject to indemnity". Assets subject to indemnification will be subject to accruals based on an index yet to be defined.

All amounts in thousands of reais unless otherwise stated

12.2. Analysis and changes in balances

Provisional Measure ("MP") No. 579/12, later converted into Law No. 12,783, of January 11, 2013, permitted the Federal Government, as a grantor, to extend electricity generation concessions. In relation to the Company's activities, the Federal Government offered to early renew, in January 2013, the Ilha Solteira and Jupiá HPP concessions, originally terminating on July 7, 2015. The same treatment was provided for the Três Irmãos HPP concession, the first concession period of which had already expired in November 2011.

Because of the conditions offered by the granting authority, the Company, consistent with its bylaws, decided for the non-renewal of the concessions. Accordingly, the Company continued to operate the Ilha Solteira and Jupiá plants, through to the end of the concession, on July 7, 2015. HPP Três Irmãos continued to operate in accordance with the regulations of the Granting Authority (below).

Following the State of São Paulo's expression of interest to the Federal Government to operate the Jaguari HPP, the Company formalized its decision to the Federal Government (MME/ANEEL) not to renew the Jaguari HPP concession. The Company continued to comply with its responsibilities as a concessionaire until expiration of Concession Contract No. 003/2004 on May 20, 2020. From that date, Company operated Jaguari HPP on a provisional basis under the physical guarantee quota regime through to December 31, 2020. Upon publication of Portaria/MME no. 449, of November 13, 2020, Furnas Centrais Elétricas S/A was granted the right to operate the Jaguari HPP concession for electricity generation from January 1 2021.

	Consolidated and parent company					
	2021					2020
	Três Irmãos	**Ilha Solteira**	**Jupiá**	**Jaguari**	**Total**	**Total**
Analysis of indemnification asset						
Indemnification asset	3,529,080	2,165,858	642,318	27,589	6,364,845	6,364,845
Impairment adjustment	-	(1,657,484)	(337,826)	(7,818)	(2,003,128)	(2,003,128)
Contingent asset adjustment	(1,811,718)	(506,346)	(304,492)	-	(2,622,556)	(2,622,556)
Indemnification asset (net)	**1,717,362**	**2,028**	**-**	**19,771**	**1,739,161**	**1,739,161**

	Consolidated and parent company				
	2021				2020
	Três Irmãos	**Ilha Solteira**	**Jupiá**	**Total**	**Total**
Analysis of contingent asset adjustment					
Regulatory asset	(547,520)	(508,374)	(304,492)	(1,360,386)	(1,360,386)
Deemed cost	(1,264,198)	-	-	(1,264,198)	(1,264,198)
MME Ordinance No. 458	-	2,028	-	2,028	2,028
Contingent asset adjustment	**(1,811,718)**	**(506,346)**	**(304,492)**	**(2,622,556)**	**(2,622,556)**

12.2.1 Três Irmãos Plant

Following a number of legal measures related to the Três Irmãos HPP, operated by the Company, MME determined that ANEEL would hold an auction to award the Três Irmãos Plant concession on March 28, 2014. The determination was formalized through MME Ordinance No. 214/13.

Following the new auction for the operation of the Três Irmãos HPP, through Interministerial Ordinance No. 129/14, issued jointly by MME and the Ministry of Finance ("MF"), the indemnity due to the Company was determined with "reference to prices in June 2012, for the Três Irmãos Hydroelectric Power Plant. This considered the accumulated depreciation and amortization from the date of commencement of the facilities (November 1993), until March 31, 2013". The indemnity amount was set at R$ 1,717,362 (base date June 2012), to be paid in seven years.

On July 9, 2014, the Company contested the proposed Interministerial Ordinance No. 129/14 indemnity amount as it did not reflect the remaining (reversible) concession assets not yet depreciated and/or amortized, through April 7, 2014, upon non-renewal of the concession. The Federal Government withheld payment of the amount in the Ordinance, despite, in opinion of the management, it not being disputed, alleging payment is conditioned to a declaration by the Company to the effect that it is satisfied full settlement has been made for the return of reversible assets.

Accordingly, pursuant to CPC No. 25, the Company, in January 2013 recorded an impairment adjustment adjusting the assets to R$ 1,811,718 (for the non-contested amount) to reflect the non-disputed amount of indemnity proposed by the granting authority.

Currently, the issue is being discussed through the courts, and is in the evidence collection phase.

12.2.2 Ilha Solteira and Jupiá plants

The Company operated the Ilha Solteira and Jupiá HPPs until the end of the concession on July 7, 2015. On October 1, 2015, Ordinance MME 458 was published, which determined R$ 2,028 as being the indemnity for the return of reversible assets of the Ilha Solteira Plant, "considering the accumulated depreciation and amortization from the date of entry into operation of the facilities and until June 30, 2015". For the Jupiá HPP, the Federal Government concluded that no indemnity was payable.

The Company filed a lawsuit contesting the determination of the indemnity values set by the Federal Government, claiming an amount calculated on the inflation indexed value of the asset base. A lower court partially upheld the claim whereupon both parties filed appeals. Only CESP's appeal was partially granted in the second instance, resulting in both parties filing third instance appeals, which are currently awaiting judgment.

Because of the contingent nature of the asset, pursuant to CPC No. 25, the Company recorded an impairment provision of R$ 810,838 (Ilha Solteira - R$ 506,346 and Jupiá - R$ 304,492), of which R$ 230,040 recognized during the year of 2019, under "Other operating income, net" related to modernization and improvement according to ANEEL Resolution No 596/2013.

12.2.3 Jaguari Plant

On May 19, 2020, MME published Ordinance No. 218/2020, which defined CESP as the provisional operator of the HPP Jaguari, under the physical guarantee quota regime, as of May 21, 2020, until such time as a new concession was awarded by the Federal Government ((Note 1.2 (d)). On November 13, 2020, MME published Ordinance No. 409/2020, which appointed Furnas Centrais Elétricas S.A. responsible for the provision of the Electricity Generation Service generated by Jaguari HPP as from January 1, 2021. Accordingly, the Company reclassified the residual value of fixed assets of R$ 19,771 on December 31, 2020 of the Jaguari HPP to the "Assets subject to indemnity" and awaits the definition of the indemnity values to be fixed by the Federal Government.

13. Investments

13.1. Accounting policy

Investees, including subsidiaries, are recorded on the equity method in the Company's individual statements.

a) Impairment of investments

Investments are tested annually for impairment and recorded at cost less impairment losses, which are not reversed. The investment amount is allocated to a Cash Generating Units (CGUs) for the purpose of impairment testing.

The Company did not identify indicators of impairment for its investment as of December 31, 2021.

All amounts in thousands of reais unless otherwise stated

13.2. Composition

Investment accounted for under the equity method:

	As of December 31, 2021			Balance		Result equity	
	Equity	Net income	Percentage of voting and total participation (%)	2021	2020	2021	2020
Investments valued by equity							
Parent company							
CESP Comercializadora de Energia S.A.	68,410	3,224	100,00	68,410	31,176	3,224	4,874
				68,410	31,176	3,224	4,874

Parent company

13.3. Changes in balances

Parent company

	2021	2020
Opening balance	**31,176**	**51,102**
Equity	3,224	4,874
Adjustment of equity valuation of derivative financial instruments (Nota 26.5)	23,618	(23,618)
Payment of capital in investee	10,000	-
Capital increase in investee via deliberate dividends	1,158	-
Dividends received	-	(24)
Minimum mandatory dividends	(766)	(1,158)
Closing balance	**68,410**	**31,176**

13.4. Investee information

Summary financial information of the subsidiary follows:

Balance Sheet - CESP Comercializadora S.A.	**2021**	**2020**
Asset		
Current	456,294	279,012
Non-current	348,725	46,180
Total assets	**805,019**	**325,192**
Liabilities		
Current	398,912	261,489
Non-current	337,697	32,527
Net equity	68,410	31,176
Total liabilities and stockholders' equity	**805,019**	**325,192**

All amounts in thousands of reais unless otherwise stated

Statement of income - CESP Comercializadora S.A.	2021	2020
Net revenue	1,092,771	772,063
Electricity service cost	(1,093,226)	(734,023)
Gross profit	(455)	38,040
Operating income (expenses)		
General and administrative	(10,387)	(10,658)
Other operating income, net	13,265	(21,467)
	2,878	(32,125)
Net financial result	2,522	1,423
Profit before income tax and social contribution	4,945	7,338
Income tax and social contribution		
Current	(33)	(11,180)
Deferred	(1,688)	8,716
Net income for the year	**3,224**	**4,874**

14. Fixed assets

14.1. Accounting policy

a) Fixed assets

These are stated at historical acquisition or construction cost less accumulated depreciation. Subsequent costs are added to the asset's carrying amount or recognized as a separate asset, as appropriate, when there is a likelihood of associated future economic benefits and the cost of the item can be measured reliably.

When significant components of fixed assets are replaced, these are recognized as individual assets with specific useful lives and depreciation. Likewise, when significant programmed maintenance is carried out, the cost is recognized in the book value of the fixed assets, if the recognition criteria are met. All other repair and maintenance costs are expensed in the statement of income, when incurred.

Depreciation is calculated using the straight-line method based on the annual rates established by ANEEL, which are practiced and accepted by the market as representing the economic useful life of the assets linked to the concession's infrastructure. In this way, assets are depreciated based on the useful lives defined by ANEEL, limited to the concession period of the plants. Residual values and economic useful lives of assets are reviewed at the end of each fiscal year and the effect of any changes in estimates is accounted for prospectively.

b) Social and environmental costs

These refers to the environmental costs related to the Porto Primavera HPP Operating License, associated with monitoring conservation activities in areas adjacent to the HPP facilities. The best estimate for future disbursements was prepared, discounted to present value and recorded against fixed assets. These costs are amortized over the term of the operating license (ten years).

c) Impairment of assets

Fixed assets are reviewed when there is objective evidence of non-recoverable losses, or when events or significant changes in circumstances indicate that the carrying amount may not be recoverable. When there is a loss, resulting from situations in which the book value of the asset exceeds its recoverable value, it is charged to income for the year.

All amounts in thousands of reais unless otherwise stated

14.2. Analysis and changes in balances

Consolidated and parent company

	In operation							In progress			2021	2020
	Land	Reservoirs, dams and pipelines	Buildings, civil works and improvements	Machinery and equipment	Vehicles	Furniture and utensils	Social and environmental costs	Buildings, civil works and improvements	Machinery and equipment	Others	Total	Total
Cost	310,534	8,935,746	2,361,564	2,394,799	6,119	3,015	148,162	1,541	4,143	2,009	14,167,632	14,362,461
Provision for impairment	(37,248)	(866,551)	(276,149)	(316,966)	-	-	-	-	-	-	(1,496,914)	(1,496,914)
Accumulated depreciation	(15,903)	(3,862,236)	(1,503,146)	(1,295,860)	(4,662)	(996)	(31,486)	-	-	-	(6,714,289)	(6,559,604)
Opening balance	**257,383**	**4,206,959**	**582,269**	**781,973**	**1,457**	**2,019**	**116,676**	**1,541**	**4,143**	**2,009**	**5,956,429**	**6,305,943**
Additions	-	-	-	675	-	-	49,858	-	6,336	-	56,869	10,479
Losses	(4)		(2,651)	(11)	-	-	-	(1,509)	-	(146)	(4,321)	(10,314)
Capitalizations	-	-	-	6,442	-	-	-	(32)	(5,037)	(1,373)	-	-
Transfers	-	-	-	-	-	-	-	-	(253)	(490)	(743)	(19,771)
Depreciation	(5,760)	(223,708)	(49,559)	(34,201)	(319)	(123)	(14,585)	-	-	-	(328,255)	(337,497)
Reclassification for assets held for sale	(7,679)	-	(808)	-	-	-	-	-	-	-	(8,487)	-
Impairment reversal	-	50,932	-	-	-	-	-	-	-	-	50,932	7,589
Closing balance	243,940	4,034,183	529,251	754,878	1,138	1,896	151,949	-	5,189	-	5,722,424	5,956,429
Cost	302,851	8,935,746	2,358,105	2,401,905	6,119	3,015	198,020	-	5,189	-	14,210,950	14,342,855
Provision for impairment	(37,248)	(815,619)	(276,149)	(316,966)	-	-	-	-	-	-	(1,445,982)	(1,489,325)
Accumulated depreciation	(21,663)	(4,085,944)	(1,552,705)	(1,330,061)	(4,981)	(1,119)	(46,071)	-	-	-	(7,042,544)	(6,897,101)
Closing balance	**243,940**	**4,034,183**	**529,251**	**754,878**	**1,138**	**1,896**	**151,949**	**-**	**5,189**	**-**	**5,722,424**	**5,956,429**
Average annual rates - %	3,3%	2,0%	2,3%	2,9%	5,4%	3,9%	10,0%					

(a) Transfers of property, plant and equipment as of December 31, 2021, refer to capitalization of intangible assets, in the Software and use license class (Note 15.2).

(b) The amount of R$8,847 refers to the project for the sale of non-operating properties that were transferred to the Assets available for sale item..

All amounts in thousands of reais unless otherwise stated

14.3. Deemed cost

As permitted by Technical Pronouncement CPC 37 (IFRS 1) and ICPC 10, the Company adopted the deemed cost model for generation plant infrastructure, adjusting the opening balances on the transition date on 01/01/2009 by their values estimated by independent appraisers.

The net effect of the first adoption of the attributed cost for all plants that the Company resulted in an overall increase in property, plant and equipment. For HPP Porto Primavera the result was a reduction in property, plant and equipment. With the end of the other concessions, the remaining balance relates substantially to HPP Porto Primavera of R$890,254 on December 31, 2021 (R$919,658 on December 31, 2020), which will be transferred to the Retained earnings account, to the extent of the depreciation or realization of those assets. Changes in balances were as follows:

	Consolidated and parent company		
	Assigned cost	Deferred taxes	Equity
Balance - 1/1/2009	**3,553,278**	**(1,208,115)**	**2,345,163**
Accumulated achievements	(4,954,203)	1,684,429	(3,269,774)
Reclassification of assets – HPP Jaguari	7,505	(2,552)	4,953
Balance - 12/31/2020	**(1,393,420)**	**473,762**	**(919,658)**
Realization in the year (depreciation)	44,551	(15,147)	29,404
Balance - 12/31/2021	**(1,348,869)**	**458,615**	**(890,254)**

15. Intangible

15.1. Accounting policy

a) Software and license to use

Licenses acquired and development costs directly attributable to the software are recorded in intangible assets. These costs are amortized over their estimated useful life of five years.

Costs associated with software maintenance are recognized as an expense when incurred.

b) Hydrological risk renegotiation

Hydrological risk corresponds to the relationship between the energy generated by the plants that are part of the Energy Reallocation Mechanism ("MRE") and their total physical guarantee. The physical guarantee of the plants comprising the MRE is added to the energy generated. If the electric energy generated is less than the physical guarantee, the hydroelectric plants must cover the difference.

Law No. 14,052, published on September 9, 2020, amended Law No. 13,203, of December 8, 2015, to establish new conditions for the renegotiation of the hydrological risk of electricity generation, providing that generators will be compensated through extension of the concession period of its grants due to the occurrence of non-hydrological risks that negatively influenced the GSF (Generation Scaling Factor or Adjustment Factor of the MRE of the Commercialization Rules) after 2012, as the drought conditions aggravated.

The events classified as non-hydrological risks are mostly "structuring" hydroelectric projects (UHEs Belo Monte, Jirau and Santo Antônio), related to early physical guarantee and transmission restrictions, in addition to generation outside the parameters. The extension of the grant is limited to seven years, subject to the withdrawal of any lawsuits or the right to discuss issues related to the Energy Reallocation Mechanism - MRE by the eligible agents; there is no provision for payment of a risk premium.

By extending the concession period of hydroelectric generators, since these are not subject to IFRIC 12 (ICPC 01) - Concessions, the Granting Authority compensates the companies by assigning a non-monetary right, in the form of an extension of the concession period, with a recovery of costs incurred after 2012, recognized as capital under law.

All amounts in thousands of reais unless otherwise stated

On August 3, 2021 and September 14, 2021, ANEEL approved the term of extension of the grant extension period of the hydroelectric plants participating in the MRE, pursuant to calculations by the Electric Energy Commercialization Chamber ("CCEE"), which include HPP Paraibuna and HPP Porto Primavera, resulting in the recognition of the renegotiation of hydrological risk in the year ended December 31, 2021 (Note 1.1 (c),).

The new concepts introduced by the renegotiation for the hydrological risk and the absence of a CPC Pronouncement, Interpretation or Guidance that applies specifically to the accounting treatment, led Management to follow the guidance in CPC 23 - Policies Accounting, Change in Estimate and Error Rectification. This was based on an analogy of CPC-04 (R1) - Intangible Assets, as it is essentially an intangible asset related to the grant right arising from compensation for costs incurred in years previous. Also by analogy, paragraph 44 of CPC - 04 (R1), the asset from the renegotiation of the non-hydrological risk was recognized at fair value, being Management's best estimate, based on the parameters determined by the ANEEL regulations, as well as the compensation amounts calculated by the CCEE.

c) UBP - Use of the public assets

Corresponds to the values established in the concession contracts related to the rights develop hydroelectric power generation potential (onerous concession), under a Use of Public Asset (UBP) contract.

The accounting registers record the concession contract when signed, regardless of the disbursement schedule established in the contract. The initial registration of this liability (obligation) and intangible asset (concession right) corresponds to the values of future obligations brought to present value.

The amortization of intangible assets is calculated using the straight-line method over the remaining term of the concession. The financial liability is updated by adjusting to present value as a result of the passage of time and reduced by payments made.

15.2. Analysis and changes in balances

						Consolidated and parent company	
				In operation	In progress	2021	2020
	Software and use license	Renegotiation hydrological risk	UBP - Use of the public good	Grants	Software and use license	Total	Total
Cost	26,446	26,134	171,966	1,398,703	5,171	1,628,420	1,635,372
Accumulated depreciation	(19,576)	(10,251)	(10,419)	(78,279)	-	(118,525)	(60,072)
Initial net balance	6,870	15,883	161,547	1,320,424	5,171	1,509,895	1,575,300
Additions	-	781,974	11,153	-	790	793,917	2,842
Write-off	-	-	-	-	-		(9,794)
Capitalized	3,180	-	-	-	(3,180)	-	-
Transfers	743	-	-	-	-	743	-
Amortization	(4,215)	(34,693)	(5,763)	(46,623)	-	(91,294)	(58,453)
Impairment provision	-	(299,452)	-	-	-	(299,452)	
Final balance	6,578	463,712	166,937	1,273,801	2,781	1,913,809	1,509,895
Cost	30,369	808,108	183,119	1,398,703	2,781	2,423,080	1,628,420
Provision for impairment	-	(299,452)	-	-	-	(299,452)	-
Accumulated depreciation	(23,791)	(44,944)	(16,182)	(124,902)	-	(209,819)	(118,525)
Final net balance	**6,578**	**463,712**	**166,937**	**1,273,801**	**2,781**	**1,913,809**	**1,509,895**
Average annual rates - %	4,9%	8,1%	3,3%	3,3%			

All amounts in thousands of reais unless otherwise stated

15.3. Test of property, plant and equipment and intangible assets for impairment

Management prepares annual internal studies to assess the recoverability of the book value of the fixed assets of the generating plant and of the Company's intangible assets in its future operations, considering the future cash flow of the operations and the value of the indemnity at the end of the concession, as applicable.

a) Assumptions used in the impairment test

The recoverable amount of property, plant and equipment and intangible assets was determined using the concept of value in use using the discounted cash flow method, where future income and expenses arising from the use of the assets during their useful lives are estimated up to the end of the concessions. The cash flows were estimated at the level of each plant (cash generating unit - CGU), being the smallest identifiable group of assets that generate cash inflows and outflows.

The impairment calculation methodology considers:

i. Future cash flow from operations, discounted to present value, for each plant (CGU), considered as the lowest cash generating unit. This flow covers the remaining period of each of the Company's concessions, excluding possible extension or renewal of the Paraibuna plant (Note 1.2.(c)).
ii. Future cash flow of the indemnity amount at the end of the concessions, discounted to present value. Management assumed, for accounting purposes only, that the minimum indemnity amount to be received from the Federal Government, upon return of concession assets, will be the residual value of the assets calculated at the attributed cost, depreciated up to the end the concession. from the Paraibuna plant. In the case of the Porto Primavera plant, the concession agreement does not provide for indemnification at the end of the concession in 2056, consequently, any cash inflows as indemnity were not considered in the calculation.

The discount rate, used in the cash flow calculation was 7.46% p.a. (6.99% p.a. in the year ended December 31, 2020), considered by the Management to be compatible with the market.

The main assumptions used in the impairment test are the GSF (Generation Scaling Factor) and the energy price.

b) Impairment test results

After determining the recoverable amount of each CGU, the Company compared it with the book value of the respective plants. For HPP Porto Primavera an impairment provision of R$ 299,452 was required for the renegotiation of the hydrological risk recognized in intangible assets (Note 15.2) and reversal of the provision for impairment in the amount of R$ 50,932 referring to reservoirs and dams recognized in property, plant and equipment (Note 14.2), totaling the amount of R$ 248,520, recognized in income for the period under Other operating income (expenses), net (Note 5).

	Consolidated and parent company		
			2021
Plant	Fixed and intangible book value	Fair value	Impairment provision
HPP Porto Primavera	7,806,578	7,558,058	(248,520)
HPP Paraibuna	41,493	41,493	-
	7,848,071	**7,599,551**	**(248,520)**

A sensitivity analysis with projected hypothetical scenarios for the impairment test is summarized below:

All amounts in thousands of reais unless otherwise stated

Sensitivity analysis		Consolidated and parent company	
GSF	**-2 p.p.**	**Current**	**+2 p.p.**
Impairment	(351,251)	(248,520)	(145,789)
Energy price	**-R$5.00/MWh**	**Current**	**+R$5.00/MWh**
Impairment	(393,075)	(248,520)	(103,965)

16. Suppliers

	Consolidated		Parent company	
	2021	**2020**	**2021**	**2020**
Electricity purchased for resale (a)	104,812	68,422	22,137	10,041
Spot market electricity - CCEE (a0	196	5,375	196	5,375
Electricity purchased for resale - related parties (Note 25) (a)	2,313	2,312	6,929	-
Charges for the use of the electricity grid (b)	24,212	19,497	24,212	19,497
Suppliers of materials and services	9,392	7,474	9,381	7,429
Suppliers of materials and services - related parties (Nota 25)	339	-	333	-
	141,264	**103,080**	**63,188**	**42,342**

(a) Refers to energy contracts purchased for resale, to balance the energy balance for the year, in view of the physical guarantee of the Company's HPPs.

(b) Charges for the use of the transmission and distribution system - TUST/TUSD, according to ANEEL Homologatory Resolution No. 2,896 of July 13, 2021.

17. Debentures

17.1. Accounting policy

These are initially recognized at fair value, net of transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts raised (net of transaction costs) and the total amount payable is recognized in the statement of income during the period in which the loans and financing are open, using the effective interest rate.

All amounts in thousands of reais unless otherwise stated

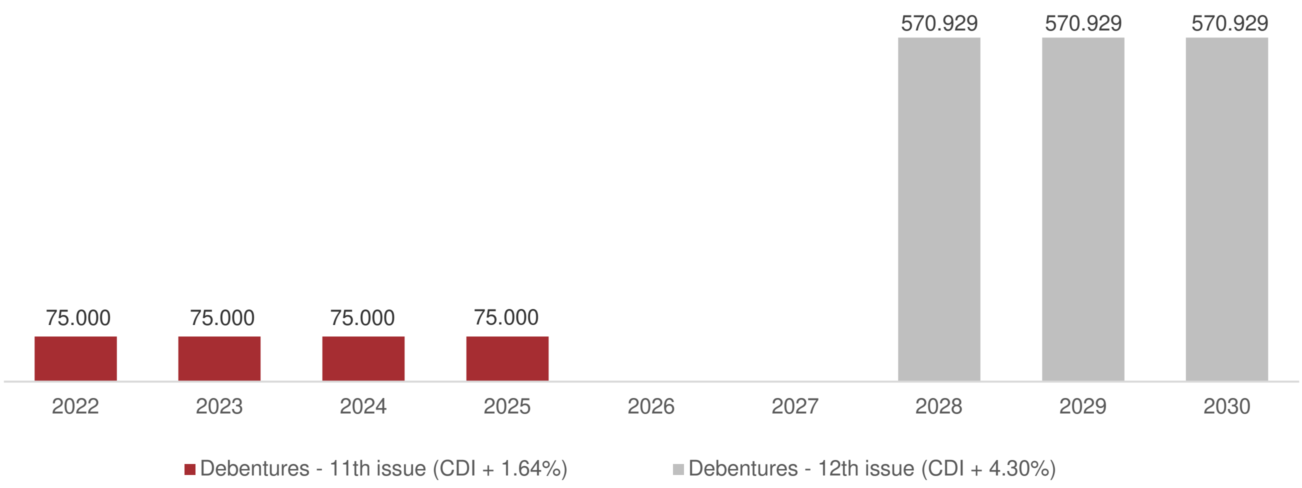
17.2. Composition

	Annual financial charges	Current				Noncurrent			
		Consolidated and parent company 2021							
	Annual financial charges	**Charges**	**Primary**	**Capture cost**	**Total**	**Primary**	**Capture cost**	**Total**	**Total**
Debentures - 11a. emission	CDI + 1,64% p.a.	1,114	75,000	(483)	75,631	225,000	(1,450)	223,550	299,181
Debentures - 12a. emission	IPCA + 4,30% p.a.	27,401		(5,014)	22,387	1,712,787	(38,442)	1,674,345	1,696,732
		28,515	**75,000**	**(5,497)**	**98,018**	**1,937,787**	**(39,892)**	**1,897,895**	**1,995,913**

	Annual financial charges	Current			Noncurrent			
		Consolidated and parent company 2020						
	Annual financial charges	**Charges**	**Capture cost**	**Total**	**Primary**	**Capture cost**	**Total**	**Total**
Debentures - 11a. emission	CDI + 1.64% p.a.	293	(484)	(191)	299,999	(1,932)	298,067	297,876
Debentures - 12a. emission	IPCA + 4.30% p.a.	23,425	(5,014)	18,411	1,546,245	(43,458)	1,502,787	1,521,198
		23,718	**(5,498)**	**18,220**	**1,846,244**	**(45,390)**	**1,800,854**	**1,819,074**

The Company has debt agreements (debentures) without financial covenants (restrictive clauses), normally applicable to this type of operation. However, other restrictive clauses contained in the Indenture are constantly monitored. The obligations arising from the debentures, including the cash obligations, may be declared overdue in advance, which could result in an adverse impact on the Company's cash flow. On December 31, 2021, the Company recognized the amount of R$ 22,500 under “Other Liabilities” (Note 24) as a contra entry to financial expenses (Note 6), as a result of the anticipation of the premium of contractual clauses.

17.3. Maturity schedule of loans, financing, and debentures principal of non-current liabilities



All amounts in thousands of reais unless otherwise stated

17.4. Transactions in loans, financing, and debentures

	Consolidated and parent company	
	2021	2020
Opening balance	1,819,074	1,784,125
New loans raised	-	1,500,000
Interest and commissions	-	(50,134)
Interest and debt charges	88,424	83,840
Accruals	166,544	46,244
Appropriations of borrowing costs	5,498	3,658
Appropriation of funding costs - Settlement 11th issue of debentures	-	14,465
Amortization of principal	-	(1,500,032)
Interest amortization	(83,627)	(63,092)
Closing balance	**1,995,913**	**1,819,074**

In 2021 the Company paid interest on the 11th issue and the 12th issue of debentures, on the unit face value, in February, June, August and December of each year.

18. Sectorial charges

	Consolidated and parent company	
	2021	2020
Current		
Global Reserve for Reversion - RGR	69	149
Financial Compensation for Use of Water Resources - CFURH	6,440	8,580
Electric energy service inspection charge - TFSEE	444	620
Quotas for R&D - FNDCT	1,039	969
Quotas for R&D - MME	520	490
Quotas for R&D - CDE	312	-
P&D - Projects	11,346	65,699
	20,170	76,507
Noncurrent		
P&D - Projects	-	1,240
		1,240
	20,170	**77,747**

(a) Balance of resources to be invested in Research and Development ("R&D") projects, accruing SELIC charges. Investments in R&D are recorded as assets (Note 9) and upon project completion are recognized as settlement of the obligation.

19. UBP - Use of public assets

19.1. Accounting policy

In accordance with the Concession Contract for the Use of Public Assets for Electricity Generation No. 01/2019 - ANEEL, which regulates Porto Primavera HPP, the Company has an obligation to pay 2.50% UBP on gross revenue for five years.

The amount of UBP is originally recognized as a financial liability (obligation) and as an intangible asset (right to use a public asset), which corresponds to the amount of total annual expenses over the period of the contract discounted to present value of future payment cash flows.

The concession began to operate on April 15, 2019 and is effective for a period of 37 years. The UBP payment is monthly from the 13th month after contract inception.

All amounts in thousands of reais unless otherwise stated

19.2. Analysis and changes in balances

	Use of public assets	(-) Present value adjustment	2021	2020
			Consolidated and parent company	
Opening balance	167,948	(12,584)	155,364	187,630
Realization of present value adjustment	-	5,631	5,631	6,791
Remeasurement	14,754	(3,601)	11,153	(9,794)
Payments	(42,155)	-	(42,155)	(29,263)
Closing balance	**140,547**	**(10,554)**	**129,993**	**155,364**
Current	42,462	-	42,462	41,307
Non-current	98,085	(10,554)	87,531	114,057
	140,547	(10,554)	129,993	**155,364**

20. Social and environmental obligations

20.1. Accounting policy

The socio-environmental costs related to the Operating License ("LO") No. 121/2000 of the Porto Primavera HPP renewed in 2018 are related to monitoring and conservation activities in areas adjacent to the HPP facilities, including reforestation and social programs. The best estimate is made for future disbursements discounted to present value and recorded against fixed assets. These costs are amortized over the term of the operating license (ten years).

An environmental liability is recognized when there is an obligation for environmental costs not yet disbursed, if it meets the recognition criteria as an obligation. This liability is defined as being a present obligation of the Company that arose from past events. These obligations are related to the Conduct Adjustment Terms ("TAC") signed with the Public Ministry and which are not contained in the conditions of the Operation License.

20.2. Analysis and changes in balances

	Environmental license	Conduct adjustment term (TAC)	(-) Present value adjustment	2021	2020
				Consolidated and parent company	
Opening balance	**163,734**	**52,466**	**(35,025)**	**181,175**	**188,010**
Reassessment of the disbursement flow - environmental license	64,891	-	(15,033)	49,858	(9,773)
Reassessment of the disbursement flow - TAC	-	7,607	-	7,607	4,206
Payments	(11,133)	(6,157)	-	(17,290)	(9,642)
Realization of present value adjustment	-	-	4,488	4,488	8,374
Closing balance	**217,492**	**53,916**	**(45,570)**	**225,838**	**181,175**
Current	30,958	7,055	-	38,013	28,426
Non-current	186,534	46,861	(45,570)	187,825	152,749
	217,492	**53,916**	**(45,570)**	**225,838**	**181,175**

21. Energy future contracts

21.1. Accounting policy

The Company's subsidiary carries out future sales operations traded on an active market which meet the definition of financial instruments as they are settled in energy and readily convertible into cash. Such contracts are recorded in the balance sheet at fair value, on the date they are entered into, and revalued at fair value on the balance sheet date, with a corresponding entry to operating income. From June 2021, the Company began to measure its entire portfolio of contracts at fair value, which was previously limited to 36 months (Note 2.2,).

All amounts in thousands of reais unless otherwise stated

The fair value of these financial instruments is estimated based, in part, on price quotes published in active markets, insofar as such observable market data exist, and, in part, by the use of valuation techniques, which consider: i) prices in the purchase and sale operations; (ii) supply risk margin and (iii) projected market price in the availability period. Whenever the fair value at initial recognition for these contracts differs from the transaction price, a gain or loss of fair value is recognized in Other operating income (expenses), net.

21.2. Analysis

						Consolidated
			2021			2020
	Active	Passive	Total	Active	Passive	Total
Current	270,815	(282,619)	(11,804)	103,139	(120,475)	(17,336)
Noncurrent	341,292	(337,697)	3,595	25,297	(29,405)	(4,108)
	612,107	**(620,316)**	**(8,209)**	**128,436**	**(149,880)**	**(21,444)**

21.3. Changes in balances

		Consolidated
	2021	2020
Opening balance	(21,444)	-
New contracts	(74,451)	7,067
Realization	87,796	(28,757)
Mark-to-Market	(110)	246
Closing balance	**(8,209)**	**(21,444)**

22. Post-employment benefits

The Company sponsors health care and retirement plans for its employees and former employees and their respective beneficiaries in order to supplement the benefits provided by the official social security system. Vivest (formerly the CESP Foundation) is the entity responsible for administering the benefit plans sponsored by CESP.

The benefit plans were constituted in the form of a defined benefit plan (DB) and a defined contribution plan (DC). CESP's most significant DB benefit plan is the BSPS (Supplementary Proportional Settled Benefit) created in 1997.

22.1. Accounting policy

The amounts of actuarial commitments related to the defined benefit (DB) plans (contributions, costs, liabilities, and/or assets) are calculated annually by an independent actuary with a base date that coincides with the end of the year and are recorded as provided for in CPC 33 (R) / IAS 19 - Employee Benefits.

The liability recorded is equivalent to the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets.

Actuarial gains and losses are recorded directly in stockholders' equity under "Other Comprehensive Income". These actuarial gains and losses are calculated at the end of each year based on the independent actuary's report.

22.2. CESP migration plan and deficit settlement

The deficit settlement determined in the actuarial valuation regulated by PREVIC is carried out independently among the sub-plans, applying to each of them the determinations of CNPC Resolution No. 30/2018.

In order to mitigate the current and future risks of the plan, the process of settlement and migration of the Plan PSAP/CESP B1 was submitted to PREVIC for approval on January 11, 2021.

All amounts in thousands of reais unless otherwise stated

On December 10, 2020, the measures were approved by the Vivest Deliberative Council, and on August 30, 2021, the measures were approved by PREVIC, starting the optional migration process that should be complete by March 2022. The Company has begun explaining the process to the beneficiaries.

Upon approval of the settlement process, the benefits already accumulated in the plan are maintained and future accumulation ceases. Accordingly, there will no longer be new contributions to benefit formation in the Defined Benefit (DB) and Variable Contribution (CV) subplans of PSAP/CESP B1. This process does not affect the benefits that are paid to retirees and pensioners under the plan, whose acquired right is maintained.

Migration provides the participants the opportunity to transfer their resources from PSAP/CESP B1 to the CESP CD Plan. Although the settlement occurs only for active participants, the migration to the CESP DB Plan will be open to all participants in the PSAP/CESP B1 Plan. The migration will be voluntary and will only occur during the migration period, which will be established after the approval of the process by PREVIC. Participants who do not choose to migrate will remain under terms and conditions of PSAP/CESP B1.

The final amount of any deficit will be recalculated by the PREVIC methodology after the conclusion of mitigation measures, such as, for example, the optional migration of participants from the defined benefit plan to the defined contribution plan.

22.3. Statement of liabilities - CPC 33 (R1) / IAS 19

Based on the actuarial valuation prepared by an independent actuary on December 31, 2021, following the criteria determined by CPC 33 (R1) / IAS 19, the composition of assets and liabilities related to the coverage of defined benefit plans - DB is as follows:

22.3.1 Actuarial assumptions

	2021			2020		
	BSPS	DB	CV	BSPS	DB	CV
Premises:						
Rate used for discounting the present value of actuarial liabilities	8.68%	8.68%	8.68%	6.56%	6.56%	6.56%
Expected rate of return on plan assets	8.68%	8.68%	8.68%	6.56%	6.56%	6.56%
Actual rate used for discounting the present value of actuarial liabilities	5.26%	5.26%	5.26%	3.21%	3.21%	3.21%
Salary growth rate	Eliminated due to settlement			NA	4.28%	4.28%
Long-term inflation rate	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Turnover rate	Eliminated due to settlement			Vivest Experience		
Mortality table	AT 2000 segregated by sex			AT 2000 segregated by sex		
Disability entry table	SOFT LIGHT REDUCED BY 30%			SOFT LIGHT REDUCED BY 30%		
Disability mortality table	AT - 1949 - Male aggravated by 10%			AT - 1949		
Number of participants:						
No. of active participants	62	155	87	58	145	137
No. of inactive participants - retired without disability	4,307	1,935	1,037	4,379	1,916	1,015
Number of inactive participants - retired due to disability	148	65	25	156	69	26
Number of inactive participants - pensioners	1,227	231	84	1,154	205	75
Number of BPD participants waiting	23	74	25	-	-	-

22.3.2 Actuarial valuation

The projected unit credit method was adopted for the actuarial valuation of the plans. The net assets of the benefit plans are valued at market values (mark to market).

a) BSPS Plan - Coverage in effect until December 31, 1997

The Defined Benefit cover for a Benefit Settled on 12/31/97, covering only participants enrolled up to that date, and which was based on coverage of 100% of the final average salary. Responsibility for actuarial shortfalls is exclusive to Sponsor CESP.

All amounts in thousands of reais unless otherwise stated

b) DB Plan - Coverage in effect after December 31, 1997

The Defined Benefit cover is based on 70% of the final average salary for those enrolled after 12/31/97 and proportional accumulated service time after 12/31/97 for those enrolled up to this date. Responsibility for actuarial shortfalls is in accordance with current legislation, which currently refers to the proportion of contributions made to the plan between Sponsor on the one hand and participants (including those assisted) on the other, which results in less than 50% as the responsibility of Sponsor CESP, since the sponsored records are included among the participants.

c) CV Plan - Coverage in effect after December 31, 1997

An additional supplement will be granted concurrently with the other benefits and will be based on the participant's total retirement account balance, multiplied by a conversion factor, which will depend on the participant's option. The options for receiving income are:

1. Lifetime monthly income without continuation to beneficiaries;
2. Lifetime monthly income with continuation to beneficiaries; lifetime for contributing beneficiaries;
3. Monthly income for a certain period, which may be 10.15 or 20 years;
4. Monthly income in percentage of the balance of 0.10% to 2.00%

The participant can choose to receive up to 25% of the account balance in a single payment, as long as the remaining balance does not generate an income below 10% of the CESP reference unit.

22.4. Calculation and changes in balances

Analysis	BSPS	DB	CV	Total
Effect on the defined benefit obligation if:				
Discount rate is reduced by 0.5%	6,421,859	1,017,539	142,799	7,582,197
Discount rate is increased by 0.5%	6,953,078	1,123,809	159,993	8,236,880

Projected cash flows	BSPS	DB	CV	Total
Estimated sponsor's contributions to the plan for the following year	57,604	-	1,664	59,268
Expected benefit payments for plans:				
2022	611,861	76,367	13,379	701,607
2023	621,375	78,643	13,717	713,735
2024	630,013	81,184	13,981	725,178
2025	637,616	83,551	14,352	735,519
2026	643,989	86,076	14,663	744,728
2027 to 2031	3,260,708	467,303	78,289	3,806,300

	BSPS		DB		CV	
Fair value of benefit plan assets	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Assets						
Available	-	551	-	144	-	113
Receivable	579,328	1,362	149	1	10,438	-
Investment	5,199,132	5,307,713	986,255	996,570	131,406	136,631
	5,778,460	**5,309,626**	**986,404**	**996,715**	**141,844**	**136,744**
Liabilities						
Obligations	(142,279)	(140,943)	(4,900)	(4,556)	(1,020)	(754)
Non-pension funds	(1,760)	(3,656)	-	-	-	-
CD account balances	-	-	(7,421)	-	(21,406)	(28,259)
Fair value	**5,634,421**	**5,165,027**	**981,504**	**992,159**	**133,403**	**107,731**

All amounts in thousands of reais unless otherwise stated

22.4.1 Reconciliation of assets and liabilities

	Consolidated and parent company	
	2021	2020
Net actuarial liability amount	7,897,265	8,449,397
Fair value of plan assets	(6,111,766)	(6,037,018)
Total net liabilities	**1,785,499**	**2,412,379**

22.4.2 Statement of actuarial liabilities

	Consolidated and parent company			
	2021			
	BSPS	DB	CV	Total
Opening balance of the present value of the bonds - 1/1/2021	7,145,620	1,131,378	172,399	8,449,397
Current service cost	-	1,564	188	1,752
Past service cost	-	1,861	-	1,861
Interest on actuarial obligation	451,340	72,250	10,982	534,572
Contributions from participants	-	1,179	-	1,179
Benefits paid by the plan	(529,866)	(63,747)	(10,487)	(604,100)
Actuarial gains (losses)	(389,199)	(76,142)	(22,055)	(487,396)
Closing balance of the present value of the obligations - 12/31/2021	6,677,895	1,068,343	151,027	7,897,265
Opening balance of fair value of plan assets - 1/1/2021	(4,994,967)	(947,860)	(94,191)	(6,037,018)
Interest on plan assets	(310,256)	(60,327)	(5,867)	(376,450)
Contributions from participants	-	(1,179)	-	(1,179)
Sponsor contributions	-	(527)	(1,006)	(1,533)
Benefits paid by the plan	529,866	63,747	10,487	604,100
Income from plan assets	(257,375)	(26,676)	(15,635)	(299,686)
Closing balance of the fair value of plan assets - 12/31/2021	(5,032,732)	(972,822)	(106,212)	(6,111,766)
Total net actuarial liabilities	**1,645,163**	**95,521**	**44,815**	**1,785,499**

All amounts in thousands of reais unless otherwise stated

	Consolidated and parent company			
				2020
	BSPS	DB	CV	Total
Opening balance of the present value of the bonds - 1/1/2020	5,623,274	911,823	130,716	6,665,813
Current service cost	-	(667)	178	(489)
Interest on actuarial obligation	388,022	63,703	9,082	460,807
Contributions from participants	-	2,468	-	2,468
Benefits paid by the plan	(436,391)	(50,100)	(8,099)	(494,590)
Actuarial gains (losses)	1,570,715	204,151	40,522	1,815,388
Closing balance of the present value of the obligations - 12/31/2020	7,145,620	1,131,378	172,399	8,449,397
Opening balance of fair value of plan assets - 1/1/2020	(4,818,057)	(949,467)	(98,938)	(5,866,462)
Interest on plan assets	(330,368)	(66,705)	(6,807)	(403,880)
Contributions from participants	-	(2,468)	-	(2,468)
Sponsor contributions	-	(905)	(425)	(1,330)
Benefits paid by the plan	436,391	50,100	8,099	494,590
Income from plan assets	(282,933)	21,585	3,880	(257,468)
Closing balance of the fair value of plan assets - 12/31/2020	(4,994,967)	(947,860)	(94,191)	(6,037,018)
Opening balance of irrecoverable surplus - 1/1/2020	-	37,644	-	37,644
Interest on irrecoverable surplus	-	2,695	-	2,695
Change in irrecoverable surplus during the year	-	(40,339)	-	(40,339)
Effect of the limit for recognition of defined benefit assets	-	-	-	-
Total net actuarial liabilities	**2,150,653**	**183,518**	**78,208**	**2,412,379**

22.4.3 Effects on income

	Consolidated and parent company				
				2021	2020
	BSPS	DB	CV	Total	Total
Current service cost	-	1,564	188	1,752	(489)
Past service cost	-	1,861	-	1,861	-
Interest charges	451,340	72,250	10,982	534,572	460,807
Expected return on plan assets	(310,256)	(60,327)	(5,867)	(376,450)	(403,880)
Expense/(credit) on the "asset ceiling"	-	-	-	-	2,695
(Credit)/charge for the year	**141,084**	**15,348**	**5,303**	**161,735**	**59,133**

22.4.4 Changes in Other Comprehensive Income

	Consolidated and parent company				
	BSPS	BD	CV	2021	2020
Actuarial loss on liabilities evolution, including settlements	937.420	204.587	22.032	1.164.039	1.772.244
Actuarial loss from changes in assumptions	(1.326.619)	(280.729)	(44.087)	(1.651.435)	43.144
Asset yield (higher)/less than net interest recognized	(257.375)	(26.676)	(15.635)	(299.686)	(257.468)
Changes in the effect of the limit for asset recognition in the period					(40.339)
Changes in OCI during the year	(646.574)	(102.818)	(37.690)	(787.082)	1.517.581
Effects of deferred taxes (Note 11.4)	219.835	34.958	12.815	267.608	(535.447)
Net effect on other comprehensive income	**(426.739)**	**(67.860)**	**(24.875)**	**(519.474)**	**982.134**

All amounts in thousands of reais unless otherwise stated

22.5. Credit / (Charge) estimated for 2022

	Consolidated and parent company			
				2022
	BSPS	DB	CV	Total
Current service cost	-	-	125	125
Interest charges	553,087	89,418	12,640	655,145
Expected return on plan assets	(412,787)	(81,127)	(8,823)	(502,737)
(Credit)/charge for the year	**140,300**	**8,291**	**3,942**	**152,533**

23. Allowance for litigation

23.1. Accounting policy

The Company has a party to administrative and judicial proceedings at different court/ administrative levels for labor, tax, civil, and environmental lawsuits. The Company's management, under the advice of its legal advisors and based on analyzes carried out internally, set up provisions for cases when risk of loss is classified as probable.

Provisions for losses classified as probable, are recorded provided that: (i) there is a present obligation (legal or non-formalized), arising from past events; (ii) it is probable that there will be an outflow of funds to settle the obligation; and (iii) the amount of the obligation can be reliably estimated. No provisions are made for contingencies related to cases of litigation when risk of loss is classified as possible or remote; disclosures are provided for possible and remote risk of loss contingencies. The risk estimates attributed to lawsuits are based on management's assessment, under the advice of its internal and external legal counsel.

Provisions are measured at the present value of expenses that must be required to settle the obligation, reflecting current market assessments of the time value of money and the specific risks of the obligation. Changes in the estimated provisioned amounts are charged to income.

23.2. Analysis and changes in balances

As of December 31, 2021, litigation provisions for cases classified as probable risks of loss are shown below.

	Consolidated and parent company					
					2021	2020
	Labor lawsuits	Tax lawsuits	Environmental actions	Civil lawsuits	Total	Total
Opening balance	113,388	4,519	14,187	1,616,163	1,748,257	1,814,375
Updates	5,595	78	1,132	160,708	167,513	315,757
Provision / (reversal)	(4,764)	1,177	54,611	(476,717)	(425,693)	(266,644)
(-) Payments	(22,115)	(155)	(3,021)	(135,426)	(160,717)	(115,231)
Closing balance	**92,104**	**5,619**	**66,909**	**1,164,728**	**1,329,360**	**1,748,257**

Litigation liabilities are subject to constant variations because their measurement is linked to the progress of lawsuits. Thus, as an institutional policy, the Company seeks to reflect in its balance sheet, with the least possible lag, the current status of its passive portfolio (which justifies the quarterly fluctuations in the amounts disclosed in this regard).

The variation in the litigation whose assessment of the probability of loss is considered probable was mainly due to the revision of estimates according to the procedural evolution of the cases, judicial agreements and decisions that occurred in the period. The highlights in the year ended December 31, 2021 were the agreements related to the action of Oleiros Ceramistas de Panorama, which was individually the main process of the Company's portfolio.

All amounts in thousands of reais unless otherwise stated

23.3. Contingencies classified as by risk of loss

These contingencies arise from litigation, judicial or administrative suits, as follows:

				Loss Expectation
	Probable	**Possible**	**Remote**	**Total**
Nature				
Labor lawsuits	92,104	51,404	5,967	149,475
Tax lawsuits	5,619	436,007	152,173	593,799
Environmental actions	66,909	344,340	602,375	1,013,624
Civil lawsuits	1,164,728	1,307,272	4,211,266	6,683,266
Total as of December 31, 2021	**1,329,360**	**2,139,023**	**4,971,781**	**8,440,164**
Total as of December 31, 2020	**1,748,257**	**2,913,234**	**5,549,260**	**10.210.751**

The principal possible risk of loss lawsuits are as below:

23.3.1 Labor claims

The Company is a party to labor lawsuits, which generally involve secondary obligations arising from subcontracting of third parties. The Company has a total of 120 cases with a possible risk of loss, totaling R$51,404 (BRL 19,950 on December 31, 2020).

23.3.2 Tax actions

The Company has a total of 122 tax lawsuits which may result in a possible loss of R$ 436,007 at December 31, 2021 (R$ 453,415 on December 31, 2020).

23.3.3 Environmental actions

The Company is a party to environmental claims, usually related to remedial measures for environmental damage, mainly arising from the environmental impact of its projects.

The Company is currently involved in 541 environmental lawsuits which may result in a possible loss of R$ 344,340 (BRL 90,753 on December 31, 2020)

23.3.3 Civil actions

The Company is a party to civil lawsuits, which generally relate to expropriations, indemnities, and obligation linked to implementation of projects whose execution was or is under the Company's responsibility.

Currently, the Company is involved in 151 lawsuits which may result in a possible loss of R$1,307,272 (BRL 2,242,308 on December 31, 2020).

All amounts in thousands of reais unless otherwise stated

24. Other liabilities

	Consolidated		Parent company	
	2021	2020	2021	2020
Current				
Vivest (Note 25)	126	-	113	-
Extrajudicial settlement with the State of MS	8,091	6,594	8,091	6,594
Provision for education fund expenses	4,400	5,243	4,388	5,240
Insurance payable	4,539	47	4,537	46
Obligation to do - court settlement	8,388	-	8,388	-
Diverse advances	3,199	2,860	3,199	2,860
Provision for services	17,742	5,368	17,742	5,368
Court settlements	26,201	-	26,201	-
Provision for contractual clauses	22,500	-	22,500	-
Other liabilities	1,789	2,794	1,788	2,790
	96,975	22,906	96,947	22,898
Noncurrent				
Extrajudicial settlement with the State of MS	40,457	39,893	40,457	39,893
Global Reserve for Reversion - RGR (amortization/reversal)	4,010	4,937	4,010	4,937
Provision for PIS/COFINS on indexation of judicial deposits	3,083	2,655	3,083	2,655
	47,550	47,485	47,550	47,485
	144,525	**70,391**	**144,497**	**70,383**

All amounts in thousands of reais unless otherwise stated

25. Related party transaction

25.1. Accounting policy

Transactions with related parties are carried out by the Company at usual market prices and conditions and, therefore, do not generate any undue benefit to counterparties or losses to the Company.

25.2. Composition

					Consolidated
					2021
			Assets	Liabilities	Profit or loss
Companies	Note	Nature of transaction	Current	Current	Income/ (expense)
Votener - Votorantim Comercializadora de Energia Ltda.	8.1 e 16	Buying and selling energy	8,328	2,313	55,988
PSR Soluções e Consultoria em Energia Ltda.		Service providers	-	-	(6)
Compart Serviços e Assessorias Ltda.		Service providers	-	-	(3)
VTRM Energia Participações S.A.		Dividends payable	-	153,929	-
Votorantim S.A.	16	Service providers	-	339	(3,858)
Vivest	9 e 24	Post-employment benefits	123	126	(3,613)
Banco Votorantim S.A.		Cash and cash equivalents	-	-	(18,008)
			8,451	156,707	30,182

All amounts in thousands of reais unless otherwise stated

			Consolidated				
			2020				
			Asset		Liabilities		Profit or loss
Companies	Note	Nature of transaction	Current	Noncurrent	Noncurrent	Equity	Income/ (expense)
Votener - Votorantim Comercializadora de Energia Ltda.	8.1 e 16	Buying and selling energy	7,562	2,312	-	-	53,888
Nexa Recursos Minerais S.A.	9	Purchase and sale of energy and dividends to be received	3,482	-	-	-	-
PSR Soluções e Consultoria em Energia Ltda.		Service providers	-	-	-	-	(68)
Compart Serviços e Assessorias Ltda.		Service providers	-	-	-	-	(415)
Instituto Votorantim		Donations	-	-	-	-	(1,665)
VTRM Energia Participações S.A.		Dividends payable	-	229,213	-	-	-
Votorantim S.A.		Service providers	-	-	-	-	(3,610)
Vivest	9	Post-employment benefits	12,536	-	-	-	489
Banco Votorantim S.A.		Cash and cash equivalents	85,044	25,548	1,579	17,904	(56,249)
			108,624	**257,073**	**1,579**	**17,904**	**(7,630)**

			Parent company		
			2021		
			Assets	Liabilities	Profit or loss
Companies	Note	Nature of transaction	Current	Current	Income/ (expense)
Votener - Votorantim Comercializadora de Energia Ltda.	8.1	Buying and selling energy	8,328	-	80,693
CESP Comercializadora de Energia S.A.	8.1 e 16	Purchase and sale of energy and dividends to be received	22,318	6,929	166,202
PSR Soluções e Consultoria em Energia Ltda.		Service providers	-	-	(6)
Compart Serviços e Assessorias Ltda.		Service providers	-	-	(3)
VTRM Energia Participações S.A.		Dividends payable	-	153,929	-
Votorantim S.A.	16	Service providers	-	333	(3,839)
Vivest	9 e 24	Post-employment benefits	123	113	(3,613)
Banco Votorantim S.A.		Cash and cash equivalents	-	-	(531)
			30,769	**161,304**	**238,585**

All amounts in thousands of reais unless otherwise stated

			Parent company			
			2020			
			Assets	Liabilities		Profit or loss
Companies	Note	Nature of transaction	Current	Current	Equity	Income/ (expense)
Votener - Votorantim Comercializadora de Energia Ltda.	8	Buying and selling energy	7,562	-	-	79,800
CESP Comercializadora de Energia S.A.	8	Buying and selling energy	33,418	-	-	307,672
Nexa Recursos Minerais S.A.	9	Other assets	3,482	-	-	-
PSR Soluções e Consultoria em Energia Ltda.		Service providers	-	-	-	(68)
Compart Serviços e Assessorias Ltda.		Service providers	-	-	-	(415)
Instituto Votorantim		Donations	-	-	-	(1,665)
VTRM Energia Participações S.A.		Dividends payable	-	229,213	-	-
Votorantim S.A.		Service providers	-	-	-	(3,460)
Vivest	9	Post-employment benefits	12,536	-	-	489
Banco Votorantim S.A.		Cash and cash equivalents	85,044	2,831	1,869	(37,565)
			142,042	232,044	1,869	344,788

All amounts in thousands of reais unless otherwise stated

25.3. Remuneration of key Management personnel

Remuneration of key Management include the Board of Directors, Executive Directors and Statutory Audit Committee who received in the year ended December 31, 2021 a total of R$ 8,792 (year ended December 31, 2020 - R$ 8,765), being R$ 7,131 as fixed and variable compensation (R$ 6,728 in year ended December 31, 2020) with R$ 1,661 of related charges (R$ 2.037 in year ended December 31, 2020).

26. Equity

26.1. Share Capital

The paid-in capital of R$ 5,975,433 is divided into 109,167,801 common shares (CESP3), 7,386,323 class A preferred shares (CESP5) and 210,948,549 class B preferred shares (CESP6). The share capital may be increased, according to the bylaws, up to the maximum limit of R$ 17,926,300, upon resolution by the Board of Directors.

The Company's main stockholders, as of December 31, 2021, are as follows:

								Number of shares - In units
	Common	%	Preferred Class A	%	Preferred Class B	%	Total	%
Stockholders								
VTRM Energia e Participações S/A	102,091,755	93.52	-	-	28,928,300	13.71	131,020,055	40.01
	102,091,755	93.52	-	-	28,928,300	13.71	131,020,055	40.01
Others								
Treasury shares	25,980	0.02	84,515	1.14	2,560	-	113,055	0.03
Outstanding shares	7,050,066	6.46	7,301,808	98.86	182,017,689	86.29	196,369,563	59.96
	7,076,046	6.48	7,386,323	100.00	182,020,249	86.29	196,482,618	59.99
	109,167,801	**100.00**	**7,386,323**	**100.00**	**210,948,549**	**100.00**	**327,502,673**	**100.00**
Share capital paid up in R$ thousand	**1,991,815**		**134,767**		**3,848,851**		**5,975,433**	

26.1.1 Share rights

(a) Class A preferred shares have the following characteristics:

- Priority in the reimbursement of capital, without the right to a premium in the event of liquidation of the Company;
- Priority non-cumulative annual dividend of 10%, calculated on the value of paid-in capital represented by class A preferred shares, to be apportioned equally;
- Right to appoint, together with the class B preferred shares, a member of the Audit Committee and respective alternate, chosen by the holders of the shares, in a separate vote;
- Right to participate in capital increases, resulting from the capitalization of reserves and profits, under the same conditions as common shares and class B preferred shares; and
- Non redeemable.

All amounts in thousands of reais unless otherwise stated

(b) Class B preferred shares have the following characteristics

- Tag-along right to receive an amount per share corresponding to 100% of the amount paid per share to the selling controlling shareholder in the event of disposal of the Company's control;
- Right to participate on equal terms with the common shares of the distribution of the mandatory dividend attributed to such shares under the terms of these bylaws;
- Right to appoint, along with class A preferred shares, a member of the Audit Committee and respective alternate, chosen by separate vote;
- Right to participate in capital increases resulting from the capitalization of reserves and profits, under the same conditions as common shares and class A preferred shares;
- The shares have no right to vote and will not acquire this right even in the event of non-payment of dividends; and
- Non redeemable.

(c) Each common share will correspond to one vote in the resolutions of the General Meeting, except in the case provided for in Paragraph One in relation to the election of members of the Board of Directors.

(d) As provided for in article 5 of the Company's Bylaws, the stockholders, subject to the legal provisions and the conditions provided for, may convert (I) class A preferred shares into common shares and class B preferred shares and (II) common shares into preferred shares class A and class B preferred shares, in both cases, as long as paid in. The Company's class B preferred shares are not convertible.

26.2. Capital reserves

	Consolidated and parent company	
	2021	**2020**
Remuneration of property, plant and equipment in progress - Own capital	**1.929.098**	**1.929.098**

Balance of capitalized interest during the construction of the fixed assets through December 31, 1998.

26.3. Profit reserve

	Consolidated and parent company	
	2021	**2020**
Legal reserve (a)	280,230	258,188
Statutory reserve (b)	597,544	597,544
Profit retention (c)	1,078,890	1,078,783
Additional dividends (Note 1.2 (b))	-	252,622
	1,956,664	**2,187,137**

(a) The Legal Reserve is constituted through appropriation of 5% of adjusted annual net income, up to the limit of 20% of the capital;

(b) The reserve may be constituted through appropriation of up to 20% of the balance after the mandatory dividends of 10% of the share capital have already been calculated, as decided by the General Meeting, limited to 10% of the capital, on December 31, 2021 and 2020, the statutory reserve is at its ceiling of R$ 597,544;

(c) The remaining retained earnings balance is not required to be appropriated to other reserves for the payment of dividends.

(c) The balance of income that does not have compulsory allocation to other reserves and that is not allocated to the payment of dividends is allocated to the retained earnings account, in accordance with the Company's cash flow projections and capital budgets approved by the shareholders, in pursuant to article 196 of Law No. 6,404/76 and subsequent amendments.

All amounts in thousands of reais unless otherwise stated

26.4. Equity valuation adjustment (deemed cost)

Pursuant to ICPC 10, on January 1, 2009, the net effect of the change in fixed assets from adoption of the deemed cost model was recorded, net of income and deferred social contribution, in stockholders' equity (Note 14.3). Depreciation charged to "Retained earnings" and any write-off of the adjustment to fair value of fixed assets is recognized in income.

	Consolidated and parent company			
			2021	2020
	Cost assigned to assets	Deferred taxes	Equity	Equity
Opening balance	(1,393,420)	473,762	(919,658)	(948,623)
Realization in the period (depreciation)	44,551	(15,147)	29,404	24,012
Write-off referring to HPP Jaguari assets	-	-	-	4,953
Closing balance	**(1,348,869)**	**458,615**	**(890,254)**	**(919,658)**

26.5. Other comprehensive income

Upon adoption of CPC 33 (R1) - Employee benefit, actuarial gains and losses are recognized in equity.

The portion of the gain or loss resulting from hedge instruments determined to be effective is recognized directly in Other comprehensive income (Note 27.5.3)

	Consolidated		Parent company	
	2021	2020	2021	2020
Opening balance	(1,965,797)	(895,886)	(1,965,797)	(895,886)
Hedge Accounting operating				
Provision for Operational Hedge Accounting	94,358	(132,996)	58,573	(97,211)
(-) Deferred IRPJ and CSLL	(32,082)	45,219	(19,915)	33,052
Hedge Accounting - compensation (Note 13.3)	-	-	23,618	(23,618)
	62,276	(87,777)	62,276	(87,777)
Adjustment CPC 33 (R1) in the period	787,082	(1,517,581)	787,082	(1,517,581)
(-) Deferred IRPJ and CSLL	(267,608)	535,447	(267,608)	535,447
	519,474	(982,134)	519,474	(982,134)
Closing balance	**(1,384,047)**	**(1,965,797)**	**(1,384,047)**	**(1,965,797)**

26.6. Treasury shares

On October 30, 2019, the Company issue a Material Fact notice advising the market that, on that date, the Board of Directors had approved the buyback program for common and preferred class A shares.

Pursuant to the Buyback Program, the Company may, at its sole discretion, acquire (i) up to 218,000 registered, book-entry, class A preferred shares without par value, corresponding to 2.95% of the total of this class share and 0.07% of the Company's total capital stock; and (ii) up to 40,000 registered, book-entry common shares with no par value, corresponding to 0.04% of the total of this class of share and 0.01% of the Company's total capital stock.

In January 2021, the Company repurchased treasury shares totaling R$3,332, referring to 25,977 common shares and 84,514 class A preferred shares.

On December 31, 2021, the Company held in treasury 25,980 common shares, 84,515 class A preferred shares and 2,560 class B preferred shares, totaling 113,055 shares issued by the Company.

All amounts in thousands of reais unless otherwise stated

26.7. Proposed appropriation of results

Pursuant to the Company's Bylaws, if there is sufficient distributable net income, stockholders are entitled to a mandatory annual dividend corresponding to 10% of the capital. Additionally, according to the bylaws, it is incumbent upon the Board of Directors to declare, if so determined, the payment of interest on own capital and interim dividends.

When calculating adjusted net income for the purpose of distributing dividends, the following are considered: i) the amount allocated to the Legal Reserve and ii) the realization of the surplus value of the assets determined on the date of transition to international accounting standards, recorded in the caption Adjustment of Equity Valuation, in Equity.

Tax legislation allows companies to pay Interest on Equity, within certain limits, to stockholders and treat these payments as a deductible expense for purposes of calculating income tax and social contribution. This distribution, being part of the mandatory dividends to be paid by the Company, is treated for accounting and corporate purposes as a deduction from stockholders' equity in a similar way to dividends. Income tax at source is withheld at the rate of 15%, and paid by the Company when the interest distribution is credited.

Dividends and interest on equity not claimed within three years prescribe reverted to stockholders' equity.

For the year ended December 31, 2021 will be proposed a mandatory annual dividend of R$ 389,382.

26.7.1 Calculation

	Consolidated and parent company	
	2021	**2020**
Net income for the year	440,827	1,728,762
(-) Legal reserve - 5%	(22,042)	(86,438)
(-) Equity valuation adjustment	(29,404)	(28,965)
Adjusted income for the year (distributable as dividends)	**389,381**	**1,613,359**
(-) Interest on equity	-	(150,001)
(-) Mandatory dividends (10% of the capital stock)	(389,381)	(447,542)
(=) Balance of retained earnings	**-**	**1,015,816**
(-) Statutory reserve (Expansion - Art 33. IV Bylaws)	-	(90,738)
(-) Additional proposed dividends	-	(252,622)
(-) Profit retention	-	(672,456)
(=) Balance	-	-

26.7.2 Earnings per share

	Consolidated and parent company	
	2021	**2020**
Net income for the year (a)	440,827	1,728,762
Number of shares (b)	327,503	327,503
Earnings per share (a/b)	1.3460	5.2786

The Company does not have equity instruments or contracts with a dilutive effect, therefore, diluted earnings per share for the years 2021 and 2020 are equal to the basic earnings per share as above.

All amounts in thousands of reais unless otherwise stated

26.7.3 Dividends and interest on equity per share

	Consolidated and parent company			
	2021		2020	
	Dividends	Dividend per share	Dividends and interest on equity	Dividend and interest on equity per share
Common shares - ON	128,225	R$ 1.1748	283,374	R$ 2.5963
Class A preferred shares - PNA	13,327	R$ 1.8252	19,112	R$ 2.5963
Class B preferred shares - PNB	247,829	R$ 1.1748	547,678	R$ 2.5963
	389,381		850,164	

The difference between the number of shares in the calculation of earnings per share and dividends per share refers to treasury shares.

27. Financial instruments and risk management

The Company's business mainly comprises the generation of energy for sale to large consumers and traders (free market) and public utility companies that distribute electricity (regulated market). As of December 31, 2021 and 2020, the market values of the main financial instruments approximated book values, as shown below:

		Consolidated		Parent company	
	Level	2021	2020	2021	2020
Financial assets					
Measured at amortized cost					
Cash and cash equivalents (Note 7)	1	428.231	713.384	376.541	643.045
Financial investments (Note 7.3)	1	77.751	-	77.751	-
Trade receivables (Note 8)	1	268.439	272.817	176.044	213.276
Indemnification asset (Note 12)	1	1.739.161	1.739.161	1.739.161	1.739.161
		2.513.582	2.725.362	2.369.497	2.595.482
Valued at fair value through profit or loss					
Future energy contracts (Note 21)	2	612.107	128.436	-	-
		612.107	128.436	-	-
		3.125.689	2.853.798	2.369.497	2.595.482
Financial liabilities					
Measured at amortized cost					
Debentures (Note 17)	2	1.995.913	1.819.074	1.995.913	1.819.074
		1.995.913	1.819.074	1.995.913	1.819.074
Measured at fair value through other comprehensive income					
Derivative financial instruments (Nota 27.5)	2	12.699	104.225	8.288	64.955
		12.699	104.225	8.288	64.955
Valued at fair value through profit or loss					
Future energy contracts (Note 21)	2	620.316	149.880	-	-
		620.316	149.880	-	-
		2.628.928	2.073.179	2.004.201	1.884.029

The disclosure of measurements of the fair value of assets valued at fair value through Other comprehensive results follows the following measurement hierarchy:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2 - Information, in addition to quoted prices, included in level 1 that are adopted by the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
Level 3 - Inputs for assets or liabilities that are not based on data adopted by the market (that is, unobservable inputs).

All amounts in thousands of reais unless otherwise stated

27.1. Financial leverage ratio and maturity of liabilities

	Consolidated		Parent company	
	2021	2020	2021	2020
Adjusted EBITDA:				
Net income for the year	440.827	1.728.762	440.827	1.728.762
Income tax and social contribution	264.612	(1.471.964)	262.891	(1.474.429)
Financial result	614.167	555.928	616.689	557.351
Depreciation and amortization	421.008	397.329	421.008	397.329
Equity	-	-	(3.224)	(4.874)
EBITDA	**1.740.614**	**1.210.055**	**1.738.191**	**1.204.139**
PDV - Voluntary Dismissal Program		14.998		14.998
Reversal of provision for litigation	(425.693)	(266.644)	(425.693)	(266.644)
Hydrological risk renegotiation	(781.974)	-	(781.974)	-
Write-off of judicial deposits	60.256	63.284	60.256	63.284
Provision (reversal) for impairment of property, plant and equipment	248.520	(7.589)	248.520	(7.589)
Adjusted EBITDA: (a)	**841.723**	**1.014.104**	**839.300**	**1.008.188**
Net debt				
Debentures (Note 17)	1.995.913	1.819.074	1.995.913	1.819.074
Rentals	5.467	6.488	5.467	6.488
Cash and cash equivalents (Note 7)	(428.231)	(713.384)	(376.541)	(643.045)
Financial investments (Note 7.3)	(77.751)	-	(77.751)	-
Derivative financial instruments (Note 27.5.3)	12.699	104.225	8.288	64.955
Net debt (b)	**1.508.097**	**1.216.403**	**1.555.376**	**1.247.472**
Financial leverage index (b) / (a)	**1,79**	**1,20**	**1,85**	**1,24**

Financial liabilities of the Company and its subsidiary through maturity are presented below:

						Consolidated
						Due
	2022	2023 / 2024	2025 / 2026	2027 / 2028	2029 / 2030	Total
On December 31, 2021						
Debentures (Note 17)	98,018	139,004	64,488	560,902	1,133,501	1,995,913
Derivative financial instruments (Note 27.5.3)	12,699	-	-	-	-	12,699
	110,717	**139,004**	**64,488**	**560,902**	**1,133,501**	**2,008,612**
On December 31, 2020						
Debentures (Note 17)	-	87,722	139,004	64,488	1,527,860	1,819,074
Derivative financial instruments (Note 27.5.3)	95,084	9,141	-	-	-	104,225
	95,084	**96,863**	**139,004**	**64,488**	**1,527,860**	**1,923,299**

						Parent company
						Due
	2022	2023 / 2024	2025 / 2026	2027 / 2028	2029 / 2030	Total
On December 31, 2021						
Debentures (Note 17)	98,018	139,004	64,488	560,902	1,133,501	1,995,913
Derivative financial instruments (Note 27.5.3)	8,288	-	-	-	-	8,288
	106,306	**139,004**	**64,488**	**560,902**	**1,133,501**	**2,004,201**
On December 31, 2020						
Debentures (Note 17)	-	87,722	139,004	64,488	1,527,860	1,819,074
Derivative financial instruments (Note 27.5.3)	58,936	6,019	-	-	-	64,955
	58,936	**93,741**	**139,004**	**64,488**	**1,527,860**	**1,884,029**

All amounts in thousands of reais unless otherwise stated

27.2. Exchange rate risk

The Company's operating energy sales contracts are linked to the US Dollar rate. This exposure is mitigated through hedge operations (Note 27.5).

27.3. Interest rate/inflation risk

This risk arises from the possibility that the Company may incur losses due to fluctuations in interest rates and inflation, which increase the financial expenses related to loans, financing and debentures raised. The Company has not entered into derivative contracts to hedge against this risk, but it continuously monitors market interest rates in order to assess the need to replace the type of its debts.

	Consolidated and parent company	
Liabilities linked to rates	**2021**	**2020**
CDI	299,181	297,876
IPCA	1,696,732	1,521,198
	1,995,913	**1,819,074**

Company's risk of contracting fixed rates with an interest spread, arises if floating interest rates increase the financial expenses related to the liability. (Note 17)

27.4. Credit risk

The risk arises from the possibility that the Company may incur losses in receiving amounts billed to its customers. This risk is assessed by the Company as low, as: (i) for receivables arising from regulated market revenue - the concentrated number of its customers, the existence of contractual guarantees, as they are concessionaires of public energy distribution services under federal supervision, even subject to the intervention of the concession, and because there is no history of significant losses in the realization of its receivables; and (ii) for receivables arising from free market revenue - the concentrated number and business size of its customers, prior credit analysis and the existence of contractual guarantees of at least two months of billing.

In addition, derivative financial instruments and financial investments (cash allocation) create exposure to credit risk of counterparties and financial issuers. The Company has a policy of working with issuers assessed by rating agencies: Fitch Ratings, Moody's or Standard & Poor's, with a Brazilian rating equal to or better than A (or A2), or rating on a global scale equal to or better than BBB- (or Baa3). For cases where issuers do not meet the minimum credit risk ratings, criteria approved by the Board of Directors are applied as an alternative.

As of December 31, 2021, the Company's management believes that there are no situations of exposure to credit risk that could significantly affect its future operations and results.

All amounts in thousands of reais unless otherwise stated

27.4.1 Credit quality of financial assets

The table below reflects the credit quality of issuers and counterparties in cash and cash equivalents and derivative financial instruments.

				Local rating
		Consolidated		Parent company
	2021	2020	2021	2020
Cash and cash equivalents				
AAA	455,145	491,221	403,490	420,924
AA+	29,700	79,988	29,700	79,988
AA	21,137	57,120	21,102	57,078
AA-	-	85,047	-	85,047
Sem *rating*	-	8	-	8
	505,982	**713,384**	**454,292**	**643,045**

Ratings resulting from local and global ratings were taken from rating agencies (Standard & Poor's ("S&P"), Moody's, and Fitch Ratings). The standard ratings for S&P and Fitch Ratings are presented above.

27.5. Derivative financial instruments

27.5.1 Accounting Policy

The Company has a NDF program - Non Deliverable Forward in US Dollars (sale of foreign currency), an over-the-counter mode, with the objective of protecting up to 95% of foreign exchange exposure until December 2021. This exposure arises from energy sales contracts with an adjustment clause linked to the US Dollar rate.

Derivatives are initially recognized at fair value on the date that a derivative contract is entered into and are subsequently measured at fair value. Derivatives are contracted only for risk mitigation purposes and not as speculative investments. When derivatives do not meet the hedge accounting criteria, they are classified as held for trading and accounted for at fair value through profit or loss.

The derivatives contracted by the Company are considered as cash flow hedges, related to a highly probable anticipated transaction (revenue from energy sales). The effective portion of changes in fair value is recognized in equity in the "Other comprehensive income" and is subsequently reclassified to income in the same period in which the expected protected cash flows affect the statement of income. Gains or losses related to the ineffective portion are immediately recognized in income for the period

27.5.2 Internal and operational controls over contracting financial operations

In order to manage the risks associated with each strategy and each negotiation with financial institutions, all financial transactions are approved by the Executive Board and may be subject to prior approval by the Board of Directors, under the conditions established in the Company's bylaws. The Company documents, at the beginning of the hedge operation, the relationship between the hedge instruments and the items protected by hedge, as well as its objectives and risk management strategy for carrying out hedge operations. The Company also documents its assessment, both at the beginning of the hedge and on an ongoing basis, whether the derivatives used in hedge transactions and accounted for as hedge accounting are highly effective in offsetting changes in the fair value or cash flow of hedged items.

All amounts in thousands of reais unless otherwise stated

27.5.3 Composition

Consolidated

	Principal Amount 2021	Principal Amount 2020	Unit	Fair value at December 31, 2020	Impact on operating income (expenses)	Δ Fair value Other comprehensive income	Realized loss	Fair value at December 31, 2021
Programs								
Hedge of electricity sales transactions								
Non Deliverable Forward	11,000	122,000	USD thousand	(104,225)	(114,905)	94,358	(112,073)	(12,699)
	11,000	**122,000**		**(104,225)**	**(114,905)**	**94,358**	**(112,073)**	**(12,699)**

Parent company

	Principal Amount 2021	Principal Amount 2020	Unit	Fair value at December 31, 2020	Impact on operating income (expenses)	Δ Fair value Other comprehensive income	Realized loss	Fair value at December 31, 2021
Programs								
Hedge of electricity sales transactions								
Non Deliverable Forward	7,000	74,000	USD thousand	(64,955)	(71,148)	58,573	(69,242)	(8,288)
	7,000	**74,000**		**(64,955)**	**(71,148)**	**58,573**	**(69,242)**	**(8,288)**

All amounts in thousands of reais unless otherwise stated

27.6. Valuation of financial instruments

The Company's main financial assets and liabilities as of December 31, 2021 are described below, as well as the criteria for their valuation/evaluation:

a) Cash and cash equivalents

Comprise cash, bank accounts, and financial investments. The market value of these assets does not differ from the amounts shown in the Company's balance sheet.

b) Accounts receivable

Free Energy and Short Term Energy: these credits basically derive from free energy during the rationing period and transactions carried out within the scope of the current Electric Energy Trading Chamber - CCEE and were recorded and valued based on the information made available, based on current prices during the year at CCEE. There were no transactions related to these credits or charges that could affect their classification and valuation on the date of these individual and consolidated financial statements.

c) Investments

Initially recorded at acquisition cost, being subsequently evaluated using the equity method. A provision is recorded to reduce to market value, when required or applicable.

d) Debentures

The Company has assets and liabilities measured at fair value through profit or loss, and other financial liabilities not measured at amortizable value, which can be compared to the market funding values.

The measurement of the fair value of the valued debentures follows the following measurement hierarchy:

1 - Prices quoted in the markets for the Debentures of the 12th issue;
2 - Taking into account future payment flows, based on contractual conditions, discounted to present value at rates obtained through market interest curves. The market value of a security, therefore, corresponds to its maturity value (redemption value) brought to present value by the discount factor (referring to the security's maturity date) obtained from the Pre Bovespa DI curve for the Debenture of the 11th issue

	Consolidated and parent company			
	2021		2020	
	Book value	Fair value	Book value	Fair value
Debentures - 11th issuance	299,181	309,840	297,876	313,650
Debentures - 12th issuance	1,696,732	1,600,194	1,521,198	1,540,603
	1,995,913	**1,910,034**	**1,819,074**	**1,854,253**

e) Derivative financial instruments

The fair value of derivative financial instruments is determined by calculating their present value through yield curves on the closing dates. The curves and prices used in the calculation for each group of instruments are developed based on data from B3, Central Bank of Brazil, and Bloomberg, interpolated between the available maturities.

The present value of forward contracts (NDF) is estimated by discounting the nominal value multiplied by the difference between the future price on the reference date and the contracted price.

f) Energy future contracts

CESP Comercializadora executes energy purchase and sale transactions (Note 21), which are traded in an active market and meet the definition of financial instruments, as they are settled in energy, and readily convertible into cash. Such contracts are accounted for as derivatives under IFRS 9/CPC 48 - Financial instruments and are recognized in the balance sheet at fair value, on the date the derivative is entered into, and revalued at fair value on the balance sheet date.

27.7. Sensitivity analysis

The main risk factors that affect the pricing of financial instruments in cash and cash equivalents, future energy contracts, loans, financing and debentures and derivative financial instruments are the exposure to the fluctuation of the US Dollar and CDI interest rates and US Dollar coupons. The scenarios for these factors are prepared using market sources and specialized sources, following the Company's financial policies.

The scenarios as of December 31, 2021, are as below:

Scenario I - Market yield curves and quotations of December 31, 2021, according to the base scenario defined by management for March 31, 2021;

Scenario II - Stressing market yield curves by ~25% in at December 31, 2021;

Scenario III - Stressing market yield curves ~50% at December 31, 2021.

All amounts in thousands of reais unless otherwise stated

Consolidated

Risk factors	Cash and cash equivalents	Principal debentures	Principal of derivative financial instruments	Futures energy contracts	Unit	Impact on profit or loss: Scenario I – Impact on curves for 2021	Scenario I – Results of scenario I	Scenarios II and III – -25%	-50%	+25%	+50%
Interest rates											
BRL - CDI	505,780	301,114	61,386	-	BRL thousand	191bps	(28,809)	(5,833)	(11,667)	5,833	11,667
BRL - IPCA	-	1,740,188	-	-	BRL thousand	-456bps	79,353	43,766	87,532	(43,766)	(87,532)
Exchange rates											
American dollar	-	-	11,000	-	USD thousand	-1.44%	880	15,341	30,682	(15,341)	(30,682)
MtM of electricity											
Fair value	-	-	-	8,209	BRL thousand		(8,209)	(22,178)	(36,148)	5,761	19,731

Parent company

Risk factors	Cash and cash equivalents	Principal debentures	Principal of derivative financial instruments	Unit	Impact on profit or loss: Scenario I – Impact on curves for 2021	Scenario I – Results of scenario I	Scenarios II and III – -25%	-50%	+25%	+50%
Interest rates										
BRL - CDI	454,165	301,114	39,064	BRL thousands	191bps	(26,455)	(4,535)	(9,070)	4,535	9,070
BRL - IPCA	-	1,740,188	-	BRL thousands	-456bps	79,353	43,766	87,532	(43,766)	(87,532)
Exchange rates										
American dollar	-	-	7,000	USD thousands	-1.44%	560	9,762	19,525	(9,762)	(19,525)

All amounts in thousands of reais unless otherwise stated

28. Business risks

The most significant business risks in the Company's understanding are:

28.1. Hydrological risk and GSF (Generation Scaling Factor)

The Company's electricity generation depends directly on hydrological conditions, since its entire generating capacity is hydroelectric based. The Company's main hydroelectric plant, HPP Engenheiro Sérgio Motta (Porto Primavera), which represents 94% of its physical guarantee for sale, is concentrated in the basin of the Paraná River, in the western region of the State of São Paulo and operates a run of water model.

The Guaranteed Power Output of the system represents the maximum amount of energy to be supplied in permanent condition to a given supply guarantee criterion. The respective Guaranteed Power Output of each plant corresponds to the energy ceiling authorized to sell through contracts.

The risks of water droughts due to rainfall conditions are cyclical; these have worsened in recent years. According to the regulation currently in force in the electricity sector, part of the water shortage is covered by the Energy Reallocation Mechanism - MRE, an instrument that shares the risks of insufficient energy generation among all hydraulic plants that comprise this mechanism, capturing the differences in seasonality of flows in the several hydrographic basins, in order to try to neutralize the financial impact associated with the hydrological risk arising from the centralized dispatch that characterizes the SIN - National Interconnected System.

When the sum of the generation of the plants under the MRE is insufficient to cover the sum of the guaranteed power outputs of these undertakings, a GSF - Generation Scaling Factor less than 1 occurs, financially affecting these plants at a ratio corresponding to their physical guarantee and the amount actually generated, valued at PLD - Balance Liquidation Value and paid monthly. Hence, the GSF may affect the Company's results and its financial condition, as well as the generation of future cash flow.

On the other hand, when the generation of these plants exceeds the guaranteed power outputs, the MRE agents benefit from this "secondary energy", which is also remunerated to the PLD.

In order to mitigate the financial impacts of hydrological risk on hydraulic generation in the SIN, the Federal Government published Provisional Measure No. 688/2015, later converted into Law No. 13,203/2015, presenting a renegotiation agreement for this risk, with retroactive effects to 2015.

The Company, after in-depth studies and analyzes, filed with ANEEL the application to join the renegotiation of the hydrological risk in the ACR - Regulated Contracting Environment, in which 350 average MW contracted in 2016 and 230 average MW contracted from 2017 to 2028 are at risk covered for GSF. As to the ACL - Free Contracting Environment, the decision was not to join, due to unfavorable terms, including the other sectorial agents.

28.2. Risk of non-renewal of concessions

The Company has concessions for two hydroelectric plants which mature as below:

HPP	Maturity
Paraibuna	June 3, 2022
Engº Sérgio Motta (Porto Primavera)	April 13, 2056

All amounts in thousands of reais unless otherwise stated

29. Insurance (not audited)

The Company and its subsidiary have civil liability policies for executives and directors, in addition to cover for property risk and general liability insurance. Such policies provide coverage, conditions and limits, considered by management to be adequate to cover the inherent risks of the operation.

Type	Coverage	Maturity	Maximum indemnity limit	Annual net premium
Equity	Material damages and lost profits	01/5/2023	200.000	4.100
RCG	RC operations, employer, sudden pollution, moral damages, among others	01/12/2022	40.000	238
D&O	Indemnification to administrators, reimbursement to the borrower, among others	01/4/2022	80.000	300

30. Long-term commitments

The Company has the following long-term future commitments considered significant:

	Consolidated and parent company						
	2022	2023	2024	2025	2026	After 2026	Total
Inspection Fee for Electric Energy Services (TFSEE)	5,720	5,603	5,603	5,603	5,603	164,357	192,489
Tariff for Use of the Transmission and Distribution System (TUST and TUSD)	223,483	225,878	225,878	225,878	225,878	6,625,753	7,752,748
Financial Compensation for the Use of Water Resources (CFURH)	38,831	51,372	51,543	51,372	51,372	1,506,903	1,751,392
Connection charges	158	160	160	160	160	4,707	5,508
Energy purchase agreements	573,674	62,541	39,837	25,346	14,066	1,262	716,726
	841,867	345,555	323,021	308,359	297,079	8,302,982	10,418,863

31. Segment information

The Company's management and its subsidiary evaluated the criteria of CPC 22 Information by segment and concluded that it operates only one segment. The Company manages its main businesses as a single operating segment, consisting of the activities of generation and sale of electricity generated by its assets or purchased for resale for the management of its energy portfolio. The Company and its subsidiary have centralized management and all of their decision-making is based on consolidated reports.

32. Subsequent event

On January 7, 2022, CESP's Board of Directors unanimously concluded and approved the negotiations of the exchange ratio of the Company's shares for shares issued by VTRM, as per the proposal sent in 2021 and described in note 1.2(a).

The exchange ratio was freely negotiated between the management of VTRM and the Committee specially formed to monitor this operation, and on the date of the merger of shares, the non-controlling shareholders will receive, for each 1 share issued by the Company held by them, regardless of species or class:

I. 6.567904669174 new common, nominative, book-entry shares with no par value of VTRM; and

II. 0.095425888495 new preferred, nominative, book-entry shares with no par value of VTRM, mandatorily redeemable.

The merger of all the shares issued by the Company by its parent company VTRM was approved at the Extraordinary General Meeting held on February 15, 2022.

Still in the context of the transaction, on February 3, 2022, the corporate restructuring of VTRM was completed, which included the incorporation of Votorantim Geração de Energia S.A. and the cash contribution of R$ 1.5 billion by the CPP. With the conclusion of the VTRM Transaction, VSA and CPP now hold equity interests of approximately 54.2% and 45.8% in the capital stock of VTRM, respectively.

On February 16, 2022, the consents of the debenture holders of the 11th and 12th issuances of simple, non-convertible debentures of the Company's unsecured type were completed - Waiver 11th Issue and Waiver 12th Issue.

On February 25, 2022, VTRM was registered as a publicly-held company category “A” with the CVM and was granted the request for listing on the B3, with the admission of its shares to trading on the special segment of the Novo Mercado.

These shares were conditions precedent to the merger of all the shares issued by the Company into VTRM.

With the expiry of the period for exercising the right to withdraw by dissenting shareholders, on March 23, 2022, the conditions for the merger of shares and the redemption of VTRM preferred shares were approved at a meeting of the Company's Board of Directors and the date of closing of the transaction on March 25, 2022. On that date, the last trading day of the Company's shares on B3 took place, becoming, from then on, a wholly-owned subsidiary of VTRM.